TIAA Institute

Trends and Issues
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Comparing retirement savings behavior of HBCU and non–HBCU higher education employees

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1. Introduction

An attractive feature of employment in the higher education sector is the near universal retirement plan coverage of its full-time employees (Yakoboski and Bichsel, 2019). Multiple studies have examined financial well-being and retirement savings behavior in higher education (e.g., Clark et al., 2014; Clark et al., 2003; Yakoboski and Conley, 2013), but few, if any, have focused outcomes within subsectors of colleges and universities. This paper examines retirement savings and readiness by employees at Historically Black Colleges and Universities (HBCUs) relative to those at non-HBCU higher education peer institutions.

The historic focus and mission of HBCUs is to educate Black Americans. In 2021, the 99 four-year HBCUs educated 287,000 students, 75% of whom were Black.[1] In terms of employment, a majority of HBCU employees are Black and 75% are non-white.[2] HBCUs thus promote the economic well-being of Black Americans as both an employer of current workers and educator of future workers (Bevins et al., 2021).

Recent scholarship has examined the retirement and financial security challenges facing minorities (Clark et al., 2021; Yakoboski et al., 2020). Despite the uniqueness of HBCU institutions and the fact that their employees are majority-minority, analogous analysis has not focused on the HBCU sector. This report fills this gap by examining retirement plan participation and saving behaviors by employees at HBCUs compared with employees at non-HBCUs higher education (HE) institutions. While not observing race directly, this study examines retirement preparedness differences between Institutions with a majority white employee base[3] and those with a majority-minority employee base.

1 NCES (2021a).
2 Esmieu (2019) and Provasnik and Snyder (2004).
3 NCES (2021b).

Using administrative data from 2022, we compare TIAA participants at HBCUs to those at all four-year colleges and universities, as well as those at a "peer-group" of institutions. Documenting retirement readiness gaps can serve as a first step for evolving workplace benefits to better meet employee needs. We compare outcomes along five dimensions, i) retirement plan participation and savings decisions, ii) investment decisions, iii) non-retirement withdrawals—leakage,[4] iv) asset accumulations, and v) advice engagement.

We find that HBCU employees, over time, tend to fall behind other higher education employees in accumulating retirement assets. This result holds for in general and in comparison with HBCU Carnegie classification "peer group" counterparts. For longer tenure HBCU employees, this difference is correlated with lower participation rates in supplemental retirement savings plans among employees at public institutions, lower average contribution dollars, more conservative investment allocations, and greater relative plan leakage (both in incidence and by percent of assets) by HBCU employees. Given these trends and factors, we find it interesting that HBCU employees are more likely to seek retirement income advice and less likely to seek investment advice, compared to non-HBCU peers.

Section 2 overviews the data. Plan participation and retirement savings are examined in sections 3 and 4, respectively. Investment decisions are described in section 5, plan leakage in section 6, asset accumulations in section 7 and advice sessions in section 8. We end with a brief discussion.

2. Setting and sample

We examine the 2022 retirement savings behavior of nearly 442 thousand TIAA participants employed at one of 815 HE institutions. We limit the sample to full-year participants working at a single four-year HE institution. This restriction helps control for those who retiree, leave the labor force, or change jobs. Our sample includes only participants where TIAA is the plan sole recordkeeper, because otherwise workers in multivendor plans may have assets and investments that we do not observe. Aside from section 3, we exclude the 8% of sample participants who only contribute to a supplemental retirement account. This group may have a primary defined benefit (DB) plan or may not be eligible for the primary defined contribution (DC) plan.[5]

We split the overall sample into three participant groups. The base group are the 17,677 participants employed at one of the 52 HBCUs in our sample.[6] The other two HE groups are participants at non-HBCU institutions. The first includes 423,879 participants working at any non-HBCU institution. However, this large group include 27 institutions categorized by the Carnegie Classification of Institutions of Higher Education as Doctoral R1 Universities.[7] To create a "peer group" of HE participants who work at institutions that more closely resemble the HBCU group, we exclude participants from R1 institutions, leaving 215,889 participants employed at institutions categorized as Doctoral R2 and below.

We differentiate by Carnegie classification because there are zero HBCUs classified as R1 institutions and only seven with an R2 classification. R1 institutions have the highest level of research activity, receive substantial research funding and award many doctoral degrees. R2 institutions have high research activity and a greater focus on teaching, award fewer doctoral degrees, and receive less research funding. HE institutions outside of the R1 and R2 category are primarily teaching-focused institutions conferring mostly—or only—undergraduate, professional and master's degrees.

3. Retirement plan participation

Full-time HE employees usually have access to both a primary and supplemental workplace retirement plan (Yakoboski and Conley, 2013). The primary plan is typically funded by employer contributions, but occasionally includes employee contributions. Most employees can voluntarily contribute additional amounts to a supplemental plan. HE employees at public institutions often have the option to participate in either a primary Defined Benefit (DB) plan or a primary Defined Contribution (DC) plan. However, we cannot evaluate choices by participants based on primary DB or DC participation because we do not have data on who is eligible nor who

4 The term *leakage* is derived from assets leaking out of retirement plans due to withdrawals, loans, and hardships before retirement. See Argento et al., (2015).

5 This could be due to part-time employment or a job that ineligible for the retirement plan.

6 There were 99 active HBCUs in 2022. Our data covers 52 HBCUs where TIAA is sole record keeper of the retirement plan and, if the HBCU is in a public system, the employee is identified to be at an HBCU campus.

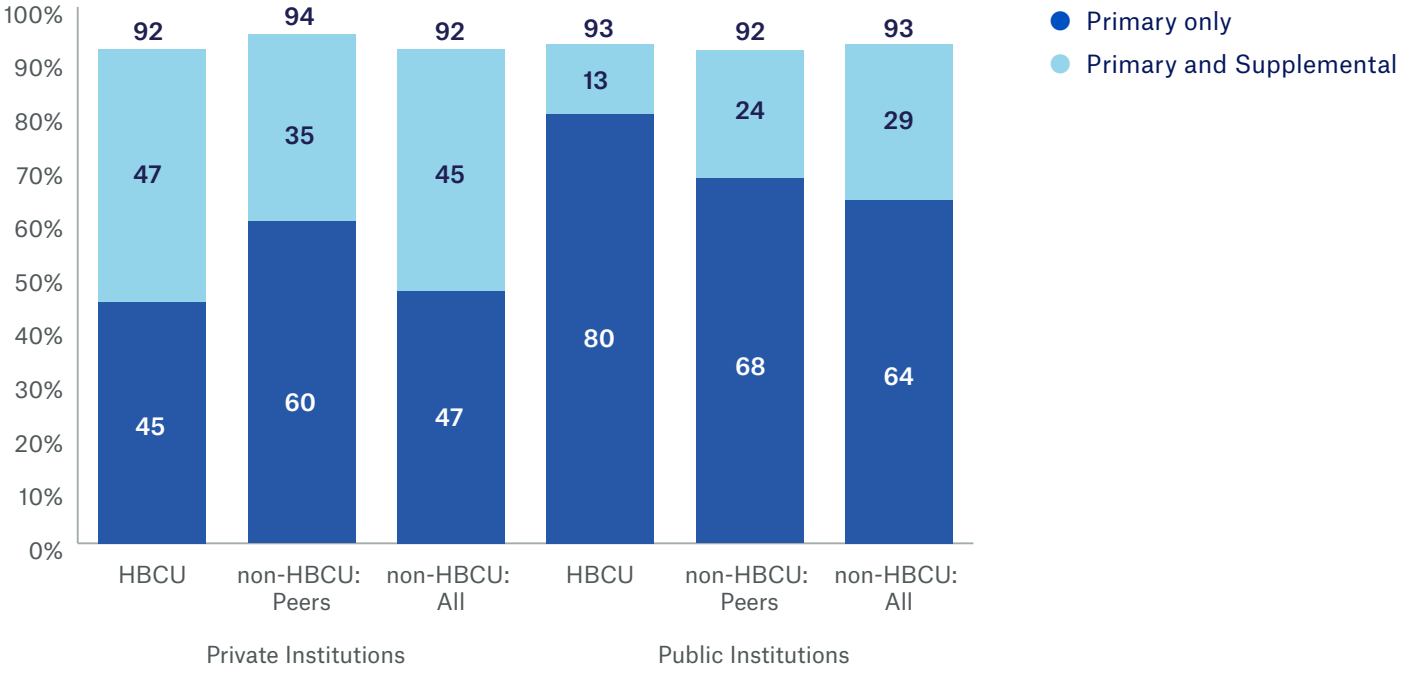
7 See https://carnegieclassifications.acenet.edu/ for more information on the classification system.

participates in a DB plan. In this section, we examine primary DC and supplemental DC plan participation.

