

WORKPLACE THOUGHT LEADERSHIP

The financial realities of being a woman

A look at what women are facing when it comes to financial planning and how employers can help.



Strengthening a productive, gender-diverse workforce

Women make up 47% of the labor force¹ and are an integral part of any successful company. To attract top female talent and maintain a productive, gender-diverse workforce, employers and the financial industry have a role to play. Here, we highlight where women are already doing well and where there is a need for greater awareness and attention, and point toward resources available to employees to help ensure they are set up for a lifetime of financial success.

Women often have a different set of circumstances from men, such as living five years longer on average and a higher likelihood of taking on a role as a caregiver. Moreover, family life is changing: two-partner families are becoming less common, and more women are divorced or single. These factors place greater responsibility on women to make important decisions for themselves and their families.



9 out of 10

women will be
solely responsible
for their finances at some point,
whether due to death of a spouse,
divorce, or being single.²



6 out of 10 people

—men and women alike—do not realize that women need to save more than men for retirement.³

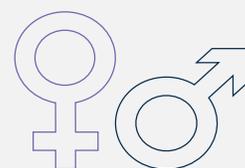
Among the top planning considerations that could determine women's financial security are whether and when to take time out of the workforce, the likelihood of health care costs over time, the timing of social security benefits, and ensuring they have investment savings outside of retirement to build a bigger nest egg.

Because financial planning extends beyond the individual, not only can women benefit from education and advanced planning on these topics, but so too can their family members and others who face similar situations—regardless of their gender.

The financial reality of being a woman

To ensure all employees are set up for financial success, it's important to recognize that different circumstances may require different approaches. For example, women can expect to live longer than men, so they need more retirement savings, and these savings need to last longer to maintain their desired lifestyle and cover health care costs. But the reality is that many women have *less* saved for retirement than their male counterparts. The hypothetical chart below illustrates one possible scenario for a woman and man who live into their 90s.

Women often have less—but need more



	WOMAN	MAN	
Starting salary age 22	\$49,993	\$58,223	Several factors can impact women's starting salary and growth, including differences in career choice, or potential breaks for having children or caregiving
Assumed salary age 67	\$86,086	\$113,780	
Life expectancy in this scenario	95	93	Many women will live longer than they think.
Projected retirement balance age 67*	\$1,023,949	\$1,247,280	Despite salary differences, women save as much—if not more—than men. The average total savings rate, including employer match, for both men and women is 13%. ⁴
Estimated monthly social security benefit (claimed at 67)⁵	\$2,495	\$2,913	Lower income and potential time out of the workforce can reduce social security benefits—even though women need <i>more</i> money to pay for health care costs in retirement.
Other savings over a 45-year period⁶	\$20,826 (sits in cash)	\$185,965 (invested conservatively)	Men are more likely to be invested than women. Nearly 50% of women have \$20,000 sitting in cash outside of their retirement and emergency savings—money that could otherwise be working for them. ⁷
Estimated health care costs⁸	\$183,000	\$169,000	Due to longer life expectancy, women's health care costs in retirement tend to be higher than men's.

*This hypothetical example of retirement balance projects the accumulated balance from age 22 to 67 with the respective starting salary shown in chart. It assumes a gender pay gap of \$0.81 per dollar, which results in 1.22% annual real salary growth rate for the woman and 1.50% for the man. The projection assumes 9% employee contribution rate for the woman, 8% employee contribution for the man, and both with a 3% company match. Contributions are made at the beginning of every year and a 4.5% annual real rate of returns is applied every year until 67. The ending values do not reflect taxes, fees or inflation. If they did, amounts would be lower. Earnings and pre-tax contributions are subject to taxes when withdrawn. Distributions before age 59 1/2 may also be subject to a 10% penalty. Contribution amounts are subject to IRS and Plan limits. Systematic investing does not ensure a profit or guarantee against a loss in a declining market. This example is for illustrative purposes only and does not represent the performance of any security. Consider your current and anticipated investment horizon when making an investment decision, as the illustration may not reflect this. The assumed rate of return used in this example is not guaranteed. Investments that have potential for 4.5% annual rate of return also come with risk of loss.

