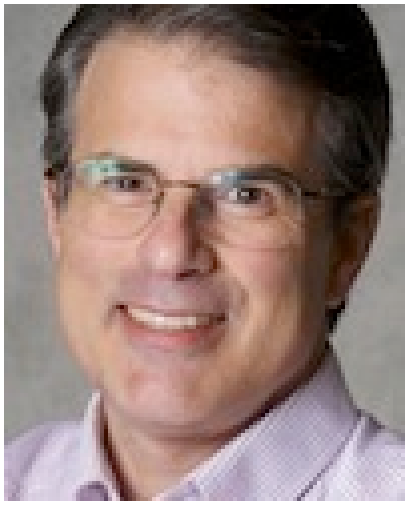
Why So Many Blacks in Financial Ads?

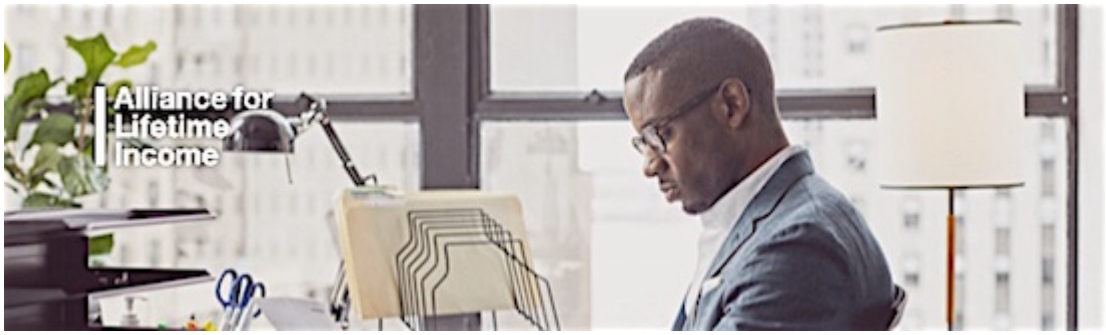
By Kerry Pechter *Wed, Mar 13, 2019*

The presence of blacks in financial ads may be increasing because news coverage of the financial crisis among blacks has increased. Only the people who commission or create the ads would know for sure.



Considering how frequently black actors and biracial couples appear in television and print advertising for financial products and services, a visitor to Earth from a distant galaxy might conclude that black Americans account for a significant portion of America's moneyed class.

To cite one recent example: the Alliance for Lifetime Income, which mainly promotes deferred variable annuities with lifetime income riders, recently sent me an email illustrated by a photo of a young black advisor working at a desk in a New York office tower. There's nothing wrong with referencing black advisors, but they represent less than four percent of America's advisor corps and the Alliance's target market is presumably affluent older whites. (See below.)



Since black Americans are, on average, worse-off financially than white Americans, you have to wonder why they're overrepresented in ads. Despite ample reporting on the emergency in savings rates among blacks in recent years, the number of black actors appearing in financial ads seems to have increased. Casting decisions for major ads are never accidental, so there must be an explanation. So far, I haven't found it.

It bears repeating: There's a Grand Canyon-sized gap between image and reality with respect to finances of black people in the US. According to the Federal Reserve's Survey of Consumer Finances (SCF), median income in 2016 was $61,200 for white households but

only $35,400 for blacks. Black families' median net worth was less than 15% that of whites ($17,600 vs. $138,200).

In 2016, median non-Hispanic white net worth ($171,000) was *ten times* median black net worth ($17,000), according to the Tax Policy Center. According to the book, *Financial Capability and Asset Holding in Later Life: A Life Course Perspective* (Oxford, 2012), 70% of African Americans had saved less than $25,000 (compared to about 50% for all workers) and only 4% had saved more than $250,000, compared to 14% for all savers.

Only 9.4% of non-Hispanic African Americans had assets in an annuity or IRA, compared to 46% for non-Hispanic whites, according to the same source. In 2009, data showed that African Americans had median net worth of $37,100 if a home was included in the calculation and $5,000 if it was not. (From a **chapter** by Trina R. Williams Shanks and Wilhelmina A. Leigh.)

Industry studies

Two recent surveys by members of the retirement industry, one by New York Life and the other by LIMRA Secure Retirement Institute (SRI), approach the black/white differential through factors other than income or wealth and present their own pictures of the situation. (Prudential has also studied the African American retirement experience in depth.)

