

*The New Hampshire*  
**WOMEN'S POLICY**  
*Institute*

**Retirement *In*Security Report**  
**May 2009**

## **Executive Summary**

Nationally, one-half of middle class working families will run out of money during retirement (Munnell, Webb & Golub-Sass, 2007), and, as documented in this report, women will represent the majority of those who will be financially insecure during their retirement years. **Older women's economic vulnerability has implications for them as individuals, their families, communities, and the public at large.** As women live longer, they will continue to experience health challenges as they age, face rising fuel costs as well as cost of living increases - all while living on a fixed income that is expected to be substantially lower than what is available for men. In light of this, the New Hampshire Women's Policy Institute has observed that state-level policy changes that could increase savings for current and future generations and help stave off financial crisis have not received sufficient public debate or study.

This report provides the first-ever in-depth analysis of the financial status of New Hampshire's women ages 65 and over, defining what it takes to be economically secure and estimating who and how many of the state's older women are at risk both now and in the future. It projects some of the public costs of retirement insecurity among future women retirees in New Hampshire, and recommends policies that could increase personal savings and continued independence. Among the Institute's major findings:

- Women's lower income during retirement years is driven by a disparity in lifetime earnings between women and men. Much of this disparity has been due to differences in: pay rates, labor force participation in full-time and part-time work, as well as women's primary role as caregivers for family and others in their communities. The **estimated lifetime cost of caregiving is \$659,139.**
- New Hampshire women 65 and over who live alone have the lowest incomes among the state's older population. They are at the greatest risk of not being able to pay housing or health care costs, and of increasing their dependency on public tax dollars for a range of state programs. **Sixty-two percent of older women living alone have incomes below what is needed to cover basic costs of living.**
- Based on New Hampshire's 2006 Livable Wage Study, the Institute estimates an older woman living alone needs approximately \$20,000 per year to cover the basic costs of living, just over twice the federal poverty level. Approximately **28,000 women 65 and over in New Hampshire had household incomes below that level in 2007; if income distributions remain the same, that figure is expected to grow to 49,000 by 2020.**

- The lack of financial security is a major driver for public benefit programs as New Hampshire residents age. Taking Medicaid spending as an example, it is estimated that spending on women aged 65 and over **in 2020 is expected to cost New Hampshire taxpayers \$330 million.**<sup>1</sup>
- There are a range of policies and activities which can be implemented now, many with minimal immediate cost that will help to ensure that the women of New Hampshire are able to live out their lives in the homes of their choosing and as a continued social, economic and political force in their communities.

Not only do women represent the majority of those in New Hampshire needing public care in their old age; they also represent the majority of those who are *providing* care to New Hampshire's aging population. ***This puts women at the center of one of the most significant challenges facing the public sector today—how to fund and provide care for New Hampshire's aging population.***

### **What are some policy and program options to increase retirement savings?**

Estimating the future impacts of retirement insecurity on individuals and the broader public is a challenging process which merits additional study and debate. As discussed in this brief, there are a number of factors which can result in either greater or lesser estimates of retirement insecurity among women. Despite these remaining questions, there are facts that we do know now:

- Due to a variety of reasons, women earn less over their lifetimes than men and are therefore at a substantial financial disadvantage by the time they reach retirement age.
- Older women who live alone are at greatest risk for retirement insecurity, as 60% take in less than a livable income.
- With each generation, women are living longer and may therefore require more resources to be in place in order to manage all the fiscal needs of living, including needs for health care, goods and services, respite, and caring for family.
- Many women lack sufficient financial literacy to ensure adequate planning for their later years.
- New Hampshire's aging population will continue to grow. Outside of new interventions or substantial shifts across the economic landscape, systemic factors shaping fiscal inequality now will continue to shape people's lives in the years to come.

In looking at ways to improve retirement security, not only for women but for all our residents, the New Hampshire Women's Policy Institute identified a number of programs that have been shown to increase retirement savings, or that show promise in terms of increasing opportunity and access to retirement savings plans, in both the public and private sectors.

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<sup>1</sup> Based on medical care inflation for 2020 of 4.3%, an anticipated population growth of 78% and federal match of 50%. In FY 2006, New Hampshire spent 29% of general fund expenditures on Medicaid.

## **State-Sponsored Voluntary Retirement Program**

A number of states are working on state-sponsored voluntary retirement savings plans. Much like the current 529 college savings plans, these plans have the state set up a program to provide the vehicle for individual savings accounts, but do *not* entail state funding of contributions or matching funds for the account. The plans are targeted to low and moderate income workers and are intended to make savings plans more accessible to those at lower income levels, allowing smaller individual contribution amounts, and a range of simple, secure choices. A number of legislators in New Hampshire have been exploring the feasibility of such a plan here.

