

Reaching Low Income Minorities on Real Finances

Key Findings: A Nationwide Survey of 1260 low income minorities
by brilliant corners Research & Strategies

Presented by Cornell Belcher and Daniel Martin

Methodology

- Focus groups conducted among low income minorities
 - African Americans in PG County, MD, Feb 20th, 2014
 - Hispanics in San Francisco, CA, Mar 18th, 2014
 - Asians in San Francisco, CA, Mar 19th, 2014
- Nationwide survey of 1260 low income minorities* conducted May 13th - June 4th, 2014
- Interviews conducted via telephone: 71% land line, 29% cell phone use
- Data weighted to match demographics of census data
- Margin of error is +/- 2.76%

* All sample drawn from self-reported under \$50k or using median income data from the census. During survey, 80% of respondents reported incomes under \$60k or refused the question.

Key Findings

- In the fifth year of the recovery, low-income minorities – the demographic that suffered the most severely in the Great Recession -- are struggling to build assets that would give them a measure of economic security. Whatever recovery has taken place has not substantially improved the financial outlook for African-Americans, Asian Americans and Latinos who work low-wage jobs or are in careers that don't provide steady, predictable employment. Pluralities of these communities say they are falling behind with no clear sense that things are getting better for them economically.
- The challenge of living paycheck to paycheck means they often lack the resources to meet common but unpredictable emergencies, such as a sudden illness or car repair. And when they do fall into economic trouble, they are more likely to look to friends and family than financial institutions for help. Indeed, traditional financial vehicles are failing to reach many of these Americans as a staggering 43 percent of low-income minorities with only a high school degree and 40 percent of Black men under 50 say they don't even have a bank account.

Key Findings

- Similarly, they are not using the resources of established financial institutions to build assets needed to achieve critical elements of the American Dream. Preparing for retirement is one of the things they are most uncertain, and a majority feel they aren't saving enough. Fifty (50) percent say they put little to nothing aside monthly into savings. Cost of living and unexpected emergencies are the primary hurdles to saving for these Americans.
- Unfortunately, they don't see things getting better for the next generation, either. A majority feel children these day are even worse prepared than they were to handle everyday finances and build economic security. And despite having strong community ties in other areas of their lives, such as churches, these individuals don't feel comfortable reaching out to their communities for financial help. They are not talking to one another and do not have the same support groups financially that they have for other issues or hardships.

Key Findings

- Many of these individuals feel like the American Dream is already beyond their reach, so appeals for building assets based on aspirations such as planning for retirement, saving for a house, or even paying for college or vocational school may not be effective. Outreach strategies and messaging need to be more immediate and more sympathetic. Connecting asset building to goals such as getting out of debt, the ability to not rely on friends or family for money, making every day living a little bit easier and reducing stress are likely to have greater appeal.
- While experience and habits have hardened these adults, they are not lost to us. They can be engaged as teachers of experience within their communities. The real targets need to be young adults and teenagers who are either still learning or will soon be raising their own children. That's the weakest link in the chain.
- Best avenues for engagement will be via local banks, schools and churches already within the community, with a focus on making it easier for the next generation by not making them repeat the mistakes of their elders. Arguments that meet them where they are on a values plan work best. Making it about their responsibility to better prepare the next generation with a refrain steeped in the quintessential American idea of *through hard work and faith* they can overcome.

Community breakdown

“Your problems are yours and you need to share them yourself”

-Hispanic male

“Sometimes you have to tell people that you’re doing bad and you’re not actually doing bad.”

-African American female

“It’s none of their business”

-African American female

The American Dream

The Dream is gone

“I’m living my American Dream, I work 7 days a week”

-Hispanic male

“I kind of gave up on it”

-Asian female

“It’s more difficult to obtain now. When you think what is the American Dream... some people having a nice house and all this other kind of stuff. But how are you going to obtain that dream especially when things are so far out of reach?”

-Asian male

The Dream is gone

“I think the American Dream is a myth, it’s never existed”

-Asian female

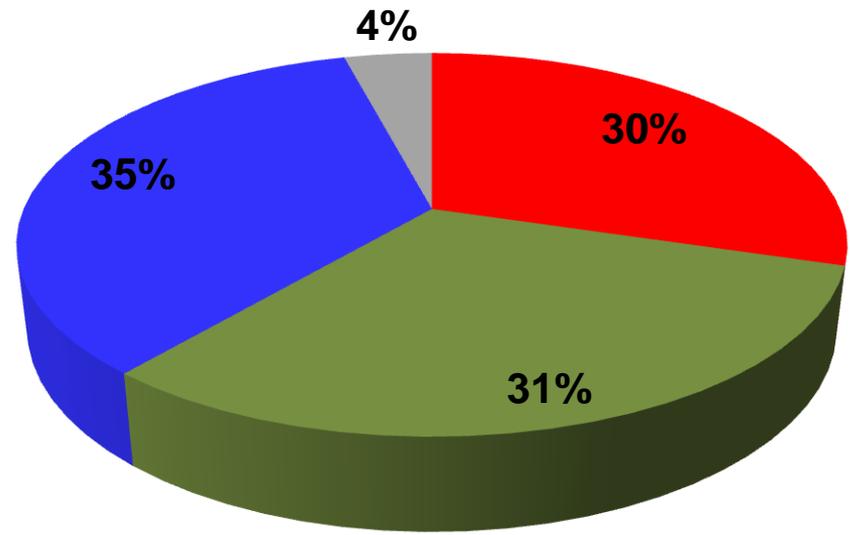
“Trying to stay afloat and not just feel like oh my goodness I’m just paying bills and I’m not going anywhere I feel like I’m on a treadmill.”

-African American female

“To me there is no American Dream, I just want to be successful, take care of my kids and family, but I don’t call it a dream... reality, that’s what it is, I don’t deal with dreams”

-African American male

Direction of the national economy



■ Getting worse
 ■ Staying the same
 ■ Improving
 ■ DK/Ref

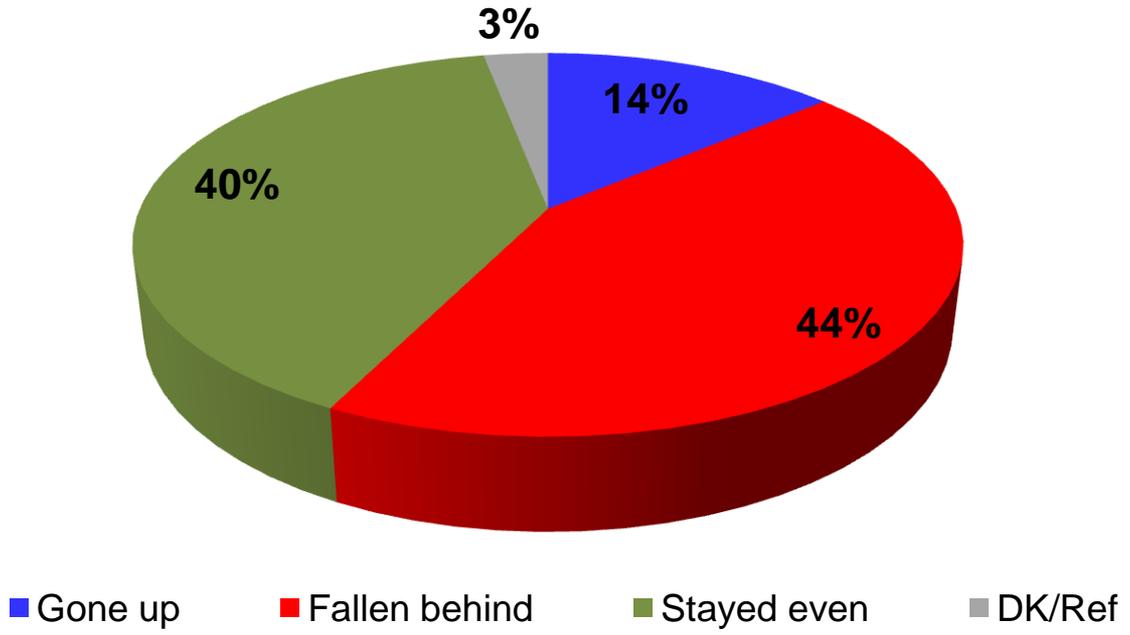
	Total	Black	Hispanic	Asian
Getting worse	30%	26%	34%	24%
Staying the same	31%	30%	31%	37%
Improving	35%	39%	30%	37%

Q: Generally speaking would you say the national economy is getting worse, staying about the same, or beginning to improve?



Wage stagnation

Q: Over the last year or so, would you say you and your household's wages or income has gone up more than the cost of living, fallen behind, or stayed about even with the cost of living?

