

Black Investor Survey 2020

Report of Findings

FEBRUARY 2021



Ariel-Schwab Black Investor Survey

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Research Objectives

- Identify similarities and differences between middle-class Black and white Americans with regard to savings and investing:
 - Examine the factors, particularly past influences and underlying beliefs, that may impact how Black and white Americans think about financial matters
 - Identify and understand the influences of the pandemic on investing trends
 - Assess the expectations and sentiment that Black and white Americans face in their financial future
 - Determine any shifts in attitudes or behaviors that have occurred over time

Methodology

An online survey of approximately 18 minutes in length was conducted during the period of December 1-14, 2020, with sample provided by opt-in consumer panels

Recruiting criteria:

- Mix of genders*
- Age 18+*
- \$50K+ household income in 2019
- Primary or shared decision maker for household financial decisions

A total of 2,104 surveys were completed as follows:

- 1,007 among those identifying as Black
- 1,097 among those identifying as white

Ariel Investments/Charles Schwab were not identified as the sponsors of the research

Research conducted by Helical Research Inc.

* Soft quota ranges set for age and gender within race with income of \$50K+ in order to be aligned with US Census data and previous research

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Highlights of the 2020 Black Investor Survey

Black Americans are not benefitting from stock market growth at the same rate as white Americans.

- The deep-rooted gap in stock market participation between the groups persists, with 55% of Black Americans and 71% of white Americans reporting stock market investments. (page 13)
- This disparity, compounded over time, means that middle-class Black Americans will have less money saved for retirement and less wealth to pass onto the next generation than their white peers.
- However, there is also evidence of growing interest, especially among younger Black Americans, in the stock market.
 - 63% of Black Americans under the age of 40 now participate in the stock market, equal to their white counterparts. (page 14)
 - ✓ The closing of this gap among younger investors is being driven by new investors: three times as many Black investors as white investors (15% vs. 5%) report having invested in the market for the first time in 2020. (page 15)
 - ✓ Twenty-nine percent of Black investors under the age of 40 were new to investing in 2020 compared to 16 percent of whites. (page 15)

While a positive trend in 401(k) participation is seen, there is still work to be done.

- Over the last several decades, 401(k) plans have become an important gateway to investing for many Black Americans:
 - 63% of Black investors have first invested in the stock market through a retirement plan. (page 16)
 - Ownership rates of 401(k) plans are now similar between Black and white Americans (53% vs. 55%). (page 17)
- That said, savings rates show meaningful differences:
 - White 401(k) plan participants put 26% more per month toward their retirement accounts than Black 401(k) plan participants (\$291 vs. \$231) (page 18)

Beyond the stock market, Black Americans are also less likely than white Americans to own various financial vehicles and plans.

- Black Americans are less likely than white Americans to own almost every kind of financial vehicle, with the exception of whole life insurance, which is favored in the Black community. (page 19)
- They are also less likely than white Americans to have written wills, financial plans, or retirement plans. (pages 20, 17)
- For Black Americans, disparities grow every month; while they save \$393 per month, white Americans are saving 76% more (\$693 per month). (page 21)
 - Even Black Americans who earn more than \$100,000 a year consistently save or invest considerably less than their white counterparts at the same income level.
- Black Americans are also far less likely to have inherited (23% vs. 51%) or expect to inherit wealth (15% vs. 35%). (page 22)
- More white Americans (44%) than Black Americans (33%) are focused on preparing for retirement as their most important financial goal. (page 23)

Within financial services, trust remains an issue.

- Trust in the financial services industry continues to affect Black American participation in the stock market.
 - While similar proportions of Black and white investors believe that financial services institutions are not trustworthy (23% vs. 20%), only 35% of Black investors feel they are treated with respect by financial institutions versus 62% for white investors. (page 24)
 - Additionally, Black Americans are considerably more likely to cite the importance of racial diversity at investment firms (63% vs 27%). (page 25)
- Black Americans are less likely to work with financial advisors (21% vs. 45% of whites), (page 26) but the majority of those who work with financial advisors are likely to feel respected by financial institutions. (page 24)

Findings point to belt tightening.

- The pandemic, not surprisingly, affected higher-income Black and white Americans in different ways financially.
- While both groups report a sharply increased focus on saving for emergencies compared to prior years, the impact of the pandemic on the economy caused Black Americans to be more likely to take action in greater numbers than white Americans. (page 27)
 - Black Americans were more likely to cut spending on both extras (50% vs. 41%) and basics (19% vs. 13%).
 - Student loan delay or deferral was reported as being three times more common among Black Americans (16%) than whites (5%).
 - Despite this, a sizable minority of Black Americans – and significantly more than white Americans – were forced to tap their savings to make ends meet:
 - ✓ More than twice as many Black 401(k) participants (12% vs. 5%) borrowed money from their retirement accounts.
 - ✓ Almost twice as many Black Americans (18% vs. 10%) dipped into an emergency fund.
 - ✓ And 9% of Black Americans (vs. 4% of white Americans) say they asked their family or friends for financial support in 2020, while 18% of Black Americans and 13% of white Americans acknowledged giving financial support to family and friends last year.

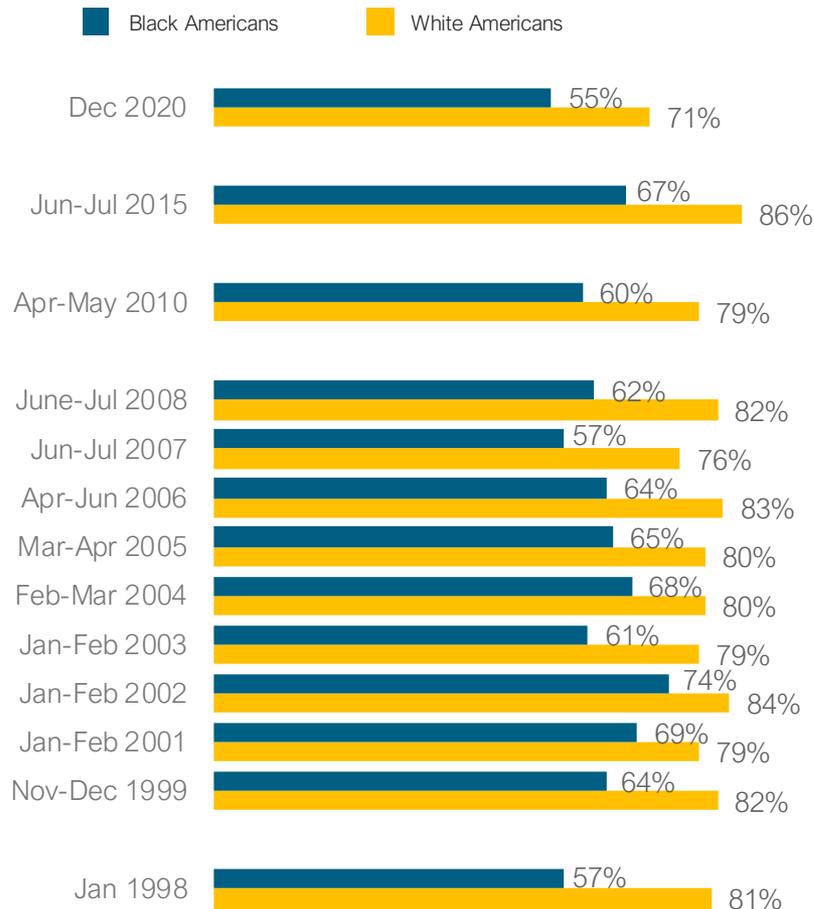
Although real problems persist, Black Americans remain optimistic.

