# BLACK RETIREMENT SECURITY IN THE ERA OF DEFINED CONTRIBUTION PLANS: WHY AFRICAN AMERICANS NEED TO INVEST MORE IN STOCKS TO GENERATE THE SAVINGS THEY NEED FOR A COMFORTABLE RETIREMENT

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TABLE OF CONTENTS



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Gap Between Theory and Practice in Humanitarian Action: Eight Steps to Humanitarian Wellness in Nigeria," 24 *Willamette Journal of International Law & Dispute Resolution* 1 (2016).

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## I. INTRODUCTION

Retirement security is financial readiness for a worker after a lifetime of work.[1] There was a time in the United States' labor history when responsibility for that readiness lay mainly with employers who competed among themselves to retain the loyalty of their workforces by offering generous benefit packages to workers that instructively included retirement preparations.[2] The situation changed with reduced job opportunities, which hit high notes during periods of economic upheavals, the Great Recession from December 2007 to June 2009 being one such example recently.[3] Some of the lasting effect of these economic hard times was the shift in responsibility for retirement security from employers to individual workers.

One sign of that shift is the proliferation of defined contribution ("DC") plans vis-à-vis defined benefit ("DB") plans. Colloquially, the two pension plans are distinguished based on whether the benefits to be paid out at the end of the employee's work life are known in advance.[4] With DB plans, both the formula for computing the employer's contribution and the payout amount are known in advance. Indeed, key to the definition of DB is that, under these plans, the employer sets aside a specific sum of money in a separate tax-deferred account, calculated based on variables, such as an employee's tenure of service, age, and

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[1] *See* Philip C. Aka et al., *Protection Against the Economic Fears of Old Age: Six Micro and Macro Steps for Bridging the Gap in Retirement Security Between Blacks and Whites*, 40 VT. L. REV. 1, 2-3 (defining financial security as "financial readiness," which "exists when a worker . . . subjectively believes that he or she has enough resources to guarantee a standard of living similar to that before retirement—and when in fact, objectively, a full complement of savings . . . exists to guarantee that pre-retirement standard of living.").

[2] *See* Jason M. Breslow, *Teresa Ghilarducci: Why the 401(k) is a "Failed Experiment"*, PBS.ORG: FRONTLINE (Apr. 23, 2013), http://www.pbs.org/wgbh/frontline/article/teresa-ghilarducci-why-the-401k-is-a-failed-experiment.

[3] Robert Rich, *The Great Recession of 2007-09*, FED. RES. HIST. (Nov. 22, 2013), http://www.federalreservehistory.org/Events/DetailView/58.

[4] *See Defined Benefit Plan*, http://www.businessdictionary.com/definition/defined-benefit-plan.html (last visited Feb. 5, 2017).

salary.[5] In contrast, with DC plans, the benefits are *not* known in advance. At the risk of oversimplification, a typical example of a DC plan is the 401(k) plan which came into vogue in the 1980s.[6] A classic example of a DB plan in the public sector is Social Security.[7]

More meaningfully for our purpose here, DB plans place most of the responsibility for preparing a worker for retirement on the employer, while DC plans leave that responsibility mainly on the worker.[8] Vis-à-vis their DB counterparts, DC plans put workers in the driver's seat when it comes to planning and making the investment choices they need to generate the savings necessary for their retirement. Similarly, Individual Retirement Accounts (IRAs), a saving mechanism outside the formal employment context, depend on active individual participation, including how much income a person saves up in his or her retirement account, as well as the quality of the investment choices that individual made.[9] Other emblems of retirement planning, including homeownership, personal savings and investments, also require the active participation of individuals. In turn, all these income streams require some measure of risk taking, to which we return later in this Article. This occurrence leaves out Social Security as the only source of retirement income that requires little active participation of individuals. But then, today, for the most part, income from Social Security is insufficient to maintain pre-retirement standard of living.[10]

The United States faces a shortfall in retirement savings indicated by the reality that "[m]ore than 30 million full-time private-sector employees lack

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[5] *Id.*

[6] *See* Tom Anderson, *Your 401(k): When it Was Invented—and Why*, KNOWLEDGE CENTER: LEARNVEST (July 3, 2013), https://www.learnvest.com/knowledge-center/your-401k-when-it-was-invented-and-why; *Why Were 401(k) Plans Created*, INVESTOPEDIA (Oct. 3, 2014, 3:11 PM), http://www.investopedia.com/ask/answers/100314/why-were-401k-plans-created.asp. There is a risk of oversimplification because, under some circumstances, a 401(k) can fall under defined benefit plan. *Id.*

[7] Social Security is the popular and colloquial name for what is today formalistically the "Old-Age and Survivors Insurance," incorporating survivor benefits and dependent benefits. Survivor benefits are payouts to a family in the event of the premature death of a covered worker, while dependent benefits are payouts to the spouse and minor children of a retired worker. *See* Social Security Act, Pub. L. No. 74-271, 49 Stat. 620 (1935) (codified as amended at 42 U.S.C. §§ 301-1397 (2012)).

[8] *See, e.g.*, *Defined Benefit Plan*, INVESTING ANSWERS, http://www.investinganswers.com/financial-dictionary/retirement-planning/defined-benefit-plan-2025 (explaining that, "Unlike a defined contribution plan, in a *defined benefit plan* the employer assumes the investment risk by agreeing to pay the stated benefit," and "[i]nvestment gains or losses do not affect the benefit payable to the plan participant.").

[9] *See, e.g.*, *Individual Retirement Account*—IRA, INVESTOPEDIA, http://www.investopedia.com/terms/i/ira.asp. (defining an IRA as "an investing tool used by individuals to earn and earmark funds for retirement savings" and enumerating the various categories that exist as of 2016).

[10] *See* Aka et al., *supra* note 1, at 31.

access to workplace retirement plans."[11] Vis-à-vis Whites, this shortfall hits minority groups disproportionately.[12] This means that, compared to Whites, Blacks and other minorities[13] are less likely to accumulate enough financial resources to insulate them from financial insecurity during retirement. Despite the shift from DB to DC plans,[14] for many young African American workers, saving for retirement is more of a dream than a priority.[15] Accordingly, for Blacks, a conceivably viable way to build the financial resources necessary for a comfortable retirement is through assets that, although more risky and volatile, yield higher returns than traditional modes of investment.[16] These assets include stocks of all types, whether owned directly or through mutual funds.[17] From a savings standpoint, these high-return assets are, for the long term, viewed as superior to other financial investments. Despite periods of deep fluctuation,

[11] *See* PEW CHARITABLE TRUSTS, HOW STATES ARE WORKING TO ADDRESS THE RETIREMENT SAVINGS CHALLENGE: AN ANALYSIS OF STATE-SPONSORED INITIATIVES TO HELP PRIVATE-SECTOR WORKERS SAVE (Jan. 1, 2016), http://www.pewtrusts.org/en/research-and-analysis/reports/2016/06/how-states-are-working-to-address-the-retirement-savings-challenge; Elyssa Kirkham, *1 in 3 Americans Has Saved $0 for Retirement*, TIME: MONEY (Mar. 14, 2016), http://time.com/money/4258451/retirement-savings-survey/ (reporting that one out of every three American workers, especially women, has zero retirement savings); NARI RHEE, THE RETIREMENT SAVINGS CRISIS: IS IT WORSE THAN WE THINK?, NAT'L INST. ON RETIREMENT SECURITY (2013), http://www.nirsonline.org/storage/nirs/documents/Retirement%20Savings%20Crisis/retirementsavingscrisis_final.pdf. (putting the shortfall as anywhere from $7 to $14 trillion; in more graphic terms, this translates into more than 38 million working-age households, representing 45% of all households, who lack savings that they need for a comfortable retirement).

[12] *See* NARI RHEE, RACE AND RETIREMENT INSECURITY IN THE UNITED STATES, NAT'L INST. ON RETIREMENT SECURITY (2013), http://www.giaging.org/documents/NIRS_Report_12-10-13.pdf.

[13] The measurement or comparison to Whites is a mostly heuristic technique meant to facilitate analysis. *See* Aka et al., *supra* note 1, at 7 n.20. The practice is also consistent with the use of race in some survey instruments as a lens to gauge attitudes and behaviors related to savings and investment. *See* ARIEL INVESTMENTS 2015 BLACK INVESTOR SURVEY: SAVING AND INVESTING AMONG HIGHER INCOME AFRICAN-AMERICAN AND WHITE AMERICANS (Feb. 2, 2016), https://www.arielinvestments.com/content/view/3006/1850/ [hereinafter referred to as BLACK INVESTOR SURVEY FOR 2015].

[14] *See supra* notes 2, 4-7.

[15] THE ARIEL SCHWAB BLACK INVESTOR SURVEY: SAVING AND INVESTING AMONG HIGHER INCOME AFRICAN-AMERICAN & WHITE AMERICANS 11 (2008) [hereinafter referred to as BLACK INVESTOR SURVEY FOR 2008].

[16] *See generally* Su Yun Shin & Sherman D. Hanna, *Decomposition Analyses of Racial/Ethnic Differences in High Return Investment Ownership after the Great Recession*, 26 J. FIN. COUNSELING & PLAN. 1 (2015); Sherman D. Hanna et al., *Racial/Ethnic Differences in High Return Investment Ownership: A Decomposition Analysis*, 21 J. FIN. COUNSELING & PLAN. 44 (2010); Michael S. Gutter & Angela Fontes, *Racial Differences in Risky Asset Ownership: A Two-Stage Model of the Investment Decision-Making Process*, 17 J. FIN. COUNSELING & PLAN. 64 (2006); Michael Haliassos & Carol C. Bertaut, *Why Do So Few Hold Stocks?*, 105 ECON. J. 1110 (1995).

