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BLACK-WHITE DIFFERENCES IN WEALTH ACCUMULATION AMONG AMERICANS NEARING RETIREMENT

by

Eun Hyei Shin

A thesis submitted in partial fulfillment
of the requirements for the degree

of

MASTER OF SCIENCE

in

Family, Consumer, and Human Development
(Consumer Science)

Approved:

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UTAH STATE UNIVERSTIY
Logan, Utah

2010

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ABSTRACT

Black-White Differences in Wealth Accumulation Among Americans Nearing Retirement

by

Eun Hyei Shin, Master of Science

Utah State University, 2010

Major Professor: Dr. Yoon G. Lee
Department: Family, Consumer, and Human Development

Using data from the 2006 Health and Retirement Study (HRS), this study examines what types of assets and levels of savings are held by Black near-retirees, while comparing how types of assets and levels of savings of Black near-retirees differ from those of White near-retirees. Through the use of multivariate analyses, this study further investigates the effects of being Black on the levels of savings, the likelihood of holding IRAs, and the likelihood of being financially prepared for retirement. The study sample includes 4,077 individuals between the ages of 51 and 64, and the subsamples consist of 680 Black and 3,397 White near-retirees.

Descriptive findings suggest that Black near-retirees hold lower levels of financial assets (i.e., checking accounts, CDs, stocks, bonds, and other savings) and non-financial assets (i.e., business, real estate, vehicles, and residential home) compared to their White counterparts. The descriptive results further indicate that overall, the level of net worth,

holding IRAs, and the investment assets-to-net worth ratio for Black near-retirees are lower than that for White near-retirees.

The results from both the ordinary least squares (OLS) regression and the logistic regression analyses indicate that with all else being equal, being Black is a significant factor in predicting the levels of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement among near-retirees aged 51-64. This study also explores how human capital factors and socioeconomic factors are associated with the levels of savings among Black Americans aged 51-64.

The OLS results suggest that Blacks with higher education and longer job tenure, and who are married hold higher levels of net worth than other Blacks. The logit results indicate that Black near-retirees with a college education are more likely to hold IRAs; those with longer job tenure are more likely to hold IRAs; and those in the top income quartile are more likely to hold IRAs. The findings of the logit results also indicate that Black near-retirees with some college education, longer job tenure, and those in the higher income groups are more likely to be financially prepared for retirement.

(116 pages)

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Eun Hyei Shin

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CHAPTER I

INTRODUCTION

The older population in the United States is increasing dramatically. This growth is reflected in the increasing proportion of those who are age 65 or older (Clark, Burkhauser, Moon, Quinn, & Smeeding, 2004). In 2007, 37.5 million people, or 12.6% of the U.S. population, were 65 years or older (Administration on Aging, 2008). One in eight Americans were age 65 or older in 2007, and it is estimated that by the year 2030, over one in five people will be in this age range. In addition, the large number of baby boomers (those born from 1946 to 1964) represented about one third of the U.S. population in 2008 (U.S. Bureau of the Census, 2008). Since baby boomers will begin to turn age 65 in 2011, the United States society will face the challenges that come with an aging population.

Furthermore, the ethnic minority population in the United States is growing. The most recent statistics indicate that in 2008, Blacks (14%), Asians (5%), and Hispanics (15%) comprised 24% of the population, while the proportion of Whites was 66% (U.S. Bureau of the Census, 2008). The racial minority population in 2050 is projected to be 54% of the total population, while the White population is estimated to decrease to 46% (U.S. Bureau of the Census, 2008). Thus, large increases in the composition of racial and ethnic groups will be an important aspect of an aging population in the U.S.

As life expectancy continues to increase, retirement will be a vital part of most American lives; as these individuals could anticipate that one-third of their adult life will be spent in retirement (Louria, 2005). The term “retirement” is defined as “the period of

a person's life during which the individual is no longer working" (Retirement, n.d.). According to the 2004 Survey of Consumer Finance, the average household income for minority families was about 56% less than White families, while the average net worth among minorities was about 27% less than Whites (Bucks, Kenickell, & Moore, 2006). A much greater gap in the net worth value was observed between White and minority families (Bucks et al., 2006).

The average minority households have experienced economic hardship in retirement. Lusardi and Mitchell (2007) noted that Black and Hispanic households held lower levels of savings as compared to Whites. Those with lower education and lower income, and those who were minorities, were at risk of substantial decline in retirement income and not preparing adequately for their retirement (Lusardi & Mitchell, 2007). Although the number of minority households has been increasing, the wealth gap between Whites and other minorities has still been expanding (Ariel Mutual Funds, 2008).

The ethnic wealth gap, particularly between Blacks and Whites in the U.S., has been pronounced during the last 20 years. This wealth gap increased more than four times to $95,000 in 2007, up from $20,000 in 1984 (Shapiro, Meschede, & Sullivan, 2010). Additionally, at least one out of four Black Americans holds no assets or has a negative net worth (Shapiro et al., 2010). Furthermore, middle-income White families are more likely to acquire a higher level of net worth than that of high-income Black families, at $74,000 (Whites) and $18,000 (Blacks), respectively (Shapiro et al., 2010). It was reported that Whites were more likely than Blacks to own high risk and high return assets; thus, the net worth of Whites was likely to increase faster than that of Blacks

(Gutter & Fontes, 2006). It is obvious that the increase in the racial wealth gap affects the economic future of Black Americans in the United States.

Cultural Values and Characteristics of Black Families

Cultural values can provide some explanation of differences in wealth accumulation between Black and White individuals nearing retirement. Black families have a variety of traditions, perspectives, beliefs, and values that are different from White families (Dodson, 2007). In the U.S., an estimated 12 million Africans were shipped as slaves to the Americas during the 16th to 19th century period (Becker, 1999). Although slavery greatly restricted the ability of Black Americans to practice their cultural traditions which are rooted in Africa, the slavery period accentuated some aspects of Black culture.

The culture of Black families is a combination of Africans' survival and enslavement of consanguinity and conjugality (Franklin, 2007). Many practices, values, and the culture of Black Americans have modified over time or blended with mainstream American culture. However, for many years, Black culture has developed separately from mainstream American culture both because of slavery and the persistence of racial segregation in America (McAdoo, 2007a). The unique and distinctive culture of Black families can be viewed by their enslavement, extended families, and religious life.

The Enslavement of Black Americans

Franklin (2007) noted that typical Black families can be historically explained by the enslavement of Blacks. The effect of slavery on Black families was a pathway toward the breakdown of the family unit (Sexton, 2008). During slavery, the African

American father was absent from the family unit, which is a trait that has carried on into modern society. Willie and Reddick (2003) stated that Black families tended to have a lower marriage rate due to the realities of slavery in America. On the other hand, Franklin (2007) stressed that the strong family tradition among Blacks made them survive throughout the slave system, legal segregation, and discrimination. For these reasons, the enslavement of Black Americans has continued to influence the characteristics and form of the current Black families.

Extended Families

The culture of Black families cannot be explained without reference to the socioeconomic context. Extended families were developed among the enslaved Blacks. Extended families in the Black community can encompass marital relations, blood relatives, and nonrelated people (Dodson, 2007). Black Americans interacted with more of their kinship beyond nuclear relations than White Americans (Dodson, 2007). There are no boundaries of characteristics for nuclear families that are composed of a husband, wife, and two children among Black families. However, extended family networks can provide the effective economic benefits and emotional support for families in the Black community (Sudarkasa, 2007).

As mentioned in the enslavement of Black Americans, since many young Black men have experienced the fatherless family or not learned to be the kind of father expected, they are less likely to sustain their strong marriage relationships in the Black community (Sexton, 2008). Traditionally, when Black women have children out of wedlock, it is not a social stigma in the Black community (Sudarkasa, 2007). Currently, over half of Black families are headed by females, while 22% of them were headed by

females in 1960 (Sudarkasa, 2007). Single female-headed households have formed among the Black population due to the two main circumstances—lower marriage rates and rising divorce rates (Billingsley, 1992; McAdoo, 2007b). It is noted that chronic poverty in Black Americans might be strongly related with single female-headed families (McAdoo, 2007b).

Thirty-four percent of single female-headed families are in poverty overall, while over 63% of single female-headed families are among Black Americans (McAdoo, 2007b). Although single female-headed families and fatherless families have such economic disadvantages, Black female-headed households have continued to be a significant form of Black families. In consequence, extended family networks can assist Black female-headed households with childrearing and various family life events.

Religious Life

Programs and institutions (i.e., school, churches, businesses, and professions) can work as a social network for Black families. Especially, the most effective institution for Black families and individuals is church (Brooks, 2009) because religion is important to Black family life (McAdoo & Martin, 2007). Throughout the history of Black Americans, it is viewed that church has consistently been the cultural center and cornerstone of the Black community (McAdoo & Martin, 2007).

Since church leaders are more knowledgeable about community needs and preferences, Black families rely on church leaders in their family and social life (Wiley & Ebata, 2004). Taylor, Chatters, Jayakody, and Levin (1996) found that Black Americans have significantly higher levels of church attendance than White Americans. Krause (2002) also noted that among adults, Blacks indicated receiving notably higher levels of

emotional and spiritual support (e.g., shared religious experiences) from church members than White Americans. It is obvious that churches take the lead in addressing various supportive needs among Black families.

Black Families and Their Challenges

History and prejudice prove to be considerable challenges for Black Americans. Black Americans have consistently experienced unequal wealth distributions even after slavery, Jim Crow Laws, and the civil rights movement of the 1960s (Brooks, 2009). This study examines the economic reality that Black Americans currently face, especially as their population grows and as they reach retirement. From a holistic view of Black Americans:

> Those of Black descents in the United States come by way of three different routes in being descendent of enslaved Africans, immigrants and descendants of Africans from the Caribbean and Latin American countries, and recent immigrants from the countries of Africa. (McAdoo, 2007a, p. 155)

However, they are equally at a disadvantage economically (Anderson, 1990; Blau, Ferber, & Winkler, 2010).

Financial Capital Deficiencies

Recent census data notes the racial gap in financial resources (e.g., median income, poverty rate, health insurance coverage, and unemployment) between Black and White Americans (U.S. Bureau of the Census, 2009). The annual median income for White households is higher than Blacks, at $52,312 and $34,218, respectively (U.S. Bureau of the Census, 2009). Furthermore, between 2007 and 2008 the annual median

income of Black households had declined by 2.8% (U.S. Bureau of the Census, 2009). Comparing the annual median income among Black and White households, White households were more likely to earn higher incomes than Black households. In addition, the size of the racial gap is greater within socioeconomic status. For example, middle-class Black families are less likely to have financial assets than middle-class White families (Brooks, 2009). Also, the poverty rate of Black Americans remains higher than that of White Americans, approximately 25% and 11%, respectively (Mischel, Bernstein, & Shierholz, 2008). Additionally, the percentage of no health insurance coverage for Black Americans is 19%, when compared to White American counterparts at 15% (U.S. Bureau of the Census, 2009).

Although Black families improved their financial well-being prior to the recent economic crisis (Bowen, 2008), they were still more likely to face unemployment than White families (Mischel et al., 2008). The rate of unemployment increased to 10% in January 2010, up from 4% in January 2000 (U.S. Bureau of Labor Statistics, 2010). Over the last few decades, Blacks in the United States have experienced significantly high rates of unemployment when compared to Whites. The unemployment rate for Black workers was approximately twice that of White workers in 2007, 8.6% and 4.3%, respectively (Mischel et al., 2008).

Human Capital Deficiencies

The resource disparities between Black and White Americans include not only the lack of financial capital (income and wealth), but also the lack of human capital (formal education and skills) and social capital (public respect, networking, and the ability to get things done; Brooks, 2009). Highly educated Black males have consistently earned less

than Whites since the late 1970s (Brooks, 2009). For example, the income gap between Black and White males with an undergraduate degree was $39,000 for Blacks and $55,000 for Whites in 1975, while the figures were $45,000 for Blacks and $65,000 for Whites in 2003 (Brooks, 2009). This discrepancy can also be seen in education. For example, the number of Black college graduates increased by 91% between 1970 and 1980, but grew only 12% between 1999 and 2004 (Wheary, 2006). What's more, Black Americans ages 25 or older are 24% less likely than Whites to enroll in college.

Social Capital Deficiencies

The poor economic status of Black Americans can negatively affect their social status. One example of the disadvantaged social status of Black Americans is high incarceration and probation rates. Incarceration and probation rates are much higher for Black American men than for White American men (Brooks, 2009; Lacy, 2007). One out of three Black American men in their 20s was in jail, on probation, or on parole in 2003 (Lacy, 2007). Additionally, 12% of Black males between the ages of 20 and 30 were in prison in 2003 (Lacy, 2007). That is, young Black males are seven times more likely to be in prison than young White males (Brooks, 2009; Lacy, 2007).

Another example of the disadvantaged status of Black Americans is racial discrimination. Black Americans, in particular middle- and working-class Blacks, experience more employment and housing discrimination than their White counterparts (Brooks, 2009). Because of racial discrimination, Black workers receive lower wages in the labor market (Brown, 1993). Another example of racial discrimination is that Black workers experience race-related workplace stress, which can affect their economic well-being (Jackson & Stewart, 2003). In addition, structural changes in the economy and

shifts in industrial composition over the past three decades are more likely to have a negative impact on Blacks than on Whites, particularly those with blue collar jobs (Blau et al., 2010; O'Neill, 1990). Black workers are less likely than White workers to be employed in higher-paying managerial and professional occupations (white collar jobs) (Blau et al., 2010). Consequently, the current workplace fits better for Whites than racial and ethnic minorities (Jackson & Stewart, 2003).

Many Blacks in the United States have experienced economic obstacles when achieving desirable jobs and adequate wages (Ogbu, 2007). Also, the lack of accumulated wealth among Blacks indicates the ongoing of racial inequality in economic status (Brooks, 2009). Examining aspects in cultural values and beliefs among Black families, it might provide a base to understand their economic and social status.

Need for Study

It is not a surprising fact that a significant number of Black Americans are increasing their wealth through boosting their stock, real estate, and savings levels. Between 1998 and 2002, the proportion of Black Americans investing in the stock market increased 30% (Ariel Mutual Funds, 2002). The proportion of Black Americans who own homes increased to 48% in 2003, up from 43% in 1990 (Consumer Federation of America, 2003). There has also been steady progress in the area of personal savings among Black Americans, with the average monthly savings increasing from $200 per month in 2001 to $237 per month in 2002 (Ariel Mutual Funds, 2002).

Although the overall wealth of Black Americans has been increasing, many studies have shown that their wealth is far behind that of their White counterparts

(DeVaney, Anong, & Yang, 2007; Gutter & Fontes, 2006; Keister, 2000). The median and mean net worth of Blacks are noticeably lower than for Whites. The median net worth of Black households is less than ten times that of White households, at $11,800 and $118,000, respectively (Mischel et al., 2008). It is also noted that the wealth gap between Black and White households has broadened among the higher income groups, while the wealth gap continues to be moderate for the lower income groups (Conley, 2000).

Blacks continued to increase their wealth in stocks in 2007, whereas stock market participation among Black Americans was at a low of 57%, when compared to their White American counterparts at 76% (Ariel Mutual Funds, 2008). Choudhury (2001) noted that minority households were less likely to accumulate wealth due to the lower rates of investment in the financial market. Additionally, among the poor households, a lack of assets is likely to make Back Americans rely more on public welfare (Choudhury, 2001).

Moreover, compared to White Americans, Black Americans were holding fewer credit cards, at 82% and 59%, respectively, while they were more likely to be in credit card debt in 2001 (Silva & Epstein, 2005). Specifically, 84% of Black cardholders had credit card debt, which is more than the 51% of White cardholders that had credit card debt (Silva & Epstein, 2005). In addition, Black households are more vulnerable to high-cost financial services, such as the “pay day” lending industries. Subprime loans of lower-income Black Americans increased from 2.4% to 13.4% between the years of 1993 and 2002 (Silva & Epstein, 2005). In other words, Black Americans are facing higher costs in debt and experiencing a more difficult time getting loans.

Insufficient savings and debts among Black Americans are leading to racial wealth gaps and are causing wealth inequities to be worse. Black Americans are less likely to save their earnings than White Americans. In 2008, the monthly mean (median) savings and investments among Black Americans were recorded at $507 ($276), compared to their White counterparts at $599 ($338; Ariel Mutual Funds, 2008). Black Americans continue to lag behind their White counterparts in monthly savings. When family income and savings are insufficient to cover all their expenses, the difference is most often made up with credit card debt (Silva & Epstein, 2005).

Furthermore, 48% of Blacks are saving for retirement, while 45% are currently saving in general (Papini, 2007). According to Papini's report, fewer Blacks (45%) consider "retirement" as their most important goal for savings. About 79% of White households reported pension wealth, as compared to Black and Hispanic households, at 66% and 46%, respectively (Choudhury, 2001). Previous research has been devoted to the relationship in the wealth gap, the level of income, and the level of education between Black and White Americans (Brown, 1993; Conley, 2000; DeVaney et al., 2007). Gittleman and Wolff (2004) found that White households had a higher level of household income and a higher level of saving rates than Black households; that is, there is a strong correlation between household income and the level of savings.

