



Ariel Investments 2015 Black Investor Survey: Saving and investing among higher income African-American and White Americans

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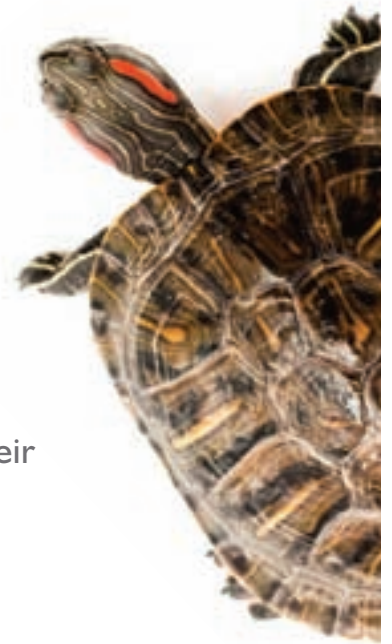
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Background and objectives

- Ariel Investments, LLC commissioned Argosy Research to conduct the thirteenth wave of a primary research study comparing and contrasting middle class (\$50,000 or more in household income) African-American and white households in terms of their saving and investment attitudes and behaviors. Ariel last conducted this research in 2010. Ariel and The Charles Schwab Corporation conducted previous waves of this research jointly from 1998 through 2008.
- The main objectives of this research are the following:
 - Identify similarities and differences between middle-class African-Americans and whites with regard to saving and investing.
 - Examine the factors, particularly past influences and underlying beliefs, that may impact how African-Americans and whites think about financial matters.
 - Determine any shifts in attitudes or behaviors over time.
 - Assess the expectations and issues that African-Americans and whites face in their financial futures.



Methodology

- 500 African-Americans and 500 whites were interviewed by phone between June 12, 2015 and July 19, 2015.
- All respondents were over the age of 18 and had a household income of at least \$50,000. Additionally, all identified themselves as the primary or joint decision-maker in the household in terms of investment decisions.
- The sample, national in scope, was drawn randomly from census exchanges that have a median income of \$40,000 or more. In order to bolster the African-American sample, additional interviews were conducted in census exchanges that have a median income of \$40,000 or more and that have a population that is at least 25% or above African-American. Interviews were conducted both on landlines and cellphones.
- The survey ran for an average of 18 minutes.



Introduction to this year's study

In the first 15 years of this century, the landscape of personal finance in this country has changed in ways both incremental and drastic. The startling event was the Great Recession, which shook up both Wall Street and Main Street in 2008 and beyond. Less dramatically, but also with profound implications, the actions of hundreds of thousands of businesses and hundreds of millions of working Americans have subtly but unmistakably altered how Americans plan their financial futures, especially when it comes to retirement.

How one views a changing landscape partially depends on the lens one uses. **The Ariel Investments Black Investor Survey, first fielded in 1998, has used the lens of race—African-American and white—to examine attitudes and behaviors around saving and investing.** In 2015, we additionally have a wide angle lens at our disposal, allowing us a sweeping view of 13 sets of survey data collected over 17 years. In the data we find both the cataclysmic and the gradual; both how blacks and whites are similar in their views and how they are different; both how Americans are planning for their financial futures and yet how they are underprepared.

This year, the Ariel Investments Black Investor Survey shows that among higher income Americans, one of the defining landmarks of this landscape stubbornly refuses to topple: **blacks continue to lag whites when it comes to investing in the stock market.** However, this year's survey also gives us some hints into the future. **Workplace retirement plans are seen as a key entry point for African-Americans into the market. And blacks are currently more optimistic about the economy and the stock market than are whites.** This optimism coupled with potential market entry through workplace retirement plans might make the coming years a unique window of opportunity to encourage more African-Americans to participate in one of the greatest wealth-generating mechanisms this country has to offer: the stock market.



Highlights of this year's study

BLACKS CONTINUE TO LAG IN STOCK MARKET PARTICIPATION

The age vs. wage story, which we first uncovered in 2001, still applies in 2015.

- In 2015, black investing is at 67%, while white investing is at 86%. In both cases, stock market participation has risen by seven percentage points since 2010 (when rates were at 60% and 79%, respectively). (pg. 14)
- The key predictors for African-Americans being in the market are income and education.
 - Of African-Americans in our sample making between \$50,000 and \$100,000 per year in household income, 57% are investors. Of those making over \$100,000 per year, 81% are investors. Higher incomes encourage higher white stock market participation as well, but the effect is not nearly as sharp. (pg. 15)
 - A high level of education is also a predictor for African-Americans being in the market. Blacks with a graduate degree have a 72% participation rate, as compared to college graduates and below who participate at a rate of 63%. For whites, the difference is not statistically significant. (pg. 16)
- In addition to income influencing stock market participation among whites (though to a lesser degree than among blacks), age is a significant predictor of white stock market participation, but not of black participation.
 - 73% of whites under the age of 40 are investors; 88% of whites over the age of 40 invest. That rate for whites is steady across all older age brackets. In contrast, black investing rates vary across age brackets, tracking with income earning potential instead. (pg. 17)



Highlights of this year's study (continued)

BLACKS CONTINUE TO LAG IN STOCK MARKET PARTICIPATION (CONTINUED)

Real estate vs. the stock market: the stock market is slowly gaining ground in black opinion.

- In the last decade, African-Americans have become increasingly less enamored of real estate investing.
 - The percentage of blacks citing real estate as the “best investment overall” halved between 2004 (when it was at 61%) and 2010 (when it sunk to 30%). There has been a moderate uptick in interest this year, with the percentage at 37%.
 - Meanwhile, the feeling that the stock market is the best investment has grown slowly but steadily among blacks, from 28% in 2004, to 41% this year. (pg. 18)
- Ten years ago, when asked directly whether the stock market or home improvement is the better investment, 64% of African-Americans chose home improvement, a number that holds steady today. However, in 2005 only one-fifth chose the stock market, whereas today fully one third says the market is a better investment. (Those saying both are equal declined from 17% to 3%.) Whites are split down the middle in their preference. (pg. 19)



Highlights of this year's study (continued)

BLACKS CONTINUE TO LAG IN STOCK MARKET PARTICIPATION (CONTINUED)

The perceived risk and unfairness of the market is still holding some African-Americans back, and jitteriness about timing the market is more common among blacks than among whites.

- When non-investors were asked why they were not participating in the stock market, the most commonly cited reason (56% of blacks and 53% of whites) said the market is too risky. This reason outpaced even the lack of extra money (44% of blacks and 32% of whites). (pg. 20)
- Significantly more blacks than whites (53% vs. 41%) feel that the market is stacked against small investors over the long term, while 59% of whites and only 47% of blacks feel the stock market offers a fair opportunity for all to profit over time. For African-Americans, these feelings are consistent across gender, age, and income levels. (pg. 22)
- African-Americans are more likely than whites to agree that “timing the stock market...is crucial when investing” (65% vs. 51%). (pg. 23)
- Interestingly, black investors are more likely to believe timing is key than black non-investors (68% vs. 59%), whereas the converse is true for whites (less than half of white investors focus on timing (48%) compared to 71% of white non-investors). (pg. 24)



Highlights of this year's study (continued)

WORKPLACE RETIREMENT PLANS ARE A KEY ENTRY POINT FOR BLACKS INTO THE MARKET

Compared to fifteen years ago, Americans are more focused on saving for retirement.

- In 2000, 33% of African-Americans said their most important goal for saving and investing was for retirement. This year, 44% of African-Americans see retirement savings as most important – over twice as much as any other goal. In 2000, about half of whites were focused on retirement savings. In 2015, six in ten whites see this as their primary goal. (pg. 25)
- Ten years ago, over half of all African-Americans who owned both a home and a retirement plan believed that the value of their home would be as important or more important to them financially than the assets in their retirement plan. This year, 60% say their retirement plan savings will be more important than their home value. Among whites, this number has increased slightly from 68% to 73%. (pg. 26)
- Meanwhile, African-Americans have adjusted their expectations for when they will be able to retire.
 - In 2003, 42% of blacks expected to retire before the age of 60; this year, that number has more than halved, to 17%.
 - For whites, early retirement expectations have lowered dramatically from 28% in 2003 to 10% this year. (pg. 27)



Highlights of this year's study (continued)

WORKPLACE RETIREMENT PLANS ARE A KEY ENTRY POINT FOR BLACKS INTO THE MARKET (CONTINUED)

Workplace retirement plans have introduced the majority of current black investors to the market.

- Seven in ten African-American investors cite workplace retirement plans as a contributing reason for becoming an investor, double the rate of the next most common reason, having extra cash on hand. (pg. 28) Over half of African-American investors say workplace plans are the most important reason – more than four times more common than having extra cash. (pg. 29)
- For white investors, workplace retirement plans are also important, but to a slightly lesser degree (63% mention them as a reason; 45% say they are the most important reason.)
- All things being equal, African-American investors are about 40% more likely to cite workplace retirement plans as their entry into investing.

Among non-investors, workplace retirement plans are seen as the most likely entry into the world of investing.

- When non-investors were asked their likelihood to invest under various circumstances, 58% of African-Americans and 63% of whites said they would be likely to invest if their employer offered a good 401(k) plan. Only about a quarter of both groups said they would be unlikely to start investing even then. (pg. 30)
- Additionally, black non-investors are considerably more likely than whites to cite stock tips and help from family or friends as motivators to invest. Given that African-Americans are more likely to believe timing the market is key to investing (pg. 23), stock tips are a critical factor. Relying on friends and family to help indicates the importance of social aspects of investing – something that is relatively lacking in the black community. (pg. 30)



Highlights of this year's study (continued)

AFRICAN-AMERICANS ARE CURRENTLY MORE OPTIMISTIC ABOUT THE ECONOMY THAN WHITES

Various attitudinal questions this year uncovered heightened optimism among African-Americans, both compared to whites and compared to past years.

- Compared to whites, African-Americans are more likely to:
 - Feel hopeful about the current U.S. economy (75% vs. 50%). (pg. 31)
 - Feel that the economy has fully recovered or is on its way to full recovery since the recession (65% vs. 40%). (pg. 32)
 - Feel bullish about the stock market (65% vs. 53%). In fact, African-American bullishness has increased since 2005, whereas for whites, it has decreased in the last decade. (pg. 33)
 - Believe the outlook is good for the next generation to achieve the American Dream (37% vs. 21%). (pg. 34)
- In spite of this optimism, there is an underlying element of personal anxiety among African-Americans.
 - Nearly six in ten African-Americans (compared to about a third of whites) feel that racism impacts fair opportunity for all. (pg. 34)
 - More African-Americans than whites (32% vs. 23%) are unsure where to turn to for impartial financial advice. (pg. 34)
- Looking across several attitudinal items, a comprehensive picture emerges that paints unique and disparate worldviews for African-Americans and whites. Hope and belief in the American Dream is strongly correlated with African-Americans, while whites are much more likely to feel angry and discouraged by the current economic climate. (pg. 35)



Highlights of this year's study (continued)

AFRICAN-AMERICANS ARE CURRENTLY MORE OPTIMISTIC ABOUT THE ECONOMY THAN WHITES (CONTINUED)

While financial optimism is a good predictor of stock market participation, African-American optimists still lag their white counterparts in being invested.

- Respondents were segmented as “optimists” and “pessimists” based on their responses to their feelings about the U.S. economy (hopeful or not) and their belief if the outlook is good or not for the next generation to achieve the American Dream.
- Optimists are more likely than pessimists to participate in the stock market. Seven in ten black optimists are investors; nine in ten whites optimists invest. (pg. 36)

Although recent market volatility might give pause, the increasing focus on saving for retirement among African-Americans, coupled with their underlying financial optimism, presents a great opportunity for employers to increase retirement plan participation rates among black employees.

- About a third of African-American non-investors wish they were invested in the market – a higher percentage than their white counterparts – suggesting that even though black market participation stubbornly continues to lag, it is not at its saturation point. (pg. 37)
- Most investors, both black and white, are glad they are invested in the stock market. Only a very small minority are not. (pg. 38)

