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Overview

At birth, female life expectancy is 79 years, which is substantially longer than that of men. Despite this, at retirement, there is a 30% gender gap in retirement savings. Women therefore need to conserve their retirement savings for a longer period, while also starting off with less money.

The savings gap reflects many choices that are made in the years leading up to retirement. Key among these choices is the decision about whether to take time away from the labor force - either partially or fully - to raise children.

Choices around the balance between time at work and time with children are complex for many families. There are a number of moving pieces, and the stakes feel very high. Making this decision properly involves weighing the factors that impact family income in the short and long-term. These impacts must be balanced against other considerations. There is no generic right answer here; every family is different. However, no family can make good choices without all the information.

Based on survey data, surfaced here, there is a general lack of knowledge and awareness around retirement savings and the ways in which taking time off work impacts retirement savings. Recognizing this gap in knowledge about retirement savings and providing better information access are key to helping families make informed personal and financial choices.

This white paper reports results from a YouGov survey of approximately 1,500 mothers. These results are supplemented with calculations based on hypothetical earnings and savings profiles. We highlight three key themes:

1. Lack of awareness of retirement savings as a key financial decision point post-children
2. Lack of action in retirement savings
3. Lack of support from firms that would enable better-informed choices about retirement savings and children

In the last set of results, we will highlight motivations to change.

Lack of Awareness

In this section, we will review a number of findings that illustrate an overall lack of awareness and lack of priority given to retirement savings.

Key point 1: Retirement ranks low in decision-making

When asked about what role certain considerations play in the decision to stay home with children, retirement savings played an extremely limited role. The table below shows the share of women who reported putting "a lot of thought" into each of these considerations and the share who "didn't think about it at all." The only consideration less important than retirement savings was personal enjoyment of their work.

Consideration	*Share of "a lot of thought"*	*Share of "didn't think of it"*
Being around my children	60%	16%
Not having my income	49.5%	13%
Maintaining financial independence	52.1%	13.4%
Cost of child care	48%	21%
Impact on retirement	33%	19.8%
Personal enjoyment of work	29.6%	20.2%

These figures are similar across all women surveyed of all education levels, including those with more education. Among women with at least a college degree, only 36% reported putting a lot of thought into the impact of staying at home on their retirement savings, versus 50% who put a lot of thought into the cost of childcare.

These figures are notable given the enormous value of retirement savings in this life stage. Consider someone making $60,000 a year who manages to save just 3% of their income, or $1,800 a year. Taking two years off work at this stage, and therefore not saving for retirement during those two years, results in over $38,000 less in retirement savings at age 65.[1] If that same person took five years off of work, the difference in savings would be nearly $100,000.

[1] All calculations of savings assume annual compounding at a 7% interest rate, with a retirement age of 65.

These figures illustrate the huge importance that even small changes in retirement savings habits at this age play into ultimate retirement wealth. These numbers suggest that this should be a significant factor in the calculus of labor market choices.

Key point 2: Childcare costs dominate labor market decisions

As noted in the chart on the previous page, 48% of women put a lot of thought into childcare costs when thinking about working. When asked about job choice, more than half of women (54%) reported that they would keep their current job instead of starting a new job with a higher salary but higher childcare costs.

To see why this may be a mistake, consider the following vignette:
Sandra is making $60,000 a year and saves 3% of her income. She's offered a new job, paying $65,000 a year. The new job, though, would require her to spend *all* of her additional take-home pay on childcare for the next three years. Prioritizing childcare costs might make this seem like a mistake — it would appear that the new job doesn't help Sandra get ahead at all.

However, in the long run, it does. In those first years, at her 3% savings rate, she'll increase her eventual retirement savings by $4,800, to say nothing of the added long-term salary numbers. Ignoring these longer-term considerations can lead families to make choices that aren't necessarily in their best interest.

Key point 3: Women report missing important financial information

In many questions, women reported that they did not have the information needed to either consider the impacts of motherhood on their savings or to understand retirement savings.

