

Paper Discussion:

“Who Benefits from Retirement Saving Incentives in the U.S.? Evidence on Racial and Intergenerational Gaps in Retirement Wealth Accumulation Person”

by Taha Choukhmane, Jorge Colmenares, Cormac O’Dea, Jonathan Rothbaum, and Lawrence D.W. Schmidt

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Nadia Karamcheva

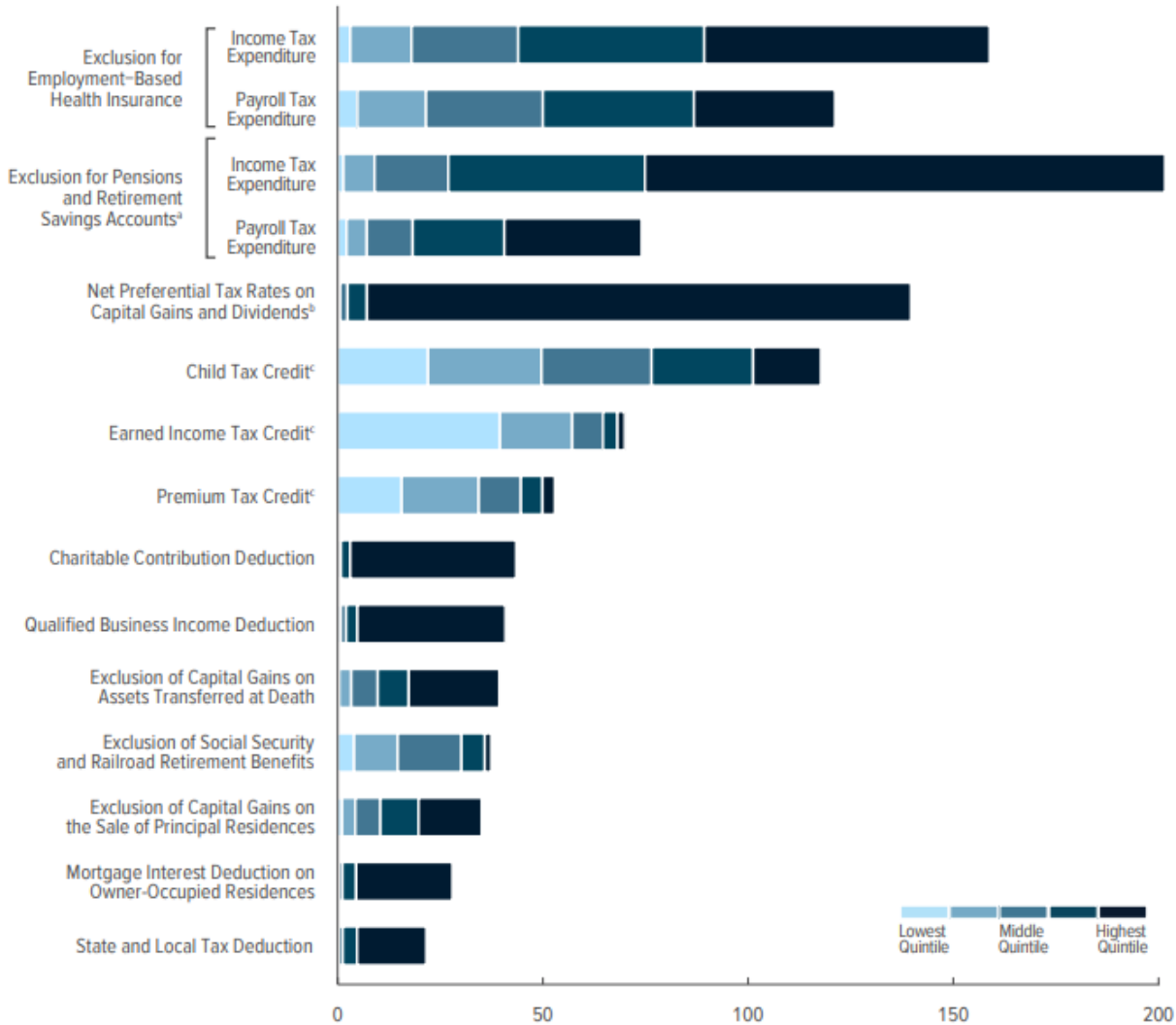
Congressional Budget Office: Labor, Income Security and Long-Term Analysis Division

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Major Tax Expenditures in the U.S.

