Sí Se Puede: Building Retirement Security for Latinos and the US

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INTRODUCTION

Latinos’ today constitute 18 percent of the United States population\(^1\) – up from roughly one percent in the 1960s.\(^2\) Over the next 40 years, this demographic group will continue to grow and is projected to account for nearly 30 percent of the US population in 2060.\(^3\) This projected population surge has been the subject of much attention, particularly in the world of politics. What is not as well understood is what this rapid rise will mean for the state of household financial security.

The state of Latino financial security is complex. Hispanics are more likely to start businesses than other ethnic groups and do so at a rate two times the national average.\(^4\) And Hispanic businesses are growing revenue 15 times faster than average.\(^5\) In others areas, like home ownership, the Great Recession had a particularly destructive impact, reversing decades of progress\(^6\) – though recent evidence indicates that the Hispanic homeownership rate is slowly starting to bounce back.\(^7\) In retirement preparedness – the subject of this brief – Latinos trail many of their white counterparts,\(^8\) a fact that will become painfully clear as more and more Hispanics, a community that currently skews young, begin to reach retirement age.

Of course, the Latino community is not monolithic and, as this brief will show, many questions about the state of financial security among Latinos are still under-researched and thus unknown. Generally, though, it is clear that Latinos are facing a number of barriers to sustained financial security. Reducing those barriers, particularly around workplace retirement plan access, would help unlock the Latino community’s full economic potential and improve standards of living. And, Latinos would not be the only ones to benefit from a more inclusive retirement savings system. Roughly half of all Americans lack access to a retirement plan at work, \(^9\) which helps explain the overall lack of retirement preparedness across the country.\(^10\) On the other hand, should the barriers to financial security remain in place, not only will Latinos’ economic prospects dim, but given the growing importance of Latino spending, entrepreneurship, and workforce participation on overall prosperity, the entire economy would surely suffer.

For this reason, researchers, policymakers, and business leaders should take notice. Solving the retirement insecurity of Latinos will require both creativity and political courage. This brief will attempt to catalyze both by synthesizing what we know about the problem and identifying policy and market implications as well as research gaps. The first section will explore the prevalence of retirement insecurity in the Latino community, the second section will investigate the causes, and the third section will discuss the implications.

\(^{*}\)Consistent with the US Census Bureau’s definition, “Latino” and “Hispanic” will be used interchangeably in this brief and will mean “a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race.” See US Census Bureau, “Definition of Hispanic or Latino,” https://www.census.gov/newsroom/cspan/hispanic/2012.06.22_cspan_hispanics_2.pdf.
Americans of all backgrounds are struggling to prepare for retirement. Over half of US households age 55 and older have no money saved in a retirement account like a 401(k) or Individual Retirement Account (IRA). Latinos, though, are even less well-prepared. And because Hispanics tend to live longer than other groups, the need for retirement savings is even greater.

SOCIAL SECURITY

Latinos are less likely to benefit from Social Security, the bedrock of the country’s retirement system. Only 75 percent of older Hispanics receive Social Security, compared to nearly 90 percent of older whites and 82 percent of blacks. This is largely a result of Social Security rules that limit eligibility to those who have worked “on the books” (i.e., making payroll tax contributions under their own Social Security number) for at least 40 quarters. Immigrants who arrive later in life, and thus are not in the workforce long enough to qualify, make up the bulk of these “never-beneficiaries.” As a result, it is probably the case that Latinos are more likely than other groups to pay into Social Security but then not collect (which actually bolsters the Social Security trust fund) both because they are not refunded their contributions should they work for fewer than 10 years and because they may be unauthorized workers paying in on a false Social Security number.

Even when Latinos do receive benefits, the amount of their monthly check tends to be lower than that of other beneficiaries, a result of less full-time work and lower wages during working years. The median annual Social Security benefit for Hispanic seniors ages 65 and older in 2014 was $11,459, compared with $14,400 for all senior beneficiaries. This is not to say that Social Security is not delivering vital support. Indeed, 29 percent of older Hispanics are lifted out of poverty each year solely because of Social Security.

