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U.S. Senate Committee on Health, Education, Labor & Pensions

Hearing: *Rise and Shine: Improving Retirement and Enhancing Savings.*

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INTRODUCTION

Good morning. I am Cindy Hounsell, President of the Women's Institute for a Secure Retirement (WISER), a 25-year-nonprofit organization that helps women, educators and policymakers address the complicated issues that affect women's planning for their long-term financial security.

Thank you to the Committee for inviting WISER to participate in today's hearing on improving retirement and enhancing savings. WISER is dedicated to the education and advocacy that will improve the long-term financial quality of life for women.

As the only organization to focus exclusively on the unique long-term financial challenges that women face, WISER's mission is to educate/inform women so they are better prepared financially and to support opportunities to secure adequate retirement income; we do that through direct education, workshops, partnerships, innovative programs and research.

WISER has spent most of its formative years working with diverse groups of women and training-trainers to make sure that there is community buy-in and the ability to follow up with experts. Black women, Latinas and Native American women in communities have been prominent in our work. While coverage and access to retirement programs for underserved women are difficult to find, our Aging Network partners have helped WISER promote programs to encourage low-income women to participate in incentivized savings accounts.

WISER also supports workable solutions to the challenges women face. WISER's statement will describe three of those important interventions: 1) ***Emergency Savings Accounts*** are foundational representing an important step toward financial well-being; 2) ***Targeted Retirement Literacy*** is linked to overall financial well-being yet women generally have lower levels of financial literacy; WISER's programs address the literacy and capability gaps; and 3) ***Auto Portability***, a technology-based solution to prevent workers who change jobs from cashing out

their retirement savings. The more financially challenged demographic groups – those with the smaller balances – lower their cash-out rates more than other groups when auto portability is a feature of the plans.

WHY Women?

WISER is often asked about the focus on women. The response is the numbers- there are 5.8 million more women than men at age 65, and 67% of the over age 85 population are female.ⁱ Many of those in the 85+ group end up living alone in near or at the poverty level, even if they have never been poor before.

Issues Affecting Women's Retirement Security

Women have a more difficult time accumulating retirement savings than their male peers for reasons commonly acknowledged: lower wages and time spent either not working or working part time due to caregiving responsibilities. While 46% of the total labor force are women, they make up 69% of low-wage workers. Women make up two thirds of caregivers and they make up 64% of part time workers. We do not yet know the full impact of COVID on these figures.

Lower wages, gaps in earnings, and part time employment translate into less retirement savings and most likely lower Social Security benefits. The fact that women generally live longer than men makes it harder since they need to make their savings last longer and to avoid mistakes.

Women want to take control of their retirement. Research shows that while women report a lack of confidence and knowledge about financial matters, they say they want more education, more information to help ensure a secure future. They want to know how to overcome the knowledge gap and the investment gap and to know how to spend down and protect their savings and learn about annuities and making their money last.

Yet, while the research also documents that many Americans are not financially prepared for retirement, the future for under-resourced women is especially alarming. Women are overrepresented in the low-wage workforce, with little access to benefits or financial wellness programs. These low- to moderate-income (LMI) women often work all their lives with little to no savings to show for it, and are more likely than men to live out their lives in poverty.

Encouragingly, emergency fund model programs focused on helping these groups of women access matched savings accounts allow them to better their finances,

Emergency Savings Accounts

Emergency savings are foundational building blocks for the unbanked and for moderate and low-income women, as well as for many employees who are willing to agree that they want to enroll in a workplace “rainy day” emergency savings program with payroll deduction if offered by their employer. ⁱⁱ Yet, there are many obstacles that can get in the way of accumulating savings for one’s future, for example, inadequate income, competing financial demands (debt, unexpected expenses, helping family), lack of access to banks or other financial institutions, lack of financial knowledge, or simply failing to focus on or prioritize saving.

WISER’s focus is on expanding its turn-key emergency fund model with the credit unions for the most at-risk women to establish accounts and begin saving. The findings from the Federal Reserve research found that 39% of Americans would not be able to cover a \$400 unexpected bill. This statistic has highlighted the need for policymakers to help workers save more and to find ways to use the employer plan structure to make it less burdensome with linked accounts.

