



Promoting Financial Literacy in the African-American Community

Three steps financial professionals can take today to promote
financial education and wellness





Identifying ways to better serve people of every race and ethnicity should be a year-round priority for today's businesses. This is especially key for the African-American community, which accounts for 13 percent of the country's population. Recent studies¹ have shown that prevailing levels of financial wellness in the African-American population trail other demographics in the United States.

There is a powerful correlation between financial literacy and financial wellness in general, but the link is particularly strong in the African-American community. Several studies¹ have shown that African-Americans who possess greater levels of financial education are more likely to save for retirement, open an individual investing account, and better manage their debt.

The link between general health and financial stress is well documented across all demographics. According to an Everyday Health United States of Stress survey, financial concerns ranked as the top producer of stress² across all age groups, and a 2020 Bankrate survey³ revealed more than half of Americans lose sleep over money troubles. Additionally, researchers at FINRA and George Washington University found that 60 percent of people⁴ feel anxious when thinking or speaking about their personal finances.

As these findings indicate, financial concerns produce mental strain, and stress has a significant impact on overall health and wellbeing. This correlation is particularly prominent in the African-American community, where the average family has a median and mean wealth (\$24,100 and \$142,500) that lags behind other demographic categories⁵. The average African American family also has more credit card, student loan, and mortgage debt than other racial groups⁶. Moreover,

African-American women are the most burdened with student loan debt – the American Association of University Women (AAUW) found that the average Black woman has compiled over \$30,000 of debt by college graduation⁷.

This wealth gap has, in part, been fueled by low levels of financial literacy in many minority groups. According to the 2020 TIAA Institute-GFLEC Personal Finance Index, African-Americans answered an average of 38 percent of the study's financial literacy questions correctly, and just 28 percent of African-Americans answered over one-half of the questions correctly⁸.



With these differences in wealth and knowledge in mind, how can financial professionals help African-American clients – and those in their local communities – create more awareness around financial literacy? Below are three ways financial professionals can positively impact the financial and general health of clients and their families.

1.

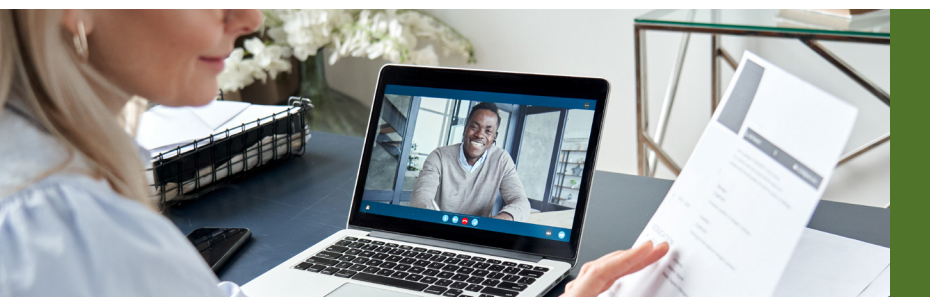
EDUCATE EARLY AND OFTEN



It's important to familiarize kids and teenagers with financial topics and basic investing strategies from a young age. According to the Council for Economic Education (CEE), just 21 states require students to complete a personal finance class prior to high school graduation and only six states require students to complete a semester-long standalone class⁹.

Recent research from The National Endowment for Financial Education indicates that education requirements involving financial literacy have been effective in the states that have deployed them. The organization found¹⁰ that college students who participate in state-mandated financial education in high school are more likely to apply for financial aid, more likely to borrow fewer private loans, and less likely to take on a credit card balance.

So, the path forward is clear: educate young people on financial topics early and often. Financial professionals can use resources like [CheckYourSchool.org](https://www.checkyourschool.org) – a database from the nonprofit JumpStart Coalition – to identify local schools in the area that provide financial literacy classes. Consider encouraging clients with young kids to participate in these programs, if they are available in your location. If your local schools do have financial literacy classes, consider supporting and enhancing the learning experience by volunteering to teach a class. Timing around events such as Martin Luther King, Jr. Day, Black History Month, and Juneteenth provide excellent opportunities to provide education and plan activities around financial literacy topics specific to African-American culture.



PROVIDE RESOURCES

2.

If schools in your area don't offer financial education classes, various resources available on the internet can be a terrific alternative. Numerous podcasts, YouTube videos, and online websites offer in-depth learning opportunities focused on financial topics and strategies. Consider assembling a list of instructive podcasts and YouTube videos focused on financial education. Many are hosted by Black thought leaders. Pass these lists on to clients when they come in for a visit and encourage them to share the resources with the rest of their family.

Making clients aware of online resources and educational opportunities they can participate in at home can be a great way to create awareness and improve financial literacy. Personal finance books can also be a great way to learn, with a number written by Black authors. Consider putting together a reading list of financial books that have helped you grasp key concepts throughout your career.

3.

VOLUNTEER IN YOUR COMMUNITY



Volunteering in your local community can be a great way to interact with prospective clients and promote education and awareness. Financial professionals can engage in volunteer opportunities that are in line with their personal and professional interests and positioned to improve financial literacy in their areas. Volunteering to host or speak at a forum gives financial professionals an opportunity to share their knowledge with a broad local audience. Research organizations in your local area that support African-American communities, as well as other segments, to learn how you can get involved.

Financial professionals are well positioned to engage with their local communities in a number of ways, including supporting early education and promoting financial literacy. Leveraging opportunities to get involved helps demonstrate an ongoing commitment to making a positive impact and serving many diverse groups.

¹Global Financial Literacy Excellence Center. Financial literacy and wellness among African-Americans. *GFLEC*.

²Everyday Health Staff. (2018). United States of Stress Survey Results. *Everyday Health*.

³Arnold, K. (2020). Survey: Surprisingly fewer people losing sleep over money issues. *Bankrate*.

⁴Pierce, T., & Williams, A. (2020). Large number of Americans reported financial anxiety and stress even before the pandemic. *FINRA*.

⁵Buhtta, N., Chang, A., & Dettling, L. (2020). Disparities in wealth by race and ethnicity in survey of consumer finances. *Federal Reserve*.

⁶Black Enterprise Editors. (2019). African American economics: Real facts. *Black Enterprise*.

⁷Rogo, P. (2020). Study finds that black women graduate with the most student loan debt. *Essence*.

⁸Yakoboski, A., Lusardi, A., & Hasler, A. (2020). Financial literacy, wellness and resilience among African Americans. *TIAA Institute*.

⁹Christian, R. & Williams, L. (2021). Financial literacy in the black community. *Annuity.org*

¹⁰NEFE. How state-mandated financial education drives college financing behavior. National Endowment for Financial Education.