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Pension Staff Fellow](#)[Perspectives from Anna:  
Women and Financial  
Security](#)[American's Reactions to  
Longevity Risk](#)[The World Future Society  
2009 Conference: Issues](#)

PERSPECTIVE FROM ANNA:  
WOMEN AND RETIREMENT SECURITY

*By Anna Rappaport*

Why are so many women poor or near-poor in retirement? We know that pension plans can't legally discriminate based on gender, but women tend to live longer and have less pension coverage, with shorter covered work histories and lower wages. Retirement planning issues for the lower-income population are entirely different from those confronting higher-income populations, and they are generally not about investments.

Two major retirement planning issues affecting women are when to retire and claim Social Security benefits, and how to manage their housing wealth and housing options. Decisions made by married couples on these topics have lasting effects on the survivor after one spouse dies. We'll save a discussion of those subjects for another day.

The Women's Institute for a Secure Retirement ([WISER](#)) has been working for a number of years to help lower and middle income women improve their retirement security. In December 2009 WISER held a symposium about how government, employers, financial service firms and individuals can strengthen women's retirement security. Seminar materials can be found [here](#).

Here are some highlights and wake-up calls for me from the symposium, along with a few of my own comments.

Support employer plans and make adjustments to recognize the difference in men's and women's employment experience. People are much more likely to save at the workplace than on their own, and employers should be encouraged to continue offering plans. This is not new, but what is new is the number of proposals being made that do not recognize the value of the employer in encouraging retirement savings. It is alarming that reform advocates would consider

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reducing or eliminating the employer's role from the retirement savings equation.

Insights on death benefits. Research from MetLife presented at the symposium indicated that two thirds of the survivors of those who died before retirement found the life insurance they had was inadequate and that they faced major, long-lasting financial shortfalls. Furthermore, they were not well informed about the coverage or its adequacy, and many of them expected larger death benefits. This research ties into findings from the Society of Actuaries Post-Retirement Risk survey showing that most retirees do not expect to experience a decline in living standards after the death of their spouse. Clearly, employees often lack awareness of income needed by the survivor, so they fail to buy enough insurance, and the survivors pay the price. Note that tax-free employer-paid group life insurance coverage is limited, unlike group health insurance. The \$50,000 limit on tax-free group term life may have seemed ample when it took effect in 1964, but inflation has diluted it by over 85 percent while mortality rates have fallen, further eroding the lifetime income that this amount can generate. Thus, even a modest increase today could encourage broad upgrading at little cost to employers or the IRS.

Learning more about R-Bonds—Retirement bonds as a new option in the retirement marketplace. Lower income persons often do not work at jobs offering access to retirement savings vehicles and often are not at the same job for a long time. If they wish to participate in IRAs, there may not be good options for them in the traditional retirement marketplace. U.S. Savings Bonds specially focused on retirement would help this group and thus would help many women. R-Bonds paired with auto-IRA proposals and tax credits would offer a way to help more lower-income people get started with IRAs. R-Bonds are currently in use on a limited basis and it has been proposed that they be used more widely.

Reinforcement of the idea that we must move beyond literacy and focus on getting people to act. Improving literacy is a great idea, but it will not be effective unless people also act. Action requires discipline and making choices.

Insights about action and different groups that can serve to promote action. The WISER symposium focused on the employer as a vital center of influence, but also recognized that many people do not have employers who can serve as a center of influence. For them, potential centers of influence include family and community groups. For ethnic groups such as Hispanics and African Americans, the influential groups may well be those who recognize the particular needs of those communities. At the symposium, it was pointed out that Hispanics are

often low income and many of them are unbanked. This is partly the result of lack of trust in Financial Institutions.

Protect, preserve, and strengthen Social Security. Remember that for four out of ten older women living alone, Social Security is virtually their only source of income in retirement. It is therefore vital not to lose focus on the importance of Social Security.

Support tax incentives that encourage low and moderate income workers to build wealth. The Obama administration supports auto-IRA and similar/related programs, as do many other groups. Many people have not capitalized on opportunities to save in IRAs, but if they are combined with refundable tax credits, as provided for in some of the proposals, they can be more effective. As mentioned above, one of the ideas discussed at the symposium is that of R-Bonds, special savings bonds vehicles that cost-effectively handle low balance retirement programs. Those of us who've spent our careers working with larger employers need to get beyond traditional thinking as we focus on these issues.

Enable later retirement and support better work options. For an increasing number of people, work is expected to be part of retirement. Life spans are increasing and volatile financial markets appear to be the order of the day, at least for now. Working longer will be a financial necessity for many people to avoid the adverse effects on living standards of significant fluctuations in the economy and continued improvements in longevity. In addition, there is general agreement that remaining active and engaged enhances quality of life in old age. Retirement ages are increasing but it is often challenging for people who want to work to find and maintain suitable employment. Properly structured "phased retirement" options could be a major win-win for employers, employees and society at large.

Encourage annuitization. WISER emphasizes the importance of annuitization and other methods of helping to make your money last a lifetime. If money is spent too quickly, it is more often than not the widow who ends up with problems. As an actuary, I am very focused on lifetime income solutions and the need to focus on longevity risk. Many people focus on the short-term rather than the long-term, and we need a lot more focus on the long-term.

#### Conclusion and Policy Future

WISER has constructed a blueprint outlining a broad agenda for women's economic security. It raises many issues for future change, including a number of issues on the Federal policy agenda specifically relating to retirement security. Short-term issues on the policy agenda include

patches to defined benefit funding requirements, auto-IRAs, disclosure of fees for defined contribution plans, and approved approaches for investment advice. Longer term there are questions about what is the best retirement system structure for the United States, the future of Defined Benefit (DB) plans, how money should be paid out from Defined Contribution (DC) plans, and what the different mandates and permitted defaults should be. One of the topics studied by the 2009 ERISA Advisory Council was the long-term future of the U.S. retirement system. The background / approach / scope statement for this study can be found on the U.S. Department of Labor website. Watch for the report, which will be posted once the study is completed. As we think about the future of the retirement system, we need to not forget the needs of women and the differences in life history that contribute to different outcomes in retirement.

Anna Rappaport, FSA, is an internationally recognized expert on the impact of change on retirement systems and workforce issues. She is a former consulting actuary at Mercer and former president of the Society of Actuaries. Currently, Anna is president of Anna Rappaport Consulting in Chicago, Ill. She can be reached at [anna@annarappaport.com](mailto:anna@annarappaport.com).

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