

# Conclusion

The financial problems women often face in old age are extensions of the problems and choices they dealt with earlier in their lives. Race and ethnicity, family arrangements and responsibilities, and financial opportunities are major influences on the quality of older women's lives. Women's poor economic status is also a glaring product of a retirement system that fails to respect their life patterns. Unfortunately, too few women understand the connection between their work patterns and their retirement security, and even fewer realize what it means to be an older woman in America today. And too many younger women don't know that poverty in old age begins at a young age and that Social Security is *their* lifeline, whether their need be near or distant.

The reality is that young or old, poor or not poor, Social Security is there for women, and today in America, women depend on Social Security. Across generations, it has been a constant source of needed retirement income. It has been there for grandmothers, mothers, sisters, and daughters, and it will continue to be there. Without it, millions more would be poor. The reality is that Social Security is a lifeline that women cannot afford to lose, a lifeline that women have earned, and an indispensable lifeline that women need to protect.

<sup>1</sup> U.S. Bureau of the Census, *Money Income in the United States: 1999*, Current Population Reports, September 2000. U.S. Bureau of the Census, *Poverty in the United States: 1999*, September 2000.

<sup>2</sup> See Primer III for more on the three-legged stool issue for women.

<sup>3</sup> Social Security Administration, *How Does Social Security Benefit Women?*, March 1998.

<sup>4</sup> Center on Budget and Policy Priorities, "Social Security Reform and Women of Color," presentation by Kilolo Kijakazi, February 2000.

<sup>5</sup> U.S. Bureau of the Census, *Current Population Survey*, March 2001.

<sup>6</sup> U.S. Bureau of Labor Statistics, *Women's Earnings, Earnings Difference Highest After Age 45*, May 1999.

<sup>7</sup> U.S. Bureau of the Census, March 2001.

<sup>8</sup> American Association of University Women, *Social Security: AAUW Principles for Reform*, April 2000.

<sup>9</sup> National Alliance for Caregiving, *Family Caregiving in the U.S.: Findings from a National Survey*, 1997.

<sup>10</sup> Metlife Mature Market Institute, *The Metlife Juggling Act Study: Balancing Caregiving with Work and the Costs Involved*, 1999.

<sup>11</sup> U.S. Department of Labor, Bureau of Labor Statistics, <http://www.bls.gov/news.release/tenure.t01.htm>, February 2000.

<sup>12</sup> OWL, *Women, Work, and Pension*, 2000.

<sup>13</sup> American Association of University Women, April 2000.

<sup>14</sup> Social Security Administration, Office of Policy, *Women and Retirement Security*, October 1998.

<sup>15</sup> U.S. Administration on Aging, *Older Women—Older Americans Month 2000: In the New Century . . . the Future is Aging*, May 2000.

<sup>16</sup> Social Security Administration, October 1998.

<sup>17</sup> U.S. Bureau of the Census, *Current Population Reports, Marital Status and Living Arrangements*, December 1998.

<sup>18</sup> U.S. Administration on Aging, May 2000.

<sup>19</sup> U.S. Bureau of the Census, *Poverty in the United States: 1999*, September 2000. U.S. Administration on Aging, May 2000.

<sup>20</sup> U.S. Administration on Aging, May 2000.



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- ◆ For more information on the retirement security of African American, Latina, and Asian American women, see Primer II: Retirement Security and Women of Diverse Communities.
- ◆ To read about reforms to Social Security, see Primer III: Women's Stake in the Social Security Debate.
- ◆ For tips on preparing for your own retirement, see Primer IV: Strategies for a Secure Retirement.

The Color of Money



## Primer I

# Women's Realities and Retirement Consequences

Women's experience of growing old in America is much different from men's. Women live longer and poorer lives in retirement. With an average income of \$15,615, compared with \$29,171 for older men, women are almost twice as likely to be living in poverty.<sup>1</sup> Women spend a higher proportion of their income on housing costs, rising medical costs, food, and other vital necessities. And, because they earn less than men over their lifetimes and often take flexible jobs without benefits, women cannot count on savings or pension income in their later years.

