

# Women & Retirement: Current Outlook & New Opportunities

**TRANSAMERICA CENTER**  
FOR RETIREMENT STUDIES®

**August 2010**

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# About The Center

- The Transamerica Center for Retirement Studies® (“The Center”) is a non-profit private foundation dedicated to educating the public on emerging trends surrounding retirement security in the United States. The Center’s research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes.
- The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third-parties. For more information about The Center, please refer to [www.transamericacenter.org](http://www.transamericacenter.org).
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- Although care has been taken in preparing this material and presenting it accurately, The Center disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.

# About The Survey

- Since 1999, the Transamerica Center for Retirement Studies® has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The overall goals for the study are to illuminate emerging trends, promote awareness, and help educate the public.
- Harris Interactive was commissioned to conduct the Eleventh Annual Retirement Survey for Transamerica Center for Retirement Studies®. Transamerica Center for Retirement Studies® is not affiliated with Harris Interactive.

# Methodology – Worker Survey

- A 21-minute, online survey was conducted between December 3, 2009 – January 18, 2010 among a nationally representative sample of 3,598 for-profit workers using the Harris online panel. Respondents met the following criteria:
  - All U.S. residents, age 18 or older
  - Full-time workers or part-time workers in a for-profit company employing 10 or more people
- Data were weighted:
  - To account for differences between the population available via the Internet versus by telephone
  - To ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range
- Percentages were rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding



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## **Women & Retirement: Current Outlook & New Opportunities**

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# Preface

- According to the U.S. Census Bureau, nearly one-in-five women (18.9 percent) over the age of 65 who are living alone also live in poverty\*
- Unfortunately, this trend will likely continue unless women make some profound changes and take charge of their own financial futures
- In our society, the ability of many women to achieve a financially secure retirement is in jeopardy. Some of the reasons leading to lower lifetime savings include:
  - The “wage gap” in which women earn less than men
  - Women are more likely to be single parents and to take time out of the workforce to be caregivers
- Further, women have longer life expectancies and, therefore, greater savings needs

\* U.S. Census Bureau, Current Population Survey, 2009 Annual Social and Economic Supplement, Table POV01

# Introduction

The *11<sup>th</sup> Annual Transamerica Retirement Survey* offers insights into the current state of woman and retirement savings, the impact of the recession, and significant opportunities for helping them to improve their retirement outlook

- Historically, it is well-documented that retirement confidence among women has lagged behind men's – in part due to competing financial and life-related priorities, lower savings rates, and lower levels of retirement-related education
- The *11<sup>th</sup> Annual Transamerica Retirement Survey* found that:
  - Women's retirement confidence has been shaken by the recession more than men's. Fewer women than men are optimistic about the economy improving or their own personal financial situations getting better
  - Women's current attitudes, actions, and inactions regarding retirement savings continue to put them at risk of achieving a financially secure retirement
- Importantly, the *11<sup>th</sup> Annual Transamerica Retirement Survey* found new outreach opportunities for engaging, educating, and empowering women to gain control over their future retirements
- Lastly, this report makes recommendations for women, retirement industry outreach initiatives, and changes in public policy for improving retirement security among women





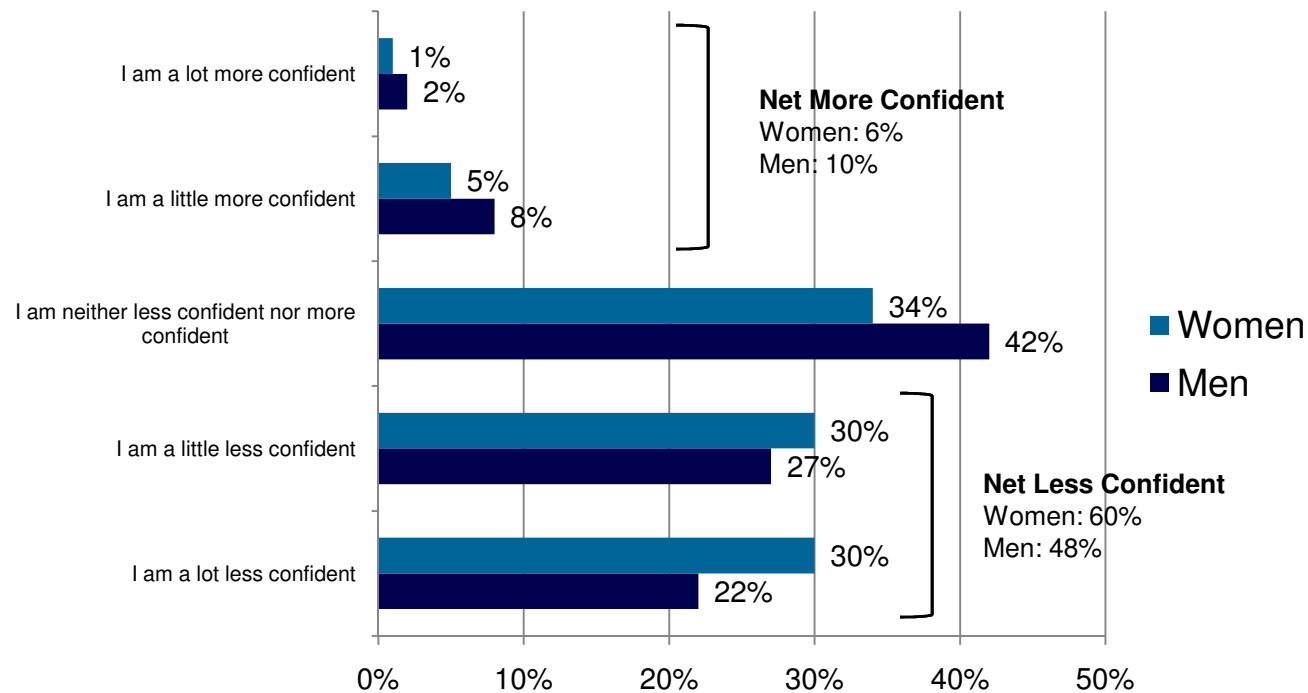
# Detailed Findings

# Impact of the Recession

# Changes in Retirement Confidence

Over the last year, both women and men became less confident about retirement. Sixty percent of women report that they are less confident than they were 12 months ago.

**Q1435. In the last 12 months, how has your confidence in your ability to achieve a financially secure retirement changed?**

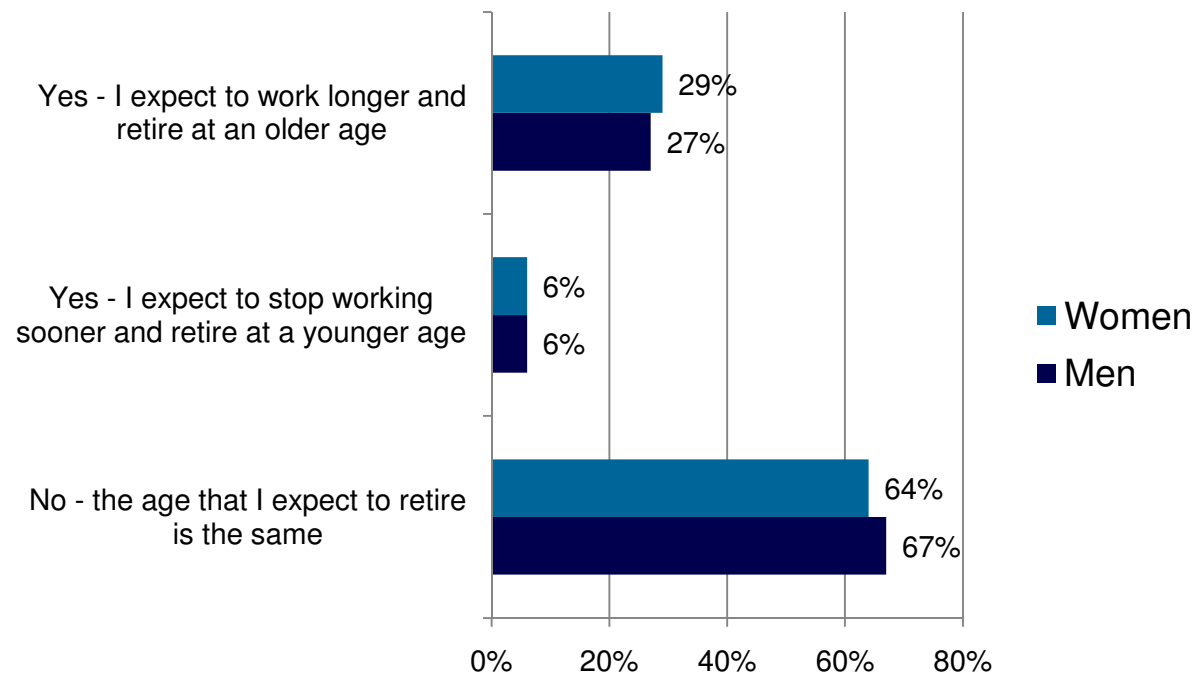


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Change in Expected Retirement Age

Many women (29 percent) expect to work longer and retire at an older age. Slightly fewer men (27 percent) expect to do so.

**Q1480. Has the age that you expect to retire changed in the last 12 months?**

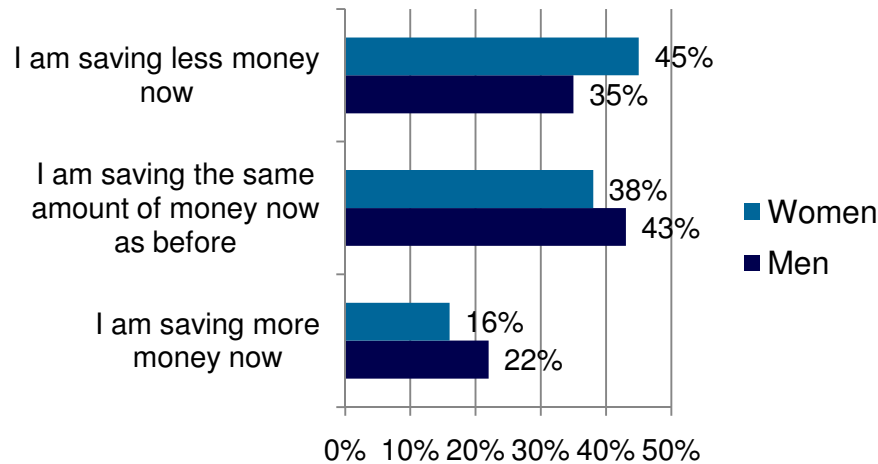


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

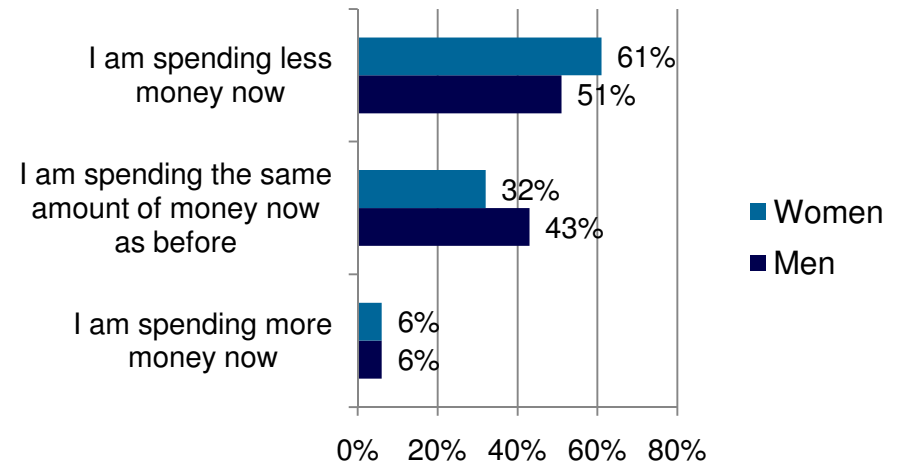
# Savings & Spending Habits

Many women are saving less (45 percent) and spending less (61 percent) since the recession began. This paradox may be partly explained by the number of women (60 percent) who cite either “just getting by” or “paying off debt” as their greatest financial priority right now (page 18).