⁸ Fidelity research shows that, on average, women and men need \$150,000 and \$130,000 if they live to 88 and 86, respectively. In this example, we are modeling health care costs to age 95 and 93, respectively, to be more inclusive of the possible scenarios women face.

Hidden costs of taking time out of the workforce for caregiving

Caregiving for children, ailing spouses or family members, or aging parents can be simultaneously rewarding and stressful. When a loved one needs care, employees must decide who will do the caregiving, and whether, when, and for how long to step out of the workforce. This decision and its timing can have important implications for both employees and employers. Employees—no matter their gender—should be aware of the full set of considerations when taking time away from work so they can make the best decisions for themselves and their families.



75%

of caregivers
are women⁹

When deciding whether to step out of the workforce, employees may be tempted to consider only the situation immediately in front of them, such as comparing out-of-pocket caregiving expenses to lost wages.

But many are unaware of the **hidden costs** of taking time off, many of which can have a greater impact on women because they are more likely to be caregivers and need to fund longer lives. These hidden costs can include **years of lost retirement savings, employer match,**

growth of their savings over time, and social security credits; lost raises and promotions; and challenges reentering the workforce at the same salary level. These hidden costs can have profound impacts on quality of life, but may be easy to forget or downplay because their full effects are often far-off and won't be felt for many years.

When employees take time out of the workforce, there are **hidden costs for employers too.** These include employee turnover, loss of institutional knowledge, and temporary hiring, in addition to substantial productivity costs such as absenteeism and presenteeism. Offering and communicating benefits that employees can leverage for caregiving can help **employers avoid millions of dollars of hidden costs.**

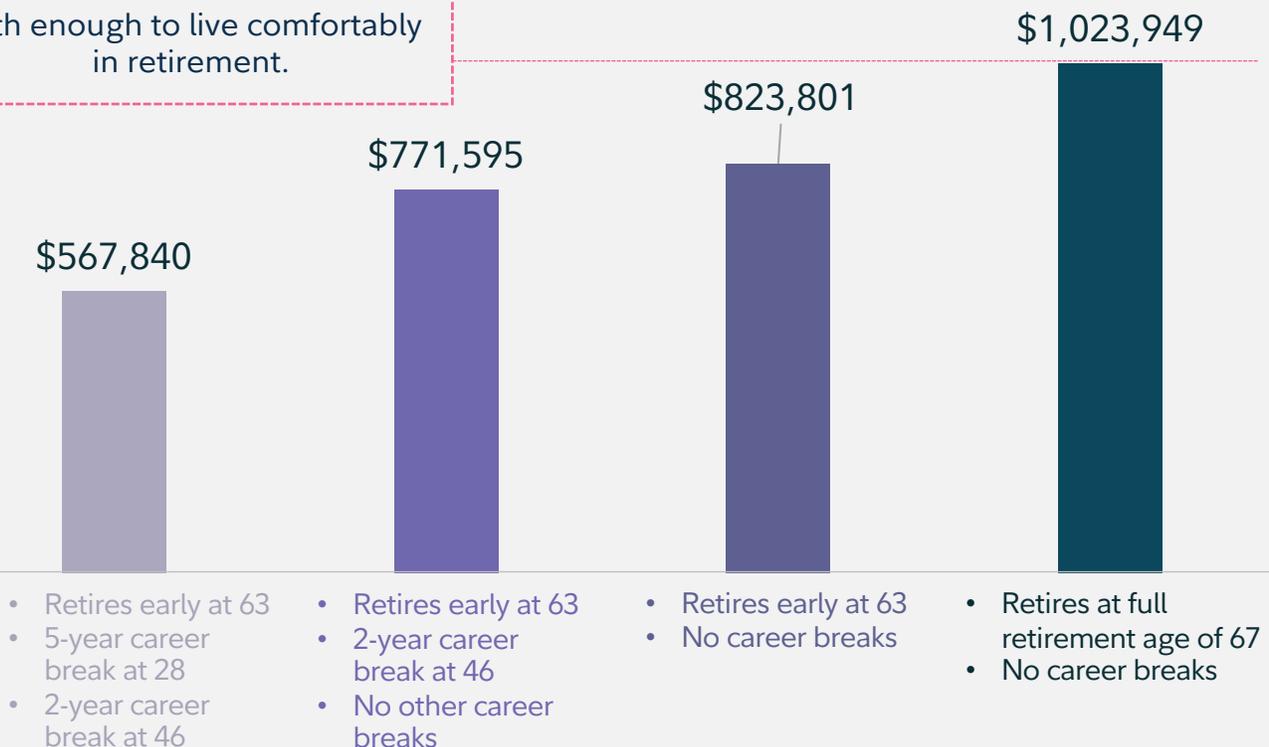
Offering up to 20 benefits is linked to
lower turnover rates.

