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## Race and Retirement Insecurity in the United States

By Nari Rhee, PhD

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## ABOUT THE AUTHOR

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Nari Rhee is Manager of Research for the National Institute on Retirement Security. She joined NIRS in September 2012 and conducts research and analysis on pensions and retirement issues. Previously, she served as Associate Academic Specialist at the University of California Berkeley Institute for Research on Labor and Employment/Center for Labor Research and Education. There, she conducted policy research on public sector pension reform and the private sector retirement gap with a focus on low- and middle-wage workers. She holds a PhD from the University of California at Berkeley, an MA from the University of California at Los Angeles, and a BA from the University of California at Santa Cruz.

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## EXECUTIVE SUMMARY

This report serves as a companion to NIRS's 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 US. In this follow-up report, we examine racial disparities in retirement readiness among workers and households age 25-64. This paper analyzes workplace retirement coverage, retirement account ownership, and retirement account balances among whites, people of color, and—where data permits—Blacks, Latinos, and Asians. Findings are based on an analysis of data from the U.S. Bureau of Labor Statistics' Current Population Survey Annual Social and Economic Supplement and the U.S. Federal Reserve's 2010 Survey of Consumer Finances. The report finds that while every racial group faces significant risks, people of color face particularly severe challenges in preparing for retirement. Specific findings are:

- 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 DB pensions that guarantee lifetime retirement income. While 24 percent of white households have a DB 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 DB 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, DB pension 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 DB pensions through a current job are more likely to have dedicated retirement savings in a 401(k) or IRA type account than households without DB 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 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.

## INTRODUCTION

American workers and families face a retirement crisis in which a majority of households are at risk for downward mobility in retirement, and a significant share face not being able to meet basic expenses in old age.<sup>1</sup> In July 2013, the National Institute on Retirement Security (NIRS) released “The Retirement Savings Crisis: Is It Worse Than We Think?”<sup>2</sup> The study found that private sector retirement access is near its lowest point since 1979, with only 52 percent of employees in jobs that offer retirement benefits. A critical finding of that report is that while households face a growing retirement savings burden, the typical US working-age household has only \$3,000 saved in retirement accounts, according to 2010 data. The typical household nearing retirement has only \$12,000.<sup>3</sup>

This report serves as a companion to the July 2013 study. We examine racial disparities in retirement readiness among workers and households that are working-age, defined in this report as age 25-64. Findings are based on analyses of data from the U.S. Bureau of Labor Statistics’ Current Population Survey Annual Social and Economic Supplement (CPS ASEC)<sup>4</sup> and the U.S. Federal Reserve’s 2010 Survey of Consumer Finances (SCF).<sup>5</sup> Specifically, this paper analyzes:

- Workplace retirement coverage among white, Black, Latino, and Asian wage and salary employees between the ages of 25 and 64 (Section I).
- Retirement account ownership among working-age households, by race of head of household: white and nonwhite and, where adequate data is available, Black and Latino households (Section II).<sup>6</sup>
- Retirement account balances among white, Black, and Latino households; and ratios of account balances to income among white and nonwhite households (Section III).

A key finding is that people of color face particularly severe challenges in preparing for retirement. Every racial group faces significant risks when it comes to retirement income. People of color, however, are less likely than whites to have access to a pension or 401(k) at work. The racial disparity in retirement savings is even greater. In fact, nearly two-thirds of households of color do not have any savings in a 401(k) or IRA type account, compared to slightly over one-third of white households. Three out of four households of color have retirement savings less than \$10,000. Among households of color with retirement account assets, the median balance is \$30,000 for near-retirees—grossly insufficient as an income source. Finally, the wide racial gap in retirement assets holds even after accounting for age and income.

## I. WORKPLACE RETIREMENT PLAN ACCESS

Employer-sponsored retirement plans remain the most important vehicle for providing retirement income after Social Security. Unfortunately, after declining steadily since the late 1990s, the share of private sector employees with access to workplace retirement plans dipped to 52 percent in 2011, its lowest point since 1979.<sup>7</sup> In addition, since the early 1980s private employers have mostly shifted from defined benefit (DB) pensions, which provide secure monthly income throughout retirement, to 401(k)-style individual investment accounts in which workers bear all the risk and most of the funding burden.<sup>8</sup>

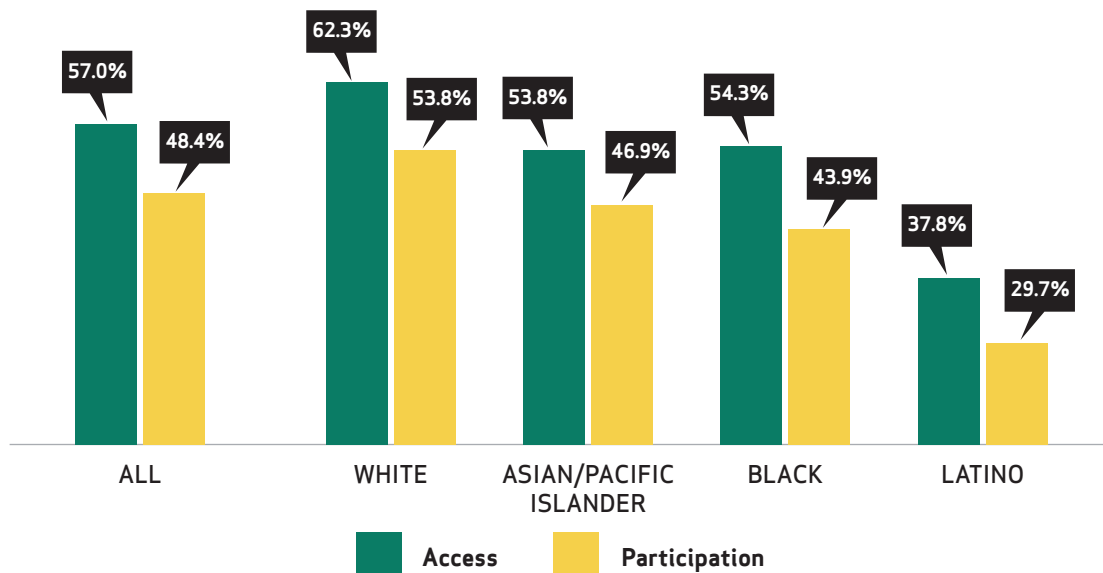
Studies show that retirement plan access and participation are highly correlated with firm size and wage level and, to a lesser extent, with age.<sup>9</sup> Low-wage workers and workers in firms with fewer than 100 employees are much less likely to have access to a retirement plan at work compared to high-wage

workers and employees of large firms.<sup>10</sup> Furthermore, Black and Latino workers have fallen further behind white workers in workplace retirement plan coverage since 1989.<sup>11</sup>

This section highlights current racial inequalities in workplace retirement plan coverage. **Figure 1** illustrates racial differences in employer-sponsored retirement plan access and participation among wage and salary employees—both public and private—based on an analysis of CPS data for 2012. Overall, only 57 percent of wage and salary employees age 25-64 work for an employer that sponsors a retirement plan, and only 48 percent actually participate in such a plan. Some 62 percent of white workers have access to an employer-provided retirement plan, while only 54 percent of Black and Asian employees have access. Latinos fare even worse, with only 38 percent employed in firms that offer a retirement plan.