- When asked to forecast their personal financial situation in 2021 compared to 2020, 60% of Black Americans say feel their situations will improve, compared to only 40% of white Americans who felt the same way. (page 28)
- This optimism, coupled perhaps with the unique circumstances of the 2020 market, created an opportunity for historically underinvested Black Americans to help one another learn more about investing.
- Black Americans are now much more likely to discuss the stock market with their families than in years past.
 - Among Black Americans, 10% discussed the stock market with their families growing up, while 37% discuss the stock market with their families now (compared to 23% and 36%, respectively, for white Americans). (page 29)
- These dinner conversations appear to be paying off:
 - More than twice as many young (under age 40) Black investors (18% vs. 7% of older Black investors) say they discussed the stock market growing up. (page 29)
 - Overall, about half of all Black investors (49%) say they are the first in the families to ever invest, compared to 39% of white investors. (page 30)

Detailed Results

Stock Market Current Investor Status

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



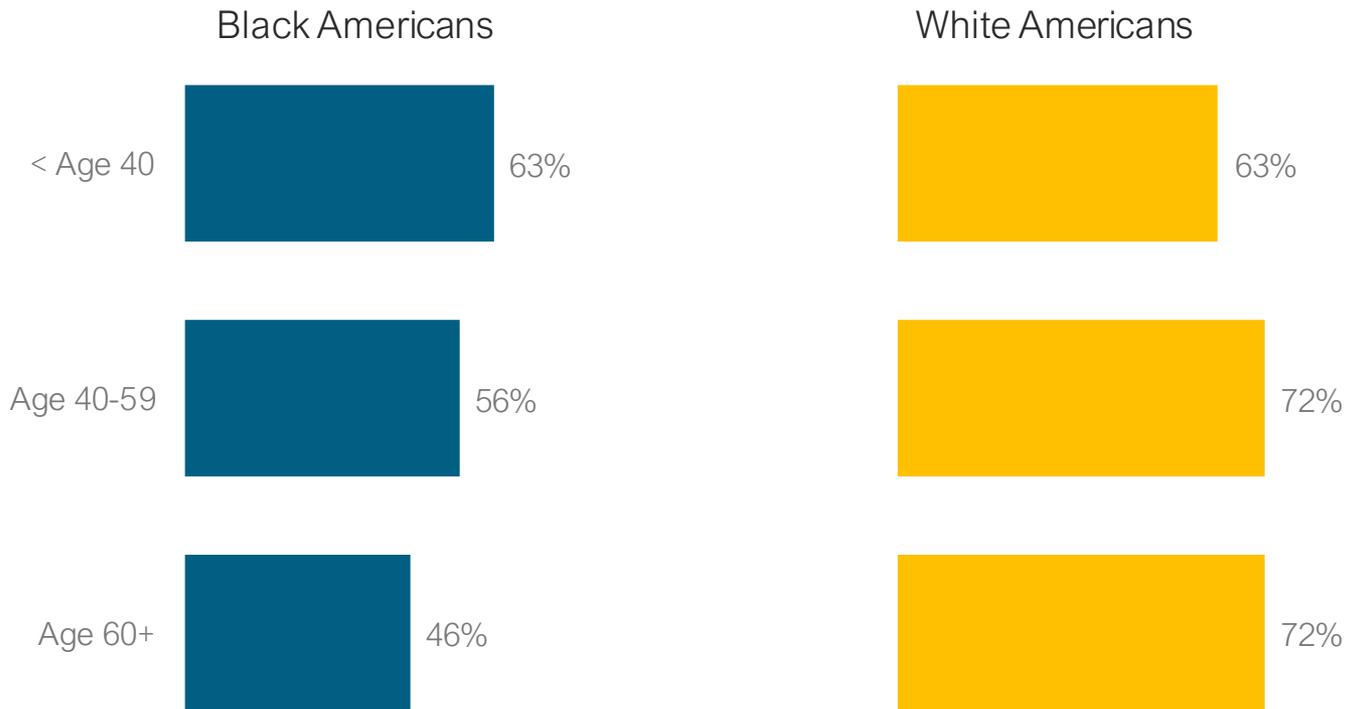
Historical Events

Nov 2020	Presidential election (Biden)
May 2020	Killing of George Floyd
Feb 2020	Market peaks/bear market, recession begins
Jun 2015	Brexit
Mar 2010	Healthcare reform
Dec 2007	Recession begins
Oct 2007	Market peaks/bear market
Nov 2002	DHS created
Dec 2001	Enron files for bankruptcy
Sep 2001	9/11 attacks/US market closed 4 days
Nov 2000	Presidential election (Bush)
Mar 2000	Recession begins
Mar 1999	Market peaks/bear market
Sep 1997	LTCM bailout

Base: total Note: survey was shifted from phone to online between 2015 and 2020, which could account for some of the difference between these two waves of research

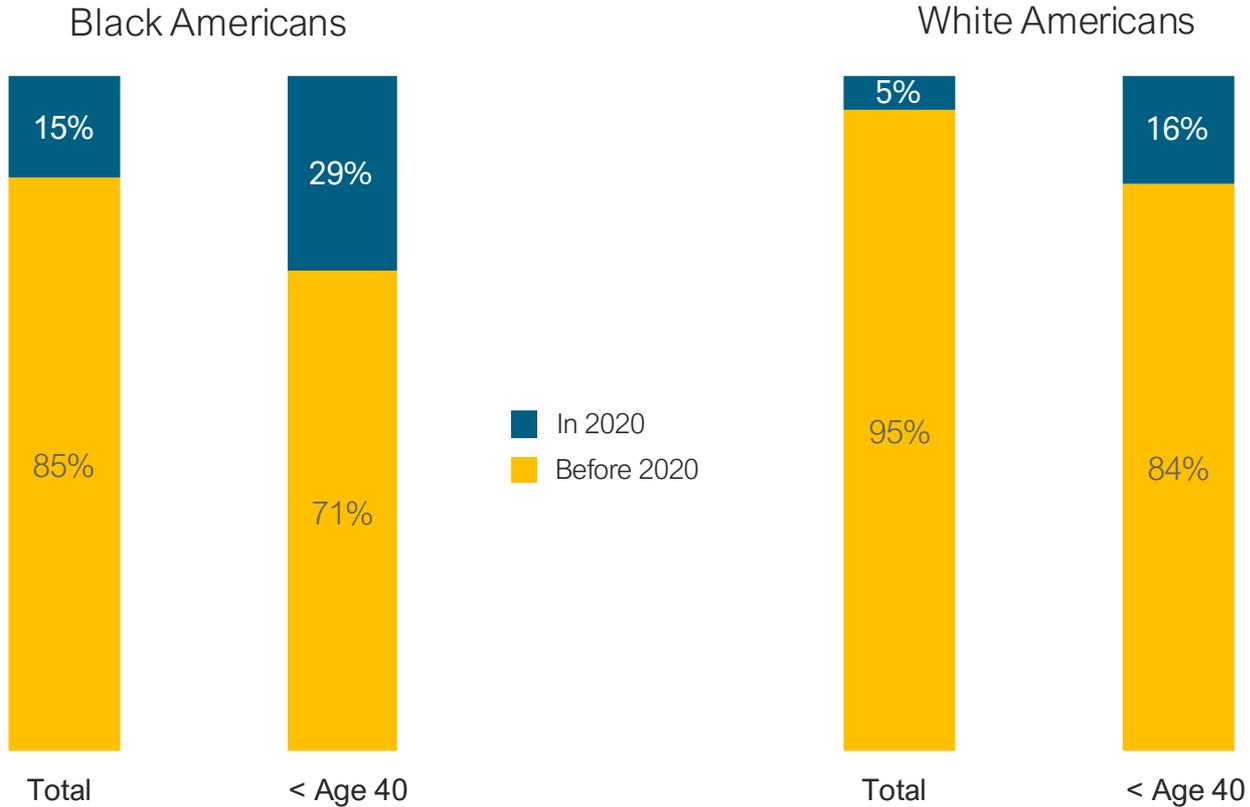
2020 Stock Market Current Investor Status by Age

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



When First Put Money into the Stock Market

When did you first (personally or with a spouse/partner) put money into the stock market?

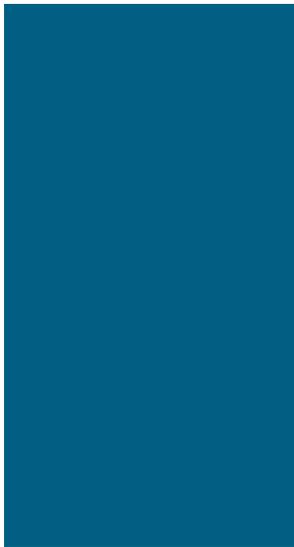


Whether Defined Contribution Plan was First Time Investing in Stock Market

When you began investing in your 401(k) or other workplace retirement plan, was this your first time investing in the stock market, or did you already have experience investing?

