



ANNA RAPPAPORT CONSULTING

STRATEGIES FOR A SECURE RETIREMENTSM

Facts about Women, Old Age and Retirement

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While retirement and safety net systems generally have the same provisions for men and women, they operate differently in practice, because of differences in life and employment histories:

- Longer life spans—At age 65, women are expected to live an average of 20 more years and men an average of 18 more years. But women are also expected to have longer periods of disability in old age.
- Shorter work histories—women work an average of 12 years less over their lifetimes due largely to caregiving responsibilities
- Women are likely to spend their last years alone—after age 85, only 13% of women are married with a spouse present
- Women earn less—women earnings are 77% of men's earnings on average
- When men lose spouses they are likely to remarry, but women are much less likely to remarry. Men often marry younger spouses leading to long periods of widowhood
- Rates of divorce have increased and are expected to increase

Bottom line—women's median retirement income is 58% of men's median retirement income.

Bottom line—40% of older women alone have virtually no income except Social Security.

Bottom line—women are much less likely to have a family caregiver available when they need help than men are. They are much more likely to need paid help or be institutionalized.

Bottom line—when retirement resources are inadequate, it is the longer-lived person in a couple who is most likely to have a problem, and that is usually the woman.

Overview of Retirement Risks for Women and Related Issues

Outliving assets	At age 65, average life expectancy is 18 years for American men and 20 years for women. Approximately 30 percent of women and 20 percent of men will survive to age 90. National survey data and simulation studies suggest that middle income households have not saved enough to meet all expected retirement expenses. ^a	Women have lower savings, lower private pension coverage, and depend more heavily on Social Security for retirement income. Women are more likely to live longer and to be alone. Widows are exposed to the additional risk that household resources are depleted by their spouse's health costs.
Loss of spouse	Because women have longer life expectancy and traditionally have married older men, periods of widowhood of 15 years or more are not uncommon. For many women, the death of a spouse results in a decline in standard living.	Women are much more likely to be alone in old age, and old women are more likely to be poor. For those over age 85, 45 percent of the men and 85 percent of the women are widowed.
Decline in functional status	At least 70% of people over age 65 will need long term care services and support at some point. Women are more likely to have longer periods of chronic disability and more likely to need care in a long-term facility or from a paid caregiver. ^b	Women will spend longer periods of time in a state of chronic disability and are less likely to have a spouse-caretaker.
Health care and medical expenses	A 2014 study estimates that health care costs for a retired couple age 65 could amount, on average to \$220,000 over their retirement, not including long-term care expenditures. ^d The median annual cost of care ranges from \$40,000 to \$80,000, depending on the level of care needed. ^c This implies that lifetime costs can amount to a million dollars or more for some couples.	Health costs may affect women more than men because they have lower income but are exposed to similar medical costs. Women are less likely to have employment-based retiree medical benefits.
Inflation	Over the period 1980-2012, annual inflation in the US for all items averaged 3.4%. Inflation has been lower in recent years, averaging less than 2.4% percent from 2003-2012. For medical care inflation, the annual average 2007- 2013 was 3.1% but averaged nearly double that rate over the preceding 20 years. ^e	Inflation has a larger impact on people who live longer and is thus a bigger issue for women. The affect also compounds over time.
Lower lifetime earnings and wealth	Social security benefits, employment based retirement and pension benefits all depend on earnings history and years of employment. Employment retirement plans are shifting investment responsibility to workers. If women invest more conservatively, they will on average have lower accumulations at retirement.	Median earnings for women working full time are less than 80 percent of what men earn. Women are less likely to work at employers who sponsor retirement plans. Fewer retired women receive income from pensions and annuities based on their own employment and average income from these sources is much lower than for men.

^a Social Security Administration, 2010 Period Life Table; Bajtelsmit, Foster, and Rappaport (2013),

^b Kaiser Family Foundation, 2009, "Medicare's Role for Older Women," <http://kff.org/womens-health-policy/fact-sheet/medicares-role-for-older-women>

^c Genworth Financial, *Cost of Care* 2014, www.genworth.com/costofcare

^d Fidelity Benefits Consulting, *Retiree Health Care Costs Estimate*, 2014

^e "Trends in Health Care Cost Growth and the Role of the Affordable Care Act" (November 2013)

http://www.whitehouse.gov/sites/default/files/docs/healthcostreport_final_noembargo_v2.pdf; Consumer Price Indices, U.S. Bureau of Labor Statistics, 2013

Source for table above: Society of Actuaries: *Impact of Retirement Risk on Women*, 2014

Bottom line – women are more subject to these risks because they live longer and have lower pensions on average.