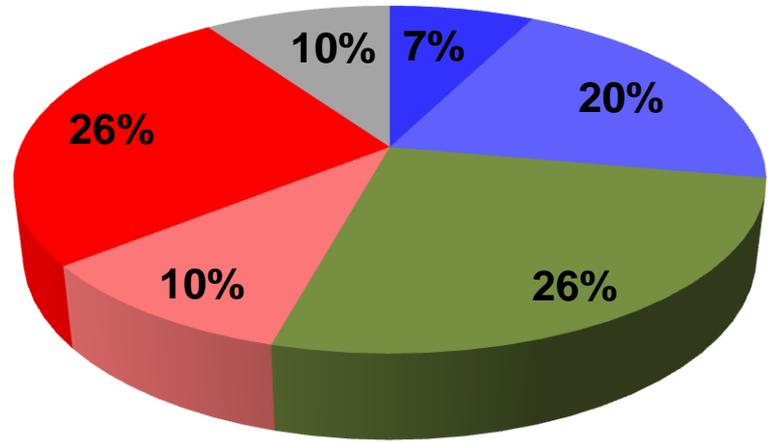


	Total	Black	Hispanic	Asian
Gone up	14%	16%	11%	17%
Fallen behind	44%	42%	44%	44%
Stayed even	40%	39%	41%	35%



Last increase in wages?

Q: And when would you say the last time was that your wages or salary increased?



- In the past month
- In the last 6 months
- In the last year
- In the last 2 years
- More than 2 years ago
- DK/Ref

	Total	Black	Hispanic	Asian
Within the last year	54%	53%	56%	54%
More than a year ago	36%	37%	36%	35%



Personal Finances

Security and Borrowing

“Financially secure? When you don’t have to borrow from nobody else, you can borrow from your savings account.”

-African American female

“I gotta rob Peter to pay Paul...”

-African American female

“Financially secure for me would be debt free for one. It would also be having a nice savings, a job that would be there for me regardless... healthcare taken care of.”

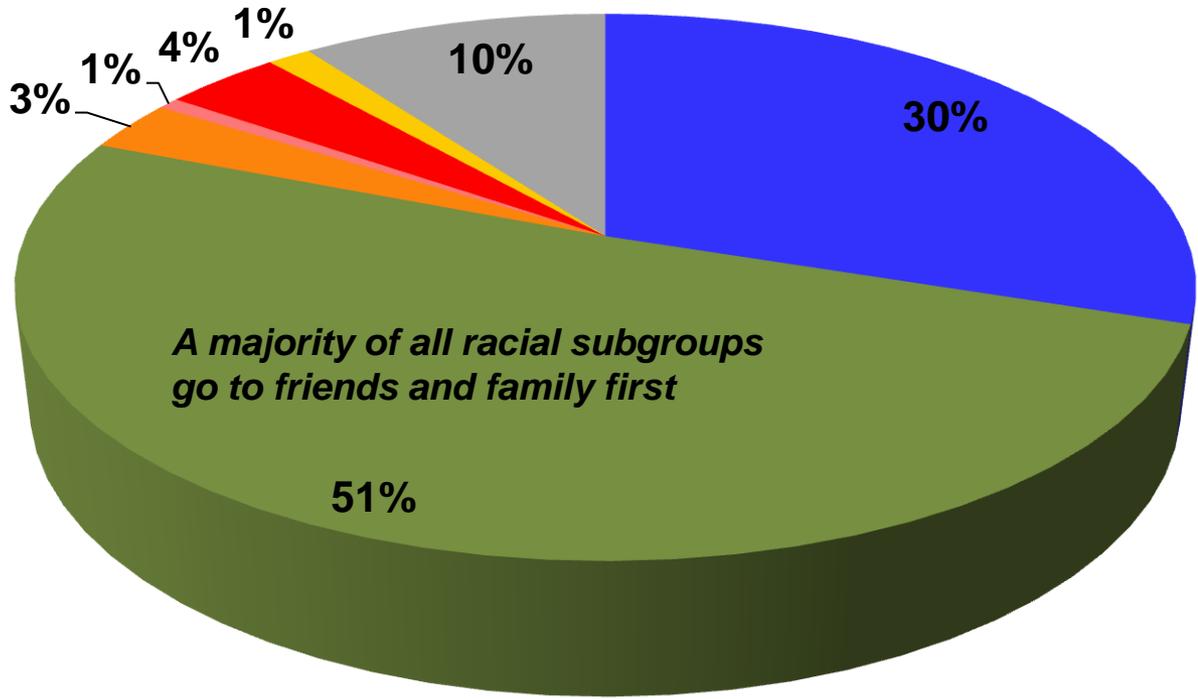
-African American male

“We need financial security to have access to good doctors, education, live in a nice neighborhood”

-Hispanic male

Where to get help in a bind

Q: If you or your family gets into a financial bind, where are you most likely to go for help?

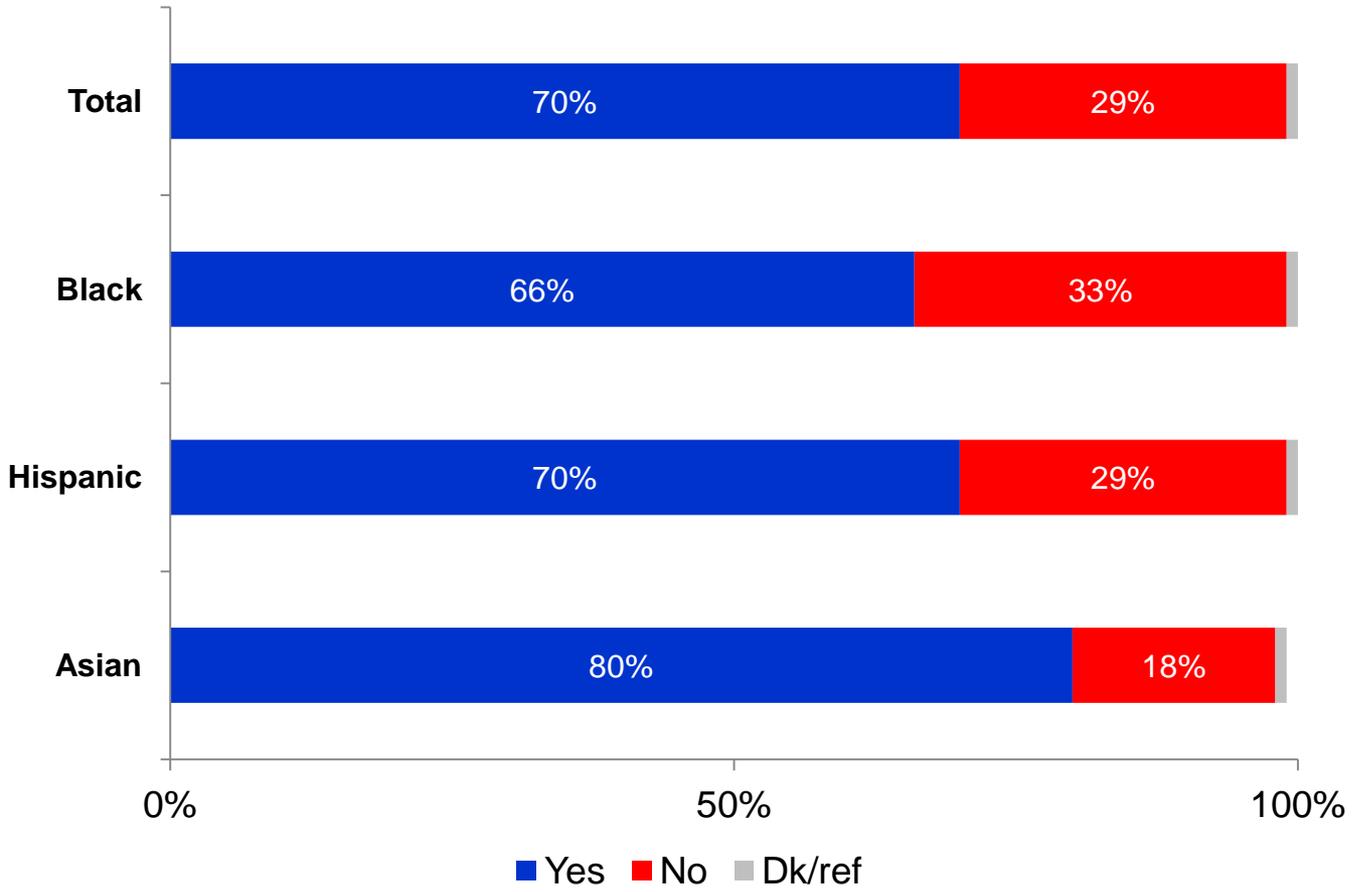


- Bank or credit union
- Check cashing services
- DK/Ref
- Friends or family
- Pawn shops
- Payday lender
- Car title lenders



