



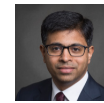
Closing the Gender Gap in Retirement Savings

Addressing barriers to retirement savings for women.

March 2023

KEY INSIGHTS

- While there is no gender gap in access to retirement plans, women lag far behind men in terms of contributions, savings, and retirement confidence.
- Typically lower incomes, higher debt loads—especially student loans—and shorter job tenures are some of the factors contributing to the gender savings gap.
- Women could help narrow the retirement savings gap by taking steps that may improve personal finances and building financial confidence.



Sudipto Banerjee, Ph.D.
Vice President, Retirement Thought Leadership

The increased focus on diversity, equity, and inclusion has driven recent research on financial wellness, and racial gaps in retirement savings, in particular, have gained significant attention. But gender¹ is an equally important dimension of the retirement savings gap. In 2022, our T. Rowe Price Retirement Savings and Spending Study, which surveys a nationally representative group of 401(k)

participants, focused on the gender gap in retirement savings—and the disparities are striking.

Our analysis showed that women were contributing less annually to their retirement accounts and had significantly lower retirement account balances (Figure 1). Notably, the median 401(k) account balance for women was 65% lower than for men.

The Gender Gap in Retirement Savings

(Fig. 1) For women, lower contributions mean less savings

	Men	Women	Gap
Contribution*	\$9,578	\$5,421	-43%
Savings [†]	\$62,040	\$21,638	-65%
Confidence [‡]	37%	22%	-40%

Source: T. Rowe Price Retirement Savings and Spending Study, 2022.

*Estimated annual 401(k) contribution (median expected contribution % x median personal income).

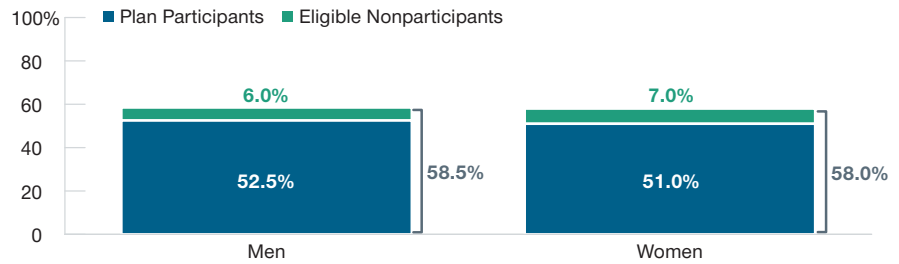
[†]Median 401(k) balance.

[‡]How confident are you about retirement (on a scale of 0 to 10)? Percentages based on top 3 boxes, those who rated their confidence levels at 8, 9, and 10.

¹Participants in the survey self-identified their gender. For the purposes of this research, we use the term woman to refer to an adult who lives and identifies as a female and the term man to refer to an adult who lives and identifies as a male.

No Gender Gap in Access to Retirement Plans

(Fig. 2) Retirement plan participation among 21-64 year old wage or salaried workers in the private sector



Source: Author's calculations from the Annual Social and Economic (ASEC) supplement of the Current Population Survey (CPS), 2022. IPUMS CPS, University of Minnesota.
Participation Rate = Share of total private sector workforce (with or without access to a retirement plan) who participate in a retirement plan.

Therefore, it is understandable that women's confidence levels in attaining retirement goals were also lower.

in retirement plans, debt, and job tenure, may be contributing to the gender retirement savings gap.

