



Impact of Retirement Risk on Women



Introduction and Background

Living much longer than their parents' generation, today's seniors are spending more time in retirement than in the years planning for it. Until recently, retirement planning as a structured process consisted primarily of actions taken and decisions made in the years leading up to the event itself. Beginning in the mid-1990s, the Society of Actuaries (SOA) recognized the need to focus on the entire spectrum of post-retirement risks and how they are managed. The Retirement Needs Framework Project was instituted to address these risks.

The outgrowth of this project has been a series of surveys conducted biennially since 2001 on the SOA's behalf by Mathew Greenwald and Associates, Inc., and the Employee Benefit Research Institute (EBRI). The 2013 Risks and Process of Retirement Survey is the seventh biennial study of public perceptions related to such risks. The survey was conducted during a period of slowly recovering housing values and employment. However, concerns about the economy, public policy, the federal deficit, and programs for supporting retirement remained high. The survey was preceded earlier in 2013 by a series of eight focus groups, which probed resource-constrained participants on their decision process for retiring and their views on managing assets after retirement.

The 2013 Risks and Process of Retirement Survey is designed to evaluate Americans' awareness of retirement risk, how their awareness has changed over time, and how these perceptions affect the management of their finances. To further the understanding of key issues as well as changes

in perception of risk, the Risks and Process of Retirement Surveys include new questions with each iteration, and not all questions are repeated from year to year. In addition to providing summary reports on the overall survey results, the SOA develops highlights reports on special topics related to each survey. This highlights report focuses on special issues for women. It was prepared in cooperation with the Women's Institute for a Secure Retirement (WISER). WISER's mission is to improve the long-term financial security of women through education and other activities. Additional short reports based on the 2013 survey relate to American's perceptions of major retirement risks, methods of personal risk management, and phases of retirement.

Unlike the previous six iterations that were conducted by telephone, this survey was conducted through online interviews. As part of the survey, 2,000 adults ages 45 to 80 (1,000 retirees and 1,000 pre-retirees) were interviewed in August 2013. An additional 200 interviews were collected among retired widows. This is the first time data was collected on retired widows separately. Individuals were selected for participation using Research Now's nationwide online consumer panel.

Survey responses from current retirees and those not yet retired (referred to in these reports as "pre-retirees") are analyzed separately. No effort has been made to oversample individuals with high levels of assets, and the results therefore do not provide specific insights concerning high-net-worth individuals. Only 5 percent of pre-retirees and 12 percent of retirees report having investable assets of \$1 million or more.

The series of eight focus groups was conducted in May 2013 in four locations: Baltimore, Chattanooga, Chicago and Phoenix. The study was designed specifically to examine retirement decisions for individuals who were not forced to retire because of ill health or disability. The discussion topics focused on the decision to retire and participants' views on managing their assets after retirement. The research sample was limited to retirees who have some assets, but also some financial constraints. All of the participants in the focus groups had between \$50,000 and \$400,000 of investable assets. None had income of over \$2,500 a month from rental properties and defined-benefit plans. That restriction allowed the research to focus on people with some financial constraints: The participants had a more financially complex decision about retirement than people with considerably higher investable assets. Groups were separated by asset level and by gender.

How This Report Is Organized

This report presents, identifies and analyzes special issues for retirement based on the findings from the 2013 Risks and Process of Retirement Survey. It updates previous reports on women and retirement that were based on the 2005 and 2009 surveys. For each question, the results are provided with a brief explanation and, where relevant, incorporating quotations from focus group participants to illustrate and reinforce the findings. It should be noted that the survey included both retirees and pre-retirees, but the focus groups covered only retirees. Responses from retired widows are separately reported because this is an especially vulnerable segment of the retired population. For a balanced perspective, the discussion sections in this report include input from the Project Oversight Group, all organizations that supported the studies, and material from other related research. At the end of the report, essays from some of the Project Oversight Group members provide additional insights. ►►

Perspectives on Women and Retirement

Women outlive men by three to four years on average, and, as a consequence, they represent a majority of older Americans. They have fewer years of work on average and lower earnings. Therefore, an understanding of the post-retirement risks that women face today is particularly important. In 2011, the first wave of the baby boom generation reached 65. Although this was traditionally the age for “normal” retirement, changes in the workplace, family makeup and expected longevity are changing retirement expectations and realities.

While it has long been known that there are differences in retirement situations by gender, this report highlights areas of difference not often considered. The focus groups showed major differences between men and women. Responses from retired women revealed very different concerns and feelings about retirement, views of caregiving obligations and family relationships, level of optimism, vulnerability, and planning behavior. The retired men in the focus group sample were more optimistic, confident, and more likely than women to think they could adapt to changes in their financial situation. Women seemed much more concerned about financial security than men and were more concerned about running out of assets, needing long-term care, being a burden on their children, and impacting the financial success of their children. Women appeared more sociable than men and more family oriented. They were much more likely to be caregivers and to retire in response to family needs.

As noted in the introduction, the focus group sample was specifically designed to include retirees with some financial constraints. Although this means that the results are not statistically generalizable to all retired women, the expressed concerns are certainly of importance to a broad cross-section of them. Financial security in general, and the need for receiving long-term care in particular, affect women differently than men because most women will outlive their male counterparts by several years.

In contrast to the focus group findings, the survey results showed relatively minor gender differences, as in prior years. In their responses about retirement risks, women were generally more concerned than men and pre-retirees were more concerned than retirees. Although the gender differences in responses to this survey are not by themselves major, it must be recognized that life situations for women are quite different and the bottom line in planning for their economic security in retirement is likely to be more challenging. Of greater interest are the differences in survey responses between pre-retired women, retired women, and the subgroup of retired widows. This report highlights the ways in which the attitudes and experiences of retired widows can be quite different from those of other retirees.

The issues discussed in this report and in the work of the Committee on Post-Retirement Needs and Risks apply primarily to the middle economic quintiles. The top quintile has adequate resources and its concerns are not focused on managing post-retirement risk but more heavily



focused on preserving and growing assets, and planning to maximize bequests and minimize estate taxes. In sharp contrast, the lowest economic group has virtually no financial assets and is almost completely dependent on Social Security for retirement income. For these reasons, post-retirement risks and risk management strategies discussed in this report are much more applicable to middle-income households.

One of the more significant survey findings in this and prior surveys is the relatively short planning horizon for most people compared to their remaining life expectancy. This affects women more than men, simply because, on average, they live longer. Married women have considerably different issues than single women. Although they tend to live longer and be better off financially than their single, divorced and widowed counterparts, a majority of them can expect to eventually be widowed. For these reasons, married couples need to think carefully about planning for the survivor's needs. Among the approaches to protect the survivor are investment strategies that preserve assets, purchasing life insurance and joint and survivor annuities and payout options for the survivor, keeping some assets in separate names, and long-term care insurance. Research shows that many couples plan for retirement while both are alive without planning for the survivor after the first dies.

Many women still collect Social Security benefits based on their current or a former husband's work record. Delayed claiming of benefits can be a beneficial strategy for maximizing lifetime benefits, especially important for those in the middle and lower quintiles who may not have other cost-of-living-adjusted lifetime income sources. Women are affected by claiming decisions, both with regard to their own benefits, and their benefits as spouses, survivors and divorced individuals. Survey results indicate that many pre-retirees plan to delay Social Security claiming, but fewer retirees have actually done so.