Resources: Organizations/information to support women in third age or working independently

Transition Network—<http://www.thetransitionnetwork.org/>

Project Renewment—book, information, resources for women moving into the next stage—<http://www.projectrenewment.com/>

Freelancers Union—source of information, insurance for people working independently—<http://www.freelancersunion.org/about>

WISER— www.wiserwomen.org, source of many fact sheets, articles, tools for women to help them plan for retirement

Actuarial Foundation, Consumer Education publications, <http://www.actuarialfoundation.org/>

Note particularly—**Seven Life Defining Decisions** with WISER—this publication focuses on the interaction of retirement and a variety of life decisions.

Department of Labor, **Taking the Mystery Out of Retirement Planning**—this publication focuses on the transition period and does a very good job of helping you identify issues, data to be collected both with regard to income and spending.

Society of Actuaries, **Impact of Retirement Risk on Women**, 2014—report discussing the results of the 2013 Survey of the Post-Retirement Risks and the Process of Retirement and recent Focus Groups separated by gender, with WISER, <http://www.soa.org/research/pension/research-post-retirement-needs-and-risks.aspx>; **Living to 100, A Woman's Issue**, 2008 by Anna Rappaport; also eleven decision briefs are available to help people focus on retirement risks

Some general references for life planning

Steve Vernon, **Live Long and Prosper** and **The Quest**, good references covering a range of issues, Steve is an actuary who after a career as a traditional pension consultant is now focusing on third age issues and personal planning, <http://www.restoflife.com/>

Richard Nelson Bolles, **What Color is Your Parachute for Retirement**, available through many book stores. Amazon reference is <http://www.amazon.com/What-Color-Your-Parachute-Retirement/dp/1580087116>

Great with Money: The Women's Guide to Prosperity, by Ellen Rogin, CPA, CFP® and Melissa Burke, Attorney at Law, CFP®, Ellen@begreatwithmoney.com, www.begreatwithmoney.com

Top Tips for Retirement Planning

1. **You are responsible for having adequate assets in retirement.** Even if you are covered by company pension benefits, you probably need to save on your own because:
 - Company benefits may not be enough
 - You could leave your job before age 65
 - Benefit plans can be changed, and your assets are your own responsibility (you can't lose what you have earned, but you do not know what you might earn in the future)
2. **Married women need to remember that, on average, women live longer than men and that most women outlive their husbands, often by 15 years or more.** There is very often a decline in economic status in widowhood. Plan for widowhood. In addition, many marriages end in divorce, so retirement assets need to work for you either as part of a couple or alone.
3. **Outliving assets is a very serious issue.** While average life expectancies are in the late 80s for women, some people live to over age 100, and life spans are increasing. Organize your portfolio so that part of your retirement assets are a life income that you can't outlive.
4. **Contribute the most you can to your 401(k) plan or other organization-sponsored savings plan.**
5. **Save early so you can maximize investment return.** Develop an investment strategy that considers the term of your investments. Asset-mix is the most important driver of investment performance. Diversification is important. You do not want to invest too much of your assets in any one stock or other investment.
6. **Keep score.** Keep track of how much you are saving and how you are doing. A plan is only as good as its implementation and follow-up.
7. **Decisions you make long before you retire may have an effect on your retirement security.** They include taking a job, leaving a job, getting married, getting divorced, etc.
8. **Keeping your skills up-to-date is very important to your security.** Good retirement benefits depend on having money to save and/or good earnings.
9. **Don't forget about long term care, medical and disability coverage and protection.** Disability protection is often overlooked. Medical and long term care coverage after retirement and before age 65 may be a big problem if you do not plan for it.
10. **Be aware of retirement risks.** Things change after you retire. You will want to meet your dreams, but you should also be aware of risks. Some of the things to be aware of include long life spans, inflation, frailty and decline in functional status, death of a spouse, other changes in family composition, unexpected medical costs, and outliving your assets. Insurance and annuities can protect against some of these risks. More information is included in the table below.
11. **Success in retirement is a combination of good financial results and having a life portfolio after retirement that works for you.** Important activities in retirement are very personal and may include travel, time with family, hobbies, volunteering, part-time work and more.
12. **Build and protect your credit rating.** It is important to have access to credit even if you don't use it or need it. Credit should be used carefully.