**Q. 2060. How have your savings habits changed since the recession began?**



**Q. 2065. How have your spending habits changed since the recession began?**

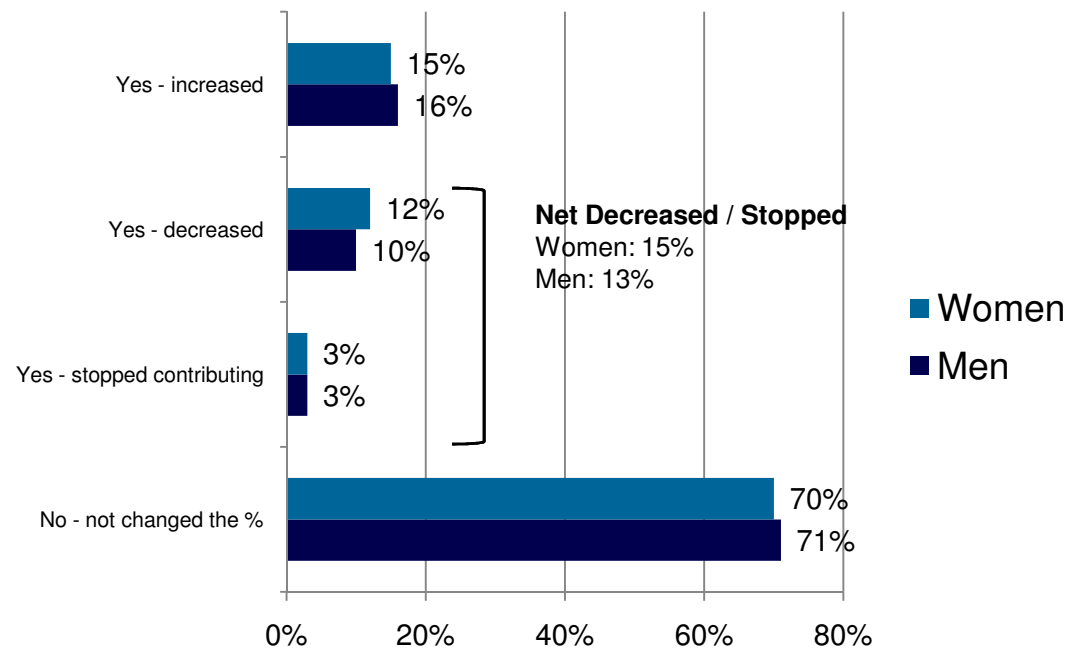


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Changes to Contributions to Retirement Plan

The percentage of women indicated that they have increased their contributions to their retirement plan in the last year is the same as those who have either decreased or stopped contributing (15 percent). Few women (3 percent) reported that they have stopped contributing.

**Q640. Have you changed the percentage of your income you put into your employee-funded retirement savings plan in the last 12 months?**

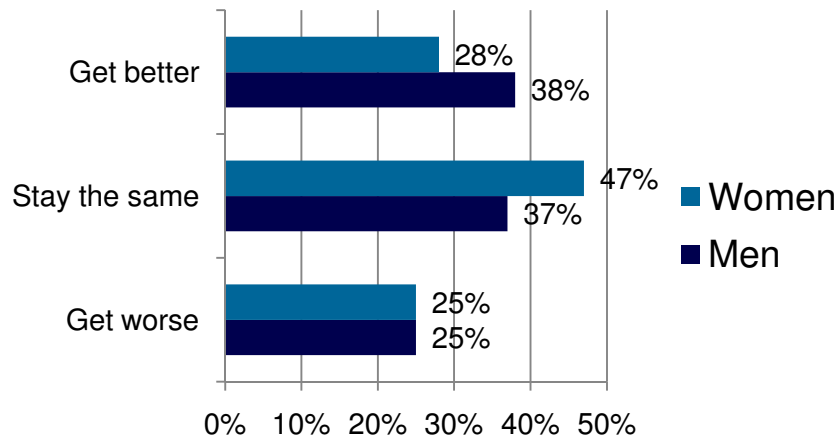


Weighted Base: Those Currently Participating in Qualified Plan: 771 Women; 1,187 Men

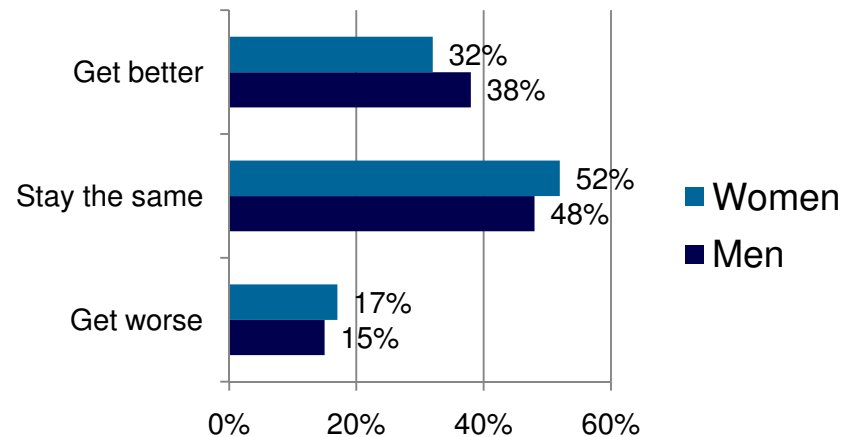
# Future Outlook

Relatively few women are optimistic about prospects for the next 12 months. Most women expect the economy to stay the same or get worse (72 percent) and most women expect their own financial situations to stay the same or get worse (69 percent).

**Q. 501. In the next 12 months, do you expect the U.S. economy to:**



**Q. 502. In the next 12 months, do you expect your own financial situation to:**



Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men



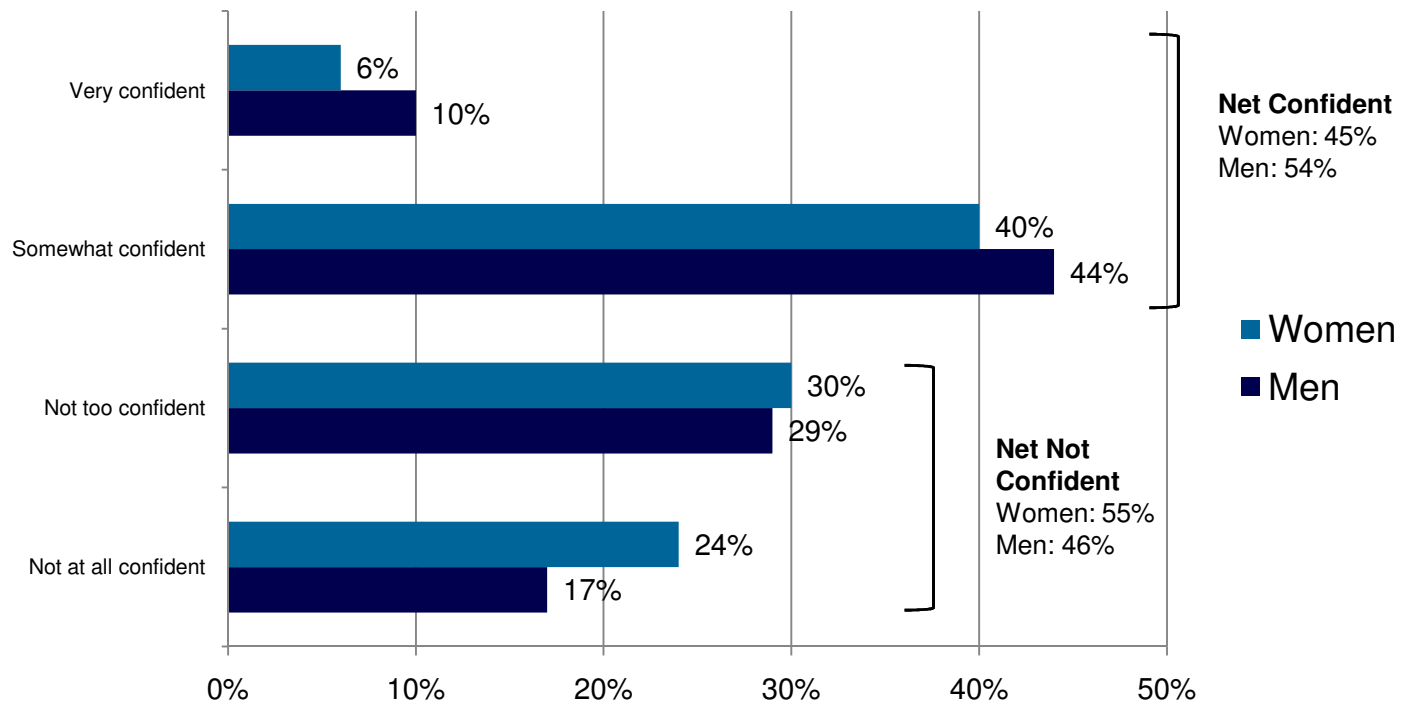
# Current Retirement Outlook



# Retirement Confidence

Only six percent of women are “very confident” in their ability to fully retire with a comfortable lifestyle.

**Q880. How confident are you that you will be able to fully retire with a lifestyle you consider comfortable?**

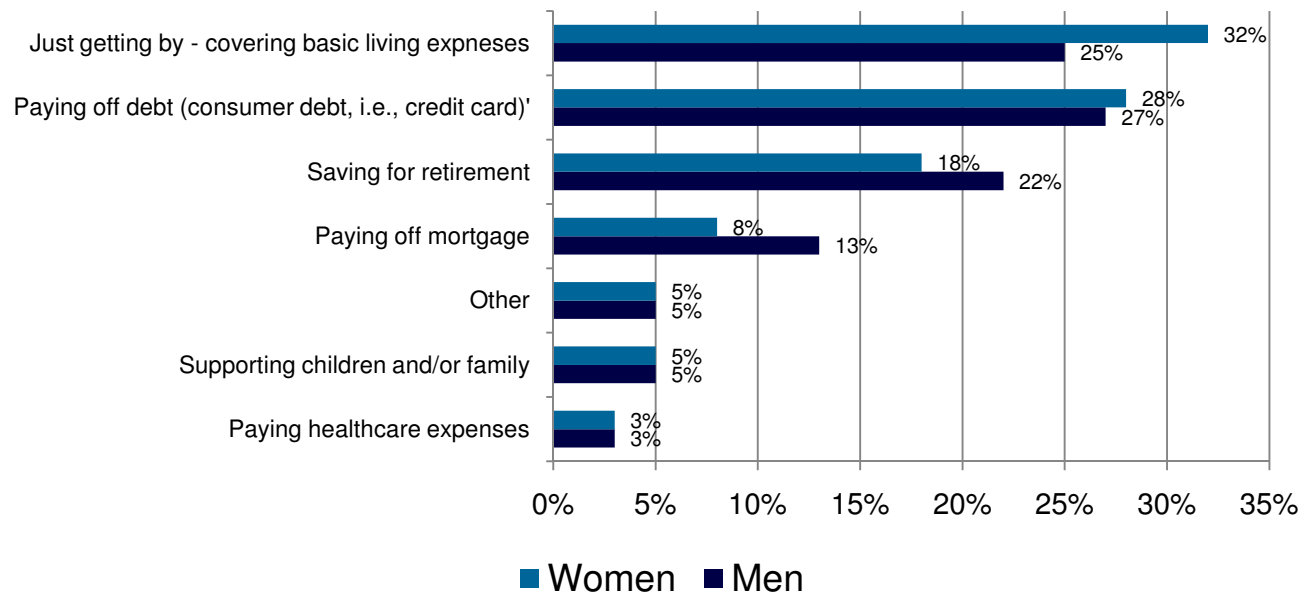


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Greatest Financial Priority

Most women cite either “struggling to get by /covering basic living expenses” (32 percent) or “paying off debt” (28 percent) as their greatest financial priorities right now. Fewer than one-in-five (18 percent) cite “saving for retirement” as their top priority.

