Why aren't women investing enough in their retirement?

SUMMARY
Because they care too much. Literally. And employers don't care enough. Sporadic employment breaks as family needs fluctuate, plus gender-based, career-long pay disparities, mean most women save too far little. More relevant investment opportunities and retirement savings credits for unpaid care are two crucial means for helping women avoid poverty later in life. 366 characters, including spaces

HIGHLIGHTS

- The most common amount to have saved in a retirement account is nothing[TS]. For those that do have something saved, the median retirement savings for women is only $30,000 compared to $100,000 for men[BAM].
- Women in general tend to express more interest in socially responsible and socially sustainable investment than men[MS].
- The national Social Security Caregiver Credit Act of 2019 has been given a three percent chance of being enacted[GT].
- "Many businesses are looking for ways to be more supportive of women who are doing that type of [unpaid] caring."[INT2]

DATA

- Half of all Generation Xers and 54 percent of Millenials do not have a retirement savings account[BI].
- Only 40 percent of part-time workers have access to retirement benefits, as opposed to 80 percent of fulltime workers[BLS].
- By 2026, the US Bureau of Labor Statistics estimates that the labor force participation rate for workers aged 65 to 74 will grow to more than 30 percent[BLS-2].
- Only three percent of all global venture capital dollars are awarded to women[TC]

SCOPE
New decade, new start! Now, not tomorrow, not later, now is the best time for women of any age to review their finances and consider their plans for retirement. Women, on average, are expected to live five years longer than men[CDC], yet earn much less over a lifetime and thus save much less for retirement[BI]. Set within the context of a financial savings system designed for a man's traditional career path, women's work patterns don't fit. Women are having children later than ever before[NCHS], are much more likely than men to take career breaks to care for members of their family, and are more likely to live alone when older[PRB]. Those factors combine to form an inequitable older life where millions more women live in poverty than men.[KFF]

With the gender pay gap not predicted to close until sometime between 2059 and 2093[AAUW], there are a number of ways in which women can work to beat, or at least reduce, the long-term effects. Chief among these is the retirement readiness gap. As it currently stands, women are vastly underserved by the available range of savings and investment products and services. The onus is on providers to do a better job in reaching women. Even as the buying power of women continues to grow[GPM], stock market funds persist in selling themselves to men, focusing on the competition and sport of investing[IN]. Because women tend to keep the majority of their money as cash, they are generally considered risk-averse, rather than risk-aware. Men, on the other hand, generally keep the minority of their money in cash. Yet women tend to be better investors, earning more and losing less over the long term[IBD].

Combining more accessible investment opportunities with a significant policy change, that of allowing unpaid carers to earn Social Security credits for their work, would dramatically improve the chances of older women achieving a livable retirement. For businesses, the opportunity to work with women to make the most of their money is considerable. 332 words

CONTEXT

In the workplace

Worldwide, the population as a whole is getting older[WHO]. In the United States, approximately 10,000 people turn 65 every day[HHS]. Yet many citizens are underprepared for retirement, and women are at a particular disadvantage. By far the most common amount to have saved in a retirement account is nothing[TS]. And for those that do have something saved, the median retirement savings for women is only $30,000 compared to $100,000 for men[BAM]. Research shows, however, that "women are more likely to save when offered pensions than men," says Jeffrey Hayes, Job Quality and Income Security Program Director at the Institute for Women's Policy Research[INT]. The disparity between women's likelihood of saving and how much they end up with is due in large part to breaks in paid employment. And even if many women never completely remove themselves from the paid labor force, they are much more likely than men to request and take part-time jobs[IWPR].

