ABSTRACT

Foregone revenues as a result of the tax advantages associated with employer provided pension plans are estimated to be almost $95 billion in 2004. An analysis of those workers who are eligible to receive the benefits and those that are not is warranted. This Article provides such an analysis and identifies two distinct problems.

First, even though the majority of private sector workers are not participating in their pension plans, every study confirms the following observation: White workers are the most likely to participate and Hispanic workers are the least likely to participate in their pension plans. Second, even for those workers who do participate in their pension plans, with the proliferation of defined contribution plans which place the investment decision making on the worker, workers make different investment decisions based upon their race and/or ethnic background. As a result, in order to increase the likelihood that workers of color retire with similar pension account balances as their White counterparts they will not only need to be encouraged to participate, but they will need to receive education about various investment vehicles. Given that the majority of all private sector workers are not participating in their pension plans, this presents a unique opportunity to encourage all workers to increase their participation in pension plans – and maximize the investment of those funds.