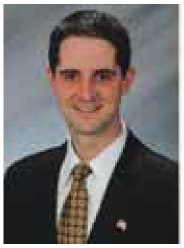 

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A Woman's Worth:

Income Inequality and Retirement

Women now control more than half of U.S. personal wealth and the trend is expected to increase in coming years.[1] But even high-net-worth women cannot escape the gender-based challenges that may hinder their ability to ensure financial security in their later years, particularly if they are single, divorced or widowed.

A Woman's Reality Check

Consider the following factors affecting women as they plan for retirement.

Many women will need to make their retirement nest eggs last longer than men's. On average, women tend to outlive men, and life expectancies continue to rise. Among females age 65, longevity has risen 2.4 years from 86.4 in 2000 to 88.8 in 2014. For men, longevity has risen slightly less, from 84.6 to 86.6 during the same timeframe.[2]

The gender wage gap has a ripple effect over a woman's entire working life. The National Women's Law Center has found that a woman starting out now will lose more than $430,000 over a 40-year career.[3]

Family caregiving causes career interruptions that can have significant monetary consequences over time. Research shows that family caregivers who are at least 50 years old and leave the workforce to care for a parent forgo, on average, $304,000 in salary and benefits over their lifetime. These estimates range from $283,716 for men to $324,044 for women.[4]

The retirement income gap is very real. The average Social Security benefit for women older than 65 was $14,234 annually in 2014, compared with $18,113 for men.[5] Research shows that women also receive about a third less income in retirement from defined benefit pension plans and have accumulated about a third fewer assets in defined contribution retirement accounts than their male counterparts.[6]

Getting Started—A Planning Primer

While personal wealth offers an advantage, it is not a guarantee of future financial security. To further improve your financial outlook, consider these planning basics:

Start saving at a young age. Women in their 20s may think that retirement is more their parents' concern than their own. However, due to the simple power of compounding, the younger you are when you start to save, the better positioned you will be to meet your retirement goal.

Take full advantage of tax-deferred vehicles. Employer-sponsored retirement programs,

(Continued on back)

[1]Business Insider, "Women now control more than half of US personal wealth, which 'will only increase in years to come,' " April 7, 2015.
[2]Society of Actuaries, "Society of Actuaries Releases New Mortality Tables and an Updated Mortality Improvement Scale to Improve Accuracy of Private Pension Plan Estimates," press release, October 27, 2014.
[3]The National Women's Law Center, "Wage Gap Costs Women More Than $430,000 Over a Career, NWLC Analysis Shows," April 4, 2016.
[4]AARP: Understanding the Impact of Family Caregiving on Work, Fact Sheet 271, October, 2012 and MetLife Mature Market Institute, "The MetLife Study of Caregiving Costs to Working Caregivers: Double Jeopardy for Baby Boomers Caring for Their Parents," 2011.
[5]Morningstar, "Retirement: The Other Economic Gender Gap," June 7, 2016.
[6]National Institute on Retirement Security, "Shortchanged in Retirement: Continuing Challenges to Women's Financial Future," March 2016.

Empty Nesters:

Time to Rethink Your Financial Priorities

That day has finally come. You have sent your last child off to college and suddenly you are faced with an empty house and a new beginning. Many financial professionals consider this "turning of the page" a life event similar to getting married or having a baby—and worthy of a thorough financial review.

Following are some tips for recalibrating your finances during this new life stage.

Rethink retirement savings. Many parents with grown children often enjoy a "parental bonus" after their kids leave home. If you anticipate having a little extra cash, consider investing at least part of it for your retirement. A recent study from the Center for Retirement Research at Boston College found that while households generally do increase their 401(k) savings when children leave home, the bump up is so slight—0.3% to 0.7%—that it barely makes a difference.[1]

Ideally you should try to contribute the maximum allowed to your workplace retirement plan—$18,000 in 2016—and to any IRAs you own—$5,500 combined total. As an added bonus, those aged 50 and older can make "catch-up" contributions of $6,000 to a workplace plan and $1,000 to an IRA. This savings boost later in your working years can help to make up for time—and money—spent raising your family.

