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Middle-Aged and Older Hispanics*

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*Paper No: 2015-003*

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## **Retirement Planning Among Middle-Aged and Older Hispanics**

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March 2015

### **Abstract**

The goal of this study is to deepen the understanding of how middle age and older Hispanics plan for retirement, where we conducted four focus groups in the Los Angeles area with a total of 38 participants. Our study provides interesting findings, specifically for women since 84 percent of the participants were female. We find that that most participants, whether they were already retired or not, are not well prepared for retirement since they have been unable to save for retirement and have not made specific retirement plans, such as determining desired retirement age, estimating retirement budget, and collecting information about expected retirement benefits. In relation to saving on a regular basis, results were mixed. Some participants are able to save on a regular basis, but others cannot save because they live day to day. Our study contributes to the literature by showing how family experiences and religion play a significant role in retirement planning among this population. We found that the majority of the participants had parents who did not plan for retirement, and very few had parents who were able to save. We also found that many participants do not worry about retirement because they believe “God will provide.” We also found an interesting shift in relation to intergenerational transfers and family networks. While many participants help their parents, most of them do not want to ask children for help and do not expect getting help from them.

**Acknowledgements:** We thank Catherine Sarkisian and Dana Goldman for their helpful comments on how to improve our work. We are also thankful to Vannia Zelaya, Alessa Whitmore, and Da Nie for their research assistance and Socorro Ochoa for her help recruiting. We thank Carmen Reyes and Elizabeth Jimenez for their collaboration for recruitment. Luisa Blanco received support for this study from the USC Resource Center for Minority Aging Research (USC-RCMAR under NIH/NIA Grant Number P30AG043073). Its contents are solely the responsibility of the authors and do not necessarily represent the official views of the NIH. All errors are our own.

\*Manuscript must be registered in NIH PubMed Central before it is published.

Keywords: Retirement, Retirement planning, Saving, Intergenerational transfers, Hispanics, Women

JEL codes: J15, J16, J26, J33

## **1. Introduction, Background, and Significance**

The purpose of this study is learning what factors shape behavior in relation to retirement planning among urban low income Hispanics. We contribute to the literature by providing important insights on how this population behaves towards planning for retirement, and what factors have led to the lack of retirement planning among this group. Our study is based on a qualitative analysis of data collected through focus groups, with a convenience sample of 38 retired and not retired participants. Since 84 percent of our participants are females, our analysis provides interesting findings more applicable to women.

Older Hispanics are one of the fastest growing groups in the United States. According to recent statistics from the Census Bureau, Hispanics will be the largest group among the older population by 2030 (Population Reference Bureau, 2013). Because of the fast growth that the older Hispanic population is expected to have in the following decades, it is important to understand Hispanics' retirement planning, specifically in relation to access to sources of income during retirement. Retirement expectations and planning for retirement among Hispanics are likely to be affected by their immigration and socio-economic status. Hispanics have lower levels of education and wealth, and higher propensity to have incomes below the poverty line than other ethnic groups (Gonzalez and Hilmer, 2006; Smith, 1995; Sullivan and Ziegert, 2008). These factors make Hispanics vulnerable as they age. In the United States there has been a significant decline on retirement savings in the last two decades for all race and ethnic groups, where saving for retirement is not only influenced by current income, but also by education (Ellen et al., 2012). The ability and motivation to save for retirement is also influenced by

whether employers offer pension and retirement plans and provide information of the retirement plans and options available to employees (Gonyea, 2007).

There is evidence that minorities, and especially Hispanics, participate less in the formal financial sector (Blanco et al., 2015a; Hogart et al. 2005; Chatterjee and Zahirovic-Herbert, 2014). Participation in the financial sector is expected to lead to greater saving, where trust on financial institutions and financial literacy have an effect on how individuals save and plan for retirement (Agnew et al. 2012, Lusardi and Mitchell, 2011). Retirement expectations related to individuals' ability to continue working and family support are also important determinants of retirement planning. According to Honig (1996), Hispanics are likely to continue working after they turn 62 because a large proportion of this group are immigrants and would need to accumulate more credits to receive higher Social Security benefits. In fact, undocumented Hispanic immigrants are unable to receive Social Security benefits, and consequently are unable to stop working as they reach retirement age (Wessler, 2014). Expectation about family support are also relevant for retirement planning, where the literature has emphasized that minorities are likely to depend on their children for care as they get older (Cantor et al., 1994).

In a qualitative analysis on the use of financial services and saving behavior among older Hispanics and Blacks in the Los Angeles area it was found that most participants were not well prepared for the future in terms of their health care financing and that participants, in general, do not want to ask their children for money (Blanco's et al., 2015b). Our work expands on this analysis, by deepening the understanding of how Hispanics prepare for retirement and what are some of the barriers this population faces when planning for retirement, specifically in relation to financial planning. In our

analysis we are interested on learning more about attitudes towards retirement, how individuals determine the age at which they retire or wish to retire, what sources of income they receive or expect to receive when they retire, what information they have about the retirement benefits available to them and whether they have estimates of a budget for retirement needs. In our analysis, we also explore middle-aged and older Hispanics savings behavior, such as whether they participate in the financial sector, save on a regular basis, for retirement, emergencies, and health and funeral expenses. Furthermore, we explore the role that family plays for retirement planning.

