



# Exploring the Retirement Income Equity Gap

Trends in the retirement readiness gender gap, nationally and among TIAA participants

## PRESENTATION BY

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# Retirement Length

## Women have longer retirements than men

- Among TIAA participants, women retired at an average age of 66 compared to 67.3 for men.<sup>1</sup>
- A 66-year-old today, average health, non-smoker:<sup>2</sup>
  - Man has a 35% chance of living to 90
  - Woman has 45% chance of living to 90
- Compared to men, women need to finance longer retirements

<sup>1</sup>Brown, J., Poterba, J., Richardson, D. (2021). Trends in retirement and retirement income choices by TIAA participants: 2000–2018

<sup>2</sup>Longevity Illustrator, Society of Actuaries. [www.longevityillustrator.org](http://www.longevityillustrator.org)

# Income

## Women earn less than men

Connection to retirement income:

The Social Security benefit formula is based on both

1. when you claim benefits
  2. how much you earn over your working life
- Lower lifetime wages for women will result in lower Social Security benefit amounts

DC retirement plan structure

- Employer retirement contributions based on a percent of employee's salary, i.e. contribute 6% of salary to workplace plan

Median wages in 2020

White



Black



Hispanic



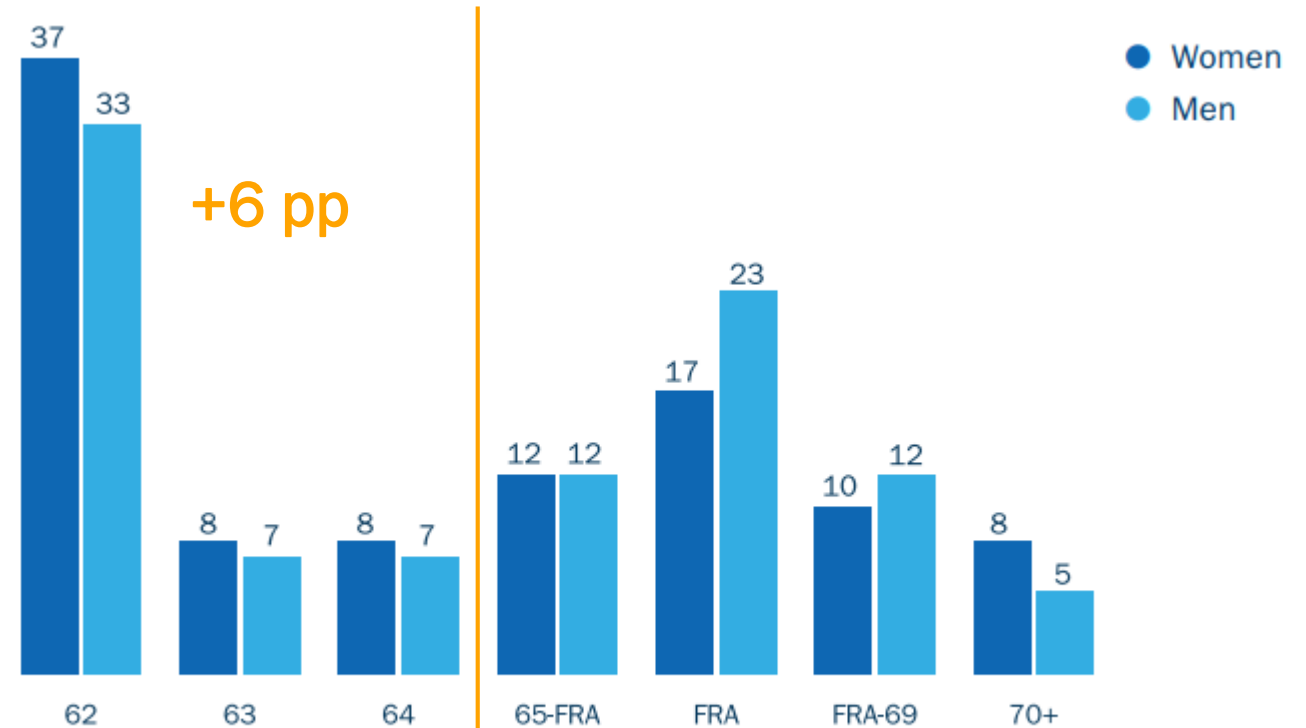
# Social Security

## Social Security Claiming Ages

- Claiming Social Security at age 62 compared to 67 results in 30% less Social Security income
- Waiting from 67 to 70 results in an increase of 26% more Social Security income
- Workers tend to claim Social Security at retirement
- Women are significantly more likely to take Social Security earlier,

