Women Face Unique Retirement Challenges

By Stanley D.Valdry, ChFC, CLU
Ameriprise Financial Services, Inc.

Saving for retirement remains one of the most important financial goals for both men and women. While saving for retirement is a huge endeavor for everyone, women face a variety of unique challenges and obstacles that should be taken into account in their long-term planning.

First of all, and perhaps most importantly, women, on average, live longer then men. Therefore, they will simply need more money during retirement then men. According to a July 2005 report on www.msn.com, women at age 65 are expected to live another 19.5 years, while men are expected to live 16.6 year after age 65. But according to the same MSN report the demographers predict that many women alive today will live into their 90's. This means many women will need to be prepared financially and emotionally for a retirement lasting, in some cases, over 30 years.

Another challenge women face is that they typically have fewer years in the workforce. According to the Social Security Administration, the average man retiring in 2000 had 44 years of working under his belt, however the average woman had only 32. This is because women are more likely than men to take time off from work to have and raise children and sometimes interrupt their careers to care for aging parents.

Work interruptions have significant financial consequences. For instance, women's contributions to Social Security cease when unemployed, ultimately reducing the Social Security benefit when they retire. According to the Social Security Administration the average Social Security benefit check for women was $774 per month compared to $1008 for men.

Work interruptions can also make it more difficult for women to compete for promotions and salary raises. For that reason, and others, women's annual salaries are, on average, approximately 75 percent of men's. Although the wage gap has been decreasing over the last few years, the median income for full-time working women was $30,420 per year in 2004, compared to $40,136 for men, according to the July 2005 MSN report.

Due to lower earnings and fewer years working, women are less likely to be saving toward their retirement then men. According to the 2005 Retirement Confidence Survey from the Employee Benefit Research Institute, 59 percent of women are currently saving toward retirement compared to 65 percent of men. The same study shows that only 36 percent of women participate in workplace retirement plans, such as a 401(k)s, as compared to 48 percent of men.

Yet another challenge is that women tend to be more conservative investors then men. A 2004 study called the "Financial Gender Gap" found that women have a lower risk tolerance and therefore tend to be more conservative with their investments. Although there is a place for conservative investments in most portfolios, investing too conservatively (across the board) can lead to decreased savings and diminished retirement investments.

Here are some financial tips specifically geared towards women to help them better prepare for their retirement:

Make saving a priority: Some women get sidetracked when balancing many financial obligations, caring first for their family, such as their children or aging parents. They should remember to focus on taking care of themselves and not let saving for their own retirement slide.

Invest more: Women should actually consider investing more than their male counterparts to account for their longer lifespan and smaller earnings. Women must take into consideration both their risk tolerance and time-horizon so they can invest appropriately toward their goals.

Contribute to Retirement Plans: If eligible and your employer provides a retirement savings plan, such as a 401(k), do not delay signing up. Start as soon as you are eligible and contribute as much as you can, especially if your company has a matching program. You may want to augment your 401(k) savings by contributing to an Individual Retirement Accounts (IRA). An IRA is also a good option if your company does not offer any retirement savings accounts.

Save, even if you are not working: If you have taken or are planning to take time off from work to raise kids or care for aging/ill family members, try to continue to save money in your IRA accounts. Married people filing jointly are able to make a deductible IRA contribution based on their earnings.

Delay your retirement: If you are nearing retirement and feel that you are not financially prepared, you may want to consider delaying your retirement. By delaying your retirement, you continue to earn income and postpone taking withdraws from your retirement savings which allows your assets to continue to compound and grow. Delaying will give you more time to save and contribute to your Social Security benefit. In fact, for each year you delay beyond 65 years old, your Social Security benefit will increase 8 percent, according to recent financial report on www.ivillage.com.

Seek help: Meet with a qualified financial advisor who can help you create a personalized financial plan which includes retirement savings and options designed specifically for your unique needs and challenges.

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