Our hypothesis, based on the literature, is that this population has low savings and little planning for retirement, and the focus of our study is to further understand “why” this is the case among this group. We expect that the lack of preparedness for retirement is the result of low socioeconomic status, but also low retirement literacy. Our analysis helps understanding the degree to which income relates to saving behavior and planning to retirement. With our qualitative analysis we are also providing light on where are the gaps among this population in relation to retirement literacy. We also hypothesize that the role of family is important in relation to how the parents of this population planned for retirement and the expectations that this population has in relation to intergenerational transfers, such as expected economic assistance to their parents and from their children as they age.

Our main findings are the following. First, most participants, regardless of their retirement status, lack retirement planning. We find that the majority of participants have not determined in advance at what age they would like to retire, and most expressed they would like to work “until they can no longer do it”. In general, participants have low

retirement literacy, where most are also not well informed about their expected retirement benefits and have not estimated a budget required during retirement. Second, in relation to saving for retirement, most participants expressed that they have been unable to contribute to retirement saving beyond their contributions to social security. Several participants expressed that they received payments in cash, precluding them from making contributions to social security for this work. Third, in relation to saving on a regular basis, results were mixed. Some participants are able to save on a regular basis, but others cannot save because they live day to day. Participants also mentioned that in some instances they have used all their savings to pay for unexpected expenditures. Fourth, in relation to family experiences, most participants expressed that their parents did not plan nor saved for retirement. Fifth, we find that religion plays a role on retirement planning, where many participants expressed that they do not worry about retirement because they believe “God will provide.” Sixth, regarding the intergenerational transfers, there is a clear idea among all the participants that they do not want to depend on their children during their retirement years. Interestingly, we found that many participants help their parents economically, but most of them expressed that do not want to ask their children for help.

The paper is organized as follows. Section 2 provides the research methods, Section 3 goes in detail about the results for the retired and not retired groups, Section 4 provides a discussion of our main findings, and Section 5 concludes.

## 2. Research Methods

Our study is based on a qualitative analysis using data collected from four focus groups with middle-aged and older Hispanics in the Los Angeles area. We recruited participants in Pacoima and Montebello, California. For the recruitment of participants, we worked with the Guardian Angel Church in Pacoima and with the Mexican American Opportunity Foundation in Montebello. The study inclusion/exclusion criterion were based on race/ethnicity (Hispanic), age (50 years and older), and retirement status. Our initial design of the study was to have two types of groups in each site, where we wanted to conduct separate focus groups for the following categories: 1) participants at retirement age, 65 years and older, and who have already retired and 2) participants close to normal retirement age between 50 and 64 years old who have not retired. We used 65 years old as the cut off age since the literature considers this age as the normal retirement age. There is a large literature that documents early retirement before age 65 and retirement after age 65 when persons do not satisfy eligibility requirements for normal retirement or choose to retire later. The literature considers different definitions of retirement using self-reported measures or number of working hours. In this study we consider retirement status as self-reported by the respondent.

Applying the initial exclusion/inclusion criteria for the different focus groups was very difficult among this population since we found that some recruited participants that were 65 years old or older were working, and some participants younger than 65 years old reported being already retired. For this reason, we adjusted our initial design and had two focus groups with retired participants and two focus groups with not retired participants, regardless of age. Nonetheless, even after we tried to separate participants

based on their retirement status, there were two individuals that were retired in the not retired focus group, and one participant who had not retired in the retired group. In the retired groups there were only two people below the cut off age of 65 years (62 and 64 years old), in the not retired groups there was only one person above 65 (67 years old). We had one retired participant and one not retired participant who did not want to provide their age.

The focus groups were approximately 90 minutes each and they were conducted in Spanish by a bilingual focus group facilitator. Three senior researchers involved in the project revised the question guide used in the focus groups prior to the conduction of the focus groups. Participants also had to fill up a short survey with questions related to socio-demographic characteristics, participation in the formal financial sector, saving behavior, and retirement planning.<sup>1</sup> We designed different focus group discussion guides and surveys for the retired and not retired focus groups. We also adjusted the conversation during the focus groups to accommodate for those participants who have not retired (retired) that participated in the retired (not retired) group. The focus groups were audio recorded and transcribed. Each focus group had 8-10 participants, where we had a total of 38 participants (18 not retired and 20 retired participants).

Using the transcription of the audio-recorded focus groups, we coded the data collected through the focus groups and analyzed this coded data in order to determine the major trends observed about retirement planning and saving behavior among the participants. Our analysis of the collected data is based on the *Scissor-and-Sort* and

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<sup>1</sup> The focus group discussion questions and the short survey were adjusted from a previous study and revised by three researchers, which helped with the validation of these instruments.



*Content Analysis* techniques.<sup>2</sup> We created a codebook with the main categories of the data collected, shown in Table 1. We had two researchers coding the data, and one senior researcher reviewing the coded data to check for consistency based on the codebook created. To ensure consistency in the coding, the two researchers coded the same portion of the transcriptions, and then the researchers discussed any differences and inconsistencies with the senior researcher. Eighty percent of the time, the data was coded in the same way by both researchers. Thus, having the senior researcher to check all coding was important to ensure that all data was coded appropriately. After all the transcriptions were coded, the researchers cut and pasted together the relevant information into the categories noted in the codebook. Two documents that contained the coding for the following groups were created: 1) not retired (most participants below age 65) and 2) retired (most participants 65 years old and older).<sup>3</sup> Two senior researchers went through the coded data and found the major trends, which are discussed in the results section.

