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WEALTH PARTNERS

The Women's Guide To Retirement Planning

"WOMEN: Don't Let Your Retirement Needs Go Unmet."

In a world where women sometimes share, or own, the responsibilities of household finances and can be the family breadwinner, your unique situation should be adequately addressed. All too often, women's concerns and perspectives can be left out of the financial planning process. That's why we've highlighted some of those unique aspects of retirement planning in this guide.

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What Makes Retirement Planning Different For Women?

There are surely many similarities between men and women. But that doesn't mean there aren't any differences as well.

Women may have different financial needs than men for several reasons:

- Women tend to outlive men, with average life expectancies of roughly 6 years longer than men.[1]
- On average, women tend to require long-term care services for roughly 3 years, twice as long as men.[2]
- It's common for women to take time off from work to raise a family, leaving them with less time to build a nest egg.[3]
- Divorce can have a disproportionate effect on women and their standard of living.[4]

In addition, studies have found that women take a less aggressive investment approach than men.[5] There's no value judgment on whether that's good or bad, but it is a distinct tendency that financial professionals could overlook if not careful.

Example: If a financial professional is used to reigning their clients in on risky financial maneuvers, it could mean that, without switching their perspective, they may inadvertently apply that same mentality to someone who isn't taking as much risk. This could mean that the financial professional wouldn't notice when their client was making overly conservative financial decisions. In terms of investments, this could mean letting one's nest egg erode over time due to inflation.

Still, it may be that a woman's higher risk awareness is quite valuable when it comes to financial planning. In fact, industry experts have found that female investors actually outperform their male counterparts on average.[6]

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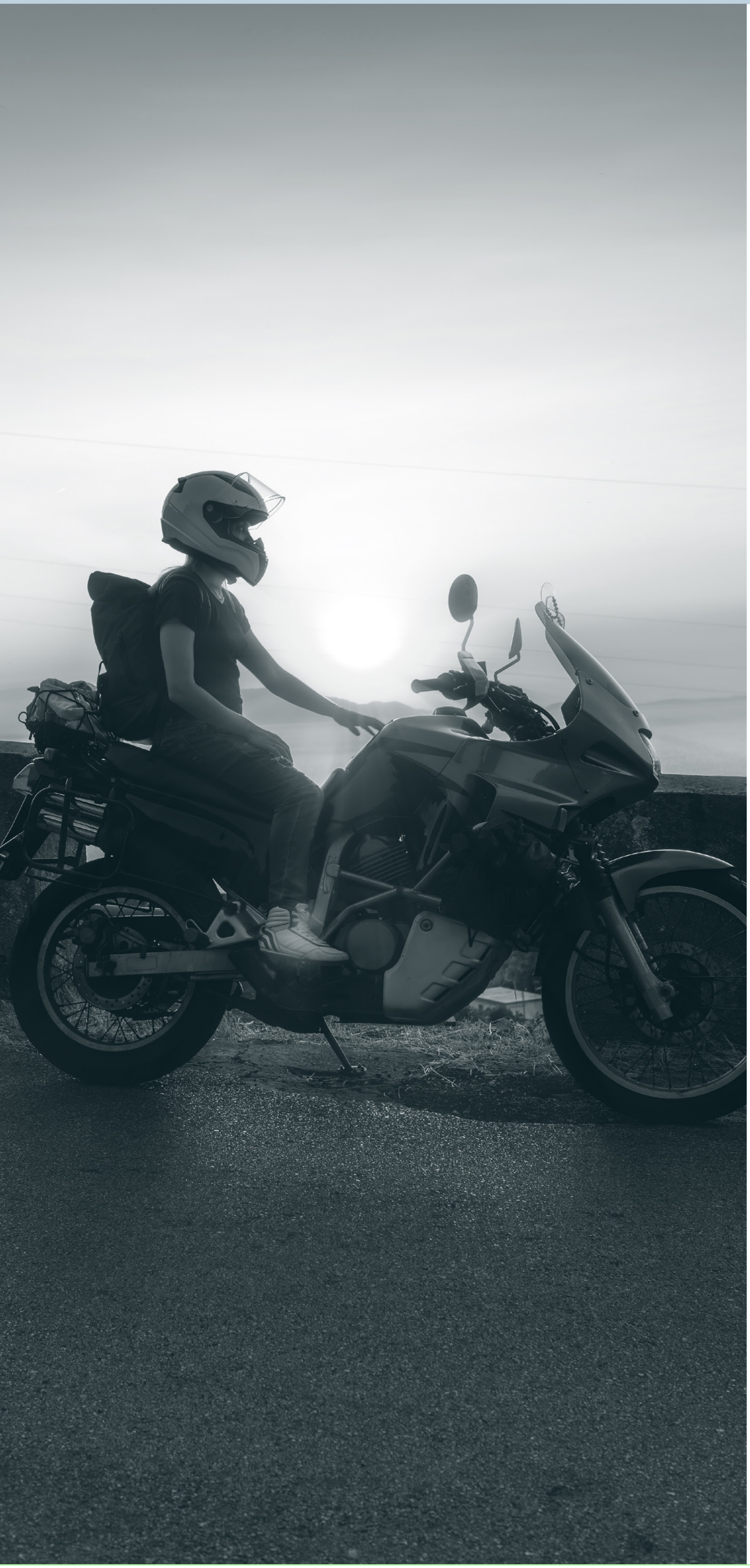

