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Women and Retirement

White paper

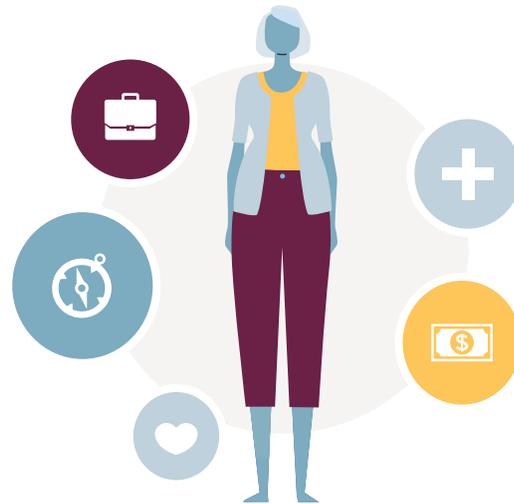
The XX factor: How to future-proof your practice by better serving women

A look at the changing challenges women face and how to better meet their needs while building your business

Key highlights

- With women's roles becoming increasingly complex, there's a growing opportunity to help your female clients better prepare for retirement.
- Consider the different challenges and life scenarios she might face both before and during retirement.
- Strengthen your relationship with female clients as you help them envision and work toward a retirement plan with four simple steps.

As they prepare for their futures, women navigate immense uncertainty. With the rapid evolution of women's role in the workplace, family and finances, this is an immensely diverse market. In this white paper, we explore how you can work with female clients and couples to plan holistically for successful retirements on their terms.



Her story

The roles women play in the workplace, in their families and with their finances are rapidly evolving. Women across generations are taking an increasingly active role in financial decision-making and preparing for retirement, including the planning, saving, investing and worries that come with this responsibility.

At the same time, they're asking for more guidance — and not just advice on steps to take, but also the knowledge necessary to make informed decisions. Today's female clients want financial professionals to take the time to help them understand the various scenarios they may face so they can be fully prepared for whatever lies ahead.

Women represent an enormous opportunity for financial professionals.

The female clients who come into your office are changing. With every new generation, women are securing more advanced degrees, pursuing higher-earning careers, breaking down barriers to enter traditionally male-dominated fields and opening more businesses. Women today control a third of U.S. total household financial assets, holding \$10 trillion in assets — and that number is projected to grow.¹

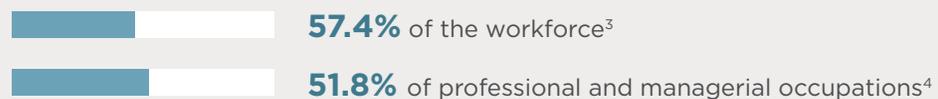
American women are well-educated and are successfully breaking down barriers in the workforce.



Women are estimated to account for



Women make up



Women own

11.6 million businesses⁵

As women continue making headway in the professional realm, cultural norms and expectations about starting a family are evolving with each new generation. With an increased focus on building professional success, younger women are waiting to marry, with the median age at first marriage at 28 years old in 2019, up from 25.1 in 2000 and 23.3 in 1985.⁶

With later marriages, women have more time to develop strong financial habits and plan for their financial futures solo. Even

within the context of married lives, more women are managing their family's financial decision-making than ever before. These changes are happening rapidly and reflect a significant shift in American families. This means many of the women today taking charge of their family's retirement preparedness cannot look to their moms or grandmothers as role models for financial planning.

There is no familial antecedent for the role these women play, because it was the cultural norm for

previous generations of women to stay on the sidelines when it came to long-term financial planning.

Financial professionals experience an increasingly wide variety of female clients, including widows who've never managed finances until the loss of their spouse, and female breadwinners who oversee their family's financial planning. With such a diverse group, financial professionals will benefit from getting to know the unique situations, goals and preferences of each female client.

¹ "Women as the next wave of growth in U.S. wealth management," McKinsey & Company (July 29, 2020).

² "Table 318.30: Bachelor's, Master's, and Doctor's Degrees Conferred by Postsecondary Institutions, by Sex of Student and Discipline Division: 2017-18," 2019 Tables and Figures, National Center for Education Statistics, Digest of Education Statistics (2019).

³ "Table 3: Employment Status of the Civilian Noninstitutional Population by Age, Sex, and Race," Current Population Survey, Bureau of Labor Statistics (2020).

⁴ "Table 11: Employed Persons by Detailed Occupation, Sex, Race, and Hispanic or Latino Ethnicity," Current Population Survey, Bureau of Labor Statistics (2020).

