

Individual Account Retirement Plan Trends by Race/Ethnicity of Family Heads

Individual account (IA) retirement plans are the dominant source of financial assets for many private-sector workers and retirees, and they are gaining importance among those currently or previously employed in the public sector. These plans include employment-based retirement savings plans financed by employer and employee contributions (most notably, defined contribution (DC) plans such as 401(k) plans), Keogh plans for the self-employed, and individual retirement accounts (IRAs) for savings outside of the workplace (as well as, in certain cases, part of an employment-based plan).

This *Fast Fact* examines the ownership of and amount held in IA plans by families with heads of different races and ethnicities.¹ This builds on prior EBRI research on IA plan ownership by race and ethnicity, including comparisons by income.² This study uses the Federal Reserve’s Survey of Consumer Finances (SCF) and uses the race and ethnicity categories available in the public-use data from this survey.^{3, 4}

Percentage With an Individual Account Retirement Plan

In 2022, the likelihood of families with White, non-Hispanic heads having an IA plan was nearly and more than double that of families with Black and Hispanic heads — 62.2 percent vs. 34.0 percent and 29.5 percent, respectively (Figure 1). The families with “other” heads had retirement plan ownership rates more in line with the families with White, non-Hispanic heads but still below them. These disparities have been consistent since 2007.

While the overall percentage of families who had an IA retirement plan saw an increase from 50.5 percent in 2019 to 54.3 percent in 2022, families with either Black or “other” heads saw a decrease in the percentage with an IA plan. Despite the decreases in 2022 among families with Black and “other” heads, the percentages in 2022 still surpassed those in 2010 and 2016. Families with both White and Hispanic heads experienced increases in ownership in 2022, with families with White heads reaching their peak level in that year.

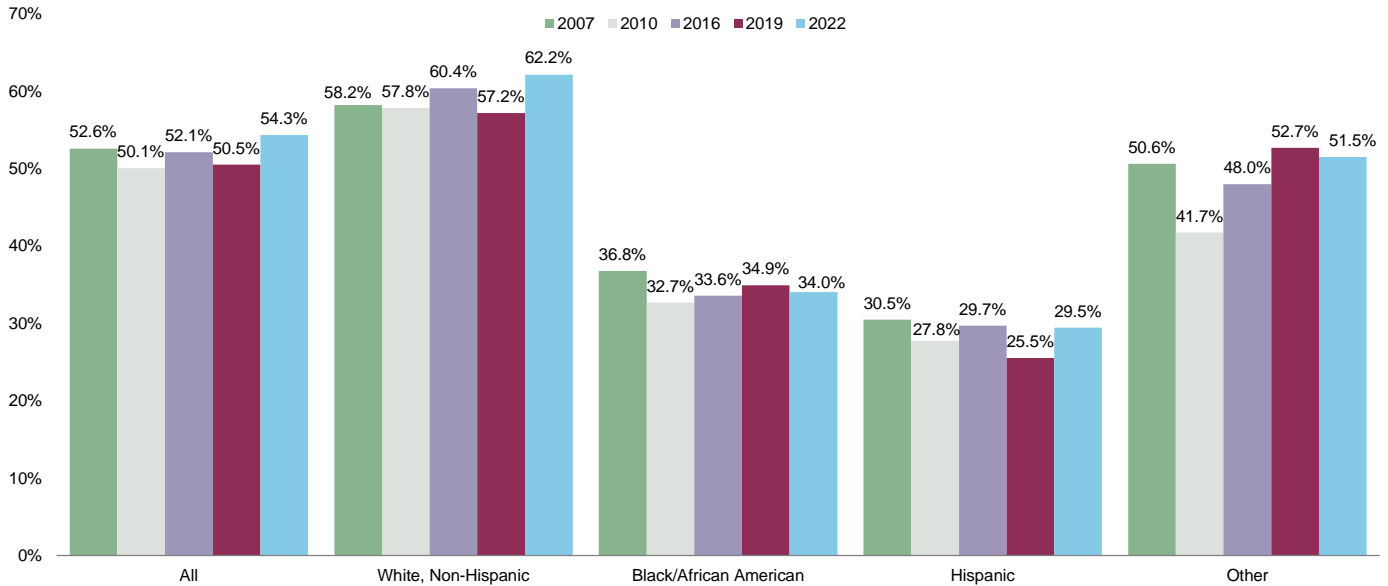
¹ See Copeland, Craig, “The Status of American Families’ Accumulations in Individual Account Retirement Plans,” *EBRI Issue Brief*, no. 610 (Employee Benefit Research Institute, June 20, 2024) for more detail on overall ownership and amount held in IA plans.

