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After Hispanic Americans, African Americans who report one race constitute the largest ethnic minority group at 13.2 % of the US population (U.S. Census Bureau, 2014a). The Census Bureau records this category as “Black or African American race alone.” This quite possibly includes immigrant Blacks which could be problematic for studying other characteristics and behaviors of this group. Blacks could include immigrants of African ancestry socialized in other countries which may include African, Caribbean, Latin American, and even other Western countries all of which form a wide spectrum of economic and social norms (Thamer, Richard, Casebeer, & Ray, 1997). For example, most countries with majority black populations in the developing world are predominantly cash economies with thrifty societies. Another problem in examining previous research of African American finances is that because of low representation in national datasets, often African American respondents are combined with Hispanics and even other ethnic minorities to allow for statistically meaningful parallels with whites (Lee & Hanna, 2012). Therefore, issues affecting African Americans alone can be murky

and not fully understood. For the purpose of this review, the terms African Americans and blacks are used interchangeably driven by terms used by authors but take note of the lack of clear distinction.

Despite methodological challenges in consumer finance research, a body of literature does provide somewhat reliable evidence that on average African Americans lag in several consumer finance indicators versus not only whites but also other ethnic groups. The chapter focuses on core areas of consumer finance within the concept of financial capability. In public policy and the literature, financial capability refers to the ability to manage and control finances (Xiao, Chen, & Chen, 2014). Financial capability has also been described as comprising knowledge, skills, and confidence and attitudes, and measures have included objective and subjective indicators for financial knowledge, behaviors, and outcomes (Kempson, Collard, & Moore, 2005; Xiao, Chen, & Sun, 2015).

This chapter is therefore organized by aspects of financial capability and well-being, beginning with financial knowledge, followed by financial outcomes that cover different types of financial outcomes and behaviors, such as the black–white wealth gap, use of financial services, retirement saving, and self-perceived financial well-being measured by financial satisfaction. Before concluding the chapter, financial attitudes that influence the financial outcomes of African Americans are also presented. This review deliberately sam-

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pled research based on large datasets as well as qualitative inquiries to capture the full essence of financial issues of African Americans. It is important to identify not only patterns but also research gaps so that scholars can continue to adapt their approaches to gain a better understanding of African American finances. Therefore, some gaps are suggested to conclude the chapter.

Financial Knowledge

Historically and across all life stages, African Americans are less financially literate on average than whites (Lusardi, Schneider, & Tufano, 2011; Mandell, 2008; Robb & James, 2009). In the six Jump\$tart Coalition for Personal Finance high school biennial surveys between 1997 and 2008, which each included more than 50 questions, African Americans consistently scored lowest and whites highest of all races and ethnicities (Mandell, 2008). The average score on the 2008 Jump\$tart high school financial literacy quiz was only 48.3 % which was 10 points lower than 10 years earlier. College students scored 62 % on average in the college supplement added in 2008. Test scores were generally positively related to higher socioeconomic backgrounds, money management practices such as the use of ATM/debit cards and having a bank account highlighting the importance of financial knowledge to financial management and well-being.

Fifteen percent of the 2007–2008 National Longitudinal Survey of Youth (NLSY) sample were black young adults aged 23–28 years who scored lower than whites and Hispanics on a different measure of financial literacy (Lusardi, Mitchell, & Curto, 2010). Three well-known financial literacy questions covering compounding interest, inflation, and investment risk diversification have become the basis for such financial literacy studies globally (Lusardi et al., 2011). These questions were first used in a module of the 2004 Health and Retirement Study. Continual use includes the 2007–2008 NLSY, the 2009 and 2012 surveys of the Financial Industry Regulatory Authority's National Financial Capability Study

(NFCS), as well as surveys conducted in other countries.

Compared to whites, the 15 % blacks represented in the 2007–2008 NLSY scored 3 % lower on the interest question, 19 % lower on the inflation question, and 12 % lower on the investment diversification question (Lusardi et al., 2010). Hispanics, on the other hand, were lower in these scores by 7 %, 16 %, and 9 %, for each question respectively compared to whites, scoring slightly better than blacks on two of the three questions. Among 277 survey responses at a predominantly black university, blacks were still more likely to have lower levels of financial literacy (Murphy, 2005). This racial/ethnic disparity in financial knowledge is persistent across older age groups as corroborated in other research (Lusardi & Mitchell, 2007; Lusardi & Tufano, 2009; Lusardi, Mitchell, & Curto, 2014).

