

Why Latinos Aren't Saving for Retirement - When it comes to retirement savings, Latinos are failing. That's what a new survey rolled out about a week ago by ING [Retirement](#) Research Institute reveals. In many ways, it echoes what has been laid out in previous minority retirement studies. Bear with me now while I bury you with a lot of statistics. There is a method to my madness. I think these reports paint an ominous picture about cultural barriers to saving for retirement and will have far-reaching repercussions down the road. If you think we have a "retirement" crisis now, hold on to your hats.

Here are some of the ING report's findings:

- While all populations found retirement planning to be an overwhelming task, Hispanics felt the least prepared. A hefty 54 percent say they felt "not very" or "not at all" prepared. This compares with 50 percent of African-Americans, 48 percent of white and 44 percent of Asian respondents who said they did not feel prepared.
- And 18 percent say they're still on the sidelines and have not started saving for retirement.
- Hispanics reported the lowest average balances—\$54,000—in their retirement plans, considerably less than the average balance across all groups—\$69,000. In contrast, Asian respondents reported having the highest average plan balances—\$81,000.
- A shocking 19 percent are contributing less than \$50 of their pay check per pay period to their employer-sponsored retirement plan, compared to 13 percent overall.
- More than half are not currently saving for retirement in a savings vehicle outside of a current employer-sponsored retirement plan such as an IRA, Roth IRA, CD, etc., compared to 42 percent overall.
- The researchers found that 57 percent of Hispanics have never calculated how much money they'll need to continue their current lifestyle, and 70 percent do not have a formal investment plan to reach their retirement goals.

Findings for the "[Retirement Revealed](#)" study came from an online survey conducted last October by ORC [International](#). Respondents were 4,050 adults (including 500 African-Americans, 500 Hispanics and 350 Asians) between the ages of 25 and 69 who were employed full-time with annual household income of \$40,000 or more.

The growing pile of minority retirement polls unveil a bleak financial landscape for many Hispanics.

- A majority of Latinos believe that the economic downturn that began in 2007 has been harder on them than on other groups in America, according to the Pew Hispanic Center's [report](#) in January. Two-thirds say their personal finances are in "only fair" or "poor" shape and about a third of Latino homeowners say they are underwater on their mortgage.
- Latinos, who make up 16% of the population of the United States, have long trailed other Americans on most measures of economic well-being, but analyses of recent government trend data indicate that the gaps have widened since 2005, a period that encompasses the housing market crash and the Great Recession.
- From 2005 to 2009, median household wealth (all assets minus all debt) among Latinos fell by 66 percent, compared with a drop of 53 percent among blacks and 16 percent among whites, according to the [Pew Research Center](#).
- According to a [report](#) released last summer by the Center, a tiny 10 percent of the nation's 50.5 million Hispanics have individual retirement, or Keogh, accounts. That's compared to 35 percent of non-Hispanic whites.
- And about one in four Latinos have 401(k), or thrift accounts, compared to 45 percent of non-Hispanic whites.
- The Bureau of Labor Statistics reports that the unemployment rate among Latinos in December 2011 was 11 percent, up from 6.3 percent at the start of the Great Recession in December 2007. Over the same period, the national unemployment rate increased from 5 percent to 8.
- Michael A. Fletcher's [Washington Post](#) article [here](#), outlines the results of [a joint Washington Post- Kaiser Family Foundation – Harvard University Poll](#) that came out last February. It showed that just one in six Hispanics own stocks, bonds or mutual funds compared to about half of white workers.

For me, this is eye-opening. I confess to my naïveté. I write about retirement, but have never fully focused on the cultural differences when it comes to financial fitness. When you zoom in on this particular segment of the population that's expected to nearly double by 2050, the lack of savings is scary.

Why don't Latinos save more? You might surmise, perhaps, that they don't tend to work in jobs that pay as much as other ethnic groups, so they can't afford to, or may not have access to an employer's retirement plan. Those are plausible, but generalizations. The ING survey found that about a third of Hispanics blamed insufficient income. More than one-quarter cited a high level of debt, followed by a lack of knowledge about what their options are as their biggest barriers to saving.

But it's just not that simple. As you get higher up that wage scale, you're still seeing a lack of retirement savings according to a [retirement savings survey](#) across different minority groups that was released in 2009 by the Ariel [Education Initiative](#), the non-profit arm of money management firm Ariel Investments, in conjunction with Hewitt Associates. Even at the highest salary level of \$120,000 or above, Hispanics had the least amount saved for retirement—\$150,000, compared with \$155,000 for African-Americans, \$161,000 for whites. Asians had saved the most—\$223,000.

That report I'm told is the largest, most comprehensive examination of 401(k) saving and investing behaviors of African-American, Hispanic, Asian and white employees. It analyzed 401(k) information for nearly 3 million employees across 57 large, primarily FORTUNE 500 companies in the U.S.

There are more cultural issues at play. Based on my reporting, for some Hispanic workers language barriers and a lack of Spanish-speaking financial advisers contribute to the problem. For many, it's cultural. "In the Hispanic community, parents will sacrifice their own financial future in order for their children to advance," Fabian Gonzalez, vice president of multicultural sales at ING U.S., says.

In Latino culture, it's not unusual for funds that could be "investment" dollars to be put to use supporting immediate and extended family and friends. It's common to take care of aging parents or contribute to child's education before saving for one's own retirement. And in fact, ING found that 63 percent of those surveyed have dependents compared to 54 percent overall. Plus, a lot of Hispanics send money away to their countries of origin to help out other family members there, as well.

To boost individual retirement savings, let's start by ramping up financial education. The demand is there. Across all groups, there's a feeling that employers could do more to help educate them about their retirement goals, according to the latest ING survey. In fact, a sizable 57 percent of Hispanics expect their employer to do more to educate them about retirement options compared to 47 percent overall. (continued on next page)

A glass half-full. This is one finding that made me smile—probably because I can relate as an optimist at heart. Latinos are more upbeat than others about the prospect for better days ahead—both for themselves and their families in the short term and for their children over the long haul, according to Pew's January report. Fully two-thirds, 67 percent of Latinos say they expect their financial situation to improve over the next year, compared with 58 percent of the general population who say the same. Also, two-thirds of Latinos say they expect their children to eventually enjoy a standard of living that is better than theirs is now. By contrast, less than half of the general public says the same.

Espero que tengas buena suerta. (*I wish you the best of luck.*) *This article stems from research conducted as part of a [MetLife Foundation Journalists in Aging Fellowship](#) program created by New America Media and the Gerontological Society of America. Click here for an Index of [Articles by Kerry Hannon](#). www.kerryhannon.com. To learn about great jobs for retirees, check out my [column](#) on AARP. Follow me on Twitter, [@KerryHannon](#) Article <http://www.forbes.com/sites/kerryhannon/2012/02/14/why-latinos-arent-saving-for-retirement/>*