**Figure 1: Employees of Color Are Significantly Less Likely to Have Access to Workplace Retirement Plans**

Employer-sponsored retirement plan coverage among wage and salary employees by race, 2012



Source: Author's analysis of CPS ASEC microdata from IPUMS. Universe is public and private wage and salary employees age 25-64. Racial categories are single-race.

Labor market and socioeconomic characteristics like education, skill, wage level, occupation, and industry clearly contribute to the overall racial gap in workplace retirement plan coverage.<sup>12</sup> That is, Blacks, Asians, and in particular Latinos are less likely than whites to be employed in industries and occupations that provide high wages and workplace benefits, including retirement benefits.

The data in Figure 1 also indicates that workplace retirement plan *participation* rates are generally commensurate with access. Nonetheless, the *take-up* rate (calculated as the participation rate divided by the access rate) varies significantly: 87 percent for Asians, 86 percent for whites, 81 percent for Blacks, and 78 percent for Latinos. According to one study, the low take-up rate among Latino employees offered a retirement plan is tied to citizenship and immigration status as well as the fact that they are less likely to work for employers that sponsor DB pensions.<sup>13</sup> There is some debate concerning whether or not race generally plays an independent role in determining retirement plan participation and takeup rates after controlling for eligibility, plan type (DB pensions feature automatic enrollment, while participation in most 401(k) plans

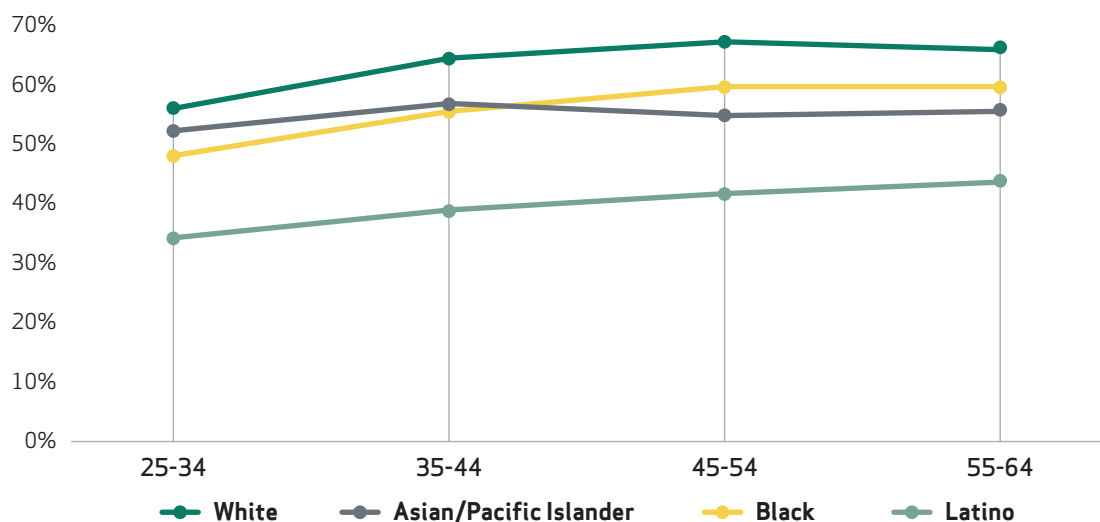
is voluntary), and socioeconomic characteristics. In general it appears that earnings level is the most significant determinant of whether or not a worker chooses to participate in or opt out of a 401(k)-style plan.<sup>14</sup>

Ultimately, the fact that the labor market is segmented by race, combined with the fact that some employers and jobs offer access to this critical benefit and others do not, puts workers of color at a significant disadvantage in accumulate resources for retirement.<sup>15</sup>

**Figure 2** shows that older workers generally have greater access to employer-sponsored retirement plans compared to younger workers. More importantly for the theme of this paper, it also shows that significant racial disparities in workplace retirement plan access occur in all age groups. Thus, little of the racial gap in access to workplace retirement benefits can be explained by differences in the age profile of each group. For instance, only 32 percent of Latino employees age 25-34 have a retirement plan through their job. This is only three-fifths of the rate for white employees (55 percent) in the same age group. (The data table associated with this chart can be found in **Appendix A.**)

## Figure 2: Racial Disparities in Workplace Retirement Plan Access Persist Across Age Groups

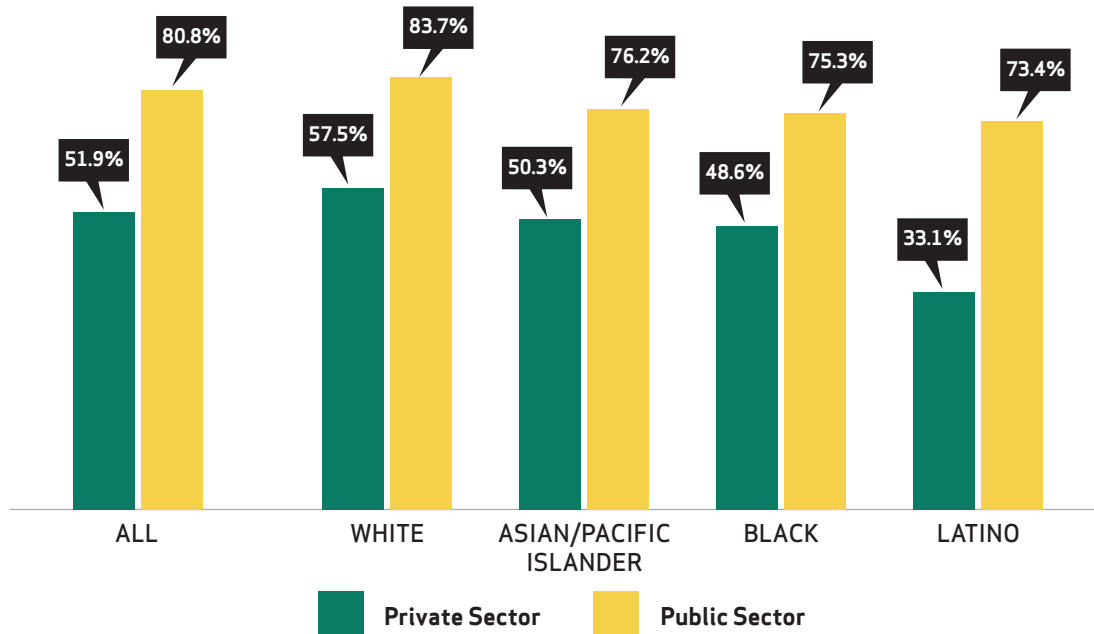
Workplace retirement plan access among wage and salary employees, by race and age group, 2012



Source: Author's analysis of CPS ASEC microdata from IPUMS. Universe is public and private wage and salary employees age 25-64. Racial categories are single-race.