Upon further examination, there is evidence that racial or ethnic financial knowledge gaps are somewhat tempered by stronger influences such as parent's education and family sophistication indicators like education attainment and stock market participation (Lusardi et al., 2010). Mandell (2008) for instance reported that the small percentage of those who passed the 2006 Jump\$tart Coalition for Personal Financial Literacy were mostly white males whose parents had college degrees. In another study, neighborhood effects tied to zip code education levels were key influences on financial literacy while accounting for race and other demographic factors (Lachance, 2014).

The impact of financial education programs on population subgroups has been under scrutiny for just as many years as the focus on deploying them. It has been found, in some research, where positive effects of a financial education program on financial knowledge were experienced, the benefits were consistent across race (Walstad, Rebeck, & MacDonald, 2010). Others contend that for financial education programs to be more effective on knowledge and behavior there is a need to emphasize programming that is sensitive to the heterogeneity of target populations (Collins & O'Rourke 2010). Williams, Grizzell, & Burrell (2011) conducted an applied research case study

of financial education using a resource work booklet and supporting materials especially prepared for African Americans and Latin Americans. They concluded that in addition to coursework materials, financial education that is inclusive of one's social network of parents, peers, schools, and community including local financial services is crucial for increased financial knowledge and real world management. Others said important considerations should include sensitivity to race and ethnicity as well as removing experiential learning barriers such as limited access to financial services (Kindle, 2010; Schuchardt et al., 2009; Williams et al., 2011).

Financial Outcomes and Financial Well-Being

Wealth Gap

Racial disparities in financial literacy seem to also translate into disparities in financial outcomes (Hastings, Madrian, & Skimmyhorn, 2013). The notorious racial wealth gap between whites and blacks tripled in 2009 dollars from \$85,000 in 1984 to \$236,500 in 2009 (Shapiro, Meschede, & Osoro, 2013). Furthermore, more recent data from the Federal Reserve Board's Survey of Consumer Finances shows that since the Great Recession the gap has widened. During this period due largely to the stock market collapse and plunging home prices, the median net worth of all American households decreased by 39.4 % where blacks lost 33.7 % (Kochhar & Fry, 2014). Whites had 8 times the median wealth of black families in 2010 rising to 13 times in 2013. In 2007, white median wealth was \$192,500 compared to \$19,200 for blacks and in 2013, the median wealth of whites was \$141,900 compared to \$11,000 for blacks (Kochhar & Fry, 2014). These values were all expressed in 2013 dollars.

Data from the Panel Study of Income Dynamics of the same households from 1984 to 2009 revealed that the black–white wealth gap is primarily driven by income, college education, homeownership, unemployment, and intergener-

ational transfers. Years of homeownership accounted for 27 % of the growth in the wealth gap while 20 % was attributed to higher average family incomes among whites. Five percent of the wealth gap growth was attributed to more college degrees among whites, and another 5 % to more family financial support including inheritance (Shapiro et al., 2013).

Another study reports that between 2007 and 2010, blacks lost most of their wealth in retirement assets. Whites lost 11 % of their wealth compared to blacks who lost 31 % of their wealth (Mckernan, Ratcliffe, Steuerle, & Zhang, 2013). On average black retirement assets fell by 35 % attributed mostly to higher unemployment rates and other financial needs which increased the likelihood of withdrawals of retirement savings (Mckernan et al., 2013). The following sections discuss different wealth components that shed more light on the wealth gap.

Income, Consumption, Savings, and Debt

Incomes of African Americans and other non-white groups on average have historically remained much lower than the average income of whites (Bricker et al., 2014; Bricker, Kennickell, Moore, & Sabelhaus, 2012). African American household income growth has also exceeded that of whites since 1967 but the median adjusted African American income is 59.2 % that of whites (Desilver, 2013). The median income of blacks or African Americans was \$34,815 in 2013 dollars compared to \$57,684 for whites in the 2013 American Community Survey (U.S. Census Bureau 2014b, 2014c). In addition, 27.1 % of blacks or African Americans fall below the federal poverty line (US Census Bureau, 2014d).

