How Can Women Save More for Retirement?

Suggestions to Accelerate & Maintain the Pace of the Effort

Numerous articles have mentioned the obstacles women can face as they save for retirement. Turning from the negative, here are some positive factors that may help women save more.

Financial literacy. Learning about investing, retirement topics and the markets is step one. An appreciation and understanding of the potential of equity investment, a recognition that a six-figure or seven-figure sum may be needed to retire – a retirement savings effort proceeds from these understandings.

When you have knowledge, you have more confidence and your money decisions feel empowering.

A 2014 TIAA-CREF survey found that 81% of women who had obtained knowledge from a financial professional reported feeling informed about retirement planning and retirement saving, and 63% of women who had received financial advice felt confident about their retirement saving progress.[1]

Debt reduction. Less debt leaves more money to save. One recent survey suggests that women amass less debt than men: in reviewing credit trends for 2013, Experian found women were 4.3% less indebted than men overall and that female borrowers missed fewer mortgage payments and took out smaller home loans. As for handling a student loan burden while saving for retirement, most federal college loans are eligible for at least one of the new income-based repayment plans which cap monthly payment levels based on family size and income.[2,3]

Estimating high. Here are seven words you will rarely (if ever) hear from a financial professional: "You are saving too much for retirement." Most people save too little, and here is a case where erring on the side of caution is no error at all. Building your retirement nest egg through multiple vehicles (an IRA, a workplace retirement plan, an equity portfolio, savings accounts) can contribute to the generation of a larger-than-necessary retirement fund.

Saving 10% or more of your income as soon as you can. Starting early allows you to take advantage of the considerable power of compounding. Putting away 10% or 15% of your annual income into retirement accounts is not excessive; it is quite reasonable, even necessary.

As a hypothetical example, 35-year-old Christina has already saved $30,000 for retirement with the idea of retiring at 65. She currently earns $70,000 annually. A retirement income of $100,000 seems like a nice idea for 2045 and the 20 years stretching beyond that date.

Assuming a 6% return before and after retirement, Christina would need to save 17.61% of her income, or $12,329 a year, to reach her goal under such parameters.[4]

At age 45 she has built $152,000 in retirement savings and earns $120,000 a year. To get that $100,000 retirement income for a 20-year retirement, she still has to save 14.9% of her income ($17,928) at a hypothetical 6% consistent return to realize that objective. The lesson: save, save early, and save more.[4]

Asking for raises or creating new income streams. It can be hard to ask for a raise, but it is harder to live on a substandard salary or risk positioning yourself for a retirement savings shortfall. Your employer will not likely give you one out of thin air, so initiate the conversation and assert your value. Also, look for opportunities to make more money outside of the 8-to-5 or 7-to-4: speaking engagements, home organizing, direct sales, consulting and other methods.

Owning your financial life. That is to say, keep control over it. If a relationship is wonderful and intense, great, but avoid being seduced into a passive financial role in the long term. That was the default role for women decades ago when they married, but even today, when one person makes most of the financial decisions in a relationship, the other person risks moving forward in life with inadequate financial knowledge. That problem plagues widows...

Actively managing your finances also means straightforwardly addressing spending issues, debt and any other financial problems or dilemmas that must be resolved as you pursue your retirement savings goal.

Thinking positive. Saving for retirement begins by pairing the right outlook and the right actions. Stay positive; stay consistent; run the numbers and make sure you are saving enough. To find out just how much is enough, consult a financial professional who can help you assess your saving potential.

Watch the Video: Retirement Planning for Women

Citations.

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3 - studentaid.ed.gov/repay-loans/understand/plans/income-driven [4/9/15]
4 - msn.com/en-us/money/tools/retirementplanner [4/9/15]