Women and Money

In the past, women may have taken a less active role in financial decision-making, but today, with more women than ever responsible for their financial well-being — and the financial well-being of their families — it's critical that women know how to save, invest, and plan for their future.

According to statistics, women make up almost half of the workforce and account for more than half of all workers in management, professional, and related occupations. Women own millions of businesses and earn the majority of bachelor's, master's, and doctoral degrees.

Different life stages and characteristics define women: single, married, widow, employee, small business owner, breadwinner, stay-at-home mom, empty-nester, retiree, knowledgeable investor, beginning investor, and so on. Yet statistically a majority of women are likely to face challenges that can impact their retirement savings.

Potential Financial Challenges[1]

Women have longer life expectancies.

Women, on average, live about five years longer than men. They're likely to spend more time in retirement and will need to stretch their savings further. They may also need long-term care and may face some of their health-care needs alone. While women need their savings to last longer, they're typically confronted with other realities that make it harder to accumulate savings and amass sufficient income in later years.

Women generally earn less income and have less savings.

According to the Bureau of Labor Statistics, women who work full-time earn only 82% — on average — of what men earn. This wage gap can impact overall savings, Social Security benefits, and pensions.

Women are more likely to interrupt careers to raise children or care for family members.

Women are more likely to take time out of the workforce to raise children or care for other family members, such as aging parents. Sometimes this is by choice. But moving in and out of the workforce has several financial implications including lost income, employer benefits, health insurance, and lower savings.

When women are ready to return to the workforce, they may find it difficult to find a job or a comparable job in terms of pay and benefits. Even when they attempt to stay in the workforce, they are much more likely to request flexible work schedules to meet their primary caregiving responsibilities, which can also impact their earning potential and long-term career advancement.

Women often invest too conservatively.

Women also tend to invest too conservatively, possibly because they are unaware of their overall investment options or are generally more risk-averse. Typically, if there’s no risk in your portfolio, then there’s no chance for a reward either. Keep in mind, however, all investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

Six Steps to Take Charge of Your Financial Future

Despite the challenges you may face, there are six steps you can take to help you secure your financial future.

1. Take control of your money.

Be responsible and accountable for your financial well-being. Know what your cash flow is and use personal finance software or pen and paper to keep track of everything. Manage debt, establish good credit, and live within your means. Create an emergency fund for unexpected expenses so you won’t have to use credit cards with high-interest rates to meet sudden cash needs. Request and review a free copy of your credit report each year (available from any of the three main credit reporting agencies).

2. Become a knowledgeable investor.

Set clear financial goals and investment strategies for yourself and start early to take advantage of compound interest.

If you’re a beginning investor:

- Take small steps and learn as you go.
- Ask questions!

If you’re a more experienced investor:

- Make sure your portfolio is in line with your investing goals, time horizon, and risk tolerance.
- Look for ways to manage risk.
- Understand what you own and what role each investment plays in your portfolio.
- Keep an eye out for investing ideas.
- Consider the impact of taxes, fees, trading costs, and inflation.
- Make ongoing adjustments as needed to reflect your circumstances.
- Avoid knee-jerk reactions in volatile markets.

If you’re investing far too conservatively than is appropriate for your goals and circumstances, you may find that you have less money than you hoped for at retirement so reassess your strategy and progress often. Being a good investor doesn’t mean you have to do everything yourself. A financial professional can help you create an appropriate investment strategy, select specific investments, and make adjustments as necessary.

If you’re married, make sure you and your spouse both know the account numbers, passwords, and online access information for all investment and loan accounts. Sometimes one spouse assumes primary responsibility for investment decisions, whether by choice or habit, and it’s important for the other partner to know how to access these accounts and be able to handle bills and investment decisions if the other spouse is unable to do so.

3. Advocate for yourself in the workplace.

Negotiate your starting salary. It provides the foundation for other benefits. Throughout your career, make sure you’re getting paid what you’re worth. Emphasize work accomplishments, take on challenging assignments, and ask for raises and promotions when warranted. Women are more likely to remain silent and wait for others to notice their hard work. Have confidence in your abilities and be proactive about putting yourself in the mix.

Women are more likely to leave the workforce to care for children or parents. Although reducing your hours or removing yourself from the workplace may be necessary or desirable, it can also decrease your earnings and savings potential. Options like telecommuting, flexible hours, and part-time work can help women blend their work and home lives rather than accept an either/or scenario.

4. Plan for retirement.

Here are some principles to consider:

- Save as much as you can in a retirement savings plan through your employer.
- Set a goal you can work toward and track your progress.
- Put your financial security first.
- Consider IRAs — traditional, Roth, spousal.

Social Security

Social Security is the major source of guaranteed lifetime retirement income for most Americans and is:

- Based on the number of years you’ve worked and the amount earned

- Calculated using a formula that takes into account 35 highest-earning years
- Affected by age at which you claim benefits (earliest age of 62, Full Retirement Age of 66 or 67, or later)

You can get an estimate of what your monthly Social Security retirement benefit will be in the future by visiting the Social Security website and using the retirement estimator tool for viewing your personalized Social Security statement online.[2]

If you haven't worked long enough to qualify for Social Security on your own, you may qualify for spousal benefits based on your spouse's work record. A spousal benefit claimed at your Full Retirement Age is generally equal to 50% of the primary earner's benefit. If you're divorced and at least 62, you can file for spousal benefits even if your ex-spouse has not yet claimed benefits and receive half of what your ex-spouse would receive. If you are widowed and are age 60 or older, you can collect a survivor's benefit.[3]

5. Protect your income and your assets.

You've worked hard to build your savings and your assets and you can help protect them with insurance policies and other financial tools:

- Life insurance
- Disability insurance
- Home and auto insurance
- Health insurance
- Long-term care insurance
- Trusts
- Business entities

According to the U.S. Census Bureau, not only do women have longer life expectancies than men, but women also make up the majority of older Americans living in poverty.2 Women also overwhelmingly outnumber men in skilled nursing facilities after age 65.[3]

6. Create an estate plan.

An estate plan is simply a map that reflects the way you want your personal and financial affairs to be handled in case of your incapacity or death. Certain documents can help streamline various aspects of your care and financial affairs so your loved ones can respect your wishes.

Incapacity (e.g., stroke, dementia, ALS)

- Living will
- Health-care proxy
- Do Not Resuscitate order
- Power of attorney
- Living trust

Death

- Will
- Testamentary trust
- No will – intestacy laws
- Will or no will – some property passes automatically (e.g., jointly owned property, property with a designated beneficiary, trusts)

Securing a Confident, Comfortable Retirement

Life is unpredictable — companies downsize, couples divorce, illnesses and injuries arise, adult children need financial help, parents need care, and spouses pass away.

But while you can't control these things, you can take steps to secure your retirement regardless of where you are on your savings path. It's one of the best things you can do for your long-term financial, physical, and emotional well-being.

Visit with your financial professional or call 800.888.2461 to learn more about solutions that can take you *To and Through Retirement*®.

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[1] NCHS Data Brief, Number 326, November 2018; U.S. Bureau of Labor Statistics, Women in the Labor Force: A Databook, November 2017; U.S. Department of Labor Blog, Women and Retirement Savings, March 2017

[2] Pay Day, Poverty, and Women

[3] Women & Long-Term Care (PDF)

Download

- Women and Money (PDF)

Related Resources

- Life Stage Investing
- Women and Retirement
- Tax Center

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