

Women's History Month: Retirement Focus

Ten strategies to help you take care of yourself and prepare for retirement

Women's History Month has its origins as a national celebration in 1981 when Congress passed and authorized a resolution and requested the President to proclaim the week beginning March 7, 1982 as "Women's History Week." Throughout the next five years, Congress continued to pass joint resolutions designating a week in March as "Women's History Week."

In 1987 after being petitioned by the National Women's History Project, Congress passed a new resolution designating the month of March as "Women's History Month." Since that time, Congress and presidents have issued a series of annual resolutions and proclamations designating the month of March as "Women's History Month."

These proclamations celebrate the contributions women have made to the United States and recognize the specific achievements women have made over the course of American history in a variety of fields.

Put Retirement Planning at the Top

Like so many women, are you constantly juggling family, professional, and personal responsibilities? No wonder retirement planning seems to always get shuffled to the bottom of your "to do" list. But, procrastination is not the answer. Putting it off will only increase your risk of becoming one of a growing number of women who will spend their golden years struggling to make ends meet.

With the right planning, you may be able to avoid that situation.

Saving enough for a comfortable retirement can be difficult for most Americans, and it can be especially challenging for women who may, when compared with men, earn less, spend fewer years working, and live longer. Retirement income concerns are often more acute for women who are divorced, widowed, or otherwise single, as well as for those who have spent all or a significant portion of their adult years caring for children and other family members.

Clearly, most women will need to build their own retirement savings to maintain their current standard of living in retirement. Here are some strategies you can use to get started:

#1: Plan for Retirement

If your current employer does not offer a retirement plan, consider your options for securing better benefits. While companies with defined benefit plans that replace a percentage of income (based on your salary and years of service) are becoming increasingly rare, consider the long-term consequences of working at a firm that does not at least match contributions to a 401(k) or other defined contribution plan. If you are employed by a company with a traditional pension plan, find out what your benefit is likely to be and at what age you can collect the maximum benefit.

#2: Plan for Less Taxes

Take advantage of the tax benefits of qualified retirement plans and traditional Individual Retirement Accounts. Depending on your financial situation, you may find that making pre-tax contributions to a retirement account will not significantly reduce your net income. Nevertheless, contributions may decrease your current taxable income (and, consequently, your ultimate tax bill), and potential earnings are tax deferred. Taxes will be due when you begin taking distributions. If you withdraw money too early, a 10% Federal tax penalty may be due, in addition to income taxes, unless a qualified exception applies.

#3: Look at Roth IRAs

Consider the role a Roth IRA may play in your long-term plan. Contributions to Roth IRAs must be made with after-tax dollars, but potential earnings grow tax deferred. Qualified distributions made after a certain age are income tax free, provided the account has been owned for at least five years. Certain income limits apply.

#4: Consider Working Longer

Plan to work longer if necessary. A few extra years spent working may enable you to save more money for retirement, and you may want to consider working until you qualify for full Social Security benefits. In addition, your health care costs may be lower if you postpone retiring until you qualify for full Medicare benefits.

#5: Pay Off Debt

Arrange to pay off your mortgage and other debt as quickly as possible. Owning a house outright in retirement not only ensures that you will have a place to live, but it can also serve as a valuable source of equity, should you need it. To give yourself an incentive to pay off your credit cards, resolve to turn your monthly credit card payments into retirement account contributions, when the debt is paid.

#6: In Your Name

If you are married, assess the capacity of your husband's retirement benefits to meet your future needs. Given the possibilities of divorce and widowhood, it is essential that you plan for a time when you may have to manage independently. If you are staying at home while your spouse is working, set up an IRA in your own name. Also, determine your rights regarding your spouse's pension in the case of death or divorce, and research the effects of divorce and remarriage on your Social Security benefits.

#7: Invest More

If your family budget allows, evaluate the benefits of putting extra funds into your own IRA or 401(k) versus putting money into a savings account for your children's college education. Your children may qualify for financial aid or low-interest loans to help pay for college, but remember, there are no grants or scholarships for retirement. Also, some funds may be withdrawn from a retirement account penalty free, if used for qualified education expenses.

#8: Make Retirement Your Business

If you own a business, consider implementing a retirement plan for yourself and your employees. A retirement plan may help you accumulate funds to live more comfortably in your retirement years, and it may also be fully deductible, thereby reducing your business's current tax liability. If you already have a retirement plan for your business, review it with your professional advisors periodically to make sure you are taking advantage of all potential tax benefits.

#9: Consider Deferred Comp

If you are an executive and your company offers you the chance to participate in a non-qualified deferred compensation plan, consider the opportunity. Again, it will decrease your current income tax liability while providing you with an additional pool of money for your retirement.

#10: Take Good Care of Yourself Too

Prioritize saving for your own financial future, even when there are bills to pay, along with the wants and needs of your children and other family members. While taking care of others is important, you can take good care of yourself by preparing for your retirement.