SOA Research INSTITUTE

Aging and Retirement Issues for People of Different Races and Ethnicity—Essay Collection

August 2021

CONTENTS

Introduction **1**

FIRST PRIZE: Inequalities in Retirement Security: Unique Challenges for African American Households **2**
J. Michael Collins and Cliff A. Robb

SECOND PRIZE: Necessary Family Financial Support Perpetuates Racial Wealth Inequality Across Generations – Evidence from the Coronavirus Pandemic **5**
Dania V. Francis and Christian E. Weller

THIRD PRIZE: Closing the Retirement Readiness Gap **12**
Karl Canty

Mom Has Me; I Won't Have a Me: The Impact of Caregiving on the Retirement Security of Immigrant Family Caregivers **17**
Lily Liu

Immigrants Age Too: Projections of the Magnitude of the U.S. Undocumented Adult Population **21**
Josefina Flores Morales

Retirement Savings and Resilience: A Comparison of Hispanic/Latinos' and Non-Hispanic/Latinos' Responses to Retirement Insecurity **26**
Karen Richman and Joelle Saad-Lessler

Hispanic/Latinos, Trust and Pensions **45**
John A. Turner

About The Society of Actuaries **52**

This call for essays was issued by the Society of Actuaries in collaboration with the International Association of Black Actuaries (IABA) and the Organization of Latino Actuaries (OLA).

Caveat and Disclaimer

This publication is provided for informational and educational purposes only. Neither the Society of Actuaries nor the respective authors' employers make any endorsement, representation or guarantee with regard to any content, and disclaim any liability in connection with the use or misuse of any information provided herein. This publication should not be construed as professional or financial advice. Statements of fact and opinions expressed herein are those of the individual authors and are not necessarily those of the Society of Actuaries or the respective authors' employers.

Copyright © 2021 by the Society of Actuaries Research Institute. All rights reserved.

Copyright © 2021 Society of Actuaries Research Institute

Introduction

The Society of Actuaries' (SOA) Aging and Retirement Strategic Research Program in collaboration with the International Association of Black Actuaries (IABA) and the Organization of Latino Actuaries (OLA) issued the *Aging and Retirement Issues in People of Different Races and Ethnicities Call for Essays* in Spring 2021. Our sincerest thanks to the collaborating organizations for the participation of their representatives and support for this effort. The resulting collection of essays is part of the SOA's work to dedicate a portion of its ongoing research efforts to exploring actuarial issues relevant to people of different races and ethnicities in the United States.

This effort aimed to explore how differences in wealth and retirement outcomes are experienced by people of different races and ethnicities and to promote a better understanding of the underlying issues surrounding the differences. A panel of judges did a blinded review of the essays for publication and awards. The judges selected three essays for prizes. Consideration was given to creativity, originality and the extent to which an idea could contribute to furthering the conversation on these issues.

The prize-winning essays are the following:

First place: J. Michael Collins and Cliff A. Robb, *Inequalities in Retirement Security: Unique Challenges for African American Households.*

Second place: Dania Francis and Christian E. Weller, *Necessary Family Financial Support Perpetuates Racial Wealth Inequality Across Generations – Evidence from the Coronavirus Pandemic.*

Third place: Karl Canty, *Closing the Retirement Readiness Gap.*

Our appreciation and congratulations again go out to all of the authors in this collection.

Special thanks to the members of the Project Oversight Group for their participation and review of the essays.

Project Oversight Group members include: Adrian Cox (representing IABA), John Cutler, Barb Hogg, Grace Lattyak, Cindy Levering, Anna Rappaport, Ruth Schau.

SOA Staff included Lisa Schilling, Barbara Scott, Steve Siegel and Solskin Gomez-Krogh.

And thanks to Adelaida Campos (representing OLA) for her review of the essays.

Copyright © 2021 Society of Actuaries Research Institute

FIRST PRIZE: Inequalities in Retirement Security: Unique Challenges for African American Households

J. Michael Collins and Cliff A. Robb

The prospect of planning for retirement is a daunting one for many Americans. A nearly universal shift to defined contribution structures in favor of defined benefits, decreasing personal savings rates, and a potential weakening of the Social Security programs all place an increasing burden on individuals to engage in retirement planning. The challenges faced in preparing for a secure and timely retirement impact many households, but African Americans face unique challenges. Financial planners and policymakers need to understand the risks of financial insecurity among African American households as they approach retirement. Among the most important factors include that African Americans have historically lacked access to retirement plans, face more employment instability and are more reliant on the Social Security system. Financial planning can play a role in narrowing racial retirement wealth gaps, but even controlling for income African Americans are less likely to work with a professional advisor.

Traditional retirement planning considers three core components: Social Security income, employer-based retirement plans, and personal savings. Roughly 50% of households 65 or older rely on Social Security benefits for at least 50% of their income in retirement (Dushi et al., 2017). This percentage is notably higher for Black households at 57%. Even more concerning, over 33% of Black households rely on Social Security benefits for at least 90% of their income, compared to 24% of white households. The 2020 Annual Report of the Board of Trustees of the Social Security trust funds estimates that Social Security benefits will only pay 76 cents on the dollar in 2034 if no changes are made to the structure of the system (note these estimates were made before the COVID-19 pandemic and may be revised negatively). Given the relative importance of Social Security benefits for retirees, these decreases would have a disproportionate impact on African American families.

Another critical issue for African American households is retirement plan availability. The Federal Reserve Board reported that only about 41% of Black households between the ages of 32-61 had savings in a retirement account in the 2016 Survey of Consumer Finances (Bricker, 2017). Whereas this percentage is higher than that of comparable Hispanic families in the United States, it is far below the nearly 70% of white households that indicated some retirement savings. Further, among households that do have retirement savings, median savings for white households are nearly four times that of Black households. Similar inequalities are noted for overall wealth by race, with Black households holding about one-tenth the wealth of white households, on average (Bricker, 2017). These data demonstrate the stark reality that many African American families are not well positioned for retirement and are at a higher risk of having a lower standard of living in their later years. In fact, the Boston College Retirement Risk Index shows that in 2016, 48% of white families were at risk of having a lower standard of living in retirement, compared to 54% of Black families (Munnell, 2018).

Evidence suggests that it is not simply a matter of African American households opting out of retirement plans from their employers. Only 47% of African Americans had access to a structured retirement plan at their employer, compared to 57% of white households based on data from the Financial Industry Regulatory Authority (FINRA, 2016). African Americans also face greater employment instability, as evidenced in the 2020 recession and COVID-19 pandemic layoffs. Whereas unemployment rose across the board during the first few months of 2020, white men faced the lowest overall unemployment rate in May of 2020 at about 11%, an increase of 8 points from 3 months prior (BLS, 2020). The unemployment rate for Black men rose from 5% in February of 2020 to over 15% in May. The increase in unemployment was even higher among Black women during the same time frame. Simply put, the types of jobs and employers that African Americans typically work in do not offer the same level of financial security.

Copyright © 2021 Society of Actuaries Research Institute

The above issues are only exacerbated by gaps in financial literacy. Financial literacy is a global issue, but African Americans appear to significantly lag whites in this area. About 43% of white households are labeled highly financially literate based on widely used survey questions, compared to only 20% of African Americans surveyed (Dewees and Mottola, 2017). Meanwhile the current landscape of financial advising and supports do not serve all Americans equally. The general idea is that the many households lacking information could turn to financial advisors. According to our tabulations of the 2016 Survey of Consumer Finances, only 23% of Black respondents have worked with a professional financial planner related to savings or retirement. Among Black households earning more than $100,000, as many as 39% report working with a planner. However, 49% of higher-income white households use a planner—10 percentage points higher.

In part, this gap in the use of financial planners by race even among more affluent households is likely due to the structure of the field. While there have been positive trends in the financial services industry, like growth in the number of women and minorities choosing to work in advisory roles, the industry remains dominated by planners who are older, white, and male. Out of the over 87,000 Certified Financial Planners ® (CFPs), 77% are male and about 47% are over the age of 50 (CFP Board, 2020). It is notable that the current demographics reported by the CFP Board do not even include race or ethnicity. However, survey work from 2018 indicated that about 1,200 of the over 80,000 CFPs were Black (Eisenberg, 2018). Numbers were similar for Latino advisors. More troubling, 58% of prospective planners who were Black or Latino indicated that they have never seriously considered working as financial planners (Eisenberg, 2018). Greater racial diversity in the field might help more families feel comfortable working with a financial planner and might generate greater trust and shared understanding between clients and advisors. But this requires work from the ground up, beginning with financial education in middle school and high school. It also requires thinking hard about compensation models and how net worth or investable asset minimums might discourage many minority clients considering the statistics on wealth and savings gaps. Indeed, personal financial planning programs can do more to recruit and train students of color in CFP programs, as well as financial services more broadly.

The gap in financial security between African Americans and whites is stark. In 2016, the average Black household held about one-tenth the wealth of the average white household (Bricker, 2017). These patterns are the result of a long history of inequities in education, job opportunities, housing and access to high quality financial products and services. The prospect of a secure retirement is possible, however, including for African Americans. Expanding employer-based retirement savings options is one important step. Some states are experimenting with support for IRA options for workers who lack an employer-sponsored plan, further closing that gap. Meanwhile, there have been several proposals for shoring up Social Security, from changing the payroll tax, to indexing claiming ages, to recalibrating cost of living calculations. Policymakers need to recognize the importance of stabilizing Social Security benefits for many older Americans, including people of color. Finally, the financial planning profession can explore ways to make its services more accessible by not only reducing the gap in using a planner among higher-income families, but also expanding access to middle and lower income families as well. This will require real adjustments at all levels, but it is necessary if diversity is a real goal of planners and firms. The planning field itself must become more diverse, so that future generations of planners look more like the nation at large.

J. Michael Collins, PhD is the Fetzer Family Chair for Consumer Finance at the University of Wisconsin—Madison. He can be reached at jmcollins@wisc.edu.

Cliff A. Robb, PhD is an Associate Professor and the Faculty Director for the Personal Finance program at the University of Wisconsin—Madison. He can be reached at carobb@wisc.edu.

Copyright © 2021 Society of Actuaries Research Institute

References

BLS. Labor Force Statistics from the Current Population Survey. A-4. Employment status of the civilian non-institutional population by race (2020). Retrieved from

https://www.bls.gov/web/empsit/cpseea04.htm

Bricker, Jesse, et al. 2017. "Changes in US family finances from 2013 to 2016: Evidence from the Survey of Consumer Finances." *Fed. Res. Bull.* 103.

CFP Board. 2020. CFP® Professional Demographics. Retrieved from https://www.cfp.net/knowledge/reports-and-statistics/professional-demographics.

Dushi, Irena, Howard M. Iams, and Brad Trenkamp. 2017. "The importance of social security benefits to the income of the aged population." *Soc. Sec. Bull.* 77 .

Dewees, S., and G. Mottola. 2017. "Race and financial capability in America: Understanding the Native American experience." FINRA Foundation Retrieved from: https://www.usfinancialcapability.org/downloads/Native-American-Experience-Fin-Cap.pdf.

Eisenberg, R. 2018. "Why minority financial planners are nearly nonexistent and how to fix it."

Retrieved from https://www.forbes.com/sites/nextavenue/2018/06/12/minority-financial-planners-nearly-nonexistent/#103f5d53d9cb.

FINRA Investor Education Foundation. 2018. 2018 State-by-State Survey—Respondent-Level Data. Retrieved from http://www.usfinancialcapability.org/downloads.php/.

Munnell, Alicia H., Wenliang Hou, and Geoffrey T. Sanzenbacher. 2018. "National Retirement Risk Index shows modest improvement in 2016." *Issue in Brief* (2018): 18-1.

Copyright © 2021 Society of Actuaries Research Institute

SECOND PRIZE: Necessary Family Financial Support Perpetuates Racial Wealth Inequality Across Generations – Evidence from the Coronavirus Pandemic

Dania V. Francis and Christian E. Weller

Introduction and Overview

Household wealth is key to a secure retirement. Wealth is the difference between what people own – their houses, retirement accounts, pensions, savings accounts and cars, among other things – and what they owe on their mortgages, credit cards, student loans and auto loans. Older households typically own more than they owe, and they can use that difference – their wealth to supplement their Social Security benefits.

Yet, household wealth is highly unequally distributed by race and ethnicity. The latest data for 2019 from the Federal Reserve's Survey of Consumer Finances shows that the median wealth of an African American family amounted to $24,100 and that of Latino households to $36,100, compared to $188,200 for White families (Bhutta et al., 2020). African Americans owned less than one-sixth the median wealth of White families, even though the African American-White wealth gap had narrowed a little from 2016 (Bhutta et al., 2020).

People of Color More Likely to Rely on Borrowing from Friends and Family

The wealth gap by race and ethnicity is likely worse than these numbers suggest in part because of financial support between multiple generations. Households rely on wealth in an emergency such as a layoff or a health care scare. They also use their wealth to buy a new house, start and grow a business, move to a new location when better opportunities arise and support their children's education. Since African American and Hispanic/Latino households have less wealth than White households, they often need to borrow more money. However, the systematic exclusion from the formal banking sector that makes it more difficult for African American and Hispanic/Latino households to build wealth also makes it harder for them to borrow in case of an emergency or to pursue emerging investment opportunities (Baradaran, 2019). Larger shares of African American and Hispanic/Latino households, compared to White households, instead turn to their families and friends for financial support (Chiteji and Hamilton, 2002). The system that creates massive wealth inequality by race and ethnicity by erecting barriers to saving and wealth creation everywhere necessitates this kind of assistance from family and friends. In turn, this financial support from one generation to the next – parents to children and also from children to parents and grandparents – makes it more difficult for African American and Hispanic/Latino households to save (Houle and Addo, 2018).

These loans to family members widen the racial wealth gap. Helping out family members with their finances is more likely to happen in communities with less wealth, typically African American and Hispanic/Latino households. This reduces the wealth of those who borrow the money. It is debt, just not a form of debt that shows up in official statistics. And, because households often take on this added debt when they are already struggling, it will either take a long time for the debt to be repaid or it will turn into a gift to the recipient. On the other side of the ledger, the debt is a cost to the lender. They will likely not receive interest on it and neither expect nor receive repayment. Helping out other family members financially thus reduces savings and wealth for those households. Another way to put this is that different households will split the expenses of one household that has too little income to pay its bills. It is a form of inter-family burden sharing. Because African American and Hispanic/Latino families have lower

Copyright © 2021 Society of Actuaries Research Institute

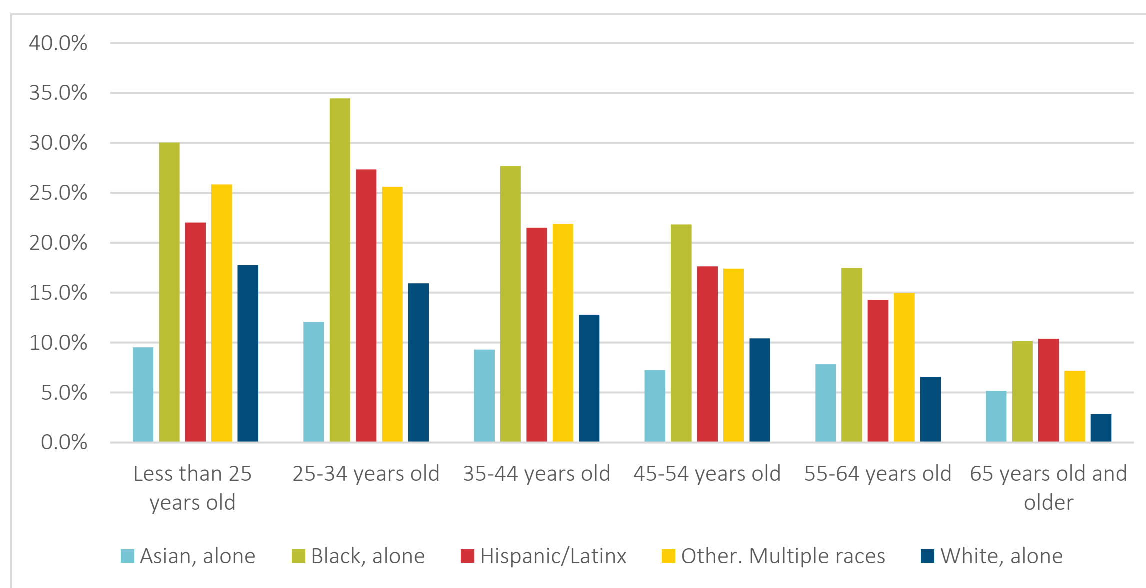
earnings and wealth than White families on average, this type of burden sharing more often occurs among people of color than White households (Chiteji and Hamilton, 2002).

The racial differences are readily apparent in the share of households that borrowed money from their families and friends during the coronavirus pandemic. The U.S. Census' experimental Household Pulse Survey collected data on a number of key aspects of households' finances, including sources of money for spending on regular expenses. The survey started out as a weekly data collection in late April 2020, but a major redesign of the survey methodology at the end of July – including going from weekly to biweekly data collection -- makes the later data not comparable with earlier data. We thus use data from the Household Pulse Survey from August to December 2020 for our summary statistics on households borrowing from family and friends.