Black Americans

63%



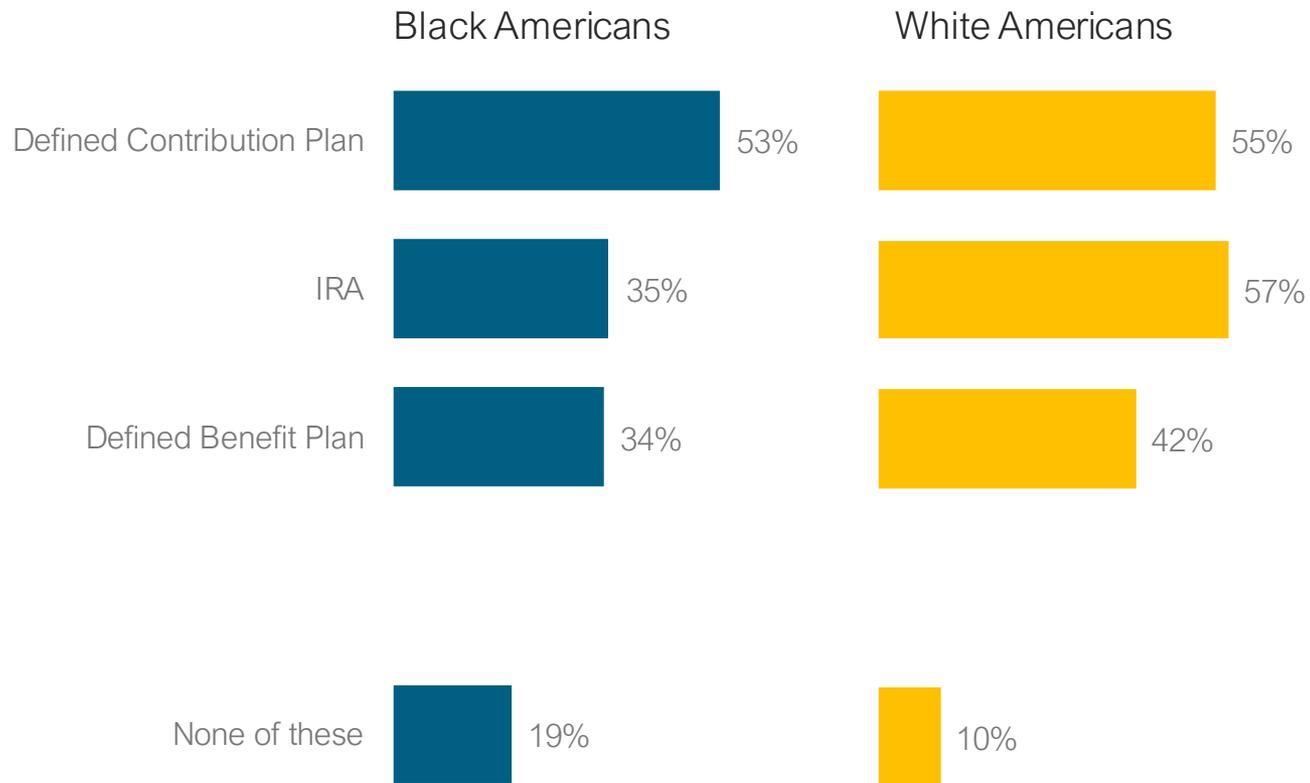
White Americans

55%



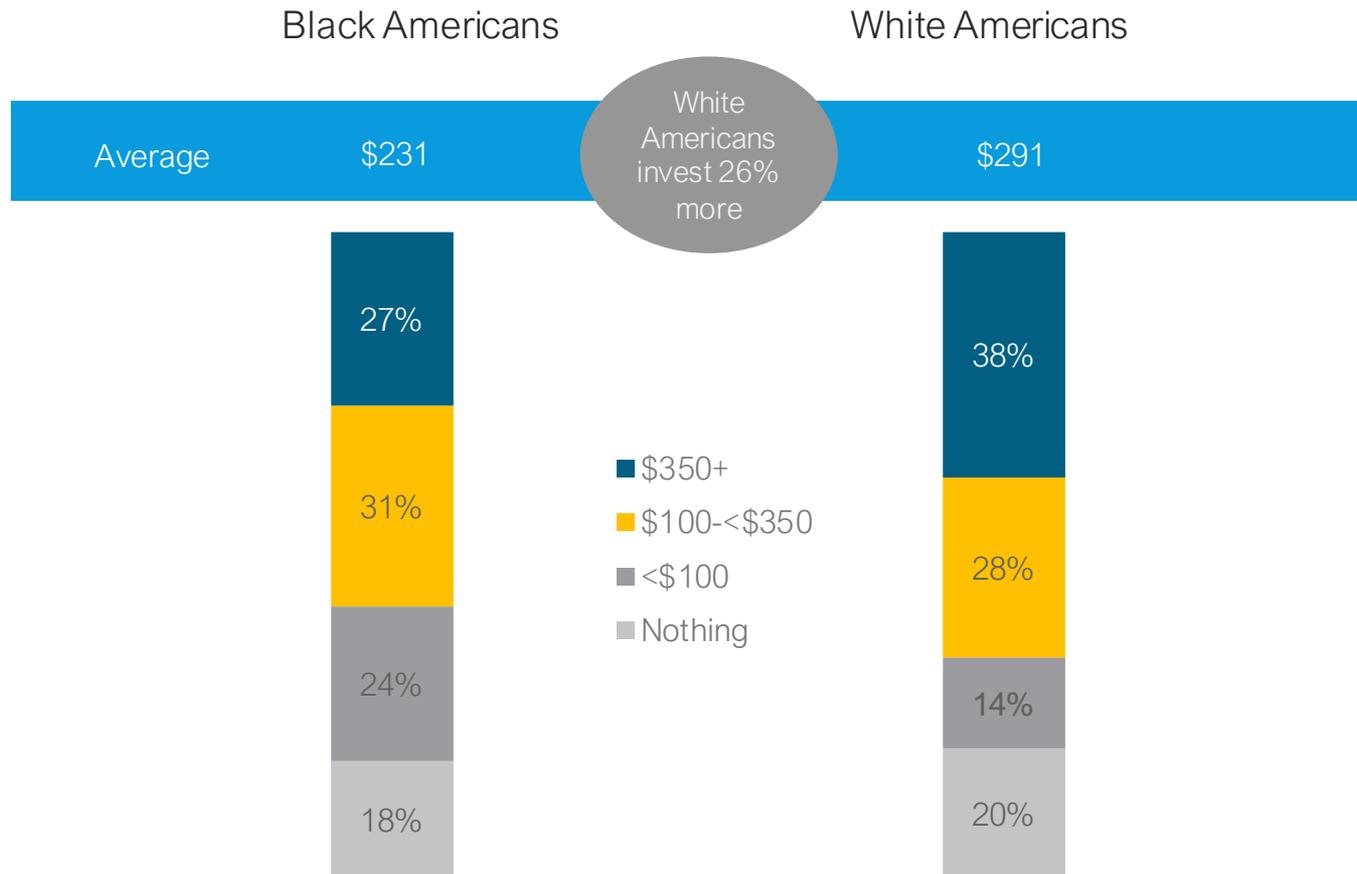
Retirement Plans/Accounts Owned

Which of the following kinds of retirement plans/accounts do you (and your spouse or partner) currently have?



