

Retirement Confidence in the Education Sector: Comparisons by Race

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Wilhelmina A. Leigh
Senior Research Associate, Joint Center for Political and Economic Studies
TIAA-CREF Institute Fellow

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Executive Summary

During the economic doldrums that have followed The Great Recession, employees in the education sector (administrators, staff, and teachers or faculty at both the K-12 level and the post-secondary level) are confident about both their retirement savings behavior and their likely retirement outcomes. African American and white American employees in the education sector are more optimistic about their retirement planning and prospects than are U.S. workers overall. Education sector employees—both African Americans (87%) and white Americans (88%)—are more likely than U.S. workers overall (59%) to currently save for retirement. This fact helps justify their greater confidence that they will have enough money to live comfortably throughout retirement. Seven of every ten black American employees and seven of every ten white American employees are confident ('very' or 'somewhat') of this, while nearly half of all U.S. workers express this level of confidence.

Looking at education sector employees alone, those who have ever saved are confident that they are saving and investing in their best interest. More than three of every four black and white education employees (who have ever saved) are confident ('very' or 'somewhat') that they are investing their savings appropriately. Three of every four employees of both groups are confident ('very' or 'somewhat') that they are saving enough to retire when planned. In addition, black employees (61%) and white employees (67%) who have ever saved are confident ('very' or 'somewhat') that they will not outlive their savings.

Further examination of the high degree of retirement confidence among employees in the education sector, however, yields conflicting insights. For example, the percentage of both black and white workers in the education sector who are confident they will have enough money to live comfortably during retirement (about seven of every ten in each group) exceeds the percentage who have figured out how much they need to save to have a financially comfortable retirement (about half of the two groups). In other words, many black and white employees in the education sector are confident that they will be financially comfortable when they retire, though they don't know how much money they will need to achieve this objective. In addition, among African Americans more so than whites, having high levels of debt and using their savings to cover basic expenses may limit their ability to retire comfortably. Nearly one of every four black Americans (23%), but only one of nine (11%) white Americans, describes their



level of debt as a major problem. Moreover, more than one of every four black Americans (27%) and nearly one of every five white Americans (18%) used their savings to cover basic expenses in the past 12 months.

The receipt of advice from a financial professional may be associated with the high degree of retirement confidence among members of the education workforce. Around three of every five white Americans and African Americans received retirement planning advice from a professional advisor in any of the past three years, with white Americans (45%) more likely than black Americans (38%) to have received such advice in the past year. Sizable majorities of each racial group received advice on how to invest (77% of blacks and 83% of whites), how much to save (71% of blacks and 68% of whites), when they can afford to retire (65% of blacks and 60% of whites), and how to draw down their savings when in retirement (58% of blacks and 50% of whites).

Black and white employees in the education sector also are confident that they understand the options available for drawing income from their savings (78% of each group), and that they will choose the best way to draw down their savings when they retire (85% of each group). African Americans (50%) are more likely than white Americans (36%) to say that they plan to convert all or some of their retirement savings to a payout annuity, however.

White American employees in the education sector (49%) are more likely than their black counterparts (31%) to cite healthcare expenses as their biggest financial concern during retirement, while African Americans (44%) are more likely than whites (33%) to have received advice from a financial professional about paying for health care during retirement. Receiving this advice, combined with the greater expectation of receiving retiree health benefits among African Americans (65%) than among white Americans (54%) may account for the greater degree of confidence among African Americans (24%) than among white Americans (18%) that they will have enough money to pay their medical expenses during retirement.

Introduction

Retirement readiness and confidence in this readiness are rooted in knowledge about how to save for retirement and how to implement a plan to achieve one's retirement goals. Recent research on retirement readiness and confidence has identified differences by race in these two critical aspects of preparing for retirement.¹ To explore these differences, this analysis uses survey data collected in 2011 by the TIAA-CREF Institute from the workforce within the education sector (administrators, staff, and teachers or faculty at both the K-12 level and the post-secondary level). The survey was conducted by telephone during February and March 2011 by Mathew Greenwald & Associates (MGA). A total of 2,002 individuals were surveyed—1,001 employed in the K-12 sector and 1,001 in the higher education (college and university) sector. Data provided by the 200 African American and the 1,600 white respondents in the survey are analyzed here.² Data for U.S. workers from the 2011 *Retirement Confidence Survey* sponsored by the Employee Benefit Research Institute (EBRI) and MGA are included for comparison.³

