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## **2010 Ariel Black Investor Survey Shows That in Recession, Middle-Class African-Americans Have Disproportionately Curtailed Saving and Investing**

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**Chicago, Illinois, July 21, 2010** – Middle-class African-Americans are more likely than Whites to have curtailed their saving and investing in order to make it through the recession, according to the 2010 Ariel Black Investor Survey. The survey of 501 Blacks and 505 Whites with household incomes of at least \$50,000 found that nearly half of all Blacks (compared to 31% of Whites) dipped into savings to make ends meet in the last two years.

Additionally, 27% of Blacks who participate in a 401(k) (compared to 16% of Whites) reduced the amount they contribute per month, and 22% of non-retired Blacks (compared to 14% of Whites) borrowed or withdrew money from a retirement account. Even after controlling for various socio-economic factors, Blacks are nearly twice as likely to have reduced their contributions to 401(k) plans relative to Whites. The median amount Blacks contribute to their retirement plans is \$230 per month, compared to \$337 a month contributed by Whites. The median assets Blacks have accumulated in their current retirement plans is about half the amount that Whites have accumulated: \$56,000 compared to \$106,000.

“In times of economic hardship, people have to make difficult decisions,” said Mellody Hobson, Ariel President. “Unfortunately, the resulting trade-offs mean many in our community are slipping even further behind.”

Since 1998, the survey has consistently found Blacks save and invest less than Whites of similar income levels. This year, the median amount Black households reported saving on a monthly basis is \$189, compared to \$367 among White households. The 2010 findings mark the first time in a decade that African-American households have reported saving less than \$200 per month.

The survey suggests a sober realization of changed circumstances. In past surveys, African-Americans have anticipated retiring much earlier than Whites. In 2006, for example, 40% of Blacks planned to retire before they turned 60, compared to only 22% of Whites. This year, only half as many African-Americans—21%—intend to retire before 60, compared to 14% of Whites.

Additionally, 43% of Blacks and 29% of Whites report making “significant” changes to their lifestyle. Eight in ten African-Americans, and seven in ten Whites, say they have cut back on spending in the last two years. In contrast, when the economy faltered in the months following 9/11, only about three in ten African-Americans and two in ten Whites said they had been spending less money, according to the 2002 Black Investor Study.



This year's survey also found about half of African-Americans (and about a quarter of Whites) feel the recession has hurt minorities more than it has hurt Whites. Additional findings support that perception: 60% of Blacks (compared to 37% of Whites) have been asked for financial help by friends or family; 21% of Blacks (compared to 11% of Whites) increased their credit card debt; and 15% of Blacks (compared to 7% of Whites) asked family or friends for financial help. Furthermore, 12% of Blacks (compared to 6% of Whites) have not been able to secure a loan for a car or a house; 17% of Blacks (compared to 7% of Whites) are delinquent on a home, car, and/or credit card payment; and 5% of Blacks (compared to 1% of Whites) may go or have already gone into foreclosure.

### **Investing in the Stock Market**

The Black Investor Survey has found year after year that African-Americans are less likely to have money in the stock market than Whites. White participation rates have consistently hovered at around 80%, whereas Black rates have swung between a low of 57% and a high of 74%. This year, the White investment rate held steady at 79%, while the Black investment rate is at 60%, continuing the downward trend from 68% in 2004, 64% in 2006, and 62% in 2008.

Not surprisingly, the survey found more Whites were hurt by the recession than Blacks in two key areas: 63% of Whites (compared to 45% of Blacks) lost money in their retirement plans, and 39% of Whites (compared with 29% of Blacks) lost money outside of retirement savings.

While overall stock ownership among Blacks has declined this year, for the first time in the survey's twelve-year history more African-Americans are choosing stocks and stock mutual funds as the "best investment overall" relative to real estate. Only 30% of Blacks said real estate was the "best investment overall" this year, compared to 41% who picked stocks or stock mutual funds. Among Whites, just 27% chose real estate compared to 55% who chose stocks and stock mutual funds. In 2004, at the height of the real estate bubble, 61% of Blacks and 51% of Whites said real estate was the best investment overall.

"I'm encouraged our community views the market more favorably than in the past, since stocks have historically outperformed all other investments over the long-term," said Hobson. "That said, the gap between White and Black participation in the stock market is still there and getting bigger. We need to reverse that trend."

### **Down, But Not Out**

Despite being hurt by the recession, African-Americans are considerably more optimistic than Whites, with 75% of Blacks describing themselves as "hopeful" about the current U.S. economy. In comparison, just 41% of Whites describe themselves as hopeful. Only 46% of Whites feel their personal financial situation will improve over the next year, contrasted with 68% of African-Americans.



Nearly two-thirds of African-Americans believe the economy will turn around within the next two years; they were similarly optimistic in the post-9/11 survey back in 2002, with 69% predicting a two-year time frame for a turnaround. Whites in 2002 were more optimistic than African-Americans, with 86% predicting a turnaround within two years. This year, however, Whites are considerably less optimistic than African-Americans: 50% of Whites believe it will take longer than two years for an economic recovery.

“This could be a terrific opportunity for African-Americans to become involved or more active in the market,” said John W. Rogers, Jr., Chairman and CEO of Ariel Investments. “We have a general sense of optimism about the economy. We have learned the painful lesson that real estate investing is not fool-proof and are open to new ideas. Stocks are cheap and the stock market continues to have great long-term potential.”

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*The random sample survey of 501 Black and 505 White households earning over \$50,000 annually is the twelfth for Ariel Investments. Previous waves of this research were conducted from 1998 through 2008 jointly with The Charles Schwab Corporation. This year’s survey was administered by telephone between April 7 and May 2, 2010. The margin of error is approximately 4.5%. The survey was conducted by Argosy Research.*

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