The data summary show three key points about those who borrowed from family and friends to pay for their expenses during the pandemic months from August to December 2020 (Figure 1). First, African Americans were much more likely to rely on this type of debt than any other racial or ethnic group. For example, 27.7% of African American households from 35 to 44 years old borrowed from family and friends, compared to 12.8% of White households (Figure 1). Second, Hispanic/Latino households and households of other or multiple races are also more likely than White households but less likely than African American households to borrow from friends or family (Figure 1). Third, the share of households that borrowed money within their networks is substantial across all age groups, even though it declines with age (Figure 1). For example, more than one-third of African American households from 25 to 34 years old, 34.5% to be exact, borrowed from family and friends, while 10.2% of those 65 years old and older did.

Figure 1

SHARE OF HOUSEHOLDS THAT BORROWED FROM FAMILY AND FRIENDS TO PAY FOR EXPENSES BY RACE, ETHNICITY AND AGE - AUGUST TO DECEMBER 2020



Notes: Authors' calculations based on Census (2021)

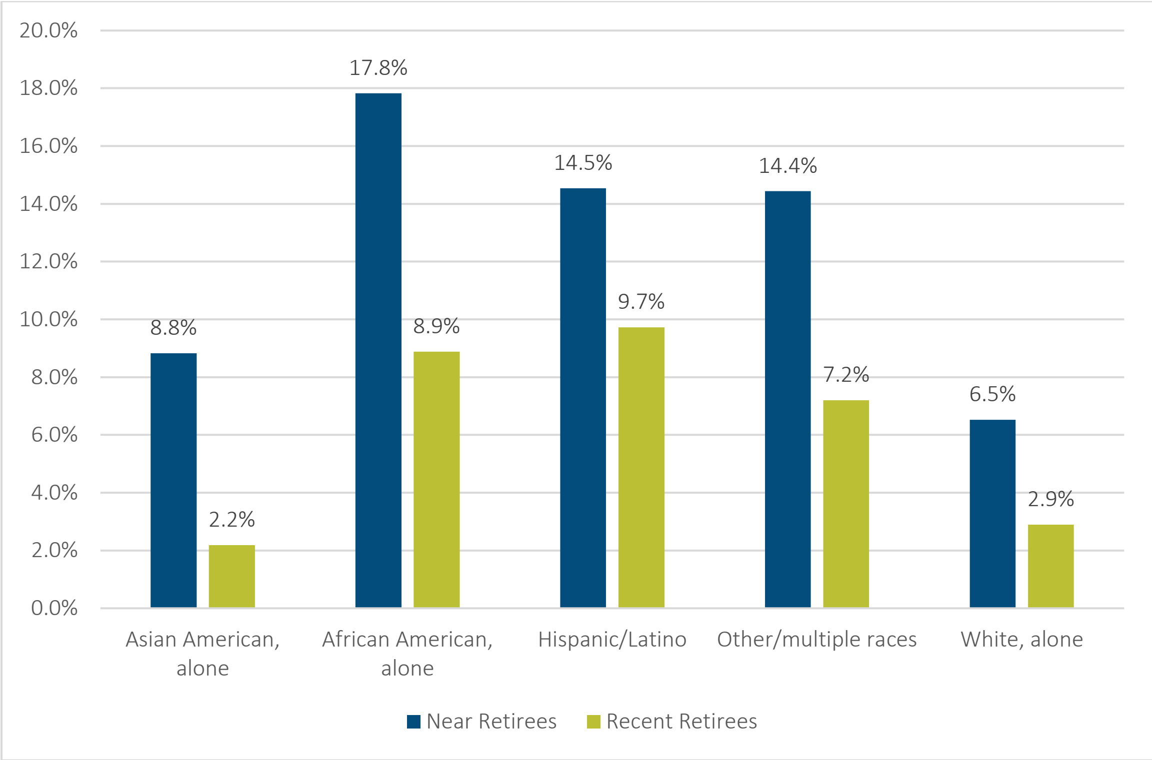
Importantly, a substantial share of older people of color took on this debt. Borrowing from family and friends correlates with retirement status among older households (Figure 2). Those near retirement, which we define as households 55 to 69 years old who are not yet retired, were much more likely to borrow from family and friends than recent retirees – households in the same age group that are retired. The data show the largest difference by

Copyright © 2021 Society of Actuaries Research Institute

retirement status among older African American households as 17.8% of near retirees and 8.9% of recent retirees borrowed money – an absolute gap of 8.9 percentage points (Figure 2). Older households have less time to repay that debt, which could then mean more burden shifting towards those who lent the money, often children and siblings.

Figure 2

SHARE OF HOUSEHOLDS 55 TO 69 YEARS OLD THAT BORROW FROM FAMILY AND FRIENDS BY RACE, ETHNICITY AND RETIREMENT STATUS – AUGUST TO DECEMBER 2020



Notes: Authors' calculations based on Census (2021)

Other data sources suggest a tentative causality between debt and retirement. Households with less wealth to begin with were more likely than wealthier households to remain in the labor market before and during the recession (Weller, 2020). Working longer was a key tool for many households with little wealth to address their retirement income shortfalls. It thus stands to reason that many of those households that counted on working longer to cover any retirement income shortfalls ended up being more likely to borrow from family and friends amid the pandemic. African American and Hispanic/Latino households in particular had low income levels, little wealth accumulated, high and persistent unemployment and elevated health risks (Ajilore, 2020; Maxwell, 2020). This meant greater pressures for older African American and Hispanic/Latino workers to stay in the labor market, looking for new jobs after being laid off and borrowing from family and friends to pay their bills. That is, low wealth before the recession contributed to both a higher chance of borrowing from family and friends and a lower chance of retirement among African Americans and Hispanic/Latino households than among White households.

Another key data point further underscores this argument. Borrowing from family and friends was often not enough for households to avoid economic hardship. Most households that incurred such family debt still had trouble paying their bills. Table 1 shows the shares of households that have difficulty paying their bills, or think that an eviction or foreclosure is somewhat, very or extremely likely in the next two months, by race or ethnicity, by retirement status

Copyright © 2021 Society of Actuaries Research Institute

– early retirees and recent retirees – and by having borrowed from family and friends. The data show that, unsurprisingly, those, who borrowed money from family and friends, were more likely to face economic hardships than those who did not take on such debt (Table 1). More to the point of the retirement question, this gap in financial hardship is smaller and levels are lower among recent retirees than among near retirees. Low wealth is both a hindrance to retirement and a pathway to even greater indebtedness, in this case to family and friends.

Table 1
FINANCIAL HARDSHIPS AMONG OLDER HOUSEHOLDS BY RACE, ETHNICITY, RETIREMENT STATUS AND FAMILY DEBT

	Near Retirees		Recent Retirees	
	Did not Borrow from Family or Friends	Borrowed from Family or Friends	Did not Borrow from Family or Friends	Borrowed from Family or Friends
Asian American, alone				
Difficulty Paying all Bills	30.4%	73.9%	17.5%	86.9%
Likely Facing Eviction	31.0%	68.5%	22.0%	80.0%
Likely Facing Foreclosure	33.1%	65.9%	20.2%	49.9%
African American, alone				
Difficulty Paying all Bills	39.2%	85.1%	26.0%	78.2%
Likely Facing Eviction	76.7%	81.4%	66.2%	74.4%
Likely Facing Foreclosure	52.3%	78.8%	50.3%	86.0%
Hispanic/Latino				
Difficulty Paying all Bills	38.8%	86.2%	27.3%	87.5%
Likely Facing Eviction	54.6%	75.9%	56.8%	70.5%
Likely Facing Foreclosure	37.4%	68.6%	48.0%	80.6%
Other or multiple races				
Difficulty Paying all Bills	39.2%	89.3%	21.5%	84.9%
Likely Facing Eviction	81.2%	84.1%	50.7%	81.4%
Likely Facing Foreclosure	55.3%	78.2%	37.0%	17.6%
White, alone				
Difficulty Paying all Bills	23.4%	87.7%	12.6%	79.2%
Likely Facing Eviction	71.0%	91.7%	49.4%	82.9%
Likely Facing Foreclosure	50.9%	76.8%	42.2%	60.0%

Notes: Authors' calculations based on Census (2021). Likely eviction or foreclosure includes all households that indicated that eviction or foreclosure was somewhat, very or extremely likely. Data cover period from August through December 2020. Sample includes only households from 55 to 69 years old.

The data on family debt so far highlight two key points. First, this debt is a key transmission mechanism of intergenerational wealth inequality by race and ethnicity, supporting other findings that financial interactions within kinship networks contribute to racial wealth inequality (Chiteji and Hamilton, 2002; Houle and Addo, 2018). Second, even a large share of older households, mainly near-retirees, rely on family and friends to pay their bills. Because these households almost by definition face a multitude of financial hardships, it is unlikely that they will be able to repay those loans to family and friends. That is, these payments are likely a cost to the lenders (family members), especially when the borrowers are older.

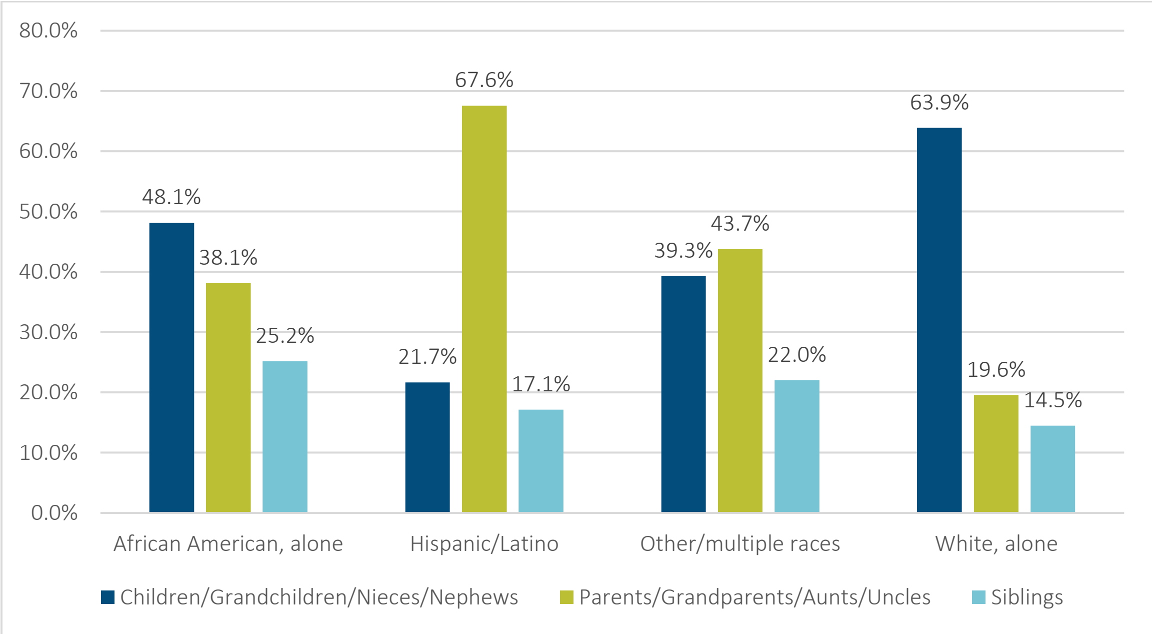
Copyright © 2021 Society of Actuaries Research Institute

Financial Support to Family and Friends More Widespread Among People of Color

Other household financial data show that people of color, mainly in their prime earning years, are more likely to support other family members, even outside of recessions. The Federal Reserve's Survey of Consumer Finances (SCF) asks people whether they provide financial support to family members and friends, other than through alimony and child support payments. This concept of financial support most closely matches the family debt in the Household Pulse Survey since it does not include loans taken out on behalf of or cosigned with family members. This financial support thus goes mainly to cover current expenses. These payments immediately increase the costs to the lenders, make it more difficult to save, and reduce their retirement income security.

People of color are more likely to provide financial support to family and friends than is the case for White households. Data from the SCF show that, from 2010 to 2019, 16.3% of African American households, 14.1% of Hispanic/Latino households and 17.5% of households of other or multiple races and ethnicities financially supported family and friends. In comparison, only 13.1% of White households financially support family and friends. Broken down by age, the share of African American families providing financial support is highest with 21.4% among those from 45 to 54 years old. No age group of White households has a share this high. Moreover, on average, people of color supported a larger number of other families than Whites did. For instance, African American families on average supported 1.45 other families, while White households supported 1.17 other families – a relative difference of 29.5%. In the same vein, the financial support from African Americans and from those households of other and multiple races and ethnicities was more spread out among different generations, while support from White households mainly went to children and grandchildren (Figure 3). Also, people of color's financial support of their family members takes a bigger bite out of their assets. At the median, the amount of financial support relative to a household's financial assets such as checking accounts and retirement savings, was 14.0% for African Americans, 40.0% for Hispanic/Latino households and 7.0% for households of other or multiple races and ethnicities, but only 5.0% for White households. These data underscore the greater financial interdependence among families of color, who typically have less wealth than their White counterparts.

Figure 3
FINANCIAL SUPPORT RECIPIENTS BY RACE AND ETHNICITY – 2010 - 2019



Notes: Authors' calculations based on Fed (2020)

Copyright © 2021 Society of Actuaries Research Institute

Conclusion

Families in different households often have to rely on each other for financial assistance when money is tight. This is especially true for African American and Hispanic/Latino families. They have less wealth and thus need to rely more on each other for help. This was reflected to a great degree during the pandemic, but also holds during quieter economic times. The financial burden of sharing between families, often across multiple generations, makes it harder for families to save for a secure retirement. That is, low wealth contributes to low wealth as well as a wider racial wealth gap and retirement income gap.

Dania V. Francis is with the University of Massachusetts, Boston. She can be reached at dania.francis@umb.edu.

Christian E. Weller is with the University of Massachusetts, Boston. He can be reached at christian.weller@umb.edu.

Copyright © 2021 Society of Actuaries Research Institute

References

Ajilore, O. 2020. “The Persistent Black-White Unemployment Gap Is Built Into the Labor Market.” CAP Brief. Washington, DC: Center for American Progress.

Baradaran, M. 2019. “The Color of Money: Black Banks and the Racial Wealth Gap.” Cambridge, MA: Harvard University Press.

Board of Governors. Federal Reserve System. 2020. Survey of Consumer Finances. Various Years. Washington, DC: Fed.

Houle, J. N., & Addo, F. R. 2019. “Racial disparities in student debt and the reproduction of the fragile black middle class.” *Sociology of Race and Ethnicity*, *5*(4), 562-577.

Bhutta, Neil, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu. 2020. "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances." FEDS Notes. Washington: Board of Governors of the Federal Reserve System, September 28, 2020, https://doi.org/10.17016/2380-7172.2797.

Chiteji, N. S., & Hamilton, D. 2002. “Family connections and the black-white wealth gap among middle-class families.” *The Review of Black Political Economy*, *30*(1), 9-28.

Maxwell, C. 2020. “Coronavirus Compounds Inequality and Endangers Communities of Color.” CAP Brief. Washington, DC: Center for American Progress.

U.S. Census Bureau. 2021. Household Pulse Survey, Phases 2 and 3. Washington, DC: Census.

Weller, C. 2020. “The Pandemic Recession Is Also A Retirement Crisis Recession.” Forbes. December 14, 2020.

Copyright © 2021 Society of Actuaries Research Institute

THIRD PRIZE: Closing the Retirement Readiness Gap

Karl Canty

Minority communities in the US have widely diverse experiences when it comes to retirement preparedness. There is evidence to suggest that progress is being made in the US, but the impacts of 2020 may have impeded this advance and may slow further gains relating to financial awareness, savings levels, access to financial advice and investment in retirement vehicles. These systemic disparities are undeniably complex, requiring a range of governmental and private involvement to tackle holistically. That said, we observe that insurance carriers and financial services organizations (FSOs) are in a strong position to engage underserved minority communities in the US and help close America's retirement preparedness gap. To do this, carriers and FSOs will need to leverage innovative new technologies, methodologies, and strategies specifically tailored to better reach minority communities.

While the COVID-19 pandemic has had a myriad of negative effects on the economy, one silver lining has been the drastic increase in American household savings rates. The typical savings rate for Americans of the last decade (2010-2019) has stayed in the 6-8% range. In April 2020, savings rates exploded on average, seeing a 5x+ increase to over 32%[i]. These rates have since leveled off somewhat but remain nearly double the 10-year pre-pandemic range, averaging 13.7% in Q4 2020. The implications for financial wellness prior to March 2020 were positive, given that higher savings rates translate to new opportunities to bolster retirement savings dollars. From an insurer's perspective, the market for tax-deferred vehicles (e.g., annuity products) and retirement products in the US has rarely seen this level of focused preparedness – perhaps allowing for accelerated growth in the space.