### Figure 3: Racial Disparities in Workplace Retirement Plan Access Are Greater in Private Sector than in Public Sector

Employer-sponsored retirement plan access among wage and salary employees by race, private vs. public sector, 2012



Source: Author's analysis of CPS ASEC microdata from IPUMS. Universe is public and private wage and salary employees age 25-64. Racial categories are single-race.

Surprisingly, among Asian wage and salary employees, older workers are not more likely than younger workers to be offered a retirement plan. The estimated shares of employed Asian workers with retirement plan access among those age 45-54 (54 percent) and age 55-64 (55 percent) are not statistically different than for those age 35-44 (56 percent).<sup>16</sup> Consequently, younger Asian workers are more likely than younger Black workers to have access, but among older workers, Blacks have a statistically significant lead over Asians.<sup>17</sup>

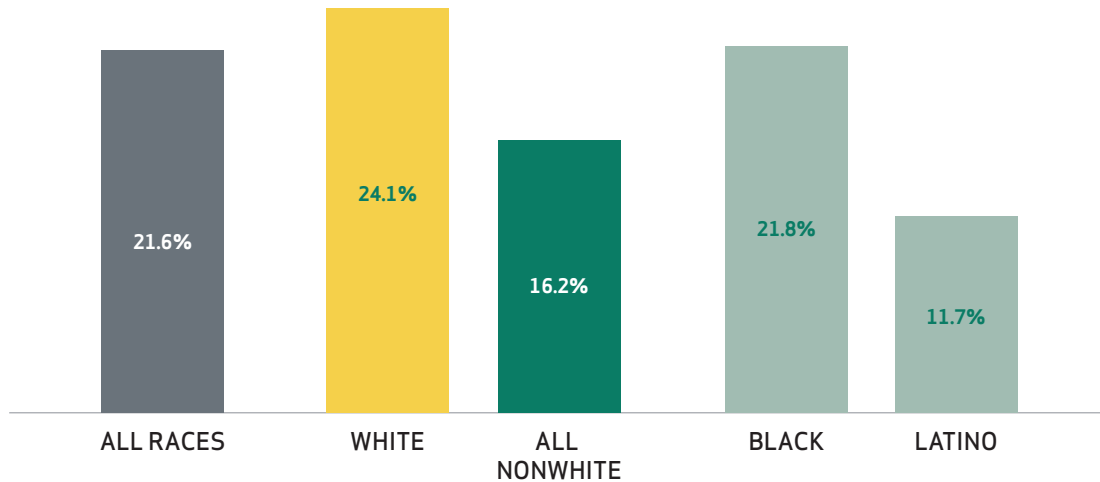
In addition, there are important differences between the public sector and private sector in terms of the racial gap in retirement plan access. It is well known that the public employers offer much greater access to workplace benefits, including retirement plans; and that those retirement benefits consist primarily of DB pensions. **Figure 3** compares job-based retirement plan access in the private sector versus the public sector, disaggregated by race. Altogether, 81 percent of public employees age 25-64 report having an employer-sponsored

retirement plan, compared to only 52 percent of private employees. Significantly, while a racial gap in retirement plan access exists in both sectors, inter-racial disparities are much greater in the private sector than in the public sector.

One way to understand the data in Figure 3 is to consider the relative difference in the probability of having access to a retirement plan between whites and each of the other racial groups.<sup>18</sup> In the public sector, the chances of having a retirement plan compared to whites are 10 percent less for blacks, 9 percent less for Asians, and 12 percent less for Latinos. In contrast, the chances in the private sector are 15 percent less for blacks, 13 percent less for Asians, and 42 percent less for Latinos. In other words, Latino workers experience a larger disadvantage relative to whites in accessing workplace retirement plans in the private sector than in the public sector. This is likely due to the heavy representation of Latinos in low-wage jobs that are more prevalent in the private sector than in the public sector.

## Figure 4: Households of Color Lag behind White Households in DB Pension Coverage

Share of working-age households covered by a DB pension through a current job, by race, 2010



Source: Author's analysis of 2010 SCF microdata. Universe is households with heads age 25-64. Race categories reflect the primary race reported for the head of household.

The type of plan to which workers have access also matters, because DB pensions generally provide greater retirement income security than do 401(k)-type plans. Based on an analysis of the SCF, **Figure 4** shows that in 2010, 22 percent of working-age *households* were covered by a DB pension through a current job held by the head or spouse. White households were most likely to have a DB pension from current employment (24 percent), while Black households were close

behind (22 percent), likely due to the fact that employed Black workers are more heavily represented the public sector than are other major racial groups.<sup>19</sup> In contrast, Latino households were *half as likely* (12 percent) as white or Black households to participate in a DB pension through a current job. This is in part due to the relatively low level of representation of Latinos in public sector employment, as well as their high concentration in low-wage industries.



## II. RETIREMENT ACCOUNT OWNERSHIP

The decline of DB pensions has increased the burden on households to save for their own retirement. While most employers that sponsor 401(k)-type plans match their employees' contributions, the primary funding burden rests with employees.<sup>20</sup> In addition, most workplace retirement accounts require individual workers to actively enroll themselves and voluntarily contribute.<sup>21</sup> Individuals who do not have access to an employer-sponsored pension or 401(k) can theoretically open up an IRA directly through a private financial institution. However, the fact remains that most IRAs consist of funds rolled over from employer-sponsored plans, and are otherwise mostly utilized by high-income households.<sup>22</sup>

