Women and minorities often face unique obstacles in saving for retirement, including individual and systemic challenges. By providing voluntary benefits and targeted education, employers can take steps to help workers overcome these barriers.
Statistics show that many people in the United States struggle to save enough for retirement, regardless of color or gender. Women and minorities, however, often face different challenges in saving for retirement, whether it's because they exit the workforce for extended periods or face systemic issues such as wage inequality.

This article will discuss some of the issues that create barriers to adequate retirement savings for women and minorities and will identify ways that employers can help workers address these challenges.

Challenges to Building Personal Wealth

One of the challenges faced by women and minorities is lower personal wealth when compared with white workers and men. Breaking down how the average person obtains wealth shows why there is such disparity amongst female and minority employees. Here are the basic components of wealth:

**Formal and Informal gifts (20% of Wealth)**

Research shows that formal and informal gifts are crucial to young workers as they establish themselves financially. Up to 40% of white Millennials receive financial help for basic financial necessities between the ages of 18-34.

Conversely, upwards of 80% of black parents and 70% of Latino parents expect that they will need their children's help for basic financial necessities between the ages of 18-34.

This makes the prospect of receiving a financial gift slim, and it's reflected in the numbers, as white Americans are five times more likely to receive an inheritance than minorities, and the value of inheritances received by white Americans is ten times higher than those received by minorities.

**Home Equity (60% of Wealth)**

Homeownership is one of the most effective ways to achieve wealth. Home equity is rarely a product of an individual's financial acumen; homeowners pay their mortgages down, and their equity typically goes up, barring other factors such as housing market forces. But access to homeownership has proved difficult for minorities, with homeownership rates almost 30% lower than those of white households.

The statistics for female homeownership are also concerning. Women who own their homes typically pay more for them than their male counterparts. Women pay average mortgage rates 0.4% higher than men. On a $300,000 home, this difference would cost female homeowners an additional $1,000 per year.

For divorced women, keeping a home following separation has also proved difficult, with almost one in three losing their house following divorce.

**Personal Savings (20% of Wealth)**

Beyond the systemic issues that have led to disparities in homeownership, women and minorities can improve their odds by improving their financial preparedness. So how do they fare in this regard? Not much better. Online research would seem to show that Americans are doing great when it comes to personal savings and investing. Average 401(k) balances and participation rates are rising, and an increasing number of workers are now "401(k) millionaires," with more than $1 million in their workplace accounts.

So what gives when it comes to women and minorities? Access to plans is a significant hurdle. Only 38% of Latinos have access to an employer-sponsored plan, compared with 62% of white employees.

Departures from the workforce also hinder retirement savings for women; the Network of Executive Women found that among C-suite executives, women were three times more likely to leave the workforce, often to care for children or aging parents.

The increased likelihood among women to take time out from the workforce—either to raise a family or to care for a loved one—means that their investment returns are often hammered down by years in the market when they're unable to contribute. On average, female participation rates in workplace plans are 5-14% higher than that of men. They also take similar levels of risk, yet the account balances for men are 50% higher.

In other words, women are more likely to participate, they save in the same investments, but they end up with half as much money!

For minorities, the problems with savings often relate to an inability to establish a financial foundation. The Mass Mutual 2018 State of the American Family Study found that 33% of African-American and 27% of Latino families have less than one month's expenses saved. They are also more likely to be burdened by consumer and medical debts, with more than 30% of minorities reporting problems paying medical bills.

