Baby Boomer Women:
Secure Futures or Not?

Paul Hodge, Editor
Founder & Chair, Global Generations Policy Institute
Director, Harvard Generations Policy Program
Research Fellow, John F. Kennedy School of Government
Harvard University

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Baby Boomer Women: Secure Futures or Not? is a *pro bono* public service publication whose mission is to develop and implement national policies that will ensure a dignified, sustainable quality of life for our nation's aging baby boomer women.

Wealthier Retirement for Boomer Women?

Barbara A. Butrica
Senior Research Associate
Urban Institute

Cori E. Uccello
Consultant
Urban Institute

Among current retirees, 12 percent of women are poor compared with only 8 percent of men. Unmarried elderly women are three to four times more likely to be poor than married elderly women. And there are large differences in elderly poverty rates by race, with black and Hispanic women experiencing poverty rates that are more than twice as high as those of white women.[1]

These statistics highlight the economic vulnerability of the current population of elderly women, particularly those who are unmarried and minorities. However, because of trends in marital status and race/ethnicity, the future retiree population, especially the sizable boomer cohort, is expected to include even more unmarried women and minorities. If differences in poverty rates by sex, marital status, and race continue, overall poverty rates among elderly women could increase considerably among future retirees.

If differences in poverty rates by sex, marital status, and race continue, overall poverty rates among elderly women could increase considerably among future retirees.

Given the startling statistics for currently retired women and the projection of an increased number of unmarried and minority female retirees, what are the retirement prospects for future generations of women? In particular, how will women in the boomer cohort fare? These individuals, born between 1946 and 1964, will begin to be eligible for retirement in less than five years. In this article, we provide new evidence on the adequacy of their retirement resources.[2]

About Our Model

To explore the adequacy of retirement resources for boomer women at age 67—the age by which most people will have retired—we use projections from the Urban Institute's Dynamic Simulation of Income Model (DYNASIM).[3] We project household wealth including financial wealth, housing equity, Social Security wealth, wealth from defined benefit (DB) pensions, and wealth from defined contribution (DC) plans and other retirement accounts including IRAs and Keoghs. Then we estimate the income that could be generated from this wealth at retirement. Specifically, household income includes income from financial assets, imputed rent, Social Security benefits, DB pension benefits, and retirement accounts, as well as earnings, Supplemental Security Income (SSI), and income from nonspouse coresident family members.[4] Finally, we assess the adequacy of income to meet consumption needs by projecting poverty rates and replacement rates.[5]

About two in five current retiree women are projected to be divorced or never married, compared with about two in three boomer women.

Because the boomer cohort includes individuals born over a 19-year period, its oldest and youngest members grew up in different eras. For this reason, we report results separately for early boomers (1946–1955) and late boomers (1956–1965).[6] We also compare boomers' retirement prospects with those of previous generations, namely, current retirees (born 1926–1935) and near-retirees (1936–1945). Finally, we report results separately for married and unmarried women and examine differences in retirement outcomes by marital status and race.

But first we take a general look at how the characteristics of retired women have changed across cohorts.

What Are the Characteristics of Current and Future Retired Women?

Over time, DYNASIM projects a fairly constant share of married women, but a dramatic shift in the composition of unmarried women (see Figure 1 and Table 1). For instance, the share of widows at age 67 is projected to decline by nearly half, from 60 percent among current retirees to 34 percent among late boomers. The decline in widowed women will be offset by an increase in divorced and never-married women. About two in five current retiree women are projected to be divorced or never married, compared with about two in three boomer women.

