



**WOMEN OF COLOR
& WEALTH:**
STRIVING TO
CREATE A NEW
FINANCIAL
FUTURE

How employers can support the financial goals
of this historically underserved population



INTRODUCTION

Women of color are determined to secure a more prosperous financial standing than prior generations. While their wealth stories are often riddled with unique challenges ranging from extreme wage gaps to a lack of tailored financial literacy resources, they report feeling optimistic about their abilities to earn and save. They're engaged and ready, but the financial services industry hasn't mobilized to meet them in a relevant way. Our research suggests women of color are committed to rewriting the narratives of their financial journeys to be different from those who came before them.

We set out to explore the unique stories and needs of women of color through extensive quantitative and qualitative research, with a focus on the ways employers can better support them on their individual journeys. Our findings are based on an online survey of 2,000 men and women, ages 25-64, who identify as African American, Asian American, Hispanic, multiracial, and Caucasian, as well as interviews and mobile ethnographies with more than 60 women from across the United States, who identify as African American, Asian American, Hispanic, Caucasian or multiracial.



KEY FINDINGS

○ 67%

67% of women of color are **actively forging a financial path** different from the one they saw growing up. ⁹

○ 67%

Women of color are **overwhelmingly confident in their ability to earn money**, with 67% feeling 'confident' or 'very confident.' ⁹

○ 33%

Women of color have **different financial priorities than white women** with a notable emphasis on building generational wealth. ⁹

○ 42%

Women of color are the **most likely** of all gender, racial and ethnic groups to report **not being taken seriously by financial professionals.** ⁹



A HISTORY OF FINANCIAL CHALLENGES

Women of all races face a wage gap when compared with men (more specifically white men), but that gap is even more significant for women of color, who are also paid less than white women.

- Black women in the U.S. are paid 36% less than white men and 12% less than white women.¹
- Latinas in the U.S. are paid 46% less than white men and 26% less than white women.²
- Asian American women who work full-time are paid only 85 cents for every dollar paid to white, non-Hispanic men.³
- Native American women are typically paid only 60 cents for every dollar paid to white, non-Hispanic men.⁴



To compound those challenges, households of color have traditionally not had the same economic opportunities as white households.

- Historically, Black households have a fraction of the wealth of white households. White households accounted for 60% of the U.S. population in the second quarter of 2020 and held 84% (\$94 trillion) of total U.S. household wealth, compared with Black households, who accounted for 13.4% of the U.S. population and just 4% (\$4.6 trillion) of total household wealth.⁵
- Latino families face a \$288 billion annual gap in income compared with non-Latino white workers.⁶
- Although Asian Americans overall rank as the highest-earning racial and ethnic group in the U.S., this status is not shared by all Asians.⁷ Asian Americans from Japan, India, and China have the highest level of wealth while Asian Americans from Korea, Vietnam, and the Philippines have the lowest.
- Native Americans have the highest national poverty rate at 25.4% compared with 8% for white Americans.⁸

Despite these long-standing financial disadvantages, women of color are confident in their ability to earn money and create a new financial future for themselves and their families. But, in order to get there, they need access to tailored financial advice and guidance – something that most women of color don't currently have.



“The difference now is that I’m blessed to have a great career that pays well. So unlike my family growing up I do not have to ‘rob Peter to pay Paul’ to meet my basic needs.”⁹

- Sherana, 42

A NEW FINANCIAL PATH

Rather than emulating the financial behaviors of their parents, women of color are actively creating new financial futures for themselves and their families. In fact, 67% of women of color are forging a financial path that is different from the one they saw growing up. As one member of our research study commented, “My father was always spending more than we had so we were continuously in the red. I, on the other hand, budget every dollar and I try my best to account for everything spent and try not to live beyond my means.”⁹



