Joint Economic Committee Democrats

Senator Jack Reed (D-RI) – Ranking Democrat

Economic Policy Brief — **March 2006**

The Effects of the President's Social Security Proposal on Women

Social Security is important for all Americans. The program is even more valuable to women than it is to men because women benefit disproportionately from the progressivity of benefits and the protections for spouses and survivors offered by Social Security. President Bush proposed in 2005 and again in his Fiscal Year 2007 budget to replace part of Social Security with private accounts and to reduce the remaining traditional benefits.[1] The President's plan would undermine those benefits and threaten the economic security of women.

Women tend to earn less than men, they tend to spend more time out of the workforce than men because of caregiving responsibilities, they are much less likely than men to have pensions or other sources of retirement income, and they tend to live longer than men. As detailed in this report, there are features of the Social Security system that help compensate for these differences and ways that the President's proposal would erode that assistance.

Women Tend to Earn Less Than Men

Women on average have lower annual earnings than men. In 2004 (the latest year for which we have data), the median earnings of full-time, full-year working women were only 77 percent of the median earnings of full-time, full-year working men.[2] Part of the reason for the disparity is that women are more likely than men to work for long periods of time in low-wage jobs,[3] but part of the reason is that women still receive lower pay than men in the same occupation.[4]

Over the course of their careers women are much more likely than men to spend time completely out of the workforce, work part-time, or otherwise modify their labor force participation because of caregiving responsibilities. For example, the typical woman spends 10 years out of the workforce for caregiving, while the typical man spends just two years out of the workforce.[5] Women represent approximately two-thirds of adults providing substantial assistance to elderly parents and on average curtail their hours of paid work by 43 percent to do so.[6] In addition, women are more likely than men to work part-time or for only part of the year.[7]

These disparities in annual earnings and time out of the labor force translate into lower lifetime earnings for women.[8] For example, among workers who became eligible for Social Security retirement benefits between 1988 and 1997 (workers born between 1926 and 1935), 74 percent of women but only 20 percent of men had average annual lifetime earnings below the equivalent of $20,000 in 2005.[9] The experience of later cohorts of women will be different because of increasing female labor force participation rates, but women continue to earn less than men on average and will therefore likely continue to have lower lifetime earnings.

Certain features of the Social Security system help women and other workers with low lifetime earnings. Those features include "drop-out" years in determining lifetime earnings, a progressive benefit formula, and spousal benefits.

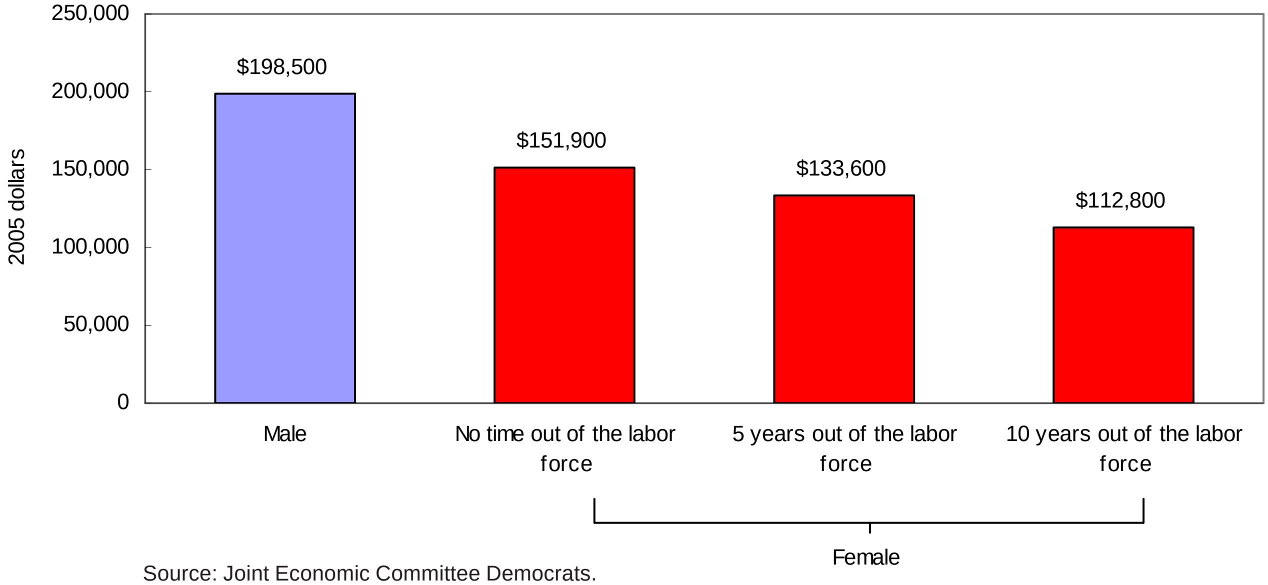
Drop-out years. The formula for computing initial benefits counts only the highest 35 years of earnings when determining average lifetime earnings. Workers can therefore take five years out of the workforce without having any impact on their Social Security benefits, assuming a 40-year career.

