United States Government Accountability Office

Testimony

Before the Special Committee on Aging, U.S. Senate

For Release on Delivery
Expected at 9:30 a.m. ET
Thursday, September 24, 2020

RETIREMENT SECURITY

Older Women Report Facing a Financially Uncertain Future

Statement of Gene L. Dodaro, Comptroller General of the United States

Chairman Collins, Ranking Member Casey, and Members of the Committee:

I am pleased to be here today to discuss our work on the retirement security challenges of older women. During work on our July 2020 report, when we asked older women about the factors that influenced their financial security in their retirement years, the nation was not yet in the midst of the impact of the Coronavirus Disease-2019 (COVID-19) pandemic.[1] COVID-19 has resulted in catastrophic loss of life and substantial damage to the global economy, stability, and security. Worldwide, there were 27,738,000 reported cases and 900,000 reported deaths due to COVID-19 as of September 10, 2020; within the United States, there were 6,344,000 cumulative reported cases and over 177,000 reported deaths.[2] Early in the pandemic, state stay-at-home orders and federal recommendations to postpone nonessential medical procedures contributed to declines in hospital/facility stays and patient visits for non-COVID-related conditions or impairments.

The current economic downturn also will likely have adverse effects on the retirement security of future retirees. The overall U.S. unemployment rate more than doubled between February and August 2020, when it was 8.4 percent. Job loss by individuals close to retirement age, may lead to earlier retirement when it is difficult to find employment, which can lead to losses in retirement income. Our prior work on unemployment during the Great Recession found that unemployed older workers had difficulty getting re-employed and faced a longer median duration of

[1] See GAO, *Retirement Security: Older Women Report Facing a Financially Uncertain Future,* GAO-20-435 (Washington, D.C.: July 14, 2020).

[2] Beginning April 14, 2020, states could include probable as well as confirmed COVID-19 cases in their reports to the Centers for Disease Control and Prevention (CDC). Prior to that time, counts only included confirmed cases. According to CDC, the actual number of cases is unknown for a variety of reasons, including that people who have been infected may have not been tested or may have not sought medical care. National Center for Health Statistics (NCHS) provisional death counts include both confirmed and probable or presumed deaths. The counts reported are the total number of deaths received and coded as of the date of analysis and do not represent all deaths that occurred in that period. Provisional counts are incomplete because of the lag in time between when the death occurred and when the death certificate is completed, submitted to NCHS, and processed for reporting purposes. This delay is an average of 1–2 weeks and can range from 1–8 weeks or more, depending on the jurisdiction, age, and cause of death.

unemployment than they did before the recession began.[3] Workers who experience unemployment are likely not able to contribute to their retirement accounts, and may need to draw on those accounts to cover expenses.[4]

Older workers' retirement security may be particularly affected because they have less time before retirement to recover from any impact of a recession on savings, housing, and investments.[5] We are also in a low interest rate environment, and the Congressional Budget Office expects that to continue. With lower interest rates, it becomes more challenging to accumulate savings, especially for those close to retirement.

In 2017, we issued a special report on the nation's retirement system that incorporated insights from a panel of retirement experts on how to better promote a secure and adequate retirement with dignity for all.[6] The panel agreed on the need for a comprehensive evaluation of the nation's approach to financing retirement. We recommended that Congress consider establishing an independent commission to comprehensively examine the U.S. retirement system and make recommendations to clarify key policy goals for the system and improve how the nation promotes retirement security. Congress has not yet passed legislation regarding this matter.

My statement today summarizes our July 2020 report on women's retirement security and focuses on (1) women retirees' perspectives on their financial security and (2) the financial security of older women in retirement.[7] For this work, we held 14 focus groups on financial security in retirement with older women (generally over age 70) in nine locations

[3]See GAO, *Income Security: Older Adults and the 2007-2009 Recession,* GAO-12-76 (Washington, D.C.: Oct. 17, 2011) and GAO, *Unemployed Older Workers: Many Experience Challenges Regaining Employment and Face Reduced Retirement Security,* GAO-12-445 (Washington, D.C.: Apr. 25, 2012).

[4]The CARES Act waives the 10 percent additional tax for certain early withdrawals from eligible retirement accounts for amounts up to $100,000 taken between January 1, 2020, and December 31, 2020. See Pub. L. No. 116-136, § 2202(a), 134 Stat. 281, 340-42 (2020).