Only 49.2% of mothers indicated that they had the necessary resources to consider the impacts of motherhood on their savings. When asked about sources of information on retirement savings, 32.6% of respondents reported that they never learned about retirement savings from any sources — including parents, a first job, or in school.

Parental discussion of retirement savings proves to be a crucial learning source, but one that is accessed unequally. Of all respondents, 22.8% said their parents had discussed retirement savings with them. That said, this figure was only 16% in those with a high school degree or less. This illustrates that differential awareness of retirement savings not only produces gender inequality but also exacerbates inequality in savings across income groups.

Lack of Action

Overall, in the survey sample, a large share of women are not saving at all, and many of those who are saving feel uncomfortable with their savings figures.

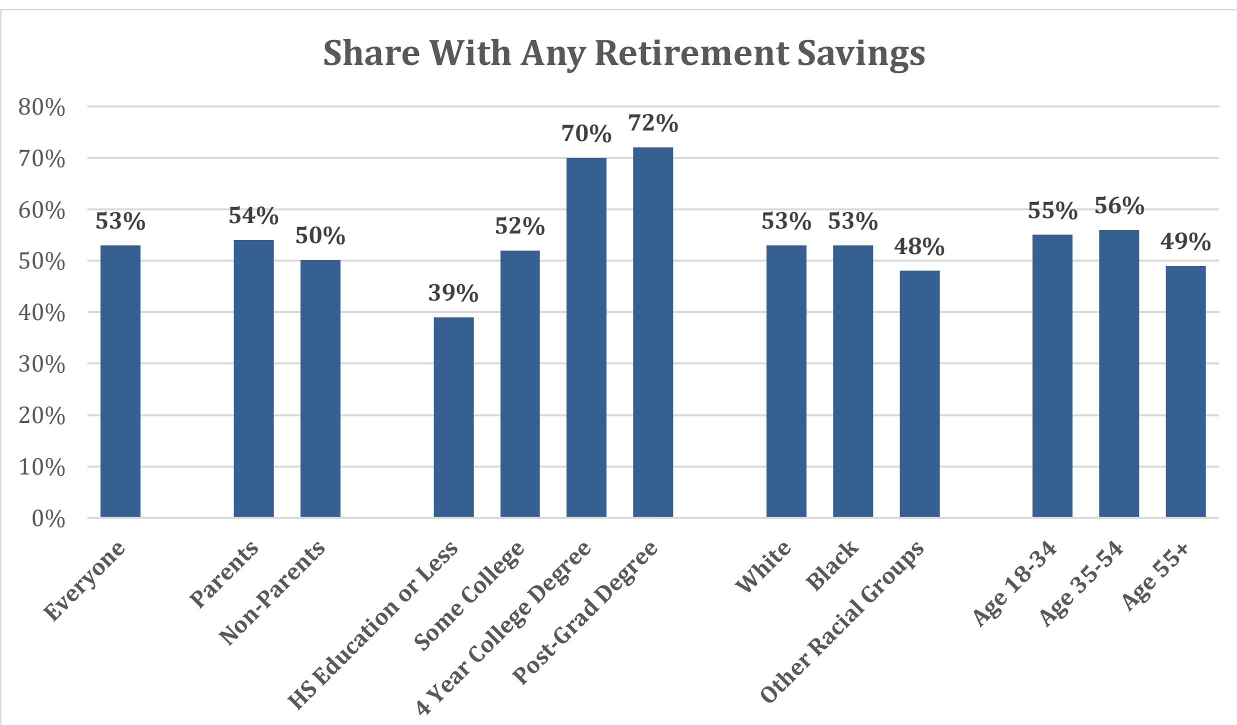
Key point 1: Savings are low overall

Among the 1,586 women surveyed, only 26% reported that they are saving for retirement and are comfortable with the amount they are saving; 47% of women reported no retirement savings at all; and the remaining 27% are saving, but not to the level that they want.

