THE PACIFIC FINANCIAL GROUP

RETIREMENTREAD TIME: 3 MIN

How Women Can Prepare For Retirement

When our parents retired, living to 75 amounted to a nice long life, and Social Security was often supplemented by a pension. The Social Security Administration (SSA) estimates that today's average 65-year-old woman will live to age 86½. Given these projections, it appears that a retirement of 20 years or longer might be in your future.[1]

Are you prepared for a 20-year retirement?
How about a 30-year or even 40-year retirement? Don't laugh; it could happen. The SSA projects that about 33% of today's 65-year-olds will live past 90, with nearly 14% living to be older than 95.[2]

Start with good questions.
How can you draw retirement income from what you've saved? How might you create other income streams to complement Social Security? And what are some ways you can protect your retirement savings and other financial assets?

Enlist a financial professional.
The right person can give you some good ideas, especially one who understands the challenges women face in saving for retirement. These may include income inequality or time out of the workforce due to childcare or eldercare. It could also mean helping you maintain financial equilibrium in the wake of divorce or death of a spouse.

Invest strategically.
If you are in your fifties, you have less time to make back any big investment losses than you once did. So, protecting what you have may be a priority. At the same time, the possibility of a retirement lasting up to 30 or 40 years will require a good understanding of your risk tolerance and overall goals.

Consider extended care coverage.
Women have longer average life expectancies than men and may require significant periods of eldercare. Medicare is no substitute for extended care insurance; it only covers a few weeks of nursing home care, and that may only apply under special circumstances. Extended care coverage can provide financial relief if the need arises.[3]

Claim Social Security benefits carefully.
If your career and health permit, delaying Social Security can be a wise move. If you wait until full retirement age to claim your benefits, you could receive larger Social Security payments as a result. For every year you wait to claim Social Security, your monthly payments get about 8% larger.[4]

Retire with a strategy.
As you face retirement, a financial professional who understands your unique goals can help you design an approach that can serve you well for years to come.

1. Projecting Expenses Forward. Knowing how much was spent per budget category can provide a useful template for projecting future expenses. Go through each category. Are expenses likely to rise in the coming year? If so, by how much? The results of this projection will form the basis of a budget for the coming year.

2. Determining Expected Income. Add together all sources of income. Make sure to use net income.

3. Doing the Math. It's time for the moment of truth. Subtract projected expenses from expected income. If expenses exceed income, it may be necessary to consider changes. Prioritize categories and look to reduce those with the lowest importance until the budget is balanced.

4. Sticking to It. If it's not in the budget, don't spend it. If it's an emergency, make adjustments elsewhere.

Tax time can provide an excellent opportunity. You have a chance to give your household budget a thorough checkup. In taking control of your money, you may find you are able to devote more of it to the pursuit of your financial goals.

1. CDC.gov, January 2020
2. SSA.gov, February 25, 2020
3. Medicare.gov, February 25, 2020
4. Investopedia, November 24, 2019