

YOUR MONEY

Blacks, whites differ in retirement strategies

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At 44, Rock Anderson is years away from retirement.

When he does retire, he and his wife Carla expect to live comfortably, and they have the diversified portfolio to prove it: stocks, 401(k), life insurance, pension, real estate and land investments in metro Atlanta and throughout the United States, in addition to their home in Henry County.



Curtis Compton/Staff

[\(ENLARGE\)](#)

State employee Jimmie Miller and her husband don't have any individual investments in the stock market now, but they plan to acquire some after their two sons finish college.



POUYA DIANAT/STAFF PHOTOGRAPHER

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Rock Anderson and wife Carla of Henry County expect to retire on their diversified portfolio and have something to leave daughter Breanna, 12.

Anderson feels confident his daughter, Breanna, now 12, will reap the benefits — and an inheritance — because of their aggressive but prudent investments.

"We're not relying heavily on pensions or Social Security," said Anderson, vice president of the Southeast market for Willmott Associates. "We still have some ways to go to build [our retirement fund], but if either of those things — [Social Security and pensions] — went away, we'd be impacted but it wouldn't be a death sentence."

There's a lesson in the Andersons' approach to retirement for other black families who aren't as well prepared for their golden years. Experts say many Americans aren't well prepared for retirement. But African-Americans are worse off because of socioeconomic challenges and cultural obligations less generally experienced by whites.

A survey of black and white investors recently found that the two groups are taking markedly different paths to retirement.

The divergent paths have created a gap between the wealth that black families are creating for themselves and the wealth that white families are creating.

Blacks are relying more on traditional forms of retirement savings, such as pensions, while whites are building their nest eggs through stocks and other wealth-boosting strategies, according to the latest Ariel/Schwab Black Investors survey.

In fact, the survey points out, the percentage of blacks with stock investments has fallen since 2004, to about 64 percent this year, while the percentage of whites in the stock market has remained at 80 percent or over.

"This is really the first generation of blacks who've invested in equity in any significant way," said Thomas "Danny" Boston, professor of economics at Georgia Tech. "The majority of blacks, even at upper-income levels, are not inclined to take much risk. You just don't have that kind of legacy in [black] families where they're comfortable and familiar with a variety of wealth-building assets."

Compounding the gap: Many blacks have less savings to invest and generally have little or no inheritance. Yet many have more familial obligations than whites, the survey found.

"That's a cultural thing," Boston noted. Blacks are more likely to have financial responsibility for extended families, he said.

Financial burdens cited

Jimmie Miller of Austell fits the profile defined by the study. She is relying on two pension plans, a 401(k) and some savings, along with her husband's similar portfolio. Miller, a quality assurance specialist for the Georgia Department of Human Resources, doesn't have individual investments in the stock market. She and her husband, a postal worker, have two sons in college.

"Once I get these two boys out of college, I do plan on doing that [stock investments] at some point," she said.

Even so, Miller said, "I feel good about my retirement route."

That said, experts worry about the retirement of many blacks. They say the extra financial burdens may erode their chances of living comfortably in retirement. It also may limit many middle-class black families' ability to pass wealth on to the next generation.

"They are not as well-positioned as their white counterparts," said Lisa Toppin, director of human resources and diversity at Charles Schwab. "That difference is significant and will show up as we reach retirement age."

Underfunded pensions

The findings come just as Americans in general are losing their usual route to a comfortable retirement. Pensions, long considered a lifeline for many retirees, are in flux.

Corporate and public pensions are underfunded by about \$750 billion, Ariel President Melody Hobson said. The study found that black and white investors realize pensions are uncertain, yet blacks are more likely to hold to the promise that the funds will be there when they retire.

Many believe the government should step in and pay if the pensions do fail.

"All across America, corporate pension funds are being frozen and many government pension systems are underfunded," Hobson said.

"Thirty years ago, you could count on a pension. Today you can't."

Hobson said she is concerned by the findings and what they portend for many middle-class blacks if their approach to retirement doesn't change.

Entrepreneurial spirit

Ironically, while blacks take a conservative approach to saving for retirement, they're more willing to take risks after retirement, a time when few people can afford to recoup from a bad venture. Three times the number of blacks vs. whites say they plan to start businesses after they retire, the survey found.

"You're going to find a community that's worked so hard to break into the middle and upper class retiring into poverty," Hobson said. "And relying on our children to support us, which means they will not be able to save for their retirement. This is a vicious cycle."

Marck Dorvil, a 30-year-old metro Atlanta real estate agent, agrees.

"It's going to take quite a bit of a wake-up call to realize that you need to take control of what you have to try to grow it and make more," said Dorvil, who belongs to a 9-year-old investment club with holdings that include land, businesses, stocks and other investments.

Dorvil's group also provides seed money to start-up companies and small businesses that want to expand. Black Enterprise magazine recently recognized GrassRoots Investment Group as one of the top investment clubs in the country. Dorvil is part of a team of managers that oversees the direction of the group, which includes 40 members around the world.

"We're getting better," Dorvil said of black investors. "The black educated population is getting more sophisticated, and we're becoming less intimidated by the markets and investment vehicles. But I do think we still have some ways to go.

"It starts at home."

Planning for daughter

The Andersons, for example, include their daughter in discussions about their investments. They check their investment portfolio quarterly and make any necessary adjustments twice a year. The Andersons have been in the stock market for about 15 years. About 15 percent of their portfolio is in stocks. Just last week, they met with their account manager.

"We like to tell our daughter it's, naturally, for our retirement," Rock Anderson said. "And 50 percent is for her as her inheritance that she can pass on down the line."

The family investment plans have also withstood some unforeseen events. Rock Anderson's mother, a native of New Orleans, came to live with the family after Hurricane Katrina.

"Our [investment] plans have not been disrupted," Rock Anderson said. The family plans to acquire more real estate in the coming years.

"We've been able to balance and still continue our growth at the same time helping her. A lot of that's due to our planning early on."