

Retirement Reality Check

With Obstacles Aplenty, Workers in Texas and Across U.S. Struggle to Save for Golden Years



Federal Reserve
Bank of Dallas

Anna Crockett & Jason Saving
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Financial Security in the Long-Run

- The economic impact of COVID-19 has dramatically exposed Americans' lack of financial security
- Short-term difficulties like putting food on the table
- Longer-term issues with retirement readiness
- Americans have had long-standing difficulties saving for retirement
 - This is especially true for Texans

Let's Start with Some U.S. Data

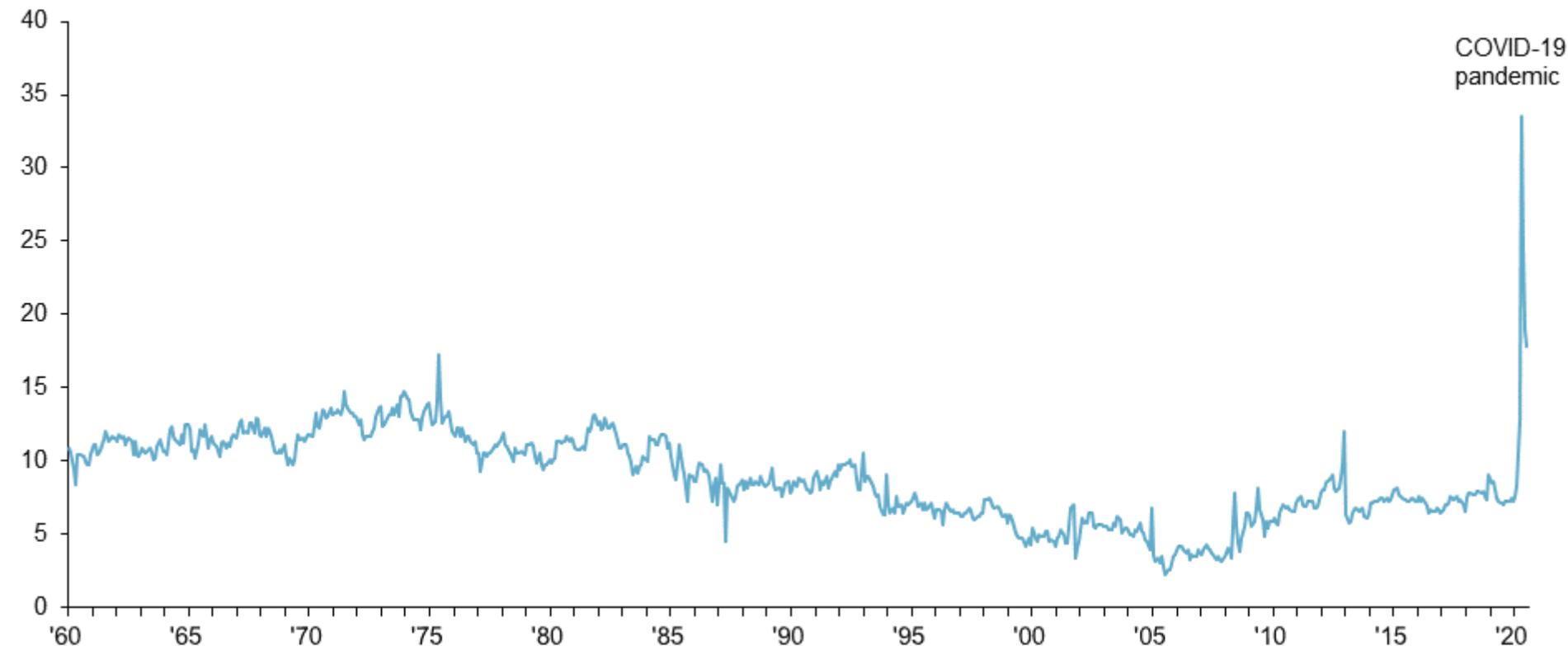
Is Social Security Enough?