Shares of Major Tax Expenditures, 2019

Billions of 2019 Dollars

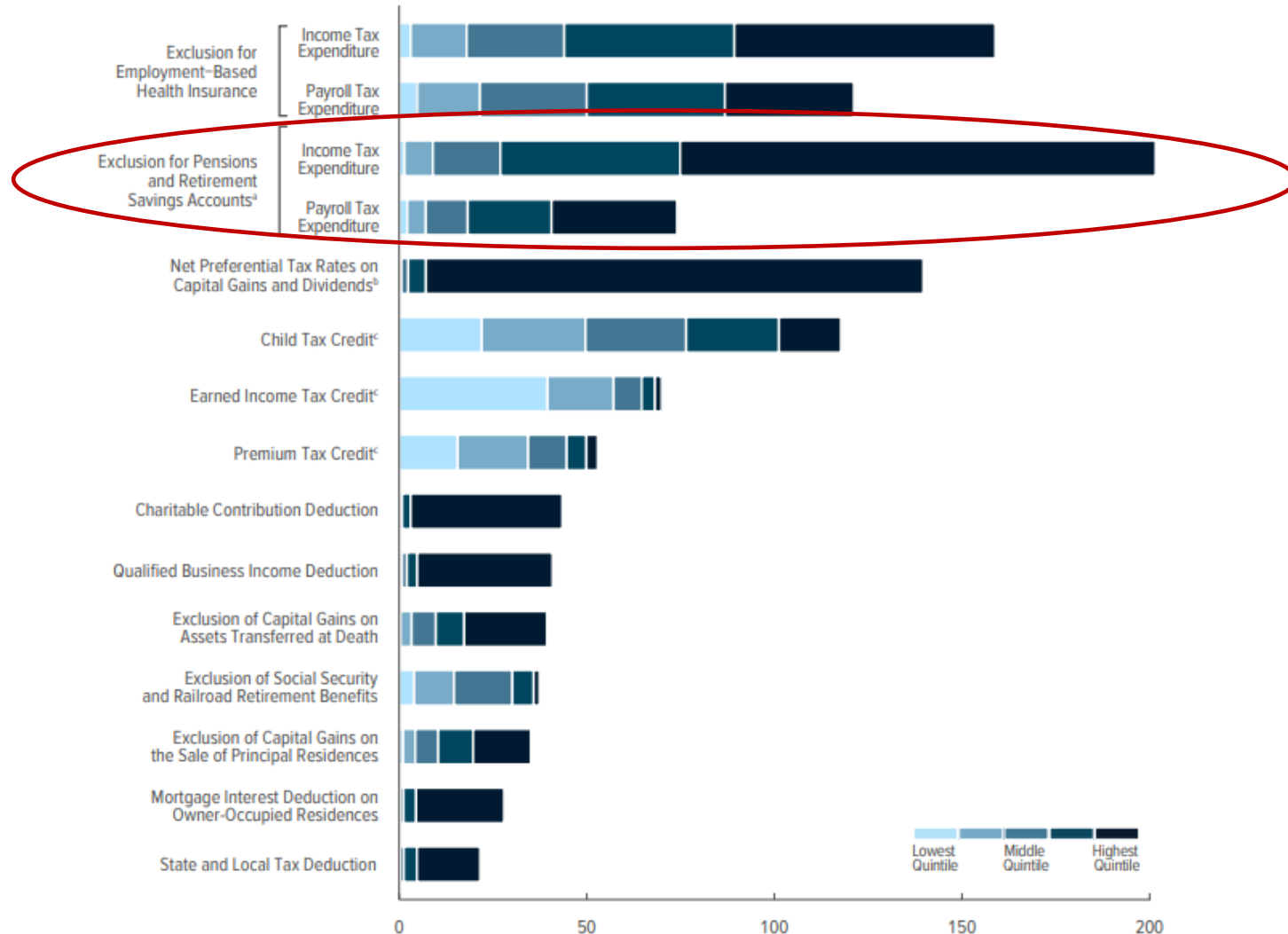


Source: Congressional Budget Office, *The Distribution of Major Tax Expenditures in 2019* (October 2021), www.cbo.gov/publication/57413.

Major Tax Expenditures in the U.S.

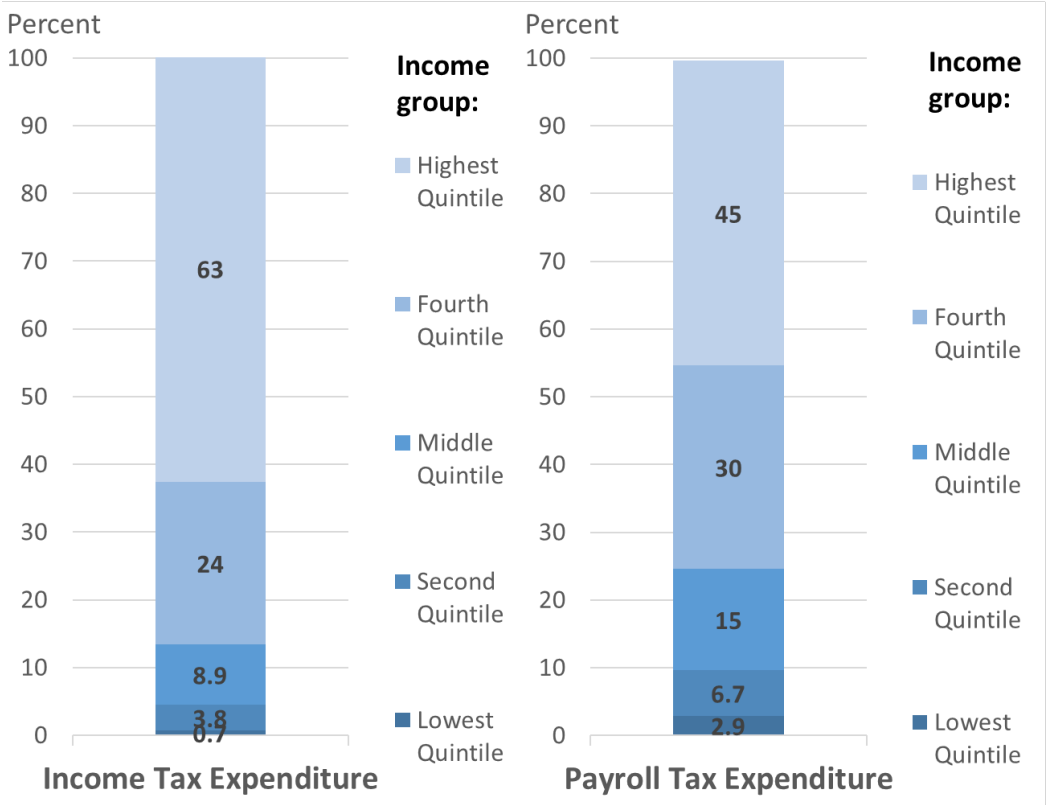
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Billions of 2019 Dollars

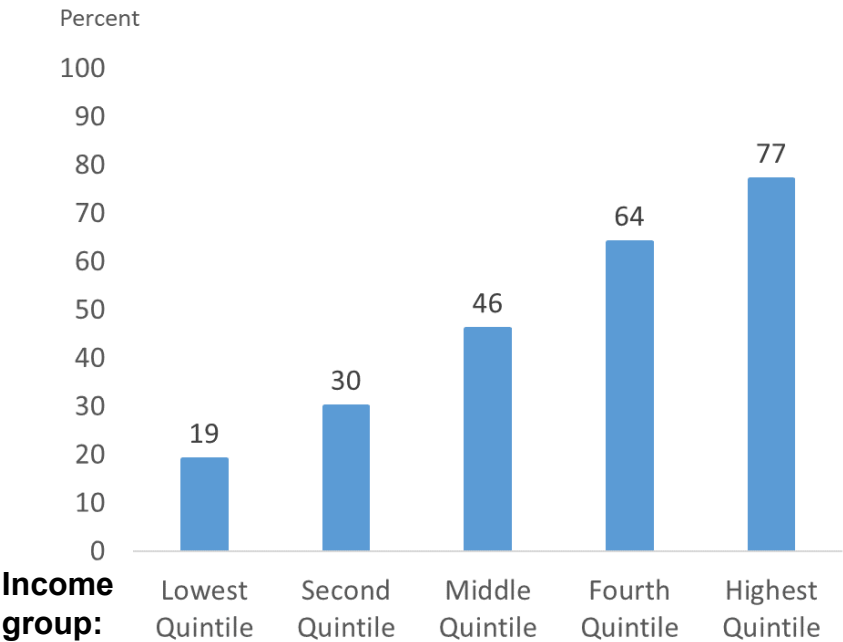


Exclusion for Pensions and Retirement Savings Accounts (Income and Payroll Tax Expenditure) in 2019 by Income Quintile

