THE CRISIS OF ECONOMIC INSECURITY FOR AFRICAN-AMERICAN AND LATINO SENIORS

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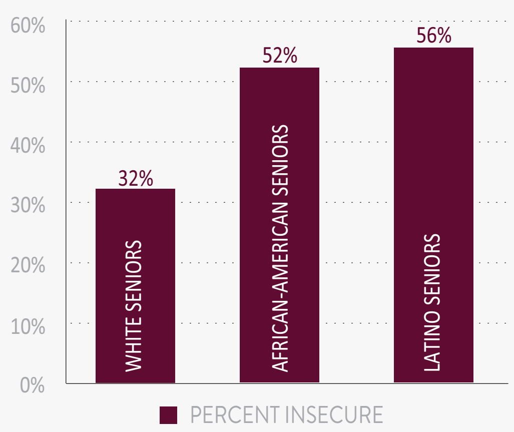
Even before the full impact of the Great Recession hit, seniors were seeing their retirement security steadily and rapidly destroyed.* The elimination of secure pensions for most Americans combined with rising costs of basic expenses has resulted in a dramatic rise in senior economic insecurity. While the recession slammed most seniors, people of color were especially hard hit; with very limited assets and resources to cushion the blow, many are falling deeper and deeper into the well of financial insecurity. **More than half (52 percent) of African-American and 56 percent of Latino seniors are economically insecure.** These seniors do not just have to watch their pennies; they are truly struggling everyday, forgoing basic expenditures, such as medical appointments and household maintenance, just to make ends meet.

FIGURE 1. ECONOMIC INSECURITY AMONG WHITE, AFRICAN-AMERICAN AND LATINO SENIORS 2008



Today's seniors of color spent much of their working lives in an era where redlining, segregation and labor market discrimination severely hampered their ability to accumulate asset wealth. While great strides have been made in the areas of employment and housing discrimination in recent decades, the cumulative effect of such discrimination means that most seniors of color are facing retirement with few resources to meet even basic, everyday expenses. How do they get by? Many rely on adult children. However these adult children are faced with the expenses of raising their own families, and have very little, if anything, left over with which to build their own retirement nest-eggs. In this way, the economic challenges of today's seniors fuel an ongoing cycle and have long-term ripple effects that impact the security of future generations.

KEY FINDINGS

The Senior Financial Stability Index (SFSI) projects essential needs over the life course and assesses available resources to meet those needs. Analysis using the SFSI reveals dramatic increases in economic insecurity in recent years:

- Over half (52 percent) of African-American and 56 percent of Latino seniors are economically insecure.
- Just four percent of Latino and eight percent of African-American seniors are economically secure, meaning they have adequate resources to maintain a secure standard of living for the remainder of their lives.
- Ninety percent of Latino and 83 percent African-American senior households have insufficient retirement assets to last throughout their expected life spans.
- Sixty-two percent of African-American and Latino households spend 30 percent or more of their incomes on housing expenses.

THE SFSI WAS DEVELOPED AT THE INSTITUTE ON ASSETS AND SOCIAL POLICY IN 2008. THE FIRST PUBLISHED FINDINGS USING THE INDEX WERE PRESENTED IN THE 2009 REPORT, "LIVING LONGER ON LESS: THE NEW ECONOMIC (IN)SECURITY OF SENIORS," BY TATJANA MESCHEDE, THOMAS M. SHAPIRO, AND JENNIFER WHEARY.

* See, From Bad to Worse: Senior Economic Insecurity on the Rise, July 2011 for recent analysis of the rising trend of economic insecurity among all American senior populations. Available at: iasp.brandeis.edu or www.demos.org

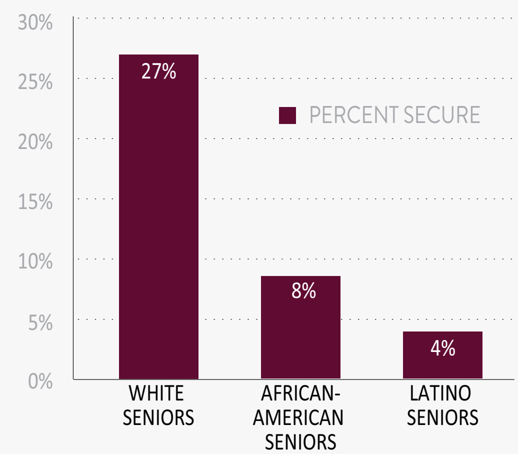
ECONOMIC INSECURITY AS A NORM, SECURITY AS AN EXCEPTION

The numbers of economically insecure seniors of color have reached crisis levels. We should be equally distressed by the fact that so few households of color are financially prepared for retirement. The Senior Financial Stability Index (SFSI),[1] a comprehensive, long-term measure of economic security and insecurity among seniors, reveals that **just 8 percent of African-American senior households and only 4 percent of Latino senior households are economically secure** with sufficient resources to maintain a basic standard of economic security throughout their projected life expectancy (see Figure 2).

