

The Ariel-Schwab  
Black Investor Survey:  
The 2007 Retiree Survey

October 11, 2007

ARIEL MUTUAL FUNDS *charles* SCHWAB

# BACKGROUND, OBJECTIVES, AND METHODOLOGY

- ❑ Ariel Mutual Funds and The Charles Schwab Corporation commissioned Argosy Research to conduct a study on African-American and White retirees in conjunction with the annual Ariel-Schwab Black Investor Survey.
  
- ❑ The main objectives of this research are the following:
  - Gain an understanding of the attitudes, behaviors, and financial situations of middle class retirees (those with a household income of \$50,000 or more prior to retirement).
  - Compare and contrast African-American and White retirees.
  - Uncover insights that will aid in formulating recommendations for helping middle class Americans, particularly African-Americans, to plan and save for retirement.
  
- ❑ Methodology:
  - 300 African-Americans and 304 Whites were interviewed by phone between June 22 and July 11, 2007.
  - All respondents identified themselves as being retired between one and ten years. Additionally, their annual household income was \$50,000 or more prior to retirement.
  - The survey ran for an average of 11 minutes and was national in scope.

# RETIREE STUDY KEY HIGHLIGHTS

- ❑ Overall, both African-American and White early retirees are happy about their retirement. Only 18% of African-Americans and 11% of Whites rate their happiness as a five or below on a scale of ten.
- ❑ African-American retirees, however, are in a precarious position relative to White retirees when it comes to their financial futures.
  - Blacks are drawing a somewhat lower income than Whites during retirement: the Black retiree median income is \$51,000 and the White retiree median income is \$57,000
  - African-American retirees have on average (median) \$73,000 saved, whereas White retirees have saved an average of \$210,000.
  - Even after controlling for financial and human capital factors (peak income, education, and so on), African-Americans are still 1.7 times less likely than Whites to have over \$100,000 in savings during retirement.
- ❑ African-Americans who say they are living comfortably in retirement are likely to be doing one or more of three key things: drawing income from stock, bond or mutual fund investments (3.6 times more likely); drawing income from a 401(k) or another employer sponsored plan (2.3 times more likely); or being married (twice as likely).

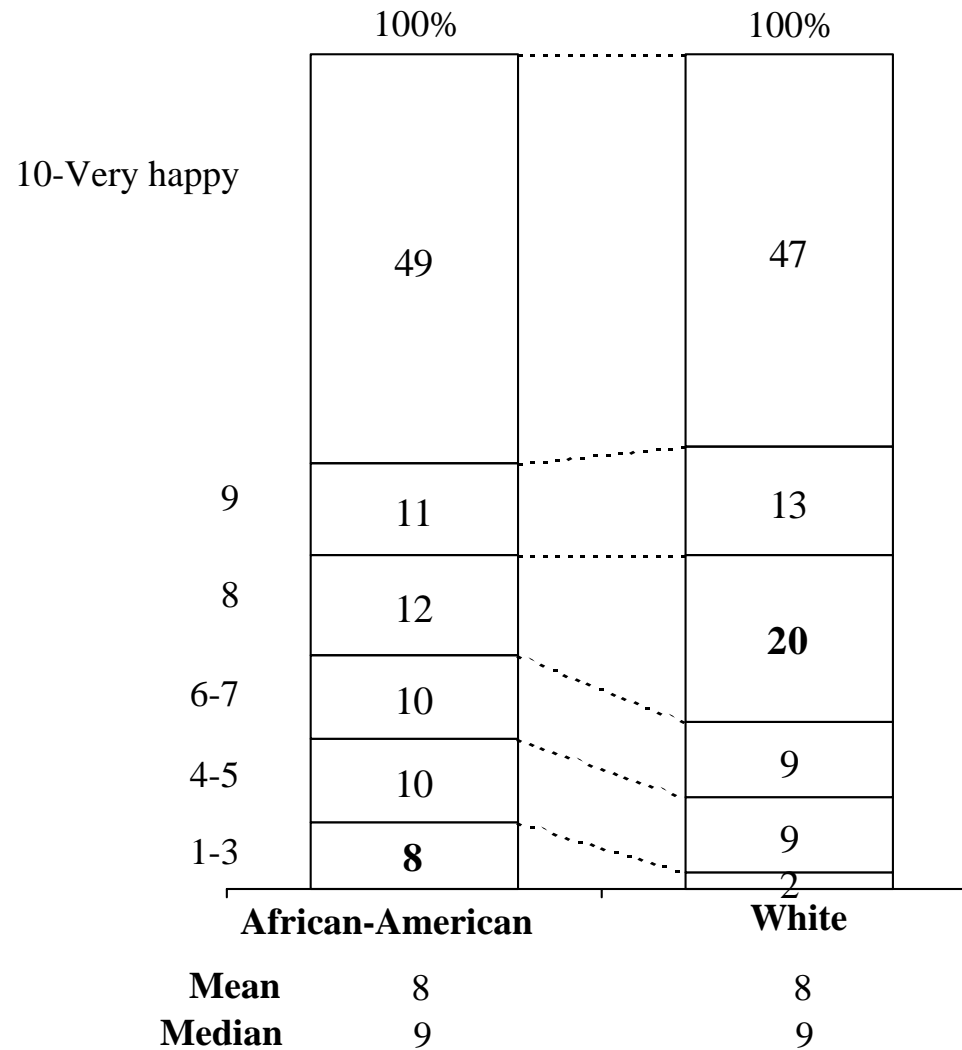
## RETIREE STUDY KEY HIGHLIGHTS (CONTINUED)

- ❑ Only 45% of African-Americans and 57% of Whites calculated how much savings they would need to retire.
- ❑ Half of the African-American retirees surveyed were primarily employed by the government, as compared to one-third of Whites. Consequently, 59% of African-Americans, compared to 47% of Whites, retired before the age of 60.
- ❑ Compared with the expectations of not-yet-retired African-Americans, Black retirees are relying more on Social Security and pensions for retirement income, and less on employer sponsored retirement plans, real estate investments, and other savings or investments.