While we provide in the next section findings from the survey and the focus groups, we focus our discussion on the findings from the focus groups because we are interested on knowing the “why” questions, which is difficult to detangle from survey data. We are interested on knowing the drivers and attitudes toward retirement planning and saving for retirement, which we are able to do in more detail from the discussion in the focus groups. We also focus our analysis on the qualitative data since our sample is small and does not represent the entire population.

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<sup>2</sup> Refer to Krueger and Casey (2009) and Neueundorf (2002) for explanation on these techniques.

<sup>3</sup> These documents are available upon request. Note that there will be few instances in which information about retired participants was collected in the not retired focus group (and vice versa).

### **3. Results**

#### **3.1 Survey results**

Table 2 presents the demographic and socio-economic characteristics for the full sample and also for those individuals who have not retired and those who have retired. We recruited only Hispanics in our study and made an effort to conduct focus groups separately for those who have not retired and those who have already retired. We used two types of surveys and administered the surveys based on whether the individual has retired or not.

The majority of the participants were women, where we had 84 percent female participation in the full sample (94 and 75 percent were females in the not retired and retired groups, respectively). The average age was 63 years old for the full sample, 55 year old for those participants who have not retired and 70 years old for retired participants. Spanish speaking immigrants predominantly composed our sample, where 84 percent of the participants were not born in the United States and 87 percent only speak Spanish at home. More than half of the participants were married or in co-habitation. Most participants have low levels of education and income and did not own the home where they live. Looking at the full sample, only 26 percent of the participants have at least graduated from high school, 73 percent of participants have an income in the range of 0-\$13,000 and only 36 percent owned the home where they live. In relation to the employment status of the participants in the not retired focus group, 56 and 17 percent

have part and full time employment, respectively. Among the participants in the retired focus group we found that only 11 percent have part time employment.

Table 3 presents data on the questions that were administered to the full sample, and Table 4 presents data on the questions that were administered to the not retired and retired groups separately. In the Tables 3 and 4, we also provide the percentages of those who do not know or do not want to answer the question, where percentages for all answers add to 100. We discuss percentages in this section using percentages constructed from the total responses.<sup>4</sup>

It is necessary to note that when discussing survey results, we are not inferring significance since our sample is small and is not representative of the entire population. We discuss differences in responses among both groups with the purpose to provide some background for our analysis of the qualitative data collected through the focus groups, but we are unable to conclude whether differences across groups are statistically significant.

When considering retirement planning, it is important to consider first participation in the financial sector and saving behavior. When looking at the answers to the questions related to the use of financial services and saving behavior we find some similarities and differences across the not retired and retired groups. For example, we find that only 50 percent of the participants have a checking account in both samples, but ownership of a saving account is higher among the retired sample (55 versus 33 percent). We also find that in the retired sample, 30 percent of the participants are likely to save on a regular basis, while only 6 percent of the not retired group saves regularly. In relation to

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<sup>4</sup> To better understand the percentages shown in these Tables, we provide an example. When looking at the question of whether individuals own a checking account among the full sample, we find that 50 percent of the participants own a checking account, 42 percent do not own a checking account, 3 percent do not know, and 5 percent do not want to answer this question (all these percentages add to 100).

ownership of a credit card, we find that a larger percentage of the participants in the retired group own one (50 versus 29 percent).

In relation to the questions related to retirement administered to both groups, we also find some differences across groups. We find that 90 percent of the retired participants received (themselves, their partner or both) Social Security benefits, and only 18 percent of these participants have (themselves, their partner or both) a retirement account. Among the not retired participants, only 22 percent receive Social Security benefits (themselves, their partner or both), where only 6 percent have (themselves, their partner or both) a retirement account. In relation to ownership of a pension account, 24 percent of the retired participants have one (themselves, their partner or both), but none of the not retired participants have one.

When we asked both groups about whether they feel prepared for retirement, we find that while 67 percent of those not retired feel not at all prepared, only 35 percent of those retired feel not at all prepared. When discussing what the largest obstacles are for retirement, we find that lack of money is the main concern among our participants, where 67 percent of not retired and 33 percent of retired participants chose this answer. The second largest obstacle when preparing for retirement is lack of understanding of retirement accounts, where 17 percent of not retired participants and 22 percent of the retired participants chose this answer.

In relation to the questions specific to the not retired participants, we find a significant lack of retirement preparedness from the survey. We find that 53 percent of those who have not retired do not have a set age planned for retirement, and 61 percent have not figured out a budget for retirement. Among these participants, we also find that

78 percent do not have a plan for retirement and 72 percent have not been able to contribute to a retirement plan.

In relation to the questions specific to the retired participants, we find that 47 percent of the participants retired between 62 and 65 years old, while 29 percent retired before they were 62 years old, and 24 percent retired at 65 or after. In relation to overall and income retirement satisfaction, we find that 53 and 16 percent are somewhat and very satisfied overall with retirement, respectively. We also find that 55 and 25 percent are somewhat and very satisfied with their retirement income, respectively.