[17] Mutual funds can be thought of as a collection of securities, here, stocks, that are professionally managed to minimize exposition to undue risk through techniques, such as diversification. *See Mutual Funds: What Are They?*, INVESTOPEDIA.COM, http://www.investopedia.com/university/mutualfunds/mutualfunds.asp (last visited Feb. 5, 2017).

colloquially known as "bear markets," stocks have averaged much stronger returns than other securities, such as housing. "Since 1926, the average annual return [on stocks] has been about 10 percent."[18] And in the wake of the surge up, colloquially known as the "bull market" that began in early 2009, "the stock market climbed more than 150 percent, restoring wealth to people with those investments."[19]

As a group, Blacks tend to put the bulk of their retirement money in real estate, "things they could touch, feel, [and] see," as some narrative goes.[20] In addition to real estates, these tangible but comparatively low-return financial portfolios include Certificate of Deposits (CDs), saving bonds, and life insurance policies.[21] As a result, compared to Whites, Blacks lag behind when it comes to investing in the stock market. In 2015, about 67% of Blacks with incomes of $50,000 and above held stocks, up from 57% in 1998, and 60% in 2010.[22] Black investment in stocks reached its highest point in 2002 when 74% of Blacks held

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[18] Gail Marks Jarvis, *Blacks Participating More in Stock Investing, Study Shows*, CHI. TRIB. (Feb. 2, 2016, 6:00 AM), http://www.chicagotribune.com/business/ct-african-americans-wealth-investing-0202-biz1-20160201-story.html.

[19] *Id.*

[20] Lauren Young, *Why Black Investors Are Switching from Real Estate to Stocks*, TIME: MONEY (Feb. 3, 2016), http://time.com/money/4205998/black-investors-real-estate-stocks.

[21] Michael A. Fletcher, *The Big Difference Between Wealthy African-American and White Investors Treat Their Money* (Nov. 24, 2014), https://www.washingtonpost.com/ news/get-there/wp/2014/11/24/the-big-difference-between-how-wealthy-african-american-and-white-investors-treat-their-money.

[22] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 6, 14. The figure $50,000 is an arbitrary benchmark in savings for entry point into middle-class status. *Id.* at 3. It is derived perhaps, from the fact that the median income in the United States hovers around that sum. *Id.* *See also* Robb Engen, *Why Age-Based Savings Benchmarks Are Dumb, But We Look Anyway*, BOOMERANDECHO (Mar. 23, 2014), http://boomerandecho.com/age-based-savings-benchmarks-dumb-look-anyway; Scott D. Grosse, *Assessing Cost-Effectiveness in Healthcare: History of the $50,000 Per QALY Threshold*, 8 EXPERT REV. PHARMACOECONOMICS & OUTCOME RES. 165 (2014) (explaining that, "The appeal of the $50,000 figure appears to lie in the convenience of a round number, rather than in the value of renal dialysis."). The use of this "magic number" rings even more arbitrary for us given that, as we advised in a prequel article, low-income workers, individual who earn less than $50,000 a year, can also, like high-income earners, save for retirement. *See* Philip C. Aka et al., *Why Low-Income Workers Need to Save for Retirement and How They Can Do It*, 38 U. ARK. LITTLE ROCK L. REV. 209 (2016). What is more, in opinion surveys, not having enough money to invest is a secondary reason accounting for the leeriness of Blacks, vis-à-vis Whites, toward the stock market. *See* Jarvis, *supra* note 18. In short, as one scholar showed from her research in wealth inequality in the United States, "[i]f we provided opportunities and incentives to low-income, low-wealth households to save and to invest in more long-term, sound financial instruments, we could go a long way toward reducing wealth inequality"—to the benefit of retirement security. Jeff Grabmeier, *Investments Play Major Role in Racial Wealth Gap*, 30 ON CAMPUS (Ohio St. U. newspaper for faculty and staff, Columbus, Ohio) 1, 1-2 (2001), http://oncampus.osu.edu/v30n14/research.html (displaying profile of sociology professor Lisa Keister's research on wealth inequality in the United States).

securities in stock.[23] The stock market participation figures for Whites were 86% in 2015, up from 79% in 2010, 84% in 2002, and 81% in 1998.[24]

The rate for Black ownership of stocks appears to be changing as African American participation in the stock market, vis-à-vis Whites, grows. For example, based on the information in the preceding paragraph, the level of Black investment in stocks has risen more or less steadily over the years. Similarly, the percentage of Blacks, who in opinion surveys choose stock market over home improvement as "best overall investment," has jumped from 28% in 2004 to 41% in 2015.[25] Moreover, although the number still lags behind that of Whites, there is a noticeable growth in the percentage of African Americans who indicate that their most important goal for saving and investing is for retirement. From 33% in 2000, that number rose to 44% in 2015,[26] compared to 49% and 60% for Whites in 2000 and 2015 respectively.[27] Finally, many African Americans, including workers preparing for retirement, maintain a good deal of optimism about the United States economy,[28] a cherished mindset viewed as desideratum for participation in the stock market.[29]

However, these growths in participation still leave capacious room for improvement that speaks to the considerable residue of leeriness by many Blacks regarding investment in the stock market. Based on the statistics recounted above, Blacks lag behind Whites by nineteen percentage points in stock ownership and in opinion surveys a lowly 41% of Blacks still view the stock market as "best overall investment."[30] Intriguingly, the percentage of Blacks who chose home improvement over the stock market as "better investment" remains unchanged at 64% in 2015 as it was one decade before in 2005.[31] Finally, even the Black optimism about the economy, vis-à-vis Whites, is measured, given the "element of personal anxiety" that optimism embeds,[32] including concern that racism "impacts fair opportunity for all,"[33] and uncertainty regarding where to

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[23] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 14; Jarvis, *supra* note 18.

[24] *Id.*

[25] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 7, 18; Jarvis, *supra* note 18.

[26] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 9, 25.

[27] *Id.* at 25.

[28] *Id.* at 11. Elements of this optimism include: broad hopefulness about the current U.S. economy; feeling that the economy has fully recovered or is on its way to a full recovery following the Great Recession; a sense of bullishness about the stock market, compared to Whites; and belief that the outlook is good for the next generation to achieve the American Dream. *Id.* Regarding the last, the survey found that, "Hope and belief in the American Dream is strongly correlated with African-Americans, while [W]hites are much more likely to feel angry and discouraged by the current economic climate." *Id.* at 11. For a demonstrative graphic, *see id.* at 35.

[29] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 12.

[30] Jarvis, *supra* note 18.

[31] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 7, 19.

[32] *Id.* at 11.

[33] *Id.* at 11, 34.

turn to for impartial financial advice.[34] The net result is, "After working so hard to join the middle class, many Blacks are still missing out on the greatest wealth-building opportunity in American history."[35] More than 50% of Black respondents in a recent survey who professed high levels of confidence in financial matters, nevertheless "described themselves as savers, rather than investors."[36] According to the sponsors of this survey, the occurrence "suggest[s] an opportunity to expand their options for investments."[37]

This Article makes suggestions on how to speed the growth of African-American participation in the stock market, "one of the greatest wealth-generating mechanisms" of the United States,[38] to the benefit of retirement security in the country. *Structural variables*, including intractable income inequality, account for the gap between Blacks and Whites in saving for retirement. But this is only part of the story. Although worrisomely important, these structural factors account for only about two-thirds of the Black-White disparity; the remaining one-third, the thrust of this Article, is "attributed to what each group does with its wealth."[39] This one-third of the story not sufficiently told in the sense of what Blacks do with their wealth—which we denominate *behavioral variables*—is saving strategies.[40] It is a narrative built in the notion that the wealth gap between Blacks and Whites would narrow substantially if Blacks made investments in the stock market at the same rate as Whites.[41]

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[34] *Id.*

[35] *Survey Finds Blacks Remain Underinvested Due to Distrust of Financial Advisors*, JET (May 31, 1999), at 17 (quoting John W. Rogers, Jr., then-President of Ariel Mutual Funds).

[36] PRUDENTIAL, THE AFRICAN AMERICAN FINANCIAL EXPERIENCE: 2015-16 PRUDENTIAL RESEARCH 2 (2016), http://www.prudential.com/media/managed/aa/AAStudy.pdf [hereinafter referred to as PRUDENTIAL RESEARCH SURVEY FOR 2015-16].

[37] *Id.*

[38] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 5.

[39] *See* Young, *supra* note 20.

[40] *See generally* Joseph G. Altonji & Ulrich Doraszelski, *The Role of Permanent Income and Demographics in Black/White Differences in Wealth* 40 (NBER Working Paper No. 8473, 2001); Erik Hurst et al., *The Wealth Dynamics of American Families, 1984-94*, 1 BROOKINGS PAPERS ON ECON. ACTIVITY 267 (1998). What about leaving money for children, just as the wealth real estate magnate Donald J. Trump, now President of the United States, inherited from his parents? Studies suggest that investment behavior is more powerful or important than intergenerational transfer in explaining the wealth gap. *See, e.g.*, Jeffrey P. Thompson & Gutavo A. Suarez, *Exploring the Racial Wealth Gap Using the Survey of Consumer Finances* (Fed. Res. Board, Paper No. 2015-076, 2015), http://www.federalreserve.gov/econresdata/feds/2015/files/2015076pap.pdf (finding wealth difference between black and white families to be due to differences in asset holdings; the study used data from Survey of Consumer Finances from 1999 to 2013).

