



African Americans: Defining the American Dream

MassMutual's College Planning & Saving Study –
African American/Black Families

“Education, clear and simple, is power.”

HILL HARPER,
ACTOR AND AUTHOR

With high expectations and a focus on creating a promising future for their children, African American parents look to a college degree as the key to open doors and opportunities. Black¹ parents and guardians worry about their children’s future and see the American education dream as a beacon of hope and the pathway to equality.

Drawing on the unity and strength within the African American community, parents and guardians as well as extended family empower their children to change the world. They see education as the most powerful way to make a difference, one that provides more options and choices for their children’s futures.

In a five-year span, African American college student enrollment rose to 14.5% of the general population, and in 2016, 58.2% of Black high school graduates enrolled in college.² The National Urban League reports an increase in the education index and cites a higher percentage of African Americans earning two-year degrees as one of the top reasons.³

African American parents are hopeful that their children will graduate from college and optimistic that college is affordable — but to achieve the American education dream, they need information on the many avenues of saving and investing that can place higher education in reach.

¹ The terms “African American” and “Black” are used interchangeably in this study.

² Bureau of Labor Statistics, U.S. Department of Labor, *The Economics Daily*.

³ National Urban League, 2017 State of Black America® Protect Our Progress report.

Revealing Details

Sharing their hopes, customs and beliefs, Black parents and guardians answered questions about funding higher education for their children in MassMutual's College Planning & Saving Study, a nationwide survey for Massachusetts Mutual Life Insurance Company (MassMutual).

With more than 165 years of helping families protect their future, MassMutual has a wealth of information on how to save, invest and plan for those college expenses. To provide American families with information and guidance needed to make sound financial decisions, MassMutual commissioned New American Dimensions research firm to conduct MassMutual's College Planning & Saving Study. The multicultural research firm talked with parents and guardians of children ages 5 to 15 from across the U.S., with a special focus on certain ethnic backgrounds, to help MassMutual gain a deeper understanding of how ethnicity and income affect family decisions around college planning and saving. Mapping their answers reveals there are many possible routes to financing a child's college degree and realizing the American education dream.

Surveying the participants:

Parents/guardians ages 30–64
Annual income at least \$50,000
With children ages 5–15

Two-phase study:

1. Mini-focus groups in-language
2. National online survey

See Methodology section for details.

Financial Priority

“You can't get anywhere without an education,” said a parent from New York City. Eighty-two percent (82%) of parents and guardians in the study agree that a college education is important for their child. “I hope my children will go to college because it will teach them the meaning of life,” said another African American parent from Texas. According to the survey, African American parents rank paying for their children's college education as their top financial priority.

Black parents and guardians in MassMutual's College Planning & Saving study are optimistic about paying higher education expenses: 50% of parents report they believe college will be affordable when the time comes. According to a 2016 Nielsen consumer report, annual incomes for Black households are on the rise.⁴ However, the financial reality may be a very different picture.



⁴ Nielsen Consumer Report, “Young, Connected and Black,” October 2016.

Rising Debt

“Our society is not set up for our children to start fresh; they’re already thousands of dollars behind,” said a parent from Los Angeles. For parents to hope that their child graduates debt-free may be unrealistic. Seven out of ten graduating seniors leave college with an average of \$30,000 in student loan debt.⁵ A Brookings Institute study examined the gap between Black/White student debt and reported that Black students owe approximately 18% more in loans (average of \$52,726) than White students (average of \$28,000) four years after graduating with a bachelor’s degree.⁶ The disparity is due to repayment rates and an increase in Black students pursuing advanced degrees. In addition, Black students are almost twice as likely (40%) to accumulate debt for graduate studies than White students (22%).⁶

Interestingly, African American parents and guardians are the least likely of all ethnic groups surveyed to have their children acquire college loans (17%), and less than two out of ten African American parents in the study plan to take out loans themselves.

Plans to Pay

“My hope is to be able to finance their college education,” said a parent from New Jersey. Respondents seemed extremely knowledgeable and savvy about a wide range of resources to pay for college beyond taking out loans, identifying eight additional methods (see list to right).

Nearly half of the parents expressed high expectations their children will receive scholarships. “If your child has good grades and good test scores, you’re likely to get a scholarship,” said a parent from California. But even with a scholarship in place, there is often a sizable discrepancy between the financial package offered and the actual expenses. The average financial gift package award is less than \$6,000,⁷ which still leaves a significant gap between expectations and reality. Some African American parents in the survey say the key is to become educated about scholarships early in the process.

The college expense disconnect

Parents have high expectations of scholarships, but average financial aid packages leave a large gap:

Public 4-year school tuition*	\$20,090
Grant aid & tax benefits	- \$ 5,880
Remaining costs per year	\$14,210⁷

*Full-time undergraduate student. Includes tuition & fees and room & board.

African American parents identify various methods of paying for college:

1. College-sponsored scholarship
 2. Pell Grant
 3. Personal savings
 4. Student work study
 5. Student part-time job
 6. Two-year school, transfer to four-year
 7. State-sponsored savings program
 8. Retirement savings
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⁵ Institute for College Access and Success, Project on Student Debt, Student Debt and the Class of 2015, October 2016.

⁶ Brookings Institute, Economic Studies, Black-White disparity in student loan debt more than triples after graduation. October 20, 2016.

⁷ CollegeBoard, Trends in College Pricing 2016, October 2016.



