

# A LIFETIME OF FINANCIAL GROWTH



## Managing for a Lifetime of Financial Growth

As mentioned earlier, you probably will experience several major events in your life that can make it more difficult to start or keep saving toward retirement and other goals.

The key is to have a clear plan, to stay focused on your goals, and to manage your money so that life events don't prevent you from keeping on target. Here are a few suggestions for saving for retirement while financially managing some common life events.

### Marriage

Getting married creates new financial demands that compete for retirement dollars, such as changing life insurance needs and saving to buy a home. But it's usually less expensive for two people to live together, thus freeing up dollars. Also, you probably still have time on your side. A spending plan is essential. Remember, every little bit helps.

### Raising children

The U.S. Department of Agriculture estimates that it costs the average American middle-income, married family approximately \$284,570 to raise a child through age 17 (though these costs may be reduced somewhat by the Child Tax Credit). Furthermore, in some cases a spouse may stay out of the workforce to raise children, thus cutting into income and the opportunity to fund retirement. Having a child may alter your major financial goals, but should never eliminate them. Make the best effort you can. Also, many financial planners stress that saving for retirement should have priority over saving for a child's college education. There are financial aid programs for college-bound students but not for retirement.



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## **Changing jobs**

It's estimated that the average worker changes jobs more than 12 times in a working lifetime. Changing jobs often puts you at risk of not vesting in your current job, or a new job may not offer a retirement plan. Consider keeping your money in your former employer's retirement plan or rolling it into a new company plan or an individual retirement account (IRA). Don't cash out and spend the money, however small the amount.

## **Divorce**

It's important that you know the laws regarding your spousal rights to Social Security and retirement benefits. Under current law, spouses and dependents have specific rights. Remember, retirement assets may well be the biggest financial asset in the marriage. Be sure to divide those assets carefully. It's also critical to review your overall financial situation before and after your divorce. Income typically drops for partners in the wake of a divorce, particularly for women.

## **Disability**

A severe or long-lasting disability can undermine efforts to save for retirement. Although Social Security Disability benefits can help sustain a family if severe disability strikes, you may wish to explore the availability and cost of other forms of disability insurance.

## **Death**

The premature death of a spouse can undermine efforts for the partner to save for retirement, particularly if there are dependent children. That's why it's important to check your Social Security statement to find out how much children will receive if a parent dies. Maintaining adequate life insurance is also important. Be sure that you have properly named the beneficiaries for any insurance policies, retirement plans, IRAs, and other retirement vehicles.



## FACTS WOMEN SHOULD KNOW ABOUT PREPARING FOR RETIREMENT

Women face challenges that often make it more difficult for them than men to adequately save for retirement. In light of these challenges, women need to pay special attention to making the most of their money.

- Women tend to earn less than men and work fewer hours.
- Women stay at jobs for a shorter period of time, work part time more often, and interrupt their careers to raise children. Consequently, they are less likely to qualify for company-sponsored retirement plans or to receive the full benefits of those plans.
- On average, women live 4 years longer than men, and thus need to build a larger retirement nest egg for themselves.

- Some studies indicate women tend to invest more conservatively than men.
- Women tend to lose more income than men following a divorce.
- Women age 65 or older are 43 percent more likely than men age 65 or older to live on an income below the poverty level.

For more information, call the Employee Benefits Security Administration at **1-866-444-3272** and ask for the booklets: *Women and Retirement Savings*, *Taking the Mystery Out of Retirement Planning*, and *QDROs: The Division of Retirement Benefits through Qualified Domestic Relations Orders* (for example, divorce orders). Also visit the Social Security Administration's **website** to order their booklet *What Every Woman Should Know*.