Black Women's Retirement Preparedness and Wealth

Angelino Viceisza
SPELMAN COLLEGE

December 2022 (updated January 2023)

Black women face a significant gap in readiness for retirement. Few policies have tried to address this disparity, even though Black women make up 7 percent of the civilian labor force and have consistently had among the highest labor force participation rates, partly because of policies that have not allowed them to stay home and care for their families.

The purpose of this brief is threefold. First, I assess Black women's retirement and financial preparedness relative to other demographic groups, using data from the 2019 Survey of Consumer Finances. Consistent with centuries of occupational segregation, I find that Black women have among the lowest levels of retirement wealth. Given Black women's financial literacy and participation in pension plans, this lag in their retirement preparedness is unlikely to result from a lack of awareness.

Second, I draw on prior research to discuss structural and other factors that lead to racial and gender disparities in retirement readiness. For example, Francis and Weller (2021) discuss potential drivers of racial and ethnic disparities in retirement outcomes generally—that is, not only focusing on Black women. They identify (1) employment discrimination, occupational segregation, and low-paying jobs; (2) limited intergenerational wealth transfers; (3) limited home equity and home ownership due to lending market discrimination; and (4) drains on savings due to adverse health outcomes.[1]

Third, I discuss potential policies that could improve Black women's retirement preparedness, including equal pay for equal work; equal access to high-paying, high-benefits jobs; broader income and wealth-building policies; and increased outreach and service delivery.[2]

About the Goldman Sachs-Urban Institute One Million Black Women Research Partnership

One Million Black Women: Closing the Wealth Gap is a Goldman Sachs initiative investing $10 billion in direct capital and $10 billion in philanthropic support over the next decade to help narrow opportunity gaps facing Black women. Grounded in research, the initiative forges partnerships with Black women–led organizations and other groups to address the disproportionate gender and racial biases that Black women have faced for generations and that have been exacerbated by the COVID-19 pandemic.

Goldman Sachs and the Urban Institute launched the One Million Black Women Research Partnership in 2022. This learning community will engage with three impact pillars—child care and early education, housing, and workforce and wages—to guide the partnership's collaborative work.

In the partnership's first year, we invited faculty and researchers from historically Black colleges and universities to develop new products addressing the persistent racial gaps in earnings and wealth that Black women experience. Each scholar selected for cohort I considers the impact of structural factors, including racism, classism, and sexism, on Black women's earnings or wealth, examining the intersections of these mutually reinforcing systems of disadvantage.

Further information about the partnership, the chosen scholars, and their research products is available at https://www.urban.org/projects/one-million-black-women-closing-wealth-gap.

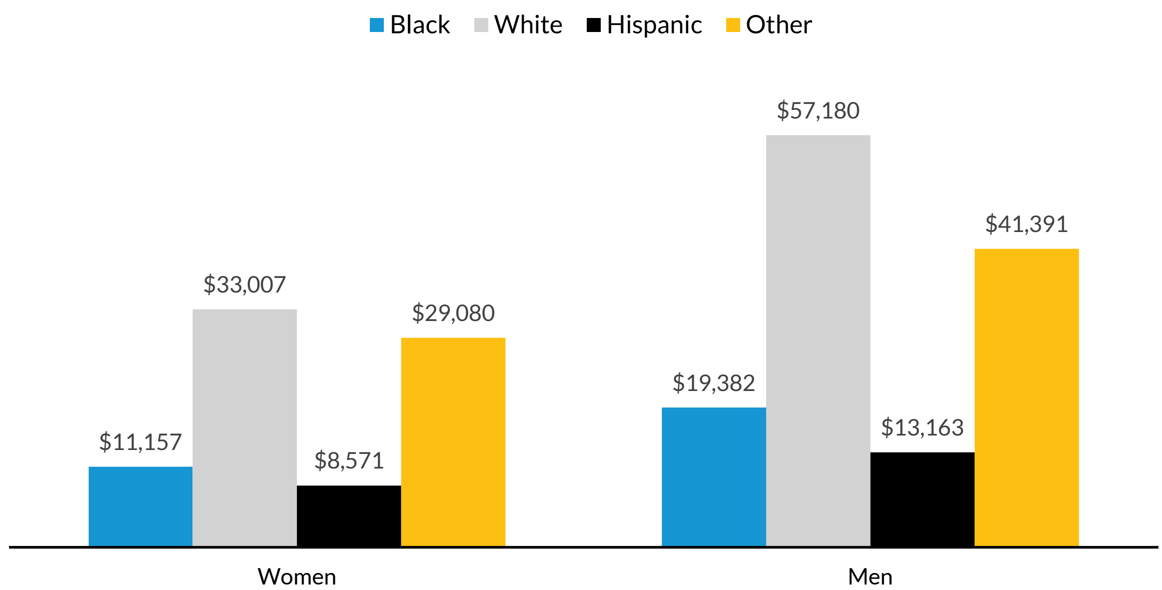
Retirement Wealth and Other Financial Outcomes

