



# **Pioneer Bank & Trust**

## **Trust & Investments**

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## **Women and Social Security**

Social Security benefits are gender neutral. They are based only upon work history. A man and a woman with identical work histories will have identical Social Security benefits.

In actuarial terms, this confers a small but important extra benefit on women as a group, because they live longer than do men. They will collect more in benefits over the course of retirement than will men. The Social Security Administration reports that 56.0% of beneficiaries age 62 and up are women, and 66.7% of those over 85 are women.

On the other hand, the average Social Security benefit for women is lower than it is for men, because both their years of coverage and their lifetime taxable compensation tend to be less. In 2012 the average annual Social Security income received by women 65 years and older was \$12,520, compared to \$16,398 for men. What's more, studies show that single retired women, including both widows and the never-married, are more reliant upon Social Security for their retirement income. For this group, Social Security benefits provide about half of their income, compared with about 36% for elderly men and 30% for elderly couples.

The shortfall has led to some calls for a rethinking of the benefit structure. Last December, at a Senate Finance Committee meeting on the subject of working women and Social Security, Senator Ron Wyden (D-Ore.) called for changes in the way that benefits are calculated for surviving spouses and closing of the gap between benefits received by disabled elderly and other disability beneficiaries. Wyden also recommended the creation of "caregiver credits" for those who have to leave the paid labor force to care for children or disabled family members. If such credits were offered, being a caregiver would no longer have a negative impact on earning a Social Security benefit.

### **Chart your own course**

Whether or not changes are made to Social Security benefits, women—and men!—need to take steps to maximize their retirement capital. That means saving as much as possible in employer-sponsored retirement savings programs, such as 401(k) plans and 403(b) plans. Contributions of up to \$18,000 are permitted for these plans in 2015. Additional "catch-up" contributions of up to \$6,000 are permitted for those 50 and over, who are closing in on their retirement start date.

Don't overlook the opportunity to contribute to an IRA or a Roth IRA, up to \$5,500 (\$6,500 for those over age 50). Having a substantial capital base to rely on for retirement income will dramatically improve retirement financial security.

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