Share of Tax Expenditure



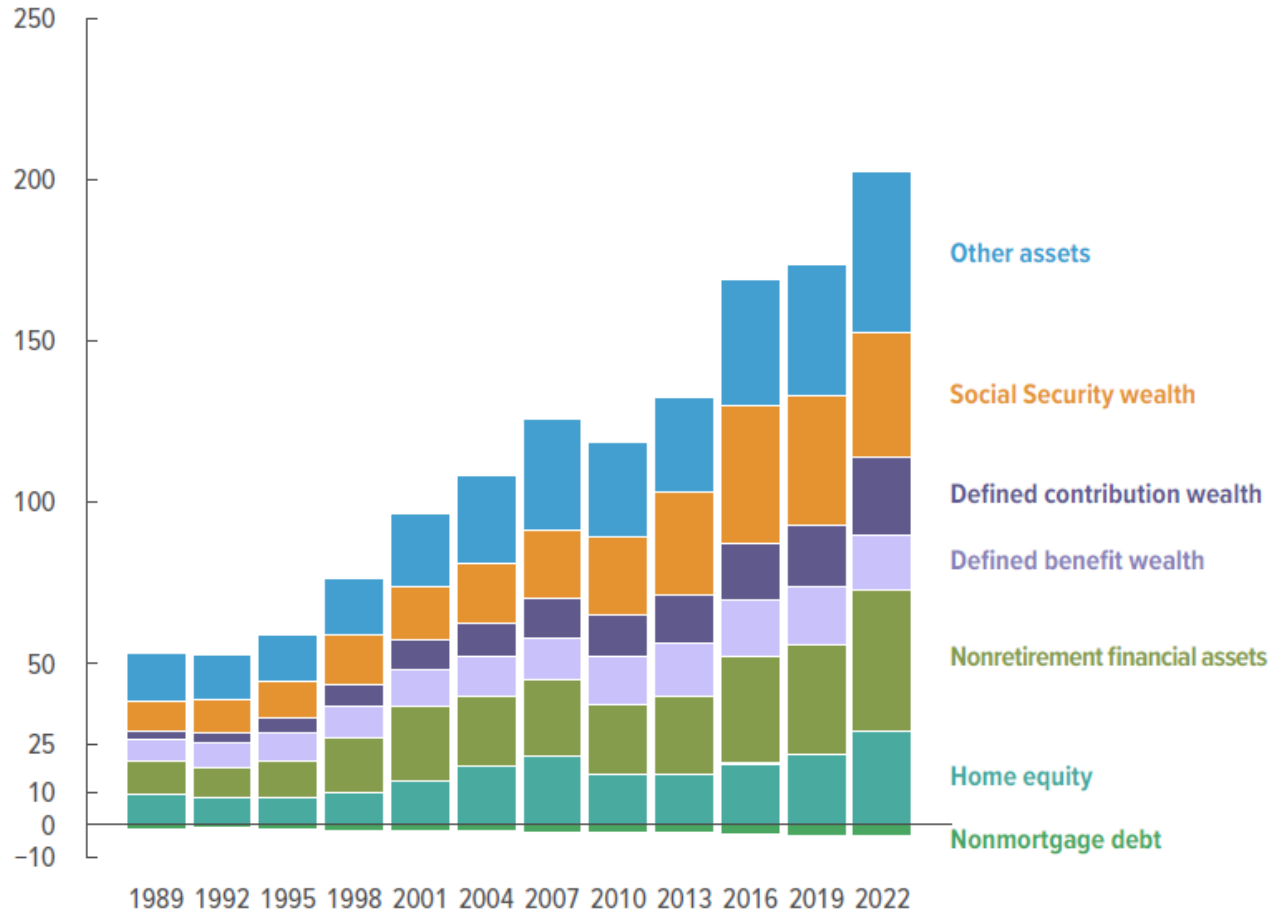
Share of Households that Benefited



Retirement Wealth and Total Family Wealth

Total Family Wealth and Its Components

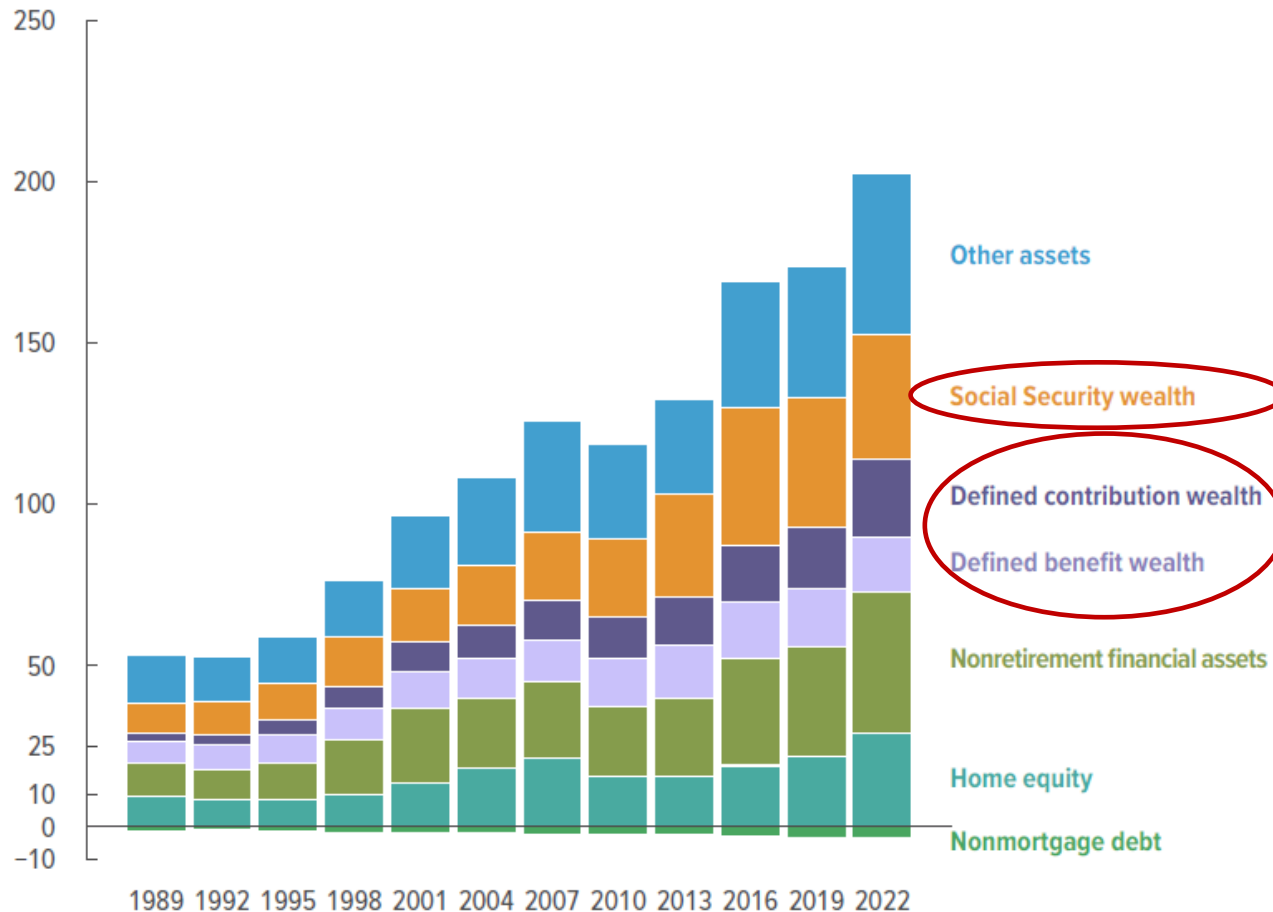
