Just Futures is supported by Nathan Cummings Foundation, San Francisco Foundation, Kataly Foundation, General Services Foundation, Jesse Smith Noyes Foundation, and Fund for the City of New York.
ACKNOWLEDGMENTS

Justine González is responsible for transforming my abstract ambitious vision for our needs assessment into reality. She designed the recruitment strategy, tracked down survey respondents who had left answers blank and made sure every participant received a functioning gift card. Justine made sure every aspect ran smoothly and engaged all our participants with enthusiasm and care.

Liz Lisle cleaned up endless Excel spreadsheets to make the data and trends clear for us.

Insights and good challenging questions from Jan Masoaka, Paige Kirstein, John McAvoy, George Guerrero, Phuong Luong, Denise Dalton, and Rocket Mean at the early stages of this project resulted in us asking much better questions in our survey and focus groups.

Michael Abbate, Shubha Bala, Shibani Gambhir, Naiyma Holmes, Kemi Ilesanmi, Lila Kohrman-Glaser, Myles Paisley, Holly Sansom, George Suttles, and Marvin Webb are all amazing ambassadors for the nonprofit workforce and were willing to share their insights with us and recruit their colleagues to participate.

Trinity Church Wall Street and Nonprofit New York both gave us the opportunity to present early versions of our work. Your questions and feedback helped refine this report.

Ashima Aggarwal, Kavita Aiyar, Lisa Cowan, Julissa Cruz, and Katy Rubin are talented thinkers and wordsmiths whose feedback on earlier versions of this report will benefit all readers.

As someone who has spent their entire career in the nonprofit sector, researching and writing this report has offered an important reminder of how challenging it can be for small nonprofits to offer retirement benefits. Huge shout out to African Services Committee and former Executive Director Kim Nichols, for a retirement plan that I enrolled in and benefited from early in my career without fully understanding any of the finer details. And special thanks to my former colleague Margarita Villa, at Sadie Nash Leadership Project, who put in countless hours to make sure we were able to offer retirement benefits to staff.
# Table of Contents

<table>
<thead>
<tr>
<th>Page</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>About Just Futures</td>
</tr>
<tr>
<td>3</td>
<td>Executive Summary</td>
</tr>
<tr>
<td>5</td>
<td>Background</td>
</tr>
<tr>
<td>10</td>
<td>Gap #1: The Capacity Gap</td>
</tr>
<tr>
<td>16</td>
<td>Gap #2: The Transparency Gap</td>
</tr>
<tr>
<td>23</td>
<td>Gap #3: The Values Gap</td>
</tr>
<tr>
<td>30</td>
<td>Gap #4: The Equity Gap</td>
</tr>
<tr>
<td>38</td>
<td>Recommendations</td>
</tr>
<tr>
<td>42</td>
<td>Endnotes</td>
</tr>
<tr>
<td>47</td>
<td>Appendix</td>
</tr>
</tbody>
</table>
ABOUT JUST FUTURES

Just Futures is a platform that connects nonprofits, their workers, and ordinary people with social justice investments that are increasingly aligned with the needs of people, communities, and our one planet. Just Futures is a people of color-owned and gender diverse investment firm, incorporated as a public benefit corporation.

Just Futures is committed to 30% non-dilutable ownership by nonprofit and social movement organizations that are organizing for a just transition towards a regenerative economy. This means that organizations who are focused on building economic systems that prioritize people and the planet will be a part of the ownership, governance, and management of Just Futures.

OUR TEAM

Chitra Aiyar Key Consultant
Steve Choi Co-founder
Ian Fuller Investments
Dorcas Gilmore General Counsel
George Guerrero Investments, FinTech
Lynne Hoey Investments
Anand Jahi Key Consultant
Parag Khandhar General Counsel
Paige Kirstein FinTech
Alex Loddengaard FinTech
Phuong Luong Advisor
Maria Nakae Investments
Jeff Rosen Advisor
Alex Saingchin Co-founder
Mika Weinstein Director of Operations
OUR GOALS

1 WE ARE LITERALLY CHANGING THE FACE OF INVESTING
A mere 1.1% of the $71.4 trillion in Wall Street asset management firms is managed by women or people of color. The white male investor class continues to extract capital from historically marginalized communities and the planet, widening income inequality. We know that diverse leadership leads to better community outcomes. But we don’t stop there.

2 WE’RE MAKING SOCIALLY RESPONSIBLE INVESTING LIVE UP TO ITS PROMISE
ESG (Environmental, Social, Governance) funds are booming, but values like community or social justice are getting left out. The field of ESG continues to be dominated by investment managers with little connection or lived experience with communities that have historically faced the burdens of economic extraction. We provide the best investment options available screened with a social justice lens.

3 WE’RE MAKING IT EASIER FOR NONPROFIT WORKERS TO SAVE FOR RETIREMENT
Nonprofits are often left to contend with high fee options in a market that caters to large businesses to maximize profits. As a public benefit corporation, our transparent fees are priced to minimize costs to workers and organizations. We harness technology gains that simplify and automate enrollment and plan changes that save you the most precious commodity — your time.

4 WE’RE HELPING TO BUILD A REGENERATIVE ECONOMY
We recognize that our extractive economy has led to an extraordinary racial wealth gap, environmental destruction, and a government for the few. We are one player in an ecosystem of movement actors who are seeking to build an economy that is rooted in principles of cooperation, non-extraction, and accessibility.
EXECUTIVE SUMMARY

HISTORICAL CONTEXT

Nonprofit workers, once deemed ineligible for retirement benefits through work, now collectively hold over $1 trillion in employer-sponsored retirement savings plans. These retirement dollars hold the potential to advance social change and provide long-term financial security to nonprofit workers. This potential is undermined by a seismic shift in risk and responsibility for retirement—away from government and employers and onto individual workers. The result is increasing profits for financial services companies and inequitable access to and distribution of benefits, which reinforces and exacerbates existing generational and racial wealth gaps.

SURVEY

In this report, we share findings from a nationwide needs assessment of the nonprofit workforce and retirement benefits commissioned by Just Futures and conducted between November 2021 and February 2022. The survey data and focus groups include insights from over 200 different nonprofit organizations from across the country, with a particular focus on smaller organizations engaged in social justice and movement work. More specifics on who participated and benchmarking data can be found in the appendix.

GAPS

We identify four gaps that currently exist in the nonprofit sector that lead to reductions in long-term retirement savings.

**Gap #1: The Capacity Gap**
Nonprofit organizations, particularly smaller ones, face disproportionate administrative burdens to launch and operate a retirement plan.

**Gap #2: The Transparency Gap**
Complex and sometimes inscrutable administrative and investment fees by the financial industry reduce returns on investment.

**Gap #3: The Values Gap**
The values of retirement advisors and investment options in retirement portfolios are frequently misaligned with those of nonprofit organizations, creating low trust in retirement plans by nonprofit workers and disengagement in the retirement planning process.

**Gap #4: The Equity Gap**
Default design elements within organizational retirement plans frequently reinforce existing generational and racial wealth gaps.
Overall, we find that these gaps signal a sentiment within the nonprofit sector that retirement benefits are not for us:

- As workers, we normalize the lack of financial security after a career in the nonprofit sector
- As a sector, we fail to leverage our retirement savings to increase our collective impact

RECOMMENDATIONS

Our recommendations are based in a historical and political framework that understands retirement benefits as a collective public good and focuses on reclaiming retirement for all.

1. **Recognize** the importance of retirement benefits within compensation packages for all workers at organizations of all sizes.

2. **Subsidize** the financial and information costs associated with operating a retirement plan through active participation of funders and intermediaries.

