Women And Retirement Savings

Planning and saving for retirement may seem like goals that are far in the future. Yet saving, especially for retirement, should start early and continue throughout your lifetime. Here are four reasons why saving matters to women – and especially to you!

Do You Know?

- Women are more likely to work in part-time jobs that don’t qualify for a retirement plan. And working women are more likely than men to interrupt their careers to take care of family members. Therefore, they work fewer years and contribute less toward their retirement, resulting in lower retirement savings. If you work and if you qualify, join a retirement plan now.
- Approximately 47 percent of working women participated in a retirement plan. Remember, even small amounts can earn interest and add up over time.
- On average, a female retiring at age 65 can expect to live another 21 years, nearly 3 years longer than a man the same age. Savings can increase a woman’s chances of having enough money to last during her retirement.
- Some studies indicate that women invest more conservatively than men. Choose carefully where you put your money and learn how to improve your investment returns.

Start Here...Start Now

Here are eight questions to help you think about retirement and take charge of your financial future:

Do you work for an employer that offers a retirement plan?

If your employer offers a retirement plan, join it as soon as you can and contribute as much as the plan allows. Most employers with a 401(k) plan match a fixed percentage of the employee’s contribution. The most common match is 50 percent of the employee’s contribution up to 6 percent of wages and salary. The majority of employers who provide matches offer 50 percent or more. That’s like getting free money!

While all job categories may not be included in your employer’s plan (those of part-time or temporary workers, for instance), your job may be one that is. Remember, by saving early, you have time on your side. Your savings will grow and your earnings will compound over time.

Have you worked at the job long enough to earn retirement benefits?

Under some plans, such as a 401(k) or a traditional pension plan, you have to work for a certain number of years – say, 3 – before you become “vested” and can receive benefits (vesting simply means that you have worked long enough to earn the right to benefits from a savings or pension plan).

Too often employees, especially women, quit work, transfer to another job, or interrupt their work lives just short of the time required to become vested. Ask the personnel office, retirement plan administrator, or union representative about the vesting period and other details of your company’s plan.

Do you keep copies of the documents that define the provisions of your retirement plan? In addition to asking questions of company or retirement plan officials, you should keep copies of the summary plan description (SPD) and any amendments. The SPD is a document that retirement plan administrators are required to prepare, and it outlines your benefits and how they are calculated.

The SPD also spells out the financial consequences – usually a reduction in benefits – if you decide to retire early (earlier than age 65 in many plans). You probably received a copy of the SPD when you joined the pension or savings plan, but you may request another one from your employer or plan administrator. Also remember to keep retirement-related records from all jobs. They provide valuable information about your benefit rights, even when you no longer work for a company.

What happens to your retirement benefits if you change jobs?

You may lose the retirement benefits you have earned if you leave your job before you are vested. However, once vested, you have the right to receive benefits even when you leave your job. In such cases, the company may allow, or in certain cases may insist, that you take your retirement benefits in a lump sum when you leave. However, other companies may not permit you to receive your money until retirement. The rules for your plan are spelled out in the SPD. A word of caution: If you receive your retirement benefits in a lump sum, you will owe additional income taxes, and may owe a penalty tax. A better way is to reinvest your savings in another qualified retirement plan or an Individual Retirement Account.
It’s Up to You

Once you’ve answered these questions, you’re on the road to learning more about financial freedom. As a resource for women (and men), the Employee Benefits Security Administration has issued Savings Fitness: A Guide to Your Money and Your Financial Future and Taking the Mystery Out of Retirement Planning. The booklets include resource and website sections (see the Resources section to get a copy).

Resources

Visit the Employee Benefits Security Administration’s website to view the following publications:

- Top 10 Ways to Prepare for Retirement
- Savings Fitness: A Guide to Your Money and Your Financial Future
- Taking the Mystery Out Of Retirement Planning
- What You Should Know about Your Retirement Plan
- Filing A Claim For Your Retirement Benefits
- Retirement Toolkit
- QDROs: The Division of Retirement Benefits through Qualified Domestic Relations Orders

To order copies, contact EBSA electronically or call toll free 1-866-444-3272.

In addition, visit the following websites for more help:

Social Security Administration
Request a copy of What Every Woman Should Know. 800-772-1213

Pension Benefit Guaranty Corporation
Download a copy of A Predictable, Secure Pension for Life. 800-400-7242

U.S. Securities and Exchange Commission
Download a copy of Saving and Investing: A Roadmap To Your Financial Security Through Saving and Investing. 800-732-0330

American Institute of Certified Public Accountants
What Every Woman Should Know. Request a copy of 1-866-444-3272.

For further information, visit the following websites:

- Top 10 Ways to Prepare for Retirement
- Savings Fitness: A Guide to Your Money and Your Financial Future
- Taking the Mystery Out Of Retirement Planning
- What You Should Know about Your Retirement Plan
- Filing A Claim For Your Retirement Benefits
- Retirement Toolkit
- QDROs: The Division of Retirement Benefits through Qualified Domestic Relations Orders

These publications provide comprehensive guides to financial planning and retirement savings.