THE ECONOMIC SECURITY OF AMERICAN HOUSEHOLDS

Issue Brief Three: The Economic Security of Older Women

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The Economic Security of American Households
Issue Brief Three

Once in retirement and beyond their working years, older Americans must rely on their wealth accumulated during their working lives, pension income, and social insurance to support themselves. With fewer means to generate new sources of income, they are more vulnerable to risks that threaten their economic security.

This brief, one in a series of issues briefs by the Department of the Treasury's Office of Economic Policy studying the state of economic security of Americans, attempts to examine and quantify the sources of vulnerabilities of older women (over the age of 65), a rapidly growing population totaling 27 million. By economic security, we mean the ability to maintain an adequate standard of living for the remainder of one's life. In this brief, we ask: Are older women at greater risk of poverty or being unable to manage their expenses than other populations? Are there specific groups of women at risk? What are the implications for policy?

Older women face unique challenges with regards to economic security. Compared with older men and younger women, they are much less likely to be married, which means that they are less likely to live with someone with whom they can share economic risks. On average, women live longer than men, meaning they need to stretch their resources accumulated during their productive years for longer.[1] And partly by virtue of their longer life expectancy, they are more likely to reach an age where the risk of disability is high.

On an array of metrics, we find that many older women lack economic security. We identify two major sources of economic insecurity for older women: being single (often as a result of widowhood) and disability. Those facing economic insecurity may find themselves exposed to risks that, if realized, would induce a sharp reduction in quality of life.

Key Findings

- By several metrics, older women are more likely to be economically insecure than older men.
- Much of the economic insecurity observed at older ages is linked to widowhood. The onset of widowhood is associated with a sharp reduction in means, which in turn leads to a sharp and sustained reduction in spending and thus standard of living. Women who are widowed early or never married have particularly high rates of economic insecurity.
- Disabled women are more insecure, and few households have the ability to cover an extended disability spell.

[1] Social Security Actuarial Life Table: https://www.ssa.gov/oact/STATS/table4c6.html

- For the most part, elderly women who are healthy and married remain economically secure as they age.
- We conclude that policy-makers should focus attention on specific risks associated with aging: being unmarried and disabled.
- The analysis also questions whether individuals are optimally planning for specific risks later in the life.

We conclude the brief with a discussion of ways the public and private sector may address economic insecurity of the elderly female population.

Economic Security and Older Women

Men and women both face economic security risks as they age. They may face challenges coping with economic shocks, like large health care expenses or negative income shocks, particularly after retirement. They also are more susceptible to certain shocks than younger adults, such as disability and widowhood. But older women are particularly susceptible to vulnerabilities because they tend to live longer, live alone, have lower lifetime earnings, and have higher uninsured disability risk. In particular:

- Women tend to live longer than men. Women's life expectancy, conditional on reaching age 65, is 2½ years (or 14 percent) longer than men's.[2] Thus, on average they must be able to stretch their resources for longer than men.
- A longer life expectancy means older women are more likely to live alone without someone with whom to share economic risks. Forty-six percent of women 65 and older are married, compared with 74 percent of men 65 and above and 61 percent of women between 25 and 64.[3]
- Women tend to have earned less during their working lives than men. According to a Treasury analysis of Social Security records, women born in 1948 on average earned approximately 46 percent less than men between ages 15 and 64. Therefore, they have fewer accumulated resources to draw on from their own work history than men of the same age. This gap is especially relevant for women who are unmarried, divorced, and widowed because they do not have resources to draw on from a spouse.
- Women are disproportionately impacted by disability risk later in life. For example, women make up two-thirds of nursing home residents.[4] Furthermore, nearly one quarter (or $49.3 billion in 2012) of formal long-term care costs are financed out-of-

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[2] Murphy, B.S. et al. Mortality in the United States. NCHS Data Brief, no. 229, December 2015. http://www.cdc.gov/nchs/data/databriefs/db229.pdf

[3] U.S. Census Bureau: https://www.census.gov/population/age/data/files/2012/2012gender_table3.xlsx

[4] Harris-Kojetin L, Sengupta M, Park-Lee E, et al. Long-term care providers and services users in the United States: Data from the National Study of Long-Term Care Providers, 2013–2014. National Center for Health Statistics. Vital Health Stat 3(38). 2016. http://www.cdc.gov/nchs/data/series/sr_03/sr03_038.pdf

pocket, making it the least insured major category of health care services. Women, therefore, are especially at risk for considerable uninsured health expenses later in life.

Measuring Economic Security of the Elderly Population

Economic security can be measured in many different ways. Poverty, a measure of deprivation based on income, is often used to assess an individual's economic well-being but is less well suited to studying the elderly population. The poverty rate offers a standardized measure across individuals with different demographic and household characteristics, but it does not take into account accumulated wealth as a source of economic well-being. Wealth is particularly relevant for the elderly population, most of whom no longer rely heavily on earnings to finance their lifestyles. Indeed, consumption-based poverty measures show lower rates of poverty among the elderly than income-based poverty measures because the elderly finance their consumption out of both income and wealth.[5] Moreover, point-in-time poverty measures alone may not capture economic well-being over time, because some people may find themselves facing long-term hardship because of an unexpected shock, even as their income rises or remains above the relatively low threshold for poverty status designation. This could be in the form of an income or wealth shock, like the death of a spouse, or it could be a consumption shock, like a major illness or disability that commands significant out-of-pocket medical expenses. These shocks could require an individual or household to scramble to cover living expenses to finance their retirement, likely by reducing consumption. In fact, 11 percent of the elderly population living above the poverty line experiences material hardship, including struggling to pay for food, skipping meals, cutting back on medication for cost reasons, and finding it very difficult to pay bills.[6]

To better understand the economic security of the elderly population, we rely on the Health and Retirement Study (HRS), which allows us to look at various metrics of economic security of the elderly and near-elderly population over time and provides a more comprehensive look at economic security than the standalone poverty and income measures that are widely available from other sources.[7] The HRS surveys the same households every two years about their income, wealth, and health, among other topics. A subsample is also interviewed every two years about their spending. New cohorts of respondents are added periodically so that the HRS provides information on a broad swath of the older population at any given moment. We make use of the data collected in surveys from 2000 to 2012.

