STARK INEQUALITY

FINANCIAL ASSET INEQUALITY UNDERMINES RETIREMENT SECURITY

By Tyler Bond

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EXECUTIVE SUMMARY

The ownership of financial assets, much like the ownership of wealth broadly, is highly concentrated among Americans of high net worth. This stark inequality in the ownership of financial assets undermines the premise of a retirement system built around the individual ownership of financial assets in defined contribution (DC) accounts. The shift in the private sector from a retirement system structured around defined benefit pensions to one built around DC plans has corresponded with larger societal shifts that have driven more wealth and income toward the top. These shifts and the resulting increase in economic inequality have weakened retirement security for the middle class.

This research uses data from the Federal Reserve's Survey of Consumer Finances to examine financial asset ownership by net worth, generation, and race. This research considers three generational cohorts: Millennials, Generation X, and the Baby Boomers. Millennials are assessed in 2016 and 2019, while Generation X and Baby Boomers are assessed in 2004, 2010, 2016, and 2019.

This report's key findings include:

- Inequality in the ownership of financial assets both persists and deepens over time. The top five percent of Baby Boomers by net worth owned a greater percentage of that generation's financial assets in 2019 (58%) than in 2004 (52%).
- Inequality in the ownership of financial assets is also consistent across generations. In 2019, the top 25 percent by net worth of Millennials, Generation X, and Baby Boomers owned three-quarters or more of their generation's financial assets.
- Financial asset ownership is also highly concentrated among white households. Again, in 2019, white households in all three generations owned three-quarters or more of their generation's financial assets. Ownership is especially concentrated among white households in the top 25 percent of net worth.
- Both mean and median financial assets were significantly higher for white households in 2019 than Black or Hispanic households.
- A range of potential solutions exist to address this stark inequality including strengthening and expanding Social Security, protecting pensions, increasing access to plans for low-income workers, and reforming retirement tax incentives.

INTRODUCTION

Over the past forty years, the United States has shifted from a retirement system built around the collective pooling of assets in plans like defined benefit pensions to one focused on the individual ownership of assets in defined contribution plans like 401(k)s. This fundamental shift in the U.S. retirement system mirrors larger societal shifts that have placed more of the burden of addressing life's challenges on the individual. Unfortunately, the ownership of financial assets, much like the possession of wealth generally, is highly concentrated at the top among a relatively small share of Americans with high net worths. Financial asset ownership also is highly concentrated among white Americans. A retirement system built around the individual ownership of financial assets cannot successfully provide retirement security if the bottom half of near-retirees only owns two to three percent of their generation's financial assets. Furthermore, this system of individual retirement savings amplifies the broader societal trends that are pushing more income and wealth toward the top. This report examines the ownership of financial assets according to net worth through two dimensions: generation and race. It finds that these stark inequalities persist over time and across generations.

This report builds upon previous research by the Government Accountability Office (GAO) and the National Institute on Retirement Security (NIRS). The origins of this research lie in a GAO report from 2006. There was a fear, common in the financial press at the time, that as the Baby Boomers began to retire, they would withdraw their assets from the financial markets to fund their retirement. There was concern that this withdrawal would cause the financial markets to collapse. However, this theory was based upon a faulty premise: that the ownership of financial assets was widely shared. A GAO study examined this issue using data from the 2004 Survey of Consumer Finances (SCF), and it found stark inequalities in the ownership of financial assets within the Baby Boomer generational cohort.

NIRS expanded upon this research in 2019 looking at Baby Boomers at three points in time - 2004, 2010, 2016 - as well as examining Generation X and Millennials in 2016. That research found that inequality in the ownership of financial assets is consistent across generations and deepens over time within generations. The new research in this report both updates and expands upon the previous NIRS research. This report includes data for all three generations from the 2019 SCF. It also adds 2004 and 2010 as points in time to examine Generation X, so that Baby Boomers and Generation X are both considered at four points in time (2004, 2010, 2016, 2019), while Millennials are considered at two points in time (2016 and 2019).

It should be noted that this research examines financial assets, which is a broader category than just assets saved for retirement. According to the SCF, the category of financial assets "consists of liquid assets, certificates of deposit, directly held pooled investment funds, stocks, bonds, quasi-liquid assets, savings bonds, whole life insurance, other managed assets, and other financial assets." It does not include physical assets such as a home or a car. It also should be noted that this data is for households, not individuals.

The research in this report adds a new dimension to the analysis: considering the impact of race in addition to generation and net worth on the ownership of financial assets. Due to the data limitations of the SCF, this report examines the ownership of financial assets by white, Black, and Hispanic[1] Americans. Assessing the inequalities in financial asset ownership by net worth reveals much, but the context of race cannot be ignored when considering economic inequalities in the United States. The data show that across generations and time, white Americans own far more financial assets than either Black or Hispanic Americans.

TECHNICAL NOTES

This report defines the three generational cohorts studied in the following way: Baby Boomers are those born between 1946 and 1964. Generation X are those born between 1965 and 1980. Millennials are those born between 1981 and 1996. These definitions are consistent with those of other research organizations.[2]

While the methodology employed in this report closely follows that used by GAO in 2006, it differs slightly and, therefore, results are not directly comparable. This report used Stata for the analysis of the Survey of Consumer Finance (SCF) data and primarily relied upon four variables: FIN, NETWORTH, AGE, and RACE. The data was taken from four survey years of the SCF: 2004, 2010, 2016, and 2019. [Note: 2019 is the latest year of available data for the SCF, which is fielded every three years.] The generations were created by recoding the variable AGE into a new variable, GENERATION, using the ages members of each generational cohort would have been in the respective survey years.

Analysis of the share of financial assets owned is done within each generational cohort. That is, the percentage of financial assets owned by Baby Boomers in the top 25 percent by net worth is the percentage of Baby Boomer financial assets owned, not all financial assets within the United States. The same is true for the analysis of the other generational cohorts. The intent is to isolate financial asset ownership within generations to uncover patterns across generations. Baby Boomers would likely have the largest total amount of financial assets owned due to their status as the oldest cohort examined.

I. BABY BOOMERS

The Baby Boomer generation has exerted disproportionate cultural power in American life for decades, so it is fitting that this generation sparked this research. The first Baby Boomers reached age 65 in 2011, and it was their impending retirement that led some to predict a financial market collapse. This theory was faulty in at least two ways: one about the ownership of financial assets and another about how most Americans finance retirement. Most Americans do not finance their retirement through the ownership of financial assets held in 401(k)s, IRAs, or other defined contribution accounts. Instead, Social Security remains the primary source of retirement income for the majority of older Americans. Especially for those lower on the income spectrum, Social Security may account for three-quarters of their income in retirement. Income from defined benefit pensions also remains important for a substantial number of older Americans.[3]

The other way the theory of the Baby Boomer financial market collapse was wrong pertains to who owns financial assets in the U.S. To cause a collapse of financial markets, a large number of American stockowners would need to sell assets in a relatively short time. But, the theory was flawed. First, it assumes that there would be no buyers for those assets that would continue to keep the markets afloat. Second, a sell off of that size would need to occur in a very short period of time, otherwise the markets would have time to adjust. The reality is that Baby Boomers will reach retirement age over the course of almost two decades. Finally, the theory assumes that the ownership of financial assets is widespread enough that a large number of people would have assets to sell. With the ownership of assets so highly concentrated at the top, the people who own most of the assets do not need to sell them in order to finance their retirements. Thus, a portion of these resources - generated through tax incentives meant for retirement - will be passed on to their children.

This highly unequal ownership of assets within the Baby Boomer generation was revealed by the GAO in their report for Congress, Baby Boom Generation: Retirement of Baby Boomers is Unlikely to Precipitate Dramatic Decline in Market Returns, but Broader Risks Threaten Retirement Security [GAO-06-718]. The report authors used data from the 2004 SCF to examine the percentage of generational financial assets owned by the top half and the bottom half, as well as the top 25 percent, top ten percent, and top five percent. According to their research, the bottom 50 percent of all Baby Boomers in 2004 owned only three percent of financial assets, whereas the top five percent owned more than half (52 percent).

