

**U.S. Special Committee On Aging  
Hearing on "Settling for Silver in the Golden Years."**

**Prepared Statement of Cindy Hounsell  
Executive Director  
Women's Institute for a Secure Retirement  
9:30 a.m. Thursday, May 23, 2002 – Dirksen 628**

**Introduction**

Good Morning, I am Cindy Hounsell, Executive Director of the Women's Institute for a Secure Retirement (WISER), an organization launched in 1996 by the Teresa and H. John Heinz III Foundation in response to a growing need to improve the long-term financial security of all women, through education and advocacy. As the only organization to focus exclusively on the unique financial challenges that women face, WISER supports women's opportunities to secure fair pensions and adequate retirement income through research, training workshops, education materials and outreach.

We commend the Committee for examining the special challenges and difficulties faced by women in preparing for and managing their retirement years. This testimony begins by arguing that the retirement needs of women deserve special attention and outlines the systemic problems that prevent women from securing adequate income.

The second part of the testimony describes WISER's retirement education program, the POWERCenter, a program funded through a grant and cooperative partnership with the Administration on Aging and the National Center on Women and Aging. The program uses a training technique that not only improves the knowledge of the participants but helps them to take action by providing practical steps they can take and use to make better financial decisions. Predatory lending scams are also an important part of our program because a disproportionate number of women are the purchasers of financial products that charge an exorbitant rate of interest and may jeopardize their ability to retain their homes.

The third part of the testimony discusses the outlook for women's retirement and the need for policy direction to improve women's ability to receive the maximum amount from Social Security, 401(k) plans, or savings accounts. The problems discussed at today's hearing can only be addressed at the national level. Women of all ages need your help. Leadership from the Special Committee on Aging will send an important message to legislative bodies and policy makers throughout the federal government.

WISER has just released a comprehensive analysis of the impediments that women face in preparing for a secure retirement. *Your Future Paycheck: What Women Need to Know About Pay, Social Security, Pensions, Savings and Investments* (May 2002) reveals the direct link between a woman's current paycheck and her retirement prospects. *Your Future Paycheck* is the first report of its kind to address all the factors preventing women from a secure retirement.

Findings from *Your Future Paycheck* include:

- The median salary for full time working women was \$27,355, compared to \$37,339 for men.
- In 2000, the median personal income for women age 65 years and older was \$10,899. For men in the same age group, it was \$19,168.
- Older women today are twice as likely as men to be poor.
- 63% of single (widowed, divorced, never married) older women have retirement incomes under \$15,000.
- Only one in five older women receive income from private pensions.
- Women lose \$659,139 in earnings as a result of care giving during their lifetime.
- The population over age 85 is expected to double over the next 30 years, giving the nation as a whole the demographic profile of the state of Florida.

### **I. Systemic Problems that Increase Poverty among Older Women**

Women face a host of obstacles that jeopardize their economic security. Occupational segregation concentrates women in service sector, part-time, non-union, and small firm jobs, where employment benefits are less common, less generous, and often non-existent. While working women have increased their participation in the workforce they are still struggling with the issue of pay – two-thirds of today's full-time working women earn less than \$30,000.

Compounding these problems is the traditional employer retirement system that has undergone a dramatic transformation from employer paid pension plans to employee-paid and investment directed savings plans such as 401(k)s. For women, not only is there the difficulty of contributing to their 401(k) plans, there is also the problem of making their money last for a lifetime... a lifetime that is on average four years longer than for men.

But the problem is not just low pay and poor benefits. Those factors are coupled with marginal work, entering and exiting the workforce as they leave jobs to care for their families, and a general lack of knowledge about money management that is also shared by much of the American public.

Poverty among older women is directly related to child-care and family responsibilities and to earning power and employee benefits. Women continue to serve as their families' primary care givers for both children and older parents, and as a result, are more likely to work part-time in jobs without benefits or take time out of the workforce. Caregiving responsibilities cause women to spend about 9 years out of the job market. Fewer years at work means that they are less likely to be eligible for employer pension benefits and, combined with lower pay, means smaller Social Security benefits and fewer savings. For women with income from private pensions or annuities, their median benefit is \$4,164, compared to \$7,768 for men.

Older women are much more likely to live alone than older men. In 2000, only 40 percent of older women were married, compared to 74 percent of older men. Older women living alone are much more likely to be poor: The poverty rate for single black women over age 65 was 43 percent and for single Hispanic women 38 percent, nearly twice that of white women.