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[5] Hurd, Michael D. and Susann Rohwedder, 2006. "Economic Well-Being at Older Ages: Income- and Consumption-Based Poverty Measures in the HRS." Working Paper 12680. Cambridge, Mass.: National Bureau of Economic Research.
[6] Levy, Helen, 2015. "Income, Poverty, and Material Hardship Among Older Americans." RSF: The Russell Sage Foundation Journal of the Social Sciences 1(1): 56-77.
[7] *RAND HRS Data, Version O. Produced by the RAND Center for the Study of Aging, with funding from the National Institute on Aging and the Social Security Administration. Santa Monica, CA (October 2015).*

Our analysis will rely mainly on the following measures:

- *Traditional poverty and income measures*. These are useful for measuring the most liquid resources individuals and households have to finance their lifestyles.
- *Wealth, both total and financial.* The elderly in particular are reliant on wealth to support themselves.
- *Total annual resources available to the household.* To facilitate comparisons across people with different family structures and ages (e.g., a married 65-year-old couple will need more wealth to support their remaining years than a widowed 90-year-old), we calculate an annual annuitized value of wealth, a standard approach used by others to calculate retirement preparedness. [8] The value of the annuity is determined by the wealth holdings of the respondent, and the remaining life expectancy of the respondent and spouse if any (with a 2/3 survivor benefit priced in to the annuity). Combining the annuitized wealth with non-capital income, we then have a measure of what we call total annual resources available to the household.[9]
- *Annual household spending.* This tells us whether households experience spending shocks or whether their spending grows or contracts over time, all of which provide insights into the economic well-being of the sample.
- *The overextended rate.* Finally, we combine both the annual spending with total annual resources to see to what extent households are overextended—spending more in a year than their income and wealth would support for their remaining life expectancy. Households whose spending outpaces their means are experiencing financial pressure, meaning they may be forced to reduce their spending. For some households with low means, this could include reducing spending on basics like food and medicine, as described above.[10]

Using the data and metrics described above, Figure 1 provides evidence on the economic security of elderly Americans, by gender and age. A few things stand out. First, women make up a larger share of the elderly population than men and a much higher share (a ratio of more than 2 to 1) of the oldest of the elderly (ages 85 and above). They also make up a disproportionate share of the elderly population facing particular economic vulnerabilities: 71

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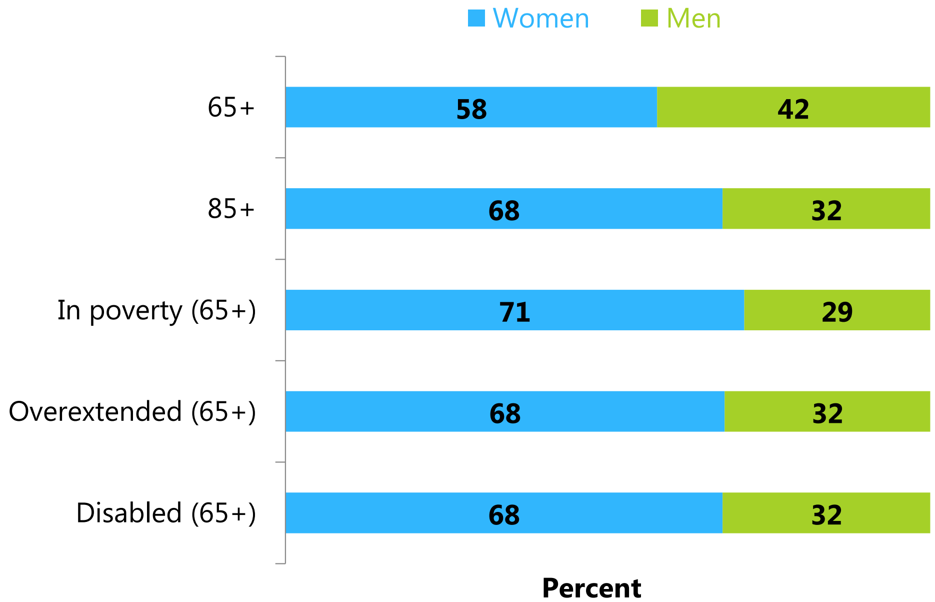
[8] Poterba, James M., Steven F. Venti, David A. Wise, 2011. "The Composition and Drawdown of Wealth in Retirement." Journal of Economic Perspectives, vol 25(4), pp. 95-118.

[9] Note that this overstates the value of an actual annuity, should an individual try to convert his or her wealth into an annuity. The wealth includes non-liquid assets, such as housing, for which it is costly to liquidate. It also does not factor any taxes the person would have to pay to liquidate the wealth. Finally, annuities themselves have fees, which are not included here.

