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Retirement Wealth by Race and Ethnicity: Differences, Trends and Contributing Factors

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Retirement Wealth by Race and Ethnicity

Differences, Trends and Contributing Factors

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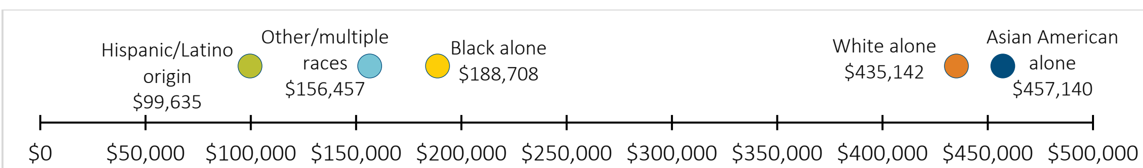
Executive Summary

Retirement savings are unequally distributed by race and ethnicity. Black/African American[1], Hispanic/Latino, and some Asian American households are less likely than white households to be able to cover all of their basic living expenses during retirement, on average. This report includes a thorough review of the literature on the extent of racial disparities in retirement savings and possible causes for and correlates of these disparities, followed by detailed documentation of current differences using the most recent U.S. data. Using recent, nationally representative data, the report then examines racial and ethnic differences in retirement plan access, participation, contributions, liquidity, and risky asset allocation, in addition to racial and ethnic differences in economic risk exposure, to shed light on some of the possible underlying contributors to the observed patterns in racial and ethnic retirement savings gaps. Finally, the report presents a decomposition analysis designed to attribute racial and ethnic differences in retirement savings to an explained portion – related to differences in observable characteristics – and a remaining unexplained portion. The initial evaluation of the extent of racial and ethnic disparities in retirement savings in the U.S. indicates[2]:

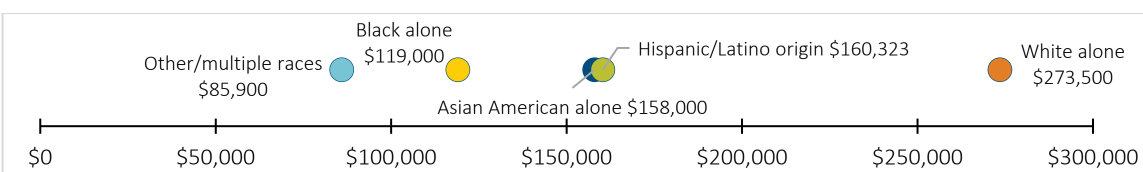
- **Retirement savings are unequally distributed by race and/or ethnicity.** The mean retirement wealth of Hispanic/Latino households was 22.9% of that of white households in 2022 (Figure 1 and Table A–1 in the appendix). Black households had less than half of the average retirement wealth of white households or Asian American households—$188,708 compared to $435,142 or $457,140 (Figure 1 and Table A–1 in the appendix).

2022 MEAN HOUSEHOLD RETIREMENT WEALTH



- **Racial and ethnic retirement savings gaps exist in subpopulations by age, education, income, and whether the respondent has lived in the United States for all their life** (Table 1). For instance, white households with a college degree had a median retirement wealth of $273,500, compared to $158,000 for Asian American households, $160,323 for Hispanic/Latino households, and $119,000 for Black households with a college degree (Table 1).

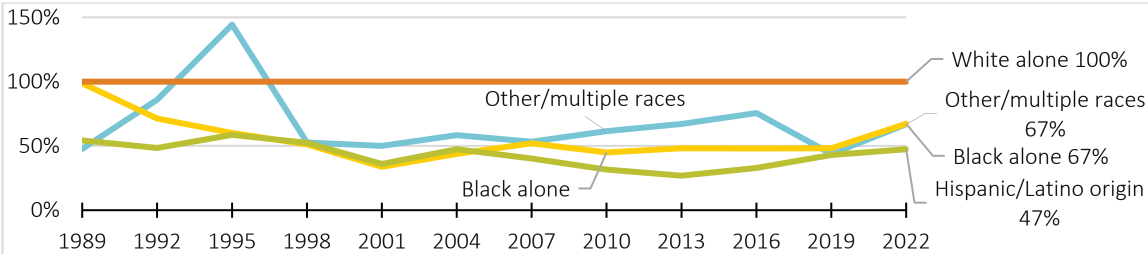
2022 MEDIAN RETIREMENT WEALTH OF HOUSEHOLDS WITH A COLLEGE DEGREE



[1] For brevity, the term "Black" will be used throughout the remainder of this report to refer to Black or African American.
[2] All summary points are based on the data analysis further below. That discussion references the relevant figures and tables.

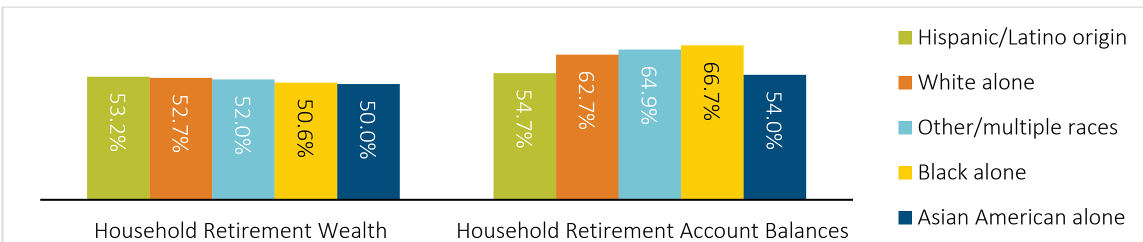
- **Racial and ethnic retirement savings gaps have persisted over time.** Over the past three decades, Black and Hispanic/Latino households, as well as households of other or multiple races or ethnicities, owned on average between one-third and 60% of the retirement wealth of white households (Figure 7). There is no robust indication of those gaps becoming smaller.

MEDIAN HOUSEHOLD RET. WEALTH AS A PERCENTAGE OF MEDIAN WHITE HOUSEHOLD RET. WEALTH



- **Retirement wealth is unequally distributed within each racial/ethnic group.** Those with retirement savings amounts in the top 10% own more than half of all retirement wealth and close to two-thirds of all retirement account balances in 401(k) accounts and IRAs (Figure 8 and Table A–7 in the appendix). Retirement savings are concentrated at the top in all racial/ethnic groups.

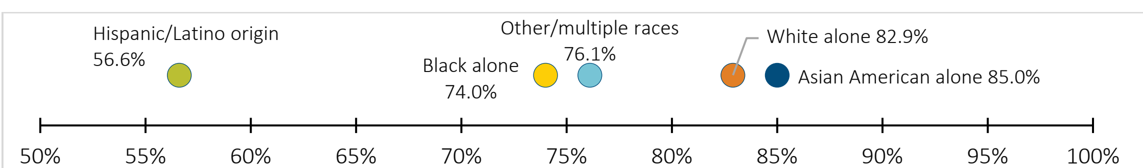
SHARE OF RET. SAVINGS OWNED BY TOP 10% OF RET. SAVINGS OWNERS WITHIN EACH GROUP



Possible explanations for differences in retirement savings by race and ethnicity involve differences in access to and participation in employer-sponsored retirement savings plans, as well as variations in contribution rates to 401(k)-type accounts. Recent data on access, participation and contributions show:

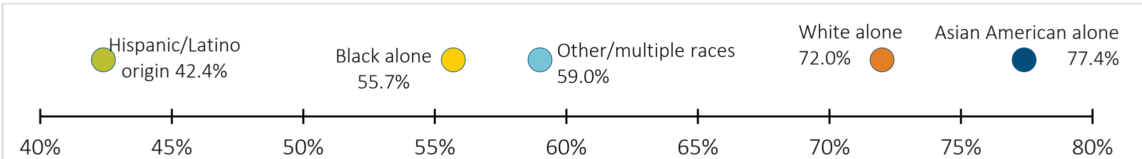
- **Access to retirement plans through an employer varies by race and ethnicity.** Black and Hispanic/Latino households, as well as those of other or multiple races or ethnicities, are less likely to work for an employer that offers a retirement plan than is the case for Asian American and white households. At the high end, 85.0% of Asian American households worked for an employer that offered a plan (Figure 11). At the other end, 56.6% of Hispanic/Latino households did (Figure 11 and Table A–9 in the appendix).

PERCENTAGE OF HOUSEHOLDS WHOSE EMPLOYER OFFERED A RETIREMENT PLAN IN 2022



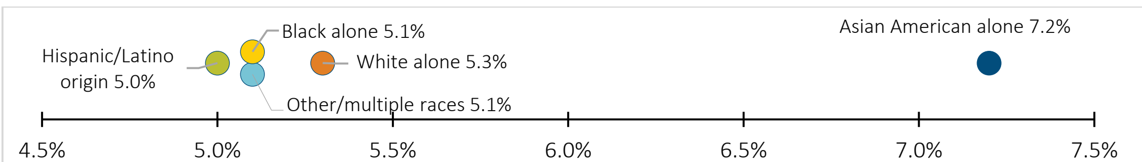
- **Participation varies with differences in access to and take-up of retirement plans.** Hispanic/Latino wage and salary employees, who are 25 years old and older, participate in retirement plans at a rate of 42.4% (a take-up rate of 74.8% after accounting for those who have access), while those of East Asian heritage participate at a rate of 78.2% (a take-up rate of 92.1%) (Figure 11 and Table A–9). These differences in the take-up of employer-offered plans tend to exacerbate the already existing differences in access by race and ethnicity.

PARTICIPATION RATES IN 2022



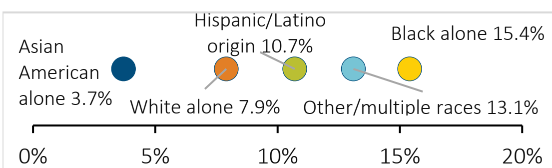
- **Employee contributions vary little by race and ethnicity.** Only Asian American households have median employee contribution rates above about 5%, with 7.2% in 2022. For all other groups, the median contribution rate equaled about 5% (Figure 13 and Table A–12 in the appendix).

MEDIAN EMPLOYEE CONTRIBUTION RATES IN 2022

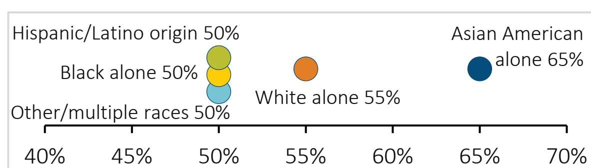


- **Liquidity and risk preferences vary by race and ethnicity.** Among Black households with a 401(k) account, 15.4% had outstanding pension loans, compared to only 3.7% of Asian American households and 7.9% of white households (Figure 14 and Table A–14 in the appendix). The median stock allocation also amounted to 50.0% for Black households, Hispanic/Latino households, and households of other/multiple races, while it was 65.0% for Asian American households and 55.0% for white households (Figure 14 and Table A–14 in the appendix).

PERCENTAGE OF 401(K) HOLDERS WITH 401(K) LOANS IN 2022



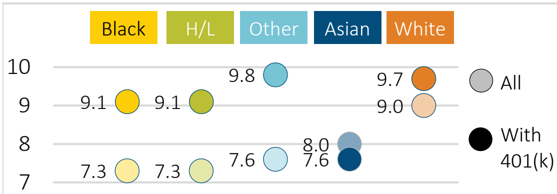
MEDIAN RETIREMENT ACCOUNT EQUITY ALLOCATION IN 2022



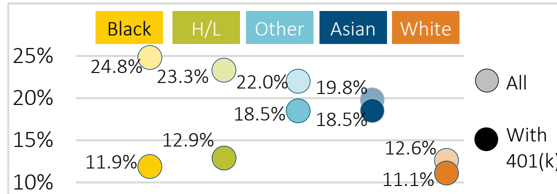
Other potential explanations for racial and ethnic differences in retirement savings involve differential exposure to economic risks, such as perceived labor market discrimination, greater health care expenses not covered by insurance, more responsibility to financially support family members, and greater likelihood of costly interactions with the criminal justice system. The data show that economic risk factors may exacerbate racial and ethnic retirement wealth disparities in the following ways:

- **Job and income stability are stronger among households with a 401(k) plan.** For all racial and ethnic groups, except Asian Americans, having a 401(k) plan is associated with longer job tenure (Figure 15 and Table A–15 in the appendix). Additionally, workers from all racial and ethnic groups experience less likelihood of having an unusually low income when they have a 401(k) plan than when they do not. This is especially true for Black and Hispanic/Latino workers (Figure 16 and Table A–15 in the appendix).

AVERAGE TENURE (YEARS) OF WORKERS IN 2022

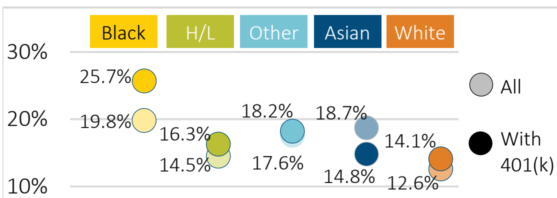


WORKERS WITH UNUSUALLY LOW INCOME IN 2021

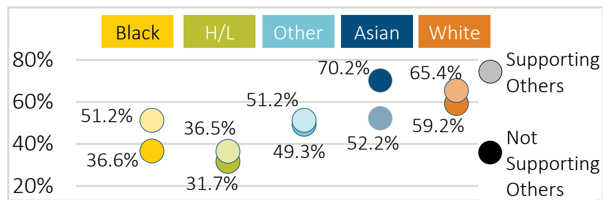


- **Providing financial support to family members may pose an obstacle to saving for retirement for non-white and/or Hispanic/Latino households.** All non-white and/or Hispanic/Latino groups are more likely than white households to provide informal financial support to family and friends (Figure 17 and Table A–16 in the appendix). Further, for all groups other than Asian American households, the share of households providing informal financial support is larger among those who participate in a 401(k) plan at work than for wage and salary employees overall (Figure 18 and Table A–17 in the appendix).

HOUSEHOLDS SUPPORTING OTHERS IN 2022

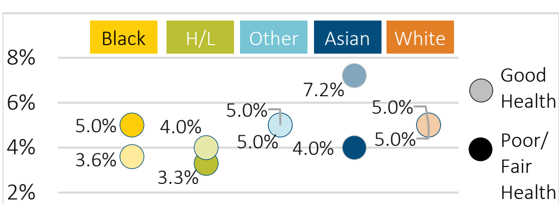


HOUSEHOLDS W/401(K)-TYPE PLANS BY FAMILY SUPPORT

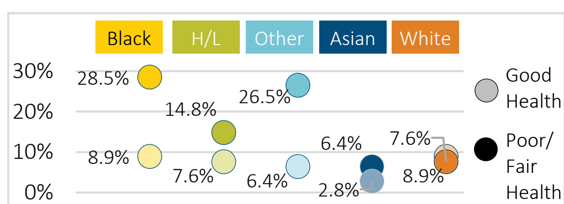


- **Poor health goes along with lower retirement plan participation and, for some groups, lower contributions.** Median employee contributions are lower for Asian American and Hispanic/Latino households when at least one spouse is in poor/fair health compared to when everyone is in good health (Figure 19 and Table A–18 in the appendix). Other than for white households, the chance of a pension loan is at least twice as high for households with somebody in poor/fair health than for households with nobody in poor/fair health (Table A–18 in the appendix). Those with medical debt are between 6% and 22% less likely to have a retirement account, between 50% and 75% less likely to have account balances of $100,000 or larger, and between 150% and 300% more likely to have borrowed or withdrawn money from retirement accounts (Figure 20 and Table A–19 in the appendix).

MEDIAN EMPLOYEE CONTRIBUTION IN 2022 BY HEALTH STATUS

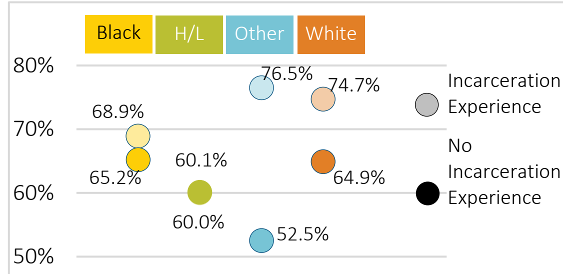


SHARE WITH RET. PLAN LOAN IN 2022 BY HEALTH STATUS



- **The likelihood of having or having had a family member in prison or jail is correlated with lower retirement plan balances and more pension loans** (Figure 21 and Table A–20 in the appendix). White households and households of other or multiple races or ethnicities are less likely to have a retirement plan when they have or had a family member in jail or prison, while Black people are more likely to participate in a retirement plan (Figure 21 and Table A–20 in the appendix).

HOUSEHOLDS WITH A RETIREMENT PLAN IN 2019 BY INCARCERATION EXPERIENCE



Retirement plan participation is lower when facing perceived discrimination for all racial/ethnic groups except Black workers. The likelihood of having retirement savings is higher for Black people when facing perceived discrimination than when not facing perceived discrimination (Figure 22 and Table A–21 in the appendix). Finally, a statistical decomposition analysis of racial and ethnic differences in total retirement wealth—DB pension wealth plus retirement account balances—indicates:

- **There are significant unexplained differences for the comparison between Black and Latino/Hispanic households, on the one hand, and white households, on the other hand (Table 4).**

- **Income matters to a large degree.** Higher incomes and a stronger relationship between income and retirement savings would bump up the retirement wealth for all racial groups relative to white households. For instance, if Black households had similar incomes and similar relationships between income and retirement wealth, their difference in retirement wealth relative to white households would shrink by 27.7% (Table 4).

- **Retirement plan access plays a key role for racial and ethnic differences in retirement wealth.** Retirement plan-related differences, especially access to employer-based DB pensions and DC plans, and their relationship to building wealth, are the single most consistent and largest factor in explaining retirement wealth differences (Table 4).

- **Risks matter, but not consistently and not to a very large degree.** Each racial and ethnic population faces varying risks that can impede saving for retirement. These risks, where there are differences by race and ethnicity, matter to similar degrees as the varying impact of contributions to retirement accounts (Table 4).

Taken together, the analysis suggests that racial and ethnic retirement wealth disparities are highly correlated with several clearly identifiable factors. They correlate with differential access to and participation in employer-sponsored retirement savings plans. Variations in the relationship between retirement account contributions and retirement wealth show a much smaller correlation. Finally, economic risk factors are more widespread and come with higher costs for many non-white and/or Hispanic/Latino households, thus impeding retirement savings.

Section 1: Literature Review

The literature so far shows a significant retirement wealth gap by race and ethnicity. Black, Hispanic/Latino, and some Asian American households are much less likely than white households to be able to cover all of their basic living expenses during retirement, on average. Many people of color are ill prepared for retirement due to barriers to saving for their future, not due to personal failings. Public policy in the United States has long emphasized the importance of personal wealth in securing people's financial futures; however, most of the assistance in building wealth goes to those who least need that assistance. Retirement savings, particularly their distribution by race and ethnicity, are a key example of this dissonance.

Black and Latino/Hispanic households, in particular, face more retirement insecurity than is the case for white people, but taxpayer-funded savings incentives are skewed towards richer and wealthier white households who are more likely to:

- work in jobs that provide retirement benefits;
- have higher earnings and, thus, can better take advantage of existing tax incentives to save for retirement;
- work in more stable jobs that make it easier to qualify for retirement benefits; and
- face fewer risks—in housing, health care, food security, caregiving, informal financial support, among many others—during their careers, which make it easier to plan and save for the future.

Lower earnings, less access to retirement savings at work, lower benefits from existing savings incentives (due to lower pay), and greater economic risk exposures for people of color, who have a history in the U.S. of lower earnings and less access to work-related retirement savings vehicles, continue to be more likely to experience lower earnings, less access to retirement savings at work, lower benefits from existing savings incentives (for instance, due to lower pay), and greater economic risk exposures. The effects of these disparities accumulate over time and contribute to a persistently large racial and ethnic retirement savings gap. In the end, relatively speaking, many more Black, Hispanic/Latino and other retirees of color experience poverty and financial hardship in retirement than is the case for white retirees.

In what follows, this report details the literature on racial and ethnic disparities in retirement savings and possible causes for and correlates of these disparities. Correlates include racial and ethnic differences in intergenerational wealth accumulation; racial and ethnic differences in access to secure jobs with retirement savings benefits; racial and ethnic differences in earnings; and racial and ethnic differences in retirement savings cost and risks, such as job stability, housing cost, health risks, caregiver risks, and incarceration risks. These differential costs and risks contribute to the racial and ethnic differences in retirement savings.

1.1 POVERTY AND FINANCIAL INSECURITY IN OLD AGE AND RACIAL AND ETHNIC RETIREMENT WEALTH INEQUALITY

Saving for retirement sounds like a lofty goal, but few people move from a full-time job to that cabin on a lake, playing with their grandchildren in the setting sun. In reality, people need to save substantial amounts to supplement Social Security and pay for their health care, long-term care, and their daily living expenses when they can no longer work full time. Social Security provides a near-universal basic benefit, but many older adults, especially Black and Hispanic/Latino people and many people of other and multiple races and ethnicities, still struggle to meet the expenses they incur that are above those basic benefits because they have substantially fewer retirement savings, even after accounting for aspects such as education and income, than is the case for white households.

1.1.1 POVERTY AND FINANCIAL INSECURITY IN OLD AGE MORE WIDESPREAD AMONG PEOPLE OF COLOR THAN WHITE HOUSEHOLDS

Ideally, retirement would be an enjoyable time in life after many years of working for pay and/or caring for others, but the reality for some older adults is living in poverty. Poverty rates generally tend to be lower for people aged 65 or older than for younger adults. For example, the poverty rate in 2020 for those 65 years old and older was 8.9%, which is lower than the 10.5% rate for people 18 to 64 years old (Creamer et al., 2022). The promise of a financially secure old age is far from reality for many older Americans.

The poverty rate among older adults varies by race and ethnicity. Older non-Hispanic/Latino white adults had a poverty rate of 8.0% in 2021, while older adult poverty rates were 17.8% for Black people, 18.7% for Hispanic/Latino people, and 13.3% for Asian Americans (Creamer et al., 2022). Higher poverty rates in old age for people of color suggest a higher level of financial insecurity in old age than among white households. However, older adults can still struggle with financial insecurity, even if their income is above the national poverty level.

Another way of analyzing financial insecurity in old age is by considering whether somebody has enough income to cover the basic costs of living in the particular area where they live. According to this measure, households of color once again fare worse than white households in retirement. For instance, one analysis found that, while 50% of white households were at risk of not being able to afford basic living expenses in their area, this percentage rose to 61% for Asian American households, 66% for Black households, and 74% for Hispanic/Latino households (Mutchler et al, 2017). Since this measure only examines the basic costs of living like housing, food, health care, and transportation, it may be difficult for people to cut back on expenses when their retirement income falls short without serious sacrifices to their quality of life.

Even if somebody can afford to pay for their basic expenses, they may face material hardships later in life if their retirement income represents a significant drop from what they were earning pre-retirement. Therefore, it is common for researchers to consider the "replacement rate" of retirement income when examining financial security in retirement years. Replacement rate is calculated by dividing the sum of all retirement income—from sources like Social Security, defined benefit and defined contribution pensions, and other savings—by somebody's pre-retirement income (Ameriks & Utkus, 2006; Bernheim, 1997; Ellis, et al., 2014; Engen, et al., 1999; Gale, et al., 2009; Gustman & Steinmeier, 1999; Haveman et al., 2007; Moore & Mitchell, 2000; Munnell et al., 2006; Palmer, 2002; Rhee, 2013; Rhee & Bovie, 2015; Scholz et al., 2006). Less income tends to be needed in retirement than during working years, for instance, since people don't have expenses associated with going to work or saving for retirement. Retired adults also receive tax breaks that aren't available to working adults. Yet, too large a drop in income can lead to financial hardship and challenges maintaining quality of life post-retirement. Although individual financial needs vary, generally retirement income is considered sufficient if it replaces between 70 and 85% of somebody's income from their working years.

Examining replacement rates again suggests that financial insecurity is more widespread for households of color than for white households. Using 75% as a target replacement rate, Edward Wolff (2015) found that households of color were more likely to fall short of that goal than white households. An earlier study similarly found that Hispanic/Latino and Black households had lower replacement rates after retirement than white households (Butrica et al., 2012). The National Retirement Risk Index (NRRI), which examines financial security in retirement, sets different target replacement rates for different types of households. Developed by researchers at the Center for Retirement Research at Boston College, this measure considers a household at risk of not being able to "maintain its pre-retirement standard of living in retirement" if retirement income falls more than 10% below their target replacement rate (Munnell et al., 2018). According to an analysis using the NRRI, researchers found that 61% of Hispanic/Latino households and 54% of Black households risked needing to make challenging cuts in spending in retirement due to a large drop in income, while that was only the case for 48% of white households (ibid). Instead of having the financial security to enjoy their retirement years, many older adults—particularly people of color—experience painful spending cuts and associated declines in quality of life after retirement.

1.1.2 RACIAL AND ETHNIC WEALTH INEQUALITY PERSISTS OVER THE LIFESPAN AND INTERGENERATIONALLY

Higher levels of financial insecurity for older adults in households of color follow, in part, from racial and ethnic wealth differences. For instance, in 2022 Black households', median wealth (excluding defined benefit pension wealth) was $44,900, which was about 15% of the median wealth for white households, which was $285,000 (Alandagady et al., 2023). This wealth gap is not entirely explained by differences in education, income, or marital status and the gap appears to be cumulative over the lifespan as it tends to be higher for older age groups (ibid, Bhutta et al., 2020). Hispanic/Latino households similarly have much lower median wealth than white households, with median wealth of $20,765 among non-retirees in 2016, which was 14.6% the wealth of non-retired white households in the same year (Soloman & Weller, 2018). While assets and debts both play a part in overall wealth, it appears that large differences in assets are the driving force behind wealth gaps between white households, compared to Black and Hispanic/Latino households (Hanks et al., 2018; Soloman & Weller, 2018; Thompson & Suarez, 2015).

While median wealth is similar for Asian American and white households, wealth inequality is more severe for Asian Americans (Weller & Thompson, 2018). A 2016 study, based on survey data from Los Angeles, CA, found large wealth gaps between different Asian American communities, for instance, with a median net worth of $592,000 for Japanese and $460,000 for Asian Indian, while only $23,400 for Korean, and $61,500 for Vietnamese (De La Cruz-Viesca et al., 2016). Examining median or average wealth obscures the economic challenges for lower income Asian Americans. Between 2010 and 2016, for instance, median wealth was $14,919 for Asian American households at the bottom half of the income distribution, less than half the median wealth of $33,932 for white households in the bottom half of the income distribution (Weller & Thompson, 2018). These gaps in wealth between white households and Black, Hispanic/Latino, and some Asian American households contribute to increased levels of economic insecurity among people of color in old age.

Wealth inequality by race and ethnicity is passed on from generation to generation. Along with the indirect advantages of being raised in a wealthier household, wealth is directly transferred via inheritance and gifts, which contributes to the racial and ethnic wealth gap (Feiveson & Sabelhaus, 2018; McKernan et al., 2014; Thompson & Suarez, 2017). People of color are much less likely to receive inheritances and, when they do, it tends to be for less money. Using Survey of Consumer Finance data from 2013 and 2016, Jeffery Thompson and Gustavo Suarez (2017) examined inheritance among families headed by somebody aged 30–59. They find that 22.7% of white households received an inheritance averaging $246,136, compared to a much lower 9.1% of Black households and 5.2% of Hispanic/Latino households who received inheritances averaging $106,601 and $196,234, respectively (Thompson & Suarez, 2017). Racial and ethnic gaps in inheritance values, among those who received inheritances, were also observed when considering median values, at $56,217 for white households, $38,224 for Black households, and $37,124 for Hispanic/Latino households (ibid). Racial and ethnic wealth inequality persists from generation to generation and throughout people's working years and carries forward into retirement.

1.1.3 PEOPLE OF COLOR ARE LESS LIKELY TO HAVE RETIREMENT SAVINGS PLANS AND TEND TO HAVE SMALLER ACCOUNT BALANCES THAN WHITE HOUSEHOLDS

Disparities in financial security by race or ethnicity are also evident when examining retirement savings. Retirement savings are lower for many Black and Hispanic/Latino households, compared to white households (Hanks et al., 2018; Solomon & Weller, 2018). For instance, median retirement balances in defined contribution (DC) plans—like 401(k)s and IRAs—were only $23,000 for Black households in 2016, while they were $67,000 for white households (Hanks et al., 2018). Not only do white households have more savings in such retirement accounts than Black households, but they were more likely to have any DC retirement savings accounts at all. In 2016, 65.9% of white households had retirement savings account(s), while only 37.5% of Black households had any (ibid). A similar

Hispanic/Latino-white retirement savings gap also exists. From 2010 to 2016, only 29.3% of Hispanic/Latino individuals had a 401(k) or IRA plan, with median account balances of $20,622 (Solomon & Weller, 2018). Yet, 64.1% of white individuals had such account(s) in the same time period, with much higher median account balances of $64,960 (ibid). Asian American and white households had similar median retirement savings and shares of people with retirement accounts in the same 2010 to 2016 period (Weller & Thompson, 2018). However, Asian households in the bottom half of the income distribution had lower median DC account balances, at $15,349, compared to white households in the same category, at $19,976 (ibid). While the level of inequality varies by racial or ethnic group, generally households of color are less likely to have DC retirement accounts and have less savings in them than white households.

Inequality by race or ethnicity can also be observed when considering defined benefit (DB) pension plans from current or former employers, which offer monthly income during retirement and protect against the risk of outliving one's savings. Notably, while outcomes were similar between Asian American and white households when examining DC plans, Asian Americans are much less likely to have DB pension benefits (Weller & Thompson, 2018). From 2010 to 2016, only 17.4% of Asian American households had DB pension(s), while 34.9% of white households had DB plan coverage (ibid). This gap was even greater when examining the bottom half of the income distribution, with DB pension coverage at 10.4% and 27.0% for Asian American and white households, respectively (ibid). It does not appear that these differences in DB pension coverage are offset by Asian Americans having more retirement savings in DC accounts, like 401(k)s and IRAs, as noted above.