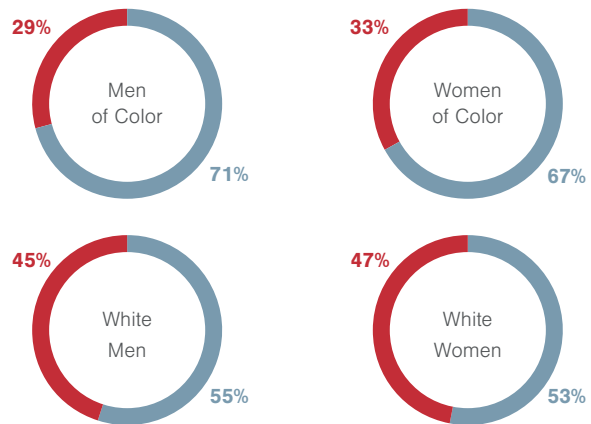
67% of women of color are actively forging a financial path that is different from the one they grew up with⁹





PEOPLE OF COLOR ARE ACTIVELY REDEFINING THEIR RELATIONSHIP WITH MONEY ⁹

- I am repeating financial behavior that I saw growing up
- I'm forging a financial path that's different from the one I saw growing up



Q: Which of the following phrases better reflects your personal journey with finances?

The above chart shows how women and men of color are more intent on learning new financial behaviors compared to their white counterparts.

For women of color who didn't learn about saving and investing money growing up, it's even more important for them to have access to financial advice from a trusted advisor. As one woman stated, "Growing up I didn't really see budgeting or management when it came to

finances, we lived from paycheck to paycheck...I learned from experience what to do and what not to do when managing my finances and you definitely have to budget, manage, and save." ⁹

Women of color are more likely to report their financial knowledge as being self-taught or from friends, colleagues, financial advice celebrities, or trial and error than their white counterparts.



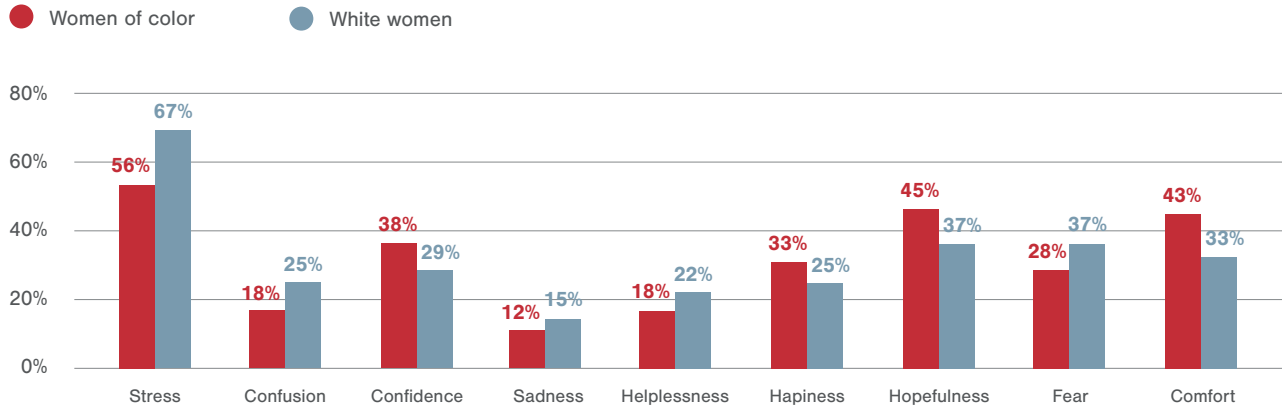
"I still have a lot to learn even though I have made great accomplishments from where I began over 15 years ago. I have applied financial guidance from professionals and self-taught resources to gain a stronger and more secure financial journey for not only myself but my family." ⁹

- Laneisha, 35

LEAVING FINANCIAL FEAR AND STRESS IN THE PAST

Regardless of whether women of color are self-taught or learned financial lessons from their family growing up, women of color are more likely than white women to feel positive emotions such as hopefulness, comfort, confidence, and happiness about the role of money in their lives.

POSITIVE EMOTIONS AROUND MONEY EXIST DESPITE A HISTORIC LACK OF RESOURCES ⁹



Q: What three feelings come to mind when you think about the role money currently plays in your life today?