Among full-year participating employees, we identify those who are primary plan contributors only, contribute to both the primary and supplemental plan, or contribute to the supplemental plan only.[8] Figure 1 displays, by group and participation type, the percentage of participants contributing to a primary plan only or to both types of plans. Primary plan participation is similar across all groups at 93%. Public sector participants are significantly less likely to participate in both primary and supplemental plans than private institution participants (28% versus 45%).

HBCU employees at a private institution are significantly more likely to contribute to both types of plans relative to HBCU participants at public institutions. Among all groups, public HBCU participants are least likely to contribute to both plans, with only about one in eight making a supplemental plan contribution. Public HBCU participants are 12 percent points less likely to have primary *and* supplemental contributions than employees at peer institutions, and 3.6 times less likely to compared to private HBCU participants. Reasons for these differences include differences in employer contribution rates, pay differentials, or employee liquidity constraints. Unfortunately, we lack sufficient salary data to examine these possibilities.

Figure 1. Participant participation in primary DC retirement plans by group



Source: Author calculations.

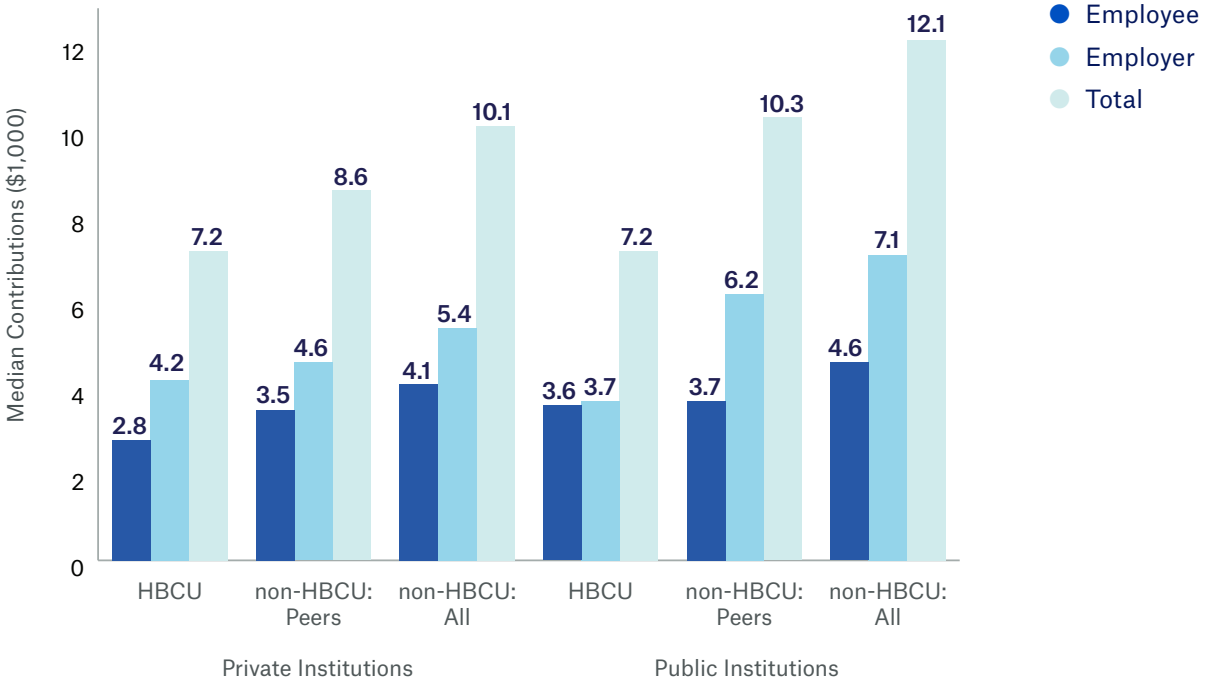
8 We do not know the percent of employees who are covered by a DC plan but choose not to participate because this information is not in the administrative data.

4. Retirement contribution levels

Examining total contribution levels provides insights into whether participants are preparing for their future retirement income needs. Figure 2 displays median 2022 contributions for primary plan participants by group and institutional type. When comparing HBCUs to peer institutions, median contributions were 16% less ($1,400) at private schools and 30% less ($3,100) at public schools. However, for public institutions, the difference between participants at HBCUs and at peer institutions is driven almost entirely by greater employer contributions ($2,300 more) and not employee contributions ($139 more). But among private institutions, the differences were roughly balanced between both fewer employee and fewer employer contributions at HBCUs relative to peers. The finding is similar when examining average contribution amounts, which we provide in the appendix.

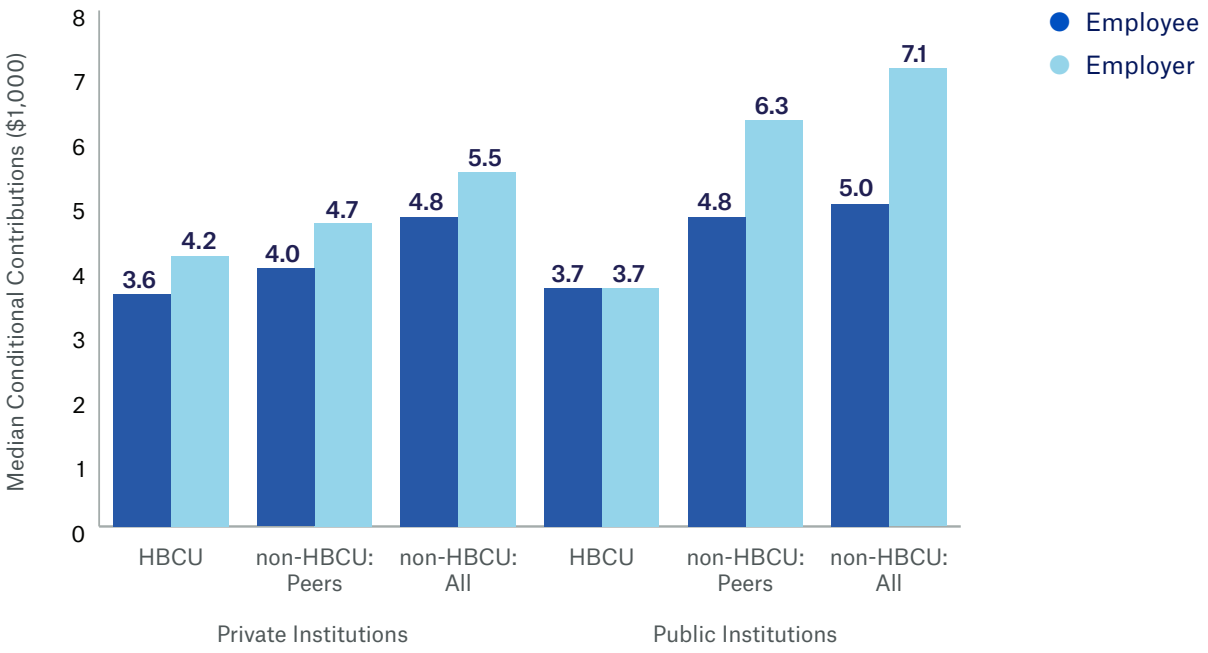
Figure 2 presents "unconditional contribution" medians. This measure counts all participants, regardless of tenure or source of contributions. Participations may have either zero employer contributions or zero employee contributions. Some plans have a waiting period before participants are eligible for employer contributions. A participant may also not have any employee contributions, either because it is not required by the primary plan, or the participant makes no supplemental contributions. Controlling for these factors, figure 3 displays median conditional contributions. The findings are generally consistent with the statistics from figure 2. At private institutions HBCU employees have 11% fewer employer contributions and 10% fewer employee contributions than their peers. But these differences jump to 23% less for employer contributions and 41% less for employee contributions at public institutions, respectively.