In a private accounts system, in contrast, workers who curtail their labor force participation, either in whole or in part, would be penalized. Such workers would forego not

Chart 1

Women's Private Account Accumulations Would Be Hurt by the Earnings Gap and by Time Spent Out of the Workforce

Private Account Accumulations of Representative Male and Female Earners Under President Bush's Plan



Source: Joint Economic Committee Democrats.
Note: Representative male is a man born in 2005 who works from age 21 to age 65 with "scaled" median male earnings. Representative female is a woman born in 2005 who works from age 21 to age 65 with "scaled" median female earnings. Time out of the workforce is assumed to begin at age 25. See footnote 10 for an explanation of scaled earnings.

only contributions to their accounts but also the interest that would have accumulated on those contributions.

The effect on private account accumulations of time spent completely out of the workforce can be seen in **Chart 1**. A man born in 2005 with median male earnings who diverted 4 percent of his earnings into a private account like that proposed by President Bush would accumulate about $198,500.[10] A woman born in 2005 with median female earnings would accumulate only about $151,900. If she took 10 years out of the workforce starting at age 25, her private account accumulations would drop to about $112,800—just over *half* what the typical man would accumulate. If she only took five years out of the workforce, her private account accumulation would drop to about $133,600, 33 percent less than what the typical man would accumulate.

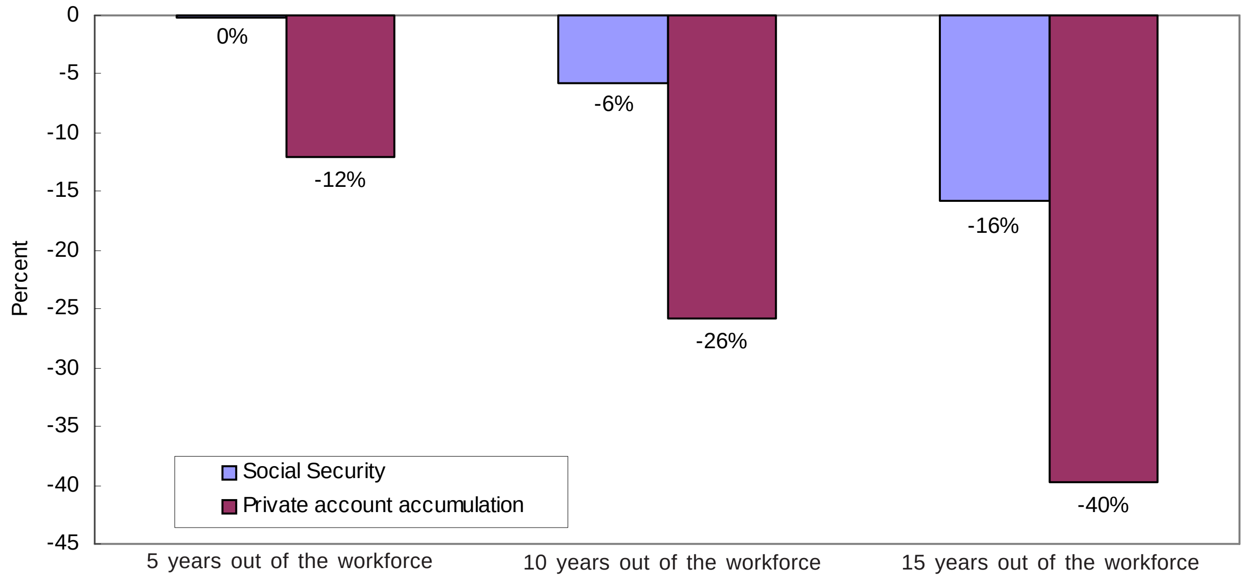
Chart 2 compares the percentage reduction in Social Security benefits and private account accumulations for workers who take time out of the workforce beginning at age 25. For example, a 15-year absence from the workforce beginning at age 25 for a woman with median female earnings would result in a 40 percent reduction in private account accumulations but only a 16 percent reduction in Social Security benefits.[11] The effect of time out of the workforce on private account accumulations depends on when the absence occurs. Time spent out of the workforce later in a worker's career could have a smaller but still substantial effect on private account accumulations since workers would forego fewer years of compound interest.

Progressive benefits. The formula for calculating Social Security benefits is progressive, so that lower earners receive larger benefits relative to their average lifetime earnings than do higher earners. This feature is illustrated in **Chart 3**, which shows average annual lifetime earnings and Social Security benefits for four hypothetical workers. Social Security replaces 78 percent of the earnings of very low earners but only 35 percent of those of high earners.

As a result of women's lower earnings and this progressive benefit structure, Social Security tends to replace a larger share of the pre-retirement earnings of women than of men. For all workers reaching age 65 and retiring in 2005, Social Security is expected to replace 52 percent of the average earnings of women and 38 percent of the average earnings of men.[12]

Chart 2

Effect of Time Out of the Workforce on Social Security Benefits and Private Account Accumulations