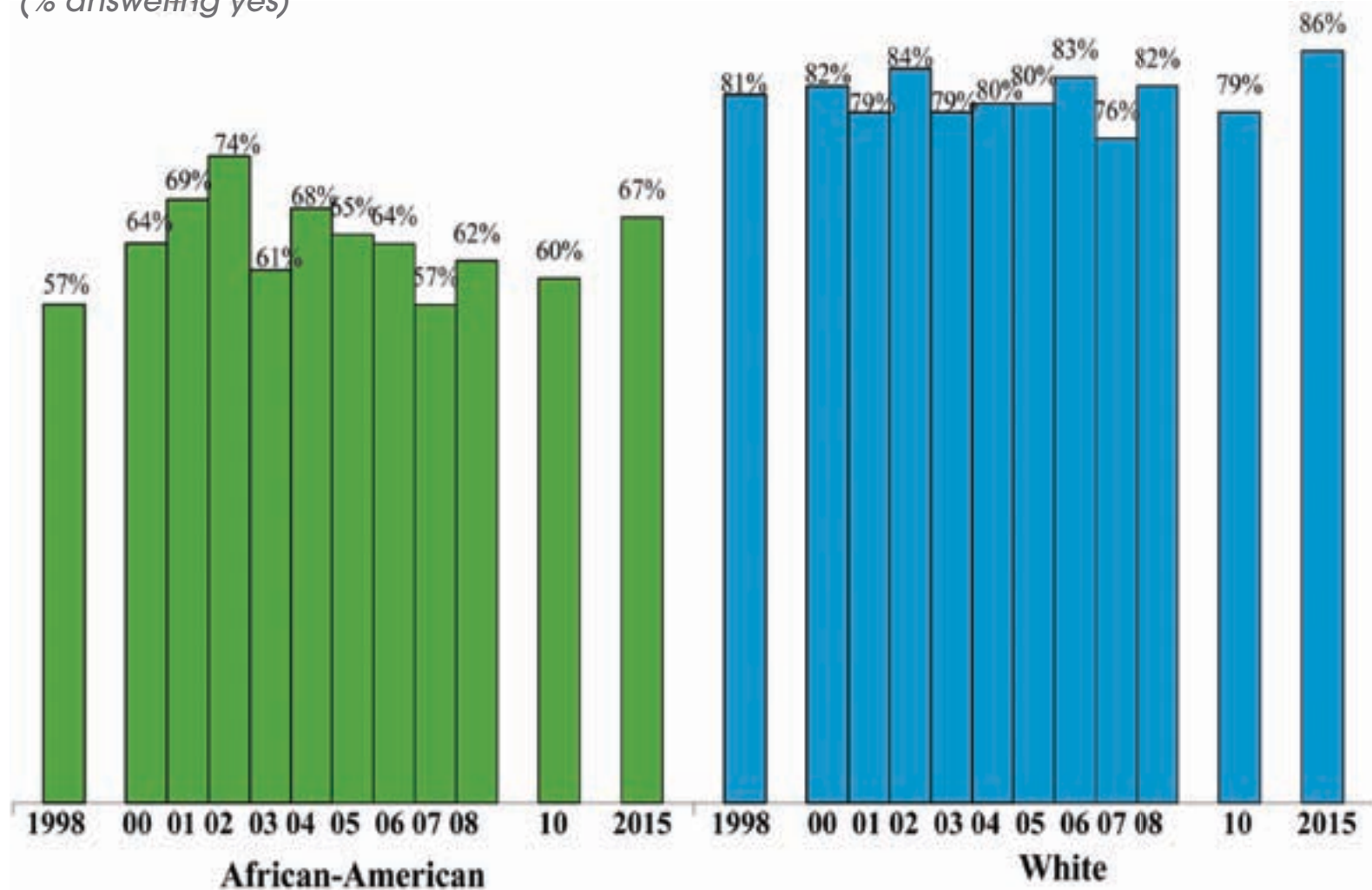


Detailed results



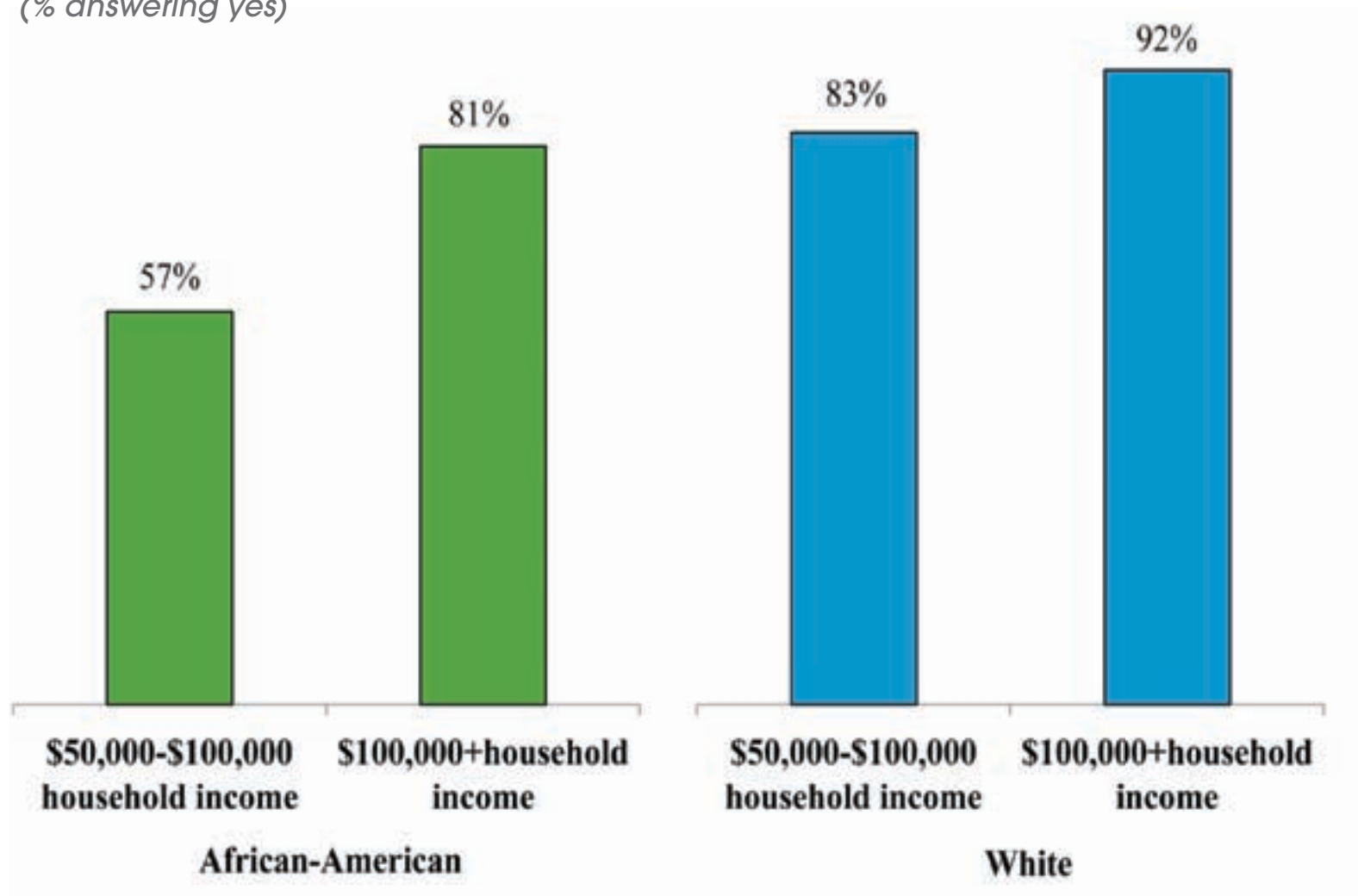
Trends in market participation

Do you personally, or with a spouse, have any money invested in the stock market right now, either in individual stocks or in a stock mutual fund?
(% answering yes)



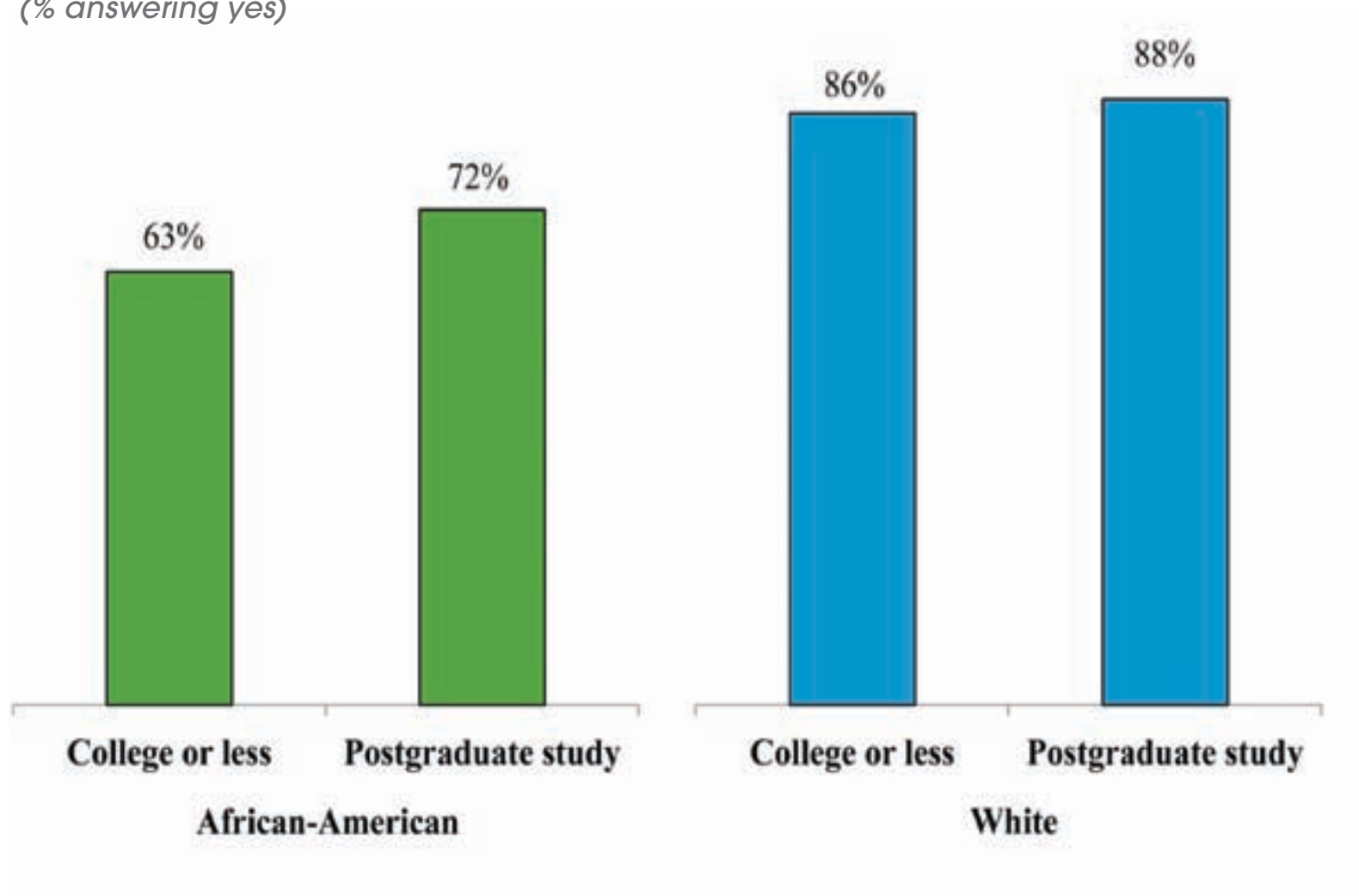
Market participation by income

Do you personally, or with a spouse, have any money invested in the stock market right now, either in individual stocks or in a stock mutual fund?
(% answering yes)



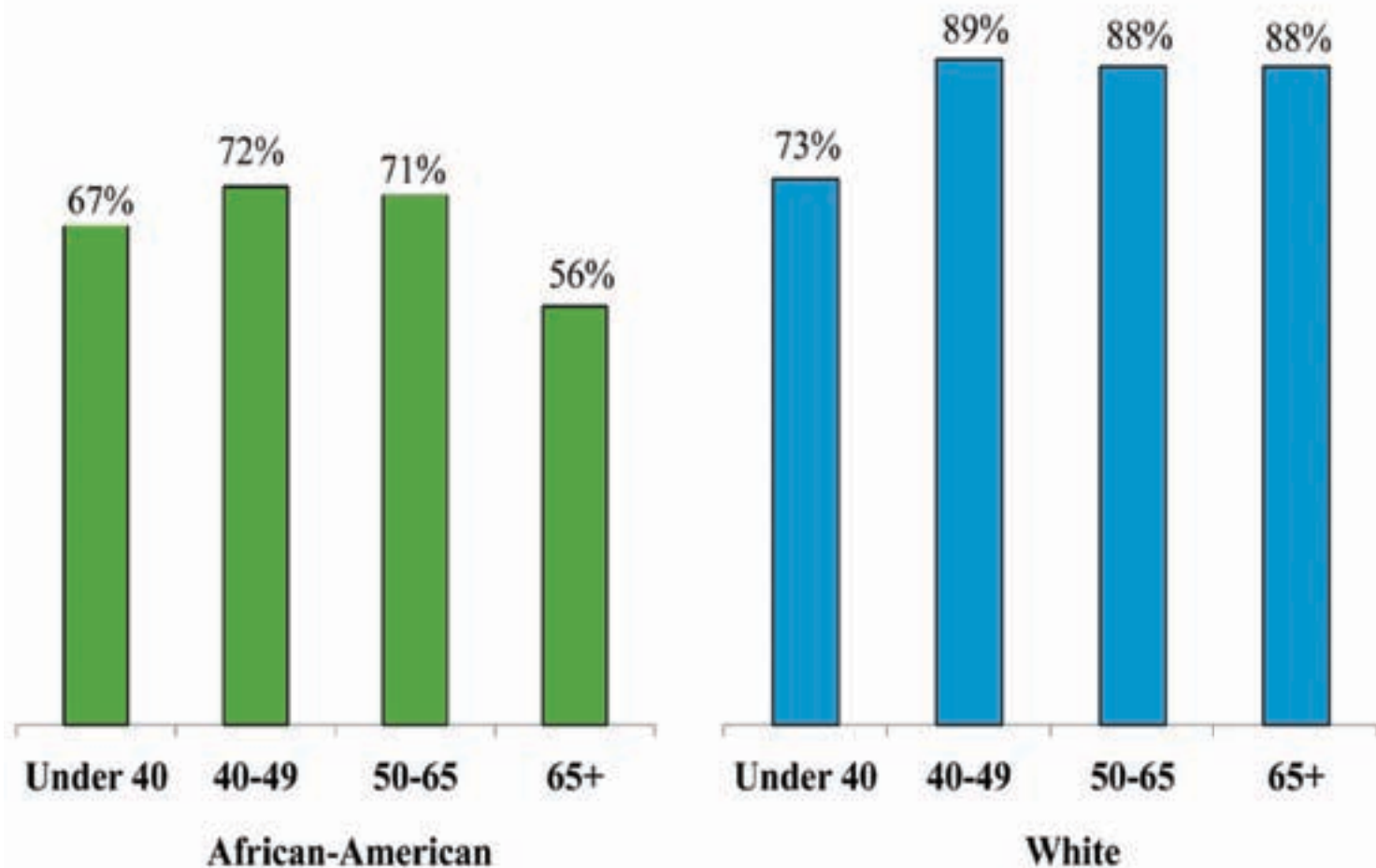
Market participation by education

Do you personally, or with a spouse, have any money invested in the stock market right now, either in individual stocks or in a stock mutual fund?
(% answering yes)