Figure 2. Median contribution amounts and contribution source by higher education group and sector



Source: Author calculations.

Figure 3. Median conditional contribution amounts by higher education group and sector



Source: Author calculations.

We note the analysis only compares *absolute* contribution differences and not *relative* differences, i.e., contribution levels and not the percentage of salary contributed. Lower employer contributions among HBCU employees could be from a difference in salaries, the total share of compensation employers devote to retirement savings instead of cash salary, or a combination of both. Relative contribution amounts could be lower, the same, or higher than the differences in absolute employee contributions. We do not have sufficient salary data to examine the impact of these factors.

5. Investment allocations

When joining a retirement plan, participants determine how to allocate their contributions to various investment alternatives. Participants can construct a custom portfolio or, increasingly, choose a qualified default diversified portfolio. Participants using a custom portfolio may have portfolio asset allocations that differ from their contribution allocations, but those choosing a default solution will typically have similar asset and contribution allocations. Understanding these allocations provides insights into risk profiles and engagement with the retirement plan.

5.1 Contribution allocations

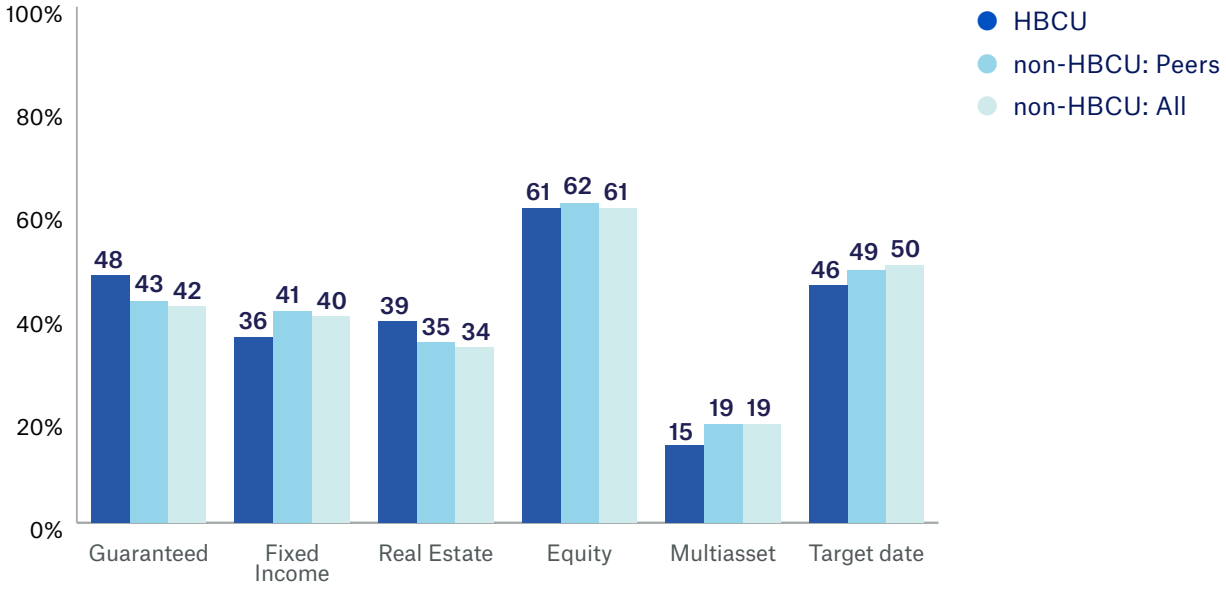
Contribution allocations provide insights into participants' investment risk profile. Figure 4 shows contribution participation rates across six asset categories. Participating in an asset class is defined as the percentage of participants allocating part of their contributions to an asset class. We delineate on six asset classes: guaranteed,[9] fixed-income, equity, real estate, multi-asset (excluding target-date funds), and target-date funds (TDFs). We group participants between whether they begin contributing to a TIAA plan before 2010 (figure 4a) or after 2010 (figure 4b). This delineation accounts for differences in contribution allocations due to the creation and uptake of Qualified Default Investment Alternatives (QDIAs) in plan investment menus following passage of the Pension Protection Act (PPA) of 2006. While the PPA allows

9 This includes allocations to either TIAA Traditional or TIAA Stable Value.

for various forms of QDIAs, TDFs, which use an age-based investment allocation rule, have emerged as the dominant form offered to plan participants.[10] Our approach controls for prior findings that participants joining after a plan adopts a default TDF are significantly more likely to allocate their contributions to TDFs than participants who have been contributing to a TIAA plan for a longer period of time (Davis and Richardson, 2020).

Among longer-tenured participants (figure 4a), HBCU employees are 5 percentage points more likely to participate in guaranteed and real estate asset classes, and 4 to 5 percentage points less likely to use fixed-income, multi-asset, or TDFs compared to peer HE participants. There is no discernible difference is equity class participation. Among more recent plan participants (figure 4b), HBCU employees are significantly more likely to allocate contributions to TDFs and significantly less likely to allocate contributions to the guaranteed asset class, and 31% (8 percentage points) less likely to contribute to equity compared to peer HE participants. These findings suggest that longer-tenured HBCU participants may be more focused on guaranteed income in retirement compared to their non-HBCU peers and less likely to accept a default investment compared to shorter-tenured HBCU participants.

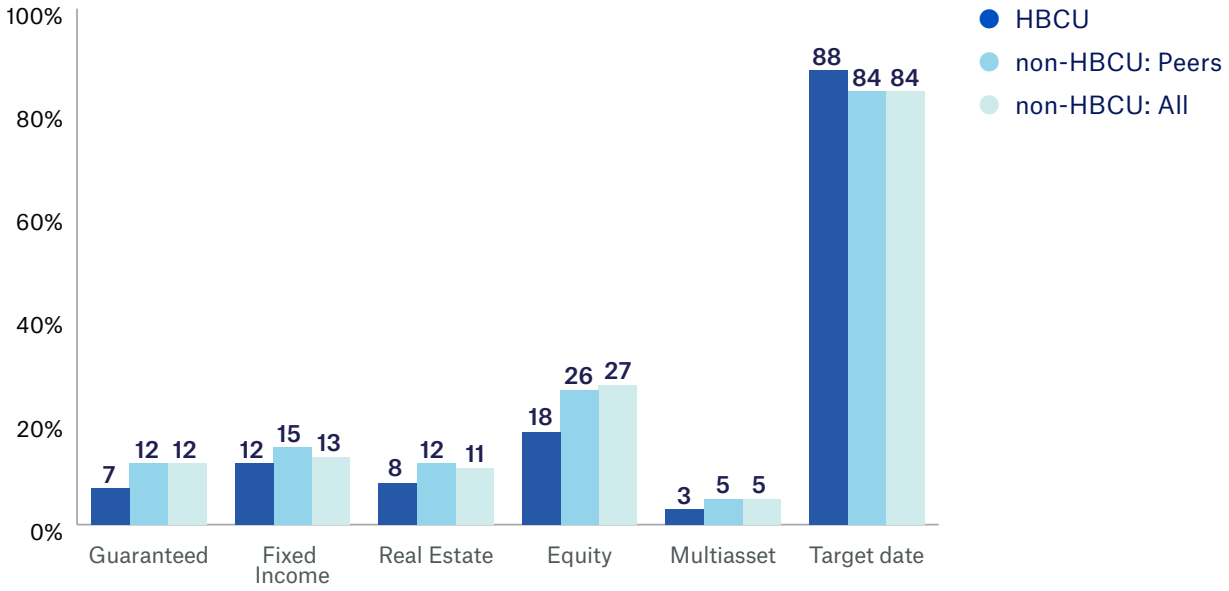
Figure 4a. 2022 contribution allocation participation rates by pre-2010 entrants



Source: Author calculations.

