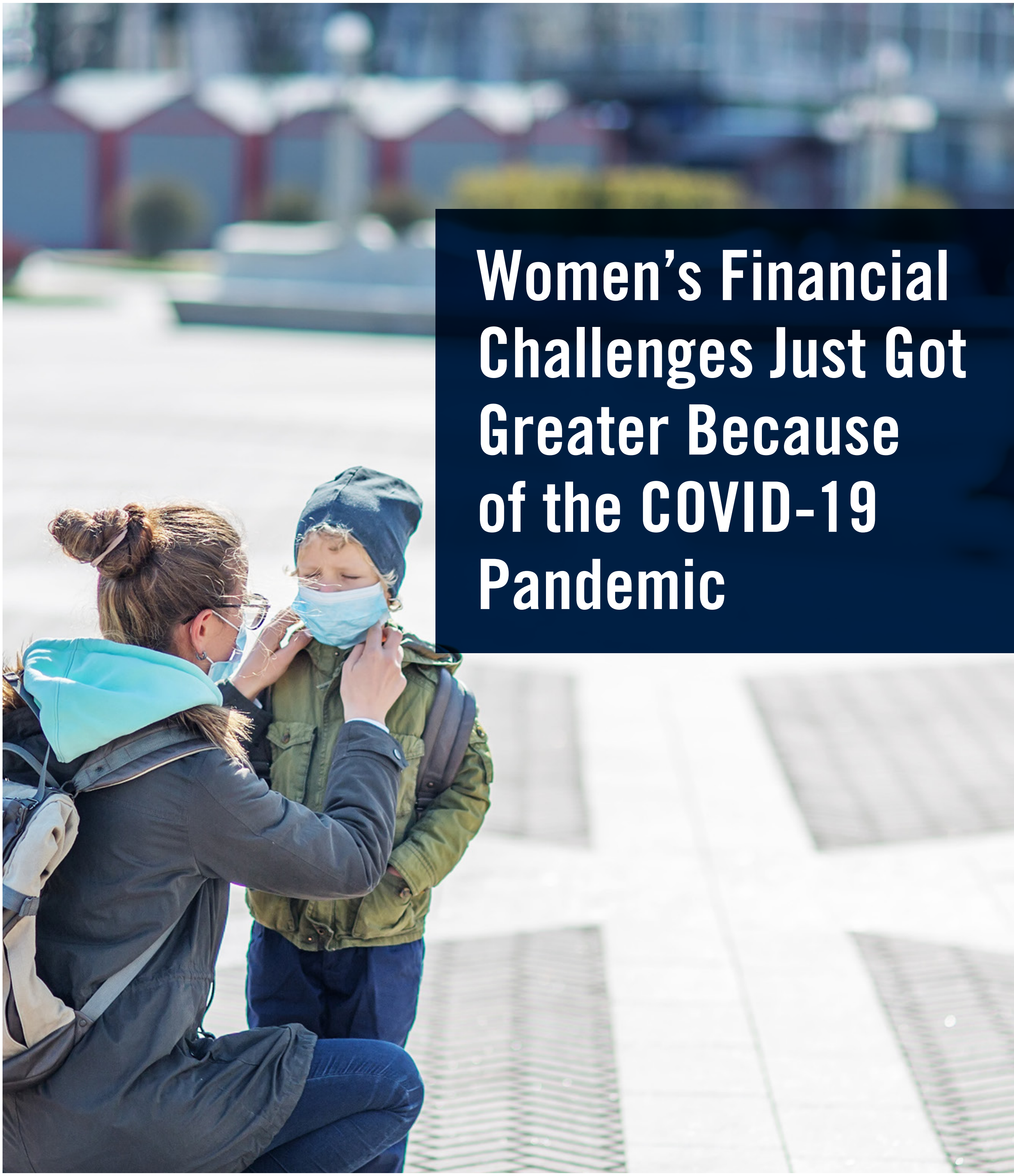

Women's Financial Challenges Just Got Greater Because of the COVID-19 Pandemic

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Women's Financial Challenges Just Got Greater Because of the COVID-19 Pandemic

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Prudential

Financial professionals can help women overcome the unique challenges they face in planning for a financially secure retirement.