“I’ve taken the I can do it attitude and have learned about investing and I’m trying to grow my wealth little by little every year.” ⁹

- Ashley, 28



of women of color feel ‘confident’ or ‘very confident’ about themselves and the direction their lives are heading in

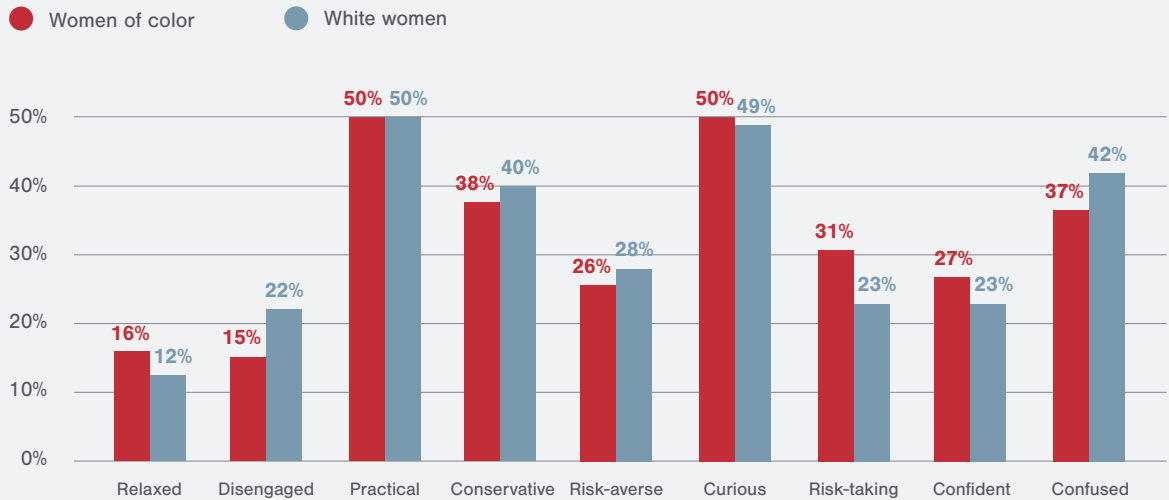
vs.



of white women ⁹

Our data shows that women of color report more positive feelings about money in their adult lives than white women. For instance, women of color are more likely than white women to feel confident or very confident (48% vs. 38%) in their ability to meet long-term financial goals.⁹ They are also more likely to have a relaxed or risk-taking mindset compared to white women, who are more likely to have a disengaged mindset when it comes to financial planning.

WOMEN OF COLOR ARE MORE LIKELY TO APPROACH INVESTING WITH A RISK-TAKING, CONFIDENT MINDSET COMPARED TO THEIR WHITE COUNTERPARTS ⁹



Q: Which three of the following words best describe your mindset when it comes to financial planning and investing?

While all women of color certainly don't have the same mindset when it comes to financial planning, our research shows the trend leans toward curiosity and practicality. They're also more likely than white women to be risk-takers, which is a reflection of greater confidence.

However, despite these positive feelings, men of all races are overwhelmingly more confident in their ability to meet long-term financial goals than women. There are also differences in how men and women, regardless of race, feel about discussing finances: men of all races actively seek out money conversations with colleagues whereas women avoid financial discussions with their colleagues.

While women of color are more likely to feel extremely comfortable talking about money compared to white women (21% vs. 16%), they don't always feel comfortable talking about how much they make and how much debt they carry. As one member of our research study stated, "I'm comfortable talking about different ways to invest your money. Who or what you should invest your money in. How to budget and save money. How to financially plan for retirement...I am uncomfortable disclosing the actual amount of money that I have."⁹