[10] As the prior footnote indicates, the measure of total annual resources likely overstates the amount a household attempting to draw down their wealth via an annuity could expect. As a result, we likely understate the share of households overextended.

percent of the elderly population in poverty is female, and women make up over two thirds of the population that is disabled or overextended.[11]

Figure 1: Gender distribution of age and economic security indicators among the elderly (%)

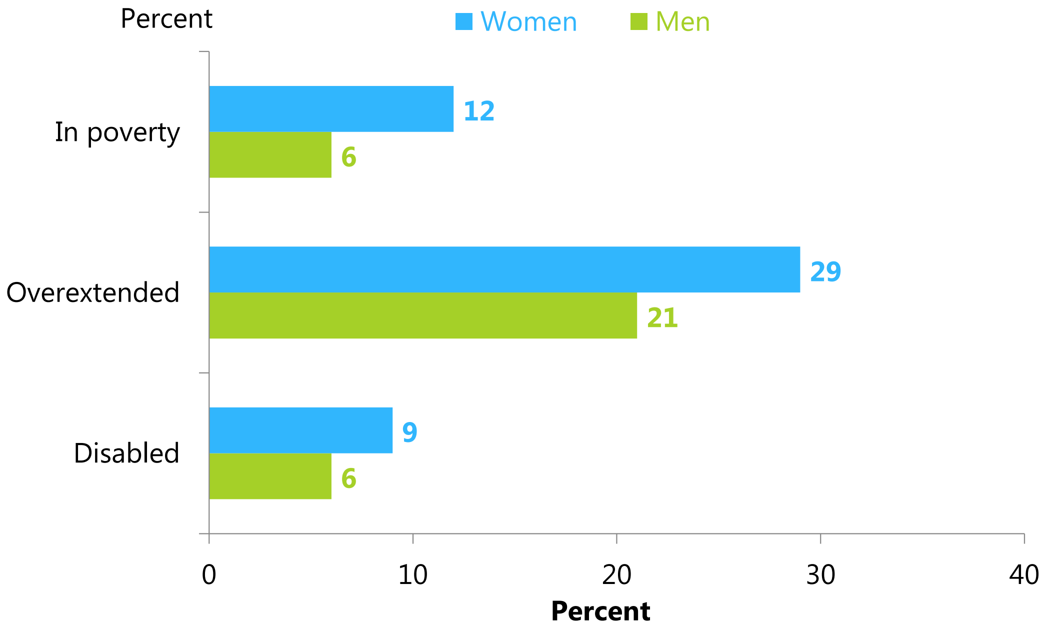


Source: Health and Retirement Study, Treasury calculations

Figure 2 shows the degree to which women are more likely than men to live in poverty, to be overextended, and to be disabled. Note that the rates at which men and women are overextended are considerably above the rates at which they are in poverty. This pattern is not surprising in light of research showing that a considerable fraction of the elderly population above the poverty line faces financial difficulties. There is also substantial overlap between the populations: 61 percent of the population in poverty is also overextended (not shown in the figure).

[11] We define disability as being cognitively impaired or unable to complete two or more activities of daily living without assistance: dressing, bathing, eating, going to the toilet, and getting out of bed.

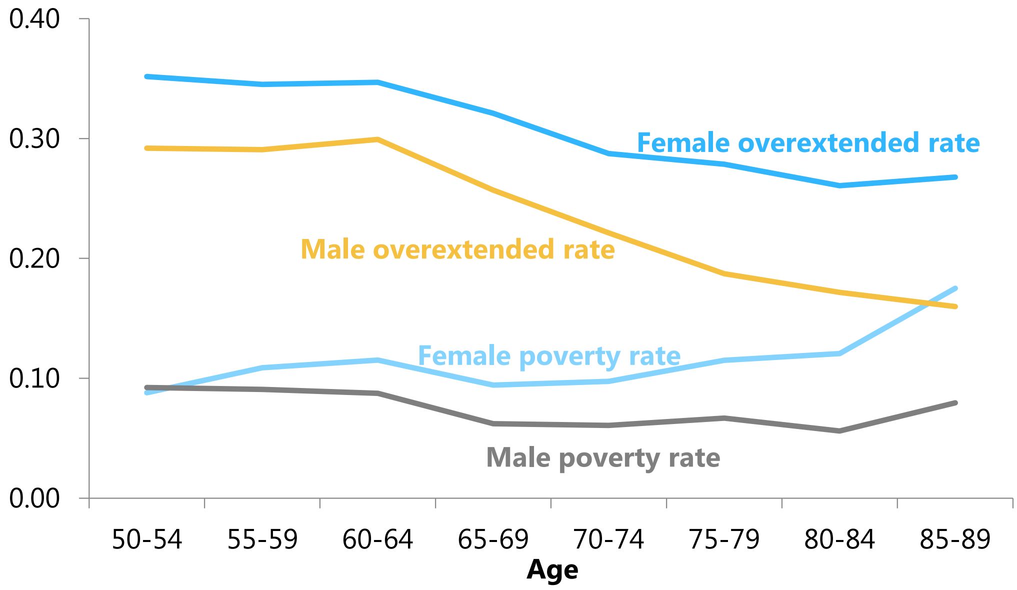
Figure 2: Economic security of the elderly (65+)



Source: Health and Retirement Study, Treasury calculations

Finally, we look at how these measures of economic security change as women and men age in Figure 3. First, throughout the age range examined, men and women are both more likely to be overextended than in poverty. We also note that in the late middle-age years, women experience slightly higher rates of economic insecurity than men measured either as the poverty rate or the overextended rate. Over time, these rates diverge, with women experiencing relatively more insecurity as they age than men. But, it is also interesting to note that as the poverty rate for women increases substantially—rising from 9.4 percent for 65-69 year olds to 17.5 percent for women 85 and above—the overextended rate falls by 5.5 percentage points over the same age range. This indicates that even as income falls as women age, women are gaining wealth and/or reducing consumption at the same time. Even with this decline, the rate of women being overextended remains materially above that of women being in poverty for the oldest age groups (and likewise for men).

