OWL
THE VOICE OF MIDLIFE AND OLDER WOMEN

# *Settling for Silver in the Golden Years*

A Hearing of

U.S. Senate Special Committee on Aging

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Chairman Breaux, Senator Craig, and distinguished Members of the Committee:

I appreciate your invitation to testify today on this critical issue of women's economic security in retirement. As the executive director of the Older Women's League (OWL), the only national grassroots membership organization dedicated exclusively to the unique concerns of women as they age, I can assure you that our members have a very personal stake in the issue of women's retirement security.

OWL commends you for your interest in older women's economic security and how it can be improved—by policymakers and by individual women. My testimony today is a call to both of these groups. OWL offers several ways that Members of Congress, private industry, and other leaders can improve our nation's retirement system to truly reflect women's work, life, and retirement realities. On an individual level, women can be doing more to prepare for their own retirement, and this testimony includes suggestions for the millions of American women seeking guidance, information, and motivation.

It is vital, however, that we remember that one flows from the other. Without a viable retirement system that they have equal access to, the efforts of most women to amply, or even adequately, fund their "golden years" will be in vain.

So before we address what policymakers and individual women can do more of, it's imperative that we have a clear picture of women's life, work, and retirement realities.

## Women's Realities and Retirement Consequences

OWL has twice testified before this Committee, primarily about women as America's caregivers, so some of our words may sound familiar. We ask your indulgence to listen once again; until the reasons for women's retirement insecurity are acknowledged and clearly understood by all decision makers, appropriate remedies cannot be prescribed.

Women's experience of growing old in America is very different from men's. The financial problems women often face in old age are extensions of the problems and choices they faced earlier in their lives. Race and ethnicity, family and work arrangements, and economic resources are the primary influences on the quality of older women's retirement. For women, poverty in old age is often rooted in the realities that shaped their lives early on: the reality of the wage gap, the reality of caregiving, and the reality of flexible jobs that offer few benefits, especially pensions.

There are four realities of women's lives that translate directly into reduced income and compromised economic security in retirement.

### *1. Women earn less.*

The economic chasm that is evident between women and men during their work lives grows much larger during retirement years. Almost 40 years after the Equal Pay Act was passed, women still earn only 73 percent of what men earn.[1] And the pay gap only increases with age.

For workers ages 45-54 (a peak earning period), women's earnings are only 71 percent of men's, and among workers ages 55-64, women earn only 68 percent of what men earn.[2] The impact of the wage gap extends far beyond the years women participate in the work force. As they enter retirement, women experience the impact of unequal pay to an even greater degree. Over a lifetime, the wage gap adds up to an average of about $250,000 less in earnings for a woman to invest in her retirement.[3]

The wage gap affects all women, but it affects women of color the most. African American women experience some of the harshest pay inequities: they earn only 65 percent of what white men earn.[4] Over a 35-year career, that's $420,000 less to save or invest for retirement.[5] For Latinas, it's even worse: they earn a dismal 55 percent of what white men earn.[6] Over a 30-year career, that's $510,000 less to save or invest.[7] The wage gap ensures that the average woman will consistently have a lower retirement income than the average man. And for the average woman, in particular for a woman of color, the wage gap ensures that she will depend on Social Security much more.

Even a progressive system like Social Security cannot entirely offset the impact of wage discrimination. Social Security benefits are wage-based, and women's continuing lower earnings, combined with time out of the work force for caregiving, translate into lower retirement benefits. In fact, in 2001, women's average monthly Social Security benefits were $756, compared to average monthly benefits of $985 for men.[8] For all women, the wage gap undermines economic security at each stage of life.

We must remember the glaring reality of the wage gap when we ask women to save more for their retirement. As OWL often says: You can't save what you don't earn.

***2. Women are America's caregivers, and they pay for it in retirement.***

Today in America, as many as 52 million Americans, or 31 percent of the adult population, are informal caregivers, providing unpaid care and financial support to people with chronic illness or disabilities.[9] This is an irreplaceable source of long-term care and support in America, and by and large, it is "women's work." Across the generations, it is women who act as informal caregivers for parents, children, friends, spouses, and partners. Unfortunately, they often pay a steep personal price for the care they provide. Women's health, earnings, and retirement security are put at risk by informal caregiving, and increasingly so the longer they provide care.