Trillions of 2022 dollars



Retirement Wealth and Total Family Wealth

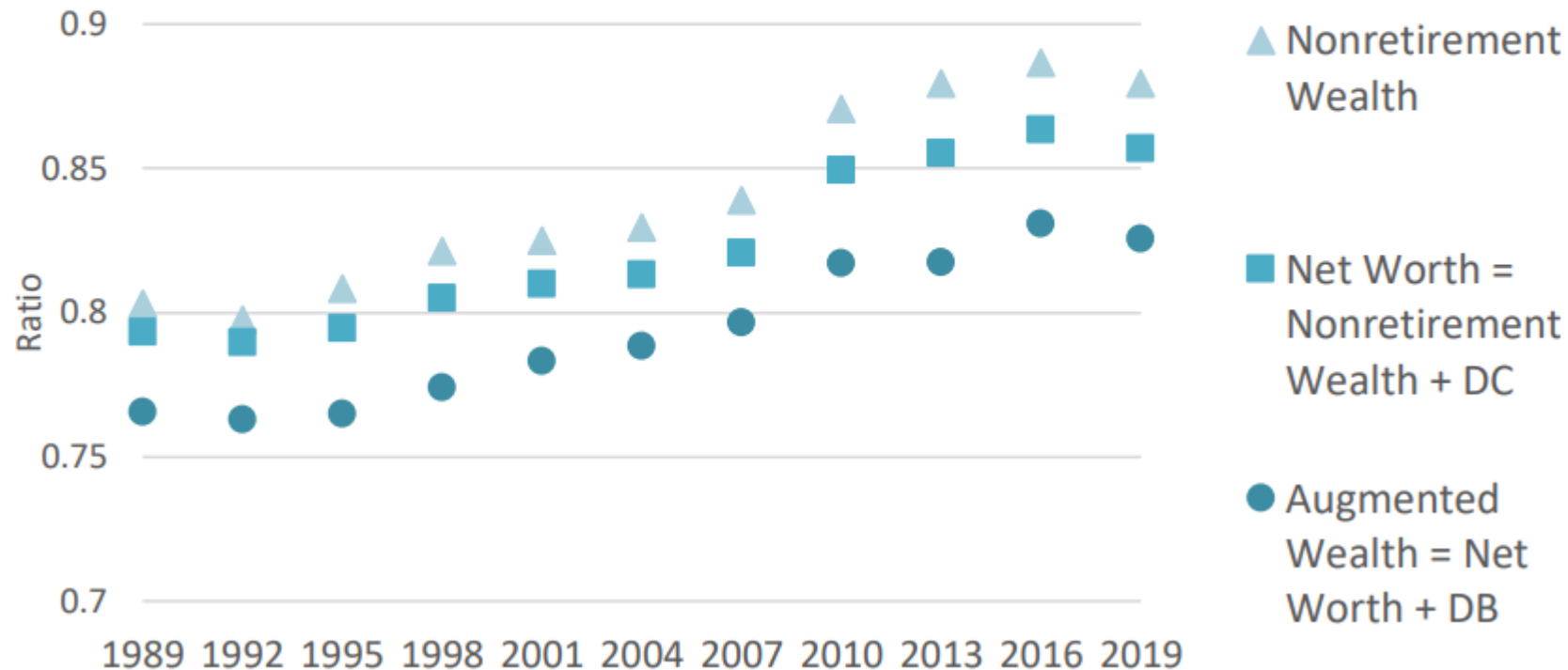
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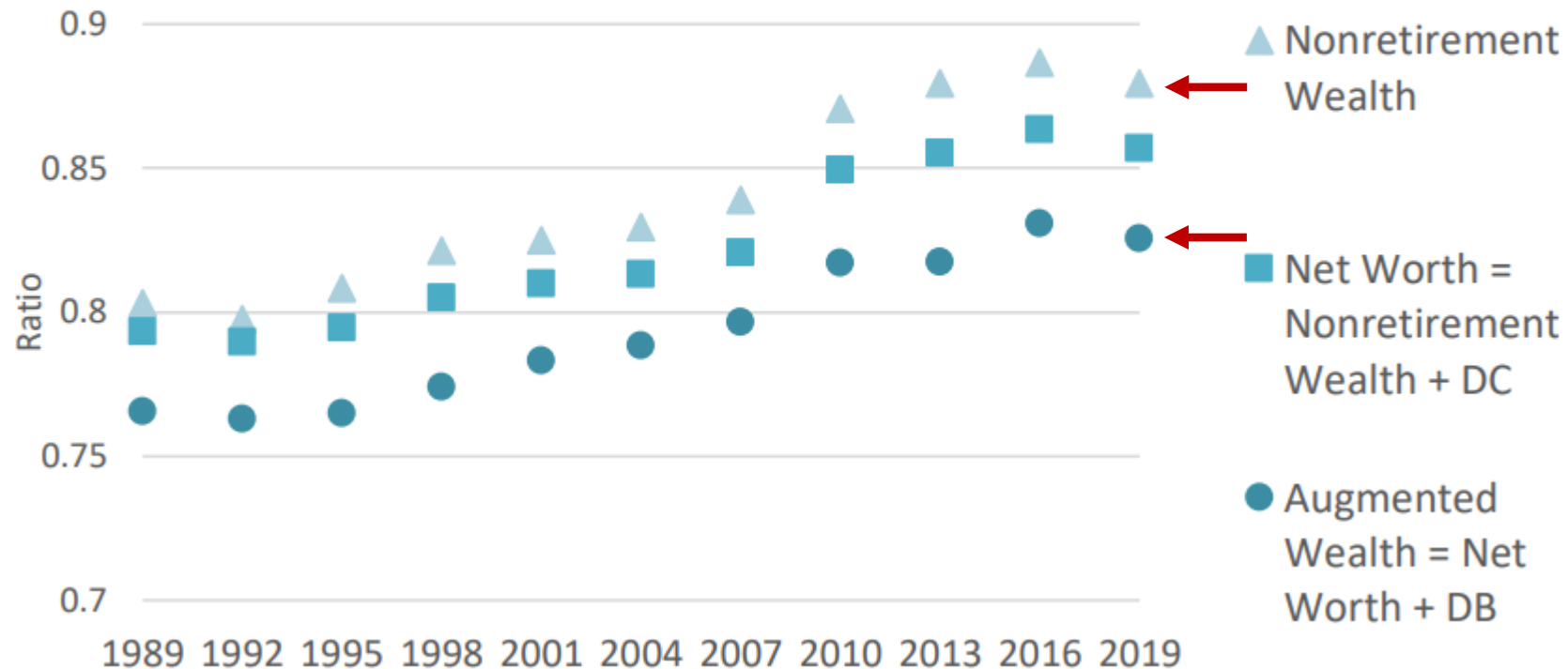
Retirement Wealth and Wealth Inequality