Don't Be Afraid To Take The Front Seat

Why take a back seat when it comes to retirement planning? If you're married, it can sometimes be simpler to split up tasks and responsibilities between you and your spouse, but when it comes to your finances, you shouldn't completely opt out. A 2019 report found that women tend to cede financial decisions to their spouses.[7]

This can put women at risk if they become widowed or get divorced. So, no matter if you're married, single, or divorced, make sure you understand your financial picture!

Education Is Key

Sometimes, one of the biggest roadblocks to making sure your finances are structured to meet your needs is a lack of confidence when discussing this subject matter. One of the best ways to gain confidence in these conversations is to learn more about retirement financial planning or take your knowledge to a deeper level. In short, education is the first step. While there is so much out there to read about retirement planning, most of it isn't about the unique challenges facing women. We'll cover five retirement-related topics in this guide with a focus on your needs:

- Retirement income sources and strategy.
- Healthcare, including Medicare planning for couples and long-term care planning.
- Estate planning for married, remarried, and single women.
- Lifestyle questions to consider.

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Social Security As Part Of Your Retirement Income Strategy[8]

The Spousal Benefit

There are many options for couples when it comes to claiming Social Security benefits – more than for people who were never married. You may have taken time off from work when the kids were young or when a parent could no longer take care of themselves. As a result, your Social Security benefit might be less than your spouse's. Or, if you worked for less than 10 years – paid work outside the home, that is – you are not entitled to a Social Security benefit of your own. But this doesn't mean that your contribution goes unrewarded in retirement. If you have reached your Full Retirement Age (FRA) and have been married for at least one year, you can claim a Social Security spousal benefit worth up to 50% of your spouse's benefit. In addition, if you were the primary earner, your spouse can claim a spousal benefit.

"What if I'm divorced?" you might ask. If you were married for at least 10 consecutive years, have been divorced for at least two years, and are not remarried, you can still claim a spousal benefit worth half of your ex-spouse's benefit after you turn your FRA. If your spouse is remarried, it will not affect the spousal benefit you are entitled to.

The question of when to claim Social Security is just as important if you are single. As mentioned, women tend to live longer than men, and Social Security can help protect against the risk of outliving your savings. However, since women may have a more difficult time saving and may take time off from the workforce, their Social Security benefit may not be as large. However, there are still ways to be strategic with how you structure your income plan to maximize your Social Security benefit.