**Q500. Which of the following is your greatest financial priority right now?**

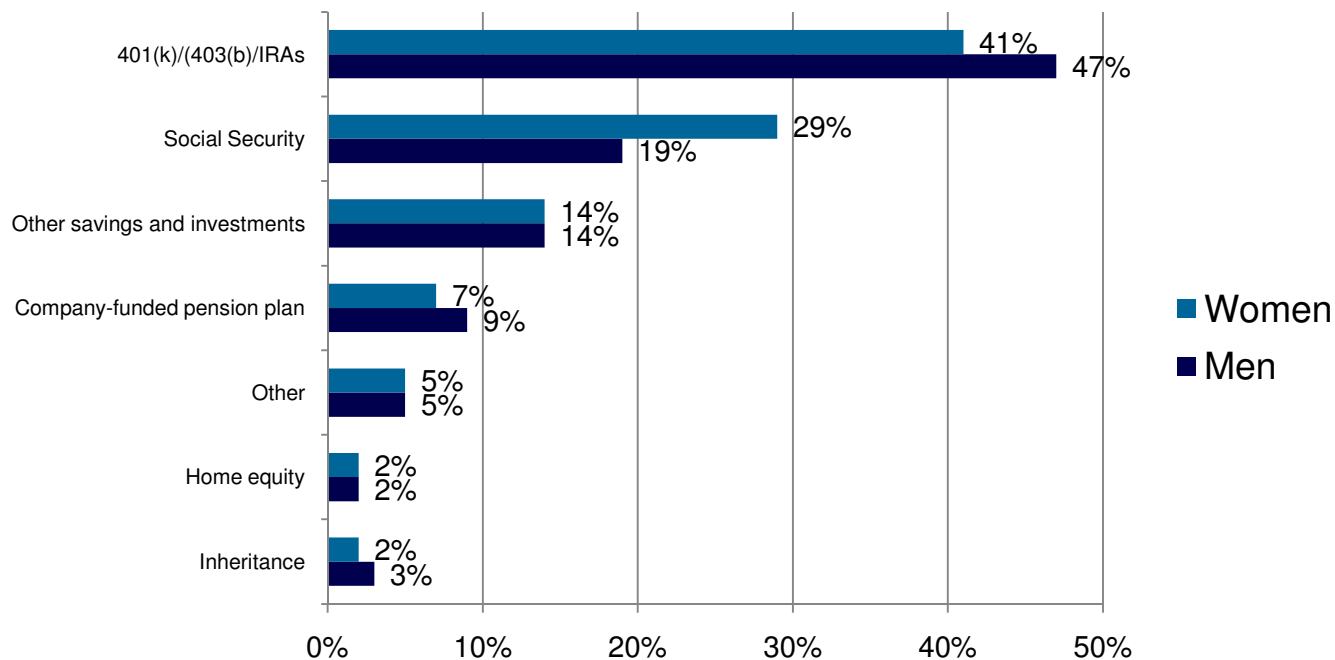


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Primary Source of Income in Retirement

Many women expect 401(k), 403(b), and IRAs (41 percent) to be their primary source of income in retirement. However, 29 percent expect to rely on Social Security.

**Q550. Which of the following do you expect to be your primary source of income to cover your living expenses after you retire?**

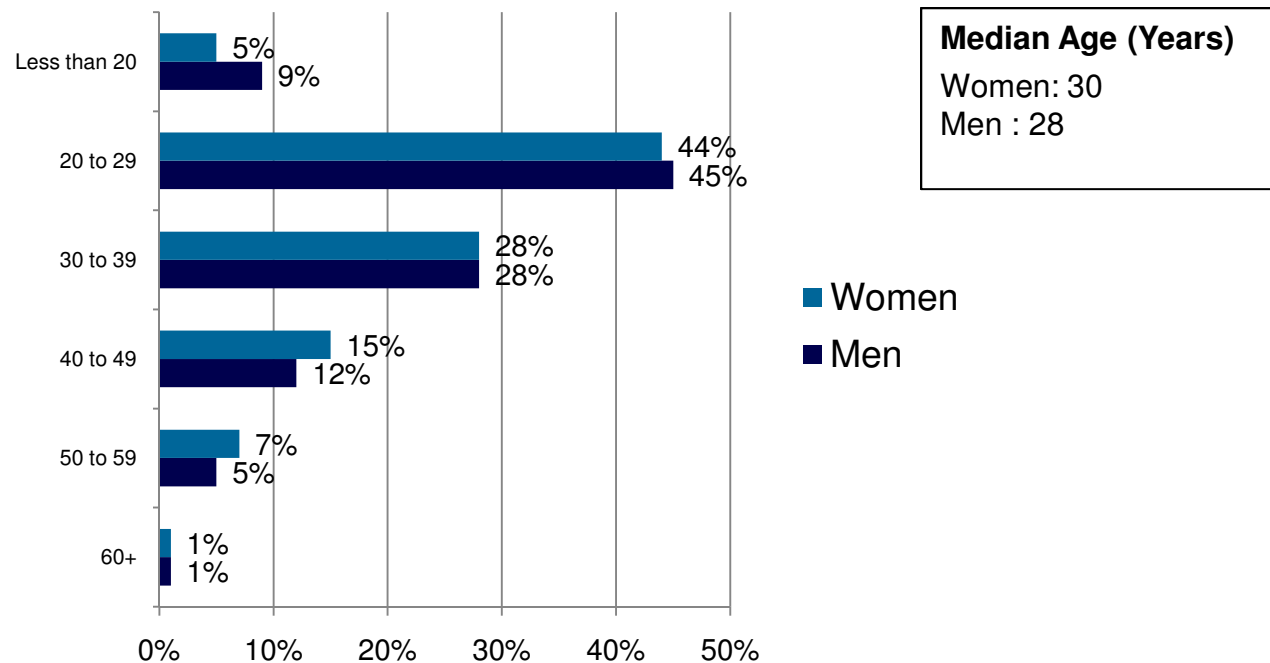


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Age Started Saving for Retirement

Nearly half of women (49 percent) started saving for retirement before their thirties. However, 23 percent indicated they started saving at 40 or older.

Q790. At what age did you first start saving for retirement?

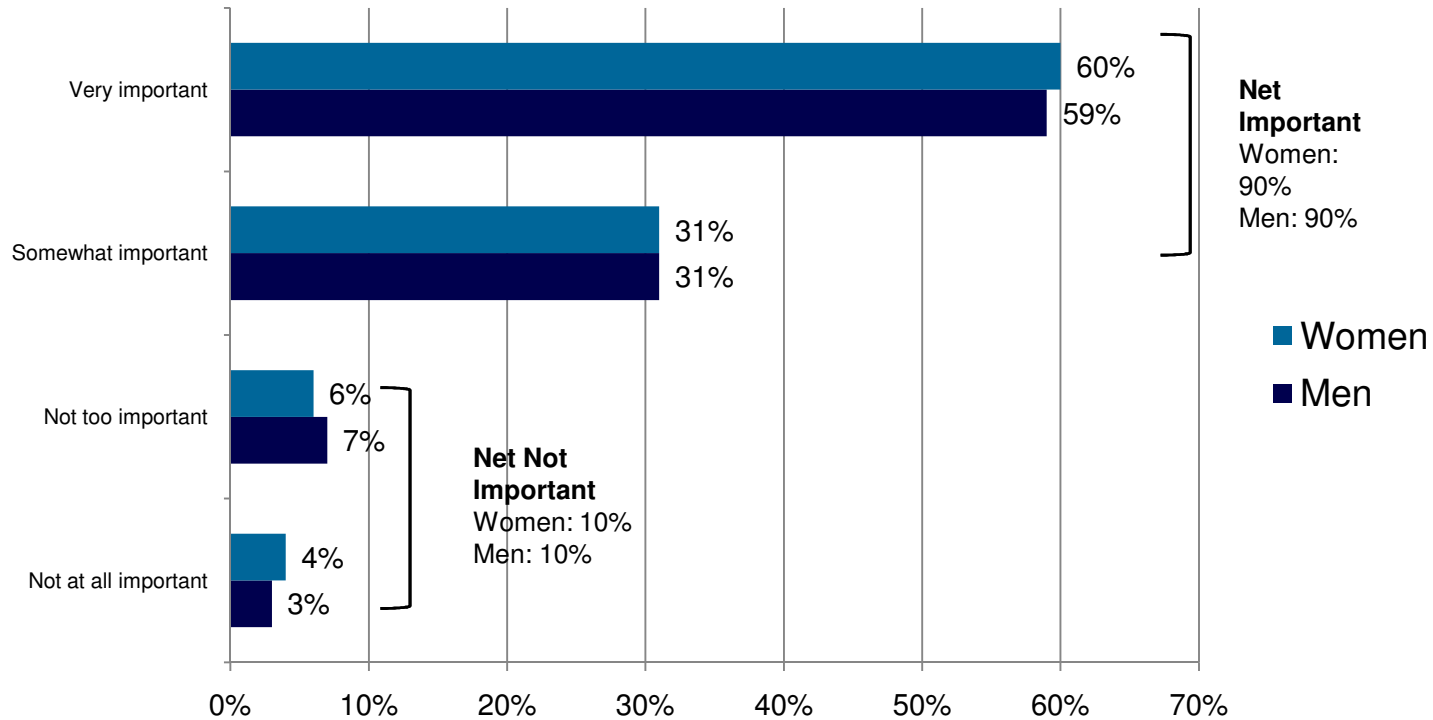


Weighted Base: Investing for Retirement: 1,236 Women; 1,640 Men

# Importance of Retirement Benefits

The vast majority of women (90 percent) report a 401(k) or similar company-sponsored, self-funded retirement plan as an “important” benefit.

**Q571. How important is a 401(k), 403(b) or other employee self-funded plan to you, personally?**

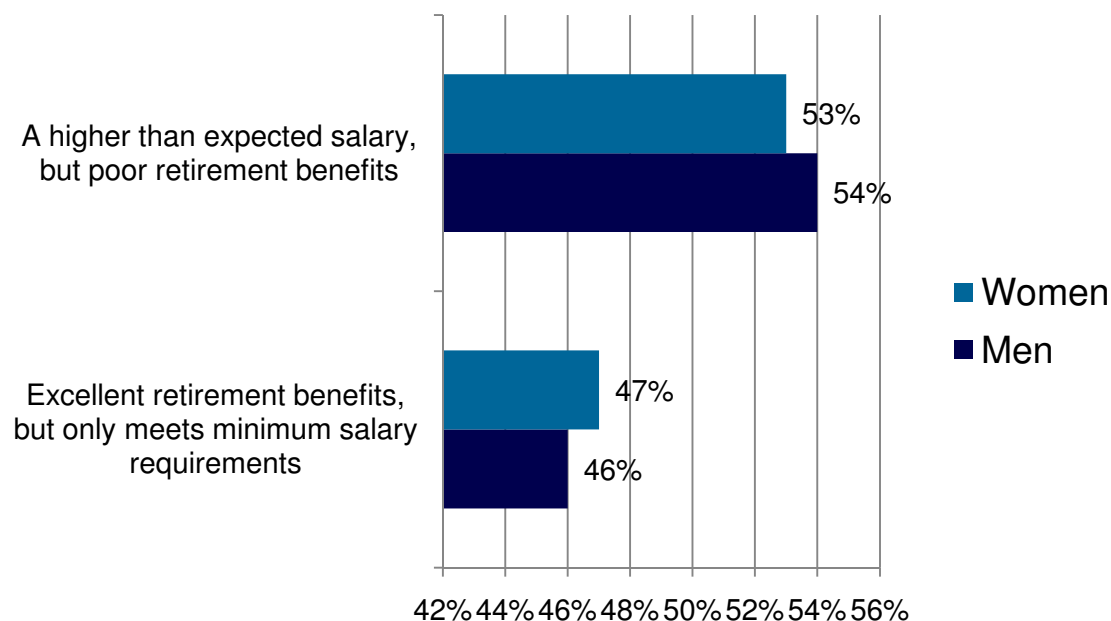


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Job Selection

Although 90 percent of women rated a 401(k) or similar retirement plan as an important benefit (p. 21), far fewer (47 percent) indicated that they would select “excellent retirement benefits, but only meets minimum salary requirements” when choosing between job offers.

