

**American Retirement Association  
Statement for the Record  
For the  
Senate Special Committee on Aging  
Hearing on  
“Women and Retirement: Unique Challenges and  
Opportunities to Pave a Brighter Future”**

The American Retirement Association (ARA) thanks Chairman Collins, Ranking Member Casey, and the other Members of the Senate Special Committee on Aging for holding a hearing to examine the unique challenges that women face in retirement.

The ARA is the coordinating entity for its five underlying affiliate organizations representing the full spectrum of America's private retirement system – the American Society of Pension Professionals and Actuaries (ASPPA), the National Association of Plan Advisors (NAPA), the National Tax-Deferred Savings Association (NTSA), the American Society of Enrolled Actuaries (ASEA), and the Plan Sponsor Council of America (PSCA). The ARA's members include organizations of all sizes and industries across the nation who sponsor and/or support retirement saving plans and are dedicated to expanding on the success of employer-sponsored plans. In addition, the ARA has nearly 30,000 individual members who provide consulting and administrative services to the sponsors of retirement plans. The ARA and its underlying affiliate organizations are diverse but united in their common dedication to the success of America's private retirement system.

Last month, on Women's Equality Day, ARA announced the creation of a Women in Retirement Council to provide stewardship and support of Women's Issues within the organization. ARA has long been a proponent of, and advocate for, women's voices in the retirement plan industry. The Women in Retirement Council was drawn from across the organization's five member associations to help bring focus to the current and future efforts to support and retain women in the retirement plan industry, and highlight the issues confronting women in retirement.

Women face a series of interconnected issues that make them distinctly more vulnerable to slip into poverty during retirement. The first challenge is the gender pay gap. In 2018, women earned 85 percent of what men earned according to a Pew Research Center analysis of median hourly earnings of both full- and part-time workers in the United States. According to Pew, one-in-four employed women said they have earned less than a man who was doing the same job; just 5 percent of men said they have earned less than a woman doing the same job. The gender pay gap squeezes the ability of women to save for their retirement. In other words, women earn less so they save less for their retirement.

Women are much more likely to face interruptions in their working career due to caregiving responsibilities. According to AARP and the National Alliance for Caregiving (NAC), three in five caregivers are women (61 percent) and two in five are men (39 percent). According to a 2013 Pew Research survey, roughly four-in-ten mothers said that at some point in their work life they have taken a significant amount of time off (39 percent) or reduced their work hours (42 percent) to care for a child or other family member. These interruptions have

a negative impact on long term earnings. A hypothetical illustration shows that a seven-year caregiving break in the middle of a 43-year working career, say to raise a child, can lead to a loss of nearly \$400,000 in retirement income according to an MFS Investment analysis.

Another concern is women who have student loan debt. According to a 2019 TIAA-MIT AgeLab Study, 84 percent of Americans report that student loan debt reduces the amount they can save for retirement. Among Americans aged 25 to 35 who are not saving for retirement, 39 percent say they are prioritizing student loan payments. If women delay starting to save for retirement until they pay off student debt, which tends to be around the age of 30 to 35, that is the time that overlaps when they are possibly taking some time out of the workforce for family obligations. This puts women even further behind their male counterparts in saving for retirement.

The retirement saving challenges for women are not limited to rank and file workers, but impact women business owners as well. Women own more businesses and influence the retirement savings behavior of more employees than ever before. The 2019 American Express Annual State of Women-Owned Businesses Report reported that women owned and led businesses increased by 21 percent from 2014 to 2019 (compared to a 9 percent increase for all other businesses during the same time period).

A groundbreaking annual survey published by Leading Retirement Solutions in 2019 shows that only 5 percent of women business leaders start saving for retirement before age 20 versus 13 percent of men business leaders. The trend continues through later stages of life with only 82 percent of women business leaders who start saving for retirement before age 40 versus 91 percent of men business leaders. Unfortunately, according to the same survey, women owned businesses (24 percent) are twice as likely not to offer workplace retirement plans for their employees as men owned businesses (12 percent).

Women live longer. When entering retirement, women, whom in many cases will have less money saved because of lower pay, student loan debt, and caregiving career interruptions, need to make that money last longer than men. According to the Kaiser Family Foundation, the average life expectancy for U.S. women (age 81.1 in 2017) is five years longer than for U.S. men (age 76.1 in 2017).

Finally, more women are forced into retirement early due to health concerns than men. According to a 2018 MFS Retirement Income Survey, women are nearly twice as likely (38 percent) to retire for a personal or family health issue than men (20 percent). And health care is more expensive for women in retirement than men. According to a 2019 Healthview Services Research analysis, a healthy 55-year-old woman will pay \$83,000 more for health care over her retirement than a healthy 55-year-old man.

How can these challenges be addressed? Closing the retirement plan coverage gaps in that workforce so more women have the access and the opportunity to save through a workplace-based retirement plan is critical. The ARA strongly supported the *Setting Every Community up for Retirement Enhancement (SECURE) Act* which became law in December 2019. The SECURE Act included a provision requiring long-term, part-time (LTPT) workers, many or perhaps most of whom are women, to be made eligible to participate in a 401(k) plan. The ARA has also supported proposals requiring businesses over a certain size to offer a workplace-based retirement plan for their employees to more easily save.

In addition, enhancing and reforming the Saver's Credit into a government matching contribution would help low- and moderate-income workers, many or perhaps most of whom are women, build their retirement nest egg. The bipartisan *Retirement Security and Savings Act* sponsored by Senators Rob Portman (R-OH) and Ben Cardin (D-MD) contains a provision that makes the current Saver's Credit refundable if the refundable

portion is deposited directly into a retirement savings plan or IRA. According to a 2005 study<sup>1</sup>, low- and moderate-income workers are responsive to this type of matching incentive.

ARA supports the bipartisan *Retirement Parity for Student Loans Act* that would permit sponsors of defined contribution retirement plans to make matching employer contributions into the plan for employees as these employees make their student loan payments. This legislation will help workers build their retirement savings, particularly women, who cannot afford to both save for retirement on their own and pay off their student loan debt.

Finally, ARA supports the provisions in the *Women's Retirement Protection Act* that creates two grant programs in the Women's Bureau of the Department of Labor to help women build retirement savings. The first program will grant federal dollars to community-based organizations that improve the financial literacy of women of all ages. The second program will assist low- and moderate-income women and survivors of domestic violence in obtaining qualified domestic relations orders to ensure these vulnerable women receive the retirement benefits they are entitled to through the orders.

According to the Bureau of Labor Statistics, women make up 47 percent of the workforce. More needs to be done to address these special challenges that women face in their retirement years. The ARA appreciates the Senate Special Committee on Aging's focus on this important issue and asks Congress for prompt action on these legislative items so women can be better prepared and more economically secure in retirement.

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<sup>1</sup>Duflo, Esther, William Gale, Jeffrey Liebman, Peter Orszag, and Emmanuel Saez (2005). "Savings Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block," Retirement Security Project Policy Brief No. 2005-5. May 2005.