

# Women and Retirement: Sizing Up Retirement Preparedness

NAFCU Annual Conference

Maureen Revak  
Director of Business Development,  
Ascensus



## Learning Objectives

- ✓ Highlight the unique retirement savings challenges facing women
- ✓ Address some of the underlying reasons for these challenges
- ✓ Suggest some ways that women may be able to gain more solid retirement footing
- ✓ Identify how your financial organization can help women save for retirement

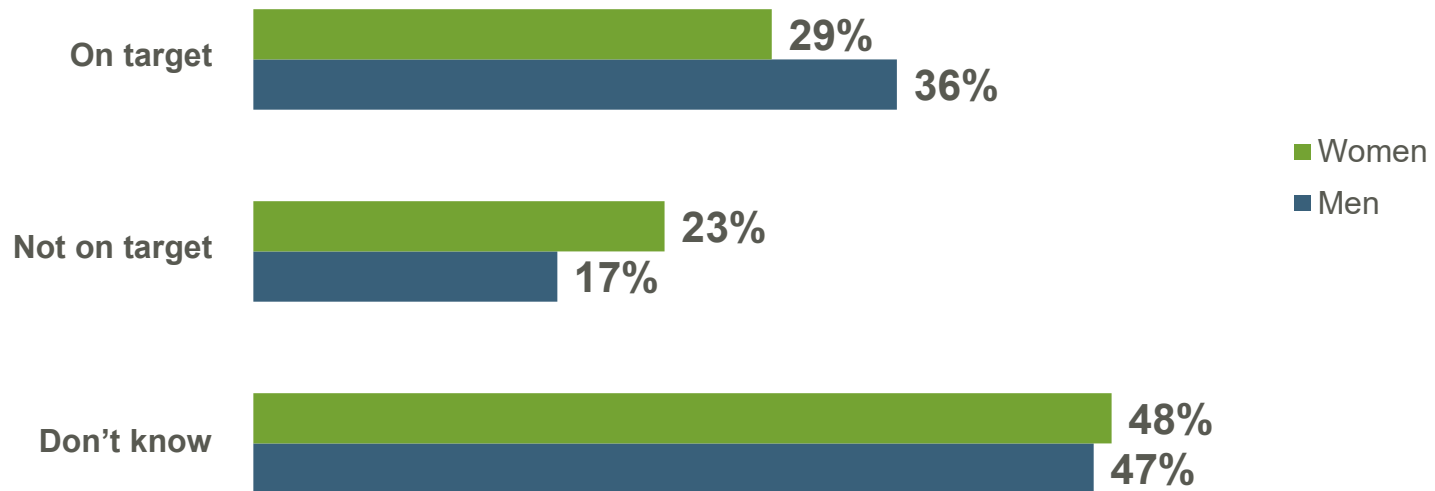
## Women Face Unique Retirement Planning Challenges

- **Earn less** and have **fewer years** of earned income
- **Live longer**
- Start **investing later**
- **Less confident** about their personal finance and investing skills and are **less aggressive** investors
- More likely to bear the brunt of the **“sandwich generation”** – caring for both children and elderly parents
- Statistically likely to **die single, divorced, or widowed**

Source: “The Unique Retirement Issues Facing Women,” by Larry Swedroe and Katie Keary. July 30, 2018. Advisor Perspectives.

