

Financial Inclusion, Inequality, and Retirement Trends among Older Workers

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Key Findings and Policy Implications

This paper develops a county-level index of financial inclusion – indicating a resident’s local access to financial institutions, services, and products, such as savings, payments, transfers, credit, retirement planning, investment opportunities, and portfolio choices. It then analyzes how financial inclusion affects household-level financial and health outcomes. The study uses data from the Bureau of Economic Analysis (BEA) and Health and Retirement Study (HRS).

- The financial inclusion index is calculated, based on the ratio of residents possessing various financial products (checking accounts, IRAs, CDs, savings accounts, mortgages, debts, pensions), the ratio of residents investing in various assets (businesses, bonds, stocks), and local economic indicators (poverty rates, income-poverty ratios, financial problems, financial satisfaction).
- Households in counties with higher financial inclusion scores have greater income, home ownership, and real estate wealth. Financial inclusion also enhances the probability of creating an estate, building intergenerational wealth, and breaking the poverty cycle among married individuals and those with higher levels of educational attainment.
- Financial inclusion improves health and life satisfaction. People in counties with higher financial inclusion scores have more family and work resilience, lower stress, and fewer drug-related problems. Higher scores are linked to an increase of over 3 percentage points in the likelihood of women living to the age of 85. Financial inclusion is also associated with an increase in satisfaction with income among married couples, African Americans, and white Americans.

Despite the United States having a well-established financial system, significant segments of the population face barriers of access to financial institutions, services, or products. This paper develops a geographic index of financial inclusion and demonstrates its profound impact on household wellbeing.

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