Introduction

Women have made significant strides in the workplace over the past few decades, and their role in generating household income and managing household finances continues to grow. Women now account for 52% of professional and managerial occupations in the U.S.,[1] up from just 18% in 1975.[2] They own 12.3 million businesses, up from 402,000 in 1972.[3] Ninety-six percent of women now have primary or shared responsibility for their family's financial decisions.[4] Many effectively serve as the chief financial officer (CFO) in their household, taking charge of and making key financial decisions.

Despite these advances, women face unique challenges in planning for a financially secure retirement. Among the longest standing is the persistent pay gap between men and women, which leaves women with smaller retirement nest eggs and smaller Social Security benefits. Women also tend to suffer more during financial crises, a pattern that has held true during the COVID-19 pandemic and its associated economic fallout. A high percentage of the jobs lost in the early stages of the pandemic were in fields dominated by women (e.g., leisure and hospitality, health care, education, retail, and professional and business services), sending the unemployment rate for women to 16.2% in April 2020, nearly three points higher than the rate for men. That marked the first time the unemployment rate for women hit double digits since the Bureau of Labor Statistics began reporting data by gender in 1948.[5] The pandemic also led to the closure of many schools and daycare centers, imposing new childcare demands on families. This had a particularly traumatic impact on working mothers, especially those who are single. The fallout from the COVID-19 pandemic is likely to persist for some time, with potentially dramatic consequences for women in their critical retirement savings years.

Against this backdrop, many women are likely to experience a disproportionate financial loss from the COVID-19 pandemic relative to men, and will need even greater help generating adequate and sustainable lifetime income after they stop working. Heading into the pandemic, women were already more concerned than men about their retirement security, with

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[1] U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey: Employed persons by detailed occupation, sex, race, and Hispanic or Latino ethnicity," 2019.

[2] Wu, April Yanyuan, and Nadia Karamcheva, Alicia Munnell, and Patrick Purcell, "How Do Trends in Women's Labor Force Activity and Marriage Patterns Affect Social Security Replacement Rates?" 2013.

[3] Women's Business Enterprise National Council, "Behind the Numbers: The State of Women-Owned Businesses in 2018," October 10, 2018.

[4] Financial Advisor Magazine, "Women Hold Majority of Personal Wealth, But Still Minorities in Advisory Field," March 25, 2020.

[5] Washington Post, "Women Have Been Hit Hardest by Job Losses in the Pandemic. And It May Only Get Worse," May 9, 2020.

approximately six in 10 women not expecting their income to last their lifetime, compared with less than half of men.[6] Recent research indicates women also were much less likely than men to feel optimistic about their personal financial situation for the balance of 2020, with 26% feeling optimistic, versus 39% of men.[7]

Financial professionals have an important new opportunity to help women manage their financial challenges. Financial professionals can provide useful guidance on saving adequate amounts for retirement, managing retirement risks, and protecting against outliving retirement income. But to serve women well, financial professionals will have to account for the unique challenges women face.

This paper identifies these challenges—some longstanding, others more recent—and outlines specific steps financial professionals can take to help women navigate and mitigate them at every stage of their financial journey.

Women Face Eight Unique Retirement Planning Challenges

Women face an array of challenges to saving for retirement during their working years that aren't shared by men. They confront a second and perhaps even more difficult set of challenges in trying to make their savings last once they've retired. Some of these challenges are well known: the gender income gap, different work/life journeys due to caregiving responsibilities, greater longevity, and higher health care costs. Others garner less attention but are formidable nonetheless: a confidence gap around investing and managing money, a lower tolerance for risk, a tendency to retire earlier than men, and a greater risk in two-income households of being unable to maintain their living expenses.