² For example, see Copeland, Craig, “The Status of American Families’ Accumulations in Individual Account Retirement Plans and Differences by Race/Ethnicity: An Analysis of the 2019 Survey of Consumer Finances,” *EBRI Issue Brief*, no. 527 (Employee Benefit Research Institute, March 11, 2021) for a prior look at IA plan ownership by race and ethnicity.

³ See Aladangady, Aditya, Jesse Bricker, Andrew C. Chang, Sarena Goodman, Jacob Krimmel, Kevin B. Moore, Sarah Reber, Alice Henriques Volz, and Richard A. Windle (2023). *Changes in U.S. Family Finances from 2019 to 2022: Evidence from the Survey of Consumer Finances*. Washington: Board of Governors of the Federal Reserve System, October, <https://doi.org/10.17016/8799> for more information about the SCF.

⁴ The racial/ethnicity categories from SCF are self-identified and include White, non-Hispanic; Black/African American; Hispanic; and other, which consists of those races/ethnicities not defined in the three prior categories, such as Asian Americans and those who identify as multiracial. SCF is at the family level, so the characteristics of the family head (or the reference person) are used to categorize the families. In 2022, 66.2 percent of the families had family heads who were White, non-Hispanic; 11.9 percent were Black; 9.8 percent were Hispanic; and 12.1 percent were another race.

Figure 1
**Percentage of Families Who Have an Individual Account Retirement Plan,
 by Race of Family Head**



Source: EBRI estimates of the 2007, 2010, 2016, 2019, and 2022 Survey of Consumer Finances.

Percentage Eligible for a Defined Contribution Plan

To have an IA plan through employment (e.g., a DC plan), an individual must both work for an employer that offers a plan and meet the eligibility requirements of the plan to participate in it. The relative percentages of working family heads eligible to participate in a DC plan are clearly a factor in the differences in IA plan ownership (Figure 2). In 2022, 39.6 percent of Hispanic working family heads were eligible for a DC plan, and 48.7 percent of Black/African American working family heads were eligible. This compares with 62.2 percent of White, non-Hispanic working family heads and 59.9 percent of “other” working family heads who were eligible. These disparities have held since 2007.⁵

The percentage of working family heads eligible for a defined contribution plan increased overall from 2019 to 2022, specifically for families with White, Black, and Hispanic heads. The percentage of working White, non-Hispanic family heads eligible for a DC plan consistently increased from 2007 to 2022. The percentage of Black and Hispanic family heads eligible for a DC plan increased from 2019 to 2022, but these percentages are still much lower than the 2007 figures for both groups. In contrast, “other” heads saw a decrease in eligibility in 2022, but the percentage of these family heads eligible was higher than in the years 2007–2016.