### **3.2 Focus group results - Retirement preparedness**

#### Retired

When we asked the retired participants about whether they had a plan for retirement, most of them say that they retired either because they had an accident or because they lost their job and could not find another job. Most participants had not made any plans for retirement. One participant mentioned that she planned her retirement with her husband for about 5 years, and another mentioned that she did some calculations about the budget she will need for retirement. Most retired participants receive Social Security benefits, few had pensions, and the majority was unable to save for retirement beyond the contributions to Social Security. Below are some of the answers we got when we asked about retirement plans among retired participants on both sides of the spectrum:

“My husband and I planned for retirement for about 5 years. When we started planning, we still had to pay the mortgage, which was a large expense. My husband made a budget for 5 years to determine how much we will need for retirement and compare that to the Social Security benefits we expected to get when we would retire. He realized that the Social Security benefits were not enough to pay for our expenses, and he said that it was not time to retire because we did not have

enough. He said, "We will need to wait another year." When we finished paying our mortgage, we knew we were going to be on a tight budget if we retired, but we knew we could make it, and that is when we retired."

"I was not prepared for my retirement because, truly, I did not want to retire at 62. I had to retire because I had an accident. I used to work in the textile sector, and I was unable to work for two years. After two years of not working, I lost the ability to work, so I had to retire. I was on disability for two years, and then at age 64, I retired.

In relation to the retirement age, we found that most of the retired participants retired before age 65. Even the woman who planned for retirement mentioned that she retired at 62 and that she did not want to wait until 65 because she did not know if she would still live by then. We even asked this woman if she had health problems, but she said that she was healthy. Only 4 people out of 20 retired at age 65 or older.

When we asked retired participants about how well informed they were about their expected Social Security benefits before retirement, the answers were mixed. Some of them mentioned that they knew how much they would get either because they got a letter in the mail or because they went to the Social Security office to ask. Other participants mentioned that they did not know well how much they would get from the Social Security when they retired. One person mentioned that she had trouble getting Social Security benefits, and that she faced a language barrier when dealing with the Social Security office.

Interestingly, while we find that most participants did not plan well for retirement, when we asked about whether they worry they will have enough income to pay their bills and health expenses, most of them mentioned that they choose to not worry and trust that God will provide them with what they need.

### Not Retired

From the not retired group, we find that most participants are not well prepared for retirement and do not have a specific retirement plan. Two participants who were retired participated in the not retired group. One participant spoke of being forced to retire due to the employer closing down the business. Another told a story of being surprised that he was suddenly eligible for retirement while on a routine visit to the Social Security Administration, and he decided to take up the offer and retire. Below are some quotes that characterize the retirement planning of this group.

“I ask God to give me enough strength to work until the last day of my life because I do not want to depend on anyone.”

“I want to work until I can because I do not like to be idle”

“I would like to retire now, but I can't, I need to keep working.”

The specific plans for retirement that participants discussed ranged from working until their last day and never retiring either because they were unable to or because they liked being active to moving back to their country of origin. Several participants spoke of the desire to have specific plans for retirement. Some participants say that they would like to retire but they cannot do it because they do not have enough credits to receive Social Security benefits, they have financial obligations such as paying bills and supporting their family or are simply unable to receive Social Security benefits.

Some participants who mentioned that they are unable to receive Social Security benefits explained that it was due to the fact that they worked for cash most of their lives and did not contribute to a Social Security account. Many participants expressed that it is likely they will work until they are unable to work, and will retire when they cannot work

because of illness or lack of work. Most participants do not have a set age for retirement since they want to work until they can, but a few mentioned that they would like to work another 10-15 years or retire at ages 62, 65 and 70.

In relation to expected income after retirement, some participants mention that they are expecting to get Social Security benefits, and some of them expect to get pensions from their work. Some participants have inquired in person at the Social Security offices about their benefits. When asked about the specific requirements by the Social Security Administration for retirement, the phrases “ten years of work” and “credits” were repeated by the participants. One participant, said that he had only “half-information” about how Social Security works. Another participant spoke of the “annual report” that is sent out but few had concrete details. Some mentioned that they know their retirement income depends on what type of work they do, but others say then do not know how it is determined.

Just like in the retired group, several participants in the not retired group stated that they were not worried at all about having enough money for their retirement years. Though some participants were recruited from a Catholic church, a common theme that was repeated by several participants in the not retired groups, as it was mentioned above among the retired group, was to let God’s Will guide them. While one participant voiced the opinion that worrying too much could cause illnesses, several others stated that they were not worried about retiring, one saying, “I know how to survive,” and another saying, “It’s better not to think about this” and “Why stress out so much if you have no control...” One participant countered by saying that even though she does not worry, she would like



to have “something secure” in his old age since she is not expecting anyone to help him in his later years.

An interesting fact about the lack of retirement planning among this group is that the rationale for not planning for retirement seems to be motivated by two different factors among the participants. While some participants expressed that they have not planned for retirement because they want to stay active and work until they cannot longer do it, other participants expressed that the reason why they are not planning to retire is because they are not going to be able to receive social security benefits.

### **3.3.Focus group results – Savings behavior**

#### Retired

Most retired participants have checking accounts, several have saving accounts, and few had credit cards. All participants who received Social Security benefits mentioned that they get them through their checking accounts. Most retired participants told us that they were not able to save for retirement, besides the Social Security contributions they made while working. Some participants mentioned that they worked for cash and that they made no contributions to the Social Security when working that way. Only one participant contributed to a 401(k) account, but she had depleted that account.