**Q830. Suppose that two job offers come your way. Which of the following would you select?**

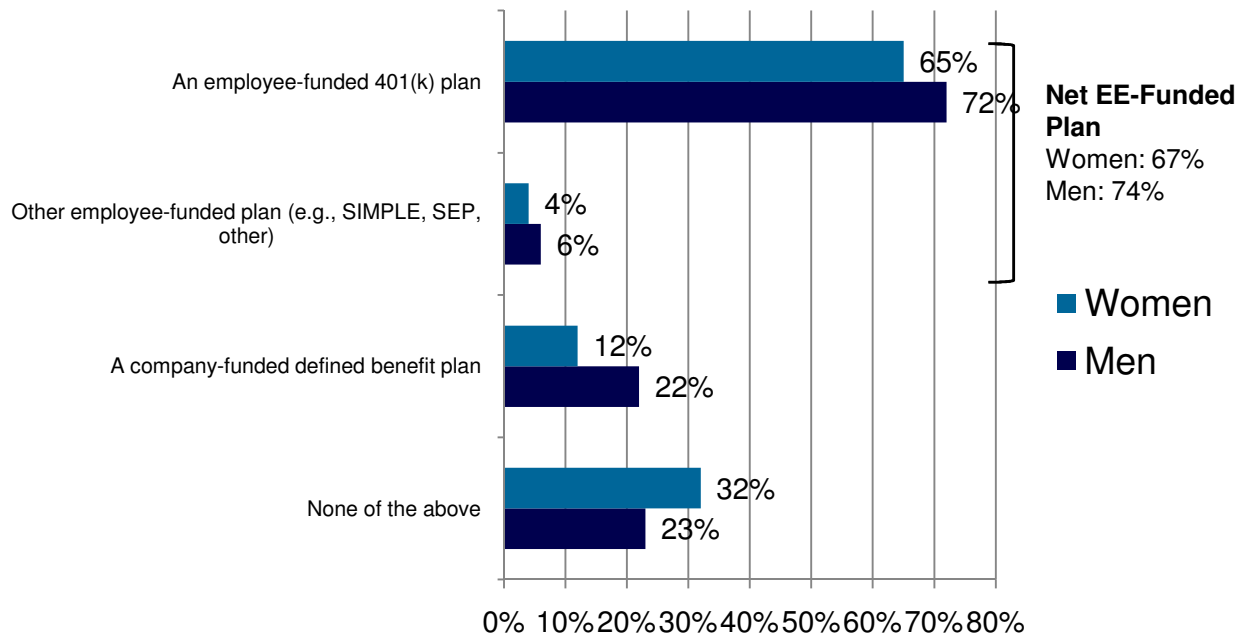


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Access to Workplace Retirement Benefits

Sixty-seven percent of women are offered a 401(k) or similar employee funded plan. However, many more women (32 percent) are not offered any retirement benefits compared to men (23 percent). Nearly half (48 percent) of women who work part-time have no retirement benefits.

**Q580. Which of the following retirement benefits does your company currently offer to you, personally?**



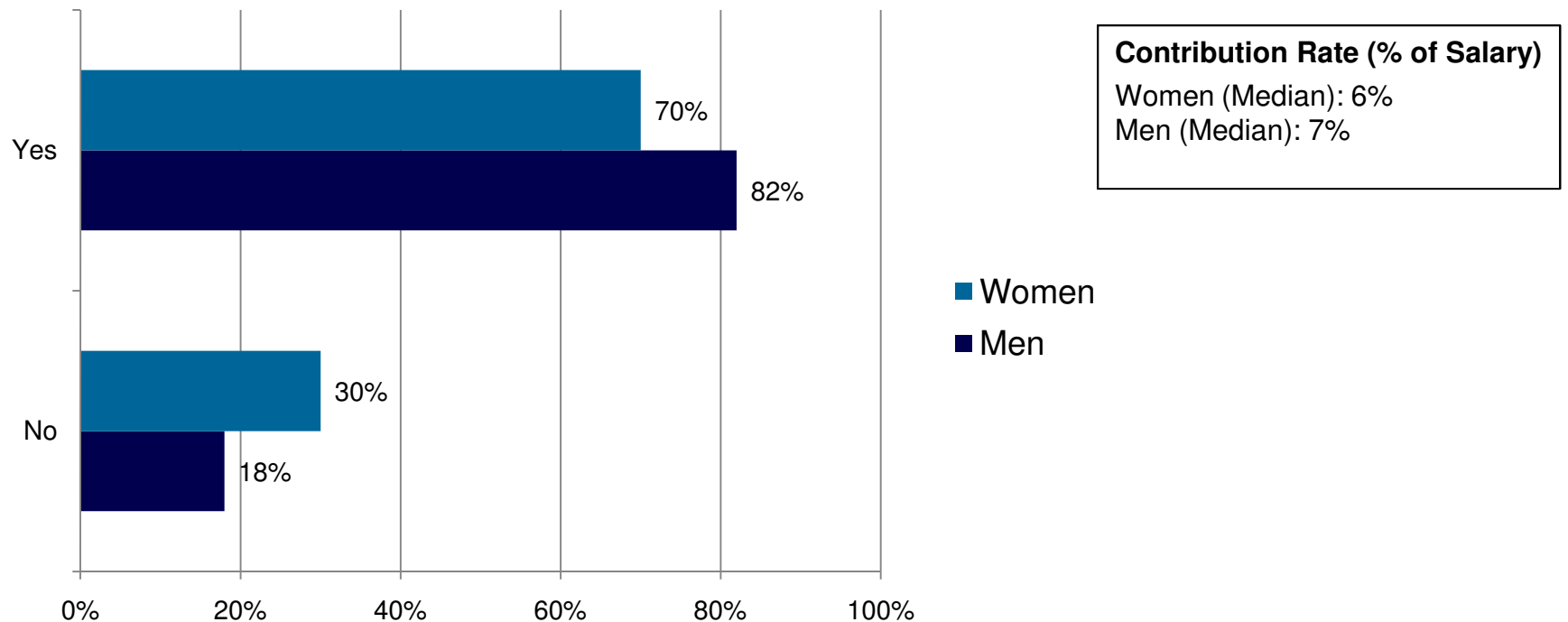
Benefits Offered	Women Full-Time Workers	Women Part-Time Workers
NET 401(k) or similar employee-funded plan	81%	50%
A defined benefit plan	16%	8%
NONE	18%	48%

Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Plan Participation and Contribution Rates

Of those women who are offered a 401(k) or similar plan, 70 percent currently participate in the plan – compared to 82 percent of men. The plan contribution rate, as a percentage of salary, is also lower for women than men.

**Q. 590. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan?**



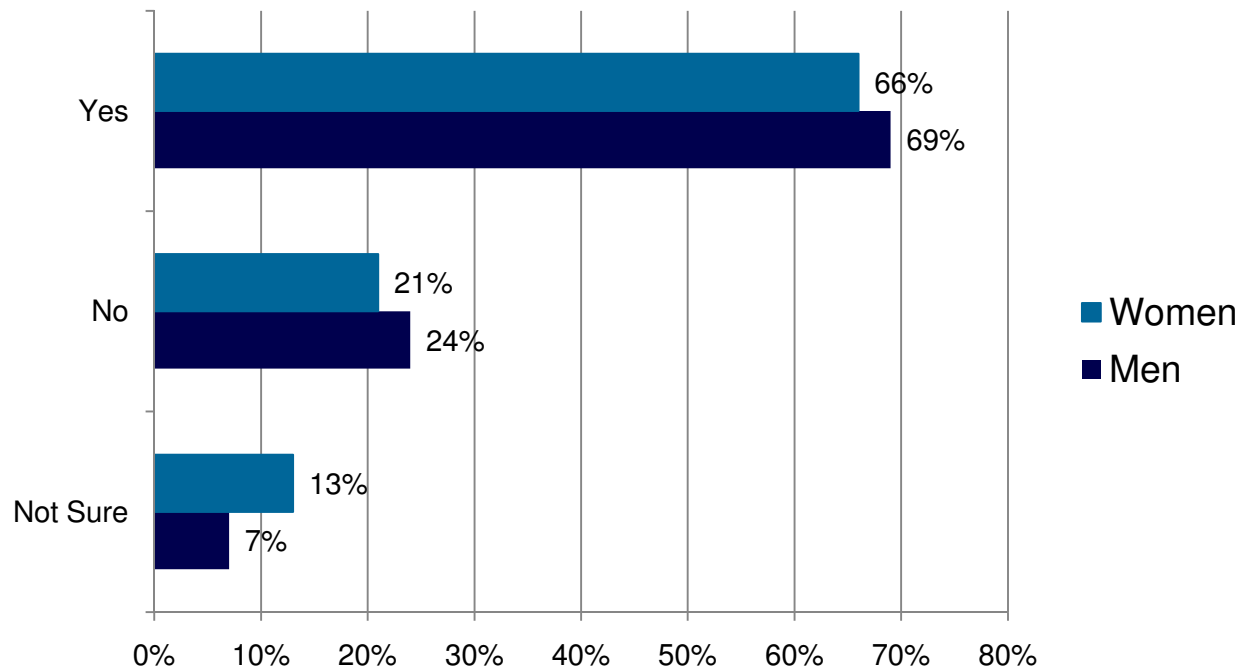
Weighted Base: Those With Qualified Plans Currently Offered to Them: 1,100 Women; 1,439 Men;  
Weighted Base: Those Currently Participating in Qualified Plan: 771 Women; 1,187 Men



# Matching Contribution

Fewer women (66 percent) than men (69 percent) reported that their company offers a matching contribution to their 401(k) or similar plan.

**Q630. Does your company offer you, personally, a matching contribution as part of its 401(k) or other company-sponsored retirement plan?**

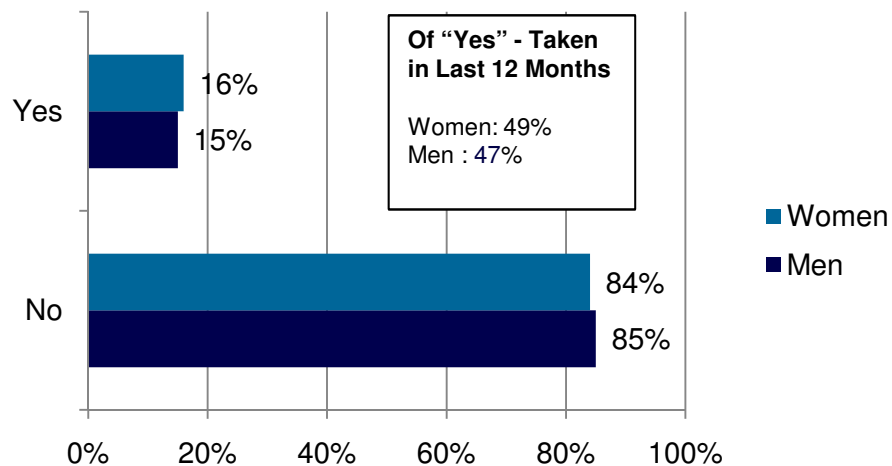


Weighted Base: Those with qualified plans currently offered to them: 1,100 Women; 1,439 Men

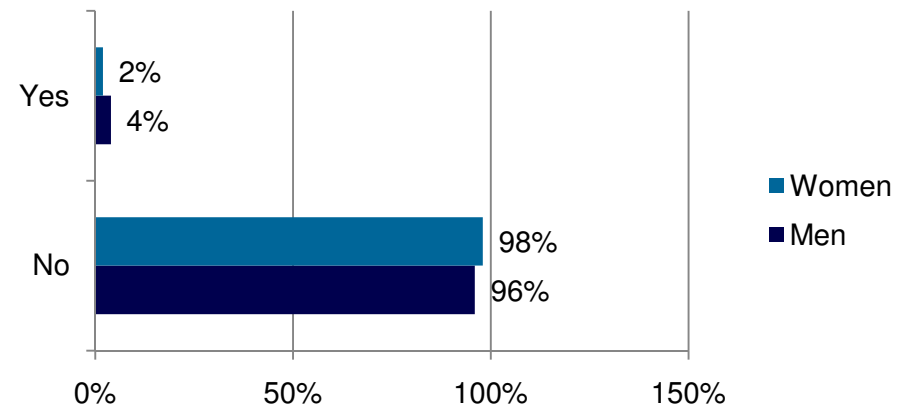
# Loan & Hardship Withdrawal Rates

Women and men reported similar rates of having taken out loans and hardship withdrawals from their retirement plans.

