

Statement of Cindy Hounsell, JD
President, Women’s Institute for a Secure Retirement (WISER)
ERISA ADVISORY COUNCIL
Working Group
“Gaps in Retirement Savings Based on Race, Ethnicity and Gender”
August 26, 2021

INTRODUCTION

Good Morning. Thank you to Issue Chair, John Harney, Vice-Chair Andrea Sellars and Members of the Working Group.

I am Cindy Hounsell, President of the Women’s Institute for a Secure Retirement (WISER), a 25 year-old nonprofit organization that works to help women, educators and policymakers address the complicated issues that affect women’s planning for retirement. WISER is dedicated to the education and advocacy that will improve the long-term financial quality of life for women. As the only organization to focus exclusively on the unique financial challenges that women face, WISER’s mission is to support women’s opportunities to secure adequate retirement income; we do that through direct education, workshops, partnerships and research. WISER has spent most of its 25 formative years working with different groups of women and training-trainers to make sure that there is community buy-in and the ability to follow up with experts. Black women, Latinas and Native American women have been prominent in our work.

This statement will focus primarily on the unique challenges that women face in trying to achieve both long-term and short-term retirement/financial security. Women want and need targeted information and knowledge in navigating the retirement system as well as avoiding the traps and the gaps. We will make suggestions for addressing these challenges by having EBSA expand access to financial literacy publications and working with plan sponsors to provide education to help build knowledge by providing benchmarks. The promise of financial wellness programs is important as long-term financial education is not widely available to the general public – even as many individuals take on more financial responsibility and the systems become more complicated.

One of the first questions that WISER is asked is why focus on women? Our response is that there are 5.8 million more women than men at age 65 and 67% of the over age 85 population are female. Many of the group over age 85 ends up near poor or in poverty even if they have never been poor before. Women’s longevity means that they will need **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.

Financial Capability

WISER and the Administration on Community Living, with the U.S. Administration on Aging operate the National Resource Center on Women and Retirement (the Center - NRCWR) as a national clearinghouse of tools and information on retirement planning. The Center's goal is for WISER to improve the financial knowledge of the Center's target population of vulnerable women by helping them plan and achieve retirement security. WISER presents financial workshops to diverse groups of women across the country – the target population includes not just low-income women, but women with disabilities, caregivers, and women with limited English-speaking proficiency. The Center creates consumer publications that explain in easy-to-understand language the complexity of women's retirement issues: claiming Social Security, signing up for Medicare, emergency savings programs, caregiving issues, divorce, widowhood, long-term care and elder financial abuse.

WISER's outreach extends to 22 partners providing specialized programs and co-branded reports such as the updated 2020 report, *Minority Women & Retirement Income*¹ which is distributed through partners with underserved audiences and those with low financial literacy. Among the partners are MANA, A National Latina Organization (MANA) and the National Caucus & Center on Black Aging, Inc. (NCBA) -- two national nonprofit organizations – MANA a Hispanic organization with 25+ chapters and NCBA, a Black/African American partner with several state and local programs. These groups are long-time financial literacy partners who have prioritized providing skills and knowledge to their members. The specialized education programs are successful, as they are segmented for the appropriate audience, and nearly every experience is positive showing that women want to take more control of their financial future even while they are hindered by the many challenging factors that affect women more than men. Unfortunately, while these programs cannot eliminate the retirement racial gaps, they do provide real hope and resources and ways to improve individual finances in a complicated economy. WISER's model has included some shared grant funding which has led to a ripple effect of innovative programs.²

But the underlying problem is that there are still too many women over-represented in the low-wage workforce with little access to workplace benefits or to employer financial wellness programs. These low-to moderate-income women (LMI) often work multiple jobs with little to no savings to show for it and are likely to live in poverty in old age

While many Americans are not financially prepared for retirement – the future for under-resourced women – the target population of this work group session is especially alarming. The statistics you have been hearing during the earlier sessions result in the following situation; older women living alone becoming poorer as they age – especially minority women living alone who

¹ 2020 Minority Women & Retirement Income, Your Future Paycheck

² The Latina Savings Report: WISER and MANA, A National Latina Organization. October 2019, wiserwomen.org

are more likely to age into poverty.³ The data confirms **the high rates of poverty: for Hispanic women 43 percent and Black women 33 percent – rates almost twice that of white women.**⁴