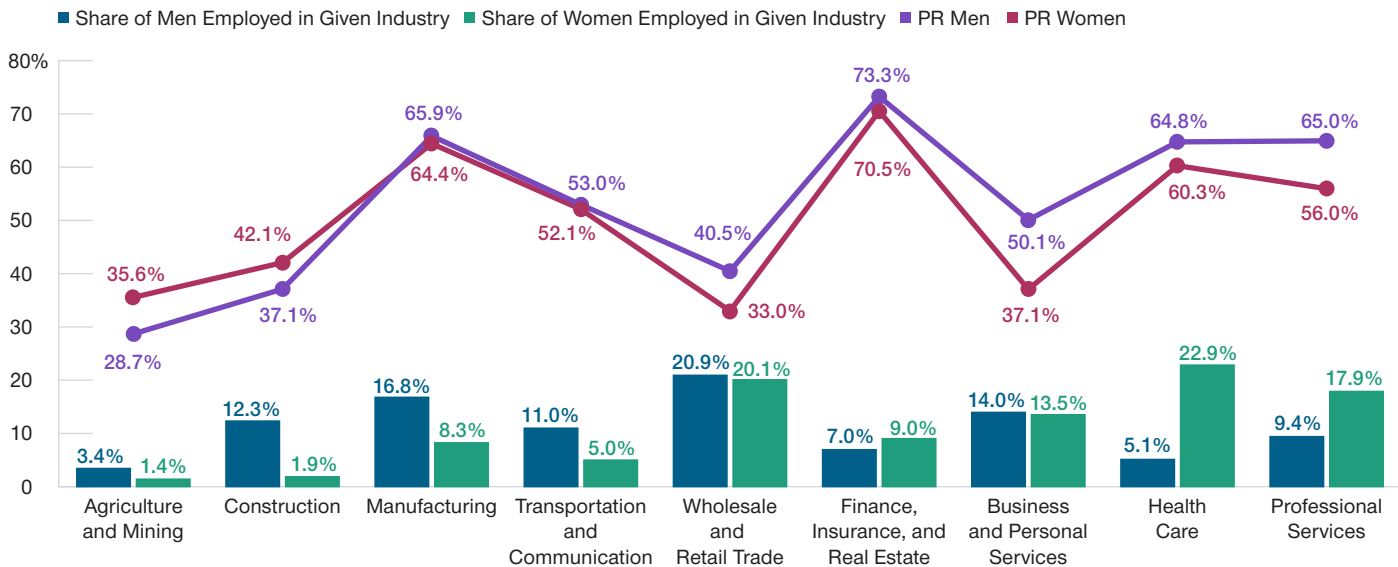
The gender gap in retirement savings is a challenge for women who are preparing for retirement, and we understand that there are various social and economic factors that significantly affect women's ability to save. In our research, we examine how traditionally lower incomes, along with factors such as participation

No Gap in Retirement Plan Access and Participation

Interestingly, we found that there were no overall gaps in access to retirement plans between men and women. In fact, despite differences in the male and female labor forces, retirement plan participation

Women in Several Industries Lag in Retirement Plan Participation

(Fig. 3) Retirement plan participation among 21-64 year old wage or salaried workers in the private sector across different industries



Source: Author's calculations from the Annual Social and Economic (ASEC) supplement of the Current Population Survey (CPS), 2022. IPUMS CPS, University of Minnesota.
Participation Rate (PR) = Share of total private sector workforce (with or without access to a retirement plan) who participate in a retirement plan.

-43%

The median annual contribution for women was 43% less than for men.

appears consistent among private sector wage and salaried workers between the ages of 21 and 64 (Figure 2).

However, this apparent gender equality in participation masks disparities and wide variations in the level of participation across different industries (Figure 3). For example, wholesale and retail trade and business and personal services industries employ men and women equally. Despite this, the retirement plan participation rate is significantly lower among women in those industries.

Even in industries that employ significantly more women than men—such as health care and professional services—women still lag behind in retirement plan participation.

There are, however, some bright spots for women highlighted in the research. Although fewer women work in manufacturing and in transportation and communication, their retirement plan participation in these sectors is on par with their male peers. Compared with these industries, women in the finance, insurance, and real estate industries make up a larger share of the overall workforce, and the data show that their participation rate is close to that of their male colleagues.

