

MassMutual's State of the American Family Hispanic Families



Executive Summary



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To understand the changing landscape of American financial security, Massachusetts Mutual Life Insurance Company (MassMutual) conducted the third wave of a nationally representative survey of American families. This research summary sheds light on U.S. Hispanic families and their finances.

The Hispanic family... dreams and reality

Despite the considerable challenges that have plagued the U.S. economy as a result of the downturn beginning in 2008, the financial prospects and outlook of American families has generally improved over the past four years. U.S. families are now encountering greater satisfaction with their improving financial situations, have increasing confidence in their investments, and enjoy a growing sense of control over their finances. As the largest multicultural group in the U.S., Hispanics represent one of the most dynamic segments of the U.S. population.

The results from our research indicates that the Hispanic community lacks financial preparedness; it could benefit from better financial education and planning in order to have a strong, secure financial foundation.

Representing 17% of the population, the U.S. Hispanic population continues to grow and make considerable inroads into the mainstream. While their embrace of the *American Dream* persists, many Hispanics are finding their optimism being tested in a difficult economy.



Financial security for the family

U.S. Hispanics focus a great deal of their attention towards improving the financial outlook of their families. After home ownership, their top definitions of the *American Dream* are very much family-centered, including achieving financial security.

Among their top financial goals, nearly half prioritize getting out of credit card debt as a top priority – significantly greater than the general population (29%). The average amount of credit card debt held by Hispanics is 20% higher than the general population (\$15,573 vs. \$12,553). Besides paying off the mortgage and getting out of credit card debt, Hispanic families are more concerned than the general population with making sure that their families will be taken care of financially if they become disabled (36%) or pass away prematurely (35%).

Some tips for managing credit:

- Request a free copy of your credit report and review the findings. Determine if anything seems to be amiss and work to resolve your concerns immediately.
- Revise your budget or cut back on some of the items you spend money on regularly so you can allocate more money to paying off your debts instead. Also, think about the benefits of paying off your highest interest rate debts first.
- Try to use cash to make purchases instead of credit cards and strive to pay off credit card balances each month – except in emergency use situations.



Being more actively involved in financial decision-making

Like many other American families, Hispanics express a strong desire to be actively involved in financial decision-making, with more than three-quarters expressing this sentiment. At the same time, 42% of U.S. Hispanics say they tend to do their own research about insurance and investment products and make decisions about actions the need to take. They feel they are very good at managing money.

There are some areas of doubt for Hispanic families who make these financial decisions: 43% feel investing and financial planning should be a higher priority, yet only 28% are confident selecting investment options to meet their goals.

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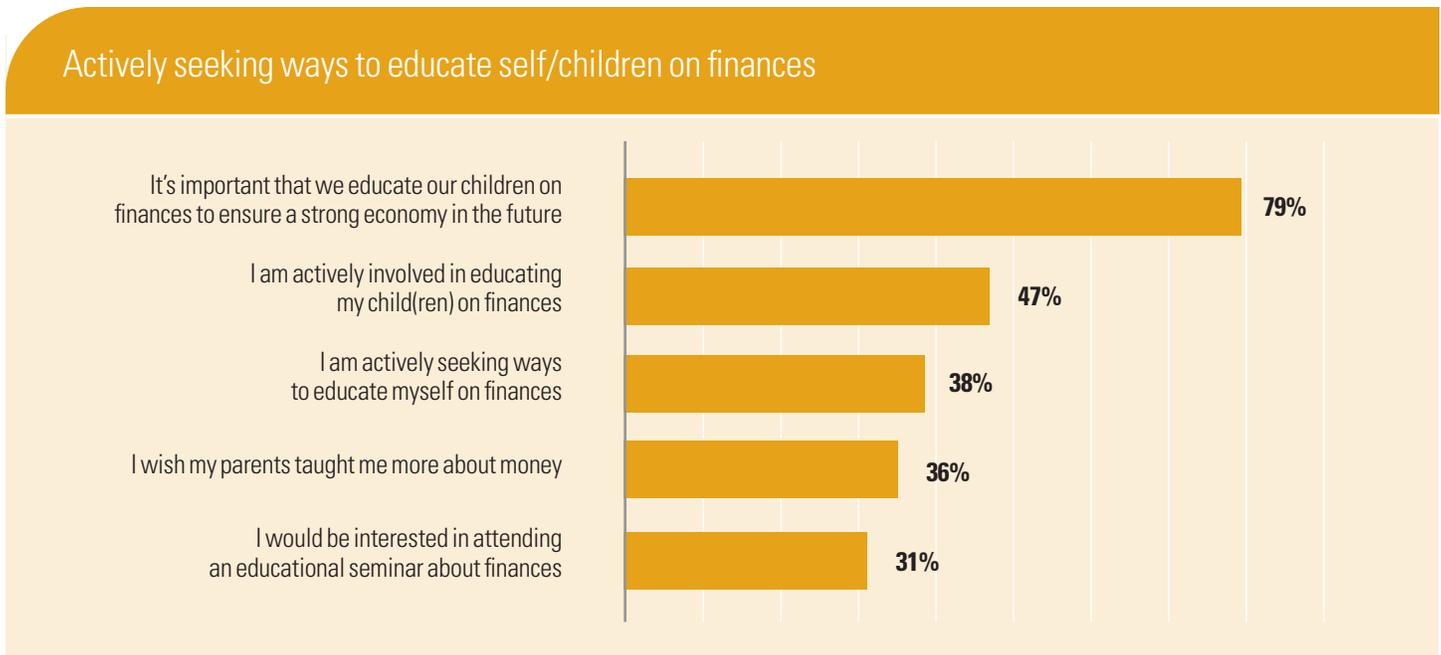
Some steps for taking control over finances:

