

## Retirement Accounts and Race: Evidence of Serious Gaps

### Introduction

Individual account (IA) retirement plans are the dominant source of retirement assets for private-sector workers, are gaining importance for public-sector workers, and are continuing to grow in size. However, there is clear evidence that not every race/ethnic group is amassing similar levels of wealth within such plans. In this *Fast Fact*, how the use of IA retirement plans varies across families with white, non-Hispanic; Black/African American; and Hispanic heads is examined by using data from the Survey of Consumer Finances (SCF), the Federal Reserve's triennial survey of wealth.<sup>1</sup> This analysis provides a benchmark as policymakers and employers seek to address inequities in savings across races and ethnicities.

#### About IA Plans

IA plans include employment-based retirement savings plans financed by employer and employee contributions (most notably, defined contribution (DC) plans such as 401(k) plans) as well as Keogh plans for the self-employed and individual retirement accounts (IRAs) for savings outside of the workplace (as well as, in certain cases, in an employment-based plan).

#### About the SCF

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.

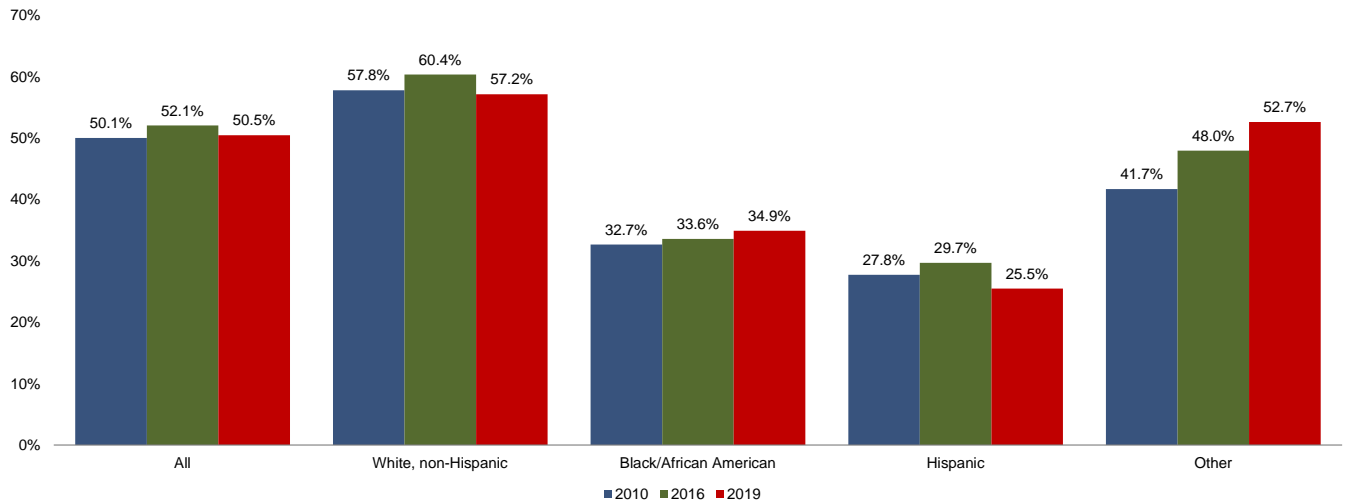
### Ownership of IA Retirement Plans Is Lower for Families With Black/African American and Hispanic Heads

According to the SCF, just over half of families had an IA retirement plan in 2019 (50.9 percent). However, the likelihood of having an IA retirement plan was significantly lower for families with Black/African American family heads than for families with white, non-Hispanic heads — 57.2 percent and 34.9 percent respectively. The discrepancy is even greater for families with Hispanic heads: Fewer than half as many (25.5 percent) families with Hispanic heads reported having IA retirement plans vs. families with white, non-Hispanic heads. These disparities have not changed much since 2010 (Figure 1).