## State of Retirement Preparedness

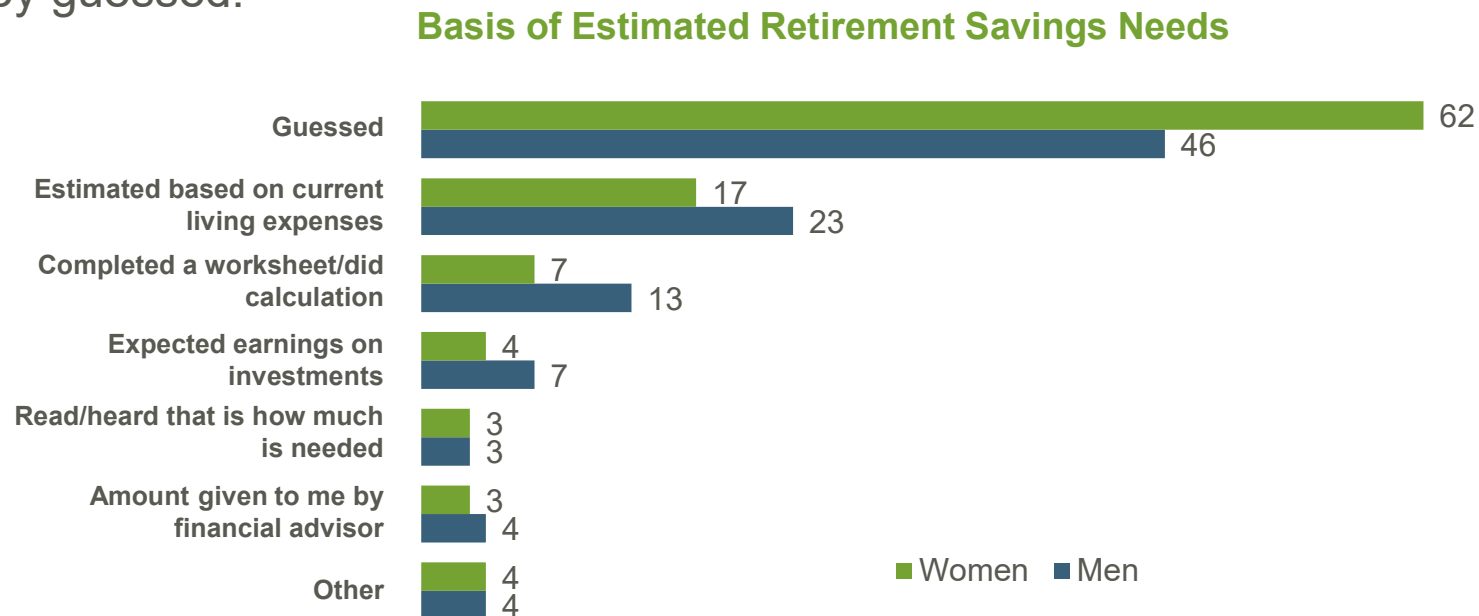
Fewer women than men are “on target” for retirement.



Source: “2017 Year in Review,” by Gregory A. Ward, Rynda Chappell-Wilk, Stacia Thomas, Mark Dennis, and Cynthia Meter. May 2018. Financial Finesse Think Tank Research.

# Women Guess at Their Retirement Savings Needs

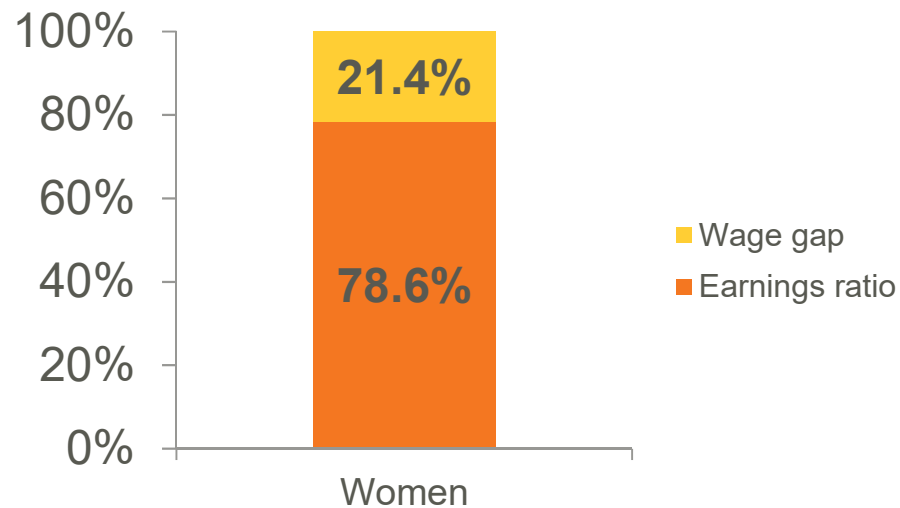
Among women who estimated their retirement savings needs, the majority say they guessed.