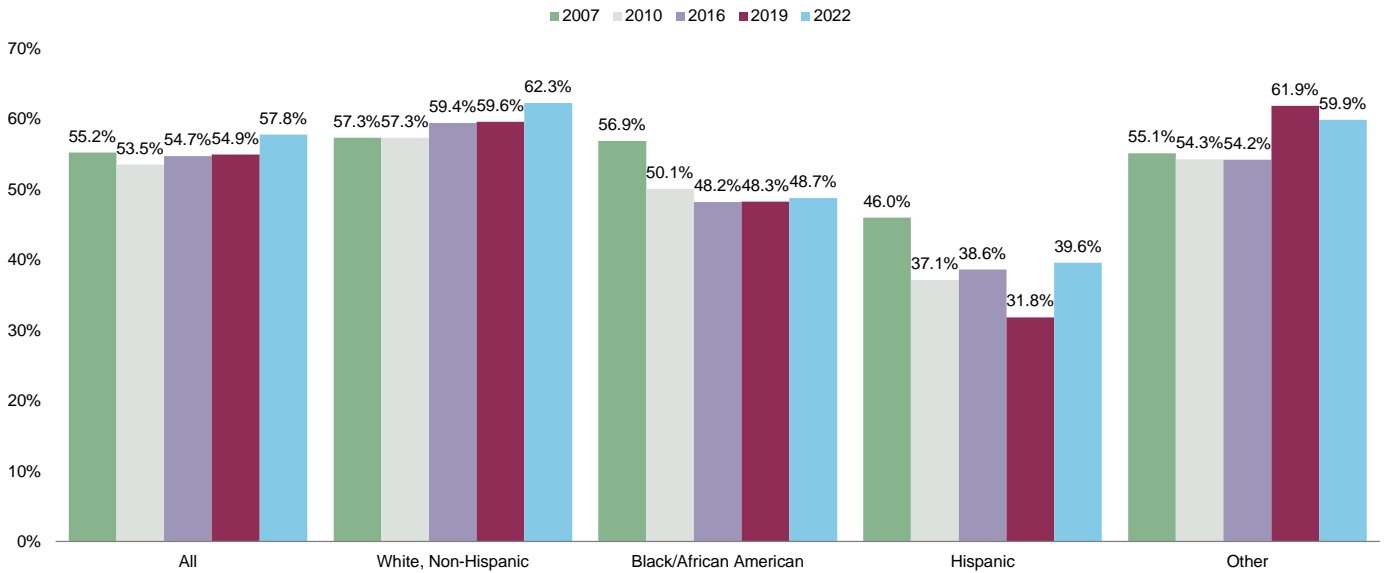
To better understand the differences in DC plan eligibility by race/ethnicity, the role of income was accounted for by splitting the working family heads into two groups: those above and those at or below the median income of families with a working head (Figure 3).⁶ In 2022, the eligibility rate for family heads with above-median incomes was much higher than for heads with incomes at or below the median. Additionally, the percentage of working family heads eligible for a DC plan varied significantly between races for those earning at or below median income — 51.5 percent of White, non-Hispanic family heads compared with 27.5 percent of Hispanic family heads. However, the above-median income group has very little variation, with the highest eligibility rate at 71.9 percent for “other” family heads and the lowest eligibility rate at 65.5 percent for Black family heads.⁷

⁵ The difference in eligibility between Black and White family heads was less than 1 percentage point in 2007, but the eligibility rate for Black family heads dropped in 2010, leading to a 7 percentage point difference. This disparity grew each subsequent year, with 2022 seeing a disparity of nearly 14 percentage points.

⁶ The median adjusted income in 2022 was \$86,472.

