

Women and Wealth: Taking Charge of Your Finances



When it comes to financial planning, women are likely to face different challenges than men. For one, they earn less than men on average, and they're more likely to work part-time jobs or take time away from their careers to raise children and care for family. Time off and lower lifetime income means women face unique financial planning challenges.

Here's a look at some common financial issues women face and strategies to address them.

Less income means less money to devote to savings

On average, women earn just over \$0.80 on the dollar compared to men, leaving them with less money available to pursue financial goals, like saving for retirement.

If you work in a job that offers a retirement plan, such as a 401(k), be sure to save as much as you can. The tax advantages of these accounts can help boost your savings potential. If your employer offers matching funds, save at least enough to receive the match, and try to max out your savings if you can. In 2021, employees can save up to \$19,500 in their 401(k)s with an additional \$6,500 catch-up contribution for those age 50 and older. If you want to save even more, or you do not have access to an employer-sponsored 401(k), consider a traditional or Roth IRA that allows you to save \$6,000 per year in tax-advantaged accounts, or \$7,000 if you're over age 50.

Potentially lower Social Security benefits

Social Security benefits are calculated based on a person's 35 top-earning years. Because women earn less, they tend to have smaller benefits than their male counterparts. Be aware of the various claiming strategies available that may get you a bigger benefit.

If your spouse claims Social Security benefits, you may be eligible for a benefit equal to half of their benefit. This amount may be greater than what you qualify for based on your own work history. If you are divorced but were married for at least 10 years, you may qualify for a benefit based on your ex-spouse's employment record.

Caring for family members

Women, in general, tend to do more care work for other people than men do, including caring for children, aging parents, spouses, and grandkids. This work isn't compensated and can mean women aren't able to participate fully in the workforce. Even when they do, working mothers take a financial hit equal to about \$16,000 in annual lost wages over the course of their careers compared to working fathers.

If you are still working and your children or elderly parents need care, check with your employer to see what resources they offer to help. Some employers will help you find and hire childcare or eldercare. And though it's relatively rare, some companies will even offer company-subsidized childcare or backup eldercare.

Longer lifespan

Women live longer on average than men, meaning they need to ensure they have enough savings to cover more years' worth of retirement expenses. The average life expectancy for a man in the United States is about 76 years, while the average life expectancy for a woman in the U.S. is about 81 years. Longer life expectancy is another reason to save aggressively in tax-advantaged retirement accounts if possible.

Rising health care costs can complicate matters, as health care needs may increase with age. Plan ahead for long-term care costs. Consider purchasing long-term care insurance, which covers the cost of assistance with activities of daily living, such as bathing, dressing, or eating. It can also cover the cost of custodial care in a nursing home or assisted living facility.

Women face unique challenges in financial planning and saving for retirement, but making the most of these strategies can help you meet those challenges and take control of your financial future.

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