Figure 1: Distribution of Baby Boomer Financial Assets by Wealth Percentiles, 2004

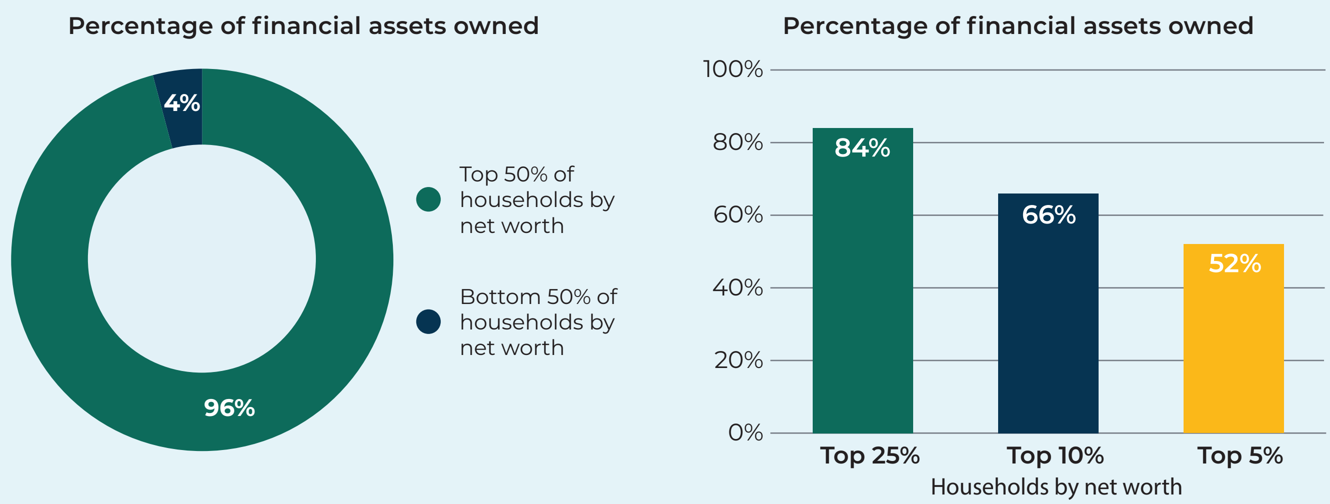


Figure 2: Distribution of Baby Boomer Financial Assets by Wealth Percentiles, 2010

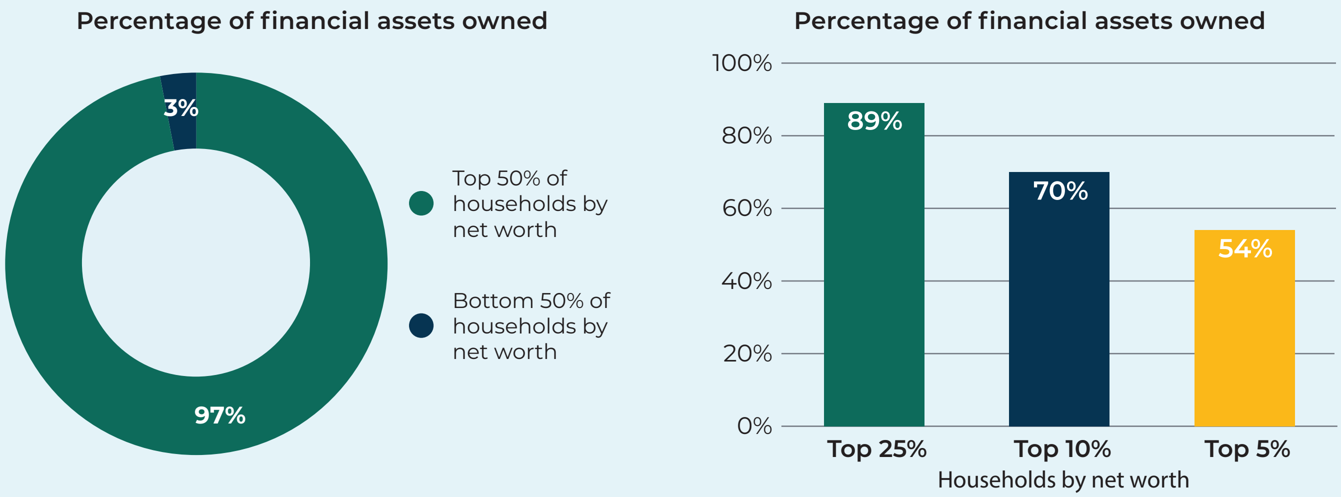


Figure 3: Distribution of Baby Boomer Financial Assets by Wealth Percentiles, 2016

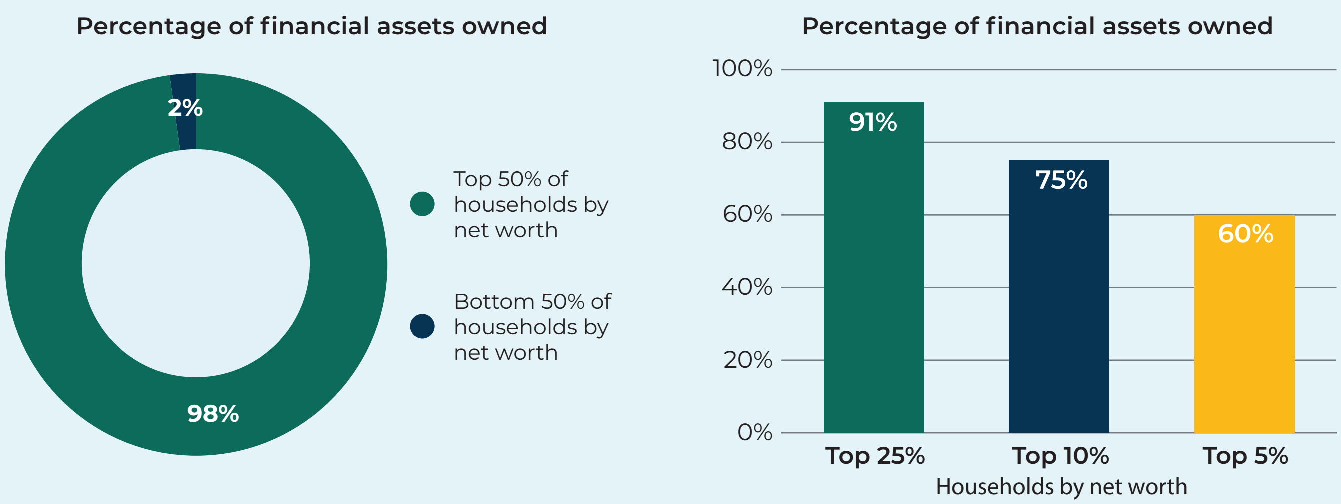
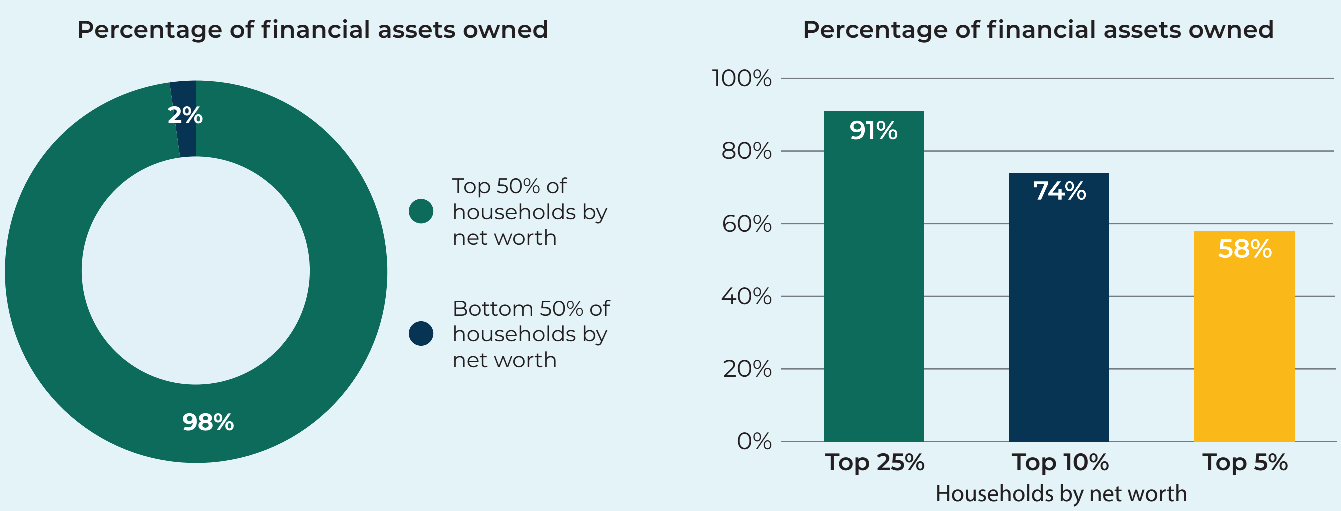


Figure 4: Distribution of Baby Boomer Financial Assets by Wealth Percentiles, 2019



Expanding upon this research reveals that this stark inequality not only persists across time, but also deepens. In 2010, the bottom half of Baby Boomers still only owned three percent of that generation's financial assets, while the top five percent now owned 54 percent. By 2016, the bottom half of Boomers only owned two percent, while the top five percent owned 60 percent. In 2019, the bottom half of Boomers by net worth still only owned two percent of that generation's financial assets, while the top five percent owned 58 percent.

