



Citi Education Series
on Family Economic Security



**Planning for the Future: What Working Women Need
to Know About Social Security and Retirement
Savings**

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Speakers for this Session



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Women have the greatest need in retirement....

- Women live longer than men; in 2005, the life expectancy for U.S. women was 80.4 years; men's life expectancy was 75.2 years.
- And average life expectancy is just that: half of women will live longer!



But women have fewer resources....

- Women earn 78% of what men earn and work fewer years than men.
- Working women are more likely to work fewer hours, work part-time, and leave the workforce for longer periods of time than men.
- Life events such as divorce can have severe economic consequences for women – moreso than for men.
- As a result, women on average earn fewer Social Security benefits in their own right and accrue smaller pensions than men.



As a result....

- Women age 65 and older are more likely to be poor than men of the same age. In 2006, 11.5% of elderly women were poor, compared to 6.6% of elderly men.
- Divorced and separated and never-married women are more likely to be poor in retirement than married women.
- Older women of color are much more likely to be poor than older white women.



Fortunately....

There are steps working women can take throughout their careers to ensure a secure retirement.

The first step is to get the facts about Social Security and retirement savings!



Maria Freese, National Committee to Preserve Social Security and Medicare



- ***Maria P. Freese*** joined the National Committee to Preserve Social Security and Medicare in September, 2003, and is currently Director of Government Relations and Policy where she oversees strategic planning and advocacy initiatives on Social Security and Medicare.
- Maria is an attorney with 17 years legislative experience in employee benefits, individual income taxes, and retirement security and pensions. She served as Democratic Tax Counsel for individual tax issues for the Senate Finance Committee, Legislative Director for Rep. L. F. Payne, D-VA, and Legislative Assistant for Rep. Norm Dicks, D-WA.
- Maria holds a B.A. from Eckerd College in St. Petersburg, Florida and a J.D. from the Georgetown University Law Center.



What is Social Security?

- Retirement Security
 - Secure, basic, inflation-protected retirement income that you can't outlive
- Family Security
 - Spousal benefits, survivor's benefits
- Disability Insurance
 - Long-term universal insurance



Why is Social Security Important?

- Gives workers a secure, basic retirement income for as long as they live
- The only pension system that is:
 - Universal and portable
 - Defined-benefit
 - Inflation protected
- Covers 96% of all workers against the loss of income due to retirement, death or disability
- Pays benefits today to 49 million people – one in every four American households



Social Security and Retirement

- Benefits are received today by 34 million retired workers and their dependents
- The single most important source of retirement income for most workers
 - Two out of three beneficiaries depend on it for over one-half of their retirement income
 - The *only* source of income for nearly one in five seniors
- Absent Social Security, over one-half of older Americans would fall into poverty



