MINORITY WOMEN
AND RETIREMENT INCOME

Your Future Paycheck®
Pay, Social Security, Retirement Plans,
Savings and Investments

May 2016
WISER’s mission is to improve the long-term financial security of all women through education and advocacy.

WISER supports women’s opportunities to secure pensions and adequate retirement income through research, workshops and partnerships.

Acknowledgements

This report was written by Cindy Hounsell, President of the Women’s Institute for a Secure Retirement (WISER).

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Minority Women & Retirement Income includes data specific to minority women when the data is available. When data is not available, the report uses data on all women or all members of a race or ethnic group.

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Retirement planning is important for everyone, but it's especially important—and challenging—for minority women.

Despite the overall decline in poverty rates among older Americans during the last several decades, many older women remain poor. In 2013, 11.6% of women age 65 and older were living in poverty, compared to 6.8% of men in this age group (DeNavas-Walt and Proctor, 2014). The likelihood of a woman being poor in retirement increases with age.

The poverty rate for single Black women over the age of 65 is 30%, and for single Hispanic women it is 36%; this is more than twice the rate for White women, which is 17% (U.S. Census Bureau, 2015). In 2014, among women 65 years of age and above who lived alone, Asian women were the most likely to live in poverty at 38%. (DOL, Women's Bureau 2016). In 2015, the poverty threshold for an individual age 65 and older was $11,367.

Supplemental Security Income (SSI), is a federal poverty program that provides income support to individuals age 65 and older who meet financial limits as well as to blind or disabled adults or children. The average federal benefit for individuals age 65 and older in 2015 was $733 per month – significantly below the poverty threshold. In 2012, 53.8% of SSI recipients were women, and of those women, 31.4% were over the age of 65 (U.S. Social Security Administration, 2014).

Overview

From a practical point of view, all of the income from employer retirement plans and pensions, Social Security benefits, and personal savings and investments can be looked at as a “future paycheck.”

Figure 1: Poverty Rates Among Minority Women and Men, Age 65+

Experts often refer to these three sources of retirement income that will provide your future paycheck as the “three-legged stool.” The idea is that if an individual receives adequate income from each of the three legs of the stool, she will be secure in retirement. If one of the legs of the stool is missing or is not financially sound, the stool will be unable to support an adequate retirement.

The reality, however, is that many women rely on Social Security as their primary or only source of income in retirement. In 2013, 49% of all elderly unmarried females receiving Social Security benefits relied on Social Security for 90% or more of their income. More than two-thirds of older women rely on Social Security for over half of their income. In fact, Social Security was not designed to be a retiree’s only source of income; it was meant to provide only a “minimum of protection” (Fischer and Hayes, 2013).

Employer-sponsored retirement plans and pensions – the second leg of the stool – provide additional income to some women. Less than half of all working people, however, are covered by a private pension. A much smaller proportion of women than men (and even fewer minority women) receives any income from pensions when they retire. Less than 30% of women age 65 and over receive income from private pensions; among this small group, the median annual income from these pensions for women was only $8,580, compared to $11,988 for men (U.S. Social Security Administration, 2014).

If a woman works full-time, full-year, and her employer offers a retirement plan, she’s more likely than a man to participate in it. According to the Employee Benefit Research Institute (EBRI), 56.4% of women versus 53% of men participate in employer-sponsored plans. But women have a lower overall participation rate due to lower average earnings and lower rates of full-time work. Hispanic workers have a significantly lower participation rate than both White and Black workers (Copeland, 2013).

Finally there is the third leg of the retirement stool - individual savings and investments. It is increasingly difficult for minority women to benefit from individual savings and investments. Black and Hispanic women say their lower earnings often leave them with few resources to invest. The U.S. Census Bureau found that women in general have lower earnings over their work life and Black and Hispanic women in particular earn less over their lifetime. With less earnings, women have less of an opportunity to save (Julian, 2011). Large numbers of minority women are also without bank accounts which further reduces opportunities to build interest and invest (FDIC, 2012).

### Figure 2: Social Security as a Percentage of Total Income for Women and Men Aged 65 and Older by Race/Ethnicity

<table>
<thead>
<tr>
<th>Income from Social Security</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>50% or More of Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White, not Hispanic</td>
<td>51%</td>
<td>68%</td>
</tr>
<tr>
<td>Black, not Hispanic</td>
<td>59%</td>
<td>68%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>61%</td>
<td>72%</td>
</tr>
<tr>
<td><strong>80% or More of Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White, not Hispanic</td>
<td>31%</td>
<td>50%</td>
</tr>
<tr>
<td>Black, not Hispanic</td>
<td>41%</td>
<td>53%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>49%</td>
<td>61%</td>
</tr>
<tr>
<td><strong>100% of Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White, not Hispanic</td>
<td>15%</td>
<td>26%</td>
</tr>
<tr>
<td>Black, not Hispanic</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>37%</td>
<td>45%</td>
</tr>
</tbody>
</table>

In Figure 4, we see the median retirement income for women and men in 2014, broken down by individuals and households. The data shows that in general, men have a higher median retirement income compared to women. However, there are significant differences by race and ethnicity. Minority women, such as Black and Latina women, have median retirement incomes that are substantially lower than those of men and White women.