Despite being a small proportion of the total population as compared to Hispanic Americans (McAdoo, 2007a), Black Americans and their economic status are of interest to professionals, consumer educators, financial planners, and public policy makers for several reasons. First, Black American families are less financially secure than White American families and their economic status will be even worse than White Americans in

their retirement years. Although Black Americans were able to move into the middle class through the civil rights movement of the 1960s (Anderson, 1990), 44% of Black American households still live below the poverty line (Wheary, Shapiro, Draut, & Meschede, 2008). Second, there are still significant differences in the current economic environment between Black and White families (Bowser, 2007). For example, the rate of Black unemployment was 16.5% in January 2010 which was double that of Whites at 8.7% (U.S. Bureau of Labor Statistics, 2010). Third, Black Americans are less likely to have the financial assets, level of education, homeownership, income, and access to healthcare that White Americans have (Wheary et al., 2008).

Research Questions and Objectives

This study considers the following research questions: (1) What types of assets do Black Americans nearing retirement hold?; (2) How much of assets do Black Americans nearing retirement hold?; (3) How do the types and levels of savings of Black Americans differ from than those of White Americans nearing retirement?; and (4) What factors are associated with retirement savings among Black Americans?

This study examines the financial profiles of Black near-retirees aged 51-64 and compares their assets to that of White near-retirees of the same age range. This study further investigates how the human capital and socioeconomic factors are associated with the level of net worth and the likelihood of holding retirement accounts among Black Americans. In addition, as an indicator of how individuals or households are financially prepared for retirement, the investment assets-to-net worth ratio has been used in previous studies (DeVaney, 1995; Lytton, Garman, & Porter, 1991). For example, if

households report the ratio that is greater than .25, it is considered that they meet the guideline of retirement preparedness. Thus, this study investigates factors associated with the likelihood of being financially prepared for retirement among Black Americans.

Major objectives of this study are: (1) To understand the type of assets and levels of savings of Black near-retirees; (2) To compare the type of assets and the levels of savings of Black near-retirees to White near-retirees; (3) To examine factors associated with the levels of net worth among Black near-retirees; (4) To explore factors associated with the likelihood of holding retirement accounts among Black near-retirees; and (5) To investigate the factors associated with likelihood of being financially prepared for retirement among Black near-retirees.

Importance of the Study

The U.S. current demographic trends, such as aging of the population and increasing diversity of the population, continue to change the wealth of all American households, especially their financial security during retirement. The increase in life expectancy means that more financial resources may be needed in order to support their prolonged retirement years. Nonetheless, many Americans have the challenge of maintaining their standard of living in retirement and far more American minority groups might encounter economic difficulties as they are entering the near-retirement stage.

This study focuses on the financial status of Black Americans nearing retirement. There are three specific reasons why this study is important: (1) Black Americans are the most historically recognized racial minority group in the U.S.–Black Americans make up the single largest racial minority among the older population (U.S. Bureau of the Census,

2008); (2) The disparities of Blacks and Whites, including asset ownership, demonstrate the greatest divide among all racial groups in the U.S; and (3) Not only is the population of Black Americans rising, but also their wealth disparity is noticeably expanding; therefore, it is important to examine the saving behavior and risk preferences for their retirement security.

Benefits of the Study

To achieve retirement security is difficult for many Americans, but it is significant for Black Americans as they approach near retirement. Since this study explores the factors associated with retirement preparedness, the findings of this study are beneficial to professionals, consumer educators, financial planners, and public policymakers to educate Black Americans to be financially prepared for retirement. Consumer educators and financial planners may assist Black Americans adequately to make better savings decisions in order to meet their standard of living in retirement, and in overcoming their financial problems to achieve retirement security.

From a human capital perspective, since education might be an important predictor of retirement security, the findings of this study encourages policymakers to make higher education for Black Americans more accessible. Since the lack of savings for retirement among Black Americans may prevent economic security in retirement, policymakers ought to help Black Americans increase their savings levels to attain financial security in retirement through advanced education. Researchers can also use the findings of this study to develop future studies that may lead to further contributions to the literature related to retirement savings.

CHAPTER II

LITERATURE REVIEW

The first section of the literature review begins with the importance of saving for retirement by discussing the decline in the personal savings rate over the past three decades. The second section provides retirement income sources along with public programs and employer pensions. The third section discusses the previous research that has examined wealth holdings and wealth inequality by race, focusing on Black Americans. A summary of the findings in previous studies related to retirement savings are presented in this section as well. The fourth section presents socioeconomic factors affecting retirement savings. The final section establishes the conceptual framework of this study and presents a set of hypotheses.

Savings for Retirement

The aging of populations has brought a concern in terms of financial security of Americans in later life. Savings during peak earning years may determine financial security upon retirement. However, over the past several decades, the personal savings rate has declined in the United States. In the 1960s, 1970s, and 1980s, the savings rate was constantly above 7%, but the rate became very low in the 1990s and even negative in 2005 (U.S. Bureau of Economic Analysis, 2006). However, along with the recent economic downturn, the personal saving rate, as a proportion of disposable per capita income, was 3.6% in April of 2010 (U.S. Bureau of Economic Analysis, 2010). The personal savings rate has largely declined since 1984 because the outcome of capital gains in equities is much greater than the outcome of capital gains in housing (Juster,

Lupton, Smith, & Stafford, 2006). It seems that due to the stock market boom (1992-2001), Americans preferred to accumulate their household wealth in the stock market rather building wealth in housing, CDs, bonds, and so forth.

Many Americans are not adequately preparing for retirement. Nearly 45% of American households will be at risk of not being able to maintain their standard of living in retirement (Munnell, Webb, & Delorme, 2006). In 2008, 39% of Americans were not presently saving for retirement at all, while 62% of Americans reported that although they had some savings, they were not sufficiently prepared for their retirement (Ariel Mutual Funds, 2008). Lower- and middle-income American households are less likely to save for retirement (Duflo, Gale, Liebman, Orszag, & Saez, 2006). For example, those who have an income below $40,000 are unlikely to participate in employer provided pensions or Individual Retirement Accounts (IRAs; Duflo et al., 2006).

Retirement Income Sources

Older Americans have traditionally relied on a three-legged stool of income as follows: Social Security, employer pension benefits, and income from assets or personal savings. However, employer pension benefits and income from assets or personal savings are insufficient for lower income groups (Clark et al., 2004). Consequently, older Americans might need a four-legged table where the legs are income with additional earnings from participating in the labor force (Clark et al., 2004). In addition, a significant number of older individuals depend on government programs such as Social Security benefits, Medicaid, and Medicare (Scholz, Seshadri, & Khitatrakun, 2006).

Public Programs

Social security. In 2009, over 94% of all workers who were age 65 or over received Social Security benefits (U.S. Social Security Administration, 2009). However, these Social Security benefits will likely be decreased in the near future. Although the annual cost of Social Security benefits is projected to increase from 4.4% of Gross Domestic Product (GDP) as of 2008 to 6.2% in 2034, it is projected to decline to about 5.8% by 2050 (U.S. Social Security Administration, 2009). It is projected that Social Security benefits will be cut again by 9.9% for middle-class retired workers in 2022, while it will decline by more than a quarter in average monthly benefits for middle- and high-income workers by 2042 (U.S. Social Security Administration, 2009). Another dark side issue is that the retirement age will likely be rising from 65 to 67 to receive full Social Security benefits. These shortcomings of the Social Security system will lead to reduced benefits for future retirees in the U.S.

Medicare. As individuals age, they tend to spend additional money on health care services. Older Americans are more likely to rely on Medicare and Medicaid. Medicare provides for more than 97% of individuals who are age 65 and over with basic protections to cover their acute needs. Medicare expenditures are expected to increase to 9.6% of the GDP by 2050, up from 3.2% as of 2008 (U.S. Social Security Administration, 2009). The Medicare system is suffering financially from rising costs and a low stream of tax revenue, and will be insufficient for all retirees in the future (Munnell, 2007). Therefore, older individuals will need to pay additional out-of-pocket expenditures on health care services. In 2007, out-of-pocket expenditures for typical older Americans were 29% of the total Social Security benefits, and these expenditures

are expected to increase 53% by 2040 (Munnell, 2007). However, if the incomes or financial resources of older Americans are not enough, out-of-pocket health care expenses will cause serious financial problems for many of retirees and their families (Munnell, 2007).

Medical expenditures are more likely to contribute to their credit card debts, and lower- and middle-income households have higher than average debt connected to credit cards than that of households without major medical expenditures (Zeldin & Rukavina, 2007). Because of universal health care benefits for the older population, people aged 65 or older have fewer problems with medical expenditures than other age groups (Zeldin & Rukavina, 2007). However, these people have higher out-of-pocket health expenses as compared to other age groups. Due to the rising out-of-pocket medical expenditures, these individuals will rapidly deplete their retirement resource and they may confront unsustainable debt connected to credit cards and intrinsic medical debt. Thus, American individuals need to prepare enough financial resources to support medical expenditures during a possible long retirement period.

Employer Pensions

Company pension plans play an important role in retirement income. Eighteen percent of those who are aged 65 or older depend on their pension incomes (U.S. Social Security Administration, 2009). There are two major types of retirement pension plans: Defined Benefit (DB) plans, and Defined Contribution (DC) plans. DB plans are good for employees because these plans provide specified benefits connected to final earnings and universal coverage among qualified workers without investment risk in a retirement account (Clark et al., 2004). Unlike DB plans, DC plans have several advantages as

follows: no loss in pension benefits with job change, lower government regulations, easier to explain pension benefits, and age neutral (Clark et al., 2004). Over the past three decades, employer-provided pension plans have shifted from DB plans to DC plans. In the 1970s, nearly three in four of employees with pension coverage had a defined benefit (DB) plan (Even & MacPherson, 2007), while 63% of pension-covered employees had defined contribution (DC) plans in 2004 (Munnell & Sunden, 2006).

Although DB plans provide a shelter from the effect of economic downturn on retirement, the decline in DB plans affects both employers and employees. Many companies no longer want to offer a DB plan associated with higher required contributions (Munnell, Aubry, & Muldoon, 2008). Along with the recent economic turmoil, the worth of equities in retirement plans (i.e., DB and 401(k) plans, and IRAs) declined by about $4 trillion between October 9, 2007 and October 9, 2008 (Munnell et al., 2008). Because of the pressure of the recent stock market collapse and the economic crisis, employees are less willing to take investment risk linked to managing risk in a retirement plan account such as a high-risk of DC plans (Munnell et al., 2008).

Since the early 1980, 401(k) plans have expanded and play a significant role in the plans that employers provide to increase retirement savings levels. 401(k) plans are also useful to have a sense of security toward a retirement income due to cutbacks in social security and less personal savings outside of such pension plans (Munnell & Sunden, 2006). According to the result of Holden and VanDerhei (2002), having access to a 401 (k) plan affects an estimated retirement income. The shift in pension plans and the ongoing economic downturn continue to lead individuals or near-retirees to have their own retirement plans in order to build retirement security.

Empirical Research on Wealth

Wealth Gap

The accumulation of wealth, or net worth, is related to financial security. It is the difference between total assets—houses, cars, stocks, and bonds—and total liabilities—mortgages, car loans, and credit card debts (Keister, 2000). Although the overall wealth of American households has grown over the last three decades—mostly for the highest income earners—there is still a significant difference in the accumulated wealth between Black and White Americans (Gutter & Fontes, 2006; Mischel et al., 2008). Using data from the Panel Study of Income Dynamics (PSID), Altonji and Doraszelski (2005) examined race differences in savings rates associated with differences in income and demographics. They found that income and demographic variables are strongly associated with race differences in accumulated wealth.

Researchers have examined the wealth inequality between Blacks and Whites, as well as their income and educational attainment (DeVaney et al., 2007). Financial assets provide a buffer in case of unemployment or serious illness, while allowing for financial stability and security in order to save for retirement, care for children, and pay off debts. Gittleman and Wolff (2004) found that White families had higher incomes and higher savings rates than Black families. Because of both higher incomes and greater savings rates, White American individuals raise their levels of wealth much faster than Black Americans individuals do (Gutter & Fontes, 2006). Also, financial assets are important to transmit economic well-being across generations (Wheary, 2006). Children from

Black families are less likely to experience intergenerational mobility than their White counterparts (Wheary et al., 2008).

Using the 2004 Survey of Consumer Finances (SCF), DeVaney et al. (2007) examined the financial difference between Black and White families in the U.S. and the likelihood of owning homes, investment accounts, and retirement accounts for each group. The study found that Black families were less likely to own homes or to have investments and retirement accounts as compared to their White counterparts (DeVaney et al., 2007). The value of these assets was also lower for Black families. DeVaney et al. (2007) further found that education, income, and contact with more financial institutions significantly affected the likelihood of owning assets as well as the quantity and value of such assets for both groups.

Hanna and Lindamood (2008) used the Survey of Consumer Finances (SCF) to examine the causes of decreased stock ownership rates between 2001 and 2004, while comparing racial and ethnic minority households in the United States. They found that the stock ownership of each minority household was significantly lower than the White rate for 1992-2004. In addition, if characteristics such as risk tolerance, real income, and ownership rates of other high return investments had remained the same, rates of minority stock ownerships would have decreased from 2001 to 2004 whereas the White rates would not have decreased significantly. However, even after statistically controlling many characteristics that affect investment, the rate of minority stock ownership dropped significantly between 2001 and 2004. This study assumed that current economic conditions may have led to the decrease of stock ownership.

Gittleman and Wolff (2004) used the Panel Study of Income Dynamics (PSDI) data from 1984, 1989, and 1994 to examine racial differences in patterns of asset accumulation. They found that White Americans accumulated much more wealth than did Black Americans. Due to both higher incomes and higher savings rates, the difference in savings tended to raise the level of wealth accumulation for White Americans more often than for Black Americans. However, racial differences in saving rates were not significant, once controlling for income. In addition, the results of their study showed that Whites saved inheritances more abundantly than did Blacks. Unlike racial differences in savings rate and inheritances, the average rate of return to capital was higher for Black Americans than for White Americans.

Using the 1992 Health and Retirement Study (HRS), Choudhury (2001) examined the diverse components of aggregate wealth, including housing equity, non-housing equity, and financial assets in general, and risky assets in particular. Choudhury found that there were narrow racial and ethnic differences in housing equity among households in the higher income quartiles, while differences in non-housing equity broadened as income increased. What's more, wealthier households and higher income households were more likely willing to take high risk assets. The widening gap in non-housing equity came from differences in financial asset holdings, such as risky assets. At every income quartile, and educational level, the percentage of Black and Hispanic households that own risky, higher-yielding assets was significantly smaller than the percentage of White households.

Gutter and Fontes (2006) used data from the 2004 Survey of Consumer Finances (SCF) to show that Blacks and Whites held different types of asset ownerships. The

results of their study noted the likelihood of ownership of risky assets increased with net worth. In Comparison to Whites, Blacks were less likely to take investment risk, at 25% and 13%, respectively. Furthermore, 70% of White households reported three months of liquid assets more readily available as compared to 47% of Blacks (Gutter & Fontes, 2006). When Blacks had three months' worth of liquid assets on hand, their likelihood of owning risky assets increased. This increase was far greater for Black households than for White households. Seventy-seven percent of White households reported homeownership, which was much higher than 55% of Black households.

Keister (2000) used the 1983-86 panel of SCF to investigate the relationship between race, asset ownership, and wealth inequality. She demonstrated that Blacks were less likely than Whites to own assets, especially risky assets. For example, 32% of Whites owned stocks, while only 8% of Blacks were stock owners. These disparities were even greater when those assets were associated with the owning of risk assets. These findings were in consistent with the findings of Gutter and Fontes (2006), which showed that Whites owned their own homes more often than Blacks, and the differences were larger in the rates of holding higher risk assets. They concluded that Whites were more likely than Blacks to own high risk and high return assets; thus, the net worth of Whites was likely to increase faster than that of Blacks.

Coleman (2003) examined attitudes toward risk and willingness to hold risky assets by using data from the 1998 SCF. She found that Blacks were more likely to hold a higher proportion of nonfinancial assets, such as cars and houses. For instance, 87% of Whites owned a vehicle compared to 62% of Blacks, and 72% of Whites owned a home compared to 46% of Blacks. However, Whites were far more likely to hold higher

yielding types of assets such as stocks, bonds, and mutual funds than Blacks. For example, 22% of Whites held stock compared to only 7% of Blacks. The results of this study also found that more highly educated people and wealthier heads of households were less likely to be averse to risk and hold a higher proportion of risky assets.

Using data from the 1998 SCF, Plath and Stevenson (2000) examined the differences in buying investment assets between Black and White households. They noted that Black households were less likely to hold risky and high yielding financial assets compared to their White counterparts, and they were more likely to have insurance and real estate. This study suggests that financial planners should seek not only to provide effective services for the Black American community with investment information, but also to understand the community. By doing so the financial planner may give Black Americans investment information that is unique for needs of the Black community.