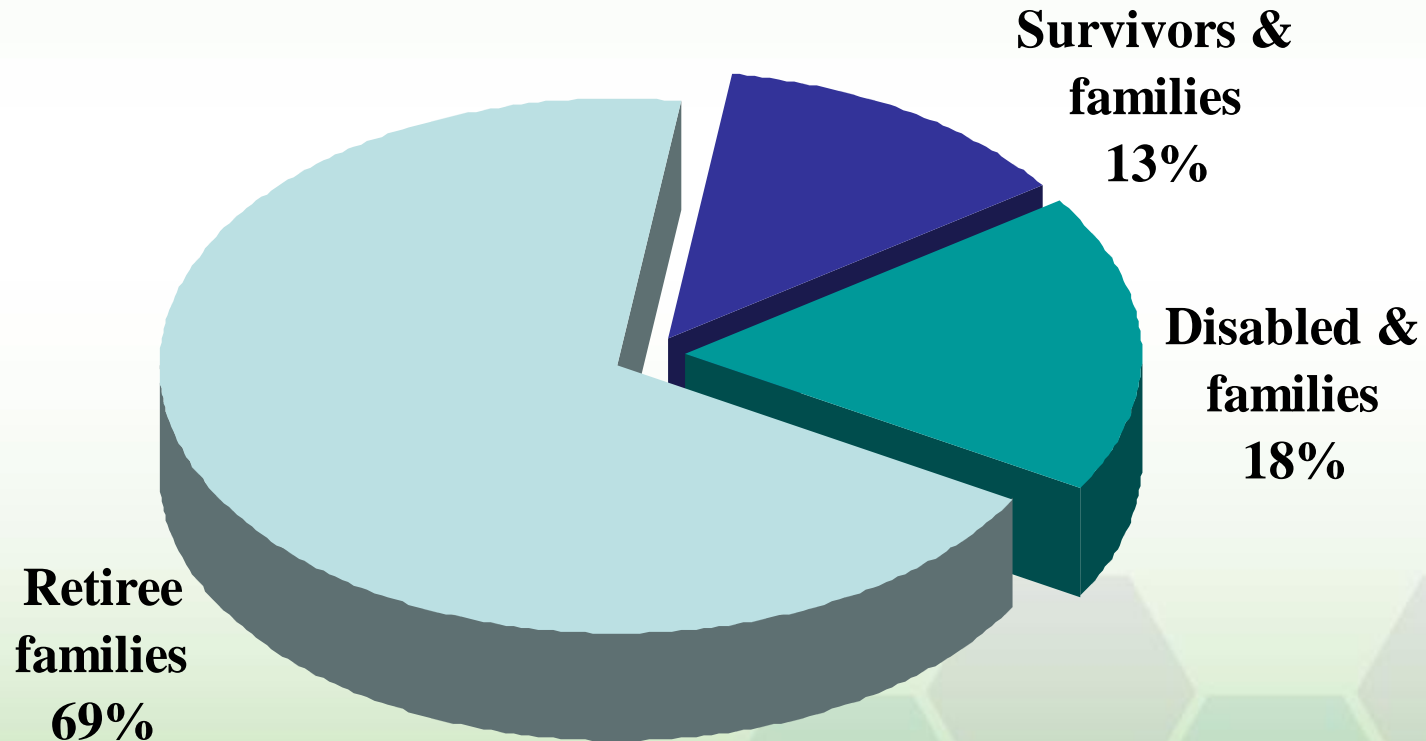
More than Just Retirement

- One in seven Americans will die before reaching age 67
 - Provides over \$400,000 worth of life insurance
- Three of ten 20-year-olds will become disabled before reaching age 67
 - Provides over \$400,000 worth of inflation protected disability insurance (average young worker w/spouse & 2 children)



Family Insurance

One-third of benefits go to survivors and the disabled





Social Security and Women

- Particularly important for women
 - Nearly three-quarters of the income of the average elderly widow
 - Ninety percent of income for four out of ten widows
- Spousal benefit
 - one-half of wage-earner's
- Benefit for children
 - Under age 18 (19 if in school)
- Widow benefit
 - 100% of wage-earner's
- Benefits in case of divorce
 - Available if marriage lasts 10 years



How do I Qualify for Benefits?

- Retirement
 - Generally 40 credits to be fully insured
 - Up to 4 credits/year; credit = \$1,050 in 2008
 - Eligible at age 62 for reduced benefit
- Disability
 - Generally 20 credits during last 10 years
 - Special rules for under age 31
 - Convert to retirement benefits at FRA



What Does It Cost?

- Payroll Tax of 6.2% for both employer and employee (5.3% OASI + 0.9% DI)
- Up to \$102,000 in covered wages in 2008 (indexed)
- Self-employed pay both portions. One-half is deductible from gross income.



Retirement Age is Rising

Birth Year	FRA	Birth Year	FRA
1938	65+2 mo.	1955	66+2 mo.
1939	65+4 mo.	1956	66+4 mo.
1940	65+6 mo.	1957	66+6 mo.
1941	65+8 mo.	1958	66+8 mo.
1942	65+10 mo.	1959	66+10 mo.
1943-1954	66	1960	67