Retirement Income

How much will women need? The percent of a worker's pre-retirement income needed to maintain retirement security depends on the circumstances of each individual household.⁵ Access to retirement income is based on a woman's work life, her earnings, savings and her marital status. But during their working years, women generally earn less-the gender pay gap, have diverse work patterns, education level, overrepresentation in the low-wage workforce without access to adequate workplace benefits, result in women having less in savings, less in Social Security benefits and less in retirement savings accounts.⁶ It is important for all workers to know that Social Security benefits only cover 40 percent of preretirement income for the average worker. The average annual Social Security benefit for retired women workers in 2019 was \$14,952 compared with \$18,816 for men.⁷ Overall, women aged 65+ have 30 percent less retirement income than men,⁸ yet they need more income to support the costs of living longer.⁹

To make matters worse, women have been disproportionately affected by the economics of the Covid pandemic; millions losing and leaving jobs, accumulating debt and worsening their previous financial situations making it more difficult to pay monthly bills or cover unexpected expenses.¹⁰ Also, problematic is that women overall have lower levels of financial literacy, which is linked to financial well-being¹¹ and for many women not knowing *what they need to know to make the best financial decisions*.

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

Longevity Risks & Health Care Costs: Women confront other retirement income challenges which are long-lasting due to their longevity and health care costs. Longevity risks include inflation, loss of spouse, and health care costs which have a disproportionate harm on women's retirement income. Today, a woman at age 65 can expect to spend approximately \$47,000 *more* in retirement for health care expenses than her male counterpart. These health care costs increase with age, as women experience more frailty and more long-term care services are needed. Many women are unaware of these facts and what services Medicare and Social Security actually

³ Cubanski, J., Coma, W., Damico, A., & Neuman, T., Kaiser Family Foundation, *How Many Seniors Live in Poverty* (November 2018)

⁴ U.S Census Bureau, Current Population Survey Annual Social and Economic (ASEC) Supplement 2019

⁵ GAO, Retirement Security: Better Information on Income Replacement Rates Needed to Help Workers Plan for Retirement, GAO-16-242 (Wash.DC Mar.1,2016)

⁶ For summary information on the gender pay gap see WISER's Press Release from Pay Equity Day 2019 at: <https://www.wiserwomen.org/images/imagefiles/Equal%20Pay%20Day%202019%20PressRelease.pdf>

⁷ Social Security Administration, Annual Statistical Supplement August 2018.

⁸ GAO. *Retirement Security: Women Still Face Challenges*. GAO-12-699. July 9, 2012.

⁹ GAO. *Retirement Security Older Women Report Facing a Financially Uncertain Future*. GAO-20-435. August 13, 2020.

¹⁰ 2021 TIAA Institute-GFLEC Personal Finance Index." Demographic Variations in Financial Literacy Race, /Egthnicity and Gender.

¹¹ Ibid

provide. In fact, many families are not aware that Medicare does not cover most long-term care costs or that Medicare premiums are subtracted from their Social Security benefits.

Marital Status: Women are more likely to be single and at much greater risk of poverty as they age than are men – 26.1 percent of those who never married live in poverty compared to 4.9 percent of married women.¹² The gender mortality difference and the fact that many women marry older men, means that women are more likely to be living alone which increases the likelihood of poverty. While many women are caregivers for their husbands, many women do not have a spouse to care for them in their retirement years. At age 85, about 86% of women are single.

Caregiving: Currently, there are 48 million family caregivers and the majority are women. Women generally and as caregivers are spending on average 9 years out of the paid work force.¹³ Those nine years mean zero earnings, or a career of 29 years compared to men’s 39 year careers. The zero earnings are compounded in the 35 year calculation of their Social Security benefit. In addition, women, because of their need for flexibility for caregiving, are twice as likely to work on a part-time basis as are men, with the resulting lower earnings. Women are more likely to work in industries that pay lower salaries and have no retirement plans or less generous retirement plans.

