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WEALTH MANAGEMENT

The Gender Pay Gap Is a Lot Bigger Than You Think



The average woman spends 44% of her adult life out of the workforce compared with 28% for a man, according to a recent study by Age Wave and Merrill Lynch. PHOTO: GETTY IMAGES/ISTOCKPHOTO

*By**Maddy Dychtwald*

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Most Americans are keenly aware of the gender pay gap. Based on Bureau of Labor Statistics data, for every \$1.00 a man earns, a woman earns only about \$0.82. But that's just the tip of the iceberg.

My firm, Age Wave, together with Merrill Lynch, recently conducted a nationwide study, "Women and Financial Wellness: Beyond the Bottom Line," to gain a better understanding of the financial circumstances facing women today.

We analyzed how the 18-cent differential that is the pay gap adds up over the course of a woman's life--and it really adds up.

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Let's compare a set of twins: a woman and a man with the same level of intelligence and drive, the same schooling and even the same career. According to the Bureau of Labor Statistics, if both of them work full time at median wages with no breaks until retirement, the man will earn \$411,000 more than the

woman. That's the lifetime pay gap—and it's significantly more impactful than the 18-cent differential we usually hear about.

We also analyzed how women's life journeys are different than men's—and how those differences can result in serious financial consequences, especially around caregiving. Even though men are more involved than ever before, and some women never take time out of the workforce for any period of time, there's still a big difference: The average woman spends 44% of her adult life out of the workforce compared with 28% for a man, according to our survey.

Now let's take that same set of twins who entered the workforce at the same time in the same job—but change the scenario a bit. When the twins are in their early 30s, the woman takes some time off to care for her children while her brother continues to work. And she may have other work disruptions down the road, such as caring for aging parents. In fact, adult daughters provide twice as many elder-care hours to aging parents as adult sons, according to the Center for Retirement Research at Boston College. Let's assume the female twin has three career interruptions: one in her late 20s to care for her children, one in her late 40s to care for her aging mom, and one to care for her husband who has a health crisis when they are both in their 60s.

By the time this woman reaches retirement age, that 18-cent differential becomes \$1,055,000 less than her brother who has stayed continuously in the workforce, according to our survey analysis.

And there's more. Earnings is one thing, but what about accumulated assets, which include earnings but also 401(k)s and retirement savings, personal investments and other assets such as property. That's wealth. And there is a gender wealth gap. This is harder to measure since wealth data is accumulated by household which often are composed of two adults. However, if you were to compare the average single woman to the average single man, the woman has 32% less accumulated assets by age 65. Again, that's about one-third less. The wealth gap exists

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even among women and men with similar levels of education and age.

So what can women do?

For starters. They should expect—and plan for—career interruptions. Some potential tactics include saving extra money for time off, negotiating leave with an employer or

seeking a job that offers flexibility or other benefits that allow you to move in and out of the workforce more fluidly. If a woman is in a relationship, discussing options openly with her partner to find the right solution to share, not only the expense of taking time off but the lost opportunity cost, is also an important part of the planning process.

Second, women need to understand their choices. Women should consider how workforce interruptions don't just affect their current pay, but also might affect their future pay, career trajectory, promotions and access to wealth escalators. This doesn't mean women shouldn't take time out of work to care for those they love—but it does mean they need to plan for the journey.

Third, women need to plan for a long financial life. In our study, 61% of women say they are more comfortable talking about their own death than about money. But that's a problem since, according to the Center for Disease Control's 2016 National Vital Statistics, women tend to outlast men, living five years longer. They also retire an average of two years earlier with smaller nest eggs. That means women need to plan for longer, more costly retirements. That includes health costs, which, based on using data from the Health Care Cost Institute Report and HealthView Services, are an estimated \$194,000 higher for women in retirement than men. That's out-of-pocket spending in retirement on health and long-term care, such as doctor's visits, prescriptions, hospital visits and more.

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