Unfortunately, these positive trends in Americans' savings habits have not been ubiquitously distributed across the population. The pandemic has presented Americans of all income levels with financial challenges – but these effects have been felt most distinctly by lower income families, and in turn they have disproportionately impacted communities of color. A recent study released by the US Census Bureau (CPS ASEC, 2019) indicates that while African American and Hispanic/Latino pre-pandemic poverty rates were historically low on a time-trended basis (18.8% and 15.7% for African American and Hispanic/Latino Americans respectively), these figures hide disproportionate over-representation as a percentage of the broader population of impoverished Americans. In 2019, African American and Hispanic/Latino Americans were 1.8x and 1.5x more likely to have incomes under the poverty line respectively. Moreover, 2019 median incomes were 25-40%[ii] lower in African American and Hispanic/Latino households – all of which translated to lower overall savings rates compared to the broader population. In considering the implications of these trends, the verdict is mixed. On one hand, pre-pandemic income levels in minority populations across the US had been at or above historic levels – reflecting a generally healthy forward economic outlook. The flip side of the coin is that the disproportionate economic impacts of COVID-19 on lower income communities may once again widen income and savings disparity in ways that threaten individual's ability to save for their envisioned retirement.

Additional data and long-term studies will be needed to assess demographic impacts further, however this does not preclude insurers from taking an optimistic take on their ability to better address the unique set of retirement needs for people of different races and ethnicities. Looking forward, there is a clear need in the marketplace to develop strategies and associated products to encourage and enable African American and Hispanic/Latino households to engage in retirement preparation. To illustrate this, take a recent Boston College center report that indicates that while 54% of White workers took advantage of employer sponsored retirement plans, only 46% of African American workers and 34% of Hispanic/Latino workers did the same. These figures are anecdotal on their own, but the trend is confirmed by other reports as well. A "2020 Retirement Risk Readiness" study commissioned by Allianz Life

Copyright © 2021 Society of Actuaries Research Institute

showed that 52% of minority survey participants said they “believe they have plenty of time to save for retirement” but less than half of these participants had specific aims in mind or could report owning any investments or accounts associated with retirement security[iii].

The Widening Retirement Readiness Gap

The opportunity to address the retirement readiness gap in minority communities is quite large but requires new thinking and approaches to reach populations with a different set of needs. Life and Annuity carriers are in a prime position to address three key tenets of a solution that can begin to close the gap. We observe the following solution pillars:

- **01. Innovative Education for a Digital World:** Minority communities report less overall financial awareness and have less access to education[iv]. The entry point for better engagement with minority communities begins with innovative means to educate and motivate retirement readiness actions as early on as possible.
- **02. Data-Driven Engagement with Minority Communities:** Less than one third of people of color indicate they are working with a financial professional[v]. A new generation of tailored marketing outreach is needed to inform particularly younger working populations of the need to engage in retirement preparation.
- **03. Aligning Product Design with a Reimagined Customer Engagement Model:** Improved simple product designs with low barriers to entry, incentives to save for the long-term, and paired with supplemental financial wellness support are needed.

01. INNOVATION EDUCATION FOR A DIGITAL WORLD

More and more, the experiences offered to us across industries are tailored to our individual preferences; Netflix movie recommendations, Amazon product suggestions, and the grocery delivery service that eerily yet accurately predicts you may be out of milk. At the heart of these interactions is, of course, Big Data – a resource equally critical to Insurance carrier operations and a growing area of competency enabling capabilities ranging from sales, service, claims, underwriting, and of course, actuarial. This competency and the technologies available to harness Big Data offer innovative potential relating to consumer education as well.

An important side note to keep in mind is that this conceptual model may have less to do with “communities” per se than it does with individual attributes. There are a wide range of characteristics that predict personal behavior – none of which are specifically linked to race or ethnicity. Analytics models that serve as the predictive insight engines aligning educational modules would focus person by person and would very likely not take into consideration a person’s race or ethnicity as a factor in determining their propensity to engage with a particular training module. As a result, the platform would serve merely as a tool to deliver individualized and highly impactful financial education experiences. In order to enable minority communities enhanced financial awareness more broadly, equally tailored awareness campaigns, outreach, and low-barrier-to-entry access points are needed.

The goal of these educational tools at the highest level is two-fold: 1) to improve financial education and behavioral finance awareness; and 2) repeated engagement. Studies going back a decade to 2011 provide empirical evidence confirming that exposure to financial education correlates to improvement in financial decision-making[vi]. Moreover, gamification principles confirm that repeated interactions or “touches” increase the likelihood of transforming previous cognitive biases and in turn, impact financial behavior over the long term.

The investment borne by insurance organizations yields benefit to consumer prospects and carriers alike. Improved minority community engagement develops new inroads to previously untapped consumer segments and may unlock underserved investment dollars. These commitments also serve to align corporate strategy with the broader

Copyright © 2021 Society of Actuaries Research Institute

cultural mission of fighting structural barriers and racial inequality. Perhaps, most importantly, it establishes a relationship with each individual, providing a welcome source of guidance, helping families become more financially secure throughout their lives.

02. DATA-DRIVEN ENGAGEMENT WITH MINORITY COMMUNITIES

As mentioned, new thinking and practical guidance is but one leg of the stool. Closing the retirement readiness gap requires innovation in access and awareness of the availability of support. Here too, data and analytics play a key role. Enhanced data-driven marketing techniques, taking advantage of internal and external carrier data coupled with deep understanding of marketing channel optimization can identify and engage new audiences to maximize awareness and further interaction opportunities. These techniques may be used to identify underserved communities encouraging enhanced financial education, bespoke guidance, and tailored savings opportunities.

How do these approaches really differ? For one, analytics modeling can be used to identify the specific behaviors and attributes to predict a propensity to engage – and can tailor various approaches, contact channel mix, and messaging to boost effectiveness. In addition, there is significant evidence suggesting the need for new approaches, given the scale of the retirement savings gap amongst people of color. The National Academy of Social Insurance reported that African American and Hispanic/Latino Americans over the age of 65 are over 40%-50% less likely to receive income from sources to supplement social security in retirement[vii] - highlighting the need for new methods that efficiently encourage and support preparations for retirement.

The journey towards financial security in retirement is not an easy one, and for many struggling families the seemingly insurmountable goal of a "well-funded retirement" is overwhelming. Experienced financial advisors know, however, that small changes make big differences with enough time and consistency. Reaching out and engaging underserved communities should equally have incremental and achievable aims – to educate, to improve awareness and empower working Americans across races and ethnicities to contribute to financial instruments and accounts that over the long-term will make significant impacts to their retirement incomes. Establishing positive financial habits and forming a relationship with a trusted financial brand early in one's career can have profound impacts – both in the pragmatic sense of changing savings habits, and also in the way that lower-to-middle income families consider and prioritize long-term wealth building.

03. ALIGNING PRODUCT DESIGN WITH A REIMAGINED CUSTOMER ENGAGEMENT MODEL

A new design thinking needs to start with reimagined fundamental goals in mind. A reset of traditional thinking is needed using *consumer engagement* as the central principle, rather than the savings and accrual functions of standard retirement products. To illustrate, let's first examine some of the issues of engaging underserved communities:

- Lack of financial education/awareness
- Less disposable income
- Short-term vs. long-term goal setting
- Deterred by product or account complexity
- May be underbanked – meaning many traditional access channels not available
- Less access/no access to employer-based plans (e.g., 401k, 403b)

Copyright © 2021 Society of Actuaries Research Institute

Some of these challenges seem insurmountable given traditional thinking. However, if we shift towards using consumer engagement as the central principle, there may be new answers. For example, more common access points – like grocery or retail stores – with product features making them highly portable – perhaps accessible via apps or social media might help resolve access inequalities. For example, straight-forward product features linked to target date funds aligned to an individual's desired retirement or a pre-determined age could alleviate the need for in-depth understanding of market risk management. Of course, rapid digital enrollment and low/zero dollar initial funding requirements are essential as well, quickly seizing on consumer desire to participate and reducing abandonment rates.

Importantly, continued consumer engagement over time is equally critical. Success for these products should be at least partially measured in "consumer touches" as much as financial accrual. Product mechanisms that reward continued contributions – social engagement, gamified elements (e.g., unlocking new success levels), point rewards, iterative goal setting, and progressive financial education can all help improve long-term commitment to retirement readiness. Access to periodic live forums, opportunities to connect with other like-minded savers, digital savings reminders, collaborations with other positive life habits (e.g., running/walking, healthy eating, community involvement) are all methods to convert initial interest into longer-term successful financial habits.

The point beyond the initial thought-starters noted above is that new paradigms that focus on reaching underserved minority communities and engaging them outside of traditional channels is key. The exact product architecture and go-to-market strategy, while immensely valuable to first movers who successfully address these challenges, will be the result of these foundational customer-oriented principles.

Conclusion

It does not go unrecognized that systemic issues at play in US communities of color disproportionately discourage participation in retirement preparation. According to the Metropolitan Policy Program at the Brookings Institute, US minorities are significantly more likely to work in low-wage industries like restaurant services, leisure & hospitality, and the often tenuous gig-economy. Given the difficult decisions of paying rent or saving for the future, putting food on the table or contributing to a 401k, it must be noted that there are times where long-term retirement savings is simply not an option. However, the assertion that these scenarios are ubiquitous or constant for working families is equally tenuous. There are opportunities to reengage and to reset financial avenues that, given the opportunity, are proven mechanisms to help advance the broader goals of racial income and savings equality.

Solutions to close the retirement readiness gap exist. This is a problem that can be tackled through the concerted participation of financial services organizations working with communities to understand and address these issues. Improved education, improved access and awareness of available resources, and improved products that simplify those critical initial entry points that get a retirement savings journey started are all tenets of a solution framework. In other words, they are a strategic beginning, and will themselves need to be iterated as successes and challenges present themselves. The strategic argument for FSOs to continue to build and innovate with these goals in mind is clear; there stands large untapped multi-generational markets in real need of enhanced guidance and support to enhance their collective futures. Successfully closing the gap requires investing in the consumer journey identifying engagement points where help and advice can be given, and subsequently designing bespoke products, services and tools that support the many steps to financial security in retirement.

Copyright © 2021 Society of Actuaries Research Institute

Karl Canty is Vice President, Life, Annuities, & Group Analytics at EXL Services, Inc. He can be reached at karl.canty@exlservice.com.

---

[i] https://www.bea.gov/data/income-saving/personal-saving-rate
[ii] https://www.census.gov/library/stories/2020/09/poverty-rates-for-blacks-and-hispanics-reached-historic-lows-in-2019.html
[iii] https://www.aarp.org/retirement/planning-for-retirement/info-2020/minorities-less-prepared-for-retirement.html
[iv] https://401kspecialistmag.com/retirement-readiness-at-risk-for-people-of-color/
[v] https://401kspecialistmag.com/retirement-readiness-at-risk-for-people-of-color/
[vi] https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1467-6419.2011.00705.x ; Journal of Economic Surveys, “Financial Education and Behavioral Finance: New Insights into the Role of Information in Financial Decisions”, Maria Jose Roa Garcia, Oct 2011.
[vii] https://www.nasi.org/learn/socialsecurity/people-of-color

Copyright © 2021 Society of Actuaries Research Institute

Mom Has Me; I Won’t Have a Me: The Impact of Caregiving on the Retirement Security of Immigrant Family Caregivers

Lily Liu

There is a picture in our family photo album that captures a special moment in the history of our immigrant family. My mother is looking straight at the camera, with me to her left and my younger brother to her right. Years ago when we children were assigned school projects about our families, Mom told us that was the photo used in our passport to immigrate from Taiwan to the United States to join our father who had come to America a few years earlier to pursue a graduate degree.

Mom’s happy smile in that photo reflected her joy at being able not only to reunite with her husband after a long separation but also to pursue her own American Dream. She had already spent her teenage years as a refugee student escaping Communism. America in her mind – as in the mind of so many across the globe, then and now – would be a land of freedom and opportunity.

Fast forward all these decades and Mom is now the widowed matriarch of a three-generation family. She has had a chronic, degenerative disease (Parkinson’s Disease) for more than 30 years and was recently diagnosed with dementia. I am her family caregiver – the term used for anyone caring for a parent, spouse, partner and/or friend. In order to care for Mom, I have had to make tough decisions that have a tremendous impact on my current financial situation as well as on my future retirement security, and that’s on top of the strains and stresses of caregiving on my physical health and emotional well-being. I am among the 45 percent of family caregivers in America who have had at least one financial impact on our lives as a result of providing care for a loved one. Additionally, as a consequence of being from an immigrant family, there are unique differences in my lived experience as a family caregiver than in the experience of a non-immigrant family caregiver in this country.

My Caregiving Journey: A Marathon, Not a Sprint

My family-caregiving experience began years ago as a long-distance caregiver first: I would use my vacation days from work to travel back to the town where we grew up to check on my aging parents. Then, with the unexpected death of our father more than ten years ago, I needed to assume full responsibility for Mom’s care.

There are an estimated 53 million adult family caregivers in the United State like me who are providing unpaid care for an adult loved one or a child with special needs. As of 2019, the total economic value of the care provided by unpaid family caregivers was estimated at approximately $470 billion – yes, that’s billion with a “b”. With the “Silver Tsunami” – the aging of the 78 million Baby Boomers (those born between 1946 and 1964) – in future there likely will be an increase beyond the current estimate that nearly one in five Americans (19 percent) is a family caregiver for an adult with health or functional needs.

Because of the fragmented long-term care “system” in the United States, the responsibility of caregiving typically falls upon family members. This is especially the case in Asian-American families regarding the care of a parent or parent-in-law. Notice I did not use the word “burden” of caregiving. I recall a lecture I once attended where a Latina professor emphasized that in her culture caregiving is not a burden but an act of love. Though from a culture different from hers, I could relate deeply to what this bilingual, bicultural professor said.

Copyright © 2021 Society of Actuaries Research Institute

The Impact of Heritage Cultural Norms and Values

Sociologists would describe me as a 1.5-generation immigrant – someone who was not born in the United States but who arrived here early in life, as a child or adolescent. I have grown up recognizing that I have a foot each in the Western and the Eastern culture. And being of Chinese heritage, I understand that the responsibility of caring for one's parents is a tradition that dates back millennia. I believe observing the Confucian value of filial piety (**孝**) is just innate in my DNA. Even though I have not read the teachings of Confucius, I accept the expectation that children will be good to and take care of their parents.

After Dad's death, I did not place Mom in any eldercare facility. I chose to bring her to live with me in a home setting, a decision that is more common among Asian-American caregivers. I recognize that this is not an option for everyone. But all these years later, as the COVID-19 virus has led to a devastating number of deaths in congregate housing for the elderly, I am at peace with that decision I made years ago.

By receiving care in a home setting, Mom is able to enjoy the Chinese food she has always cooked and eaten. In my research into options for eldercare congregate housing, I did not find any facilities in my local community that could serve Mom the traditional food that she is used to. There has been some innovation in areas of the United States where more Chinese Americans and Asian Americans reside; for example, in the Bay Area in California, community leaders noted the need for what are called "culturally sensitive" social and health services and then created eldercare facilities that provide familiar foods and hire bilingual staff.

In caring for Mom at home, I needed to hire a paid caregiver to help me because, like many immigrant families, ours is a nuclear family. The extended family of most immigrants might be thousands of miles away, so I do not have what I call "extra hands on deck" whom I can call upon to offer support or to give me a respite break. And although the paid caregiver I hired to help me for eight hours a day does not speak Mandarin Chinese, Mom does speak enough English so communication between them has not been a problem. But other family caregivers have shared their lessons learned and have alerted me to the fact that as her dementia advances, Mom may revert to speaking only her native language. Again, care in a home setting provides a culturally competent solution because I, who have worked hard to learn my heritage Chinese language, am able to understand what Mom says and can convey her needs to others.

The Consequences of Immigration

The 1.5-generation immigrant children like myself and the American-born 2.0-generation children of immigrants face other unique circumstances in our current family caregiving journey. These are a direct consequence of the decision of our parents to immigrate to the United States decades ago. Their generation benefited from the change to the American immigration process with the signing into law of the Immigration and Nationality Act of 1965 by then-President Lyndon B. Johnson. With the passage of time, these young men and women who came to America with little or no money in their pockets but with dreams and ambition have aged and are now "seniors".

In all the intervening years, these early immigrants labored to survive, and hopefully one day thrive, in America. But after paying for their rent or mortgage, insurance premiums, kids' eyeglasses, orthodontic braces, music lessons, etc., etc., most of these parents did not have money left to buy long-term care insurance, if they were even aware of this option. Now in their old age, many of them are too well off to qualify for long-term care support under Medicaid, but too poor to afford the high entry fees and/or other expenses of assisted living, nursing homes or memory-care facilities. They have made it into the American middle class, which, unfortunately, is very much on its own and must fend for itself when faced with caregiving expenses and responsibilities, regardless of being native-born or immigrant.

Copyright © 2021 Society of Actuaries Research Institute

I recognize that as a result of immigrating to America and leaving their homelands and families, many of the current generation of immigrant elders therefore did not experience first-hand the aging and dying process of previous older generations. They often have had no lived experiences as, nor role models of, family caregivers. As they themselves reached middle age and their own parents back home were getting on in years, so many immigrants became what are called trans-national family caregivers. They might have provided care across oceans and time zones by sending money back home, but perhaps were able to visit family only after years of saving for the trip. There are too many stories among immigrant elders of not having been able to go home to bury a loved one, of feeling guilt that the care of elderly parents fell heavily on siblings who did not emigrate or of working extra jobs in order to send money back to relatives while raising their own family in America. And it is only in recent years that communication technologies have made it possible to connect easily and cheaply with family overseas.

