Enhancing Latino Retirement Readiness in California

Presentation to the California Secure Choice Retirement Savings Investment Board

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Who Is NCLR?

- The largest national Hispanic civil rights and advocacy organization in the United States
- Founded in 1968
- Network of nearly 300 affiliated community-based organizations
- 61 Affiliates in California, serving 3.1 million Californians per year
NCLR’s Retirement Portfolio

• Social Security
  – Maintain what works.
  – Improve adequacy.
  – Increase access.
  – Ensure generational equity.
  – Include revenue options.

• Private retirement
  – Increase access.
  – Create savings opportunities that support a variety of savings goals.

• Link to report:
Focus Group Participants

- Summer 2014
- Two groups in Fresno, CA
- Two groups in Los Angeles, CA
- Segmented by:
  - Acculturation
  - Income: < $39,000 and $39,000–$75,000
  - Mix of those with and without access to employer-sponsored retirement plans
- Identified as Hispanic or Latino using the U.S. Census Bureau definition
- Worked at least 20 hours per week
- Diverse representation of industries, family composition, and ethnic subgroups
In Their Own Words: Retirement Readiness

“I’ve been saving so that when I retire I can also enjoy life. I want to go places. I don’t want to depend on anyone else.”

“Paying my bills off. Trying to get rid of debt. Ensuring that I have a new vehicle at that age that's paid off so there's no payment.”

“I lived to help my family. Now it’s time to focus more on myself.”
A Culture of Saving

“It's what we were taught by our parents. They worked hard, so you work hard to earn your money and pay your bills. It’s something that’s taught I think.”

“When we first arrived [in the U.S.], whatever we earned, we spent. There came a time when there was no work and we had to get by with the basics. From that we learned that we had to save when we work.”
Workplace-Based Retirement Plans: Low Access and Participation

Only 29% of Latinos in California have access to an employer-sponsored retirement plan.

Of those, only 21% participate in the plan.

Income and Plan Participation

- **<$25,000**
  - Latino Males: 10
  - Latino Females: 12
  - White Males: 29
  - White Females: 39

- **$25,000–49,999**
  - Latino Males: 12
  - Latino Females: 39
  - White Males: 35
  - White Females: 41

- **50,000–74,999**
  - Latino Males: 53
  - Latino Females: 55
  - White Males: 53
  - White Females: 66

- **75,000–99,999**
  - Latino Males: 55
  - Latino Females: 63
  - White Males: 57
  - White Females: 61

- **100,000+**
  - Latino Males: 55
  - Latino Females: 57
  - White Males: 58
  - White Females: 68

**Whites** and **Latinos** of similar incomes have similar levels of participation in employer-sponsored retirement plans.

Secure Choice: Key Plan Features to Improve Access and Participation

- Universality
- Automatic enrollment
- Default contribution size and flexibility to increase
- Portability
Additional Features Could Improve Adequacy of Savings

- Automatic escalation
- Flexibility of funds
- Simplicity and good customer service
- Perception of the benefits of the program
“Are you going to able to change it, like if someone got sick, like cancer? It does happen. My husband is a survivor, and that made a big difference in life. You don't see that coming, and when it comes, if [you] are able to go in and say I have a hardship right now, can you lower it?”
Perception of the Program

“When they told us about the 401(k), I didn’t understand very well. When it started, I began with an aggressive plan. The boss told us that he was going to put in a percent. I didn’t know if at retirement I was going to receive the money I invest. They didn’t explain that to us. But after three months, I saw I had earned money on what I had invested.”
Further Policy Considerations

• Create a refundable state saver’s credit.
• Establish retirement savings plans for the self-employed.
• Restore the value of California’s minimum wage.
• Engage more Latinos in the financial mainstream.
• Research effective outreach efforts to enroll Latinos.
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