When we asked about whether they were able to save on a regular basis when they were working, some mentioned that they saved in order to buy a house, but many mentioned that it was difficult for them to save. When we asked them if they are currently able to save on a monthly basis, we found that half of the participants seemed to

be able to save a little. In relation to saving for an emergency, most of them are unable to have an emergency fund. A couple of participants mentioned that what their income tax refund is what they have saved for an emergency.

With the purpose to determine whether participants had an emergency fund, we provided two scenarios about a medical expense, such of having to pay \$1500 for dentures or \$400 for a health expense not covered by Medicare or Medi-Cal. We found out that most participants do not have an emergency fund they could use to cover that expense. Most retired participants said that if they had to pay that, they will need to do it through an installment plan, and few participants mentioned they would ask their children. Some mentioned that if they had an emergency, they would have to borrow from someone outside of their family because their family will not help. Interestingly, while most participants have no savings for unexpected health expenses, some of them have paid for their funerals. Being able to pay for funerals, but not saving for future health expenses is an interesting paradox. This behavior might be the result of culture and how this influences perceptions about death, where there is certainty of death, but future illness is uncertain.

While most participants were unable to save for retirement, most of them seemed interested in MyRAs. Some of the participants said that if those accounts existed when they were working, they would have been able to contribute \$20-\$50 monthly. They think this retirement program is a good idea and they wish there was something like it in place when they were working. They would also have liked to receive more information about this program. One participant mentioned that he would have liked to be more

informed in general about the different options available to save for retirement. The quotes below show the saving behavior of the retired participants.

“We live day to day.”

“I could not save because I earned little and I was in charge of buying food and clothes for my children, I did not have enough to save.”

“I don’t have savings, I would like to save for my funeral, but I do not have anything saved.”

“There is a little bit of saving, but very little.”

“There is a little savings for an emergency, a trip”

“I ask God that I could do everything myself, and not depend on my children. That is why I already paid for my funeral

“When we bought our house, it was difficult, we eat beans and rice, but we always had a little of saving for an emergency. \$100, \$200, \$500, \$1000. We did not know but there was always something for an emergency. Now, I save for traveling.”

### Not Retired

Most not retired participants have a checking account, some have a savings account, and very few have credit cards. Most participants mentioned that while they would like to save, they cannot do it on a regular basis. Few participants mentioned that they have saved for emergencies in the past, but they spent their funds in an emergency and it has been difficult for them to build up another emergency fund. Several participants mentioned that they still have children who depend on them, which makes it more difficult for them to save.

Very few participants, (one or two in each group) have saved in a retirement account, such as a 401(k). One participant stated that her husband had a 401(k) plan. Some of the participants mentioned that they have a budget but some say they do not know how much they spend on a regular basis, and have not thought about what type of income they would need when they retire. Most participants expressed that they have been unable to save for retirement, and none of them have heard about Obama’s proposed

program of My Retirement Account (myRA). Most participants expressed that they would like to participate in a program like this if it was available to them. Upon hearing about the myRA program, one participant lamented that the myRA was news to him commenting, “It’s a lack of information, unfortunately.”

In relation to having an emergency fund that could be used for health or other unexpected expenses, most participants say they are unable to have one. In fact, when given a scenario of a health expense not covered by Medicare or Medi-Cal, like dental work, which will require them to spend \$1500, most of them say they do not have funds to cover that expense. Most participants mentioned that under this scenario, they would have to ask for an installment plan to pay over time. While most participants do not have funds to cover unexpected expenses, just like in the retired group, some not retired participants mentioned that they are already paying for their funeral. Below are some quotes that characterize the not-retired participants’ saving behavior.

“We live from check to check”

“I used to save, but in the last four years it has been very difficult for me to save. I used to have savings, but they are gone. I have many friends who live like me, day to day, and who are unable to save regularly.”

“I have a son who is 18 years old and goes to the university. We want to save, and we save a little, but then at the end of the month, the bills come, and if I did not get paid for 40 hours a week, then we need to use the little we saved before. And then we start saving again, and I tell my son, we need to save because he wants a car.”

“I empathize with this lady in the group, it’s not that I don’t want to save, but I can’t. My son is studying and I try to save a little, but then he needs books and materials for school, and it’s impossible for me to save.”

“I would like to make a plan for retirement, and I would like my children to help me, but I know it is not for sure that they will help me. I want to have the money I saved, but we do not have anything for sure, we do not have full time work, and it is difficult to make a plan for saving because of this.”

### **3.4 Focus group results - Family experiences with planning for retirement**

#### Retired

Several participants recall their parents taught them how to save, but some participants say their parents were unable to save because they were too poor. The majority of the retired participants had parents who did not plan for retirement. Only one retired participant mentioned that his dad received retirement income through the *bracero* program. Some quotes about the retired participants' family experiences with planning for retirement and saving below:

- “My family could not save because we were 20 children in the household. My mom did not work because it was not a custom in Mexico that the women not work, so it was only my dad's income, and we had only tortillas, beans, and coffee.”
- “My family did not save, lived day to day.”
- “In our countries, at least in mine, there are no retirement plans, we don't talk about retirement.”
- “My mom taught me how to save when I got my weekly allowance. She told me save 10 cents because saving is a habit. And I save 10 percent of what I received every month.”
- “Sometimes we ate only tortillas with salt, but my mom taught us how to save.”