As immigrant communities have grown and matured, subsequent waves of immigrants have benefitted from lessons learned and shared by earlier immigrants as well as from having more in-language information and bilingual providers of services. Outside the popular Asian supermarket chain stores, the flourishing ethnic media make available free print copies of in-language newspapers. There are pages and pages of ads placed by bilingual sales representatives reaching out to immigrant communities on behalf of established insurance companies, financial advisors and law firms. Today, there is less of a linguistic barrier thanks to in-language resources when it comes to estate planning, preparing in advance for long-term care and ensuring that necessary legal documents are completed.

You Can Lead a Horse to Water, But You Can't Make It Drink

However, having materials available in an Asian language does not mean that our elders will automatically agree to getting the necessary plans in place nor the legal documents signed related to financial planning and/or end-of-life preparations. Caregivers in Asian-American families often face difficulties in starting a conversation because death and dying are taboo topics in many families; cultural beliefs and practices create barriers to advance planning.

On the other hand, my generation of immigrant family caregivers, which might have to provide years of care because of the increased longevity of our parents, is more likely to proactively plan for our own future aging as well as for our possible physical and cognitive decline. Many family caregivers, native-born and of immigrant background, are saying, "We do not want to put our children through what we have experienced as family caregivers." And individuals like me who will age solo (with no children or life partner) and will not have a daughter or son to provide care are keenly aware of the critical need to plan strategically for what lies ahead in our lives. This presents opportunities for collaboration with financial advisors, lawyers and other professionals to map out a more informed retirement scenario as well as to make end-of-life arrangements in advance.

My father passed away suddenly and I assumed care for my mother without much time to plan. While there is no "typical" family caregiver, there are some common characteristics among all family caregivers, immigrant and native-born, that are also relevant for my own situation. All of us need support and help in our struggle to balance multiple responsibilities: caregiving, work, running a household as well as our own too-often-neglected health and well-being:

Copyright © 2021 Society of Actuaries Research Institute

Financial and Legal Issues for Our Loved One's Care:

- We family caregivers need help with financial information to calculate if full-time care for our elderly loved one is affordable, and if so, how should we plan for it.
- We could use guidance on how to take care of our elderly loved one's finances.
- We need help to better understand our elderly loved one's eligibility for Medicare/Medicaid and any other benefits and services.
- We need help and guidance on legal issues from elder law professionals.

Our Own Employment Issues:

- If we are still in the work force, we could use help in understanding family-leave options that would help us to juggle work and caregiving responsibilities.
- Could employers offer more flexibility (e.g., teleworking, flexible work hours, phased retirement, etc.), which would help family caregivers succeed in remaining in the workforce?

Our Own Retirement Issues:

- If we are contemplating the need to scale back our work hours or leave the work force in order to care for our elderly loved one(s), we need help in understanding the impact such a consequential decision would have on our finances and retirement: the impact on our Social Security benefits; our pension, if our workplace still offers one; our defined contribution plans; our individual retirement accounts; our investments, our savings, etc., etc.

I Will Not Have a "Me" in My Old Age

Family caregivers, both native-born and immigrant like myself, have absorbed critical lessons from our own experiences in this rewarding but challenging role. The lunar new year began on February 12, 2021. It is The Year of the Ox according to the Chinese zodiac. The ox is a hardworking animal. It is the perfect symbol for this year during which I must work hard to do two things:

1. Reflect on what can be learned – both the challenges and the opportunities – from how diverse communities are providing care and support to loved ones in their advanced age. Can there be better support for family caregivers, a role that is critical to the emotional, physical and fiscal well-being of so many immigrant and non-immigrant families without undermining the retirement security of the caregivers?
2. Acknowledge that my own financial situation and retirement security took a hit from being a dutiful Chinese daughter caregiver and reach out to financial, legal and other professional advisors to strategically plan for my future.

I will not have a me – a dutiful daughter caregiver – as my family caregiver in my old age.

Lily Liu is a consultant based in Washington, D.C. She can be reached at liuconsultants@gmail.com.

Copyright © 2021 Society of Actuaries Research Institute

Immigrants Age Too: Projections of the Magnitude of the U.S. Undocumented Adult Population

Josefina Flores Morales

Introduction

Currently, there are an estimated 11 million undocumented migrants in the United States. Until now, demographers and policymakers have not explored a sense of the size the aging undocumented population in the U.S. nor evaluated how quickly they are aging. This information can become important to better understand and plan for the needs of aging populations (economic needs, health needs, etc.). This essay utilizes a common projection method, the cohort component method, to create projections of the undocumented adult population.

Why This Is Important?

Knowing the pace and size of the aging undocumented population is important for several reasons, outlined below:

- Undocumented individuals are excluded from federal programs designed to be a safety net for older individuals in the United States.
    - Including retirement pensions, as well as disability income programs administered by the Social Security Administration.
- Organizations that offer individuals private retirement accounts may need to adapt to the needs of undocumented migrants, such as finding ways to provide services to individuals who only have an ITIN (individual taxpayer identification number) and may not have a Social Security number.
- Healthcare organizations that are currently safety nets for undocumented immigrants need to plan to create gerontological-focused programs designed to service an aging population.

Projections about the emergence of the aging undocumented population can help inform planning efforts in public and private spheres.

The Inputs to Make Projections

In order to make projections, I use data on mortality from the 2014 National Vital Statistics Report by the Center for Disease Control (CDC).[1] Baseline population estimates are derived from the Migration Policy Institute 2014 report (Table 1).[2] Since I am focused on the undocumented population, births are not of relevance because births in the

---

[1] CDC Vital Statistics Report. https://www.cdc.gov/nchs/data/nvsr/nvsr66/nvsr66_04.pdf

[2] Migration Policy Institute (MPI) analysis of U.S. Census Bureau data from the 2014 American Community Survey (ACS), 2010-2014 ACS pooled, and the 2008 Survey of Income and Program Participation (SIPP) by James Bachmeier of Temple University and Jennifer Van Hook of The Pennsylvania State University, Population Research Institute.

Copyright © 2021 Society of Actuaries Research Institute

U.S. do not add to the pool of undocumented individuals. A more detailed description of the specific projection approach is in the Appendix section of this essay.

Table 1

BASELINE ESTIMATES OF THE UNDOCUMENTED POPULATION IN THE U.S. BY AGE GROUP, 2014

	2014 Estimates
16 to 24	866,000
25 to 34	1,653,000
35 to 44	3,094,000
45 to 54	2,708,000
55+	1,551,000

Source: Migration Policy Institute 2014 estimates.

Projections of the Aging Undocumented Population

From 2014 to 2023, the number of undocumented adults who are 55+ will increase by 104%. By 2041, there will be close to 4 million in that age category (see Table 2). Those who are 65 or older will reach close to 3 million in 2041 (see Table 2). By 2023, those in ages 45-54 will reach an all-time high (see Figure 1). Overall, trends show that over the span of the next couple of decades, a major shift in the demography of undocumented adults will unfold. Notwithstanding out migration or mortality rates that differ from those in the U.S. population, and in migration, the results shed light on a possible scenario and invites an intellectual discussion on what the undocumented population will look like in terms of age composition in the next decades.

Table 2

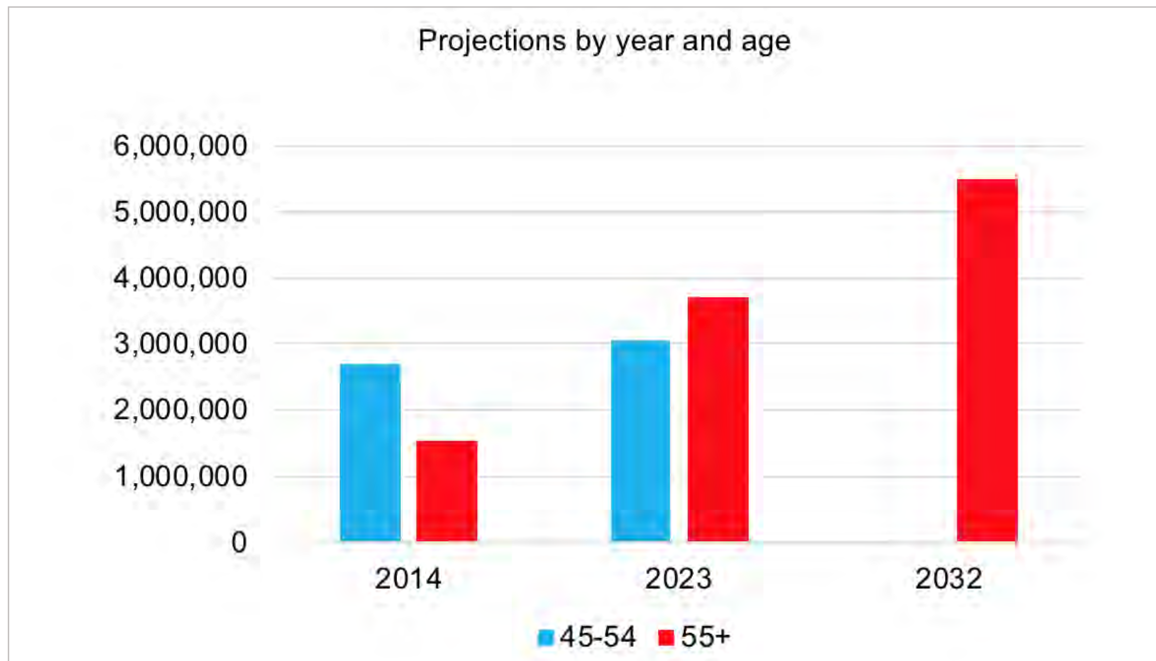
PROJECTIONS USING DISTINCT MORTALITY REGIMES BY AGE GROUP AND PROJECTION YEAR

Age Groups by Mortality Regime	2023	2032
U.S. mortality rates		
45 – 54	3,053,563	
55 – 64	3,640,110	2,977,009
65+	1,006,116	2,365,264
Hispanic/Latino mortality rates		
45 – 54	3,066,353	
55 – 64	2,660,168	3,012,191
65+	1,045,577	2,498,156
White mortality rates		
45 – 54	3,054,232	
55 – 64	2,641,448	2,979,171
65+	1,006,529	2,367,373

My projections indicate that under a specific set of assumptions (net migration of zero at each age, for example), the undocumented population reflects an age structure that will include a high proportion of people in ages 45-53 and over 55 in the coming decades. Regardless of mortality regime applied to the undocumented population estimates, these projections remain relatively similar. In interpreting projections, it is important to understand and appreciate that the goal of these projections is not to be precise. A priority is to engage in an exercise with a set of assumptions in order to learn about a process. In this case, we learn that we are on the horizon of an aging foreign-born undocumented population if the assumptions hold true.

Copyright © 2021 Society of Actuaries Research Institute

Figure 1
PROJECTIONS OF UNDOCUMENTED POPULATION WHEN APPLYING HISPANIC/LATINO MORTALITY RATES



The growth rate of the undocumented population between ages 45-54 is about 12% and that of those 55+ is about 13% between the years 2014 and 2023. In addition, the growth rate of those 55+ from year 2014 to 2032 is about 25% (Table 3 has specific growth rates).

Table 3
GROWTH RATES BASED ON PROJECTIONS BY MORTALITY RATE REGIME AND PROJECTION YEAR

Mortality Rates Applied	Age	2023	2032
All U.S.	45 – 54	1.42	
	55+	15.01	13.58
Hispanic/Latinos	45 – 54	1.47	
	55+	15.44	14.18
White	45 – 54	1.42	
	55+	15.02	13.60

Other Considerations

It is important to note that the approach taken to get projections in this essay follow strict assumptions about migration flows. For some countries such as Mexico, this is suitable as the net migration is zero but this is not the case for other countries. In addition, individuals who fall out of status (e.g. expired visa) may further add noise to these projections. Without considering out migration, projections may be overstated.[viii] Deportation and voluntary outmigration may decrease the undocumented population. Some deportees are also likely to try to migrate to the U.S. again, often because their partners and children are there.[ix] Migratory flows are complex.

Copyright © 2021 Society of Actuaries Research Institute

Conclusions and Key Takeaways

- Existing estimates of the undocumented population in 2014 indicated that about 1,551,000 undocumented immigrants are aged 55 years old and over. I have shown that the number of aging undocumented adults is projected to double from 2014 to 2023 based on a simple projection method.
- We can expect that the aging of the undocumented population will create an unexpected demand for older age services.
- Since undocumented individuals cannot receive Social Security benefits (even if they may have contributed portions of their paycheck), how they will sustain themselves is an urgent question. A recent study showed that older undocumented Hispanic/Latinos at times do not save for retirement and may have plans to move back to their home country as well as work past retirement age.[x]
- Many will remain in the United States. Planning for their needs will become important in this decade and those to come.
- Older age immigrants have limited access to healthcare[xi] but may experience a greater need for them as they age. Health organizations need to plan and support older-aged undocumented immigrants in the U.S. with aging-specific care.
- Knowing the magnitude of the aging undocumented population is important to prepare the resources necessary to serve the needs of this population.

Josefina Flores Morales, M.A., is a doctoral candidate in sociology at the University of California, Los Angeles. She can be reached at flores.morales@ucla.edu.

Copyright © 2021 Society of Actuaries Research Institute

Acknowledgements

This essay benefited from comments/advice from: Dr. Anne R. Pebley, Dr. Hiram Beltrán-Sánchez, Dr. Patrick Heuveline. This essay's projections were presented at the Population Association of America in 2018. This essay was made from the helpful support from various sources: Robert Wood Johnson Foundation as well as the California Center for Population Research at UCLA. Jenny Van Hook and participants of the 2019 Summer Mixed Methods Migration workshop at Penn State University.

Appendix: Methodology

Populations change for 3 primary reasons: birth, death, and migration. In this essay, births are not relevant, deaths are taken into account, and in/out migration estimates are not currently considered but will be taken into account in the coming months. Thus, for the projection results, an assumption is that net migration is zero for the undocumented population at each age group. That is, there is an equal number of individuals who enter and exit the undocumented population space. This assumption will be relaxed in later iterations of the analyses. Utilizing the 2014 life table from the CDC, survival ratios were created for nine-year intervals, which are the intervals for which estimates of the undocumented population was available. The survival ratios are calculated for the population ages 16-55+. These rates were developed using the nLx+n/nLx formula and the Tn+x/Tx was used for the open age interval. Projected survivors are the product of the baseline and survival ratios. This was repeated iteratively for each projection interval forward. The assumptions of the cohort component method used in this essay are that survival rates of the undocumented population: 1) are not distinct from that of the U.S. population and 2) remain unchanged over time.

---

viii Bean, Frank D., Rodolfo Corona, Rodolfo Tuiran, and Karen A. Woodrow-lafield. 2001. "Circular, Invisible, and Ambiguous Migrants: Components of Difference in Estimates of the Number of Unauthorized Mexican Migrants in the United States." *Demography* 38(3):411–22.

[ix] Amuedo-Dorantes, Catalina, Thitima Puttitanun, and Ana P. Martinez-Donate. 2013. "How Do Tougher Immigration Measures Affect Unauthorized Immigrants?" *Demography* 50(3):1067–91.

[x] Torres, Alfredo, Rubi Becerril, and Alfredo Torres. 2016. *Elderly Undocumented Latinos and Their Retirement Strategies*.

[xi] Torres, Alfredo, Rubi Becerril, and Alfredo Torres. 2016. *Elderly Undocumented Latinos and Their Retirement Strategies*.

Copyright © 2021 Society of Actuaries Research Institute

Retirement Savings and Resilience: A Comparison of Hispanic/Latinos' and Non-Hispanic/Latinos' Responses to Retirement Insecurity

Karen Richman and Joelle Saad-Lessler

Abstract

Hispanic/Latinos have the lowest retirement savings of any U.S. demographic, a looming crisis in light of their numbers, relative youth and longer life expectancy. This paper finds that Hispanic/Latinos' collectivist practices of building social wealth and mutual support are a resilient response to their financial and retirement savings insecurity. To a lesser extent, non-Hispanic/Latinos also employ collectivist practices as a substitute for formal retirement savings. Collectivist practices are a source of resilience and the competencies that inform collectivist practices represent a valuable form of social literacy that complements financial literacy.

Introduction

The devastating economic effects of COVID-19 in the United States have brought Hispanic/Latinos' pre-existing financial precarity into stark relief. In March 2020, when the crisis began, 70% of Hispanic/Latinos did not have enough funds to cover rent, food and other expenses for the next three months and they did not expect to be able to make it up through savings, sale of assets or bank loans (Romero 2020). How, then, have Hispanic/Latinos been getting by? Without access to credit from banks, where have they obtained short term loans to stay afloat in emergencies? How have they secured housing in the absence of funds to pay rent? On whom have parents depended for childcare? How have Hispanic/Latino retirees with no accumulated retirement savings avoided destitution?

Beneath the radar, many Hispanic/Latinos have been coping with their material insecurity and estrangement from formal sources of savings by practicing "collectivism" as a substitute for formal retirement savings. Our study evaluates the extent that Hispanic/Latinos' reliance on collectivist networks not only compensates for their estrangement from the formal savings system but also displaces formal retirement savings. We also compare the role of collectivist exchanges in the retirement saving behavior of non-Hispanic/Latinos. Finally, we evaluate the extent that reliance on collectivist support affects retirement readiness among Hispanic/Latino and non-Hispanic/Latino pre-retirees, and we assess the importance of such support among those older than 67 years of age.

