

10-11-15 – G & M – Women and retirement – Where's your Plan

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Earlier Discussion

Women and retirement: Where's your plan?

Globe and Mail Update

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Getting some people to think about retirement can be like trying to pull out their teeth. A recent TD Waterhouse survey of female investors shows 34 per cent of women do not currently contribute to an RSP, with a third of them reporting the thought of retirement gives them "heart palpitations because they haven't saved enough." Another 7 per cent said retirement planning was like getting a root canal.

Of those polled, 71 per cent of women aged 45-64 said they do not have a financial plan. That lack of planning is often to blame for retirement fears, says Patricia Lovett-Reid, senior vice-president of TD Waterhouse.

"Looking ahead to your retirement years, it's important for women to measure their financial success against specific and targeted investment goals," Ms. Lovett-Reid says. "While being able to pay the bills and having money saved for emergencies are essential, women need to ask themselves important questions, like 'am I going to be able to retire early,' 'will I be able to maintain my current lifestyle in retirement,' 'what sort of legacy can I leave behind for my children?' When defining overall financial success, women should evaluate how satisfied they are with the response to the questions that matter most to them."

Ms. Lovett-Reid was here to discuss retirement planning. She holds the designation of Certified Financial Planner and is the host of *MoneyTalk*, a national prime-time television program on personal finance.

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Women and retirement

Why women need to save more than men for retirement

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From Monday's Globe and Mail

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When Marcie Graham was planning her retirement, no one ever sat her down and told her to save an extra \$160,000 because she was a woman.

Dragged by her husband to meetings with their financial adviser, the retired tax collector says she “usually slouched in a very comfortable chair and zoned out.”

Now widowed, Ms. Graham, 67, admits some of the expenses of being a female retiree have surprised her, including health-care costs related to her treatment for breast cancer last year. “Thank God I am 65-plus and I have a medical plan. I don’t know how seniors without medical plans survive.”

Most women don’t realize that, on average, it will cost them more than men to afford the same level of retirement comfort. The gender gap works out to a six-figure amount for a middle-class earner. During their working lives, women face a much larger savings challenge than men because they typically earn less – and then have to stretch their incomes out over a longer life-span when they retire.

“Women live longer and they marry people who are older than they are. Add those two together and that, in itself, will cost you 20- to 25-per-cent more,” says **York University’s Moshe Milevsky**, co-author with Alexandra Macqueen of the book *Pensionize Your Nest Egg*. Mr. Milevsky calculated that a man can safely afford to withdraw 4.2 per cent of his savings a year from age 65, while a woman would need to cash in at a more conservative pace of 3.7 per cent to be confident of making her savings last for the rest of her life.

Life expectancy is narrowing between the sexes, yet women still outlive men by an average of five years in Canada, and women can expect to spend an average of seven to 10 years in widowhood. According to Statistics Canada, women are more likely than men to report that their financial standard of living in retirement falls short of their expectations.

“If you look at people retiring now, women will have earned less, either because they’ve worked fewer years or, during their working years, they’ve earned less than the average male. So you’ve earned less and you have a longer expected life, so you have to save proportionally more of your income. It’s kind of the undeniable reality of being a woman,” Ms. Macqueen says.

Without careful planning, women may find themselves with less income than they thought they were going to have in retirement, says Tina Di Vito, head of the BMO Retirement Institute. “You can’t just assume that when a spouse or partner passes away that half of the expenses will be eliminated,” Ms. Di Vito says. “More often than not, half of your income is eliminated, or a big portion.”

Spousal Old Age Security benefits cease upon a husband’s death. While CPP offers a survivor benefit, women who have worked and are already receiving the maximum payment will not qualify, Ms. Di Vito says. “So the fact that her husband is gone and she loses out on CPP and OAS, that could be upward of \$16,000 just for that first year. Now multiply that by 10 years, you get \$160,000 shortfall.”

The deficit could be much wider, says Patricia Lovett-Reid, senior vice-president of TD Waterhouse. Women could live longer than the statistics suggest, and those who rely on a husband's company pension could see that reduced to 60 per cent or less upon his death. That's what happened to Ms. Lovett-Reid's mother, Joyce Fraser, last year.

Another expense for women in retirement is health. Lee Anne Davies, head of retirement strategies at RBC, calls it the "multi-morbidity" factor: Women are also more likely than men to develop costly long-term health conditions. "It will increase the need for health care, it may increase the need for different types of living situations, and certainly can put financial pressures on you. And women are more likely to live longer with a disability. That's another reason why you want to plan well for retirement, to be prepared for that," Ms. Davies says. Ms. Graham has tried to buy long-term care insurance, but was denied coverage because of a pre-existing condition. "I'm on more supplements than you can shake a stick at," she says.

Women's attitudes toward the stock market may also have an effect on their retirement. As a rule, women are more averse to risk, says Kate Warne, Canadian market strategist for Edward Jones. "Studies say women tend to invest less in equities and more in guaranteed investments, which historically have lower returns. One of the challenges is that women also tend to live longer, so to a certain extent, they're the ones who need the higher returns to fund a long retirement," Ms. Warne says. "Once you're able to educate women to do it, then they're better investors than men," she says. "But it's getting them over the hump so that they feel comfortable that that's the right thing to do for their long-term financial success."

It's never too late to learn. Like Ms. Graham, Ms. Fraser didn't really get involved in the household finances until her husband died, leaving her in charge of their investments. Now, says the 77-year-old Toronto retiree, if she doesn't see the daily stock price quotes, she feels like she's missing something. As the mother of an investing expert, you might expect her to lean on Ms. Lovett-Reid for help, but that's not the case, Ms. Fraser says. "I'm fiercely independent. I may ask for advice, but don't necessarily expect me to take it."

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Desired Yearly Income

Cost at age 65

	Male	Female
\$1,000	\$16,853	\$20,404
\$10,000	\$168,527	\$204,042
\$20,000	\$337,053	\$408,083
\$30,000	\$505,580	\$612,125
\$40,000	\$674,107	\$816,167
\$50,000	\$842,634	\$1,020,209
\$60,000	\$1,011,160	\$1,224,250
\$70,000	\$1,179,687	\$1,428,292
\$80,000	\$1,348,214	\$1,632,334
\$90,000	\$1,516,740	\$1,836,375
\$100,000	\$1,685,267	\$2,040,417

Source: Moshe Milevsky, Schulich School of Business, York University