Lower Income Means Lower Contributions

Although many employers have made progress in addressing the gender pay

gap, national averages reflect that women typically earn less than men. In our survey of plan participants, the median income of women was two-thirds that of men (Figure 4). While the various factors behind this disparity are the subject of debate, the effect is unambiguous—women are less likely to be prepared for a secure retirement because lower income limits their ability to save.

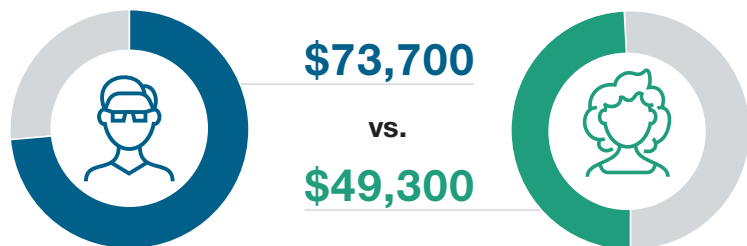
But interestingly, our study found that at any given level of income, women are more likely to participate in retirement plans than men (Figure 5). In other words, absent any income disparities, women appear more likely to save.

However, women's *rate* of saving is lower. The expected median contribution rate for women, including both the employer and employee contribution, is 11%, compared with 13% for men. The 2% difference in the contribution rate seems marginal, but when coupled with a lower income base, the long-term compounded effect can result in dramatically lower retirement account balances for women. In our study, the approximate median contribution for women was 43% less than for men, one reason women's median 401(k) balances were roughly one-third of those of men.

Women are more likely to take time out of the workforce when starting a family or for caregiving responsibilities. To manage competing priorities and gain flexibility, they may also alter their career paths or work reduced hours.

Women Typically Earn Less Than Men

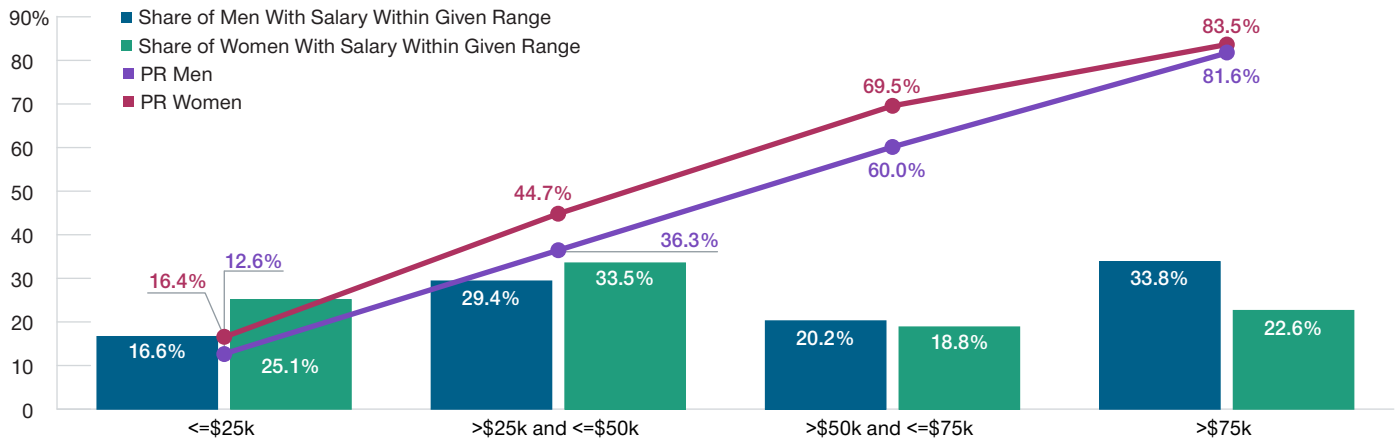
(Fig. 4) Despite some progress, a gender income gap still persists



Source: T. Rowe Price Retirement Savings and Spending Study, 2022. Shows median income.