**Q650. Have you taken out a loan from your retirement plan?**



**Q1460. Have you taken a hardship withdrawal from your employee-funded retirement plan in the last 12 months?**

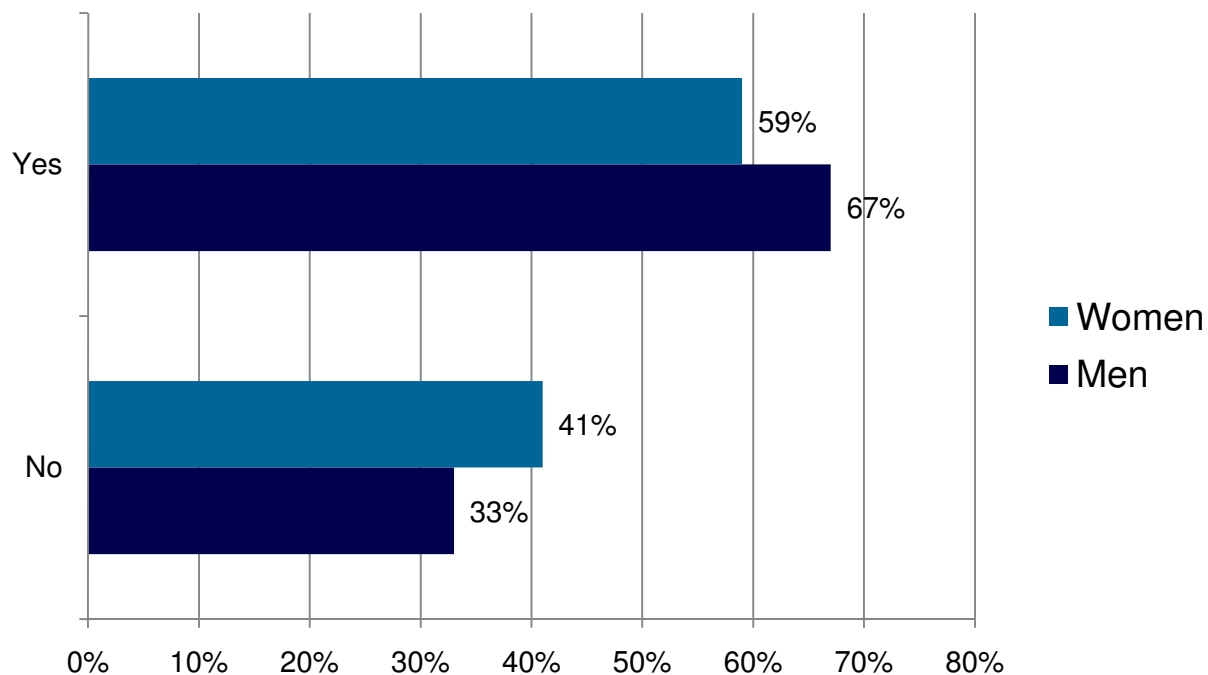


Weighted Base: Those Currently Participating in Qualified Plan: 771 Women; 1,187 Men;  
Weighted Base: Those Taken Out a Loan: 120 Women; 175 Men

# Saving for Retirement Outside of Work

Women (59 percent) are less likely than men (67 percent) to be saving for retirement outside of work.

**Q740. Are you currently saving for retirement outside of work, such as in an IRA, mutual funds, bank account, etc.?**

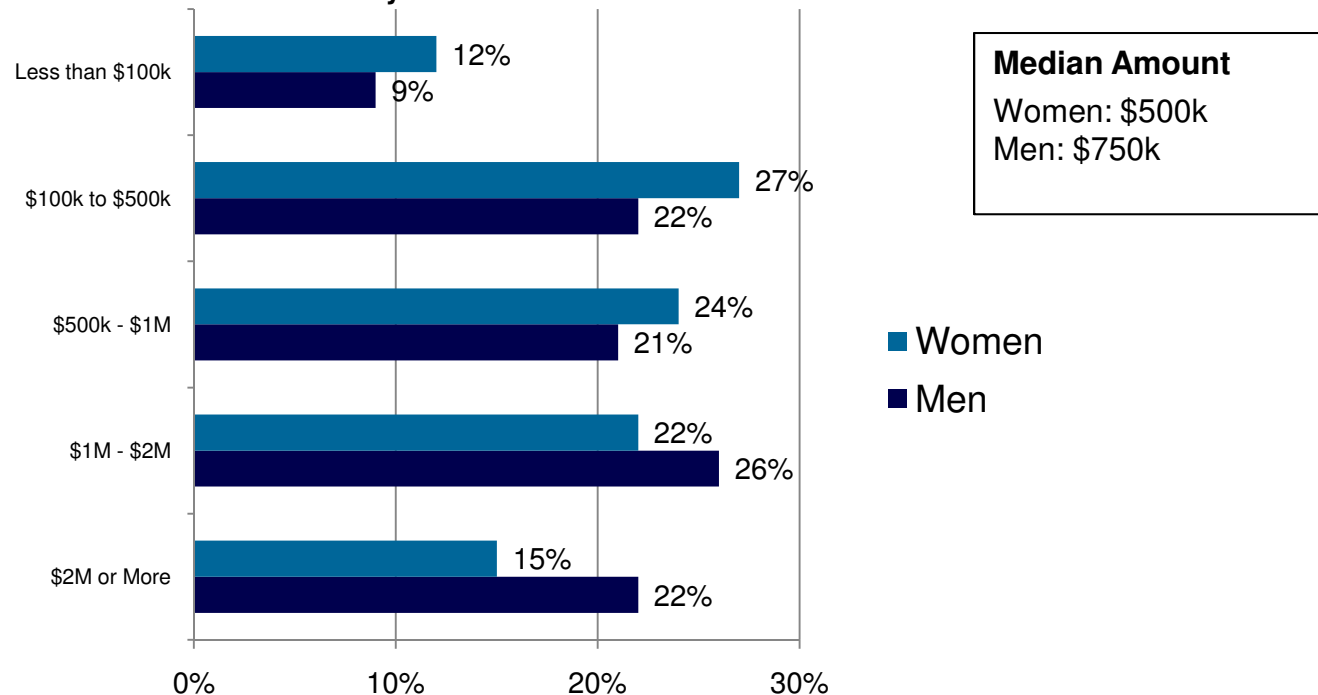


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Retirement Savings Needs

Women estimate lower retirement savings needs (\$500k) than men (\$750k), a troubling finding because they have a greater life expectancy and the need for saving more.

**Q890. Thinking in terms of what money can buy today, how much money do you believe you will need to have saved by the time you retire in order to feel financially secure?**

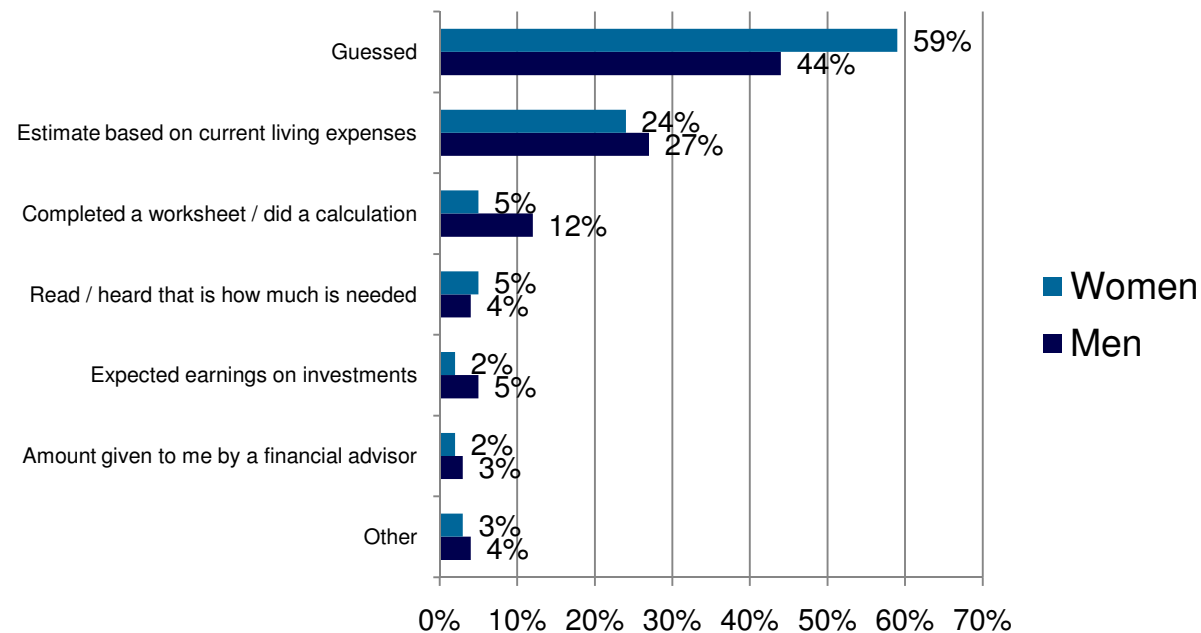


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Retirement Savings “Guess”

The majority of women (59 percent) indicated that they “guessed” at their retirement savings needs. Few have completed a worksheet / done a calculation (5 percent) and even fewer (2 percent) have learned the amount from a financial advisor.

Q900. How did you arrive at that number?

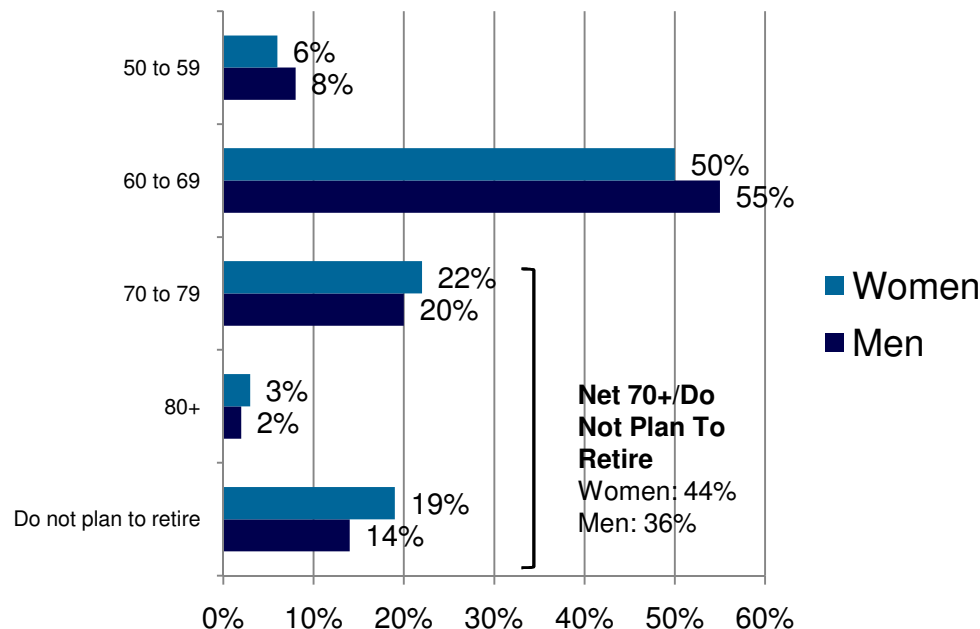


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Expected Retirement Age

Nearly half of women (44 percent) expect to retire at age 70 or older – including 19 percent of those who “do not plan to retire.” While working longer is an effective way to bridge a retirement savings shortfall, it may not be viable for those who face unforeseen circumstances that prevent them from working.

