PRIZE WINNER: A Glimpse at the Financial Journey to Retirement for LGBTQ+ People in the United States

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Every person dreams of being able to retire with financial security, but without a strong foundation supported by products, benefits, policies, and strategies designed to build and protect wealth, this dream is difficult to attain. Figuring out how to cover everyday basic financial needs, build financial resiliency, strategize for future life goals, accumulate and protect wealth, find financial independence, and provide for loved ones upon passing are barriers every aspiring retiree needs to resolve as part of their financial journey. To identify opportunities to support different segments of the population through their financial journey, it is important to understand the unique priorities and obstacles they could face at each stage leading to financial independence.

The LGBTQ+ population is growing: the share of the US population who identifies as LGBTQ+ has increased from 3.5% to 7.1% over the last ten years, with more than 1 in 5 Gen Z individuals identifying as LGBTQ+, a figure that is nearly twice compared to Millennials and eight times higher than baby boomers.[i] The economic strength of the LGBTQ+ population in the US is remarkable, with an estimated buying power close to $1 trillion and with LGBTQ+ owned businesses contributing about $1.7 trillion to the economy.[ii]

When we focus on the financial outcomes of LGBTQ+ individuals, their diversity makes it difficult to comprehensively approach all the challenges they face in their journey to retirement. This essay is not intended to be an exhaustive collection of such obstacles, rather it's an attempt to present a small sampling of unique hurdles that LGBTQ+ couples and individuals may face. My hope is that highlighting some of these challenges will help the reader be better equipped to seek deeper insights into these obstacles and ignite curiosity and creativity to find opportunities to better serve this important and growing population.

Understanding LGBTQ+ Financial Journeys: Data is Lacking, But Available Information Suggests that Gaps Exist

The first time the US Census Bureau collected data related to sexual orientation and gender identity (SOGI) was in 2021. Surveys like the *Survey of Household Economics and Decisionmaking* from the Federal Reserve also started collecting data on SOGI in 2019. The momentum in recent years is encouraging, but more extensive and continuous data collection is needed to improve insights.

What we can see from data that currently exists is that LGBTQ+ individuals face more challenges financially compared to their cisgender and heterosexual (referred to as "straight" throughout the rest of this essay) counterparts. For example, 33% of LGBTQ+ individuals claim that, financially, they are either finding it difficult to get by or are just getting by compared to only 20% of straight folks. LGBTQ+ people are also 36% less likely to be homeowners and 61% less likely to own a home mortgage-free. Regarding retirement, while 42% of straight working-age people believe their retirement savings are on track, only 30% of LGBTQ+ individuals feel the same way.[iii]

Beyond acknowledging the existence of these challenges, it is key to seek to understand why financial outcomes differ between straight and LGBTQ+ individuals. These outcomes may be influenced by a combination of factors including wage gaps, discrimination, financial priorities, and social determinants of health, among others. Understanding the prevalence and impact of these and other factors requires further data collection and analysis.

With that being said, let's use some of the data and anecdotes available to learn more about the obstacles that LGBTQ+ individuals and their families may encounter through their financial journeys.

Meeting Basic Everyday Needs: Navigating Obstacles on Housing

Twenty-three percent of LGBTQ+ individuals are spending more than they earn, a figure that is 9 percentage points higher than their straight counterparts.[iii] Discrimination in job hunting and an earnings gap[iv] impact the income that LGBTQ+ individuals have to meet their needs. An intuitive response to reduced earnings is to adjust spending accordingly. However, the fact that LGBTQ+ people are two times more likely to skip healthcare due to affordability [iii] points to challenges beyond budgeting and managing spending. To learn more about some of these challenges, let's focus on what most individuals cite as their most significant expense (and an essential human need): housing.