Inequality in the ownership of financial assets increases over time for at least two reasons. First, there is the simple matter of having more time to put more money into savings via the purchase of more financial assets. Second, those financial assets have time to grow via interest earned.

These stark inequalities among all Baby Boomers are concerning, but even deeper inequalities are revealed when considering race. The data in Tables 1 through 4 document the percentage of Baby Boomers who are white, Black, or Hispanic in each of the survey years. The percentages remain very stable across time, with nearly three-fourths of Boomers being white. Those white Boomers own a great percentage of that generation's financial assets.

Table 1: Percentage of Race Within Each Generation, 2004

Generation	White	Black	Hispanic	Other
Generation X	66%	15%	15%	4%
Baby Boomer	73%	14%	8%	5%

Table 2: Percentage of Race Within Each Generation, 2010

Generation	White	Black	Hispanic	Other
Generation X	62%	15%	17%	6%
Baby Boomer	74%	14%	8%	4%

Table 3: Percentage of Race Within Each Generation, 2016

Generation	White	Black	Hispanic	Other
Millennial	61%	17%	14%	8%
Generation X	60%	18%	16%	6%
Baby Boomer	72%	16%	8%	4%

Table 4: Percentage of Race Within Each Generation, 2019

Generation	White	Black	Hispanic	Other
Millennial	59%	18%	15%	8%
Generation X	63%	16%	14%	7%
Baby Boomer	74%	15%	7%	4%

Figures 5 through 8 show the percentage of financial assets owned within each generation by race in each of the survey years. In all four survey years, white Boomers own more than 90 percent of that generation's financial assets, while Black or Hispanic Boomers own three percent or less. Despite representing 15 percent of Baby Boomers in 2019, Black Boomers that year only owned three percent of that generation's financial assets. Even when considering race, ownership is still highly concentrated by net worth. In 2004, white Baby Boomers in the top 25 percent of net worth owned 78 percent of that generation's financial assets. In 2019, the equivalent percentage was 84 percent. Black Baby Boomers in the top 25 percent of net worth never own more than two percent of that generation's financial assets.[4]

Figure 5: Ownership of Baby Boomer Financial Assets by Race, 2004

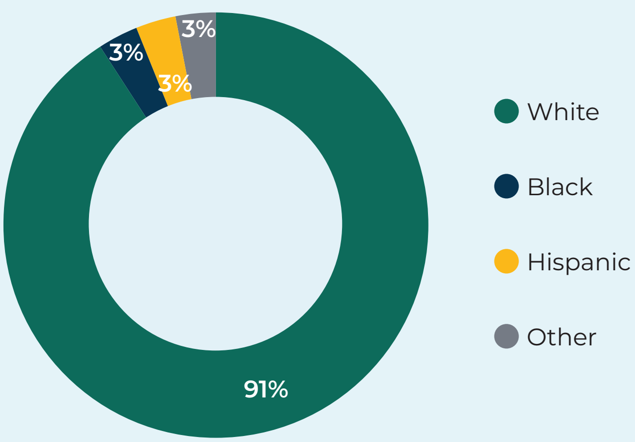


Figure 6: Ownership of Baby Boomer Financial Assets by Race, 2010

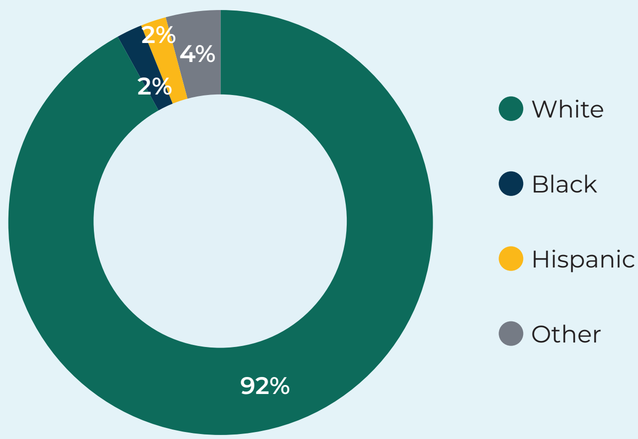


Figure 7: Ownership of Baby Boomer Financial Assets by Race, 2016

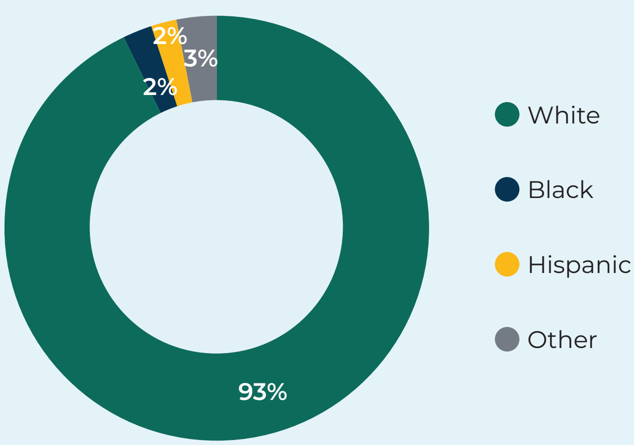
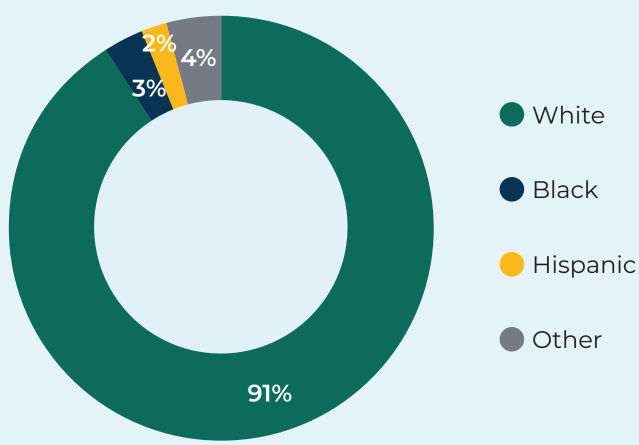


Figure 8: Ownership of Baby Boomer Financial Assets by Race, 2019



II. GENERATION X

The experience of Generation X largely mirrors that of the Baby Boomers. It is worthwhile to note that Generation X was the first generation to mostly enter the workforce after the shift from pensions to 401(k)s in the private sector. Generation X also is a somewhat more diverse generation than the Baby Boomers. While the percentage of Black Gen Xers remains around 15 percent, nearly the same as for Black Boomers, the percentage of Hispanic Gen Xers nearly doubles from the percentage of Hispanic Boomers.

In terms of the ownership of financial assets, Generation X sees many of the same patterns as did the Baby Boomers. In 2004, Baby Boomers were ages 40-58; Generation X reached the same point in their lifecycle in 2019 (ages 39-54). The top 25 percent of Boomers in 2004 owned 84 percent of assets, while the top 25 percent of Gen Xers in 2019 owned 89 percent. The top five percent of Boomers in 2004 owned 52 percent of their generation's financial assets, while the top five percent of Gen Xers in 2019 owned 58 percent. If anything, Generation X is a more unequal generation than the Boomers when measured at similar ages.

This remains true when considering race. As noted above, Generation X is a somewhat more diverse generation than the Baby Boomers, but the ownership of financial assets remains concentrated among white Gen Xers. White Gen Xers owned roughly four-fifths of that generation's financial assets in each of the four survey years included in this research.

Again, even when factoring in both generation and race, the ownership of financial assets is highly concentrated by net worth. White Gen Xers in the top 25 percent in 2019 owned more than two-thirds (69 percent) of that generation's financial assets. Despite a somewhat promising start in 2004 when Generation X was a fairly young cohort, the percentage of financial assets owned by Black Gen Xers has fallen over time, even among Blacks in the top 25 percent.

