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.

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: 17
  - Latino Females: 53
  - White Males: 55
  - White Females: 53

- **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
Flexibility of Funds

“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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