When it comes to **recruiting** talent,
the more comprehensive the benefits, the better.¹⁰

Career breaks impact retirement readiness—but there are ways to catch up

The hypothetical scenarios below illustrate retirement savings ending balances for women who have different career paths. **Three of the four scenarios below leave considerable savings gaps to fill.** Retiring with lower funds means needing a plan to pay for those extra costs. Taking full advantage of tax-advantaged savings accounts, including catch-up provisions, can help employees close that gap and put them in a stronger position to enjoy the retirement lifestyle they envision.

Fidelity recommends saving 10x your salary to cover estimated retirement needs.¹¹ The last hypothetical scenario leaves her with enough to live comfortably in retirement.



This hypothetical example of retirement balance shows various projected ending balances of a woman with a salary of \$49,993 at age 22. The projections assume 9% employee contribution rate for the woman with a 3% company match, and a 1.22% annual real salary growth rate. Contributions are made at the beginning of every year and a 4.5% annual real rate of returns is applied every year until specified retirement age. The ending values do not reflect taxes, fees or inflation. If they did, amounts would be lower. Earnings and pre-tax contributions are subject to taxes when withdrawn. Distributions before age 59 1/2 may also be subject to a 10% penalty. Contribution amounts are subject to IRS and Plan limits. Systematic investing does not ensure a profit or guarantee against a loss in a declining market. This example is for illustrative purposes only and does not represent the performance of any security. Consider your current and anticipated investment horizon when making an investment decision, as the illustration may not reflect this. The assumed rate of return used in this example is not guaranteed. Investments that have potential for 4.5% annual rate of return also come with risk of loss.

Preparing and paying for longer lives

On average, women live five years longer than men,¹² meaning more years to enjoy retirement, spend time with family and friends, and pursue interests. It can also mean higher retirement expenses and health care costs. Whether single, divorced, or widowed, almost 90% of women will be financially self-sufficient at some point in their lives and will need to cover these costs.²

1 in 3 women aged 65+ can expect to live to age 90¹³

The average woman needs about \$150,000 to pay for her health care into her 80s, whereas men need about \$135,000.⁸ When considering that many women live well into their 90s, the costs would be even higher.*

43% of women have no idea how much they will pay in health care costs throughout retirement³

Women's relationship status and health can lead to different scenarios when it comes to paying for health care. Married women may stop working earlier than planned to take care of a sick spouse, losing both income and retirement contributions. **Nearly one in three caregivers aged 65+ are caring for a spouse or partner.**¹⁴ As a result, their assets may take a hit from paying for their spouse's health care, possibly leaving little to pay for their own needs.

What's different for single and divorced women? Though they are unlikely to have their savings drained by an ill spouse, they are less likely to have enough saved for retirement,¹⁵ including health care, and the costs of paying for their own long-term care may fall to them alone. If someone were single and developed a chronic condition—which is more likely among women—then they must shoulder the extra cost of the condition plus the yearly cost for personal care.

Nearly a third of women have no idea how much Medicare will cover in retirement.³ If they retire early, they will need to bridge the gap between retirement savings and costs using other savings until they are eligible for Medicare at their full retirement age. Having a health care plan in place can help women prepare for their futures.

* Fidelity research shows that, on average, women and men need \$150,000 and \$130,000 if they live to 88 and 86, respectively. If a woman lives until 95 and a man lives until 93 they would need \$185,000 and \$169,000 respectively.