10 The PPA codified QDIAs. Department of Labor safe harbor regulations allow TDFs, life-cycle funds, managed accounts, and balanced funds to be used as a QDIA. https://www.plansponsor.com/in-depth/qdia-basics/.

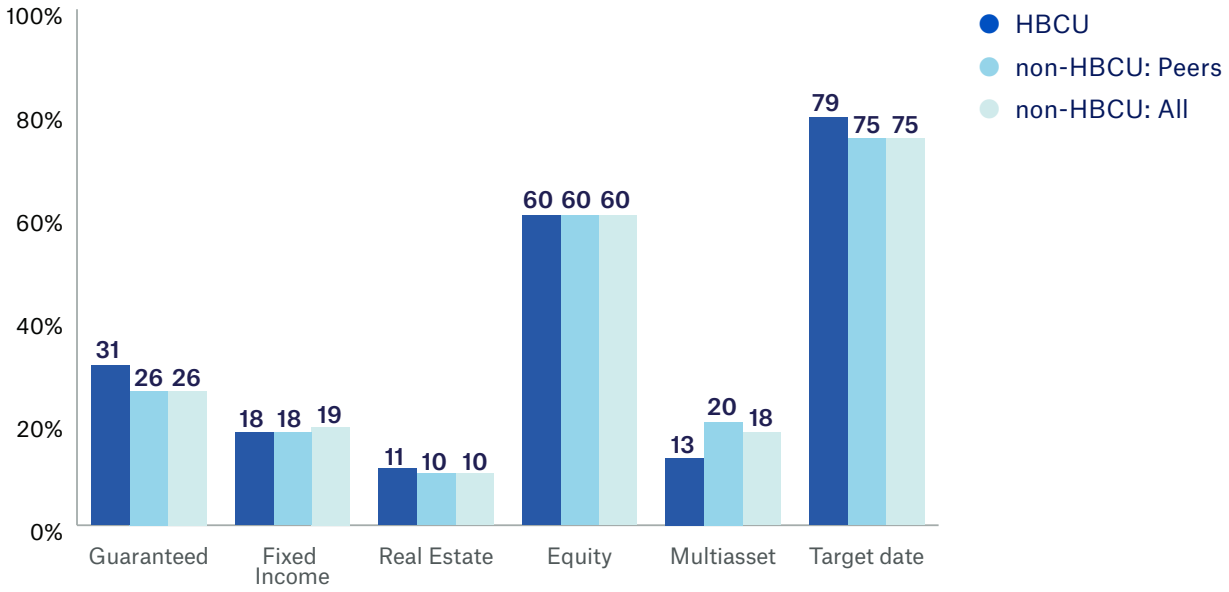
Figure 4b. 2022 contribution allocation participation rates by post-2010 entrants



Source: Author calculations.

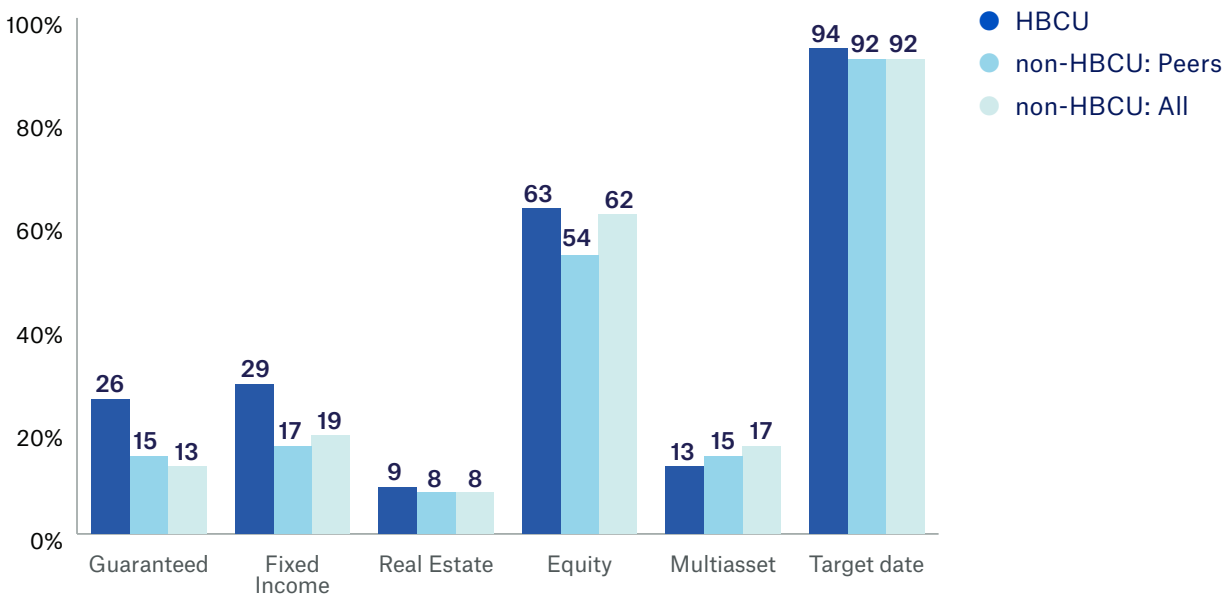
A limitation of the participation rates reflected in figures 4a and 4b is that the percentages include employees who allocate zero percent to an asset class, either by choice or because their plan does not include the investment option. The statistics in figures 5a and 5b control for this by showing conditional average contribution allocations, which are defined as the average fraction of a dollar allocated to an asset class *conditional* on a participant allocating a non-zero amount to that asset class.

Figure 5a. Conditional average contribution allocations by pre-2010 entrants



Source: Author calculations.

Figure 5b. Conditional average contribution allocations by post-2010 entrants



Source: Author calculations.

For longer-tenured workers, participants at HBCUs have greater conditional allocations to the guaranteed class than those at peer institutions, averaging $0.31 per dollar contributed. HBCU participants were also more likely to use a TDF as intended—to have the TDF represent the entire allocation as a "fund of funds," with an average conditional contribution of $0.79 compared to $0.75 for non-HBCU participants.