Additionally, Hispanics are less likely to have other, non-Social Security sources of retirement income: 73 percent of Hispanic beneficiaries rely on Social Security for at least half of their retirement income, compared to 61 percent of all other beneficiaries. And 31 percent of older Hispanics rely on Social Security for at least 90 percent of their family’s total income. That same rate of reliance is just 24 percent among whites.

WORKPLACE PLANS

One major reason why Latinos rely on Social Security at such high rates is that many Latinos do not participate in workplace savings plans. Hispanics have below-average participation in both types of workplace retirement plans, defined benefit (DB) and defined contribution (DC), largely as a result of working in jobs that do not offer either (see “Drivers of Vulnerability” section below).

Only 12 percent of Latinos own a DB plan, which is an employer-guaranteed pension that provides a monthly check – typically calculated based on the employee’s length of employment and salary history – from retirement until death. Whites are twice as likely to be enrolled in a DB plan (24 percent).

Across the entire US population, DB enrollment is far below historic highs. Since the 1990s, DB plans have significantly eroded, with many institutions (governmental, public, and corporate) replacing these traditional retirement plans with DC plans. DC plans, such as 401(k)s and 403(b)s, do not guarantee any
benefit in retirement, but rather help workers, through both employee and employer contributions, accumulate funds during their working years that are earmarked for retirement.

But Hispanics trail behind their white counterparts when it comes to DC enrollment as well. Among Hispanic families age 32-61 in 2013, 20 percent participated in a DC plan, compared with 49 percent for whites and 32 percent for blacks.\(^{25}\) In the same year, only 26 percent of working-age Hispanic families had accumulated any savings in a DC account or an IRA (the vehicle into which assets from DC plans at past jobs are often “rolled over”), compared with 65 percent of white families and 41 percent of black families.\(^{26}\)

Even those Hispanics who do have a DC plan have lower savings balances than whites and are more likely to access the money before retirement, which normally comes with hefty taxes or penalties. The median balance for Latino families with retirement account savings is $22,600, compared with $77,000 for white families.\(^{27}\) Notably, blacks—who make up 13 percent of the population—\(^{28}\) are also underperforming, with just $24,600 saved in a DC account. Furthermore, nearly six in 10 pre-retirement Hispanics who left their job in 2010 cashed out their DC account, compared to 39 percent of whites, 34 percent of Asian-Americans, and 63 percent of blacks.\(^{29}\) Hispanics are also more likely than whites and Asian-Americans to take pre-retirement withdrawals for “hardships” (employers often give their DC plan participants an option to access their money before retirement in exigent circumstances) and to take out loans against their retirement balances.\(^{30}\) To what extent these differences in loans, cash-outs, and other withdrawals are a function of greater financial need in Latino and black communities, lack of access to sound financial advice or education, or different cultural conceptions of family and retirement is an open question (see “Drivers of Vulnerability” section below).

OTHER ASSETS

Of course, saving in a retirement account is not the only way to be financially prepared for retirement. Other assets—like stock holdings, home equity, inheritances, and small business ownership—can also provide income during retirement. However, Hispanics lag behind other groups in all four asset categories. According to the 2016 Survey of Consumer Finances (SCF), only 4.2 percent of Hispanics own stocks (not including mutual funds) outside of retirement accounts,\(^{31}\) while 17 percent of whites do so. Forty-five percent of Hispanics own their homes, compared to 73 percent of whites.\(^{32}\) The difference is smaller, but still substantial, for older, US-born Hispanics: 75 percent owned a house in 2012, compared with 85 percent for older whites.\(^{33}\) Inheritances are also very uncommon in the Latino community: only six percent of 30-59 year-olds receive one, compared to blacks (11 percent) and whites (23 percent).\(^{34}\) And despite the progress in Hispanic-owned businesses referenced in the “Introduction,” whites are twice as likely as people of color, including Hispanics, to own business equity.\(^{35}\)
It is no wonder then that, in addition to being ill-prepared for retirement, the overall wealth gap between the average Latino family and the average white family was an astounding $522,000 in 2010.\textsuperscript{36}