Unfortunately, then, for the millions of women in part-time work, "part-time workers are much less likely to have access to employer-provided pensions than full-time workers," Hayes added[INT]. Figures released in September 2019 by the Bureau of Labor Statistics show that only 40 percent of part-time workers have access to retirement benefits, as opposed to 80 percent of fulltime workers[BLS]. This is an area in which collaboration between employers and policy makers could help make access to retirement and pension plans much more equitable. With minimal federal regulations at play in this area, businesses may have considerable leeway in designing bespoke benefits packages for their part-time workforce[PC]. Kirsten Curry, CEO and founder of Leading Retirement Solutions, says that although "I don't think that barrier [of women jumping in and out of the fulltime paid workforce] will ever go away, I do think that businesses are looking for ways to be more supportive of women who are doing that type of caring."[INT2]

As the trend of later parenthood continues[NCHS], women are likely to be earning more when they have children, something that helps families in many ways. When on that path, however, saving for retirement can be particularly difficult when it is 30 or 40 years away. Again, employers could do a lot to support women in making their money do more for them in the future. In general, women's retirement savings is a substantial, untapped market. Curry sees this in her firm's advisory work. "Absolutely! We're seeing more women engage investment advisors than ever before, and the opportunity is only going to continue to grow as women's overall financial acumen increases, for themselves and for their businesses and workforces."[INT2]

With women controlling $15 trillion worth of spending in the United States[BB], financial advisory and investment firms need to better reflect their potential clientele, better understand their needs and produce more relevant communications and commercial marketing campaigns. It comes as no surprise that the majority of women investors feel misunderstood by marketers[GPM] and investment firms and that 86 percent of financial advisors are male[WF]. Crucially, women in general tend to express more interest in socially responsible and socially sustainable investment than men[MS]. "I see that with many female business owners," Curry continued. "We tend to get more requests from them than from male business owners about socially sustainable investments." A Morgan Stanley study found that 84 percent of women surveyed were interested in funds with a sustainable focus[MS]. Even more importantly, a Fidelity International article said that concerns over profitability of such funds are unfounded and not a case of one or the other.[FI] Many top performing funds are ethical investments with high financial returns. 597 words

At home

Once a woman commits herself to fulltime, unpaid care, her lifetime earnings take an immediate hit and even worse, affects her quality of life decades later. Hayes says, "Time out of the labor force providing unpaid care continues to present a disproportionate risk to women's economic security in retirement."[INT] One solution endorsed by a range of organisations, including the IWPR and the American Association of University Women (AAUW), is a caregiver Social Security credit. People who leave the paid workforce to provide unpaid family care would earn Social Security credits based on the hours they spent working, which is how employees in paid work earn credits. Such a change would begin to redress the imbalance in numbers of credits accrued by women over their lifetime.

The AAUW reports that "48 percent of all non-married (divorced, widowed, or never married) women age 65 and older get 90 percent or more of their income from Social Security." [AAUW2] Often that income is missing out on many years worth of investment because women are financially penalized during the entirety of their adult life for providing a foundational social service. The chances of that changing in the near future appear low. At the national level, the GovTrack website gives the Social Security Caregiver Credit Act of 2019 a three percent chance of being enacted[GT]. At the state level, the AARP (American Association of Retired Persons) is supporting a caregiver tax credit bill to help reduce some of the financial burdens of providing unpaid family care[AARP]. The United Nations' Research Institute for Social Development estimates that "if women's unpaid work were assigned a monetary value, it would constitute between 10 percent and 39 percent of [every national] GDP." [UNW] With the United States' Gross Domestic Product (GDP) worth $20494.10 billion in 2018, the potential monetary value of such unpaid work is immense[TE].

A further stressor on older women's state retirement incomes is the higher likelihood of them being divorced[PRB]. In 2018, 14 percent of women aged 65 or older were divorced, up from only three percent in 1980. Longer life spans combined with changing cultural and social norms have contributed hugely to the current diversity of family structures. What hasn't adapted with the changes is the assumption that older women will be living with a retired husband and his retirement funds. More women living alone later in life means that fewer have any means of additional financial support. All the more reason to fairly compensate women for the service they provide the nation’s families (and government and economy). 423 words

It adds up

It’s never too late to start saving for retirement, and of course, the sooner anyone starts saving, the better. Many experts stress consistency and the need to start saving now. Saving a little bit, every month, for a longer period of time is generally much easier to do than having to save larger amounts for a shorter period of time. Rather than miss out on savings entirely, part-time workers who don’t qualify for their employer’s retirement plans could put a small amount of money aside each month in a private pension fund. From the age of 50, all workers are allowed by the IRS to make annual “catch-up” contributions to try to more quickly increase the size of their pensions pots.