- Social Security forms the basis of America's social insurance system
- However, surveys suggest only 1/3 of young workers believe they will receive Social Security upon retirement
 - This skepticism has been around for decades
- You would think that if people don't expect to receive Social Security, then the personal savings rate would have been unusually high in recent decades
- This has not happened, except for a brief pandemic spike that is already fading

Chart 1

Personal Savings Rate in Recent Years Runs Well Below 1970s Peak

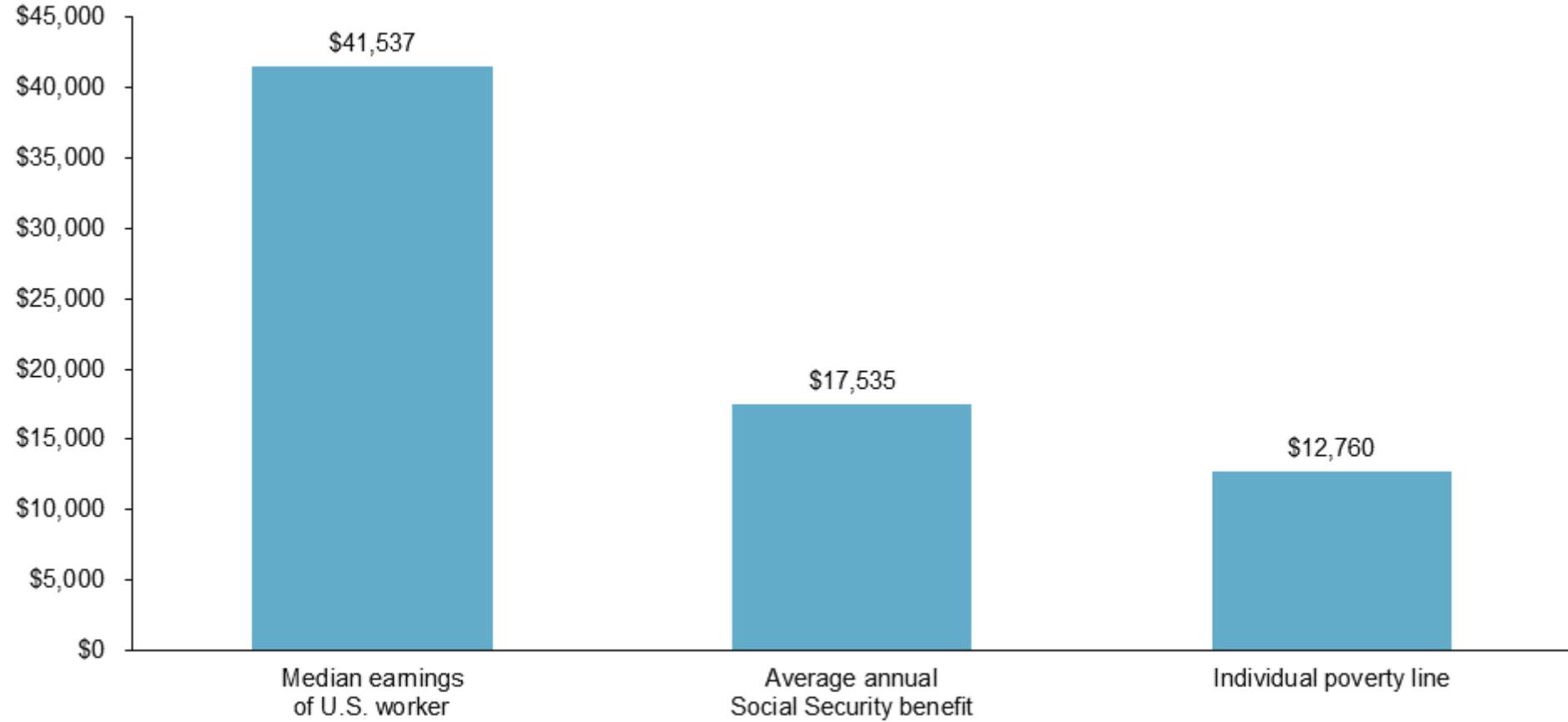
Personal savings rate



COVID-19
pandemic

NOTE: The savings rate temporarily spiked in the early stages of the 2020 COVID-19 pandemic.
SOURCE: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis.