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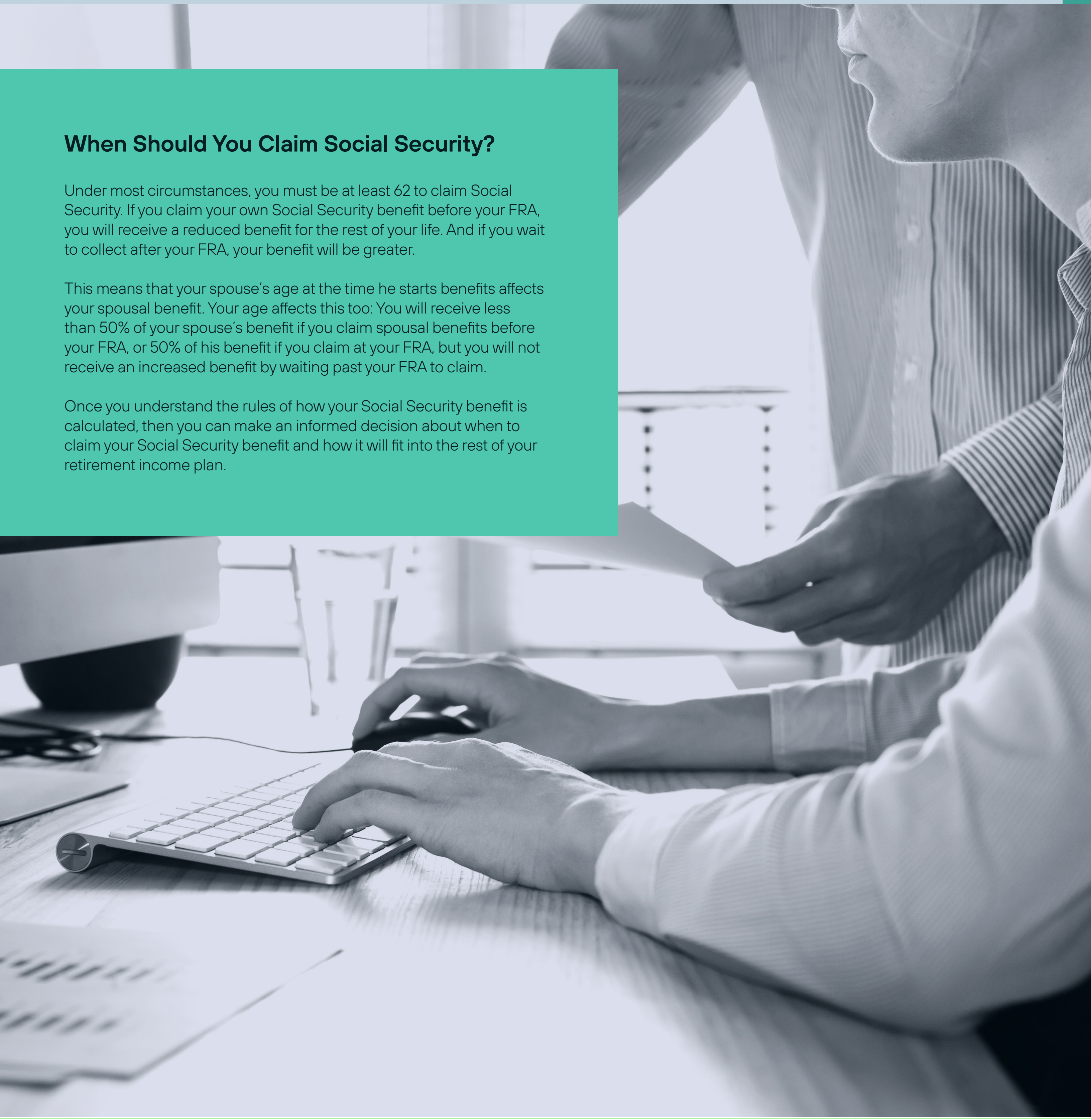

When Should You Claim Social Security?

Under most circumstances, you must be at least 62 to claim Social Security. If you claim your own Social Security benefit before your FRA, you will receive a reduced benefit for the rest of your life. And if you wait to collect after your FRA, your benefit will be greater.

This means that your spouse's age at the time he starts benefits affects your spousal benefit. Your age affects this too: You will receive less than 50% of your spouse's benefit if you claim spousal benefits before your FRA, or 50% of his benefit if you claim at your FRA, but you will not receive an increased benefit by waiting past your FRA to claim.

Once you understand the rules of how your Social Security benefit is calculated, then you can make an informed decision about when to claim your Social Security benefit and how it will fit into the rest of your retirement income plan.

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Retirement Income

Social Security may be an important part of your income plan, but it shouldn't be the whole thing. In fact, it's only designed to cover roughly 40% of someone's income needs in retirement.[9] This means that you must plan to fill in that gap with other retirement income resources.

STEP 01

The first step to understanding your income requirement is to figure out what your average regular expenses would be in retirement. Start by calculating how much money you will need for basic living expenses like housing, food, and medical care. Then, consider additional expenses like travel costs if you're planning on a vacation after you retire, dining out, and activities you might enjoy, such as golf, biking, or tennis. Finally, remember that an emergency fund is just as important in retirement as it was before, so make sure to create an account and set aside funds in case of one.

STEP 02

The second step is to decide where to draw income from. Consider all of your potential income sources in retirement: How much will you receive in Social Security? How much will you receive from a pension if you have one? Other income sources include traditional and Roth retirement accounts such as 401(k)s and IRAs. You may also have investment income you can continue to draw on in retirement. In order to have a regular stream of income, much like a paycheck, you may opt to purchase an annuity. In that case, those monthly payments could become another income source.

