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Gender pay gap? The retirement gap's even worse

OCTOBER 19, 2015 | Kelley Holland, Special to CNBC

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Try describing the financial gap between men and women, and 78 cents probably comes to mind. That's what a woman earns for every dollar a man brings home, and it is publicly noted every year on [Equal Pay Day](#).

But the gender pay gap pales in comparison to a growing challenge for women: the retirement gender gap.

Women's median [IRA account](#) balances are 71 percent as big as men's and their median [defined contribution](#) savings just 66 percent. That savings disparity is just one reason for the yawning financial gap leaving millions of older women in poverty: Nearly 2.9 million women lived in poverty in 2013, more than twice the number of men, according to the [National Women's Law Center](#).

Certainly, poverty among the elderly is a problem for both men and women. But while the poverty rate for men age 65 and over is 7.4 percent, for women it is 64 percent higher, at 12.1 percent. In addition, 45 percent of women age 75 and over [live alone](#), without the financial cushion a partner can provide. And as the population ages, the number of women at financial risk will rise.

Not surprisingly, 57 percent of women in a recent [survey](#) said the thought of running out of money in retirement keeps them awake at night — their biggest fear other than losing a spouse.

“America’s population is aging overall, and to the extent that we have people who do not have the means to live comfortably in retirement, especially as the period of retirement is lengthening, it does suggest that something needs to change in our planning for the future,” said Lori Trawinski, director of banking and finance for the financial security team at the AARP Public Policy Institute.

Longer retirements, less to live on

	Women	Men
Median annual income	\$37,388	\$45,292
Median balance, defined contribution plan	\$24,446	\$36,875
Median balance, IRA account	\$30,660	\$43,449
Retirement life expectancy, in years	21.6	19.3
Projected health care costs, from age 65	\$294,975	\$275,035

Sources: BLS, Vanguard, Employee Benefit Research Institute, Social Security Administration, HealthView Services

The roots of the retirement gender gap run deep into workplace culture. The pay gap, for one, makes it hard for women to accumulate retirement savings, even though they are **more likely** to contribute to a retirement plan at work.

Research by the Society of Actuaries found that only 57 percent of women facing retirement expect to work full time at least 40 years, compared to 68 percent of pre-retired men.

Women are also more likely than men to take time out of the workforce to care for children or other family members.

Anna Griffin of Aumsville, Oregon, got her first job — babysitting — when she was 9, and over her life often had two or three jobs at once. But you would never know it from her retirement savings.

Griffin married at 16 and stayed home with her children, only returning to work and completing her GED at age 27, when her husband was preparing to retire from the military. She has been in overdrive ever since, earning two associate’s degrees, buying and selling a business, and working full time or more. But the golden years she envisioned may not come to be.

“I expected I was going to be with my husband and we were going to sit down and enjoy life together,” she said. But he died at 41 due to complications from Agent Orange.

Instead, Griffin has cared for ailing family members in Arizona and Oregon, all while working, and recently underwent surgery of her own. At 62, unable to lift patients, she has retired from the two health-care jobs she had held for several years, only one of which offered retirement benefits.



Source: Linda Cornell
Anna Griffin

"I'm thankful for where I got because I know a lot of people live on a lot less," she said. But still, there are concerns about drawing down her savings.

For now, Griffin is living on just over \$3,000 a month from her own Social Security, her survivor's benefit, and her widow's benefit from the military. And she is planning to slowly draw on her \$17,000 in savings.

"I was hoping I would have a little bit more saved up, but it didn't work out that way, she said. "Too many emergencies, sicknesses and those things."

Apart from life's emergencies, women have less access to retirement savings opportunities. Just 62 percent of women are offered an employee-funded retirement plan like a 401(k), compared to 69 percent of men, and 33 percent of women are not offered any retirement plan, versus 23 percent of men, according to the Transamerica [Center for Retirement Studies](#).

Gail Shea Nardi has been on both sides of those statistics. The Virginia retiree worked in multiple industries and organizations over the years, but her access to retirement plans has been spotty at best.



Source: The Nardi family
Gail Shea Nardi

Nardi married at 22 and stayed home with her children until her early 30s, when she began writing a weekly newspaper column for \$5 per column. Soon after, she started working at a local radio station in rural Virginia and eventually became news director but was not there long enough to vest in the retirement plan.

She later joined the *Richmond Times-Dispatch*, which offered a pension and a 401(k) plan, and her editor advised her to contribute the maximum. She rolled the money into an IRA when she left, but then, with children in college, she and her husband divorced. That took its own toll on her finances.

Nardi continued working, including stints as press secretary for Virginia's lieutenant governor and chief of staff for a state legislative leader, but few of the jobs offered benefits. When she retired in 2014, at the age of 71, she had 15 years of retirement eligibility with the state.