Figure 9: Distribution of Generation X Financial Assets by Wealth Percentiles, 2004

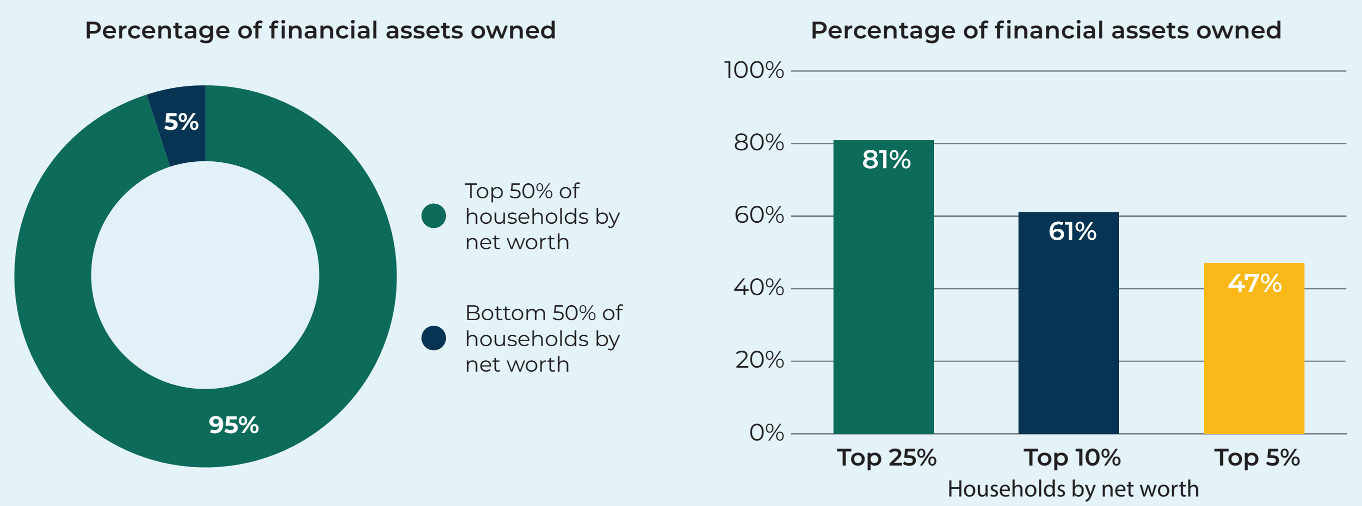


Figure 10: Distribution of Generation X Financial Assets by Wealth Percentiles, 2010

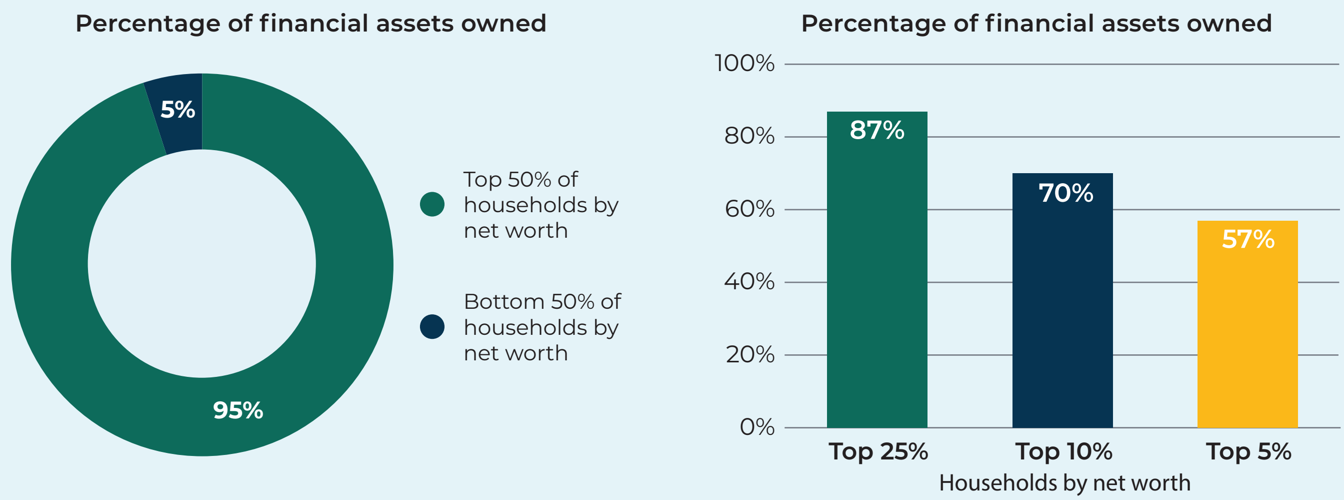


Figure 11: Distribution of Generation X Financial Assets by Wealth Percentiles, 2016

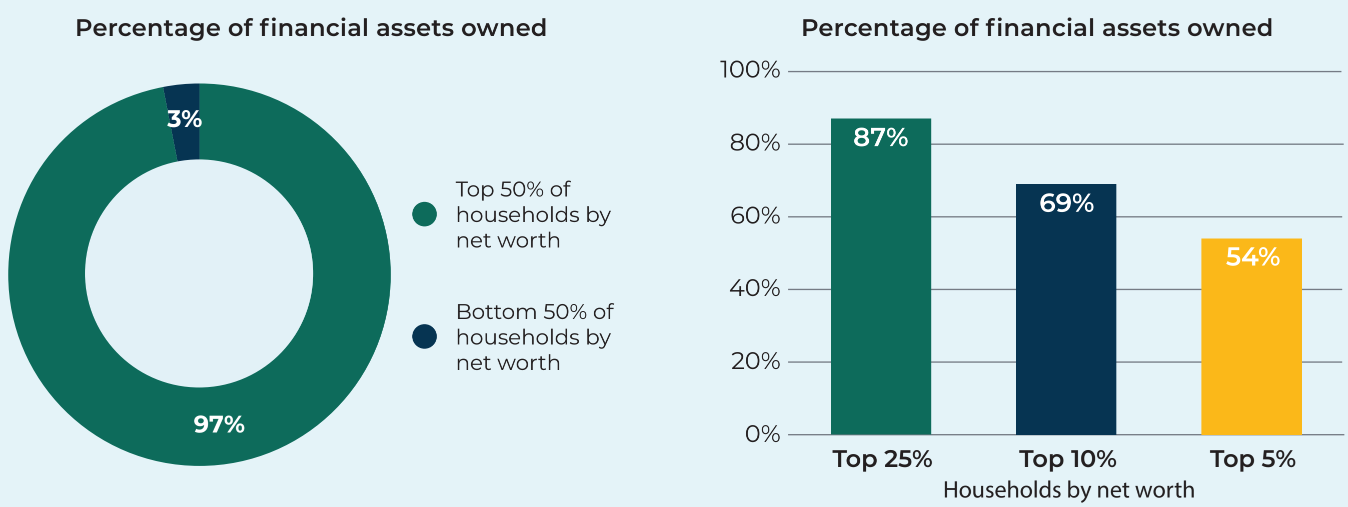


Figure 12: Distribution of Generation X Financial Assets by Wealth Percentiles, 2019