The headline we generally hear related to LGBTQ+ individuals and housing security typically revolves around unhoused youth. LGBTQ+ youth are more likely to be rejected by their families and/or flee abusive homes, which leads to a disproportionately high incidence of housing insecurity: in the US, it is estimated that around 20% to 40%[v] of unhoused youth identify as LGBTQ+. This group is particularly vulnerable to mental and physical health risks, including exposure to violence, trauma and substance abuse. LGBTQ+ youth are also more prone to drop out of school due to unsafe environments; a lack of family support limits intergenerational wealth transfer and reduces the amount of financial resources that youth have available in order to afford basic and higher education, which may explain, in part, why the LGBTQ+ population is twice as likely to carry a student loan debt balance. [iii]

Housing insecurity is not exclusive to LGBTQ+ youth, however, and it is not exclusively driven by family rejection. LGBTQ+ individuals are 1.6 times more likely [iii] to be unable to afford to pay for housing. The affordability barrier can be explained in part by factors stemming from discrimination:

- LGBTQ+ individuals are more likely to migrate to urban centers due to increased tolerance and diversity, but these areas are also more costly.
- The LGBTQ+ community is 3.6 times more likely to face discrimination on housing, in part because there are no robust federal protections outlawing this. Only 21 states plus D.C. explicitly prohibit discrimination on housing based on SOGI, and Wisconsin only protects against discrimination based on sexual orientation (not gender identity). This reduces the national supply of housing available to LGBTQ+ individuals, and lesser supply leads to increased costs.
- Additionally, there are also no robust federal protections against discrimination in credit; only 16 states have explicit protections against discrimination on lending. Various studies have concluded that same-sex couples applying for a mortgage are more likely to be denied or to be charged higher financing costs[vi] than straight applicants.

Housing is just the tip of the iceberg: higher costs of food, medical care and transportation in urban centers compound the challenges. When looking at whether people are able to pay their bills, one in five LGBTQ+ individuals encounter challenges to pay all their bills versus one in eight of their straight counterparts. [iii] Particular medical needs of the community and other social determinants of health also have a significant impact from the LGBTQ+ lens. Close to one quarter of the LGBTQ+ population defer seeing a doctor or specialist because they cannot afford it. [iii]

The first roadblock in every person's financial journey is being able to meet basic financial needs. Higher costs faced by the LGBTQ+ community combined with more limited income ultimately make saving more difficult. The difficulty to meet financial needs is exacerbated by discrimination. And even those who are able to meet their basic needs will encounter more obstacles down the road in their financial journeys.

Building Financial Resiliency: Navigating with a Looser Safety Net

Thought as the capacity to bounce back from unexpected setbacks, financial resiliency is an important foundation that allows people to build wealth and plan for long-term financial independence. One way to gauge an individual's financial resiliency is to ask: if you were to encounter an unexpected cost, would you still be able to meet your basic needs? A $400 unexpected emergency would cause 11% of straight people to not be able to pay all their bills compared to 19% of LGBTQ+ folks. [iii]

We frequently hear advice inviting people to save anywhere from three to six months of expenses to sustain them during financial shocks, but LGBTQ+ individuals are less likely to have any savings (48% compared to 57% of their straight counterparts). Of the people who have emergency savings, roughly only one in three have sufficient savings to cover three months of expenses, [iii] regardless of SOGI. Intuitively, the savings gap is influenced by challenges meeting basic needs, but there are other factors creating additional hurdles for LGTBQ+ individuals:

- Access to banking is a likely factor that drives some of the difference in the portion of the population with savings. LGBTQ+ households are 1.25 times more likely to be unbanked or underbanked.[vii]
- More limited access to banking complicates the ability for LGBTQ+ individuals to meet unexpected expenses. LGBTQ+ individuals facing an unexpected $400 expense are more likely to use alternative ways to finance (e.g., selling something, borrowing from friends or family) or incur high-cost credit (e.g., using credit cards, payday loans, overdrafting), and, ultimately, 15% would not be able to afford any emergency expense, compared to 10% of straight individuals. [vii]

On top of the challenge to meet basic needs, the lack of access to fair-cost financial products makes it particularly challenging for LGBTQ+ individuals to establish a solid foundation that can lead towards financial independence. And even for those LGBTQ+ individuals with a strong foundation, the path ahead to build wealth and meet important life and financial milestones is complex.