It is important to note, though, that this wealth gap varies widely depending on whether or not the Latino family was born in the US and which country the family emigrated from. Foreign-born Latinos, which make up just over one-third of all Hispanics and 48 percent of all Hispanic adults (ages 25 and older),\textsuperscript{37} tend to have less wealth than US-born Latinos. Americans who immigrated from Mexico and Puerto Rico make up approximately three-quarters of the country’s Latino population, and these workers tend to earn lower incomes than Latinos who immigrated from countries like Argentina, Peru, and Venezuela.\textsuperscript{38} More research is needed on how these differences map onto retirement preparedness.

**RETIRED OUTCOMES**

The lack of retirement preparedness in the general Latino community results, unsurprisingly, in poor retirement outcomes. The poverty rate among Hispanic seniors is well above that of whites. In 2014, 18 percent of Hispanics aged 65 years and older lived in poverty, more than double the rate for whites (8 percent).\textsuperscript{39} The median annual income for Hispanics aged 65 and older in 2014 was only $13,199, which is 43 percent lower than the median income of whites.\textsuperscript{40} This is well below what experts have determined retirees need to cover basic costs of living.\textsuperscript{41} Similarly, a 2015 study found that senior households with less than $15,000 in annual income require housing that costs no more than $375 per month. Yet, in 2015, the median gross rent among Hispanics in California, for example, was $1,172.\textsuperscript{42} Furthermore, a comparatively large proportion of older Hispanics are food insecure – 18 percent compared with seven percent of whites.\textsuperscript{43} These statistics help explain why Hispanics are about twice as likely to report being unsatisfied with retirement (11 percent of US-born Hispanics and 14 percent of foreign-born Hispanics versus six percent of whites).\textsuperscript{44}
The causes of retirement insecurity among Latinos are varied and not always clear cut. The biggest driver, as already mentioned, is lack of access to workplace retirement plans. But this cause is itself a result of occupational segregation and other labor market disparities. Additionally, there is some evidence that cultural factors limit Latinos’ uptake and contribution amounts even when plans are offered. Immigration status and discrimination may also play a role.

**OCCUPATIONAL SEGREGATION**

In 2014, only 38 percent of full-time employed Hispanic men ages 25 to 64 worked for an employer that provided employees a retirement plan, compared to 61 percent of whites. For foreign-born Hispanics, offer rates were even lower: only 29 percent worked for an employer that offered a retirement plan. This is largely a result of occupational segregation. For example, many Hispanics belong to the contingent workforce, work for a small business, or are employed in industries or non-union occupations that offer few retirement choices. In addition, Latino immigrants are more likely than other foreign-born populations to be undocumented and to work off the books.

Hispanic men are underrepresented in higher-paying fields such as business and finance, management, science, engineering, architecture, and the law. Full-time working Hispanic women are heavily concentrated in low-skilled and low-paying occupations such as office and administrative support, food preparation, personal care, and cleaning and maintenance.

Even when employers sponsor retirement plans, some employees choose not to sign up or don’t qualify for coverage because, for example, they have not worked enough hours or have not been employed long enough. Enrollment rates among Hispanics are generally high: when given the opportunity, high rates of Latinos sign up for workplace retirement plans. But those figures are even higher for whites, potentially reflecting the higher likelihood that Hispanics work part-time and are thus ineligible for the company’s DC plan. More research in this area is needed.

**CONFOUNDING VARIABLES**

Occupational disparities are linked to many other gaps between Hispanics and non-Hispanics: earnings, job tenure, educational attainment, and liquid savings, among others. In all of these areas, Hispanics do worse than whites, and poor indicators in these categories are historically associated with low retirement savings.