Figure 1: Projected Marital Composition of Women, by Birth Cohort

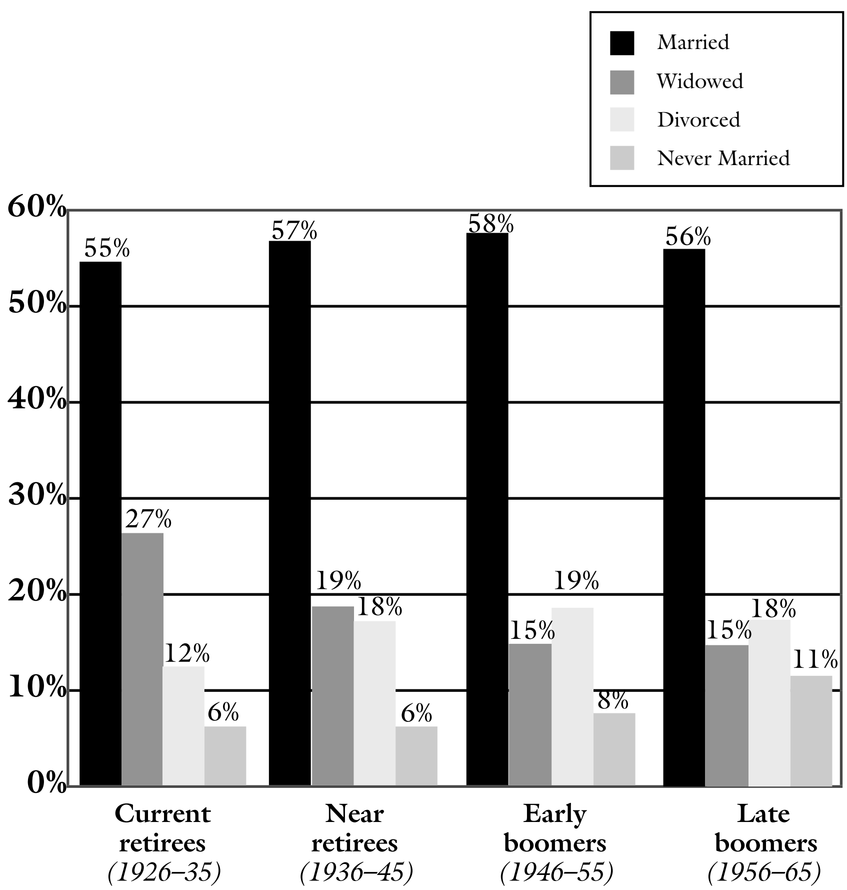

Table 1: Projected Characteristics of Women at Age 67, by Marital Status

	MARRIED WOMEN				NONMARRIED WOMEN			
	Current retirees *(1926–35)*	**Near retirees** *(1936–45)*	**Early boomers** *(1946–55)*	**Late boomers** *(1956–65)*	**Current retirees** *(1926–35)*	**Near retirees** *(1936–45)*	**Early boomers** *(1946–55)*	**Late boomers** *(1956–65)*
TOTAL	100	100	100	100	100	100	100	100
Marital Status								
Married	100	100	100	100				
Widowed					60	45	36	34
Divorced					28	42	44	42
Never married					13	13	19	24
Race/Ethnicity								
White, non-Hispanic	86	83	80	75	77	74	73	72
Black, non-Hispanic	5	6	7	10	13	15	16	14
Hispanic	6	8	8	11	8	8	8	10
Asian/Native American	3	3	5	5	2	3	3	4
Education								
High school dropout	22	16	9	9	32	19	12	10
High school graduate	64	64	61	61	56	63	65	62
College graduate	14	20	30	29	12	18	22	28
MEAN VALUES								
Years in the labor force	19	23	27	29	20	24	28	29
Shared lifetime earnings[a]	$18,000	$24,000	$30,000	$35,000	$15,000	$19,000	$24,000	$31,000

Source: The Urban Institute tabulations of DYNASIM3 (see text for details).
Notes: The boomer cohort is typically represented as those born between 1946 and 1964. For analytical purposes, however, we define the boomer cohort as those born between 1946 and 1965. All wealth and income projections are in 2003 dollars.[a] Shared lifetime earnings is the average of wage-indexed per capita shared earnings between ages 22 and 62, where shared earnings are computed by assigning each individual half the total earnings of the couple in the years when the individual is married and her or his own earnings in years when nonmarried. Due to rounding, totals may not sum exactly to 100 percent.

In addition, the racial composition of retired women is projected to shift across cohorts as minority group representation increases over time. Boomer retirees are more likely than current retirees to be black, Hispanic, Asian, or Native American. Among married women, the share of Hispanic retirees in the boomer cohorts will grow to exceed the share of black retirees, with Hispanics thereby becoming the predominant minority group. Among unmarried women, though, blacks will continue to be the predominant minority group.

Boomer retirees are also more likely than current retirees to be college educated and to have more work experience and higher lifetime earnings.[7] Interestingly, although both married and unmarried women have made significant gains across cohorts in educational attainment, work experience, and earnings, this is especially true for unmarried women.

