
Financial Inclusion and Retirement Preparedness in the US

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Overview

- Financial systems in the United States are far from totally inclusive
 - Millions of US households are classified as unbanked
- Even more households do not employ financial vehicles to save for retirement
 - 25% of non-retired households have no retirement savings at all
 - 40% of non-retired adults say their retirement saving was not on track

Overview

- Understand the drivers of retirement preparedness for households in the U.S.
 - Examine issues related to financial inclusion and retirement savings
 - Explore wealth inequality related factors

Reasons for Limited Retirement Preparedness

- Household constraints
 - Financial literacy
 - Cognitive limitations
 - Health issues
- Behavioral influences
 - Status quo bias
 - Time inconsistent preferences
 - Trust
- Planning strategies/motive

Financial Inclusion and Retirement

- Financial institutions
- Retirement plan/funds access
- Financial planning services and literacy

2021 Unbanked and Underbanked Rates by Income Level

	Unbanked	Underbanked
Full Sample	4.5%	14.1%
Less than \$15,000	19.8%	19.2%
\$15,000 to \$30,000	9.2%	18.9%
\$30,000 to \$50,000	4.0%	17.3%
\$50,000 to \$75,000	2.1%	14.0%
At least \$75,000	0.6%	9.7%

Source: 2021 FDIC National Survey of Unbanked and Underbanked Households

2021 Unbanked and Underbanked Rates by Race

	Unbanked	Underbanked
Black	11.3%	24.7%
Hispanic	9.3%	24.1%
Asian	2.9%	16.5%
American Indian or Alaskan Native	6.9%	25.1%
White	2.1%	9.3%

Source: 2021 FDIC National Survey of Unbanked and Underbanked Households

Financial Inclusion and Source of Retirement Funds

- Social Security
- Employer-Sponsored Retirement Plans
- Other Assets
 - Intergenerational transfers
 - Financial assets
 - Home equity

2021 OASI Average Monthly Benefit (\$) by Type of Benefit and Race

	All Races	White	Black	Other
Average Retirement Benefits	1,610.69	1,675.43	1,413.39	1,227.68
Retired workers	1,658.03	1,718.87	1,447.23	1,298.06
Spouses of retired workers	839.80	906.38	694.40	565.39
Children of retired workers	782.25	843.07	685.29	622.32

Source: Social Security Administration, Master Beneficiary Record, 100 percent data

2019 Retirement Plan Participation by Race

	White	Black	Latino/Hispanic	Other
Share with retirement benefits				
Any retirement plan	73.5%	55.7%	40.4%	68.8%
401(k) plans	57.6%	41.1%	29.5%	59.2%
DB pensions	30.6%	24.4%	15.6%	22.1%
Both 401(k) & DB	16.6%	12.0%	5.6%	14.9%