### Not Retired

The majority of the not retired participants mentioned that their parents were unable to save because they were poor. Few say that a parent or grandparent saved, but in most instances, saving was very difficult for their parents. In relation to planning for retirement, all participants agreed that their parents did not have any plan and that the parents just worked until they were unable. They mentioned that the culture is different in their countries of origin, and that people back there do not think about retirement. Some of the quotes that characterize these findings are:

- “I heard about many stories, but nothing about retirement, they are different cultures, over there you work and live day to day”
- “Over there no one thinks about retirement, people work until the last day, until they cannot get up.”

“Mom had a saying that we will need to cover with our own blanket, and she was trying to say that we do not want to spend more than what we have. She always tried to save, and that is how she bought some land over there.”

### **3.5 Focus group results - Inter-generational transfers**

#### Retired

In the retired group, we found that participants did not mention helping their children. When we carried the conversation with this group, we also did not hear of instances of children living with or depending on them. Several participants in this group mentioned that they help their parents, where many participants said that they send money to their mom.

When we asked them about getting help from their children, the answers were mixed. Half said they get some help, while the other half said they do not get any help. While some participants get monetary and non-monetary help from their children, others do not feel comfortable asking their children for help. When we gave them the scenario about the unexpected health expenses, some would ask their children, but some would not.

When we asked them why they help their parents, but why they do not ask their children for help, some of them mentioned that their children are different. A couple of participants wished that their children helped them without having to ask them. One participant mention that he does not like to get monetary help from his children because he will need to report it to the Social Security office and this could reduce his Social Security benefits. Below are some examples of the intergenerational transfers among the retired participants:

“We do not want to get help from children, we would like to help them, but we are old.”

- “My son earns money, he doesn’t give me anything but also does not ask me for money.”
- “I have a son, he doesn’t help, he doesn’t visit me or call me.”
- “I have three daughters, but I don’t ask them for help because I am proud, and my point is that I am their mom. For example, when I worked, my mom did not have to ask me for help. I sent her a monthly allowance, right?”
- “Before, the moms did not have to ask their children for help. The children knew that their parents did not have enough money and they would come together to help them.”
- “From what I have left, my mom is first, she is old and cannot work and move, and I can. After I pay my bills, I send my mom \$50, and I always eat, because God always gives me to eat.”
- “My mom is my star, I always helped her.”
- “I have three children and they have never leave me alone. I have all I need, but sometimes they bring me money. One of my sons bought me a stove and they are going to buy me a hearing aid. My daughter brings me toilet paper, tissues, napkins, soap.”
- “My son does not help me economically, but he gives me what I need.”
- “I have two daughters. They help me when they can, but now they are on a tight budget, but when they had a job and good income, they helped me.”

### Not Retired

Several participants from the not retired group mention that they still help their children because they are going to school and still depend on them. Some participants also mentioned that they still help their adult children who no longer live at home during difficult times. In some instances, where the children still live at home, children help with some bills in the household. Some of the participants expressed that it was difficult to have the conversation about asking their children to contribute to the household.

We also find that most not retired participants still help their parents, where many mention that they send money to their parents. Interestingly, many of them say that they would not like to get help from their children when they get older and that they do not expect to get it. We also asked this group directly why is it that they help their parents but they do not expect their children to help them, and we got very interesting answers.

Some participants mentioned that they do not want to be a burden to their children and

that they do not want to ask them for money. Several participants mentioned that their children are different from them because their children have grown in the United States and American culture is different from their own. Below are some quotes that characterize these findings:

“[my daughter] is thinking of moving to Miami where we have some relatives and living that lifestyle...so she’s saving her money to buy something and move over there. She is selfish”

“When children get married, they start their own families. There might be a hope that they will help me, but I do not want to keep my hopes high. He can be a good boy, but once he marries, it could change.”

“Children get used to getting everything from their parents, and as they grow, they want to stay the same way, but there is a time when we need to talk to them.”

“My daughter helps me, and I send my dad, who lives in Mexico, money. But I do not want to ask my daughter for help, I want her to help me because she wants to.”

“Our children do not think like we do, they are different. We grew up in another country, not the United States... educated in another system [to help parents]”

#### **4. Discussion**

We find similarities between the retired and not retired groups, where the main findings can be summarized in the following way. First, most participants, regardless of their retirement status, are not well prepared for retirement because they have not sufficient information about retirement needs and expected income, and have not determined their preferred retirement age. Second, we find that most participants in both groups were unable to save for retirement beyond their contributions to social security. Several participants currently work or have worked for cash, so they were not even able to make contributions to social security. Third, in relation to saving on a regular basis and for emergencies, we find mixed results. Where some participants are able to save on a regular basis, others cannot do so because they live day to day. From the discussion we learned that frequency of savings is highly volatile and is mainly determined by the



exposure of catastrophic expenses that might occur during lifetime. Fourth, In relation to family experiences with retirement, we found that the majority of the participants had parents who did not plan for retirement, and very few had parents who were able to save. Fifth, religion seems to play a role in relation to retirement planning, where many participants do not worry about retirement because the trust on God's will. Sixth, we found that while many participants help their parents, many also do not want to ask children for help and do not expect getting help from them.