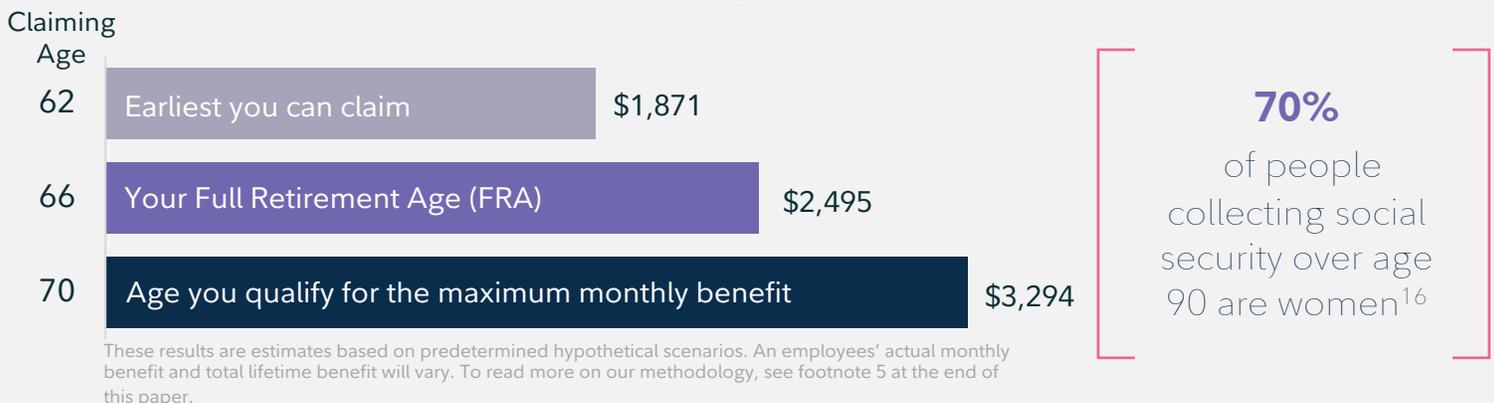
Maximizing the benefit of social security

Employees work hard and contribute to their future savings through retirement and social security. Given women's longer life expectancies and higher health care costs, maximizing social security benefits is critical. Although many factors influence lifetime social security benefits, claiming age is one factor that may be within employees' control.

Today, women are more likely than men to claim social security before full retirement age, permanently reducing their income. Because women live longer, that may translate to many years with lower monthly payments, and less income overall, than they could otherwise receive.

In addition, workforce absences may lower social security benefits, which are further reduced because Medicare Part B premiums are taken directly out of social security checks.

Monthly social security benefits if claimed at full retirement age⁵



When planning for retirement, employees should keep these considerations and [resources](#) in mind:

- Claiming social security at age 62, rather than waiting until full retirement age (FRA), could mean up to a 30% permanent reduction in monthly benefits.
- Every year they delay claiming social security past FRA up to age 70 could result in an 8% increase in their monthly benefit. If an employee can afford it, waiting could be the better option.¹⁷
- Health status, longevity, and retirement lifestyle are three variables that employees should consider when deciding when to claim their social security benefits.
- If applicable, coordinating with a [spouse](#) is important. Typically, the higher earner in a family should wait as long as possible to start claiming. Employees should also know their rights in situations such as [divorce](#) or [widowhood](#).

Investing for greater financial flexibility

Investing money that would otherwise be sitting in cash can be one way to grow additional savings outside of retirement and emergency funds, and help cover health care costs and provide the retirement lifestyle they envision.

However, many women aren't sure how to get started and don't think they have enough money to invest. Yet, women who have a retirement account and/or a 529 for a child are already investing—and should consider themselves investors.

Reminding women of the ways in which they already invest can build confidence about new types of investing.