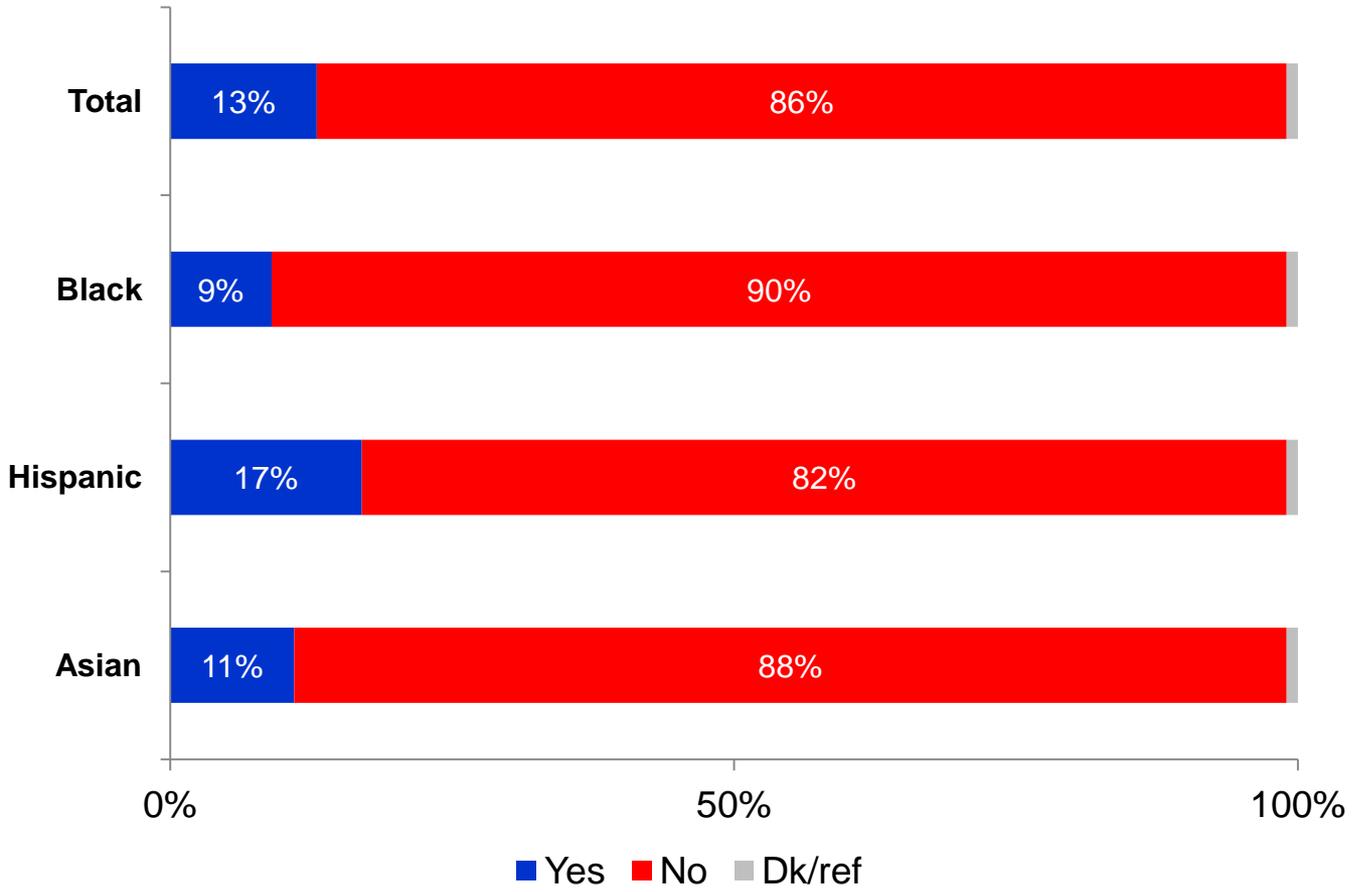
Bank accounts

Q: Do you currently have any form of bank account at a bank or credit union in your community?



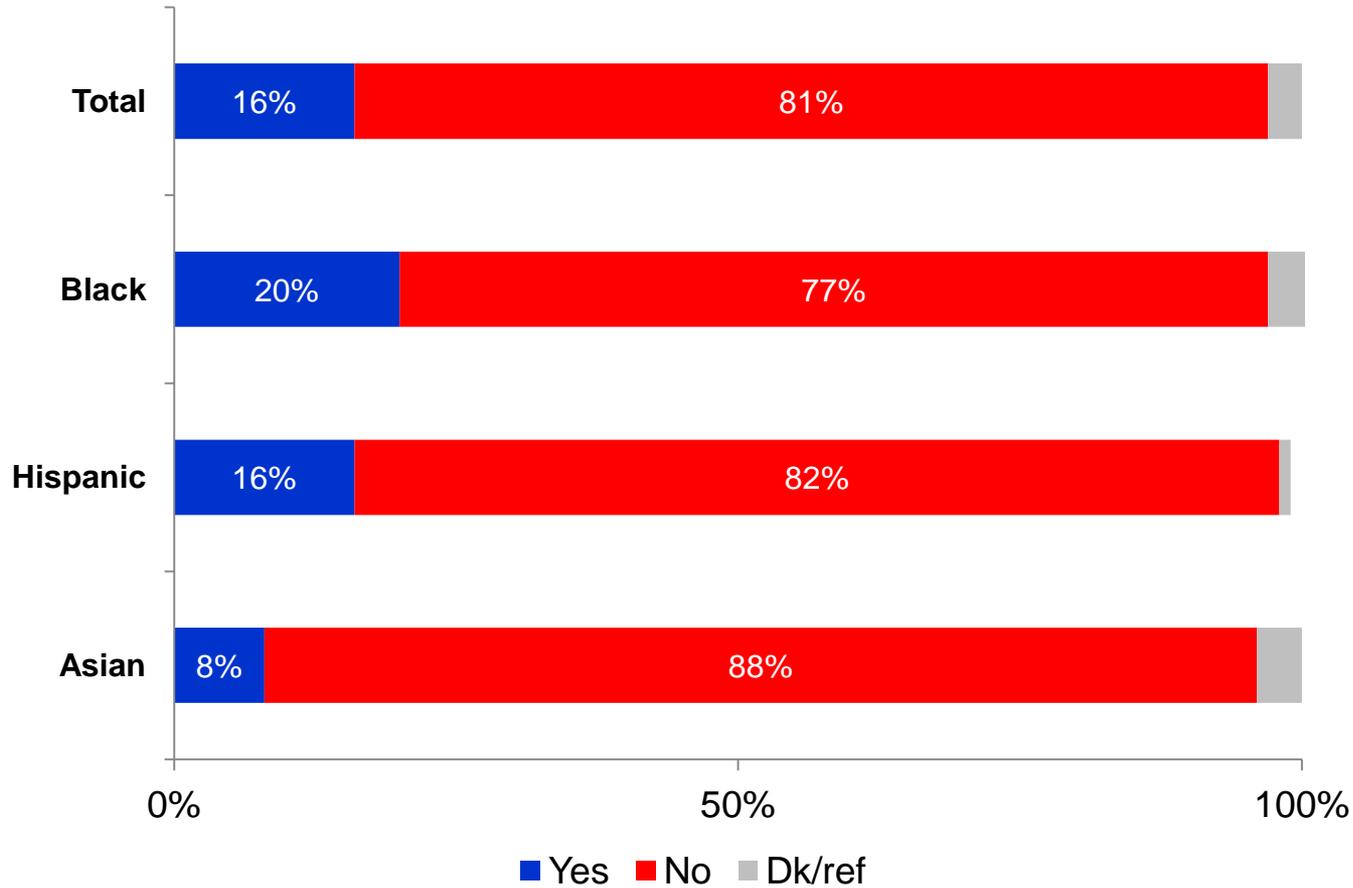
Non banking financial services

Q: In the past twelve months, have you used any businesses in your community for financial services aside from a bank or credit union?