Building and Protecting Wealth: Navigating towards Uncharted Objectives

After meeting basic financial needs and building a resilient foundation, individuals generally turn towards building wealth, planning for the future and charting a path to financial independence. Let's explore three different sample personas within the LGBTQ+ population:

- *The same-sex family builder:* building a family is costly for everyone, but the price tag is higher for same-sex couples. For reference here, it is important to note that the US is one of 83 countries that does not provide paid paternity leave, one of six countries that doesn't provide paid maternity leave and the only Organisation for Economic Co-operation and Development (OECD) member that does not guarantee paid family leave on a federal level. That means that new parents may have to rely on paid child-bonding leave offered by their employers.
    - Consider a same-sex male couple: to build a family, they will need to consider alternative routes like adoption (which can cost upwards of $40,000 and carry an additional average cost of $3,000 for a second parent adoption, typically a necessity for LGTBQ+ couples) or surrogacy (which typically ranges from $120,000 to $150,000). Compared to employer-provided paid maternity leave, paternity leave, if offered, tends to be shorter. As a result, same-sex male couples need to budget for additional caretaking expenses.
    - Turning to same-sex female couples: even though it is possible that they are capable of pregnancy, the path is not much simpler if they decide to build their families through birth. Couples who have access to fertility benefits may experience gaps in coverage, particularly when coverage is conditioned to prove the couple cannot get pregnant naturally for a number of cycles. Even with potentially longer child bonding paid leave compared to same-sex male couples, same-sex female couples are doubly impacted by the gender earnings gap, meaning a larger portion of their household income may have to be devoted to family raising costs.
- *Reaffirming gender:* protections against discrimination for transgender individuals are weaker compared to LGB individuals, and financial insecurity is also more prevalent. The systemic barriers described throughout are further exacerbated for this segment of the community, especially regarding healthcare. Only 24 states and DC provide protections against insurance exclusions with studies showing that 19% of trans individuals are refused care outright, 28% of trans individuals postpone medical care when sick or injured due to discrimination and past harassment, and 50% report medical providers don't even have basic knowledge about transgender care. Additionally, trans people may undergo gender-affirming care, which can include voice modification therapy, cosmetic feminization/masculinization procedures, and transition surgery, in addition to associated travel expenses in order to access care when it is not available locally. It's also important to note that not all of these patient-centered treatments are typically covered by insurance. Comprehensive health care insurance coverage is a privilege that many employed individuals may have, but 30% of transgender people do not participate in the labor force and are twice as likely to be unemployed.[viii]
- *Financial independence for the expected future lifetime:* when thinking about retirement, individuals have two big questions to answer around their financial needs: how long do I expect to live and how much will I be spending during that time? Thinking back to the AIDS epidemic that ravaged the gay community at the end of the 20th century, advances in medicine have been remarkable at mitigating the impact and extending the lives of those who live with HIV. Those who were infected with HIV and AIDS before the 21st century likely saw friends die at a young age and considered their future lifespan to be less than half a decade, if they were lucky. As a result of the myriad of recent medical advances, life expectancy may have been extended. Despite the improved health outcome, this means that survivors now have to finance needs for an unexpectedly longer future lifetime with additional medical costs to manage their condition chronically.

These three examples are just a few significant life events that may be found among members of the LGBTQ+ community, but there are many others creating different and unique needs, aspirations and challenges. To figure out ways to help the LGBTQ+ community financially prepare for the future, it's important to recognize these different needs and financial priorities and identify areas where conventional thinking will fall short in helping LGBTQ+ individuals chart their financial paths.

Financial Independence and Legacy: Navigating through a Different Retirement Journey

Factors outlined earlier have included the higher challenge to meet financial needs, more barriers to build financial resiliency, and specific considerations on financial goals and priorities. When it comes to attaining financial independence, these all compound to create additional barriers; SAGE, a nonprofit organization for the Advocacy and Services for LGBTQ+ elders, estimates that 50% of LGBTQ+ people are likely to work past retirement age compared to only 27% of straight people.

Let's think about some ways LGTBQ+ individuals and families may be looking at retirement, financial independence and legacy differently:

