

Facing Retirement Alone: Potential Financial Challenges of Gen X Women

Widows Vs. Widowers

Women face unique risks when it comes to financial security in retirement, including greater longevity than men, a higher likelihood of living alone in retirement, and more likely years of severe disability. Indeed, at ages 85 and older, 75 percent of women report that they are widows, vs. 38 percent of men reporting being widowers.¹ Nearly half (46 percent) report living alone, vs. just over a quarter (27 percent) of men. And, women age 65 can expect to have nearly twice as many years with a severe disability compared with men (2.83 and 1.5 respectively).²

Women's unique situation makes it important to model their retirement readiness separately from men. EBRI does so with its Retirement Security Projection Model® (RSPM), which measures the size of the savings deficits that households are likely to experience in retirement. In its *Issue Brief*, "How Retirement Readiness Varies by Gender and Family Status: A Retirement Savings Shortfall Assessment of Gen Xers," EBRI shows the differences in retirement for households headed by Gen X men and women who are single or whose spouse dies after retirement. This *Fast Facts* will primarily focus on the latter set of cohorts, which we will refer to here as Gen X widowers and widows.

Figure 1 shows that households headed by single Gen X women have a dramatically higher projected retirement savings shortfall than any other cohort. However, Gen X widows have a projected retirement deficit³ that is nearly a quarter higher than that of their male counterparts (\$23,000 and \$19,000 respectively). The deficit gap is most pronounced for the lowest and highest income quartiles. Gen X widows' projected deficit is 27 percent greater than that of Gen X widowers for those in the lowest income quartile; it is 33 percent more for those in the highest income quartile (Figure 2). Twenty percent of Gen X widows can expect to run a deficit in retirement of at least \$45,000 — more than three-quarters higher than for Gen X widowers. Ten percent can expect to run a deficit of at least \$95,650 — nearly 20 percent higher than Gen X widowers.

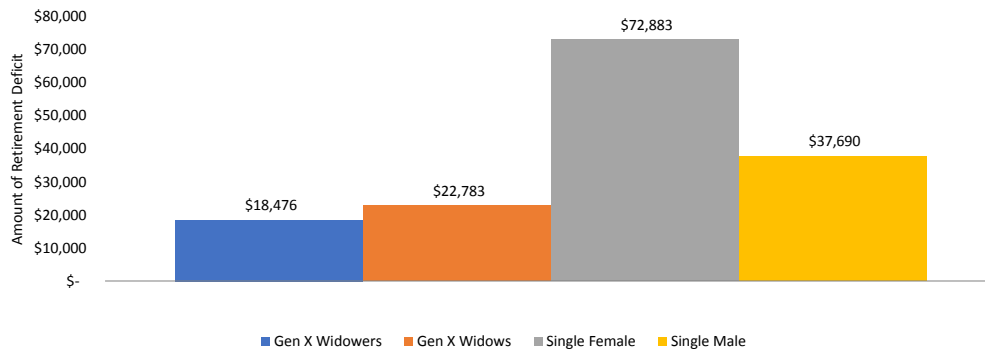
Low-wage Gen Xers, of course, are most likely to run large deficits. However, 4 in 10 Gen X widows in the lowest income quartile can expect a retirement deficit of more than \$100,000, compared with 29 percent of low-wage Gen X widowers (Figure 3).

¹ Stepler, Renee, "Smaller Share of Women Ages 65 And Older Are Living Alone, More Are Living with Spouse or Children, Pew Foundation," 2016. Presented in "Women Take the Wheel—Destination Retirement" Winter 2019 ASEC Symposium.

² Eric Stallard, "Estimates of the Incidence, Prevalence, Duration, Intensity, and Cost of Chronic Disability Among the U.S. Elderly." Presented in "Women Take the Wheel—Destination Retirement" Winter 2019 ASEC Symposium.

³ The Retirement Savings Shortfall (RSS) provides information on average individual retirement income deficits. These numbers are present values (in 2014 dollars) at age 65 and represent the additional amount that individuals will have to save by age 65 to eliminate their expected deficits in retirement (which, depending on the simulated life-path, could be a relatively short period or could last decades).