Figure 3: Poverty and overextended rates



Source: Health and Retirement Study, Treasury calculations

The remainder of this brief drills down into the economic security of the population of elderly women, looking more closely at how economic security is measured and investigating major potential causes of insecurity, including longevity, widowhood, and disability.

The Relationship between Aging and Marital Status in Measures of Economic Security

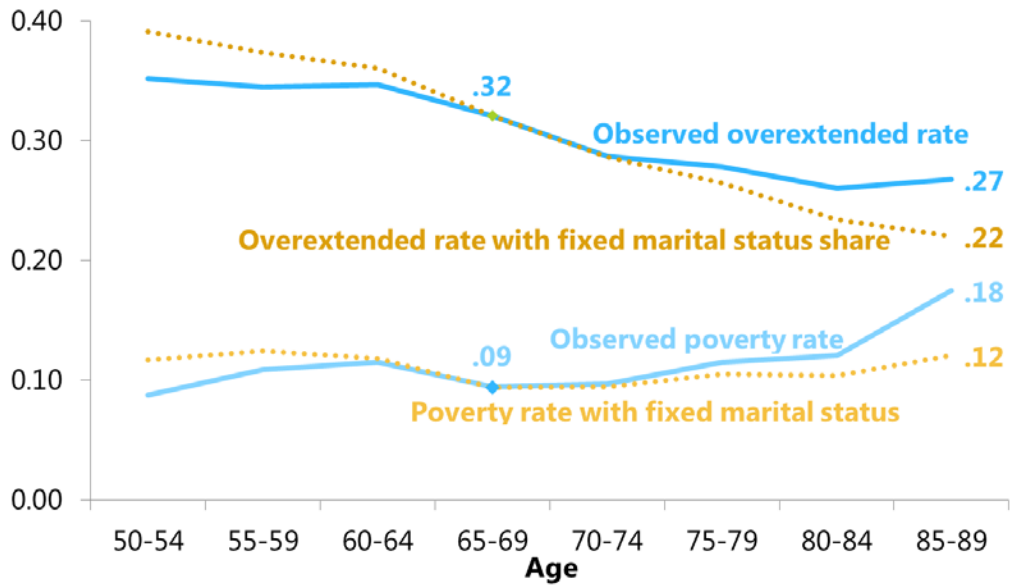
As Figure 3 indicated, women become more likely to live in poverty as they age, even as they are less likely to find themselves overextended. But an additional important shift is taking place among this population as it ages: the increasing incidence of widowhood. For women aged 65-69, 61 percent are married, while 15 percent are widowed. For the 85 and above population, 76 percent are widowed, while 15 percent are married.[12] Because aging and widowhood can both affect economic security, it is necessary to disentangle the two to better understand the drivers of economic security later in life.

Figure 4 tries to isolate the relationship between the increasing incidence of widowhood over the lifecycle and the evolution of economic security (as opposed to the broader relationship these measures have with aging). As in Figure 3, it plots both poverty rate and overextended

[12] The remaining category includes women who are separated, divorced, or never married.

rate for women at various ages. It also plots both rates holding constant the marital status composition of the sample for the age 65-69 subgroup. In other words, it shows how the poverty rate and overextended rate would look for various age groups of the shares of the married/widowed/single population did not change as women aged. Both measures look considerably different when holding the distribution of the population by marital status fixed across age groups. In particular, if the poverty rates for each marital status category were allowed to change over time as observed, while the population share within each marital status category remained fixed, then the poverty rate would only rise by one-third as much between the youngest elderly and the oldest elderly groups. Looking at the overextended rate, the share of the population living beyond its means would fall further, dropping by 10 percentage points over the age range. The comparison tells us that the increasing incidence of widowhood is distinctly associated with higher rates of economic insecurity given that holding the incidence of widowhood fixed as the population ages results in less observed economic insecurity.

Figure 4: Share of elderly female population in poverty or overextended



Source: Health and Retirement Study; Treasury calculations

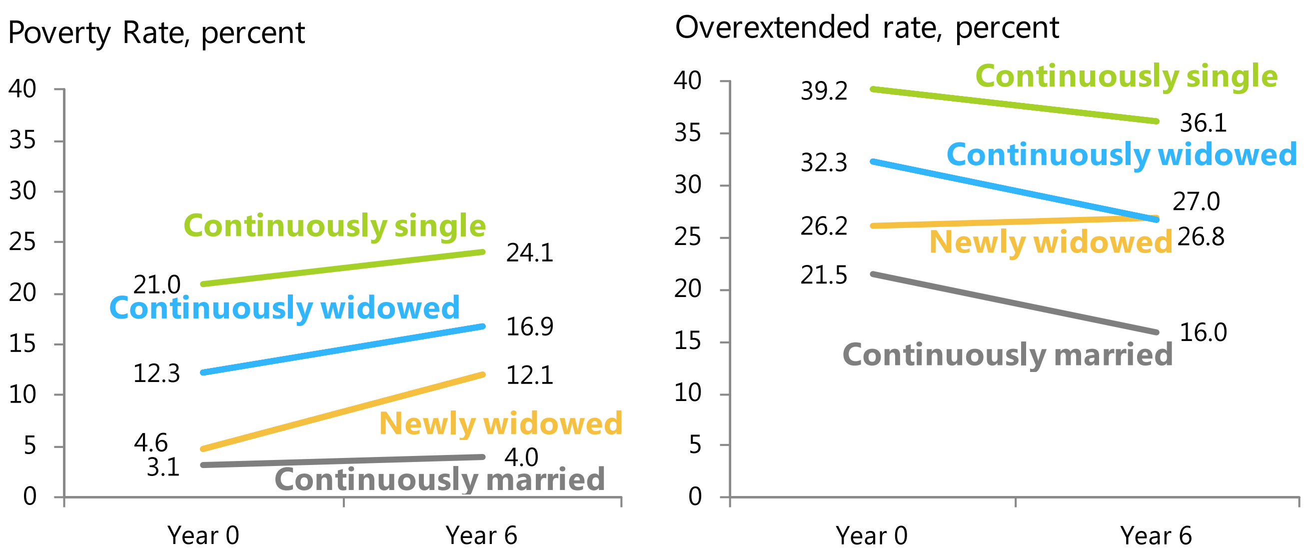
Note: 'Fixed marital status share' holds constant the marital status for the 65-69 subgroup