Family Wealth Concentration, Gini Coefficient



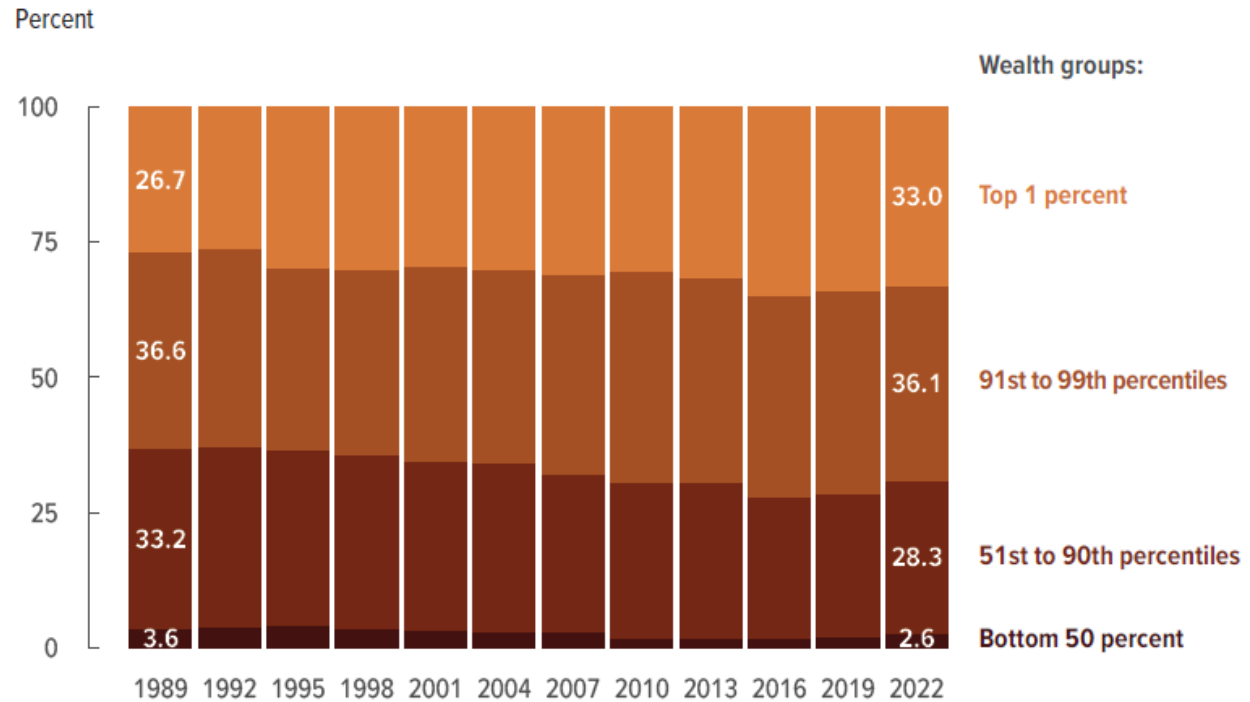
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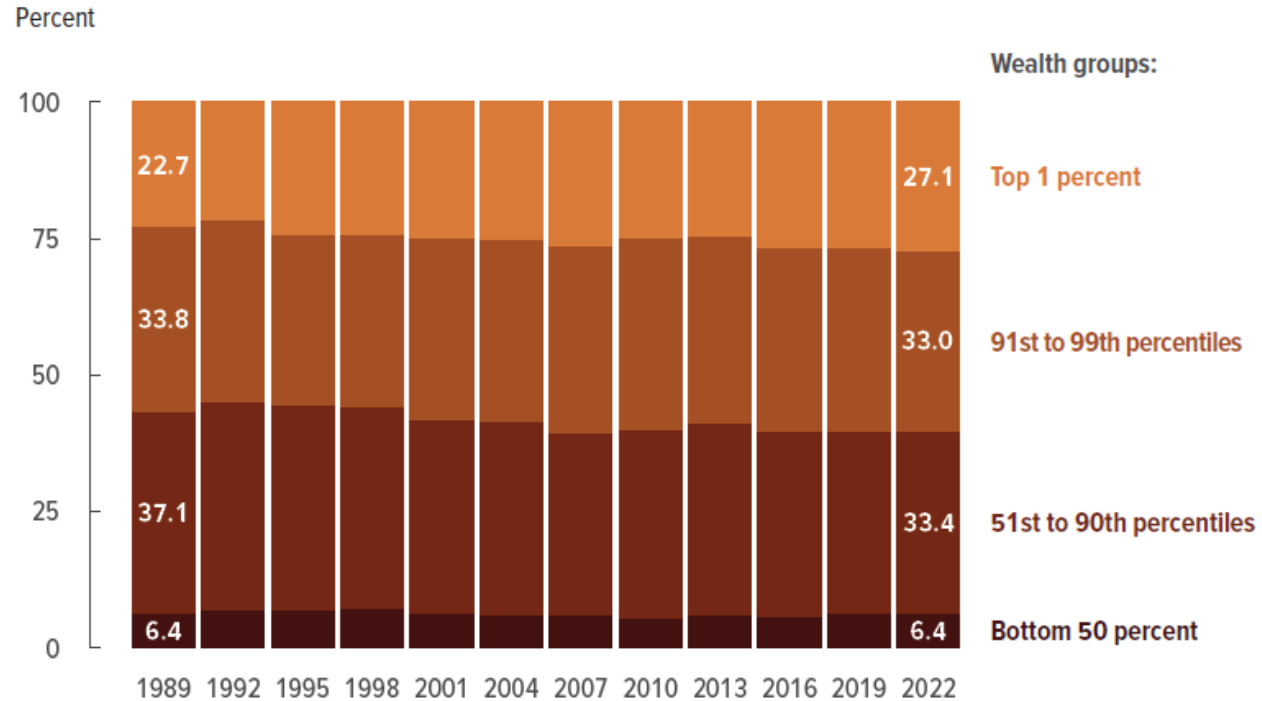


Wealth Inequality

Distribution of Family Wealth Excluding Social Security Benefits, by Wealth Group