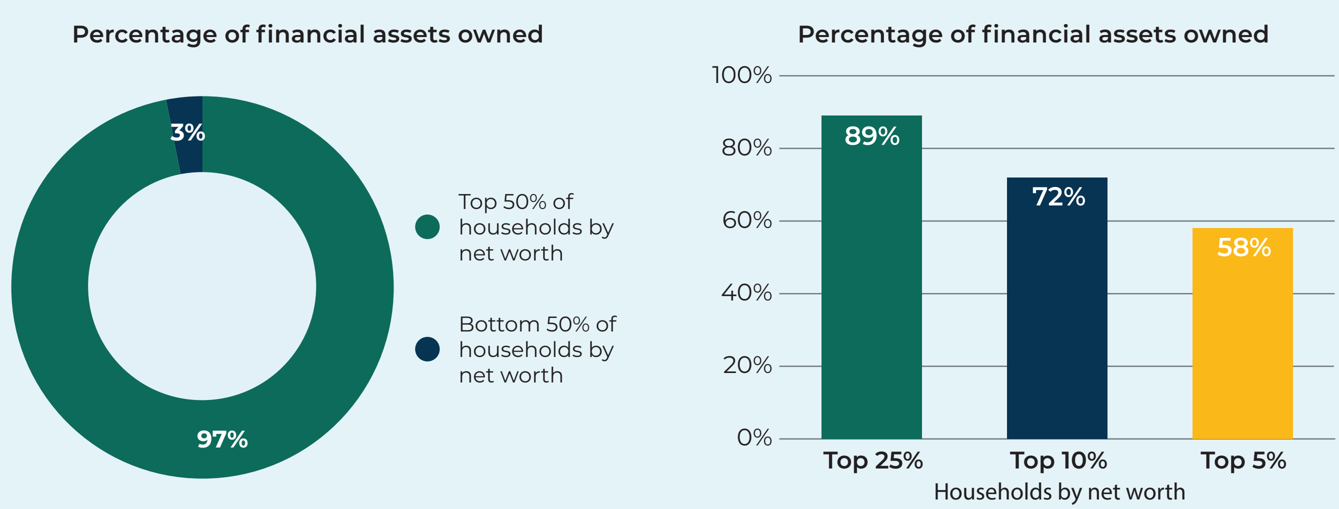


Figure 13: Ownership of Generation X Financial Assets by Race, 2004

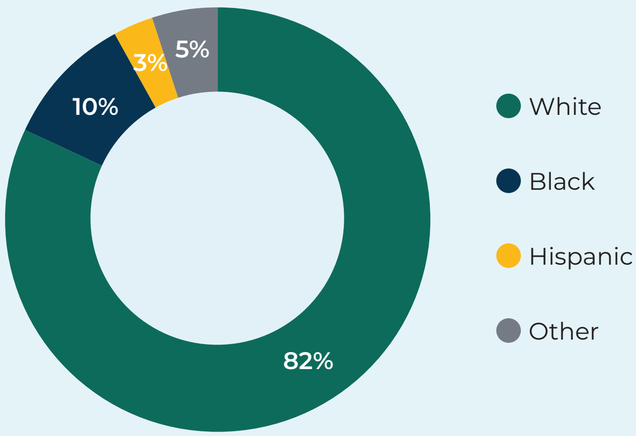


Figure 14: Ownership of Generation X Financial Assets by Race, 2010

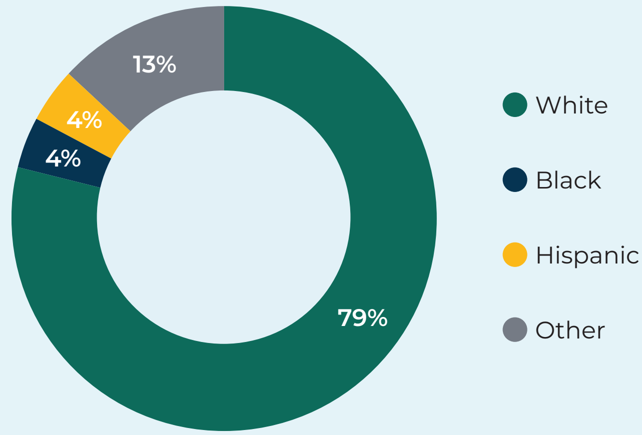


Figure 15: Ownership of Generation X Financial Assets by Race, 2016

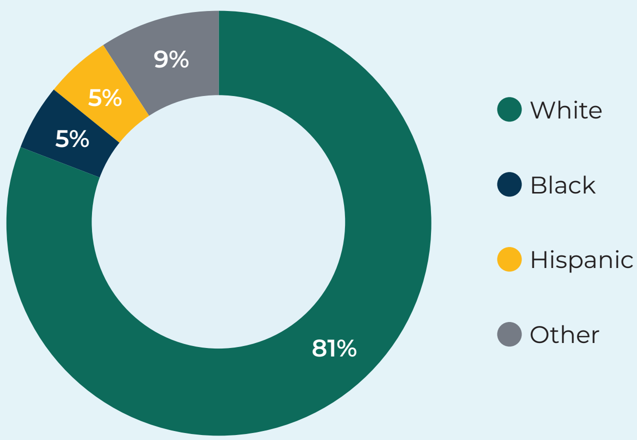
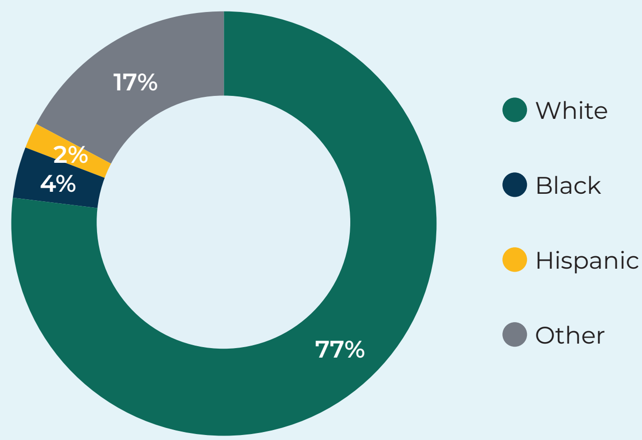


Figure 16: Ownership of Generation X Financial Assets by Race, 2019



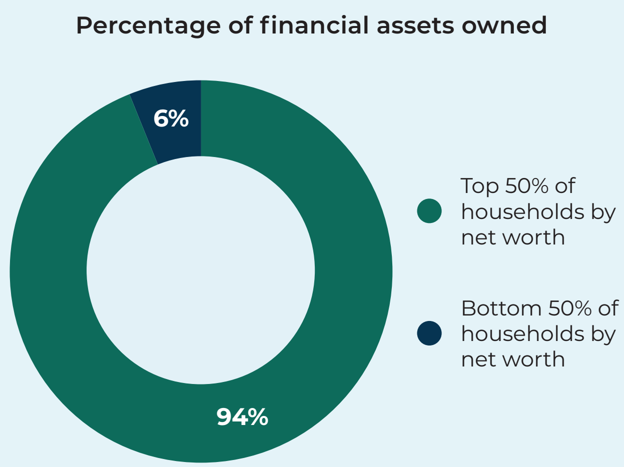
III. MILLENNIALS

Millennials are the youngest of the three generational cohorts studied in this research. Like the Baby Boomers, they are a large and culturally powerful generation. Despite being the best educated generation in history, Millennials have had a rough start to their adult lives with the 2008 financial crisis, a weak job market affecting many Millennials early in their careers, and skyrocketing college costs and the associated debt. Despite these hurdles, there is evidence that Millennials are beginning to catch up with previous generations, at least before the COVID-19 pandemic and 2020 recession.[5]

It may take years of further data to disentangle the impact of the COVID-19 pandemic recession on the financial lives and wealth of Millennials. Just before the pandemic shut down large sections of the economy, many Millennials finally were catching up with previous generations in terms of home ownership and other markers of financial health. Given the k-shaped nature of the recovery from the pandemic recession, it seems likely that some Millennials have continued the upward trajectory of their pre-pandemic lives, while others have been dealt yet another setback. One clear lesson from the two prior generations is that inequality in financial asset ownership deepens over time, and there is little reason to think the same won't occur among Millennials.

The data show that Millennials have followed similar patterns of highly unequal financial asset ownership as compared to their generational predecessors. The data suggest that the strong economy in 2019 made things slightly more equal for Millennials that year, but the degree of inequality in financial asset ownership is still disconcertingly high. The bottom half of Millennials in 2019 only owned eight percent of that generation's financial assets, while the top five percent owned 39 percent (down significantly from 61 percent in 2016). And despite being a more racially diverse cohort, white Millennials still owned three-fourths of Millennial financial assets in 2019.

Figure 17: Distribution of Millennial Financial Assets by Wealth Percentiles, 2016



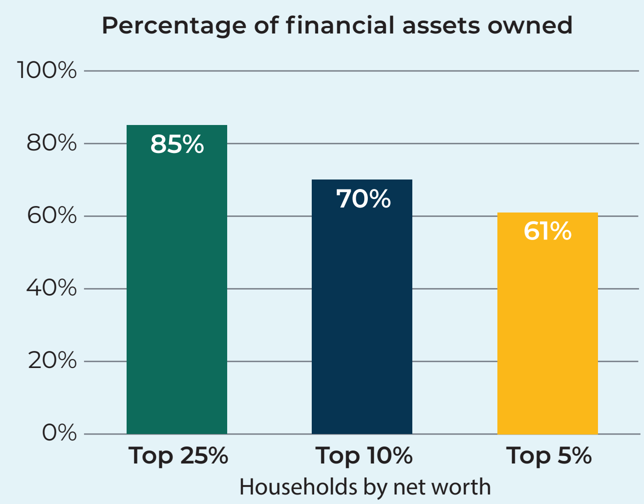
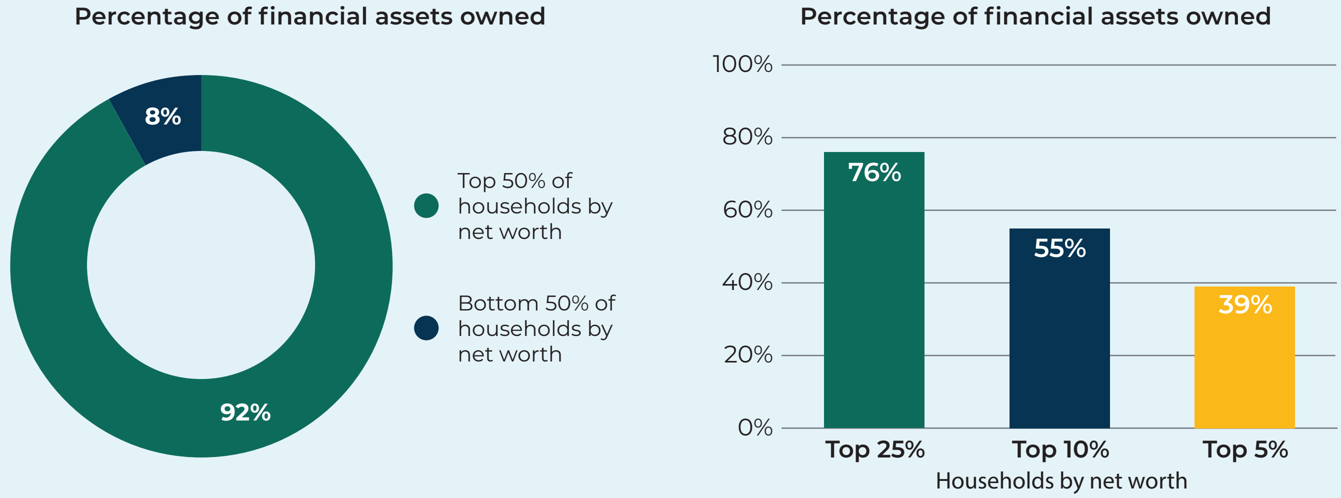


Figure 18: Distribution of Millennial Financial Assets by Wealth Percentiles, 2019



Millennials in 2019 were at a similar point in their life cycles as Generation X in 2004. As noted above, Millennials in 2019 saw a slightly more equal ownership of financial assets than either of the two previous generations. For example, the top 25 percent of Gen Xers in 2004 owned 81 percent of that generation's financial assets, while the top 25 percent of Millennials in 2019 owned 76 percent.