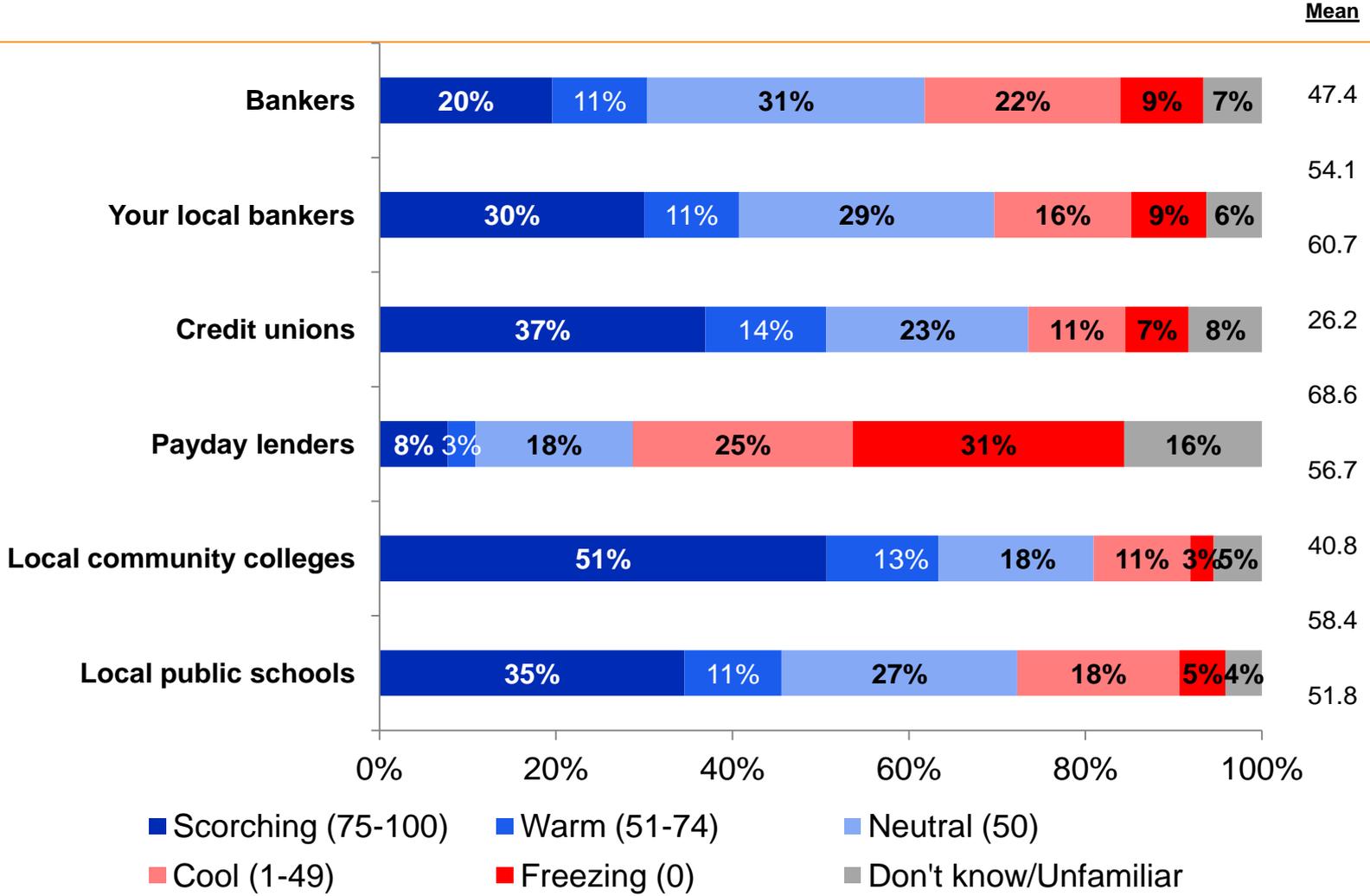
Predatory lending

Q: And have you or your family ever experienced predatory lending before when in need of financial help?



Favorability of people and organizations

Q: Now, I'd like you to rate your feelings toward some people and organizations using a scale from zero to one hundred, on which a "100" means that you feel VERY WARM and FAVORABLE toward that person, a "0" means that you feel VERY COLD and UNFAVORABLE, and a "50" means that you do not feel particularly warm or cold. You may use any number from zero to one hundred, depending on how you feel.



Savings

Savings

“I started a savings account, but the next two days I needed my money back”

-African American female

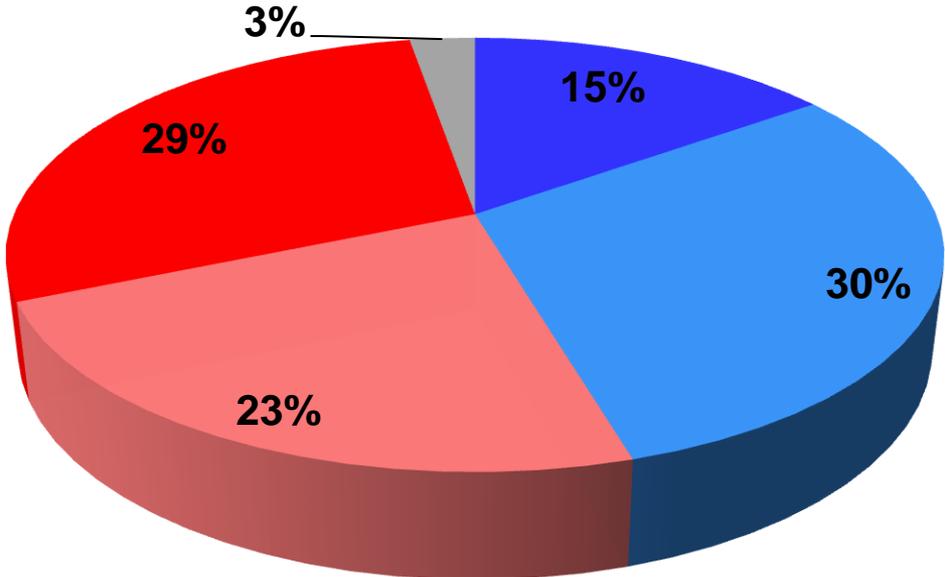
“I live for today, I can't really live for 20 years from now because I don't know what five years or one year is gonna bring. So to think about stashing money in the bank, maybe ten years ago or 20 years ago I could think about that”

-Asian male

“Almost no savings, because for instance I paid for my education through student loans so I have to pay those first”

-Hispanic male

Comfort level with savings



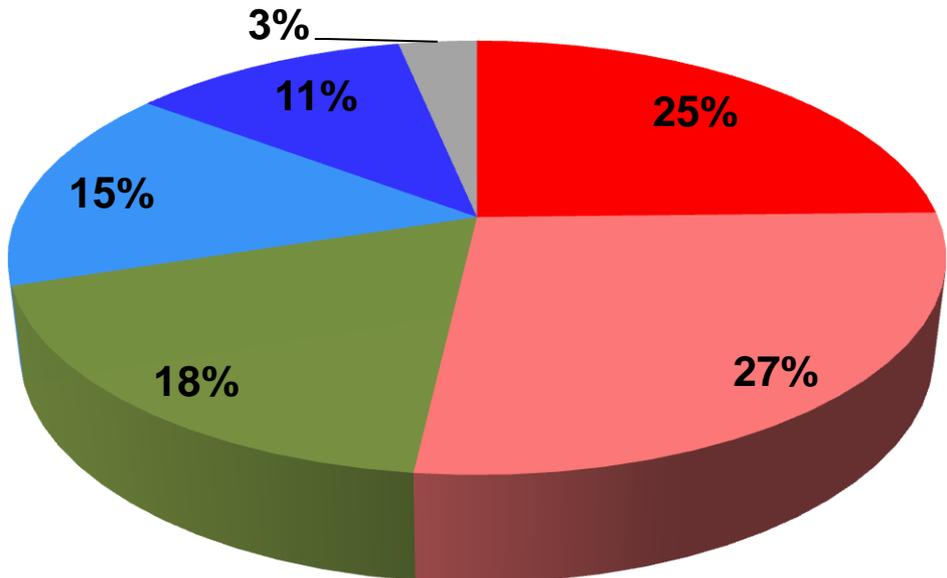
■ Very comfortable ■ Somewhat comfortable
■ Somewhat uncomfortable ■ Very uncomfortable
■ DK/Ref

Q: And would you say you are comfortable or uncomfortable with the total amount of savings you have now?