Average Amount Invested in Retirement Account Per Month

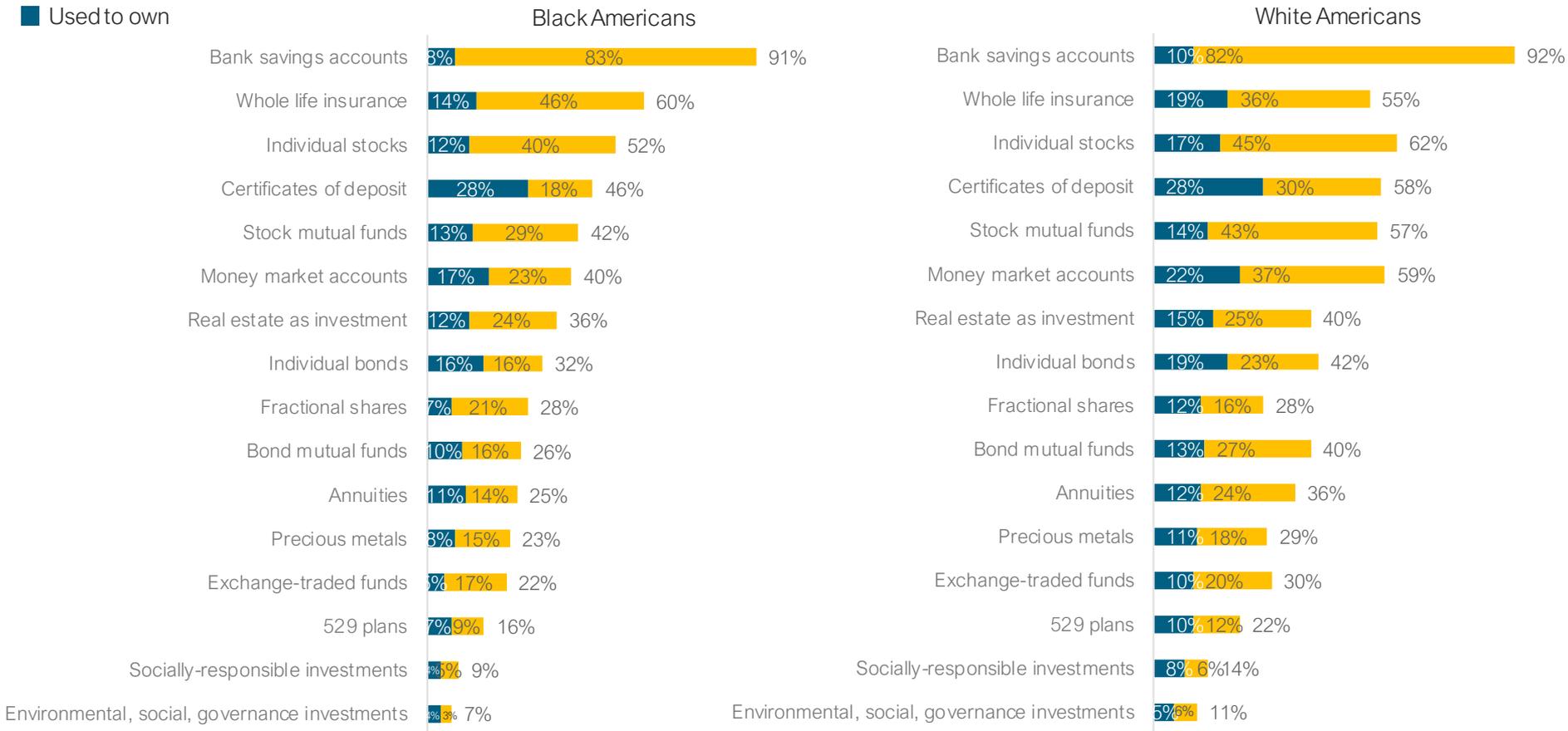
How much money are you (or and your spouse/partner) investing per month in any sort of retirement account, including an employer sponsored retirement plan?



Financial Products Previously/Currently Owned

Please indicate which of the following best describes your awareness/ownership (personally or with a spouse/partner) of each of these financial products.

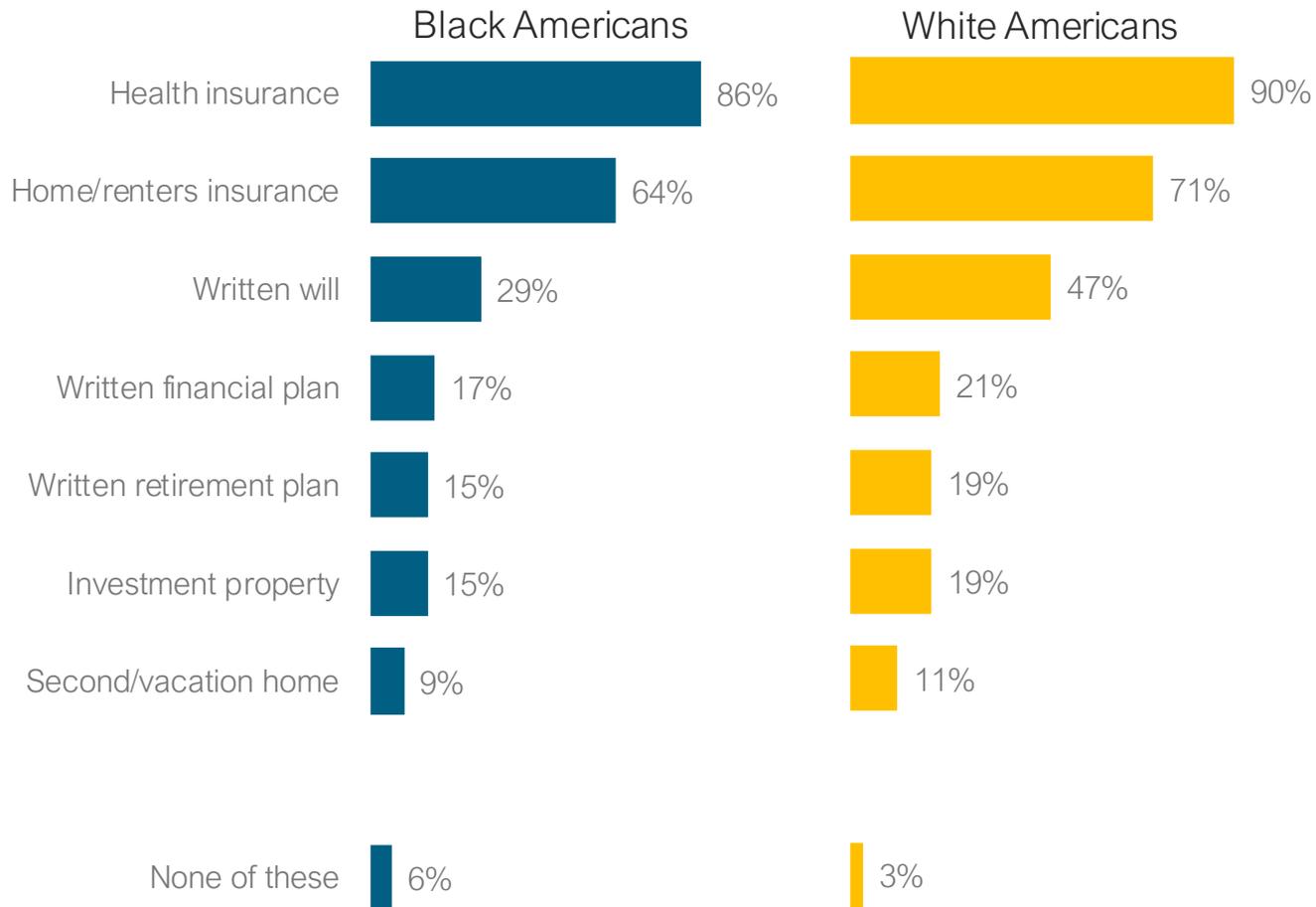
■ Currently own
■ Used to own



Base: total; list of products (including detailed explanations as appropriate) and scale provided

