

At a Glance | February 17, 2022

Legislative Proposals Could Mitigate Racial Discrepancies in Retirement Income Adequacy

The combination of automatic contribution¹ provisions and an enhanced Saver's Credit² would have a significant positive impact.

THE CURRENT OUTLOOK

EBRI's Retirement Security Projection Model® has determined that the aggregate retirement savings shortfall for all U.S. households ages 35 to 64 was \$3.68 trillion. Focusing on the youngest age cohort in the study – those ages 35 to 39 – reveals dramatic differences in projected shortfalls by race.

Assuming No Legislative Changes Are Implemented, Dramatic Differences in Retirement Shortfalls Are Projected

Projected Retirement Savings Shortfalls by Race (Ages 35–39)

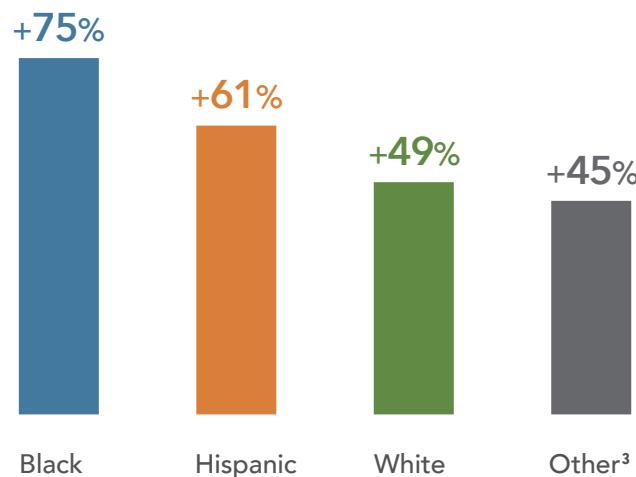


IMPACT OF LEGISLATIVE ACTION

The greatest improvements when it comes to net retirement savings outcomes – which include both decreased savings deficits and increased savings surpluses – would be experienced by Black and Hispanic workers. This is an important finding for those searching for parity in retirement security for American workers.

Modifications for Automatic Contribution Plan and Saver's Credit Would Be Most Beneficial to Families Headed by Black Workers

Increase in Retirement Savings Net Outcomes With Legislation



1 Automatic Contribution Plan/Arrangement (ACPA). This proposal would generally require employers with more than five employees to maintain an automatic contribution plan/arrangement; however, sponsors with certain previous plans would be grandfathered.

2 Enhanced Saver's Credit. This proposal would replace the current Saver's Credit with a simple, 50 percent government match on contributions of up to \$1,000 per year made to 401(k)-type plans and individual retirement accounts by individuals with incomes up to \$25,000, couples with incomes up to \$50,000, and heads of household with incomes up to \$37,500.

3 Race/ethnicity categories are inferred from the Survey of Consumer Finances (SCF), where they 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.

SOURCE: VanDerhei, Jack, "Impact of Various Legislative Proposals and Industry Innovations on Retirement Income Adequacy," *EBRI Issue Brief*, no. 550 (January 20, 2022).