

Trends in the retirement readiness gender gap among TIAA participants

Introduction

The year 2022 marks the 50th anniversary of the passage of Title IX, the landmark legislation that protects people from discrimination based on sex in education programs or activities that receive federal financial assistance. While education and the workplace have become more equitable for women, considerable gaps remain in retirement security. This TIAA Institute brief outlines the gender gap in retirement readiness among the U.S. general population and TIAA participants.

Aside from Social Security, retirement income needs to be generated by individual savings or employer-sponsored retirement benefits. With women earning \$0.82 per \$1 for men in aggregate in the United States in 2019,¹ women have fewer resources to dedicate to retirement savings. Furthermore, since employer-sponsored retirement benefits are in part wage based, this results in lower absolute levels of retirement benefits for women. Additionally, women leave the labor force more often than men to care for children (Boushey, 2008). For example, in 2020, 71% of mothers participated in the labor force compared to 92% of fathers.²

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1 Data from U.S. Bureau of Labor Statistics. Highlights of women's earnings in 2020: BLS Reports: U.S. Bureau of Labor Statistics (accessed February 4, 2022).

2 Bureau of Labor Statistics. Labor force participant rates decline for mothers and fathers in 2020.

These stylized facts are compounded by women having longer retirements due to living five years longer on average³ and retiring on average two years earlier (Rutledge, 2018; Brown, Richardson, and Poterba, 2020). Moreover, women also make up 61% of caregivers, and because only 39% of caregivers have a paid family leave benefit (AARP, 2020), a disproportionate number of women may need to take unpaid leave for caregiving duties. Finally, women can expect more healthcare expenses in retirement than men EBRI (2021). This leaves women needing to fund a longer and costlier retirement with less lifetime earnings.

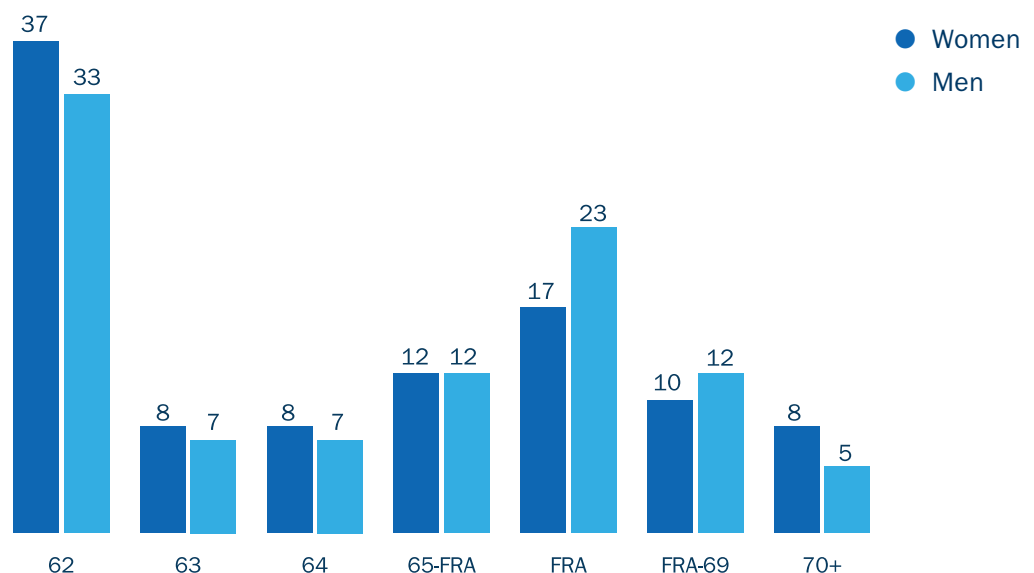
Retirement readiness among the U.S. population

We first examine gender differences in retirement savings in the United States starting with contribution rates, or total contributions to employer-sponsored retirement accounts divided by salary. In 2020, women in the for-profit sector contributed 10.5% of their salary compared to 11.2% for men (Vanguard, 2021). Even though this is a small gap, because contribution rates are a relative measure, they already incorporate women's lower average incomes. Women also have less accumulated retirement savings. In for-profit sector plans, median retirement account accumulations—i.e., the middle or 50th percentile—were \$42,516 for men and \$29,095 for women, a 32% gap that has decreased only nominally, 2 percentage points (pp) since 2012 (Vanguard, 2021, 2013).