While headlines often lament the flightiness of Millenials, members of Generation X may actually be in worse financial shape. A recent Business Insider survey found that half of all Gen Xers surveyed have no retirement savings account, which is only slightly better than the 54 percent of Millenials who do not have one[BI]. This could be both cause and effect of the many people now planning to work beyond the traditional retirement age. The US Bureau of Labor Statistics estimates that by 2026, the labor force participation rate for workers aged 65 to 74 is projected to be 30.2 percent and 10.8 percent for workers age 75 and older. In 1996, the participation rates for those groups were 17.5 and 4.7 percent, respectively[BLS2]. Overall better health and less physically demanding workplaces obviously play a part in this longevity, as does general financial need and the sense of purpose work often brings.

As the overall age of entrepreneurs in the United States continues to rise[F], the disparity in investment in women remains high. Only three percent of all global venture capital dollars are awarded to women[TC]. Many female financial experts have spotted the gap in the market and run investment businesses specifically geared towards women[EV]. Their message is clear. Be comfortable accumulating wealth! The wealth gap is so much larger in later life than the wage gap is in early to mid life. Investing money, with the guidance and support of a financial advisor, will do much to make the retirement years comfortable. Small changes do add up, so although systemic and unconscious biases affect women’s financial wellbeing in many ways, positive actions taken by individuals, companies and communities can help to continue the movement to redress some of society’s imbalances. 411 words

INSIGHTS AND OPPORTUNITIES

It’s no longer enough for brands to simply tout their sustainability and inclusivity. Claims must be backed up by strong, clear stories that resonate with motivated audiences who often speak through their spending[WO]. Addressing unconscious bias is one way in which businesses can attempt to rebalance inequity such as the number of women in C-suite positions. As an area of work, unconscious bias is fairly new, so little data exists regarding its effectiveness[TC2]. However, many experts believe it to be an essential step in creating fairer, more open communities, particularly in workplaces[ML]. Myriad organizations[BNS] now include unconscious bias training as part of their diversity and inclusion policies, and campaigns such as the CEO Action for Diversity and Inclusion bring together senior leaders making public commitments to creating more inclusive workplaces[CA].

In the workplace, inclusivity must incorporate flexibility. Workers able to work part-time and or flexibly when needed, without losing out on substantive projects and promotion, would add billions of dollars to the economy[AI]. Women, in particular, would benefit from more equitable pay and, in the long run, be less likely to live in poverty in old age. In this area, businesses have particular scope for creative approaches, especially through applications of new technologies and processes. This could be a period of intense competition for companies seeking to attract and retain inspired employees whom truly reflect the diversity of audiences being sought by the brand.

As well as industry-wide change via senior leadership, reducing the retirement readiness gap for women necessitates finding new ways to make saving easier and more quickly accessible. A host of apps are now available that help users regularly save small amounts[BPA]. And a number of financial advisory firms run by and for women focus on developing enough wealth to offset the effects of the lifelong gender pay gap. Clients generally need less money than they had thought in order to invest. Overall, though, women are still underserved by current savings, investment and retirement products and services. There appears to be considerable room in the market for better support of women of all ages and incomes in preparing for a livable retirement. 355 words

SOURCES

1. [CDC] '<u>National Vital Statistics Reports, United States Life Tables 2017</u>,' National Center for Health Statistics (June 2019)

2. [BI] '<u>The gender pay gap might hold women back during their careers — but in retirement, it gets even worse</u>,' Business Insider (November 2019)

3. [NCHS] '<u>National Vital Statistics Reports, Births: Final Data for 2018</u>,' National Center for Health Statistics (November 2019)

4. [PRB] '<u>Fact Sheet: Aging in the United States</u>,' Population Reference Bureau (July 2019)

5. [KFF] '<u>How Many Seniors Live in Poverty</u>?' Kaiser Family Foundation (November 2018)

