



STATEMENT OF:

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LEAGUE OF UNITED LATIN AMERICAN CITIZENS,
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**To the:
U.S. Department of Labor
U.S. Department of Treasury**

Joint Hearing on Lifetime Income Options for Retirement Plans

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I am Brent Wilkes, National Executive Director for the League of United Latin American Citizens (LULAC). We are the largest and oldest Hispanic organization in the United States. LULAC's mission is to advance the economic condition, educational attainment, political influence, health and civil rights of Hispanic Americans through community-based programs operating at more than 850 LULAC councils nationwide. The organization involves and serves all Hispanic nationality groups.

On behalf of all our members, we appreciate the opportunity to submit testimony for this joint hearing on Lifetime Income Options for Retirement Plans. We are pleased that your two departments are working steadfastly to promote guaranteed lifetime income for Americans in a comprehensive manner. We commend the Obama Administration and the Departments of Treasury and Labor (the "Agencies") for this effort. Given the increasingly difficult retirement challenge facing Americans, we strongly support encouraging and providing incentives for Americans to secure a steady stream of guaranteed income in retirement.

Our organization is a member of Americans for Secure Retirement (ASR), a broad-based coalition of 70 member and affiliate organizations representing women, farmers, Hispanic-Americans and small businesses, among others. For the past few years, LULAC and ASR have worked to raise awareness about the difficult challenges Latinos face to enjoy a secure retirement.

The Hispanic community is hit disproportionately hard when it comes to retirement security vulnerability. While Hispanics work in all sectors of the economy, they are more heavily concentrated in jobs that lack traditional retirement options and typically earn a lower income, affecting their ability to save for retirement. Research confirms this growing problem. A recent study conducted by The Hispanic Institute and Americans for Secure Retirement found that only 25.6 percent of Hispanics are covered by pension plans, compared to 42.5 percent of whites and 40 percent of African-Americans.

There is overwhelming evidence indicating that Hispanics face additional challenges in preparing for retirement, as compared to the greater population. Today, the U.S. Hispanic population makes up about 48 million people; by 2050 that number will increase to 132 million, accounting for nearly 30 percent of the total U.S. population. Due to the growing Hispanic population, an average longer life expectancy, and because only 16 percent of the population is in their pre-retirement years, Hispanics will make up a significant number of those entering retirement in the future.

I would like to focus my remarks on several key factors that explain why Latinos are struggling with saving for retirement, and provide some solutions for consideration by the Agencies.

First and of particular importance is the lack of financial education and literacy among the Latino community. Indeed, Latinos have not received the same type of financial education as is afforded to other segments of the population. Even at the most basic level, Hispanics suffer from an absence of information on retirement savings vehicles available, how they work, and why they are important. Complicating matters is an often overlooked language barrier. Financial education should be available to Hispanics, indeed all Americans, as early as high school.

Alongside geometry, biology and literature, students should be taught how to prepare for retirement as part of any high school curriculum.

In addition, there are cultural factors that explain why Latinos need extra assistance in financial literacy. In the case of non-U.S. born Hispanics, savings strategies are far different than those prevalent in the United States. For instance, the instability of many national banks in Latin American countries has produced widespread distrust and concern over the solvency, stability and security of banks in general. As a result, many first generation Hispanics choose to keep their savings in their homes and out of banks and retirement plans.

Making matters worse is the high number of Latinos that are small business owners, many of whom will rely on the sale of their business to finance their retirement. However, a lack of knowledge and a reluctance to invest even a portion of these proceeds into a retirement vehicle that provides guaranteed lifetime income means they are likely to fall short in retirement. And they, along with their employees, often do not even have access to traditional defined benefit or defined contribution plans such as a 401(k).

Further, Latinos have a long tradition of keeping older, retired relatives such as grandparents in the family home. Without question, this reduces costs for these retirees, leading to little planning and less concern about their retirement security. Indeed, many Hispanics approaching retirement remain reliant on the younger generation to ensure they are adequately provided for during their golden years. However, as our world becomes smaller and more modernized, and as Hispanic Americans embrace the culture of the United States, the younger generation is reluctant to continue this tradition. More and more Latinos are attending college, traveling and moving away from home, leaving those anticipating financial assistance from their children or grandchildren unprepared and on their own in retirement. This is a growing problem in Hispanic communities today, contributing to an overall lack of preparation for retirement – and the housing and health care costs associated with it.

Second, Latino and other minority communities are more likely to be targeted by predatory practices which severely impact the ability of this population to save at all, let alone set aside the significant amounts of resources needed for retirement. In fact, Latinos are specifically targeted and exploited in a number of instances, having negative effects on their ability to plan and save for retirement.

For example, in Hispanic communities, the presence of traditional banking facilities has diminished, particularly in inner cities. Payday lenders, check cashing outlets, liquor store banking and shops providing immediate, high-interest tax refunds now dominate the landscape while traditional banks and other financial institutions are hard to find.