Black women lag most demographic groups in their measures of financial well-being, reflecting a long history of structural barriers and exclusion (as discussed in the next section). For example, Black women have the lowest average value of housing at $52,667 (median value: $0) compared with $102,471 for all women (median: $16,693) and $54,519 for Black men (median: $0). Black women have the lowest average value of total assets at $93,221 (median: $18,573) compared with $251,856 for all women (median: $74,928) and $155,266 for Black men (median: $23,996). Black women have the second-lowest average value of financial assets at $24,993 (median: $1,251) compared with $100,045 for all women (median: $6,589) and $51,369 for Black men (median: $2,274). Finally, Black women have the lowest average salary at $22,258 (median: $12,567) compared with $23,418 for all women (median: $9,521) and $29,618 for Black men (median: $16,717).

This gap is also reflected in retirement wealth, a primary measure of retirement readiness (figure 1). Black women have the second-lowest average retirement wealth (after Hispanic women) at $11,157 (median: $0) compared with $25,763 for all women (not shown; median: $0) and $19,382 for Black men (median: $0).[3] Generally, these averages are consistent with prior work, which has found that Black women have especially low levels of net worth and net financial assets during middle and late life, suggesting that they are at high risk of economic insecurity (Wilson-Ford 1991; Brown 2012). While Black women's financial ranking relative to other women changes slightly based on the medians reported, Black women still have relatively low median levels of retirement wealth.

FIGURE 1

Average Retirement Wealth for Black Women and Others



Source: Author's calculations based on the Survey of Consumer Finances Survey Documentation and Analysis (SDA) tool, version 4.1.3 (sda.berkeley.edu).

Notes: The figure displays the total value of household quasi-liquid retirement assets in 2019 dollars (SDA code: RETQLIQ), including individual retirement accounts, Keoghs, thrift-type accounts, and future and current account-type pensions. The data are for single adults (those who are neither married nor living with a partner). The four racial-ethnic categories in the SDA tool are white non-Hispanic, Black/African American, Hispanic, and "other," which includes Asian, American Indian, mixed-race, and other racial and ethnic groups not included in the remaining categories.

Despite these patterns, Black women are more likely than both Hispanic and other women to have a defined benefit pension plan in their current job (15 percent versus 9 and 14 percent, respectively).[4] Black women are also slightly more financially literate than white women (39 percent versus 38 percent), although less so than Hispanic and other women (45 and 43 percent, respectively).

Collectively, these findings suggest that the lag in Black women's retirement preparedness is unlikely to stem from a lack of awareness, thus raising two key questions. One, what factors put Black women at a disadvantage when it comes to retirement outcomes and security? Two, what policies can potentially address such factors and, thus, racial and gender disparities in retirement preparedness?

Structural Factors

Consistent with political economy and intersectionality perspectives, Brown (2012) points to the fact that Black women's persistently low wealth trajectories are likely the result of state policies, discrimination, residential segregation, and health disparities.