1. **The income gender gap leads to lower retirement savings balances for women**. Women have been dealing with the long-term effects of the gender pay gap for decades, and the battle still isn't over. Women currently earn about 82 cents for every dollar earned by men, according to the U.S. Census Bureau.[8] A woman with a bachelor's degree can expect her lifetime earnings to be just 60% of what a male counterpart will earn.[9]

   Women not only struggle with the impacts of the gender pay gap, but they also face challenges with career progression prospects, as evidenced by the COVID-19 pandemic. In one study, 26% of men with children at home indicated they received a pay raise while working remotely, while only 13% of women with children at home said the same. In addition, 34% of men with children at home indicated they received a promotion while working remotely, while only 9% of women with children at home said the same.[10] The pandemic has shined a light on the fact that career prospects haven't been equitable for all workers.

   Lower earnings during their working years have resulted in women earning Social Security benefits that are 20% smaller than men's.[11] This contributes to another gap, the retirement income gender gap. Prudential's "Closing the Retirement Income Gender Gap" estimates that because they earn about 20% less than men on average, women accumulate about 32% less in retirement savings. Coupled with lower Social Security benefits, this indicates

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6 Alliance for Lifetime Income, "Women Are More Concerned Than Men About Outliving Their Money," November 2019.

7 Alliance for Lifetime Income, "COVID-19 Retirement Reset Findings: Focus on Women and Couples," April 29, 2020.

8 U.S. Census Bureau, https://www.census.gov/newsroom/stories/2020/equal-pay.html (accessed May 17, 2020).

9 Morningstar, "Special Report: Women and Investing," March 2, 2020.

10 Qualtrics, "Not in the Same Boat: Career Progression in Pandemic," August 26, 2020.

11 Morningstar, "Special Report: Women and Investing," March 2, 2020.

women can expect to have much lower incomes to sustain them in retirement. In fact, the median annual income of women age 65 and older is 41% lower than it is for men.[12]

2. **Different work/life journeys due to caregiving responsibilities can hamper women's ability to save for retirement**. Not only do women typically accumulate less in retirement savings due to their lower average lifetime earnings, they also tend to interrupt their careers more often to care for their own children, elderly relatives, or, in some cases, both. In one survey, more than 40% of mothers said they had reduced their work hours to care for a child or family member, compared with 28% of fathers. And more than a quarter of mothers said they had quit their job to care for a child or family member, compared with just 10% of fathers.[13] More than 80% of the care delivered to older adults is provided by family members or friends,[14] and three-quarters of long-term caregivers are females.[15]

   Leaving the workforce to tend to family members has consequences, including losing access to wages and employer-provided benefits, including 401(k) plans and employer contributions to those plans. Women who cut back on their participation in the workforce also risk receiving less in Social Security retirement benefits, since benefits are based on career earnings. During the pandemic, working mothers have taken on more additional hours of childcare and chores than working fathers in the U.S., which is an unsustainable situation.[16] If more mothers shift from paid work to unpaid caregiving, the gap between men and women in the workforce will only widen.

   To gain flexibility in managing responsibilities outside of work, some women decide to work part-time or turn to gig/freelancing work. While this can be an appealing option, gig workers earn less on average than traditional full-time employees, suffer from an unpredictable stream of work, and lack access to employer-sponsored benefits.[17] Bottom line, less time in the workforce means less time to save for retirement, which can have serious implications for women's retirement security.

3. **Greater longevity for women means retirement nest eggs must last longer**. Women have longer life expectancies than men, outliving them by five to six years on average.[18] They also tend to marry men who are older than they are.[19] Combined, these trends make it more likely that women will find themselves trying to fund a long retirement on their own, potentially outliving their assets. That can be hard, because household income often drops more significantly than household expenses when a spouse dies, and because women on average have less in savings than men. In addition, middle-aged women are more likely than men to be single,[20] further increasing their odds of being responsible for their own financial well-being in retirement. In fact, widows accounted for 32% of all older women in 2018 and outnumber widowers by three to one, with periods of widowhood lasting 15 years or more not uncommon.[21]

