

Closing the Retirement Gender Gap:

What your clients need to know
about women and investing

Key findings from the 2018 MassMutual
Women's Retirement Risk Study¹

At first glance, the retirement system in America appears to be gender neutral. From the design of workplace retirement plans to the rules governing how Social Security retirement benefits are accrued and paid, men and women receive equal treatment.

So why is a financially secure retirement out of reach for so many women today?

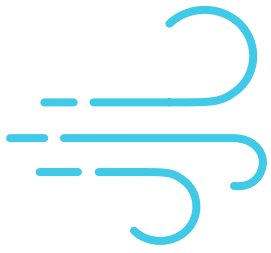
The 2018 **MassMutual Women's Retirement Risk Study** found that women think about investing for retirement differently than men.

They also face a number of personal and professional challenges that make it more difficult for them to build financial security for the future.



This white paper discusses MassMutual's recent findings and discusses how you can open doors and deepen relationships by demonstrating how you can uniquely help plan sponsors engage more fully in helping their female workers prepare for retirement. To help you open the door to these conversations, inside you'll find facts, insights and practical tips to help you:

- **Bring the retirement gender gap to your clients' attention.**
- **Identify ways that you can help them boost retirement readiness with retirement messages aimed specifically at women.**
- **Standout from the competition with timely and relevant ideas that can help your clients strengthen their plan and maximize its value for employees.**



Women face headwinds in saving for retirement.

INSIGHT #1

Nearly half of American workers (47%) today are women.¹ They are better educated than ever before and are more likely than men to have earned a bachelor's degree by age 29.²

Yet women face vastly different outcomes than men when it comes to achieving financial wellness in retirement. As the following describes, women are impacted by circumstances that can make it challenging for them to achieve financial wellness for retirement.

- **Women continue to face a wage gap.** While women are making strides to achieve equal pay for equal work, they still are paid **92 cents for every dollar men earn**, even when you take into account educational attainment, choice of major, and job tenure.³ A smaller monthly paycheck means that women have less money to save; it also means they receive lower matching contributions from their employers.
- **Women have less time to save.** Women are more likely to take career breaks to start a family or provide unpaid care for loved ones.⁴ Time out of the workforce can have a detrimental effect on their career prospects. It can also impact their ability to sock away money for the future – and to qualify for higher Social Security benefits in retirement.
- **Women have longer retirements.** Women generally live longer than men (2.5 years longer, on average).⁵ They're also likely to live alone for a number of years later in life, without anyone to share expenses. This means that women often need a higher level of savings than men to achieve the same level of annual income throughout their entire retirement.



64% of women – vs. 53% of men – say that preparing for retirement is stressful.⁶

Seize the opportunity: Optimize plan design

Since women earn less, on average, than men, and must save more for retirement due to longer life expectancy, it's critical that women save at an adequate rate. Plan design is one of the most important levers you can use to help ensure they do.

Up the ante.

If your clients don't already utilize auto features, discuss how they can help make retirement saving a priority, especially for women who often postpone participating due to competing demands on their money.



Risk aversion may be holding women back.

INSIGHT #2

Research has shown that men and women have different perspectives and values.⁷ For example women tend to be more altruistic, while men tend to be more competitive. While science digs deeper into the reasons for this, it's not surprising that gender plays an important role in how women and men think about retirement, financial planning and managing investments.

Consider these findings from our survey:

- Women are more concerned than men about stock market volatility in general (**78%** of women vs. **65%** of men).
- Nearly half of women (**48%**) are worried about taking on too much investment risk (vs. **41%** of men) and 6 in 10 women (**58%**) are concerned about making a poor investment decision.

Women's discomfort with financial risk is reflected in their choice of investments.

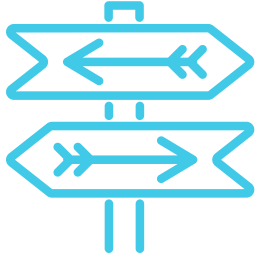
- Women are more likely than men to describe their current investment mix as a balance of growth and capital preservation (**42%** vs. **32%**). In contrast, men are more apt to describe their current mix as tilted towards growth (**58%** vs. **46%**).

Seize the opportunity: Be strategic

Both men and women struggle to save for retirement. However, men and women don't just think about retirement differently, they also talk about it differently.

