

Women – Especially “Suddenly Single” Women – Are At Greater Risk of Outliving Their Money

By Eve Kaplan, Certified Financial Planner™

Women run a higher risk of outliving their money in retirement than men. The risk is even greater for single women – especially women in the lowest pre-retirement wage earning quartile (meaning the lowest 25% of wage earners). In addition to low income-earning women, women who are “suddenly single” (recently widowed or divorced at any age) can be at high risk if they’ve been in the dark about their finances by allowing their spouses to handle these matters. This last group is especially vulnerable to what I call “advisor vultures” who swoop down, instill fear and make a sales kill off the back of unsuspecting women.

There are numerous reasons why women are at higher risk of running out of money in retirement:

1. Women live longer than men and tend to marry men who are older than they are – so there’s a good chance they’ll outlive their older spouses and spend a decade or more alone.
2. Since women live longer, they need more expensive medical services in their later years e.g. help at home, assisted living and nursing home care. Note: Medicaid covers nursing care only if an individual’s assets are virtually 100% depleted – the rules vary by state.
3. Women take off more time to care for family (children, aging parents) so they have fewer years to generate income, fewer years to save and fewer Social Security

credits.

4. Women earn less than men because the professions they gravitate toward pay less and because they are paid less than men doing comparable work. This is changing, but slowly.

So what can be done? If you're a working woman, consider these steps:

1. Save more. Live well below your means.
2. Consider working as many years as you can past 65 if you're concerned about running out of money in retirement (sometimes you can't control how long you work your employer thinks otherwise).
3. Consider moving to a less expensive part of the country if you have friends or family there.
4. Avoid leaving money on the table – contribute to a defined contribution plan (e.g. 401k) that provides an employer match; defer the maximum.
5. If your employer doesn't offer a retirement plan, consider funding an IRA each year (Roth IRAs are best if you don't exceed income restrictions).
6. Consider engaging a fee-only financial advisor to guide you toward building a better base to prepare for retirement. Avoid working with advisors who want to sell you something (often an annuity) that they say will "solve your problems."

"Suddenly single" women – many of them well into retirement already – have other challenges. Some of my women clients came to me newly widowed or divorced. Apart from the shock of being unexpectedly "single," most women were in the dark about their finances because their husbands handled these matters. A sense of confidence can come over time as we work together on strengthening their finances.

In sum, women require extra care when it comes to preparing for retirement, and planning to live a comfortable life in

retirement. It's never too late to look at this with a fee-only advisor (*not the same as a broker!*).

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