



Regions Wealth Podcast

Episode 14: The Pay Gap in Retirement

When it comes to retirement planning, women have a few unique considerations ranging from longer life expectancy to the impact of the gender pay gap on their retirement savings. In this episode, Private Wealth Management Regional Executive Missy Epperson joins us to discuss women and retirement and the right approach to retirement planning for women.

Episode Transcript

Anne Johnsos:

Welcome to Regions Wealth Podcast, the podcast that tackles life's challenges with financial experience. I'm your host, Anne Johnsos. Now, it's likely you've heard about the pay gap. In 2017, average earnings for women were about 80.5% of earnings for men, so the pay gap was 19.5%. Now, that wage disparity adds up over time, especially when it comes to retirement savings. Joining me in studio is Missy Epperson. She's private wealth management regional executive at Regions Financial Corporation. Missy, thanks for being here.

Missy Epperson, Private Wealth Management Regional Executive, Regions Bank:

I'm glad to be here.

Anne:

Alright, in this episode, we're talking about the pay gap in retirement. We've taken frequently asked questions from a bunch of people and created one fictional character who needs your advice. Let's listen.

Meredith:

My name is Meredith, and I live with my husband, Gary. We're both in our 70s now, and we've been retired for about five years. We met at a law firm in the '70s -- we were both working as paralegals. It was a pretty exciting time. I loved going to work every day. Getting to meet Gary was the cherry on top. We got married at 25. Right after the honeymoon, we sat down and figured out our finances. We're both big planners like that. We each decided to invest 10 percent of our salaries every year into a mutual fund. We also put five percent of our salaries aside to save for a house. Gary was making roughly 25% more than me at the time, even though we were both doing the same job. For five years we saved that way. We both enjoyed our jobs and life was



really good. Then things got even better: I got pregnant with our daughter and decided to give up my career. At the same time, the firm offered to pay for Gary to go to law school. It was a crazy time, but we had enough savings to cover us. Of course, we decided to both put our savings efforts on hold.

Anne:

Meredith mentions that in the 1970s, she was making roughly 25% less than her husband. Now, for comparison, we did some research. The average woman of the 1970s earned roughly 40% less than her male counterpart. What does the pay gap look like today?

Missy:

The pay gap is roughly—women are earning 80 cents, about, for every dollar that the man earns. For Millennials, it's even narrower. So that's a good thing. The bad thing is, it's still there. There are things we can do about that that will not happen unless we're intentional. Awareness, intentionally, and then actually execution are keys in that process.

Anne:

What are the long-term implications of the pay gap? We can't undo what happened for Meredith, but for someone listening today, and who's facing this, let's break it into two parts: first, what are the long-term implications of the imbalance of pay, and then second, what can women today do to equalize things?

Missy:

One of the great concepts about investing money is that the longer you are investing money, the greater the returns over time. Conversely, the less you are making, that also compounds over time. It doesn't just go positive. It can go negative. If you're a high school graduate, that pay gap may look at \$700,000 over time. If you're a professional, it could be \$2 million over time, so this is not an insignificant amount of money. That will impact your retirement, so it is in your best interest to close that pay gap as much as you can. The challenge, I think, that we as women have is that we feel like we don't deserve it, and we do. When you sit down and make your case, you'll realize, "I do deserve this. I earned this." Then you can go in with confidence. That's the only way I would go in. I would make sure that you build your case, and then you will get your own confidence up, and you'll feel like, "Yes, I deserve this, and I can do this," and you can go forward.



Anne:

Great. That was a good pep talk, Missy! Let's hear a little more from Meredith.

Meredith:

After graduating and starting at a law office, Gary wound up getting a 401(k). We decided to just leave our mutual funds be and just let them earn interest for 30-some odd years. I didn't think much about it at the time, but that five-year period was pretty interesting. We were both saving the same percentage of our income during that time. When all's said and done, our accounts had a difference of almost \$30,000, all because I earned less than him.

Anne:

Okay, Missy, a recent study published by the AARP reports 46% of women are not too confident ... not too confident or not at all confident in their ability to fully retire with a comfortable lifestyle. Now, only 31% of men are pessimistic that way. So Missy, you've been in this industry for 35 years, and your specialties are mentoring and coaching. When it comes to the retirement planning, what do you think accounts for the gender imbalance?

Missy:

I think it's several things that contribute to the gender imbalance. One is that women are not making as much during their careers. They are in and out of the workforce more than men I think during the childbearing years, or at least backing off a little bit to provide time for their families. Then the risk tolerance I think also impacts women negatively in saving for their retirement, because they may not be as aggressive in an investment strategy as they could be to achieve their goals. So I think all of those contribute to that gap. Then, two, I believe it impacts us negatively if we are looking at joint accounts where we may or may not have saved enough on our own before marriage. If women are waiting till later in life to get married, then they may or may not have saved as much during that time period, so they may not have as much that they brought into the marriage, even if they had separate property during the term of that marriage. That's something we really need to be thinking about, is that we need to plan for ourselves. We need to take care of ourselves and plan accordingly. Start early and create a plan that will give us safety against those life challenges that may arise going forward.