Across Different Income Groups, Women Are More Likely to Save

(Fig. 5) Typically lower incomes may constrain women's savings



Source: Author's calculations from the Annual Social and Economic (ASEC) supplement of the Current Population Survey (CPS), 2022. IPUMS CPS, University of Minnesota.

Participation Rate (PR) = Share of total private sector workforce (with or without access to a retirement plan) who participate in a retirement plan.

This loss of income and retirement benefits—such as employer match contributions—and the disruption in plan participation can contribute to the gender retirement savings gap.

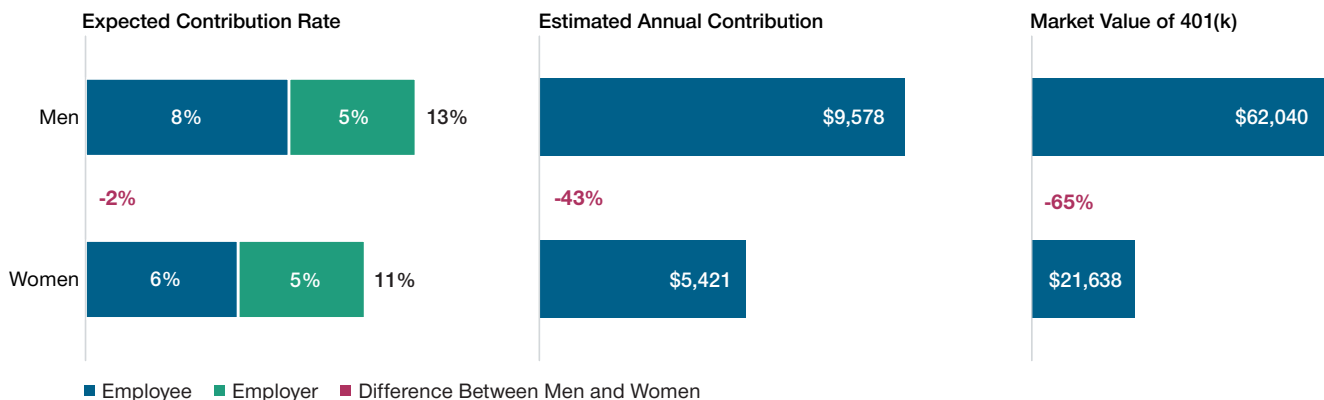
Shorter Job Tenures Can be an Impediment for Women

Relatedly, our research also shows that women have shorter job tenures (median of six years) than their male counterparts (median of eight years). Moreover, 10% of men have a tenure of one year or less compared with 17% of women.

Shorter tenures could affect retirement savings in a number of ways. Plans have varying vesting rules, and those without immediate vesting can deny some portion of employer contributions to employees with short tenures. Also, workers who change jobs after a short stint with an employer usually have smaller balances and might be more inclined to cash out their savings even if that incurs a penalty. Additional research is needed to see if women are more likely to cash out.

Lower Income Has Led to Lower Contributions and, Eventually, to Lower Balances

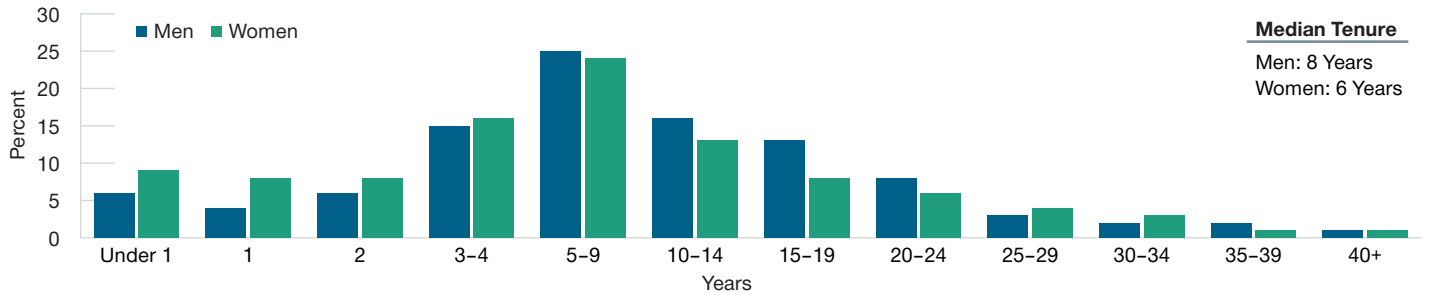
(Fig. 6) The compounding impact of lower contributions is significant



Source: T. Rowe Price Retirement Savings and Spending Study, 2022. Numbers shown are the medians.