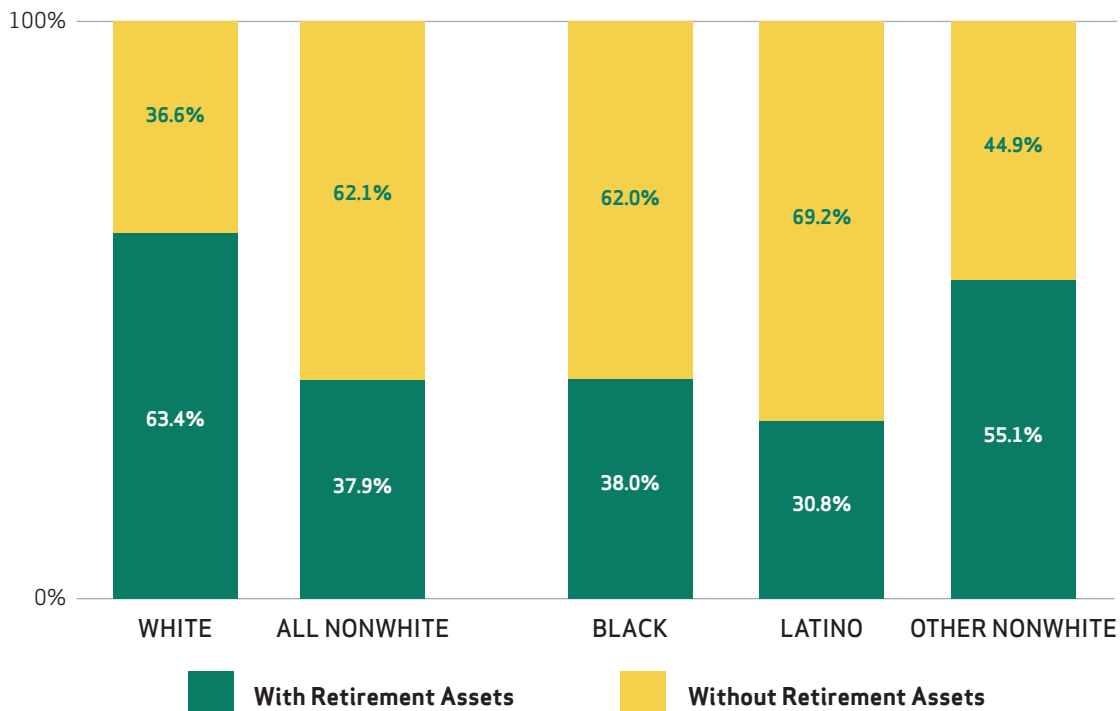
As highlighted in “The Retirement Savings Crisis: Is It Worse Than We Think?,” 45 percent of US working-age

households do not own any assets in retirement accounts, and retirement account ownership is markedly concentrated in the top half of the income distribution.<sup>23</sup> This section explores racial disparities in retirement account ownership among working-age households based on an analysis of data from the 2010 SCF.

Retirement accounts include both employer-sponsored plans like 401(k)s, 403(b)s, 457(b)s, SEP IRAs, and Simple IRAs—whether held through a current or former employer—and private retirement accounts like traditional IRAs and Roth IRAs. They also include Keogh plans, another type of retirement account for small businesses. They do not include DB pensions. For the purposes of this analysis, a household is considered to own a retirement account if its total retirement

**Figure 5: A Large Majority of Black and Latino Working-Age Households Do Not Own Assets in a Retirement Account**

Household retirement account ownership by race, 2010



Source: Author's analysis of 2010 SCF microdata. Universe is households with heads age 25-64. Race categories reflect the primary race reported for the head of household.

account assets are greater than zero, consistent with the Federal Reserve’s analysis of SCF retirement accounts data.<sup>24</sup> A more detailed explanation of methodology can be found in **Appendix B**.

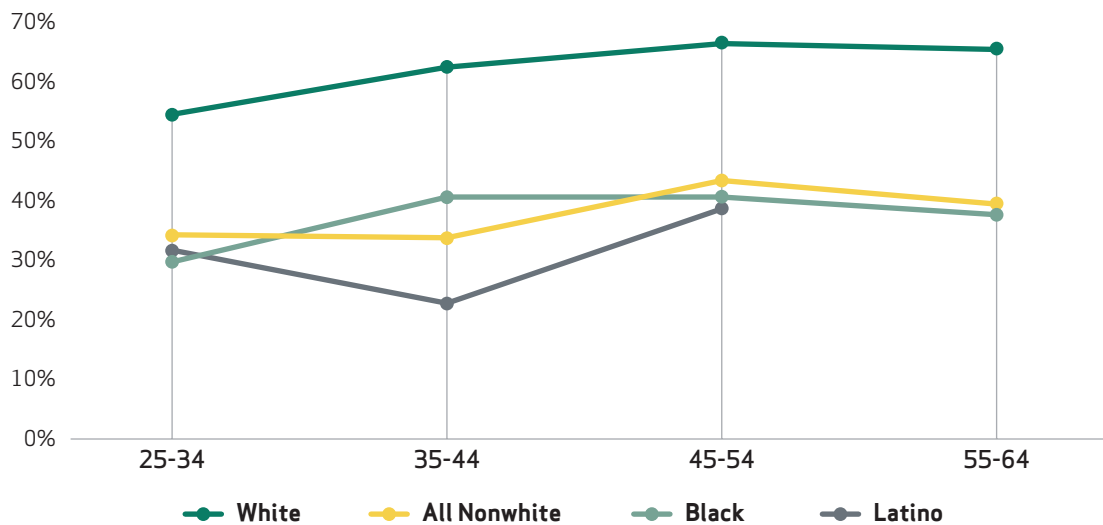
**Figure 5** shows that retirement account ownership varies significantly by race. For the purposes of this analysis, race is identified as the primary race of the head of household. The data shows that among those age 25-64, only 38 percent of households of color own a retirement account, compared to 63 percent of white households. In other words, *households of color are 60 percent as likely as white households to have any dedicated retirement savings*.

Conversely, 62 percent of households of color do not own a 401(k) or IRA type account, compared to 37 percent of white households. Some 62 percent of Black households, 69 of Latino households, and 45 percent of households headed by people from all other nonwhite racial groups combined do not own a retirement account. (Due to data restrictions, Asians are grouped into the residual "Other" race category.)

While retirement account ownership generally increases with age, a wide racial gap in exists in all age groups (**Figure 6**). For example, among households age 25-34, the rate of retirement account ownership is 35 percent for households of color and 55 percent for white households. Among those age 55-64,

**Figure 6: Large Racial Gap in Retirement Account Ownership among Working-Age Households Persists Across Age Groups**

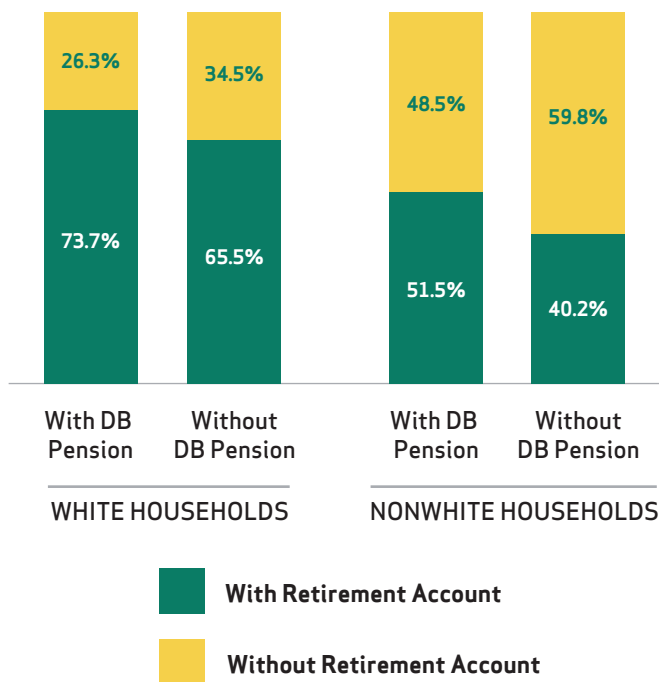
Household retirement account ownership, by race and age group, 2010



Source: Author's analysis of 2010 SCF microdata. Universe is households with heads age 25-64. Race categories reflect the primary race reported for the head of household. Latinos age 55-64 and "Other" race group are not represented because of insufficient sample size.