Nardi did inherit money from her parents and also profited from buying a house wherever she lived. She has annual income of roughly \$57,600 from Social Security, her own and her ex-husband's state retirement plans, and a pension from her former newspaper job. She also has savings of close to \$80,000.

She has bought out her siblings' shares in a lakefront family home in Wisconsin's Northwoods, where she spends summers. But to do so, Nardi had to sell her longtime Virginia home, and with Wisconsin winters fierce, spent last winter staying with a Virginia friend and traveling.

Nardi said she loved that experience, adding, "I've had a great time ... I thoroughly enjoyed my patchwork career."

But she is a realist. "I would be the first to tell you that people who spent 40 years with a good employer," and accumulated big pensions or employee stock fund holdings, "I look at them with a little envy."

Women try to save, but fall short

Vanguard defined contribution plans	Women	Men
Participation rate, in percent	73	66
Percent of income deferred	7.0	6.8
Average account balance	\$79,572	\$123,262
Median account balance	\$24,226	\$36,875

Source: Vanguard, How America Saves 2015

Access to retirement plans is only part of the problem: Demographic trends also add to the retirement gender gap. Women tend to [live longer](#) than men, so whatever retirement savings they have need to last longer.

In addition, women tend to be younger than their spouses, so the odds are higher of women having to leave the workforce to care for a partner. “The 64-year-old who is married to a husband five or six years her senior who has dementia” has pressure to exit the workforce, for example,” said Cheryl Phillips, senior vice president of public policy and advocacy at LeadingAge, an education and advocacy organization.

Then there is the matter of women marrying and having children later, according to Katherine Roy, chief retirement strategist at [JP Morgan](#) Asset Management. The result: Just as they hit their peak earning years, and the age when they can make extra retirement plan contributions, they may be confronted with both eldercare needs and children’s college tuitions.

“The whole sequential idea of these goals is getting compressed and made a lot more complicated,” she said.

Experts have proposed numerous solutions to the retirement gender gap. Some policy experts advocate changing Social Security so that caregiving time counts toward benefits, though the current political climate doesn’t favor the increased spending that could entail.

Another widely [advocated](#) reform is the adoption of paid family leave, which would induce more women to remain in the workforce after having children. Currently, the United States is the only industrialized nation without paid leave, and employers have found that when they offer it, women are more likely to return after having children, cutting their cost of employee turnover.

When Google increased its paid parental leave from 12 weeks to 18 weeks, the company said that [half](#) as many women failed to return after having a baby.

Improving women’s negotiating skills could also help, particularly in the area of salary negotiation. [Emily Amanatullah](#), now an assistant professor at the University of Texas at Austin’s McCombs School of Business, studied men’s and women’s negotiating and found that on average, women asked for \$7,000 less than men. The potential impact on future income could be enormous, as future raises are often given as a percentage of base income.

“Salary negotiating advice is not something we think of as being passed down from mothers to daughters, but wouldn’t it be great if it were?” said Marcy Keckler, vice president of advice strategy at [Ameriprise](#) Financial.

There is also the matter of financial literacy for women. Study after study has shown that women are less confident than men in their financial knowledge: In a survey of affluent customers of Regions Private Wealth Management and Regions Bank, women rated their investing confidence level 4.75 out of 7, compared to 5.42 for men. The low rate of confidence is not entirely unfounded: In a widely used five-question [measure](#) of financial know-how, women answered 2.6 questions correctly, on average, compared to 3.2 for men.

Women are “not working with financial advisors as much. They are probably less aware of what their options are, and are a little less confident,” said Anne Kritzmire, a managing director at Nuveen Investments. That may leave women prone to investing too conservatively to make their savings last and result in other financial decisions that could cost them in the long run. Kritzmire argued that schools and universities need to be doing more to improve financial literacy.

There are some hopeful signs. The gender pay gap appears to be narrowing among younger workers, with millennial women earning **93 cents** for every dollar their male counterparts take home. Also, as JP Morgan's Roy points out, women today "dominate in the number of people with college degrees."

And many older women are facing more secure retirements. Dorothy, a recently retired administrator (who asked for her last name not to be used), worked with a financial advisor to sort out how to hold onto her beloved Washington, D.C., home. She had to cut back in other areas, like dinners out and entertainment, to stay in her house, she said. But for now she is happy with the mix.

"I've always been financially conservative, and I've saved as much as I could, and my employer was generous" with a retirement plan match, Dorothy said. "I'm not in dire straits."

She is fortunate, but without widespread change, the retirement gender gap is on track to widen. And women like Dorothy will become the exception, and not the rule.

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