Show them how much their money can earn by investing

Here's how money might have grown over five years in an average market.⁶



Almost 50% of women say they have more than \$20,000 parked in a savings account

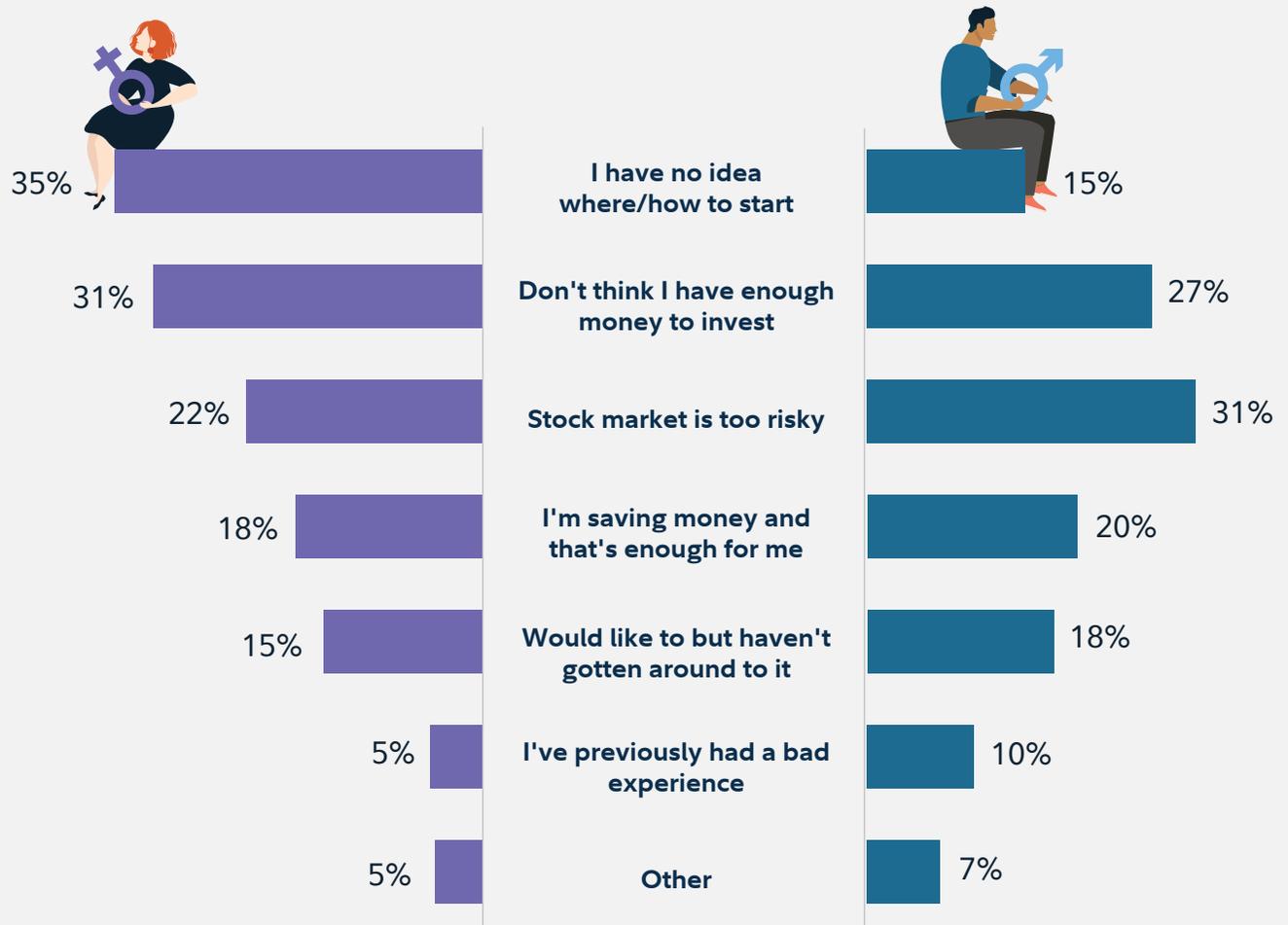
in addition to their retirement and emergency savings.⁷

Hypothetical amounts. Past performance does not predict future results. The timing of deposits and when you are looking to use the money can impact potential return, as well as which savings or investment options may be right for you. Hypothetical models include the following assumptions:

- The average market return corresponds to the 50th percentile of the returns. Conservative Investment mix is based on 20% stocks, 50% bonds, 30% short-term investments. Estimated/average return rates were based on the original goal of five years
- No withdrawals occurred from the amount during the five years
- No fees or taxes were applied
- The starting amount and systemic contributions were invested in the model allocation in the stated time period
- Investments in "traditional savings" assumes only FDIC-insured accounts
- Visual not drawn to scale

Please see end note 6 at the end of this paper for additional important information.