In terms of consumption, blacks spend less on food and less on housing than their white peers (Betsey, 2014). They allocate larger proportions of their income for clothing. Although popular culture suggests higher conspicuous consumption among blacks compared to whites, the literature suggests that blacks spend more on

non-automobile transportation and less on automobile transportation (Betsey, 2014). Blacks own fewer automobiles and among comparable black and white auto owners, there is no difference in the value of automobiles owned, the price class of the cars, or the likelihood of new or used car ownership (Betsey, 2014).

In terms of saving habits, blacks are more likely to save irregularly or not save at all compared to whites (Fisher & Anong, 2012). Furthermore, African Americans are less likely to have checking or savings accounts and more likely to use check-cashing services for transactional services such as money orders for bill payments (Breitbach, 2013; Gross, Hogarth, & Schmeiser, 2012; Rhine, Greene, & Toussaint-Comeau, 2006). Blacks are more likely than any other ethnic minority group, including Hispanics, and foreign-born non-citizens, to be unbanked or underbanked (Federal Deposit Insurance Corporation, 2012). The underbanked are banked but also use high-cost alternative financial services (AFS). It was found that even among those who were previously banked, blacks had a 12.9 % higher likelihood of becoming unbanked compared to whites (Rhine & Greene, 2013). In recent years, prepaid debit cards targeting unbanked and low-income minorities particularly blacks have become more popular (Federal Deposit Insurance Corporation, 2014; Wagner, 2012).

Being unbanked negatively affects savings behavior and financial coping strategies. Those with a bank account are less likely to experience material hardship than those without an account (Lim, Livermore, & Davis, 2010). Contact with more financial institutions—particularly for deposit accounts—is associated with higher levels of asset possession and equity (DeVaney, Anong, & Yang, 2007). African Americans overwhelmingly show up in disproportionate numbers among those identified as financially fragile across different measures of cash liquidity. In a study investigating which households were unable to raise \$2,000 in 30 days and their coping strategies, blacks were found to be less confident in their ability to cope with an unexpected expense and were more likely to rely on

family/friends or alternative financial credit (Lusardi et al., 2011). Cash-constraints lead to detrimental coping measures such as pawning valuables or using high-cost AFS (Lusardi et al., 2011; Lusardi & Tufano, 2009; Mandell & Klein, 2009).

African Americans are disproportionately overrepresented among those who use alternative non-mainstream loans such as payday loans, car title loans, tax refund anticipation loans, and rent-to-own loans (Gerardi, Goette, & Meier, 2010; Lusardi & Tufano, 2009). After segmenting consumers into different financial experiences as payers in full, borrowers/savers, AFS users, and fee payers, Lusardi & Tufano (2009) found that blacks were more represented among fee payers (10.5 %), AFS users (6.6 %), and borrowers/savers (5.2 %) compared to whites who were overrepresented in the payers in full group. Furthermore, depressed credit scores, exacerbated by low debt literacy more prevalent among minority groups, have also resulted in African Americans being more likely to hold subprime debt with higher interest rates for mainstream loans such as mortgages and credit cards (Gerardi et al., 2010). Between 2005 and 2009, median levels of unsecured debt rose by 27 % for blacks compared to 32 % for whites (Gerardi et al., 2010). In the direst of debt situations, African Americans have also been found to be overrepresented in bankruptcy filings compared to their usual representation in the general population (Sullivan, Warren, & Westbrook, 2000).

Homeownership

Homeownership accounts for the largest component of American household wealth and is an even greater portion in African American personal wealth (Cramer & Shanks, 2014; Shapiro et al., 2013; Sherraden, 2005). Ironically, it also contributes the most to the wealth gap. Whites historically have higher homeownership rates, and higher median home values than minorities (Bricker et al., 2012, 2014). Compared to 73.9 % homeownership among whites, 47.4 % of blacks

were homeowners in 2013 and median home values of blacks have been persistently lower than for whites (Herbert, McCue, & Sanchez-Moyano, 2014; Kochhar & Fry, 2014). A contributing factor is residential segregation leading to home equity ceilings for African American homeowners in minority neighborhoods. Other factors are a boosted equity accumulation for whites with an average lead of 8 years on a mortgage due to greater access to inheritances and family down payment assistance, and higher access to affordable lending terms such as lower interest rates for whites (Shapiro et al., 2013).