Source: "Sixteen Facts About Women's Retirement Outlook," by Catherine Collinson. March 2016. Transamerica Center for Retirement Studies.

# Women's Wage Gap

**2014 Women's Median Annual Earnings of Full-time, Year-Round Workers, as a Percentage of Men's**



Source: "[https://www.dol.gov/wb/stats/earnings\\_2014.htm](https://www.dol.gov/wb/stats/earnings_2014.htm)". 2014. U.S. Department of Labor.

## Women Face Added Earnings and Retirement Hurdles

- Roughly **40%** of women **earn less than \$30,000** per year
- Approximately **60%** of women **earn less than \$40,000** per year
- Women face **higher lifetime health care costs** because they will live, on average, two years longer than men\*
- On average, husbands are 2.3 years older than their wives. A surviving female spouse may become **responsible for all personal living expenses** for more than four years after her husband dies\*

Sources: "Top Five Retirement Challenges For Women Based on Earnings," Women's Institute For a Secure Retirement (WISER);

\*"HealthView Services: 2017 Retirement Health Care Costs Data Report<sup>®</sup>," 2017. HealthView Services.

# Career Breaks Reduce Lifetime Income

While men are more likely than in the past to take a “career break” to raise a family or to tend for elderly parents, women are still more likely to fulfill that role.

## Early Career Break

Break from age 35–45:  
She must save **25%**  
during her working years  
to match a man without a  
career break



## Late Career Break

Break from age 45–55:  
She must save **19%**  
during her working years  
to match a man without a  
career break



## After a Career Break

Break from age 45–55:  
She must save **16%**  
during her working years  
to match a man without a  
career break

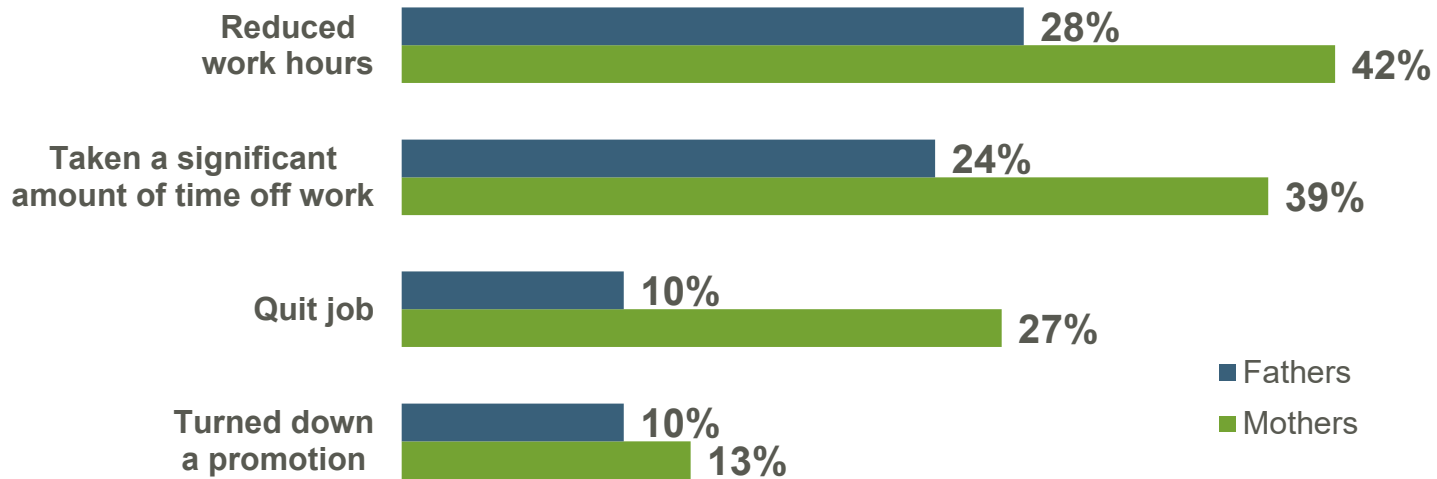


Source: “The Unique Retirement Issues Facing Women,” by Larry Swedroe and Katie Keary. July 30, 2018. Advisor Perspectives.