Anne:

You mentioned the stepping away from work or stepping back from work. What about the mom who stays at home and then gets back into the workforce? There's still a gap,



right? It's not just the pay gap, it's the actual gap in time. How can a woman make up for that?

Missy:

We as women need to anticipate over time in our careers, we may not like the pay gap but it exists, so let's plan for it. We may not like that we're going to stay out of the workforce, or we may anticipate that because we want to, and that's okay too. Whatever it is, your game plan is, let's just plan for it. By planning for it, then you can ensure your success down the road is heightened, because you are planning for it. For example, you may want to say, "In my earlier years, I had intended to just have the company match at 6%." Well, how about let's go ahead and say 10%, at that time in your life, so that you can anticipate when you're not going to have as much in the future.

Anne:

The 2015 Regions Women Wealth Study shows that 76% of men have reviewed their retirement savings plans in the past 12 months. That's compared to 64% of women. What can women do to ensure that they're preparing for their future?

Missy:

They can look at their investment assets more frequently, I think. The issue is confidence. We keep coming back to this issue of confidence. I think if you want to review something, you want to know, "What am I supposed to be looking at?" That's where an advisor can really help you understand. By knowing, liking and trusting them, then you feel like they understand where you're trying to go and, therefore, they're going to be able to help you get there. By talking with someone who you know, like and trust, you'll feel like they're going to give you good advice, and you can ask questions to them that you'll be comfortable in the answers. You may feel differently about that risk tolerance than your spouse does, so please speak up. If you're not comfortable with it, then say something and let the conversation evolve to where you can be educated and comfortable with the risk that your family is taking with this retirement asset that's probably going to fund your golden years. So you need to understand it, and you need to be comfortable with it. That needs to occur as a team. Not just as one person being comfortable with it, but both of you need to be.

Anne:

Great. Let's check back in with Meredith and see what else is on her mind about all this.



Meredith:

Now of course things have changed a lot over the years. Not only are we retired, but our daughter is grown up with a family of her own. She complains about daycare costs a lot, but she seems happy. The thing is, she just found out that her male coworker is making more money than her. It's not a lot, just a few thousand dollars, but I learned my lesson that just a few thousand dollars can add up over time. I kind of want to tell her to negotiate for more, but she has a hard time with that. She's a tough cookie, but she didn't inherit her lawyer daddy's negotiating skills, I'm afraid. So I don't know what to tell her. I did a bunch of internet research on this, and I know it's not appropriate to bring up your coworkers' salaries... but I want to make sure she's setting herself up for success! I don't want her to have \$30,000 less when she's my age."

Anne:

We touched on this a little bit, but what you have Meredith tell her daughter to do?

Missy:

I would tell Meredith to let her daughter know that she needs to know her worth and be confident in asking for an appropriate salary or compensation package for her work. The way you do that, with facts. She needs to sit down and really, on a piece of paper, understand, "What am I contributing to this organization? How valid is that from the organization's viewpoint?" Because it's not our viewpoint. It's where the organization is coming from that we need to make our case. Then, be confident in presenting it to her supervisor in an appropriate environment with planning.

I also think networking is really, really important with both men and women because I think we can get different viewpoints from career coaches in our workplace, and so if you are only talking to men or you're only talking to women, you're only getting part of the story in feedback. I think I would advise someone in Meredith's daughter's situation to seek feedback from those that she admires and who are where she wants to be, and don't be afraid to go ask them to chat about it. They would be open, I'm sure, to that conversation, and I don't know that as women we tend to seek those opportunities out perhaps as many times as the men are willing to do that.

Anne:

We like to end these podcasts with takeaways for the audience. Something that maybe they can tell their friends or they can, if they remember a couple things when



they're talking about this at the water cooler, they can say, "You know what I learned?" So, what are some takeaways?

Missy:

One take away for Meredith would be to be aware of your financial situation now and also in the future. So, that would be very important for her to have a complete understanding of the full financial picture for her family. For her advice to her daughter, know your worth and then be confident in asking for an appropriate salary or compensation for what you are contributing to the company. And the last thing for both of them is don't be scared of risk.

Don't be afraid to take an appropriate risk that's calculated to benefit you over the long-term. That is the biggest key to your investment success. Staying in there and reviewing it periodically to make sure it's still appropriate, and then to take an appropriate amount of risk for your timetable and your ability to achieve that success.

Anne:

Fantastic. Thank you, Missy. We've learned a lot. That's it for this episode of Regions Wealth Podcast. We hope you found it valuable and that you'll share this podcast with a friend. Each episode explores a different financial challenge with the help of a Regions advisor, so check back, and maybe introduce us to a friend you think might benefit from Regions Wealth Podcast.

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