These shifting demographic and labor force participation characteristics will likely lead to different retirement outcomes for boomer women in contrast to those of earlier generations. On the one hand, retirement well-being could worsen among future retirees as a result of marital status and racial trends. Given the projection of an increased number of unmarried and minority female retirees among recent cohorts and their historically high poverty, poverty rates among elderly women could increase considerably among future retirees. On the other hand, retirement well-being could improve among future retirees due to trends in labor force participation and earnings. Because recent cohorts of women have higher labor force participation rates and earnings, they are more likely than earlier cohorts to receive pension income (from DB pensions and/or retirement accounts) and Social Security retirement benefits based on their own earnings. In this analysis, we provide evidence of how these trends will influence the retirement security of boomer women.

Given the projection of an increased number of unmarried and minority female retirees among recent cohorts and their historically high poverty, poverty rates among elderly women could increase considerably among future retirees.

Projected Retirement Wealth

Our examination of retirement resources begins with household wealth. DYNASIM projects that boomer women will amass more household wealth at retirement than will the previous two birth cohorts (see Table 2). For married women, median wealth at age 67 will grow from $636,000 among current retirees to $654,000 among today's near-retirees to more than $780,000 among boomers. Unmarried women are also expected to experience an increase in household wealth across generations. However, there are noteworthy differences in each of the trends. For married women, median wealth levels off between the early and late boomer cohorts. In contrast, median wealth for unmarried women rises with each successive cohort—from $255,000 among current retirees to $284,000 among near-retirees to $330,000 among early boomers and $399,000 among late boomers. As a result, the percentage gap in retirement wealth between married and unmarried women will narrow over time.

Table 2: Economic Resources of Women at Age 67, by Marital Status (in thousands, $2003)

	MARRIED WOMEN				NONMARRIED WOMEN			
	Current retirees *(1926–35)*	Near retirees *(1936–45)*	Early boomers *(1946–55)*	Late boomers *(1956–65)*	Current retirees *(1926–35)*	Near retirees *(1936–45)*	Early boomers *(1946–55)*	Late boomers *(1956–65)*
				MEDIAN HOUSEHOLD WEALTH				
TOTAL	636	654	783	781	255	284	330	399
Marital Status								
Married	636	654	783	781				
Widowed					304	365	416	467
Divorced					190	244	302	385
Never married					115	148	264	335
Race/Ethnicity								
White, non-Hispanic	666	712	846	847	293	328	379	438
Black, non-Hispanic	365	374	502	569	185	175	213	276
Hispanic	364	411	441	610	121	188	236	314
Asian/Native American	377	575	903	744	185	226	398	401
				MEDIAN HOUSEHOLD INCOME				
TOTAL	44	52	61	63	18	21	25	29
Marital Status								
Married	44	52	61	63				
Widowed					20	26	30	33
Divorced					14	18	21	26
Never married					17	18	25	30
Race/Ethnicity								
White, non-Hispanic	46	54	64	64	19	23	26	30
Black, non-Hispanic	32	43	56	56	18	18	22	29
Hispanic	35	36	45	53	13	14	20	22
Asian/Native American	40	54	72	69	20	20	32	37

Source: The Urban Institute tabulations of DYNASIM3 (see text for details).
Notes: The boomer cohort is typically represented as those born between 1946 and 1964. For analytical purposes, however, we define the boomer cohort as those born between 1946 and 1965. Total wealth includes financial wealth, housing equity, Social Security wealth, wealth from DB pensions, and wealth from DC plans and other retirement accounts (including IRAs and Keoghs). Total income includes income from financial assets, imputed rent, Social Security benefits, DB pension benefits, and retirement accounts, as well as earnings, Supplemental Security Income (SSI), and income from nonspouse coresident family members. We report our results at the individual level. But each individual's wealth and income reflect household-level wealth and income; that is, we include the wealth and income of the spouse, if the individual is married. All wealth and income projections are in 2003 dollars.

Still, the overall trends mask large differences by marital status and race. Among unmarried women in every birth cohort, those who are widowed have considerably higher wealth than those who are divorced or never married. Yet, the differences by marital status decline significantly over time due to the large gains for divorced and never-married women. Also, currently retired white women (both married and unmarried) have at least one and a half times as much wealth as black and Hispanic women. However, these differences also narrow with each successive generation, particularly for Hispanics, Asian, and Native American women.

