



Women and Pensions: What You Need to Know

Women face a greater risk of poverty in old age than men. One important reason is that women are less likely than men to receive adequate pensions. The more you understand about pensions now, the greater your chances of beating the odds of poverty later.

What is a Pension?

Pension plans traditionally are a type of retirement plan where the worker, after working a set number of years for their employer, is guaranteed a set amount of money each month for the rest of their life after they retire. The employer manages the plan and the worker does not have to choose the investments or determine how much to withdraw from the plan each month.

Does my employer have a pension plan?

Employers do not have to set up pension plans for their workers and many, in fact, either do not offer a pension or have switched to 401(k)-type plans where the worker has more responsibility for choosing and managing their investments.

Am I included in the pension plan?

Pension plans are not required to include all workers. If your employer has a plan, check with the employer Human Resources representative to be sure your job category is covered and that you are a plan member.

Have I worked long enough to earn a pension?

If you are a plan member, you need to find out if you have worked long enough to earn benefits. Most plans now provide benefits after 5 years of work, but there are many that still require 10 years or more to become “vested.”

How much will my pension be?

Plans commonly figure the dollar amount of a pension by multiplying the number of years that you have been a plan member by a percentage of your earnings. However, some company plans use formulas that reduce the benefits of workers who leave a plan earlier in their careers.

Will my pension be in addition to my Social Security benefit?

Many company plans subtract part of their employees’ Social Security benefits from their pensions. This practice results in the payment of much larger pension benefits to higher-paid employees than to those earning less. For additional information, see WISER’s fact sheet “Government Pension Offset and Windfall Elimination Provision.”

What happens to my pension if I retire early?

If your plan lets you collect your pension at an early retirement age, your monthly benefit will probably be much smaller than the benefit you could receive at age 65. This is because by starting earlier, you will receive payments for more years.

What happens to my pension if I change jobs?

In most cases, your pension will stay in the plan until you reach retirement age. Some plans allow you to take your money out in a lump sum after you leave your job, but they are not required to do so. For additional information, see WISER's fact sheet "Lump Sum Pension Payment".

What happens to my pension if I die?

If you die, your spouse will receive half of your company or union pension when he or she reaches retirement age, unless you both have agreed in writing to give up this spousal protection. If you are in a government plan, there may be different rules.

If my spouse has a pension and dies, will I receive a benefit from the pension?

Under the federal pension law, traditional company and union pension plans must provide a survivor's benefit to the spouse if the pension participant dies first. The survivor's pension can only be given up if the spouse gives permission in writing. Different rules apply to certain other retirement plans, such as 401(k)s. If your spouse worked for a federal, state or local government, then you must find out what that government organization's laws require.

Do I have pension information from all of my jobs?

If you are working under a company or union pension plan or have earned a benefit from a previous plan, you can ask for a statement detailing the amount of your benefits. Also, when you apply for Social Security, you will be told about any pension benefits you have earned. Government plans also usually provide information about pension benefits.

Do I contribute to a 401(k) or other retirement savings plan?

A growing number of employers offer voluntary savings plans, such as 401(k)s, to their employees, either to supplement or substitute for a pension plan. These plans typically allow you to reduce your taxable income by the amounts you contribute, and many offer matching contributions by employers.

How much will my Social Security benefit be?

The easiest way to get an estimate of how much your Social Security benefits will be is by signing up for a free Social Security account online at www.ssa.gov/myaccount. You can also call the Social Security Administration at 1-800-772-1213.

Find out more at: www.wiserwomen.org



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