More than any other ethnic segment, 35% of African American parents also plan to encourage their child to participate in a work-study program.

By ethnic group: % of parents encouraging child to enroll in a work-study program:

African American/Black	35%
Chinese	25%
Korean	25%
Hispanic/Latino	23%
White/Caucasian	23%
Asian Indian	21%

One-fourth of parents in this group say another way to keep college expenses manageable is to have their child attend an affordable two-year community college and then transfer to a four-year university to complete an undergraduate degree.

Four in ten Black parents in the study plan to use a Pell Grant. A popular tool to help with tuition, the Pell Grant is a federal subsidy that does not have to be repaid. Nationally about 7.5 million students receive Pell Grants each year.⁸

More than one-third of parents expect to use their own savings to cover college expenses. The study showed two-thirds of African

American parents and guardians began saving by the time their child turned ten years old (on par with the general population). However, with an average of \$18,205 in savings (slightly below the general population), just 30% are on track to pay their anticipated contribution of one-half to all of the college costs.

Pre-college Homework

“Parents and kids need to be educated on how much this really costs,” said a parent from Los Angeles. Consider the link between the college major and career earnings potential. “If your child wants to go into biology or teaching, you take a look at the top schools in those fields,” said a parent from New York. “Break it down by cost.”

Parents remarked that while searching for an affordable school, it was important to consider Historically Black Colleges and Universities (HBCUs). With the common mission to educate Black students and ensure their success, HBCUs have support systems in place to help students succeed.⁹ On these campuses, parents may feel their child has a better chance. “We all worry about racism. I just want my children to have a chance at equal growth,” said an African American parent from New York City.

⁸ U.S. Department of Education, Federal Pell Grant Program End-of-Year Report, 1980-81 through 2014-15; Federal Student Aid Data Center, Title IV Program Volume Reports and Aid Recipients Summary.

⁹ Affordable Schools, 25 Affordable Bachelor’s-Granting Historically Black Colleges/Universities 2017.



Pre-college Homework (continued)

Many HBCUs have scholarships and grants specific to the college. “We’re planning our college tours and she’s only in the tenth grade,” said one African American dad from New York City. The study found many family conversations include the college costs involved. One parent from California advised, “Talk with an expert. You need to talk with people who know about financial planning.” Ahead of the other ethnic groups surveyed, 47% of Black parents and guardians are already working with a financial professional.

Online research on funding college is important to African American parents and guardians, as it is for all parents in the study. “I get information from the Internet and online video channels. Those sources tell you, ‘This is how you do it,’” said a Black father from Louisiana.

Parents research specific colleges, state-savings plans, and financial planning companies and topics include deciding between public and private, two- or four-year schools, student aid and scholarships. Black parents also seek out advice from their friends, relatives, and churches, and look to trusted member organizations such as the NAACP and the Urban League.

Realizing the Dream

“Education gives you the option to do everything. You learn how to assess certain things in life. You learn to think and how to achieve,” explained one Louisiana parent. African American parents are hopeful that their children will attend college, and turning hopes into reality requires taking action.

Begin with a clear picture of your family finances. Identify your priorities, prepare for the unexpected, and use a college planning calculator¹⁰ to estimate your goal. Begin saving early; consider the birth of your child as a starting point. Talk with your children early and often about financial literacy. Recruit them to research scholarships, grants and work-study programs where college credit and income can be earned.

Talk about their dreams and aspirations and the best schools for those interests. Choosing the right major will prepare your child for the workforce and provide the best return on investment. The strategy you’ll develop will benefit your family and your child.

It’s possible to achieve a financially secure future and retirement, as well as open the doors to a happy, prosperous life for your college-educated child. The key is to plan today. Visit www.massmutual.com or contact a financial professional to learn more.

¹⁰Visit the MassMutual College Savings Calculator at www.massmutual.com/planning/calculators/college-savings-calculator.

METHODOLOGY

MassMutual's College Planning & Saving Study, a two-phase research project, examines the attitudes and needs of families as related to education planning and funding. The study is intended to bring a deeper understanding of the importance of higher education and how factors like ethnicity and income affect family decisions and behaviors. MassMutual's College Planning & Saving Study will help MassMutual provide American families with the information and guidance they need to make responsible financial decisions.

MassMutual's College Planning & Saving Study was conducted for MassMutual by New American Dimensions, LLC, in December 2016. The first phase of research, conducted in English and in-language, included 22 mini-focus groups with five key ethnic groups (Hispanic/Latino, African American/Black, Chinese American, Korean American, and Asian-Indian American) in the metropolises of Los Angeles (November 30 to December 1, 2016), New York City (December 5-6, 2016), and San Francisco (December 20, 2016).

The second phase, a 20-minute online questionnaire, was conducted between December 13 and December 30, 2016. The survey, conducted in English, comprised 1,750 interviews. Within the total number of surveys, 150 completes were obtained for each of the five specific ethnic segments.

Both phases of the research were conducted with men and women who are 30-64 years old with children ages 5-15 for whom they are financially responsible. Qualifying respondents also meet a minimum household income requirement (\$50,000+) and participate in financial decision-making for their household. Results for the total were weighted to the 2010 U.S. Census distributions for ethnicity to be representative of American families in this age and income bracket.



Visit the MassMutual College Savings Calculator at www.massmutual.com/planning/calculators/college-savings-calculator.

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