For Black and Hispanic/Latino households, inequality in DC retirement savings is compounded by additional inequality in DB pension coverage and the value of such retirement accounts. For example, while 34.4% of white households were entitled to DB pension plan benefits in 2019, only 26.7% of Black households and 16.4% of Hispanic/Latino households had DB pension coverage (Francis and Weller, 2021). While DB pension benefits are typically received by retirees in the form of monthly payments, imputed wealth from these retirement plans can be calculated by estimating the current value of future expected benefits. Black and Hispanic/Latino households' average imputed wealth from DB pensions also lags behind that of white households. In 2019, white households had an average of $516,389 in DB pension wealth, compared to $442,640 for Black households and $365,668 for Hispanic/Latino households (Francis and Weller, 2021; Sabelhaus & Henriques Volz, 2019). These differences in DB pension coverage and wealth go along with additional disparities in DC retirement savings, further disadvantaging Black and Hispanic/Latino households in retirement.

Having sufficient retirement wealth in DC and/or DB plans helps older adults maintain their quality of living after retirement, pay for their basic expenses, and avoid poverty. However, people of color are less likely than white households to have any such retirement accounts and, when they do, the balances (or imputed values) tend to be lower. This contributes to inequality in retirement outcomes by race or ethnicity.

1.1.4 WEALTH DIFFERENCES BY FOREIGN-BORN STATUS AMONG RACIAL AND ETHNIC POPULATION GROUPS

Research on the economic differences between foreign-born people living in the U.S. and people native to the country tends to focus on income, poverty, or other non-wealth indicators of economic well-being. There is also some evidence that people who moved to the U.S. from other countries tend to have lower levels of wealth (Cobb-Clark and Hildebrand, 2006; Favreault and Nichols, 2011; Love and Schmidt, 2019; Sevak and Schmidt, 2014), as well as lower levels of private pension coverage (Heim, Lurie, and Ramnath, 2012; Sevak and Schmidt, 2014), compared to native-born people. A Social Security Administration study, using data from 1998–2012 and focusing on older married adults, found that U.S.-born people ages 65–84[3] had substantially more median wealth than immigrants

[3] People included in the study were separated into two age groups (65–74 and 75–84), with results listed separately for each group.

(Love and Schmidt, 2019).[4] This native/foreign-born wealth gap was even more pronounced among lower wealth older adults[5] (ibid). However, the wealth gap shrunk when examining nonfinancial wealth like housing, with foreign-born people tending to have a larger share of their wealth in housing than native-born people (ibid).

The relationship between wealth and foreign-born status is far from homogeneous. While research on race or ethnicity, immigration, and wealth is sparse, there is some evidence that white immigrants tend to have more wealth than other immigrants. For example, Matthew Painter and Zhenchao Quian (2016) found that Asian American, Hispanic/Latino, and Black immigrants who obtained Legal Permanent Resident status in 2003 had less average wealth than white immigrants, even after controlling for factors like educational attainment and speaking English as a native language. However, Asian American immigrant wealth was more similar to that of white immigrants, followed by Hispanic/Latino and then Black immigrant wealth (ibid).

While Black immigrants may fare worse in terms of wealth than other immigrant groups, they may have more average wealth than Black Americans born in the U.S—although more research is needed on this topic. One study found that, in 2019, Black immigrant households had higher median income and lower poverty rates than U.S.-born Black Americans,[6] but similar homeownership rates (Tamir and Anderson, 2022). Higher incomes and lower poverty rates for Black immigrants could make it easier for them to build wealth, compared to their U.S.-born counterparts. Another study examining wealth in Los Angeles found stark differences in net worth between U.S.-born Black residents and Black recent immigrants from Africa, with median household net worths of $4,000 and $72,000, respectively (De La Cruz-Viesca et al., 2016). Although this study was not nationally representative, it suggests that foreign-born status is an important factor to consider when examining wealth inequality by race or ethnicity.

The relationship between wealth, race or ethnicity, and immigration status may vary considerably when considering country of origin, as well as how long somebody has lived in the U.S. (Cobb-Clark and Hillbrand, 2006; Hao, 2004; Keister et al., 2016). For instance, researchers examining data between 1996–2004 found that immigrants from Hong Kong or Taiwan had a median net worth[7] more than twice as high as immigrants from China and people of Asian descent born in the U.S. (Keister et al., 2016). This same study found that immigrants from Cuba had a much higher median income than immigrants from Mexico, with Hispanic/Latino people born in the U.S. falling somewhere in between (ibid). This study also found a strong positive association between tenure in the U.S. and net worth in a model that included controlled for race/national origin, age, education, and income (ibid).

1.2 SAVINGS OBSTACLES FOR PEOPLE OF COLOR

Financial insecurity in old age reflects the cumulative effects of financial insecurity over people's lives before reaching retirement age. A lack of access to jobs that provide retirement benefits, as well as lower earnings and less access to tax-based retirement savings incentives, contribute to this financial insecurity for people of color. Furthermore, economic risks—like unstable employment, unemployment, or illness during one's prime working years—undermine people of color's ability to save for retirement. During their working years, people of color encounter more financial insecurity and more discrimination, for instance, in labor markets (Bertrand & Mullainathan, 2004; Dias, 2023; Lang & Lehman, 2012; Wilson & Darity, 2022) and financial markets, especially in mortgage lending (Ladd, 1998; Quillian et al., 2020; Yinger, 1996) and the auto loan market (Lanning, 2023). The

[4] Notably, this study also found that immigrants decumulated wealth in retirement more slowly than people born in the U.S. (ibid).
[5] Specifically, this study found that the native/foreign-born wealth gap was larger for those at the 25th percentile of the wealth distribution.
[6] However, the median age of the Black immigrant population included in this study was 43, compared to a median age of 30 for the U.S.-born black population (ibid), which may have impacted results.
[7] This study only reported net worth for those with a net worth higher than zero. Groups with a higher net worth also tended to have a higher percentage of people with a net worth greater than zero.

result is substantial racial and ethnic differences in retirement savings and, thus, greater financial vulnerability in old age.

Racial and ethnic gaps in retirement wealth reflect differences in access to employer-provided retirement benefits, as well as in earnings and economic risk exposure, as discussed further below. Importantly, those differences in how much money people have saved for retirement are not the result of people of color saving—contributing—less than white workers, when they have the chance and means to do so.

1.2.1 HOUSEHOLDS OF COLOR HAVE LESS ACCESS TO RETIREMENT SAVINGS THROUGH THEIR EMPLOYERS

Households of color have a reduced amount of retirement savings, in part, because they are less likely to work for employers that offer retirement benefits. John Sabelhaus (2022), for example, estimated that, for the years 2018 through 2020, 63.4% of white employees had access to a retirement plan, either a DC account or DB pension, at work. Yet, he estimates that, in those same years, 36.4% of Hispanic/Latino workers, 46.8% of Black workers, and 54.8% of Asian American workers had access to a DC or DB employment-based retirement plan (ibid). Similar gaps in retirement plan access by race or ethnicity have also been observed by other researchers over the years (Butrica and Johnson, 2010; Copeland, 2014; Harvey, 2017; Pew Charitable Trusts, 2016; Rhee, 2013; Smith, 2015; Tamborini and Kim, 2020). For instance, Catherine Harvey (2017) found that, in 2014, while 57% of white private-sector employees worked for employers that offered retirement plans, such employment-based plans were only available to 34% of Hispanic/Latino workers, 50% of Black workers, and 48% of Asian American workers. Many people of color do not have the same opportunities to build retirement savings with the help of their employers as white workers do.

1.2.2 HOUSEHOLDS OF COLOR HAVE LOWER EARNINGS, FEWER TAX INCENTIVES, AND LOWER PARTICIPATION IN AND CONTRIBUTIONS TO RETIREMENT PLANS

Even when people of color have access to retirement plans through their employer, they do not necessarily have the same opportunities to save through such plans. Many households of color have lower earnings and, thus, less retirement-related tax incentives to save. This suppresses participation in employment-based retirement savings plans, when such plans are offered, and lowers contributions.

Lower Earnings

It is important to note that many households of color, particularly Black and Hispanic/Latino households, have lower earnings than is the case for white households. In 2021, the median income for white households was $77,999, while it was $48,297 for Black households and $57,981 for Hispanic/Latino households (U.S. Census Bureau, 2021b). Examining data from 1978 to 2019, Valerie Wilson and William Darity Jr. (2022) found that the persistent Black-white wage gap was partially, but not entirely, explained by differences in education, experience, and location. These researchers concluded that labor market discrimination and racial and ethnic differences in bargaining power were likely also key contributors to this wage gap (ibid). Marie T. Mora and Alberto Dávila (2018) similarly found a persistent wage gap between Hispanic/Latino workers and non-Hispanic/Latino white men between 1979 and 2017. For Hispanic/Latino men, this gap shrunk significantly when controlling for factors like education, experience, immigrant status, and region while, for Hispanic/Latina women, the gap remained large even after controlling for these factors—potentially suggesting ethnic and gender discrimination suppressing wages (ibid).

Asian American households tend to have a higher median income than white households, with the median household income estimated to be $101,418 in 2021 (U.S. Census Bureau, 2021b). Disaggregating income among Asian Americans shows that people in certain Asian American groups fare better than others, for instance, Asian Indian and Taiwanese households had median household incomes in 2020 of $125,319 and $107,696, respectively, while Bhutanese, Thai, Nepalese, Bangladeshi, Mongolian, and Burmese households all had median household incomes less than $65,000 that year (AAPI Data, 2022). Median income for Asian American households overall may be driven up by highly paid immigrants on high-skilled employment visas, leading people to overlook the challenges faced by Asian American groups that tend to have less educational attainment and English proficiency (ibid). Disaggregating educational data, indeed, shows that educational attainment—a key determinant of income—is much higher for some groups of Asian Americans, such as Asian Indians and Koreans, than for others, such as Laotians and Hmong (AAPI Data, 2022; Budiman & Ruiz, 2021; Lee & Zhou, 2015).

High levels of income inequality among Asian Americans further suggests that this higher median income does not reflect the economic reality for many Asian American households. In a report for Pew Research Center, Kochhar and Cilluffo (2018) found that income inequality among Asian Americans rose drastically from 1970 to 2016. Scholars examining Asian American and Pacific Islander (AAPI) workers similarly have found high and growing earnings inequality for this group (Rho, 2019; Rho et al., 2011). In 2016, income for Asian Americans at the 90th percentile of their income distribution was more than 10.7 times higher than that of those at the bottom tenth, a measure of inequality known as the "90/10 ratio" (Kochhar & Cilluffo, 2018). This was a higher 90/10 ratio than for Black, Hispanic, and white workers in 2016, which were 9.8, 7.8, and 7.8 times higher, respectively (ibid). This analysis shows high levels of income inequality among Asian American households, as well as Black households.

Fewer Tax Incentives

Lower-income earners have both less money available for retirement savings and are less likely to benefit from retirement savings incentives than is the case for higher-income earners. Under the current system of retirement savings incentives, retirement savings can carry substantial tax benefits to encourage people to save money outside of Social Security (Kawachi et al., 2005; Poterba et al., 1996). But those tax advantages heavily favor higher-income earners over lower-income ones (Weller & Ghilarducci, 2015). Currently, the tax code subsidizes retirement savings by allowing people to exclude or deduct retirement plan contributions up to pre-specified contribution limits from their taxable income and by excluding earnings in retirement plans from their taxable income (TIAA, 2023).

Tax deductions and exclusions are generally worth more to higher-income earners than to lower-income ones. At the same time, many low-income earners see no or few benefits (Weller & Ghilarducci, 2015). Yet, lower-income earners are exactly the households that need the extra assistance. Black and Hispanic/Latino workers are often stuck in lower-paid occupations and industries due to discrimination, occupational segregation and segmented labor markets (Weller, 2019), which translates into fewer tax benefits than is the case for white workers (Huang & Taylor, 2019).

In the end, Black and Latino/Hispanic households receive fewer tax benefits for their retirement savings. This racial/ethnic difference emerges due to lower earnings, but also due to greater income and job instability. These factors mean that Black and Latino/Hispanic households withdraw money from their retirement savings accounts more often, slowing the accumulation of their savings over time. As a result, Black households receive 31 cents in tax benefits for every dollar that white households get (Choukhmane et al., 2023).

Black and Hispanic/Latina women, as well as many other women of color, are ultimately the least likely to receive help from the tax code for their retirement savings. They are most likely to work in low-wage, unstable jobs and, thus, earn too little to benefit from the existing savings incentives (Frye, Bleiweis, & Khattar, 2021). They work in these jobs because of intersecting biases such as racial and gender discrimination in labor markets, for instance, as well as added caregiving burdens and the resulting wage penalties (Brady, Zhavoronkova, & Khattar, 2022; Huang & Taylor, 2019).

Lower Participation and Contributions

Saving for retirement in an employer-sponsored plan requires not only having access to such a plan, but also participating in that plan and contributing money into it. Along with being less likely to work for an employer who offers a retirement plan, people of color are less likely to participate in employment-sponsored retirement plans when offered (Butrica and Johnson, 2010; Copeland, 2014; Smith, 2014; Tamborini and Kim, 2020). For example, looking at private sector workers in 2013, Copeland (2014) found that 81.2% of white workers participated in employer-sponsored retirement plans, when offered them, while only 75% of Black workers and 73.9% of Hispanic/Latino workers participated. Participation rates were similar for white workers and Asian American or Pacific Islander workers (Rhee, 2013).

Participation in a retirement plan alone is not enough to build sufficient retirement wealth to achieve financial security in old age. The value of these savings in DC retirement accounts also depends on contributions during working years. Black and Hispanic/Latino workers contribute a lower percentage of their incomes to DC retirement accounts than white and Asian American workers (Tamborini and Kim, 2020; Yoong et al., 2019). For instance, using weighted 2006 and 2012 SIPP data, Christopher Tamborini and Changhwan Kim (2020) found that the median DC plan contribution rate was 5.3% of income for white workers and 5.6% of income for Asian American workers, while it was only 3.6% for Black workers and 4.0% for Hispanic/Latino workers.

Some households of color, particularly Black and Hispanic/Latino, have less access to, lower participation in, and lower contributions to retirement savings accounts. Setting aside money for retirement, for instance via an employer-sponsored plan, is more difficult for workers with lower earnings and less wealth. Higher income workers are more likely to enroll in DC retirement plans when their employer offers them (Pew Charitable Trusts, 2017).

The literature shows that large and persistent gaps in wealth by race and ethnicity are not the result of personal failings on the part of Black and Latino/Hispanic households (Chelwa et al., 2022). While savings rates often seem higher among white households than Black and Latino/Hispanic households, researchers have found that accounting for income and inheritance differences largely eliminates this racial and ethnic savings disparity (Dal Borgo, 2019; Gittleman & Wolff, 2004). Data from the Federal Reserve's Survey of Consumer Finances (SCF) further underscores this point. The SCF asks people about their saving behavior. Possible answers include three options to indicate saving—save one spouse's income, save irregular income such as bonuses, and save regular amounts. Among non-retiree households with respondents without a college degree in 2022, 61.7% of Asian American households, 51.6% of Black households, 48.0% of Latino/Hispanic households, 48.5% of those of other or multiple races and ethnicities, and 47.8% of white households were regular or irregular savers. Similarly, among non-retiree households with incomes below the median in 2022, 48.5% of Black households saved regular or irregular amounts, while this was the case for 38.0% of white households and 44.6% of Latino/Hispanic households. Survey data do not show systematic differences in saving behavior by race or ethnicity.

This applies to retirement saving contributions as well. For example, Francis and Weller (2022) found that Black households contributed more to their retirement accounts when they faced financial risks in the form of unexpected demands to provide informal financial support to family members than was the case for white households.

Importantly, the evidence also suggests that raw saving differences, attributable to differences in income, for example, play only a small part in the difference in the accumulation of wealth by race. Ellora Derenoncourt and her co-authors (2022) used simulations to show the persistence of the wealth gap between Black and white Americans based on historical data. They concluded that the wealth gap in 1870, five years after emancipation, was so large that even if Black households had the same saving rates and capital gains as white Americans from that point forward to 2020, white Americans would still have had three times the wealth as Black Americans (Derenoncourt et al., 2022). Importantly, Black households have often experienced slower growth of their assets than was the case for white households due to outright structural discrimination such as redlining (Faber, 2020; Munnell et al., 1996) but also due to higher liquidity preferences in the face of more widespread economic risks.

The literature shows that persistent gaps in overall wealth and particular forms of wealth, such as retirement savings accounts, follow from structural obstacles that translate into slower growth of assets, such as greater income volatility, rather than differences in individual behavior.

The evidence further suggests that efforts to increase saving rates among Black and Latino/Hispanic households by improving financial literacy will have very limited effects. For one, Black and Latino/Hispanic households already save as much as white households under similar circumstances. This indicates that there are no behavioral differences by race or ethnicity. Furthermore, efforts to increase retirement savings by boosting financial literacy through financial education are unlikely to change personal behaviors (Hastings et al, 2013). On the contrary, surveys indicate that Black and Latino/Hispanic households typically have lower levels of financial literacy, but then exhibit similar saving behavior as white households. Also, the gaps in financial literacy by race and ethnicity tend to follow from socioeconomic barriers (Angrisani et al., 2020; Darity and Hamilton, 2017). That is, even if there was a strong link between financial literacy and saving behavior, Black and Latino/Hispanic households would still encounter large barriers to building wealth at the same rate as white households. In the end, financial education to boost financial literacy to increase personal saving will have very limited or no effect as those efforts do not remove the barriers to saving among Black and Latino/Hispanic households.

Importantly, households of color tend to experience greater exposure to economic risks, which is likely a major barrier to saving and to achieving financial security in retirement. Even when people of color have access to retirement plans, they often do not actually have the same opportunity to save via these plans due to lower wealth and income and, thus, greater financial instability.

1.2.3 PEOPLE OF COLOR FACE GREATER RISKS AND COSTS TO SAVING FOR RETIREMENT

People of color face substantially more economic risks in every aspect of their lives than white people do. These risks include less-stable jobs, for example, and higher costs for key things such as housing, food and health care during their careers than is the case for white households (Francis & Weller, 2021). People of color also face greater economic risks associated with incarceration or other interactions with the criminal justice system (Weller et al., 2022). Greater risk exposure for people of color reflects racial and ethnic biases and makes it more difficult for them to save for their own future. Higher costs leave less money available for savings.

Less Stable Jobs

People of color face a greater risk of working in less stable jobs, which means more income volatility and less time with one employer. Greater employment instability is experienced by Black and Hispanic/Latino workers, compared to white workers (Solomon & Weller, 2018; Weller, 2019). Irregular work schedules, periods of unemployment, and earnings fluctuations from working for tips, bonuses, and commissions all contribute to earnings volatility (Board of Governors, 2014).

Earnings volatility increases people's short-term economic concerns and suppresses contributions to longer-term savings, like retirement plans (Ghilarducci et al, 2018). More precautionary savings are needed by workers with greater earnings volatility to maintain their standard of living during periods of lower earnings or "unexpected income shocks" (Cagetti, 2003; Carroll & Samwick, 1998; Gourinchas & Parker, 2001; Guiso et al., 1992, 1996; Hochguertel, 2003). For people experiencing earnings and income volatility, the need for greater precautionary savings diverts money away from retirement savings. Therefore, employment instability among Black and Hispanic/Latino households likely suppresses contributions to retirement plans.

Less stable jobs means more job changes, which makes it harder for people to qualify for an employer's retirement plan, since those plans often require some minimum time of employment with a specific employer (Pew Charitable Trusts, 2017). More frequent job changes also translate into a higher chance that people take money out of their retirement accounts before retirement (Joint Committee on Taxation, 2021), possibly to cover the costs associated with switching jobs, such as moving to a new place. More frequent job changes also means smaller retirement account balances, when people have such accounts, and those smaller balances make it more likely that employers force people to cash out their savings when they leave employment (Joint Committee on Taxation, 2021).

Higher Costs for Housing[8]

For many people, buying a house and building home equity is an important form of savings for retirement, often representing their biggest financial investment. This is particularly true for households that lack substantial savings in other forms, like retirement accounts, as is the case for many households of color (Hanks et al., 2018; Solomon & Weller, 2018). Like DB pensions, homeownership also offers some protection against longevity risk, or the chance of outliving one's savings (Poterba et al., 2011). Owning a home can also significantly lower monthly expenses in retirement, compared to renting, in cases where the home is paid off and the homeowner no longer has to pay a mortgage (Mutchler et al., 2015). Yet, home ownership, as well as the risks, costs, and benefits associated with homeownership are not equally distributed by race or ethnicity.

People of color are much less likely to own their own homes than white households. In 2020, 74.5% of white households were homeowners, compared to 44.1% of Black households, 49.1% of Hispanic/Latino households, and 59.5% of Asian American, Native Hawaiian, and Pacific Islander households (U.S. Census Bureau, 2021a). Along with the short-term benefits of having a stable place to live, home ownership provides people with savings in the form of home equity. For people of color who do purchase a home, discrimination in mortgage markets can lead to higher interest rates and fees on their mortgages (Quillian et al., 2020), creating another barrier to homeownership and making it harder to build home equity.

Home equity tends to be lower for Black and Hispanic/Latino homeowners (Hanks et al., 2018; Solomon & Weller, 2018). Home values in neighborhoods with high concentrations of racial and ethnic minorities may be depressed by under-resourced schools, lower quality jobs, and underinvestment in key infrastructure, like transportation (Johnson, 2019), as well as higher levels of pollution (Chay and Greenstone, 1998; Taylor, 2014). These neighborhoods are more likely to have been excluded from active investment in the past due to the practice of redlining, leading to long-run negative outcomes for its inhabitants (Aaronson et al., 2021). Moreover, the housing markets in these neighborhoods experienced slower recoveries following the Great Recession's housing crisis (Immergluck et al., 2018; Zonta, 2019). In an era of increasing climate-related natural disasters, Hispanic/Latino, Native American, Asian American, and Black households are disproportionately likely to live in neighborhoods protected by aging levees, and prone to more risk of flooding (Vahedifard et al., 2023). While lower wealth and incomes among people of color could make it more difficult to afford quality houses, the home equity gap is not explained by differences in home or neighborhood quality (Perry et al., 2018).

Although Black and Hispanic/Latino households are less likely to own homes, home equity makes up a larger percentage of their wealth than white households, largely due to the gap in retirement account balances and other financial assets (Hanks et al., 2018; Solomon & Weller, 2018). This creates larger financial risks for households of color, whose retirement security is more tied to changes in housing prices. Housing can constitute a risky asset and tends to be more highly leveraged than other assets (Weller, 2016). Having large shares of wealth tied up in housing can also come with liquidity constraints, making it difficult to quickly access savings in the case of an emergency (ibid). While home ownership can help build wealth for retirement, communities of color are less likely than white households to be homeowners and they experience greater financial risks associated with home ownership.

Greater Health Care Risks and Higher Food Costs

People of color have greater health risks because they have less access to affordable insurance, and they face discrimination in health insurance and health care markets (Funk & Lopez, 2022; Hoffman et al., 2016; Obermeyer et al., 2019). This contributes to worse health outcomes for people of color (Hill et al., 2023; Williams et al., 2019). Prior research has shown that Black people are undertreated for pain (Hoffman et al., 2016) and 30% of

[8] The data sources used in this report do not provide sufficient detail to account for differences in housing costs/quality.

Hispanic/Latina women recently surveyed feel that their health concerns were not taken seriously (Funk & Lopez, 2022). While insurance coverage improved after the ACA-related health care coverage expansions in 2014, non-elderly Black and Hispanic/Latino adults remained more likely to be uninsured in 2021 than non-elderly white adults (Hill et al., 2023). Along with Black patients having worse insurance coverage, treatment is less likely to be authorized by insurance companies than for white patients (Obermeyer et al., 2019). Asian American adults have similar uninsured rates as white adults and fare better across several health measures (Hill, et al., 2023), suggesting that this group may not be exposed to higher health risks like Black and Hispanic/Latino adults.

Yet, examining health outcomes for Asian Americans overall hides variation by subgroup. For example, an analysis of ACS data found that 6% of non-retired Asian American adults in 2021 were uninsured, compared to 7% of non-elderly white adults (Pillal, et al., 2023). However, non-retired Thai, Laotian, and Cambodian adults had 14%, 12%, and 11% uninsured rates, respectively, while non-elderly Asian Indian and Japanese adults respectively had 4% and 5% uninsured rates (ibid). This same study found that uninsured rates for non-elderly adults were twice as high for Asian Americans who were not citizens, compared to those who were citizens (ibid). Some subgroups of Asian Americans appear to experience higher health risks than white Americans and Asian Americans overall.

High health risks could negatively impact people's ability to save for retirement during their working years, as well as lead them to spend down their retirement savings faster due to high out-of-pocket health care costs. Out-of-pocket spending on health care can represent a sizable financial burden for retirees, particularly for those with high health care expenses. One study found that, on average, households headed by a 65-year-old can expect to need to cover about 22% of their total non-premium health expenses out-of-pocket, $67,260 on average, in their remaining lifetime (Arapakis, 2022). But, for those with larger health care needs, these out-of-pocket costs could be twice as high as for other groups and their savings will consequently cover smaller shares of their expenses. The same study found that households at the 90th percentile of the spending distribution had about $138,000 in non-premium out-of-pocket health care costs (ibid). Other estimates suggest that, to have a 90% chance of covering their remaining lifetime health expenses, including premiums, a man and woman would have to save $142,000 and $159,000, respectively, by age 65 (Fronstin & VanDerhei, 2022). Higher health risks for Black and Hispanic/Latino adults, as well as some subgroups of Asian American adults, could put them among those retirees who have higher out-of-pocket spending on health costs in retirement.

Along with disparities related to health care and insurance, many other factors lead to worse health outcomes for Black and Hispanic/Latino people and, thus, greater financial risks associated with health care. This includes increased exposure to pollution and other health hazards at home and at work (Alexander & Currie, 2017; Kruize, et al., 2014; Richardson & Norris, 2010; Taylor, 2014). Further, households of color are more likely to live in food deserts—areas without access to healthy, affordable food options (Sansom & Hannibal, 2021; Walker, et al., 2010). Lack of access to healthy food could worsen health outcomes and increase associated health care costs. Even Covid-19 poses a greater risk to people of color, as Black and Hispanic/Latino populations were disproportionately at risk for infection, hospitalization, and death from the disease (Alcendor, 2020; Mude, et al., 2021). Black women also experience drastically higher rates of pregnancy-related mortality than other racial and ethnic groups in the U.S. (Hill, et al., 2023). These health risks, which are only a few examples of the many health risks disproportionately impacting people of color, are compounded by diminished access to health care and insurance.

These health care risks both disrupt Black and Hispanic/Latino people's work and careers and impose additional costs to people of color, especially women. Some Asian American subgroups, like Laotians, Thai, and Cambodians, may experience similar disruptions due to high health care risks. The resulting work disruptions and higher costs then create barriers for people to save more for their own future, including retirement. Higher costs for basic expenses, like housing, health care, and food, leaves less money to save for the future, including for retirement. If these higher costs carry over to retirement, they could also increase the amount of retirement savings needed to meet basic needs in retirement.

Incarceration Risk

Black and Hispanic/Latino families are more likely to have family members arrested, convicted, and incarcerated than white families. For instance, in 2019, 36% of Black households and 26.2% of Hispanic/Latino households had a family member currently or formerly incarcerated, compared to 19.0% of white people (Weller, et al., 2022). Racial and ethnic discrimination in the criminal justice system is a major factor in this gap, which is not explained by differences in criminal behavior (see, for instance, Alexander, 2010). These differential experiences with the criminal justice system further increase economic risks for people of color and their families, making it more difficult for them to build wealth.

Existing literature suggests that having a criminal record or history of incarceration depresses wealth for individuals and their families. Assets and net worth tend to be lower for people with criminal records, current or former incarceration, and their families (Marato, 2015; Sykes and Maroto, 2016; Marato & Sykes, 2020; Weller, et al., 2022; Zaw, et al., 2016). For instance, Michelle Maroto and Bryan Skyes (2020) found that incarceration is associated with 34% declines in net worth and 76% declines in assets. Notably, this appears to carry over onto retirement savings. For instance, in 2019, 48.4% of families that did not have a family member in prison or jail had any retirement savings, while this was the case for only 37.7% families with an incarcerated member (Weller, et al., 2022). Moreover, having an incarcerated family member appears to decrease the likelihood of having emergency cash savings (ibid), which could make it more difficult for those families to handle other economic risks—such as those relating to unstable jobs and health care.

Homeownership rates are also lower for people with a history of incarceration (Sykes and Maroto, 2016, Weller, et al., 2022). Furthermore, Daniel Schneider and Kristin Turney (2015) found that the gap between Black and white homeownership is higher in states with higher average incarceration rates, suggesting that incarceration may exacerbate this gap. Incarceration may make it more difficult to obtain a housing loan. For instance, in 2019, 72.5% of families with an incarcerated family member reported renting because they couldn't get a mortgage or afford a down payment, while only 60.8% of families with no incarcerated family members reported being renters for that reason (Weller, et al., 2022). Incarceration may make it more difficult to build wealth through homeownership, often a key form of savings for older adults.

Greater incarceration risk among people of color not only contributes to wealth inequality by race and ethnicity, but is exacerbated by it. Families with less wealth have less money to pay for bail, punitive fines, court fees, and quality legal representation when somebody in the family is arrested, charged with a crime, or incarcerated, which increases the risk of incarceration and the time associated with it when it occurs (Weller, et al., 2022). Lower wealth families are also more likely to live in areas with greater police presence and surveillance, increasing the chances that family members will interact with police in the first place and, subsequently, be incarcerated, as compared to wealthier families (Looney &Turner, 2018; Simes, 2021). For many people of color, particularly Black and Hispanic/Latino families, racial and ethnic wealth inequality could increase the risk of incarceration, with incarceration then—in turn—further exacerbating wealth inequality.

Caregiving Risks

Families of color face more caregiving risks than is the case for white households. At the same time, many workers of color are less likely to have access to key benefits related to caregiving, such as paid medical and family leave (Bartel, et al., 2019) and, thus, need to rely more on their own savings, as well as on help from family and friends. They are also more likely to live in areas without affordable childcare options (Malik & Hamm, 2017) and have less wealth and lower incomes to afford paid care (Bartel, et al., 2019; Collinson & De La Torre, 2017). Black and Hispanic/Latino caregivers are more likely to receive no help—paid or unpaid—with providing care, live with care recipients, and report financial impacts of caregiving than non-Hispanic/Latino white caregivers (Bose, et al., 2021). These financial impacts include, for instance, using savings and/or stopping saving, leaving bills unpaid or paying late, and making changes to employment (ibid). In the end, many family members in households of color will experience economic hardships as they care for children, parents, grandparents, and other relatives that require assistance.