The challenge of retirement security is all the greater because many women have a short-term rather than long-term planning horizon. Both the survey responses and the focus group research indicate that many people manage intuitively on a day-to-day basis. This report should serve as a call to action by employers and employees, and by all groups advocating for employees and retirees, to accelerate the enormous task of preparing the women of the baby boom generation for the challenges ahead. ▶▶

Overview of Retirement Risks for Women

Risk	Potential Range for Risk	Issues for Women
Outliving assets	At age 65, average life expectancy is 18 years for American men and 20 years for women. Approximately 30 percent of women and 20 percent of men will survive to age 90. National survey data and simulation studies suggest that middle income households have not saved enough to meet all expected retirement expenses. ^a	Women have lower savings, lower private pension coverage, and depend more heavily on Social Security for retirement income. Women are more likely to live longer and to be alone. Widows are exposed to the additional risk that household resources are depleted by their spouse's health costs.
Loss of spouse	Because women have longer life expectancy and traditionally have married older men, periods of widowhood of 15 years or more are not uncommon. For many women, the death of a spouse results in a decline in standard of living.	Women are much more likely to be alone in old age, and old women are more likely to be poor. For those over age 85, 45 percent of the men and 85 percent of the women are widowed.
Decline in functional status	At least 70 percent of people over age 65 will need long-term care services and support at some point. Women are more likely to have longer periods of chronic disability and more likely to need care in a long-term facility or from a paid caregiver. ^b	Women will spend longer periods of time in a state of chronic disability and are less likely to have a spouse-caretaker.
Health care and medical expenses	A 2014 study estimates that health care costs for a retired couple age 65 could amount, on average, to \$220,000 over their retirement, not including long-term care expenditures. ^c The median annual cost of care ranges from \$40,000 to \$80,000, depending on the level of care needed. ^d This implies that lifetime costs can amount to \$1 million or more for some couples.	Health costs may affect women more than men because they have lower income but are exposed to similar medical costs. Women are less likely to have employment-based retiree medical benefits.
Inflation	Over the period 1980-2012, annual inflation in the United States for all items averaged 3.4 percent. Inflation has been lower in recent years, averaging less than 2.4 percent from 2003 to 2012. For medical care inflation, the annual average 2007-2013 was 3.1 percent but averaged nearly double that rate over the preceding 20 years. ^e	Inflation has a larger impact on people who live longer and is thus a bigger issue for women. The effect also compounds over time.
Lower lifetime earnings and wealth	Social Security benefits and employment-based retirement and pension benefits all depend on earnings history and years of employment. Employment retirement plans are shifting investment responsibility to workers. If women invest more conservatively, they will on average have lower accumulations at retirement.	Median earnings for women working full time are less than 80 percent of what men earn. Women are less likely to work at employers who sponsor retirement plans. Fewer retired women receive income from pensions and annuities based on their own employment and average income from these sources is much lower than for men.

^a Social Security Administration, 2010 Period Life Table; Bajtelsmit, Foster and Rappaport (2013).

^b Kaiser Family Foundation, "Medicare's Role for Older Women" (2009): <http://kff.org/womens-health-policy/fact-sheet/medicares-role-for-older-women>.

^c Fidelity Benefits Consulting, "Retiree Health Care Costs Estimate" (2014).

^d Genworth Financial, "Cost of Care" (2014): www.genworth.com/costofcare.

^e "Trends in Health Care Cost Growth and the Role of the Affordable Care Act" (November 2013): http://www.whitehouse.gov/sites/default/files/docs/healthcostreport_final_noembargo_v2.pdf; Consumer Price Indices, U.S. Bureau of Labor Statistics (2013).



Notes

Men and women have similar expectations and experiences with respect to retirement timing.

Survey Findings

Male and female respondents report similar expected and actual retirement ages. Male and female pre-retirees expect to retire at a median age of 65. Male and female retirees report that their actual age at retirement was a median 58 for male retirees and 59 for female retirees. Retired widows report a median retirement age of 62; they are less likely than other retirees to say they retired before age 55.

Quotes

"I was overworked and probably underpaid. I had a job that I never got caught up.... While I was working there, I had a heart attack, and they said it was because of the stress of the job.... So I thought that, in order to live a long time, I had better retire. So I did."

**Retired female,
Chattanooga**

"I retired because it was for my own sanity and I figured the other people that were there, most of the women were single and they needed the insurance. I had my husband's and I thought, "What am I doing here?"

**Retired female,
Chicago**

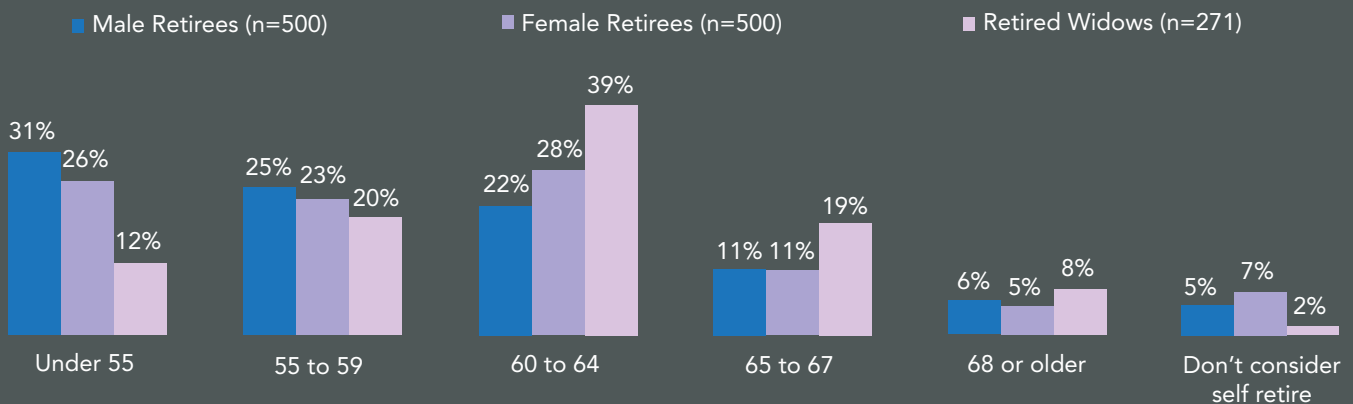
Pre-Retirees: At what age do you expect to retire or begin to retire from your primary occupation?



Discussion

Similar retirement ages imply longer periods of retirement for women. In married couples, women are most likely to spend their last years as widows. While retirement ages are similar, the focus group responses show that the forces influencing the decision to retire are different by gender. Several women commented on leaving work for stress-related reasons, and being able to rely on a spouse's insurance and other benefits may enable married women to retire earlier. ▶▶

Retirees: At what age did you retire or begin to retire from your primary occupation?



Women report fewer years of full-time employment over the course of their working career.

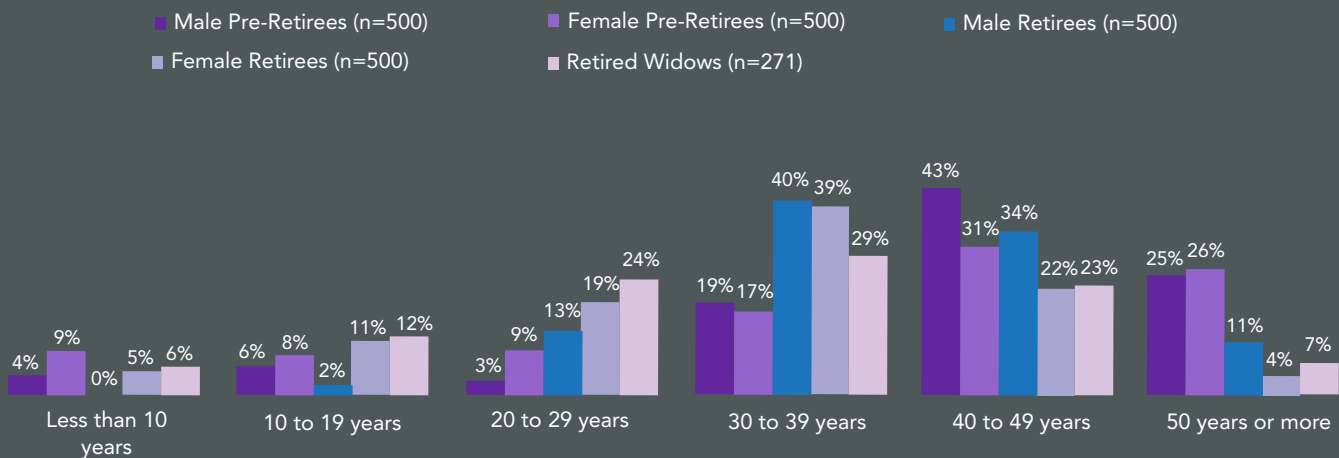
Survey Findings

Despite the fact that they report roughly similar retirement ages, women tend to report having fewer years of full-time employment. Only 57 percent of female pre-retirees and 26 percent of female retirees say they have worked (or expect to work) full time for at least 40 years, compared with 68 percent of male pre-retirees and 45 percent of male retirees. Retired widows' experience with full-time employment is roughly equivalent to that of other female retirees.

Discussion

Gender differences in work history have been a major contributor to differences in retirement resources. Although more women are in the workforce today, women are more likely to work part-time and to experience breaks in employment for family caregiving. They also are more likely to claim Social Security benefits based on their spouse's earning history than their own. Female employees are more concentrated in lower-paid occupations, such as education and retail, and are less likely than men to have generous retirement plans. For those with pensions, shorter years of service imply lower pension benefits for women than men, all else equal. ▶▶

In total how many years (do you expect to work/did you) work full time for pay over your working life?