Widowhood and Economic Security

Although the increase in the widowed population is associated with much of the increase in poverty and a smaller improvement in the share of the population living beyond its means, the mechanical exercise above does not tell whether widowhood itself is responsible for the greater insecurity, or whether widowhood is more likely to take place in more insecure households. The panel aspect of the HRS can shed light on this question. The survey reinterviews households every two years, and, because we use data from the 2000-2012 surveys, we have up to 12 years of data on respondents. As a result, we can observe the economic security of households over time, and, of particular relevance to this question, look at the periods before and after the transition to widowhood for many households.

To do this, we look at how economic security indicators change over six years for women in the sample according to their marital status. We look at women who remain married, widowed, or single over the six-year time period. We also examine women who become widowed during the period, and compare their economic security four years before widowhood to two years after widowhood.[13] Figure 5 shows the results of this analysis. In the figure we plot the average poverty rate and overextended rate in one year (year 0) and six years later (year 6) for each of the four population groups we observe over the time period: women who are continuously married, women who are continuously widowed, women who are continuously single, and women who become widowed between the second and fourth years of the observations (newly widowed).

Figure 5: Evolution of economic security for elderly women



Source: Health and Retirement Study; Treasury calculations

[13] We choose this time window for a couple of reasons. First, widowhood is often preceded by a decline in health of a spouse that can tax a household's finances. Looking at a household's finances four years before widowhood helps to account for the impact of a spouse's declining health on economic security. Second, using data two years after widowhood allows for any temporary volatility resorting from widowhood to resolve itself.

First, looking at women whose marital status does not change over the six-year period of observation, it is clear that married women face considerably less insecurity than the continuously single or continuously widowed.[14] This finding is consistent with past work showing that married older women are less likely to report material hardship than unmarried women.[15] At the start the observation period, women who remain married have poverty rates of only 3.1 percent. Other women with a consistent status—those who are observed to be widowed throughout the observation period and other unmarried women—are considerably more likely to live in poverty at the outset, with poverty rates four times higher than married women for continuously widowed women and nearly seven times higher for continuously single women. Women who become widowed have a slightly higher poverty rate initially than continuously married women, suggesting that there are some differences in economic security prior to widowhood between married women who are soon to become widowed and married women who do not. Looking at the overextended rate, we see similar initial differences across marital status categories. Married women who do not become widowed are several percentage points less likely to be overextended than married women who become widowed. They, in turn, are less likely to be overextended than continuously single or continuously widowed women.

Over time, women whose marital status does not change tend to follow the same pattern. Women who remain married see only a slight increase in the poverty rate, from a low 3.1 percent to a still-low 4.0 percent. Likewise, continuously married women experience the largest decline of any marital status group in the share reporting living beyond their means, even though they already experience the lowest rate at the outset. Continuously single and continuously widowed women also experience a slight increase in the poverty rate and a slight decrease in the overextended rate.

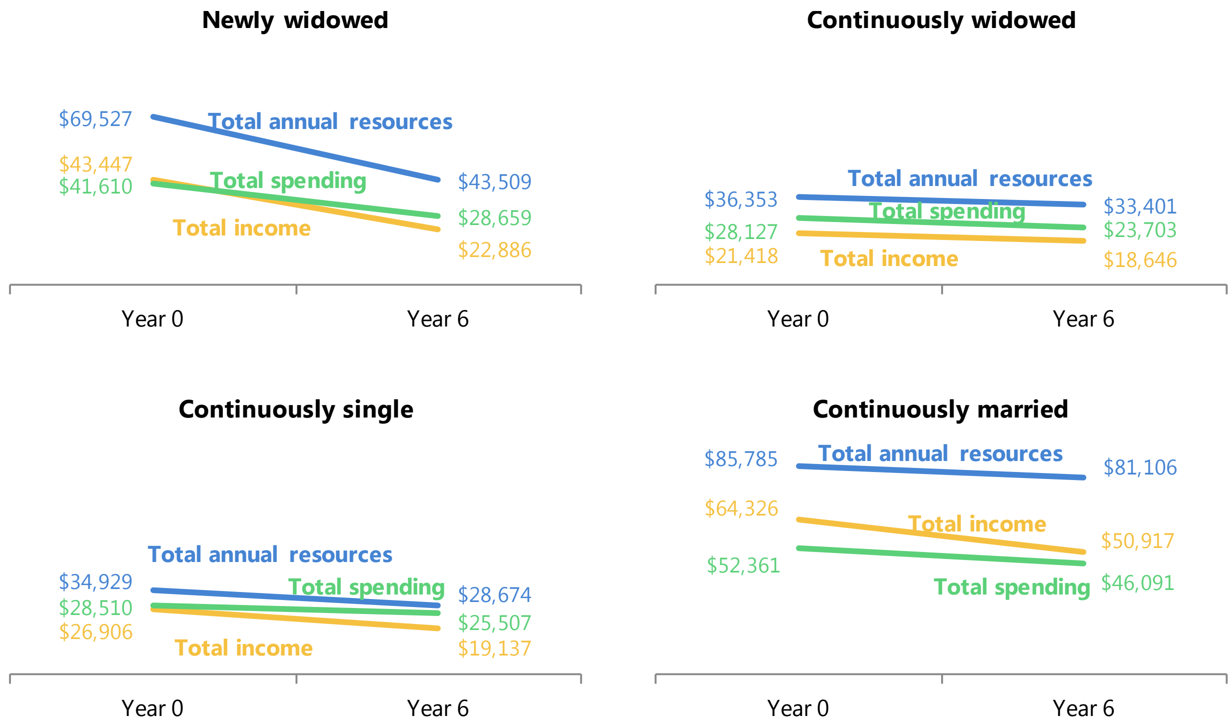
For women who become widowed between the second and fourth year of the six-year time frame, their status becomes markedly worse relative to the continuously married. The poverty rate jumps by 7.5 percent, and rather than improving over time, the overextended rate worsens slightly. At the end of the observed time frame, newly widowed women are 8 percentage points more likely to be in poverty than married women, and 10 percentage points more likely to be overextended.

