CNBC

Why women will fall short in retirement, even if they wait until age 67

PUBLISHED TUE, MAR 19 2019 12:29 PM EDT

Nadine El-Bawab

KEY POINTS

- Nearly 3 out of 4 women will face significant savings shortfalls if they plan to retire at age 67, according to data from Aon.
- Saving more money during your career is only part of the solution. Women must also invest their savings to take advantage of compounding interest over time.

- Women hoping to retire by age 67 face a tough choice: sock away more cash now or delay retirement even further.
- Those were the findings from a recent survey by Aon. The retirement consulting firm analyzed the 2017 records of 1.3 million individual savers, along with data from the Bureau of Labor Statistics.
- About 7 out of 10 women participating in the survey will need to overcome significant shortfalls in order to retire at 67, Aon found. Their savings will be short by at least twice their salary.
- Female employees are less prepared for retirement because they not only earn less than their male counterparts but also have a longer life expectancy, said Grace Lattyak, associate partner at Aon.
- Women in the U.S. generally make about 80 cents to each dollar a man earns. And women have an average life expectancy of about 81, according to the Centers for Disease Control and Prevention. Men have an average life expectancy of about 76 years.
- Women also take time out of the workforce to care for family members, which could affect their ability to earn more money and save for retirement, said Lattyak.

- Indeed, close to 2 in 3 female workers who took family leave were the primary caregiver for a sick relative, according to data from Pew Research.
- “In general, there is a huge gap between the savings that women might have for retirement compared to men,” said Avani Ramnani, a certified financial planner and director of financial planning and wealth management at Francis Financial in New York.
- ## Saving and investing

- On average, women should have 11.6 times their last annual salary saved by age 67 in order to retire, according to Aon’s analysis.
- However, based on current savings rates, they’ll only have an average of about 7.6 times their salary saved by that age. They’ll face a steep shortfall.
- In order to beat that hurdle, female workers will need to either defer their retirement or save more money during their working years.
- There are different approaches to saving up that money.
- Aim to contribute up to 15 percent of your salary each year in your 401(k), said Ramnani.
- Also, consider working with a financial planner who can help you figure out how much you need to have saved by the time you retire, she said.
- “You should estimate how much your expenses are going to be for each year of retirement, and work backwards to see how much you’ll need at the beginning of retirement,” said Ramnani.
- This will give you a sense of how much you need to save each year in order to meet that goal.
- Finally, saving is only part of the equation. You should invest that money so that it grows over time.
- “Women tend to shy away from investing, but keeping the money in a bank account will not make it grow the way you need it to grow,” said Ramnani.
- Your workplace 401(k) will give you a good start, she said. Your contributions are made on a pretax basis, and they grow tax-deferred until you retire and it’s time to withdraw the money.

Site: https://www.cnbc.com/2019/03/19/why-women-will-fall-short-in-retirement-even-if-they-wait-until-67.html

Kiplinger

Retirement Planning Is Different for Women. It Just Is. Here's Why.

With a longer lifespan and often less time building a nest egg, the stakes for women are higher in retirement, but these challenges don't have to sideline your planning.

By AMBER KELLY, INVESTMENT ADVISER REPRESENTATIVE | Global Wealth Management
February 11, 2019

Financial professionals will tell you that every retirement plan is distinct because every retiree is unique, but that isn't exactly true. Married couples almost always get just one retirement plan.

Though that makes sense in many ways — after all, those two people are hoping to live a long and happy life together — their retirement plan must also represent their very different needs.

Unfortunately, even now in 2019, women tend to take a back seat when it comes to working out the details of their financial future. This is troublesome, given that, on average, **women still live longer than men** and therefore have a real stake in how long their retirement income will last.

Nearly every woman will have sole responsibility for her finances at some stage in her life. Some will choose not to marry. Many will divorce. And even married women need to consider their income prospects, weighing the facts that if they're widowed, they'll lose one Social Security check and possibly at least part of a pension check and will probably have to pay more in taxes when they file as an individual.

Of course, that isn't the only challenge that makes a women's participation in financial planning a must. Others include:

1. Women still tend to be the primary family caregiver.

When their children are small, women generally take the caregiving lead, which can take a toll on their bottom line in retirement. Stay-at-home moms especially struggle to catch up. When they're young, they can miss out on years of contributions, possibly with an employer match, and the benefits of compounding in a 401(k). Later, they'll likely see less in Social Security and pension benefits. If they get divorced, they may lack the experience or support system that allows them to thrive at work and earn a higher salary.