It is important to specify what women with no retirement savings at all are missing out on. If someone who is currently 30 years old put just $20 a month into a retirement savings account at 7% interest, they would have approximately $34,000 in savings by age 65. This $20 a month is the equivalent of five venti lattes from Starbucks. On the scale of childcare and many other expenses, this is a small figure.

Key point 2: Savings are lower for women with less education

The graph below shows the share of women by group who report saving *any* retirement money. Most notable are the large differences across education groups: only 39% of women with a high school education or less report any retirement savings, versus 72% of those with a postgraduate degree. This difference is highly statistically significant.



Key point 3: Expenses and lack of retirement match are a barrier to savings

Among women who report not saving at all for retirement, or not saving enough, 49% report that they have nothing left for retirement after their monthly expenses.

Returning to the first key fact in this section, it is extremely important to note that even very small investments in retirement can yield large returns. Women may feel that it isn't worth it to save for retirement if they can only put a small amount of money in, but a small amount of money at age 30 becomes a much larger amount at age 65.

As a simple illustration, consider the link between monthly savings starting at age 30 and retirement savings at 65. An investment as small as $5 a month can yield almost $10,000 at age 65. Investing $100 a month would translate to over $160,000 in retirement savings.

Lack of Resources and Support

Women in the survey lack resources and support, for both parenthood and retirement savings.

Key point 1: Retirement matching is limited, and more so for parents

Overall, 48.2% of employed women say their benefits include employer retirement fund matching. This figure is 45% for parents and 53% for non-parents, a statistically significant difference. In other words, women who are parents are less likely to have retirement matching available to them.

Relatedly, among women who report not saving for retirement, 7% say that a lack of retirement matching benefits is a barrier.

There are two important realizations here:
First, improving the availability of retirement matching could make a sizable difference in the share of women with savings. Second, it may be crucial to be clear with women that even if their employer does not offer a retirement matching program, there are still excellent financial reasons to invest for retirement. This may be missed if women simply assume that without a retirement match, saving does not make sense.

Key point 2: Maternity leave benefits are limited

Of the women surveyed, only 32% reported that they had access to paid maternity leave. This figure was just 21% among those with a high school degree or less.

Women reported financing their maternity leave in a variety of ways: 43.8% reported financing leave with savings and 8.5% reported plans to remove funds from their 401(k) to finance their leave. These figures were similar among women who did have access to paid leave. This suggests that even those with paid leave are left dipping into other resources in order to fund their leave.

The choice to use a percentage of savings to fund maternity leave has clear costs. Taking $1,000 out of a retirement vehicle at the age of 30 results in $11,000 less in retirement savings at age 65. Taking out $10,000 would lower savings at retirement by over $100,000.

This is not to say that women should be pressured to return to work; instead, it is a call to action for better paid leave — paid leave for more people, and more funding even for those who have paid leave already.

Motivation to Change

Although there are barriers, there is motivation to change retirement savings behavior -- to save more -- among individuals surveyed. When told about the retirement gap, women reported fear, discomfort, and anxiety (see word cloud below for a visualization).

Beyond this, after being made aware of the retirement gap for women, 43.9% of those with children under 18 indicated that they would consider starting a retirement fund for their child.

Starting a retirement fund for a child may be especially valuable given the long time for such funds to mature. If parents put just $1,250 one time into a retirement fund for their infant, they could expect $100,000 in retirement savings for that child by the time the child is age 65. Stretching this over the course of the first year, it equals only $3.42 per day.

In other words: for less than many of us spend on a daily cup of coffee, in just one year, we could deliver $100,000 in retirement funds to our child.

There is a huge opportunity to motivate financial change at the time of childbirth, both for parents and in investments they make for their children. The downsides of not saving for retirement are large, but the solutions are likely more attainable than many people fear. By highlighting the miracle of compounding, and the way that small changes can yield large benefits, we can prompt meaningful behavioral change.

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