

Retirement Savings Challenges for Women

And Strategies to Help Overcome Them



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Special Challenges for Women

- Longer life expectancies
- More likely to be living on their own
- More likely to take career breaks for family caregiving
- Often earn less, have less retirement savings and a lower Social Security benefit

Sources: NCHS Data Brief, Number 427, December 2021; U.S. Department of Health and Human Services, 2020 Profile of Older Americans, May 2021; U.S. Bureau of Labor Statistics, Women in the Workforce: A Databook, April 2021 and Employment Characteristics of Families, April 2021



Challenge: Women Live Longer Than Men

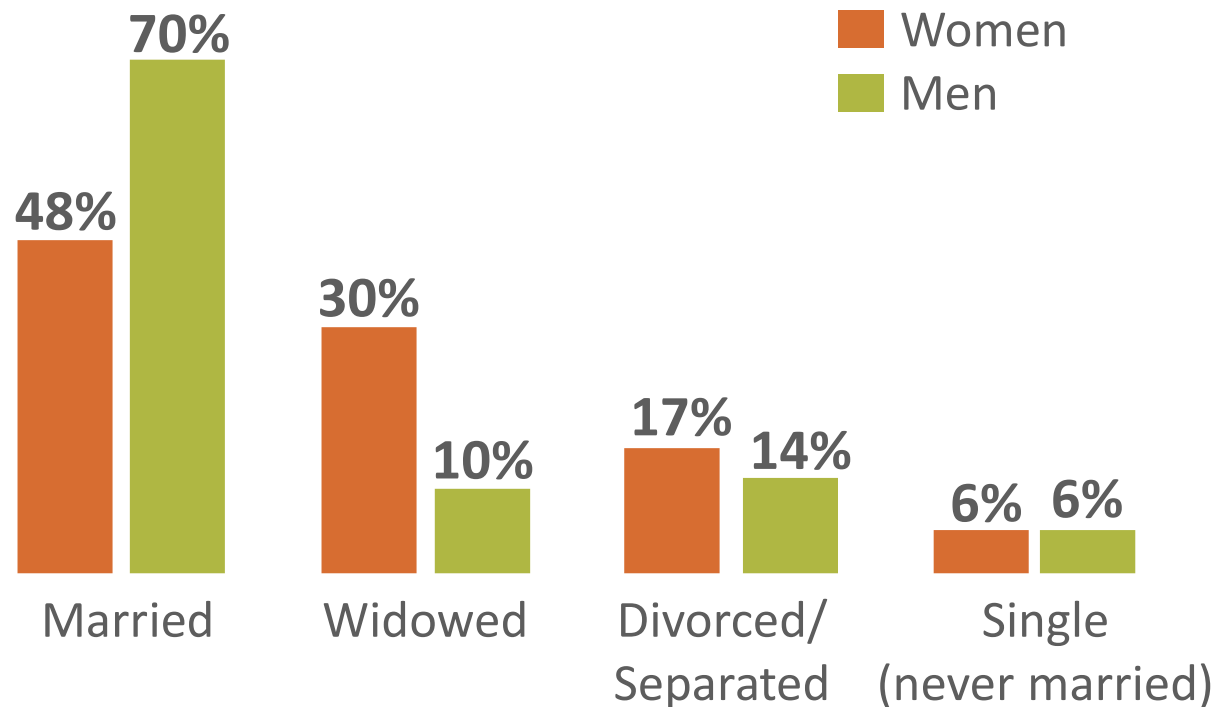
Women on average live about 5 years longer than men.

Longer life expectancies mean more years to plan for in retirement.

Source: NCHS Data Brief, Number 427, December 2021

Challenge: Higher Likelihood of Women Living on Their Own

Marital Status of Persons Age 65 and Older



Source: US Department of Health and Human Services, 2020 Profile of Older Americans, May 2021

Challenge: Women More Likely to Take Career Breaks for Caregiving

- Lost income and employer benefits
- Potentially lower Social Security retirement benefit
- Economic vulnerability in event of divorce or a spouse's job loss
- Possible difficulty finding a comparable job when reentering workforce
- Flexible schedules can affect salary and career advancement



Challenge: Women Generally Earn Less

- Women who work full-time earn, on average, about 84% of what men earn
- Impacts savings, Social Security retirement benefits, and pensions
- Increased vulnerability to unexpected economic obstacles: job loss, divorce, single parenthood, illness, loss of spouse

