

State of Financial Preparedness in a Diverse America

New Evidence on Gaps, Opportunities and Challenges



Study background

This study uncovers new evidence on gaps, opportunities, and challenges on the State of Financial Preparedness of Americans, with a comprehensive look at diverse demographic considerations.

From May to June 2023, TIAA Institute partnered with Ipsos to survey 1,684 U.S. adults, ages 22-75, representing a mix of life stages with respect to retirement planning, and hundreds of interviews within several racial/ethnic groups: Black, Hispanic, AAPI, and Native Americans. Interviews were conducted online among a nationally representative probability sample, using the KnowledgePanel®.

We hope that this research deeply informs the efforts underway to address our nation's retirement crisis and helps in the dialogue and actions to retire in equality.



Executive summary

32%

of Americans
have worked over
the past year to
pay down their
debt.

- **Most Americans have at least some money invested in retirement accounts**, such as 401(k)s (67%), but close to one in four don't know how much they have saved. This is true for both current retirees (24%) and those planning to retire (22%).
- **The top retirement sources used by current retirees** – Social Security (73%) and employer pensions (53%) – don't seem to be within reach for those planning to retire, especially younger Americans. Fewer than half of those ages 22-34 anticipate leveraging either Social Security or pensions in retirement (47% and 15%, respectively).
- **Fewer than half (47%) of those not yet retired** are “very” or “somewhat” confident they will reach this milestone when intended; 15% don't plan to retire at all. Confidence is lowest among Americans ages 22-34 and Hispanics (each 37%).
- **Financial professionals could be invaluable to Americans** prepping for retirement, but current usage leaves room for improvement – just 21% among those not yet retired, including 13% of 22-34 year-olds, and 48% among current retirees.
- **Among the four in 10 (41%) Americans who lack an emergency fund**, 30% would be unable to come up with just \$2,000 if needed. This works out to one in eight (12%) Americans overall.
- **When it comes to liquid investable assets**, Americans are far more likely to have no assets (15%) or under \$50,000 (29%) than they are to have \$500,000 or more (19%). One in four Black (26%), Native American (26%), and Hispanic (25%) Americans have no liquid investable assets.
- **Americans hold an average of two loans**, with mortgages (47%) and student loans (20%) being common. One in three carry credit card balances from month to month (34%). Another one in three have worked over the past year to pay down their debt (32%).
- **Just one in three (34%) current retirees and one in four (26%) non-retirees** who are planning to retire understand how much of their medical expenses Medicare will cover in retirement; many are simply unsure (29% and 41%, respectively).
- **Six in 10 (61%) Americans rate their mental well-being** as “very good” or “excellent” – though enthusiasm is more muted among 22-34 year olds (48%).

Main findings

1 in 4 don't know how much money they have saved for retirement — true for both retirees and those planning to retire

% who spend / spent “a lot” or “some” amount of time thinking about...

■ Planning to retire
■ Already retired



66%

spent “a lot” or “some” time thinking about how they’d spend their retirement time.

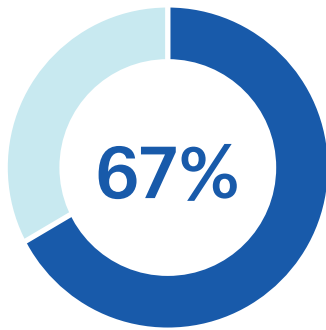
There are tactical decisions with significant implications – when to start saving, how to save, and how much to save.



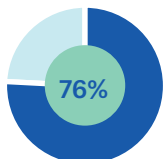
When it comes to retirement, there is a lot for Americans to consider. There are big-picture decisions, such as when to retire and what to do in retirement. But there are also tactical decisions with significant implications – when to start saving, how to save, and how much to save. Majorities across demographic groups of those planning to retire spend at least “some” if not “a lot” of time weighing these decisions. That’s similar to those who have already retired.

Retirement preparedness – i.e., households with retirement savings – is spotty, dipping below the 50% mark among Black Americans and Native Americans and hovering just around 50% among Hispanics.

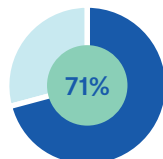
Overall, two in three (67%) Americans report having at least some retirement savings in their household through vehicles, such as 401(k)s, IRAs/ROTH IRAs, and pensions.