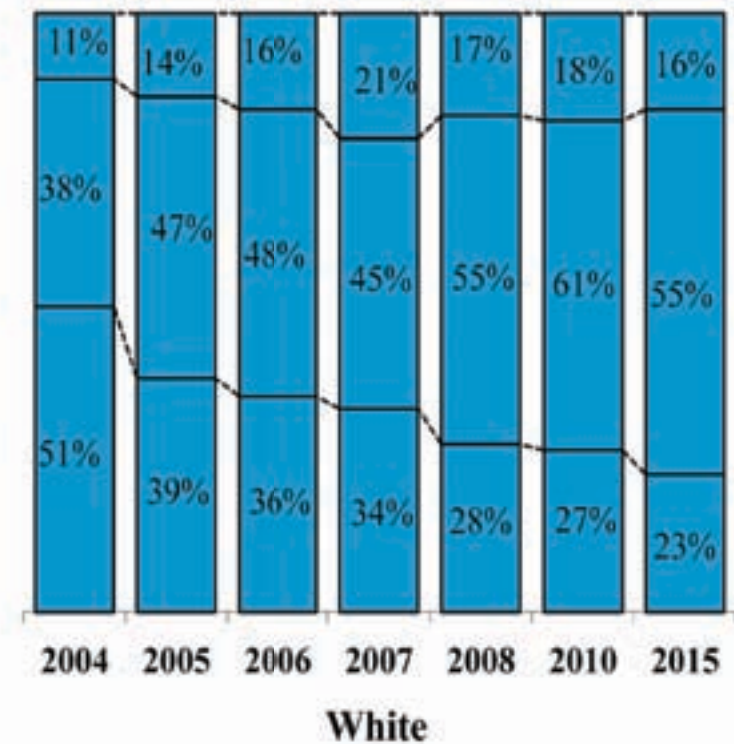
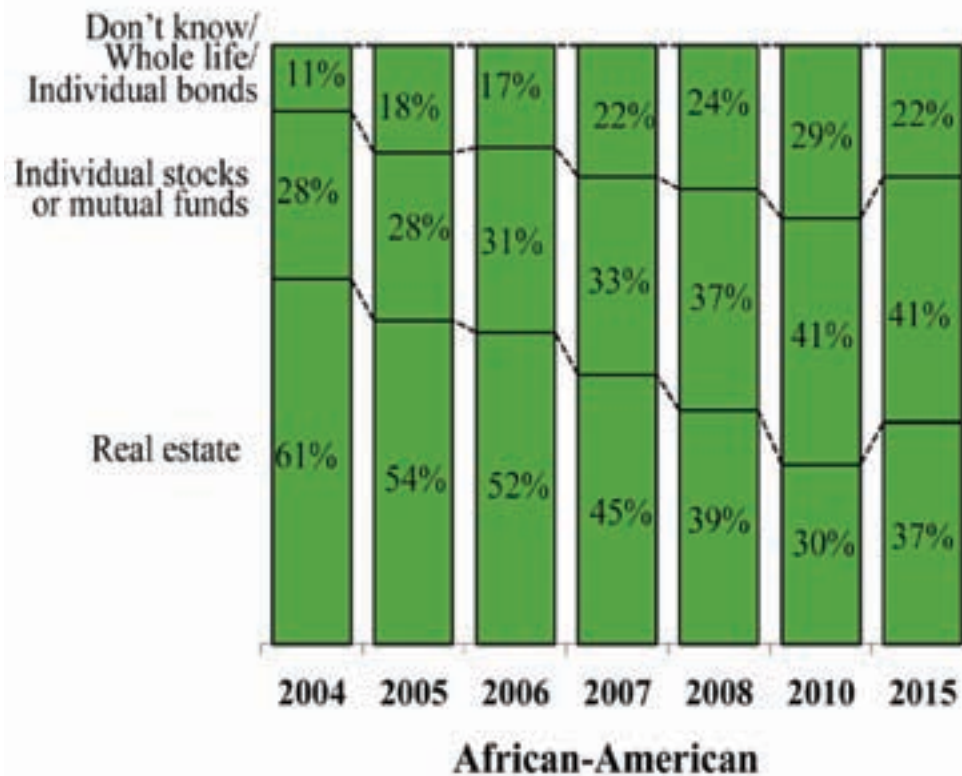
Market participation by age

Do you personally, or with a spouse, have any money invested in the stock market right now, either in individual stocks or in a stock mutual fund?
(% answering yes)



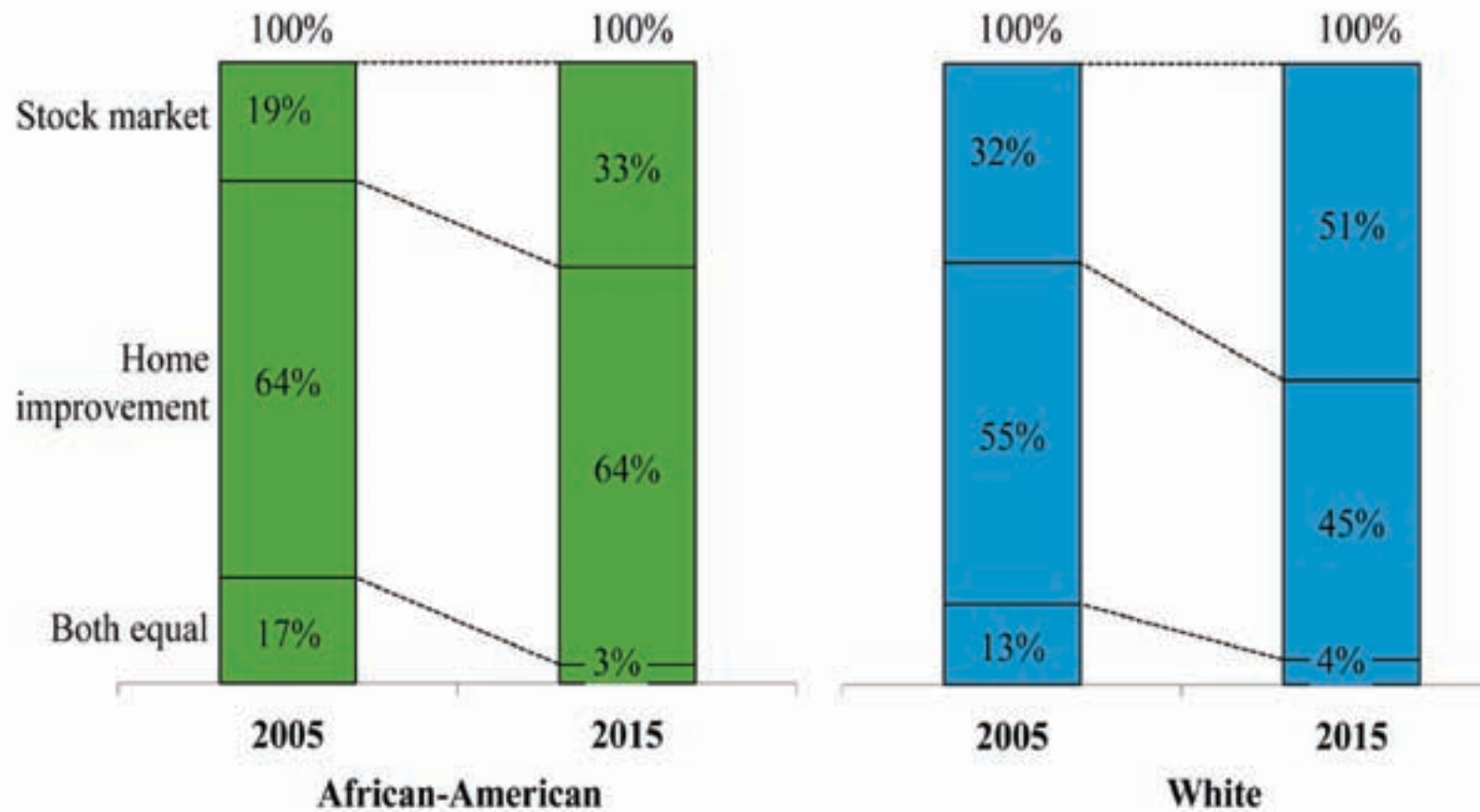
Perceptions of best investments overall

Which of the following do you think is the best investment overall?



Stock market vs. home improvement

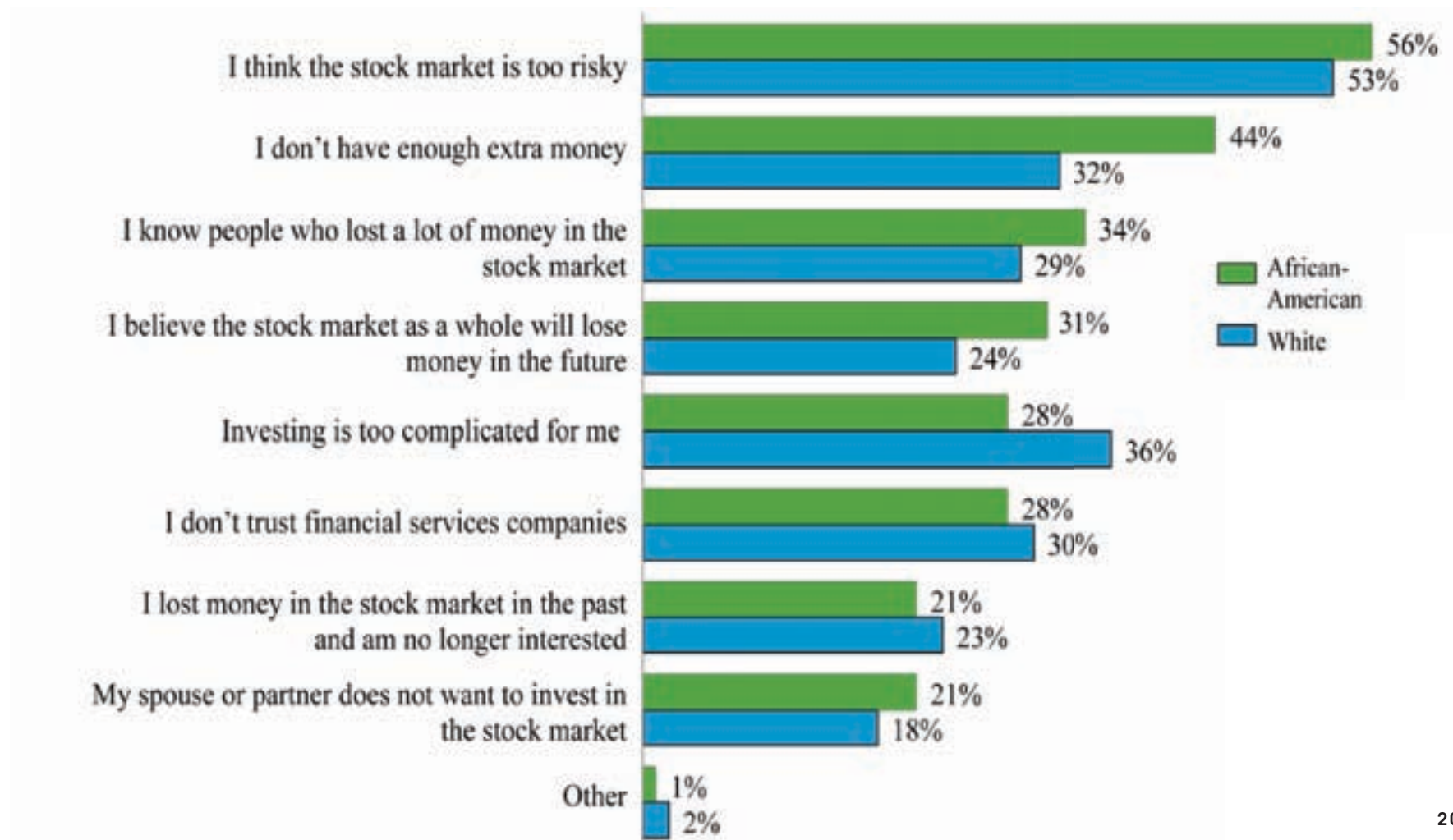
Which do you think is a better investment: an investment in the stock market, or an investment in improving your home?



Reasons for not investing

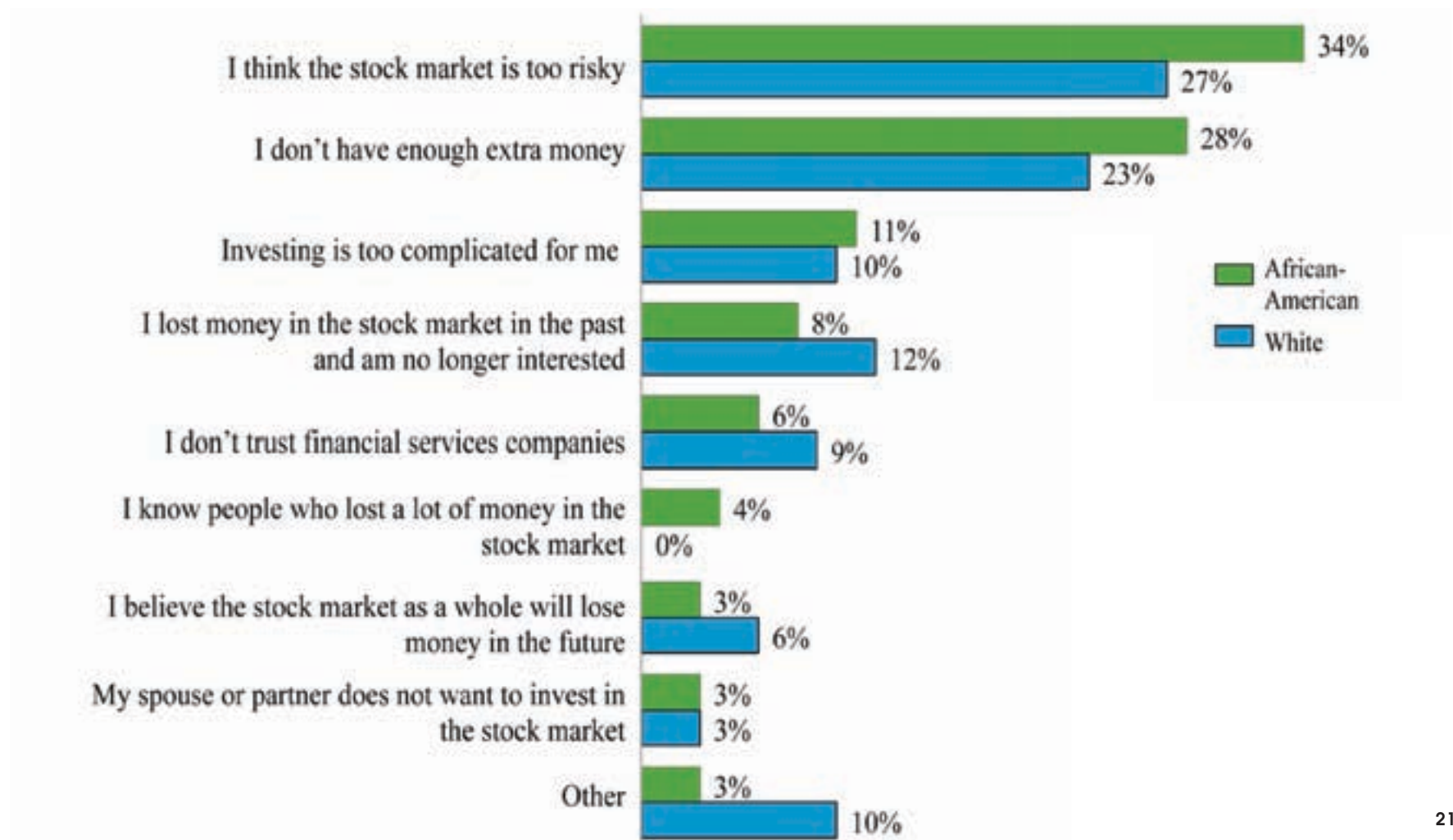
I'm going to read a list of reasons people do not invest in the stock market. Please tell me which of these are reasons that prevent you from investing.