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- 1 For additional information, see: Helman, R., VanDerhei, J., & Copeland, C. Minority workers remain confident about retirement, despite lagging preparations and false expectations (Issue Brief No. 306). (2007). Employee Benefit Retirement Institute: Washington, DC; and Leigh, W. A., & Wheatley, A.L. Retirement Savings Behavior and Expectations of African Americans: 1998 and 2009 (2010) Joint Center for Political and Economic Studies: Washington, DC.
 - 2 Data from the K-12 sector and the higher education sector were weighted to be representative of the education sector as a whole. Separate reports on the higher education and K-12 sectors were previously published, but did not examine differences by race. See Yakoboski, Paul. "Retirement Confidence on Campus: The 2011 Higher Education Retirement Confidence Survey," TIAA-CREF Institute *Trends and Issues* (June 2011), and "Retirement Confidence Among K-12 Employees," TIAA-CREF Institute *Trends and Issues* (October 2011).
 - 3 The demographics of the two populations—U.S. workers and employees in the education sector—differ in certain respects. For example, the population of American workers includes the self-employed, homemakers and those currently unemployed or disabled.

Retirement Saving and Confidence

Employees in the education sector—both black and white—are highly likely to save for retirement. Nearly nine of every ten African Americans (87%) and white Americans (88%) in the education sector currently save for retirement. Confidence about savings behavior also is high among employees in the education sector. Nearly four of every five African Americans and white Americans who have ever saved are confident that they are investing their savings appropriately. In addition, majorities of those who have ever saved—two of every three whites and three of every five blacks—are confident they will not outlive their savings. Further, three-fourths of both blacks and whites, savers and non-savers alike, are confident that they will have enough money to retire when planned.

Table 1
Confidence About Retirement Saving Among Employees in Education Sector
Who Have Ever Saved

	Black Employees	White Employees
How confident are you that you are investing your savings appropriately?		
Very confident	26%	24%
Somewhat confident	51	54
Not too confident	19	14
Not at all confident	4	6
How confident are you that you will not outlive your savings?		
Very confident	15	19
Somewhat confident	46	48
Not too confident	19	18
Not at all confident	13	11

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute

The retirement savings behavior and confidence among workers in the education sector exceed that among U.S. workers overall. While nearly nine of every ten workers in the education sector save for retirement, fewer U.S. workers—nearly three of every five (59%)—report the same. As might be expected, U.S. workers overall are less likely than workers in the education sector to be confident that they will have enough money to live comfortably throughout retirement. Nearly half of U.S. workers are so confident, in contrast to the seven of every ten African Americans and white Americans in the education sector who say they are confident (either ‘very’ or ‘somewhat’) about having enough money for a comfortable retirement.

Table 2
Retirement Saving Behavior

	Education Sector		U.S. Workers
	Black Employees	White Employees	
Currently saving for retirement	87%	88%	59%
Have tried to determine how much needs to be saved for a comfortable retirement...			
among those who have saved	46%	55%	53%
among current savers	47	57	57
How confident are you that you will have enough money to live comfortably throughout retirement?			
Very confident	25%	19%	13%
Somewhat confident	44	52	36
Not too confident	20	17	23
Not at all confident	10	11	27

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute, and Retirement Confidence Survey (2011), Employee Benefit Research Institute and Mathew Greenwald & Associates.

The basis for the high degree of retirement confidence expressed by the black and white employees in the education sector is somewhat unclear. For example, although employees in the education sector are more likely than all U.S. workers to save for retirement, the three groups of workers are comparably likely to have determined the amount of savings needed for a comfortable retirement. Among those who have ever saved for retirement, white Americans in education (55%) and all U.S. workers (53%) are more likely than black Americans in education (46%) to have tried to figure out the amount needed. Further, black and white employees in the education sector are more likely to be confident that they will have enough money to live comfortably in retirement than they are to have tried to determine how much they will need to save to do so. Seven of every ten black and white education employees say they are confident ('very' and 'somewhat') they will have enough money to live comfortably during retirement, but only about one-half of each racial group has tried to determine the amount needed to retire comfortably. U.S. workers, on the other hand, are comparably likely to have tried to determine how much they need to save for a comfortable retirement (53%) and to be confident about having enough money to live comfortably throughout retirement (49%).