## Figure 7: Working-Age Households with DB Pensions Are More Likely to Have 401(k)/IRA Assets

Household retirement account ownership by race and DB pension status, 2010



Source: Author's analysis of 2010 SCF. Universe is households with heads age 25-64. Race categories reflect the primary race reported for the head of household. DB pension coverage is defined as the head or spouse participating in a DB pension through a current job.

40 percent of households of color own a retirement account, compared to 66 percent of white households.

Figure 7 indicates a positive relationship between participation in DB pensions and retirement account ownership, although retirement account ownership rates are higher for white households even after controlling for DB pension participation. Among white households, 74 percent of those that have a DB pension through a current job also have a retirement account, compared to 66 percent of those that do not have a DB pension. Among households of color, 52 percent of DB pension participants have a retirement account, compared to 40 percent of non-participants.

The higher rate of retirement account ownership among households with DB pensions probably reflects two factors. One is that employers that offer a DB pension are also likely to offer a 401(k)-type plan as a supplemental benefit. The other is that workers who choose employers with DB plans likely place a higher value on retirement security than the average worker, which would be associated with a greater propensity to save for retirement.<sup>25</sup> Most public sector employees already contribute towards their DB pension, and contribution rates typically range between 4 and 8 percent of pay.<sup>26</sup>

### III. RETIREMENT ACCOUNT BALANCES

Previous research from NIRS found that the typical American working-age household has virtually no retirement savings: the typical (median) value of retirement account assets counting all households, including those that do not have a retirement account, is only \$3,000 for age 25-64 and \$12,000 for age 55-64.<sup>27</sup> Analysis of the SCF reveals that *the typical household of color literally has no retirement savings*, given that a super-majority of households of color age 25-64 do not have a retirement account (shown in Figures 6 and 7 in Section II). *More specifically, the typical Black or Latino household has no dedicated retirement savings, even among near-retirees.* This is in contrast to the typical retirement savings of \$29,000 among white households age 55-64.

Where there are so many retirement savings have-nots, “average” or mean retirement wealth figures have little relevance to the retirement readiness of the majority of households.

Nonetheless, mean balances—calculated as aggregate retirement savings divided by the number of households—provide one indication of the overall race gap in retirement wealth. As **Table 1** shows, the mean retirement account balance of working-age households of color (about \$31,600) is *less than one-third* that of white households (\$111,700). Worse still, average retirement account balances for Black households (\$20,100) and Latino households (\$17,600) are less than one-fifth that of white households.<sup>28</sup>

**Figure 8** shows the percentage of households that do not have retirement account balances totaling at least \$10,000. Counting all working-age households, 57 percent have retirement account balances less than this amount. Three-quarters of households of color—including three-quarters of Black households and three-fourths of Latino households—have less than \$10,000 saved for retirement, compared to one-half of white households.

**Table 1. Older Households of Color Have Less than One-Third the Average Retirement Savings of White Households**

Mean retirement savings of working-age households, by race and age group, 2010

Race of Head of Household	Age of Head of Household				
	ALL 25-64	25-34	35-44	45-54	55-64
WHITE	\$111,749	\$17,771	\$57,822	\$129,500	\$206,400
ALL NONWHITE	\$31,582	\$7,913	\$21,229	\$44,578	\$63,743
BLACK	\$20,132	\$4,792	\$16,508	\$24,606	\$34,365
LATINO	\$17,600	\$5,330	\$12,048	\$29,651	na
OTHER	\$99,226	na	na	na	na
ALL RACES	\$86,003	\$14,064	\$43,977	\$103,274	\$174,030

Source: Author's analysis of 2010 SCF microdata. Data for Latinos age 55-64 and Other racial group age categories are not represented due to insufficient sample size.

Even when only households that own a retirement account are counted, the racial gap in retirement savings is stark (Figure 9). The typical retirement account owning household of color has a balance of \$23,000, less than half of \$50,500 median balance of white households with retirement accounts.

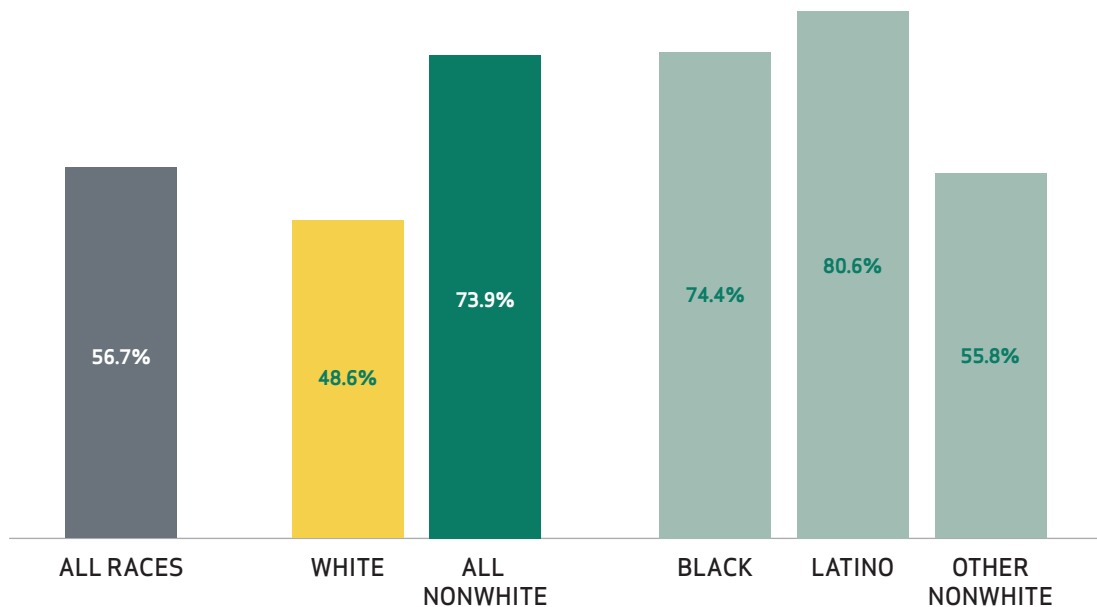
Two patterns emerge when this data is disaggregated by age bracket. First, the distribution of retirement assets across age groups among households of color that have retirement accounts is relatively even. The typical account balance for the retirement account owning households near retirement (\$30,000) is the same as for the 45-54 group and only \$5,000 higher than for the 35-44 year age group (\$25,000). This is in stark contrast to the data for white working-age households with retirement accounts, which shows a steady increase in retirement wealth from the youngest age group (\$15,000) to the oldest age group (\$120,000).