Women's economic security is also threatened by divorce, separation, or death of a spouse. Nearly 30 percent of all divorced older women and nearly 60 percent of all separated older women are minorities. Today, nearly half of all marriages end in divorce, which in turn leads to a significant decline in a women's standard of living, as well as missing out on the future retirement benefits that dissolve through divorce or the death of a spouse.

We frequently hear from women who are convinced that they will never be able to stop working and truly be able to retire, despite a lifetime of hard work both in and out of the home. Their concerns are backed by a trend among experts who have stopped talking about the 3-legged stool to describe retirement income, recognizing that pensions, Social Security and individual savings will not provide enough income for retirement. Experts now routinely refer to a four- or five-legged stool, that include earnings from employment, along with SSI a poverty program. However, working beyond age 65 out of choice is different from desperately applying for jobs at age 75 or 80 in order to pay for medications.

## **II. WISER's Education and Outreach Program**

### **A. POWERCenter (Program on Women's Education for Retirement)**

Through a cooperative partnership with the Administration on Aging and the National Center on Women and Aging, WISER has instituted the POWERCenter's community education program to help women prepare for the future. The POWERCenter's primary goal is to educate the maximum number of women with information that can assist in retirement planning, and provide average and low-income women with the opportunity to take the first step toward controlling their financial futures. Based on our experience that the first step is different for each group of women, POWERCenter workshops and materials are designed to adapt to varying needs. The program encourages women to adopt a long range financial view by embarking on a lifelong financial journey that will lead to such important steps as access to retirement plans and building personal assets.

We have learned that the community partners trust us because we are not selling anything but simply helping people who can least afford to make financial mistakes. We are also bringing resources to their community and helping organizations work together.

The program includes many partners: employers, women's organizations and community based groups. Government agencies have included the Cooperative Extension Service, the Department of Labor's Pensions Welfare Benefits Administration and the Women's Bureau, and the Social Security Administration.

The POWERCenter has two overarching goals:

- Ensure that the educational material and program reaches women in their communities and places of worship as well as their jobs.
- Encourage women to take an active role in planning for their future.

### **Interactive workshops**

WISER has developed and tested a program with training techniques that hit home to diverse audiences. *Your Future Paycheck* provides practical knowledge by interweaving substantive information with case histories of women who have worked and cared for their families their entire lives. The stories spark interest in the substantive issues from participants. Participants identify with the situational problems and remember the solutions.

WISER urges workshop participants to make sure they have a basic financial plan and we show them how to take manageable steps to retain more of their earnings. We also acknowledge the fact that many of the participants are behind the eight ball when it comes to saving for the future. We emphasize taking small steps to avoid being overwhelmed. We have found that addressing these everyday issues resonate with participants:

- Gaps in employment, lower wages, and fewer benefits: Practical suggestions for women with children who must prepare for gaps in employment, lower wages, and fewer benefits.
- Ways to maximize retirement benefits while working: access to employer savings plans and techniques for saving on one's own.
- Credit counseling and common money mistakes: Credit problems, credit repair, debt reduction.
- First Time Home Ownership programs and Individual Development Accounts.
- Types of Insurance and immediate annuities.

- Social Security as a retirement program and as a program that provides survivor benefits to children and disability benefits.
- Predatory lending scams.

In the past 3-½ years, WISER has conducted 90 workshops attended by approximately 8,000 women and men, partnering with over 40 different grassroots organizations. Of the 90 workshops, fifteen have been train-the-trainer workshops, training community activists who will take the information and hold workshops in their communities. Among our most successful train-the-trainer partnerships have been:

- 1) Power 2000+ project with the US Administration on Aging and the FDIC.
- 2) Mothers'Voices/ Multi- Ethnic Retirement Project, which has held 10 workshops in African-American churches in Atlanta. Women from these and other train-the-trainer workshops are successfully conducting workshops throughout the country.
- 3) MANA – A National Latina Project. WISER and MANA have jointly conducted 15 workshops at MANA chapters on the West Coast and at national meetings of all chapters. In 2000, WISER and MANA initiated a special financial program for Latina teenagers through MANA's HERMANITAS Program.

WISER's workshops have reached a diverse audience, including:

- child care providers and social workers,
- women coming off of welfare and being trained as daycare providers,
- small business owners and employees of nonprofits including the Greater Washington Urban League,
- Harvard University support staff and other mid-level employees,
- Community college and university students, and
- rural women working out of their own homes.

