United States Government Accountability Office

Report to the Special Committee on Aging, U.S. Senate

July 2020

RETIREMENT SECURITY

Older Women Report Facing a Financially Uncertain Future

GAO-20-435

GAO Highlights

Highlights of GAO-20-435, a report to the Special Committee on Aging, United States Senate

Why GAO Did This Study

Older adults represent a growing portion of the U.S. population and older women have a longer life expectancy, on average, than older men. Prior GAO work has found that challenges women face during their working years can affect their lifetime earnings and retirement income. For example, we found women were overrepresented in low wage professions, paid less money than their male counterparts during their careers, and were more likely to leave the workforce to care for family members. Taken together, these trends may have significant effects on women's financial security in retirement.

GAO was asked to report on the financial security of older women. This report examines (1) women retirees' perspectives on their financial security, and (2) what is known about the financial security of older women in retirement.

GAO held 14 non-generalizable focus groups with older women in both urban and rural areas in each of the four census regions. GAO also analyzed data from three nationally representative surveys—the 2019 Current Population Survey, the Health and Retirement Study (2002-2014 longitudinal data), and the 2016 Survey of Consumer Finances.

View GAO-20-435. For more information, contact Charles Jeszeck at (202) 512-7215 or jeszeckc@gao.gov.

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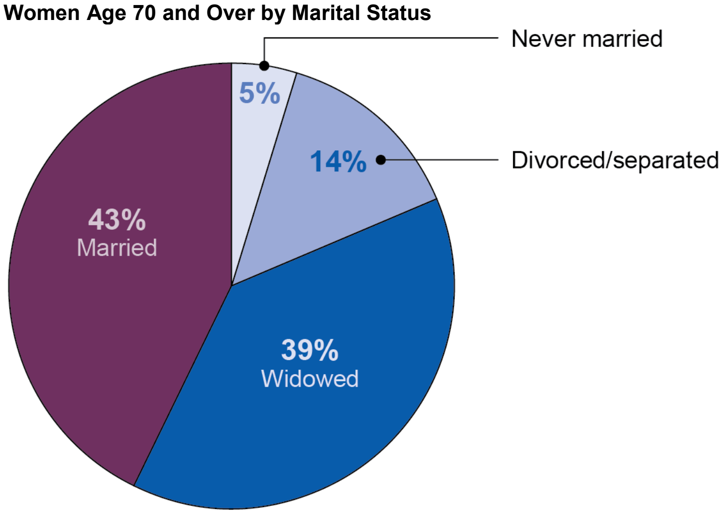
What GAO Found

In all 14 focus groups GAO held with older women, women described some level of anxiety about financial security in retirement. Many expressed concerns about the future of Social Security and Medicare benefits, and the costs of health care and housing. Women in the groups also cited a range of experiences that hindered their retirement security, such as divorce or leaving the workforce before they planned to (see fig.). Women in all 14 focus groups said their lack of personal finance education negatively affected their ability to plan for retirement. Many shared ideas about personal finance education including the view that it should be incorporated into school curriculum starting in kindergarten and continuing through college, and should be available through all phases of life.

Women Age 70 and Over by Marital Status



Source: GAO analysis of 2019 Current Population Survey. | GAO-20-435

Note: Percentages do not add up to 100 percent due to rounding.

Individual women's financial security is also linked to their household where resources may be shared among household members. According to the 2016 Survey of Consumer Finances, among households with older women, about 23 percent of those with white respondents and 40 percent of those with African American respondents fell short of a measure of retirement confidence, indicating their income was not sufficient to maintain their standard of living. The likelihood of a household reporting high retirement confidence rose in certain cases. For example among households of similar wealth, those with greater liquidity in their portfolio and those with defined benefit plan income were more likely to report high retirement confidence.

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Abbreviations

AGI	Adjusted Gross Income
ASEC	Annual Social and Economic Supplement
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CPI-U	Consumer Price Index for All Urban Consumers
COVID-19	Coronavirus Disease 2019
CPS	Current Population Survey
CRS	Congressional Research Service
CAMS	Consumption and Activities Mail Survey
DB	defined benefit
DC	defined contribution
DOL	Department of Labor
Federal Reserve	Board of Governors of the Federal Reserve System
HECM	Home Equity Conversion Mortgage
HHS	Department of Health and Human Services
HRS	Health and Retirement Study
IRA	Individual Retirement Account
MOE	Margin of error
OAA	The Older Americans Act of 1965, as amended
RSE	relative standard error
SCSEP	Senior Community Service Employment Program
SCF	Survey of Consumer Finances
SPM	Supplemental Poverty Measure
SSA	Social Security Administration

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U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
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July 14, 2020

The Honorable Susan M. Collins
Chairman
The Honorable Robert P. Casey, Jr.
Ranking Member
Special Committee on Aging
United States Senate

Achieving retirement security can be challenging for various reasons, and women may face particular difficulties. We previously estimated that 20 percent of older households had less than $22,000 in income in 2016.[1] Women's households also have the additional challenge of overcoming women's lower lifetime earnings through longer life expectancies. We have reported, for example, that women were overrepresented in low wage professions and were often paid less than their male counterparts.[2] In addition, women are more likely to be a primary family caregiver for children, spouses and elderly relatives, which can also reduce career earnings.[3] Because women also often receive lower wages, they have less money that could help build retirement income.[4] These factors have existed in conjunction with the growing expectation over the past 40 years that individuals are responsible for planning and managing their own retirements rather than relying on employers to take a substantial role. For these reasons, it is important to understand qualitatively how women personally navigated challenges to retirement security during their lives.

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[1]See GAO, *Retirement Security: Income and Wealth Disparities Continue through Old Age,* GAO-19-587 (Washington, D.C.: Aug. 9, 2019). For this analysis, older households referred to those in which the survey respondent or any spouses or partners were aged 55 or older in the year of the survey. Note also that according to projections the Census Bureau made in 2010, the United States is projected to experience rapid growth in its older population, with 88.5 million Americans aged 65 and over in 2050, compared to 40.2 million in 2010, increasing the proportion of people in older age groups.

[2]See GAO, *Gender Pay Differences: Progress Made, but Women Remain Overrepresented among Low-Wage Workers,* GAO-12-10 *(Washington, D.C.: Oct. 12, 2011). We reported in 2011 that women in general had surpassed men in obtaining education over the last* three decades, but they represented 49 percent of the overall workforce and 59 percent of the low wage workforce.

[3]We recently reported on caregiving provided to spouses or parents. See GAO, *Retirement Security: Some Parental and Spousal Caregivers Face Financial Risks,* GAO-19-382 (Washington, D.C.: May 1, 2019).

[4]See GAO-12-10, *and* GAO, *Retirement Security: Women Face Challenges in Ensuring Financial Security in Retirement,* GAO-08-105 (Washington, D.C.: Oct. 11, 2007).

Accordingly, you asked us to report on the financial security of older women. This report examines 1) women retirees' perspectives on their financial security and 2) what is known about the financial security of older women in retirement.

To examine the perspectives of women retirees on their financial security, we held 14 non-generalizable focus groups of older women (generally over age 70) in nine locations, between October 2018 and January of 2019. We held groups in urban and rural locations in each of the four census regions (Northeast, South, Midwest and West) to achieve geographic dispersion. We composed groups of women of similar socioeconomic status to facilitate open discussion about personal finances, but also composed groups with the goal of racial diversity, age diversity above age 70, including single and married women, and those still working as well as retirees. GAO moderators facilitated these groups with a uniform discussion guide that asked women to define financial security, describe factors that positively and negatively impacted their retirement security, and share their thoughts on the future, among other questions. We then independently conducted a systematic content analysis of the 14 transcripts to identify the major themes of the perspectives shared by our focus group participants.[5] (For a discussion of our focus group methodology, please see appendix I.) We also spoke to some women age 70 and older in less formally organized discussion groups and interviews who, like the focus group participants, completed a participant questionnaire.[6]

To answer what is known about the financial security of older women in retirement, we analyzed nationally representative recent data and developed estimates from the 2019 Current Population Survey, 2002-2014 Health and Retirement Study longitudinal data, and the 2016 Survey of Consumer Finances. Among other things, we examined the composition and amount of assets held by older women, and the extent to

[5]We did not seek to independently validate the information provided during the focus groups, nor do we express an opinion or evaluation on any of the views or suggestions made by focus group participants. Rather, the focus group information presented in this report only reflects the perspectives of the focus group participants.

[6]Through focus groups, discussion groups and interviews, we spoke to 190 women overall. All the women we spoke to for this report met the same eligibility criteria to participate in our focus groups, and they all completed participant questionnaires. In some cases, we had too many participants for a focus group and therefore could not include them in the group. In situations such as these, we held smaller discussion groups or individual interviews with women. See appendix I for a detailed description of our focus group methodology and appendix II for more information about the women we spoke to.

which they reported being able to maintain their standard of living in retirement. We reviewed documentation on the Current Population Survey, Health and Retirement Study, and Survey of Consumer Finances. We determined that these data were sufficiently reliable for the purposes of our reporting objectives.

We conducted this performance audit from December 2017 to July 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

People face certain risks as they accrue assets or benefits for retirement throughout their lives, including an employment layoff, an inability to continue working, and the potential for poor investment returns on their retirement accounts. Once retired, there are also risks that retirement assets prove insufficient, that inflation adversely affects their standard of living, and that cognitive decline will affect financial decisions, among others.[7]

Sources of Retirement Income

- **Social Security retirement benefits**. Since 1936, these old age benefits have served as the foundation of retirement income in the United States for millions of Americans. Social Security pays these benefits to retirees, their spouses, and their survivors.[8] These benefits offer the advantage of a monthly stream of payments that continue until death, and they are adjusted annually for increases in the cost of living.[9] Social security is an important source of retirement income for almost everyone, but while the program has been effective in helping

[7]See GAO, *The Nation's Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security,* GAO-18-111SP (Washington, D.C.: Oct. 18, 2017).

[8]According to the Social Security Administration (SSA), nearly 9 out of 10 individuals age 65 and older received Social Security benefits, and 96 percent of workers are covered under Social Security. Workers can claim retirement benefits starting at age 62, but for retiring workers the monthly benefit they receive increases the longer they delay receiving them, up until age 70. Social Security also pays disability benefits to disabled workers.

[9]Monthly Social Security benefits are based on a worker's earnings history and are progressive, meaning that Social Security replaces a higher percentage of earnings for lower-income workers than for higher-income workers.

to reduce poverty among older adults, it was not intended to be the sole source of retirement income. Even so, many have come to rely primarily, if not completely, on it for their retirement. Researchers have estimated that 18 percent of households age 65 and older derived 90 percent or more of their incomes from Social Security in 2012.[10]

- **Workplace retirement plans.** These plans, which are offered by employers as a benefit to their workers, can also provide income in retirement. About two-thirds of private-sector workers in the United States had access to an employer-sponsored retirement plan in 2016. Defined benefit (DB) plans have become far less common in the United States. Under DB plans, retired workers receive fixed, lifetime monthly payments based on a formula specified in the plan, which are often based on factors such as a worker's years of employment, pay, and age of retirement.[11] As employers have shifted away from DB plans, defined contribution (DC) plans have become the dominant workplace retirement plan in the private sector. In these account-based plans, retired workers rely on income from savings they accumulated in their own account, based on the amount of money that was contributed to the account and the investment gains and losses earned on the account. Employers may also contribute to the account.
- **Individual Retirement Accounts (IRA).** IRAs are another potential source of retirement income. Over the last several decades, the amount of assets held in IRAs[12] has increased substantially. IRAs are funded mostly by assets rolled over from workplace DC or DB plans when individuals change jobs or retire, and they can also be directly funded, subject to eligibility and annual limits, by contributions made

[10]C. Adam Bee and Joshua Mitchell, *Do Older Americans Have More Income than We Think?*, SESHD Working Paper #2017-39 (U.S. Census Bureau: July 25, 2017). Note that while we refer to households in this sentence, this research studied "aged units", defined as single individuals age 65 or older, married couples with husbands aged 65 or older, or married couples where the wife is aged 65 or older and the husband is under 55. For married couples, incomes of both spouses are combined.

[11]While defined benefit plans place relatively less risk and responsibility on employees and more on employers, they are not without risk, as plan terminations or plan insolvencies can result in reduced participant benefits. See GAO-18-111SP.

[12]An IRA is an individual account that, similarly to DC plans, allows tax-deferred investments for retirement (or tax-free investments for retirement in the case of Roth IRAs, which are invested after income tax has been paid). IRAs provide a way for individuals not covered by an employer-sponsored plan to save for retirement, and a place for retiring workers or individuals changing jobs to transfer their employer-sponsored plan balances.

by workers. Total assets in IRAs and private sector DC plans far exceed those in private sector DB plans. According to the Financial Accounts of the United States, IRAs and private sector DC plans had about $8.7 trillion and $6.2 trillion in assets, respectively, in 2018, and private sector DB plans had about $3.0 trillion in assets.[13]

Measures of Retirement Security

Retirement security is not a well-defined concept and has been described quantitatively in various ways. Researchers have analyzed retirement security through poverty rates (the percent of a group that has income below an amount intended to represent a level of economic privation)[14] and related metrics. They have assessed a retiree's ability to cover all the necessary expenses for financial security, incorporating geographic differences in the cost of living. Many researchers have also measured retirement security using target replacement rates—the percentage of pre-retirement income needed to maintain a certain standard of living in retirement. We previously reported that the replacement rate recommended in studies varies substantially, and that the percentage of working income needed to replace a prior standard of living in retirement depends on the specific facts and circumstances of each individual household.[15]

Health Care and Other Services for Retirees

Health care is one of the largest and most important expenses for retirees. In our previous work, we found that, on average, older retiree households (those headed by individuals age 80 or older) spent 15 percent of their total spending on health care, which was more than double the share spent by mid-career households (those headed by individuals age 45 through 49).[16] Out-of-pocket health spending among

[13]Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release, Financial Accounts of the United states, Flow of Funds, Balance Sheets, and Integrated Macroeconomic Accounts, Fourth Quarter 2019,* Z1 (Washington D.C.: March 12, 2020), 94, 95.

[14]The official poverty measure used to provide information on how many people are "in poverty" in the United States was developed in the 1960s, based on the cost of food at that time. Poverty in the United States is officially measured by the Census Bureau, which calculates the number of persons or households with income below a dollar amount representing some measure of need, called a threshold, which typically varies by family size and composition. The Census Bureau sets the official poverty measure following the Office of Management and Budget's Statistical Policy Directive 14.

[15]See GAO, *Retirement Security: Better Information on Income Replacement Rates Needed to Help Workers Plan for Retirement,* GAO-16-242 (Washington, D.C.: Mar. 1, 2016)

[16]See GAO-16-242.

retirees varies according to a number of factors, including the existence of preexisting medical conditions, the onset of new diseases or illnesses, whether the retiree is covered by Medicare, has Medicare supplemental coverage (such as Part D prescription coverage), or is dually eligible for Medicaid. Medicare is the federal health insurance program for seniors 65 and older, and certain others.[17] Medicaid is a joint federal-state program and provides health coverage for certain low-income and medically needy individuals, such as children and individuals who are disabled or elderly.

The Older Americans Act of 1965, as amended (OAA), as amended, authorizes programs that support older Americans and are administered by the Department of Health and Human Services (HHS) and the Department of Labor (DOL). According Title I of the OAA, Congress recognized “the inherent dignity of the individual in a democratic society”, and aimed to, among other things, assist older people to secure retirement income based on the American standard of living, suitable housing, appropriate long-term care services, and employment opportunities free of age discrimination. Within HHS, the OAA established the Administration on Aging to administer related grant programs and serve as the federal focal point on matters concerning older persons. Since its enactment, the OAA has led to the establishment of a national network of state, area, and tribal agencies on aging and nearly 20,000 service providers, to deliver social and nutritional services to older Americans and their caregivers. According to HHS officials, roughly one in six older Americans benefit from OAA programs, yet older adults may not realize that they are using federal services because they are often delivered through local organizations. DOL administers the Senior Community Service Employment Program (SCSEP), which provides the higher of the federal, state, or local minimum wage to vulnerable Americans age 55 or older performing community service. It funded about 60,000 jobs in 2016. Participants work an average of 20 hours a week as a bridge to unsubsidized employment. All participants have a family income of no more than 125 percent of the federal poverty guidelines, which, for a household of two in 2020 was under $21,550.

Demographics of Older Women

Women’s life expectancy, race, education level, employment, and marital status are all factors that can influence retirement security. Life expectancy for women age 65 has increased by about 6 years over the past century. A woman born in 1920 who reached age 65 could expect to

[17] Medicare also covers individuals with end-stage renal disease.

live to age 84, on average; and a woman born in 2020 who reaches age 65 can expect to live to age 90.[18] According to our estimates from the 2019 Current Population Survey (CPS):

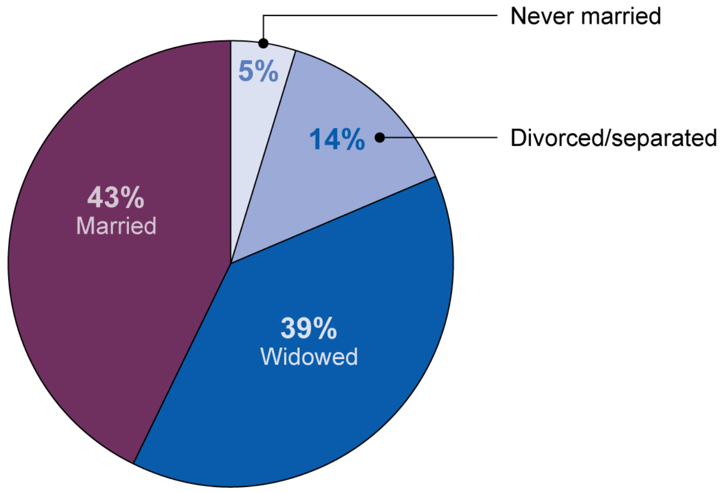
- Approximately 19.7 million women in the United States are 70 or older, representing about 7 percent of the 264 million Americans over age 15.
- Seventy-six percent of women 70 or older are white, compared to 63 percent of all adults age 15 and older. Nine percent of women age 70 or older are African American, 5 percent are Asian, and 9 percent are Hispanic.
- Most women age 70 or older have at least a high school education. Only about 14 percent have no high school diploma. Twenty-five percent of women age 70 or older have a Bachelor's degree or higher, compared to 32 percent of all Americans over age 25.
- About 43 percent of all women 70 and over are married (see fig. 1), compared to 50 percent for all Americans age 15 or older.
- An estimated 11 percent of women living in the United States age 70 and over were still in the workforce.[19] The three most common occupations for women 70 and over in 2019 were (1) secretary or administrative assistant, (2) elementary or middle school teacher, and (3) retail sales supervisors and managers.[20]

[18]A man born in 1920, once reaching age 65, could expect to live to age 80, on average, and a man born in 2020, once reaching age 65, can expect to live to age 88 on average.

[19]Approximately 2 million women age 70 and over were in the labor force according to 2019 CPS data.

[20]According to 2019 CPS data, the fourth and fifth most common occupations for women 70 and over were retail sales and personal and home care aids.

Figure 1: Women Age 70 and Over by Marital Status



Source: GAO analysis of 2019 Current Population Survey. | GAO-20-435

Note: percentages do not add up to 100 percent due to rounding. All estimates in this figure have relative standard errors of less than 6 percent.

While many factors can affect an individual's retirement security, research and our prior work have shown that women may face particular obstacles to achieving retirement security.[21] For example, we recently reported women 65 or older had less retirement income than men and were nearly twice as likely as men to be living in poverty.[22] Women in similar occupations as men are on average paid less, and women on average

[21]We also previously reported that among those reporting their DC plan contributions in dollar amounts, women's annual contributions were consistently around 30 percent lower than men's contributions between 1998 and 2009. See GAO, *Retirement Security: Women Still Face Challenges*, GAO-12-699 (Washington, D.C.: July 19, 2012).