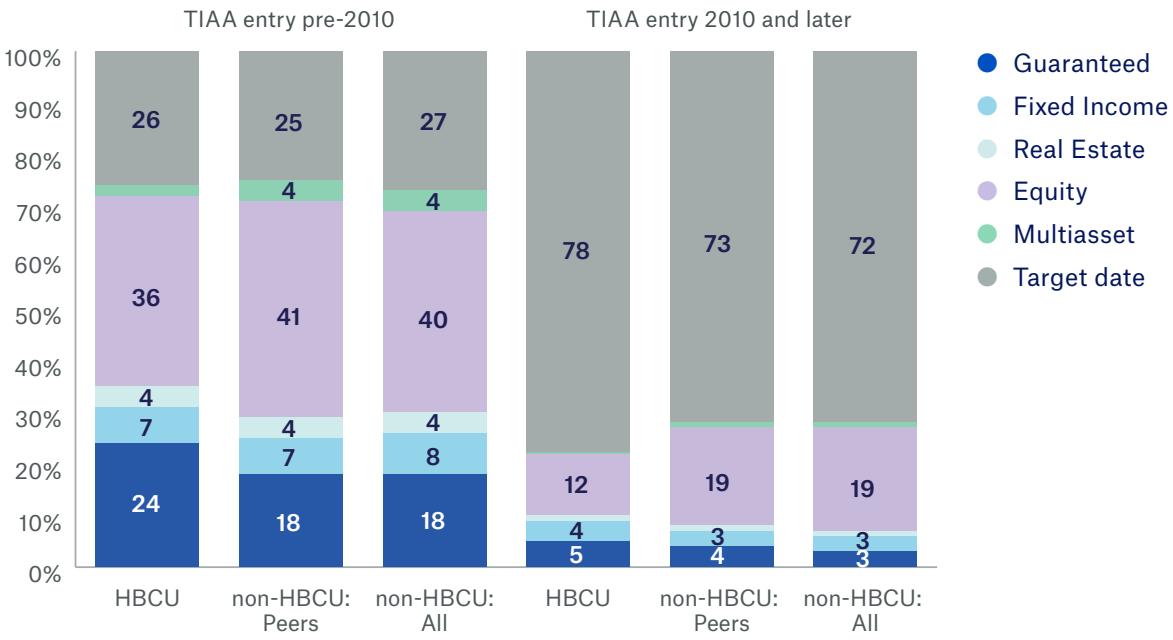
For shorter-tenure employees, HBCU participants using a custom portfolio strategy on average allocated $0.26 to guaranteed assets and $0.20 to fixed income, significantly higher than non-HBCU peer institutions. For all groups, most participants using a TDF tended to use it as intended, with average allocations of more than $0.90 per dollar. Overall, the contribution allocation evidence suggests that HBCU participants who customize their retirement portfolio tend to prefer a portfolio with a greater role for guaranteed income products.

5.2 Asset allocations

Participants' asset allocation provides insights into their risk exposure. Many participants, and especially those using TDFs, set their contribution allocation once and never change it (Agnew et al., 2003). And when they adjust their portfolio allocations, participants tend to change contribution allocations rather than rebalancing their entire portfolio (Ameriks and Zeldes, 2004). Asset allocations may also drift from contribution allocations due to varying return across asset classes. Inertia, drift, and changes in contribution dollars can result in differences between contribution and asset allocations.

Figure 6 displays average asset allocation by group and tenure. For longer-tenure participants (pre-2010), the average HBCU participant had an asset allocation more heavily weighted to guaranteed (24%) and fixed income funds compared to their non-HBCU counterparts. Shorter-tenure HBCU participants allocated, on average, 37% less to equity and 20% more to guaranteed than their peer participants. Figure 6 also documents the strong impact of QDIA TDFs, with the average participant having over 70% of their accumulations allocated to this asset. HBCU employees tended to have greater asset allocations to TDFs compared to other HE employees. As noted in McDonald, et al. (2019, 2021), this shift tends to significantly increase equity exposure because TDFs weight more heavily to this asset class compared to the average participant customized portfolio. However, on average among non-TDF allocations, HBCU participants have 54% of the remaining portfolio in equities compared to 68% of other HE employees. Because low equity exposure can inhibit long-term cumulative returns and reduce assets available at retirement, the strong uptake of TDFs by newer HBCU participants may provide better retirement outcomes relative to longer-tenured HBCU participants.

Figure 6. Average asset class allocations by TIAA entry year and higher education group



Source: Author calculations.

6. Retirement plan leakage

Employer-sponsored DC retirement plans generally restrict (but do not prohibit) the ability of participants to take pre-retirement distributions. The U.S. tax code also includes penalties for withdrawing funds prior to age 59 ½ (or, in some cases, age 55). However, the tax code and employer plans may offer penalty-free features to participants to access some of their retirement savings during working years, providing additional liquidity to finance emergencies and consumption needs. In this section we examine two types of liquidity offerings, plan loans and in-service hardship withdrawals.

6.1 Retirement plan loans

DC retirement plan loans provide liquidity by allowing participants to borrow a fraction of their accumulated balance and then repay the loan to their account over a specified time and interest rate. Treasury regulations allow participants to take a retirement plan loan up to a maximum of 50% of their account balance or $50,000, if permitted by their plan. Loan terms, such as interest rates, minimum balance requirements, and repayment lengths are set by the plan sponsor. There is no credit underwriting as loans are secured by participants own retirement savings. Loans are a popular feature nationally, with 10% to 20% of plan participants having an outstanding loan (Lu et al., 2017; Clark, 2023). While retirement plan loans may be cheaper than alternative options (Li and Smith, 2010) and 90% are repaid (Lu et al., 2017), they have a large impact on retirement security. Loan funds are paid back with after-tax money and are taxed upon withdrawal in retirement. Further, if a participant ends employment at an institution, then the entire loan balance may become due. For our sample population, 74% of contributing HBCU participants had a loan option, slightly lower than 79% of participants at other peer HE Institutions. We use two measures for retirement plan loan incidence. We first examine the percentage of participants who had an outstanding loan in either 2021 or 2022. We then look at the percentage of employees taking out a new loan in 2022.

About one in eight HBCU participants (12.3%) had an outstanding loan over the two-year period. This incidence was more than twice as likely compared to all other non-HBCU participants (5.7%) and those at peer institutions (4.9%). Similar differences were found for new loans in 2022, with 0.6% of HBCU employees taking a new loan, significantly higher than the rate for all HE employees (0.2%) and those at peer institutions (0.3%).

Figures 7a and 7b display the median amounts of new loans in 2022, with 7a showing the dollar amount taken, and 7b displaying the percentage of asset balances taken as a loan. Compared to their non-HBCU peers, HBCU borrowers took out significantly smaller loan amounts in dollar terms, with the average loan being 13% ($1,992) smaller compared to

all HE borrowers, and 5% ($800) lower for peer borrowers. Median loan amounts were below the mean for each group but significantly larger for all non-HBCU (15%) and peer group borrowers (10%).

Lower dollar loan amounts could be due to either lower levels of assets or need. Figure 8b provides evidence that HBCU borrowers had significantly lower levels of assets. The average HBCU borrower took out 18% of their assets, which is more than 50% higher than the average non-HBCU peer borrower. The median loan-to-asset percent by HBCU borrower was 12%, nearly double that of the median non-HBCU peers draw of 6.4%.