# DETAILED RESULTS

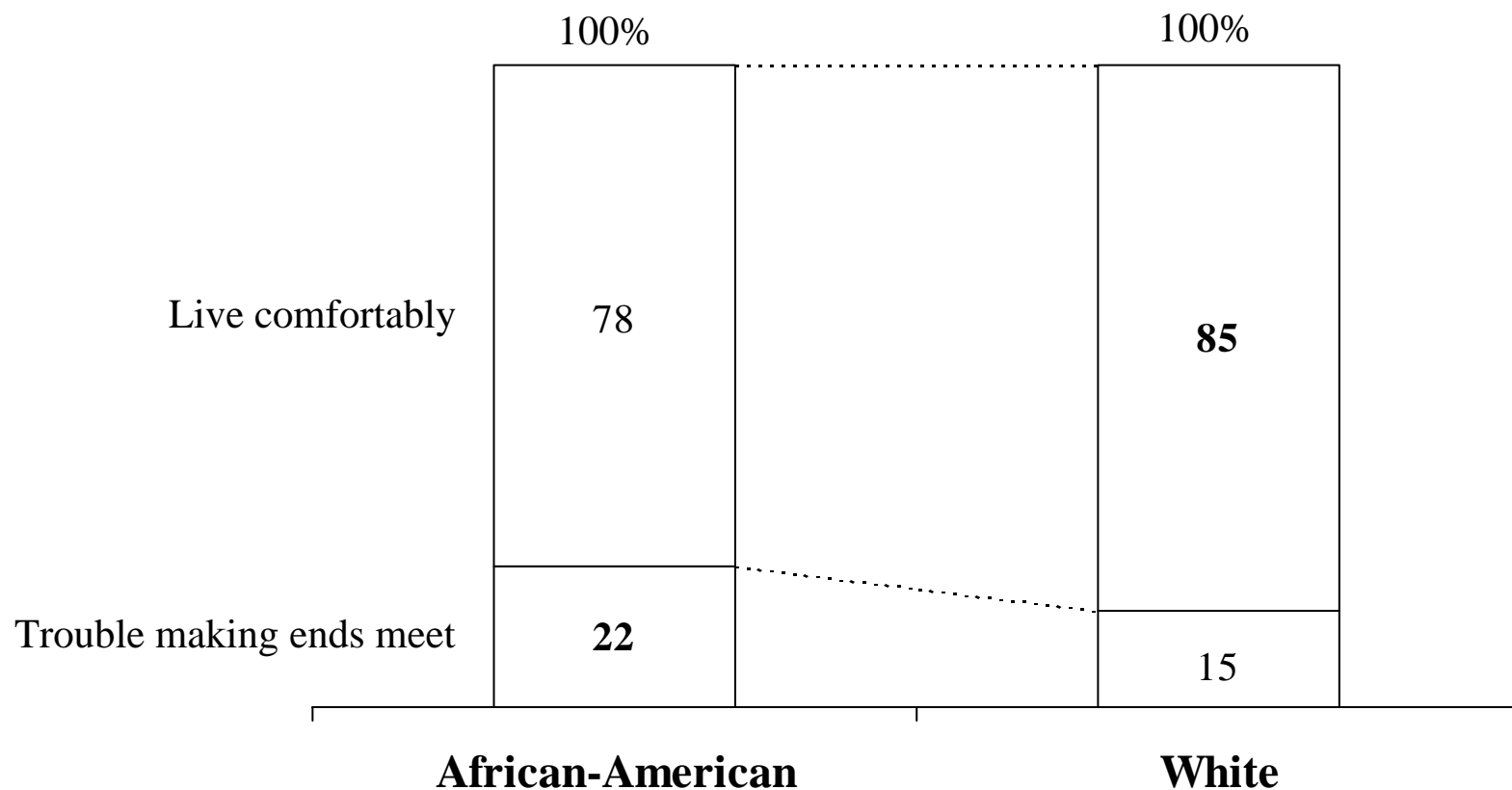
# HAPPINESS IN RETIREMENT

*On a scale of 1 to 10, with one being very unhappy and 10 being very happy, how would you rate your feelings about your retirement today?*



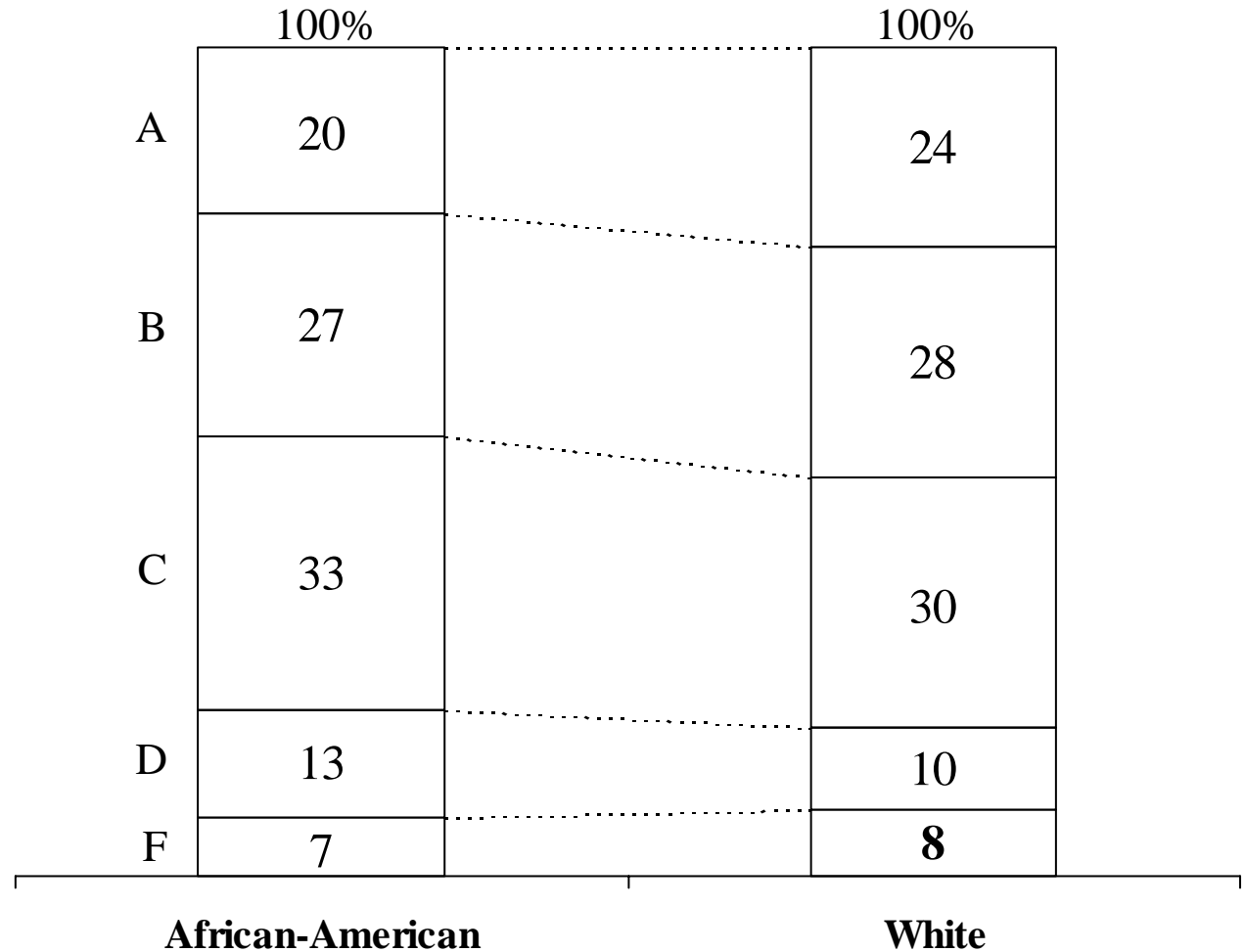
# FINANCIAL SITUATION

*Would you say that in retirement, you have enough money to live comfortably, or you are having trouble making ends meet?*



# PLANNING FOR RETIREMENT

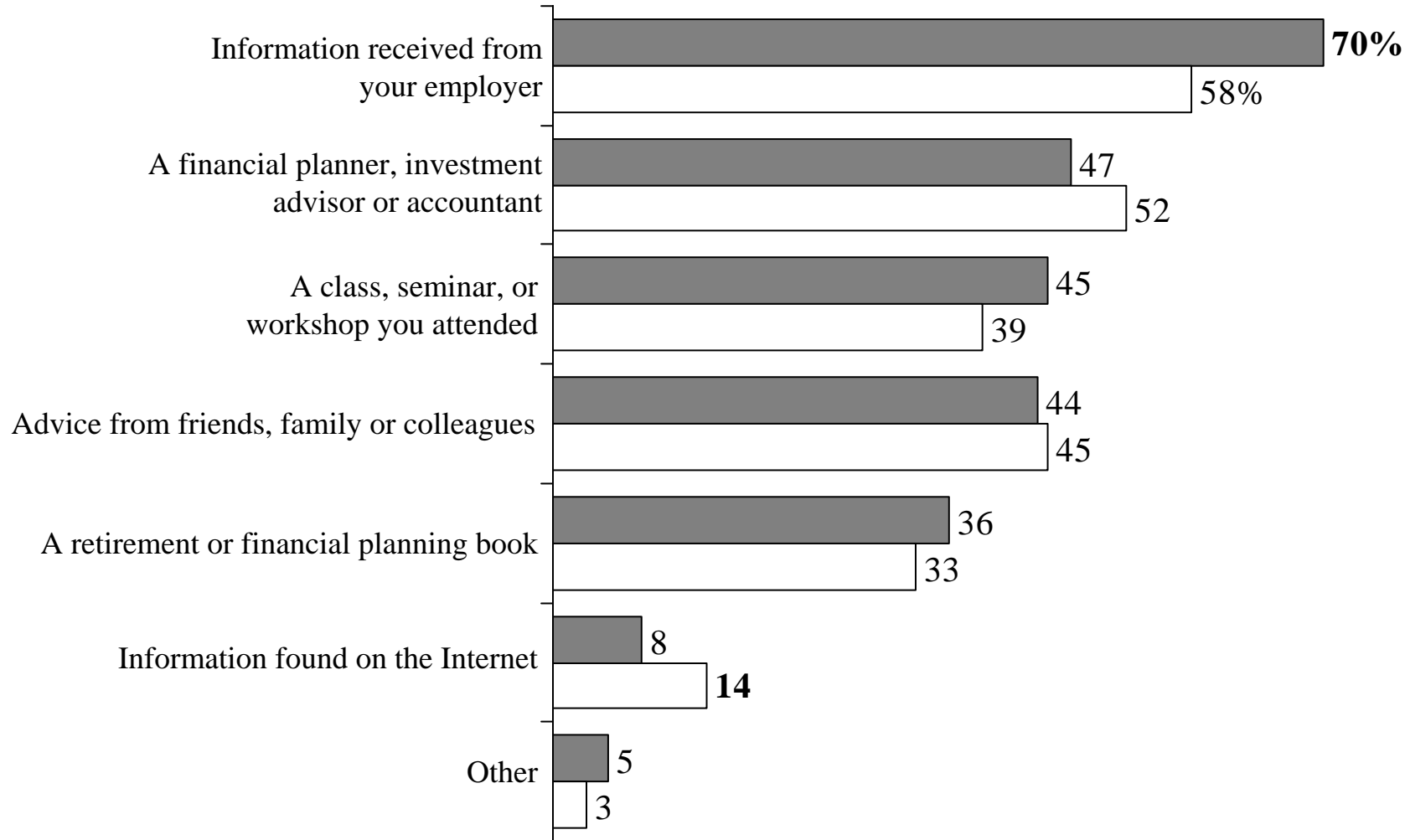
*It usually takes some financial planning and preparation to retire. Thinking back to the things you did and knowing what you know now, what grade, A through F, would you give yourself for retirement planning?*