[22]See GAO-18-111SP.

spend a disproportionate amount of time out of the workforce relative to men to meet caregiving responsibilities.[23]

Marital status may also affect women's economic security in retirement.[24] For example, unmarried women may be at greater risk of poverty in old age because they cannot pool resources with a spouse, against the risks of job loss, illness, or disability, and therefore may be more vulnerable to economic and financial shocks. In addition, women who never married are also unable to take advantage of some federal benefits and other protections that are conferred through marriage, such as Social Security spousal and survivor benefits.[25] Because women, on average, have lower earnings than men during working-age years, women will, on average, be more dependent on spousal benefits for their retirement security than men will. While a woman with a sufficient work history is entitled to claim Social Security based on her own work history, a married or previously married woman may be eligible to claim Social Security benefits as a spouse, or a survivor if widowed, based on her spouse's work history, which may be a larger benefit.[26]

[23]Federal law contains prohibitions on employment discrimination on the basis of sex. The Equal Pay Act of 1963 amended the Fair Labor Standards Act of 1938 to prohibit sex-based wage discrimination between men and women in the same establishment who perform jobs that require substantially equal skill, effort, and responsibility under similar working conditions. See Pub. L. No. 88-38, 77 Stat. 56 (codified as amended at 29 U.S.C. 206(d)). Title VII of the Civil Rights Act of 1964, as amended, prohibits an employer from, among other things, discriminating against any individual with respect to compensation, terms, conditions, or privileges of employment, because of such individual's race, color, religion, sex, or national origin. See Pub. L. No. 88-352, tit. VII, 78 Stat. 241, 253 (codified as amended at 42 U.S.C. §§ 2000e to 2000e-17).

[24]Fewer people are marrying, and those who do often do so later in life and stay married for shorter periods of time. Specifically, from 1980 to 2016, the proportion of the population age 15 or older that is not married (i.e., never married, divorced, or widowed) has increased from 39 to 48 percent. These trends have disproportionately occurred within the nation's most vulnerable populations: low-income, less-educated individuals, and some minorities.

[25]Individuals who were married for at least 10 years to a spouse who is eligible for Social Security are generally eligible for a Social Security spousal benefit and, once the ex-spouse dies, a survivor's benefit, which may be higher than the spousal benefit. According to an SSA official, women are not always aware that their ex-spouse died, yet the survivor benefit they could claim after the death of the spouse may be greater than the amount they can receive based on their own work history.

[26]Note that women are not eligible for spousal benefits if they are married less than 10 years and the marriage ends in divorce.

Older Women Desired Financial Independence in Retirement, but Perceived Their Retirement Security to Be Influenced by an Unpredictable Future

Older Women Viewed Financial Independence as Fragile but Essential to Their Retirement Security

In all 14 focus groups,[27] women defined financial security in retirement as the ability to maintain their independence.[28]

[27]We spoke to 190 women for this report. The majority were 70 to 80 years-old, and 19 were over 80. Among these women, 129 were white, 42 were African American, five were Hispanic or Latino, three were Asian, two were American Indian or Alaska Native, six were other or mixed races, and three did not report their race. Among these women, 121 were from urban areas and 69 were from rural areas. See appendix II for more detailed information on the composition of our focus groups.

[28]While we report our findings by the number of focus groups in which a topic was discussed, it does not necessarily mean that there was a consensus or agreement among all focus group participants on a given topic. However, we often report perspectives that were commonly shared across a large number of focus groups, or were frequently discussed by participants. We did not seek to independently validate the information provided during the focus groups, nor do we express an opinion or evaluation on any of the views or suggestions made by focus group participants. Rather, the focus group information presented in this report only reflects the perspectives of the focus group participants. In addition, some of the views and concerns about retirement security expressed by women in the focus groups might be relevant for and felt by men as well. See appendix I for a detailed description of our focus group methodology and appendix II for more information about the women we spoke to.

> **One woman said:**
>
> “I would love to be able to meet the needs I have. And I’m not talking about anything extravagant at all, but the needs without ever having to be dependent on my children. I absolutely dread that.”
>
> Source: Retirement security focus group participant. | GAO-20-435

Women said that maintaining independence in retirement can mean meeting essential expenses, like housing, food, and health care; having a sense of financial freedom to not scrutinize every purchase; and being able to afford what they want, beyond the essentials. Some women also said independence includes not having to worry about the future for financial reasons; not having to rely on others to support them financially; or not having to ask others to take care of them.[29]

Confidence in their Current and Future Financial Situation

> **One woman said:**
>
> “The problem is that financial security is for the moment, and it’s the stress of not knowing what’s going to happen health wise, our living arrangements, the cost of being in a nursing home, not having long-term healthcare – the unknowns are causing me stress. Because I’m okay today, but I don’t know what’s going to happen.”
>
> Source: Retirement security focus group participant. | GAO-20-435

When we asked women how comfortable they felt about their current financial situation, responses were evenly mixed in focus groups, with 12 focus groups discussing both positive and negative feelings around their current retirement security. Some of the reasons women gave for feeling financially secure were that they have multiple sources of income (pension benefits, Social Security benefits, or annuities); household savings and investments; home equity; and money set aside for emergency expenses; or that they were debt-free and frugal. Some of the reasons women gave for feeling financially insecure were that they are unable to pay for essential expenses and must rely on others for financial assistance. Women who felt financially insecure also reported that they are in debt, lack savings, and have to work or rely on assistance (with housing or food expenses) to make ends meet.

> **One woman said:**
>
> “I’ve been lucky enough I don’t touch my retirement, so I really live on my Social Security and my husband’s annuity so I haven’t had to touch that… I know I have enough that if I need a big expenditure or something I’m okay and I can get out the cash I have. It’s a nice, comfortable feeling. “
>
> Source: Retirement security focus group participant. | GAO-20-435

Social Security income plays an important role in helping older women achieve their goals of maintaining their independence and covering their

[29]Note that in five focus groups women shared positive sentiments about their children assisting them financially. Some examples provided by these women included moving in with a child, children assisting them with monthly bills, or receiving monthly entertainment money from their children.

essential expenses, according to our focus group discussions.[30] Focus group participants discussed their perspectives on government programs, including Social Security, more than any other topic. In 11 focus groups, women specifically expressed concern about losing their Social Security or Medicare benefits, and several women described Social Security as a financial resource that helps them to maintain their lifestyle in retirement.

One woman said:

My worry right now is I can live on the money I make on Social Security which is not a lot because most of my jobs in my life were very low paying jobs and there was no retirement benefits, there was nothing like that.

Source: Retirement security focus group participant. | GAO-20-435

Women in all our focus groups said they had uncertainty or fear about meeting future expenses, suggesting a sense of fragility around retirement security. Of the 179 women who responded to our written questionnaire about whether they expect their financial situation to change, 91 reported that they expected their situation to stay about the same, 50 reported that they expected it to deteriorate, and 15 reported that they expected their financial situation to improve. Table 1 shows the future concerns most frequently cited by participants, as they reported on our questionnaire.

Table 1: Top Five Future Concerns of Questionnaire Respondents

Topic	Number of respondents who reported being “somewhat” or “very” concerned.
Inflation increasing the cost of goods and services	158
Reduced Social Security and/or Medicare benefits	146
Cognitive decline and financial challenges from dementia, Alzheimer’s, etc.	134
Medical costs (including nursing home or home care)	132
Incorrectly estimating future expenses and your ability to pay	130

Source: GAO participant questionnaire. | GAO-20-435

Note: We asked the women who spoke to us for this report to complete a questionnaire that included questions about their concern around their ability to pay for certain items in the coming years.

[30]This is consistent with a 2019 report from the Congressional Research Service (CRS), which found that nearly half of all older adults would be in poverty if they did not have Social Security income. CRS reported that if Social Security were no longer an income resource for older adults, the estimated poverty rate would increase from 14 percent to 49 percent among people age 65 and older. See CRS R45791: “Poverty among Americans aged 65 and older.” Note that the poverty rates reported by CRS were calculated using the 2017 Supplemental Poverty Measure (SPM). SPM threshold calculations are based on consumer expenditures for clothing, shelter, and utilities in addition to food expenditures, which is the basis of the official poverty measure thresholds. The SPM also considers a range of factors in estimating financial resources, such as in-kind benefits (such as housing or food subsidies), taxes, and out-of-pocket medical costs, whereas the official poverty measure uses income before taxes. In addition, CRS noted that the report did not consider behavioral effects.

Specifically, the questionnaire included a question about their concern around certain financial events that might occur in the coming years. Of the 190 discussion participants who received our questionnaire, the lowest number of responses for either of these questions was 176. The table does not reflect the number of women who responded “not very concerned” or “not applicable” to our questions regarding future concerns.

Costs associated with health care and housing were frequently cited as concerns among focus group participants, which may not be surprising given that older Americans devote a substantially larger share of their total budgets to medical care and shelter than others, and costs for medical care and shelter have generally increased more rapidly than costs for most other goods and services. According to our analysis of Consumer Price Index for All Urban Consumers (CPI-U) data, between 1989 and 2019 there was as cumulative increase in general inflation of 73 percent, compared to 123 percent for health care inflation.[31]

Health Care Costs

Although we did not directly ask focus group participants about health care costs, or any specific costs, concerns about the cost of health care were discussed frequently in all 14 focus groups.

One woman said:

“What could happen down the road? Especially health. Some of the other stuff, I know what my house is worth, I’ve lived there enough years that it’s not surprising. But the health, even with a supplement and all that from Medicare, it could wipe somebody out if they had the wrong problem. So that really kept me working for almost 2 years past the point where I thought I was probably okay financially. It’s the unknown stuff.”

Source: Retirement security focus group participant. | GAO-20-435

Women in most focus groups raised concerns about being able to afford procedures or prescription drugs, which may not be covered or fully covered by their health insurance.[32] Women in three focus groups shared stories of skipping dental exams or vaccinations because they could not afford them. Of the 161 women who responded to a question on our written questionnaire about whether Medicare was sufficient to cover all of their current healthcare needs, only 28 reported that it was. In the majority of our focus groups women discussed how health care costs would likely increase as they aged, and how difficult it is to predict how much money they will need for their future health care needs as they age. Concern over health care costs was one of the topics discussed more

[31]Research indicates aging is associated with frailty and a growing likelihood of an adverse health event. CMS projections estimate that the annual growth rate of out-of-pocket health care spending for the U.S. population, per capita, will increase from 3.0 percent in 2018 to about 3.8 percent by 2026. While these costs are projected to rise for the population as a whole, individuals age 65 and over face the highest out-of-pocket health-related expenses. Further, health care expenses can be hard to predict, making the amount of income retirees need to plan to spend on health care difficult to determine.

[32]For example, they discussed how many dental and vision procedures, hearing aids, and certain specialists are not fully covered under Medicare. Fifteen women paid for health insurance in addition to Medicare even though they had no retirement savings and did not feel very financially secure, according to their written questionnaires.

frequently in our rural focus groups than our urban focus groups, with an average of about 19 mentions per rural focus group (see Table 2).

Table 2: Topics Discussed More Frequently in Rural Focus Groups than Urban Focus Groups

Topic	Average number of times mentioned per rural focus group	Average number of times mentioned per urban focus group
Concerns over current health care costs	19	13
Financial stress from negative aspects of relationships	15	9
Uncertainty or fear regarding future expenses	14	9

Source: GAO analysis of focus group transcripts. | GAO-20-435

Note: We held four focus groups in rural areas and 10 focus groups in urban areas. Negative aspects of relationships included topics such as financial dependence on husbands; having to provide financial help to family members, such as raising kids; paying for education for a child or husband, divorce, widowhood.

Women raised concerns about the cost of prescription drugs in the majority of our focus groups.

One woman said:

"I think it's important to have enough money for your insurance because Medicare doesn't cover everything. And I have trouble paying for prescriptions. I have to drop one for a while to pick up another one."

Source: Retirement security focus group participant. | GAO-20-435

Women said their prescriptions had increased in price or were no longer being covered by their insurance, which they said sometimes left them in positions where they had to use a cheaper alternative or forgo the medication altogether. For example, one woman described how her preferred blood pressure medication doubled in price, and, because she could no longer afford her preferred medication, she said she switched to a cheaper medication that has unwanted side effects.

Long-term Care Costs

One woman said:

"The medical costs are atrocious. The drugs, the medicines we have… Just ridiculous. And I think everybody experiences that."

Source: Retirement security focus group participant. | GAO-20-435

Women in eight of our focus groups shared concerns about potentially needing to pay for long-term care as they age.[33] Most of the women we spoke to reported not having long-term care insurance, which can help pay for some of the services provided in nursing homes or assisted living facilities, or through in-home care. A few women in our focus groups who told us they had long-term care insurance said they purchased it so they would not be a burden on their children if they needed care later in life.

[33]We asked women on our written questionnaire to indicate whether they have long-term care insurance as a health care cost. Out of 179 women who responded to this question, 43 reported having long-term care insurance.

However, women in a few focus groups shared challenging experiences using the insurance when they or their family needed it.[34]

One woman said:

"All I know is that our premium keeps going up and with his hip, someone said, "Well, you're going to need a nursing home and will long-term care cover?"

Source: Retirement security focus group participant. | GAO-20-435

Women who told us they did not have long-term care insurance said that they did not purchase it early enough or that the premiums became too expensive for them.[35] In one focus group, assisted living facilities were seen to be more conducive to maintaining independence than nursing homes, but women in that group said both types of facilities felt prohibitively expensive.[36]

Housing Costs

Costs associated with housing were a topic of extensive discussion in 13 focus groups. Of the 168 women who responded to our written questionnaire about their current housing situation, 115 reported owning their homes outright or with a mortgage.[37] However, owning a home did not eliminate concerns about housing costs in retirement.

[34]Focus group participants shared stories about family who had purchased long-term care insurance but had difficulties using it when they needed to. For example, one woman said that she had a difficult time convincing her insurance provider that her husband qualified for benefits even though he was already receiving hospice care. Some women said that insurers would not insure them or their family members because of preexisting conditions or a complicated family medical history; others described experiences with trying to use long-term care policies and learning that the policy required that the insured pay for long-term care out of pocket for a certain number of days (30 or 90 days) before the policy would pay out any benefits.

[35]In 2011, we found that the insurance carrier contracted under the Federal Long-Term Care Insurance Program had to increase long-term care insurance premiums by up to 25 percent for most enrollees because of projections for future underfunding, which occurred primarily as a result of lower-than-expected lapse and mortality rates, as well as lower-than-expected returns on investments. Almost half of enrollees (46 percent) facing the premium increase decided to pay it instead of reducing their level of coverage. See GAO, *Long-Term Care Insurance: Carrier Interest in the Federal Program, Changes to Its Actuarial Assumptions, and OPM Oversight*, GAO-11-630 (Washington, D.C.: July 11, 2011).

[36]Women in four focus groups shared stories of friends or family members who faced large costs after needing to go into a nursing home, assisted living facility, or receive in-home care. Women said that the monthly costs associated with long-term care that their friends and family had faced ranged from an estimated $3,500 to $15,000 per month to live in a nursing home or assisted living facility.

[37]Our written questionnaire asked women to report their primary residence type. Forty-three women said that they rent, three said that they live with family or friends rent free, and 7 said "other," in addition to the women who said they own their home. Sixty-six women who owned their homes had no mortgage, while 49 were paying a mortgage.

One woman said:

"It is really frightening. Our property taxes have doubled in 6 years… And that was a full mortgage, and we were lucky. We bought in 2012, which was the lowest the market was, but if this— I mean, what this city is doing is, they're going to be creating a subset of homeless people because even people that are better off than we are and own their home outright can't sustain this. And that is— our biggest fear is losing our home."

Source: Retirement security focus group participant. | GAO-20-435

Property taxes were a concern among half of our focus groups, with some women saying they have experienced large increases in their property taxes in recent years.[38] Other examples of costly housing expenses discussed in our focus groups included condominium fees, homeowners insurance, utilities, yard work, and home repairs. Women in a few focus groups said that they have moved or would like to move into a rental or downsize to a smaller home to reduce home maintenance costs or utility costs, which were described as unpredictable or difficult to pay in a few focus groups.[39]

Women in two focus groups described how they were relying on their home equity to achieve certain financial goals in retirement. For example, some women said they planned to sell their home if they needed to pay for long-term care in a facility. A few focus groups discussed reverse mortgages as a way to generate income from home equity, which may help a person stay in their home, but they are not risk-free and we recently reported on rising default rates.[40] In response to rising housing costs, one focus group participant said she sold her house to her son, and then rented back her living space from him.

[38]In two focus groups women shared concerns around eligibility requirements for property tax assistance programs. For example, a couple of women said that despite having low income in retirement, they were ineligible due to their property value. One focus group participant said of her situation, "You know, my house is worth a lot but I don't have a lot of money to spend. And I pay these big taxes on it. But there is a program for people that, like me, with a low income. But, because my house is worth…you know, I don't qualify. Well, I'm not getting any money from my house to live off of."

[39]Homeowners who are experiencing a financial hardship due to the Coronavirus Disease 2019 (COVID-19) may request mortgage forbearance for federally backed mortgage loans under the CARES Act. See Pub. L. No. 116-136, § 4022, 134 Stat. 281, 490-91 (2020). Forbearance allows mortgage holders to pause mortgage payments.

[40]We previously reported on the number of reverse mortgages under the Federal Housing Administration's Home Equity Conversion Mortgage (HECM) program, which insures the vast majority of reverse mortgages. The overall number of reverse mortgages remains small with only 42,000 HECM reverse mortgages originated in 2018, representing less than 1 percent of the eligible population. We reported that HECM borrower defaults as a percentage of terminations grew from 2 percent in fiscal year 2014 to 18 percent in fiscal year 2018, and that the borrowers of these loans likely lost their homes through foreclosure or a deed-in-lieu of foreclosure. We also reported that consumers perceive reverse mortgages to be fairly complex and have limited knowledge of mortgage terms. See GAO, *Reverse Mortgages: FHA Needs to Improve Monitoring and Oversight of Loan Outcomes and Servicing,* GAO-19-702 (Washington, D.C.: Sept. 25, 2019).

Renting presented challenges for women in four focus groups who were concerned about the high cost of rent or the unpredictability of rent increases.

One woman said:

"I've always had the same belief, which is if I could – I love the Golden Girls – if I could just find two or three other women and rent a really big house, we'd all be fine."

Source: Retirement security focus group participant. | GAO-20-435

A greater proportion of renters spend 35 percent or more of their income on housing compared to owners, according to data from the 2018 American Community Survey.[41] Women in three focus groups also conveyed a need for more affordable senior rental housing units. Women in two focus groups said they rent out spaces in their homes, and women in one focus group said they liked the idea of sharing a home with other older adults to reduce costs.

Older Women Said That More Personal Finance Education Would Have Helped Them Achieve Greater Retirement Security

Personal finance education was the second most frequently discussed topic in our focus groups. When we asked women about what hindered their financial situation today, all of our focus groups discussed how a lack of personal finance education hindered their retirement security. For example, 11 focus groups discussed feeling confused or misinformed about government programs like Social Security and Medicare.[42]

One woman said:

"When my husband was alive, we both got Social Security after we retired… And then when [he] passed away, I took his Social Security, but then now it has gone down in the last 2 years because I'm only one person, which I felt is very wrong because I still have the same apartment."

Source: Retirement security focus group participant. | GAO-20-435

Some women said they did not fully understand that Social Security benefits change depending on the age at which you begin receiving benefits; did not realize their household Social Security income would be lower after their spouse's death; or did not fully understand the

[41]The CARES Act provides for a temporary moratorium on eviction filings by lessors of certain properties that have a federally backed mortgage or participate in certain federal housing programs. See Pub. L. No. 116-136, § 4024, 134 Stat. at 492-93.