**Additional Community based partnerships include:**

- Coalition of 100 Black Women,
- Business and Professional Women,
- General Federation of Women's Clubs
- YWCA and
- the aging community including OWL.

## Written materials

Over the past 4 years, our office has distributed more than 2 million individual copies of *What Every Woman Needs to Know about Money and Retirement*. The original distribution was accomplished by including the booklet as a special insert in *Good Housekeeping Magazine* and in *Attache*, the U.S. Airways in-flight magazine – readership at both magazines was estimated at over 27 million readers for *Good Housekeeping* and 1 million readers for *Attache*.

### III. The Need for National Policy Direction

How can a woman's retirement income become more like a man's?

The answer, unfortunately, is: neither easily nor quickly. If she works full time, has higher than average earnings, and her employer offers a retirement plan, then she's at least equally likely to participate in it. But the reality of the modern American workplace is that women are twice as likely to work part-time and part-time workers are less likely to have retirement plans. If a woman works for an employer with a tax deferred savings plan – such as a 401(k) or 403(b) – she is less likely than a man to be in a job where she will be offered the opportunity to save. And even if she is offered a savings plan, she is less likely to contribute to it, largely because she earns less.

All Americans are being asked to assume new responsibilities in making more complex retirement savings decisions. But retirement issues are difficult issues to understand and the conflicting financial advice, among the millions of pages available on the internet, seems to make it more confusing for both men and women.

Women need more income because they live longer, yet they have less money to save and invest. When women are unable to save their retirement suffers – today's younger women ages 21-34 are more likely to carry credit card debt than younger men (47% to 35% respectively) and more single young women than men live paycheck-to-paycheck (53% to 42%).

Lower earners not only invest less, they are more conservative investors than high earners. Caregiving, part-time employment, divorce and widowhood are factors that are not changing. The data in *Your Future Paycheck* is intended to alert policymakers to the need to examine future pension and Social Security reforms together as part of a cohesive retirement policy in order to ensure that changes will meet the needs of today's women.

#### A. The Outlook for Women's Retirement

It is difficult to make predictions about what the future holds for women retiring in the 21<sup>st</sup> century. One of the biggest changes will be the increase in the number of women and men who

live past age 85. The population over age 85 is expected to double over the next 30 years, giving the nation as a whole a demographic profile of the state of Florida.

Changes in women's employment patterns, earnings in private pension plans, and public policy could significantly alter the pension picture for women. But without significant changes, women's work patterns and caregiving responsibilities will continue to place them at a disadvantage in our nation's retirement system. Moreover, the outcome of the current national debate about the future of Social Security could have major implications for women's retirement security. The fourth leg of the new retirement stool – earnings from work after reaching retirement age -- is likely to provide significant income for the baby boomers, at least for those whose health allows them to continue working.

As long as women earn less money than men, work part-time and experience more interruptions from paid work, retirement security will remain elusive. Policy initiatives taken now can help some of the women who have worked hard their whole lives avoid poverty in old age.

## **B. Suggested improvements**

Women's retirement issues have begun to command the attention of policymakers. Last week there was a unanimous vote in the House to improve benefits for disabled widows, widows and divorced women. Many other improvements could be made by policymakers to provide women with greater retirement security. As the mainstay of support for women, the Social Security program has helped to protect many women from outright poverty in old age. Any future changes to the program should retain the income support features on which low and moderate income Americans rely most heavily. Some of the pension reform proposals currently under consideration by lawmakers that could enhance women's retirement security include: extending pension coverage to lower-wage, part-time, and temporary workers, increasing survivor benefits, and giving women pension credit for caregiving. Again, future pension and Social Security reforms should be looked at together as part of a cohesive retirement policy.

Additional suggestions for education initiatives include:

- Providing information to help individuals understand the importance of decisions about taking jobs and leaving jobs. Women are more likely to spend their lump-sum retirement distributions because they have smaller amounts in their accounts.
- Providing better public education in financial planning for contingencies such as widowhood and divorce. Educating lawyers and judges about pension division at divorce.
- Increasing public education for average Americans about retirement planning and how much money is needed for 20 – 30 years in retirement. Much of the information in the media is aimed at higher income individuals.

- Considering the effect of various types of insurance on retirement planning -- such as long term care policies.

