PROJECT M

THE YOUNGER WIFE'S CURSE

Does the tendency for women to marry older men place them at a greater risk of spending retirement alone and in poverty?

Women, more often than not, marry older men. This age difference, combined with the fact that women tend to outlive men, means a woman whose marriage lasts into retirement may experience a substantial number of years in widowhood. In the past, unless well planned for, these extra years of life have proved to be more of a curse than a blessing for many women who have spent them living in old-age poverty. As societal norms alter and the pension benefit outlook for women improves, the question is, will this be the same for today's younger wives?

FAST FACTS

- Life expectancy at birth for women in the developed world is seven years more than for men.
- In the European Union, women outlive men by six years from birth and 3.5 years measured from age 65.
- In the United States, the longevity gap has narrowed at age 65, from 4.4 years in 1980 to 2.4 years in 2010.
- In the United States, women are on average 1.8 years younger than their husbands. In Austria the difference is three years; China, 1.8; Greece, 4.4; Italy, 3.3; and Ireland has one of the narrowest age differences, at 1.1 years.
- In the United States, the age difference between spouses has shrunk from an average of 4.5 years in 1900, to 2.5 years in 1950, and then 1.8 in 2010.
- Older women are at greater risk of poverty than older men in 27 out of 30 OECD countries. The poverty rates are 15% for women and 11% for men.
- Women's poverty rates exceed men's by more than 10 percentage points in Finland and Norway, while significant differences are found in Austria, Italy, Japan, the Slovak Republic and the United States.
- In the United States, the proportion of widows in poverty is four times higher than married women aged 65 or over.
- Of all factors associated with poverty in old age, the single most predictive is widowhood.

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It may or may not still be "a truth universally acknowledged that a single man in possession of a good fortune must be in want of a wife."[1] However, one thing is almost certain; if he finds one, she is likely to be several years younger. For when a woman marries for the first time, she typically marries an older man.

Marriage to older men is witnessed across countries and cultures. Today, men are on average older than their wives in every nation where data is recorded, although this husband-wife age gap tends to be larger in developing countries and smaller in developed countries.

WHY DO WOMEN MARRY OLDER MEN?

There is no simple explanation for the age difference at marriage. It depends on a multitude of factors including the extent of women's education and participation in the labor market, their income and economic power, their access to birth control, and the traditions of the culture they grow up in.

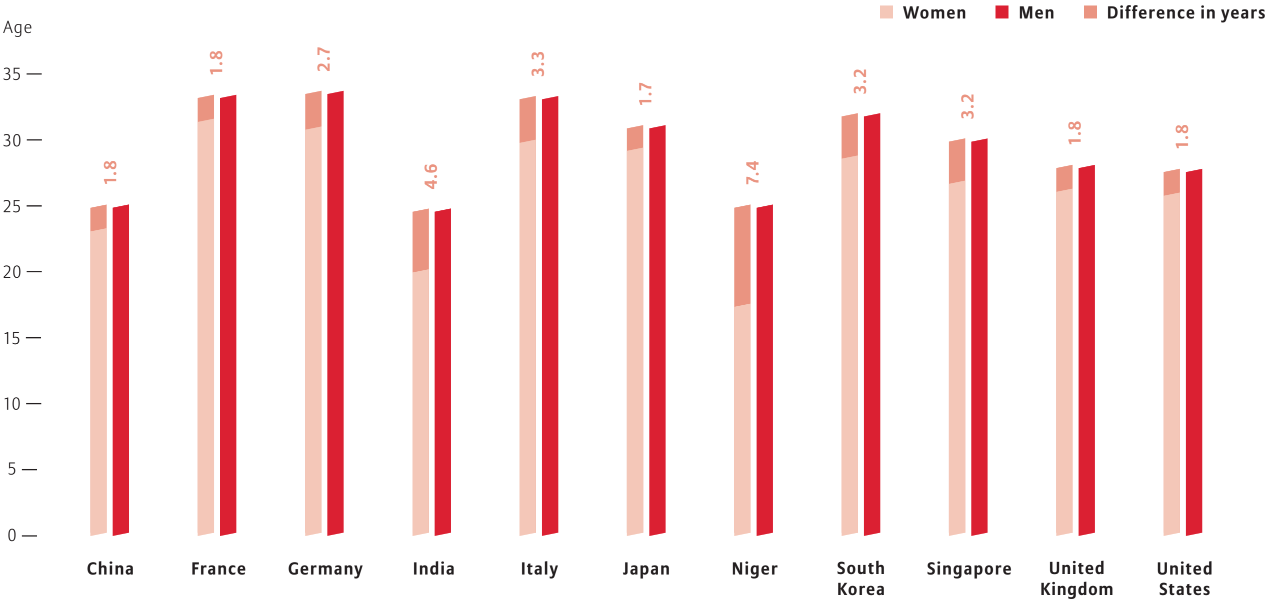
Social scientists believe that the fact women physically mature earlier than men and have a shorter time in which they can potentially reproduce is also a factor. This tendency has also been ascribed to evolutionary reasons (younger women bear more and healthier children). In addition, social norms and gender roles play a part in influencing this age difference. This is evidenced by the fact that the age gap narrows as a nation's prosperity and educational standards rise (see 'The rise of the older wife,' page 6).