Potential Retirement Income Sources

Annuities

For couples with a primary income earner, there is a risk of having the secondary income earner outlive the primary income earner. In this case, whether it's Social Security or some other form of income, it can leave the other partner struggling to fill the gaps and cover expenses. Joint and survivor annuities provide a potential solution to that dilemma. These annuities can be for more than one individual and are designed to continue providing a steady stream of income to a second beneficiary after the first beneficiary passes away or pay out the remainder of the benefit to the second beneficiary. This can be highly beneficial if there is a risk of the income-earning spouse passing away first. But keep in mind that the payments to a second beneficiary after the passing of the first may be reduced.[10]

Spousal Individual Retirement Accounts (IRAs)

For standard IRAs, you would have to earn income in order to contribute to one. This means that if you don't earn income, you would be barred from contributing to an IRA—a common retirement planning tool. However, there is a potential solution: Spouses who don't work for pay can contribute to a spousal IRA if they file taxes jointly with a spouse. The current IRA contribution limit is $7,000 per year for people under 50 and $8,000 per year for those 50 and older, which applies to Spousal IRAs. Note the Spousal IRA is your own IRA and is not co-owned by your spouse.[11]

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Healthcare

Medicare

Medicare is a federal health insurance option for American citizens over the age of 65. If you're married, you may be covered under Medicare Part A based on your spouse's work history, even if you are not eligible to receive Medicare benefits. Under most circumstances, you must be at least 65 and either currently married for at least one year, have been married for at least 10 years, or widowed after having been married for at least nine months.[12]

But what if you're not 65 yet? You may wonder what happens if your spouse retires before you're 65 and you're covered under his workplace healthcare plan. If your spouse is older than you and you are currently covered under their employer plan, there's not an easy option, and you'll need to decide what to do when they turn 65, as they'll likely enroll in Medicare at that time. Discussing this with your spouse is difficult but highly important. It's not impossible to develop a plan with your spouse about healthcare timelines that will work for both of you.

If your spouse continues to work, they can likely still cover you, as both Medicare and employer-sponsored insurance covers many people who continue to work past age 65. Some employers also provide retiree health benefits that act as supplemental coverage to Medicare even after retirement, meaning you may still be covered if your spouse retires.[13] If you work, you may be able to switch to health insurance provided by your own insurer. If you don't, you can explore more options with an advisor.

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Long-Term Care

Long-term care refers to a type of care needed when one is unable to complete daily tasks on their own, such as bathing, showering, and eating, among other tasks.[14]

If you're married, you not only have to prepare for the possibility that you could outlive your spouse but that one of you might require help with basic tasks like bathing, dressing, eating, or other daily living activities. While it can be easy to push off the question and assume one of you will take care of the other, that may not be realistic. Some people end up needing around-the-clock care or care that a spouse is simply not able to give them.

An estimated 70% of Americans age 65 and older will need long-term care at some point in their lives.[15]

If you are single, it's important to consider your potential long-term care needs, no matter if you have children or not. While adult children may be capable and willing to care for you if you need long-term care, they may not be able to due to distance, their need to work, or other caregiving responsibilities. Fortunately, there are several options for protecting yourself against high long-term care costs; it just takes a comprehensive, informed strategy.

But accommodating long-term care needs often comes at a major monetary cost as well. It's estimated that 70% of Americans age 65 and older will need long-term care at some point in their lives.[15] On average, the cost of a private nursing room was roughly $5,000 per month, according to the most recent long-term care cost study by Genworth.[16] Accounting for 2022 and 2023 average inflation, that number could realistically be around $5,600.[17] When considering that women tend to spend roughly double the amount of time requiring long-term care than men, there can be a relatively greater effect on your finances.

Given the potential for this relatively steep cost, it's all the more important to consider how to effectively account for long-term care expenses in retirement.

Note On The Effects Of Divorce On Financial Planning For Women

Unfortunately, divorce can be particularly hard on women financially. One study found that women who divorce after age 50 see their income drop 41%, compared to men's, which drops 23%.[18] This could contribute to a considerable difference in their standard of living, potentially due to the financial differences outlined in this guide.

Fortunately, there are steps women can take when going through or after a divorce to help ensure their future financial well-being. An advisor can look not only at numbers but also at your unique situation to help create a solid financial plan with you.