These are only some of the most common and most costly economic risks for households of color. They all make it harder to save for retirement as households of color need to spend more money on daily necessities and to cover widespread risks. Greater risk exposure means that money needs to be more readily available, foregoing higher rates of return to keep money liquid. In the end, those who face greater economic risks, especially people of color, end up with lower savings because they build up less retirement wealth and such retirement wealth grows more slowly.

1.3 HOUSEHOLDS OF COLOR HAVE LOWER RISK PREFERENCES AND GREATER LIQUIDITY NEEDS

Black and Latino/Hispanic households often have greater liquidity needs and, thus, lower risk preferences because they face greater financial risks, as discussed above. In essence, households of color appear to tread a fine line between maintaining financial security for their retirement, while also managing their greater financial risks and higher liquidity needs before retirement. Recent research on the link between informal financial support for family and friends and retirement savings finds that Black households, for example, save more money when they provide such support, but also are more likely to borrow from their 401(k) loans (Francis & Weller, 2022). People of color have to dip into their retirement savings more often (GAO, 2019) to cover higher costs and more widespread risks. Rather than completely liquidating retirement savings in the face of emergencies, households of color act as a bank to themselves, because people need to repay their outstanding 401(k) loans to themselves within specific time periods (Weller, 2018).

The various factors related to retirement savings behavior suggest that households of color are as likely as white households to save money, but that they have greater liquidity needs prior to retirement. This means also that households of color will likely earn less money on their investments and their retirement savings will grow more slowly over time. The need to take precautions against more widespread financial risks during their careers, as discussed above, comes at a cost to households of color’s retirement security in the future.

Section 2: Retirement Wealth Distribution and Inequality

The existing literature documents substantial differences in total wealth by race and ethnicity. In general, Black and Hispanic/Latino households have less wealth than white households. These wealth gaps often go along with differences in retirement savings, although the existing evidence in the literature is more limited. Black and Hispanic/Latino households are less likely to have retirement savings and their balances also tend to be smaller than those of white households. Retirement savings are part of the overall picture of racial and ethnic wealth inequality.

This data summary provides substantial details on retirement savings by race and ethnicity. It includes all forms of retirement savings—defined benefit (DB) pensions, 401(k) accounts and IRAs—for many population groups. The summary first highlights the retirement wealth distribution. The main takeaways are:

- **Retirement wealth is unequally distributed by race and/or ethnicity, in terms of overall retirement wealth and across different forms of retirement wealth—wealth held in DB pensions and retirement account balances in defined contribution (DC) plans, like 401(k)s and IRAs.** The average retirement wealth of Hispanic/Latino households was 22.9% of that of white households in 2022 (Figure 1 and Table A–1 in the appendix). Black households had less than half of the average retirement wealth of white or Asian American households—$188,708 compared to $435,142 or $457,140 (Figure 1 and Table A–1 in the appendix).

- **Racial and ethnic retirement savings gaps exist in subpopulations by age, education, income, and whether the respondent has lived in the United States for all of their life (Table 1).** For instance, white households with a college degree had a median retirement wealth of $273,500, compared to $158,000 for Asian American households, $160,323 for Hispanic/Latino households, and $119,000 for Black households with a college degree (Table 1).

- **Racial and ethnic retirement savings gaps have persisted over time.** Over the past three decades, Black and Hispanic/Latino households, as well as households of other or multiple races, owned between one-third and 60% of the retirement wealth of white households (Figure 7). There is no robust indication of those gaps becoming smaller.

- **Retirement wealth is unequally distributed within each racial/ethnic group.** Those in the top 10% by retirement savings amounts own more than half of all retirement wealth and close to two-thirds of all retirement account balances in 401(k) accounts and IRAs (Figure 8 and Table A–7 in the appendix).

The discussions of data on retirement wealth, in various forms for a variety of subpopulations, draw on three nationally representative data sources, as discussed in the appendix. The conclusions are robust and paint a picture of widespread and persistent racial and ethnic retirement wealth inequality, both between racial and ethnic groups and within these groupings.

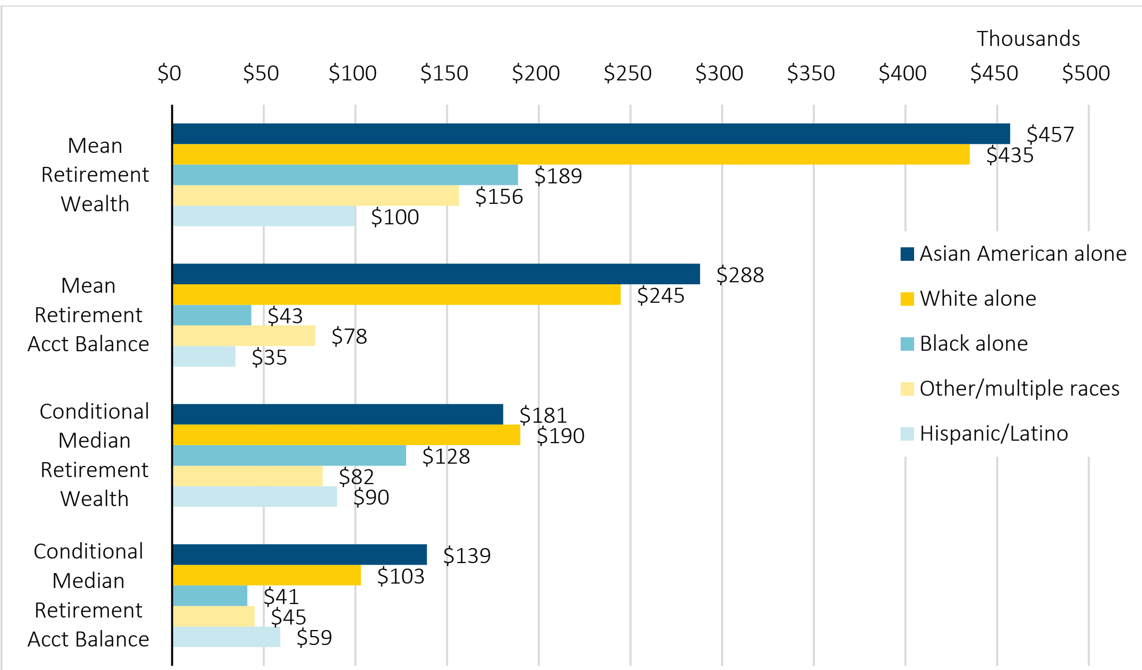
The summary discussion first presents retirement wealth differences by race and ethnicity for the entire population of households or people 25 years old or older to capture non-employment-based retirement savings, as well as employment-based savings. The presentation then limits the sample to those who are 25 years old and older and work as wage and salary employees, since employment-based retirement savings are the primary way by which people save for their retirement. Key measures, such access to a retirement plan and contribution to a retirement plan, largely apply to employer-based plans.

2.1 RETIREMENT WEALTH DIFFERENCES BY BROAD RACIAL AND ETHNIC CATEGORIES IN 2022

There are significant gaps in retirement wealth between racial and ethnic groups. At the median or on average, Black and Hispanic/Latino households own a fraction of the median or average wealth that Asian American and white households own. For example, the average retirement wealth of Hispanic/Latino households was 22.9% of that of white households in 2022—$99,635 compared to $435,142 (Figure 1 and Table A–1 in the appendix).[9] Black households had less than half of the average retirement wealth of white households or Asian American households—$188,708 compared to $435,142 or $457,140 (Figure 1 and Table A–1 in the appendix). Retirement wealth includes both retirement account balances and imputed DB pension wealth, while retirement account balances only include DC plans like 401(k)s and IRAs. In the end, most, though not all, Black and Latino/Hispanic households have less in retirement savings than most white households.

Figure 1

2022 MEAN AND MEDIAN HOUSEHOLD RETIREMENT WEALTH BY RACE AND ETHNICITY (SCF)



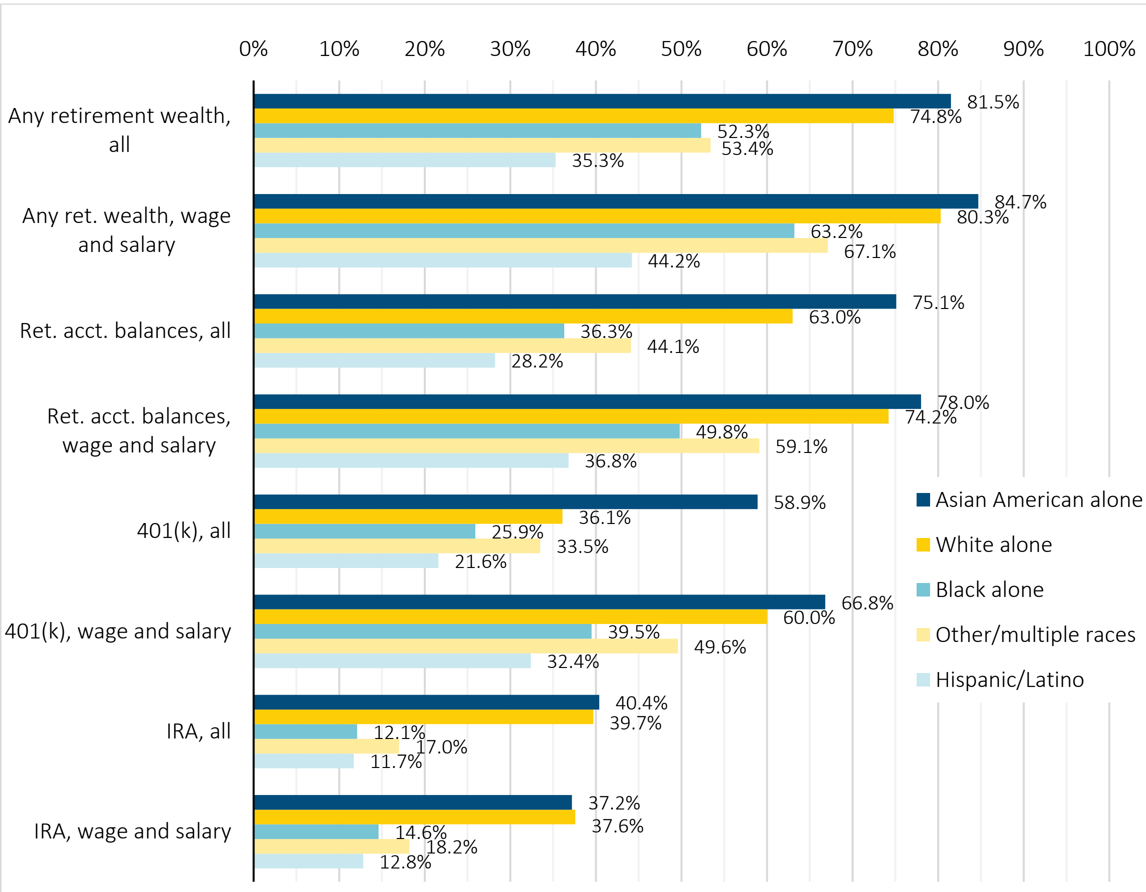
Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. The sample includes all households headed by an adult 25 years old or older. The unit of analysis in the SCF is called primary economic unit, which is akin to household in other surveys. Conditional averages and medians are calculated only for people with specified retirement account balances. All dollar values are in 2022 dollars. Nominal values are deflated using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series. The source is the Board of Governors of the Federal Reserve System, 2023. Survey of Consumer Finances, 2022. Washington, DC: Fed. Total retirement wealth is the sum of retirement account balances and imputed DB pension wealth. DB wealth calculations provided by Alice Henriques Volz and John Sabelhaus. See Alice Henriques Volz and John Sabelhaus. (2022). ""Social Security Wealth, Inequality, and Lifecycle Saving."" In Measuring and Understanding the Distribution and Intra/Inter-Generational Mobility of Income and Wealth," National Bureau of Economic Research, Studies in Income and Wealth. Chicago: University of Chicago Press. (2022) for details of the underlying calculations.

[9] The conclusions generally hold when survey years are combined to increase the respective sample sizes (see Table A-2 in the appendix). Information on Asian American households, as well as on the reference person's heritage, is not available in years prior to 2022 in the SCF.

These gaps go along with several factors. Black and Hispanic/Latino households, as well as households of other or multiple races or ethnicities, are much less likely to have retirement savings than either Asian American or white households (Figure 2). In large part, this gap stems from having less access to retirement plans through an employer (Figures 2 and 11). They also have smaller accumulations in their retirement savings. Those smaller accumulations correlate with demographic differences in age, education, and nativity, for instance. In particular, Black and Hispanic/Latino households, as well as households of other or multiple races or ethnicities, tend to be less likely to have a college degree and are younger than white households (Table A–3 in the appendix). However, significant differences in retirement savings exist even among racial and ethnic groups broken down by education or age. In later sections, this report will discuss all of these factors in further detail.

Figure 2

2022 SHARE OF HOUSEHOLDS WITH SPECIFIED RETIREMENT WEALTH BY RACE AND ETHNICITY (SCF)



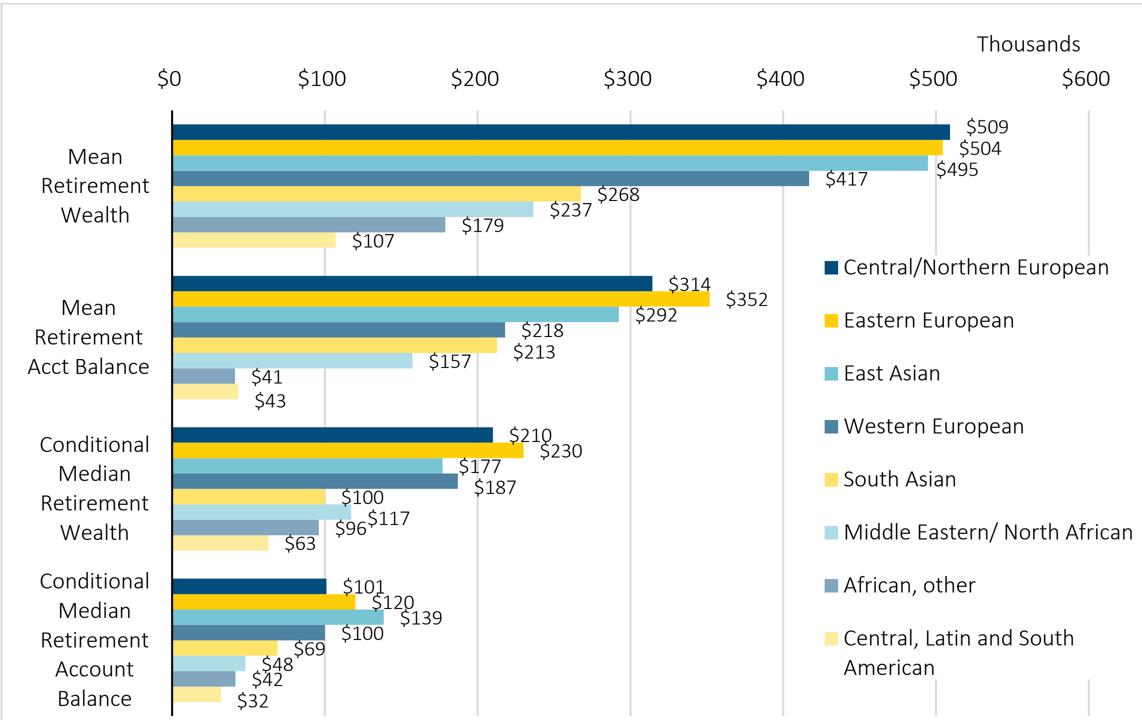
Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old or older. Wage and salary refers to households headed by somebody 25 years old and older. Any retirement wealth includes DB pensions and DC plans. 401(k) stands for 401(k)-type plans. IRA stands for Individual Retirement Accounts. The source is the Board of Governors of the Federal Reserve System, 2023. Survey of Consumer Finances, 2022. Washington, DC: Fed.

The data also show variations by heritage (Figure 3). Most importantly, households of European heritage have larger amounts of average retirement wealth than those of other heritages (Figure 3 and Table A–1 in the appendix). On the other hand, those of Latin American, Southern American, or Caribbean heritages have only a fraction of the wealth of those of European heritages, even as their average retirement wealth varies from $107,053 for those of Central, Latin, or South American heritage to $183,315 for those of Caribbean heritage (Table A–1 in the appendix).

The data also show large differences among those with Asian heritage, ranging from $267,572 for those with South Asian heritage to $494,776 for those with East Asian heritage (Figure 3 and Table A–1 in the appendix). That is, there are large differences in retirement wealth within the broader racial and ethnic groups and not just between racial and ethnic groups, as discussed in more detail below.

Figure 3

2022 MEAN AND MEDIAN HOUSEHOLD RETIREMENT WEALTH BY HERITAGE (SCF)



Notes: Racial and ethnic categories are mutually exclusive. Heritage categories refer to the first indicated heritage out of three possible answers for the respondent. The sample includes all households headed by an adult 25 years old or older. The unit of analysis in the SCF is called primary economic unit, which is akin to household in other surveys. Conditional averages and medians are calculated only for people with specified retirement account balances. "n.a." indicates not available due to small sample sizes—fewer than 200 in five replicates. All dollar values are in 2022 dollars. Nominal values are deflated using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series. The source is the Board of Governors of the Federal Reserve System, 2023. Survey of Consumer Finances, 2022. Washington, DC: Fed. Total retirement wealth is the sum of retirement account balances and imputed DB pension wealth. DB wealth calculations provided by Alice Henriques Volz and John Sabelhaus. See Alice Henriques Volz and John Sabelhaus (2022). "Social Security Wealth, Inequality, and Lifecycle Saving." In Measuring and Understanding the Distribution and Intra/Inter-Generational Mobility of Income and Wealth," National Bureau of Economic Research, Studies in Income and Wealth. Chicago: University of Chicago Press (2022) for details of the underlying calculations.

Retirement wealth gaps between racial and ethnic groups exist not only at the household level, but also at the individual level, as additional data from the Survey of Income and Program Participation (SIPP) show (Figure 4 and Table A–4 in the appendix). In particular, Asian American and white households have the largest average and median retirement account balances in 401(k)-type accounts and IRAs, while those of Hispanic/Latino heritage, especially those of Salvadoran heritage, have the smallest balances (Figure 4).[10] Additional data in the appendix (Table A–4) show similar fluctuations by race and ethnicity at the household level as at the individual level.[11] The

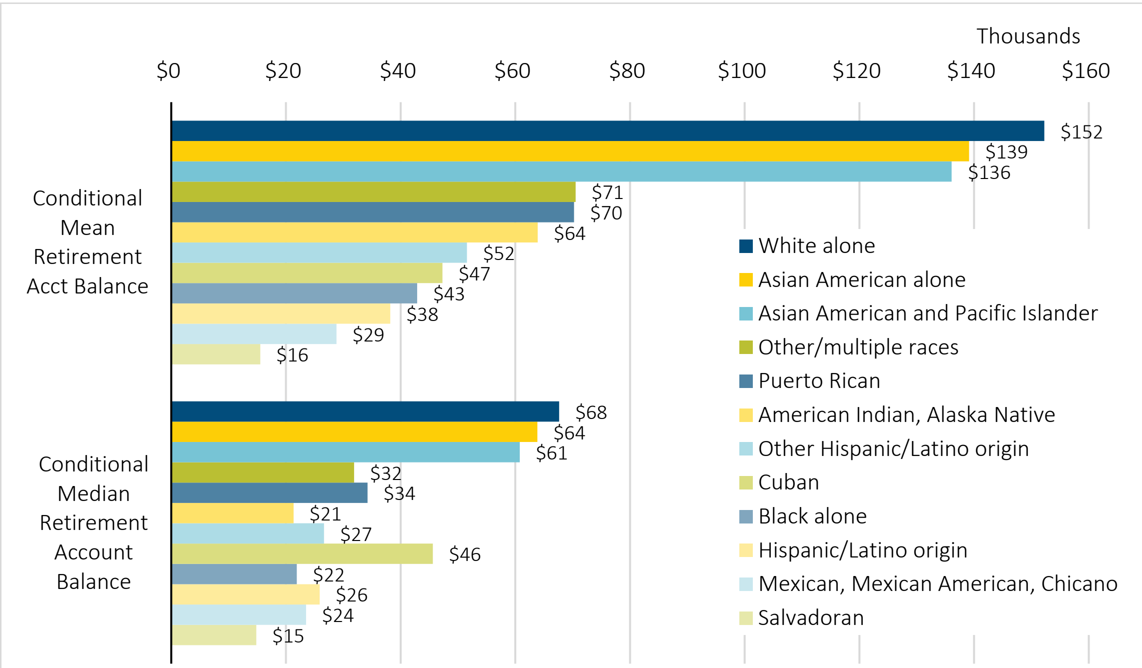
[10] As with the data based on the SCF, the retirement savings fluctuations go along with differences in age and education (Table A-3 in the appendix), as well as differences in retirement account ownership (Figure A-1 in the appendix).

[11] The overwhelming majority of married/partnered people are married to or partnered with somebody of the same race or ethnicity.

data thus indicate that differences in retirement savings at the household level result from gaps in individual retirement savings.

Figure 4

2020 AND 2022 MEAN AND MEDIAN INDIVIDUAL RETIREMENT ACCOUNT BALANCES BY RACE AND ETHNICITY (SIPP)



Notes: Racial and ethnic categories are not mutually exclusive. Racial and ethnic categories are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Data are combined for 2020 and 2021 to ensure sufficiently large sample sizes. The sample includes all adults 25 years old and older. Conditional averages and medians are calculated only for people with such account balances. Asset values in the SIPP are top-coded. Observations above the top code threshold are replaced with population-specific averages. Those population-specific averages account for race and ethnicity, among a few additional factors. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. All dollar values are in December 2022 dollars. The Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series, is used to deflate nominal values. Source is Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021/2022. Washington, DC: Census.

2.2 RETIREMENT WEALTH DIFFERENCES BY SUBPOPULATIONS AND RACE AND ETHNICITY IN 2022

As already mentioned, racial and ethnic groups vary by age and education, among other factors. Table 1 shows median and mean retirement wealth—the sum of imputed DB pension wealth, 401(k) account balance and IRA balances—by race, ethnicity and additional categories, such as age, education, income, and whether the respondent has lived in the United States for all of their life (Table 1).[12] The data still show large gaps by race and ethnicity in these categories. For instance, white households with a college degree had a median retirement wealth of $273,500 compared to $160,323 for Hispanic/Latino households and $119,000 for Black households with a college degree (Table 1).[13] The retirement wealth differences between these subpopulations of Black and Hispanic/Latino

[12] The sample now only includes wage and salary employees who are 25 years old or older.

[13] Asian/Asian American households without a college degree have higher median retirement wealth than those without a college degree. This reflects a large age difference between the two groups. In this SCF sample, the average age for Asian/Asian American households without a college degree is 50

households, on the one hand, and the corresponding subpopulations of white households, on the other hand, are not as large as the overall retirement wealth differences shown earlier (Figure 1, Table 1, and Table A–1 in the appendix). **This indicates that differences related to education and age, among other factors, play a role in racial and ethnic retirement wealth gaps, but that barriers to building retirement savings remain by race and ethnicity.**

Table 1

2022 MEDIAN AND MEAN HOUSEHOLD RETIREMENT WEALTH BY SELECT CHARACTERISTICS, RACE AND ETHNICITY (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino origin	Other/ multiple races	White, alone
Conditional Median Retirement Wealth					
All wage and salary workers	$168,126	$80,000	$95,300	$55,000	$156,422
Respondent without college degree	$219,301	$72,000	$47,200	$41,891	$81,650
Respondent with college degree	$158,000	$119,000	$160,323	$85,900	$273,500
Respondent younger than 50 years old	$130,000	$56,344	$46,700	$45,000	$82,020
Respondent 50 years old and older	$661,929	$252,576	$220,000	$150,000	$376,000
Household income below median	$19,000	$30,000	$17,000	$12,000	$26,000
Household income above median	$180,000	$136,600	$135,500	$128,958	$230,000
Respondent all of life in U.S.	$159,615	$101,000	$77,067	$62,236	$150,000
Respondent not all of life in U.S.	$177,000	$75,066	$97,300	$50,000	$169,000
Conditional Mean Retirement Wealth					
All wage and salary workers	$445,250	$319,614	$276,972	$277,772	$551,762
Respondent without college degree	$524,270	$259,049	$208,158	$252,031	$307,058
Respondent with college degree	$433,143	$390,484	$388,762	$319,524	$746,467
Respondent younger than 50 years old	$221,925	$128,324	$169,591	$154,253	$255,993
Respondent 50 years old and older	$1,014,225	$648,411	$493,634	$515,341	$943,852
Household income below median	$103,142	$106,329	$169,379	$40,298	$89,310
Household income above median	$478,998	$460,876	$315,842	$393,375	$670,089
Respondent all of life in U.S.	$406,174	$348,534	$292,181	$261,047	$528,708
Respondent not all of life in U.S.	$462,345	$255,391	$259,577	$316,533	$668,020

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. The sample includes households headed by adults 25 years old and older, who work as wage and salary employees and who have any retirement wealth. All dollar values are in 2022 dollars. "n.a." stands for not available due to small samples—fewer than 200 observations across five replicates. Nominal values are deflated using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series. The source is the Board of Governors of the Federal Reserve System, 2023. Survey of Consumer Finances, 2022. Washington, DC: Fed. Total retirement wealth is the sum of retirement account balances and imputed DB pension wealth. DB wealth calculations provided by Alice Henriques Volz and John Sabelhaus. See Alice Henriques Volz and John Sabelhaus (2022). "Social Security Wealth, Inequality, and Lifecycle Saving." In Measuring and Understanding the Distribution and Intra/Inter-Generational Mobility of Income and Wealth, National Bureau of Economic Research, Studies in Income and Wealth. Chicago: University of Chicago Press (2022) for details of the underlying calculations.

Retirement savings gaps by race and ethnicity also exist when only retirement account balances in 401(k) accounts and IRAs are considered (Table 2).[14] For example, Black households with a college degree had a median balance of $43,000 compared to a median balance of $127,800 for white households (Table 2). In fact, the median balance of Black households with a college degree of $43,000 was close to the median account balance for white households

years – the oldest of any racial group broken down by education – while the average age for Asian/Asia -Americans with a college degree is 42.8 years and, thus, younger than Black/African-American, Latino/Hispanic and white households with a college degree.

[14] The conclusions are robust when survey years of the SCF are combined (see Table A-5 in the appendix). Similar differences also exist in retirement account balances for individuals based on the SIPP (see Table A-6 in the appendix).

without a college degree ($40,000). **This suggests again that typically Black households, in particular, face barriers to building retirement savings.**

Table 2

2022 MEDIAN AND MEAN HOUSEHOLD RETIREMENT ACCOUNT BALANCES BY SELECT CHARACTERISTICS, RACE AND ETHNICITY (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino origin	Other/ multiple races	White, alone
Conditional Median Retirement Account Balances					
All wage and salary workers	$134,200	$32,000	$54,000	$32,000	$74,200
Respondent without college degree	n.a.	$30,000	$30,000	$23,300	$40,000
Respondent with college degree	$134,200	$43,000	$90,000	$55,000	$127,800
Respondent younger than 50 years old	$106,000	$20,000	$36,000	$22,500	$47,000
Respondent 50 years old and older	$650,000	$94,000	$100,000	$82,000	$175,000
Household income below median	n.a.	$14,000	n.a.	$10,000	$18,000
Household income above median	$140,000	$55,000	$83,000	$75,000	$110,000
Respondent all of life in U.S.	$120,000	$33,600	$60,000	$30,500	$66,500
Respondent not all of life in U.S.	$139,000	$20,000	$50,000	n.a.	$104,000
Conditional Mean Retirement Account Balances					
All wage and salary workers	$339,083	$91,079	$117,728	$138,425	$293,922
Respondent without college degree	n.a.	$91,983	$67,259	$116,996	$134,728
Respondent with college degree	$355,146	$90,172	$197,106	$172,588	$413,479
Respondent younger than 50 years old	$179,010	$45,358	$91,235	$76,951	$137,332
Respondent 50 years old and older	$783,463	$185,179	$172,863	$269,772	$502,411
Household income below median	n.a.	$34,038	n.a.	$20,898	$42,434
Household income above median	$364,835	$120,965	$142,840	$197,379	$350,020
Respondent all of life in U.S.	$343,258	$84,992	$132,761	$123,829	$275,258
Respondent not all of life in U.S.	$337,144	$104,072	$103,209	n.a.	$390,759

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. The sample includes households headed by adults 25 years old and older, who work as wage and salary employees and who have any retirement savings. All dollar values are in 2022 dollars. "n.a." stands for not available due to small samples—fewer than 200 observations across five replicates. Nominal values are deflated using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series. The source is the Board of Governors of the Federal Reserve System, 2023. Survey of Consumer Finances, 2022. Washington, DC: Fed.