Figure 19: Ownership of Millennial Financial Assets by Race, 2016[a]

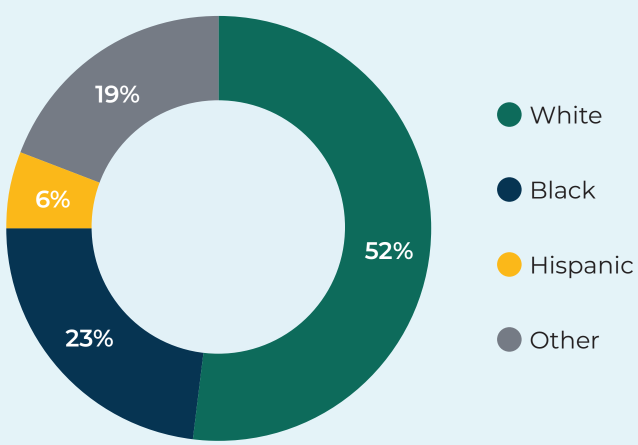
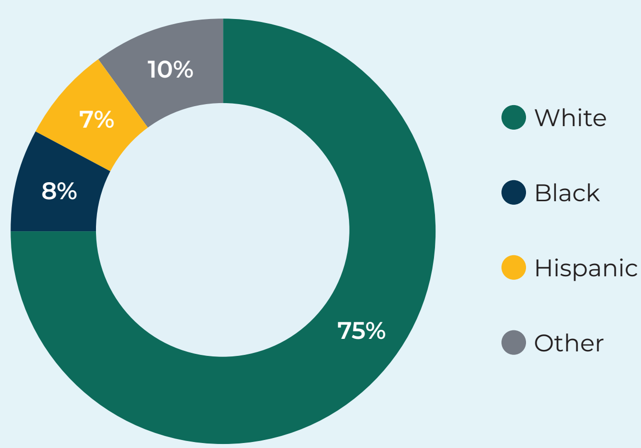


Figure 20: Ownership of Millennial Financial Assets by Race, 2019



[a] In 2016, Millennials were ages 20-35. Due to the fact that young people generally own fewer financial assets than older people; wealth, which includes financial assets, is not normally distributed; and a relatively small sample size, the results for Black Millennials have a larger standard error. These results should be viewed cautiously since they are inconsistent with the results from other years and for other generations

IV. IMPLICATIONS FOR RETIREMENT

Over the past forty years, the United States has gradually moved away from a retirement savings structure built around collective sources of retirement income. Defined benefit pension plans are much less common in the private sector than two generations ago.[6] Pensions remain prevalent in the public sector, but even there, some plans were closed - at least to new hires - following the 2008 financial crisis. And Social Security replaces a smaller portion of preretirement income than in the past.

What has replaced this system is a retirement savings structure built around individual savings and the individual ownership of financial assets, typically through 401(k)-style defined contributions plans. To be clear, not all financial assets are owned for the purpose of financing retirement. Individuals and households may have a number of different reasons for choosing to own stocks, bonds, and other financial assets. But the focus of the American retirement savings system has shifted to one premised upon the individual ownership of assets. However, this system cannot facilitate broadly shared retirement security if the ownership of financial assets is highly concentrated among a relative few at the top.

The premise of the dominant retirement savings system is based upon investing savings into assets that will grow over time with interest. In fact, in the final years of one's career, the value of savings in a defined contribution plan should increase significantly due to investment earnings, not contributions.[7] By and large, individuals do not just save cash for retirement. However, the data in this report indicate why the U.S. is experiencing a retirement savings crisis: the majority of Americans own few financial assets that they can save and invest for their retirement.

Previous NIRS research found that older households with income from defined contribution plans had significantly higher household net worth than households without DC plan income. In fact, households with DC and Social Security income had nearly three times the household net worth than households with defined benefit and Social Security income.[8] This lends further credence to the argument that defined contribution plans, and the financial assets that accumulate in them, primarily benefit those with the highest net worth.

The retirement savings crisis and its causes have been widely covered by a number of organizations, including NIRS. This report presents data that serves as evidence to support the existence of the retirement savings crisis. It's one thing to talk about how most Americans are not saving enough or how longer lives increase the cost of retirement. This data shows the hard reality that the bottom three-fourths of Americans own little in terms of financial assets, and this is why most workers are struggling to achieve a secure retirement.

The data in this report reveal the difficulties facing Black Americans. In all three generational cohorts, Black Americans own small percentages of financial assets. And what's even more concerning is that those percentages tend to decline over time. Plenty of evidence exists that shows how little wealth the typical Black household has compared to the typical white household, and this data is just more evidence of that fact. Again, financial assets are not wealth, which is a broader term, but they do tend to correspond with wealth. In addition to the discrepancy in financial assets, similar trends have been widely reported on housing wealth.[9]

One way in which this divide between Black and white households can be seen is by comparing mean and median financial assets. Table 5 shows the mean and median financial assets in 2019 for each generational cohort and for each cohort according to race. For all three generations, Black and Hispanic assets at both the mean and the median are lower than for the entire generational cohort and far lower than white households within the same generation. It is also worth pointing out that there is a significant difference between the mean and median financial assets for white households in each generation, due to the concentration of financial asset ownership at the top.

Table 5: Financial Assets in 2019

Generation/Race	Median	Mean
Millennials (All)	$10,300.00	$49,999.02
White	$16,050.00	$63,318.00
Black	$4,800.00	$20,780.15
Hispanic	$3,620.00	$21,782.82
Generation X (All)	$31,900.00	$321,037.40
White	$60,860.00	$392,179.60
Black	$9,040.00	$80,269.66
Hispanic	$4,550.00	$56,970.26
Baby Boomers (All)	$47,300.00	$596,613.60
White	$80,700.00	$739,185.90
Black	$5,020.00	$99,425.74
Hispanic	$4,900.00	$174,700.20

Black Americans receive relatively high proportions of their retirement income from pensions and Social Security, those collective sources of retirement savings. Black Americans participate in pension plans at nearly the same rate as white Americans.[10] Previous NIRS research has found that for both Black men and Black women, income from Social Security represents a greater portion of their total retirement income than for any other group.[11] Additional NIRS research found that white and Black older adults had nearly identical percentages of retirement income from DB pensions (28.5 percent and 29.5 percent, respectively) while older white adults received more than double the percentage of income from defined contribution plans as older Black adults (29.4 percent and 13.7 percent, respectively).[12]

The experience of Hispanic Americans seems to closely resemble that of Black Americans in terms of owning financial assets. Hispanic Millennials in 2019 only owned seven percent of that generation's financial assets, despite representing 15 percent of that generational cohort. The trends for Hispanic Americans in other generations and other survey years is similar. Black and Hispanic Americans within each generation have similar levels of financial asset ownership - levels that are significantly lower than for white Americans. Even for Blacks and Hispanics in the top 25 percent of net worth, their percentage of financial assets owned is small within their generation.

V. SOLUTIONS

The ownership of financial assets will always be unequal to some degree. Those with higher net worths will own a greater percentage of financial assets as a matter of fact. What can be changed are policies that help those lower net worth individuals accumulate more financial assets.

Any discussion about protecting lower income individuals, especially in terms of retirement security, must begin with protecting systems that already are reliably providing retirement income across the income and wealth spectrums: Social Security and defined benefit pensions.