⁵ "The 2019 State of Women-Owned Businesses Report," American Express (2019).

⁶ "Historical Marital Status Tables," U.S. Census Bureau (November 2019).

Challenges she may face

Despite the strides that women have made, there are still hurdles both inside and outside the workplace.

She has to save more, from less

The pay gap persists

According to the National Women's Law Center, the female-to-male earnings ratio is currently 0.82.⁷



Women still earn only
82 cents
for every dollar earned by men

Her family depends on her

The pay gap issue is magnified by women getting pulled away from work to care for their children, aging parents, an ill spouse or grandkids. These caregiving responsibilities can impact time spent in the workforce, time with family or friends and time needed to address personal responsibilities.



Over three-quarters of caregivers work outside the home while also caring for a loved one⁸

A longer life leads to greater expenses

Women also have a longer retirement to prepare for. For example, a woman who turned age 65 on April 1, 2020, can expect to live, on average, until age 86.7.⁹ Overall, women have a 50% chance of reaching age 89 after they turn 65.¹⁰



50%
is the chance women have of reaching age 89 after they turn 65¹⁰

Women have a wide array of experiences both before and during retirement. Some women work, some stay home and some split their time. Some may be mothers, while some don't have children. Throughout their lives, some will stay single, lose a spouse or go through a divorce. The road to retirement for many women is more of a circuitous journey rather than a straightforward path.

When attempting to visualize and plan for the future, there are many possibilities. Your client may be wondering if she will need to care for an aging parent or spouse, whether she'll have work opportunities or who will take care of her when she's sick.

With so many variables at play, understanding how to best prepare for the unknown that lies ahead is no easy feat. If she doesn't plan for these possibilities, her options in retirement could be limited. It's little surprise then that women especially are placing greater emphasis on planning for retirement, and sharing concerns about outliving their assets, having enough retirement savings and paying for health care costs and long-term care insurance.¹¹

The greatest factors weighing on a woman's outlook for her retirement are her need for a guaranteed income stream and the reality of rising health care costs.

⁷ "Fact Sheet: Women and the Lifetime Wage Gap: How Many Woman Years Does It Take to Equal 40 Man Years?" Amanda Fins, National Women's Law Center (March 2020).

⁸ "Shifting the Burden? Consequences of Post-acute Care Payment Reform On Informal Caregivers," Paula Chatterjee, Allison K. Hoffman, Rachel M. Werner (Sept. 5, 2019).

⁹ "Retirement & Survivors Benefits: Life Expectancy Calculator," Social Security Administration, ssa.gov/planners/lifeexpectancy.html.

¹⁰ "The Retirement Income Reference Book," LIMRA (2018).

¹¹ "Women as the next wave of growth in U.S. wealth management." McKinsey & Company (July 29, 2020).

Our analysis found that the average woman claiming Social Security benefits at age 62 could spend about 75% of her monthly benefits on health expenses — leaving only a quarter of each check for other essentials such as housing and food in retirement.¹² At the same time, a majority of Americans remain worried that Social Security will run out of money during their lifetime.¹³ There is an opportunity for financial professionals to help women look at their total retirement picture and optimize when to file for Social Security or when to opt for spousal benefits.

Women are majority of claimers of Social Security



Nearly 55% of the people receiving Social Security benefits are women¹⁴



Anticipated health care costs can take a toll on retirement income. According to Nationwide’s “2020 Health Care Consumer Survey,” conducted by The Harris Poll, 72% of women are concerned about the cost of health care, including insurance premiums, deductibles, co-pays and costs that insurance will not cover. Meanwhile, only 26% of women feel knowledgeable about estimating how much they’ll need to cover health care costs in retirement.

Women worry over health care costs



of women list health care costs going out of control as a top fear in retirement¹⁵

Often, women have not planned for who will care for them. Yet, with women’s longevity exceeding men’s, they may face higher medical expenses and are more likely to need long-term care.

¹² Analysis from the Nationwide Retirement Institute Social Security 360 Analyzer® and Health Care Cost Assessment (2017). Assumptions used were: a 62-year-old female, living in Ohio, life expectancy of 88, filing at age 62, primary insurance amount of \$1,300 and total estimated health care costs in retirement of \$309,382. Individual results will vary.

¹³ Social Security Consumer Survey conducted by The Harris Poll on behalf of the Nationwide Retirement Institute (2020).

¹⁴ Social Security Administration, ssa.gov (2019).