# SOURCES OF RETIREMENT PLANNING INFORMATION

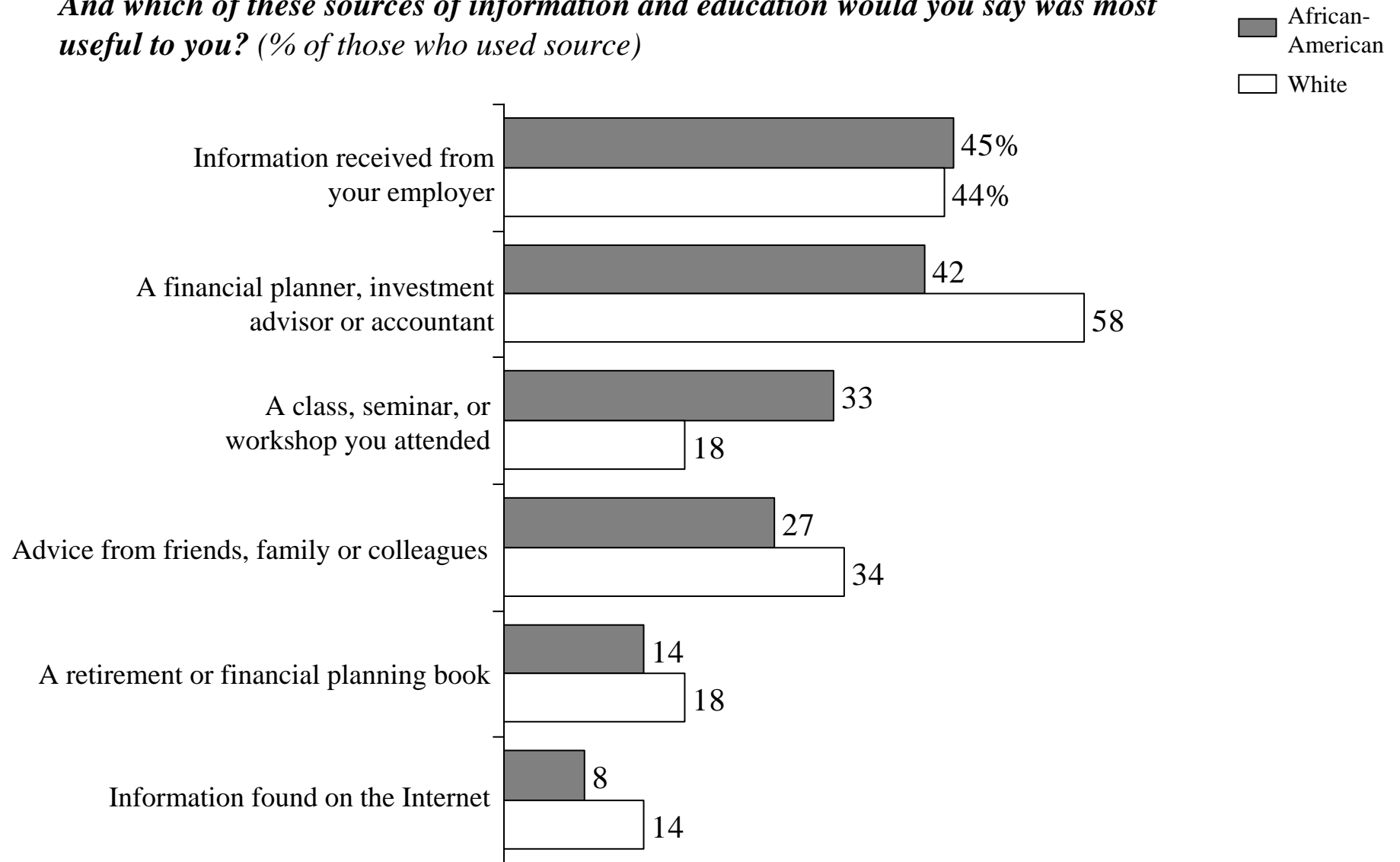
*Which of the following sources of retirement planning information and education did you use?*

African-American  
 White



# MOST IMPORTANT SOURCE OF RETIREMENT PLANNING INFORMATION

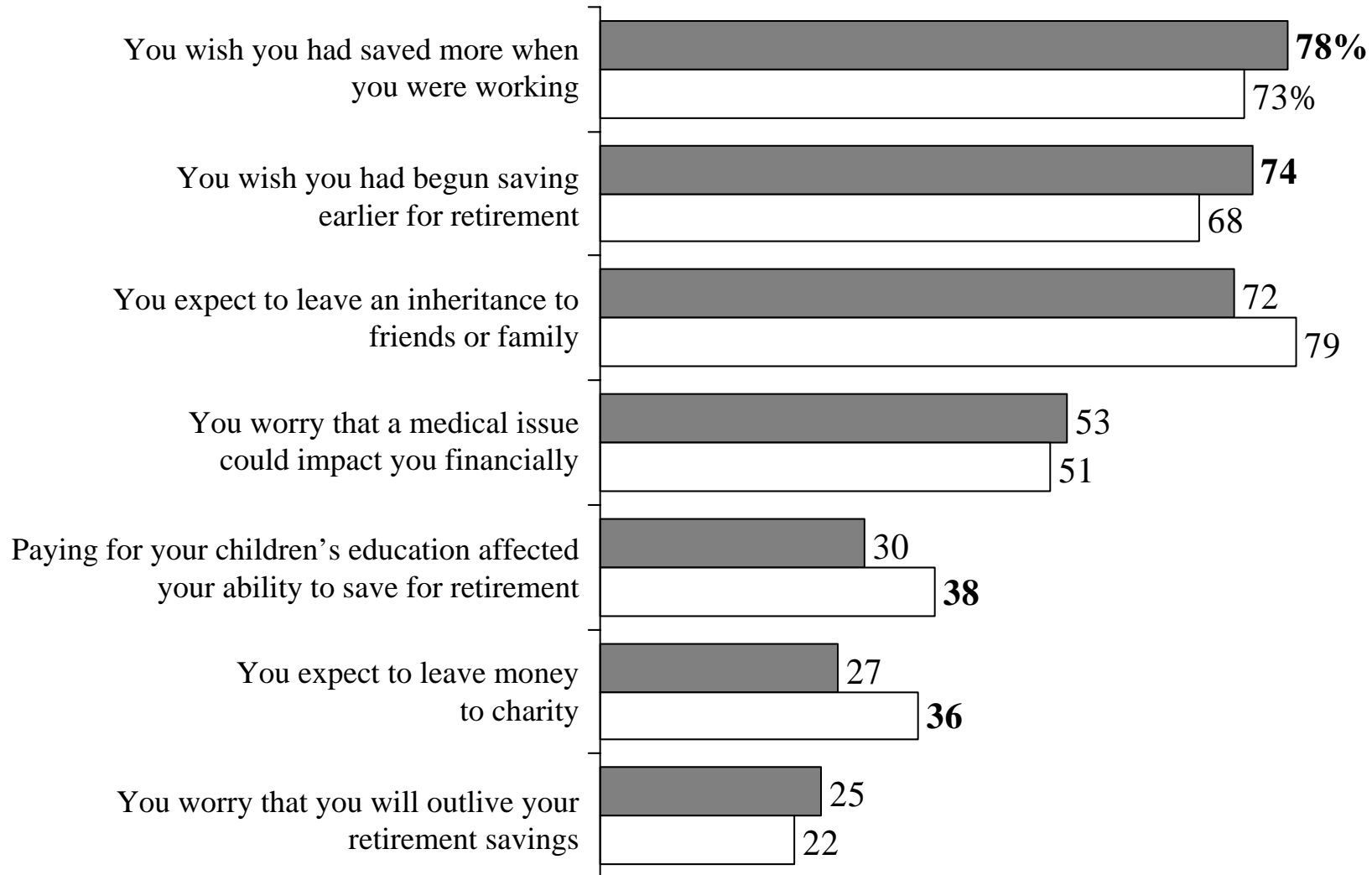
*And which of these sources of information and education would you say was most useful to you? (% of those who used source)*



