

Working Moms Are Neglecting 401(k) Rollovers. Why Advisors Should Help.

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Rolling over a 401(k) account when switching jobs can be so cumbersome that many people procrastinate on consolidating their accounts. As a result, they may pay excessive account management fees, suffer weak returns because portfolios aren't optimized, or in some cases, lose out on funds they forget to claim.

For women, consolidating their retirement accounts has an added layer of urgency. Women tend to change jobs more than men. And because they tend to work for fewer years and get fewer raises, women have to save nearly twice as much of their salary on a percentage basis to retire with the same amount of money as men, a TIAA insurance report found.



The pandemic had adverse effects on working moms.
Lulia Versta/Dreamstime

"It's really hard to actually measure how well things are doing if it isn't all consolidated for reporting in one place," says Kara Duckworth, managing director of client experience at Mercer Advisors.

Rolling over a 401(k) can eat up a busy mother's most precious resource: time. "Every woman I've ever met would just say there's not enough time in the day," Duckworth says.

Helping working mothers consolidate their accounts is an area that advisors looking to attract new assets shouldn't overlook.

Edward Jones advisor Dustin West frequently works with female clients, who will often walk into his office with a stack of paperwork—prospectuses, junk mail, statements, tax notifications, and more. Many are intimidated by the paperwork and are afraid to make the wrong decisions regarding their retirement savings, he says.

"I feel like I can come alongside them and say, 'Look, I know what this is. This is written in a language that I understand. Let me put it in the language that you understand and then let's get everything consolidated,'" West says.

Consolidation options. When leaving a job, employees have the choice to roll over their 401(k) to their new employer or to an IRA, cash out their savings or keep the account at their previous employer.

More than 16 million "forgotten" accounts of \$5,000 or less remained in workplace plans from 2004 to 2013, amounting to a total of \$8.5 billion, according to the Government Accountability Office—a number that has only grown in recent years. As employees accrue retirement accounts, their former employers may go out of business, merge with other companies, or terminate accounts, making it harder to reclaim the savings.

Failing to consolidate accounts can have other serious long-term consequences, from diminishing clients' portfolio performance to complicating the estate planning process. Sometimes leaving the account at a previous employer or cashing out is the best option for a client, but it usually isn't, says Catherine Valega, advisor at Green Bee Advisory.

"I don't want to leave it at the old employer," she says. "I want to make sure we're going to manage it appropriately and aggressively enough so that it's going to grow." When employees under age 59 ½ cash out their 401(k) savings, they generally have to pay a 10% penalty on top of income taxes and lose out on the ability for those funds to grow tax-deferred.

Women have historically been more conservative investors than men, which can be an added hindrance for accumulating retirement savings, Valega says. Sitting down with female clients and explaining how their assets are allocated and educating them on long-term performance of some more aggressive investing strategies can go a long way toward overcoming that challenge, she adds.

A worsening problem. The pandemic, during which many women left full-time employment as childcare burdens rose, may have increased the retirement gap between

men and women. A [Newsweek](#) analysis found it has cost women more than a quarter of a million dollars in retirement savings on average.

About a quarter of women said their confidence in their ability to retire comfortably has declined because of the pandemic, [according to the Annual Transamerica Retirement Survey](#). Only 17% of women were “very confident” that they would be able to retire with a comfortable lifestyle, the survey found.

The caregiving responsibilities that often fall on women have always been an added challenge for increasing savings, but the pandemic erased much of the gains made in incorporating working mothers into the workforce.

“Covid has been really cruddy for working moms, certainly with young children where they wind up getting stuck either decreasing their hours, or leaving their job altogether, to take care of them,” Valega says.

One in four women surveyed between June and August 2020 were considering leaving the workforce or downshifting their careers, compared to one in five men, according to [McKinsey](#). Almost one-quarter of women with children under 10 were considering leaving the workforce, compared to 13% of men.

Many of those who left the workforce opted for part-time or project-based work, which may not offer benefits or retirement contributions, says Gregory Robinson, CRO of The Mom Project, a digital talent marketplace for working mothers. The Mom Project recently partnered with Capitalize, a fintech company that helps users consolidate their retirement accounts, to provide rollover assistance on their platform.

Through the partnership, The Mom Project’s community can use Capitalize’s services to help them locate old or lost retirement accounts and roll them over to an IRA that is best suited for their specific needs, the company said.

“Most advisors will tell you there’s the accumulation phase of saving for retirement and then there’s the decumulation phase,” says Gaurav Sharma, Capitalize CEO and co-founder. “We actually think there’s a phase up front, which we call consolidation. You can’t really accumulate or decumulate your money effectively if it’s split in three or four or five different accounts.”

401(k) rollovers are just one aspect of the problem, but one where advisors can play a crucial role.

“It does help to have someone who can help you with the paperwork, consolidating it and taking that list off of your plate so that you can get control, easily and time effectively,” Duckworth says.