Women Generally Have Shorter Job Tenures Than Men

(Fig. 7) Distribution of job tenure by gender



Source: T. Rowe Price Retirement Savings and Spending Study, 2022.

Women Carry a Higher Debt Burden

For many retirement savers, paying off debt is a high financial priority that competes with retirement saving. This is particularly true for women. Our analysis found that more women than men held debt across all categories except for home equity loans (Figure 8). The disparity in student loan debt, in particular, is staggering. In our study, 14% of men and 23% of women reported that they had student loan debt—a difference of 60%.

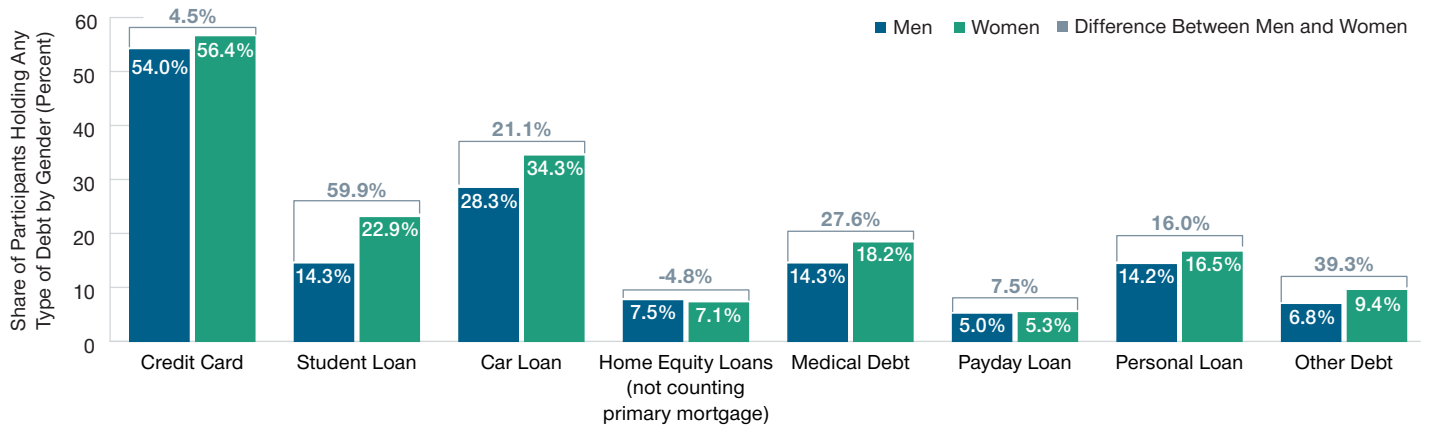
Our analysis found that, except for those in Gen Z, women have higher outstanding student loan balances

than their male peers (Figure 9). The outstanding balance increases progressively for millennials and Gen Xers before dropping for baby boomers. This could be partly because women tend to take out more in student loans and pay back less due to lower incomes.

The smaller payments and compounding interest charges on outstanding loan balances can increase loan balances over time, highlighting the need for assistance to those who are struggling with student loan debt.

