Distinct Retirement Savings Challenges for Special Population Groups: Wassup with Millennials

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Key Findings

» Even though two-thirds of Millennials work for an employer that offers a retirement plan, only one-third of Millennials participate in that plan.

» Two-thirds of working Millennials have nothing saved for retirement. 83% of working Millennial Latinos have nothing saved for retirement.

» This reflects a significant gap in participation in employer-sponsored plans for Millennial Latinos with just one in five only participating in a retirement plan.

» Four out of ten Millennials cited eligibility requirements as a reason for not participating. Hope can be found in that across all racial and ethnic groups, more than 90% of Millennials actually participate in plans, when they are eligible.
Methodology

• Utilized the U.S. Census Bureau’s Survey of Income and Program Participation (SIPP).

• Limited analysis to working Millennials between the ages of 21 to 32.
2/3 Millennials Have Access to Plan, But Only 1/3 Participate

Access

Participation

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
Eligibility to Participate in Employer’s Retirement Plan Is a High Bar for Millennials

Eligibility

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
2/3 Working Millennials and 4/5 Latinos Have Nothing Saved in Retirement Accounts

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
The Large Participation Gap Between Millennial Latinos & Others Starts with Lower Access

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
The Participation Gap Between Millennial Latinos & Others Widens Due to Low Eligibility

Eligibility

<table>
<thead>
<tr>
<th></th>
<th>White</th>
<th>Black</th>
<th>Latino</th>
<th>Asian</th>
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</thead>
<tbody>
<tr>
<td>Women</td>
<td>59.1%</td>
<td>53.7%</td>
<td>41.7%</td>
<td>58.9%</td>
</tr>
<tr>
<td>Men</td>
<td>58.3%</td>
<td>54.7%</td>
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Take-Up

<table>
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<th>Latino</th>
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<tr>
<td>Women</td>
<td>91.6%</td>
<td>96.5%</td>
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<tr>
<td>Men</td>
<td>95.5%</td>
<td>92.0%</td>
<td>94.8%</td>
<td>99.1%</td>
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</tbody>
</table>

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
4 out of 10 of Millennials Cite Eligibility Requirements as Reason for Not Participating

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
Millennials Employed As Part-Time Employees at Nearly Twice Rate of Previous Generations

Higher rate of part-time employment by Millennials is large factor in their lower eligibility for employer-sponsored plans.

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
More than Half Millennials Have One Year or Less of Tenure With Their Current Employer

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
Latino Workers Have Lowest Rate of Access to Workplace Retirement Plans

Access to Retirement Plans by Age and Race

Source: Forthcoming NIRS report on race and retirement security
Catching-Up for Not Saving in Millennials’ Early Years, It Is Hard to Saving Enough to Maintain Living Standards in Retirement at Age 65

Table 16: Annual Saving Rate Required to Support Annuity Stream Equal to Half of Final Earnings at 65

<table>
<thead>
<tr>
<th>Working Career</th>
<th>Real Return</th>
<th>Men</th>
<th></th>
<th>Women</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Nominal Annuity</td>
<td>3% Increasing Annuity</td>
<td>Nominal Annuity</td>
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<tr>
<td>20</td>
<td>0.02</td>
<td>32.7%</td>
<td>44.3%</td>
<td>35.3%</td>
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<td>0.02</td>
<td>20.7</td>
<td>28.1</td>
<td>22.4</td>
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<tr>
<td>40</td>
<td>0.02</td>
<td>14.8</td>
<td>20.0</td>
<td>15.9</td>
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<tr>
<td>20</td>
<td>0.03</td>
<td>27.7</td>
<td>37.5</td>
<td>29.9</td>
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<td>0.03</td>
<td>17.6</td>
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<td>26.4</td>
<td>35.7</td>
<td>28.4</td>
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<td>0.04</td>
<td>14.9</td>
<td>20.2</td>
<td>16.1</td>
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<tr>
<td>40</td>
<td>0.04</td>
<td>9.4</td>
<td>12.8</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Of Millennials Saving for Retirement, Only 15% Are Saving Enough According to Expert Recommendations

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
The Majority of Millennials with Retirement Savings Have Less Than $20,000 in Accounts. The Typical Millennial Has Saved Has $19,100.
Millennials’ High Take-Up of Employer Plans Provides Hope That Savings Rates Will Improve

Source: Author’s calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.
Policy Recommendations To Improve Retirement Savings for Millennials

1. Expand eligibility, including State Based Retirement Savings Programs
2. Reduce waiting periods, cover part-time and allow workers to contribute upon employment.
3. Increase auto-enrollment and defaults into retirement accounts
4. Increase employer matches and educate workers on the benefits of an employer match
5. Promote the Saver’s Credit in State Plans.