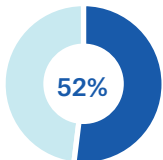
Have retirement funds (401(k), IRA, Roth IRA, pension)



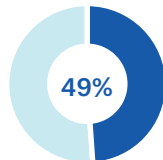
White



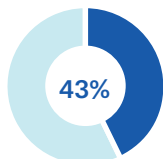
AAPI



Hispanic



Black



Native American

● Statistically higher figure vs. subgroup(s) at 95% confidence level

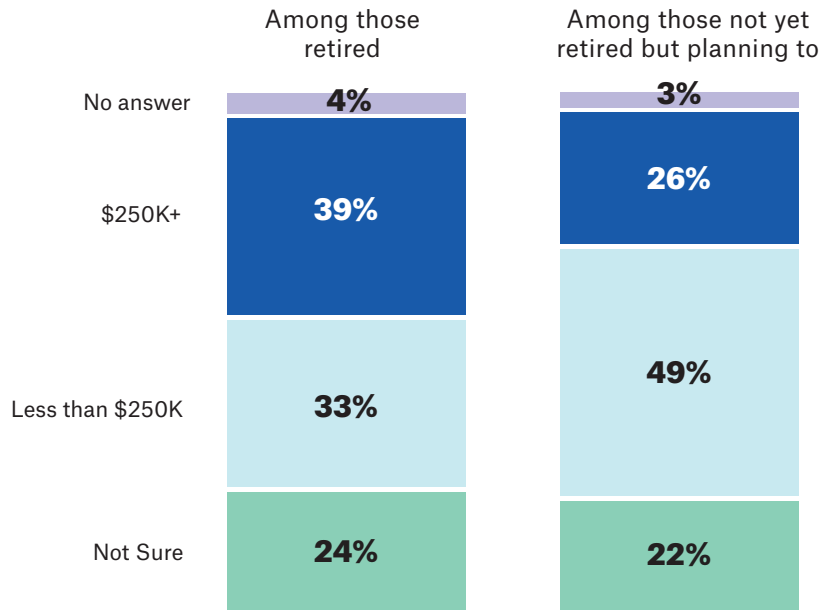


Households with retirement savings is spotty, dipping below the 50% mark among Black Americans and Native Americans.

Meanwhile, retirement planning is often accompanied – and undermined – by uncertainty, especially for Black Americans and Hispanics.

Roughly one in four retirees (24%) and those planning to retire (22%) are unsure how much they have saved for retirement via tax-advantaged savings accounts. This uncertainty climbs to nearly three in 10 (28%) Black and four in 10 (37%) Hispanic Americans who have not yet retired but plan to do so. Even among those who are able to estimate savings, account balances among those planning to retire skew low; half (49%) have less than \$250,000 saved.

AMOUNT SAVED IN A TAX-ADVANTAGED RETIREMENT SAVINGS ACCOUNT



Retirement income streams used today don't seem as accessible to tomorrow's retirees

Sources of retirement income prove vexing to those planning to retire — especially younger Americans who question Social Security's viability

Those planning to retire expect to leverage multiple retirement income sources. However, a few sources stand out — retirement accounts (68%) and Social Security (64%) are each cited by about two-thirds. A sizable gap separates these top-two sources from others: money saved outside of retirement accounts (40%), employer pensions (26%), and paid employment — i.e., working while in retirement — (17%). One in eight (13%) say they are not sure how they will fund retirement.

Plans look vastly different among younger Americans planning to retire. Those ages 22-34 anticipate relying most on retirement accounts (65%), with far fewer expecting income from Social

Security (47%) or employer pensions to be available to them (15%). One in five (20%) are unsure what their sources of retirement income will be.

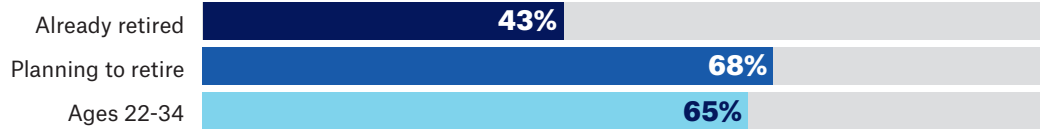
Expectations among young people stand in even sharper contrast to current retirees, who are already tapping into these income sources. In fact, three-in-four (73%) retirees receive Social Security, while more than half (53%) have access to employer pensions. Fewer — just over four in 10 (43%) — leverage retirement accounts like 401(k)s.