### Income of Older Women

Minority women live longer than men on average and therefore need more resources to support themselves in retirement. However, on average, minority women have less than half of the retirement income that men have. Latinas’ median income is below the poverty threshold, while Black and Asian women’s income is just above it. 

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Vickie E.

Vickie, a community activist is used to helping people in her job as a health care advocate. “But, I was personally devastated,” she says, when she learned about the high level of poverty among older African American and Latina women at a retirement conference she attended. Vickie had a whopping amount of debt due to a bad divorce situation and realized that poverty was something that could happen to her unless she did something about her own financial situation. She decided that the only option to become debt free was to work three jobs. Five years later, she “retired” her debt and is able to save money for her future. “I’d never want to go through that again,” she says.

Vickie wanted to make sure that other women, including family and friends, became aware of the impact of the grim statistics on older minority women. She decided to become a volunteer trainer for WISER and began to work with other nonprofit organizations and churches in order to teach more women about eliminating debt and saving as a way to positively impact their future.
There are a number of reasons why many minority women fare poorly in retirement. Chief among them are lower earnings, women’s employment patterns, caregiving responsibilities and marital status.

Earnings

Women have joined the labor force in record numbers, and work in many fields—but there is still a substantial pay difference between men and women, and women of color face even greater gaps. Women continue to work in jobs and industries where women predominate and the pay is low. The industries employing the largest percentages of women are the service and caregiving industries—including hospitals, restaurants, educational institutions and the retail trades (U.S. Bureau of Labor Statistics, 2013). In 2015, Hispanic women were the only group of women that had the largest share of employment in the lowest paying occupational group—service occupation at 32%. Many companies in the service sector do not offer employer-sponsored retirement plans.

Although the wage gap between men and women has narrowed somewhat over the last 20 years, it still remains significant. According to 2015 DOL Bureau of Labor Statistics, women earn only 80 cents for every dollar that men earn (up from 62 cents in 1970). In 2014, White women earn 79 cents, Asian women earn 90 cents, Black women earn 63 cents, and Latinas earn 54 cents for every dollar white men earn (AAUW, 2014).

Women over the age of 65 have a median income of $15,659 compared to men’s median income of $28,082 (see Figure 5). When broken out among women over the age of 65, the median annual income is $16,055 for White women; $13,833 for Black women; $10,900 for Asian women; and $10,163 for Latina women. Women working full-time jobs earn a median weekly wage of $706, compared to $860 for men (U.S. Bureau of Labor Statistics, 2013.)

Figure 5: Median Annual Income by Race and Ethnicity of Women Over Age 65

![Bar chart showing median annual income by race and ethnicity of women over age 65.](source: U.S. Census Bureau, “2014 Current Population Survey” (2016 DOL Women’s Bureau Issue Brief))

This pay gap adds up over time: the typical woman one year out of college will make about 82% of her male colleagues’ wages. This pay gap has lifetime significance, with college-educated women working full-time estimated to earn over half a million dollars less than their male peers through the course of their life (AAUW, 2012). The lifetime impact is significant for women of color who will earn on average hundreds of thousands of dollars less than the average White man over a 40-year career. The lack of earnings over a career also results in lower Social Security benefits, lower pension benefits, and less ability to save for retirement (Meschede, 2011). Seventy percent of older single women will suffer “asset insecurity,” which means that they will have a good chance of outliving their assets. The income insecurity of older single women has increased by one-third, and 60% of these women face burdens in keeping their homes or finding housing they can afford (Meschede, 2011).

Minority women are showing impressive growth in achieving a college education. In 2014, 16% of Latinas aged 25 and over had completed at least a bachelor’s degree. Black women have also made significant gains, with 23% aged 25 and over having completed a bachelor’s degree in 2014. Nonetheless, a gap remains, as 32% of White women have a college degree (U.S. Census Bureau, 2014). Asian Americans have surpassed other races. About 54% of male and 50% of female Asian Americans in 2014 received four-year college degrees.

Pay for many college-educated and professional women has not kept up with the pay of their male counterparts (U.S. Census Bureau, 2014). Women with bachelor’s degrees are earning about 60% of what men earn with the same college education. Black and Latina women with advanced degrees, master’s degrees and some even with doctorates, earn less on average than White men with bachelor’s degrees (see Figure 6).

### Caregiving & Work Patterns

Women are more likely than men to move in and out of the labor force. They experience breaks in their work histories, often to care for family members. Caregiving can have a drastic impact on work patterns, with 70% of caregivers reporting changes such as working fewer hours, stopping work, or taking a different job. As caregivers, women are also more likely to work part-time in jobs without benefits. The Social Security Administration finds that among new retired-worker beneficiaries, women average 12 years of zero earnings due to caregiving. This is 12 fewer years to put money away through a defined contribution plan or IRA. Since car-