In addition, despite their reported saving behavior, some employees in the education sector acknowledge circumstances that could keep them from having enough money to retire when planned. African Americans (24%) are more likely than white Americans (17%) employed in the education sector to say they are "a lot behind schedule" when planning and saving for retirement. U.S. workers overall (40%) are even more likely to indicate that they are "a lot behind schedule." In addition, African Americans are more likely than white Americans in the education sector to describe their level of debt as "a major problem." Nearly one of every four African Americans (23%)—but only one of every nine white Americans (11%)—describes their level of debt as "a major problem." Among all U.S. workers (22%) nearly the same share as black education employees report their level of debt as "a major problem." The greater likelihood of having problematic debt levels may account for the findings that African American employees in the education sector are more likely than their white counterparts to use their savings to cover basic expenses, and that U.S. workers overall are the most likely of the three

groups to use their savings to meet basic expenses. In the education sector, more than one of every four black Americans (27%)—but less than one of every five white Americans (18%)—used their savings to cover basic expenses in the past 12 months. U.S. workers overall (34%), however, are the most likely to say that they used savings to meet living expenses.

Table 3
Retirement Saving and Debt

	Education Sector		U.S. Workers
	Black Employees	White Employees	
Currently saving for retirement	87%	88%	59%
When it comes to planning and saving for retirement, would you say that you are...?			
A lot ahead of schedule	4%	3%	2%
A little ahead of schedule	6	6	6
On track	35	37	21
A little behind schedule	31	36	30
A lot behind schedule	24	17	40
Level of debt is ...			
Major problem	23%	11%	22%
Minor problem	48	38	41
Not a problem	29	51	37
Used savings to cover basic expenses in the past year	27%	18%	34%

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute, and Retirement Confidence Survey (2011), Employee Benefit Research Institute and Mathew Greenwald & Associates

Retirement Planning Advice

Receipt of retirement planning advice may account for some of the retirement confidence evident in the education workforce. Around three of every five white Americans (63%) and African Americans (57%) indicated having received retirement planning advice from a professional advisor in any of the past three years. White Americans (45%) were more likely than black Americans (38%), however, to have received such advice in the past year.

African Americans and white Americans were equally likely to have received advice on how to invest their savings, how much to save, and when they can afford to retire, with three-fifths or more of both groups receiving such advice. In particular, around eight of every ten African American employees (77%) and white employees (83%) received advice on how to invest their savings. Around seven of every ten blacks (71%) and whites (68%) received advice on how much to save, with smaller majorities of both groups getting advice on when they can afford to retire (65% of blacks and 60% of whites).

Table 4
Retirement Planning Advice Received by Employees in Education Sector

	Black Employees	White Employees
Received advice within past 3 years	57%	63%
Topics covered by advice received		
How to invest savings	77%	83%
How much to save	71	68
When you can afford to retire	65	60
How to draw income from savings	58	50
Paying for healthcare in retirement	44	33
Amount of advice followed		
All of it	21%	22%
Most of it	37	47
Some of it	36	26
None of it	5	6

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute

Among African Americans and white Americans who received retirement planning advice in any of the past three years, white Americans (65%) were more likely than African Americans (54%) to be ‘very confident’ that the advice they received was in their best interest. Equal shares of white Americans and African Americans tended to follow all of the advice received and none of it; in between these two extremes, whites were more likely to follow most of the advice while blacks were more likely to follow some of it.

