



7 STEPS WOMEN NEED TO TAKE TO PREPARE FOR THEIR LONGEVITY

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07 August 2018: Many people find planning for retirement challenging, but retirement planning for women can be particularly tricky. This isn't because women are any less capable of planning for the future than men, or less interested in saving. Rather, it's as a result of one simple reality – women tend to live longer than men.

Accounting for women's greater longevity when making arrangements for retirement is not always easy to do because, by nature, retirement funds are a bulk arrangement. Individuals are grouped together and benefit from the collective. This means most retirement funds treat everybody the same.

The consequence of this is that there are cross subsidies between different groups of members, including between men and women. Women, therefore, need to ensure they understand the impact of potentially living longer and have a plan in place to ensure they don't suffer financially as a result.

Consider your own future

1. Whether or not you are the family breadwinner, one half of a high-flying career duo, or a stay-at-home mother, take control of your own financial future. For married women, this means keeping in mind the risk of outliving your spouse and running out of retirement savings.

While living annuities are the most popular type of pension solution in South Africa, they unfortunately do not provide protection from living a life that is longer than expected. Excessive income drawdowns and poor investment choices may not manifest as a problem in the early years of retirement, but the risk of running out of savings increases the longer your retirement lasts. Too often, this means that women who outlive their spouses will be left carrying the (empty) can.

Get involved in creating and managing the family's financial plan

2.

If you are one of the many women who tends to leave the family's financial affairs to your partner, you need to think again. It's essential that all married couples take joint ownership and accountability for the family's financial plan. If your spouse meets your financial adviser every year to review the financial plan, you should be there too, every year.

If you don't have a handle on the finances and plans, you have no control over the decisions made and may not be able to ensure that your longevity needs have been taken into account. Even if you are the one making the decisions, ensure you take these needs into account along with your family's needs.

Contribute a higher percentage of your salary towards retirement

3.

The formula for saving for retirement is very simple. Contributions plus investment growth, less costs, is the amount of savings you will have when you get to retirement. To fund a long retirement period, you have only three levers you can control:

- How much you contribute each month. While contributing more means your disposable income is less now, your future self will thank you.
- How much investment growth you get from your investments? If you're considering seeking higher returns from your savings, it's important to be aware of the risks as higher returns are generally only achieved by taking more investment risk. It's important not to take excessive risk, or get caught up in scams that promise exceptionally high returns. It's equally important to realise that you cannot afford to be too conservative in terms of your investment strategy.
- How much time you have to save. The closer you are to retirement, the less time you have to save and would therefore need to save more than if you had more time to save. In addition, the power of compound interest is very powerful the further away you are from retirement.

Delay retirement ... if at all possible

4.

Given their propensity to live longer, women should consider retiring later than men. Of course, past practice may have led many women to have the opposite view as not that long ago most retirement funds actually had different retirement ages for men and women, with the retirement age for women being up to five years younger than for men.

Although it isn't usually a pleasant prospect, delaying retirement is an excellent response to the reality of living longer, even if this means doing part-time or contract work after officially retiring from a full time corporate job.

5.

Make up for the gaps

For many women, having children significantly affects their ability to save. This is because maternity leave often involves reduced or even no pay, and a period during which retirement savings are put on hold. This gap doesn't happen for most men.

What's more, many women don't just take maternity leave of 3-4 months; they reduce their working hours or stop working altogether for an extended period of time to stay at home to bring up their children. While such a decision may be in the best interests of the family, it is important that women acknowledge the impact of this on their retirement readiness. Once again, women should do whatever is possible to make up for these gaps by supplementing their savings.

Put yourself first

6.

As natural nurturers, many women tend to first focus on the needs of their family, especially their children, before tending to their own needs. They also mostly focus on trying to leave something to their children when they die. When it comes to retirement savings, it is essential to also keep your own needs in mind. Leaving money to children and loved ones, especially when they have already left the nest and are self-supporting, shouldn't be the priority. Ensuring that you have enough money to support you during your retirement years remains key.

Pay careful attention to life cover

7.

One of the benefits of the group life and disability cover offered by your employer is that the rates are favourable and there's usually no underwriting below a certain level of cover.

For married women, it's also important to ensure that the life cover is sufficient to pay off any debts as well as funeral costs so that the surviving spouse and family aren't burdened financially.

In short, living longer comes at a cost as you need to make additional provision to support your lifestyle for this extended period. It is essential that women, given their longevity, acknowledge this reality early on in their lives, and take appropriate steps to avoid having to face hardship during their golden years. By partnering with a reputable financial planner and assessing all your savings and investment requirements including your retirement fund, you can plan properly ahead to ensure peace of mind at retirement.