Women’s Institute for a Secure Retirement

National Conference of State Legislatures

The Economics of Retirement for Women

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www.wiserwomen.org
Why Women??

• At age 65+, there are 6.2 million more women than men
• At 75+, there are 4 million more women than men
• At 85+, there are 1.8 million more women than men: 71% of the 85 and older population
  – The age 85+ numbers are expected to double/triple over the next three decades
  – Women who have never been poor before end up living in poverty
Why Women Need More Retirement Income

• Women live longer than men.

• Women earn less than men.

• Women are more likely to be caregivers.

• Women are likely to be single and not remarry. (Close link between marital status and economic status for women).
Why Women Need More…..

- Poverty rates are much higher for single older women.
- 30% of single women age 75-79 are poor or near poor.
- Women are more likely to have a chronic illness and need long-term institutional care.
- Women will need at least 100% of pre-retirement income – some say 110%.
What Women Have…..

- Social Security: the average benefit for women was $10,399 annually ($867 a month).
- Pensions: median annual pension income was $6,552 annually ($546 a month).
- 401(k) median amount for women $34,000.
- Assets: median income from assets is $729 annually ($61 a month).
Minority Women and Poverty

• Single older African-American and Hispanic women face even greater risk of poverty.
  – 36.7% African-American women living alone are poor.
  – 45.7% of Hispanic women who live alone are poor - compared to 17.9% of single white women.

(In 2007, the poverty threshold for single persons 65 and over was $10,210.)
Longevity Risks

• Inflation
• Outliving Assets (financial/investment risks)
• Death of a spouse
• Unexpected healthcare needs and costs – experts project staggering amounts needed.
• Loss of ability to live independently – long term care needs
• Many older women end up in poverty for the first time in their lives
Longevity Planning

- Women need to take control at the earliest possible age.
- Women need more income and they vastly underestimate how much they will need.
- Women need to shift their thinking and recognize what the reality of old age is in the 21st Century.
- The biggest risk for women is outliving savings and that they won’t know until it’s too late.
Planning for Longevity

Based on the new life-expectancy figures, your retirement savings must last 20 to 30 years.

Based on your current spending patterns, you could sustain retirement for 20 to 30 minutes.

Time to ask the hard questions.

Can I get a new blackberry like that today or do I have to wait for my birthday?

Calculate your expenses... debts... income... inflation rate... life expectancy and...

Ta-da! Your "magic retirement number" is $328!!

$328?? That's not bad! I think we can save $328 a year!

Do you mean $328 a year or $328 a month??

I mean work 328 more years before you can even think about retiring!!

Thu Apr 27, 12:00 AM ET
Premature Retirement Risks
“Negative Shocks”

• Not realizing that you cannot always “work until you drop.”
• Many workers will retire before they expect to, and before they’re ready.
• Nearly four in ten people retire due to poor health, caring for a family member, or job loss.
All Americans --particularly women need to learn about retirement income

- Most workers lack basic financial knowledge– great material available – probably too much.
- Workers misunderstand what their primary sources of income will be. 3-legged stool: Need Social Security, pensions, personal savings.
- Social Security is the most important source of income for many people.
- Increase in 401(k)s, means workers are now responsible for managing their investments.
**Big Policy Issues**

- Congressional Joint Tax Committee’s 2007 Report shows the tax expenditure for retirement plans and IRAs was 139 billion. This will become a big issue for tax reform in 2010.
- Kennedy’s Class Act provides a better way to get LTC insurance to more people. Controversial and Expensive.
- Savers Tax Credit – needs to be improved by making it refundable, simplified and expanded.
Big Policy Issues

- Develop a national retirement policy.
- Reverse mortgages were thought to be a backbone for the baby boomers but the current crisis has changed that for now.
- Caregiver credits – either in or out of the SS system.
- Older women are working longer – issues about job accessibility for older workers.
Other Policy Issues

• Increase opportunities for low and moderate-income women to build wealth.
• Automatic IRAs should be offered for those without a retirement plan.
• Eliminate retirement accounts from federal and state asset tests for program eligibility.
• Annuityization – increasing ways to help women have guaranteed income for life.
Other Policy Issues

• Annuitization – risk pooling will assist with risk reduction. A U.K. proposal considers shifting the longevity risk after age 85 to the government to improve annuity pricing.

• Longevity insurance – would kick in at a specified age such as 80 or 85.
For More Information

WISER’s Web Site: www.wiserwomen.org
or call 202 393-5452