Nearly three-quarters of informal caregivers for seniors are women.[10] The typical informal caregiver for an elder is a married woman in her mid-forties to mid-fifties. She is employed full-time and also spends an average of 18 hours per week on caregiving.[11] In addition to juggling her career with caring for a parent, partner, or spouse, she may be the primary caregiver for her children and, increasingly, for her grandchildren as well. In fact, many women are a part of the "sandwich generation," caring for children at home in addition to older family members. Others who care for a partner or older relative, a child, or a grandchild may also be caught in the "club sandwich generation," with three or more layers of caregiving responsibilities.

Race makes a difference when it comes to informal caregiving, too. Women of all races and ethnicities juggle their jobs and caregiving roles, but caregiving has an even greater impact on African American women and Latinas, who earn much less and often care for more people. In fact, more than half of African American caregivers find themselves "sandwiched" between caring for an older person and a younger person, compared with 20 to 40 percent of the general population.[12] Latinas are also likely to be caring for more than one person. More than half of all Latino/a caregivers to elders also have a child age 18 or younger living at home.[13]

Caregiving can be an economic disaster for women and is one of the largest barriers to their retirement security. Caregiving shapes women's work force participation, as they often take more flexible, lower-wage jobs with few benefits, or stop working altogether in order to provide unpaid caregiving services. In fact, women spend, on average, 12 years out of the work force for family caregiving over the course of their lives—whether for children, a spouse, and/or parents.[14] Time out of the work force diminishes their earning power even beyond the impact of the wage gap. The sacrifices caregivers routinely make during midlife—a peak earning period—reduce lifetime earnings and retirement savings. As a result of caregiving, women lose an average of $550,000 in lifetime wage wealth and about $2,100 annually in already desperately needed Social Security benefits.[15]

***3. Most women don't have income from pensions or savings.***

The flexible jobs that allow women to be caregivers are usually low-wage work with few, if any, benefits, especially pensions. In order to balance the demands of family and financial need, many women have no other option but to seek part-time employment. Women make up about two-thirds of the part-time labor force, working in jobs that offer little, if any, pension coverage.[16] Twenty-five percent of all female workers work part-time, compared to 10 percent of male workers.[17] And women are much more likely to work part-time during peak earning years: from age 45 to 54, women are about twice as likely to have part-time employment compared with men in the same age group.[18]

Part-time work is an enormous obstacle to women's achieving pension and savings parity with men. Part-time employment doesn't just mean working less; it means getting paid less for your work. In general, hourly wages for part-time workers are significantly lower compared with full-time counterparts. Women who work part-time earn an average of 20 percent less per hour than women who work full-time with comparable backgrounds.[19]

Because women often work part-time and dominate the industries (e.g., service sector) that generally offer low-wage, part-time work, they are much less likely to have access to a pension. Only 21 percent of part-time workers have access to their employer's pension plan.[20]

Even women who work full-time aren't always offered pension plans at their jobs. In rates of pension coverage, which don't necessarily translate into vested retirement income, Latinas fare the worst. In fact, only 26 percent of Latinas have pension coverage, compared to 39 percent of both African American and white women.[21]

Women also change jobs more frequently than men, making vesting in a pension more difficult.[22] Although federal law was changed in 2001 to lower vesting requirements from five to three years in some defined contribution plans (e.g., 401(k)s), many women will still not work long enough at a job to vest in and benefit from an employer's pension plan. Older women are less likely than older men to receive pension income (28 percent to 43 percent);[23] when they do, the benefit is only about half the benefit men receive.[24]

When it comes to savings, women don't fare well in general. The hard reality is that many women live paycheck to paycheck, and little or nothing is left to invest for the future. In fact, women's lower wages prevent them from preparing adequately for retirement. You can't save what you don't earn, and the impact of wage discrimination doesn't end when the job does. While most women struggle to save for retirement, women of color have even greater income losses. Only 24 percent of older African American women and 26 percent of older Hispanic women have income from savings or assets.[25]

By all accounts, women will continue to be segregated in low-paying occupations. The work patterns of today's young women are also likely to follow the same course as their mothers' in the baby boom generation—with periods of paid work interspersed with time taken off for caregiving. It is an unfortunate reality that most of these young women can expect to do the same low-paying work as their mothers and, when they retire, face the same financial struggles. The concentration of women in lower-paying jobs with few benefits will continue to reduce the financial security of older women, resulting in continued over-reliance on Social Security.