[5]See GAO-12-76.

[6]See GAO, *The Nation's Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security,* GAO-18-111SP (Washington, D.C.: Oct. 2017).

[7] See GAO-20-435.

throughout the country, and administered a written questionnaire. We talked to a total of 190 women. While our findings from focus groups are non-generalizable, they provide rich insights into the perspectives of older women. We also analyzed recent nationally representative data from the 2019 Current Population Survey, 2002- 2014 Health and Retirement Study longitudinal data, and 2016 Survey of Consumer Finances. Further details on the scope and methodology for our July 2020 report are available within the published product. The work on which this statement is based was conducted in accordance with generally accepted government auditing standards.

Background

According to our estimates from the 2019 Current Population Survey (CPS) of women 70 and older, approximately 19.7 million women in the United States are in that age range. Seventy-six percent of these women are white, 9 percent are African American, 5 percent are Asian, and 9 percent are Hispanic. About 14 percent of these women have no high school diploma, and 25 percent have a Bachelor's degree or higher. An estimated 11 percent of women age 70 and over are still in the workforce. Among those women age 70 and over who are still working, the three most common occupations in 2019 were (1) secretary or administrative assistant, (2) elementary or middle school teacher, and (3) retail sales supervisors and managers. Life expectancy for women who are age 65 has increased by about 6 years over the past century and women. A woman born in 2020 who reaches age 65 can expect to live to age 90.

According to the 2019 CPS, about 43 percent of women age 70 and over are married while about 57 percent are not married. Unmarried women may be at greater risk than married women of poverty in old age because they cannot pool resources with a spouse, including against the risks of job loss, illness, or disability, and therefore unmarried women may be more vulnerable to economic and financial shocks. In addition, women who never married are also unable to take advantage of some federal benefits and other protections that are conferred through marriage, including a Social Security spousal or survivor benefit that could be larger than the benefit based on her own work history. Because women, on average, have lower earnings than men during working-age years, women will, on average, be more dependent on spousal benefits for their retirement security than men will.

Older Women Perceived Their Retirement Security to be Influenced by an Unpredictable Future

Women in all 14 of our focus groups said they felt uncertainty or fear about meeting future expenses, suggesting a sense of fragility around retirement security.[8] Of the 179 women who responded to our written questionnaire about whether they expect their financial situation to change, 91 reported that they expected their situation to stay about the same, 50 reported that they expected it to deteriorate, and 15 reported that they expected their financial situation to improve.[9] Women in all our focus groups defined financial security in retirement as the ability to maintain their independence.

Some of the reasons women gave for feeling financially secure were that they had multiple sources of income, household savings and investments, home equity, money set aside for emergency expenses, or that they were debt free or frugal. The reasons women gave for feeling financially insecure were being unable to pay for essential expenses, were in debt, lacked savings, or had to work or rely on assistance for housing or food expenses to make ends meet.

Social Security income plays an important role in helping older women achieve their goals of maintaining their independence and covering their essential expenses, according to our focus group discussions. Focus group participants discussed their perspectives on government programs, including Social Security, more than any other topic. In 11 focus groups, women specifically expressed concern about losing their Social Security or Medicare benefits, and several women described Social Security as a financial resource that helps them to maintain their lifestyle in retirement. Table 1 shows the future concerns most frequently cited by participants, as they reported on our questionnaire.

---

[8]To ensure we incorporated a range of perspectives from older women living in different locations and communities, we conducted the 14 focus groups in all four Census regions: Northeast, South, Midwest, and West. To ensure we incorporated the perspectives of women in geographically distant or more isolated communities, in addition to urban areas, we also conducted groups in rural locations within each of the four regions. We composed groups of women of similar socioeconomic status to facilitate open discussion about personal finances, but also composed groups with the goal of racial diversity, age diversity above age 70, including single and married women, and those still working as well as retirees.

[9]These numbers do not add to 179 because 21 women responded that they did not know, and 2 responded that the question was not applicable.