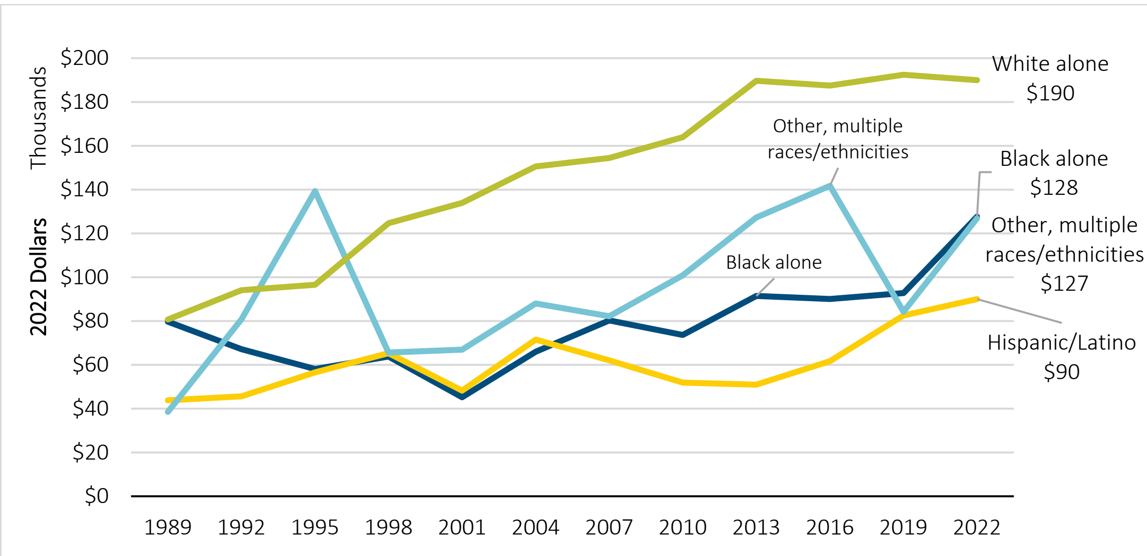
The summary data in Tables 1 and 2 also suggest that DB pensions somewhat reduce retirement savings inequality. For instance, Black households with a college degree had a median retirement wealth equal to 43.5% of that of white households—$119,000 compared to $273,500 (Table 1). In comparison, they had a median retirement account balance that was equal to 33.6% of that of white households—$43,000 compared to $127,800 (Table 2). The smaller Black-white difference in total retirement wealth results from a somewhat more equitable distribution of DB pensions by race and ethnicity, since retirement wealth includes the imputed value of DB pensions. Still, Black and Hispanic/Latino households, as well as households of other or multiple races or ethnicities, generally have less retirement wealth than white or Asian American households. **This underscores the point that race and ethnicity can often correlate with barriers to building retirement savings such as outright discrimination, labor market segmentation, income volatility, and others.**

2.3 RETIREMENT WEALTH TRENDS BY RACE AND ETHNICITY FROM 1989 TO 2022

The racial and ethnic gaps in retirement wealth did not just occur in recent years but have persisted for decades. Figure 5 shows the trends in median total retirement wealth from 1989 to 2022 based on the SCF.[15] In 2022, the median total retirement wealth for Black households amounted to 67.2%—$127,643 compared to $189,936—of the median total retirement wealth for white households, up from its most recent low of 44.9% in 2010—$73,630 compared to $163,895 (Figure 5). The gaps between Hispanic/Latino and white households follow similar patterns (Figure 5). While the total retirement wealth gaps by race and ethnicity have recently narrowed, those gains were generally a reversal of a widening gap in the preceding years, and substantial differences remain.

Figure 5

1989 TO 2022 CONDITIONAL MEDIAN TOTAL HOUSEHOLD RETIREMENT WEALTH BY RACE OR ETHNICITY (SCF)



Notes: All data are in 2022 dollars. Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories include Asian American, American Indian, Native Alaskan and Pacific Islander households, in addition to other races and ethnicities that are not listed in the survey. The sample includes all households with a reference person 25 years old or older. The medians are calculated only for those who have any retirement wealth. Sources are Board of Governors of the Federal Reserve System, various years. Survey of Consumer Finances, 1989 to 2022. Washington, DC: Fed and Bureau of Labor Statistics (2023). Consumer Price Index, Urban Consumers, Research Series. Washington, DC: BLS. Total retirement wealth is the sum of retirement account balances and imputed DB pension wealth. DB wealth calculations provided by Alice Henriques Volz and John Sabelhaus. See Alice Henriques Volz and John Sabelhaus (2022). "Social Security Wealth, Inequality, and Lifecycle Saving." In Measuring and Understanding the Distribution and Intra/Inter-Generational Mobility of Income and Wealth, National Bureau of Economic Research, Studies in Income and Wealth. Chicago: University of Chicago Press (2022) for details of the underlying calculations.

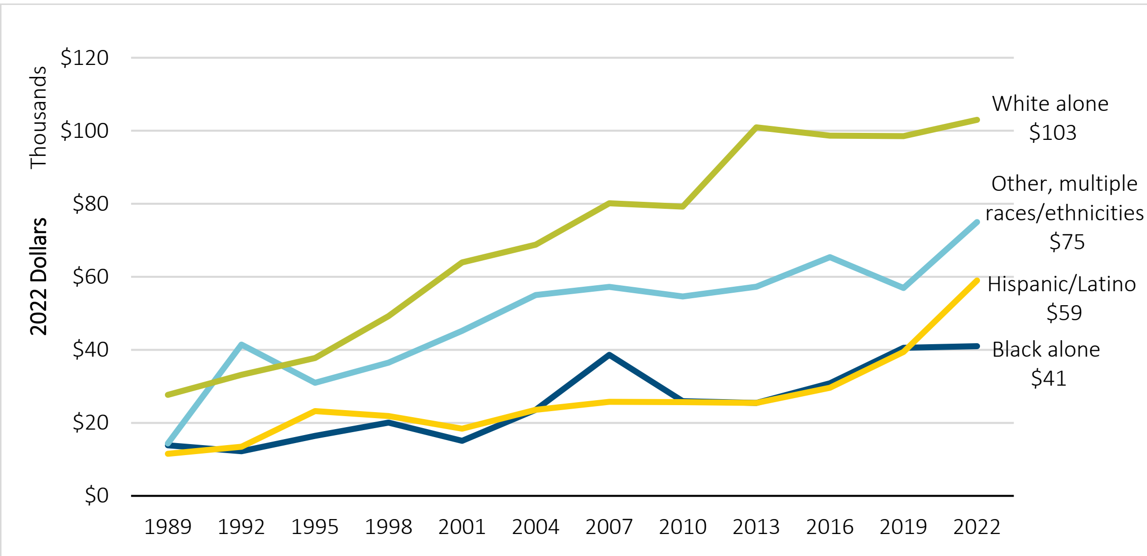
Moreover, the gaps are generally larger and show a smaller narrowing with respect to retirement account balances in 401(k)-type accounts and IRAs (Figure 6). For example, Black households over the age of 25 years, who had any retirement savings, had a median account balance of $41,000 in 2022, or 39.8% of the $103,000 median balance of white households (Figure 6). This gap is up from the most recent low of 25.2% in 2013, when Black households owned $25,457 at the median, compared to $100,936 for white households at the median (Figure 6).[16] The gaps in retirement account balances are larger in relative terms than is the case for total retirement wealth, which includes imputed DB pension wealth. The bottom line is that large differences in median retirement savings persist,

[15] The SCF does not break out Asian American households from those of other or multiple races or ethnicities in the years prior to 2022.
[16] The gaps between Hispanic/Latino and white households follow similar patterns (Figure 6).

especially between Black and Hispanic/Latino households, on the one hand, and white households, on the other hand.[17]

Figure 6

1989 TO 2022 CONDITIONAL MEDIAN HOUSEHOLD RETIREMENT ACCOUNT BALANCES BY RACE OR ETHNICITY (SCF)



Notes: All data are in 2022 dollars. Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories include Asian American, American Indian, Native Alaskan and Pacific Islander households, in addition to other races and ethnicities that are not listed in the survey. The sample includes all households with a reference person 25 years old or older. The medians are calculated only for those who have any retirement wealth. Sources are Board of Governors of the Federal Reserve System, various years. Survey of Consumer Finances, 1989 to 2022. Washington, DC: Fed and Bureau of Labor Statistics (2023). Consumer Price Index, Urban Consumers, Research Series. Washington, DC: BLS.

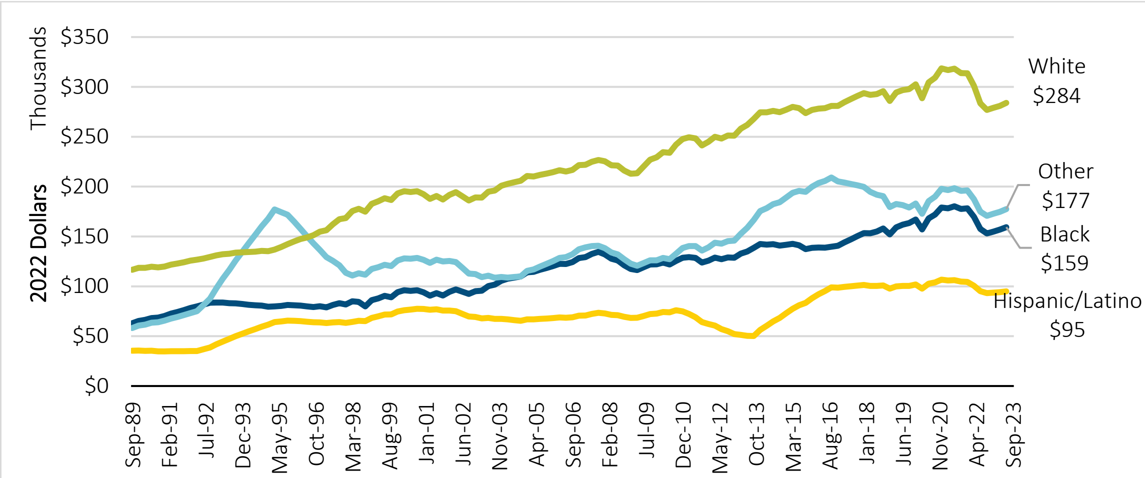
The same conclusion holds when considering average retirement wealth—the sum of imputed DB pensions, 401(k)-type account balances and IRA balances—across all households in the respective subpopulations (Figure 7).[18] These series show persistent differences in total retirement wealth by race and ethnicity. Black households, for instance, have had between 50% and 60% of the average retirement wealth of white households (Figure 7). In the middle of 2023, the average retirement wealth amount of Black households totaled $159,538 or 56.1% of the $284,020 of white households (Figure 7). Hispanic/Latino households typically had about one-third of the average retirement wealth of white households (Figure 7). Households of other or multiple races or ethnicities had about 60% of the average retirement wealth of white households (Figure 7). The gaps stay fairly constant over longer periods, although they fluctuate in the shorter term.

[17] The series for households of other or multiple races or ethnicities is more volatile due to changes in the underlying population, but shows no clear trend towards a narrowing gap.

[18] The quarterly data on total retirement wealth are taken from the Federal Reserve's Distributional Financial Accounts (DFA). The SCF and the DB pension imputations are designed so that the totals in the household survey equal to the aggregate values in the DFA. The DFA has the advantage that it shows fluctuations in retirement wealth between survey years, while it limits the analysis to average household wealth for all households, rather than median wealth for households 25 years old and older.

Figure 7

1989 TO 2023 AVERAGE HOUSEHOLD RETIREMENT WEALTH BY RACE OR ETHNICITY (DFA)



Notes: Nominal dollar values deflated by Personal Consumption Expenditure (PCE) index, reindexed to latest quarter. Sources: Board of Governors of the Federal Reserve System (2023). Distributional Financial Accounts. Washington, DC: Fed and Bureau of Economic Analysis (2023). National Income and Products Accounts. Washington, DC: BEA.

The fact that racial and ethnic retirement gaps persist over time suggests that many Black and Hispanic/Latino households, as well as households of other or multiple races or ethnicities, face obstacles to building wealth and that those barriers have not decreased over time. After all, these racial and ethnic gaps have persisted, even as the composition of racial and ethnic groups have changed.

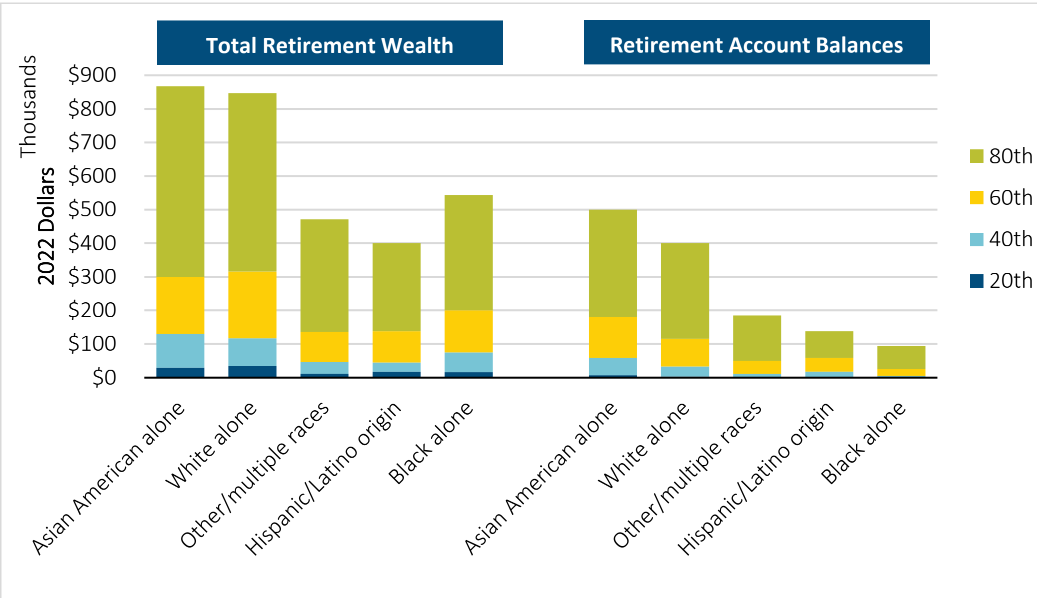
2.4 RETIREMENT WEALTH INEQUALITY WITHIN RACIAL AND ETHNIC POPULATIONS

Retirement savings are unequally distributed, not only between population groups, but also within population groups. Typically, households with a reference person without a college degree, a reference person younger than 50 years old, and incomes below the median generally have less retirement wealth than those with a college degree, older households, and those with higher incomes (Tables 1 and 2). Additional data for individual retirement account balances based on the SIPP (Table A–6 in the appendix) show that women have smaller retirement account balances than men and those living in rural areas have smaller account balances than those in urban areas. Often, these gaps fluctuate the most when comparing Asian American households. That is, the wealth distribution in all racial and ethnic populations follows expected patterns but may be more unequal among Asian American households than others.

Other measures of wealth inequality within racial and ethnic populations also show highly skewed distributions of wealth. For instance, households at the 80th percentile had between 24.9 times the wealth of households at the 20th percentile for white households in 2022 and 40.26 times for households of other or multiple races or ethnicities (Figure 8 and Table A–7 in the appendix). Typically, the wealthiest 10% of households by total retirement wealth owned more than 50% of all retirement wealth. The wealthiest 10% by account balances owned between 54.0% (Asian American households) and 66.7% (Black households) of all retirement account balances (Table A–7 in the appendix). The household data from the SCF indicates that retirement wealth is highly unequally distributed within each group (Figure 8 and Table A–7 in the appendix).[19]

Figure 8

2022 QUINTILE CUTOFFS FOR HOUSEHOLD TOTAL RETIREMENT WEALTH AND RETIREMENT ACCOUNT BALANCES BY RACE AND ETHNICITY (SCF)



Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Both samples for total household retirement wealth and retirement account balances include households where the respondent/reference person is 25 years old or older and has any retirement savings, including DB pensions. Total household retirement wealth is the sum of imputed DB pension wealth, 401(k) account balance and IRA balances. Total retirement account balances are the sum of 401(k) account balances and IRA balances for the respondent and spouse/partner if a spouse/partner is present. Nominal values are deflated using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series. The source is the Board of Governors of the Federal Reserve System, 2023. Survey of Consumer Finances, 2022. Washington, DC: Fed. DB wealth calculations provided by Alice Henriques Volz and John Sabelhaus. See Alice Henriques Volz and John Sabelhaus (2022). "Social Security Wealth, Inequality, and Lifecycle Saving." In Measuring and Understanding the Distribution and Intra/Inter-Generational Mobility of Income and Wealth, National Bureau of Economic Research, Studies in Income and Wealth. Chicago: University of Chicago Press (2022) For details of the underlying calculations.

Put differently, retirement wealth is unequally distributed among Asian American households, but not more than among other population groups, contrary to the limited findings in the existing literature on within-group wealth inequality among Asian Americans. Retirement wealth may make up a smaller share of total wealth for Asian American households than for other population groups, so that other forms of wealth, such as housing wealth, can skew the overall wealth distribution.

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[19] Additional data on individual retirement account balances from the SIPP also indicate that retirement savings are more unequally distributed among Black and Hispanic/Latino households, as well as households of other/multiple races than among either Asian American or white households (Table A-8 in the appendix).

2.5 WEALTH INEQUALITY BY NATIVITY WITHIN POPULATION GROUPS

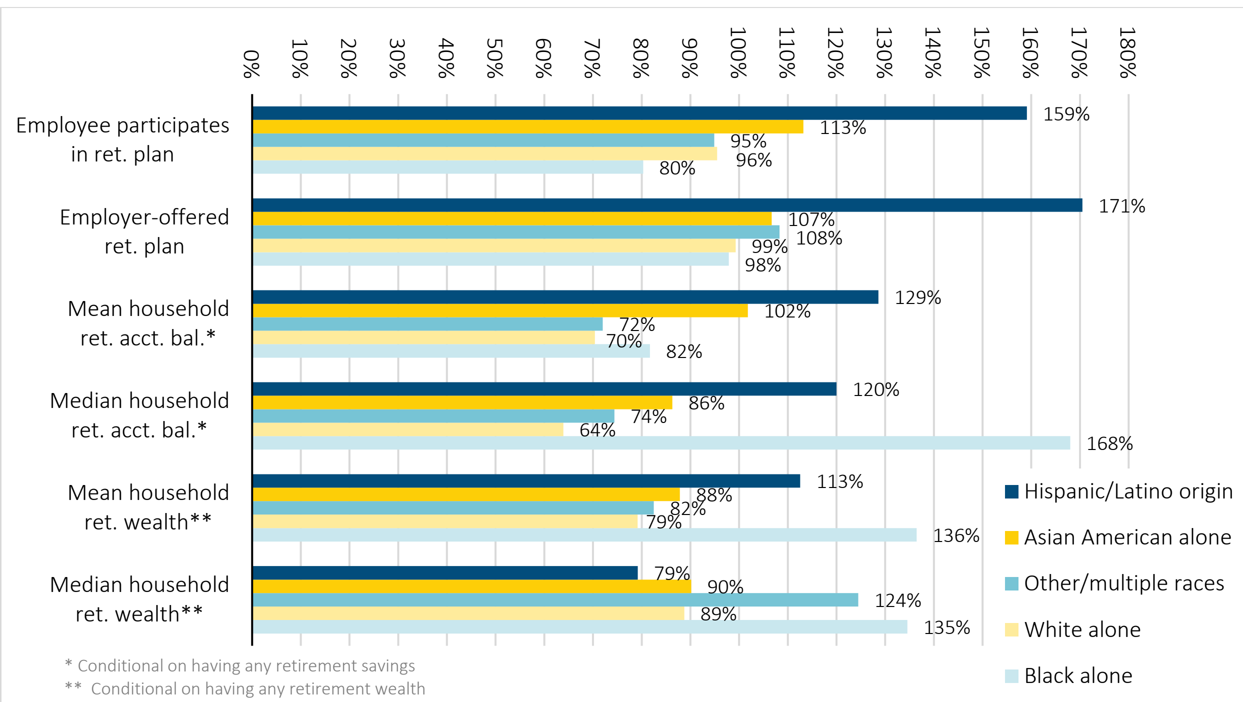
Racial and ethnic populations vary by their shares of reference person who either did not reside all their life in the United States (SCF) or who are foreign born (SIPP) (Table A–3 in the appendix).

The SCF does not directly ask people about their birthplace, but rather asks whether people have lived all their lives in the United States. Figure 9 summarizes the ratio of several retirement savings measures, such as average and median retirement wealth and retirement account balances, as well as retirement plan access and participation between those who have lived in the U.S. their entire lives and those who have not.[20]

The data show no consistent differences by race and ethnicity between those who have always lived in the U.S. and those who have not. For instance, among Black households, median account balances are greater for those who have lived in the U.S. all their lives, but participation in an employer plan is smaller compared to those who have not lived in the U.S. their entire lives (Figure 9). In contrast, among Hispanic/Latino households, those who have lived all of their lives in the U.S. had similar median account balances to those who have not lived in the U.S. all their lives, while participation rates were larger for those who have always lived in the U.S. (Figure 9). Moreover, all retirement savings measures are similar among Asian American households between those who have lived all of their lives in the U.S. and those who have not (Figure 9). Since people come to the U.S. from vastly different economic backgrounds and for a whole host of reasons, it is not surprising to see no clear pattern in retirement savings between those who have always lived in the U.S. and those who have not.

Figure 9

2021 AND 2022 RATIO OF HOUSEHOLD RETIREMENT SAVINGS MEASURES FOR THOSE WHO LIVED IN THE U.S. ALL OF THEIR LIVES TO THOSE WHO DID NOT BY RACE OR ETHNICITY (SCF)



Notes: Racial and ethnic categories are not mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in

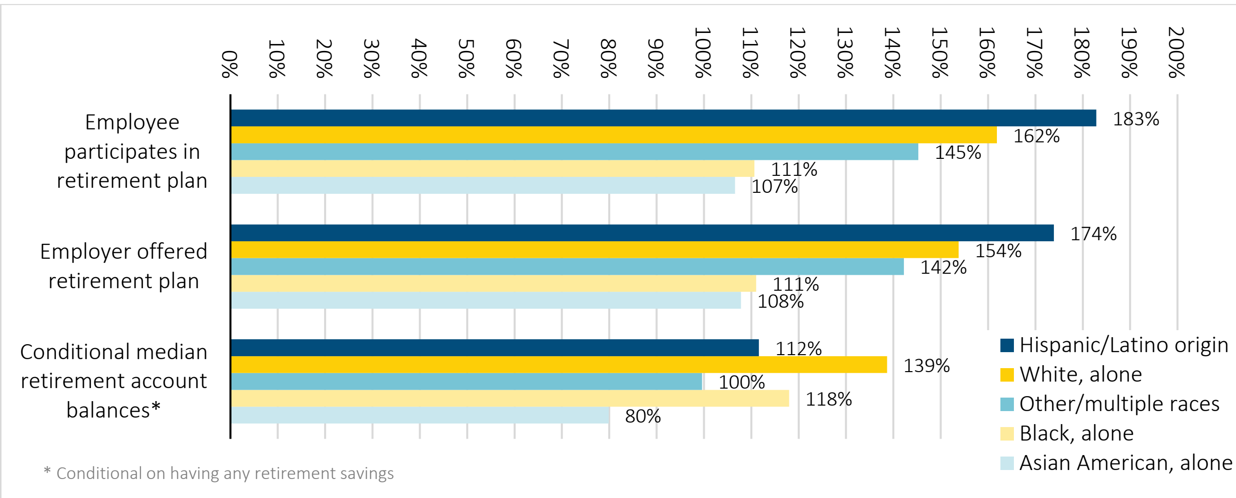
[20] The underlying data are included in Tables 1, 2 and 3.

the survey. Data for 2021 and 2022 are combined to ensure sufficiently large sample sizes. The sample includes all adults 25 years old and older. Conditional averages and medians are calculated only for people with such plans. All dollar values are in December 2022 dollars using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series, to deflate nominal values. Sources are the U.S. Census Bureau (2022, 2023). Survey of Income and Program Participation, 2022/2023. Washington, DC: Census

The data on individual retirement savings measures based on the SIPP show somewhat more consistent patterns (Figure 10). U.S.-born workers generally have more access to retirement savings plans and have larger account balances than foreign-born workers (Figure 10).[21] The only exception here are the account balances of Asian American workers. Median account balances of Asian American U.S.-born workers amounted to only 79.9% of the account balances of Asian American foreign-born workers. This is the only group where foreign born workers had larger account balances than U.S.-born workers. In contrast, the largest gaps by foreign-born status exist for account balances among white workers and retirement plan access among workers of Hispanic/Latino origin (Figure 10). In comparison to the household data from the SCF, U.S.-born workers generally have more access, larger participation rates and greater account balances than foreign-born workers in most, if not all, population groups (Figure 10).

Figure 10

INDIVIDUAL RETIREMENT SAVINGS MEASURES OF US BORN WAGE AND SALARY WORKERS RELATIVE TO FOREIGN BORN WORKERS, 2020 TO 2021 (SIPP)



Notes: Racial and ethnic categories are not mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Data for 2020 and 2021 are combined to ensure sufficiently large sample sizes. The sample includes all adults 25 years old and older. Conditional averages and medians are calculated only for people with such plans. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. All dollar values are in December 2022 dollars using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series, to deflate nominal values. Sources are the U.S. Census Bureau (2022, 2023). Survey of Income and Program Participation, 2022/2023. Washington, DC: Census

The evidence on differences in retirement savings measures between foreign-born/non-permanent residents and U.S.-born/permanent residents is mixed, but skews towards more retirement savings among U.S.-born/permanent residents, especially among Black and Hispanic/Latino households.

[21] The underlying data are included in Table A-6 and A-11.

Section 3: Racial and Ethnic Differences in Retirement Plan Access, Participation, Contributions and Liquidity

Many factors contribute to racial differences in retirement wealth over time. Broadly speaking, those factors fall into either plan-related aspects or economic risk factors. This section presents data on plan-related aspects. These include retirement plan access (specifically, whether employers offer a plan), retirement plan participation through an employer, contributions to an employment-based plan, liquidity and risk preferences in an employment-based retirement plan. The data summaries show several key points:

- **Access to retirement plans through an employer varies by race and ethnicity.** Black and Hispanic/Latino households, as well as those of other or multiple races or ethnicities, are less likely to work for an employer that offers a retirement plan than is the case for Asian American and white households. At the high end, 85.0% of Asian American households worked for employers that offered a plan (Figure 11). At the other end, 56.6% of Hispanic/Latino households did (Figure 11 and Table A–9 in the appendix).

- **Participation varies with differences in access to and take-up of retirement plans.** Hispanic/Latino wage and salary employees, who are 25 years and older, participate in retirement plans at a rate of 42.4% (a take-up rate of 74.8% after accounting for those who have access), while those of East Asian heritage participate at a rate of 78.2% (a take-up rate of 92.1%) (Figure 11 and Table A–9). These differences in take-up of employer-offered plans tend to exacerbate the already existing differences in access by race and ethnicity.

- **Employee contributions vary little by race and ethnicity.** Only Asian American households have median employee contribution rates above about 5% with 7.2% in 2022. For all other groups, the median contribution rate equaled about 5% (Figure 13 and Table A–12 in the appendix).

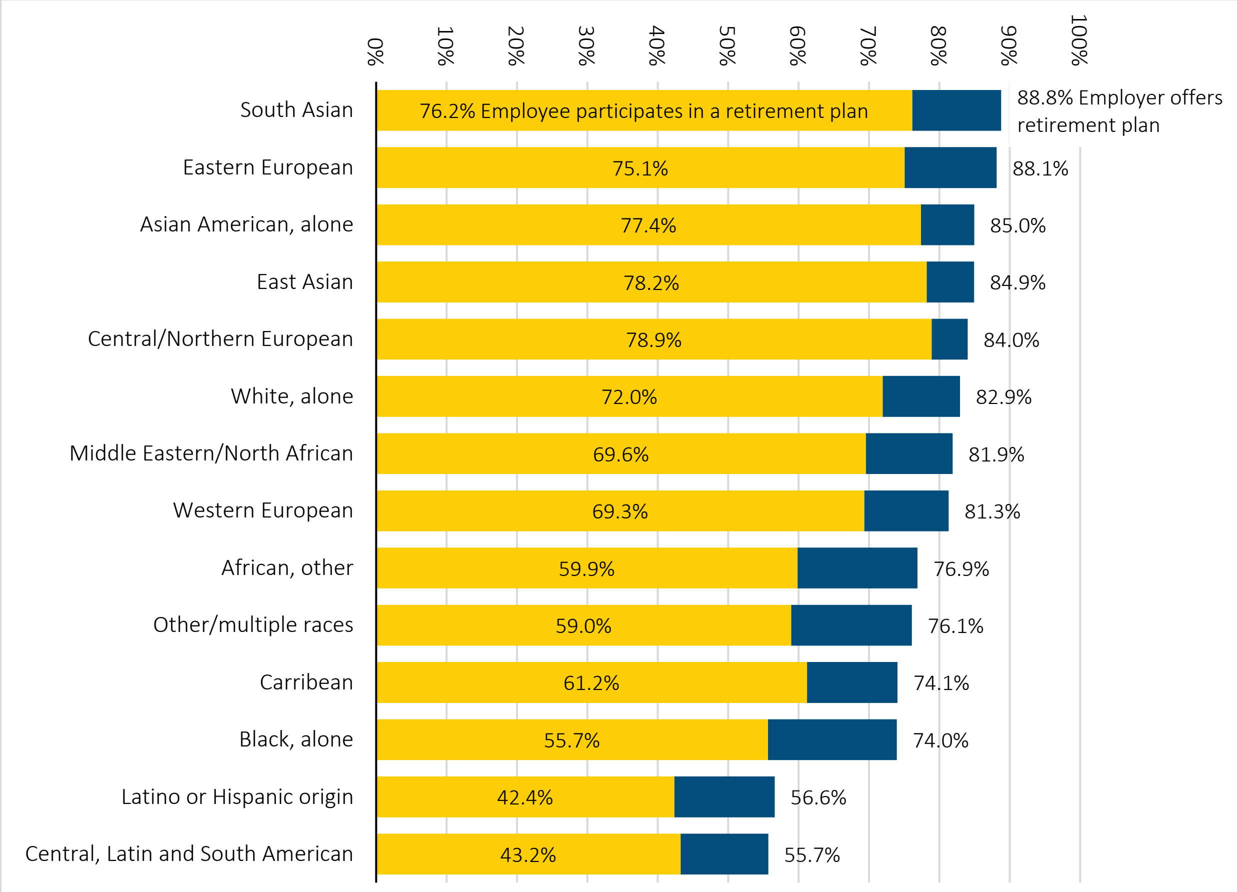
Liquidity and risk preferences vary by race and ethnicity. Among Black households with a 401(k) account, 15.4% had outstanding pension loans, compared to only 3.7% of Asian American households and 7.9% of white households (Figure 14 and Table A–14 in the appendix). The median stock allocation also amounted to 50.0% for Black, Hispanic/Latino, and households of other/multiple races, while it was 65.0% for Asian American households and 55.0% for white households (Figure 14 and Table A–14 in the appendix). The following data summaries highlight racial and ethnic differences with respect to key retirement savings aspects. The bottom line is that retirement plan access, liquidity needs and risk preferences differ, while participation and contributions do not. That is, the differences in retirement wealth do not follow from personal failings, but from obstacles in the labor market and larger economic risk exposure that necessitates more liquidity and lower risk exposure.