Yet, although the gap may be narrowing, it still exists in every country. For the wife, this can have implications in her later life, for not only is the husband likely to be older, but even if they were born on the same day, he is likely to die earlier.

Across the world, women live longer than men in all but some of the poorest, most destitute countries. In the developed world, women outlive men on average by between four and seven years (see Table 2, page 5). To be more precise, in the developed world, a woman born today can expect to live for 80.42 years, while a man on average lives 73.41 years – a difference of seven years. In the United States, the difference is five years.[2]

[1] *Pride and Prejudice*, Jane Austen
[2] *World Population Prospects: The 2010 Revision*, UN Population Division

TABLE 1. AGE AT MARRIAGE



Source: United Nations, Department of Economic and Social Affairs, Population Division. *World Marriage Data 2008* (POP/DB/Marr/Rev2008)

WHY WOMEN LIVE LONGER

Why do women live longer than men? There is no simple answer, but men tend to indulge in more dangerous behavior than women, particularly when young. They also have more hazardous occupations and there is a higher suicide rate among depressed men – particularly teenagers and older males. But while these are all factors, much has to do with genetics.

Cardiovascular problems, such as heart disease and strokes, tend to afflict women later in life. On average, women develop these problems in their 70s and 80s, about 10 years later than men (see 'The male way of life,' opposite). It is thought that this may be due to the fact that women are relatively iron-deficient compared with men.

Iron plays an important part in cell reactions that produce highly reactive and potentially damaging molecules known as free radicals. Free radicals target DNA and cell membranes and cause mutation. There is growing consensus that this genetic damage contributes to aging,[3] but it is still a complicated matter and the exact processes are not understood.

Whatever the reason for earlier male mortality, it simply adds to the number of years that a younger wife can potentially expect to be widowed in later life. This can be of particular importance for women who are either in or approaching their later years.

Take a woman who married around 40 years ago, a time when many of today's retirees were marrying. In the United States around 1970, the ages at marriage were lower than today and the age difference between men and women greater. Typically, a man married at an average age of 23.2 and women at 20.8 – an average age difference of 2.4 years.

This age gap has important implications, including financial ones, for the later life of the then younger wife.

Of course, nobody can say how long any individual will live or under what conditions, but due to the combined effects of earlier male mortality and the husband-wife age gap the statistics indicate that a married woman, depending on her particular circumstances, can expect to live a substantial number of years in widowhood after the death of her spouse.

While the passing of a partner is a time of sadness and tragedy, where it can become a curse is in the conditions under which the survivor may be forced to live after the death of her husband. If she not only outlives her spouse, but also outlives his assets, she has a problem.

THE MALE WAY OF LIFE

Are biological or environmental factors responsible for men dying earlier? A study of monks based on four centuries of data has shown lifestyle and environment seem to have a stronger influence on male life expectancies than biological factors. Monks have long experienced life expectancies similar to women's, which has been significantly longer than the general male population.

The bottom line: life expectancy is influenced not so much by gender but by lifestyle. Men simply bear the consequences of a more risky lifestyle, but factors can be influenced if men desire to live longer.

Curiously, official data shows that the gender mortality gap appears to be closing since the early 1980s. It is not so much that men are narrowing the gap, but rather that women are adopting the more harmful male way of living.

FURTHER READING
For more information on lifestyle and longevity, including an interactive graph, visit projectm-online.com

[3] *The Quest For Immortality*, S. Jay Olshansky and Bruce A. Carnes, pp. 96-197

ACROSS THE GENERATIONS

Whether a married woman suffers the 'younger wife's curse' depends to a great extent on which generation she belongs to. The economic outlook in old age of women born before World War II (those already in old age), those born in the 1960s who are approaching retirement age, and young women working today is very different.

Women born in the 1960s or later have been longer in the workforce and have lived through a time of greater equality at work, with greater opportunities to achieve economic independence. The economic downside of having been a younger wife falls disproportionately on the older generation of women. In the United States, for example, elderly women aged 65 or over have persistently higher rates of poverty than men.

There are several reasons why. Fewer women than men have pensions in the United States, and women aged 65 and over who still work earn just over half what men earn. Women's median Social Security income is 70% of men's and they have a smaller income than men from other assets.

The picture for older women varies in western Europe, most likely due to differing welfare state safety nets. In Germany, for example, 22% of divorced or separated women are defined as poor; in Sweden it is only 4%.

By contrast, women in their 50s and 60s today are better prepared in several respects than their counterparts a decade or two ago. In developed economies, women of working age are more likely to be college educated and are also more likely to be working, enabling them to contribute to their own pensions, earn eligibility for welfare benefits and build up personal wealth.