[41] An important distinction exists between income and wealth, even though the two terms are interconnected. Income is "the flow of money received by an individual or household, as an indicator of financial well-being." Lisa A. Keister & Stephanie Moller, *Wealth Inequality in the United States*, 26 ANN. REV. OF SOC. 63, 64 (2000). In contrast, wealth is net worth, or "the value of assets owned by the household . . . the difference between total assets (including real assets such as houses, real estate, and vehicles; and financial assets such as checking and savings accounts, stocks, and bonds) and total liabilities or debt (such as mortgages, car loans, student loans, and credit card debt)." *Id.* In shorthand, from the standpoint of security retirement,

One seminal articulation of this behavioral notion is by Lisa A. Keister.[42] In a study published in December of 2000, Professor Keister suggested that one reason why Blacks, compared to Whites, are not building wealth quickly is because they are not investing in high-risk but equally high-return portfolios, such as stocks and bonds.[43] Put differently, she attributed some of the huge wealth gap between Blacks and Whites, which in 1992, was estimated at one-eighth the median wealth of White households—or a walloping 92%, to savings strategies or the lack thereof.[44] By 2013, in the aftermath of the Great Recession, the gap in median wealth against Blacks would jump to one-thirteenth.[45] Using a simulation model, she explored what would have been the case if African Americans invested in high-return risky assets at the same rate that Whites did in the periods from 1960 until 1995.[46] Her work unearthed some revealing—and disturbing—findings. If Blacks had invested in high-risk assets at the same rate as Whites since 1960, 5% of the country's super-rich in 1995 would have been

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wealth is a more durable concept. A worker with wealth will achieve retirement security, whereas a worker can have income and still not realize a comfortable retirement. This is probably the point that Professors Keister and Moller appeared to convey when they observed that "inequality is much worse if wealth is taken into account as there are advantages associated with wealth ownership that income alone cannot provide," instructively adding that: "Wealth provides for both short- and long-term financial security, bestows social prestige, contributes to political power, and can be used to produce more wealth." *Id.* at 64.

[42] *See* Grabmeier, *supra* note 22 (citing Lisa A. Keister, *Race and Wealth Inequality: The Impact of Racial Differences in Asset Ownership on the Distribution of Household Wealth*, 29 SOC. SCI. RES. 477 (2000)).

[43] *See generally* Grabmeier, *supra* note 22 (citing Keister, *supra* note 42). Keister is aware of the hazards of single-factor explanations. Accordingly, she cautioned that her results, discussed shortly below, do not suggest that the wealth gap between Blacks and Whites could be eliminated simply by having Blacks invest more in the stock market. Rather, she said, "racial differences in wealth ownership are influenced by many forces, but [that her findings] indicate that decisions about how families save are important." Grabmeier, *supra* note 22; Keister, *supra* note 42, at 499. Stated differently: "Making high-risk asset ownership accessible and understandable to black families would not end wealth inequality, but it would clearly reduce the current dramatic disparities." Grabmeier, *supra* note 22; Keister, *supra* note 42, at 499.

[44] Grabmeier, *supra* note 22. In 1992, the median net worth of African Americans was only 8% the net worth of Whites. *Id.*

[45] *See* Rakesh Kochhar & Richard Fry, *Wealth Inequality Has Widened Along Racial, Ethnic Lines Since End of Great Recession* 1, PEW. RES. CTR. (Dec. 12, 2014), www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession. The gap seems to persist, in spite of gains in the incomes of Black households. *See, e.g.,* Richard Rothstein, *Why Did Ferguson and Baltimore Erupt? Look to the Government-Backed History of Housing Segregation*, INTHESETIMES.COM (Apr. 30, 2015), http://inthesetimes.com/article/17897/why-d-d-ferguson-and-baltimore-erupt-look-to-the-government-backed-history (observing that Black households command only about 5% the wealth of White households, even though the incomes of Black households are 60% of those of White families); CARMEN DENAVAS-WALT & BERNADETTE D. PROCTOR, U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS, INCOME AND POVERTY IN THE UNITED STATES: 2014 7 (2015), https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf (showing a gap of income for Blacks only two times the income of Whites).

[46] *See generally* Grabmeier, *supra* note 22.

African Americans, not the 0% without the model.[47] And to the benefit of the larger society, if Blacks had invested in high-risk assets at the same rate as Whites since 1960, by 1995, the wealthiest of Americans would have owned 31% of the nation's total wealth, rather than the 39% without the model, representing a decline of 8%.[48]

The Great Recession of 2007 to 2009 taught many African American households, including workers preparing for retirement, some hard lessons about the danger of leaving the bulk of their wealth in housing.[49] We argue that in the aftermath of this economic downturn, retirement security for Blacks is a function of *behavioral* changes, evident in increased investment in the stock market, that are also sensitive to the structural conditions of demography and income inequality that sometimes, for better or worse, shape those behaviors. This Article is sequel to two previous works on retirement security, namely: *Protection Against the Economic Fears of Old Age*, published in Fall 2015 by Professor Aka and two other colleagues;[50] and *Why Low-Income Workers Need to Save for Retirement and How They Can Do It*, published in 2016 by the authors of the present article and two other colleagues.[51] Both works addressed structural and behavioral variables that impinge on retirement security, particularly for minority people.

The first marshalled and analyzed six factors—Social Security, employer-sponsored pensions, and personal assets (i.e., personal savings from numerous sources) synchronized with reduction in the disparities between Blacks and Whites in education, healthcare, and homeownership—as tools for bridging the gap between Blacks and Whites in retirement security.[52] The piece was inspired by President Franklin D. Roosevelt's notion of a "right to adequate protection from the economic fears of old age," part of an economic bill of right designed to complement the political Bill of Rights of 1791.[53] The second addressed the special difficulties low-income workers, many of them Blacks, face with respect to savings and investments in retirement security and analyzed three steps—comprising employer-sponsored benefit plans, financial education and literacy, and homeownership—in the roadmap to retirement security for low-income workers.[54] It argued that,

> [A]lthough income plays a major role in retirement savings, individual behavior changes and targeted, larger-scale policy changes in [traditional techniques,

[47] *Id.*

[48] *Id.*

[49] *See* Aka et al., *supra* note 1, at 62-63.

[50] *See id.*

[51] *See generally* Aka et al., *supra* note 22.

[52] *See generally* Aka et al., *supra* note 1.

[53] *See id.* at 15-23.

[54] *See generally* Aka et al., *supra* note 22.

> such as Social Security, employer-sponsored benefit plans, and personal assets, as well as nontraditional techniques like financial education and literacy and homeownership] can facilitate the accumulation of income necessary for retirement security for all workers, particularly low-income employees.[55]

Dwelling on the special difficulties low-income workers face in generating the savings and investments necessary for comfortable retirement, the article also analyzed the influence of risk tolerance on retirement savings.[56]

The ensuing analysis has two main parts. Part II addresses the *why* question, by exploring four representative reasons why the participation of African Americans lags behind the rate of White participation, to the detriment of their retirement security. Changing the world is as critical as interpreting it.[57] Therefore, looking beyond the seeming pedestrianism of problem identification, part III focuses on *remedies*, conveniently revolved on the use of employer-sponsored pension plans as a means to promote increased Black participation in the stock market. Back to the Social Security Act of 1935,[58] government policy has played an important role in shaping retirement security in the United States.[59] The discussions in parts II and III are sensitive to that role, along with the influences of structural and behavioral forces that drive the lag in Black participation, vis-à-vis Whites', in the stock market.

## II. REASONS WHY AFRICAN AMERICANS LAG BEHIND WHITES IN STOCK MARKET PARTICIPATION

Several justifications exist in the literature on retirement security as to why African Americans lag behind Whites in stock market participation. Four typical reasons this section explores are: the perception that the stock market

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55 *Id.* at 214.

56 *Id.* at 220-22.

57 The political economist Karl Marx once commented on how philosophers "only" interpret the world when "the point" should be "to change it." *Karl Marx*, STAN. ENCYCLOPEDIA OF PHIL. (2015), http://plato.stanford.edu/entries/marx/ (quoting thesis 11 of Marx's "Theses on Feuerbach").

58 Social Security Act, 42 U.S.C. § 301-1397 (2012). The bill was signed into law by President Franklin D. Roosevelt on Aug. 14, 1935. *See* Pub. L. No. 74-271, 49 STAT. 620 (1935).

59 *See generally* PENSIONS AND PUBLIC POLICIES (WILLIAM G. GALE ET AL. EDS., 2004). This may sound paradoxical or counter-intuitive for a capitalist system built on private initiative. However, it sits well with capitalism. The English economist Adam Smith expounded and defended a *laissez faire* capitalist system embedded in the "invisible hand" of market forces. TERENCE BALL ET AL., POLITICAL IDEOLOGIES AND THE DEMOCRATIC IDEAL 63 (9th ed., 2014). "By pursuing his own interest," he argued, the merchant or trader "frequently promotes that of the society more effectually than when he really intends to promote it." *Id.* Yet, to prevent greed and abuses in the marketplace, Smith supported regulation of certain sectors of the economy, such as banking. *Id.* at 63. Smith went even further by advocating for governmental provision of public works, meaning infrastructure, to facilitate commerce. *Id.* at 64.

may be too risky; fear of Wall Street, including a lack of trust for financial service companies; a lack of enough money to facilitate participation in the stock market; and the perception that participation in the stock market is too complicated for the ordinary person, an occurrence that suggests a want of financial education and literacy. We take these reasons in turn.