Targeted Financial Literacy and Capability

Research shows that women generally have lower levels of financial literacy than men; yet literacy is linked to overall financial well-being.ⁱⁱⁱ Understanding the basics of the complicated financial world is important in order to make the most of one’s income, especially for those without access to information or financial literacy programs. When provided with basic, practical financial education that emphasizes that financial goals are achievable, workers can become better consumers and improve their financial situation. An early definition of financial literacy by the National Endowment for Financial Education (NEFE) follows: “the development, acquisition, maintenance, and conservation of scarce resources that allow families and individuals, as they interact with the world around them, to better their levels of living.”

The National Resource Center on Women & Retirement

WISER’s key initiative is a program administered cooperatively and funded by the Administration on Community Living’s, Administration on Aging – the National Resource Center on Women and Retirement (the Center). The Center operates as a national clearinghouse of tools and information on retirement planning to improve the financial knowledge of the Center’s population of vulnerable women by helping them plan and achieve retirement security. WISER presents financial workshops to diverse groups of women across the country.

The Center creates publications that explain the complexity of women's retirement issues: claiming Social Security, signing up for Medicare, emergency savings programs, caregiving issues, divorce, widowhood, long-term care and elder financial abuse. Most women cannot afford even the smallest mistakes, and they often encounter life events that have a significant impact on their financial lives, such as divorce and widowhood. The Center provides the information and tools needed to navigate these situations to assist in their critical decision-making.

Through our collaborations we have access to diverse groups of women, we train trainers in their communities by providing helpful resources. The Center has directly reached hundreds of thousands of women through WISER's and our partners' workshops and we've reached millions with our publications, media, social media and website. WISER has also collaborated through partnerships with government agencies such as the Social Security Administration, the Consumer Financial Protection Bureau, and the Securities and Exchange Commission.

Success in reaching these groups has resulted from the partners developed along the way and the adaptability and flexibility needed to make the programs work. Vickie Elisa, our Atlanta partner was successful in educating the women in her Mothers' Voices programs for African Americans, teaching about workplace benefits and retirement and motivating the women to save. Importantly, Vickie helped them believe that they could have a stable financial life; she persuaded them in part by sharing her own story of similar financial challenges. The women saw Vickie and her nonprofit as an agent of change and a 'trusted messenger.'¹²

Amy Hinojosa, President & CEO of MANA, A National Latina Organization with its 25+ chapters and affiliates, formed a strategic partnership with WISER to deliver financial education at the community level with a similar training-trainers model. Over the last decade, The *MANA Financial Literacy Leadership Institute Training* has trained more than 350 Hispanic community trainers from 26 cities and 16 states. These trainers have facilitated over 900 community workshops for more than 15,000 Hispanic women.

What We Know Works for Helping Women Save and Plan

Throughout WISER's experience of providing education and programming, we have learned what women want and what works in reaching underserved audiences. Our target populations served over the years include low-to moderate-income women, Latinas, Black women and Asian women, Native Americans, caregivers, women going through divorce, widows, nurses, independent workers, childcare workers, and home health workers; and those who traditionally have not

had access to retirement and financial information. What they all have in common is they want easy access to basic, trustworthy financial information, and how to deal with the various financial decision points along the way. Quite simply, “tell me what I need to do and how to do it.”

But simply having good materials and resources is not enough. It is important to adapt the information to meet the unique needs of each audience and deliver it in a way that creates trust and develops confidence in one’s ability to succeed in building financial security.

Retirement Income

How much will women need? The percent of a worker’s pre-retirement income needed to maintain retirement security depends on the circumstances of each individual household.^{iv} Access to retirement income is based on a woman’s work life, her earnings, savings, and her marital status. But during their working years, women generally earn less because of the gender pay gap, because they have diverse work patterns and education levels, and are overrepresented in the low-wage workforce without access to adequate workplace benefits. The results are that women have less in savings, less in Social Security benefits and less in workplace retirement savings accounts.^v It is important for all workers to know that Social Security benefits only cover 40% of preretirement income for the average worker.

The average annual Social Security benefit for retired women workers in 2020: \$16,536 compared with \$20,568 for men.^{vi} Overall, women aged 65+ have 30% less retirement income than men,^{vii} yet they need more income to support the costs of living longer.^{viii}

To make matters worse, women have been disproportionately affected by the economics of the Covid pandemic; millions losing and leaving jobs, accumulating debt, and worsening their previous financial situations thus making it more difficult to pay monthly bills or cover unexpected expenses.^{ix} Also, problematic for many women is not knowing *what they need to know to make the best financial decisions, or to take advantage of benefits they might miss out on.* The recent financial hardships due to the COVID-19 economy highlight the importance of having a cash cushion to get through times of unemployment or reduced hours. Working harder is not a realistic solution, however, as many women in this target population already work more than one job at a time.

