Executive Summary

A critical finding with regard to wealth in the United States is the gap that persists between White Americans' financial means/resources and that of Black and Hispanic Americans *regardless* of income level. Further, Black and Hispanic Americans are more likely to consider debt to be a problem for their household than White Americans across income groups, as well. Preliminary results from EBRI's Retirement Security Projection Model finds that Black and Hispanic households age 35 to 39—in other words, those with much of their career left to save for retirement—are significantly more likely to run short of money in retirement, and to have larger retirement shortfalls than their White counterparts.

Making matters worse, discrepancies when it comes to debt by race persist into retirement, creating additional challenges. Specifically, the debt of families with older Black/African American or Hispanic heads was far more likely to be dominated by credit card debt versus housing debt compared with families with older White, non-Hispanic heads. And, families with minority heads—particularly those with Hispanic heads—were more likely to have debt payments totaling greater than 40 percent of their income. Individuals with high levels of debt report low levels of retirement satisfaction, even when compared to retirees with similar levels of income and financial assets. Notably, the issue of debt in retirement is only growing more pronounced. EBRI finds that the share of American families with heads ages 55 or older who had debt increased continuously from 1998 through 2019.

When it comes to women and savings for retirement, those most at risk are divorced, never married, or widowed women. Unmarried women tend to have fewer assets saved for retirement, and lower confidence that they will have enough money to live comfortably throughout their retirement. Compared to their male counterparts, their estimated retirement savings shortfalls are greater—especially for single females.

At the root of these discrepancies are barriers that are both systemic and behavioral in nature. These include lack of educational or advisory resources that resonate with Black, Hispanic, or unmarried women. Educational and advisory resources also either fail to meet their unique needs or are not found to be trustworthy. By harnessing data from surveys and databases such as that of the Employee Benefit Research Institute, we can better understand the forces that result in savings gaps by various cohorts, and thereby better address them.

Introduction

The Employee Benefit Research Institute (EBRI) is a nonpartisan, tax-exempt organization created in 1978 for the purpose of contributing to sound employee benefit programs and public policy through independent, objective, fact-based research and education. We believe that retirement, health, and financial wellbeing benefits serve key functions: These programs support the security and well-being of U.S. workers, retirees, and their families; play key roles in many employers' compensation and talent strategies; and represent significant portions of the U.S. economy.

EBRI's mission is to produce and communicate independent, objective, nonpartisan data, research, and other information about employee benefits. We serve the public, employers, service providers, workers and their families, and policymakers.

As the U.S. employee benefit system has evolved, so too has EBRI. We continue to research existing programs, designs, and practices while also focusing on emerging trends and policies. Accelerating changes and uncertainties in the benefit system make our work more relevant than ever. We produce timely and relevant research and analysis. Our work supports employers, policymakers, service providers, and others in developing innovative solutions and making policy and design decisions.

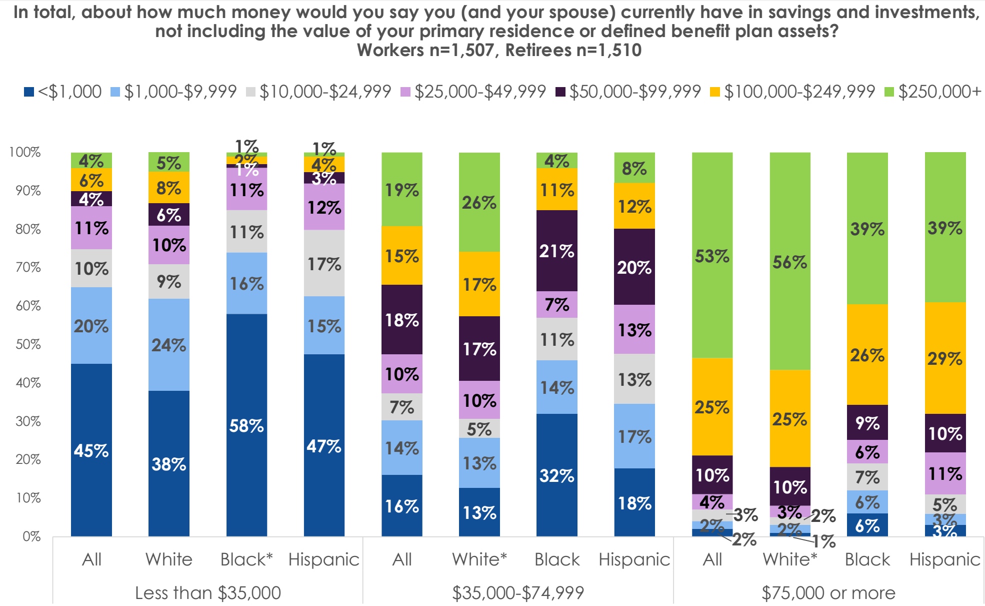
EBRI has undertaken a number of studies examining the retirement prospects and experience of diverse minorities/ethnicities, as well as female workers and retirees.

Black and Hispanic Workers
Discrepancies in Assets Accumulated for Retirement

A critical finding with regard to wealth in the United States is the gap that persists between White Americans' financial means/resources and that of Black and Hispanic Americans regardless of income level. According to the 2021 Retirement Confidence Survey[1], lower- and middle-income Black Americans were more likely to report savings of less than $1,000 compared with White Americans (Figure 1). In fact, 58 percent of lower-income Black Americans reported savings of less than $1,000 vs. 38 percent of White Americans with this income, and 32 percent of middle-income Black Americans had savings less than $1,000 vs. 13 percent of White Americans. Likewise, the share with the highest amount of assets ($250,000 or more) was much higher for White Americans than for Black or Hispanic Americans for both middle and upper incomes. Twenty-six percent of White Americans with middle incomes had $250,000 or more in assets, compared with 8 percent of Hispanic Americans and 4 percent of Black Americans. Similarly, 56 percent of White Americans with upper incomes had $250,000 or more in assets, while 39 percent of both Black and Hispanic Americans with these incomes had this level of assets.