# More Career Disruptions for Mothers

Percentage saying they have experienced career disruptions in order to care for a child or family member



10 Source: "On Pay Gap, Millennial Women Near Parity – For Now: Despite Gains, Many See Roadblocks Ahead. December 11, 2013. Pew Research Center Survey.

## Part-Time Work Leaves Many Out of Employer Plans



Employers cannot exclude “part-time” employees, but plan service requirements—usually 1000 hours for eligibility—may lead to actual exclusion

Source: “Seventeen Facts About Women’s Retirement Outlook,” by Catherine Collinson. March 2017. Transamerica Center for Retirement Studies.



14% of men are considered part-time workers



26% of women are considered part-time workers



77% of full-time women workers are covered by their employer’s retirement plan



42% of part-time women workers are covered by their employer’s retirement plan

# Social Security Plays a Big Role in Women's Retirement

Women face unique financial challenges



Longer life spans, earning less, working part-time, and break in work to care for loved ones



These challenges usually lower women's Social Security benefits



More women rely on Social Security as sole source of retirement income



Need to know amount of future benefits, best time to retire, and how death and divorce affect benefits.

Source: "Social Security plays a big role in your retirement plan...but that's not all!". 2016. The National Retirement Planning Coalition.

## Social Security Is Critical to Women's Retirement Security

- Social Security is the **main source** of retirement income for seniors.
- Nearly **60%** of people receiving benefits are **women**\*
- **27%** of women 65 or older rely on Social Security for 90% or more of their income
- **21%** of men 65 or older rely on Social Security for 90% or more of their income



Sources: "Overcoming Barriers to Retirement Security for Women" by Joan Entmacher, Mikki Waid, and Benjamin W. Veghte. December 2016. National Academy of Social Insurance. \*"With You Through Life's Journey...", July 2017. Social Security Administration.

## Life Expectancy + Marriage Age Can Disadvantage Women



Because women live longer, on average, and are more likely to marry older men, the number of years spent alone—and absent an income source—may be greater.



For seniors over age 85, 85% of women are widowed but only 45% of men.



Approximately 20% of men will reach age 90, but 30% of women will reach age 90; a positive, but financial needs are greater.

