

Managing Your Financial Milestones: Seven Tips for a Solid Future

By Anna M. Rappaport

Approaching life's major financial events can be daunting, especially if you don't realize the full consequences of your decisions. While no one can predict the future—in these troubled financial times, it's practically impossible—there are steps you can take to ensure an economically secure retirement.

When I retired in 2004, I decided to pursue a multi-pronged path. My passions are improving job options for older Americans, retirement security for women, and art, and I have built a new life around them. I write and speak about retirement, spend time with family, take as many vacations as I want, consult through my own firm, and focus on my art. In 2008, I had a one-person show in an art gallery.

Retirement issues are particularly important for women because, on average, we live longer, earn less, and spend fewer years in the workforce than men do. At age 65, life expectancy is 17 years for men and 20 years for women. By age 85, 86 percent of women are alone, compared with 45 percent of men. Many women will spend 15 or more years as widows. Differences in earnings and work history lead to lower pension benefits spread over more years of retirement.

For me, retirement means being able to define my own priorities. I am fortunate, because I saved well and chose a job with good benefits, so that I now have the tools I need to reach the next stage of my life. Many people, young and older, don't realize that decisions we make throughout our lives can have a huge effect on how secure we will be later. While some choices we make have obvious consequences, others can produce long-term, unexpected results. Even in uncertain financial times, you can take steps to minimize your risk and maximize your prospects. If you are approaching a major life decision—or you know someone who is—this list can help you identify some of the issues you should consider before you proceed.

1 So, what are your plans?

Remember that old saying—“She who fails to plan plans to fail”? My parents taught me about thrift early in life, and those lessons included a big focus on plan-

ning. But it's not just about savings. The decisions you make about every major aspect of your life—education, career, home, family, health, finances, or retirement—can have a dramatic effect on your future financial security, so it's important to incorporate thoughtful planning strategies into your daily life:

- Start planning now. It's never too early to think about where you want to be tomorrow.
- Stay one step ahead. Build the platform for the next stage of your life before you get there.
- Prioritize. Decide what's most valuable to you, and learn to say no to the rest.
- Get help along the way. The websites www.wiser-women.org and www.actuarialfoundation.org are a good place to start.

2 Degrees of success.

According to AAUW's *Behind the Pay Gap* research report, attending college and completing a degree have strong positive effects on your earnings. According to the report, you can help maximize that benefit in several ways:

- Aim high. The selectivity of the college you attend affects your future earnings, with graduates of very selective institutions earning more than graduates of less selective schools. Attending a school with an open admission policy results in lower average wages for women—but not for men.

- Select a nontraditional field. Women who major in male-dominated subjects earn more than women who major in traditionally female fields. Business, management, engineering, architecture, research, science, and technology are all associated with higher wages for women.
- Get a second degree. Women often yield significantly higher earnings after completing a graduate, certificate, or license program after graduation.

3 Just a job?

Many people don't realize how much their first real job influences their ultimate career path—and, often, the kinds of benefits they receive throughout life. Here are some basic considerations:

- Benefit patterns vary greatly by industry and type of work. Public employees often have better benefits than those in the private sector, and employees of large firms often do better than those in small firms.
- Before you take a job, do your homework. In addition to salary considerations, find out if the job provides health, disability, and life insurance. What retirement and other benefits are available? How will this job affect your future employment prospects?
- Before you leave a job, make sure you understand fully what you are giving up. Moving to a higher-paying job doesn't always make sense if you'll lose health and other benefits and retirement income.
- Negotiate for higher pay and better benefits. If you don't have adequate negotiating skills, educate yourself through workshops and reading or find a mentor.

4 Family matters.

Economic security may not be foremost on your mind when you're contemplating a long-term partnership or marriage or thinking about starting a family—but it should be considered. Remember that the planning you do in advance needs to work for you as an individual as well as for the couple and any future children.

- Pay attention to the assets you bring to a partnership or marriage, and stay involved in the financial decision making throughout your relationship. Know what assets, debts, retirement benefits, and insurance you will have if the relationship ends.
- If you live together without getting married, remember that you may be giving up the right to spousal benefits in pensions, Social Security, and health insurance. Consider formalizing property ownership and financial

obligations to compensate for any lack of spousal legal rights.

