

## HELPING WOMEN HEDGE THE BLESSING OF LONGEVITY

Statistics show that women tend to outlive men, which means your female clients may need additional guidance on ways to protect their assets so they don't outlive them. How can you help ensure their plans withstand the test of time?

March is Women's History Month, which celebrates the many contributions women have made in United States history. So, what better time to focus on the unique retirement savings needs of your female clients? The good news is that people in general are living longer these days, but it does create a retirement-planning challenge. Longevity risk in retirement is the most significant factor when creating plans because it is the hardest to gauge. Planning in advance may help balance the blessing with the risk that longevity poses. Here are some considerations.

First, let's examine why longevity is even considered a risk in retirement planning. As simple as it is to say that women are living longer so they need to save more, let's consider why they need to save more.

- **Healthcare:** Women often rely on Medicare to cover primary healthcare beginning at 65 or older. Did you know that Medicare only covers 64% of healthcare costs?<sup>1</sup> This means that women still must come up with a solution for the remaining costs. As we age, our health can decline, which means so can our retirement savings.

- **Long-Term Care (LTC):** The Centers for Medicare & Medicaid Services estimates that 70% of clients today will need long-term care, but fewer than 17% of people older than 50 have even considered the costs of LTC.<sup>2</sup> Long story short, it's expensive. Anticipating the additional costs for LTC will be key to ensure your female clients do not outlive their retirement savings.
- **Legacy Planning:** Making sure their heirs are taken care of is other consideration women value when planning. If they fail to hedge against longevity risk and the costs associated with it, assets meant for beneficiaries may need to be depleted to satisfy the extra costs.

### Here are Some Ways Women Can Hedge Against Longevity Risk

- **Maximize Contributions:** Maximizing contributions to employer retirement plans helps with saving for retirement and also minimizes the tax liability for the year. The more money saved pre-retirement, the more options there will be to diversify a retirement nest egg.

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- **Tax Deferral:** Investing in tax-deferred vehicles such as annuities is another way to hedge against longevity risk. David Blanchett wrote about spending increases later in retirement. The tax-deferred annuity could be used as the vehicle to help with those late-life expenses. For an additional cost, there are multiple features and/or benefits that could be added to the annuity to help instill financial confidence in retirement.
- **Sufficient Lifetime Income:** Qualified longevity annuity contracts (QLACs) are available for qualified assets along with other options that may work for different clients. With a QLAC, clients can waive required minimum distributions (RMDs) by up to 25%. Carving out a portion of a 401(k) or IRA to a QLAC could help in two ways. It can delay taxable distributions of RMDs to age 85 and at that time, the income could be used to help with healthcare or long-term care costs.
- **Enhanced Death Benefit Annuity:** Most annuity providers offer a return-of-premium death benefit option, which guarantees beneficiaries will receive at least the premium invested into the contract. Some providers also may offer enhanced death benefits for an additional cost, which increase the guaranteed death benefit amount when a client passes, or offer the amount from the highest anniversary value.

This could be an option for a client who is looking for family legacy planning, so it may be worth discussing with the annuity provider.

As we celebrate women this month, realize that factors such as living longer, taking years off from work to raise children, and other special circumstances could limit your female clients' abilities to save and plan for retirement as efficiently as your male clients. Your guidance could mean the difference between a successful retirement and one full of worry about money.

Contact your female clients today and schedule a time to talk through their individual circumstances. They'll appreciate your understanding of their unique challenges. You also can schedule a [Women.Confidence.Retirement](#) seminar to share our client-friendly materials that speak specifically to women.

<sup>1</sup>Employee Benefit Research Institute & Greenwald Research, *2021 Retirement Confidence Survey Summary Report*.

<sup>2</sup>Paul Fronstin, Ph.D., and Jack VanDerhei, Ph.D., *Projected Savings Medicare Beneficiaries Need for Health Expenses Spike in 2021*. Employee Benefit Research Institute, Jan 20, 2022.

## [Additional Resources and Links](#)

[Why Focus on Women as Investors?](#)

[Women Have Unique Retirement Needs](#)

[Building Deeper Relationships with Women \(webinar replay\)](#)

[Celebrate Women's Equality Day with a Better Retirement Plan](#)

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