As a result, it is hard to tease out exactly what is driving poor retirement outcomes. According to one study of six large DC plans by Cynthia Pagliaro and Stephen Utkus, controlling for earnings and job tenure reduces the Hispanic-white account balance gap by 71 percent. And according to a more comprehensive analysis of the Hispanic-white wealth gap, researchers found that income, education, inheritance, and age (Hispanics tend to be younger) explain nearly all of the wealth gap. However, that study is based on the SCF, which does not account for DB pension or Social Security wealth. Furthermore, as retirement expert David John has pointed out, even older, high-income Hispanics have account balances that are significantly lower than that of other households.

**ATTITUDES AND BEHAVIORS**

The SCF analysis also controls for attitudes towards borrowing, savings, and investment. The researchers find that Hispanics are more likely to be risk averse and have a shorter time horizon for financial planning than whites, but were just as likely to think that borrowing to pay for vacations or other luxury items was a bad idea. However, controlling for these attitudes did not have much effect on the wealth gap.
Nevertheless, it could be that retirement preparedness in the Latino community is, in part, a function of unique attitudes, strategies, and behaviors. For example, qualitative studies have found that Latinos are more likely to distrust financial institutions and that financial education levels in the Latino community are low. In a 2014 Prudential report, more than half of the Hispanics surveyed indicated a “poor” or “very poor” understanding of U.S. workplace retirement plans. Thirty-two percent of Hispanics ages five and older lack English language proficiency, creating additional barriers to navigating the country’s financial system. Moreover, a substantial number of Hispanics send money back to family abroad, and there is evidence that, as more remittances are sent, less is saved for retirement. It may also be the case that Latinos are more likely than other groups to provide financial help to immediate or extended family in the US, whether it is helping with a first-home purchase or private school tuition, which can reduce retirement preparedness. There is evidence, for example, that older Americans who co-sign their children’s student loans or have outstanding student loan debt themselves have less saved for retirement. Given the growing number of Latinos enrolling in for-profit colleges and other higher education institutions – which can be very aggressive and even predatory with student loan marketing – Latinos’ retirement security may be especially under threat by the rise of student loans.

Latinos also may often have unique views about retirement itself. According to a set of recent focus groups conducted in Los Angeles, many Latino immigrants intend to retire in their country of origin, where living costs are lower. Hispanics considering such a move might hesitate to participate in an employer-sponsored retirement plan because they are unsure how much they need to save or how they will access the money when abroad. There is also a widespread sense in the Latino community that “family takes care of family,” which may reduce the urgency workers feel about saving for their own retirement.

It is unclear to what extent these cultural explanations outweigh other factors that may be driving retirement insecurity in the Latino community. Pagliaro and Utkus found that the Hispanic-white gap that remains after controlling for pay and time on the job can be at least partially explained by lower contribution rates and higher pre-retirement withdrawal rates among Hispanics. However, they also found that investment behavior – the potentially culturally-specific behavior of allocating funds inside the account to asset classes with varying risk profiles – differs very little among groups and so does not drive any of the variation in account balances. The most likely explanation for sub-optimal retirement planning behavior among Latinos, then, is not “Latino culture,” but rather the sub-optimal economic circumstances many Hispanic families find themselves in. Retirement is understandably far from the minds of the many Latinos who were not born into or do not stand to inherit wealth; have little in the way of emergency savings; are struggling to afford education, health care, and other critical human capital investments; and are facing regular demands for financial help from friends and family.

**IMMIGRATION STATUS**

Immigration status may also be a factor. In 2015, 48 percent of Latino immigrants who were eligible for citizenship had not yet naturalized, though citizenship rates have been increasing in recent decades. Lack of citizenship can reduce earnings potential, which has a deleterious effect on retirement security. Indeed, according to the National Endowment for Financial Education, being a citizen is correlated with a boost in the average middle-income worker’s retirement savings of $7,247. Additionally, nearly nine million Hispanics in the US – or 16 percent of the overall Hispanic population – are undocumented (neither citizens, nor green card or other visa holders). These Latinos are ineligible for Social Security and can face challenges finding work, opening bank accounts, and accessing worker training.