Chart 2
Social Security Alone Not Enough for Middle-Class Retirement



SOURCES: Census Bureau; U.S. Department of Health and Human Services

The Three-Legged Stool of Retirement Income



**Employer-sponsored
retirement plans**

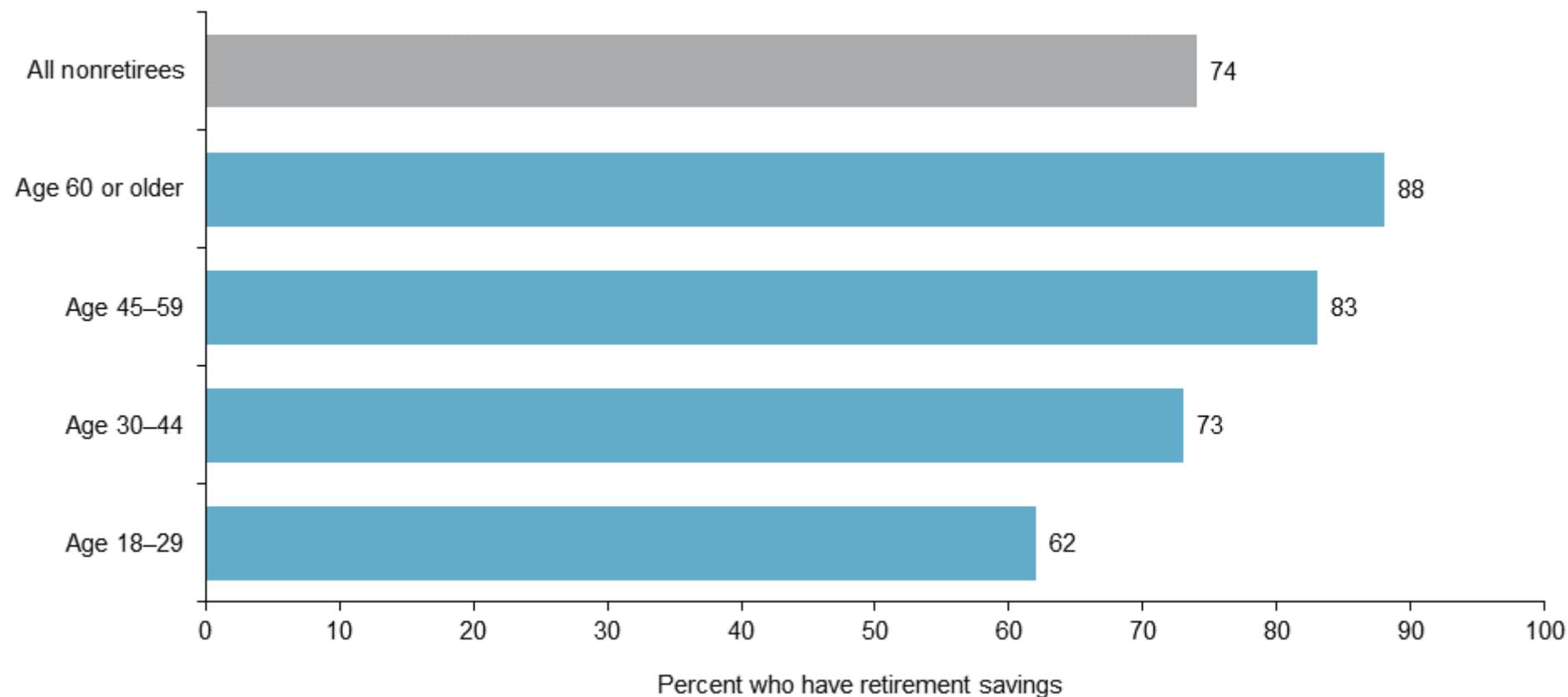