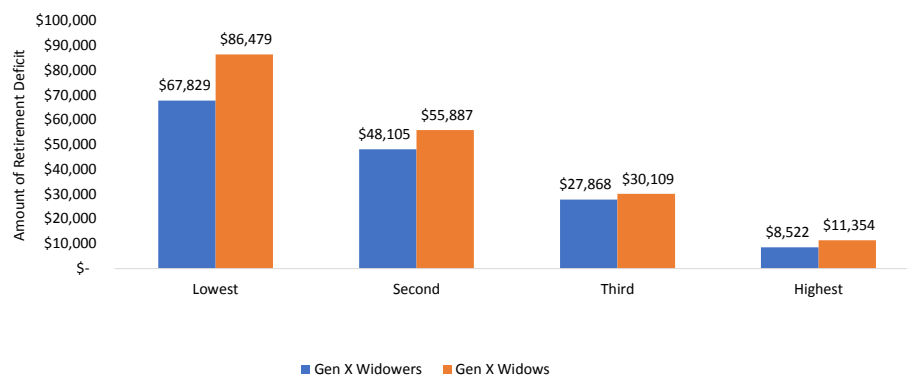
Figure 1 Average Retirement Deficits by Marital Status and Gender



Source: EBRI Retirement Security Projection Model, Version 3449

* Employee Benefit Research Institute 2019

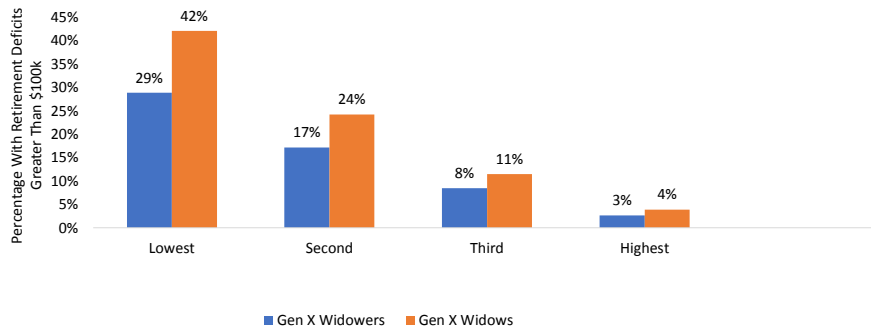
Figure 2 Retirement Deficits by Pre-Retirement Wage Quartiles



Source: EBRI Retirement Security Projection Model, Version 3449

* Employee Benefit Research Institute 2019

Figure 3
Retirement Deficits Greater Than \$100,000 by Wage



Source: EBRI Retirement Security Projection Model, Version 3449

* Employee Benefit Research Institute 2019

Being eligible to save in a defined contribution (DC) plan makes a material difference. Just 3 percent of Gen X widows who have the possibility of saving in a DC plan over the next two to three decades are projected to have a deficit of at least \$100,000 in retirement, compared with 13 percent with no possibility of saving in a DC plan in the future (Figure 4).

Reducing leakage in the form of cashouts from the DC system also helps. The model considers the impact of auto portability, whereby a participant’s account from a former employer’s retirement plan would be automatically combined with their active account in a new employer’s plan. When auto portability is assumed, the deficit of Gen X widows with the longest possible timeframe for saving in a DC plan shrinks by 31 percent. However, this is less of a decrease than for Gen X widowers (Figure 5).

Conclusion

Women face unique risks when it comes to retirement security, and this translates into higher expected deficits than men. Breaking out Gen X not only by gender but also by marital status allows us to understand how the death of a spouse affects the financial security of men and women differently. The analysis finds that Gen X widows will likely face greater financial hardships in retirement than their male counterparts. DC plan eligibility reduces the likelihood of this hardship for both Gen X widows and widowers, and can narrow the gap between the two cohorts. Further, when savings is kept in the DC system through initiatives such as auto portability, the possibility of crippling retirement deficits is further reduced.

The full EBRI report, “How Retirement Readiness Varies by Gender and Family Status: A Retirement Savings Shortfall Assessment of Gen Xers,” is published as the January 17, 2019, *EBRI Issue Brief* and is available online [here](#).

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