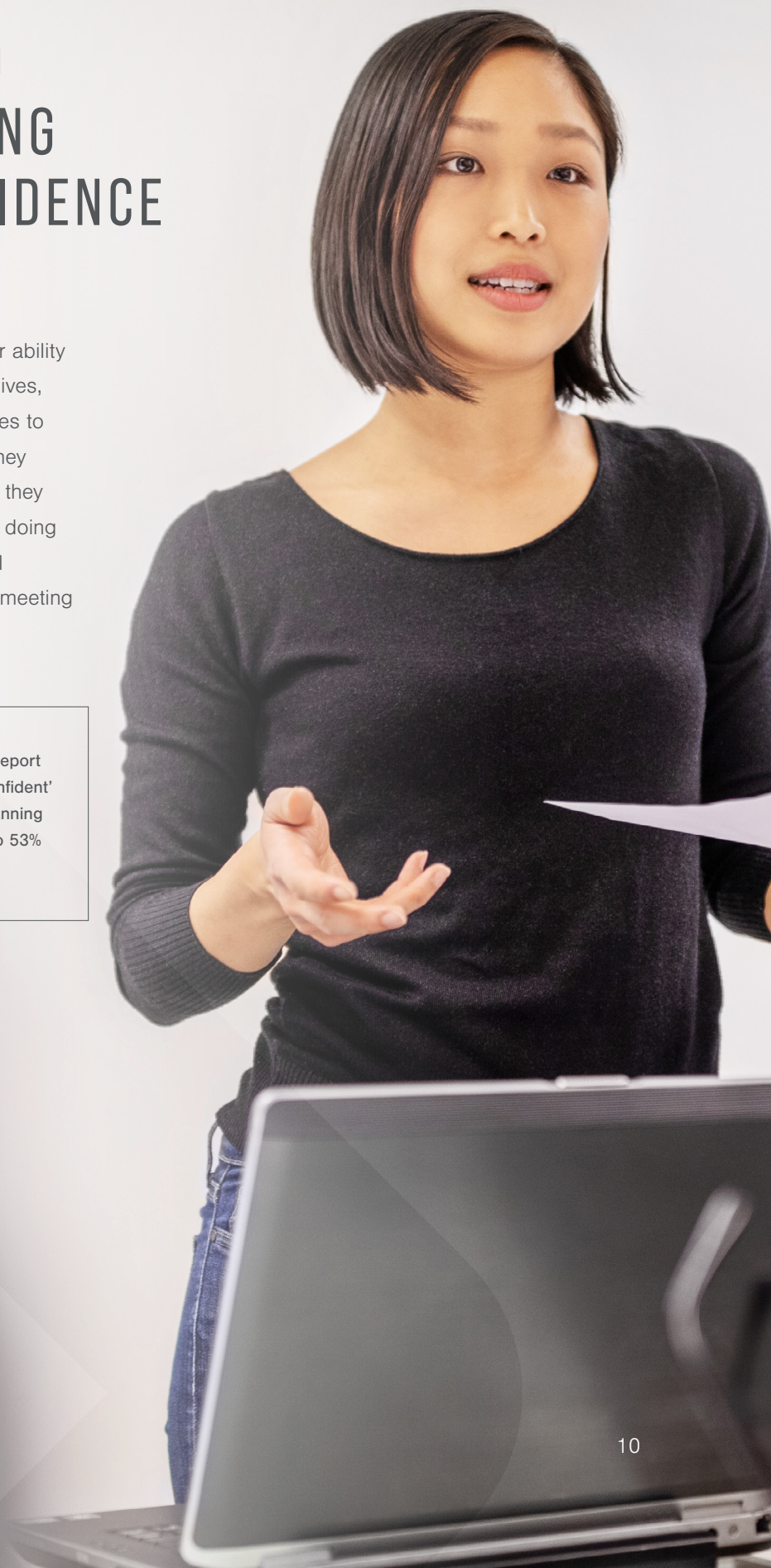
Our research suggests that despite the steps women of color are taking to adopt healthy financial behaviors, the way the financial services industry perceives their needs often puts women of color at a disadvantage.