Half of U.S. workers have no retirement savings. Retirement insecurity in the United States in large part results from the decline since the 1970's of American employers' commitment to guaranteed pensions for workers and the rise of voluntary, tax-deferred, defined contribution (DC) plans administered through (but not funded by) the employer (Mitchell and Schieber 1998 and Ghilarducci 2008). Dire as American's retirement insecurity appears to be, the prospects for Hispanic/Latinos, the nation's largest minority group, are far worse. Less than one-third of full-time Hispanic/Latino employees participate in a pension plan through their job. Scholars have identified the primary structural barriers to Hispanic/Latino workers' participation in DC plans: most work for employers, especially small firms, that do not offer any retirement savings plan and many Hispanic/Latinos who do work at jobs that administer DC plans do not meet the company's eligibility or vesting rules (Bassett et al. 1998, Sun and Ghilarducci 2004, Choi et al. 2004, Miranda 2009, Brown and Oakley 2018, Rhee 2013 and Messacar 2018). Automatic enrollment has been somewhat effective in boosting Hispanic/Latino participation rates (Thaler and Benartzi 2004 and Rodriguez and Orszag 2005).

Copyright © 2021 Society of Actuaries Research Institute

Concerns about the capacity of ordinary Americans to manage their retirement nest eggs has also fueled significant research. Hispanic/Latinos are more likely than other cohorts to take lump sum distributions and to spend the funds rather than reinvest them (Ariel/Aon Hewitt 2009 and 2012).

Scholarship exploring financial literacy and distrust of financial firms has drawn attention to the need for bolstering Hispanic/Latinos' participation in banking and in financial education (Hogarth and Hilgert 2002, Bernheim 1998, Stango and Zinman 2006, and Lusardi and Mitchell 2011 and 2014). Other scholars have assailed the financial literacy narrative for essentially blaming workers for low accumulations in their retirement savings and for reinforcing stereotypes of gender, ethnicity and race. They suggest that savers' lack of confidence in defined contribution plans is not unwarranted (Wickens and Sandlin 2007, Ghilarducci 2008 and Olen 2013).

Recognition that economic factors alone could not explain the causes of Hispanic/Latinos' low retirement savings inspired our previous study's interdisciplinary approach, which attempted to merge Anthropology and Economics, the two disciplines at the extreme theoretical and methodological ends of social science (Grossbard 1978:33). Combining economics and anthropological perspectives on causality, [3] we endeavored to shed light on some of the cultural and social factors influencing Hispanic/Latinos' financial behavior (Richman, Ghilarducci, Knight, Jelm and Saad-Lessler 2012, and Saad-Lessler and Richman 2014). We found that Hispanic/Latinos were investing in their kin and social networks as a substitute for investing in retirement savings plans.[4] They were strategically building bonds of mutual trust, or *confianza,* which operate like a social credit score, to validate one's future right to request interpersonal loans and to participate in *la tanda*, or a rotating savings and credit association (Vélez-Ibañez 1983).[5] This ethos is called *familismo*, since it is based in extended, multigenerational families, but may include honorary or fictive kin (Steidel and Contreras 2003, Fisher and Hsu 2012, Smith-Morris et al. 2013, Barros, Lane, and Pritzker 2016).[6] It is akin to "collectivism" (Hofstede 1980, Triandis, et al. 1984, Falicov 2001). Members of Hispanic/Latino collectivist networks pool resources, share housing and circulate care across families, households and generations. They build social credit and social wealth in an informal "bank" from which they are entitled to draw in the short and long term, in emergencies and in retirement.

Our study contributed to a growing body of scholarship examining *familismo* in relation to financial behavior, including Barbara Robles' (2009) discussion of the mismatch between Hispanic/Latinos' informal, communal financial practices to build wealth and mainstream financial institutions, which emphasizes binding contracts between individuals, individual property rights, and individual liability. Our findings corroborated Jody Vallejo's (2012) data showing that Mexican-heritage professionals who grew up poor regularly engaged in "off-label" use of their retirement savings plans and student loans, diverting funds to help poorer family members. We also saw that older Hispanic/Latino immigrants who support their elders were nonetheless unsure about whether to expect the

---

[3]Anthropology's explanation of causality can encompass multidirectional, dynamic interplays of ethos, social relations, practices and institutions. For example, a collectivist ethos, with its emphasis on group solidarity rather than individual autonomy, may influence collectivist behavior long after its utility, or the threat of material vulnerability, subsides. Econometrics requires isolating each direction in order to identify causality.

[4]Our approach entails an attempt to merge the two disciplines at the extreme theoretical and methodological ends of social science (Grossbard 1978:33). Anthropology and Economics may differ the most in their explanations of causality. Anthropology's explanations highlight the intersections of ethos, behavior, and institutions, which can contribute to multidirectional, dynamic interplays of causal influences in particular contexts. For example, a collectivist ethos, with its emphasis on group solidarity rather than individual autonomy and choice, may influence collectivist behavior long after the threat of material vulnerability subsides. Econometrics requires isolating each direction in order to identify causality.

[5] A valorization of Hispanic/Latinos' informal banking practices occurred in the 1990's when Second Federal Savings and Loan of Chicago (now Self Help Credit Union) accepted *tanda* members' receipts to build credit, which they could use toward securing loans; a similar policy was later adopted by San Francisco-based Mission Asset Fund (Richman et al. 2012 and Quiñones 2015).

Copyright © 2021 Society of Actuaries Research Institute

same care from their own American-born offspring in the future, which they attributed to pressures of an individualistic U.S. culture and financial insecurity and the time-bind (Angel and Angel 2009).

In this paper, we extend and update our previous findings on the relationship between Hispanic/Latinos' collectivism and retirement savings through the analysis of a new body of national survey data. We evaluate the prevalence of collectivist practices among non-Hispanic/Latinos and gauge the extent that these practices impact participation in formal retirement savings accounts. We also assess the extent that reliance on collectivist support supplements the savings portfolios of pre-retirees and provides a source of income to elderly past the age of 67.

Data and Methods

This study uses data from the 2014 Survey of Income and Program Participation (SIPP), a longitudinal (four year) household survey conducted by the U.S. Census Bureau, which includes 72,919 person interviews recorded from February through June 2014. We also make use of the 2014 Social Security Administration (SSA) Supplement, which includes data on pension plan participation.

Although SIPP does not measure collectivism directly, it does offer information on amounts of direct financial support exchanged beyond the nuclear family with friends, relatives, charity and community organizations. The SIPP also contains information on whether people gave or received in-kind, or non-monetary help. Our analysis necessitated the development of methods for measuring the value of an individual's savings accumulations, which include formal and informal assets. Formal savings accumulations include net worth, defined contribution (DC) balances[7], as well as the value of expected income streams from Social Security and defined benefit (DB) pensions after age 67. On the informal side, we measure the monetary value of collectivist support received from family members beyond the nuclear family household and friends. We thus created methods to capture the value of both formal assets as well as informal assets (collectivist support), which are detailed in the appendix.

The unit of analysis for the study is personal income, which groups people into three quantiles: the lower 40% (below $23,185), the middle 30% ($23,185-$48,799), and the upper 30% ($48,800+). Measures of collectivism indicate similarities between Hispanic/Latinos and non-Hispanic/Latinos, but there are some differences between the two cohorts (see Table 1). Both among Hispanic/Latinos and non-Hispanic/Latinos, financial support of an older child living outside the house increases with personal income. Those with lower incomes are more often on the receiving end of childcare by grandparents and relatives, monetary help from one's network (including to help pay for childcare), and are much more likely to receive in-kind housing, both among Hispanic/Latinos and non-Hispanic/Latinos. Lower income households are also more likely to host non-nuclear family members in both groups. In each case, Hispanic/Latinos practice a higher degree of collectivism than non-Hispanic/Latinos. For example, 18% of non-Hispanic/Latinos live in someone else's household, while among Hispanic/Latinos, that number is 25%. Also, the incidence of childcare provided by grandparents (and other relatives) is 5.15% (2.58%) among non-Hispanic/Latinos, but it is 6.29% (5%) among Hispanic/Latinos.

However, financial support to parents living outside the household increases with income among non-Hispanic/Latinos, while among Hispanic/Latinos, lower income households are more likely to provide financial support to parents. Also, financial support provided to relatives and non-relatives increases with income among non-Hispanic/Latinos, but among Hispanic/Latinos, middle income folks are the most likely to provide financial

---

[7] DC personal retirement balances include IRA, KEOGH, 401k, 403b, 503b, and Thrift Savings Plan accounts.

Copyright © 2021 Society of Actuaries Research Institute

support. Finally, lower income non-Hispanic/Latinos are more likely to provide in-kind housing support to non-nuclear family members, while among Hispanic/Latinos, middle and upper income people are most likely to be hosting non-nuclear family members in their households.

Analysis

Our analysis of the SIPP data reiterates the magnitude of the shortfall in American workers' retirement savings accounts. Fifty-eight percent of non-Hispanic/Latino respondents to the survey (13,921) have no DC retirement savings whatsoever, compared with 10,053 (42%) who have at least some funds in their DC accounts. Among Hispanic/Latinos, the retirement savings deficit is even more stark. Eighty-one percent of Hispanic/Latino respondents have no formal retirement savings in DC accounts, and only 19% have saved up some money for retirement using their DC accounts.

We examine the retirement savings behavior of those who participate in DC savings programs (savers) in contrast to those who do not participate (non-savers). Non-savers are more likely than savers to receive help from family and friends in the form of money, housing and childcare (see Table 2). Comparing non-savers to savers and non-Hispanic/Latino to Hispanic/Latino cohorts: 5% (4%) of non-Hispanic/Latino (Hispanic/Latino) non-savers receive money from their social network, including help to pay for childcare, compared with 2% (2%) of savers, and 18% (24%) of non-savers receiving in-kind housing assistance (they are living in someone else's household) compared with 5% (9%) of savers. Non-Hispanic/Latino non-savers are more likely to provide housing assistance than savers (14% vs. 13%). Hispanic/Latinos are more likely than non-Hispanic/Latinos to provide housing to others, but there is no difference in housing provision between Hispanic/Latino savers and Hispanic/Latino non-savers (22% vs. 22%).

Financial support to parents living outside the non-Hispanic/Latino household differs little between savers and non-savers (1.4% vs. 1.2%), while among Hispanic/Latinos, non-savers are more likely to support parents beyond the household compared to savers (6% vs. 5%). Collectivist exchanges, both provided and received, take up a larger share of income among non-savers than among savers. Hispanic/Latinos reserve a smaller share of their income than non-Hispanic/Latinos to provide financial support to people in their network: 4-6% among Hispanic/Latinos vs. 6-8% among non-Hispanic/Latinos. On the other hand, the financial support received comprises a much larger share of personal income among Hispanic/Latinos than among non-Hispanic/Latinos: 7-83% for Hispanic/Latino savers and non-savers, compared to 9-28% for non-Hispanic/Latino savers and non-savers. These numbers reinforce our previous findings that Hispanic/Latinos rely more on collectivism than non-Hispanic/Latinos.

As expected, the general financial circumstances of people who save formally for retirement are rosier than those of non-savers and the differences between the two groups are much larger among Hispanic/Latinos, whose net worth and income lag behind the other demographics. Non-Hispanic/Latino savers have 288% greater net worth than non-savers ($325,073 vs. $112,595) -- but Hispanic/Latinos who participate (and have non-zero balances) in DC plans have 939% greater net worth than those who do not participate ($321,689 vs. $34,250). Similarly, when we examine personal income, we see that non-Hispanic/Latino savers have 250% higher annual personal income than non-savers ($66,267 vs. $26,412) compared with 273% for Hispanic/Latino savers and non-savers ($53,797 versus $19,650).

This simple comparison of savers with non-savers gives an overview of how Hispanic/Latinos differ from non-Hispanic/Latinos. To achieve a more thorough investigation of the causal relationship of collectivism and retirement savings, we utilize a probit analysis, where the likelihood of saving for retirement in a DC account is predicted using Maximum Likelihood methods. The probit analysis is conducted separately by personal income quantile and by including direct and indirect measures of financial wellness in the empirical specification. To obviate the question of

Copyright © 2021 Society of Actuaries Research Institute

reverse causality that may be raised by our estimation of coefficients in the probit, we note that so long as measures of collectivism are not endogenously determined with financial wellbeing, the coefficients on collectivism reflect the impact of collectivism on the likelihood of having a non-zero retirement account, and not the other way around. Measures of collectivism are less likely to suffer from omitted variable bias because indicators of financial wellness are included in the regression and the regression is run separately by income group.

Controlling for financial wellness, the probit analysis reveals that the likelihood of saving for retirement in a DC account decreases with receipt and provision of collectivist support in the form of housing (see Tables 3a, 3b). Among non-Hispanic/Latinos, receipt of housing reduces the likelihood of saving in a DC account by 3.5 percentage points (pp) among the poorest, while the provision of housing reduces DC saving by 2.8pp. The impacts for Hispanic/Latinos are larger. Poor Hispanic/Latinos are 4.7pp less likely to save formally in a DC account if they receive housing support and they are 3.5pp less likely to save if they provide in-kind housing support. The negative impacts of housing receipt and provision on DC savings are more pronounced among middle income Hispanic/Latinos and non-Hispanic/Latinos, but the effects are not statistically significant for Hispanic/Latinos. These results buttress the hypothesis that those who practice collectivism--as receivers *and* givers within their network--are less likely to use the formal savings system; they invest in their network in lieu of the formal sector.

Analysis of the 2014 SIPP data also highlights the relationship between support for childcare and the ability to save for retirement. The cost of childcare is significant; families can spend up to a quarter of their income on childcare, especially in metropolitan locations. In Illinois, the average cost is 20%, in Massachusetts it is 22% and in California it is 25% (Malik 2019). Avoiding these expenses by receipt of childcare support from relatives helps parents put money away for retirement, especially (but not exclusively) among those members of the middle 30%. Relative-provided childcare increases the incidence of saving for retirement by 10.7pp among middle income non-Hispanic/Latinos, and by 9.6pp among Hispanic/Latinos, but the latter impact is not statistically significant.

Among non-Hispanic/Latinos in the upper-quantile of income, the incidence of saving in a DC account declines by 6.9pp due to the provision of financial support to relatives and non-relatives living outside the household, and by 7.2pp when receiving financial support from one's collectivist network. These indicators of a negative impact of collectivism on formal retirement savings are not present among Hispanic/Latinos in the upper income quantile. This finding suggests that for Hispanic/Latinos, the ethos of collectivism (or *familismo*) can complement building financial wealth.

Further predictors of saving for retirement in a DC account are enumerated below. Higher household income, home ownership and current or previous participation in a DB plan all predict a higher likelihood of saving in a DC account. Marriage is a stronger predictor of saving for retirement than being single, whereas living with a partner predicts a reduced likelihood of having non-zero retirement savings among the top 30% of non-Hispanic/Latinos, but that impact is not statistically significant for higher-income Hispanic/Latinos. In addition, living in a metro area, being age 50-61, being native born, and for the foreign-born, living in the country longer, all predict an increased likelihood of saving in DC accounts, an unsurprising finding given that these demographic indicators are associated with financial wellness. Females are also more likely than males to enroll in a DC retirement account.

Next, we investigate the value of collectivism as an informal retirement savings asset by attributing a monetary worth to the collectivist support. We focus on two key demographics in our study of retirement savings: those ages 67+, who have reached full retirement age and are likely to be relying on retirement assets for their primary income, and those ages 55-66, who are close to retirement age and are therefore at the most critical period for accumulating retirement savings. We examine data from the 2014 SIPP wave 1 merged with data from the Social Security Supplement and compare Hispanic/Latinos to others.

Copyright © 2021 Society of Actuaries Research Institute

Starting with individuals ages 67+, we find that 8% of the non-Hispanic/Latino elderly receive collectivist support, compared with 19% of their Hispanic/Latino peers (see Table 4). The fact that Hispanic/Latino elderly are more likely than their non-Hispanic/Latino counterparts to receive support from collective networks suggests that Hispanic/Latinos' informal investments into their collective network while they are young pay off in old age. How important is this support?

Among the poorest elderly who receive collectivist support, such help comprises 56% of Hispanic/Latinos' income, compared with 49% of income for non-Hispanic/Latinos. This finding implies that collectivism serves more of a safety net function among Hispanic/Latinos than non-Hispanic/Latinos.

We also analyze the situation of pre-retirees ages 55-66 by comparing the values of all assets, including informal collectivist supports with recommended savings targets[8] (see Tables 5a, 5b). Among this population, 8% of non-Hispanic/Latinos achieve sufficient retirement savings, but that fraction jumps to 13% when those pre-retirees receive collectivist support.

Among Hispanic/Latinos, only 6% of pre-retirees have enough assets to maintain their standard of living in retirement, but for those who receive collectivist support, 25% are ready for retirement. This result demonstrates the importance of collectivist support in helping pre-retirees, and especially Hispanic/Latinos on the cusp of retirement, meet their retirement savings needs.

In sum, we find evidence that those who lean on their collective networks are less likely to save formally for retirement, but this investment in collectivist support seems to pay off in old age, because up to 19% of Hispanic/Latino elderly receive collectivist support, and this support constitutes up to 56% of their total income. Non-Hispanic/Latino elderly also benefit from collectivist support, but to a lesser degree than their Hispanic/Latino counterparts.