3.1 ACCESS TO AND PARTICIPATION IN EMPLOYER-SPONSORED RETIREMENT PLANS BY RACE AND ETHNICITY

The share of people who worked for an employer who offered a retirement plan varies by race and ethnicity (Figure 11 and Table A–9 in the appendix). At the high end, 85.0% of Asian American households worked for employers that offered a plan (Figure 11). At the other end, 56.6% of Hispanic/Latino households did (Figure 11 and Table A–9 in the appendix). Among the more detailed select heritage categories, only 55.7% of households of Central, Latin and South American heritage worked for an employer that offered a plan compared to 88.9% of households of South Asian heritage (Figure 11 and Table A–9 in the appendix). Moreover, access to plans primarily refers to DC plans (Table A–9). Working for an employer that provides access to employment-based retirement plans is a crucial aspect of racial retirement wealth inequality.

Figure 11

2022 HOUSEHOLD ACCESS AND PARTICIPATION RATES BY RACE AND ETHNICITY (SCF)

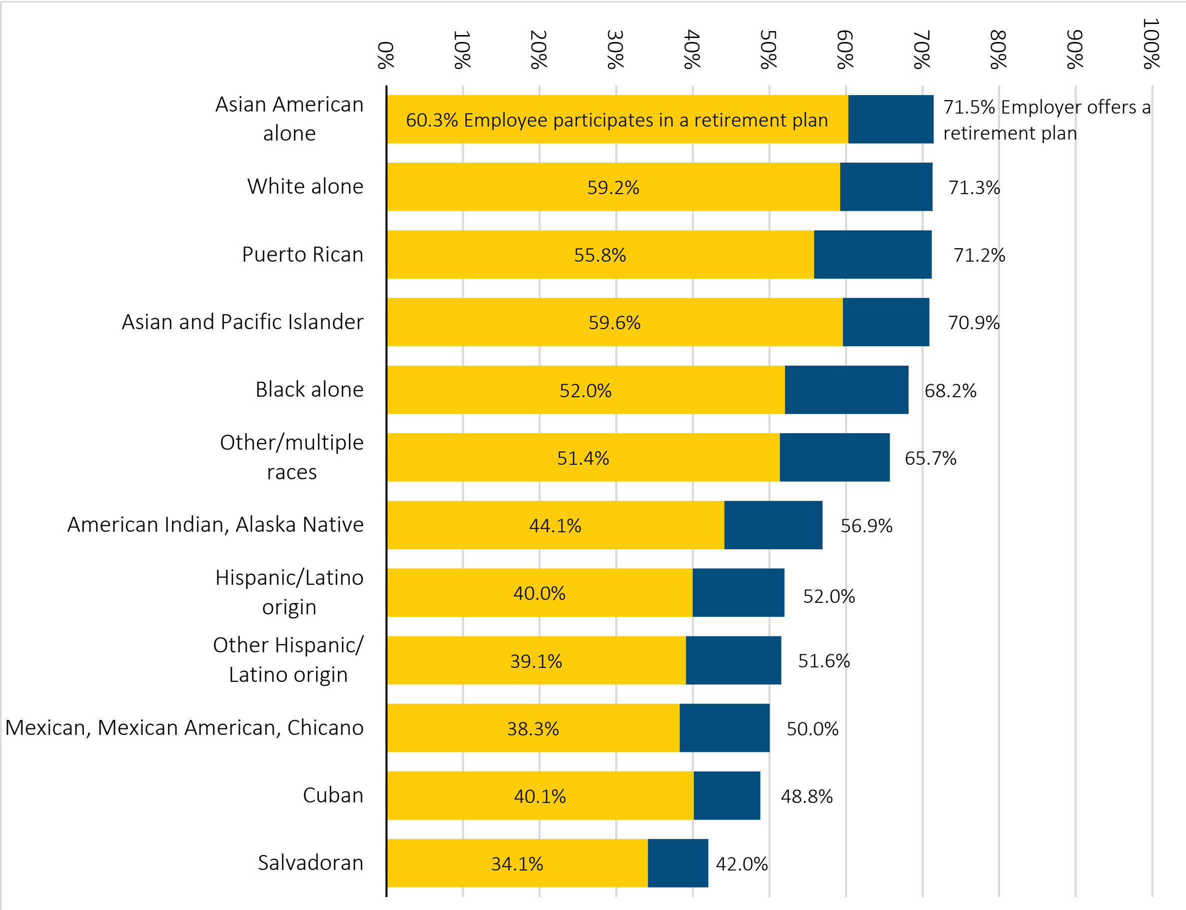


Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Heritage categories refer to the first indicated heritage out of three possible answers for the respondent. Employers that offer a plan are the sum of people who participate in a retirement plan at work and those who work for an employer that has a retirement plan, but who do not participate. Employees who have access to a retirement plan at work are the sum of those who participate in a retirement plan at work and those who work for an employer that offers a plan where they could have participated but did not. The sample includes households headed by adults 25 years old and older, who work in wage and salary employment. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

Retirement plan participation—whether a household has a retirement benefit from a current employer—also varies by race and ethnicity, but those variations largely mirror the differences in retirement plan access (Figure 11 and Table A–9). Participation rates vary from a low of 42.4% of Hispanic/Latino wage and salary employees, who are 25 years old and older, to a high of 78.9% among those of East Asian heritage (Figure 11 and Table A–9). Moreover, the share of people who participated relative to those who had access varied between 74.8% of Hispanic/Latino households—42.4% to 56.6%—and a high of 93.9%—78.9% to 84.0%—among those of East Asian heritage (Figure 11 and Table A–9). That is, there are substantial differences in the take-up rates by race and ethnicity. Those differences further exacerbate the already existing racial and ethnic differences in working for an employer that offers a retirement plan.

Summary data for access and participation of individuals to employer plans based on the SIPP show similar results (Figure 12 and Table A–10). The share of people 25 years old and older who work in wage or salary employment and who have access to an employer plan ranges from a high of 71.5% for Asian American workers to a low of 42.0% of Salvadoran workers (Figure 12 and Table A–10).

Figure 12
2020 AND 2021 INDIVIDUAL ACCESS AND PARTICIPATION RATES BY RACE AND ETHNICITY (SIPP)



Notes: Racial and ethnic categories are not mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Data for 2020 and 2021 are combined to ensure sufficiently large sample sizes. Some racial and ethnic categories are combined to ensure sufficiently large sample sizes. Employers that offer a plan are the sum of people who participate in a retirement plan at work and those who work for an employer that has a retirement plan, but who do not participate. Employees who have access to a retirement plan at work are the sum of those who participated in a retirement plan at work and those who worked for an employer that offered a plan where they could have participated but did not. The sample includes adults 25 years old and older, who work in wage and salary employment. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. Sources are the U.S. Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021, 2022. Washington, DC: Census.

Participation rates also vary widely among individuals by race and ethnicity. At the low end, 34.1% of Salvadoran workers participate in a retirement plan at work, while a high of 60.3% of Asian American workers participate (Figure 12 and Table A–10 in the appendix). Moreover, the ratio of participation to access fluctuates between 75.8% for Other Hispanic/Latino workers (39.1% to 51.6%) and 84.3% for Asian American workers (60.3% to 71.5%) (Figure 12 and Table A–10 in the appendix). Again, having access to an employer retirement plan, especially a 401(k)-type plan, is the primary gateway to saving for retirement for all workers. Differences in workers' participation then very slightly exacerbates the inequality of access by race and ethnicity.

Breaking down data on access to and participation in employer retirement plans by additional characteristics, such as age and education, does not change the overall conclusions (Table 3). There is still substantial variation in access by race and ethnicity. Hispanic/Latino households almost always have the least access and, thus, also the lowest participation rates (Table 3). In contrast, Asian American households almost always had the highest rate of working for an employer who offered a plan or a close second share to white workers (Table 3). Moreover, the ratio between participating in a plan to the share of people working for an employer that offered a plan was always higher for Asian American households than for any other group, and that same ratio was always lower for Black and Hispanic/Latino households, as well as for households of other/multiple races or ethnicities than for Asian American or white households.[22] Working for an employer that offers a plan, especially a 401(k)-type plan, is both crucial to saving for retirement and highly unequally distributed by race and ethnicity. Participating in such a plan, which is in part determined by eligibility rules and in part by people's ability to save due to sufficient incomes and economic stability, further exacerbates the racial and ethnic differences in working for an employer that offers a plan.

Table 3

2022 RETIREMENT PLAN SPONSORSHIP AND PARTICIPATION RATES OF HOUSEHOLDS BY SELECT CHARACTERISTICS, RACE AND ETHNICITY (SCF)

		Asian American, alone	Black, alone	Hispanic/ Latino origin	Other/ multiple races	White, alone
All wage and salary workers	Employer offered retirement plan	85.0%	74.0%	56.6%	76.1%	82.9%
	Employee participates in retirement plan	77.4%	55.7%	42.4%	59.0%	72.0%
Respondent without college degree	Employer offered retirement plan	n.a.	66.7%	49.5%	70.3%	79.2%
	Employee participates in retirement plan	n.a.	48.2%	34.9%	51.8%	64.6%
Respondent with college degree	Employer offered retirement plan	87.8%	86.4%	80.3%	91.1%	86.6%
	Employee participates in retirement plan	81.2%	68.5%	67.1%	77.4%	79.2%
Respondent younger than 50 years old	Employer offered retirement plan	88.9%	73.0%	58.4%	71.5%	83.4%
	Employee participates in retirement plan	79.7%	52.8%	41.0%	55.0%	72.2%
Respondent 50 years old and older	Employer offered retirement plan	75.5%	75.6%	52.8%	86.4%	82.3%
	Employee participates in retirement plan	71.8%	60.6%	45.3%	67.8%	71.7%
Household income below median	Employer offered retirement plan	n.a.	65.4%	37.0%	56.9%	68.1%
	Employee participates in retirement plan	n.a.	38.9%	18.8%	33.6%	47.5%
Household income above median	Employer offered retirement plan	88.7%	84.1%	82.6%	93.0%	88.9%
	Employee participates in retirement plan	83.7%	75.6%	73.5%	81.3%	81.7%
Respondent all of life in U.S.	Employer offered retirement plan	89.0%	73.6%	74.6%	77.7%	82.8%
	Employee participates in retirement plan	84.4%	52.5%	54.1%	58.1%	71.4%
Respondent not all of life in U.S.	Employer offered retirement plan	83.4%	75.2%	43.8%	71.8%	83.4%
	Employee participates in retirement plan	74.6%	65.3%	34.0%	61.2%	74.8%

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. The samples include households headed by adults 25 years old and older, who work in salary or wage employment. Source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed. "n.a." stands for not available due to sample sizes less than 200 observations in five replicates.

3.2 CONTRIBUTIONS TO EMPLOYER-SPONSORED RETIREMENT PLANS BY RACE AND ETHNICITY

Median contribution rates vary little between most population groups (Figure 13 and Table A–12 in the appendix). Only Asian American households have median employee contribution rates above about 5% with 7.2% in 2022 (Figure 13 and Table A–12 in the appendix). For all other groups, the median contribution rate equaled about 5% (Figure 13 and Table A–12 in the appendix). Moreover, median contribution rates varied very little among subpopulation groups, broken down by other aspects such as age and education (Table A–12 in the appendix).[23] Differences in saving rates are of similar or lower importance for racial retirement wealth inequality than differences

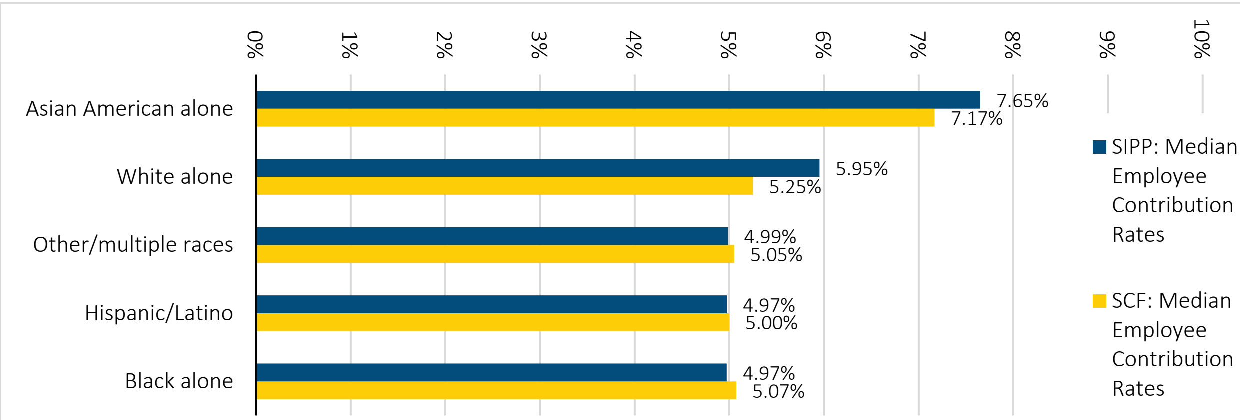
[22] Calculations based on Table 3, not shown here. The data for individuals based on the SIPP result is very similar conclusions as the household data based on the SCF (Table A-13 in the appendix).

[23] Median employer contributions, not shown here, vary little for all groups and are typically close to 3% percent of wages.

in other factors. Access to retirement plans at work and gaps in economic risk exposure, such as income fluctuations and job instability, play larger or similar roles, as discussed further below.

Figure 13

2022 (SCF) AND 2020 TO 2021 (SIPP) MEDIAN EMPLOYEE CONTRIBUTION RATES AS SHARE OF WAGES BY RACE AND ETHNICITY



Notes: For both SCF and SIPP, the category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. SCF racial and ethnic categories are mutually exclusive. SCF samples include households headed by somebody 25 years old and older who works as a wage and salary employee and who has employee contributions to an employment-based plan. The SCF source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed. SIPP racial and ethnic categories are not mutually exclusive. SIPP calculations combine data for 2020 and 2021 to ensure sufficiently large sample sizes. SIPP samples include all adults 25 years old and older who are wage and salary employees with employee contributions to an employment-based plan. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. SIPP sources are the U.S. Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021, 2022. Washington, DC: Census.

Considering data for individuals, rather than households, based on the SIPP, changes the conclusions only slightly (Figure 13 and Table A–13). Asian American workers still have the highest median contribution rates, but now white workers have somewhat higher contribution rates than the remaining three population groups (Figure 13 and Table A–13). Further, there is some variation among additional subpopulation groups, although those depend on comparatively small sample sizes. The overall conclusion is still that contribution rates are one factor in contributing to racial and ethnic retirement wealth inequality. But access to a retirement plan, among other factors, likely plays a larger role in determining retirement wealth differences between groups and within groups.

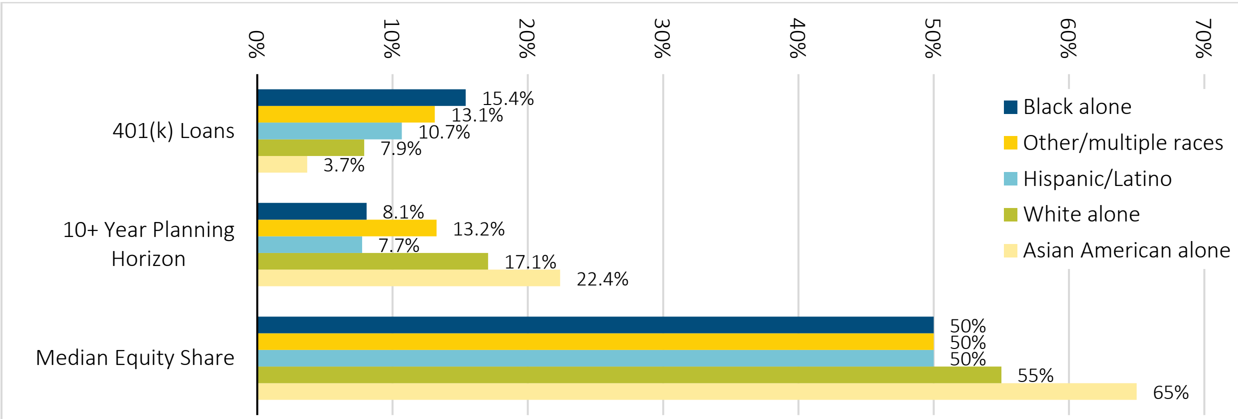
3.3 LIQUIDITY AND RISK PREFERENCE MEASURES IN RETIREMENT SAVINGS BY RACE AND ETHNICITY

The need for liquidity and lower risk preferences can offset the positive impact of contributions. Greater liquidity in the form of more pension loans or lower risk preferences reflected in a smaller allocation towards stocks in retirement plans can reduce the rate of return on people's savings. The need for greater liquidity can also go along with a more short-term focus on people's finances, which can reduce savings overall since people may not be able to concentrate as well on longer-term savings goals. Figure 14 (and Table A–14 in the appendix) summarizes the likelihood of having a pension loan, share of equities in retirement savings and share of people with financial planning horizons of 10 years or more.

The data show differences in liquidity by race and ethnicity (Figure 14 and Table A–14 in the appendix). For instance, 15.4% of Black households with a 401(k) account had outstanding pension loans, compared to only 3.7% of Asian American households and 7.9% of white households (Figure 14 and Table A–14 in the appendix). The median stock allocation also amounted to 50.0% for Black, Hispanic/Latino, and households of other/multiple races, while it was 65.0% for Asian American households and 55.0% for white households. Additionally, only 7.7% of Hispanic/Latino households and 8.1% of Black households had a planning horizon of 10 years or more, while 22.4% of Asian American households did (Figure 14 and Table A–14 in the appendix).

Figure 14

2022 SELECT MEASURES OF SAVING BEHAVIOR, LIQUIDITY AND RISK PREFERENCES BY RACE OR ETHNICITY (SCF)



Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee. For 401(k) loans and equity allocations, only those who have 401(k)-type accounts are included. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

The need for liquidity is much greater in some groups than others, feeding back into lower retirement savings over time. Importantly, a greater need for liquidity does not mirror age differences. Asian American households have the smallest share of people over 50 years old and have the same median age as Hispanic/Latino households. In contrast, Black and white households have the same median age of 46 years and similar shares of people 50 years old and older (Table A–3). Thus, differences in liquidity needs likely reflect differences in economic risk exposures by race and ethnicity.

Section 4: Economic Risk Exposure and Retirement Savings by Race and Ethnicity

Households can face economic risks throughout their careers. Economic risks, such as declining health or layoffs, can make it more difficult to save, even as greater risk exposure should provide an incentive to save more. Black and Hispanic/Latino households, as well as households of other or multiple races or ethnicities, have greater risk exposure in the labor market, in health care, through their kin networks and through criminal justice interactions, to name some of the most prominent ones. The data summary shows several key points:

- **Job and income stability are stronger among households with a 401(k) plan.** For all racial/ethnic groups, except Asian Americans, having a 401(k) plan is associated with longer job tenure (Figure 15 and Table A–15 in the appendix). Additionally, workers from all racial and ethnic groups experience less likelihood of having an unusually low income when they have a 401(k) plan than when they do not. This is especially true for Black and Hispanic/Latino workers (Figure16 and Table A–15 in the appendix).

- **Providing financial support to family members may pose an obstacle to saving for retirement for non-white and/or Hispanic/Latino households.** All non-white and/or Hispanic/Latino groups are more likely than white households to provide informal financial support (Figure 17 and Table A–16 in the appendix). Further, for all groups other than Asian American households, the share of households providing informal financial support is larger among those who participate in a 401(k) plan at work than for wage and salary employees overall (Figure 18, and Table A–17 in the appendix).

- **Poor health goes along with lower retirement plan participation and, for some groups, lower contributions.** Median employee contributions are lower for Asian American and Hispanic/Latino households when at least one spouse is in poor/fair health compared to when everyone is in good health (Figure 19 and Table A–18 in the appendix). Other than for white households, the chance of a pension loan is at least twice as high for households with somebody in poor or fair health than for households with nobody in poor or fair health (Table A–18 in the appendix). Those with medical debt are between 6% and 22% less likely to have a retirement account, between 50% and 75% less likely to have account balances of $100,000 or larger, and between 150% and 300% more likely to have borrowed or withdrawn money from retirement accounts (Figure 20 and Table A–19 in the appendix).

- **The likelihood of having or having had a family member in prison or jail is correlated with lower retirement plan balances and more pension loans** (Figure 21 and Table A–20 in the appendix). White households and households of other or multiple races or ethnicities are less likely to have a retirement plan when they have a family member in jail or prison, while Black people are more likely to participate in a retirement plan (Figure 21 and Table A–20 in the appendix).

- **Retirement plan participation is lower when facing perceived discrimination for all racial/ethnic groups except Black workers** (Figure 22, Table A–21 in the appendix). The likelihood of having retirement savings is higher for Black people when facing perceived discrimination than when not facing perceived discrimination (Figure 22 and Table A–21 in the appendix).

Risk exposure is generally more widespread among all non-white or Hispanic/Latino groups. Overall, greater risk exposure goes along with lower retirement plan participation and smaller retirement account balances.

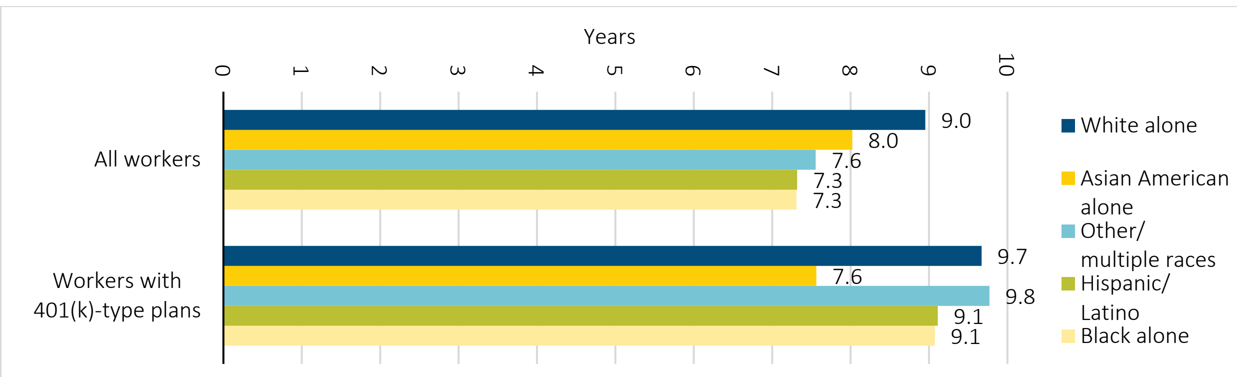
4.1 INCOME AND JOB INSTABILITY AND RETIREMENT SAVINGS BY RACE AND ETHNICITY

Income and job stability matter for retirement savings for several reasons. For one, longer tenure with an employer makes it more likely that workers vest in a retirement plan. Also, greater job stability makes it easier for people to plan and, thus, are more likely to sign up for an employer's plan and contribute to it. The same holds with respect to income stability. More predictability makes planning easier and results in more retirement savings.[24] Fewer risks that result in job and income instability, then, should translate into more retirement savings—larger participation rates, possibly higher contribution rates and larger account balances.

Figure 15 shows the average tenure for all wage and salary workers and those with a 401(k)-type plan by race and ethnicity in 2022. All groups of workers, other than Asian Americans, had longer tenures when they had a 401(k)-type plan (Figure 15 and Table A–15 in the appendix). This likely reflects the fact that Asian American workers with a 401(k)-type plan are younger than wage and salary workers overall (Table A–3), the only population group for whom this is the case. By and large, these numbers suggest that longer tenure goes along with a higher likelihood to participate in a retirement account, as expected. But, at the same time, the average tenure of Black and Hispanic/Latino households as well as households of other and multiple races or ethnicities is generally shorter than that of white households (Figure 15 and Table A–15 in the appendix). This suggests that those population groups face more job instability and thus larger obstacles to participating in an employer retirement plan.

Figure 15

2022 AVERAGE TENURE BY RACE AND ETHNICITY(SCF)



Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee and, in the second panel, who participates in a 401(k)-type plan through their current employer. Source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

Income volatility also varies by race and ethnicity and poses varying obstacles to saving for retirement (Figure 16 and Table A–15 in the appendix). Among all wage and salary households, Black and Hispanic/Latino households, as well as households of other or multiple races or ethnicities, were more likely to see unusually low incomes in 2021 than was the case for white households. For example, 24.8% of Black wage and salary households had unusually low incomes in 2021 compared to 12.6% of white households (Figure 16 and Table A–15 in the appendix).[25] This income volatility is lower for all population groups when they participate in an employer's 401(k) plan (Figure 16 and Table A–15 in the appendix). For Black and Hispanic/Latino households, more so than for the other three racial and ethnic

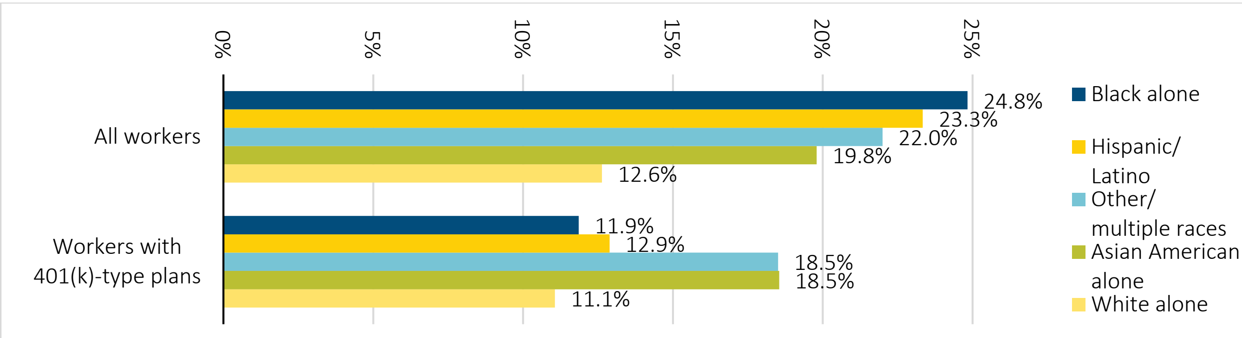
[24] There is a related argument that says greater income uncertainty should result in more precautionary – emergency – savings.

[25] Large shares of households with unusually low incomes in 2021 are somewhat surprising. Many households received additional Economic Impact Payments (EIP) in addition to advanced Child Tax Credit (CTC) payments amid a rapidly improving labor market.

groups, participating in an employer's 401(k) plan is associated with a much lower likelihood of having an unusually low income (Figure 16 and Table A–15 in the appendix). This indicates that income volatility is not only more widespread among some groups, but likely poses a bigger obstacle to participating in retirement plans at work for Black and Hispanic/Latino workers.

Figure 16

2021 SHARE OF HOUSEHOLDS WITH UNUSUALLY LOW INCOMES BY RACE AND ETHNICITY (SCF)



Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee and, in the second panel, who participates in a 401(k)-type plan through their current employer. Source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

4.2 THE NEED TO PROVIDE SUPPORT FOR FAMILY AND RETIREMENT SAVINGS BY RACE AND ETHNICITY

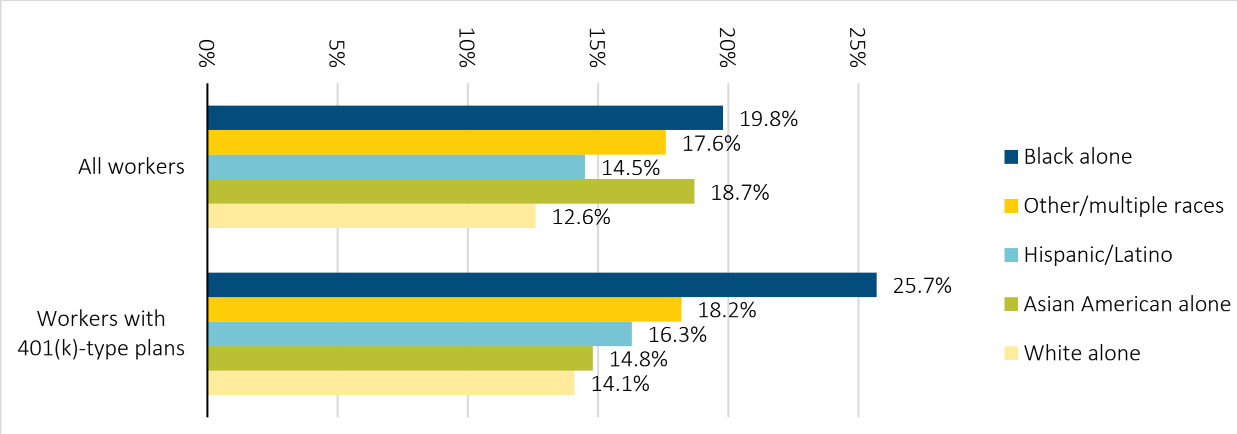
Households can face financial risks due to demands on their finances from within their kin networks. Their children, siblings, parents, and grandparents may need financial assistance on short notice when an emergency arises and other financial sources are insufficient. As Black and Hispanic/Latino households, as well as households of other or multiple races, typically have less wealth than white households, they are more likely to have to rely on informal financial assistance from family and friends.

The relationship between informal financial support and retirement savings is somewhat complex. Households need to have savings in the first place to provide financial support to friends and family. That is, those who provide informal financial support should have more retirement savings than those who do not. But, at the same time, those who provide informal financial support need more access to their savings, i.e., they need more liquidity which, in turn, can lower the return on their retirement savings and result in slower growing balances (Francis & Weller, 2022).

Figure 17 (and Table A–16 in the appendix) summarizes the data on the potential financial risks that households in different population groups face from their needs to support their families and kin networks. All non-white and/or Hispanic/Latino groups are more likely than white households to provide informal financial support (Figure 17 and Table A–16). Their annual financial support amounts to larger shares of their financial assets. Additionally, they are much more likely to have their parents living with them or financially dependent on them (Table A–16). The economic risks from potential financial needs arising from within families and kin networks are greater for non-white and/or Hispanic/Latino wage and salary workers than for white wage and salary households.