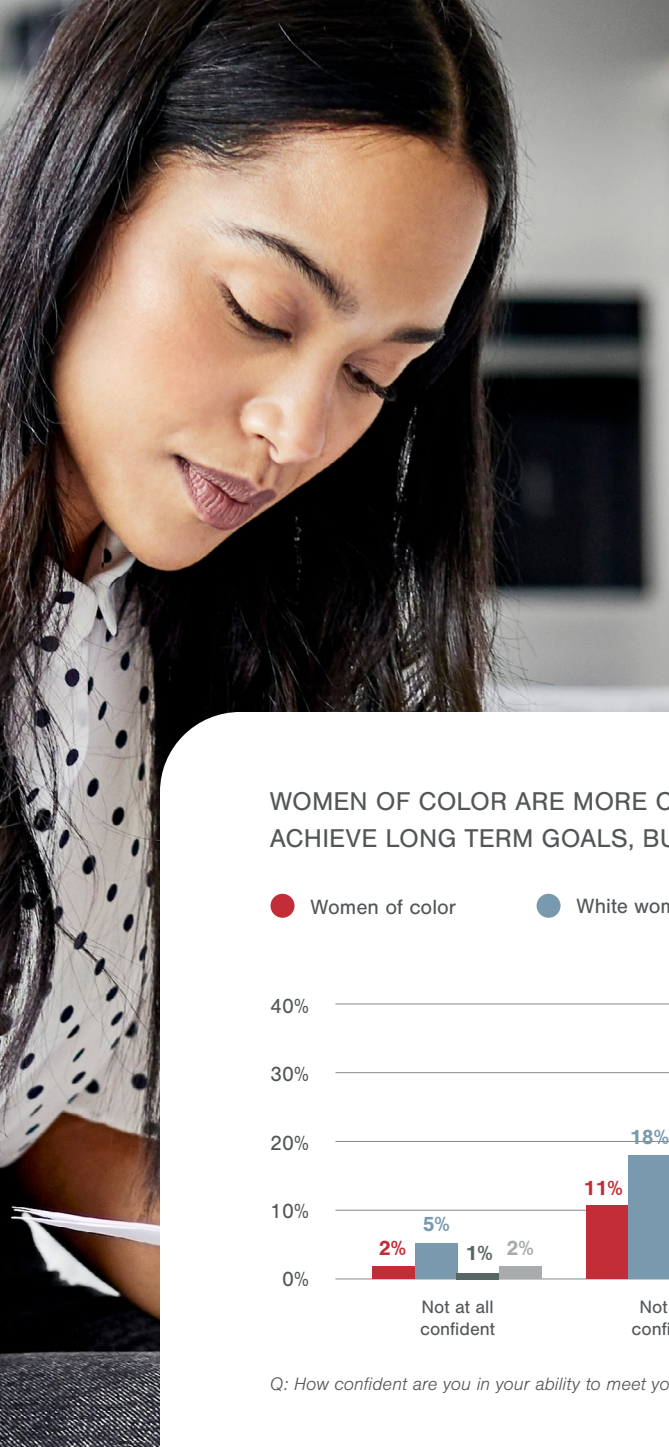
WHEN IT COMES TO FINANCIAL PLANNING AND ADVICE, CONFIDENCE AND TRUST FADE

Despite women of color feeling confident in their ability to earn money and the overall direction of their lives, their confidence drops significantly when it comes to financial planning and investing. They suspect they don't know as much about managing money as they should, even though they're actively engaged in doing so. This presents an opportunity for the financial services industry to correct past behavior while meeting an important need.



Only 28% of women of color report feeling 'confident' or 'very confident' when it comes to financial planning and investments, compared to 53% of men of color.⁹

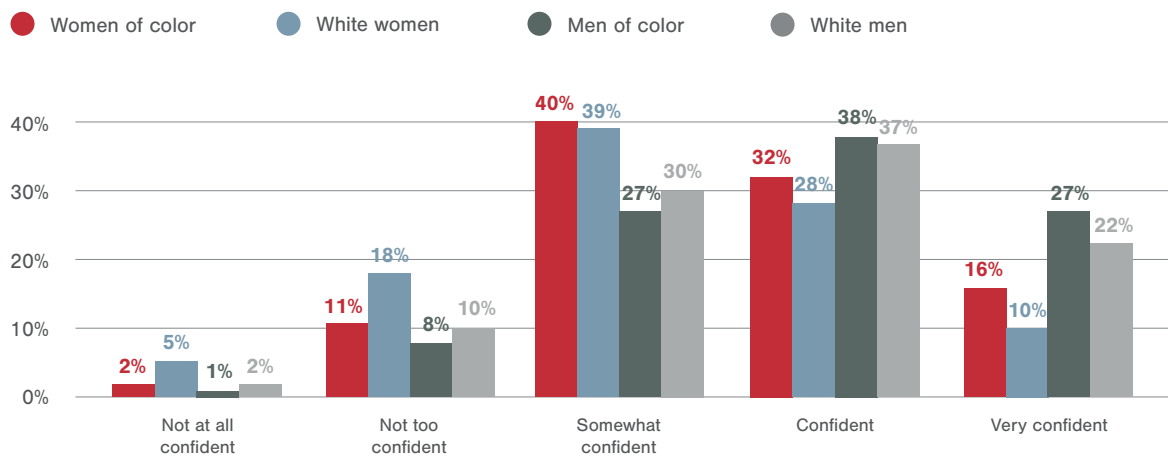




“I’ve taken the ‘I can do it’ attitude and have learned about investing and I’m trying to grow my wealth little by little every year.”⁹

