Financial Education for Minorities

All Americans are in need of financial literacy and financial planning. But minorities are seemingly in particular need of the information, knowledge and skills required to navigate what is increasingly becoming a complex financial services market.

Consider, for instance, the following:

- "Recent research indicates that Hispanics and African-Americans lag the general population in saving for retirement," reports *Investing for Success*, an investor-education partnership formed by the National Urban League, Hispanic College Fund, and the Investment Company Institute Education Foundation in 2000. "Surveys also show that African Americans and Hispanics place a high priority on saving for their children's education and their own retirements; however, many feel they lack the knowledge to invest to achieve those goals. And knowledge makes a big difference. Among both Hispanic and African-American working households, those who are knowledgeable about investing are far more likely to save for retirement."
- Financial planning is a high priority for African-Americans according to the 2004 FPA Attitudes and Impressions of Financial Planning Survey. Some 56 percent of African-Americans surveyed say financial planning is a high priority as compared to 39 percent for all Americans surveyed. Yet, just 20 percent of African-Americans have a financial planner vs. 27 percent for the population at large.

So what is being done or what can be done to deliver financial education and financial planning education to minorities? The Financial Literacy & Education Commission outlined the steps in its 2006 National Strategy for Financial Literacy report. Improving financial literacy among all Americans requires:

1) An increased public awareness of the issues as well as the resources available. One Web site that acts as a clearinghouse for financial literacy materials is MyMoney.gov.
2) Developing tailored, targeted materials and dissemination strategies. The report says that improving the financial literacy of Americans in not a "one-size-fits-all" approach. People learn in different ways and that tailored material is especially important to reaching key demographics, especially populations without a traditional banking relationship, multicultural and multilingual communities. In fact, the report notes that financial issues and education vary across cultures and acquiring an understanding of these differences is critical to increasing the role of minority markets in areas such as transaction accounts and home ownership. "For some, there is a lack of trust of banks and government agencies. Others have varying attitudes toward spending and savings, and may use intra-cultural financial mechanisms such as peer-lending and investing groups within their communities. And still others must adhere to religious restrictions. And some communities, such as Native American reservations and ethnically concentrated neighborhoods, may not have a lot of financial institutions. Often, community organizations can play an important role in delivering financial education as well as promoting homeownership.
3) Tapping into public-private and private-private partnerships is an essential part of delivering financial education and financial planning to minorities. Often partnerships can help increase awareness of and use of homeownership, bank accounts, and wealth building.

For those referred to as "the unbanked," experts say many banking products are not well-designed to meet the needs of low-income immigrants — the largest group likely to be among those individuals considered to be unbanked. Often, they turn to alternative financial services, such as wire transfer companies and currency exchanges, to send money to relatives because they may not view U.S. banks as providers of similar services. What's more, monthly fees and minimum balances may inhibit or otherwise preclude low-income individuals, particularly immigrants, from opening checking accounts, in addition to mortgage products with down payment requirements. The report suggests that the best way to deliver financial help to this group is through industry-driven financial products and services. For example, remittance programs to send money to native countries, branch offices with special services, "starter" checking accounts, fixed-value contribution accounts, depositsecured loans, secured credit cards for those with no credit history, and employer payroll debit/ATM cards may, depending on how these plans are structured, serve as good introductory services for this group.

However, the report also notes some of the strides being made to help serve minority communities. The FDIC is collaborating with public- and private sector organizations to promote Money Smart and the range of financial education resources and services it provides. Learn more at www.fdic.gov/consumers/consumer/moneysmart.

The FDIC has partnered with the IRS to link Voluntary Income Tax Assistance (VITA) sites to Money Smart Model Sites, where financial education is taught on a regular basis and generates active participants. According to the report, these partnerships work together to increase awareness among low-income consumers about eligibility for tax credits such as the Earned Income Tax Credit (EITC). VITA sites also offer free tax help to eligible wage earners and help consumers obtain applicable tax credits.

For multilingual and multicultural populations, there is a great need to deliver financial education. For instance, the 2006 Report says a high percentage of Mexican, Latin Americans Asian, and European immigrants do not, for instance, hold transaction accounts. And minority populations are not buying homes at rates similar to other groups. This is partly due to the fact that minorities who live in remote communities have limited access to financial products, but mostly due to cultural differences – some minorities doubt the possibility of homeownership. But steps can be taken to encourage homeownership and reduce the distrust of banks and government agencies. The report, for instance, suggests that institutions help minorities better understand financial systems, improve access to financial services and work to change perceptions about the accessibility of home ownership.

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