Figure 17

2022 SHARE OF HOUSEHOLDS PROVIDING FINANCIAL SUPPORT TO OTHER HOUSEHOLDS BY RACE AND ETHNICITY (SCF)



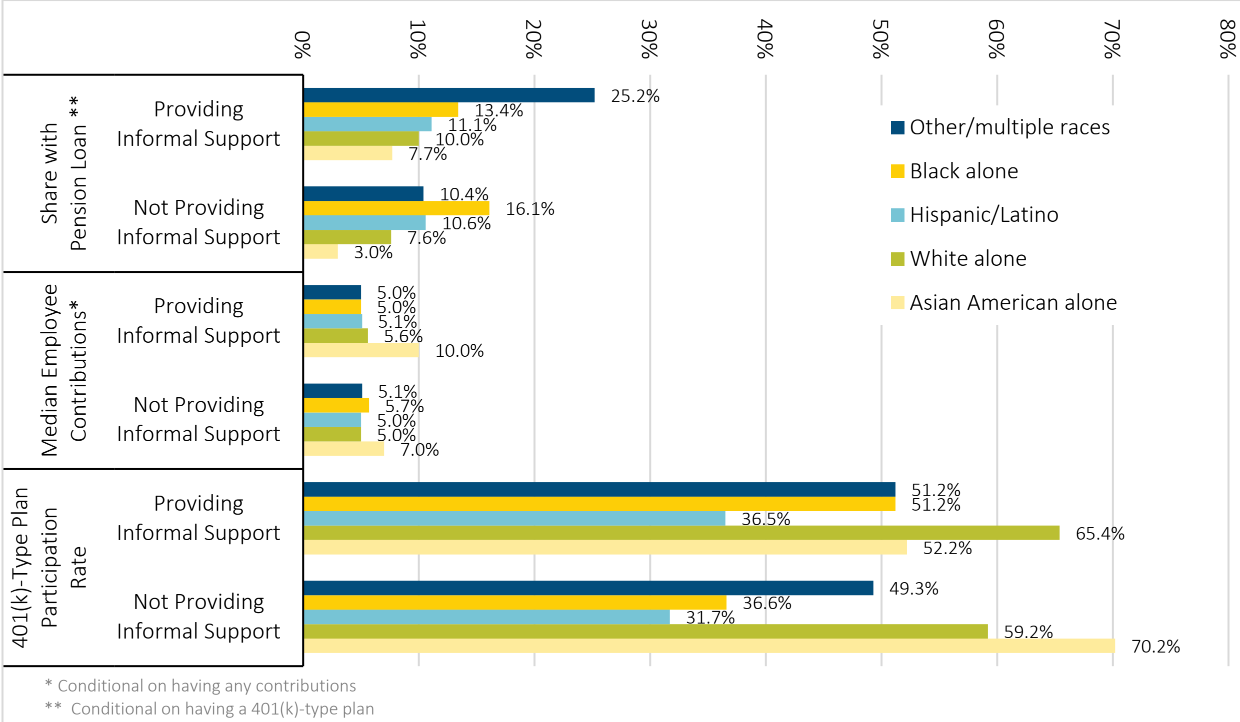
Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee and, in the second panel, who participates in a 401(k)-type plan through their current employer. Financial support refers to financial payments to family and friends, other than gifts or alimony. The amount of financial support is the sum across all recipients. The median amount of financial support and the average number of support recipients are conditional on providing financial support. Parental care risk refers to parents or grandparents being either financially dependent on the household or living with the household. The sample sizes for households with 401(k)-type plans through their current employers, who also provided financial support to family or friends, are too small to allow for the calculation of conditional amounts and the number of recipients. Source is the Board of Governors Of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed

Further, for most groups other than Asian American households, the share of households providing informal financial support is larger among those who participate in a 401(k) plan at work than for wage and salary employees overall, as expected (Figure 17 and Table A–16 in the appendix). Generally, households have some retirement savings while they are providing informal financial support.

Informal financial support to family and friends is the most widespread form of family-related risk. Figure 18 (and Table A–17 in the appendix) summarizes retirement plan participation and contributions, as well as pension loans by informal financial support. Those who provide financial support are generally more likely to participate in an employer's 401(k)-type plan than those who do not provide financial support. The exception is Asian American households (Figure 18 and Table A–17 in the appendix). They are less likely to have a 401(k) plan at work when they provide informal financial support than when they do not provide such support—52.2% compared to 70.2% (Figure 18 and Table A–17 in the appendix). This, again, confirms that households generally have retirement savings while they provide informal financial support.

Figure 18

2022 SHARE OF HOUSEHOLD RETIREMENT SAVINGS MEASURES BY INFORMAL FINANCIAL SUPPORT AND RACE AND ETHNICITY (SCF)



Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee. Only households with employee contributions are included to calculate the median employee contribution rate, which represents the median share of wages contributed to employment-based retirement plans. Only households with 401(k)-type plans are included when calculating the share with pension loans. Financial support refers to financial payments to family and friends, other than gifts or alimony. Source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed

At the same time, those who provide informal financial support and who have a 401(k) account are also much more likely to have pension loans outstanding than those who do not provide informal financial support. The relative difference is especially large for Asian American households—7.7% compared to 3.0% (Figure 18 and Table A–17 in the appendix)—and households of other or multiple races or ethnicities—25.2% compared to 10.4% (Figure 18 and Table A–17 in the appendix). The exception here is Black households who are somewhat less likely to have a pension loan outstanding when they provide informal financial support than when they do not (Figure 18 and Table A–17 in the appendix). Generally speaking, informal financial support necessitates more liquidity and lower risk preferences.

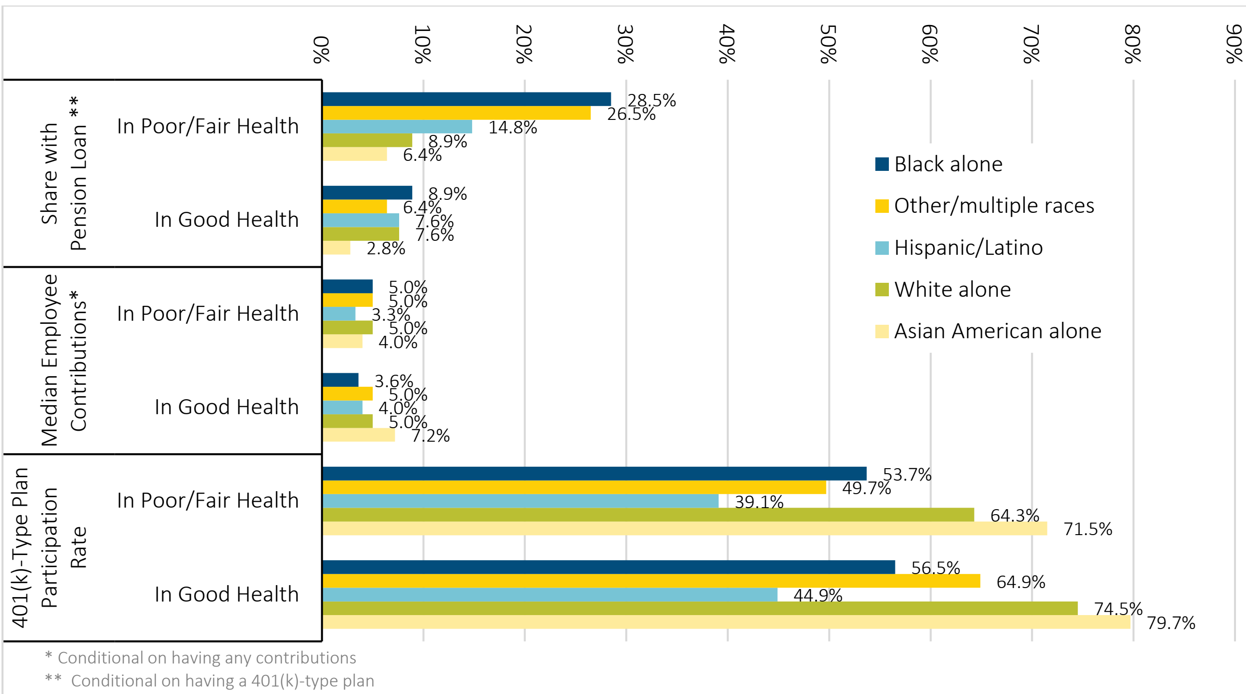
Overall, family-related risks, such as the need to provide informal financial support or provide care to older adults, are more widespread among all non-white and/or Hispanic/Latino groups than among white households. And, providing financial support, which is the most common form of assistance to family members outside the household, goes along with a greater need for liquidity among Black and Latino households, which can impede the growth of retirement savings.

4.3 HEALTH CHALLENGES AND RETIREMENT SAVINGS BY RACE AND ETHNICITY

Households that face health challenges typically have a harder time saving for retirement. Health challenges can make it more difficult for people to stay continuously employed and the additional costs squeeze out money that otherwise would have gone to retirement savings.[26] Figure 19 (and Table A–18 in the appendix) summarizes retirement plan participation and contributions by self-reported health status among wage and salary workers who are at least 25 years old. Households with at least one spouse in poor or fair health are much less likely to have a 401(k) account through their employer than those who are in good health. And all groups, other than Black households, contribute less when they have a 401(k) account and at least one spouse in poor or fair health than when everyone is in good health (Figure 19 and Table A–18 in the appendix). Finally, having at least one spouse in poor or fair health increases the chance of a pension loan—an indication of additional liquidity needs. Other than for white households, the chance of a pension loan is at least twice as high for households with somebody in poor or fair health than for households with nobody in poor or fair health (Table A–18 in the appendix). There is a contemporaneous link between poor or fair health and fewer retirement savings for all groups through less retirement plan participation, lower contributions or both.

Figure 19

2022 SHARE OF HOUSEHOLD RETIREMENT SAVINGS MEASURES BY HEALTH STATUS AND RACE AND ETHNICITY (SCF)



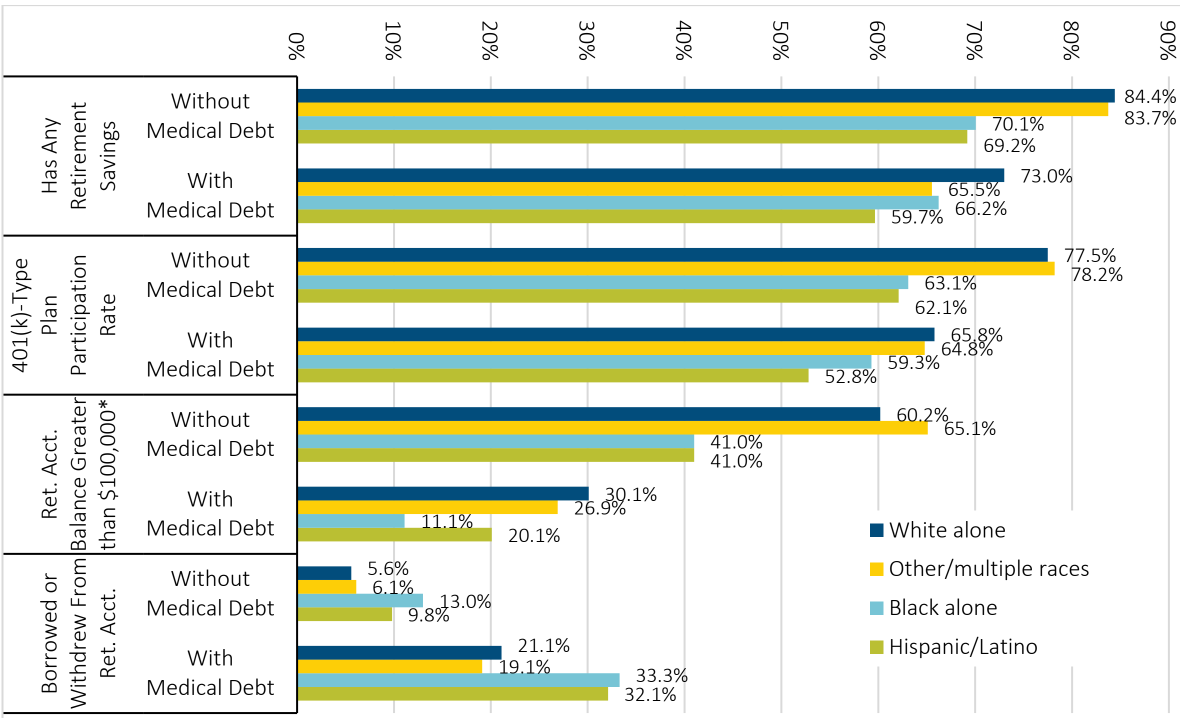
Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee and who has a 401(k)-type plan. Only households with employee contributions are included to calculate the median employee contribution rate, which represents the median share of wages contributed to employment-based retirement plans. The share of people with pension loans is calculated only for people with a positive balance in their 401(k)-type account. Health status refers to both spouses. Health status is a self-reported measure. People can indicate whether they or their spouse/partner are in excellent, good, fair or poor health. The analysis groups poor and fair health together to indicate bad health outcomes. Thus, good health means that both spouses in a married/partnered couple are in good health. Poor/fair health indicates that at least one spouse is in poor or fair health. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

[26] Again, the related argument is that those who deal with health issues or know that they are more likely to face health challenges in the future should also build up more precautionary savings.

There is also a longer-term link between health issues and retirement savings. Many households end up with medical debt, even if they have health insurance, because of large health care costs. Medical debt is more widespread in some groups than others. Among people 25 years old and older, who work in wage and salary employment, 25.7% of Black people had medical debt in 2021 and 2022, compared to 18.2% of Hispanic/Latino people, 15.7% of white people and 11.4% of people of other or multiple races or ethnicities.[27] These outstanding debts could make it harder for people to save for retirement since they may need to focus on repaying that debt or because they face higher costs elsewhere since medical debt is a key factor in worsening credit scores. Figure 20 and Table A–19 in the appendix summarize participation rates, an indicator of whether people had 401(k) account balances of $100,000 or greater, and whether people borrowed or withdrew funds from their retirement accounts. Having medical debt is a stark dividing line between more and less retirement savings. Those with medical debt are between6% and 22% less likely to have a retirement account, between 50% and 75% less likely to have account balances of $100,000 or larger, and between 150% and 300% more likely to have borrowed or withdrawn money from retirement accounts (Figure 20 and Table A–19 in the appendix). Medical debt, reflecting the longer-term challenges of health issues, goes along with much lower retirement savings through less participation and greater liquidity needs.

Figure 20

2021 AND 2022 SHARE OF HOUSEHOLD RETIREMENT SAVINGS MEASURES BY MEDICAL DEBT AND RACE AND ETHNICITY (SHED)



* Conditional on having a 401(k)-type plan

Notes: Racial and ethnic categories are mutually exclusive. Asian American people and people of other and multiple races and ethnicities are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories include Asian American, American Indian, Native Alaskan and Pacific Islander households, in addition to other races and ethnicities that are not listed in the survey. The survey asks people whether they borrowed or withdrew from their retirement accounts. Answers are

[27] Authors' calculations based on Board of Governors of the Federal Reserve System (2022, 2023). Survey of Household Economics and Decisionmaking, 2021, 2022. Washington, DC: Fed.

combined to preserve sample sizes. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee. The source is the Board of Governors of the Federal Reserve System (2022, 2023). Survey of Household Economics and Decisionmaking, 2021, 2022. Washington, DC: Fed.

4.4 INCARCERATION RISK AND RETIREMENT SAVINGS BY RACE AND ETHNICITY

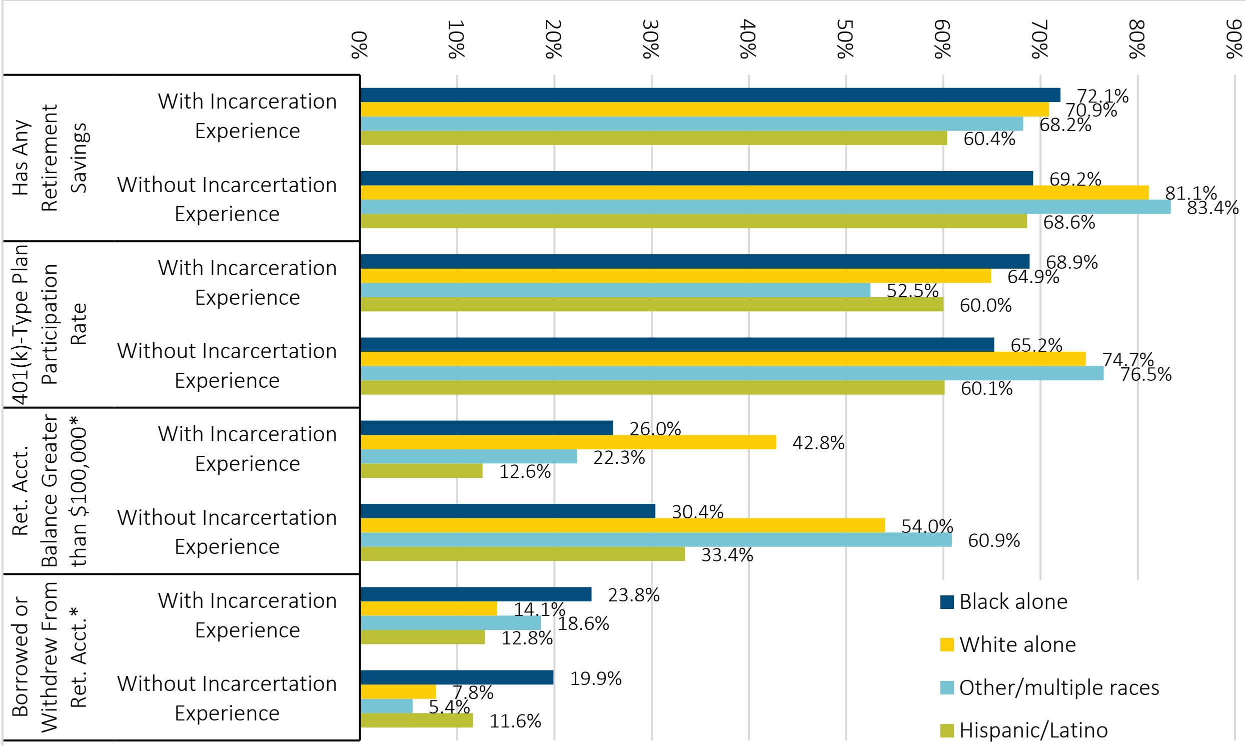
Interactions with the criminal justice system that result in incarceration of a family member pose a financial challenge for families, especially to Black households. In particular, 37.4% of Black people who were 25 years old and older and who worked in wage or salary employment had a family member in jail or prison now or in the past. In comparison, this was the case for 23.9% of Hispanic/Latino people, 17.4% of white people and 14.8% of people of other or multiple races or ethnicities.[28] Having a family member in jail or prison can increase costs such as paying for bail, for a lawyer and for other costs associated with incarceration. Having a family member in jail or prison, either currently or in the past, also makes it more difficult for people to maintain employment due to court appointments and prison visits, among other scheduling challenges. The associated costs and greater income and job instability can make it more difficult for people to save. They need the money to pay for shorter-term items and greater instability can make it more difficult to plan, impeding savings.

Figure 21 (and Table A–20 in the appendix) summarizes retirement savings by whether a household currently has or has had a family member in prison or jail. Retirement plan participation varies by race or ethnicity and incarceration exposure (Figure 21 and Table A–20 in the appendix). White households and households of other or multiple races or ethnicities are less likely to have a retirement plan when they have a family member in jail or prison, while Black people are more likely to participate in a retirement plan (Figure 21 and Table A–20 in the appendix). However, all groups are much less likely to have substantial account balances and they are more likely to have borrowed or withdrawn from their accounts if they had a family member in jail or prison (Figure 21 and Table A–20 in the appendix). The correlations suggest that having a family member in jail or prison poses a financial risk that increases the need for liquidity from retirement accounts and impedes retirement savings.

[28] Authors' calculations based on Board of Governors of the Federal Reserve System (2020). Survey of Household Economics and Decisionmaking, 2019. Washington, DC: Fed.

Figure 21

2019 HOUSEHOLD RETIREMENT SAVINGS MEASURES BY INCARCERATION EXPERIENCE AND RACE AND ETHNICITY (SHED)



* Conditional on having a 401(k)-type plan.

Notes: Racial and ethnic categories are mutually exclusive. Asian American people and people of other and multiple races and ethnicities are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories include Asian American, American Indian, Native Alaskan and Pacific Islander households, in addition to other races and ethnicities that are not listed in the survey. Samples include wage and salary workers who are 25 years old or older. Incarceration experience is defined as people who answered that somebody in their household was or is in jail or prison. Retirement accounts refer to DC accounts such as 401(k) plans or IRAs. Source is the Board of Governors Of the Federal Reserve System (2020). Survey of Household Economics and Decisionmaking, 2019. Washington, DC: Fed.

4.5 DISCRIMINATION AND RETIREMENT SAVINGS BY RACE AND ETHNICITY

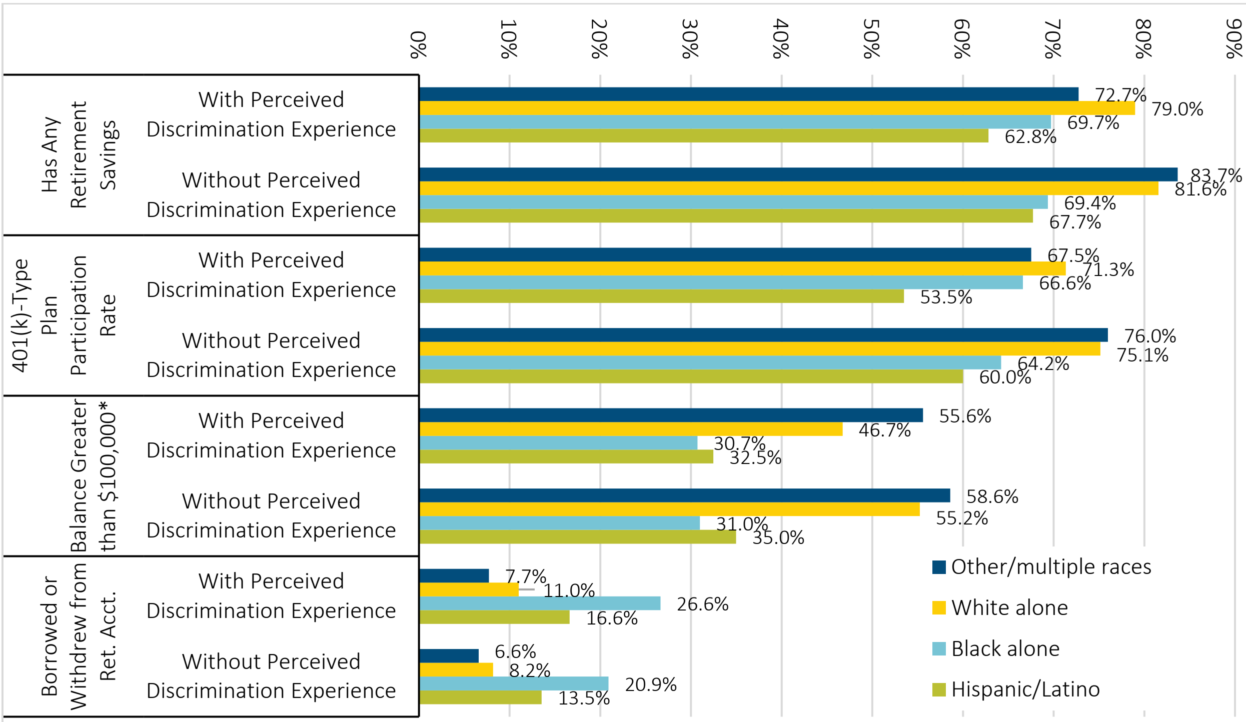
The possibility of experiencing discrimination in the workplace, banking, interactions with the police, housing and health care, among other situations, can pose a risk for people's ability to save for retirement, potentially leading to higher costs and less access to key services. Non-white and/or Hispanic/Latino people are more likely to report having experienced discrimination. In particular, 23.7% of Black wage and salary workers 25 years old and older said that they had experienced discrimination or unfair treatment, compared to 14.8% of Hispanic/Latino workers, 13.3% of workers of other or multiple races or ethnicities and 7.4% of white workers.[29] One might expect that those who experience discrimination would have less access to retirement plans and a greater need for liquidity.

[29] Authors' calculations based on Board of Governors of the Federal Reserve System (2020). Survey of Household Economics and Decisionmaking, 2019. Washington, DC: Fed. The exact question reads "During the past 12 months, have you personally experienced discrimination or unfair treatment because of your race, ethnicity, age, religion, disability status, sexual orientation, gender, or gender identity?" The SHED provides additional information regarding where and why people think that they were discriminated against for 2020 and 2021. The sample sizes are too small to be robust.

Figure 22 and Table A–21 in the appendix present summary measures of retirement savings by whether people say that they have experienced discrimination or unfair treatment.[30] In general, people who say they have experienced discrimination or unfair treatment tend to have somewhat lower retirement plan participation, smaller account balances and more pension loans, suggesting greater liquidity needs (Figure 22 and Table A–21 in the appendix). But those differences are smaller than the observed differences by other risks, such as health status, medical debt, and incarceration risks.

Figure 22

2019–2021 HOUSEHOLD RETIREMENT SAVINGS MEASURES BY PERCEIVED DISCRIMINATION EXPERIENCE AND RACE AND ETHNICITY (SHED)



* Percentages reflect only those who have a 401(k)-type plan.

Notes: Racial and ethnic categories are mutually exclusive. Asian American people and people of other and multiple races and ethnicities are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories include Asian American, American Indian, Native Alaskan and Pacific Islander households, in addition to other races and ethnicities that are not listed in the survey. Discrimination refers to unfair treatment based on race, ethnicity, age, religion, disability status, sexual orientation, gender, or gender identity. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee. The source is the Board of Governors of the Federal Reserve System (2020, 2021, 2022). Survey of Household Economics and Decisionmaking, 2019, 2021, 2022. Washington, DC: Fed.

4.6 COMPARING ASIAN AMERICAN HOUSEHOLDS' RETIREMENT SAVINGS TO OTHERS

The data sources used in this report provide novel information on Asian American households, their wealth and retirement savings. Both data sources that contain such information, the SCF and the SIPP, have representative samples of Asian American households (Table A–3 in the appendix). The summary data show that Asian Americans

[30] The literature regularly uses self-reported discrimination in analyses of observed outcomes such as poor health, low wages or unemployment (Gee, et al., 2007; Habtegieorgis & Paradies, 2013; Lewis, et al., 2015, Roscigno, et al., 2007;)

have similar or somewhat larger retirement savings as white households and thus more than all other non-white or Hispanic/Latino households.

The comparatively high levels of retirement account balances are especially surprising since Asian American households are the youngest population group. At the same time, though, they are the only group in the SCF for which 401(k) participants are younger than wage and salary employees overall. That is, Asian American households may start saving for retirement sooner than others, while they also face more economic risks than white households.

There is also some evidence that retirement savings are more equally distributed among Asian American households than among white households. For example, the share of total retirement wealth owned by the top 10% equaled 50%, while it was 52.7% for white households (Table A–7 in the appendix). Similarly, the average retirement account balance for the lowest quintile of Asian Americans was $2,409 in 2022, compared to $330 for white households. Individual retirement savings data based on the SIPP also show a slightly more equal retirement account distribution than is the case for white households (Table A–8 in the appendix).

Other data also indicate that Asian American households are more likely to have a retirement plan and that they tend to contribute larger shares of their savings to their retirement accounts. This likely reflects, at least in part, the fact that Asian American households are less likely to have DB pensions from their current or former employers than is the case for white households. That is, they need to build more savings in retirement accounts, such as 401(k) accounts and IRAs, than white households to arrive at similar retirement income. Moreover, Asian American households are more likely to have a college degree (Table A–3) than is the case for any other population group. More than 85% of Asian American wage and salary households had incomes above the median income, well above the 71.4% for white households and the respective shares of other population groups.[31] Given the progressivity of Social Security benefits, higher-income earners will need to save more on their own to maintain their spending in retirement. Put differently, similar account balances for Asian American households than for white households could result in less retirement security because they are less likely to be able to count on social insurance benefits.

In a similar vein, there is some evidence that Asian American households face more widespread economic risks. They are the population group with the largest share (tied with households of other or multiple races or ethnicities) of households with unusually low incomes among those with 401(k) plans in 2022 (Table A–15 in the appendix). Asian American wage and salary households also had much higher shares providing financial support to family members than was the case for white households in 2022 (Table A–16 in the appendix). And, their median amount of financial support, $8,600, was 72.0% larger than the $5,000 that white households typically provided (Table A–16 in the appendix). In some instances, Asian American households faced greater demands on their finances due to larger risk exposure.

The bottom line is that while Asian American households have similar or possibly more retirement savings than white households, they also face larger risks and costs that offset those larger savings.

[31] Authors' calculations based on Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

Section 5: Decomposition Results

This section presents the results of a common statistical tool, known as Kitagawa-Oaxaca-Blinder decompositions, to show the relative importance of a range of factors for the estimated differences.[32] Decompositions allow researchers to apportion shares of the overall differences in outcomes between two groups to the average differences of explanatory variables between the groups.

In this case, the decompositions examine differences in retirement wealth outcomes between racial and ethnic groups. The explanatory variables included in this model are:

- Demographic characteristics of the reference person, such as age, marital status, gender, education and risk aversion;
- Work-related characteristics such as employer size, industry and occupation;
- Risk factors such as informal financial support, health status, job and income stability; and
- Several variables related to retirement savings, such as DC account participation, DB pension coverage, employee and employer contributions, and pension loans.

The decomposition then calculates an explained part of the difference in retirement wealth that is a combination of both (a) the difference in the observed characteristics between the two groups AND (b) the relationship between that characteristic and retirement wealth.

Using college education alone as an example for an explanatory variable, the decomposition calculates, for instance, what Black household wealth *would have been* if (a) Black households had the same college education levels as white households AND (b) Black households had the same relationship between college education and retirement wealth as white households. If the decomposition shows that a significant share of the difference in retirement wealth is explained by college education differences, it indicates that difference is attributed to the observation that (a) Black households are less likely to have a college degree than white households AND/OR (b) that the payoff in terms of more retirement wealth for college-educated households could be higher for white households than Black households.