Conclusion

Our study finds that collectivism is a safety net that compensates for the shortfall in formal savings accumulations. Those who invest in their collective networks are less likely to save formally for retirement but this investment in collectivist support is an essential safety net in old age. This dynamic is especially salient for Hispanic/Latinos, who are the least likely to participate in the formal retirement savings system. Our methodology provided a means of attributing a monetary value to collectivist assets, which demonstrated that approximately one fifth of Hispanic/Latino elderly rely on collectivist support for more than half of their income. Non-Hispanic/Latino elderly also benefit from their collectivist assets, but to a lesser degree than their Hispanic/Latino counterparts. Moreover, the value of collectivist support increases the likelihood of having adequate savings for retirement among all pre-retirees ages 55-66, and especially Hispanic/Latinos.

There are implications from our findings on retirement savings security for the U.S. population as a whole, not only Hispanic/Latinos. The collectivist ethos, or *familismo,* has long influenced Hispanic/Latinos' economic behavior and has helped them cope with precarity. But growing income inequality and financial insecurity combined with rising costs of housing, healthcare, education and childcare have also influenced the adoption of more collectivist practices among non-Hispanic/Latinos. This trend is especially apparent in the spread of multigenerational

[8] We adopt Fidelity's savings targets by age, which recommend saving 10x (times) pre-retirement income by age 67 (https://www.fidelity.com/viewpoints/retirement/how-much-do-i-need-to-retire).

Copyright © 2021 Society of Actuaries Research Institute

households to the White U.S. demographic. The number of Hispanic/Latino multigenerational households grew from 23% in 2009 to 27% in 2016 while the number of multigenerational White households increased from 13% in 2009 to 16% in 2016 (Cohn and Passel 2018).

Over the past five decades, the middle class has experienced "the great risk shift" (Hacker 2019); not only did workers face job insecurity, they bore more individual responsibility for staying afloat. The decline of retirement savings from employer-provided, defined benefit pensions to voluntary, defined contribution plans has contributed to the widening gap between the affluent and the rest of society and our findings show vast differences in the net worth and income of those with retirement savings compared to those without. "Financial individualism" is the province of those with enough resources to be economically and socially independent. Among the "middle precariat" (Standing 2014) cooperative sharing of caregiving and financial help seems to be increasing.

COVID-19 has exacerbated Americans' pre-existing retirement savings shortfall. Unemployment has been particularly hard on Hispanic/Latinos, and more "Baby Boomer" Hispanic/Latinos left the workforce in 2020 than other groups: an increase of 4 percentage points compared to 1% for Whites and Blacks (Krogstad and López 2020). Needless to say, unemployment means depleting nest eggs and impeding contributions to retirement savings. Hispanic/Latinos' cooperative practices no doubt prepared them to cope with the economic effects of the pandemic, but at the same time, COVID-19 has been particularly harsh on the health and mortality rates of Hispanic/Latinos' multigenerational households (Centers for Disease Control and Prevention 2021 and Grossbard and Aparicio 2020).

One of the most striking facts about retirement savings in the United States is the large number of Americans who have no voluntary, DC retirement savings whatsoever. Our research sheds light on an underappreciated resource that all Americans, and especially Hispanic/Latinos, rely on -- the support of their informal network of family and friends. Collectivist practices are a source of resilience and the competencies that inform these practices represent a form of social literacy that complements financial literacy.

Karen Richman is Director of Undergraduate Studies at the University of Notre Dame, Institute for Latino Studies. She can be reached at krichman@nd.edu.

Joelle Saad-Lessler is Associate Dean of Undergraduates at the Stevens Institute of Technology, School of Business. She can be reached at jsaadles@stevens.edu.

Copyright © 2021 Society of Actuaries Research Institute

References

Angel, Ronald, and Angel, Jacqueline Lowe. 1997. *Who Will Care for Us? : Aging and Long-Term Care in Multicultural America*. New York: New York University Press.

Ariel and Aon/Hewitt. 2012. “401(k) Plans in Living Color: A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups.” *Pension Benefits* 21 (6): 10–11.

Bassett, William, Michael Fleming, and Anthony Rodrigues. 1998. “How Workers use 401(k) Plans: Participation, Contribution, and Withdrawal Decisions.” *National Tax Journal (1986-1998)* 51 (2): 263–89.

Blanco, Luisa, García-Pérez, Mónica, y Marie Mora. 2020. “Latinas and COVID19: Unemployment, Labor Force Participation, and Family Caretaking Responsibilities.” *Hispanic Economic Outlook 2020*. American Society of Hispanic Economists.

Blanco, Luisa R, Emma Aguila, Arturo Gongora, and O. Kenrik Duru. 2017. “Retirement Planning Among Hispanics: In God's Hands?” *Journal of Aging & Social Policy* 29 (4): 311–331.

Brown, Jennifer, and Diane Oakley. 2019. “Latinos' Retirement Insecurity in the United States.” Washington: UnidosUS and National Institute on Retirement Security.

Calzada, Esther, Catherine Tamis-Lemonda, and Hirokazu Yoshikawa. 2013. “Familismo in Mexican and Dominican Families From Low-Income, Urban Communities.” *Journal of Family Issues* 34 (12): 1696–1724.

Center for Disease Control and Prevention, 2021. Risk for COVID-19 Infection, Hospitalization, and Death By Race/Ethnicity https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html (updated April 23, 2021).

Choi, James, David Laibson, Brigitte Madrian, and Andrew Metrick. 2006. “Saving for Retirement on the Path of Least Resistance”. In J. Slemrod, McCaffrey EJ (Eds.), *Behavioral Public Finance: Toward a New Agenda*, pp. 304-351. New York: Russell Sage Foundation.

Choi, James, David Laibson, and Brigitte Madrian. 2010. “Why does the Law of One Price Fall? An Experiment on Index Mutual Funds.” *National Bureau of Economic Research*.

Choi, James J., Laibson, David, and Madrian, Brigitte C. 2004. “Plan Design and 401(k) Savings outcomes. (Forum on Pensions).” *National Tax Journal* 57 (2): 275–98.

Cohn, D’Vera. and Jeffrey Passel. 2018. “A Record 64 Million Americans Live in Multigenerational Households”. *Pew Research Center*. https://www.pewresearch.org.

Cruz, Jeff. 2012. “Social Security: Strengthening a Vital Safety Net for Latinos.” *Harvard Journal Of Hispanic Policy* 24 (1): 5-9.

Falicov, Celia J. 2001. “The Cultural Meanings of Money: The Case of Latinos and Anglo-Americans.” *The American Behavioral Scientist (Beverly Hills)* 45 (2): 313–328.

Copyright © 2021 Society of Actuaries Research Institute

Federal Reserve Board. 2020. “Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020”. https://www.federalreserve.gov.

Fidelity. 2018. “How Much Do I Need to Retire?” https://www.fidelity.com/viewpoints/retirement/how-much-do-i-need-to-retire.

Ghilarducci, Teresa. 2010. “How to Supplement Social Security Fairly and Effectively.” *Journal of Aging & Social Policy* 22 (2): 222–35.

Ghilarducci, Teresa. 2008. *When I'm Sixty-Four : the Plot Against Pensions and the Plan to Save Them*. Princeton, NJ: Princeton University Press.

Grossbard, Shoshana, 1978. “Towards a marriage between economics and anthropology and a general theory of marriage.” *American Economic Review*, 68(2), 33-37.

Grossbard, Shoshana and Ainhoa Aparicio, 2020. *Intergenerational Residence Patterns and COVID-19 Fatalities in the EU and the US*. Institute of Labor Economics. Discussion Paper No. 13452.

Hacker, Jacob S. 2019. *The Great Risk Shift: The New Economic Insecurity and the Decline of the Middle Class, Second Edition.* Oxford; New York: Oxford University Press.

Hofstede, Geert H. 1980. *Culture’s Consequences.* New York: Sage Publications.

House Committee on Ways and Means. 2020. “The Securing a Strong Retirement Act: Expanding Coverage and Increasing Retirement Savings.” https://waysandmeans.house.gov.

Lusardi, Annamaria and Olivia Mitchell. 2014. “The Economic Importance of Financial Literacy: Theory and Evidence.” *Journal of Economic Literature* 52 (1): 5-44.

Lusardi, Annamaria and Olivia Mitchell. 2011. “Financial Literacy and Retirement Planning in the United States.” *National Bureau of Economic Research, Working Paper 17108.*

Miranda, Leticia. 2009. *Insecure retirements: Latino participation in 401(k) plans.* Washington, D.C.: National Council of La Raza.

Olen, Helaine. 2012. *Pound Foolish: Exposing the Dark Side of the Personal Finance Industry.* New York: Penguin.

Pew Research Center. 2018. “What Unites and Divides Urban, Suburban and Rural Communities.” *Pew Research Center*. https://www.pewresearch.org.

Quiñones, José. 2015. Latinos in the Financial Shadows. In L. Choi, D. Erickson, K. Griffin, A. Levere and E. Seidman. *What it’s Worth: Strengthening the Financial Future of Families, Communities and the Nation.* Federal Reserve Bank of San Francisco and Corporation for Enterprise Development. San Francisco and Washington, D.C.

Rhee, Nari. 2013. *Race and Retirement Insecurity in the United States*. National Institute on Retirement Security.

Copyright © 2021 Society of Actuaries Research Institute

Richman, Karen, Ghilarducci, Teresa, Knight, Roger, Jelm, Erin & Saad-Lessler, Joelle. 2012. “Confianza, Savings and Retirement: A Study of Mexicans Immigrants in Chicago.” Notre Dame, IN: Institute for Latino Studies, University of Notre Dame.

Richman, Karen, Sun, Wei, Chang-Chun, Sung and Sena, Justin. 2015. “The Significance of Gender for Latino Savings and Retirement.” University of Notre Dame: Institute for Latino Studies, University of Notre Dame.

Robles, Barbara. 2009. Wealth creation in Latino communities: Latino Families, Community Assets, And Cultural Capital. In J. Nembhard & N. Chieji (Eds.), *Wealth Accumulation And Communities Of Color in the United States: Current Issues* (241-266). Ann Arbor, MI: University of Michigan Press.

Rodriguez, Eric and Peter Orszag. 2005. “Retirement security for Latinos: Bolstering coverage, savings and adequacy.” Washington, D.C.: Retirement Security Project and National Council of La Raza.

Romero, Alfredo. 2020. “A Look into the Effects of COVID-19 on Hispanic Employment: Expectations from the Household Pulse Survey.” *Hispanic Economic Outlook 2020*. American Society of Hispanic Economists.

Saad-Lessler, Joelle and Karen Richman. 2014. “The Impact of Collectivism on Savings Behavior: A Case Study of Mexican-Americans and non-Mexican Latinos.” *Review of Economics of the Household* 12 (3): 493-515.

Sabogal, F., G. Marin, R. Otero-Sabogal, B. Marin, and E. Perez-Stable. 1987. “Hispanic Familism and Acculturation: What Changes and What Doesn't?” *Hispanic Journal of Behavioral Sciences* 9: 397–412.

Smith-Morris, Carolyn, Daisy Morales-Campos, Alvarez, Elizabeth Castañeda Alvarez, and Matthew Turner, 2013. An Anthropology of Familismo: On Narratives and Description of Mexican/Immigrants. *Hispanic Journal of Behavioral Sciences* 35(1): 35–60.

Standing, Guy. 2014. *The Precariat: The New Dangerous Class*. London: Bloomsbury.

Sun, Wei and Teresa Ghilarducci. 2004. Latinos’ Low Pension Coverage and Disenfranchisement from the U.S. Financial System. Notre Dame, IN: Institute for Latino Studies, University of Notre Dame.

Sun, Wei, Gia Barboza, and Karen Richman. 2007. “Preparing for the Future: Latinos' Financial Literacy and Retirement Planning.” *Business Journal of Hispanic Research* 1 (2): 1-15.

Thaler, Richard and Shlomo Benartzi. 2004. “Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving.” *Journal of Political Economy* 112 (S1): 1640187.

Triandis, Harry C., Gerardo Marin, Judith Lisansky, and Hector Betancourt. 1984. “Simpatia as a Cultural Script of Hispanics.” *Journal of Personality and Social Psychology* 47 (6): 1363–75.

Vallejo, Jody. 2012. *Barrios to burbs: The making of the Mexican American Middle Class.* Stanford, CA: Stanford University Press.

Velez-Ibañez, Carlos. 1983. *Bonds of Mutual Trust: The Cultural Systems of Rotating Credit Associations Among Urban Mexicans and Chicanos*. New Brunswick, NJ: Rutgers University.

Copyright © 2021 Society of Actuaries Research Institute

United States Census Bureau. "Survey of Income and Program Participation (SIPP)" 2014 Panel, Longitudinal Files.

United States Census Bureau, American Community Survey. 2018. Five-Year Trends for Median Household Income, Poverty Rates and Computer and Internet Use.

Table 1
TABULATION OF COLLECTIVIST BEHAVIOR BY PERSONAL INCOME QUANTILE

	Non-Hispanic/Latino			Hispanic/Latino		
Quantile of the personal income distribution	1	2	3	1	2	3
Provided financial support to parents living outside the house	0.82	0.84	1.84	6.10	7.54	4.93
Provided financial support to child age 21+ living outside the house	0.87	1.15	2.19	0.81	1.49	2.69
Provided financial support to relatives and non-relatives living outside the house	0.69	1.24	1.62	2.05	3.43	2.91
Childcare provided by grandparent	5.15	3.75	3.42	6.29	6.51	4.48
Childcare provided by other relative	2.58	1.86	1.31	5.00	3.20	2.91
Indicator of housing receipt	18.15	8.42	3.47	25.06	17.03	6.28
Indicator of housing provision to family/friends/non-relatives	15.45	15.24	13.83	22.39	24.34	24.22
Received help from community/charity/friends/family, including help paying for childcare in the reference period	4.72	2.64	2.19	4.67	1.37	2.02
Mean number of non-nuclear family members in household	0.59	0.38	0.26	1.05	0.92	0.54

Notes: Authors' tabulation of data from the twelfth month of the 2014 SIPP wave 1 merged with Social Security Supplement. Sample limited to those aged 21+. Numbers indicate the incidence of collectivist behavior by personal income quantile. Number of non-nuclear household members is an average across 12 months. These include relatives and non-relatives, foster children and children age 21+ who are not the spouse/partner/child younger than 21 of the householder (excluding roommates and boarders). Quantile 1: bottom 40% earning $1-$23,185, quantile 2: middle 30% earning $23,186-$48,799, quantile 3: top 30% earning $48,800+.

Copyright © 2021 Society of Actuaries Research Institute

Table 2

COMPARING THOSE WITH ZERO AND NON-ZERO RETIREMENT SAVINGS BALANCES

	Non-Hispanic/Latino			Hispanic/Latino		
	DC savings=0	DC savings>0		DC savings=0	DC savings>0	
Observations	13,921	10,053		2,758	660	
	58%	42%		81%	19%	
Gave $ support to parents outside the house	1.2%	1.4%	***	6%	5%	
Gave $ support to child 21+ outside the house	1%	2%	***	1%	2%	**
Gave $ support to relatives and non-relatives outside the house	1%	1%		2%	2%	
Got $ help from family/ friends/community/charity	5%	2%	***	4%	2%	**
Grandparent Childcare	5%	4%	**	5%	7%	
Relative Childcare	2%	2%		4%	4%	
Got housing help	18%	5%	***	24%	9%	***
Gave housing help	14%	13%	***	22%	22%	
# non-nuclear household members	0.57	0.27	***	1.03	0.63	***
Homeowner	44%	70%	***	26%	52%	***
Has non-zero DB assets	15%	38%	***	7%	31%	***
Net worth	$ 112,595	$ 325,073	***	$ 34,250	$ 321,689	***
Total personal income	$ 26,412	$ 66,267	***	$ 19,650	$ 53,797	***
Total household income	$ 64,432	$ 117,447	***	$ 54,243	$ 101,311	***
$ support given as a share of income (median)	8%	6%	**	6%	4%	
$ support received as a share of income (median)	28%	9%	***	83%	7%	***

Notes: Authors' tabulation of data from 2014 SIPP wave 1 merged with Social Security Supplement. Sample limited to those age 21+. Median value of total collective financial support given (received) as a fraction of personal income is calculated off a sample of respondents with non-zero financial support given (received) and non-zero income. ***/**/* indicates that the mean values differ between those with and without retirement balances significantly at the 1/5/10% levels.