When it comes to employee benefits, the statistics show that while women and minorities might have access to the same suite of employee benefits as their peers, socioeconomic forces outside of the workplace often make it difficult for...
them to receive the same level of value from them, if they’re able to utilize them at all. Lack of savings is a prime example, since low cash reserves mean minorities are more likely to struggle with everyday expenses. This fact has not gone unnoticed by predatory lenders, such as payday loan institutions. A report by the Center for Responsible Lending found that payday lenders have an average of 8.1 locations per 100,000 people in communities of color, compared with four locations per 100,000 in white communities.10

Student loans are also a phenomenon that affects all communities but has an even deeper impact amongst minorities. Research has shown that black young adults take on 85% more student debt than their white counterparts, and the gap between these loans compounds at a rate of 7% each year after borrowers leave school.11

Where does this leave employers? Those that truly care about their employees’ well-being must address the barriers facing minority and female employees’ finances. The following are steps employers can take that arguably will also benefit the workforce at large.

Consider Employee Needs

Employers offer raises and benefits to their employees for many reasons. At their core, employee benefits should be a tool to help employees feel valued. So wouldn’t it make sense to ask them what makes them feel valued? Very rarely do employers survey their workers about their benefits package. Maybe they assume that they’re already doing a good job, or maybe they don’t want to open a Pandora’s box of suggestions; if they asked, however, they might receive some interesting responses.

In a study by Glassdoor, four in five survey respondents said that they would prefer an improvement in their employee benefits and perks over a raise in pay.12 And the benefits they found most valuable are likely much more affordable than one might expect. Nearly half (48%) of those surveyed wanted student loan assistance, and 44% requested assistance with the cost of going back to school for additional training. Nearly two in five (39%) wanted a free or discounted gym membership and 32% wanted . . . free snacks. Employers should ask employees what they want and need and form a benefits package that speaks to those needs.

Leverage Behavioral Finance Concepts

Behavioral finance tools such as autoenrollment in 401(k) plans have become a model example of using human behavior to drive positive change. A 2018 Vanguard study found that 93% of new hires participate in 401(k) plans that automatically enroll participants, compared with 47% in voluntarily enrolled plans.13 The problem with autoenrollment, however, is that employee contribution rates typically fall around 3%, and saving 3% will not get employees to a comfortable retirement. Autoenrollment works best when paired with an automatic increase in employee contributions (often referred to as autoescalation).

Employers that believe that employees will opt out when contributions get too high should think again: The Vanguard study found that nine out of ten employees in retirement plans with autoincreases either stuck with the increase or contributed more.14 And strategies that use behavioral finance concepts don’t have to stop with 401(k)s. By using concepts like gamification, employers can harness their employees’ competitive juices as a positive force. Early in my career, I was asked to speak at an employer event during which departments were pitted against each other in challenges centered on debt elimination, savings rates and even physical fitness. The employees loved it, their engagement increased, and their overall well-being improved, all by making a game out of getting better.

Provide Education

One of the systemic issues holding people back financially is a lack of

takeaways

• One of the financial challenges faced by women and minorities is lower personal wealth compared with white workers and men.
• Departures from the workforce due to caregiving is a common hurdle to adequate retirement saving for women, affecting contributions to retirement savings and investment returns.
• Among minorities, issues that can affect retirement savings include lack of access to workplace retirement plans and higher levels of student loan debt.
• Steps employers can take to improve the finances of women and minorities in the workforce include leveraging behavioral finances to increase retirement plan contributions, offering voluntary benefits and providing education on issues such as investing and credit.
financial literacy. The 2015 Standard & Poor’s Rating Services Global Financial Literacy Survey found that only 37% of Americans were able to answer questions about basic financial principles such as inflation and compound interest.\(^{15}\) Even more striking is the fact that Americans don’t understand the benefits they have available at their jobs. A study by Princeton Survey Research Associates International (PSRAI) found that among the 8% of Americans who have a health savings account (HSA), many don’t understand how they work.\(^{16}\) There is a similar level of confusion over choosing investments inside of 401(k)s or even understanding short-term vs. long-term disability insurance.

Employers can flip this phenomenon on its head by starting employee education initiatives. They can host lunch and learns and task the employees themselves with learning the material and teaching it to their co-workers. They can invite outside experts in to share on certain subject matters. And most importantly, employers can take the steps to ensure that they themselves understand the features and can articulate the value of the benefits they offer.