Consider downsizing your home. Moving to a smaller house or condominium is one way to reshuffle your finances and potentially free up cash after the children leave home. A smaller mortgage payment, lower utility bills, lower maintenance costs, etc., could go far toward lightening your financial load. But be sure to think this decision through carefully and factor in the expenses associated with a move such as closing costs, moving costs and any repairs or upgrades needed on the property.

Review insurance coverages. Another area of your financial life that should be reviewed is your various insurance coverages. For instance, car insurance could be adjusted to take your children off the policy, which will likely lower your premium payment. Life insurance may no longer be a necessity. On the flip side, you may want to look into long-term care insurance. The U.S. Department of Health and Human Services estimates that 70% of people turning age 65 can expect to use some form of long-term care during their lives.[2]

Put limits on financial help. For some households, the empty-nest experience is not happening—or not happening as soon as they might have originally expected. Due partly to the high cost of education, young people are graduating from college with significant student loan debt and are finding it difficult to survive on their own without some assistance from their parents. Data published by the Pew Research Center supports this trend. For example, one study found that as of 2014 more Americans aged 18 to 34 were living with parents than were living with a spouse or partner.[3] Another Pew study revealed that 61% of parents had provided financial support to their adult children in the past 12 months.[4]

While the desire to help your children is strong, try to set some ground rules around how much assistance you will provide and for how long.

[1]Center for Retirement Research at Boston College, "Do Households Save More When the Kids Leave Home?" May 2016.
[2]U.S. Department of Health and Human Services, LongTermCare.gov, "Who Needs Care?"
[3]Time.com, "A First in the Modern Era, More Young Americans Live with Parents Than With Lovers," May 24, 2016.
[4]Pew Research Center, "Helping Adult Children," May 21, 2015.

The Saver's Credit:

A Well-Kept Secret

If you are saving for retirement through a workplace retirement plan and/or an IRA, that's good news. You are on the right path toward a financially secure future. However, chances are you do not know about a special IRS provision that potentially offers you a tax break simply for being a retirement saver.

Recent research found that about two out of three U.S. workers are not aware of the so-called "saver's credit," formally known as the Retirement Savings Contributions Credit, which permits certain low- to middle-income workers to offset part of the first $2,000 ($4,000 if you are married and filing a joint tax return) you voluntarily save for retirement via qualified, tax-deferred vehicles.[1,2]

Now that you can count yourself among those "in the know" about this tax incentive, here are some general guidelines governing eligibility.

Do You Qualify?[2]

In order to claim the credit, the IRS requires that you:

✓ must be at least 18 years old,

✓ not be a full-time student, AND

✓ cannot be claimed as a dependent on another person's tax return.

Retirement plans eligible for the credit include:

- Traditional or Roth IRAs
- 401(k)s and 403(b)s
- SIMPLE IRAs
- SARSEPs
- 501(c)(18) or governmental 457(b) plans
- Voluntary after-tax employee contributions to qualified retirement and 403(b) plans.

No rollover contributions. Note that any amounts transferred from one employer-sponsored retirement plan or IRA to another do not qualify for the credit.

If you are eligible, there is still time to claim the saver's credit on your 2016 taxes. The deadline for making a contribution to a new or existing IRA is April 18, 2017; contributions to a workplace retirement plan must be made by year-end 2016.

To learn more about the saver's credit visit the IRS website. For help shaping up your retirement planning and/or tax planning strategy contact your financial advisor.

[1]Source: Transamerica Center for Retirement Studies, "Retirement Throughout the Ages: Expectations and Preparations of American Workers," May 2015.

[2]Source: IRS, "Retirement Savings Contributions Credit," updated February 22, 2016.

Income Limits for 2016

According to the IRS, "the amount of the credit is 50%, 20% or 10% of your retirement plan or IRA contributions up to $2,000 ($4,000 if married filing jointly), depending on your adjusted gross income (reported on your Form 1040 or 1040A)." Your filing status, tax liability and contribution amount are also factored into the calculation.

