

What Women Shouldn't Retire Without

A practical financial checklist for the future.

Provided by Harry D. Toro

When our parents retired, living to 75 amounted to a nice long life and Social Security was often supplemented by a pension. How different things are today!

The good news is that life expectancy for women – as measured by the Centers for Disease Control – is now 81.1 years. The Social Security Administration estimates that the average 65-year-old woman today will live to age 86.^{1,2}

Given these projections, it appears that a retirement of 20 years or longer might be in your future.

Are you prepared for a 20-year retirement? How about a 30- or 40-year retirement? Don't laugh, it could happen: the SSA projects that about 25% of today's 65-year-olds will live past 90, with approximately 10% living to be older than 95.²

How do you begin? How do you draw retirement income off of what you've saved, and how could you create other possible income streams? How do you try and protect your retirement savings and other financial assets?

Talking with a financial professional – a female financial professional – may give you some good ideas. You want an advisor who walks your walk, who understands the particular challenges that many women face in saving for retirement (time out of the workforce due to childcare or eldercare, maintaining financial equilibrium in the wake of divorce or death of a spouse).

As you have that conversation, you can focus on some of the must-haves.

You should plan your investing. Many women (and men) retire with a random collection of investments, and no real strategy. Some are big on "chasing the return" – assuming risk they really shouldn't in pursuit of a double-digit yield. Others are very risk-averse, so fearful of what stocks might do that they stay out of the market entirely – and in the current low interest rate environment, that represents an easy way to fall behind and lose purchasing power to inflation.

You need a middle ground. When you are in your fifties, for example, you have less time to make back any big investment losses than you once did. So protecting what you have is a priority. At the same time, the possibility of a 15-, 20-, or even 30- or 40-year retirement means you have to keep a foot, if not both feet, in some kind of growth investing. Your initial retirement nest egg has to keep growing.

You should look at long term care coverage. It is an extreme generalization to say that men die sudden deaths and women die lingering ones; however, women often have longer average life expectancies than men and can require weeks, months or years of eldercare. Medicare is no substitute for LTC insurance; it only pays for 100 days of nursing home care, and only if you get skilled care and enter a nursing home right after a hospital stay of 3 or more days. Long term care coverage can provide a huge financial relief if and when the need for LTC arises.³

Claim those Social Security benefits carefully. If your career and health permit, delaying Social Security is a wise move for single women. If you wait until full retirement age to claim your benefits, you could receive 30-40% larger Social Security payments as a result. For every year you wait to claim Social Security, your monthly payments get about 8% larger.⁴

Married women can look at spousal claiming strategies such as the "file and suspend" approach and claiming spousal benefits first. This may help to maximize the Social Security benefits you and your spouse receive.

Above all, retire with a plan. Have a financial professional who sees retirement through your eyes help you define it on your terms, with a wealth management approach designed for the long term.

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Citations.

1 - cdc.gov/nchs/data/nvsr/nvsr61/nvsr61_06.pdf [10/10/12]

2 - ssa.gov/planners/lifeexpectancy.htm [10/10/13]

3 - medicare.gov/coverage/skilled-nursing-facility-care.html [10/14/13]

4 - money.usnews.com/money/retirement/articles/2012/04/02/what-older-workers-dont-know-about-social-security [4/2/12]