**Table: Median Wage Gap by Education, Age 25 Years Old and Over**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>High School Graduate or Equivalent</th>
<th>Associate Degree</th>
<th>Bachelor’s Degree</th>
<th>Master’s Degree</th>
<th>Doctorate Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Men</td>
<td>$36,200</td>
<td>$29,770</td>
<td>$40,506</td>
<td>$55,703</td>
<td>$74,007</td>
<td>$91,685</td>
</tr>
<tr>
<td>White</td>
<td>$38,410</td>
<td>$30,097</td>
<td>$42,100</td>
<td>$58,034</td>
<td>$75,000</td>
<td>$91,685</td>
</tr>
<tr>
<td>Black</td>
<td>$24,904</td>
<td>$19,000</td>
<td>$32,976</td>
<td>$45,000</td>
<td>$60,000</td>
<td>$84,105</td>
</tr>
<tr>
<td>Latino</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$40,000</td>
<td>$45,003</td>
<td>$64,000</td>
<td>$52,684</td>
</tr>
<tr>
<td>Asian</td>
<td>$40,000</td>
<td>$24,000</td>
<td>$34,000</td>
<td>$50,480</td>
<td>$81,323</td>
<td>$95,010</td>
</tr>
<tr>
<td>All Women</td>
<td>$20,469</td>
<td>$15,563</td>
<td>$25,000</td>
<td>$35,012</td>
<td>$47,446</td>
<td>$61,000</td>
</tr>
<tr>
<td>White</td>
<td>$21,000</td>
<td>$15,659</td>
<td>$25,025</td>
<td>$36,000</td>
<td>$48,200</td>
<td>$62,000</td>
</tr>
<tr>
<td>Black</td>
<td>$19,202</td>
<td>$15,000</td>
<td>$24,800</td>
<td>$36,506</td>
<td>$46,250</td>
<td>$61,259</td>
</tr>
<tr>
<td>Latina</td>
<td>$14,000</td>
<td>$12,595</td>
<td>$24,340</td>
<td>$30,081</td>
<td>$43,000</td>
<td>$52,000</td>
</tr>
<tr>
<td>Asian</td>
<td>$19,124</td>
<td>$13,081</td>
<td>$20,000</td>
<td>$26,659</td>
<td>$40,003</td>
<td>$55,000</td>
</tr>
</tbody>
</table>

ing for the family is not recognized as an economic contribution, women lose out by bearing the main share of this responsibility and the corresponding economic consequences. Caregiving can have serious financial consequences, especially for adults nearing retirement. A 2011 MetLife study showed that caregivers lost $324,044 in wages, Social Security, and private pension losses as a result of caregiving responsibilities. Caregivers also pay an estimate of $5,531 annually in out-of-pocket costs for caregiving.

Another problem for women in or near retirement is that almost 20% of the 2.5 million grandparents responsible for grandchildren who live with them are living in poverty. Half of the caregivers have been in this role more than five years. Many lose or quit jobs to care for grandchildren and incur more expenses that result in spending down retirement savings. (Growth in Grandfamilies Leads to Food Insecurity. May/June 2012, Aging Today).

Strong cultural beliefs and attitudes can be common factors associated with the care of elders. The Asian American and Pacific Islander (AAPI) community is the second largest growing segment of age 50+ population in the US. Caring for elders is an expected practice for Asian American and Pacific Islanders. A 2015 AARP study found that 42% of AAPIs were actually helping to care for elders, versus just 22 percent of the general population. The National Caregiving Alliance states that a typical AAPI caregiver is female, caring for a family member, providing over 25 hours of caregiving per week and works approximately 36 hours a week. The elderly AAPI community will grow in number from 4.3 million to 13.2 million over the next 40 years, thus causing a retirement strain for many AAPI women due to caregiving responsibilities.

Women with lower incomes are more likely to have a family member who needs care and lives with them, and therefore are likely to spend more time as caregivers than women with higher incomes. Hispanics, for example, often take more flexible, lower wage jobs to care for their families, while Black women expect to take care of an older family member or friend sometime during their lives. Black women parallel White women in time out of the workforce, as many women work less when they have children or take time out to help with family care. Hispanic women, however, are more likely to experience unemployment or time out of the workforce than White women with similar socioeconomic and labor market characteristics (Flippen and Tienda, 2002).

Marital Status

A woman’s marital status is a significant factor in determining what her income will be when she retires. Women with the most comfortable retirement incomes are those who are married and living with their spouses. In 2010, married women had median household incomes of $46,099 or more. By contrast, women over age 65 who were never married had about half the median household income of married women ($22,089) and were more likely to live in poverty. Women are much more likely than older men to be single and financially insecure. Single minority women in particular are likely to face financial insecurity (Mescrhe, 2012).

