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Advice To Women On Bridging the Retirement Savings Gap

David Kudla *Forbes* Contributor
Retirement
I write about investing, retirement, & workplace savings plans.

Women continue to fall short in their overall retirement savings as compared to their male counterparts. There are many contributing factors to this. For one, women get paid less so there simply isn't as much to put away. The most recent Census data confirms that on average, a full time working woman earns 20 cents per dollar of income less than a full time working man. Women's median annual earnings have fallen short as well, by just under $10,000, as compared to men's. Another key factor is that women are more likely to work part time jobs than men are. This discrepancy has the two-fold effect of reducing overall income due to less hours worked, and most importantly leaving part-time employed women ineligible to participate in retirement saving plans, which is one of the most common paths to retirement saving. Women are also more likely to interrupt their careers for unpaid caregiving duties, often during peak earning years. And, once a woman has left the workforce, even if it is temporary, it is very difficult to make up that lost time and lost savings. Studies have also shown that women are less likely to participate in retirement savings plans when they are offered by their employer than men are. And for those women who do invest, most tend to invest more conservatively than men so their purchasing power diminishes over time on what they have saved. Further, women on average live longer than men highlighting the need for higher balances at retirement. Unfortunately, many of the above often work in conjunction to compound the issue.

Given all this disparity, what can be done to close the gender retirement savings gap? Here is some advice from a professional financial advisor for those women seeking to optimize their retirement nest egg:

Educate yourself on your employer benefits. Immediately start contributing to your employer's retirement plan with a goal to ultimately max it out. Most employers offer a company match which can be as high as matching dollar for dollar, up to a certain contribution percentage. This is free money, so be sure to take advantage at least contributing up to the maximum matching percentage. Know what your employer's vesting schedule is should you consider leaving the workforce, transfer to another employer, or interrupt your career. Be cognizant of the benefits you will be forfeiting if you decide to terminate employment before being fully vested. If your benefits are fully vested, know what your options are. Can you leave them in the plan, transfer them to another employer without any tax implications, take them as a lump sum, or will you be forced to leave the plan entirely? In the two latter situations, it is best to reinvest your savings in another qualified plan or an IRA within 60 days to avoid taxes and penalties. Reference your retirement plan's Summary Plan Description (SPD) which you should have received upon employment for answers, or contact your HR department.

Seek out professional help or educate yourself in investing. You do not have to be an expert in the stock market to successfully save for retirement, but you do need to know where and how to get advice.

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Know what the investment offerings are in your employer's retirement plan. Socking away your hard earned dollars in a low interest bearing money market will not provide you with the purchasing power needed in later years. Be willing to take on some risk to out run inflation, or better yet keep pace with the market over the long term. Gain confidence in your investment choices by knowing what your plan's individual offerings are, and align them with your sense of risk tolerance. Many employers offer educational materials to help you get started. However, if you lack the interest or the time to do it yourself, seek the help of a financial professional outside the plan.

If you are not currently working, working part-time but do not have access to a retirement plan, or have your own business, you most likely still have tax deferred options to save. Anyone receiving compensation, or whose spouse is earning an income, can contribute to an IRA. Check with a financial professional to ensure eligibility. For those self-employed, you can start a Simplified Employee Pension Plan (SEP) or a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). As with other retirement savings plans, there may be tax consequences, and possibly penalties, if you withdraw your savings early.

If you find yourself in a situation in which you will not reach your retirement goal, you can take several steps to improve your situation. You may consider working longer than anticipated, taking advantage of what is typically your highest earning years later in your career. Increase your savings by upping your contribution rate. This may have you getting a part time job to supplement and/or decrease your expenses. Consider delaying social security which will result in a higher monthly payment as you approach full retirement age. Have a plan on the cadence of which retirement accounts you will tap first. If your tax rate will be lower later in retirement, it is best to start with distributions from your after-tax accounts such as bank or savings accounts.

While we continue to wrestle with the wage gap and other societal issues, with some education and adaptations such as these, women can set themselves up very well towards a better retirement. Of course, always seek the assistance of a financial professional to ensure no question is left unanswered.