**DISCRIMINATION**

Finally, the fact that the retirement preparedness gap in the Latino community might be explained by factors other than race does not mean that racial discrimination does not play a role. Labor market outcomes like wages and occupation could be caused in part by discriminatory hiring practices. And educational outcomes could be linked to issues like teacher diversity, housing discrimination, and student discipline that can have important racial and ethnic dimensions. More research is needed to disentangle these various threads so that policymakers and financial institutions can combat the problem of retirement insecurity in the Latino community most effectively.
LOCAL AND NATIONAL IMPLICATIONS

Millions of Latinos will be retiring in the coming years without the necessary private savings to sustain their standard of living. This will have far-reaching consequences on communities, governments, and the nation overall:

- **Latino Communities:** Retirement insecurity in the Hispanic community is already driving millions of older Latinos into poverty. It is not uncommon for older Hispanics to struggle to afford necessary housing, food, and medicine. Unless current trends reverse, these problems will only grow worse—ultimately cascading into community-wide ailments. Local economies will suffer as seniors slow their consumer spending, kin networks will be financially strained as they try to support their aging parents and grandparents, and the next generation of workers may find themselves with fewer advancement opportunities should near-retirees decide they must work longer in order to retire with dignity.

- **Government Budgets:** This influx of financially insecure seniors will also stress the social safety net systems provided by state and federal governments. Public programs like Medicaid, the Supplemental Nutrition Assistance Program, and Supplemental Security Income will likely see a surge in utilization, exploding already tight public budgets, undermining states’ bond ratings, and potentially forcing tax increases or program cuts.

- **National Economy:** An aging Latino population that is not prepared for retirement can influence macroeconomic indicators as well. As already mentioned, seniors with less in retirement savings, income, and wealth are likely to decrease consumption and spending, which may slow economic growth in the places they reside. This effect could spillover regionally or nationally. Additionally, older workers whose skills are deteriorating but nevertheless remain in jobs in order to push off the costs of retirement could hurt firms’ profitability, as well as nation-wide wage growth, as a result of reduced labor productivity.

So, what should be done to combat financial insecurity in the Hispanic community? How should policymakers, employers, and researchers react to the harrowing statistics in this report? A number of areas deserve further consideration:

- **Universal Access to Workplace Plans:** Access to retirement plans at work is clearly one of the key missing ingredients for Latinos to achieve retirement security. A number of innovators, in both the public and private sectors, are currently experimenting with new approaches that promise to expand access to workplace retirement savings plans. New state-sponsored retirement programs, like Secure Choice in California, and new investment products leveraging financial technology, like Finhabits, are just a few examples. Rigorous evaluations of these interventions will help determine if they help Latinos save.

- **Automatic Enrollment:** Scores of academic studies show that making retirement enrollment opt-out instead of opt-in—so that the default for inertia-prone individuals is to start saving now, rather than putting off the decision into the future—is a highly effective and popular way to build financial security. Given Latinos’ lower participation and contribution rates in workplace plans, expanding the use of automatic enrollment mechanisms may prove a powerful way to reduce the Hispanic-white retirement savings gap. Indeed, in their study of DC plans, Pagliaro and Utkus found that automatic enrollment actually helps Hispanics and other workers of color more than it helps others since workers of color sign up for plans, when not automatically enrolled, at slightly lower rates than whites.

- **Financial Capability:** More granular insight into Hispanics’ views on retirement would be helpful as financial providers consider ways to customize financial advice and education. Though some cultural explanations for Latinos’ lack of retirement preparedness border on victim-blaming, there likely is some truth to the idea that Hispanics think...
about money, investment, and family in distinct ways and that current financial education models are not serving them well. More research is needed in order to build the models of the future.