Similar to the example above using college education, the decompositions in this section also calculate how much of the difference in retirement wealth can be explained by other characteristics that are included as explanatory variables, such as employee contributions and health status. In technical terms, these calculations allow for the total difference to be divided into explained and unexplained parts and the explained part to be attributed to detailed factors.[33]

If the decomposition results suggest that some degree of racial/ethnic differences in retirement wealth is due to unexplained factors, then that suggests that factors not included as explanatory variable contribute to these differences. For example, the gap in retirement wealth between Black and white households may be larger than can be explained by education, employee contributions, and other factors included as explanatory variables because Black households face greater risks and more income instability in ways that are not fully captured in the regression model.

[32] Where there are no statistically significant differences in retirement wealth, the decompositions show whether individual factors have different correlations with retirement wealth between racial or ethnic groups.
[33] See Fortin, N., Lemieux, T. and Firpo, S. (2011). Decomposition Methods in Economics. In O. Ashenfelter. Ed. Handbook of Labor Economics. Vol. 4A: 1-102. New York, NY: Elsevier

The decompositions for total retirement wealth differences by race and ethnicity are shown in Table 4. Total retirement wealth is transformed to account for the skewness of the data by using its inverse hyperbolic sine. This transformation is still valid for wealth values of zero. This means the underlying regression models do not have to separately account for the difference between households that have retirement wealth and those who do not. This allows for the inclusion of access to a retirement plan at work as a correlate, for example.

In Table 4, the models explain between 82.5% and 123.4% of the differences. The explained share can be more than 100% since the individual factors can go in both directions—positive and negative. In this case, the explained share greater than 100% reflects the fact that the average wealth for Asian American households is the same as that for white households (Table 4). The models overall are good fits for attributing (explaining) the observed retirement wealth differences to detailed factors.

Table 4

2022 SELECTED DECOMPOSITION RESULTS OF TOTAL REAL RETIREMENT WEALTH BY RACE OR ETHNICITY (SCF)

	Asian American compared to white	Black compared to white	Latino/Hispanic compared to white	Other/multiple races or ethnicities compared to white
Share of difference explained	123.35%*	82.5%***	85.13%***	94.40%***
Share of difference unexplained	-23.35%	17.5%***	14.87%**	5.60%
Has DB Pension	-21.15%	-3.80%	19.30%***	23.91%**
Has 401(k)-Type Account	36.87%	46.09%***	32.84%***	23.18%**
Employee Contributions (to Wages)	8.22%*	3.94**	2.47%**	2.61%**
Employer Contributions (to Wages)	1.66%	3.97%**	2.67%***	2.26%
Has Pension Loan	-1.35%	-0.63%	0.15%	-0.57%
Has or Expects Inheritance/Gift	-3.52%	3.76%	1.12%	1.15%
Work	19.44%**	4.83%*	7.01%***	4.91%**
College degree	28.87%***	4.76%**	5.00%***	8.74%***
Always resided in U.S.	-13.17%	-0.34%	5.02***	0.19%
Income (Inverse Hyperbolic Sine)	51.92%***	27.65%***	13.92%***	15.97%***
Length of time with current employer	-3.99%	3.47%**	1.61%**	2.93%
Had Unusually Low Income	2.49%	-2.60%	-0.91%	-1.63%
Had Unusually High Income	1.15%	-1.26%	-0.12%	-0.18%
One Spouse in Poor/Fair Health	-1.88%	1.26%	1.96%*	3.47%*
Provides Fin. Support	-6.06%	3.31%	0.44%	0.26%
Number of Inf. Fin. Support Recipients	7.63%	-5.67%***	-0.64%	-2.89%
Household Size	-2.84%	-1.09%	1.04%	1.72%

Notes: The difference between Asian American households and white households is not statistically significant. In all other cases, the difference is significant at the 1% level. In the case of the comparison between Asian American households and white households, the decompositions show how factors correlating with wealth differ by race. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. The dependent variable is the inverse hyperbolic sine of total retirement wealth—the sum of imputed DB pension wealth, 401(k)-type account balances and IRA balances. Work comprises firm size, whether the household is a union household, industry, and occupation. Additional controls include indicators for single women and single men, age and age squared and risk tolerance. The unexplained portion can be interpreted akin to average treatment effects, in this case as factors specifically related to race or ethnicity that are not captured by the variables in the models. This could include outright discrimination and higher costs of some risks, such as health care and interrupted contributions and participation.

Importantly, there are significant unexplained differences for the comparison between Black and Hispanic/Latino households on the one hand, and white households, on the other hand (Table 4). That is, those racial or ethnic groups face factors not captured in the model that are keeping their retirement savings between 14.9% and 17.5% lower than that of white households. Unexplained differences are especially large for Black and Hispanic/Latino households and not statistically significant for the other two groups. These factors are in addition to the obstacles that racial and ethnic groups face in other aspects, such as the labor market and health care, which are included in the model.

The detailed decompositions in Table 4 show several key results. First, retirement plan–related differences, especially access to employer-based DB pensions and DC plans and their relationship to building wealth, are the single most consistent and largest factor in explaining retirement wealth differences. Both retirement plan access, as well as contributions, matter for racial and ethnic differences in retirement wealth (Table 4). But, the importance of retirement plan access, particularly to employer-based 401(k)-type accounts, explains a much larger share of differences in the relationship between contributions and wealth. Importantly, the differences in contributions are fairly small, so the explained difference here likely reflects varying relationships between contributions and wealth. Essentially, white households get more bang for their buck from their contributions than is the case for Black or Hispanic/Latino households (Table 4).

Second, income matters to a large degree. Again, this refers to different incomes and differences in how income translates into retirement wealth. For instance, higher incomes and a different relationship between income and retirement savings bumps up the retirement wealth of Asian American households. This is offset by a range of other factors, such as shorter tenures and larger families (Table 4). Put differently, there are a wide range of retirement-savings challenges that Asian American households face that are offset by higher incomes and, thus, higher retirement savings.

Third, risks matter, but not consistently and not to a very large degree. This is the case for tenure, health status, and informal financial support. For one, risks may not be properly measured. For example, the health status variable does not include measures for disability. Other risks are not captured at all, such as differences in incarceration risk. Also, different risks matter for different groups, reflecting a variety of obstacles for racial and ethnic groups. Importantly, the relative size of some of these risks is comparable to the difference explained by employee or employer contributions (Table 4).

Fourth, other factors, such as education and industry/occupational compositions, matter for retirement wealth differences between groups. But those factors explain a small share of the retirement wealth differences (Table 4).

Section 6: Conclusion

This report details racial and ethnic differences in retirement savings and total retirement wealth. It also considers the relative importance of a number of factors in contributing to the observed racial and ethnic differences. That is, how important is access to a DB pension or DC plan at work, employee contributions, and a range of demographic and risk factors for differences in retirement wealth between racial and ethnic groups?

First, the analysis and review help note that retirement savings are unequally distributed by race and/or ethnicity with Black and Hispanic/Latino households, as well as those of other or multiple races or ethnicities, having much smaller retirement savings than Asian American and white households. These savings gaps exist across education level and age and have persisted over time.

Among contributing factors to these retirement savings gaps, access to a retirement plan at work matters the most and varies widely by race and ethnicity. Black and Hispanic/Latino households, as well as those of other or multiple races or ethnicities, are much less likely to work for an employer that offers a retirement plan than is the case for Asian American and white households. Differences in the take-up of employer-offered plans tend to exacerbate the already existing differences in access by race and ethnicity. For example, Hispanic/Latino households are less likely to participate in employer-sponsored plans than Asian American households.

Among participants, however, the level of employee contributions to retirement savings plans does not vary much by race or ethnicity. In general, Asian Americans make larger contributions relative to their earnings than is the case for all other racial and ethnic groups. There are few variations by race and ethnicity among the other four groups. Even though contributions levels may be similar, Black and Hispanic/Latino households, as well as households of other and multiple races or ethnicities, are more likely to have pension loans and smaller shares of their retirement savings accounts invested in stocks, indicating a greater need for liquidity or lower risk preferences among those households.

Non-white and/or Hispanic/Latino households face greater economic risks than white, non-Hispanic/Latino households. Economic risks, such as income volatility, family support needs, health care and incarceration, are more widespread among non-white and/or Hispanic/Latino households. Those risks necessitate greater liquidity, reducing the return that people can earn on their retirement savings. A decomposition analysis suggests, however, that income and access to a retirement plan at work matter more than these particular risk factors in explaining racial and ethnic retirement wealth differences.

Taken together, the evidence suggests that racial retirement savings gaps could be narrowed if Black and Hispanic/Latino, as well as those of other or multiple races or ethnicities, had access to stable employment with employer-sponsored retirement savings plans. Specific steps could include a greater adoption of auto enrollment in employer-based plans. Another approach could be more widespread introduction of state-sponsored retirement savings plans for those not covered by an employer-based plan. Preserving existing DB pensions can also help reduce racial and ethnic differences in retirement savings since inequality is less pronounced with DB pensions than with DC accounts. Additional steps to help offset the greater risk exposure of many non-white or Latino/Hispanic households could further help to shrink the large retirement wealth gaps. A small step in this direction would be greater access to existing retirement account savings in case of an emergency. Making it easier for people to access the redesigned federal savings credit starting in 2027 could also help boost retirement savings for lower-income households in all communities. In the end, though, retirement plans and tax design cannot fully address the greater risks that they face. Retirement wealth gaps will persist unless those risks are mitigated through policy measures outside of the retirement plan design realm.

Section 7: Acknowledgments

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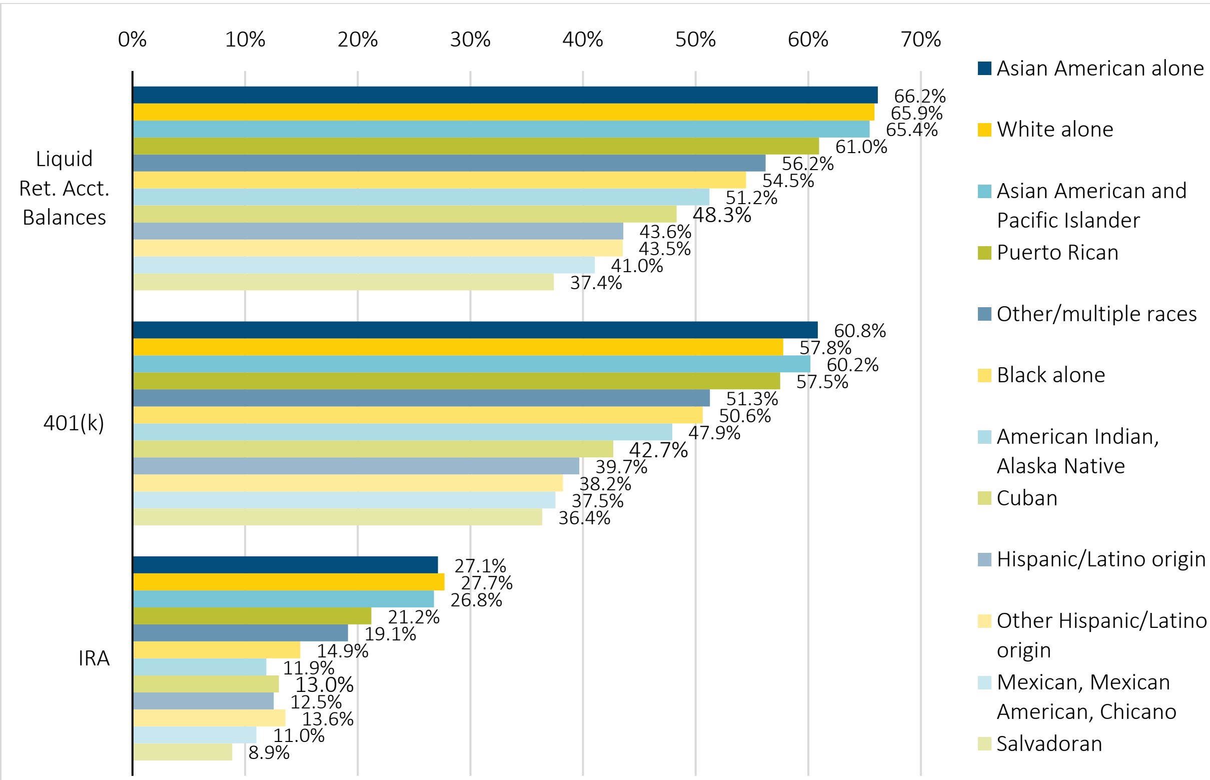
Appendix A: Additional Figures and Tables

APPENDIX FIGURE

Figure A–1

2020 AND 2021 SHARE OF PEOPLE WITH SPECIFIED RETIREMENT SAVINGS BY RACE OR ETHNICITY (SIPP)



Notes: Racial and ethnic categories are not mutually exclusive. Racial and ethnic categories are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Data are combined for 2020 and 2021 to ensure sufficiently large sample sizes. The sample includes all adults 25 years old and older. 401(k)s refers to 401(k)-type employment-based plans. IRA refers to Individual Retirement Accounts. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. Source is Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021/2022. Washington, DC: Census.

APPENDIX TABLES

Table A–1

2022 HOUSEHOLD RETIREMENT WEALTH BY RACE OR ETHNICITY (SCF)

	Avg. retirement wealth	Avg. ret. Acct. balances	Median ret. Wealth (cond.)	Median ret. Acct. balances (cond.)	Median 401(k) balances (cond.)	Median IRA balances (cond.)
Broad racial/ethnic categories						
Asian American, alone	$457,140	$287,992	$180,615	$139,000	$100,000	$80,000
Black, alone	$188,708	$43,160	$127,643	$41,000	$32,000	$22,000
Hispanic/Latino origin	$99,635	$34,608	$90,000	$59,000	$40,000	$35,790
Other/multiple races	$156,457	$78,113	$82,090	$45,000	$45,000	$27,000
White, alone	$435,142	$244,735	$189,936	$103,000	$53,000	$100,000
Select heritage categories						
Western European	$416,959	$217,934	$186,961	$100,000	$50,000	$96,000
Central/Northern European	$509,141	$314,321	$210,000	$101,000	$67,000	$91,000
Eastern European	$504,493	$351,839	$230,000	$120,000	$70,000	$105,000
Central, Latin and South American	$107,053	$43,401	$63,000	$32,000	$30,000	$25,000
Middle Eastern/North African	$236,523	$157,346	$117,195	$48,000	n.a.	n.a.
African, other	$178,803	$41,181	$96,000	$41,500	$28,000	n.a.
South Asian	$267,572	$212,604	$100,000	$69,000	$68,000	$340,000
East Asian	$494,776	$292,439	$177,000	$138,500	$100,000	$101,000
Caribbean	$183,315	$38,067	n.a.	n.a.	n.a.	n.a.

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Heritage categories refer to the first indicated heritage out of three possible answers for the respondent. The sample includes all households headed by an adult 25 years old and older. The unit of analysis in the SCF is called primary economic unit, which is akin to household in other surveys. Conditional averages and medians are calculated only for people with specified retirement account balances. "n.a." indicates not available due to small sample sizes—fewer than 200 in five replicates. All dollar values are in 2022 dollars. Nominal values are deflated using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series. The source is the Board of Governors of the Federal Reserve System, 2023. Survey of Consumer Finances, 2022. Washington, DC: Fed. Total retirement wealth is the sum of retirement account balances and imputed DB pension wealth. DB wealth calculations provided by Alice Henriques Volz and John Sabelhaus. See Alice Henriques Volz and John Sabelhaus (2022). "Social Security Wealth, Inequality, and Lifecycle Saving." In Measuring and Understanding the Distribution and Intra/Inter-Generational Mobility of Income and Wealth, National Bureau of Economic Research, Studies in Income and Wealth. Chicago: University of Chicago Press for details of the underlying calculations.

Table A–2

2016, 2019 AND 2022 WEALTH AND RETIREMENT WEALTH (HOUSEHOLD-LEVEL) BY RACE OR ETHNICITY (SCF)

	Avg. retirement wealth	Avg. ret. Acct. balances	Median ret. Wealth (cond.)	Median ret. Acct. balances (cond.)	Median 401(k) balances (cond.)	Median IRA balances (cond.)
Broad racial/ethnic categories						
Black, alone	$183,462	$40,290	$106,647	$34,776	$29,601	$25,000
Latino/Hispanic origin	$102,227	$35,081	$87,065	$38,235	$32,000	$24,343
Other/multiple races	$264,105	$134,693	$106,557	$61,299	$48,000	$66,000
White, alone	$425,311	$218,344	$190,893	$100,000	$57,960	$90,000

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. The sample includes all households headed by an adult 25 years old and older. Conditional averages and medians are calculated only for people with specified retirement asset/wealth. Retirement wealth refers to the sum of imputed DB pension wealth and all retirement account balances in 401(k)-type accounts and Individual Retirement Accounts (IRAs). All dollar values are in 2022 dollars using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series, to deflate nominal values. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

Table A–3

2022 (AND 2020/2021) COMPARISON OF DEMOGRAPHICS IN KEY SURVEYS

	SCF		SIPP		SHED		ACS
	All	401(k) Owners	All	401(k) Owners	All	401(k) Owners	All All
Asian American	4.7%	5.9%	6.7%	7.4%	n.a.	n.a.	6.0%
With college degree	82.1%	85.2%	77.2%	83.6%	n.a.	n.a.	68.5%
Median age	42	41	41	42	n.a.	n.a.	44
Over 50 years old	29.4%	24.8%	27.6%	27.7%	n.a.	n.a.	36.3%
Foreign born/not always resided in U.S.	71.6%	69.4%	79.3%	78.1%	n.a.	n.a.	77.8%
Black	11.9%	8.7%	13.8%	12.1%	11.8%	10.0%	12.9%
With college degree	36.8%	45.2%	37.1%	47.5%	37.0%	46.9%	31.9%
Median age	44	46	44	44	44	45	45
Over 50 years old	36.5%	39.0%	37.2%	35.9%	40.8%	42.4%	41.4%
Foreign born/not always resided in U.S.	24.7%	28.2%	18.1%	17.7%	n.a.	n.a.	14.8%
Latino/Hispanic	10.8%	6.5%	15.7%	11.7%	15.6%	13.2%	15.5%
With college degree	23.1%	37.7%	31.3%	45.1%	27.1%	36.2%	25.9%
Median age	42	45	42	42	42	43	43
Over 50 years old	31.8%	34.8%	30.9%	31.7%	31.4%	30.9%	34.2%
Foreign born/not always resided in U.S.	58.4%	52.3%	49.4%	38.5%	n.a.	n.a.	45.6%
Other/multiple races or ethnicities	9.0%	8.3%	3.1%	2.9%	9.2%	9.9%	16.9%
With college degree	27.9%	36.9%	43.2%	55.0%	62.6%	69.4%	28.8%
Median age	41	42	42	41	42	41	44
Over 50 years old	30.9%	33.8%	33.7%	29.8%	33.2%	29.8%	35.9%
Foreign born/not always resided in U.S.	27.5%	26.7%	20.7%	18.8%	n.a.	n.a.	41.0%
White	63.6%	70.7%	76.4%	77.7%	63.5%	66.9%	64.2%
With college degree	50.3%	54.9%	48.2%	57.3%	50.6%	57.4%	46.4%
Median age	46	46	46	46	44	44	49
Over 50 years old	42.1%	41.2%	42.2%	41.0%	39.6%	38.3%	48.8%
Foreign born/not always resided in U.S.	16.3%	16.7%	13.6%	9.7%	n.a.	n.a.	6.0%

Notes: The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. SCF refers to the Federal Reserve's Survey of Consumer Finances in 2022. SIPP refers to the Census' Survey of Income and Program Participation in 2020 and 2021. SHED refers to the Survey of Household Economics and Decisionmaking in 2021 and 2022. ACS refers to the Census' American Community Survey in 2022. Racial and ethnic categories are mutually exclusive in the SCF and SHED, but not in the SIPP and ACS. Few survey respondents indicate both race and Hispanic ethnicity. The SCF does not contain a question on the respondent's birthplace. Instead, it asks whether people have always resided in the U.S. All information refers to the respondent/reference person in the survey. All information for the SCF, SIPP and ACS is weighted using household weights. The information for the SHED is weighted using person weights. The sample is restricted to people who are 25 years old and older and who work in wage or salary employment. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. Sources are the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed; U.S. Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021 and 2022. Washington, DC: Census; U.S. Census Bureau (2023). American Community Survey, 2022. Washington, DC: Census.

Table A–4

2020 AND 2021 RETIREMENT ACCOUNT BALANCES BY TYPE OF ACCOUNT AND RACE OR ETHNICITY (SIPP)

	Avg. ret. Acct. balances, individual (cond.)	Median ret. Acct. balances, individual (cond.)	Median 401(k) balances, individual (cond.)	Median IRA balances, individual (cond.)	Avg. ret. Acct. balances, household (cond.)
Broad racial/ethnic categories					
Asian American, alone	$139,125	$63,854	$53,727	$37,645	$433,428
Black, alone	$42,881	$21,903	$18,229	$21,903	$161,539
Hispanic/Latino origin	$38,206	$25,884	$22,386	$22,815	$176,082
Other/multiple races	$70,518	$31,874	$23,452	$32,398	$283,225
White, alone	$152,251	$67,648	$47,971	$58,631	$429,778
Additional racial/ethnic categories					
Asian American and Pacific Islander	$136,099	$60,763	$53,301	$42,534	$440,479
American Indian, Alaska Native	$63,909	$21,320	$20,254	$26,864	$245,446
Cuban	$47,297	$45,631	$26,650	$66,626	$224,847
Mexican, Mexican American, Chicano	$28,805	$23,500	$21,320	$21,214	$140,221
Puerto Rican	$70,238	$34,223	$22,386	$27,379	$263,381
Other Hispanic/Latino origin	$51,571	$26,650	$25,584	$25,667	$216,935
Salvadoran	$15,539	$14,830	$12,792	$42,641	$122,971

Notes: Racial and ethnic categories are not mutually exclusive. Racial and ethnic categories are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Data are combined for 2020 and 2021 to ensure sufficiently large sample sizes. The sample includes all adults 25 years old and older. Conditional averages and medians are calculated only for people with such account balances. Asset values in the SIPP are top-coded. Observations above the top code threshold are replaced with population-specific averages. Those population-specific averages account for race and ethnicity, among a few additional factors. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. All dollar values are in December 2022 dollars. The Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series, is used to deflate nominal values. Source is Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021/2022. Washington, DC: Census.

Table A–5

2016, 2019 AND 2022 MEDIAN AND MEAN HOUSEHOLD RETIREMENT ACCOUNT BALANCES BY SELECT CHARACTERISTICS, RACE AND ETHNICITY (SCF)

	Black, alone	Hispanic/ Latino origin	Other/ multiple races	White, alone
Median Retirement Account Balances (Household)				
All wage and salary workers	$32,000	$37,001	$55,000	$76,469
Workers without college degree	$28,000	$27,134	$24,000	$42,891
Workers with college degree	$46,368	$63,000	$98,670	$135,000
Workers younger than 50 years old	$20,000	$27,000	$35,240	$46,368
Workers 50 years old and older	$66,000	$71,536	$123,337	$155,334
Household income below median	$14,924	$13,910	$8,114	$17,267
Household income above median	$64,452	$55,502	$93,896	$111,003
Households without DB pension	$26,000	$30,487	$46,368	$63,756
Households with DB pension	$57,960	$63,756	$82,636	$100,026
Small firms (<100 employees)	$23,184	$36,000	$55,000	$74,002
Large firms (100+ employees)	$60,000	$45,635	$57,960	$81,800
Non-union household	$23,184	$37,001	$55,000	$75,000
Union household	$57,960	$40,572	$57,613	$80,700
Mean Retirement Account Balances (Household)				
All wage and salary workers	$91,525	$113,089	$214,934	$278,800
Workers without college degree	$88,200	$68,888	$102,402	$137,179
Workers with college degree	$95,843	$190,045	$303,127	$399,488
Workers younger than 50 years old	$53,424	$76,037	$129,752	$137,503
Workers 50 years old and older	$157,008	$202,479	$402,655	$455,138
Household income below median	$27,337	$31,937	$25,842	$46,922
Household income above median	$129,861	$141,904	$273,027	$334,599
Households without DB pension	$71,414	$102,413	$201,166	$255,693
Households with DB pension	$137,707	$143,973	$253,065	$324,448
Small firms (<100 employees)	$79,446	$113,783.	$225,901	$289,063
Large firms (100+ employees)	$119,685	$111,137	$166,725	$237,212
Non-union household	$79,774	$115,676	$227,003	$292,397
Union household	$115,609	$106,494	$164,755	$230,539

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories include Asian American, American Indian, Native Alaskan and Pacific Islander households, in addition to other races and ethnicities that are not listed in the survey. The sample includes households headed by adults 25 years old and older, who work as wage and salary employees and who have any retirement savings. All dollar values are in 2022 dollars using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series, to deflate nominal values. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

Table A–6

2020 AND 2021 MEDIAN AND MEAN INDIVIDUAL RETIREMENT ACCOUNT BALANCES BY SELECT CHARACTERISTICS, RACE AND ETHNICITY (SIPP)

	Asian American, alone	Black, alone	Hispanic/ Latino origin	Other/multiple races	White, alone
Median Retirement Account Balances (Individual)					
All wage and salary workers	$62,172	$21,320	$26,650	$28,519	$57,039
Women	$53,301	$18,252	$21,320	$28,405	$47,011
Men	$70,728	$22,815	$31,981	$28,519	$72,489
Public sector workers	$42,641	$26,124	$34,223	$28,371	$57,039
Private sector workers	$68,446	$20,534	$23,879	$28,519	$57,565
Workers without college degree	$27,264	$14,285	$17,112	$16,541	$34,223
Workers with college degree	$79,854	$37,311	$45,631	$47,971	$86,699
Workers younger than 50 years old	$45,631	$15,990	$18,252	$21,320	$36,048
Workers 50 years old and older	$170,563	$43,463	$56,499	$68,446	$118,640
Urban	$67,905	$21,320	$26,650	$28,519	$60,347
Rural	$12,792	$11,408	$11,408	$21,320	$42,641
U.S. Born	$54,260	$21,534	$26,650	$28,405	$59,320
Foreign Born	$67,905	$18,252	$23,879	$28,519	$42,779
Mean Retirement Account Balances (Individual)					
All wage and salary workers	$228,339	$99,095	$108,954	$165,315	$246,549
Women	$204,152	$78,839	$87,018	$175,749	$195,656
Men	$247,101	$126,326	$127,197	$155,221	$290,039
Public sector workers	$238,936	$141,054	$152,252	$224,284	$214,708
Private sector workers	$226,478	$86,723	$100,324	$148,693	$253,468
Workers without college degree	$100,557	$56,473	$57,649	$60,595	$131,857
Workers with college degree	$262,117	$147,372	$175,832	$256,906	$333,987
Workers younger than 50 years old	$143,031	$50,666	$61,433	$80,831	$114,598
Workers 50 years old and older	$437,799	$182,192	$210,030	$368,510	$428,402

Notes: Racial and ethnic categories are not mutually exclusive. Racial and ethnic categories are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Data are combined for 2020 and 2021 to ensure sufficiently large sample sizes. The sample includes all adults 25 years old and older, who are wage and salary employees. Conditional averages and medians are calculated only for people with such account balances. Asset values are top coded and replaced by population-specific averages based on race, ethnicity, gender, age and education above the top code threshold. Averages for other groups are unreliable and, thus, not shown here. The rural/urban division refers to people living outside of metropolitan areas and those living in metropolitan areas. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. All dollar values are in December 2022 dollars. The Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series, is used to deflate nominal values. "n.a." indicates that summary data are not available due to a sample size of less than 50 observations. Source is Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021/2022. Washington, DC: Census.

Table A–7

2022 HOUSEHOLD RETIREMENT WEALTH INEQUALITY MEASURES BY RACE OR ETHNICITY (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino origin	Other/ multiple races	White, alone
Total Retirement Wealth (Household)					
Wealth shares:					
Bottom 20%	0.4%	0.4%	0.6%	0.3%	0.5%
20^{th} to 50^{th} percentile	5.3%	4.9%	4.3%	4.0%	5.0%
50^{th} to 90^{th} percentile	44.2%	44.1%	41.9%	43.7%	41.7%
Top 10%	50.0%	50.6%	53.2%	52.0%	52.7%
Gini coefficient	0.68	0.69	0.70	0.71	0.70
Percentile cutoffs:					
20^{th}	$30,000	$16,000	$18,039	$11,700	$33,955
40^{th}	$130,000	$75,066	$45,000	$46,000	$117,086
60^{th}	$300,000	$200,000	$138,000	$136,257	$316,000
80^{th}	$867,346	$544,000	$400,000	$471,000	$846,807
Mean wealth:					
Lowest quintile	$11,952	$7,349	$7,893	$5,281	$14,210
Second quintile	$75,557	$42,295	$28,825	$27,178	$69,628
Middle quintile	$195,680	$130,539	$89,507	$88,268	$198,713
Fourth quintile	$530,934	$348,701	$245,436	$276,893	$532,861
Top quintile	$2,000,147	$1,281,226	$1,049,598	$1,075,726	$2,096,104
Retirement Account Balances (Household)					
Wealth shares:					
Bottom 20%	0.1%	0.0%	0.0%	0.0%	0.0%
20^{th} to 50^{th} percentile	4.3%	1.1%	4.0%	1.9%	2.4%
50^{th} to 90^{th} percentile	41.5%	32.2%	41.2%	33.2%	34.8%
Top 10%	54.0%	66.7%	54.7%	64.9%	62.7%
Gini coefficient	0.72	0.80	0.72	0.79	0.77
Percentile cutoffs:					
20^{th}	$7,000	$-	$-	$720	$3,000
40^{th}	$59,000	$5,000	$18,000	$11,000	$33,000
60^{th}	$180,000	$25,000	$59,000	$50,000	$116,000
80^{th}	$500,000	$94,000	$138,000	$185,000	$400,000
Mean wealth:					
Lowest quintile	$2,409	n.a.	n.a.	$68	$330
Second quintile	$30,597	$2,691	$8,152	$5,842	$16,056
Middle quintile	$122,771	$12,817	$32,946	$25,314	$69,171
Fourth quintile	$322,786	$57,702	$93,522	$89,621	$231,888
Top quintile	$1,324,300	$341,596	$370,242	$612,044	$1,325,211

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Both samples for total household retirement wealth and retirement account balances include households where the respondent/reference person is 25 years old and older and has any retirement savings, including DB pensions. Total household retirement wealth is the sum of imputed DB pension wealth, 401(k) account balance and IRA balances. Total retirement account balances are the sum of 401(k) account balances and IRA balances for respondent and spouse/partner if a spouse/partner is present. Nominal values are deflated using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed. DB wealth calculations provided by Alice Henriques Volz and John Sabelhaus. See Alice Henriques Volz and John Sabelhaus (2022). "Social Security Wealth, Inequality, and Lifecycle Saving." In Measuring and Understanding the Distribution and Intra/Inter-Generational Mobility of Income and Wealth, National Bureau of Economic Research, Studies in Income and Wealth. Chicago: University of Chicago Press (2022). For details of the underlying calculations.