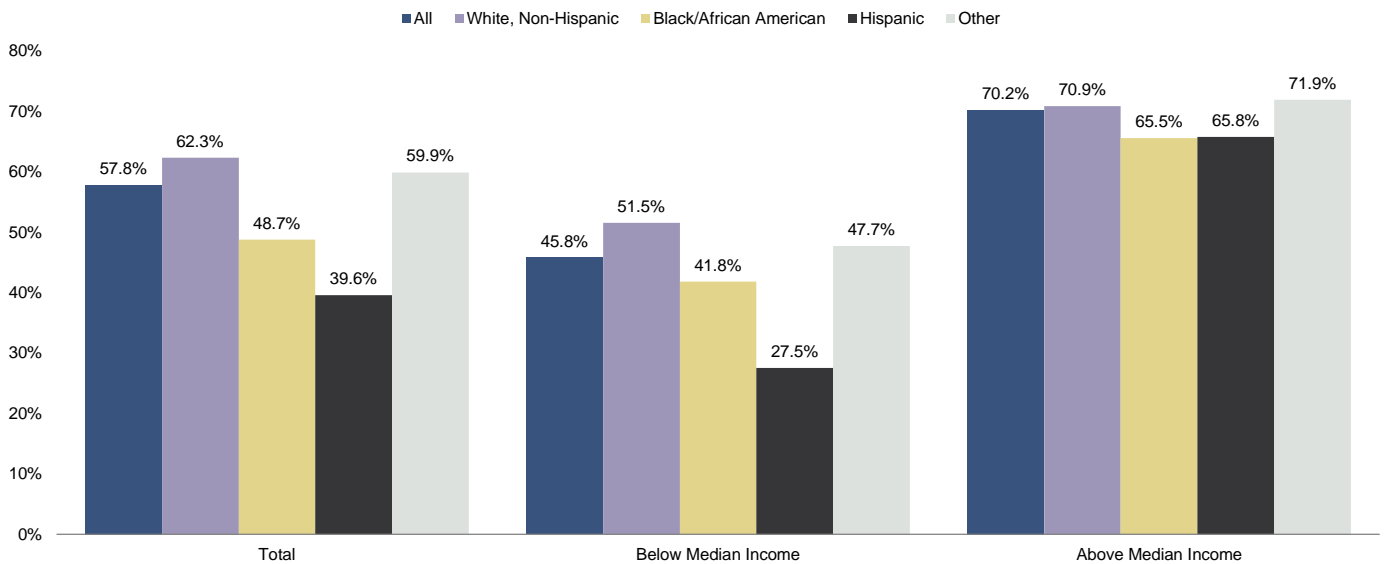
⁷ More research is necessary to address why race/ethnicity disparities in DC plan eligibility are much larger among families with below-median incomes than among families with above-median incomes. One reason may be the jobs that those of

Figure 2
Percentage of Working Family Heads Eligible for a Defined Contribution Plan, by Race of Family Head



Source: EBRI estimates of the 2007, 2010, 2016, 2019, and 2022 Survey of Consumer Finances.

Figure 3
Percentage of Working Family Heads Eligible for a Defined Contribution Plan, by Race of Family Head



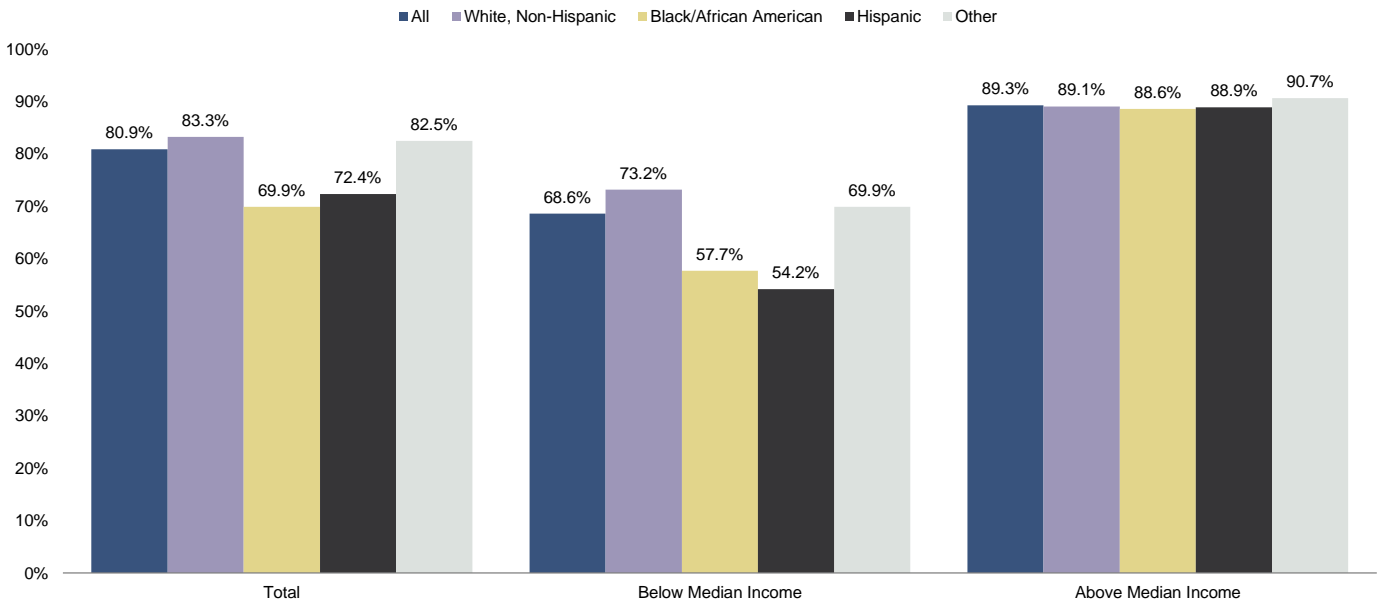
Source: EBRI estimates of the 2022 Survey of Consumer Finances.