It doesn't end there. Women are also likely to be the **caregivers for their elderly parents**, further affecting their careers and finances. Many report taking time off from work to help out, cutting their hours or passing up promotions.

2. Women continue to face a wage gap.

Although they now make up approximately half of the workforce, women on average earn less than men in nearly every occupation for which there is enough data to calculate an earnings ratio for both genders. In 2017, female full-time, year-round workers made only **80.5 cents for every dollar earned by men, a wage gap of 20%**. That gap can be explained in part by women's time out of the workforce, but it's also because of occupational segregation; female-dominated jobs generally don't pay as much as traditionally male-centric jobs. Again, the gap can affect women's Social Security and pension benefits, as well as their retirement savings.

3. Women can expect to pay more in health care costs in retirement.

According to Fidelity Investments' 16th **annual retiree health care cost estimate**, a 65-year-old couple retiring in 2018 will need $280,000 to cover health care and medical expenses throughout retirement. But it isn't an even split. Because women usually have a longer life expectancy, they can expect to pay $147,000. For men, the estimated cost is $133,000.

That figure also doesn't include long-term care. Couples generally care for each other as long as they can as they age — but if her spouse predeceases her, which is likely, a surviving wife may need to pay for outside care for herself. This cost also continues to rise. Genworth's most recent survey found that the **annual median cost of care** now ranges from $18,720 for adult day care services to $100,375 for a private room in a nursing home.

4. Women are typically more conservative investors.

When they do get involved in financial planning, **women are likely to be more risk-averse**. Playing it safe is more comfortable — and probably a good approach when near or in retirement. Unfortunately, it also can mean less growth when women are in the accumulation stage of their investing years. Single and divorced women may need to pull more income from their investment savings in retirement if their Social Security and pension benefits are lacking.

5. Women have a hard time discussing their finances – even with a professional whose job is to help them.

When polled for the **2015 Fidelity Investments Money FIT Women Study**, 56% of women said they refrained from discussing finances because the subject is too personal; 27% said they were raised to not talk about finances; and 10% said they don't understand or know how to talk about it intelligently.

Asked about working with an adviser, 47% said they're hesitant to talk about money and investing with a financial professional, and 50% of those who had a primary investment firm said they had never spoken with a representative there.

The bottom line: My advice to all women

Clearly, there are issues here that must be overcome. But the women I talk with tell me they really do want a personalized financial strategy that gives them a better sense of security. They want to know if they've saved enough, if their money will last and if they have all their bases covered.

You don't have to know a lot about investing to ask those questions of an adviser, and you should be able to get answers that satisfy you with a plan that puts you on the right track.

If you're a woman who's been avoiding financial planning, or if you handed the job over to your spouse years ago, it's never too late to get involved. Don't be intimidated — by the jargon, your spouse or anything else. And don't say you're too busy. (Even if you are.)

Make this the year you take control of your own financial future.

Site: https://www.kiplinger.com/article/retirement/T037-C032-S014-retirement-planning-is-different-for-women.html

MarketWatch

Why many women won’t talk about money and how to get past it

Published: July 3, 2018 9:52 a.m. ET

The reluctance to talk about money can seriously undermine a woman’s financial stability.

Why are so many women afraid to talk about money?

Although many women are running their family households and making most day-to-day purchases and budgeting decisions, they still feel uncomfortable discussing financial matters — even with their financial advisers. I call it the “money taboo.”

Ironically, 90% of women will be solely responsible for their finances at some point in their lives — whether from staying single, experiencing divorce or simply living longer than men. In fact, women live an average of five years longer than men, meaning they need to support a more extended retirement and are also likely to have higher health costs down the road. And yet, in one survey, 61% of women said they would rather discuss the details of their own death than money!

Understanding women and money

What’s going on here?

A lot of things, actually. For many people, and women especially, money is fraught with emotional meaning. The presence of money can mean opportunity, security, status, acceptance and power. Conversely, its absence can mean the opposite. No wonder it’s such a loaded topic.

When our firm brought together a group of women clients and prospective clients to talk about the money taboo, we heard a variety of reasons for their reluctance. Some common themes emerged. A few of them were:

"I'm embarrassed that I make too much, maybe more than my friends."
"I was told it's not polite to talk about money."
"My husband has always handled that."
Because couples tend to not talk about money, divorcées and widows often come to us for help sorting out finances when they are emotionally distraught. Obviously, this is not the best time for them to be tackling the subject for the first time.