# ATTITUDES ABOUT RETIREMENT AND MONEY

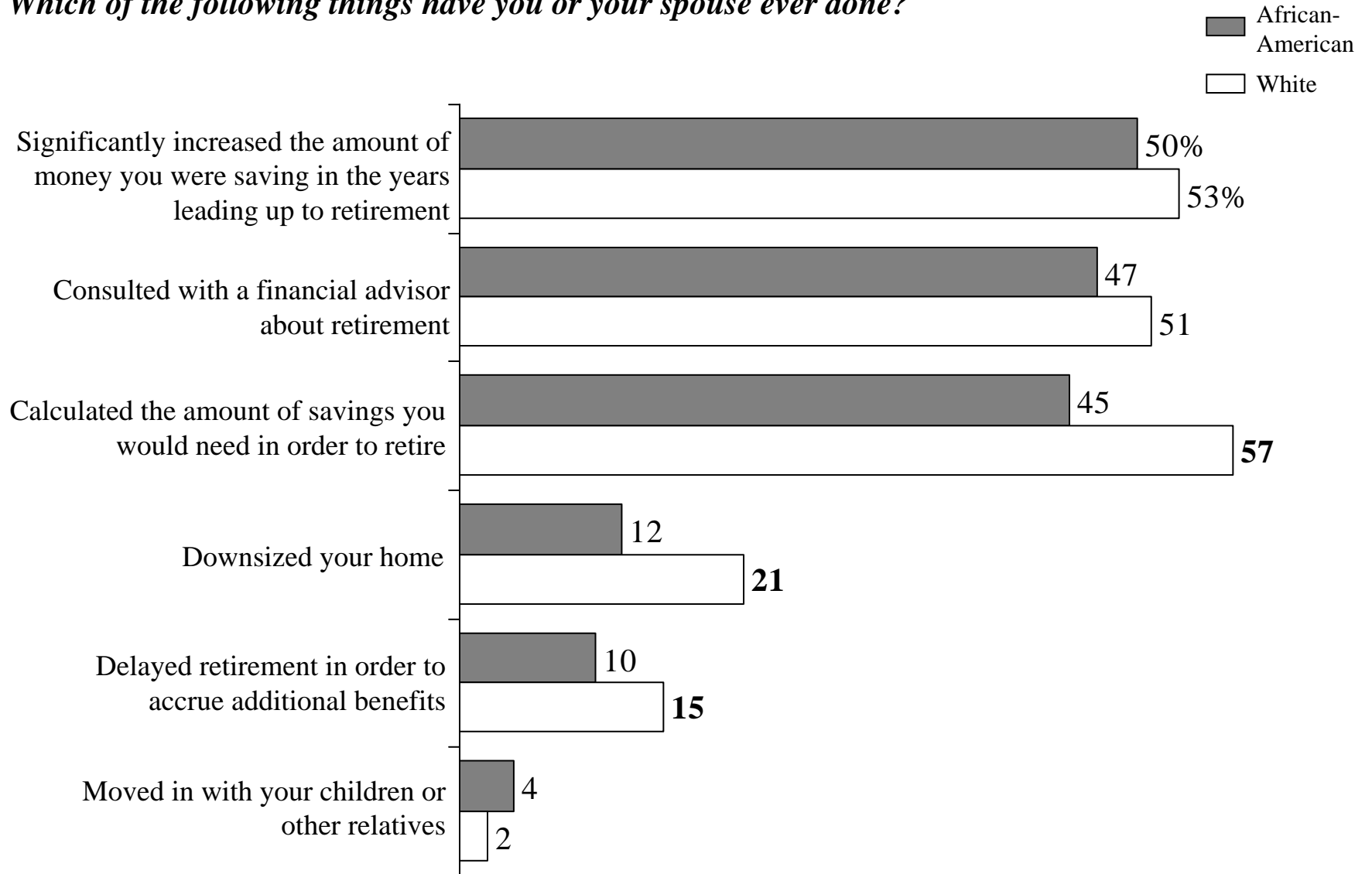
*% Agreeing with following statements:*

African-American  
 White



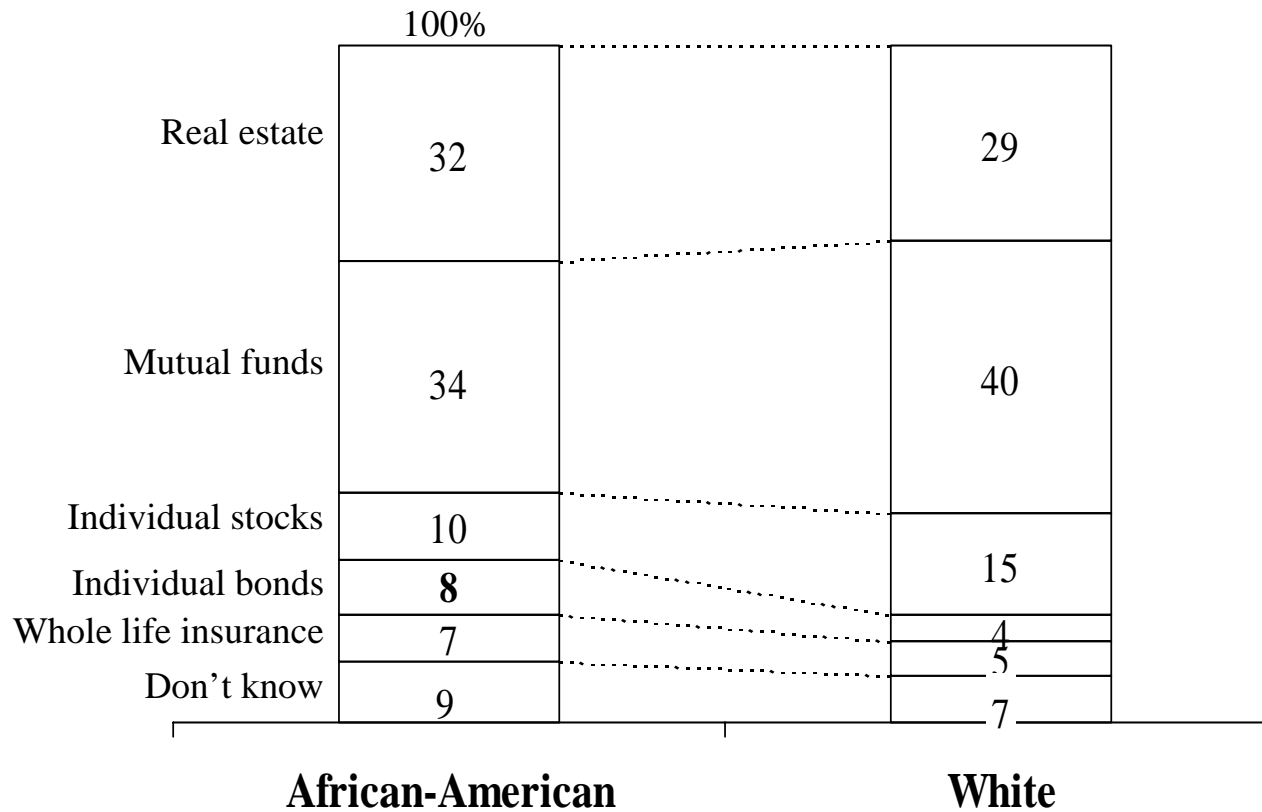
# FINANCIAL ACTIONS

*Which of the following things have you or your spouse ever done?*



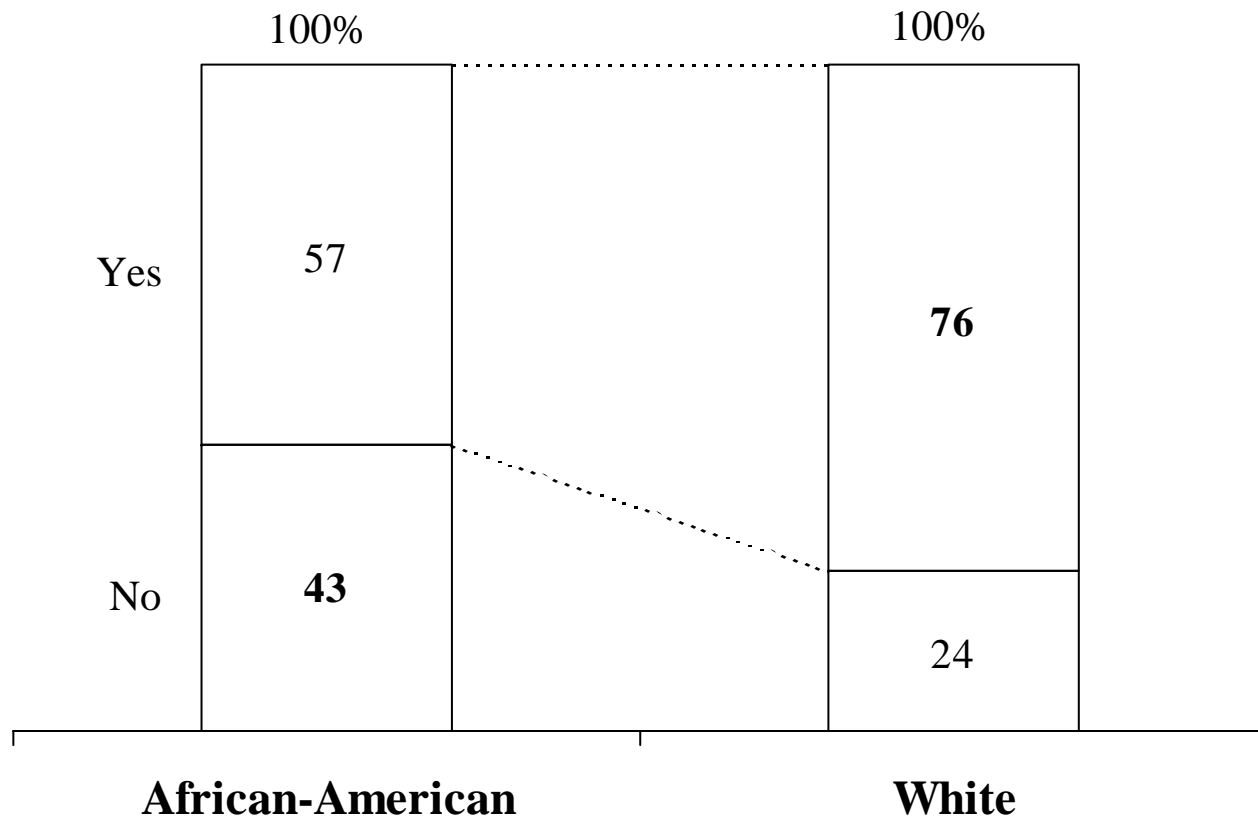
# PERCEPTIONS OF BEST INVESTMENTS OVERALL