Base: Non-investors



Most important reason for not investing

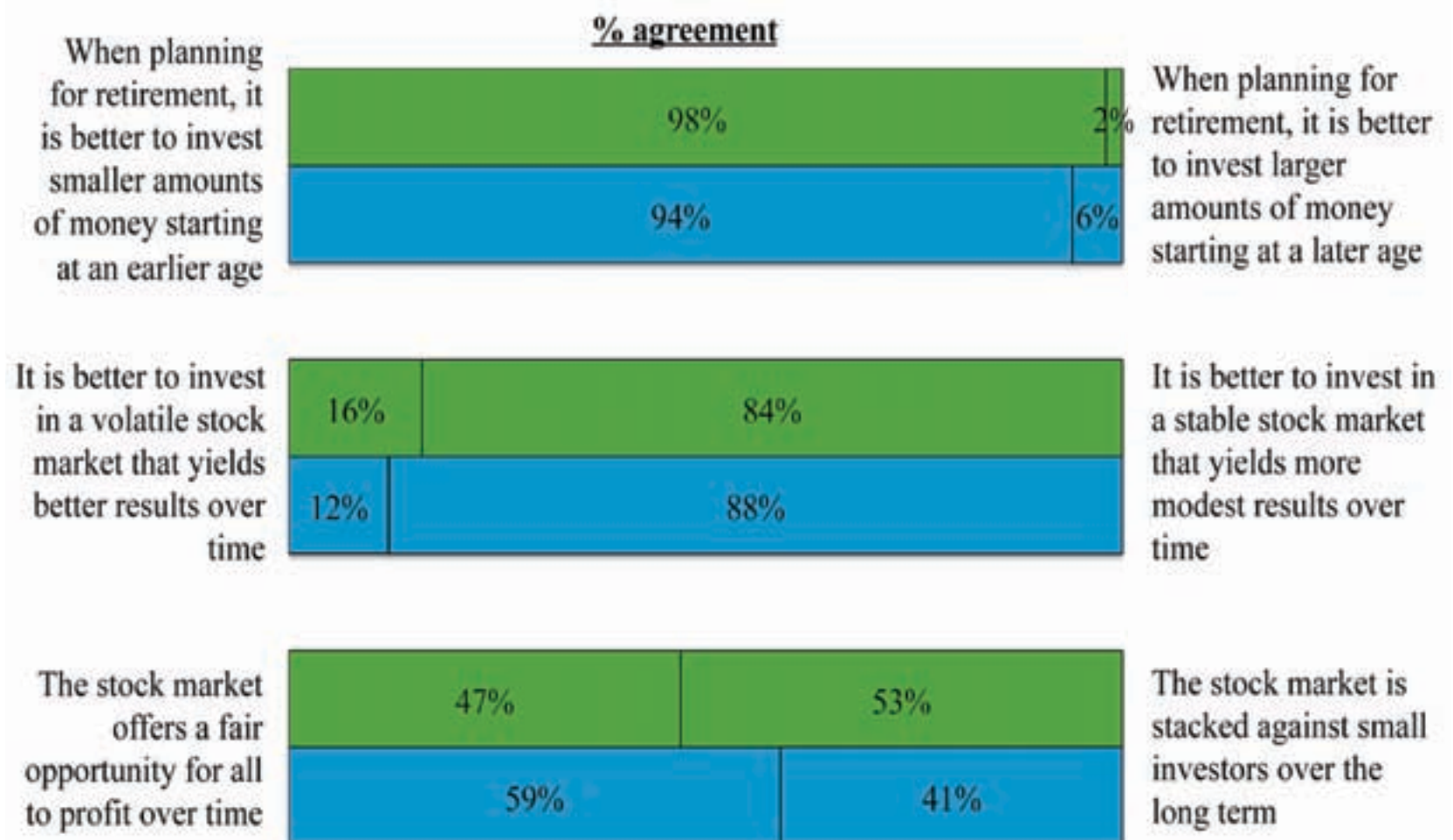
Which of the reasons you gave would you say was the single most important reason you do not invest?



Opinions about investing

I'm going to read to you a few pairs of statements. Please tell me which of the two you agree with more.

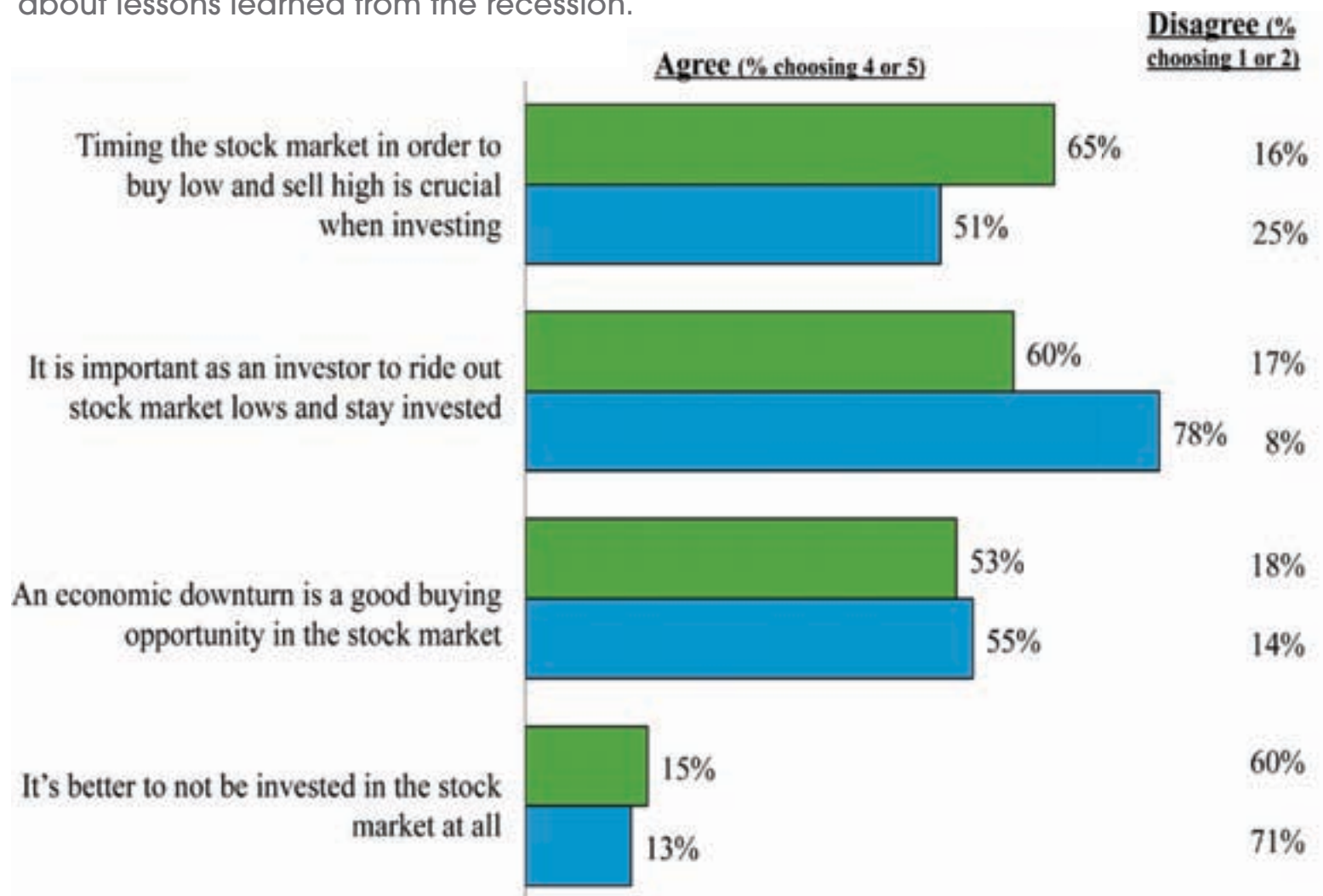
■ African-American
■ White



Lessons learned from the recession

Using a scale of 1 to 5, where 1 means you strongly disagree and a 5 means you strongly agree, please rate your agreement on the following statements about lessons learned from the recession.

