Podcast Intro
Episode Intro
Interview Begins

INTRO [00:00:03] You're listening to the Fund The People Podcast, I'm your host Rusty Stahl. On this show we serve up a healthy nutritious alternative to the nonprofit starvation cycle. If you work as a funder, a non-profit, or intermediary, we'll help you invest in America's nonprofit workforce to drive equity, effectiveness and endurance in our nonprofit and social justice community. So let's get going.

RUSTY: [00:00:47]
Welcome to the Fund The People podcast. We are back after a two-week Thanksgiving break. Thanks for rejoining us here. I'm your host, Rusty Stahl, and I'm grateful for your time and attention. I know you have a choice of garden paths, so thank you for meandering along this one with me.

This is season 3 episode 10 and today we're going to be exploring Talent Investing Principle # 5: Take a Supportive Stance. This one's about demonstrating the intent to enable organizations to invest in their staff, not to punish them if they're unable to fully support and develop their staff. To learn all eight of our talent investing principles check out episode 1 of this season.

In this episode, you'll gain an understanding of why it's critical to invest in non-profit retirement savings for people of all ages and at all stages. That's right. You heard me correctly. Everyone from the interns to the outgoing executive directors needs help to save for retirement. And in this episode, I'm really excited to speak with Chitra Aiyar. She's a consultant and author with Just Futures and a student of tax law, which I know I'm excited about.

Before we get started, please be sure to subscribe to the show if you don't already, on Apple Podcasts or wherever you listen. Also we do email folks who are on our mailing list about new episodes and we send out other great resources when we email you. So please, head on over to fundthepeople.org to sign up for our mailing list. On fundthepeople.org you can also find all the episodes of the podcast, show notes, the transcripts of the episodes and you can get access to free original tools and research from the Fund The People Tool Kit, including our Talent Justice research and tools about investing in intersectional racial equity in the nonprofit workforce. We also have some great new blog posts up on our blog. So head on over to fundthepeople.org to get all of it.

With that, here's my conversation with Chitra.

RUSTY:
Hello Chitra, thank you for being with us.

CHITRA: [00:02:54]
Hey Rusty. I'm thrilled to be here.

RUSTY: [00:02:55]
All right, me too. We've been planning this for years, so I'm excited to be talking with you and congratulations on publishing the new report on retirement in nonprofits.

CHITRA: [00:03:07]
Thank you. We're super excited to have it out of our heads and into the world and are really looking forward to discussions that will emerge from the report.

RUSTY: [00:03:17]
It's really a critical issue and it's been definitely a missing conversation I think on this podcast and throughout the field. So I'm glad that you're out there, geeking out about nonprofit retirement, somebody needs to do it, and that Just Futures is around to push the issue as well, as an organization. So let's just get started by telling us, if you would, a little bit about yourself and your career trajectory, how you got to where you are.

CHITRA: [00:03:45]
Sure. I have spent my entire life in and around the nonprofit sector. So the past 25 years starting in international development; then labor organizing, primarily domestic workers; I then went to law school and became a legal services attorney, so housing, immigration; I then worked in a variety of different nonprofits in management positions; and sort of the last one was as an executive director of a feminist youth organization: Sadie Nash Leadership Project. I stepped down the day that the city shut down for the pandemic and then became a consultant focused on things like retirement in the nonprofit sector. And most recently have been thinking a lot about how taxes and tax policy drives so much of wealth redistribution and distribution. It drives how we fundraise and how the nonprofit sector exists. And so, I do like to geek out on things like

retirement and taxes. So, I've gone back to school for an LLM in taxation. So I am in my first semester of a year-long program at NYU, reading a lot about taxes and doing problem sets. So…

RUSTY: [00:05:04]
Wow, that's great. You have so much experience and so much to share. It's great to have somebody who's been an executive director and other roles in nonprofits, really then studying the field and producing resources to help folks who are in those roles think about their own sustainability and the viability of these jobs and careers, from a kind of savings perspective and a retirement and investment perspective. So with that, tell us, tell us about Just Futures and what you've been doing there.

CHITRA: [00:05:39]
So Just Futures is a new organization that is really thinking about how retirement savings of the nonprofit sector can be harnessed for transformative social change and it's trying to address two related but different issues. One is the challenges that the nonprofit sector faces around retirement plans, whether that be that they are hard to understand, fees are high, they're not engaging people who understand nonprofit folks, so there are lots of problems from that side. And then the second issue is in the growing field of social impact finance or regenerative funding, it is very hard to get into that. So, in many ways, the people who spend their days doing really exciting radical work don't necessarily earn enough or make enough to be able to be at the table around investing in those things. And so the idea here is that the reasons that drive people to work in nonprofits, they should be able to align their funds with this. And so the idea is to be able to offer retirement products that are both accessible to the nonprofit workforce but also are able to push their values forward.

