



## Retirement Planning Challenges Women Face

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**By Sandra Adams**

If we are being completely honest, planning and saving for retirement seems to be more and more challenging these days - for *everyone*.

Gone are the days when our companies provided guaranteed pensions for us to rely on, so it is on us to save for our own retirements. And most of us aren't spending a lifetime with the same company, so we are managing our employer retirement savings plans and carting them with us from place to place, hoping not to leave one behind or being tempted to withdraw from those accounts in the interim for some family emergency.

All the while, life happens... kids grow up (but maybe don't move out) and have more and more expenses along the way. Very likely our older adult parents are needing our help, both in time and money. Grandchildren might even creep into the picture. And with all of this, we are supposed to be saving for retirement - potentially enough to last 25 or 30 years.

While these issues certainly affect both men and women, the impact to women can be tenfold. In addition, women are affected by additional issues that can put them behind when it comes to

retirement savings. Let's take a look at some of the major issues that face women specifically when it comes to retirement planning:

**Women, in general, have fewer years of earned income than men.** Women tend to be the caregivers of families, both for children and for other family members. Therefore, they may have periods of time out of the workforce to handle these caregiving duties for their families. The result is multifaceted: less earned income, less retirement savings, less Social Security earnings, and potential halted career trajectory. According to a 2015 study, "[Women & Caregiving: Facts & Figures](#)" by the National Center on Caregiving, women spend, on average, 12 more years out of the paid workforce than men.

**Women, in general, earn less than men.** According to 2017 numbers from the Bureau of Labor Statistics, for every \$1 a man makes, a woman in a similar position earns 82 cents. This gap is closing but still has a ways to go. But that means women have potentially less retirement savings based on less earnings and less in Social Security benefits based on less earnings over a lifetime. And because women tend to have more work disruptions and interruptions based on family obligations (the average woman spends 44% of her adult life out of the work force compared to 28% for a man), the pay gap can have an even bigger impact on women's ability to save for retirement.

**Women, in general, are less aggressive investors than men.** In general, women tend to be more conservative investors than men. Analyses of 401(k) and IRA accounts of men and women of every age range show distinctly more conservative allocations for women. Whether this is a lack of overall knowledge about long-term investing, a factor of risk tolerance, or something else, it appears that women may leave more money on the retirement table than men, especially with longer term retirement investment assets. Especially for women, who may have longer life expectancies, incorporating appropriate asset allocations with the ability for assets to outpace inflation and grow over the long term is imperative.

**Women, in general, tend to live longer than men.** As noted above, women have fewer years to save and have more years to save for. According to the [Centers for Disease Control and Prevention](#), the average life expectancy for a woman at birth is 81 years versus 76 years for a man. Social Security uses a life expectancy of 86 years for women and 84 for men once both genders reach age 65. One out of four 65-year-olds will live past 90 and one out of every 10 will live past 95. There will be a lot of single older women needing to plan for retirement income for longer life expectancies and the associated healthcare costs that come along with those years. According to the U.S. Census Bureau, by the age of 85, women outnumber men two to one and the majority (81%) of centenarians are women.

**Women who are divorced often face specific challenges and obstacles, and are less likely to marry after a gray divorce (divorce after 50).** From a financial perspective, in most cases, divorce tends to negatively impact women far more than it does men. According to studies done by the American Sociological Review (1996), the average woman's standard of living drops 27% after divorce while the man's increases 10%. Why? Women tend to remain primary caregivers for children. If they are working outside of the home they tend to earn less, and they tend to make mistakes during the settlement process by lacking competent financial advice (i.e. keeping large homes that they cannot afford, believing retirement assets have the same value as non-retirement assets, believing a 50/50 division of assets is always "equitable", not understanding the tax implications of dividing certain types of assets, not protecting child support/spousal support payments with life insurance, not understanding how to divide debt, etc.).

The rate of divorce for the 50+ population, also known as gray divorce, has nearly doubled since the 1990s, according to a 2017 study by the [Pew Research Center](#). The study also indicated that a large percentage of women who divorce after 50 do not remarry. A 2017 study by the [Institute for Family Studies](#) also found that 27% of women in this group ultimately found themselves in poverty. Why? Not only were they statistically less likely to find themselves in a two-income household after divorce, but they were less likely to have the support that comes from being part of a couple household, like elder care from a spouse as they age.