Finally, to end on a positive note, consider the education of Audrey Gray:

**“But no one ever told me this was important to do,” says Audrey Gray, a 35-year old, African American data entry operator for a national bank in Atlanta, Georgia.**

*In 1997, Ms. Gray attended a WISER/Mothers Voices financial literacy workshop. “I realized that I didn’t have much savings, and I should have started my 401 (k) in my 20s. But no one ever told me this was important to do.”*

*“I never thought I would be able to get out from under debt,” says Gray. “I had a pension plan on my job, but didn’t feel comfortable because of the debt. I felt I couldn’t contribute enough money into my 401(k) without making it hard for me to make ends meet. Something had to be sacrificed and unfortunately I sacrificed my 401 (k).”*

Five years later, Ms. Gray is debt free, contributes to her retirement plan, and says she enjoys having a financial plan.

Thank you for the opportunity to participate in this hearing.

**Efforts Focus On Preparing Women For Retirement**

BY AMY CARLTON

**D**espite the growing economy, statistics about the retirement-readiness of working women remain almost uniformly grim. According to the Women's Institute for a Secure Retirement (WISER), nine out of ten working women earn less than \$40,000 per year, often in industries with no pension benefits. Women are three times more likely than men to work part-time, and only 15% of part-time workers are eligible for pension plans. Wage gaps leave women at every age level earning less than men. Compared with men, older women are twice as likely to live in poverty.

To prevent the same fate from befalling yet another generation of working women, organizations like WISER are teaming with employers to educate women about the importance of planning for their golden years.

Why aren't more women saving for retirement, and what can and should employers do to help reverse these trends?

According to Diane Savage, senior retirement education consultant at Watson Wyatt Worldwide, there are widespread social issues involved, and to ignore them is to ignore much of the problem. How much one is able to save for retirement is directly related to how much one works and how much one earns, she noted, and women tend to lose out on both those fronts, considering they earn less throughout their work lives and are more likely to have interrupted work histories.

Employer attitudes also can be a barrier to informing women about the necessity of retirement planning, according to WISER's executive director Cindy Hounsell, who commented that she has encountered companies that believe the pension system is just "not for everyone."

Employers should endeavor to show women simple things they can do now to prepare for the future, Ms. Hounsell said. "People need to know that they have to do *something* [to plan for retirement], or else they're going to have to work until they drop," she says. She adds that when women do see and hear the facts about retirement, pay disparity, and the need to start

saving, they pay attention.

WISER has found that even women who are already actively saving are not always doing so for their own futures, but for their children's education. "I always tell women that their kids can get scholarships," Ms. Hounsell says, "But there's no scholarship for retirement." She pointed out that economic hardships aren't just for working mothers—single women with no kids also often are too overwhelmed with paying bills to focus on saving for their senior years.

**WORKPLACE IDEAS**

When devising a corporate strategy to encourage women's retirement planning, employers need to package information so it's "hearable" to women, Ms. Savage advised. Industries with a predominant number of female employees, such as retail, should examine how their communications are worded and distributed.

For example, companies should not blame women or treat them as if they are doing something wrong by not saving for retirement, Ms. Savage cautioned. "The fact that women are behind the eight-ball in pensions is not really their fault," Ms. Savage said. "You can't save what you don't have—it all gets back to that."

One way employers can address this situation is to emphasize the power of compounding, Ms. Savage suggested: how saving a little money on a consistent basis—even \$10 per paycheck—can add up over time and with interest.

As part of a three-year grant from the U.S. Department of Health and Human Services Administration on Aging, WISER has joined forces with the National Center on Women and Aging at Brandeis University to form the POWERCenter. The POWERCenter conducts workshops around the country, both to educate employers—even small businesses—about the necessity of offering retirement planning, and to teach women how to take advantage of existing employer plans.

The POWERCenter's workshops use vi-

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sual aides, such as slides and fact sheet handouts like "Ten Money Myths That Can Get Smart Women Into Trouble" (#5: If your husband has health and pension plans, you don't need to worry about your own). Workshop leaders also use individual anecdotes that bring financial issues to a personal level.

One recent project included two training sessions at Bright Beginnings Child Development Center, a day-care center in Washington, D.C., for children whose families live in shelters and transitional housing. Bright Beginnings also trains homeless women to be day-care providers, and sponsors an IRC Sec. 403(b) annuity plan for its teachers and family service employees. Although the POWERCenter does much of its work with lower- and middle-income women, adapting a program for very low-income women proved challenging, Ms. Hounsell related.

