

## U.S. Senate Special Committee on Aging

### Hearing: *Financial Literacy: Addressing the Unique Just-in-Time Decisions Older Americans and People with Disabilities Face*

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#### INTRODUCTION

Good Morning. I am Cindy Hounsell, President of the Women's Institute for a Secure Retirement (WISER), a 25-year-old nonprofit organization that works to help women, educators and policymakers address the complicated issues that affect women's planning for retirement and their long-term financial security. Thank you to the Committee for inviting us to participate in today's hearing on Financial Literacy to discuss ways to increase and improve financial literacy programs and provide support to older adults and their families who are making important financial decisions.

WISER is dedicated to the education and advocacy that will improve the long-term financial quality of life for women. As the only organization to focus exclusively on the unique financial challenges that women face, WISER's mission is to support women's opportunities to secure adequate retirement income; we do that through direct education, workshops, partnerships, and research. WISER has spent most of its 25 formative years working with diverse groups of women and training-trainers to make sure that there is community buy-in and the ability to follow up with experts. Black women, Latinas and Native American women in communities have been prominent in our work.

#### **WHY Women?**

One of the first questions that WISER is asked is why focus on women? Our response is that there are 5.8 million more women than men at age 65, and 67% of the over age 85 population are female.<sup>i</sup> Many of those in the group over age 85 end up near poor or in poverty, even if they have never been poor before. Yet, while many Americans are not financially prepared for retirement, the future for under-resourced women is especially alarming. The statistics find older women living alone becoming poorer as they age – especially minority women living alone who are more likely to age into poverty.<sup>ii</sup> The data confirms **the higher rates of**

**poverty; for Hispanic women it is 43 percent and for Black women, 33 percent –rates almost twice that of white women.**<sup>iii iv</sup>

Women's longevity means that they will likely need *more* income. One out of two women in their mid-50's today will live until age 90. The nature of today's system of individual responsibility demands financial literacy/capability. Women want and need targeted information and knowledge in navigating the retirement system as well as in avoiding the traps and the gaps.

### **Financial Capability**

Research shows that women generally have lower levels of financial literacy than men; yet literacy is linked to overall financial well-being.<sup>v</sup> Understanding the basics of the complicated financial world that we all operate in is important in order to make the most of one's income, especially for those without access to information or financial literacy programs. When provided with basic, practical financial education that emphasizes that financial goals are achievable, workers can become better consumers and improve their financial situation. A definition of financial literacy by the National Endowment for Financial Education (NEFE) follows: "the development, acquisition, maintenance, and conservation of scarce resources that allow families and individuals, as they interact with the world around them, to better their levels of living."

WISER's key initiative is a program administered cooperatively and funded by the Administration on Community Living's, Administration on Aging – the National Resource Center on Women and Retirement (the Center). The Center operates as a national clearinghouse of tools and information on retirement planning. The Center's goal is for WISER to improve the financial knowledge of the Center's target population of vulnerable women by helping them plan and achieve retirement security. WISER presents financial workshops to diverse groups of women across the country. The target population includes not just low-income women, but women with disabilities, caregivers, rural women and those with limited English-speaking proficiency. The Center creates consumer publications that explain in easy-to-understand language the complexity of women's retirement issues: claiming Social Security, signing up for Medicare, emergency savings programs, caregiving issues, divorce, widowhood, long-term care and elder financial abuse. Most women cannot afford even the smallest mistakes, and they often encounter life events that have a significant impact on their financial lives, such as divorce and widowhood. The Center provides women with the information and tools they need to navigate these situations; for example, WISER's booklet

Going it Alone: A Guide for Widows which takes women step-by-step through the process of claiming benefits.

The Center works to reach as many women as possible to educate and provide them with information that can assist in retirement planning and decision-making. WISER's outreach includes participation with Aging Network partners to provide programs at annual conferences. For example, through collaboration with the Area Agencies on Aging (USAging), Adult Protective Services, Service Coordinators and other groups that provide access to diverse groups of women, we train trainers who can assist women in their communities by providing helpful resources. The Center has directly reached hundreds of thousands of women through WISER's and our partners' workshops and we've reached millions with our publications, media, social media and website. WISER has also collaborated through partnerships with government agencies like the Social Security Administration, the Consumer Financial Protection Bureau, and the Securities and Exchange Commission.