¹⁵ “The Nationwide Retirement Institute Health Care Consumer Survey,” conducted by The Harris Poll on behalf of the Nationwide Retirement Institute May 7-16, 2020, among 1,940 adults age 24 or older, including 1,026 women.

Demystifying the transition to retirement

These themes — coping with uncertainty in retirement, managing health care costs and building a guaranteed income stream — bubbled to the surface when speaking with women currently planning for retirement.



Sofia's husband was working in commercial real estate, but when the market crashed, his commission-dependent earnings virtually disappeared. While she had always worked, their lifestyle couldn't be sustained on a single paycheck. Hoping to get back on their feet, they had to make tough changes to their family's overall expenses. Just as their family was rebuilding financially, Sofia's life changed forever when her husband of 26 years suddenly passed away.

With her husband's death came a lump-sum life insurance payment. "When we went through horrible financial times, I was the one saying, 'Are you sure we want to make this payment?' He was Joe Athlete. You'd think he was going to live a long time. You have to make financial decisions when things are tight, but thankfully, he was passionate about keeping the life insurance," Sofia said.

Suddenly, Sofia had a lump sum of money and needed a financial professional — and a plan. "You are so vulnerable," she said. "Do

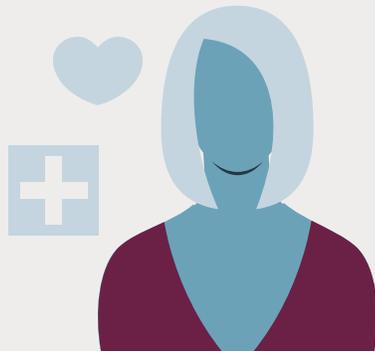
you want to expose the good, the bad and the ugly of your financial history to someone in your social circle?" She realized that she would be most successful if she found a financial professional with whom she felt comfortable enough to be transparent about what she did and did not know. "I didn't want to be in a situation with a financial professional talking at me like the teacher in Charlie Brown."

Sofia ultimately selected a financial professional with whom she felt comfortable enough to ask any question. "I don't have a partner, so this is on me to look at my future, which is exciting and scary at the same time. I wanted a financial professional to help me understand. My financial professional handled the most basic investment questions with grace."

Sofia's story is a familiar one. For many women — even primary breadwinners — the loss of a spouse can be the first time they take total charge of their family's financial situation and seek the help of a financial professional.

Key takeaways

- Women are constantly questioning and wanting to understand topics such as Social Security and health care on a deeper level. They want to fully grasp how they work, not just pinpoint when's the right time to claim Social Security or how much their health costs will be.
- It's up to financial professionals to create a safe, judgment-free space for women to learn and ask questions.



Knowing who will care for me

Pamela, 55, no children

After Pamela's dad passed away, her mother moved in with her. One day, her mother got lost and didn't know where she was. That was how Pamela and her husband discovered her mom had Alzheimer's. For over a decade, Pamela was her mother's primary caregiver. Pamela's two brothers looked to her to put their mom in assisted living and, ultimately, find a nursing home. "Because of our financial situations and careers, we each played a different role," Pamela said. "No one judged the other siblings for what they could or could not do." Pamela helped pay for her mom's care until she passed away last April.

She first met her financial professional back in 2003 through her then-employer's 401(k) plan. "I liked his style," she said. "He didn't talk down to me. He listened, and he's close to my age, so I found him relatable. Talking to someone who is going through what I am going through helps me make decisions." When she consolidated finances with her husband, she introduced him to her financial professional.

As Pamela and her husband plan for retirement, her mom is on her mind. "It's a life event that certainly makes you think," she said. Pamela is eager to plan for long-term care if she needs it. Although she is older than her husband, she is healthier than him.

Odds point to women outliving their husbands. While the norm is shifting, in many families it is still the daughters who take on caregiving responsibilities for an aging parent.

61%
of caregivers are women¹⁶



2 in 3
care recipients are women¹⁶



The true costs of caregiving are far greater than people assume. There is the emotional and related stress of being a caregiver, as well as the time away from work — which impacts a woman's earnings, benefits and ultimately her Social Security paycheck. Plus, while she's out of the office, the workplace is often evolving without her. This can be a setback to her professional trajectory, reducing her future earning potential.

Key takeaways

- At the heart of it, women are asking themselves what happens when they're alone and wondering who will care for them. Financial professionals have the power to reduce that point of fear by helping estimate and plan for the costs of long-term care.
- Approach the topic bearing in mind that most people won't like talking about needing assistance later in life. Have a conversation about what matters most to your female client, the ways to help loved ones with taking care of her later in life and how she can seize control over her long-term care choices.