Following from the above, the second pattern is that the racial disparity in retirement wealth among households that own retirement accounts is much larger among older households than among younger households. For example, among households with retirement accounts, the ratio of the median balance of households of color to the median balance of white households approximately 3 to 4 (\$25,000 vs. \$34,000) in the 35-44 age group and exactly 1 to 4 (\$30,000 vs. \$120,000) among near-retirement households age 55-64.

Retirement savings are meant to replace the income earned during a household’s working life. The financial services firm Fidelity recommends accumulating retirement assets equal to 8 times income for retirement at age 67<sup>29</sup>—a significantly later retirement age than the current median Social Security claiming age of 64 for men and 63 for women.<sup>30</sup> The human resource consulting firm Aon Hewitt recommends that the average worker save at least 11 times income in order to retire

**Figure 8: Three Out of Four Black Households and Four Out of Five Latino Households Age 25-64 Have Less than \$10,000 in Retirement Savings**

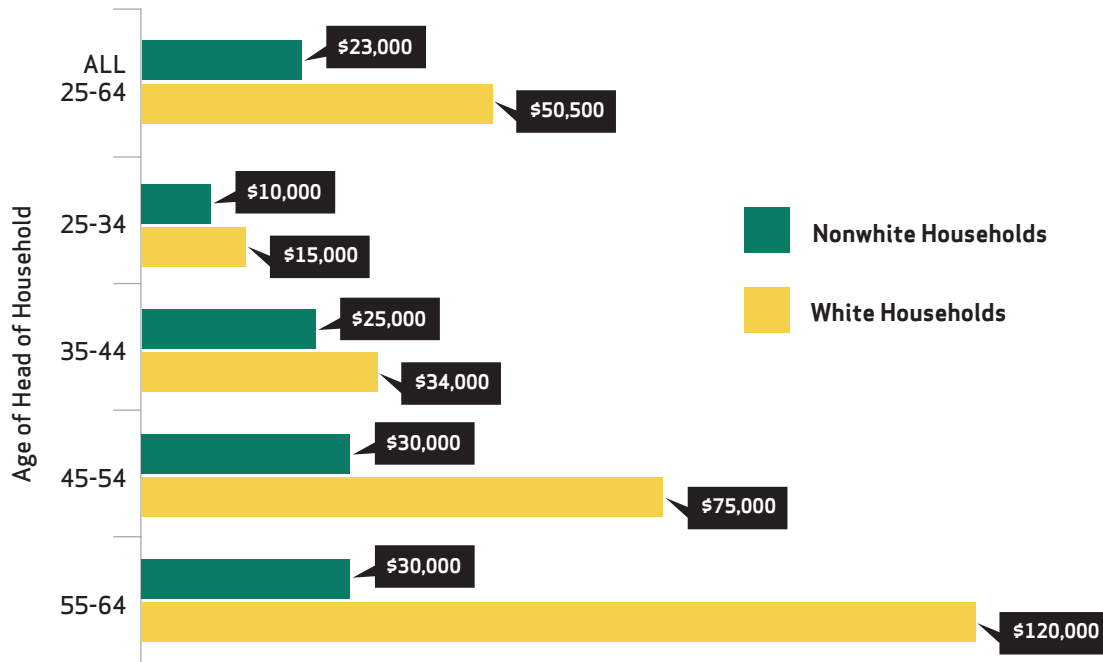
Share of working-age households with retirement account balance less than \$10,000, by race, 2010



Source: Author's analysis of 2010 SCF microdata. Universe is households with heads age 25-64. Race is primary race reported for head of household.

## Figure 9: Among Near-Retirees with Retirement Assets, Typical Household of Color Has One-Fourth the Retirement Savings of Typical White Household

Median retirement savings among households with retirement accounts, by race status, 2010



Source: Author's analysis of 2010 SCF. Universe is households with nonzero retirement account balance.

at age 65.<sup>31</sup> A higher-income household needs more retirement savings than a lower-income household. Furthermore, retirement savings are meant to be accumulated gradually over the length of a working career through contributions and investment returns. Thus account balances ultimately need to be analyzed in relation to both income (or earnings) and age.

In order to control for differences in income and age, we calculated the ratio of retirement assets to earnings for each household in the SCF sample. We limited this analysis to “working households”—defined for the purposes of this report as those with \$5,000 to \$500,000 in annual earnings and less than \$1 million in annual income. Our earlier analysis of SCF retirement savings data for all races provided four categories of savings ratios.<sup>32</sup> However, because households of color are represented by a small sample in the SCF and because relatively few of them have high retirement account balances, households were grouped into just three categories: 1) those with no retirement account assets, 2) those with retirement assets greater than zero and less than 100 percent of income, and 3)

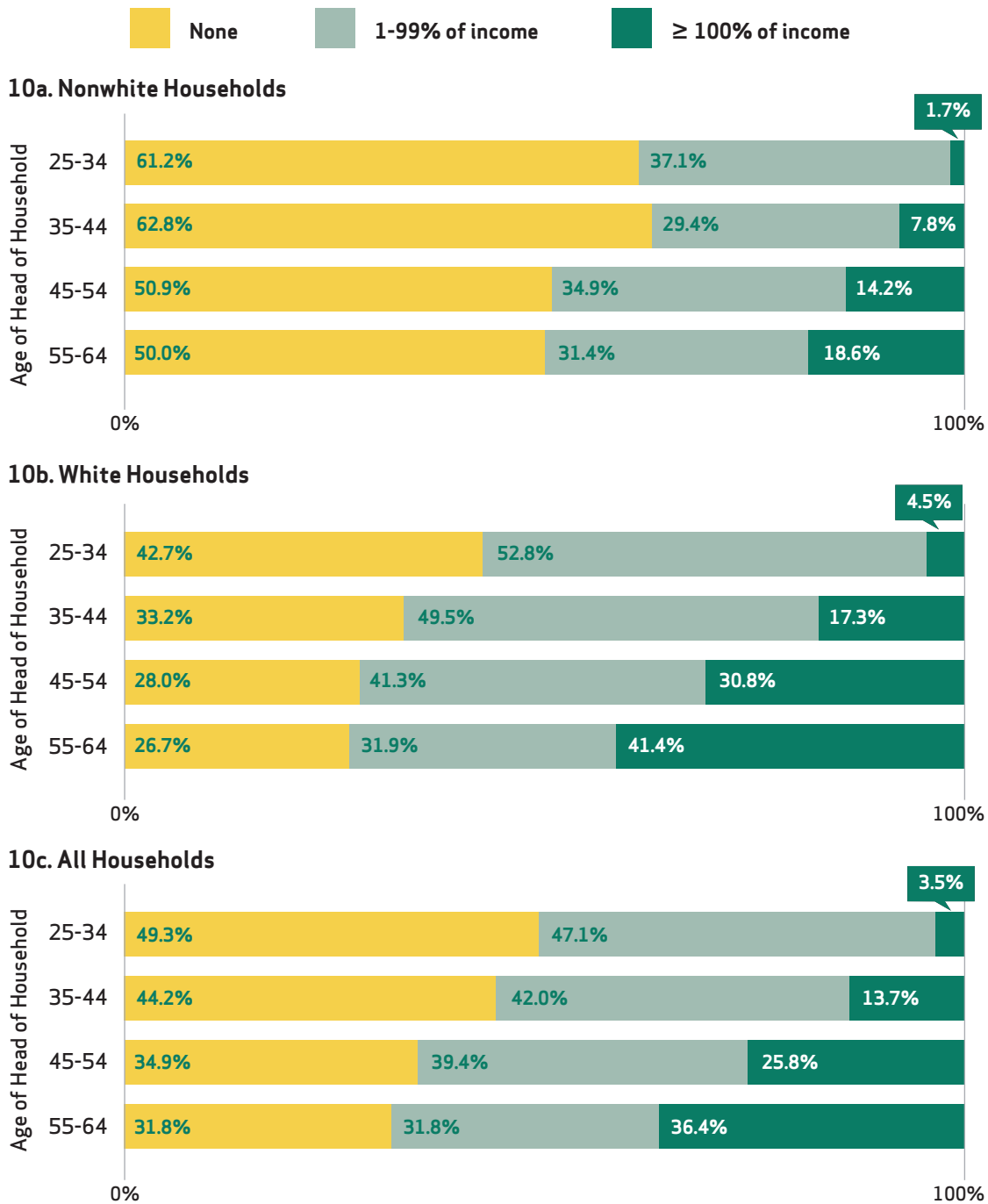
those with retirement assets equal to or greater than 100 percent of income. The results are shown in **Figure 10**.