***4. Women live longer.***

Women live an average of six years longer than men.[26] A longer life expectancy affects all aspects of an older woman's life, especially in relation to retirement income. Most older Americans live on "fixed" incomes; except for their inflation-protected Social Security benefits, their monthly income will not increase in the future. Over time, inflation erodes the purchasing power of the dollar, making it increasingly difficult to make ends meet. Women's longer lifespan, combined with their lower retirement income, make them more vulnerable to the impact of inflation.

Life expectancy also has a direct effect on women's marital status, which in turn impacts women's financial security. Marital status is one of the most important factors in determining economic independence and support in old age. Over half of older women are single, whether widowed (45 percent), divorced or separated (8 percent), or never married (3.6 percent). In contrast, only 26 percent of older men are unmarried.[27] Women are four times more likely to lose their spouse than men.[28] Seven in ten "baby boom" women can expect to live as widows for 15 to 20 years.[29]

Widowed women often live alone. Of the more than 9 million older persons living alone in the United States, 80 percent are women.[30] Women living alone face increased economic hardships and social isolation, which has a devastating impact on their overall welfare and their financial security in particular. As single householders, women living alone have more expenses and fewer resources to live comfortably in old age.

More than half of elderly widows now living in poverty were not poor before the death of their husbands.[31] Compared to 4.4 percent of married elderly women, 20.3 percent of divorced, 16.5 percent of widowed, and 23.1 percent of never-married elderly women are living in poverty. For women of color, these poverty rates are even more severe. Forty-two percent of divorced, 34.1 percent of widowed, and 38 percent of never-married African American women live in poverty, while 30.8 percent of divorced and 31.2 percent of widowed Latinas live in poverty. Comparatively, 20.2 percent of divorced, 14.7 percent of widowed, and 21.9 percent of never-married white women are living in poverty.[32] The longer women live, the harder it becomes to financially support their growing needs.

***Result: Women are poorer than men in retirement.***
Overall, women are far more likely to live in poverty than men, but this is especially true for women as they age. As women get older, they often get poorer. With a poverty rate of 12.2 percent (compared to 7.5 percent for men), women over age 65 account for more than 70 percent of older adults living in poverty.[33] Women of color are more likely to be poor in retirement: 20 percent of Latinas and 26 percent of African American women over age 65 live in poverty, compared to 11 percent of white women.[34] For women, the risk of poverty in old age is all too real. That's why Social Security is so critical—women need the guarantee it provides. *Without it, over half of older women would be poor.*[35] In 1999, women accounted for three out of every five older persons lifted out of poverty by Social Security.[36]

The challenges women face and the decisions they make upon entering the work force have serious consequences for their economic well-being in old age. Simply put: non-entry or late entry into the job market, job interruptions, and temporary or part-time employment characterize most women's work histories.

Many younger women assume this is a problem of the past, and as more women enter the work force and have greater access to pensions and other benefits, many believe their lives in old age will be different. Almost two-thirds of women today, however, have the same kinds of "pink collar" jobs that women have traditionally held—sales, clerical, and retail—low-wage positions that frequently offer no benefits.[37] And they hold those jobs for the same reasons: the need to move in and out of the work force to care for families, partners, and friends.

Given these harsh realities, what then can be done to support women's goal of financial security in old age? OWL submits several policy recommendations to the Committee with the hope that Congress will take the lead in reforming our nation's retirement system to better reflect women's realities.

## Public Policy Recommendations

### 1. *Enact pay equity legislation.*

Raising women's wages is a pivotal and necessary policy step toward reducing women's financial instability in retirement. Women will not be able to save as much for retirement as men until they earn as much as men. Research consistently shows that pension coverage and income are associated with higher wages, so enactment of strong pay equity legislation would go a long way toward strengthening all three legs of women's retirement security stool.