When planning for employee education, it is also important to emphasize areas of particular interest to women and minorities. Retirement savings, for example, is an area where a lack of understanding regarding investments can prevent minority employees from participating. The average balance for African Americans in 401(k) plans is a mere $23,000, according to the Federal Reserve.\(^ {17}\) In addition to the pay gap, another contributing issue may be a hesitancy to invest in the stock market as well as a lack of understanding of the stock market and the investments inside of employer plans.

Credit is another area that is of critical importance when dealing with women and minorities. A 2018 NBC news article cited research that found that even though women carried less debt on average—$21,171 compared with an average of $25,225 for men—their credit scores lagged behind.\(^ {18}\) The reason? The gender wage gap means that lower earning women are extended lower credit limits than their male counterparts. With credit utilization representing 30% of a FICO score, women have a harder time keeping their utilization rates within an acceptable range. For minorities, whose credit scores also lag behind their white counterparts, there is also the issue of credit invisibility, where a lack of history leaves lenders without a track record of whether the applicant represents a good credit risk.\(^ {19}\)

Implementing education that highlights these areas and their importance to long-term wealth is a crucial element of an educational plan that works for all employees.

Offer Fringe and Voluntary Benefits

The go-to employee benefits have been well-established over time: health insurance, life insurance, disability insurance, 401(k)s and pensions. Some plans offer a Roth retirement account. Beyond that? Not much has changed over the years. These benefits are incomplete in the sense that many of them—specifically tools such as 401(k)s and HSAs—require employees to be capable of saving on a consistent basis. If they can’t, these benefits are left unused.

There are benefits typically offered by third parties, however, that may help shore up an employee’s insurance risks and help establish a financial foundation. An example would be critical illness insurance or medical bridge policies, which provide employees with money to cover health needs when they can’t afford their health insurance deductible. Products like these can help position employees to contribute to their 401(k) plans without worrying about their basic needs. Individually owned, guaranteed-issue insurance policies through providers can also provide coverage for older employees, or those with health issues who want to secure affordable coverage they can keep even if they switch jobs.

Other such voluntary benefits that may help include student loan repayment benefits. Options include partnering
with a vendor that can offer lower loan rates to employees or making direct contributions toward employees’ student loans. Employers might also consider offering benefits such as discounted home and auto insurance and credit counseling through affiliate programs.

Partner With Outside Organizations

Employers may consider forming partnerships with organizations that can do the heavy lifting in the quest to improve employee financial preparedness. Financial wellness programs are available from outside vendors that offer personalized tools to employees, ranging from diagnostic analyses of their finances to independent financial counseling upon request. It is not uncommon to find these resources can be paired with educational initiatives, and many offer digital learning platforms so that employees can work through a financial literacy curriculum at their own pace.

Employers also can choose the option of in-person financial advice, perhaps by forming a relationship with a local financial planning firm. Employers could establish regularly scheduled financial workshops, subsidize the cost of employees who utilize the advisory firm or establish formal communication channels when interested employees would like to speak with an advisor. When engaging with outside help, be sure to involve interested employees in choosing areas where they would like to receive education. Also consider extending the invitation to learn more to their entire families, so that their household can improve their financial wellness together.

Clearly defined expectations in these relationships are vital, since employers don’t want advisors to feel they’ve been given a green light to aggressively prospect amongst employees. Plan sponsors also should be aware of the regulations regarding the provision of investment advice to plan participants to avoid fiduciary liability issues.

Conclusion

Addressing the financial wellness needs of women and minorities requires outside-of-the-box thinking and a willingness to listen to the needs of employees. Through efforts that include employee benefits and education that target women and minorities, employers may help close the retirement savings gap.

Endnotes

2. Ibid.
3. Ibid.
7. See www.marketplace.org/2016/03/24/are-payday-loans-hurting-minorities/.
8. See https://ncrc.org/cnbcreport/
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