Social Security benefits provide a better lifetime view of the gender gap because benefits are calculated from lifetime earnings. But Social Security benefits depend on lifetime earnings and the age at which you claim benefits. Women claim Social Security at significantly earlier ages on average than men, as shown in Figure 1. Early claiming has a high cost—delaying claiming for one year increases benefits by a minimum of 7%.

Figure 1. Distribution of social security claiming ages in 2018, by gender

Women are more likely to claim Social Security at younger ages than men

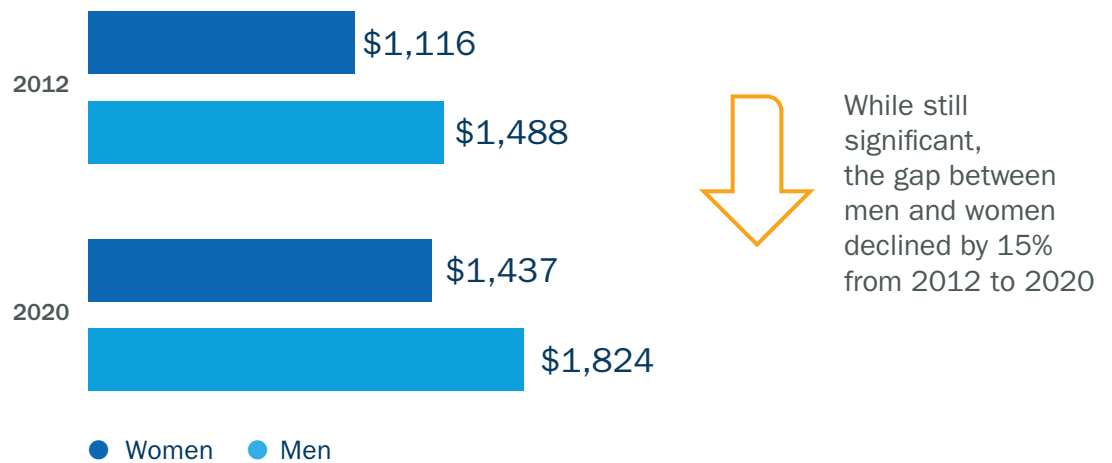


Notes: Percents shown. Source, Social Security (2021). Full retirement age is the age when one is eligible for unreduced retirement benefits.

Lower lifetime earnings, younger retirement ages, and claiming Social Security benefits earlier compound the gender disparity for retirement income. Figure 2 shows the average Social Security monthly benefit for retired workers from 2012 to 2020. In 2012, women had 25% lower monthly benefits than men. This gap decreased to 21% by 2016, but has not since declined further. When examining total pension income, the OECD (2021) finds women had 34% less retirement income than men. This gap is similar when excluding Social Security benefits—also at 34%, decreasing from women having 41% less retirement income in 2012 (U.S. Census 2012, 2020).

Figure 2. Average monthly Social Security benefit for retired workers

Women have lower Social Security benefits than men



Source: Social Security (2021).

Retirement readiness among TIAA participants

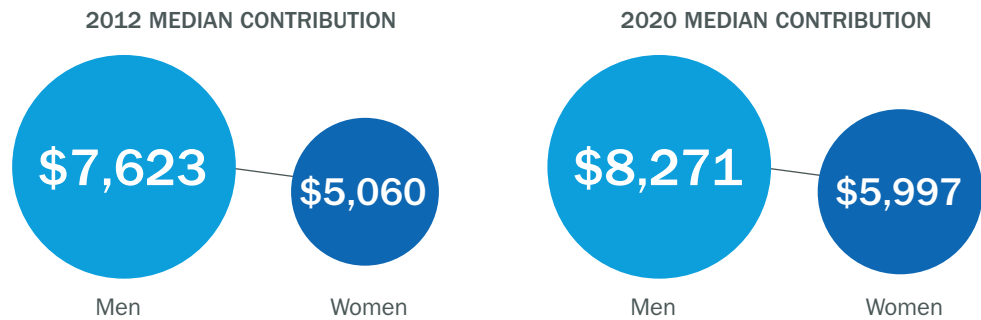
Retirement savings

In this section, we explore retirement readiness differences for TIAA participants.⁴ Figure 3 displays median contributions to employer-sponsored retirement plans among all participants with contributions in the TIAA system. This includes both employee and employer contributions. Women contribute significantly less than men. In 2020, the median contribution was \$8,271 for men and \$5,994 for women, 27% less for women, narrowing from 34% less in 2012.