3. **Organize** at every level for equitable and expansive retirement benefits, from workers making demands of individual employers to the sector making demands of the federal government.
Historically, the retirement system in the United States has been symbolized by a three-legged stool, with each leg representing a different source of retirement income: Social Security, employer-provided pensions, and private savings. The stool was considered to be stable and secure because it was not reliant on a single leg. While the private savings amount has always been a direct reflection of an individual’s pre-retirement wealth, both employer-provided pensions and Social Security benefits have historically played “powerful equalizing roles” in reducing racial wealth disparities.

The past 25 years have not been kind to these three sources of retirement income. Social Security’s trust fund is projected to be depleted in 2033 without intervention; the U.S. has seen a steep decline in pensions from private employers; and the Great Recession decimated private savings. The result is a series of new descriptors, none of which inspire much confidence: a “wobbly stool,” a “broken stool,” or, most compelling, a “pogo stick.”

Whichever term resonates, the meaning is clear: the American retirement system is no longer a source of stability or security. In the present, we are experiencing a massive shift of risk and responsibility from employers onto individual workers. Employer-provided pension plans have been eclipsed by defined contribution or “do-it-yourself” 401k plans, in which individual workers have to decide whether to participate, when to participate, how much to contribute, and how to invest their funds. Under the guise of “empowerment” and “participant control,” the financial services industry’s interests now largely dictate federal retirement policy without facing significant challenges or consequences.
Experts have identified at least five distinct risks facing workers with defined contribution plans rather than pensions:

<table>
<thead>
<tr>
<th></th>
<th>Risk</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Market risk</td>
<td>The value of retirement savings fluctuates with the market. A market downturn can decimate the value of a retirement portfolio</td>
</tr>
<tr>
<td>2</td>
<td>Contribution Risk</td>
<td>Not contributing early enough, not contributing at a high enough level. High fees that offset the contribution amount and reduce long-term savings</td>
</tr>
<tr>
<td>3</td>
<td>Investment Risk</td>
<td>Choosing investments that do not yield sufficient gains or are too risky. Experiencing “choice paralysis” due to too many investment choices. Sheer cognitive exhaustion leading people to choose less risky options.</td>
</tr>
<tr>
<td>4</td>
<td>Longevity risk</td>
<td>Outliving the available retirement savings</td>
</tr>
<tr>
<td>5</td>
<td>Leakage risk</td>
<td>Having to withdraw from retirement to cover immediate expenses</td>
</tr>
</tbody>
</table>

The existence of these risks in defined contribution plans does not mean that pension plans were without their own challenges. Still, whether intentionally or not, pensions served as a means to narrow some racial and gender wealth gaps by creating a dependable and equitable vehicle for wealth accumulation for everyone who qualified. Defined contribution plans, in contrast, have been found to reinforce and exacerbate existing inequalities based on race, gender, and class. Despite the increasing presence of defined contribution plans, overall participation in any employer-based plan has declined over the past decade—and inequality within retirement savings has skyrocketed.

It can be useful to see how these risks impact overall retirement savings. Let’s take two of them: contribution risk and investment risk.
**THE IMPACT OF STARTING AGE ON RETIREMENT SAVINGS**

The figure below demonstrates the importance of contributing to employees’ retirement savings earlier in their careers due to the significant cumulative impact of compounding interest. A dollar invested at the age of 20 could be worth $4.88 by age 65, compared with $3.29 if invested at the age of 30.

**DIFFERENT IN RETURNS**

The risk around retirement savings is not just around when you start. Two people who start saving early, at age 25, can still have very different savings at retirement age based on the fees that are charged and their investment strategy. Just as savings are compounded, losses are compounded as well, and fees can reduce overall returns. Similarly, depending on investment strategy, there can be very different levels of returns. These risks are not distributed equally.
Employer-sponsored retirement savings is one of the most accessible and common ways for people who do not come from generational wealth to invest in the stock market and build wealth. Roughly one-third of household wealth is held in the form of retirement assets. As a result, benefit packages that include retirement contributions are the most direct way that workplaces advance wealth building for their employees. This is particularly true for nonprofit workers at organizations that—by definition—do not turn a profit, where there is less discretionary income to invest or save outside of covering expenses.

What if we were to use retirement as a point of intervention, designing policy and plans with the specific intention of building wealth for those who don’t have it?
The nonprofit sector has never enjoyed the same regulatory favor around retirement planning as the private sector. Signed into law in 1935, the Social Security Act limited its coverage to workers in commerce and industry, excluding farmworkers, domestic workers, and workers in the nonprofit sector from this important measure of protection against poverty-stricken old age. It took almost 20 years for Congress to give nonprofit employers the choice of whether to enroll their employees (with no such choice provided to employees), and it wasn’t until 1984 when nonprofit workers were finally automatically enrolled in Social Security. Employer-based retirement plans were similarly limited; nonprofit employees were permitted to have 403(b) plans beginning in 1958, but plans had limited investment opportunities and lacked any employer contributions. In 1996, nonprofits were finally allowed to offer 401(k)s to their employees.

Unequal treatment of nonprofit employers and employees continues to this day. The SECURE Act, passed by Congress in 2019, offers financial incentives such as tax credits to small business employers to offset costs associated with setting up a new retirement plan for employees, or adding in components like automatic enrollment. Notably, these tax credits are not extended to small nonprofit employers, resulting in no cash incentive for employers. Given that the vast majority of nonprofits (90%) have less than 100 employees (with over 50% having less than 10 employees) this has major impacts on the nonprofit industry. In this way, responsibility for retirement continues to shift from the collective to individual administrators who must determine whether and how to provide benefits for their employees — without access to the same incentives and support as other employers.

Currently, nonprofits employ over 12.5 million paid workers, making it the third largest workforce of any U.S. industry. With over $670 billion paid out in wages annually, the nonprofit workforce is also the third largest contributor to Social Security. The nonprofit workforce helps finance the federal government’s retirement savings pool for all workers and yet continues to struggle to receive federal recognition of their retirement needs.
GAP #1: THE CAPACITY GAP
SMALL NONPROFITS FACE HIGHER COSTS AND GREATER ADMINISTRATIVE BURDENS

Consistent with previous research and surveys, we found that smaller nonprofits (both in terms of budget and number of employees) were the least likely to offer a retirement plan to their employees. **Only 16%** of survey respondents with budgets under $500,000 provide retirement - a stark contrast to **a rate of over 90%** for organizations with budgets of $2.5 million or more.

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**BUDGET SIZE AND RETIREMENT PLAN AVAILABILITY**

<table>
<thead>
<tr>
<th>ORGANIZATION BUDGET SIZE</th>
<th>PERCENTAGE OF ORGANIZATIONS OFFERING A RETIREMENT PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $500K</td>
<td>16%</td>
</tr>
<tr>
<td>$500K - $1M</td>
<td>61%</td>
</tr>
<tr>
<td>1 - $2.5M</td>
<td>78%</td>
</tr>
<tr>
<td>$2.5 - $5M</td>
<td>78%</td>
</tr>
<tr>
<td>$5M+</td>
<td>94%</td>
</tr>
</tbody>
</table>

Source: Just Futures, *Reclaiming Retirement for All* (2022)

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When asked **why** their organizations do not offer retirement plans, the majority of survey respondents identified **high costs** and **insufficient administrative capacity**.

---

THE ADMINISTRATIVE BURDEN OF OFFERING RETIREMENT BENEFITS

Starting and running a retirement plan involves considerable additional time and energy which add up to a high administrative burden when you take into account all the (non-financial) costs: learning costs, compliance costs, and psychological costs.