Based on the findings from previous studies, it can be seen that the overall level of owned assets was less for Black Americans than for White Americans. The income level of Black households also was significantly lower than the income level of all Asians groups and Whites. In addition, lower rates of investment in the financial market will most likely result in slower wealth accumulation among minority households, particularly for Black households. Therefore, it is considered that some of the racial wealth gap is strongly associated with differences in taking risky investment assets.

Retirement Savings Differences

Despite the lower savings level for Black Americans in preparation for retirement, they are still as confident about their overall retirement security as other American

ethnicities (Employee Benefit Research Institute, 2007). According to the findings of the 2007 Minority Retirement Confidence Survey (MRCS), the proportion of Black workers that are saving for retirement decreased from 62% to 48% between 2003 and 2007, compared to 66% of American workers in 2007 (Employee Benefit Research Institute, 2007).

Thirty-nine percent of Black American workers (nearly 4 out of 10) have participated in a work place retirement savings plan (i.e., 401(k) plans; Employee Benefit Research Institute, 2007). Blacks are less likely to be eligible for an employer sponsored plan, less likely to participate in a 401(k) plan, and less likely to contribute at a sufficient rate as compared to their White counterparts (Munnell & Sullivan, 2009). In addition, 3 out of 10 Black employees reported that they had an Individual Retirement Account (IRA) outside of an employer's retirement plan (Employee Benefit Research Institute, 2007). Additionally, as households' income and age are increasing, the rates of retirement savings are also rising (Employee Benefit Research Institute, 2007).

Gutter and Fontes (2006) continue to explain the relationship between the retirement savings and investment behaviors. Accordingly, as individuals were having access to an employer sponsored retirement account, the likelihood of risky asset ownership for both Black and White households decreased. In other words, those who are not investing in employer sponsored plans are more motivated to aggressively invest. Therefore, those who are not eligible for employer sponsored retirement plans are more likely to hold risky assets, such as a 401(k) or similar types of accounts, since the negative aspects of employer provided plans are to provide only limited selection of asset investment choices.

Coleman (2003) found that Blacks had a substantially lower proportion of retirement or pension accounts. Thirty-three percent of White households had some type of IRA or Keogh accounts, while only 15% of Black households had similar accounts. Blacks still expect their retirement to come from traditional income sources—such as Social Security, employer pension benefits, and income from assets—with their major source of income being Social Security (41%; Employee Benefit Research Institute, 2007). However, Social Security benefits will likely decrease (U.S. Social Security Administration, 2009) and the shift of employer plans is projected to be less in the near future (Clark et al., 2004). Based on the realities stated, Black Americans ought to reconsider their retirement security and consider new saving solutions.

Human Capital Factors

Education. The levels of education play an important role of accumulating wealth (Gutter & Fontes, 2006). Those who have lower levels of education among racial minorities may have a lower likelihood of owning assets because they may have been less likely to be targeted for financial markets or services (Choudhury, 2001; Gutter & Fontes, 2006; Keister, 2000). According to Cavanagh and Sharpe (2002), those who had a college degree were more willing to have retirement savings. Lusardi and Mitchell (2007) also found that those who had high school degrees had almost four times more net worth than those with less than a high school degree, while those who had college degrees had 14 times more than those with less than a high school degree. These findings indicated that higher educated heads of households have higher net worth, with a higher ownership of risky assets (Gutter & Fontes, 2006).

It was found that highly educated individuals tended to be more aware of the full range of investment choices and their possible gains than those educational counterparts (Coleman, 2003). Furthermore, highly educated households were more likely to enhance understanding of both the advantages of 401(k) plans and the need to accumulate financial resources for retirement (Munnell, Sunden, & Taylor, 2002). Therefore, it is expected that education level is positively related to the levels of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

Job tenure. Because of shifts in employer pension plans, 401(k) plans have become an important part of American's retirement planning. However, a significant number of employees do not use 401(k) plans to save for retirement (Bassett, Fleming, & Rodrigues, 1998). Job tenure is a factor that determines the vesting of employer contributions and affects employees' knowledge of 401(k) plans (Bassett et al., 1998; Munnell et al., 2002). Munnell et al. used data from the 1998 and 1993 Employee Benefit Supplements to the Current Population Survey (CPS) and examined the factors that affected participation in and contributions to 401(k) plans such as age, income, and job tenure. They found that job tenure was significantly correlated with participation in 401(k) plans. According to Munnell et al., the likelihood of participation increased 0.7% more as one additional year of tenure increased.

Contributions to 401(k) plans have more financial benefits, as employees have longer work experience. The usual contribution rate for a 401(k) plan is 6% of earnings, with an employer match of 3% (Munnell & Sunden, 2006). Contribution rates were more likely to increase as job tenure increased (Holden & VanDerhei, 2002). Consequently, it

is considered that the length of job tenure is positively related to the levels of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

Health status. Health status plays an important role in determining the level of retirement savings. Using data from the 1992 and 1994 Health and Retirement Study (HRS), McGarry (2004) examined the relationship between health and labor market participation. She found that those who reported fair or poor health were 8.2% less likely to continue to work as compared to those being in excellent health. Consequently, many pre-retirees in poor health have unanticipated changes in retirement plans, and they might be more likely to leave the labor market without sufficient savings to ensure financially comfortable retirement (McGarry, 2004).

Using data from the first wave of the HRS, Lum and Lightfoot (2003) also examined the association between health status and retirement saving. According to their study, individuals in better health tended to be more likely covered by a pension plan and were more likely to have IRAs than individuals in poor health. It was reported that individuals in excellent health had more assets among older workers (Lum & Lightfoot, 2003). Plausibly, this study expects that being in good health is positively related to the levels of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

Socioeconomic Factors

Age. As life expectancy continues to increase, retirement is an important part of life for most Americans. If an individual will retire at age 65, he or she could anticipate that 1/3 of his or her adult life will be spent in retirement (Louria, 2005). Due to the

longer life expectancy, elderly people need more in terms of adequate financial resources for retirement. That is, pre-retirees are more willing to save in order to maintain pre-retirement consumption levels in retirement.

Older households have been under pressure to ensure their comfortable retirement because of increases in life expectancy, boosts in the cost of living, cutbacks in medical coverage, shifts in employer pensions, and decreases in Social Security benefits. However, individuals have lower rates of savings leading to problems toward retirement. Consequently, key concepts in retirement planning are the amount of savings, the savings rate, the timing of savings, and investment decisions.

When the heads of households set a saving goal and spent less than their income, they were more likely to accumulate adequate retirement wealth (Yuh, Montalto, & Hanna, 1998). The likelihood of a retirement account increased until the age of 52, and then it started to decrease (DeVaney et al., 2007). However, household heads aged 52 or older were more likely to have adequate retirement wealth than younger household heads (Yuh et al., 1998). Also, older employees were more likely to participate in 401(k) plans than their younger counterparts (Munnell & Sunden, 2006). For an example, as compared to the less than 25 age group, the 54 to 64 age group were more likely to hold retirement savings (Cavanagh & Sharpe, 2002). Thus, this study expects that age is postively related to the levels of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

Household income. Income is a crucial factor that influences retirement savings for households nearing retirement. In general, it is expected that as the level of income increased, the level of savings increased. Several studies investigated the relationship

between income and the likelihood of holding retirement savings. Gittleman and Wolff (2004) noted that there was a strong relationship between household income and savings. Yuh et al. (1998) found that as the level of income increased, the value of the retirement account increased. Likewise, the probability of holding adequate retirement wealth increased as the level of household income increased.

As the level of income increased, the income inequality has been expanded (Altonji & Doraszelski, 2005). Holden and VanDerhei (2002) noted that projected replacement rates for a 401 (k) plan at retirement have increased as the level of income increased. Fifty percent of the highest income quantities are expected to replace 41% of earnings or more with their 401(k) accumulation, while 50% of the lowest income quantities at age 65 are expected to replace only 27% of pre-retirement income (Holden & VanDerhei, 2002).

Employer provided pension savings, like a 401(k) plan, can lead to a greater difference in the savings rates of low- and high-income employees (Even & MacPherson, 2007). Specifically, a 401(k) plan will be less beneficial for the low-income employees (Even & MacPherson, 2007). The average pension wealth in traditional DC plans is different among low-, middle-, and high-income employees, at 47%, 49%, and 75%, respectively (Even & MacPherson, 2007). That is, high-income employees for the average replacement rate have adopted DC plans. In light of income level, income is significantly associated to retirement wealth (Yuh et al., 1998), and risk taking in retirement savings, because at the higher income level, the more likely individuals were able to save and recognize the financial risk of retirement savings (Dulebohn & Murray, 2008). Consequently, this study expects that the level of household income is positively

related to the levels of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

Family size. Family size stands for the size of household and the basic economic unit (Coleman, 2003). People with a larger family size tended to reduce the available financial resources for each family member (Keister, 2004), and needed more financial resources to maintain their current expenditures (Gutter & Fontes, 2006). It is difficult for the heads of larger households to take higher risk assets because the financial decision of family members are highly connected to each other (Coleman, 2003).

The effect of family size was associated with economic status as well as with a racial difference in savings behavior (Keister, 2004). As an example, larger family size for the Asian group was positively connected to household income (Sharpe & Abdel-Ghany, 2006). Cavanagh and Sharpe (2002) further found that those with a larger family size were less likely to have retirement savings; however, family size was not associated with the amount of savings. Accordingly, it is expected that family size is negatively related to the levels of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

Gender. The rate of labor participation for women has consistently increased over the past three decades. In general, the significant factors that contributed to the growth of the women's labor force participation are as follows: higher education attainment, delays in marriage and child bearing, and an increase in divorce rates (Blau et al., 2010). However, DeVaney (1995) noted that male-headed households were more likely to have higher income and more assets, especially pensions, as compared to female-headed households.

It is essential for women that they should invest their retirement savings to attain financial security in retirement. The shift in employer pensions negatively affects women (Even & MacPherson, 2007), because women have lower labor force participation rates than men (Munnell, 2004). The shift from DB plans to DC plans is projected to increase men's pension wealth by 48% (Even & MacPherson, 2007). Plausibly, compared to males, being female is negatively related to the levels of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

Marital status. Married households had more economic stability because they were more willing to share not only general financial security, but also investment losses and job loss (Gutter & Fontes, 2006). Married households, dual-income households in particular, were able to overcome investment losses as well as save more for retirement (Gutter & Fontes, 2006; Hattery & Smith, 2007). According to Cavanagh and Sharpe (2002), married households with young children were more likely to hold the levels of retirement savings.

Individuals who invested in risky assets were able to accumulate more wealth than those taking non-risks (Keister, 2000). However, non-married households were less likely to own risky assets (Gutter & Fontes, 2006), as compared to married households (DeVaney et al., 2007). That is, non-married households had less opportunity to obtain their financial security in retirement. Willie and Reddick (2003) noted that female-headed households were significantly associated with lower marriage and higher divorce rates. Individuals who had a higher number of divorces were less likely to hold net worth (Ulker, 2008). The financially vulnerable households were less likely to have a long-

term marriage, thus, the effect of being married is strongly associated to higher wealth accumulation to ensure their financial security in retirement (Willie & Reddick, 2003). Thus, this study considers that compared to being non-married, being married is positively related to the levels of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

Conceptual Framework

Cultural Differences

The difference in cultural values across ethnic groups can explain the difference of savings behaviors between Black and White Americans. From the historical experience of Blacks, it is obvious that Black families have the unique and distinctive culture that impact on their financial and savings behavior. For example, the enslavement of Black Americans could influence their values on marriage, family, and social lives. Black families are also characterized as extended families (Sudarkasa, 2007). In the Black community, extended families can provide emotional and economic support (Sudarkasa, 2007). Older family members translate their cultural values to younger family members. Thus, cultural values can influence financial and saving behaviors among Black families and individuals.

Black Americans tend to be less likely prepared for retirement (Munnell & Sullivan, 2009), and this behavior can be attributed to their cultural values that could influence them not to save for retirement but to financially rely on other families members during retirement (McAdoo, 2007a). In addition, social network and strong religious life could influence their savings behaviors that are different from White

families. This study considers that cultural difference plays a role in savings behaviors among individuals and Black Americans nearing retirement. While including cultural differences with Blacks in conceptual framework, the findings can help understand the difference of savings behaviors between Black and White Americans.

Life Cycle Theory of Savings

This study employs the Life Cycle Theory of Savings to understand savings and asset accumulations of individuals nearing the retirement stage of the life cycle. The life cycle savings theory assumes that individuals seek to maximize utility and attempt to maintain a constant level of consumption over their life time. In general, this theory posits that individuals borrow against higher expected future income when they are younger and when they have lower earnings. According to this theory, when individuals are in midlife and when their earnings are higher, they save for future consumption in retirement. This theory of life cycle savings also posits that individuals borrow or dissave when they are older or are no longer in the labor force (Bloom, Canning, & Graham, 2003; Chen & Jensen, 1985; Clark et al., 2004; DeVaney & Chiremba, 2005). In this life cycle model of savings, the amount of lifetime consumption equals the overall total of lifetime income across all periods of the life cycle (Clark et al., 2004).

According to this model of savings, there are various factors that also affect the saving behavior of individuals or households. As mentioned in the introduction section, the number of the older population will be dramatically increasing in the near future. That is, it is important for individuals and families to save when they are young or in mid-life to finance consumption during retirement or as they age. Because of the increase in life expectancy, individuals need more assets later in life. Longer life

expectancy continues to demand higher levels of household savings at every age (Bloom et al., 2003). Due to the growth in the older population, the lack of resources in pensions and Social Security is also requiring those who approach retirement age to save more in order to meet economic security during retirement (Louria, 2005).

Human Capital Theory

Human capital theory explains differences in the earning and wealth between Black and White Americans. Human capital refers to the stock of knowledge, abilities, and skills of individuals used in training and experience that is acquired throughout their lifetimes (Bryant, 1992). Human capital theory assumes that individuals investing in themselves play an important role in improving their own value. The more individuals enhance their human capital, the more benefits of earning and productivity they will have in the future (Becker, 1985). There are several ways of increasing human capital: formal education, on-the-job training, job search, and geographic relocation (Blau et al., 2010).

Investment in human capital relates to the economic well-being of American families and individuals. Employees with higher levels of skills, training, and formal education are more likely to increase their earning premium than less skilled employees. For example, since Black employees may have less education and are in less skilled jobs (low human capital) as compared to White employees (high human capital), the decrease in demand for less skilled workers and the increase to highly skilled employees would be expected to increase the economic gap between Blacks and Whites in the United States (O'Neill, 1990).

Black male workers earned 28% less than White male workers (Blau et al., 2010). The differences in educational attainment can be expected to generate racial

differences in earnings (O'Neill, 1990) because higher levels of education are associated with higher levels of earnings as suggested by the human capital theory. Using the human capital theory, this study explores how human capital such as education, job tenure, and health status, plays a role in savings behaviors among individuals and Black Americans nearing retirement.

It is important to understand why people save and how they invest. The life cycle model can provide a conceptual framework for this study and leads to understand how individuals nearing retirement prepare and accumulate their wealth for retirement. Additionally, this study employs human capital theory to explain how near-retirees with higher levels of human capital are different than those with lower levels of human capital.

Hypotheses

Based on cultural differences with Blacks, life cycle savings theory, the human capital theory, and the findings from the previous studies, the following hypotheses are presented. Table 1 outlines the hypothesized directions between the various factors and retirement savings among Black near-retirees. This study includes three main dependent variables to measure retirement savings: they are levels of net worth, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

H1: (a) Holding other things constant, being Black will be negatively associated with the level of net worth.

(b) Holding other things constant, being Black will be negatively associated with the likelihood of holding retirement accounts.

(c) Holding other things constant, being Black will be negatively associated with the likelihood of being financially prepared for retirement.

H2: (a) Holding other things constant, having more than a high school education will be positively associated with the level of net worth.

(b) Holding other things constant, having more than a high school education will be positively associated with the likelihood of holding retirement accounts.

(c) Holding other things constant having more than a high school education will be positively associated with the likelihood of being financially prepared for retirement.

H3: (a) Holding other things constant, the length of job tenure will be positively associated with the level of net worth.

(b) Holding other things constant, the length of job tenure will be positively associated with the likelihood of holding retirement accounts.

(c) Holding other things constant, the length of job tenure will be positively associated with the likelihood of being financially prepared for retirement.

H4: (a) Holding other things constant, having good health will be positively associated with the level of net worth.

(b) Holding other things constant, having good health will be positively associated with the likelihood of retirement accounts.

(c) Holding other things constant, having good health will be positively associated with the likelihood of being financially prepared for retirement.

H5: (a) Holding other things constant, age will be positively associated with the level of net worth.

(b) Holding other things constant, age will be positively associated with the likelihood of holding retirement accounts.

(c) Holding other things constant, age will be positively associated with the likelihood of being financially prepared for retirement.

