

October 4, 2023

Panel II: Research

Why are women worried?

Michael Kreps

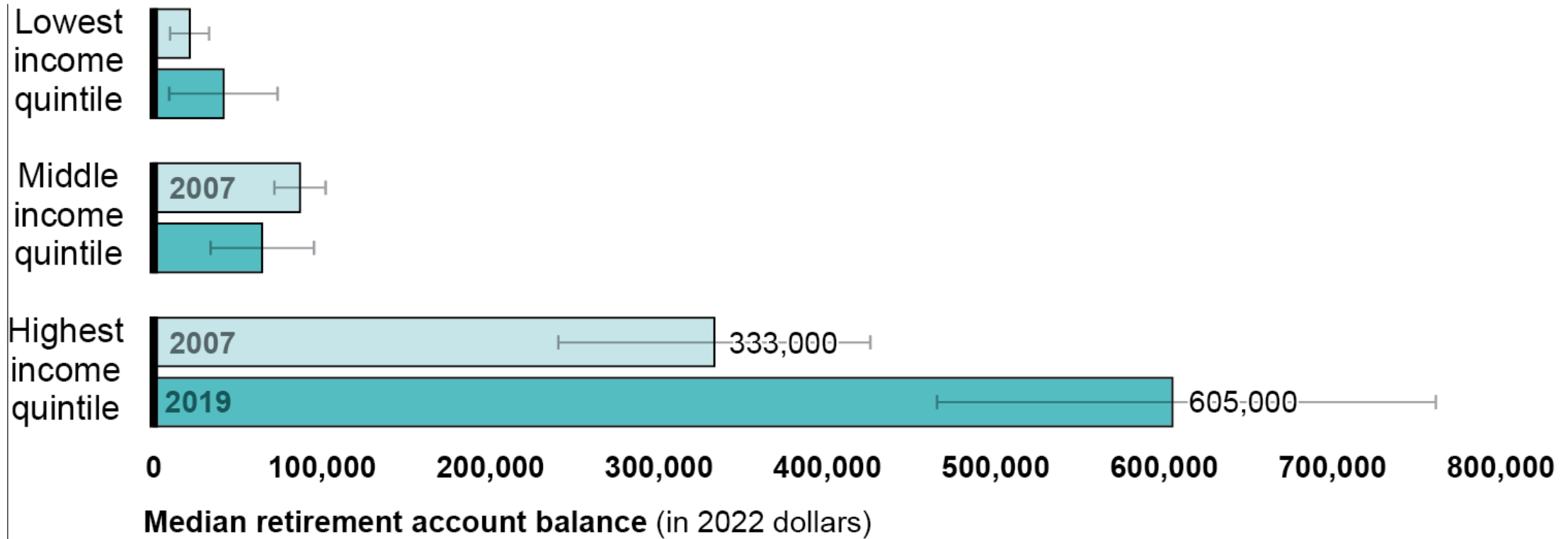
July 2023

OLDER WORKERS

Retirement Account
Disparities Have
Increased by Income
and Persisted by
Race Over Time

1. How the distribution of retirement account balances among older households by income changed over time
2. Factors associated with the distribution of retirement account balances among older households by income
3. How selected strategies meant to increase retirement savings affect high-, middle-, and low-income workers

Estimated Retirement Account Balances for Households Age 51-64 with a Balance, by Income



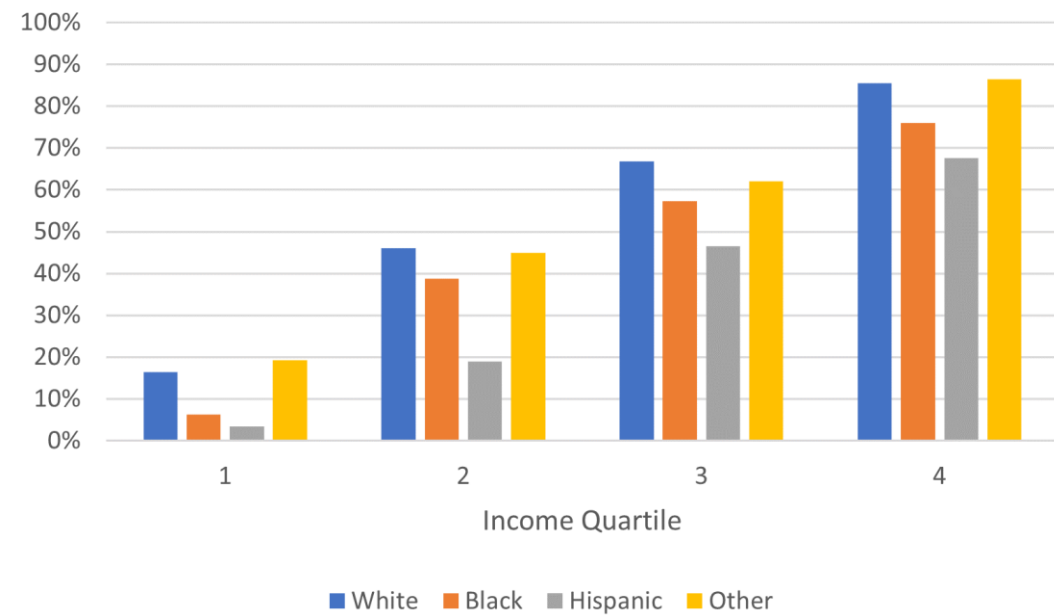
Source: GAO analysis of Survey of Consumer Finances data. | GAO-23-105342