⁴ We examine contributions to primary (Retirement Annuity, Group Retirement Annuity, Retirement Choice contracts) accounts and supplemental (Supplemental Retirement Annuity, Group Supplemental Retirement Annuity, Retirement Choice Plus contracts) accounts only. We exclude non-qualified accounts and retail accounts.

Figure 3. Median contributions to employer-sponsored retirement plans by gender, 2012 and 2020

In 2020, the median contribution was 27% less for women narrowing from 34% less in 2012

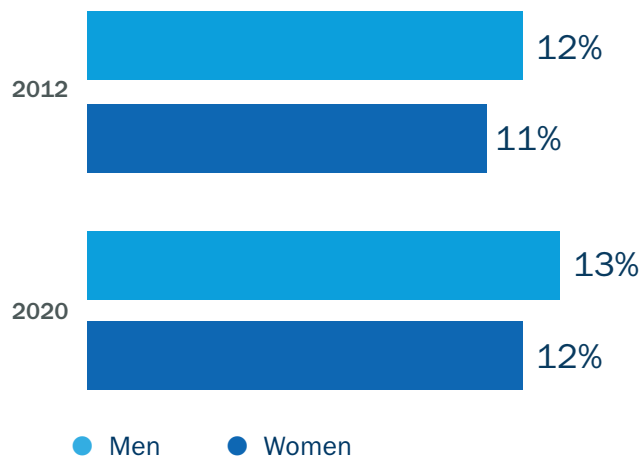


Source: Author calculations from TIAA administrative records.

Figure 4 shows median contribution rates. Contribution rates in the TIAA system are 2 percentage points higher than among for-profit participants. The gender gap has remained stable—women contribute about 10% less than men. However, because contribution rates are a relative measure, this difference shows that women are facing additional retirement savings challenges beyond lower salaries.

Figure 4. Median contribution rates to employer-sponsored retirement plans by gender, 2012 and 2020

Women are facing additional retirement savings challenges beyond low salaries



Source: Author calculations from TIAA administrative records.

Retirement readiness and funding adequacy

Table 1 shows median account balances in employer-sponsored plans for men and women in 2012 and 2020 by age group among active contributors. We find the greatest gap among those 65 and older. This is likely due to the lifecycle gender differences in labor market participation, earnings, plus investment returns compounding on greater contribution amounts from men. While the gap increased among all three age groups from 2012 to 2020, balances do not provide an accurate view of *relative* retirement funding adequacy.

Table 1. Median account balances by year and age, for men and women



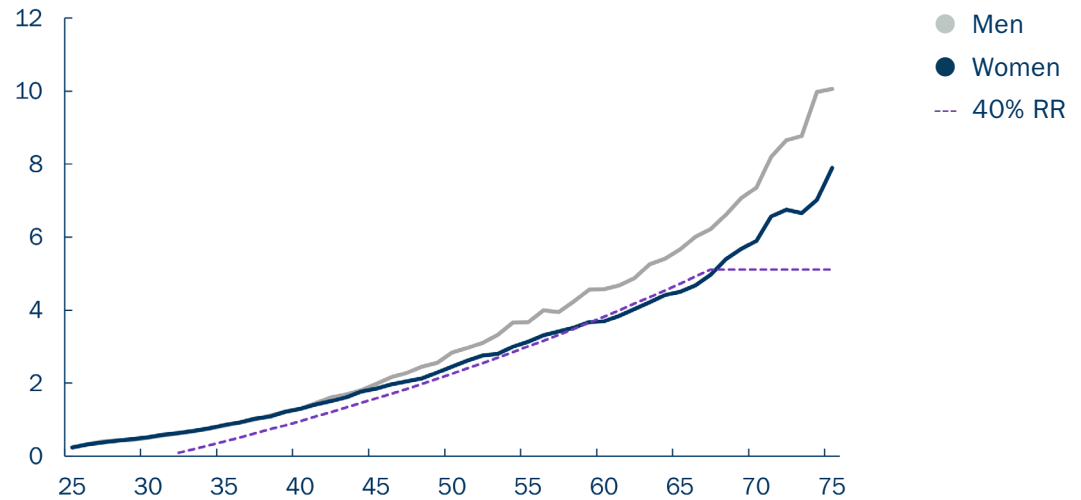
Men have significantly higher median account balances than women. At age 65+ women have 58% less median account balances than men.

