

Women, Wealth and Longevity Risk

What You Need to Know

The trend is clear: Women are increasingly taking control over their financial lives. Two-thirds of women now consider themselves to be the "CFOs" of their households, and for one out of five married couples, the wife now earns more than the husband.^{1,2} It follows, then, that women are also laying claim to an ever greater share of the nation's wealth. Yet despite the vast progress being made by women on the financial front, they also face unique challenges that can affect their financial security, both now and in retirement.

Exploring the Gender Gap

There are real, tangible reasons why gender plays a critical role in an individual's long-term financial well-being. For instance, women forfeit significant lifetime earnings due to time spent out of the workforce raising children and/or caring for other family members.

This time out of work affects both the percentage of women who qualify for workplace pensions and the amount of pension income they can expect to receive.

Among women aged 65 and older, only 29.4% received annuity and/or pension income in 2008 (most recent data available), with average pension income of \$12,137. In contrast, 43.2% of men aged 65 and older received annuity and/or pension income in 2008, with an average amount of \$19,557 per year.³

What does this and other gender challenges suggest? Simply that all women, regardless of age or financial status, should make planning for a retirement that could last 25 years or longer a lifelong endeavor.

The Gender Gap at a Glance

	Women	Men
Life expectancy at 65	19.9	17.2
Average wage differential	\$0.77	\$1.00
Receive pension benefits	29.4%	43.2%
Average annual pension payout	\$12,137	\$19,557

Sources: CDC, National Center for Health Statistics, National Vital Statistics Report, August 2009 (based

on 2006 and 2007 data); Institute for Women's Policy Research, September 2010; Employee Benefit Research Institute, "Retirement Annuity and Employment-Based Pension Income, Among Individuals Age 50 and Over: 2008," May 2010.

Planning Suggestions

To improve your chances of having a long, healthy and financially secure life, keep a few planning basics in mind.

Health is wealth. One of the great financial "unknowns" with regard to retirement income needs is healthcare costs. A recent study by the Center for Retirement Research at Boston College estimated the lifetime uninsured healthcare expenses for a 65-year-old couple at close to \$200,000. While there is no guarantee you will stay healthy as you age, you can help reduce the chances of developing a major illness by following a healthy lifestyle.

Maximize investment opportunities. Everyone interested in securing a comfortable lifestyle in retirement needs to focus on long-term asset accumulation under the guidance of a trusted advisor. At a minimum, women need to:

- **Maintain a significant allocation to stocks.** Over the long-term, stocks have done a better job of staying ahead of inflation than other major asset classes.⁴
- **Make the most of tax-deferred plans.** Take full advantage of the retirement planning vehicles available, including employer-sponsored retirement programs, IRAs and other tax-advantaged investments.⁵
- **Consider long-term care insurance.** Long-term care insurance can protect your financial well-being should you or a loved one become chronically ill and require full-time care.

¹Sources: ebn.benefitnews.com; Women & Co., an affiliate of Citigroup, Inc., March 5, 2011.

²Source: Pew Research, January 2010.

³Source: Employee Benefit Research Institute, "Retirement Annuity and Employment-Based Pension Income, Among Individuals Age 50 and Over: 2008," May 2010.

⁴Past performance does not guarantee future results. Investing in stocks involves risks, including loss of principal.

⁵Distributions from traditional IRAs will be subject to taxation upon withdrawal at then-current rates. Distributions from a Roth IRA are not subject to tax if the account owner maintained the account for a minimum of five years and is age 59½ or older or meets certain other conditions.