[42]We previously reported that individuals can face challenges in planning and managing their retirement finances in part due to the complexity of information they receive about retirement programs. We found that disclosures provided by employer-sponsored retirement plans about account information or plan policies are often difficult to understand, which may make it difficult for participants to make decisions about their retirement accounts. We also reported that most individuals do not understand important rules and details about when to claim Social Security. See GAO, *The Nation's Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security*, GAO-18-111SP (Washington, D.C.: Oct 18, 2017)

consequences of signing up for Medicare after their initial enrollment period.[43]

Changing Societal Expectations for Women

One woman said:

"You were a school teacher, a nurse, a secretary or you got married. Those were the only choices. Nobody became, or very few let's say became a lawyer or a doctor… So we come from a different era where we weren't expected to work. I mean it was unusual. I had a friend that had a college scholarship and she quit to get married. I mean you would not let your child do that in this day and age."

Source: Retirement security focus group participant. | GAO-20-435

Women in the majority of our focus groups said they perceived a societal expectation among their generation that men handled the finances, especially in the context of marriage. A few focus groups also discussed how women were perceived to have fewer career opportunities than men. Some women told us that this expectation negatively influenced the opportunities they had to learn about personal finance and earn money. For example, in two focus groups, women said that finances were not a topic of family discussion during their childhood. Another focus group discussed how trade classes, like electrical or mechanical work, were not available to women when they were in school. Ideas for improving personal finance education for women were discussed in 12 of our focus groups and were mentioned frequently.[44] Some of the ideas discussed included the following:

- Incorporate personal finance learning into school curriculums, starting as early as kindergarten and continuing through college.
- Develop summer school or after school programs for children about personal finance.
- Create a central website for information on personal financial planning.
- Provide older women with information about how to prepare their estates.
- Encourage employers to provide financial planning sessions for their employees (not just those nearing retirement), and/or access to financial advisors.

[43]The initial enrollment period for Medicare Parts A and B usually begins 3 months prior to the month an individual turns 65 and ends 3 months after the month the individual turns 65. In general, individuals who do not enroll in Part B during their initial enrollment period must pay a permanent penalty of increased monthly premiums if they choose to enroll at a later date. In addition, signing up late for Part D prescription drug coverage can result in late enrollment penalties, which are based on the amount of time an individual has gone without Part D coverage or other creditable prescription drug coverage.

[44]A few women shared examples of employers who provided financial planning classes or of bosses who gave them good financial advice. For example, one focus group participant said, "One of the things that helped me, I worked at [a company] for my last chunk of years, and they were really good about bringing in companies to talk about financial health and Social Security and Medicare and what these things mean."

Early Decisions about Finances

In almost all of our focus groups, women said they wished they had made better financial decisions when they were younger. For example, some focus group participants said they practiced poor financial habits when they were younger or had regrets about their financial decisions, such as overspending, accumulating debt, making poor investment decisions, and not saving for retirement earlier in life.

One woman said:

"My mindset was making sure I got up to go to work every day, make sure there was food on the table, rent was paid, and all that. Who… cared about retirement at that time? I was like, as long as I was getting up and going to work, it was fine. But as that day came, I realized I should have been paying more attention. Instead of putting 50 cents, I should have been putting a dollar, you know, in that matching."

Source: Retirement security focus group participant. | GAO-20-435

We asked women if there was something they did not understand about finances when they were younger that they wish they had known. In response, some women said they faced challenges understanding how investments worked or how important employer matching policies and compound interest were to building wealth.

In four focus groups, women said that they had made investments earlier in life that helped them to feel financially secure in retirement. Of the 90 women who reported on our written questionnaire that they owned financial investments that had been invested for over 20 years, only seven reported feeling not very financially secure.

One woman said:

"And I think just for myself, if I had been more financially astute when I was younger…. You just can't sit back and twiddle your thumbs and wait until you're 40 and then start thinking about it. It just won't work for you if you wait that long. I mean, personally, that's what I believe, is that I waited too long. And I'd probably - my income or my investments probably could have been doubled by now."

Source: Retirement security focus group participant. | GAO-20-435

Women who sought professional advice in making financial decisions said that the results of the advice they received were mixed. We also asked about whether they received any particularly good or bad advice about finances or retirement planning. Women in 12 focus groups said that seeking advice from a financial advisor was a positive experience for them, but women in 10 focus groups had negative experiences, which they said included receiving poor advice, paying high fees, or becoming a victim of fraud. In a few focus groups, women noted that finding a trustworthy financial advisor can be difficult or that knowing the correct questions to ask professionals can be challenging.[45]

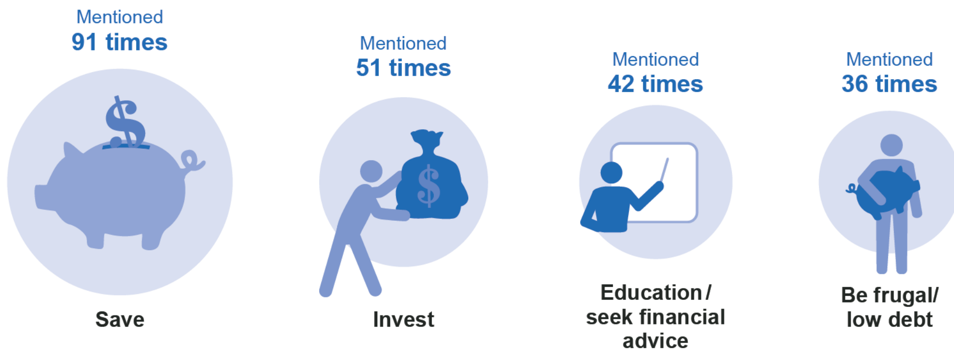
Advice Older Women Gave to Younger Women about Retirement Security

[45]Women in our focus groups also stated that financial advice is typically not free, and one woman said that unless you have the means to invest, there are few financial advisors who will help you manage your money. In 2016, we convened a panel of retirement experts on the state of the U.S. retirement system. Experts noted that managing retirement accounts in the context of an increasingly complex retirement system requires a high level of financial literacy, and that the tools individuals need to understand the complex retirement system cost money in themselves. See GAO-18-111SP.

We asked women who completed our written questionnaire to provide advice for younger women about how to prepare financially for retirement. Of the 163 responses to this question, saving and investing were the two most frequent pieces of advice, followed by seeking out education or financial advice, and living frugally or staying out of debt (see fig. 2).

> **One woman said:**
> "Well… one of the investment firms…they were charging very high fees. OK, so after we did that for a year or two, we said forget it, and I found a place that didn't charge. So you have to do a lot of research, and you've got to read a lot."
> Source: Retirement security focus group participant. | GAO-20-435

Figure 2: Top Four Pieces of Advice for Younger Women from Older Women on Our Written Questionnaire



Source: GAO analysis of focus group participant questionnaire data. | GAO-20-435

Older Women Perceived Employment Prejudice as a Barrier That Hindered Them from Building Retirement Security When They Were Younger

Challenges with Pay Inequality

When we asked women what hindered their retirement security over their lifetime, they said that issues related to work, including pay inequality and not being able to work as long or as much as they wanted to, hindered their retirement security.

One woman said:

"That happened in my career all the way along, and the decision-making on salary early on - because you're a woman, you will make less money - is out there. Granted, it's been several decades now because I clearly am not in my 20s. But it's still there, and if I had been in the man's position in a man's world, the money I would have today would be significantly larger than the money I have now… Every time you get a pay raise, it's always on the basis of percentage. So if you are making $10, and then $20 the other person, you will never catch it… the difference widens with time."

Source: Retirement security focus group participant. | GAO-20-435

In more than half of our focus groups, women said that they experienced pay inequality during their careers, and discussed how being paid less than their male counterparts caused them to have lower raises, which were based off of a percentage of their base salary, lower retirement savings, and lower Social Security benefits. When we asked our focus groups what, if anything, should be done to safeguard the financial security of older women in America, several of our focus groups discussed how equal pay should be addressed.

To illustrate the potential effect of an earnings gap between men and women working full time for an entire career, we simulated hypothetical 44-year careers for a woman and a man, each earning the median for full-time workers for their age and gender between ages 21 and 65, using March 2019 CPS data. While estimated median earnings varied by age, the median across all those ages was $55,000 for the man and $45,000 (18 percent lower) for the woman. That hypothetical man's total earnings over those 44 years were about $2.5 million, and the woman's were about $2 million. This finding implies that the woman earning the median at age 65 ($50,000) would have to work an additional 10 years at that level of pay to match the man's median career earnings. Assuming this hypothetical man and woman had the same constant 6 percent contribution rate and 5 percent investment return, and that each worked full-time for all of the 44 years, the man would have accumulated an estimated $476,000 in savings by age 65, compared to the woman's $395,000.[46]

Challenges with Leaving the Workforce Early

Women in 11 focus groups said they left the workforce before they wanted to, and women in four focus groups shared they felt forced to leave their jobs because of their age or because they began to experience hostility at work, which they perceived as being directed towards workers nearing retirement age.

[46]Because men and women do not work full-time in the same proportions, we similarly simulated hypothetical earnings and retirement account balances based on median earnings for all men and women, not just those working full time. Otherwise using the same parameters, we estimated the man's median annual earnings across all ages at $38,000, his total earnings at $1.7 million, and his retirement account at age 65 to be $343,000. We similarly estimated the median women's annual earnings at $22,000, about 40 percent lower than the man's. We estimated her total career earnings at $1 million, and her retirement account at age 65 to be $216,000.

> **One woman said:**
> "I made top rate because it was union. And I was kind of pushed out because of my age. I was 66 at the time. They wanted to get… They could hire two people for the money that I made, okay? Because I really did not want to go, but I was put under so much pressure almost every day for a couple of months."
> Source: Retirement security focus group participant. | GAO-20-435

For example, one woman said her employer became inflexible about her working conditions, making her work in a small, shared cubicle despite previously having an office. Another woman said her employer relocated her to a work site that required a 58-mile commute. One woman said she felt forced to retire. Women in two focus groups shared the view that current or potential employers preferred to hire younger workers who may earn lower salaries.

Once unemployed, women in half of our focus groups said they faced challenges while looking for work as older adults. Some women said they were not able to find jobs that fit their professional experience or physical needs, and some said they felt like their age deterred potential employers from hiring them.[47] For example, one woman said she had applied to jobs after retiring and was told by potential employers that she was overqualified for the positions.

Health and Caregiving Challenges during Their Careers

In several focus groups, women said they retired earlier than they planned to because of a significant illness or injury that caused them to be absent from their jobs for too long or that physically limited their ability to do their jobs.[48] Women in 13 focus groups also discussed how caregiving responsibilities can influence a woman's ability to work. In five focus groups, women said they stopped working before they wanted to in order to care for an ill family member.

[47]We have previously reported on the challenges older Americans face when looking for work, and on federal efforts to confront them. See GAO, *Unemployed Older Workers: Many Experience Challenges Regaining Employment and Face Reduced Retirement Security*, GAO-12-445 (Washington, D.C.: Apr. 25, 2012). One such federal effort is DOL's Senior Community Service Employment Program (SCSEP), which helps older adults gain employment by providing subsidized, work-based training to low-income individuals 55 and older who are unemployed. According to SCSEP published progress reports, from program year 2010 through program year 2018, the majority of SCSEP participants were women. As of 2018, about 41 percent of SCSEP participants were employed in the second quarter after exiting the program. According to officials at the Department of Health and Human Services (HHS), the Obama administration proposed moving SCSEP to HHS, which administers other programs under the Older Americans Act of 1965, as amened. HHS officials said that this move would allow them to reevaluate SCSEP performance targets to include additional measures such as what older adults did during their employment after the program and how their employment impacted the community, rather than simply how many were employed after participating in the program.

[48]On their participant questionnaires, 56 women reported that they were still working. While some women expressed their desire to work as a way to remain active or socialize in retirement, women in four focus groups said that their ability to work is essential to meeting their expenses in retirement.

One woman said:

"I have always said since I started collecting Social Security that I really have empathy for women who've stayed at home with their kids, who've done something else, and their Social Security is not being funded, and then they end up having to live on it."

Source: Retirement security focus group participant. | GAO-20-435

In 2019, we found that, on average, married women who provided care for a spouse had 15 percent less in Social Security income than married women who were not spousal caregivers.[49] We also found that spousal caregivers nearing retirement worked fewer hours and had less in financial assets than married individuals of the same age who did not provide care to a spouse. Women in a couple of focus groups who were spousal caregivers toward the end of their careers said their role as caregivers factored into their decision to take time off work or retire early. One woman said that caring for her children caused her to take a job that did not offer retirement benefits, but that did offer the flexible schedule she needed as a parent.[50]

Women Described How Changes in Marital Status Affected Their Retirement Security

Women said that being divorced, widowed, single, or in some cases married, can adversely affect retirement security. Women discussing challenges described how husbands had overspent joint income or depleted investment earnings before retirement. Some women also described marriages where finances were never discussed, and marriages in which the wife relied on the husband to handle the finances, which they said left them unprepared to manage retirement finances on their own when they were widowed or divorced. A couple of women said that divorce hindered their current financial situation because when they were married, their income was designated for household expenses, leaving them with little retirement savings after they divorced.

Women in our focus groups said that the loss of income as a result of divorce or widowhood could have significant negative effects on retirement security. For example, after divorce, some women explained

[49]See GAO, *Retirement Security: Some Parental and Spousal Caregivers Face Financial Risks,* GAO-19-382 (Washington, D.C.: May 1, 2019).

[50]Women in four focus groups said that they or people they knew provided care for grandchildren as an older adult. One woman said that this type of caregiving can add an additional expense that older adults may not be prepared for in retirement. She stated, "I know three senior ladies who are taking care of either grandchildren or great-grandchildren. I did not expect at this age in my life or my friends' lives that we would be raising children. And this is an additional financial expense."

that they needed to rebuild credit and pay legal fees, and that they lost spousal health insurance coverage.[51]

One woman said:

"What hindered my financial situation today was a divorce that happened to me in 1987. And that was a very traumatic thing and I've spent most of my work career trying to recuperate the loss for that. I've come out okay but, up until that point, my salary was – well went toward, you know, buying things that we needed for the house."

Source: Retirement security focus group participant. | GAO-20-435

Some women said that divorce reduced their income relative to their expenses by moving them from a two-earner household to a one-earner household, which is a circumstance widows confront as well. One widow discussed her financial challenges after her husband died. She said her household expenses did not decrease by the same amount as the decrease in Social Security benefits that resulted from his death.

Single women in two focus groups said that they did not have spousal income or retirement benefits to fall back on, or they had difficulty accumulating savings or purchasing a home as a single person. Women in three focus groups who were single mothers said that they prioritized spending on their children's needs over saving for retirement, which left them worse off financially.

One woman said:

"I mean it's like now I'm struggling just to survive and at a time when I had worked my whole life — I'm single — so I don't have the extra support or the extra income from a husband that could have come from some sort of pension or whatever, and now I'm shocked."

Source: Retirement security focus group participant. | GAO-20-435

Retirement Confidence of Households with Older Women at All Levels of Wealth Rises with Household Liquidity and Guaranteed Income

[51]Divorce and widowhood can have disproportionate adverse effects on women's retirement security. We previously found that household income, on average, fell for women by 41 percent with divorce later in life, nearly twice the decline experienced by similarly divorced men. Likewise, we found that household income declined, on average, by 37 percent for women widowed later in life, compared to only 22 percent for similarly widowed men. See GAO, *Retirement Security: Women Still Face Challenges,* GAO-12-699 (Washington, D.C.: July 19, 2012)

Fewer than Half of Households with Women Age 70 and Older Reported a High Level of Confidence in their Retirement Security

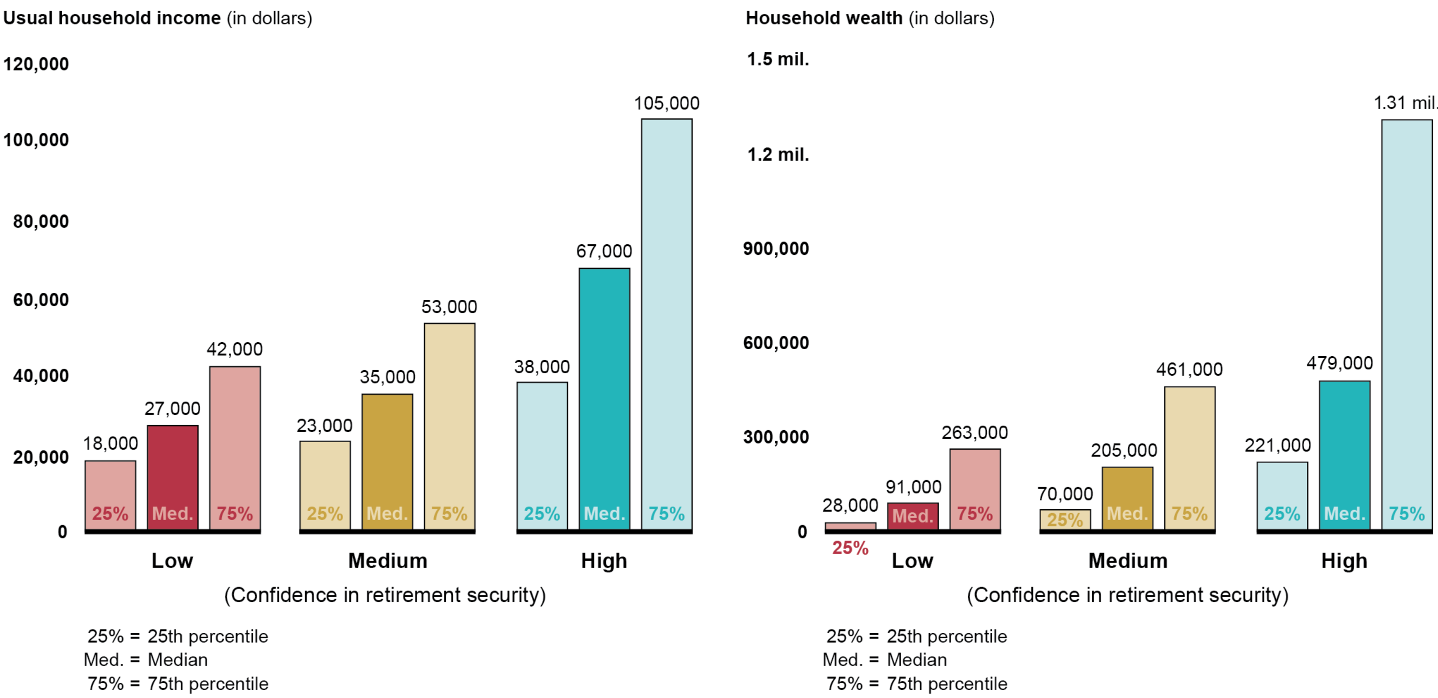
According to data from the 2016 Survey of Consumer Finances (SCF), an estimated 42 percent of households with women 70 and older[52] reported having a high level of confidence in their retirement security, which is defined as a respondent's expectations that the household will be able to maintain its living standards through retirement.[53] An estimated 25 percent of households of women 70 and older reported a low level of confidence in retirement security, and 33 percent reported a medium level of confidence. While it is not unusual for wealthy households to have a high measure of financial security, differences in wealth—defined as net worth, or assets minus debt— were stronger predictors of reported levels of retirement confidence than were differences in race, education or marital status.[54] As shown in figure 3, median household wealth in households reporting high retirement confidence was approximately $479,000, which was more than twice the median household wealth of the group reporting medium confidence. In turn, the group with medium retirement confidence had more than twice the median household wealth of the group with low retirement confidence.

[52]The statistics in this section from the SCF are estimates based on a sample of households in which the head of the household or the spouse of the head of the household was a woman age 70 or older. The respondent to the SCF survey was generally the head of household, which might not have been a woman.

[53]This estimate is based on our analysis of a 2016 SCF question that we examined as one proxy for financial security in retirement in this report. We separated households with women over 70 into three groups based on the household's response to the question "Using any number from one to five, where one equals totally inadequate and five equals very satisfactory, how would you rate the retirement income you receive (or expect to receive) from all sources?" The response categories ranged from one to five, where one represented "totally inadequate," three represented "enough to maintain living standards" and five represented "very satisfactory". Those households who responded 4 or 5 were categorized as having high confidence in their retirement security, or high retirement confidence. Those households who responded 3 were categorized as medium, and those who responded 1 or 2 were categorized as having low confidence in their retirement security, or low retirement confidence. See appendix I for the full question language, answer codes, and the distribution of responses prior to our recoding.