Financial Caregiving: Women compromise work schedules by leaving the labor force or working part-time to accommodate family needs. Recent research studying the financial effects of caregiving found a majority of women/caregivers have given little/or no thought to their own financial situation; while over half describe their financial position as fair or poor.¹⁴ Another study shows that single women who care for elderly parents are 2.5 times more likely than other caregivers to live in poverty in retirement.¹⁵ The financial consequences are serious¹⁶ but understanding the financial implications of these decisions allows for better planning and more opportunities for preserving retirement income and affording health benefits. However, financial caregiving also has consequences for both the caregiver and the care recipient who needs help with managing their financial affairs.¹⁷ More than one in five caregivers provide both financial management and out-of-pocket support (\$7,242+).¹⁸ to their care recipients with two-thirds of family caregivers reporting they could benefit from financial advice on managing money.¹⁹

Auto Portability – a positive step

¹² Social Security Administration, Marital Status & Poverty (May 2016)

¹³ Pew Charitable Trust and Social Security Administration Calculation 2014

¹⁴ Transamerica Institute, The Many Faces of Caregivers: A Close-Up Look at Caregiving and Its Impacts (2017) Hereafter TI at 196

¹⁵ Donato, Katharine and Wakabayashi, Chizuko: *Women Caregivers are More Likely to Face Poverty*, Sallyport, Magazine of Rice University Vol. 61 No.3. Spring 2005.

¹⁶ Id TI at 197&199

¹⁷ Merrill Lynch, “The Journey of Caregiving.”(2017) Hereafter ML at 22 and Figure 9

¹⁸ AARP Research: “2021 Caregivers Out-of-Pocket Costs: Study and Fact Sheet

Aarp.org familycaregiverscoststudy Laura Skufca, Chuck Rainville, June 2021

¹⁹ ML at 24

A fairly new retirement savings feature is a technology-based solution developed by the Retirement Clearinghouse. It ensures that when someone switches jobs (which 14.8 million workers do annually) their 401(k) savings moves automatically from their previous employer's plan to their new employer's – even if their assets are less than \$5,000. That allows their savings to continue to grow in one easy-to-monitor, consolidated investment account. Studies indicate that over a 40-year period, [auto portability](#) could decrease cash-outs to such a degree that it could add as much as \$1.5 trillion to \$2 trillion to Americans' retirement savings. And much of that savings will belong to the people who need it most. Without auto portability, 50% of workers who earn between \$20,000 and \$30,000 cash out within a year when changing jobs. Sixty-three percent of Black and 57% of Hispanic workers also do so. Forty-one percent of women do. And 71% percent of women age 25-34 do. **But auto portability changes that.** The more financially challenged demographic groups – those with the smaller balances – lower their cash-out rates more than other groups when auto portability is a feature of the plans.²⁰

Conclusion:

WISER's focus has been to help workers do the best they can with the system we have now by providing Financial Literacy programs, educating and advocating for a much improved Saver's Tax Credit, and preserving savings through auto portability. We have recently been working with employers to expand information about Medicare & Social Security and signing up for a my/social security account as the majority of the workforce no longer receive annual Social Security statements.

As a nation with an aging population, we need to educate the public on strengthening our existing retirement programs wherever possible. That means focusing in particular on the links to both Social Security and Medicare, employer-sponsored retirement programs and emergency saving initiatives and especially educating average workers about how these systems work to prevent penalties and loss of benefits. An example of a small action-provision which is important for workers to know includes just one part of the perpetually reintroduced "Benes Act" which was included in last year's end of the year consolidated legislation: Beginning in 2023, Medicare coverage will begin the month after enrollment – instead of leaving people **uncovered** for 6+ months.

Thank you to the Workgroup for allowing WISER to include our testimony highlighting the challenges women face in securing their financial security in their retirement years. They need to know how 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 try to pull together on their own. Knowledge can build the confidence to ask for help and make better decisions especially at critical inflection points.

Below: We have included below a list of issues that most workers need to know:

²⁰ RetirementClearinghouse, July 27,2021.New Data Proves the Effectiveness of 401(k) **Auto** Portability.ch1.com

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

The following are suggested actions for building and supporting increased economic and financial security for women (and men) of all ages – yet above all is protecting and preserving and strengthening Social Security – a program critical to the financial well-being of most workers but especially women, minorities and disabled workers.

- EBSA could work with employers and plan sponsors to offer and revive their successful financial education program on Demystifying Retirement Planning;
- EBSA could consider providing basic benchmarks so people are not confused about their full Social Security retirement age and when and how to sign up for Medicare;
- EBSA could also help employers educate workers about the Savers Tax Credit while making it a staple of retirement for middle income as well as for moderate and low-income workers; while we are awaiting the improved version to pass legislatively.
- Financial Capability - target to women as caregivers, as well as women employees. Experience and research shows that relevant financial information can dramatically increase total net worth by nearly one-third for those with the lowest income and 18 percent for those with moderate income.