

Baby Boomers: single women facing retirement jitters

A story published in the New York Times on April 13, 2004, reports that a large slice of the Baby Boom generation -- single women -- are facing serious financial shortfalls for their retirement years.

Consider Siloy Abdool of the Bronx who started putting money aside for retirement when she was in her mid-30's. Two years ago, she left her teaching job after she had a baby and could not find good, affordable child care. Now she is 43, separated from her husband and her nest egg has been used up.

"If I go back, I'm going to have to double up," Ms. Abdool said, referring to the pace of her savings. "I don't know how I'm going to do it."

Kiki Peppard, a divorced mother of two in Effort, Pa., has been working since she was 16 years old at a series of jobs administrative assistant, secretary, bookkeeper, office manager. Now she is 49 and, as a telephone operator at East Stroudsburg University in Pennsylvania, she takes home \$650 every two weeks. Saving for retirement is "not even an option," she said. "I can only think of the day-to-day."

Kathy Braddock, 47, is co-owner of a successful residential real estate consulting business in Manhattan, but she has negligible savings for retirement her nest egg disappeared in her divorce. Creating her own pension, she said, was something she just did not think about. "If you'd asked me 30 years ago if I ever thought I'd be in the financial situation I'm in, I would have said no," Ms. Braddock said.

"At this point, I can never catch up, so I figure I'll have to die young or keep working," she said, laughing. "Or I hope my kids strike it rich and help me."

For years, economists have debated whether baby boomers would have saved enough when they reached retirement age. Now that day is close at hand. And for one slice of that generation single women the answer is becoming depressingly clear.

Two private groups that study retirement issues, the Employee Benefit Research Institute and the Milbank Memorial Fund, recently collaborated on a study that analyzed income and asset data to calculate how much more members of different households would need to save, on top of what they were currently saving, to provide for basic living expenses in retirement, including health costs not covered by Medicare. They found that, at all ages and income levels, single women faced a steeper climb than couples or single men.

The difference is bigger for women in the lower middle class. And for women at the lowest income levels, the findings are particularly bleak: Economists predicted that this group would never be able to save enough, no matter how early they started or how much they tried even if they increased their savings by 25 percent of their income.

The problem is not an isolated one. About 13.4 million women more than a third of the women born during the baby boom years, from 1946 to 1964 are likely to be single when they retire over the next few decades, according to Jack L. VanDerhei, an economics professor at the Fox School of

Business and Management at Temple University in Philadelphia. He was a co-author of the study for the Employee Benefit Research Institute in Washington.

The disadvantage in savings arises from a tangle of social and economic forces, said Sheryl Burt Ruzek, a professor of public health and women's studies at Temple.

"Women's lifetime earnings look very different from men's," Professor Ruzek said. More women work at low-wage or part-time jobs, and for the smallest businesses that have the poorest benefits. They often drop in and out of the labor force, leaving when they are young to care for children, and again when they are older to care for a sick or dying parent or spouse.

"They are also more likely than men to work too few hours to qualify for a pension," she said, "and are less likely to roll over their lump-sum payments when they leave a job."



According to a report released last year by the Federal Reserve Board, the median net worth of households headed by single women in 2001 was \$27,850, compared with \$140,000 for married couples and \$46,990 for single men.

Only 35 percent of single women had 401(k)'s, I.R.A.'s or other retirement accounts, compared with 63 percent of married couples and 42 percent of single men, the report said. Only 8 percent of unmarried women have traditional pensions, according to the survey that was the basis of that report.

Economists temper their dire predictions by pointing out that studies like the recent income analysis are looking at the odds of retiring comfortably defined as a 75 percent chance of covering basic retirement expenses and not survival.

"I don't see a doomsday scenario where a huge share of baby boomers are going to enter retirement destitute," said Karen E. Smith, a senior research associate at the Urban Institute in Washington.

The fact that more women in this generation worked than in their mothers' time means that more of them have their own Social Security payments and other assets, helping them avoid poverty, Ms. Smith said. But the rise in divorce and households headed by single mothers has kept those assets meager.

That will leave many single women facing hard choices, usually about continuing to work far longer than they had hoped, or about leaving their community in search of a lower cost of living.

Patricia Case, 57, of San Diego, works at a company that recruits nurses for travel assignments. She has about \$200,000 in her retirement account, but figures that is not nearly enough. "I'm looking at working until I'm 70, so I can maximize Social Security," she said, or selling her home to move to a state where the cost of living is lower.

