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Are Female Baby Boomers Ready for Retirement?

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So much for "Freedom 55" Baby boomer's Retirement now likely to occur at age 67 for Canadians

By Misty Harris, Vancouver Sun Postmedia News
October 27, 2011



Freedom 55



Freedom 55

Freedom 67



the more likely scenario?



Freedom 55

Freedom 67



the more likely scenario?

Or is old and alone more likely for female Baby Boomers?





And **Are they ready?**

Not according to **“Financial Tips For Women Hoping To Retire Someday”** *advertising for financial services...*

“sad truth remains that women earn less over their lifetime than men, which means they also typically have less saved for retirement. This is made all the more unfortunate by the fact that women also live longer than men, so their limited savings needs to last even longer!”



And **Are they ready?**

WHAT DOES THE LITERATURE SAY?

Baby Boomers

- **born between the years of 1946 to 1965**
 - Now 49 to 68 years old
- **baby boom generation divided into two cohorts**
 - born between 1946 and 1955 (59-68 years old) --early/older
 - born between 1956 and 1965 (49-58 years old) –late/younger.
- **Two cohorts faced different political, social and economic events and thus have different outcomes.**

Baby Boomers

- one of the most unique generations to date
- important because of numbers
- (?) more important because they
 - redefined each stage of life course
 - modified societal institutions
 - historical events that occurred during their lifetime

Social/sexual revolution on 1960s

- Higher levels of education, particularly for females, and the social-sexual revolution of the 1960s led baby boomers, relative to previous cohorts to:
 - marry later in life,
 - delay childbearing longer,
 - have fewer children,
 - divorce more frequently,
 - be (female) lone-parents more often.
- shift in society's norms on courtship, marriage and family formation influenced living arrangements and as a consequence savings and wealth accumulation of this generation -

Female Baby Boomers and Labour Force

- female baby-boomers relatively highly educated
- significant gains in narrowing gender gap in education that existed for previous cohorts
- desire to pursue careers outside the home
- significant increase in educated women entering the labor force, particularly married women with children

Boomers and the Labour Market

- **M-shaped pattern of LFP evolved**
 - worked before having children
 - left the labor market temporarily to raise children
 - returned when children older to retirement
- some narrowing the gender wage gap
- increase in ‘lower quality’ positions led to decreases in pension coverage
- Shift from DC plans due to adaptability across jobs, change in unionized jobs to non-unionized service-related jobs and high cost of DB plans for employers

Saving for retirement

- positive relationship between education, employment, income level, financial assets, and the level of retirement savings
- rate of personal savings (% of GDP) inverted U-shaped pattern
 - 5.2% in the 1950s, 6.7% in the 1980s, 4.6% in the 1990s
- males, married, with fewer dependents and higher wealth more likely to hold riskier portfolios (possibility of higher returns).
- women more likely to be unattached, responsible for children/elders, and have lower wealth than men
- males have higher financial assets and savings than females

Females Saving for retirement

- **Women 75% as likely as men to participate in a pension plan and more likely to cash out when change jobs**
- **RRSPs contributions depend on earnings (difficult to make up for being out of labour market)**
- **Marital dissolution impacts females more harshly than males**
 - **Less likely to have pension, work history, financial knowledge, legal protections (particularly early boomers)**
 - **Unattached seniors 5 X more likely to be poor than married seniors**
 - **Unattached senior females 5 X more likely to be poor than similar males**
- **women have longer life expectancies and more chronic health conditions**
- **need more savings and resources to maintain their lifestyle in retirement**

Females Saving for retirement

- **female boomers are more financially disadvantaged than males as they retire.**
 - Women ≥ 45 years have net worth of 64% of men's net worth (on average).
 - Have $\frac{2}{3}$ non-financial assets but $\frac{1}{2}$ financial assets.
- **women report not having the knowledge to plan for retirement (husband's responsibility)**
 - 53% of men spent time planning their futures compared to 37% of women
 - concern because of the rising number of single, never-married women

Impact of 2008

- younger boomers invested more in stocks, had less to loose and more time recover
- Projected young baby boomers' HH income may *decline* 7.2% (no-recovery scenario) or *increase* by 3.2 % (full recovery)
- Older baby boomers will experience a *decline* of 8.5% (no-recovery scenario) or *decline* of 6.9% (full recovery)
- suggestions that decline in the rate of growth through 2020
- near-retirees unable to recover their losses, and meet earning replacement targets

Beginning to see...