different races and ethnicities more commonly have. Also, see Copeland, Craig, and Kyle Bedu, “Retirement Plan Participation and the Current Population Survey: The Trend From the Retirement Account Questions,” *EBRI Issue Brief*, no. 597 (Employee Benefit Research Institute, November 30, 2023) for another look at retirement plan participation.

Participation Rates in Employment-Based DC Plans

Among the working family heads eligible for an employment-based DC plan, the participation rates differ by the race/ethnicity of the family head (Figure 4).⁸ White, non-Hispanic and “other” family heads have much higher participation rates than their Black and Hispanic counterparts. Black and Hispanic family heads participate at rates of 69.9 percent and 72.4 percent, respectively, compared with White, non-Hispanic heads’ participation rate of 83.3 percent.⁹

Figure 4
Working Family Heads’ Participation Rate* in an Employment-Based Defined Contribution Plan in 2022, by Race of Family Head



Source: EBRI estimates of the 2022 Survey of Consumer Finances.

*Participation rate is the percent participating among those eligible for a defined contribution plan.

Family heads with above-median incomes had much higher participation rates than those with incomes at or below the median — 89.3 percent vs. 68.6 percent. Furthermore, among the family heads with incomes above the median, there was little variation in participation rates across races. These rates vary between 88.6 percent of Black family heads and 90.7 percent of “other” family heads, a range of less than 3 percentage points. However, among those with incomes at or below the median income, participation rates differ by race/ethnicity of the family head, from 54.2 percent of Hispanic heads to 73.2 percent of White, non-Hispanic heads. Notably, this variation follows the same trends as the participation rates by race/ethnicity among all income groups. The differences between the group with above-median incomes and the group with incomes at or below the median show the impact of the intersection of race and income in DC plan participation rates in both overall participation rates and level of variance among races.

Median IA Retirement Plan Balances

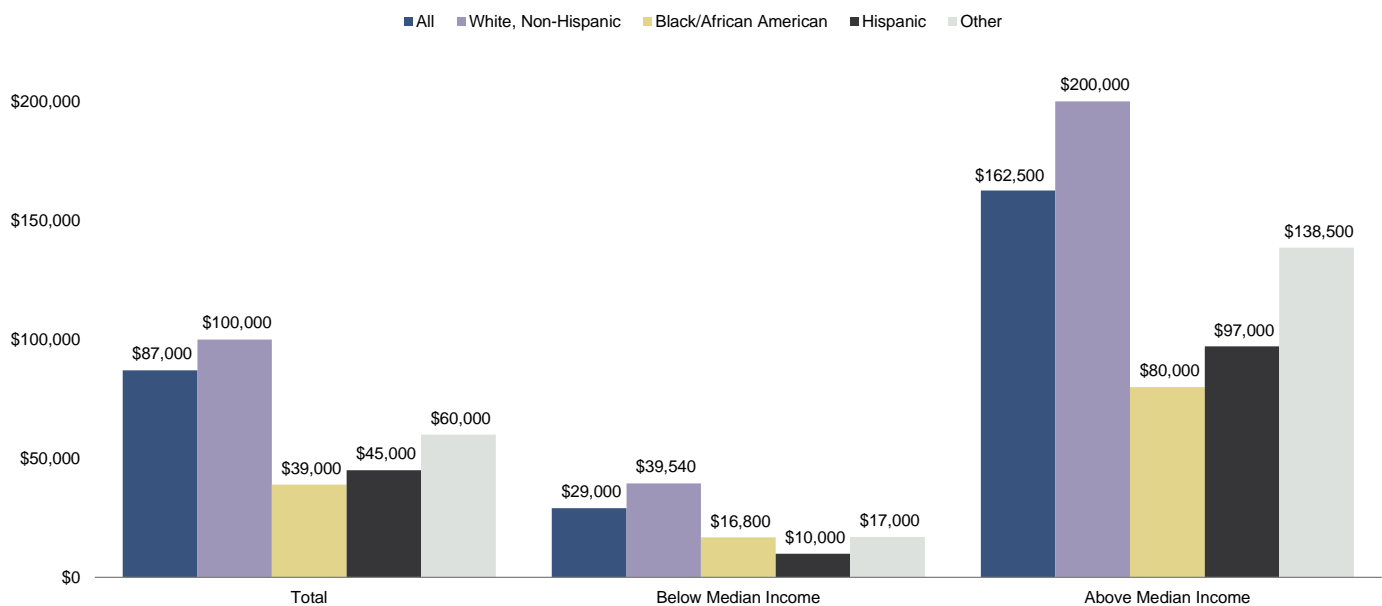
⁸ The participation rate is the percentage participating among those eligible for a DC plan.