6. [AAUW] '<u>The Simple Truth about the Gender Pay Gap</u>,' American Association of University Women (Fall 2019)

7. [GPM] '<u>Statistics on the Purchasing Power of Women</u>,' Girl Power Marketing (2019)

8. [IN] '<u>Gender investing gap costs women in the long run, Krawcheck says</u>,' Investment News (November 2019)

9. [IBD] '<u>Are Women Better Investors Than Men? Here's What The Studies Say</u>,' Investment Business Daily (July 2018)

10. [WHO] '<u>Ageing and Life Course</u>,' World Health Organization (2019)

11. [HHS] ‘Aging,’ Health and Human Services (2019)

12. [TS] ‘What Is The Average Retirement Savings in 2019?’ The Street (March 2019)

13. [BAM] ‘2019 Workplace Benefits Report,’ Bank of America (2019)

14. [INT] Interview with Jeffrey Hayes conducted by the author

15. [IWPR] ‘Women’s Labor Force Participation,’ Institute for Women’s Policy Research (2014)

16. [BLS] ‘Employee benefits in the United States,’ Bureau of Labor Statistics (March 2019)

17. [PC] ‘5 Things About Offering Part-Time Employee Benefits,’ PayChex (March 2018)

18. [INT2] Interview with Kirsten Curry conducted by the author

19. [BB] ‘Women’s Purchasing Power,’ Better Business (March 2019)

20. [WF] ‘Tackling unconscious gender biases in wealth management,’ World Finance (October 2017)

21. [MS] ‘Millennials Drive Growth in Sustainable Investing,’ Morgan Stanley (August 2017)

22. [FI] ‘Why sustainability is one trend that won’t go out of fashion,’ Fidelity International (August 2019)

23. [AAUW2] ‘AAUW Issues: Retirement Security,’ American Association of University Women (2019)

24. [GT] ‘H.R. 4126: Social Security Caregiver Credit Act of 2019,’ GovTrack (July 2019)

25. [AARP] ‘A Tax Credit for Family Caregivers,’ AARP (March 2018)

26. [UNW] ‘Facts and Figures: Economic Empowerment,’ UN Women (2019)

27. [TE] ‘United States GDP,’ Trading Economics (2019)

28. [BI] ‘Only half of Gen Xers have a retirement account, and that's a catastrophe in the making,’ Business Insider (October 2019)

29. [BLS2] ‘Labor force participation rate for workers age 75 and older projected to be over 10 percent by 2026,’ Bureau of Labor Statistics (May 2019)

30. [F] ‘Why Baby Boomers Are Ditching Retirement To Launch Their Own Businesses,’ Forbes (January 2018)

31. [TC] ‘US VC investment in female founders hits all-time high,’ Tech Crunch (December 2019)

32. [EV] ‘The best time to invest? Yesterday.’ Ellevest (2019)

33. [WO] ‘Bringing consumer recognition to Women Owned businesses,’ Women Owned (2019)

34. [TC2] ‘Why Your Unconscious Bias Training Isn’t Working,’ The Conversation (August 2017)

35. [ML] ‘Why Gender Lens Investing Is Good for the World - and Your Portfolio,’ Merill Lynch (2019)

36. [BNS] BDO, Nestle, The Conversation (2019)

37. [CA] ‘CEO Action,’ (2019)

38. [AI] ‘Is America Missing 5.8 Million Workers?,’ Aspen Institute (January 2018)

39. [BPA] Bank Rate, PiggyVest, This is Alice (2019)

EXPERTS

1.

Kirsten Curry, CEO and Founder, Leading Retirement Solutions, is a lawyer and business owner who started Leading Retirement Solutions to better support businesses, their owners and their employees in a holistic way to make the most out of and improve retirement savings plans.

2.

Jeffrey Hayes, Program Director, Job Quality and Income Security, Institute for Women’s Policy Research, is a sociologist and Scholar in Residence at American University and works on research examining women’s and men’s employment, job quality, and economic security over the life course, including retirement.