

Achieving a Sustainable Retirement: Risks and Strategies for Women

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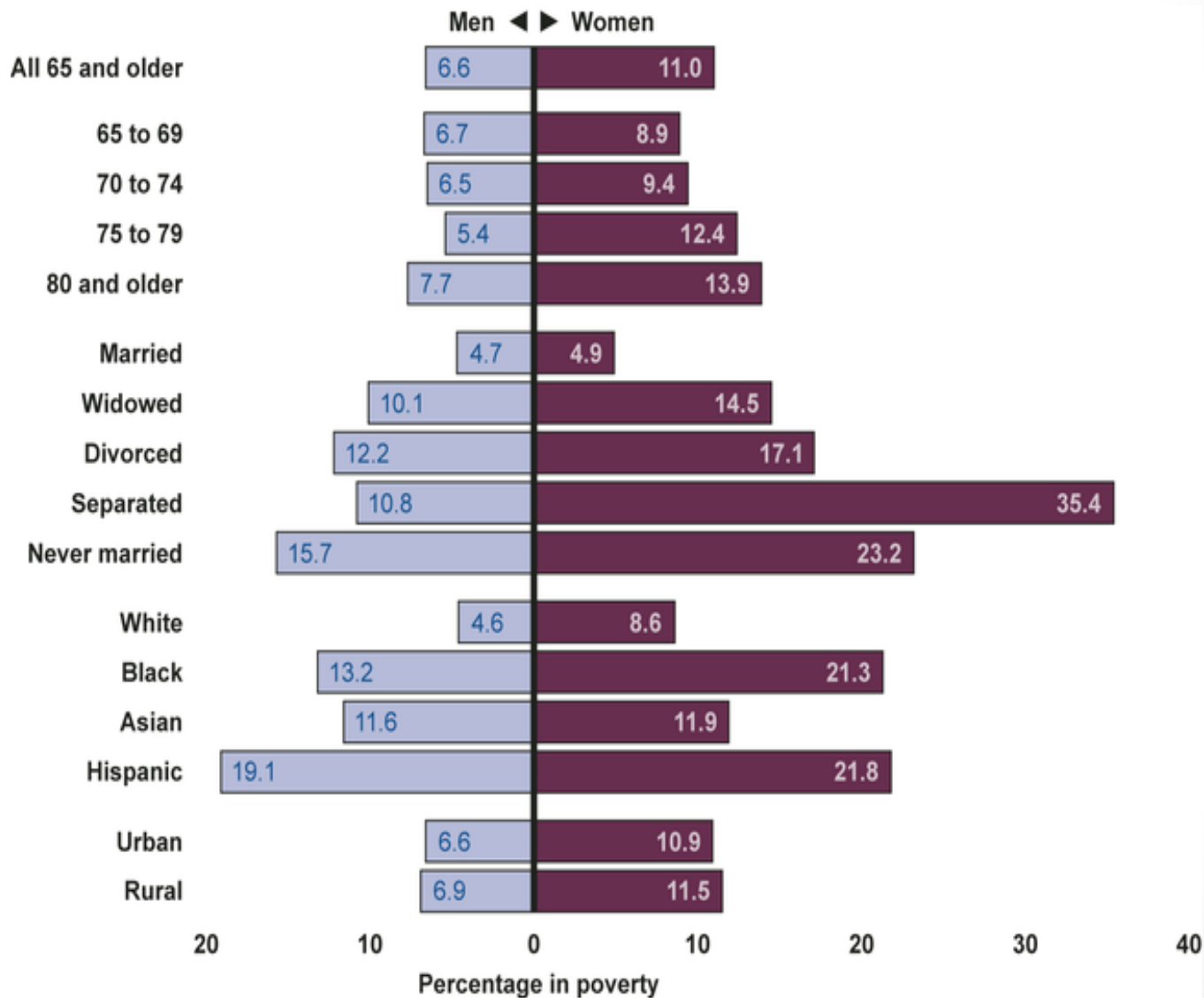
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Key questions

- ❖ How do retirement risks differ by gender and among women, including by marital status, race and ethnicity?
- ❖ How does the public understand and deal with these risks?
- ❖ What individual and policy strategies can help women achieve a sustainable retirement?

Poverty rates for individuals 65+



Source: GAO analysis of March 2013 CPS data.

Women's longer lifespans increase retirement risks

❖ Women, including women of color, have a longer life expectancy at 65 than white men.

- White non-Hispanic men, **17.8** years
- Black women, **19.4**; Hispanic women, **21.9**; white women, **20.3**

(CDC, United States Life Tables 2010 (2014))

❖ Poverty rates increase with age, especially for women:

- Women 80+ v. women 65-69: **13.9%** v. **8.9%**
- Men 80+ v. men 65-69: **7.7%** v. **6.6%**

(GAO analysis of 2013 CPS)

❖ Because they live longer, women are more likely to need long-term care, face major medical expenses, and lose the support of a spouse.

How does the public understand and deal with longevity risk?

