Women lag behind men in saving for retirement. The Covid pandemic has made it worse

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When it comes to retirement planning, women are saving less than men.

The coronavirus pandemic is only making it worse.

Nearly three-fourths, or 72%, of women with investable assets of $100,000 or more said the crisis has negatively impacted their ability to retire, according to a January survey by Nationwide Retirement Institute.

“It doesn’t help that so many women are now pulled out of the workforce because of Covid,” said certified financial planner Zaneilia Harris, president of Harris & Harris Wealth Management Group, based in the Washington metro area.

More than 2.3 million women have left the workforce since February 2020, bringing their labor force participation rate down to levels not seen in more than three decades, according to the National Women’s Law Center.

We need to give ourselves permission to make ourselves a priority.

Zaneilia Harris
PRESIDENT OF HARRIS & HARRIS WEALTH MANAGEMENT GROUP

Pre-pandemic numbers already pointed to a gap between men and women. A 2019 Bank of America Merrill Lynch Workplace Benefits Report found that women enter retirement with $70,000 less than men. Nearly 1 in 5 have nothing saved, according to a 2020 CNBC/Survey Monkey Women at Work survey.

Yet, women are outliving men.

“I don’t know if it is a conscious thing, but we don’t encourage women to think about money in the way that we often encourage men to,” said Heather Zepeda, managing director at Northwestern Mutual in Washington.

“The side effect to that is women are often left out of really important financial conversations.”

Here’s what women can do to jump-start their retirement savings.

Start with the basics

The first thing you should do is get a handle on your financial situation. Take a month to analyze where you are spending your money and why.

This could help uncover any inefficiencies, Zepeda said. You can then tighten your budget.

Pay yourself first

Women often tend to spend their money on their family and push retirement planning to the back burner, Harris said.

“We put ourselves last,” she said. “Everyone else comes first.

“We need to give ourselves permission to make ourselves a priority.”

The most successful savers are those who put the money aside into savings first, and then pay the bills with what is remaining, Zepeda added. In other words, treat the savings contribution as a bill.

Diversify

When you hit retirement, try to have money in a traditional individual retirement account and/or 401(k), a Roth IRA and/or 401(k), and an investment account, Harris said.

“You want to have money in different buckets you can pull from,” she said.

Try to contribute at least the employer’s match in your 401(k) or 403(b), if that is an option. For those who don’t have a 401(k), contribute to an IRA. You can also roll over 401(k) balances from a previous employer’s plan into an IRA.

You’ll have to decide on whether you want to be taxed now or taxed later, which will depend on your income level and your specific tax situation. Contributions to traditional 401(k) plans and IRAs are made pretax, which means you’ll pay taxes when you take the money out in retirement.

Post-tax contributions can be made into a Roth IRA, but there are income limits. If you are married and filing jointly, you can contribute the maximum of $6,000 (or $7,000 if you are age 50 and over) if you make less than $198,000. If you are single, you have to make less than $125,000.

If your company offers a Roth 401(k), in which contributions are also made post-tax, take advantage of it, especially as you get closer to retirement, Harris advised. There are no income limits.

If you need a baseline of income, then consider an annuity, Harris said. Annuities provide guaranteed payments to the annuitant once she or he reaches retirement.

Gradually increase contributions

When you get a cost-of-living increase in your paycheck, increase your retirement contributions by 1% to 2%, Harris suggested.

You will have a bigger opportunity to save if you get a raise.

“Women need to ask for more money,” she said. “We need to value ourselves.”

If your income jumps by 20%, consider putting 5% to 8% of it towards your retirement savings.

Start having conversations with other people about money, savings and retirement planning, Zepeda said.

“Not all the advice you are going to get from friends and family are going to make sense for you, but the more confidence you get talking about money, the better decisions you’ll make,” she said.

Michelle Fox@MFOXCNBC