More Women Held Debt in Almost Every Category

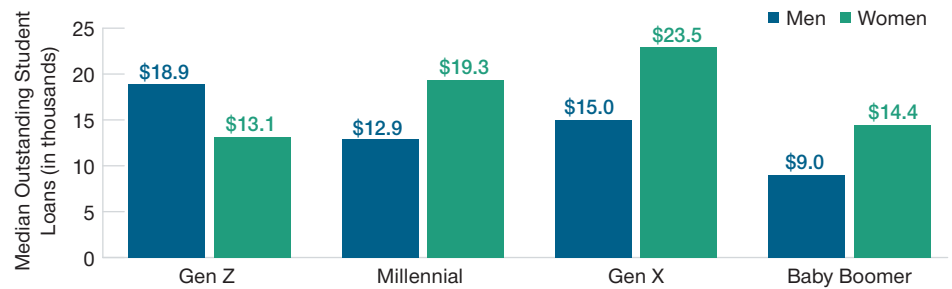
(Fig. 8) Significantly more women than men had outstanding student loans



Source: T. Rowe Price Retirement Savings and Spending Study, 2022.

Women Had Higher Outstanding Student Loans

(Fig. 9) Student loan debt could be hampering women's ability to save



Source: T. Rowe Price Retirement Savings and Spending Study, 2022.

Less Savings Results in Less Wealth

Given these trends, it is not surprising that women on average are also less wealthy than men. Indeed, our analysis found that one in four female workers has a negative net worth, as calculated by total investable assets plus home equity less debt. In comparison, just over one in 10 men reported a negative net worth (Figure 10).

Additional research is also needed to understand the impact of caregiving and child-care costs on retirement savings, particularly for women. Generally, women are disproportionately responsible for unpaid caregiving of loved ones, often prioritizing those responsibilities ahead of their careers.

An estimated 59% of women provide 20 hours or less of unpaid care per week compared with 41% of men. The difference between male and female

caregivers providing more hours of unpaid care is much greater: 62% of women provide more than 20 hours of weekly care compared with 38% of men.²

In addition, according to the latest Census (2021),³ single parents make up more than one-quarter of all American family groups raising children under the age of 18, and 80% of these single-parent households are led by mothers. It is therefore reasonable to assume that the steep costs of raising children are making it even harder for women in this demographic to adequately save for retirement.

How Can We Move the Needle?

We asked women what challenges they face when it comes to saving and investing and found that while women are almost as comfortable as men making daily financial decisions, they are

Vast Gender Gaps Remain in Overall Wealth

(Fig. 10) One in four women report a negative net worth versus one in 10 men



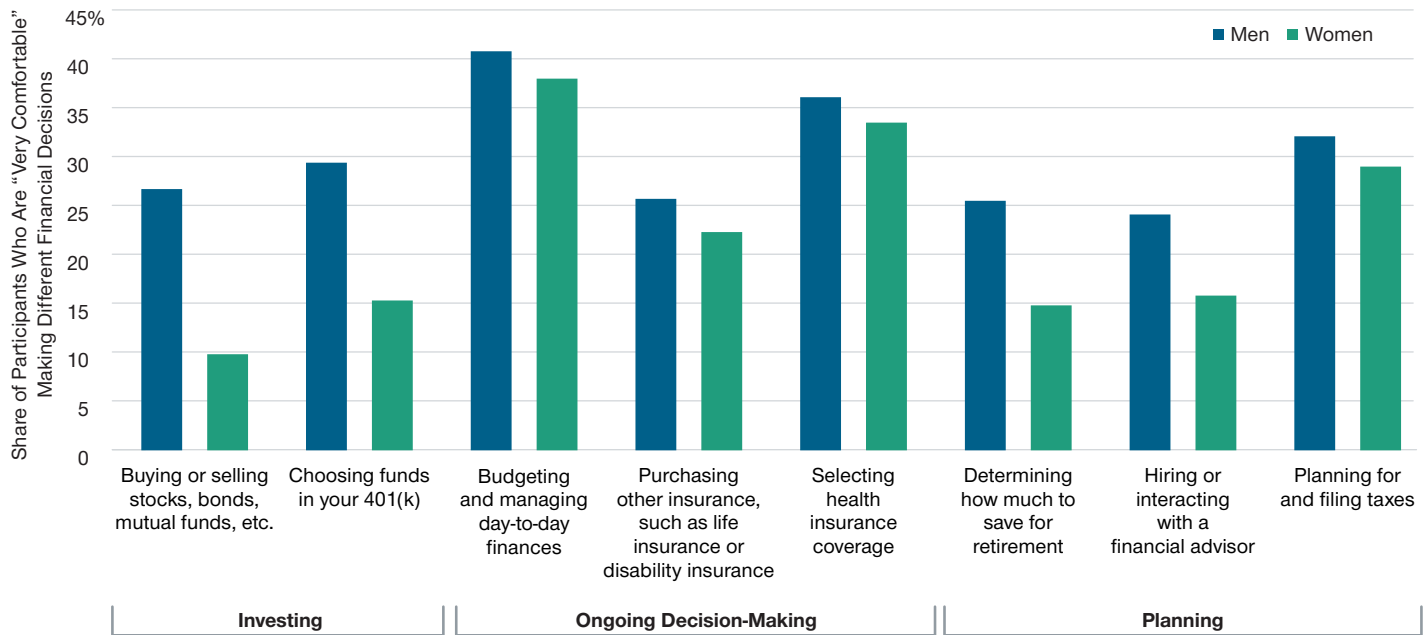
Source: T. Rowe Price Retirement Savings and Spending Study, 2022.