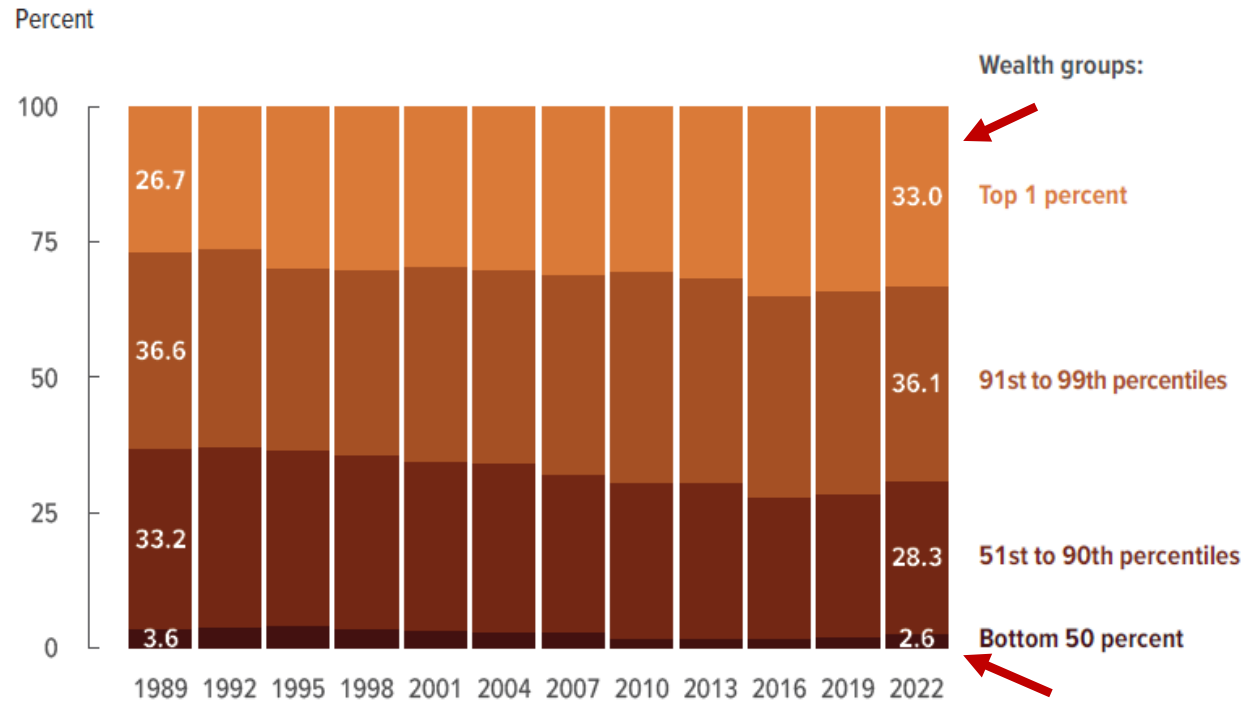


Distribution of Family Wealth, by Wealth Group

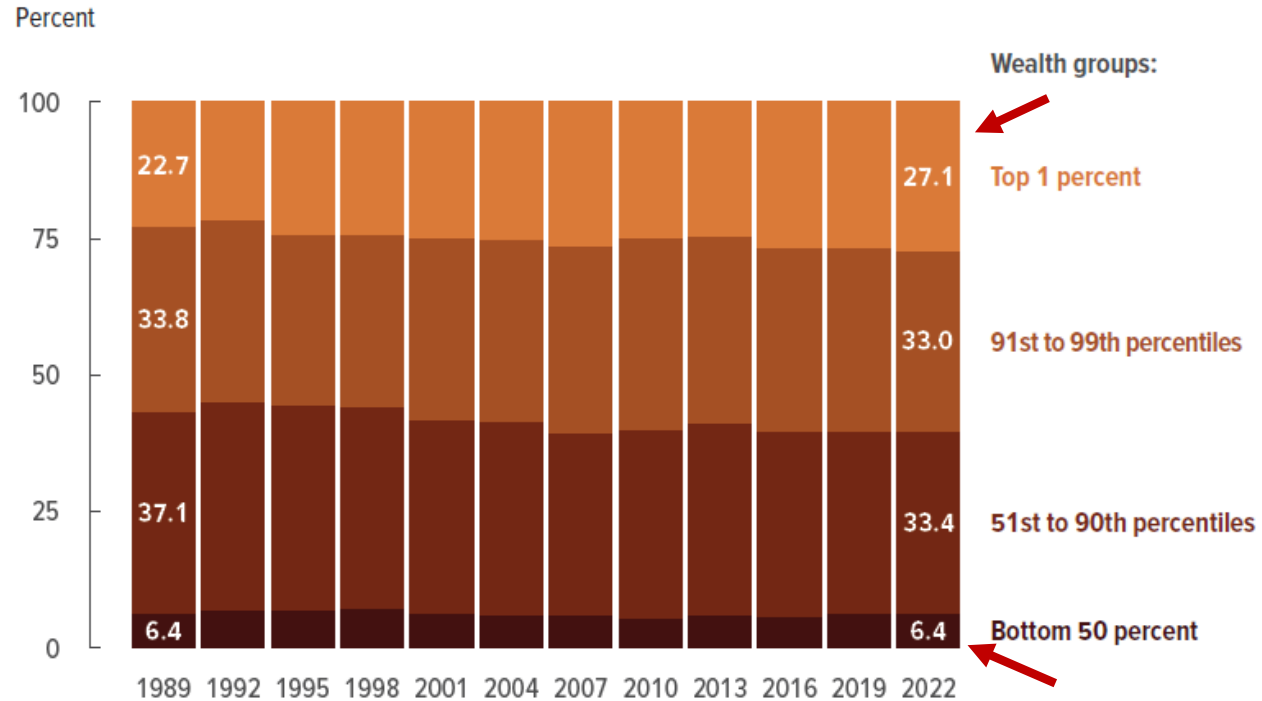


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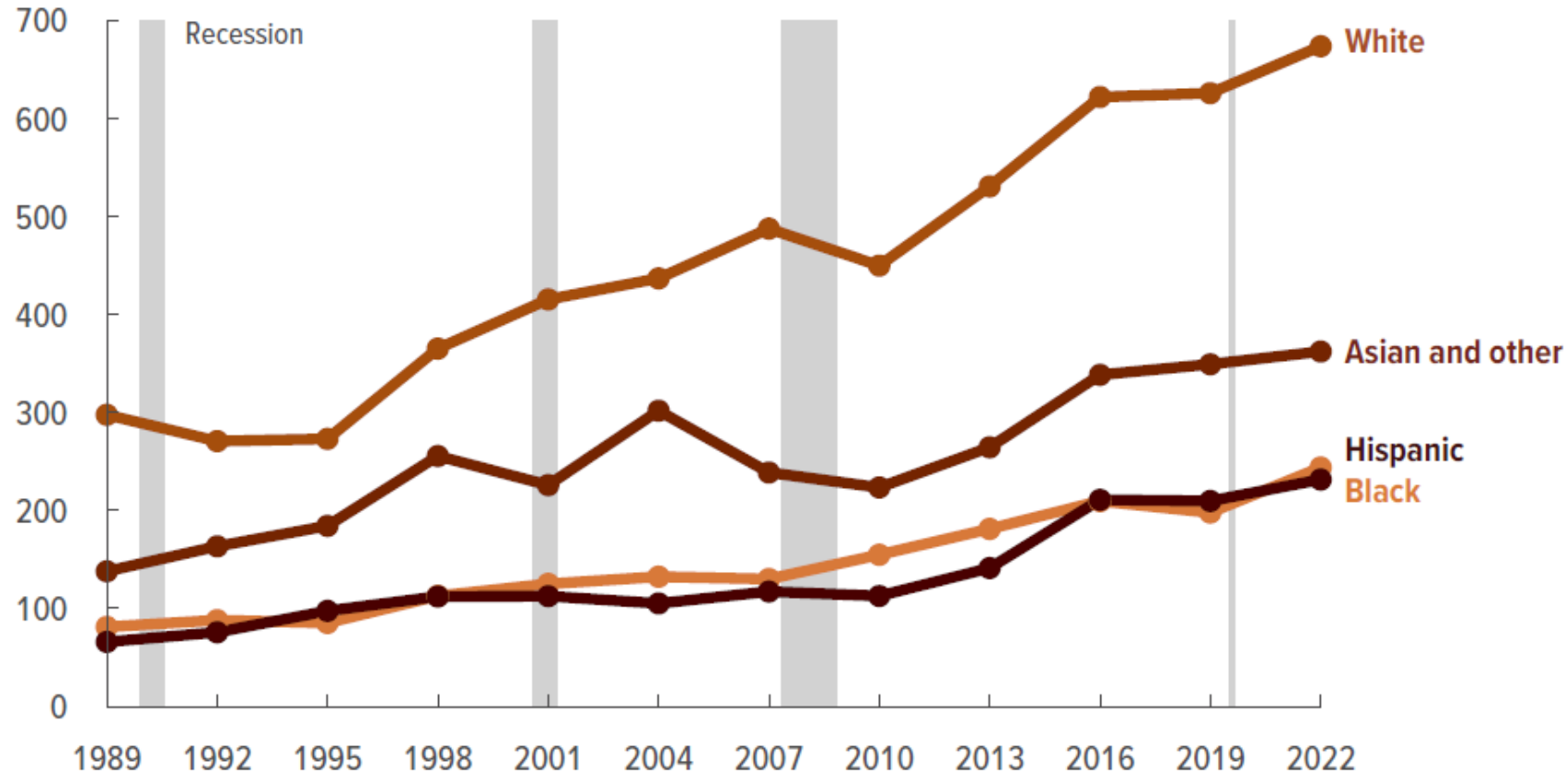
Distribution of Family Wealth, by Wealth Group



Distribution of Family Wealth by Race and Ethnicity

Median Family Wealth, by Race and Ethnicity

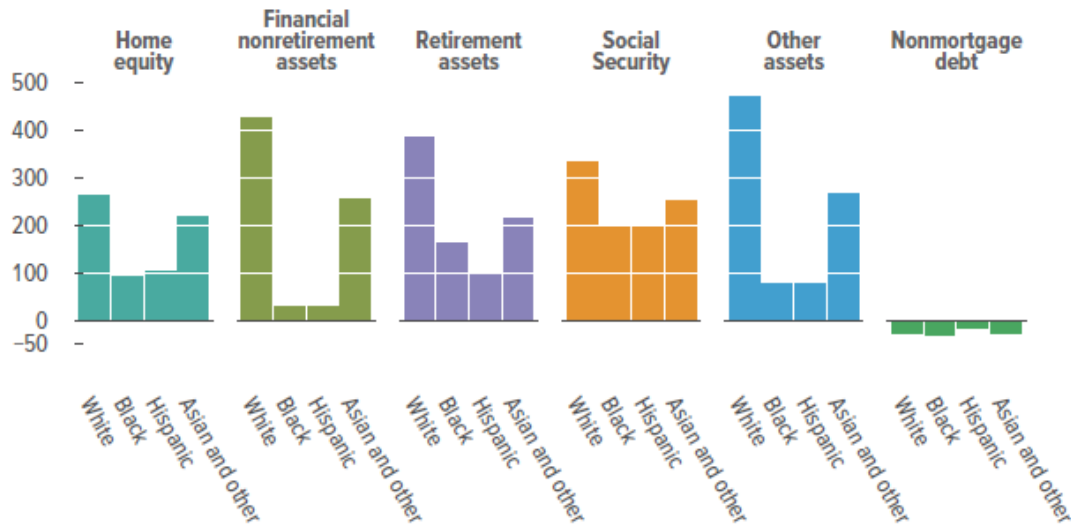