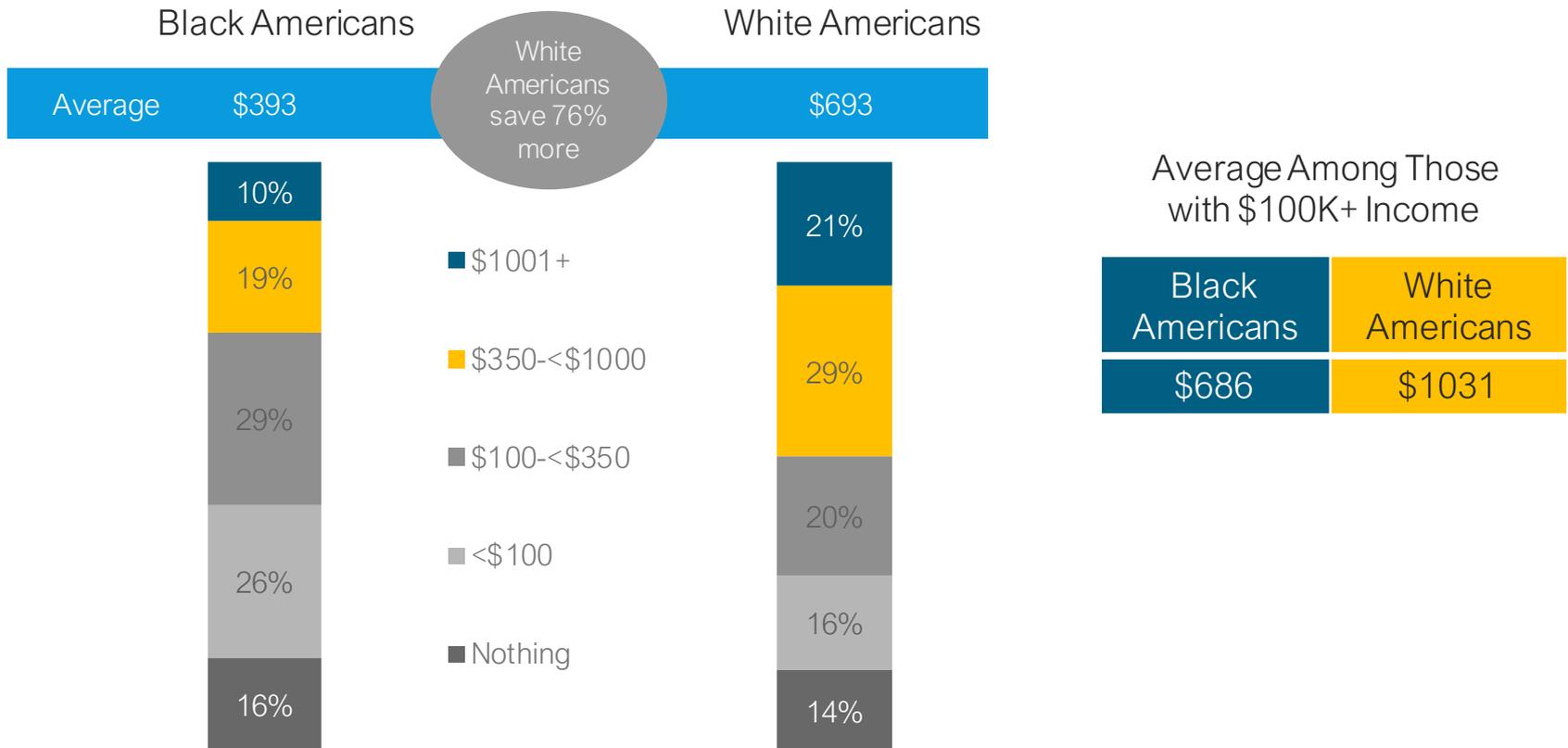
Other Products Owned

Which of the following do you currently have (personally or with a spouse/partner)?



Average Amount Saved/Invested per Month

How much money are you [and your spouse/partner] saving or investing per month? Even if you may not save every month, we would like your answer in average dollars per month.

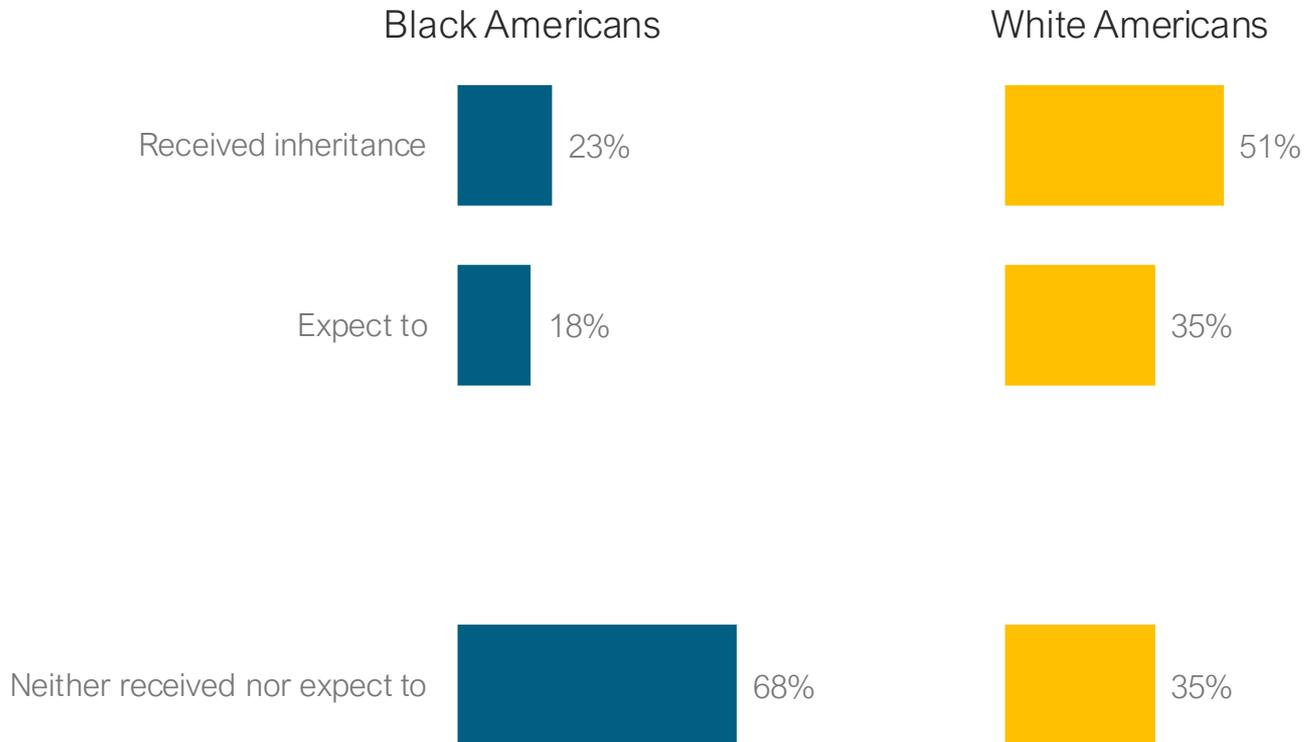


Base: total; response categories provided

Inheritance – Past, Anticipated Future

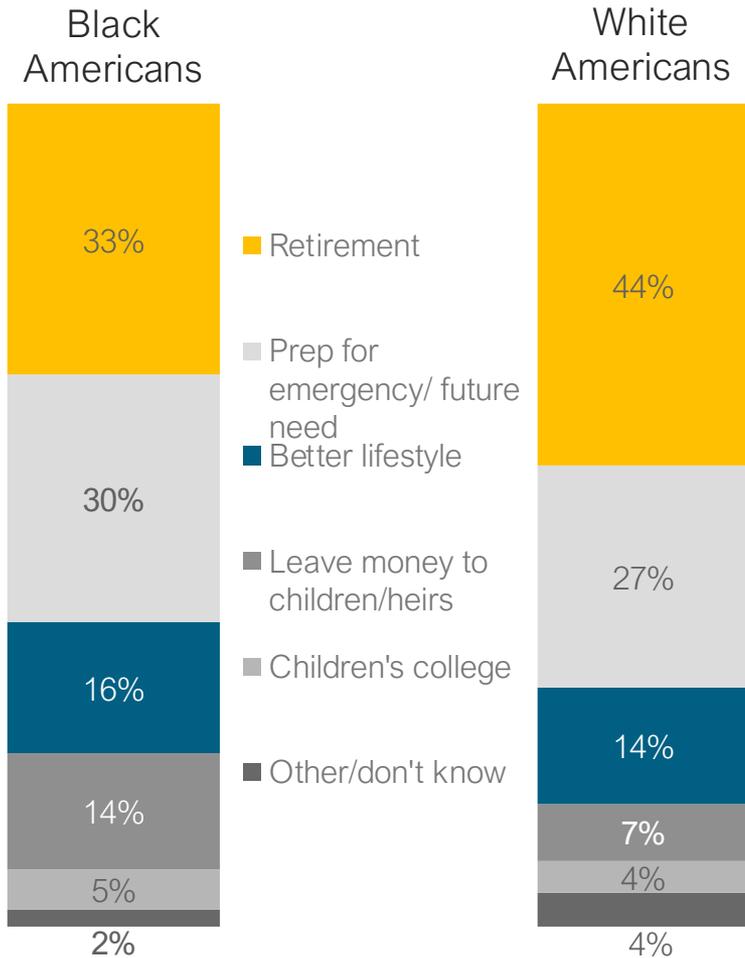
Have you ever inherited money?

Do you expect to inherit money in the future?