¹⁶ "Caregiving in the U.S. 2020," National Alliance for Caregiving and AARP (May 2020).



Planning for her future

Mary, 56, no children

Mary's husband has congestive heart failure. Five years ago, they received his prognosis — a five-year life expectancy. As she plans for her retirement, Mary has needed to envision what she wants for this next chapter in her life — even if her husband isn't there with her. What could be a paralyzing moment for some isn't so for Mary. She is strong, empowered, practical and building a clear vision for what she wants her retirement to look like.

She wants to fix up the house, sell it and move someplace warm. "I am done with snow!" she said. "Haven't decided where yet, but I want to go somewhere like Arizona or New Mexico. I don't want a big house, something little. Something quiet and peaceful. I'll hike, do yoga, volunteer, meditate — all the things I really want to do all day long."

She met her financial professional through her parents, who had previously worked with a slew of financial professionals they didn't like. "He worked so hard for my parents to reduce their fees. That's what earned my trust," Mary said. "My husband would say he wants to work with a financial professional who gets the job done and he never has to talk to. For me, it's really important to feel that I can talk it through."

"Trust — it's not a one-and-done kind of thing for women," Mary added. "I re-evaluate at the end of every meeting. Am I staying with this financial professional? They have to keep earning our trust throughout the relationship."



Roughly a third

of affluent women say they would work only with an investment professional they trust — roughly 10 percentage points more than men¹⁷

Key takeaways

- Adopt a holistic approach to retirement planning. Even if you aren't managing 100% of your client's assets, you need 100% of the information to do the job right. One missing pillar could potentially compromise the foundation.
- That means it's important to integrate these often-neglected topics into your client's retirement plan:
 1. Maximize Social Security benefits
 2. Manage health care costs
 3. Minimize taxes

¹⁷ "Women as the next wave of growth in U.S. wealth management," McKinsey & Company (July 29, 2020)..

Actionable insights: How to work with her

Despite the diversity of this demographic, these four rules of thumb can help you earn the trust and business of this increasingly influential group.

Four steps to build your female clients' confidence

1

Help her envision retirement

2

Have two-way discussions about likely scenarios and solutions

3

Accurately model and estimate what her retirement could cost

4

Minimize taxes considering her holistic retirement picture

1 Help her envision retirement

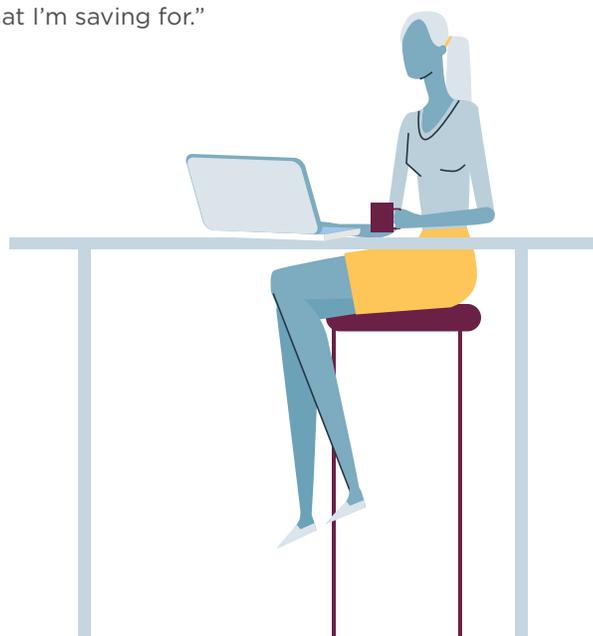
Here are some talking points to go over during conversations with your female client:

- What she imagines her retirement looking like
- Goals she's made for herself, her children, her spouse and other family members
- The feeling she'll have when she achieves her goals

With people retiring later and living longer, our nation's retirement aspirations are shifting. Many women have a hard time imagining how they'll spend their golden years — especially if they anticipate outliving their husbands. "I don't know what I want my retirement to look like," Pamela said. "It would be helpful if our financial professional sketched out some options and what each would cost. That would help me to visualize what I'm saving for."

Adopting a goal-based approach to financial planning is critical for two reasons. First, having a sense of the lifestyle your client wants to achieve will help you determine a plan to realize this vision. Second, clients are often more motivated to work toward a goal they can picture. Many women crave clarity about their future and a financial professional whom they can trust to help them get there. When your client can visualize her objective, she is more likely to jump on board to implement the plan.