[1] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_530_rcsbh2021-10jun21.pdf?sfvrsn=ba3a3b2f_2

Figure 1
Amount Held in Savings and Investments, by Race/Ethnicity and Income

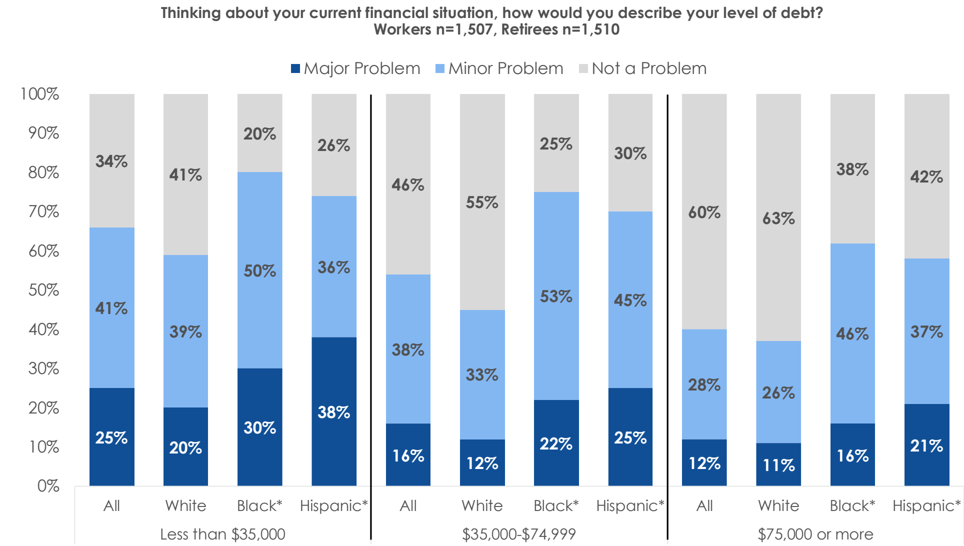


Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

Discrepancies in Debt Burden

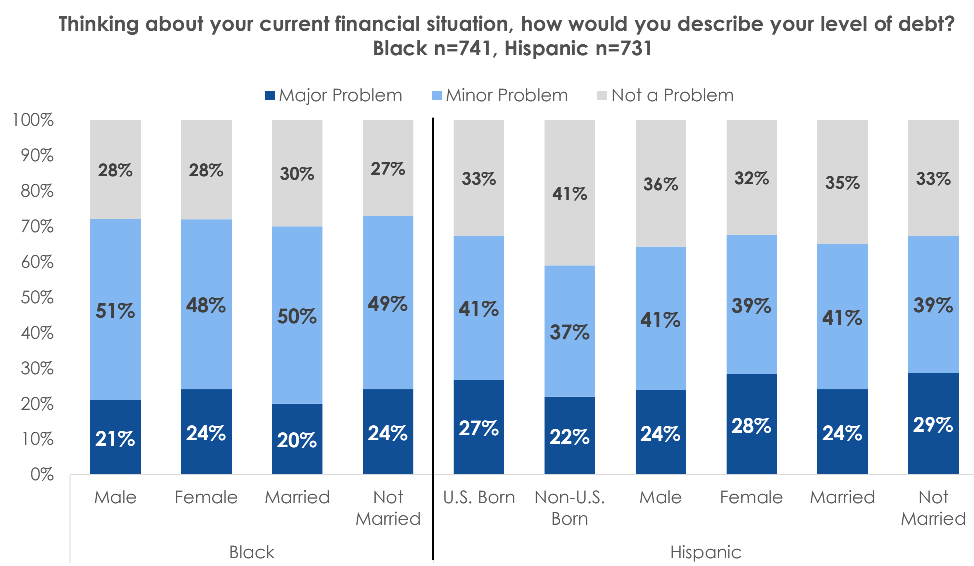
A similar pattern occurs with debt, as Black and Hispanic Americans were more likely to consider debt to be a major or minor problem for their household than White Americans, across each income group (Figure 2). In the upper income group, 62 percent of Black Americans and 58 percent of Hispanic Americans consider debt a problem compared with 37 percent of White Americans. Problematic debt levels were consistent across Black and Hispanic American cohorts regardless of gender, marital status, and whether they were U.S. born (Figure 3).

Figure 2
Debt Level a Problem, by Race/Ethnicity and Income



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

Figure 3
Debt Level a Problem of Hispanic and Black Americans, by Gender, Marital Status, and U.S. Born



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

It follows then that Black and Hispanic workers and retirees are more likely to say debt is impacting their ability to save for retirement or live comfortably in retirement, across each income group (Figure 4). For example, among middle-income respondents, 38 percent of White Americans either strongly or somewhat agreed with the statement that debt is negatively impacting their ability to save for retirement or live comfortably in retirement vs. 61 percent of Black Americans and 56 percent of Hispanic Americans. A similar finding across each income group is found on debt's impact of saving for emergencies, as Black and Hispanic Americans were more likely to say that their non-mortgage debt was having a major or minor negative impact on their ability to save for emergencies (Figure 5). Furthermore, non-mortgage debt was also more likely to have a negative impact on saving for retirement in general for Black and Hispanic Americans across each income group (Figure 6).

Figure 4
Debt's Impact on Ability to Save for Retirement/Live Comfortably in Retirement, by Race/Ethnicity and Income