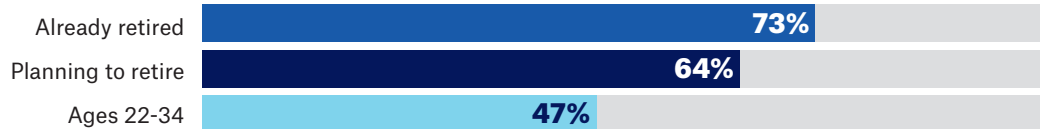
13%
of those not yet
retired are unsure
how they will fund
their retirement.

Sources expected to use / used to fund retirement

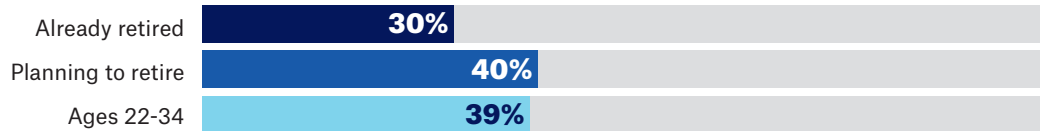
Retirement accounts (e.g., 401(k))



Social Security



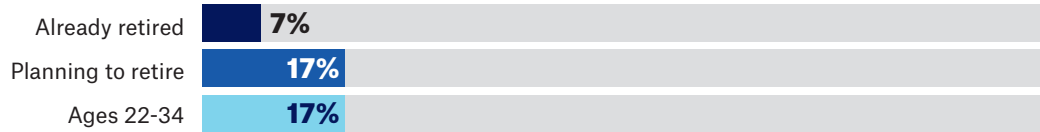
Money saved outside of retirement accounts



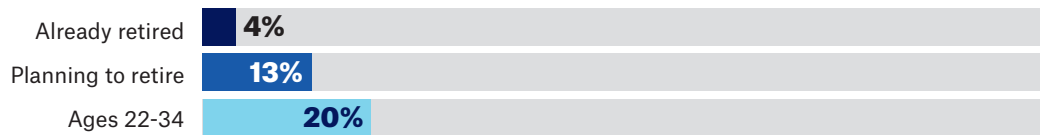
Employer pension



Paid employment



Not sure



One in seven Americans don't plan to retire – even higher among younger Americans and Hispanics

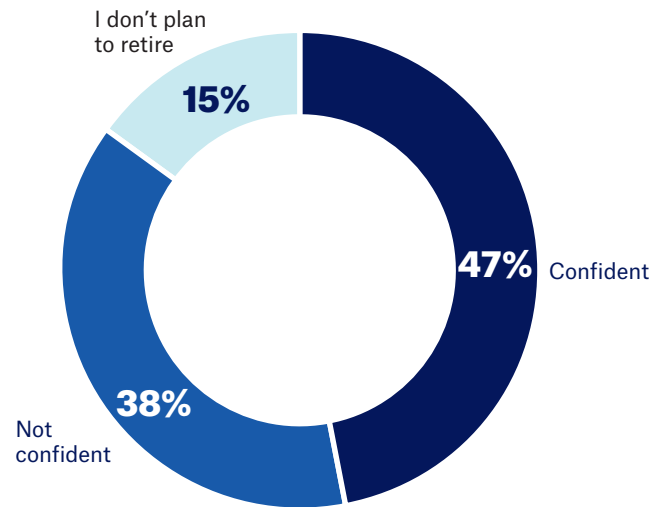
Fewer than half of those not yet retired are confident they can retire when planned

Amidst a backdrop of uncertainty around sources of retirement income, many lack confidence that they will be able to retire when planned. Fewer than half (47%) of those not yet retired are “very” or “somewhat” confident they will reach this milestone when intended. Confidence registers 10 points lower among young Americans ages 22-34 and Hispanics (each 37%).

What's more, 15% say they don't even plan to retire. Again, younger Americans (21%) and Hispanics (20%) are among the most likely to view retirement as out of reach or not part of their plan – along with women in general (18% vs. 11% of men).

Those who don't plan to retire cite a mix of financial and behavioral reasons underpinning this intention. Being unable to save for retirement takes the top spot (22%). But career enjoyment (10%) and sense of purpose (7%) are also in the mix, along with wanting to avoid boredom (13%).