Projected Retirement Income

Perhaps even more important than wealth at retirement is the income that could be generated from that wealth. As with median household wealth, median household income is projected to increase over time.[8] Unmarried women—particularly divorced and never-married women— are projected to experience an even larger percentage gain in income between currently retired and late boomer cohorts (61 percent) than married women (43 percent). Despite their economic gains, however, unmarried boomer women will continue to have lower incomes than married boomer women. In fact, on a per capita basis, which assumes no economies of scale, the typical married woman in every birth cohort will have more than twice as much income than the typical unmarried woman. Given that two people generally do not need twice as much income to live as comfortably as one person, these projections suggest that married women will continue to be much better off than unmarried women in the future.

Never-married and divorced women in the boomer cohorts will have higher than average poverty rates for all unmarried women. In addition, black and Hispanic women will have higher poverty rates than average.

Projected Share in Need

But will retirees' incomes be enough to maintain a basic standard of living? To help answer this question, we first examine poverty rates. The projected increase in retirement incomes between current retiree and boomer cohorts will reduce poverty rates over time for all women, regardless of their marital status or race (see Table 3).[9] Nevertheless, certain boomer women will remain especially vulnerable. For instance, never-married and divorced women in the boomer cohorts will have higher than average poverty rates for all unmarried women. In addition, black and Hispanic women will have higher poverty rates than average.

Table 3: Share of Women in Need at Age 67, by Marital Status

	MARRIED WOMEN				NONMARRIED WOMEN			
	Current retirees *(1926–35)*	Near retirees *(1936–45)*	Early boomers *(1946–55)*	Late boomers *(1956–65)*	Current retirees *(1926–35)*	Near retirees *(1936–45)*	Early boomers *(1946–55)*	Late boomers *(1956–65)*
				PERCENT BELOW POVERTY				
TOTAL	3	2	2	1	20	15	9	6
Marital Status								
Married	3	2	2	1				
Widowed					13	6	4	2
Divorced					32	21	11	7
Never married					25	25	14	8
Race/Ethnicity								
White, non-Hispanic	2	1	1	0	18	12	7	5
Black, non-Hispanic	7	3	1	1	23	20	15	11
Hispanic	5	7	3	1	35	28	14	8
Asian/Native American	9	6	1	0	14	15	13	1
				PERCENT BELOW 45% OF THE NATIONAL AVERAGE WAGE				
TOTAL	28	32	30	32	43	46	41	39
Marital Status								
Married	28	32	30	32				
Widowed					37	35	32	33
Divorced					54	54	49	44
Never married					44	52	41	37
Race/Ethnicity								
White, non-Hispanic	26	30	28	30	41	42	40	37
Black, non-Hispanic	44	42	34	36	41	51	45	37
Hispanic	42	52	49	42	60	64	53	53
Asian/Native American	39	32	23	32	43	50	35	30

Source: The Urban Institute tabulations of DYNASIM3 (see text for details).
Notes: The boomer cohort is typically represented as those born between 1946 and 1964. For analytical purposes, however, we define the boomer cohort as those born between 1946 and 1965. Like the U.S. Bureau of the Census, we do not include imputed rent in the household income measure used to determine poverty rates. We report our results at the individual level. But each individual's wealth and income reflect household-level wealth and income; that is, we include the wealth and income of the spouse, if the individual is married.

Poverty rates are projected to decline substantially over time, in large part because of the effects of higher earnings on real Social Security benefits and other retirement income, and the fact that poverty thresholds are not adjusted to reflect real-wage increases. For this reason, we also examine the share of retirees with incomes less than 45 percent of the national average wage—the definition of low-wage earners used by the Social Security

Administration's Office of the Chief Actuary (OCACT). Using this alternative measure of retirement well-being, we find that the share of married women with incomes below 45 percent of the national average wage is 28 percent for current retirees, and is projected to increase slightly to 32 percent for late boomers. Based on this measure, unmarried women are still more likely than married women to be in economic need; however, the differences between married and unmarried women are much smaller than those based on poverty rates—particularly among late boomers. While unmarried women in the late boomer cohort are 6 times more likely to be poor than their married counterparts, their likelihood of having incomes below 45 percent of the national average wage is only 1.2 times higher than for married women. Also, unlike married women, the share of unmarried women with incomes below 45 percent of the national average wage is projected to decline slightly over time—from 43 percent of current retirees to only 39 percent of late boomers.

