

State of the American Family: Families, Financial Attitudes and Planning Hispanic Findings



American families have weathered economic shifts, but the downturn which began in 2008 has affected families' finances, and their relationships to their finances, in unforeseen ways. Families are working hard to balance their many long-term expenses. Between managing finances, planning for their children's education, caring for family members and trying to plan for their own retirement, families have a lot they're trying to balance.

In an effort to better understand what families are most concerned with, Massachusetts Mutual Life Insurance Company's (MassMutual) completed the second nationwide study in its State of the American Family series. This was conducted by Forbes Consulting Group¹ and involved a 20-minute online questionnaire administered to 1,143 respondents. The sample included parents, ages 30-64, with household incomes of \$100,000 or more, with slightly different requirements for ethnic minorities.² This research sheds light on families and their finances across the United States.

Hispanic families have specific concerns when compared with the general population. Like most families, Hispanics aspire to achieve the American Dream. In their efforts, though, they're struggling to manage the many demands on their finances. About 33 percent say their financial situation is the number one stress in their life and a striking 39% of Hispanics believe that the American Dream is disappearing. Furthermore, Hispanics were twice as likely as the general population of mass affluent to say that the limited access to credit makes it hard to reach their financial goals (18% compared to 10%).

¹ Forbes Consulting Group (2011), February 2011, Lexington, Massachusetts Mutual Life Insurance Company

² \$75,000 if African American and currently own/interested in owning life insurance, disability income or LTC in next six months; or Hispanic age 35-64 and own home or currently own/interested in owning life insurance in next six months; or Asian Indian owning a home and currently owning/interested in owning life insurance, disability income or LTC.

Whether it's sending a child to college, saving to retire comfortably or taking care of elderly parents, tough times and competing priorities are making it harder for Hispanic consumers to make their Dream a reality. We believe that fresh insights into what is important to Hispanic families, where they're struggling, and suggestions for what they can do to thrive in the present while preparing for the future can help Hispanics position themselves to achieve their American Dream.

Family Dynamics

Hispanic culture places great emphasis on family, making families central to their goals, as well as a cornerstone of their present financial situation. From supporting extended family members today to planning how they'll care for older relatives, Hispanics are committed to providing financially for their family.

- 68% of Hispanic respondents always think about what would be best for their immediate family when making financial decisions
- 51% always think about what would be best for both their immediate and extended family when making financial decisions

Many Hispanic decision makers support relatives financially and more than half (52%) feel that it's expected to take care of their parents when they no longer can take care of themselves. It is interesting to note that although decision makers feel like they need to take care of their parents, the majority (78%) does not want their children to be burdened by caring for them when they get older. This suggests that the dynamics within Hispanic families may be changing as financial decision makers become more acculturated and experience the difficulty of supporting so many family members.

Assess your and your family's financial goals and priorities together – Families often know what they need to do, but don't have a firm and realistic plan in place. To get there, prioritize by looking at the entire family's goals and needs and then create a long- and short-term strategy.

Family Finances

Perhaps unsurprisingly because family is a cornerstone of Hispanic culture, Hispanic financial decision makers are twice as likely to have learned all they know about finances from their elders and almost half (45%) feel that their parents instilled the importance of saving. This propensity to save could help to explain why almost two thirds (63%) of Hispanics are very careful not to accumulate too much debt.

However, 42% say that their parents never talked about money and 41% wish their parents taught them more. Furthermore, Hispanic families shared some stark views on their current financial situation:

- 28% feel they should be doing more to save for the future but right now they are struggling to get by
- About three in ten (28%) feel satisfied with their current financial situation and many (42%) are actively seeking ways to educate themselves about finances
- 70% want to be actively involved in all decisions regarding their finances

As a result, Hispanics appear to be committed to preparing their children for future economic success. The vast majority (84%) feel that it's important to educate their children to ensure a strong economy.

The desire to prepare their children for success and opportunity is also carried over into Hispanic views on education.

Seek sound financial information – Now is the time to learn about long-term financial services and products that can assist you in securing your financial future. While many wish their parents had taught them more about finances, the opportunity to learn still exists. One way to learn is by taking a financial workshop in your community or work with an experienced financial services professional.

Education – A Fundamental Priority

Education for their children is of utmost importance to Hispanic families and ranks high in both their goals and measures of success. While many parents want to help pay for their children’s education, 64% of Hispanic families believe that saving for their children’s college education is important to them so they can live the “American dream.” Parents of Hispanic descent want their children to have better opportunities than they had, and they recognize that education is a key component to actualizing this goal.

- 55% say that paying for college is something they insist on
- 75% say it’s never too early to start saving for your children’s education
- 70% believe that a college degree is required these days to get a decent paying job
- 77% expect their children to get at least a bachelor’s degree

For Hispanic families, though, the “here and now” often takes precedence over saving for the future. In order to make their children’s education vision a reality, parents will need to place a greater emphasis on long-term planning.

Establish a plan for saving now and in the future – A limited income doesn’t have to be a barrier to accomplishing one’s financial goals. Careful examination of a household budget often can identify areas where a relatively painless cutback can free up funds for savings. Or assess skills and interest that can help you earn additional income to supplement longer term planning.

Retirement – A Dream for Another Day

Hispanics place a greater emphasis on spending time with family during their retirement than do Americans as a whole. Consistent with the general population, though, the majority of Hispanics (64%) feel that financial security for retirement is an individual’s responsibility.

Sources of Income	Hispanic	Total General Population
Social Security	25%	23%
Pension Plan	33%	29%
Personal Savings	38%	42%
Other	4%	6%

Hispanics account a smaller share of their retirement income to personal savings, though, and when asked about plans for retirement, a higher percentage of Hispanics believe that they will need to continue to work full-time, or at the very least part-time, to achieve their retirement vision.

In fact, in a separate study on employer-sponsored retirement savings, nearly half of all Hispanic American respondents (47%), had less than \$25,000 in their retirement plans compared to just 23% for the general population. In that same study, 62% of Hispanics had less than \$5,000 saved for retirement outside of their employer-sponsored retirement plan, significantly higher than the 30% for all plan participants.³ The smaller amount of personal savings may relate back to the discomfort accumulating debt among Hispanics, who prefer to pay off bills immediately in place of saving for the long-term.

Despite believing that individuals bear responsibility for retirement, Hispanics are more likely to believe that pension plans and social security funding will account for a larger percentage of their retirement plan than the average Americans does. Only two in ten of Hispanics are confident that Social Security will continue to provide benefits at least equal to those provided to retirees today. This suggests a possible gap between expectations and planning actions.

³ MassMutual Retirement Services online survey of 1517 plan participants conducted between November 15, 2010 and January 15, 2011.

Hispanic Americans may also place a greater emphasis on these alternative retirement funding sources because they believe – at a much higher rate than the general population in general (24% to 15%) – that there is a 70 percent chance or greater that their health will decline significantly over the next 10 years. If these health declines materialize, it would likely contribute to a greater need for benefits like social security.

Conclusion

MassMutual has been helping customers with their financial needs for more than 160 years. As a mutual company, we focus on providing long-term value for our policyholders. We have always believed that good decisions are the foundation of every sound and secure financial future. We also believe when choosing a company to work with, ownership, strength and stability matter.

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