- Currently, elder LGBTQ+ people in the US are more likely to face retirement with less support and less resources. LGBTQ+ elders are two times more likely to live alone, are four times less likely to have children, and are more likely to live in poverty, to be unhoused and to experience poor physical and mental health.[ix] Looking at the resources of future retirees, 42% of LGBTQ+ employees feel their retirement savings are not on track (1.39 times more likely than straight people), 43% do not have access to an employer retirement plan (1.25 times more likely) and 82% do not have access to an employer provided defined benefit pension plan (1.12 times more likely). [iii]
- LGBTQ+ individuals tend to be the caregiver for elder family members but are less likely to receive caregiving from their legal family. The burden of caregiving tends to fall disproportionately on LGBTQ+ family members, with 22% being expected to provide financial support to their parents for retirement (compared to 15% of straight workers). However, upon retirement, LGBTQ+ individuals tend to rely more on chosen families and caregiving support networks than their legal family; for example, 21% of LGBTQ+ elders care for friends compared to 6% of straight elders. [ix] Given these differences, financing and planning for long-term care poses additional challenges and considerations.
- Thinking about legacy planning and tax consequences, it is important to acknowledge some of the uncertainties LGBTQ+ families face. US Supreme Court Rulings in US vs. Windsor and Obergefell vs. Hodges, have created a framework that has strengthened protections of the LGBTQ+ family. However, the recent legality of same-sex marriage creates uncertainty and barriers. For instance, for older generations, eligibility for certain benefits, including Social Security survivor benefits, depend on legal recognition of the spousal relationship, which creates challenges in cases where older couples have not married. It also poses unintended barriers for certain retired LGBTQ+ immigrants that did not enjoy legal recognition of marriage while they worked in the US and contributed to Social Security. Even for married LGBTQ+ couples, the possibility of a rollback of federal recognition of same-sex marriages could create significant complexity on taxation, estate planning and eligibility for Social Security survivor benefits and spousal benefits under ERISA plans. An uncertain and relatively young legal framework multiplies the "what ifs?" and makes planning around retirement and legacy more complex.

Legacy and financial independence mark the end of the financial journey. Looking back, it is clear that the obstacles LGBTQ+ people and their families face along the way create unique challenges and experiences. Looking at priorities and needs, it becomes evident that LGBTQ+ individuals need to think about certain life events differently. Thinking about the idea of retirement and the financial needs associated with it, there are clear differences on the post-retirement experience of LGBTQ+ elders. On top of all of that, a complex and quickly evolving legal framework around LGBTQ+ families can become a stumbling block to consider when navigating towards a financially secure retirement.

A Brief Word on Intersectionality

As we think about the LGBTQ+ financial experience, we should not ignore the role of intersectionality. For example, we talked about how family rejection increases likelihood of unhoused LGBTQ+ youth and decreases the likelihood of benefiting from generational wealth transfers, but for segments of the population where wealth accumulation is already impaired (e.g., for racial and ethnic minorities who also identify as LGBTQ+) the impact of these different disadvantages is compounded.

Consider this: It was noted earlier that 33% of the LGBTQ+ population are either finding it difficult to get by or are just getting by financially. That figure jumps to 40% when looking at the Hispanic/Latino LGBTQ+ population and 45% when looking at the Black/African American LGBTQ+ population. It goes as high as 64% for transgender people from racial and ethnic minorities. [iii]

While intersectionality presents more nuanced challenges, it also expands the ways disadvantaged segments of the population can be helped. For instance, solutions that seek increased access to banking and financial education can address challenges not only for LGBTQ+ individuals but can also support other underserved segments such as underserved racial and ethnic groups.

In Conclusion

Through examining the financial journey from the various vantage points of members of the LGBTQ+ community, my hope was to provide a small window into a complex picture. Even through this limited scope, there are several conclusions we can draw:

- **More data is a catalyst to better understanding:** The literature and understanding of LGTBQ+ issues around financial security and retirement suffers from the limit on available data and the quality of such data, which typically relies on self-identification. More conscious efforts to collect data on a safe environment for members of the LGBTQ+ community is necessary.
- **Protection against discrimination facilitates building long term wealth:** Societal attitudes have an impact on the financial security of the community. Added to that, limits on legal protections exacerbate the problems. A framework with robust legal protections against discrimination would improve LGBTQ+ financial and retirement outcomes.
- **Societal and family acceptance strengthens the foundation:** LGBTQ+ retirees have relied on chosen families more than nuclear and legal families for support for retirement. As more LGBTQ+ families start to exist and public acceptance of the LGBTQ+ community increases, it will be interesting to see how the evolution leads to different outcomes for the community
- **Different needs call for different support:** The needs of the LGBTQ+ community to attain a secure retirement are different. Lower likelihood to afford basic needs, barriers to banking and savings, unique financial priorities and needs during life through retirement: all these factors impact financial outcomes and call for innovative solutions that can better meet needs and address the gaps that LGBTQ+ people experience when planning for retirement.
- **Reducing the uncertainties simplifies the path:** Financial, estate and retirement planning for LGBTQ+ people is complicated even further by uncertainty on the legal framework. Policymakers, financial professionals advising members of the LGBTQ+ community, and professionals designing financial products and employer benefits need to understand these complexities and how it all impacts their work.