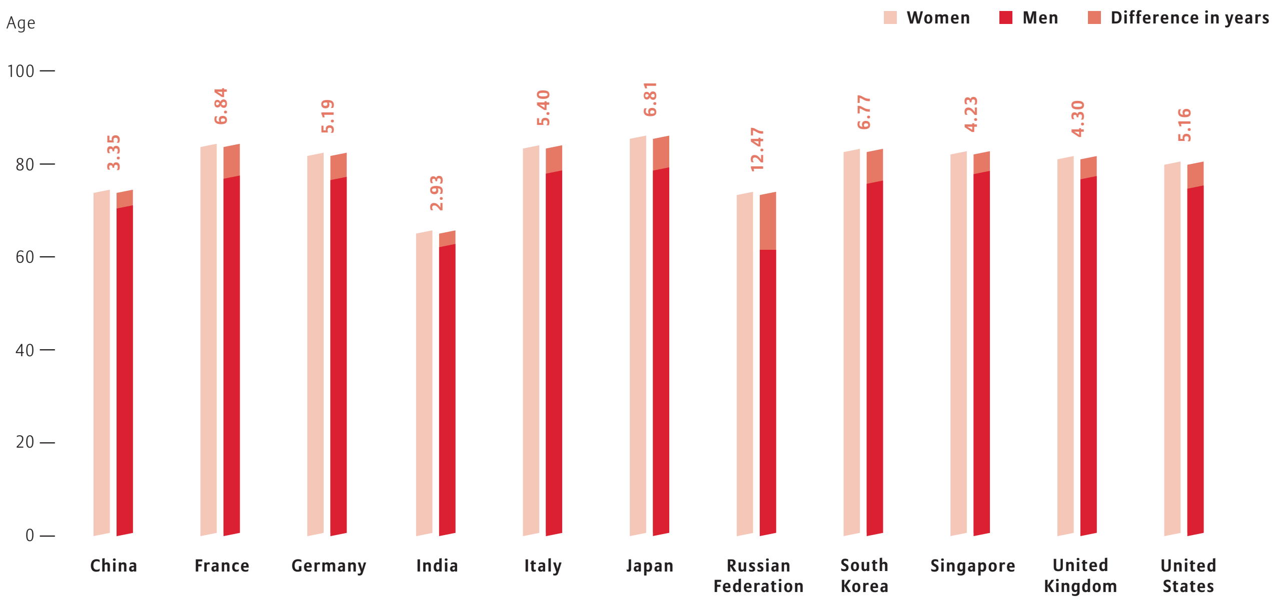
In 2004, 63% of US women aged 55-64 had participated in a pension plan during their working life, compared with 52% of their counterparts in 1994.

Another notable factor in the United States is an increase of almost 30% in women's benefits between 1984 and 2004. More US women also have health insurance, up from 20% in 1994 to 35% in 2004.

In Europe, the March 2012 ruling by the European Court of Justice further improved the prospects for women approaching retirement when it made price discrimination by gender illegal for insurers and pension funds. The effect from 2013 will be to increase annuity payouts to women, despite their longer life expectancy.

The growing economic independence of women in general is also an important development for those who may be approaching retirement without the financial support of a partner.

TABLE 2. LIFE EXPECTANCY AT BIRTH (2005-2010)



Source: *World Population Prospects, The 2010 Revision*, United Nations, Department of Economic and Social Affairs, Population Division

THE IMPACT OF DIVORCE

The effects of divorce on women's financial well-being also vary through the generations. Falling marriage rates and the rising numbers of divorces in recent decades, together with longer life expectancy, has increased the risk that women might exhaust their financial resources in old age.

Older divorced women have been especially vulnerable in the past to being denied a share of their ex-husband's assets if the legal settlement was not equitable. Divorce could leave a wife, who might never have entered the labor force, without either job skills or assets.

While growing workforce participation among women and a trend towards fairer financial treatment of women have leveled the playing field somewhat for the younger generation of women, they do face other challenges. The trend towards better provision for old age is not irreversible. In the United Kingdom, for example, a generation gap is opening up: 56% of women over 50 are saving adequately for retirement compared to only 46% of women aged between 30 and 50.[1]

The effects of the global financial crisis, high and persistent youth unemployment, and increasing personal debt levels in the developed economies do not just affect men. These are just some of the factors that could limit the ability of women in their 20s to build personal wealth and provide for themselves in retirement.

In fact, in all likelihood the factors that determine future poverty in old age may increasingly have far less to do with gender. Men who have not had a life-long work pension and who have made little other provision for retirement, or those who have married several times and thus have multiple wives and families to support, may end up relatively worse off than women of the same age.

The main demographic and economic trends that will shape retirement prospects, and which look likely to outweigh gender discrepancies in the future, include future average life expectancy; the future of pension reform; the looming burden on taxpayers of much more expensive public sector pensions in much of Europe and the United States; migration patterns; the future size and shape of welfare states; and the rate of economic growth in different economies.