Combined with lower lifetime incomes, this results in smaller Social Security benefit amounts.

Distribution of Social Security Claiming Ages

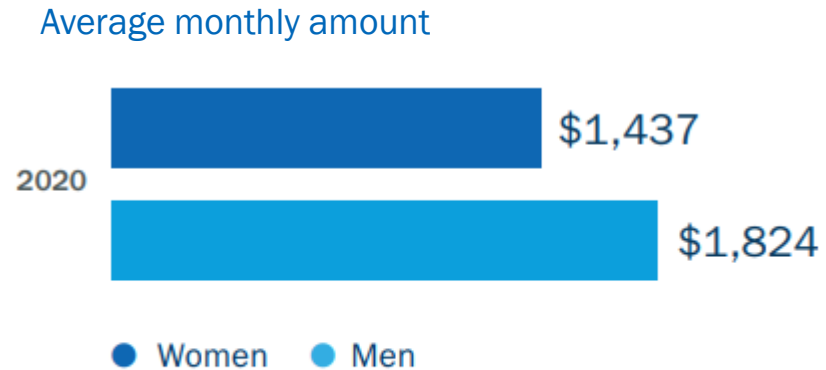


Notes: Percents shown. Source, Social Security (2021). Full retirement age is the age when one is eligible for unreduced retirement benefits.

# Social Security

## Social Security Benefit Amounts for Retired Workers

- Women have 34% *less* Social Security income
- But....gap has decreased by 15% since 2012
  
- Lower dollar benefit from Social Security cost-of-living increases compared to individuals with larger starting Social Security benefit amounts
  
- Outside of SS, and primary residence, largest store of wealth is in retirement accounts.



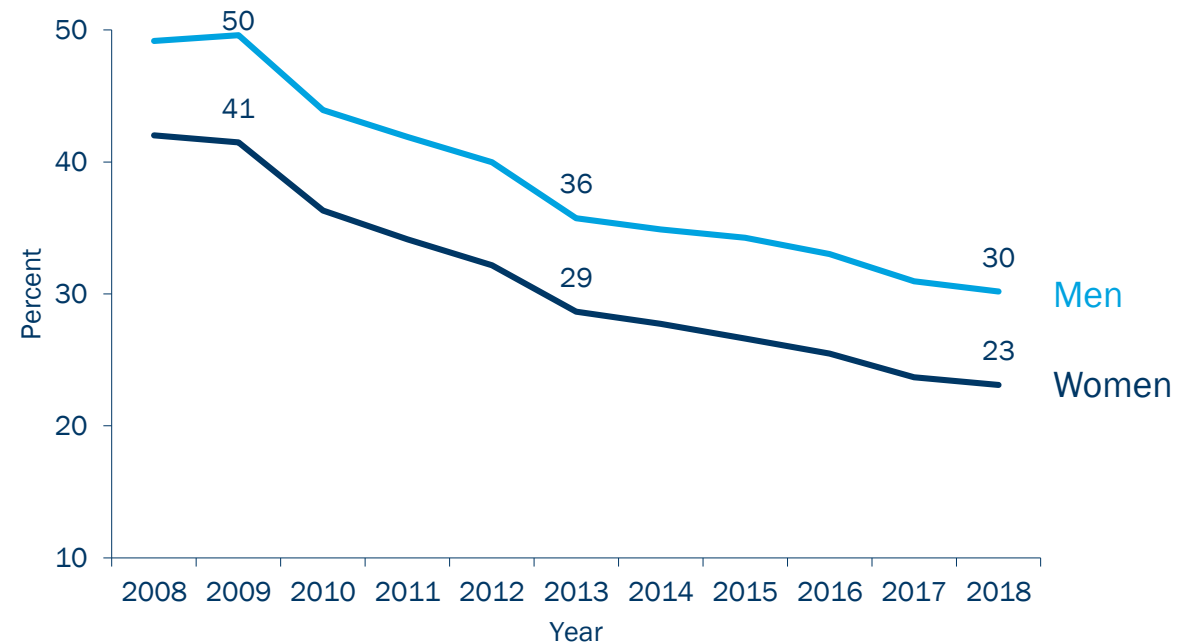
Source: Social Security (2021).