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12 U.S. Department of Health and Human Services, "A Profile of Older Americans: 2018," April 2018.
13 Pew Research Center, "On Pay Gap, Millennial Women Near Parity—for Now," December 11, 2013.
14 Alzheimer's Association, "Facts and Figures," https://www.alz.org/alzheimers-dementia/facts-figures on August 27, 2020.
15 Family Caregiver Alliance, "Caregiver Statistics: Demographics," https://www.caregiver.org/caregiver-statistics-demographics on August 27, 2020.
16 Working Mother, "Working Moms' Chores Have Almost Doubled to 65 Hours a Week During the Pandemic," May 21, 2020.
17 Prudential, "Gig Economy Impact by Generation," 2018.
18 Arias E, Xu JQ. United States life tables, 2017. National Vital Statistics Reports; vol 68 no 7. Hyattsville, MD: National Center for Health Statistics, 2019.
19 National Bureau of Economic Research, "The Return to Work and Women's Employment Decisions," March 2018.
20 Center for Retirement Research at Boston College, "Women, Marriage, and the NRRI," June 2019.
21 U.S. Department of Health and Human Services, "A Profile of Older Americans: 2018," April 2018.

4. **Higher health care costs are common for women**. Women usually incur higher health care and long-term care costs than men, in part because any periods of disability they experience tend to last longer than they do for men. At age 65, women can expect to experience 2.83 years of "more severe" disability over the remainder of their lives, while the comparable figure for men is 1.50 years.[22] Meanwhile, 58% of women 65 and older will need long-term care during their lifetime, compared with 47% of men.[23] Since women live longer, they are less likely to have a spouse who can help them. They also are less likely to have access to other family caregivers.[24] As a result, over two out of three people living in nursing homes are women.[25]

   Women also are exposed to a greater risk of seeing their retirement savings depleted by their spouse's health care costs and then outliving their spouse.

   Finally, medical costs generally increase with age as some of the most expensive illnesses tend to occur later in life. The challenge of funding health care is becoming more acute, as fewer workers and their spouses now leave the workforce with retiree medical benefits. It is imperative that women thoroughly plan for a retirement with or without their spouse—including the possibility that they may spend many years in old age on their own.

5. **Women suffer from a confidence gap when it comes to investing and managing money**. Prudential's research indicates that women are consistently less confident than men about being able to achieve their key long-term financial goals. Only 38% of women say they are confident they will have enough savings to last through their retirement years, compared with 44% of men. Similarly, only 38% of women are confident they will be able to maintain their current lifestyle in retirement, compared with 43% of men.[26]

   Recent research indicates that men are more confident about having income to cover expenses throughout retirement because they:

   - Have saved enough money (83% men feel this way versus 69% of women)
   - Believe Social Security will cover some expenses (78% of men versus 72% of women)
   - Have a plan in place to help meet expectations (61% of men versus 51% of women)[27]

   Women's lack of confidence in these areas may be driven by the fact that their top financial goal is keeping up with current expenses and necessities, such as housing, food, and clothing. By contrast, men's top financial goals revolve around having enough savings to last through their retirement years, being able to choose how they spend their retirement, and ensuring they can pay for future health care needs.

   Indeed, when looking at how they allocate their monthly income across categories, women are more likely than men to be spending on household necessities, discretionary items, and paying down debt (62% of women's monthly income versus 55% of men's), and are less likely to be saving in easy-to-access accounts, retirement accounts through an employer, or growth accounts/investments (37% of women's monthly income

Some experts believe that shortfalls in savings allocated to investments could cost women more in the long run than the gender pay gap.