- **Financial Services**: One possible model is embedding financial education and behavioral nudges into new types of financial products. More testing is necessary, but innovative savings tools that use prizes, gamification, and round-up mechanisms to build nest eggs may prove effective. Other promising ideas include hybrid products, which combine different categories of financial tools into one user-friendly package, and sidecar accounts, which would serve as a liquid savings buffer that reduces pressure for pre-retirement withdrawals from a linked retirement account. It remains to be seen whether these nontraditional products, which could be offered by traditional financial institutions or new technology-focused startups, can build a following with Latinos.

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**CONCLUSION**

Latinos are now the nation’s largest ethnic group after whites, yet they trail much of the rest of the country on a number of financial security indicators, including retirement preparedness. We still do not fully understand how different segments within the Hispanic community are coping with this insecurity and what exactly is driving it, but we do know that the current Hispanic-white retirement savings gaps is untenably large. While more research is needed to determine the most effective ways to reverse these troubling trends, this brief identifies four promising areas for exploration: universal workplace plan access, automatic enrollment, financial capability, and financial services. Meeting this national challenge will likely require the harnessing of creative minds in both the public and private sectors, and there is little time to waste.
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The findings, interpretations, and conclusions expressed in this report – as well as any errors – are ours alone.

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ENDNOTES


7 Marisa Calderon and Alejandro Becerra, “2016 State of Hispanic Homeownership Report,” Hispanic Wealth Project, http://hispanicwealthproject.org/shhr/2016-state-of-hispanic-homeownership-report.pdf (finding that the Hispanic homeownership rate hit 49.7 percent in 2006-2007, dropped to a low of 45.4 percent in 2014, and was back up to 46 percent in 2016, the most recent year for which there is data).

8 Throughout this brief, the term “white” is used in place of “non-Hispanic white,” and, as defined by the Census Bureau, refers to an individual who is racially white and not of Hispanic or Latino origin/ethnicity. U.S. Census Bureau, “Explanation of Race and Hispanic Origin Categories,” 15 September 1999, http://www.census.gov/population/estimates/rho.txt.


Jeffrey P. Thompson and Gustavo A. Suarez, “Exploring the Racial Wealth Gap Using the Survey of Consumer Finances,” Divisions of Research & Statistics and Monetary Affairs, Federal Reserve Board, 2015, https://www.federalreserve.gov/econresdata/feds/2015/files/2015076pp.pdf. Though note that the authors also found that including families with inherited wealth actually reduces the overall wealth gap between Hispanics and whites; this finding was based on a small sample and thus only suggestive.


Ibid

Ibid


Ibid

Ibid. See pages 34-38 (finding that 70% of Hispanic men (32/38) and more than 60% of Hispanic women (38/47) participated when offered). But see National Council of La Raza, “Enhancing Latino Retirement Readiness in California,” May 2015,


For example, 26 percent of Hispanics aged 25 to 44 in 2014 did not hold a high school degree, compared with 11 percent and 5 percent for their black and white peers. Dave Buchholz, Jeff Larrimore, and Jeff Thompson, “Housing Finance Policy Center Lunchtime Data Talk – Federal Reserve Surveys of the Economic Well-Being of US Households: SCF and SHED,” Urban Institute, January 21, 2016, https://www.urban.org/sites/default/files/urban_institute_data_talk_scf_sned_combinedv2.pdf.

According to the Prosperity Now Scorecard, 42.5 percent of Hispanics have saved some money for emergencies over the past year, compared to 61.3 percent of whites. Dave Buchholz, Jeff Larrimore and Jeff Thompson, “Housing Finance Policy Center Lunchtime Data Talk – Federal Reserve Surveys of the Economic Well-Being of US Households: SCF and SHED,” Urban Institute, January 21, 2016, https://prosperitynow.org/files/PDFs/2017_Scorecard_Report.pdf.