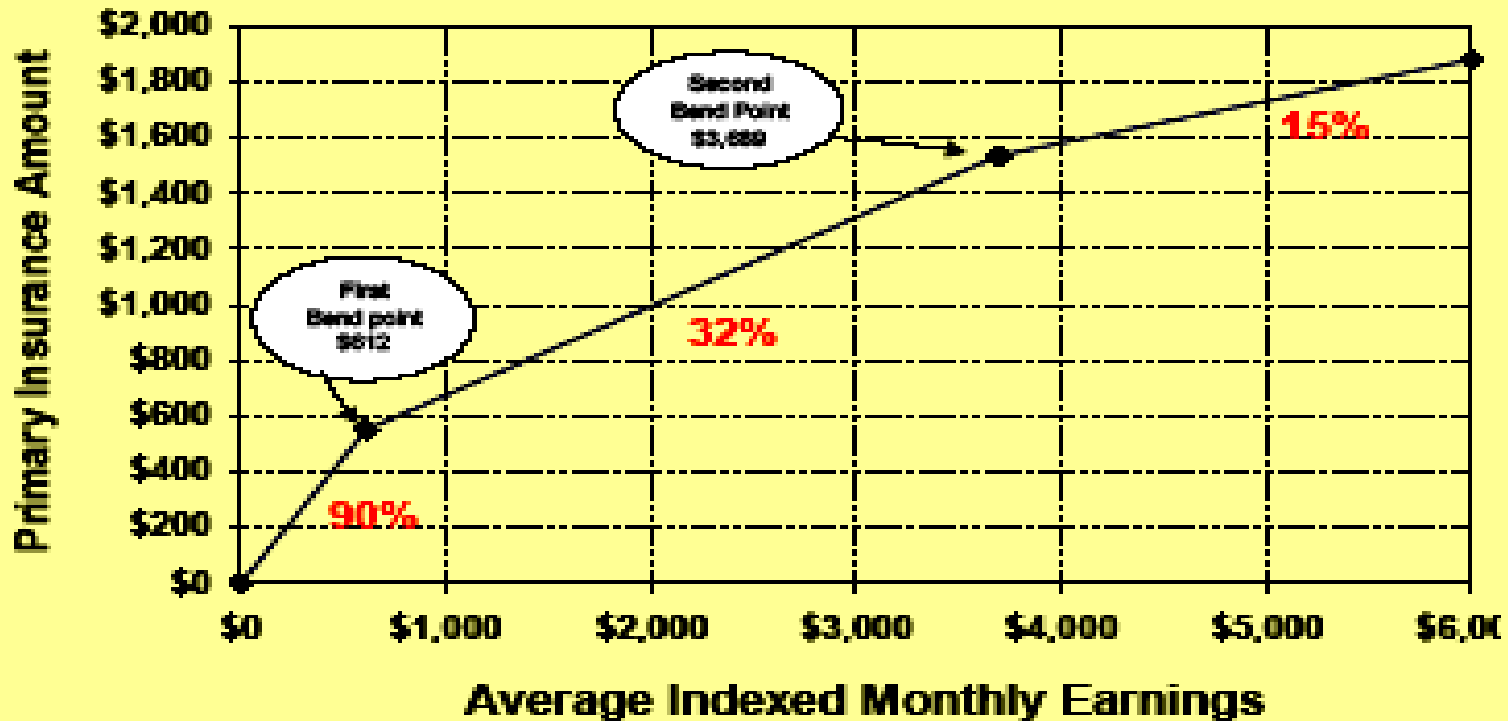
How are Benefits Calculated?

- Best 35 years of wages
- Indexed by wage inflation up to age 60 (Average Indexed Monthly Earnings) and price inflation thereafter
- Progressive percentage of 90% / 32% / 15% is applied to AIME to reach Primary Insurance Amount (PIA)
- PIA is foundation for all benefits



