

Is retirement a boom or bust proposition for African American baby boomers?

As the 78 million boomers -- over 9 million of them Black -- continue to make a gradual, but highly visible exit from the workforce, data show that pre-retirement factors, such as income and planning, are key determinants of how well off they will remain financially in their later years.

Boomer and retiree Gilda Austin of Las Vegas, Nev., launched her retirement savings plan the day she began her education career by taking advantage of the pension plan made available to her by the Clark County Unified School District.

"As an educator, you don't make a lot of money, especially when you're starting out," said Austin, who retired from the school district as an administrator in 2008. She also returned to work, this time as a teacher, to earn more before retiring for good in 2010.

"I was vested in the state, so my pension is nice," said Austin, who left work with about 80 percent of her pre-retirement income. And she expects her retirement income to surpass her former salary in a few years because Nevada laws guarantee cost of living raises.

How Much Is Enough for Retirement?

Financial planners typically say retirees will need replacement income of 70-80 percent to continue living as well as they did prior to exiting the workforce. Social Security replaces only about 40 percent of workplace earnings on average. Also, public employees in many states are not eligible for Social Security and must rely entirely on their employment pensions, investments and savings.

Today, of course, educators like Austin and other public service employees are under new pressures, as many states aim to reduce their budget deficits partly by requiring workers to contribute more to their healthcare and pension funds.

Whether in public or private jobs, though, Austin encourages others to take advantage of employee incentives and remain in good jobs as long as possible. For retirement, says a recent AARP report, Black baby boomers are less likely than others to contribute to a pension plan, when one is available. (Employer-based pensions are now offered to about one in three U.S. workers.)

"If you are relying on Social Security, invest and find opportunities to make your money grow," Austin said. "You have to set out something—even if it's just \$10 a month. You have to save something."

For African Americans and other ethnic groups with low savings rates and a greater portion of individuals in low paying or government jobs, working longer or reentering the workforce after initial retirement may become the norm, say experts in aging.

Data on seniors' incomes analyzed in the federal report, "Older Americans 2010: Key Indicators of Well Being," reveal a gaping disparity between the net worth of Black and white households for those ages 65 and older. For instance, between 1984 and 2007, the median net worth of older whites more than doubled to \$280,000; whereas, the median net worth of Blacks inched

Wise Investments: Financial Realities Face Black Boomers

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up only slightly from \$29,700 to \$46,000.

Furthermore, a 2010 study by the Center for Economic and Policy Research in Washington, D.C., showed that among African Americans ages 58 or older continuing to work more than four in 10 have physically demanding jobs and one in three work in difficult conditions.

Because African Americans face difficulty in the labor market throughout their working lives, says a recent AARP report, "The disadvantages are just as serious for workers age 50 and older as for their younger counterparts."

The study, *50-Plus African American Workers*, cites federal labor figures for 2008 (before the recession took effect and the most recent year with available statistics) showing that while two-in-three white or Latino men continue working, significantly fewer Black males (56 percent) were on the job. The employment levels were about half for Black, white and Hispanic women, but the report, prepared for AARP by the Urban Institute, anticipates more will keep working in light of the Great Recession and growing financial needs.

Blacks Earn Less

Further, says the AARP report, Blacks tend to earn less. The median annual income of adults ages 50 to 61 was \$44,000 for Blacks, \$50,000 for Hispanics and \$72,300 for whites. One reason for this income disparity is that African Americans have lower marriage rates than Latinos or whites, and married couples tend to have more income.

The study also shows that although older Black workers made important income gains in the 1980s and '90s, their average incomes dropped by 12 percent from 1999-2008, compared with three percent reductions for Hispanics and five percent for whites.

The AARP report's lead author, Richard W. Johnson of the Urban Institute, noted that boomers also face other retirement challenges. For instance, reduced wage growth because of the Great Recession will probably lower future income by five percent, or about \$2,500 on average annually. Lower earnings, besides affecting personal pensions and savings, will translate into diminished Social Security retirement benefits, he said.

As it is, according to the National Committee to Preserve Social Security and Medicare, seven in 10 African American elders currently rely on Social Security for at least half their income, compared to less than two-thirds of all beneficiaries. And Social Security provides almost half of Black seniors 90 percent or more of their incomes.

Even though some Blacks are earning more money, too few are executing strategies to help build wealth, such as saving, eliminating debt, increasing income streams, creating a financial plan and building an estate for the next generation, said Horace Sinclair, a personal financial coach working with many African American families in Louisiana and Texas.

"By and far, we are lagging behind as a people because we are not putting enough money aside," Sinclair said.

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The reality becomes most apparent at death when some Black families scramble to find funds to cover funeral costs.

"In other populations, buying [life] insurance is a way to build wealth for the next generation. In the event that something happens, insurance protects that goal and provides heirs with money to fulfill the goal of the benefactor," Sinclair said. Such goals can include paying off a mortgage, paying for college or creating a stream of income for beneficiaries.

In the Black community, he observed, "They sell us burial polices. They offer enough policies to bury the person, and that's it."

Sinclair urges African Americans worried about their retirement future to read business articles, attend financial seminars, find a financial mentor, and establish a plan that "will attract a lot of income, assets and wealth."

Potential Solutions

The Urban Institute's Johnson, while allowing that individuals with lower earnings inherently have slimmer resources for retirement, stressed, "Because Social Security doesn't allow for a comfortable retirement on its own, people really need to supplement it with their own savings, but that requires a certain level of financial education."

One approach, he said, is for employers to offer workers a program that automatically signs them up for a retirement plan to which both employers and employees contribute. Rather than agree to sign up, as mostly happens today, individuals not wishing to participate would have to opt out. Experiments with such programs have been very successful in increasing employee participation in retirement plans.

"We shouldn't just let people make their own decisions," Johnson said. "It's important that workers have clear guidance about how much they should save for investments and where they should invest."

Sinclair believes a "massive movement" is needed to change the difficult prospects ahead for many Black retirees. "The government is not going to be able to do it because they have their hands tied with other priorities," he added.

"It's not hopeless," Sinclair went on. "There are people who are fighting and advocating for our people to make it. If you are searching for something, you will find it. If you prepare yourself for change, God is already preparing someone to facilitate what you are preparing for."