THE RISE OF THE OLDER WIFE

While most marriages still involve a younger wife, in a growing proportion of marriages the age difference is moving in the other direction.

While small, the percentage of marriages in the United States between women who are at least five or 10 years older than their spouses – 5.4% and 1.3 % respectively – nonetheless doubled between 1960 and 2007.

In England and Wales, the proportion of women marrying a younger man rose from 15% to 26% in the years from 1963 to 1998. The percentage of women marrying a man at least six years younger more than doubled, from 3% to 7%.

It is a trend reflected in celebrity gossip pages, TV shows and popular culture in general. The somewhat derogatory term 'cougar' – used to describe older women who partner with younger men (often with sexually predatory overtones) – is one modern-day reflection of the increasing social, educational and financial independence of women in the past few decades.

Does this mean that the overall age gap at marriage might one day close? Possibly, although while the percentage of marriages of older men to younger women in the United States decreased steadily until 1980, it has since remained stable.

Nonetheless, it seems the notion that wives will naturally tend to be younger than their husbands is not an immutable law but rather dependent on factors including education, economic independence and other social considerations, such as religion and access to birth control. It seems increasingly that a woman in possession of a good fortune can attract a younger husband.

Sources: *New York Times*, October 2009; BBC, December 2003

[1] *Women and Pension's Report 2011*, Scottish Widows

LIFE IN RETIREMENT

When people retire, their incomes tend to decline. This is understandable. Having drawn down or being forced to withdraw one asset (their labor from the workforce), retirees generally live off pensions provided by the state. These may be supported by benefits paid by their employer, plus any savings nest-egg they have put away.

Many retirees find that all of these sources do not meet their preretirement income. For many, this is not a problem as many big-ticket expenditures – rearing children, paying off a house – are over. For others, though, the reduction in income can mean they are forced to cut back.

While a reduction in itself is not necessarily a problem, the severity of the reduction can be. The Organisation for Economic Co-operation and Development (OECD) notes that poverty rates are higher for older people than for the population as a whole. According to *OECD Pensions at a Glance 2011*, 13.5% of over-65s in OECD countries live in income poverty. The average for the entire population is 10.6%.

While there may not appear to be a huge disparity between the poverty rate of the elderly and that of the general population, these figures hide huge differences between countries. The OECD defines income poverty as an income below half the national average. Of its 30 members, OECD statistics report that there are only three with practically no old-age poverty (the Czech Republic, the Netherlands and New Zealand). Four countries have poverty rates double the OECD average: South Korea, Australia, Ireland and Mexico. The United States is not far behind Australia as one of the countries with the highest poverty rates.

WHY IS POVERTY GREATER IN OLD AGE?

One reason for the high rates of old-age income poverty in some countries is that the retirement benefits lie below the poverty thresholds. In contrast, the basic pension provided in New Zealand was much higher than the country's poverty threshold.

Clearly, government support, or lack of it, plays a critical role in determining the quality of life retirees lead. Indeed, in most countries old-age poverty would be significantly higher in the absence of public pensions.

The bad news for both current and future retirees is that governments are seeking to reduce their obligations in this respect. This is because the demographic makeup of the population is changing radically.

SOCIETAL AGING

Increasing longevity combined with plunging birth rates has created what has been referred to, perhaps mistakenly, as a 'demographic time-bomb.' This describes the crisis countries face as a shrinking labor force is required to support a growing segment of older, nonworking dependents.

While this will hit all regions, including rapidly developing countries like China, it has particular implications for individuals expecting a retirement largely based on social security. With a significant portion of the population in developed nations now living up to 20 years or longer than the global life expectancy of 69.31 years (for a child born today, *UN World Population Prospects 2010*) and low birth rates in most countries, significant questions are being raised about the sustainability of social security schemes.

More elderly people and fewer children means the old-age dependency ratios (the number of people age 65+ per 100 people of working age) are expected to rocket in the next decades. For example, the old-age dependency ratio for the United States is projected to rise from 22 to 38 in 2050, and reach 45 in 2100 – and this is one of the developed countries with a more favorable outlook. Public pensions schemes are funded on a pay-as-you-go (PAYG) basis, with today's workers funding the retirement of today's retirees in exchange for the 'promise' that future earmarked taxes will provide for them in their old age. But the current demographic trends mean that increasing financial stress is being placed on PAYG systems to the point that there may not be enough tax revenue in the future to meet pension promises.

TWO DECADES OF REFORM

To ease the burden on public pension systems, many reforms were introduced. One way for countries to increase the sustainability of public pensions is to increase the retirement age. According to the European Actuarial Consultative Group's *Sustainability of Pension Systems in Europe* (2012), "to maintain the old-age dependency ratio in 2050 at levels similar to those in 2010 is likely to require the retirement age to rise by as much as 10 years in some countries."