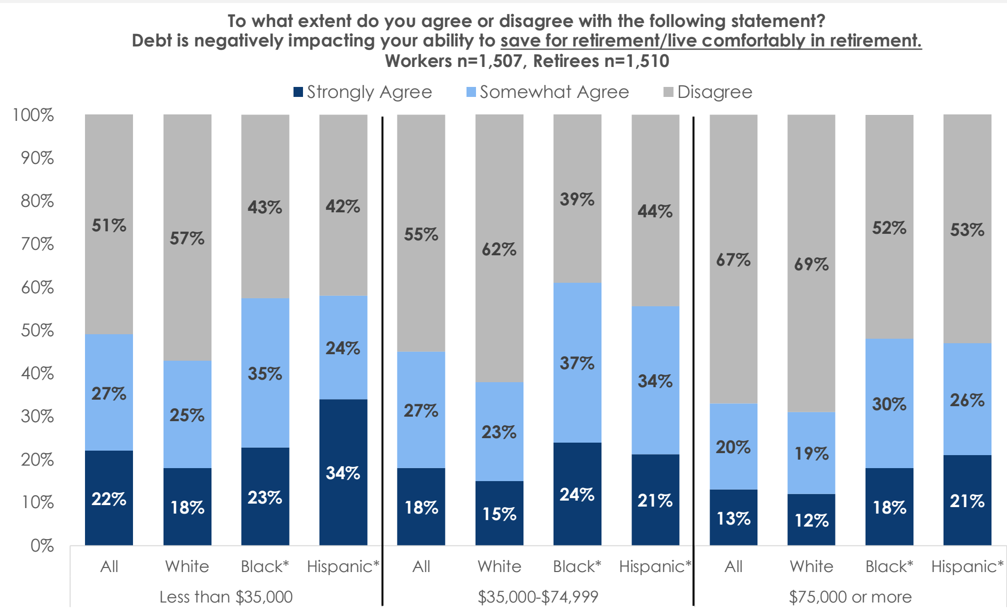
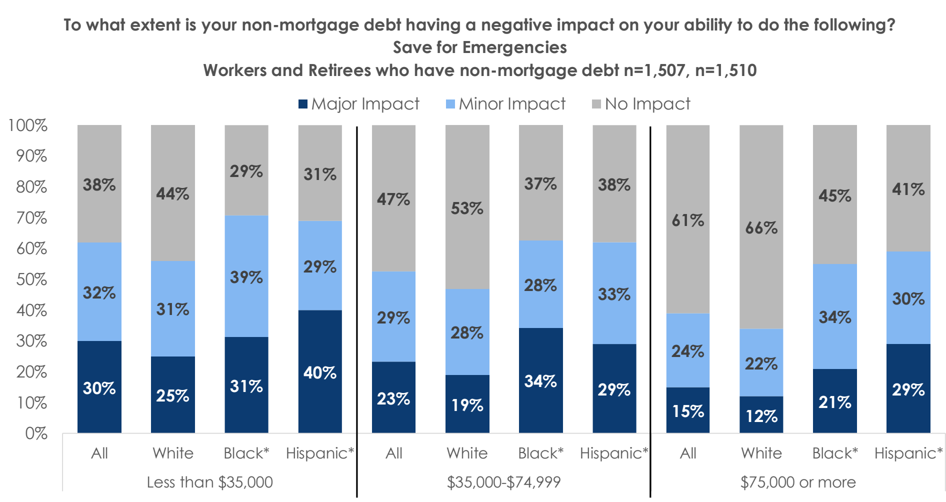
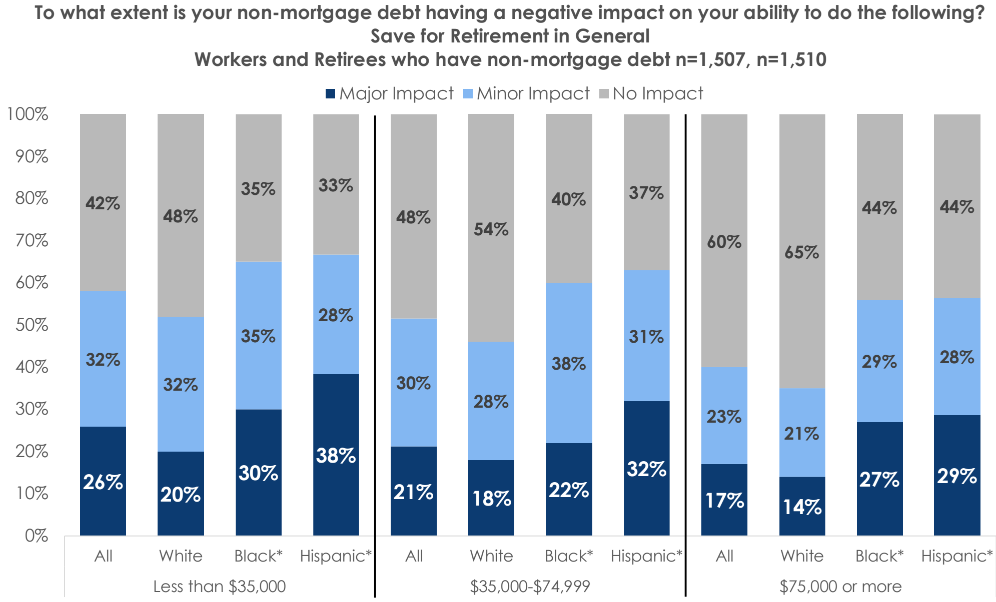


Figure 5
Non-Mortgage Debt's Impact on Ability to Save for Emergencies, by Race/Ethnicity and Income



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

Figure 6
Non-Mortgage Debt's Impact on Ability to Save for Retirement in General, by Race/Ethnicity and Income



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

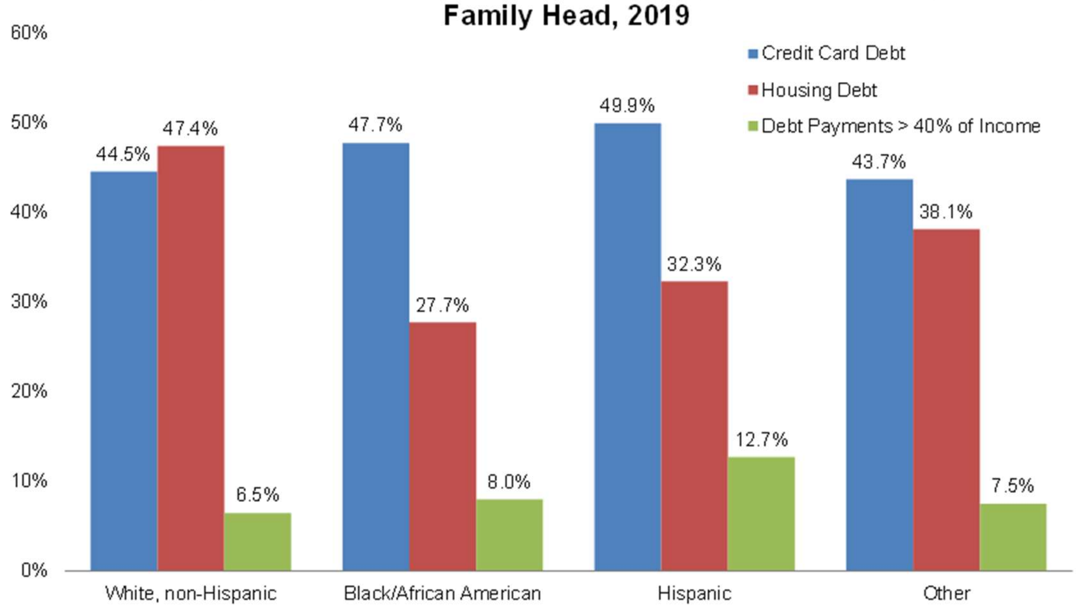
Not surprisingly, given lower savings and more problematic debt, Black and Hispanic households are estimated to be more likely to run short of money in retirement than White households, as shown by preliminary results from EBRI's Retirement Security Projection Model (RSPM). Based on EBRI's comprehensive databases of 401(k) and IRA accounts, and taking into account other sources of income such as Social Security and defined benefit pension plans, the RSPM calculates the likelihood of households running short of money in retirement, as well as the present value of deficits for those who are likely to run short of money in retirement. For households age 35-39—in other words, those with much of their career left to save for retirement—the RSPM predicts that in the current system, 34 percent of White households will run short of money in retirement, with an estimated deficit of $40,500 in today's dollars. However, 48 percent of Black and Hispanic households in this age cohort are projected to run short of money, according to the preliminary results of the model—in excess of a third more. And their average estimated retirement savings shortfalls are estimated to be higher too: $57,000 and $55,000, respectively, or about a third more than that of their White counterparts. EBRI is currently updating its model using Survey of Consumer Finance data to generate updated results of this preliminary analysis.