## *A. Perception that Investing in the Stock Market May be too Risky*

The first reason why, vis-à-vis Whites, African Americans do not participate robustly in the stock market, to the detriment of their retirement security, is a perception that investing in the stock market may be too risky. When asked why they were not participating in the stock market, the most commonly cited reason that African American non-investor respondents generally provide is that the market is too risky, or volatile.[60] Similarly, compared to Whites, who view the stock market as affording a fair opportunity for all to profit over time, many African Americans feel that the market is stacked against small investors over the long term.[61] Going further, among Blacks, the feelings of unfairness regarding the stock market appear consistent across age, gender, and income levels.[62] Perhaps for this reason, vis-à-vis Whites, many Black investors tend to take the position that timing the stock market to buy low and sell high is crucial when investing,[63] as opposed to being there for the long haul to reap the high-return this wealth-generating source affords.

The subjective perception that investing in the stock market may be too risky appears to mesh with the conventional wisdom that, compared to Whites, African Americans are unwilling to take financial risk for their own economic well-being.[64] But to every general rule, there is an exception. Part of that exception is that, as a group, compared to Whites, Blacks are willing to tolerate risks on some financial issues, but less so on others.[65] Under this theory, Blacks failed to invest sufficiently in high-return risky assets not necessarily because they were not willing to take financial risk for higher return, but probably due to other reasons.[66] More than White households, Black households are often headed by single women (by one estimate, a little over 46.12%, compared to

[60] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 8, 20.

[61] *Id.*

[62] *Id.* at 22.

[63] *Id.* at 8, 23.

[64] *See, e.g.*, Rui Yao et al., *The Financial Risk Tolerance of Blacks, Hispanics, and Whites*, 16 J. FIN. COUNSELING & PLAN. 51 (2005), http://afcpe.org/assets/pdf/vol1616.pdf (abstract) (positing that "Blacks and Hispanics are less likely to be willing to take some financial risk but more likely to be willing to take substantial financial risk than Whites, after controlling for the effects of other variables."). *See also* Aka et al., *supra* note 22, at 220-21 (focusing of low-income workers, many of whom are Blacks).

[65] *See* Yao et al., *supra* note 64.

[66] *See id.*

nearly 25% of White households), and women as a group have been shown to be much less risk-tolerant than men as a group.[67]

On a more general note, achieving substantial return in investment requires risk-taking.[68] Many good things in life require some measure of risk; as the popular saying goes, there can be no gain where there is no venture. Generating income for retirement through investment in volatile stocks with the potential to yield a high return is no exception. Given their low position in the economic totem pole in the United States, Blacks' being risk averse is understandable. As we noted in an earlier work, "Individuals who make little money are not likely to play spendthrift with what little they have."[69] Yet, taken too far, risk-adverse investment behavior is a poor long-term strategy for retirement savings.

In the United States, the family is a critical factor in socialization, including on issues relating to finances. As a corollary, asset allocation behavior is shaped by a social learning process, and asset allocation choices of parents pass on to their offspring.[70] Yet, surveys show that, compared to Whites, many younger African Americans aged eighteen to thirty-four have been taught about bank accounts and managing credit cards, but relatively little when it comes to stocks and participation in the stock market.[71] In essence, inordinate low-risk tolerance in investment has adverse consequences for Blacks that extend to future generations. In the days before integration, many African Americans featured actively in the lottery, or "policy racket," that formed a necessary part of economic life in many northern cities, including Bronzeville in South Chicago,[72]

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[67] *See, e.g.*, Gutter & Fontes, *supra* note 16.

[68] *See generally* Shin & Hanna, *supra* note 16 (using historical mean rates of returns and standard deviation of asset criteria to demonstrate the potential for high-risk investment to yield higher return); Michael S. Finke & Sandra J. Huston, *The Brighter Side of Financial Risk: Financial Risk Tolerance and Wealth,* 24 J. FAM. & ECON. ISSUES 233 (2003) (finding that willingness to take financial risk is associated with significantly higher net worth, while acknowledging that taking higher risk increases potential loss, and as a result majority of people tend to be risk-averse).

[69] Aka et al., *supra* note 22, at 221.

[70] *See* Vicki L. Bogan, The Stockholding and Household Wealth Connection, Institute for Behavioral & Household Finance, White Paper No. 1-2014 (2014), http://bogan.dyson.cornell.edu/ibhf/docs/WhitePaper1_Bogan.pdf (noting, "Beyond the effects of bequests and wealth transfers, there could be intergenerational persistence in wealth levels due to intergenerational links in stockholding.").

[71] *See* Ngina S. Chiteji & Frank P. Stafford, *Portfolio Choices of Parents and Their Children as Young Adults: Asset Accumulation by African-American Families*, 89 AM. ECON. REV. 377 (1999) (finding that parents who held stocks are more likely to have children who go on to hold stocks as young adults).

[72] *See* ST. CLAIR DRAKE & HORACE R. CAYTON, BLACK METROPOLIS: A STUDY OF NEGRO LIFE IN A NORTHERN CITY 484 (1993) (commenting on the factors that made a penchant for gambling acceptable as a "community institution" in the Bronzeville section of South Chicago). *See generally id.* at 488-90 (commenting on "the policy king as a race hero").

and, till today, many ill-advisedly play the lottery.[73] A people like African Americans, no strangers to the vicissitudes of economic life minority groups endure in the United States, can take reasonable risks to help them prepare for a dignified retirement.

## *B. Fear of Wall Street*

Another reason why, compared to Whites, African Americans do not invest adequately in stock portfolios, to the detriment of their financial security, is fear of Wall Street.[74] This is a fear in opinion surveys tapped by responses to statements such as, "I don't trust financial services companies,"[75] and "The stock market is stacked against small investors over the long term."[76] To these views, should be added the opinions of respondents who indicated they are not investing because they "lost money in the stock market in the past and [are] no longer interested."[77] For many Blacks, the fear of Wall Street is a *subjective* disposition

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[73] *See, e.g.*, L. Nicole Trottie, *Per Capita Income Down, Lottery Sales Up*, W. SUBURBAN J. (Jun. 25, 2009), http://westsuburbanjournal.com/Proviso/june25_09_lottery_westsuburbs_article 594465.html (observing that, "Black folks do most of the playing" in the Illinois lottery which raked in over $1 billion in profit for the government in 2002, "but not most of the winning.").

[74] The term "Wall Street" is, "a collective name for the financial and investment community, which includes stock exchanges and large banks, brokerages, securities and underwriting firms, and big businesses." *Wall Street*, INVESTOPEDIA, http://www.investopedia.com/terms/w/walls treet.asp. It is the "home of several important financial institutions" that extend beyond the United States to embrace financial and investment communities in the world outside America. *Id.* The moniker originated as "a street in lower Manhattan that is the original home of the New York Stock Exchange and the historic headquarters of the largest U.S. brokerages and investment banks" that today has become more "geographically diverse" in a manner that allows investors in the United States and across the world access to the same information available in the original location. *Id.* Specifically,

> Wall Street got its name from the wooden wall Dutch colonists built in lower Manhattan in 1653 to defend themselves from the British and Native Americans. The wall was taken down in 1699, but the name stuck. The area became a center of trade in the 1700s, and in the late 1790s publicly traded investments were issued.

*Id.* Finally, and instructively, *Wall Street* is sometimes contrasted from *Main Street*, colloquially "a common name for the principal street of a town where most of the town's businesses are located," whose larger meaning designates the collection of "individual investors, small business, employees and the overall economy." *Id.* In a word, for many, Wall Street denotes "big business and financial institutions," while Main Street "represent[s] the little guy and small businesses in general." *Id.*

[75] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 20. *See also* Tristan Mabry, *Black Investors Shy Away from Stocks – Women in Particular Are Afraid to Trust Brokerage Firms*, WALL ST. J. (May 14, 1999, 12:04 AM), http://www.wsj.com/articles/SB926636527156960101.

[76] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 22.

[77] *See id.* at 20, 21.

with strong *objective* bases linked to the effects of past and lingering discrimination in many spheres of African American life.[78]

We elaborate with few examples. First are the discriminatory hiring practices in the financial industry that leave Blacks underrepresented in the industry. Of the over seven million people employed in the finance and insurance sector in 2015, only approximately 10% were African Americans.[79] Having fewer African Americans in financial institutions not only contributes to lack of trust, but also decreases the number of African Americans who can serve as financial role models to other African Americans. Secondly are issues like redlining, subprime lending, and predatory lending that roil the financial industry and contribute to differences in wealth between Blacks and Whites, with negative ramifications for retirement security. *Redlining* is a discriminatory government practice quickly embraced by many private banks which minimize(d) access to suitable accommodation for Blacks.[80] *Subprime lending*, also known as second-chance lending, occurs when banks and other financial institutions make loans to people who may have difficulty repaying the loan, for a variety of unfavorable changed circumstances, such as death of a breadwinner, divorce, joblessness, or medical emergencies.[81] Subprime lenders tend to disproportionately target

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[78] *See, e.g.,* MANNING MARABLE, HOW CAPITALISM UNDERDEVELOPED BLACK AMERICA: PROBLEMS IN RACE, POLITICAL ECONOMY, AND SOCIETY ix (2015) (including Professor Marable's assessment that the "most striking fact about American economic history and its politics is the brutal and systematic underdevelopment of Black people."); Terrance K. Martin et al., *Race, Trust, and Retirement Decisions*, 13 J. PERS. FIN. 62 (2013) (using the 2008 National Longitudinal Survey of Youth to examine whether racial differences in trust can help explain decisions to consult with a financial planner).