Racial Disparities in the Percentage of Households with Retirement Account Balances and Median Balances Persisted from 2007 through 2019

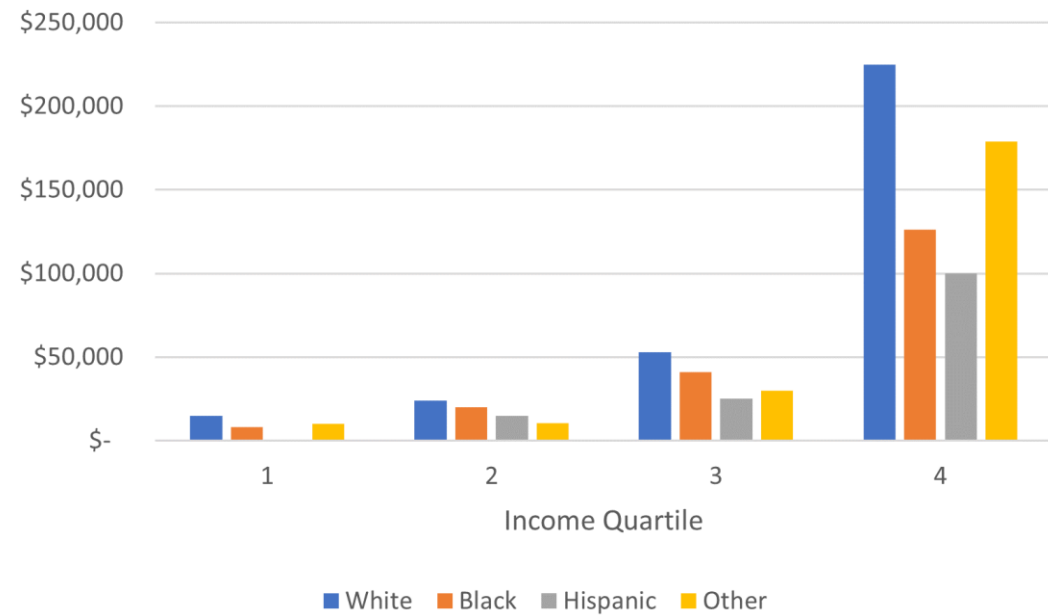
The share of older White households with a retirement account balance was significantly greater than the share of households of all other races from 2007 through 2019.²⁸ For example, about 63 percent of White households had a retirement account balance in 2019 compared to about 41 percent of households of all other races than White. For Black or African American households in particular, there was a significant decline from 50 percent with a retirement account balance in 2007 to 35 percent in 2016 (see fig. 5).²⁷



Racial Differences in Rates of Defined Contribution Retirement Account Ownership



Racial Differences in Median Values of Defined Contribution Retirement Account Wealth



What Affects Retirement Savings?

- Higher incomes
 - 10% higher income, 7% larger account
- Longer job tenures
 - 10+ years, 37% larger account
- More education
 - “Some college” or more, 63% larger accounts
- Access to a retirement plan
 - 86% participation rate (vs 15% with IRA)
- Employer match
 - 22% increase in participation
 - 3.5% increase in contributions
- Kids
 - 2+ kids, 40% smaller accounts
- Divorce
- Time out of workforce
 - Black workers 2x more likely to be unemployed
 - Spousal, other caregiving
- Cash-outs
 - More common for lower income workers
- Suboptimal investments (allocation and fees)

But is this telling the whole story?

- Do income differences explain racial, gender inequity or do cultural, societal factors play a role?
- Answer critically important for policy solutions
- Collaborative for Equitable Retirement Savings (Aspen FSP, DCIIA, Morningstar)



Policy Options

What's the right tool for the job?

Plan Changes

Automatic Enrollment
Automatic Escalation
More Effective Matches

Systemic Changes

Expanding Access
Automatic Portability

Financial Incentives

Tax Incentives
Savers Credit, Match
Plan Sponsorship

Other Programs

Social Security
Medicare/Medicaid
Paid Leave