



Retirement Planning: What Women Do Right

By Shelly Gigante

Women, it seems, have the temperament and resolve to potentially manage their money more effectively than men, character traits that could help counter some of the significant financial headwinds against them as they seek to build a retirement nest egg.

Indeed, amid the reality of lower earnings potential and longer lifespans, studies reveal women may plan ahead, earmark money for savings, and avoid costly knee-jerk reactions to stock market turbulence better than their male counterparts.

“Some research suggests men may be overly confident as investors and tend to do more active trading which of course reduces long term results,” said Alicia Munnell, director of the Center for Retirement Research at Boston College. “The ability to follow the rules and maintain a diversified portfolio and stick with it without making spur of the moment changes really works to women’s advantage.”

A 2015 study by Vanguard Center for Retirement Research, for example, found women in the workplace were 14 percent [more likely](#) to participate in their employers’ 401(k) plans and, once enrolled, save a higher percentage of their paychecks than men at all

income levels. Indeed, the women surveyed socked away between 7 percent and 16 percent more of their salaries than men.¹

Similarly, in an analysis of more than 12 million investors, Fidelity Investments [found](#) that women demonstrated a stronger saving rate than their male counterparts and enjoyed better long-term investment performance when they did engage.²

Why? The study authors theorize that because women regularly juggle multiple priorities with work and family, and have natural instincts for planning, they may research investment decisions more carefully, ask questions and seek professional financial advice. That may explain why fewer women than men regret financial decisions. According to the Fidelity study, 43 percent of women say they haven't made any financial mistakes versus 33 percent of men.

As investors, women are also more likely to stay the course during market downturns, staying focused on their long term financial goals rather than trying to beat the market, the Fidelity study found. A buy and hold investment strategy potentially reduces the costs associated with portfolio churn, which eats away at annual returns, and also may limit the long term risk of unsuccessful market timing (buying high and selling low).³ Female investors also appear to maintain more balanced portfolios than men, according to Fidelity research, which can potentially be beneficial during market volatility. Only 8 percent of women hold all of their assets in equities versus 11 percent of men, while 27 of women maintain a blended asset allocation compared with 22 percent of men.

An age-appropriate asset allocation, which describes the mix of stocks and bonds in one's investment portfolio, may help their bottom line. Indeed, over the prior 10-year period, Fidelity found women and men earned roughly the same rates of return (7.3 percent versus 7.4 percent), while females took on slightly less risk.⁴

Women Have Less Saved

Despite the numerous ways that women excel on the financial planning front, however, they still fall woefully behind in terms of actual savings. On balance, men have amassed far more wealth than women.

The Center for Retirement Research at Boston College reports the median 401(k)/IRA wealth for individuals with balances who are 65 and older is \$50,000 for both married and single women. By comparison, married men in that age group had \$113,000 socked away in tax deferred accounts and single men had \$119,000.⁵

The savings shortfall is largely attributed to the gender pay gap. In 2015, the American Association of University Women (AAUW) reported women working full time in the U.S. typically were paid 80 percent of what men were paid, or [20 percent less](#). That gap has narrowed since the 1970s, it reports, due to women's progress in education, their workforce participation and the fact that men's wages have been rising at a slower rate.⁶

“Over the course of an entire career, that can amount to a \$500,000 difference in savings,” said Nancy Coutu in an interview, a financial planner with Money Managers Financial Group in Oakbrook, Illinois.

It's worth noting that level of educational attainment is no equalizer when it comes to gender pay equality.

The Center for American Progress, which analyzed data from the Department of Education on graduates who received federal financial aid to help pay for college, reports that women had [lower annual earnings](#) 10 years after entering higher education than the annual earnings of their male peers only 6 years after entering – across every college sector and level of selectivity.⁷

For students who graduate from the most elite colleges, CAP found, men's earnings outpace women's by "tens of thousands" of dollars each year, with gaps showing up soon after they enter the workforce.

The effect of lower earnings is significant. Not only does a smaller paycheck mean women have less money available to save, but they also get a quantitatively smaller employer match on their tax deferred savings, which is typically based on a percentage of their income.

At the same time, female workers who earn less than their male counterparts contribute proportionately less to [Social Security](#) over the course of their careers, which often translates to a smaller benefit when they retire. (Married women who never worked outside the home may be entitled to one-half her husband's Social Security benefit.)⁸

Caregivers and Higher Costs

But other factors hamper women's ability to feather their retirement nest egg, as well.

For starters, women spend more time out of the labor force, caring first for their children and later for aging parents, which means they have fewer years to fund their retirement.

"Women tend to be the caregivers in their families, raising children and then later in life taking care of Mom and Dad," said Julie Bates, a financial planner with Delta Community Credit Union Retirement & Investment Services in Atlanta, Georgia, in an email interview. "We see this role impacting career advancement opportunities, retirement savings and Social Security benefits."

Women also have a longer life expectancy than men. The Centers for Disease Control reports women born in 2014, the most recent year for which data are available, [live to an average](#) age of 81.2 years, versus men who are projected to live to age 76.4 years.⁹ Thus, they often have greater expenses during retirement, including more medical and long term care costs – especially if their spouse is no longer alive to help provide care.

“The combination of longer lives, limited savings and the fact that we’re probably going to live alone in old age puts women at much higher financial risk during their retirement years,” said Coutu.

She notes, too, that many married women forget that they lose one Social Security check if their husband dies. “You may be collecting \$5,000 a month in the early years of retirement between you and your spouse, but if one of you dies you lose one entire check, which may be 50 percent of your fixed income,” said Coutu. “It’s not like your bills suddenly go down by half.”

Munnell said one of the best ways women (especially those who took a few years out of the labor force) can mitigate the financial effects of an underfunded nest egg is to delay claiming Social Security benefits beyond their full retirement age, which increases their monthly benefit for life. “By delaying benefits, you not only raise your monthly benefit, but it also raises your average wages on which your benefit is determined,” she said. “You can offset some of those years when you contributed zero to Social Security so your benefit will be bigger. The effect of that is significant.” (**Related:** [Maximizing Retirement Income](#))

Women face significant financial obstacles on the road to retirement security, to be sure. By bringing their discipline and investment strengths to bear, however, they can potentially offset some of those challenges and set themselves up for a more successful savings outcome.

Many already are.

“More and more women are asking for help, getting involved in their family finances early and using their longevity to improve their financial future,” said Bates.