H6: (a) Holding other things constant, higher levels of household income will be positively associated with the level of net worth.

(b) Holding other things constant, higher levels of household income will be positively associated with the likelihood of holding retirement accounts.

(c) Holding other things constant, higher levels of household income will be positively associated with the likelihood of being financially prepared for retirement.

H7: (a) Holding other things constant, family size will be negatively associated with the level of net worth.

(b) Holding other things constant, family size will be negatively associated with the likelihood of holding retirement accounts.

(c) Holding other things constant, family size will be negatively associated with the likelihood being financially prepared for retirement.

H8: (a) Holding other things constant, being female will be negatively associated with the level of net worth.

(b) Holding other things constant, being female will be negatively associated with the likelihood of holding retirement accounts.

(c) Holding other things constant, being female will be negatively associated with the likelihood of being financially prepared for retirement.

H9: (a) Holding other things constant, being non-married will be negatively associated with the level of net worth.

(b) Holding other things constant, being non-married will be negatively associated with the likelihood of holding retirement accounts.

(c) Holding other things constant, being non-married will be negatively associated with the likelihood of being financially prepared for retirement.

Table 1

Hypothesized Directions

Variables	Net worth	Retirement accounts	Retirement preparedness
H1 Cultural difference: (Whites)			
Being Blacks	(-)	(-)	(-)
H2 Education: (less than high)			
High school	(+)	(+)	(+)
Some college	(+)	(+)	(+)
College education	(+)	(+)	(+)
H3 Job tenure	(+)	(+)	(+)
H4 Health status: (poor)			
Good	(+)	(+)	(+)
Excellent	(+)	(+)	(+)
H5 Age	(+)	(+)	(+)
H6 Income: (bottom quartile)			
Top quartile	(+)	(+)	(+)
2nd quartile	(+)	(+)	(+)
3rd quartile	(+)	(+)	(+)
H7 Family size	(-)	(-)	(-)
H8 Gender: (Male)			
Female	(-)	(-)	(-)
H9 Marital status: (Married)			
Divorced	(-)	(-)	(-)
Widowed	(-)	(-)	(-)
Never-married	(-)	(-)	(-)

Note. ( ) represents reference group in multivariate analyses.

CHAPTER III

METHODS

Research Design

This study is a cross-sectional study that utilizes a secondary data source. Based on the review of literature and conceptual frameworks, a research diagram can be drawn in order to illustrate factors that affect the level of savings and the likelihood of holding retirement accounts. Based on this diagram, this study primarily analyzes the retirement savings behaviors of Black Americans–those who could have deficient economic resources–compared to that of White Americans, while examining the level of savings, the likelihood of holding retirement accounts, and the likelihood of being financially prepared for retirement.

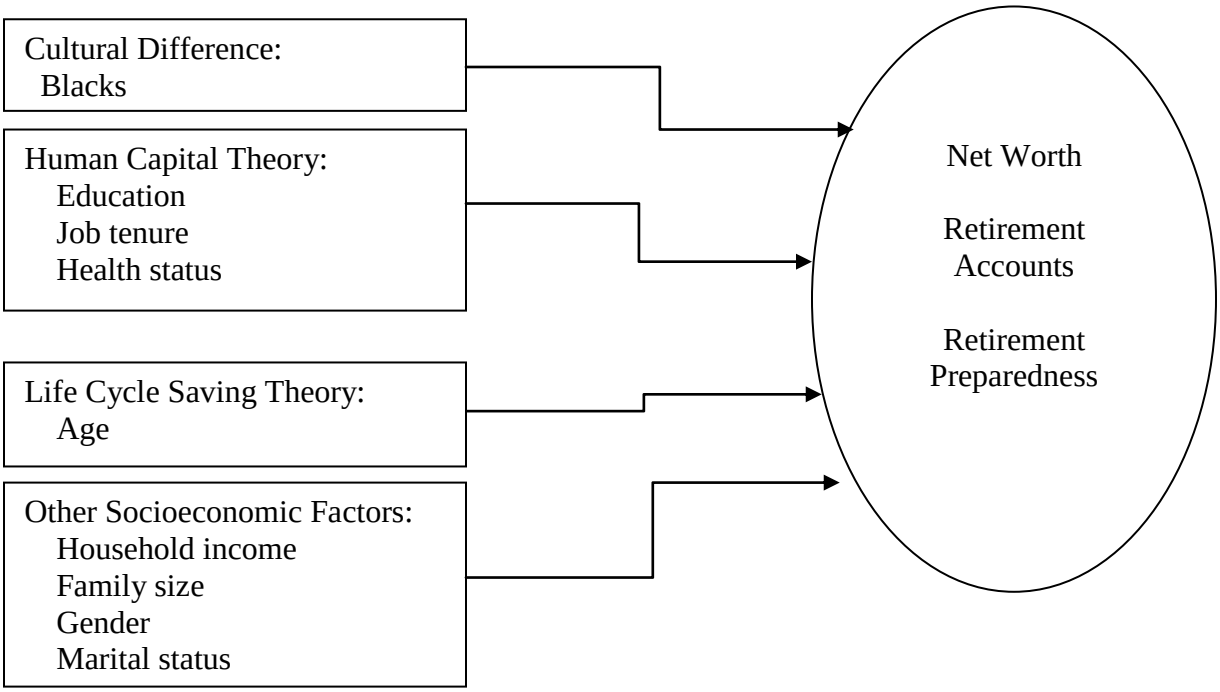

Figure 1. Research diagram.

Data and Sample

Data for the study are drawn from the 2006 Health and Retirement Study (HRS). The 2006 HRS was originally conducted between March 2004 and February 2005. The HRS is a nationally representative longitudinal panel study of Americans over 50 years of age, beginning in1992. A 90-minute core questionnaire is conducted every two years supported primarily by the National Institute on Aging (NIA). The questions of the HRS survey relate mainly to the individual's health, wealth, retirement, and economic status. The major purpose of the HRS is to design panel data that enable research and analysis from a diversity of different fields in support of policies on retirement, savings, and economic and physical well-being of older individuals.

This study utilizes data from the Rand version of the 2006 HRS. There are two specific advantages for the Rand HRS data. First, the Rand HRS is not complicated to measure wealth, income, assets, and marital history, because of a clarified and easy-to-use version of the HRS (Ulker, 2008). Second, the Rand HRS uses the bracketing technique to obtain wealth information from the response of the question. A bracket question asks whether a value is greater or less than a cut-point amount; thus, using the bracketing technique, in many financial asset categories, non-response was reduced by 75% (Choudhury, 2001).

Using the 2006 Rand HRS data file, the sample for this study includes individuals nearing retirement between the ages of 51 and 64. For the purpose of this study, other races such as American Indian, Alaska Native, Asian, Native Hawaiian, Pacific Islander, or others are excluded in the study sample. Since the primary goal of

this study is to compare the differences in savings behaviors between Black and White Americans, the sub-samples only include Black and White Americans nearing retirement. This procedure resulted in a study sample of 4,077 individuals aged 51-64 in the 2006 Rand HRS data. This study selected individuals aged 51-64 as near-retirees, and results in Black near-retirees (*n* = 680) and White near-retirees (*n* = 3,397).

Empirical Models

Dependent Variables

To measure the retirement savings of Black Americans and White Americans nearing retirement, there are three main dependent variables in this study. First, net worth is included as a dependent variable in the empirical models. The level of net worth is calculated as the difference between all assets and all liabilities. The net value of total wealth is measured as the sum of all wealth minus all debts. All wealth is the sum of the following ten asset categories: (1) value of primary residence (HwAHOUS); (2) net value of real estate (HwARLES); (3) net value of vehicles (HwATRANS); (4) net value of business (HwABSNS); (5) net value of IRA and Keogh accounts (HwAIRA); (6) net value of stocks, mutual funds, and investment trusts (HwASTCK); (7) value of checking, savings, or money market accounts (HwACHCK); (8) value of CDs, government savings, and T-bills (HwACD); (9) net value of bonds and bond funds (HwABOND); and (10) net value of all other savings (HwAOTHR). All debts include value of all mortgages (HwMORT), value of other home loans (HwHMLN), and value of other debt (HwDEBT). The net worth is included as a continuous variable in the first empirical model.

Second, holding Individual Retirement Accounts (IRAs) is utilized to measure retirement savings of near-retirees. In the 2006 Rand HRS dataset, individuals responded to the following question: "Do you (or your (husband/wife/partner)) currently have any money or assets that are held in an Individual Retirement Account, that is, in an IRA or KEOGH account?" To measure the likelihood of holding IRAs, a dummy categorical variable is included in the second empirical model; the value of 1 is assigned to those who report a dollar value in an IRA.

Third, the investment assets-to-net worth ratio is used as one guideline of retirement preparedness (DeVaney, 1995; Lytton et al., 1991). The investment asset is measured as the sum of CDs, T-bills, stocks, bonds, IRAs, business, and real estate. It is recommended that a minimum of 25% of a household's assets should be monetary with the expectation that as retirement approaches, that percentage increases (Garman & Forgue, 2002; Lytton et al., 1991). In this study, as an indicator of retirement preparedness, a binary variable (1 if the investment assets-to-net worth ratio is greater than .25; 0 otherwise) is included in the empirical models.

Independent Variables

Other than race, two main categories of independent variables are human capital factors and socioeconomic factors of individuals nearing retirement. Human capital factors consist of (1) education, (2) job tenure, and (3) health status. The socioeconomic factors include (4) age, (5) household income, (6) family size, (7) gender, and (8) marital status.

The main purpose of this study is to understand to what extend Black Americans nearing retirement hold savings as compared to their White American counterparts.

Using data from the 2006 Rand HRS, the race of the individuals can be measured by the response to the question, "What race does [FIRST NAME] consider [herself/himself] to be: White, Black or African American, American Indian, Alaska Native, Asian, Native Hawaiian, Pacific Islander, or something else?" For the purpose of this study, only White and Black Americans are included in the study sample. To identify the effects of race on the level of net worth, the likelihood of holding IRAs, and the likelihood of having investment assets-to-net worth ratio greater than .25, dummy categorical variables for race are included in the empirical models. In the analyses, being Black is coded as 1, while being White is coded as zero and it is used as a reference group, as well.

Education. Education is measured by the respondents' levels of educational attainment and categorized into four dummy categorical variables, such as less than high school, high school education, some college education, and college graduate or advanced degree. For the multivariate analyses, those with less than a high school education are used as a reference category.

Job tenure. Job tenure of the respondents is measured by the numbers of years working on the current job or the job with the longest tenure. This variable is included as a continuous variable in the empirical model.

Health status. Health status measures the respondents' self-reported health status. For the analyses, the self-reported health status of the respondents is categorized into three dummy categorical variables: poor, good, and excellent health status. Those with poor health were used as a reference category in the empirical models.

Age. Age is a continuous variable and is measured by the age of the respondent based on individual's months and years of birth. The age of the respondents was used as

one of the socioeconomic variables. It is a good indicator whether individuals who are nearing retirement, accumulate adequate wealth for retirement or not, because individuals who are nearing retirement are more likely to save for retirement based on life cycle saving hypothesis.

Household income. Household income is measured as the respondents reported income based on the dollar value of total household incomes in 2006. Total household income (HwITOT) is the sum of all individuals' incomes from both the respondent and spouse. All individuals' incomes represent the following: (1) RwIEARN is an income source derived from the sum of individual's wage and salary income, bonuses and overtime pay, commissions, tips, second job or military reserve earnings, and professional practice or trade income; (2) HwICAP is included from the sum of household business or farm income, self-employment earnings, business income, gross rent, dividend and interest income, trust funds or royalties, and other asset income; (3) RwIPENA is comprised from the sum of the individual's income from all pensions and annuities; (4) RwISSDI consists of the sum of the individual's income from Social Security disability (SDI) and Supplemental Security income (SSI); (5) RwISRET is derived from the individual's income from Social Security retirement, and spouse or widow benefits; (6) RwIUNWC is included from the sum of the individual's income from unemployment and worker's compensation; (7) RwIGXFR is comprised from the sum of the individual's income from veteran's benefits, welfare, and food stamps; and (8) HwIOTHR consists of the sum of alimony, other income, lump sums from insurance, pension, and inheritance.

In particular, this study is interested in how the households with the bottom level are different from those with higher income levels. Thus, using the 2006 Rand HRS, household income is divided into the following four groups: bottom quartile ($0 to $30,240), 3rd quartile ($30,240 to $57,600), 2nd top quartile ($57,600 to $94,076), and top quartile ($94,076 to $1,416,908). These levels are used to calculate and explore the economic inequality among Black and White Americans nearing retirement. The bottom income quartile is included as a reference category in the empirical models.

Family size. Family size indicates the number of all individuals living in the household and is calculated by the individual's response to the following question, "Other than you [and your (husband/wife/partner)], How many people are living with you?" The size of the family is included as a continuous variable in the empirical models.

Gender. In general, women are financially vulnerable groups who accumulate less wealth and suffer from higher rates of poverty than their male counterparts over their life cycles. To examine how the retirement savings behaviors of women differ from that of men, a categorical variable for gender is used for the analyses. The value 1 is coded for female near-retirees, while the value of 0 for male near-retirees is included in the empirical models.

Marital status. Marital status of the respondent is categorized into four groups: married, divorced or separated, widowed, and never-married. In the analyses, the married group was used as a reference group. The variables included in the multivariable analyses are presented in Table 2.

Table 2

Variable Measurements

Variables	Measurement
Dependent variables	
Net worth	Total of all assets – all liabilities, continuous
IRAs	1 if have dollar amounts in IRAs, 0 if otherwise
Retirement preparedness	1 if the investment assets-to-net worth ratio is greater than .25, 0 if otherwise
Independent variables	
Cultural difference:	
Black	1 if Blacks, 0 if otherwise
(White)	1 if Whites, 0 if otherwise
Human capital factors	
Education:	
High school	1 if high school graduates, 0 if otherwise
Some college	1 if some college education, 0 if otherwise
College education	1 if college graduates or advanced, 0 if otherwise
(Less than high school)	1 if less than high school, 0 if otherwise
Job tenure	Continuous, years of tenure on current job
Self-reported health:	
Good	1 if good, 0 if otherwise
Excellent	1 if very good/excellent, 0 if otherwise
(Poor)	1 if poor/fair, 0 if otherwise
Socioeconomic factors	
Age	Continuous, age at interview in months and years
Household income:	
Top quartile	1 if household income 75-100%, 0 if otherwise
2nd quartile	1 if household income 50-75%, 0 if otherwise
3rd quartile	1 if household income 25-50%, 0 if otherwise
(Bottom quartile)	1 if household income 0-25%, 0 if otherwise
Family size	Continuous, number of people living in the household
Gender:	
Female	1 if females, 0 if otherwise
(Male)	1 if males, 0 if otherwise
Marital status:	
Divorced	1 if divorced/separated, 0 if otherwise
Widowed	1 if widowed, 0 if otherwise
Never-married	1 if never-married, 0 if otherwise
(Married)	1 if married, 0 if otherwise

Note. Reference categories in the multivariate analyses are presented in parentheses.

Data Analyses

This study assesses the following research questions: (1) what types of assets do Black Americans hold as they approach retirement?; (2) To what extent do Black near-retirees hold?; (3) how do the types and levels of savings of Black near-retirees differ than those of White near-retirees?; and (4) what factors are associated with retirement savings among Black Americans? To answer these research questions, descriptive analyses and multivariate analyses were performed.

In descriptive analyses, means, medians, and standard deviations were calculated for the continuous variables (i.e., job tenure, age, and family size), while frequencies or percentages were measured for the categorical variables such as education, self-reported health, household income, gender, and marital status. In addition, to comparing the types and levels of savings between Black and White Americans, *t* tests and chi-square tests were performed. The *t* tests were computed for continuous variables, whereas the chi-square tests were conducted for categorical variables.

In multivariate analyses, two statistical methods are employed: they are Ordinary Least Squares (OLS) regression analysis and Logistic regression analysis. First, to determine significant predictors for the levels of net worth, the OLS method is performed. Second, logistic regression analyses are used to investigate factors that influence the likelihood of holding IRAs and the likelihood of being financially prepared for retirement among individuals between the ages of 51 and 64, and the subsample of Black near-retirees. Unlike bivariate analyses, such as the *t* tests and chi-square tests, the OLS and logistic regression analyses allow for examination of a comprehensive set of predictor variables.

CHAPTER IV

RESULTS

The main objective of this study is to examine what types of assets and levels of savings are held by Black near-retirees, while comparing the types of assets and levels of savings of White near-retirees. This study further investigated the effects of being Black on the levels of net worth, the likelihood of holding IRAs, and the likelihood of being financially prepared for retirement in the multivariate analyses. In addition, this study explored human capital and socioeconomic factors associated with the levels of net worth, the likelihood of holding IRAs, and the likelihood of being financially prepared for retirement among Black near-retirees. This chapter presents sample characteristics, the results of the *t* tests, chi-square tests, OLS regression analyses, and logistic regression analyses.

