

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

**Retirement *In*Security Fact Sheet**  
**May 2009**

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.

- 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>

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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.

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

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.

### **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>

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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).