For example, the Economic Policy Institute found that high-income families were 10 times more likely to have retirement accounts than low-income families, and that the median family head found by someone with a college degree or more has more than three times as much retirement savings than the typical family head by someone with no more than a high school degree or GED. Monique Morrissey, “The State of American Retirement – How 401(K) have failed most American workers,” Economic Policy Institute, March 3, 2016, http://www.epi.org/publication/retirement-in-america/.


One study from 2013 found that although 68 percent of Hispanics reported that they spoke only English at home or spoke English “very well,” only 34 percent of the foreign-born had English proficiency. Jens Manuel Kroogstad, Renee Stepler, and Mark Hugo Lopez, “English Proficiency on the Rise Among Latinos - U.S. Born Driving Language Changes,” Pew Research Center, May 12, 2015, http://www.pewhispanic.org/2015/05/12/english-proficiency-on-the-rise-among-latino/.


Thought Capital, “U.S. Hispanic Retirement Attitudes: How does culture influence retirement savings?” Principal, July 2016, https://secure02.principal.com/public supplies/GetFile?fm=PQ8167U&ty=VOP&EXT=VOP. The authors characterize this part of the Hispanic population as “unacculturated.” They estimate roughly one-fourth of Hispanic adults fall into this category, which they associate with being foreign-born and speaking Spanish at home.


See, for example, Jennifer Castillo, “Tolerance in Schools for Latino Students; Dismantling the School to Prison Pipeline,” Harvard Journal of Hispanic Policy, May 1, 2015, http://www.harvardhispanic.org/hspschools-in-schoools-for-latino-students-dismantling-the-school-to-prison-pipeline/ (finding that “Latino students are 1.5 times more likely to be suspended and twice more likely to be expelled than their White peers”).

See, for example, Margery Austin Turner, Rob Santos, Diane K. Levy, Doug Wisssoker, Claudia Aranda, and Rob Pitingolo, “Housing Discrimination Against Racial and Ethnic Minorities 2012,” U.S. Department of Housing and Urban Development, June 2013, https://www.huduser.gov/portal/Publications/pdf/HUD-514-HDS2012_execsumm.pdf (finding that well-qualified Hispanic home-seekers are told about and shown fewer housing units by agents than whites; this discrimination could limit Hispanics’ ability to live in areas with high-performing schools).


See, for example, Ryan B. Smith, “Lending Discrimination and the Costs of Credit to People of Color,” Penn Wharton, University of Pennsylvania, Public Policy Initiative, 22 July 2016, https://publicpolicy.wharton.upenn.edu/live/news/1339-lending-discrimination-and-the-costs-of-credit-to (finding that discrimination by one of the nation’s largest residential mortgage providers cost the average Hispanic borrower in Los Angeles $545 in additional fees and interest on a $200,000 loan than white borrowers).


Though outside the scope of this brief, it is also likely the case that the nation’s human capital development system could be more Latino-friendly. Given that retirement preparedness is so closely linked to other labor market outcomes, and that the Hispanic population is relatively young, smart investments in Latinos’ education today could have far-reaching, positive effects on retirement security. More research is needed in this area, but for an overview of Hispanics’ current level of educational attainment, see Jens Manuel Krogstad, “5 Facts About Latinos and Education,” Pew Research Center, http://www.pewresearch.org/fact-tank/2016/07/28/5-facts-about-latinos-and-education/.

Particular attention should be paid to the difference between foreign- and US-born Hispanics. According to recent research, US-born Hispanics have higher levels of financial literacy than their foreign-born counterparts and thus “financial literacy programs that separately address US-born and foreign-born Hispanics are likely to experience better results for both groups.” Andrea Hasler, Annamaria Lusardi, and Paul J. Yakoboski, “Financial Literacy among U.S. Hispanics: New Insights from the Personal Finance (P-Fin) Index,” TIAA Institute & Global Financial Literacy Excellence Center, October 2017, https://www.tiaainstitute.org/sites/default/files/presentations/2017-10/TIAA%20Institute-GFLEC%20Hispanic%20P-Fin%20Index%20Report_October%202017.pdf.
