Factors such as lower lifetime income and breaks in employment contribute to a retirement savings gap among women when compared with men. The author offers ten suggestions for employers to help close that gap and improve women's long-term financial security.

10 Ideas to Improve the Retirement Outlook for Women

by | **Catherine Collinson**

In recent decades, women have made tremendous strides in terms of educational attainment and career advancement. Despite this progress, women continue to be at greater risk of not achieving a financially secure retirement than men.

Women are more likely to take time away from the workforce for parenting and caregiving. These breaks in employment negatively impact their earning power, their access to employer-sponsored retirement benefits and their financial ability to save for retirement. The gender pay gap is slowly closing, but women often earn less than men, leaving them with less income available to save. Moreover, women also often have lower lifetime income than men, resulting in lower Social Security benefits. Statistically, women live longer than men, so they should be saving more for an even longer time in retirement.

To help illustrate the retirement savings gap, Transamerica Center for Retirement Studies® (TCRS), a division of nonprofit Transamerica Institute®, found a wide disparity in household retirement savings between women and men in the workforce. According to its report, *Retirement Security: A Compendium of Findings About U.S. Workers,* women have saved $28,000 in all household retirement accounts, which is less than half of the $69,000 reported by men (estimated medians).[1]

The following ten ideas are intended to inspire a dialogue between employers and their advisors on how they can enhance their benefits and business practices to improve retirement security for women.[2] While most of these ideas can be beneficial for all employees, they can be especially helpful in bridging the retirement savings gap and improving women's long-term financial security. These ideas may also help employers attract and retain valuable talent in today's highly competitive labor market.

learn more

Education

How Women Have Been Impacted by COVID-19
On-Demand Webcast
Visit *www.ifebp.org/webcasts* for more details.

From the Bookstore

Ready or Not: Your Retirement Planning Guide, 47th Edition
International Foundation and Elizabeth McFadden. 2020.
Visit *www.ifebp.org/readyornot* for more information.

1. Offer a 401(k) Plan

Employer-sponsored plans such as 401(k)s have proven to be one of the most effective ways to encourage workers to save for retirement. They are appealing because they offer employees the opportunity to save on a tax-advantaged basis, the convenience of payroll deductions, access to institutional investments and professionally managed account services, and robust planning tools and educational offerings. They can also include employer matching contributions.

Sixty-four percent of working women are offered a 401(k) or similar plan by their employers, compared with 72% of men. A major contributing factor is that women are more likely than men to work part-time.

While most employers believe that offering a 401(k) or similar plan is important for their ability to attract and retain talent, only 52% offer any such type of plan.

It has recently become more affordable to offer a 401(k) plan. The Setting Every Community Up for a Secure Retirement (SECURE) Act increased the tax credit limitation for employers with 100 or fewer employees that start a plan or join a multiple employer plan (MEP) or pooled employer plan (PEP).

Alternatively, if offering a 401(k) plan still seems out of reach, more than a dozen states have enacted retirement savings programs, while many other states are currently considering legislation. These programs vary from state to state, but all are designed to facilitate the offering of workplace retirement savings arrangements.

2. Extend Retirement Plan Eligibility to Part-Time Employees

Because women are more likely than men to work part-time, extending eligibility to part-time employees could help bridge the retirement benefits gap. Only 51% of employers that offer a plan extend eligibility to their part-time employees.

The SECURE Act requires that plan eligibility be extended to long-term, part-time employees who have worked 500 to 999 hours per year for three consecutive years. Employers also may want to consider extending plan eligibility to part-time workers who don't qualify as long-term employees.

Alternatively, employers can provide part-timers with a payroll deduction individual retirement account (IRA) or simply offer them information about how to set up the direct deposit of their paychecks into more than one account (e.g., their primary checking account and an IRA).

3. Provide and Promote Retirement Planning Tools and Resources

Planning tools and educational resources are a highly competitive component of 401(k) plans in today's retirement plan marketplace. However, plan sponsors may not be aware of the full array of resources that could be offered to their participants. For example, retirement calculators are a staple offered by plan providers, but only 43% of plan sponsors indicate that they or their plan providers offer them.