Debt of Retirees
Discrepancies when it comes to debt by race persist *into* retirement, as well, creating additional challenges. Examining data from the *Survey of Consumer Finance*, EBRI finds that for families with heads over the age of 55, the *incidence* of debt overall is not markedly different among families with heads of

different races/ethnicities. However, *types* of debt were distinctly different—and more troubling—for families with Black/African American or Hispanic heads.[2]

Specifically, the debt of families with older Black/African American or Hispanic heads was far more likely to be dominated by credit card debt versus housing debt compared with families with older White, non-Hispanic heads (Figure 7). Housing debt, of course, can be viewed as an investment, as it could result in families building wealth through homeownership. The same cannot be said of credit card debt, putting minority households at a relative disadvantage when it comes to the debt they hold.

Figure 7
Percentage of All Families With Credit Card Debt, Mortgage Debt, and Debt Payments Greater Than 40% of Income, by Race/Ethnicity of the Family Head, 2019

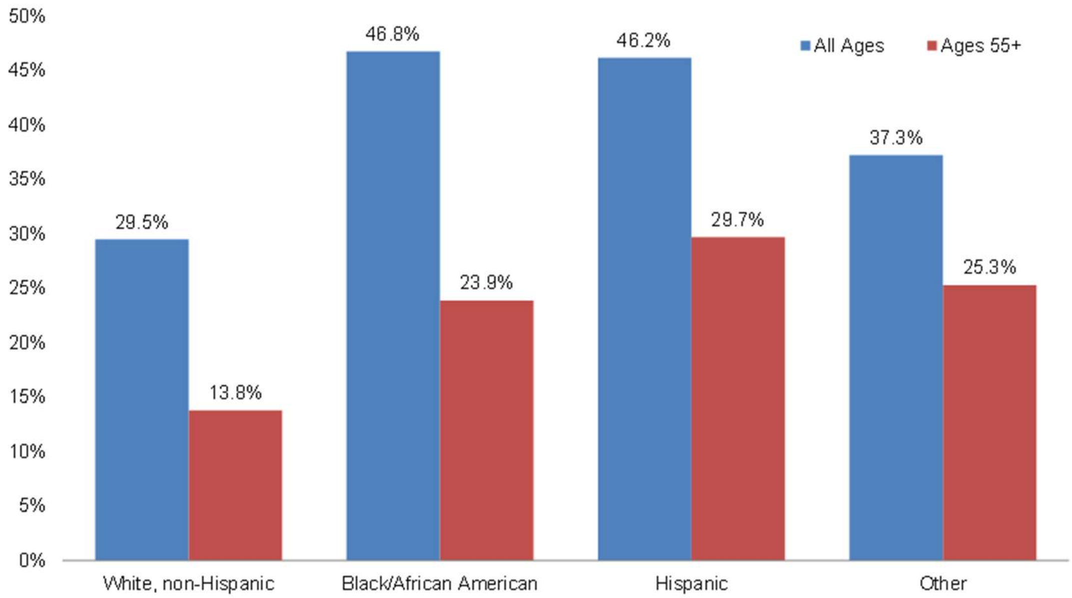


Source: Employee Benefit Research Institute estimates from the 2019 Survey of Consumer Finances.

Furthermore, families with minority heads—particularly those with Hispanic heads—were more likely to have debt payments totaling more than 40 percent of their income: Whereas 12.7 percent of the families with Hispanic heads exceeded the 40 percent threshold, just 6.5 percent families with White, non-Hispanic heads did so. Likewise, the median debt-to-asset ratio for families with older minority heads was relatively higher compared to that of families headed by older Whites (Figure 8).

[2] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_521_debt-17dec20.pdf?sfvrsn=eb403a2f_6

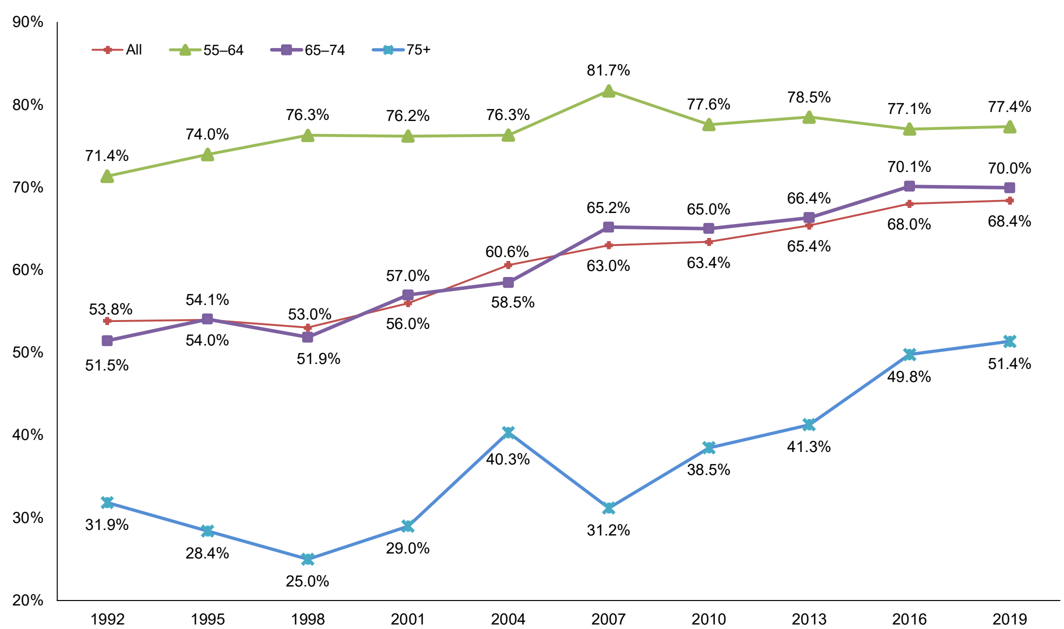
Figure 8
Median Debt-to-Asset Ratio of All Families and Families with Heads Ages 55 or Older Having Debt, by Race/Ethnicity of the Family Head, 2019



Source: Employee Benefit Research Institute estimates from the 2019 Survey of Consumer Finances.

The issue of debt in retirement is only growing more pronounced. EBRI finds that the share of American families with heads ages 55 or older who had debt increased continuously from 1998 through 2019. Moreover, the rise in debt prevalence has been steepest for families with heads ages 75 or older between 2007 and 2019, going from 31.2 percent in 2007 to 51.4 percent in 2019 (Figure 9).

Figure 9
Percentage of Families With Heads Ages 55 or Older With Debt, by Age of Family Head, 1992–2019



Source: Employee Benefit Research Institute estimates from the 1992, 1995, 1998, 2001, 2004, 2007, 2010, 2013, 2016, and 2019 Survey of Consumer Finances.