- ✓ **Spark a conversation.** Share with plan sponsors how you can help them create and deliver a targeted financial education campaign that includes messages geared specifically to the needs and concerns of women. A recent study reported that a workplace financial education program for women resulted in a 2.6% increase in participation, closing the retirement gender gap by more than half.⁹

Build a case. Use a Viability report to help clients connect the dots between benefit program enhancements, such as participant education, increased employee engagement, and the long-term financial health of both their employees and their organization.



Women lack confidence.

INSIGHT #3

Women have more success handling their money and finances than many give themselves credit for having. Whether it's from a lack of financial education, a legacy of traditional gender roles, or simply their own perception that they have less experience with money than men, many women lack confidence when it comes to making decisions about their own retirement savings.

Our study found that:

- **Just 15% of women** say that they are very knowledgeable about managing their savings and investments versus **32%** of men.
- **Women are less likely than men** to say that they will have enough money to meet their lifestyle goals (**58% vs. 68%**) or that their retirement income will last as long as they need it to (**59% vs. 72%**).
- Women are less likely than men to accurately project how long their savings will last in retirement. On average, women expect to spend 25 years in retirement, but expect their income to last only 20 years.

Seize the opportunity: Leverage technology

Financial wellness tools can help participants better understand their retirement needs, monitor their progress, and prioritize their finances. This is especially relevant for women, who often juggle competing demands on their time and money.

Introduce MapMyBenefits.

Show clients how this unique planning tool can help plan participants maximize the value of their benefit dollars.

Leverage holistic tools.

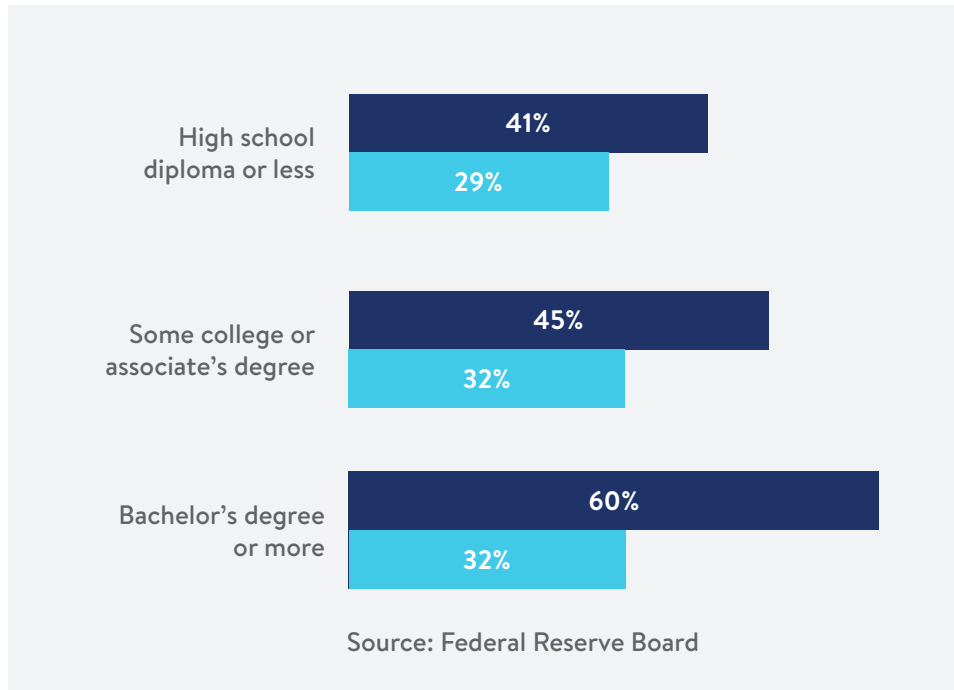
Discuss with clients how they would benefit from more direct outreach on the use of retirement calculators, the benefits of increasing retirement plan contributions, and help in understanding asset allocation.

FIGURE 1

The Confidence Gap

Mostly or very comfortable investing their retirement savings
(by gender and education)

● Men ● Women



Compared to men, women also are less confident that they know how to:

- Optimize their Social Security benefits (73% vs. 66%)
- Use their savings to generate lifetime income (72% vs. 60%)
- Meet their retirement lifestyle goals (68% vs. 58%)



Women may be better investors than they think.

INSIGHT #4

Women may lack confidence and take less risk when it comes to choosing their investments, but our study finds that women may ultimately have what it takes to be better investors.