- **Education and access to financial services and benefits reduce the burden:** Access to financial services and literacy can be a powerful tool. Financial products, tools and communication geared to engage and serve the LGBTQ+ community will add value to the community and society.

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Appendix: Selected Data from the 2021 Survey of Household Economics and Decisionmaking

Since 2013, the Federal Reserve Board conducts the Survey of Household Economics and Decisionmaking (SHED). SHED provides insights on the economic wellbeing of US Households. Since 2019, SHED has been collecting information on SOGI as part of the survey. To learn more about SHED, please visit: https://www.federalreserve.gov/consumerscommunities/shed.htm

The 2021 survey had 11,874 responses. When asked about their gender identity, 10,975 (92.4%) of respondents said they are cisgender, 132 (1.1%) of respondents said they were either transgender, nonbinary or other and 767 (6.4%) did not respond. When asked about their sexual orientation, 10,231 (86.16%) said they were straight, 871 (7.3%) said they were gay, lesbian, bisexual or identified with a different non-straight orientation and 772 (6.5%) did not respond. The figures used in this essay divide the respondents among the following categories:

LGBTQ+: Those whose gender identity is not cisgender and who are not straight. They represent 972 of the respondents. Using the weights provided in the raw data to best match the US population, this is equivalent to 963 responses (or 8.1%)

Straight: Those whose gender identity is cisgender and whose sexual orientation is straight. They represent 10,165 of the respondents. Using the weights provided in the raw data to best match the US population, this is equivalent to 10,054 responses (or 84.7%)

No response: Those who did not respond to the SOGI questions. They represent 797 of the respondents. Using the weights provided in the raw data to best match the US population, this is equivalent to 857 responses (or 7.2%)

In writing this essay, for the figures provided that use SHED data and the selected data below, the focus was on the LGBTQ+ and Straight groups. The weights used to represent the US population were provided in the SHED data and no analysis was performed to assess other weights which may have been reasonable for the figures presented.

Figure 1
HOW IS THE U.S. POPULATION MANAGING FINANCIALLY?

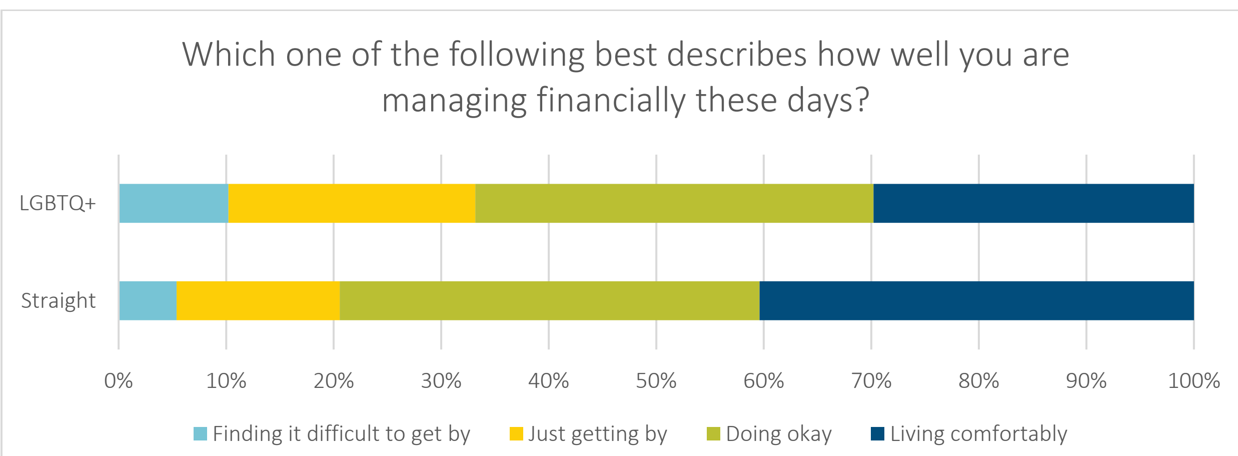
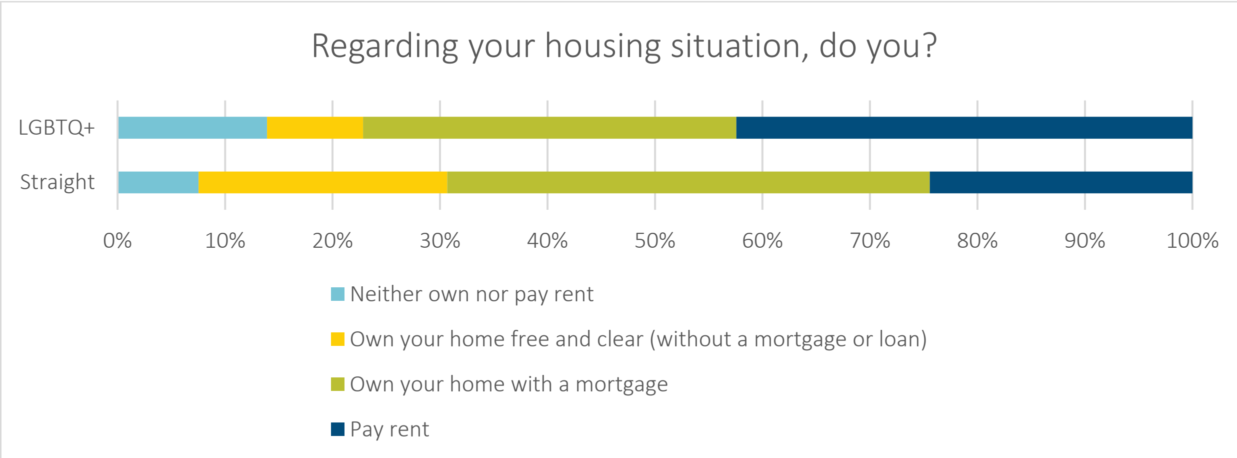