[79] U.S. DEP'T OF LABOR, BUREAU OF LABOR STATISTICS, LABOR FORCE STATISTICS FROM THE CURRENT POPULATION SURVEY (2016), http://www.bls.gov/cps/cpsaat11.htm. (last visited Mar. 5, 2017).

[80] Emily Badger, *Redlining: Still a Thing,* WASH. POST (May 28, 2015), https://www.washingtonpost.com/ news/wonk/wp/2015/05/28/evidence-that-banks-still-deny-black-borrowers-just-as-they-did-50-years-ago/. The practice originated in the 1930s when the Home Owner's Loan Corporation, paradoxically sponsored by the national government as part of the New Deal in response to the Great Depression in the 1930s, designed maps of American communities to sort through which ones were worthy of mortgage lending. The Corporation ranked and color-coded these communities, with the scapegoated communities demarcated in red. The practice "arbitrarily denied or limited financial services to specific neighborhoods, generally because its residents are people of color or are poor." D. Bradfort Hunt, *Redlining,* ENCYCLOPEDIA OF CHI., http://www.encyclopedia.chicagohistory.org/pages/1050.html. But "[w]ithout bank loans and insurance, redlined areas lacked the capital essential for investment and redevelopment." *Id.* It took until the Fair Housing Loan Act of 1968, Pub. L. No. 90-284, § 801, 82 Stat. 73, 81-89 (1968) (codified as amended at 42 U.S.C. § 3601-3619 (2012)), for the national government to outlaw this discriminatory practice. Yet, till date the practice still endures in subtle forms. *See* Badger, *supra*.

[81] NAT'L COMM'N ON THE CAUSES OF THE FIN. & ECON. CRISIS IN THE U.S., U.S. FIN. CRISIS INQUIRY COMM'N, THE FINANCIAL CRISIS INQUIRY REPORT: FINAL REPORT OF THE FINANCIAL AND ECONOMIC CRISIS IN THE UNITED STATES 67-8 (2011), http://www.gpo.gov/fdsys/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf. Colloquially, this lending is made to individuals whose credit scores, as determined by consumer credit-rating bureaus, such as Equifax, Experian, and FICO, variable over time but usually below 640, is below prime. They are contrasted from loans to prime rate borrowers, i.e., consumers whose better credit history render them low-default risk to these credit-rating bureaus. Andrew W. Lo, *Reading About the Financial Crisis* 8-9 (Oct. 26, 2011), http://papers.

African American borrowers and communities, resulting in significant lack of prime loans for minority borrowers, among them even high-income households.[82] As the bubble burst arising from the Great Recession of 2007-2009 makes clear, subprime lending can expose Blacks and other minorities to increased risk of foreclosure, compared to Whites.[83] *Predatory lending practices* are activities that "impos[e] unfair and abusive loan terms on borrowers," such as abusive collection practices, and excessive interest rates.[84] Predatory lending practices, alternately, contributed to the boom and crisis in the housing industry in the last decades that, in the case of the crisis, affected many Blacks negatively.[85]

In a nutshell, historically, financial institutions have engaged in activities that lead to economic exploitations of African Americans. These experiences can militate against trust, but do not justify inordinate distrust. In the light of these experiences, financial institutions must strive hard(er) to build trust that will encourage African Americans to invest more in high-return risky assets. Plus this is doable: one study found that once trust has been established, Blacks were about eighteen times more likely than Whites to seek retirement financial advice.[86] Routes to that trust, as Black respondents voice out in opinion surveys, include demonstrating an understanding for them and their subculture, branch offices located in more corners of Black communities, and floating marketing and advertising materials relevant to these communities.[87]

There are several avenues that financial institutions could use to engage the black community and build trust to the benefit of participation in the stock market and retirement security. The first is targeting African Americans through TV and radio programs. This approach makes sense given the fact that, in addition to talking to friends about how to save and invest, many African

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ssrn.com/sol3/papers.cfm?abstract_id=1949908. As the Office of Inspector General succinctly indicated, "[S]ubprime lending serves the market of borrowers whose credit histories would not permit them to qualify for a conventional 'prime' loan." FDIC, OFFICE OF INSPECTOR GENERAL, *Challenges and FDIC Efforts Related to Predatory Lending*, OIG Rep. No. 06-011 at 4 (2006), https://www.fdicig.gov/reports06/06-011.pdf [hereinafter referred to as FDIC OIG Rep. No. 06-011].

[82] Allen Fishbein & Harold Bunce, *Subprime Market Growth and Predatory Lending*, U.S. DEPT. HOUS. & URBAN DEV., HOUSING POL'Y IN THE NEW MILLENNIUM 273, 275 (2000), https://www.huduser.gov/publications/pdf/brd/13fishbein.pdf.

[83] SARAH BURD-SHARPS & REBECCA RASCH, IMPACT OF THE US HOUSING CRISIS ON THE RACIAL WEALTH GAP ACROSS GENERATIONS (2015) (highlighting research sponsored by the Urban Institute which found that, compared to Whites, African Americans were 47% more likely to face foreclosure).

[84] FDIC OIG Rep. No. 06-011, *supra* note 81.

[85] *See* BURD-SHARPS & RASCH, *supra* note 83.

[86] *See* Martin et al., *supra* note 78 (using the 2008 National longitudinal survey of youth).

[87] *See* Sharon A. DeVaney et al., *Asset Ownership by Black and White Families*, 18 ASS'N. FIN. COUNSELING & PLAN. 33 (2007).

Americans increase their investment knowledge by watching TV programs, and listening to radio programs dealing with investment.[88]

Another is a stronger commitment to racial diversity, showcased through means that include hiring more African Americans to serve as role models for their people. Black respondents indicate in opinion surveys that racial diversity is an important factor they consider when choosing financial institutions they do business with, including institutions managed by Blacks.[89] Moreover, many African Americans indicate in opinion surveys that are more likely to take investment advice from successful Black entrepreneurs, such as Oprah Winfrey and Michael Jordan, whether formally within or outside the financial industry.[90] The dilemma, as indicated before, is the paucity of these role models, especially within the financial industry.[91]

Related to racial diversity and reinforcing it, with prodding from all levels of the United States government, financial institutions should work to minimize exclusions during product marketing. Financial brokers frequently target Whites, thus inadvertently creating in minority communities a cultural bias against investing in high-return risky assets.[92] An instructive study by Prudential in 2011 found that nearly eight out of ten black respondents surveyed "felt that no financial services company has effectively engaged or shown support for the black community."[93] And compared to Whites, fewer African Americans believe the financial service firms "treat [Blacks] with respect."[94] In contrast, part of the reason why many African Americans historically engage in less-risky and low-return financial services like Certificate of Deposits (CDS), life insurance policies, and real estates is because these industries have marketed their services to African Americans, and have agents who themselves are black.[95]

Some Black organizational initiatives have risen up to complement and solidify these efforts. One such initiative is the Wall Street Project sponsored by Rainbow PUSH Coalition.[96] Founded in 1996, the program is described as an

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[88] ARIEL INVESTMENTS BLACK INVESTOR SURVEY: SAVING AND INVESTING AMONG HIGHER INCOME AFRICAN-AMERICAN AND WHITE AMERICANS (2000) [hereinafter referred to as BLACK INVESTOR SURVEY FOR 1999].

[89] *Id.* at 10, 46.

[90] *Id.* at 45.

[91] LABOR FORCE STATISTICS FROM THE CURRENT POPULATION SURVEY (2016), *supra* note 79.

[92] Sharmila Choudhury, *Racial and Ethnic Differences in Wealth and Asset Choices*, 64 SOC. SECURITY BULL. 1 (2001).

[93] PRUDENTIAL, THE AFRICAN AMERICAN FINANCIAL EXPERIENCE 5 (2011), https://www.ebri.org/pdf/Andrews.pdf. [hereinafter referred to as PRUDENTIAL RESEARCH SURVEY FOR 2011].

[94] PRUDENTIAL RESEARCH SURVEY FOR 2015-16, *supra* note 36, at 9.

[95] *See* Choudhury, *supra* note 92, at 13.

[96] *See About Us: Brief History*, Rainbow PUSH Coalition (2015), http://www.rainbow push.org/pages/brief_history (Rainbow/PUSH is a non-profit organization founded by the civil rights leader, the Reverend Jesse Jackson, to promote social justice for Blacks. As its name suggests, it is the product of a merger in 1996 of two entities, the National Rainbow Coalition, founded in 1984, and Operation PUSH, acronym for People United to Save Humanity, founded in 1971 and dedicated to improving economic conditions for Blacks. The organization is headquartered in

"evolutionary process" by which Rainbow PUSH "view[s] people of color and women as 'value added' and mutually beneficial proposition to American business."[97] More elaborately, its goal "is for public and private industries to provide more business opportunities for minority-owned companies throughout the financial service industry[;] to improve hiring, promotion, and retention practices[;] to allocate more capital to minority companies[;] promote intra-trade relationships with diverse businesses[;] and increase funding for educational scholarships."[98] The program holds an economic summit annually featuring addresses by distinguished speakers.[99]

Despite the foregoing recommendations, the Fear of Wall Street remains an unresolved issue for African Americans. Under President Barack Obama from 2009 until 2017, Congress enacted the Consumer Financial Protection Act ("CFPA"), more popularly known as the Dodd-Frank Wall Street Reform and Consumer Protection Act,[100] as a remedy for some of the consumer ills and excesses of Wall Street. The goals of the CFPA included promoting diversity in Wall Street. Thus, under the Act, beginning in 2011, federal agencies and reserve banks were required to report annually on their efforts in recruiting and retaining minorities, including women.[101] Furthermore, the Obama administration created the Consumer Financial Protection Bureau charged with responsibility for "regulat[ing] the offering and provision of consumer financial products or services under the Federal consumer financial laws."[102] But President Donald J. Trump pronounces these and other consumer protections a "disaster," and, since taking office on January 20, 2017, has been at work dismantling these guarantees, an occurrence fraught with negative ramifications for retirement

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Chicago, and has branches in various parts of the United States, including Atlanta, Detroit, Houston, Los Angeles, New York, and Washington, D.C., among others); *see also* James Ralph, *Operation PUSH*, ENCYCLOPEDIA CHI. (2005), http://www.encyclopedia.chicagohistory.org/pages/934.html.