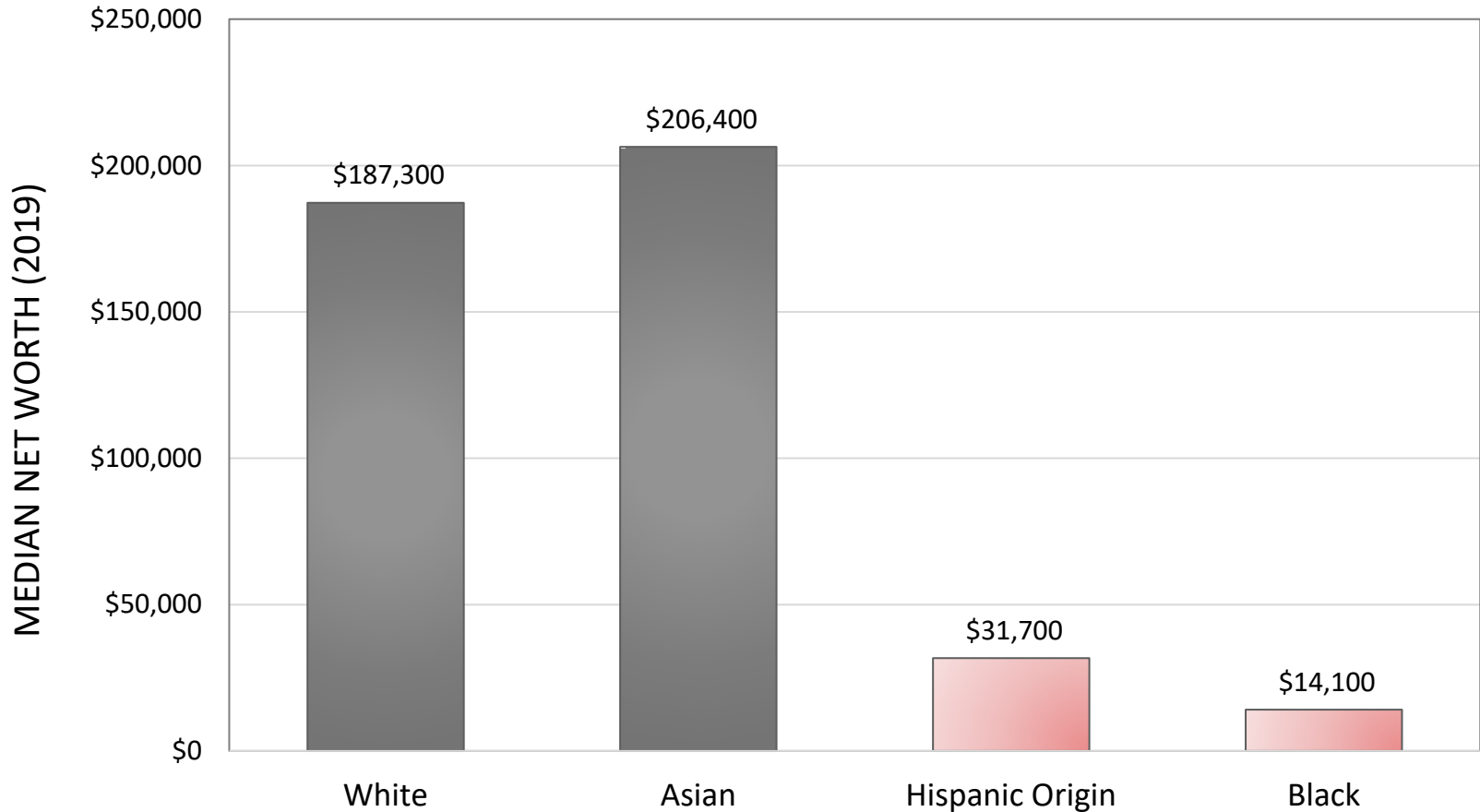
Source: Francis and Weller (2021)

Wealth Inequality and Retirement

- Minority households experience retirement insecurity at higher rates
 - Labor market failures
 - Housing market failures
 - Wealth inequality