### IA Retirement Account Balances Are Lower as Well

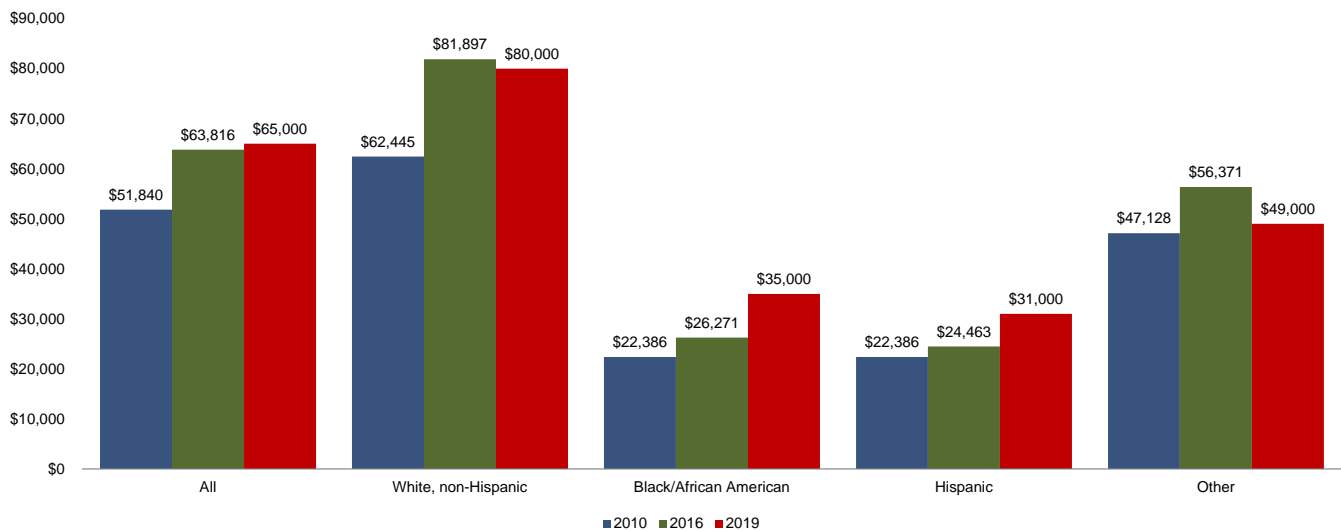
Those families with Black/African American or Hispanic heads who did have an IA retirement plan also reported significantly lower median account balances than families with white, non-Hispanic heads (Figure 2). In 2019, the median IA account balance of families with white heads was \$80,000 vs. \$35,000 and \$31,000 for families with Black/African American heads and Hispanic heads, respectively. As with the differences in incidence of ownership, the lower balances of the families with minority heads have persisted since at least 2010. However, they did show improvement from 2016 to 2019.<sup>2</sup>

**Figure 1**  
**Percentage of Families Who Have an IA Retirement Plan, by Race/Ethnicity of Family Head**



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

**Figure 2**  
**Median IA Retirement Plan Balances (of Those Having a Plan), by Race/Ethnicity of Family Head**



Source: EBRI estimates of the 2010, 2016, and 2019 Survey of Consumer Finances. Note: All dollar amounts are in 2019 dollars.

## Conclusion

These findings provide a benchmark that shows the differences are quite serious. Indeed, families with minority heads are generally in a much worse position in their preparation for retirement in terms of IA retirement plan assets and as a result are likely to have much less flexibility in financing retirement without these assets. Recognizing this, policymakers and employers appear to be placing a greater emphasis on addressing the inequities across races and ethnicities. Financial wellbeing programs can help address these disparities, particularly as employers develop holistic programs that address the full financial picture of employees and tailor these programs to the employees using them.

The EBRI report, “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,” is published as the March 2021 *EBRI Issue Brief*, and is available online [here](#).

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<sup>1</sup> The basis of this survey is what the Federal Reserve refers to as a *primary economic unit* (PEU), which is a subset of households and closely resembles families in its definition, although it is not precisely families. However, families are the closest concise terminology for the PEU, so families are used in this study. For further information about this issue as well as about SCF in general, see Bhutta, Neil et al., “Changes in U.S. Family Finances from 2016 to 2019: Evidence from the Survey of Consumer Finances.” *Federal Reserve Bulletin*. vol. 106, no. 5 (September 2020): 1–42, <https://www.federalreserve.gov/publications/files/scf20.pdf> (last reviewed March 2021).

<sup>2</sup> It isn't clear what drove this result, but it is only one data point. Thus, another year of data is needed to see if a trend emerges on the closing of the gap between the balances of those of different races/ethnicities.