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How Employers Can Help Close the Racial Retirement Wealth Gap



Recent research conducted by Economist Impact highlights a significant discrepancy between white and Black workers' retirement confidence. While half of white respondents feel confident about retiring by the federal retirement age, only 39% of Black survey takers share this sentiment.

Black workers (ages 51-64) face even greater uncertainty, as they're the least likely to participate in their employer-sponsored retirement plan. When they do participate, their portfolio balances are far smaller than similarly aged white workers. According to the Government Accountability Office: "Of those with a retirement account balance, white households had significantly greater median balances than households of all other races each year from 2007 to 2019. For example, in 2019 those white households had median balances of about \$164,000, which were about twice that as households of all other races (about \$80,300)."

Furthermore, AARP reports that approximately 53% of Black workers lack access to employer-sponsored retirement plans, compared to 42% of white employees. For Latino workers, the percentage of those lacking access is even higher at 64%. Additionally, just over one-third of Black adults reported having a financial advisor, compared to 44% of all Americans. This discrepancy is further compounded by the challenge of finding advisors with a shared cultural background and viewpoint with Black families, given that fewer than 2% of certified financial planners are Black.

There are several strategies sponsors can implement to help address racial disparities in retirement readiness:

- Improve communication. Economist Impact found that poor benefits communication hindered utilization, with minority employees disproportionately reporting difficulty



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taking full advantage of available benefits.

- Provide targeted outreach and education. Offer targeted financial education programs that address the specific needs and challenges faced by minority workers.
- Promote one-on-one meetings with financial advisors. Encouraging personal meetings with financial advisors can build trust and provide tailored advice, enabling minority workers to better navigate retirement planning.
- Implement auto features and matching contributions. Instituting automatic enrollment in retirement plans and auto-escalation of contributions can significantly increase participation rates. Moreover, providing matching contributions incentivizes employees to save more by leveraging employer contributions, which compound over time to increase their retirement savings.
- Provide emergency savings support. Use pension-linked emergency savings accounts (PLESAs) to help minority households better respond to financial emergencies and avoid withdrawing funds from their retirement accounts to pay for unplanned expenses.

While these strategies are critical steps toward narrowing the gap, addressing this important and complex issue will require a comprehensive, multi-pronged approach with sustained commitment and collaboration across sectors to create a more equitable and inclusive financial landscape for future generations. This includes expanding access to retirement benefits, investing in community-based financial education initiatives, and increasing diversity within the financial services industry. By recognizing the needs and challenges faced by minority workers and implementing inclusive solutions, employers can play a pivotal role in fostering greater financial security and retirement readiness for all employees, regardless of race or ethnicity.

Sources:

<https://si-interactive.s3.amazonaws.com/prod/plansponsor-com/wp-content/uploads/2024/04/17171018/Benefits-2.0-Full-research-findings-Copy.pdf>

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