Descriptive Results

Socioeconomic Profiles of Total Near-Retirees

Table 3 describes the characteristics of the total study sample of 4,077 near-retirees. Of the total sample, 32.9% are high school graduates. Near-retirees with some college education account for 26.6% and those with college education are 25.5%. Near-retirees not completing high school are only 14.9% of the total sample. The average level of job tenure is about 17 years (Median = 15, *SD* = 10.09). Almost 2/3 of the total sample reported having good health and those who reported having excellent health were 14.9%, while 20.6% of them reported having poor health. Age, household income, family size, gender, and marital status of the study sample also are shown in Table 3.

Table 3

Characteristics of Total Near-Retirees Aged 51-64 (N = 4,077)

Variables	Frequency (%)	Mean (*SD*)/ Median
Cultural difference		
Blacks	680 (16.7%)	
Whites	3,397 (83.3%)	
Human capital characteristics		
Education		
Less than high	606 (14.9%)	
High school	1,341 (32.9%)	
Some college	1,091 (26.6%)	
College education	1,040 (25.5%)	
Job tenure (year)		16.7 (10.1)/ 15.0
Self-reported health		
Poor	838 (20.6%)	
Good	2,631 (64.5%)	
Excellent	608 (14.9%)	
Socioeconomic characteristics		
Age		57.4 (3.7)/ 57.0
Household income levels		
Top ($94,076 to $1,416,908)	1,022 (25.1%)	
2nd ($57,600 to $94,076)	1,017 (24.9%)	
3rd ($30,240 to $57,600)	1,020 (25.0%)	
Bottom ($0 to $30,240)	1,019 (25.0%)	
Family size		2.5 (1.3)/ 2.0
Gender		
Males	1,638 (40.2%)	
Females	2,440 (59.8%)	
Marital status		
Married	3,030 (74.3%)	
Divorced	653 (16.0%)	
Widowed	238 (5.8%)	
Never-married	156 (3.8%)	

The average age of the study sample was 57.4 years (Median = 57.0, *SD* = 3.74). There were four household income groups: top quartile ($94,076 to $1,416,908), 2nd top quartile ($57,600 to $94,076), 3rd quartile ($30,240 to $57,600), and bottom quartile ($0 to $30,240). The average family size was 2.5 (Median = 2.0, *SD* = 1.26). Of the total near-retirees, 40.2% were males and 59.8% were females. Married individuals made up 74.3% of the total sample. Sixteen percent of the sample were divorced, with widowed persons at 5.8% of the sample, and only 3.8% never-married.

Socioeconomic Profiles of Black and White Near-Retirees

Table 4 presents socioeconomic profiles of Blacks and Whites aged 51-64. The significant differences are as follows: education, job tenure, self-reported health, age, household income, family size, gender, and marital status between Blacks and Whites. Of the Black sample, 21% did not have a high school diploma. Near-retiree Blacks having graduated from high school were 30.6%. Blacks having completed some college were represented at 28.7% and 19.7% of the Black sample were college graduates. In the White sample, 13.6% had not completed high school. Among the White sample, high school graduates were 33.4% and some college graduates were 26.4%. Of the White sample, college graduates were represented by 26.6%. The findings in this study show that Blacks in the sample obtained a lower level of education than Whites. The average of job tenures for Blacks was 17.2 years, which was longer than for Whites (16.7 years).

Table 4 indicates the self-reported health of the Black and the White samples. A higher percentage, about 65%, of both Black and White samples reported having good

Table 4

Socioeconomic Profiles of Black and White Near-Retirees Aged 51-64

Variables	Blacks (n = 680) Frequency (%) Mean	Whites (n = 3,397) Frequency (%) Mean	Test statistics
Education:			
Less than high	21.0%	13.6%	$\chi^2 = 34.28^{***}$
High school	30.6%	33.4%	
Some college	28.7%	26.4%	
College education	19.7%	26.6%	
Job tenure	17.2	16.7	$t = 1.35$
Self-reported health:			
Poor	26.3%	19.4%	$\chi^2 = 31.72^{***}$
Good	64.6%	64.5%	
Excellent	9.1%	16.1%	
Age	57.2	57.5	$t = 0.05^{*}$
Household income quartiles:			
Bottom ($0 to $30,240)	42.9%	21.4%	$\chi^2 = 166.99^{***}$
3rd ($30,240 to $57,600)	25.9%	24.8%	
2nd ($57,600 to $94,076)	17.8%	26.4%	
Top ($94,076 to $1,416,908)	13.4%	27.4%	
Family size	2.6	2.4	$t = 3.32^{***}$
Gender:			
Males	35.7%	41.0%	$\chi^2 = 6.63^{*}$
Females	64.3%	59.0%	
Marital status:			
Married	58.6%	77.5%	$\chi^2 = 106.03^{***}$
Divorced	26.1%	14.0%	
Widowed	9.7%	5.0%	
Never-married	5.6%	3.5%	

$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$.

health, which is higher than those in excellent and poor health categories. However, a higher percentage of Blacks reported poor health (26.3%) as compared to Whites (19.4%). Table 4 shows that only 9.1% of the Black sample reported excellent health status, whereas 16.1% of the White sample reported the same.

The mean age of Whites was somewhat higher than Blacks, at 57.5 years old and 57.2 years old, respectively. Expressed by quartile, 42.9% of Black near-retirees fell in the bottom income quartile, with 25.9% of them in 3rd income quartile, 17.8% of them in the 2nd top income quartile, and 13.4% of them in the top income quartile. On the other hand, White near-retirees in the household income quartile were more evenly distributed. A relatively larger proportion (27.4%) of White near-retirees were in the top income quartile. Also, 26.4% of White near-retirees were in the second top income quartile, 24.8% of them were in the next lowest income quartile, and 21.4% of them were in the lowest income quartile.

The average family size for Blacks was 2.6. This is slightly larger than for Whites (2.4). Table 4 reports that the majority of both Blacks and Whites were females. There were 64.3% of the Black and 59% of the White samples that were females. As for the marital status, 58.6% of the Blacks were married, while 77.5% of the Whites were married. Single unmarried Blacks such as divorced, widowed, and never-married groups were relatively larger than single unmarried Whites.

Financial Profiles of Total Near-Retirees

Table 5 presents the financial profile of the total sample that is comprised of near-retirees aged 54-61. It shows frequencies, percentages, means, and medians for net worth, IRAs, retirement preparedness (i.e., investment assets-to-net worth ratio), financial

Table 5

Financial Profile of Total Near-Retirees Aged 51-64(N = 4,077)

Variables	Frequency (Percent)	Mean (Median)
Net worth (Total assets – total liabilities)	3,797 (93.1%)	$231,655 ($155,550)
Individual retirement accounts (IRAs)	1,690 (41.4%)	$37,084 ($0)
Retirement preparedness [a]	1,640 (40.3%)	22.5 (11.4)
Financial assets		
Checking accounts	3,589 (88.0%)	$15,776 ($4,000)
CDs	738 (18.1%)	$5,680 ($0)
Stocks	940 (23.1%)	$14,324 ($0)
Bonds	162 (3.7%)	$1,145 ($0)
Other savings	624 (15.3%)	$6,894 ($0)
Non-financial assets		
Business assets	402 (9.9%)	$12,394 ($0)
Real estate assets	560 (13.7%)	$14,458 ($0)
Vehicles	3,720 (91.2%)	$16,469 ($10,000)
Net value of primary home	3,286 (80.6%)	$114,658 ($80,000)

[a] Investment assets-to-net worth ratio > 0.25.

assets, and non-financial assets. The financial assets consist of checking accounts, CDs, stocks, bonds, and other savings, while non-financial assets represent business assets, real estate assets, vehicles, and net value of primary home.

Among total near-retirees, 93.1% reported dollar amounts in net worth. The average level of net worth for near-retirees was $231,655, while the median value was

$155,550. Of the total sample, 41.4% had dollar holdings in individual retirement accounts (IRAs). The average level of dollar amounts in IRAs for the total sample was $37,084, whereas the median level of IRAs was $0.00. Table 5 shows that more than half of the total near-retirees are not financially prepared for retirement. As for the retirement preparedness, the average level of investment assets-to-net worth ratio was 22.5, while the median value of the ratio was 11.4.

Table 5 also demonstrates the asset ownership and levels of assets for the total sample. A high percentage of the total individuals in the sample held checking accounts (88.1%). Of the total sample, 18.1% held CDs, 23.1% held stocks, 15.3% held other savings, and only 3.7% held bonds. The average level of dollar holdings in checking accounts was $15,776. The average level of dollar holdings in CDs was $5,680 and the average level of dollar holdings in stocks was $14,324. The average level of dollar holdings in other savings was $6,894. The average level of dollar holdings in bonds was $1,145. The median levels of dollar amounts in all financial assets were $0.00 with an exception being median level of dollar holdings in checking accounts ($4,000).

As for the non-financial assets category, only 9.9% of the total near-retirees aged 51 to 64 were holding business assets. The average level of dollar holdings in business assets was $12,394. Of the total sample, 13.7% had holdings in real estate assets. The average level of dollar holdings in real estate assets was $14,458. There were 91.2% of near-retirees that reported ownership of vehicles. The average and the median levels of dollar holdings in vehicles were $16,469 and $10,000, respectively. Home owners were 80.6% of the total sample. The mean and median levels of dollar amounts in net value of primary home were $114,658 and $80,000, respectively.

Asset Ownership of Black and White Near-Retirees

Table 6 compares asset ownership of Blacks and Whites aged 51-64. In addition, it provides the percent of respondents who reported dollar amounts for each asset category. The results of the chi-square test were statistically significant in dollar holdings in IRAs, net worth, investment assets-to-net worth ratio, checking accounts, CDs, stocks, bonds, and other savings, business, vehicles, and net value of primary home between Black and White near-retirees.

Black near-retirees. Of Black near-retirees, 87.8% had dollar holdings in net worth. Only 19.1% of Black near-retirees had dollar holdings in IRAs. It can be observed that 22.7% of the Black sample were financially prepared for retirement. Table 6 shows that 76.6% of Black near-retirees had holdings in checking accounts, 9.9% that had holdings in CDs, and 7.5% had holdings in stocks. Only 0.7% had holdings in bonds. There were 6.2% of Black near-retirees that had dollar holdings in other savings. In the non-financial category, 5.2% of Black near-retirees had holdings in business assets, 10.9% had real estate assets, and most of the Black group (81.0%) reported ownership of vehicles. There were 65.0% of Black near-retirees that reported home ownership.

White near-retirees. Table 6 presents that 94.2% of the White group had dollar holdings in net worth, and 45.9% of them had dollar holdings in IRAs. Of the White sample, 43.9% were financially prepared for retirement. There were 90.3% of White near-retirees that had dollar holdings in checking accounts, and 19.8% had holdings in CDs. However, only 26.2% of the White sample had holdings in stocks. A relatively

Table 6

Asset Ownership: A Comparison of Black and White Near-Retirees Aged 51-64

Asset categories		Blacks (n = 680) Frequency (percent)	Whites (n = 3,397) Frequency (percent)	Test statistics
Net worth	1 [a]	597 (87.8%)	3,199 (94.2%)	$\chi^2 = 35.91^{***}$
	0 [b]	83 (12.2%)	198 (5.8%)	
IRAs	1	130 (19.1%)	1,560 (45.9%)	$\chi^2 = 167.74^{***}$
	0	550 (80.9%)	1837 (54.1%)	
Retirement preparedness	1	154 (22.7%)	1,491 (43.9%)	$\chi^2 = 106.25^{***}$
	0	526 (77.4%)	1,906 (56.1%)	
Financial assets				
Checking accounts	1	521 (76.6%)	3,068 (90.3%)	$\chi^2 = 100.88^{***}$
	0	159 (23.4%)	329 (9.7%)	
CDs	1	67 (9.9%)	671 (19.8%)	$\chi^2 = 37.46^{***}$
	0	613 (90.1%)	2,726 (80.2%)	
Stocks	1	51 (7.5%)	889 (26.2%)	$\chi^2 = 111.33^{***}$
	0	629 (92.5%)	2,508 (73.8%)	
Bonds	1	5 (0.7%)	147 (4.3%)	$\chi^2 = 20.37^{***}$
	0	675 (99.3%)	3,250 (95.7%)	
Other savings	1	42 (6.2%)	582 (17.1%)	$\chi^2 = 52.47^{***}$
	0	638 (93.8%)	2,815 (82.9%)	
Non-financial assets				
Business assets	1	35 (5.2%)	367 (10.8%)	$\chi^2 = 20.40^{***}$
	0	645 (94.8%)	3,030 (89.2%)	
Real estate assets	1	74 (10.9%)	486 (14.3%)	$\chi^2 = 5.61$
	0	606 (89.1%)	2,911 (85.7%)	
Vehicles	1	551 (81.0%)	3168 (93.3%)	$\chi^2 = 105.79^{***}$
	0	129 (19.0%)	229 (6.7%)	
Primary home	1	442 (65.0%)	2,843 (83.7%)	$\chi^2 = 126.47^{***}$
	0	238 (35%)	554 (16.3%)	

[a] Have, [b] Not have.
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$.

lower percentage of them (4.3%) had holdings in bonds. There were 17.1% of White near-retirees that had dollar holdings in other savings. In the non-financial asset

category, 10.8% of White near-retirees had holdings in business assets. There were 14.3% of White near-retirees that had holdings in real estate. The majority of the White sample (93.3%) reported ownership of vehicles. There were 83.7% of White near-retirees that reported home ownership.

Differences in asset ownership between Black and White near-retirees. The findings indicated that Black near-retirees tended to have lower percentages of asset holdings in all financial and non-financial categories than White near-retirees. It was reported that 19.1% of Black near-retirees had dollar holdings in IRAs, while almost half of White near-retirees (45.9%) had dollar holdings in IRAs. It was reported that Blacks had lower dollar holdings in net worth than Whites. Less than half of both Black and White groups were financially prepared for retirement, 22.7% and 43.9%, respectively. A much lower percentage of Black near-retirees had dollar holdings in the financial asset categories, such as checking accounts, CDs, stocks, bonds, and other savings. In particular, only 9.9% of Black near-retirees had dollar holdings in CDs, while White near-retirees with CDs were 19.8%. Bonds were the lowest asset category for both Black and White groups. Also, a relatively lower proportion of Blacks than Whites had holdings in every category of non-financial assets, such as business, real estate, vehicles, and home ownership.

Asset Levels of Black and White Near-Retirees

Table 7 compares the levels of assets between Black and White near-retirees. The results of the *t* test indicates that the following variables were statistically significant: net worth, IRAs, investment assets-to-net worth ratio, checking accounts, stocks, other savings, business assets, vehicles, and net value of primary home. However, there were

Table 7

Levels of Assets: A Comparison of Black and White Near-Retirees Aged 51-64

Variables	Blacks (n = 680) Level	Whites (n = 3,397) Level	Test statistics
Net worth	$128,504 ($55,350)	$264,582 ($195,000)	$t = -12.19^{***}$
IRA	$12,486 ($0)	$42,018 ($0)	$t = -15.84^{***}$
Retirement preparedness [a]	14.0 (0)	24.2 (16.8)	$t = -4.74^{***}$
Financial assets			
Checking accounts	$6,657 ($1,000)	$17,607 ($5,000)	$t = -10.74^{***}$
CDs	$1,256 ($0)	$6,567 ($0)	$t = 9.53^{***}$
Stocks	$5,279 ($0)	$16,139 ($0)	$t = -5.91^{***}$
Bonds	$24.7 ($0)	$1,369 ($0)	$t = -5.96^{***}$
Other savings	$3,415 ($0)	$7,592 ($0)	$t = -2.57^{**}$
Non-financial assets			
Business assets	$3,354 ($0)	$14,207 ($0)	$t = -8.45^{***}$
Real estate assets	$13,120 ($0)	$14,731 ($0)	$t = 0.49$
Vehicles	$14,343 ($6,000)	$16,899 ($11,000)	$t = -2.63^{**}$
Net value of primary home	$68,502 ($35,000)	$123,913 ($92,000)	$t = -10.77^{***}$

[a] Investment assets-to-net worth ratio > 0.25.
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$.

no significant differences in the average dollar value in CDs and real estate assets.

Black near-retirees. Table 7 shows that the average level of dollar amounts in net worth for the Black group was $128,504, while that in IRAs was $12,486. The average value of investment assets-to-net worth ratio for the Black group is 14.0. The average level of dollar holdings for Black near-retirees in checking accounts was $6,657. Among Black near-retirees, the average level of dollar holdings in CDs was $1,256. The average level of dollar holdings in stocks was $5,279. The level of dollar holdings in bonds was $24.7. The level of dollar holdings in other savings was $3,415. In the non-financial assets category, the average level of dollar holdings for the Black group in business assets was $3,354. The level of dollar holdings in real estate was $13,120. The average level of vehicles for Black near-retirees was $14,343. Black near-retirees reported that the average level of dollar holdings in the primary home was $68,502.