	Total	Black	Hispanic	Asian
More comfortable	45%	42%	45%	56%
Less comfortable	52%	56%	52%	41%



Average savings



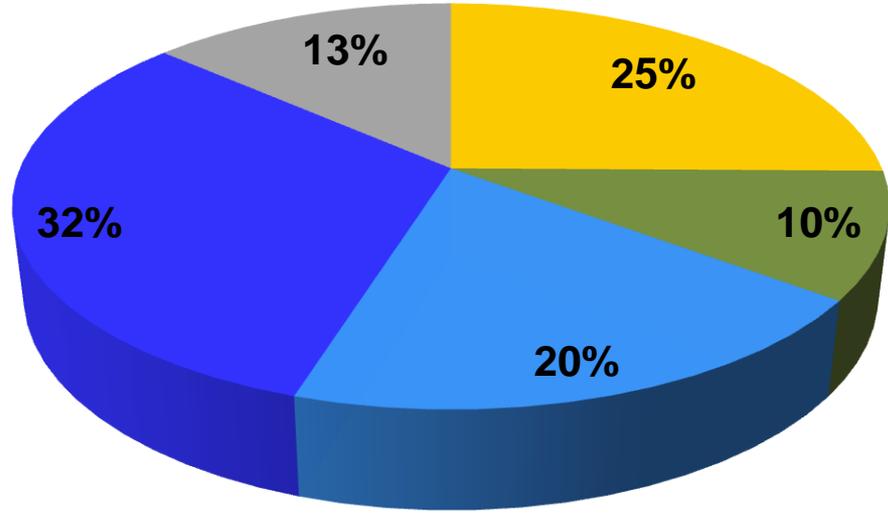
- Nothing
- Very little
- Around 5% or under \$100
- 5-10% or \$100-\$250
- More than 10% or over \$250
- DK/Ref

Q: Thinking about how much money you put aside each month into savings, on average would you say you save:

	Total	Black	Hispanic	Asian
Nothing/ very little	52%	53%	57%	32%
5% / \$100 or more	45%	44%	41%	62%



Ideal savings amount



- My current level is enough
- 5-10% or \$100-\$250
- DK/Ref
- Up to 5% or \$100
- More than 10% or \$250

Q: And regardless of how much you are saving now, do you feel that is enough? How much would you like to be saving each month, assuming your current income remains the same?

	Total	Black	Hispanic	Asian
Current is enough	52%	53%	57%	32%
5% / \$100 or less	10%	9%	12%	8%
More than 5% / \$100	51%	57%	48%	47%



Obstacles to saving

	Total	Black	Hispanic	Asian
• Cost of living expenses are too high	48%	42%	53%	45%
• Unexpected emergencies occurring too frequently	20%	25%	18%	8%
• Too much debt to pay off	15%	18%	12%	12%
• It's hard sticking to a budget	11%	11%	9%	15%
• Too easy to spend money on things I want	11%	9%	16%	4%
• It isn't enough money to worry about saving	9%	9%	8%	13%
• Not sure how to go about saving	4%	4%	4%	4%
• Don't know where to save my money	2%	2%	2%	1%
• (Other)	9%	7%	9%	13%
• DK/Ref	5%	4%	3%	9%

Q: Regardless of how you feel about your own personal savings, what do you believe are the biggest obstacles to you putting aside more money into savings?



Teachers of finance

	Taught respondent	Should be teaching today	Actually teaching today
Parents and family	36%	69%	52%
Teachers and school	8%	19%	16%
Personal experience/themselves	32%	3%	14%
Friends and the community	4%	2%	7%
Employers	2%	1%	2%
Government	6%	3%	3%
Banks	5%	1%	3%
DK/Ref	6%	2%	5%

Black and Hispanic responses were nearly identical, while Asians are more likely to learn at home or on their own and are also most likely to expect more from their schools.

Q: Thinking about money matters and finances, which of the following is most responsible for what you know and practice today?

Q: And who should be most responsible for teaching today's children ...?

Q: And who is doing most of the teaching to today's children ...?



Confidence with finance terms

• Balancing a checkbook	7.7
• How to save for a rainy day or unexpected emergencies	7.4
• How to create a monthly budget for you and your family	7.2
• How to avoid debt	7.2
• Managing and understanding credit	7.0
• How to save for major purchases, such as a car	6.8
• How to save for children's education	6.6
• What services are available to you at the bank	6.6
• How interest rates affect your money	6.4
• Preparing for retirement	5.9
• Investing your money	5.3
• How to start a business	4.3

African Americans mirror these overall numbers...

while Asians are more confident with nearly everything here

Hispanics trail in the "looking ahead" metrics

Q: A lot of the people we talk with express some uncertainty about different aspects of finances or banking. Now I'd like to ask you how comfortable you are in understanding some of these things. For each, I want you to rate on a scale of 0 to 10 how confident you are in understanding that thing.

Most important reasons to save



- Having a rainy day fund to protect against unexpected emergencies 8.7
- Just having less stress everyday 8.6
- More peace of mind that I can make it through each month 8.4
- Not having to ask people for money 8.4
- Contributing to family's financial security 8.4
- To prepare for retirement 8.4
- To pass something on to your children 8.3
- To pay for children's education 8.1
- Trying to buy a house 7.7
- Creating an abundance 7.2
- Preparing for a big purchase like a car 7.0
- Starting a business 5.9

These top 2 are weighed down slightly by the Asian sample but clearly most important reasons among black and Hispanics. Again we see the focus is less and more about getting by.

Hispanics also rated contributing to family very highly.

Asians are lower on nearly all of these, in part reflecting a better starting point for savings

Q: Now I'm going to read you a list of ways in which others have said saving money has helped them or made their lives better. For each, I want you to rate on a scale of 0 to 10 how important that would be to you personally as a reason to want more savings for yourself or your family.



Teaching our youth

Looking for financial education

“I think a lot of times in our families they don’t really go into detail about savings... a lot of these children it’s like fictitious to them, money, they don’t really understand the value of it or what they have to do to have a comfortable life.”

-African American male

“I worked at a program you had to take budgeting classes, that helped me a lot... Later I did volunteer work and we all talked about ways to save and they have financial coaching still”

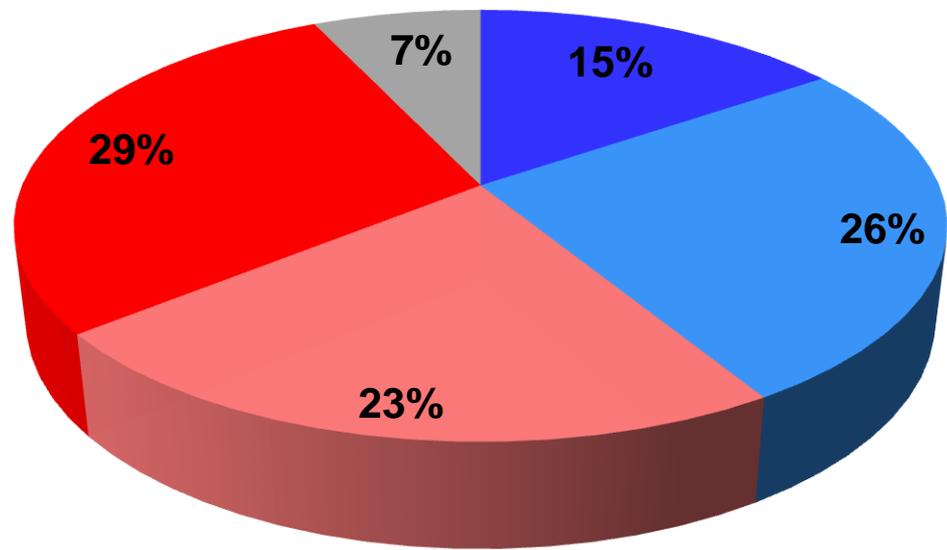
-Asian female

“I was about 14 and I got my first summer job, my Mom would say ‘Now you’re working, I know you want to go out like a teenager does and buy clothes or whatever, but this is your time to put a little something away in some savings...’”

-African American female

Preparation of youth in comparison to you

Q: And would you say children these days are being prepared better or worse than you were to manage their finances?



- Much better
- Somewhat better
- Somewhat worse
- Much worse
- DK/Ref

	Total	Black	Hispanic	Asian
Better	40%	43%	40%	34%
Worse	52%	52%	51%	59%



Most important things to teach youth

•Understanding the difference in wants and needs	32%
•Creating a budget and sticking to it	30%
•Having the discipline to not spend more than you earn	29%
•Staying out of debt	20%
•Putting aside money every month	17%
•Managing and understanding credit	14%
•Preparing for emergencies	8%
•Preparing for big purchases	3%
•Teaching them the value of a dollar	1%

40% of Asians chose discipline outright...

but the top 3 answers combine for the vast majority of responses and all point to teaching financial discipline to the next generation.

Q: What do you think are the most important things to teach children these days about money and how to manage finances?

Teach the children well

“Everybody’s wants and needs are different... Some people don’t need to smoke or drink, but a lot of people just don’t do things to save money... they don’t smoke, they don’t drink, they don’t go out, just to save the money to do the thing they want to do.”

