Investing for the Future: What Women Need to Consider

As women begin to invest for their future, they should first answer these six basic questions to help ensure they are poised to achieve their retirement goals:

1. When do I plan to retire?
2. What will my retirement look like? Fully retired? Traveling?
3. What will my expenses be in retirement?
4. How much will I need to retire?
5. When should I begin saving and investing for my retirement?
6. How should I invest? (tax-deferred vs. taxable, investment strategy)

While these are questions to consider for both men and women, the answers may be quite different for women than for men. Understanding these differences will enable women to engage a more successful plan for their future.

What are my goals?

Spend time thinking about what retirement will look like to begin setting personal goals. Retirement may include traveling, spending more time with family and friends, or enjoying a new hobby. Retirement may not mean being “fully” retired. More than half of women plan to work at least part-time in retirement.

Whatever the vision for retirement, developing a plan for retirement is critical to having confidence in the ability to retire comfortably. Only 11% of women have a written retirement strategy in place, therefore it is not surprising that retirement confidence is lower among women compared to men. Twice as many men than women are “very” confident they will be able to fully retire with a lifestyle they consider comfortable.[1]

Key takeaways

Your investment strategy should be built around your goals.

Consider potential healthcare costs and inflation.

Start saving as early and as much as possible.

How much will I need in retirement?

Once the goals for retirement are set, the retirement savings needed to support these goals can be determined and a plan put in place to give women retirement confidence. Even with similar retirement goals, different plans are needed for women than men. Women live 5 years longer than men on average. This means retirement dollars have to last longer for women. As a result, women need to consider longevity, higher healthcare costs, and disparate earnings.

According to a recent retirement report by Healthview Services, women are likely to spend more on healthcare than men due to longevity, more frequent medical appointments, and the fact that healthcare costs are rising by over 6% annually, more than double the rate of overall inflation. A healthy 55-year-old woman will pay an average of $79,000 more for health care during retirement than a 55-year-old man. If a woman retires at 65 and lives to average life expectancy of 89, her health costs will total $522,827. When faced with this projection, denial is often the reaction; however, planning for this reality is crucial.

Since women live longer and have higher healthcare costs in retirement, they need to save more for retirement. However, women are frequently the family caregivers. Their earnings can suffer when they take time off to care for children and elderly parents. Because of this, women's peak earning and saving years are often later. There is less time for their savings to grow as retirement approaches.

There is a wage gap between women and men. On average, women earn 79.6% of what men earn, so women often need to save a larger percentage of their earnings to build adequate retirement savings.

This wage gap and time spent as caregiver also results in Social Security benefits that are about 23% lower than men's on average, which also contributes to the need for women to save more.

With all of these factors to consider, it is evident that women need a retirement plan and an investment strategy, yet a recent study shows that 55% of women admit they are just "guessing" at how much they may need to save for retirement.

What should women do?

Start saving as early as possible. The median age to begin saving is 27 for both men and women.[1] Beginning a savings plan early is a powerful tool for women as they seek to cover the additional expenses of longevity and healthcare in a longer retirement. A woman who begins saving $15,000 a year at age 25 can expect to have $1.5 million at age 65[2] but delaying that savings plan by 10 years results in savings of only $907,000. Every year of saving counts, but especially in the early years so that the savings have more time to grow.

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Make investing for the future a priority. Current financial priorities differ between men and women. Men are more likely to list saving for retirement as a current financial priority, while women are more likely to list basic living expenses as their current financial priority. This difference is seen in the fact that women who participate in a 401k contribute an average of 7% of their annual pay versus an average contribution by men of 10% of their annual pay.[1] This lower contribution rate, combined with a lower salary early in women's careers, can put women behind in saving for retirement.

Maximize contributions to 401Ks, Individual Retirement Accounts (IRAs), and Health Savings Accounts (HSAs), and take advantage of the catch-up contributions that are allowed after age 50. There is power in tax-deferred savings. Using the same example as above, if the 25-year-old saved in a 401K or traditional IRA, she would have $1.69 million at age 65 and the 35-year-old would have $977,000. Contributions to HSAs can be invested for long-term appreciation and then used for qualifying medical expenses well into retirement, tax-free. Using tax-advantaged accounts for retirement savings makes a material difference in the final nest-egg.

Get comfortable with more risk in your long-term savings, especially in the early years. Studies have shown that women tend to be more focused on preservation than growth in their investments. In order to have adequate retirement savings, women should work with a financial planner to determine an appropriate level of investment risk that will result in the growth needed for a successful plan. Risk can be reduced as retirement approaches, securing the long-term gains that have accrued.

Build your financial confidence. Choose a financial advisor who communicates the "hows and whys" of investing. Take advantage of resources online and in print to raise your comfort level and expertise in issues relating to your financial future.

Pay attention to your investment mix. When surveyed, 32% of women say they are not sure how their savings are invested.[1] Since asset allocation is the principal determinant of investment results, maintaining an appropriate, diversified portfolio is critical to financial success. Your portfolio allocation between stocks, bonds, and cash should reflect your individual risk tolerance, the timeframe for using the money, and your unique goals.

Whether on your own, or with the help of a trusted advisor, periodic rebalancing of the portfolio will keep you on track. This ensures that diversification is consistent for the long-term, and adjustments to reduce risk can be made as you near retirement.

All things considered

Women can be confident in a secure retirement through careful planning, understanding their financial needs in retirement, taking action to prioritize saving and investing for their future, and continuing to stay engaged with the guidance of a trusted advisor.

The support you need

For more Key4Women resources to help you reach your goals, visit **key.com/women**, or **email us** to learn more.

Would you like to weigh in on future topics? Please take our **survey**.

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[1] https://transamericacenter.org/retirement-research/18th-annual-retirement-survey/full-survey-results-compendium-report.
[2] Assuming 2.2% annual inflation of $15,000 savings amount and 5.4% annual investment return in a taxable account