New York Life's Life Insurance Gap study, reported a week ago, shows that African Americans report "more financial stress than the overall population." According to the study, half of African Americans say that planning for the future causes a "high degree of stress," versus 44% of all US adults. Three in 10 (31%) African Americans report not feeling financially secure, versus two in 10 (21%) overall.

Half of African Americans say "having enough saved" is a stressor, versus 42% of all adults; 42% of African Americans are concerned about debt levels versus 30% of all adults; 46% of African Americans report being concerned about maintaining their current income versus 34% of all adults.

Despite higher financial stress, African Americans are more likely to seek out expert guidance, with nearly 80% saying they would consider seeking professional help from a financial advisor. Of those who already work with an advisor, 65% say they meet with their advisors more than once per year, versus 49% of all US adults.

LIMRA SRI

LIMRA SRI's recent survey of black American showed that black Americans are less likely than the general U.S. population to work with a financial advisor (33% versus 37%), and that black Americans who do have financial advisors are less likely to consult their advisors before making financial decisions about retirement.

In general, according to LIMRA SRI, black Americans are more likely to consult immediate family members for financial advice. Financial advisors who want to increase their ethnic clientele should therefore include the entire household in the formal planning process for retirement.

LIMRA's report, "Black Americans and Retirement Planning: Bridging the Advice Gap," shows that black Americans prefer working with financial advisors who are involved in their communities and who have worked with ethnic minorities. Four in ten black Americans feel they don't have enough money to work with a financial advisor.

Black American pre-retirees are less likely than other pre-retirees to have completed key retirement planning activities, such as calculating the amount of assets they'd have available to spend in retirement (29% versus 44% for the general population) or developing a specific plan or strategy for generating income from retirement savings (15% versus 28%). Prior LIMRA SRI research has found that pre-retirees who complete these activities are more confident in their retirement outcomes.

Sixty percent of black Americans own life insurance versus 59% of all Americans, according to the 2018 Barometer Insurance study. That study found that there was no difference (both 68%) between black Americans and all Americans when identifying with the sentence, "I personally need life insurance."

LIMRA data also shows that black Americans own life insurance for the same top three reasons that all Americans do: to cover burial and other final expenses, to replace lost wages of a deceased wage earner, or to transfer wealth at death.

According to the New York Life study, nearly 80% of African Americans rank having life insurance as a priority financial goal, versus just 63% of all adults, and 93% say it helps future generations succeed.

African Americans told New York Life they purchase life insurance for these reasons:

- 83% view it as a key way to take care of their families
- 68% want their life insurance proceeds to pay for a child's college education
- 37% percent intend to leave a legacy
- 28% use life insurance to transfer wealth

Many whites, anecdotally and in the media, blame low incomes and low wealth accumulation among blacks on a lack of saving or frugality—that is, on personal rather than social factors. A retirement industry executive once told me that if poor people paid more in taxes, instead of simply "taking" from tax-paying "makers," then they might feel more of a stake in American society and would work harder.

From a Northwestern Mutual ad

That's easy to assume, especially if you don't know any poor Americans. It's a lot than easier than trying to understand why blacks have so little income or wealth. A presentation by University of Georgia Law School professor Mehrsa Baradaran at last December's "Money as a Democratic Medium" conference at Harvard Law School, shed a lot of sunshine on that topic.

Black Americans as a group, she demonstrated with ample documentation, have since 1865 been systematically denied access to mortgage loans and low-cost credit, to union jobs (outside of public services), to good schools, to infrastructure spending in their neighborhoods, to the ballot box and to equal treatment in the criminal justice system.

So, if all or even most of this research is true, then why do we see such a predominance of black actors (and biracial couples and families) in financial services ads—and in most TV ads? Maybe, as some have suggested, advertisers believe that white audiences will infer that where blacks can succeed, whites can succeed. Or maybe advertisers are sincerely

trying to reach an untapped black audience. Or perhaps advertisers simply intend to reflect a changing world, one in which an event like the marriage of Meghan Markle and Prince Harry is commonplace.

Based on the incongruity between appearance and reality (in terms of wealth), I suspect that placing black actors in financial ads is an inoculation against the inquiries or accusations of racism that would likely follow if blacks were represented in ads only in proportion to their actual numbers within the financial services target market. The presence of blacks in financial ads may be increasing *because* news coverage of the financial gap between the races has increased. Only the people who commission or create the ads would know for sure.

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