There are plans to make an offering in 2023 so that is underway, but leading up to that, what the folks at Just Futures are interested in is really making sure that their understanding of the challenges within the nonprofit sector around retirement were clear. So they commissioned me as an outside consultant, I don't work for them. So they commissioned me as an outside consultant to do a report, to really document the challenges faced in the nonprofit sector. Alex and Steve who are the co-founders have worked many years in the nonprofit sector also as executive directors of small organizations so they have the direct experience as do I, and part of it was just seeing if our anecdotal experience was in fact true, to make sure that actually what we are stating as the problem is, in fact, accurate. So my role in this was to really, I think, flesh out what we identify as pin points in the nonprofit sector around retirement.

RUSTY: [00:07:59]
So, to offer some context, can you tell us why you think retirement is an issue for everyone in the nonprofit workforce? From, as I said in the opening, from the interns to the executives. Why should younger social movement-oriented people care about addressing this issue?

CHITRA: [00:08:19]

I think that all of us have had the experience of contributing to a go fund me or something for somebody who's like a movement leader, help somebody with their medical bills who has been in the sector for years and yet emerges without anything to live off of, right? The idea of retirement and retirement savings is, how do we live, what covers our expenses after we no longer have a full-time job. And for many people in the nonprofit sector, if you don't have sufficient savings, do you have to work until your dying day or do you leave in poverty or do people who don't come from wealth, is there no opportunity for them to actually spend their career in the nonprofit sector?

So having enough salary to cover your expenses in the day-to-day is important. Retirement asks the questions about what happens after that, right? How do you continue to survive after that? Again, if you have other forms of getting wealth, which means you come from money, you marry into money, your salary and your job become less important. If you work in the private sector, there are opportunities to have salaries that are so high or bonuses that allow you to not have to, you know, use them for your day-to-day, or even emergency expenses, or you can have something like stock options. If you're an entrepreneur, you have equity and ownership. There are these different pathways to building wealth.

In the nonprofit sector, there's very few of these that are available to you. And again, if there is a commitment to wanting the nonprofit sector to be a place where someone can spend their career as opposed to a few years and then you need to go do something else, if we actually want it to be a sector that's accessible to people who don't come from wealth, there needs to be a way to survive, again, after you no longer are earning a salary, because the salary levels are not so high that they're going to allow you to continue for another 20 years. That's not the kind of money that people are making.

It's important to think about it earlier, because of the magic of compound savings. And I think one of the things that I struggled a lot in the report and I still do is how to talk about retirement and not be fear-mongering, right? Not say you really messed up, right? You should have done this, which I think encourages people not to start engaging with it but just be like, well, never mind then. So I'll say this and then I think there are options. But we show this in the report and is that a dollar that gets invested when you're 25 will lead to about like $4, whereas if you invest that same dollar and you're 30 or 35, it's going to be two dollars or $2.50 which means it's much cheaper if you start younger.

And so the importance of starting younger is just that overall it's less expensive for everybody involved. By the time that you realize: oh, I might need this, there's less years. That savings to compound. And so, how to say this without saying it's too late for people is an ongoing challenge for me, right? Is just to be like, well, we can do better for ourselves right now, but it's really important for retirement savings to start before you actually feel that you're anywhere near retirement. If we wait till people feel it, it's going to be, I don't think too late, it's gonna just be a lot more expensive. If that makes sense.

RUSTY: [00:12:08]

It was interesting in our previous episode, episode 9, we talked a lot about what does it mean to have a compensation philosophy and an employer philosophy. And there's a lot of talk about, you know, show the salary hashtag, hand and about pay and compensation in the sector, but not enough talk about this issue of retirement and how they hopefully can complement one another. And that was, that was one of the reasons we wanted to have on Mala in the previous episode, to talk about how to create equitable compensation models, as well as you to talk about creating equitable retirement systems. And it does seem like a systems issue. It's not just those young folks working in the sector who need to think about it, but also employers, executive directors, boards, managers, HR folks, who need to be…

I know, from me, my retirement savings started when I had a paid internship in college with a boss, who was a pro-union, it was a pro-union communications shop and a lot of their clients were labor unions. And so he wasn't perfect at practicing what he preached, but he did provide me with, you know, some kind of retirement savings product, not a whole matching thing but here…

CHITRA: [00:13:31]
But before you even knew what it was. Yeah, I think that's really important here. I don't think waiting for people to demand retirement feels realistic or fair. And part of it is being able to provide something to folks, when they don't even realize necessarily the benefits. And the benefits of that from your internship, you're going to feel when you're 65, right? Or right now, and I think part of what's harder about retirement than other compensation is, if you give bonuses or you know, you improve the dental insurance, there is a real-time benefit. People feel it, and it's a really nice feedback loop… you get really great feedback from your staff who is much happier.