Age	2012		2020	
	Men	Women	Men	Women
35–49	\$17,094	\$13,650	\$63,627	\$46,932
50–64	\$82,980	\$49,092	\$221,492	\$117,040
65+	\$244,985	\$105,664	\$491,621	\$204,304

Source: Author tabulations from administrative records.

Most retirement research uses a benchmark of 70–75% of pre-retirement income replacement rate (RR) for adequate retirement income without a reduction to standard of living. With Social Security replacing between 30–40% of final earnings for eligible workers (Biggs et al. 2015), individual savings or employer retirement contributions fund the remainder. One method to measure retirement funding adequacy is the asset-salary ratio, or ASR. ASR is total assets divided by salary. The ASR provides a meaningful measure relative to how on track a participant is to meet their target RR.⁵ Greater ASR levels at a given age represent greater expected RR. ASRs start out low early in a worker's career and rise over time as they make regular contributions and benefit from compound investment returns. A worker targeting a 40% RR needs an ASR of approximately 5.1 at retirement. For example, an individual retiring at age 67 with a pre-retirement salary of \$80,000 would need \$408,000 of accumulated retirement assets.

5 For details on the ASR and replacement rate calculations, see Hammond and Richardson (2010).

Figure 5. Average asset salary ratio (ASR) in 2020, by age and gender

Source: Author calculations from administrative records.

Figure 5 shows the ASRs for active contributing participants by age and gender in 2020, overlain with the 40% RR benchmark at each age.⁶ We find little difference prior to age 45. However, by age 67, men have an average ASR of 6.2 compared to 5.0 for women. This corresponds to the average 67-year-old man having a 49% RR compared to 39% RR for women on average. However, this difference has decreased to 10 pp in 2020 from 17 pp in 2012.

Retirement income

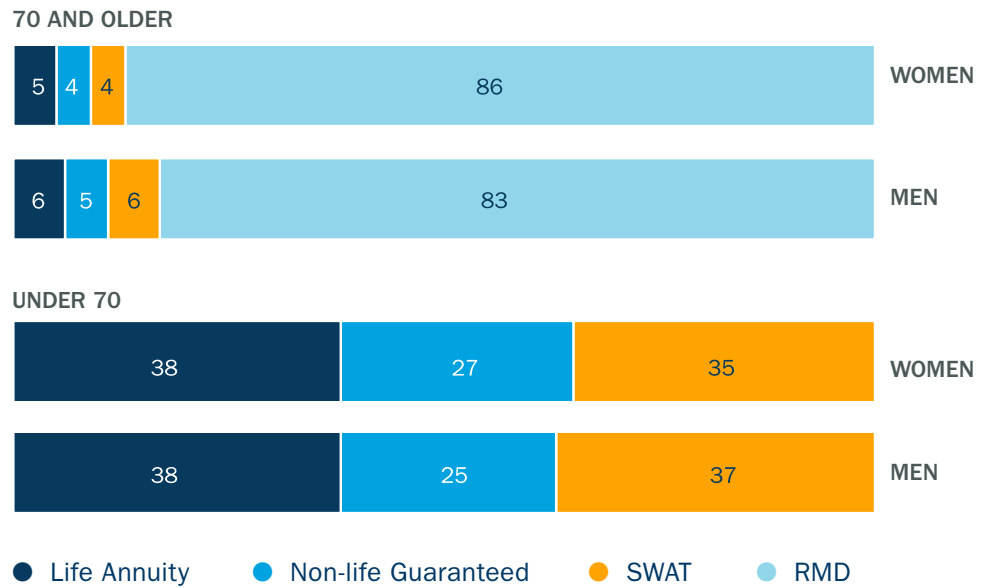
We now examine differences in the type of income distributions taken out of the TIAA system. Figure 6 displays the type of income retired TIAA participants first took in 2018. The options for income include a life annuity, systematic withdrawals and asset transfers (SWAT), required minimum distribution (RMD), and non-life guaranteed income.⁷ Non-life guaranteed options include annuity certain, the interest-only payment option (IPRO), and a transfer payout annuity (TPA).⁸ We use the sample of retirees from Brown, Richardson, and Poterba (2021). We delineate at age 70 because individuals face different distribution choices if they take retirement income before or after their RMDs become effective—age 70.5 in our sample. Beginning with retirees taking first income under 70, we find little gender difference.

