



Testimony on Behalf of Prudential Financial

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Before
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Disparities for Women and Minorities in Retirement:
Financial Experience & Behaviors Among Women

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Thank you for the opportunity to talk with you today on behalf of Prudential about disparities for women in retirement. Over the last 10 years, Prudential has conducted a series of research reports on women's financial experience and behaviors. A decade ago, we set out to determine the role women played in making financial decisions, their knowledge of financial products and whether they were taking steps to achieve a secure retirement. Since launching the survey in 2000, we have updated it every other year.

The 10th anniversary edition of Prudential's *Financial Experience & Behaviors Among Women* shares some common themes with earlier waves of the study, and also reveals some interesting new trends and opportunities. Planning for a comfortable retirement and providing for their families' future well-being are paramount for women. Accumulating assets has always been important; now, however, protecting that wealth and generating retirement income have emerged as critical objectives as well.

Underscoring the importance of our research, some additional key findings from the 2010 study told us that:

- 95% of women are involved in financial decision making,
- 84% of married women are involved with household financial decisions,
 - 15% of married women have sole financial responsibility.

Throughout the course of our research, we have seen that women's involvement in financial matters and their knowledge of financial products have continued to grow.

Trends coming out of the financial crisis

Since our research was conducted following the financial crisis, we were particularly interested in the impact of the crisis on women's financial situations and their planning. What we found:

- Women's finances were clearly impacted by the financial crisis. (75% say they lost ground.)
- Women are optimistic (55%) about the nation's economic future, but expect that they will have to work longer (56%).
- Women are not confident in their ability to make good financial decisions (82% say they need some or a lot of help in making wise financial decisions) and many do not fully understand the increasingly sophisticated financial products that are available to meet their needs. For example, note the percentage of women who do not understand some of these products:
 - Stocks 38%,
 - Mutual Funds 43%
 - Annuities 53%
- Women are looking for financial education and guidance, but their trust in financial advisors has been shaken:
 - 70% without a financial professional agree they want advice, but say they cannot find anyone they can trust.
 - Six out of 10 women look to friends and family for financial advice rather than professionals.

The economic crisis has heightened women's recognition of the need to develop a financial plan that will meet long-term financial goals; yet, only one-third have financial plans in place to achieve their goals. Women are more cautious about decision making post-crisis, with almost half planning to take

more control of their finances.

Need for professional assistance is recognized

Given the complexity of financial products, if women are to achieve retirement security they need to be encouraged to seek professional advice and guidance. Six out of 10 women rely on their friends and family for advice; yet, friends and family may not be able to help them adjust their future actions to meet their financial goals, if necessary.

Women need to overcome barriers that prevent them from planning for the future, such as lack of time, meeting shorter-term financial obligations and lack of knowledge. While women say they are willing to have retirement planning decisions made by others, their trust needs to be built:

- 59% are open to having a financial advisor lead their financial planning.
- 19% are very comfortable letting an advisor take the lead.

The need for trusted financial partners has never been greater to meet women's desire for help in preparing for a secure future. Not surprisingly, women who use financial advisors are more likely to feel that they are financially on track than those who go it alone.

What is needed to help women achieve their retirement goals?

Women, financial firms/advisors, employers, the government and the media all have a role to play in helping women achieve their retirement goals.

- The easiest way to help women get—and stay—on the path to a secure retirement is to encourage full participation in workplace retirement plans. These plans provide a savings opportunity and investor education that no other vehicle can match.
- Women need to convert their greater involvement in financial decision making into concrete actions to plan for the future. This includes taking steps to protect against longevity risk, or the danger of outliving one's assets, a particularly relevant concern for women who tend to live longer on average and therefore need to save even more. Compounding this risk is the fact that women remain the primary caregivers and as a result, move in and out of the workforce, disrupting their participation in workforce retirement plans and savings potential.
- The Department of Labor can play a critical role in these efforts by clarifying safe harbor protections for default lifetime income distribution options. Many plan sponsors are hesitant to offer lifetime income products today for fear of violating unwritten rules. As a result, their workers do not have access to products that could help ensure they don't outlive their nest eggs.
- Financial firms and advisors must redouble their efforts to build trust and be readily prepared to address sensitive family issues such as the need for long-term care services or living alone if widowed or divorced. They should also be evaluating guaranteed lifetime income options, which can help protect women from investment mistakes or adverse market conditions that could have a devastating impact on retirement planning.
- Financial firms, advisors and employers need to provide educational materials that meet women's specific needs.
 - Prudential, for example, is committed to supporting women's specific financial and educational needs through our research and our Women and Money microsite www.prudential.com/women, a section of prudential.com that offers articles, expert

columnists and tools that can help guide women on their path to financial security and peace of mind.

- The media, too, needs to highlight women’s financial challenges and should continue to work on making financial education available for women.

Conclusion

In many respects, there are a great deal of similarities between people of different genders and people of different ethnicities when it comes to retirement planning. Too few Americans are confident that they will achieve a secure retirement, too few are adequately planning for retirement and too few have saved enough to achieve a comfortable retirement.

The Confidence Gap is a trend Prudential has been tracking since the study’s inception. This gap measures the difference between knowing what needs to be done and then subsequently taking action to meet that goal. While women’s basic financial knowledge is increasing, we are not finding that the gap is shrinking. This continues to be troublesome but does present an opportunity – as long as a significant confidence gap remains, we as an industry have work to do.

It goes without saying that the more financially prepared a woman is, the higher her confidence level. We’ve seen that throughout the course of the study. Yet, some confidence issues are simply the result of the environment we find ourselves within.

While women – in terms of financial literacy and financial decision making – have made significant strides over the past decade, there remain significant opportunities to ensure that they make even greater progress ensuring their financial security in retirement. Providing the financial education and advice to help women achieve their goals needs to be a priority for all of us.