**Personal savings
and assets**



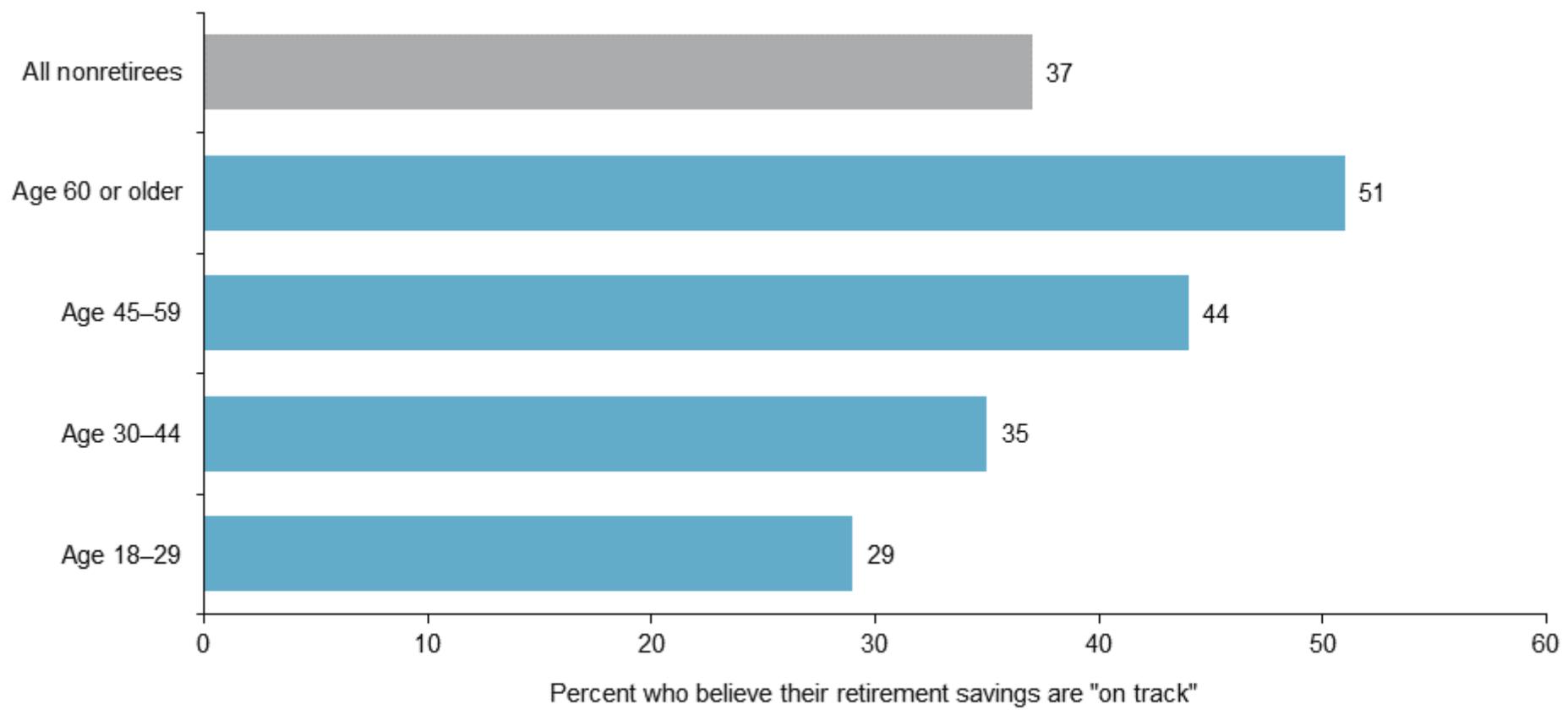
**Social Security
income**

Chart 3 One-Quarter of Nonretirees Do Not Have Retirement Savings



SOURCE: Survey of Household Economics and Decisionmaking (SHED), Federal Reserve Board of Governors (April 2020).