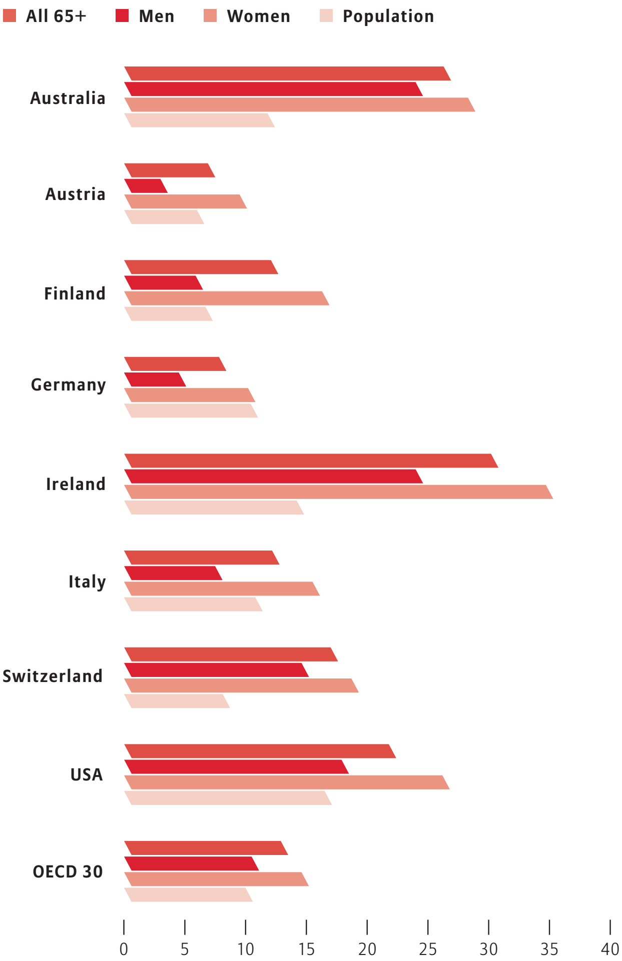
Such a dramatic increase in the pension age would be politically impossible in many countries. Yet, faced with the unsustainable nature of many social security ☞

systems, governments across the world have been undertaking reforms in the last two decades in response to the increasing strain that aging populations are placing on the public purse.

Since 1990, nearly all member countries of the OECD have made changes to their social security systems. These range from redefining pension eligibility and trimming how much each individual will receive, to increasing the official age of retirement (see *Global Pension Atlas 2011*). Although the exact changes undertaken by each government differ, they all have two fundamental thrusts. One is to reduce benefit levels, while the second is to place greater responsibility for providing income security in retirement onto the shoulders of individuals.

Depending how these changes are handled, they could amount to a problem for both current and future retirees.

TABLE 3. INCOME POVERTY RATES



Percentage with incomes less than 50% of median household disposable income.
Source: OECD Income-Distribution Database (2008), *Growing Unequal?*, Table 5.3

SPENDING IT WISELY

To fund up to 30 years or more of retirement without outliving assets, individuals will need to spend their money wisely. Yet, this is no easy task. Olivia S. Mitchell, professor of insurance and risk management at the Wharton School of the University of Pennsylvania and director of the school's Pension Research Council, believes the consequences of current trends are clear.

"Past generations were fortunate in having reliable old-age security. The story is quite different for baby boomers. I think retirement is becoming a more fraught and riskier period of life."

Professor Mitchell argues that the unprecedented shocks of recent events in the financial markets and the global economy have thrown into question many of the old rules associated with retirement, such as historic assumptions of stock market returns and the value of property.

"In the new markets, individuals planning for retirement will need to become more self-reliant and seek out additional financial advice and protection. This process will be a dynamic one, continuing throughout retirement."

FURTHER READING
Read more in 'Spending it wisely,' edition #03 at projectm-online.com

In Europe, for example, where nearly a quarter of the population depends on pension benefits, some 20% of the elderly have incomes just above or below the poverty risk threshold.

In the United States, according to the Social Security Administration, 23% of married couples and 46% of single people receive 90% or more of their income from Social Security. Furthermore, 53% of married couples and 74% of unmarried people receive half of their income or more from the program.

Small changes in pension incomes in either region can have significant effects on poverty rates among the elderly. For women, who live longer than men and make up close to two-thirds of pensioners in most countries, this could be potentially grim news. If the income provided by the pension changes downward, then their plight could become that much worse.

WHY POVERTY IS COMMON AMONG WIDOWS

One significant feature in the OECD data is that people aged 66-75 have higher relative incomes on average than those aged 75 or over. That is, those aged 75 and older are poorer than those under the age of 75. Why so?

One explanation offered by the OECD is that "the 75+ group consists of people with longer-than-average life expectancy, mostly women who tend to have lower wages, shorter working hours and longer career breaks."

The sad fact of retirement for older women in most countries is that they are at greater risk of poverty than older men – in 27 out of 30 countries, according to the OECD. Poverty gaps of more than 10 percentage points between men and women are found in Ireland, Finland and Norway, but there are also significant differences in Austria, Italy, Japan, the Slovak Republic and the United States.