**2.** ***Improve women's access to pensions.***

Only 53 percent of working Americans have pension coverage (defined contribution and/or defined benefit plans), and coverage rates are lower for women and part-time workers. Although women's rates of *coverage* have increased in recent years, and are drawing close to the rates for men, women are less likely to have *income* from pensions in retirement (28 percent to men's rate of 43 percent).[38] When they do receive pension income, women, on average, receive 44 percent less than their male counterparts.[39]

There are many ways to improve women's access to and income from pensions, which must be done if women are to adequately prepare for their retirement. Starting points should include the following policy recommendations.

a) **Expand pension coverage to more workers.** While women's rates of coverage under retirement plans are growing closer to men's, roughly half of American workers have no retirement plan at work. We need to extend current and develop new types of retirement savings plans to reach more Americans.
b) **Extend pension coverage to part-time and temporary workers.** Part-time and temporary workers, who are more likely to be women, would be protected by reform legislation providing pension credits to all employees working 500 hours or more a year.
c) **Institute portability provisions in all pension plans.** Portability reform for both defined contribution and defined benefit pension plans would help workers who change jobs take their vested benefits with them to new plans or invest them in Individual Retirement Accounts.
d) **Educate employers about Simplified Employee Pensions (SEPs).** One way to expand pension coverage to more women is to encourage participation in existing systems. SEPs allow employers to contribute a percentage of an employee's salary to a defined contribution plan without administrative expenses or filing requirements, providing a viable alternative to more complicated pension plans. Women working for small firms, which are less likely to have retirement plans, could benefit if their employers adopted SEPs.
e) **Modify joint and survivor annuities.** Even though the Retirement Equity Act of l984 (REA) required private pensions to pay survivor benefits unless a spouse waives this protection in writing, the widow typically receives only about two-fifths the amount received while her spouse was alive. Women would benefit from a reform requiring that either surviving spouse would receive a benefit equal to 75 percent of the benefit prior to the death of the spouse.
f) **Improve pension division upon divorce.** REA made it possible for pension plans to pay benefits directly to divorced spouses. However, state court judges still determine the amount a divorced woman will receive from her former spouse's pension. Women would benefit from a default option stipulating that pension benefits would be divided unless the couple agrees otherwise in its separation agreement, or unless a court order specifies that the benefits would not be divided.

g) **Eliminate defined benefit pension integration.** Elimination of pension integration (when an employer subtracts part of a worker's Social Security benefit from her pension benefit) in defined benefit plans would improve the retirement security of some women.

h) **Institute cost-of-living adjustments in defined benefit plans.** Because defined benefit pension plans are rarely indexed for inflation, the value of benefits erodes after retirement. The impact of inflation is especially harsh for women, who typically live longer than men. Requiring employers to offer an indexed pension option would help correct this imbalance.

**3. *Women should not be penalized for caregiving.***

This happens again and again in America today, because our employment policies and pension rules fail to reflect women's invaluable unpaid contribution of caregiving for children, elders, spouses, and friends. The following recommendations are only a starting point, but would go a long way toward recognizing the fact that women still provide vastly more unpaid caregiving services than men. Such recognition would help to prevent caregiving from jeopardizing women's retirement security.

a) **Provide caregiving credits under Social Security.** There are several ways to help ensure that benefits are not reduced in retirement due to unpaid caregiving during working years. One approach is to disregard up to five years of lower income when calculating Social Security retirement benefits; another is to give caregivers credits toward their Social Security earnings record.

b) **Expand the Family and Medical Leave Act (FMLA).** Just as current FMLA law makes mandatory the continuation of health benefits during a covered leave period, so should the FMLA be expanded to require continued employer contributions to qualified retirement plans during a covered leave period as well.

c) **Count caregiving leave time toward vesting requirements.** Women's vesting rates are consistently lower than men's,[40] another factor contributing to their reduced pension income in retirement. Leave time under the FMLA should count as service time and should accrue to help meet any pension vesting requirements.

d) **Expand pension coverage to part-time workers.** Many caregivers seek flexible or part-time jobs and would be greatly assisted by such a policy. Employers should not be allowed to exclude part-time and temporary workers from pension benefits or contributions, as the law now permits.