² Amy Barger and Christina Best, "The State of Women and Caregiving." <https://www.caregiving.com/posts/women-and-caregiving-2021>

³ United States Census Bureau. 2021. America's Families and Living Arrangements: 2021.

Women Are Less Comfortable Making Investment Decisions

(Fig. 11) Confidence in making longer-term financial decisions could prevent actions that hamper successful retirement outcomes.



Source: T. Rowe Price Retirement Savings and Spending Study, 2022.

less comfortable in making longer-term financial planning decisions, particularly investment choices (Figure 11). The disparity in women’s comfort level when selecting investments in a retirement plan account and determining how much to save for retirement was notable.

This lack of confidence is problematic and could lead to actions that hamper successful retirement outcomes, such as under-saving, untimely withdrawals, investing too conservatively, or other mistakes. Lower contributions combined with unsuitable investment choices could be contributing to the gender savings gap.

Our research also found that women, particularly those with fewer assets, are less likely to hire or interact with a financial professional who could help them navigate their retirement journey and pursue successful outcomes. The least wealthy women—those with under \$50,000 in their plan account balance—were also less inclined to leverage

workplace advice resources and mostly relied on guidance from friends and family (Figure 12).

To be sure, the savings gap between men and women is attributable to various complex factors, but the end result is that most women feel less confident about their retirement. Statistically, women are more likely to live longer than their male counterparts, more likely to take on unpaid caregiving, typically share more responsibilities of child rearing, etc.

Ultimately, women should take these unique needs into consideration when planning for retirement, and we believe that financial wellness programs offered within retirement plans can be beneficial. Taking steps to improve individual finances and becoming comfortable with financial decisions can be empowering and could position women for a more secure retirement.

Women Engaged Less With Plan-Provided Resources

(Fig. 12) The least wealthy women were less likely to leverage workplace financial tools and resources



Source: T. Rowe Price Retirement Savings and Spending Study, 2022.

Tips to Help Women Boost Retirement Savings

To help narrow the gender savings gap, we encourage women to:

Have a spending plan.

A budget, or spending plan, can provide a framework to track expenses and accommodate savings goals. Understanding how and where money is spent can help identify opportunities to reduce expenses and potentially increase retirement savings.

Focus on debt.

