Homemakers face risky retirement scenarios

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“It’s a myth that only workers retire,” one expert said.

By Tim Grant / Pittsburgh Post-Gazette

Homemakers often play a big role in raising children, managing households and caring for sick loved ones. But because the job does not come with a steady paycheck or retirement benefits, they can be forced to rely on others for income and face tremendous risks when it comes to retirement.

“In devoting their time to unpaid work, homemakers financially rely on their spouses or partners — a reliance that they expect to continue through retirement, a reliance that comes with risks,” said Catherine Collinson, president of the nonprofit Transamerica Center for Retirement Studies in Los Angeles and executive director of the Aegon Center for Longevity and Retirement.

The Aegon Center is based in The Hague in the Netherlands and is collaborating with the Transamerica Institute, which has been conducting research on retirement, health and aging in the U.S. for more than a decade. Their new report, “Homemakers are not off the hook: How should they be planning for retirement?” surveyed 1,600 self-described homemakers spanning 15 countries.

Workers and retirees in the survey were more likely than homemakers to associate retirement with positive words such as “leisure, freedom and enjoyment.” In contrast, homemakers were more likely to cite negative words such as “insecurity, poverty and ill health.”

“The vast majority of homemakers are women and, statistically speaking, women live longer than men,” said Ms. Collinson. “The implications are that a homemaker will likely outlive her spouse or partner and she will live to an older age, thereby increasing the risk of inadequate savings and potential poverty.”

The survey found fewer than half are saving for retirement (44 percent, U.S.; 33 percent, U.K.; and 37 percent, the Netherlands). And 51 percent overall do not have any sort of strategy for retirement — written or unwritten.

Lisa Turbeville, a divorce financial analyst and owner of Watermark Financial in Mt. Lebanon, said homemakers are especially vulnerable if they become divorced or widowed. Sometimes they are in a caregiver role for their spouse and the spouse’s needs are draining resources, which makes the homemaker insecure or fearful there won’t be enough money left when their spouse is gone.

“I see lots and lots of people getting divorced in their 50s when the children are out of the house, and that is a highly vulnerable time for homemakers,” Ms. Turbeville said. “If they didn’t have a full-time job, they may not have the skills to support themselves and they will have to work well past retirement age.”

Given the unpaid nature of their work, it is difficult for homemakers to save, Ms. Collinson said.

She offered suggestions on ways people in such unpaid roles may be able to improve their retirement outlook:

• Become personally involved in the family finances, ranging from daily budgeting to long-term planning. Work with your spouse or partner; calculate retirement savings needs; and develop a plan for achieving those needs. Be sure to have a backup plan for unforeseen circumstances such as separation, divorce or death.

• Consider working on a part-time basis. Part-time work brings income and greater access to government and employer retirement benefits. Staying in the workforce can help maintain job skills and make it easier to land a higher-paying job or full-time work if needed.

“It’s a myth that only workers retire,” Ms. Collinson said. “Homemakers also need to plan and prepare for financial security in old age.”

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