White near-retirees. Table 7 also reports that the average level of dollar amounts in net worth for the White group was $264,582, while that in IRAs was $42,018. The average value of investment assets-to-net worth ratio for the White group was 24.2. The average level of dollar amounts in checking accounts was $17,607. The average level of dollar holdings in CDs was $6,567. The level of dollar amounts in stocks was $16,139. However, the average level of dollar holdings in bonds was relatively lower with only $1,369. The average level of dollar amounts in other savings was $7,592. Among the non-financial assets type, the average level of dollar holdings in business assets was $14,207 and that real estate was $14,731for the White group. The White group reported that the average level of dollar holdings in vehicles was

$16,899. The dollar amounts in net value of primary home show a relatively higher level with an average of $123,913.

Differences in asset level between Black and White near-retirees. It is shown in Table 7 that based on the *t* test results, indicating that the average level of net worth for White near-retirees was more than twice than that for Black near-retirees. The average level of dollar holdings in IRAs for the Black group was $12,486, while that for the White group was $42,018. Table 7 also indicates that the average value of investment assets-to-net worth ratio for the White group (24.2) was greater than that for the Black group (14.0). These results mean that White near-retirees own 24% of their net worth in CDs, T-bills, stocks, bonds, IRAs, business, and real estate, while Blacks own only 14% of their net worth in such investment assets. The findings represent that Blacks are less likely to have more investment assets than Whites. Thus, descriptive statistics inform that Blacks were less likely to be financially prepared for retirement than their White counterparts. It can be summarized that the average level of financial and non-financial assets for Black near-retirees was much lower than those levels for White near-retirees. Although bonds are the lowest financial asset category for both groups, the mean value of bonds for Blacks is much lower than for Whites. The average levels of net value in the primary home were $68,502 for Blacks and $123,913 for Whites.

OLS Results of Net Worth

Total Near-Retirees

The understanding of how Blacks save as they approach near retirement was of primary concern in this study. How the types of assets and the levels of savings differ

Table 8

OLS Result of Net Worth Among Near-Retirees (N = 4,077)

Variables	Parameter estimate (ß)	Standardized estimate (b)	Std. error	*p*-value
Cultural difference: (Whites)				
Blacks	-75,758	-0.106	10,369	0.0001***
Human capital factors				
Education: (Less than high)				
High school	31,338	0.056	12,440	0.0118**
Some college	61,448	0.104	13,007	0.0001***
College education	110,037	0.184	13,778	0.0001***
Job tenure	1,740	0.067	392	0.0001***
Self-reported health: (Poor)				
Good	39,308	0.071	10,073	0.0001***
Excellent	82,268	0.113	13,412	0.0001***
Socioeconomic factors				
Household income quartiles: (Bottom)				
3rd ($30,240 to $57,600)	45,474	0.075	11,136	0.0001***
2nd ($57,600 to $94,076)	103,424	0.171	11,983	0.0001***
Top ($94,076 to $1,416,908)	205,540	0.341	12,931	0.0001***
Family size	-6,764	-0.032	3,245	0.0372*
Age	-26,781	-0.340	32,430	0.4090
Gender: (Male)				
Female	23,906	0.045	7,958	0.0027**
Marital status: (Married)				
Divorced	-50,933	-0.071	11,572	0.0001***
Widowed	-26,446	-0.024	17,013	0.1201
Never-married	-42,306	-0.031	20,534	0.0394*
Intercept	654,690	0	935,525	0.4841
F-value		66.76***		
Adjusted R^2		0.22		

Note. Reference categories are presented in parentheses.
*$p < .05$; **$p < .01$; ***$p < .001$.

between Black and White near-retirees is addressed in the section of descriptive studies. Holding other factors constant, the OLS results of this study quantify the human capital and socioeconomic factors that are associated with Blacks and Whites in the near-retirement stage. The OLS results in Table 8 present factors affecting the net worth that measured the level of savings among near-retirees aged 51-64. Statistically significant factors, which determined the levels of net worth for persons nearing retirement, were reported. The adjusted *R* squared was .22, indicating that the independent variables (race, education, job tenure, self-reported health, age, household income, family size, gender, and marital status) in the OLS model explained about 22% of the total variance in net worth. The *F*-statistics indicate that the model of independent variables was appropriate for understanding the levels of net worth.

This study hypothesized that Black near-retirees had lower levels of savings than Whites did (Hypothesis 1-a). The coefficient associated with Blacks was statistically significant, indicating that there was a significant difference between Black and White near-retirees in their levels of net worth. Blacks in the near-retirement stage had $75,758 less in net worth than did their White counterparts; therefore, Hypothesis 1-a was supported.

All the human capital characteristics of near-retirees, such as high school education, some college education, college education, job tenure, good health, and excellent health were the significant factors that affect the levels of net worth for near-retiree persons aged 51-64. With all factors being equal, it can be posited that near-retirees with a high school education, some college education, or a college education held higher levels of net worth compared to near-retirees with no high school

education. Near-retirees with a high school education, some college education, or a college education had $31,338, $61,448, and $110,037 more in net worth than those with less than a high school diploma, respectively. Table 8 also showed that net worth increased as the level of job tenure increased. For each year of job tenure, there was an increase of $1,740 in net worth. The effect of self-reported health on the level of net worth among near-retirees was significant and positive also, indicating that near-retirees with good health or excellent health have higher levels of net worth than those with a poor health status.

As socioeconomic characteristics, the coefficients associated with household income, family size, female, divorced, and never-married were statistically significant. However, the coefficient associated with age was not statistically significant. Table 8 showed that with all else being equal, as the levels of the household income increased, the levels of net worth increased among near-retirees. It can be seen that those in 25th to 50th percentile ($30,240 to $57,600), 50th to 75th percentile ($57,600 to $94,076), and the top income group ($94,076 to $1,416,908) had higher levels of net worth than near-retirees in the lowest household income quartile ($0 to $30,240).

The coefficient associated with family size was significant and negative. Each additional family member decreases their level of savings by $6,764, with all other things equal. Marital status was an important factor in predicting the levels of savings among near-retirees. Both coefficients associated with divorced and never-married in the model were statistically significant, indicating that when all factors are constant, divorced or never-married near-retirees held $50,933 and $42,306 less in net worth than do married near-retirees.

Black Near-retirees

The OLS results in Table 9 showed the significant factors affecting the levels of net worth for Black near-retirees. The adjusted *R* squared was .20, indicating that the independent variables (education, job tenure, self-reported health, age, household income, family size, gender, and marital status) in the OLS model explained approximately 20% of the variance in net worth for Black near-retirees. The *F*-statistics indicate that the model for independent variables was appropriate for understanding the level of net worth among Black near-retirees.

Among the human capital characteristics, some college education, a college education, and job tenure were the significant factors in predicting the level of net worth for Black near-retirees. The OLS results reported that the effect of education was significant and positively related to the levels of net worth among Black near-retirees. From Table 9, with all factors being constant, Black near-retirees with some college or a college education reported higher levels of net worth than Black near-retirees with less than a high school education. However, the coefficient associated with a high school education was not statistically significant; Hypothesis 2-a was partially supported. Table 9 also demonstrated that net worth increased as the level of job tenure increased, indicating that for each year of job tenure, there was an increase of $1,594 in net worth with all factors being equal. Consequently, Hypothesis 3-a was supported.

This study hypothesized that Black near-retirees having good or excellent health will have higher levels of savings than those with poor health (Hypothesis 4-a). Contrary to what was expected, the coefficient associated with Black near-retirees with good or excellent health was not statistically significant, indicating that there was no significant

Table 9

OLS Result of Net Worth Among Black Near-Retirees (n = 680)

Variables	Parameter estimate (ß)	Standardized estimate (b)	Std. error	*p*-value
Human capital factors				
Education: (Less than high)				
High school	23,429	0.057	20,299	0.2489
Some college	62,666	0.149	21,284	0.0034**
College education	91,668	0.194	23,925	0.0001***
Job tenure	1,594	0.085	701	0.0234*
Self-reported health: (Poor)				
Good	-1,872	-0.005	17,147	0.9131
Excellent	30,459	0.046	27,871	0.2749
Socioeconomic factors				
Household income quartiles: (Bottom)				
3rd ($30,240 to $57,600)	1,413	0.003	17,637	0.9362
2nd ($57,600 to $94,076)	70,075	0.143	20,880	0.0008***
Top ($94,076 to $1,416,908)	155,156	0.279	25,309	0.0001***
Family size	769	0.006	5,094	0.8801
Age	-4,861	-0.096	59,488	0.9349
Gender: (Male)				
Female	6,333	0.016	14,652	0.6657
Marital status: (Married)				
Divorced	-68,998	-0.157	18,167	0.0002***
Widowed	-59,634	-0.093	25,044	0.0176*
Never-married	-46,852	-0.056	31,332	0.1353
Intercept	85,419	0	1,717,421	0.9603
F-value			11.23***	
Adjusted R^2			0.20	

Note. Reference categories are presented in parentheses.
*$p < .05$; **$p < .01$; ***$p < .001$.

difference between near-retirees with poor, good, and excellent health in the level of net worth. Therefore Hypothesis 4-a was not supported.

As for the socioeconomic characteristics, it was hypothesized that there would be a positive relationship between age and the levels of net worth among Black near-retirees; however, there was no statistical significance between age and the levels of net worth. Thus, Hypothesis 5-a was not supported. The effect of household income on the level of net worth was partially significant and positive. Specifically, the coefficient associated with the variables of the 2nd top income quartile ($57,600 to $94,076) and top quartile ($94,076 to $1,416,908) in the model was statistically significant, representing that with all other factors being equal, near-retirees in the 2nd top quartile, or top income group held $70,075 and $155,156 more in net worth than those in the lowest household income quartile ($0 to 30,240). However, the coefficient associated with the 3rd quartile ($30,240 to $57,600) was not statistically significant. Thus, the effect of household income on the levels of net worth (Hypothesis 6-a) was partially supported.

It was hypothesized that family size would be negatively correlated with the levels of net worth among Black near-retirees. Nevertheless, the results of the OLS regression analysis reported no statistically significant differences in family size among Black near-retirees. Therefore, Hypothesis 7-a was not supported. Table 9 showed that near-retiree Black women had higher amounts of net worth than do near-retiree Black men; however, there was no statistical significance between being female and the levels of net worth. Therefore, Hypothesis 8-a was not supported. It was hypothesized that non-married Black near-retirees would have lower levels of savings than married Black near-retirees (Hypothesis 9-a). As expected, Table 9 showed that divorced or widowed

Black near-retirees had significantly lower levels of net worth compared to married Black near-retirees. Specifically, divorced or widowed Black near-retirees had $68,998 and $59,634 less dollars of net worth than married Black near-retirees, respectively. However, the coefficient associated with never-married Black near-retirees was statistically significant. Therefore, Hypothesis 9-a was partially supported.

White Near-Retirees

This study explores how the levels of savings are different between near-retire Blacks and Whites. The OLS results in Table 10 showed the significant factors affecting the levels of net worth among White near-retirees. The adjusted *R* squared is .19, indicating that the independent variables (education, job tenure, self-reported health, age, household income, family size, gender, and marital status) in the OLS model explained about 19% of the variance in net worth. The *F*-statistics indicate that the OLS model of independent variables was suitable for understanding the level of net worth among White near-retirees.

Among the human capital factors, the coefficients associated with high school education, some college education, college education, job tenure, good health, and excellent health were statistically significant in predicting the levels of net worth for White near-retirees aged 51-64. All coefficients associated with the levels of education was statistically significant in predicting the levels of net worth among White near-retirees. With all factors being constant, White near-retirees with a high school education, some college, or a college education hold higher levels of net worth compared to White near-retirees with less than a high school education.

Table 10

OLS Result of Net Worth Among White Near-Retirees (n = 3,397)

Variables	Parameter estimate (ß)	Standardized estimate (b)	Std. error	*p*-value
Human capital factors				
Education: (Less than high)				
High school	32,498	0.057	14,636	0.0265*
Some college	62,646	0.103	15,299	0.0001***
College education	113,431	0.188	16,021	0.0001***
Job tenure	1,774	0.066	450	0.0001***
Self-reported health: (Poor)				
Good	49,397	0.087	11,673	0.0001***
Excellent	92,152	0.127	15,107	0.0001***
Socioeconomic factors				
Household income quartile: (Bottom)				
3rd ($30,240 to $57,600)	59,359	0.095	13,189	0.0001***
2nd ($57,600 to $94,076)	113,899	0.187	13,938	0.0001***
Top ($94,076 to $1,416,908)	217,932	0.363	14,814	0.0001***
Family size	-8,509	-0.038	3,845	0.0270*
Age	-32,635	-0.450	36,968	0.3774
Gender: (Male)				
Female	25,940	0.047	9,106	0.0044**
Marital status: (Married)				
Divorced	-45,032	-0.058	13,701	0.0010**
Widowed	-14,347	-0.012	20,595	0.4861
Never-married	-44,373	-0.030	24,551	0.0708
Intercept	791,616	0	1,066,351	0.4579
F-value			50.68***	
Adjusted R^2			0.19	

Note. Reference categories are presented in parentheses.
*$p < .05$; **$p < .01$; ***$p < .001$.

The results of the OLS regression analyses showed that for both Black and White near-retirees, those with higher levels of education had higher levels of net worth than did their less educated counterparts. As expected, the effect of job tenure on the level of net worth was statistically significant and positive also, indicating that each additional year of job tenure increased the levels of net worth by $1,774, with all other things equal. Similar to the Black near-retirees, the relationship between the length of job tenure and the levels of net worth was statistically significant and positive for White near-retirees. The OLS regression analysis also demonstrated the significant effect of self-reported health on the levels of net worth among White near-retirees. White near-retirees with good health or excellent health, relative to White near-retirees with poor health, had higher levels of net worth. White near-retirees with good or excellent health had respectively $49,397 and $92,152, more in net worth than those with poor health. However, there was no significant effect of self-reported health on the levels of net worth among Black near-retirees.

Table 10 shows that several socioeconomic factors play a significant role in predicting the levels of net worth among White near-retirees aged 51-64. Similar to the results from Black near-retirees, the results of the OLS regression analysis indicated that the coefficient associated with age was not statistically significant in predicting the levels of net worth. The coefficients associated with the 3rd, 2nd top, and the top income quartiles were statistically significant. As compared to near-retirees in the lowest income quartile ($0 to $30,240), those in the 25th to 50th percentile ($30,240 to $57,600), 50th to 75th percentile ($57,600 to $94,076), or the highest income quartile ($94,076 to $1,416,908) had higher levels of net worth. Specifically, White near-retirees in the 3rd,

2nd top, or the top income quartile, respectively, had $59,359, $113,899, and $217,932 more in net worth than those in the lowest income group.

Unlike Black near-retirees, the coefficient associated with family size was significant and negative. It means that each additional family member decreases their level of net worth by $8,509, with all other factors being constant. Table 10 also showed that all other factors being equal, near-retiree White females had $25,940 more in net worth than did their White male counterparts. While comparing the results of the female sample, it can be said that both near-retiree, Black and White females had significantly higher levels of savings than their male counterparts. Marital status was considered an important factor in predicting the level of net worth among White near-retirees. Table 10 reported that only the coefficient associated with divorced in the OLS model was statistically significant, indicating that all other factors being constant, divorced White near-retirees held $45,032 less in net worth than did married White near-retirees. Unlike the results from Black near-retirees, there was no statistical significant difference among widowed White near-retirees in predicting the levels of net worth.

Logistic Results of IRA Ownership

Total Near-Retirees

Table 11 presents factors affecting the likelihood of holding IRAs for near-retirees aged 51-64. This study hypothesized that Blacks were less likely to hold retirement accounts than Whites (Hypothesis 1-b). As compared to White near-retirees, Black near-retirees were less likely to own IRAs. The odds ratio shows that Black near-retirees were 65% less likely to own an IRA than White near-retirees. The coefficient

Table 11

Logist Results of IRA Ownership Among Total Near-Retirees (N = 4,077)

Variables	Parameter estimate	*p*-value		Odds ratio
Cultural difference: (Whites)				
Blacks	-1.0467	0.0001	***	0.351
Human capital factors				
Education: (Less than high)				
High school	0.6426	0.0001	***	1.901
Some college	0.8584	0.0001	***	2.359
College education	1.3971	0.0001	***	4.043
Job tenure	0.0095	0.0111	*	1.010
Self-reported health: (Poor)				
Good	0.5186	0.0001	***	1.680
Excellent	0.8096	0.0001	***	2.247
Socioeconomic factors				
Household income quartile: (Bottom)				
3rd ($30,240 to $57,600)	0.3821	0.0006	***	1.465
2nd ($57,600 to $94,076)	0.5817	0.0001	***	1.789
Top ($94,076 to $1,416,908)	0.9922	0.0001	***	2.697
Family size	-0.1416	0.0001	***	0.868
Age	0.2919	0.3442		1.339
Gender: (Male)				
Female	0.2107	0.0056	**	1.235
Marital status: (Married)				
Divorced	-0.3660	0.0013	**	0.693
Widowed	-0.3765	0.0279	*	0.686
Never-married	-0.2203	0.2732		0.802
Intercept	-11.0336	0.2153		
Log Likelihood		4680.589		
χ^2		689.55***		

Note. Reference categories are presented in parentheses.
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$.

associated with Blacks was statistically significant, with all other factors being equal; therefore, Hypothesis 1-b was supported.