- Parents who want to become more involved in the management of their finances can sign up for free financial management tools, blogs, or other online resources.
- Understand what the family's fixed expenses are each month and create a budget. Determine much money can be set aside for an emergency fund.
- Set savings objectives for the family's short- and long-term goals and then incorporate them into the budget's fixed expenses. On a going forward basis, evaluate the progress made towards these goals and readjust as needed.

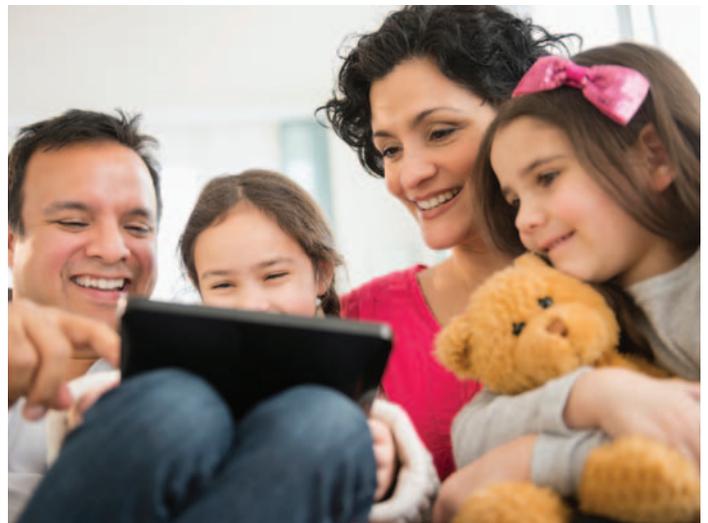


Educating the next generation on finances

Educating children on finances to ensure a strong economy in the future is important to Hispanic families. Nearly one-half of Hispanics indicate they are actively involved in educating their children on finances. However, while educating the next generation is extremely important, many may feel unprepared to do so. Many are actively seeking ways to educate themselves on financial topics. Some feel they did not receive this same type of education when they were younger. 36% wished their parents taught them more about money. 36% wished their parents taught them more about money. 36% wished their parents taught them more about money.



The debt challenges many Hispanic families face could potentially hinder the future prospects of their children's education as well. Compared to nearly half of the general population, only 31% of Hispanics rank saving and investing for their children's college education as a top priority, despite the fact that about half claim that paying for their children's college education is something they insist on doing.





Some ways to help teach children about money:

- If you're married or co-parenting a child, be on the same page with the other parent about the financial values that you want to teach your family. It's challenging to have only one parent understand the value of money and savings while the other may not. Furthermore, some parents value 'living in the moment' over saving for the future.
- Consider playing family board games or activities that have a monetary component so the kids can learn in a fun way.
- Set aside money in piggy banks to teach the concept of savings, consider paying interest (even if it's pennies).
- For older children, discuss the family budget. Have candid discussions about basic monthly living expenses (mortgage, utilities, groceries, etc.) and what is spent so that they begin to understand the "true costs of living and the value of money" along with the need for budgeting. Paying those expenses first comes before a new pair of sneakers.
- Seek out resources to teach your children. Many community organizations offer financial education classes or activities for children from time to time. Parents can research options in their local communities to reinforce the lessons being taught at home.