## **Automatic Enrollment into Private Retirement Plans**

Having employees automatically enrolled in a retirement plan unless they choose to opt out has been shown to increase participation rates in employers' retirement plans. In one study automatic enrollment increased women's participation rates from 35% to 86%. Currently most employers require an employee to opt *in* if they want to enroll, as opposed to having them opt *out* if they do not want to participate. New Hampshire could encourage or require such practices among its employers.

## **Targeted Educational Seminars on Retirement Savings**

Private employer educational seminars that are targeted to the particular needs of the audience are associated with higher participation rates and contribution levels, especially for lower wage employees (Bayer, Berhneim, and Scholz, 1996). New Hampshire could encourage these kinds of seminars in the private sector and increase options for this type of education, especially for women.

## **Encourage Local Ordinances That Support Older Women Living with Family**

The data show that older women who are living with others (often their children) have significantly higher household incomes than those who are married or living alone. Community leaders could ensure that local ordinances do not restrict the development or use of 'mother-in-law' apartments, or could go farther to encourage these arrangements.

## **Education for Women to Advance Their Careers and Earnings**

Scholarships for adult learners could increase the number of women and men who would further their education, and go on to get a degree during their career, thus increasing their opportunities for higher wages. Scholarships for nontraditional occupations for women could increase options for higher wages as well.

If we are able to take steps now to improve retirement security, the savings in both the private and public sectors would be substantial. For example, if retirement security for just 100 women could be improved such that they could delay or forgo placement in a nursing home, the projected savings would be approximately \$7.4 million.<sup>2</sup>

## **Outlook for the Future**

Women's longer life spans combined with lower income and fewer savings results in many older women being at significant risk of economic hardship, with those who live alone being at the greatest risk. Improving women's retirement security is a critical aspect of the public policy challenges facing the state. Supporting long

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<sup>2</sup> This assumes an average nursing home stay of 2.4 years, and an average cost of \$31,000 per year (based on 2005 costs and adjusted for inflation).

term care for an increasing aging population, and helping citizens age in their homes and maintain independence despite rising housing, fuel and healthcare costs will in turn strengthen NH's economic future. Although women's greater risk of economic hardship during later years is largely driven by historical patterns of work, caregiving, and occupational concentrations, there are public and private policies that can alleviate the risks and create potential benefit for all New Hampshire taxpayers.

In addressing this challenge, New Hampshire does have some advantages. On average, the state has a highly educated and wealthy population with relatively high workforce participation. Workforce participation among women 55 and older nationally has been increasing over the past two decades.<sup>3</sup> These are positive developments in terms of women's financial security, since working longer (or retiring later) and earning higher pay are important strategies to help build retirement security.

New Hampshire faces challenges as well, including having mostly small companies which are less likely than larger firms to offer retirement plans. A 2002 survey showed only one out of three small firms who responded had some form of retirement plan. The state also faces serious fiscal constraints in the state budget which may restrict new ideas or actions that carry a cost, even when those ideas may produce cost savings in the long run.

In order to address the immediate and long term needs of older women and some of our most vulnerable citizens, the state should take an active role in encouraging and facilitating savings, improving financial education, and ultimately increasing savings for taxpayers. This report is intended to provide the data and the information needed for policy makers to gain a better understanding of the limits and challenges for retirement security among women and to offer a range of potential solutions which can help to alleviate the implications of these challenges.

## **[A Note about the Data](#)**

This report is based on an analysis of the public use microdata sample (PUMS) for New Hampshire from the U.S. Census Bureau's American Community Survey (ACS). The Institute combined four years of PUMS data (2003-2006) to create a database of sufficient size to support analysis using methodology reviewed and approved by staff at the U.S. Census Bureau. In cases where sampling size for the 2007 ACS PUMS was sufficient and appropriate, these data were used instead. Our findings, therefore, represent the most recent detailed analysis of socio-economic data on women's retirement in New Hampshire. Because many of the findings represent activity over a four year period, they are estimates presented with a broad brush, useful for identifying some of the major issues facing New Hampshire's population of older women today. Complete description of the Institute's methodology as well as estimated margins of error for analysis involving multiple years of PUMS data are provided in the last section of the report.

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<sup>3</sup> U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1988, 1998, and 2008.