WISER's outreach also extends to 20+ Center partners by providing specialized programs and co-branded reports such as the newly updated report, *Minority Women & Retirement Income*,<sup>vi</sup> which is distributed through partners with underserved audiences and those with low financial literacy. Among the partners are MANA, A National Latina Organization (MANA) and the National Caucus & Center on Black Aging, Inc. (NCBA). Both are national nonprofit organizations; MANA is a Hispanic organization with 25+ chapters, and NCBA serves the Black/African American community through several state and local programs. These groups are long-time financial literacy partners who have prioritized providing skills and knowledge to their members. The specialized education programs are successful, as they are segmented for the appropriate audience, and nearly every experience is positive showing that women want to take more control of their financial future, even while they are hindered by the many challenging factors that affect women more than men. Unfortunately, while these programs cannot eliminate the retirement racial asset gaps, they do provide real hope, resources and ways to improve individual finances in a complicated economy. WISER's model has included some shared grant funding which has led to a ripple effect of innovative programs.<sup>vii</sup>

### **Importance of Trusted Messengers**

Success in reaching these groups has resulted from the partners developed along the way and the adaptability and flexibility needed to make the programs work.

Vickie Elisa, our Atlanta partner was successful in educating the women in her Mothers' Voices programs for African Americans --teaching about workplace benefits and retirement, and motivating the women to save--importantly, Vickie helped them believe that they could have a stable financial life; she persuaded them in part by sharing her own story of similar financial challenges. The women saw Vickie and her nonprofit as an agent of change and a 'trusted messenger.'<sup>12</sup>

Amy Hinojosa, President & CEO of MANA, A National Latina Organization with its 25+ chapters and affiliates, formed a strategic partnership with WISER to deliver financial education at the community level with a similar training-trainers model. Over the last decade, The *MANA Financial Literacy Leadership Institute Training* has trained more than 350 Hispanic community trainers from 26 cities and 16 states. These trainers have facilitated over 900 community workshops for more than 15,000 Hispanic women.

A "trusted messenger" can also be a local institution, such as a library or nonprofit; it does not need to be a specific person. In multiple programs, the trusted messenger was a savings institution, such as a local bank or credit union with which the program partnered, and which offered the women the opportunity to open a savings account.

### **Retirement Income**

How much will women need? The percent of a worker's pre-retirement income needed to maintain retirement security depends on the circumstances of each individual household.<sup>viii</sup> Access to retirement income is based on a woman's work life, her earnings, savings, and her marital status. But during their working years, women generally earn less because of the gender pay gap, have diverse work patterns and education levels, and are overrepresentation in the low-wage workforce without access to adequate workplace benefits, resulting in women having less in savings, less in Social Security benefits and less in retirement savings accounts.<sup>ix</sup> It is important for all workers to know that Social Security benefits only cover 40 percent of preretirement income for the average worker. The average annual Social Security benefit for retired women workers in 2019 was \$14,952 compared with \$18,816 for men.<sup>x</sup> Overall, women aged 65+ have 30 percent less retirement income than men,<sup>xi</sup> yet they need more income to support the costs of living longer.<sup>xii</sup>

To make matters worse, women have been disproportionately affected by the economics of the Covid pandemic; millions losing and leaving jobs, accumulating debt, and worsening their previous financial situations thus making it more difficult to pay monthly bills or cover unexpected expenses.<sup>xiii</sup> Also, problematic

for many women is not knowing *what they need to know to make the best financial decisions, or to take advantage of benefits they might miss out on*. The recent financial hardships due to the COVID-19 economy highlight the importance of having a cash cushion to get through times of unemployment or reduced hours. Working harder is not a realistic solution, however, for many women in this target population already work more than one job at a time.

## **Unique Challenges: Longevity Risks, Health Care Costs, Marital Status and Caregiving**

**Longevity Risks & Health Care Costs:** Women confront other retirement income challenges which are long-lasting due to their longevity and health care costs. Longevity risks include inflation, loss of spouse, and health care costs which have a disproportionate harm on women's retirement income. Today, a woman at age 65 can expect to spend approximately \$47,000 *more* in retirement for health care expenses than her male counterpart. These health care costs increase with age, as women experience more frailty and more long-term care services are needed.<sup>xiv</sup> Many women are unaware of these facts and what services Medicare and Social Security actually provide. In fact, many families are not aware that Medicare does not cover most long-term care costs or that Medicare premiums are subtracted from their Social Security benefits.

