



# WOMEN AND RETIREMENT SAVINGS



EMPLOYEE BENEFITS SECURITY ADMINISTRATION  
UNITED STATES DEPARTMENT OF LABOR

# Women And Retirement Savings



**Planning and saving for retirement may seem like goals that are far in the future. Yet saving, especially for retirement, should start early and continue throughout your lifetime. Here are four reasons why saving matters to women – and especially to you!**

## Do You Know?

- Women are more likely to work in part-time jobs that don't qualify for a retirement plan. And working women are more likely than men to interrupt their careers to take care of family members. Therefore, they work fewer years and contribute less toward their retirement, resulting in lower lifetime savings. If you work and if you qualify, join a retirement plan now.
- Of the 63 million wage and salaried women (age 21 to 64) working in the United States, just 44 percent participated in a retirement plan. Remember, even small amounts can earn interest and add up over time.
- On average, a female retiring at age 65 can expect to live another 20 years, 2 years longer than a man the same age. Savings can increase a woman's chances of having enough money to last during her retirement.
- By and large, women invest more conservatively than men. Choose carefully where you put your money and learn how to improve your investment returns.

## Start Here...Start Now

Here are eight questions to help you think about retirement and take charge of your financial future:

### **Do you work for an employer that offers a retirement plan?**

If your employer offers a retirement plan, join it as soon as you can and contribute as much as the plan allows. Most employers with a 401(k) plan match a fixed percentage of the employee's contribution. The most common match is 50 percent of the employee's contribution up to a maximum percentage of wages or salary (usually 6 percent). The majority of employers who provide matches offer 50 percent or more. That's like getting free money! While all job categories may not be included in your employer's plan (those of part-time or temporary workers, for instance), your job may be one that is.

Remember, by saving early, you have time on your side. Your savings will grow and your earnings will compound over time.

## **Have you worked at the job long enough to earn retirement benefits?**

Under some plans, such as a 401(k) or a traditional pension plan, you have to work for a certain number of years – say, 3 – before you become “vested” and can receive benefits (vesting simply means that you have worked long enough to earn the right to benefits from a savings or pension plan).

Too often employees, especially women, quit work, transfer to another job, or interrupt their work lives just short of the time required to become vested. Ask the personnel office, retirement plan administrator, or union representative about the vesting period and other details of your company’s plan.

## **Do you keep copies of the documents that define the provisions of your retirement plan?**

In addition to asking questions of company or retirement plan officials, you should keep copies of the summary plan description (SPD) and any amendments. The SPD is a document that retirement plan administrators are required to prepare, and it outlines your benefits and how they are calculated. The SPD also spells out the financial consequences – usually a reduction in benefits – if you decide to retire early (earlier than age 65 in many plans). You probably received a copy of the SPD when you joined the pension or savings plan, but you may request another one from your employer or plan administrator. Also remember to keep retirement-related records from all jobs. They provide valuable information about your benefit rights, even when you no longer work for a company.

## **What happens to your retirement benefits if you change jobs?**

You may lose the retirement benefits you have earned if you leave your job before you are vested. However, once vested, you have the right to receive benefits even when you leave your job. In such cases, the company may allow, or in certain cases may insist, that you take your retirement benefits in a lump sum when you leave. However, other companies may not permit you to receive your money until retirement. The rules for your plan are spelled out in the SPD.

A word of caution: If you receive your retirement benefits in a lump sum, you will owe additional income taxes, and may owe a penalty tax. A better

way is to reinvest your savings in another qualified retirement plan or an Individual Retirement Account (IRA) within 60 days. You avoid tax penalties and you keep your long-term retirement goals on track.

If you do want to reinvest the money, it is important that you do not directly receive it. If you receive the money directly, you will have to pay a 20 percent withholding tax on the amount you receive and then file for a refund in the next year, providing proof that you have transferred the funds to an IRA. Instead, instruct the retirement plan to transfer your money directly to an IRA you have established or to another qualified retirement plan. This is easy to do using simple forms supplied by the new plan. If you want help with the forms, representatives of the plan are generally available to assist you.