[22] Society of Actuaries, "Women and Post-Retirement Risks," 2018.
[23] AARP, "Long-Term Support and Services," March 2017.
[24] Society of Actuaries, "Women and Post-Retirement Risks," 2018.
[25] The Henry J. Kaiser Family Foundation, "Medicaid's Role in Nursing Home Care," June 2017.
[26] Prudential, "2018 Financial Wellness Census," 2018.
[27] Alliance for Lifetime Income, "Retirement Reset Summary of Findings: Focus on Differences by Gender," April 2020.

versus 41% of men's).[28] Due to their lower average wages, women are saving a smaller percentage of their income to meet retirement goals and a larger percentage on day-to-day necessities. Given all this, it's no surprise they feel less confident about achieving their long-term financial goals.

6. **Women's low tolerance for risk means their money often grows more slowly**. Prudential's research indicates that women are less likely than men to see themselves as investors or to take on investment risk, leaving them somewhat less able to build up their assets—a hurdle compounded by their lower average earnings. Specifically, women are more focused on saving than investing. Forty-nine percent of women expect their assets to grow based on how much they save (versus 40% of men), and 43% expect their assets to grow based on the way they save (versus 35% of men). Conversely, men are more focused on growth through investing, with 36% expecting their assets to grow based on the way they invest (versus 29% of women), and 31% expecting their assets to grow based on how much they invest (versus 29% of women).[29]

   Women also are much less likely than men to own investment products outside a 401(k), meaning they aren't taking further advantage of potential market gains or the compounding of market gains or interest. This, too, has the potential to limit the overall growth of women's assets. In fact, some experts believe that shortfalls in savings allocated to investments could cost women more in the long run than the gender pay gap.[30] Women's investment decisions during their working years play a big role in determining their future retirement account balances.

7. **Women tend to retire earlier than men**. Even though women live longer than men on average, and often work fewer years than men of the same age due to time off caring for others, they tend to retire earlier than men. Naturally, this has implications for their long-term financial security. In 2018, the average age of retirement for women in the U.S. was 66.5, compared with 67.9 for men.[31] One reason for this is that couples tend to retire around the same time, and women are, on average, a few years younger than their husbands.[32]

   The tendency for women to retire earlier than men is costly because it results in forgone earnings opportunities that could have increased their retirement savings and Social Security benefits. Time spent outside the workforce caring for children or family members can be a factor in this equation. Many women take leave from work not only early in their careers to rear children but also later in their careers to care for aging relatives, which in some cases means they are retiring during peak earnings years.

   The longer women work and delay claiming Social Security benefits, of course, the bigger their monthly Social Security benefit payment will be—it goes up about 8% for every year they delay claiming from age 62 to age 70. (Benefits don't have to be claimed at age 70, but delaying past that age does not increase the monthly payout, other than for ordinary inflation adjustments.) Delaying Social Security benefits until age 70, then, can lead to a

> *Delaying Social Security benefits until age 70 can lead to a sizeable increase in the lifetime Social Security benefits a woman could earn if she lives for a long time. In fact, monthly gains in Social Security benefits could be sufficient to help offset early gaps in women's earnings records and might place them on par with men in terms of Social Security wealth by age 70, erasing the gender gap in Social Security benefits earned.*

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28 Prudential, "The Financial Wellness Census 2018: Spotlight on Women," 2018.

29 Ibid.

30 InvestmentNews, "Gender Investing Gap Costs Women in the Long Run, Krawcheck Says," November 19, 2019.

31 Organization for Economic Cooperation and Development, "Ageing and Employment Policies - Statistics on Average Effective Age of Retirement," https://www.oecd.org/els/emp/average-effective-age-of-retirement.htm.

32 National Bureau of Economic Research, "The Return to Work and Women's Employment Decisions," March 2018.

sizeable increase in the lifetime Social Security benefits a woman could earn if she lives for a long time. In fact, monthly gains in Social Security benefits could be sufficient to help offset early gaps in women's earnings records and might place them on par with men in terms of Social Security wealth by age 70, erasing the gender gap in Social Security benefits earned.[33] With enough advance planning, financial professionals can help women strategize how to bridge any income gaps in their careers so that they can afford to delay Social Security claiming as long as possible. Of course, working longer to be able to delay benefits sometimes isn't possible due to unanticipated layoffs, health issues, or caregiving responsibilities. But when it is, it can go a long way toward improving a woman's retirement security.