Notes

Women are more likely than men to say that their spouse's retirement and caregiving responsibilities prompted them to retire.

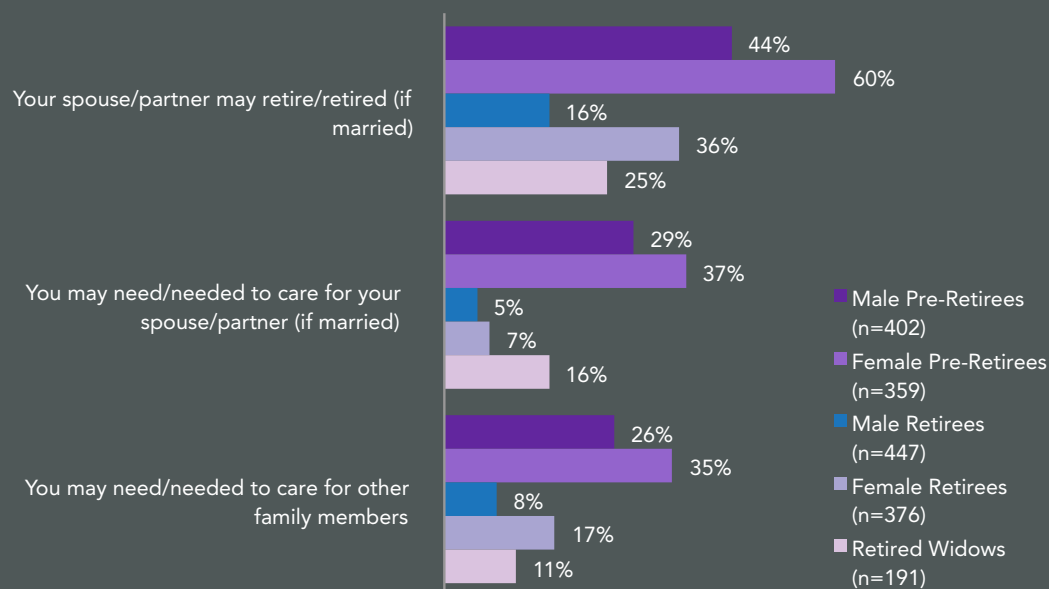
Survey Findings

Women are more likely than men to indicate that their spouse's retirement was a factor in their own decision to retire. For example, 60 percent of female pre-retirees and 36 percent of female retirees say that their spouse's retirement decision influences their own retirement decision, as compared with only 44 percent of male pre-retirees and 16 percent of male retirees. Women are also more apt to say that caregiving responsibilities, particularly the need to care for other family members, affect their decision to retire. Although not as common, the focus groups also showed a few men who had been substantially involved with caregiving.

Quotes

"I started to think about retiring in two contexts. The first was that my mother was ill and my husband was dying of esophageal cancer and I had a brain tumor. That was pretty much all at the same time. I was a caregiver while I was in that state. And working." **Retired female, Chicago**

How much (do you think each of the following personal issues will/did each of the following personal issues) affect your decision to retire from your primary occupation?



Discussion

Caregiving is an extremely important issue for women and it remains so. This is clear from both the survey responses and the focus groups. Women who leave jobs or scale back schedules for caregiving may not realize what it will cost them in the long run. In addition to reduced lifetime earnings, Social Security benefits, pension accrual and wealth accumulation, caregivers regularly report increased stress. The MetLife Mature Market Institute estimates that the financial cost of caregiving for an individual female caregiver in terms of lost wages and Social Security benefits in 2011 was more than \$300,000.¹ »

¹ MetLife Mature Market Institute, "Caregiving Costs to Working Caregivers: Double Jeopardy for Baby Boomers Caring for their Parents" (June 2011).

Notes

Women are more likely than men to spend time providing care to others during their retirement.

Survey Findings

Women are more likely than men to say they will/do spend at least one hour per week during retirement caring for their spouse or partner, their children or grandchildren, or others not related to them. The largest gender differences in responses relate to caregiving for spouses, children and grandchildren. Men and women are equally likely to report caregiving for parents or parents-in-law.

An interesting finding from the survey is that pre-retirees are more likely to say they will spend time giving care than the retirees report they actually have. For most categories of care recipients, the retirees report less than half the caregiving that is expected by the pre-retirees. Half of the retired widows report having provided care for a spouse or partner, presumably in the period preceding death. In contrast, only one-third of female retirees and one-fourth of male retirees report having provided care to their spouse or partner. This latter result is likely an age-related issue and would be expected to increase in prevalence as health deteriorates in old age.

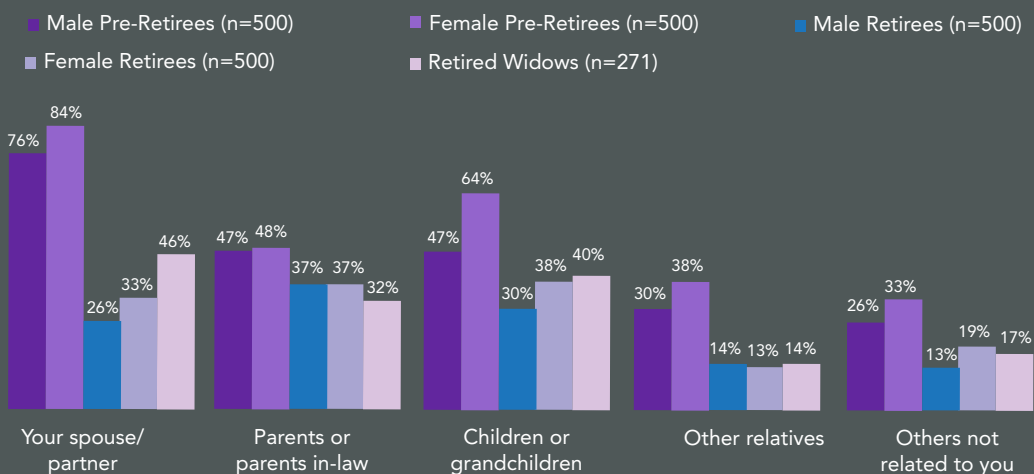
Quotes

"My father was always very large and in charge. But I read somewhere that it is on the bed of affliction where we learn so many things. Both sets of people. He ended up in hospice. Dad never wanted anybody to do anything for him ... but he learned how to allow someone to serve him. And, by the same token, his children learned ... to serve."

**Retired female,
Chattanooga**

Thinking about the year when your caregiving duties in retirement, if any, (will be/were) at their heaviest, about how many hours a week on average (do you think you will/did you) spend caring for others?

(Percentage of all survey respondents saying they will/do spend at least one hour per week)



Discussion

The survey results are consistent with data on caregiving from other sources. The percentage of adults who are providing care for a parent has increased dramatically in the last 15 years. With later marriages, many women may find themselves handling childcare and eldercare, sometimes for multiple family members, at the same time. Although both men and women provide assistance, men are more likely to provide financial assistance and women are more likely to provide physical caregiving.

Heavy caregiving responsibilities can require time commitment that is equivalent to a part-time or full-time job and are often a source of stress in retirement. The survey percentages in the accompanying graph are for all survey participants regardless of whether they report doing any caregiving at the time of the survey. Therefore, it is important to note that some survey respondents spend many hours per week providing care. The costs—in lost personal time and employment income—have a disproportionate effect on women as the primary caregivers. ▶▶

Notes

Pre-retired women are more likely to expect they will miss having a regular paycheck and other aspects of their job.

Survey Findings

Among both pre-retirees and retirees, women are more likely than men to say they will miss having a regular paycheck. Pre-retiree women are also more likely than pre-retiree men to think they will miss the mental stimulation of having a job, a sense of purpose or feeling needed, and having a structure to their day. An interesting finding is that a large majority of female pre-retirees expect to miss multiple aspects of their job, but the percentage of female retirees that report actually missing them is significantly lower. In contrast, there is no significant difference in the male pre-retiree versus retiree responses except in their response to missing the regular paycheck.