⁹ To further investigate this finding, a probit model holding income, age, net worth, tenure, and company size constant was run along with the race/ethnicity of the family head. This analysis shows that a family with a head who is Black or Hispanic was less likely to participate in an employment-based defined contribution plan (when offered) than families with a White, non-Hispanic head.

In 2022, the median IA retirement plan balance of those having a plan was over twice as high for families with White, non-Hispanic heads as the median balances for families with Black or Hispanic heads (Figure 5). These figures change significantly when splitting the groups into those with incomes above vs. at or below the median income. Unsurprisingly, the balances were lower for families with incomes below the median (\$29,000) and higher for those with incomes above the median (\$162,500). Within these income groups, the disparities in median IA plan balances among families with heads of different races/ethnicities are still apparent.

Notably, families with White, non-Hispanic heads had the highest median balance in both income groups. Among the above–median income families, those with Black heads had the lowest median IA balance at \$80,000, following the trend from families across incomes. However, among families earning incomes at or below the median, those with Hispanic heads had the lowest median balance of \$10,000 compared with \$39,540 for families with White, non-Hispanic heads. Even within their respective income groups, families with Black and Hispanic heads had much lower median IA retirement plan balances than families with White, non-Hispanic heads.

Figure 5
Median Individual Account Retirement Plan Balances of Those Having a Plan in 2022, by Race of Family Head



Source: EBRI estimates of the 2022 Survey of Consumer Finances.