-African American male

“It’s not like it used to be. Back in the day you had people that would like “this is how you do this, this is how you do that...” nobody’s really doing that now”

-African American female

“People need to realize there’s a difference in necessity and wanting something”

-Hispanic male

Arguments on teaching youth about money

Arguments, ranked by total

	Total	Black	Hispanic	Asian
[RESPONSIBILITY] To ensure a better future we must take greater responsibility today, both for our lives but especially for those who come after. We must teach our children the financial responsibility and discipline that we have learned the hard way to give them a chance to prove what we have always said - that through hard work and faith they can be anything.	9.1	9.1	9.2	8.6
[PRIORITIES] It's getting harder and harder today to teach children the difference between what they need and what they want. We need more positive influences in our community teaching that it's ok not to have the latest things if it means setting yourself up for a better tomorrow, but we need real education and real changes if it's going to make a difference.	8.8	9.1	8.9	7.9
[CYCLE] It's easy to make bad decisions or fall into a cycle of debt when money is stretched thin, and once you start it's much harder to get free of debt and above water. If we had understood the consequences of our actions when we were younger we could have avoided some of today's problems. That's why it's crucial we do a better job teaching today's youth about money and how to avoid the same mistakes we made.	8.8	8.8	8.8	8.9
[SCHOOL] Our schools may not always be preparing our children for the future as well as we would like, but one place they could really make a difference in preparing our children for the real world would be to teach basic financial literacy. Understanding how to make a budget, prepare for emergencies, and save for big purchases would empower our children to have a better chance in the real world.	8.8	9.0	8.8	8.1

Q: Now I am going to read a few statements made by people about how or why we should be doing more to teach today's children about money. Please rate each statement on a scale of 0 to 10, where 10 means you agree complete with that statement, 5 means you somewhat agree, and 0 means that you do not agree at all with that statement.



Arguments, cont'd

	Total	Black	Hispanic	Asian
[SOCIAL MOBILITY] Part of the American Dream is having the freedom to climb up the social ladder, if you are willing to work hard and make responsible choices. It's important for our youth to understand that regardless of their current circumstances, with the right planning, they can climb the ladder and create a better future for themselves.	8.6	8.7	8.6	8.5
[FAITH] We teach our children they can be anything through hard work and faith, but our faith tells us the borrower is servant to the lender so surely we must teach them that as well. Sometimes we can't avoid borrowing, but it is our responsibility to teach our children how money and credit works in this world, to prepare them to be financially responsible so they might create their own abundance and achieve their dreams without being shackled by debt.	8.6	8.9	8.6	8.0
[SCHOOL BANK] Our schools may not always be preparing our children for the future as well as we would like, but one place they could really make a difference in preparing our children for the real world would be to partner with local banks and begin to teach basic financial literacy. Understanding how to make a budget, prepare for emergencies, manage credit, and save for big purchases would empower our children to have a better chance in the real world.	8.5	8.7	8.4	7.9

Q: Now I am going to read a few statements made by people about how or why we should be doing more to teach today's children about money. Please rate each statement on a scale of 0 to 10, where 10 means you agree complete with that statement, 5 means you somewhat agree, and 0 means that you do not agree at all with that statement.

Arguments, cont'd

	Total	Black	Hispanic	Asian
[EXPERIENCE] It's true what they say, experience is the best teacher. But all too often, bad experiences teach valuable lessons too late to help. Too often we are caught up in the consequences of bad decisions made when we were too young to know any better, but if there had been anyone around back then to just pull us aside and explain how money works in the world we'd be better off today.	8.4	8.5	8.5	8.1
[BUS FAIR] There are businesses preying on our community because people do not have enough information to protect themselves or handle their money. Local businesses should be setting up neighborhood workshops to help educate people and establish relationships so that we have an ally instead of another business trying to take our money.	8.0	8.2	7.7	7.9
[BANK FAIR] There are businesses preying on our community because people do not have enough information to protect themselves or handle their money. Banks should be setting up neighborhood workshops to help educate people and establish relationships so that we have an ally instead of another business trying to take our money.	7.9	7.9	8.0	7.2

Q: Now I am going to read a few statements made by people about how or why we should be doing more to teach today's children about money. Please rate each statement on a scale of 0 to 10, where 10 means you agree complete with that statement, 5 means you somewhat agree, and 0 means that you do not agree at all with that statement.

Attitudes on Banks

Banks and Services

“You see all this stuff on the news and it’s like... do I stash something in the bank and then something happens and there goes all my hard work.”

-Asian male

“I tried to go through the bank... They said ‘ok let’s set something up for you where we can have a certain amount of money every month go into a savings account.’ After a while you just start looking back at it and... It’s been gobbled up already by something else”

-Asian male

“Just the fees they charge you from the bank itself”

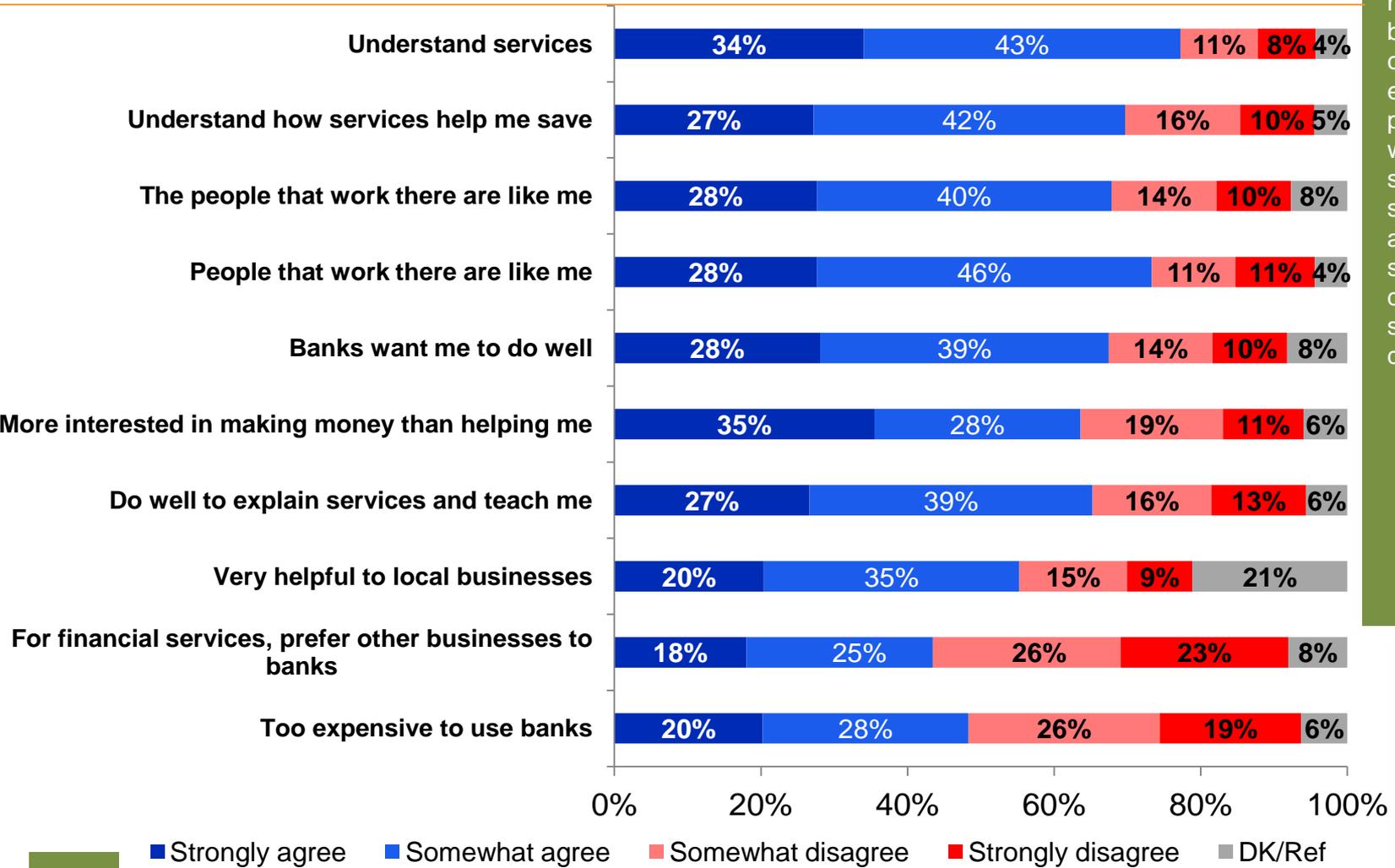
-Hispanic male

“It’s so scary to put your money into something that’s uncertain”

