
Can 401(k) Plan Balances Predict the Presidential Race?

By Editor Test *Mon, Nov 5, 2012*

The data shows that wealthier states tend to give their electoral votes to Democrats, but wealthy individuals tend to vote Republican. A paradox? Perhaps not. (Left: Bo Lu, CEO of FutureAdvisor.com.)

A [study](#) of 401(k) plans nationwide by [FutureAdvisor](#), the Seattle startup that specializes in giving free financial advice to young 401(k) participants, shows that plan balances in blue (Democratic-leaning) states tend to be higher than balances in red (Republican-leaning) states.

Over the past four years, median balances in blue states have remained at least 25% higher than median balances in red states, the study showed. In 2012, the median blue state balance was about 32% higher than the median red state balance, the group said.

In 2008, for instance, the median retirement account balance nationwide was just over \$21,000. But in blue states it was \$23,000 while in red states it was about \$17,000.

Since 2008, median account balances nationwide have dropped and recovered by about the same percentage. "American retirements are in much better shape than they were four years ago," said Bo Lu, president of FutureAdvisor, which advises on about \$4 billion in savings and recently received \$5 million in private equity from Sequoia Capital, according to [techcrunch.com](#).

Through crisis and recovery, blue state plans have maintained their advantage over red state plans in terms of plan balance. That was somewhat counter-intuitive, Lu acknowledged, in view of the conventional wisdom that wealthier people are more inclined to vote Republican.

If the pattern holds true in the 2012 election tomorrow, the FutureAdvisor findings suggest an advantage for Democrats. That's because 401(k) balances in swing states, whose electoral votes are considered still in play, tend to be higher than the national average. Those states are Colorado, Iowa, Florida, New Hampshire, North Carolina, Ohio, Virginia, and Wisconsin.

"As a group, the eight swing states are in general wealthier than the national average," FutureAdvisor said, in a study released last week. "Five out of the eight report 401(k) average account balances that are higher than the national average. In addition, seven out of the eight report balances higher than the median among plans in red states. Only Florida falls below the median among red states."

Did FutureAdvisor mean to suggest that its study indicates an Obama advantage? Lu wouldn't venture farther than his data, which shows that "swing states skew wealthy." Lu admitted that his data set was limited to 401(k) participants. Since only about half of American workers are covered by workplace retirement plans, the study isn't representative of the wealth or voting patterns of all Americans voters.

FutureAdvisor's findings do however support a claim made a few years ago by Columbia University political scientist Andrew Gelman, in his book, *Red State, Blue State, Rich State, Poor State: Why Americans Vote*

the Way They Do (Princeton, 2008).

Rich individuals tend to vote Republican and Democrats are disproportionately supported by the less affluent, Gelman had observed. Yet wealthier states—like California and New York—have been voting Democratic, while poorer states—like Mississippi and Louisiana—are now reliably Republican.

“For decades, the Democrats have been viewed as the party of the poor, with the Republicans representing the rich,” wrote Gelman and others in a 2007 article in the *Quarterly Journal of Political Science*. “Recent presidential elections, however, have shown a reverse pattern, with Democrats performing well in the richer ‘blue’ states in the northeast and coasts, and Republicans dominating in the ‘red’ states in the middle of the country and the south.”

Gelman said this trend isn’t necessarily a puzzle. “Within an ‘upscale’ area that supports the Democrats, the more ‘upscale’ voters are still likely to vote Republican,” he wrote. “If we had to pick a “typical Republican voter,” he or she would be an upper-income resident of a poor state, and the “typical Democratic voter” would conversely be a lower-income resident of a rich state.”

So why, as he puts it, is “individual income... positively correlated with Republican voting preference, but average state income is negatively correlated with aggregate state presidential voting for Republicans”?

“These are not mutually exclusive relationships,” Gelman wrote. “We find that income matters more in ‘red America’ than in ‘blue America.’ In poor states, rich people are much more likely than poor people to vote for the Republican presidential candidate, but in rich states (such as Connecticut), income has almost no correlation with vote preference.

“We can understand the state average income effect as one of context. The Mississippi electorate is more Republican than that of Connecticut; so much so that the richest segment of Connecticutians is only barely more likely to vote Republican than the poorest Mississippians. In poor states, rich people are very different from poor people in their political preferences. But in rich states, they are not.”

Does this mean that wealthy Democrats empathize more with the poor in their states than wealthy Republicans do? Gelman doesn’t address that question, but James K. Galbraith and J. Travis Hale did in an October 22 Reuters op-ed article, “The Rich, the Poor, and the Presidency.”

They suggest, somewhat cynically, that “spatial segregation” is greater in wealthy blue states than in poor blue states. In other words, the wealthy blues are more insulated from their poor neighbors in states like Connecticut than in states like Mississippi.

“While income inequality, measured between persons or households, is higher in Mississippi than in Connecticut, *spatial segregation* is greater in Connecticut. That is, in Mississippi, rich and poor tend to live quite near each other, inside the same towns, counties and school districts, while in Connecticut, which is a well-known mosaic of wealthy and working-class towns, they don’t,” they write.

“And that means that in *local* politics, at least, Connecticut’s rich and the poor are often not in direct

political conflict. They don't live in the same towns, sit on the same school boards, argue quite so much over zoning or local property taxes. So conflicts rooted in class (and also in race) tend to be muted. None of this makes it easier for the poor to be Republican. But it does make it a bit easier for the well-to-do to be Democrats; it weakens their class politics, at least at the national level."

As evidence, Galbraith and Hale point out that the majority of the least spatial-segregated states (South Dakota, North Dakota, Montana, West Virginia, Kentucky, Iowa, Vermont, Mississippi, Nebraska, Arkansas, Oklahoma, Wyoming, Louisiana, Idaho, Maine, Alabama and Alaska) mostly vote Republican.

Conversely, they say, the most spatially-segregated states (New York, Connecticut, Massachusetts, California, New Jersey, Maryland, Washington, Virginia, Pennsylvania, Illinois, Florida, Hawaii, Arizona, Minnesota and Delaware) mostly vote Democratic.

The authors also point out that the rich and poor are the most geo-polarized in the most populous states, which should give the Democrats an Electoral College advantage. "While the fifteen most geo-polarized states have 253 electoral votes," they write, "the seventeen least polarized states have only 86."

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