---

Over **50%** of respondents who don’t currently offer a plan cited **cost and lack of administrative capacity** as the reason **why**.
### Administrative Burden

<table>
<thead>
<tr>
<th>Learning Costs</th>
<th>Compliance Costs</th>
<th>Psychological Costs</th>
</tr>
</thead>
</table>
| - Initial learning costs  
  - determining eligibility  
  - learning about different aspects of plan design including employer contributions, who to cover, vesting rules, automatic enrollment  
  - determining what type of investments should be offered  
  - integrating retirement with payroll processor  
  - Ongoing learning costs  
  - deciphering retirement providers’ disclosures and translating this information for employees  
  - staying aware of design element options  
  - finding training options for employees, and informing employees about their options | - Ensuring employees are enrolled at correct times  
- Setting up proper payroll deferrals  
- Conducting mandated non-discrimination testing  
- Fulfilling annual federal and state reporting requirements | - Making a choice with limited information or feeling overwhelmed by too much information  
- Frustration from interactions with a provider given limited negotiating power, particularly for smaller organizations  
- Feeling unable to act in the best interests of the organization’s staff around retirement |

> "I do fundraising and operations and half of the management at the organization … so taking on a whole other project of researching and learning and administering and other things just feels like a later problem, and that’s why we don’t have [retirement]."

The problem is not only the amount or intensity of administrative burdens, but how these burdens are distributed. In the case of retirement plans, the burdens weigh heaviest on organizations that are already operating with the least capacity.
LACK OF ADMINISTRATIVE CAPACITY RESULTS IN LACK OF COVERAGE FOR NONPROFIT EMPLOYEES

We found a significant difference in administrative capacity between organizations who offer retirement plans and those who do not.¹⁹

For organizations that currently offer a retirement plan, the staff member with operational authority is likely to be someone in an operational role, like a CFO or Operations manager. For organizations without a retirement plan, it is primarily the Executive Director who holds the responsibility of identifying and implementing a retirement plan. The myriad responsibilities that an Executive Director is juggling makes it challenging to find the bandwidth to start on a retirement plan.

This difference in administrative capacity exists even between Executive Directors. Executive Directors who do not currently offer a retirement plan are twice as likely to have direct responsibility for other administrative functions such as health insurance, finance, payroll, IT, and facility management, whereas Executive Directors at organizations who do offer a retirement plan are more likely to not have direct responsibility of these areas — freeing up considerable bandwidth and saving on the non-financial costs outlined above.

Characterizing retirement benefits at this level as an “organizational decision” glosses over the reality that for small organizations, access to retirement depends on whether a single staff person, most likely the Executive Director, has the capacity and willingness to take on more administrative responsibilities.

The financial limitations are the biggest issue with adding retirement benefits for now. Additionally, we don’t have a finance staff person and the ED (me!) would be limited in my capacity to manage another component.”
LACK OF AWARENESS ABOUT SEP, SIMPLE AND STATE-FACILITATED IRAS

One unfortunate irony revealed by our findings is that a lack of capacity prevents organizations from discovering plan options that are specifically designed to be lower cost and less administratively burdensome.

We asked organizations who do not offer retirement plans about their familiarity with the SEP and SIMPLE retirement plans, which are designed for small organizations (including those with only a single employee). These plans have low fees and few administrative requirements. Yet close to 80% of survey respondents who do not offer retirement plans had no familiarity at all with either the SEP or SIMPLE retirement plan options.

<table>
<thead>
<tr>
<th>FAMILIARITY WITH RETIREMENT PLAN TYPES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Very</strong></td>
</tr>
<tr>
<td>401k</td>
</tr>
<tr>
<td>403b</td>
</tr>
<tr>
<td>SEP</td>
</tr>
<tr>
<td>SIMPLE</td>
</tr>
</tbody>
</table>

Source: Just Futures, Reclaiming Retirement for All (2022)

In addition to SEP and SIMPLE, there are a growing number of state-facilitated retirement plans that promote retirement savings through individual retirement accounts, where employers pay low fees and don’t have any fiduciary responsibility. Examples include California’s CalSAVERS, and the Massachusetts CORE program (exclusively serving nonprofits with staff of 20 or less). While we did not ask specifically about awareness of these state plans, we noticed that some survey respondents from these states (such as Massachusetts) did not mention nor seem aware of these state programs.

Many in the nonprofit industry have accepted that working at a small nonprofit means going without—accepting lower salary and lower benefits—with the expectation that this gap can be closed later. However, because of compounded interest, a lack of retirement savings for even a few years has a long-term impact. It is very difficult to compensate for this gap even by taking a more lucrative job later in one’s career.
## SEP & SIMPLE RETIREMENT PLANS

<table>
<thead>
<tr>
<th></th>
<th>SEP: Simplified Employee Pension</th>
<th>SIMPLE: Savings Incentive Match Plan for Employees of Small Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ELIGIBLE ORGANIZATIONS</strong></td>
<td>Any size organization</td>
<td>Organizations with less than 100 employees</td>
</tr>
<tr>
<td><strong>EMPLOYER CONTRIBUTION</strong></td>
<td>Up to 25% of the employee’s salary. The percentage can vary every year as long as all eligible employees receive the same amount.</td>
<td>Either a guaranteed (non-elective) 2% of the employee’s salary for all employees regardless of whether they contribute or a match of up to 3% of the employee’s salary for employees who contribute that amount</td>
</tr>
<tr>
<td><strong>EMPLOYEE CONTRIBUTION</strong></td>
<td>Employee does not contribute</td>
<td>Up to $14,000 in 2022</td>
</tr>
<tr>
<td><strong>VESTING</strong></td>
<td>Immediate</td>
<td></td>
</tr>
<tr>
<td><strong>ADMINISTRATIVE FEES</strong></td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td><strong>ANNUAL FILING AND TESTING REQUIREMENTS</strong></td>
<td>Waived</td>
<td></td>
</tr>
</tbody>
</table>
GAP #2: THE TRANSPARENCY GAP
FOCUS ON COST DOESN'T TELL THE WHOLE STORY

Unsurprisingly, nonprofit employers are focused on costs when choosing a retirement plan. Survey respondents indicated that their key considerations were cost to the employer (58%) and cost to the employee (52%).

Despite the importance of costs, half of our survey respondents who offer retirement plans had no regular practice of reviewing administrative fees and had not reviewed their fee disclosure statement in the last year. What explains this seeming inconsistency?

50% of employers said they had not reviewed the fee disclosure statement in the last year.

One way of interpreting this result is that for many organizations, focusing on costs merely requires staying within a budget line item. Organizations project an annual expense for operating a retirement plan, and as long as actual costs don’t exceed this projected amount, there may be little urgency to review retirement plan fees proactively.

As a result, nonprofits may be missing out on reduced plan costs. Fees for retirement plans have been on a steady decline, in large part due to robo or tech-assisted advising, which has automated processes that used to take significant manual work. But more than half of our nonprofit survey respondents (55%) indicated a lack of familiarity with robo-advising—passing up the major cost savings they offer.

In addition, employers who serve as plan administrators may not even be aware that reviewing plan fees is one of their responsibilities. One of the themes that consistently emerged from the survey data is the lack of training and support for administrators responsible for retirement. This is another example of where the capacity gap shows up.
In general, plans serving participants with limited individual savings charge higher administrative fees. The fees are intended to offset the reduced profits that financial service providers receive due to lower asset levels. In addition, participants in small plans pay around double the cost to invest compared to participants in larger plans. Even if they contribute to their retirement account at the same level, they will likely have 10% less in assets at retirement due to these higher fees. This is far more challenging terrain to navigate for employees who are not experts in retirement.

I think there is an important missing link of educating the nonprofit professionals who are tasked with managing the plans. Speaking for myself, this is just another duty on my plate that I have without any training or specific background experience to really act on behalf of my employees and what they need.”

Understanding retirement plan fees is not a straightforward process; it does require specialized training. Financial service providers profit from fees, and therefore have an incentive to make the fees challenging to decipher. The financial services industry has consistently and vigorously lobbied against fee disclosures. Although the Department of Labor was successful in issuing regulations mandating fee disclosures, most providers have found new ways to circumvent the rules. A 2021 study found that over 75% of small business retirement plans include “hidden” administration fees.

