

Caregiving and Retirement Security

Important Facts about Caregiving

- In an estimated 36.5 million households across the country, an adult is providing unpaid care to a family member. Sixty-six percent of those caregivers are women, according to the “Caregiving in the U.S.” study by the National Alliance for Caregiving.
- Caregiving has serious financial consequences and it is important for women to understand the consequences and to take steps, whenever possible, to protect their retirement security.
- Caregivers often will decide to work part-time, quit their jobs, decline a promotion requiring longer hours or pass up a training opportunity requiring travel. According to the same National Alliance for Caregiving study, caregivers spend, on average 20.4 hours each week providing care, leaving them with less time for paid work.
- Female caregivers forfeit pay and benefits, pensions, miss out on opportunities for compounded returns on 401(k) matching contributions, and experience reduced savings and investments. They may even experience an inability to pay for home improvements that could increase the resale value of a residence. 70 percent of caregivers experienced disruptions in their jobs, including going into work late, leaving early, reducing work hours, leaving their jobs completely, and losing job benefits. These negative consequences are compounded by the reduced Social Security benefits available during retirement.

Steps for Family Caregivers

- First, create a household budget and make realistic plans for how you will deal with reduced pay and benefits if you decide to stop working or reduce your hours. Focus on reducing your expenses and eliminating your debt. If you are a caregiver to another adult, you might find yourself paying small expenses out of pocket, without even realizing how quickly these expenses add up. Establish a budget for the person you provide care for as well.
- Plan carefully before leaving a job or working part-time. Exhaust all other options first. Consult Eldercare Locator, sponsored by the federal Administration on Aging, which puts individuals in touch with local services and resources. (Call 1-800-677-1116 or log onto www.eldercare.gov) Leaving your job will mean losing compensation and benefits, and maybe skills and contacts. If at all possible, try to stay at your job until you are vested in your company's pension plan. If you are cutting back on benefits, work enough hours to get reduced benefits.
- Don't spend your 401(k) money. The loss of the compounding interest will be devastating to your retirement income. Budget for a regular contribution to an IRA.
- While you are working, be sure to participate fully in any workplace retirement plan. Look into purchasing long-term care insurance if you are age 50 or older, so that when you are retired you can access a wide range of supportive services and living arrangements.