

# Why Women Worry<sup>SM</sup>

The Hartford  
**ADVANCE 50** Team

Gerontologists Creating Business Solutions



## Why Women Worry<sup>SM</sup>

**Gender matters in retirement planning.** Research from The Hartford and the MIT AgeLab shows that women are more concerned than men about retirement risks. When put into a larger economic and demographic context, women have good reason to worry. However, with a skillful and knowledgeable advisor guiding them, angst can be turned into action, and women can feel more secure both in the retirement planning stage and once they have retired.

**Women are worried with good reason.** In addition to the greater personal responsibility for retirement that all Americans face today, women confront unique challenges while they strive to save for retirement, make those savings last throughout their lifetime and protect themselves from major events like health problems or widowhood.

Retirement planning has changed. Both the federal government and employers have shifted more responsibility for retirement planning, and more risk, to individuals. Starting in the 1980's, employers made a shift away from defined benefit pensions and moved toward defined contribution plans. Legislators have decreased the lifetime value of Social Security benefits by raising the age for full benefits and introducing the taxation of benefits for some retirees.

### WOMEN'S UNIQUE CHALLENGES

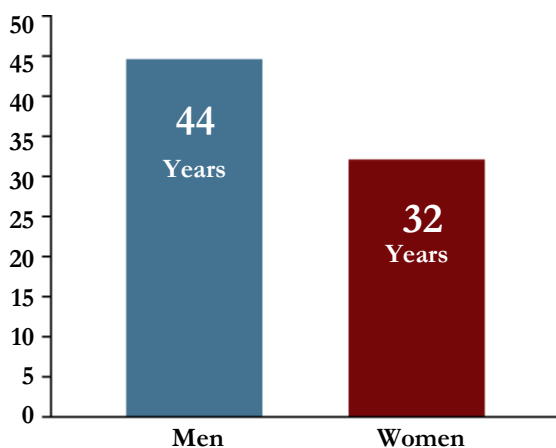
Compared with men, women will likely have lower retirement savings yet they'll need to make those savings last longer and plan on being on their own at some point in retirement.

#### Lower Retirement Assets and Income

On average, women have lower lifetime earnings than men due to lower pay, more interrupted work histories and more time spent in part-time jobs.

Women today work on average about twelve years less than men.<sup>1</sup> Women's caregiving responsibilities (care for their children, older relatives or their spouse) are the primary reason for their fewer years in the workforce.

**MEDIAN YEARS WORKED  
OF WORKERS RETIRING IN 2000**



Source: U.S. Bureau of the Census (2003, 2004) and U.S. Social Security Administration (2003b).

With lower lifetime earnings, women tend to save less and, since Social Security and many employer retirement benefits are tied to earnings, women end up with lower levels of guaranteed retirement income. Women's median income in retirement is only 58 percent of men's.<sup>2</sup>

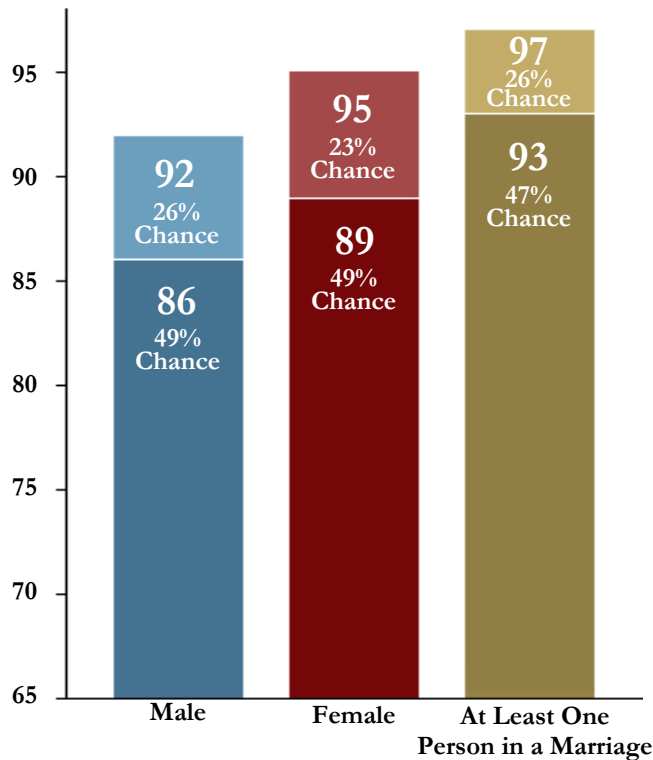
Participation rate in pensions or employer sponsored retirement plans is 44 percent among working women compared to 49 percent among working men.<sup>3</sup>