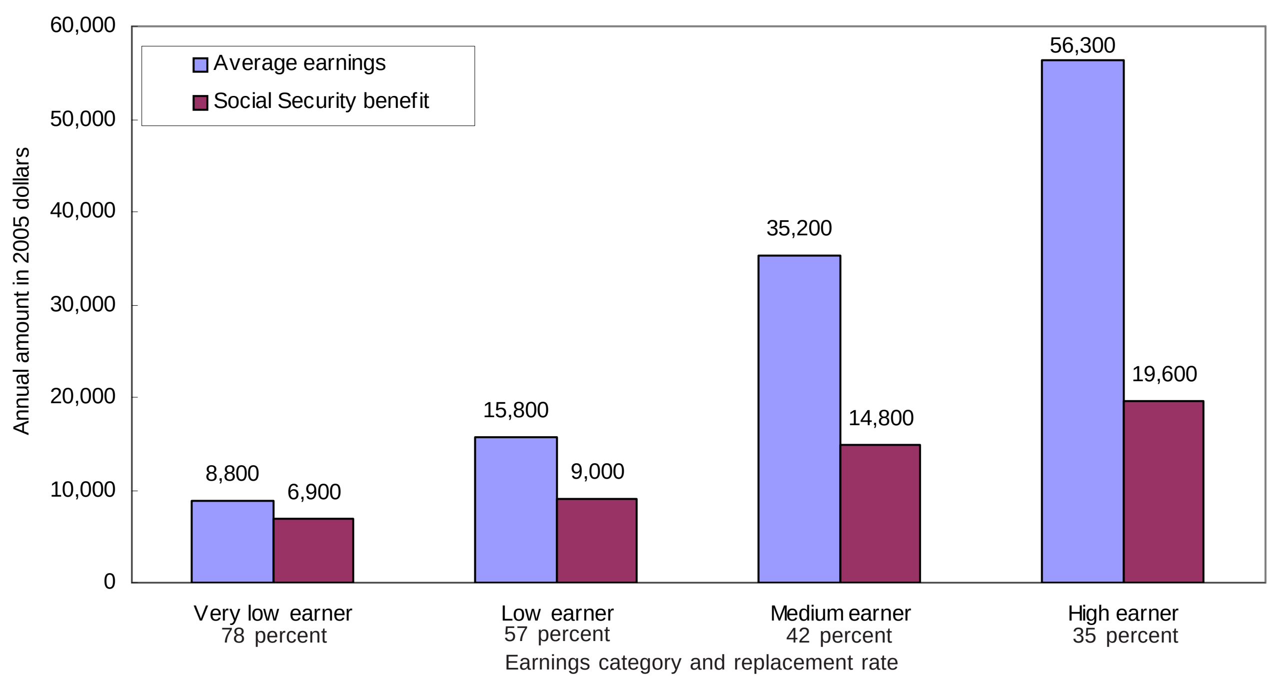


Source: Joint Economic Committee Democrats.
Note: These calculations reflect the value of Social Security benefits and private account accumulations for a woman born in 2005 who works between the ages of 21 and 65 with "scaled" median female earnings. The worker is assumed to contribute 4 percent of earnings to a private account subject to the limitations outlined by President Bush and to earn a risk-adjusted annual real rate of return of 2.7 percent. Time out of the workforce is assumed to begin at age 25. See footnote 10 for an explanation of scaled earnings.

Chart 3

Social Security Replaces a Larger Portion of the Pre-Retirement Earnings of Lower Earners than of Higher Earners

Average earnings, Social Security benefits and replacement rates for hypothetical workers retiring at age 65 in 2005



Source: Joint Economic Committee Democrats.

The President's private accounts proposal lacks the progressive benefit structure that partially compensates women for a lifetime of low earnings. The amount that could be invested in private accounts and the amount that would accumulate in private accounts (for the same investment choices) would directly reflect differences in earnings.

Table 1 shows the gender gap in earnings, Social Security benefits, and private account annuity payments for a man and a woman born in 2005, each of whom earns the median wage for their sex, starts working at age 21, and retires at age 65 without any time out of the labor force. While the gap in earnings is 23 percent, the typical woman's Social Security benefit is only 18 percent lower than the typical man's because of the progressive benefit structure.

Under the President's proposal, workers would be allowed to divert 4 percent of their earnings into private accounts. If they received a 2.7 percent real rate of return, the man would accumulate enough in his account to generate an annual annuity of $12,900. The woman would accumulate enough in her account to generate an annual annuity of $9,900, or about 23 percent less than what the median-earning man would accumulate. In other words, the gap in private account accumulations would be the same as the earnings gap.

Spousal benefits. Social Security provides a benefit to the spouses of retired and disabled workers equal to 50 percent of the worker's benefit. Spouses receive their own worker benefit plus a supplement, if necessary, to bring their total benefit up to 50 percent of the higher earner's benefit. Spousal benefits are paid to current and divorced spouses. About 99 percent of the recipients of the spousal benefit in 2004 were women, and 21 percent of adult female beneficiaries received higher benefits as a result of the spousal benefit.[13]

President Bush has not articulated how spousal rights would be protected in a system of private accounts. Private accounts would threaten the spousal protections offered by Social Security in a number of ways. First, whereas Social Security spousal benefits are paid automatically, there is no guarantee that a worker would be required to provide his spouse with a share of his private account. Providing a spouse with a share of his private account would necessarily mean that the worker himself would receive less from the account than he otherwise would, creating a disincentive to provide such spousal support.

Second, even if spouses were entitled to a share of their partner's private account, the amount of money available to spouses could be much lower than under the current system. The worker could make poor investment choices, might be able to take loans against the private account, or might be able to make withdrawals from the account, all without his spouse's consent. Spouses could therefore be left with little or nothing from the private account.