Unfortunately, many older women find that marriage is no protection against poverty. Women often discover that widowhood or divorce can sharply reduce their income in old age. A 2012 GAO report found that the income of women near or in retirement dropped 37% as a result of widowhood, while men’s fell 22%. Divorce or separation reduced women’s income by 41% — almost twice the decline of men’s income. When looking at single women over age 65, the poverty rate jumps to 19% (U.S. Census Bureau, 2013). In this mix is a poverty rate of 15.3% for White single women; 32.5% for single African American women; and 43.7% for single Hispanic women (U.S. Census Bureau, 2010). Today, nearly 55% percent of older women in America are single. They are either widowed (34.9%), divorced (12.6%), separated (1.1%) or never married (4.4%). In contrast, only 28% of elderly men are unmarried. Black and Latina women over age 65 are more likely than White women to be single, at 74.9% and 59.7%, respectively (U.S. Census Bureau, 2014).
Women are far more likely than men to be widowed. This is partly because women have a longer average life expectancy, and partly because men tend to marry younger women. An American woman’s average life expectancy at birth is 81.1 years, compared to 76.3 years for a man (Murphy, 2013). If a woman lives to age 65, she can expect, on average, to live until the age of 86. This is about three more years than a man age 65 can expect to live. Hispanic women live the longest of any ethnicity. At age 65, Hispanic women can expect to live to age 87— one year longer than the average for all women (See Figure 7).

Most married women are unaware of the grave reality that they might become widowed at a relatively young age. An important financial fact of widowhood to consider is that a woman’s standard of living is likely to decline. Household income generally declines by about 40% due to changes in Social Security benefits, spouse’s retirement income, and earnings (U.S. GAO, 2012). Even though expenses are likely to be 80% of what they were before the husband dies, a widow’s income may only be two-thirds of what it was prior to the spouse’s death. Pension benefits from the husband’s work generally are reduced by 50%, and your combined Social Security benefits may be reduced by a third or more. (If you are receiving two Social Security benefits before the death then you will only receive one after the death; whichever benefit is larger.) These financial realities are often a shock for most widows.

It is well known that divorce can have an immediate adverse impact on a family’s economic status. But it is less widely recognized that divorce can also negatively affect a women’s retirement income. Divorce or separation reduced women’s income by 41% — almost twice the decline of men’s income (U.S. GAO, 2012). Today, the rate of poverty for women age 65 and over is 11.6%, compared to 6.8% for men. When looking at single women over age 65, the poverty rate jumps to 19%. (U.S. Census Bureau, 2014). After divorce or death of a spouse, women are less likely to remarry.

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**Joanne P.**

“When I was married, we just didn’t think about retirement—our goal was to offer our two daughters the opportunities that we didn’t have,” says Joanne, a retired nurse. “My husband became ill and died when I was age 50. Catastrophic illness and caregiving just wipe you out financially and emotionally. We had never discussed the big “what if”—what if either one of us should die. And by then it was too late.”

“I consider myself lucky that as an African American woman of my generation, I was able to work and earn a little more than minimum wage. A lot of women my age are getting by on a fixed income and are dependent in large part on Social Security.”

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**FIGURE 7: Life Expectancy at Age 65 by Race & Gender**

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Races</td>
<td>86</td>
<td>83</td>
</tr>
<tr>
<td>White</td>
<td>86</td>
<td>83</td>
</tr>
<tr>
<td>Black</td>
<td>85</td>
<td>81</td>
</tr>
<tr>
<td>Hispanic</td>
<td>87</td>
<td>85</td>
</tr>
<tr>
<td>Asian American</td>
<td>86</td>
<td>83</td>
</tr>
<tr>
<td>Native American</td>
<td>85</td>
<td>81</td>
</tr>
</tbody>
</table>


**Widowhood or divorce can sharply reduce [women’s] income in old age. Today, nearly 60% of older women in America are single.**
Social Security is the nation’s single most successful social program, helping over 50 million women and men escape poverty in old age. Social Security is a social insurance program financed by a federally-administered system of payroll taxes where current workers pay for the benefits of the older generation. In exchange for paying into the Social Security system during their working years, workers are promised benefits for themselves and eligible family members in retirement. Cost-of-living increases prevent inflation from eroding the value of benefits over time.

Today, Social Security benefits are the most important source of income for older women, more than 90% of whom are recipients. Women represent 57% of all Social Security beneficiaries age 62 or older, and approximately 68% of all beneficiaries age 85 and older (U.S. Social Security Administration, 2014). Minority women in particular rely on Social Security. Over half of women 65 and older rely on Social Security for 50% or more of their income. More minority women than White women rely on Social Security for 100% of their income. Overall, women rely more on Social Security benefits than men. Without Social Security income, about four times as many elderly women would be in poverty (Fischer and Hayes, 2013).

Broadly speaking, Social Security is gender neutral. Women and men with identical work histories and earnings can expect to receive the same benefits. But differing employment patterns of women and men create a gender gap in Social Security benefits. In 2014, the average monthly benefit for retired women workers was $13,824 a year, considerably less than the $17,911 on average received by men. The average Social Security benefits were $11,974 for Black women, $11,748 for Asian American-

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**Social Security benefits are the most important source of income for older women, more than 90% of whom are recipients. More than half would be living in poverty were it not for their Social Security benefits... 60% of Black women and 51% of Hispanic women would be poor.**

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**Figure 8: Social Security Keeps Older Americans out of Poverty, by Gender, Race, and Ethnicity, 2014**