# Longevity Insurance

Women face greater *longevity risk* due to their longer retirements

- Life annuity insures against longevity risk (i.e. running out of money in retirement) by paying guarantee stream of income as long as you live.
- With longer retirements, we expect women to have greater demand for life annuities.
- We find women are less likely to purchase life annuities.
  - At risk of lower standard of living in retirement, especially with *lower* Social Security Amounts

Percent of TIAA Income Recipients taking Life Annuity



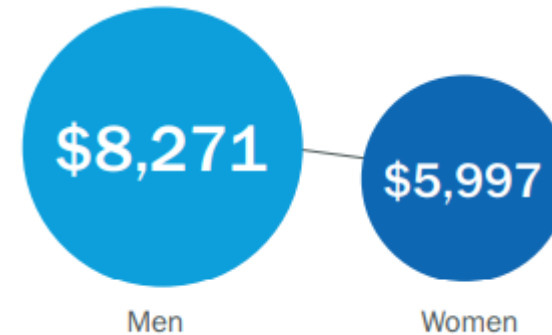
Source: Author calculations from TIAA Administrative Records

# Workplace retirement plans

## Contributions to TIAA system in workplace retirement plans

- With lower salaries it is not surprising we see a large difference in contribution dollars.
- However, are women contributing the same percent of wages to retirement?
  - 10% less than men.
  - women are facing additional retirement savings challenges beyond lower salaries.
- If salaries were the only difference, we see the same contribution rates

Median Contribution Dollars to TIAA in 2020



Median Contribution Rates as Percent of Salary to TIAA in 2020



Source: Author calculations from TIAA administrative records



# Workplace retirement plans

## Accumulated retirement balances in TIAA

- Lower contribution amounts leads to substantially lower balances at retirement because of the impact of compounded investment returns
- Men have significantly higher median account balances than women.
- At age 65+ women have 58% less median account balances than men.

Median Balances in TIAA Retirement Accounts in 2020

Age	Men	Women
35-49	\$63,627	\$46,932
50-65	\$221,492	\$117,040
65+	\$491,621	\$204,304

Source: Author calculation from TIAA administrative records

# Relative Retirement Preparedness

Are women on track to replace the same percent of pre-retirement income than men?

- Women have less retirement saving in *absolute terms*,
  - maybe they are still on track to replace the same percent of their salaries in retirement compared to men
- Do they have less savings in *relative terms*?

Are men and women on track to replace the same percentage of their pre-retirement income?

- *This relative measure will control for lower salaries for women.*

# Relative Retirement Preparedness

Are women on track to replace the same percent of pre-retirement income than men?

We examine the Asset to Salary Ratio (ASR) to see how prepared individuals are for retirement at a specific age, assuming retirement at age 67.

ASR = Retirement Assets (\$) / Salary (\$) at a point in time

Then compare this to a pre-retirement income replacement ratio in retirement (under reasonable assumptions)

- i.e. earn \$80,000 now and want to replace 40% of that income from retirement savings accounts, with wage increase of 4% each year
- Age 40: Need \$77,000 in retirement savings (ASR = 0.96)
- Age 50: Need \$181,000 (ASR = 2.3)
- Age 67: Need \$409,000 (ASR = 5.1)

