

# FINANCIAL INSIGHTS BLOG

BUDGETING | SAVING & INVESTING | THE ECONOMY

## Three Reasons Women Need to Save More for Retirement

This month is International Women's Month. Over the month, our blogs will focus on financial planning tips for women. Saving for retirement is important for everyone. However, women have some unique challenges when it comes to planning for retirement. Here are 3 reasons women need to save more for retirement and some tips on how women can overcome these challenges to achieve their retirement goals.

### 1. On average, women live longer than men.

According to the World Bank, as of 2021, Bahamian males had an average life expectancy of 68 years while Bahamian females had an average life expectancy of 75. At a normal retirement age of 65, this means that the average Bahamian female will spend 10 years in retirement versus their male counterpart who will spend an average of 3 years in retirement.

The longer one lives past their retirement age, the more savings required. Upon retirement, you will no longer have a salary, but living expenses will remain, and some expenses such as health care may even increase. As the average female will spend more time in retirement, more financial planning is required for females.

Married women may rely heavily on their husband's income especially if he is the primary breadwinner. Due to a woman's longevity, women are more likely to be alone in retirement and have to provide for themselves financially. If a woman's husband dies before her, it may be hard to maintain the same standard of living on one income. If this standard of living is not adjusted, one may deplete their retirement savings quickly.

### 2. Women typically earn less than men.

Women are shattering glass ceilings and increasingly hold managerial and executive positions in companies. In The Bahamas, there is an increase in females graduating from high school and university. However, C-Suite positions such as CEOs and presidents are typically held by males and women continue to earn less than men. The most recent wages study by the Bahamas National Statistical Institute



showed that on average, a woman in a managerial role will earn 8 percent less than a man in the same role. This gender pay gap equates to lower lifetime earnings, resulting in lower retirement savings and lower national insurance benefits for women.

### 3. Women are typically the caregivers of the family.

According to the CDC, two out of every three caregivers in the United States are women. Women are more likely to exit the workforce or work part-time to take care of family members which can include children, spouse, parents, or other siblings.

Leaving the workforce or working part-time means less access to a company sponsored pension plan and loss of income. This loss of income reduces a woman's retirement savings potential.

A woman's savings can also be diminished by health care costs for a sick spouse or parent. This can lead to financial strain while caregiving as well as in retirement.

## How can women increase their retirement savings?

### *Start saving for retirement as early as possible.*

- Enroll in your company sponsored pension plan. If you do not have a company sponsored pension plan, start an individual retirement account. It is best to begin saving for retirement as soon as you get your first job, but it is never too late to save.
- Decide on the amount you wish to have saved by the time you retire and come up with a long-term plan to achieve that number.

### *Maximize your pension contributions.*

- If you have a company sponsored pension plan, and the company matches your contributions, aim to contribute the maximum or additional voluntary contributions to increase your retirement earnings potential.

### *Build an investment portfolio.*

- To make up for lower lifetime earnings and benefits, women need to invest more. The more money you have saved the better. Having a portfolio of investments can provide you with supplemental income to your pension plan which can benefit you in retirement. This additional income can include dividend income, interest income, capital appreciation on investments and rental income.
- Educate yourself on investment vehicles that can help you meet your retirement goals: stocks, bonds, mutual funds, preference shares, alternative investments, real estate, and more.
- Be consistent. Make regular deposits to your investment account to build your portfolio. Automate your deposits to your account if possible.

A woman's financial security in retirement depends on her level of financial planning during her working years. Saving for retirement can be daunting, and this is exacerbated by the challenges mentioned. It is important that women take control of their finances as early as possible in order to achieve a comfortable retirement.



### **CFAL is here to help.**

If you need additional help, feel free to reach out to us for a Financial Planning Session. Our Certified Financial Planners are here to assist you with your budgeting, saving and investing needs.

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