## Longer Life Expectancies

On average, a woman who is age 65 today can expect to live to age 85 while a man can expect to live to age 82.<sup>4</sup>

### LOTS OF TIME IN RETIREMENT—IF YOU REACH 65

Life expectancy at age 65 in years



Source: Society of Actuaries Annuity 2000 Mortality.

People tend to think of the average life expectancy number as an endpoint and forget there's a 50 percent chance that they'll live longer than the average.

According to the Society of Actuaries *2005 Retirement Risk Survey*, almost two-thirds of people underestimate average life expectancy, and about 40 percent of them are wrong by more than five years.<sup>5</sup> Once a woman reaches age 65, she has a 49 percent chance of living to age 89 and a 23 percent chance of living to 95.<sup>6</sup>

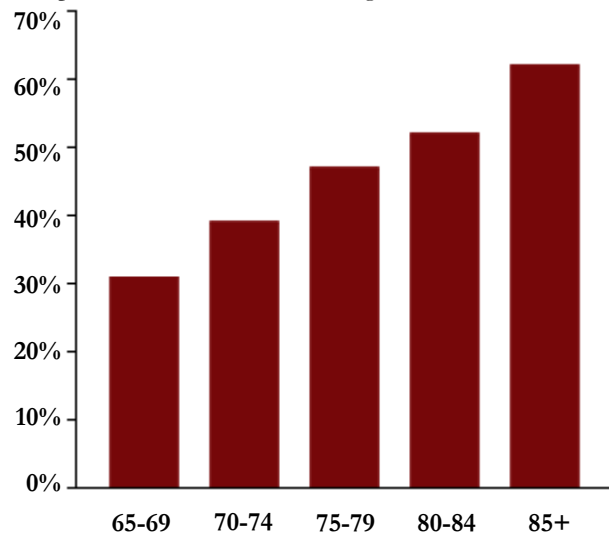
## More Time as Sole Decision-Maker

In retirement, non-married people often face more financial challenges than married people. Of the population age 65 and older, 28 percent of single women and 23 percent of single men are poor or near poor compared with only 8 percent of married people in that age group.<sup>1</sup>

When a woman outlives her husband, her income decreases by 50 percent on average yet expenses only decrease by 20 percent.<sup>9</sup> In addition, older women who live alone are less likely to have a family member available to care for them and have a higher need for additional financial resources to cover long-term care expenses.

### NON-MARRIED WOMEN

as a percent of total households, aged 65 and over



Source: U.S. Social Security Administration (2002a).

Older women are twice as likely to be single as men. Among women age 65 and older, 60 percent are single compared to 29 percent of men, and as women get older, their probability of being single increases.<sup>7</sup> Older women are three times more likely to be widowed than older men.<sup>8</sup> Women tend to live longer than men and marry men who are older than they are. Also, older women don't tend to re-marry.

## KEY RESEARCH FINDINGS

Much has been written about retirement planning, but a gap exists in understanding the emotions people feel while they are planning for their retirement. For many people finances are intermingled with emotions and fraught with personal connections and feelings.

In order to understand these connections better, The Hartford and the MIT AgeLab conducted eight focus groups with retirees and pre-retirees throughout the U.S. in spring 2007, followed by a national telephone survey in fall 2007. Questions focused on people's perceptions of their retirement risks and their feelings about retirement.

Critical areas that were probed in depth included inflation (both general and health care), money management, longevity, physical health and leisure. When the data were analyzed, several key concerns emerged, with some interesting gender distinctions.

### The Research Showed...

#### Women are more worried than men about retirement risks.

Women are more worried than men about all of the retirement risks measured, except having enough to do in retirement.