Our analysis contributes to the literature by providing a more in depth understanding of the factors that preclude Hispanics from planning for retirement. We find that income is an important determinant of saving behavior and retirement planning, but also the lack of knowledge of retirement programs has an impact on this population behavior. Thus, more efforts on increasing retirement literacy among this population are crucial.

In our analysis we find a paradox in relation to retirement planning and retirement satisfaction. We find that most retired participants did not plan for retirement, and we could associate the lack of retirement planning with lower retirement satisfaction. Interestingly, in the short survey that we applied to the retired participants we find that only 11 percent are not satisfied overall with retirement. We observe that 53 and 16 percent are somewhat and very satisfied overall with retirement, respectively. This is an interesting finding since based on satisfaction, it might be rational for this population to not plan for retirement. Individuals have lower expectations and the income they receive from social security might be sufficient to cover their current needs, and therefore planning for retirement would not increase satisfaction significantly among this group.

We find that among this population, the lack of retirement planning does not have a detrimental effect on retirement satisfaction. Further research that looks in more deepness about the relationship between retirement planning and retirement satisfaction should be warranted.

Our analysis contributes to the literature also by showing the important role that culture and family experiences have on retirement planning. Most participants had parents who never spoke about retirement and worked until they were unable to do because of illness or lack of work. The role of religion seems to be also an important factor that affects retirement planning among this group. Many participants mentioned that they rely on God's will when it comes to aging. Our analysis provides some insights of why lack of planning for retirement is justified by faith and the belief that "God will provide".

Furthermore, we find a shift in the pattern of intergenerational transfers among this population, which is an interesting finding that has not been explored in the literature. Several participants expressed that while they feel responsible on helping their parents as they age, they are not expecting their children to help. This is relevant finding since it has been emphasized in the literature that Hispanics are likely to depend on family networks and family support as they age. This change in the norm about supporting older family members is likely to have a detrimental effect on the wellbeing of older Hispanics.

Our findings are also relevant for the new program myRA (my retirement account), offered by the U.S. Department of the Treasury since December 15 of 2014.<sup>5</sup> This program was first announced by Obama in the state of the union address on January of 2014, and was developed with the purpose to provide a safe, simple, and affordable

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<sup>5</sup> Information about myRA is provided at <https://myra.treasury.gov/about/>

way to save for retirement among individuals who do not have access to employer-sponsored retirement saving plans. Our focus groups were conducted in June of 2014, and we found that not a single participant knew about this program. Nonetheless, retired participants expressed that they would have participated in a program like this if it had been available when they were working. Most of the not retired participants also expressed interest on this program, and some stated that they would have the intention to contribute on a regular basis, with monthly contributions in the \$20-50 range. Thus, our analysis provides evidence that special efforts would be needed in order to get this population to participate in myRA because of the lack of information. Further research needs to be done on understanding how myRA could help minorities to plan better for retirement and the impact of myRA on their wellbeing. From our analysis, we find that family experiences and cultural norms are likely to influence how minorities participate on this program. Therefore, our study provides relevant information for policymakers interested on promoting better retirement planning and saving among Hispanics.

While our analysis was not initially intended to focus on females, it is important to emphasize that a large percentage of our participants were females (84 percent). This makes our analysis more applicable to women. It could be argued that the lack of preparedness for retirement we observe derives from the fact that several of our participants seemed dependent on other family members to provide for retirement. Nonetheless, during the focus groups we specifically ask how the participants and their partners plan for retirement. In some instances we got specific responses about how the participants plan together with their partners about retirement, but in many instances the lack of preparedness for retirement was evident and no allusion was made on whether

their partners planned for retirement for them. For further research, it will be necessary to conduct a more in depth conversation to learn differences in retirement planning among this population by gender. It will be important to explore how labor market experiences might shape the differences between males and females when planning for retirement, and the role that females play when planning for retirement in the household.

## **5. Conclusion**

A limitation of our analysis derives from the fact that we used a very small sample for our focus groups. Our sample is not representative at the national level, and focus groups can be biased based on the tone of the conversation carried, where some participants may dominate the conversation. We suggest that further research based on a survey or interview approach might help us to expand our knowledge of retirement planning among Hispanics.

Our qualitative analysis shows the lack of retirement preparedness among middle aged and older Hispanics and provides a better understanding of the barriers for retirement planning among Hispanics. We find that retirement literacy, family experiences with retirement, and religion play an important role for retirement planning. Our analysis provides light on the type of information that must be collected in nationally representative surveys to better understand the barriers and challenges that Hispanics face in relation to retirement planning. We suggest that for further research, nationally representative surveys, such as the Health and Retirement Study, incorporate more specific questions about retirement planning in relation to family experiences and networks and the role of faith. Understanding more about the role of culture, family

experiences, and family networks with retirement planning and saving could help us to determine what type programs could benefit Hispanics to prepare better for retirement.

