

Senate Special Committee on Aging
Hearing on “Financial Security in Retirement: Innovations and Best Practices to Promote Savings”

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Good Morning, Chairman Collins, Ranking Member Casey and distinguished members of the Committee. I appreciate the opportunity to appear before you today to discuss financial security in retirement and to ensure that Committee members recognize the significant and unique retirement risks that many Americans face but particularly older women.

Introduction

My name is Linda Stone and I am an actuary who has spent my career consulting on retirement plans. I am here today in my capacity as a volunteer Fellow with the Women’s Institute for a Secure Retirement (WISER) as well as a volunteer on the Society of Actuary’s (SOA) Committee on Postretirement Needs and Risks. WISER is a nonprofit organization that works to help women, educators and policymakers understand the important issues surrounding women’s retirement income. WISER is dedicated to the education and advocacy that will improve long-term financial quality of life for women. As the only organization to focus exclusively on the unique financial challenges that women face, WISER supports women’s opportunities to secure adequate retirement income through research, workshops, and partnerships. WISER and the Administration on Community Living’s Administration on Aging operate the National Education and Resource Center on Women and Retirement Planning. Through my work with WISER, I have presented workshops to diverse groups of women across the country and have heard directly about their experiences. The program is successful because it is tailored for the appropriate audience. Nearly every experience is positive and shows that women want to take more control of their future even as they are hindered by the many factors that I will discuss below.

My testimony will focus primarily on the unique challenges that women face in trying to achieve retirement financial security. I will discuss women’s need for targeted information, their experiences in navigating the retirement system, and the gaps many fall through. I will also make some suggestions for addressing these challenges by expanding access and education. We believe that there needs to be a range of solutions that will help people today

and help various segments of the workforce and aging population who are facing differing challenges.

One reason that I am so passionate about this issue is the experience of my own mother. She was a “Rosie the Riveter” who worked in the shipyards in Chester, Pennsylvania during World War II. After her divorce from my father, she was able to support our family while working as a machinist for a small business. She later worked as an aide in a nursing home, not retiring until she was 68 years old and no longer able to physically do that job. She did not know to try to get a spousal benefit from my father’s workplace retirement plan or to see if there were spousal Social Security benefits that would be larger than her own. There is more that can be done to help women like my mother have a secure retirement.

Unique Challenges Women Face

First, I’d like to address a question that WISER often receives – why focus on women? Quite simply, there are 5.7 million more women than men at age 65 and 67% of the over age 85 population are female. Many individuals age 85 and over end up near-poor or in poverty even if they have never been poor before. Women face greater longevity risk than men due to their longer lives and the resulting need for more income. At age 65, women can expect to live an average of 21+ years while men can expect to live an average of 18+ years. One out of two women in their mid-50s today will live until age 90.

Having more income during retirement starts with your earnings during your working years and your access to employer-sponsored savings and pension plans. Generally, no matter how you slice and dice it, women of all races and ethnicities earn less than men throughout their lifetimes. Caregiving responsibilities for children and/or parents as well as spouses causes women to spend years out of the job market or to work part-time without access to benefits. Social Security reports that, on average, women have nine years with zero earnings, and women’s careers average 29 years compared to 39 years for men. The zero earnings are compounded in the calculation of their Social Security benefit. Women, often 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 wages. Women are more likely to work in industries that pay lower salaries and also have no or less generous retirement plans.

This all results in women having less in savings and employer-sponsored retirement benefits as most employer plans require full-time status to be able to participate and base benefits on pay.

Women often retire at the same time as their older husbands do and spend more years in retirement. Due to the gender mortality difference and the fact that many women marry older men, they are more likely to outlive their partner and to be living alone which increases the likelihood of falling into poverty. While many women are caregivers for their husbands, many

women do not have a spouse to care for them in their retirement years. Half of women over age 65 are single.

A long life increases the risk that inflation will negatively impact a person's ability to live on a limited income and increases the chance that women will outlive their assets. Women have more years of health care costs. Women are more likely to need institutional long-term care in these later years as they are less likely to have a family caregiver. Among women more than 85 years old, 75% are widowed and 87% are not currently married.

I noted above that half the women over age 65 are single but younger Boomer women are also more likely to be single and never-married. Divorce is especially harmful to women's financial security in retirement. Women must proactively take appropriate action to secure their rights to spousal workplace retirement benefits. Divorced women who are married less than ten years are not eligible for spousal Social Security benefits.

The bottom line is that women accumulate less money than men during their working years and need more money to finance a longer life with higher health care costs as they age.

Issues with Understanding Risks and Navigating the System

WISER speaks at various conferences throughout the year, for example, to Area Agencies on Aging and Adult Protective Services groups that serve women of all ages and income levels. Many women reach out directly to WISER for assistance. The SOA Committee has conducted focus group research, in-depth interviews and risk surveys. Based on these interactions, I will discuss specific areas where women could use more assistance in attaining knowledge and navigating the existing complicated retirement system.