[97] Safton Floyd, *Gain Access to Opportunity at Wall Street Project Economic Summit*, BLACK ENTERPRISE (Feb. 8, 2016), http://www.blackenterprise.com/news/gain-access-to-opportunityat-wall-street-project-economic-summit/.

[98] *Id.*

[99] *See* Safton Floyd, *19th Annual Wall Street Project Economic Summit Kicks Off Today!*, BLACK ENTERPRISE (Feb. 16, 2016), http://www.blackenterprise.com/news/19th-annual-wall-street-project-economic-summit-kicks-off-today/.

[100] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 1061(a)(2)(A), 124 Stat. 1376 (2010) (codified in sections of the U.S. Code) [hereinafter Dodd-Frank Act].

[101] U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-13-238, DIVERSITY MANAGEMENT: TRENDS AND PRACTICES IN THE FINANCIAL SERVICES INDUSTRY AND AGENCIES AFTER THE RECENT FINANCIAL CRISES (2013).

[102] Dodd-Frank Act, *supra* note 100. *See also* CFPB: CONSUMER FINANCIAL PROTECTION BUREAU, http://www.consumerfinance.gov/.

security.[103] At the very least, the new administration's sweeping attack against regulations creates uncertainty that will not ease the Black fear of Wall Street.

### *C. Lack of Enough Money to Facilitate Participation in the Stock Market*

A third reason, besides the argument of riskiness and a fear of Wall Street, that many Black people give for not participating in the stock market is that they do *not* have the money to do so. We distill this reason counter-intuitively or indirectly from the common justification in opinion surveys that Black respondents give for beginning to participate in the stock market—the second most common reason after the motivation of a work retirement plan as justification for beginning to participate—namely, that they have the *extra cash* they wanted to grow and chose to put that cash into the stock market.[104] We draw the conclusion of lack of enough money because of the word *extra* prefixing *money* in the wording of the statement. In other words, respondents indicate they would be unable to participate in the stock market if they did not have unspecified extra money to own these financial securities.[105]

There is some merit in this no-money argument. Stock ownership correlates positively with socioeconomic status, specifically *income* and *educational attainment*. Phrased hypothetically, irrespective of their races or ethnic background, households with more income and educational attainment tend to own stocks more than households with less of these properties or attributes.[106] Beginning with *income*, although persons of small means can buy

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[103] *See, e.g.*, Bess Levin, *Trump to Gut Financial Regulation, Including Rule Protecting Retirees*, (Feb. 3, 2017, 11:00 AM), http://www.vanityfair.com/news/2017/02/donald-trump-dodd-frank; Glenn Thrush, *Trump Vows to Dismantle Dodd-Frank "Disaster,"* (Jan. 30, 2017), https://www.nytimes.com/2017/01/30/us/politics/trump-dodd-frank-regulations.html; Adam Edelman, *Trump Kicks Off First Week in Office with Exec Orders on Trade and Vows to Cut Regulations by "75%, Maybe More"* (updated Jan. 23, 2017, 5:32 PM), http://www.nydailynews.com/news/politics/trump-withdraw-u-s-trans-pacific-partnership-trade-pact-article-1.2953291.

[104] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 28, 29. This is for investors who chose this statement as their "most important reason for starting to invest." *Id.* at 29. For non-investors, the choice came down to No. 7 under the question on the likelihood to invest under a set of circumstances, including the respondent having "extra money that [he or she] wanted to put somewhere." *Id.* at 30.

[105] *See id.* at 28, 29.

[106] *See* Shin & Hanna, *supra* note 16, *passim* (finding that households with similar socioeconomic status such as similar levels of income and educational attainment will have similar ownership rates of stocks regardless of their race or ethnic identity); Gutter & Fontes, *supra* note 16 (finding that the observed differences in high return risky asset ownership between Whites and African Americans can be explained by differences in individual determinants of risky asset ownership, such as income and educational attainment, and not by race in and of itself). *But see, e.g.*, Allison Schrager, *What the Stock Market has to do with Racial Inequality*, BLOOMBERG, (Jan. 9, 2015), http://www.bloomberg.com/news/articles/2015-01-09/what-the-stock-market-has-to-do-with-racial-inequality-iiborp1v; Sherman D. Hanna et al., *Racial/Ethnic Differences in High Return Investment Ownership: A Decomposition Analysis*, 21 J. FIN. COUNSELING & PLAN. 44, 44-59 (2010).

stocks, it is conceivable that, compared to their low-income counterparts, high-income households are more likely to participate in the stock market[107] because, for starters, compared to low-income households, they have the leftovers of money to make that participation possible. On *education*, the higher a person's educational achievement, the more likely that person will participate in the stock market, all things being equal[108]—and some of it because income and education are two variables that are correlated in that the more education a person receives, the higher that person's income, all things being equal.[109] Also, vis-à-vis low-income households, high-income earners, who are also more likely to be better educated—tend to have the time, motivation, and literacy needed to access the information they need for investment decisions.[110] More discussion on financial literacy is saved for the next sub-section dealing with the topic.

There are two other arguments which lend credence to the no-money argument. The first is that during economic hard times, African Americans are usually the most vulnerable and the last to recover, if at all, after an economic downturn.[111] This is more so given that, vis-à-vis Whites, many Black households are headed by single women. This is an occurrence that adds up to increase the subjective feeling of discrimination African Americans face and reinforce their distrust of the financial services system, Wall Street as well as Main Street.[112]

The second argument relates to family composition. "Family structure ... plays an important role in creating and maintaining differences in wealth

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[107] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 15 (finding that 57% of Blacks with household income of $50,000-$100,000 answered "yes" to the question, "Do you personally, or with a spouse, have any money invested in the stock market right now, either in individual stocks or in a stock mutual fund?") compared to (finding that 81% of households with an income of over $100,000 responded "yes"; for Whites the percentages were 83% for households with income of $50,000-$100,000 and 92% for households making above $100,000). *See also* Choudhury, *supra* note 92 (finding that as income increases, the percentage, as well as the mean value of stocks owned increases for all races).

[108] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 16 (noting that 72% of respondents who achieved "postgraduate study" responded "yes" to the question: "Do you personally, or with a spouse, have any money invested in the stock market right now, either in individual stocks or in a stock mutual fund?", compared to 63% of respondents with "College of less"). *Id.* The comparable numbers for Whites were 88% for respondents with "postgraduate study" and 86% for respondents who achieved "college or less"). *Id. See also Employment Projections, Earnings and Unemployment Rates by Educational Attainment,* BUREAU OF LAB. STAT. (2015), http://www.bls.gov/emp/ep_chart_001.htm. (stating that having higher educational attainment increases propensity to earn higher income).

[109] Gur Huberman, *Familiarity Breeds Investment*, 14 REV. FIN. STUDS. 659, 659-80 (2001) (positing that more educated investors tend to be more familiar with stocks than less educated investors, and therefore more likely to own stocks). More discussion on the impact of literacy on stock ownership is saved for [D.] *infra* following this subsection.

[110] *See* Haliassos & Bertaut, *supra* note 16.

[111] MELVIN L. OLIVER & THOMAS M. SHAPIRO, BLACK WEALTH/WHITE WEALTH, A NEW PERSPECTIVE ON RACIAL INEQUALITY 94-97 (1997).

[112] *See Wall Street, supra* note 74 (explaining similarities and differences between these two Streets).

ownership."[113] More elaborately, Black families differ remarkably from White families, and differences in family background contribute to racial differences in wealth ownership.[114] African-American households are more likely to have extended family members living with them, which contributes to increased family size.[115] Having a large family that includes dependents puts a strain on available financial resources, leading to a focus on present consumption, to the detriment of investment and ultimately retirement security. Survey reports indicate that, compared to Whites, many African Americans *expect* to render financial support to their parents,[116] and that they *actually* spend more of their money defraying the expenses of family members.[117] In a word, childhood family size and family structure correlate with difference between Blacks and Whites in the trajectory of adult wealth accumulation, allowing Whites to begin accumulating stocks and other high-return assets earlier in life.[118]

Although compelling, the no-money argument is not determinative with respect to participation in the stock market necessary to build the income, if not wealth, that Black seniors need for a dignified retirement after a lifetime of work. Earlier in this Article, we dismissed the notion of $50,000 as a benchmark income for participation in the stock market.[119] The rejection of a set figure is consistent with our argument in an earlier work prequel to this Article that low-income status is *not* per se a good defense for retirement insecurity. As we elaborated therein, "[E]very worker who retires must save for retirement, and low-income earners are no exception."[120] We added that, "Precisely due to less stable employment and earnings, low-income workers have many good reasons to plan ahead financially for their own retirement."[121] While duly sensitive to the obstacles to savings that low-income people, as a group, confront, we also indicated "[t]he obstacles to savings are not destiny; they merely make exigent the necessity for persons of low means to prepare for retirement as early as possible . . . High-income workers also need to plan their own retirements, but much more so low-income persons because of the unique obstacles low-income earners face as an income group."[122]

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113 Keister & Moller, *supra* note 41, at 73.

