



5 Things Mothers Should Tell Daughters about Money and Retirement

Older women have a wealth of experience and information to offer to younger women. WISER encourages all mothers, grandmothers and other women to share their money experiences with a daughter, granddaughter or another young woman in their life. Helping a young woman develop a strong financial plan is a lifetime gift.

Here are WISER's five money tips to share with a younger woman:

1. Women live longer and earn less than men on average, so it is very important to start saving early and stay focused on retirement savings throughout your career.

Women earn about 82 cents for every dollar a man earns. This translates into \$10,157 less per year in median earnings¹. Wage discrimination makes it harder for women to set aside funds for retirement, but their longer lifespan makes it important to set aside more money. Make a financial plan that includes regular contributions to a retirement account early in your career, and stick to your plan.

2. Saving early pays off.

Compound interest makes it easier to accrue assets, but you need to start saving early to get the full benefits of compound interest. Consider this: a young woman saving \$1,000 a year from age 22 until age 30, and then saving nothing from age 31 to 67, will have \$105,194 at age 67 (interest rate of 6%) . A woman who starts saving at age 40, and saves \$1,000 a year until age 67 will only save \$72,640 (interest rate of 6%).

¹ National Women's Law Center, "The Wage Gap: The Who, How, Why and What To Do", October 2020.

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3. Develop good habits when it comes to money.

Get in the habit of having a household budget, developing long and short-term financial goals, saving money regularly and planning for retirement. Living beneath your means is the surest way to acquire wealth. Women who have a budget and savings plan save much more money than women who don't. Women with assets are better protected from financial calamity when problems occur; unemployment, serious illness, divorce or the death of a spouse are common life events that can cause economic disaster for those living on the edge financially.

4. Protect your credit rating.

Pay all of your bills on time, do not charge more than you can afford to pay off each month and avoid costly predatory loans. Too many people live paycheck to paycheck, without adequate savings. One major reason for this is that they are over their heads in consumer debt. A good credit rating will allow you to buy a home (which is a major retirement asset) and to borrow money when you need to at the most competitive rates. Women with poor credit ratings pay much higher interest rates on everything from mortgages to credit cards to personal loans. These costly loans and credit card accounts drain you financially and will keep you from acquiring assets you'll need for a secure future, including a secure retirement.

5. Make sure you have access to and participate in a retirement plan.

Social Security was never intended to be a sole source of retirement income, a full Social Security retirement benefit replaces about 40% of your pay on average. Yet according to the Social Security Administration, more than 1 in 4 women over the age of 65 rely on Social Security for 90% or more of their income. Due to so many women relying on Social Security as their only source of income, it is a major reason for the high poverty rate among elderly women. If you are covered by a retirement plan at work, sign up for it as soon as possible and contribute as much as you can. If your employer will match some of your savings, don't pass that up. If you don't have access to a retirement plan at work, consider finding a job with better benefits. You can also open an IRA and contribute the maximum amount each year. Many women find that having regular contributions deducted from their checking accounts is an easier way to stick to a savings plan.