



The Bottom Line on Women and Social Security

- **Women depend on Social Security** for a substantial portion of their retirement income. In 1995, Social Security provided at least 50 percent of income for more than two-thirds of women age 65 or more, and 90 percent of income for over one-fourth of women age 55 or more.
- **Social Security provides benefits on a gender neutral basis.** Benefits are based on how much an individual earns, their work history, and family composition.
- **Women have lower average benefits** since they have lower earnings, take time off work for child rearing, and are more likely to be widowed or unmarried in retirement.
- **Social Security contains features that generally narrow the gap in benefits between men and women**, such as: a benefit formula that provides proportionally greater benefits to lower-paid workers than higher-paid workers; benefits that are paid for life, and are adjusted annually to keep pace with inflation; and, supplementary benefits for spouses and survivors.
- **Proposals to explicitly address the remaining gap in benefits between men and women have advantages and disadvantages.** These proposals include providing the same benefit to everyone regardless of earnings history; providing credits (or drop out years) to women who leave the work force for child care; adding a couples' earnings together and splitting them evenly each year (i.e., earnings sharing); and, increasing the benefits to survivors.
- **Private individual accounts would also affect women.** In general, individual accounts would provide a higher return on contributions for some workers and more individual control over investment decisions. However, individual accounts would shift various risks from the collective program to individual workers. Even low wage earners would have to assume the risk of poor investment performance, inflation, and outliving their retirement funds. Since women often earn less money, invest conservatively, and live longer, they would be more susceptible to these risks. The current program addresses these concerns. It is possible for individual account proposals to mitigate these risks through provisions that would restrict investment options, require inflation indexed annuities, restrict account withdrawals before retirement, and provide for a minimum benefit.