Compared with male retirees, female retirees will have lower wealth and incomes, higher poverty rates, and a larger share whose incomes are below 45 percent of the national average wage.

Projected Retirement Income Replacement Rate

Another means of gauging the adequacy of retirement resources uses retirement income replacement rates. Replacement rates compare the standard of living achievable in retirement to that during working years. Here we consider how well retirement income will maintain an individual's pre-retirement living standard—measured as pre-retirement earnings. We compute our replacement rates as the ratio of per capita household income at age 67 to average per capita shared earnings between ages 50 and 54.[10]

For married women, median replacement rates are projected to be 91 percent for current retirees (see Table 4). In other words, per capita household income at age 67 will replace 91 percent of average per capita shared earnings between ages 50 and 54. But replacement rates are projected to decline to about 85 percent for near-retirees and early boomers, and then to only 75 percent for late boomers. This finding suggests that the retirement incomes of married late boomers will not rise as much as their pre-retirement earnings, relative to prior cohorts.

In contrast, median replacement rates among unmarried women are projected to be between 86 and 88 percent for current retirees, near-retirees, and early boomers. However, replacement rates are expected to decrease to only 78 percent for unmarried late boomers.

Table 4: Median Replacement Rates of Women at Age 67, by Marital Status

	MARRIED WOMEN				NONMARRIED WOMEN			
	Current retirees *(1926–35)*	Near retirees *(1936–45)*	Early boomers *(1946–55)*	Late boomers *(1956–65)*	Current retirees *(1926–35)*	Near retirees *(1936–45)*	Early boomers *(1946–55)*	Late boomers *(1956–65)*
TOTAL	91	85	86	75	86	88	87	78
Marital Status								
Married	91	85	86	75				
Widowed					83	106	109	97
Divorced					78	71	73	64
Never married					128	89	82	78
Race/Ethnicity								
White, non-Hispanic	90	84	85	75	82	84	81	72
Black, non-Hispanic	91	101	107	94	90	145	135	134
Hispanic	84	86	78	71	134	86	91	76
Asian/Native American	116	84	87	68	82	68	78	72

Source: The Urban Institute tabulations of DYNASIM3 (see text for details).
Notes: The boomer cohort is typically represented as those born between 1946 and 1964. For analytical purposes, however, we define the boomer cohort as those born between 1946 and 1965. We exclude imputed rent and coresident income from per capita household income since these income flows, unlike Social Security and pensions (for example), are not derived from pre-retirement earnings. We report our results at the individual level. But each individual's wealth and income reflect household-level wealth and income; that is, we include the wealth and income of the spouse, if the individual is married.

Again, the overall trends mask large differences by marital status and race. Among boomers, replacement rates are highest for widowed and black women; however, high replacement rates do not ensure economic well-being. In fact, economically disadvantaged individuals often have high replacement rates because they have relatively low earnings, but relatively high Social Security benefits (because of the progressivism of the Social Security system) and SSI benefits (because SSI is a means-tested entitlement program).

Retirement Outcomes of Men Compared with Women

A final perspective on women's retirement security comes from a comparison with the data for men. Across cohorts, the projected trends in retirement security—household wealth and income, poverty rates, and replacement rates—are virtually identical for men and women (see Table 5). Compared with male retirees, however, female retirees will have lower wealth and incomes, higher poverty rates, and a larger share whose incomes are below 45 percent of the national average wage. Replacement rates are projected to be lower for men than for women in the first two cohorts, but higher in the boomer cohorts. The decline in replacement rates among women likely reflects the increase in pre-retirement earnings, due to greater labor force participation and earnings, rather than a decline in post-retirement income.

Table 5: Projected Retirement Security of Men and Women at Age 67

	Current retirees *(1926–35)*	Near retirees *(1936–45)*	Early boomers *(1946–55)*	Late boomers *(1956–65)*
	Median Household Wealth			
Men	468	573	628	621
Women	427	475	550	601
	Median Household Income			
Men	40	49	55	53
Women	32	39	46	47
	Percent Below Poverty			
Men	5	3	2	2
Women	10	7	5	3
	Percent Below 45% of the National Average Wage			
Men	31	30	29	31
Women	35	38	35	35
	Median Replacement Rate			
Men	85	85	90	84
Women	89	87	86	76

Source: The Urban Institute tabulations of DYNASIM3 (see text for details).
Notes: The boomer cohort is typically represented as those born between 1946 and 1964. For analytical purposes, however, we define the boomer cohort as those born between 1946 and 1965. We report our results at the individual level. But each individual's wealth and income reflect household-level wealth and income; that is, we include the wealth and income of the spouse, if the individual is married. See notes in tables 2, 3, and 4.

