The Retirement Income Store®

NEWS

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Women, Investing, and Longevity

It's no secret that, historically, women have been able to enjoy longer life spans than men. In fact, according to the World Health Organization, women typically outlive men by an average of six to eight years.[1]

What might come as a surprise is that according to a study published in the *Journal of American Geriatrics*, women are four times as likely to make it to age 100 than men.[2] Although this is great for women, since they will be able to enjoy more time with their friends and family, it also means that many will need to be prepared to manage their finances on their own during the later years of retirement.

The good news is that according to a 2016 Fidelity study, female investors tend to outperform male investors—so women are definitely more than capable of managing the finances.[3] Where many couples and retirees fall short in their plans for retirement, is in planning for a long retirement. Many don't realize that they could, in fact, need to have enough income coming in the door for 30 years, or maybe even longer.

This is why it is important for all retirees, and especially women, to have a financial plan in place that accounts for the possibility of a longer lifespan. And, it's why a plan focused on preserving your principal, so you can use it to generate steady and renewable streams of income, can help you enjoy a comfortable lifestyle well into your final days in retirement.

The secret to being able to enjoy steady streams of retirement income, comes down to one simple, yet powerful, change you need to make *ahead* of retirement. And, that is to make the switch from investing for Growth (G), where you are basically crossing your fingers hoping your investments will appreciate in value, to investing for Income (I), where you can count on steady interest and dividend payments that are contractually obligated to be paid to you.

This is why our good friend, and Income Specialist, Patrick Peason—President of Peason Financial Group in Staunton, Virginia likes to say: *If you want your retirement to be stress free, Invest for the I and not the G*.

[1] https://www.who.int/gho/women_and_health/mortality/situation_trends_life_expectancy/en/ [2] https://www.sciencedaily.com/releases/2015/06/150622101047.htm Licing, "2018 Profile of Older Americans."
[3] https://finance.yahoo.com/news/women-investors-outperformed-men-2016-fidelity-says-114819723.html

The Curse Of The Two-Income Household

Do you know the women in their 50s who are at most financial risk in retirement? Turns out, it's those who are married and in two-income households.

The finding is based on research of women ages 50 to 59 from the Center of Retirement Research (CRR) at Boston College. According to CRR's National Retirement Risk Index, 46% of married women in their 50s that live in two-income households are at risk of being unable to maintain their standard of living in retirement. This is versus 32% of married women of the same age in one-income households and 39% of women in their 50s who've never been married.[1]

These are unexpected and sobering statistics.

While it may be assumed that married women in two-income households have a leg up for retirement security over their single and one-income counterparts, there are reasons for this.

Two-income households will typically make more but save less. The two-income standard of living brings more expenses – from two cars, larger homes, and vacations to name a few. Enjoying the nice things in life is great, but it also creates denial when it comes to retirement planning.

Married women in two-income households often aren't saving as much as they could in workplace retirement plans. Moreover, if she isn't covered by an employer retirement plan, the partner who is covered doesn't increase his or her retirement plan contributions to offset the deficiency.

The two-income household also faces significant reductions in Social Security benefits. According to a 2019 Prudential report, the spousal benefit generally declines once the second spouse starts working and disappears completely

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Retirement Insecurity Factors

Longevity
Life expectancy for a woman age 65 is another 21 years. Living longer means greater financial risks such as inflation, healthcare costs and spending down assets.

Earnings
Women earn less than men during their working years.

Years in Workforce
On average, women spend nine more years out of the paid workforce than men.[2]

Part-time Jobs
Women are more likely to work part-time in order to provide caregiving duties. Part-time workers are less likely to have access to health insurance or retirement contribution benefits.[3]

S.S. Dependence
Half of women over 65 receive most of their income from Social Secuirty.[4]

[1] https://crr.bc.edu/briefs/the-national-retirement-risk-index-an-update [2] Administration for Community Living, "2018 Profile of Older Americans." May 31, 2019 [3] Pew Research Center & Social Secuirty Administration, "Lifetime Years in the Workforce by Gender." 2014 [4] 3AARP "Looking Back, Looking Ahead: Chart Book on Women's Progress." 2015.

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once the lower-earning spouse's own benefit exceeds one-half the higher earner's benefit.[2]

There are ways to combat this. Here are five ways women over 50 in two-income households can help protect themselves from being financially at risk in retirement:

1. **Plan Solo.** When it comes to financial planning, don't count on anyone. Both working spouses should be saving as opposed to relying on one partner.
2. **Make Saving a Priority.** Women often don't put themselves first. Taking care of your own needs is an essential part of financial fitness.
3. **Stay on the Job Longer.** If Continue working. This will help enable you build retirement funds and boost Social Security benefits.
4. **Have Financial Conversations.** Speaking frankly with your spouse keeps you both accountable, improves transparency, and builds your investment portfolio as a team.
5. **Work with an Income Specialist.** As we cover in our report, Women & Retirement, seek out an advisor who appreciates your financial issues, your caregiving load, career, and money goals. Ideally, that person will offer a holistic approach, not just providing investment and retirement planning advice.

