

Women May Need Financial 'Catch-Up'

It's unfortunate but true: If you're a woman, you face more obstacles than men in achieving financial security. And that means you may well need to put in some extra effort.

Just how serious is your challenge? For one thing, women still face a gender pay gap – based on median incomes, women earn about 82 cents for every dollar a man makes, according to the Census Bureau. This pay gap amounts to a nearly \$470,000 difference in lifetime earnings, according to an Edward Jones/Age Wave study. Furthermore, when factoring in the career disruptions women face because of caring for children and elderly parents, that \$470,000 becomes a \$1.1 million lifetime earnings gap, according to the study. Finally, women tend to live longer than men, meaning their lifetime earnings must last longer.

Everyone's situation is different, but these figures at least point to the challenges many women encounter. To help yourself, consider these moves:

- *Pay yourself first.* You always have to pay your bills – but, at the same time, pay yourself by moving money automatically from your checking account each month into a low-risk, liquid vehicle, such as a money market account or some type of cash management account connected with your investment portfolio. This move can help give you a “bucket” of money to use for any reason, such as the need to step away from your job to care for children or aging parents.

- *Increase your 401(k) contributions each year.* If you have a 401(k) or similar employer-sponsored retirement plan, take full advantage of it. At a minimum, contribute enough to earn your employer's match, if one is offered, and increase your contributions every year, or every time your salary increases.

- *Fully fund your IRA.* Even if you contribute to a 401(k), you may still be eligible to invest in an IRA – and you should. You can put in up to \$6,000 per year to a traditional or Roth IRA, or \$7,000 if you're 50 or older. (However, a Roth IRA does have income limitations that may prevent you from contributing the full amount.)

- *Learn about Social Security options.* Because Social Security provides a lifetime income stream that includes cost-of-living increases, it can help mitigate two key risks you face in retirement: longer life expectancies and inflation. You can start taking Social Security as early as age 62, but your monthly checks will be significantly larger if you wait until your “full” retirement age, which will likely be between 66 and 67. If you delay taking benefits beyond your full retirement age, your payments will increase by 8% per year, until age 70, when your benefits max out. You'll also want to learn about spousal and survivor benefits, which can affect how much you'll receive.

- *Get some help.* You may be able to benefit from working with a financial professional, who can evaluate your situation, make investment recommendations, and help answer questions you may have, such as, “What moves can I make so I can afford to become a caregiver for an elderly parent?”

Hopefully, there will be a day when women won't have to play financial catch-up. For now, though, use all the means at your disposal to help yourself.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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