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## Improving Resiliency and Diversity


**M**uch has been written about the impact of the COVID-19 pandemic on Americans' financial status. Closures of businesses in the spring and summer of 2020 have led to millions of people losing their jobs or having reduced earnings. The financial pain has been widespread, and it's unclear when it will end.

The United States also recently witnessed a rise in awareness about the unequal impact of COVID-19 on different racial and ethnic groups, as well as a national discussion about discrimination and race relations in general. Not only does the virus have a disproportionate effect on the health of Black and Latino Americans — who experience higher rates of serious illness and death than other Americans — but also the economic effect has been more severe.<sup>1</sup> Since the outbreak occurred, Black (non-Hispanic) and Hispanic/Latino households were more likely to have experienced a loss of employment income than White (non-Hispanic) or Asian households: 58 percent, 62 percent, 44 percent, and 54 percent, respectively.<sup>2</sup>

These racial/ethnic groups were already in a more precarious financial situation before the pandemic began; for example, the median net worth for Black and Latino households (\$24,100 and \$36,200, respectively) was far below that of White households (\$188,200) in 2019.<sup>3</sup> The downstream financial impact of the virus has likely exacerbated these wealth differences. And the damage has not been limited to Americans who are unemployed or have little or no savings. Even workers who are participating in their employers' defined contribution (DC) plans have been differentially affected depending on their race/ethnicity.

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**The pandemic has had a disproportionate impact on Black and Latino participants' peace of mind.**



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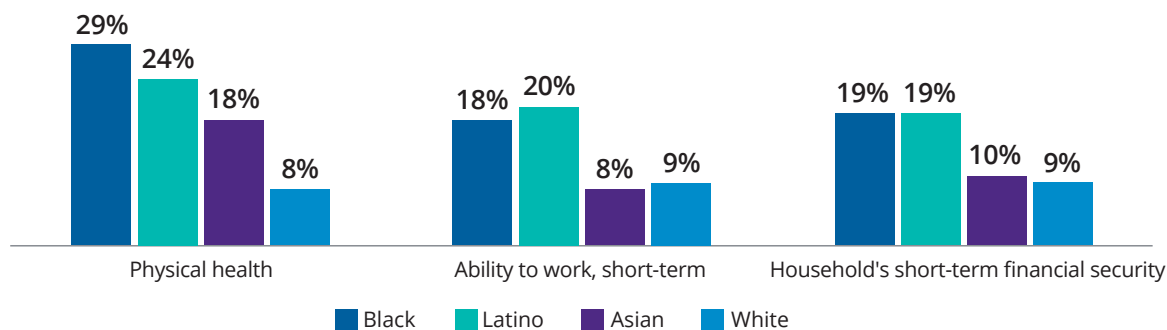
According to recent Secure Retirement Institute (SRI®) research, 51 percent of Black DC plan participants and 63 percent of Latino participants have either lost their jobs or had a reduction in earnings since the onset of the pandemic; in contrast, 31 percent of White participants and 28 percent of Asian participants were similarly impacted.<sup>4</sup> Because they are more likely to have experienced a loss of some or all of their job income — and because their emergency savings levels tend to be lower — Black and Latino participants were more apt than White and Asian participants to have taken out loans and/or hardship withdrawals from their current employer's DC plan since March (15 percent and 4 percent, respectively). They are also more likely than White or Asian participants to be *considering* loans or hardships (33 percent and 14 percent, respectively).

The pandemic has also had a disproportionate impact on Black and Latino participants' peace of mind. Not only are they more likely than White or Asian participants to be extremely concerned about the pandemic's potential impact on their physical health, they are also more likely to express significant concern about their ability to work and their households' overall financial security in the short-term (Figure 1).

**Figure 1**

## Concern About Impact of COVID-19

By race/ethnicity



Note: Values represent percentage who are “extremely concerned.” Based on 913 non-retired workers surveyed in May 5 – 13, 2020, who participate in a current employer’s DC plan (i.e., they are currently contributing or used to contribute), and are primary/shared financial decision-makers in their households.

Source: *Consumer Pulse Survey, Secure Retirement Institute, May 2020.*

While businesses increasingly understand the magnitude of racial and ethnic differences, these inequities won’t be solved quickly or by private industry alone – public policies will be critically important. But there are ways the retirement industry can take steps now to improve these disparities across racial/ethnic groups:

- A renewed focus on addressing immediate needs, by building emergency savings and establishing a sustainable budget, will be a critical component. This strategy may mean not only postponing some discretionary spending, but also placing less emphasis on long-term saving until short-term targets are reached. Workplace wellness programs – which have received more attention from employers in 2020 because of the impact of COVID-19 on their employees – can be vehicles for improving financial resiliency. They can help savers set near-term, achievable goals and a clear path for reaching them. Also, these programs may be particularly helpful for younger Black and Latino households beginning to build their wealth from a lower base than that of younger White households that have benefitted from intergenerational wealth transfers.
- Companies can strive for more diversity in terms of employee composition, and in customer development.

The rise of Chief Diversity Officers as members of corporate C-suites signals a serious commitment toward inclusive strategies across functional areas, from human resources to marketing. Companies can also examine their recruitment and retention of financial professionals, and identify policies or procedures that can be adjusted to increase diversity and reduce systemic racial/ethnic biases. These improvements not only can lead to workplaces and career paths that are more welcoming for a wider array of racial/ethnic groups, but also may strengthen the connection between the industry and underserved communities needing retirement planning and other types of financial guidance.

- Finally, the industry cannot lose sight of this issue as new disruptions arise. Racial and ethnic inequalities have been enduring challenges and will require sustained attention and investment to address. That means more than public denunciations of racism: It means setting long-term, measurable goals, and holding leaders accountable for achieving them. 🌐

<sup>1</sup> “COVID-19 in Racial and Ethnic Minority Groups,” Centers for Disease Control and Prevention. <https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/racial-ethnic-minorities.html>

<sup>2</sup> Household Pulse Survey, July 2 – 7, Census Bureau. Downloaded 7/20/2020. <https://www.census.gov/data/tables/2020/demo/hhp/hhp10.html>

<sup>3</sup> *2019 Survey of Consumer Finances*, Federal Reserve Board, 2020.

<sup>4</sup> Based on 913 non-retired workers surveyed in May 5-13, 2020, who participate in a current employer’s DC plan (i.e., they are currently contributing or used to contribute), and are primary/shared financial decision-makers in their households.