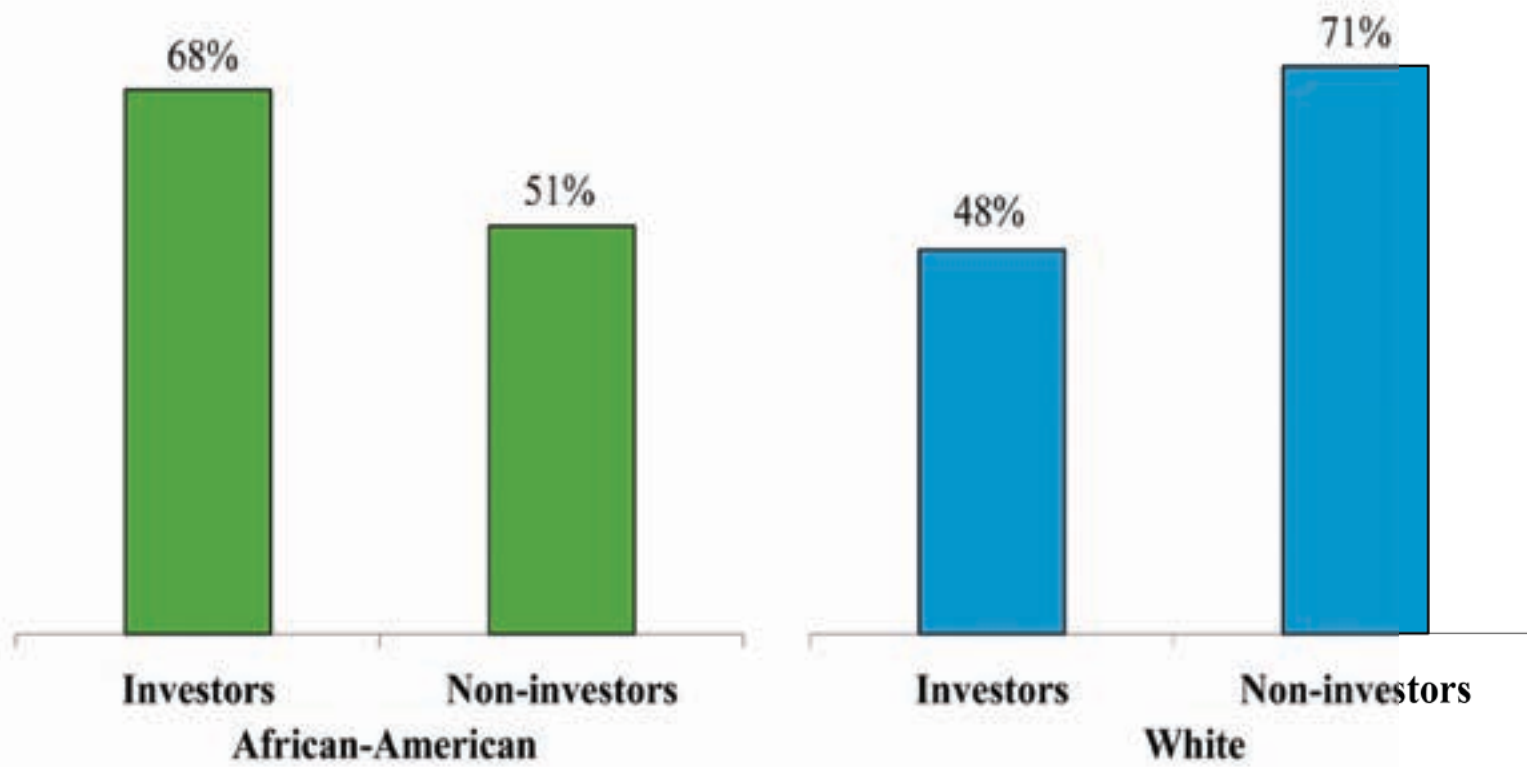
■ African-American
■ White



Market timing opinions by investors vs. non-investors

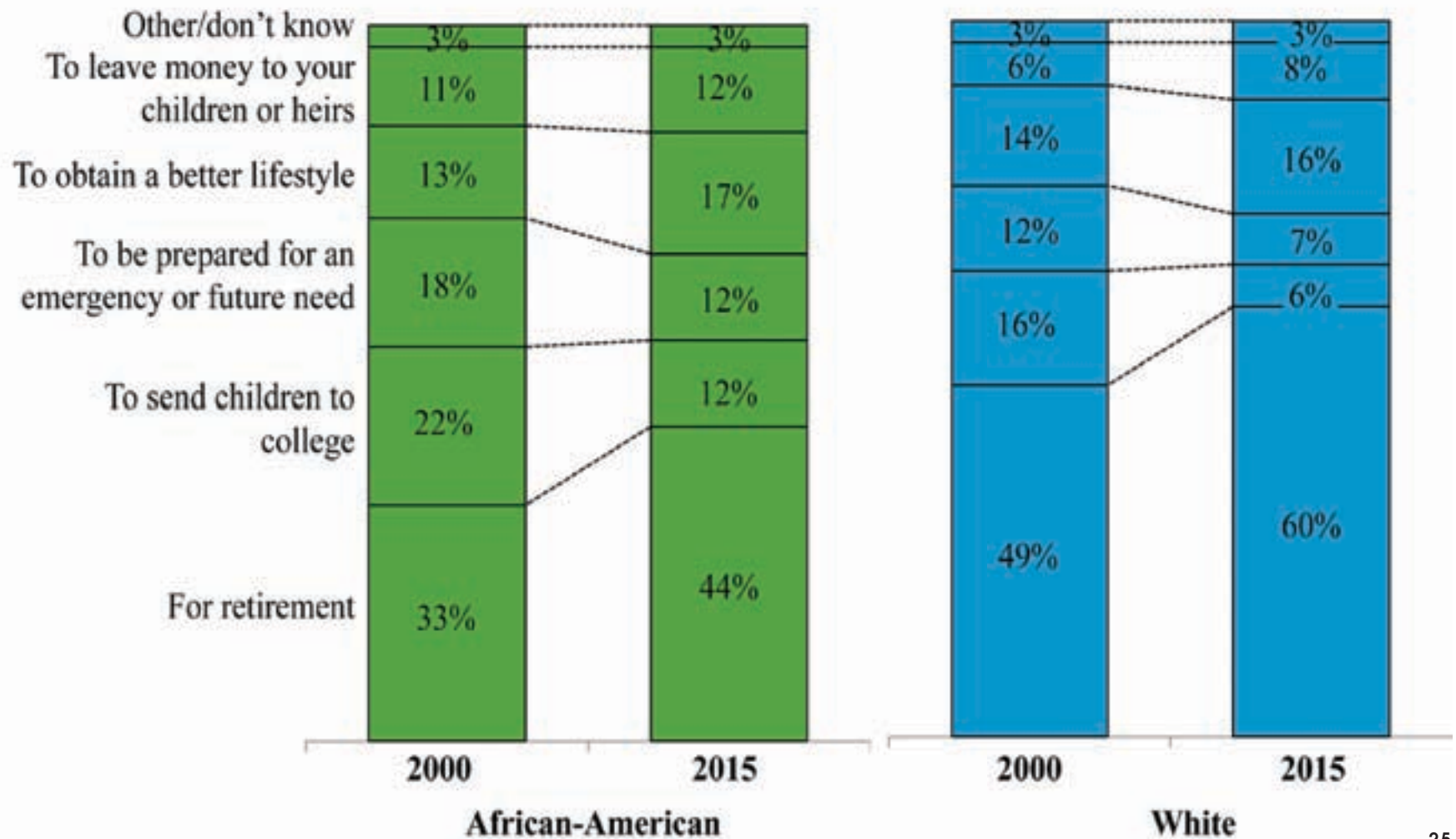
Please rate your agreement on the following statement: Timing the stock market in order to buy low and sell high is crucial when investing

% agreeing (choosing 4 or 5 on a 5-point scale)



Goal for savings and investing

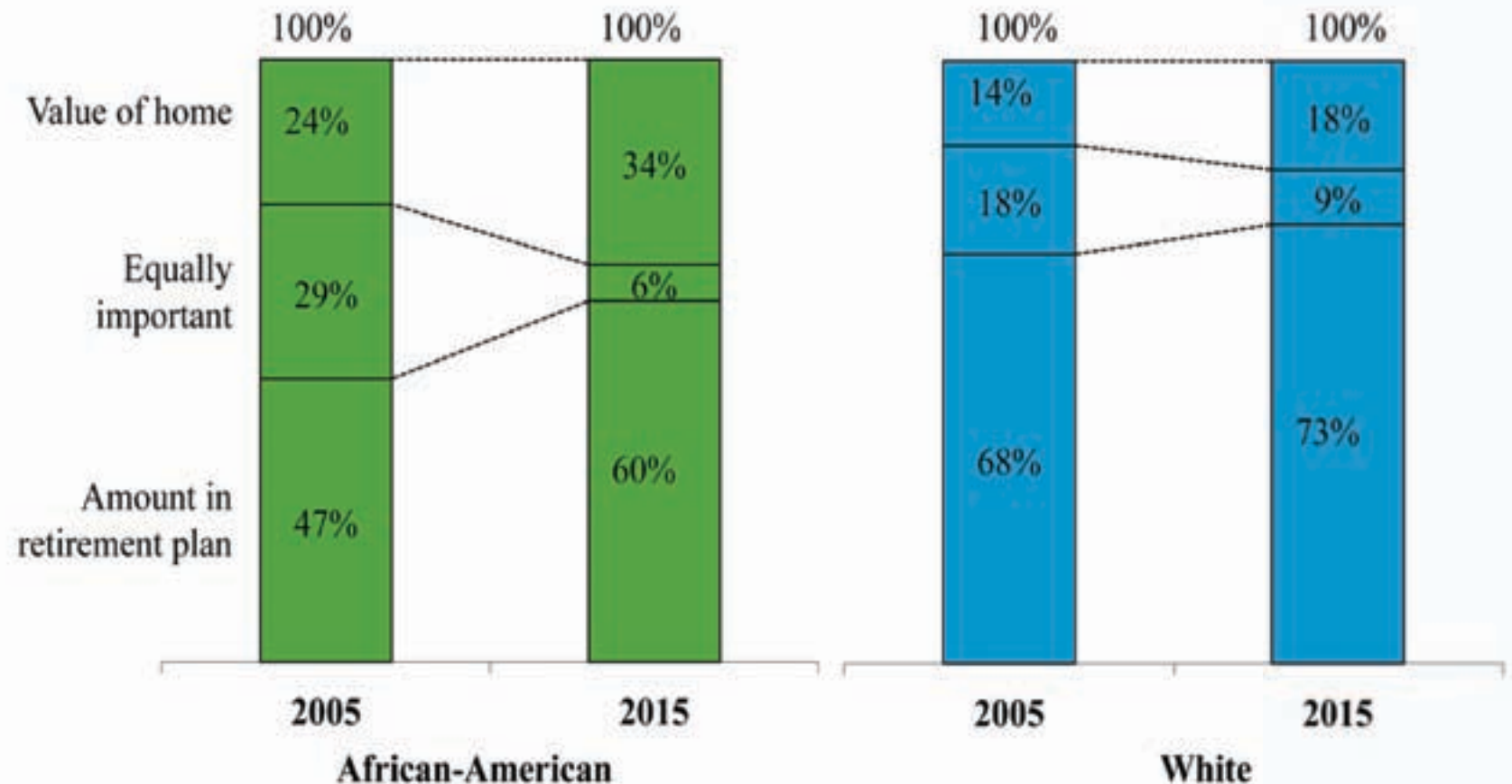
Of the following, which would you say is your most important goal in saving or investing money?



Financial importance of home vs. retirement plan

What do you think will be more important to you, financially, in your retirement: the amount you have saved in your retirement plan, or the value of your home?

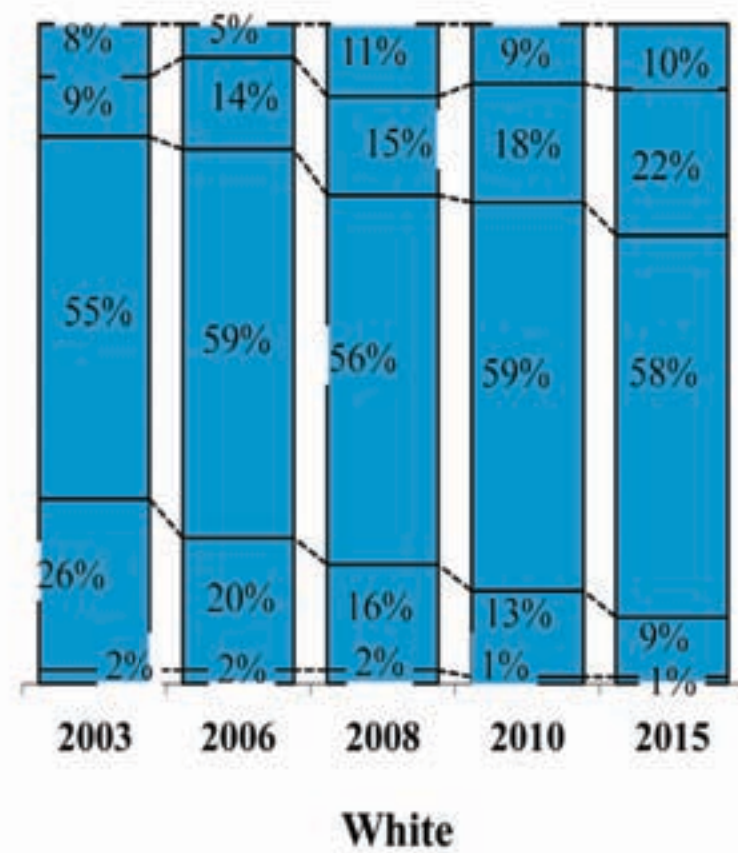
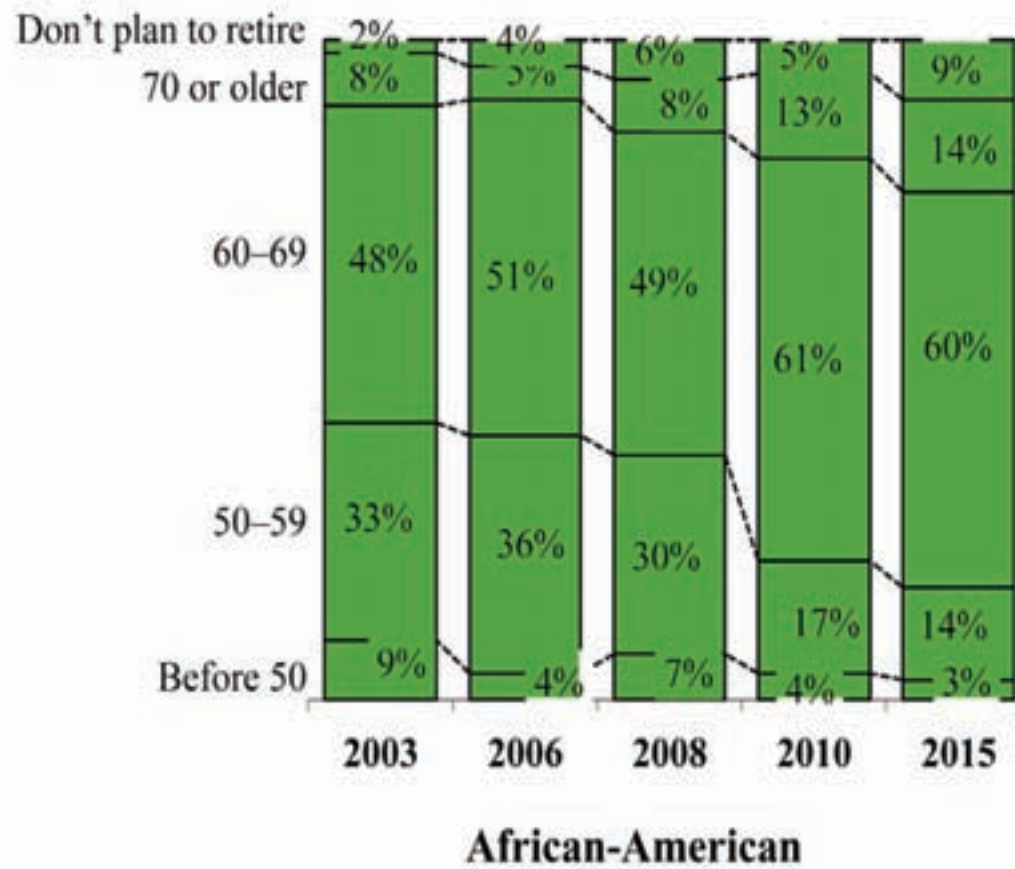
Base: Own home and have retirement plan



Anticipated age of retirement

At what age are you planning to retire?

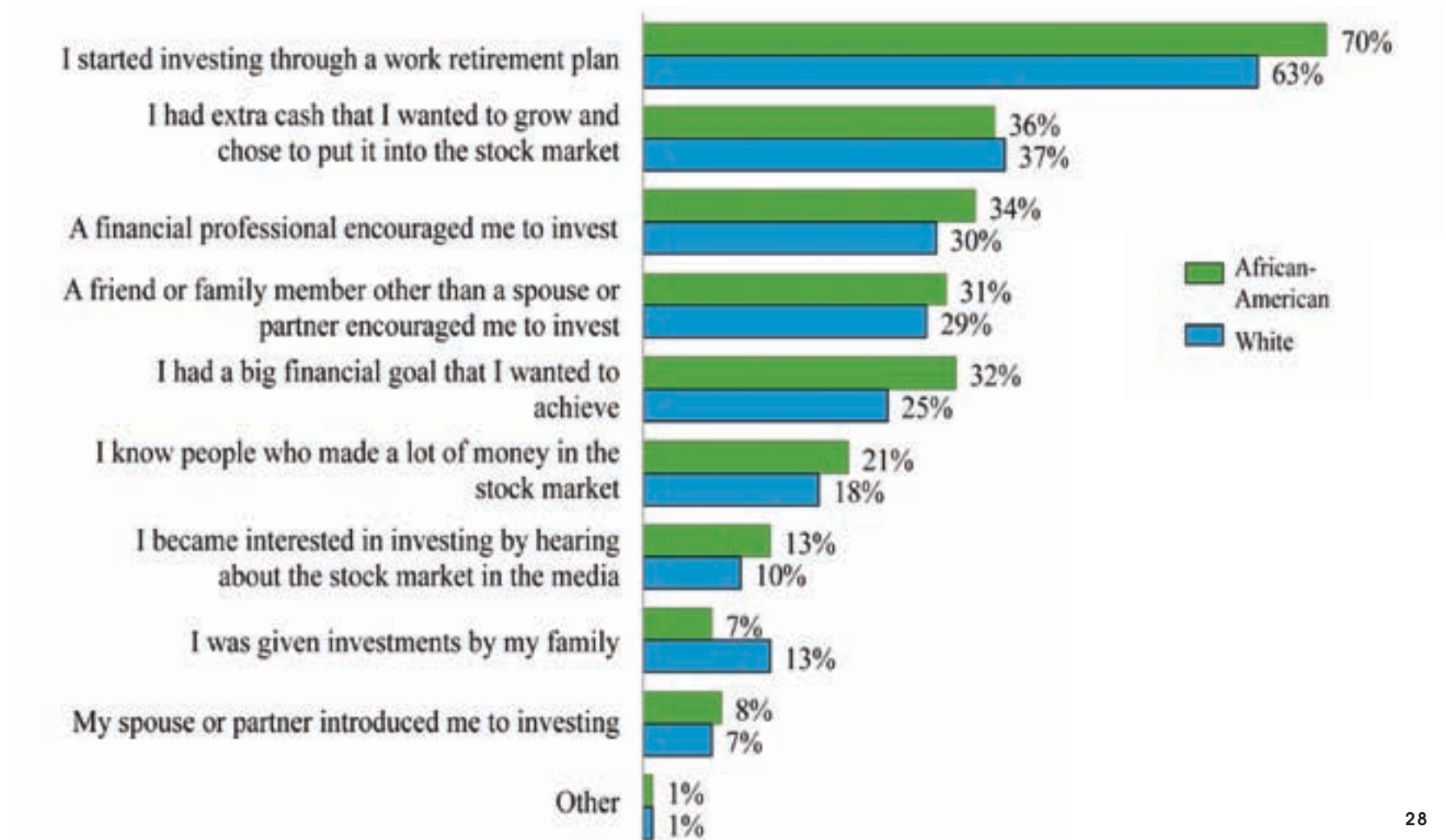
Base: Not retired



Reasons for starting to invest

I'm going to read a list of reasons people might start investing in the stock market. Please tell me which of these were reasons that contributed to you becoming an investor.

