

ThinkAdvisor

Single Women Most Likely to Face Retirement Income Shortfall

Half of single women had retirement deficits, and 10% had shortfalls of at least \$223,000.

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important for both policymakers and citizens, EBRI notes, because the retirement income adequacy of widows and single women has received increasing attention in recent years.

Women, it points out, are likelier to live longer than men, develop costly chronic medical conditions and spend time outside the workplace caring for children and other family members.

The projection model classified households as single female, widow, single male and widower.

EBRI **found** that the additional savings required to meet basic needs in retirement were higher for widows and single women than for their male counterparts. For married households where the woman dies first, the retirement saving shortfall for the widower was \$18,476, compared with \$22,783 for households where the man dies first.

The gender disparity was starker for single men and women: \$72,883 vs. \$37,690.

When the analysis removed households for which no shortfall was projected, the average shortfall was \$76,896 for widows and \$82,937 for widowers. Single women in the lowest pre-retirement wage quartile had an average savings deficit of \$110,412, while for women in the highest quartile, this was just \$28,951.

Single men's lot was much better. For those in the lowest wage quartile, the shortfall was \$29,736 and \$12,465 for those in the highest quartile.

Besides being more likely to have retirement deficits, single women were also likely to have much bigger deficits than others. Single women were the only group with at least 50% of households having a deficit.

The median retirement savings deficit for single women was \$19,900, and a tenth of them had a deficit of at least \$222,592.

Forty-eight percent of single women at the lowest income quartile had at least a \$100,000 deficit, which connotes serious potential financial difficulties in retirement, according to EBRI. By comparison, 33% of single men and 42% of widows faced a similar situation.

Even in the highest income quartile, 13% of single women had a deficit of at least \$100,000, compared with 7% for single men, 4% for widows and 3% for widowers.

DC Plan Eligibility — and Lack Thereof

The EBRI analysis found that lack of eligibility for participation in a defined contribution plan significantly increased savings shortfalls. For single women with no future eligibility in a DC plan, the average shortfall was \$97,325, compared with an average \$24,486 for those with at 21 to 30 years of future eligibility.

The average savings deficit for single men with no future DC plan eligibility was \$58,309. The average discrepancy between widows and widowers in the same situation was \$6,529.

Future eligibility in DC plans can make a big difference in reducing serious potential financial complications in retirement, EBRI said. Eleven percent of female households with 21 to 30 years of future eligibility had a savings shortfall of at least \$100,000, versus 42% with no future eligibility.

Thirteen percent of widows with no future DC plan eligibility had at least a \$100,000 deficit, compared with just 3% of those with 21 to 30 years of future eligibility.

EBRI said auto-portability can also have a big effect. This allows a participant's account from a former employer's retirement plan to be automatically combined with his or her active account in a new employer's plan.

For employees with 21 to 30 years of future DC plan eligibility, auto portability reduced the average retirement savings shortfall by 21% for single women and by as much as 38% for widowers.