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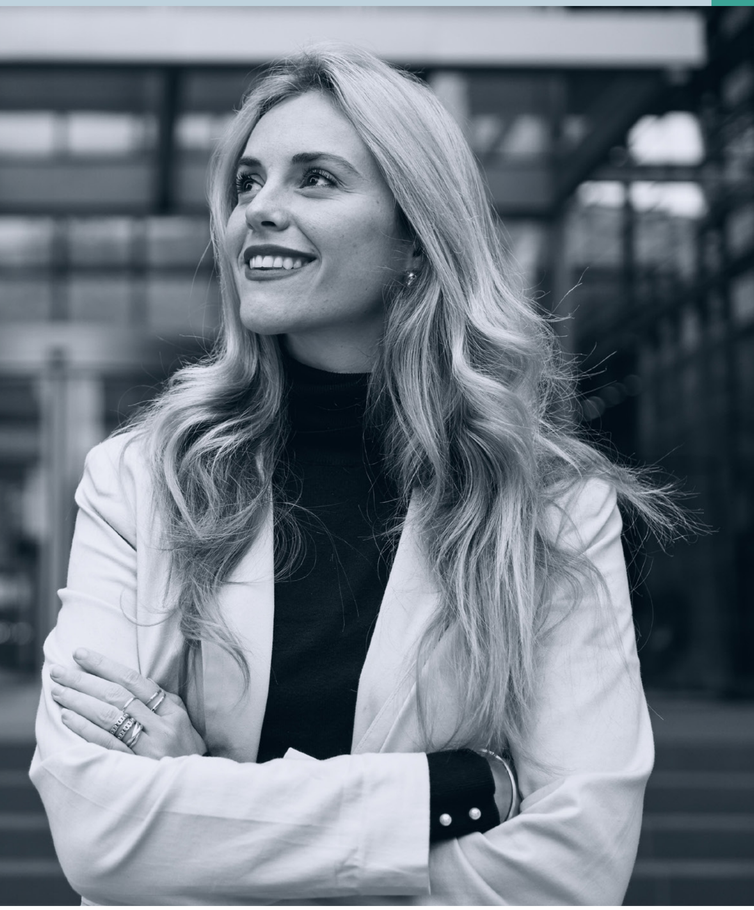
Estate Planning

Women hold a considerable amount of wealth in the US.[19] Whether you want to leave your wealth to children, other family members, a charity that is important to you, or something else entirely, you should have an estate plan. The first step is understanding the function of the following documents, estate planning tools, and designations to give to your family or other professionals.



Will	This is a document that states how you wish your property to be distributed.
Durable Power Of Attorney	This is a person of your choosing who can officially make decisions or appoint someone else to make decisions regarding legal, financial, and medical occurrences on your behalf if you are unable to do so. A regular power of attorney only has that power while you are not incapacitated.
Healthcare Power Of Attorney	This is a person of your choosing who designates an individual to make important healthcare decisions on your behalf if you are unable to do so.
Guardianship Designations	If you have minor children, you can formally designate a guardian and a backup guardian for them.
Trust	This is an arrangement that designates a third party to hold your assets on behalf of beneficiaries.[20]

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Lifestyle

Your 50s and 60s can be the beginning of a new life. There may be new jobs, a rediscovered hobby, volunteering, a revived social life, grandchildren, travel, or all of the above. Here are some questions to ask yourself when thinking about this new phase in your life:

- Do I want to go back to work?
- Do I want to travel, and how does that fit into my retirement budget?
- Do I want to be a mentor before or after I retire?
- What volunteer opportunities around me am I interested in?
- How will my social life change in retirement, and how can I make sure it's vibrant?

Conclusion

This is a new stage in life, no matter if you're married, single, retiring yourself, or married to someone who is retiring. At VestGen Wealth Partners, we like to say that you're not just retiring from something, you're retiring to something, and we're here to help you figure out what that is and how to plan for it. This process begins with you. It begins with your financial education and active participation in any and every decision that will affect you down the road.

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Disclosure

An annuity is intended to be a long-term, tax-deferred retirement vehicle. Earnings are taxable as ordinary income when distributed, and if withdrawn before age 59 ½, may be subject to a 10% federal tax penalty. If the annuity will fund an IRA or other tax qualified plan, the tax deferral feature offers no additional value. Qualified distributions from a Roth IRA are generally excluded from gross income, but taxes and penalties may apply to non-qualified distributions. Consult a tax advisor for specific information.

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