While only about one in four white senior households has enough resources for a secure retirement—a percentage that should be unacceptable for any group—the low level of security among white seniors is substantially greater than that of seniors of color. Given how few African-American and Latino seniors have a solid economic footing, economic insecurity is truly a disturbing norm, rather than the exception to the rule.

These data tell a story in stark contrast to the widely-held notion that those who have spent their working lives contributing to the economy and raising families should expect at least a basic level of economic security as they grow older.

FIGURE 2. ECONOMIC SECURITY AMONG WHITE, AFRICAN-AMERICAN AND LATINO SENIORS 2008



Though significant gains in economic security of older adults have been made since the establishment of Social Security and Medicare, these programs, while a bulwark against destitution, provide limited resources which are insufficient to cover all retirement needs. To change the dire economic reality for seniors of color in the U.S., policies and programs to support older adults should be defended and potentially expanded. To better understand the kinds of programs that would make the greatest difference for seniors of color, we must better understand the particular factors that lead to the high levels of economic insecurity during their retirement years. An analysis of sources of insecurity by race and ethnicity is eye-opening and strongly suggests better retirement security policy is needed.

SOURCES OF ECONOMIC INSECURITY FOR SENIORS OF COLOR

Looking at the factors that contribute to long-term economic insecurity for seniors of color it is clear that lower long-term assets, including Social Security and pension wealth, as well as lower home ownership rates have left seniors of color in a much more precarious position during retirement than their white peers.

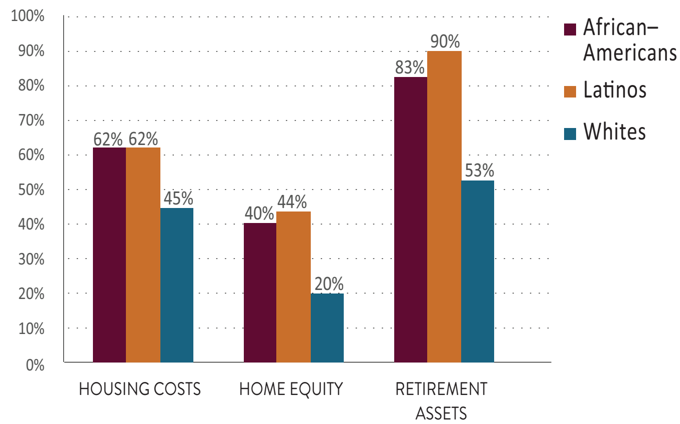
Almost two-thirds of African-American and Latino seniors are insecure with respect to housing, meaning they spend 30 percent or more of their income on housing expenses, a threshold established by the Department of Housing and Urban Development (HUD) as excessively burdensome (see Figure 3).[2] Due to lower homeownership rates among people of color,[3] not only are African-American and Latino seniors more likely to spend higher percentages of their income on housing, they are less likely to have home equity as a long term economic resource.

The data reveal that at least ***40 percent of African-American and Latino senior households are renters or have no home equity at all,*** leaving them insecure with regard to home equity (see Figure 3), while this is true for just 20 percent of white older households. While many families hope to have a house paid off by retirement, currently for many seniors of color this ideal is just a dream. Additionally, housing segregation remains a prime reason why families of color build less home equity over time than white households.[4]

Finally, and perhaps most importantly, seniors of color are highly insecure with respect to the very low levels of retirement assets they have available; ***83 percent of African-American senior households and 90 percent of Latino households are expected to have insufficient household resources to live out their remaining years*** (Figure 3). Assets which include individually held financial assets, as well as Social Security and pension wealth are very low for most households of color. The racial wealth gap in financial assets has been well documented[5] and remains a major barrier to long-term economic security for households of color. Additionally, African-American and Latino workers have been and continue to be much less likely to have access to employer-based pensions leaving them with fewer retirement resources.[6]

Unfortunately, widespread insecurity is currently the norm for many seniors as they reach retirement; however, by addressing the roots of economic insecurity for seniors of color, the existing realities may be substantially improved.