*Which of the following do you think is the best investment overall?*



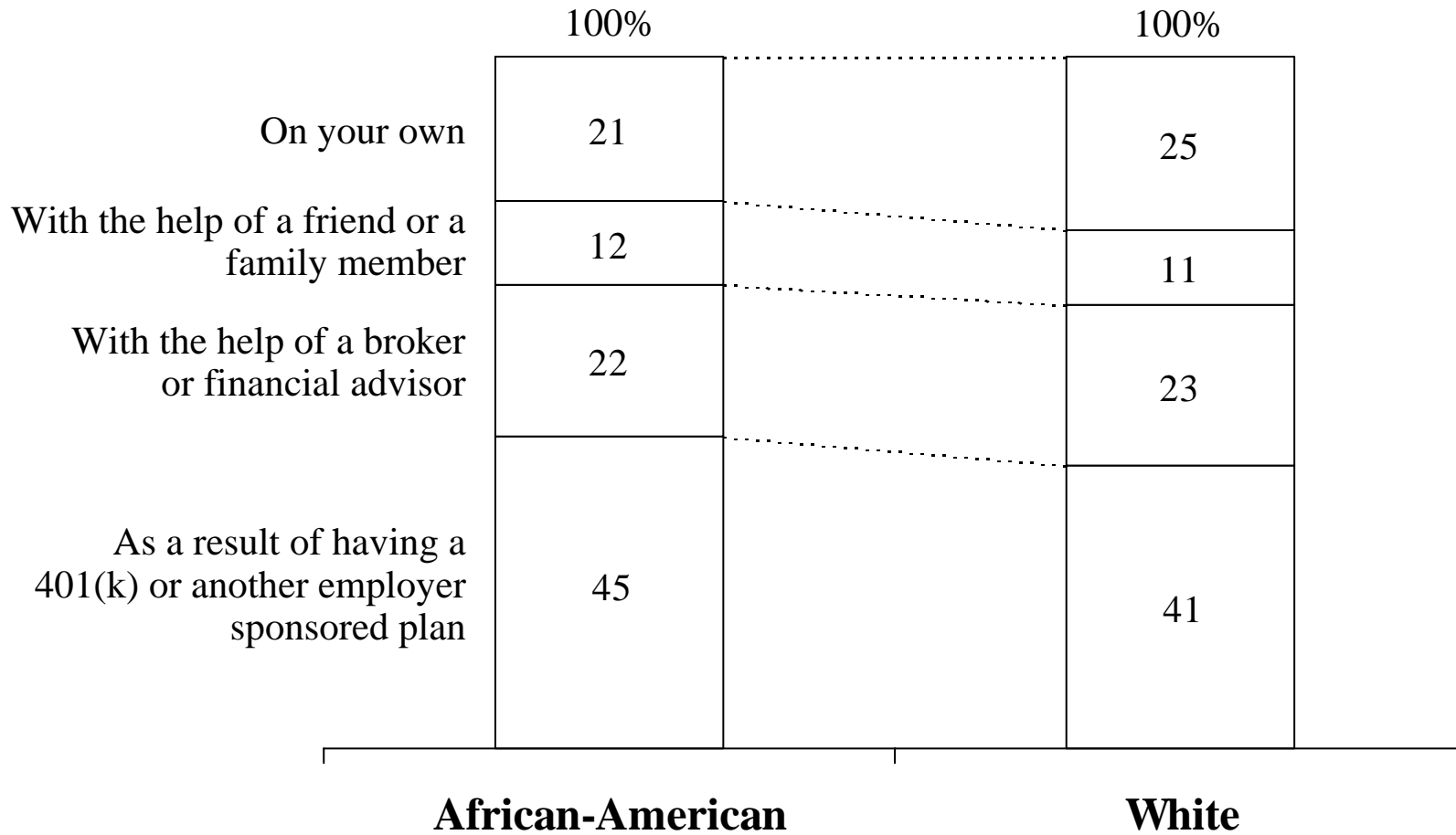
# MARKET PARTICIPATION

*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?*



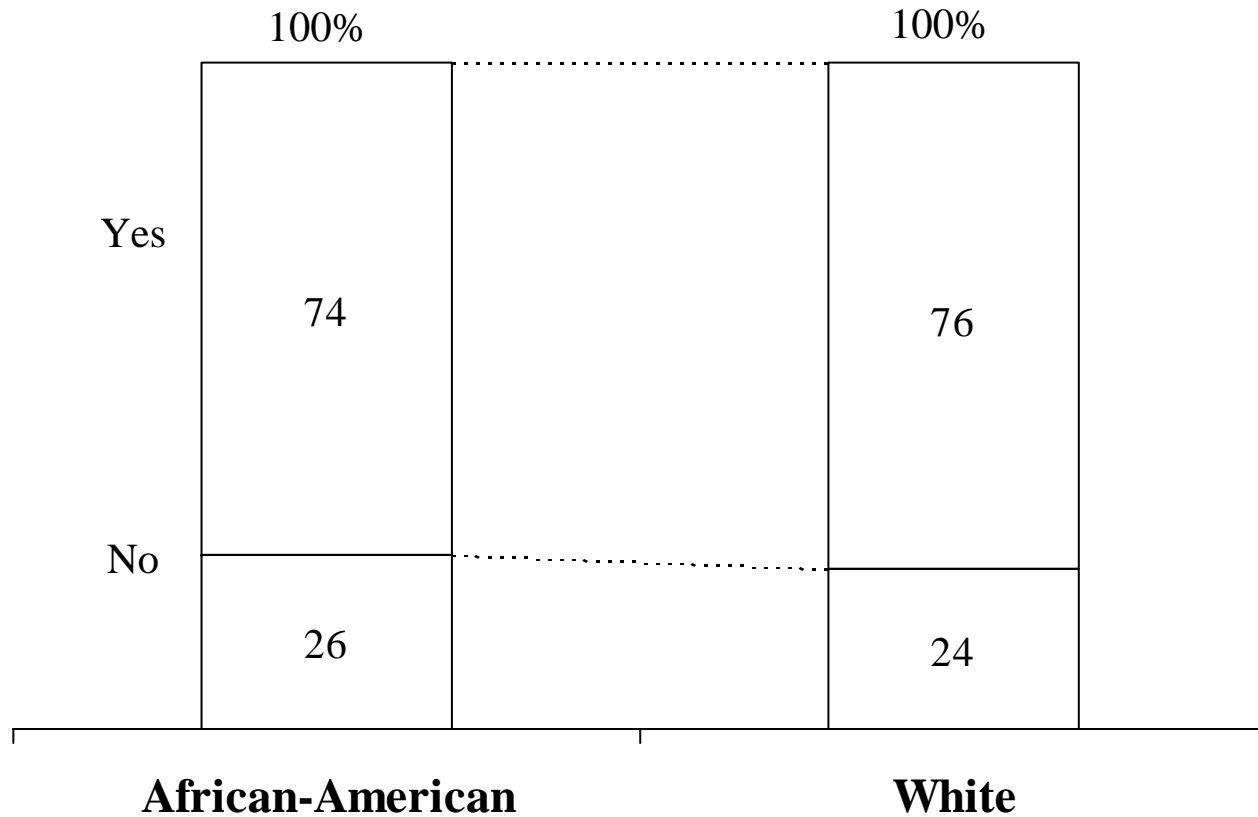
# IMPETUS FOR INVESTING

*Which of the following statements best describes how you started investing?*