[54]After controlling for household wealth in our multivariate analyses race and marital status cease to be significant predictors of household retirement confidence. In models that control for household wealth, education is not a significant predictor of high household retirement confidence. However, having less than a high school degree remains a significant predictor of reported low household retirement confidence even in models that control for household wealth or total resources. For more on our multivariate logistic regressions, see appendix III.

Figure 3: Distribution of Income and Wealth of Households with Women 70 and Older, by Retirement Confidence Level



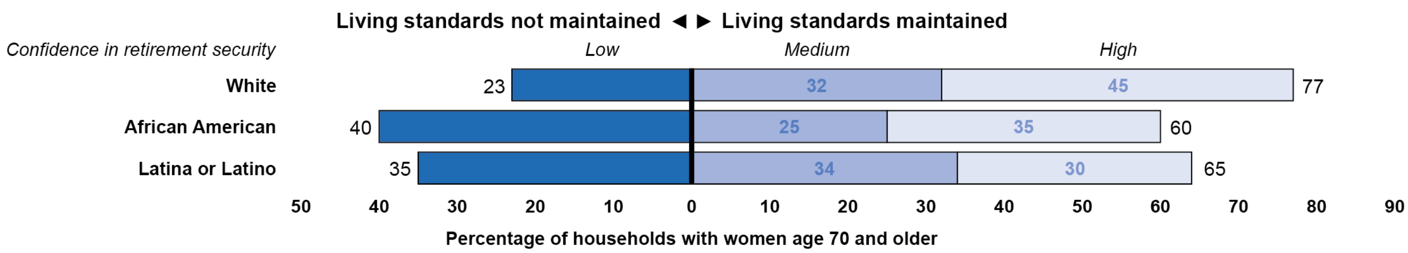
Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435

Note: Numbers are rounded to the nearest $1,000, except for the 75th percentile of wealth for high retirement confidence, which is rounded to the nearest $10,000. Clusters represent the 25th, 50th, and 75th percentile of households in that confidence group. The low, medium and high retirement confidence groups are based on household reporting of how adequate its income in retirement is to maintain its standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. Household wealth (net worth, or assets minus debt) excludes the present value of future Social Security and defined benefit plan income. See Appendix III for more information. Relative standard errors (RSE) for all estimates in this figure are below 10 percent of the value, except for the estimates of household wealth for the low security group, and the estimate of the 25th percentile of household wealth for the medium security group. Estimates with RSEs over 25 percent should be interpreted with caution. For the low security group, the estimate of the 25th, 50th, and 75th percentile of net worth have RSEs of 28 percent, 10.1 percent, and 11 percent of the estimate respectively. For the medium security group the estimate of the 25th percentile of net worth has an RSE of 15 percent of the estimate.

Households with women age 70 and older at each level of household retirement confidence experienced a variety of financial circumstances, according to the 2016 SCF data. Twenty-five percent of low confidence households had more than approximately $263,000 in household wealth, while 25 percent of high confidence households had less than approximately $220,000 in household wealth. The wide wealth range at each retirement confidence level may reflect the fact that retirement confidence is a measure of the extent a household maintains living standards in retirement, and different households are attempting to maintain different living standards.

We also saw differences in retirement confidence by race,[55] homeownership, retirement plan participation, education, and marital status. Households with white respondents were more likely than households with African American respondents to report high retirement confidence. Although a higher percentage of households with African American respondents had low retirement confidence (40 percent) compared to those with white respondents, 60 percent of households with an African American respondent reported high or medium confidence. An estimated 35 percent of households with a Latina or Latino respondent had low confidence in their retirement security, while 30 percent reported high confidence (See fig. 4).[56]

Figure 4: Retirement Confidence among Households with Women 70 and Older, by Race / Ethnicity



Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435

Note: The estimated proportion of households with Latina or Latino respondents in the medium and high retirement confidence categories do not appear to sum to the combined medium / high category value (65 percent) due to rounding. Household race is determined by the race of the survey respondent who may or may not be the older woman in the household. The low, medium, and high

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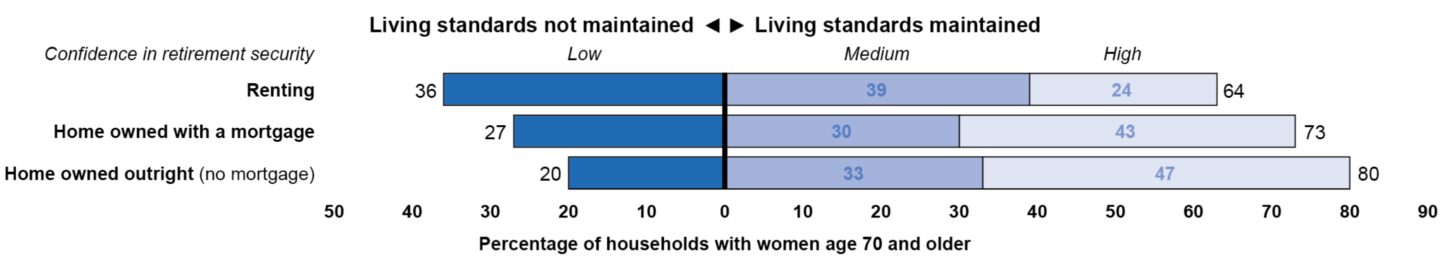
[55]Throughout our analysis, white refers to those households where the respondent is white, not Hispanic or Latino; African American refers to those households where the respondent is black or African American, not Hispanic or Latino; Latina or Latino refers to those households where the respondent is Hispanic or Latino, of any race; and "any other race / ethnic group" refers to households where the respondent is any other race, including Asian and multi-racial, and is not Hispanic or Latino. In the SCF sample, the racial composition of households with women age 70 and older (measured by to the race of the survey respondent) was 80 percent white; 10 percent African American; 5 percent Latina or Latino; and 5 percent "any other race / ethnic group". Note that we do not report results for "any other race/ ethnic group" here because the category includes several disparate groups. See appendix III, table 5 for the distribution of characteristics among households of women age 70 and older.

[56]Estimated differences between households with Latina or Latino respondents and those with either white respondents or African American respondents, were not statistically significant.

retirement confidence groups are based on household reporting of how adequate their income in retirement is to maintain their standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. Differences between households with white and African American respondents in the percentage who had a low or high retirement confidence are statistically significant. Differences between households with Latina or Latino and white respondents, and differences between households with Latina or Latino and African American respondents, are not statistically significant. Relative standard errors (RSE) in this figure were below 10 percent for estimates for white respondent households. For African American respondent households, RSEs for the estimated percentage of households with low, medium, and high security are 13 percent, 20 percent, and 12 percent, respectively. For Latina or Latino respondent households, RSEs for the estimated percentage of households with low, medium, and high security are 24 percent, 20 percent, and 23 percent respectively.

Homeownership makes up a significant portion of household wealth for households of older women at each level of retirement confidence, but home equity was a larger portion of wealth for low confidence homeowners than for high confidence homeowners.[57] Among low confidence households with older women that owned homes, equity in their primary home made up 70 percent of their household wealth, on average, compared to 39 percent of household wealth for households reporting high retirement confidence. Both households with older women that owned a home outright (without a mortgage or other home debt) and households that owned a home with a mortgage or other home debt were more likely to report high retirement confidence than renters (see fig. 5). Between 40 and 50 percent of households with older women that owned a home, either outright or with a mortgage, reported high confidence in their retirement security, compared to 24 percent of those who were renting. Renters were significantly more likely to have low household retirement confidence than homeowners overall.

Figure 5: Retirement Confidence among Households with Women 70 and Older, by Homeownership Status



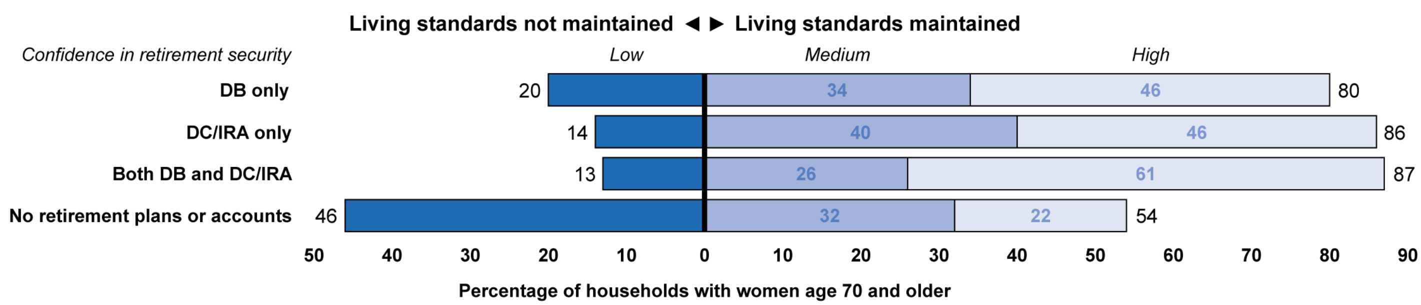
Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435

[57]Homeownership can contribute to wealth building as home equity grows because it represents a form of forced saving. Often this forced saving can only be accessed with a loan from a financial institution.

Note: The estimated proportion of households that rent in the medium and high retirement confidence categories do not appear to sum to the combined medium / high category value (64 percent) due to rounding. The low, medium, and high retirement confidence groups are based on household reporting of how adequate their income in retirement is to maintain their standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. Differences between renters and those who own homes (with or without a mortgage) in the proportion with high household retirement confidence are statistically significant, as are differences between renters and those who own a home without a mortgage in the proportion with low household confidence in their retirement security. No other differences across groups and outcomes are statistically significant. See appendix I for more information on the low, medium, and high groupings. Relative standard errors (RSE) for all estimates in this figure are less than 10 percent, except for: percent of renters who have low, medium, and high security (RSEs are 12, 10, and 16 percent respectively) and the percent of owners with a mortgage with low security (RSE is 12 percent).

Households with older women that lacked a defined benefit pension (DB) plan or a retirement account (like a 401(k) or an IRA) were more likely to report low household retirement confidence than others. Among older women's households without a DB plan or a retirement account, 46 percent reported low retirement confidence. The percentage reporting low confidence is significantly lower if a household has a DB plan, a retirement account, or both, compared to households without a DB plan or a retirement account (see fig. 6). Among households of older women with both a DB plan and a retirement account, 61 percent reported high retirement confidence, significantly higher than households with only a DB plan or only a retirement account.

Figure 6: Retirement Confidence among Households with Women 70 and Older, by Retirement Plan or Account Status



DB = Defined benefit (pension)

DC/IRA = Defined contribution/Individual retirement account (e.g., 401(k))

Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435

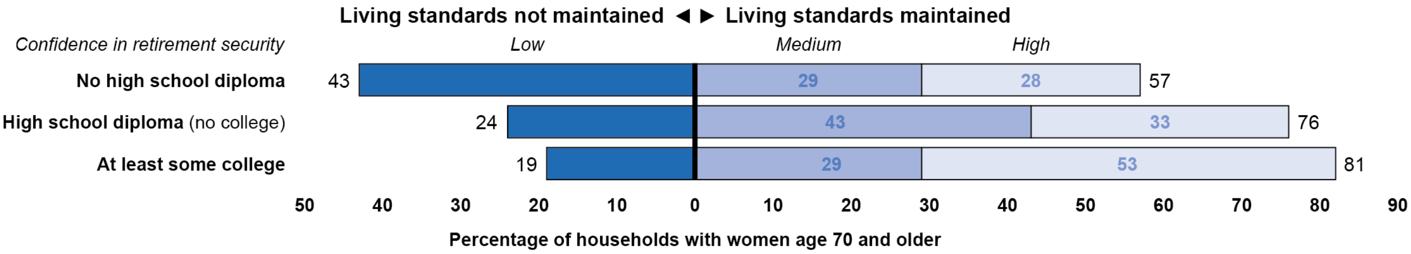
Note: The low, medium and high retirement confidence groups are based on household reporting of how adequate their income in retirement is to maintain their standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. Households with both DB benefits and DC/IRA accounts are significantly more likely than any other group to express high confidence in their retirement security. Households with either a DB plan only or a DC/IRA account are each significantly more likely to report a high retirement confidence than those with no retirement plan or accounts. Households with no retirement plan or accounts are significantly more likely than any other group to have low retirement confidence. The difference between households with a DB plan only and those with both a DB plan and a retirement account in reporting low retirement confidence is not statistically significant. The difference between those with a DB plan only and those with a retirement account only in reporting low confidence is not statistically significant. See appendix I for more information on the low, medium, and high groupings. Relative standard errors (RSE) for estimates in this figure are below 12 percent, except for estimates of the percent of DB only, DC/IRA only, and Both DB and DC/IRA account holders who have low retirement security; these estimates have RSEs of 13, 16, and 19 percent, respectively, and estimates of the percentage of households with no retirement account that have high security; this estimate has an RSE of 12 percent.

The 2016 SCF data showed that households with older women in which the head (either the woman or her spouse) had at least some college education were significantly represented in all three levels of retirement confidence.[58] However, a greater portion of households where the head had at least some college reported high retirement confidence than less educated households. The percentage of households with older women reporting low retirement confidence was more than twice as high for households where the head had less than a high school degree compared to those where the head had at least some college (see fig. 7). To more rigorously test the relationship between education and retirement confidence, we conducted multivariate analyses on 2016 SCF data that estimated the probability that households with older women have low confidence in their retirement security. Our models showed that, among households with older women, households where the head did not have a high school diploma were at least twice as likely to report low retirement confidence than households where the head had a high school degree, regardless of household wealth, total resources, asset liquidity, race, and homeownership status (see appendix III for more details).[59]

[58]The statistics in this section from the SCF are based on households in which the head of the household or the spouse of the head of the household was a woman age 70 or older. The respondent to the SCF survey was generally the head of household, which might not have been a woman.

[59]Total resources includes household wealth, but also includes the present value of future Social Security and defined benefit income. See appendix I for methodological information.

Figure 7: Retirement Confidence among Households with Women 70 and Older, by Education Level



Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435

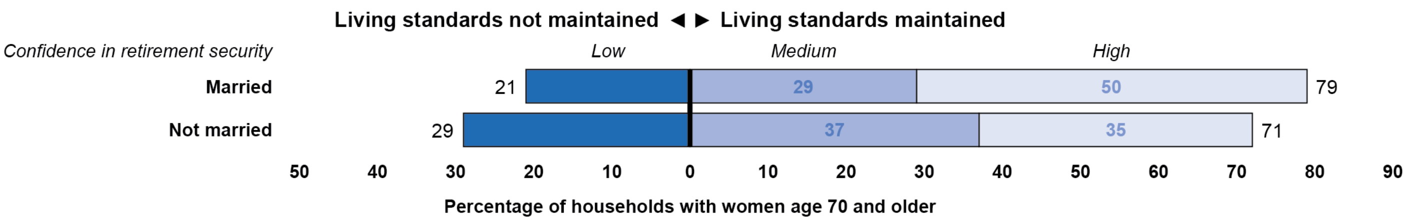
Note: "Education level" refers to the education level of the head of the household. For women who are not married, this is the woman's own level of education; for women who are married to men, this refers to the level of education of her husband; and for women who are married to women, this refers to the education level of the older woman in the couple. Among households where the head has at least some college, the estimated proportion of households in the medium and high retirement confidence categories do not appear to sum to the combined medium/high category value (81 percent) due to rounding. The low, medium, and high retirement confidence groups are based on household reporting of how adequate its income in retirement is to maintain its standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. Comparing the percentage of households with a high retirement confidence, differences between households with at least some college and each of the other two groups are statistically significant. The difference between those with no high school diploma and those with a high school diploma (but no college) is not statistically significant. Comparing the percentage of households with low retirement confidence, differences between households with no high school diploma and each of the other two groups are statistically significant. The difference between households with a high school diploma (but no college) and those with at least some college is not statistically significant. See appendix I for more information on the low, medium, and high groupings. All estimates in this figure have relative standard errors (RSE) less than 10 percent, except for the estimate for households where the head did not have a high school diploma, and the estimate of the percentage of those with a high school diploma that are insecure; these estimates have RSEs between 11 and 13 percent.

A significantly higher percentage of households of older married women reported high confidence in their retirement security than households of older unmarried women (see fig. 8).[60] Half of households of married women age 70 and older reported high retirement confidence, compared to 35 percent of households with unmarried older women. Twenty-one percent of households of married women reported low retirement confidence, which is a significantly lower percentage than the 29 percent of unmarried households reporting the same. We previously reported that unmarried retirees are at a higher risk of financial insecurity in retirement

[60]Among households of women age 70 and older in the SCF data, 50 percent were married, 12 percent were divorced or separated, 34 percent were widowed, and 3 percent were never married. We grouped divorced/separated women, widowed women, and never married women into an unmarried woman category for the purpose of this analysis.

than married retirees. Women approaching or in retirement who went through a divorce or were widowed after age 50 are especially at risk of financial insecurity.[61]

Figure 8: Retirement Confidence among Households with Women 70 and Older, by Marital Status



Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435

Note: Among unmarried households, the estimated proportion of households in the medium and high retirement confidence categories do not appear to sum to the combined medium / high category value (71 percent) due to rounding. The low, medium, and high retirement confidence groups are based on household reporting of how adequate their income in retirement is to maintain their standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. Differences between married households and unmarried households in the proportion of households that have low, medium, and high retirement confidence are all statistically significant. All estimates in this figure have relative standard errors (RSE) below 10 percent.

The typical older woman's household reporting high retirement confidence had financial assets (such as checking and savings accounts, stocks, bonds, and mutual funds) that made up almost half of its total household assets.[62] These households had about six times the financial assets of those who reported a medium retirement confidence, and 18 times the financial assets of those reporting low retirement confidence (see fig. 9). Older women in households reporting high retirement confidence also had more non-financial assets, such as home values, than those in households reporting low retirement confidence–but the difference in the amount of non-financial assets between these groups of women was smaller than the difference in the amount of financial

[61]See GAO, *Retirement Security: Women Still Face Challenges,* GAO-12-699 (Washington, D.C.: July 19, 2012)

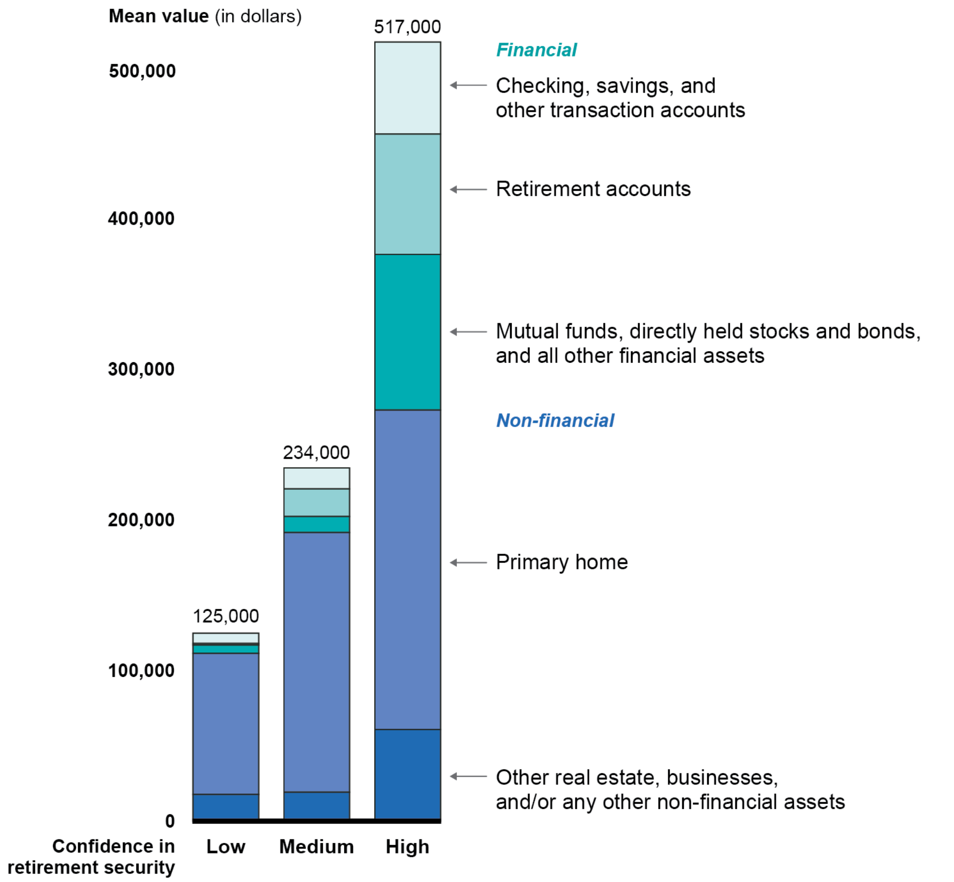
[62]We define the typical household within a retirement confidence group as one whose wealth is between the 40th and 60th percentiles of wealth among all households with women age 70 and older in that retirement confidence group. Using this definition allows us to decompose the components of net worth using mean values, without presenting the skewed data that typically results from presenting mean values (rather than median values) for assets.

assets.[63] Financial assets can provide households a way to make diversified investments in financial markets and, therefore, a way to benefit from compound interest and market growth and to build wealth.[64] Among households with older women reporting low retirement confidence, a relatively small portion of their assets were financial, limiting their ability to leverage compound interest for wealth building.