Table A–8

2020 AND 2021 INDIVIDUAL RETIREMENT ACCOUNT BALANCE INEQUALITY MEASURES (SIPP)

	Asian American, alone	Black, alone	Hispanic/ Latino origin	Other/ multiple races	White, alone
Retirement Account Balances (Individual)					
Wealth shares					
Bottom 20%	0.2%	0.3%	0.2%	0.2%	0.3%
20^{th} to 50^{th} percentile	3.4%	2.8%	3.0%	2.7%	3.4%
50^{th} to 90^{th} percentile	34.9%	27.0%	28.5%	28.0%	31.7%
Top 10%	61.5%	69.9%	68.3%	69.1%	64.6%
Gini coefficient	0.76	0.80	0.79	0.80	0.77
Percentile cutoffs					
20^{th}	$10,267	$4,264	$3,934	$5,330	$10,660
40^{th}	$38,483	$13,575	$14,924	$20,254	$42,534
60^{th}	$106,602	$37,303	$39,927	$53,301	$106,602
80^{th}	$342,232	$114,077	$114,077	$144,878	$338,460
Mean wealth					
Lowest quintile	$3,447	$1,557	$1,447	$1,977	$4,087
Second quintile	$21,786	$7,976	$8,530	$11,194	$24,108
Middle quintile	$68,419	$23,054	$26,077	$33,714	$70,751
Fourth quintile	$203,516	$70,812	$71,518	$90,598	$194,974
Top quintile	$1,127,308	$524,740	$535,787	$765,420	$1,219,971

Notes: Racial and ethnic categories are not mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. To ensure sufficiently large sample sizes, data for 2021 and 2022 are combined. The sample includes all adults 25 years old and older. Distribution of retirement account balances calculated only for people with such accounts. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. All dollar values are in December 2022 dollars. The Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series, is used to deflate nominal values. Sources are the U.S. Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021, 2022. Washington, DC: Census. '

Table A–9

2022 HOUSEHOLD RETIREMENT PLAN SPONSORSHIP AND PARTICIPATION BY RACE AND ETHNICITY (SCF)

	Employers offered retirement plan	Worker had could enroll in a ret. plan	Employee participates in a ret. plan	Employee participates in DB plan at work	Employee participates in DC plan at work
Broad racial/ethnic categories					
Asian American, alone	85.0%	82.2%	77.4%	26.1%	66.9%
Black, alone	74.0%	70.1%	55.7%	30.9%	39.5%
Hispanic/Latino origin	56.6%	53.7%	42.4%	16.4%	32.5%
Other/multiple races	76.1%	68.9%	59.0%	18.2%	49.6%
White, alone	82.9%	79.4%	72.0%	28.3%	60.8%
Select heritage categories					
Western European	81.3%	78.1%	69.3%	28.2%	58.1%
Central/Northern European	84.0%	80.6%	78.9%	27.7%	65.8%
Eastern European	88.1%	82.9%	75.1%	29.0%	64.9%
Caribbean	74.1%	71.9%	61.2%	36.9%	38.3%
Central, Latin, and South American	55.7%	52.9%	43.2%	15.1%	34.3%
Middle Eastern/North African	81.9%	71.8%	69.6%	22.2%	66.0%
African, other	76.9%	73.6%	59.9%	32.9%	42.5%
South Asian	88.8%	82.6%	76.2%	10.8%	72.4%
East Asian	84.9%	83.4%	78.2%	31.3%	67.7%

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Heritage categories refer to the first indicated heritage out of three possible answers for the respondent. Employers that offer a plan are the sum of people who participate in a retirement plan at work and those who work for an employer that has a retirement plan, but who do not participate. Employees who have access to a retirement plan at work are the sum of those who participated in a retirement plan at work and those who worked for an employer that offered a plan where they could have participated, but did not. The sample includes households headed by adults 25 years old and older, who work in wage and salary employment. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

Table A–10

2020 AND 2021INDIVIDUAL RETIREMENT PLAN SPONSORSHIP AND PARTICIPATION BY RACE OR ETHNICITY (SIPP)

	Employer offered retirement plan	Worker had could enroll in a ret. plan	Employee participates in a ret. plan	Employee participates in 401(k) at work	Employee participates in IRA at work	Employee participates in DB plan at work
Broad racial/ethnic categories						
Asian American, alone	71.5%	62.6%	60.3%	55.4%	5.8%	9.5%
Black, alone	68.2%	57.3%	52.0%	44.2%	5.3%	12.0%
Hispanic/Latino origin	52.0%	42.8%	40.0%	33.7%	4.5%	9.0%
Other/multiple races	65.7%	55.0%	51.4%	44.1%	6.3%	12.5%
White, alone	71.3%	62.4%	59.2%	49.3%	7.3%	14.6%
Additional racial/ethnic categories						
Asian American and Pacific Islander	70.9%	62.0%	59.6%	54.6%	5.9%	9.5%
American Indian, Alaska Native	56.9%	48.1%	44.1%	40.4%	5.4%	6.8%
Cuban	48.8%	42.5%	40.1%	34.6%	2.6%	12.4%
Mexican, Mexican American, Chicano	50.0%	41.0%	38.3%	31.8%	4.1%	8.4%
Puerto Rican	71.2%	58.8%	55.8%	50.3%	7.0%	12.1%
Other Hispanic/Latino origin	51.6%	42.2%	39.1%	32.1%	5.0%	9.5%
Salvadoran	42.0%	37.0%	34.1%	33.0%	2.6%	4.7%

Notes: Racial and ethnic categories are not mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Data for 2020 and 2021 are combined to ensure sufficiently large sample sizes. Some racial and ethnic categories are combined to ensure sufficiently large sample sizes. Employers offering plan are the sum of people who participate in a retirement plan at work and those who work for an employer that has a retirement plan, but who do not participate. Employees who have access to a retirement plan at work are the sum of those who participated in a retirement plan at work and those who worked for an employer that offered a plan, where they could have participated, but did not. The sample includes adults 25 years old and older, who work in wage and salary employment. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. Sources are the U.S. Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021, 2022. Washington, DC: Census.

Table A–11

2020 AND 2021 INDIVIDUAL RETIREMENT PLAN SPONSORSHIP AND PARTICIPATION RATES BY SELECT CHARACTERISTICS, RACE AND ETHNICITY (SIPP)

		Asian American, alone	Black, alone	Hispanic/ Latino origin	Other/ multiple races	White, alone
All wage and salary workers	Employer offered retirement plan	71.5%	68.2%	52.0%	65.7%	71.3%
	Employee participates in retirement plan	60.3%	52.0%	40.0%	51.4%	59.2%
Women	Employer offered retirement plan	68.7%	71.1%	54.2%	67.5%	70.3%
	Employee participates in retirement plan	56.4%	54.5%	40.8%	53.2%	57.0%
Men	Employer offered retirement plan	73.9%	64.4%	50.2%	64.1%	72.2%
	Employee participates in retirement plan	63.6%	48.9%	39.3%	49.7%	61.2%
Public sector workers	Employer offered retirement plan	80.2%	86.6%	76.3%	82.0%	88.1%
	Employee participates in retirement plan	65.3%	69.1%	62.0%	69.4%	75.4%
Private sector workers	Employer offered retirement plan	69.9%	63.5%	48.2%	62.0%	67.7%
	Employee participates in retirement plan	59.4%	47.7%	36.6%	47.2%	55.8%
Workers without college degree	Employer offered retirement plan	50.9%	60.7%	43.0%	53.3%	61.8%
	Employee participates in retirement plan	42.2%	42.6%	31.0%	39.1%	48.2%
Workers with college degree	Employer offered retirement plan	79.6%	82.1%	75.1%	83.6%	82.1%
	Employee participates in retirement plan	67.5%	69.7%	63.3%	69.1%	71.9%
Workers younger than 50 years old	Employer offered retirement plan	72.8%	66.9%	51.1%	66.5%	70.8%
	Employee participates in retirement plan	60.8%	50.4%	39.2%	52.1%	59.0%
Workers 50 years old and older	Employer offered retirement plan	68.1%	70.3%	54.0%	63.9%	72.0%
	Employee participates in retirement plan	59.0%	54.9%	41.8%	49.6%	59.5%
U.S. Born	Employer offered retirement plan	75.8%	69.5%	66.6%	70.4%	75.2%
	Employee participates in retirement plan	63.4%	53.0%	52.3%	55.2%	62.8%
Foreign Born	Employer offered retirement plan	70.3%	62.6%	38.3%	49.5%	48.9%
	Employee participates in retirement plan	59.5%	47.9%	28.6%	38.0%	38.8%
Urban	Employer offered retirement plan	70.9%	67.4%	51.7%	67.9%	71.4%
	Employee participates in retirement plan	59.6%	51.2%	39.9%	53.4%	59.4%
Rural	Employer offered retirement plan	71.3%	60.4%	47.5%	52.1%	68.1%
	Employee participates in retirement plan	55.4%	42.3%	35.1%	32.6%	54.4%

Notes: Racial and ethnic categories are not mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Data for 2020 and 2021 are combined to ensure sufficiently large sample sizes. Some racial and ethnic categories are combined from to ensure sufficiently large sample sizes. The sample includes all adults 25 years old and older. Conditional averages and medians are calculated only for people with such plans. All dollar values are in December 2022 dollars, deflated using the Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series. Sources are the U.S. Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021, 2022. Washington, DC: Census.'

Table A–12

2022 HOUSEHOLD MEDIAN EMPLOYEE RETIREMENT PLAN CONTRIBUTIONS BY RACE OR ETHNICITY (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino	Other/ multiple races	White, alone
All wage and salary workers	7.2%	5.1%	5.0%	5.1%	5.3%
Respondent without college degree	n.a.	5.2%	5.0%	5.0%	5.0%
Respondent with college degree	7.2%	5.0%	n.a.	6.0%	6.0%
Respondent younger than 50 years old	7.0%	5.0%	5.0%	5.0%	5.0%
Respondent 50 years old and older	9.2%	6.0%	5.0%	n.a.	6.0%
Household income below median	n.a.	5.0%	n.a.	n.a.	5.0%
Household income above median	7.5%	5.2%	4.6%	6.0%	5.5%
Respondent all of life in U.S.	n.a.	5.0%	5.0%	5.5%	5.0%
Respondent not all of life in U.S.	7.0%	n.a.	4.0%	n.a.	6.5%

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee and who has employee contributions to an employment-based plan. “n.a.” stands for not available due to sample sizes of less than 200 with five replicate observations. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed

Table A–13

2020 AND 2021 INDIVIDUAL MEDIAN EMPLOYEE RETIREMENT PLAN CONTRIBUTIONS BY RACE OR ETHNICITY (SIPP)

	Asian American, alone	Black, alone	Hispanic/ Latino origin	Other/ multiple races	White, alone
All wage and salary workers	7.7%	5.0%	4.5%	5.0%	6.0%
Women	7.9%	4.8%	4.9%	5.0%	5.8%
Men	7.5%	5.4%	5.0%	5.0%	6.0%
Public sector workers	7.4%	4.8%	5.7%	5.3%	5.7%
Private sector workers	7.7%	5.0%	4.9%	5.0%	6.0%
Workers without college degree	5.9%	4.4%	4.4%	4.7%	5.0%
Workers with college degree	7.8%	5.6%	6.0%	5.2%	6.6%
Workers younger than 50 years old	6.8%	5.0%	4.6%	4.9%	5.4%
Workers 50 years old and older	9.1%	5.0%	5.6%	5.7%	6.7%
U.S. Born	7.3%	4.9%	4.9%	5.0%	6.0%
Foreign Born	7.8%	5.4%	5.0%	5.5%	5.5%
Urban	7.5%	5.0%	5.0%	5.0%	6.0%
Rural	6.7%	4.7%	4.2%	6.0%	5.0%

Notes: Racial and ethnic categories are not mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Calculations combine data for 2020 and 2021 to ensure sufficiently large sample sizes. Samples include all adults 25 years old and older wage and salary employees with employee contributions to an employment-based plan. The SIPP is a backward-looking survey, so that the SIPP 2022 references data and months in 2021, for instance. Sources are the U.S. Census Bureau (2022, 2023). Survey of Income and Program Participation, 2021, 2022. Washington, DC: Census.

Table A–14

2022 SELECT MEASURES OF SAVING, LIQUIDITY AND RISK PREFERENCES BY RACE AND ETHNICITY (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino	Other/ multiple races	White, alone
Share with 401(k) loans among 401(k) holders	3.7%	15.4%	10.7%	13.1%	7.9%
Median share of equities in 401(k) accounts	65.0%	50.0%	50.0%	50.0%	55.0%
Share with financial planning horizon > 10 years	22.4%	8.1%	7.7%	13.2%	17.1%

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee. For 401(k) loans and equity allocations, only those who have 401(k)-type accounts are included. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

Table A–15

2022 SELECT MEASURES OF JOB AND INCOME STABILITY FOR ALL WAGE AND SALARY WORKERS AND THOSE WITH 401(K) PLAN BALANCES BY RACE AND ETHNICITY (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino	Other/ multiple races	White, alone
All workers					
Average length of time with current employer (in years)	8.0	7.3	7.3	7.6	9.0
Share with unusually low income in 2021	19.8%	24.8%	23.3%	22.0%	12.6%
Share with unusually high income in 2021	11.2%	8.0%	10.7%	12.3%	13.1%
Workers with 401(k)-type plans					
Average length of time with current employer (in years)	7.6	9.1	9.1	9.8	9.7
Share with unusually low income in 2021	18.5%	11.9%	12.9%	18.5%	11.1%
Share with unusually high income in 2021	8.4%	8.9%	18.6%	14.5%	13.4%

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee and, in the second panel, who participates in a 401(k)-type plan through their current employer. Source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

Table A–16

SELECT MEASURES OF FAMILY FINANCIAL SUPPORT FOR ALL WAGE AND SALARY WORKERS AND THOSE WITH 401(K) PLAN BALANCES (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino	Other/ multiple races	White, alone
All workers					
Average household size	2.7	2.4	2.9	2.8	2.6
Share financially supporting others	18.7%	19.8%	14.5%	17.6%	12.6%
Median amount of financial support (cond.)	$8,600	$2,500	$2,000	$2,500	$5,000
Median ratio of fin. Support to fin. Assets	3.9%	11.4%	33.0%	16.9%	3.0%
Average number of fin. Support recipients (cond.)	1.4	1.5	1.3	1.3	1.2
Parental care risk	2.8%	1.4%	1.9%	1.9%	0.7%
Workers with 401(k)-type plans					
Average household size	2.7	2.3	3.2	2.8	2.7
Share financially supporting others	14.8%	25.7%	16.3%	18.2%	14.1%

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee and, in the second panel, who participates in a 401(k)-type plan through their current employer. Financial support refers to financial payments to family and friends, other than gifts or alimony. The amount of financial support is the sum across all recipients. The median amount of financial support and the average number of support recipients are conditional on providing financial support. Parental care risk refers to parents or grandparents being either financially dependent on the household or living with the household. The sample sizes for households with 401(k)-type plans through their current employers, who also provided financial support to family or friends, are too small to allow for the calculation of conditional amounts and the number of recipients. Source is the Board of Governors Of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed

Table A–17

2022 RETIREMENT SAVINGS MEASURES BY FAMILY SUPPORT AND RACE AND ETHNICITY (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino	Other/ multiple races	White, alone
Has 401(k)-Type Plan, No Informal Financial Support	70.2%	36.6%	31.7%	49.3%	59.2%
Has 401(k)-Type Plan, Informal Financial Support	52.2%	51.2%	36.5%	51.2%	65.4%
Median Contributions, No Informal Financial Support	7.0%	5.7%	5.0%	5.1%	5.0%
Median Contributions, Informal Financial Support	10.0%	5.0%	5.1%	5.0%	5.6%
Pension Loan, No Informal Financial Support	3.0%	16.1%	10.6%	10.4%	7.6%
Pension Loan, Informal Financial Support	7.7%	13.4%	11.1%	25.2%	10.0%

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee. Only households with employee contributions are included to calculate the median employee contribution rate, which represents the median share of wages contributed to employment-based retirement plans. Only households with 401(k)-type plans are included when calculating the share with pension loans. Financial support refers to financial payments to family and friends, other than gifts or alimony. Source is the Board of Governors Of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed

Table A–18

2022 RETIREMENT SAVINGS MEASURES BY HEALTH STATUS AND RACE AND ETHNICITY (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino	Other/ multiple races	White, alone
Has 401(k)-Type Plan, Good Health	79.7%	56.5%	44.9%	64.9%	74.5%
Has 401(k)-Type Plan., Poor/Fair Health	71.5%	53.7%	39.1%	49.7%	64.3%
Median Employee Contribution, Good Health	7.2%	3.6%	4.0%	5.0%	5.0%
Median Employee Contribution Poor/Fair Health	4.0%	5.0%	3.3%	5.0%	5.0%
Pension Loan, Good Health	2.8%	8.9%	7.6%	6.4%	7.6%
Pension Loan, Poor/Fair Health	6.4%	28.5%	14.8%	26.5%	8.9%

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee and who has a 401(k)-type plan. Only households with employee contributions are included to calculate the median employee contribution rate, which represents the median share of wages contributed to employment-based retirement plans. The share of people with pension loans is calculated only for people with a positive balance in their 401(k)-type account. Health status refers to both spouses. Thus, good health means that both spouses in married/partnered couple are in good health. Poor/fair health indicates that at least one spouse is in poor or fair health. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed.

Table A–19

2021 AND 2022 RETIREMENT SAVINGS MEASURES BY MEDICAL DEBT AND RACE AND ETHNICITY (SHED)

	Black, alone	Hispanic/ Latino	Other/multiple races or ethnicities	White, alone
Has Any Retirement Savings, No Medical Debt	70.1%	69.2%	83.7%	84.4%
Has Any Retirement Savings, Medical Debt	66.2%	59.7%	65.5%	73.0%
Has 401(k)-Type Plan, No Medical Debt	63.1%	62.1%	78.2%	77.5%
Has 401(k)-Type Plan., Medical Debt	59.3%	52.8%	64.8%	65.8%
Has 401(k) Balance >$100,000, No Medical Debt	41.0%	41.0%	65.1%	60.2%
Has 401(k) Balance >$100,000, Medical Debt	11.1%	20.1%	26.9%	30.1%
Borrowed/Withdrew from Ret. Acct., No Medical Debt	13.0%	9.8%	6.1%	5.6%
Borrowed/Withdrew from Ret. Acct., Medical Debt	33.3%	32.1%	19.1%	21.1%

Notes: Racial and ethnic categories are mutually exclusive. Asian American people and people of other and multiple races and ethnicities are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories includes Asian American, American Indian, Native Alaskan and Pacific Islander households, in addition to other races and ethnicities that are not listed in the survey. The survey asks people whether they borrowed or withdrew from their retirement accounts. Answers are combined to preserve sample sizes. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee. The source is the Board of Governors of the Federal Reserve System (2022, 2023). Survey of Household Economics and Decisionmaking, 2021, 2022. Washington, DC: Fed.

Table A–20

2019 RETIREMENT SAVINGS MEASURES BY INCARCERATION EXPERIENCE AND RACE AND ETHNICITY (SHED)

	Black, alone	Hispanic/ Latino	Other/multiple races or ethnicities	White, alone
Has Any Retirement Savings, No Incarceration Exp.	69.2%	68.6%	83.4%	81.1%
Has Any Retirement Savings, Incarceration Exp.	72.1%	60.4%	68.2%	70.9%
Has 401(k)-Type Plan, No Incarceration Exp.	65.2%	60.1%	76.5%	74.7%
Has 401(k)-Type Plan., Incarceration Exp.	68.9%	60.0%	52.5%	64.9%
Has 401(k) Balance >$100,000, No Incarceration Exp.	30.4%	33.4%	60.9%	54.0%
Has 401(k) Balance >$100,000, Incarceration Exp.	26.0%	12.6%	22.3%	42.8%
Borrowed/Withdrew from Ret. Acct., No Incarceration Exp.	19.9%	11.6%	5.4%	7.8%
Borrowed/Withdrew from Ret. Acct., Incarceration Exp.	23.8%	12.8%	18.6%	14.1%

Notes: Racial and ethnic categories are mutually exclusive. Asian American people and people of other and multiple races and ethnicities are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories includes Asian American, American Indian, Native Alaskan and Pacific Islander households, in addition to other races and ethnicities that are not listed in the survey. Samples include wage and salary workers who are 25 years old or older. Incarceration experience is defined as people who answered that somebody in their household was or is in jail or prison. Retirement accounts refer to DC accounts, such as 401(k) plans or IRAs. Source is the Board of Governors Of the Federal Reserve System (2020). Survey of Household Economics and Decisionmaking, 2019. Washington, DC: Fed.

Table A–21

2019, 2020 AND 2021 RETIREMENT SAVINGS MEASURES BY DISCRIMINATION EXPERIENCE AND RACE AND ETHNICITY (SHED)

	Black, alone	Hispanic/ Latino	Other/multiple races or ethnicities	White, alone
Has Any Retirement Savings, No Discrimination	69.4%	67.7%	83.7%	81.6%
Has Any Retirement Savings, Discrimination	69.7%	62.8%	72.7%	79.0%
Has 401(k)-Type Plan, No Discrimination	64.2%	60.0%	76.0%	75.1%
Has 401(k)-Type Plan, Discrimination	66.6%	53.5%	67.5%	71.3%
401(k) Balance >$100,000, No Discrimination	31.0%	35.0%	58.6%	55.2%
401(k) Balance > $100,000, Discrimination	30.7%	32.5%	55.6%	46.7%
Borrowed/Withdrew from Ret. Acct., No Discrimination	20.9%	13.5%	6.6%	8.2%
Borrowed/Withdrew from Ret. Acct., Discrimination	26.6%	16.6%	7.7%	11.0%

Notes: Racial and ethnic categories are mutually exclusive. Asian American people and people of other and multiple races and ethnicities are combined to ensure sufficiently large sample sizes. The category of other or multiple races or ethnicities among broad categories includes Asian American, American Indian, Native Alaskan and Pacific Islander households, in addition to other races and ethnicities that are not listed in the survey. Discrimination refers to discrimination of unfair treatment based on race, ethnicity, age, religion, disability status, sexual orientation, gender, or gender identity. Samples include households headed by somebody 25 years old and older who works as a wage and salary employee. The source is the Board of Governors of the Federal Reserve System (2020, 2021, 2022). Survey of Household Economics and Decisionmaking, 2019, 2020, 2021. Washington, DC: Fed.

Table A–22

2022 HOUSEHOLD NON-RETIREMENT WEALTH INEQUALITY MEASURES BY RACE OR ETHNICITY (SCF)

	Asian American, alone	Black, alone	Hispanic/ Latino	Other/ multiple races	White, alone
Non-Retirement Household Wealth					
Wealth shares:					
Bottom 20%	0.2%	-4.1%	-0.5%	-1.4%	0.2%
20^{th} to 50^{th} percentile	5.5%	4.2%	8.0%	3.7%	4.0%
50^{th} to 90^{th} percentile	27.5%	40.4%	41.0%	35.1%	24.3%
Top 10%	66.8%	59.5%	51.5%	62.6%	71.5%
Gini coefficient	0.76	0.80	0.68	0.78	0.80
Percentile cutoffs:					
20^{th}	$105,421	$4,700	$23,800	$14,000	$86,100
40^{th}	$418,000	$45,800	$117,800	$69,460	$220,650
60^{th}	$783,000	$147,100	$240,200	$249,400	$450,000
80^{th}	$1,399,200	$362,240	$463,190	$552,700	$1,140,600
Mean wealth:					
Lowest quintile	$27,622	$48,494	$(5,329)	$(30,222)	$24,941
Second quintile	$265,924	$30,056	$90,418	$45,378	$156,388
Middle quintile	$615,065	$100,325	$163,314	$151,099	$346,710
Fourth quintile	$1,069,186	$269,566	$322,910	$394,140	$726,043
Top quintile	$7,137,335	$976,735	$1,198,741	$1,876,051	$5,752,791

Notes: Racial and ethnic categories are mutually exclusive. The category of other or multiple races or ethnicities among broad categories includes American Indian, Native Alaskan and Pacific Islanders, in addition to other races and ethnicities that are not listed in the survey. Both samples for total household retirement wealth and retirement account balances include households where the respondent/reference person is 25 years old and older, works as a wage and salary employee and has any retirement savings, including DB pensions. Total household retirement wealth is the sum of imputed DB pension wealth, 401(k) account balance and IRA balances for respondent and spouse/partner if a spouse/partner is present. Total retirement account balances are the sum of 401(k) account balances and IRA balances for respondent and spouse/partner if a spouse/partner is present. The Bureau of Labor Statistics' Consumer Price Index for Urban Consumer, Research Series, is used to deflate nominal values. The source is the Board of Governors of the Federal Reserve System (2023). Survey of Consumer Finances, 2022. Washington, DC: Fed. Total retirement wealth is the sum of retirement account balances and imputed DB pension wealth. DB wealth calculations provided by Alice Henriques Volz and John Sabelhaus. See Alice Henriques Volz and John Sabelhaus (2019). Are Disappearing Employer Pensions Contributing to Rising Wealth Inequality? John Sabelhaus and Alice Henriques Volz. FEDS Notes February 01, 2019. Washington, DC: Fed for details of the underlying calculations.

Appendix B: Data Sources

This report uses the Federal Reserve's Survey of Consumer Finances (SCF), the U.S. Census Bureau's Survey of Income and Program Participation (SIPP) and the Federal Reserve's Survey of Household Economics and Decisionmaking (SHED) for its analyses.

B.1 SURVEY OF CONSUMER FINANCES (SCF)

The SCF is a triennial nationally-representative cross-sectional dataset with the most recent data collected in 2022. The 2022 SCF consists of 4,062 complete interviews. Missing observations are imputed by the Federal Reserve. Moreover, the Federal Reserve provides five replicates of each observation to increase the sample sizes, allowing for robust summary statistics of a range of subpopulations. The total sample of wage and salary households that are 25 years old and older in 2022 consists of 10,977 observations. This report only includes summary data if there are at least 200 observations available across five replicates.

The SCF contains comprehensive information on households' assets, debt, and income, as well as on their financial behaviors. The dataset includes information on retirement plan participation, specifically in 401(k) plans and IRAs, and the level of employee and employer contributions to 401(k) plans. The SCF also allows for calculations of DC plan balances and the implicit value of DB pensions (Sabelhaus and Volz, 2019). Moreover, the SCF contains information on a respondent's industry, employer size, education, wages and time with the current employer. All such variables used in the report refer to the reference person. Most relevant for this report, the 2022 SCF allows for the generation of five mutually exclusive racial or ethnic categories: Asian American, Black, Hispanic/Latino, and white households, as well as households of other or multiple races or ethnicities. The 2022 SCF also includes information on people's heritage, which is aggregated into 12 categories. The labels associated with these ancestry questions are the authors', not the Federal Reserve's.

The SCF contains substantial details on people's DB pensions. Alice Henriques Volz and John Sabelhaus (2022) use this information to calculate imputed DB pension wealth. The underlying assumptions include a nominal discount rate of 5% and a real discount rate of 3% if a DB pension includes inflation adjustments. Their calculations use mortality tables from Chetty, et al. (2016). And finally, they adjust the imputed DB pension wealth proportionally, so that the aggregate totals match those reported in the Federal Reserve's Release Z.1 Financial Accounts of the United States.

B.2 THE SURVEY OF INCOME AND PROGRAM PARTICIPATION (SIPP)

The SIPP is a four-year panel survey conducted by the U.S. Census Bureau. It has overlapping waves between panels. For instance, 2021 was the fourth and last wave for the 2018 panel, while it was the first wave for the 2021 panel. Each year, there are theoretically survey respondents from four different panels, although the 2019 panel was folded in with the 2018 panel in 2020 due to survey responses associated with the Covid-19 pandemic. The total sample in the reference month of 2021 was 55,426 and the total SIPP sample in the reference month of 2022 was 40,510. The combined sample of wage and salary earners 25 years old and older for the two years 2021 and 2022 amounts to 26,691 observations.

This report combines data for 2021 and 2022 to generate sufficient sample sizes of subpopulations. The survey questions in 2021 and 2022 added more detail on Hispanic/Latino subpopulations that do not exist in prior years. The two survey years also include additional details on employer-sponsored retirement accounts that do not exist in the immediately preceding years. Thus, I SIPP contains information on all key retirement assets and individual characteristics to allow for a detailed analysis of the racial and ethnic distribution of retirement assets to supplement the analysis of the SCF data.

B.3 THE SURVEY OF HOUSEHOLD ECONOMICS AND DECISIONMAKING (SHED)

The SHED is meant to capture short-term and long-term financial security. Data for 2019 in SHED consists of 12,173 observations, for 2020 consists of 11,648 observations, for 2021 consists of 11,874 observations, and for 2022 consists of 11,667 observations. The sample of wage and salary employees who are 25 years old and older consists of 5,922 observations for 2019, 5,451 observations for 2020, 5,698 observations for 2021 and 5,475 observations for 2022.

Key measures based on the variables in the SHED include the shares of people who have medical debt, experienced discrimination and have or had a family member in jail or prison. Importantly, not all questions are available for all years. The incarceration question only exists for 2019. The questions on discrimination exist only for 2019, 2020 and 2021. The summary tables in the report, thus, use different years, dependent on the availability of the information. The SHED also includes information on people's assets, especially on whether they had retirement assets. Further, it includes information on 401(k) account balances, broken down into eight categories ranging from "less than $10,000" to "$1,000,000 or more." Finally, the SHED contains a wide range of demographic variables for each person. These include indicators for race or ethnicity, age, and educational attainment.

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