Retirement is not something that people are going to experience the benefits of while they are at the place. And so it is a much harder thing, I think, to ask people to make that investment because it may or may not lead, you know, to the same benefit as a raise might do, which people get to feel. And so I think it's a challenging thing because it is asking employers to look beyond just what their employees might be asking for, and to do the right thing even if employees may, or may not fully understand the benefits, and won't experience the benefits on your watch. It might be when they're somewhere else that they're like: oh, this is great. But so I think it is harder and I think part of the hope with the report is to help younger people start making this demand, and staff to make this demand. But I think, regardless, I think retirement, the benefits are experienced much later, just as you've experienced. You can recognize now but maybe at the time you weren't like: you’re great! You're like…

RUSTY: [00:15:25]
Right. I was like an invincible 19-year-old or something when they did that. I had no clue. I still have no clue!

CHITRA: [00:15:32]

I mean, the thing is, I wonder if he had asked you: should we help you with retirement or should we just give you some cash? You may have been like: oh cash. But I think a lot of people would make that choice. And if we see how much was put in then and how much it's worth now, it will be amazing. But in the old days when there were pensions, employers put in money for employees, right? It wasn't do you want to participate in this and then do you want to put your own salary towards this. It was: we'll just do this as part of the job and taking away the choice from individuals in that way, it actually has been shown to be far better because when it's a choice, there's almost always are immediate expenses that are good and it feels unfair to ask people to have to be like, oh okay, I should put money in retirement. In some ways, it is a much better system if that's done for you. The same way that Social Security is not an option. It's done because it's hard for us to know what's in our own long-term interest.

RUSTY: [00:16:33]
You know, I remember, he also used to bring in ice cream sandwiches from like the store downstairs and hand them out and I remember that too. But you know, I think that that retirement savings that the firm provided will be much sweeter in the long run than….I can't remember the taste of those ice cream sandwiches.

CHITRA: [00:16:50]
Yeah. But it's great and I think the more stories we can have about good employers being associated with good retirement plans, I think it's better. I think that we've seen over the last few years the power of demands around better compensation have really had an impact. I think retirement hasn't been part of that conversation but I don't think that's a bad thing. I think that just means there's a ton of potential, right? Because I think you give Gen Z anything and I feel like they'll get it, they'll get it done. And so it feels exciting. It is also useful to have some historical perspective to understand that pensions were a huge part of labor organizing in this country. And retirement has been really important. It's fallen by the wayside as pensions have given rise to 401ks, which make it about the individual rather than the employer. But there was a time where it wasn't your job as a worker to learn about retirement and to geek out, that was your employer's job, and it's become an individual's job and sort of "I should sit and research this," but that's a fairly recent phenomenon and I think trying to go back to an employer's responsibility versus employee, I think is is useful to do.

RUSTY: [00:18:07]
Can you give us any more historical or political context around retirement specific to nonprofits?

CHITRA: [00:18:12]
Sure. So when Social Security, which is the government form of retirement, like those are savings for retirement but it's never been intended to cover your entire income, it's usually around 20% and that goes out in your payroll taxes every paycheck. When the Social Security Act got enacted in 1935 it did not include all workers. So, some of the workers that were excluded, that I think we popularly talk about, were farm workers and domestic workers, but interestingly also nonprofit workers, who were not seen as needing retirement benefits.

I have tried to do some more research to understand this. I think this might be about the demographics of who was working in nonprofits at the time, who may have been seen as socialites or people with other sources of income and support. As the nonprofit sector grew in the 50s the government said, okay, you can get Social Security but your employer has to opt into it, so it's not guaranteed. So again, the choice was given to employers and I think when you ask people, many people would prefer not to be putting, right? I think even the first time when you get your paycheck and you're like, where did all this money go? And then if they said: oh, you don't have to, I think most of us would take it.

So for nonprofit workers, Social Security wasn't mandated until 1984. So that's almost 50 years after the Social Security Act was passed, it was seen as optional. And then, there were pensions 403bs and then 401ks came into vogue, right? As a way for the employer to give money for individuals to put in money. But nonprofit employers weren't permitted to offer them until 1996. So again, the nonprofit sector has been behind and sort of not recognized as needing it or demanding it.

Most recently, there's something that passed legislation in the early 2000s called the Secure Act, which is trying to increase retirement access across the board and they've incentivised small businesses, which is defined as having less than 500 employees, to say “if you start a retirement plan we'll give you a $5,000 tax credit for up to three years,” so you can get up to $15,000 dollars to start a retirement plan. The idea being that that money offsets the, you know, the administrative costs and maybe even some of the costs of doing the matching. Nonprofits aren't eligible for that because it is run through income tax as opposed to payroll taxes. So, nonprofits are not seen necessarily as needing retirement benefits and have constantly been behind in terms of government support. That said, when you compare nonprofit employers to the private sector, nonprofit employers are far more likely to offer retirement. So offering more with less support has been the pattern. And again I don't know enough to say if they were discriminating against nonprofits or that the nonprofit sector hasn't made this a major demand and so it's hard to say. We can say that they've been excluded but the basis for that feels hard. I will say that a lot of churches are nonprofits and a lot, initially, they also don't do Social Security because they didn't want… the transcripts are really interesting, it's sort of, we don't believe in paying taxes, right? We believe in God. So God before Caesar. There's lots of interesting things going on here but the result is that there is limited federal government support for retirement benefits for nonprofit workers with the result that nonprofit employers don't receive the same subsidies that the private sector does.