- If you take time out of the workforce to care for children or other family members, you may pay a hefty price in both future earnings and career advancement. You may lose health and retirement benefits, as well as the ability to maintain job skills and contacts. The *Behind the Pay Gap* research shows that mothers who stay in the workforce after childbirth tend to have higher earnings than do mothers who leave the workforce for an extended time.
- The costs of raising and educating children may compete with savings plans. Investigate ways of financing college without dipping into your retirement—and ways of catching up later if you miss contributions to your retirement while paying for college.

5 Home ownership, debt, and credit.

Buying a home is one of the most important financial decisions most people make, and homes are often an individual's or family's largest asset. If wisely purchased, your home can support you in a variety of ways—beyond providing basic shelter.

- Homes can provide future resources if you downsize and sell your home later in life or if you obtain a home equity loan or reverse mortgage. You can also trade your current home for a less-expensive one today and save the difference.
- Your home mortgage loan will probably be your largest debt. Many people try to pay off their mortgages before retirement, when they will have less income.
- Don't have too much of your wealth tied up in your home. Houses cannot be quickly or easily converted into cash, and the costs of buying and selling can be substantial.
- Remember that the location of your home will also determine your access to transportation, community activities, and support systems. The space in your home will help determine what activities are feasible, now and in the future.
- Keep an eye on your credit rating and correct any errors immediately. You can get a free annual credit report through the Federal Trade Commission's authorized online source, annualcreditreport.com.
- Avoid using credit cards unless you can pay them off each month. If your debts start to pile up, you can get help from the National Foundation for Credit Counseling at www.nfcc.org.

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Don't skimp on insurance!


It's important to balance savings and investments with risk management. Insurance protects you and your family from a variety of hazards.

- Health insurance is extremely important. If you don't receive it as a benefit of work, you may be able to purchase it on your own or through an organization, though it is usually quite expensive and may not be available if you have a serious medical condition. Medicaid provides health coverage to very-low-income families, and Medicare covers people ages 65 and older and the long-term disabled.
- Many employers also provide short- and long-term disability insurance. Make sure your disability protection covers you until retirement. If you don't have disability protection at work, consider buying this coverage as an individual.
- Married couples should understand the survivor benefits of their insurance policies and the survivor income provisions of pension plans. Be sure to keep beneficiary designations up to date.

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Working toward retirement.

When planning for retirement, the best advice is to start early and save well. Explore the various options to make your money last a lifetime.

- Carefully evaluate the implications of retiring at different times. There is a huge difference between Social Security benefits paid at age 62 and those paid at 67 or 70.
- Use your retirement plan at work to the fullest. Pay attention to options and their tax consequences.
- Determining your asset mix is critical to a secure retirement. Well-qualified financial advisers can help, but be sure you understand how the adviser is paid and what he or she will and will not do for you.
- Avoid thinking of retirement as a lengthy vacation. After a year or two of marathon travel or golf, you may get bored! What was wonderful as a break from work is not so appealing. Sometimes people go on to find new activities; in other cases, they just get depressed.
- Consider retiring later. Every additional year worked is another year to build savings and investment income, and it is one less year that you need to make savings last. Or think about working part-time in the early years of retirement. 

Additional Resources

Online Publications

The two publications below address issues facing women who are approaching retirement. The Actuarial Foundation website also includes other consumer guides.

Taking the Mystery Out of Retirement Planning
www.dol.gov/ebsa/Publications/nearretirement.html

Women at Risk
www.actuarialfoundation.org

Websites

My website includes ten top tips, questions to ask, resources, articles, and other publications.
www.annarappaport.com

The Women's Institute for a Secure Retirement (WISER) website offers many financial resources and references for women.
www.wiserwomen.org/portal

Project Renewment and the Transition Network offer a variety of ideas and resources for Third Age women thinking about what they want to do next and how they want to do it.
www.projectrenewment.com
www.thetransitionnetwork.org

Books

Smart Women Don't Retire—They Break Free
by Gail Rentsch
This book examines women's transition out of the workforce and defines a new model of retirement.

This article is based in part on Seven Life-Defining Decisions, a joint project of the Women's Institute for a Secure Retirement (WISER) and the Actuarial Foundation.

Anna Rappaport, FSA, MAAA, is a nationally recognized actuary and expert on retirement systems and workforce issues and a frequent speaker and author. She was a major contributor to the development of Seven Life-Defining Decisions. She is president of Anna Rappaport Consulting; visit her website at www.annarappaport.com.