Below are two examples of fee disclosures we received from two different survey respondents, in which we observe a stark contrast in transparency around fees. The first clearly states that the recordkeeping and administrative fees are paid by the employer. While the explanatory text is complex, they attempt to write it in plain English with an example to make the terms easier to understand.
### Fee Disclosure Example 1

Recording, custodial, and administrative fees. The annual services for these fees are estimated to be:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Paid Per Capita/Pro Rate (If Applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recordkeeping/Custodial Per Participant Fee</td>
<td>$60/ participant</td>
<td>Paid by Employer</td>
</tr>
<tr>
<td>TPA Services Base Fee</td>
<td>$750</td>
<td>Paid by Employer</td>
</tr>
</tbody>
</table>

Only those expenses not paid by your employer, from plan forfeitures, or from revenue sharing payments will be charged to your account. If plan expenses are charged to your account, they will be assessed on either a per capita or pro rata basis. The expense payment method is identified below. For any expenses that are "Paid by Employer," the Employer may elect to have such expenses paid by the plan and in such event, the expense would be allocated on a pro rata basis (to the extent it is not paid by other sources). Per capita means an equal dollar amount will be charged to each participant's account. For example, if total expenses are $10,000 and there are 100 participants, each participant’s account would be charged $100. Pro rata means a proportionate share of the fee will be charged to each participant’s account based on the proportion that such participant’s account balance bears to the account balances of all participants. For example, if the total value of all participant accounts (including your account) was $1,000,000 and your account balance was $10,000, an amount equal to the 1% of the expenses would be deducted from your plan account.

The second is much more opaque. The combination of percentages and dollar amounts makes it difficult to calculate a total amount of fees. The unclear language “some or all of these fees may be offset by revenue sharing from plan investment options” obscures who is actually paying for what.
FEE DISCLOSURE EXAMPLE 2

The Administration Expenses are as follows: **Annual Participant Recordkeeping Fee**: $50 per participant ("Recordkeeping Fee"); **Annual ETF Asset Based Fee**: 0.07% ("ETF Fee"); Annual Custodial Asset Based Fee: 0.03% ("Custodial Fee"); Annual Trustee Fee: $90 ("Trustee Fee"); Financial Group LLC Annual Asset Based Fee: 0.50% ("Advisory Fee"). Some or all of these fees may be offset by revenue sharing from plan investment options. To the extent that revenue sharing is insufficient to cover the Trustee Fee, it will be paid by your employer. In the event that your employer did not pay these amounts, they would be deducted from your account pro rata. To the extent that revenue sharing is insufficient to cover the Recordkeeping Fee, your account will be charged a per capita share (total fee/number of participants) of the fee. To the extent that revenue sharing is insufficient to cover the ETF Fee, Custodial Fee and Advisory Fee, they will be deducted from your account balance pro rata. Small Account Balance Fee: Terminated participants with balances smaller than the current distribution fee may be charged a small account balance fee equal to the current distribution fee listed in this disclosure. Forfeitures will be used towards paying Plan administration expenses.

Additionally, in this second example, the retirement plan charges administrative costs to employees as well as employers. This is true for at least 40% of our respondents’ plans.

WHO PAYS FOR THE PLAN’S ADMINISTRATIVE/RECORD-KEEPING COSTS?

- **Employer**: 48%
- **Plan, via Participants**: 18%
- **Both**: 15%
- **Not Sure**: 13%

Source: Just Futures, *Reclaiming Retirement for All* (2022)
Even when the employer fully covers administrative fees, there are still investment fees, typically paid for by the employee directly out of their retirement account. Investment fees can be equally opaque. The figure below shows a basic breakdown of fee types and who typically pays them. However, even this chart is an oversimplification of the types of fees and number of entities who take a small slice:

- administrative fees can include paying for the third party administrator, fiduciary liability insurance, custody fees, and recordkeeping.
- investment fees include paying for 3(38) and/or 3(21) investment advisors and fund fees from the financial services firms who bundle investments together.

Perhaps the most confusing verbiage is retirement plans that state that “the plan” pays for costs. This can mean that participants are paying out of their accounts, but it can also mean that costs are covered by forfeitures (savings left behind by employees who left the organization and had not fully vested), or that there is a special account set up by the employer to cover costs.

### 401K PLAN FEES

<table>
<thead>
<tr>
<th>FEE TYPE</th>
<th>WHO PAYS?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Plan Fees</td>
<td>Employer or the “plan” via participants</td>
</tr>
<tr>
<td>Investment Fees</td>
<td>Participant</td>
</tr>
<tr>
<td>Individual Service Fees (e.g. utilizing special features like taking a loan)</td>
<td>Participant</td>
</tr>
</tbody>
</table>

Employers are required to share fee disclosures with their employees, so that employees can understand the impact on their long-term savings, but if the employer is not reviewing or fully understanding the disclosure, it is unlikely that the employee will understand it. A 2021 GAO survey of 401(k) plan participants revealed that 45% of participants are not able to use the information given in disclosures to determine the cost of their investment fee. **As a result, a full 41 percent of participants incorrectly believe that they do not pay any 401(k) plan fees.**
**COMPOUNDING FEES AND FEE OPAcity**

Fees matter — just as retirement savings compound over time, these fee expenses are compounded over time. While providers are required to highlight costs in any given year; employees are often unaware that lost assets include not only the fee itself, but also the loss of the interest that would have compounded over time, creating a much bigger impact on an employee’s long-term retirement savings.

As illustrated in the below charts, this can amount to tens of thousands of dollars in long-term retirement savings that nonprofit employees lose due to shouldering administrative costs or paying high investment fees. **Over a period of 40 years, the difference between a 0.5 and 2% fee could lead to a reduction in total retirement savings of over $100,000.**

![Costs can eat away at your investments chart](chart)

Meanwhile, the wealth being extracted from employees is enriching the financial services industry. As tax law professor Daniel Hemel points out, "It’s working out just fine for the financial institutions that manage assets in IRAs and 401(k)s. The combined amount in those vehicles reached $21.6 trillion at the end of 2021 — up fivefold since 2000 — and the more money that pours in, the more that managers collect in fees."
GAP #3: THE VALUES GAP
INVESTMENT OPTIONS ARE NOT ALIGNED WITH ORGANIZATIONAL VALUES

Our survey revealed that current retirement offerings frequently lack alignment with values held by the nonprofit workforce: both with the investment options in retirement portfolios, as well as the type of advice and training provided by retirement advisors.

Organizations who currently offer a retirement plan expressed a lack of alignment between their organizational values and the investment options available within their retirement portfolios. When asked to rate their satisfaction with their current provider across a number of areas, values alignment was the second lowest ranking.

Interestingly, this lack of alignment did not necessarily translate into dissatisfaction with the investment options, with 85% of respondents reporting that they feel satisfied or very satisfied with their current range of investment options.

Responses in the survey and focus groups reflected an acceptance of the inevitable. Respondents stated that values-aligned investment options either require too much effort to identify, or would reduce investment returns, which would seem unfair to employees. Many respondents shared that they don’t believe an investment portfolio in alignment with their values exists.

“I would love to be able to provide an accessible, socially conscious and anti-racist retirement plan for my team. The problem is that I don’t think one truly exists.”
NOT JUST “FOSSIL FUEL DIVESTMENT”: NONPROFITS WANT BROADER VALUES-ALIGNED OPTIONS

We asked for specifics about what causes, industries, or companies respondents were interested in investing in and/or screening out. We found that although environmental screening tends to be most popular in the mainstream retirement market, our respondents expressed the greatest interest in divesting from prisons, immigration detention facilities, and companies who lobby and donate for regressive political causes — which can be more challenging to screen out.