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**Table 1. Codebook categories and subcategories**


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**Category P: Planning for retirement**  
P1. Having a plan for retirement  
P2. Retirement age  
P3. Sources of income for retirement (Social Security, pension, 401k)  
P4. Information about retirement benefits  
P5. Information about retirement budget

**Category S: Saving behavior**  
S1. Ownership of an account for possible saving  
S2. Saving on a regular basis  
S3. Saving for an emergency  
S4. Saving for retirement  
S5. Saving for future health and funeral expenses

**Category F: Family**  
F1. Parents Saving behavior  
F2. Parents planning for retirement  
F3. Inter-generational transfers - helping children  
F4. Inter-generational transfers - helping parents  
F5. Inter-generational transfers - getting help from children

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**Table 2. Demographic and Socio-Economic Sample Characteristics**

	Full sample n=38	Not retired n=18	Retired n=20
Females, percentage	84	94	75
Age, Average*	63	55	70
Non US Born, Percentage	84	72	95
Only speaks Spanish at home, percentage	87	83	90
Married or co-habitation, percentage	63	67	60
High school graduate (or more), percentage	26	33	20
Income in the range 0-\$13,000, percentage*	73	81	64
Own Home, percentage*	36	28	44
Employed part time, percentage*	32	56	11
Employed full time, percentage*	8	17	0

\*Observations not available for the full sample, observation response rate for those questions range between 97 and 79 percent.

**Table 3. Survey results – Same questions for not retired and retired participants (Percentages\*)**

	Full sample n <sub>f</sub> =38	Not retired n <sub>nr</sub> =18	Retired n <sub>r</sub> =20
<b>Checking account</b>			
Have one	50	50	50
Do not have one	42	44	40
Do not know	3	0	5
Do not want to answer	5	6	5
<b>Savings account</b>			
Have one	45	33	55
Do not have one	47	61	35
Do not know	3	0	5
Do not want to answer	5	6	5
<b>Saving behavior</b>			
Able to save in a monthly basis	18	6	30
Able to save but not in a monthly basis	5	11	0
Not able to save in a monthly basis	76	83	70
Do not know	0	0	0
Do not want to answer	0	0	0
<b>Credit card** n<sub>f</sub>=35 n<sub>nr</sub>=17, n<sub>r</sub>=18</b>			
Have one	40	29	50
Do not have one	60	71	50
Do not know	0	0	0
Do not want to answer	0	0	0
<b>Social Security</b>			
Receive Social Security benefits (self, partner, both)	58	22	90
Do not receive Social Security benefits	42	78	10
Do not know	0	0	0
Do not want to answer	0	0	0
<b>Retirement Account** n<sub>f</sub>=35 n<sub>nr</sub>=17, n<sub>r</sub>=18</b>			
Have a retirement account (self, partner, both)	11	6	18
Do not have a retirement account	83	83	82
Do not know	3	6	0
Do not want to answer	3	6	0
<b>Pension Account** n<sub>f</sub>=35 n<sub>nr</sub>=17, n<sub>r</sub>=18</b>			
Have a pension account (self, partner, both)	11	0	24
Do not have a pension account	83	89	76
Do not know	3	6	0
Do not want to answer	3	6	0



Table 3. (Continued)

	Full sample $n_f=38$	Not retired $n_{nr}=18$	Retired $n_r=20$
<b>Prepared for retirement</b>			
Not at all prepared	50	67	35
Somewhat prepared	34	22	45
Very prepared	5	0	10
Do not know	8	11	5
Do not want to answer	3	0	5
<b>Largest obstacle when preparing for retirement**, <math>n_f=36</math> <math>n_{nr}=18</math>, <math>n_r=18</math></b>			
Lack of money	50	67	33
Lack of understanding of retirement accounts	19	17	22
Lack of interest	3	0	6
Do not know	11	11	11
Do not want to answer	17	6	28

\*Percentages calculated for all the answers, add to 100

\*\*Missing data for these specific question, sample denoted by  $n_f$  for full sample,  $n_{nr}$  for not retired sample and  $n_r$  for retired sample

**Table 4. Survey results – Different questions for not retired and retired participants (Percentages)**

	Not retired, n <sub>nr</sub> =18	Retired, n <sub>r</sub> =20
<b>Retirement Age*, n<sub>nr</sub> =17</b>		
Have a set age planned	29	
Do not have a set age planned	53	
I do not plan to retire	0	
Do not know	12	
Do not want to answer	6	
<b>Budget for retirement</b>		
Have not figure out a budget	61	
Have figure out a budget	22	
Do not know	17	
Do not want to answer		
<b>Retirement plan</b>		
Do not have a plan for retirement	78	
Have a plan for retirement	6	
Do not know	11	
Do not want to answer	6	
<b>Contribution for retirement plan</b>		
Have not been able to contribute	72	
Have been able to contribute	0	
Have been able to contribute somewhat	28	
Do not want to answer	0	
<b>Retirement age**, n<sub>r</sub> =17</b>		
Retired before 62		29
Retired between 62 and before 65		47
Retired at 65 or after		24
<b>Retirement Satisfaction**, n<sub>r</sub> =19</b>		
Not satisfactory		11
Somewhat satisfactory		53
Very Satisfactory		16
Do not know		16
Do not want to answer		5
<b>Retirement Income Satisfaction</b>		
Not satisfied		15
Somewhat satisfied		55
Very satisfied		25
Do not know		5
Do not want to answer		0

\*Percentages calculated for all the answers, add to 100

\*\*Missing data for these specific questions, sample denoted by n<sub>f</sub> for full sample, n<sub>nr</sub> for not retired sample and n<sub>r</sub> for retired sample