⁶ We exclude participants for whom we do not have salary data and only have supplemental contributions.

⁷ We do not categorize cash distributions as income payouts.

⁸ See Brown et al. (2021) for full details on distribution options.

Figure 6. Distribution of first income for retirees in 2018, by age and gender



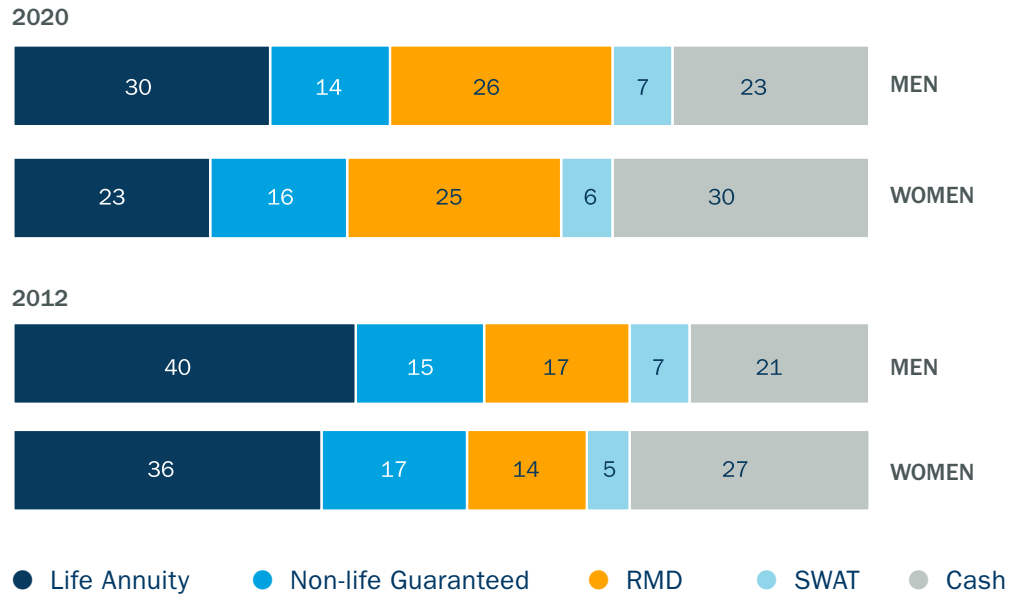
Source: Author tabulation from administrative records.

Turning to first income for retirees over 70, RMDs have become the “*de-facto* default” distribution for participants, representing first retirement income for over 80% of participants, with women taking RMDs about 2 percentage points more than men. However, someone using RMDs as retirement income faces uncertain future income, because RMD withdrawals depend on future investment returns. This could be of particular concern to women financing a longer retirement than men because they have less accumulated liquidity than men on average to weather downside investment risk.

Figure 7 shows the total distributions from the TIAA system by distribution type by men and women. Comparing 2018 to 2012, RMDs account for more distributions for both men and women. Due to women’s earlier retirements and greater longevity, women would seem to have greater demand for lifetime income, but we do not find evidence for this. Life annuities usage declined more for women (13 pp) than men (10 pp) from 2012 to 2018, widening the gender gap in life annuity usage.