The majority of foreclosed homes during the Great Recession were white-owned but minority owners were more than twice as likely to experience foreclosure and more likely to receive high-interest loans irrespective of credit scores or income (Shapiro et al., 2013). Median home values for African Americans fell by 18.4 % and by only 4.6 % for whites between 2010 and 2013 while the decline since 2007 has been 37.7 % for African Americans and 20.3 % for whites (Wilson, 2014). At the same time, the recovery of home prices also shows Africans Americans at a disadvantage. The smallest and slowest home price appreciation so far has occurred in Southern and Midwestern cities that have larger relative populations of African Americans (Wilson, 2014).

Investing and Retirement

Black households and other minorities are disinclined to own riskier, high-yielding financial assets such as stocks directly or indirectly through retirement accounts (Chiteji & Stafford, 1999; Gutter & Fontes, 2006). In 1992, 9 % of black-owned stocks valued at an average \$3,387 in 1992 dollars compared to 36 % white stock ownership valued at \$24,933 on average (Choudhury, 2001). Investment ownership rates in the 2004 Survey of Consumer Finances were found to be 32.64 % for blacks compared to 61 % for whites with the average value of investments being \$8,817 for blacks and \$119,513 for whites (DeVaney et al., 2007).

Historically, the proportion of blacks participating in retirement plans has been less than that of whites (Copeland, 2013). Data from the 2013 Current Population Survey show that across all ages, 40.1 % of black or African American workers had employer-sponsored retirement accounts in 2012, compared to 49.1 % of whites. The difference was larger for younger age groups. Among workers aged 25–34 years, 32 % of blacks had accounts compared to 43 % whites, and 44 % of blacks aged 35–44 had accounts compared to 54 % of whites (Copeland, 2013). These 2012 figures also represent a declining trend in retirement plan participation among black and white workers and the percentage of all other workers participating in plans jumped back above the percentage of black workers (Copeland, 2013).

Retirement savings of African American households are lower on average compared to whites (Rhee, 2013). Blacks in the 2004 Survey of Consumer Finances had an average retirement savings of \$18,187 whereas whites had \$72,219 with standard deviations of \$75,739, and \$240,349, respectively (DeVaney et al., 2007). According to The National Institute on Retirement, three in four black households aged 25–64 have less than \$10,000 compared to one in two white households (Rhee, 2013). One-fourth of minority near-retirees have average retirement savings of \$30,000 while the average balance of one-fourth of their white counterparts is \$120,000. Across age groups, households of color with at least one earner are half as likely as their white counterparts to have retirement savings equal to or greater than their annual income.

Financial Satisfaction

Whites across all age groups have been found to be more satisfied financially compared to blacks (Coverdill, López, & Petrie, 2011; Hsieh, 2001, 2003). Unfortunately, black adults are more likely to report financial strain (Savoy et al., 2014; Shippee, Wilkinson, & Ferraro, 2012; Szanton, Thorpe, & Whitfield, 2010). In another study, black males, black females, and white

females were shown to be less satisfied financially after also accounting for perceived income adequacy (DePianto, 2011). Several studies have renewed focus on financial satisfaction by examining its relationship with measures of financial capability but they merely control for racial variation and do not hone in on racial disparities which is the pattern even in the majority of the literature (Xiao et al., 2014, 2015). In addition, there are some studies that have reported not finding any empirical evidence for differences in financial satisfaction between whites and blacks (Joo & Grable, 2004; Garrett & James, 2013). Therefore, there is need to further explore financial satisfaction within racial and sociocultural contexts to deepen our understanding of financial knowledge and behavior.

Financial Attitudes

Financial confidence usually measured as self-assessed or perceived financial knowledge is another psychological factor that has been studied in behavioral finance and associated with financial outcomes. For instance, Robb, Babiarz, and Woodyard (2012) found a positive association between financial confidence and seeking any professional financial advice. They constructed an average financial confidence indicator from responses to four statements in the 2009 NFCS. Respondents rated their overall financial knowledge, how good they were at dealing with day-to-day financial matters, their math ability, and how well they kept up with economic and financial news. Tokar Asaad (2015) followed suit using the 2012 NFCS but she only used the first three statements to measure confidence and found it predicted financial behavior. Race was reportedly controlled but results for all controls were not presented in the paper. Like financial satisfaction, there is need for more literature that explores financial confidence along racial lines as it has been shown that optimistic self-assessments, even if not accurate, do lead to better financial outcomes and it is important to understand how race plays a role in financial confidence.