Consulting with their benefits advisors and retirement plan providers, employers can determine whether women are taking full advantage of the resources available. They can also develop targeted communication campaigns to raise awareness and engagement among employees. Campaigns tailored for women can include goal setting, financial considerations when deciding whether to step away from the workforce, the fundamentals of retirement investing and the resources available through their retirement plan provider.

takeaways

- With lower lifetime income and longer life expectancy, women continue to be at greater risk of not achieving a financially secure retirement than men.
- Traditional benefits including 401(k) plans and health and welfare benefits can help women be more financially secure and save more for retirement.
- Expanding retirement plan eligibility to part-time workers and providing alternative work arrangements can help women who may have caregiving responsibilities stay in the workforce and continue contributing to their retirement savings.
- Employers should consider providing and promoting retirement planning and financial wellness tools and resources, which can offer guidance in matters like budgeting and paying off student loans.
- Campaigns tailored for women to raise engagement in retirement planning can include goal setting, financial considerations when deciding whether to step away from the workforce and the fundamentals of retirement investing.

4. Promote the Saver's Credit

The Saver's Credit is a tax credit for middle- and lower income eligible taxpayers who save for retirement in a 401(k), 403(b) (or similar employer-sponsored retirement plan), a traditional or Roth IRA, or an Achieving a Better Life Experience (ABLE) account. The credit is worth up to $1,000 for single filers and $2,000 for those who are married and file jointly.

Women are more likely to meet the Saver's Credit's income eligibility requirements than men, a byproduct of the gender pay gap. Paradoxically, however, women are less likely to be aware of the tax credit than men (35% vs. 49%).

Employers can help women by increasing awareness of this valuable tax incentive. For example, they can incorporate messaging about the Saver's Credit into their 401(k) plan communications at the time of participant enrollment and annually during tax filing season.

5. Take a More Holistic Approach by Offering Financial Wellness Resources

Women face financial challenges that make it more difficult for them to save for retirement. When asked about their current financial priorities, 40% of women indicate they are just getting by to cover basic living expenses, compared with 23% of men. Women (61%) are also more likely than men (54%) to cite paying off debt as a priority.

In recent years, financial wellness programs have become increasingly available in the employee benefits marketplace. These programs can help employees reduce financial stress by offering guidance in budgeting, financial planning, saving for a home or education, paying off student loans and other debt, and saving and investing for retirement. They can be especially helpful for women to gain additional clarity and make better informed decisions about their finances.

6. Offer Other Health and Welfare Benefits

When employers offer benefits such as health, disability and life insurance, they can help employees protect their savings and financial situation. Workplace wellness programs encourage healthy habits among employees (while potentially helping employers mitigate health insurance costs and productivity losses). Employee assistance programs (EAPs) offer guidance and support in navigating life's challenges.

Women are more financially vulnerable than men, particularly single mothers. Unmarried women (33%) are more likely to be financially supporting children than unmarried men (19%). Therefore, these health and welfare benefits can be even more helpful for women.

7. Facilitate Alternative Work Arrangements

Women are more likely than men to step away from the workforce for parenting and caregiving. While such work is invaluable, it rarely comes with a paycheck or access to employer-sponsored retirement benefits. Moreover, it can be quite difficult to find employment after an extended absence.

By offering alternative work arrangements, an employer can help women manage the demands of their families without having to sacrifice their livelihoods. Many employers now offer flexible schedules and the ability to work remotely. However, only 36% offer the ability to switch from full-time to part-time work and vice versa, which could also prove particularly helpful for women.

8. Support Caregivers

Employees may find themselves needing to be a caregiver for an aging parent or loved one—and at a time when they are balancing employment, raising families and saving for their own retirement. Thirty-eight percent of women workers have either been a caregiver in the past or are currently a caregiver. With the aging of the Baby Boomer generation, who are now entering their mid-70s, this number is expected to rise.

By offering support to caregiving employees, employers can maintain higher levels of productivity and generate goodwill among all employees. Programs that may be helpful include the following:

- Online resources and/or tools to support caregivers
- An EAP that offers counseling and referral services
- Discounts or subsidies for backup care (e.g., a caregiver, in-home care, adult day care)
- Training for managers to learn how to handle situations with caregiving employees.