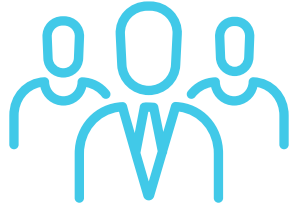
- **They're more likely to save.** Women participate in workplace retirement plans at a higher rate than men at every income level, and their contribution rates are higher too, according to the Employee Benefit Research Institute (EBRI).¹⁰
- **They let things be.** Our recent study found that fewer than half of women (48%) check their investment performance weekly. While monitoring your account on a regular basis is important, a landmark investing study showed that women outperformed men by close to 1% per year, largely because men tend to switch their investments more frequently.¹¹
- **They ask for help.** Women are more likely than men to be currently working with a financial advisor (72% vs. 57%). That preference continues into retirement. Nearly 8 in 10 retired women (68%) are receiving professional financial advice vs. 68% of retirement men and 68% of pre-retired women.
- **They're open to options that simplify investing.** Our research finds that 79% of women (vs. 64% of men) are interested in target date funds, which take some of the work and stress out of creating and rebalancing a diversified portfolio of investments.

Seize the opportunity: Press for a better retirement plan

Plan design and education targeted to women are powerful tools in helping female workers to build financial security for the future. However, they can make the greatest difference in the lives of all plan participants when accompanied by fair and equal pay practices.

Lead the way.

Your clients consider you a trusted advisor. Talk with them about the unique challenges facing women in saving for retirement and encourage them to review their salary practices regularly to ensure they're reasonable, gender-neutral, and fair to all employees.



You don't need to go it alone.

Many factors contribute to the health of your clients' retirement plan. Among them is helping plan sponsors and participants to better understand the challenges and opportunities they face in building financial security for the future.

Please contact us if you would like more information about our survey, or if you would like to discuss how we can help you take the next steps in helping your clients to engage their female employees in saving more for retirement and to boost the effectiveness of their retirement plan.

About the survey

This report is based on an online survey conducted in January 2018 on behalf of MassMutual by Greenwald & Associates. Respondents were drawn from ResearchNow's online panel and included 804 pre-retirees and 801 retirees. To qualify for the survey, respondents had to be at least 40 years old, and:

- ✓ **Pre-retirees** were required to be within 15 years of retirement, have a household income of at least \$40,000, work full-time for a private sector employer, and be participating in that employer's defined contribution retirement plan.
- ✓ **Retirees** were required to be no more than 15 years into retirement, have total investable assets of at least \$100,000. They had to be retired from a private sector employer and participating in that employer's defined contribution retirement plan at the time of retirement.

Notes:

A series of horizontal dotted lines for writing notes.



¹ U.S. Department of Labor, March 2017. <https://blog.dol.gov/2017/03/01/12-stats-about-working-women>

² Ibid

³ Women Can't Win, Center on Education and the Workforce, Georgetown University, 2018.
<https://cew.georgetown.edu/cew-reports/genderwagegap/#full-report>

⁴ *Financial Steps for Caregivers*, Women's Institute for a Secure Retirement (WISER).
<https://www.wiserwomen.org/images/imagefiles/wiserCareGiver1%202014final.pdf>

⁵ Life Expectancy Calculator, Social Security Administration, 2018. <https://www.ssa.gov/planners/lifeexpectancy.html>

⁶ Gender and Marital Status Comparisons Among Workers, EBRI. 2018.
https://www.ebri.org/pdf/surveys/rcs/2018/RCS_18.FS-5_Genderb.pdf

⁷ Gender Differences in Investing, Brad Barber. UC Davis Graduate School of Management, 2012.
<https://gsm.ucdavis.edu/blog-feature/gender-differences-investing>

⁸ GOBankingRates. March 6, 2018. <https://www.gobankingrates.com/retirement/planning/why-americans-will-retire-broke/>

⁹ Can Knowledge Empower Women to Save More for Retirement? Drew Anderson and J. Michael Collins, Center for Retirement Research at Boston College, September 2017.
<http://crr.bc.edu/working-papers/can-knowledge-empower-women-to-save-more-for-retirement-2/>

¹⁰ Women's History Month: A Time to Reflect on Women's Retirement Challenges, EBRI. March 16, 2018.

¹¹ Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investment. Brad Barber and Terrance Odean. Quarterly Journal of Economics, 2002. <http://faculty.haas.berkeley.edu/odean/papers/gender/BoysWillBeBoys.pdf>



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