Finally, spouses may receive little from the basic Social Security benefit. Spousal benefits are based on the worker's basic Social Security benefit. Under the President's plan for private accounts, the guaranteed benefit would be

Table 1

Gender Gap in Earnings, Social Security Benefits and Private Account Accumulations for Median-Earning Man and Woman Born in 2005

(2005 dollars)

	Male worker with median earnings	Female worker with median earnings	Percentage difference
Median annual earnings	$42,470	$32,500	-23%
Social Security benefit	$29,100	$24,000	-18%
Private account annuity	$12,900	$9,900	-23%

Source: U.S. Census Bureau and Joint Economic Committee Democrats.

Note: The calculations are for workers with median earnings for their sex, computed by adjusting the 2004 figures from the Census Bureau to 2005 dollars using the Social Security Average Wage Indexing Series. The private account annuity assumes that workers invest 4 percent of their earnings in private accounts subject to the limitations outlined by President Bush, that they earn a risk-adjusted real rate of return of 2.7 percent on their contributions, and that the real interest rate at the time the annuity is purchased is 3 percent.

reduced by the "privatization tax" designed to recapture payroll taxes directed into private accounts. Partial price indexing would further reduce benefits.

The privatization tax would reduce guaranteed Social Security benefits because workers who contribute to a private account would have to pay back the system with interest for the payroll taxes diverted into their private account. Workers would have to pay this amount back from their basic Social Security benefit.

The President's proposal to partially price index initial benefit levels would further lower benefits for most workers. The benefits of the lowest earners (those with average annual lifetime earnings of less than $20,000 in 2005 dollars) would continue to increase with the growth in wages, the benefits of the highest earners would increase only with the growth in prices, and the benefits of workers in the middle would increase by a mixture of price and wage growth.

For workers born in 2005 with medium earnings ($36,600 in 2005), the combination of these two policies would reduce the guaranteed benefit by 69 percent.[14] If spousal benefits were based on this lower worker benefit, spouses could be left with a very small guaranteed benefit.

The risks facing divorced spouses are of particular concern. Since providing a distribution to a divorced spouse from a worker's private account necessarily reduces the worker's own distribution, the worker has no incentive to make such an arrangement voluntarily. Divorced spouses would have some measure of protection if private account accumulations were split at the time of divorce as is assumed in the President's plan.[15] However, if private accounts were enacted with the same conventions as private pension plans, spouses would only receive a share of the worker's private account if they succeeded in winning such access as part of a divorce settlement. Women who did not ask for a share of the private account or who bargained away their share in favor of assets that helped them meet immediate financial needs would be left with fewer resources in retirement than are available under the current system.[16]

Women who rely on divorced spouse benefits do so because they have very low lifetime earnings, often because of serious health problems prior to retirement that may have limited their ability to work.[17] Even under the current system they tend to have very high poverty rates.[18] The possibility of a lower spousal benefit or no spousal benefit for these beneficiaries would seriously weaken their already precarious financial position.

Women Tend to Lack Other Sources of Retirement Income

In addition to having lower lifetime earnings, women are also much less likely than men to have employer-sponsored pensions in retirement. In 2003, women aged 65 or older were only half as likely as men aged 65 or older to have income from pensions (22 percent vs. 44 percent), and women's median pension income was only half that of men's ($5,880 vs. $12,000).[19] Women therefore depend more than men on Social Security in retirement: on average, Social Security accounts for 74 percent of the retirement income of non-married women aged 65 or older and 66 percent of the retirement income of non-married men aged 65 or older. About 45 percent of non-married women rely on Social Security for 90 percent or more of their retirement income, compared with 36 percent of non-married men.[20]

Social Security provides workers with a guaranteed, predictable source of retirement income, a feature that is particularly important to women and other low earners with few other sources of income in retirement. While under the President's plan retirees could convert accumulations in private accounts to a predictable source of retirement income by purchasing an annuity, the accumulations in private accounts would be subject to investment risks. Account accumulations could vary substantially depending on overall market returns, individual investment decisions, and the prevailing interest rate at the time a worker purchased an annuity.