Most Important Goal in Saving or Investing

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



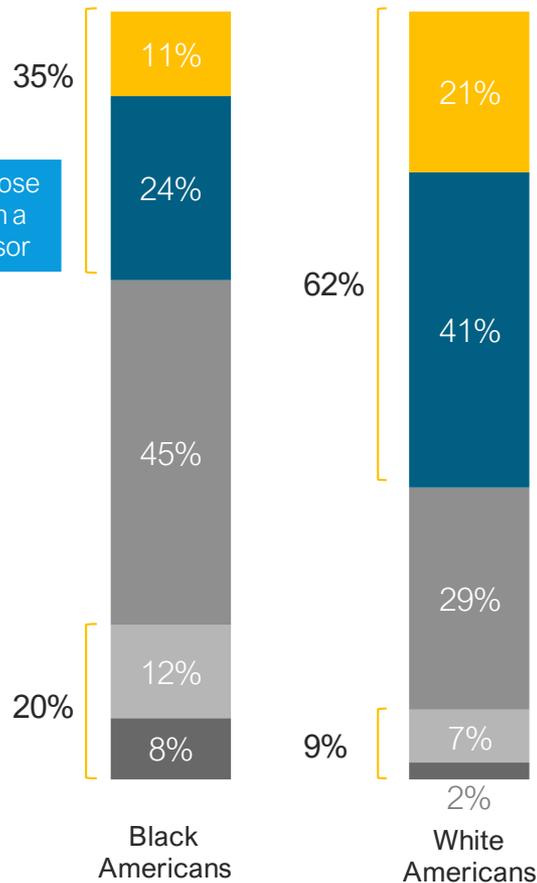
Base: total; response choices provided

Comparison to Previous Years' Research						
	Black Americans			White Americans		
	2020	2015	2010	2020	2015	2010
Retirement	33%	44%	40%	44%	60%	58%
Prep for emergency/ future need	30%	12%	20%	27%	7%	18%
Better lifestyle	16%	17%	12%	14%	16%	8%
Leave money to children/heirs	14%	12%	10%	7%	8%	6%
Children's college	5%	12%	18%	4%	6%	10%
Other/don't know	2%	3%	NA	4%	3%	NA

Agreement with Statements about Financial Services Firms

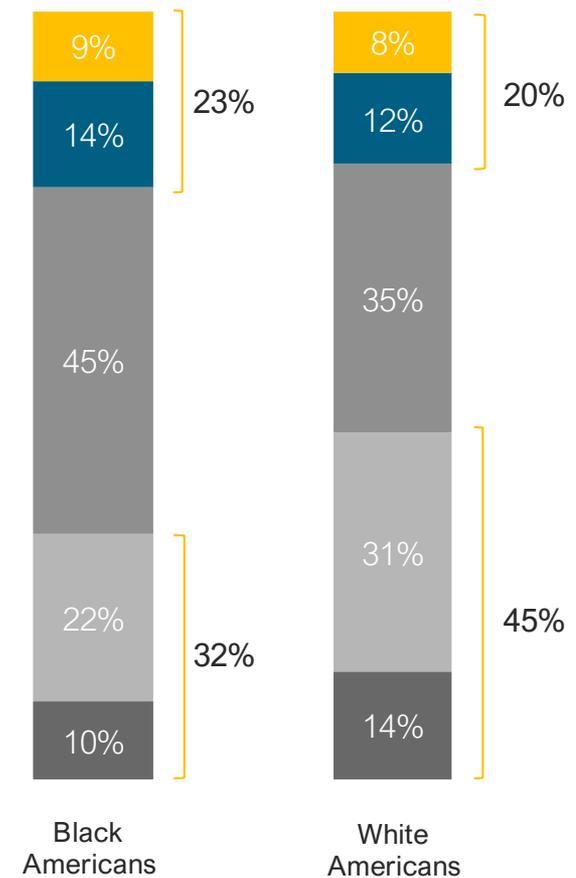
Please indicate the extent to which you agree or disagree with each of the following statements.

Overall, financial services firms treat people like you with respect



54% among those who work with a financial advisor

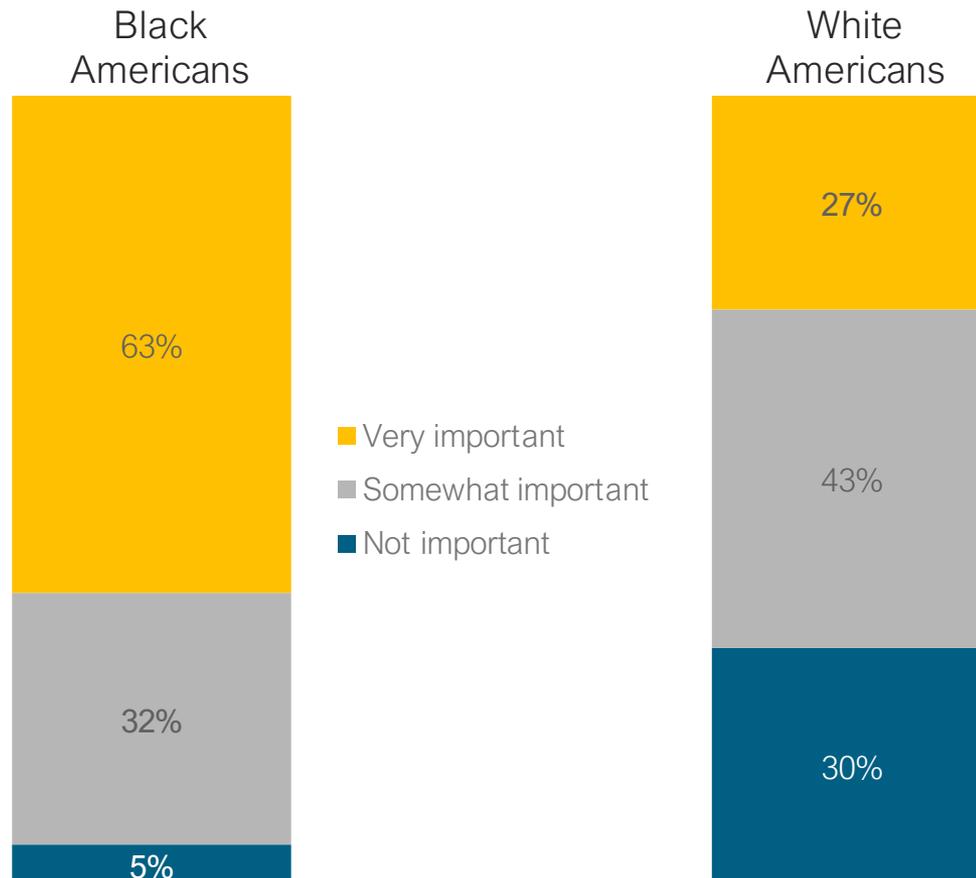
Financial services institutions are not trustworthy



Base: total; scale provided

Importance of Racial Diversity for Investment Companies

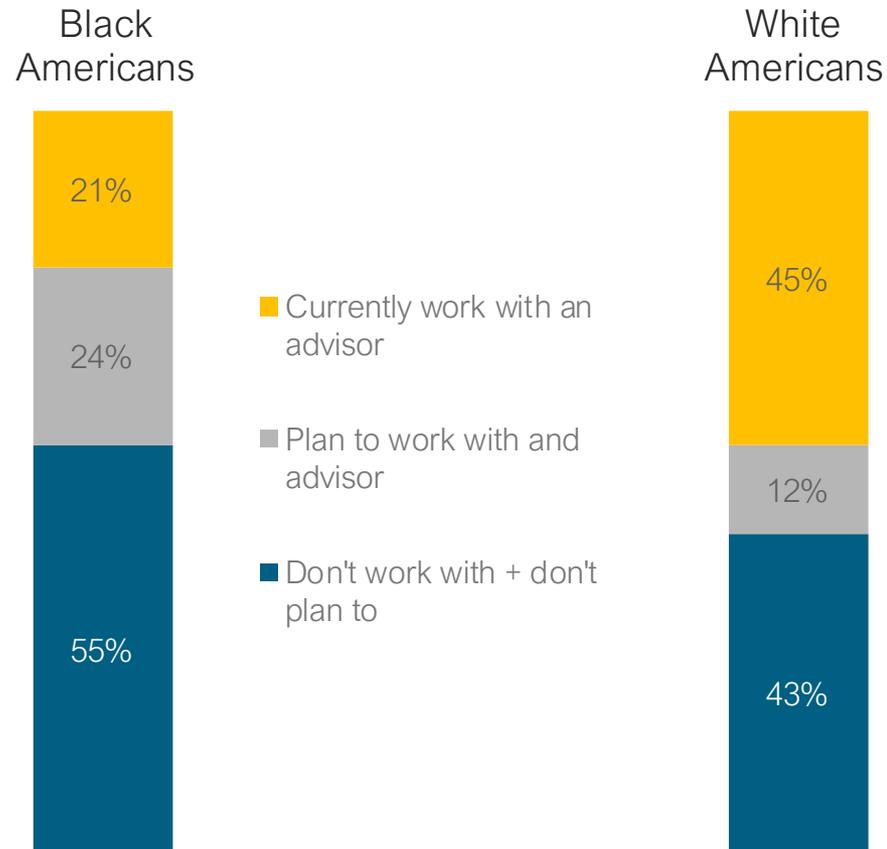
How important is racial diversity to you when it comes to a company where you would have an investment account of any kind?



