# FEMALE HOMEMAKERS AND CAREGIVERS MAY NEED A DIFFERENT PLAN

**How do you currently help female homemakers and caregivers replace lost lifetime income and plan for a robust retirement?** These women likely will need to replace lost FICA and 401(k) contributions with alternate savings options.

Whether by choice or need, women are likelier to be the homemaker and/or caregiver for the family. And whether full time or part time, they are at risk of having reduced retirement savings. As women statistically live longer than men, this can make a financially secure retirement more challenging.

The good news is that there are planning strategies that can help this group increase the odds in their favor.

## Consider a Spousal IRA

Married couples can take advantage of the IRS rule that allows a spouse with earned income to fund a traditional or Roth IRA for a spouse without earned income. If there is sufficient earned income, the spouse working outside the home can make up to the maximum contribution (including a catch-up contribution) for the home-based spouse.

This means that the home-based spouse will have tax-deferred retirement savings growing even though she does not have earned income.

If she does not have existing traditional, that is, pretax, IRA assets, remember that a "backdoor Roth IRA" may be a good option. The initial spousal IRA contribution is made to a traditional IRA. Then, the spouse can convert the traditional IRA to a Roth IRA before there are any significant earnings. This can be an effective way for a couple to begin to diversify the tax characteristics of their retirement income assets.

## Keep Track of Social Security Retirement Benefits

Social Security retirement  benefits are often the base for retirement-income plans. The Social Security retirement benefits, eligibility is 10 years, so many individuals who take some time off will still meet that number. The primary insurance amount (PIA) is determined by the 35 highest earned-income years. If there are not 35 years, then any additional years needed to reach 35 will show $0 for income. This can significantly affect a Social Security retirement benefit.

**While there are more limited strategies for improving a Social Security retirement benefit, several points can matter:**

- **Part-time work**. The PIA calculation places the greatest weight on the first-bend point, which is less than $1,200 per month. Part-time work can help maintain the benefit.
- **Delay claiming**. The age at which Social Security retirement benefits are claimed also affects the benefit. Claiming before full retirement age (FRA) means a reduced benefit, in some cases as much as 30%. If the individual waits until age 70, the benefit may increase up to 24%. A good claiming strategy can improve the outcome.
- **Shift a portion of the IRA to guaranteed income**. An IRA can be a good source of additional guaranteed income. Traditional IRAs are spend-down accounts, which means, the IRS will require that the funds be distributed once the individual reaches the required beginning date (RBD). Shifting a portion of an IRA to an annuity that will provide guaranteed income at retirement and also can help improve the plan.

Remember, Roth IRAs can provide tax-free lifetime income, should that be a fit for a client's plan.

## Additional Savings Can Fill the Income Gap

Even though only one person in a couple may have earned income, both individuals need to save and plan for retirement.

No matter how personally rewarding it can be, caring for children or elderly relatives is work. The "pay yourself first" philosophy is important. Tell clients to think of their contributions to their retirement savings—of any type—to be similar to those of a 401(k). For example, regular contributions tied to some percentage of household income will mean a better future.

The future is always an unknown. Life changes happen, including divorce. It is important for women who are caregivers to care for themselves financially.

A retirement plan works best when it fits the circumstances of the individual or couple. A homemaker and/or caregiver have different savings and planning needs. Building a plan that can support those needs can mean a stronger retirement outcome.

### Actions You Can Take Right Now

- Identify clients who are homemakers and/or caregivers.
- Evaluate a client's current plan to determine if it still meets his or her goals.
- Determine whether lost lifetime income or other savings should be replaced.
- Consider whether additional tax-deferred savings may benefit your client.

## Additional Resources and Links

Helping Women Hedge the Blessing of Longevity

Retirement Planning for Women

Ages and Stages

For more information about retirement planning, please contact our Retirement Strategies Group at RSG@PacificLife.com or (800) 722-2333, ext. 3939.

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