# EMPLOYER SPONSORED PLAN OWNERSHIP

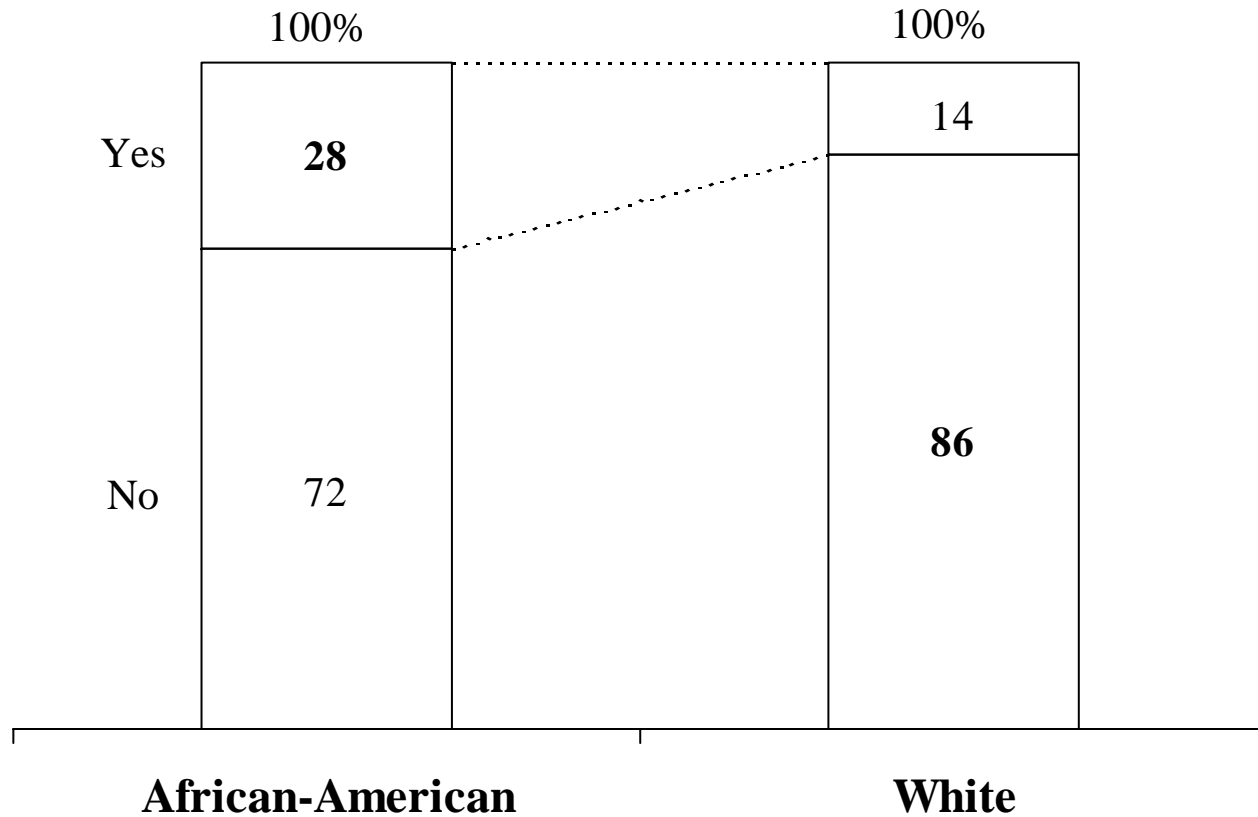
*Did you or your spouse ever have money in a 401(k), 403(b), or any other employer sponsored retirement plan?*



# BORROWING FROM EMPLOYER SPONSORED PLANS

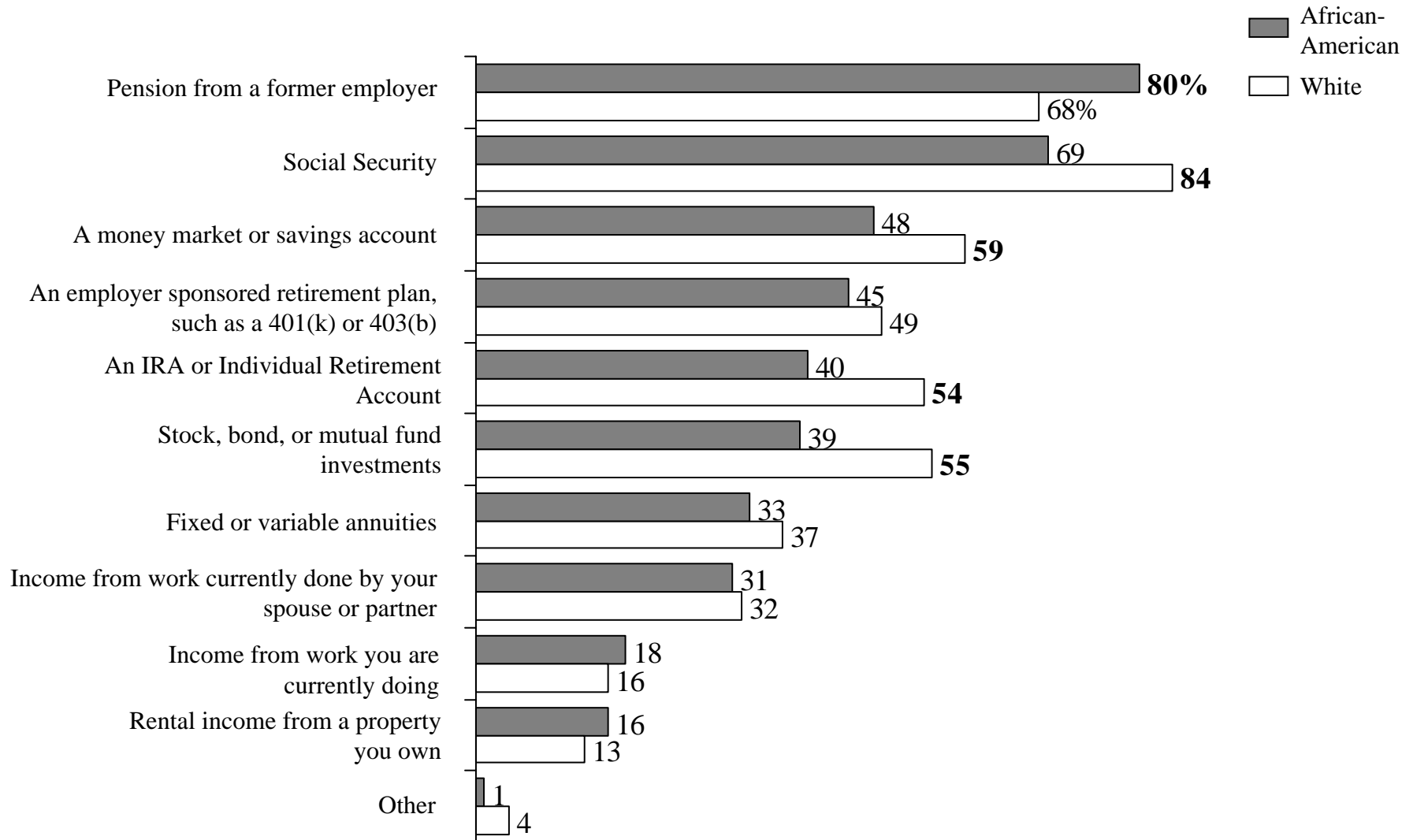
*Did you ever borrow money from your employer sponsored retirement plan before you reached the age of 59 1/2?*