% level of confidence in ability to retire at planned age among those not yet retired



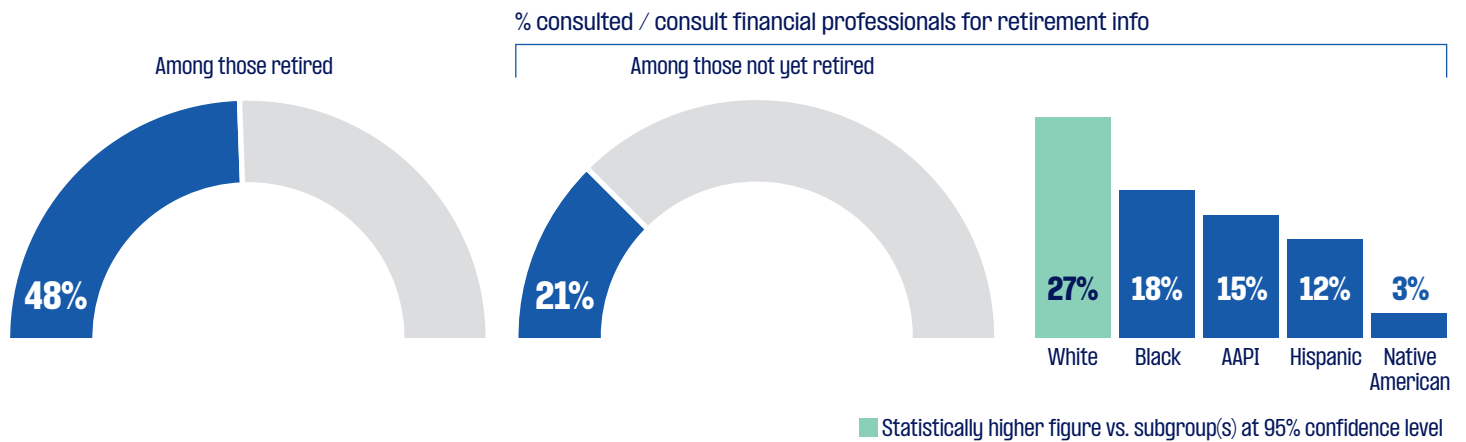
Access to professional guidance on retirement planning is low

Particularly among young people, as well as Black Americans, Native Americans, AAPI individuals, and Hispanics, who are not yet retired

Professionals such as financial advisors, CFPs, or CFAs are invaluable to Americans prepping for retirement – whether it be for budgeting and savings “basics” or more complex market analysis and asset allocation advice. However, the share of those not yet retired who take advantage of this resource is low – just one in five (21%). Professional help registers even lower (13%) among younger Americans, ages 22-34, who could benefit most due to having extra time to grow their savings at a compounding rate. Racial/ethnic minorities also lag behind their white counterparts on consulting a professional: white (27%),

Black (18%), Asian American / Pacific Islander (15%), Hispanic (12%), and Native American (3%).

Current retirees are more likely than those not yet retired to have consulted with a financial professional. Still, fewer than half have done so (48%). There is room for building trust between individuals and the financial services industry and facilitating greater access to financial planning professionals among retirees and non-retirees alike.

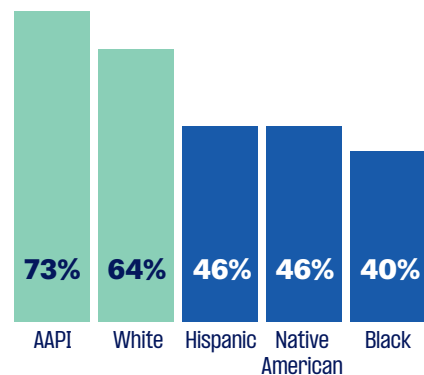
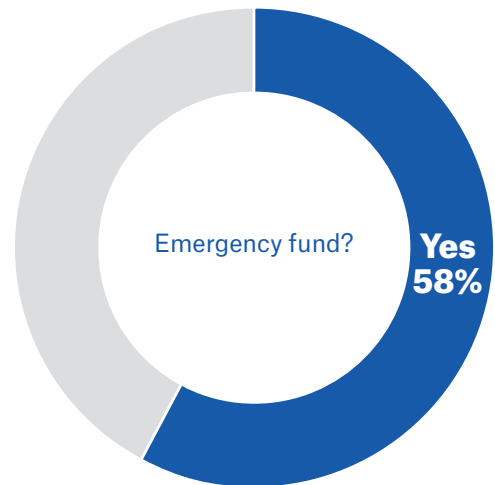


Access to emergency funds varies widely by demographic group

While a majority of Americans overall has a 'rainy day' fund, 1 in 8 could not come up with \$2,000 if needed

Asked about an emergency fund that could cover the household's living expenses in the event of a financial emergency, such as a job loss, Americans reveal varying levels of preparedness. Overall, six in 10 (58%) have a rainy day fund. Yet, this figure fluctuates considerably across key demographics. On race/ethnicity, the presence of an emergency fund ranges from a low of 40% among Black Americans to a high of 73% among Asian Americans / Pacific Islanders. Similarly, seniors (76%) are far more likely to have an emergency fund than younger Americans, ages 22-34 (46%). Men are also more apt to have an emergency fund than women (62% vs. 53%).