114 Lisa A. Keister, *Race, Family Structure, and Wealth: The Effect of Childhood Family on Adult Asset Ownership*, 47 SOC. PERS. 161, 162 (2004).

115 *See, e.g.*, Sara Rimer, *Blacks Carry Load of Care for Their Elderly* (Mar. 15, 1998), http://www.nytimes.com/1998/03/15/us/blacks-carry-load-of-care-for-their-elderly.html.

116 *See* BLACK INVESTOR SURVEY FOR 1999, *supra* note 88 (first, click on "Historical Ariel/Schwab Black Investor Surveys;" then, scroll down to the 2000 survey).

117 *See* ARIEL MUTUAL FUNDS & CHARLES SCHWAB & CO., THE ARIEL/SCHWAB BLACK INVESTOR SURVEY: SAVING AND INVESTING AMONG HIGH INCOME BLACK AND WHITE AMERICANS (June 2003). *See also* Rimer, *supra* note 115.

118 *See* Keister, *supra* note 114.

119 *See supra* note 22 and corresponding text.

120 Aka et al., *supra* note 22, at 213.

121 *Id.*

122 *Id.* at 242-43.

In opinion surveys, Black respondents expressed the view that reducing the minimum capital needed to invest in high-return risky assets will encourage them to invest in these assets.[123] The proposal anticipated as well as achieved policy traction with the announcement by the United States government on November 3, 2015 of a starter savings account for workers called "MyRA."[124] MyRA is designed to help individuals without a retirement plan set money aside each week, and workers with or without a current savings plan can benefit from it.[125] Under this savings plan, employees can contribute as little as one dollar, which is invested only in a risk-free, United States Treasury security created for the program.[126] MyRA enables account holders to save "money from their paycheck, bank account[,] or even tax refund."[127] The program is so flexible that investors can roll over their MyRA into a private-sector account whenever they want.[128]

### *D. Perception that Participation in the Stock Market May be too Complicated for Ordinary People (or Want of Financial Education and Literacy)*

Last but not least, among the representative reasons we delineated for exploration in this Article is the justification that, compared to Whites, African Americans own less stocks out of the perception that participation in the stock market may be too complicated for ordinary people not versed in the intricacies of the world of financial services. Unlike each of the prior justifications discussed above, this one ranks way down in the scale of Black opinion among the reasons why African Americans do not participate in the stock market at the same rate as Whites.[129] It is also one where, in actuality, the gap between Blacks and Whites is narrow.[130] However, this justification still features on our list for two reasons. The first is its correlation with socioeconomic factors, most apparently education,

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[123] *See* ARIEL MUTUAL FUNDS & CHARLES SCHWAB & CO., THE ARIEL/SCHWAB BLACK INVESTOR SURVEY: SAVING AND INVESTING AMONG HIGH INCOME BLACK AND WHITE AMERICANS (Apr. 1998) [hereinafter referred to BLACK INVESTOR SURVEY FOR 1998] (opining an investment figure of as little as $50).

[124] *See, e.g.*, Charisse Jones, *Launching Nationwide, MyRA Offers Free Way to Save for Retirement* (Nov. 4, 2015, 2:15 PM), http://www.usatoday.com/storymoney/2015/11/04/launching-nationwide-myra-offers-free-way-save-retirement/75094398/.

[125] Michelle Singletary, *Starter Savings Accounts: Obama's "myRA,"* (Jan. 30, 2014), http://www.washingtonpost.com/business/economy/starter-savings-accounts-obamas-myra/2014/01/30/00600ec00-8930-11e3-a5bd-844629433ba_story.html.

[126] *See* Jones, *supra* note 124.

[127] *Id.*

[128] *See* Singletary, *supra* note 125.

[129] *See* BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 20, 21.

[130] *See id.* at 20 (noting that 28% of Black respondents voiced the view that "[i]nvesting is too complicated for me," compared to 36% for Whites, representing a gap of eight percentage points).

touched upon in [B.] above. The second is its connection with financial education and literacy on which element we spend the rest of our discussion here.

"Financial literacy denotes the ability to make optimal decisions in the management of economic resources necessary for financial wellbeing."[131] Two terms which this definition embeds are *education* tied to the ability to make optimal decisions, and income connected to the economic resources necessary for financial wellbeing in retirement. Beginning with *education*, financial literacy rates tend to be low in individuals with low educational attainment.[132] In contrast, higher educational attainment increases the probability of a person participating in a retirement plan and having interest-yielding assets in financial institutions.[133] As indicated before, education is a factor associated with higher-income,[134] and educational attainment in and of itself is a key determinant of financial literacy.[135] Next to *income*, its connection to financial literacy is borne out in the fact that workers with low financial literacy have greater difficulty making good investment decisions that form the *income* backbone of a comfortable retirement after a lifetime of work.[136] As one analyst aptly expressed that relationship, "[s]ince financial failure invariably results from a consumer's inability to meet his or her financial obligations, an important intermediate variable must relate to the structure of cash flows and behavior that leads to the accumulation of savings rather than debt."[137]

Applying the facts in the preceding paragraph to the matter of Black stock ownership, a correlation exists between an individual's level of knowledge of the stock market and allocation of assets to stocks.[138] Survey reports consistently find that lack of knowledge is responsible for the inability of Black household to

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[131] Aka et al., *supra* note 22, at 232.

[132] *See What People Don't Know About Their Pensions and Social Security*, in PRIVATE PENSIONS AND PUBLIC POLICIES, *supra* note 59, at 59-65 (pointing out that lack of knowing about Social Security and pension is concentrated among low-income households with lower educational attainment).

[133] CRAIG COPELAND, EMPLOYEE BENEFIT RESEARCH INSTITUTE, EMPLOYMENT-BASED RETIREMENT PLAN PARTICIPATION: GEOGRAPHIC DIFFERENCES AND TRENDS, 2012 9 (Nov. 2013), https://www.ebri.org/pdf/briefspd/EBRI_IB_011-13.No392.Particip.pdf (finding that only 14.9% of workers without a high school diploma participated in a retirement plan, compared to 58.3% of workers with graduate or professional degrees).

[134] *See Employment Projects, supra* note 108.

[135] *See* Annamaria Lusardi et al., *Financial Literacy Among the Young: Evidence and Implications for Consumer Policy* (Nat'l Bureau of Econ. Research, Working Paper No. 15352, 2009), http://www.nber.org/papers/w15352.

[136] *See generally* Ani Caroline Grigion et al., *Determinants of Financial Literacy: Analysis of the Influence of Socioeconomic and Demographic Variables*, REVISTA CONTABILIDADE & FINANCAS (Sept./Dec. 2015), http://www.scielo.br/scielo.php?pid=S1519-70772015000300362&script=sci_arttext&tlng=en; Puneet Bhushan, *Relationship between Financial Literacy and Investment Behavior of Salaried Individuals*, 3 J. BUS. MGT. & SOC. SCI. RESEARCH (2014).

[137] Lewis Mandell, Financial Literacy—Does It Matter, Dept. of Finance & Managerial Economics, Univ. of Buffalo, Buffalo, NY (Apr. 2005), at 2.

[138] Gutter & Fontes, *supra* note 16.

invest adequately in high-risk assets for substantial return. Ariel Investment Black Investor Survey for 1998 found that 73% or nearly three out of four African American respondents attribute their inability to save and invest more in the stock market to a lack of knowledge.[139] Similarly, the Black Investor Survey for 2004 showed that 75% of African Americans respondents could not correctly answer six out of ten multiple choice questions concerning basic investing facts and terminology, and that even among investors 69% of African Americans answered correctly fewer than six of the questions.[140]

Individually and collectively, these surveys signify that, compared to Whites, Blacks lack verse-ness in the terminologies of the financial service market commonly used by the mass media and investment companies, and that, compared to Whites, they lack knowledge of basic facts regarding participation in the stock market. In turn, this lack of knowledge discourages many African Americans from investing in the stock market, thereby denying themselves experience with the market and the exposure necessary for successful navigation of the stock market. Having experience in the stock market increases knowledge, the desire to participate, and has been shown to increase investment.[141] In a word, the importance of financial education and literacy is indicated by the fact that people generally invest in things they are familiar with.

Given the importance of this tool, some laws enacted in response to the Great Recession notably include financial literacy provisions. Thus, for example, the Dodd-Frank Act of 2010 created an Office of Financial Education to educate consumers on financial decisions.[142] More specifically for retirement security, the law created an Office of Financial Protection for Older Americans to promote financial literacy for persons over sixty-two years of age.[143] These benefits are the reasons why, in addition to the ones indicated before,[144] the attempt by the new U.S. government under Donald Trump to gut this law portends a setback for retirement security in the United States.[145] Another government initiative bearing mention here is the Minorities and Retirement Security (MRS) program,[146] which helped fund this research. Established in major minority-serving educational institutions, such as Chicago State University, by the U.S.

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[139] *See* BLACK INVESTOR SURVEY FOR 1998, *supra* note 123.

[140] *See* ARIEL MUTUAL FUNDS & CHARLES SCHWAB & CO., THE ARIEL/SCHWAB BLACK INVESTOR SURVEY: SAVING AND INVESTING AMONG HIGH INCOME BLACK AND WHITE AMERICANS (Jun. 2004).

[141] *See id.* (noting that having three months' worth of liquid assets on hand increased the likelihood of owning risky assets by African Americans).

[142] *See* Dodd-Frank Act, *supra* note 100.

[143] *Id.* at 1972-73.

[144] *See supra* notes 100-102.