[63]Among households with women over 70, an estimated 75 percent of those in the low confidence group, 80 percent of those in the medium confidence group, and 90 percent of those in the high confidence group owned their own home. The fact that most of the households with older women in all three financial security confidence levels owned homes may help explain why the gap in non-financial assets between the levels is not as large as the gap in financial assets.

[64]Note that some retirement accounts, such as an IRA or an account in a 401(k) plan, would generally be required to begin receiving required minimum distributions by April 1st of the year after the account holder reaches age 72 (70½ for individuals who reached age 70½ prior to January 1, 2020). However, the CARES Act temporarily waived required minimum distribution requirements for calendar year 2020. See Pub. L. No. 116-136, § 2203, 134 Stat. 281, 343-44 (2020).

Figure 9: Financial and Non-Financial Assets of Households with Women 70 and Older, by Retirement Confidence Level



Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435

Note: Numbers are rounded to the nearest $1,000. This figure shows the mean value of each asset type for the typical household in each retirement confidence group. The typical household refers to the middle 20 percent of households in which the head or spouse is a woman age 70 or older. The low, medium, and high retirement confidence groups are based on household reporting of how adequate their income in retirement is to maintain their standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. Transaction accounts can be used to make payments, and include checking accounts, savings accounts, money market accounts, call accounts, and prepaid cards. Retirement accounts include Individual Retirement Accounts (IRA), Keoghs, and employer-based retirement accounts such as defined contribution plans such as 401(k) plans, but not defined benefit plans. All other financial assets include mutual funds, directly held stocks and bonds, savings bonds, directly held pooled investment funds (except mutual funds), the cash value of whole life insurance, and other miscellaneous financial assets. Primary home refers to the value of the primary home. Other non-financial assets include other residential property, net equity in non-residential real estate, and the value of businesses, vehicles, and other miscellaneous nonfinancial assets. See Appendix I for more information on the low, medium, and high groupings. All estimates for total assets and total non-financial assets in this figure have relative standard errors (RSE) below

10 percent. Estimates with RSEs over 25 percent should be interpreted with caution. For households with low retirement confidence, estimates for the value of the primary home and other non-financial assets have RSEs of 11 percent and 21 percent, respectively, while the estimate for financial assets has an RSE of 29 percent, and estimates for components of financial assets have RSEs between 26 and 55 percent. For households with medium retirement confidence, estimates for the value of the primary home and total non-financial assets have RSEs less than 10 percent, while the RSE for estimated total financial assets is 16 percent, and estimates for components of financial assets have RSEs between 20 and 25 percent. For households with high retirement confidence, all estimates have RSEs less than 10 percent, except for the estimates for transaction accounts; retirement accounts; and the "all other financial assets" category, which have RSEs of 14, 13, and 13 percent, respectively.

Liquidity May Explain Differences in Retirement Confidence among Households with Similar Wealth

Households with more wealth and households that can expect more future income report higher rates of high retirement confidence, but among households of older women with similar levels of wealth and expected future income, liquidity also contributes to high retirement confidence.[65] Liquidity, or the degree to which an asset can be bought or sold quickly at a price reflecting its value, is an important predictor of retirement confidence for households of older women at all levels of wealth. Specifically, in our multivariate analyses of the households of older women, we found that:

- Household wealth and total resources were both significant predictors of confidence in retirement, and some other factors were not significant once we accounted for household wealth or total resources. For example, neither race nor marital status were significant predictors of confidence in retirement once we accounted for household wealth or total resources.[66]
- Liquidity was a significant predictor of retirement confidence.[67] In our analyses, older women's households with the most liquidity were

[65]Note our analysis of expected future income here is limited to income from Social Security and defined benefit plans, and does not incorporate expected future income from earnings or other sources. We conducted multivariate analyses that estimated the probability that older women's households have high retirement confidence. We measured liquidity by financial assets as a percentage of total assets and sorted women's households into quintiles of liquidity. We included controls for household wealth in some models and in other models we included controls for total resources (defined as wealth plus the estimated present value of future Social Security and DB plan income). In every model we also controlled for race, education, marital status, and other factors. See appendix III for further discussion of these results from our multivariate analysis.

[66]Education of the household head was a significant predictor of low retirement confidence, with the most educated households having significantly lower odds, but education was not a significant predictor of high retirement confidence. See appendix III for more information.

[67]See appendix III for more information about our multivariate analysis.

almost nine times more likely to report high retirement confidence than older women's households with the least amount of liquidity, regardless of how much wealth or total resources they had and regardless of whether they owned a home or not.[68]

- Owning a home was associated with high retirement confidence only in households with high liquidity.[69] That is, owning a home was associated with a 2 to 3 times higher odds of having high retirement confidence when the home does not constrain liquidity.[70]

The most liquid assets are checking, savings, and other transaction accounts. We found that almost 40 percent of households with older women had less than $5,000 in checking and savings accounts in 2016, and about 20 percent had less than $1,000.[71] Older women's households with less than $1,000 in the most liquid assets may be particularly vulnerable to emergencies and unexpected expenses, as 68 percent of

[68]Total resources includes household wealth and the present value of future Social Security and DB plan income. See appendix I for a description of how we calculated the present value of future Social Security income.

[69]We included separate indicators for owning a home with home debt, and owning a home without home debt. We found that when we controlled for either wealth or total resources - but not liquidity - owning a home was not significantly associated with high retirement confidence (see models 1 and 3 in appendix III.) In other words, for households at the same level of wealth, homeownership did not make households with older women report more confidence in retirement, likely because at any given level of wealth, homeownership can be a liquidity constraint.

[70]In our multivariate analysis of households of older women, when we controlled for either wealth or total resources and also liquidity, we found that homeownership is significantly associated with high retirement confidence (see models 2 and 4 in appendix III). In other words, for households at the same level of wealth and liquidity, homeownership does make households with older women feel more confident in retirement. Two households could have the same level of wealth and liquidity, where one owns a home and the other does not, if the household that does not own a home has other non-financial assets of the same value. For example, household A could have $500,000 in financial assets and $300,000 in home equity, while household B could have $500,000 in financial assets and $300,000 in business assets. In this case both households have $800,000 in wealth and equivalent levels of liquidity, but household A owns a home and household B does not. Household A is more likely to report high retirement confidence.

[71]The CARES Act provides for tax credits (referred to as Economic Impact Payments) of up to $1,200 per adult for individuals with an adjusted gross income (AGI) of $75,000 or below; taxpayers with an AGI between $75,000 and $99,000 received a reduced amount. See Pub. L. No. 116-136, § 2201, 134 Stat. 281, 335-40 (2020). These payments could represent a substantial increase in liquid assets for these older women.

these households had no other financial assets to draw upon.[72] More than 20 percent of households with under $1,000 in checking and savings reported that their spending exceeded their income in the past year. Among the older women's households with less than $1,000 in checking and savings accounts who did not spend more than their income, only about 29 percent said they would be able to draw on savings to handle an emergency, with the rest saying that they would have to borrow money, postpone payments, cut back, or something else.[73] Even among older women's households with wealth of more than $1 million, 49 percent of those with lower liquidity[74] had high retirement confidence, compared to 80 percent of those with higher liquidity.

Homeownership, often a large portion of total assets, is a means of building wealth but can also constrain household liquidity. About 40 percent of all households of women 70 or older had most of their wealth in home equity. Of the households with older women that had less than $1,000 in checking or savings and owned homes, about 43 percent of them were making mortgage payments or had other home debt, further constraining their liquidity; in addition, home equity on average made up approximately 85 percent of household wealth for this group,[75] raising concerns that these households are "cash poor", with very little access to funds for emergencies or variable expenses. Homeownership appears to be most valuable when it is part of a balanced portfolio that also includes

[72]Fifty percent of the households of women age 70 and older had household transaction accounts (primarily checking and savings) with balances less than $10,000.

[73]The SCF asked a hypothetical question to respondents whose household spent less than or equal to their income last year, "if tomorrow you experienced a financial emergency that left you unable to pay all of your bills, how would you deal with it? Would you borrow money, would you spend out of savings or investments, would you postpone paying bills, or would you do something else?"

[74]In this example, we define lower liquidity households as those in which financial assets were less than 25 percent of all assets, and we define higher liquidity households as those in which financial assets were more than 50 percent of all assets.

[75]Sixty percent of households with older women with less than a $1,000 in checking and savings accounts owned homes. Their median home equity was about $74,000, and their median household wealth was about $77,000, while their mean home equity was about $100,000 and their mean household wealth was about $152,000, according to our 2016 SCF estimates.

accessible liquid assets because homeownership can limit liquidity for older women's households.[76]

On Average, Rural Households Also Have Low Liquidity.

We found that households of older women–those age 70 and over–in rural areas had relatively low liquidity. For the median older rural woman's household, financial assets, which are relatively liquid, were 14 percent of total household assets. For the median older urban woman's household, financial assets were worth 36 percent of total household assets.

According to the Board of Governors of the Federal Reserve System (Federal Reserve), in 2016, rural households overall (i.e., not just older women's households) had lower median income and wealth than urban households overall (with urban defined as a population of 50,000 or more and rural as less than 50,000). Median household income for rural households was $38,700, and median household income for urban households was $55,200. Rural median household wealth was $87,900 and urban median household wealth was $99,000. Rural mean household wealth was $276,300 and urban mean household wealth was $751,300, reflecting the concentration of highly wealthy households in urban areas.

Between 2013 and 2016, rural median household income increased by 2 percent while median income of urban households increased by 10 percent. Median household wealth of rural households increased more than it did for urban households (25 and 13 percent, respectively), but mean household wealth of urban households increased more than for rural households (27 and 3 percent, respectively), reflecting in part the growth of the assets of highly wealthy households concentrated in urban areas.

Source: Federal Reserve analysis of 2016 SCF data for GAO and "Changes in U.S. Family Finances from 2013 to 2016: Evidence from the Survey of Consumer Finances," Federal Reserve, September 2017. | GAO-20-435

Older Women's Financial Circumstances Change as They Age

Older women's median household income, spending, and wealth decrease as they age, potentially a result of working less and beginning to draw down assets, according to longitudinal data from the Health and Retirement Study we analyzed showing estimated changes in two cohorts of women over time.[77] Most retirement-age men and women stop

[76]Our models in appendix III show that, when we control for either wealth or total resources but not liquidity, owning a home is not significantly associated with high reported retirement confidence (see models 1 and 3 in appendix III.) However, when we control for either wealth or total resources and also liquidity – measured by the proportion of assets that are financial – then homeownership is significantly associated with high retirement confidence (see models 2 and 4). Owning a home increased the chance of reporting high retirement confidence by two to three times, compared to not owning a home, when the home did not constrain liquidity.

[77]In this section we are analyzing household-level data except when reporting data on labor force participation and marital status. We studied two cohorts of older women using data from the Health and Retirement Study. The younger cohort was aged 62 to 66 in 2002 and were surveyed over 12 years, until they reached ages 74 to 78 in 2014. The older cohort was aged 74 to 78 in 2002 and were surveyed over 12 years until they reached ages 86 to 90 in 2014. For more information on our analysis of these cohorts, see appendix I. Note the statistically significant decrease in household wealth we found pertained to only the older cohort.

working, lowering median earned income.[78] As women in our younger cohort approached and passed full retirement age for Social Security, income from Social Security increasingly offset declines in earned income, but overall income did drop over time for these cohorts.[79] In 2016 dollars, median household income for the younger cohort declined from $50,000 when they were 62-66, to $37,000 by the time they were 74-78. Median household income for the older cohort declined from $29,000 when they were 74-78, to $22,000 by the time they were 86-90. Median household spending declined similarly to the median household income decline.[80]

Given the gender differential in life expectancy, as one would expect, the percentage of women who are married steadily declined with age. By the time women in the younger cohort we studied were 74-78, the proportion of women who were unmarried had increased from 36 percent (at age 62-66) to 50 percent. The older cohort began at age 74-78 when 58 percent were unmarried. By the time they were 86-90, 80 percent were unmarried (see fig. 10). We estimated in 2012 that on average, widowhood later in life for women resulted in a 37 percent decline in household income.[81]

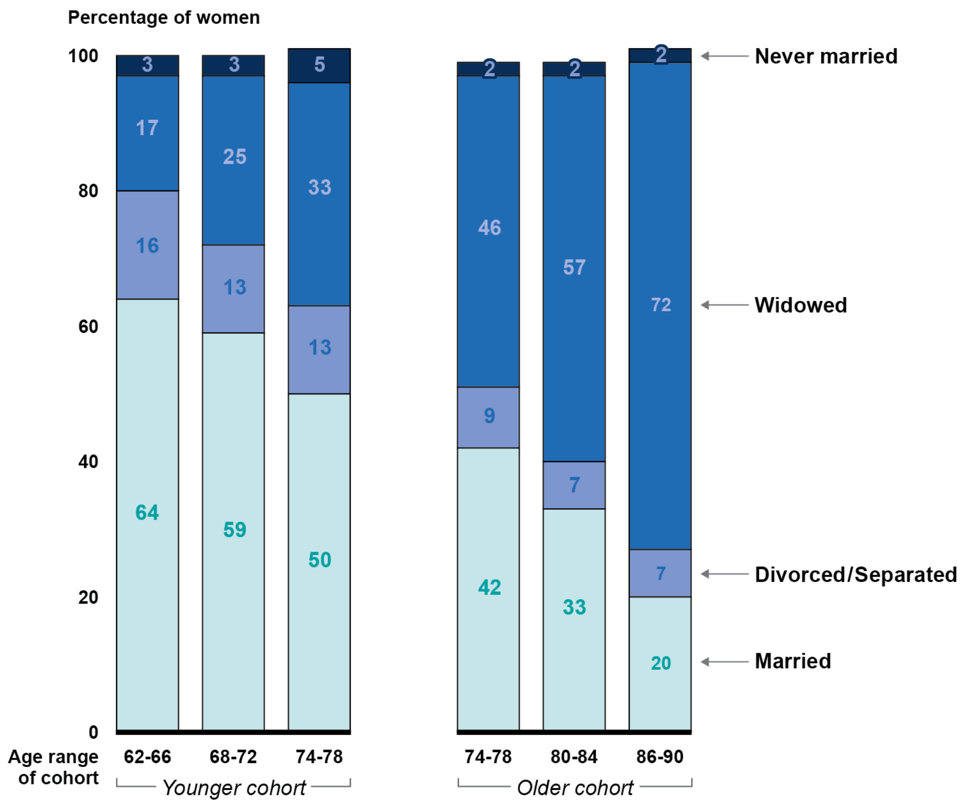
[78]The percentage in the younger cohort who worked dropped from 41 percent between ages 62-66 to 14 percent for those aged 74-78.

[79]Note that while we observed a decline in overall income, in the HRS data we analyzed, income did not include distributions from IRAs, 401(k)s, brokerage accounts, or savings accounts. Defining income to include those sources, and using administrative rather than survey data might yield different results. See C. Adam Bee and Joshua Mitchell, *The Hidden Resources of Women Working Longer: Evidence from Linked Survey-Administrative Data,* National Bureau of Economic Research Working Paper 22970 (2016).

[80]Median spending was $47,000 when the younger cohort of women were 62-66, and it dropped to $32,000 when they were 74-78. Median spending declined for the older cohort from $32,000 when they were 74-78 to $23,000 when they were 86-90.

[81]We also found divorce later in life resulted in a 41 percent decline in household income. See GAO-12-699.

Figure 10: Marital Status of Two Cohorts of Older Women over Time



Source: GAO analysis of RAND's Health and Retirement Study (HRS) data. | GAO-20-435

Note: This data represents two cohorts of older women from the Health and Retirement Study. The younger cohort was aged 62 to 66 in 2002 and were surveyed until they reached ages 74 to 78 in 2014. The older cohort was aged 74 to 78 in 2002 and were surveyed until they reached ages 86 to 90 in 2014. Percentages may not add up to 100 due to rounding. All figure estimates have relative standard errors (RSE) less than 10 percent with the following exceptions. The RSEs associated with the percent divorced / separated for the older cohort were 12 percent, 15 percent, and 16 percent for the 74-78, 80-84, and 86-90 age groups, respectively. The RSEs associated with the percent never married were 17, 15, and 18 percent for 62-66, 68-72, and 74-78 age groups, respectively, in the younger cohort. The RSEs associated with the percent never married were 24, 24, and 52 percent for the 74-78, 80-84, and 86-90 age groups, respectively, in the older cohort. Estimates with RSEs over 25 percent should be interpreted with caution.

Women generally spent their non-housing assets first, rather than selling their home (or otherwise accessing home equity). Given the high rate of home ownership in this population (per our 2016 SCF estimates, among households where a woman age 70 or older was the head or spouse, over 80 percent owned homes), median women's home equity rose for the younger cohort, likely reflecting appreciating home values, lower mortgage balances from additional mortgage payments, or both.

However, in the older cohort we studied, median home equity did not change significantly, potentially reflecting a greater number of older women selling their homes, offsetting any increases in home equity driven by appreciating home values and reductions in mortgage balances.[82] A significant decline in non-housing wealth contributed to a decline in the overall wealth of the older cohort across the age range of 74 and 90.[83]

Guaranteed Income Plays a Key Role in Helping Millions of Older Women Maintain Their Living Standards

Guaranteed income from defined benefit plans and Social Security are important sources of income for older women's retirement security. Our multivariate analysis showed that retirement income from defined benefit plans contributes significantly to household retirement confidence. To analyze the importance of income from DB plans in the context of women's total household resources, we estimated the present value of future defined benefit plan income. We then constructed a measure of total resources that equaled the sum of household wealth, the estimated present value of future Social Security income, and the estimated present value of future DB plan income. Among households of similar total resources, a significantly greater portion of households with defined benefit plan income reported high retirement confidence than those without it. Our analysis of SCF data found that after we controlled for total resources, household liquidity,[84] race, education, and homeownership status, an older woman's household with a DB plan was still about twice as likely to report high confidence in its retirement security as an older woman's household without one. The results of our multivariate regression suggest that participating in a DB plan may make a greater

[82]Home sales, reverse mortgages and home equity loans or lines of credit could reduce median home equity.

[83]We previously used the 2013 SCF to estimate that 48 percent of households age 65-74 had some retirement savings, compared to 59 percent of those age 55-64. For that analysis we used a variable for retirement savings which included assets accrued in defined contribution (DC) plans such as 401(k) plans, or IRAs, but excluded DB plan benefits unless a household had taken the DB plan benefit as a lump sum and converted it into an IRA or other account balance. We also reported that the assumption that housing equity is converted to savings only when other resources are exhausted has been used to measure retirement income adequacy by the Employee Benefit Research Institute. See GAO-15-419.