RUSTY: [00:22:24]
Well, thank you for that. I didn't know any of that stuff and I think it's incredible that you're sharing it. One of the things that sticks with me from what you said is this idea that, this assumption of who the demographics of who works in nonprofits–that it's these socialites right? Like that very term itself conjures up: upper middle class, let's say wealthy folks who are supported by families and spouses who bring home the bacon and they get to then do charitable work for free as volunteers or for low levels of compensation. And it's like a

self-fulfilling policy because if that's how you treat the people who work in the sector, no one else can afford to work in the sector.

CHITRA: [00:23:12]
If those people move up the ranks, they create policies that reflect that and are often rewarded for it because their overhead will be lower. And if you come in and say, actually I want our overhead to be higher, that's a hard thing to push for. But that is in fact, what happens if people don't have other sources of funding, and so I do think there is a legacy. I think the focus on low overhead and trying to change that, I think it's important not just to demonize funders who make that demand, but to also recognize that many people in leadership who did that because their private quality of life was not dependent on what they were earning at the nonprofit, artificially creates it but normalizes it. And so that is something in some ways that the sector has done and it takes awhile to grapple with the harm that is done there. Recognizing that for those folks not taking a high salary, wasn't like, oh and now our future generations will not earn, it was because so everything can go to our programs. So it comes from a good place, but it does have long-term consequences I think, in terms of a lot of the stuff that you're covering about investing in Talent Justice, and retirement just happens to be one of those areas. If your retirement is covered because you have a private retirement account on your own, the need to start a retirement at your nonprofit isn't present. And then if nobody is demanding it, it doesn't happen.

RUSTY: [00:24:55]
Right. Just because one person has a trust fund, doesn't mean you should have to have a trust fund in order to work there, it doesn't mean that everyone else has a trust fund to rely upon. In my own experience as a board member at a social justice nonprofit this happened, the staff was all upper-middle-class white folks who could afford to work for less than they deserved certainly, because they worked really hard, and less than other people could afford to work for. And so when they started thinking about how to center people who were not white, center people of color and others in the organization, both in the volunteer, leadership and expanding the staff and changing the staff as well, they had to really think about these personnel policies and by spending more, they were actually able to end up hiring a lot more people and build out their team, because it was a much more attractive place to work.

CHITRA: [00:25:52]
That's right. I think it's an expensive process because you realize: oh it's not us recruiting people of color more and doing those networks. We actually have to offer considerably more money. And I think a lot of the groups that we interviewed for this report because we really, we focused on organizations who identify themselves as social justice or movement organizations, a lot of the small ones really struggle with this because they want to and at the same time with a limited budget, they're like but we have to do organizing work and so where are we going to put these dollars, right?

And also I think specifically for retirement, if you can recruit people who don't come from wealth, with higher salaries and health insurance, nobody's making the demand for retirement. So adding that onto it is one more expense, and if you've got a really tight budget, there's very little incentive to do that, particularly when the staff is not making that demand of you. So I think it's a real challenge and I think we found even for the employers who do offer retirement, the way in which they offer retirement is really informed by race and class in terms of what options the employees have. So people really project, I think you know, understandably you bring your own experience into it.

And so one of the findings that I thought was the most interesting is just who extends coverage to part-time workers. And we found that organizations that were POC-led, meaning more than 50% of the board and staff are POC-led, are five times more likely to extend retirement benefits to part-time workers. And it's an interesting thing because the decision of whether or not to include part-time workers isn't in it of itself a racist decision, but it is a racialized decision, meaning that you are probably impacted by your own experience. We know that part-time workers at nonprofits and in general tend to be women, tend to be caregivers, tend to be people who struggle with disabilities. And so there's multiple marginalized identities, but if you haven't experienced that and you assume that part time work assumes you don't need the work as much, then you might have savings there. That's one thing we found.

The other thing we found that was really interesting is for employers who offer contribution: There are two ways to offer a contribution to your employees: you can just guarantee it and say we're going to give you 3% of your salary or $500 or something every year or you can say we're going to match. So if you put in, Rusty, you know, $5,000 will match up to $5,000 or will match up to 5% of your salary. That's the default, or most retirement plans. One way of understanding it is, it is better because if we incentivize you to put in then ultimately you put in 10% of your salary, right? If we say we're going to match your $5,000 with $5,000, you get $10,000 which is better for you long term. But if we just gave you the $5,000 then you'd only get $5,000. So that makes sense. But the question is: is who has the money to put in in order to do the match, and I think Building Movement Project has done really great work on talking about the expenses of people of color versus white folks at nonprofits, and how people of color in the nonprofit sector are more likely to be supporting people outside of themselves with their salary, whereas white people are more likely to have more sources of funding to cover themselves, meaning a partner or family money so that their salary is part of their resources, right? There's more resources coming, but for folks of color, the salary is for them and for other people. And you know, you put in student loan payments and so people may or may not have the money to put into retirement. So what happens when you say we're only going to give you money if you put in money is you end up with a lot of folks not getting anything.