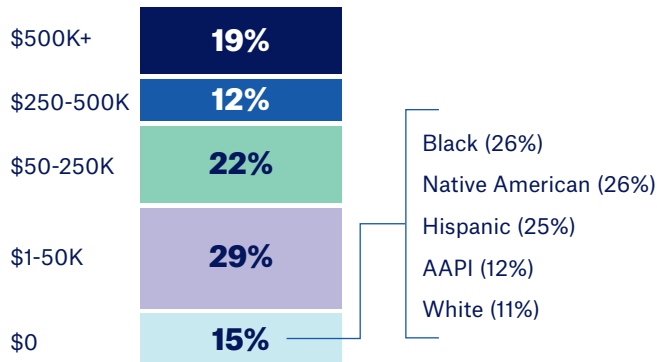
It's clear that readiness in the face of a financial emergency stands to be stronger and more consistent across Americans. What's more, the data suggest that some are in danger of falling into, or further into, debt if an unexpected need arose. Among the four in 10 (41%) Americans who lack an emergency fund, 30% would be unable to come up with just \$2,000 if needed. This works out to one in eight (12%) Americans overall.



■ Statistically higher figure vs. subgroup(s) at 95% confidence level

1 in 4 Black Americans, Native Americans, and Hispanic Americans have no household liquid investable assets at all

HH liquid investable assets



Many Americans have \$50K or less in investable assets

Given that Americans are finding varying levels of success in preparing for a financial emergency, it comes as little surprise that many struggle to amass investable assets for their household. Americans are twice as likely to have no investable assets (15%) or under \$50,000 (29%) than they are to have \$500,000 or more (19%). About a third

(34%) land in the middle, with anywhere from \$50,000 to under \$500,000. This is another area where there are significant differences across demographic groups; about one in 10 white (11%) and Asian Americans (12%) have no investable assets, compared to one in four Black (26%), Native American (26%), and Hispanic (25%) Americans.



INVESTABLE ASSETS:

- Bank accounts
- Stocks
- Bonds
- Retirement accounts
- College savings accounts
- CDs
- Cash value of life insurance policies
- Other investments

NON-INVESTABLE ASSETS:

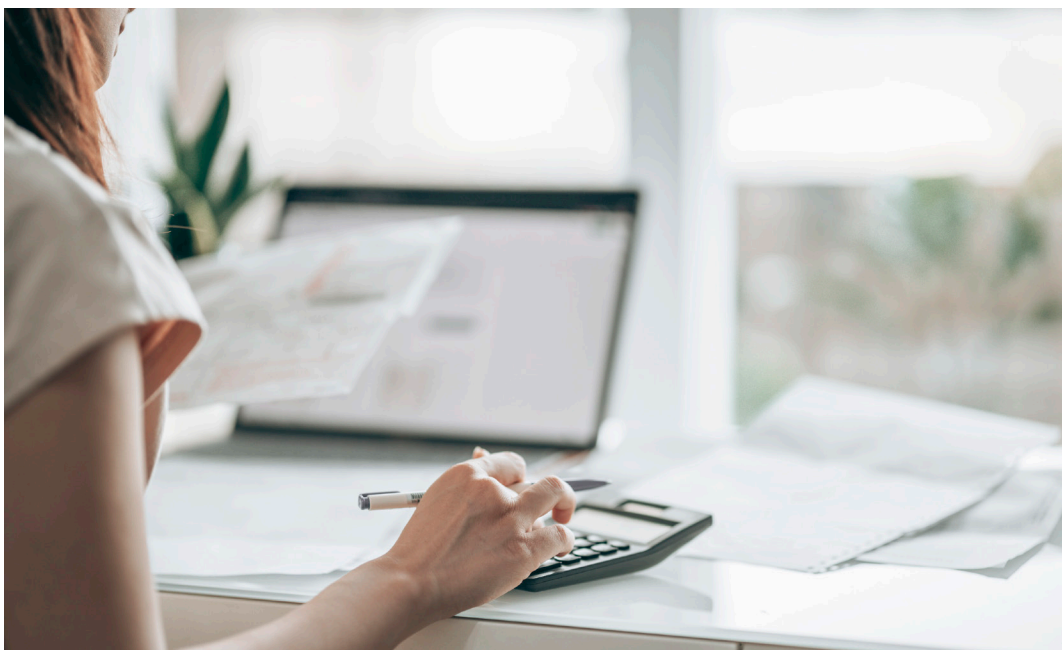
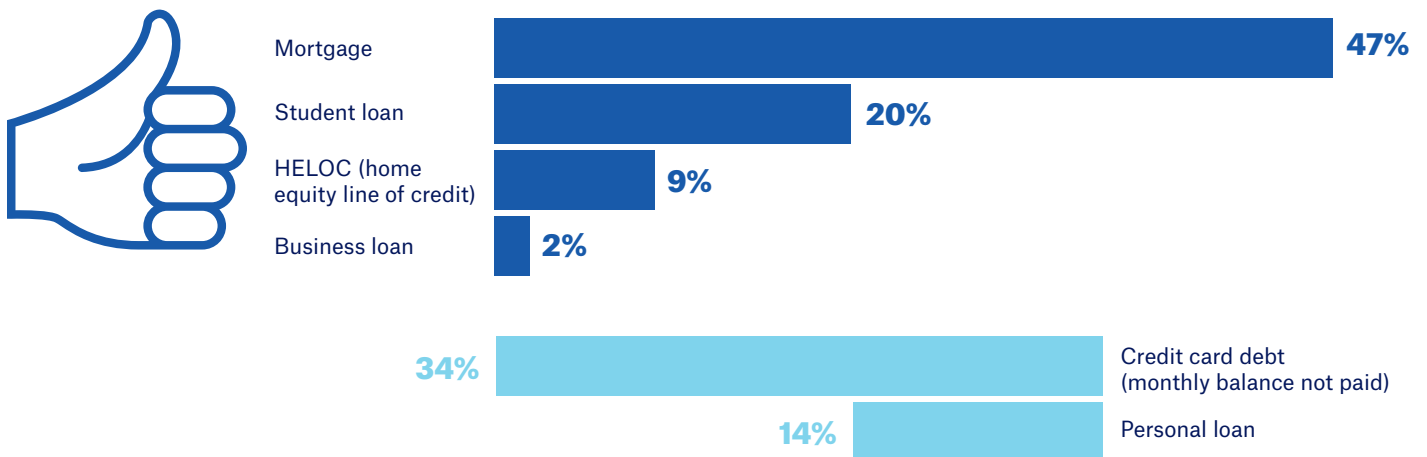
- The value of real estate properties and family businesses owned

1 in 3 are unable to pay off their credit card balance each month – even higher among Black Americans

Americans have a mix of “good” and “bad” debt, with many working to pay down debt

Americans have many types of debt and are currently carrying two loans, on average. Some of the most common loans are beneficial in that they offer favorable rates and represent long-term investments – mortgages (47%) or student loans (20%). However, other types of loans, such as credit card debt (34%) and personal loans (14%), could prove more detrimental to Americans’ financial health. Black Americans stand out for having student loans (36%), credit card balances not paid in full each month (48%), and a higher average number of loans than other racial/ethnic groups (2.3).

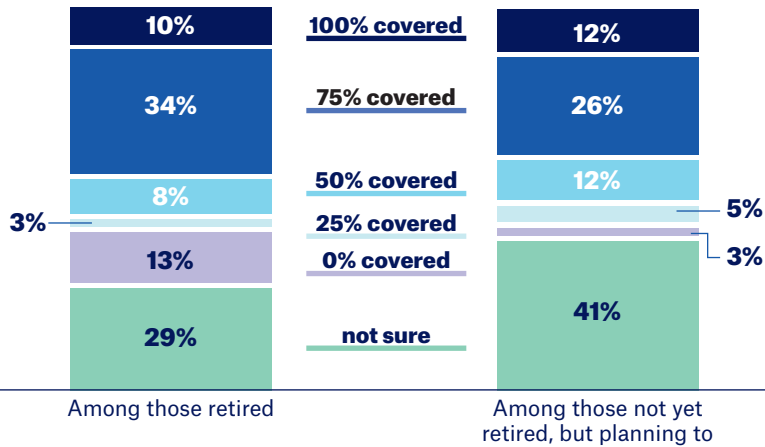
Many Americans seem disinclined to take action with respect to their personal financial situations or are okay with maintaining the status quo. Out of 16 financial actions surveyed, a sizable 36% took no action in the past year. However, nearly as many (32%) report paying down debt – the number one action among survey respondents. Other leading actions are positive ones – building up retirement savings (19%) and emergency savings (14%).