The gender gap in retirement wealth and income is projected to narrow over time. As a result, the percentage of poor will be virtually equal for male and female late boomer retirees. However, women will still be more likely to have incomes below 45 percent of the national average wage—and this is not expected to change significantly over time. And despite women's large percentage gains in wealth and income over time, the gender gap in replacement rates is expected to widen. This result likely reflects the greater percentage increase in women's pre-retirement earnings over time, relative to men's.

In Conclusion

As the boomer cohorts move toward retirement, it is important to understand their prospects for retirement security. With their greater education, increased work experience, and higher lifetime earnings, boomer retiree women will likely receive more substantial pension income (from DB pensions and/or retirement accounts) and Social Security retirement benefits than currently retired women. The question is whether it will be enough for them to live comfortably in retirement.

The prognosis differs depending on whether economic well-being is assessed on an absolute or a relative basis. In absolute terms—measured by higher real household wealth and income, and lower poverty rates—boomer women will be better off than current retiree women. But in relative terms (e.g., post-retirement income relative to workers' incomes and relative to pre-retirement income), boomer women will be no better and in some cases, worse off than current retiree women. Moreover, on all measures of retirement well-being, even though divorced, never-married, black, and Hispanic women are expected to experience substantial improvements over time compared with married and white women, they will continue to be much more economically vulnerable.

NOTES

1. See table 8.1 in SSA (2005).

2. A more comprehensive analysis of how boomers will fare at retirement is presented in Butrica and Uccello (2004), available at www.urban.org/UploadedPDF/900767_boomers_retirement.pdf.

3. DYNASIM has been used to simulate how potential changes to Social Security will affect the future retirement benefits of at-risk populations (Favreault and Sammartino 2002; Favreault, Sammartino, and Steuerle 2002), how annuitization affects outcomes under a Social Security system with personal accounts (Uccello et al. 2003), the potential retirement consequences of rapid work effort growth among low-wage, single mothers in the late 1990s (Johnson, Favreault, and Goldwyn 2003), the implications of recent earnings inequality patterns for future retirement income (Smith 2002), and patterns of wealth accumulation and retirement

preparedness (Butrica and Uccello 2004). See Favreault and Smith (2004) for a fuller description of DYNASIM.

4. DYNASIM imputes income from financial assets by determining the real (price-indexed) annuity a family could buy if it annuitized 80 percent of its financial assets. The annuity value calculated is used for that year's imputation of financial assets only. The annuity is recalculated each year to reflect changes in wealth amounts, based on a model of wealth spend-down, and changes in life expectancy, given that the individual has attained an additional year of age. For married couples, we assume a 50 percent survivor annuity.

5. There is debate over whether to include housing in economic measures of well-being. Proponents argue that homeowners with identical financial resources as renters are better off because they do not have to pay additional income for housing. Critics argue that only actual income flows should be included. Although we include housing in the household wealth measure and imputed rent in the household income measure, we do not include imputed rent in the household income measure we use to determine replacement rates and poverty rates.

6. The boomer cohort is typically represented as those born between 1946 and 1964. For analytical purposes, however, we define the boomer cohort as those born between 1946 and 1965.

7. Our measure of lifetime earnings reflects per capita household earnings. It is the average of an individual's wage-indexed per capita shared earnings between ages 22 and 62, where per capita shared earnings are half the total earnings of the couple in the years when the individual is married and her or his own earnings in years when not married.

8. Butrica and Uccello (2004) analyze the sources of wealth and income and how these sources have changed over time. The analysis shows that even if housing wealth and imputed rental income were excluded, both household wealth and household income would be projected to increase over time.

9. Like the U.S. Bureau of the Census, we do not include imputed rent in the household income measure used to determine poverty rates.

10. We exclude imputed rent and coresident income from per capita household income since these income flows, unlike Social Security and pensions (for example), are not derived from pre-retirement earnings.