Unique Challenges: Longevity Risks, Health Care and Caregiving

Longevity Risks & Health Care Costs: Women confront other retirement income challenges which are long-lasting due to their longevity and health care costs. Longevity risks include inflation, loss of spouse, poverty and health care costs which have a disproportionate harm on women's retirement income. Many women are unaware of these facts and what services Medicare and Social Security actually provide. In fact, many families are not aware that Medicare does not cover most long-term care costs or that Medicare premiums have to be paid and are subtracted from their Social Security benefits. The premiums are now more than 10% of the average woman's monthly benefit, causing an income shortfall for the many women relying on their Social Security benefit for most of their income.

Caregiving: Currently, there are 53 million family caregivers, and the majority are women. Women generally and as caregivers are spending on average 9 years out of the paid work force.^x Those nine years mean zero earnings, or a career of 29 years compared to men's 39-year careers. The zero earnings are compounded in the 35-year calculation of their Social Security benefit. In addition, women, because of their need for flexibility for caregiving, are twice as likely to work on a part-time basis as are men, with the resulting lower earnings. Women are also more likely to work in industries that pay lower salaries and have no retirement plans or less generous retirement plans.

Financial Caregiving: Women with compromising work schedules are leaving the labor force or working part-time to accommodate family needs. Recent research studying the financial effects of caregiving found a majority of women/caregivers have given little or no thought to their own financial situation, while over half describe their financial position as fair or poor.^{xi} Another study shows that single women who care for elderly parents are 2.5 times more likely than other caregivers to live in poverty in retirement.^{xii}

The financial consequences are serious^{xiii} but understanding the financial implications of these decisions allows for better planning and more opportunities for preserving retirement income and affording health benefits. However, financial caregiving also has consequences for both the caregiver and the care recipient who needs help with managing their financial affairs.^{xiv} More than one in five caregivers provide both financial management and out-of-pocket support (\$7,242+ annually)^{xv} to their care recipients with two-thirds of family caregivers reporting they could benefit from financial advice on managing money.^{xvi}

Auto Portability – A Positive Step

A recent report finds that \$400 billion has left the retirement system since 2015^{xvii}. That headline points to the importance of a fairly new retirement savings feature – a technology-based solution developed by the Retirement Clearinghouse. It ensures that when someone switches jobs (which 14.8 million workers do annually), their 401(k) savings moves automatically from their previous employer’s plan to their new employer’s plan, even if their assets are less than \$5,000. That allows their savings to continue to grow in one easy-to-monitor, consolidated investment account.

Studies indicate that over a 40-year period, auto portability could decrease cash-outs to such a degree that it could add as much as \$1.5 trillion to \$2 trillion to Americans’ retirement savings^{xviii}. And much of that savings will belong to the people who need it most.

Without auto portability, 50% of workers who earn between \$20,000 and \$30,000 cash out within a year when changing jobs. **Sixty-three percent of Black** and **57% of Hispanic workers also cash out**, as do **41% of women**. Among women, **71% percent who cash out are women ages 25-34**. But auto portability changes that. The more financially challenged demographic groups – those with the smaller balances – lower their cash-out rates more than other groups when auto portability is a feature of the plans.^{xix}

Conclusion

WISER’s focus is to help workers do the best they can within the system we have now by providing Financial Literacy & Capability programs, educating and advocating for the much-improved Saver’s Tax Credit, preserving savings through auto portability and helping women to build emergency funds. We have recently been working with employers to expand information about Medicare & Social Security and encourage signing up for a [mySocialSecurity](#) account as most of the workforce no longer receives annual Social Security statements. Our work with the Society of Actuaries has helped us teach women about the longevity issues and how to mitigate paying for extra years by providing an understanding of annuities. As a nation with an aging population, we need to educate the public on strengthening our existing retirement programs wherever possible. That means focusing especially on the links to both Social Security and Medicare and

educating average workers about how these systems work to prevent penalties and loss of benefits.

