



Economics Group

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Education: A Big Factor in Owning a Retirement Account

According to the Survey of Consumer Finances, education is a major determinant of having a retirement account. About 75 percent of families whose head has a college degree have a retirement account.

Education of Head of Family and Retirement Accounts

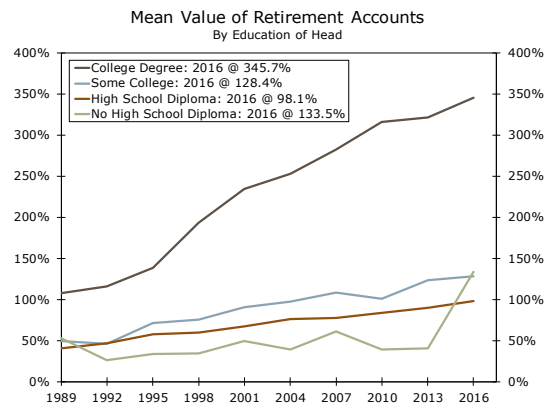
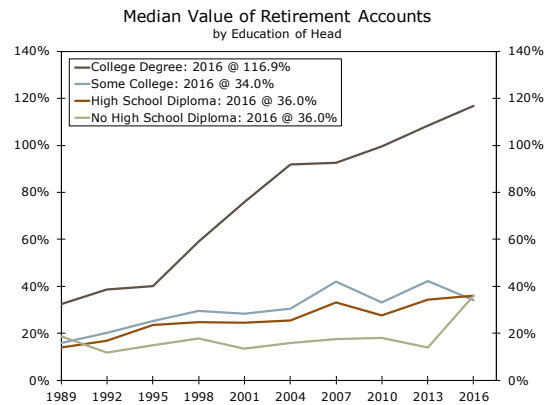
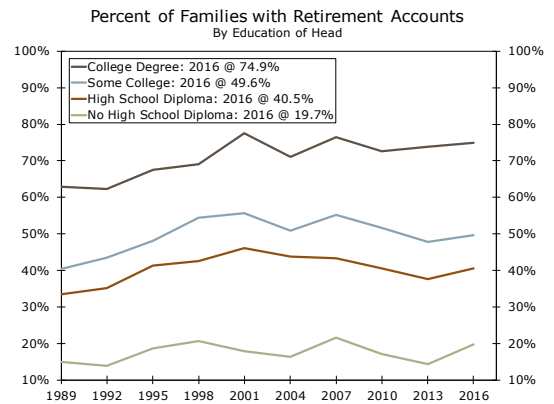
The percentage of American families in which the head of the family had a college degree remained at the top of the list of families that own a retirement account at 74.9 percent, according to the 2016 Survey of Consumer Finances (SCF). This was up from 73.8 percent of families during the 2013 survey, but still down from the 77.5 percent high recorded during the 2001 survey. Every category in the survey improved compared to 2013, as families with some college improved to 49.6 percent versus 47.8 percent in 2013. Families whose head of household had a high school diploma increased to 40.5 percent versus 37.6 percent in 2013. Meanwhile, families whose head of household did not have a high school diploma increased to 19.7 percent from 14.3 percent in 2013 (top graph).

Difference in Value of Accounts Continues to Widen

While having a college degree is an important determinant of having a retirement account, having a head of family with a college degree is also important in terms of the value of the retirement account. The median value of a retirement account for families whose head either did not have a high school diploma, had a high school diploma, or had some college were very similar in 2016, at \$36K, \$36K, and \$34K, respectively compared to \$116.9K for those whose head of family had a college degree. There was a strong increase in the median value of retirement accounts for families whose head did not have a high school diploma, up from \$14K in 2013. However, there was a strong decline in the median value of retirement accounts for families whose head had some college, down from the \$42.3K in 2013.

The median and mean value of retirement accounts by the head of household education have continued to improve. The gap appears to widen for those that have a college degree compared to families with other education levels. Thus, it is clear that the benefits of having a college education are not limited to the advantage of earning a higher lifetime income, but it also appears these families would be better prepared to face the challenges of retirement.

Perhaps the most disconcerting result from this SCF regarding retirement accounts is that although families with a head of household with some college studies have a relatively high percentage ownership of retirement accounts (49.6 percent in 2016), the median and mean value of those accounts remain very low. This value is in line with those families whose head of household has no high school or with high school diplomas. We have shown in previous reports that having some college helps in employment and earning higher lifetime income than other educational groups. However, this survey shows that having a family head with some college does very little to improve a family's retirement prospects.



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