for women

Dealing with a Retirement Income Shortfall

WHAT CAN YOU DO IF YOU DON'T HAVE ENOUGH MONEY SAVED FOR RETIREMENT? THESE STRATEGIES CAN HELP.

Workers have their entire career to save for retirement, but that doesn't mean everyone takes advantage when time is on their side. What do you do if you're facing a looming retirement with inadequate funds in your account? This is a surprisingly common issue for a number of reasons: many workers don't feel that they have the time, knowledge or extra cash for retirement savings, and many think they can rely on Social Security or other sources of fixed income when the time comes.

Women especially face challenges when it comes to saving adequately for retirement. Women, on average, live longer, work less, earn less, invest less and take fewer risks than men. They also report less confidence in their financial literacy and investing capabilities. In other words, women need more money in retirement but usually save less.

The reality is that retirement is not the same today as it was for previous generations. Employer pensions are going the way of the dodo bird, and while there may not be any "Save the Pensions" grassroots organizations, there are many ways to give yourself a boost as you near retirement.

Spend Less and Save More

This tip might sound fairly obvious; in fact, it's good advice for women of any age to keep in mind. A lifestyle adjustment is particularly important for women who are about to retire with insufficient savings. As people age, they generally fall prey to lifestyle inflation as their income goes up and they get set in their (often expensive) ways. But if you won't have enough money to live on in retirement, you'll be facing worse than a lifestyle revamp—so do what you can now to allocate more money to your savings. Cut back on your restaurant outings and travel, sell one of your cars or even consider downsizing your home, which is likely one of your largest expenses. If you're having trouble committing to a savings plan, set up automatic contributions to your retirement account from your

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paycheck or savings account so you can set it and forget it.

After you reach age 50, the IRS allows you to make additional "catch-up" contributions to your 401(k) or IRA, raising your contribution limit above the amount for those under age 50. For tax year 2017, you can contribute an extra $6,000 to a 401(k), for a total contribution of $24,000 each year. In an IRA, you can contribute an additional $1,000, for a total of $6,500. If you can afford it, try to take advantage of these increased limits once you reach your 50th birthday.

Keep Working

Society tells us we should be able to retire at age 65, but there's no reason you need to leave a well-paying, enjoyable career at that time, especially if you haven't saved enough for retirement. Both men and women are living longer than ever, which means delaying retirement is only natural. The benefits of delaying retirement are threefold: you will have more time to save, less time to spend your savings and likely a greater Social Security benefit when you do eventually retire. Your monthly Social Security benefits could increase by six to eight percent each year they are deferred.

Working past age 65 is not a good plan to rely on, however, because of the threat of illness, disability and a tough job market. If you're still young, it's best to save as much as possible for retirement and assume you will retire at age 65. If you reach 65 and realize you're able to continue working, use the opportunity to save even more. Even working part time for a while can help you better fund your lifestyle and give you a sense of purpose in retirement.

Assess your Priorities

You may not be able to afford both retirement and your child's college education. There are many expenses in life that you may have to sacrifice in favor of retirement security, such as a child's wedding, world travel, a second home, etc. Be open and honest with your children if they are expecting you to foot the bill for their expenses. In the long run, you are doing them a favor by not having to rely on them financially as you get older.

You should also assess your risk tolerance and investment values as you approach retirement. If you won't have enough, it might be a good idea to increase your exposure to risk, especially if you haven't been taking on enough risk throughout your working years. However, it's generally a better idea to take on less risk as you age, because major market fluctuations can impact your portfolio much more the closer you get to retirement. Your risk tolerance can and should change throughout your life, so talk with your advisor about whether to reassess your asset allocation now. Additionally, watch out for scams and "get rich quick" schemes. It may seem like now is the time for drastic measures, but it's always a good idea to take a second look when something sounds too good to be true.

It can be scary to realize retirement is on the horizon if you don't have enough money saved yet. But there are many ways to remedy the situation, and the worst thing you can do is procrastinate further. Don't wait to "figure out retirement" or improve your financial literacy. No matter how old you are or how close to retirement you may be, the time to get serious about retirement savings is now.

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