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Gender</th>
<th>Above Poverty without Social Security Income</th>
<th>Below Poverty</th>
<th>Above Poverty because of Social Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American</td>
<td>Male</td>
<td>52.6%</td>
<td>16.2%</td>
<td>31.2%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>47.0%</td>
<td>21.1%</td>
<td>31.9%</td>
</tr>
<tr>
<td>Asian</td>
<td>Male</td>
<td>68.2%</td>
<td>12.6%</td>
<td>19.1%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>64.3%</td>
<td>16.1%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>Male</td>
<td>54.8%</td>
<td>16.2%</td>
<td>29.1%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>52.2%</td>
<td>19.6%</td>
<td>28.3%</td>
</tr>
<tr>
<td>White</td>
<td>Male</td>
<td>65.6%</td>
<td>5.3%</td>
<td>29.2%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>54.9%</td>
<td>9.9%</td>
<td>35.1%</td>
</tr>
</tbody>
</table>

Note: Family income includes income from all family members, including those in related subfamilies. People with zero family income, negative family income, negative family earnings, or negative family asset income are excluded. Older people include beneficiaries and nonbeneficiaries ages 65 and older.
Pacific Islander and $10,931 for Latinos (U.S. Social Security Administration, June 2015).

Single women rely more on Social Security benefits than married women. However, single minority women, including widowed, divorced, and never married women, receive smaller benefits than comparable White women. Research from the Social Security Administration shows the median Social Security benefit for single women age 65 and older is $1,016 a month. The median benefit for unmarried Black women is $961, for single Latina women $723, and $870 for all women (U.S. Social Security Administration, 2014).

Proposals for Social Security Reform

Despite shortcomings, Social Security remains the cornerstone of women’s retirement income. As a lifelong benefit with cost-of-living adjustments, the value of the benefit is protected over time. Women therefore have a strong stake in ensuring that any proposals to reform Social Security do not undermine the benefits they have come to count on to protect them from poverty in old age.

Michelle D.

“It almost sounds like the plot of a horror movie, but my life story includes being a temporarily homeless single mother who also survived cancer. By the time I had my three kids, debt consumed me to the point that I did not want to open up the mail. I had previously saved close to $10,000 in retirement funds, but that all flew out the window. Every envelope had a dollar sign accompanied by a three or four digit amount I was supposed to pay,” says Michelle. Even though she worked at a credit counseling agency, Michelle’s life experiences made her think that financial solvency was unattainable, much less financial security.

Michelle became involved with MANA, A National Latina Organization and WISER in 2006. Through the financial literacy education, and continued mentoring and guidance, she was able to strategically work her way out of debt. She says, “After many years of running from rental to rental, I now own my home. I am saving for retirement and have started a modest savings account for emergencies. For the first time ever my credit is in the 700’s!” Since 2006, Michelle has dedicated herself to providing financial literacy education to Latinas nationwide. Her message is one that she has lived, “To all who struggle financially, there is hope. Don’t give up. Make the difficult choice to pay yourself first and avoid expenses that the media wrongly tells us we “need”. If I did it, so can you!”
Overview

Employer-sponsored retirement plans and pensions – the second leg of the retirement stool – provide the second largest source of retirement income to women. These plans include traditional defined benefit plans, as well as defined contribution plans, such as 401(k)s, 403(b)s, etc.

The likelihood of working for an employer that offers a retirement plan increases with jobs paying higher wages, offering full-time work status, or having union membership. Working for a large firm or for the government usually assures those benefits. Census data from 2014 on pension/annuity receipts showed that almost 45% of men age 65 and older receive pension/annuity income. By contrast, 37% of women 65 and older receive a pension/annuity income.

Minority workers are less likely to work for an employer sponsoring a retirement plan and are also less likely to participate in a retirement plan when one is offered. Though these plans are available, Black women are less likely than White women or men to participate in them. Black women participated at a rate of 70%, White women at 80%, and Asian women at 85% (GAO, 2012). A much smaller portion of women than men, and even fewer minority women, receives any income from a pension when they retire. In 2014, 38% of White women over age 65 received a pension or annuity, while only 32% of Black women, 26% of Asian women, and 18% of Hispanic women received a non-government pension or annuity (Census, 2014).

Cashing Out

Cashing out of retirement plans when a person leaves a job is a significant problem, especially for women. Although the benefit to taking your money and rolling

![Graph showing percentage of men and women over age 65 receiving pension income in 2014.](image)

**FIGURE 9: Percentage of Men and Women Over Age 65 Receiving Pension Income in 2014**

it over into a new employer’s plan or an IRA account would seem to be the most obvious choice, few of the millions of job changers with 401(k) plans choose this option. Nearly 45% of workers cash out their accounts and those cash outs are disproportionately from lower balance accounts and lower wage earners. According to the Government Accounting Office, most account holders find the rollover process to be overwhelmingly confusing, complex and intimidating. So most job changers are more likely to take a lump sum and spend it because they do not fully understand their options upon termination of employment. Cashing out is harmful to long-term retirement security and requires paying penalties and taxes. If you receive the money directly as a check from your former plan, a 20% income tax deduction will be taken out. Plus you will pay a 10% early withdrawal penalty when you file your income tax return unless you are at least age 59 1/2. A good example of compounding value, is if an individual cashes out $5,000 at age 30, the lost compounded value is nearly $55,000 by age 65 and $95,000 by age 85.