*Base: Have owned an employer sponsored retirement plan*



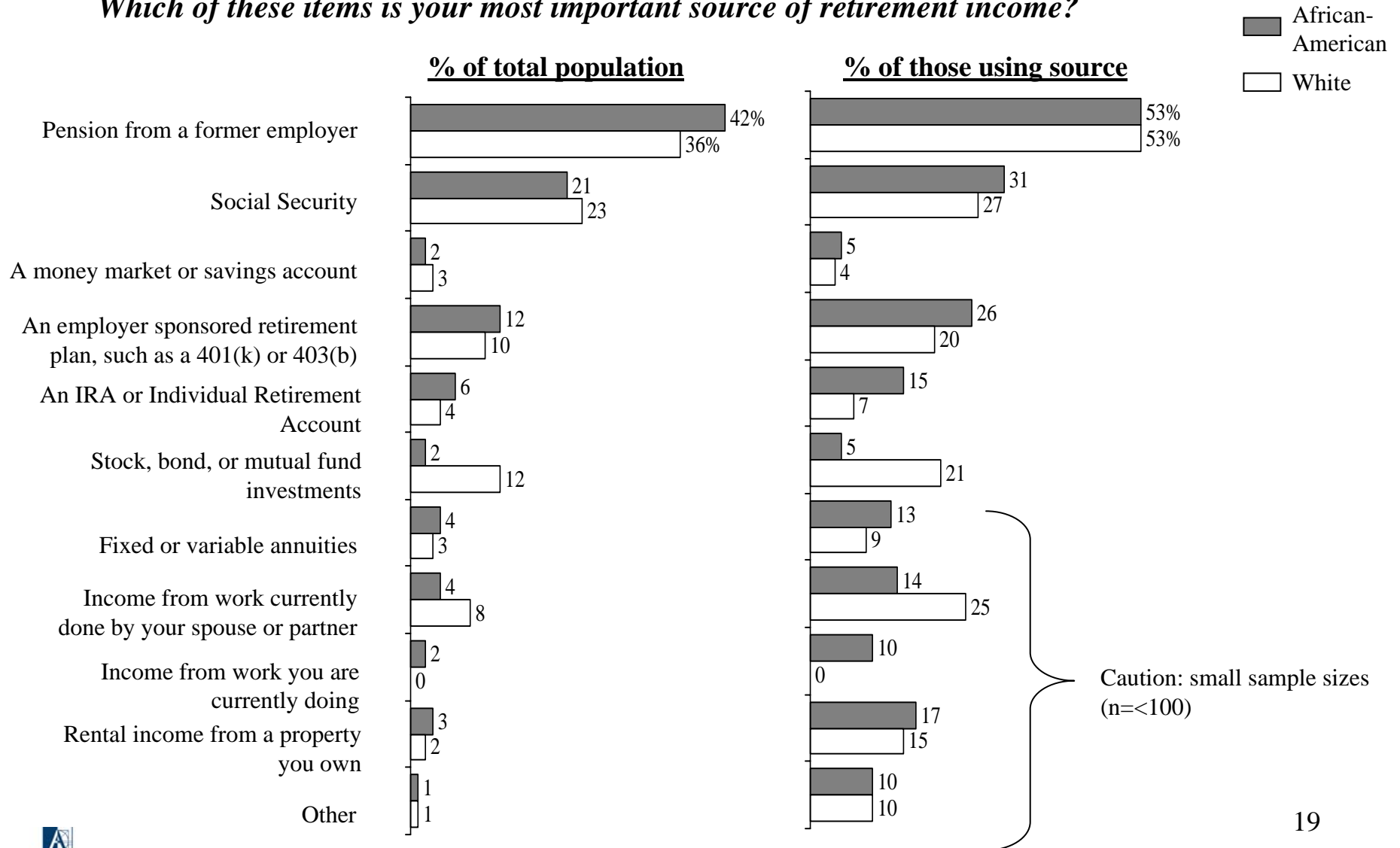
# SOURCES OF RETIREMENT INCOME

*Which of the following sources are helping to pay for your retirement?*



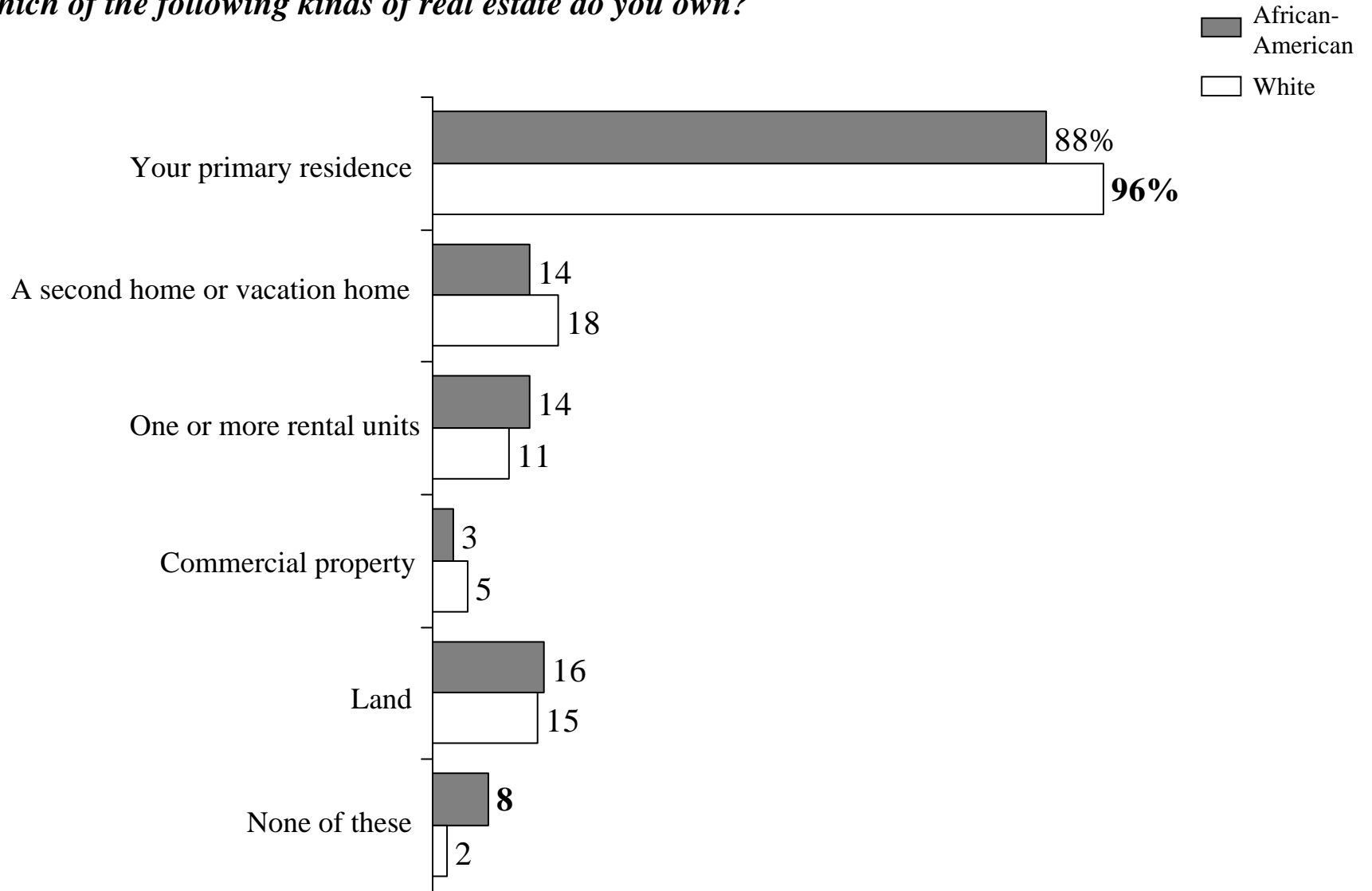
# MOST IMPORTANT SOURCE OF RETIREMENT INCOME