To better understand what drives these differences in economic security, we look more closely at the components of these measures—income, wealth, and spending. Figure 6 looks at median household income, median total annual resources (non-capital income plus annuitized wealth), and median household spending by marital status using the same observation years and population groups from Figure 5. Widowhood is associated with a nearly 50 percent

[14] Non-widowed single women include women who were divorced, separated, or never married. Although the data permit disaggregation of this category, results are similar for all the groups.
[15] Levy, ibid.

decline in household income. Total annual resources fall by a larger dollar amount than income—indicating that wealth also declines with widowhood—although in percentage terms falls by a little over one-third (from $69,527 to $43,509 at the median). Total household spending falls by about $13,000. Notably, this spending decline is not as large as the absolute or percentage point decline in total annual resources or total income. In other words, spending certainly falls after the death of a spouse, but income and wealth fall by more.

Figure 6: Median resources and spending of older women

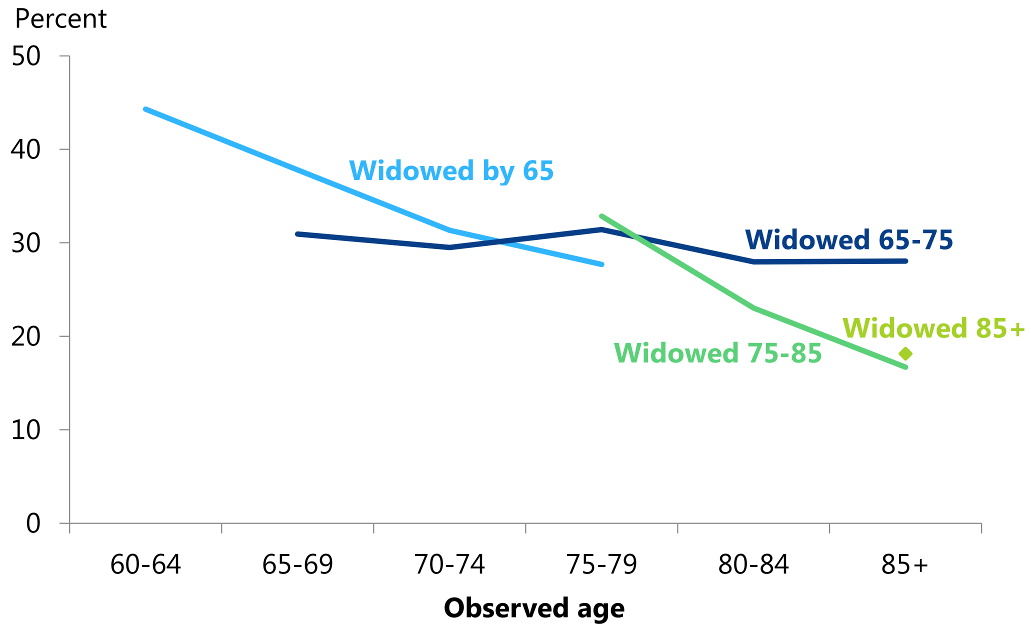


Source: Health and Retirement Study; Treasury calculations

Looking at the continuously widowed, we see a continuation of the trend from the newly widowed, with wealth, income, and spending continuing to fall over time. However, spending falls more than total annual resources, suggesting that widows may be reacting to their loss in wealth by restricting consumption. In fact, median spending for the continuously widowed is lower after six years than median spending by the continuously single, even though by other metrics widows are less economically insecure than other single women. Continuously married women, consistent with what we've observed so far, demonstrate much greater economic security and higher standards of living. For instance, their household spending is twice as high at the end of the observation period as the continuously widowed, and their annual resources at their disposal are nearly 2½ times as high as the continuously widowed.

Early widowhood for many women means lower lifetime household earnings, less pension income, and less Social Security income than if widowhood came later. To better understand the magnitude of these effects, we look at the timing of widowhood to see how that affects economic security, examining how economic security differs for women at the same age who were widowed at different points in their lives. In Figure 7, we look at the share of the widowed population living beyond its means at different ages, breaking up the population by age of widowhood. We show the metrics for age groups of women for whom we have enough observations to draw inferences from. For many, but not all age groups, we see that the earlier the onset of widowhood, the greater the likelihood of being overextended. For instance, comparing the Widowed by 65 and Widowed between 65-74 lines, women between the ages of 65-69 are seven percentage points more likely to be overextended if they were widowed before they were 65 than if they were widowed afterward. Likewise, women over 85 who were widowed between ages 65-75 are between 10 and 12 percentage points more likely to be overextended than women who were widowed after age 75. As in the analysis above, we do find that over time widowed women are more likely to achieve a balance in their household finances, which Figure 5 shows is driven by a considerable drop in spending.