Source: U.S. Bureau of Labor Statistics, Usual Weekly Earnings of Wage and Salary Workers Fourth Quarter 2021, January 2022



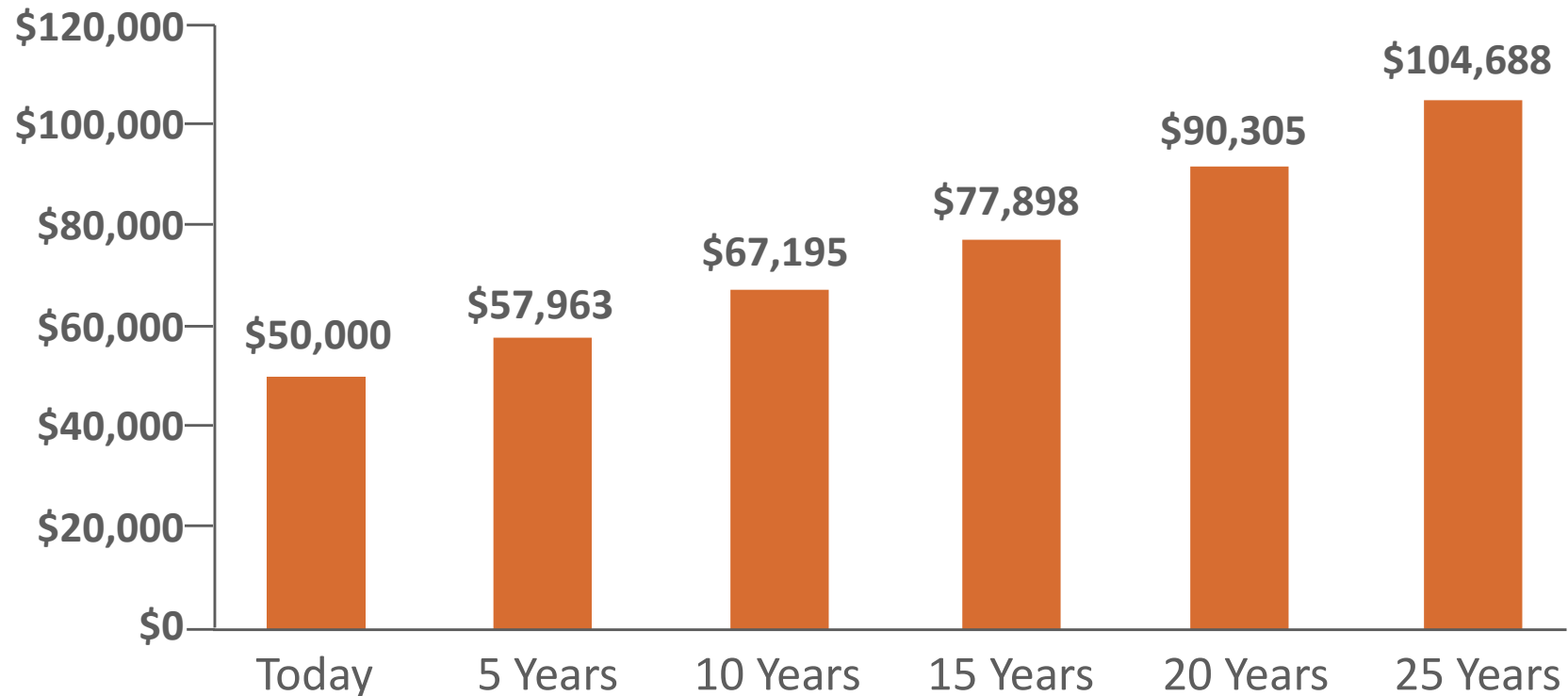
So... How Much Annual Income Will You Need?



- General guidelines (e.g., you'll need 60% to 90% of pre-retirement income) are easy but often not helpful
- Think about what expenses will change (e.g., mortgage may decrease, health-care costs may increase)
- Include costs for special retirement pursuits (e.g., travel, hobbies)
- List your expenses and project future spending

Accounting for Inflation

Assuming 3% inflation, in 25 years it will cost you over \$100,000 to buy the same goods and services that \$50,000 would purchase today.



This hypothetical example is for illustrative purposes only and assumes a 3% annual rate of inflation without considering taxes. It does not reflect the performance of any particular investment. Actual results will vary.