[84]We measured liquidity as the percentage of assets that were financial, and grouped households into liquidity quintiles.

contribution to retirement confidence than ownership of an equivalent amount of household wealth.[85]

For millions of older women's households, the present value of their future Social Security income is their most valuable retirement resource, according to our analysis of 2016 SCF data.[86] To analyze the importance of Social Security for older women compared to other retirement resources, we estimated the present value of future Social Security income, and compared it to women's household wealth (defined as the sum of all currently held assets, such as the value of real estate, other property, businesses, and all financial assets, minus any debt). [87] The present value of future Social Security income was worth more than household wealth for about 40 percent of households with women age 70 and older.

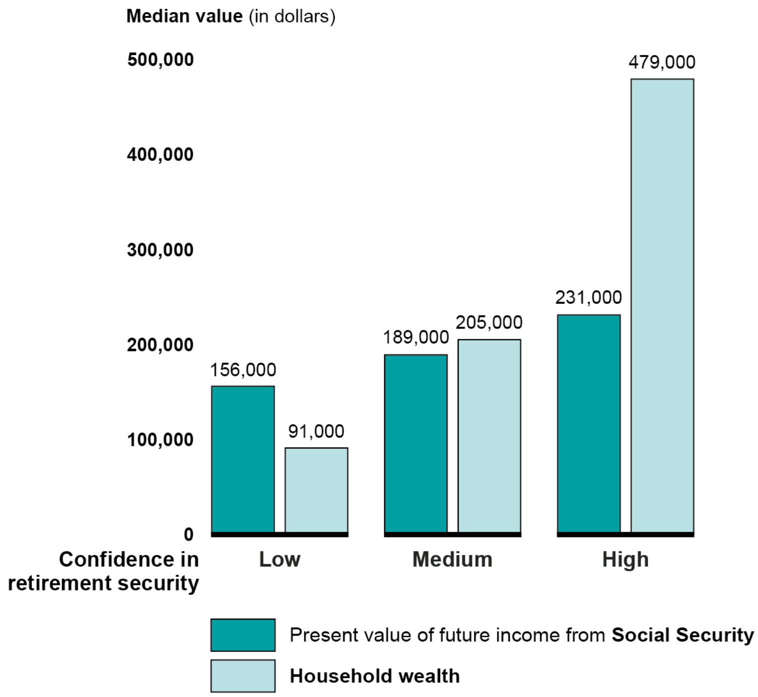
Households with women age 70 and older had a median level of household wealth of approximately $250,000, and the median present value of future Social Security income for such households equaled about 76 percent of that. As shown in figure 11, for households with women age 70 and older with a low level of retirement confidence, Social Security is a more important resource than household wealth. However, even for households with older women with a medium level of retirement confidence, the present value of future Social Security income provides an important financial resource almost equal to the median household wealth for such households.

[85]The importance of DB wealth compared to an equivalent amount of other household wealth may reflect the fact that a high proportion of other household wealth consists of home equity for many households, and home equity is relatively illiquid. We also ran multivariate analyses predicting the probability that a woman's household would report low retirement confidence. Our models showed that participating in a DB plan is associated with an approximately 50 percent lower likelihood of reporting low retirement confidence, after controlling for wealth and/or total resources, liquidity, race, education, and homeownership status. Total resources includes the present value of future defined benefit plan income, indicating that participating in a DB plan may make a greater contribution to retirement confidence than ownership of an equivalent amount of household wealth, possibly because of the reduction in longevity risk—the guaranteed lifetime income ensures that retirees will not outlive their asset. See appendix III for a description of our multivariate analysis and detailed results.

[86]We also reported in 2012 that Social Security made up more than half of household income for women 65 and older between 1998 and 2010. See GAO-12-699.

[87]See appendix I for methodological details.

Figure 11: Present Value of Future Social Security Income Compared to Current Household Wealth for Households with Women 70 and Older, by Retirement Confidence Level



Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435

Note: Numbers are rounded to the nearest $1,000. Household wealth in this report excludes the present value of future Social Security income. We defined household wealth as current net worth, or assets minus debt. Appendix I explains how we estimated the present value of future Social Security income The low, medium, and high retirement confidence groups are based on household reporting of how adequate their income in retirement is to maintain their standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. All estimates in this figure have relative standard errors (RSE) less than 10 percent, except for the estimate of household wealth for low retirement confidence households, which has an RSE of 10 percent.

Most women have less income to maintain their living standards in retirement than they did when they were working, and, on average, unsurprisingly they increasingly rely on Social Security over time in retirement as their main source of income.[88] While Social Security

[88]We previously reported that when compared to younger households age 65-74, Social Security makes up a larger share of household income for retirees age 75 and older. See GAO, *Retirement Security: Most Households Approaching Retirement Have Low Savings,* GAO-15-419 (Washington, D.C.: May 12, 2015).

generally ensures that older women will never entirely run out of income in old age, financial shocks of unexpected expenses can be challenging for those heavily reliant on Social Security. Simultaneously, older women are vulnerable to the costs of healthcare and shelter, two essential expenses that have increased at a rate higher than most other goods and services, potentially leaving less disposable income for the unexpected as well as the nonessential.

The increased reliance on Social Security with age, and the growing likelihood of an adverse health event may help explain why so many women reported that they were concerned about reductions in Social Security or Medicare benefits in their responses to our questionnaire. Furthermore, older women when asked about their retirement advice for their younger counterparts most frequently mentioned the importance of saving and investing which are less feasible for older women with little earned income and short investment time horizons. These changes with age, along with the increasing portion of older women who are widowed in later years, helps explain the sense of fragility around their retirement security that we heard expressed by women broadly across our focus groups.

Agency Comments

We provided a draft of this report to the Department of Health and Human Services, the Department of Labor, the Department of the Treasury, the Internal Revenue Service, the National Association of Insurance Commissioners and the Social Security Administration (SSA) for review and comment. SSA provided written comments, which are reproduced in appendix IV. We received technical comments from each of the federal agencies, which we incorporated as appropriate. The National Association of Insurance Commissioners did not provide comments.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Health and Human Services, the Secretary of Labor, the Secretary of the Treasury, the Commissioner of Internal Revenue, the Commissioner of the Social Security Administration, and other interested parties. This report will also be available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions regarding this report, please contact me at (202) 512-7215 or jeszeckc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

Charles A. Jeszeck
Director
Education, Workforce, and Income Security Issues

Appendix I: Objectives, Scope and Methodology

The objectives of this study were to examine (1) women retirees' perspectives of their financial security, and (2) what is known about the financial security of older women. To obtain background information on women's financial security in retirement, we reviewed academic and federal government research. To gather background on federal agency programs and policies affecting the financial security of women in retirement, we interviewed federal officials at the Department of Health and Human Services, the Department of Labor, the Internal Revenue Service, and the Social Security Administration. We also interviewed staff at two non-profit organizations receiving grants to implement federal programs. We scoped our report to focus on women age 70 and over because these women are likely to no longer be accumulating retirement benefits for the future, have already claimed Social Security, and are likely spending down their retirement accounts, to the extent they have them.[1]

Focus Group Analyses

To obtain the perspectives of older women on their retirement security, we conducted 14 focus group sessions with older women. These sessions involved structured small-group discussions designed to gather in-depth information about specific issues that cannot easily be obtained from other methods, such as a survey or individual interviews. Consistent with typical focus group methodologies, our design included multiple groups with varying characteristics, but also some homogeneous characteristics within each group. Our overall objective in using a focus group approach was to obtain views, insights, and feelings of older women on their financial security. We did not seek to independently validate the information provided during the focus groups, nor do we express an opinion or evaluation on any of the views or suggestions made by focus group participants. Rather, the focus group information presented in this report only reflects the perspectives of the focus group participants.

We hired a contractor to recruit and screen participants according to selection criteria we established, and we validated that the recruiting criteria was met by verifying age, income, marital status, and race data that participants self-reported on written questionnaires. We developed the discussion guide and participant questionnaire without the contractor's input, and GAO analysts moderated the focus groups. Prior to conducting any groups recruited by the contractor, we conducted two

[1]An estimated 11 percent of women 70 and over still work to some extent, according to our analysis of 2019 Current Population Survey data. We do not restrict our analysis to women who are retired in the traditional sense of having ceased all work for pay.

focus groups to pretest our discussion guide and participant questionnaire. The AARP recruited participants for the two pretests, but was not involved in designing our methodology. For the two pretest focus groups, as we did for the rest of the focus groups, we established the participant selection criteria, independently developed the discussion guide and participant questionnaire without input from AARP, moderated these groups ourselves, and confirmed the participant selection criteria was met with data from written questionnaires. While we conducted these two sessions in Washington, D.C., as pretests, we did not need to significantly change our discussion guide or questionnaire afterward, and decided to include the results of the pretests in our focus group analysis.

We took into account a number of considerations in our focus group design to ensure we met the necessary conditions that would allow us to collect valid and reliable qualitative data. To ensure we incorporated a range of perspectives from older women living in different locations and communities, we conducted groups in all four Census regions: Northeast, South, Midwest, and West. We conducted three groups in each of the Census Bureau's four regions. To ensure we incorporated the perspectives of women in geographically distant or more isolated communities, in addition to urban areas, we also conducted groups in rural locations within each of the four regions. We defined urban as a metropolitan area with more than 250,000 residents, and rural as a city or town with fewer than 50,000 residents and not adjacent to a larger metropolitan area.

We were able to achieve some degree of racial diversity in all of our focus groups except for two rural groups. We also tried to ensure participants in each of our groups represented a range of ages over 70 (our oldest participant was 89). Each focus group session contained married and single women, and each group contained women who were still working and women who were not.

To encourage open and honest sharing among participants, we took steps to create an environment in which the discussions within each group were among women that had certain homogeneous characteristics. All of our groups were composed of women age 70 or older, with the exception of one group, which included one 65-year-old woman and one 69-year-old woman. Additionally, we segmented our groups by socioeconomic status so that within each group women were generally similar. Specifically, we grouped women by education and income. We ensured no single group had both high (fourth quartile) income, college educated women and low (first quartile) income, high school educated women. All focus groups with the exception of the two pretests were facilitated by women. For recruiting purposes, we set a minimum group size of six and a maximum of 12 to create a group dynamic with sufficient interaction among participants while enabling all participants to share. In the end, all of our focus groups had between seven and 10 participants. Focus groups lasted approximately 2 hours each.

Discussions were structured and guided by GAO moderators who used a standardized list of questions to encourage participants to share their thoughts and experiences. We asked women how they would define the term “financial security.” We also asked them about factors that impacted their current financial state and how they thought their financial situation would change in the future. We created audio recordings and in most cases video recordings of the focus group sessions. We reviewed this material in the course of developing this report. We also created a written transcript of each group.

We performed a systematic content analysis on the transcripts from the 14 focus group sessions. The analysis was conducted in two steps. In the first step, two analysts independently reviewed each transcript and identified an initial list of themes. The two analysts then met to reconcile their lists of initial themes and jointly developed a codebook with categories for coding the transcripts. The two analysts then pretested their initial codebook by independently coding the same subset of transcripts. After each pretest, the analysts met to identify discrepancies in their coding and made refinements to the codebook. The codebook was iteratively tested and refined to ensure consistent judgment of categories. When the coders achieved a reliable intercoder agreement rate for each of the categories, the codebook was finalized. In the second step, two GAO analysts independently coded the content of the transcripts from all 14 focus groups according to the categories from the codebook. Because these coding categories would be further reviewed in making our determinations about completeness and detail, we decided to resolve intercoder disagreements. A third GAO analyst resolved discrepancies between the two independent coders.

We analyzed the number of statements in a single focus group that pertained to a particular topic and the number of focus groups in which a particular topic was discussed. We examined these variables across all 14 groups and compared data between urban and rural locations. This systematic content analysis formed the primary basis for our findings on the perspectives of women on their financial security in retirement. On some occasions we identified the importance of a sentiment after the set of codes used for our systematic analysis had been finalized and used word searches of the transcripts to identify the frequency a sentiment was conveyed. When reporting the results from our content analysis, we use “a couple” to mean two groups, “a few” to mean three-to-five groups, “several” to mean five-to-seven groups, “most” to mean eight to 11 groups, and “almost all” to mean 12 or 13 of the 14 total focus groups.

Methodologically, focus groups are not designed to demonstrate the extent of a problem, generalize results to a larger population, or provide statistically representative samples or reliable quantitative estimates. Instead, they are intended to generate in-depth information about the reasons for the focus group participants’ thoughts, experiences, and preferences on specific topics. The extent to which the information produced by our focus group sessions is representative of other older women with similar characteristics is limited. The experiences and preferences expressed may not reflect the experiences and preferences of other older women. In addition, because the composition of the groups was designed deliberately as mentioned previously, the groups were not constructed using a random sampling method.

In addition to the 14 focus groups, we held eight other discussion groups of women age 70 or older. Generally, these groups formed when more participants than were requested arrived at a focus group or people were in attendance who did not meet our focus group demographic requirements. In these situations we were able to hold a smaller discussion group following the same discussion guide in a separate room. We followed that discussion guide to interview individual women in three cases as well. We did not analyze transcripts from these discussions and individual interviews because these sessions did not adhere to our focus group demographic requirements. For example, the discussion groups and interviews were not always conducted with groups of women who had roughly similar levels of financial security or educational attainment. However, we did review, document, and consider the content discussed to add to our overall understanding of the issues considered in this report.

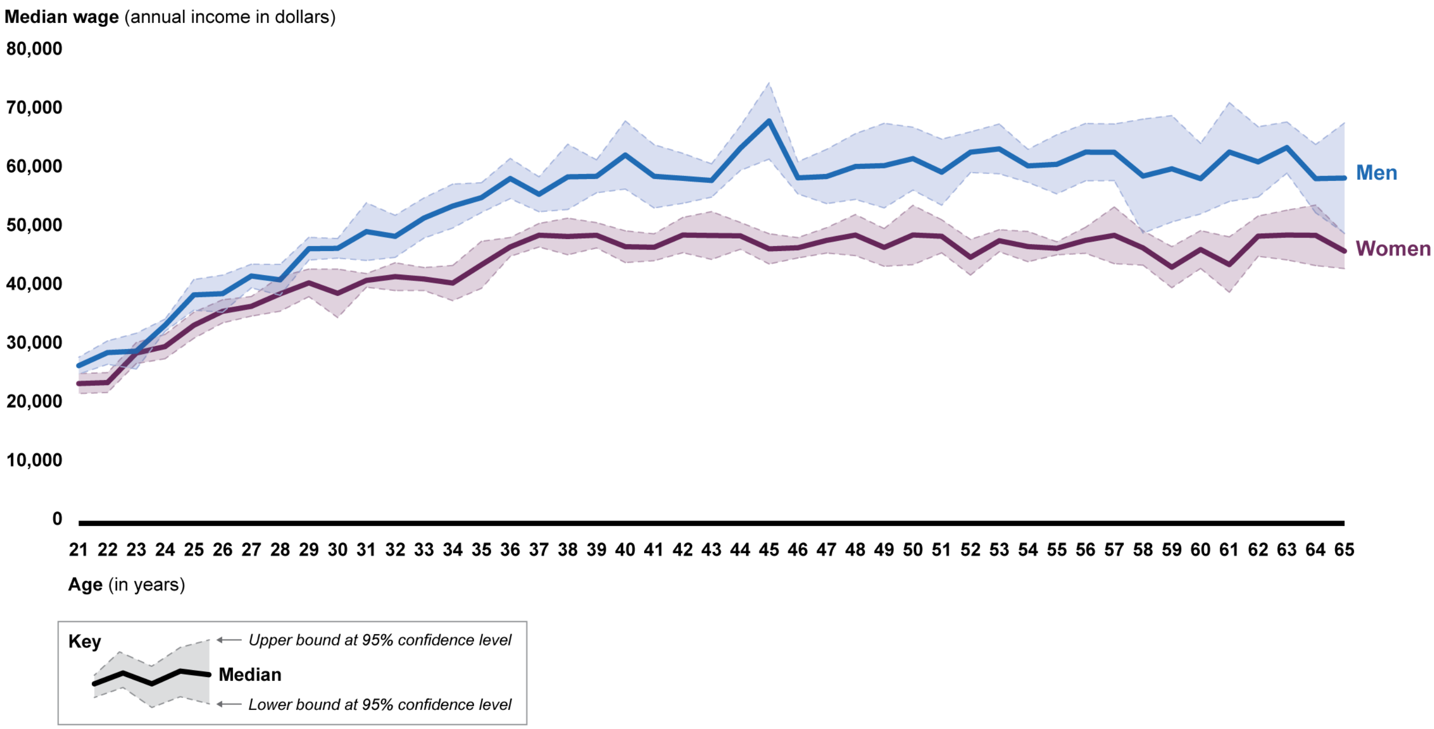
All of the women who discussed their financial security with us also completed a written questionnaire. We pretested this questionnaire both internally within GAO and externally, and made revisions accordingly. The questionnaire requested demographic information, financial information, and questions about their experiences and perspectives on their retirement security. It included both multiple choice and short-answer questions. To analyze qualitative content on the written questionnaire, analysts agreed on categories into which an analyst organized the content accordingly. A second analyst reviewed how the content was categorized and the two discussed and resolved discrepancies. Unlike the focus group discussions, which we analyzed at the group level, we analyzed these questionnaires at the participant level. However, like the focus group discussions, the data do not represent a random sample and the extent to which the data apply to other older women is non-generalizable. For a brief analysis of the characteristics of the older women we spoke with based on their written questionnaire responses, see appendix II.

Gender Pay Disparity Illustration

To illustrate how differences in rates of earnings between men and women could affect the accumulation of retirement assets, we performed a simulation based on observed differences in pay, and assumed identical savings rates and asset returns. To incorporate gender differences in hours worked and employment, we ran the simulation with observed differences in pay among full-time workers, and also with observed differences in pay among all people. From this, we estimated the differences in asset accumulations that might occur over a career, based on differences in pay and hours worked.

We estimated the median wage and salary of women and men using the 2019 Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC). We also estimated the standard error associated with our estimates using the replicate weights provided by the Bureau of Labor Statistics. We used the estimated earnings by age to construct an earnings profile for men and women that showed how the earnings for men and women vary with age. Then, we assumed that a person began at the beginning of this profile, and as they aged, their earnings followed the pattern shown on the following graph. As figure 12 shows, the smallest differences in pay between men and women occur at the younger ages.

Figure 12: Median Pay for Full-time Workers Ages 21-65 by Gender, 2019



Source: GAO analysis of 2019 Current Population Survey Annual Social and Economic Supplement. | GAO-20-435

Note: All relative standard errors associated with these estimates are less than 9 percent.

From this estimated earnings profile, we made the following assumptions. First, we assumed that both men and women would save 6 percent of their income for each year worked, and that they did not make early withdrawals or loans from their retirement savings. We assumed 6 percent because we found it was a recent average deferral rate for defined contribution (DC) plans of a large record keeper.[2] Then, we assumed that the real rate of return would be a constant rate of 5 percent. From this, we estimated the size of the accumulated asset amount at age 65 by allowing investments to compound in value.

These simulations are intended for illustrative purposes only; they do not incorporate situations that could affect individual savers' experiences. For example, individual savers could experience periodic unemployment or job promotions, and get married or form families, which might affect

[2]Note actual savings rates likely vary by age. We also did not assume an employer match.

savings decisions, or lead to withdrawals. Moreover, we examined the earnings profile by age in 2019. In doing so, we are grouping together men and women from multiple generations, who may have experienced different salary growth profiles.

Analysis Using Current Population Survey Annual Social and Economic Supplement

We estimated the population size and the distribution of marital status, race and ethnicity, education, labor force status, and the most common occupations for all women age 70 and older using data from the 2019 Current Population Survey ASEC. We also estimated the standard error associated with our estimates using the replicate weights provided by the Census Bureau. All estimates have relative standard errors of less than 10 percent.