8. **Women in two-income households are more at risk financially in retirement**. Despite the financial benefits inherent in dual-income households, the Center for Retirement Research at Boston College (CRR) finds that 46% of women in two-income households are at risk of being unable to maintain their standard of living in retirement, versus 32% of married women in one-income households and 39% of single women.[34] The CRR attributes this counterintuitive finding largely to the progressive design of Social Security benefits (replacing a higher proportion of preretirement earnings for people with lower earnings compared with those with higher earnings), inadequate saving in workplace retirement plans, and adverse impacts from divorce. Prudential's analysis of this research indicates that women in two-income households also can become accustomed to a two-income lifestyle and then have trouble maintaining it after the untimely death of a spouse or the unexpected loss of a job. They also pay more in Social Security taxes than one-income households and save too little in workplace retirement plans.

   The youngest baby boomers and the generations that follow are at greater risk than older generations as few will have access to traditional pension plans and retirement wealth is dependent on not only proper saving behaviors but a strong economy as well. In recently published research, the CRR found that late-cycle baby boomers acquired significantly less wealth in 401(k) plans than baby boomers who were born earlier in that generation. Among households in the middle wealth quintile in 2016, late boomers between the age of 51 and 56 had amassed only 54% of the wealth early boomers had when they were those ages. The researchers called these findings "alarming" and said the poorer results for the late boomers were likely attributable in part to "high levels of unemployment during the Great Recession and more reliance on lower-paid jobs when they re-entered the labor market."[35]

   The current pandemic-related economic turmoil will almost certainly have a negative impact on household savings rates, at least for a while. Some workers will see their incomes stagnate or even disappear—and perhaps see their employers' matching contributions to their retirement accounts temporarily lowered as well.

[33] Ibid.

[34] Center for Retirement Research at Boston College, "Women, Marriage, and the NRRI," June 2019.

[35] Center for Retirement Research at Boston College," "Why Do Late Boomers Have So Little Retirement Wealth?," Number 20-4, p.1, March 2020.

Women of Color Tend to Face Even Greater Challenges

While women in general face greater challenges than men in achieving a secure retirement, Black and Hispanic women are at even greater risk. The median household wealth of a white family was ten times higher than that of a Black family in 2016 ($171,000 vs. $17,149)[36] and eight times higher than the median of a Hispanic family ($171,000 vs. $20,920). Furthermore, when individuals have lower earnings, it is harder to save for retirement. While the average white woman has $1.5 million of lifetime earnings, the average Black woman earns $1.3 million over her lifetime and the average Hispanic woman $1.1 million.[37] In addition, Blacks and Hispanics are less likely to own homes, so they miss out on the opportunity to build housing equity over their lives.[38] Student loan debt can also suppress the ability to save for retirement and Black women are graduating with much higher average debt than white women ($37,558 vs. $31,346). Hispanic women are graduating with lower debt, but at a significant level ($27,029).[39]

Unfortunately, the economic fallout related to COVID-19 is likely to create even greater challenges for Black and Hispanic women. Black women have been hit particularly hard, with 19% losing their jobs between February and April of 2020.[40] For Hispanic women, the rate of unemployment jumped from 5.5% to 20.5% over this period.[41]

69% of women say they are likely to work with a financial professional, versus 60% of men.

Women's Unique Challenges Create Unique Opportunities for Financial Professionals

By adding millions of Americans to the rolls of the unemployed and injecting additional volatility into the financial markets, the COVID-19 pandemic has further upended women's prospects for a secure retirement. More than ever, women need a financial strategy that can mitigate risk around future market returns, interest rates, and inflation.