Financial Advisor Usage

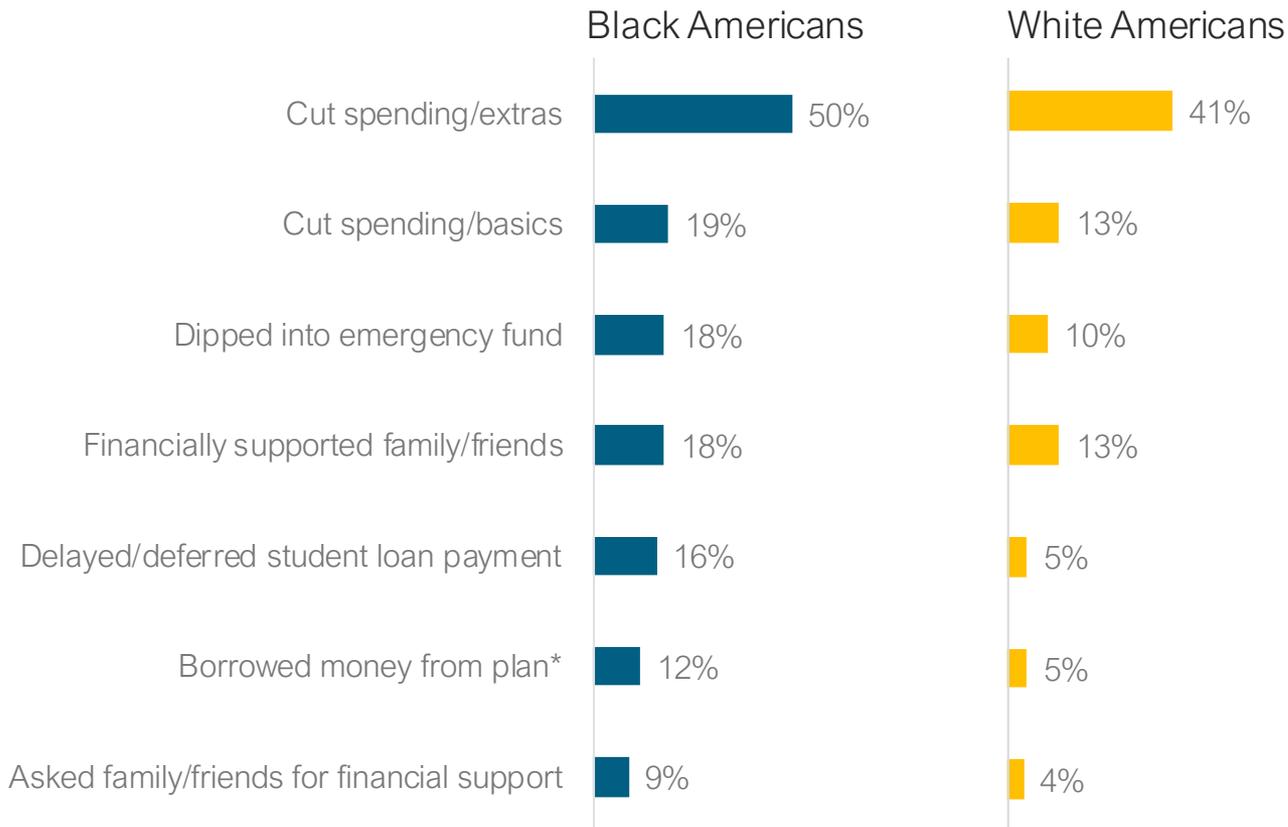
Do you currently work with a financial advisor?

Do you plan to work with a financial advisor at any point in the future?



Selected Activities/Issues Driven by COVID-19

As a direct result of COVID-19's impact on the economy, which of the following have you done or experienced?

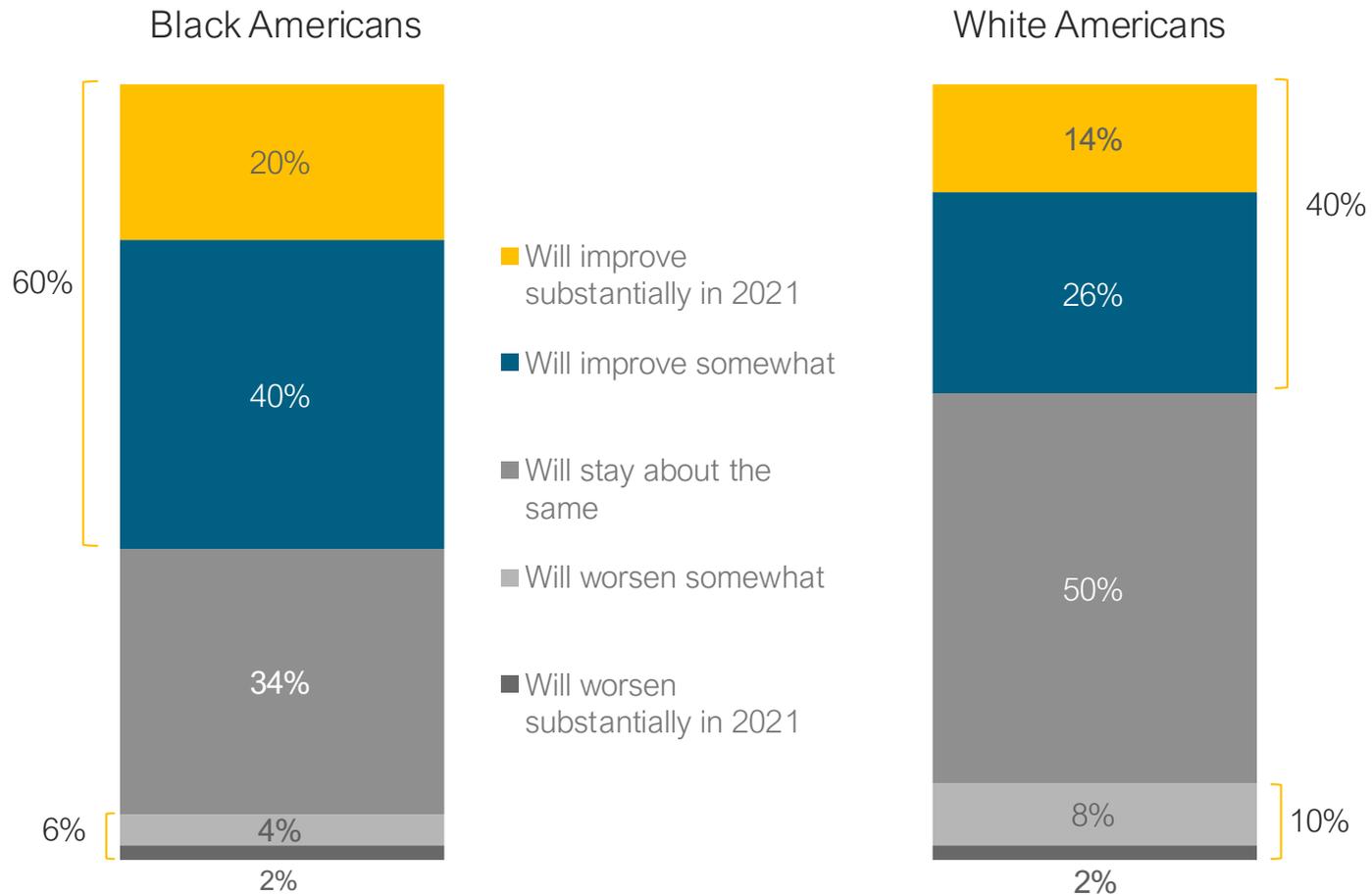


Base: total (unless otherwise noted); response choices provided

* Base: 401(k) participants

Anticipated Financial Situation in 2021 vs. 2020

How do you expect your personal financial situation next year (2021) to compare to this year (2020)?