Chart 4 Fewer than 4 in 10 Nonretirees Believe Retirement Savings Are 'on Track'



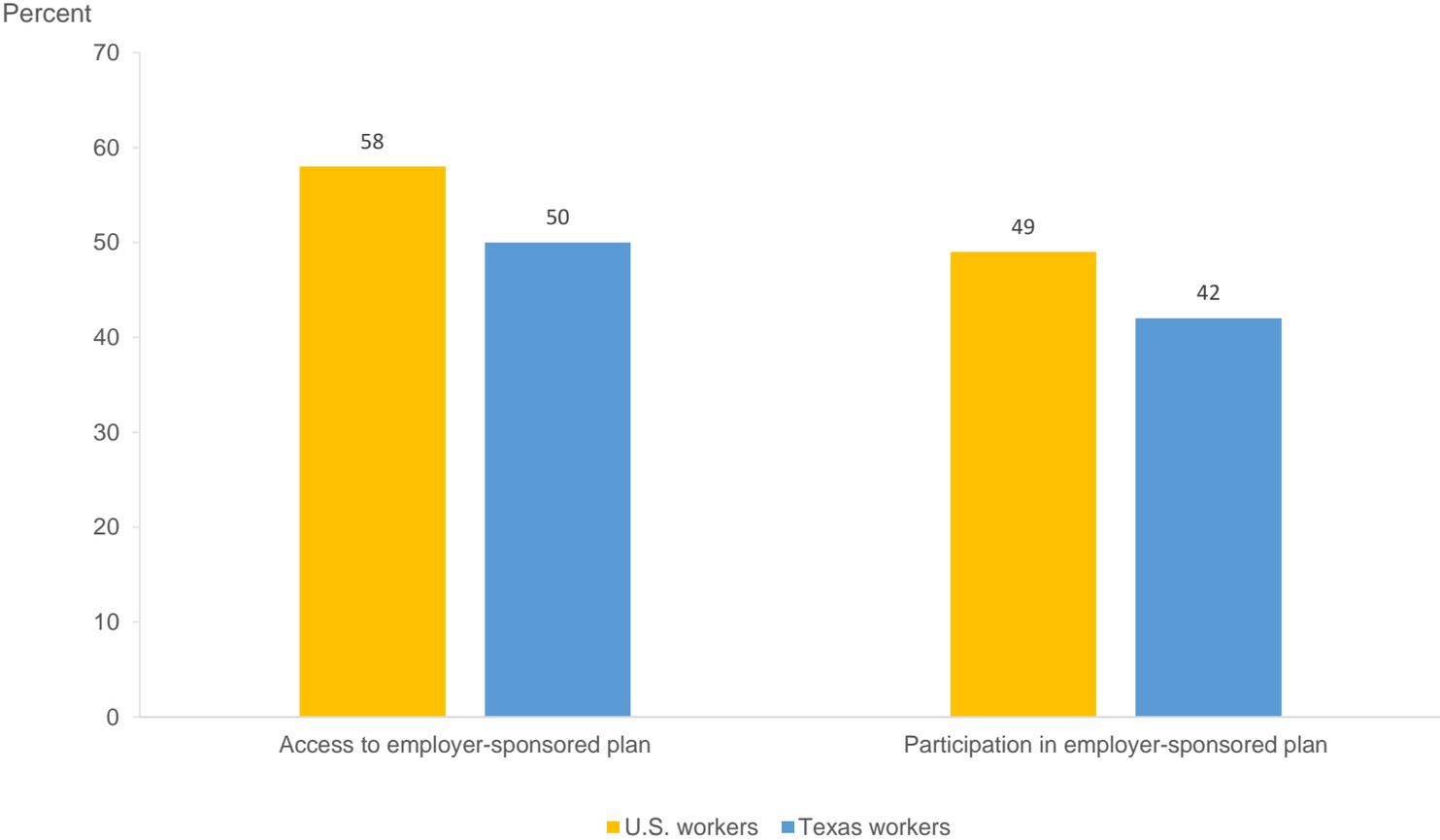
SOURCE: Survey of Household Economics and Decisionmaking (SHED), Federal Reserve Board of Governors (April 2020).

For Texans, Saving Is More Challenging

How Is Texas Different?