THE IMPACT OF WIDOWHOOD

Yet, while it is well established that older women, particularly older single women, are disproportionally vulnerable to poverty, the reasons why are the subject of ongoing research. What is certain is that the change in marital status from married to single is one of the most important factors influencing the likelihood of poverty for older women. And the most common change of marital status most older women experience is widowhood.

Researchers investigating the link between widowhood in later years and poverty have shown that it is the single most predictive factor that greatly decreases income. Specifically, they found women's poverty rates are higher immediately after the death of their spouse. Why this is so, at least in the United States, is due to two factors: Social Security and private occupational pensions.

WHY DO SO MANY WOMEN END UP POOR?

"Because we have a retirement income system based on earnings," answers Alicia Munnell, director of the Center for Retirement Research at Boston College in the United States. "Traditionally, women worked less and earned less than their husbands, even in the times when they worked, so they ended up dependent on their husband's retirement income from both Social Security and traditional defined-benefit plans."

When asked what a married women can do to ensure financial security in old age, she answers with a laugh, "Treat those husbands nicely – we need them." Munnell makes the point that the single most important factor in determining a woman's financial security in old age is being without a husband.

In practical terms, the best thing a woman can do herself is work as long as she can. Not only does this improve her own benefits under Social Security and build her own retirement savings plan – such as the 401(k) in the United States – but it often encourages the spouse to stay in the workforce as well.

"Research shows couples like to retire together, so if the woman keeps working there is a higher likelihood the husband will as well. This will mean they will have a higher income as a couple when they retire and she will have a higher widow benefit if the husband dies before her."

THE UNITED STATES EXPERIENCE

Women who marry can experience a significant number of years outside the workforce due to their roles as mothers or caregivers. Even when they remain in the workforce or return later, they are less likely to engage in full-time, year-round work.

As a result, women often earn substantially less than men throughout their lifetime. Men also earn more than women regardless of age or ethnicity, which tends to be true even when women work full-time, year-round. In the United States, the female-to-male earnings ratio was 0.81 in 2010.

This pay gap, plus the duration of the working life, can jeopardize women's retirement security. On average, women receive substantially less in benefits, as they will have contributed proportionally less than men to Social Security.

Social Security benefits for older women in the United States, for example, were 71% of older men's in 2009, while incomes from public and private pensions based on women's own work were 60% and 48% of men's, respectively.[1] This means women without long work histories are dependent in later years on Social Security payments and on spousal and survivors benefits.

Their financial security is further eroded by the fact that Social Security payments are determined largely by their spouse's lifetime-earning record. Upon the death of their husband, income can be reduced even further.

In a 2008 study examining the mechanisms of how older single women in the United States fall into poverty, Martie Gillen and Hyungsoo Kim noted that an elderly woman can typically expect benefits to be reduced by one third to one half on the death of her spouse. Without Social Security "more than 50% of older women would be poor."

LOSS OF OTHER INCOME

The reduction in income widows can experience in Social Security benefits is often coupled with a loss of income from other sources, such as the husband's earnings or pension. Typically, employee-provided pension plans are only paid out for the life of the covered worker. If a joint and survivor benefit is available, benefits are typically reduced by 50% upon the death of the worker. So, upon the death of her spouse, a woman can lose several sources of income.

On top of this is the fact that the death of a spouse is often coupled with out-of-pocket expenses for healthcare or a nursing-home stay relating to her husband's terminal illness. It has been estimated that this fact alone accounts for 56% of the difference in economic status between widowed and married elderly people.[2] So, the husband's death may also severely deplete the couple's assets and cause the newly widowed woman to become financially poor even if as a married couple they were not poor.

HARD NUMBERS

It is not surprising that, given the combination of a reduction in Social Security and pensions plus asset depletion, widows are more likely than married retired women to be poor. A 2009 study into elderly women and their vulnerability to poverty (Gillen and Kim) provides numbers that bear this out.

During the period of the study, the older women examined who had a change in marital status experienced a large decrease in income from Social Security and pensions ranging from 38% to 51% ($4,867 to $6,570). These women also experienced a significant decrease in income from earnings by 68% ($3,700).

The researchers concluded that "older women with a marital status change from married to widowed have the greatest likelihood of being in poverty compared with older women without a marital status change. [They] are more likely to fall into poverty mainly because of a decrease in income from social security benefits."

The fact that women are more likely both to work in part-time jobs that do not qualify for a retirement scheme and to take career breaks to raise children places them at a further disadvantage.

[1] *Women in the Labor Force: A Databook*, US Department of Labor (December 2011)
[2] 'Medicare Gaps and Widow Poverty,' Kathleen McGarry and Robert F. Schoeni, *Social Security Bulletin*, Vol. 66, No. 1

WOMEN IN EUROPE

While each country has its own unique social security system, outcomes can often be similar. This is shown in the patchwork quilt that is the European pension landscape.

