

DEFINED CONTRIBUTION

November 20, 2023 05:00 AM

Employers look to curb racial disparities in saving

Multilingual education used to lower language, knowledge barriers as companies try to close gap

By MARGARIDA CORREIA



DIFFICULTIES: Latin Grammy winner Claudia Brant, with microphone, is featured in a video series to raise awareness of 401(k) plans among Hispanic Americans.

When Claudia Brant, a Latin Grammy-winning recording artist, arrived in the United States in 1998 from Argentina, she had never heard of 401(k) plans.

“I didn’t know anything about it,” she said in a video series featured on the Spanish-friendly ICanRetire microsite that SEIU 775 Benefits Group made available to the 80,000 participants in its retirement savings plan. Brant lamented the fact that many Hispanic Americans still aren’t aware of the prevalent workplace plans.

“People don’t know that 401(k) plans exist,” she said. “There are not a lot of institutions that have people who speak Spanish who can really approach the Latin Hispanic communities to let them know what the options are.”

She and Grammy and Latin Grammy-winning fellow musician Cheche Alara touched on myriad cultural and educational problems facing the Hispanic community in saving for retirement.

It's difficult for many Hispanic-Americans fleeing from poverty, wars and situations that are extremely unsafe to think about saving for retirement 30 years down the road, Cheche said.

“If you make a buck, chances are you're going to want to spend it on something that gives you joy,” he said. “It's sad as hell, but it's the truth.”

SEIU 775 Benefits Group, a nonprofit that provides training, benefits and other services to caregivers, introduced the microsite in May to better engage its Hispanic workers and educate them about retirement savings opportunities. Hispanic caregivers make up about 13% of the participants in its \$285 million 401(a) plan, said Josh Luskin, managing director of the SEIU 775 Secure Retirement Trust at SEIU 775 Benefits Group.

The 401(a) plan is a defined contribution retirement plan that consists only of employer contributions. To supplement the 401(a) plan, the Benefits Group encourages workers to open an individual retirement account with the Washington Retirement Marketplace, a state-run online IRA exchange.

“We have a very strong focus on retirement readiness and equity,” Luskin said, explaining that certain racial groups face greater retirement savings hurdles than others.

“Retirement hurdles aren't all equal,” he said, referring to obstacles such as income and language or communication barriers that impede workers' ability to save. “Depending on the different populations, there's overexposure to some of those retirement hurdles.”

As awareness of racial disparities in retirement savings has grown, employers and their service providers are upping their efforts to mitigate the gap, according to industry observers. Some are looking at their educational materials and providing them in additional languages, such as the Benefits Group has done. Others are engaged in detailed data analysis to better understand how different groups are using employer

retirement plans. Still others are using diversity-oriented employee resource groups to reach targeted minority populations.

Employers are worried about racial disparities, said Katie Hockenmaier, U.S. defined contribution research director at [Mercer](#). “We’ve had a number of conversations with different plan sponsors about this topic and they absolutely are concerned about it,” she added.

Hockenmaier explained that some plan sponsors are looking at the issue more closely than others with concern concentrated in certain sectors such as retail.

RELATED ARTICLE



Industry grapples with growing income disparities in savings

Data shows stark divide

Industry data exposes sharp racial disparities in retirement savings. Hispanic and Black American families, for example, have less than half of what white American families have in defined contribution plans and individual retirement accounts, according to data from the Employee Benefit Research Institute.

Hispanic and Black American families have median balances of \$31,000 and \$35,000, respectively, compared with white families, which have \$80,000, EBRI found.

Other sobering metrics from EBRI illustrate the large racial savings gap. One shows that low- and middle-income Hispanic and Black Americans are much more likely than whites to have less than \$1,000 in savings. For example, almost half of low-income Hispanics (47%) and 58% of low-income Black Americans making less than \$35,000 have less than \$1,000 saved compared with just 38% of low-income whites.

Upper-income white Americans, meanwhile, are much more likely than upper-income Hispanic and Black Americans to have more than \$250,000 in retirement assets. More

than half of upper-income white Americans making more than \$75,000 (56%) have more than \$250,000 compared with only 39% of Hispanic and Black Americans.

Participation in workplace retirement plans also varies significantly by race. Only 63% of Hispanics and 70% of Black Americans participate in defined contribution plans. Among white Americans, the participation rate is 81%, according to EBRI.

Capital Group, the creator of the ICanRetire website that the Benefits Group made available to its plan participants, is among the service providers looking to help employers mitigate the large savings and participation disparities.

“We see that there are significant disparities in retirement savings among various ethnic groups and for Hispanic Americans in particular,” said Vidhi Sanders, head of participant outcomes at Capital Group. “We want to help support closing that gap.”