Table 1: Top Five Future Concerns of Questionnaire Respondents

Topic	Number of respondents who reported being "somewhat" or "very" concerned.
Inflation increasing the cost of goods and services	158
Reduced Social Security and/or Medicare benefits	146
Cognitive decline and financial challenges from dementia, Alzheimer's, etc.	134
Medical costs (including nursing home or home care)	132
Incorrectly estimating future expenses and your ability to pay	130

Source: GAO participant questionnaire. | GAO-20-718T

Women said that issues related to work, including pay inequality and not being able to work as long or as much as they wanted to, hindered their retirement security. Women in 13 focus groups discussed how caregiving responsibilities can influence a woman's ability to work. In five focus groups, women said they stopped working before they wanted to in order to care for an ill family member. When we asked our focus groups what, if anything, should be done to safeguard the financial security of older women in America, several of our focus groups discussed how equal pay should be addressed.

Pay Disparity Illustration

To illustrate the potential effect of an earnings gap between men and women working fulltime for an entire career, we simulated hypothetical 44-year careers for a woman and a man, each earning the median for fulltime workers for their age and gender between ages 21 and 65, using March 2019 CPS data. While estimated median earnings varied by age, the median across all those ages was $55,000 for the man and $45,000 (18 percent lower) for the woman. In our simulation the man's total earnings over those 44 years were about $2.5 million, and the woman's were about $2 million.

This finding suggests that the woman earning the median at age 65 ($50,000) would have to work an additional 10 years at that level of pay to match the man's median career earnings. Our simulation also shows that if a man and a woman each contributed the same constant 6 percent of earnings towards retirement savings, accrued an annual 5 percent investment return on their savings, and worked full-time for 44 years, the man would have accumulated an estimated $476,000 in savings by age 65, compared to the woman's $395,000. Based on median earnings for all men and women, not just those working full-time, we estimated his retirement account at age 65 to be $343,000, and hers at $216,000.

Source: GAO Analysis 2019 Current Population Survey Annual Social and Economic Supplement | GAO-20-718T

Women in the majority of our focus groups said they perceived a societal expectation among their generation that men handled the finances, especially in the context of marriage.[10] After divorce, some women explained that they needed to rebuild credit and pay legal fees, and that they lost spousal health insurance coverage.[11] Some women said that divorce reduced their income relative to their expenses by moving them from a two-earner household to a one-earner household, which is a circumstance widows confront as well. Women in three focus groups who were single mothers said that they prioritized spending on their children's needs over saving for retirement, which left them worse off financially.

All of our focus groups discussed how a lack of personal finance education hindered their retirement security. Some women said they did not fully understand that monthly Social Security benefit amounts change depending on the age at which you begin receiving benefits; did not realize their household Social Security income would be lower after their spouse's death; or did not fully understand the consequences of signing up for Medicare after their initial enrollment period.[12] In almost all of our focus groups, women said they wished they had made better financial decisions when they were younger.

For example, some focus group participants said they practiced poor financial habits when they were younger or had regrets about their financial decisions, such as overspending, accumulating debt, making

---

[10]While we report our findings by the number of focus groups in which a topic was discussed, it does not necessarily mean that there was a consensus or agreement among all focus group participants on a given topic. However, we often report perspectives that were commonly shared across a large number of focus groups, or were frequently discussed by participants. We spoke to 190 women in total for this report. The majority were 70 to 80 years-old, and 19 were over 80. Among these women, 129 were white, 42 were African American, five were Hispanic or Latino, three were Asian, two were American Indian or Alaska Native, six were other or mixed races, and three did not report their race.

[11]We recently reported that establishing a legal claim to a former spouse's retirement account can be costly and complex. See GAO. *Retirement Security: DOL Could Better Inform Divorcing Parties About Dividing Savings,* GAO-20-541 (Washington, D.C.: July 31, 2020).

[12]The initial enrollment period for Medicare Parts A and B usually begins 3 months prior to the month an individual turns 65 and ends 3 months after the month the individual turns 65. In general, individuals who do not enroll in Part B during their initial enrollment period must pay a permanent penalty of increased monthly premiums if they choose to enroll at a later date. In addition, signing up late for Part D prescription drug coverage can result in late enrollment penalties, which are based on the amount of time an individual has gone without Part D coverage or other creditable prescription drug coverage.