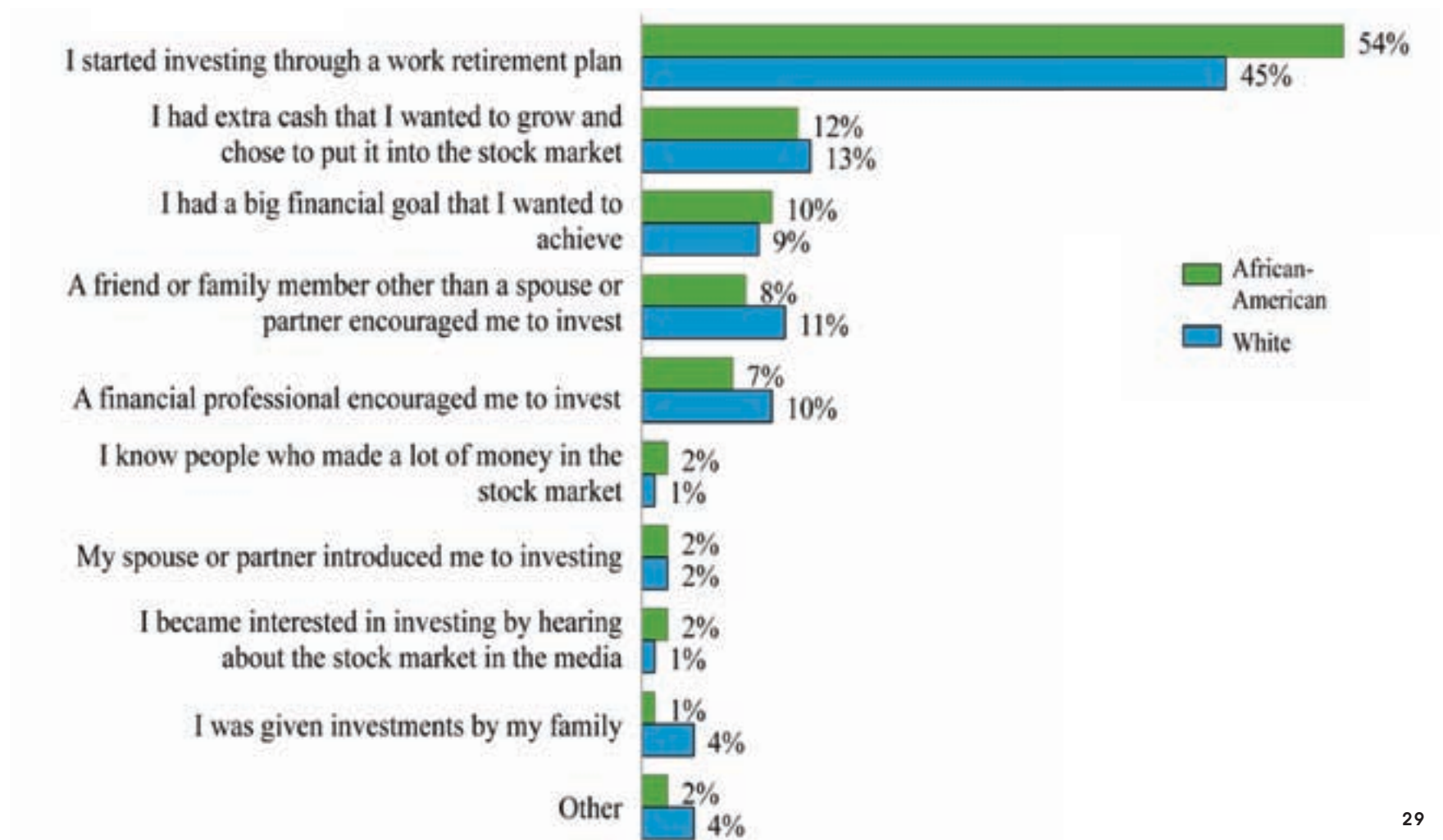
Base: Investors



Most important reason for starting to invest

Which of the reasons you gave would you say was the single most important reason you became an investor?

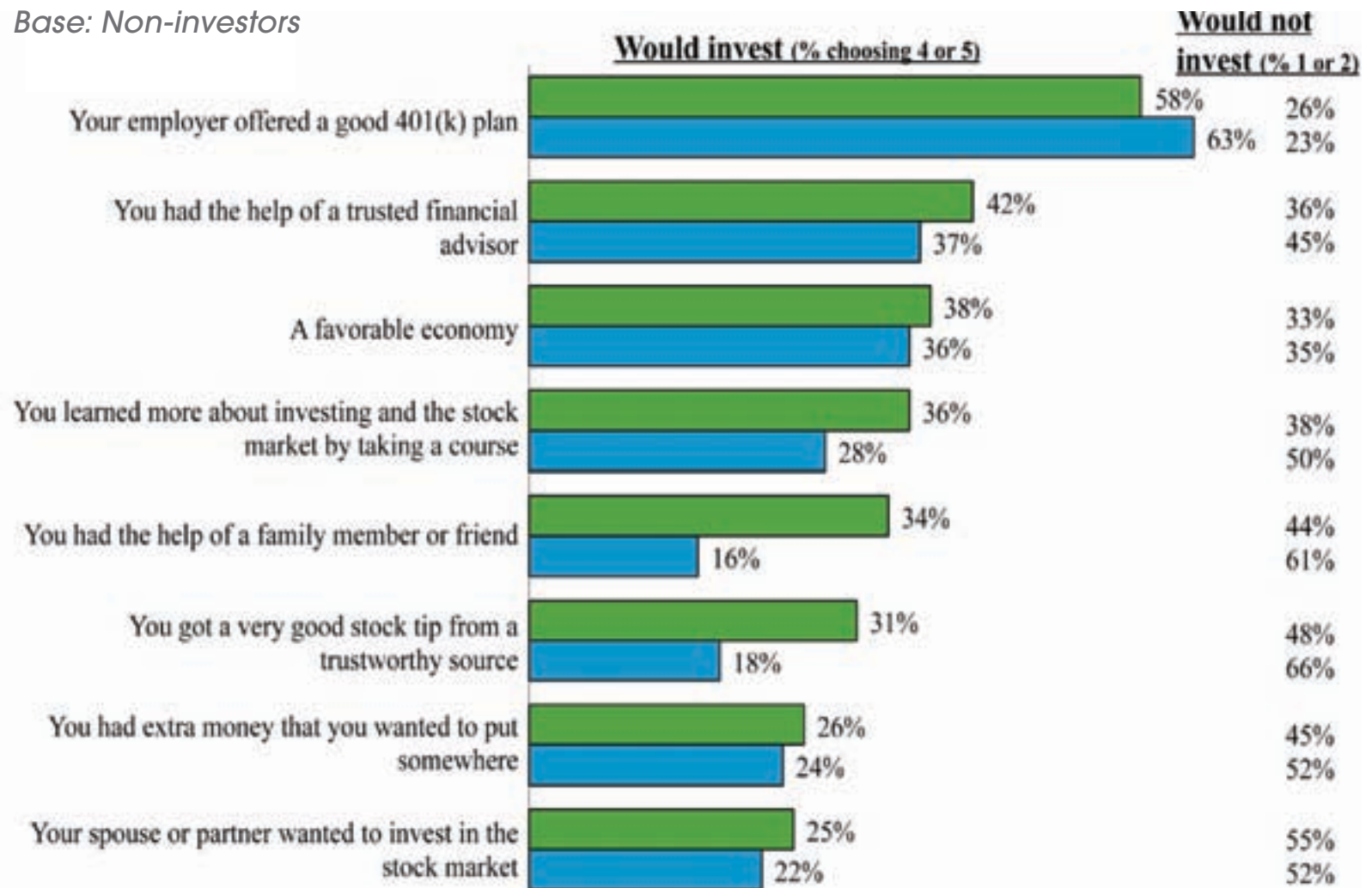
Base: Investors



Likelihood to invest

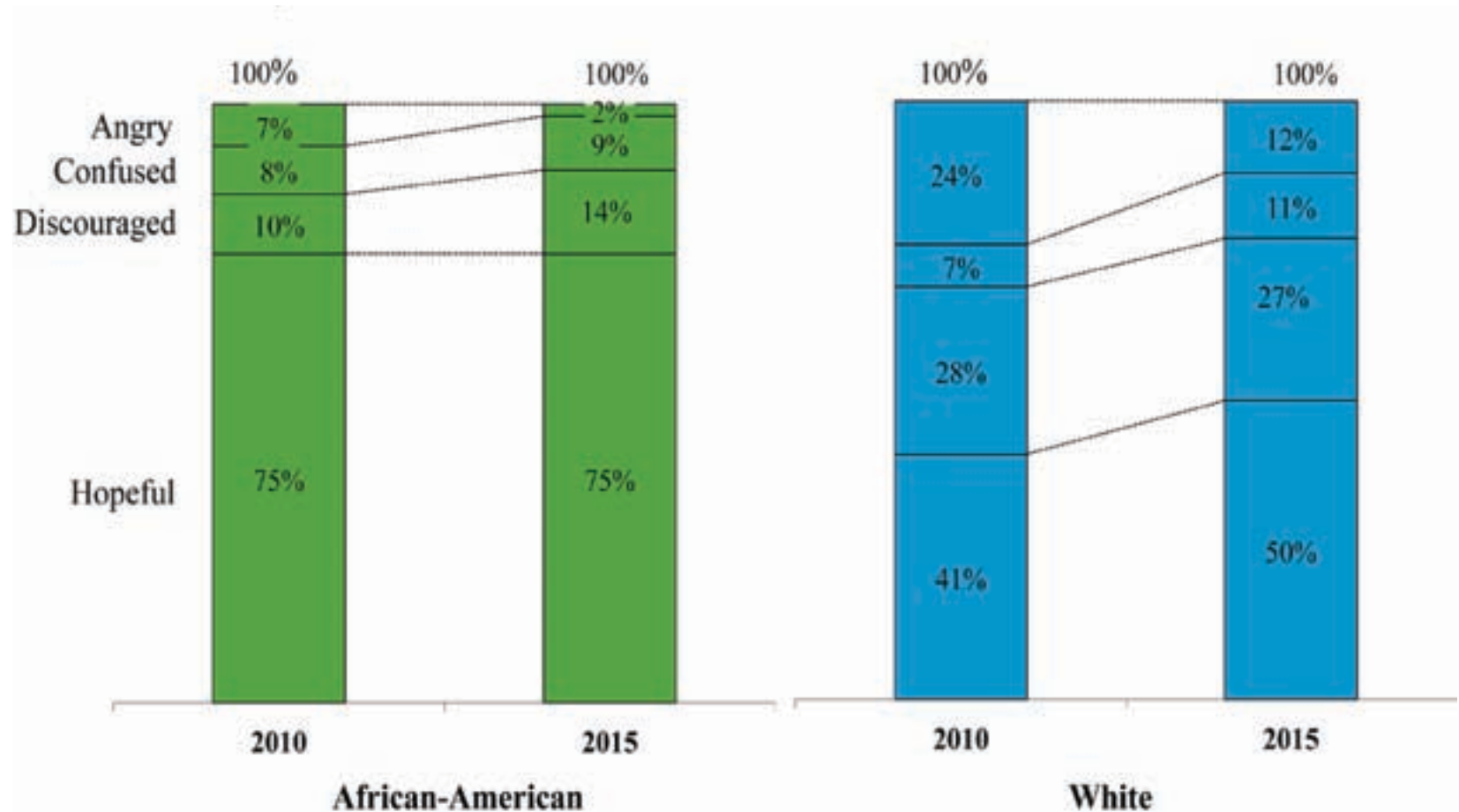
Using a scale of 1 to 5, where 1 means you definitely would not invest and a 5 means you definitely would invest, please rate your likelihood to invest under each of the following circumstances.