***4. Improve Social Security for women.***

While this hearing is focused primarily on only two of the three legs of women's retirement planning stool—pensions and personal savings/investments—it would be a grave oversight to discuss how women's economic security in retirement can be improved without recognizing the role of Social Security. OWL urges Congress to amend the Social Security system to recognize women's caregiving work; increase benefits and simplify the rules for widows, divorced women, and low-wage workers; offer coverage to same-sex couples; and remedy the Government Pension Offset and Windfall Elimination Provision's effect on women. Details on these recommendations to strengthen the current Social Security system for women can be found in OWL's 2002 Mother's Day report, *Social Security Privatization: A False Promise for Women*, pages 44-48.

These recommendations, if implemented, would go a long way to improving women's retirement security. If Social Security is strengthened for women in the ways OWL suggests, and if this nation's private pension system is reformed to better reflect women's work realities, women's three-legged stool might actually become well-balanced, sturdy, and reliable.

## Strategies for a Secure Retirement—Tips for Women

While we first and foremost urge women to petition their elected officials and employers to implement the recommendations listed above, OWL also offers advice on how women can improve their retirement prospects.

OWL has a major grassroots project, entitled *The Color of Money*: *Retirement for Women of Diverse Communities*, which is a public education and media campaign designed to build greater understanding of America's retirement system and women's stake in the discussion to reform it. The campaign specifically encourages dialogues with African American women and Latinas about their significant vulnerability to retirement insecurity. Funded by the Retirement Research Foundation, the project trains OWL chapters to hold community conversations across the country to address retirement security issues facing women of diverse communities, with a special emphasis on younger women.

The following recommendations are excerpted from "*The Color of Money* Primer IV: Strategies for a Secure Retirement," the entirety of which is enclosed with this testimony.

> Women need to start planning for their retirement when they first enter the labor market. Although young women are not usually encouraged to make long-term financial plans, the choices women make about work and family early in their lives often have serious consequences when they enter retirement. Here are a number of actions that individual women can take to enhance their retirement security.
>
> **1. Become financially literate.** It is crucial for women to learn how Social Security works and understand its primary and unique role in their retirement future. Knowledge of various investment instruments such as annuities, 401(k)s, and Individual Retirement Accounts (IRA) is critical. If married, a woman needs to make her marriage a true financial partnership by becoming a full participant in all savings and retirement decisions.
>
> *Educate Yourself*
> Sometimes it's hard to know where to start, but putting off getting your finances in order only makes things much harder in the end. You'll likely be surprised by how easy it is to find the answers to your questions: local libraries have a wealth of information on financial planning (look under the topics of personal finance,

household budgeting, retirement planning, and investing), and the Internet offers many helpful articles and calculators. In many communities, it's not difficult to find free or low-cost seminars in financial planning for women, or a nonprofit credit counseling service, or other self-help resources published by nonprofit groups. For-profit financial services companies of all kinds (banks, mutual fund companies, insurance agents, stock brokers, and financial advisors) also offer helpful booklets on investing basics—just remember to use your consumer savvy to distinguish a commercial pitch from general knowledge sharing.

*Set Goals*
Once you take control of one aspect of your finances (for example, learning how to reduce credit card debt), you'll realize you can tackle the next hurdle, such as opening an IRA. Every woman is in a different situation, so you'll need to spend a little time figuring out what your goals are.
Each woman has unique financial needs given her life, family, and work circumstances. The common denominator is that every woman—including you—can take charge of her finances by educating herself on the basics and then setting goals.

*Pay Yourself First*
It's amazing how few women do this. Historical patterns and social customs often encourage women to put others first, but then women are left alone to take care of themselves in old age. Eighty percent of seniors living alone are women,[41] and women make up two-thirds of nursing home residents.[42]

Break this mentality and be sure to pay yourself first. Before your paycheck gets eaten up by the usual expenses, make your own financial security a top priority and put aside a set amount in a savings account, money market account, IRA, or other savings or investment vehicle. Many banks and other financial institutions will let you have the money automatically withdrawn from your paycheck or checking account every month, making it a bit easier to stay disciplined.