Impact of Taxes

- Ordinary income tax (e.g., interest)
- Special tax rates for long-term capital gains and qualifying dividends
- Tax-free income (e.g., certain municipal bonds)*
- Special rules for tax-advantaged accounts

*Interest earned on tax-free municipal bonds is generally exempt from state tax if the bond was issued in the state in which you reside; it is also exempt from federal income tax (though earnings on certain private activity bonds may be subject to regular federal income tax or to the alternative minimum tax). But if purchased as part of a tax-exempt municipal money market or bond mutual fund, any capital gains earned by the fund are subject to tax, as are any capital gains from selling an individual bond.



Impact of Health-Care Costs in Retirement

- Higher health-care expenses in retirement
- Surviving spouse may have to cope with depleted savings
- Average monthly cost of nursing home = \$9,034

Source: Genworth 2021 Cost of Care Survey



How Long Will Retirement Last?

- We're living longer
- Average 65-year-old woman can expect to live about another 20 years
- Average life expectancy is likely to continue to increase
- Retirement may last 25 years or more



Where Will Your Retirement Income Come From?

The “Three-Legged Stool”

- Social Security
- Employer pension
- Individual savings & investments



Social Security Basics

- 94% of U.S. workers are covered by Social Security
- Social Security is the major source of guaranteed lifetime income for most Americans
- To qualify for retirement benefits, you generally need 40 credits (10 years of work), or you can qualify for spousal benefits based on your spouse's work record (maximum spousal benefit = 50%)

Source: SSA Fact Sheet on the Old-Age, Survivors, and Disability Insurance Programs, December 2021



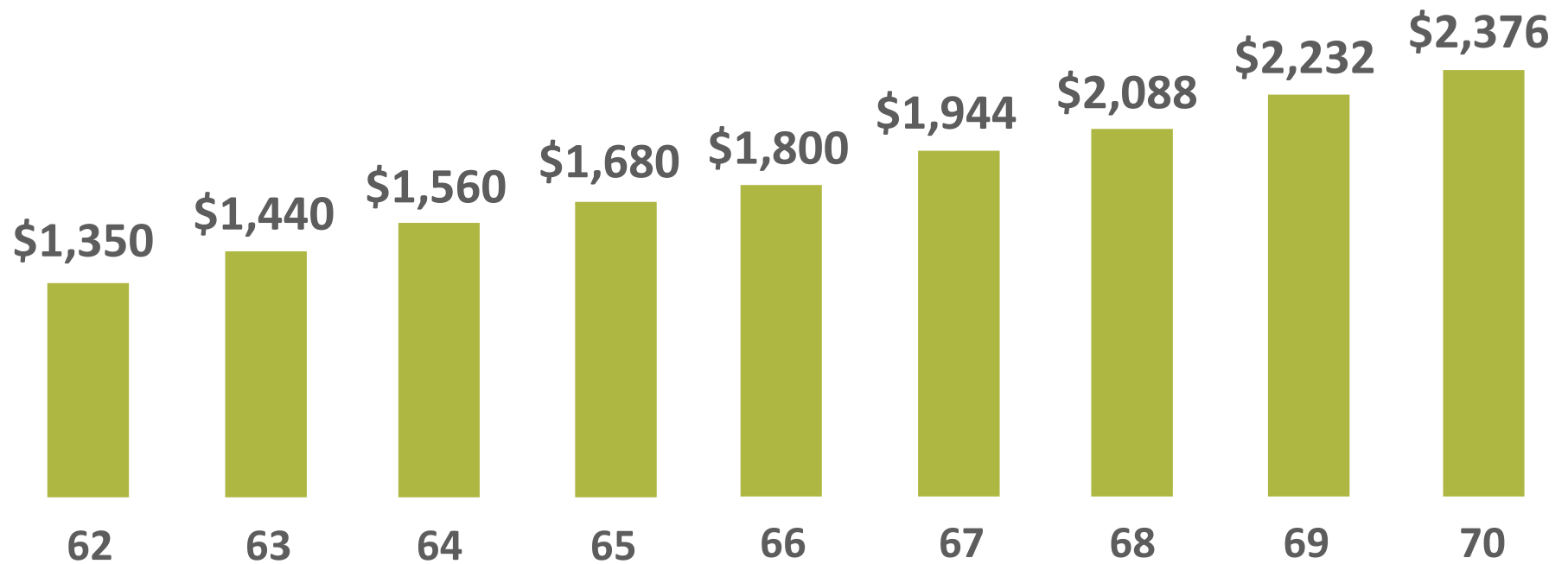
Social Security Basics cont.