- Ashley, 28

WOMEN OF COLOR ARE MORE CONFIDENT THAN WHITE WOMEN IN THEIR ABILITY TO ACHIEVE LONG TERM GOALS, BUT STILL TRAIL MEN⁹



Q: How confident are you in your ability to meet your long-term financial goals?



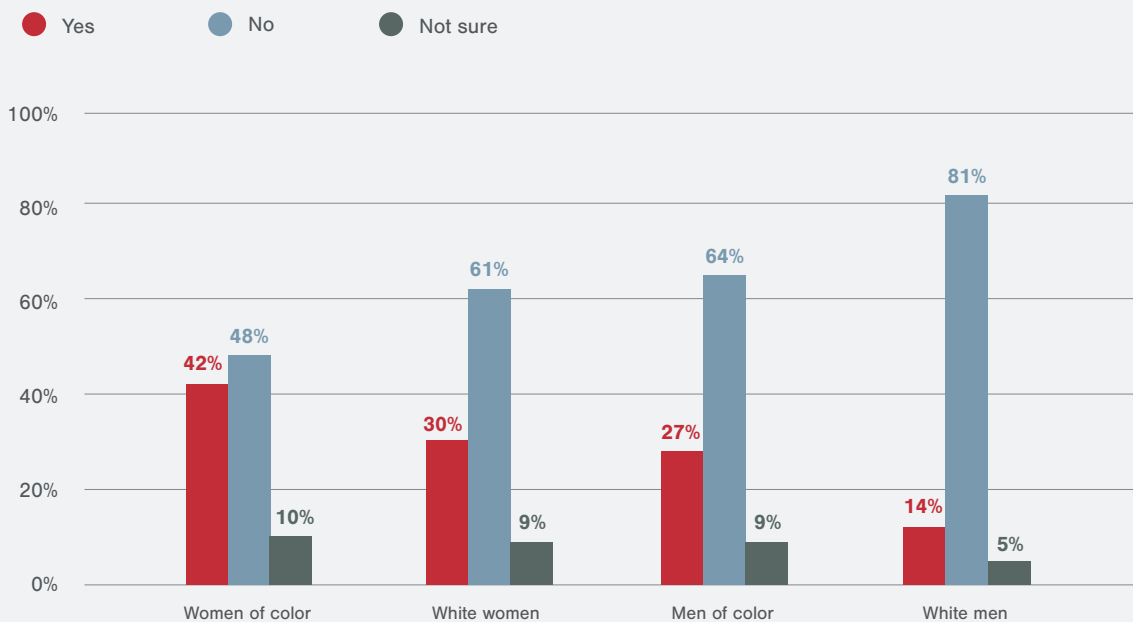
One of the biggest confidence gaps between men and women is feeling certain about how much money is needed to retire. Men of all races are significantly more confident than women of all races that they know approximately how much money they will need to retire. Meanwhile, women of color are the least likely of all gender, race, and ethnic groups to have a short-term financial goal of funding retirement savings.



Although the financial services industry is trying to be more inclusive, women of color report facing untrue, harmful stereotypes that prevent them from receiving trusted financial advice. They need a trusted, judgment-free resource to help build the confidence they aspire to have.

Further impacting their confidence, women of color are the most likely of all groups to report not being taken seriously by finance professionals. They are also most likely to report they have experienced or suspect they have experienced discrimination when trying to access financial advice or planning (22% of women of color versus 14% of white women).⁹

WOMEN OF COLOR STRUGGLE TO BE TAKEN SERIOUSLY COMPARED TO OTHER GROUPS⁹



Q: Have you ever felt that you were not taken seriously because of your race or gender when seeking information or advice from a finance professional?