Quotes

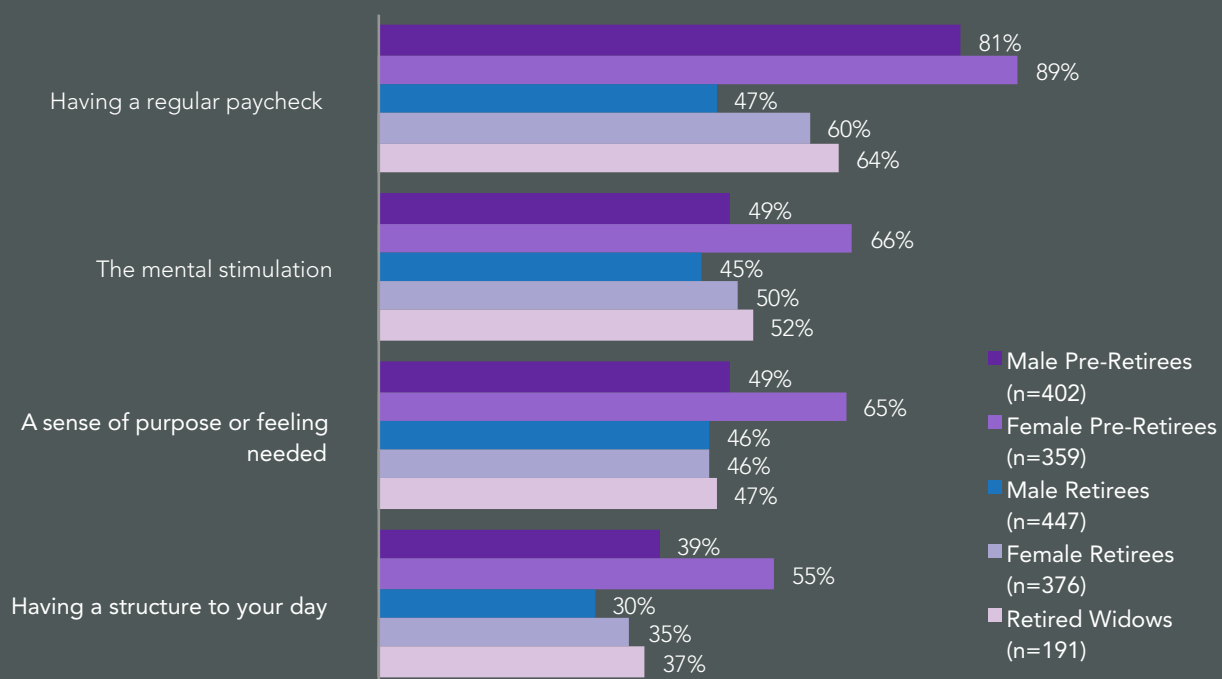
"I would not have retired. Because, once you're retired, you can't go back and make any money—not any sizable amount of money."

Retired female, Baltimore

"I don't know that I like being retired. I kind of like getting out there and going and having friends and sitting down for coffee and complaining about the company and how to make it better and everything else."

Retired female, Chattanooga

How much do you think you will/did you miss the following aspects of your job?



Discussion

The answers to this survey question are just one of many examples of the differences between pre-retiree expectations and retiree experiences. Focus group findings showed greater differences in experiences. »

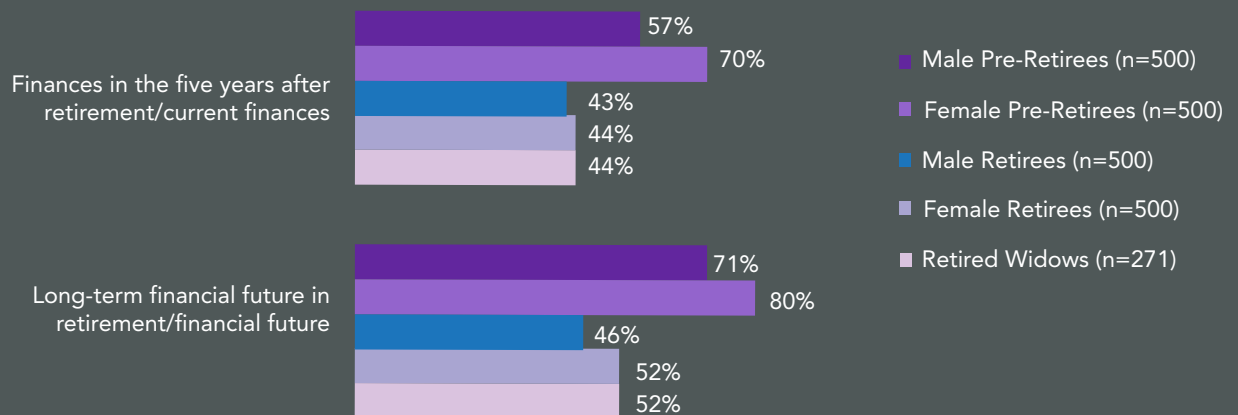
Notes

Female pre-retirees are especially likely to report being concerned about their financial future.

Survey Findings

Pre-retired women are more likely than their male counterparts to state they are very or somewhat concerned about their finances in the five years after retirement (70 percent of women versus 57 percent of men) and their long-term financial future in retirement (80 percent of women versus 71 percent of men). Retired survey participants are somewhat less concerned about these issues, and the men and women show no significant differences.

Overall, how concerned are you about your ... ?



Discussion

The survey findings are consistent with the focus group research in that both research groups are worried about future finances. For women, it is very realistic to worry about retirement finances, given their longer life spans, lower income and asset levels. The project team observing the focus groups found the women to be much more concerned about the future and realistic about some of the risks involved. ▶▶

Notes

Pre-retired women have greater concerns about inflation and maintaining their standard of living in retirement.

Survey Findings

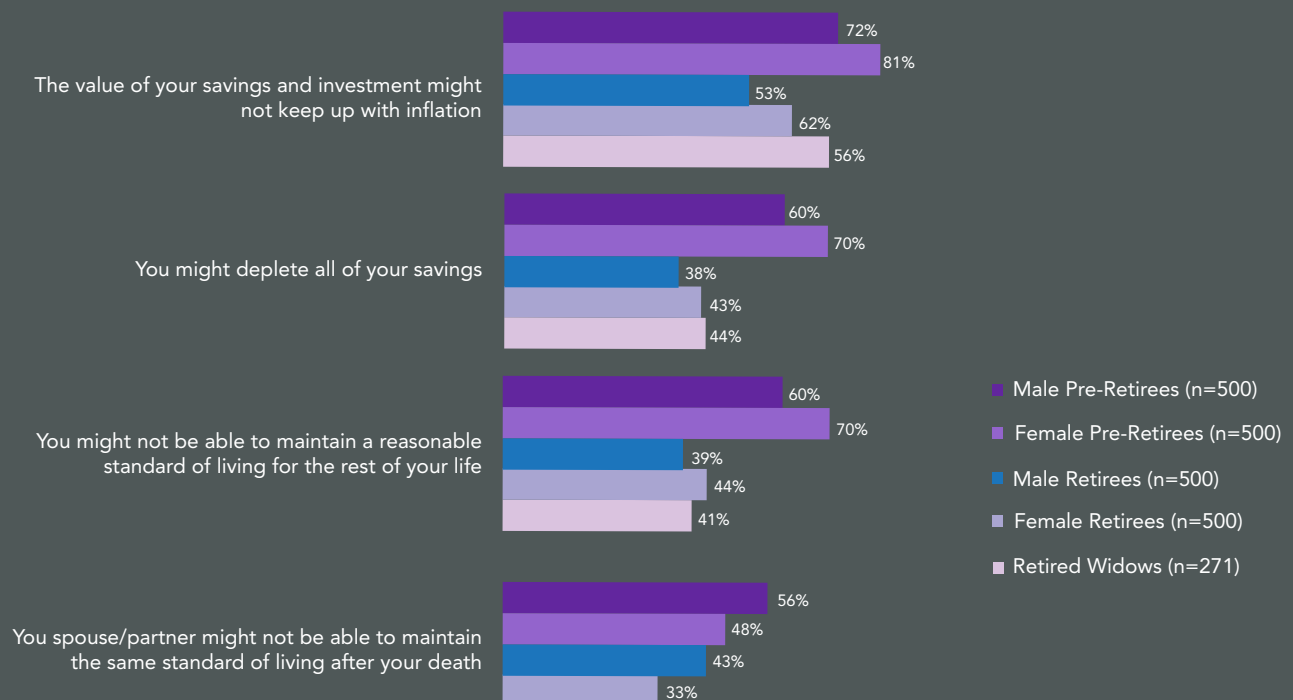
Both retirees and pre-retirees express concerns about inflation, maintaining their standards of living, and running out of money. However, pre-retired women are much more likely than others to say they are very or somewhat concerned about these risks. Inflation is a concern for 80 percent of the pre-retiree women, and 70 percent are worried about depleting savings and maintaining their standard of living in retirement. Retirees, both male and female, are less concerned about these risks than are pre-retirees, and the gender differences among retirees are lower.