The impact of debt can be found in several recent EBRI publications. In EBRI 's *Fast Fact, A Tale of Three Retirement Lifestyles*,[3] finds that one in ten (10.3 percent) respondents to an EBRI survey of retirees age 62 to 75 reported that their debt was either unmanageable or crushing. These highly indebted retirees are characterized as predominantly female, divorced, Black, and in poor health, with relatively low household financial assets. Indeed, one fifth have no financial assets, compared to 6 percent of typical retirees. The retirement lifestyle they portray is fraught with challenges, uncertainty, frustration, and the sense that they are barely hanging on (Figure 10).

Figure 10 Highly Indebted Retirees: 10.3%
72% Female (vs. 55% of typical retirees)
35% Divorced (vs. 20% of typical retirees)
85% saved less than needed for retirement (vs. 46% of typical retirees)
63% Less than $50,000 in financial assets (vs. 27% of typical retirees)
50% Income less than $30,000 (vs. 38% of typical retirees)
90% have credit card debt (vs. 30% of typical retirees)
40% Worked during retirement (vs. 31% of typical retirees)
70% Say current spending higher than they can afford (vs. 17% of typical retirees)
83% are spending down retirement assets to pay health care expenses (vs. 69% of typical retirees)
72% Say standard of living is lower in retirement (vs. 31% of typical retirees)

[3] https://www.ebri.org/docs/default-source/fast-facts/ff-386-spendinginretirement-4mar21.pdf?sfvrsn=d9823a2f_6

Notably, in another Issue Brief based on the same survey[4], EBRI examined two sets of retirees that reported low income (less than $40,000 annually) and low financial assets (less or equal to $99,000). The first group—"Struggling Retirees”—reported low incidence of owing a mortgage-free home, and a high incidence of debt, including unmanageable debt. The majority of these Struggling Retirees also reported a reduced standard of living in retirement compared with when they were working, and on average rated their retirement life satisfaction rate as 5.8 on a 1-to-10 scale (10 being most satisfied).

In contrast, the report found that another group of retirees—“Just-Getting-By Retirees”—had a starkly different retirement experience. Just-Getting-By Retirees reported virtually the same low level of financial assets and income as Struggling Retirees. However, Just-Getting-By Retirees reported little or no debt, and a high incidence of mortgage-free home ownership. In contrast to Struggling Retirees, nearly half of Just-Getting-By Retirees rated their standard of living as consistent to when they were employed. Further, the Just-Getting-By Retirees rated their retirement life satisfaction on average about 25 percent higher than their Struggling counterparts: 7.2 out of 10.

With the gap in retirement prospects between races and ethnicities coming to the forefront, driven by such factors as lower assets and higher consumer debt, the issue cannot be ignored, particularly when these groups are growing as a share of the population, the workforce, and retirees.

Discrepancies Among Women Based on Marital Status

Discrepancies in Retirement Confidence

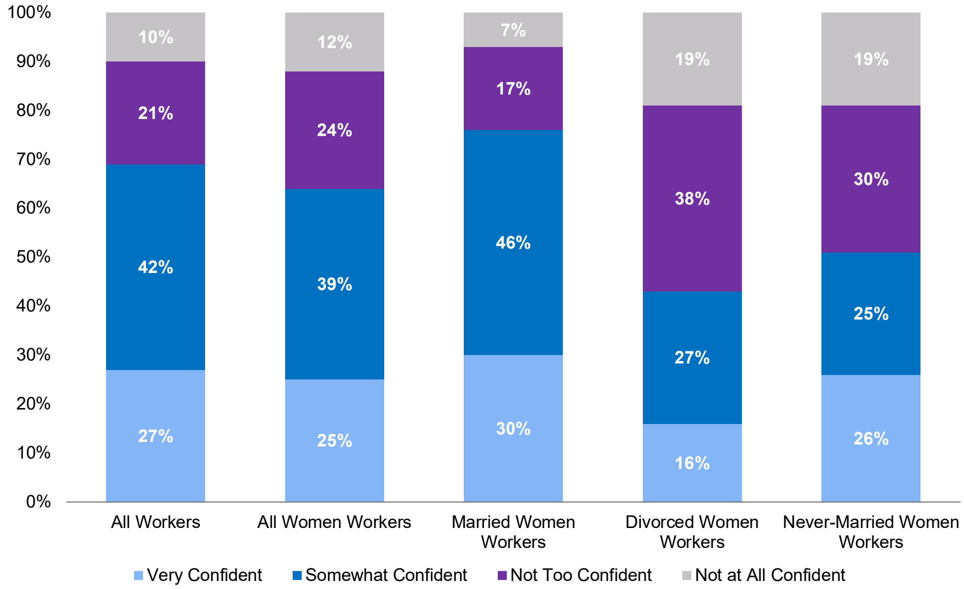
When it comes to women’s retirement prospects, the 2020 Retirement Confidence Survey finds that the women most at risk are those that are divorced, never married, or widowed[5]. For example, while 76 percent of married women reported being very or somewhat confident that they will have enough money to live comfortably throughout their retirement years, only 43 percent of divorced women workers had confidence in this aspect of retirement. The confidence level of never-married women workers was in between the two extremes at 51 percent. However, 19 percent of both divorced and never-married women workers said they were not at all confident in having enough money throughout retirement, compared with only 7 percent of married women workers (Figure 11).

[4] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_529_retireeprofiles-8apr21.pdf?sfvrsn=39e33a2f_8

[5] https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_507_womenrcs-8jun20.pdf?sfvrsn=369a3d2f_4

Figure 11

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?
(Workers — by Marital Status)

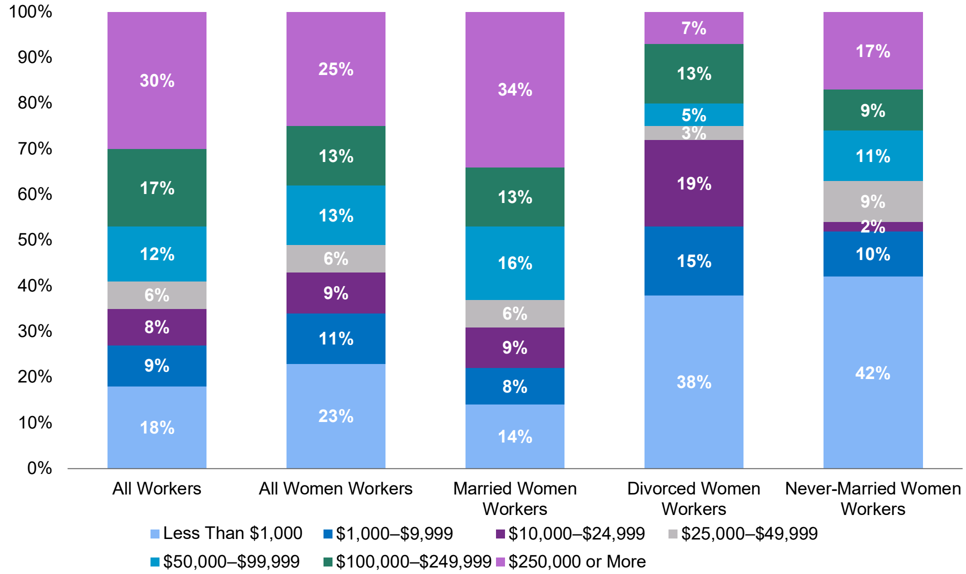


Source: 2020 Retirement Confidence Survey, EBRI and Greenwald & Associates.