PRIORITIES FOR DIVESTMENT

<table>
<thead>
<tr>
<th>INDUSTRIES/COMPANIES TO EXCLUDE</th>
<th>% OF SURVEY RESPONDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prison Industrial Complex</td>
<td>85%</td>
</tr>
<tr>
<td>Immigration Detention Centers</td>
<td>80%</td>
</tr>
<tr>
<td>Companies who lobby for regressive political causes</td>
<td>78%</td>
</tr>
<tr>
<td>Companies who donate to regressive political causes</td>
<td>74%</td>
</tr>
<tr>
<td>Weapons manufacturers</td>
<td>73%</td>
</tr>
</tbody>
</table>

In general, respondents expressed their doubts about divestment as the primary means to identify values-aligned investments. We repeatedly heard from respondents that they were aware that all “bad” causes cannot be screened out, and that it is likely that all investments are problematic in some form. There was considerably more enthusiasm and energy in focus groups and in responses to open-ended questions about what respondents would like to invest in. Participants brought up the solidarity economy, renewable energy, environmental restoration, affordable housing, and Black-owned businesses, among others. Survey participants expressed a far more expansive and robust vision of what values aligned investing might mean. They shared their desire to invest in local economic development projects and community controlled projects. They were interested in opportunities to build power. Finally, they wanted to have clarity on where their money was actually going and how the investments work.

“Honestly, I’d be interested in the idea of investing in the land, portfolios of small businesses, local groups, and lots of options that just don’t seem to exist. I definitely think our staff would want to invest in companies that actively shared their values or at the very least, have the opportunity to have more control over their investments instead of just lumping money into unclear and not transparent portfolio options.”
Comments also offered a more nuanced view of what values-aligned investing entails. **One of the most common survey comments from employers was the desire to have simple options for their employees to choose from**, including values-aligned portfolios. This was underscored by concerns that a socially progressive investment portfolio could lead to lower financial returns in the future — a decision administrators did not want to make on behalf of their employees. Administrators expressed that they do not want employees to feel pressured to prioritize progressive values over financial returns, especially in a sector where workers are generally already sacrificing higher salaries and other benefits in favor of doing mission-driven work.

"I would want a retirement plan with the lowest fees and highest rate of return in general. Great if could support good causes and not support 'bad' causes, but not if it means sacrificing return substantially. I shouldn't be punished financially for working for a nonprofit any more than I already am!"

Ultimately, we find that there is interest in values-based investing, but that small organizations are unlikely to take action on this interest because they are prioritizing ease of use for employees, and are concerned that their employees may be forced to accept lower returns. Also, with the exception of a few organizations who felt very pleased with the investment options, most felt that current “socially responsible” investment options didn’t meet their standards.

100% of nonprofits not currently offering a retirement plan agreed that employees would be interested in a retirement plan that offered values-aligned investment options.
AN ABSENCE OF TRUST AND LACK OF ENGAGEMENT WITH CURRENT ADVISORS

One of the most consistent findings across all organizations offering retirement plans was that the training and advice offered by their retirement provider was particularly unengaging and unhelpful. Quality of training was the area which received the lowest ranking from survey respondents when asked to assess their retirement providers.

They came and did a training this year because we changed our whole investment options and even my eyes glazed over. It was very, very hard to understand and assumed people had a middle-level understanding of investing. I had to take over and communicate the 2 key points people needed to know."

When the training and advising offered by a retirement provider is not engaging, it often falls on the staff member responsible for retirement to act as a bridge person, translating the retirement-speak jargon into language that their colleagues can understand. This is additional labor and requires a level of comfort and expertise around retirement topics that many of these staff members might not have. Without the right support, many are left just not understanding their options or how to approach retirement planning.

"I lead the training and I am not an investment professional, so I make it up!"

Additionally, some respondents commented that presentations can assume a certain family structure, culture, or economic background that fails to be relevant to employees.
Overall we found an absence of trust in retirement advisors; a feeling like retirement advisors are not helpful and don’t act with participants’ best interest in mind. Our results demonstrate that trust is a crucial factor when it comes to financial advice. When employees have advisors that do not reflect their background or their values, it makes it challenging to understand or trust their advice. As a result, participants do not receive relevant guidance and support around investments. This disengagement results in poor investment strategy and reduced savings over time. For many participants, their preferred strategy mirrors what has worked in other facets of life—be cautious with savings. But in the case of public markets, taking a conservative strategy in the long run also means lower returns. The chart below illustrates the damaging impact that a conservative investing approach has on long-term savings. Conservative investors end up with significantly less in retirement savings over the long term.

**INVESTMENT RETURNS BASED ON RISK TOLERANCE**

- **Conservative 7.12%**
- **Moderately conservative 8.63%**
- **Moderate 9.53%**
- **Moderately aggressive 10.16%**
- **Aggressive 10.49%**

Assumptions: Invest $150,000 over 40 years period - could be age 25-65 but not sure that age matters ($3,750 investment every year). Not taking into account any employer contributions, fees or inflation.
We asked all survey respondents, including those currently without retirement plans, what factors would allow them to have more trust in a retirement advisor. The responses offered great clarity on what the nonprofit sector is looking for — 90% of survey respondents indicated that they would have greater trust in advisors who have a specialized understanding of socially responsible investing and the particular considerations, desires, and needs of the nonprofit workforce.

MORE POTENTIAL TRUST IN ADVISORS WITH SIMILAR NONPROFIT BACKGROUNDs

The lack of values-aligned investments (perceived or actual) available among 401(k) and 403(b) plans can lead to workers disengaging with the investment portfolio, and therefore their own retirement savings. Workers may be reticent to contribute at all, unwilling to support corporate bad actors whom they advocate against in their programmatic work.

In addition to reduced engagement and reduced long term savings at the individual level, there is a missed opportunity for the nonprofit sector as a whole to put its money towards its values. Individual divestment has limited power to effect social change, but sector-wide advocacy has real potential. Right now, the field of socially responsible investing is limited to those with wealth, rather than providing pathways for those who are engaged in social movements.
THE IMPACTS OF PLAN DESIGN
Plan design and policy within organizations, like in many arenas, can either exacerbate or minimize the racial wealth gap, even while appearing to be “neutral.” We found that a range of outcomes—access to benefits, plan adoption, amount of organizational investment per individual—can be influenced by how an organization operationalizes their benefits.

Just because an organization offers a retirement plan does not mean that all employees are eligible to participate. Only 55% of the organizations surveyed who offer retirement plans extend the benefits to any part-time workers and of these, few offer retirement benefits to all part-time workers.

WHOSE RESPONSIBILITY IS PLAN PARTICIPATION?
Even when employees are eligible for a retirement plan, all employees typically do not participate. While the average participation rate among responding organizations was close to 70%, this reflects a wide range of participation levels including a quarter of organizations who have less than 50% participation.

We asked nonprofit administrators for their explanations of why all eligible employees were not participating in the plan. Based on the range of responses, we developed a grid (below), with the x-axis indicating administrators’ perception of employee willingness to participate, ranging from low (unwilling to participate) to high (unable to participate) and the y-axis reflecting an employer’s perceived responsibility for employee participation, ranging from not responsible (low) to responsible (high). Quadrants 1 and 2 reflect low perceived employer responsibility, while quadrants 3 and 4 reflect high perceived employer responsibility.
GAP #2: THE EQUITY GAP

QUADRANT 1: 
LOW EMPLOYER RESPONSIBILITY, EMPLOYEES UNWILLING TO PARTICIPATE

Mapped in quadrant 1, many employers cited a lack of financial literacy or an assumption that because employees are young, they are uninterested in thinking about retirement. One respondent stated, “A majority of our staff are under 25. Many are not thinking about retirement.” In some cases, employers assumed staff had access to wealth through other means and therefore did not need retirement savings.