Figure 7a. Dollar level of new loans in 2022

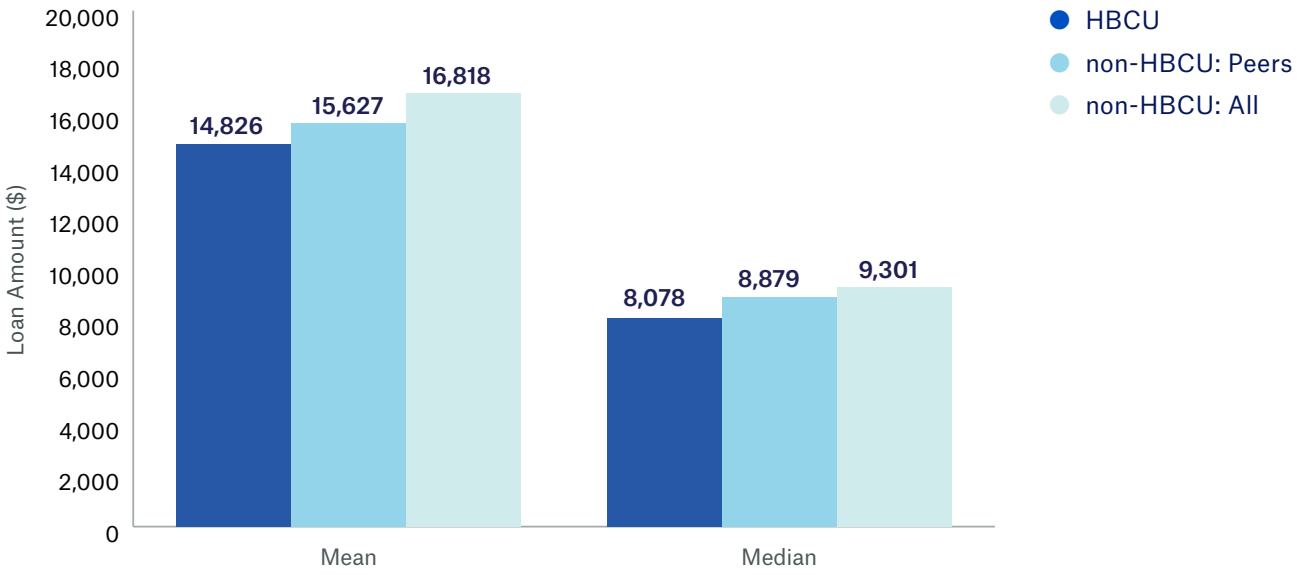
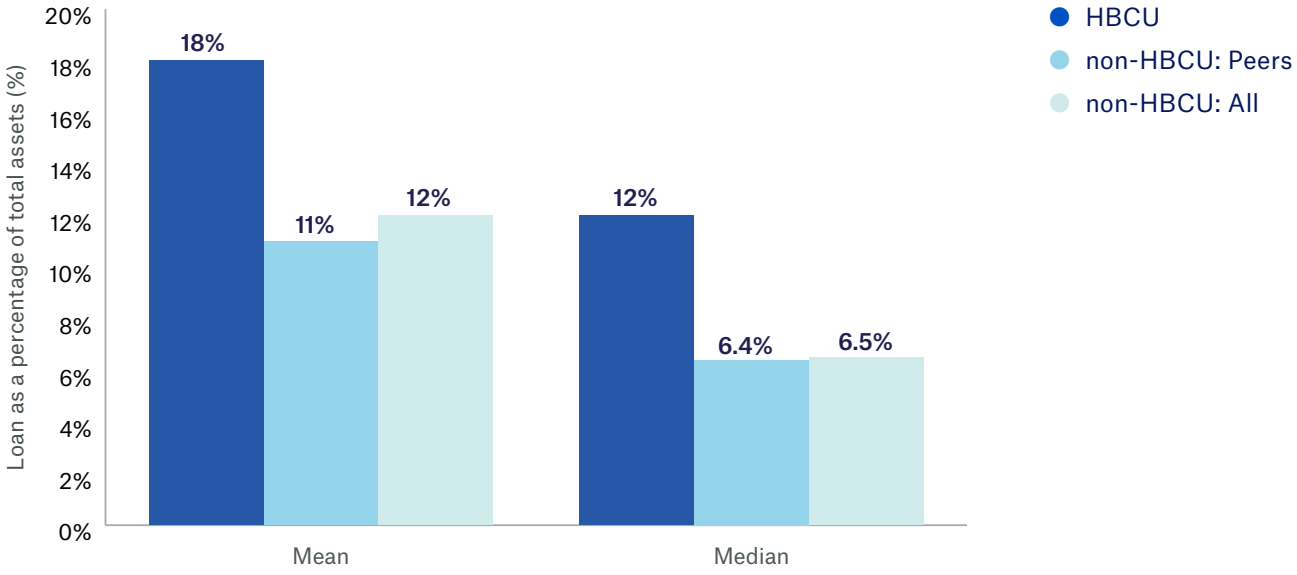


Figure 7b. Percentage of asset balance taken as loan



Source: Author calculations.

6.2 Hardship withdrawals

Many plans have provisions that allow participants to access funds, aside from loans, before retirement. One provision is hardship withdrawals, which allow a participant to access funds if they have a demonstrated immediate financial hardship, such as an eviction or medical expense. The withdrawal amount is limited to the amount necessary to meet the financial need, is treated as taxable income and is not paid back to the participant's account.[11]

Table 1 displays the percentage of participants with a hardship withdrawal from 2019 to 2022 by age and institutional group. We focus on participants under 59 ½ years old because many plans allow participants may take an in-service withdrawal without penalty if they are at 59 ½ or older. Excluding 2020, hardship withdrawals are rare, with substantially less than 1% of any age group taking a hardship distribution. Across HE groups there are minimal differences for participants under 40 years old in any year. In 2019, however, HBCU participants over the age of 40 were significantly more likely to take a hardship distribution compared to other groups.

Additional context is needed for 2020 because a provision of the CARES Act allowed participants to take penalty-free withdrawals up to $100,000 from their retirement savings for any COVID-19-related issue. Table 1 shows the incidence of hardship withdrawals increased significantly.[12] Compared to 2019, 13 times as many participants took hardship withdrawals in 2022, with HBCU participants 52% more likely to do so. Taken with the plan loans data, the evidence suggests that HBCU employees are more likely to access funds in their retirement account during working life, possibly signaling greater financial fragility.

Table 1. Percentage of participants taking a hardship distribution by age

Year		Age			
2022	**All**	**<30**	**30 – 40**	**40 – 49**	**50 – 59 ½**
HBCU	0.2%	0.1%	0.2%	0.1%	0.3%
non-HBCU: Peers	0.3%	0.1%	0.2%	0.3%	0.4%
non-HBCU: All	0.3%	0.2%	0.2%	0.3%	0.3%
2021		**<30**	**30 – 40**	**40 – 49**	**50 – 59 ½**
HBCU	0.2%	0.2%	0.2%	0.2%	0.2%
non-HBCU: Peers	0.1%	0.1%	0.1%	0.1%	0.1%
non-HBCU: All	0.1%	0.0%	0.1%	0.2%	0.1%
2020		**<30**	**30 – 40**	**40 – 49**	**50 – 59 ½**
HBCU	3.4%	1.3%	1.8%	3.5%	4.7%
non-HBCU: Peers	2.2%	0.8%	1.8%	2.3%	2.5%
non-HBCU: All	2.4%	1.1%	2.1%	2.5%	2.6%
2019		**<30**	**30 – 40**	**40 – 49**	**50 – 59 ½**
HBCU	0.4%	0.0%	0.2%	0.6%	0.5%
non-HBCU: Peers	0.3%	0.0%	0.2%	0.3%	0.3%
non-HBCU: All	0.4%	0.1%	0.3%	0.4%	0.4%

Source: Author calculations.

11 See the IRS for more information, https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-hardship-distributions.

12 This is consistent with research finding retirement plan leakage is highly correlated to life events (Goodman et al., 2021) and the COVID-19 impact was felt economy-wide.

While HBCU participants take hardship distributions at approximately the same rate as their peers in 2021 and 2022, HBCU employees take significantly smaller hardship amounts than other HE employees. Table 2 shows the mean and median amounts of hardship distributions by HE group and year. In each year, hardship distribution levels for an average HBCU participant were significantly below other HE participants. For 2020, the additional liquidity provided through the CARES Act is evident, with average hardship amounts up significantly for all groups and increasing by as much as 400%. Median and mean hardship amounts for HBCU participants reverted to pre-pandemic levels in 2021 while those of non-HBCU participants fell but remained higher relative to 2019. Interesting, average hardship amounts increased (but not significantly so) for all groups in 2022 but the median HBCU participants amount fell. The results of this section suggest that HBCU employees may be more likely to view their retirement plan as a source of funds for non-emergency needs and as likely to use for hardship needs, albeit at lower levels for both types of early withdrawal.