Latinos are at great risk of depleting their retirement savings by cashing out and do not take full advantage of the options available to them when they leave employment. This is especially costly as they tend to switch jobs more frequently. Also, gender is a factor; as many as 75% of Latinas cashed out compared to 38% of White women and 23% of Black women. Latinas cashing out is at a much higher rate than Latino men and their white and black counterparts (Richman, 2015).
The third leg of the retirement stool represents those personal savings beyond any employer’s pension plan. As questions about the future of Social Security and private pensions continue, individual savings and investments become increasingly important for women’s retirement security. The current generation of elderly women has little in the way of savings and investments for retirement. In fact, older women have less than $750 in asset income, or only about $63 a month. With a 47% chance of living longer than their savings, older single women are in a particularly insecure situation. Latina and Black senior single women are even more likely to outlive their savings, at 56% and 52%, respectively (Meschede, 2011).

Debt

Seniors have a great deal of credit card debt from out-of-pocket medical expenses, car repairs and home repairs. In 2010, 21.7% of households age 75 and over had credit card debt compared to 10.1% in 1989. Eighteen percent of people aged 50 to 64 have used retirement funds to pay off credit card debt (Trawinski, 2012).

Women agree that there is a need to save and invest; however, they often find this difficult in the face of immediate family needs. Debt among older adults is increasingly becoming an issue, especially among minority women. A State Farm Study conducted in 2012 found that 78% of Latina women call dealing with debt a high priority. Thirty-five percent of Latinas and 43% of Black women had more than $20,000 in non-mortgage debt. Credit card debt, car debt and college loan debt were the biggest types of debt Black women reported. Latinas reported struggling with credit card debt as their biggest source of debt. This study also found that Latinas (56%) and Black women (51%) were the least likely to have an emergency fund (Schneider and Quist-Newins, 2012).

Home Ownership

Home equity is an important way to build wealth. However, homeownership can create a financial burden when it is unaffordable. A third of adults over age 50 and 37% of adults over age 80 pay more than 30% of their income for housing. Furthermore, 30% of renters and 23% of homeowners pay more than 50% of their income on housing. Such severely cost-burdened households have to cut costs in other areas and save significantly less for retirement (Joint Center for Housing Studies of Harvard University, 2014). In 2011, AARP found that 16% of older homeowners owed more than what their home was worth (Trawinski, 2012). Forty-four percent of Black and 37% of Latino seniors rent their homes or have no home equity (Meschede, 2011).

Banking

Banking is often a way people build up savings, and begin to invest. Yet, in a 2011 report, the FDIC found that 8.2% of all America households are unbanked. At a higher rate, 20.1% of all Americans are classified as underbanked, meaning they may have a checking or savings account but at least once yearly over the past five
Minority Women and Retirement Income—Your Future Paycheck

Women should be saving more money than men because on average they live about four more years than men. They will need additional money to support themselves and pay for health care and prescription drugs. Unfortunately, women’s lower average earnings and more time spent out of the workforce for caregiving make it difficult for many of them to save the amounts needed for retirement. One consequence is that divorced, widowed, and never-married women of color without sufficient savings often have to work beyond normal retirement age in order to get by.

Audrey G.

“I never thought I would be able to get out from under debt,” says Audrey, a 35-year-old, African-American data entry operator for a national bank in Atlanta, Georgia.

Burdened with paying off high-interest credit card bills, Audrey says debt prevented her from participating in her company’s pension plan.

“I felt I couldn’t contribute enough money into my 401(k) without making it hard for me to make ends meet. Something had to be sacrificed and unfortunately I sacrificed my 401.”

However, several years ago, Audrey attended a retirement workshop taught by a nonprofit. Using what she learned from the workshop, she took steps to secure her retirement. She kept a strict monthly budget, paid off all credit card and car payments, and participated in her company’s 401(k).

“Two years ago, I became debt free again,” says Audrey. “I even have investments in mutual funds. I’ve learned not to keep all of my eggs in one basket. Now I feel like I actually have a financial plan whereas before I was just living paycheck to paycheck with no set goals.”
It is difficult to make predictions about what the future holds for minority women retiring in the 21st century. One of the biggest demographic changes will be the increase of the number of minority women and men who will live past age 65 and even 85. In 2014, there were 46.2 million Americans aged 65 and over and 6.2 million aged 85 and over. The number of people aged 65 and older is expected to more than double by 2060 to 98.2 million and the number of people aged 85 and older is expected to triple to 19.7 million. Among the population age 65 and over, there are 127 women for every 100 men. At age 85 and over this ratio increases to 192 women for every 100 men. (AoA, 2014) Minority women will comprise a larger percentage of the older population in the years to ahead.

Many minority women are concerned that their retirement years will be lived out in poverty. Poverty rates are particularly high, at about one in five, for black (20%), and Hispanic (23%) women 65 and older. Poverty rates were lower at 9% for white, non-Hispanic women 65 and older, and 13% for Asian American women 65 and older. (National Women’s Law Center, 2015)

Women are worried about their financial security in retirement and saving enough. The end result of the whole of women’s unique challenges is that when they hit their retirement years, women have 25% less retirement income and twice the poverty rate of men. When widowhood or divorce occurs, the effects are even more harmful.