FIGURE 3. HOUSING, BUDGET AND RETIREMENT ASSET INSECURITY BY RACE AND ETHNICITY, 2008



CONCLUSIONS & RECOMMENDATIONS

Inequality across the life course will be compounded in old age. For seniors of color, who faced labor market discrimination and restricted access to asset-building opportunities through both formal and informal means during their working years, the retirement years are likely to be characterized by economic insecurity and significant challenges to making ends meet. Public policies contributed to the current reality and can change it for the better. While today's people of color do not face the same levels of overt discrimination as their parents did, segregation and discrimination remain barriers to economic equality across the life course. By widening economic opportunities for all as well as reinforcing supports for today's seniors, such as Social Security and Medicare, policymakers can reverse the existing trends for seniors of color.

To broaden security among today's seniors and future retirees, policymakers should:

- Ensure the strength and adequacy of the Social Security program
- Sustain funding for senior support services which help seniors meet basic needs
- Enhance supports and incentives for employer-based pensions
- Establish universal pension savings programs, such as universal IRAs
- Foster sustainable homeownership by prohibiting predatory loans and financial products which strip wealth from families, particularly in neighborhoods of color and among older households

THE SENIOR FINANCIAL STABILITY INDEX (SFSI)

Unlike traditional measures of poverty (e.g. the federal poverty guideline), the SFSI recognizes that economic well-being is multifaceted and cannot be adequately measured by a single aspect of a household's resources. Thus, the SFSI incorporates five key factors that impact economic security: retirement assets, household budget, healthcare expenses, home equity, and housing costs. By this measure, a household is deemed to be secure if it meets the security threshold for the asset factor plus two of the four additional factors. Conversely, a household is insecure when it is insecure in the asset factor, as well as two other factors. More detailed information is available at http://iasp.brandeis.edu/pdfs/bat4llolsfsi.pdf

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1 More information on the five factors that make up the Senior Financial Stability Index and the thresholds for security and insecurity may be found in previous reports in the Living Longer on Less series at: iasp.brandeis.edu.

2 U.S. Department of Housing and Urban Development. Affordable Housing. Online. Available: http://www.hud.gov/offices/cpd/affordablehousing/. Accessed: June 9, 2011.

3 U.S. Census Bureau, *Figure 8. Quarterly Homeownership Rates by Race and Ethnicity of Householder for the United States: 1994–2010.* Online. Available: http://www.census.gov/hhes/www/housing/hvs/charts/files/fig08.pdf. Accessed: June 9, 2011.

4 Thomas M. Shapiro. *The Hidden Cost of Being African American*. New York: Oxford University Press, 2004.

5 Thomas M. Shapiro, Tatjana Meschede, and Laura Sullivan. "The Racial Wealth Gap Increases Fourfold," Institute on Assets and Social Policy, May 2010; and Rakesh Kochbar, Richard Fry, and Paul Taylor. "Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics," Pew Social and Demographic Trends, July 2011.

6 Economic Policy Institute, State of Working America. *Pension coverage declines and gap widens by race.* http://www.stateofworkingamerica.org/charts/view/18.

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Dēmos is a non-partisan public policy research and advocacy organization. Headquartered in New York City, Dēmos works with advocates and policymakers around the country in pursuit of four overarching goals: a more equitable economy; a vibrant and inclusive democracy; an empowered public sector that works for the common good; and responsible U.S. engagement in an interdependent world. Dēmos was founded in 2000.

In 2010, Dēmos entered into a publishing partnership with The American Prospect, one of the nation's premier magazines focusing on policy analysis, investigative journalism and forward-looking solutions for the nation's greatest challenges.

ABOUT IASP

The Institute on Assets and Social Policy (IASP), a research institute at the Heller School for Social Policy and Management at Brandeis University, is dedicated to the economic well-being and social mobility of individuals and families, particularly those traditionally left out of the economic mainstream. Working in close partnership with state and federal policy makers, constituencies, grassroots advocates, private philanthropies, and the media, IASP bridges the worlds of academic research, government policy-making, and the interests of organizations and constituencies. IASP works to strengthen the leadership of policy makers, practitioners, and others by linking the intellectual and program components of asset-building policies.

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