What they can and do count on is Social Security. In America today, the reality is that millions of older women depend on this program for their livelihood. It is the cornerstone of their retirement income, it is their insurance in the event of disability or the death of a spouse, it is their guarantee, and it is their earned right.



# What is Social Security?

**Social Security is much more than a retirement plan.** Since its inception in 1935, it has been the heart of our nation's social insurance program, providing universal coverage for workers and their families through a pooling of resources that guarantees benefits to all who qualify. Social Security is a shared risk program that is based on a very simple concept: when we work, we and our employers pay taxes into the system (FICA taxes).

When we retire or become disabled, we and/or our spouses and dependent children receive monthly benefits based on our earnings. The benefits are portable, following workers from job to job, and disability and survivor benefits are provided without regard to the recipient's health. Social Security benefits are also augmented on a regular basis by a cost-of-living adjustment (COLA), calculated by changes in the Consumer Price Index (CPI). One leg of the mythical three-legged stool of retirement income,<sup>2</sup> Social Security benefits were designed to be complemented by both pension benefits and personal savings to produce a substantial nest egg for retirement. But for many women, Social Security is all they have. (To learn more about the types of Social Security benefits that assist women, visit the Social Security Administration's web site, [www.ssa.gov/women/](http://www.ssa.gov/women/).)

THE COLOR OF MONEY: RETIREMENT FOR WOMEN OF DIVERSE COMMUNITIES IS a public education and media campaign designed to build greater understanding of America's retirement system and women's stake in the discussion to reform it.

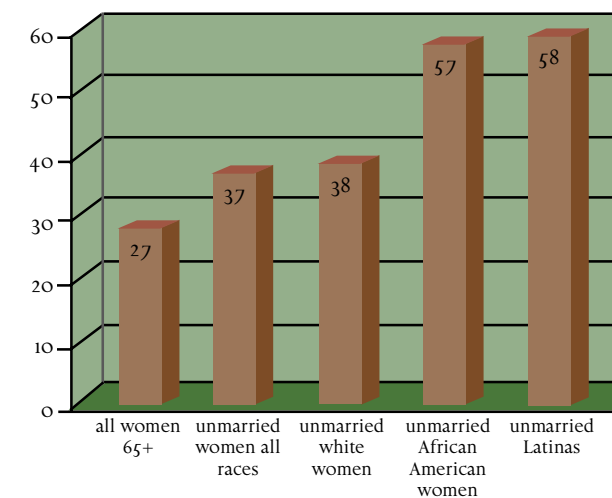
The campaign specifically encourages dialogues with African American women and Latinas about their significant vulnerability to retirement insecurity. Funded by the Retirement Research Foundation, this project will work with OWL chapters to hold community conversations across the country to address retirement security issues facing African American women and Latinas, with a special emphasis on younger women.

# Why Does Social Security Matter to Women?

**Women are the face of Social Security.** Women represent 60 percent of all Social Security recipients at age 65 and 72 percent of all recipients by age 85.<sup>3</sup> By and large, it is women who represent Social Security beneficiaries, and it is women who have the largest stake in the continued success of this important program.

**Women depend on Social Security.** More than any other group, women count on Social Security as the primary source of their retirement income. Without it, 52 percent of white women, 65 percent of African American women, and 61 percent of Latinas over age 65 would be poor.<sup>4</sup> Social Security makes up the bulk of most women's retirement income, but this is especially true for unmarried women (see chart).

How many women depend on Social Security for 90% of their retirement income?



The economic status of women is a reflection of how their work and life patterns conflict with a retirement system that does not respond to their special needs. To understand women's path to poverty and especially their dependence on Social Security, it's important to understand the realities of women's lives.