In this section, I focus on three factors that have impacted Black women's labor market outcomes and, thus, their ability to prepare for retirement: (1) a history of race and gender discrimination, which has led to (2) occupational segregation and (3) the double gap in earnings.

Banks highlights several key findings about Black women's labor market history in a blog post for the Economic Policy Institute.[5] First, Black women have always had the highest levels of labor market participation. In 1880, 35.4 percent of married Black women and 73.3 percent of single Black women were in the labor force compared with 7.3 percent of married white women and 23.8 percent of single white women.[6] Second, Black women's main jobs historically have been in low-wage agriculture and domestic service, which were not covered by Social Security.[7] Third, Black women continue to be employed in low-paying, inflexible service occupations that lack employer-provided retirement plans, health insurance, paid sick and maternity leave, and paid vacations. These findings have been corroborated and expanded upon by other work.

In a 2020 blog post, Bahn and Cumming illustrate the notion of occupational segregation—that is, the disproportionate representation of a group in any type of job. A main takeaway is that Black women continue to be greatly overrepresented in low-wage service-sector jobs such as health care (for example, nursing assistants and personal care aides) and retail (for example, cashiers).[8] Occupational segregation thus hurts Black women specifically by entrenching racial and gender gaps, limiting their ability to enter preferred fields of work, and depressing earnings, in turn reducing Black women's capacity to save for retirement. This naturally brings us to the third factor: Black women's underpayment relative to other groups.

Holder (2020) defines and quantifies the "double gap": the fact that Black women face both the gender wage gap and the racial wage gap in the labor market. "Double gap" is not meant to suggest a simple additive relationship between the gender wage gap and the racial wage gap. Rather, it is meant to convey that Black women are subject to at least two types of discrimination in wages, racial and gender. Holder estimates that Black women lost approximately $50 billion in wages in the United States in 2017 alone. Thus, Black women's labor power is largely undercompensated by employers, with tangible implications for income, retirement, and asset-building in the Black community.

These findings point to clear structural factors that have impeded Black women in building wealth, particularly when it comes to retirement. These structural barriers have implications for other factors that could also impact Black women's retirement preparedness.

Other Factors

Blacks have a different relationship and level of trust with the financial market than whites, largely because of the previously mentioned structural factors. These more cultural factors include financial socialization, social capital and information sources, and shocks to income from interfamily financial dependence.

How one prepares for retirement is in part driven by financial awareness, which is in turn impacted by one's information sources. Hudson and colleagues (2017) find that the top three financial influences for Blacks generally (not only Black women) are parents (58.3 percent), life experiences (23.9 percent), and formal influences (8.3 percent). People who are financially socialized by self-directed influences (that is, books, media, and the internet) are more likely to be more financially knowledgeable than those who are financially socialized by informal influences (that is, friends, church, and informal public/classes).

Carman with Williams (2022) finds that Blacks, Hispanics, and whites have differential trust in sources of retirement information and thus seek out information differently, for example, churches and community organizations versus financial planners. These differences affect how employers and/or agencies such as the Social Security Administration choose to engage in outreach, particularly to Black women. These findings are confirmed by the Survey of Consumer Finances: while Black women and men are more likely than all other groups to use material in the mail or via TV, radio, advertisements, and a telemarketer for their investing decisions (21–23 percent relative to 16–18 percent for non-Blacks, including whites), they are less likely to use financial planners, accountants, bankers, or brokers (25–33 percent relative to 27–38 percent for non-Blacks, including whites).

Francis and Weller (forthcoming) test the hypothesis that retirement savings differ by race and ethnicity partially because households of color are more likely than white households to provide informal financial support to financially fragile relatives and friends (also see Copeland and Greenwald 2022). They find that Black households show greater saving efforts than white households while providing informal financial support but do not see systematically larger account balances. This finding suggests that higher preretirement liquidity could offset the additional contributions. Thus, households of color that provide informal financial support to friends and relatives are running faster than white households to keep up with their own retirement savings. While Francis's and Weller's findings are for households of color generally, they are especially likely to hold for Black women who historically have been pillars of the Black community and Black household finance (see, for example, Banks' 2019 discussion).