Confusion over Medicare coverage makes retirement planning difficult

Medicare knowledge is low

% of medical expenses covered/
expected to be covered by
Medicare



Very few Americans understand how much of their medical expenses Medicare covers, or will cover, in retirement. In fact, just one in three (34%) retirees and one in four (26%) non-retirees who are planning to retire correctly estimate 75%. Many are simply unsure (29% and 41%, respectively).

Young people, ages 22-34, are especially unclear on how much to expect from Medicare when they retire. More than half (54%) say they are unsure of Medicare’s coverage rate. Young people are also among the least likely to be satisfied with their access to healthcare now (58% vs. 72% among Americans overall).

Mental health shows significant differences by age

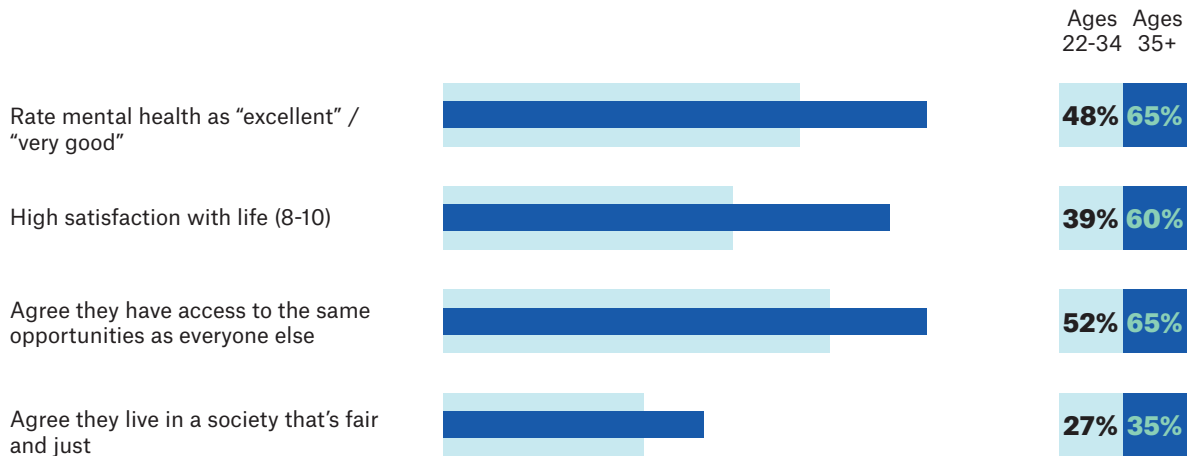
Discontentment spans personal and societal attitudes

The majority of Americans are at least moderately positive about the state of their mental health. Nearly nine in 10 (87%) rate their mental well-being as at least “good,” if not “very good” or “excellent.” Six in 10 (61%) say it is “very good” or “excellent.” Younger Americans, ages 22-34, show more muted assessments, with 48% viewing their mental health as “very good” or “excellent” (vs. 65% among those ages 35-75). Meanwhile, one in five (21%) say it is only “fair” or “poor” (vs. 10% among those 35-75).

This type of deficit among young Americans is also seen in level of satisfaction with their own lives and society overall.

On a zero-to-10 scale, where “0” means “not at all satisfied” and “10” means “completely satisfied,” younger Americans, ages 22-34, are more likely than their older counterparts to be only moderately satisfied (rating of 4-7, 53% vs. 34% among those ages 35-75) and less likely to be highly satisfied (rating of 8-10, 39% vs. 60%). Taking a step back, younger Americans are less likely than those ages 35-75 to believe they have access to the same opportunities as everyone else (52% vs. 65%) and that they live in a society that is fair and just (27% vs. 35%).

Emotional well-being attitudes (%)



■ Statistically higher figure vs. subgroup(s) at 95% confidence level

Conclusion

This study examines the state of financial preparedness, digging beyond basic statistics to understand the opportunities and challenges across different demographics. These include age, income, gender, race and ethnicity – and our research found that among those groups, financial preparedness varies widely. While we see progress in some areas, Americans from all groups need help to prepare for a secure retirement.

