A photograph of three women walking along a sandy beach. The woman on the left is older, wearing a white sweater and white pants. The woman in the middle is younger, wearing a pink top and blue jeans. The woman on the right is also younger, wearing a grey top and white pants. They are all smiling and looking towards the camera. The background shows the ocean and a bright sky.

Retirement Savings  
Challenges for Women  
And Strategies to Help Overcome Them

PREVIEW

[V23N1]

## Special Challenges for Women

- Longer life expectancies
- More likely to be living on their own
- More likely to take career breaks for family caregiving
- Women who work full-time earn about 83% (on average) of what men earn

Sources: NCHS Data Brief, Number 456, December 2022; 2021 Profile of Older Americans, Administration on Aging, U.S. Department of Health and Human Services (most current data available); U.S. Bureau of Labor Statistics, Employment Characteristics of Families Summary, 2022; U.S. Bureau of Labor Statistics, Usual Weekly Earnings, January 2023



PREVIEW

When it comes to saving for retirement and planning for retirement income, women face a number of unique challenges, which we'll be discussing in more detail.

<CLICK> First of all, women generally live longer than men, which means they may need to plan for more years in retirement.

<CLICK> Because of their longer life expectancies, women should also consider that they may spend some of their retirement years living on their own.

<CLICK> Women often interrupt their careers to care for children and aging parents.

<CLICK> Because of these career interruptions, women may spend less time in the workforce and earn less money than men in the same age group, which could result in saving less for retirement and having a lower Social Security benefit.

It's important to recognize these challenges and plan accordingly. Let's look at each challenge a little more closely.

## Challenge: Women Live Longer Than Men

Women on average live about 6 years longer than men.  
Longer life expectancies mean more  
years to plan for in retirement.

Source: NCHS Data Brief, Number 456, December 2022

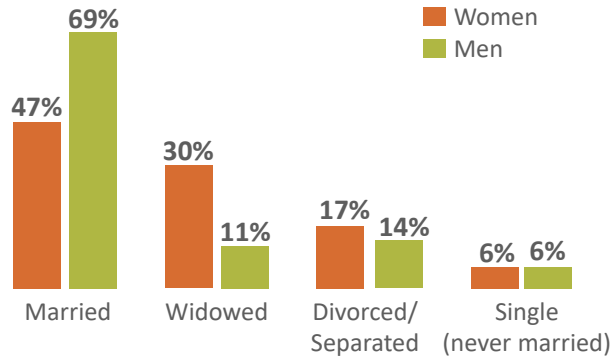


Statistically speaking and all other things being equal, you're likely to live longer than a man your age. Women on average live about 6 years longer than men. That in and of itself is not a bad thing, but it means you may need to plan for more years in retirement.

The bottom line is, don't underestimate the number of years you may spend in retirement.

# Challenge: Higher Likelihood of Women Living on Their Own

## Marital Status of Persons Age 65 and Older



Source: 2021 Profile of Older Americans, Administration on Aging, U.S. Department of Health and Human Services (most current data available)

Women have a higher likelihood of living on their own in retirement.

According to recent statistics, older women are much less likely to be married than older men: 47% of women are married compared to 69% of men. In addition, 30% of women age 65 and older are widowed and 17% are divorced.

Among women age 75 and older, 43% live alone.

For married women, the loss of a spouse could mean a reduction in retirement income from Social Security and/or pensions.

## Challenge: Women More Likely to Take Career Breaks for Caregiving

- Lost income and employer benefits
- Potentially lower Social Security retirement benefit
- Economic vulnerability in event of divorce or a spouse's job loss
- Possible difficulty finding a comparable job when reentering workforce
- Flexible schedules can affect salary and career advancement



Women are more likely to take time out of the workforce to raise children and/or care for aging parents. Sometimes this is by choice. But moving in and out of the workforce has several significant financial implications for women:

<CLICK> Lost income and employer benefits, such as retirement benefits and health insurance. Lost income means potentially lower savings.

<CLICK> A potentially lower Social Security retirement benefit. This is because your benefit is based on the number of years you've worked and the amount you've earned.

<CLICK> Economic vulnerability in the event of divorce or a spouse's job loss.

<CLICK> Possibly a more difficult time finding a job, or a comparable job in terms of pay and benefits, when reentering the workforce.

<CLICK> Even women who do remain in the workforce are much more likely to request flexible work schedules to meet primary caregiving responsibilities, which can affect their salaries and long-term career advancement.