**2. Start early.** Saving and investing as early as possible is the best approach. Presuming a 7 percent return on her investments, a woman would need to save $9.65 a week at age 25—the equivalent of a movie and popcorn—but $334.50 a week at age 60 in order to achieve the same $100,000 retirement fund by age 65.[43]

**3. Learn about your employer's pension plans.** Ask whether your employer offers a pension plan, and what the eligibility requirements are. If your employer has a *defined benefit* plan, find out how and when you can sign up, at what age you can retire, and what the reductions for early retirement might be. If the employer offers a *defined contribution* plan, it is important for you to sign up and contribute as much as you can afford. In plans where the employer contributes a set amount or makes a matching contribution, it's vital that you know the rules that allow you to maximize this employer contribution—if you don't, it's almost like turning down a raise. If the defined contribution plan offers a choice of investments, think carefully about the potential risks and rewards of different investment options. Do a little research about investing, get your questions answered by your plan's administrator, and make choices that make sense for you.

**4. Contribute to an Individual Retirement Account.** Whether in the paid labor force or not, you can—and should, if possible—contribute up to $3,000 annually to an Individual Retirement Account (IRA) in your own name. An IRA is a type of retirement savings plan where the federal government, in exchange for limited access to your cash, offers you various types of tax advantages. Most IRAs require you to wait until age 59 ½ to begin withdrawing your money without penalty,[44] but there are tax benefits to encourage you to save.

In 2002 through 2004, the maximum contribution to all types of IRAs (combined) is $3,000 a year; this will rise to $4,000 in 2005. If you're over 50 years of age, there are new "catch-up" provisions that allow you to add more to your IRA. If at all possible, maximize your IRA contribution—but even if you only have $500 to put away this year, go ahead and get started. Most financial institutions offering IRAs have very low minimum contributions to open an account.

All types of financial institutions offer IRAs—your local bank, a mutual fund company, an online brokerage—so it's up to you to decide what type of investment you want first, then find someone who offers it.

**5. Investigate the exact amount of future Social Security benefits.** The Social Security Administration (SSA) sends everyone over 25 years of age an annual statement, typically mailed three months before your birthday. This tool can help confirm that SSA has an accurate wage history for you, as well as show you what your expected benefits would be at different potential retirement ages. (See SSA's web site at *www.ssa.gov/women/* for more information.) This information will be extremely helpful as you chart a course toward retirement security.

**6. Carefully consider the impact of labor market decisions on retirement income.** In general, the longer you remain on the job, the more your defined benefit and defined contribution plans accumulate in value—presuming you have a pension plan at your job. When considering a job change, it is important to find out whether a prospective employer offers a pension plan, and how that pension plan stacks up next to that of your present employer. It is also important to consider how such a move could impact current pension benefits. If you are three months away from vesting in a pension plan, you should consider what resigning and losing that benefit could mean for your retirement.

Don't forget that your workforce decisions affect Social Security, too. Your Social Security retirement benefits are based on your highest 35 years of earnings, but women's median participation in the workforce is 32 years, as compared with 44 years for men.[45] This time out for caregiving dramatically impacts a woman's future Social Security benefits: It translates into $2,100 less in annual retirement benefits.[46]

**7. Preserve lump sum distributions for retirement.** If at all possible, you need to retain, not spend, any lump sum distributions received upon terminating with an employer. The penalties are severe for spending lump sum distributions (up to 20 percent penalties in addition to regular income taxes), and most women will need this money in retirement. When you leave an employer, investigate options for preserving lump sum distributions—which may include keeping the accumulation in a former employer's plan, rolling over the lump sum payment into the pension plan of a new employer, or rolling it over into another tax-advantaged savings vehicle such as an IRA.

## Conclusion

A popular planning mechanism for retirement savings is the three-legged stool. The three legs (Social Security, pensions, and personal savings/investments) are supposed to not only give a worker three sources of retirement income, but to create a balance of risk, so that the employer, the worker, and the government all bear a share of the risk.

Women have been balancing on a one-legged stool for some time now. The personal savings/investment leg is wobbly or non-existent for most women. The wage gap means women cannot save their way to parity with men; you simply can't save what you don't earn. Contrary to popular opinion, this situation is not improving for women.