Workers should improve their financial knowledge. Employers should provide education and guidance to help with this

preparation. Financial services organizations and professionals should be more holistic in their approach helping individuals and their families prepare for longevity fitness. And policymakers should continue to help make financial issues and retirement income more equitable.

The TIAA Institute will regularly expand on this research, creating a series of “spotlights” designed to provide deeper insight on each of the demographics that constitute a diverse America.

Appendix

Methods

This research – the State of Financial Preparedness in a Diverse America: New Evidence on Gaps, Opportunities, and Challenges – was conducted by Ipsos from May 19 to June 11, 2023. This poll is based on a nationally representative KnowledgePanel® probability sample of 1,684 adults, age 22 to 75, with oversamples among Black (n=262), Hispanic (n=261), AAPI (n=266), and Native American (n=126) respondents. The KnowledgePanel® is the largest and most well-established online probability-based panel that is representative of the adult population in the U.S. Members are recruited using a scientifically developed address-based sampling methodology. In order to maintain full representation of all adults, households without internet access are provided internet-enabled devices and ISP, as well.

The survey was conducted in both English and Spanish. Survey data were weighted to adjust for gender, age, education, census region, metropolitan status, and household income by race/ethnicity, as well as gender by age, language proficiency, and Hispanic origin. Demographic benchmarks came from the 2022 March Supplement of the Current Population Survey (CPS) from

the U.S. Census Bureau. Language Proficiency benchmarks were obtained from the 2021 American Community Survey (ACS).

The margin of sampling error is plus or minus 2.7 percentage points at the 95% confidence level, for results based on the entire sample of adults. The margin of sampling error takes into account the design effect, which was 1.31 – and is higher and varies for results based on sub-samples. Sampling error is only one potential source of error. There may be other unmeasured non-sampling error in this or any poll. In our reporting of the findings, percentage points are rounded off to the nearest whole number. As a result, percentages in a given table column may total slightly higher or lower than 100%. In questions that permit multiple responses, columns may total substantially more than 100%, depending on the number of different responses offered by each respondent.

Sample Profile

Age		Race/Ethnicity		Household Income	
18–34	26%	Non-Hispanic		Under \$50K	26%
35–49	28%	White	60%	\$50K to under \$100K	28%
50–64	30%	Black	12%	\$100K+	43%
65–75	17%	AAPI	7%		
		Native American	1%	Household Investable Assets	
		Hispanic	17%	No assets	15%
Gender		Urban/Rural		\$1 to under \$25K	20%
Male	49%	Urban	81%	\$25K to under \$250K	31%
Female	51%	Rural	19%	\$250K+	31%
LGBTQ				Retired/Not Retired	
Yes	9%			Retired	20%
				Not yet retired	80%
				Not yet retired but planning to	68%

About TIAA Institute

The **TIAA Institute** is a think-tank within TIAA, conducting cutting-edge research in the areas of financial literacy and longevity literacy, lifetime income, retirement plan design and behavioral finance in the context of retirement. The Institute provides consulting services for higher education and the broader nonprofit sector.

For more information, visit www.tiaainstitute.org.

TIAA is a leading provider of secure retirements and outcome-focused investment solutions to millions of people and thousands of institutions. It is the #1 not-for-profit retirement market provider,¹ paid more than \$5.6 billion in lifetime income to retired clients in 2022 and has \$1.2 trillion in assets under management (as of 9/30/2023).²

About Ipsos

Ipsos is one of the largest market research and polling companies globally, operating in 90 markets and employing over 18,000 people.

Our passionately curious research professionals, analysts and scientists have built unique multi-specialist capabilities that provide true understanding and powerful insights into the actions, opinions and motivations of citizens, consumers, patients, customers or employees. Our 75 solutions are based on primary data from our surveys, social media monitoring, and qualitative or observational techniques.

Our tagline “Game Changers” sums up our ambition to help our 5,000 customers move confidently through a rapidly changing world.

Founded in France in 1975, Ipsos has been listed on the Euronext Paris since July 1, 1999. The company is part of the SBF 120 and Mid-60 indices and is eligible for the Deferred Settlement Service (SRD). ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP

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1. As of July 21, 2022. Based on data in PLANSPONSOR’s 403(b) 2022 DC Recordkeeping Survey, combined 457 and 403(b) data.

2. As of September 30, 2023 assets under management across Nuveen Investments affiliates and TIAA investment management teams are \$1,217 billion.