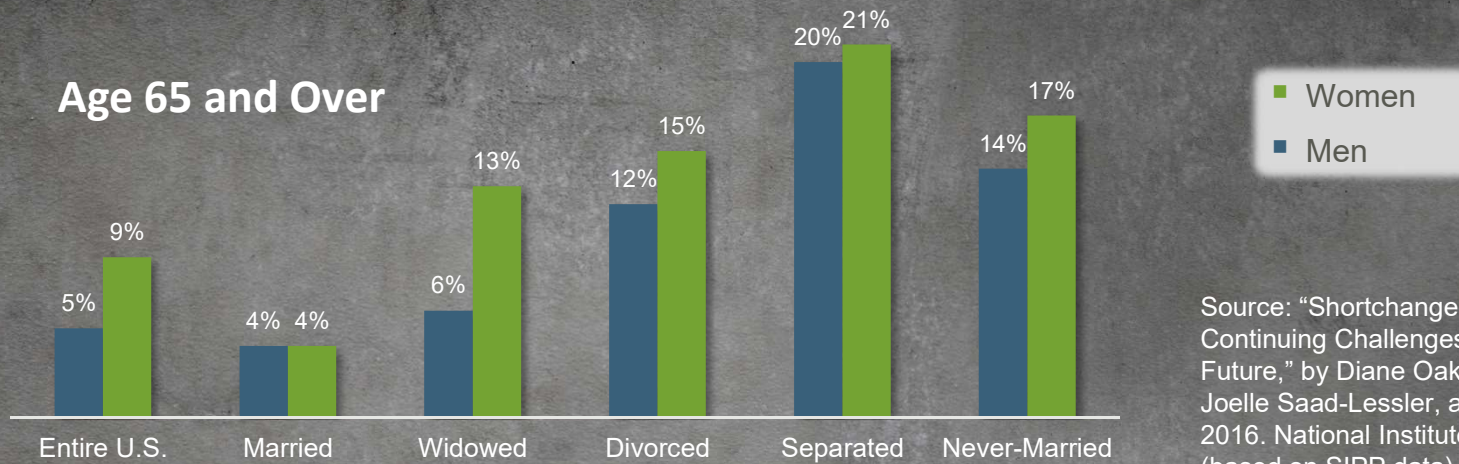


Periods of widowhood lasting 15 years or more are not uncommon for women.

Sources: "Impact of Retirement Risk on Women; 2013 Risks and Process of Retirement Survey Report," by Vickie Bajtelsmit, Carol Bogosian, Michael Crowell, Lara Hinz, Cindy Hounsell, Cindy Levering, John Migliaccio, Beth Pickenpaugh, Anna Rappaport, Andrea Sellars, Cecilia Shiner, Steven Siegel, and Julie Stich. 2014. Women's Institute For a Secure Retirement (WISER).

# Women Are More Likely to Live in Poverty

## Age 65 and Over



Source: "Shortchanged in Retirement: Continuing Challenges to Women's Financial Future," by Diane Oakley, Jennifer Erin Brown, Joelle Saad-Lessler, and Nari Rhee. March 2016. National Institute on Retirement Security (based on SIPP data).



## Future Health Care Expenses a Consideration in Retirement

Because women live (on average) two years longer than men, they will pay more for health care during retirement.

### Total Retirement Health Care Costs for Healthy Males and Females in 10-Year Increments

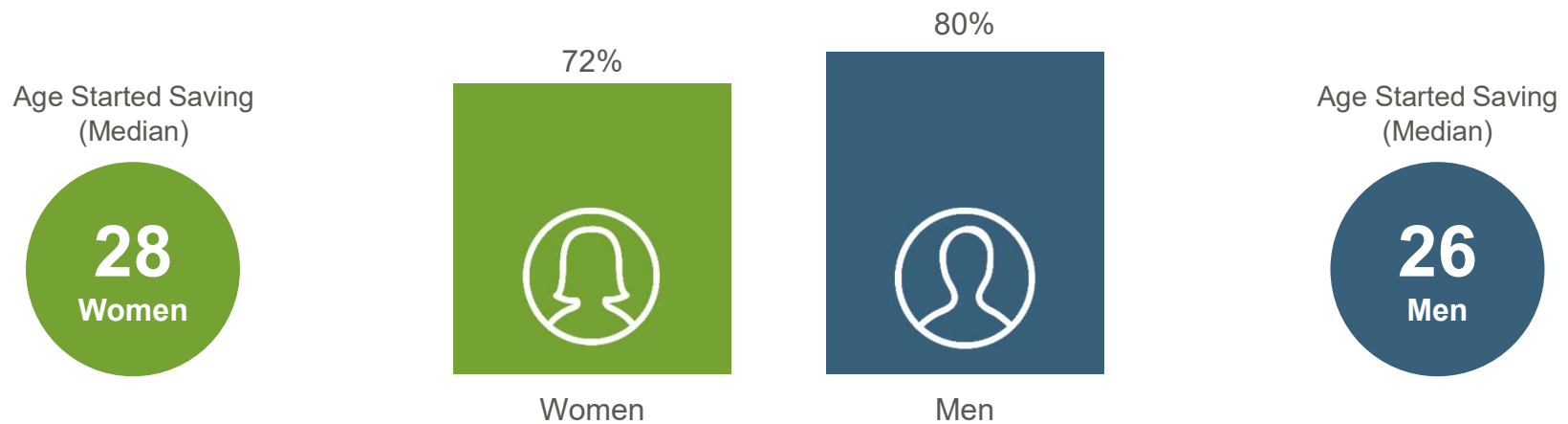
Age	Retirement Age	Male Life Expectancy	Male Health Care Costs	Female Life Expectancy	Female Health Care Costs	% Difference
65	65	87	\$267,395	89	\$314,673	17.7%
55	65	87	\$444,007	89	\$522,827	17.8%
45	65	87	\$758,393	90	\$966,952	27.5%*

\*Includes additional year of life expectancy. These numbers do not include costs associated with long-term care.