Q910. At what age do you expect to retire?



**Median Age (excludes those not planning to retire)**

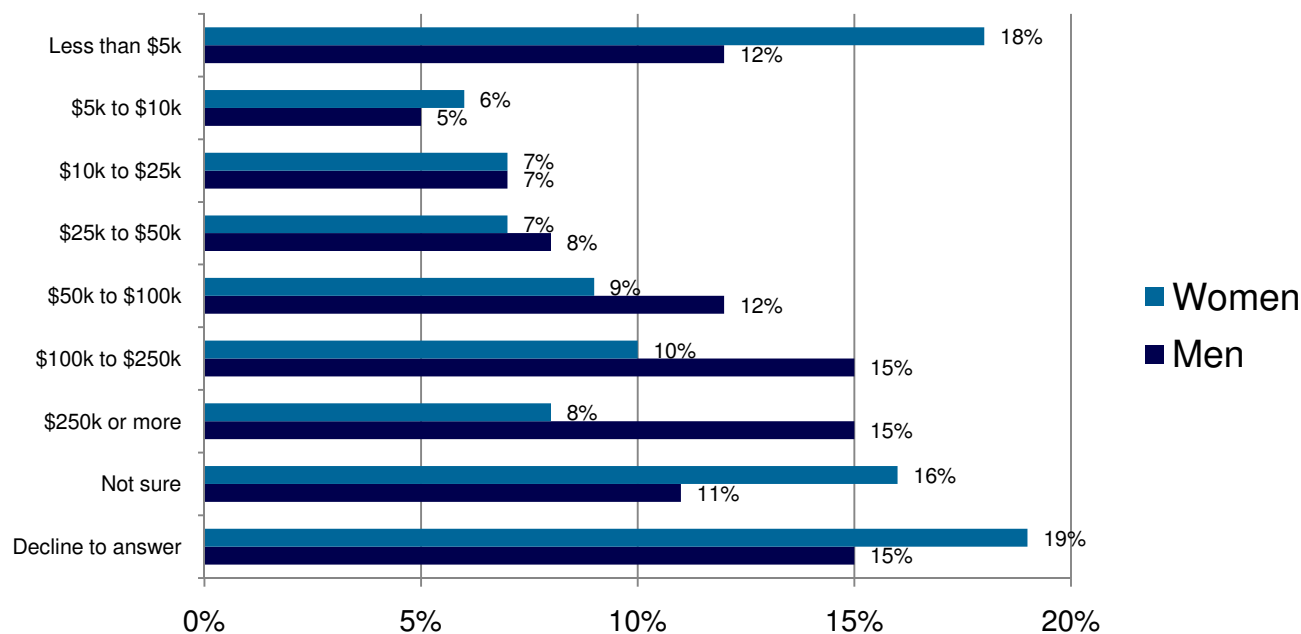
Women: 65  
Men: 65

Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Total Household Retirement Savings

Fewer women report actual retirement savings to be \$100,000 or more (18 percent) compared to men (30 percent). For both women and men, the survey data raises concerns about the inadequacy of savings. However, given lower savings rates, these concerns are even greater for women.

**Q1300. Approximately how much money has your household saved in all of your retirement accounts? Please include IRAs, 401(k)s, 403(b)s, and any other savings for retirement to which you and/or your spouse or part have contributed funds.**



Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Illustration of a Savings Shortfall

Consider the following illustration of a woman saving for retirement that incorporates the *11<sup>th</sup> Annual Transamerica Retirement Survey's* findings about women including the median: age started saving (30), plan contribution rate (6% of annual pay), and expected retirement age (65) . . . Women can help overcome this shortfall by starting sooner, saving more, working longer and retiring at an older age, and making informed investment decisions.

## Basic Assumptions:

- A single woman
- Current age – 30 years old
- Current savings - \$0
- Annual pay - \$50,000 salary
- Annual salary increase – 3%
- Annual inflation rate – 3%
- Participates in 401(k) plan
- Matching contribution – 2%
- 401(k) pre-tax contribution rate - 6% of salary
- Investment growth rate (pre-retirement) – 6%
- Investment growth rate (in retirement) – 3%
- Retirement age – 65 years old
- Life expectancy – 90 years old

## Additional Assumptions:

- No breaks or gaps in employment
- No breaks in savings
- No hardship withdrawals
- No early distributions from 401(k)
- Expectations of receiving Social Security benefits
- No other expected sources of retirement income



## **Estimated Target Retirement Goal:**

**\$970,874**

- Less: Income from outside sources including Social Security, income earned from in other retirement and pension benefits:

**\$426,117**

- Less: Projected value of retirement savings:

**\$230,868**

- Shortfall

**(\$313,890)**

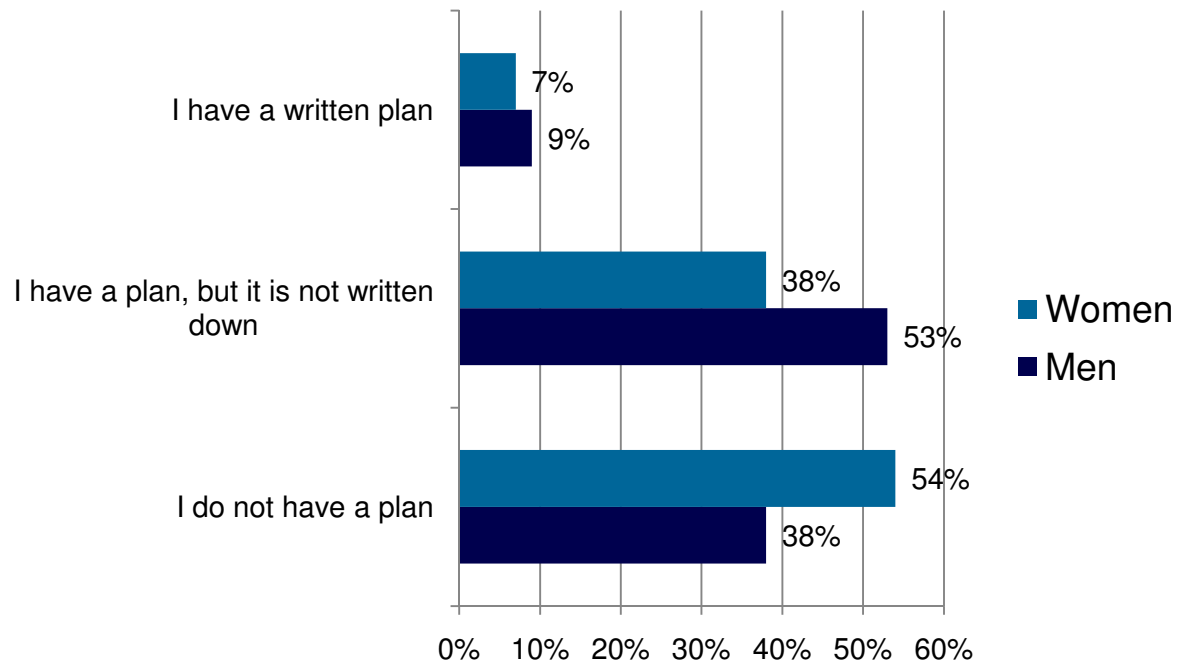


# New Opportunities

# Women Need a Strategy

Most women (54 percent) do not have a retirement savings strategy. Only 7 percent of women have a written plan. 38 percent report having a plan but it is not written down.

**Q. 555. Which of the following best describes your retirement strategy?**

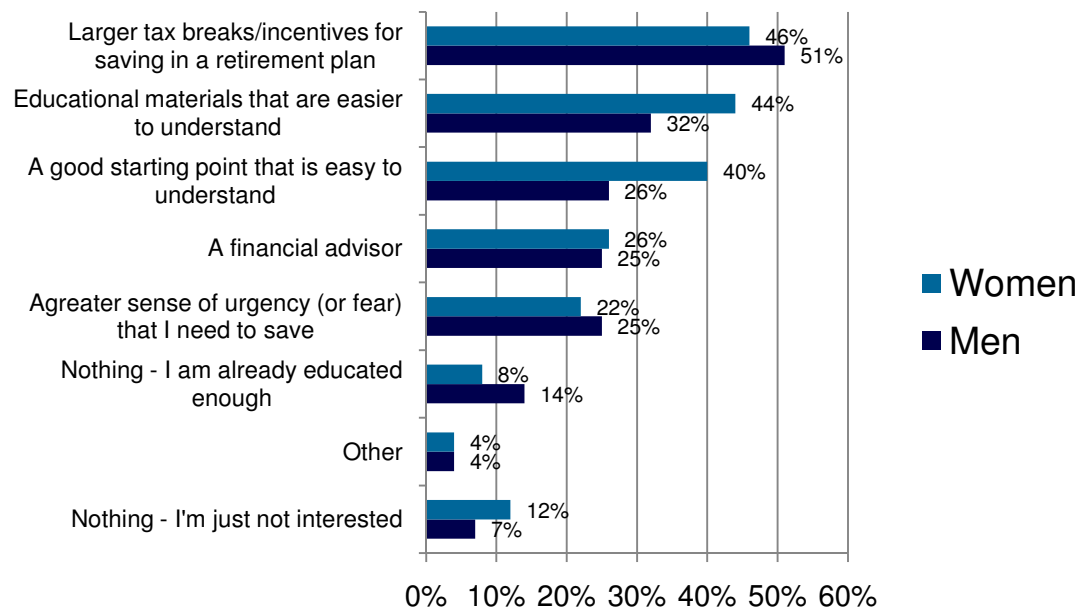


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Motivators to Learn More

The survey identified specific areas of opportunity that would help to motivate women to learn more about saving and investing for retirement. Topping the list were tax incentives, educational materials that are easier to understand, and a good starting point that is easy to understand.

**Q2040. What would motivate you to learn more about saving and investing for retirement? Select all that apply.**

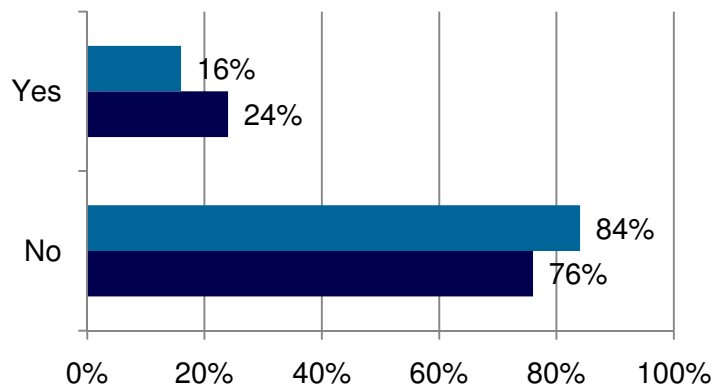


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

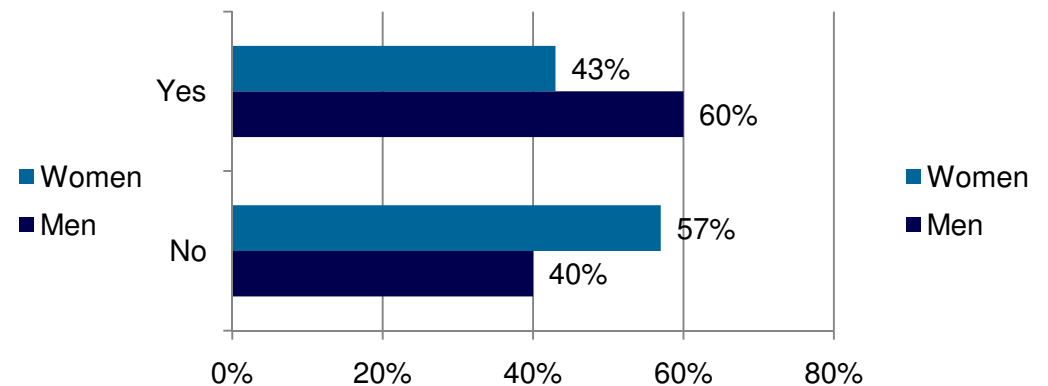
# Tax Incentives

Nearly half (46 percent) of women indicated that greater tax incentives would motivate them to learn more about retirement (p. 35). Interestingly, few women are aware of some important tax incentives that already exist including the Saver's Credit (16 percent) and Catch-Up Contributions (43 percent).