The Hispanic-oriented microsite that the firm embedded in its broader ICanRetire website allows participants to toggle between English and Spanish and features different groups within the Hispanic community, including Spanish speakers from Mexico, the Caribbean and Spain.

“There’s a lot of different representation that we know from our research is very important to people,” Sanders said.

RELATED ARTICLE



The slow march toward progress of diversity in asset management

Growing engagement

Sanders explained that the site was built to help initiate conversations among Hispanic Americans about investing and retirement savings plans, topics that they don’t typically talk about.

Sanders recalled a conversation with a Mexican-American manager at a large retailer who never participated in the company's 401(k) plan and was shocked when he learned at a family gathering that his sister was going to tap into her 401(k) to pay for her daughter's college expenses.

"He was like, 'Wait a second, what are you talking about? You participate in those things?'" Sanders said. "He felt a little bit of FOMO (fear of missing out) because his sister had over \$100,000 or so saved in her retirement plan, and he felt left out because they had never talked about it."

Since introducing the ICanRetire microsite to its participants in May, the Benefits Group has seen "pretty significant results" in engagement, Luskin said.

Of the 65,000 participants in Washington state who received an email about the new site, approximately 5,300 accessed the site within the first 90 days, he said. Some 3,000 participants engaged the record keeper, Milliman, by either registering with the plan or logging into their accounts if already registered.

"We saw a 14% month-over-month growth in record-keeper registration," Luskin said.

The SEIU 775 Benefits Group serves 11 employers that contribute to the 401(a) plan based on the hours their caregivers work. Employers contribute anywhere from 50 cents to \$1.20 per qualifying hour worked. For example, if a caregiver at the 50-cent tier works 40 hours in a week, he or she would receive a \$20 contribution into their 401(a) plan account for the week.

"The more you work, the more the plan grows," Luskin said.

The Benefits Group also made it easy for caregivers to put away additional money outside of the 401(a) by encouraging them to open an IRA through the Washington Retirement Marketplace, which provides access to low-cost providers, Luskin said.

Participant engagement with the ICanRetire microsite has been a boon for the online IRA exchange, which reports that the SEIU 775 Benefits Group is its largest referral source, according to Luskin.

“Our participants have opened up the most number of IRAs through the website,” he said.

In Luskin’s view, having a Spanish-friendly retirement website, along with all the Spanish language educational investment materials it provides participants, is pivotal to leveling racial disparities in savings and bringing about more equitable outcomes.

“If you don’t speak English well, how are you going to pick investments?” he asked.

RECOMMENDED FOR YOU

Industry attacks proposal to bolster Social Security by eliminating 401(k) tax deferrals

Empower names Fidelity's Dave Gray executive vice president for enterprise solutions

DC plans drive interest in real assets, Aviva study finds

This Week in Washington - Sign Up

Get weekly insights & analysis covering the latest regulatory and legislative happenings in Washington that affect institutional investing and money management.

SPONSORED

WHITE PAPERS

- **Creating a School District Benefits Plan that Delivers Results**

- **A Scalable Real Estate Opportunity in Home Equity Investing**

- [Navigating Crosswinds in the Emerging Markets to Tap this New Upcycle](#)
- [Research for Institutional Money Management](#)
- [Unlearn What You Have Learned About Investing: Lessons From 2023](#)

[VIEW MORE >](#)

E-MAIL NEWSLETTERS

Sign up and get the best of News delivered straight to your email inbox, free of charge. Choose your news – we will deliver.

[SIGN UP](#)

SUBSCRIBE TODAY

Get access to the news, research and analysis of events affecting the retirement and institutional money management businesses from a worldwide network of reporters and editors.

[SUBSCRIBE](#)

CONNECT WITH US



Our Mission

To consistently deliver news, research and analysis to the executives who manage the flow of funds in the institutional investment market.

Pensions&Investments

ABOUT US

Main Office
685 Third Avenue
Tenth Floor
New York, NY 10017-4036

Chicago Office
130 E. Randolph St.
Suite 3200
Chicago, IL 60601

[Contact Us](#)

[Careers at Crain](#)

[About Pensions & Investments](#)

ADVERTISING

[Media Kit](#)

[P&I Careers | Post a Job](#)

[P&I Custom Content](#)

[Reprints & Permissions](#)

RESOURCES

[Subscribe](#)

[Newsletters](#)

[FAQ](#)

[P&I Research Center](#)

[Site map](#)

[Staff Directory](#)

LEGAL

[Privacy Policy](#)

[Terms and Conditions](#)

[Privacy Request](#)



Copyright © 1996-2024. Crain Communications, Inc. All Rights Reserved.