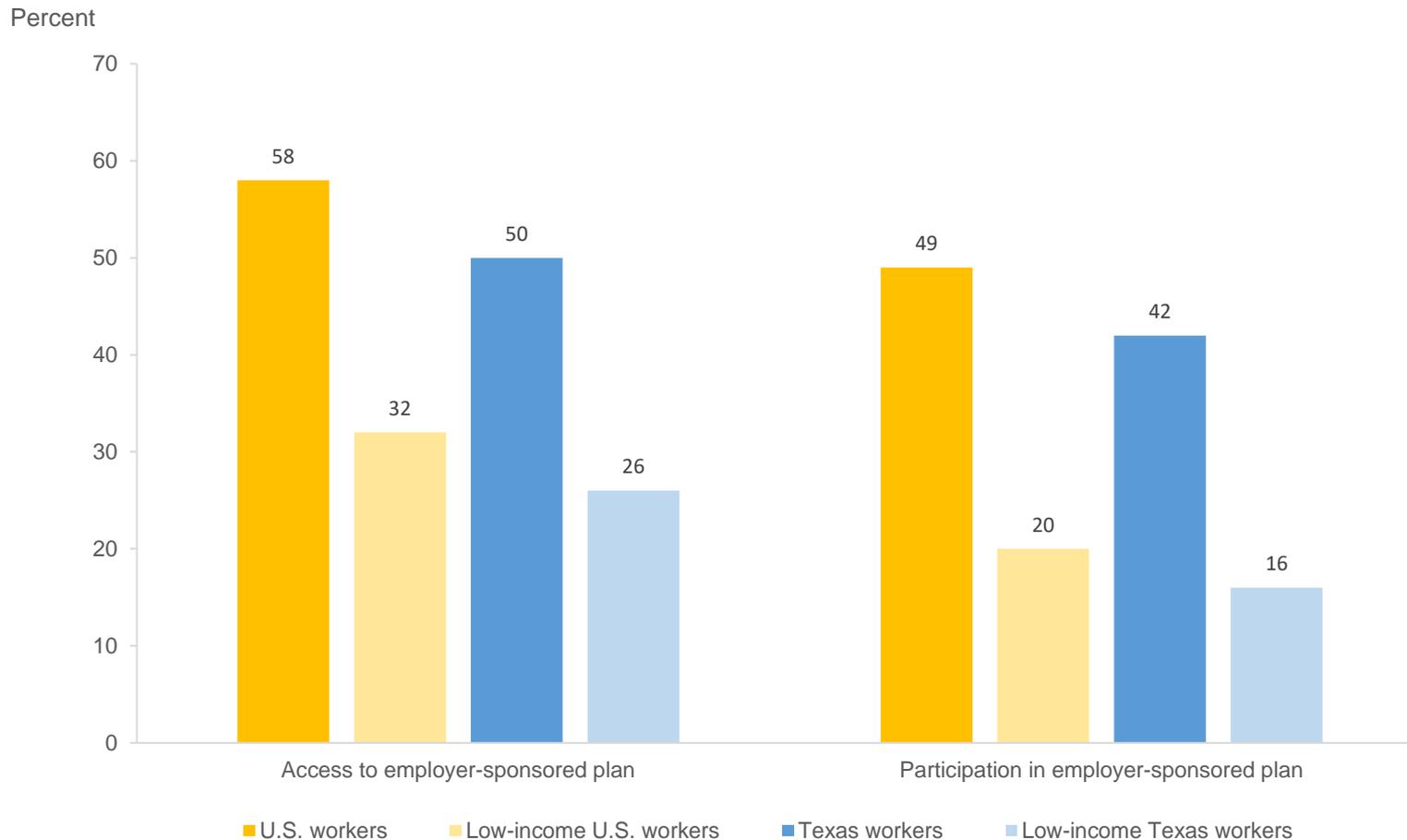
- Texas has a high share of population groups that tend to struggle with retirement savings:
 - Low-wage workers
 - People of color (especially Hispanics)
 - Rural population
- Let's take a look at how these disparities play out when it comes to employer-sponsored plans