Table 2. Hardship distributions: levels and percentage of assets

Year	Dollar Amount ($)		Percentage of Assets (%)	
2022	**Mean**	**Median**	**Mean**	**Median**
HBCU	9,347	2,357	35.6	33.3
non-HBCU: Peers	17,751	9,000	26.3	16.8
non-HBCU: All	17,186	6,047	23.9	16.3
2021				
HBCU	6,245	3,646	18.1	8.1
non-HBCU: Peers	11,518	6,432	15.7	11.9
non-HBCU: All	10,210	5,375	15.4	9.3
2020				
HBCU	19,520	11,018	42.4	38.1
non-HBCU: Peers	30,776	20,000	39.9	34.2
non-HBCU: All	28,682	18,500	39.4	32.9
2019				
HBCU	6,771	3,534	17.7	11.9
non-HBCU: Peers	8,381	4,291	17.9	12.2
non-HBCU: All	6,919	3,037	19.4	12.2

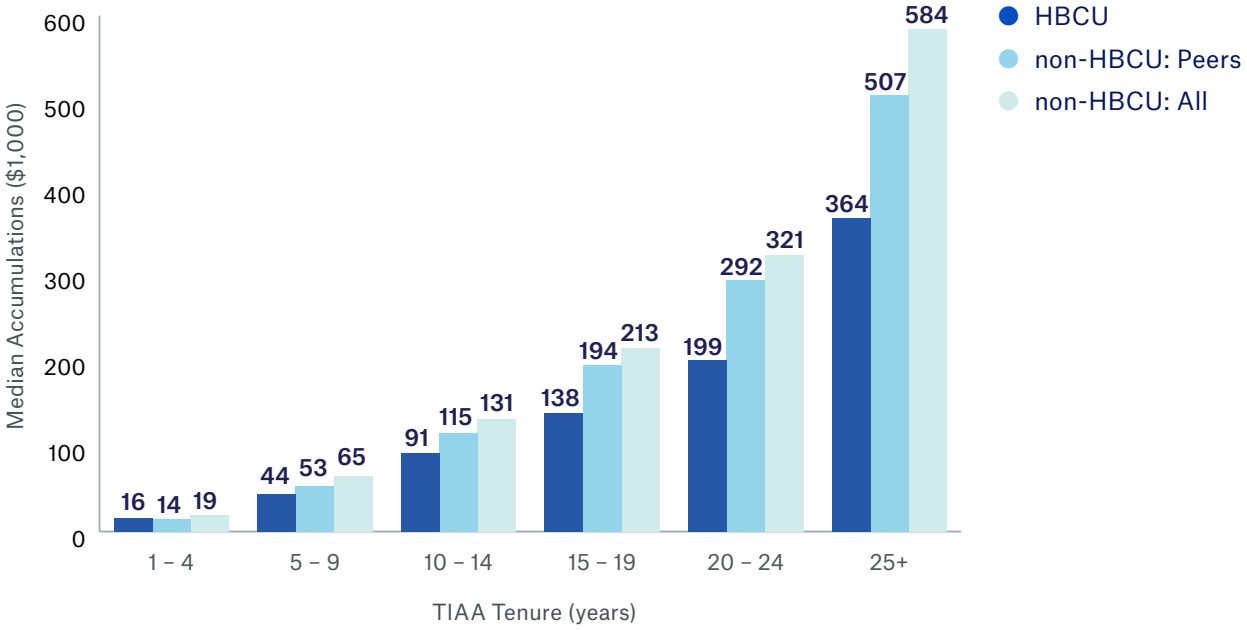
Source: Author calculations.

7. Asset accumulations

Figure 8 shows the median retirement account balances at year-end 2022, by TIAA tenure, with participants sorted by institutional group and five-year cohort. The median HBCU participant in each tenure cohort tended to have smaller asset balances compare to both all and peer non-HBCU participants. The exception is for the shortest-tenure cohort, where HBCU participants had *greater* accumulations at the median compared to non-HBCU peers. For each progressively longer-tenure cohort, however, the median HBCU participant has significantly fewer assets. For those with tenure between five and nine years, the median non-HBCU peer had 20% more in assets, with this gap growing to at least a 40% difference for the median HBCU participant with at least 15 years of tenure. Appendix 2 shows that these differences persist throughout the distribution of HBCU and non-HBCU participants in each cohort.

The evidence suggests that, over time, the cumulative effect of smaller contribution amounts, greater likelihood of early withdrawals of savings, and more conservative investing portfolios likely contribute to significantly lower account balances.

Figure 8. Median retirement balances by tenure cohort



8. Advice engagement

Engaging with advice services can help participants customize their contribution, investment allocation, and retirement income decisions to best meet their personal circumstances. Participants can receive guidance and advice either online or in-person. In 2022, 13% of TIAA HE participants in our sample engaged in some form of advice session, with the likelihood of engagement varying significantly by age. Panel A in table 3 shows that less than 10% of participants under 45 engaged in advice in 2022, with the likelihood of an advice session increasing monotonically with age. For all age cohorts, HBCU participants were significantly less likely to have taken advice compared to their HE counterparts, about one percentage point less among mid-career participants (those ages 45 to 54) and around two to four percentage points lower for younger and older participants. Panel B of table 3 shows that, for each age cohort, HBCU participants were the most likely to use online only advice and least likely to use person-assisted only advice. For all groups, older participants were significantly more likely to use person-assisted advice.

Table 3. Mean propensity to take advice in 2022 and mode of receiving advice

Panel A. Percentage of participants taking advice

Any advice					
	Age				
	<35	35 – 44	45 – 54	55 – 64	65+
HBCU	5.1	6.8	9.8	16.2	21.6
non-HBCU: Peers	8.8	8.7	10.7	17.6	24.1
non-HBCU: All	8.7	8.6	10.7	17.9	24.7

Panel B. Mode of receiving advice, percentages shown

Online only					
	<35	35 – 44	45 – 54	55 – 64	65+
HBCU	84.6	78.5	60.3	47.4	29.0
non-HBCU: Peers	70.6	67.7	56.0	41.9	28.2
non-HBCU: All	76.3	70.1	57.3	41.9	26.2
Assisted only					
	<35	35 – 44	45 – 54	55 – 64	65+
HBCU	13.1	17.4	30.7	39.7	55.3
non-HBCU: Peers	23.7	26.9	36.5	44.6	55.0
non-HBCU: All	18.9	24.8	25.4	45.1	58.0
Both online and assisted					
	<35	35 – 44	45 – 54	55 – 64	65+
HBCU	2.3	4.1	9.0	12.9	15.7
non-HBCU: Peers	5.7	5.4	7.5	13.5	16.8
non-HBCU: All	4.8	5.1	17.3	13.0	15.8

Source: Author calculations.

TIAA participants can receive advice on saving and investing and on retirement income. Table 4 shows the likelihood of receiving advice on various topics, by group and age cohort, in 2022. For each age group, HBCU participants were 5 to 8 percentage points *less* likely to seek advice on savings and investing, but 5 to 10 percentage points *more* likely to seek advice on retirement income. For all participants, savings and investing advice seeking declines after the age of 54 while retirement income advice seeking increases. Differences in advice taking on these intensive margins may be due to different financial planning needs. HBCU participants may be more focused on how to best generate income in retirement due to lower accumulated savings, lower discounting of the future, or better understanding of longevity risk.

Table 4. Type of advice taken

Saving and Investing					
			Age		
	<35	35 – 44	45 – 54	55 – 64	65+
HBCU	63.8	71.9	72.0	51.1	43.6
non-HBCU: Peers	73.2	75.2	77.5	65.4	53.1
non-HBCU: All	72.6	75.6	78.4	65.1	55.8
Retirement Income					
	<35	35 – 44	45 – 54	55 – 64	65+
HBCU	48.5	42.7	47.9	69.2	76.9
non-HBCU: Peers	36.9	34.8	35.7	54.7	71.7
non-HBCU: All	37.5	34.8	34.9	54.6	69.2
Both					
	<35	35 – 44	45 – 54	55 – 64	65+
HBCU	12.3	14.6	20.0	20.4	20.5
Non-HBCU: R2 and below	10.1	10.1	13.1	20.0	24.8
non-HBCU: All	10.1	10.4	13.3	19.6	25.0

Source: Author calculations.

9. Discussion

Retirement security is a pillar of overall financial wellness. Compared to their peer institution participants, HBCU participants tended to contribute fewer dollars to retirement, had more conservative investment portfolios, and were more likely to have pre-retirement leakage from their retirement plan. Taken together, these factors likely contribute to HBCU participants having significantly lower account balances, compared to other HE employees, over time. The greater likelihood of retirement plan leakage by the HBCU employees indicates that adequate non-retirement savings (in the form of emergency savings) may be a challenge for this group compared to other HE employees. Differences in advice engagement among HBCU participants may also signal a difference in financial planning needs. The results suggest that continued innovation to workplace benefit plans, such as emergency saving accounts through payroll deductions, adding guaranteed income products (Babbel et al., 2022; Ciccotello et al., 2023) or deferred annuities (Shoven and Walton, 2023) to a qualified default investment alternative, personalized financial advice, or better engagement strategies could improve retirement outcomes for HBCU workers.

