How Can Women Overcome Obstacles to Financial Security?

On March 8, we observe International Women's Day, a celebration of the social, economic, cultural and political achievements of women. Of course, women still tend to encounter more obstacles than men in the pursuit of financial security. Let's consider a few of them.

To begin with, women are still more likely to leave the workforce, at least temporarily, to raise children, resulting in lower contributions to employer-sponsored retirement plans such as 401(k)s. And women are often the ones who become full-time caregivers of aging parents or other relatives. Caregiving duties can exact a big financial toll: The lost wages, pensions (including 401(k) s and similar plans) and Social Security benefits that a woman loses to become a full-time caregiver amount to more than $300,000 over her lifetime, according to the National Academy of Sciences.

Women also may be more susceptible to financial downturns. Consider the COVID-19 pandemic: Just a few months ago, in December, women lost 156,000 jobs, while men gained 16,000, according to the Bureau of Labor Statistics, which also reported that women accounted for 54% of the jobs lost from the pandemic in 2020.

And women are not unaware of their circumstances and outlook. Just 41% of women are confident about retirement, compared with 56% of men, according to a survey by Edward Jones and Age Wave.

But if you're a woman, you can take steps to help improve your financial outlook. Here are a few suggestions:

Take full advantage of retirement plans. If you are still working and your employer offers a 401(k) or similar retirement plan, take full advantage of it. Put in as much as you can afford each year and increase your contributions when your salary goes up. Also, within your plan, you'll want to choose the mix of investments that can help provide the most growth potential, given your individual risk tolerance. Also, even if you contribute to a 401(k) or similar plan, you may also be eligible to fund an IRA, which gives you even more investment choices.

Evaluate your Social Security options. You can typically start taking Social Security benefits when you're 62, but your monthly checks will be much larger if you wait until your "full" retirement age, which will likely be between 66 and 67. You might also consider whether you'd be better off by taking spousal benefits, if you're married and your spouse earned more money than you. You're generally even eligible for spousal benefits if you are divorced, as long as you were married at least 10 years and you haven't remarried.

Look for unexpected income opportunities. Even after you've formally retired, you may still find ways to receive some earned income. Perhaps you can work part time or do some consulting. And if you're a caregiver, you might be able to receive some compensation for your work. Many local governments pay non-spouse caregivers who act as personal attendants, although the rules vary greatly by state and county.

These certainly aren't the only ways you can improve your financial status, but they may prove useful to you. In any case, be aware of the challenges facing you and do whatever you can to brighten your future.

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