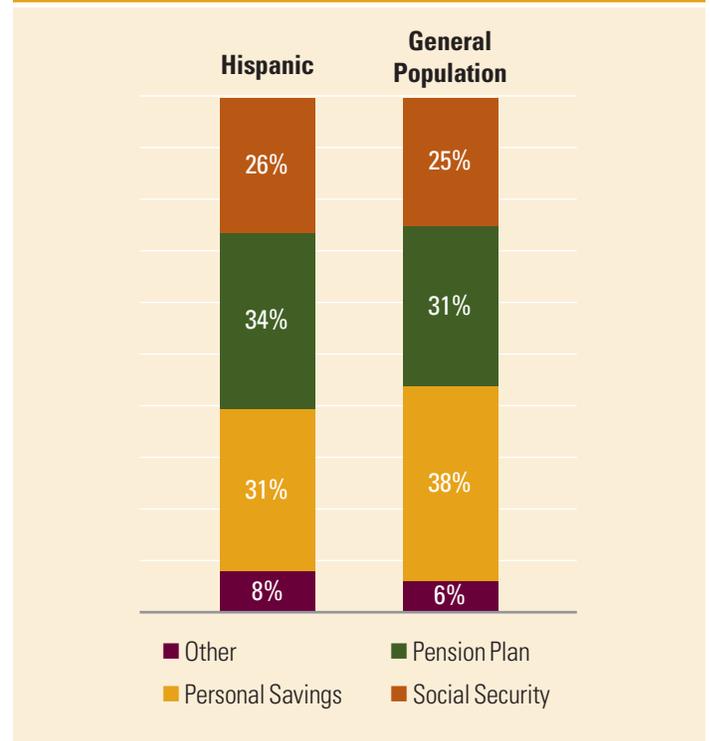
Looking towards the future

Hispanics are particularly concerned about being a burden to their children. Three quarters say it is important their children are not burdened by taking care of them when they get older – an important factor as U.S. Hispanics consider (and make plans) for their retirement.

U.S. Hispanics are very concerned about outliving their retirement savings (40% of Hispanic families cite this concern which is significantly greater than the general population at 33%). In terms of sources for retirement income, only 31% believe it will come from their personal savings as compared to 38% of the general population. Over one-third (34%) believe their retirement funds will come from their pension plans, somewhat higher compared to the general population.



Anticipated sources of retirement income (Hispanic vs. Gen Pop)



Despite these concerns, nearly two-thirds have figured out how much they need to retire. Likewise, a higher proportion of Hispanics also mentioned they have developed a retirement plan as well – 44%, compared to 35% of the general population. Nearly half have adjusted their expectations for retirement and are now planning to retire at an older age than originally planned. Overall, Hispanics seem best prepared with their retirement plans; they know how much they need to save and have a plan to get there. However, the greater uncertainty for this group lies in managing their current financial burdens, while also helping to prepare the next generation to thrive in the new economy.

Some tips as you think about retirement

- The percentage of preretirement income a person will need to maintain their standard of living varies depending on the family's goals. Parents should think about their current expenses – and their future expenses – to determine if they are saving enough. If not, you may want to create a plan. A basic rule of thumb is to try to save at least 10% of one's income each year.
- Know what your estimated Social Security benefit is and compare that to what you think you will need in retirement. Keep in mind these are only estimates and the structure of Social Security may change in the future. For more information on this, visit this relevant website: www.SSA.gov/estimator.

In the coming years, the financial prospects of the Hispanic population are going to depend heavily on the fortunes of the broader American economy. This is particularly true as the population continues to grow – not just through immigration as before, but through the native-born, who are now one of the primary engines of demographic growth in the U.S. (2011 U.S. Census Bureau, American Community Survey).



The future seems brighter

In the context of an improving job market and stock market returns, confidence in a household's financial situation seems to have increased and families are shifting their attention to the things that matter most to them. Prioritizing in this way has helped families to focus on activities that can help their family in both the short and long term.

For more than 160 years, MassMutual has been providing strength and stability to generations of families and businesses. Like the many Americans who place “family first,” we focus on the people who matter most to us – our policyowners.

Visit [massmutual.com](https://www.massmutual.com) today to contact a MassMutual financial professional in your area and learn how to take the next step in creating a solid financial strategy and achieving fiscal fitness.



Methodology

The "State of the American Family" is an in-depth MassMutual commissioned series of research studies, that explores the changing definitions and dynamics of families. This multiyear initiative will produce a deeper understanding of the different forms families take, how factors like ethnicity and income affect family dynamics, how family members interact on financial and other matters, and trends that can help shape families in the coming decade. The "State of the American Family" can help provide America's adults and children with the information and guidance they need to make responsible financial decisions.

The survey was conducted for MassMutual by the Forbes Consulting Group, LLC between February 4th and February 25th, 2013 via a 20-minute online questionnaire. The survey comprised 1,337 interviews with American households with children under age 18 for whom they are financially responsible. Interviews were conducted among men and women aged 25-64 with household incomes greater than \$75,000 (50 completes were allowed among 25-32 year olds with HH incomes falling between \$50,000 and \$75,000). Respondents had to contribute at least 40% to decisions regarding financial matters in their household to qualify. Results were weighted to the 2010 US Census distributions for age, gender, ethnicity, region, and same sex married/partnered couples to be representative of American families in this age and income bracket. This study includes trending data for survey waves conducted in 2009 and 2011.