**Marital Status:** Women are more likely to be single and at much greater risk of poverty as they age than are men – 26.1 percent of those who never married live in poverty compared to 4.9 percent of married women.<sup>xv</sup> The gender mortality difference and the fact that many women marry older men, finds women are more likely to be living alone which increases the likelihood of poverty. While many women are caregivers for their husbands, many women do not have a spouse to care for them in their retirement years. At age 85, about 86% of women are single.

**Caregiving:** Currently, there are 48 million family caregivers, and the majority are women. Women generally and as caregivers are spending on average 9 years out of the paid work force.<sup>xvi</sup> Those nine years mean zero earnings, or a career of 29 years compared to men's 39-year careers. The zero earnings are compounded in the 35-year calculation of their Social Security benefit. In addition, women, because of their need for flexibility for caregiving, are twice as likely to work on a part-time basis as are men, with the resulting lower earnings. Women are more likely to work in industries that pay lower salaries and have no retirement plans or less generous retirement plans.

**Financial Caregiving:** Women compromise work schedules by leaving the labor force or working part-time to accommodate family needs. Recent research studying the financial effects of caregiving found a majority of women/caregivers have given little/or no thought to their own financial situation, while over half describe their financial position as fair or poor.<sup>xvii</sup> Another study shows that single women who care for elderly parents are 2.5 times more likely than other caregivers to live in poverty in retirement.<sup>xviii</sup> The financial consequences are serious<sup>xix</sup> but understanding the financial implications of these decisions allows for better planning and more opportunities for preserving retirement income and affording health benefits. However, financial caregiving also has consequences for both the caregiver and the care recipient who needs help with managing their financial affairs.<sup>xx</sup> More than one in five caregivers provide both financial management and out-of-pocket support (\$7,242+ annually)<sup>xxi</sup> to their care recipients with two-thirds of family caregivers reporting they could benefit from financial advice on managing money.<sup>xxii</sup>

### **Auto Portability – A Positive Step**

A fairly new retirement savings feature is a technology-based solution developed by the Retirement Clearinghouse. It ensures that when someone switches jobs (which 14.8 million workers do annually), their 401(k)savings moves automatically from their previous employer's plan to their new employer's plan, even if their assets are less than \$5,000. That allows their savings to continue to grow in one easy-to-monitor, consolidated investment account. Studies indicate that over a 40-year period, auto portability could decrease cash-outs to such a degree that it could add as much as \$1.5 trillion to \$2 trillion to Americans' retirement savings<sup>xxiii</sup>. And much of that savings will belong to the people who need it most.

Without auto portability, 50% of workers who earn between \$20,000 and \$30,000 cash out within a year when changing jobs. Sixty-three percent of Black and 57% of Hispanic workers also cash out, as do 41 percent of women. Among women, 71% percent who cash out are women age 25-34. **But auto portability changes that.** The more financially challenged demographic groups – those with the smaller balances – lower their cash-out rates more than other groups when auto portability is a feature of the plans.<sup>xxiv</sup>

## **Conclusion**

WISER's focus is to help workers do the best they can within the system we have now by providing Financial Literacy programs, educating and advocating for the much-improved **Saver's Tax Credit**, preserving savings through auto portability and helping women to build emergency funds. We have recently been working with employers to expand information about Medicare & Social Security and encourage signing up for a *mySocialSecurity* account as most of the workforce no longer receives annual Social Security statements.

As a nation with an aging population, we need to educate the public on strengthening our existing retirement programs wherever possible. That means focusing especially on the links to both Social Security and Medicare, employer-sponsored retirement programs and emergency saving initiatives, and educating average workers about how these systems work to prevent penalties and loss of benefits.

Below is a list of issues that most workers need to know:

1. The impact of future inflation and taxes is often not included in planning for retirement despite the significant impact it can have on retirement income – think 10 years after retirement.
2. Individuals are often confused about how much is needed to cover their expenses in retirement. Benchmarks would be helpful.
3. Many individuals struggle to plan how they will draw down assets and need greater access to flexible income distribution options and guaranteed lifetime income options.
4. Longevity risk is poorly understood and not widely planned for and yet we are an aging society.
5. Many women assume they will just keep working beyond normal retirement age, but more than 40 percent of Americans end up retiring earlier than they planned to, usually due to job loss, family needs including health issues, or personal poor health.

Planning for retirement is effective and workplace seminars are helpful, but there is a need for basic resources to help people figure out how much they may need to increase their savings in order to retire with the ability to cover their expenses.