Policies for Boosting Black Women's Retirement Preparedness and Wealth

The prior research reviewed for this brief suggests that significantly more work is needed to better understand what policies can best improve Black women's retirement preparedness and wealth. At the same time, the factors that have been identified point to several types of non-mutually exclusive policies that could help Black women build wealth generally and prepare for retirement specifically.

First, the labor market—that is, government and employers—must do better at ending occupational segregation by hiring Black women for jobs in which they have traditionally been underrepresented. Part of this could include programs for accelerating Black women's pathways to the C-suite. If Black women remain unable to access high-paying jobs that offer adequate benefits (including retirement plans), their retirement preparedness and security will continue to lag that of other demographic groups.

Second, Black women must be properly compensated for their labor, whatever their position or type of job. As Holder (2020) points out, the federal Equal Pay Act of 1963 expressly prohibits unequal pay for equal work based on race or gender. Yet, only some states have banned employer "pay secrecy" practices, which either explicitly or implicitly disallow employees from sharing pay information (in violation of the Fair Labor Standards Act of 1938, as Kim 2015 points out). In fact, the gender wage gap is lower among highly educated women in states where pay secrecy practices are banned (Kim 2015). So, enhancing pay transparency could enable Black women to ask employers more easily for higher wages, thus increasing their ability to save for retirement. Yet, most private-sector employers are not required to publicize current employees' wages and salaries.

Third, it is infeasible to address gaps in Black women's retirement wealth without addressing the broader wealth gap resulting from deeply rooted racist laws and policies. For example, Gordon Nembhard and Marsh (2012) identify a range of policies that could boost women of color's wealth, including providing more and better support for child rearing; reducing the costs of housing, health care, goods, and energy; regulating and prohibiting predatory lending practices; and providing asset accumulation incentives and supports. Moreover, Watson and Biu (2022) highlight several solutions for Black women, directly from Black women—many of which concur with those highlighted previously.[9] For example, they discuss making housing more affordable, investing in Black women's businesses at all stages, and enforcing equal pay. Many of these policies could be part of a broader reparations agenda as discussed by, for example, Darity and Mullen (2020) and Holder (2020).

Finally, there is some evidence that Black households generally could benefit from more risk-taking in their investments (Aka and Oku 2017; Hudson and Young, forthcoming). For example, Hudson and colleagues (2021) mention encouraging Black women to invest in stocks. In fact, Black women hold the lowest average amount of stocks at $864, relative to an average of $12,803 for all women and $3,840 for Black men. Moreover, given the current state of Black women's retirement wealth, they are more likely to rely on Social Security during retirement.[10] These two facts combined suggest that there is room for increased outreach and service delivery to Black women by employers and the Social Security Administration. Potential policies could include (1) outreach and trust-building by financial planners (for example, Lei and Kordes 2020 and Carman with Williams 2022), particularly in early stages of the career trajectory; (2) retroactive "catch up" on retirement savings, for example, by allowing greater annual contributions for Black women, particularly in later stages of the career trajectory; and (3) increased service delivery by the Social Security Administration to access retirement benefits (for example, Vitt and Smith 2022).

Notes

[1] See Viceisza, Calhoun, and Lee (forthcoming) for additional references.

[2] Unless otherwise noted, the statistics cited within are based on data from the Survey of Consumer Finances. I focus on adults who are neither married nor living with a partner to ensure that they are head of household and eliminate confounding effects due to spouses or partners. Prior work discusses the crucial role that marriage can play in shaping retirement coverage (for example, Goetting et al. 1996, Willson and Hardy 2002, Angel et al. 2014).

