



EDUCATION

Survey Highlights Women's Retirement Insecurities

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Gail Buckner, CFP
Senior Vice President,
Personal Retirement and Financial Planning Strategist,
Franklin Templeton Investments

There has been heightened discussion recently about women's inequality in many areas of society—including financial security. Gail Buckner, CFP, our personal retirement and financial planning strategist, explores the gender pay gap and how it has contributed to a poorer post-working life for many older women. She also explores a 2018 Franklin Templeton survey which revealed even younger women are generally feeling insecure about their financial futures.

The Gender Pay Gap

While there have been many strides in terms of gender equality, there clearly is more work to be done. A major study by the National Institute on Retirement Security (NIRS) found that women were 80% more likely than men to live in poverty.¹ On average, the NIRS study showed women age 65 and older have been living on 25% less income than men of the same age, and for those age 80 and older, this widens to 44%.² This report cites several factors; for one, women have “higher rates of part-time employment” and shorter job tenures. As a result, many do not qualify for employer-sponsored retirement benefits—if there are any. The NIRS said that in 2010, men received \$17,856 in median retirement income from a pension, whereas women received \$12,000—33% less.³

Social Security benefits are lower for women, too. Why? For one thing, on average, women earn less than men.

According to a study by the American Association of University Women (AAUW), women working full time in the United States (as of 2015) typically were paid just 80% of what men were paid.⁴ In addition, the AAUW found women experience pay gaps at “every education level and in nearly every line of work.”⁵ Although the types of occupations women tend to gravitate toward can partly explain the earnings difference, AAUW found that choices such as college major, occupation, work hours and time out of the workforce couldn't completely explain away the gender pay gap. Additionally, discrimination and bias against women in the workplace were also cited as culprits.⁶

Baby, Oh Baby

Even though fathers are becoming more active in child-rearing than they were decades ago, in traditional families, mothers are still more likely to drop out of the workforce and/or take an extended leave to care for their children. The reasons are often emotional as well as financial. Child care—especially for young babies—is incredibly expensive. According to the Economic Policy Institute (EPI), in 33 states and the District of Columbia, infant care costs exceed the average cost of in-state college tuition at public four-year institutions.⁷

Many couples seem to conclude that if most—or all—of mom's salary is going to be spent on a childcare provider, why not just have mom leave the workforce to care for the child?

The problem is that there's a financial tradeoff to this decision. Even if all of mom's take-home pay is spent on childcare, while she is working she's still contributing to Social Security. She may also be covered by an employer-sponsored retirement plan. By dropping out of the workforce, she loses years of potential salary increases, employer 401(k) contributions and potential investment growth. If she ends up with less than 35 years of employment, this will result in a significantly smaller Social Security benefit.⁸

And, large gaps in one's working history can result in what AAUW calls a "motherhood penalty." Some employers still seem to have a bias toward child-free women, and when employers do make an offer to a mother, they may offer her a lower salary. Fathers, in contrast, do not generally suffer a penalty compared with other working men.⁹

Women typically have far fewer retirement resources, have longer life expectancies than men and therefore can face higher medical expenses and have a greater risk of exhausting their retirement savings. The end result?

Nearly two-thirds of older Americans in poverty are women.¹⁰

Survey Says Gen X Women Face More Financial Anxiety than Men

Women today are waking up to these often-stark realities. According to the 2018 [Franklin Templeton Retirement Income Strategies and Expectations Survey \(RISE\)](#), younger Gen X women aged 38-45 expressed the most concern about managing their retirement income to meet their retirement expenses (62%), compared with 45% of older Gen X women aged 46-53.¹¹ In comparison, less than half the Gen X men in both age groups expressed that concern.¹²

The survey revealed the majority of women across three generations did not have a strategy to generate income in retirement that could last three decades or more. Gen X women (67%) were the most likely to say they didn't have such a strategy, while 55% of Millennial women and 51% of Baby Boomer women said they didn't.¹³

In fact, a majority of Gen X and Millennial women reported that they would prefer to keep working and retire later if they were unable to retire as planned due to insufficient income. But sometimes, planning to work longer isn't the best strategy, because illness or lack of employment opportunities may make it difficult or impossible to continue working.¹⁴