Financial professionals who understand women's unique retirement planning challenges will be better positioned to help them identify ways to mitigate risk and improve their financial health. For the most part, they will find a receptive audience. Sixty-nine percent of women say they are likely to work with a financial professional, versus 60% of men. Among Americans who aren't working with a financial professional, women are twice as likely as men to say they would be more likely to consider working with one because of the COVID-19 crisis and the changing economic situation (16% of women, versus 8% of men).[42]

Especially as they near retirement, many women want to protect their accumulated assets while also retaining some opportunity to see them grow. Given recent stock market volatility and uncertainty about the economy, women may now be more interested in asset protection and lifetime income protection products, such as annuities. These products can provide downside risk protection on accumulated assets during working years and protected lifetime income payments in retirement, assuring that women can't outlive their assets. Consistent with previous periods of market volatility, recent research indicates that consumers continue to see

Among Americans who aren't working with a financial professional, women are twice as likely as men to say they would be more likely to consider working with one because of the COVID-19 crisis and the changing economic situation (16% of women, versus 8% of men).

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[36] Urban Institute, "Nine Charts about Wealth Inequality in America," October 2017. https://apps.urban.org/features/wealth-inequality-charts/

[37] Ibid.

[38] Ibid.

[39] American Association of University Women, "Deeper in Debt: Women and Debt in the Time of COVID," 2020, https://www.aauw.org/app/uploads/2020/05/Deeper_In_Debt_FINAL.pdf

[40] Economic Policy Institute," "Black Workers Face Two of the Most Lethal Preexisting Conditions for Coronavirus – Racism and Economic Inequality," p.3, June 2020.

[41] Pew Research Center, "Coronavirus Economic Downturn Has Hit Latinos Especially Hard," August 4, 2020.

[42] Alliance for Lifetime Income, "COVID-19 Retirement Reset Findings: Focus on Women and Couples," April 29, 2020.

a high value in protected lifetime income, with seventy-one percent of consumers reporting it is highly valuable, in addition to Social Security. Six in ten financial professionals report that they saw higher client interest in annuities with protected outcomes during previous market downturns, and 42% say they saw the same pattern when interest rates were low. In fact, 60% of consumers believe financial professionals have a responsibility to present income protection products as an option.[43] For many consumers, failure to present retirement income options to fit their needs could prompt them to consider changing financial professionals.

How Financial Professionals Can Help Women at Every Life Stage

Because women live longer on average than men, building a working relationship with them and becoming a trusted partner in their financial planning activities can pay significant dividends for financial professionals over the long term. When women become widows, they usually inherit full control of the couple's money and may need help converting their savings into a steady income stream that can sustain their lifestyle in retirement. The experiences of women will vary through each stage of their life, of course, and financial professionals will want to tailor advice and solutions based on which stage of life their client is in.

- **Early Career:** Early in their careers, most women are just beginning their retirement savings journey and are trying to establish good financial habits. Financial professionals can help early-career women:
  - Adopt a holistic approach to improving their financial health using budgeting, expense management, debt repayment, and retirement planning tools.
  - Save and invest for retirement early, and take advantage of their employer's 401(k) match.
  - Determine an appropriate target retirement age, make a preliminary forecast of their retirement income needs, and calculate an appropriate retirement savings rate.
- **Mid-Career:** At this stage of their lives, women may be the breadwinners and/or CFOs in their households, and often will be managing multiple demands on their time. Financial professionals can help them:
  - Save more in workplace retirement plans, especially if they are in two-income households.
  - Understand the need to save for two people's needs if one spouse doesn't have access to a 401(k) or similar retirement savings plan.
  - Ensure they have an appropriate asset mix in their investment portfolio.
  - Identify how much income they will need in retirement to cover expenses, and identify potential sources of income (e.g., Social Security, personal savings, retirement plans, and annuities).
  - Ensure their financial plans account for their longer life expectancy and the potentially higher health care costs they may face as a woman.
  - Close the confidence gap by offering financial education seminars or webinars on a variety of financial planning topics.

[43] Greenwald & Associates/CANNEX, "Sixth Annual Guaranteed Lifetime Income Study," 2020.