Debt clearly plays a role in lower retirement contribution rates for women. It is important to target the elimination of high-interest debt and explore programs that assist with student loans, such as income-based or public service repayment forgiveness. The

recently passed SECURE 2.0 Act of 2022 (SECURE 2.0) legislation will allow plan sponsors to match student loan payments in terms of retirement contributions after December 31, 2023. In the future, plans that adopt this provision could help enable and encourage women who are hampered by student loan debt to still save for retirement, while paying off college debt, and boost their retirement savings.

Prepare for the unexpected.

Consider starting an emergency fund with \$1,000 and then work to build it to an amount that can cover three to six months' worth of expenses. The fund can be used for an unexpected bill or to get through an uncertain period without having to tap credit cards or borrow from retirement savings. The SECURE 2.0 legislation also provides employers the option to offer emergency savings

accounts linked to individual retirement accounts. If available, this could be a beneficial option for women with a limited savings ability as they can build up their emergency savings along with retirement savings.



Step up savings.

To pursue a successful retirement, workers with access to a workplace retirement plan should aim to save at least 15% of their salary, including any employer contributions if available. In case of limitations due to individual challenges and competing financial priorities, it is okay to start at the minimum needed to take full advantage of any company match and then try to increase contributions by two percentage points each year (e.g., 6%, 8%, 10%, and so on). Automating annual increases, where applicable, can make upping contributions each year simple. If a workplace retirement plan is not available, consider investing in a Traditional or Roth individual retirement account (IRA).



Work-family balance.

For many couples, starting a family may require a career adjustment and

the need for flexibility. Women have typically been more likely to take time out of the workforce or alter their careers—though there's evidence this may be becoming more of a shared responsibility. Exploring alternative work arrangements such as part-time, contractual, or consulting work could allow women to keep saving and remain engaged in the workforce. A spousal IRA can also help to maintain retirement savings if relying on a partner's income for the household.



Use the available tools and resources.

Workplace retirement plans often provide financial tools and services that employees can use to assess their financial situation and then create a financial plan, which can help build financial confidence. Also, anyone can increase their financial literacy by engaging with these resources that typically include budgeting apps, podcasts, books and online articles, videos, among other content. Both formal and informal education can empower women to take charge of their financial futures.

Retirement Savings and Spending Study

The Retirement Savings and Spending Study is a nationally representative online survey of 401(k) plan participants and retirees. The survey has been fielded annually since 2014. The 2022 survey was conducted between June 24 and July 22. It included 3,895 401(k) participants, full-time or part-time workers who never retired, currently age 18 or older, and either contributing to a 401(k) plan or eligible to contribute and have a balance of \$1,000+. The survey also included 1,136 retirees who have retired with a Rollover IRA or left-in-plan 401(k) balance. NMG Consulting conducts this annual survey on behalf of T. Rowe Price.

RETIRE WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment excellence and retirement services that institutional, intermediary, and individual investors can rely on—now and over the long term.

To learn more, please visit troweprice.com/retirementUS.

T.RowePrice®

Important Information

This material is provided for general and educational purposes only and is not intended to provide legal, tax, or investment advice. This material does not provide recommendations concerning investments, investment strategies, or account types; it is not individualized to the needs of any specific investor and not intended to suggest any particular investment action is appropriate for you, nor is it intended to serve as the primary basis for investment decision-making.

Any tax-related discussion contained in this material, including any attachments/links, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any tax penalties or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein. Please consult your independent legal counsel and/or tax professional regarding any legal or tax issues raised in this material.

The views contained herein are as of the date written and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.

This information is not intended to reflect a current or past recommendation concerning investments, investment strategies, or account types, advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Please consider your own circumstances before making an investment decision.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

Past performance is not a reliable indicator of future performance. All investments are subject to market risk, including the possible loss of principal. All charts and tables are shown for illustrative purposes only.

T. Rowe Price Investment Services, Inc., distributor, and T. Rowe Price Associates, Inc., investment adviser.

© 2023 T. Rowe Price. All Rights Reserved. T. Rowe Price, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc. RETIRE WITH CONFIDENCE is a trademark of T. Rowe Price Group, Inc.