Texans Less Likely to Have, Participate in Employer Retirement Plan



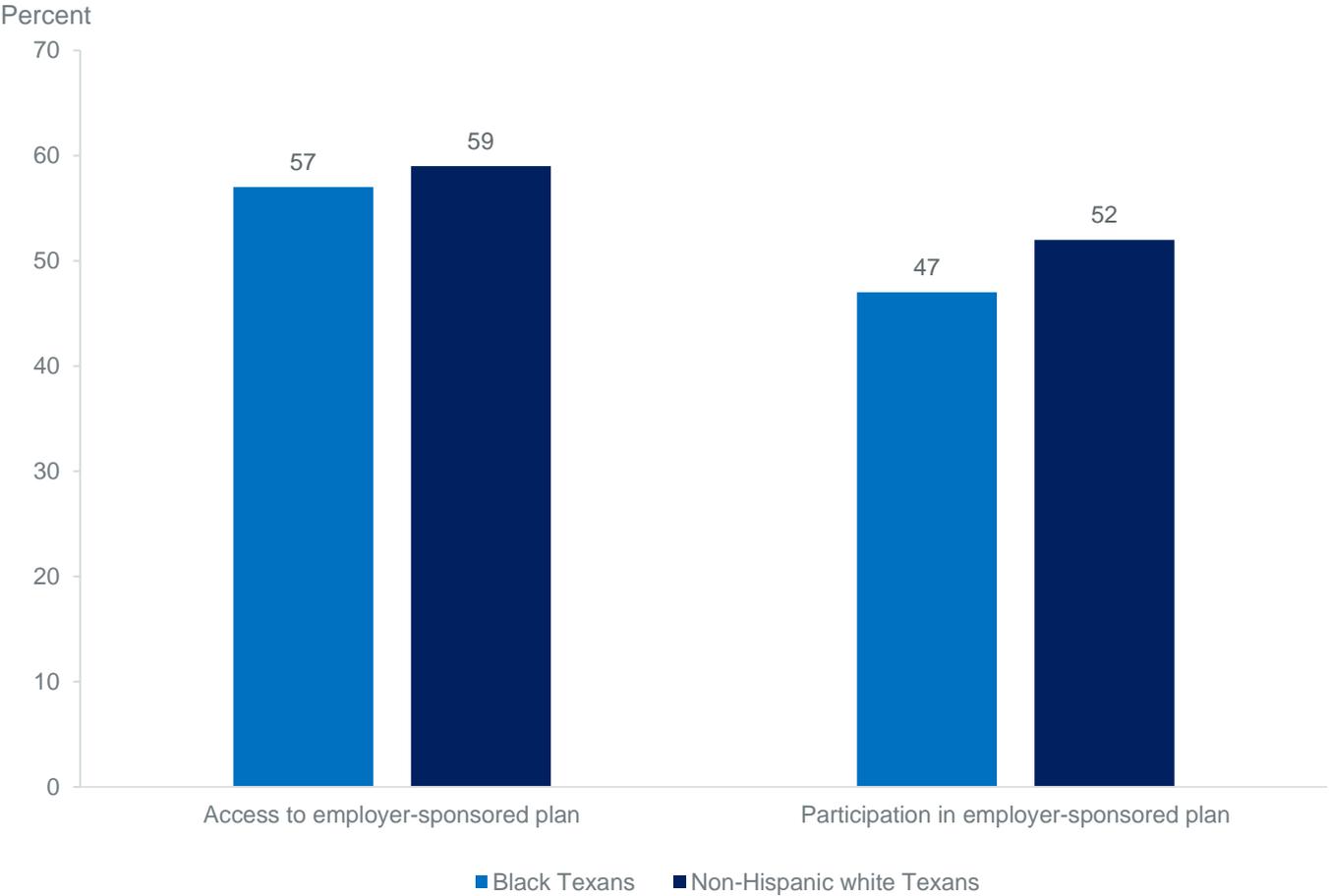
SOURCE: The Pew Charitable Trusts (2016)