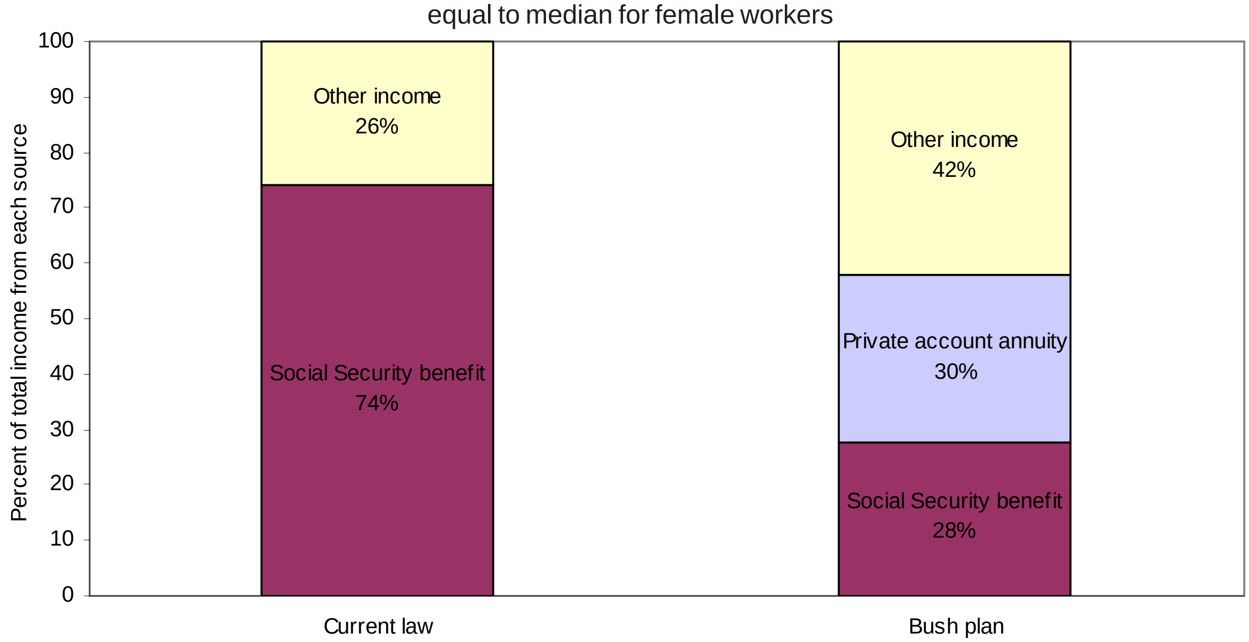
For example, a worker born in 2005 with median female earnings who was fortunate enough to earn a real rate of return of 5 percent and to purchase an annuity at the same real interest rate would receive an annual annuity payment of $20,700. However, the same worker would receive only $7,600 with a real rate of return and real interest rate of 2 percent.[21]

Workers who rely heavily on Social Security for their retirement income would have difficulty preparing for and weathering such potential fluctuations in the value of their individual account accumulations. **Chart 4** demonstrates the significant effect that a system of private accounts could

Chart 4

The Share of Women's Retirement Income Subject to Investment Risks Would Increase Dramatically Under the Bush Plan

Distribution of retirement income for worker born in 2005 with average career earnings equal to median for female workers



Source: Joint Economic Committee Democrats.

have on the security of workers' retirement income. Currently non-married women aged 65 or older on average receive about 74 percent of their retirement income from Social Security.[22] Only 26 percent of their retirement income is subject to risks such as stock market returns, interest rate fluctuations, pension default or the risk of outliving one's assets.

Under the President's proposal, her retirement income would look dramatically different. Assuming she maintains the same level of retirement income, the private account annuity would equal 30 percent of her total income, while the Social Security guaranteed benefit would constitute only 28 percent of the total. She would need to generate the remaining 42 percent of her income from other sources such as personal savings, earnings in retirement, or employer-sponsored retirement accounts.[23]

The amount of retirement income that is guaranteed and not subject to investment risks would decline from 74 percent under current law to 28 percent under the President's plan. Given women's lower incomes and less access to employer-sponsored retirement programs, it is unclear how they would be able to make up the difference in their retirement income.

Women Tend to Live Longer Than Men

In addition to earning less on average, spending more time out of the workforce, and relying more exclusively on Social Security than men, women also tend to live longer than men. Social Security has several features that help the long-lived, while a system of private accounts would weaken these protections.

Women who reach age 65 can expect to live until age 85, while men who reach age 65 can expect to live until age 82.[24] That characteristic has at least two implications. First, women, who generally enter retirement with fewer resources than men, must make those resources last longer.

Second, women are more likely than men to be unmarried in retirement because married women are more likely than married men to outlive their spouse. In 2004, only 43 percent of women aged 65 or older were married, compared with 74 percent of men aged 65 or older (see **Chart 5**). While 43 percent of women aged 65 or older were widowed in 2004, only 14 percent of men aged 65 or older were widowed.[25]

As a result of these two circumstances, women are much more likely than men to live in poverty in old age, and that disparity increases with age: while the poverty rate among older men tends to remain steady as age increases, the poverty rate among women tends to increase. In 2004, the poverty rate among older men was about 7 percent at all ages. The poverty rate was 11 percent for women aged 65 to 74 and 13 percent for women aged 75 or older.[26]