-Hispanic male

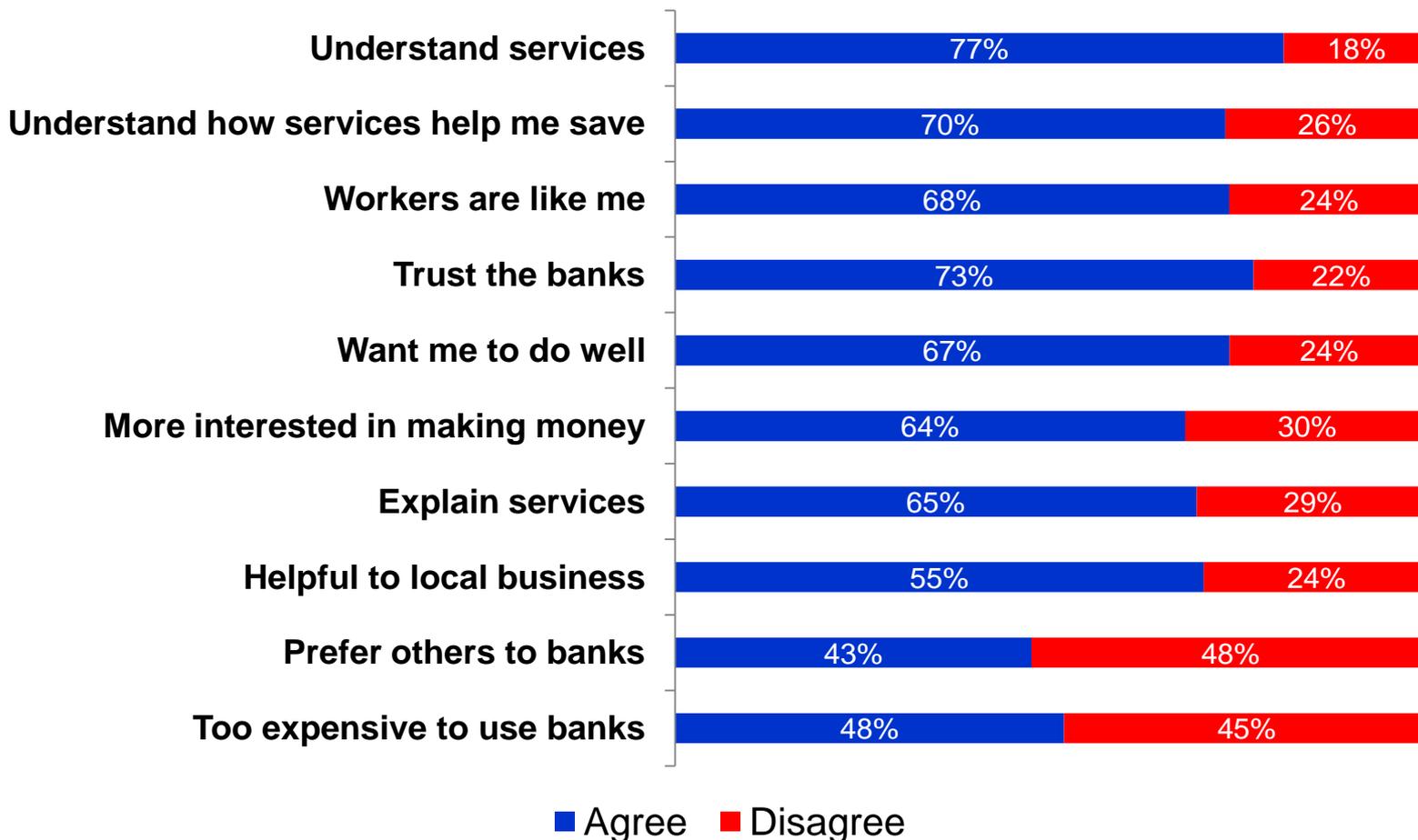
Banks in your community

Q: I'd like to read you some statements people have made about banks in your community. For each one, please tell me whether you strongly agree, somewhat agree, somewhat disagree, or strongly disagree.



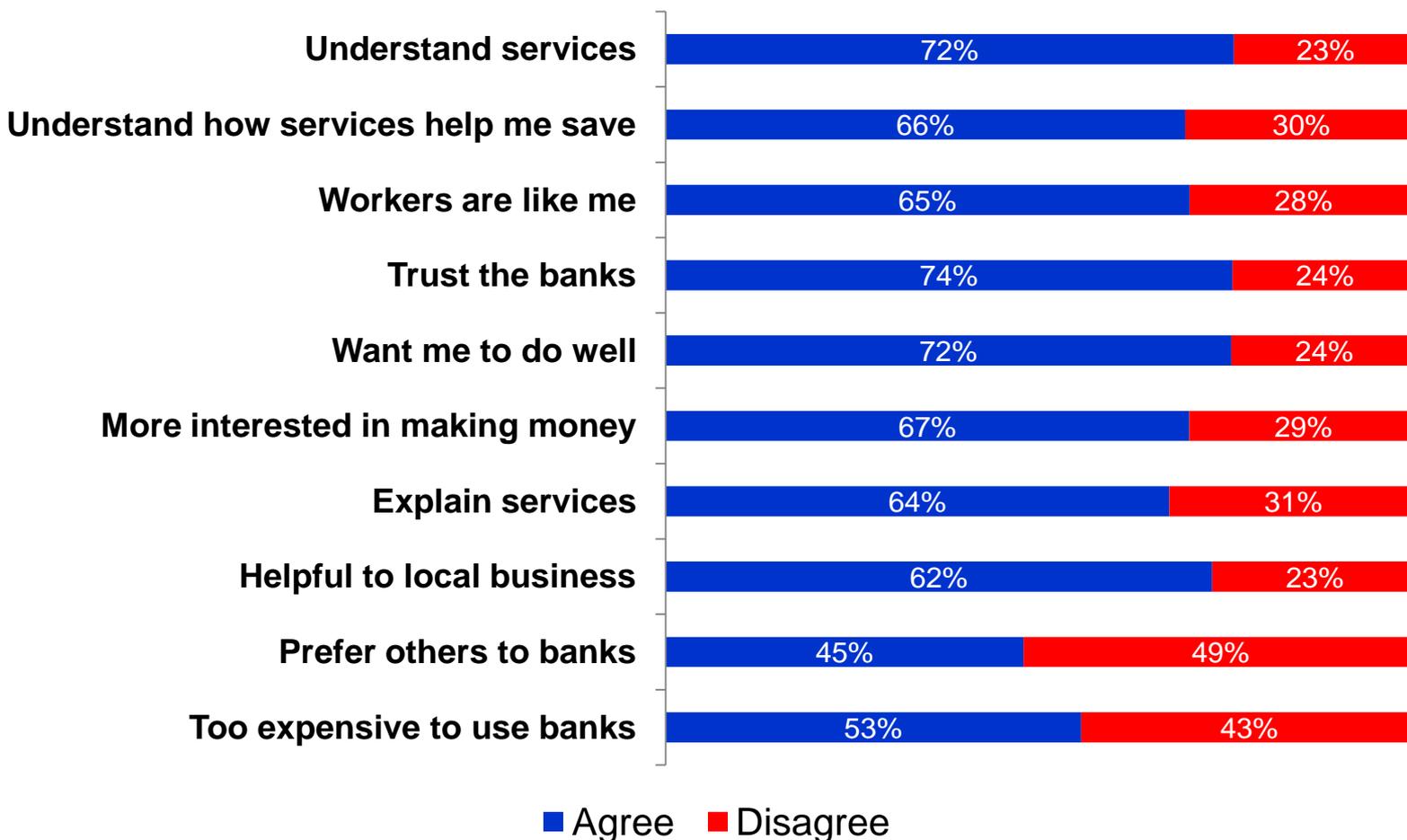
Banks in your community - Total

Q: I'd like to read you some statements people have made about banks in your community. For each one, please tell me whether you strongly agree, somewhat agree, somewhat disagree, or strongly disagree.