Base: total; response choices provided

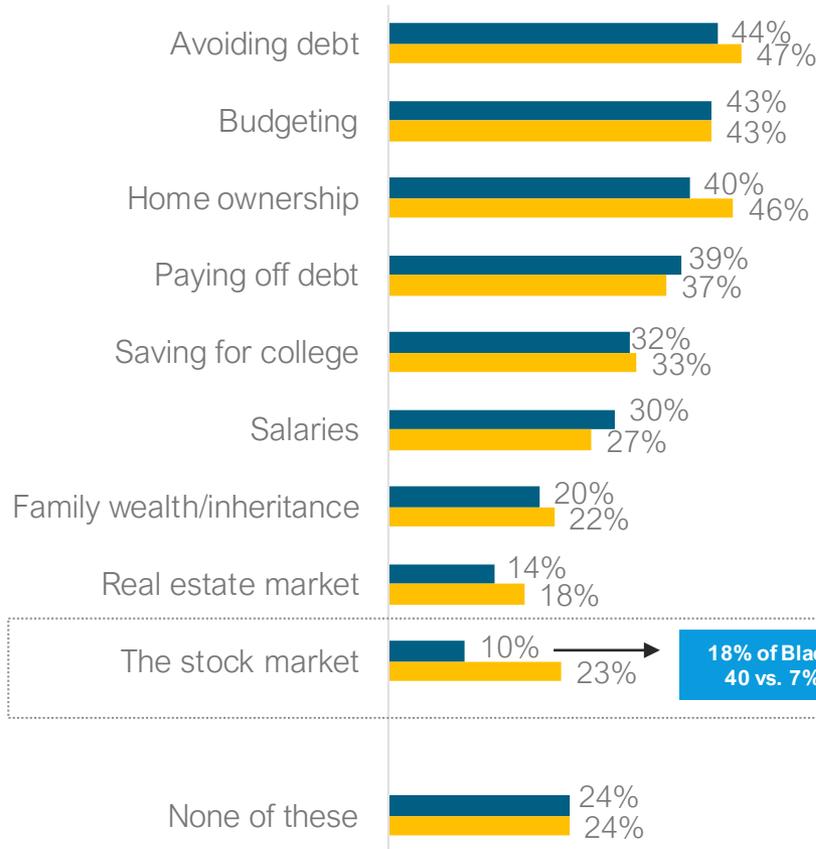
Issues Discussed Growing up, Currently with Family

Which, if any, of the following did your family talk about when you were growing up?

And what do you talk about with your family now?

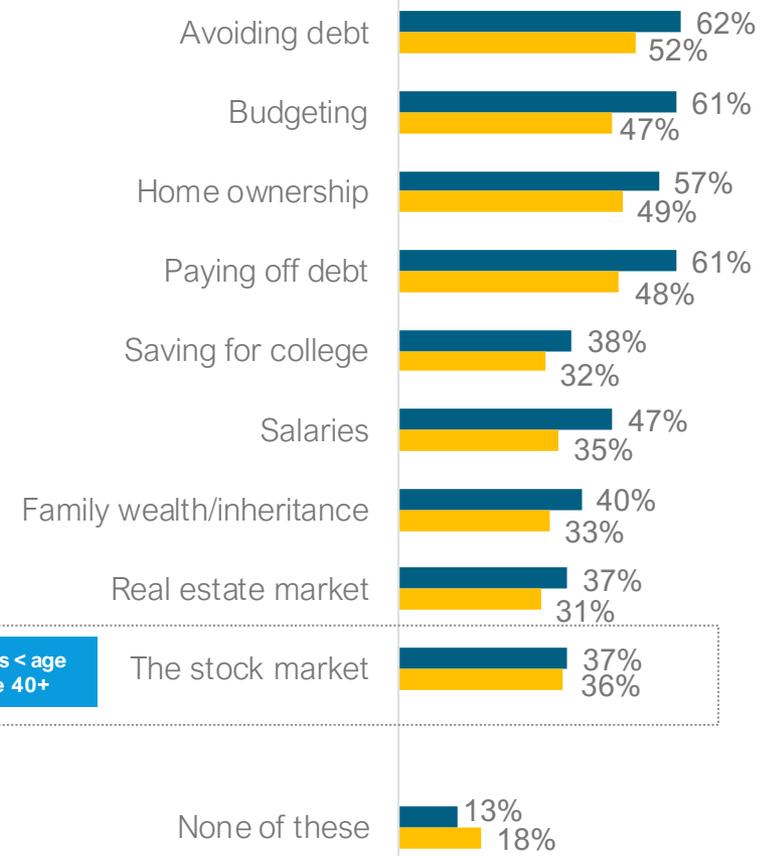
■ Black Americans
■ White Americans

Discussed Growing Up



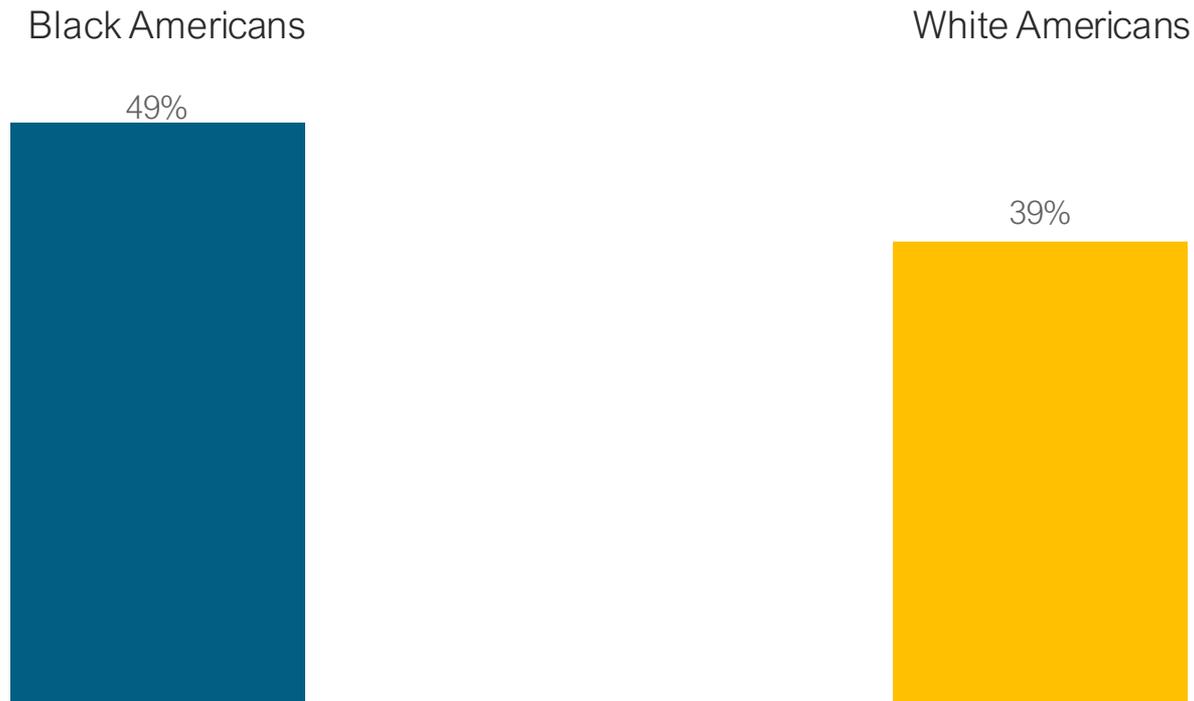
18% of Black Americans < age 40 vs. 7% of those age 40+

Currently Discussed with Family



Whether First in the Family to Invest in the Stock Market

Are you the first in your family to invest in the stock market?



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Demographic / Financial Profile

Demographic/Financial Profile

	Black Americans	White Americans
Age		
18-24	3%	2%
25-29	5%	2%
30-34	8%	3%
35-39	9%	6%
40-44	11%	14%
45-49	11%	6%
50-54	11%	13%
55-59	13%	12%
60-64	11%	15%
65+	18%	27%
Average	50 yrs	54 yrs
Gender		
Female	64%	52%
Male	36%	48%
Marital Status		
Married	47%	76%
Single	27%	9%
Divorced, separated, widowed	19%	11%
Partnered	7%	4%
Family Composition		
Children <18 at home	34%	33%
Children 18+ at home	22%	15%
Children 18+ but <u>not</u> at home	34%	40%
Adult other than spouse/partner at home	21%	16%

	Black Americans	White Americans
Educational Attainment		
High school graduate or less	11%	11%
Some college	26%	19%
College graduate	40%	37%
Postgraduate study	23%	33%
Respondent Employment Status 2020		
Employed full-time	60%	50%
Retired	20%	31%
Unemployed	9%	5%
Employed part-time	6%	8%
At-home parent	4%	5%
Furloughed	2%	2%
Student full-time	1%	1%
Student part-time	1%	0%
Total HH Income 2020		
<\$25K	1%	0%
\$25K-<\$50K	4%	4%
\$50K-<\$75K	43%	29%
\$75K-<\$100K	24%	25%
\$100K-<\$150K	18%	23%
\$150K-<\$250K	8%	15%
\$250K+	2%	4%
Average	\$94K	\$111K
Total Value of Savings and Investments		
<\$5K	21%	6%
\$5K-<\$25K	19%	8%
\$25K-<\$50K	11%	8%
\$50K-<\$100K	17%	13%
\$100K-<\$250K	15%	18%
\$250K-<\$500K	10%	21%
\$500K-<\$1 million	5%	14%
\$1 million+	2%	12%
Average	\$146K	\$381K