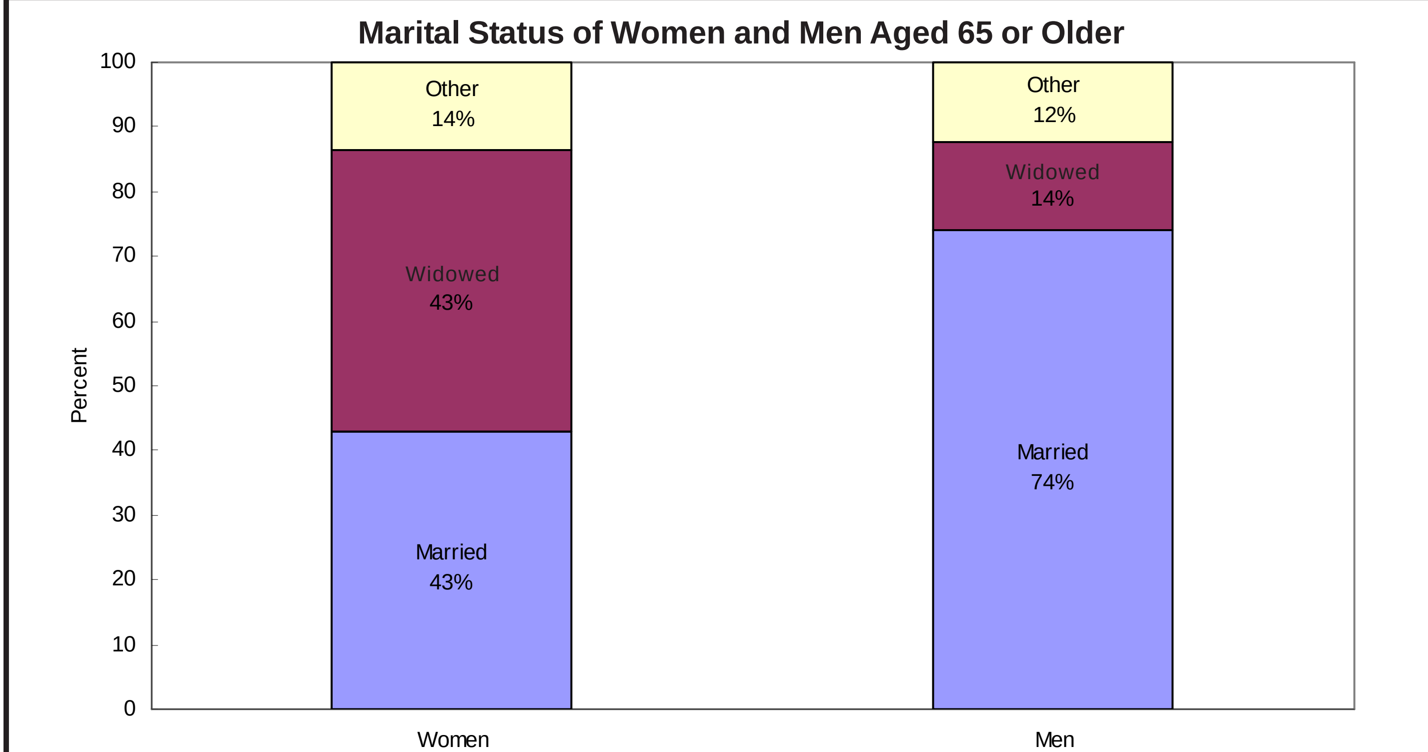
Social Security has two important advantages over private accounts for the long-lived. It provides both an inflation-adjusted benefit that cannot be outlived and a guaranteed survivor benefit.

Inflation-adjusted, life-long benefits. For women, Social Security's promise of inflation-adjusted benefits that cannot be outlived is particularly important. The real value of personal savings and most annuities erodes over time. For example, an inflation rate of 2.8 percent (the long-term projection of the Social Security Actuaries) would diminish the real value of an annuity payment fixed in nominal dollars by more than 40 percent over the course of 20 years.[27] Workers must manage their private savings, guessing how long they will live and therefore how much they can afford to take out of savings each year, running the risk that they will deplete their assets before they die. Social Security provides a foundation of economic security that is not subject to these risks.

Under a system of private accounts, workers could face much the same difficulties as they face with private savings. Namely, women would accumulate less than men and that smaller amount would have to last for a longer period of time. Moreover, inflation-indexed annuities are rare and women would most likely have to pay a higher price than men for the same annuity because of their greater life expectancy.

Guaranteed survivor benefits. Another important feature that protects women is the Social Security survivor benefit. Available to a surviving spouse with young children or a surviving spouse or former spouse in retirement, the Social Security survivor benefit generally equals the deceased spouse's benefit.[28] Women are much more likely than men to receive a survivor benefit: 34 percent of adult female beneficiaries but only 3 percent of adult male beneficiaries receive a benefit at least in part as the survivor of a retired or disabled worker.[29]

Chart 5



Source: Joint Economic Committee Democrats calculations based on U.S. Census Bureau.

Private accounts would severely weaken these protections. First, in the absence of specifically legislated protections, there is no guarantee that workers would be required to provide a share of their account to their surviving spouse or any surviving former spouses.[30] Workers may be able to donate the account to a charity or bequeath the assets in the private account to anyone.

If at retirement the worker chose to purchase an annuity with any portion of his account, in the absence of specifically legislated protections there is no guarantee that he would be required to purchase a joint-and-survivor annuity.[31] Such an annuity would ensure that his spouse would continue to receive an income stream from the private account even after his death. A joint-and-survivor annuity would produce a smaller payment for the worker than a single-life annuity while he was alive, creating a disincentive for him to voluntarily choose this option.

Second, even if surviving spouses were guaranteed a share of the private account, the amount of money available to survivors from either the private account or from the traditional Social Security system could be much lower than under the current system. Little may be available for survivors from the private account if workers make poor investment choices, withdraw funds from the account, or take loans against the account. It is not clear how much if any control spouses would have over such decisions concerning the disposition of the account assets that will be so important to their economic security.

Third, a worker who contributes to a private account may end up with little left of the basic benefit from Social Security. As described earlier, under the President's plan, guaranteed Social Security benefits would be lower both because of the proposal to partially price index benefits and because of the requirement that workers who divert some of their payroll taxes pay back the system with interest. If the survivor benefit were based on this much-reduced worker benefit, survivors would receive very little after the death of a spouse, further jeopardizing their economic security.

