



The 2003 Minority Retirement Confidence Survey Summary of Findings

Overview

When it comes to retirement confidence and preparations for retirement, African-Americans and Hispanic-Americans appear to be worse off than workers nationally primarily due to lower income. On the whole, their confidence tends to be lower, and their preparations further behind. This year's Minority Retirement Confidence Survey (MRCS) continues to find, however, that many of these differences are attributable to the larger proportions with lower-income households within these minority groups and to a population (especially among the non-native-born and those who may not feel comfortable speaking English) who may have less knowledge of, access to, or trust in retirement planning and savings tools. Among the key findings of the 2003 Minority RCS are:

- Overall, African-American workers¹ tend to report somewhat higher levels of confidence about various financial aspects of retirement than Hispanic-Americans.
- Thirty-four percent of African-Americans and 24 percent of Hispanic-Americans report they or their spouse have tried to calculate how much they need to save for a comfortable retirement.
- African-Americans (59 percent) and Hispanic-Americans (50 percent) indicate that they or their spouse have saved for retirement.
- Fifty-eight percent of African-Americans and 49 percent of Hispanic-Americans report they are offered a retirement savings plan by their employer, such as a 401(k). Additionally, 36 percent of African-Americans and 22 percent of Hispanic-Americans are less likely than workers overall to indicate that an employer contributed money or stocks in their name or their spouse's name to such a plan last year.
- Nearly half of African-Americans say they have a general knowledge of investing or saving for retirement (46 percent). However, a plurality of Hispanic-Americans describe themselves as knowing nothing about the subject (43 percent); this is driven by the lower-income, less-educated, non-native-born segments, where more than half in each segment say they know nothing about it.
- The attitudes and behavior of segments within each minority population often mirror the attitudes and behavior of similar segments of the overall worker population. For example, minority workers with annual household income under \$35,000 respond the same way on some retirement indicators as workers overall within this income category.

¹ In the RCS, worker refers to all individuals under age 65 who are not retired, regardless of employment status. Workers also include individuals age 65 and older who are employed full time and have not retired from a previous career.

African-Americans

Retirement Confidence—In general, African-American workers are as likely as American workers overall to be *very* confident about various financial aspects of retirement. Two in 10 African-Americans surveyed are *very* confident that they will have enough money to live comfortably throughout their retirement years (19 percent). Three in 10 are *very* confident of having enough money for basic expenses in retirement (29 percent). Roughly 2 in 10 each are *very* confident that they are doing a good job preparing financially for their retirement (22 percent), they will not outlive their retirement savings (21 percent), and they will have enough money to take care of medical expenses (19 percent). They are least likely to be *very* confident of having enough money to pay for long-term care (11 percent).

Retirement Confidence Among African-Americans

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Having enough money to live comfortably throughout retirement years	19%	34%	22%	20%
Having enough money to take care of basic expenses	29	36	21	12
Doing a good job of preparing financially for retirement	22	39	22	16
Not outliving retirement savings	21	32	20	20
Having enough money to take care of medical expenses	19	34	27	19
Having enough money to pay for long-term care	11	30	29	28

However, African-American workers tend to be more likely than American workers overall to say they are *not confident* about having enough money to live comfortably throughout their retirement years (42 percent vs. 33 percent are *not too* or *not at all* confident), having enough money to take care of basic expenses (33 percent vs. 21 percent), and about doing a good job of preparing for retirement (38 percent vs. 29 percent). But, when household income is held constant, there are no differences in confidence between African-Americans and workers overall.

Planning for Retirement—The typical African-American worker expects to retire around age 62, although 31 percent anticipate retiring at age 65. Some plan to retire even later, at age 66 or older (14 percent), and 3 percent think they will never retire. (The normal Social Security retirement age currently is 65 and four months and is in the process of being gradually raised to 67.) More than a quarter are unable to estimate how long they will spend in retirement (27 percent), but the median expectation for those who are able to provide an estimate is 20 years in retirement.

Nearly a quarter of African-American workers count on Social Security to make up the largest share of their retirement income (23 percent). Even when household income is held constant, they are more likely than American workers overall (13 percent) to say they will rely most heavily on Social Security for retirement income. Other sources of income named by relatively large proportions of African-Americans are savings and investments outside of work (20 percent) and defined benefit plans through an employer (14 percent).

One-third of African-American workers report that they or their spouse have tried to figure out how much money they will need to have saved by the time they retire so that they can live comfortably in retirement (34 percent). This makes them less likely than workers overall (43 percent) to report doing a retirement savings needs calculation.