[145] *See* CFPB: CONSUMER FINANCIAL PROTECTION BUREAU, *supra* note 102.

[146] *See* Press Release, U.S. Dept. of Educ., U.S. Education Department & Social Security Administration Award Four Grants to Improve Retirement Security within Minority Low-Income Communities (Sept. 27, 2013) (noting that aside from Chicago State University, the three other grantees are Florida A. & M. University, Tallahassee; University of Houston-Downtown, Texas; and Hampton University in Virginia).

Department of Education, in partnership with the Social Security Administration, the grants are designed to improve strategies to provide greater retirement security for minority and low-income communities.[147] More specifically, the program is meant "to provide opportunities for graduate students at institutions with high proportions of minority and low-income students to conduct rigorous research in these needed fields; and to address the financial literacy and retirement planning needs within minority and low-income communities."[148]

Like with the fear of Wall Street discussed in [B.] above, several African American programs have emerged to complement the efforts of the government in promoting financial literacy and education. One of these tools is the financial literacy program of the National Black Church Initiatives, a coalition of African American and Latino churches dedicated to eradicating racial disparities in various aspects of U.S. society, including education, technology, healthcare, housing, and the environment, among other areas of human activity.[149] The aim of the program includes educating, empowering, and helping Blacks to "overcom[e] the complexity of understanding, handling[,] and working with money" through specific means, including an online money course.[150] The use of the church in financial literacy education for African Americans is especially apposite, given the historic role of religion in African American life and politics.[151] Not to be outdone, Rainbow PUSH Coalition sponsors a PUSH Money Matters program designed to help educate young Black men and women as well as the young at heart on a range of money management matters, including "credit, debt, college financing, investing, entrepreneurship, and professional development."[152]

## III. EMPLOYER-SPONSORED BENEFIT PLANS TO THE RESCUE: WORKPLACE RETIREMENT PLANS AS MECHANISM FOR STIMULATING AFRICAN AMERICAN PARTICIPATION IN THE STOCK MARKET

Given the various factors delineated in the preceding section that impede Black participation in the stock market and the solutions embedded in the

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[147] *Id.* (statement of U.S. Secretary of Education Arne Duncan).

[148] *Id.*

[149] *See* NBCI FINANCIAL LITERACY INITIATIVE, NAT'L BLACK CHURCH INITIATIVE, http://www.naltblackchurch.com/.

[150] *Id.*

[151] *See, e.g.*, Philip C. Aka, *Shaping Their Better Character: Religion in African American Politics in the Age of Obama*, 16 RUTGERS J. L. & RELIGION 1, 22-32 (2014).

[152] Rainbow PUSH Coalition et al., *PUSH Money Matters: Get on the Road to Financial Success*, FACEBOOK (Jun. 24, 2016), https://www.facebook.com/events/1789881574565376/; *see also* Jamil Smith, *PUSH Money Matters Event Teaches Young People Financial Literacy*, ROLLING OUT (Dec. 8, 2015, 7:22 AM), http://rollingout.com/2015/12/08/push-money-matters-event-teaches-young-people-financial-literacy/#1.

discussion, what other mechanism can be used to enhance Black ownership of stocks? The answer boils down to employer-sponsored pension plans. Studies show only one out of ten workers, or a minute 10% of all workers, contribute to a plan *outside their workplaces*.[153] Little wonder that employer-sponsored benefit arrangements turn up in survey after survey. Compared to Whites, Blacks are twice as likely to believe that their employers bear significant responsibility for ensuring them a comfortable retirement.[154]

More to the current time period, in the 2015 edition of Ariel Investment's Black Investor Survey, 70% or a majority of African American investors, cite workplace retirement plans as their reason for starting to invest.[155] This is double the rate of having extra cash on hand, the next most common reason for becoming an investor.[156] Similarly, 54%, or more than half of African Americans investors indicate in opinion surveys that workplace plans are the most important reason for starting to invest.[157] This is more than four times (12%) more common than having extra cash.[158] Among non-investors, workplace retirement plans are also an important motivating factor for participation in the stock market. Asked about their likelihood to invest under various circumstances, 58% of Blacks indicated they would be likely to invest if their employer offered a good 401(k) plan.[159]

In addition, African Americans with retirement accounts at their workplace showed a stronger preference for receiving information on their retirement plans through one-on-one meetings with benefit advisers, or through seminars.[160] Moreover, about two-thirds of African Americans surveyed admit that they will increase their contribution into their retirement plan if employers provided them with access to financial advisors, seminars about retirement investing, and/or education about the features of the plan.[161]

Workplace retirement plans present themselves as a critical "gateway" for increasing African American participation in the stock market.[162] This is an

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[153] *See* PEW CHARITABLE TRUSTS, HOW STATES ARE WORKING TO ADDRESS THE RETIREMENT SAVINGS CHALLENGE, *supra* note 11.

[154] BLACK INVESTOR SURVEY FOR 2008, *supra* note 15, at 9 (recapitulating the highlights of the investment firm's June 2006 survey).

[155] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 10.

[156] *Id.* at 10, 28.

[157] *Id.* at 10, 29.

[158] *Id.*

[159] *Id.* at 10, 30.

[160] ARIEL MUTUAL FUNDS & CHARLES SCHWAB & CO., THE ARIEL/SCHWAB BLACK INVESTOR SURVEY: SAVING AND INVESTING AMONG HIGH INCOME BLACK AND WHITE AMERICANS 9, 31 (Jul. 19, 2005); BLACK INVESTOR SURVEY FOR 2008, *supra* note 15, at 24.

[161] BLACK INVESTOR SURVEY FOR 2008, *supra* note 15, at 12.

[162] *See* BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 5 (stating that workplace retirement plans are "a key entry point for African-Americans into the [stock] market"); *see also* BLACK INVESTOR SURVEY FOR 1999, *supra* note 88, at 34.

assessment many experts on African American retirement security share. These experts include Ariel Investments which advised, in its commentaries on the 2015 survey, that "the increasing focus on saving for retirement among African-Americans, coupled with their underlying financial optimism, presents a great opportunity for employers to increase retirement plan participation rates among black employees."[163]

That said, several challenges lie ahead. The first is what, in the prequel work, we called "retirement savings inertia," indicated by low participation and low contribution in benefit plans.[164] Low participation occurs when plan beneficiaries underutilize or deny themselves enough access to these plans.[165] As Prudential Insurance succinctly put it in its latest survey on African American financial experience, "while a solid majority of African Africans participate in [employer-sponsored] plans when offered, the percentage doing so is significantly lower than the general population," especially among lower to middle-class income households.[166] Low contribution occurs when plan beneficiaries fail to contribute enough to their own plans.[167] Second, to compound these problems, some plan beneficiaries sometimes engage in early withdrawals from what (little) nest-egg they accumulated, especially when they leave a job—a phenomenon known as "leakage"—because of economic hardship.[168]

## IV. CONCLUSION

This Article is the third in a series of three works on bridging the gap in retirement security between Blacks and Whites that is directly preceded by a contribution on how to help low-income workers, many of whom are Blacks, save. This piece draws attention to the important role, historically "integral to wealth accumulation,"[169] the stock market can play in generating the income Blacks need to achieve a comfortable retirement—at a time like the present era marked by a shift in the responsibility for preparing workers for retirement from employers to individual workers. While duly sensitive to the broader structural forces embedded in the narrative of unequal income and demography that impedes Black participation in the stock market, this Article focuses squarely on

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[163] BLACK INVESTOR SURVEY FOR 2015, *supra* note 13, at 12.

[164] Aka et al., *supra* note 22, at 222.

[165] MCKINSEY & CO., RESTORING AMERICANS' RETIREMENT SECURITY: A SHARED RESPONSIBILITY 15 (2009), http://www.retirementmadesimpler.org/Library/Retirement_Security.pdf.

[166] PRUDENTIAL RESEARCH SURVEY FOR 2015-16, *supra* note 36, at 3, 5.

[167] MCKINSEY & CO., *supra* note 165.

[168] *See id.* at 16-17 (pointing out the "[l]eakage disproportionally impacts low-income households, who represent approximately 70 percent of the lump-sum distributions not reinvested in the retirement system, and is a major factor in their savings gap.").

[169] *See generally* Schrager, *supra* note 106.

the behavioral forces anchored around what Blacks do with what little wealth they have in navigating their retirement security after a lifetime of work.

Creating an environment where everyone has an equal right to investment opportunities, and in which everyone invests in high-return risky assets has the potential to narrow the huge gap in wealth between Blacks and Whites[170] to the benefit of African American retirement security, thereby reducing the number of Black workers who approach retirement with little saved up, relegating them to living on insufficient Social Security payouts, or on handouts from welfare organizations, and relatives.

This Article explores a sample of four reasons why African American participation in the stock market lags behind the rate of White participation. These reasons include: a perception that investing in the stock market may be too risky, fear of Wall Street, lack of enough money to facilitate participation in the stock market, and the perception that participation in the stock market may be too complicated for ordinary people. Despite problems embedded within each reason, none was found convincing enough to override participation in the great wealth-creating mechanism of the contemporary era that Blacks need to promote their retirement security individually and as a group.

Going beyond problem identification in the search for remedies, this Article also explores the possibilities and limitations of employer-sponsored pension plans as a technique for promoting increased Black participation in the stock market. Some of the limitations include the problem of access rate adjudged lower than the general population. With the assistance of the financial service industry, the challenge for public policy at all governmental levels now and in the years ahead will be to remove or minimize these limitations, thereby placing workplace retirement plans on a firmer ground as gateway for increasing Black participation in the stock market.

[170] *See* Keister, *supra* note 42.