Discussion of “Changes in Racial Gaps in Retirement Security over Time”
by Karen Dynan and Douglas Elmendorf

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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.
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/amoutns 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

  \( \rightarrow \) 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?
  - 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?