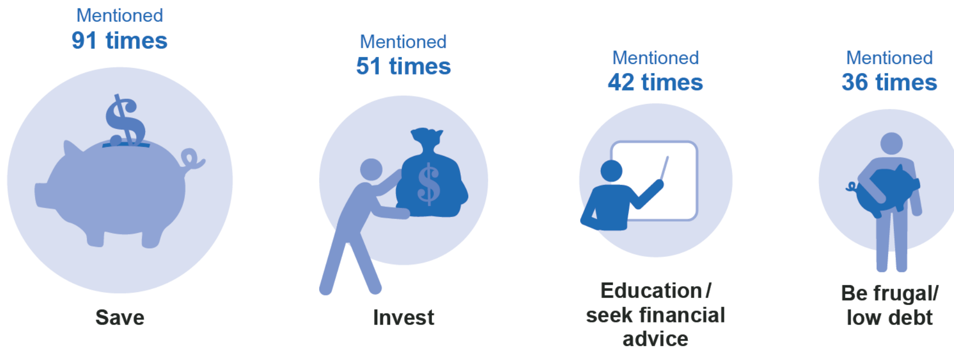
poor investment decisions, and not saving for retirement earlier in life. One woman shared the following sentiment. "My mindset was making sure I got up to go to work every day, make sure there was food on the table, rent was paid, and all that. Who… cared about retirement at that time? I was like, as long as I was getting up and going to work, it was fine. But as that day came, I realized I should have been paying more attention. Instead of putting 50 cents, I should have been putting a dollar, you know, in that matching."

Ideas for improving personal finance education for women were discussed in 12 of our focus groups and were mentioned frequently. For example, women suggested incorporating personal finance learning into school curriculums, starting as early as kindergarten and continuing through college.

We asked women what they did not understand about finances when they were younger that they wish they had known. In response, some women said they faced challenges understanding how investments worked or how important employer matching policies and compound interest were to building wealth. Women in 12 focus groups said that seeking advice from a financial advisor was a positive experience for them, but women in 10 focus groups had negative experiences, which they said included receiving poor advice, paying high fees, or becoming a victim of fraud. In a few focus groups, women noted that finding a trustworthy financial advisor can be difficult or that knowing the correct questions to ask professionals can be challenging.

We asked women who completed our written questionnaire to provide advice for younger women about how to prepare financially for retirement. Of the 163 responses to this question, saving and investing were the two most frequent pieces of advice, as shown in figure 1.

Figure 1: Top Four Pieces of Advice for Younger Women from Older Women on Our Written Questionnaire



Source: GAO analysis of focus group participant questionnaire data. | GAO-20-718T

Although we did not directly ask focus group participants about any specific costs, concerns about the cost of health care were discussed frequently in all 14 focus groups. Women raised concerns about being able to afford medical procedures or prescription drugs, which may not be covered or fully covered by their health insurance. Women in three focus groups shared stories of skipping dental exams or vaccinations because they could not afford them. Of the 161 women who responded to a question on our written questionnaire about whether Medicare was sufficient to cover all of their current healthcare needs, only 28 reported that it was.

In the majority of our focus groups women discussed how health care costs would likely increase as they aged, and how difficult it is to predict how much money they will need for their future health care needs. Women said their prescriptions had increased in price or were no longer being covered by their insurance, which they said sometimes left them in positions where they had to use a cheaper alternative or forgo the medication altogether. Women in eight of our focus groups shared concerns about potentially needing to pay for long-term care as they age. Concern over health care costs was one of the topics discussed more frequently in our rural focus groups than our urban focus groups.