Time orientation affects consumption and financial planning in that those who are future oriented are more likely to be planners and schedulers (Graham, 1981). Time perspective theory also posits that time perception differs by ethnicity. Those of western Anglo cultures are more inclined to be future oriented and individuals descending from non-Western cultures such as blacks and Latinos tend to be present-focused (Graham, 1981; Owen, 1991). For instance, Anong and Fisher (2013) found that even among future-oriented consumers, blacks (being of non-Western origin) were least likely to have already saved or to be currently saving for anticipated mid-term expenses.

One reason for being unbanked determined in both survey research and in-depth focus interviews is distrust of financial institutions (Medley, 2010; Toussaint-Comeau & Rhine, 2000). This attitude may be tied to risk tolerance for saving and investing. Blacks have lower risk tolerance and generally do not invest in riskier assets such as stocks and even small businesses (Chiteji & Stafford, 1999; Gutter, Fox, & Montalto, 1999). Looking further at risk attitudes, little difference in life insurance demand was found between black and white households but white households insure a larger proportion of their human capital than black households (Gutter & Hatcher, 2008). With respect to health insurance, blacks have been found to be more likely to be uninsured especially due to differences in private market insurance as opposed to when health insurance is employer-sponsored or spousal provided (Kail & Taylor, 2014).

Robb et al. (2012) found no race-based differences among those seeking any financial advice, or specific advice for insurance, tax planning or saving, and investing in the 2009 NFCS. However, they did find that whites were more likely to seek debt counseling, and less likely than minorities to seek professional advice for mortgage or loans. In another study, Rubio (2013) examined racial differences of motives for saving and seeking financial advice using the 2001, 2004, and 2007 Survey of Consumer Finances. She found that blacks were more likely to state children's education and purchasing a home as reasons for saving

while whites were more likely to state retirement and finances in later life as savings motives. Blacks were more likely to rely on television, radio, and family or friends as sources of information for saving and investing decisions compared to whites who were more likely to seek financial professionals. A more recent study using the 2010 Ohio Student Financial Wellness Survey found that black college students were more likely to seek financial advice from a financial counselor or advisor, a financial aid counselor, or a credit counselor (Lim, Heckman, Letkiewicz, & Montalto, 2014).

Financial self-efficacy or perceived financial capability has been shown to influence behaviors as well as financial satisfaction (Xiao et al., 2014). Lim et al. (2014) found financial self-efficacy played a weak but significant moderating role in the relationship between financial stress and seeking financial advice. However, the research on racial differences on this relationship in the literature is particularly lacking.

Conclusions and Future Research Suggestions

The chapter began by outlining methodological issues that present challenges with reviewing African American studies. This started with how this group is captured in survey research. This presents an opportunity for scholars to continue to seek to refine and clearly delimit African Americans so that conclusions are not confounded by other factors such as external influences of immigrant blacks with close ties to other non-Western financial norms. Researchers conducting primary quantitative or qualitative studies must seek to oversample African Americans to reduce the need for combining ethnic minority groups which has been the trend thereby losing valuable information unique to African Americans alone.

The review shows black–white gaps and even some black–other minority group gaps that put blacks at a persistent disadvantage in terms of financial knowledge, financial outcomes, and financial attitudes that enhance financial well-being.

It may be insightful if future studies hone in on black/gender or black/household composition pairings (DePianto, 2011). Connections between life course financial strain and health have been made for African American adults and even black women who are known to disproportionately head households with minor dependents (Savoy et al., 2014; Shippee et al., 2012). Also, among 10 research priorities identified in 2008 by 29 scholars at the National Research Symposium on Financial Literacy and Education in Washington D.C., two of the priorities called for a better understanding of racial and ethnic disparities in consumer finance issues such as financial socialization (Schuchardt et al., 2009). Therefore, delving into such race pairings and even race/social network pairings especially due to the history of combining minority groups in data could be more telling. In all this research, it is also important to draw parallels of the black financial experience and public policy in other developed countries like the United Kingdom who have minority black populations just like African Americans with similar historical backgrounds of how they came to be there (Ekanem, 2013).

In designing and evaluating financial education programs, it is important to be culturally sensitive to African Americans' needs and circumstances particularly of striving low-income groups. Cumulative disadvantages for these groups include limited access to quality education and living in financially underserved areas as well as other barriers such as unfavorable credit services. Educators and scholars should focus on culturally sensitive interventions for long-term solutions to combat those social norms and beliefs that are detrimental to the long-term financial security of African Americans.

About the Author

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