Quotes

“My main financial concern is inflation and our incomes not keeping up with it.” **Retired female, Chattanooga**

“I want my money to last long enough. Maybe a little bit longer than me.” **Retired female, Chicago**

How concerned are you that ... (in retirement)? (Percentage very or somewhat concerned)



Discussion

As in prior studies, the pre-retirees are generally much more concerned about retirement risks than retirees are, and the gender differences are larger among pre-retirees than retirees. Women may be more likely to express concern because they are less financially prepared or because they are more aware of their longevity risk exposure. As in other reports in this series, the generally lower level of concern expressed by retirees may be a reflection of their accommodation to their retirement status. The focus groups provide interesting insights when considering the lower level of concern among the retiree sample. Focus group participants indicate that many retirees adapt to changes and risks as they occur, limiting their exposure to shortfalls primarily by reducing spending. ▶▶

Notes

Pre-retiree women are more concerned about health costs and mental incapacity.

Survey Findings

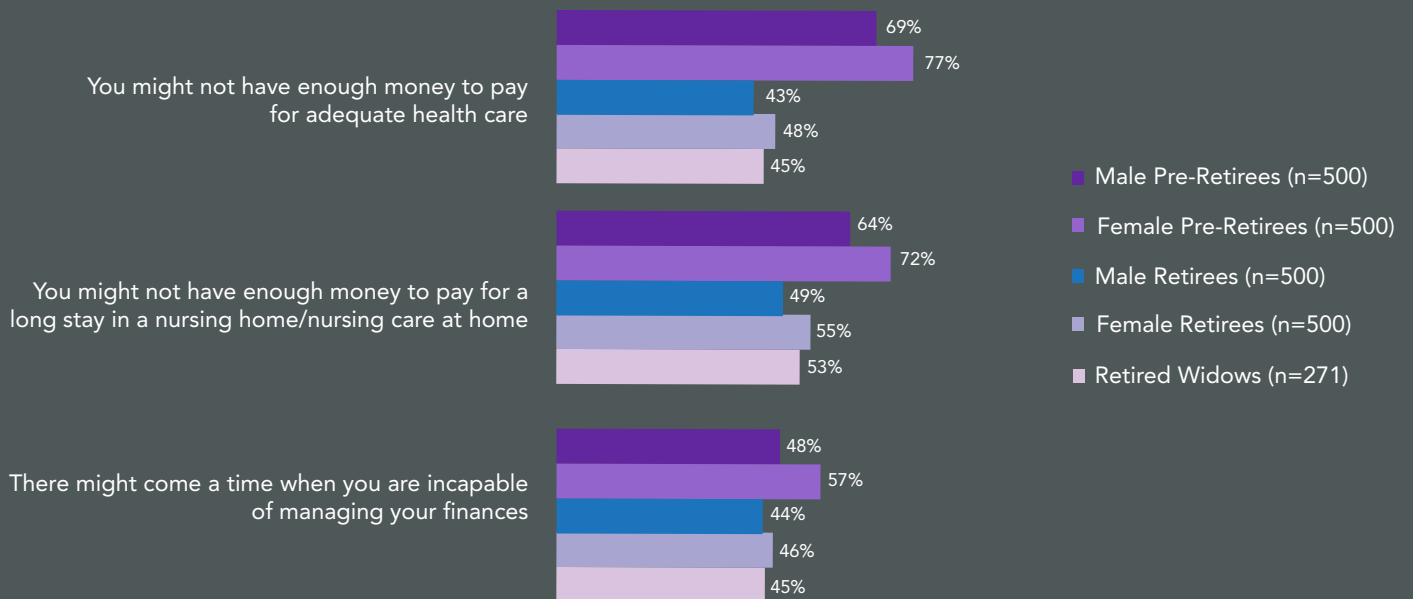
Three out of four pre-retiree women are very or somewhat concerned about having sufficient funds to cover future health and nursing home costs. Only half of the retirees expressed this level of concern. The focus group participants also expressed similar feelings. Pre-retiree women are also more worried about future mental incapacity than pre-retiree men or retirees.

Quotes

"Main financial concern is medical expenses, and will we have enough."

Retired female, Phoenix

How concerned are you that ... (in retirement)? (Percentage very or somewhat concerned)



Discussion

Women generally outlive their spouses and therefore may be left to deal with health and long-term care costs alone or with the help of relatives. With greater longevity also comes the greater risk of mental incapacity. The greater level of concern expressed by the pre-retiree married women may be because they anticipate the financial difficulties they may face after the death of their husband. They also may have had more direct experience with a female relative dealing with health and financial issues in old age. Post-65 (and severely disabled) persons have Medicare, whereas others secure health insurance through their employers or on their own. Medicare covers minimal long-term care expenses. It is reasonable that people pre-65 should be more concerned about health care than those after age 65. Women also have a longer expected period of needing long-term care. Not only do they live longer, but they also have a longer expected period of disability. ▶▶

Notes

Women's planning horizons are too short.

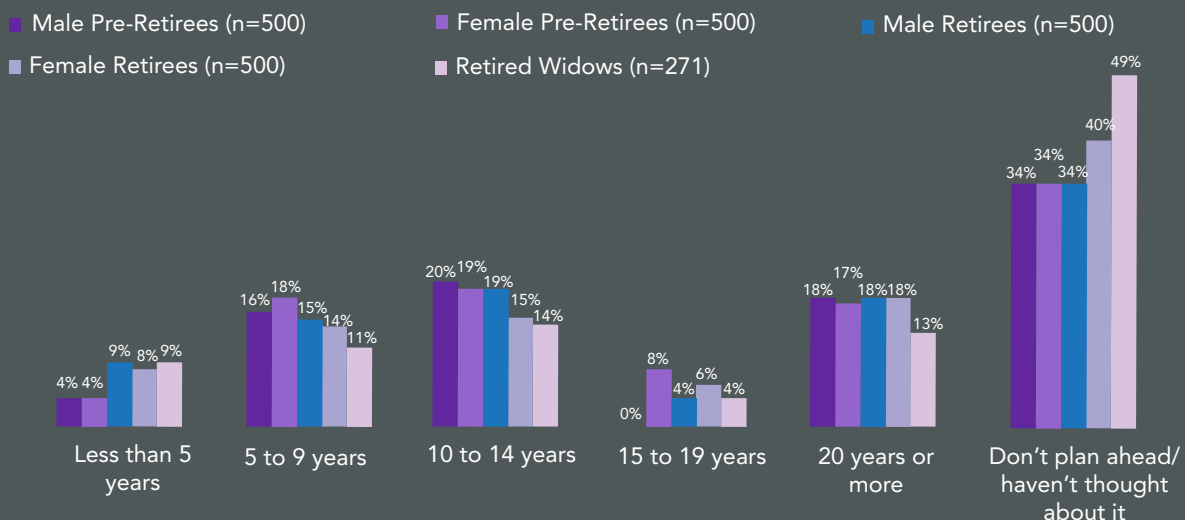
Survey Findings

Despite the high percentage saying they are concerned about various retirement risks, when asked how many years ahead they look into the future in making important financial decisions, more than one-third of the survey respondents say that they don't plan ahead at all or have not thought about it. For those who gave numerical responses, men and women report having similar planning horizons, typically looking 10 years (median) into the future. Only 18 percent look ahead 20 years or more when planning for retirement finances or large purchases.

Discussion

The responses to this question present some cause for concern. Women live longer than men, and often are the younger partner in married couples. Given their longer life expectancies and retirement periods, one might expect women to have longer planning horizons than men. Instead, the survey findings indicate fairly short planning horizons for all groups, making it less likely that people are making effective retirement planning and spending decisions. Although this is a problem for both men and women, a much larger percentage of retired women indicate that they do not plan (40 percent of all retired women and 49 percent of retired widows). One explanation for this finding may be that a large percent of elderly women rely exclusively on Social Security for their retirement income. It is also surprising that we find no differences between planning horizons for retirees, whose age might limit their planning horizon, and pre-retirees, who presumably would have a planning horizon that was at least as long as their years until retirement. ▶▶

When you (and your spouse/partner) make important financial decisions, such as when you think about whether you can afford to retire or to purchase a new home/such as when you think about your retirement finances or a large purchase, about how many years do you look into the future?





Notes

Women are more likely than men to underestimate life expectancy.