Sometimes, husbands initiate a dialogue between us and their wives so the women will become more educated and know whom to call if something happens to their spouses.

Another common "money taboo" situation: couples who have not discussed the type of inheritance they want to leave their children and have very different ideas on "equitable" versus "equal."

We also have female clients who took time off to raise kids or care for parents and, consequently, have far less in savings than male counterparts who remained in the workplace. If these women are single or divorced, this can be financially taxing.

Why women are often mum on money

Certainly not all women demonstrate the money taboo. However, many societal norms and cultural messages undermine their ability to gain financial literacy and investment expertise:

- While women are increasingly the primary breadwinners in families, they often remain the primary caregivers as well, with less time to devote to financial planning
- They were taught as children things like it's not polite to talk about money and that girls aren't good at math
- Women are generally less familiar with financial terminology and industry jargon than men and think they don't know how to evaluate financial options. A recent study found that only 41% of women said they understand their investments well, compared with 56% of men.
- Women tend to extrapolate the meaning of money beyond purchasing power into security, caring for their families and other "larger than life" ideas that make money more frightening to think about

The high cost of silence

Unfortunately, subscribing to the money taboo can seriously undermine a woman's financial stability. The most striking effect is the wage gap. The reluctance to talk about money means that many women earn less than their male counterparts for similar jobs — in virtually every profession. Overall, women earn $0.83 on the dollar compared with men.

Perhaps in part because of the way they think about money, women also tend to define financial success quite differently than men — to their detriment.

In general, men define success based on a target number. Women frequently talk about financial success in terms of having enough money to be self-sufficient, to maintain their lifestyles through retirement and not having to depend on their children. They want good investment performance and returns but tend to view these things in the context of life and family, rather than in absolute monetary terms. For women, an investment decision that men see as a simple trade becomes much more complex. Sadly, this puts women behind in saving for retirement and often leaves them ill equipped to handle finances in the event of divorce or the death of a spouse.

6 ways for women to overcome the money taboo

Here are six ways women can overcome the money taboo:

1. Engage a financial professional, someone who is not just a glorified mutual fund salesperson but a financial planner with the CFP (Certified Financial Planner) designation or a Registered Investment Advisor (RIA) required to act first in the interest of clients. Women who use financial advisers are more than twice as likely to consider themselves on track in planning for retirement.
2. Find a community of women you can trust with money questions and concerns. Taboos get overturned through conversation, and conversation facilitated in a "safe space" is a good starting point.
3. Commit to spending some time understanding at least the basics of financial management. Seminars, books and podcasts are all good ideas. Knowledge is power.
4. Don't be afraid to "out the elephants." Ask questions and talk about money with spouses and significant others, fiancées, aging parents and siblings.

5. Try to understand and accept whatever money issues you carry around. You may not be able to change these attitudes, but knowing how they can shape your perceptions may let you observe them rather than have them impact your financial decisions.

6. Do your homework. Research what you should be paid when you're going for that next job or promotion. Find a mentor or career coach in your industry. Know your value, and don't sell yourself short.

We have the power to create change

Women don't want a different investment portfolio than men; they want a different investment experience. There is a whole emotional side to money that many women feel keenly. As a woman-owned firm, we understand this and devote a lot of time to educating our women clients, facilitating couple's conversations around money and investing and offering forums for women to share experiences with others and build financial intelligence. We ensure that women feel heard and understood.

O'Brien is not alone. With $22 trillion in wealth expected to transfer into the hands of women by 2020, many financial services firms are beginning to focus on this underserved market. Advisory firms are looking to add female advisers, although they remain relatively rare in the industry, and investment firms are adapting their marketing and messages to better resonate with women's unique circumstances, perspectives and preferences.

I feel hopeful that as the conversation changes and the industry adapts, more women will abandon the money taboo and overcome the barriers that have limited their financial success.

Jill Fopiano is CEO, chief investment officer and majority owner of O'Brien Wealth Partners. She is a Chartered Financial Analyst, a Certified Financial Planner and an Accredited Domestic Partnership Advisor.

Site: https://www.marketwatch.com/story/why-many-women-wont-talk-about-money-and-how-to-overcome-it-2018-07-03