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Before the

The Senate Special Committee on Aging

March 15, 2006

Dirksen Senate Office Building

The National Caucus and Center on Black Aged, Inc. (NCBA)

The Special Challenges of Women in Preparing for Financial Security in Retirement

The National Caucus and Center on Black Aged is pleased to testify before Committee on the special challenges of women preparing for financial security in retirement. NCBA has a 36-year history of focusing our efforts on improving the quality of life for elderly low-income minorities in the country.

Retirement planning is important for everyone, but it is especially important and challenging for minority women. Minority women are less likely to work in jobs covered by pensions. Only 15 percent of Black and 8 percent of Hispanic older women received pension income in 2000. For those working today, 38 percent of Black women, 26 percent of Hispanic women, and 38 percent of Asian/Pacific Islander women are covered by a pension plan. This rate drops sharply when looking at part-time workers: 11 percent of Black women, 7 percent of Hispanic, and 10 percent of Asian/Pacific Islander women are covered by a pension plan.

Despite the overall decline in poverty rates among older Americans during the last several decades, many older women remain poor. Approximately, 12.4 percent of women age 65 and older are poor compared to 7 percent of the men in this age group, and the likelihood of a woman being poor in retirement increases with age. The poverty rate for single black women over age 65 is 41.5 percent, and for single Hispanic women it is 49.2 percent twice the rate of white women. The reality is that many women rely on Social Security as their primary source of income in retirement. In fact, Social Security is the only source of retirement income for 45 percent of unmarried black women and 46% of unmarried Hispanic women over age 65. The problem is that Social Security was not designed to be a retiree's sole source of support, but instead was meant to provide only a bare minimum of protection.

We understand the current push for American's to save. However, women's lower earnings often leave them with few resources to invest. Women usually have little or no money left to save for retirement after paying their bills. Furthermore, the current generation of elderly women of all races has little in the way of savings and investments for their retirement. In fact, half of all unmarried older women have less than \$1,278 a year in asset income, or only about \$106 a month.

Women should be save more money than men because on average they live about 4 more years than men, and will need money to support themselves. And, they are also more likely to have higher expenses for health care and prescription drugs. Unfortunately, women's lower average earnings and more time spent out of the workforce for care giving make it difficult for many of them to save the amounts needed for retirement much less have the resources to make catch-up contributions.

Minority populations are also living longer, and by the year 2050, experts are projecting that there will be at least five times more minority women and men aged 65 and older, and about thirteen times more who are aged 85 and older. Minority women will comprise a larger percentage of the older population in the years ahead. Also, for minority women with limited work histories or who have lived on the margin economically, the retirement picture looks particularly bleak. For example, minority women who might have worked in domestic capacity or as a day laborer probably did not earn enough money to contribute to personal savings account and certainly not a pension plan.

Women overall have made many financial improvements over the past 25 years, and some are finding reason for optimism. A recent survey of African American women on behalf of the Fannie Mae Foundation suggests that while half of African American women are struggling to make ends meet, they are optimistic that their financial situation will improve over the next year.

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, and to manage carefully to cover the high costs of health care and longer life spans. NCBA has focused our attention on educating young people on preparing for old age in hopes of addressing

The harsh reality remains that, as long as most minority women earn less money than other women and men, and have fewer opportunities to save, they will have less retirement income and face the highest risks of poverty in old age.

Policy Reforms

Many improvements can be made by policymakers to provide low-income minority women with greater retirement security. Some of the pension reform proposals currently under consideration by lawmakers that could enhance women's retirement security include: increasing pension coverage for lower-wage, part-time and temporary workers, increasing survivor benefits, making pension division upon divorce more equitable for women, and giving women credit for care giving.

As a society, we have an obligation to provide older women with the opportunity to live out their later years with adequate resources that will lead to a dignified retirement. However, as long as most minority women earn less money than other women and men, and have fewer opportunities to save, they will have less retirement income and face the highest risks of poverty in old age. In conclusion, increasing survivor benefits, making pension division upon divorce more equitable for women, and giving women credit for care giving are just a few ways to offer women some relief during the retirement years.

