

A Community Based Randomized Controlled Trial on an Educational Intervention to Promote Retirement Saving Among Hispanics

Authors: Luisa R. Blanco, PhD, MBA, Associate Professor of Economics and Public Policy, Pepperdine University; O. Kenrik Duru, MD,MSHS, Faculty Associate, UCLA David Geffen School of Medicine; Carol Mangione, MD, MSPH, FACP, Professor, UCLA David Geffen School of Medicine (Contact Email: lblanco@pepperdine.edu)

Background: There are significant differences among racial and ethnic groups in relation to retirement preparedness. Among working adults, while only 26 percent of Whites do not have retirement savings, 40 percent of Blacks and 43 percent Hispanics do not have retirement savings (Federal Reserve, 2016). Only 72 percent of Hispanics have access to employer sponsored retirement plans (versus 83 percent for the entire population) and more than half of Hispanics surveyed by Prudential in 2014 have a poor or very poor understanding of retirement plans (Prudential, 2014). Qualitative studies have shown that Hispanics have low levels of self-reported retirement preparedness and Social Security literacy, and face significant behavioral and cultural barriers towards retirement planning (Blanco et al., 2016; Rabinovich et al., 2016; Richman et al. 2015). Thus, promoting financial planning for retirement among Hispanics is crucial with the purpose to decrease health disparities among older population in the future.

Objective: To design and pilot an educational intervention based on the tenets of behavioral economics to promote financial planning for retirement through opening a retirement account among low and middle income Spanish-speaking Hispanics between 30 and 60 years of age. We study the effect of the intervention on the primary outcome of opening a government-sponsored retirement plan, myRA. We also evaluate the impact of our intervention on self-reported retirement knowledge and mental and physical health (secondary outcomes).

Methods: We designed the study as a randomized control trial with a wait list control group (143 participants total). The treatment group (69 participants) received an initial educational intervention (with collection of baseline data), and a follow up workshop in six months.

Results: We find that among participants in the treatment group, 91 percent want to start saving for retirement, 83 percent commit to open a myRA account in 6 months, 20 percent start the process during the class, and only 9 percent end up with an account number assigned the day of the workshop. Overall, based on data collected the day of the workshop and through one-week, one-month, three-months follow up calls and at workshop at 6 months, we found that 13 percent of the participants in the treatment group opened a myRA account, while no participant in the control group opened one. If we restrict our sample to those individuals who have a pre-existing bank account (banked), we find that 21 percent open a myRA account in the treatment group. The difference in opening a bank account between treatment and control groups is statistically significant at the 1 percent level (80% power). We also find a significantly greater improvement in retirement knowledge in treatment group at the 1 percent level (scale 0-10, self-reported). Analysis of health-related indicators in progress.

Conclusions: Our study shows that while study participants are highly motivated to open a myRA account after the educational intervention, they face significant barriers towards opening a retirement account. Our study is one of its kind since it is one of the first community based interventions to promote retirement saving among low and middle-income Hispanics. We provide insights for programs that aim at promoting retirement saving such as California Secure Choice retirement saving program that will become fully operational in 2019.

Acknowledgment(s): Dr. Luisa R. Blanco received support for this project from NIA-funded Grant 3P30AG021684-15:S1, 2016-17 Research Supplement to Promote Diversity in Health-Related Research through the University of California, Los Angeles (UCLA) and Charles Drew University (CDU), Resource Centers for Minority Aging Research Center for Health Improvement of Minority Elderly (RCMAR/CHIME). Pepperdine's Office of Provost also provided funding for this study.

References

- Blanco, Luisa, Aguila, Emma, Gongora, Arturo, Duru, Kenrik O. 2017. Retirement Planning among Hispanics: In God's Hands? *Journal of Aging and Social Policy*, 29(4): 311–331.
- Federal Reserve. 2016. Report on the Economic Well-being of U.S. Households in 2015. Available online (accessed on December 14, 2016): <https://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf>
- Prudential. 2014. The Hispanic American financial experience. Available online (accessed on December 14, 2016): https://www.lifehappens.org/wp-content/uploads/2015/02/Research_HispanicAmericanFinancialExperience2014.pdf
- Rabinovich Lila, Janice Peterson, Barbara Smith, Tania Gutsche, Mallory Montgomery. 2016 Preparing for Retirement, Social Security Literacy and Information Preferences Among Hispanics: A Qualitative Study. USC CESR-Schaeffer Working Paper Series. No. 2016-012
- Richman, K., Sun, W., Sena, J., & Chun, S. 2015. Significance of Gender for Latina/o Savings and Retirement. Final Report Submitted to National Endowment for Financial Education. Notre Dame, IN: Institute for Latino Studies, University of Notre Dame.