Base: Non-investors



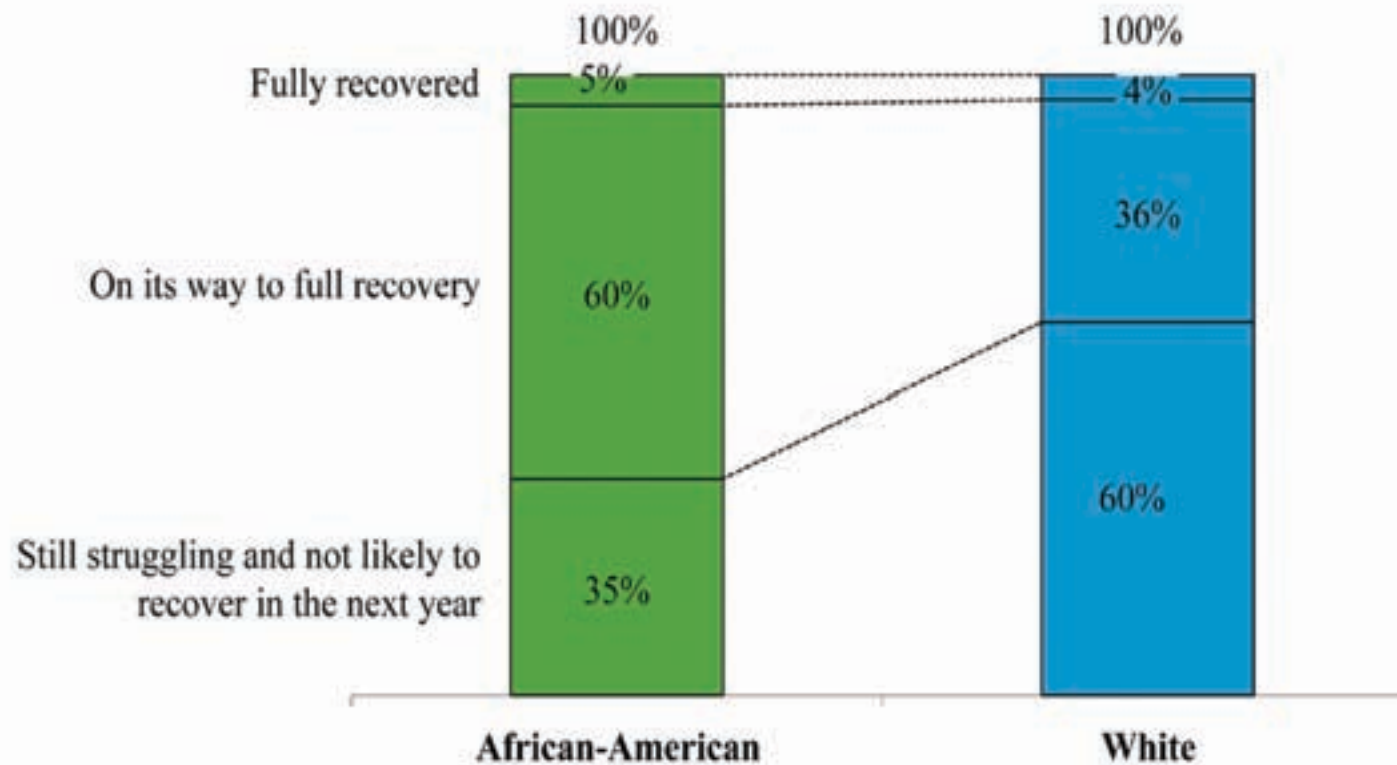
Feelings about U.S. economy

Which of the following four words BEST describes how you feel right now about the current U.S. economy?



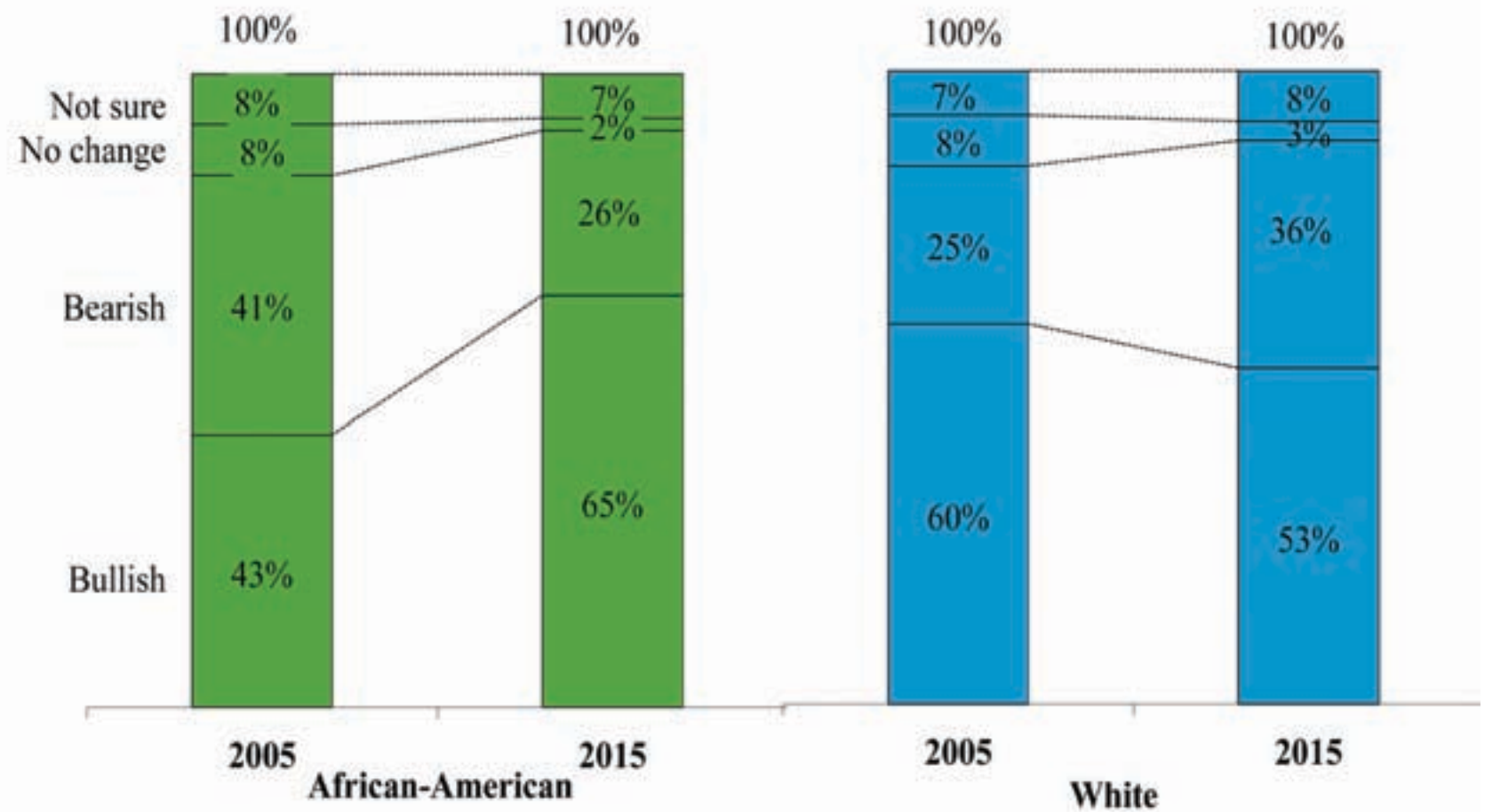
Perception of U.S. economy

From your own personal experience and perception of the recession, do you feel that the U.S. economy is fully recovered, on its way to a full recovery, or still struggling and not likely to recover in the next year?



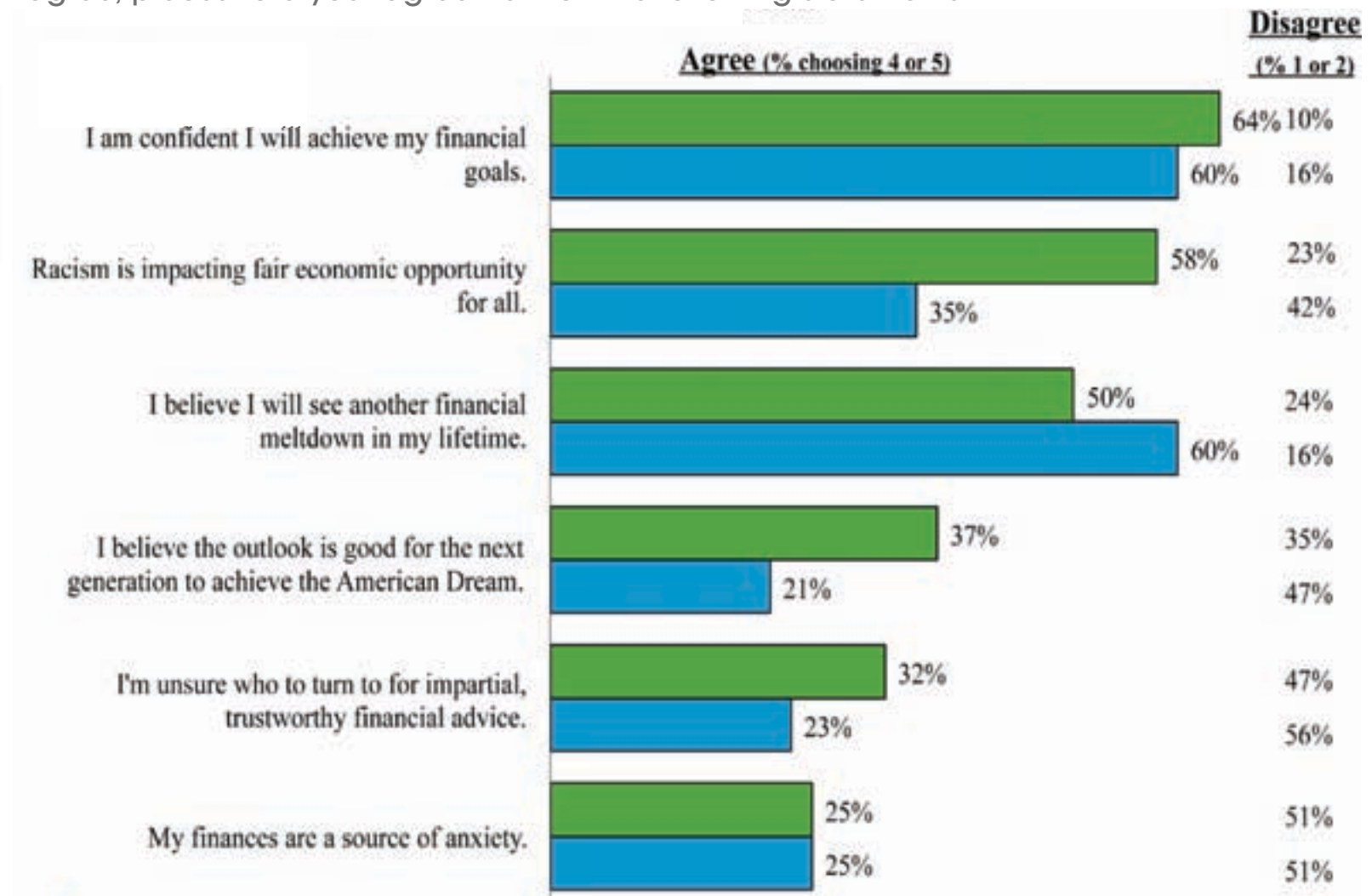
Stock market outlook

Is your outlook for the stock market in the next twelve months generally bullish, that is you think it will go up, or bearish, that is, you think it will go down?



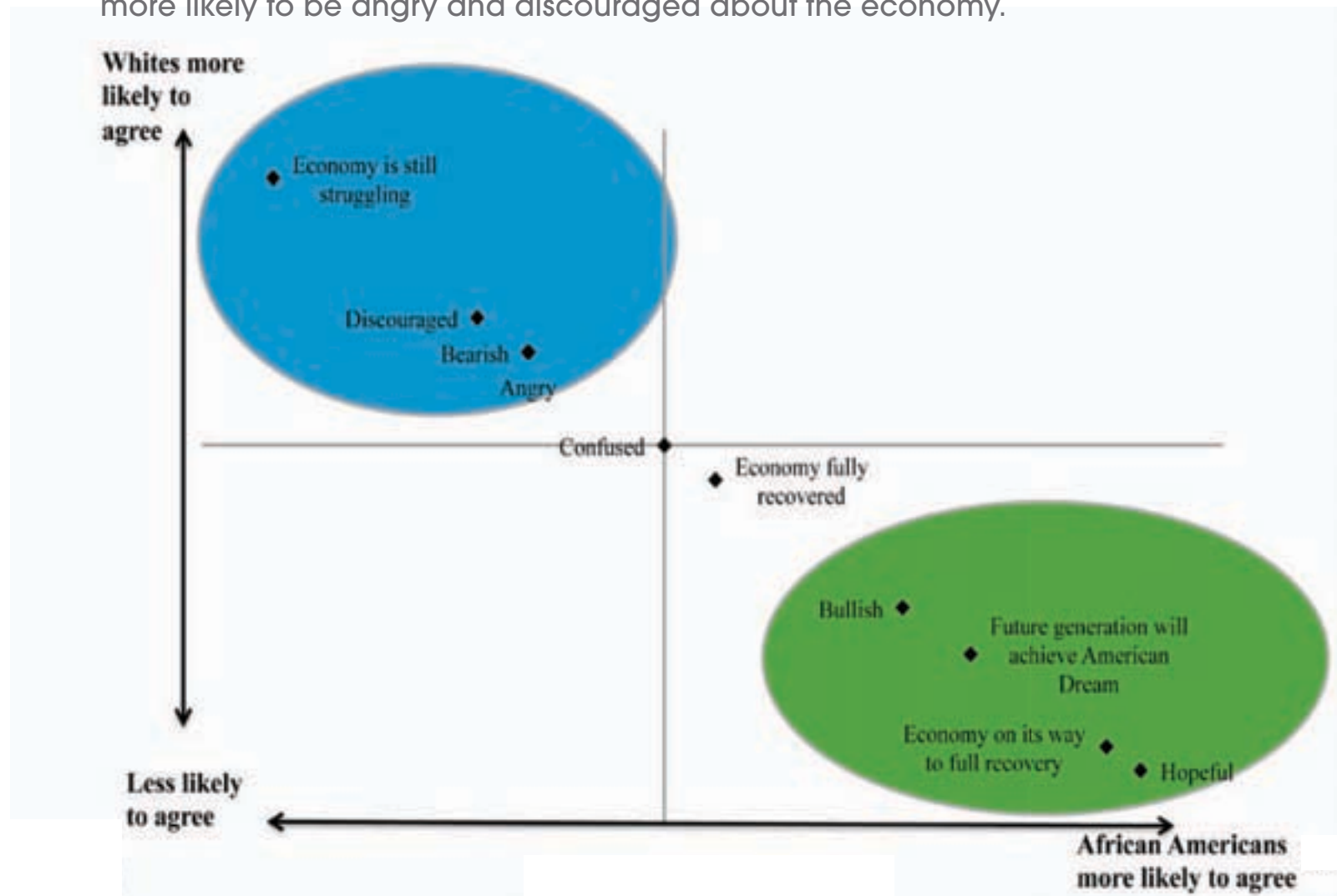
Financial opinions

Using a scale of 1 to 5, where 1 means you strongly disagree and a 5 means you strongly agree, please rate your agreement on the following statements.