Inequality and Wealth

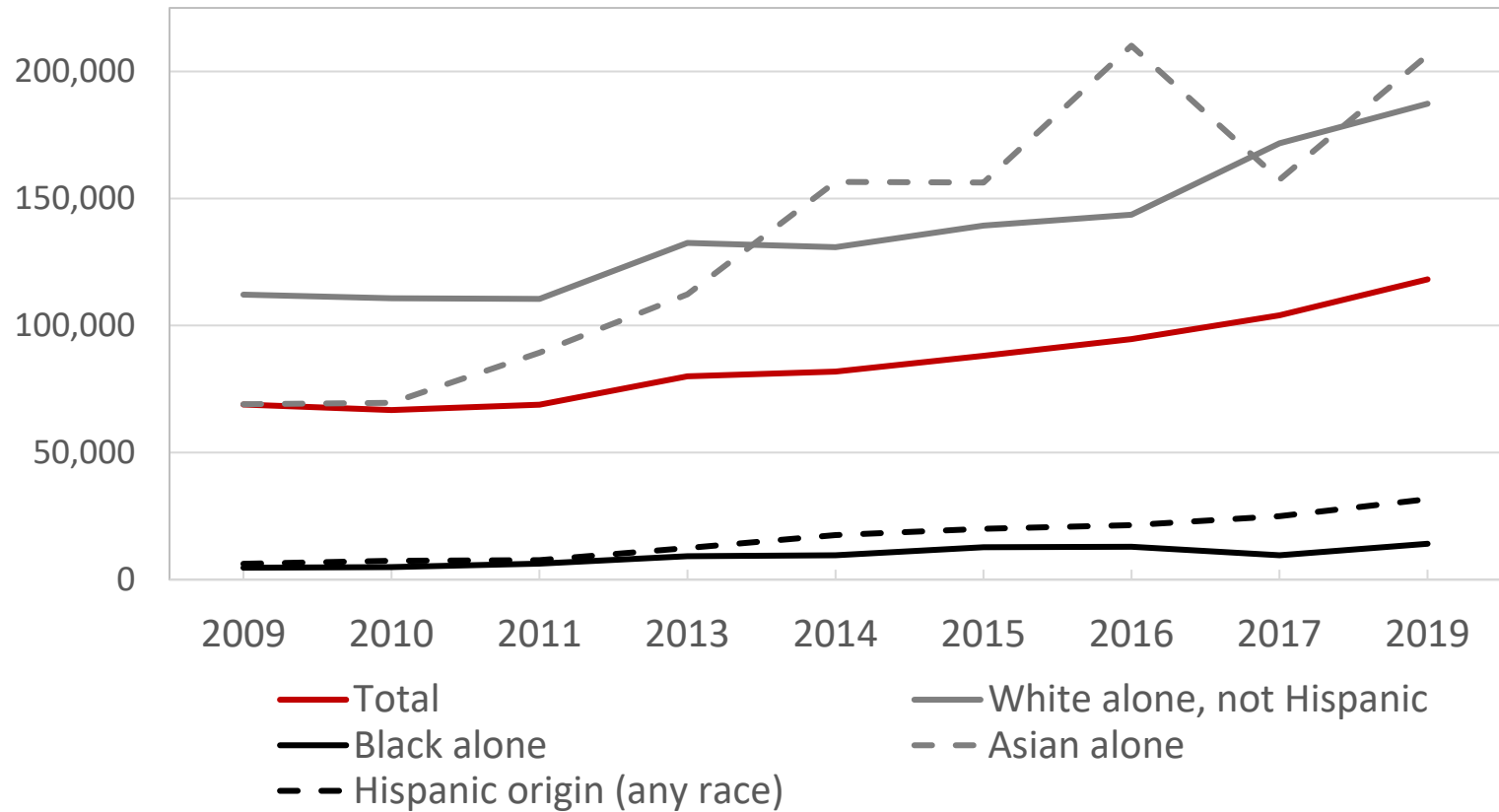
U.S. Median Wealth – by Racial Group



Source: <https://www.census.gov/data/tables/2019/demo/wealth/wealth-asset-ownership.html>