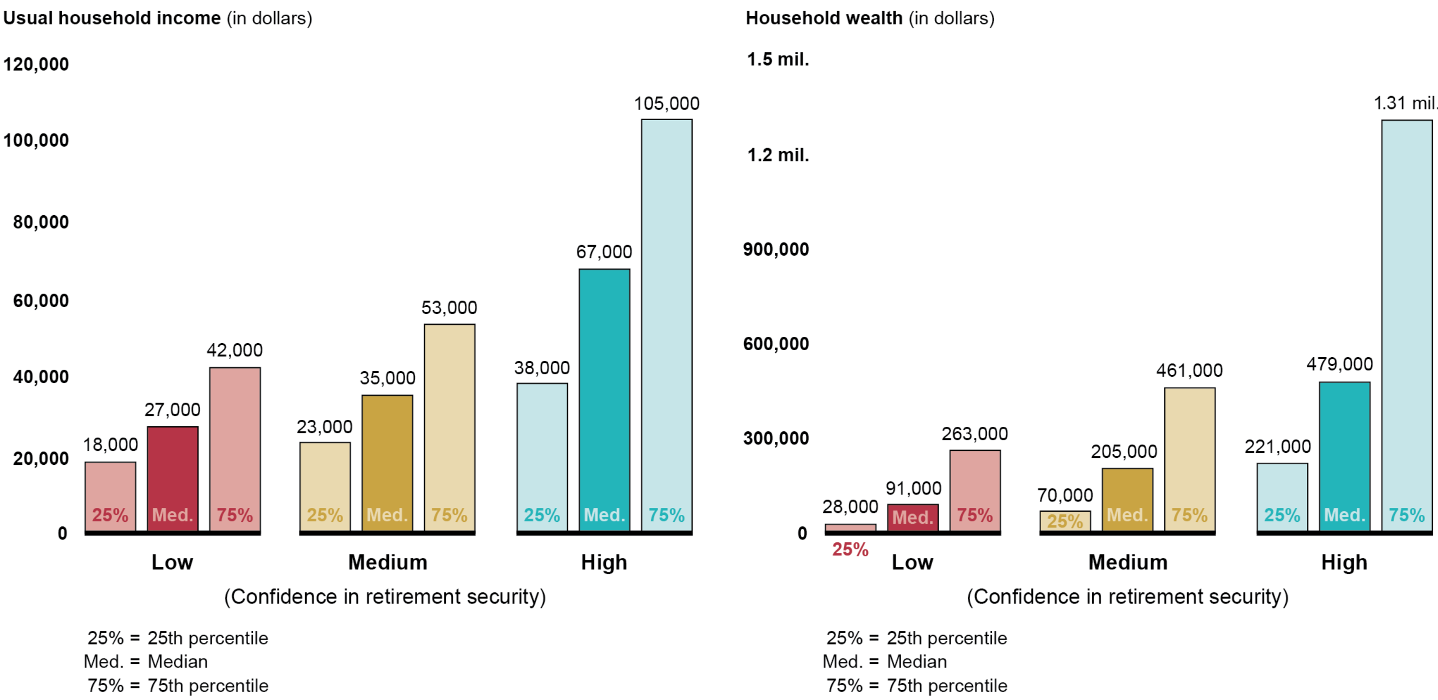
Costs associated with housing were a topic of extensive discussion in 13 focus groups. Property taxes were a concern among half of our focus groups, with some women saying they have experienced large increases in their property taxes in recent years. Other examples of costly housing expenses discussed in our focus groups included condominium fees, homeowners insurance, utilities, yard work, and home repairs. Renting presented challenges for women in four focus groups who were concerned about the high cost of rent or the unpredictability of rent increases. Older Americans devote a substantially larger share of their total budgets to medical care and shelter than others, and costs for medical care and shelter have generally increased more rapidly than costs for most other goods and services.

Fewer than Half of Households with Women age 70 and Older Reported a High Level of Confidence in Their Retirement Security

According to data from the 2016 Survey of Consumer Finances (SCF), an estimated 42 percent of households with women age 70 and older reported having a high level of confidence in their retirement security.[13] An estimated 25 percent of households of women 70 and older reported a low level of confidence in retirement security, and 33 percent reported a medium level of confidence. Households with women age 70 and older had a median level of household wealth —defined as net worth, or assets minus debt— of approximately $250,000. Median household wealth for the high, medium, and low retirement confidence levels was $479,000, $205,000, and $91,000, respectively (see fig. 2).

[13] The low, medium and high retirement confidence groups are based on household reporting of how adequate its income in retirement is to maintain its standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. The statistics in this section from the SCF are estimates based on a sample of households in which the head of the household or the spouse of the head of the household was a woman age 70 or older. The respondent to the SCF survey was generally the head of household, which might not have been a woman.

Figure 2: Distribution of Income and Wealth of Households with Women 70 and Older, by Retirement Confidence Level