Remember, for married couples, retirement is a joint activity, so saving for it should be as well.

DAVE'S CORNER

Investing by Contract

Individual Bonds vs Bond Funds

By David J. Scranton, Founder and CEO, The Retirement Income Store®

In my book The Retirement Income Stor-E, I instruct readers to mark page 125 and highlight the next few pages that follow. That's because it's the section of the book where I discuss the difference between individual bonds and bond funds.

The crux of that difference is that one offers investors the benefits of investing by contract and the other doesn't. One offers investors two important guarantees assuming there are no defaults, while the other does not.

When the average investor, looking for more conservative options, hears the term bond mutual fund, it usually checks two boxes in their head: they know bonds are considered more conservative than stocks, and they know they like mutual funds.

Unfortunately, what many people don't realize is that a bond mutual fund not only lacks the two contractual guarantees that come with individual bonds assuming there are no defaults, it also contains all of the risks of a stock mutual fund.

In fact, the textbook definition of a bond fund is actually: "the stock of a company that owns bonds". More specifically, a bond fund is simply a mutual fund that pools money into bonds instead of stocks.

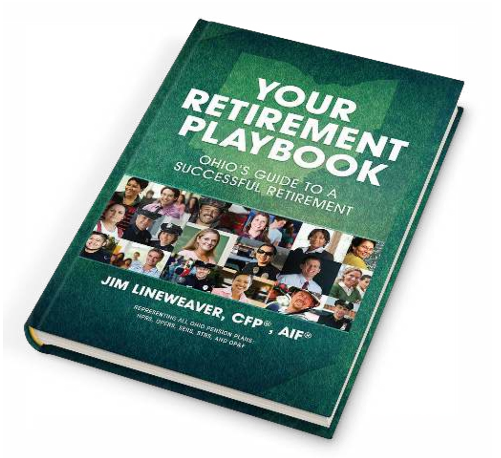
And if an advisor tries to tell you it's a more "conservative" option, what they really mean is that it represents the more conservative end of their aggressive business model. But the real more conservative option is an actively managed portfolio of individual bonds.

That's because investing in an individual bond is a contractual investment, that provides you with two important guarantees that you do not get with a bond fund:

1. Guaranteed interest payments for the life of the bond
2. Repayment of the face value amount when the bond matures, provided there have been no defaults.

The difference between investing in individual bonds and investing in bond mutual funds is one of the most important distinctions investors over 50 need to understand. While mutual funds can be useful investment tools during our working years, they can become problematic once we start to transition into retirement.

[1] https://www.prudential.com/corporate-insights/Womens-retirement-risk?



THE RETIREMENT INCOME STORE MEDIA CENTER

New Book by RIS Income Specialist Can Help First Responders, Teachers, and Public Employees *Win the Game of Retirement*

The Retirement Income Store is proud to announce the official publication of Income Specialist James Lineweaver's new book, *Your Retirement Playbook: Ohio's Guide to a Successful Retirement*.

A former law enforcement officer in the state of Ohio, Jim Lineweaver is the Founder and CEO of Lineweaver Financial Group (LFG), an independent financial advisory firm that has been serving clients in the Northeastern Ohio area since 1993.

Jim and LFG support many worthy causes in their local area, including Rainbow Babies, Children's Hospital Radiothon, and the Cleveland Food Bank. It's Jim's hope that his new book will further his philanthropic efforts and provide the hardworking first responders, teachers, and public employees in the state of Ohio with a financial playbook to help them win the game of retirement.

Although the book emphasizes Ohio state public employees, anyone across the country looking for a plan to avoid finding themselves stuck and wondering what happened will discover solid advice they can use.

The book explains that as the financial world becomes increasingly complex, households are finding themselves working with a team of professionals that might include a lawyer, accountant, insurance agent, and a financial advisor. Often, there's little coordination between this team of professionals. Although each member of that financial team might be a strong player, a lack of teamwork could prevent individuals from achieving their goals for retirement.

Explaining important public policy issues and concepts in a manner that's easy to digest, ***Your Retirement Playbook*** provides the understanding you need to become your own financial quarterback and lead your team to financial success. If you don't think you are the best qualified for the job, the book explains how to find the right person who is.

The official publication date is October 20, 2020 and it is now available for purchase here!