Survey Findings

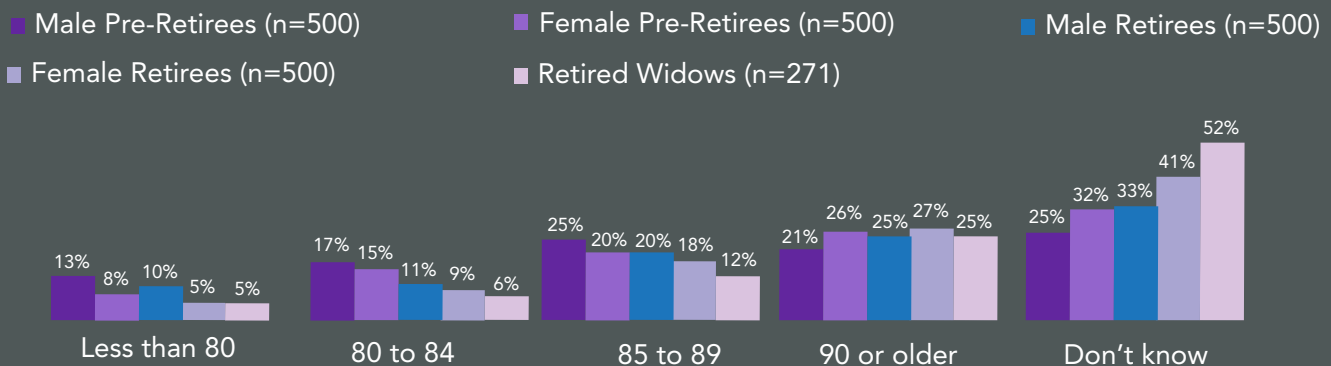
While retired women report a slightly longer life expectancy than retired men (88 vs. 85), pre-retired women and men both indicate a median life expectancy of 85. However, both pre-retired women (32 percent vs. 25 percent of men) and retired women (41 percent vs. 33 percent of men) are more likely to say they do not know how long they can expect to live. Retired widows (52 percent) are even more likely to decline to estimate their life expectancy.

Quotes

"My father died at 76 and my mother is still alive at 91, so what does that mean for me?"

Retired female, Chicago

Until what age do you think you can expect to live?



Discussion

Life expectancy is an important factor in retirement planning decisions. The failure of all survey groups to recognize that they have a significant probability of living to age 90 or over may imply that they have not planned for this eventuality. ▶▶

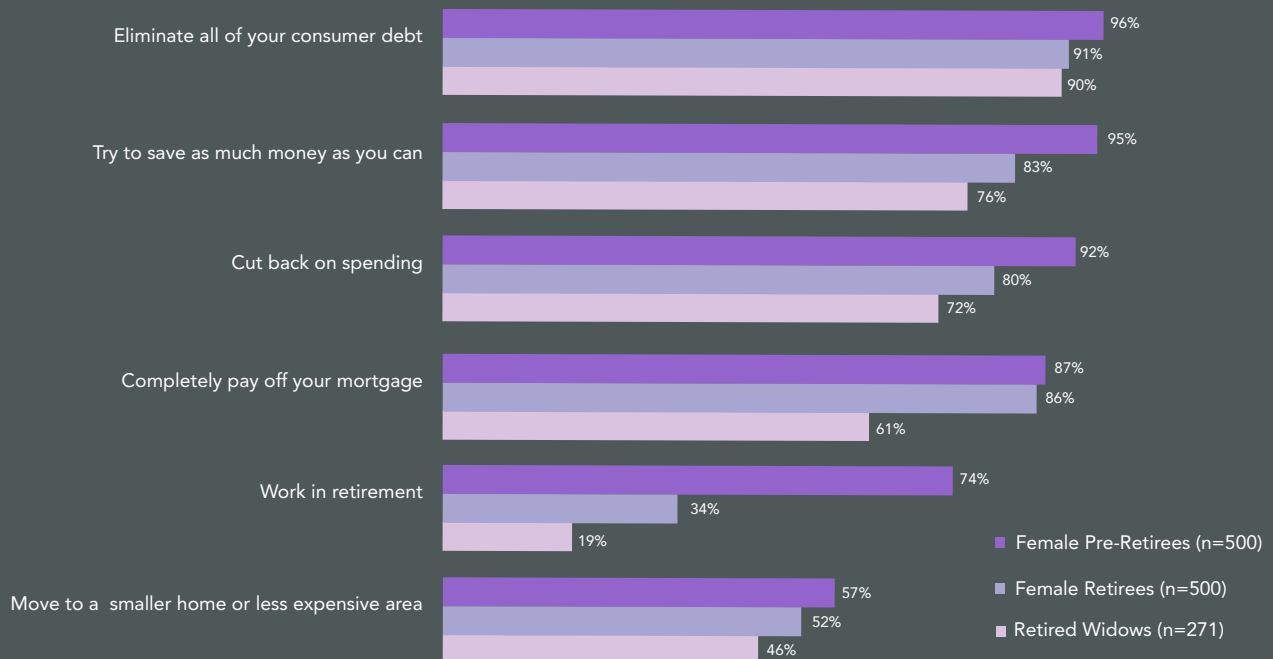
Notes

Most women plan to reduce retirement financial risk by eliminating debt and cutting back on spending, but pre-retirees are much more likely to say they plan to work in retirement.

Survey Findings

Similar to prior years, the survey results showed that women and men often manage risk similarly. However, there are much larger differences between the responses of pre-retired women and those of retired women. As compared to the other women surveyed, a smaller percentage of retired widows say they have implemented the various risk management strategies. Most pre-retiree women say they will work in retirement, but a much smaller percentage of the retirees actually have done so.

Please tell me whether you (and your spouse/partner) have done that, plan to do that in the future, or have no plans to do that.
(Percentage saying they have already done or plan to do in the future)



Discussion

Women on average have less money and may have fewer financial options for managing their retirement risk. This may explain the much smaller percentage of retired widows saying they have done each of the items listed.

The focus groups indicate cutting spending is a major strategy for adaptation. Although more than 90 percent of the women indicate that they plan to eliminate consumer debt, it is not clear that they will all be able to do so, particularly if consumer debt is used for emergencies in the future. Four out of five women also say they plan to pay off the mortgage, but even though it is often recommended as a retirement strategy this may become increasingly difficult because so many people in their 50s today have taken on significant housing debt. ▶▶

