

Written Testimony Provided by:
American Agri-Women
Business and Professional Women's Foundation
National Association of Female Executives
Women Impacting Public Policy

Senate Special Committee on Aging
Hearing on 'Turning Retirement Savings into Lifetime Income'
June 16, 2010

Mr. Chairman and distinguished members of the committee, we – American Agri-Women (AAW), Business and Professional Women's Foundation (BPW), National Association of Female Executives (NAFE) and Women Impacting Public Policy (WIPP) – welcome the opportunity to submit for the record our statement on policy recommendations to help business women plan and save for their golden years. As members of Americans for Secure Retirement (ASR), we are united today to advocate for greater attention around efforts that would ensure women and all Americans have access to guaranteed streams of retirement income that cannot be outlived. Americans for Secure Retirement is a broad-based coalition of 70 member and affiliate organizations representing women, farmers, Hispanic-Americans and small businesses, among others. We are pleased that this committee recognizes the scope of the challenges facing women as they plan for retirement, and the importance of examining the full range of potential approaches that can be tapped to improve their retirement security.

One in three 65-year-old women today can expect to live into her 90s, and there are 77 million Baby Boomers who will be entering retirement over the next few years. The economic challenges many women already face in retirement will become increasingly apparent and the need to address them all the more urgent.

Woman Face Unique Challenges to a Secure Retirement

Women are at a much higher risk than men of facing economic uncertainty in retirement and, on average, they'll enter retirement with considerably less savings than men. Women face unique and difficult challenges to achieving a financially secure retirement. These challenges stem from increased longevity, varied work patterns, less income and lower earnings.

It's unfortunately a reality that women earn less money and accumulate fewer benefits than men. Women work an average of 12 years less than men do over their lifetimes due to family care giving responsibilities. Fewer work years translates to fewer years saving or participating in an employment-based retirement program. Women earn 77 cents for every dollar earned by men. The median earnings of full-time working women are about \$10,000 less than those of working men. When part-time workers are included, the median earnings for all women drop to \$13,000 below men's earnings. As a result of lower earnings, the median income in retirement for women is only 58 percent of men's.

At the same time, women are expected to live 80 years from birth, compared to men's life expectancy of 74 years. The number of women over age 85 is expected to triple over the next 40 years, which means retirement savings will need to stretch over more years. Because women are living longer than ever, they are likely to spend some of their retirement years alone due to widowhood or divorce. For women age 85 and older, only 13 percent are married with a spouse present. These women must have to have enough savings to stretch out over 30 or 40 years.¹

What all this means is that women's lower earnings and unique work patterns typically result in less income from employer-based retirement plans, smaller Social Security benefits, and insufficient personal savings. These factors put women at significant risk for a drop in their standard of living in retirement. More must be done to educate women about the importance of individual savings and asset management options for economic security in retirement because Social Security and pensions will provide less and less of the necessary income.

Americans Vulnerable in Retirement

While it is important to focus on women's unique challenges, there are several broad factors that threaten all Americans' retirement security and which are relevant to today's hearing.

In policy circles, the notion of the "three legged stool" of retirement security is commonly used to illustrate the basic components necessary for maintaining a healthy living standard throughout retirement. It is now abundantly clear that stool is unstable. The traditional means of financial security in retirement for Americans rested on Social Security, pensions and personal savings. Indeed, with Social Security replacing less and less of pre-retirement income, pension benefits offered by fewer employers and the personal savings rate in negative numbers, the "three-legged stool" of retirement security is weaker than ever – and even more so as our country continues to face economic turmoil.

Historically, many retirees have depended on pension plans to supplement their Social Security benefits. Participation in traditional defined benefit plans, which were a staple of retirement benefits in the past, has decreased sharply. As the trend shifts from offering defined benefit plans to defined contribution plans (e.g. 401(k) plans), the percentage of full-time employees in medium and large private establishments who are covered by defined benefit plans has fallen from 80 percent in 1985 to just 33 percent in 2008². Making matters worse, the recent stock market declines have driven the average balances in 401(k) plans down to about \$60,000. In fact, workers aged 45-54 who have been making contributions to a 401(k) plan for at least 20 years saw the value of their retirement fund decrease by nearly 30 percent in 2008.³

Moreover, half of American workers do not have employer-based retirement plans. That means approximately 150 million Americans will have to rely almost entirely on Social Security or their own personal savings in retirement.

¹ The Female Factor 2008 (http://www.paycheckforlife.org/uploads/ASR-white_paper_FINAL.pdf)

² Employee Benefit Research Institute, Data Book on Employee Benefits, Chapter 10, July 2010, (<http://www.ebri.org/pdf/publications/books/databook/DB.Chapter%2010.pdf>)

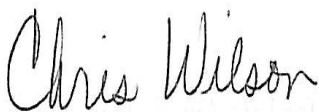
³ Employee Benefit Research Institute, 401(k) Balances and Changes Due to Market Volatility – Data. January 20, 2009, (<http://www.ebri.org/pdf/jan%20202009%20update%20full%20universe.pdf>)

Policy Changes Should Encourage Lifetime Income

Greater longevity, diminished savings, fewer employer based benefits and less accrued benefits put women in a more vulnerable position in retirement than any other population. As such, a central challenge for policymakers is the need to develop and encourage retirement options that make streams of steady, lifetime income more accessible to Americans. It is also important to ensure these opportunities reach the populations, particularly women, that have the least access to employer based retirement programs, or get the least from these and Social Security.

For these reasons, we encourage the committee to seriously consider policy changes to give more Americans access to vehicles that will provide guaranteed income in retirement. For example, Americans for Secure Retirement supports the Retirement Security for Life Act, S. 1297, introduced by Sen. Kent Conrad (D-ND) and Sen. Pat Roberts (R-KS), and similarly, the Retirement Security Needs for Life Act, introduced by Representatives Earl Pomeroy (D-ND) and Ginny Brown-Waite (R-FL). Both of these measures would encourage Americans to invest a portion of their savings in lifetime annuities to secure a guaranteed source of income in retirement. Annuitization is retirement planning vehicle that can provide lifetime payment at regular intervals. These lifetime payments begin when the retiree determines that the payments are needed and continue for the lifetime of the retiree and, if selected, his or her spouse. The payments serve as personal insurance that eliminates the risk of outliving one's assets. By taking the risk and guesswork out of managing of retirements savings, annuitization of assets can help women ensure a regular stream of income to augment Social Security and other savings they may have.

The aforementioned legislation takes a sensible approach to encouraging Americans, especially women, to plan for the long-term. It should be among our top priorities to make sure that America's mothers, daughters, sisters and colleagues are provided with the tools to help them adequately prepare for retirement and manage those savings so they last a lifetime. We are encouraged by this committee's demonstrated interest in helping American secure lifetime income for their retirement. We look forward to helping you in these efforts. Thank you.



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