A Roadmap for Helping Women Prepare for Retirement

Women face specific barriers to preparing for retirement — plan sponsors can help.

By Jody Strakosch for PSCA's Investment Committee

Decisions that women make throughout their lives — including choosing a career, getting married, having children, buying a home, and getting divorced — can have a significant impact on their financial security, particularly when it comes to retirement. Clearly, some decisions they make can positively affect their retirement security: saving and investing, maintaining an emergency fund, having good disability coverage, and not letting debt get out of control. Many women, however, also face hurdles that can negatively affect their retirement security: leaving work temporarily or reducing scheduled hours for caregiving, and diverting retirement savings to pay medical bills, student loan debt, or to support family members.

It was an honor to engage in a conversation with three recent PSCA Lifetime Achievement Award winners to discuss these issues: **Phyllis Borzi** (2020), the Former Assistant Secretary of Labor for the Employee Benefits Security Administration in the US Department of Labor; **Cindy Hounsell** (2018), the President of the Women's Institute for a Secure Retirement (WISER); and **Anna Rappaport** (2017), an internationally recognized expert on the impact of change on retirement systems and workforce issues who previously served as President of the Society of Actuaries.

As we talked about what women can do to overcome the challenges to their retirement security, we discussed the elements that help create a solid foundation for a woman's financial 'house.' Each time a woman embraces one of them, she adds another brick to the foundation, helping herself to prepare for the unexpected. Knowing that she has a plan in place can give her confidence, particularly in uncertain times such as these.

Most Common Financial Risks for Women

It is generally known that women tend to live longer than men, which means they will likely need more money to support a longer life in retirement. Yet women also generally have lower potential lifetime earnings than men, with women who work full-time earning approximately 80 percent of what men earn. In addition, women are more likely to leave the workforce or work part time to care for their children or elderly parents, and part-time workers are less likely to have access to health care and retirement benefits. On average, women spend nine years more out of the paid workforce than men. In retirement, women end up depending heavily on Social Security — especially minority women, for whom each of these issues is often more pronounced.

Messages Employers Can Offer to Help

- Retirement saving is all about taking care of yourself and is something you should pay attention to on an ongoing basis. Whenever you are about to make a major financial purchase (e.g., a car, house, or big vacation), ask yourself, "How does this affect my savings plan? Am I still saving enough for my retirement?" Also, do you have retirement assets listed in your name?
- Be sure to have an emergency or a rainy-day fund to draw on in the event of a financial shock (e.g., major car or house repairs, or a significant healthcare expense for you or a family member). As we have just witnessed with the COVOID-19 crisis, your

Resources for Employers

Society of Actuaries, Aging and Post-Retirement Research
https://www.soa.org/research/topics/aging-ret-topic-landing/

National Resource Center on Women and Retirement Planning
https://www.wiserwomen.org/national-resource-center-on-women-and-retirement-planning/national-resource-center-on-women-and-retirement-planning-partner-network/

U.S. Department of Labor, Employee Benefit Security Administration, Retirement Benefits
https://www.dol.gov/agencies/ebsa/key-topics/retirement-benefits

income from work may be at risk when least expected. The rule of thumb for emergency savings had been to have enough money to cover three to six months of expenses, but now some experts advise saving six to twelve months' worth.

- Make sure you are taking advantage of your employer benefits: healthcare, life insurance, savings and retirement plans, and long-term disability, to name a few. Also, are your beneficiary designations updated and current?
- Examine your total financial picture. What are your assets (i.e., monies that are in savings and investment accounts or retirement accounts such as a 401(k)s or 403(b)s)? What are your liabilities (i.e., credit card debt, mortgage, college loans for yourself or tuition for your children)? It's always a good idea to have all of this information in one place. Try to minimize bad debt (credit cards with high interest rate carrying charges).
- Prioritize saving for yourself over others; we all like to help others if we can, but it's important to make sure that you've taken care of your own financial needs first.
- Set a budget, start the saving habit early, and save regularly! Whether you save $5 or $50 or more per week, it adds up over the long term. While you're at it, teach your children to save and help them create their own budget.
- Estimate how long you might live — you might be surprised by this! The Social Security Life Expectancy Calculator provides useful estimates of how long you (and your spouse) may live.
- Look at your Social Security statement to see what you can expect when you retire. When you begin collecting (or, 'claiming') Social Security is extremely important. If you wait until age 70 to claim it, your benefit will be increased by eight percent for each year beyond your full retirement age (age 66 for those born during the years 1943–1954). If you claim your Social Security benefits before your full retirement age, your benefits will be permanently reduced. For example, if you claim at age 62 (using the full retirement age of 66), your benefit is permanently reduced by 25 percent. Also, in a two-earner couple, you may want a different claiming strategy for the higher and lower earner.
- Consult with your savings and retirement plan service center if you are thinking of making a change to your investments or taking money out of the plan. "Stay the course" during market fluctuations by not reallocating assets when the markets are down. It's important to not take employer-funded retirement savings out too early. Evaluate the trade-off of taking a hardship withdrawal versus a loan from the plan.

Programs Offered by Employers Are Impactful

My discussion with these three knowledgeable women quickly evolved into one about what employers can do to help employees build strong financial foundations. Most employers generally offer a range of benefits such as healthcare, long-term disability, savings and retirement programs, life and dental insurance, programs that help employees to manage their student debt, and sometimes voluntary benefits programs. These benefits are often the first building blocks for creating strong financial foundations. All of these offerings can reduce employees' stress over their personal finances, making them happier and more productive.

Employers who don't offer employer-sponsored rainy-day savings accounts may want to consider starting one so that employees will have an alternative and be less likely to treat their 401(k) employee benefits plan like an emergency fund, harming its ability to accrue its greatest value.

With respect to the savings programs, sponsors may want to consider reframing them as a retirement income plan, in order to encourage employees to consider how they will replace their paychecks once they've retired. Remind them that retirement may last 20 or more years. The SECURE Act of 2019's Lifetime Income Disclosure provision can also help with framing this for participants. It is also important to consider the plan's distribution options; if the objective is to encourage participants to stay in the plan when they retire, then it may be time to "refresh" the distribution options so that there is flexibility and access to those accumulated assets. A range of tools, investments, and services should be offered to help participants, particularly women, understand the importance of creating lifetime income streams. All employees will benefit from the peace of mind associated with lifetime income.

Financial wellness programs also offer a useful framework to create communications around women's common lifetime experiences and their potential impact on retirement readiness. One option is to work closely with the service providers and use technology to personalize specific communications designed for women, such as ones focused on financial counseling and education covering major life events. By educating women about finance, raising their awareness of the challenges they face, and offering tools to address these issues, you help women become more likely to attain their ideal version of retirement.

We applaud the efforts of plan sponsors who work hard to promote the various programs that they offer — these are important components of building a strong financial foundation.

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