Relative optimism/pessimism by race

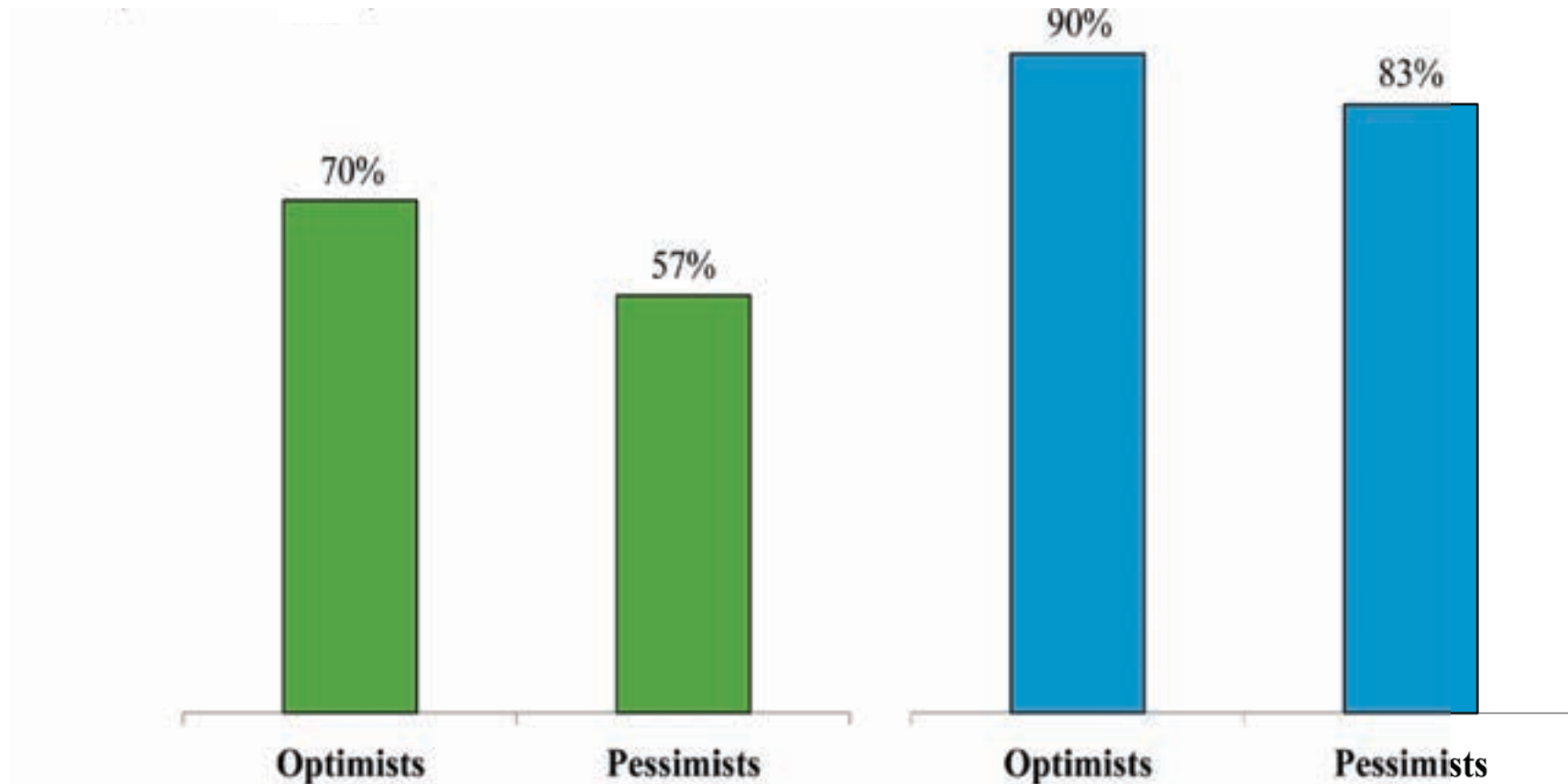
Attitudinal mapping showing relative differences between African-Americans and whites. A positive outlook is more strongly associated with African-Americans, while whites are more likely to be angry and discouraged about the economy.



Market participation by optimist vs. pessimists

Do you personally, or with a spouse, have any money invested in the stock market right now, either in individual stocks or in a stock mutual fund?

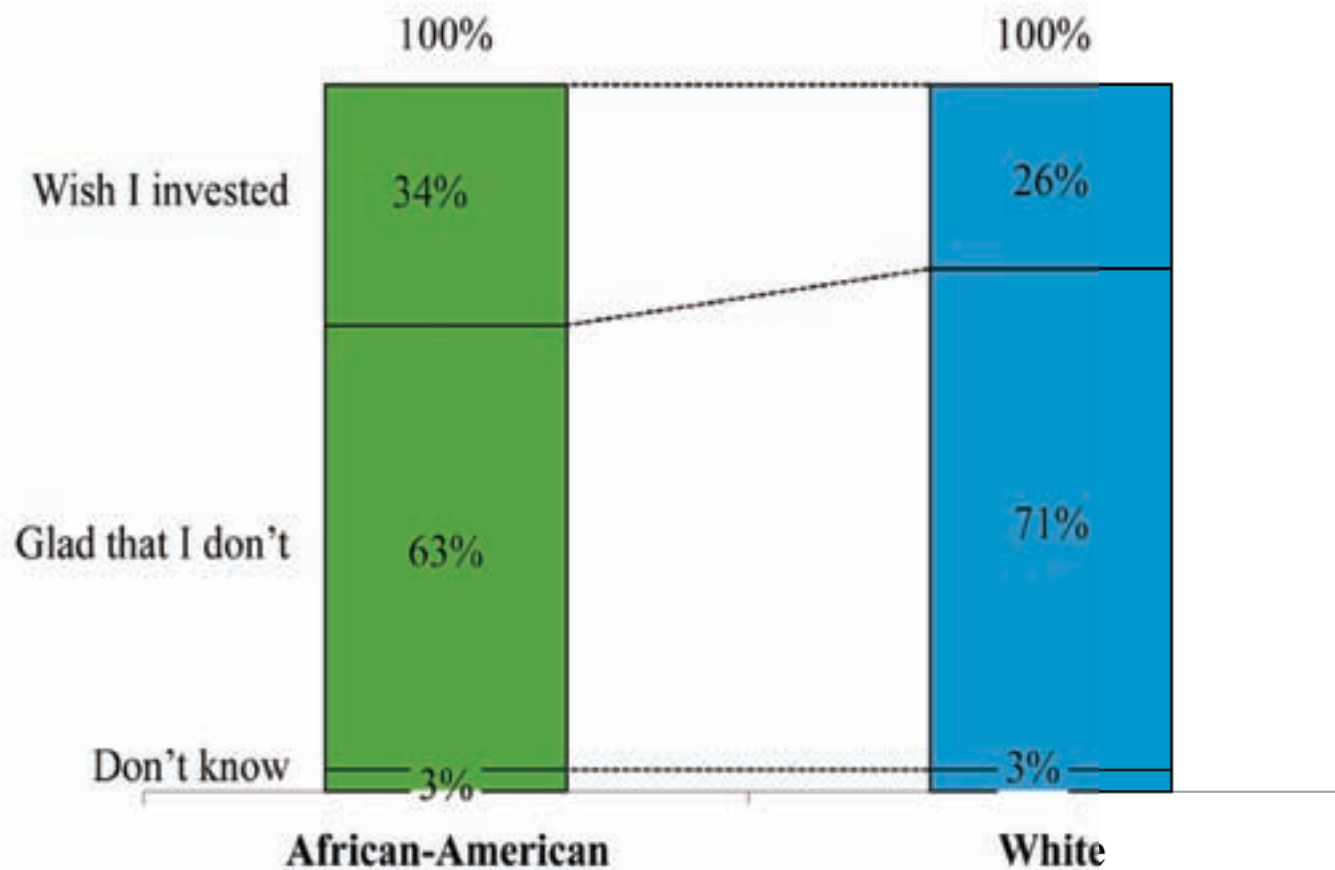
(% answering yes)



Feelings about not being invested

Overall, do you wish you had money invested in the stock market, or are you glad that you don't?

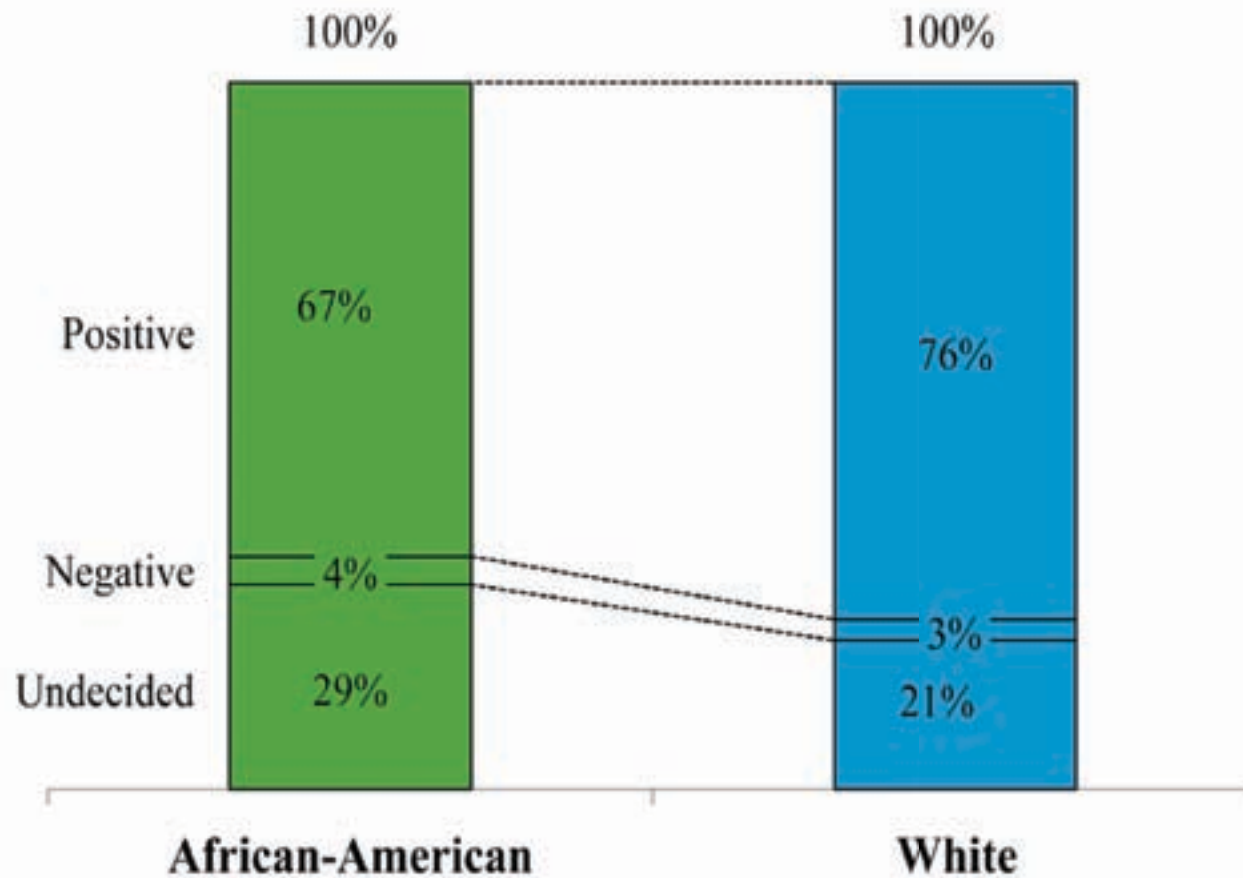
Base: Non-investors



Feelings about investment experience

Would you say your experience with investing so far has been positive or negative, or are you still undecided?

Base: Investors



Demographics



Demographic/financial profile

GENDER

	African-American %	White %
Male	44	55
Female	56	45

AGE

	African-American %	White %
1829	3	3
3039	11	8
4049	18	14
5064	43	44
65+	25	31

EDUCATION

	African-American %	White %
Some HS or less	1	<1
HS graduate	10	11
Some college	15	18
College graduate	35	35
Postgraduate study	39	36

HOUSEHOLD INCOME

	African-American %	White %
\$50,00074,999	29	29
\$75,00099,999	25	23
\$100,000149,999	25	28
\$150,000250,000	16	15
Over \$250,000	5	5

EMPLOYMENT STATUS

	African-American %	White %
Employed full time	59	51
Retired	31	33
Employed part-time	5	8
Unemployed	3	3
Homemaker	2	4
Full-time student	<1	<1

TYPE OF EMPLOYER

(of those employed)

	African-American %	White %
Business	45	56
Government	36	24
Not-for-profit	19	20

Demographic/financial profile (continued)

MARITAL STATUS

	African-American	White
	%	%
Single/never married	16	9
Not married/living together	2	3
Married	63	76
Divorced/separated	12	6
Widowed	7	6

NON-SPOUSE ADULTS IN HOME

	African-American	White
	%	%
Other adults present	38	24
No other adults present	62	76

VALUE OF SAVINGS AND INVESTMENTS (excl. real estate)

	African-American	White
	%	%
>\$1,000,000	5	16
\$500,000-\$999,999	8	16
\$250,000-\$499,999	17	23
\$100,000-\$249,999	21	20
\$50,000-\$99,999	20	9
\$25,000-\$49,999	13	6
\$5,000-\$24,999	10	7
<\$5,000	6	3

MONTHLY SAVINGS/INVESTMENTS

	African-American	White
	%	%
\$2,500+	4	9
\$1,001-\$2,500	8	15
\$501-\$1,000	17	17
\$351-\$500	14	14
\$201-\$350	15	12
\$101-\$200	12	9
\$51-\$100	12	7
<\$50	4	3
Nothing at this time	14	14