#### Both women and men are most concerned about health inflation, general inflation and physical health decline.

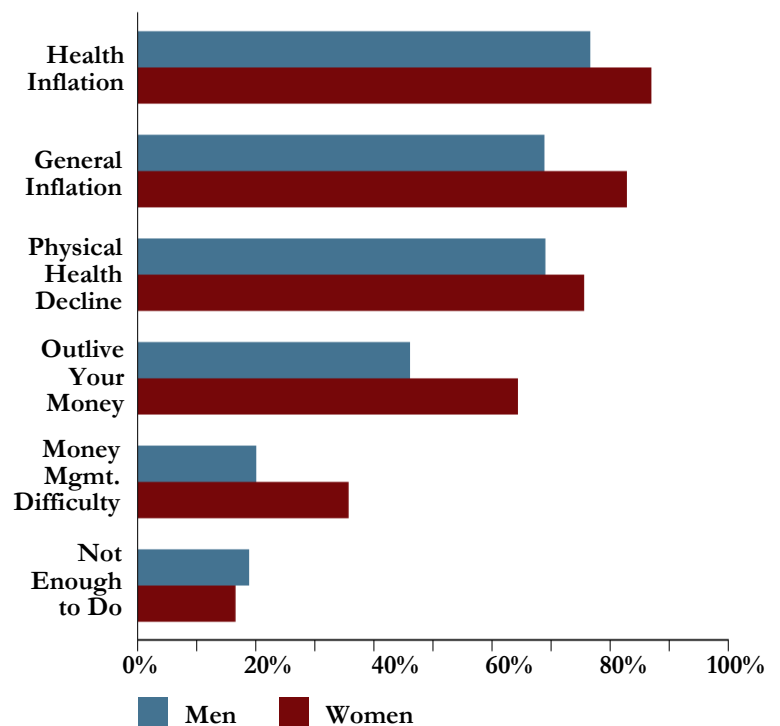
**Health inflation:** 87 percent of women and 77 percent of men are either very or somewhat concerned that the cost of healthcare in retirement will grow faster than their income.

**General inflation:** 83 percent of women and 69 percent of men are either very or somewhat concerned that the general cost of living in retirement will grow faster than their income.

**Physical health decline:** 75 percent of women and 69 percent of men are either very or somewhat concerned about a decline in health during retirement.

#### RETIREMENT CONCERNS BY GENDER

% Very Concerned or Somewhat Concerned



Source: The Hartford and the MIT AgeLab Retirement Attitudes Survey, 2007.

The greatest disparity between women’s and men’s concerns is around financial matters – outliving their money, managing their money and the rising cost of living. The differences reflect women’s higher levels of concern about the greater risks they face in retirement.

**Longevity:** 64 percent of women and 46 percent of men are either very or somewhat concerned about outliving their money (an 18 percentage point difference).

In the focus group interviews conducted by The Hartford and the MIT AgeLab, one participant said about longevity: “I don’t think it’s important. What’s the point in trying to figure out how long you’re going to live? No one knows. You have no idea how long you’re going to live. I might die tomorrow. I might live to be 95 or 100.”

Yet it is this calculation that is important to determining how long people will need to make their retirement savings last so that they will not run out of money before they run out of living. Women, who on average live longer than men, may recognize the greater risks they face with regard to longevity.

**Money management:** 35.6 percent of women and 19.2 percent of men are either very or somewhat concerned about having difficulty managing their money (a 16.4 percentage point difference). Over twice as many women (11.5 percent) as men (5 percent) say they are very concerned about having difficulty managing their money.

Because women may have fewer retirement resources that they may need to stretch over a longer retirement – on average smaller 401(k) accounts, smaller pensions and lower Social Security income relative to men – many women may face a more challenging money management task in retirement than men.

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— *Focus group participant*

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**General inflation:** 83 percent of women and 69 percent of men are either very or somewhat concerned about general inflation (a 14 percentage point difference). 49 percent of women and 28 percent of men are very concerned about general inflation (a 21 percentage point difference).

Women and men both expressed a significant degree of concern over inflation risk in retirement. Women’s higher levels of concern, however, may again be related to the higher degree of risk they face in retirement. Inflation over time can erode the purchasing power of smaller retirement nest eggs that may need to last for more years.



## PRACTICAL TIPS TO MOVE FROM ANGST TO ACTION

### ✔ Start Early

Women need to start retirement savings early in their careers. Since women spend fewer years in the workforce than men, getting an early start on retirement saving is essential to longer term fiscal health.