The sessions provided practical knowledge and advice about savings, pensions, money management, credit card debt, and other financial matters. The main goal of the program was to show the women how to take a long-term view of their finances, not an easy task for a demographic hovering around the poverty line. As Ms. Hounsell said, "They tend to think, 'I have no money, this is irrelevant to me.'" The minimum contribution for the Bright Beginnings' 403(b) plan was \$25/month. Most

of the women made \$20,000 or less, so even saving \$25 a month could be a struggle.

Ms. Hounsell said her group discovered the best way to reach this audience was to show them how to figure out how much they had, then how much they would need for retirement. One graphic that successfully illustrated WISER's message showed the three-legged stool of personal savings, pension benefits, and Social Security. Just as a stool can't stand without all three legs, women cannot rely on only one or two of those three sources of retirement income, Ms. Hounsell commented.

As a follow-up, the POWERCenter plans to recruit volunteer accountants to go over tax forms with the Bright Beginnings employees to make sure they're taking all their deductions, such as the Earned Income Tax Credit, and getting as large of a refund as they can. Employees also will be shown how contributing to a retirement plan can reduce their taxes.

Different audiences require different information, Ms. Hounsell says, so the POWERCenter tries to customize presentations based on the needs of each employee group. For example, in a workshop with male employees from the D.C. Metro public transportation system, Ms. Hounsell found that although the workers had similar backgrounds to the Bright Beginnings staff, they already were better-informed about pensions because of union efforts. Many of the union workers already were covered by a defined benefit pension plan and some had a 401(k) as a secondary plan.

Another well-received POWERCenter workshop effort has been the "Your Future Paycheck Project." After age 65, Ms. Hounsell explained, a woman needs to come up with her own "paycheck" of savings, Social Security, investments, and pension benefits (minus health care and other costs) to provide income during her retirement. In addition to correcting the misinformation many women have about money and financial security, the Paycheck Project educates women's organizations about the importance of learning financial planning, providing those organizations with the tools to teach more women. ♦

# WOMEN'S INSTITUTE FOR A SECURE RETIREMENT

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## WOMEN STILL HAVE LESS MONEY FOR RETIREMENT THAN MEN *WISER Study Reveals Trend to Continue for Younger Women*

**WASHINGTON, DC**—Older women today are twice as likely as men to be poor. Even more startling is this trend is expected to continue for women who recently graduated from college.

These findings are from a new report, *Your Future Paycheck: What Women Need to Know About Pay, Social Security, Pensions, Savings and Investments* that reveals the direct link between a woman's current paycheck and her retirement prospects. The report, released by the Women's Institute for a Secure Retirement (WISER), is the first of its kind to address all the factors preventing women from a secure retirement.

While women live longer than men, they end up with less money for retirement due to pay inequities, lack of pension coverage, caregiving, employment patterns, and marital status. These factors can reduce a woman's ability to receive the maximum amount from Social Security, 401(k) plans, or savings. Findings from the report include:

- Women earn 73 cents to every dollar a man makes.
- Only one in five women receive income from private pensions.
- Women lose \$659,139 in earnings as a result of care giving during their lifetime.
- A 25-year-old woman with a college degree today will lose \$523,000 in her lifetime due to these factors.
- 63% of single (widowed, divorced, never married) older women have retirement incomes under \$15,000.

"Since women make less money they don't have as much money to put into retirement savings. Many women, regardless of what they do and whether they work full-time or part-time, face this fact. Men don't share the same consequences" said Cindy Hounsell, executive director of WISER.

*Your Future Paycheck* also revealed:

### **Working and Saving:**

- Women ages 21-34 are more likely to carry credit card debt than men (47% to 35% respectively).
- More single young women than men live paycheck-to-paycheck (53% to 42%).
- 80% of baby boomers surveyed say they plan to work during retirement.
- More women work part-time in female-dominated occupations that pay less and do not offer benefits.

### **Wage Gap:**

- Half of all full-time working women earned less than \$27,355 compared to \$37,339 for men, so they have less money to save.
- Women are earning about 70 percent of what men earn with the same college education.

### **Pensions:**

- Many women are unable to take full advantage of their pension plans.
- 45.5% of working women participate in pension plans compared to 54.5% of men.
- For women with income from private pensions or annuities, their median benefit is \$4,164, compared to \$7,768 for men.

The full report, *Your Future Paycheck*, and an executive summary may be obtained at [www.wiser.heinz.org](http://www.wiser.heinz.org).

The Women's Institute for a Secure Retirement (WISER) is a 501(c) (3) nonprofit dedicated to ensuring the security of women's retirement income through outreach, partnerships, and policy advocacy.