Women also have low rates of pension coverage, so they can't rely on the pension leg. Classic defined benefit pensions are growing increasingly rare. The newer forms of employer-based pension plans are called defined contribution plans (for example, 401(k), 403(b), SEP-IRA, and profit-sharing). Defined contribution plans more than doubled in number from 1978 to 1998, while the number of defined benefit plans fell by half during the same 20-year period.[47]

While women have greater access to defined contribution plans, they must bear all the risk of those plans. For example, a worker with a defined benefit pension certainly contributes to her retirement plan, as does her employer, but she does not have to worry about the investment of those funds. The employer handles the long-term health of the program and promises the worker a set amount based on years of service, salary, and other factors. This provides a retiree with a dependable source of monthly income after her years of service.

The newer, increasingly popular, defined contribution plans allow workers and their employers to make tax-advantaged contributions to the plan, but the worker is the one who manages the account and maintains investment control over her money. There is no promise of investment return, and the worker bears all the responsibility for her portfolio's performance. It's up to the worker to convert the lump sum into an annuity in retirement, or find another way for the money to last for as long as she lives in retirement.

This persistent shift from defined benefit plans to defined contribution plans must be taken into consideration when looking at the three-legged stool and women's retirement security. Although there are arguments in favor of defined contribution plans (they are easier for companies to manage; more portable; more suited to changes in work force patterns; and popular with workers), there is no denying that they shift the risk from employer to worker.

A worker with a defined contribution pension plan is now bearing the risk for two of the three legs of the stool: pensions *and* personal savings. Given the popularity of the stock market, it's also likely that a majority of her defined contribution pension (401(k) plan) and personal savings (IRAs, mutual funds) is invested in the stock market.

The fact remains that only 53 percent of working Americans have any form of pension coverage.[48] The rest have only two legs of the stool to balance upon, making Social Security's steady income even more critical.

It's wise to save on your own and to contribute to a retirement plan at work, but that means you take on all the risk—the risk of investment performance, the risk that your savings will erode over time, the risk that you will outlive your assets. This new reality of increased worker responsibility for risk makes it all the more critical that Social Security's social insurance nature, with its guaranteed lifetime benefits, is preserved.

That said, it is equally critical that we rebuild the other two legs of the stool for women by reforming our nation's retirement system. Thank you for your interest in women's retirement security, and for encouraging discussion, debate, and public education on this vital issue.

NOTES

[1] U.S. Bureau of the Census, *Money Income in the United States: 2000 (*Washington, D.C., 2001), 2, table A.

[2] U.S. Department of Labor, Bureau of Labor Statistics, "Women's Earnings, Earnings Difference Highest after Age 45," *Monthly Labor Review: The Editor's Desk* (11 May 1999), <http://www.bls.gov/opub/ted/1999/may/wk2/art02.htm> (6 April 2002).

[3] American Association of University Women, *Social Security: Why Reform is Important to Women* (January 2002), <http://www.aauw.org/1000/pospapers/pdfs/SSReformWomen.pdf> (6 April 2002).

[4] U.S. Department of Labor, Bureau of Labor Statistics, *Current Population Survey* (March 2001), 209, table 37, <http://www.bls.gov/cps/cpsaat37.pdf> (9 April 2002).

[5] National Committee on Pay Equity, *Wage Gaps: Minority Women* (October 2001), <http://www.feminist.com/fairpay/minori.html> (6 April 2002).

[6] Bureau of Labor Statistics, *Current Population Survey*, 209, table 37.

[7] National Committee on Pay Equity, *Wage Gaps*.

[8] Social Security Administration, *Fact Sheet: Women and Social Security* (February 2002), <http://www.ssa.gov/pressoffice/womenfact.htm> (6 April 2002).

[9] OWL, *Faces of Caregiving,* 2001 Mother's Day Report (Washington, D.C.: OWL, 2001), 5.

[10] National Alliance for Caregiving and the American Association of Retired Persons, *Family Caregiving in the U.S.: Findings from a National Survey* (Washington, D.C.: National Alliance for Caregiving and the American Association of Retired Persons, 1997), <http://www.caregiving.org/content/reports/finalreport.pdf> (6 April 2002).

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