Median Share of Total Financial Assets Represented by IA Plan Assets

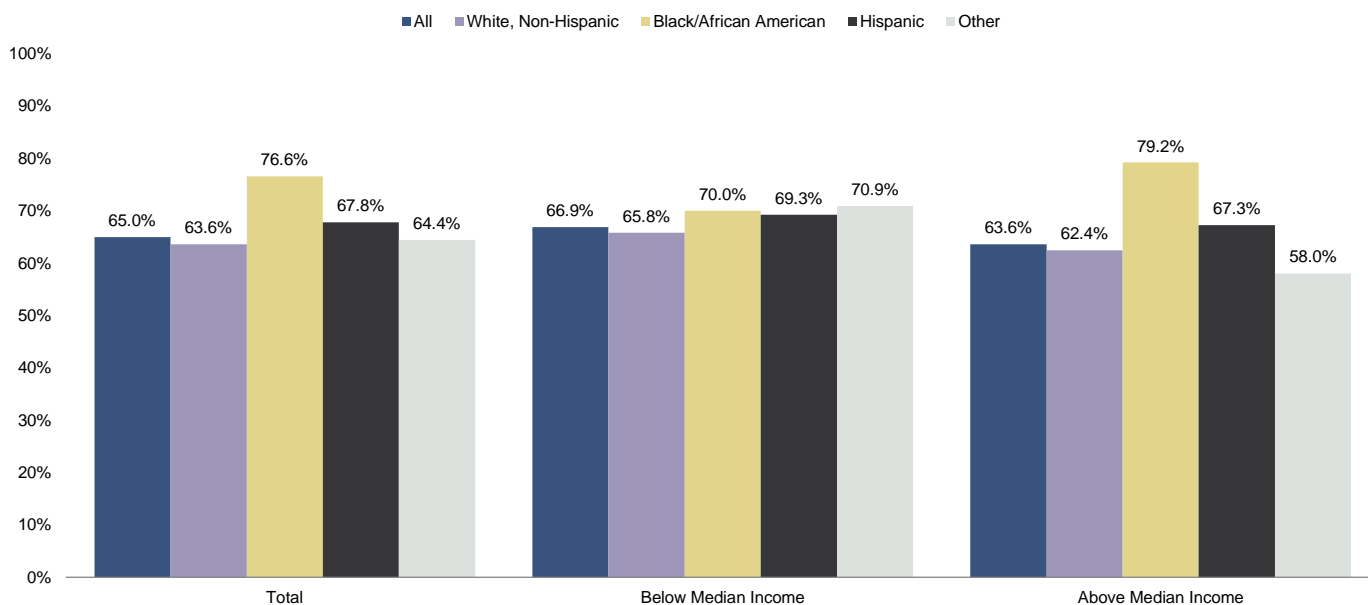
As IA retirement plans gain prevalence among private- and public-sector employees, one way to measure their importance among different demographics is finding the share of financial assets held in these plans. The median share of total financial assets represented by IA retirement plan assets among those having these assets was above 60 percent for all families with working family heads (Figure 6).¹⁰ By race/ethnicity, the highest median IA plan

¹⁰ Financial assets include certificates of deposit, stocks, bonds, retirement savings, transaction accounts (savings, checking, money market accounts, and call accounts), directly held mutual funds, savings bonds, cash value of insurance policies, other

asset share was 76.6 percent for families with Black family heads. Similarly, IA assets made up 79.2 percent of total financial assets for families with Black heads who earned above the median income, much higher than the median financial asset shares for all families earning above the median income — 63.6 percent. Despite families with Black family heads having much lower median IA plan balances than those with White, non-Hispanic family heads, these balances make up a higher proportion of their total financial assets.

Regarding families earning incomes at or below the median, the shares of financial assets were similar for all families except for those with White, non-Hispanic heads. Furthermore, the group with incomes at or below the median had much less variation among the race of family heads than the above–median income group, staying within a 5.1 percentage point range compared with the 21.2 percentage point difference among those with incomes at or below the median.

Figure 6
Median Share of Total Financial Assets Represented by Individual Account (IA) Retirement Plan Assets (of Those Having IA Plan Assets) in 2022, by Race of Family Head



Source: EBRI estimates of the 2022 Survey of Consumer Finances.

Conclusion

Participation in, eligibility for, and the amount held in IA retirement plans varied significantly among families with family heads of different races and ethnicities. These disparities among races/ethnicities are apparent even when splitting the families by income. However, differences in DC plan eligibility and participation rates are much less noticeable in groups with incomes above the median. As a result, plan sponsors and financial service

managed assets (trusts, annuities, and managed investment accounts), and other financial assets (loans, future proceeds, royalties, non-public stock).

companies must be aware of factors impacting participation in DC plans other than just income and help members of these communities better balance their priorities and cultural expectations to increase participation and the amount saved in these plans.¹¹ This can be an important step in reducing the wealth gap among races, especially given the large share of financial assets represented by IA plan assets.

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¹¹ See Copeland, Craig and Lisa Greenwald, “2021 Retirement Confidence Survey: A Closer Look at Black and Hispanic Americans,” *EBRI Issue Brief*, no. 530 (Employee Benefit Research Institute, June 10, 2021) for more explanation about the savings priorities and retirement preparation among Black and Hispanic Americans.