RUSTY: [00:30:13]
Hmm, some people opt out.

CHITRA: [00:30:16]
People opt out, but they don't even know what they're opting out of. It assumes an agency that I don't know that, and a level of knowledge, that I don't think people have and I think an unfair one. Again, I think having it be guaranteed is really important. And one of the things we found, which I wasn't anticipating, because I don't think when I started this research I even understood

that there was a difference between guaranteed or elective but what we found were POC-led organizations are more likely to have it be guaranteed, I don't know whether they recognize that as like a: I know what it's like to be entry-level and not have the money to put in. To me, it's super interesting because it is ways in which these policies reflect often our own experience, even though on the face of it, it is neutral or even there might be a preference towards the matching because people get more money. But again, that assumes that people have money to put in to begin with. And part of what's amazing about guaranteed contributions is it doesn't and then you can pair that with, you know, employee education to encourage them to put in, but not make it a barrier to entry.

And I think if I'm getting this right, it feels like it follows this Take a Supportive Stance principle right? From an employer perspective. I know that that's often about funders, but even as an employer perspective, rather than saying: I really need my employees to understand that retirement is important and so I'm going to keep telling them and we will only make the match when they put in money and that will show them because it'll be a good incentive. I think something that's more supportive is to give people that money that you were going to anyhow and then encourage them to do it on top.

And I think what's interesting is the number of organizations I spoke with that would budget for maybe 5% if that was their match, 3% of people's salaries, but because they only had to give the money if people put in money, they had a nice amount left at the end that they could distribute as bonuses. So there's a perverse incentive where like “well you opted out, but now we're going to distribute it in this other way” which makes everyone feel good and it's a hard habit to break people of, because again that gets you more positive feedback and they were like, why would we do it when people can't even bother to, you know, sign up and contribute. But it's important that we shouldn't make it optional. And again, I think it's racialized for that reason.

RUSTY: [00:32:46]
It's such an interesting dynamic between immediate gratification and delayed gratification, or long term gratification…

CHITRA: [00:32:53]
Or like long-term survival, long-term not living in poverty…

RUSTY: [00:32:58]
Right. The fact is retirement itself is a privilege, right? And so, some people don't even imagine themselves ever being able to retire.

CHITRA: [00:33:05]
Sure. I think a lot of people don't and I think that that is real, but not waiting for them to then feel like: “oh, it is important, I do want to do this,” right? But actually supporting them to be able to retire, so if and when they decide that retirement is an option, they aren't looking at an empty retirement account. It's interesting because I think it's that so much of what employers decision

making might be based on is around a feedback loop, where you're getting positive feedback from your employees. But asking folks to do the right thing when it is not experienced directly it's a challenge, which is why I think strategically we need to both encourage employers and funders to do retirement, but we also need to encourage workers to make the demand of it, so that there can be more positive, so it can be like: thank you employer I love this retirement. Instead of that only coming from the employees who are in their mid -0s and older.

RUSTY: [00:34:07]
Right, you are making me think of so many things. But one thing around the principle of Take a Supportive Stance, it did initiate as being, you know, encouraging funders to take a supportive, not a punitive, stance around this because there's so much fear on the side of nonprofits. So, if I tell them, I tell our funder that we have burnout, or we're understaffed, or we have a toxic workplace culture and we're trying to fix it, but there's all kinds of, you know, problems. If we tell them that, then we'll get defunded. And some of that, I have to say to nonprofits, like, no, funders want to help you fix these problems, they don't want to defund you because you aren't perfect. But there are some funders who will say, well, I can find another group if this one's, you know, kind of hypocritical or isn't treating its people well, or is falling apart. So, the fear is to some extent legitimate and so it did start with that of funders need to take a supportive, rather than punitive, stance. But I think it applies in all directions.

The other thing I wanted to say is I think this issue of retirement and the lack of retirement savings for so many long-serving leaders, it is at the crux of this bottleneck that we talk about here at Fund The People, this bottleneck on the nonprofit career highway, which if people can't retire, can't afford to retire, then they're stuck in their jobs and so then people can't move up into those roles. And so, everybody is kind of, that's why people leave organizations because they can't move up in those organizations. And so that frustrates everybody and impacts everyone's career, not just the person who can't retire.