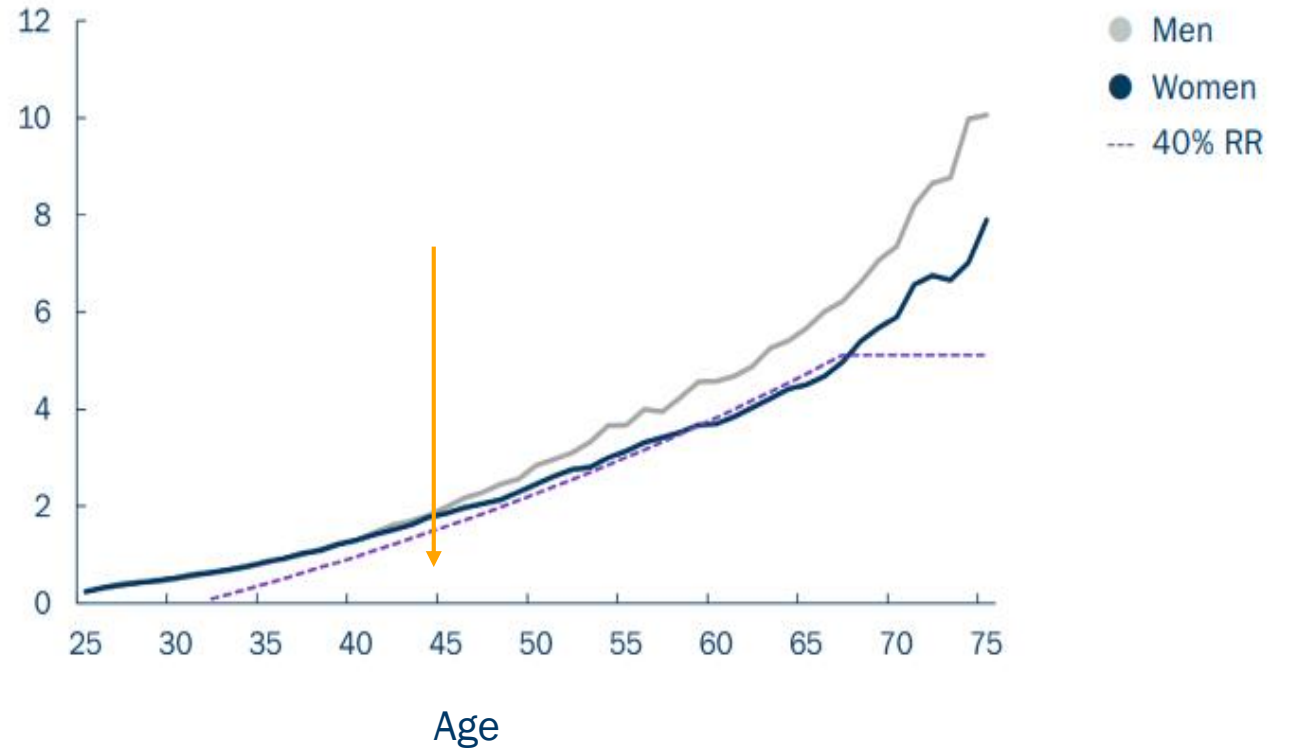
# Relative Retirement Preparedness

Are women on track to replace the same percent of pre-retirement income than men?

Purple line shows the asset to salary ratio needed to replace 40% of pre-retirement income in retirement, assuming retirement age of 65

- **After age 45**, gap begins and increases through working life
- *Silver lining*: women able to replace 40% of pre-retirement income among TIAA participants

Average Asset Salary Ratio (ASR): Assets (\$) / Salary (\$) in 2020



Source: Author calculations from TIAA Administrative Records

# Discussion

Other causes for gap and areas for policy improvements

- Child and elder caregiving duties borne by women
  - Direct expenses (stopped saving, more debt)
  - Indirect expense (less able to focus on career / labor earning income)
- Lack of maternity, child, and elder benefits
- Women's career advancement

Where to improve individual retirement security

- Education and advice for individuals on:
  1. Workplace retirement plans
  2. Other tax-advantaged vehicles, i.e. Roth accounts, Health Savings Accounts
  3. Role of longevity insurance and annuities