Congress and the White House must make adjustments to the financing of Social Security, which is still funded based upon economic projections that were performed nearly 40 years ago. Almost all retirees receive some income from Social Security and a significant number receive 90 percent or more of their income from Social Security.[13] However, the Social Security Trust Fund is projected to run dry in a decade or so, which would trigger immediate benefit cuts for everyone. This would be devastating for the many older Americans who rely heavily on these earned benefits to pay their bills in retirement. As such, the first order of business must be to shore up Social Security's financing to prevent the depletion of the trust fund, as the longer we wait the more expensive this adjustment likely becomes. For instance, eliminating the cap on taxable earnings for Social Security would eliminate half to three-quarters of the projected shortfall over the next 75-years depending on whether the cap on benefits is also eliminated.[14]

After its financing is secure, Congress and the White House should look to modernize and expand Social Security through such initiatives as reforming the spousal benefit, providing caregiving credits, and instituting a minimum benefit that is more effective at mitigating elder poverty.

Pensions also are a vital source of retirement income for many middle-class families, though coverage is less universal given the voluntary nature of employer plans in the private sector. Pensions help to keep many middle-class families in the middle class throughout retirement, especially middle-class Black families. The erosion of pensions in the private sector has coincided with a rise in inequality and a greater squeeze on the middle class. The great risk shift has been particularly pronounced in the retirement space.

Policymakers at both the state and federal levels also can consider ways to increase the savings of working families, especially those at the lower end of the income spectrum who often lack employer-sponsored retirement plans. More than a dozen states have enacted some form of a state-facilitated retirement savings program, with the most common design being an auto-IRA plan. These savings programs, often dubbed "Secure Choice" plans, create a savings vehicle for workers who are not offered a savings plan through their employer. One strong indicator of their success is the number of cities and states that continue to adopt these programs each year. For the three states that are farthest along in establishing their programs (California, Illinois, and Oregon), they have seen continued growth in the total assets within the programs, the total number of funded accounts, and the total number of registered employers. As of June 30, 2021, there was over $276 million in assets in these three programs, as well as 358,785 funded accounts, and 35,915 registered employers - all of which are increases from just the month before.[15]

A number of other potential mechanisms for increasing savings, and, therefore, financial asset ownership, are still being established or considered. Pooled Employer Plans (PEPs) and Multiple Employer Plans (MEPs) could make it easier for more small employers to offer retirement savings plans to their employees. The biggest obstacle for many workers to saving is having access to a plan, so expanding the number of avenues by which an employer could offer a plan should increase savings and the ownership of financial assets for the bottom half. Other potential programs relate more to the savings themselves. Collective defined contribution plans (CDCs) were recently established in the United Kingdom and have existed for a while in other European countries such as the Netherlands. These plans address the collective pooling of assets within the framework of a defined contribution, rather than defined benefit, plan. The efficiencies of collective pooling are well-established and should be promoted among DC plans in the U.S.[16]

Finally, reforming the tax treatment of retirement savings and various investments would level the playing field and promote a more equitable ownership of financial assets. The tax incentives for saving for retirement through a 401(k) strongly favor those at the top of the income and wealth spectrum, which follows from the transition from tax incentives largely provided via the corporate tax system that impacted workers more equally to tax incentives now provided more through individuals' returns that are skewed upwards. In addition, it is unclear what proportion of the tax incentives provided to wealthier families actually serve to create retirement income and what proportion supports estate building. Moreover, high-income earners have more incentive to save, while changes to the tax code in recent decades mean that middle-income earners derive meager tax benefits from saving through a 401(k) plan. Changing the tax treatment of retirement savings and improving the Saver's Credit would not only incentivize more low- and middle-income families to save, but would make saving more worthwhile from a financial standpoint.

CONCLUSION

The ownership of financial assets in the United States is vastly unequal. Ownership is highly concentrated among those at the top of net worth and among white households. This stark inequality undermines the premise of an approach to retirement savings based on the individual ownership of assets within various employer plans or tax structures. Thus, the U.S. has seen retirement security for many working families deteriorate in recent decades as collective sources of retirement income, such as Social Security and pensions, have been allowed to weaken, while defined contribution plans have dominated the private sector (outside of union workplaces and large employers[17]).

If the U.S. is to succeed in providing retirement security for all Americans, then significant reforms are needed. Social Security should be strengthened and expanded. Pension plans must be protected. More workers need access to a workplace retirement savings plan at a young age. And the tax treatment of retirement savings must be reformed to encourage saving regardless of income. Accomplishing these reforms would lead to more secure retirements and would promote a strong, broad middle class.

APPENDIX

Figure A1: Ownership of Baby Boomer Financial Assets by Race and Net Worth, 2019

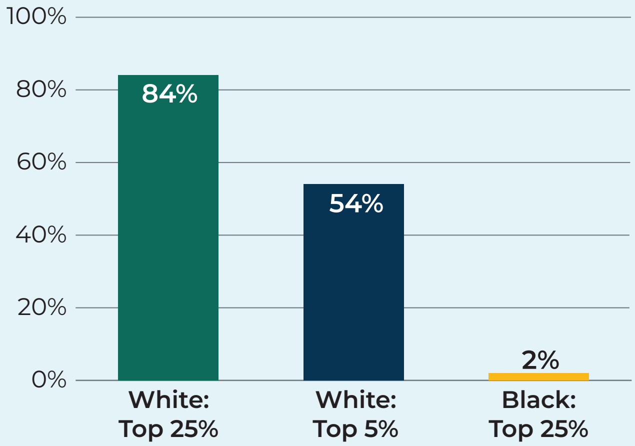


Figure A2: Ownership of Generation X Financial Assets by Race and Net Worth, 2019

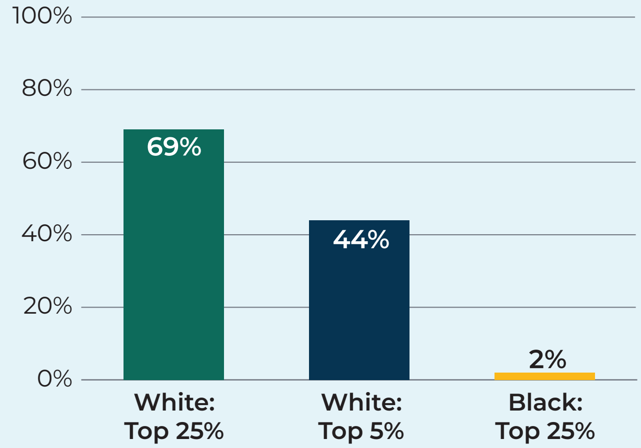


Figure A3: Ownership of Millennial Financial Assets by Race and Net Worth, 2019

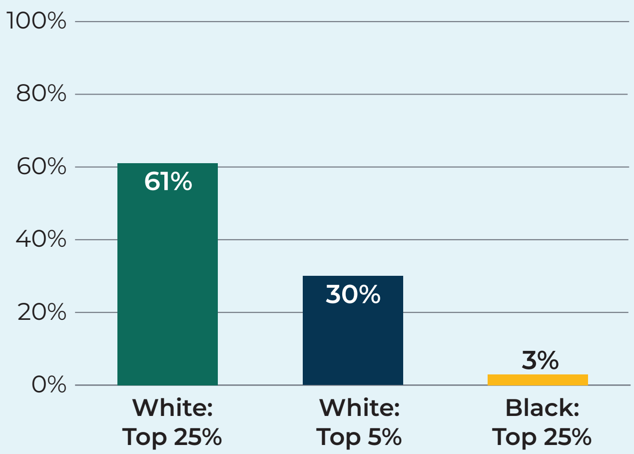


Figure A4: Ownership of Baby Boomer Financial Assets by Race and Net Worth, 2016

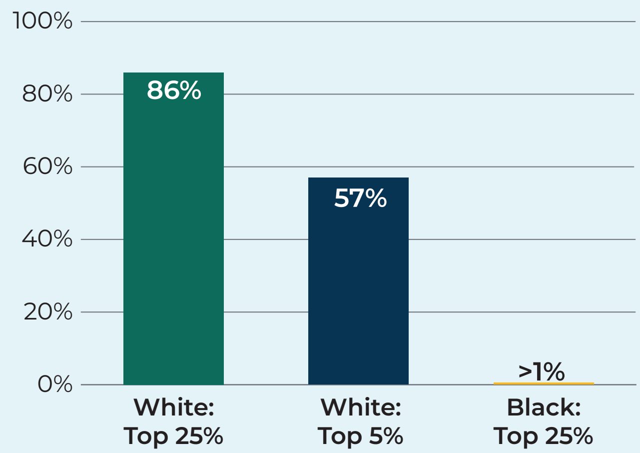


Figure A5: Ownership of Generation X Financial Assets by Race and Net Worth, 2016