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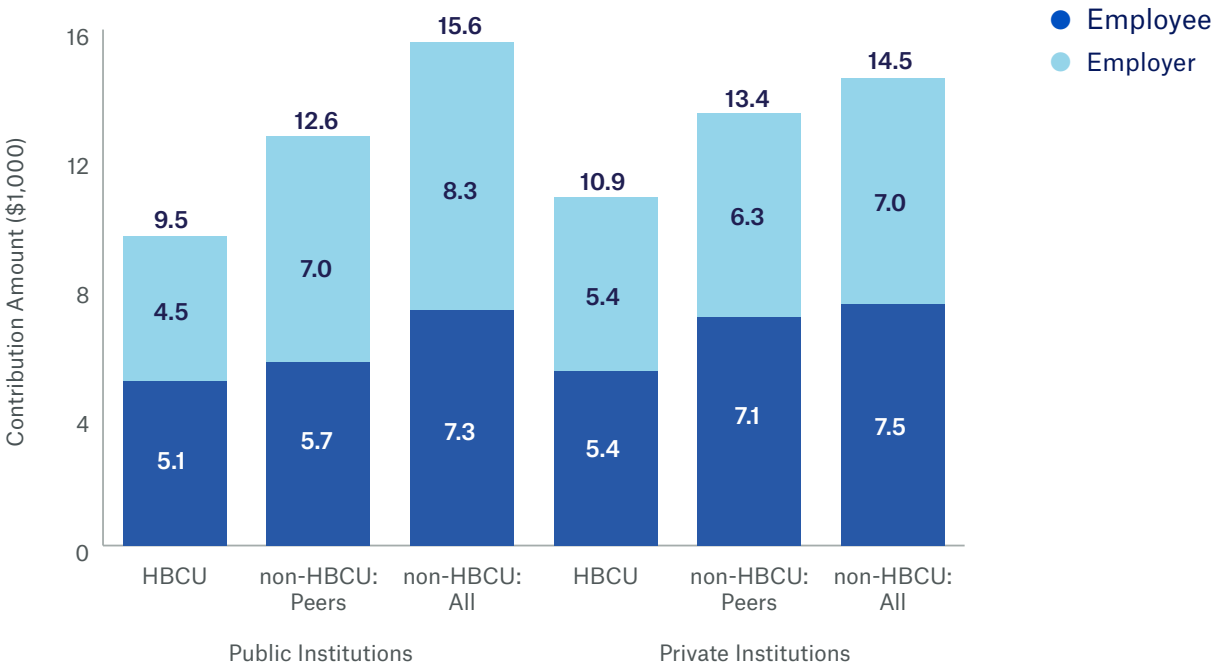
Appendix 1

Figure A1. Mean contribution amounts and contribution source by higher education group and control type

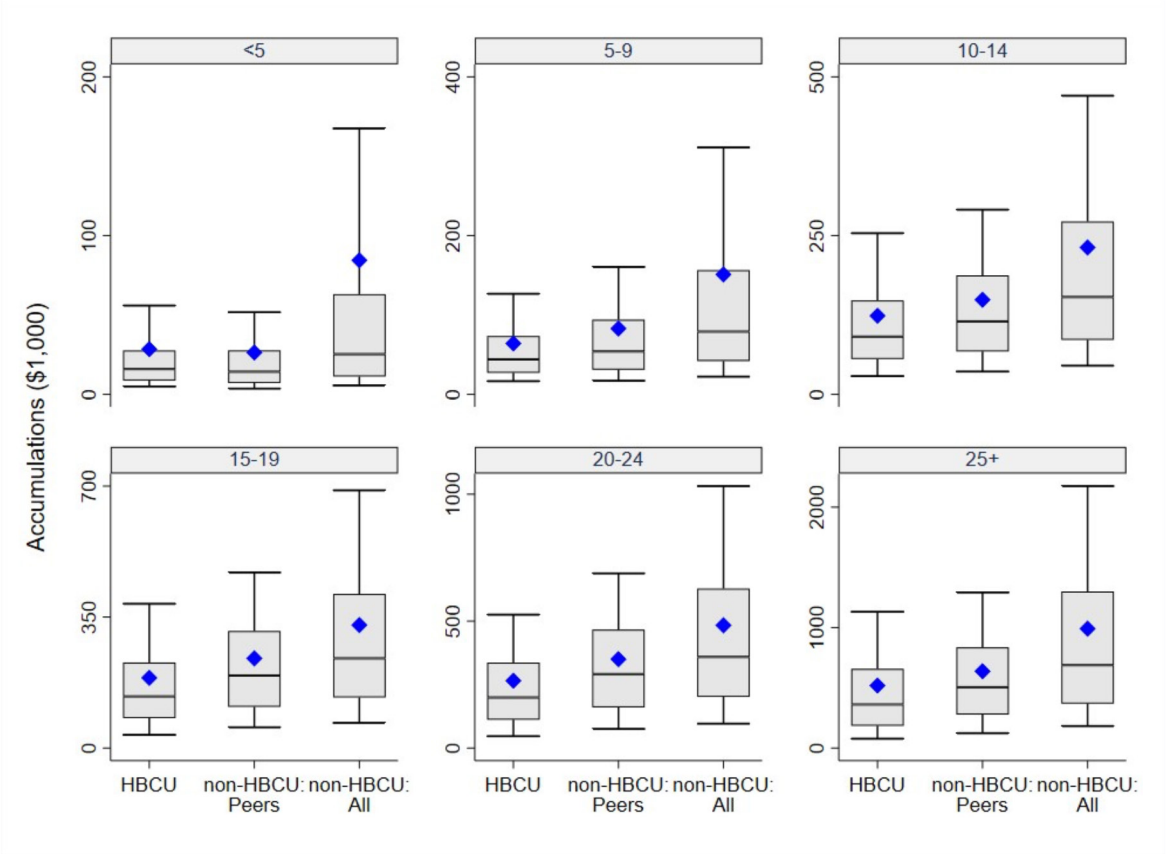


Appendix 2

Appendix 2 shows the distribution of retirement account balances at year-end 2022 by tenure in the TIAA system, with participants grouped in five-year cohorts. For each cohort and group, we use box and whisker plots to display the distribution of assets. The lowest tick (whisker) represents the 10th percentile of accumulations. The box shows the distribution for the middle of the distribution. The lower line of the box represents the 25th percentile, the line in the middle of the box represents the median (50th percentile), the upper box line represents the 75th percentile, and the top tick whisker marks the 90th percentile. Mean asset accumulations are marked by blue diamonds.

The average and median HBCU participant tended to have smaller asset balances compare to all and peer institution non-HBCU participants. The exception is for the shortest-tenured cohort, where HBCU participants had greater accumulations at the median compared to non-HBCU peers and below ($15,925 versus $14,267) and the 25th percentile ($8,676 vs. $7,129). Among longer-tenured cohorts, asset balances for HBCU participants were significantly lower compared to both all and peer institution HE participants. Among employees with five to nine years of tenure, HBCU participants had $3,885 less at the 25th percentile, $10,100 less at the median, and $20,493 less at the 75th percentile. This trend persists and grows for longer-tenure cohorts. For those with 25 or more years of participation in TIAA, balances for HBCU participants are approximately 30% less at each percentile compared to peer institution counterparts. A separate comparative analysis on the subset of participants who either took advice or had no early withdrawals produced qualitatively similar results.

Figure A2. Distribution of retirement assets by group and TIAA tenure



Source: Author's calculations. Notes: Box and whisker plots shown. Whiskers display with the 10th and 90th percentiles, means are plotted with blue diamonds.

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