Figure 2

HOUSING ARRANGEMENTS



Note: A disproportionate amount of LGBTQ+ individuals neither own nor pay rent. A potential explanation could include the fact that living with legal or chosen family is more common for younger Americans, and young Americans are more likely to identify as LGBTQ+.

Figure 3

OF THOSE WHO ARE NOT YET RETIRED (8,643 OUT OF 11,874), ARE THEIR RETIREMENT SAVINGS ON TRACK?

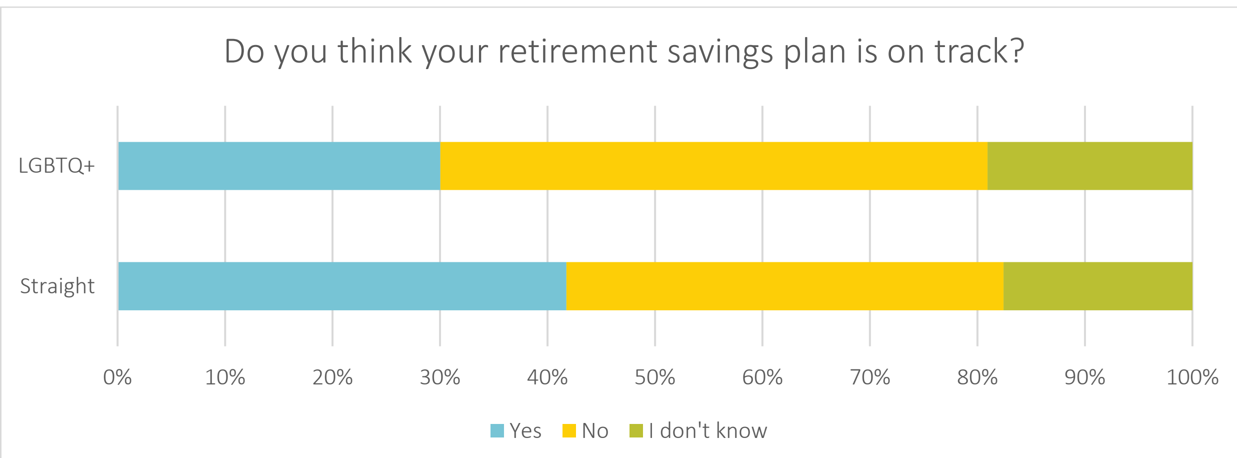


Figure 4

COMPARING HOUSEHOLD SPEND AND INCOME

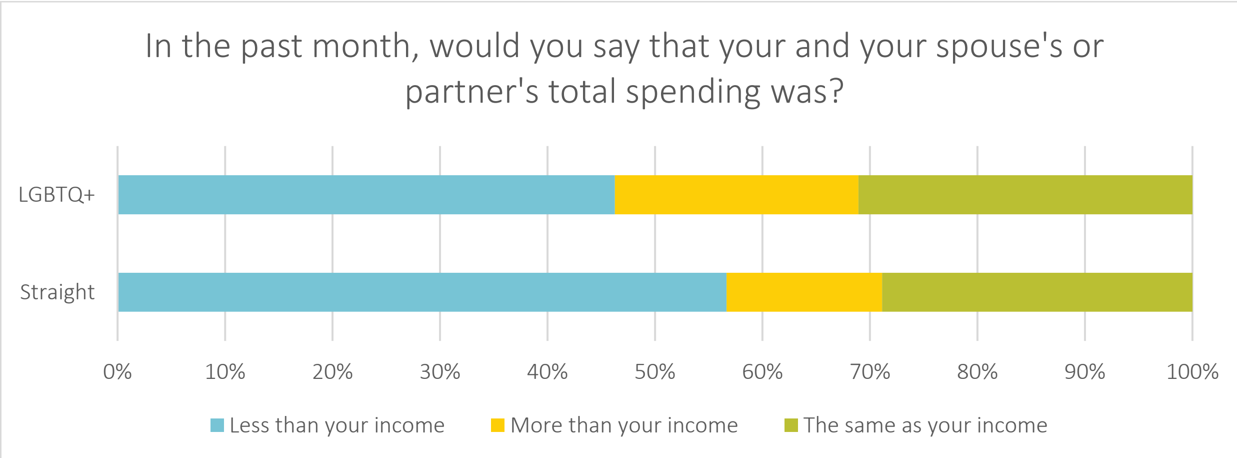
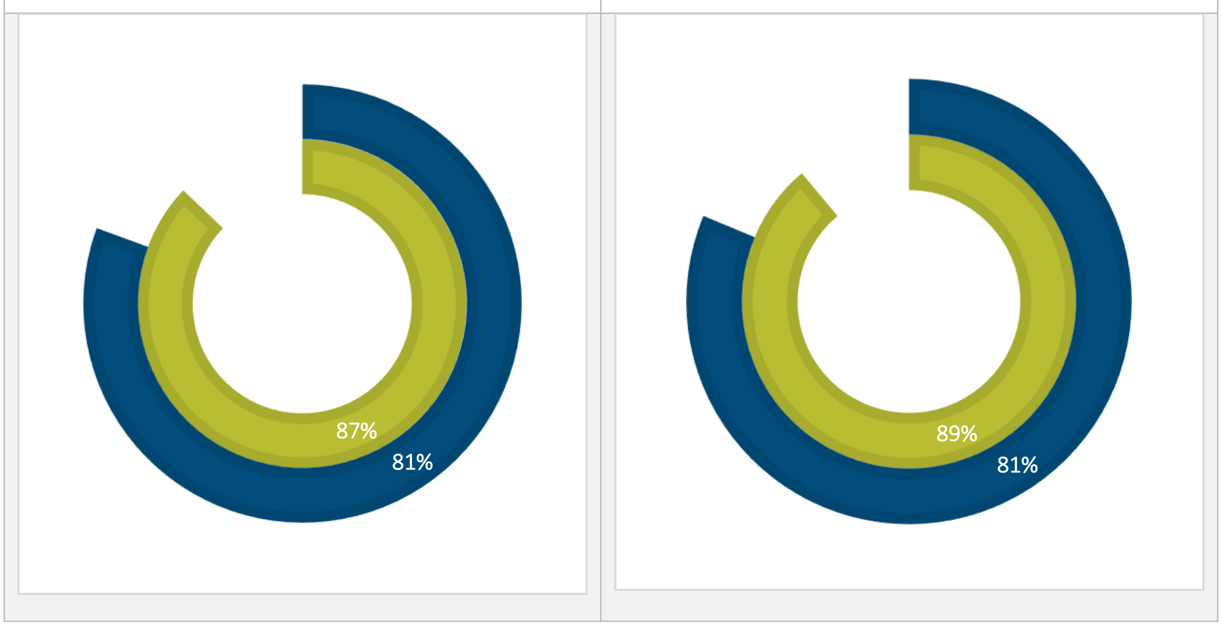