Source: "The High Cost of Living Longer: Women and Retirement Health Care". August 31, 2017. HealthView Services.

# Despite Obstacles, 7 in 10 Women *Have* Begun Saving

Workers Who Are Saving for Retirement Through an Employer-Sponsored Retirement Plan and/or Outside of Work



Source: "Seventeen Facts About Women's Retirement Outlook," by Catherine Collinson. March 2017. Transamerica Center for Retirement Studies.



## DOL Recommendations for Women Savers

- Women tend to invest more conservatively—so should **educate** themselves on investment concepts (risk and return, growth vs. value vs. income investing).
- Become familiar with all provisions of any **employer plan** offered.
- Save enough to get all **“free money”** from their employer’s plan, such as matching contributions.
- If any income is from self-employment, consider establishing a cost-effective employer plan—a **SEP or SIMPLE IRA** plan or an **“Individual(k)”** plan.

Source: “Women and Retirement Savings”. September 2017. U.S. Department of Labor.

## Principles for a Secure Retirement

- Start **saving regularly now**—even a modest amount—and annually **boost** savings rate by 1%.
- Become **personally involved** in your family finances—from daily budgeting to long-term planning.
- **Develop a plan for retirement** and write it down—and seek expert financial **assistance**.
- **Participate** in employer’s retirement plan, or start one if self-employed; **defer** as much as possible (but at least enough to get the maximum match).

Source: Taken in part from “Eighteen Facts About Women's Retirement Outlook...and Nine Steps to Improve It,” by Catherine Collinson. March 2018. Transamerica Center for Retirement Studies.

## Principles for a Secure Retirement, continued

- **Seek information** about retirement investing, tax benefits of retirement saving, eligibility for Social Security benefits (and their interaction with income), etc.
- Save more in a **rainy day fund**; have a **back-up plan** in the event of unforeseen circumstances such as divorce, loss of a partner, or disability.
- **Consider financial trade-offs** when deciding whether to reduce work hours or to take time off from work to be a stay-at-home parent or caregiver.
- **Maintain skills and health** to be able to work past age 65.

Source: Taken in part from “Eighteen Facts About Women's Retirement Outlook...and Nine Steps to Improve It,” by Catherine Collinson. March 2018. Transamerica Center for Retirement Studies.

## If Married and Nonworking or Not Eligible, Save in a Spousal IRA



Common misconception: Individuals can't save much without a workplace plan; but in fact, can actually save a great deal in a "spousal IRA."



A noncompensated individual can make a full IRA contribution of \$6,000 (or \$7,000, if age 50 or older), funded by her spouse's income.



Saving \$6,000 yearly for 10 years (e.g., from age 30–40, when out of the workforce) and earning 6% in an indexed fund would yield well over \$80,000.