Analyses Using Survey of Consumer Finances Data

To answer what is known about the financial security of older women, we created estimates from nationally representative household data from the 2016 Survey of Consumer Finances (SCF) on women age 70 and over. The SCF is a triennial survey of household assets and income from the Board of Governors of the Federal Reserve System (Federal Reserve) and asks households detailed questions about their income, assets and debts, and demographic information, among other topics. The SCF does not sample from the institutionalized population, which includes nursing homes, but does sample from assisted living facilities, according to an official at the Federal Reserve. The SCF is a cross-sectional survey, meaning it presents a nationally representative “snapshot” for each survey wave rather than following the same households over time. It is conducted using a dual-frame sample design. One part of the design is a standard, multistage area-probability design, while the second part is a special over-sample of relatively wealthy households. This is done in order to accurately capture financial information about the population at large as well as characteristics specific to the relatively wealthy. The two parts of the sample are adjusted for sample nonresponse and combined using weights to make estimates from the survey data nationally representative of households overall. The weights are raked and post-stratified by various demographic characteristics, including age, according to an official at the Federal Reserve. We chose to look at household-level resources because couples may pool their economic resources and the SCF collects some financial data at the household level.

The SCF and other surveys that are based on self-reported data are subject to nonsampling error, including the ability to get information about all sample cases; difficulties of definition; differences in the interpretation of questions; and errors made in collecting, recording, coding, and processing data. These nonsampling errors can influence the accuracy of information presented in the report, although the magnitude of their effect is not known. Estimates from the SCF are also subject to some sampling error since, for any given year, the sample is one of a large number of random samples that might have been drawn. Since each possible sample could have provided different estimates, we express our confidence in the precision of the sample results as relative standard errors (RSE). The RSE is the standard error of the estimate divided by the estimate itself, and is a measure of precision. For example, an estimate with an RSE of 10 percent has a standard error equal to 10 percent of the estimate, which implies a margin of error of approximately +/- 20 percent of the estimate.[3] We use the five implicates and the 999 replicate weights provided by the Federal Reserve to construct these variance estimates. All financial figures using the SCF data are in 2016 dollars. We do not report the RSE for estimates from our analysis of the SCF if it is under 10 percent; however, when the RSE is 10 percent or higher we report that along with the estimate. We report RSEs of 10 percent or higher in the text. For estimates with RSEs of 25 percent or higher, we note that these estimates should be interpreted with caution.

We found the SCF to be reliable for the purposes of our reporting objectives. While the SCF is a widely used federal data source, we conducted an assessment to ensure its reliability. Specifically, we reviewed related documentation, corresponded with agency officials, and conducted electronic testing.

We provide descriptive statistics from the SCF on households in which the head of the household or the spouse of the head of the household was a woman age 70 or older. We estimate that approximately 89 percent of all women 70 and over are the head of the household or the spouse of the head of the household. We excluded women who may, for example, have been living with family in a capacity other than as head of household or spouse of head of household (for example, with a child who is the head of household). As a result of this limitation, to the extent women 70 and over are living in households in which they are not the spouse or household head due to the woman's poor financial condition, our data may understate the financial challenges of this population.

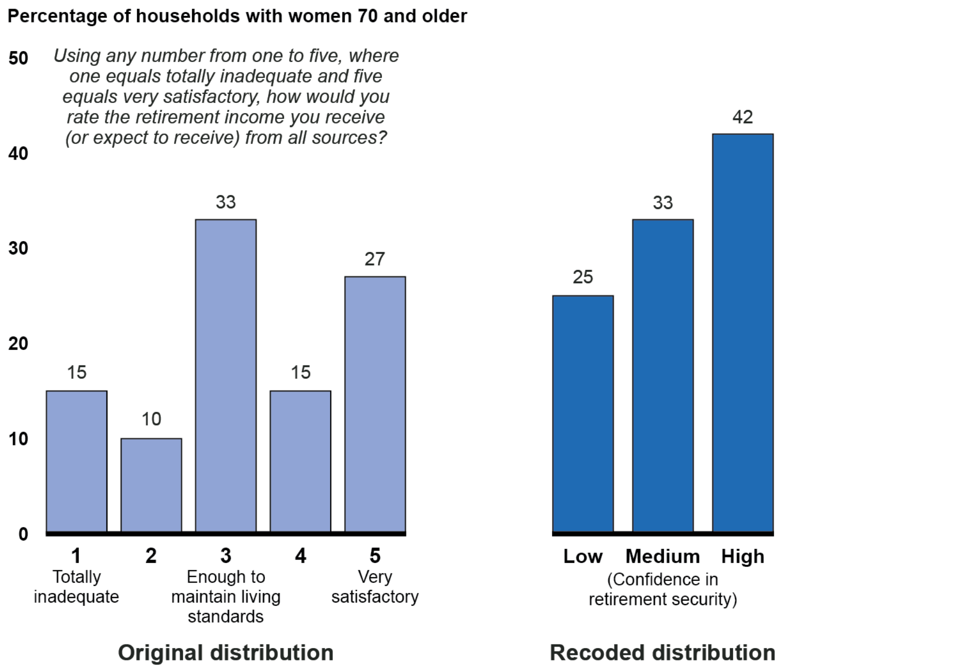
[3]Note that the margin of error for an estimate at the 95 percent confidence level is approximately + / - 1.96 times the standard error. Therefore a margin of error equal to 19.6 percent of the estimate is equivalent to a relative standard error equal to 10 percent of the estimate.

We examined the household retirement confidence of women age 70 or older, measured by the household's self-reported ability to maintain its standard of living in retirement, as a measure of financial security, although we provide other descriptive financial statistics as well. In households with a couple consisting of a woman and a man, the Federal Reserve codes the man as the head of household in the SCF; in households where a couple consists of two women, the Federal Reserve codes the older woman as the head of the household. When the original respondent was someone other than the person determined to be the head in this sense, the Federal Reserve systematically swaps all data (including response codes) for the two members of the couple.

We used the 2016 SCF to describe the household retirement confidence of older women, defined by the respondent's confidence that the household's income in retirement would be enough to maintain its living standards during retirement. Specifically, we created three categories using responses to the following SCF question: "Using any number from one to five, where one equals totally inadequate and five equals very satisfactory, how would you rate the retirement income you receive (or expect to receive) from all sources?"[4] An estimated 75 percent of respondents from the households of women age 70 and older answered either 1 (totally inadequate), 3 (enough to maintain living standards), or 5 (very satisfactory), and an estimated 25 percent of respondents answered 2 or 4. To simplify analysis, we recoded the original five-point answer scale into three categories. We grouped answer choices 1 and 2 together into the category "low" retirement confidence. The third answer choice became "medium" retirement confidence, and we grouped the 4th and 5th answer choices together into the category "high" retirement confidence. The original and recoded distributions are shown in figure 13.

[4]The household head is defined by the Federal Reserve as the male in a mixed sex couple, for the purpose of collecting household level data. In a same-sex couple the head of the household is the older of the two spouses. The level of education describes the status of the household head rather than the woman when she is the spouse in the household. Race refers to the race of the respondent. Ownership of a defined benefit (DB) pension plan or a defined contribution (DC)/individual retirement account (IRA) account refers to household level ownership, and income, net worth and its components, and Social Security wealth and DB wealth are measured at the household level.

Figure 13: Original and Recoded Estimated Distributions of Retirement Confidence Responses from Households with Women Age 70 or Older



Source: GAO analysis of the 2016 Survey of Consumer Finances. | GAO-20-435

Note: All estimates in this figure have relative standard errors of less than 10 percent.

We also used the SCF to estimate the present value of future income from defined benefit plans and Social Security, using a method we developed previously to report the present value of future income from these sources.[5] For that report we employed methods developed by economists at the Federal Reserve with modifications appropriate for the purpose of our analysis. We generally followed methods presented in a 2016 paper entitled “Is the U.S. Retirement System Contributing to Rising Wealth Inequality?” by Devlin-Foltz, Henriques, and Sabelhaus, but made some changes in the assumptions given our focus on older Americans.[6] We estimated the present value of future income from Social Security

[5]For a more complete explanation of this analysis, see GAO, *Retirement Security: Income and Wealth Disparities Continue through Old Age,* GAO-19-587 (Washington, D.C.: Aug. 9, 2019).

[6]Devlin-Foltz, Sebastian, Alice Henriques, and John Sabelhous. “Is the U.S. Retirement System Contributing to Rising Wealth Inequality?” The Russell Sage Foundation Journal of the Social Sciences, vol. 2, no. 6 (2016).

benefits using annual Social Security benefits as reported in the SCF, life tables from the Social Security Administration, and, after conducting sensitivity analyses, an assumed 3 percent real discount rate.

We say “estimated present value” because our estimates are based on assumptions about the future, as well as the time value of money, and may not be the actual amount that will be received. For example, unless changes are made, the Social Security Old Age and Survivors Insurance Trust Fund faces projected depletion in 2034, at which point this Trust Fund is estimated to be sufficient to pay only 77 percent of scheduled benefits.[7] Further, our estimates rely on assumptions about life expectancy, discount rates, and retirement ages, which are unlikely to hold for all households.

To provide information about liquidity for rural and urban women, we obtained estimates using the internal version of the SCF because geographic identifiers are not available in the public use data. Economists at the Federal Reserve ran our programs for us, subjecting the output to their disclosure review process. Because of the small sample sizes for rural and urban households with women 70 and older, many differences between urban and rural households with women were not statistically significant.

Analyses Using Health and Retirement Study Longitudinal Data

To understand how retirement security changes for older women as they continue to age, we created estimates from the Health and Retirement Study (HRS), a nationally representative survey of older Americans. The HRS is a longitudinal survey, meaning that it follows the same individuals and households over the course of the study, allowing us to determine how households’ income and wealth changed over time. The HRS sample is restricted to non-institutionalized respondents. HRS is a project of the University of Michigan’s Institute for Social Research that is funded through a cooperative agreement with the National Institute on Aging (U01AG009740). It collects information on individuals over age 50 and, among other things, contains detailed data on their education, marital status, work history, health, individual and household assets, and individual and household income. When the HRS began in 1992, it consisted of a representative sample of Americans then aged 51-61, which is called the original or core HRS cohort. Since then, several

[7]The Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, The 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (Washington, D.C.: April 22, 2019).

additional cohorts of individuals have been added to the data to maintain representation of the older population. Currently, a new cohort of participants aged 51-56 is added to the study every 6 years. Respondents are surveyed every 2 years. We used the 2016 file, which was an early release, published in May 2019.

RAND, a research organization, cleans and processes the HRS data to create a user-friendly longitudinal dataset that has consistent and intuitive naming conventions and model-based imputations for missing wealth and income data. For simplicity, we used the RAND version of the HRS variables. We adjusted these variables to real 2016 dollars using the Consumer Price Index for All Urban Consumers.

We incorporated into this analysis data from the Consumption and Activities Mail Survey (CAMS), a supplemental survey to the HRS. The CAMS began collecting data in 2001; the most recent CAMS data available for this report was the 2017 final release data, published in July 2019. We merged CAMS data with the asset and demographic variables from the HRS to study changes in variables with age over time such as spending, marital status, income, wealth, and labor force participation. Because the number of years women live in retirement is often greater than the number of years the CAMS has data available for, we used data from 2002 to 2014 and constructed two cohorts such that the oldest age group of the young cohort and the youngest age group of the older cohort overlap. We grouped ages together in 5-year non-overlapping age ranges, and we followed the same group of people (each cohort) throughout our analysis, for 12 years. The young cohort of women were between ages 62 and 66 in 2002, between ages 68 and 72 in 2008 and between ages 74 and 78 in 2014. The older cohort of women were between ages 74 and 78 in 2002, between ages 80 and 84 in 2008, and between ages 86 and 90 in 2014. We found the HRS variables presented in this report to be sufficiently reliable for the purposes of our reporting objectives. We conducted a data reliability assessment of selected variables by conducting electronic data tests and reviewing documentation on the dataset. All estimates in this report from the HRS have relative standard errors that are less than 10 percent, unless otherwise indicated.

We conducted this performance audit from December 2017 to July 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Data from Participant Questionnaires

To better understand their demographic characteristics, feelings and perspectives about retirement, we asked the 190 women in our focus groups, discussion groups, and interviews to respond to a written questionnaire. This appendix provides selected information about the answers the participants provided on their written questionnaires.[1]

More than half (118) of the women we spoke to were between the ages of 70 and 75, and most (129) were white.[2] Thirty-nine were married, 28 were single, 46 were divorced, and 35 were widowed.[3] Sixty-nine women were from rural areas of the country and 121 were from urban areas.[4] Fifty-six were working part-time or full-time.[5] Thirty-eight reported spending time out of the workforce for caregiving, for a median of 10 years.

The women in our focus groups reported different monthly incomes and different feelings about their retirement security, according to their questionnaire responses. Thirty-three women reported feeling very financially secure in retirement and 75 reported feeling somewhat secure. Women most commonly reported a monthly income range of $2,001 to $4,000 (54), but 13 women reported monthly incomes more than $8,000. Twenty-two reported more than $500,000 in a retirement account, and 52 reported more than $20,000 accessible for emergencies. Fifty-two women reported feeling not very secure in retirement; 14 reported monthly incomes under $1,000, 14 reported having no money immediately accessible for emergencies, and 49 reported having no money in a

[1]Our discussions with these women were all guided by the discussion guide used for the focus groups, and while most (111) were focus group participants, the rest were part of discussion groups (76 women) that did not meet the methodological standard to be considered focus groups or were interviewed individually (3 women). Not every participant answered every question on their questionnaire. The lowest response rate for any question applicable to all 190 participants was 143 and the highest response rate was 188.

[2]According to our 2016 SCF estimates, 80 percent of households with women age 70 and older are white.

[3]According to our 2016 SCF estimates, in 50 percent of the households of women age 70 and over, the woman was married.

[4]We defined rural as a city or town with a population below 50,000 and not adjacent to a larger metropolitan area and we defined urban as a metropolitan area with more than 250,000 residents.

[5]According to our 2019 Current Population Survey estimates, 11 percent of women age 70 and older are still in the workforce.

retirement account.[6] Sixty-six reported their monthly income did not cover their monthly expenses sometime in the last year.

Ninety-one reported that they expected their financial situation to stay the same, 50 expected it to deteriorate, 15 expected it to improve, and 21 did not know. Seventy expected to leave an inheritance. One hundred fifteen women owned their home and more than half of those homeowners (66) did not have a mortgage. Forty-three women were renters. Most women (130) had medical insurance in addition to Medicare. Most (136) did not have long term care insurance, and six had Medicaid coverage.

Most women reported being somewhat or very concerned about inflation, medical costs, cognitive decline, Social Security or Medicare reductions, not having saved enough, and estimating future costs. Most women (109) reported being very or somewhat confident in understanding how to budget money throughout retirement, and when to withdraw money from their retirement accounts.

[6]According to our analysis of 2016 SCF data, about 45 percent of households with women age 70 and older had a DC plan or an IRA.

Appendix III: Regression Analysis of the Impact of Wealth, Liquidity, and Other Factors on Reported Household Retirement Confidence

By analyzing data from the 2016 Survey of Consumer Finances using multivariate logistic regressions, we identified demographic and financial factors that were independently correlated with the reported retirement confidence of households with women age 70 and older. This appendix provides information about how we conducted our analysis and about the results of our analysis.

The outcome variable in models 1 through 4 in table 3 is the probability that a household will report a high retirement confidence. The outcome variable in models 5 through 8 in Table 4 is the probability that a household will report a low retirement confidence.[1] All models used the following household characteristics: marital status, education of the head of the household, homeownership status, race or ethnicity of the respondent, participation in a defined benefit (DB) plan by someone in the household, and ownership of a retirement account, either in a defined contribution (DC) plan or an individual retirement account (IRA) by someone in the household. Models 1, 2, 5, and 6 included measures of household wealth (net worth quintiles), and models 2 and 6 included measures of both household wealth and household liquidity (the proportion of assets that are financial). Models 3, 4, 7, and 8 included measures of total resources (household wealth plus the present value of future Social Security and defined benefit plan income), and models 4 and 8 included measures of both total resources and household liquidity.

To incorporate household wealth in the models, we assigned each household into a quintile of household wealth. We defined the quintiles based on the distribution of net worth (assets minus liabilities) among households with women age 70 and older (defined for this report as households in which the woman is either the head of the household or the spouse of the household head). To incorporate retirement resources including Social Security and DB income into the model, we constructed a variable called total resources—which we defined for this report as the sum of private household wealth (household net worth) plus the present discounted value of future income from Social Security and from defined benefit pension plans. We then assigned each household into a quintile of total resources, based on the distribution of total resources among households with women age 70 and older. To incorporate a measure of

[1]We chose to run separate models for high confidence and low confidence outcomes, rather than using an ordered logistic regression to predict high and low outcomes simultaneously, because our preliminary analysis showed that the proportional odds assumption was violated in our models. Although this methodology does not account for the ordering of the level of confidence altogether, it provides a more flexible specification.

liquidity into the model, we first defined a variable equal to the percentage of total assets that are financial assets—in other words, financial assets divided by total assets. We then grouped households into quintiles of this liquidity measure, where the quintiles are defined based on the distribution of this measure among households with women age 70 or older.

Models 1, 3, 5, and 7 demonstrate that household wealth and total resources are important to fostering retirement confidence. They also helped us examine which other factors predict a household's retirement confidence independently of wealth or total resources. Models that included liquidity (models 2, 4, 6, and 8) demonstrate that liquidity, independent of wealth, is important to retirement confidence. They also helped us examine the extent to which other factors predict a household's reported high or low retirement confidence independent of both wealth and liquidity. We present coefficient estimates, standard errors, and coefficients transformed into odds ratios, and we list the omitted (reference) categories. For example, the first model shows that households in the top quintile of wealth are more than seven times more likely to report a high retirement confidence compared to households in the reference category, the bottom quintile of wealth. The third model shows that households in the top quintile of total resources are over eight times more likely to report high retirement confidence compared to households in the reference category, the bottom quintile of total resources.

The first and third models also show that households that own a home do not have higher retirement confidence than non-home-owning households, once we control for wealth or for total resources. In contrast, the fourth model shows that households that own a home (both those with and those without home debt) are more than twice as likely to report high retirement confidence, compared to households that do not own a home–when the households' level of liquidity, in addition to total resources, is held constant. These model results suggest that homeownership makes a positive contribution to retirement confidence only for those households with sufficient liquidity. Estimates that are statistically significant are indicated in tables 3 and 4. Summary statistics for all variables shown in the model are presented in table 5. The data shows the distribution of each characteristic within the analysis sample of households with women age 70 and older. Table 6 shows, for each characteristic, the proportion of households with women within that group that have low, medium, or high retirement confidence.

