Stark Inequality: Financial Asset Inequality Undermines Retirement Security

Research Webinar

| September 8, 2021 |
AGENDA

01. Introductions
02. Research Review
03. Q&A
Logistics

• Attendees in listen only mode.

• Question are welcome. Submit using “Question” function on control panel

• Audio/technical issues during webinar: call GoToWebinar at 1-800-263-6316

• Webinar replay and slides will be posted at nirsonline.org/reports/starkinequality/
ABOUT THE REPORT

- Updates and expands upon previous research from the Government Accountability Office (GAO) and NIRS.
- Examines the ownership of financial assets by net worth, as well as by generation and race.
- Financial asset ownership is directly connected to retirement security because the premise of the dominant retirement savings system depends upon workers building a nest egg for retirement on their own.
Are Retirement Plans Sheltering Wealth?

The Number of People With IRAs Worth $5 Million or More Has Tripled, Congress Says

After ProPublica revealed that some wealthy Americans hold Roth IRAs worth hundreds of millions — compared to $39,000 for the average account holder — Democrats requested data. It shows more than 28,000 people with IRAs worth $5 million or more.
The Generations Defined

• Baby Boomers: Born between 1946 and 1964

• Generation X: Born between 1965 and 1980

• Millennials: Born between 1981 and 1996

High Net Worth Boomers Own Vast Majority of Boomer Financial Assets

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

Percentage of financial assets owned:

- Top 50% of households by net worth: 2%
- Bottom 50% of households by net worth: 98%

Percentage of financial assets owned:

- Top 25%: 91%
- Top 10%: 74%
- Top 5%: 58%
Gen X Sees Similar Numbers as Boomers

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

- Top 50% of households by net worth
- Bottom 50% of households by net worth

- Top 25%: 89% of financial assets owned
- Top 10%: 72% of financial assets owned
- Top 5%: 58% of financial assets owned
Millennials in 2019 Were Somewhat More Equitable

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

- Top 50% of households by net worth: 92%
- Bottom 50% of households by net worth: 8%

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Top 25%</th>
<th>Top 10%</th>
<th>Top 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of financial assets owned</td>
<td>76%</td>
<td>55%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Households by net worth
Millennials and Gen X Both More Diverse Than Boomers

**Figure 19: Percentage of Race Within Each Generation, 2019**

<table>
<thead>
<tr>
<th>Generation</th>
<th>White</th>
<th>Black</th>
<th>Hispanic</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennial</td>
<td>59%</td>
<td>18%</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>Generation X</td>
<td>63%</td>
<td>16%</td>
<td>14%</td>
<td>7%</td>
</tr>
<tr>
<td>Baby Boomer</td>
<td>74%</td>
<td>15%</td>
<td>7%</td>
<td>4%</td>
</tr>
</tbody>
</table>
White Boomers Own 9/10 of Boomer Financial Assets

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

- White: 91%
- Black: 3%
- Hispanic: 4%
- Other: 2%
White Gen Xers Own More Than $\frac{3}{4}$ of Financial Assets

**Figure 16: Ownership of Generation X Financial Assets by Race, 2019**
Millennials Also Had Highly Unequal Ownership by Race

Figure 20: Ownership of Millennial Financial Assets by Race, 2019
Racial Disparities Are Readily Apparent in Means and Medians

**Figure 19: Financial Assets in 2019**

<table>
<thead>
<tr>
<th>Generation/Race</th>
<th>Median</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Millennials (All)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>$16,050.00</td>
<td>$63,318.00</td>
</tr>
<tr>
<td>Black</td>
<td>$4,800.00</td>
<td>$20,780.15</td>
</tr>
<tr>
<td>Hispanic</td>
<td>$3,620.00</td>
<td>$21,782.82</td>
</tr>
<tr>
<td><strong>Generation X (All)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>$60,860.00</td>
<td>$392,179.60</td>
</tr>
<tr>
<td>Black</td>
<td>$9,040.00</td>
<td>$80,269.66</td>
</tr>
<tr>
<td>Hispanic</td>
<td>$4,550.00</td>
<td>$56,970.26</td>
</tr>
<tr>
<td><strong>Baby Boomers (All)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>$50,700.00</td>
<td>$739,185.90</td>
</tr>
<tr>
<td>Black</td>
<td>$5,020.00</td>
<td>$99,425.74</td>
</tr>
<tr>
<td>Hispanic</td>
<td>$4,900.00</td>
<td>$174,700.20</td>
</tr>
</tbody>
</table>
Financial Asset Ownership is Highly Concentrated Among Whites in Top 25%

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

- White: Top 25% = 84%
- White: Top 5% = 54%
- Black: Top 25% = 2%
This Pattern is Consistent Across Generations

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

- **White: Top 25%** - 69%
- **White: Top 5%** - 44%
- **Black: Top 25%** - 2%
Even a Young Cohort Like Millennials Demonstrates This Pattern

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

<table>
<thead>
<tr>
<th>Race</th>
<th>Top 25%</th>
<th>Top 5%</th>
<th>Top 25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>61%</td>
<td>30%</td>
<td>3%</td>
</tr>
<tr>
<td>Black</td>
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<td></td>
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</tr>
</tbody>
</table>
Solutions

• Strengthening and expanding Social Security

• Protecting defined benefit pensions

• Expanding access to workplace savings plans for lower-income workers

• Reforming retirement tax incentives
Questions