Figure 7: Share of widows overextended



Source: Health and Retirement Study, Treasury calculations

Disability and Economic Security

As we have seen, widowhood is associated with income and wealth shocks that increase economic insecurity relative to women who remain married. Health shocks can also affect economic security of the older population. Nearly every elderly woman is covered by Medicare, which provides considerable insurance protection against acute and chronic illnesses that would otherwise sap a household's wealth. Medicare, however, provides little coverage for long-term physical or cognitive decline. The disabled elderly often require help to complete everyday tasks, such as bathing or feeding oneself. Many of the disabled elderly rely on informal caregivers, such as family members, to provide this assistance. Others require paid formal assistance. For women who require formal care but cannot afford it, they may be eligible for Medicaid, which provides nursing home and in some cases community-based care for the indigent, but often with restrictions on caregivers and a required drawdown of most assets.

A recent estimate using the HRS finds that women who reach 65 on average spend about 9 ½ months in a nursing home in their remaining lifetimes; men, by contrast, spend less than half that amount in a nursing home. Conditional on entering a nursing home, women are expected to spend 16 months there. Overall, for those who go to a nursing home, 38 percent of women spend longer than one year, and 16 percent spend longer than two years in a nursing home.[16] This care can be costly, especially for extended disability spells.

We explore the ability of households to finance this disability risk in the event that formal care is required. The average cost of a nursing home stay is $6,844/month, while the average cost of a month of home health care is $3,861/month.[17] Table 1 looks at various segments of the female elderly population and the extent to which they could finance formal long-term care with their means, either out of income, non-housing financial wealth (i.e., relatively liquid assets), and total wealth, including housing, at various points of the income/wealth distribution.

We find that disability later in life can have an enormous impact on economic security, given the limited resources many women have to finance formal care. Overall, for the female elderly population, the ability to finance extended long-term care needs is limited to the upper part of the distribution. The median financial wealth-holder, for instance at age 65, would need to dedicate all her financial assets to cover the costs of the 9 ½ months she could expect to live in a nursing home. Thus, it would be a struggle to cover the costs of the average spell. Yet nearly half need no nursing home care at all, while a substantial minority can expect spend a year or more in a nursing home. Focusing on the population that is most likely to be disabled—women over 80, who make up a majority of the disabled female population—the ability to finance formal long-term care is even less. Having consumed out of wealth for several years these women have very little remaining to finance long-term care. Dedicating all of one's liquid

[16] Friedberg, Leora et al., (2015). New Evidence on the Risk of Requiring Long-Term Care. CRR WP 2014-12. http://crr.bc.edu/wp-content/uploads/2014/11/wp_2014-121.pdf
[17] https://www.genworth.com/about-us/industry-expertise/cost-of-care.html

assets to nursing home care would cover only 5.5 months of nursing home care for the median wealth-holder. At the 25th percentile, financial wealth wouldn't cover a month of home health care or nursing home care. And finally, looking at the disabled population over 65, we can see how little they have to continue financing formal long-term care. Total wealth at the 25th percentile is $118—not even enough to cover one day of nursing home care.

Table 1: Elderly women's ability to finance long-term care

Over 65

	25th percentile	50th percentile	75th percentile
Income	$16,043	$29,003	$52,605
Months in a nursing home	2.3	4.2	7.7
Months of home health	4.2	7.5	13.6
Non-housing financial wealth	$5,144	$61,268	$291,776
Months in a nursing home	0.8	9.0	42.6
Months of home health	1.3	15.9	75.6
Total wealth	$43,911	$192,370	$525,728
Months in a nursing home	6.4	28.1	76.8
Months of home health	11.4	49.8	136.2

Over 80

	25th percentile	50th percentile	75th percentile
Income	$13,399	$21,164	$37,192
Months in a nursing home	2.0	3.1	5.4
Months of home health	3.5	5.5	9.6
Non-housing financial wealth	$2,202	$37,638	$210,775
Months in a nursing home	0.3	5.5	30.8
Months of home health	0.6	9.7	54.6
Total wealth	$18,342	$136,751	$396,704
Months in a nursing home	2.7	20.0	58.0
Months of home health	4.8	35.4	102.7

All disabled over 65

Income	$11,032	$17,143	$29,955
Months in a nursing home	1.6	2.5	4.4
Months of home health	2.9	4.4	7.8
Non-housing financial wealth	$0	$2,753	$77,073
Months in a nursing home	0.0	0.4	11.3
Months of home health	0.0	0.7	20.0
Total wealth	$118	$41,402	$199,210
Months in a nursing home	0.0	6.0	29.1
Months of home health	0.0	10.7	51.6

Source: Health and Retirement Study; Treasury calculations

Implications

In this brief, we've documented that a substantial share of the elderly population—particularly elderly women—face economic insecurity. We find that much of the lack of economic security can be traced to living alone, which happens with higher frequency at older ages as women become widowed. We also see that disability can be enormously taxing on a household's finances, with women, often already in a precarious situation, more likely to bear the brunt of the shock, through their own disability or as a surviving widow. To provide greater protections against these sources of insecurity, several public and private solutions have been proposed or are in place.