Replacing part of Social Security with private accounts could be particularly harmful for the survivors of workers who die young. Social Security survivor benefits are equivalent to a $400,000 life insurance policy for a young married worker with two children.[32] Workers who die young would accumulate little in their account. There would be little for their survivors to inherit, even if they had access to the account at the time of death. For example, under the President's plan, a worker with medium earnings ($36,600 in 2005) who was born in 2005 and died at age 30 would have accumulated less than $12,400 (in 2005 dollars) in his private account.[33] This fixed amount of assets would have to be divided among the surviving spouse and any surviving children, whereas under the current system the amount available to each survivor is independent of how many survivors there are.

Giving survivors access to the private account assets at the time of the worker's death means that the surviving spouse receives just that one-time distribution. In contrast, the current Social Security system provides the surviving spouse with both a young survivor benefit at the time of the worker's death and an aged survivor benefit at retirement.

As described earlier, divorced spouses are particularly vulnerable to being harmed by the introduction of private accounts. Unless they are guaranteed a portion of the private account balance accumulated during the marriage, they could end up with nothing from the private account after the death of their former spouse. Social Security survivor benefits are paid to both current and former spouses of a deceased worker. Joint-and-survivor annuities as currently structured do not provide a payment to a former spouse, and adding such a payment would substantially reduce the amount available to the worker and his current spouse. Divorced spouses have high poverty rates even under the current system, which provides them with a benefit equal to 100 percent of their former spouse's benefit. Losing the protections offered by Social Security could further damage their economic status.

Conclusion

The President's proposal to replace part of Social Security with private accounts and to use price indexing to set initial benefit levels would result in a less progressive benefit structure, lower benefits and fewer protections for spouses and survivors. It would create significant penalties for women who spend time out of the workforce for caregiving responsibilities and would seriously undermine the retirement security of women.

Endnotes

[1] For more details about President Bush's proposal see Joint Economic Committee Democrats, "How the President's Social Security Proposals Would Affect Late Baby Boomers," May 2005.

[2] U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage: 2004*, August 2005, Table 1. The 2004 figures are $40,798 for male earners and $31,223 for female earners.

[3] Stephen J. Rose and Heidi I. Hartmann, *Still a Man's Labor Market: The Long-Term Earnings Gap*, Institute for Women's Policy Research, 2004, p. 11.

[4] U.S. Census Bureau, "Evidence from Census 2000 About Earnings by Detailed Occupation for Men and Women," Census 2000 Special Reports, May 2004, Table 5.

[5] Chad Newcomb, "Distribution of Zero-Earnings Years by Gender, Birth Cohort, and Level of Lifetime Earnings," Social Security Administration, Office of Policy, Office of Research, Evaluation and Statistics, Note No. 2000-02, November 2000, Table 2.

[6] AARP Public Policy Institute, "Caregiving in the United States," Fact Sheet Number 111, April 2005; John M. McNeil, "Preliminary Estimates on Caregiving from Wave 7 of the 1996 Survey of Income and Program Participation," No. 231, U.S. Department of Commerce, Bureau of the Census, December 10, 1999, p.4; and Richard W. Johnson and Anthony T. Lo Sasso, "Parental Care at Midlife: Balancing Work and Family Responsibilities Near Retirement," Urban Institute, The Retirement Project Brief Series, No. 9, March 2000, p.5.

[7] Of those who worked in 2004, 41 percent of women but only 26 percent of men worked part-time or for only part of the year. U.S. Census Bureau, Detailed Income Tabulations from the Current Population Survey, Table PINC-05, "Work Experience in 2004—People 15 Years Old and Over by Total Money Earnings in 2004, Age, Race, Hispanic Origin, and Sex."

[8] Rose and Hartmann; Howard Iams and Steven Sandell, "Projecting Social Security Earnings: Past is Prologue," *Social Security Bulletin*, 60(2), 1997; Barry Bosworth, Gary Burtless, and Eugene Steuerle, "Lifetime Earnings Patterns, the Distribution of Future Social Security Benefits, and the Impact of Pension Reform," Center for Retirement Research at Boston College, Working Paper 1999-06.

[9] Joint Economic Committee Democrats calculations based on Memo to Howard M. Iams and Leslie Muller, Social Security Administration Office of Research Evaluation and Statistics, from Jillian Berk, Barbara Butrica, Melissa Favreault, Richard Johnson, Caroline Ratcliffe, and Karen Smith, The Urban Institute, "Modeling Income in the Near Term: Revisions to MINT3 Projections," April 19, 2003. These figures represent each worker's Average Indexed Monthly Earnings at the time they claimed Social Security benefits.

