OLDER WORKERS

Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time

What GAO Found

Disparities between low-income and high-income older workers’ retirement accounts were greater in 2019 than in 2007, according to GAO’s analysis of Survey of Consumer Finances (SCF) data on households 51 to 64. For example, about one in 10 low-income households had a retirement account balance in 2019 compared to about one in five in 2007, while about nine in 10 high-income households had a balance through the period. For those with a balance, the median balance was higher for high-income households over the period, while any change for the other income groups was not statistically significant. Racial disparities also persisted over the period. A higher share of White households had a balance than those of all other races. Also, White households had about double the median balance as households of all other races.

Estimated Retirement Account Balances for Households Age 51-64 with a Balance, by Income

Note: Brackets represent 95 percent confidence intervals. Overlapping brackets for the lowest and middle income quintiles indicate no statistically significant difference between 2007 and 2019.

Income, job-related factors, and race were strongly related to disparities in older worker households’ retirement account balances, according to GAO’s analysis of 2018 Health and Retirement Study (HRS) data. High-income households contributed a larger percentage of their pay than low-income households (about 8 and 5 percent) and received larger employer contributions. Households with higher income, longer job tenure, and a college education tended to have larger balances. Households of all other races than White and households with children had about 28 and 20 percent smaller balances, respectively.

The effects of selected strategies meant to increase workplace retirement savings vary across workers of different income groups, according to illustrative scenarios using GAO’s analysis of SCF and HRS data. For example, automatic enrollment can increase participation of low-income older workers with access up to about one-third. However, only about 23 percent of low-income workers have access to a workplace retirement account. Further, they may choose not to participate, for example, if they have limited disposable income or expect Social Security to provide most of their retirement income. In contrast, increasing contribution limits for workplace retirement accounts almost entirely benefits high-income workers, as about 23 percent of high-income compared with about 3 percent of middle-income older workers contribute the individual limit.