To mitigate the hardships that would otherwise be associated with widowhood, survivor benefits are provided by Social Security and by private pensions in which the payout is annuitized. Moreover, many individuals carry life insurance, which pays survivors a lump sum. Yet given the observed increase in insecurity upon widowhood, this brief suggests a role for additional insurance protection against widowhood. One private solution is that households may consider reversing the trend of taking pension benefits as a lump sum payout and instead annuitize their pensions and taking a greater share of their benefits as a survivor. Likewise, households may wish to convert some of their other wealth at retirement into an annuity with a survivor benefit. In the realm of public policy, some experts have proposed changes to Social Security that would increase benefits to survivors.[18]

Among the marital status categories, single women (i.e., divorced or never married) face the greatest risk of economic insecurity. They are the most likely to be in poverty and the most likely to be overextended, even though they exhibit low levels of consumption. Although their spending declines over time throughout their elderly years, the degree to which they are likely to exhibit economic insecurity is fairly steady during their elderly years. As a result, their options for achieving economic security are more limited than for married women, who can conceivably transfer wealth from a period of greater security to one of greater insecurity. Addressing this challenge will necessitate finding ways for this group when younger to accumulate greater wealth to rely on during retirement, such as through longer labor force attachment, greater earnings, and higher rates of saving—actions that could help to increase economic security for anyone. To some degree, this change may already be underway, as

[18] Although some have suggested an increase in benefits to widows, this policy change could be executed, for example, in a way that was actuarially neutral if the benefits for married households were reduced at the same time. See Sandell, Steven H., and H. M. Iams, 1997. "Reducing Women's Poverty by Shifting Social Security Benefits from Retired Couples to Widows." Journal of Policy Analysis and Management 16, no. 2: 279-97. https://www.jstor.org/stable/pdf/3325738.pdf, and Bipartisan Policy Center, "Securing our Financial Future: Report of the Commission on Retirement Security and Personal Savings," June 2016. http://cdn.bipartisanpolicy.org/wp-content/uploads/2016/06/BPC-Retirement-Security-Report.pdf.

women born after World War II have tended to be more likely to work and to earn a higher wage conditional on working than those born before.[19] The higher labor earnings associated with higher participation rate should put this group in a better position to save such that future elderly single women, all else equal, do not show as much economic insecurity as the cohorts analyzed in this study.

To better cope with disability risk, one solution would be for the population to rely more heavily on long-term care insurance—at least for those for whom Medicaid is not a more attractive alternative.[20] Private long-term care insurance pools the wealth of the covered population during times of wellness to cover the costs of caring for those disabled. Yet only 12 percent of the over-65 population is covered by long-term care insurance, and recent struggles in the long-term care insurance market have limited the product's ability to provide coverage to a larger share of the population.[21] The limitations of the private market may thus justify an expanded role for the government. Yet past efforts have not led to success at providing insurance coverage to a large set of the population, beyond the Medicaid safety net.[22] Nonetheless, the risks posed by late-in-life disability documented in this study show that there is an unmet need.

Finally, we have looked at the risks associated with aging per se. Social Security provides an annuity that promises a steady stream of income for as long as the beneficiary is alive, private pensions offer annuity payouts, and privately marketed annuities are also available to provide similar protection, although they are not widely used. For those particularly concerned about expenses later in life—including those associated with disability and declining health—longevity annuities are being marketed; these provide a stream of income upon reaching an advanced

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[19] U.S. Treasury Department, *The Economic Security of American Households Issue Brief One: The Evolution of Earnings and Income,* April 2016. https://www.treasury.gov/resource-center/economic-policy/Documents/US%20Treasury%20Economic%20Security%20Issue%201.pdf

[20] The insurance value of Medicaid is so extensive that it crowds out the private insurance market for much of the population. See Brown, Jeffrey and Amy Finkelstein (2008), "The Interaction of Public and Private Insurance: Medicaid and the Long-Term Care Insurance Market." American Economic Review, vol 98:3, pp. 1083-1102. http://economics.mit.edu/files/7889

[21] Frank, Richard G., Marc Cohen and Neale Mahoney (2013), "Making Progress: Expanding Risk Protection for Long-Term Services and Supports through Private Long-Term Care Insurance," The SCAN Foundation. http://www.thescanfoundation.org/sites/default/files/tsf_ltc-financing_private-options_frank_3-20-13.pdf

[22] Both the federal government and several state governments provide tax incentives for long-term care insurance, but they have not led to widespread take-up of long-term care insurance, and the benefits have flowed largely to the upper part of the income distribution, meaning that the Medicaid savings do not completely offset the cost of the tax incentives. See Goda, Gopi Shah (2011), "The Impact of State Tax Subsidies for Private Long-Term Care Insurance on Coverage and Medicaid Expenditures," Journal of Public Economics, vol. 95:7-8, pp. 744-757. http://www.sciencedirect.com/science/article/pii/S0047272710001611. Also, the Affordable Care Act included the Community Living Assistance Services and Support (CLASS) Act, which was an attempt by the federal government to provide self-financed long-term care insurance for the population. But policymakers were unable to design an actuarially stable plan under the contours of the law, and Congress subsequently repealed the provision.

age, although payouts are not triggered by considerations other than age, making them imperfect sources of insurance coverage for specific risks. We do find that women do draw down wealth to finance retirement, and that spending falls as women age, which could imply some constraints on their standard of living as they age. Yet we also see that women are increasingly likely to live within their means as they age—at least for those who do not become widowed or disabled—a measure of increasing economic security.

All told, the key finding of the study is that age-related economic insecurity is heavily driven by marital status and disability. Widowhood, which rises considerably for women as they age, is associated with a rapid loss of income and wealth that is not offset by a comparably large immediate offset in household spending. This forces widows to continue to reduce spending as they age at rates higher than other women. And women observed to be disabled have far less to cover any formal care needs, which explains the heavy reliance on Medicaid, even for women who at one time were in the middle class. Thus, in designing policies to increase economic security for older households, policymakers should be mindful that aging per se poses much smaller economic risk under the current system compared with the risks associated with disability and living alone.