QUADRANT 2: 
LOW EMPLOYER RESPONSIBILITY, EMPLOYEES UNABLE TO PARTICIPATE

In quadrant 2, we found some understanding and even sympathy around the constraints faced by employees. As one respondent shared, “Student loan debt stops them from considering long term investment.” Administrators attributed lack of participation to broader structural issues rather than individual behaviors, but they didn’t see it as their responsibility to take action on it.

These lower two quadrants are where most of the responses fit. Sentiments largely reflect a mix of frustration and sympathy for non-participating employees, as well as some fatalism. Importantly, in the majority of these cases, the employer is not prompted to take any initiative. In fact, 75% of surveyed organizations who do not have full employee participation have not introduced any workplace initiatives over the past 5 years with the goal of increasing employee enrollment or engagement in the retirement plan.

The 25% of organizations that have taken such initiatives were sorted into quadrants 3 and 4.
**QUADRANT 3: HIGH EMPLOYER RESPONSIBILITY, EMPLOYEES UNWILLING TO PARTICIPATE**

In quadrant 3, the respondent’s focus was primarily on employee perception and behavior, as well as the employer’s responsibility to shift that behavior. Organizations in this quadrant tended to offer initiatives focused on training. Several respondents described new workshops they led for staff, and others described changes in their communication. As one stated, “Last year, I started to just simplify my emails to encourage people to sign up and cc’d our independent financial advisor and asked folks to reach out to him directly for support. I think cc’ing the financial advisor helps.”

**QUADRANT 4: HIGH EMPLOYER RESPONSIBILITY, EMPLOYEES UNABLE TO PARTICIPATE**

In quadrant 4, the focus moves from the behavior of individual employees to how the organization itself can impact participation through plan design. Respondents mentioned raising salaries, employer contributions, and implementing automatic enrollment and escalation. One administrator detailed their evolution over several years: from providing a 4% employer match, to a guaranteed benefit of 4%, which could be used flexibly between 401(k), health insurance payments for dependents, or additional gross pay. Next year, they plan to provide a guaranteed 401(k) contribution for all employees regardless of their contribution level. Others talked about giving a flat contribution or taking an average of the top and bottom salaries.

**PLAN DESIGN AND BENEFIT EQUITY**

This fourth quadrant—exploring how organizations can increase enrollment regardless of their perception of employee attitudes—merits closer examination. External research and our own findings reinforce that retirement plan design impacts participation rates. Both indicate that two specific elements play a particularly significant role: automatic enrollment and employer contributions.

Automatic enrollment means that new participants are enrolled by default in the organization’s retirement plan. They can always opt out, but they do not have to take any extra steps to opt in. Research indicates that reducing the administrative burden associated with signing up for retirement can have a significant impact on reducing disparities in retirement savings across race, age, gender and salary level.32
Automatic escalation means increasing the percentage of employee’s contributions on an annual basis until reaching a goal percentage salary percentage. 43% and 19% of survey respondents reported that they were “very familiar” with automatic enrollment and automatic escalation respectively. Yet comments such as, “I would need information on why you would take enrollment decisions away from employees,” demonstrate the need for greater education of nonprofit administrators, since automatic enrollment doesn’t actually take away choice.

Our own findings highlighted the importance of employer contributions in whether or not an employee participates in a retirement benefit offering.

Some organizations offer a guaranteed contribution (the employer contributes regardless of whether the employee contributes), while the more popular option is a conditional contribution (the employer contributes only if the employee contributes and the amount is based on how much the employee contributes). Those plans offering a guaranteed contribution had the greatest participation rates.

Popular conditional contributions can actually create a perverse incentive for employers to not encourage contribution, because employers save when employees do not contribute. One survey respondent commented that because they budget every year for these contributions, the organization benefits when employees don’t take them, as it frees up unrestricted dollars which can be repurposed towards other expenses.
Conditional contributions can also further exacerbate equity gaps in benefit distribution, as those with the highest salaries at the top of the organizational chart both (a) are more likely to have the support, knowledge, and discretionary income needed to choose to opt in and (b) will receive the highest dollar payout because of their higher base salary. On the other hand, junior staff will receive lower benefits, if they opt in at all.

**WHAT MAKES AN EMPLOYER MORE LIKELY TO OFFER A GUARANTEED OR CONDITIONAL CONTRIBUTION?**

We did not find any correlation between the size of the organization and whether they offer a guaranteed or conditional contribution. Interestingly, what we did find is that leadership positionality matters—specifically between people of color-led organizations (defined as 50% or more of the leadership team and board identifying as people of color) or white-led organizations (defined as 75% or more of the leadership team and board identifying as white).

More than half of people-of-color led organizations offer guaranteed contributions, while only one-third of white-led organizations offer them. While the decision to make the employer contribution conditional may not be racist, any policy or practice that impacts whether and how workers build wealth is necessarily racialized. We found a similar pattern with benefits for part-time workers: 80% of POC-led organizations extend benefits to part-time workers, whereas only 44% of white-led organizations do.
When employers adopt defined contribution plans, they are shifting the risk to workers, but that risk is not experienced equally by all workers. As a result, even with the same retirement plan, workers who do not come from generational wealth, particularly Black and Latinx workers, are less likely to accumulate sufficient retirement savings. There are a number of retirement plan design elements in addition to the fees discussed in Section 2 that can reinforce generational and racial wealth gaps.

### REINFORCING OR REDUCING THE GENERATIONAL/RACIAL WEALTH GAP

<table>
<thead>
<tr>
<th>TYPE OF RISK</th>
<th>HIGHER EXPENSES</th>
<th>LACK OF TRUST IN FINANCIAL ADVISORS</th>
<th>KEY LIFECYCLE MOMENTS &amp; EMERGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTRIBUTION RISK</td>
<td>Investment Risk</td>
<td>Leakage Risk</td>
<td></td>
</tr>
<tr>
<td>IMPACT OF RISK</td>
<td>Don’t put in money early, don’t put enough in for the employer match.</td>
<td>Choose low-risk investment options</td>
<td>Withdraw funds to cover expenses</td>
</tr>
<tr>
<td>PLAN DESIGN CONSIDERATIONS TO MITIGATE RISK</td>
<td>Is there automatic enrollment? What is the type of employer contribution? How are fees divided between employers and employees?</td>
<td>Are the trainings/advisors engaging for staff?</td>
<td>Are there penalties for borrowing from retirement savings? Is an alternative emergency fund available?</td>
</tr>
</tbody>
</table>

### HIGHER EXPENSES CAUSE CONTRIBUTION RISK
People who do not come from generational wealth are more likely to be saddled with student loan debt at the start of their careers. In addition, people of color working in the nonprofit sector are more likely to be supporting family members outside of their household. These higher expenses mean less opportunity to contribute to retirement early in their careers and take advantage of conditional employer contributions, maximizing retirement savings over the long-term.

### RETIREMENT ADVISORS AND INVESTMENT RISK
Black and Latinx people are more likely to have experienced unfair treatment by financial services companies. As a result, there is less trust in the stock market which usually results in a “low-risk” investment strategy. Employing a “low-risk” strategy results in a lower rate of return, essentially resulting in similar losses as if one were paying high fees. The lack of trust is further exacerbated by a lack of Black and Latinx retirement advisors.
LIFECYCLE MOMENTS, SUDDEN EXPENSES AND LEAKAGE RISK

Key lifecycle moments, like getting married, having a baby, purchasing a home, or paying for a child’s college education involve greater expenses. For those with generational wealth, these key lifecycle moments generally involve receiving gifts from parents or family members, known as an intervivo transfer. Those without generational wealth are often forced to borrow from their retirement funds or, at the very least, reduce the contributions they are making towards retirement. The result is a loss of compounded savings and a permanent setback to retirement planning. Employers that offer emergency loans or alternative savings plans can help to offset these risks.

