

# Retirement Planning Among Middle-Aged and older Hispanics

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# Motivation

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Among non-retired individuals:

- 31 percent do not have retirement savings
- 50 percent have not been actively thinking about financial planning for retirement

Do not own a retirement account:

- Whites – 37%; Blacks – 62%; Hispanics – 69%

Have no access to employer-sponsored retirement plans:

- Whites – 38%; Blacks – 56%; Hispanics – 62%

→ Hispanics have poor or very poor understanding of retirement plans

# Motivation

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- It is estimated that the elderly will need between \$120,000 and \$150,000 in savings at age 65 to cover health expenses
- Older minorities face significant medical costs
- Preparedness for future health expenses is related to SES, race, and ethnicity

Komisar et al. (2012)

# Motivation

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## Why focus on Hispanics?

1. Hispanics have lower levels of participation in the financial sector, saving and retirement planning in comparison to other minority groups
2. Hispanics have lower SES in average than other ethnic groups, making them vulnerable as they age
3. Hispanics will be the largest group among the older population by 2030

# Research Question

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We conducted a qualitative analysis to help explore the following questions

1. “How” did older –retired – Hispanics prepared for retirement?
2. “How” are middle aged - not-retired - Hispanics preparing for retirement?
3. “Why” Hispanics are not planning and saving for retirement?

# Data and Methodology

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- We conducted 4 focus groups with 50 years and older Hispanics (38 participants)
  - 2 type of groups:
    - 1) Retired
    - 2) Not retired
- \*Difficulty breaking down groups based on normal retirement age (65)
- 90 minutes focus group discussion with a short survey

# Data and Methodology

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Locations: Pacoima and Montebello, CA

Community partners:

- Guardian Angel Catholic Church
- Mexican American Opportunity Foundation

Qualitative data analysis techniques

- Applied Scissor and Sort
- Content Analysis



# Data and Methodology

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Some sample characteristics:

- 84% females
- 84% not born in the United States
- 87% speak Spanish at home
- 73% with a 0-\$13,000 income
- 26% graduated at least from high school
- 11% retired have part time employment
- 56% not-retired have part time employment
- 17% not-retired have full-time employment

# Results - Survey

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## Ownership of a checking & saving account

- Not retired participants – 50% & 33%
- Retired participants – 50% & 55%

## Saving on a regular basis

- Not retired participants – 6%
- Retired participants – 30%

# Results - Survey

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## Own a retirement account

- Not retired participants – 6%
- Retired participants – 18%

## Own a pension account

- Not retired participants – 0%
- Retired participants – 24%

# Results - Survey

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Feeling not prepared at all for retirement

- Not retired participants – 67%
- Retired participants – 35%

Major barriers for retirement planning:

- 1) lack of money
- 2) lack of understanding of retirement accounts

# Results – Focus Groups

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## **Retirement planning**

Most participants were not well prepared for retirement because

- have been unable to save for retirement
- have not made specific retirement plans

# Results – Focus Groups

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## **Family experiences with retirement**

Most participants had parents

- who did not plan for retirement
- who were unable to save for retirement

# Results – Focus Groups

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## **Role of religion (fatalism)**

Many participants do not now worry about retirement because they believe “God will provide”

# Results – Focus Groups

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## **Role of family networks**

Many participants help their parents but....most do not want to ask children for help and do not expect getting help from them



# Results – Focus Groups

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## Retirement planning

### Retired Participants

- “My husband and I planned for retirement for about 5 years. When we started planning, we still had to pay the mortgage, which was a large expense.”
- “I was not prepared for my retirement because, truly, I did not want to retire at 62. I had to retire because I had an accident.”

# Results – Focus Groups

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## Retirement planning

### Not Retired Participants

- “I ask God to give me enough strength to work until the last day of my life because I do not want to depend on anyone.”
- “I want to work until I can because I do not like to be idle”
- “I would like to retire now, but I can’t, I need to keep working.”

# Results – Focus Groups

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## Saving

### Retired Participants

- “We live day to day.”
- “I could not save because I earned little and I was in charge of buying food and clothes for my children, I did not have enough to save.”

# Results – Focus Groups

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## Saving

### Not Retired Participants

- “We live from check to check”
- “I used to save, but in the last four years it has been very difficult for me to save. I used to have savings, but they are gone. I have many friends who live like me, day to day, and who are unable to save regularly.”

# Results – Focus Groups

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## **Family experiences with retirement**

- “My family did not save, lived day to day.”
- “In our countries, at least in mine, there are no retirement plans, we don’t talk about retirement.”
- “Over there no one thinks about retirement, people work until the last day, until they cannot get up.”
- “I heard about many stories, but nothing about retirement, they are different cultures, over there you work and live day to day”

# Results – Focus Groups

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## Family transfers

- “When children get married, they start their own families. There might be a hope that they will help me, but I do not want to keep my hopes high.”
- “My daughter helps me, and I send my dad, who lives in Mexico, money. But I do not want to ask my daughter for help, I want her to help me because she wants to.”
- “Our children do not think like we do, they are different. We grew up in another country, not the United States...educated in another system [to help parents]”

# Two paradoxes

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1) While most retired participants did not plan for retirement, the majority seems satisfied with retirement

According to the survey, when we asked about retirement satisfaction among retired participants we found

- 11 percent are not satisfied overall
- 69 percent are somewhat and very satisfied

# Two paradoxes

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2) While many participants are not planning for retirement because they plan to work until they can and believe that God will provide.... but they would like to get more information about retirement plans since they do need to save and plan because their children are unlikely to support them and do not want to be a burden on their children



# Summary of Results

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Important factors explaining the lack of retirement saving and planning among Hispanics:

- Retirement literacy
  - Family experiences with retirement
  - Religion (fatalism)
- Importance of culture and social norms for retirement planning

# Conclusion

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## Our qualitative analysis

- Has limitations because is based on convenience sampling
- Helps understanding human behavior and complements quantitative analyses
- Provides guidance for the incorporation of questions to nationally representative surveys about specific human behavior