Pre-Retirement Income Replacement

Experts in the fields of financial education and planning differ in their assessments of the percentage of pre-retirement income that workers should plan to replace in retirement. If we consider at least 70% of pre-retirement income the standard for the amount that should be replaced to live comfortably in each year of retirement, we find that comparable shares of black and white education employees (46% of blacks and 44% of whites) think that they will need to meet this threshold. Black Americans are more likely than white Americans, however, to think that they will need to replace 100% or more of their pre-retirement income each year during their retirement. In fact, nearly one of every eight African Americans (12%), compared to nearly one of every 14 white Americans (7%), thinks they will need 100% or more of their pre-retirement income for each year in retirement. At the other extreme, African Americans (21%) also are more likely than white Americans (13%) to think they will need to replace less than 50% of pre-retirement income during their retirement years.

Table 5
Expected Income Replacement Needed During Retirement Among Employees in Education Sector

	Black Employees	White Employees
What percentage of pre-retirement income do you think you will need to replace each year in retirement so that you can live comfortably?		
Less than 50%	21%	13%
50% to 59%	22	15
60% to 69%	9	17
70% to 79%	15	22
80% to 89%	13	12
90% to 99%	6	3
100% or more	12	7
Don't know	2	11

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute

Healthcare Expenses During Retirement

Healthcare expenses during retirement are of concern to both black and white employees in the education sector. White employees (49%), however, are more likely than black employees (31%) to name healthcare expenses (including Medicare) as their biggest financial concern during retirement. Consistent with this finding, white Americans (18%) are less likely than African Americans (24%) to say they are 'very confident' they will have enough money for medical expenses during retirement. White Americans (66%) and black Americans (64%), however, are equally likely to be confident ('very' and 'somewhat' combined) they will have enough money for medical expenses during retirement.

Table 6
Confidence Regarding Medical Expenses During Retirement

	Very Confident	Somewhat Confident	Not Too Confident	Not At All Confident
How confident are you that you will have enough money to take care of medical expenses during retirement?				
Black Employees (Education Sector)	24%	40%	20%	16%
White Employees (Education Sector)	18	48	21	12
All U.S. Workers	12	36	27	23

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute, and Retirement Confidence Survey (2011), Employee Benefit Research Institute and Mathew Greenwald & Associates

The greater intensity of the confidence among African Americans about their ability to meet healthcare expenses may relate to the finding that African Americans (65%) are more likely than white Americans (54%) to say they expect to receive retiree health insurance from an employer. In addition, among African Americans and white Americans who received retirement planning advice from professional financial advisors in any of the past three years, African Americans (44%) were more likely than white Americans (33%) to have received advice about how to pay for healthcare expenses during retirement. (See Table 4.) Thus, the combination of expecting to have retiree health benefits and the receipt of advice about how to pay for healthcare expenses during retirement may help explain the level of confidence among African Americans.

Drawing Income From Retirement Savings

Sizable majorities of African Americans and white Americans are confident both that they understand the options available for drawing income from their savings and that they will choose the best way to draw down their savings when retired. Among those who had received advice, half of white education employees (50%) and nearly three of every five black employees (58%) received planning advice about how to draw income from their savings. (See Table 4.) In addition, among both black and white members of the education workforce who have saved for retirement, more than three of every four (78%) feel confident ('very' or 'somewhat') that they understand the available options for drawing income from their savings during retirement. Consistent with this perceived level of understanding, even larger majorities of both black Americans and white Americans (85% of each group) are confident ('very' or 'somewhat') that they will choose the best way to draw income from their savings during retirement.

Table 7
Drawing Income from Retirement Savings
(Among Employees in Education Who Have Ever Saved)

	Very Confident	Somewhat Confident	Not Too Confident	Not At All Confident
How confident are you that you ...				
...understand the available options for drawing income from your savings during retirement?				
Black Employees	31%	47%	12%	8%
White Employees	30	48	15	6
...will choose the best way to draw income from your savings during retirement?				
Black Employees	29%	56%	10%	5%
White Employees	31	54	10	4

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute

In the education sector, African Americans are more likely than white Americans to view payout annuities as an attractive option for drawing income from retirement savings. Half of black Americans (50%)—but only 36% of white Americans (nearly three of every eight)—say they plan to convert all or some of their retirement savings to a payout annuity. African Americans (40%) and white Americans (45%), however, are equally likely to say they do not plan to convert any of their retirement savings into a payout annuity.