Among the human capital factors, education, job tenure, and self-reported health status were statistically significant in predicting the likelihood of holding IRAs for near-retirees aged 51-64. Near-retirees with high school diplomas were 90% more likely to hold IRAs than those with no high school diplomas, while near-retirees with some college education or a college education were 136% and 304% more likely to hold IRAs, respectively. The higher level of education near-retirees obtained, the more likely they were to own IRAs. The coefficient associated with job tenure was significant and positive. The likelihood of holding IRAs increased as the length of job tenure increased. The logit results showed that compared to near-retirees with poor health, those who had good health were 68% more likely to hold IRAs, while those with excellent health were approximately 125% more likely to hold IRAs than those with poor health. The better study participants reported their health status, the more likely they were to hold IRAs.

Among the socioeconomic factors, household income, family size, and marital status were statistically significant in predicting the likelihood of holding IRAs for near-retirees aged 51-64. However, the coefficient associated with age was not statistically significant. Near-retirees in the 25th to 50th percentile group ($30,240 to $57,600) were 47% more likely to hold IRAs, while near-retirees in the 50th to 75th percentile ($57,600 to $94,076) or the top income quartile ($94,076 to $1,416,908) were 79% and 170% more likely to hold IRAs, respectively. The higher the income reported by near-retirees, the more likely they were to own IRAs.

The relationship between family size and the likelihood of IRA ownership among near-retirees was significant and negative, indicating that the likelihood of IRA ownership increased as family size decreased. The results of the logistic regression analysis indicated that near-retiree females were more likely to hold IRAs than near-retiree males. In fact, females were 24% more likely to hold IRAs than males. Table 11 reported that marital status was a significant factor affecting the likelihood of holding IRAs. Divorced and widowed near-retirees were less likely to hold IRAs than married near-retirees. Specifically, the odds ratio showed that compared to married near-retirees, divorced or widowed near-retirees were 30% and 31% less likely to hold IRAs, respectively. However, the coefficient associated with never-married was not statistically significant.

Black Near-Retirees

The logit results in Table 12 present the significant factors affecting the likelihood of holding IRAs among Blacks in the near-retirement stage. The logistic regression model for the Black sample included education, job tenure, self-reported health status, age, household income, family size, gender, and marital status, as explanatory variables.

Among human capital factors, education and job tenure were statistically significant in predicating the likelihood of holding IRAs. The findings from Table 12 suggest that compared to Black near-retirees with less than a high school education, Black near-retirees with a college education were 169% more likely to hold IRAs; however, the coefficient associated with a high school education and some college education was not statistically significant. Therefore, Hypothesis 2-b was partially supported.

Table 12

Logist Results of IRA Ownership Among Black Near-Retirees (n = 680)

Variables	Parameter estimate	*p*-value		Odds ratio
Human capital factors				
Education: (Less than high)				
High school	0.1831	0.6165		1.201
Some college	0.6503	0.0726		1.916
College education	0.9903	0.0093	**	2.692
Job tenure	0.0219	0.0418	*	1.022
Self-reported health: (Poor)				
Good	0.3406	0.2547		1.406
Excellent	0.2141	0.6161		1.239
Socioeconomic factors				
Household income quartile: (Bottom)				
3rd ($30,240 to $57,600)	0.2960	0.3106		1.345
2nd ($57,600 to $94,076)	0.4546	0.1565		1.575
Top ($94,076 to $1,416,908)	0.9835	0.0055	**	2.674
Family size	0.0126	0.8726		1.013
Age	-0.1864	0.8383		0.830
Gender: (Male)				
Female	-0.1202	0.5881		0.887
Marital status: (Married)				
Divorced	-0.3496	0.2384		0.705
Widowed	-0.1338	0.7430		0.875
Never-married	-0.2377	0.6573		0.788
Intercept	1.6092	0.9514		
Log Likelihood		581.941		
χ^2		51.47***		

Note. Reference categories are presented in parentheses.
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$.

It is hypothesized that there will be a positive relationship between job tenure and the likelihood of holding IRAs (Hypothesis 3-b). Table 12 showed that as the length of job tenure continued to increase, the likelihood of holding IRAs increased; therefore, Hypothesis 3-b was supported. The relationship between self-reported health and the likelihood of holding IRAs among Black near-retirees was not statistically significant. That is, highly educated Black near-retirees and those with longer job tenure were more likely to own IRAs than other Blacks.

Among the socioeconomic characteristics, only one variable, household income was statistically significant in predicting the likelihood of holding IRAs. Table 12 reported that compared to Black near-retirees in the bottom income quartile ($0 to $30,240), those in the top income group ($94,076 to $1,416,908) were more likely to hold IRAs. In fact, the odds ratio indicated that Black near-retirees in the highest income quartile were 167% more likely to own IRAs than those in the lowest income quartile. The coefficients associated with the 3rd ($30,240 to $57,600) and 2nd top ($57,600 to $94,076) income quartiles were not statistically significant. However, age, family size, gender, and marital status were not significant factors affecting the likelihood of holding IRAs. Thus, Hypothesis 6-b was partially supported, while Hypothesis 5-b, Hypothesis 7-b, Hypothesis 8-b, and Hypothesis 9-b were not supported.

White Near-Retirees

Table 13 shows factors affecting the likelihood of holding IRAs among White near-retirees aged 51-64. Unlike the results of the logistic regression analysis for Black near-retirees, the results of logistic regression analysis for White near-retirees indicated that not only education, job tenure, and household income were statistically significant,

Table 13

Logist Results of IRA Ownership Among White Near-Retirees (n = 3,397)

Variables	Parameter estimate	*p*-value		Odds ratio
Human capital factors				
Education: (Less than high)				
High school	0.7078	0.0001	***	2.029
Some college	0.9037	0.0001	***	2.469
College education	1.4628	0.0001	***	4.381
Job tenure	0.0080	0.0457	*	1.008
Self-reported health: (Poor)				
Good	0.5400	0.0001	***	1.716
Excellent	0.8604	0.0001	***	2.364
Socioeconomic factors				
Household income quartile: (Bottom)				
3rd ($30,240 to $57,600)	0.3972	0.0010	**	1.488
2nd ($57,600 to $94,076)	0.6009	0.0001	***	1.824
Top ($94,076 to $1,416,908)	1.0055	0.0001	***	2.733
Family size	-0.1698	0.0001	***	0.844
Age	0.3506	0.2863		1.420
Gender: (Male)				
Female	0.2426	0.0029	**	1.275
Marital status: (Married)				
Divorced	-0.3544	0.0041	**	0.701
Widowed	-0.4342	0.0271	*	0.648
Never-married	-0.2090	0.3416		0.811
Intercept	-12.7076	0.1804		
Log Likelihood		4083.807		
χ^2		473.29***		

Note. Reference categories are presented in parentheses.
*$p < .05$; **$p < .01$; ***$p < .001$.

but also self-reported health, family size, gender, and marital status were statistically significant in predicting the likelihood of White near-retirees holding IRAs.

Based on the findings of the logistic regression analysis, among the significant human capital factors, education and job tenure significantly affect the likelihood of holding IRAs for both Black and White near-retirees. Likely, in the results of the Blacks sample, the higher the level of education they obtained, the more likely White near-retirees were to own IRAs. Near-retiree Whites with a high school education were 103% more likely to own IRAs than those with less than a high school education. Those with some college education or a college education were 147% and 338%, respectively, more likely to own IRAs than those with less than a high school education. Similar to the results of the Black sample, the likelihood of holding IRAs increased, as the length of job tenure increased among White near-retirees. Unlike the results of the Black sample, the relationship between self-reported health status and the likelihood of holding IRAs was statistically significant and positive. The findings also indicated that as compared to White near-retirees in poor health, those who had good or excellent health were 72% and 136%, respectively, more likely to own IRAs. The better White near-retirees reported their health status, the more likely they were to own IRAs.

Similar to the results of the Black sample, the age of White near-retirees was not statistically significant in predicting the likelihood of holding IRAs. Table 13 reported that household income was a significant predictor of holding IRAs among Black near-retirees. Unlike the results of the Black sample, the 25th to 50th percentile ($30,240 to $57,600), 50th and 75th percentile ($57,600 to $94,076), and the highest income quartile ($94,076 to $1,416,908) were all statistically significant and positive. The odds ratio

showed that compared to White near-retirees in the lowest income quartile, those in 3rd income quartile were 49% more likely to own IRAs, while those with the 2nd top income quartile or the top income quartile were 82% and 173% more likely to own IRAs, respectively.

Unlike the results of the Black sample, the relationship between family size and the likelihood of holding IRAs was statistically significant and negative. Thus, it can be said that the likelihood of holding IRAs increased as family size decreased among White near-retirees. Unlike the results of the Black sample, both the coefficient associated with divorced and widowed were statistically significant, suggesting that divorced or widowed, White near-retirees were 30% and 35% less likely to hold IRAs, respectively. Similar to the results of the Black sample, only the coefficient associated with divorce was statistically significant, indicating that divorced White near-retirees were less likely to own IRAs than were married White near-retirees.

Logistic Results of Retirement Preparedness

Total Near-Retirees

Table 14 reveals factors affecting the likelihood of being financially prepared for retirement among near-retirees aged 51-64. This study hypothesized that Black near-retirees would be less likely to meet the indicator of retirement preparedness (Hypothesis 1-c). The coefficient associated with Black was statistically significant, with all other things constant; thus Hypothesis 1-c was supported. When compared to White near-retirees, the odds ratio showed that Black near-retirees were 51% less likely to be financially prepared for retirement.

Table 14

Logist Results of Retirement Preparedness Among Total Near-Retirees (N = 4,077)

Variables	Parameter estimate	*p*-value		Odds ratio
Cultural difference: (Whites)				
Blacks	-0.7124	0.0001	***	0.490
Human capital factors				
Education: (Less than high)				
High school	0.4969	0.0001	***	1.644
Some college	0.7715	0.0001	***	2.163
College education	1.0892	0.0001	***	2.972
Job tenure	0.0125	0.0006	***	1.013
Self-reported health: (Poor)				
Good	0.3820	0.0001	***	1.465
Excellent	0.4679	0.0002	***	1.597
Socioeconomic factors				
Household income quartile: (Bottom)				
3rd ($30,240 to $57,600)	0.3428	0.0017	***	1.409
2nd ($57,600 to $94,076)	0.6472	0.001	***	1.910
Top ($94,076 to $1,416,908)	0.8911	0.001	***	2.438
Family size	-0.1434	0.0001	***	0.866
Age	0.0460	0.8789		1.047
Gender: (Male)				
Female	0.0946	0.2014		1.099
Marital status: (Married)				
Divorced	-0.2912	0.0088	***	0.747
Widowed	-0.3660	0.0306	*	0.694
Never-married	0.2891	0.1305		1.335
Intercept	-3.5808	0.6810		
Log Likelihood		4849.559		
χ^2		486.30***		

Note. Reference categories are presented in parentheses.
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$.

Among the human capital factors, education, job tenure, and self-reported health were statistically significant in predicting the likelihood of being financially prepared for retirement among near-retirees aged 51-64. The findings from Table 14 presented that as compared to near-retirees with less than a high school education, near-retirees with at least a high school education were 64% more likely to meet the indicator of retirement preparedness. Near-retirees with some college or college education were 116% and 197%, respectively, more likely to meet the indicator of retirement preparedness than those with less than a high school education. This means that the higher level of education near-retirees obtained, the more likely they were to be financially prepared for retirement. The relationship between job tenure and the likelihood of being financially prepared for retirement preparedness among near-retirees was statistically significant and positive; suggesting that near-retirees with longer job tenure were more likely to be financially prepared for retirement. When compared to near-retirees in poor health, those who reported good or excellent health were 47% and 60%, respectively, more likely to be financially prepared for retirement. This means that the better they reported their health status, the more likely near-retirees were financially prepared for retirement.

As for the socioeconomic factors, household income, family size, and marital status were statistically significant in predicting the likelihood of being financially prepared for retirement. However, the coefficients associated with age and gender were not statistically significant. The results of the logistic regression analysis presented that compared with those in the lowest income quartile ($0 to $30,240), near-retirees in the 25th to 50th percentile ($30,240 to $57,600), 50th and 75th percentile ($57,600 to $94,076), and those in the highest income quartile ($94,076 to $1,416,908) were more likely to be

financially prepared for retirement. Specifically, the odds ratio indicated that those in the 25th to 50th percentile, in the 50th to 75th percentile, and in the highest income quartile were 41%, 91%, and 144%, respectively more likely to be financially prepared for retirement than those in the lowest income quartile. As the level of household income increased, so did the likelihood of being financially prepared for retirement.

The relationship between family size and the likelihood of being financially prepared for retirement was significant and negative. The odds ratio showed that as family size increased, the likelihood of being financially prepared for retirement declined by 13.4%. Table 14 reported that compared to married near-retirees, divorced or widowed near-retirees were 25% and 31%, respectively, less likely to be financially prepared for retirement. The coefficient associated with never-married was not statistically significant; however, the result was not found to be statistically significant.

Black Near-Retirees

This study examines the likelihood of Blacks in the near retirement stage being financially prepared for retirement. Table 15 presents factors affecting the likelihood of being financially prepared for retirement for Black near-retirees age 51-64. The results of logistic regression analysis indicated that education, job tenure, and household income were statistically significant in predicting the likelihood of being financially prepared for retirement among Black near-retirees.

Among the human capital characteristics, education and job tenure were statistically significant in predicting the likelihood of being financially prepared for retirement. Findings from Table 15 suggested that Blacks with some college education were 101% more likely to be financially prepared for retirement than those with

Table 15

Logist Results of Retirement Preparedness Among Black Near-Retirees (n = 680)

Variables	Parameter estimate	*p*-value		Odds ratio
Human capital factors				
Education: (Less than high)				
High school	0.0813	0.8082		1.085
Some college	0.6981	0.0350	*	2.010
College education	0.4902	0.1731		1.633
Job tenure	0.0294	0.0041	**	1.030
Self-reported health: (Poor)				
Good	0.2243	0.4108		1.251
Excellent	0.2501	0.9506		1.025
Socioeconomic factors				
Household income quartile: (Bottom)				
3rd ($30,240 to $57,600)	0.7267	0.0074	**	2.068
2nd ($57,600 to $94,076)	0.6741	0.0283	*	1.962
Top ($94,076 to $1,416,908)	1.4062	0.001	***	4.080
Family size	0.0289	0.6916		1.029
Age	0.0823	0.9245		1.086
Gender: (Male)				
Female	0.0550	0.7945		1.057
Marital status: (Married)				
Divorced	-0.4190	0.1322		0.658
Widowed	-0.5147	0.2133		0.598
Never-married	-0.5579	0.9039		0.944
Intercept	-5.1210	0.8380		
Log Likelihood		633.089		
χ^2		67.84***		

Note. Reference categories are presented in parentheses.
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$.

less than a high school education. It means that the higher the education level Black near-retirees obtained, the more likely they were to be financially prepared for retirement; however, neither coefficient associated with a high school education or a college education was statistically significant.

The relationship between job tenure and the likelihood of being financially prepared for retirement among Blacks in the near retirement stage was statistically significant and positive. That is, as the length of job tenure increased, so did the likelihood of being financially prepared for retirement. However, the effect of self-reported health status on the likelihood of being financially prepared for retirement was not statistically significant. Hypothesis 3-c was supported by the logit results.

Among the socioeconomic characteristics, only the coefficient associated with household income was statistically significant in predicting the likelihood of being financially prepared for retirement. Black near-retirees in the bottom income quartile ($0 to $30,240) were less likely to prepare financially for retirement than are their income quartile counterparts. The odds ratio presented that those in the 3rd ($30,240 to $57,600), 2nd top ($57,600 to $94,076), and the top ($94,076 to $1,416,908) income quartiles were 107%, 96%, and 308%, respectively, more likely to be financially prepared for retirement than those in the lowest income quartile. Therefore, Hypothesis 6-c was supported.

The coefficient associated with age was not found to be statistically significant in predicting the likelihood of being financially prepared for retirement. Family size was positively associated with the likelihood of being financially prepared for retirement; however, there was no statistical significance in predicting financial preparedness for

retirement. Marital status in the Black sample was not statistically significant associated with the likelihood of being financially prepared for retirement.

White Near-Retirees

Table 16 presents that several significant factors appeared to play a role in affecting the likelihood of being financially prepared for retirement among White near-retirees aged 51-64. Unlike the results of the logistic regression analysis for Black near-retirees, not only were education, job tenure, and household income relevant for White near-retirees, but also self-reported health, family size, and marital status were statistically significant in predicting the likelihood of being financially prepared for retirement.