Younger minority women who spend many years in the labor force and in higher-paid jobs will be the most likely to be able to save and plan for a financially secure old age. Most women, regardless of race or ethnicity, will need to plan carefully in order to deal with the risk of outliving their assets, which includes managing their 401(k)s and savings carefully to cover high costs of health care and longer life spans.

Policy Reforms

Policymakers have the opportunity to make many improvements to provide low-income minority women with greater retirement security. Future pension and Social Security reforms should be looked at together as part of a cohesive retirement policy.

Importance of Financial Education

It has been well documented that our collective understanding of money matters is inadequate. Financial education that begins in the K-12 school system could go a long way in helping improve financial capability. Financial education in the workplace around employment-based retirement plans is valuable in helping workers understand how to make the most of these benefits.

While financial education is important, especially to at-risk women, it alone will not solve the real risk of poverty that women face in their retirement years.

Other Suggestions Include:

- Provide information to help minority women understand the positive impact on their retirement of taking a job with a retirement plan.
- Exclude retirement accounts from federal and state asset tests for program eligibility.
- Reexamine and improve the complicated Saver’s Tax Credit and provide education for those who might be eligible.
- Strengthen the Earn Income Tax Credit and outreach for eligible persons.
- Provide minority women with better education in financial planning, including planning for contingencies such as death and divorce.

A report by WISER Women’s Institute for a Secure Retirement
Monitor Social Security reform proposals to ensure that low-income women receive improved retirement benefits that are adequate to keep them out of poverty.

Consider the impact of various forms of insurance, including disability and life insurance, on retirement planning.

Encourage employers without retirement plans to adopt myRAs.

Strengthen the Supplemental Security Income (SSI) program, as it is critical to disabled and very low-income individuals, including an estimated three million Latinos.

Include the annuity value of 401(k) accounts on quarterly statements to help employees understand the lifetime income potential of the account balance.

Improve access to Older Americans Act program services and support by minorities.

Strengthen and expand access to safety net programs, including public assistance and unemployment benefits, particularly during times of recession when needs are especially acute.

Make public benefits culturally and linguistically accessible.

Include Asian Americans in federal, state, and local equal opportunity programs, including minority contracting programs.

Expand affordable housing and homeownership opportunities for minority families.
Get the Facts

- Find out what you will receive from Social Security. Go to www.ssa.gov/myaccount to set up an online account and view your estimated benefits statement. Check out the Social Security Administration’s site focused on women at www.ssa.gov/women. If you have any questions call the Social Security Administration at (800) 772-1213. The Social Security Administration provides interpreter services by telephone. Go to www.ssa.gov/pgm/reach/htm to learn more.

- If you’ve worked where a traditional pension plan was offered, contact the administrator (of current and former employers) to find out what benefit you will receive. If you are married, also ask your spouse to check.

Develop a Plan

- Understand how you are spending your income. Develop a budget with a savings plan. Set aside six months worth of expenses as an emergency fund so unexpected events or health issues won’t throw off your budget.

- Set up a banking account if you don’t have one. Connect a savings account to it, and automatically transfer even a small amount to it on a regular basis.

- Take control of credit card debt and build a good credit record. If you need help, contact the National Foundation for Credit Counseling (NFCC) at (800) 388-2227 or en Español at (800) 682-9832. NFCC’s website is located at www.nfcc.org

- If you have access to a 401(k) or similar retirement savings plan at work, enroll and contribute at least enough to earn the employer match.

- Consider a $50 a month automatic deduction from your paycheck or checking account to invest in a myRA, mutual fund or to buy U.S. Savings Bonds. The sooner you start, the better! Investing early pays off because the interest compounds for more years.

- Set a goal, like building an emergency fund, paying down debt, savings for education or buying a house. Then investigate the steps you need to take to reach your financial goal.

Be Prepared for Life Events

- Before you leave a job, ask about the options for taking your retirement benefits with you. You could roll it into an IRA or your new employer’s plan and let it grow until retirement. Resist the urge to cash that money out.

- If you get married, stay involved in the family budget and finances, because you may be on your own someday and will need to understand them.

- If facing divorce, find out about your spouse’s pension before the divorce is finalized. You have a right to receive part of a pension earned during the marriage, but you must ask for it during the divorce proceedings.

Resources for People with Limited Income

- Find out if you qualify for the Earned Income Tax Credit or the Child Tax Credit. Locate the IRS site (VITA site if your income is less than $50,000 or Tax Counseling for the Elderly site if you are over age 60) for free in-person tax help. Contact the IRS at (800) 829-1040, or go to www.irs.gov and search for VITA or TCE.

- The U.S. Treasury developed a retirement savings account in 2015 called the myRA (short for “my Retirement Account”). This account is geared towards those without access to a traditional 401(k)-type workplace savings plan. Using payroll deduction, individuals can open a myRA account with no start-up cost and there are no maintenance fees. MyRA has no minimum contribution requirement and your contributions are guaranteed from loss. For more information, go to www.myra.gov.
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U.S. Social Security Administration. Fact Sheets: “Social Security is Important to Hispanics”, “Social Security is Important to African Americans”, “Social Security is Important to Asian Americans-Pacific Islanders”, June 2015.