A quarter of those who have done a retirement needs calculation report they have made changes in their retirement planning as a result (26 percent). When asked about the changes they have made, most cite starting to save more or changing the allocation of their money.

The vast majority of African-American workers have thought about the need for health insurance coverage for them and their spouse in retirement (85 percent), including a majority who say they have given it *a lot of thought* (57 percent). Many have also given *a lot of thought* to the possibility of having to pay health care expenses not covered by Medicare (44 percent) and how to manage their money in retirement so they do not outlive their savings (43 percent). Interestingly, African-Americans are more likely than workers overall to report giving consideration to these three needs. About a quarter of African-Americans indicate they have given the same amount of thought to the need for long-term care insurance (24 percent), a comparable proportion to workers overall.

Thought Given to Retirement Needs Among African-American Workers

	A Lot of Thought	A Little Thought	No Thought
Need for health insurance coverage	57%	29%	14%
Possibility of having to pay health care expenses not covered by Medicare	44	33	23
How to manage money in retirement to not outlive savings	43	31	26
Need for long-term care insurance	24	38	38

Saving for Retirement—Fifty-nine percent of African-American workers report that they or their spouse have personally saved for retirement, compared with 71 percent of workers overall. As with some previous differences between African-Americans and workers overall, these differences apparently are the result of differences in household income. Also, half of African-American workers indicate they are currently saving (49 percent), fewer than the 62 percent of all workers who say the same.

Among African-American savers, more than 4 in 10 report having some kind of tax-qualified retirement savings plan outside of work (43 percent), fewer than the 57 percent of overall workers.

Thirty-six percent report that an employer contributed money to a retirement savings account in their name or in their spouse's name last year (compared with 49 percent of all workers). Employed African Americans are less likely than workers overall to say they are offered a retirement savings plan by their current employer (58 percent vs. 73 percent). However, when income is held constant, African-Americans are just as likely as workers overall to report both an employer contribution in the past year to a retirement savings account, as well as being offered a workplace retirement savings plan. Of those who are offered a plan, 73 percent say they contribute money to it.

Can African-Americans put more away for retirement? Two-thirds say it is possible for them to save \$20 per week more than they are currently saving for retirement (67 percent), and 16 percent of those who could save this amount report that they would not need to sacrifice anything in order to do so.

Knowledge and Advice About Savings and Investments—Most African-Americans have some knowledge of retirement saving and investing, as do Americans overall, yet in most cases it is not far-reaching. Nearly half of African-American workers describe their personal knowledge of investing or saving for retirement as a general knowledge (46 percent), while another third say they have a limited knowledge (32 percent). While 13 percent think they know nothing about it, 9 percent call their knowledge comprehensive.

Among savers, the majority of African-American workers describe their preferred approach to decisions about saving and investing as wanting suggestions from a professional, but often making their own decisions (58 percent), while about a fifth prefer researching and investing entirely on their own (19 percent). While relatively few prefer either option, African-Americans are more likely than workers overall to prefer a paid professional to manage their investments (13 percent vs. 7 percent), and they are less likely to prefer receiving suggestions from a professional *and* using them most of the time (7 percent vs. 16 percent).

About a third of African-American workers (35 percent) report that, in the past year, their employment-based retirement plan provider has given them educational materials, information, or seminars about retirement planning and savings (compared with 47 percent of all workers). Among those who did receive such material, about 1 in 5 report making changes to their retirement planning as a result (22 percent).

The vast majority of African-Americans say that, within the past 12 months, an employer has not provided them with access to professional investment advice for retirement purposes (79 percent). However, many of them indicate such advice would be useful if offered. Among those who say their employer did not provide access to retirement investment advice, three-quarters say they would be likely to take advantage of it if it was in person (39 percent *very* likely and 35 percent *somewhat* likely), while more than half indicate they would likely use it if it was online (23 percent *very* likely and 32 percent *somewhat* likely). Most African-Americans who had access to such advice indicate it was in person (57 percent), and many say they requested specific recommendations on how they should invest (44 percent).