Copyright © 2021 Society of Actuaries Research Institute

Table 3a

PROBIT REGRESSION OF POSITIVE RETIREMENT SAVINGS BALANCES ON INDICATORS OF COLLECTIVIST BEHAVIOR, BY PERSONAL INCOME AMONG NON-HISPANIC/LATINOS

Quantile of the personal income distribution	1		2		3	
Positive Retirement Savings Balances	**dy/dx**		**dy/dx**		**dy/dx**	
Gave $ support to parents outside the house	0.080	**	-0.025		-0.064	
Gave $ support to child 21+ outside the house	0.024		0.008		0.055	
Gave $ support to relatives and non-relatives outside the house	0.019		-0.037		-0.069	*
Got $ help from family/ friends/community/charity	-0.015		-0.050		-0.072	**
Grandparent Childcare	-0.009		-0.009		0.025	
Relative Childcare	0.020		0.107	**	0.028	
Got housing help	-0.035	**	-0.047		-0.036	
Gave housing help	-0.028	**	-0.046	**	-0.020	
# non-nuclear household members	-0.015	***	-0.017		-0.039	***
Observations	10,978		6,780		6,249	
Pseudo R-squared	0.134		0.070		0.053	

Notes: Authors' tabulation of data from 2014 SIPP wave 1 merged with Social Security Supplement. Sample limited to those aged 21+. Regression also includes indicators of marital status, age, gender, immigrant generation, citizenship status, metropolitan area residence and an indicator of having moved from one's geographic region of birth. ***/**/* indicates statistical significance at the 1/5/10% levels.

Copyright © 2021 Society of Actuaries Research Institute

Table 3b

PROBIT REGRESSION OF POSITIVE RETIREMENT SAVINGS BALANCES ON INDICATORS OF COLLECTIVIST BEHAVIOR, BY PERSONAL INCOME AMONG HISPANIC/LATINOS

Quantile of the personal income distribution	1		2		3	
Positive Retirement Savings Balances	**dy/dx**		**dy/dx**		**dy/dx**	
Gave $ support to parents outside the house	-0.032		-0.002		0.084	
Gave $ support to child 21+ outside the house	-0.017		0.147		-0.062	
Gave $ support to relatives and non-relatives outside the house	0.000		-0.031		0.062	
Got $ help from family/ friends/community/charity	-0.017		-0.037		0.184	
Grandparent Childcare	-0.002		-0.022		-0.097	
Relative Childcare	0.006		0.096		-0.073	
Got housing help	-0.047	**	-0.057		-0.165	
Gave housing help	-0.035	**	-0.043		-0.080	
# non-nuclear household members	0.000		-0.010		-0.019	
Observations	2,099		875		446	
Pseudo R-squared	0.190		0.142		0.112	

Notes: Authors' tabulation of data from 2014 SIPP wave 1 merged with Social Security Supplement. Sample limited to those aged 21+. Regression also includes indicators of marital status, age, gender, immigrant generation, citizenship status, metropolitan area residence and an indicator of having moved from one's geographic region of birth. ***/**/* indicates statistical significance at the 1/5/10% levels.

Copyright © 2021 Society of Actuaries Research Institute

Table 4

ROLE OF COLLECTIVIST SUPPORT AMONG ELDERLY AGES 67+

Annual personal income	Those receiving collectivist support		
	<$22,947	$22,947-$47,615	$47,616+
Collectivist support received as a fraction of total income among non-Hispanic/Latinos	49%	19%	14%
Collectivist support received as a fraction of total income among Hispanic/Latinos	56%	15%	6%
Fraction of non-Hispanic/Latino elderly who receive collectivist support	8%		
Fraction of Hispanic/Latino elderly who receive collectivist support	19%		

Data source: 2014 SIPP panel, wave 1. Data limited to individuals ages 67+ who receive collectivist support.

Table 5a

SAVINGS PORTFOLIOS OF HISPANIC/LATINO PRE-RETIREES AGES 55-66

	(A)	(B)	(C)	(D)
	Sufficient retirement savings		Retirement savings shortfall	
	Collectivist Assets			
	No	Yes	No	Yes
DB assets	$ -	$ -	$ -	$ -
Collectivist assets	$ -	$ 112,574	$ -	$ 91,667
DC Retirement assets (401k, 403b, 503b, and Thrift Savings Plan/IRA/Keogh)	$ -	$ -	$ -	$ -
Social Security Assets	$ 483,587	$ 432,684	$ 296,077	$ 266,330
Net worth (excluding DB/DC assets)	$ 20,326	$ -	$ 23,090	$ 400
Personal debt	$ 12,500	$ -	$ 9,000	$ -
Total savings (informal + formal)	$ 566,338	$ 545,258	$ 397,562	$ 418,992
Savings target	$ 199,598	$ 213,120	$ 2,540,160	$ 2,214,173
Savings shortfall	$ (473,489)	$ (361,423)	$ 2,135,531	$ 1,554,089
Social Security Assets/Total Savings	96%	85%	86%	65%
Net Worth /Total Savings	4%	0%	9%	0%
Collectivist assets/Total savings	0%	20%	0%	21%
Observations	23	18	363	53
Fraction of Pre-Retirees with NO collectivist assets who achieve sufficient retirement savings	6%			
Fraction of Pre-Retirees with POSITIVE collectivist assets who achieve sufficient retirement savings	25%			

Data source: Authors' tabulation of data from the 2014 SIPP wave 1 merged with data from the Social Security Supplement. Sample is limited to respondents ages 55-66 with non-zero personal income. Median values are displayed.

Copyright © 2021 Society of Actuaries Research Institute

Table 5b

SAVINGS PORTFOLIOS OF NON-HISPANIC/LATINO PRE-RETIREES AGES 55-66

	(A)	(B)	(C)	(D)
	Sufficient retirement savings		Retirement savings shortfall	
	Collectivist Assets			
	No	Yes	No	Yes
DB assets	$ -	$ -	$ -	$ -
Collectivist assets	$ -	$ 96,754	$ -	$ 106,638
DC Retirement assets (401k, 403b, 503b, and Thrift Savings Plan/IRA/Keogh)	$ -	$ -	$ 10,000	$ -
Social Security Assets	$ 454,315	$ 432,684	$ 373,410	$ 380,830
Net worth (excluding DB/DC assets)	$ 140,778	$ 3,025	$ 87,210	$ 2,850
Personal debt	$ 8,500	$ -	$ 18,500	$ 400
Total savings (informal + formal)	$ 651,965	$ 574,646	$ 599,648	$ 540,509
Savings target	$ 169,344	$ 217,512	$ 3,808,512	$ 2,030,054
Savings shortfall	$ (475,047)	$ (323,132)	$ 3,079,342	$ 1,530,454
Social Security Assets/Total Savings	66%	76%	57%	64%
Net Worth /Total Savings	31%	1%	26%	1%
Collectivist assets/Total savings	0%	16%	0%	22%
Observations	445	55	5149	385
Fraction of Pre-Retirees with NO collectivist assets who achieve sufficient retirement savings	8%			
Fraction of Pre-Retirees with POSITIVE collectivist assets who achieve sufficient retirement savings	13%			

Data source: Authors' tabulation of data from the 2014 SIPP wave 1 merged with data from the Social Security Supplement. Sample is limited to respondents ages 55-66 with non-zero personal income. Median values are displayed.

Copyright © 2021 Society of Actuaries Research Institute

Appendix

a. Formal Assets

Whereas the SIPP provides a direct measure of personal net worth, the values of the other formal assets (Social Security and DB/DC pensions) have to be estimated.

1. Value of Defined Benefit pensions

The SIPP data on defined benefit (DB) pensions include information on an individual's current DB plan and DB benefits from one (and only one) previous employer. For respondents who indicated that they participate in a DB pension at their main job/business, and for those age 25+ who expect to receive pension benefits from a DB plan at a previous employer, the annual DB pension amount is assumed to equal 1.5% of annual pay times the number of years spent working for the employer[9]. For those eligible to receive benefits from a DB plan at a previous employer, we use the number of years worked there and an estimate of their final earnings with that employer; the latter is computed by assuming that earnings grow at an annual rate of 1.5% and by deflating current earnings based on the number of years since they left that job[10]. We assume that DB benefits pay out starting at age 67 and we calculate the value of the lifetime stream of these benefits upon reaching age 67 using the probability of survival to age 100[11] and assuming a 30-year treasury rate of 3%.[12] To estimate the present value of this lifetime stream for each person (at any age), we figure the probability of survival until age 67 and the number of years until reaching age 67.[13] In both calculations, we separate men and women.

2. Value of Social Security benefits

Social Security benefits are estimated under an assumption that respondents retire at age 67. The estimation requires a calculation of average indexed monthly earnings from a worker's 35 highest earning years. As we do not observe lifetime earnings, we assume the age-earnings profile in the current data sample approximates the distribution of earnings over a worker's lifetime. We estimate mean annual earnings for each age group in the current data sample and compute the average of mean annual earnings for the past 35 years for individuals ages 31 and over[14]; this approximates the average indexed monthly earnings (AIME) from the 35 highest earning years. Individuals are assumed to begin working at age 21, so the AIME calculation for an individual age 31 includes 25 zeroes (a zero-income value for each year they were not working before age 21).

The estimate of AIME is plugged into the Social Security benefit formula to calculate an estimated lifetime monthly benefit. For respondents ages 60 or younger, the 2020 Social Security formula bend points are used; for those aged 60, bend points for 2019 are used (and so on for ages 61-66, where those aged 66 use the 2014 bend points). Estimated Social Security monthly benefits are multiplied by 12 to get annual benefit amounts. These estimated annual benefit amounts allow us to calculate the present value of the stream of Social Security lifetime benefits at

---

[9] Common benefit formulas in single employer plans include dollars times service, career average pay, and final average pay. For career average pay, a common benefit formula is the sum of 1.5% of plan year compensation for each plan year in which service is earned (AICPA 2020).

[10] Gould (2020) finds that real earnings for the bottom 90% grew at a rate of 1.5% between 2014-2018.

[11] The calculations are not very sensitive to the assumed life expectancy.

[12] For men: Pr(surviving to age 68)/(1+0.03) + Pr(surviving to age 69)/$(1+0.03)^2$ + Pr(surviving to age 70)/$(1+0.03)^3$ +….+ Pr(surviving to age 100)/$(1+0.03)^{52}$=19.63. The 30-year treasury rate fluctuates over time. It has dropped steadily from 4.52% in July 2009 to 2.28% in March 2021. We chose a 3% rate as a forecast going forward.
for women: Pr(surviving to age 68)/(1+0.03) + Pr(surviving to age 69)/$(1+0.03)^2$ + Pr(surviving to age 70)/$(1+0.03)^3$ +….+ Pr(surviving to age 100)/$(1+0.03)^{52}$=20.07.

[13] Pr(surviving to age 67)/$(1+0.03)^{\text{number of years until age 67}}$

[14] Workers become eligible to receive Social Security benefits if they have worked a minimum of 10 years.

Copyright © 2021 Society of Actuaries Research Institute

age 67.[15] The present value of this stream of Social Security benefits is computed separately for men and women, for each age, using the probability of survival until age 67 and the number of years until reaching age 67.[16]

For respondents who are already receiving Social Security benefits for themselves, we use current monthly Social Security benefits instead of estimated benefits in the calculation of Social Security lifetime benefits. For widows and spouses, we estimate Social Security lifetime benefits using current monthly Social Security benefits, as long as the widow or spousal benefit exceeds the benefits they would get based on their own earning history. We also calculate the present value of the stream of these benefits from current age through age 67. Total Social Security assets include the present value of the lifetime stream of Social Security benefits that begin at age 67 plus the value of any benefits received from Social Security now through age 67.

3. Value of other pension benefits

The SIPP collects data on other currently received pension benefits (exclusive of DB benefits calculated earlier) in the wave 1 data, including defined contribution (DC), IRA's, etc. We calculate the present value of this stream of benefits from now through age 100 using the same methodology described above.

b. Informal Assets

Although SIPP does not measure collectivism directly, the SIPP does offer information on amounts of direct financial support exchanged beyond the nuclear family with friends, relatives, charity and community organizations. The SIPP also contains information on whether people gave or received in-kind, or non-monetary help, but, unlike with financial support, the SIPP does not provide monetary values for this type of assistance. We assume the age profile of median collectivist support received in the current data sample approximates the distribution of collectivist support over a person's lifetime. The present value of this lifetime stream of benefits is calculated separately for men and women, using the probability of survival to age 100, the growth rate of collectivist support over the age profile, and assuming a 30-year treasury interest rate of 3%. This calculation yields a value of lifetime collective assets owned by each individual at this point in time.

The most salient forms of in-kind, collectivist support documented in the SIPP data are housing and childcare. We track down the receipt and provision of housing help to non-nuclear family members and assign a value to these exchanges. We also develop a method for attributing a value to childcare assistance provided by grandparents and other relatives. Below is a detailed description of the methodology used to attribute monetary values to collective, in-kind housing assistance and childcare help.

1. Housing

For those individuals who are living in a household where they are neither the main householder nor a nuclear family member, the value of in-kind housing support received is assumed to equal the monthly cost of housing for the household divided by the number of people living there. Older children ages 21+ are not considered part of the

---

[15] For men: Pr(surviving to age 68)/(1+0.03) + Pr(surviving to age 69)/$(1+0.03)^2$ + Pr(surviving to age 70)/$(1+0.03)^3$ +….+ Pr(surviving to age 100)/$(1+0.03)^{52}$=19.63.
For women: Pr(surviving to age 68)/(1+0.03) + Pr(surviving to age 69)/$(1+0.03)^2$ + Pr(surviving to age 70)/$(1+0.03)^3$ +….+ Pr(surviving to age 100)/$(1+0.03)^{52}$=20.07.
[16] Pr(surviving to age 67)/$(1+0.03)^{\text{number of years until age 67}}$

Copyright © 2021 Society of Actuaries Research Institute

nuclear family unit, and if they continue to live at home, the value of the housing is considered to be a form of in-kind collectivist support received.

For those who rent or own their home but still owe money on their mortgage, the monthly cost of housing for the household equals the amount spent each month on rent or mortgage payments and utilities. For those who own their homes with no mortgage, the annual cost of housing is estimated to be worth 5.8% of the home value (Aten 2017); this amount is divided by 12 to yield a monthly cost of housing for the household. For those who live rent free, the monthly cost of housing is assumed to equal 30% of the household income (Madden and Marcuse 2016 and Florida 2018). As mentioned above, the monthly cost of housing for the household is divided by the number of people living in the household to yield the value of housing support received by each household member.

2. Childcare

How do we value the time that grandparents and other relatives spend caring for children? The 2014 SIPP data contain information on the dollar amount spent on childcare per week. Assuming that children under the age of 6 require care from 8AM-7PM, five days a week (55 hours per week), we divide the dollar amount spent on childcare each week by 55 hours to get an estimated hourly rate of $3.51 for childcare services.[17]

When a reference parent indicates that their child is cared for by a grandparent (or other relative), the value of this support is estimated as the $3.51 hourly rate times the average number of hours provided by grandparents (or other relatives) for each child.[18] The SIPP 2008 panel reveals that grandparents who provided childcare spent an average of 21.09 hours per week taking care of grandchildren under the age of 6 and 13.27 hours per week looking after children ages 6-14. Similarly, other relatives who were tasked with childcare spent an average of 15.47 hours per week taking care of children under the age of 6 and 12.06 hours per week with children ages 6-14. This information was phased out of the 2014 SIPP data, but we assume that the weekly hours spent on childcare did not change significantly between the 2008 and 2014 SIPP panels. The childcare component of collectivist support is likely more important for the cohort of younger adults with small children.

Collectivist support includes the financial help from family and friends, as well as the value of housing and grandparent/relative provided childcare received. Our use of the term collective assets assumes that the level of help currently received will continue to be forthcoming until the person dies. The present value of this lifetime stream of benefits is calculated separately for men and women, using the probability of survival to age 100 and assuming a 30-year treasury interest rate of 3%. This calculation yields a value of lifetime collective assets owned by each individual at this point in time.

[17] The calculation focuses on households with only one child under age 6 to avoid a situation where the caregiver is paid the same rate to care for multiple children.
[18] The amount spent on childcare may be biased downward if households receive free childcare for part of the week. This would undervalue childcare services provided by grandparents and other relatives. On the other hand, to the extent that grandparents and other relatives may be caring for more than one child at the same time, but getting paid per hour per child, the value of childcare services may be overvalued.

Copyright © 2021 Society of Actuaries Research Institute

Hispanic/Latinos, Trust and Pensions

John A. Turner

Hispanic/Latinos are the largest minority group in the United States. They account for 17 percent of the population (Unidos 2021) or approximately 58 million people, up from 6.5 percent in 1980 (Flores 2017). Retirement-age Hispanic/Latinos[19] receive less income, hold less wealth, and are more likely to be impoverished than non-Hispanic/Latino Whites of the same age group (Johnson, Mudraziga, and Wang 2016).

This paper examines pension and retirement issues faced by U.S. Hispanic/Latinos. First, it provides demographic background about Hispanic/Latinos. Second, it discusses Hispanic/Latinos' access to employer-sponsored pensions. Third, it addresses the factors that affect pension participation. It compares three demographic groups—Hispanic/Latinos, non-Hispanic/Latino Whites, and non-Hispanic/Latino African Americans, for brevity referring to the last two groups as Whites and African Americans.

Background

COVID-19 has had a large mortality toll on the United States, but disproportionately affecting Hispanic/Latinos and African Americans. Hispanic/Latinos have longer life expectancy than other demographic groups. Before the pandemic, Hispanic/Latinos lived roughly three years longer than Whites, and six years longer than African Americans (Arias and Xu 2019). However, the pandemic has reduced the average life expectancy of Hispanic/Latinos by 3.1 years to 78.8 years, compared to a reduction for African Americans of 2.1 years, to 72.8 years, and a reduction for Whites of 0.7 years, to 77.8 years (Miller 2021). In percentages, the reduction in life expectancies caused by COVID-19 has been 3.8 percent for Hispanic/Latinos, 2.8 percent for African Americans, and 0.1 percent for Whites.