Here's a breakdown for tax year 2016:

Credit rate	Married filing jointly	Head of household	All other filers*
50% of contribution	AGI not more than $37,000	AGI not more than $27,750	AGI not more than $18,500
20% of contribution	$37,001 - $40,000	$27,751 - $30,000	$18,501 - $20,000
10% of contribution	$40,001 - $61,500	$30,001 - $46,125	$20,001 - $30,750
0% of contribution	More than $61,500	More than $46,125	More than $30,750

*Single, married filing separately or qualifying widow(er).

A Look at Roth and Traditional 401(k)s

The Roth 401(k) has brought many of the same benefits to company-sponsored retirement plans that the Roth IRA brought to individual retirement accounts—including tax shelter for investment earnings followed by tax exemption for qualified distributions. The trade-off is foregoing any tax deduction for account contributions.

Plan participants may allocate their contributions to a combination of Roth and traditional accounts, and employers can match Roth 401(k) contributions as they might already do for traditional 401(k)s. However, the matching funds must be credited to a traditional, pretax account, even if the participant's contribution is made to a Roth account.

There is a single contribution limit that is applied cumulatively to all employer-sponsored retirement accounts. For 2016 it is $18,000, with an additional $6,000 permitted to those aged 50 and above. (Check your employer's retirement plan for additional limits.)

The following side-by-side comparison of the Roth and the traditional 401(k) helps to point out their key features.

Comparison at a Glance

	Traditional 401(k)	Roth 401(k)
Tax Status of Contributions	Pretax contributions reduce current taxable income.	After-tax contributions do not alter current tax exposure.
Tax Status of Investment Earnings	Earnings are tax deferred when left in account.	Earnings are tax deferred when left in account.
Tax Status of Distributions After Age 59½	Earnings and contributions are taxed as current income when withdrawn.	Earnings and contributions can potentially be withdrawn tax and penalty free for investors who have had the account for at least five years.
Rollovers to IRAs	May be rolled over directly to a traditional IRA without immediate tax consequences. May also be rolled over to a Roth IRA, but you will have to pay tax on the amount you roll over or "convert."	May be rolled over directly to a Roth IRA without immediate tax consequences.
Rollovers to Other Employer-Sponsored Plans	May be rolled over to traditional 401(k), 403(b) and certain other plans, but not to Roth plans.	May be rolled over into other Roth 401(k) or Roth 403(b) plans.

A Woman's Worth: Income Inequality and Retirement (Continued from page 1)

traditional IRAs and Roth IRAs all offer tax advantages that enable your investments to potentially grow more quickly than taxable investments.[7]

Consider your timetable. Today many women are getting married later in life and may be having children later as well. For some, this means that their children may be approaching college age as they themselves approach retirement. Advance planning is the key to juggling these dueling priorities.

Maintain a significant allocation to stocks. History shows that over time stocks have outperformed inflation more consistently than any other asset class, although past performance is no guarantee of future results.[8]

Consider long-term care insurance. With the median cost of a private room in a nursing home now exceeding $92,000 a year (depending on where you live), long-term care insurance can be a smart investment for people who have assets they want to protect, or who want to avoid becoming financially dependent on their families.[9]

Estimate your retirement income needs. Determine how much you can expect from your retirement accounts, Social Security, other savings and investments, etc., then think about how and where you want to live in retirement. Do you plan to maintain more than one residence? What types of activities do you plan to pursue? These "quality of life" factors will affect your retirement income needs.

Contact your advisor for help in planning for your own retirement.

[7]Withdrawals from traditional 401(k)s and IRAs will be taxed at then-current rates. Early withdrawals from all tax-advantaged vehicles may be subject to a 10% additional federal tax.
[8]Investing in stocks involves risk, including loss of principal.
[9]Genworth Financial, Genworth's 2016 Cost of Care Survey, April 2016.

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