

U.S. retirement crisis has "racial component"

Written by Jazelle Hunt, NNPA Washington Correspondent
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WASHINGTON (NNPA) – More than three-fifths of Black working-age households – 62 percent – have no assets in a retirement account, according to a new study by the National Institute of Retirement Security (NIRS),

Working-age households contain residents 25 to 64 years old. Even those Black households with assets trail similarly situated Whites. Among the 38.3 percent of Black households age 55 to 64 who do own accounts, the average savings is \$34,365. That's a fraction of the \$206,400 saved by their White counterparts.

The report, "Race and Retirement Security in the United States," is a companion to a broader study of the retirement gap using data from the Bureau of Labor Statistics and the Federal Reserve. In it, researchers examine workplace retirement coverage, retirement account ownership, and retirement account balances among Whites, Blacks, Latinos, and Asians.

"I think what the research shows is that the U.S. retirement crisis has really specific racial dimensions, specifically with access and savings," says Nari Rhee, manager of research at NIRS and the report's author. "About 44 percent of Baby Boomers and Generation Xers won't even have enough saved to meet their basic needs when they retire."

In the report, Rhee describes the savings gap as "stark," with the typical retirement account-owning household of color with a balance of \$23,000, which is less than half the \$50,500 median balance of White households with retirement accounts.

In addition to the gap in savings, a gap in access to retirement options persists, particularly for private-sector workers. In its larger retirement study, the NIRS found that private sector retirement access is near its lowest point since 1979. As of 2010, a little more than half of all Black workers have access to employer-sponsored retirement coverage (54.3 percent), and less than half of them actually take advantage of said plans (43 percent).

There are several causes for the lack access to retirement plans among Black households. For starters, employers are not legally required to provide benefits or financial literacy courses to their employees.

Rhee points out that in other developed nations, employment-based retiree provisions tend to be effective because of an automatic or mandatory component. Additionally, the types of jobs that offer such benefits are in national decline, while lower-wage jobs with fewer benefits are

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proliferating. Those that do offer retirement benefits are switching from defined benefit (DB) pensions, which are automatic retirement savings, to 401(k), IRA and other opt-in accounts, which depend on what employees decide to save.

Lazetta Rainey Braxton, incoming president of the Association of African American Financial Advisors, sums it up this way: "Access to retirement plans is very tied to industry, level of education, income level...people of color are still catching up to these opportunities."

The retirement gap is also intrinsically tied to the wealth gap. Both Braxton and Rhee point out that there are societal and historical factors at play. Although African Americans are well represented in the public-sector ranks where DB pensions are still the norm, lagging generational wealth curtails this boost.

"A lot of retirement investment success comes from word of mouth, from transfers, from legacies. Our history doesn't go back as far with retirement investments, as opposed to just saving what we do have," says Braxton, who is also the CEO and founder of planning and investment firm, Financial Fountains. "But if you put what you have in retirement for the future, does that leave you with enough for the right now?"

Rhee makes similar connections in analyzing her report's findings. "The recession did a number on family wealth, especially for communities of color who tend to hold wealth in housing as opposed to stocks, bonds, and other investments," she explains. "Plus with the shift in structural changes, loss of manufacturing and other jobs...the past few decades have been challenging for Black families."

Interestingly, workers who deliberately seek or currently have employer-sponsored DB pensions are more likely to also have their own retirement accounts as well. It seems that the more information and opportunity provided, the more workers will contemplate and plan for their financial futures.

"A lot of people just don't have access to this information. They're not taught in high school...where are the opportunities to get this information in ways that are easy to understand, and affordable?" Braxton says.

Rhee says the report has national policy implications of the report, including strengthening Social Security, supporting small-business employers' ability to offer retirement benefits, and calling for state-based retirement systems. Braxton sat those approaching retirement should make adjustments now.

"[Near-retirees] have to look at their lifestyle. Housing, medical, and debt costs are the biggest expenses," she recommends. "You have to be realistic about where you are, and come up with a plan that keeps income for as long as possible, and really hash out expenses that can be draining."