Two patterns stand out from Figure 10. One is that working households of color have markedly less savings in relation to their income than do white working households. For example, in the 55-64 age group, only 19 percent of households of color had retirement savings equal to or greater than their annual earned income, compared to 42 percent of white households. Across age groups, households of color are about half as likely as white households to have this level of retirement savings.

The other, consistent with findings from Figure 9 above, is that among households of color, the two older age groups (45-54 and 55-64) are not much better off than the two younger age groups (25-34 and 44-45) in terms of how much they have saved for retirement in relation to their earnings. The result is that the racial disparity in retirement savings among working households, after controlling for income, is greater among those near retirement than among younger households.

## Figure 10 a - c: Households of Color Are Less than Half as Likely As White Households to Have Retirement Savings Equal to or Greater than Annual Income

Retirement savings as a percentage of income among working households, by race status and age group, 2010



Source: Author's analysis of 2010 SCF microdata. Universe is households with total earnings > \$5,000 and < \$500,000 and total income < \$1M. Values may not add up to 100% due to rounding.

## CONCLUSION

The retirement crisis affects Americans of all races. All racial groups are inadequately prepared, and the majority of households in every racial group face a large shortfall in retirement assets compared to what they will need in order to maintain their lifestyle, or even meet basic expenses.<sup>33</sup> For instance, while whites have fared significantly better than other groups in terms of access to employer-sponsored retirement benefits and overall retirement savings, the median account balance of \$29,000 for near-retirees represents a tiny fraction of the 8-11 times annual income that some financial experts recommend in order to maintain their standard of living.<sup>34</sup>

We find that the retirement crisis is particularly dire for households of color. Black, Asian, and in particular Latino workers have significantly less access to retirement plans on the job than do whites—particularly in the private sector,

where the incidence of retirement benefits is already low. Consequently, the vast majority of working-age households headed by people of color, in particular Blacks and Latinos, have little or no retirement savings.

The wide racial gap in retirement savings is part and parcel of the broader problem of racial inequality in household wealth in the US. While there is a significant earnings and income gap between people of color and whites, the wealth gap is even wider—and growing.<sup>35</sup> In turn, the growing racial divide in retirement wealth contributes to worsening inequality in overall household wealth.<sup>36</sup> With little to else to depend on besides Social Security when they eventually retire, people of color are especially vulnerable to economic hardship and reliance on public assistance in old age. Addressing the lack of retirement readiness among people of color is critical to solving the national retirement crisis.



## APPENDIX A: SUPPLEMENTAL DATA

Table A1.

### Data Table for Figure 2

Employee workplace retirement plan access by race and age group, 2012

Age of Head of Household	WHITE	BLACK	LATINO	ASIAN/ PACIFIC ISLANDER
25-34	55.1%	47.3%	33.7%	51.4%
35-44	63.4%	54.6%	38.3%	55.9%
45-54	66.1%	58.7%	41.0%	53.9%
55-64	64.8%	58.7%	42.9%	54.6%

Source: Author's analysis of CPS ASEC microdata from IPUMS. Universe is public and private wage and salary employees age 25-64. Racial categories are single-race.

Table A2.

### Data Table for Figure 6

Household retirement account ownership by race and age group, 2010

Age of Head of Household	WHITE	ALL NONWHITE	BLACK	LATINO
25-34	54.9%	34.6%	30.1%	31.9%
35-44	63.2%	34.1%	40.6%	22.7%
45-54	67.2%	43.8%	41.4%	38.6%
55-64	65.7%	39.8%	38.3%	na

Source: Author's analysis of 2010 SCF microdata. Universe is households with heads age 25-64. Race categories reflect the primary race reported for the head of household. Latinos age 55-64 not represented because of insufficient sample size.

## APPENDIX B: METHODOLOGY

### Current Population Survey Annual Social and Economic Supplement (CPS ASEC)

The worker-level retirement plan coverage estimates in this report were tabulated by the author from the CPS ASEC (aka CPS March Supplement), a household survey from the U.S. Bureau of Labor Statistics and the Census Bureau. The microdata sample was extracted from Integrated Public Use Microdata Series-CPS (IPUMS-CPS) at the University of Minnesota.<sup>37</sup> The March Supplement person weight (WTSUPP in IPUMS-CPS) was used to derive estimates. Race categories associated with these estimates are “Hispanic-exclusive” in that the white, Black, and Asian/Pacific Islander categories are non-Hispanic, while the Latino category consists of Hispanics of all races. Race categories derived by the author from the CPS ASEC race and ethnicity variables are also single-race, excluding those who reported more than one race. However, the “All Races” category includes all workers.

