

Planning for women

Investing for your retirement

A different road to retirement

The difference in retirement planning for men and women is both relevant and complex. There are various factors involved, including longevity, income disparities, investment strategies and the impact of social security and pension benefits.

With a longer life expectancy than men, women will most likely have more time to enjoy their retirement. However, with living longer also means there is a greater possibility of outliving your retirement savings.

Financial obstacles in place

There are several factors and obstacles in place that women face on the road to retirement. These obstacles mean retirement planning for women often takes a different path than men.

Women tend to earn less – The gender wage gap persists and in 2023, women were paid 21.8% less on average than men.[1] Because women earn less than men overall, they tend to have less to invest during their careers and fall behind on other important aspects of their personal finances, including their credit scores and savings.

[1] Economic policy institute – "Gender wage gap persists in 2023" 3/8/2024

Carrying majority of caregiving responsibilities – Financial priorities can change throughout our lives in response to changes in our relationships, education, employment, and mostly family responsibilities. Women are likely to take on caregiving duties, whether it be their special needs children or their parents as they get older. This can really have an impact on their retirement savings. Long-term special needs financial planning can be challenging, especially with the complex legal and governmental issues surrounding disability.

Lower investing confidence – Many women may feel confident in managing day-to-day expenses and budgeting, but may not be as comfortable when it comes to managing their investments and saving for retirement.

Women tend to have lower Social Security benefits – Social Security benefits represent a foundational component of retirement income for many Americans. However, the amount of these benefits can vary significantly between genders due to differences in lifetime earnings, years worked, and the age at which benefits are claimed. Since Social Security benefits are calculated based on an individual's 35 highest-earning years, women, who may have lower lifetime earnings and fewer years in the workforce due to caregiving responsibilities or part-time employment, often receive lower benefits than men.

Longer life expectancy – On average, women can live nearly 6 years longer than men.[2] With a longer life expectancy than men, women will most likely have more time to enjoy their retirement. However, it can also increase the chance of outliving your retirement savings. As you get older, the more likely additional health care expenses will increase due to the rise in cost and inflation.

[2] Medical News Today "Why women in the U.S. now have a life expectancy nearly 6 years longer than men" 11/15/2023.

Thinking about your future

Women also have different needs and have a different style when working with money. Therefore, your financial priorities could vary from your co-worker, sister or friend. Envisioning where you'd like to be in retirement can help you plan. Think through different questions that can help map out your goals, such as: how you want to spend each day, where you want to live, and how often you want to travel.

Taking stock of where you are and mapping out your goals

Getting to where you want depends on the choices you make today – especially when it comes time to decide on what to do with your money. Sometimes, saving money boils down to having the right strategy in place. There are many things to consider now that may help set you up for a better financial situation later. Take stock of where you are financially to help you decide how much you should save for your future. One key to a secure retirement is to plan ahead and the sooner you start, the better.

- **How much do you spend each month?**
- **How much debt have you accumulated?**
- **Do you have an emergency fund to cover at least six months?**
- **How much have you saved?**
- **How much more could you save if you spent a little less?**



Once you've established how much money – if any – you can free up, you can then determine the best place to put that money.

Putting your money to work

Naturally, saving early is a good rule of thumb, and for many people it's easier said than done. One thing is for sure, retirement will come. For some of you it may be far off and for others, it's getting closer. But there is no time like the present to get started. Most companies offer tax-deferred retirement investment plans, such as 401(k), 403(b) or 457 plans – all of which can be used to invest for your future. Tax-deferred compounding can really add up.

As the following chart shows, even with a 6% rate of return over 15 years, deferring 3% more of your salary can increase your savings significantly:

Both Sondra and Donna earn $50,000 per year, but Donna decides to save $125 more per month.

	Sondra	Donna
Annual Salary	$50,000	$50,000
Percent of salary deferred per month	5%	8%
Amount of salary deferred per month	$208.33	$333.33
Time period	15 years	15 years
Total Contributions	$37,499.40	$59,999.40
Total savings	$59,773	$95,637
Donna saves nearly $36,000 more than Sondra!		