CHITRA: [00:35:50]
Yeah. And I think it makes that person who can't retire, it makes them bitter. The choosing to remain because you love it is really different than choosing to remain because you actually can't survive without it. And that's a very different energy and it's really hard to encourage someone to leave if that's their reality. It's like hard to say, can you step aside? And what is it that you do? Because I think this is not happening in a vacuum, it's happening at the same time, again more broadly, that retirement programs have been defunded and have been really forced on the individual to figure out as opposed to thinking the state, or the employer is figuring out for you. So I think it really, people experience it as “I messed up and I need to stay,” which is not great energy to bring into an organization, is not good for anybody. So yeah, I agree.

RUSTY: [00:36:48]
I actually heard, second or third hand, once not that long ago of an ED, an Executive Director, facing retirement couldn't afford to retire, had been there a long time, hadn't done any retirement savings, the board hadn't offered retirement saving, so negotiated an exit of, I think it was like

$400,000. Basically, here's a retirement savings in a lump sum. That's a crazy way to manage an organization.

CHITRA: [00:37:15]
Yeah, I feel like people listening to this are like: well, maybe then I could just negotiate, I mean if you can negotiate $400,000… But the question is, how long, how long does that last you? One, you're going to get taxed on that, we're back down to like $350, and then let's say, you can live off of $40,000 a year because you're not doing anything, I don't know, $50,000, seven years? And then what happens to you? The way that they usually estimate retirement income is about 70 to 80 percent of your income because the assumption is, if you're not working other expenses go down: commuting, getting dressed, but not everything, like you still, you know, you rent, you have food and so it's interesting, because $400,000 sounds amazing and yeah if you die within 10 years it's going to be great. But if you don't, what do you…

RUSTY: [00:38:03]
But also it's unrealistic for most organizations to plop out $400,000 out of? Would you rather eek that out month by month in that match or that contribution or do it all at once when you can't really afford to do it all at once?

CHITRA: [00:38:16]
But it's also crazy to me that $400,000, which seems like a tremendous sum, if you retire when you're 65 or even 70 if you're going to live for 10 to 15 more years, what happens? Both things, it's crazy how big that is and then it's crazy that it's not actually enough. So.

RUSTY: [00:38:36]
Wow. I want to make sure we talk about the report because your report is out now. I want you to tell us the title of the report, tell us a little bit about what you did because it's a needs assessment. So tell us a little bit about what you did and then I want to hear about the four major gaps that you found. So first, tell us about the report, please.

CHITRA: [00:38:53]
Sure. So the report is called Reclaiming Retirement For All, and we did a needs assessment where we surveyed in overall, I think, 207 organizations, had complete data from across the country around offering a retirement plan, what kind of plan or not offering a retirement plan, how do they experience the provider? So lots of questions about the reason, the type of plan, their experience, and then we followed it up with nine focus groups of participants to get a better understanding and sort of really get more texture as to what people were saying. In terms of who we were interviewing it was really important to me that it feel national, so we had pretty good representation not just from the West and East Coast, which is what if you look at a lot of surveys, it's really kind of New York, DC, California. But we actually had pretty good representation from the south and the midwest. So we had broad representation, the majority of organizations were small, meaning under two million, because that feels more relevant, that's where we know that people are less likely to offer retirement, and then a number of

organizations under a budget of under $500,000 and under a million, again who are really struggling around retirement.

And then we oversampled, meaning we got more than a five reflective, both for organizations that define themselves as movement organizations or social justice organizations, because we were really interested in those folks who have a sense of pushing for economic justice in some way or another and thinking about what that means, you know, in house. And we also oversampled for leaders of color, I think most of the reports say that it's about 20% of the sector and I think, for us, it was over 50% of the respondents. Again because I think in order to do comparisons between, you want to have enough people representing it. So in some ways, it's reflective of the sector in terms of geographic and small organizations and then in some ways it's not reflective, meaning it reflects our interests which are again more social justice than social service and movement orgs and leaders of color.

RUSTY: [00:41:21]
Great, okay. So, yeah, I was really excited to see this research happening when you had that call for participation out there and I want to make sure people are able to get to the report. So we'll give all that information out on the show notes page and you can tell us how to do that later. But for the moment, there's a lot in the report and we're not going to cover it all. You've already shared some of the findings which I think are important, but talk about the four major gaps in non-profit retirement. And I think hopefully next season we'll have you come back and share a little bit more practical tips and practices. But this season, we're talking about these principles. So we wanted to talk a little bit more about conceptually what's missing, what are the gaps in nonprofit retirement here?

CHITRA: [00:42:08]
Sure. So we identified four major gaps.

The first is an unsurprising gap: smaller organizations are less likely to offer retirement but rather than calling that a size gap or a resource gap, we named it intentionally as a capacity gap. Because what's lacking there is administrative capacity to understand retirement, so if you don't have a full-time person who is doing admin or operations, you're less likely to offer retirement. So even in these tiny organizations, if there is like a COO or a manager of operations, they are more likely to offer retirement. When it falls under one more thing that the executive director has to do, less likely to happen, unless you have an executive director who knows retirement, and is good at admin. So I think importantly, there is a budgetary, clearly a budgetary issue, but there's also a question around administrative capacity. That's what we're calling a capacity gap.