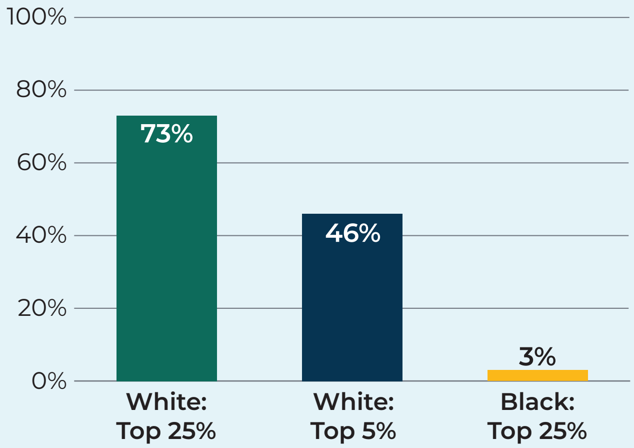
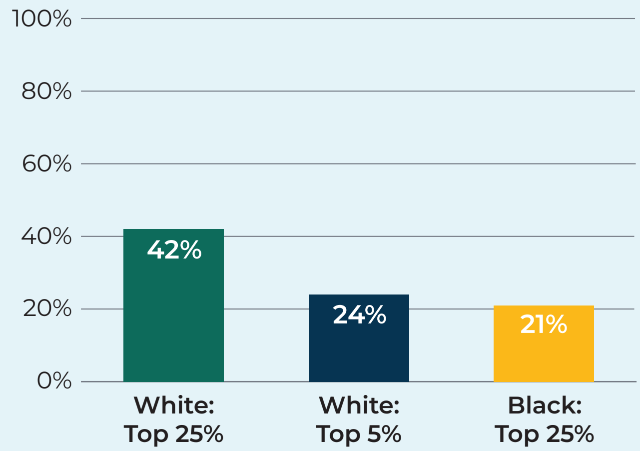


Figure A6: Ownership of Millennial Financial Assets by Race and Net Worth, 2016[b]



[b] In 2016, Millennials were ages 20-35. Due to the fact that young people generally own fewer financial assets than older people; wealth, which includes financial assets, is not normally distributed; and a relatively small sample size, the results for Black Millennials have a larger standard error. These results should be viewed cautiously since they are inconsistent with the results from other years and for other generations

Figure A7: Ownership of Baby Boomer Financial Assets by Race and Net Worth, 2010

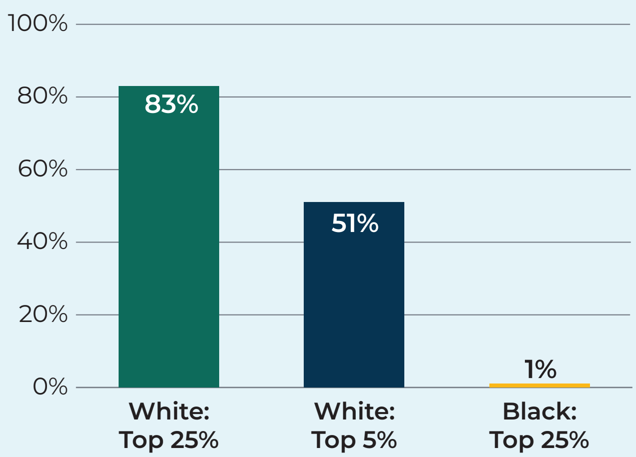


Figure A8: Ownership of Generation X Financial Assets by Race and Net Worth, 2010

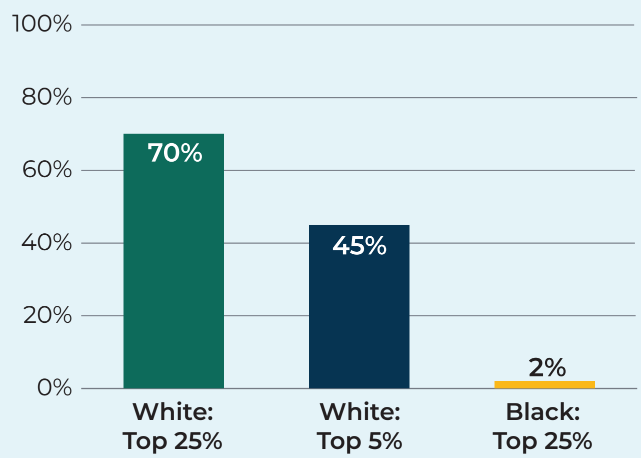


Figure A9: Ownership of Baby Boomer Financial Assets by Race and Net Worth, 2004

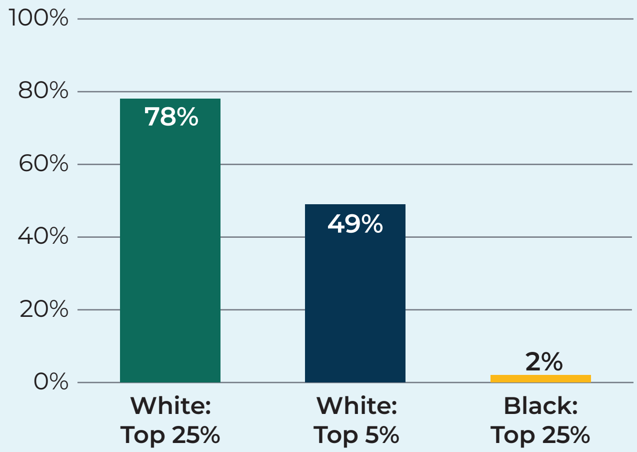
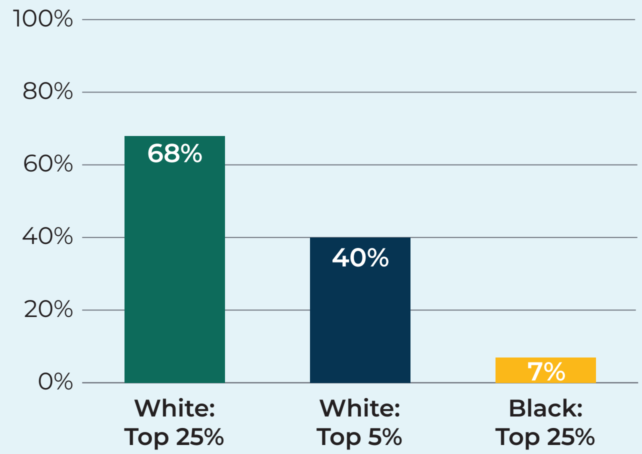


Figure A10: Ownership of Generation X Financial Assets by Race and Net Worth, 2004



ENDNOTES

1. The SCF uses the term "Hispanic" rather than the more inclusive term "Latino." For consistency with the SCF, this report will also use the term Hispanic.
2. See "The Generations Defined" table in https://www.pewresearch.org/fact-tank/2020/04/28/millennials-overtake-baby-boomers-as-americas-largest-generation/
3. Tyler Bond and Frank Porell. Examining the Nest Egg. National Institute on Retirement Security. January 2020.
4. which means the bottom 75 percent of Black Boomers own hardly any financial assets - they own less than 1% (0.94%). 13 percent of Black Boomers had zero or negative net worth.
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7. Tyler Bond and Dan Doonan. The Growing Burden of Retirement. National Institute on Retirement Security. September 2020.
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10. Monique Morrissey. The State of American Retirement: How 401(k)s Have Failed Most American Workers. Economic Policy Institute. March 2016. On the web at: https://www.epi.org/publication/retirement-in-america/#chart6
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13. "Social Security Basic Facts" Social Security Administration. On the web at: https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf and Irena Dushi, Howard Iams, and Brad Trenkamp. "The Importance of Social Security Benefits to the Income of the Aged Population" Social Security Bulletin, Vol. 77 No. 2, 2017.
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15. Georgetown Center for Retirement Initiatives. "State Program Performance Data." Available on the web at: https://cri.georgetown.edu/states/state-data/
16. Nari Rhee and Flick Fornia. Still a Better Bang for the Buck. National Institute on Retirement Security. December 2014.
17. Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, 51 percent of private industry workers had access to only defined contribution retirement plans at https://www.bls.gov/opub/ted/2018/51-percent-of-private-industry-workers-had-access-to-only-defined-contribution-retirement-plans-march-2018.htm (visited August 13, 2021).

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Through our activities, NIRS seeks to encourage the development of public policies that enhance retirement security in America. Our vision is one of a retirement system that simultaneously meets the needs of employers, employees, and the public interest. That is, one where:

- employers can offer affordable, high quality retirement benefits that help them achieve their human resources goals;

- employees can count on a secure source of retirement income that enables them to maintain a decent living standard after a lifetime of work; and

- the public interest is well-served by retirement systems that are managed in ways that promote fiscal responsibility, economic growth, and responsible stewardship of retirement assets.

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- Education programs that disseminate our research findings broadly. NIRS disseminates its research findings to the public, policy makers, and the media by distributing reports, conducting briefings, and participating in conferences and other public forums.

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The National Institute on Retirement Security is a non-profit, non-partisan organization established to contribute to informed policy making by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole. NIRS works to fulfill this mission through research, education and outreach programs that are national in scope.

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