The example above is hypothetical, for illustrative purposes only and not intended to project the performance of any specific investment. Actual rates of return will vary over time. Dollar cost averaging/ Systematic Investment plan does not ensure a profit nor guarantee against loss. Investors should consider their financial ability to continue their purchases through periods of low price levels.

Preparing for your future and tips for retirement saving

Finding a way to save for retirement may seem overwhelming – but it doesn't have to be. With a basic understanding of a few concepts, you can start building a retirement portfolio that meets your needs and increases your financial well-being. Here are some things you may want to consider, including some useful information to help you better prepare for your future:

✓ **Start today** – The earlier you start saving and investing, the better off you could be. Even if you began saving late or have yet to begin, it's important to know that you are not alone, and there are steps you can take to increase your retirement savings.

✓ **Contribute to your IRA or retirement savings plan** – Contributing to your retirement savings plan or an Individual Retirement Account (IRA) can help build a financial cushion for your future. These can also offer potential tax advantages and can be a flexible option for your retirement savings while also offering the benefit of compound growth to maximize your savings overtime.

- ✓ **If your employer offers one, take advantage of the plan match** – If your employer offers to match your retirement savings contributions, make sure you contribute enough to take full advantage. It's essentially free money and you don't want to leave it on the table.
- ✓ **Take advantage of catch-up contributions** – Catch-up contributions can help boost your retirement savings. As of the calendar year you reach age 50, you're eligible to go beyond the normal limits with catch-up contributions your retirement savings plan. So if over the years, you haven't been able to save as much as you would have liked, catch-up contributions can help boost your retirement savings.
- ✓ **Diversify your portfolio and identifying your risk tolerance** – Diversification is the practice of spreading your dollars among a variety of investments to better manage your investment risk. Essentially, it is similar to the saying, "Don't put all your eggs in one basket." By diversifying your portfolio, you are less likely to be hurt by downturns in any one particular investment or asset class. Different investment vehicles have different risks, so decide how much risk you are willing to take.
- ✓ **Regular retirement check-ups** – The purpose of a check-up is to make sure your investments are still in line with your goals, investment horizon, financial situation, and risk tolerance. Talking about retirement planning with your spouse or partner can also help you decide what your retirement needs will be and how much it will cost you each month.

A plan for spending later

Planning for your retirement is just part of the process. Since you'll likely be retired for 20 to 30 years, you'll also need to decide how you're going to maximize your resources during your retirement. A key to spending wisely in retirement is to organize your resources. You may wish to create an emergency fund that could cover up to six months worth of expenses. Your remaining assets could be divided into three categories:

Short-term money – Covers the necessities, such as food, housing, utilities, taxes, health care, insurance and emergencies. Potential sources include Social Security, pension, part-time income and rental income.

Mid-term money – Covers the niceties, such as travel, entertainment, house/car repairs and education. Potential sources include retirement plans, interest/dividends, IRAs, home equity, employment income and bank savings/CDs.

Long-term money – Includes money that might grow to help replenish the other categories or compensate for inflation and longevity protection. Potential sources include long-term stock investments, long-term bond investments, annuities, IRAs and any other type of financial investment.

Throughout your retirement, you may need to shift your resources as necessary to make up for shortfalls in any one area.



Taking control of your future

While the gap in earnings between men and women is shrinking, years of disparity have put many women behind in terms of retirement savings. Other factors, such as longer life expectancy and less time in the workforce, have also put many women in a position to play catch up. By understanding your retirement needs, saving more and developing a sound plan, you can take control of your financial future. If you have more questions about your retirement plan, contact your Voya representative.

This program is not intended to be a financial planning service, investment advisory service or deliver a financial plan or any portion of a plan. Should you wish to take advantage of a full financial plan or obtain investment advice, please contact your financial planner or financial professional for more information.



Talk to your financial professional to discuss which IRA option may be best for your retirement goals.

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