Hispanic-Americans

Retirement Confidence—Hispanic-American workers tend to express substantially less confidence about the financial aspects of retirement than do workers in the United States overall. Differences in distribution of household income between Hispanic-Americans and workers overall tend to explain much of the differences in confidence levels. Just 13 percent of Hispanic-American workers are very confident (compared with 21 percent of workers overall) and 38 percent are somewhat confident (compared with 45 percent of workers overall) that they will have enough money to live comfortably throughout their retirement years. Only 2 in 10 are very confident they are doing a good job of preparing financially for retirement (20 percent vs. 24 percent of workers overall), and just 1 in 7 each are very confident of having enough money for basic expenses in retirement (15 percent vs. 33 percent overall) and not outliving their retirement savings (14 percent vs. 20 percent). One in 10 each are very confident they will have enough money to take care of medical expenses (11 percent vs. 18 percent overall) and to pay for long-term care (10 percent vs. 14 percent overall).

Retirement Confidence Among Hispanic-Americans

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Having enough money to live comfortably throughout retirement years	13%	38%	23%	22%
Having enough money to take care of basic expenses	15	40	16	27
Doing a good job of preparing financially for retirement	20	35	24	21
Not outliving retirement savings	14	30	16	36
Having enough money to take care of medical expenses	11	30	26	31
Having enough money to pay for long-term care	10	16	32	40

Hispanic-Americans with annual incomes less than \$35,000 are just as likely as workers overall with annual incomes less than \$35,000 to be confident of each of these aspects of retirement. Likewise, Hispanic-Americans and workers overall with incomes of \$35,000 or more are each as likely to be confident.

Planning for Retirement—On average, Hispanic-American workers expect to retire around age 63, although one-fourth anticipate retiring at age 65 (25 percent), 14 percent expect to retire at age 66 or later, and 4 percent think they will never retire. (The normal Social Security retirement age currently is 65 and four months, and is in the process of gradually being raised to 67.) While half are unable to estimate how long they will spend in retirement (51 percent), the median expectation for those who are able to provide an estimate is 15 years in retirement. Hispanic-American workers are far more likely than workers overall to be unable to estimate how long they will spend in retirement (51 percent vs. 18 percent).

A quarter count on Social Security to make up the largest share of their retirement income (25 percent). Hispanic-Americans are more likely than workers overall to rely most heavily on Social Security for retirement income. Part-time or full-time employment (18 percent), followed by defined benefit plans through an employer (11 percent) also make up relatively large shares of retirement income for Hispanic-Americans.

Only one-quarter of all Hispanic-American workers report that they or their spouse have tried to figure out how much money they will need to have saved by the time they retire so that they can live comfortably in retirement (24 percent), a considerably lower proportion than for workers overall (43 percent). However, when household income is held constant, Hispanic-Americans are about as likely as workers overall to have tried to figure this amount. Language may also play a role in whether or not a Hispanic-American is likely to do a retirement needs calculation; one-third of respondents who chose to be interviewed in English (33 percent), but only 12 percent of those who chose to be interviewed in Spanish, reported attempting to do this calculation.

Four in 10 of those who have done a retirement needs calculation (39 percent) report they have made changes in their retirement planning as a result. When asked about the changes they have made, they are most likely to mention starting to save more and changing the allocation of their money.

While most Hispanic-American workers have thought about health-associated costs they may have in retirement, few have considered the need for long-term care insurance. Specifically, about three-quarters of Hispanic-American workers have thought about the need for health insurance coverage for them and their spouse in retirement, including 4 in 10 who say they have given it *a lot of thought* (41 percent). Many have also given *a lot of thought* to the possibility of having to pay health care expenses not covered by Medicare (34 percent) and how to manage their money in retirement so they do not outlive their savings (36 percent). Few indicate they have given the same amount of thought to the need for long-term care insurance (18 percent).

Thought Given to Retirement Needs Among Hispanic-American Workers

	A Lot of Thought	A Little Thought	No Thought
Need for health insurance coverage	41%	32%	27%
Possibility of having to pay health care expenses not covered by Medicare	34	37	29
How to manage money in retirement to not outlive savings	36	36	28
Need for long-term care insurance	18	37	44

Saving for Retirement—Half of Hispanic-American workers report that they or their spouse have personally saved for retirement (50 percent), while 7 in 10 of all workers in the United States report having saved (71 percent). The difference in the proportions saving for retirement apparently is driven by differences in household income. Forty-two percent of all Hispanic-Americans currently are saving for retirement (compared with 54 percent of native-born Hispanic-Americans and 62 percent of all workers).

Among Hispanic-American savers, 4 in 10 currently have some type of tax-qualified retirement savings outside of work (39 percent), compared to nearly 6 in 10 workers overall (57%). This difference is also primarily driven by household income.