- **Retirement Red Zone®:** The retirement red zone begins five years before retirement and extends five years after retirement. Financial professionals can help women in the retirement red zone:
    - Define their retirement goals, including their desired lifestyle in retirement, and establish a budget for their retirement years.
    - Estimate future essential expenses to ensure those needs are covered in retirement, and identify any income gaps.
    - Protect their accumulated assets without completely eliminating exposure to financial markets.
    - Estimate expected protected lifetime income in retirement and plan for additional amounts of protected income, if appropriate.
    - Understand the positive impact that a few extra years of employment can provide in terms of increased Social Security benefits and financial security.
- **Retirement:** In the retirement phase, most women will have permanently left the workforce. Financial professionals can help retired women:
    - Create income streams they cannot outlive.
    - Plan a tax-efficient retirement income and wealth distribution strategy that accounts for tax law changes in the SECURE Act of 2019 relating to Individual Retirement Accounts.

Conclusion

Women continue to make great strides in the workplace and with managing their household finances. But they still face unique challenges when it comes to retirement planning—challenges that have been exacerbated by the economic fallout from the COVID-19 pandemic. Given the uncertainty around future market returns, interest rates, and inflation, it is more important than ever for women to implement a financial strategy that mitigates risk and adds more certainty to their financial future.

While traditional retirement planning discussions have focused primarily on accumulating assets for retirement, financial professionals must help women develop a new mindset for retirement planning tailored to whatever stage of life they are in. The ultimate goal is to protect the assets they've accumulated once they reach the retirement red zone and then convert those savings into a steady stream of income—lifetime income that can sustain their lifestyle no matter how long their retirement lasts.

Appendix A:

Steps Women Can Take to Help Improve Their Financial Security

- ✓ **Break the taboo around money talk with friends and family**. Some still think talking about money is a faux pas. Be involved in the daily management of your family's finances and talk about money with your spouse.
- ✓ **Create a budget early on to keep spending on track—and stick to it**. Budgeting may uncover ways to pay down debt and free up more money to put toward other financial goals.
- ✓ **Build an emergency fund**. Without one, losing a job or incurring an unexpected expense could force you to incur additional debt.
- ✓ **Start saving early, commit to the automatic escalation of contributions to a 401(k) plan, and contribute at a rate that, at a minimum, maximizes the company match**. When both spouses have access to a 401(k), both should contribute to their own plan so they don't forfeit any company match that might be available.
- ✓ **Track retirement savings progress in terms of an income goal** rather than a savings goal, targeting a realistic retirement age.
- ✓ **Think longer term**. Single women and women in two-income households need to think long term because they generally live longer than men. This longevity difference makes them more likely to experience widowhood.
- ✓ **Consider working a few years longer, and take advantage of catch-up contributions**, especially if you are behind on your savings goals. Working longer delivers a triple benefit. It delays Social Security benefits by a few years, which lets you receive higher monthly benefits. It allows you to accumulate savings for a few more years. Finally, it reduces the number of years you'll need to draw down retirement savings. Women and men 50 and older are eligible to make catch-up contributions to their retirement accounts over and above standard contribution limits.
- ✓ **Maximize Social Security claiming options**. Prudential's Social Security series provides guidance on optimizing Social Security claiming decisions for those who are married, divorced, or widowed.
- ✓ **Consider insuring retirement income** against longevity and market risks. Protected lifetime income products, such as annuities, can help insure against these risks.
- ✓ **Carry an adequate amount of life insurance**. Both spouses should carry an adequate amount of life insurance to ensure that, should their income disappear, their spouse can pay off outstanding debt and maintain their lifestyle.
- ✓ **Coordinate workplace employee benefits**. Two-income spouses who are each eligible for their own company's employee benefit options should evaluate the costs and features of both sets of benefit packages (e.g., deductibles, copayments, etc.) in order to obtain sufficient coverage, minimize costs, and lessen any tax implications.
- ✓ **Consult with a financial professional and seek more financial knowledge**. Many women feel that financial professionals only address men in retirement planning discussions. It is important for women to continue to educate themselves about money management and investing.

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