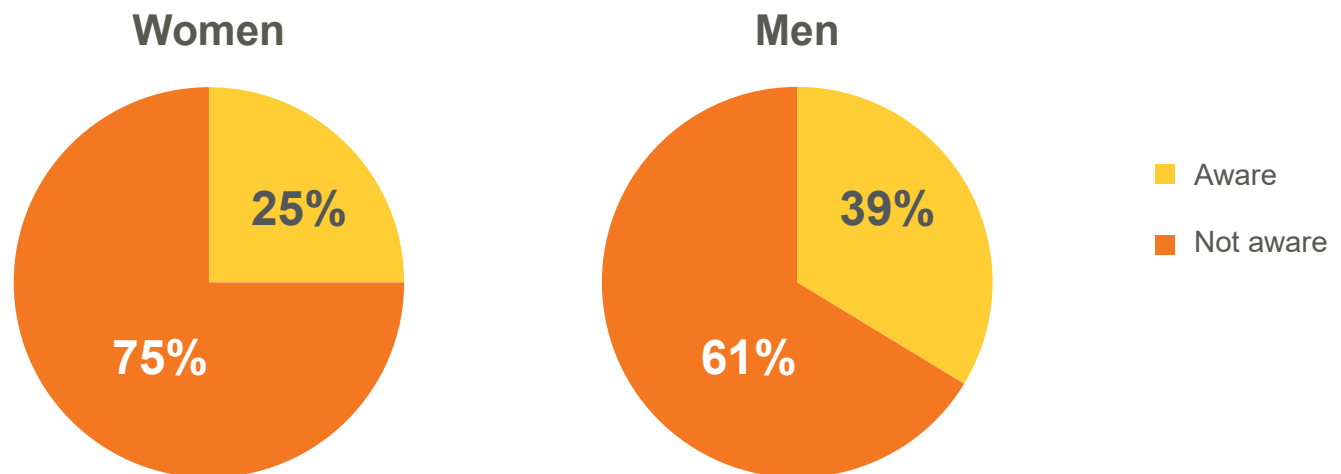


\$80,000, invested from age 40–65, and earning 6%, would yield approximately \$350,000—just from a 10-year savings period *while not in the workforce!*

# Many—Especially Women—Don't Know About the Saver's Credit

Given income disparities, more women are likely to qualify

## Awareness of the Saver's Credit



Source: "Seventeen Facts About Women's Retirement Outlook," by Catherine Collinson. March 2017. Transamerica Center for Retirement Studies.

## Health Savings Accounts (HSAs)

If eligible, contributing to an HSA can lessen the burden of health care expenses during retirement.



Save on  
taxes



Accumulate  
savings



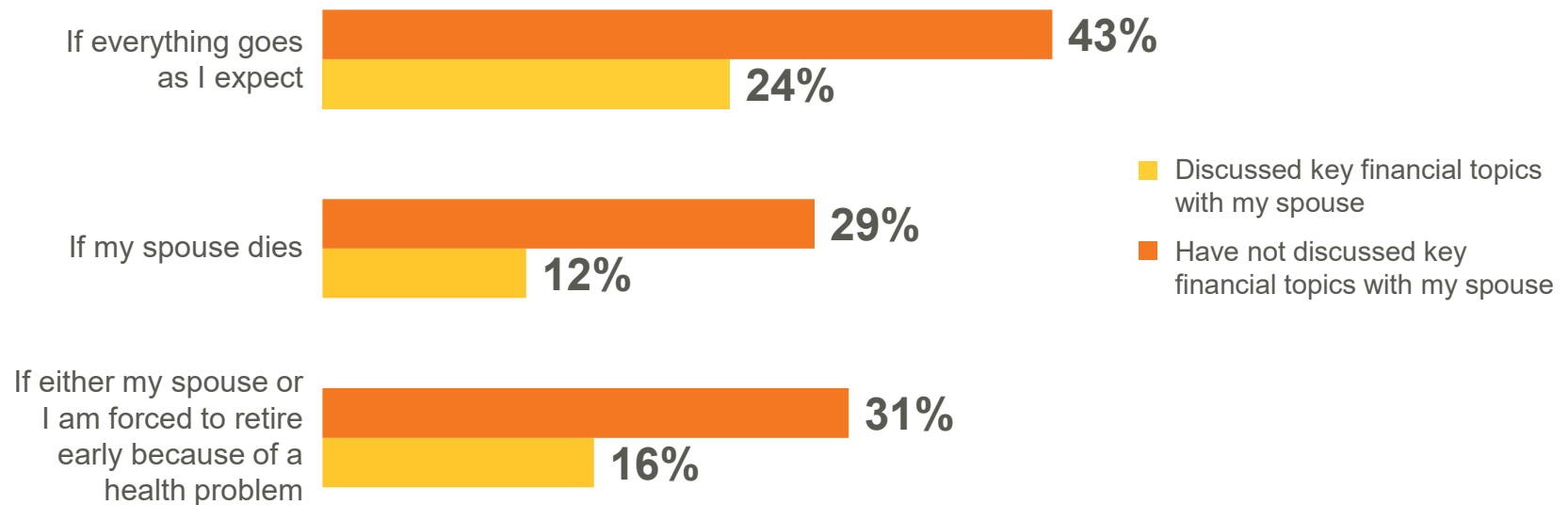
Pay for  
qualified  
medical  
expenses