Texans Less Likely to Have, Participate in Employer Retirement Plan



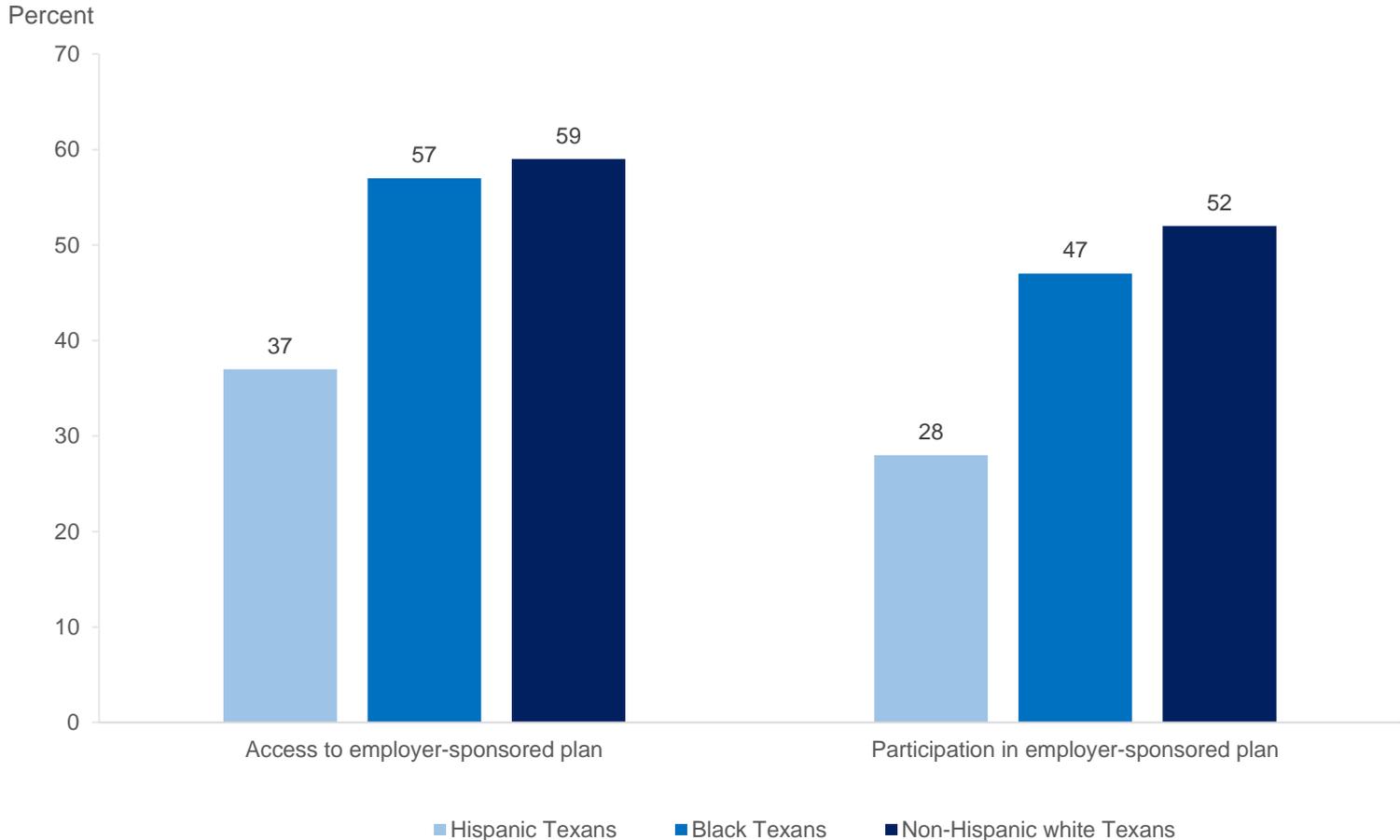
NOTE: For these purposes, "low-income" is defined as earning \$25,000 or less annually
SOURCE: The Pew Charitable Trusts (2016)

Hispanic Texans Face Largest Disparities in Access to Employer Retirement Plans



SOURCE: The Pew Charitable Trusts (2016)

Hispanic Texans Face Largest Disparities in Access to Employer Retirement Plans



SOURCE: The Pew Charitable Trusts (2016)

Looking Ahead

- Data clearly show that Americans are not as prepared as they need to be for retirement
 - This is particularly true in Texas
- Disparities across socioeconomic status, race and ethnicity, nativity and gender
 - Same groups disproportionately affected by COVID-19
- These disparities, if left unaddressed, may only perpetuate economic inequality

Thank You