- ❖ Both pre-retirees and retirees underestimate life expectancy
- ❖ Planning horizons are too short & many don't plan
- ❖ Pre-retirees may overestimate their ability to continue working (7 in 10 pre-retirees say they'll work in retirement, 3 in 10 retirees actually do)
- ❖ Pre-retirees may overestimate likelihood they'll postpone Social Security (50% of pre-retirees say they will, 13% of retirees did)
- ❖ People cope with events as they happen; little use of annuities or long-term care insurance

(Society of Actuaries, 2015 Risks & Process of Retirement Survey)(SOA survey 2015)

Social Security is especially important to older seniors

- ❖ Half (50.2%) of beneficiaries ages 65-69 get 50% or more of their income from Social Security; 3 out of 4 (76.4%) seniors 80 or older do.
- ❖ 1 in 4 (24.6%) beneficiaries ages 65-69 get 90% of their income from Social Security; nearly half (46.7%) of seniors 80 or older do.

(SSA Income of the Population 55 or Older, 2012 (2014), T 9.A1)

Risks of widowhood

- ❖ Widowed seniors (65 or older), especially women, face a greater risk of poverty.
 - Widowed v. married senior women: **14.5%** v. **4.9%**
 - Widowed v. married senior men: **10.1%** v. **4.7%**

(GAO analysis of 2013 CPS)
- ❖ Retired widows experience more retirement shocks than other retirees.
 - 24% of widows v. 19% of all retirees experienced 4 or more shocks; 22% v. 13% experienced 3 shocks

(SOA Survey 2015)

Does the public understand the risks of widowhood?

- Pre-retirees are more concerned about most retirement risks than retirees--but are less worried about the impact of widowhood on their spouse.
- 41% of married pre-retirees (v. 29% of retirees) say if they predeceased, surviving spouse would be better off.
- Only 12% of pre-retirees (13% of retirees) say surviving spouse would be worse off.

(SOA survey 2015)

Risk of poverty for divorced and never-married seniors

- ❖ Divorce increases the risk of poverty, especially for women
 - Divorced v. married senior women: 17.1% v. 4.9%
 - Divorced v. married senior men: 12.2% v. 4.7%
- ❖ Poverty rates are especially high for never-married seniors
 - Never-married senior women: 23.2%
 - Never-married senior men: 15.7%

(GAO analysis of 2013 CPS)

Social Security is especially important to non-married seniors

- ❖ About half (52.3%) of married seniors get 50% or more of their income from Social Security; 3 out of 4 (73.8%) non-married seniors do.
- ❖ About 1 in 5 (21.6%) of married seniors get 90% of their income from Social Security; nearly half (46.8%) of non-married seniors do.

(SSA Income 2012, T 9.A2)

Social Security spousal benefit-claiming options recently changed

Bipartisan Budget Act of 2015 changes 2 options prospectively:

- ❖ **File-and-Suspend:** Worker at Full Retirement Age could file for benefits but delay payment, enabling spouse to receive spousal benefits while the worker's benefit grew.
 - No change for people who have already used this option.
 - Option eliminated after April 29, 2016.
- ❖ **Spouse then worker:** At FRA, individual entitled to both spouse and worker benefits could claim just a spousal benefit, allowing the worker benefit to grow.
 - Not available for people who turn 62 after 2015.
- ❖ Neither change affects widowed spouses. Divorced spouses not affected by elimination of file-and-suspend.

Retirement risks & women of color

- ❖ Poverty rates for Hispanic and Black women 65+ about 2.5X rate of white women 65+ (**21.8%** and **21.3%** v. **8.6%**), about 4.5X rate of white men 65+ (**4.6%**)(*GAO analysis 2013 CPS*)
- ❖ Lower earnings: for every \$1 paid to a white, non-Hispanic man, Black women typically earn 60 cents, Hispanic women 55 cents (*NWLC, Wage Gap Is Stagnant*)
- ❖ Less wealth: median net worth (including housing) for white, non-Hispanic families \$142,000; for non-white or Hispanic families, \$18,100 (*Federal Reserve Board, Survey of Consumer Finances 2013*)
- ❖ Decline in marriage rates and potential eligibility for Social Security spousal benefits, especially among Black women (*Iams and Tamborini, SSA, Implications of Marital History Change*)

Retirement shocks hit lower-income people harder

❖ Lower-income (<\$35K) v. middle (\$35K-\$74K) v. higher-income (>\$75,000) retirees are more likely to:

- Experience multiple retirement shocks:
29% v. 14% v. 10% experience 4 or more retirement shocks
- Lose 50% or more of their assets due to retirement shocks:
34% v. 16% v. 7%
- Reduce spending by 50% or more due to retirement shocks:
24% v. 7% v. 3%
- Report that they are not managing well with new constraints:
38% v. 15% v. 7%
- Decrease spending “a lot” during retirement:
30% v. 10% v. 9%

(SOA Survey 2015)

Social Security is especially important to seniors of color

- ❖ The share of beneficiaries 65+ getting 90% or more of their income from Social Security is:
 - About one-third (34.6%) for whites
 - Over half (52.6) for Hispanics
 - Nearly half for Blacks (46.4%)
 - More than 4 in 10 (44.4%) for Asians

(SSA Income 2012, T 9.A3)

Recommendations

- ❖ Increase Social Security benefits to broadly expand access to secure, inflation-adjusted income for life
- ❖ Educate the public about the impact of delaying Social Security benefits and the impact of high-earner's claiming decision on a surviving spouse
- ❖ Expand social insurance for long-term care
- ❖ Increase economic opportunities and reduce inequality across the lifespan