In a 2012 report into pension adequacy, the European Commission noted that despite the significant difference between systems, the "pension outcomes for women are currently significantly lower than for men." While in some cases this may be related to pension design, as in the United States, it generally stems from differences in employment, pay, and the duration of the working life of women taking the primary roles in caregiving and housework.

The result is that, on average, women tend to end with lower individual entitlements than men. Also, in almost all countries of the European Union, single women have a much higher risk of poverty in their old age compared with men. Indeed, women aged 65 or over were more "likely to be severely materially deprived than men of that age in 2010 in all countries but Denmark, Sweden and Belgium."

REAPING THE BENEFITS

Ida May Fuller was the first person to collect a monthly Social Security check in the United States. The Vermont resident worked as a legal secretary for three years after the system was introduced before filing a retirement claim on 4 November 1939.

At the age of 65, she received Social Security check number 00-000-001 in January 1940 for an amount of $22.54. She had paid a total of $24.75 into Social Security with her employer contributing a similar amount. By the time of her death in 1975 at the age of 100, she had received total payments of $22,888.92.

The report does not examine widowed women specifically, but notes that particularly at risk are currently retired women, especially those aged 75 or over. Having on average worked far less – if at all – in the formal sector than men of a similar age, and earned less while doing so, these women have made far lower contributions to social security, and so "have earned far lower entitlements than men – if any at all."

Because of differences in retirement ages, many women will have retired before their spouses. And with women across Europe outliving men by six years from birth and by 3.5 years measured from age 65, many find they are now outliving their spouses. While some can fall back on widow or survivor pensions, others only have the minimum pension incomes for the elderly to depend upon. As women on average spend longer in retirement than men, the relative value of the benefits they receive are gradually eroded by the fact that full indexing does not exist in most countries.

However, the report makes the observation that while women are often more exposed to poverty risks, they are one of the main beneficiaries of the social security system overall. The benefit gap between retired women and men is accentuated because women have tended to retire earlier than men, often because the legal retirement age was (and still, is in many countries) set lower.

Consequently, although women tend to have smaller pensions than men, they receive them for longer through minimum, guaranteed and survivor pensions. In this sense, women have often received far better returns on the contributions they have made to social security.

Indeed, it can be said that social security, according to the EC report, "involve[s] a significant redistribution from men that die earlier to women that live longer." This provides them with greater protection against longevity risk, that is, that they may live longer than their personal resources would adequately support.

SURVIVOR BENEFITS AND SOCIAL SECURITY

How well widows fare in different countries can depend significantly on the extent to which national social security systems smooth out the consequences of earnings differences. Most developed countries provide survivor benefits (Sweden, which has eliminated them, is an exception). However, the rules about the share of inherited benefits, offsets for other income, age of benefit receipt, minimum guarantees in public programs and the role of the private sector in retirement income all contribute to differences in the well-being of widows, depending on where they live.

The generosity and security of the underlying benefits paid to married retired workers provides the first layer of economic protection to surviving spouses. Survivor benefits build on this relative generosity. The survivor benefits payable in Germany, for example, may seem less generous than in the United States, but they build on a more generous retirement base.

During the first three months of widowhood, in Germany, women receive 100% of the insured's pension. Thereafter, widows 45 or older receive 60% if disabled or caring for at least one child. Otherwise, only 25% of the insured's pension amount is paid. These benefits are generally not taxed but they may be offset by other income. When the additional income exceeds a limit (equal to about one-third of the maximum benefit), benefits are reduced by 40 % of the excess amount.

In contrast, the British National Insurance system allows for inheritance of benefits with few offsets. Widows aged 45 and over without children receive an age-graded share of the basic benefit, and at 55 they receive the full grant. While widows are eligible only for the higher of their own or their husbands' basic pension benefit, they may inherit their husbands' State Earnings Related Pension Scheme without offsets for other income or earnings.

Widows of men who would have reached pensionable age before October 2002 (aged 65) received 100% of the benefit, although this has been scheduled to decline gradually to a maximum of 50%.

In Canada, surviving spouses are eligible for a two-part benefit: a flat-rate benefit and an earnings-related benefit that is equal to a percentage of the benefit to which the deceased spouse would be entitled were he or she aged 65.

After 65, this percentage is 60%, regardless of the age at which benefits were first received. Survivors may receive both the survivor benefit and their own benefits, subject to limits that may reduce their total below the combined benefits.

WOMEN AND FINANCIAL KNOWLEDGE

Two further factors in the financial prospects for women in their later years are their attitudes to money and their knowledge of personal finance.

According to Flore-Anne Messy of the OECD's Directorate for Financial and Enterprise Affairs, who wrote about women and finance in 2011, women are less likely to know the answers to personal finance questions and more likely to lack confidence in their own skills. They are also likely to find dealing with money both stressful and tedious.

Their lower average incomes also limit their chances of learning to invest by trial and error. Financial education and coaching have a role to play in improving their confidence and knowledge, and the indications are that they respond more enthusiastically than men to the offer, says Messy.

