

## New study finds typical U.S. households of color have no retirement savings

Written by

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(BLACK PR WIRE) — WASHINGTON -- (BUSINESS WIRE) -- A new report calculates the severity of the U.S. retirement security racial divide. The analysis finds that every racial group faces significant risks, but people of color face particularly severe challenges in preparing for retirement. Americans of color are significantly less likely than whites to have an employer-sponsored retirement plan or an individual retirement account (IRA), which substantially drives down the level of retirement savings.

[\*Race and Retirement Insecurity in the United States\*](#) examines racial disparities in retirement readiness among workers and households age 25-64. It analyzes workplace retirement access, retirement account ownership, and retirement account balances. A webinar is scheduled for Tuesday, December 10, 2013, at 12:00 PM ET to review the findings. Register here or at <https://www2.gotomeeting.com/register/698435274>

"I'm alarmed by the severity of the retirement racial divide," said Nari Rhee, PhD, report author and NIRS manager of research. "It's well documented that regardless of race, the typical working-age American household is far off-track toward accumulating sufficient savings to meet their basic needs in retirement. As we dig deeper into the data, we find an even worse situation for blacks, Latinos and Asians. For example, only four out of ten Latinos and about five out of ten Asians and blacks work for employers that sponsor retirement plans, compared to six out of ten white employees. With low access to retirement plans and low wages, what we're ultimately seeing is little if any retirement savings among people of color."

"To further illustrate the extent of the racial divide, a typical white household near retirement has nearly \$30,000 saved in retirement accounts, clearly an insufficient amount. A typical black or Latino household near retirement fares even worse, with zero dedicated retirement savings in a 401(k) or IRA. For working-age households, the average retirement savings is only about \$20,000 among blacks and \$18,000 for Latinos – a small fraction of the \$112,000 average among white households," Rhee said.

She added, "With little else to depend on besides Social Security when they retire, people of color are especially vulnerable to reliance on public assistance and economic hardship in old age. Our research makes it clear that placing a special focus on improving the retirement

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readiness for Americans of color is absolutely essential to solve the national retirement crisis."

The key findings are as follows:

**1. Workers of color, in particular Latinos, are significantly less likely than White workers to be covered by an employer-sponsored retirement plan**—whether a 401(k) or defined benefit (DB) pension.

- Only 54 percent of black and Asian employees and 38 percent of Latino employees age 25-64 work for an employer that sponsors a retirement plan, compared to 62 percent of White employees.
- These racial disparities are much more pronounced in the private sector than in the public sector. Blacks, Asians, and Latinos are respectively 15, 13, and 42 percent less likely than whites to have access to a job based retirement plan in the private sector, compared to 10, 9, and 12 percent less likely in the public sector.
- Households of color lag behind White households in coverage by pensions that guarantee lifetime retirement income. While 24 percent of white households have a pension through a current job, only 16 percent of households of color do.

This disparity is primarily due to the fact that just 12 percent of Latino households are covered by a pension plan—half the rate of white and black households.

**2. Households of color are far less likely to have dedicated retirement savings than White households of the same age.** At the same time, retirement coverage appears to be positively associated with the existence of dedicated household retirement savings in both groups.

- A large majority of black and Latino working age households—62 percent and 69 percent, respectively—do not own assets in a retirement account, compared 37 percent of White households.
- The racial gap in retirement account ownership persists across age groups.
- Households with pensions through a current job are more likely to have dedicated retirement savings in a 401(k) or IRA type account than households without pensions: 74 percent versus 66 percent, respectively, among White households, and 52 percent versus 40 percent among households of color.

**3. Households of color have substantially lower retirement savings than white households, even after controlling for age and income.**

- Three out of four black households and four out of five Latino households age 25-64 have less than \$10,000 in retirement savings, compared to one out of two white households.
- Among near-retirees, the per-household average retirement savings balance among

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households of color (\$30,000) is one-fourth that of white households (\$120,000).

- Across age groups, households of color with at least one earner are half as likely as white households to have retirement savings equal to or greater than their annual income. For instance, only 19 percent of households of color near retirement have this much retirement savings, compared to 41 percent of white households of the same age.

*Race and Retirement Insecurity in the United States* serves as a companion to NIRS' July 2013 study, [The Retirement Savings Crisis: Is It](#)

[Worse Than We Think?](#), which documented a significant retirement savings gap among working-age households in the U.S. This research is based on an analysis of data from the Bureau of Labor Statistics and the Federal Reserve and analyzes data for whites, people of color and—where data permits—blacks, Latinos, and Asians.

The full report is available at <http://www.nirsonline.org>.

The National Institute on Retirement Security is a non-profit organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy through national research and education programs. Located in Washington, D.C., NIRS has a diverse membership of organizations that are interested in retirement, including financial services firms, employee benefit plans, trade associations, and other retirement service providers. Find more information at [www.nirsonline.org](http://www.nirsonline.org) and follow NIRS at [@nirsonline](#) on Twitter.

Source: The National Institute on Retirement Security