

OLDER WOMEN MUST PREPARE BETTER FOR RETIREMENT YEARS

Men and women hoping to retire within the next five to ten years are being forced to face a cold truth—they may not be financially prepared to retire. And women are especially vulnerable.

Consider these facts about older women from the Administration on Aging:

- In 2001, women accounted for nearly 60 percent of the population age 60 and older, and 70 percent of the population 85 and older.
- Seven out of ten baby-boom women will outlive their husbands.
- Older women are twice as likely as older men to live in poverty, and half of the elderly widows living in poverty were not living in poverty before their husbands died.
- Older women are three times as likely as older men to live alone.
- Most older women depend primarily on Social Security for their retirement income, and are half as likely to receive employer pension benefits as men.
- According to the Census Bureau, retirement income for women over age 65 is just over half of the retirement income received by men in the same age group.

The reasons older women find themselves in this financially precarious position are many, ranging from working fewer years in lower-paying jobs than men, to saving less for retirement. But the question now is, how can older women approaching retirement make up for lost time?

Make retirement a priority. It's common for women to make financial sacrifices during their working years, such as staying at home to raise children or care for elderly relatives. And many tend to rely on their husbands for their principal financial support. But the problem is, women outlive men by an average of five years, and thus have more years in retirement to fund. Their husband's income from Social Security and employer pensions will drop significantly if the husband dies first, which is why widows commonly fall into poverty unless they have some of their own retirement resources.

Beef up savings. A woman in her fifties or sixties can't make up for decades of lost retirement income and tax-deferred compounding, but she can at least make up some of the shortfall by beefing up savings. First, establish one or more retirement accounts if you don't already have one, such as joining a retirement plan at work or opening an individual retirement account (IRA). Even a nonworking spouse can put up to \$3,000 a year into an IRA, and an additional \$500 if she is age 50 or older.

Next, pay your retirement accounts just as you would any critical monthly bill—before it is frittered away in discretionary spending. Direct deposits make it easier and less painful.

Contribute the most you can afford to contribute and that rules allow—at least enough to earn the entire match an employer might make into a 401(k) plan if that's available, and ideally up to the maximum allowed by the plan. For many types of retirement plans and IRAs, workers over age 50 can kick in an extra “catch up” contribution above what younger workers are allowed.

Beef up Social Security benefits. Returning to work can beef up a woman's Social Security benefits ultimately earned in her name. Social Security bases its payments on a 35-year employment history, and even part-time work may earn more in a year than what she might have been making three decades ago.

Know your retirement rights. For example, women are guaranteed to continue to receive a portion of their husband's company pension if their husband dies before they do—unless they sign away that right. Women sometimes do that out of ignorance or because the couple decides to take the “single lifetime” payout because it provides a higher income stream than the “joint and survivor” payout. But those single-lifetime payouts stop when the beneficiary dies, and women are more likely to outlive their husbands.

Older women also should educate themselves about what Social Security benefits they might receive because they are married—and what benefits they might still receive in the event of divorce.

Long-term care insurance. While many men and women should investigate long-term care insurance, it can be especially important for women. Women are twice as likely as men to live in a nursing home, and they're less likely to be able to stay at home because they will have outlived their husbands who might care for them.