Among the human capital factors, the findings from Table 16 indicated that compared to White near-retirees with less than a high school diploma, near-retirees with a high school diploma were 77% more likely to meet the indicator of retirement preparedness, while those with some college or a college education were 123% and 224% more likely to be financially prepared for retirement, respectively. This result indicated that the higher the level of education White near-retirees obtained, the more likely they were to be financially prepared for retirement.

Similar to the results of the Black sample, the likelihood of being financially prepared for retirement increased as the length of job tenure increased among White near-retirees. The findings also indicated that White near-retirees who reported their health status as good or excellent were 50% and 67%, respectively, more likely to be financially prepared for retirement than those in poor health status. This means that the better White

Table 16

Logit Results of Retirement Preparedness Among White Near-Retirees (n = 3,397)

Variables	Parameter estimate	*p*-value		Odds ratio
Human capital factors				
Education: (Less than high)				
High school	0.5686	0.0001	***	1.766
Some college	0.8001	0.0001	***	2.226
College education	1.1745	0.0001	***	3.237
Job tenure	0.0098	0.0124	*	1.010
Self-reported health: (Poor)				
Good	0.4060	0.0001	***	1.501
Excellent	0.5125	0.0001	***	1.669
Socioeconomic factors				
Household income quartile: (Bottom)				
3rd ($30,240 to $57,600)	0.2638	0.0282	*	1.302
2nd ($57,600 to $94,076)	0.6234	0.0001	***	1.865
Top ($94,076 to $1,416,908)	0.8267	0.0001	***	2.286
Family size	-0.1799	0.0001	***	0.835
Age	0.0017	0.9957		1.002
Gender: (Male)				
Female	0.0901	0.2588		1.094
Marital status: (Married)				
Divorced	-0.2658	0.0299	*	0.767
Widowed	-0.3422	0.0679		0.710
Never-married	0.3659	0.0885		1.442
Intercept	-2.289	0.8064		
Log Likelihood		4189.204		
χ^2		340.92***		

Note. Reference categories are presented in parentheses.
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$.

near-retirees reported their health status, the more likely they were to be financially prepared for retirement.

Among the socioeconomic characteristics, household income, family size, and marital status were statistically significant in predicting the likelihood of being financially prepared for retirement; however, similar to the results of the Black sample, the age of White near-retirees was not statistically significant in predicting the likelihood of being financially prepared for retirement. Like the results of the Black sample, the odds ratio showed that compared to near-retirees in the bottom income quartile ($0 to $30,240), those in the 3rd income quartile ($30,240 to $57,600) were 30% more likely to prepare financially for retirement. In addition, those in the 2nd top income quartile ($57,600 to $94,076) or those in the top income quartile ($94,076 to $1,416,908) were 87% and 129%, respectively, more likely to be financially prepared for retirement than those in the lowest income quartile.

The coefficient associated with family size was statistically significant and negative, indicating that as the number of family member increased, the likelihood of being financially prepared for retirement decreased. The findings from Table 16 presented that only the coefficient associated with divorced was statistically significant. That is, being widowed and being never married were not statistically significant in predicting the likelihood of being financially prepared for retirement. The odds ratio showed that compared to married White near-retirees, divorced White near-retirees were 23% less likely to meet the indicator of retirement preparedness.

CHAPTER V

DISCUSSION

This study examined the financial profiles of Black Americans aged 51-64, compared their assets to that of White Americans aged 51-64, and further investigated how the human capital and socioeconomic factors were associated with the retirement saving behaviors among Black Americans nearing retirement. This chapter provides a summary of the findings, along with possible implications based on the results of this study. Also, this chapter addresses the limitations of the study, followed by some suggestions for future study. The conclusions of this study are presented at the end of this chapter.

Summary of Findings

Understanding of how Blacks save as they approach near retirement was of primary concern in this study. Descriptive results showed how the types of assets and the levels of savings are different between Black and White near-retirees. A much lower percentage of Black near-retirees had dollar holdings in the financial asset categories such as checking accounts, CDs, stocks, bonds, and other savings than White near-retirees. Also, a relatively lower proportion of Blacks than Whites had non-financial assets such as businesses, real estate, vehicles, and home ownership.

Descriptive results showed that Black near-retirees had lower levels of net worth than White near-retirees. As for the IRA ownership, 19.1 % of Black near-retirees had dollar holdings in IRAs, while almost half of White near-retirees (45.9%) had dollar holdings in IRAs. The average level of dollar holdings in IRAs for the Black group was

Table 17

Summary of OLS and Logit Results Among Black Americans Aged 51-64 (n = 680)

Variables	Net worth		Retirement accounts		Retirement preparedness	
H1 Cultural difference: (Whites)						
Blacks	(-)	(-)***	(-)	(-)***	(-)	(-)***
H2 Education: (Less than high)						
High school	(+)	(+)	(+)	(+)	(+)	(+)
Some college	(+)	(+)**	(+)	(+)	(+)	(+)*
College education	(+)	(+)***	(+)	(+)**	(+)	(+)
H3 Job tenure	(+)	(+)*	(+)	(+)*	(+)	(+)**
H4 Health status: (Poor)						
Good	(+)	(-)	(+)	(+)	(+)	(+)
Very good	(+)	(+)	(+)	(+)	(+)	(+)
H5 Age	(+)	(-)	(+)	(-)	(+)	(+)
H6 Income: (Lowest quartile)						
25th to 50th percentile	(+)	(+)	(+)	(+)	(+)	(+)**
50th to 75th percentile	(+)	(+)***	(+)	(+)	(+)	(+)*
Top quartile	(+)	(+)***	(+)	(+)**	(+)	(+)***
H7 Family size	(-)	(+)	(-)	(+)	(-)	(+)
H8 Gender: (Male)						
Female	(-)	(+)	(-)	(-)	(-)	(+)
H9 Marital status: (Married)						
Divorced	(-)	(-)***	(-)	(-)	(-)	(-)
Widowed	(-)	(-)*	(-)	(-)	(-)	(-)
Never-married	(-)	(-)	(-)	(-)	(-)	(-)

*$p < .05$; **$p < .01$; *** $p < .001$.

$12,486, while that for the White group was $42,018. The average level of investment assets-to-net worth ratio for the White group (24.2) was greater than that for the Black group (14.0). This means that White near-retirees owned 24% of their net worth in CDs,

T-bills, stocks, bonds, IRAs, business, and real estate, whereas Black near-retirees held only 14% of their net worth in such investment assets.

The main focus of this study is to analyze the effects of being Black on retirement savings among older Americans aged 51-64. The OLS results showed that with all else being equal, the coefficient associated with Black was statistically significant and negative, indicating that Black near-retirees held lower levels of net worth than their White counterparts. The results of the logistic regression analysis reported that with all other factors being equal, the coefficient associated with Blacks was statistically significant, suggesting that Black near-retirees were less likely to own IRAs than White near-retirees. The results of the logistic regression analysis further reported that being Black was statistically significant, indicating that Black near-retirees were 51% less likely to be financially prepared for retirement than White near-retirees.

Table 17 presented a summary of the results from the OLS and logistic regression analyses and showed how the proposed hypotheses are supported or not supported from the multivariable analyses. Based on the results from the multivariate analyses, Hypothesis 1-a (holding other things constant, being Black is negatively associated with the level of net worth), Hypothesis 1-b (holding other things constant, being Black is negatively associated with the likelihood of holding retirement accounts), and Hypothesis 1-c (holding other things constant, being Black is negatively associated with the likelihood of being financially prepared for retirement) were supported.

This study also explores factors associated with the retirement savings behaviors among Black near-retirees. The OLS results suggested that some college education, a college education, job tenure, the top income quartile, 2nd income quartile, being

divorced, and being widowed were the significant factors in predicting the levels of net worth for Black near-retirees. The logit results showed that with all else being equal, a college education, longer job tenure, and top income quartile were significant predictors for the likelihood of holding IRAs among Black near-retirees. In addition, the logit results of retirement preparedness (1 if the investment assets-to-net worth ratio is greater than .25) indicated that Black near-retirees with some college education, longer job tenure, and those in the 3rd ($30,240 to $57,600), 2nd top ($57,600 to $94,076), and the top ($94,076 to $1,416,908) income quartiles were more likely to be financially prepared for retirement. Thus, as shown in Table 17, the Hypotheses 3-a, 3-b, 3-c, and 6-c were supported, whereas Hypotheses 2-a, 2-b, 2-c, 6-a, 6-b, and 9-a were only partially supported.

Overall, the findings of this study suggest that the majority of Black and White near-retirees do not meet one of the guidelines for retirement preparedness. In other words, less than half of both groups are financially prepared for retirement. The multivariate results suggest that human capital factors play a significant role in predicting the levels of net worth, the likelihood of holding IRAs, and the likelihood of being financially prepared for retirement among Black near-retirees. The findings suggest that not only are human capital factors such as education and job tenure statistically significant, but also socioeconomic status such as household income and marital status are significant factors in determining the levels of net worth among Black near-retirees. However, perceived health status, age, family size, and gender are not statistically significant in predicting the level of net worth, the likelihood of holding IRAs, and the likelihood of being financially prepared for retirement.

Implications

Using human capital theory, this study explores what factors are associated with the levels of net worth, the likelihood of holding IRAs, and the likelihood of being financially prepared for retirement among Black near-retirees. According to the findings of this study, higher levels of education and longer job tenure are strongly associated with higher levels of savings. The human capital model is of interest to professionals and consumer educators, because it helps to explain the human capital factor such as education and job tenure. These human capital factors are statistically significant in predicting retirement savings behaviors among Black near-retirees. For example, the findings of this study indicate that Blacks with some college or a college education have a higher level of retirement savings than their less educated counterparts. Similarly, Blacks with longer job tenure have higher levels of net worth, are more likely to own IRAs, and more likely to be financially prepared than those with shorter job tenure. These findings imply that higher education levels and longer working years result in higher retirement wealth, which could allow them to have financial well-being.

According to the findings of this study, policy makers might need to consider various ways of formal educational programs as well as other educational programs that are designed for the Black high school drop-outs. In this way, such educational programs will support Black families or individuals to complete formal education and obtain at least a high school diploma. It is also important for consumer educators or professionals to stress the general educational attainment for Black Americans because the education levels influence economic status of many Black Americans.

The findings of this study reveal that the length of job tenure is significant in determining the retirement savings among Black Americans nearing retirement, implying that having a higher level of job tenure is critical to the financial wellness of Black Americans. Thus, it might be necessary for policymakers to create programs that support Black Americans to stay in the labor force; therefore, they are able to achieve retirement savings. For example, staying at one job for a long time might allow them to consistently build retirement assets. It is also important for employers to encourage minority employees to regularly contribute to 401(k) accounts by providing financial education programs for their workers; therefore, they will be capable in their investment decisions.

It is noted that considerable numbers of Black near-retirees do not meet the guideline of retirement preparedness; therefore, educators and financial planners need to guide Black Americans to invest their money more appropriately and wisely. Since this study profiles the types and levels of assets among Blacks, the findings of this study can provide financial planners and educators with information that could assist Black families in making investment decisions.

The findings of this study provide some insight as to how human capital and socioeconomic factors are related to retirement savings and retirement preparedness for Black Americans in the near-retirement stage. Policy makers can utilize significant factors associated with retirement savings and retirement preparedness when they design public programs that target the Black community. Researchers can also use the findings of this study when they develop future studies that may lead to further contributions to the literature related to retirement savings.

Although educational attainment is important to maintain their standard of living in retirement, many young Black Americans are not pursuing formal education or advanced education and they might not understand how longer working years play a significant role in accumulating wealth for retirement. Thus, it is essential for professionals working in the Black community to educate young Blacks to build work habits and to help young Blacks strengthen work experience. It is also important for policy makers to provide on-the-job training programs and educational programs that could enhance their productivities and help to work longer in the labor force. In this way, young Black Americans can enhance their human capital that could mean more benefits, earnings, and productivity in the future.

Based on the findings of this study, almost 43% of Black American near-retirees comprise the lowest income groups. It can be assumed that typical Black American near-retirees might not be able to save for retirement because they have to make ends meet under economic hardship. Thus, it is important for financial educators to develop educational materials that could guide Black families in the lowest income groups in planning and saving for their future. It is also important for policymakers to provide practical or vocational education programs that those in the lowest income group are able to enroll.

Understanding the influence of culture on savings behaviors is important for those working with the Black community. People who are interested in Blacks or work with the Black community should be alerted to the possible differences in savings behaviors between Black and White Americans. Better understanding of cultural differences between Blacks and Whites could support professionals, consumer educators, and

financial planners as they work with the Black community. Furthermore, religion is an important part of the Black community. Religious leaders along with church groups should encourage Black Americans to learn more about financial matters and building wealth before they enter the retirement stage.

It is hoped that the findings of this study will provide financial educators or financial planners with valuable information when they work with Black Americans; therefore, it will guide Black clients to achieve financial well-being in later life. Moreover, it is important for educators to stress the role of human capital such as formal education, job tenure, work experience, or on-the-job training in building retirement resources. Additionally, it is important for educators to develop financial literacy programs that target young Black Americans in high school or those beginning college, because the key to retirement planning success is to start at a young age.

Limitations and Recommendations for Future Research

There are some limitations in this study. One limitation is that it compares retirement savings between Black and White Americans in the near-retirement stage. To better understand how the savings behaviors of Black near-retirees differ from White near-retirees, the cultural values are important in order to measure how Black Americans financially prepare for retirement. Based on the previous studies, Black families have the unique and distinctive cultural backgrounds that continue to influence on the economic status of Black families (McAdoo, 2007a). For example, one unique cultural value for Black Americans is that when older family members need to be cared for in later life, their younger family members are willing to take care of them and financially support

them while living together. Such family support networks can provide economic support for individuals in retirement. However, this study does not include a variable that measures such values. Therefore, it is hoped that further research will look at how the cultural difference (e.g., extended family or family support network) in Black families could impact retirement savings and the savings behaviors among Black Americans nearing retirement.

Another limitation could be attributed to using information from the 2006 Rand HRS data. Under the recent economic downturn and increases in unemployment rates, many future retirees will be struggling to sustain their economic lives in retirement. However, since the economic circumstances in the United States have changed since the data for this study was gathered, the results of this study might not reflect the current economic conditions. Thus, one possible suggestion for future research would be to use more recent data that would explain the current economic reality for Black Americans. That is, to predict retirement security of those nearing retirement, more recent data that contain information during the recession might be useful. If future research should be undertaken, more recent data such as the 2010 HRS will be effective. Nevertheless, while utilizing data from the 2006 Rand HRS, it is hoped that the present study is still valuable in understanding and exploring the amount and types of Black Americans nearing retirement as compared to that of White near-retirees.

In addition, this study utilizes three dependent variables to measure retirement savings behaviors among Americans nearing retirement and Black American near-retirees. They are the levels of net worth, the likelihood of holding IRAs, and the likelihood of having the investment assets-to-net worth ratio that is greater than .25.

However, the primary data, which include in-depth questionnaires, can provide additional information on savings behaviors for Black Americans. Thus, using such data, it is hoped that future study will provide further information not found in the present study. That is, to fill the gaps that this present study could not answer, while utilizing qualitative survey methods future research might need to be undertaken. While interviewing individuals and households nearing retirement and asking whether or not they are financially prepared for retirement, the findings of that study might provide valuable insights for the retirement savings behaviors among individuals and households in the U.S.

Conclusions

Aging of the population will influence the future of American families and individuals. Increasingly diverse populations are also an important demographic trend. Consequently, the economic status of racial minorities may continue to be important to the economic health of the United States. In this light, it is important for one to understand the economic status of Black Americans and their preparedness for retirement. Based on the results of multivariate regression analyses, this study concludes that Black near-retirees hold substantially lower levels of net worth, are less likely to hold IRAs, and are less likely to be financially prepared for retirement as compared to their White counterparts. Since many Americans may have financial hardship during the current economic downturn, it is obvious that there are many Black Americans who are struggling with their financial problems. If Black Americans are not sufficiently prepared for retirement, many future retirees among Blacks will have economic hardship

later in life. Thus, it is critical for professionals to work with Black families by providing basic financial education such as budgeting and planning, including retirement planning. According to the findings of this study, consumer educators and financial planners can also take into consideration that Black Americans are less likely to hold higher yielding types of investment assets and have lower levels of dollar holdings in such assets.

The findings of this study suggest that highly educated Black near-retirees have higher levels of net worth, are more likely to hold IRAs, and are more likely to meet the indicator of retirement preparedness than those with less than high school education. Thus, the completion of high school should be stressed by professionals working with Black families and individuals. It is also essential that less educated Black Americans need to be informed about the importance of saving for retirement from their early stages of the life cycle.

This study emphasizes the economic well-being of Black Americans during retirement. To achieve retirement security, building savings behaviors and understanding financial terms will be significant for young individuals as well as those nearing retirement among the Black population. Based on the findings of this study, implications have been presented in this chapter. It is hoped that the findings and implications will give consumer educators and financial planners some insight when they assist Black families and individuals.

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