RETIREMENT PLANS AND WEALTH GAPS

<table>
<thead>
<tr>
<th>RETIREMENT PLAN DESIGN ELEMENT</th>
<th>HOW IT REINFORCES OR REDUCES WEALTH GAPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of employer contribution</td>
<td>A guaranteed rather than conditional employer contribution supports workers who are not able to contribute as much to their retirement funds. A fixed amount versus a percentage allows employers to support lower-earning workers more. The default, traditional percentage model benefits the highest earners.</td>
</tr>
<tr>
<td>Fee division</td>
<td>High fees result in compounded reductions leading to less long-term savings. Fees will have a disproportionate impact on those with less retirement savings.</td>
</tr>
<tr>
<td>Automatic enrollment and automatic escalation</td>
<td>With these policies in place, the default is employee participation and contributions that increase over time. Employees can still choose to opt out. This increases the likelihood of participation among staff who do not have access to outside financial counseling.</td>
</tr>
<tr>
<td>Trusted advisors</td>
<td>An advisor who is accessible and who employees can relate to allows them to learn about investment strategies.</td>
</tr>
<tr>
<td>Withdrawal penalties</td>
<td>Penalties for withdrawing funds from retirement hurt those who are most likely to need the funds.</td>
</tr>
<tr>
<td>Emergency loan fund alternative savings funds</td>
<td>Outside funds offer ways for employees to access needed resources without diminishing retirement savings.</td>
</tr>
</tbody>
</table>
This needs assessment reveals a pervasive sentiment within the nonprofit sector that retirement is not for us. Retirement is treated as a low priority in our own survey data—unsurprisingly, given the persistent cultural attitude that nonprofit workers trade financial security for doing “feel good” work. As one respondent shared, “Our biggest hurdle in the process was a reluctance for our organization to establish a retirement benefit before some of the other peer organizations had done so—they were concerned with the appearance that our employees would be personally benefiting from the organization.” It can be hard to make the case that retirement planning should be a priority when other financial and programmatic needs are at the fore. But this report underscores the opportunity cost of continuing with the status quo—facing workforce turnover, leaving nonprofit workers without long-term financial security, and allowing retirement savings to serve as another vehicle to increase wealth gaps.

Addressing the gaps outlined in this report will take a collective effort by the nonprofit workforce, intermediaries, and funders. Too often, when problems or gaps are identified in the nonprofit sector, the default solution is to put more responsibility and expectations on overburdened nonprofit administrators. Just Futures’ intention in putting forward these recommendations is to make it clear that everyone in the nonprofit ecosystem has a role to play, and there is a lot of opportunity for funders and other intermediaries to step in and share the administrative and financial burden. For example, rather than using retirement benefits as a litmus test for prospective grantees, funders can make it part of their grantmaking program to provide support around identifying and financing robust, equitable retirement benefits for their grantees. The tables below outline a broad—but not comprehensive—list of actions that can be taken by different actors to support the ultimate goal: ensuring that all nonprofit workers experience financial security through life. They are divided into three areas:

\[6\]

When I played a key role in founding the org 18 years ago... The possibility of raising money for people's retirement was ludicrous when so many people make a minimum wage (which my org directly organizes on)... But then I've come to realize, as 'I' come closer to retirement age, that without a retirement plan, I'll be destined to a relative life of poverty once I 'retire'."
Reclaiming retirement for all means that we—the nonprofit workforce—can enjoy financial security as part of, and not in spite of, doing mission-driven work. It means we can demand that the billions of dollars that make up our life savings be invested in regeneration instead of extraction. And it means that we can set an example for other sectors modeling what it looks like for employers to take care of their employees.

1. **Recognize:** retirement is confusing, opaque, and deprioritized at the cost of long term security and equitable distribution. There are actions that can be taken on all fronts to elevate retirement as a political issue, demystify the industry, and improve the equity with which retirement benefits are disbursed.

2. **Subsidize:** funders and other intermediaries like nonprofit associations have a crucial role to play in reducing administrative and financial burdens for individual organizations.

3. **Organize:** both governmental and industry entities have not been pushed to meet the demands of the nonprofit sector. There is significant potential for policy gains that benefit nonprofit employers and shift the industry to accommodate the desire for transparent pricing, values-aligned investment options, better advising, and more.
## RECOGNIZE

<table>
<thead>
<tr>
<th>WHO</th>
<th>WHAT</th>
</tr>
</thead>
</table>
| **Nonprofit Workforce**    | Understand retirement as a political issue and that all workers need and deserve retirement.  
                             | See retirement as a crucial component in improving labor conditions within the workplace. |
| **Employers**              | Recognize that delaying benefits creates a disadvantage that employees may not recover from.  
                             | Understand the design elements which cause a retirement benefits plan to reduce or reinforce the generational wealth gap.  
                             | Know the amount of fees and their impact on employee long-term savings. |
| **Funders, Intermediaries**| Understand that retirement is fundamental for a sustainable nonprofit workforce.  
                             | Recognize that small employers face disproportionately higher administrative burdens. |
| **Sector**                 | Recognize the ways in which default retirement plan design benefits highest earners. |

## SUBSIDIZE

<table>
<thead>
<tr>
<th>WHO</th>
<th>WHAT</th>
</tr>
</thead>
</table>
| **Funders**                 | Cover the cost of administrative fees; cover the cost of employer contributions.  
                             | Cover information costs.  
                             | Fund pipeline of financial service providers who reflect the values and demographics of the nonprofit sector workforce.  
                             | Fund intermediaries to provide relevant training. |
| **Intermediaries, Nonprofit associations** | Reduce the administrative burden around knowledge and compliance costs. Provide training on retirement plans, fees, administration, and state-based options. |
### ORGANIZE

<table>
<thead>
<tr>
<th>WHO</th>
<th>WHAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonprofit workforce</td>
<td>Demand retirement benefits and equitable distribution.</td>
</tr>
<tr>
<td>Employers</td>
<td>Demand support from intermediaries and funders. This problem cannot be solved by individual employers alone.</td>
</tr>
<tr>
<td></td>
<td>Demand more transparency from financial service providers around fees.</td>
</tr>
<tr>
<td></td>
<td>Demand more values-aligned investment options.</td>
</tr>
<tr>
<td></td>
<td>Demand retirement advising that reflects demographics and values of nonprofit workforce.</td>
</tr>
<tr>
<td>Sector</td>
<td>Demand recognition of nonprofit employers as deserving federal incentives to provide retirement.</td>
</tr>
<tr>
<td></td>
<td>Demand that fees not be more burdensome for smaller employers.</td>
</tr>
</tbody>
</table>
It is important to acknowledge that these benefits of reducing the racial wealth gap only extended to those lucky enough to receive an employer pension or be eligible for Social Security. Many individuals and entire sectors were left out. The lack of access to workplace retirement benefits continues today for many Americans including those who are incarcerated, engaged in unpaid care work, are paid off the books, or work in industries where benefits are not typically provided, or for other reasons.


Natalie Sabadish and Monique Morrissey, Retirement Inequality Chartbook: How the 401(k) revolution created a few big winners and many losers (September 6, 2013) https://www.epi.org/publication/retirement-inequality-chartbook/ Figure 14: Defined-benefit pension benefits are more equally distributed
ENDNOTES


12 Natalie Sabadish and Monique Morrissey, Retirement Inequality Chartbook: How the 401(k) revolution created a few big winners and many losers (September 6, 2013) https://www.epi.org/publication/retirement-inequality-chartbook/


17 The financial costs are outlined in the section beginning on page 23

18 These categories come from the administrative burden conceptual framework developed by public policy scholars Pamela Herd and Daniel Moynihan. Their specific focus is on how individuals interact with state bureaucracy to access public benefits. This article provides a good overview. https://www.healthaffairs.org/do/10.1377/hpb20200904.405159/full/

19 Survey respondents were staff members with operational authority over retirement, defined as having responsibilities including researching different plan options and reviewing costs, serving as primary contact with the broker/advisor, and keeping up on compliance rules and deadlines. For organizations without retirement plans, the staff member who would have operational authority over retirement responded.