Larger companies are more likely than small companies to offer these programs, but there is a tremendous opportunity among companies of all sizes to consider making them part of their benefits package.

9. Offer Preretirees Greater Assistance in Transitioning Into Retirement

Workers nearing retirement face complex financial decisions about their transition. These decisions require setting forth a financial plan to help ensure their savings last throughout their lifetime. Because women have saved less than men, the urgency for them to make well-informed decisions is even greater.

Employers sponsoring retirement plans have an opportunity to work with their plan providers to enhance the transition assistance for employees. Most retirement plan providers offer robust services, but relatively few employers are providing or promoting them among their employees. For example, only 35% of plan sponsors offer education about transitioning into retirement.

Providing education about when and how to claim Social Security is especially important for women because they are more likely than men to expect to rely on it as their primary source of retirement income. The options for claiming Social Security are complicated, and decisions made can greatly impact monthly benefit payments—And they can be even more complicated for women who have worked part-time, taken time out of the workforce, or are divorced or widowed.

In addition, many workers now wish to work beyond traditional retirement age with a gradual transition into retirement, which may involve shifting from full-time to part-time work or taking on a role that is less stressful or demanding. While some employers offer these options, only 27% offer a formal phased retirement program with specific provisions and requirements.

10. Be an Age-Friendly Employer

People now have the potential to live longer than at any other time in history. With this gift of extra time, many people are extending their working lives. Today, the U.S. has four generations in the workplace, and they bring unprecedented diversity in terms of education, skills, life experience and collective wisdom.

Age-friendly employers offer training, resources and opportunities for workers of all ages to be successful. They recognize the value of workers of all ages, including older workers, and they consider older workers when developing their recruiting and retention strategies. Employers can demonstrate their commitment to being age friendly by adopting a diversity, equity and inclusion policy statement that cites age among other commonly referenced demographic segments. Other best practices commonly associated with age-friendly employers include age-inclusive recruiting efforts, flexible work arrangements, remote work, caregiver support and phased retirement.

Women's labor force participation declines at an earlier age than men's, which is primarily attributable to their stepping out of the workforce for parenting and caregiving. An age-friendly work environment can enable everyone to work as long as they want and need to before they retire, and it can be especially helpful for women seeking to work longer to bridge retirement savings shortfalls.

Moving Forward: Benefits and Business Practices for Brighter Retirement Outcomes

Employers are profoundly influential in helping their employees save and prepare for retirement. As they seek to increase diversity, equity and inclusion in the workplace, employers have an opportunity to identify and address potential structural disparities they may be unaware of, including the gender-related implications of their business practices and benefits offerings.

Transamerica Institute® is a nonprofit, private foundation dedicated to identifying, researching, and educating the public about retirement security and the intersections of health and financial well-being. It is the parent organization of Transamerica Center for Retirement Studies® which conducts one of the largest and longest-running annual retirement surveys of its kind. Transamerica Institute is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third parties. The information provided here is for educational purposes only and should not be construed as insurance, securities, ERISA, tax, investment, legal, medical, or financial advice or guidance. Please consult independent professionals for answers to your specific questions. www.transamericainstitute.org.

bio

Catherine Collinson serves as CEO and president of nonprofit Transamerica Institute and its Transamerica Center for Retirement Studies and is a champion for Americans who are at risk of not achieving a financially secure retirement. She oversees all research and outreach initiatives, including the annual *Transamerica Retirement Survey*. Collinson earned a bachelor's degree in British and American literature at Scripps College, Claremont, California and her master of business administration degree at the University of California, Irvine. Follow her on Twitter at @Cath_Collinson or LinkedIn at www.linkedin.com/in/catherine-collinson-49932233/.

Endnotes

1. *Retirement Security: A Compendium of Findings About U.S. Workers,* Transamerica Center for Retirement Studies, 2020. Available at https://transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2020_sr_20th_annual_compendium_of_workers_report.pdf.
2. These suggestions draw on *Navigating the Pandemic: A Survey of U.S. Employers* by Transamerica Center for Retirement Studies and the author's retirement industry experience.

pdf/921