



Insured Retirement Institute

## Tips for Investors: IRI Retirement Realities Checklist for Women

Women have made many strides in the workforce. Government data indicates that 51% of working women are employed in management or professional occupations, 23% are chief executives, and 26% earn more than their husbands. Additionally, women represent half of all individuals with at least half-a-million dollars in investable assets.

Even so, women face several challenges in planning for retirement income compared to men, largely due to longer expected life spans and lower incomes with which to fund retirement savings. To help prepare you for these challenges, review IRI's Retirement Realities Checklist for Women with your financial professional, who can structure a long-term retirement plan to meet your needs.

### LIFE EXPECTANCY IMPACT ON THE COST OF RETIREMENT

Living longer also brings additional costs, some potentially very prohibitive. In addition to covering everyday expenses, women also need to plan for the costs of health care and long-term care.

#### Plan for... **Longevity Risk**

Done  To Do

The average life expectancies of women are approximately three to four years longer than those of men. According to the Society of Actuaries, today's 55-year-old female will, on average, live another 29.5 years to age 84.5, while a 55-year-old male will, on average, live another 26.2 years to age 81.2, a difference of more than three years. Viewed another way, today's 55-year-old female has a 68% chance of living to age 80, compared to a 57% chance for males the same age.

*Source: Society of Actuaries*

#### Plan for... **Health Care Costs**

Done  To Do

As publicized over the past several years, healthcare costs continue to grow. While Medicare provides medical insurance to most Americans over age 65, it does not provide complete coverage. A healthy 55-year-old female who retires at age 65 can expect cumulative health care expenses in retirement, including premiums, to top \$417,000 for the remainder of her lifetime. This is 13% higher than the corresponding figure of \$369,000 for men.

*Source: IRI, HealthView Services*

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## Plan for... **Long-Term Care Costs**

Done  To Do

Long-term care planning is essential for all workers, yet takes on a greater importance for women for several reasons. First, according to the American Association for Long-Term Care Insurance (AALTCI), women are far more likely than men to require care. Nearly 75% of nursing home residents are women, and women older than age 65 require care for an average of three years, roughly twice that of men. Additionally, two-thirds of long-term care recipients are women. Single women represent the largest segment of those who file long-term care insurance claims (41%), while single men comprise the smallest (12%). Finally, IRI research shows that 43% of women are not confident in their ability to pay for long-term care costs in retirement, compared to 35% of men.

*Source: IRI, Association for Long-Term Care Insurance*

The often-cited trio of retirement income sources—Social Security, company retirement plans, and

## THE INCOME GAP IMPACT ON RETIREMENT NEST EGGS

personal savings—may require a different focus for women. On average, full-time, salaried female workers earned 77% of the income of their male counterparts in 2010, compared to 71% twenty years ago. As a result, women often receive significantly smaller payments from Social Security and pensions than men do, requiring a greater focus on self-funding a greater portion of their retirement.

## Learn about your... **Social Security**

Done  To Do

The average monthly Social Security payment to retired women as of December 2010 was 77% of that paid to retired men. Review your most recent annual Social Security Statement with your advisor to help plan your overall retirement income portfolio. Note that as of March 2011, the Social Security statement is sent only to workers who have reached age 60. If you are younger, your advisor can help you estimate your future payment amount.

*Source: GAO, Social Security Administration*

## Learn about your... **Company Retirement Plans**

Done  To Do

Only 29% of women age 65 or older received a defined benefit or retirement annuity payout in recent years, versus 43% of men. Further, the average benefit paid to women in this age group was just 62% of that paid to men. For individuals with 401(k) plans, the average account balance for women is 58% of that of men—and, this amount must last a longer period. Review your retirement plan statements with your advisor, who can give you customized recommendations. Also review with your advisor the plan features and investment options of all 401(k)s in which you are invested.

*Source: Employee Benefit Research Institute, Aon Hewitt*

## Learn about your... **Personal Savings**

Done  To Do

Women lag men in the use of individual retirement accounts (IRAs). Only 43% of IRA holders are women, and their average balance was slightly more than half (56%) that of men. Research conducted by IRI shows that only 14% of women consider themselves very knowledgeable about making financial investments, while 48% believe they do not have this knowledge. Your advisor can provide education on the retirement investment options that are available to you given your personal financial situation and comfort level.

*Source: IRI, Employee Benefit Research Institute*

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**REVIEW LETTER**

1. Tips for Consumers: IRI Retirement Realities Checklist for Women  
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Attention: Danielle Holland

The material submitted appears consistent with applicable standards. However, we have the following comment:

Please note that when used by FINRA member firms, the firm's name must be clearly and prominently set forth pursuant to Rule 2210(d)(2)(C)(i).

Reviewed by,

Joseph S. George  
Associate Supervisor

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