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Women and Retirement Savings

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A recent article published September 2022 by the Center for Retirement Research at Boston College titled “After 50 Years of Progress, How Prepared Are Women for Retirement?” reviews the changes in the demographic profiles of women since the enactment of Title IX.

The article addresses the progress that has been made since the 1970’s, the decline of marriage, the changes in wealth accumulation and retirement preparedness of women. The article draws from the data that presents and discusses and concludes that women who spend the majority of their adult life single are as prepared for retirement as married couples. That positive conclusion raises the question, “How are women successfully preparing for retirement?”

The U.S. Department of Labor (DOL) blog "5 Things to Know About Women and Retirement" highlights challenges that women face with respect to financial planning and saving for retirement. In particular:

- Women are more likely to work at part-time jobs and less likely to participate in employer sponsored retirement plans.
- Women are more likely to take time away from work as caregivers.
- Absent an employer sponsored retirement plan, too few women save for retirement.
- Women have a longer life expectancy than men and will live longer in retirement.
- Women age 65 and older are 43% more likely than men to live on an income below the poverty level.

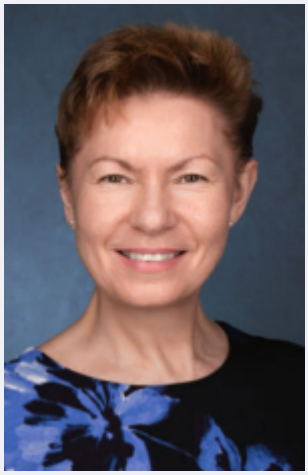
In the face of those challenges, the DOL offers some practical guidance. Although directed to women, the DOL’s recommendations for retirement saving are applicable to everyone and include:

- Seek employment with an employer that sponsors a retirement plan in which you can participate. Even if the employment is part-time, some employer plans will permit employees to make pre-tax 401(k) elective deferrals. Some employers may match these deferrals. The employer matching contribution is free money and an immediate return on your deferral investment.
- Begin saving at as early an age as possible. When you start early, time is your friend. There are many quotes about the power of compound interest and earnings. Naved Abdali is reported to have said,

"Investing is not about a once-in-a-lifetime opportunity. It is a life-long journey of prudent investments that grow with time. You need to start small and let the magic of compounding do its trick." Similarly, the following is attributed to Warren Buffet, "Time is your friend, impulse is your enemy. Take advantage of compound interest and don't be captivated by the siren song of the market."

- Understand the terms of your retirement plan. Have you worked long enough to be fully vested in the employer contributions? Would you forfeit a benefit if you change jobs? If you separate from your current employer mid-year will you lose the opportunity to share in an allocation of the employer's contribution at year-end?
- Consider your investment options and risk/reward factors in relation to your investment time frame. Take advantage of employer or plan resources that assist you with asset allocation.
- If your employer does not sponsor a 401(k) plan or you are not eligible to participate, take advantage of an Individual Retirement Account (IRA) or if you are self-employed, consider a SIMPLE or a SEP. If you are self-employed, you may be able to sponsor your own qualified retirement plan and design your benefit around the free cash flow of your business.
- If you are married, understand the rules regarding the distribution of retirement benefits upon the death of your spouse. Are beneficiary designations current? Are you the sole beneficiary, or have you waived some part of the benefit in favor of children or other beneficiaries?
- In the event of a divorce, have you implemented a properly drafted qualified domestic relations order that identifies you as alternate payee and either affords you the opportunity to rollover the designated portion of the spouse's benefit or preserves the benefit in the plan for you until the earliest time that it can be distributed to you? In your marriage settlement agreement, have you secured the waiver from your former spouse to any claim to your retirement benefit?

If you have questions about this topic, or other retirement or benefit questions, please contact Nadia Havard.



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