

# Women are more likely to outlive their savings

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Catherine McCandlish plans to work the rest of her life. Why? Now 55, she's accumulated only about \$15,000 in retirement savings.

"I've been playing grasshopper while the ants have been busy saving," she said. "Finally my consciousness is up, and I know I'll never be able to retire. What a noodle-head I was that I didn't even think about retirement security."

Hers is a concern for millions of American women whose hopes for the golden years are being tarnished by hard economic realities.

The odds for a comfortable retirement are not in women's favor. More women than men are outliving their savings. Women are twice as likely to die in poverty as men. And prospects are even worse if those women are divorced or a minority.

The reasons are clear: As a group, women work fewer years, earn less, save less, and then live longer than men. It's a potent recipe for financial insecurity.

"A lot of the women I see fear becoming bag ladies, whether they have money or not," said Sharon Lockhart, a financial planner in Johnson County, Mo.

Ms. McCandlish, who is working with a financial planner, finds herself in a predicament common among women who never took an interest in personal finance and now are approaching an uncertain retirement.

Hope for a leisurely retirement has faded for many men and women alike, but Bureau of Labor Statistics data show that the consequences are playing out in the workplace more forcefully among women.

Participation in the labor force by women 65 and older is increasing nearly twice as fast as that of older men, and the statistics bureau projects a 147 percent jump in the percentage of women 80 and older who will be working in 2016.

Concern about personal finances in old age permeates the psyches of American women.

The Institute for Women's Policy Research this year analyzed an economic security survey commissioned by the Rockefeller Foundation. The report concluded:

"Despite their educational achievement and their [perhaps temporary] financial connection to a husband, women's lives are pervaded with a sense that economic catastrophe may be just around the corner.

"And a disproportionately large segment of the female population has already experienced this kind of catastrophe and knows full well how it feels to put off health care, be unable to provide adequately for their children, or go hungry."

How did it come to this?

Social Security, one prop on the "three-legged stool" that supports older-age income, is a gender-neutral program.

Women, per se, are not discriminated against by the program, which on average pays qualified retirees about 40 percent of their pre-retirement earnings each month.

But "women in general are disadvantaged in the size of their Social Security checks because they tend to work in lower-paying jobs," said Dorothy Witherspoon, regional administrator of the U.S. Department of Labor's Women's Bureau in Kansas City.

Retirement benefits are calculated based on the highest-earning 35 years of a person's work history, usually requiring at least 10 years of qualifying work history.

Also, more women than men cycle in and out of the workforce because of child-care or parent-care reasons, which can cut into the highest earning years.

As a result, the average woman's monthly Social Security retirement benefits check, as of December 2006, was \$905, compared with \$1,178 for men.

Women are also far less likely than men to receive employer-sponsored pension benefits, which serve as the second leg of the retirement stool.

Fewer than one in three women receives pension payments in retirement, compared with one of every two men.

Women also are less likely to stay on a job long enough to be vested – to have the right to receive any pension funds when they leave a job.

And if they do participate in pension plans, the size of the average woman's pension fund is only about 60 percent of a man's.

According to the Institute for Women's Policy Research, among full-time workers, men and women are equally likely to have some kind of pension coverage – about six in 10 participate in an employer's plan.

Even so, studies show that a woman's participation in a pension plan still may not produce retirement income.

When women change jobs and receive lump-sum distributions from their pension accounts, financial planner Barbara McMahan often counsels her clients to roll the money into a new retirement account.

"Women tend to spend instead of reinvest – not on themselves, but on their children's weddings, their children's college tuition," Ms. McMahan said. "There are too many cases of women using their lump sums for current needs."

Personal savings, investment income and income from other sources, including working, serve as the third leg of retirement security.

Women, like men, need to build personal retirement savings, starting as early in their work lives as they can, financial planners say.

But that's not easy advice to follow, especially for single heads of households in lower-paying jobs who need all their income to pay bills.

Even so, financial advisers have one response to women who say they can't afford to save any money for retirement:

You can't afford not to.

## **HARSH ECONOMIC REALITIES**

While some women are working late in life because they want to, others work because they have to. Here's why:

**Over their work lives**, U.S. women on average work for pay 12 years fewer than men.

**The median annual earnings** of working women are about \$10,000 less than men's earnings, partly because more women work part time and partly because there are more women in lower-paying jobs.

**More than half** of working women reported in a recent national survey that they can afford to save nothing for retirement.

**A 65-year-old woman** is likely to live about 20 more years, about three years longer than a man's life expectancy.

**The median annual income** for retired women is less than two-thirds that of retired men, partly because women have less income from pensions or retirement accounts.

## **ADVICE FROM FINANCIAL PLANNERS**

- Get involved in your family finances. Know your husband's income. Don't sign a joint tax return without knowing what it says. Know where his and your investments are and what they are worth. And don't use your money for everyday expenses while his goes into investments that grow. Set up your own IRA.
- If you leave a job and take your pension out in a lump sum, do not spend it on your child's wedding or college or new refrigerator or car. Roll it over into a new retirement account.
- Wait as long as you can to begin drawing Social Security. In a perfect scenario, wait until you're 70 to stop working. But don't rely totally on your health being good enough to continue working. Have a Plan B for what happens if you can't work. And that usually means saving more now.
- Understand that you are likely to outlive your husband. If he's always handled the big financial decisions, begin to have conversations about that now. Even if you bought the groceries and wrote the mortgage checks, you may not have the big picture. You do not want to be unprepared when and if you have to make big financial decisions alone. Start educating yourself now.
- Defined benefit pension plans are disappearing. Don't count on one being your financial security in retirement. Keep on saving as much as you can, even if you expect a defined benefit pension. It may not be there when you need it, and it may not meet your needs if stretched out over several decades of retirement.
- Never bet on two improbables – that you'll be married to this guy for the rest of time and that he'll be alive as long as you will.