ENDNOTES

23 Greg Iacurci, “Robo-advisors are growing in popularity. Can they really replace a human financial advisor?” CNBC (Jan 16, 2022) https://www.cnbc.com/2022/01/16/robo-advisors-are-gaining-popularity-can-they-replace-a-human-advisor.html “Fees for that management are typically much lower than for a traditional financial advisor charging 1% a year on client assets. The typical robo charges 0.25% to 0.35% annually for their advice service.”


33 Stephen Miller, “Auto escalation Beats Inertia, So Why the Hesitancy?” SHRM (Feb 8, 2016) “Significantly, among plans that offered automatic escalation, almost one-third of respondents reported actual savings rates greater than 10 percent, while for plans without automatic escalation, only one-fifth of participants had savings rates over 10 percent”. https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/auto-escalation-hesitancy.aspx
This more expansive definition of white-led and people of color-led comes from Building Movement Project’s work, specifically Race to Lead Revisited: Obstacles and Opportunities in Addressing the Nonprofit Racial Leadership Gap, p25-26 - [https://racetolead.org/race-to-lead-revisited/](https://racetolead.org/race-to-lead-revisited/)

The type of contribution is a concrete example of what the Building Movement Project describes as the “white advantage” within the nonprofit sector, in which people of color employees have far more negative experiences working in white-led organizations due to microaggressions and policies that ignore their realities. #Race to Lead Revisited: Obstacles and Opportunities in Addressing the Nonprofit Racial Leadership Gap, p25-26 - [https://racetolead.org/race-to-lead-revisited/](https://racetolead.org/race-to-lead-revisited/) In white-run organizations, people of color have less positive experiences than white respondents, who consistently average higher levels of agreement to positive statements about their experience at their organization. White respondents rank their experience of the work environment higher than people of color and at similar levels in both white-run and POC-led organizations, and this applies to white respondents across all levels of organizational roles and positions. While all respondents reported more positive experiences in POC-led groups, respondents of color are most positive when they work in a POC-led organization and least positive, by a considerable margin, in white-run groups.

We are referencing both generational wealth gaps as well as the racial wealth gap since the research cites statistics referencing both.


Building Movement Project, *Race to Lead Revisited, Obstacles and Opportunities in Addressing the Nonprofit Racial Leadership Gap*, p29

The Retirement Confidence Survey (EBRI and Greenwald Research 2021) showed that Black Americans of all ages were equally likely to feel that they had been treated unfairly by financial service companies, whereas older Hispanic Americans were more likely to feel that they had been treated unfairly than were younger Hispanic Americans. Furthermore, Black and Hispanic Americans prefer some connection to those providing them financial advice, and so prefer either working with an advisor who has had a similar upbringing or experiences, is affiliated with their employer in some way, has a similar racial/ethnic background as them, or is the same gender as them. [https://www.protectedincome.org/wp-content/uploads/2022/02/ALI_E-08-Lucas_121721.pdf](https://www.protectedincome.org/wp-content/uploads/2022/02/ALI_E-08-Lucas_121721.pdf)

“Since 2020, Black Americans who either have stopped investing or have never invested increasingly cite lack of trust in the stock market (36% vs. 29%), lack of trust in financial institutions (25% vs. 19%), and having had a bad investing experience (15% vs. 9%) as the reason,” says the report. The survey also found that Black investors are more concerned about losing money than white investors: 56% of Black respondents cited the fear, compared with 46% of white investors. And Black Americans who are not invested are more likely than white Americans to cite a need to access to their money, excessive fees, and high stock prices as reasons not to invest. [https://content.schwab.com/web/retail/public/about-schwab/Ariel-Schwab_Black_Investor_Survey_2022_findings.pdf](https://content.schwab.com/web/retail/public/about-schwab/Ariel-Schwab_Black_Investor_Survey_2022_findings.pdf)

Credit Suisse Research Impact Series, *Wealth patterns among the top 5% of African-Americans* (Nov 2014) [https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/top-5-percent.pdf](https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/top-5-percent.pdf)
ENDNOTES

42 Less than 5% of certified final planners are Black or Latinx. Diversity among financial planners improved in 2021 — but it still remains overwhelmingly white and male (Jan 26, 2022) https://www.cnbc.com/2022/01/26/diversity-among-financial-planners-improved-in-2021-but-it-still-lags.html


46 When asked what components of a compensation package they value most, respondents unsurprisingly rated salary first, followed by health insurance. Retirement ranked in the bottom third at just 27% of respondents, well below professional development opportunities (60%).
CHARACTERISTICS OF PARTICIPATING ORGANIZATIONS

207 NONPROFITS OFFER RETIREMENT PLANS

64 DO NOT

MOST ORGANIZATIONS ARE SMALL

62% HAVE LESS THAN 20 FULL-TIME EMPLOYEES

63% HAVE ANNUAL BUDGETS UNDER $2.5 MILLION
GEOGRAPHIC REPRESENTATION

Where organizations serve
- < 15
- 15 - 22
- 22 - 29
- 29 - 36
- > 36

Where organizations are based

CENTERING LEADERS OF COLOR

66% of organizations are led by someone who self-identifies as a person of color.

BREAKOUT OF RACE/ETHNICITY FOR LEADERS WHO SELF-IDENTIFY AS PEOPLE OF COLOR

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Organization Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black, African, African American, Caribbean</td>
<td>60</td>
</tr>
<tr>
<td>Latinx/Hispanic</td>
<td>20</td>
</tr>
<tr>
<td>Asian American</td>
<td>15</td>
</tr>
<tr>
<td>Arab-American, Middle Eastern American</td>
<td>4</td>
</tr>
<tr>
<td>Native American, Indigenous, Alaska Native</td>
<td>2</td>
</tr>
<tr>
<td>Multiracial</td>
<td>4</td>
</tr>
<tr>
<td>More Than One Category*</td>
<td>30</td>
</tr>
<tr>
<td>Prefer not to answer</td>
<td>2</td>
</tr>
</tbody>
</table>

*This category includes co-leaders who have different ethnicities, or individuals who identify with multiple ethnicities but not as multiracial.
COMMITMENT TO CHANGE

OF ORGANIZATIONS SEE THEIR WORK AS SOCIAL JUSTICE

THE SINGLE LARGEST CATEGORY OF NONPROFITS ARE ENGAGED IN ADVOCACY, POLICY AND SYSTEMS CHANGE WORK

THE PARTICIPATING ORGANIZATIONS WORK ON A WIDE RANGE OF CAUSES
CHARACTERISTICS OF SURVEY RESPONDENTS

OPERATIONAL AUTHORITY

We define operational authority as holding responsibilities including:
- Reviewing different plan options and costs
- Serving as primary contact with the broker/advisor
- Keeping up on compliance rules and deadlines

OF OUR RESPONDENTS HAVE OPERATIONAL AUTHORITY OVER THE ORGANIZATION’S RETIREMENT PLAN (OR WOULD HAVE OPERATIONAL AUTHORITY IF THEIR ORGANIZATION OFFERED A RETIREMENT PLAN)

IN ADDITION TO MANAGING RETIREMENT, OUR SURVEY RESPONDENTS HAVE MULTIPLE OTHER RESPONSIBILITIES

OPERATIONAL AUTHORITY: ADDITIONAL RESPONSIBILITIES
RESPONDENTS COULD SELECT MORE THAN ONE ANSWER