“I had a lot of extra money I wanted to invest. I had made an appointment with a financial professional, he gave me the impression that he was not interested in talking to me about investments for whatever reason.”⁹

- Lula, 63



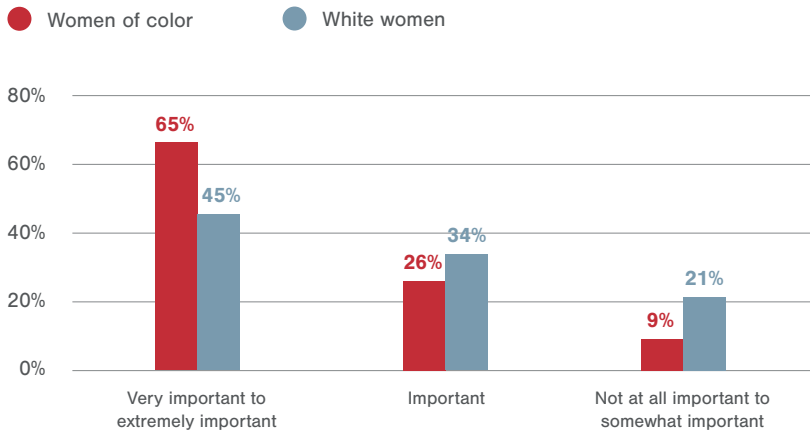
Not surprisingly, based on the aforementioned discrimination they have experienced, women of color are nearly twice as likely as white women to say it's extremely important that their financial planner understand their values and culture.



An earlier EFE study found that 82% of employees prefer to work with a financial advisor from a similar background who shares common values.⁹

Beyond employees working with someone from a similar background, the key is an understanding and empathy for their values and goals. Women of color are looking for a financial planner they can depend on as a trusted source who will take the time to educate them and bolster their financial confidence.

WOMEN OF COLOR PRIORITIZE VALUES AND CULTURE ALIGNMENT WHEN WORKING WITH A PLANNER ⁹



Q: How important is it that your planner understands your values and culture?

Yet, less than a quarter of certified financial planners (CFPs) are women, only 1.7% of CFPs are Black and 2.7% are Hispanic, according to the Certified Financial Planner Board of Standards.¹⁰



“I may have a slight bias towards (working with) women...when she started talking about women and finance and money that was a driver for me. They work pro bono with women. They gave me a book about the relationship between money and investment and there was a chapter on women and money, and that connected with me.” ⁹

- Jo, 60



CREATING GENERATIONAL WEALTH IS A PRIORITY FOR MANY WOMEN OF COLOR

Our research shows that, while there is overlap in the shared goals across race and gender, women of color have several priorities unique to their demographic group. They are more interested in conversations about building generational wealth than white women (33% vs. 16%) and they are significantly more likely than white respondents to prioritize being able to offer financial support to a family member or friend (13% vs. 6%).⁹

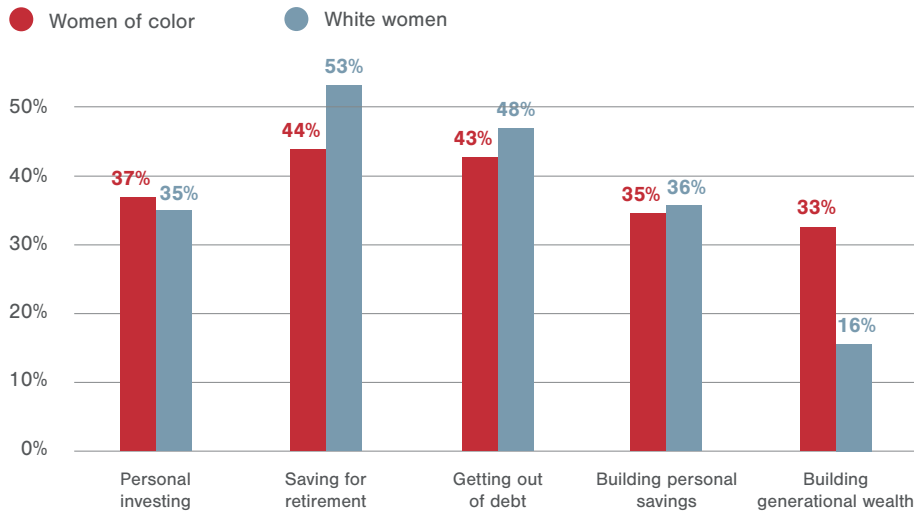


33% of women of color are interested in conversations about building generational wealth⁹



13% of women of color are likely to prioritize being able to offer financial support to a family member or friend⁹

WOMEN OF COLOR OVERWHELMINGLY INTERESTED IN DRIVING GENERATIONAL WEALTH ⁹



Q: Which of the following conversations about money are you most interested in?