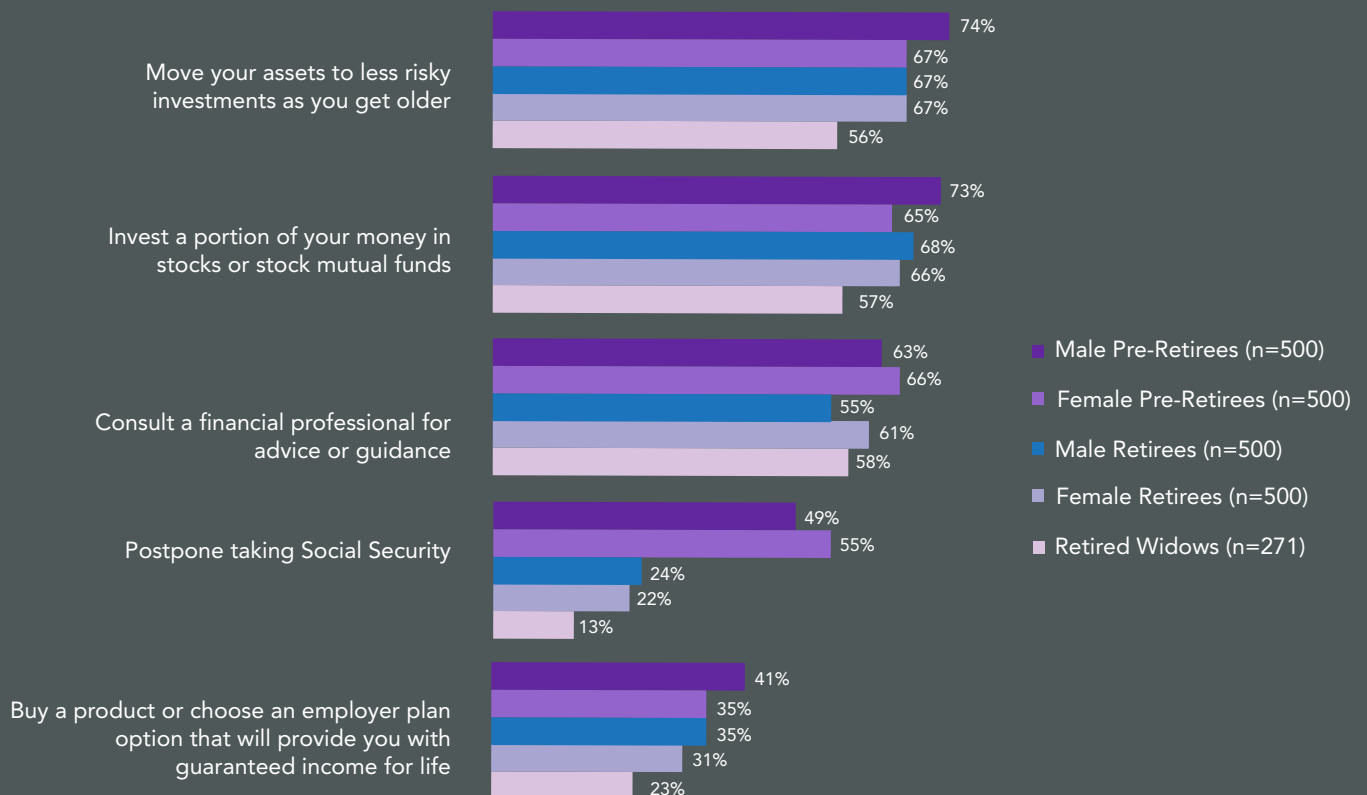
Notes

Pre-retired men are more likely than women to make changes in investments.

Survey Findings

In contrast to some other research, the survey shows fairly similar investment decisions by gender. This is the first survey to separately analyze responses for retired widows. Although retired men and women appear to otherwise make similar decisions, widows are much less likely to say they will make changes to their investments, postpone Social Security, invest in risky assets, or buy life annuities. Women are more likely to say they will consult a financial professional for advice or guidance.

Please tell me whether you (and your spouse/partner) have done that, plan to do that in the future, or have no plans to do that.
(Percentage saying already done or plan to do in the future.)



Discussion

Consistent with other research, pre-retiree men appear to take a more active role in their investments, investing in stocks, and planning to rebalance their portfolios as they get older. Previous research indicates that women are more conservative investors and although two-thirds of the women surveyed say they invest a portion in stocks, this may be a small proportion of total assets. Therefore, the smaller percentage of women than men who say they would move assets to less risky investments as they get older may simply be because they are already in less risky assets.

Social Security claiming can also be considered an investment decision, and it is interesting to note that about half of the pre-retirees indicate that they would postpone taking benefits, whereas only 1 in 4 retirees say they actually have done so.

Given their longer life expectancy, women should have greater demand for products providing guaranteed income. The survey findings indicate that only 1 in 3 women and less than 25 percent of retired widows have bought them. Those with lower income may already be receiving a significant proportion of their income from Social Security, effectively a lifetime cost-of-living-adjusted annuity. For others, the lack of demand for these products could be due to lack of awareness or insufficient funds. ▶▶

Notes



How Plan Sponsors Can Help Women Achieve a Secure Retirement

BY JULIE STICH

We all find it challenging to adequately plan for a secure retirement. Will we have enough money to live comfortably for the rest of our lives? And be able to throw in a trip or two, keep the house heated, spoil the grandkids and buy a new car? It's hard for anyone but, as shown in this report, women face additional challenges.

Speaking generally, women often earn less money than men, on an annual basis and over the course of a lifetime. According to recent findings by the U.S. Bureau of Labor Statistics and other organizations, women earn on average about 83 percent of what men earn. Women are often the primary caregiver in a family, raising children or caring for an elderly parent. As a result, women may spend years working part time or not working outside the home at all.

Eligibility for a pension or retirement plan is reduced when women work fewer hours and years. Lower income means a lower accrual rate in a traditional defined-benefit plan, lower Social Security benefits at retirement, and a lessened ability to save in defined-contribution and other retirement accounts.

Women have a longer life expectancy than men. According to the National Center for Health Statistics, life expectancy at birth is 81 years for females, five years longer than for males (76 years). As noted earlier in this report, by age 65 that difference has shrunk but is still two years—that is, 20 more years for women and 18 years for men. As noted, however, about 3 women in 10 at that age can be expected to survive to 90. This increases the risk that women will exhaust their retirement savings before death. Women are also more likely to become widowed, leaving them vulnerable to economic and health traumas they must weather alone. Research has shown that divorce and widowhood have more pronounced effects for women than for men, likely contributing to higher poverty rates and lower income levels.

Here are some ways plan sponsors can help women achieve a more secure retirement:

- Provide education and information.
 - Offer in-person guidance, especially on a one-to-one basis, with the opportunity to ask questions and get immediate answers.
 - Provide clear and concise information with straightforward choices.
 - Direct women to resources specifically meant for women (four are listed below).
 - Tailor messaging by age.
 - Educate about the Saver's Credit and catch-up contributions.
 - Provide information geared to life events, like marriage or the birth of a child.
 - Emphasize the importance of saving early (compounding) and continually increasing the amount saved.
 - Provide retirement planning checklists and calculators.
- Make appropriate defined-contribution plan design changes.
 - Add automatic features such as auto-enrollment, auto-escalation and rebalancing.
 - Include a lifetime income distribution option.
 - Provide matching contributions.
- Provide access to employee benefits with a financial component—such as life, disability and long-term care insurance—either on a voluntary employee-pay-all basis or partially employer funded.
- Offer flexible work choices to keep women employed full time and benefits-eligible, or employed part time while retaining tenure. ▶▶

Additional Resources

Social Security Is Important to Woman, Social Security Administration: <http://www.socialsecurity.gov/women/>

Wi\$eUp: Financial Planning for Generation X & Y Women, U.S. Department of Labor's Women's Bureau and Texas A&M University: <http://wiseupwomen.tamu.edu/about-us.php>.

Women and Retirement, Women's Institute for a Secure Retirement (WISER): <http://www.wiserwomen.org>.

Women and Retirement Savings, Employee Benefits Security Administration: <http://www.dol.gov/ebsa/publications/women.html>.

Special Retirement Security Issues for Women: Divorce, Remarriage and Social Security Benefits

BY BETH PICKENPAUGH

When a woman is the supporting spouse or partner, it can affect her retirement security. While caregiving affects men as well as women, women more often find themselves in the at-home caregiver role, whether that be caring for young children (their own or grandchildren) or aging parents. They do this at the risk of inadequate accumulation of Social Security and other employment-related retirement benefits. The working spouse accumulates these retirement benefits and they follow that spouse throughout their life—regardless of their future choices. This is not true for the support-role spouse. The retirement consequences of being in a supporting spouse role are felt both after divorce and widowhood, but they can be particularly severe and surprising after divorce. This essay deals with divorce.

In the case of divorce, the marriage must have lasted for 10 or more years for the woman to have rights to her ex-spouse's Social Security benefit.¹ If she is married for a shorter period of time, her financial contribution to the family unit is lost where Social Security benefit accumulation is concerned. If the woman remarries (unless she remarries after 60), she has no right to any of her ex-spouse's Social Security benefit (whether she is a widow or a divorced former spouse) as long as she remains remarried. Her important economic contribution to the marriage unit does not follow her as any other asset would. She basically must relinquish her right to this benefit when she remarries. Her new spouse may or may not have Social Security benefits or other retirement benefits—but she will lose her right to those related to her prior marriage either way. A woman could be married for 30 years to the same man, but if she either divorces him or he dies and she remarries, she has no Social Security benefit related to her 30 years of economic contribution to the family unit as a homemaker.

In my financial planning practice, I have seen many women clients who divorced just weeks short of 10 years. I can only imagine that they and their lawyers were not aware of this very important timing. Women who have had a series of less-than-a-decade marriages in which they took a home support role end up with very little to show for their work at retirement.

With women having a longer expected life span than men, and being more likely to marry a man of their age or older, they are exposed to a greater risk of economic insecurity in old age. Benefits should be tied to the woman's needs and lifetime and not her ex-spouse's. To do

otherwise increases the risk of late age poverty. A private pension can follow the woman through divorce in a much better way than Social Security benefits; however, care must be taken in how these benefits are split for them to be most effective in providing the highest degree of economic security.² However, it is up to the individuals and their advisers to include the split in the divorce decree. The types of options for splitting the benefits depend on the type of pension plan. It is my view that if the benefit is split into two separate accounts such that the woman can start independently of her ex-spouse and retain the benefit throughout her lifetime, she is in much better economic shape than if the pension benefit does not start until the ex-spouse's retirement and stops when the ex-spouse dies. The divorce decree can also provide for survivor benefits to be paid from a plan that includes such benefits.