Women use cash withdrawals more often than men, 7 pp more in 2018. This could indicate that women use cash more often than men as an ad-hoc income strategy or to access liquidity for emergency expenses, such as for caregiving or healthcare expenses.

Figure 7. Total distributions from the TIAA system, by type and gender, 2010 and 2018



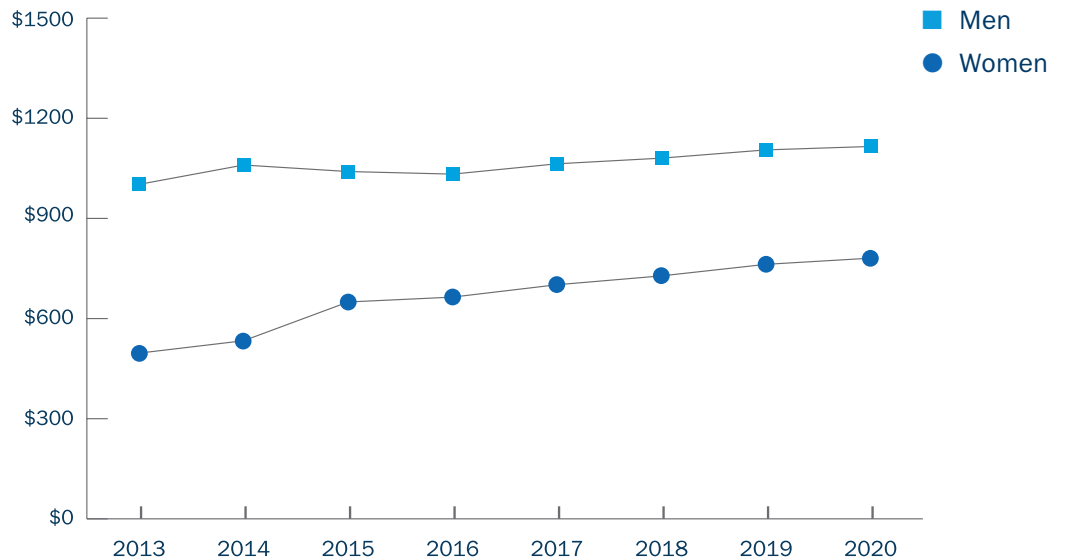
Source: Percents shown. Author calculations from TIAA administrative records.

Figure 8 displays median monthly income for TIAA annuitants. The median monthly life annuity income in 2020 was \$781 for women, 30% less than men (\$1,152). The gender gap in life annuity payouts has fallen dramatically, from 50% less life annuity income for women than men in 2013 to 30% less in 2020. Moreover, the income gap among TIAA annuitants in 2020 was 4 pp less than the 65 and over U.S. population discussed earlier.

However, the gap in annuity income is understated because men are more likely than women to purchase joint annuities—that is, they buy more longevity insurance. Among new annuitants in 2020, 64% of men choose a joint life annuity compared to 33% of women. The income of a joint life annuity per annuitized dollar is less because joint life annuities pay out over the purchaser and survivor’s lifetimes, compared to only the purchaser’s life for a single life annuity.

Figure 8. Median life annuity income among TIAA life annuitants, 2013 to 2020 by gender

The gap among annuitants has decreased by 41% from 2013 to 2020



Source: Author calculations from administrative records.

Conclusion

This brief documents a gender gap in retirement readiness both within the general U.S. population and among TIAA participants. The goal of retirement savings is not accumulated balances, per se, but to generate adequate income in retirement. When we examine funding adequacy and target replacement, we found a significant decrease in the gender gap in recent years. Among TIAA annuitants and the general U.S. population, the retirement income gap has decreased over recent years. The retirement income gap is slightly smaller for TIAA annuitants, and has decreased at a faster rate compared to the general U.S. population.

With considerable gaps remaining, stakeholders have additional work to do to ensure gender retirement security equity. Policies that keep women in the labor force where they can continue to save for retirement, such as parental and family leave, along with greater pay equity can help make up for the existing gaps women face in preparing for a secure retirement.

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