Second, we talk about a transparency gap and this is really about fees and not understanding the fees that you are being charged by financial service providers who will often say the employer can cover the fees, the participant or the plan, and the plan sounds like: oh that's somebody, but it's actually being taken out of participants' savings and we go through in the report the ways in which it's really hard to figure out how much money you're losing because they might talk about, you know, absolute numbers and percentages. But the difference in terms of fees can cost you a hundred thousand dollars at the time that you retire. Again, it falls back to this capacity gap. If nobody at the organization has the ability to read all of the small print and know what's going on, you could have made the really big decision to be generous. You're spending all this money and yet your employees might lose a big chunk and this is about practices of financial service providers, who often are hiding the ball. So we talked about the transparency gap.

Third is a values gap, meaning that it is challenging to find investment opportunities within the retirement portfolio that reflect your values. So that you might be working at a place that is focused on, you know, challenging Amazon and yet Amazon stock is in every single one of the retirement options, or you're working against the prison industrial complex, or shutting down, you know, immigrant detention facilities and yet, retirement is invested in those very same things. And so the values gap is about what you want and what's accessible, it's also about the people that people interact with, in terms of talking about retirement, who often don't reflect the demographic of folks working in the nonprofit sector. And as a result, it becomes really hard to relate to people who are like: oh, are you gonna, you know, go to Florida and you know, be by the water and retire and people are like, what? Like, that's not, that's not what I'm trying to do, and I might have a different vision, but the financial services sector is really white. I think it's less than 3% of the financial services, sort of retirement advisors are black or latinx, which means you often have people who don't reflect your background. And so it's very hard to feel like you can go to them for advice on how does this all work. And it sort of reinforces this idea of like: oh this is a thing that's not for me. That's the values gap.

And finally we see the equity gap, meaning even within organizations that do offer retirement we often have default assumptions about part-time workers versus full-time workers, or whether or not we should guarantee the match. And so, we find that the way that the plans are designed often reinforce and exacerbate the racial wealth gap. So you can have made, you know, this great decision to offer retirement, put it in the budget, but because of the way that your plan is designed, it's only benefiting workers who come from wealth. And so in that way it actually makes the situation worse, arguably, because it's increasing a divide.

RUSTY: [00:46:29]
Okay so we have four pretty stunning gaps: capacity, transparency, values and equity, and those are not just gaps on the nonprofit side, they're also gaps on the investment companies and plan sides. Thank you for sharing those with us. I don't want to leave folks listening to this with just “Oh my God, this is terrible!” I think your report does share some recommendations and obviously the organization that sponsored the report, Just Futures, is looking to address these issues. So it's not just an analysis of the problem, but this research is helping the field to move towards solutions. So how can people get the report and learn more about Just Futures?

CHITRA: [00:47:21]
So they can go to the Just Futures, website which is justfutures.co and there's a contact page where you can sign up to be alerted about everything including what Just Futures is offering. If

you go to justfutures.co/rrfa-report you can both download the report but you also, I've shared the benchmarking data, meaning all of the data about what organizations are offering, their size, the type of 401k plan they have. So people can use that for whatever they want to use that for, in terms of making arguments about what, you know, organizations our size offers. I find that many times that information is behind a paywall and I want to be clear that that's accessible. It's a Google doc. It isn't terribly sophisticated. I'm hoping that someone sees it and is like, I'm going to do amazing things with this data set, but that is available also.

In addition, as I mentioned at the beginning, there's sort of two parallel challenges around retirement in the nonprofit sector. One is the sort of administrative challenges of like, how do you even start to offer a plan, the cost of it. So what is experienced in terms of administrators. I think there is also the issue of not having good investment options, which we touch upon in the values gap, but we don't go into a huge amount of detail because there is a parallel report that was written by another consultant, Anand Jahi, and that is about what's called Social Justice Investment Chains. And so that's available again on justfutures.co/sji-report and that is really talking about the real challenges in terms of investment opportunities that are not about, you know, extracting and what does it mean to make investments that are actually aligned with your values. And they, I think we have similar reports in the sense that it is depressing and then we're like, here are these opportunities, and I think part of what he's doing is identifying what the opportunities could be as well as what he terms of like greenwashing. Meaning places that are like, oh we're doing social justice investing but when you look a little deeper it's not. But I don't think that he's saying therefore there's no opportunity, it is: therefore we're going to look closer because it's important to get this right, not just feel good about something that isn't.

So, both reports again, I think if you just sign up on the contact you'll get all of it and you don't have to go to all the other things. It's pretty hard to launch a retirement product, it's super regulated and complicated but people can stay tuned because in 2023, they are in the process of based on the findings, in both of these reports, what could be offered that sort of meets the needs. It's not going to answer everything, because I think it won't be at scale yet, but it recognizes and wants to be transparent about what can be done at this stage. That's in the works.

