

FOUR CONSIDERATIONS FOR HELPING WOMEN BUILD RETIREMENT PLANS

Statistically, [women live longer](#). They're also more likely to [take breaks](#) during working years to care for others. Should this change how they plan for retirement? The short answer is—yes.

Women may need a different plan to create a successful retirement. Why? Women often have gaps in outside work, creating periods when they are not contributing to an employer plan, such as a 401(k) and Social Security. They also may reduce work to help care for family members.

How can a financial professional help? Here are four important questions to consider before making annual recommendations to your female clients.

1. Does the plan allow the client to keep saving, whether or not they are working?

It is more likely that a woman will take time off during her working years. No work means no employer retirement plan. Here are some options:

- **Spousal IRA**—If a spouse has earned income, the spouse can contribute to a spousal IRA. Currently, a backdoor Roth may be an option for those without other traditional IRA assets. Backdoor Roths could be eliminated by proposed legislation, so planning now could be key!
- **Additional savings**—If retirement saving is the goal and there are other liquid assets, [a tax-deferred annuity](#) can add more savings than an IRA alone. But, like an IRA, there is a penalty for accessing the funds before age 59½. If volatility is a concern, some annuities offer cash accumulation optional protection.

- **Social Security boost**—If there are not 35 years of earnings, the Social Security benefit can be affected. Remember, any income that replaces a zero or low-income year can help make up for breaks in work history. For some clients, adding guaranteed future income to the plan may complement their existing benefits.

2. Does the plan have a good longevity hedge?

Women tend to live longer. That means planning for a longer retirement. [Waiting to claim Social Security](#) retirement benefits can provide a higher cost-of-living adjustment (COLA) longevity hedge. But that means either working longer or creating a plan for a Social Security bridge. Here are some options for creating a Social Security bridge:

- **One claims strategy**. If it is a couple, typically the person with the lower benefit might claim Social Security benefits, and the other person would delay. One Social Security benefit may provide the cash-flow needed for the bridge years. The higher Social Security benefit will go to the survivor of the two.
- **Payout annuity**. A Period Certain payout annuity can provide income for the specific years. If nonqualified assets are used, the [exclusion-ratio rules](#) can provide tax-advantaged cash flow. There is a trade-off—the funds are no longer liquid. Be sure the client understands these limits.

All guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company and do not protect the value of the variable investment options, which are subject to market risk. Optional benefits are available for an additional cost.

- [Deferred annuity](#) with optional income protection. Some deferred annuities offer additional benefits that protect income. The client might use the protected income benefit for a Social Security bridge, then stop or reduce those distributions when he or she claims Social Security. The remaining assets can provide a hedge for later-life income.

3. [If your client is married filing jointly, does the plan address the widow/widower expenses?](#)

Married clients typically file a joint tax return. This means that taxes are based on the [Married Filing Jointly brackets](#) which have [higher thresholds for government benefits, such as Medicare](#). When the first spouse dies, the survivor often finds that the same (or similar) income means higher income taxes and additional Medicare premiums. For some clients, having tax-free income from a [Roth IRA](#) or tax-advantaged income from a payout annuity may help.

[Additional Resources and Links](#)

[Living Longer: Historical and Projected Life Expectancy in the United States, 1960 to 2060](#)

[Focusing on Women as Investors](#)

[Women.Confidence.Retirement.](#)

[Retirement Lifestyle Worksheet](#)

4. [Is there a monitoring plan in place to address changes?](#)

For women, it can be especially important to review and adjust the plan. As examples, a decision to stay home with children or a decision to start a business could mean a plan update is required.

It is important for your female clients to plan and to review those strategies on an annual basis. What better time than Women's History Month for this annual event! With all the choices available, this is a great opportunity to support a long, successful retirement for more women.

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

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