## Challenge: Women Generally Earn Less

- Women who work full-time earn, on average, about 83% of what men earn
- Impacts savings, Social Security retirement benefits, and pensions
- Increased vulnerability to unexpected economic obstacles: job loss, divorce, single parenthood, illness, loss of spouse

Source: U.S. Bureau of Labor Statistics, Usual Weekly Earnings, January 2023



Women generally earn less than men.

<CLICK> According to the Bureau of Labor Statistics, women who work full-time earn, on average, about 83% of what men earn.

<CLICK> This wage gap can affect overall savings, Social Security retirement benefits, and, for those lucky enough to have one, a pension.

<CLICK> It also means women are more vulnerable to unexpected economic obstacles such as a job loss, divorce, single parenthood, illness, or the loss of a spouse.

## So... How Much Annual Income Will You Need?



- General guidelines (e.g., you'll need 60% to 90% of pre-retirement income) are easy but often not helpful
- Think about what expenses will change (e.g., mortgage may decrease, health-care costs may increase)
- Include costs for special retirement pursuits (e.g., travel, hobbies)
- List your expenses and project future spending

Because of these special challenges, planning for retirement is especially important for women. So where do you start? The first step is to ask yourself, "How much annual retirement income will I need?"

<CLICK> It's often stated that you should plan on needing 60% to 90% of your pre-retirement income when you retire. The appeal of this approach lies in its simplicity. But general guidelines like this one aren't really very helpful because they don't take into account your individual circumstances, expectations, and goals.

<CLICK> It's fine to use a percentage of your current income as a benchmark, but it's more important to focus instead on all your current expenses, and to really think about how those expenses will change over time as you transition into retirement.

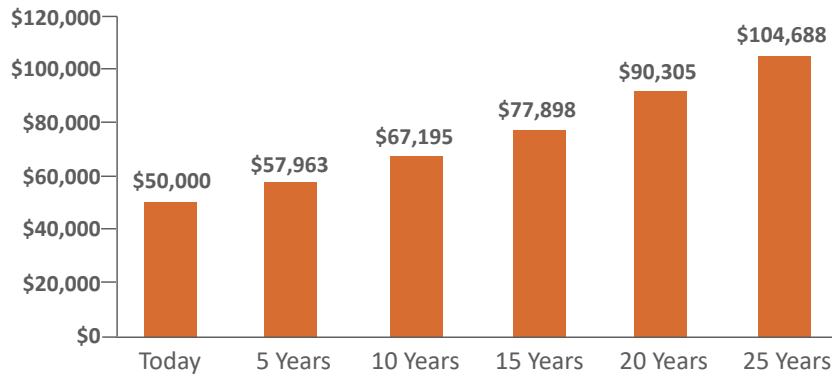
For example, some expenses like a mortgage and the costs of commuting to and from work may disappear during retirement; other expenses may increase, like yard care services, snow removal, or home maintenance — things you might currently take care of yourself but may not want to do, or might be unable to do, in the future.

<CLICK> And if you'll be using your newfound free time in retirement to travel more, or take up new hobbies, you'll need to factor in those additional expenses as well.

<CLICK> Though it may be difficult, try to list all of your expenses and project how much you'll be spending in each area when you retire.

# Accounting for Inflation

Assuming 3% inflation, in 25 years it will cost you over \$100,000 to buy the same goods and services that \$50,000 would purchase today.



This hypothetical example is for illustrative purposes only and assumes a 3% annual rate of inflation without considering taxes. It does not reflect the performance of any particular investment. Actual results will vary.

When you estimate your projected expenses in retirement, you can't assume things will cost the same as they do today. You also need to consider the potential impact of inflation on those expenses. Inflation is the risk that the purchasing power of a dollar will decline over time, due to the rising cost of goods and services.

Inflation is often overlooked when planning for retirement. But unless you take inflation into account, you may underestimate the amount of annual income you'll need in retirement.

If inflation runs at its historical long-term average of about 3%, a given sum of money would lose more than half of its purchasing power in a 25-year period. For example, assuming a 3% inflation rate, a gallon of milk that costs \$4 today would cost \$8.38 in 25 years.

All other things being equal, inflation means that you'll need more retirement income each year just to keep pace. To outpace inflation, you should try to have a strategy in place that allows your income stream to grow throughout retirement.