

# Women's retirement planning

## Women live up to six years longer.

Living longer means women are at greater risk of outliving their retirement savings.

Women face several obstacles when it comes to accumulating enough retirement savings.

Because of these obstacles retirement planning for women often takes a different journey from that of men.



## Women face obstacles to a secure future. On average, women:

### 1 Earn less money than male counterparts.

Women make about 83 cents for every dollar men earn, and that yields less money for women to invest during their careers.<sup>1</sup>

### 2 Spend less time in the workforce.

Women are more likely than men to take time from their careers to tend to family responsibilities, leading to lower overall career earnings to invest.

### 3 Live longer, so they have increased healthcare costs.

A longer lifespan means women are more likely to face greater healthcare costs in retirement.

### 4 Have lower Social Security benefits.

Lower income while working and less time spent in the workforce means women's Social Security income may be lower. This may have a significant impact to overall retirement income.

### 5 Save less because of their time spent outside a plan.

Many women work part-time or for employers who don't offer retirement benefits; fewer have defined benefit pension plans.

Plus, women with plans tend to have smaller pensions because they are likely to have spent less time in the workforce. Women may also be less likely to participate in retirement plans because they receive lower compensation.

## Take stock of where you are now

Envision where you'd like to be in retirement. This can help you plan for how you want to spend each day, where you want to live, and how often you want to travel.

Taking stock of where you are financially can help you decide how much you can save.

- How much do you spend each month?
- How much debt have you accumulated?
- Do you have an emergency fund to cover at least six months of expenses?
- How much have you saved?
- How much more could you save if you spent a little less?

Once you've established how much money — if any — you can free up, you can then determine the best place to put that money.

## Plan to spend later

Since you may be retired for 20 years to 30 years, think about and plan how to maximize your resources. Besides an emergency fund, you should divide your financial resources into three categories:

- **Short-term expenses** — Cover your necessities: food, housing, utilities, taxes, healthcare, insurance, and emergencies. Potential sources include your Social Security, retirement fund and/or pension(s), part-time income, and rental income.
- **Mid-term expenses** — Cover your niceties: travel, entertainment, home improvements, automotive repairs, and education. Potential sources include retirement plans, interest/dividends, individual retirement accounts (IRAs), home equity, and employment income.
- **Long-term expenses** — Try to set aside money you can grow to replenish short-term funds or compensate for inflation. Potential sources for this include long-term stock investments, bonds, and assets.

## Put your money to work for you

The State of Michigan 401(k) and 457 Plans are tax-deferred retirement investment plans and both can be used to invest for your future.

Tax-deferred compounding can really add up. As the chart below shows, even with a 7% rate of return over 15 years, deferring 2% more of your salary can significantly increase your savings.

	Aaliyah	Melissa
<b>Yearly salary</b>	<b>\$50,000</b>	<b>\$50,000</b>
<b>Monthly % of salary deferred</b>	<b>4%</b>	<b>6%</b>
<b>Monthly amount of salary deferred</b>	<b>\$166.67</b>	<b>\$250.00</b>
<b>Years saving</b>	<b>15</b>	<b>15</b>
<b>Total employee contributions</b>	<b>\$30,000</b>	<b>\$45,000</b>
<b>Employer match (100% up to 3%)</b>	<b>\$22,500</b>	<b>\$22,500</b>
<b>Retirement savings with interest (with employer match)</b>	<b>\$90,341</b>	<b>\$116,151</b>

**Melissa saves \$25,810 more than Aaliyah.**

The example above is hypothetical, for illustrative purposes only and not intended to project the performance of any specific investment. Actual rates of return will vary over time. Dollar cost averaging/Systematic Investment plan does not ensure a profit nor guarantee against loss. Investors should consider their financial ability to continue their purchases through periods of low price levels.



1. U.S. Bureau of Labor Statistics, *Usual Weekly Earnings of Wage and Salary Workers: Third Quarter 2021*, Oct. 19, 2021.

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