Use at age  
65 or older  
without  
penalty

# Discussion and Planning Boost Confidence in Preparedness

## Among those who discuss/don't discuss financial topics with spouse



Source: "Family & Retirement: The Elephant in the Room," by Catherine Collinson. 2013. A Merrill Lynch Retirement Study, conducted in partnership with Age Wave.

## How Can Women (Especially) Prepare Better for Retirement?

- Modest, ***incremental solutions*** can boost retirement readiness.
- There may be unexplored ***opportunities*** for your organization.
- Many approaches will require a ***commitment*** to
  - Servicing historically underserved clients
  - Training staff on your favored approaches
  - Long-term dedication to cultivating relationships
- Some approaches may be targeted specifically at women; most apply to all



# What Can Your Organization Do?

Educate and market retirement-savings opportunities



## **Educate**

on IRA rules and  
promote the  
importance of saving  
“early and often”



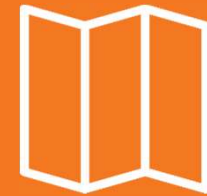
## **Direct Deposit**

Offer and  
promote



## **Articles**

Website and  
newsletter



## **Brochures**

Lobby and  
statement stuffers

# What Can Your Organization Do?

Market towards female investors by changing language to include women or be gender neutral

Instead of:	Try:
Dear Sir	Dear Sir or Madam
Dear Gentlemen	Dear Ladies and Gentlemen/Dear Gentlemen and Ladies
Congressmen	Members of Congress
Chairmen	Chairs
Addressing women by their first names, while using a formal title such as “Professor” or “Dr.” for men	Using either formal titles or first names for men and women consistently within a single communication
Using gender-specific names in hypotheticals, i.e. “David and Ross are investors”	Using gender-neutral terms such as “they”
Specifying or presupposing a particular gender when referencing individuals whose gender is not known	Using pronouns that do not specify or presuppose a particular gender (e.g. “S/he” or they”)

Source: “Oh Brother: Firms’ Images, Language Shutting Women Out.” July 10, 2017. Ignites, A Financial Times Service.

## What Can Your Organization Do?

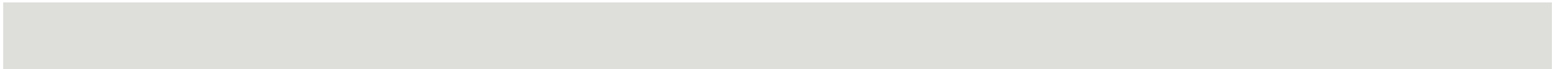
Women aren't merely "niche" or "specialty" markets; they're more than half the population and offer strong ROI on advertising dollars.

- **75%** of women use the **internet** to become informed consumers—and businesses can **find women consumers** there.
- Internet gives small businesses—including brick-and-mortars—a chance to **compete** globally with large companies.
- Ads with **general appeal** to women and men work best when they connect with peoples' identities and interests.
- Ads that target women should offer **reliable, useful information**.

Source: "What Percentage of Advertising Is Geared Towards Women, by Valerie Bolden-Barrett." Accessed November 2, 2018. AZCentral, Part of the USA Today Network.



**Questions?**



*Thank you for attending*

# Women and Retirement: Sizing Up Retirement Preparedness

NAFCU

Maureen Revak  
Director of Business Development,  
Ascensus

