

Southwestern

Retirement Planning Advisors

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Women Must Plan For Their Financial Future

Think about tomorrow, not just today.

No woman wants to end up impoverished, out of options, left to fend for herself on the streets. Only a tiny percentage of women from affluent households will experience this retirement nightmare, but that does not mean the risk should be dismissed.

This is the financial circumstance you may fear more than any other. What can you do to counter that fear and guard against running out of money in retirement?

The first step is to plan. You must plan with the knowledge that you might outlive your spouse; that you might spend some, or even all, of your retirement alone. Because of your potentially longer lifespan and the lack of a spousal safety net, it is not unreasonable to assume that you may need 150% of the retirement money that a man in your situation might need. That may be stunning, but it is worth realizing. Imagine your children having to bear the financial burden of taking care of you when you are elderly. If you have no children, imagine having to rely on welfare and Medicaid at that time. Surely that is not the future you imagine or want.

Value your future comfort as much as you value your comfort today. Think ahead and investigate what it might take to retire comfortably in terms of income and lifetime savings. If you haven't done much financial preparation for the future, you may be shocked when you see what needs to be done. Regardless, there is no avoiding it. Time is your friend in these matters, and procrastination in saving and investing only makes your retirement more of a question mark.

See wealth as something you build, not something you own. So often, society looks at wealth in terms of material items. You spend money to acquire those items, and, with rare exceptions, their value depreciates as years go by.

Rather than direct your money into depreciating items, you can save and invest it. You can steadily contribute to IRAs, brokerage accounts, workplace retirement plans, and other vehicles that permit you to invest in equities. Investing in equities is crucial, for they offer you the potential to grow your money at a rate faster than inflation. Yes, Wall Street has some bad years as well as good ones – but, over several decades, the good have outnumbered the bad. The broad benchmark of Wall Street – the S&P 500 – posted annual gains in 31 of the 41 years from 1975-2015, sometimes large ones.¹

Many women are concerned about not losing money. In retirement, that is indeed a prime concern for both women and men. Prior to retirement, though, accepting some risk in your investments can lead to much greater potential reward (i.e., yield) than you might get from the typical savings or checking account or fixed-income bank investment.

Plan income streams. Too many seniors rely on a single income stream in retirement – Social Security. In fact, 47% of unmarried elderly Social Security recipients rely on Social Security for at least 90% of their income. In 2015, the average monthly benefit was just \$1,335.²

On average, an American woman retires at age 62. In 2014, 40.8% of women who began receiving Social Security retirement benefits filed for them at – not surprisingly – age 62. The upside of this decision was that they gained an income stream. The downside was that by filing for benefits at 62, they received a monthly benefit about 30% smaller than the one they could have received by first claiming benefits at 66.³

One in four 65-year-old women today will live to be at least 90. Can you imagine relying heavily, or solely, on Social Security for 20, 25, or 30 years? If you find yourself in such straits, you will be consigned to a life of poverty, unless you sell or borrow against assets you own to come up with more retirement money.³

Social Security cannot be your lone income source in retirement, and, before you retire, you must arrange others.

What is a chat with a financial professional worth? It may be worth a great deal – it may be eye-opening and illuminating with regard to your retirement prospects. If you want to see where you stand today, what you may want to do to approach retirement with confidence and adequate financial resources, start there.

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Citations.

1 - 1stock1.com/1stock1_141.htm [6/28/16]

2 - ssa.gov/news/press/basicfact.html [10/13/15]

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