- Your benefit is based on the number of years you've worked and the amount you've earned
- Formula takes into account your 35 highest earnings years
- The age at which you start claiming benefits matters:
 - **62:** 25% to 30% less
 - **66/67** (full retirement age): 100% of full benefit
 - **70:** 32% more



Social Security Basics cont.

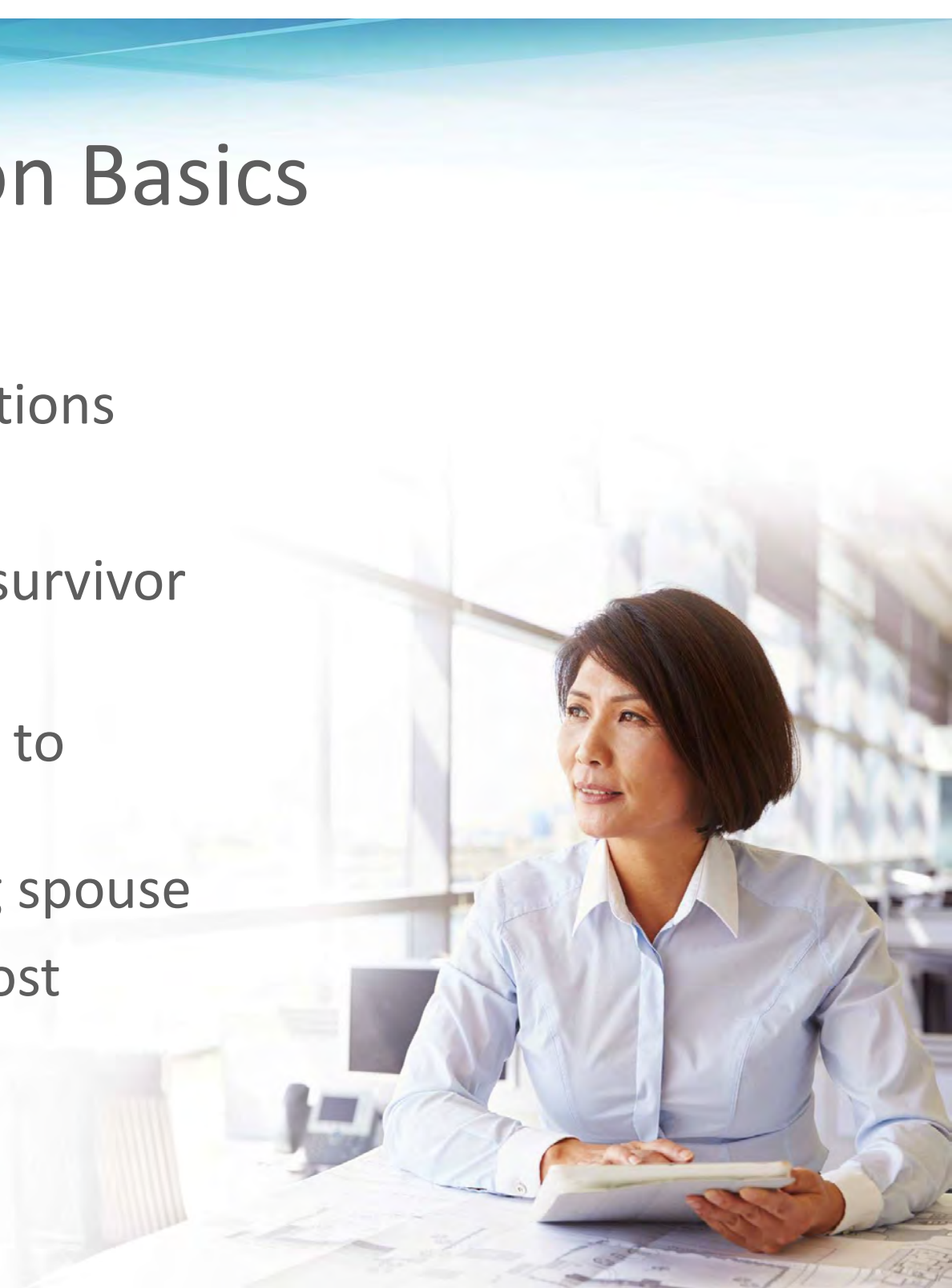
Monthly Payout Depends on Age When You Start Taking Benefits