Why They're Not Currently Investing in the Stock Market¹⁸



For women, not knowing where to start is a larger barrier than the riskiness of the stock market—yet women who **do** invest often outperform men and get better results.

Direct employees to these [resources](#), where they can get clarity on how to start investing, including learning about:

- **What questions to ask themselves when they begin investing**, such as: What are my goals for my money? How much do I want to start with? How involved do I want to be? How comfortable am I with risk?
- **Different investment strategies** available to them depending on how involved they want to be, such as robo advisors, managed accounts, or investment on their own.
- **Investing as a positive habit.** Setting up automatic contributions or saving any extra dollars are great ways to start.

Driving deeper engagement

Employees have unique, and often complex, needs that may require a more holistic approach to planning. Although women often have a different set of financial considerations from men, anyone can be faced with these decisions at various points in their career or in retirement. Employers have an opportunity to invest in their gender-diverse workforces and help employees achieve financial success throughout their lives.

Resources you can leverage and other factors to consider:

Education

This [new video series](#), *Women Talk Money*, shares what may be different for women and gives clear next steps on what to do that are most relevant to them.

Everyone can benefit

from these less than 10-minute videos that cover growing savings, caregiving, social security, and health care.

Engagement

Download and use any of [these materials](#) to help **drive awareness and engagement**.

Employees can access these additional [resources](#), regardless of where they are in their planning journey.

Benefit awareness

Ensure all employees are aware of **resources that may be a part of your benefits offering** to help them when caregiving, such as:

- Employee Assistance Programs
- Family leave policies
- Dependent Care Flexible Spending Account
- Emergency childcare

Endnotes

Investing involves risk, including risk of loss.

¹ Bureau of Labor Statistics, "Table 3: Employment Status of the Civilian Noninstitutional Population by Age, Sex, and Race," Current Population Survey (2019).

² Women in the Labor Force: A Databook, US Bureau of Labor Statistics, 2012–2018.

³ Engine Group Caravan Survey of 501 women, 501 men, 18 years and older, Dec 10–11, 2019.

⁴ Based on Fidelity analysis of 23,000 corporate DC plans (including advisor-sold DC) and 17.1 million participants as of 12/31/2019.

⁵ This illustration was created using Fidelity's Social Security tool and shows a rough estimate of what someone might be eligible to receive from among pre-determined hypothetical scenarios. A user's age entered into the tool is mapped to one of 11 age groups where benefits were estimated based on the marital status of a single person by the Social Security Administration. Persons with a different marital status may have additional claiming options available to them. To illustrate potential lifetime benefits, the tool assumes either a 70s life expectancy of a U.S. resident (age 75 for males or 77 for females) or a 90s life expectancy for a U.S. resident (95 for males and 97 for females) based on a user's response to the longevity question. All benefits are expressed in today's dollar. To view more information on the methodology, please visit the tool.

⁶ Methodology for investing return example: For investing returns, calculations are made by computing the 1-, 2-, 3-, 4-, 5-, 6-, 7-, 8-, 9-, and 10-year average annual returns based on monthly historical performance of stocks, bonds and short-term instruments from 1926–2017, obtained from Ibbotson Associates. Past performance is no guarantee of future results. Returns include the reinvestment of dividends and other earnings. The assets are rebalanced monthly to the stated asset mix. Any chart is for illustrative purposes only and does not represent actual or implied performance of any investment option. Stocks are represented by the Dow Jones Total Market Index from March 1987 to latest calendar year. From 1926 to February 1987, stocks are represented by the Standard & Poor's 500® Index (S&P 500® Index). The S&P 500® Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. Bonds are represented by the Barclays U.S. Aggregate Bond Index from January 1976 to the latest calendar year. The Barclays U.S. Aggregate Bond Index is a market value-weighted index of investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more. From 1926 to December 1975, bonds are represented by the U.S. Intermediate Government Bond Index, which is an unmanaged index that includes the reinvestment of interest income. Short-term instruments are represented by U.S. Treasury bills, which are backed by the full faith and credit of the U.S. government. The average market return corresponds to the 50th percentile of the returns. Savings returns are calculated using a national average savings account rate from FDIC.