Table 8
Plans to Convert Retirement Savings into a Payout Annuity
(Among Employees in Education Who Have Ever Saved)

	Black Employees	White Employees
Do you plan to convert some or all of your retirement savings into a payout annuity to help cover your living expenses in retirement?		
Yes	50%	36%
No	40	45
Don't Know	10	19

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute

When asked why they plan to convert some or all of their savings to a payout annuity, black and white Americans were equally likely to say it is “because an annuity provides a stream of income for as long as you live.” Nearly three of every ten African Americans and white Americans (29% of each group) gave this reason for their intention to convert some of their savings to a payout annuity. Black Americans (17%) and white Americans (12%) also were equally likely to give the following reason for their plan to use a payout annuity: ... “because the annuity is a supplement or a reliable source of income.”

Table 9
Reasons for Converting Retirement Savings into a Payout Annuity
(Among Employees in Education Who Have Ever Saved)

	Black Employees	White Employees
Reasons given for planning to convert some or all savings to annuity		
“It provides a stream of income for as long as you live”	29%	29%
“As a supplement, flow of money each month, regular income that you can rely/depend on, guaranteed each month”	17	12

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute

When asked why they will not convert any savings into an annuity, several reasons were equally likely to be cited by African Americans and white Americans. Nearly one of every eight African Americans (12%) and more than one of every six white Americans (17%) said, “They won’t convert because they have other plans and sources of income in place, and they are satisfied with their current investment plan.” Black Americans (9%) and white Americans (13%) were equally likely to give as a reason for not converting to an annuity, “They’d lose control of their money, and they can manage it themselves.” In addition, smaller percentages of black Americans (7%) and white Americans (9%) gave, “They are not sure what an annuity is” as the reason for this decision. One in 25 black Americans (4%) and almost one in 12 white Americans (8%) gave as a reason for not converting to an annuity, “They don’t understand an annuity.”

More generally, African Americans were more likely than white Americans to give the following reason for why they do not plan to convert any retirement savings into a payout annuity: “They can’t afford it, or don’t have enough money to take out an annuity”—10 % of African Americans and 4% of white Americans.

Table 10
Reasons for Not Converting Retirement Savings into a Payout Annuity
(Among Employees in Education Who Have Ever Saved)

	Black Employees	White Employees
Reasons given for planning not to convert some or all savings to annuity		
“You are not sure what it is”	7%	9%
“You don’t understand it”	4	8
“You would lose control of your money/ can manage yourself”	9	13
“Have other plans in place, have other sources of income [401(k), 403(b), pension], satisfied with current investment plan”	12	17
“Can’t afford/don’t have enough money to do an annuity”	10	4

Source: Education Retirement Confidence Survey (2011), TIAA-CREF Institute

Conclusion

Employees in the education sector are more likely than all U.S. workers to save for retirement. Even though nearly nine of every ten members of the education workforce currently save, some are more likely than others to realize the goal of a financially comfortable retirement. The reasons for not achieving this goal may differ by racial group. For African Americans, the level of debt and the need to use savings to meet living expenses may limit their ability to have adequate savings to support a financially comfortable retirement. The inability to cover healthcare expenses may impinge upon the financial security of white Americans in retirement. Building on their established base of solid savings behavior, however, the education workforce is more likely than the U.S. workforce overall to achieve the goal of a financially comfortable retirement.

About the Author

Wilhelmina Leigh is a Senior Research Associate at the Joint Center for Political and Economic Studies, working primarily in the areas of asset building and retirement security. Previously a principal analyst at the U.S. Congressional Budget Office, Dr. Leigh also worked for the Bureau of Labor Statistics (U.S. Department of Labor), the U.S. Department of Housing and Urban Development, the Urban Institute, and the National Urban League Research Department.

Dr. Leigh taught at Harvard University, Howard University, the University of Virginia and Georgetown University. She received her Ph.D. in economics from the Johns Hopkins University and her A.B., also in economics, from Cornell University. Dr. Leigh has been an elected member of the National Academy of Social Insurance (NASI) since 1996 and became a Fellow of the TIAA-CREF Institute in 2012.

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