

Key Retirement Risks for Women

American women are a force to be reckoned with. Fully half of all workers are women¹—and in more than one third of households, women are the primary breadwinners.² What's more, women are likely to make further gains in the workforce over time: Today nearly 60% of young adults who hold advanced degrees are women.³

But despite these strides, women are up against some unique challenges when it comes to retirement planning. These are the top six key risks all retirees face:

- **Longevity** and the potential to outlive savings
- **The ever-growing cost of health care**
- **Withdrawing too much** early in retirement and depleting savings too soon
- **Unexpected events** such as layoffs, illnesses and tax-law changes
- **Market volatility**
- **Inflation**

Plus, several of these risks are magnified for women. Here's why you need to take additional measures to prepare for retirement:

Longevity. Everyone is living longer these days, but women are living especially long. The average U.S. life expectancy for a 65-year-old woman is 88, compared to 85 for a man. So you need to plan and save for a longer retirement.

Health care. Since health care needs tend to increase as people age, and women live longer, you also need to plan for greater health care costs. It's essential to have enough money saved to cover these expenses.

Withdrawal rate—and reduced savings. On average, women earn less than men during their careers. There are two primary reasons for this. First, women are often paid less than men. Second, women are more likely than men to put their careers on hold to care for family members. This can make it harder for women to save as much as men, resulting in lower Social Security benefits and more modest savings in employer-sponsored accounts.

For example, the average retirement account balance of single women age 50 or older is \$47,700, compared to \$190,600 for single men. Married women: \$89,600. Married men: \$126,700.⁴

Consequently, you may need to withdraw a higher percentage of your nest egg each year to maintain your standard of

¹Employment Situation Summary, U.S. Bureau of Labor Statistics, February 4, 2011.

²Women in the Labor Force: A Databook, U.S. Bureau of Labor Statistics, December 2010.

³Educational Attainment in the United States: 2009, U.S. Census Bureau, April 20, 2010.

⁴Gender Matters: Retirement Savings of Working Men and Women, LIMRA 2010.

living. This is why it's so important for you to boost your savings rate while you're still working.

Strive to make the maximum contribution to your retirement plans; in particular, make sure you take full advantage of 401(k) programs that include matching contributions from your employer. Additionally, you can put savings in IRAs and make special "catch-up" contributions if you're age 50 or older. If you're married, both you and your spouse should take full advantage of your plans. And make sure you contribute to your own plan regardless of any retirement contributions made by your spouse.

Unexpected events. Having fewer assets also may result in a smaller financial cushion in the event of an emergency. Indeed, layoffs and long-term illnesses are just as likely to strike women as men. As a result, you need to build a cash reserve of at least six months' worth of living expenses before retirement. You also should have disability income and long-term care coverage to protect your financial well-being.

Market volatility and inflation. Studies indicate that women tend to be risk-averse investors. This can be a good thing, softening the blow of declining markets. However, it can also be a disadvantage—if you're too conservative, your retirement investments might not be able to keep up with inflation.

Because women are less likely to accept portfolio risk, you can benefit from teaming up with a financial advisor to gain investing knowledge and confidence. A professional can help you understand your feelings about risk, and build a diversified portfolio you can feel comfortable with. Sound investing strategies can help you grow your retirement savings and keep ahead of inflation.

Managing these and other risks

We all face retirement challenges. Fortunately, all of these risks can be managed with careful planning. Talk to an Ameriprise financial advisor today to get the help you need to keep your retirement dreams intact.

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