Calculating Benefits

Primary Insurance Amount (PIA) formula for persons turning age 62 in 2004





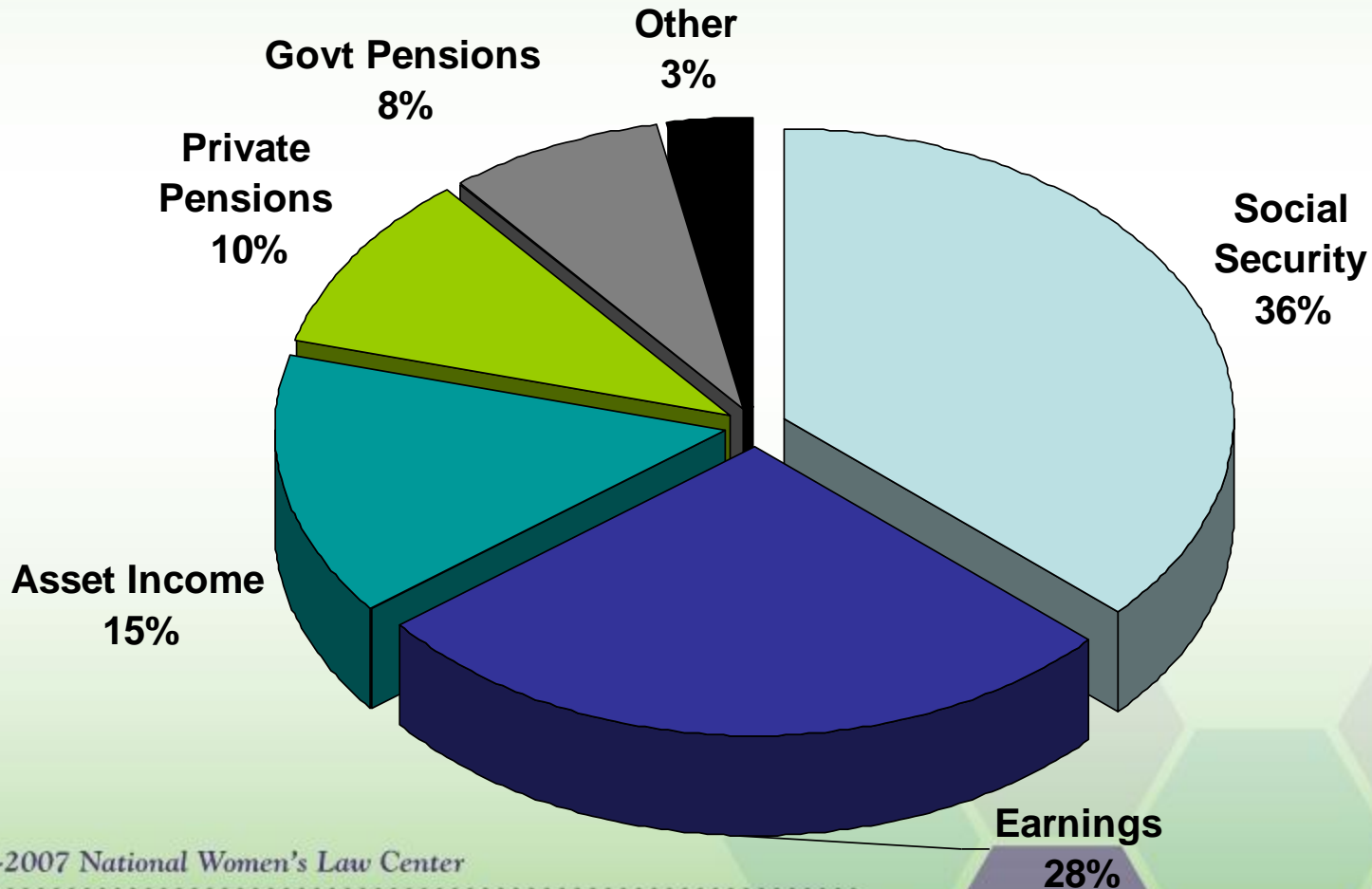
Benefits are Modest

	Monthly Benefit	Annual Benefit
Retiree	\$1,079	\$12,948
Retired Couple	\$1,761	\$21,132
Disabled	\$1,004	\$12,048
Widow w/2 children	\$2,243	\$26,916
Aged widow	\$1,041	\$12,492
Maximum	\$2,185	\$26,220

Average Social Security Benefits, 2007



Benefits are Key





Taxation of Benefits

Subject to Tax	Single	Married
Zero	Up to \$25,000	Up to \$32,000
Fifty Percent	\$25,000 - \$34,000	\$32,000 - \$44,000
Eighty-five Percent	Over \$34,000	Over \$44,000



Earnings Limits

Period	Annually	Monthly
Age 62-64 (\$1 for \$2 rate)	\$13,560	\$1,130
Calendar year of FRA (\$1 for \$3 rate)	\$36,120	\$3,010
FRA or older	No limit	No limit



GPO & WEP

- Affects workers and spouses employed in non-covered jobs
- GPO can reduce SS *spousal* benefit by up to 2/3 of government pension
- WEP can reduce SS *retirement* benefit by one-half



Social Security's Finances

- One of the few government programs currently running a surplus
- Surplus invested in Special Issue Treasury Bonds backed by Full Faith and Credit of the United States
- Cover full benefits until 2041
- 78% of program costs post-2041
- Gap over 75 years = 1.7% of payroll (1/3 cost of extending Bush tax cuts)



Privatization

- Privatization Dismantles Social Security
- Private Accounts take money OUT of Social Security
 - Make Social Security less solvent
- Replace Guaranteed Benefits with risky Wall Street investments
- Cost trillions of dollars to implement
- Result in dramatic additional benefit cuts