[3] The four racial-ethnic categories in the Survey of Consumer Finances SDA tool are white non-Hispanic, Black/African American, and Hispanic.

[4] Consistent with this, Angel, Prickett, and Angel (2014) find that Black women have greater retirement coverage than Hispanic/Mexican-origin women. This gap is exacerbated for married women.

[5] Nina E. Banks, "Black Women's Labor Market History Reveals Deep-Seated Race and Gender Discrimination," *Working Economics* (blog), Economic Policy Institute, February 19, 2019, https://www.epi.org/blog/black-womens-labor-market-history-reveals-deep-seated-race-and-gender-discrimination/.

[6] In 2020, the civilian labor force participation rate for Black women was 58.8 percent compared with 55.7 percent for white women.

[7] To the extent that Black women are more likely to (be forced to) engage in self-employment, which there seems to be some evidence of in the Survey of Consumer Finances, this could also lead to greater barriers in preparing for retirement. This is because self-employment requires increased intentionality about saving toward retirement compared with a scenario in which there is an employer-sponsored retirement plan. A similar argument is likely to hold for work in the informal economy, which is outside the scope of this work.

[8] Kate Bahn and Carmen Sanchez Cumming, "Four Graphs on U.S. Occupational Segregation by Race, Ethnicity, and Gender," blog post, Washington Center for Equitable Growth, July 1, 2020, https://equitablegrowth.org/four-graphs-on-u-s-occupational-segregation-by-race-ethnicity-and-gender/.

[9] Justyce Watson and Ofronama Biu, "You Can't Improve Black Women's Economic Well-Being without Addressing Both Wealth and Income Gaps," *Urban Wire* (blog), Urban Institute, July 1, 2022, https://www.urban.org/urban-wire/you-cant-improve-black-womens-economic-well-being-without-addressing-both-wealth-and.

[10] Smythe (2022) find that Social Security can contribute to intergenerational wealth building among economically disadvantaged households.

References

Aka, Philip C., and Chidera Oku. 2017. "Black Retirement Security in the Era of Defined Contribution Plans: Why African Americans Need to Invest More in Stocks to Generate the Savings They Need for a Comfortable Retirement." *Journal of Law and Public Policy* 14 (2): 169–95.

Angel, Jacqueline L., Kate C. Prickett, and Ronald J. Angel. 2014. "Retirement Security for Black, Non-Hispanic White, and Mexican-Origin Women: The Changing Roles of Marriage and Work." *Journal of Women, Politics and Policy* 35 (3): 222–41.

Brown, Taylor. 2012. "The Intersection and Accumulation of Racial and Gender Inequality: Black Women's Wealth Trajectories." *Review of Black Political Economy* 39 (2): 239–58.

Carman, Katherine, with Jhacova Williams. 2022. "Disparities in Social Security Knowledge and the Role of Social Capital." Presentation at SSA RDRC Annual Meeting UM22-12, Michigan Retirement and Disability Research Center. https://bit.ly/3bNM1wg.

Copeland, Craig, and Lisa Greenwald. 2022. "Black and Hispanic American Findings from the 2021 Retirement Confidence Survey." *Journal of Retirement* 9 (4): 91–103.

Darity Jr., William A., and A. Kirsten Mullen. 2020. "From Here to Equality: Reparations for Black Americans in the Twenty-First Century." Chapel Hill: University of North Carolina Press.

Francis, Dania V., and Christian E. Weller. 2021. "Race, Ethnicity, and Retirement Security in the United States." *Oxford Research Encyclopedia of Economics and Finance* (November).

———. Forthcoming. "Interfamily Financial Dependence and Retirement Savings." *Journal of Retirement.*

Goetting Marsha A., M. Valora Raiser, Peter Martin, Leonard W. Poon, and Mary Ann Johnson. 1996. "Older Women's Financial Resources and Perception of Financial Adequacy." *Journal of Women and Aging* 7 (4): 67–81.