When Ms. Case looks back, she sees missed opportunities and unexpected changes. When she was younger, the thought of putting money away never crossed her mind, she said. "I couldn't be bothered saving \$50 a month."

And Ms. Case has been married and divorced twice. "I had thought I was going to be married forever, especially when I married the second time," she said. "I thought someone was going to take care of me. Now I know nobody's going to take care of me but me."

Julie Mermelstein has very little in retirement savings because she has never stayed at a job longer than two years and has always worked for nonprofit corporations, which typically pay less.

Ms. Mermelstein, who is 41 and lives in Los Angeles, has been a marriage and family counselor, but is now teaching drug prevention to middle and high school students. By doing extra work on the side, she earns a little more than \$40,000 a year.

Ms. Mermelstein's contributions to retirement savings are so minimal, she doubts "that there's going to be enough money," she said. "I took a really big pay cut to take this job. It's not that I don't choose my positions wisely, but I choose from the heart rather than from a practical point of view."

At 60, Mary Paden is just ahead of the baby boom generation, and has already seen those worries turn into reality.

Ms. Paden, who retired five years ago after suffering a stroke, lives in the Bronx on a \$900-a-month pension, which just covers her \$877 rent, and \$1,100 from Social Security.

Divorced decades ago, she said that the money she had invested in a mutual fund while she was working is gone. Ms. Paden earns a little extra money by caring for an elderly man when his attendant has the day off and by occasionally reselling jewelry she finds at auctions.

Ms Paden spoke while having lunch at a neighborhood fast-food restaurant on a day in which she described herself as broke: she had used up her monthly pension check, and would be scrambling until her Social Security check arrived.

But Ms. Paden considers herself to be making it her worries are mostly about what will happen when she gets older and cannot take on the extra jobs. "It will probably be worse, because I won't be able to do the little things I do," she said.

To Dan Fox, president of the Milbank Memorial Fund in New York, the approaching shortfall in retirement savings means that the elderly are going to be faced with a lot of unpleasant choices. He thinks that older people will have to accept decreased mobility, move to lower-cost, inferior types of housing, like S.R.O. hotels, forgo prescription drugs, and eat less or more poorly. The states, already strapped, will be called upon to do more and more, and will have trouble keeping up.

Some economists say that changes in tax and other policies could ease the problem. Heidi Hartmann, director of the Institute for Women's Policy Research in Washington, suggests that a caretaking credit could be given in the computation of Social Security benefits for women who did not work when they were raising children, partially compensating them for earnings they did not have.

"There could also be government matching programs for low-income savers," she said, "and an increase in benefits to people over age 75 or 80," most of whom would be women living alone.

If savings tax credits were improved and expanded, that also might help, said Cindy Hounsell, executive director of the Women's Institute for a Secure Retirement in Washington.

"The thing for people to do is to live way below their means while they are still working and save," she said something that she acknowledged seems quite impossible for those who are only scraping by.

As a result, "everything is probably going to have to change policy-wise," she said, if the worst is to be avoided.

Mr. Fox agrees, suggesting that "long-term care and health care be taken out of the realm of personal responsibility."

Single women, of course, have long been accustomed to finding solutions on their own. Barbara Lloyd, 53, raised three children by herself, and earned a master's degree in education while working as a public school prekindergarten teacher in New York City. She will receive a pension from the city's Department of Education and has been contributing 14 percent of her salary to a tax-deferred annuity. Still, she worries that it will not be enough.

"It's a great concern of mine," she said. "I worry because I help my grandchildren with my money, so I can't save on my own."

Margaret Clark-Mayfield has already put a coping plan into effect.

She is 51, but has only a "very small" retirement savings account, she said. She began her working life by spending 10 years taking care of her four daughters, and even after divorce put her in the work force, she did not spend many years at one job.

Several years ago, she took stock of her situation and decided to cut her living expenses to the minimum. That's why she moved to Medford, Ore., where she now works a series of temporary jobs: she is an independent distributor for a nutritional supplement company; and she runs a small computer-services business doing typesetting, bookkeeping and desktop publishing.

"Life throws you curve balls," she said. "I have no debt, but I also do not have a lot of savings. But I'm aware that even if I am living on a shoestring, it's very important to put away all that I can."

For Ms. Braddock, the Manhattan real estate consultant, the solution also may mean finding an inexpensive place to retire with friends, she said. Or she might do well enough in her present career which she expects to last well beyond the day she turns 65 to make retirement work.

"My plan for retirement is to keep working and to become as successful as possible now," Ms. Braddock said. "I know it's going to work out, but it's not going to be in the conventional way."

