
Can't win for losing

By Editor Test Thu, May 23, 2013

Venturing into the sensitive area of ethnicity, Prudential documents a need for dramatic improvement in the financial circumstances of the average African American.

Prudential Financial's newly released [2013-2014 African American Financial Experience](#) study shows that many African Americans are experiencing financial pain. The results of the study suggest the old expression, "can't win for losing," describes the predicament of many in the black community.

African Americans are significantly more likely to have debt (94%) than the general population (82%). Credit card debt, student loan debt, and personal loans are all significantly higher in the African American community. College-educated African Americans report student loan debt at a ratio of nearly 2:1 compared with all college-educated Americans.

If the Social Security claiming age were raised, African Americans would be disproportionately hurt, the findings suggest. The average retirement age for African Americans is 56, or three years lower than the U.S. average.

Averages can be misleading, of course, and they undoubtedly obscure the successes of many black Americans. "Approximately 4 in 10 households surveyed have annual incomes of at least \$75,000, and nearly a quarter earn \$100,000 or more. Half of African Americans surveyed said they feel better off financially than a year ago, while only 19% say they feel worse," said Charles Lowrey, Prudential's chief operating officer, U.S. businesses.

Defensive, not aggressive

The African-American financial stance is more defensive than aggressive, the study showed. The U.S. economy has disproportionately enriched owners of stocks, bonds and mutual funds over the past 30 years, while reducing opportunities for blue-collar workers, but relatively few African Americans own IRAs, mutual funds, stocks or bonds, according to the study.

The study indicated that the African American financial experience is largely defined by

- Family-oriented priorities and goals
- Greater ownership of protection-oriented financial products
- Greater reliance on faith-based organizations for financial education
- Financial decisions driven by women
- Earlier retirement

Across all levels of affluence, African Americans are 13% less likely than the general population to have been contacted by a financial advisor. Half of African Americans surveyed say an advisor could improve their financial decisions, only 19% say they have a financial advisor.

“While the general population’s financial confidence is driven largely by level of asset accumulation and macroeconomic factors, African Americans’ financial confidence is shaped by a broader and balanced array of factors, including life insurance protection, level of debt and expenses, and health care costs,” Prudential said. The study also found that:

- African Americans own insurance products, such as life and disability, at equal or greater rates compared to the general population, but are about half as likely as the general population to own investment products, such as IRAs, mutual funds, stocks and bonds.
- African Americans’ priorities are “adequately protecting loved ones, leaving an inheritance and funding education,” said Sharon Taylor, senior vice president and head of human resources at Prudential.
- African Americans are more likely to live in multi-generational and female-headed households, and to be financially responsible for supporting other family members. Of those surveyed, 57% provide financial support to another family member. African Americans are twice as likely as the general population to be providing financial support to unemployed friends and family.
- Student loan debt also was reported as a significant obstacle to wealth building for African Americans. College-educated African Americans are twice as likely to have student loan debt.
- While nearly half of African Americans say they have a 401(k) or other workplace retirement plan, and 8 in 10 of those currently eligible are contributing, African Americans’ balances within employer plans are less than half those of the general population’s, in part due to loans and withdrawals. Three in 10 have taken loans from their plan, citing the need to repay other debt.

The study is based on a March 2013 poll of 1,153 Americans who identify as African American or Black and 471 general population Americans on a broad range of financial topics. Respondents are age 25-70, with a household income of \$25,000 or more and some involvement in household financial decisions.

Among those meeting the survey criterion of \$25,000 or more in household income, the median household income was \$61,000. The overall margin of sampling error is +/- 5% for African Americans and +/- 6% for the general population.

The 2013-14 African American Financial Experience is Prudential’s second assessment of financial trends and attitudes in the African American community. As in the inaugural survey, only about a quarter of African Americans feel any financial services company has effectively shown support to the community.