Figure 6

ABILITY TO COVER NEEDS

Which best describes your ability to pay all of your bills in full this month? *(% below shows the portion who are able to pay all their bills)*	(If you are able to pay all of your bills this month) How would a $400 emergency expense that you had to pay impact your ability to pay your other bills this month? *(% below shows the portion who would still be able to pay all their bills)*



- **81%** of LGBTQ+ are currently able to pay all bills; of those, **81%** would still be able to pay their bills after a $400 emergency
- **87%** of Straight are currently able to pay all bills; of those, **89%** would still be able to pay their bills after a $400 emergency

Table 1

AFFORDABILITY – WHAT BILLS ARE YOU UNABLE TO PAY?

Are you expecting to be unable to pay or only make a partial payment on each of the following bills this month?

	Straight	LGBTQ+	Index LGBTQ+ to straight
Rent	3.45%	5.52%	*(160)*
Credit Cards	5.27%	10.66%	*(202)*
Water/Gas/Electricity	4.38%	5.93%	*(135)*
Cable/Phone	4.26%	3.94%	*(93)*
Car Payment	2.38%	3.65%	*(153)*
Student Loans	1.36%	2.29%	*(159)*
Others	4.00%	6.23%	*(156)*

Table 2

AFFORDABILITY AND HEALTHCARE – HAVE YOU SKIPPED CARE DUE TO AFFORDABILITY?

During the past 12 months, was there a time when you needed each of the following, but went without because you couldn't afford it?

	Straight	LGBTQ+	Index LGBTQ+ to straight
Prescription medicine	7.18%	14.02%	*(195)*
Seeing a doctor or specialist	11.19%	23.86%	*(213)*
Mental healthcare or counseling	6.33%	20.76%	*(328)*
Dental Care	15.85%	25.52%	*(161)*
Follow-up Care	6.85%	14.65%	*(214)*

References

[i] Jones, Jeffrey M. LGBT Identification in U.S. Ticks Up to 7.1%. *Gallup,* February 17, 2022, https://news.gallup.com/poll/389792/lgbt-identification-ticks-up.aspx.
[ii] America's LGBT Economy Report. *National LGBT Chamber of Commerce*. https://nglcc.org/press-media/reports/.
[iii] Figures are based on data from the 2021 Survey of Household Economics and Decisionmaking conducted by the US Federal Reserve. See Appendix for more details.
[iv] Several studies point to a wage differential for gay/bisexual males. Klawitter (2015) found in a meta-analysis that on average gay/bisexual men earned 11% less than their straight men counterparts. Studies about the wage gap for lesbian and bisexual women compared to straight women are not conclusive, with some showing a premium and some showing a gap. This could be in part a result of the challenge to account for labor force participation to credibly compare outcomes for straight and lesbian and gay women.
[v] *Learning from the field: Programs serving youth who are LGBTQI2-S and experiencing homelessness,* a report from the Substance Abuse and Mental Health Services Administration of the U.S Department of Health Services: https://www.samhsa.gov/sites/default/files/programs_campaigns/homelessness_programs_resources/learning-field-programs-serving-youth-lgbtqi2s-experiencing-homelessness.pdf
[vi] For example, see Sun e. a., *Lending practices to same-sex borrowers* https://www.pnas.org/doi/10.1073/pnas.1903592116#sec-4
[vii] *The Economic Well-Being of LGBT Adults in the U.S. in 2019* from the Center for LGBTQ Economic and advancement Research: https://lgbtq-economics.org/wp-content/uploads/2021/06/The-Economic-Well-Being-of-LGBT-Adults-in-2019-Final-1.pdf
[viii] *Transgender people twice as likely to be unemployed* published by McKinsey & Company: https://www.mckinsey.com/featured-insights/coronavirus-leading-through-the-crisis/charting-the-path-to-the-next-normal/transgender-people-twice-as-likely-to-be-unemployed
[ix] Infographic on *Facts on LGBT Aging*, published by SAGE: https://www.sageusa.org/wp-content/uploads/2021/03/sage-lgbt-aging-facts-final.pdf