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India

by IESE Insight

Helping women prepare for retirement

Ten things they can do to make it affordable.

The Organisation for Economic Cooperation and Development predicts that, by 2050, most countries will have to raise their retirement age to 67 or older, requiring people to work longer as well as to contribute and save more to compensate for reduced payouts during retirement.

Though this will affect ev-

eryone, women stand to be hit particularly hard. That is because they generally earn less during their working lives and spend more time looking after children and elderly dependents.

That reduces what they earn and what their pensions will be when they retire. The situation could get worse due to longer life ex-

pectancy and lower birth rates, both of which endanger state-funded pension systems.

A report by Nuria Chinchilla of the Instituto de Estudios Superiores de la Empresa at the University of Navarra in Spain suggests 10 things that women should do to ensure that they have purchasing power during re-

tirement, or that government should do to help make retirement affordable for women.

The report is based on the Spanish retirement system, but most of the tips are applicable elsewhere as well.

Find out what your pension will be

Information about your future economic situation will let you make choices earlier. Few people really know or think about what their pension will be. Resolving that lack of information would cost little.

Don't leave your future to the state

People must accept that it is their personal responsibility to maintain their own standards of living.

Complement social security from the beginning of your working life

This is a matter of finding a way, through the state, the employer and the worker alike, to complement your retirement fund. Rarely is Social Security comparable to a person's final salary. Normally your income will drop significantly.

Plan your own retirement

This is particularly important for women who stop working to raise children or to take care of elderly dependents. The earlier they start to save, the greater the return will be and the easier it will be 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 Social Security system.

The state should chip in, in certain situations

These might include a leave of absence or shorter work days used to take care of small children or elderly dependents. Such provisions 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 younger than 12, but also the elderly. Otherwise caretakers might be penalised for these periods in calculating the minimal contribution required to receive Social Security.

Make family-related costs tax-deductible

These costs should include day-care and family-caretaker expenses. In order to enjoy this tax break, taxpayers should be required to set aside the amount deducted 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.

Teach young people to think about long-term savings

Spain is a country without a strong savings tradition, one where most people see their homes as their nest eggs. Savings accrued later in life do not have the same impact on future income as savings that begin in one's youth.

The enactment of these measures, some by the government and others by women themselves, 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.

From IESE Insight

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