

Status Report

SAVING AND INVESTING FOR RETIREMENT UNITED STATES

Women live longer than men.

- ♦ Women aged 65 live, on average, an additional 20 years, compared to 17 years for men. With a greater life expectancy, women must stretch their retirement savings over a longer period of time.

Women have fewer years in the workforce than men.

- ♦ The average man has worked 44 years by retirement, whereas the average woman has worked only 32 years.
- ♦ Women are more likely than men to spend considerable time in unpaid or caring work for which there are no retirement benefits.

Women earn less and have lower net worth than men.

- ♦ According to a recent study from the American Association of University Women, women who graduated from college in 1999-2000 and are working full time earned only 80 percent as much as their male colleagues one year after graduation. In the same study, women working full time who graduated from college in 1992-1993 earned only 69 percent as much as their male counterparts ten years after graduation.
- ♦ According to the 2000 Survey of Income and Program Participation, women-headed households have a lower net worth (difference between assets and liabilities) than male-headed households. The difference is most pronounced in households headed by women under age 54. Households headed by women under age 35 had a median net worth of \$1,500, while men of the same age category had a median net worth of \$6,250. Households headed by women and men between ages 35 and 54 had median net worths of \$16,850 and \$31,166, respectively.

Women invest more conservatively than men.

- ♦ Women invest their asset portfolios more conservatively than men. A conservative investment strategy over the span of the working years results in less retirement income on average compared to a more aggressive strategy.

These factors result in a gender gap in saving and investing for retirement because asset accumulation for women depends on their labor force participation, eligibility for social security and/or pension coverage, labor force attachment, and earning level. A lifetime of lower wages mean women have less income they can save for retirement and less income that counts in a Social Security or pension benefit formula. For example, in 2004 the average annual Social Security income received by women 65 years and older was \$9,408, compared to \$12,381 for men. As long as there is a preponderance of women in lower-paying jobs, a higher number of women who work part-time jobs where pensions are not available, and a tendency for women to participate in less risky investments, this gender gap in retirement income will persist.

Women do seek opportunities for saving.

- ♦ According to the Social Security Administration, 54 percent of women employed full-time in 2004 participated in an employer-sponsored plan compared to 53 percent of men.
- ♦ When offered an employer-sponsored retirement plan women are as likely as men to contribute. The Social Security Administration reports that 81 percent of men and 79 percent of women contributed to a plan offered by their employer in 2004.
- ♦ Women and men are equally as likely to say they have additional savings. The Employee Benefit Research Institute found in a 2007 survey that 60 percent of both men and women said they had money saved in an account outside of their employer's retirement plan.

Sources:

Social Security Administration, www.ssa.gov

U.S. Census Bureau, 2000 SIPP

Retirement Confidence Survey, 2007. Employee Benefit Research Institute

Behind the Pay Gap, 2007. AAUW Educational Foundation

Why Do Women Invest Differently Than Men?, 1996. Association for Financial Counseling and Planning Education

The Gender Asset Gap: What do we know and why does it matter?, 2006. Feminist Economics

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