[10] Joint Economic Committee Democrats calculations. The calculations in this report concerning the effect of private accounts are based on the private accounts and price indexing plan proposed by the President. The President's private accounts plan would allow workers to divert 4 percent of earnings into private accounts up to a cap of $1,000 in 2009, with the cap increasing by $100 each year plus the growth in wages, and would require that workers pay back the Social Security system for these diverted payroll taxes from the Social Security benefit at a real interest rate of 2.7 percent. The calculations assume that workers receive a 2.7 percent net real return on investments (the Social Security Actuary's estimate of a 3 percent rate of return on long-term Treasury bonds minus administrative costs of 0.3 percent) and purchase an annuity at a real interest rate of 3 percent. The calculations assume a scaled earnings profile, meaning that earnings grow gradually over the course of a worker's career. The factors used for developing the scaled earnings profiles are from the following publication: Social Security Administration, Office of the Chief Actuary, "Scaled Factors for Hypothetical Earnings Examples Under the 2004 Trustees Report Assumptions," Actuarial Note Number 2004.3, December 2004. The scaled factors for the Actuary's "medium earner" are used to construct the earnings profile for workers with median earnings for their sex. Finally, partial price indexing is assumed to begin in 2012 so as to exempt workers aged 55 and older from the associated benefit reductions.

[11] Joint Economic Committee Democrats calculations. The calculations of current-law Social Security benefits in this report are based on the intermediate assumptions of the *2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.* The calculations assume a scaled earnings profile as described in footnote 10.

[12] Congressional Budget Office, *Updated Long-Term Projections for Social Security,* March 2005, Table B-1.

[13] Joint Economic Committee Democrats calculations based on *Annual Statistical Supplement, 2005*, Tables 5.A6, 5.A16 and 5.G3. These calculations include workers who are dually entitled – that is, they qualify for both a worker benefit and a spousal benefit.

[14] Joint Economic Committee Democrats calculations. This worker's guaranteed Social Security benefit would be $26,100 under current law but only $8,200 after the benefit is reduced because of partial indexing and the privatization tax. See footnote 10 for an explanation of the assumptions behind these calculations.

[15] Memo to Charles P. Blahous, Special Assistant to the President for Economic Policy, from Stephen C. Goss, Chief Actuary, "Preliminary Estimated Financial Effects of a Proposal to Phase In Personal Accounts – INFORMATION," July 15, 2005, p.3.

[16] For a more detailed discussion see Virginia P. Reno, Michael J. Graetz, Kenneth S. Apfel, Joni Lavery and Catherine Hill (eds.), (2005). *Uncharted Waters: Paying Benefits from Individual Accounts in Federal Retirement Policy*, Study Panel Final Report, Washington, DC: National Academy of Social Insurance, pp. 117-142.

[17] David A. Weaver, "The Economic Well-Being of Social Security Beneficiaries, with an Emphasis on Divorced Beneficiaries," Social Security Administration, Office of Research, Evaluation and Statistics Working Paper Number 73, December 1997, p.22.

[18] *Ibid*, Table 2. In 1993 the poverty rate of divorced spouse beneficiaries was 33 percent, compared to a poverty rate of 7 percent among all retired workers.

[19] AARP Public Policy Institute, "Sources of Income for Older Persons in 2003," October 2005, Table 1.

[20] Joint Economic Committee Democrats calculations based on the March 2004 Current Population Survey.

[21] Joint Economic Committee Democrats calculations.

[22] Joint Economic Committee Democrats calculations based on the March 2004 Current Population Survey.

[23] Joint Economic Committee Democrats calculations for a worker with 2004 median female earnings. See footnote 10 for an explanation of the assumptions behind these calculations.

[24] Social Security Administration, Office of the Chief Actuary, "Unisex Life Expectancies at Birth and Age 65," Actuarial Note Number 2004.2, September 2004. These estimates are based on cohort life expectancies for calendar year 2005.

[25] U.S. Census Bureau, America's Families and Living Arrangements: 2004, Table A1,"Marital Status of People 15 Years and Over, by Age, Sex, Personal Earnings, Race, and Hispanic Origin."

[26] U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage: 2004*, August 2005, Detailed Tables, Table POV01, "Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race."

[27] Joint Economic Committee Democrats calculations.

[28] In retirement, the surviving spouse receives her own worker benefit and a supplement, if necessary, to bring her total benefit up to the deceased spouse's benefit.

[29] Joint Economic Committee Democrats calculations based on *Annual Statistical Supplement, 2005*, Tables 5.A6, 5.A16 and 5.G3. These calculations include workers who are dually entitled – that is, they qualify for both a worker benefit and a survivor benefit.

[30] Spousal protections in private retirement savings and pension plans vary. For example, holders of Individual Retirement Accounts (IRAs) may designate anyone as a beneficiary without receiving spousal consent. Participants in 401(k) plans must obtain written spousal consent to designate someone other than the spouse as a beneficiary. For more information, see Virginia P. Reno, *et al.*, *Uncharted Waters*, Figure 6-A.

[31] Spousal protections in private retirement savings and pension plans vary. For example, holders of Individual Retirement Accounts (IRAs) are not required to purchase a joint-and-survivor annuity. Participants in 401(k) plans who elect to purchase an annuity must obtain written spousal consent to receive an annuity other than a joint-and-survivor. However, no spousal consent is required if the worker elects to receive a lump sum distribution. For more information, see Virginia P. Reno, *et al.*, *Uncharted Waters*, Figure 6-A.

[32] Memo from Social Security Actuary Orlo R. Nichols to Social Security Chief Actuary Stephen C. Goss, "Present Values of Expected Survivor and Disability Benefits for an Illustrative Case."

[33] Joint Economic Committee Democrats calculations. See footnote 10 for an explanation of the assumptions behind these calculations.