### Survey of Consumer Finances (SCF)

The SCF, sponsored by the U.S. Federal Reserve, is a triennial household survey that captures detailed data on family finances including debt, assets (including retirement account balances), and income. The sample is designed to be representative of the general population. In addition, families with high incomes and assets are over-sampled in light of the concentration of wealth. Approximately 6,500 families were questioned for the 2010 survey, but the public dataset contains five “implicate” records for each family, or PEU (primary economic unit), with a total of 32,410 records. The SCF defines the PEU as “the economically dominant single person or couple (whether married or living together as partners)” and all other persons who share the same residence and who are financially interdependent upon them.<sup>38</sup> In this report, “families” and “households” both refer to PEUs in the SCF. Race categories are Hispanic-exclusive (see above) and refer to the primary race reported for the head of household, regardless of whether or not another race was reported.

#### *Household Level Defined Benefit Pension Participation through Current Employment*

There are several variables in the SCF summary file related to retirement plan coverage through a current job held by the head of household and/or their spouse. The variable DBPLANCJ, “Either head or spouse/partner has a defined benefit pension on a current job,” was used for the analysis in this report.

#### *Retirement Account Ownership and Balances*

The SCF contains a key summary variable, RETQLIQ, which is the sum of “quasi-liquid” retirement assets in account-based pensions and retirement plans held by the head and/or spouse. These consist of:

- Employer-sponsored plans including 401(k)s, SEP-IRAs, Simple IRAs, and other account based retirement plans
  - » from previous jobs, and from which income is currently being drawn (CURRPEN)
  - » from previous jobs, and from which income is not yet being drawn (FUTPEN)
  - » from a current job (THRIFT)
- IRAs (including traditional and Roth), and Keogh plans for small businesses (IRAKH)

A household was determined to have a retirement account if their RETQLIQ value was greater than zero and not to have an account if the value was zero. The method and results are consistent with Federal Reserve tabulations of the shares of households “with retirement accounts”.<sup>39</sup>

## ENDNOTES

- 1 A. Munnell, A. Webb, and F. Golub-Sass, 2012 (Oct.), "The National Retirement Risk Index: An Update," Issue Brief No. 12-20, Center for Retirement Research at Boston College, Chestnut Hill, MA; J. VanDerhei, 2012 (May), "Retirement Income Adequacy for Boomers and GenXers: Evidence from the 2012 EBRI Retirement Security Projection Model," *EBRI Notes* v33n5, pp.2-14.
- 2 N. Rhee, 2013 (Jul.), "The Retirement Savings Crisis: Is It Worse Than We Think?," National Institute on Retirement Security, Washington, DC.
- 3 Rhee, op cit., pp. 3-4, 8, 11-12.
- 4 CPS ASEC sample extracted from M. King, S. Ruggles, J.T. Alexander, S. Flood, K. Genadek, M.B. Schroeder, B. Trampe, and R. Vick, 2012, Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. [Machine-readable database], University of Minnesota, Minneapolis, MN.
- 5 Board of Governors of the Federal Reserve, 2010, Survey of Consumer Finances, Summary Extract Public Data, retrieved from [http://www.federalreserve.gov/econresdata/scf/scf\\_2010survey.htm](http://www.federalreserve.gov/econresdata/scf/scf_2010survey.htm).
- 6 Expert readers may realize that the Census Bureau's Survey on Income and Program Participation (SIPP) has similar variables and a larger sample size that allows for more detailed demographic analysis than does the SCF. However, because this study serves as a companion to an earlier report based on the SCF, the author chose to use the same dataset.
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- 8 A.H. Munnell, 2012 (Jul.), "401(k) Plans in 2010: An Update from the SCF," Issue Brief No. 12-13, Center for Retirement Research at Boston College, Chestnut Hill, MA.
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- 11 M. Morrissey and N. Sabadish, 2013, "Retirement Inequality Chartbook," Economic Policy Institute, Washington, DC, Figure 22; M. Morrissey, 2013 (Sep. 11), "Blacks and Hispanics Are Falling Behind Whites in Retirement Coverage," Economic Policy Institute, <http://www.epi.org/publication/snapshot-blacks-hispanics-whites-retirement/>.
- 12 On race and 401(k) plan access and participation, see A.H. Munnell and C. Sullivan, 2009 (Nov.), "401(k) Plans and Race," Issue in Brief No. 9-24, Center for Retirement Research at Boston College, Chestnut Hill, MA.
- 13 T. Ghilarducci, K. Richman, and W. Sun, 2007 (Nov.), "Causes of Latinos' Low Pension Coverage," Institute for Latino Studies, University of Notre Dame du Lac, Notre Dame, IN.
- 14 See discussion in A.H. Munnell and P. Perun, 2006 (Aug.), "An Update on Pensions," Issue in Brief No. 50, Center for Retirement Research at Boston College, Chestnut Hill, MA.
- 15 For example, see Section 4 in L. Mishel, J. Bivens, E. Gould, and H. Shierholz, 2012, *The State of Working America*, 12th Edition, Economic Policy Institute, Washington, DC, <http://stateofworkignamerica.org>.
- 16 The differences in access rates across the 25-34, 44-45, and 55-64 age groups for Asians are not statistically significant at the 90 percent confidence level.
- 17 The difference between Black and Asian access rates are statistically significant at the 95 percent confidence level.
- 18 In this paragraph, the relative difference was calculated as (percentage share of whites with access - percentage share of other race with access) / (percentage share of whites with access).
- 19 According to the author's analysis of CPS ASEC microdata, the share of wage and salary employees age 25-64 who work in the public sector is 21.3 percent for Blacks, 18.4 percent for whites, 13.8 percent for Asians, and only 11.6 percent for Latinos in 2012.
- 20 For instance, a recent employer survey found that 92 percent of employers sponsoring 401(k) plans offered matching contributions predicated on employee contributions, 21 percent made discretionary contributions not based on employee contributions, and only 9 percent made fixed contributions. World at Work and American Benefits Institute, 2013 (Mar.), "Trends in 401(k) Plans and Retirement Rewards," World at Work, Scottsdale, AZ.
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- 22 C. Copeland, 2012 (May), "Individual Retirement Account Balances, Contributions, and Rollovers, 2010: The EBRI IRA Database," Issue Brief No. 371, Employee Benefit Research Institute, Washington, DC; Rhee 2013, op cit., p. 18.
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- 24 J. Bricker, A.B. Kennickell, K.B. Moore, and J. Sabelhaus, 2012 (Jun.), "Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin* v98n2, pp. 1-80.
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- 32 Rhee, op cit., p. 12.
- 33 Munnell et al. 2012, op cit.; Van Derhei, op cit.
- 34 Fidelity, op cit.; Aon Hewitt, op cit.
- 35 S. M. McKernan, C. Ratcliffe, E. Steuerle, and S. Zhang, 2013 (Apr.), "Less Than Equal: Racial Disparities in Wealth Accumulation," Urban Institute, Washington, DC; T. Shapiro, T. Meschede, and S. Osoro, 2013 (Feb.), "The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide," Institute on Assets and Social Policy,.
- 36 Morrissey and Sabadish, op cit.
- 37 King et al., op cit.
- 38 J. Bricker et al., op cit.
- 39 J. Bricker et al., op cit.

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