The following are suggested actions for building and supporting increased economic and financial security for all workers:

- Provide basic benchmarks so people are not confused about their full retirement age and when to sign up for Medicare;
- Improve programs for those with very low benefits such as those who are primarily low-wage, unmarried and widowed women;
- Provide some form of longevity bump-up for those age 85+;
- Study ways to offer retirement protection to women with significant time spent as caregivers, including the possibility of a provision for Social Security credits and credits for out-of-pocket expenses that may be preventing women from saving;
- Provide all workers access to Social Security estimated benefit statements;
- Expand retirement savings opportunities;
- Expand the concept of emergency savings as part of employer wellness plans;
- Improve the Savers Tax Credit and make it a staple of retirement saving for middle-income as well as for moderate- and low-income workers;
- Enhance knowledge of the three pillars of the nation's retirement systems (Social Security, employer-provided retirement plans, and personal savings) by helping individuals understand the importance of having access to each of the pillars; and
- Help individuals learn what they need to know about their Social Security benefits, about preserving their employer sponsored benefits and about taking advantage of individual savings programs available to them.



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- <sup>ii</sup> Cubanski, J., Coma, W., Damico, A., & Neuman, T., Kaiser Family Foundation, *How Many Seniors Live in Poverty*, November 2018.
- <sup>iii</sup> U.S Census Bureau, Current Population Survey Annual Social and Economic (ASEC) Supplement, 2019.
- <sup>iv</sup> Hounsell, Cindy and Welty, Ellen, *Financial Programs for Underserved, Underbanked Women: They Make a Difference*, Journal of Financial Service Professionals, Vol. 75, No. 5, September 2021.
- <sup>v</sup> Yakoboski, Paul J., Annamaria Lusardii; & Hassler, Andrea, TIAA Institute-GFLEC Personal Finance Index (P-Fin Index), *Financial Literacy and Wellness among U.S. Women: Differences among Underrepresented Minority Women*, November 2020.
- <sup>vi</sup> Women’s Institute for a Secure Retirement, *Minority Women & Retirement Income: Your Future Paycheck*, 2020.
- <sup>vii</sup> WISER and MANA, A National Latina Organization, *The Latina Savings Project*, October 2019.
- <sup>viii</sup> GAO, Retirement Security: Better Information on Income Replacement Rates Needed to Help Workers Plan for Retirement, GAO-16-242, Washington, DC, Mar.1, 2016.
- <sup>ix</sup> For summary information on the gender pay gap see WISER’s Press Release from Pay Equity Day 2019 at: <https://www.wiserwomen.org/images/imagefiles/Equal%20Pay%20Day%202019%20PressRelease.pdf>
- <sup>x</sup> Social Security Administration, Annual Statistical Supplement August 2018.
- <sup>xi</sup> GAO. *Retirement Security: Women Still Face Challenges*. GAO-12-699. July 9, 2012.
- <sup>xii</sup> GAO. *Retirement Security Older Women Report Facing a Financially Uncertain Future*. GAO-20-435. August 13, 2020.
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- <sup>xiv</sup> Amber Christ and Tracey Gronniger, “Older Women and Poverty: Special Report,” Justice in Aging, December 2018.
- <sup>xv</sup> Social Security Administration, *Marital Status & Poverty*, May 2016.
- <sup>xvi</sup> Women’s Institute for a Secure Retirement, *Ten Facts About Women and Caregiving*, 2019.
- <sup>xvii</sup> Transamerica Institute, *The Many Faces of Caregivers: A Close-Up Look at Caregiving and Its Impacts* (2017) Hereafter TI at 196
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- <sup>xix</sup> Id TI at 197&199
- <sup>xx</sup> Merrill Lynch, “The Journey of Caregiving.” (2017) Hereafter ML at 22 and Figure 9
- <sup>xxi</sup> AARP, “2021 Caregivers Out-of-Pocket Costs: Study and Fact Sheet, by Laura Skufca and Chuck Rainville, June 2021.
- <sup>xxii</sup> ML at 24
- <sup>xxiii</sup> EBRI, *The Impact of Auto Portability on Preserving Retirement Savings Currently Lost to 401(k) Cashout Leakage*, Issue Brief Number 489, August 15, 2019.
- <sup>xxiv</sup> Retirement Clearinghouse, *New Data Proves the Effectiveness of 401(k) Auto Portability*, July 27, 2021.