- Aging Female baby boomers who experienced some of the most drastic changes in social, demographic and economic circumstances over their life course
- the dire situation of many pension plans and the continued weakness in the investment markets has changed beliefs about retirement readiness and firms' and governments' ability to provide expected pensions
- majority of the gender disparity in pension income arises from differences in income from private retirement sources (savings and pensions) accumulated over the life course

Some Conclusions

- **Characteristics/work patterns of older female baby boomers make them relatively less well off than their male counterparts and even than younger female boomers**
- **Younger boomers more similar to their male counterparts but still more likely to have lower levels of savings, be unattached, live longer thus needing higher retirement savings**
- **Differences in savings and in risk tolerance will, thus, exacerbate gender disparities in retirement incomes**
- **Senior poverty on the rise – female poverty > male poverty**

Some More Conclusions

- Increasingly consumer-oriented lifestyles, labour market inequalities, and changes in family structure (more lone-parent households) meant that some boomers, particularly those with “low-quality” jobs, faced difficulties saving for retirement.
- Women are less likely than men to be in a pension plan. For women who do have pensions, plan values are frequently lower because of labour market absences.
- Policies shifted away from assisting the poor toward improving labour market skills. These changes were detrimental to many women, particularly lone mothers.
- Senior poverty rates started rising in the mid-90s and continue to do so. Women are, on average, poorer than men, and losing a spouse’s pension is more difficult for women.
- Many boomers, particularly disadvantaged groups, may have insufficient savings due to increasing life expectancy, increasing chronic conditions, low investment returns, and declining pension and health insurance coverage.

Some More Conclusions

- **Women also accumulate lower retirement savings than men because: their incomes are lower; they are more likely to be lone parents (with multiple claimants on their time and income); they tend to have less risky portfolios and lower levels of financial knowledge.**
- **Younger female baby boomers fare better because they benefited from more equitable labour markets, and they lost less wealth during, and have more time to recover from, the 2008 crash.**
- **Recent policy changes delay the age of eligibility for GIS/OAS and lower incentives to take CPP before the age of 65. However, these changes generate further inequities.**
- **Ensuring adequate retirement incomes necessitates improving the economic well-being of women earlier in life, with equitable, family friendly labour markets and social policies. However such policies will be too late for older baby boomers entering retirement.**

Some Policy Implications

- concerns that pensions and supplemental health benefits will not be adequate in retirement thus, making some Canadians who are now moving into retirement (more females than males) more reliant on social programs
- literature focuses on labour policy gaps to enable women to save more for retirement
 - gender wage gap
 - glass ceilings
 - feminization of lower paying occupations
- gender wealth gap
 - increase financial knowledge
 - fairer redistribution of wealth/income/child care post marital dissolution
 - Increase ability to make up retirement contributions after take time out of LF

Take away points:

- Due to their life-course socio-economic conditions, many female boomers may suffer large decreases in well-being as they head into retirement.
- Pension reforms which increase retirement age will disproportionately disadvantage those already in low income.
- While changes to the CPP will reduce losses from poor or sporadic labour force participation, these changes are too late to help the early boomer women.
- Research suggests that improving retirement outcomes must begin with improved labour market conditions, inequitable conditions persist. Therefore, any current policy change will miss helping the early boomers.
- Finally, with increasing rates of chronic disease and longer lifespans, policy must aim toward health and wellness promotion, providing a wider range of integrated care options, and clear estimates of added costs so that Canadians can adequately prepare for retirement.