Women often have a planning horizon that is much too short. A woman who is age 65 today can expect to live over 5 years longer than a woman who was age 65 in 1950. As a result, they underestimate their need for savings to support the many years they will be in retirement and the need to start saving as early as possible. Often, they are taking care of others instead of themselves.

Women nearing retirement who do have savings have the burden of not only determining how to invest the money before retirement but also how to appropriately spend down their savings so that the assets last for their lifetime. As they change jobs, many don't appreciate how not cashing out balances, no matter how small, can make a big difference in the amount of money that is available at retirement.

The reality of today's retirement landscape is do-it-yourself, and do it right, or live at or below the edge of poverty in what are supposed to be your golden years. The nature of today's system of individual responsibility demands financial capability. This is WISER's primary area of focus. We focus on women because of the challenges I described earlier. Women are in the

difficult position of making big decisions while being unable to afford even a small mistake. Women, along with their male counterparts, tend also to lack basic financial knowledge, which is often the reason for making serious financial mistakes. Women (and many men) need the best information and opportunity to access information to ensure that they do not make costly decisions. This information should be targeted to women as spouses and caregivers, as well as to women as employees.

For example, women make decisions to stop working and become caregivers often without a full understanding of how much more difficult it may be to save without an employer-sponsored plan or how difficult it may be for them to reenter the job market at their previous earnings level. Many women exit the workforce earlier than expected which can derail even the best savers.

Women are also often surprised to learn the financial implications, i.e. the reduction in their benefits, of claiming Social Security early at age 62. If they are married, they often don't plan as a couple for possible widowhood and do not know how to maximize the benefit for the surviving spouse. When we speak with them, many women learn for the first time of their ability to get a spousal Social Security benefit if they were married for at least 10 years. Women need to understand the impact of continuing to work and increasing your Social Security benefit by replacing "zero" years with "earnings" years along with delaying the start of their Social Security benefit if they are able to.

Suggested Solutions

As mentioned, one of WISER's key initiatives is a program administered cooperatively with and funded by the U.S. Administration on Aging—the National Education and Resource Center on Women and Retirement Planning. The AoA/WISER Resource Center's primary goal is to educate the most women we can possibly reach with information that can assist them in their retirement planning.

We seek to provide average and low-income women the opportunity to take the first step toward controlling their financial futures. WISER's approach is to bring financial planning back to the basics. Our goal is to help women make the best decisions they can with the limited resources they may have. We train trainers who assist women in their communities. The Center has directly reached tens of thousands of women through our own and our partners' workshops, and we've reached millions with our publications, media and website. The Center's strength is providing women with core financial knowledge that encourages them to make financial and retirement planning a priority in their lives. We focus on such issues as health and retirement benefits at work (or the implication of the lack of such benefits), the financial implications of providing care for children, parents and spouses, and the risks of inflation and longevity.

Planning for retirement is effective and workplace seminars are helpful, but there is a need for more basic resources to help people figure out how much they need to increase their savings by in order to retire with security. We have included below a list of several issues that women are in particular need of learning about or better understanding.

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.
2. Asset to income ratios are often not well understood and individuals are often confused about how much is needed for a secure retirement.
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.
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.

Finally, we need to strengthen our existing programs wherever possible. That means focusing in particular on Social Security and Medicare, employer-sponsored retirement programs and individual saving initiatives.

The following are suggested actions for building and supporting increased economic and financial security for women (and men) of all ages.

- Protect, preserve and strengthen Social Security – a program critical to the financial well-being of women, minorities and disabled workers
 - Preserve Social Security as an income-based social insurance system;
 - 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 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.
- Support employer plans, recognize the difference in men's and women's employment and provide information to alert both men and women to their social security statements
 - Encourage more employers to offer a retirement program and make it easy for employers to do so;
 - Extend retirement savings opportunities so that part-time and temporary workers can participate;

- Expand the concept of emergency savings as part of employer wellness plans;
- Improving 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 by helping individuals understand the importance of having access to each of the pillars. 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.

Conclusion

Thank you for including a focus on women's retirement issues as part of this discussion. As we hope our testimony has highlighted, women face many challenges in securing their financial security in their retirement years. They need to be empowered to make the right decisions by having access to the rules of the systems they will need to navigate and by having an understanding of the amount of savings they will need to do on their own. Knowledge can build confidence to make better decisions at every point along the way as well as at critical inflection points.

There is no single or easy solution to these issues. If we understand the specific challenges facing each cohort from Gen Z to Millennials to Boomers to those already well into their retirement years, targeted solutions can be developed. These can range from financial education to policy changes.

We know from the women who have contacted WISER and attended our workshops that they want to increase their knowledge and take better control of their retirement. They have often seen the difficult situations that their parents were in and saw, in hindsight, what they could have done to make better choices if they had known what to do. We ask women to leave the workshop with one actionable item they can do. We need to make sure every woman is getting the support they need through education and carefully crafted programs that will make a difference in their ability to have a secure retirement.