**Q520. Are you aware of a tax credit called the "Saver's Credit?"**



**Q1000. Are you aware that people age 50 and older may be allowed to make catch-up contributions to their 401(k)/403(b).457(b) plan or IRA?**

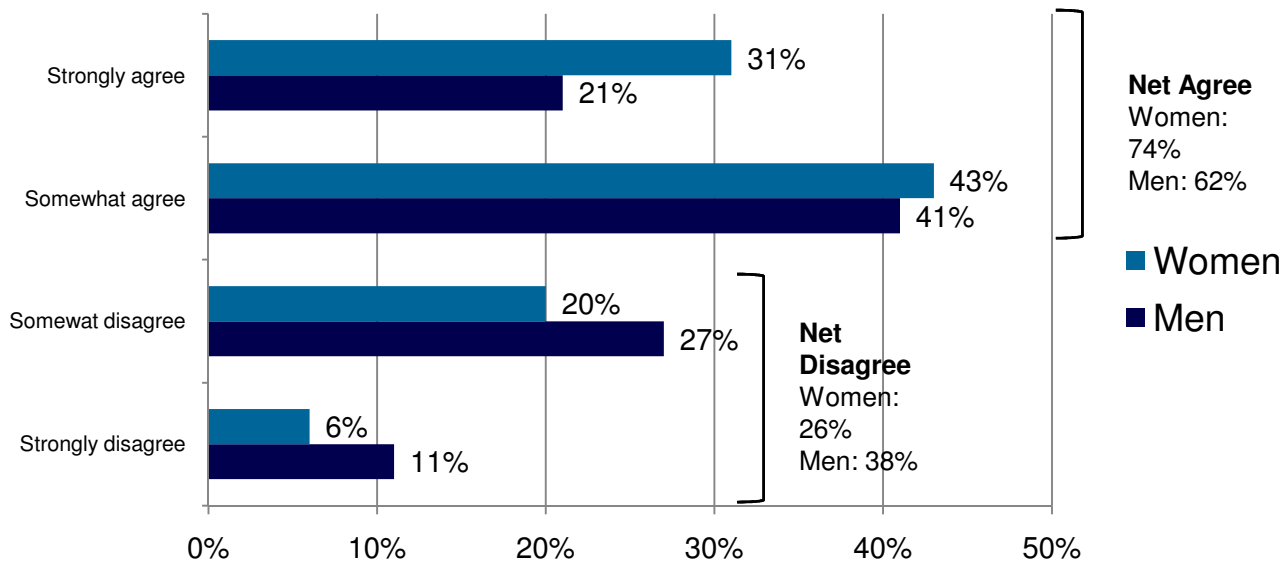


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Education

Nearly three-out-of-four women (74 percent) agree that they do not know as much as they should about retirement investing. For example, only 3 percent have “a great deal” of knowledge about asset allocation principles. Clearly, current educational initiatives have not been finding their audience in women and/or have been missing the mark.

Q931\_2. “I do not know as much as I should about retirement investing.”  
Level of agreement.



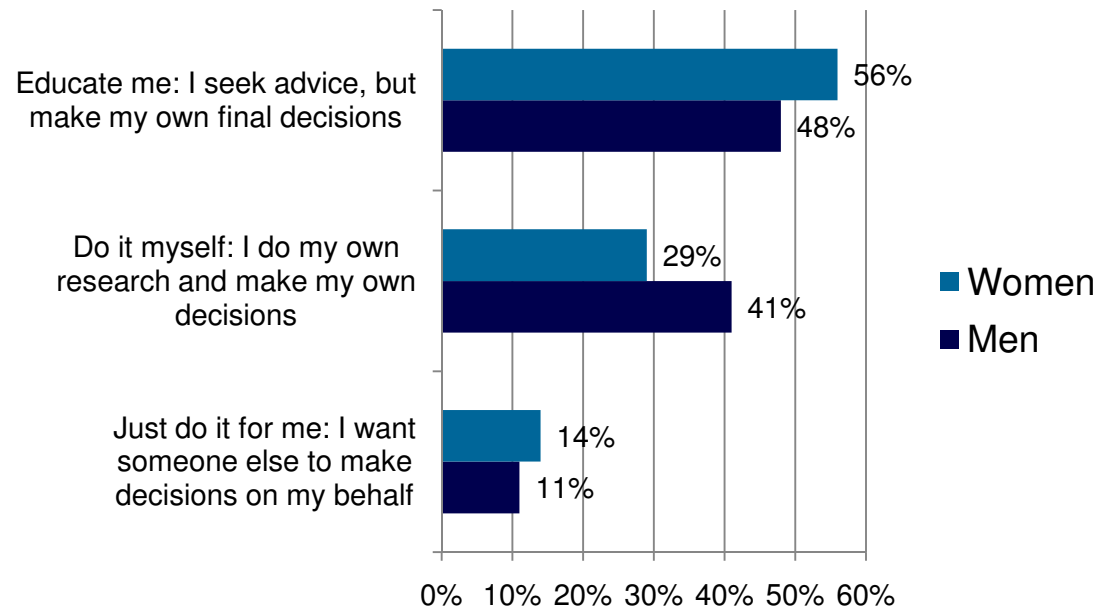
Knowledge of Asset Allocation Principles	Women	Men
A great deal	3%	8%
Quite a bit	12%	27%
Some	46%	44%
None	38%	21%

Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Education & Decision Making

The vast majority of women (85 percent) describe themselves as making their own decisions about saving and investing for retirement. Many women seek advice (56 percent) while others prefer to do their own research (29 percent). Relatively few (14 percent) prefer to have someone do it for them.

**Q705. How would you describe yourself when it comes to saving and investing for retirement?**

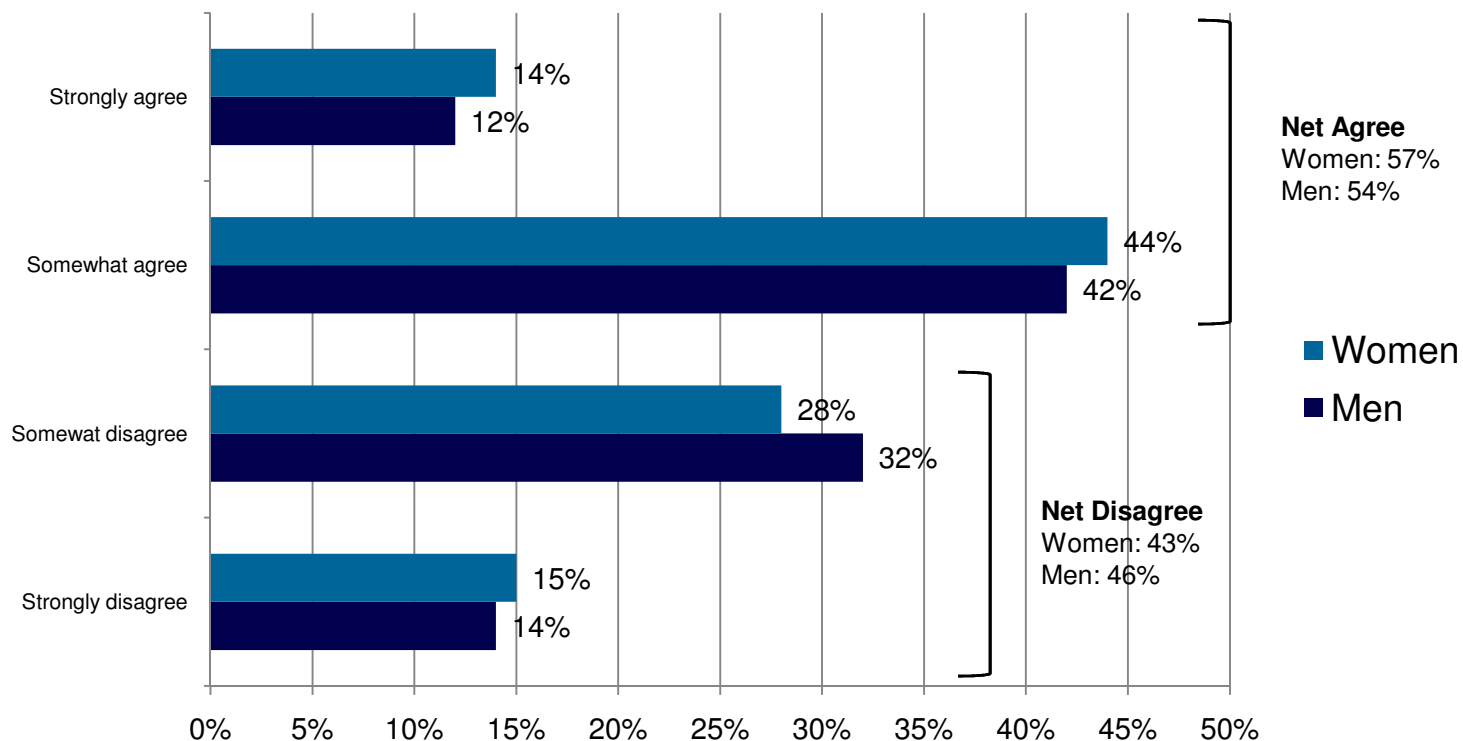


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Employer-Based Education

The majority of women (57 percent) would like to receive more information and advice from their employers.

Q931\_6. "I would like to receive more information and advice from my company on how to reach my retirement goals." Level of agreement.

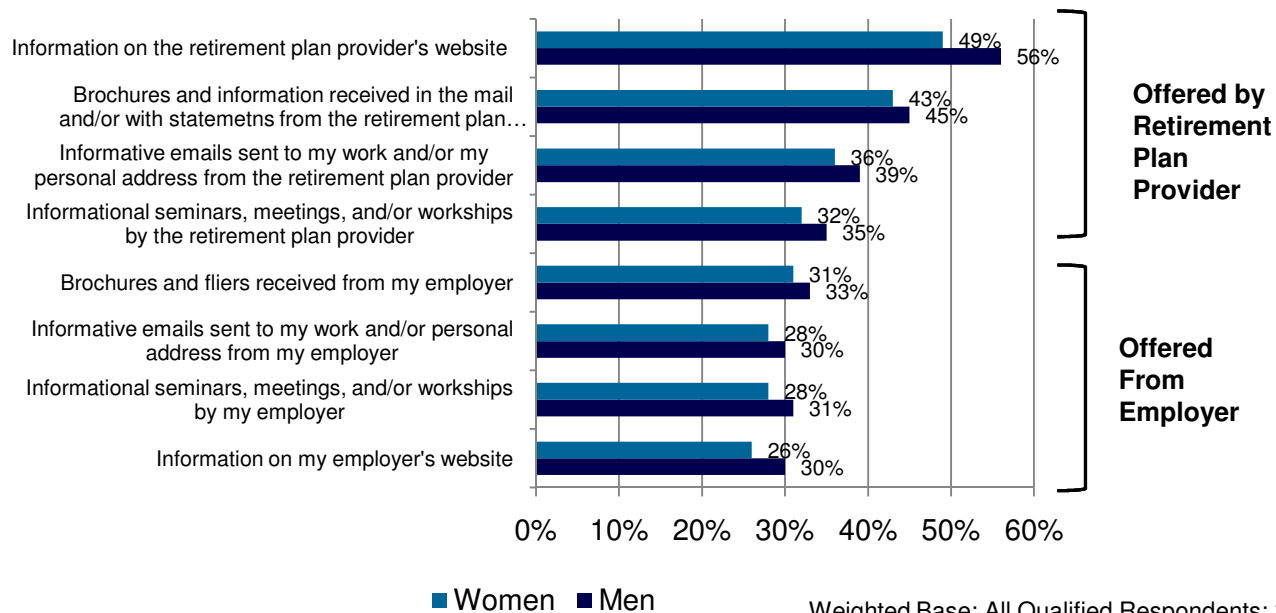


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Employer-Based Education

The retirement plan provider’s website is the most frequently cited as a “helpful” resource. Of the education received in the workplace, more women and men find resources offered by the retirement plan provider to be helpful compared to those offered directly from the employer. Across the board, fewer women than men cited the available resources to be “helpful” – thereby highlighting an opportunity to further engage and assist.

