

# Discussion of “Changes in Racial Gaps in Retirement Security over Time”

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*This presentation and my remarks are my views only, not necessarily those of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.*



# Summary

Everything came together:

- Important question
  - Trends and racial gaps in retirement security
  - Focus on vulnerable families
- Helpful data source in PSID
  - Wealth of data on wealth (pun intended)
  - Oversampling of low-income and Black households
  - Longitudinal (and intergenerational) data
- Careful methodology
  - Role of consequential, understudied assets
  - Sophisticated imputations of missing retirement assets and improved estimates of income replacement rates in retirement



# Context and Contribution

- Holistic view of retirement security
  - Incorporate Social Security and defined benefits plans
    - Retirement security as distinct from retirement savings
    - Asset categories are somewhat fungible
    - People rely on retirement savings for various purposes well before retirement
- Distinct factors affect different pockets of the population
  - Important implications for understanding racial disparities
  - Important implications for policy



# Thoughts on Potential Mechanisms

- Dorothy Brown's *The Whiteness of Wealth* (2022) – fantastic resource on contemporaneous systemic factors for wealth gaps:
  - Seemingly racially neutral tax policies → disparate impact
  - Occupational segregation (employer retirement benefits)
- Relates to recent work (Althoff and Reichert, 2022) on institutionalized racial oppression and the persistence of the wealth gap



# Thoughts on Potential Mechanisms

- Educational support for children (other family support?)
  - Much higher rates/amounts of borrowing for Black parents
  - Preventing accumulation and/or draining existing assets
  - Financial aid system protects home equity and retirement assets
    - more grant funding for white kids (Levine and Ritter, 2022)
  - Particularly relevant in top half of income distribution
- Bequests! Aubry, Munnell, and Wettstein (2023)
- Decomposition of contributing factors by race, over time



# Discussion of “Wills, Wealth, and Race”

by Jean-Pierre Aubry, Alicia Munnell, and Gal Wettstein

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# Summary

- Part of a more ambitious three-part study on the effectiveness of wills as a policy tool
- Highlights important nuances and racial implications of the bequest patterns and process
- Significant racial disparities in:
  - inheritance receipt
  - estate planning
  - inheritance realizations

→ Will as a potential mechanism that affects bequests
- Important insights and questions as a standalone project
- Consequential ingredients for next steps of the project, both experimental design and potential policy solutions



# Context and Contribution

- Outstanding review of the state of the literature and institutional detail
- Builds on earlier work on importance of intergenerational wealth transfers in asset building
  - 20%? 80%? somewhere in between?
  - What exactly is a transfer?

→ Informs how much attention is warranted
- Will as a potential mechanism for increasing bequests
  - Guard against complicated probate circumstances
  - Behavioral effects





# Thoughts on Potential Mechanisms

- What share of the bequests are actually these “complex” situations that might be aided by a will?
  - What share of racial disparities can be explained?
- Behavioral effects → experimental design
  - Literature on “nudge” or “shove”
  - Salience? E.g. Blascak et al (2021)



# Thoughts on Potential Mechanisms

- Ruling out confounding factors potentially correlated with race:
  - Housing wealth?
  - Flow income? Especially Social Security? Dynan and Elmendorf (2023)
  - Health and chances of meeting expectations?
  - Time between last interview and death?

→ Inspiration from fair lending methods
- Instrument for wills? State/local probate laws? Hospital practices?