Gordon Nembhard, Jessica, and Kris Marsh. 2012. "Wealth Affirming Policies for Women of Color." *Review of Black Political Economy* 39 (3): 353–60.

Holder, Michelle. 2020. *The "Double Gap" and the Bottom Line: African American Women's Wage Gap and Corporate Profits*. New York: Roosevelt Institute. https://bit.ly/3wiWarC

Hudson, Crystal R., Marlissa Phillips, Tonya Smalls, and John Young. 2021. "Investment Behavior: Factors that Impact African American Women's Investment Behavior." *Review of Black Political Economy* 48 (3): 349–67.

Hudson, Crystal R., and John Young. Forthcoming. "Wealth: Factors That Effect African American Wealth." *Review of Black Political Economy*.

Hudson, Crystal R., John Young, Sophia Anong, Elania Hudson, and Edward Davis. 2017. "African American Financial Socialization." *Review of Black Political Economy* 44 (3–4): 285–302.

Kim, Marlene. 2015. "Pay Secrecy and the Gender Wage Gap in the United States." *Industrial Relations* 54 (4): 648–67.

Lei, Shan, and Mark H. Kordes. 2020. "Women, Wealth, and Demand for Financial Planning Services." *Journal of Financial Planning* 33 (8): 48–55.

Smythe, Andria. 2022. "Child-to-Parent Intergenerational Transfers, Social Security, and Child Wealth Building." *AEA Papers and Proceedings* 112:53–57.

Viceisza, Angelino, Amaia Calhoun, and Gabriella Lee. Forthcoming. "Racial and Ethnic Disparities in Retirement Outcomes: Impacts of Outreach."

Vitt, Lois A., and Barbara A. Smith. 2022. "Where Is Information about Social Security Retirement Benefits Provided to the Public? An Initial Assessment." *Social Security Bulletin* 82 (1): 1–9.

Willson, Andrea E., and Melissa A. Hardy. 2002. "Racial Disparities in Income Security for a Cohort of Aging American Women." *Social Forces* 80 (4): 1283–1306.

Wilson-Ford, Vanessa. 1991. "Poverty among Black Elderly Women." *Journal of Women and Aging* 2 (4): 5–20.

Errata

This brief was revised January 24, 2023. A missing author's name was added to a reference listing on page 7 and its corresponding author-date citations on pages 5 and 6.

About the Author

Angelino Viceisza (pronounced Vee-Say-Za) is associate professor of economics at Spelman College, research associate at the National Bureau of Economic Research, president-elect of the National Economic Association (2022–23), and associate editor of the *Journal of Economic Behavior and Organization*. Before joining Spelman, Viceisza was at the International Food Policy Research Institute. He has also held visiting positions at the Federal Reserve Bank of Boston, Duke University, and the Hoover Institution at Stanford University.

Viceisza's primary expertise is in behavioral and experimental economics, with applications in development, household finance, and entrepreneurship. His research has been published in peer-reviewed journals such as *Economic Inquiry*, *Experimental Economics*, *Journal of Development Economics*, *Journal of Economic Behavior and Organization*, *Review of Black Political Economy*, and *Small Business Economics*. For more information, visit www.angelinoviceisza.com.

Viceisza holds a bachelor's degree in accounting (formerly, University of the Netherlands Antilles), an MBA in international business (Temple University), and two master's degrees in economics (Boston University and Georgia State University). He obtained his PhD in economics from Georgia State University.

Acknowledgments

This brief was funded by the Goldman Sachs-Urban Institute One Million Black Women Research Partnership. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the author and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at urban.org/fundingprinciples.

The author is thankful to Shauna Cooper and Michael Neal for meaningful discussions, and Kevin Moore for guidance on the Survey of Consumer Finances. Amaia Calhoun provided excellent research assistance and Justyce Watson provided stellar operational support.

500 L'Enfant Plaza SW
Washington, DC 20024
www.urban.org

ABOUT THE URBAN INSTITUTE