*Which of these items is your most important source of retirement income?*



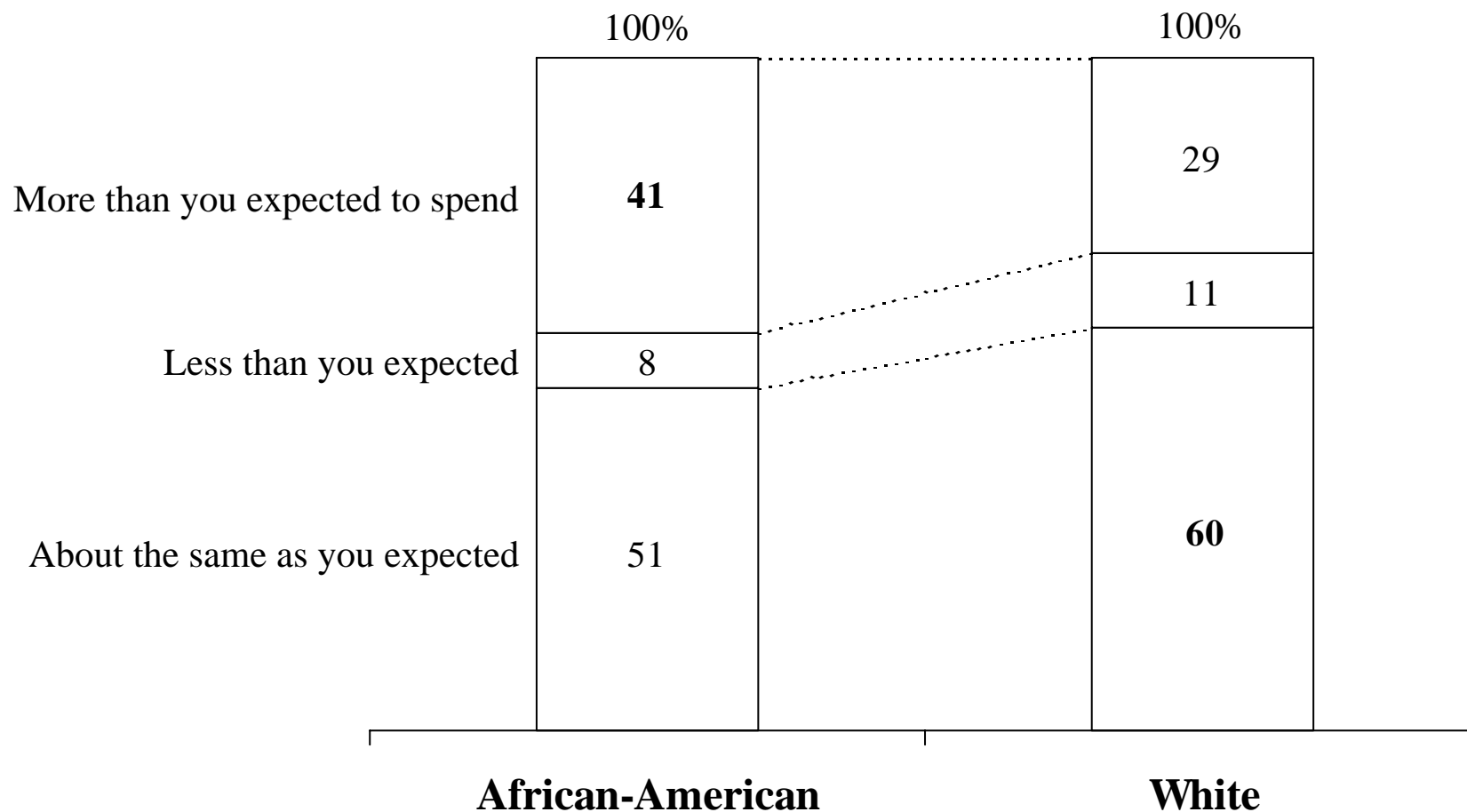
# REAL ESTATE OWNERSHIP

*Which of the following kinds of real estate do you own?*



# EXPECTATIONS OF HEALTH CARE EXPENSES

*Would you say the money you have been spending on health care during retirement is....*



# DEMOGRAPHICS

# DEMOGRAPHIC PROFILE

## GENDER

	African-American %	White %
Male	33	45
Female	67	55

## AGE

	African-American %	White %
Under 50	2	1
50-54	4	2
55-59	19	13
60-64	29	23
65-67	17	17
68-70	13	20
71-73	8	11
74+	8	14
Mean	64	66
Median	64	67

## MARITAL STATUS

	African-American %	White %
Single/never married	10	5
Not married/living together	2	<1
Married	61	77
Divorced/separated*	15	5
Widowed	12	13

\* Of those married, widowed, or living together, 32% of African-Americans and 28% of Whites have been divorced

## NON-SPOUSES LIVING IN HOME

	African-American %	White %
Other people present	33	21
No other people present	67	79

## EDUCATION

	African-American %	White %
Some HS or less	2	2
HS graduate	22	20
Some college	34	32
College graduate	24	24
Postgraduate study	19	21

# RETIREMENT PROFILE

## YEARS RETIRED

	African-American	White
	%	%
One	2	3
Two	7	7
Three	10	9
Four	8	7
Five	12	<b>19</b>
Six	12	10
Seven	12	13
Eight	5	9
Nine	7	7
Ten	<b>24</b>	18
Mean	6	6
Median	6	<u>6</u>

## AGE RETIRED

	African-American	White
	%	%
30-39	1	1
40-49	<b>9</b>	5
50-59	<b>49</b>	41
60-64	29	32
65-69	12	16
70-74	0	<b>4</b>
75+	0	1
Median	58	<u>60</u>

## FORMER EMPLOYMENT

	African-American	White
	%	%
Business*	41	<b>53</b>
Government	<b>49</b>	33
Not-for-profit	10	13

\* Of those who worked in business, 7% of Blacks and 22% of Whites were self-employed

## RETIREMENT VS. PEAK HH INCOME

	African-American	White
	%	%
Peak during retirement	9	8
Peak at retirement	42	45
Peak 5 or fewer year prior	25	21
Peak over 5 years prior	24	26

# FINANCIAL PROFILE

## VALUE OF SAVINGS AND INVESTMENTS (ex. real estate)

	African-American	White
	%	%
>\$1,000,000	1	11
\$500,00-\$999,999	6	16
\$250,000-\$499,999	11	18
\$100,000-\$249,999	19	20
\$50,000-\$99,999	22	13
\$25,000-\$49,999	14	8
\$5,000-\$24,999	13	7
<\$5,000	14	7
Mean	\$151K	\$373K
Median	\$73K	\$210K

Note: The multivariate analysis cited in this report holds the following demographic factors constant so that with “all else being equal,” various correlations can be uncovered:

# of people in household	Education
Peak earnings	Current HH income
Value of savings/investments	Gender
# of years retired	Marital status

## CURRENT HOUSEHOLD INCOME

	African-American	White
	%	%
Less than \$25,000	11	8
\$25,000-49,999	22	21
\$50,000-74,999	17	23
\$75,000-99,999	9	11
\$100,000-149,999	4	5
\$150,000-250,000	3	2
Over \$250,000	0	1
Mean	\$57K	\$62K
Median	\$51K	\$57K

## PEAK HOUSEHOLD INCOME

	African-American	White
	%	%
\$50,000-74,999	43	36
\$75,000-99,999	31	30
\$100,000-149,999	17	23
\$150,000-250,000	7	8
Over \$250,000	2	3
Mean	\$95K	\$102K
Median	\$80K	\$87K