### ✔ Actively Participate

Women who are married should not ignore retirement planning or leave it totally to their spouse. Women have different concerns about their retirement years that may not be properly addressed if they do not participate in the planning.

### ✔ Invest in Health

Physical wellness is a valuable financial strategy. Women who invest in a healthy life style can enjoy better health and lower medical expenses for decades.

### ✔ Estimate Life Expectancy

Most people underestimate their life expectancy. This mistake can put women at risk for not saving enough money for retirement. Women should do a longevity estimate and add a few years to create even more financial security.

### ✔ Have a Balanced Plan

Women need to make a retirement plan that includes: guaranteed sources of income (Social Security, pensions, annuities), growth investments that keep up with inflation, and insurance to protect against significant losses (life, disability and long-term care insurance).

### ✔ Consult an Expert

If a woman feels she lacks the knowledge or confidence to do her own planning, she can benefit from working with a trusted advisor.

## Taking the Worry Out of Retirement

Aging is a woman's world. Women are likely to outlive men, remain active longer and be responsible for caring for their spouse and others. Plus, women often need to stretch smaller savings over longer lifetimes. So it makes sense that women are more worried than men about finances in retirement. The good news is that an adequate level of worry can help motivate women to plan for their future. By taking some basic steps such as those outlined above and working with a qualified financial professional, women can turn their angst into action and take a lot of the worry out of retirement.

**“I became a widow and I didn’t know anything about finances and so I educated myself. I became a member of the American Association of Independent Investors. I went to classes. I learned what I thought I should know and I worked with professionals to plan. To learn about what I should consider, what I would need when I retire. And that was a very good thing that I did because I took over everything that I had to do and I think I made pretty good decisions.”**

*– Focus group participant*

## ABOUT THE SURVEY

To be eligible for inclusion in the survey, individuals had to meet the following three criteria:

- Between the ages of 45 and 74;
- English speaking and living in continental U.S.;
- Have some personal savings for retirement.

Personal savings for retirement could include money saved in an account like a 401(k) or 403(b) or in any kind of IRA. Individuals who reported that they did not have any personal savings for retirement, outside of Social Security or a pension, were not included in the sample. The sample was stratified by age. Respondents were asked:

**How concerned are you that in retirement...**

- **You will outlive your money**
- **The cost of living will grow faster than your income**
- **The cost of health care will grow faster than your income**
- **Your physical health will decline**
- **You will not have enough to do in retirement**
- **You will have difficulty managing your money**

**The response choices were:**

- **Very concerned**
- **Somewhat concerned**
- **Not too concerned**
- **Not at all concerned**
- **Don't know**
- **Refused**

The survey data are weighted. The data weights were created based on 2006 U.S. Census estimates for age. Thus, the weighted data are representative of Americans ages 45 to 74 who have some personal savings for retirement. Roughly 60 percent of the final weighted sample were women and 40 percent were men.

The survey questionnaire was fielded between November 28 and December 21, 2007. The interviews were completed in this period with 1,194 eligible respondents.

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## ABOUT THE HARTFORD AND THE MIT AGE LAB

The Hartford is one of the few companies in the United States with in-house experts on business and aging. For over 23 years, The Hartford has employed gerontologists to work across the company's insurance and investment business lines to help develop industry leading programs and services for the mature market. This group of nine experts is called the Advance 50 Team.

The Hartford has enjoyed a research collaboration with the MIT AgeLab since 1999, when MIT started working with the company's property and casualty division. In 2006, this partnership was extended to The Hartford's retirement initiative. The purpose of the collaboration is to gain greater insight and understanding into the challenges facing Americans as they age, and to apply this understanding to the delivery of financial planning products and services to meet the needs of its customers. The AgeLab's multi-disciplinary team has developed unique methods, facilities and data that place it at the forefront of innovation in transportation, health and wellness, aging and longevity planning. The AgeLab's Internet address is <http://web.mit.edu/agelab>.

"Why Women Worry" is part of a series of retirement-related research findings being published by The Hartford and the MIT AgeLab. The series began in February 2008 with the "Power of Two" findings on issues around couples, communication and financial planning.

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