Thousands of 2022 dollars



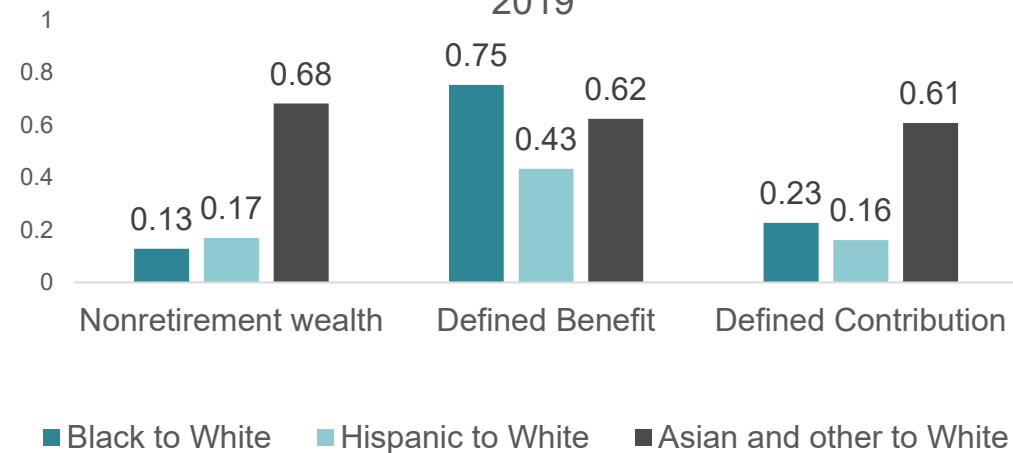
Average Assets and Debt by Race and Ethnicity

Average Values of Assets and Debt in 2022, by Race and Ethnicity

Thousands of dollars



Ratio of Means of Wealth by Race and Ethnicity, 2019



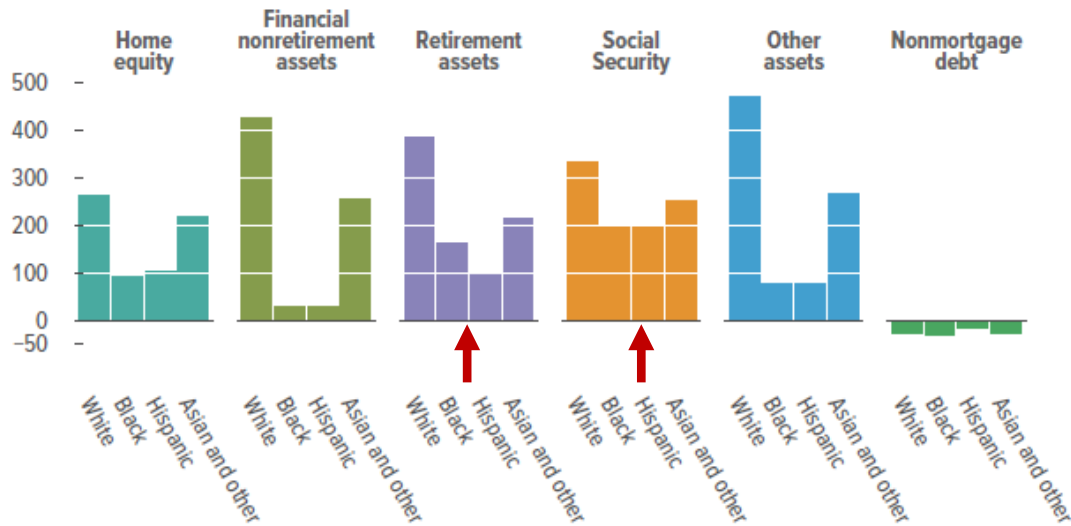
Types of Assets and Debt Measured as Shares of Total Assets in 2022, by Race and Ethnicity