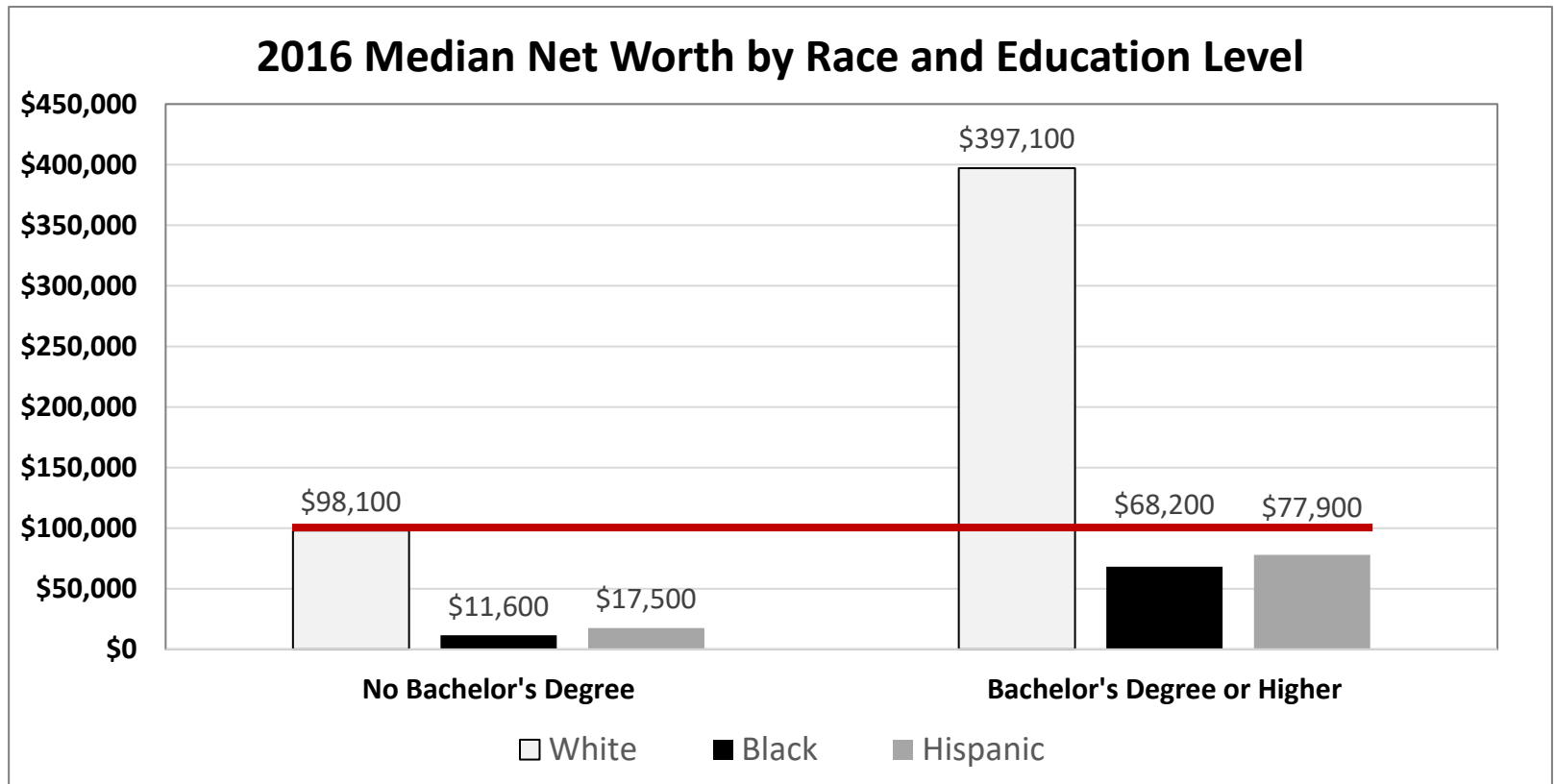
Inequality and Wealth

U.S. Median Net Worth – by Racial Group



Inequality and Wealth

Wealth inequality exists even within education groupings



Source: Federal Reserve Board, Survey of Consumer Finances

Concluding Remarks

- The range of organizations, firms, and individuals interested in increasing public awareness and preparedness for retirement is expansive
 - Policy makers are involved with regulation to protect households
 - Financial planning professionals collaborate with households to develop retirement savings strategies
 - Financial institutions as well as non-profit organizations facilitate retirement savings related education and financial literacy

Concluding Remarks

- At the center of these efforts lies a need to address issues related to financial inclusion
- Additional examination and dialogue are needed to understand and counteract these concerning trends

THANK YOU



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