⁷ Fidelity Investments Women and Investing Study, November 2018.

⁸ Estimate based on a hypothetical couple retiring in 2019, 65 years old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates with Mortality Improvements Scale MP-2016. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services, and long-term care.

⁹ "Aging in America," Institute on Aging, 2018.

¹⁰ "Fidelity Employer Value of Benefits Survey, 2019." Data represent Fidelity Employer Value of Benefits online survey of 1,600 American employer representatives in HR, benefits, and compensation. ResearchNow, an independent third-party research firm, conducted the survey in August 2018, on behalf of Fidelity. ResearchNow and Fidelity Investments are independent entities and are not legally affiliated.

¹¹ Fidelity has developed a series of salary multipliers in order to provide participants with one measure of how their current retirement savings might be compared to potential income needs in retirement. The salary multiplier suggested is based solely on your current age. In developing the series of salary multipliers corresponding to age, Fidelity assumed age-based asset allocations consistent with the equity glide path of a typical target date retirement fund, a 15% savings rate, a 1.5% constant real wage growth, a retirement age of 67, and a planning age through age 93. The replacement annual income target is defined as 45% of pre-retirement annual income and assumes no pension income. This target is based on Consumer Expenditure Survey 2011 (BLS), Statistics of Income 2011 Tax Stat, IRS 2014 tax brackets, and Social Security Benefit Calculators. Fidelity developed the salary multipliers through multiple market simulations based on historical market data, assuming poor market conditions to support a 90% confidence level of success. These simulations take into account the volatility that a typical target date asset allocation might experience under different market conditions. Volatility of the stocks, bonds, and short-term asset classes is based on the historical annual data from 1926 through the most recent year-end data available from Ibbotson Associates, Inc. Stocks (domestic and foreign) are represented by Ibbotson Associates SBBI S&P 500 Total Return Index, bonds are represented by Ibbotson Associates SBBI U.S. Intermediate Term Government Bonds Total Return Index, and short-term are represented by Ibbotson Associates SBBI 30-day U.S. Treasury Bills Total Return Index, respectively. It is not possible to invest directly in an index. All indices include reinvestment of dividends and interest income. All calculations are purely hypothetical and a suggested salary multiplier is not a guarantee of future results; it does not reflect the return of any particular investment or take into consideration the composition of a participant's particular account. The salary multiplier is intended to be only one source of information that may help you assess your retirement income needs. Remember, past performance is no guarantee of future results. Performance returns for actual investments will generally be reduced by fees or expenses not reflected in these hypothetical calculations. Returns also will generally be reduced by taxes. This information is intended to be educational and is not tailored to the investment needs of any specific investor.

¹² CDC/National Center for Health Statistics, Life Expectancy Tables, selected years 1900–2016, published 2017.

¹³ Risky Business: Living Longer Without Income for Life, American Academy of Actuaries, June 2013.

¹⁴ PEW Research Center, 5 facts about family caregivers, November 2015.

¹⁵ Fidelity Investments Financial Wellness Assessment responses, January–December 2019. Eighty-two percent of single, widowed, and/or divorced women are saving less than 15% compared to 76% of married women, not including their spouses' savings.

¹⁶ SSA.gov, Basic Facts 2019 Fact Sheet.

¹⁷ SSA.gov, Increase for Delayed Retirement Table, 2019.

¹⁸ Fidelity Women Motivators survey, 2018. Data represents online survey of 1,470 employees actively contributing to an employer-sponsored retirement plan.

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