Table 3: Logistic Regression: Outcome is High Retirement Confidence for Households with Women Age 70 or Older

	Model 1				Model 2				Model 3				Model 4			
Variable	**Est.**	**S.E.**	**O.R.**		**Est.**	**S.E.**	**O.R.**		**Est.**	**S.E.**	**O.R.**	**I**	**Est.**	**S.E.**	**O.R.**	**I**
Unmarried (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Married	0.22	0.17	1.2		0.29	0.19	1.3		0.03	0.17	1.0		0.13	0.19	1.1	
Household respondent is white (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Household respondent is African American	0.43	0.28	1.5		0.53	0.30	1.7		0.32	0.29	1.4		0.48	0.34	1.6	
Household respondent is Latina / Latino	0.39	0.41	1.5		0.32	0.39	1.4		0.34	0.44	1.4		0.29	0.44	1.3	
Household respondent is any other race / ethnic group	-0.63	0.33	0.5		-0.48	0.37	0.6		-0.73	0.32	0.5	*	-0.57	0.36	0.6	
Household head has no High School degree (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Household head has high school diploma	-0.05	0.29	1.0		-0.11	0.30	0.9		-0.05	0.28	0.9		-0.12	0.30	0.9	
Household head has some college, no degree	0.00	0.31	1.0		-0.14	0.31	0.9		-0.06	0.29	0.9		-0.22	0.30	0.8	
Household head has Bachelor's degree or higher	0.49	0.31	1.6		0.26	0.31	1.3		0.37	0.28	1.5		0.15	0.29	1.2	
Does not have DB plan (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Has DB plan	0.69	0.18	2.0	*	0.72	0.18	2.0	*	0.52	0.19	1.7	*	0.57	0.20	1.8	*
Does not own a retirement account (DC or IRA) (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Does own a retirement account (DC or IRA)	0.02	0.19	1.0		-0.66	0.21	0.5	*	0.09	0.18	1.1		-0.63	0.21	0.5	*
Does not own home (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Owns home with home debt	-0.15	0.35	0.9		0.79	0.39	2.2	*	0.03	0.33	1.0		1.00	0.36	2.7	*
Owns home without home debt	-0.14	0.31	0.9		0.55	0.36	1.7		0.20	0.27	1.2		0.88	0.31	2.4	*
Bottom quintile of household wealth (<= $56,200) (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Second quintile of household wealth ($56,201 - $187,700)	0.24	0.38	1.3		0.35	0.43	1.4		-	-	-		-	-	-	

	Model 1				Model 2				Model 3				Model 4			
Variable	**Est.**	**S.E.**	**O.R.**		**Est.**	**S.E.**	**O.R.**		**Est.**	**S.E.**	**O.R.**	**I**	**Est.**	**S.E.**	**O.R.**	**I**
Third quintile of household wealth ($187,701 - $369,840)	1.16	0.38	3.2	*	1.12	0.44	3.1	*	-	-	-		-	-	-	
Fourth quintile of household wealth ($369,841 - $933,000)	1.51	0.42	4.5	*	1.28	0.46	3.6	*	-	-	-		-	-	-	
Top quintile of household wealth (>$933,000)	2.01	0.43	7.5	*	1.81	0.48	6.1	*	-	-	-		-	-	-	
Bottom quintile of liquidity: proportion of assets that are financial is less than or equal to 3.3% (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Second quintile of liquidity: proportion of assets that are financial is greater than 3.3% and less than or equal to 22%	-	-	-		0.74	0.37	2.1	*	-	-	-		0.79	0.36	2.2	*
Third quintile of liquidity: proportion of assets that are financial is greater than 22% and less than or equal to 46%	-	-	-		1.48	0.34	4.4	*	-	-	-		1.57	0.33	4.8	*
Fourth quintile of liquidity: proportion of assets that are financial is greater than 46% and less than or equal to 71%	-	-	-		1.99	0.47	7.3	*	-	-	-		2.04	0.46	7.7	*
Top quintile of liquidity: proportion of assets that are financial is greater than 71%)	-	-	-		2.16	0.41	8.7	*	-	-	-		2.23	0.40	9.3	*
Bottom quintile of total resources (<= $245,750) (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Second quintile of total resources ($245,750-$450,111)	-	-	-		-	-	-		0.59	0.38	1.8		0.67	0.42	2.0	
Third quintile of total resources ($450,112-$722,241)	-	-	-		-	-	-		0.87	0.43	2.4	*	0.83	0.46	2.3	
Fourth quintile of total resources ($722,242-$1.437M)	-	-	-		-	-	-		1.51	0.40	4.5	*	1.28	0.45	3.6	*
Top quintile of total resources (>$1.437M)	-	-	-		-	-	-		2.14	0.45	8.5	*	1.94	0.49	6.9	*
Constant	-	-	-	*	-3.39	0.48	0.0	*	-1.91	0.47	0.1	*	-3.50	0.53	0.0	*

Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435.

Note: The outcome high retirement confidence is based on a household's reporting of how adequate its income in retirement is to maintain its standard of living. High confidence means the household reported more than enough income to maintain living standards. See appendix I for more information. These are results from multivariate logistic regression of the probability of high retirement confidence. Estimates (Est.), standard errors (S.E.), and odds ratio transformations (O.R.) are presented; a statistically significant odds ratio higher than 1 indicates that the characteristic is associated with an increased likelihood of the outcome occurring, and a statistically significant odds ratio below 1 indicates that the characteristic is associated with a decreased likelihood of the outcome occurring. * Indicates that the variable is statistically significant at the 95 percent level (P<.05). DB = defined benefit plan. DC = defined contribution plan / account. IRA = individual retirement account. Household wealth is defined as household net worth (assets minus liabilities), and total resources is defined as the sum of net worth, the estimated present value of future income from Social Security, and the estimated present value of future income from DB plans.

Table 4: Logistic Regression: Outcome Is Low Retirement Confidence for Households with Women Age 70 or Older

	Model 5			Model 6			Model 7			Model 8		
Variable	**Est.**	**S.E.**	**O.R.**	**Est.**	**S.E.**	**O.R.**	**Est.**	**S.E.**	**O.R.**	**Est.**	**S.E.**	**O.R.**
Unmarried (reference category)	-	-	-	-	-	-	-	-	-	-	-	-
Married	-0.06	0.21	0.9	-0.10	0.23	0.9	0.16	0.22	1.2	0.10	0.24	1.1
Household respondent is white (reference category)	-	-	-	-	-	-	-	-	-	-	-	-
Household respondent is African American	-0.11	0.36	0.9	-0.13	0.39	0.9	-0.03	0.36	1.0	-0.14	0.40	0.9
Household respondent is Latina / Latino	-0.53	0.46	0.6	-0.50	0.48	0.6	-0.56	0.47	0.6	-0.56	0.49	0.6
Household respondent is any other race / ethnic group	-1.25	0.60	0.3 *	-1.59	0.63	0.2 *	-1.19	0.61	0.3	-1.57	0.67	0.2 *
Household head has no High School degree (reference category)	-	-	-	-	-	-	-	-	-	-	-	-
Household head has High School degree	-0.73	0.27	0.5 *	-0.74	0.30	0.5 *	-0.70	0.27	0.5 *	-0.69	0.30	0.5 *
Household head has Some college, no degree	-0.02	0.28	1.0	0.06	0.31	1.1	0.02	0.28	1.0	0.13	0.31	1.1
Household head has Bachelor's degree or higher	-1.09	0.32	0.3 *	-0.96	0.36	0.4 *	-1.07	0.33	0.3 *	-0.94	0.36	0.4 *
Does not have DB plan (reference category)												
Has DB plan	-0.74	0.19	0.5 *	-0.76	0.20	0.5 *	-0.61	0.21	0.5 *	-0.66	0.22	0.5 *
Does not own a retirement account (DC or IRA) (reference category)	-	-	-	-	-	-	-	-	-	-	-	-
Does own a retirement account (DC or IRA)	-0.54	0.24	0.6 *	-0.01	0.28	1.0	-0.65	0.22	0.5 *	-0.05	0.29	1.0
Does not own home (reference category)												
Owns home with home debt	0.70	0.37	2.0	-0.16	0.40	0.9	0.54	0.35	1.7	-0.31	0.39	0.7
Owns home without home debt	0.39	0.36	1.5	-0.30	0.40	0.7	0.09	0.31	1.1	-0.56	0.34	0.6
Bottom quintile of household wealth (<= $56,200) (reference category)	-	-	-	-	-	-	-	-	-	-	-	-
Second quintile of household wealth ($56,201 - $187,700)	-0.38	0.35	0.7	-0.39	0.36	0.7	-	-	-	-	-	-
Third quintile of household wealth ($187,701 - $369,840)	-0.64	0.36	0.5	-0.52	0.39	0.6	-	-	-	-	-	-
Fourth quintile of household wealth ($369,841 - $933,000)	-1.64	0.46	0.2 *	-1.45	0.48	0.2 *	-	-	-	-	-	-

	Model 5				Model 6				Model 7				Model 8			
Variable	**Est.**	**S.E.**	**O.R.**		**Est.**	**S.E.**	**O.R.**		**Est.**	**S.E.**	**O.R.**		**Est.**	**S.E.**	**O.R.**	
Top quintile of household wealth (>$933,000)	-1.33	0.50	0.3	*	-1.03	0.51	0.4	*	-	-	-		-	-	-	
Bottom quintile of liquidity: proportion of assets that are financial is less than or equal to 3.3% (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Second quintile of liquidity: proportion of assets that are financial is greater than 3.3% and less than or equal to 22%	-	-	-		-0.71	0.33	0.5	*	-	-	-		-0.76	0.33	0.5	*
Third quintile of liquidity: proportion of assets that are financial is greater than 22% and less than or equal to 46%	-	-	-		-0.94	0.44	0.4	*	-	-	-		-1.10	0.46	0.3	*
Fourth quintile of liquidity: proportion of assets that are financial is greater than 46% and less than or equal to 71%	-	-	-		-1.47	0.49	0.2	*	-	-	-		-1.57	0.48	0.2	*
Top quintile of liquidity: proportion of assets that are financial is greater than 71%)	-	-	-		-1.78	0.36	0.2	*	-	-	-		-1.86	0.36	0.2	*
Bottom quintile of total resources (<= $245,750) (reference category)	-	-	-		-	-	-		-	-	-		-	-	-	
Second quintile of total resources ($245,750-$450,111)	-	-	-		-	-	-		-0.73	0.25	0.5	*	-0.83	0.27	0.4	*
Third quintile of total resources ($450,112-$722,241)	-	-	-		-	-	-		-0.47	0.31	0.6		-0.44	0.33	0.6	
Fourth quintile of total resources ($722,242-$1.437M)	-	-	-		-	-	-		-1.36	0.38	0.3	*	-1.19	0.39	0.3	*
Top quintile of total resources (>$1.437M)	-	-	-		-	-	-		-1.50	0.50	0.2	*	-1.28	0.51	0.3	*
Constant	0.29	0.35	1.3		1.48	0.45	4.4	*	0.37	0.36	1.4		1.65	0.47	5.2	*

Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435.

Note: The outcome low retirement confidence is based on a household's reporting of how adequate its income in retirement is to maintain its standard of living. Low confidence indicates a household reported that its income was not adequate to maintain living standards in retirement. See appendix I for more information. These are results from multivariate logistic regression of the probability of low retirement confidence. Estimates (Est.), standard errors (S.E.), and odds ratio transformations (O.R.) are presented; a statistically significant odds ratio higher than 1 indicates that the characteristic is associated with an increased likelihood of the outcome occurring, and a statistically significant odds ratio below 1 indicates that the characteristic is associated with a decreased likelihood of the outcome occurring. * Indicates that the variable is statistically significant at the 95 percent level (P<.05). DB = defined benefit plan. DC = defined contribution plan/account. IRA = individual retirement account. Household wealth is defined as household net worth (assets minus liabilities), and total resources is defined as the sum of net worth, the estimated present value of future income from Social Security, and the estimated present value of future income from DB plans.

Table 5: Distribution of Population Characteristics among Households of Older Women

Characteristics	Estimate	Std. Err
Married	50%	2%
Unmarried	50%	2%
Household head has no high school diploma	18%	1%
Household head has high school diploma	31%	1%
Household head has some college	21%	2%
Household head has college degree	30%	1%
Household respondent is white	80%	1%
Household respondent is African American	10%	1%
Household respondent is Latina/ Latino	5%	1%
Household respondent is any other racial / ethnic group	5%	1%
Household does not own home	17%	1%
Household owns home, with home debt	26%	1%
Household owns home, with no home debt	57%	1%
Household owns home	83%	1%
Household participates in a DB plan	48%	2%
Household has a DC / IRA account	45%	2%
Households has both DB plan and DC / IRA account	23%	1%
Household has neither DB plan nor DC / IRA account	30%	2%
Households has a DB plan but no DC / IRA account	25%	2%
Households has a DC / IRA account but no DB plan	22%	1%
Bottom quintile of household wealth (<= $56,200)	20%	1%
Second quintile of household wealth ($56,201 - $187,700)	20%	2%
Third quintile of household wealth ($187,701 - $369,840)	20%	2%
Fourth quintile of household wealth ($369,841 - $933,000)	20%	1%
Top quintile of household wealth (>$933,000)	20%	1%
Bottom quintile of liquidity: proportion of assets that are financial is less than or equal to 3.3%	20%	1%
Second quintile of liquidity: proportion of assets that are financial is greater than 3.3% and less than or equal to 22%	20%	1%
Third quintile of liquidity: proportion of assets that are financial is greater than 22% and less than or equal to 46%	20%	1%
Fourth quintile of liquidity: proportion of assets that are financial is greater than 46% and less than or equal to 71%	20%	1%
Top quintile of liquidity: proportion of assets that are financial is greater than 71%)	20%	1%
Bottom quintile of total resources (<= $245,750)	20%	1%
Second quintile of total resources ($245,750-$450,111)	20%	1%
Third quintile of total resources ($450,112-$722,241)	20%	1%

Characteristics	Estimate	Std. Err
Fourth quintile of total resources ($722,242-$1.437M)	20%	1%
Top quintile of total resources (>$1.437M)	20%	1%

Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435.

Note: Analysis is restricted to households where a woman age 70 or older is either the head of household, or the spouse of the head. For the distribution of households across characteristics, note that groups of outcomes generally sum to 100 percent. For example, the table shows that 50 percent of the households are a married woman and her spouse, and 50 percent of the households have an unmarried woman head. However, some groups of outcomes do not sum to 100 percent because we have included overlapping groups. For example, 17 percent of households are non-homeowners and 83 percent are homeowners, and 26 percent own a home with home debt while 57 percent own a home without home debt. Next to each percentage estimate is the standard error of the estimate (Std. Err.). The low, medium, and high retirement confidence groups are based on household reporting of how adequate its income in retirement is to maintain its standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. DB = defined benefit plan. DC = defined contribution plan/account. IRA = individual retirement account. Household wealth is defined as household net worth (assets minus liabilities), and total resources is defined as the sum of net worth, the estimated present value of future income from Social Security, and the estimated present value of future income from DB plans.

Table 6: Percentage with Low, Medium and High Retirement Confidence among Households of Older Women with Different Characteristics

	Percent with low, medium, and high retirement confidence					
	Percent low	Std. err	Percent medium	Std. err	Percent high	Std. err
Married	21%	2%	29%	2%	50%	2%
Unmarried	29%	2%	37%	3%	35%	2%
Household head has no high school diploma	43%	5%	29%	4%	28%	4%
Household head has high school diploma	24%	3%	43%	3%	33%	3%
Household head has some college	32%	4%	31%	4%	37%	4%
Household head has college degree	10%	2%	27%	3%	63%	3%
Household respondent is white	23%	2%	32%	2%	45%	2%
Household respondent is African American	40%	5%	25%	5%	35%	4%
Household respondent is Latina / Latino	35%	8%	34%	9%	30%	7%
Household respondent is any other race / ethnic group	13%	5%	57%	7%	29%	6%
Household does not own home	36%	4%	39%	4%	24%	4%
Household owns home, with home debt	27%	3%	30%	3%	43%	3%
Household owns home, with no home debt	20%	2%	33%	2%	47%	2%
All home owners	22%	2%	32%	2%	46%	2%
Household participates in a DB plan	16%	2%	31%	3%	53%	2%
Household has a DC / IRA account	13%	2%	33%	3%	54%	3%
Households has both DB plan and DC / IRA account	13%	2%	26%	3%	61%	3%

	Percent with low, medium, and high retirement confidence					
	Percent low	Std. err	Percent medium	Std. err	Percent high	Std. err
Household has neither DB plan nor DC / IRA account	46%	4%	32%	3%	22%	3%
Households has a DB plan but no DC / IRA account	20%	3%	34%	4%	46%	4%
Households has a DC / IRA account but no DB plan	14%	2%	40%	4%	46%	4%
Bottom quintile of household wealth (<= $56,200)	45%	4%	36%	4%	19%	3%
Second quintile of household wealth ($56,201 - $187,700)	35%	5%	42%	4%	24%	4%
Third quintile of household wealth ($187,701 - $369,840)	24%	3%	31%	4%	44%	4%
Fourth quintile of household wealth ($369,841 - $933,000)	9%	2%	35%	3%	55%	4%
Top quintile of household wealth (>$933,000)	10%	2%	20%	3%	70%	4%
Bottom quintile of liquidity: proportion of assets that are financial is less than or equal to 3.3%	49%	4%	35%	4%	16%	3%
Second quintile of liquidity: proportion of assets that are financial is greater than 3.3% and less than or equal to 22%	27%	4%	40%	4%	32%	4%
Third quintile of liquidity: proportion of assets that are financial is greater than 22% and less than or equal to 46%	20%	4%	32%	4%	48%	4%
Fourth quintile of liquidity: proportion of assets that are financial is greater than 46% and less than or equal to 71%	10%	3%	26%	5%	64%	5%
Top quintile of liquidity: proportion of assets that are financial is greater than 71%)	17%	3%	32%	4%	51%	4%
Bottom quintile of total resources (<= $245,750)	49%	4%	35%	4%	16%	3%
Second quintile of total resources ($245,750-$450,111)	29%	3%	43%	4%	28%	4%
Third quintile of total resources ($450,112-$722,241)	26%	3%	35%	4%	39%	5%
Fourth quintile of total resources ($722,242-$1.437M)	12%	2%	32%	4%	57%	4%
Top quintile of total resources (>$1.437M)	8%	2%	20%	3%	72%	3%

Source: GAO analysis of 2016 Survey of Consumer Finances. | GAO-20-435.

Note: Analysis is restricted to households where a woman age 70 or older is either the head of household, or the spouse of the head. The table shows the distribution of retirement confidence among households with various household characteristics. The sum of the low, medium, and high confidence estimates equals 100 percent in each row. For example, the table shows that among households where the head is married, 21 percent have low confidence, 29 percent have medium confidence, and 50 percent have high retirement confidence. Next to each percentage estimate is the standard error of the estimate. (Std. Err.). The low, medium, and high retirement confidence groups are based on household reporting of how adequate its income in retirement is to maintain its standard of living. Low confidence in retirement security (or low retirement confidence) indicates a household reported that its income was not adequate to maintain living standards in retirement, medium means the household reported enough income to maintain its living standards in retirement, and high means the household reported more than enough income to maintain living standards. DB = defined benefit plan. DC = defined contribution plan/account. IRA = individual retirement account. Household wealth is defined as household net worth (assets minus liabilities), and total resources is defined as the sum of net worth, the estimated present value of future income from Social Security, and the estimated present value of future income from DB plans.

Appendix IV: Comments from the Social Security Administration

SOCIAL SECURITY
Office of the Commissioner

June 29, 2020

Mr. Charles Jeszeck
Director, Education, Workforce, and Income Security Team
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Director Jeszeck,

Thank you for the opportunity to review the draft report, "RETIREMENT SECURITY: Older Women Report Facing a Financially Uncertain Future" (GAO-20-435). We appreciate GAO's efforts to highlight the financial security challenges faced by older women. We offer several retirement planning publications and other resources helpful to women on our "Social Security for Women" webpage at www.ssa.gov/people/women.

If you have any questions, please contact me at (410) 965-9704. Your staff may contact Trae Sommer, Director of the Audit Liaison Staff, at (410) 965-9102.

Sincerely,

Stephanie Hall

Stephanie Hall
Chief of Staff

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact:

Charles Jeszeck, Director, (202) 512-7215 or jeszeckc@gao.gov

Staff Acknowledgments:

In addition to the contact above, Tamara Cross (Assistant Director), Ted Leslie (Analyst-in-Charge), Taylor Bailey, Ben Bolitzer, Sarah Belford, Caitlin Cusati, Jessica Gehr, Rhiannon Patterson, John Karikari and Walter Vance made key contributions to this report. Other contributors include, James Bennett, Colenn Berracasa, Barbara Bovbjerg, Holly Dye, Meeta Engle, Jennifer Gregory, Angela Jacobs, Kathleen McQueeney, Joseph Silvestri, Brian Schwartz, Amy Sweet, Rebecca Kuhlmann Taylor, Frank Todisco, David Watsula, and Adam Wendel.

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