An important note: This discussion dealt primarily with divorce. It should be remembered that when couples live together without getting married, there are no pension rights that transfer to the partner. If one of the couple in such a relationship is in a supportive role, that person is usually giving up the rights to a share of retirement security after the relationship ends (as well as giving up the rights to other benefits). There are some organizations that extend some benefit rights to domestic partners, and this varies by firm and type of benefit. See reference below for more information. ▶▶

For more information:

Please see <http://www.ssa.gov/retire2/divspouse.htm> for information from the Social Security Administration on the topic of divorce and Social Security benefits. Also see the Women's Institute for a Secure Retirement (WISER) for a series of fact sheets on retirement and divorce: <https://www.wiserwomen.org/?id=53>. Separate fact sheets deal with pensions, Social Security and IRAs. "Seven Life-Defining Decisions" from WISER includes a section on the retirement implications of decisions about marriage. See the Society of Actuaries Decision Brief "Women Take the Wheel: Destination Retirement" for more discussion on these issues: <https://www.wiserwomen.org/?id=53>.

Some firms offer benefits to domestic partners, including access to survivor benefits in pension plans. This is documented in the Department of Labor's National Compensation Survey: <http://www.bls.gov/opub/btn/volume-3/pdf/employer-sponsored-benefits-extended-to-domestic-partners.pdf>.

¹ Years when the couple lived together without marriage do not count.

² The division of private pensions at divorce depends on the divorce agreement. Pension law permits the splitting of private pension benefits, and sets forth requirements for the type of documentation required in a QDRO.

Decisions Throughout Life Affect Retirement Security

BY ANNA RAPPAPORT

The 2013 Risks and Process of Retirement Survey results show differences in retirement planning and management by gender among retirees and individuals nearing retirement. As we think about these differences and how to deal with them effectively, it is important to remember that decisions made throughout life affect retirement security.

For example:

- Taking a job—Some jobs offer much better retirement benefits than others. Many jobs held by women offer no retirement benefits, particularly for part-time workers.
- Leaving a job—Leaving a job with good benefits may mean leaving behind the potential to earn considerable pension benefits. A new job may not offer the same benefits.
- Allocation of family responsibility—The choice to be in a supportive role may mean not being able to earn benefits personally.
- Marriage and divorce—Household benefits depend on the jobs held by both spouses. The terms of the divorce define the division of benefits earned.
- Living together without marriage—This living arrangement can affect rights to household assets.
- How much we save early in life—Savings early in life have more time to earn retirement income.

Household decisions made with regard to insurance also can have a major effect on retirement security. In a household where the husband is the major breadwinner, premature death can leave the surviving spouse in a difficult financial situation. Some of the factors that will impact the future security of the survivor include savings, debt and life insurance, as well as personal earning power. Long-term care insurance may also be more important for women. They have longer periods of expected need for long-term care and a smaller chance of having an available family care giver. Disability insurance on a breadwinning family member can have a huge effect on security later if the earner becomes disabled.

These are just a few examples. “Seven Life-Defining Financial Decisions,” a project for the Women’s Institute for a Secure Retirement (WISER) with support from The Actuarial Foundation, sets forth a discussion of decisions throughout life and how they impact retirement security. The publication is available in English and Spanish. The topics covered in “Seven Life-Defining Financial Decisions” include:

- Start planning
- Jobs and careers
- Marriage and family
- Home ownership, debt and credit
- Planning for retirement
- Investing for long-term goals
- Insurance. ▶▶

The Impact of Widowhood on Women's Retirement Security

BY LARA HINZ

As the 2013 Risks and Process of Retirement Survey report highlights, widows are often woefully unprepared for the realities of their retirement years. At WISER, we frequently hear from women who find themselves struggling financially after their husbands pass away; many of them saying "If only I knew..." when it comes to financial matters. Women's longer life expectancy puts them at greater risk for running out of money in their older years, but other factors often compound this longevity risk and make the situation even more challenging.

While more women today are becoming involved in their family's long-term finances¹, those who are experiencing widowhood now were part of a generation where women were less likely to be involved in their family's retirement planning and investments. This can make the difficult experience of losing a spouse even harder for a widow who then does not know what assets she has or whether she will have enough money to live out the rest of her life.

Surveys also show that women are less likely to trust financial advisers, and more likely to rely on family and friends for financial advice.² Even when a couple has a financial adviser, if the husband dies, the wife may not feel comfortable working with the adviser alone. This is especially true if the adviser does not give her the same level of attention or respect, or communicate in a way that resonates with her.

Finally, women do not understand their Social Security benefits as well as they should. Many women rely heavily on Social Security as a leading source of income in their later years, yet most are not familiar with even the basic rules of spousal and survivor benefits, nor do they understand what the different options are for claiming Social Security that can greatly impact their benefit.

Recent research by WISER confirms many of the findings in this report. In 2013, WISER released "A Survey of Recent Widows," conducted by Mathew Greenwald & Associates and funded by the American Council of Life Insurers. This survey interviewed 246 women age 70 and younger who became widowed within the past five years and had financial assets ranging from \$50,000 to \$1 million. Among its findings:

- Sixty-one percent of the widows whose husbands were responsible for financial planning had difficulty filing income taxes.

- Half of the widows lost at least 50 percent of their income when their husbands died.
- Forty-five percent of widows with \$50,000 to \$99,999 in savings and investments did not have an emergency fund prior to their husband's death, and roughly a third (29 percent) of all widows surveyed lacked emergency funds.
- Thirty-seven percent had difficulty both determining what they were entitled to receive from Social Security and initiating Social Security benefits after their husbands died.
- Twenty-six percent had difficulty locating bank accounts and investments and obtaining access to them after their husbands died.
- Twenty-six percent of the widows whose husbands were responsible for financial planning had to move to less expensive housing as a result of their spouse's death.

There is much that can be done to better educate and support women on their financial journey. It starts with encouraging women of all ages to get actively involved in their finances; helping them understand the basics and where to go for help; and building their confidence and motivation to take further action. For widows, it is important that education and resources are tailored to their unique needs. For example, in "A Survey of Recent Widows," 89 percent of widows said they would welcome a website devoted to the types of financial issues they face, with how-to guides, worksheets and contact information. Furthermore, 85 percent said they would have been likely to turn to such a site for help when their husbands died. Finally, while not every woman knows if/when she will be a widow, many do experience long periods of caring for a terminally ill spouse. Identifying ways to reach women during this period just prior to widowhood would also be helpful.

Widowhood is a vulnerable period both emotionally and financially. The more we can help women prepare for this likely event, the better their chances for living out their retirement years with a sense of security and dignity. Below is a list of some important facts that every widow should know, adapted from WISER's "What Every Widow Needs to Know Checklist."

What Every Widow Needs to Know:

- A widow's income may only be two-thirds of what it was prior to the spouse's death. In fact, a recent GAO report found that the income of women near or in retirement dropped 37 percent as a result of widowhood.³
- Federal pension law requires company and union pension plans to provide a joint and survivor benefit option. The right to the joint and survivor pension benefit can only be given up if the wife gives her permission in writing.
- When selecting the pension benefit at the time of the husband's retirement, a wife needs to consider the options very carefully. The joint and survivor annuity offers a smaller monthly payment than other pension benefit options; however, for women who expect to depend on their husband's pension as a source of income throughout their longer lives, this is generally a better option. Without the joint and survivor benefit, all pension payments will stop once the husband dies.
- Different rules apply to certain other retirement savings plans, such as 401(k)s. Death benefits from a 401(k) are generally paid out in a lump sum, which can be rolled over—tax-free—into an Individual Retirement Account (IRA). ▶▶

¹ Fidelity Investments, "Couples Retirement Study." September 2013.

² TIAA-CREF, "Financial Advice Survey." October 2013.

³ U.S. GAO. "Retirement Security: Women Still Face Challenges." GAP-12-699. July 19, 2012.

Notes

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The views and opinions expressed in this report are those of the authors and do not necessarily reflect those of the Project Oversight Group nor the SOA and WISER as a whole.

TO OBTAIN A COPY OF THE COMPLETE SURVEY REPORT

The 2013 Risks and Process of Retirement Survey report may be obtained from the websites of the Society of Actuaries at www.soa.org and WISER at www.wiserwomen.org.

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