Twenty-two percent report that an employer contributed money to a retirement savings account in their name or in their spouse's name last year (compared with 41 percent of native-born Hispanic-Americans and 49 percent of all workers). Forty-nine percent of those employed say they are offered a retirement savings plan by their current employer (compared with 65 percent of native-born Hispanic-Americans, 64 percent of those with English-language skills, and 73 percent of workers overall). Hispanic-Americans with an annual household income under \$35,000 are less likely than American workers in the same income bracket to have had an employer contribute to a retirement account and less likely to have a retirement savings plan offered by an employer. This may reflect the fact that 401(k) and other retirement plans tend to exclude part-time or short-term workers, as well as the low retirement plan sponsorship rate among smaller employers. Hispanic-Americans with higher incomes are just as likely as workers overall of the same income to have these two benefits. Of those who are offered a plan, 64 percent say they contribute money to it.

Can Hispanic-Americans save more for retirement? Six in 10 say it is possible for them to save \$20 per week more than they are currently saving for retirement (59 percent). Of these, 16 percent indicate they would not need to sacrifice anything in order to save this amount.

Knowledge and Advice about Savings and Investments—Hispanic-Americans overall have a low level of knowledge about saving and investing for retirement. More than 4 in 10 Hispanic-American workers describe their personal knowledge of investing or saving for retirement as knowing nothing (43 percent, compared with 12 percent for all workers), while another 37 percent say they have a limited knowledge. Seventeen percent think they have a general knowledge of the subject, and 3 percent claim a comprehensive knowledge. Not surprisingly, those with the least degree of retirement saving knowledge are much more likely to be lower-income (under \$35,000), less educated (high school or less), not native-born, and have poor English-language skills.

Among savers, more than 4 in 10 Hispanic-Americans describe their preferred approach to decisions about saving and investing as wanting suggestions from a professional but often making their own decisions (42 percent), while a quarter prefer researching and investing entirely on their own (25 percent). Seventeen percent prefer to have a paid professional manage their investments, and 9 percent prefer receiving suggestions from a professional and using them most of the time.

Three in 10 Hispanic-American workers (30 percent) report that, in the past year, their employment-based retirement plan provider has given them educational materials, information, or seminars about retirement planning and savings. Among those who did receive such material, 14 percent report making changes to their retirement planning as a result.

Nearly 8 in 10 Hispanic-American workers say that, within the past 12 months, an employer has not provided them with access to professional investment advice for retirement purposes

(78 percent). Despite this, many express interest in such advice, if the employer were to offer it. Among those who say it is not provided, 6 in 10 say they would be likely to take advantage of professional investment advice if it was in person (24 percent *very* likely and 38 percent *somewhat* likely), while half indicate they would likely use it if it was online (20 percent *very* likely and 30 percent *somewhat* likely). Among those Hispanic-Americans who had access to such advice, most indicate it was in person (62 percent); however, most say they did not request specific recommendations on how they should invest (81 percent).

Methodology

These findings are part of the 13th annual Retirement Confidence Survey (RCS), a survey that gauges the views and attitudes of working-age and retired Americans regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The survey was conducted in January and February of 2003 through 20-minute phone interviews with 1,000 individuals (782 workers and 218 retirees) age 25 and older in the United States. Random digit dialing was used to obtain a representative cross section of the U.S. population. Data for the 2003 wave of the RCS are weighted by age, sex, and education to reflect the actual proportions in the adult population age 25 and older.

Minority RCS findings are restricted to workers and include additional oversamples of minority groups, specifically African-Americans and Hispanic-Americans (200 interviews were conducted within each of the groups). Among Hispanic-Americans, interviews were conducted in English or Spanish, according to the preference of the respondent. Data for the minority oversamples are weighted by age, sex, and education to reflect the actual proportions in each minority population ages 25–64. Data for Hispanic-Americans are also weighted to reflect the actual proportion born in the United States.

In theory, each sample of 200 yields a statistical precision of plus or minus 7 percentage points (with 95 percent certainty) of what the results would be if all members of each minority group age 25 and over were surveyed with complete accuracy. There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is difficult or impossible to quantify the errors that may result from them.

The RCS is co-organized by the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan public policy research organization; the American Savings Education Council (ASEC), a partnership of more than 250 private- and public-sector institutions dedicated to raising public awareness of what is needed to ensure long-term personal financial independence, and a part of the EBRI Education and Research Fund; and Mathew Greenwald & Associates, Inc., a Washington, DC-based market research firm.

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