For some women, these conversations may also serve as an opportunity to get on the same page as their spouse about what their retirement may look like.



2 Have two-way discussions about likely scenarios and solutions

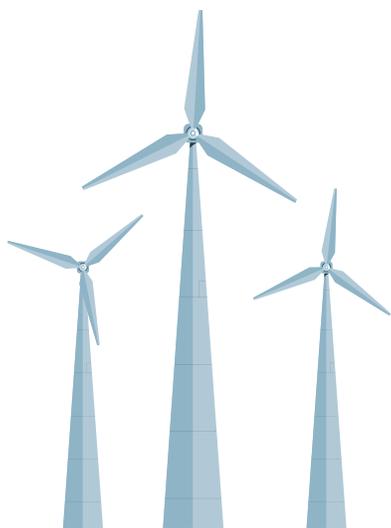
We often hear women say they've had meetings with financial professionals who have left them feeling overwhelmed and unable to make informed decisions.

It's important to remember these are women with goals for their future — and the right to take their assets elsewhere if they feel they are being talked down to. They are interested in your expertise and want to understand the core considerations impacting their retirement.

The best way to become a better partner for a female client is to help her feel confident in her decisions for her future. Empower her with the knowledge she needs to make decisions about what's in her best interest and guide her through her options.

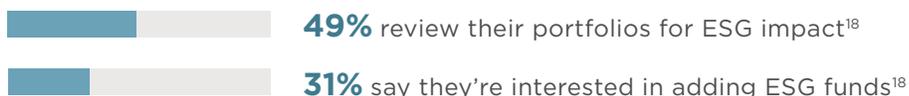
Here are ways to help your female clients feel confident in their decisions for the future:

- Walk her through strategies for Social Security distributions
- Talk to her about the reasons behind her retirement plan options
- When working with a couple, connect with both partners equally



Be ready to talk about ESG investing

Many women are interested in ESG investing (environmental, social and governance). They want investments that perform well and align with their values. This is especially true of women in high-net-worth and ultra-high-net-worth families:



3 Accurately model and estimate what her retirement could cost

When you have established a trusting relationship and a vision for your client's retirement while helping her build her confidence and understanding of the factors at play, it's time to explore together how much her retirement could cost, if she can afford it and what options are available to her if she can't bridge the gap between now and her target retirement age.

A common pain point that many women experience when preparing for retirement is not knowing exactly how much they need. Through conversations about retirement scenarios, you can also help your clients find a compromise between their expectations and the realities of living in retirement. "The older you get, the more you see people dealing with health issues. As the single parent and sole provider, if I have a health episode that takes me out of work earlier than planned, what does that look like?" Sofia asked. "My financial professional's formulas are pretty incredible, with three different scenarios in case our ideal plan gets derailed."

You can help women plan for the variety of situations they might find themselves in during retirement. To get them started on the right path, build personalized plans that account for possible hurdles such as losing a spouse, getting sick or needing to retire early.

¹⁸ "2018 U.S. Trust Insights on Wealth and Worth" survey.

4 Minimize taxes considering her holistic retirement picture

As her partner in retirement planning, a female client will expect you to help her see the big picture. That includes planning for a tax-efficient retirement income distribution strategy.

Without careful planning and a smart strategy, taxes can erode retirement income, making the difference between being able to afford her desired retirement lifestyle or having to downsize.

Pamela noted this challenge: “Taxes are a big question mark. Our financial professional will consult on financial investing matters but not tax filing strategies, so we need to have dual conversations with our accountant.”

By providing expert guidance on how to potentially minimize your clients’ taxes, you can give your clients a more accurate estimate of what their income stream will look like in retirement.

Resources to enrich your conversations with female clients

As women continue to build their wealth, developing a strong base of female clients is critical to the success of your business. If your clients are predominantly men, you are missing out on helping 50% of this country’s population solve challenges in preparing for retirement.

Explore the Nationwide Retirement Institute resources on holistic retirement planning for information on:

- Estimating your client’s health care and long-term care costs in retirement — **Nationwide Health Care/Long-Term Care Cost Assessment**
- Providing optimal filing strategies for your client to claim her Social Security benefits — **Nationwide Social Security 360 Analyzer®**



Names have been changed throughout this white paper to maintain anonymity. Individuals were not compensated for their responses, and others’ experiences may vary from those depicted.

IMPORTANT DISCLOSURES

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ML18-005394

NFM-17311AO-ML.2 (01/21)