Across all generations and genders, the RISE survey respondents who were still working cited "running out of money" as their top retirement concern, while current retirees cited "health issues" as their top concern.¹⁵

Planning for a Brighter Retirement Outcome

If you are in the workforce and have a stay-at-home spouse (which can be mom *or* dad), you can help replace some of that lost income with a "Spousal Individual Retirement Account (IRA)." The maximum you can contribute for a spouse who is under age 50 is \$5,500/year,¹⁶ but options exist for automatically contributing as little as \$25/month toward retirement. That's one fast-food dinner for two adults and a couple of kid meals!

Let's assume you make monthly contributions of \$25 for the 11 years mom is out of the paid workforce—say, from age 26 to age 37—and then never add another cent. That's a total of \$300/year. By the time she is 62 and qualifies for Social Security, that \$3,300 will have grown to roughly \$19,000, assuming an average return of 6% per year.¹⁷ If you can afford a larger contribution of, say \$50 or \$100/month, all the better.

The Importance of Planning

While many people have anxiety about retirement outcomes, having a plan can help alleviate some of it. Sticking your head in the sand and hoping for the best won't! The RISE survey also found that while the majority of all respondents (62%) consider a financial advisor important to retirement planning, less than a third of them (29%) said they currently work with one.¹⁸ My answer to that disconnect is: what you are waiting for? Talk to an advisor! You may just wind up sleeping better *and* have a more secure retirement.

Learn more about developing a strategy to fund your own retirement: www.franklintempleton.com/whatsnext.

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RISE Survey Methodology

The 2018 Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey was conducted online among a sample of 2,002 adults comprising 1,002 men and 1,000 women 18 years of age or older. The survey was administered between January 17 and 25, 2018, by ORC International's Online CARAVAN®, which is not affiliated with Franklin Templeton Investments. Data is weighted to gender, age, geographic region, education and race. The custom-designed weighting program assigns a weighting factor to the data based on current population statistics from the U.S. Census Bureau. Generational groups are defined as follows: Millennials (ages 20-37), Gen X (ages 38-53), and Baby Boomers (ages 54-72).

[1.](#) Source: National Institute for Retirement Security (NIRS), "Shortchanged in Retirement: Continuing Challenges to Women's Financial Future," March 2016.

[2.](#) Ibid.

[3.](#) Ibid.

[4.](#) Source: American Association of University Women (AAUW), "The Simple Truth About the Gender Pay Gap," fall 2016. Data as of 2015.

[5.](#) Ibid.

[6.](#) Ibid.

[7.](#) Source: Economic Policy Institute, "High-Quality Child Care is Out of Reach for Working Families," October 2015.

[8.](#) AAUW's "Behind the Pay Gap" report found that 10 years after a child's college graduation, 23% of mothers were out of the workforce, and 1% worked part time. Among fathers, only 1% were out of the workforce and 2% worked part time. Source: AAUW Educational Foundation, 2007.

[9.](#) Source: American Association of University Women (AAUW), "The Simple Truth About the Gender Pay Gap," fall 2016.

[10.](#) Source: NIRS, "Shortchanged in Retirement: Continuing Challenges to Women's Financial Future," March 2016.

[11.](#) Source: 2018 Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey. The survey was administered between January 17 and 25, 2018, by ORC International's Online CARAVAN®, which is not affiliated with Franklin Templeton Investments. (See additional survey details at the end of this commentary.)

[12.](#) Ibid.

[13.](#) Ibid.

[14.](#) Ibid.

[15.](#) Ibid.

[16.](#) Source: Internal Revenue Service.

[17.](#) Hypothetical results; for illustrative purposes only and not reflective of any Franklin Templeton fund. The hypothetical illustration is provided for general educational purposes only and does not constitute investment or tax advice.

[18.](#) Source: 2018 Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey. The survey was administered between January 17 and 25, 2018, by ORC International's Online CARAVAN®, which is not affiliated with Franklin Templeton Investments. (See additional survey details at the end of this commentary.)