Research Websites

AARP – Public Policy Institute. www.aarp.org/ppi

American Association of University Women – Career and Workplace Site www.aauw.org/issues/career-and-workplace

CDC – National Center for Health Statistics www.cdc.gov/nchs

Census Current Population Survey (income stats, labor force data, etc) www.census.gov/cps

CPS Table Creator (develop data tables from CPS info) http://www.census.gov/cps/data/cpstablecreator.html

Demos www.demos.org

Employee Benefit Research Institute www.ebri.org

Institute for Women’s Policy Research www.iwpr.org

Institute on Assets and Social Policy iasp.brandeis.edu

SSA Research and Policy www.ssa.gov/policy
RESOURCES

Non-Profit Resources

AARP
601 E Street, NW
Washington, DC 20049
888.687.2277
www.aarp.org

Institute for Women’s Policy Research
1200 18th Street, NW
Suite 301
Washington, DC 20036
202.785.5100
www.iwpr.org
iwpr@iwpr.org

MANA, A National Latina Organization
1140 19th Street, NW
Suite 550
Washington, DC 20036
202.525.5113
www.hermana.org
mananational@hermana.org

National Caucus and Center on Black Aging, Inc.
1220 L Street, NW
Suite 800
Washington, DC 20005
202.637.8400
www.ncba-aged.org
support@ncba-aged.org

National Alliance for Caregiving
4720 Montgomery Lane
2nd Floor
Bethesda, MD 20814
301.718.8444
www.caregiving.org
info@caregiving.org

National Committee to Preserve Social Security and Medicare
10 G Street, NE
Suite 600
Washington, DC 20002
800.966.1935
202.216.0420
www.ncpssm.org
webmaster@ncpssm.org

National Council of La Raza
Raul Yzaguirre Building
1126 16th Street, NW
Suite 600
Washington, DC 20036
202.785.1670
www.nclr.org
comments@nclr.org

National Council of Negro Women, Inc.
633 Pennsylvania Ave., NW
Washington, DC 20004
202.737.0120
www.ncnw.org
membership@ncnw.org

National Council of Women’s Organizations
714 G Street SE
Suite 200
Washington, DC 20003
202.293.4505
www.womensorganizations.org
ncwo@ncwo-online.org

National Council on Aging
1901 L Street, NW
4th Floor
Washington, DC 20036
202.479.1200
http://www.ncoa.org/

Pension Help America
Operates the Pension Counseling & Information Programs that provide free information and legal assistance.
www.pensionhelp.org

Government Agencies

U.S. Administration on Aging
Part of U.S. Administration for Community Living
1 Massachusetts Avenue, NW
Washington, DC 20001
202.401.4634
aoainfo@aoa.hhs.gov /
adlnfo@acl.hhs.gov

Eldercare Locator
800-677-1116
www.eldercare.gov
elderlocator@n4a.org

Consumer Financial Protection Bureau
1275 First St., NE
Washington, DC 20002
855-411-2372
www.consumerfinance.gov

Social Security Administration
Windsor Park Building
6401 Security Boulevard
Baltimore, MD 21235
800.772.1213
www.ssa.gov

U.S. Department of Labor,
Employee Benefit Security Administration
200 Constitution Avenue, VW
Francis Perkins Building
Washington, DC 20210
202.693.8673
http://www.dol.gov/ebsa

U.S. Department of Labor,
Women’s Bureau Regional Offices
To reach any office toll-free, call:
800.827.5335
www.dol.gov/wb
women’sbureau@wol.gov

Minority Women and Retirement Income—Your Future Paycheck
Sonja Meets Her Future Self
This booklet provides a multi-generational look at retirement planning and the valuable lesson of Save, Spend, and Give. It can be used in elementary school classrooms or simply shared with the children in your life. ($4.75)

WISER/NAPSA Brief: Elder Financial Abuse
Elder financial fraud victimizes hundreds of thousands of elderly persons each year. Learn the most effective ways to prevent and respond to the problem. ($2)

Divorce and Retirement: How to Take Control of Retirement Benefits
Because pension and retirement benefits are not automatically split in a divorce, this short, commonsense guide emphasizes the importance of these benefits and offers valuable information on marital property, negotiating an agreement, and getting a qualified domestic relations order (QDRO). ($4)

Don't Run with Your Retirement Money
Understanding your resources including lump-sum payments and how best to keep them for the future. A joint project of WISER and the Actuarial Foundation. ($5)

Minority Women and Retirement Income — Your Future Paycheck
What Minority Women Need to Know About Pay, Social Security, Pensions, Savings and Investments. ($7)

Making Your Money Last for a Lifetime
Why You Need to Know About Annuities. ($3)

Seven Life-Defining Financial Decisions
Making the Most of Life’s Key Decisions — from careers and marriage to savings and retirement, our consumer guidebook offers tips for making the right choices. ($5)

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The program includes many partners: employers, women’s organizations and community based groups. Government agencies have included, the Department of Labor’s Employee Benefits Security Administration and the Women’s Bureau, the Social Security Administration, and the U.S. Treasury.