Below is a list of key issues that most workers need to know:

1. Longevity risk is poorly understood and not widely planned for and yet we are an aging society.
2. Many individuals struggle to plan how they will draw down assets and need greater access to flexible income distribution options and guaranteed lifetime income options.
3. The impact of future inflation and taxes is often not included in planning for retirement despite the significant impact it can have on retirement income – think 10 years after retirement.
4. Individuals are often confused about how much is needed to cover their expenses in retirement. Benchmarks would be helpful.
5. Many women assume they will just keep working beyond normal retirement age, but more than 40% of Americans end up retiring earlier than they planned to, usually due to job loss, family caregiver needs including health issues, or personal poor health.

Planning for retirement is effective and workplace seminars are helpful, but there is a need for basic resources to help people figure out how much they may need to increase their savings in order to retire with the ability to cover their expenses.

The following are suggested actions for building and supporting increased economic and financial security for all workers:

- Provide basic benchmarks so people are not confused about their full retirement age and when to sign up for Medicare;
- Improve programs for those with very low benefits such as those who are primarily low-wage, unmarried and widowed women;
- Provide some form of longevity bump-up for those age 85+;
- Study ways to offer retirement protection to women with significant time spent as caregivers, including the possibility of a provision for Social Security credits and credits for out-of-pocket expenses that may be preventing women from saving;

- Provide all workers access to Social Security estimated benefit statements;
- Expand retirement savings opportunities and emergency savings;
- Improve the Saver’s Tax Credit and make it a staple of retirement saving for middle-income as well as for moderate- and low-income workers;
- Enhance knowledge of the three pillars of the nation’s retirement systems (Social Security, employer-provided retirement plans, and personal savings) by helping individuals understand the importance of having access to each of the pillars; and
- Help individuals learn what they need to know about their Social Security benefits, about preserving their employer sponsored benefits and about taking advantage of individual savings programs available to them.

ⁱ Administration for Community Living, *2020 Profile of Older Americans*, May 2021.

ⁱⁱ Harvey, C., John, D., & Brown, K. (2018) *Saving at work for a rainy day: Results from a national survey of employees (AARP Public Policy Institute Report)*.

ⁱⁱⁱ Yakoboski, Paul J., Annamaria Lusardi; & Hassler, Andrea, TIAA Institute-GFLEC Personal Finance Index (P-Fin Index), *Financial Literacy and Wellness among U.S. Women: Differences among Underrepresented Minority Women*, November 2020.

^{iv} GAO, *Retirement Security: Better Information on Income Replacement Rates Needed to Help Workers Plan for Retirement*, GAO-16-242, Washington, DC, Mar.1, 2016.

^v For summary information on the gender pay gap see WISER’s Press Release from Pay Equity Day 2019 at:

<https://www.wiserwomen.org/images/imagefiles/Equal%20Pay%20Day%202019%20PressRelease.pdf>

^{vi} Social Security Administration, *Annual Statistical Supplement* August 2018.

^{vii} GAO. *Retirement Security: Women Still Face Challenges*. GAO-12-699. July 9, 2012.

^{viii} GAO. *Retirement Security Older Women Report Facing a Financially Uncertain Future*. GAO-20-435. August 13, 2020.

^{ix} 2021 TIAA Institute-GFLEC Personal Finance Index.” *Demographic Variations in Financial Literacy Race, /Ethnicity and Gender*.

^x Women’s Institute for a Secure Retirement, *Ten Facts About Women and Caregiving*, 2019.

^{xi} Transamerica Institute, *The Many Faces of Caregivers: A Close-Up Look at Caregiving and Its Impacts* (2017) Hereafter TI at 196

^{xii} Donato, Katharine and Wakabayashi, Chizuko: *Women Caregivers are More Likely to Face Poverty*, Sallyport, Magazine of Rice University Vol. 61 No.3. Spring 2005.

^{xiii} Id TI at 197&199

^{xiv} Merrill Lynch, “The Journey of Caregiving.” (2017) Hereafter ML at 22 and Figure 9

^{xv} AARP, “2021 Caregivers Out-of-Pocket Costs: Study and Fact Sheet, by Laura Skufca and Chuck Rainville, June 2021.

^{xvi} ML at 24

^{xvii} Morningstar Report: Retirement-Plan-Landscape-Report.

^{xviii} EBRI, *The Impact of Auto Portability on Preserving Retirement Savings Currently Lost to 401(k) Cashout Leakage*, Issue Brief Number 489, August 15, 2019.

^{xix} Retirement Clearinghouse, *New Data Proves the Effectiveness of 401(k) Auto Portability*, July 27, 2021.