## **Do you know how you can save for retirement even if you don’t belong to an employer-sponsored retirement plan?**

Anyone receiving compensation or married to someone receiving compensation can contribute to an IRA. In addition, if you are self-employed, you can start a Simplified Employee Pension Plan (SEP) or a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE).

As with other retirement savings plans, there may be tax consequences, and possibly penalties, if you withdraw your savings early. Are you tracking your Social Security earnings?

More women than ever work, pay Social Security taxes, and earn credit toward a monthly income at retirement. These earnings can mean some income for you and your family in the form of monthly benefits if you become disabled and can no longer work. If you die, your survivors may be eligible for benefits. In addition, you may be eligible for Social Security benefits through your husband’s work and can receive benefits when he retires or if he becomes disabled or dies. Special rules apply if you and your husband have been employed and both have paid into Social Security. Special rules also apply if you are divorced or if you have a government retirement plan.

To calculate your benefit estimate, visit the Social Security Administration’s Website at [www.socialsecurity.gov](http://www.socialsecurity.gov).

## Are you entitled to a portion of your spouse's retirement benefit if you and your husband divorce?

As part of a divorce or legal separation, you may be able to obtain rights to a portion of your spouse's retirement benefit (or he may be able to obtain a portion of yours). In most private-sector plans, this is done using a qualified domestic relations order (QDRO) issued by the court. You or your attorney should consult your spouse's plan administrator to determine what requirements the QDRO must meet.

## Are you aware of the rules that govern your retirement plan and the retirement plan of your spouse if either of you dies?

The rules are different for defined contribution and defined benefit plans.

If you or your spouse belong to a defined benefit plan (a traditional pension plan), the surviving spouse may be entitled to receive a survivor benefit when the enrolled employee dies. This survivor benefit is automatic unless both spouses agree, in writing, to forfeit the benefit. You will need to check the SPD or consult with the plan administrator regarding survivor annuities or other death benefits.

If you are a beneficiary under your spouse's defined benefit pension plan, you may want to request a copy of the SPD and other plan documents that describe your spouse's vested benefits. You will probably want to make the request in writing, and you may be charged a fee for the information.

The rules may be different if you or your spouse participate in a defined contribution plan (such as a 401(k) plan). Consult the plan administrator for details about spousal rights.

## It's Up to You

Once you've answered these questions, you're on the road to learning more about financial freedom. As a resource for women (and men), the Employee Benefits Security Administration has issued *Savings Fitness: A Guide to Your Money and Your Financial Future* and *Taking the Mystery Out of Retirement Planning*. The booklets include resource and Website sections (see the *Resources* section to get a copy).

## Resources

Visit the Employee Benefits Security Administration's Website [dol.gov/ebsa](http://dol.gov/ebsa) to view the following publications:

- Top 10 Ways to Prepare for Retirement
- Savings Fitness: A Guide to Your Money and Your Financial Future
- Taking the Mystery Out Of Retirement Planning
- What You Should Know about Your Retirement Plan
- Filing A Claim For Your Retirement Benefits
- Retirement Toolkit
- QDROs: The Division of Retirement Benefits through Qualified Domestic Relations Orders

To order copies, contact EBSA electronically at [askebsa.dol.gov](mailto:askebsa.dol.gov) or by calling toll free **1-866-444-3272**.

In addition, visit the following Websites for more help:

### **Social Security Administration**

Request a copy of *What Every Woman Should Know*  
**800-772-1213**  
[www.socialsecurity.gov](http://www.socialsecurity.gov)

### **Pension Benefit Guaranty Corporation**

Request a copy of *A Predictable, Secure Pension for Life*.  
**800-400-7242**  
[pbgc.gov](http://pbgc.gov)

### **U.S. Securities and Exchange Commission**

Request a copy of *Saving and Investing*  
**800-732-0330**  
[investor.gov](http://investor.gov)

### **American Institute of Certified Public Accountants**

360 Degrees of Financial Literacy  
[360financialliteracy.org](http://360financialliteracy.org)

### **Financial Literacy and Education Commission**

[mymoney.gov](http://mymoney.gov)



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