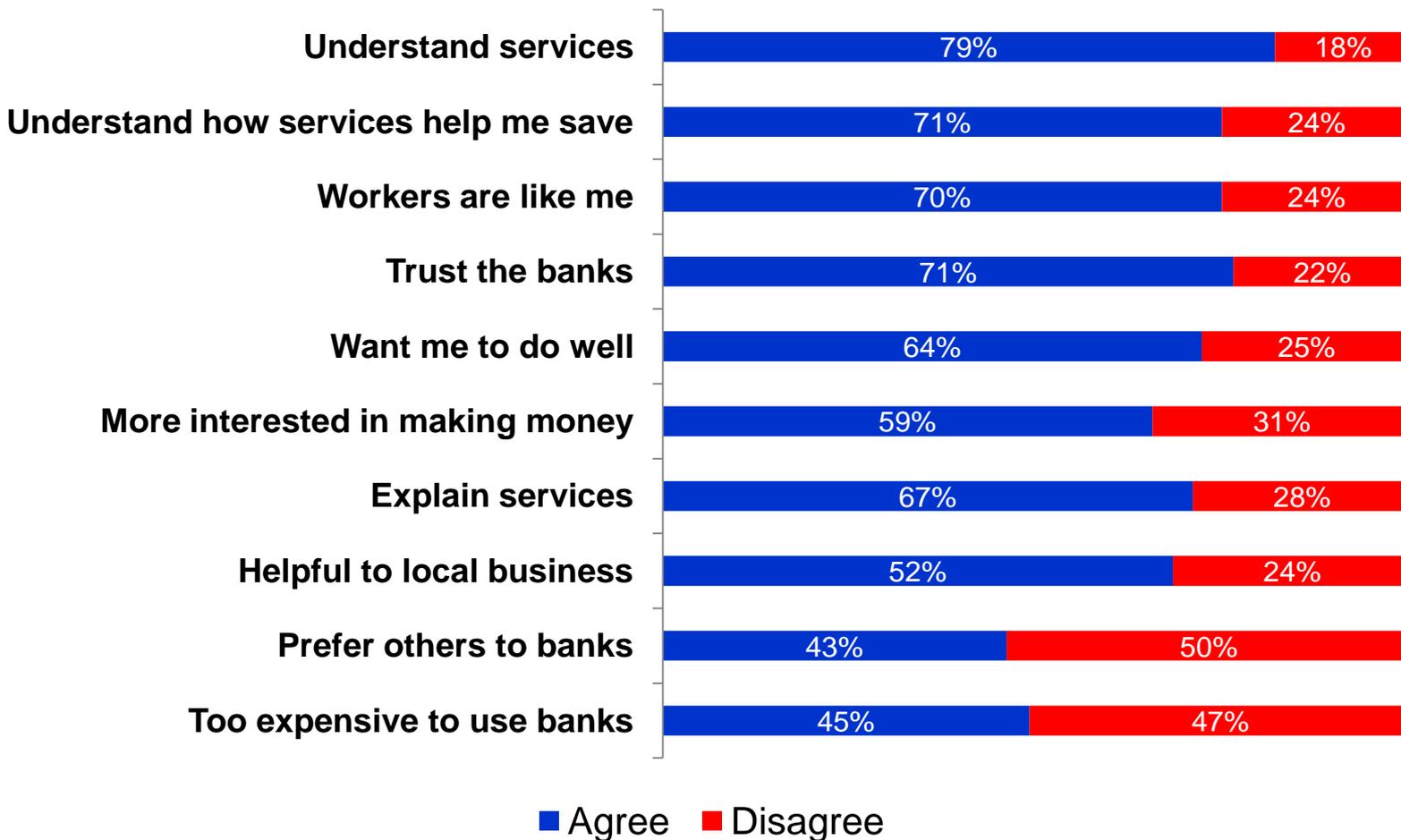
Banks in your community - Black

Q: I'd like to read you some statements people have made about banks in your community. For each one, please tell me whether you strongly agree, somewhat agree, somewhat disagree, or strongly disagree.



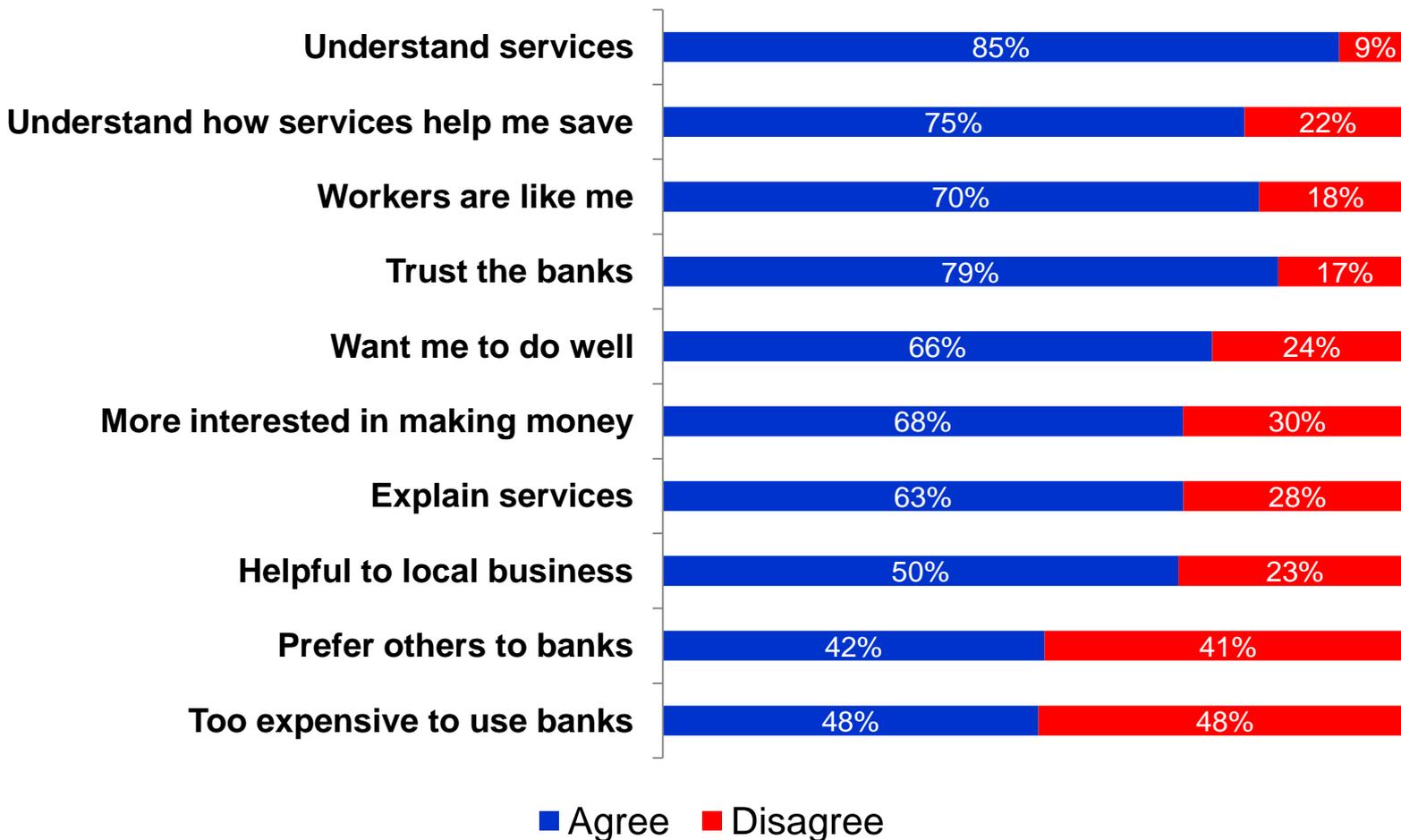
Banks in your community - Hispanic

Q: I'd like to read you some statements people have made about banks in your community. For each one, please tell me whether you strongly agree, somewhat agree, somewhat disagree, or strongly disagree.



Banks in your community - Asian

Q: I'd like to read you some statements people have made about banks in your community. For each one, please tell me whether you strongly agree, somewhat agree, somewhat disagree, or strongly disagree.



Moving Forward

- Messaging around financial literacy and asset building need not focus on the larger pictures of home ownership or retirement. For now, our target audiences face the more immediate challenges of being poor and getting by without a safety net in an economy that is still in recovery. This often means being unprepared for the daily emergencies that we all know to expect but which these people are struggling to prepare for. Managing that stress and getting past the point of borrowing from family and friends is their goal right now, and trying to talk about a bigger picture will likely come across as tone deaf.
- This has become a cycle that will require a significant effort to break. The idea of the next generation being better off, or an enduring hope for an American Dream are both lost here to the daily struggle. Another challenge here is the breakdown of traditional community ties when it comes to financial issues. People are not talking to or helping their neighbors the way they would with other issues, so there is an everyone for themselves mentality that is preventing any momentum for a larger change.

Moving Forward

- We should be looking to test a values based engagement in communities through local banks and churches (groups already present and trusted). Appealing to their sense of community and responsibility can engage them to better prepare the next generation. The challenge is really threefold:
 - **Restoring faith.** A lot of these people have given up on the idea of something bigger in lieu of just getting by. We must engage them and appeal to their sense of helping the next generation succeed to ensure that hard work and faith can lead to something. Rather than letting children make and learn from their own mistakes, let's utilize our own experience to help them forgo that and set them up from the start with a better chance to succeed. Give them a chance for hard work to pay off.
 - **More financial literacy.** There is a basic lack of understanding when it comes to both bank services and the options and offerings available to these communities. While many get it, many more either do not or are not taking advantage. And again, this cannot be a dry, policy driven, outcome oriented approach.
 - **More institutional engagement.** Local banks are broadly trusted but a majority aren't sure they are affordable as a financial service. There is a broad opportunity here for banks to engage on a larger, local level, with a view to both educating customers and growing their own base.