



RETIREMENT SECURITY FOR WOMEN

Women need more retirement resources than men, not only because they live longer on average, but because they have higher medical costs. In actuality, though, women's retirement income, on average, is less than men's.

Women have entered in labor force in growing numbers over the past 50 years, and have an increased presence among the ranks of highly skilled and well-paid employees. More women than men are earning bachelor's degrees, and they are also more likely than men to enroll in an employer's retirement savings plan when they have the option.

So why are women who are near retirement or newly retired at greater financial risk than their male counterparts? And what can be done about it? Those are the questions Leslie Papke, Lina Walker, and Michael Dworsky raise in "Retirement Security for Women: Progress to Date and Policies for Tomorrow," which they published in 2008 under the auspices of Brookings Institution's Retirement Security Project. Women's unique retirement issues tend to be overlooked in broader policy discussions, the authors argue, although women are much more likely than men to face a financial shortfall as they age.

RETIREMENT SAVINGS

While more women hold paying jobs than ever before, they have less accumulated in retirement savings accounts than men do—\$34,000 on average for women vs \$70,000 for men according to data published the Survey of Consumer Finances in 2006. This appears to be the case even though women are slightly more likely than men to participate in an employer's voluntary savings plan when one is available (58% for women in contrast to 55% for men) and they contribute almost the same percentage of their earnings (7.2% for women and 7.5% for men).

The disparity in retirement savings reflects the fact that women on average earn 20% less than men, tend to

→ A QUICK LOOK

- Women accumulate less in retirement savings plans than men do. Median savings are \$34,000 for women and \$70,000 for men.
- Married women's income drops significantly when their husbands die, and that drop is greater in households where Social Security is the primary source of retirement income.
- Among Medicare recipients, women spend 24% of their income on medical out-of-pocket expenses, while men spend 19% on these expenses
- 75% of nursing home residents are women, at an average annual cost of \$70,000.

have shorter and more interrupted careers, and are more likely to work part-time or in lower-paying occupations than men. This pattern even applies when women have professional credentials.

Married women tend to be in a stronger financial position than unmarried women because they can depend on spousal benefits for their financial security in retirement. When their spouses die, however, much of that security disappears, essentially overnight. Married women's income drops significantly when their husbands die, and that drop is greater in households where Social Security is the primary source of retirement income.

EMPLOYER PLANS

The authors point out that, in one way, the move to defined contribution (DC) plans may help women as they save for retirement. That's partly because 403(b)s and similar plans are portable, put less emphasis on long-term job tenure, provide immediate vesting for employee contributions, and have shorter vesting periods for employer contributions.

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What DC plans don't provide is guaranteed lifetime income through either a single life or joint and survivor annuity. That guaranteed income is essential, the authors argue, to women's financial security in retirement. Not only do women live longer than men, but they tend to have higher out-of-pocket medical costs. Among Medicare recipients, for example, women spend 24% of their income on uncovered medical expenses while men spend 19% of theirs.

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Purchasing a lifetime annuity with a lump-sum distribution from a DC plan isn't the remedy it would seem to be, as nonqualified annuities have several drawbacks. The most notable in this context, in addition to the fees and other expenses, is that women must pay more to receive same level of annuity income because of their longer life expectancy. That disparity does not exist in employer-provided annuities.

OTHER SOLUTIONS

The authors describe other steps women can take to improve their long-term financial position, such as purchasing long-term care insurance. The money necessary to pay for custodial care is another area where women's needs outstrip men's. Fully 75% of nursing home residents are women. Average stays cost \$70,000 a year and last about two and a half years. Most retired women are unable to pay these costs from their own resources, and, as money grows tighter, fewer are likely to qualify for Medicaid.

Papke, Walker, and Dworsky also describe initiatives the government can take to facilitate saving for retirement, such as allowing women who leave the work force temporarily to care for an ailing family member to contribute to an individual retirement account (IRA) under strictly controlled conditions.

A CALL TO ACTION

The primary message of this article is clear. Many women are at serious risk of a financially insecure retirement even those who participate in a retirement savings plan when they are eligible. More must be done on a number of fronts to protect their financial futures.

The study, "Retirement Security for Women: Progress to Date and Policies for Tomorrow," was written by Leslie Papke, Lina Walker, and Michael Dworsky for Brookings Institution's Retirement Security Project. It was published in February 2008, and includes an extensive list of sources that back up the findings.