Source: Social Security Administration, 2022

Employer Pension Basics

- Understand payout options
 - Single-life annuity
 - Qualified joint and survivor annuity (QJSA)
- QJSA: Reduced benefit to participant, 50-100% continuing to surviving spouse
- May be one of your most important retirement decisions

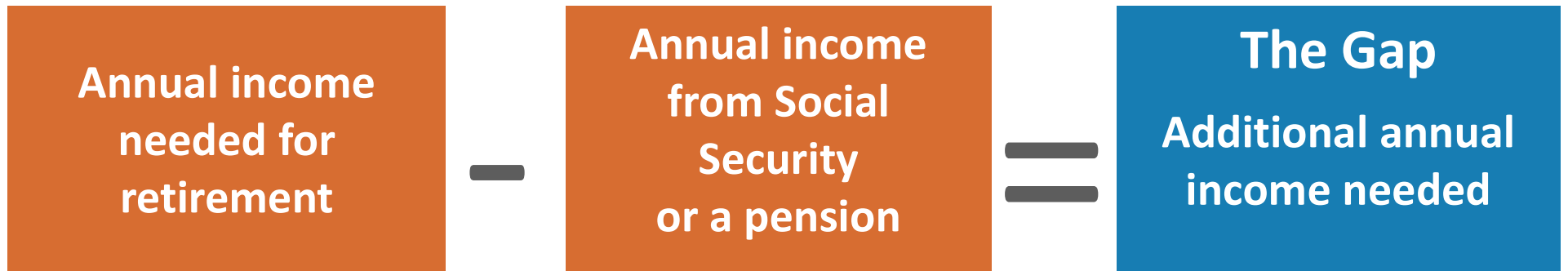


Employer Pension Basics cont.

Example		
Form of Benefit	To Participant	To Surviving Spouse
Normal retirement benefit (single-life annuity)	\$4,000	\$0
50% QJSA	\$3,800	\$1,900
100% QJSA	\$3,600	\$3,600

These hypothetical examples are used for illustrative purposes only.

Identifying the “Gap”



Personal Savings: Potential Factors Working Against Women

- Women earn less than men in similar jobs
- More likely to work part-time
- Fewer years in workforce
- Start saving later and save less



Personal Savings: What You Can Do

- Save more
- Participate in employer-sponsored plan; contribute to an IRA
- Become educated about investment vehicles



Personal Savings: Saving a Little Could Mean a Lot in Retirement

	Jane	Sally
Salary	\$50,000	\$50,000
Percent saved	5%	8%
Monthly savings	\$208.33	\$333.33
Years saved	15	15
Total saved	\$37,500	\$60,000
Average earnings	5%	5%
Savings after 15 years	\$55,684	\$89,905

This hypothetical example assumes contributions are made monthly and continuously over 15 years. This illustration assumes a hypothetical fixed annual rate of return; the return on your actual investment portfolio will be different, and will vary over time, according to actual market performance. The example does not take into account any impact of taxes, investment fees, or inflation; if it had the results would have been lower. The example is intended as a hypothetical illustration, does not represent the performance of any specific investment, and should not be considered financial advice. All investing involves risk, including the possible loss of principal, and there can be no guarantee that any strategy will be successful.

Tax-Advantaged Savings Vehicles

- Tax deferral can help your money grow
- Take full advantage of 401(k)s and other employer-sponsored retirement plans
- Contribute to a traditional or Roth IRA if you qualify
- Consider catch-up contributions



Dealing with a Shortfall

- Spend less during retirement
- Delay retirement
- Work during retirement
- Find other potential sources of retirement income



Shortfall: Delaying Retirement

- More accumulation years
- Shorter distribution period
- Can postpone claiming Social Security benefits
- Continued access to health insurance



Shortfall: Working During Retirement

- Earnings reduce demands on personal savings
- Potential access to health care
- Effect on Social Security
- Nonfinancial benefits

Phased Retirement Programs

- Increasingly popular
- Allow you to receive all or part of your pension benefit once you've reached retirement age
- You continue to work on a part-time basis for the same employer

Shortfall: Finding Other Potential Sources of Retirement Income

- Your home
- Existing cash value life insurance policies



Thank You



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