“Black people struggle with generating generational wealth. So that’s something that I think about. How am I going to generate generational wealth for my kids and leave a legacy just because I know that’s not very common in the black community.” ⁹

- Kirsten, 27

WHAT CAN EMPLOYERS DO TO HELP? PROVIDE EMPLOYEES THE TAILORED SUPPORT THEY NEED

Women, regardless of race, want greater access to financial planners, opportunities for knowledge building, access to self-education tools, and automatic increases to their 401(k) contributions over time.

In particular, women of color are eager for help with financial planning and are slightly more receptive than their white counterparts to receiving financial advice (71% vs. 68%). Yet about a quarter of all women surveyed have no access to financial education or support from their employer. In comparison, men of all races are significantly more likely to report their employer is very helpful in providing financial education and support.⁹



“I receive zero help from my employer about financial planning or investing”⁹

- Emily, 43

Women of color want to work with someone qualified, but patient, someone who will take them seriously, answer their questions and not judge them. They want someone who will be a trusted source who can educate them and strengthen their financial confidence, without any feelings of explicit or implicit bias.





Our survey revealed employers have a unique opportunity to help bridge the gap for women of color who are eager to save for the future but don't have access to the help they need and want. Employers considering providing more tailored financial services to women of color should consider these four steps.



1. When it comes to topics like retirement planning and financial literacy, employers should focus on addressing employees' current needs in a judgment-free environment designed for learning and growth.



2. Whenever possible, women of color should be given the option to meet with financial planners who are also women of color and who share a similar background and common values.



3. Provide financial information that is written to meet the specific needs of women of color, focusing on the questions they have about creating generational wealth and knowing how much to save for retirement.



4. Work to ensure financial information and advice is free from harmful stereotypes surrounding women of color. This includes stereotyping by omitting information they may want, but aren't automatically provided.



Employers who provide more tailored solutions to women of color can expect a more financially independent and prosperous workforce. This in turn creates increased trust between employees and their employers, improving satisfaction and reducing turnover.

Edelman Financial Engines offers personalized financial solutions for employees at every stage of life and of every demographic group, supporting workers' everyday financial wellness and helping every employee achieve their financial goals. Contact us to learn more about our workplace financial solutions and how we can help you foster a more equitable environment for your diverse employees.



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About Edelman Financial Engines

Since 1986, Edelman Financial Engines has been committed to always acting in the best interests of our clients. We were founded on the belief that all investors deserve access to personal, integrated financial planning and investment advice. Today, we are America's top independent financial planning and investment advisory firm, recognized by Barron's,¹ with 145+ offices² across the country and entrusted by more than 1.3 million clients to manage more than \$241 billion in assets.³ Our unique approach to serving clients combines our advanced methodology and proprietary technology with the attention of a dedicated personal financial planner. Every client's situation and goals are unique, and the powerful fusion of high-tech and high-touch allows Edelman Financial Engines to deliver the personal plan and financial confidence that everyone deserves. For more information, please visit [EdelmanFinancialEngines.com](https://www.EdelmanFinancialEngines.com).

¹ The Barron's 2022 Top 100 RIA Firms list, a ranking of independent advisory firms, is qualitative and quantitative, including assets managed by the firms, technology spending, staff diversity, succession planning and other metrics. Firms elect to participate but do not pay to be included in the ranking. Ranking awarded each September based on data within a 12-month period. Compensation is paid for use and distribution of the rating. Investor experience and returns are not considered. The 2018 ranking refers to Edelman Financial Services, LLC, which combined its advisory business in its entirety with Financial Engines Advisors L.L.C. (FEA) in November 2018. For the same survey, FEA received a precombination ranking of 12th.

² Firm stats as of Dec. 31, 2021.

³ Firm stats as of June 30, 2022.