Discrepancies in Amount of Assets

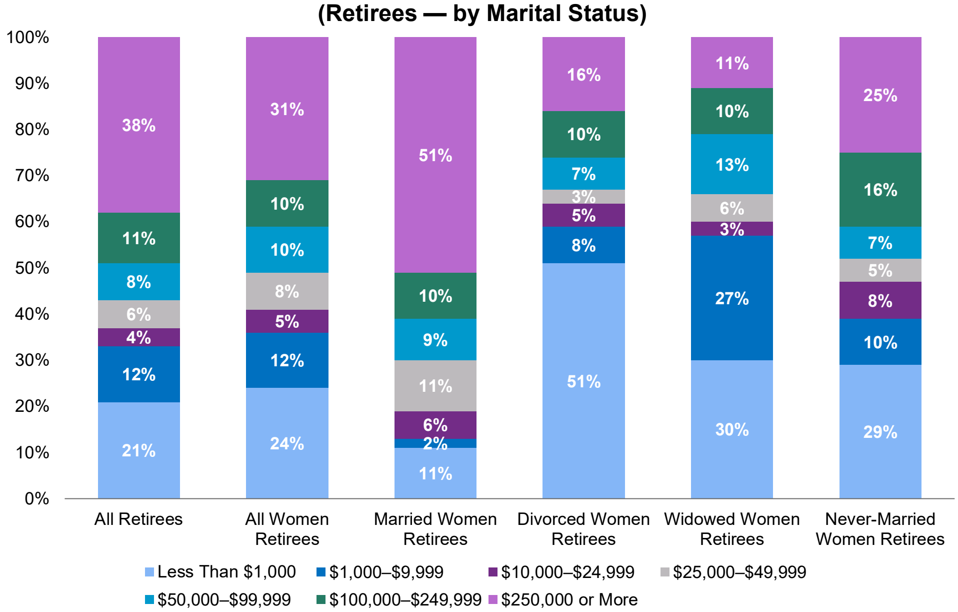
Feeding this lack of confidence is the fact that retirement asset held by these cohorts are substantially different. Thirty-four percent of married women workers reported having $250,000 or more in assets outside of the value of their home and any defined benefit plan assets (Figure 12). This compares with only 7 percent for divorced women workers and 17 percent for never-married women workers. Divorced and never-married women workers were considerably more likely to have less than $1,000 in assets: 38 percent for divorced and 42 for never-married vs. 14 percent for married women workers. The divorced women workers were markedly more likely to have smaller levels of assets, as 72 percent had less than $25,000 in assets vs. 54 percent for never-married women workers and 31 percent for married women workers. Unmarried women retirees were also far more likely to have the lowest amounts of assets. In particular, 51 percent of divorced women retirees, 30 percent of widowed women retirees, and 29 percent of never-married women retirees reported having less than $1,000 in assets compared with only 11 percent of married women retirees (Figure 13). Furthermore, 64 percent of divorced women retirees and 60 percent of widowed women retirees had less than $25,000 in assets. Married women retirees were significantly more likely to have $250,000 in assets: 51 percent vs. 25 percent or less for the other marital statuses.

Figure 12
In total, about how much money would you say you (and your spouse) currently have in savings and investments,* not including the value of your primary residence or defined benefit plan assets?
(Workers — by Marital Status)



*Of those who gave a response.
Source: 2020 Retirement Confidence Survey, EBRI and Greenwald & Associates.

Figure 13
In total, about how much money would you say you (and your spouse) currently have in savings and investments,* not including the value of your primary residence or defined benefit plan assets?
(Retirees — by Marital Status)

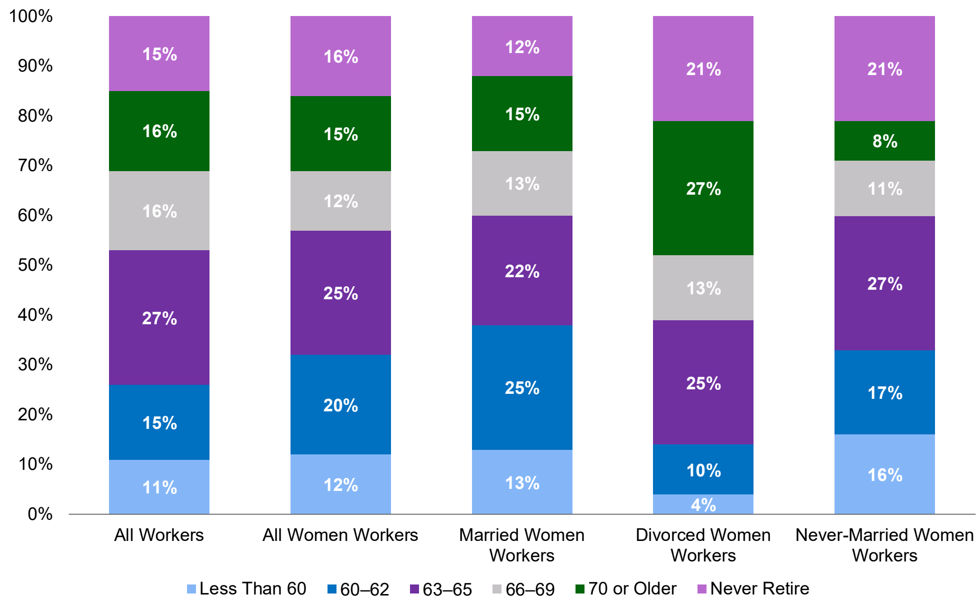


*Of those who gave a response.
Source: 2020 Retirement Confidence Survey, EBRI and Greenwald & Associates.

Discrepancies in Presumed Retirement Age

Not surprisingly, divorced and never-married women workers are far more likely to expect never to retire than other female worker cohorts, or all workers. More than 1 in 5 from these two cohorts said they expect to never retire (Figure 14). Further, another quarter (27 percent) of divorced women workers said they expect to retire at ages 70 or older. In contrast, more than a third (38 percent) of married women workers said they expect to retire at or before age 62, and only 12 percent expected to never retire.