Hispanic/Latinos employed full time earn less than Whites. Hispanic/Latinos are less likely to be covered by an employer-sponsored retirement plan than Whites (Johnson et al. 2016). As is typical of immigrants generally, Hispanic/Latino immigrants tend to have relatively low economic status compared to U.S.-born Hispanic/Latinos (Ambramitzky et al. 2021).

Families play a greater role in retirement planning for Hispanic/Latinos than for Whites. Hispanic/Latinos age 65 or older, like other minorities in that age group, are more likely than Whites to depend on their children for financial resources and care as they age (Parker and Patten 2013).

Hispanic/Latinos' fluency levels in English presumably affect their labor market opportunities. In the U.S., 36 percent are bilingual, 25 percent speak mainly English, and 38 percent speak mainly Spanish. Discrimination is a related factor that could affect Hispanic/Latinos' economic conditions. Four out of ten Hispanic/Latinos say they have experienced discrimination in the past year, such as being criticized for speaking Spanish or being told to go back to their home countries. Experiences of discrimination are more likely among those who say others see them as Hispanic/Latino, African American, or another non-White group than among those who say others see them as

19 Some people prefer the terms Latinx or Latino (Cienfuegos 2019). Following the Bureau of Labor Statistics, we capitalize White and Black. Hispanic/Latinos is the term preferred by the Society of Actuaries.

White (Lopez et al. 2018). A separate survey finds that 22 percent of Whites report feeling uncomfortable hearing Spanish spoken in public (Cultural Marketing Council 2021). Nearly one-quarter of Hispanic/Latino workers and African American workers reported job discrimination in the past year, compared to 15 percent of Whites. Thirty one percent of Hispanic/Latino and African American workers younger than age forty reported discrimination in the last year (Gold 2021).

Access to Employer-Provided Pensions

Lack of access to employer-provided pensions varies across racial and ethnic groups, ranging from 31.5 percent of Whites to 54.9 percent of Hispanic/Latino private-sector workers (Table 1).

Table 2

PERCENT OF PRIVATE-SECTOR WORKERS WHO LACK ACCESS TO AN EMPLOYER-SPONSORED RETIREMENT SAVINGS PLAN, BY RACE AND ETHNICITY, 2016

Race or Ethnicity	Percent - No access to an employer-sponsored retirement savings plan
White	31.5
African American	36.4
Asian American	38.6
Hispanic/Latino	54.9
Other	36.0

Source: Pew (2016)

Reversing the perspective above, by focusing on pension coverage rather than lack of coverage, we see that among employees age twenty-five to sixty-four, 38 percent of Hispanic/Latinos and 54 percent of African Americans work for an employer that sponsors a retirement plan, compared to 62 percent of White employees. These racial disparities are greater in the private sector than in the public sector. Hispanic/Latinos and African Americans are, respectively, 42 percent and 15 percent less likely than Whites to have access to a workplace retirement plan in the private sector, compared to 12 percent and 10 percent less likely in the public sector (Rhee 2013). As a result of low pension coverage rates among working age households, 69 percent of Hispanic/Latinos and 62 percent of African Americans do not own assets in a retirement account, compared to 37 percent of Whites (Rhee 2013).

Mexico started a program in 2020 that helps Mexicans living in the U.S. transfer money to pension savings plans in Mexico (Explica 2021). Statistics as to the number of people participating in this type of pension are not yet available.

Participation and Trust

In 2016, for households with people age 32 to 61 (the thirty years leading up to Social Security eligibility), 13 percent of Hispanic/Latinos participated in a defined benefit plan and 28 percent participated in a 401(k)-type plan, compared to 21 and 51 percent, respectively of Whites (Table 2). In 2016, among families with retirement savings, the median White family had approximately three times more in a retirement account ($79,500) than the median Hispanic/Latino family ($23,000) or median African American family ($29,200) (Morrisey 2019).

Table 2

PARTICIPATION OF HOUSEHOLDS WITH PEOPLE AGE THIRTY-TWO TO SIXTY-ONE IN 401(K)-TYPE PLANS AND DEFINED BENEFIT PLANS, BY RACE AND ETHNICITY, 2016, PERCENT

Race and Ethnicity	401(k)-Type Plans	Defined Benefit Plans
Hispanic/Latino	28	13
African Americans	33	17
Whites	51	21

Source: Morrisey (2019)

Pre-retirement pension withdrawals can reduce retirement preparedness. These withdrawals are more likely among minorities, presumably due to economic disadvantages. In 2010, 57 percent of Hispanic/Latino workers and 63 percent of African American workers who had participated in a 401(k) or 403(b) plan, but who had left their employers, cashed out their accounts, compared with 39 percent of Whites (Ariel Investments and Aon Hewitt 2012).

A worker's income plays a role when deciding whether to participate in a pension. Low-income workers often feel that they cannot afford to contribute to a pension and have less tax incentive to do so because of lower marginal income tax rates (Hinz and Turner 1998). Their higher level of labor income risk may also be a factor discouraging participation (Mitchell and Turner 2010).

Trust in pension institutions is a less well-known factor that affects pension participation (Bielawska and Turner 2021). Workers who distrust financial institutions are less likely to participate in an employer-provided pension plan when one is offered (Scott and Watson 2018). Among Hispanic/Latino workers, 17 percent said information from their primary financial institutions is "somewhat" or "definitely" untrustworthy, compared with 7 percent of Whites and 19 percent of other respondents. Pensioners who distrust their pension plans are also more likely to prefer a lump sum withdrawal (as opposed to an annuity) than pensioners with a high degree of trust (Cruijsen and Jonker 2016).

Financial sector participation can increase worker trust in financial institutions and improve financial literacy, which can then increase savings (Agnew et al. 2012). In 2013, 46.5 percent of Hispanic/Latino households were unbanked or underbanked, compared to 19.6 percent of White households. Underbanked households have a bank account, but they also obtained financial services from alternative financial services providers, such as a check cashing service, in the prior twelve months. Among these households, 33.1 percent said they didn't like dealing with or did not trust banks (FDIC 2013). Immigrants distrust financial institutions more than native-born residents (Barcelos et al. 2018).

In a study, participant trust in financial institutions was related to levels of pension participation. Workers with low levels of trust in the pension provider were more likely to opt out of automatic enrollment (Agnew et al. 2012). A survey in the Netherlands shows that higher-educated pension participants are more likely to trust pension providers than lower-educated participants (van Dalen and Henkins 2018).

Levels of financial literacy may affect Hispanic/Latinos' levels of trust in pensions and their participation in pensions. Foreign-born Hispanic/Latinos have lower financial literacy than U.S.-born Hispanic/Latinos, who have lower financial literacy than Whites (Hasler et al. 2017).

Policy Options. Rather than discussing standard policy approaches to encourage pension participation—tax incentives, matching contributions, and auto enrollment—we highlight some innovative ideas. Financial literacy is a relatively new approach, but financial education at the level necessary to address the pension issues facing millions of workers is unlikely (Turner 2021). New communication approaches to engage nonparticipants are more feasible.

For example, Benartzi (2020) finds that communicating the amount of a contribution as pennies on the dollar rather than as a percent leads to greater take-up. Communications to nonparticipants can also address issues of trust related to financial markets, pension plans, and service providers. Innovations need to be explored for workers in non-standard employment (Kwena and Turner 2013). Tergesen (2020) argues that for people who have difficulty saving for retirement, the best approach might be to start small, perhaps initially contributing only 1 percent of their salary. Starting with easy habits can make future increases possible.

Conclusions

Hispanic/Latinos are in many ways disadvantaged in retirement preparedness compared to other demographic groups. The disadvantage for some arises because they are immigrants, with some lacking English language skills. Some face discrimination in the labor market. Distrust in financial institutions might cause some to be reluctant to participate in pensions. For those individuals, encouraging them to begin with smaller contributions could help them participate in pension plans, increasing contributions later.

John A. Turner is the Director of the Pension Policy Center. He can be reached at jaturner49@aol.com.

References

Abramitzky, R., L. Boustan, E. Jacome, and S. Perez. 2021. "Intergenerational Mobility of Immigrants in the United States Over Two Centuries." *American Economic Review* 111(2).

Agnew J.R., L.R. Szykman, S.P. Utkus, and J.A. Young. 2012. "Trust, Plan Knowledge and 401(k) Savings Behavior." *Journal of Pension Economics and Finance* 11(1): 1-20. Trust, plan knowledge and 401(k) savings behavior* | Journal of Pension Economics & Finance | Cambridge Core

Arias, E. and J. Xu. 2019. "National Vital Statistics Reports: United States Life Tables, 2017." National Center for Health Statistics. National Vital Statistics Report (cdc.gov)

Ariel Investments and Aon Hewitt. 2012. "401(k) Plans in Living Color: A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups." Chicago, IL: Ariel Investments and Aon Hewitt. https://www.arielinvestments.com/images/stories/PDF/ariel-aonhewitt-2012.pdf

Barcelos, S.H., J.P. Smith, J. Yoong, and L. Carvalho. 2012. "Barriers to Immigrant Use of Financial Services: The Role of Language Skills, U.S. Experience, and Return Migration Expectations." Financial Literacy Center, Rand. https://www.rand.org/content/dam/rand/pubs/working_papers/2012/RAND_WR923.pdf

Benartzi, S. 2020. "Pennies Versus Percent." Paper presented at the RAND BeFi Conference, October 14.

Bielawska, K. and J.A. Turner. 2021. "Trust and the Behavioral Economics of Automatic Enrollment in Pensions." Pension Policy Center Working Paper 20-06.

Cienfuegos, S.J. 2019. "Hispanic vs. Latinx: Why Being Culturally Conscious is Important." *Hilltop Views*, Oct. 29. Hispanic vs. Latinx: Why being culturally conscious is important | Hilltop Views (hilltopviewsonline.com)

Cultural Marketing Council. 2021. "Cultural Comfort, Siloes and Stress Impacts Gen Z Trust Circles." *InsideNOVA*, Feb. 11. https://www.prnewswire.com/news-releases/cultural-comfort-siloes-and-stress-impacts-gen-z-trust-circles-301226573.html

Expected Expenses." DNB Working Paper No. 535. DeNederlandscheBank. https://www.researchgate.net/publication/328526542_Pension_profile_preferences_the_influence_of_trust_and_expected_expenses

Explica. 2021. "What Changed for Pensions in Mexico at the End of 2020."

Federal Deposit Insurance Corporation. 2013. "Unbanked and Underbanked Findings." FDIC - 2013 Household Survey Results - Unbanked and Underbanked Findings (economicinclusion.gov)

Flores, A. 2017. "Facts on U.S. Latinos, 2015: Statistical portrait of Hispanics in the United States. Key charts." http://www.pewhispanic.org/2017/09/18/facts-on-u-s-latinos/

Gold, S.L. 2021. "African Americans and Hispanics Report Workplace Race Discrimination." Lawyers.com, Jan. 27. African Americans an()d Hispanics Report Workplace Race Discrimination - Discrimination Legal Blogs Posted by Sidney L. Gold | Lawyers.com

Hasler, A. A. Lusardi, and P.J. Yakoboski. 2017. "Financial Literacy Among U.S. Hispanics: New Insights from the Personal Finance (P-Fin) Index." TIAA Institute. TIAA Institute-GFLEC Hispanic P-Fin Index Report_October 2017.pdf

Hinz, R.P. and J.A. Turner. 1998. "Pension Coverage Initiatives: Why Don't Workers Participate?" In *Living with Defined Contribution Plans*, edited by Olivia S. Mitchell and Sylvester J. Schieber. Philadelphia: University of Pennsylvania Press, pp. 17-37.

Johnson, R.W., S. Mudraziga, and C.X. Wang. 2016. "Hispanics' Retirement Security." Urban Institute, December. https://www.urban.org/sites/default/files/publication/86526/hispanic_retirement_security_1.pdf

Krogstad, J.M. and A. Gonzalez-Barrera. 2015. "A Majority of English-Speaking Hispanics in the U.S. are Bilingual." Pew Research Center. A majority of English-speaking Hispanics in the U.S. are bilingual | Pew Research Center

Kwena, R.M. and J.A. Turner. 2013. "Extending Pension and Savings Scheme Coverage to the Informal Sector: Kenya's Mbao Pension Plan." *International Social Security Review* 66(2): 79-99.

Lopez, M.H., A. Gonzalez-Barrera, and J.M. Krogstad. 2018. "Latinos and Discrimination." Pew Research Center, October 25. Latinos' experiences with discrimination | Pew Research Center

Miller, J. 2011. "Covid-19 Reduced U.S. Life Expectancy, Especially Among Black and Latino Populations." USCNews, January 14. COVID-19 reduced U.S. life expectancy, notably among Blacks and Latinos (usc.edu)

Mitchell, O.S. and J.A. Turner. 2010. "Labor Market Uncertainty and Pension System Performance." In *Performance of Privately Managed Pension Funds,* edited by Richard P. Hinz, Heinz P. Rudolf, Pablo Antolin, and Juan Yermo. Washington, DC: World Bank, pp. 119-158. https://openknowledge.worldbank.org/bitstream/handle/10986/2405/527090PUB0pens101Official0Use0only1.txt?sequence=2

Morrisey, M. 2019. "The State of American Retirement Savings." Economic Policy Institute, Dec. 10. The State of American Retirement Savings: How the shift to 401(k)s has increased gaps in retirement preparedness based on income, race, ethnicity, education, and marital status | Economic Policy Institute (epi.org)

Parker K. and E. Patten. 2013. "Financial Support Across Generations." Pew Research Center. http://www.pewsocialtrends.org/2013/01/30/financial-support-across-generations/

Pew. 2016. "Employer-Sponsored Retirement Plan, Access and Savings." September 14. https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/09/employer-sponsored-retirement-plan-access-uptake-and-savings

Rhee, N. 2013. "Race and Retirement Insecurity in the United States." National Institute on Retirement Security, Dec. 2013. Race and Retirement Insecurity in the United States – National Institute on Retirement Security (nirsonline.org)

Scott, J. and H. Watson. 2018. "Trust in Financial Institutions Can Affect Retirement Plan Participation: Most Small Business Workers Say They'd Stay in Program if Automatically Enrolled—But Distrust a Factor." Pew Charitable Trusts, December 21. https://www.pewtrusts.org/en/research-and-analysis/articles/2018/12/21/trust-in-financial-institutions-can-affect-retirement-plan-participation

Tergesen, A. 2020. "Tiny Changes Can Help You Achieve Savings Goals for Retirement." *The Wall Street Journal,* Dec. 28. Tiny Changes Can Help You Achieve Savings Goals for Retirement - WSJ

Turner, J.A. 2021. "Alternatives to Financial Literacy: Helping Pension Participants to Invest." *Benefits Quarterly,* third quarter, forthcoming.

Unidos. 2021. "Building Wealth and Financial Power of Latinos." Building wealth and financial power of Latinos | UnidosUS

Van Dalen, H.P. and K. Henkins. 2018. "The Making and Breaking of Trust in Pension Providers: An Empirical Study of Pension Participants." *The Geneva Papers* 43: 473–491. The Making and Breaking of Trust in Pension Providers: An Empirical Study of Pension Participants (uvt.nl)

About The Society of Actuaries

With roots dating back to 1889, the Society of Actuaries (SOA) is the world's largest actuarial professional organization with more than 31,000 members. Through research and education, the SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal challenges. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

The SOA supports actuaries and advances knowledge through research and education. As part of its work, the SOA seeks to inform public policy development and public understanding through research. The SOA aspires to be a trusted source of objective, data-driven research and analysis with an actuarial perspective for its members, industry, policymakers and the public. This distinct perspective comes from the SOA as an association of actuaries, who have a rigorous formal education and direct experience as practitioners as they perform applied research. The SOA also welcomes the opportunity to partner with other organizations in our work where appropriate.

The SOA has a history of working with public policymakers and regulators in developing historical experience studies and projection techniques as well as individual reports on health care, retirement and other topics. The SOA's research is intended to aid the work of policymakers and regulators and follow certain core principles:

Objectivity: The SOA's research informs and provides analysis that can be relied upon by other individuals or organizations involved in public policy discussions. The SOA does not take advocacy positions or lobby specific policy proposals.

Quality: The SOA aspires to the highest ethical and quality standards in all of its research and analysis. Our research process is overseen by experienced actuaries and nonactuaries from a range of industry sectors and organizations. A rigorous peer-review process ensures the quality and integrity of our work.

Relevance: The SOA provides timely research on public policy issues. Our research advances actuarial knowledge while providing critical insights on key policy issues, and thereby provides value to stakeholders and decision makers.

Quantification: The SOA leverages the diverse skill sets of actuaries to provide research and findings that are driven by the best available data and methods. Actuaries use detailed modeling to analyze financial risk and provide distinct insight and quantification. Further, actuarial standards require transparency and the disclosure of the assumptions and analytic approach underlying the work.

Society of Actuaries
475 N. Martingale Road, Suite 600
Schaumburg, Illinois 60173
www.SOA.org