FURTHER READING
Discover more about women and financial education at OECD Insights.

BREAKING THE CURSE

Over the last century, humanity has achieved something amazing. We have succeeded in adding 30 years on average to the lives of individuals in many parts of the world. For increasingly larger segments of society, healthy and productive aging is normal, and this represents a unique opportunity that few people throughout history were fortunate to experience.

Because of their longer life spans, women can benefit more from these developments than men. The question is, under what circumstances will they experience these years? If they face them under conditions of old-age poverty, then this life bonus is likely to be more of a curse than a blessing.

THE DIFFERENCE A DECADE MAKES

Despite the disadvantages that women faced in past decades, when it comes to providing for their later years, things are getting better. In fact, when a woman was born and married can make a big difference to her financial well-being in old age. Women approaching retirement today are better prepared in several respects than their counterparts of the same age even 10 or 20 years ago.

For example, women have been involved in the workforce for longer periods over past decades. The result can be seen, in pension plan participation rates. In 2004, 63% of women aged 55-64 had participated in a pension plan during their working life in the United States, compared with 52% of their counterparts in 1994. The average level of women's benefits also increased 30% between 1984 and 2004.

Women today are much more likely to be college educated, so are taking on higher-paid work. This, combined with their longer periods of active employment, means they are more able to take their financial future into their own hands by having made significant contributions to pension and health plans, as well as becoming eligible for social security benefits while building their own personal net worth.

Greater female participation in the workforce for longer periods is one way in which societies' expectations have changed in past decades. Another shift in social norms is shown by women not only marrying later, but also by the continually narrowing marriage-age gap.

In 1930 in the United States, a man was on average 24.3 years old when he married the first time, while the woman was 21.3 – a difference of three years. In 2010, the man was aged 28.2 and the woman 26.1 – a difference of two years.

There has also been a marked increase in male longevity, resulting in a shrinking gap in male-female life expectancy. These changes may seem relatively minor, but as Alicia Munnell says, small changes can have big results. "With women marrying closer to their own age, life expectancies are narrowing and demographics changing, so a woman can share her life with her husband for longer."

Even some of the changes made in pension reforms in recent years that may at first glance appear to be a major disadvantage for women can contribute to a significant improvement in their lot. The equalization of retirement ages between men and women is one such example. The loss of this traditional privilege can help women by keeping them in work longer to build sufficient pension entitlements. As the report *Pension Adequacy in the European Union 2010-2050* notes, "It also shortens the period in which they are exposed to the gradual erosion of the value of benefits and therefore lessens the likelihood that they will be exposed to the risk of poverty in their late years."

Indeed, as a whole the pension benefit outlook of women today is much rosier than that of women born in the 1920s and 1930s, for instance. Many members of this older generation were widowed young in World War II, had less chance to work and were far more financially dependent on their spouses. ☞

THE MAJOR MEDICAL BREAKTHROUGH IN MODERN HISTORY?

Was it anesthesia, antibiotics or vaccination? Is it the wonders of medical imaging from x-rays and ultrasounds to CAT scans? Or pacemakers, coronary angioplasty, heart transplants or genetic engineering? Could it have been drugs like Prozac, statins or even Viagra?

No!, says S. Jay Olshansky of the School of Public Health at the University of Illinois at Chicago. He believes it was the discovery and dissemination of basic public health such as sanitation, hand washing, refrigeration, and indoor living and working environments. Before the 1850s, we didn't understand its importance in warding off communicable diseases – and people died as a result, often in thousands and almost always at very young ages.

Public health fundamentally changed what it means to be human. Along with modern medical breakthroughs, it was simple things like clean water and sanitation that helped humans dramatically change the conditions under which we live, enabling us to experience much longer lives and – for the first time with great regularity – the biological aging of our bodies.

See S. Jay Olshansky answer the question in 300 words.

CHALLENGES REMAIN

Today's younger wives, it seems, have a far better chance than their mothers and grandmothers of securing their financial future. Yet, younger wives who have married in more recent years face new threats to their prosperity in later life.

Recent pension reforms will affect everyone, but as the EU pension adequacy report notes, "men and women are affected in distinctly different ways." Apart from generally reducing benefits, the reforms have moved pension systems away from a collective insurance approach to one where the individual takes greater responsibility and risks. The final retirement benefit received in hand by an individual will in the future be more strongly determined by participation in the labor market and investment in financial markets.

The EU report notes that these changes do not imply new risks in general, but risks that weigh particularly to the disadvantage of women. These new risks could accentuate differences that already exist in terms of retirement benefit outcomes. Finally, the prospect of a longer life can increase the risk that women may need long-term care and so outlive their assets.

There can be few people in the first bloom of their married years who want to turn their financial thoughts to retirement. Yet, young women – whether married, single or somewhere in between – will be doing themselves a disservice by not being aware of these trends and taking steps against the implications they may have for their future happiness.

All things considered, however, younger wives today are far better prepared to break the financial curse that may have blighted the later years of their mothers and grandmothers.

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