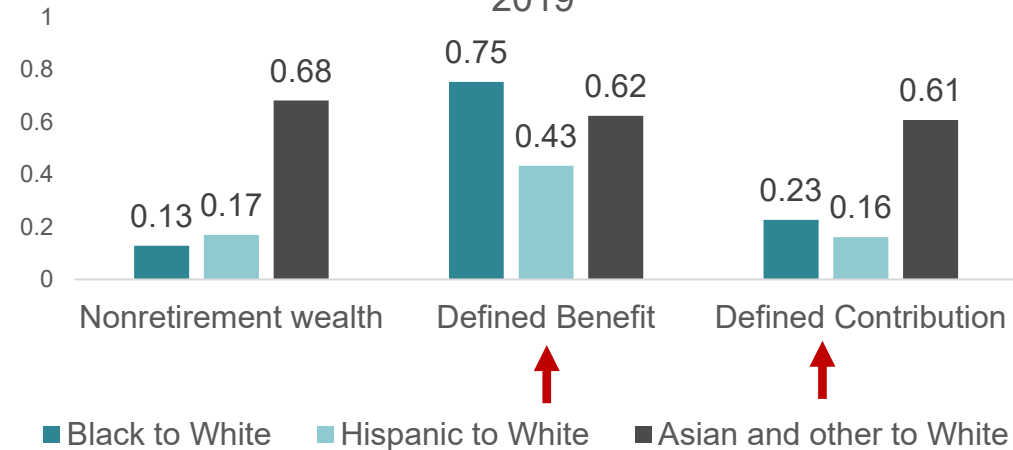
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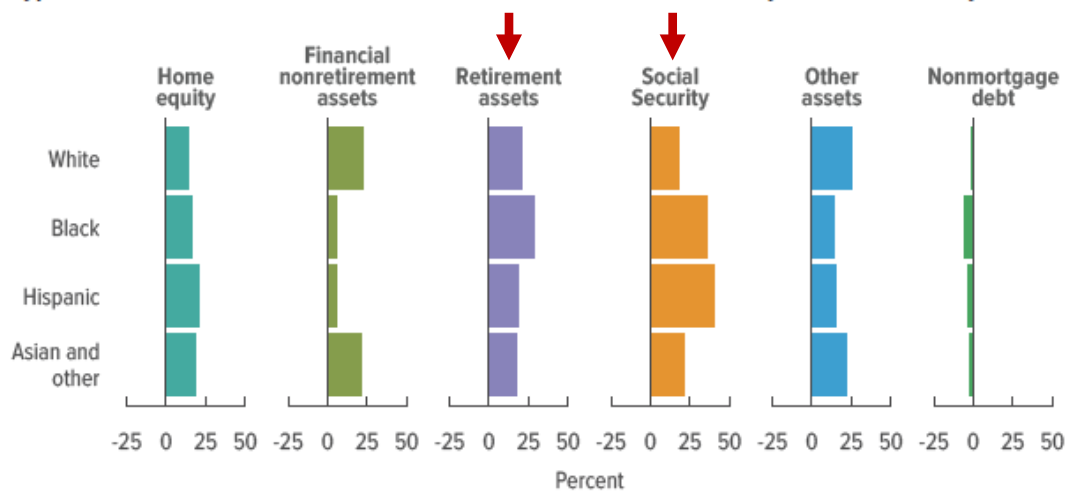
Thousands of dollars



Ratio of Means of Wealth by Race and Ethnicity, 2019



Types of Assets and Debt Measured as Shares of Total Assets in 2022, by Race and Ethnicity



Choukhmane, Colmenares, O'Dea, Rothbaum, and Schmidt (2024)

Research Questions:

- Do the progressive aspects of the U.S. retirement system balance the income-regressive nature of retirement saving subsidies?
- What are some policy interventions that can reduce the racial gap in retirement wealth?

Choukhmane, Colmenares, O'Dea, Rothbaum, and Schmidt (2024)

Methods:

- Unique dataset that links federal tax return data with data from the American Community Survey (ACS) and Form 5500 data.
- Document differences in retirement contributions and withdrawals by race and parental income.
- Build a microsimulation model to translate observed saving differences in lifetime wealth accumulation and to study the implications of reforms to tax and employer saving subsidies for wealth inequality.
- Assess the distributional impacts of retirement savings incentives by race and parental income.

Choukhmane, Colmenares, O'Dea, Rothbaum, and Schmidt (2024)

Major contributions of the paper:

- Uses innovative rich data set with detailed information on demographic characteristics and the characteristics of the DC plans.
- Contributes to the literature on racial disparities in wealth building.
- Examines lifetime distributional effects.
- Evaluates retirement incentives in the context of the broader U.S. retirement system by incorporating Social Security benefits.

Choukhmane, Colmenares, O'Dea, Rothbaum, and Schmidt (2024)

Findings:

- The current system channels more tax and employer resources toward workers who are White and have richer parents than toward similar-income workers who are Black or Hispanic and have lower-income parents.
- A counterfactual policy reform that removes the link between private savings and tax subsidies or the employer match, would reduce the racial gap in retirement wealth.

Choukhmane, Colmenares, O'Dea, Rothbaum, and Schmidt (2024)

Challenges and additional considerations:

- Racial differences in DC contributions and withdrawals, conditional on income and other characteristics
 - What other factors?
 - Access to DC plans
 - Eligibility
 - Vesting

Choukhmane, Colmenares, O'Dea, Rothbaum, and Schmidt (2024)

Challenges and additional considerations:

- Microsimulation model
 - Automatic enrollment vs employer matching
 - Difference in the effect between White and Non-white workers?
 - Evidence from survey vs administrative data? (e.g. Falk and Karamcheva (2022))
 - Portfolio allocations and rate of return
 - Crowd-out? DB plans and Social Security
 - Policy interventions—tax counterfactual and match counterfactual
 - Heterogeneous behavioral responses?

Choukhmane, Colmenares, O'Dea, Rothbaum, and Schmidt (2024)

Implications and future applications:

- Microsimulation model—powerful tool for broader policy analysis.
 - Social security reform.
 - Interplay between DB and DC plans.
 - Distributional effects beyond retirement saving.