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Helping women think about retirement

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Women worry more about retirement than men.



We fret more about inflation eroding our purchasing power. We agonize more over declining health and the rising cost of medical care. We stew more about outliving our money.

In fact, according to a recent survey by The Hartford and MIT AgeLab, there's only one retirement issue where men's anxiety level was higher: Men are more concerned about being bored in retirement.

But we have good reason to worry.

Women tend to earn less than men and are more likely to quit work to care for children or elderly parents. That means our retirement benefits are smaller. Yet, we live longer than men and have more years of retirement to fund.

"To me, it's encouraging that [women] are aware of and understand their risks. And they are concerned about the right things," says Stephanie Chappell, corporate gerontologist with The Hartford, which surveyed nearly 1,200 men and women about their attitudes on retirement.

As a natural worrier, I believe a little angst can be positive if it spurs you to take action. For instance, if a fear of running out of money in old age pushes you to calculate how much you need to save for retirement, so much the better. But don't let anxiety paralyze you so you don't plan for your future. Sure, women have more hurdles to overcome but they're not insurmountable. And the earlier you tackle them, the better.

Here are some issues that affect women's retirement, according to surveys by The Hartford and the Society of Actuaries:

- Women spend an average of 32 years in the work force compared with 44 years for men. •A 65-year-old woman today can expect to live to age 85, or three years longer than a man. At 65, she has a 49 percent chance of reaching age 89 and a 23 percent chance of hitting 95.

- Singles fare worse than married couples who can pull resources together. Among those 65 and older, 28 percent of single women and 23 percent of single men are poor or near the poverty level. That compares with 8 percent of their married peers. A wife's income, though, on average will drop by half when a husband dies while her expenses will fall only 20 percent.

- Women tend to marry older men, increasing the chances of outliving a husband. Women often are widowed for 15 years or more.

The surveys interviewed people age 45 and up. You'd like to think that younger women, aware of retirement and investing through 401(k)s on the job, are taking a more assertive role with their finances.

That doesn't appear to be the case, says Alicia Munnell, director for the Center for Retirement Research at Boston College.

According to government figures, the ratio of assets to income from 1983 to 2001 has stayed much the same for all age groups. That means today's younger workers aren't saving more than their 1980s counterpart, even though they will likely live longer, pay more for health care and won't have the traditional pension like earlier generations, Munnell says.

So what can women do to secure their future?

- Save, save and then save some more: "The reality is that because women live longer, they have to have a larger nest egg to fund that longer retirement period," says Doug Robinson, a financial adviser in Bel Air. "Another five years can add up to a goodly sum of money."

The earlier you start, the better, even if it's small amounts. "The power of compounding works in your favor if you get it in there early," Robinson says.

If you quit work temporarily to rear children, don't give up saving for retirement. You may qualify for a tax-friendly traditional IRA or a Roth IRA. You can contribute up to \$5,000 this year in an IRA if you're under 50; \$6,000 if you're older.

- Invest for the long haul:

Women are better investors than men, Robinson says. More than 80 percent of his clients are women. "They stay the course and don't react emotionally in the short term to swings in the market. Not to say they don't get concerned. But they don't need to act on it," he says.

Still, some women can be overly cautious. "They will keep all their money in CDs. They don't want to take any risk.," says Peg Downey, a Silver Spring financial planner. "Actually, they have taken on the risk of their purchasing power being depleted."

The younger you are, the more you should be invested in stocks, which historically have outperformed other assets over time. But even retirees need some stocks to keep ahead of inflation.

- Consider long-term care insurance:

Often a husband gets sick in retirement and his wife takes on the physically demanding role of caregiver, Robinson says. The two might nearly deplete their savings during his illness and then he dies. By that time, too, the wife's health has deteriorated but she doesn't have the cash to pay for her own care.

A solution: long term-care insurance.

The earlier you buy a policy, the lower the premiums. Robinson suggests shopping for a policy starting

in your mid-50s, but don't wait beyond 65 to buy one.

•Work longer:

The average retirement age today is about 63. But that won't do when men and women are living longer. "People just have to work longer. It's the only way to have any security in retirement," Munnell says.

Wives in particular should encourage their husbands to work longer, Munnell says. Men often earn more, and those extra years on the job will make a huge difference in his Social Security benefit. And if he dies first, his bigger benefit will replace her smaller Social Security check.

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