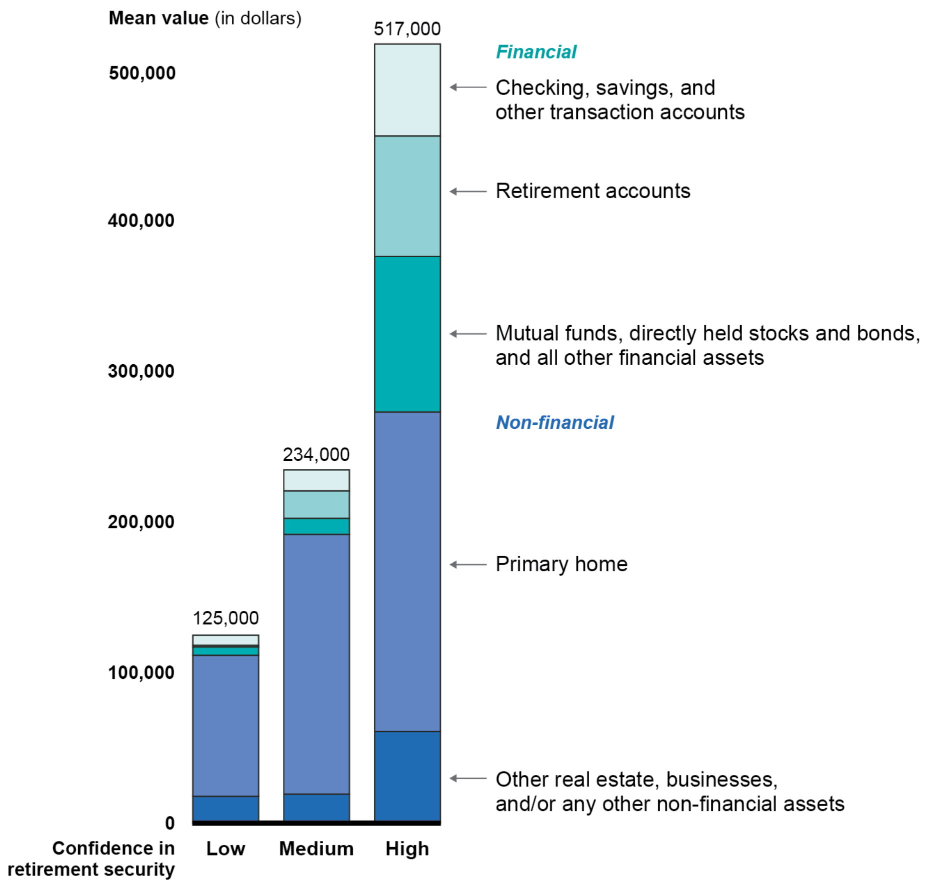


Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-718T

We saw differences in retirement confidence by race, homeownership, retirement plan participation, education, and marital status. For example, about 23 percent of households with white respondents and 40 percent of those with African American respondents reported low retirement confidence, a statistically significant difference. However, differences in wealth were stronger predictors of reported levels of retirement confidence than were differences in race, education or marital status. We also observed differences in the composition of the household assets held at each level of retirement confidence. The typical older woman's household reporting high retirement confidence had higher liquidity, measured as the percentage of their assets that are financial (such as checking and savings accounts, stocks, bonds, and mutual funds).

In high confidence households, financial assets made up almost half of the total household assets. These high confidence households had about six times the financial assets of those that reported medium retirement confidence, and 18 times the financial assets of those reporting low retirement confidence (see fig. 3). Older women's households reporting high retirement confidence also had more non-financial assets, such as home values, than those in households reporting low retirement confidence—but the difference in the amount of non-financial assets between these groups of households was smaller than the difference in the amount of financial assets. Among households with older women reporting low retirement confidence, a relatively small portion of their assets were financial, limiting their access to liquidity and their ability to leverage compound interest for wealth building.

Figure 3: Financial and Non-Financial Assets of Households with Women 70 and Older, by Retirement Confidence Level



Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-718T

Liquidity, or the degree to which an asset can be bought or sold quickly at a price reflecting its value, is an important predictor of retirement confidence for households of older women at all levels of wealth. The most liquid assets are checking, savings, and other transaction accounts. We found that almost 40 percent of households with older women had less than $5,000 in checking and savings accounts in 2016, and about 20 percent had less than $1,000. Older women's households with less than $1,000 in the most liquid assets may be particularly vulnerable to emergencies and unexpected expenses, as 68 percent of these households had no other financial assets to draw upon. Even among older women's households with wealth of more than $1 million, 49 percent of those with lower liquidity had high retirement confidence, compared to 80 percent of those with higher liquidity.

On Average, Rural Households Also Have Low Liquidity.

We found that households with older women—those age 70 and over—in rural areas had relatively low liquidity. For the median older rural woman's household, financial assets, which are relatively liquid, were worth 14 percent of total household assets. For the median older urban woman's household, financial assets were worth 36 percent of total household assets.