**Q2036. How helpful do you find the following in assisting you to plan, save, and invest for retirement? Net Helpful**



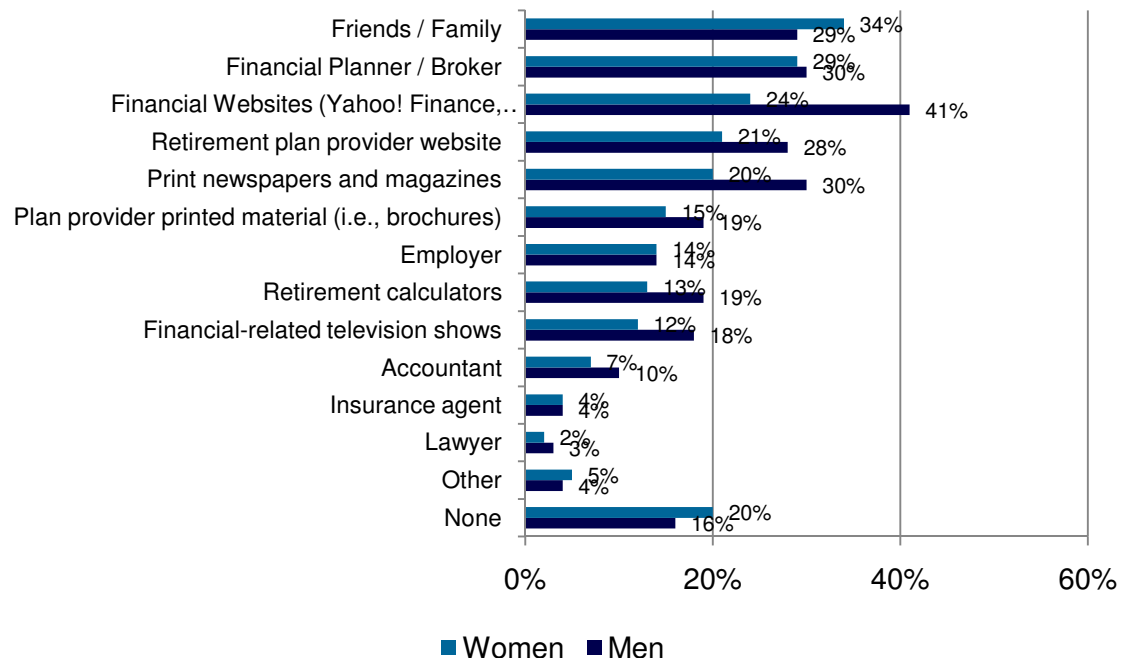
Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men



# Go-To Sources of Information

Women are most likely to cite friends / family (34 percent) as a source of information for retirement planning and investing. Men are more likely than women to use all other sources of information.

**Q825. What sources of information do you rely on for retirement planning and investing. Select all that apply.**

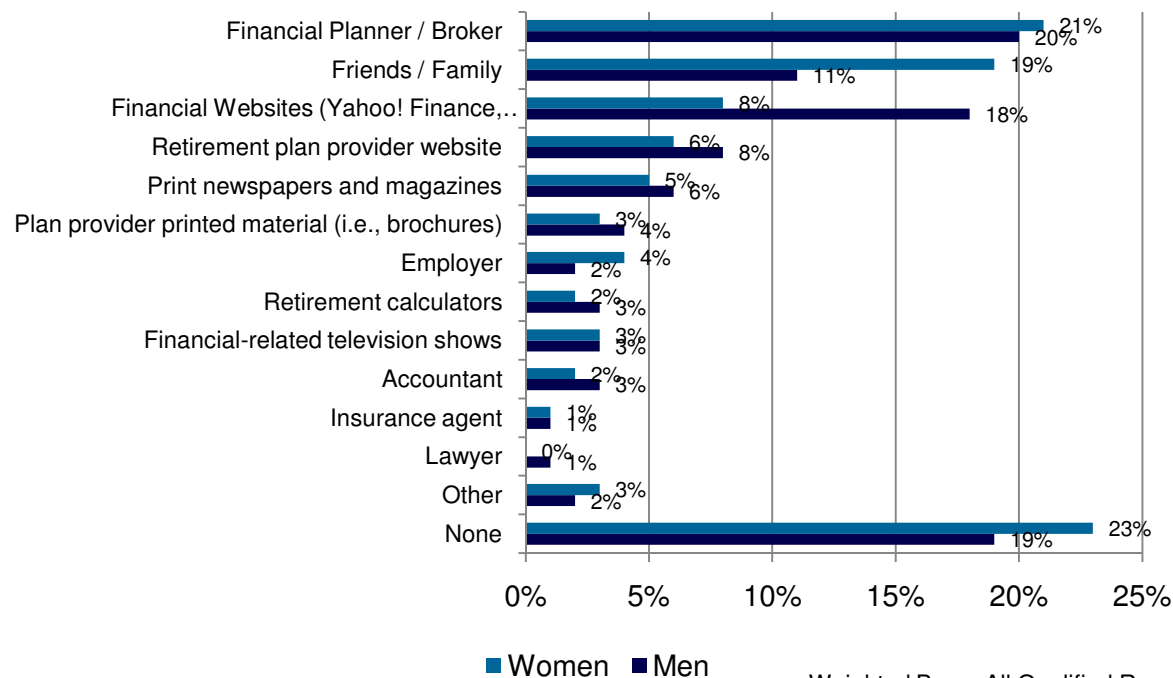


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Go-To Sources: Most Influential

Women are most likely to rely on a financial planner / broker (21 percent) or family / friends (19 percent) as their most influential source for making retirement saving and investing decisions. Interestingly, women are more likely to rely on people (i.e. personal contacts).

**Q. 826. Of these sources, which one influences your decisions the most?**

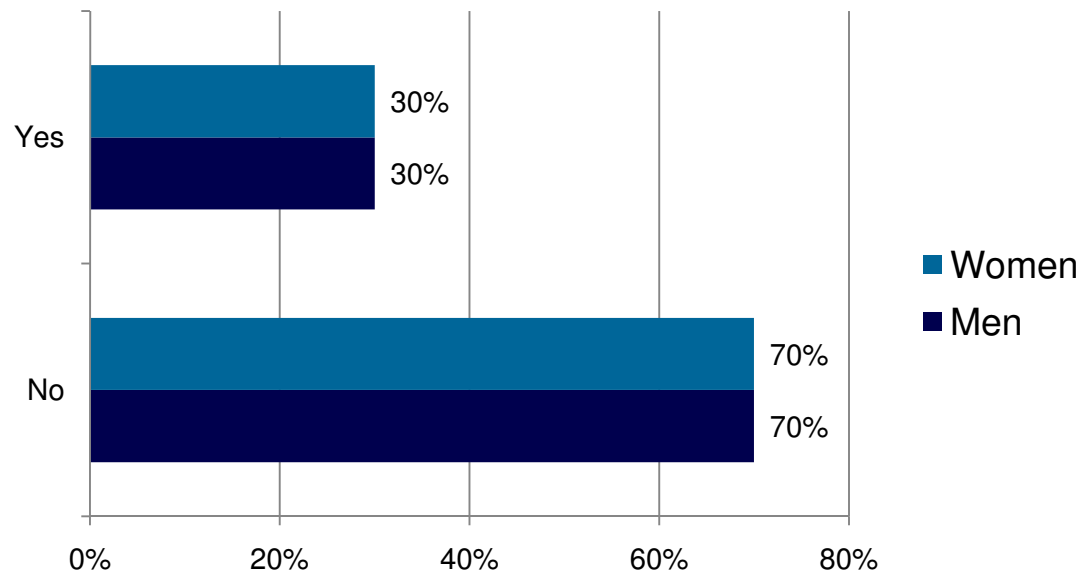


Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men

# Financial Advisors

Financial advisors have an opportunity to play a greater role in helping women plan and save for retirement. Only 30 percent of women use a financial advisor – while 56 percent are seeking advice so they can make their own final decisions (page 38). An important starting point for advisors is to help women estimate their retirement savings needs and then help them to create a strategy.

**Q860. Do you use a professional financial advisor to help manage your retirement savings or investments?**



Weighted Base: All Qualified Respondents: 1,646 Women; 1,952 Men



# **A Call to Action: Recommendations**

# Recommendations for Women

1. Start saving today!!! Calculate a savings goal. Create a written strategy
2. Learn about the risks of inadequate retirement savings faced by women, get into the habit of factoring the difficult trade-offs between future retirement security and other financial and life-related decisions
3. Consider the availability of retirement benefits when evaluating job opportunities
4. Gain knowledge of the fundamental principles of saving and investing for retirement. Stay involved with managing investments-- recognize that saving and planning for retirement is a journey as much as it's a destination. Evaluate current savings and investment allocations, conduct a gap analysis to identify projected savings shortfalls, and increase savings / adjust investment allocations accordingly
5. Get familiar with tax incentives (e.g., Saver's Credit, Catch-Up Contributions)
6. Seek expert advice as needed
7. Talk to your family and friends – be bold and brave to discuss the issues, challenges, and available alternatives

# Recommendations for Outreach Initiatives

The following recommendations apply to outreach initiatives among the retirement industry (including retirement plan providers), employers, the media, policymakers, and other organizations that are dedicated to helping women achieve a financially secure retirement.

- Escalate visibility of the risks that many women face – and make it part of a prominent, on-going conversation among women of all ages
- Provide education that's easy to understand – and offer a good starting point
- Find new ways to reach women via the avenues that where they may be most likely to be receptive:
  - Women's media and publications in which they are already engaged (e.g., popular websites, periodicals, and talk shows)
  - Family, friends – and potential for social-networking
- Evaluate effectiveness of current positioning and messaging – and align with women's communication and educational needs
- Promote the importance of evaluating available retirement benefits when considering employment opportunities
- Promote existing tax incentives include the Saver's Credit and Catch-Up Contributions
- Identify reputable, trustworthy go-to sources for women to seek education and advice

# Recommendations for Government & Public Policy

- Pursue legislative and regulatory initiatives to expand retirement plan coverage for all workers including part-time workers:
  - Additional safe harbors for 401(k) and similar plans for purposes of non-discrimination testing
  - Additional guidance and/or regulation of defined contribution multiple employer plans to expand appeal for small business adoption
  - Payroll-deducted IRAs
- Expand the Saver's Credit:
  - Increase eligible income requirements
  - Make it refundable
  - Incorporate it into the 1040EZ Form
  - Implement a highly visible campaign to promote it
- Expand Catch-Up Contributions
  - Lower the eligibility age to 40
  - Increase eligible catch-up amounts
  - Implement a highly visible campaign to promote it

# Conclusion

- Many women are at risk of achieving a financially secure retirement. Contributing factors include:
  - The “wage gap” in which women earn less than men thereby leading to lower potential lifetime savings
  - Women are more likely to be single parents and to take time out of the workforce to be caregivers – also leading to lower potential lifetime savings
- *11<sup>th</sup> Annual Transamerica Retirement Survey* found:
  - Women’s retirement confidence has been further shaken by the recession
  - Women’s current attitudes, actions, and inactions regarding retirement savings continue to put them at risk of achieving a financially secure retirement
  - New opportunities to help engage, educate, and empower women to gain control over their financial futures
- The recommendations outlined in this report -- for women, outreach initiatives, and public policy -- should help improve the future prospects for retirement security among women





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