These predatory establishments are high cost, inefficient and specifically target the Latino community – in Spanish. The language barrier specifically insulates these bad actors from oversight, leading to a marketplace that is deregulated and overcharging – taking advantage of those low-income families who need the money most.

These predatory practices are just the tip of the iceberg. Other major industries, such as auto dealers, have targeted Hispanics and other minority groups, raising interest rates to disproportionately high levels. In fact, studies indicate that Hispanics and African Americans are often charged as much as double the interest rate on auto loans as their white counterparts.

Third, the foreclosure crisis will have an adverse impact on the ability of minorities to save adequately for retirement. Multiple studies, including a recent analysis by the Center for Responsible Lending indicates that the foreclosure crisis has disproportionately impacted African American and Latino homeowners and neighborhoods¹. According to the report, an estimated 17% of Latino homeowners and 11% of African-American homeowners have already lost their home to foreclosure or are now at imminent risk. In fact, a home owned by a Hispanic family is 71 percent more likely to go through foreclosure than a home owned by a white family. Even more concerning is that the study also predicts the foreclosure crisis will destroy a generation of personal wealth in minority communities, intensifying an already prominent income and equity gap between white and non-white families, through loss of assets and diminished property values. Many Hispanics are reliant in the equity in their homes for their retirement. However, in light of the aforementioned statistics, new more reliable vehicles must emerge for investment that will ensure a secure retirement.

These are just a handful of the challenges faced by minority communities, but are often overlooked by policymakers as they consider options to ensure Latinos are saving more, and investing their resources into retirement vehicles that last a lifetime. LULAC encourages these factors to remain in the consciousness of your Agencies as you promulgate rules to encourage greater participation in retirement plans that encourage lifetime income. In addition, we recommend the following be considered as part of any policy changes proposed by the Agencies:

An increased emphasis on financial literacy through education, which will increase awareness, understanding, and participation in retirement savings plans. Current law or regulation does not place an emphasis on financial education in the classroom or in the workplace. To give Hispanic Americans assurances and build confidence in the effectiveness of savings vehicles to prepare for retirement, educational opportunities must be provided, in English and Spanish. For an increased effectiveness, these opportunities should acknowledge the cultural differences between the United States and Latin America, particularly regarding the banking and financial systems, while also explaining the evolving treatment of older Americans. Financial management must also be a key element of this education, explaining the particulars of credit cards, interest rates, and the long-term damage that can be done by credit debt.

To remedy the predatory targeting of Latinos in their communities, additional regulation is needed. One unfortunate blemish in the banking reform bill recently enacted by Congress is that auto dealers were exempted from new federal oversight, shielding a loosely regulated industry from accountability. We will continue pressing for increased oversight of this industry and in these communities.

¹ Bocian, Li, Et. al. "[Foreclosures by Race and Ethnicity: The Demographics of a Crisis](#)" Center for Responsible Lending Research Report, June 18, 2010.

But in the immediate term, those working to oversee the business community must be educated and informed about these practices. More importantly, they must be equipped with bilingual employees capable of overseeing the Spanish-language predatory practices that are currently overlooked by overseers.

In addition, policymakers must consider encouraging retirement vehicles that will supplement Social Security, bridge the gap in access to employer plans, and replace home equity as a reliable source of retirement assets. Considering the problems Hispanics face in saving for retirement, increasing access to and knowledge of instruments that provide guaranteed lifetime income are important for your Agencies to pursue, not just to help Hispanics but all Americans. Options such as annuitization, among others, not only minimize financial risks but provide retirees with the means to build retirement savings and secure guaranteed income lasting as long as they live. In fact, annuitization of all or a portion of retirement assets is the only method that can provide a guaranteed stream of lifetime income through retirement – a “paycheck for life” that cannot be outlived. An annuity provides lifetime payment at regular intervals. These lifetime payments begin when the retiree determines they are needed and continue for the lifetime of the retiree and, if selected, his or her spouse.

Our organization and its members have taken action to raise awareness of the problem and potential policy solutions. This past July, at LULAC’s 81st National Convention, our delegates approved a resolution calling for federal retirement policy that helps all Americans better manage their savings to provide income that will last a lifetime.

Specifically, the resolution calls for retirement policy that maximizes retirement security by making it easier for Americans to access guaranteed lifetime income sources. In addition, the resolution explained that while traditional sources of retirement income will not be sufficient for many Americans, the challenges faced by Hispanics in maintaining their standard of living make them particularly vulnerable. Through the resolution, LULAC’s delegates resolved to:

- Acknowledge the need to support retirement policy that makes it easier for Americans to have guaranteed lifetime income sources that help them better manage their savings in retirement.
- Acknowledge the need for the U.S. Congress to act now to ensure secure retirement as the first of the 77 million baby boomers begin to retire soon.
- Support passing legislation that will help Americans secure a steady stream of income in retirement so their standard of living does not decline.

Thank you for the opportunity to submit these remarks today. LULAC is grateful for the opportunity to raise awareness of the challenges Latinos face in retirement, and looks forward to working with your two Agencies in developing or refining proposals that will provide Hispanics guaranteed lifetime income in retirement. Thank you.