

10 tips for women to prepare for retirement

As with many other Western industrialized nations, the state pension system leaves women vulnerable. IESE's Nuria Chinchilla offers 10 ways to plan ahead.

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The OECD predicts that most countries will have to raise their retirement age to at least 67 by 2050, requiring people to work longer as well as contribute and save more to compensate for reduced payouts during retirement.

While this affects everyone, women are particularly hard hit. This is because they generally earn less during their working lives and spend more time looking after children and elderly dependents. This has an effect on what they earn now and what their pensions will be when they retire.

This situation could get worse due to longer life expectancy and lower birth rates, both of which endanger state-funded pension systems.

A [report](#) by IESE's Nuria Chinchilla suggests 10 things that women should do to ensure they have purchasing power during retirement. The report is based on the Spanish retirement system, but most of the tips are applicable elsewhere.

- *Find out the true status of what your pension will be.* Information about one's future economic situation allows for making choices. Few people really know what their pension will be and few think about it. Resolving this lack of information would cost little.
- *Don't leave your future only in the hands of the state.* People must be made aware that it is their personal responsibility to maintain their own standard of living.
- *Complement your state pension from the beginning of your working life.* Here it is a

matter of finding a way, through the state, the employer and the worker, to complement one's retirement fund. Rarely is the state pension comparable to a person's final salary. Normally, people lose purchasing power.

- *Plan your own retirement.* This is particularly important for women who stop working to raise children or take care of elderly dependents. The earlier they start to save, the greater the return and the easier it is to maintain their standard of living. In order to guarantee a comfortable lifestyle during retirement, it is a good idea to start saving money as soon as you begin to pay into the state system.
- *The state should chip in to women's retirement contribution in certain situations.* Such situations include a leave of absence or if they request a shorter work day to take care of small children or elderly dependents. This would compensate them for part of their unpaid work.
- *Time spent taking care of dependents should count toward a woman's pension.* Dependents should include children under the age of 12 as well as elderly dependents. Otherwise, such people might be penalized for the periods of minimum contribution required to receive a state pension.
- *Make family-related costs tax-deductible.* Such costs should include day care and family caretaker costs. In order to enjoy this tax break, the amount deducted should be set aside as savings for a retirement fund.
- *Make retirement savings tax-deductible in certain situations.* Deduct from taxes the amount a father or mother sets aside as retirement savings while they are looking after small children or elderly dependents.
- *Review the pensions available to widows or widowers who have never worked.* This is important because the surviving spouse will have to pay more than 50 percent of the fixed costs incurred prior to the death of the other spouse.
- *Encourage and teach young people to think about long-term savings.* Spain is a country without a strong savings mind-set, and one in which most people see their homes as their nest egg. Savings accrued later in life do not have the same impact on future income as savings that began in one's youth.

These measures would help alleviate the effects of cuts to state pensions and ensure both the purchasing power of retirees and the survival of the welfare state.

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