RUSTY: [00:50:53]
All right. And I noticed that on the website, justfutures.co, it's easy to get to this kind of webinar event Reclaiming Retirement For All webinar. It looks like there's a recording, so you can get the report, but there's the webinar and a PDF of slides and it looks like this webinar featured you. Can you tell people what they might find in that?

CHITRA: [00:51:16]
It is more detailed about really focusing on these four gaps and I think, thank you for flagging that, I think if you prefer to get your content like hearing it and seeing slides, as opposed to having to read a report, I think we're going in detail, again much deeper than I think we've talked about, really focusing on these gaps, and I think it's an accessible way to get the same content in the report. And we did that a few months before the report came out, just to share what we

had found. So it's consistent, but it's just a different, maybe a different avenue of presenting some of the same information.

RUSTY: [00:51:56]
Great. Well, it's always good to give people those options. I see that our friends at GEO, Grantmakers for Effective Organizations; Neighborhood Funders Group; and a number of foundations supported I guess the webinar and the research… Nathan Cummings, General Service, Jesse Smith Noyes… So, those are great folks in the field.

CHITRA: [00:52:15]
And I think a number of them are interested in two different ways, right? I think they are interested in thinking about what are they invested in, so I think really in these investment chains and how to avoid sort of extractive economies and what does it mean to be a funder and actually be investing in things that are, that run counter to your grantees? And then the second prong is how do they support their grantees to have better retirement, right? And so really feeling like they are educating themselves and I think in our recommendations part of it is really recognizing this problem. But then the second thing after that recognizes is subsidized. So, rather than just say you should have retirement, like what does it mean for funders to subsidize retirement without making that an "either/or", like either we can fund this, or we could do retirement, but additional funding so that people in the sector, again can feel supported wherever they work and not either have to leave for a different sector or just accept that retirement is not going to be for them, right? So trying to not have nonprofit workers having to face that decision.

RUSTY: [00:53:28]
Well, I'm looking forward to all those funders and funder associations practicing that and more funders practicing because we have to have funders who help nonprofits get out of these binds, these either or binaries of, you know, if we fund, you know, staff investments then we can't do our programs, or if we fund salaries we can't support retirement or… we need the funding community and government and policies all to come together in this way to make retirement possible for nonprofit workers.

CHITRA: [00:54:09]
Right, and I think really thinking a lot about the sector as opposed to individual organizations, so thinking about how do we educate people about retirement and rather than every organization sitting through, you know, something with their broker, and rather than having private sector people do a free webinar then market their services, right? Like to actually invest in it so that anybody working in the sector could go to something about understanding retirement and then there being a commitment to saying, like we're going to fund, like we're going to put money in for everybody, particularly younger people, because again, it's much cheaper regardless of where they work. So if they work at a place that has retirement, great! If their place doesn't we're still putting money for them, right? So that people are invested in and are shown that we actually want them to stay in the sector. Like, I think part of it is, is really being like, if you want people in this sector to be able to survive after retirement, then we need to invest in everybody and have

people know that they will have steady retirement regardless of if they’re at a small or a big place.

RUSTY: [00:55:14]
Right, thank you. Thank you so much for sharing your knowledge and wisdom with us today. This has been a really educational conversation. And thank you for your work that you're doing, this is really important.

CHITRA: [00:55:29]
Thank you. I feel like it is a really luxurious thing to be able to geek out on a subject and hopefully be able to translate it in a way that actually makes it accessible. Because I do think that retirement can be scary, and I am hoping that by sort of going into that scary territory, I'm making it more accessible and less scary for folks to wait in themselves, but we'll see, but thank you.

RUSTY: [00:55:59]
Hey, you know, this episode's going to air between Thanksgiving and the Christmas winter break. So people will be thinking about gratitude, people will be thinking about giving and buying presents, and spending time with family. And so, I think it's a great time, thinking about the New Year, and planning on how we're all going to remain healthy and well for ourselves and our families, so it's a good time for all of us to be thinking about retirement savings for ourselves and for our colleagues in the nonprofit sector. So, I really appreciate you for coming on the show and look forward to hearing more in 2023.

CHITRA: Thank you so much Rusty.

OUTRO:
Thanks for listening to the Fund The People podcast where we help you cook up nutritious and delicious alternatives to the nonprofit starvation cycle by investing in the nonprofit workforce. On behalf of myself, Rusty Stahl, our gracious guests and everyone who makes the show possible we hope you enjoyed the episode. You can find links to the resources that were mentioned, guest bios, show notes, and the audio for this episode by visiting fundthepeople.org and clicking on Podcast. Thank you for driving change in our communities, our country and the world. Remember to keep your tank full, take care of yourself and take care of one another.