Figure 14
Realistically, at what age do you expect to retire? If you expect to retire gradually, at what age do you expect you will begin to retire?
(Workers — by Marital Status)



Source: 2020 Retirement Confidence Survey, EBRI and Greenwald & Associates.

At the same time, comparing the actual retirement ages of women with their expected retirement ages, 5.9 times as many divorced women were retired before age 60 compared with those who expected to be. Married women were more than half as likely (2.17 times) to be retired before age 60 than they expected to be compared with divorced women (Figure 15).

Figure 15
Ratio of Actual Retirement Age to Expected Retirement Age

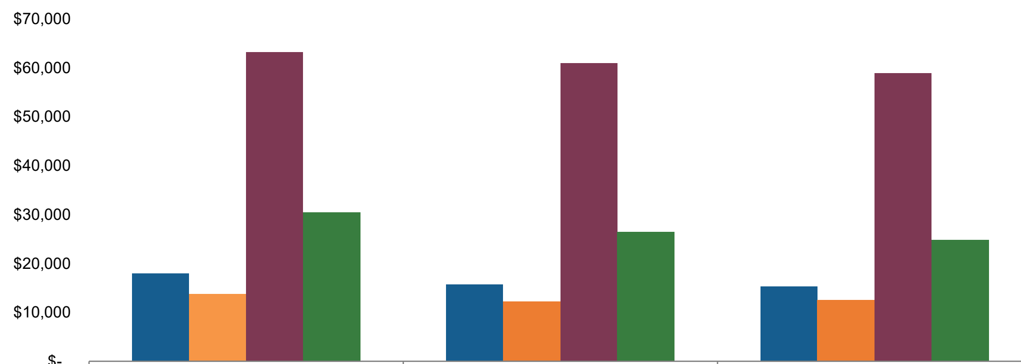
	Less Than 60	60–62	63–65	66–69	70 or Older
All	2.55	1.64	0.63	0.64	0.32
All Women	2.17	1.30	0.64	0.84	0.39
Married Women	2.17	1.09	0.92	0.61	0.29
Divorced Women	5.93	3.16	0.41	0.85	0.09
Never-Married Women	2.42	0.98	0.70	0.43	0.00

Source: 2020 Retirement Confidence Survey, EBRI and Greenwald & Associates.

EBRI used its Retirement Security Projection Model to quantify the gaps in retirement adequacy faced by women versus men of various marital statuses (Figure 16). According to the RSPM, among the roughly four in ten estimated American workers who will run short of money in retirement, the average retirement deficit will be $13,745 for widowers currently age 40 to 44 (with approximately 20 or more years left until retirement). However, for widows that age, the deficit is estimated to be $17,964. The deficit for single males 40 to 44 is estimated to be higher, at $30,471. However, that deficit is dwarfed by the $63,251 deficit for single females currently age 40 to 44.

Deficits by Age and Marital Status/Gender

Figure 16
2019 Retirement Savings Shortfalls,* by Age Cohort and Marital Status/Gender



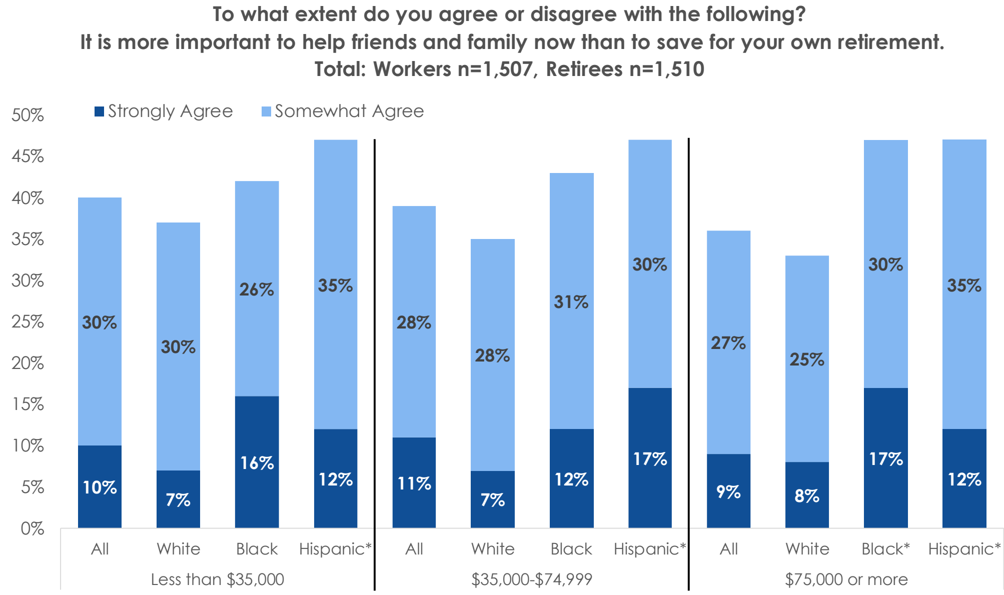
	40–44	45–49	50–54
Widow	$17,964	$15,703	$15,356
Widower	$13,745	$12,268	$12,591
Single Female	$63,251	$61,042	$58,964
Single Male	$30,471	$26,452	$24,827

Source: EBRI Retirement Security Projection Model® version 3459.
* The Retirement Savings Shortfalls (RSS) are determined as a present value of retirement deficits at age 65.

Meeting the Retirement Savings Needs of a Diverse Workforce
EBRI's research has unearthed four potential areas to focus on supporting Black, Hispanic, and female workers in preparing for retirement.

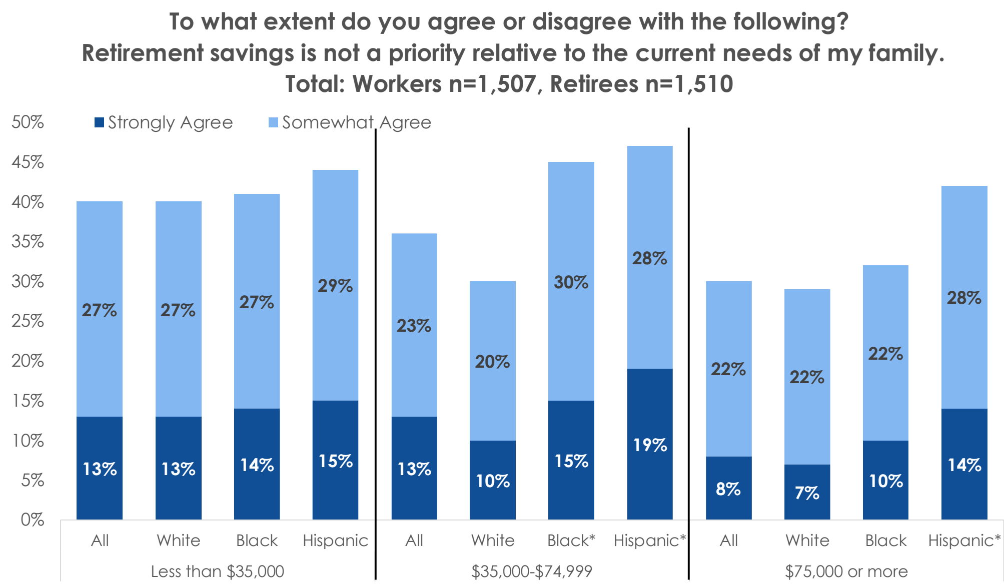
1. ***Providing help with prioritizing retirement savings:*** Hispanic Americans regardless of income – and upper income Black Americans – were more likely to agree that it is more important to help friends and family now than to save for their own retirement than were White Americans (Figure 17). Further, middle- and upper-income Hispanic Americans were more likely to agree with the statement that retirement savings is *not* a priority relative to the current needs of their family than White Americans were in these income groups (Figure 18). And Hispanic Americans in each income group and Black Americans in the lower- and upper-income groups were more likely to agree that saving for a child's education or paying off a child's education is reducing how much they can save for retirement than White Americans (Figure 19).