Resources

- National Committee to Preserve Social Security and Medicare: www.ncpssm.org
- Social Security Administration for women: www.ssa.gov/women
- Administration on Aging: www.aoa.gov
- Medicare: www.Medicare.gov
- Centers for Medicare & Medicaid Services: www.cms.hhs.gov



Rebecca Davis, Pension Rights Center



- Rebecca Davis is a Staff Attorney with the Pension Rights Center. She primarily provides technical assistance to attorneys at the U.S. Administration on Aging's Pension Counseling and Information Projects as well as providing direct assistance to individuals with pension matters. Rebecca also coordinates the Center's Women's Pension Project and participates in the Women's Pension Coalition, both of which are dedicated to advancing the pension and retirement savings interests of women both as homemakers and as workers.
- She is a graduate of the University of Colorado and the Catholic University of America School of Law.



Retirement Savings Vehicles

- Employer provided
 - Traditional pensions
 - 401(k) plans
- Individual Retirement Accounts (IRAs)



Defined Benefit Pensions

- Traditional pension plans and cash balance plans
- Upon retirement, pays a specific monthly benefit for life.
- Benefit based on a formula taking into account years of service and salary.
- No investment risk to workers and workers don't have to make investment decisions



401(k) Plans

- Individual account plan called a Defined Contribution (DC) plan
- Employees contribute their own money to an individual account; there is often an employer match
- Benefits are the accumulation of employee and employer contributions plus or minus:
 - gains, losses, earnings and expenses.
- Other kinds of DC plans include Employee Stock Ownership Plans (ESOPs), and 403(b) Plans, money purchase, and profit sharing



Individual Retirement Account (IRA)

- Account set up by an individual with a financial service provider.
- Saver's Tax Credit
 - Tax credit up to \$1,000 for making contributions to 401(k)s, IRAs, or other retirement savings accounts.
 - Rewards low- and moderate-income workers who save for retirement.
 - Depending on how much you make, the credit is 10 to 50 percent of each \$1 contributed.



How do you get started?

- Is your job covered by the plan?
- Are you eligible to participate in the plan?
 - The plan may have age and years of service requirements
 - 21 years of age
 - 1 year of service
- Automatic Enrollment
 - Employees are noticed that they may opt out



What are the rules?

- Summary Plan Description (SPD)
 - Booklet providing a clear explanation of the rules of the plan.
 - Provided to employees when they enroll in the plan.
 - The SPD explains eligibility requirements, how the benefit is earned and paid, and how to file a claim for benefits.



Benefit Statements

- Total benefits earned
- Vested accrued benefit, or the earliest date the benefit will be non-forfeitable
- An explanation if Social Security or other payments will be subtracted when the benefits are calculated.
- Remember, this is only an estimate.



Leaving your job

- Vesting
 - A vested benefit is a benefit that cannot be forfeited even if you permanently stop working.
 - Returning to work after taking time off
 - Breaks in service can lead to forfeiture of benefits
- Keep track of your former employer and let them know how to contact you



Spousal Issues

- Marriage and Divorce
 - Pensions are one of the biggest assets in a marriage.
 - Legal representation will ensure the pension is properly valued and divided through a Qualified Domestic Relations Order (QDRO).
- Pre-retirement survivor protection
- Loans
 - Only with spousal consent.



Helpful Links

- Pension Rights Center Fact sheets:
<http://www.pensionrights.org/pubs/facts.html>
- U.S. Department of Labor, Employee Benefits Security Administration: www.dol.gov/ebsa
 - What you should know about your retirement plan:
<http://www.dol.gov/ebsa/publications/wyskapr.html>
 - The division of pensions through Qualified Domestic Relations Orders (QDROs):
<http://www.dol.gov/ebsa/publications/qdros.html>



For a copy of today's materials....

- Stay tuned! We will send you an email by Friday with a link to this power point and a voice recording of today's presentation.



Learn more about how to prepare for a secure retirement!

- On September 24, at 1 p.m., we'll be offering **When Retirement's Approaching: What Women Over 50 Need to Know About Social Security and Retirement Income** another free webinar that will focus on Social Security and retirement savings.
- Register Now:
[http://action.nwlc.org/approachingretirement.](http://action.nwlc.org/approachingretirement)