According to the Board of Governors of the Federal Reserve System (Federal Reserve), in 2016, rural households overall (i.e., not just older women's households) had lower median income and wealth than urban households overall (with urban defined as a population of 50,000 or more and rural as less than 50,000). Median household income for rural households was $38,700, and median household income for urban households was $55,200. Rural median household wealth was $87,900 and urban median household wealth was $99,000. Rural mean household wealth was $276,300 and urban mean household wealth was $751,300, reflecting the concentration of highly wealthy households in urban areas.

Between 2013 and 2016, rural median household income increased by 2 percent while median income of urban households increased by 10 percent. Median household wealth of rural households increased more than it did for urban households (25 and 13 percent, respectively), but mean household wealth of urban households increased more than it did for rural households (27 and 3 percent, respectively), reflecting in part the growth of the assets of highly wealthy households concentrated in urban areas.

Source: Federal Reserve analysis of 2016 SCF data for GAO and Federal Reserve, "Changes in U.S. Family Finances from 2013 to 2016: Evidence from the Survey of Consumer Finances," September 2017. | GAO-20-718T

Homeownership, often a large portion of total assets, is a means of building wealth but can also constrain household liquidity. In our multivariate models, owning a home was associated with a 2 to 3 times higher odds of having high retirement confidence when the home does not constrain liquidity. Home equity was a larger portion of wealth for low confidence homeowners than for high confidence homeowners. Among low confidence households with older women that owned homes, equity in their primary home made up 70 percent of their household wealth, on average, compared to 39 percent of household wealth for households reporting high retirement confidence.

Guaranteed income from defined benefit plans and Social Security is also important for older women's retirement security. We constructed a measure of total resources that equaled the sum of household wealth, the estimated present value of future Social Security income, and the estimated present value of future defined benefit plan income (e.g., a pension from an employer providing monthly payments for life). Our analysis of SCF data found that after we controlled for total resources, household liquidity, race, education, and homeownership status, an older woman's household with a defined benefit plan was still about twice as likely to report high confidence in its retirement security as an older woman's household without one.

For millions of older women's households, the present value of their future Social Security income is their most valuable retirement resource, according to our analysis of 2016 SCF data. The present value of future Social Security income was worth more than household wealth for about 40 percent of households with women age 70 and older.

Most women have less income to maintain their living standards in retirement than they did when they were working, and, on average, unsurprisingly, they increasingly rely on Social Security over time in retirement as their main source of income. We estimated changes over time in two cohorts of women by analyzing longitudinal data from the Health and Retirement Study. In 2016 dollars, median household income for the younger cohort declined from $50,000 when they were 62-66, to $37,000 by the time they were 74-78. Median household income for the older cohort declined from $29,000 when they were 74-78, to $22,000 by the time they were 86-90. Median household spending declined similarly to the median household income decline.

Women generally spent their non-housing assets first, rather than selling their home (or otherwise accessing home equity). A significant decline in non-housing wealth contributed to a decline in the overall wealth of the older cohort across the age range of 74 and 90. The older cohort began at age 74-78 when 58 percent were unmarried. By the time they were 86-90, 80 percent were unmarried. These changes with age may help explain the sense of fragility around their retirement security that we heard expressed by women broadly across our focus groups.

Chairman Collins, Ranking Member Casey and Members of the Subcommittee, this concludes my prepared remarks. I would be happy to answer any questions you may have.

For further information regarding this testimony, please contact Tranchau (Kris) Nguyen at (202) 512-7215 or nguyentt@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. In addition to the contact above, Tamara Cross (Assistant Director), Ted Leslie (Analyst-in-Charge), Taylor Bailey, Ben Bolitzer, Cindy Brown Barnes, Caitlin Cusati, Monika Gomez, John Karikari, Joe Silvestri, Frank Todisco, and Rhiannon Patterson made key contributions to the testimony and to the report on which this testimony is based.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. You can also subscribe to GAO's email updates to receive notification of newly posted products.

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, https://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on Facebook, Flickr, Twitter, and YouTube.
Subscribe to our RSS Feeds or Email Updates. Listen to our Podcasts.
Visit GAO on the web at https://www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: https://www.gao.gov/fraudnet/fraudnet.htm

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

Orice Williams Brown, Managing Director, WilliamsO@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548