



# WISER

*Women's Institute for a Secure Retirement*

## Woman and Pensions

How can we close the gap? How much of the gap is caused by the pay gap?

2005 US-UK Dialogue on Pensions

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# Women Need More Retirement Income

- Women live longer and earn less than men.
- Women are likely to be single and not remarry.
- Women are more likely to need long-term institutional care.

# Lower Lifetime Earnings

Lower lifetime earnings are a result of:

- The pay gap – women earning less than men
- Part-time work
- Taking time out of the labor force to accommodate family obligations

Effects of women's lower lifetime earnings:

- Difficult to save the amounts needed for retirement.
- Smaller pension and social security benefits.

# Earnings Make Retirement a Challenge

Almost 2 out of 3 working women earn less than \$30,000 a year.

Nearly 9 out of 10 working women earn less than \$50,000.

Women's earnings average \$.77 for every \$1 earned by men.

Nearly half work in traditionally female, relatively low-paid jobs without pensions.

# Women and Employer-Sponsored Plans

- Women and men as full-time, year-round workers, are equally likely to participate in employer plans.
- But women as low wage-workers are less likely to participate.
- And as part-time workers women not only do not have access but they are twice as likely to work part-time.
- Women are the primary family caregivers – means even if they participate in plans they are less likely to earn benefits.

# Impact of 401(k)s

- Dramatic shift from defined benefit pensions to 401(k)s has affected women and men differently.
- Women's shorter job tenure means they are likely to gain by taking vested contributions when leaving a job.
- But women are also more likely to spend retirement payouts rather than preserve the income.
- However, due to their longevity, women need annuities not lump-sum distributions.

# Impact of 401(k)s continued

- Annuities are the most efficient way to manage risk of running out of income.
- Married women who rely on spouse's 401(k) do not have a joint and survivor benefit.
- However, if more 401(k) plans offered annuities with a j&s, married women would have more retirement security.

# Older Women and Poverty

- Older women are twice as likely as older men to be poor.
- Nearly 21% of single, older women in the U.S. are poor.
- 18.5% of divorced women over 65 live in poverty.
- 15% of widows over 65 live in poverty.

# Older Women and Poverty continued

- Unmarried, older African-American and Hispanic women face even greater risk of poverty.
  - 40% African-American women live in poverty.
  - 47% of Hispanic women live in poverty.

(In 2002, the poverty threshold for a single person 65 and over was \$8,628.)

# Conclusions

- Retirement benefits are tied to earnings and women are majority of low-income workers -- this factor is unlikely to change much and may get worse with changes in entitlement programs.
- Low-income workers find it difficult to save.
- Future will be better for women with husbands, pensions and retiree health benefits but all are difficult to attain and even more difficult to keep.