**Women are more likely to be subject to elder abuse.** Women live longer and are often unmarried and alone. They may not be as sophisticated with financial issues. They may be lonely and vulnerable. According to research from [New Hope for Women, Elder Abuse and Women - The Facts](#):

- Two-thirds of elder abuse and neglect victims are women.
- The median age of elder victims is 78.
- On-third of all elder victims are abused by their children.

That seems like a lot of obstacles to overcome. But fear not! Retirement can still be a reality for you if you plan well. Let's take a look at some action steps that women can take to try to lessen the impact of some of these challenges:

**Fewer years of earned income? You should:**

Attempt to save at a higher rate during the years you are working, which will allow you to keep pace with your male counterparts (i.e. If you are out of the workforce during the 25- to 45-year-old phase of life, you often have to save 25% annually during your working years to keep pace; out of the work force during the 45- to 55-year-old phase of life, need to save 19% annually; and out of the work force during the 55- to 65-year-old phase of life need to save 16% annually) This according to *2017 Bureau of Labor of Labor Statistics figures*.

If you are married you may want to save in a Roth IRA or IRA (spousal contributions) each year, even if you are not in the workforce.

If you are serving as the caregiver for a family member, consider having a "paid caregiver contract" drawn up to receive legitimate and reportable payment for your services (this could potentially help you and help your family member work towards receiving government benefits in the future, if and when needed).

**Women earn less than men. You should:**

Save more during the years you are working (see above); attempt to maximize contributions to employer plans and make annual contributions to Roth IRA/IRAs and then after-tax investment accounts.

Invest in an appropriate allocation for your long-term investment portfolio, keeping in mind your potential life expectancy.

Be an advocate for yourself and your women cohorts when it comes to requesting equal pay for equal work.

**Women are less aggressive investors. You should:**

Work with an advisor to determine the most appropriate *long term* asset allocation for your overall portfolio, keeping in mind your potential longevity, potential retirement income needs, and risk tolerance.

Become knowledgeable and educated on investment and financial planning topics so that you can be in control of your future financial decisions, with the help of a good financial adviser.

**Women tend to live longer than men. You should:**

Plan to save as much as possible.

Invest appropriately for a long life expectancy.

Work with an adviser to make smart financial decisions related to potential income sources (coordinate with any spousal benefits, if appropriate, i.e. Social Security, pensions, etc.)

Make sure you have a strong and updated estate plan.

Take care of your health to lessen the cost of future health/long-term care in the future.

Plan early for long-term care (look into long-term care insurance, if it makes sense for you and if health allows).

**Women who are divorced often face specific challenges. You should:**

Work with an experienced adviser during the divorce process, one who specializes in the financial side of divorce, notably a [certified divorce financial analyst](#) (CDFA). Be aware that attorneys often may not understand the financial implications of the divorce settlement.

**Women are more likely to be subject to elder abuse. You should:**

If you are an older adult, put safeguards in place to protect yourself from financial fraud and abuse (i.e. [EverSafe](#) financial monitoring - designed specifically for older adults - can assign advocates, in addition to yourself, to receive notifications if fraud is detected; monitors credit and deposit accounts).

Have your estate planning documents updated, particularly your durable powers of attorney documents, so that those you trust are in charge of your affairs if you become unable to handle them yourself.

If you are in a position of assisting an older adult friend or relative, check in on them often, watch for changes in their situations or behavior, and do background checks on anyone providing services.

While it is unlikely that the retirement challenges facing women will disappear anytime soon, taking action can certainly help to minimize the impact on women's overall retirement planning goals. I have no doubt that with a little extra work and planning, and a little help from a quality financial adviser, women will be able to successfully meet their retirement goals.

*About the author: Sandra D. Adams, CFP, can be reached at 248-948-7900, [Center for Financial Planning, Inc.](#), 24800 Denso Drive, Ste. 300 Southfield, MI 48033. Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment Advisory services offered through Raymond*

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