# Women's Lives: the Facts

## Reality: Women earn less.

Almost 40 years after the Equal Pay Act was passed, women still earn only 73 percent of what men earn for the same work.<sup>5</sup> The pay gap only increases with age. For workers ages 45-54 (a peak earning period), women's earnings are only 71 percent of men's, and among workers ages 55-64, women earn only 68 percent of what men earn.<sup>6</sup> Of course, it's much worse for women of color. African American women earn only 64 percent and Latinas earn an astounding 52 percent of what white men earn.<sup>7</sup> The wage gap ensures that the average woman will consistently have a lower retirement income than the average man. Over a lifetime, the wage gap adds up to about \$250,000 less in earnings for a woman to invest in her retirement.<sup>8</sup>

## Reality: Women are America's caregivers, and they pay for it in retirement.

As with many other facets of life, gender makes a difference when it comes to informal caregiving. The common denominator of all forms of caregiving, both paid and unpaid, is that women do the vast majority of the work. Nearly three-quarters of informal caregivers to seniors are women.<sup>9</sup> Caregiving can be an economic disaster for women and is one of the largest barriers to their retirement security. Because of caregiving, women often take more flexible, lower-waged jobs with few benefits, or stop working altogether. In fact, women spend an average of 14 years out of the workforce for family caregiving. Time out of the workforce diminishes their earning power even beyond the impact of the wage gap. The sacrifices caregivers routinely make during midlife—a peak earning period—reduce lifetime earnings and retirement savings. As a result of caregiving, women lose an average of \$550,000 in lifetime wage wealth and about \$2,100 annually in already desperately needed Social Security payments.<sup>10</sup>

## Reality: Most women don't have income from pensions or savings.

The flexible work that allows women to be caregivers is usually low-waged with few benefits, especially pensions. Women make up about two-thirds of the part-time labor force and change jobs more frequently than men, making vesting in a pension difficult, as most plans vest after 5 years and women typically change jobs every 3.3 years.<sup>11</sup> Women are about half as likely as men to receive pension income, and when they do, the benefit is only about half that of the benefit men receive.<sup>12</sup> When it comes to savings, women don't fare well in general. Women's lower wages prevent them from preparing adequately for retirement. You can't save what you don't earn, and the impact of wage discrimination doesn't end when the job does. Women retiring during the next 20 years will have less than one-third the income necessary to retire comfortably.<sup>13</sup> While many women don't save for retirement, women of color suffer even greater income losses. Only 25 percent of African American and 33 percent of Latinas have income from savings or assets.<sup>14</sup>

## Reality: Women live longer.

Women live an average of six years longer than men.<sup>15</sup> A longer life expectancy affects all aspects of an older woman's life, especially in relation to retirement income. Marital status, for example, is one of the most important factors in determining economic independence and support in old age. Almost 60 percent of older women are single—widowed (45 percent), divorced or separated (9 percent), or never married (5 percent). In contrast, only 27 percent of older men are unmarried.<sup>16</sup> Older women are three times more likely to lose their spouse than men, and this rate only increases as women age.<sup>17</sup> More significantly, more than half of elderly widows now living in poverty were not poor before the death of their husbands.<sup>18</sup> The longer women live, the harder it becomes to financially support their growing needs. As women age, it becomes more difficult to afford rising medical costs, care services, and other necessities, especially when any acquired assets start to run out. The one thing that won't run out is Social Security. For women, the fact that Social Security is a *guaranteed, lifetime benefit* is critical.

## The result? Women are poorer than men in old age.

At any age, women are more likely to live in poverty than men, but this is especially true for women as they age. As women get older, they often get poorer. With a poverty rate of 12 percent (compared with 7 percent for men), women over age 65 account for more than 70 percent of older adults living in poverty.<sup>19</sup> Women of color fare the worst in retirement. Twenty-five percent of Latinas and 30 percent of African American women over age 65 live in poverty, compared with 11 percent of white women.<sup>20</sup> Women are most vulnerable to poverty in retirement. It is during this time, then, that they most rely on the stability of a guaranteed source of income—their Social Security check.

# You can't save what you don't earn.