Figure 17
Percentage Who Agree That Helping Friends and Family Is More Important Than Saving for Retirement, by Race/Ethnicity and Income



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

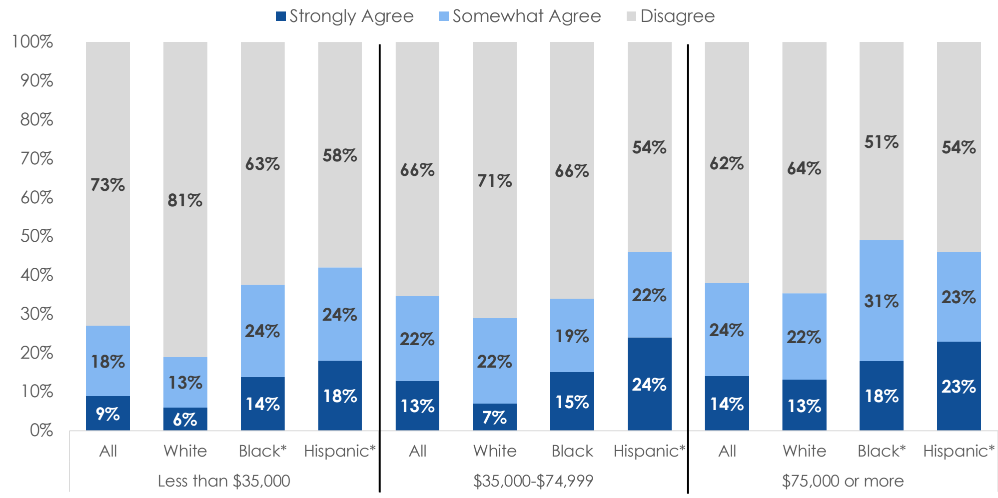
Figure 18
Percentage Who Agree That Retirement Savings Is *Not* a Priority Relative to Current Needs, by Race/Ethnicity and Income



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

Figure 19
Percentage Who Agree That Saving/Paying for a Child's Education Is Reducing Retirement Savings, by Race/Ethnicity and Income

To what extent do you agree or disagree with the following statement?
Saving for a child's education or paying off a child's education is reducing how much you can save for retirement
Total: Workers n=1,507, Retirees n=1,510



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

A greater recognition of how supporting family and friends factor into the savings decision-making of Hispanic and Black Americans is needed in communicating the value of retirement savings to these cohorts. This is true, because familial obligations can then be weighed against the importance of savings for one's own retirement, potentially leading to better decision making.

2. ***Affording increased access to financial advisers that share a connection or commonality with Black and Hispanic Americans, and that Black and Hispanic Americans will find trustworthy.*** The RCS showed that Black Americans of all ages were equally likely to feel that they were treated unfairly by financial service companies, while older Hispanic Americans were more likely to feel unfairly treated than younger Hispanic Americans. Further, Black and Hispanic Americans prefer some connection to those providing them financial advice: either working with an advisor who has had a similar upbringing on experiences, is affiliated with their employer in some way, has a similar racial/ethnic background as them, or is the same gender as them.

   Black and Hispanic workers would benefit from greater diversity among individuals providing financial help in the workplace and beyond. Also, Black and Hispanic workers express interest in one-on-one, personalized advice that builds on their comfort with having a connection to those providing them advice.

3. ***Addressing the near-term needs of divorced and widowed women.*** In particular, divorced women workers expressed the highest levels of dissatisfaction with most of the educational materials they currently receive on retirement planning. The notable exceptions was access to emergency savings accounts or programs and help calculating how much they need to save for a secure retirement—which was found to be valued. As such, these latter programs should be emphasized for this cohort.

   These results clearly show that women in differing situations could benefit from receiving more specialized information and assistance with retirement preparations and everyday financial issues. The approaches currently being used do not appear to be as effective for many unmarried women workers, likely due to the resulting financial and life circumstance upheaval of a divorce or death of a spouse. Employers may want to develop new targeted messages, methods, or materials to better reach these groups in order to increase the chances of unmarried women having a financially successful retirement.

4. ***Undertaking efforts to help workers become good debt managers into retirement.*** The RCS results clearly underscore the importance of starting good financial habits when individuals are working, and well before retirement. Overall financial wellbeing programs by employers that address—among other things, budgeting and debt—are increasingly available. While these programs are in their infancy for the most part, they at least show signs of helping the individuals that engage with them. Such help with financial wellbeing may not only benefit workers while they work, but the skills learned could be carried over to retirement to potentially address the growing issue of debt in older ages. These issues are even more pertinent to families with minority heads, as they have higher debt levels relative to assets than the families with white, non-Hispanic heads. With the gap in financial wealth between races coming to the forefront, these problems cannot be ignored, particularly when these groups are growing as a share of the population and are essential to an overall highly productive work force.

   Understanding the incidence of and trends in debt helps to better evaluate the financial security of American families now and potentially into the future. However, further evaluation of the impact of financial wellbeing programs is needed to see what programs have the desired outcome of reducing or controlling debt. Also, additional research on the drivers of the differences in assets and debts between ages and races/ethnicities are needed. Finally, examination of the impact of any potential policy changes on retirement security will always be warranted.

Conclusion

In conclusion, there are both systemic and behavioral barriers faced by workers and retirees that are Black, Hispanic, or single women when it comes to saving for retirement. These include lack of educational or advisory resources that resonate with such individuals, meet their unique needs, or are found to be trustworthy. By harnessing data from surveys and databases such as that of EBRI, we can better understand the forces that result in savings gaps by various cohorts, and thereby better address them.