



2018 State of the American Family Study

## Insights from African American Families – Executive Summary

“We have the will and the power to create our own destiny.”

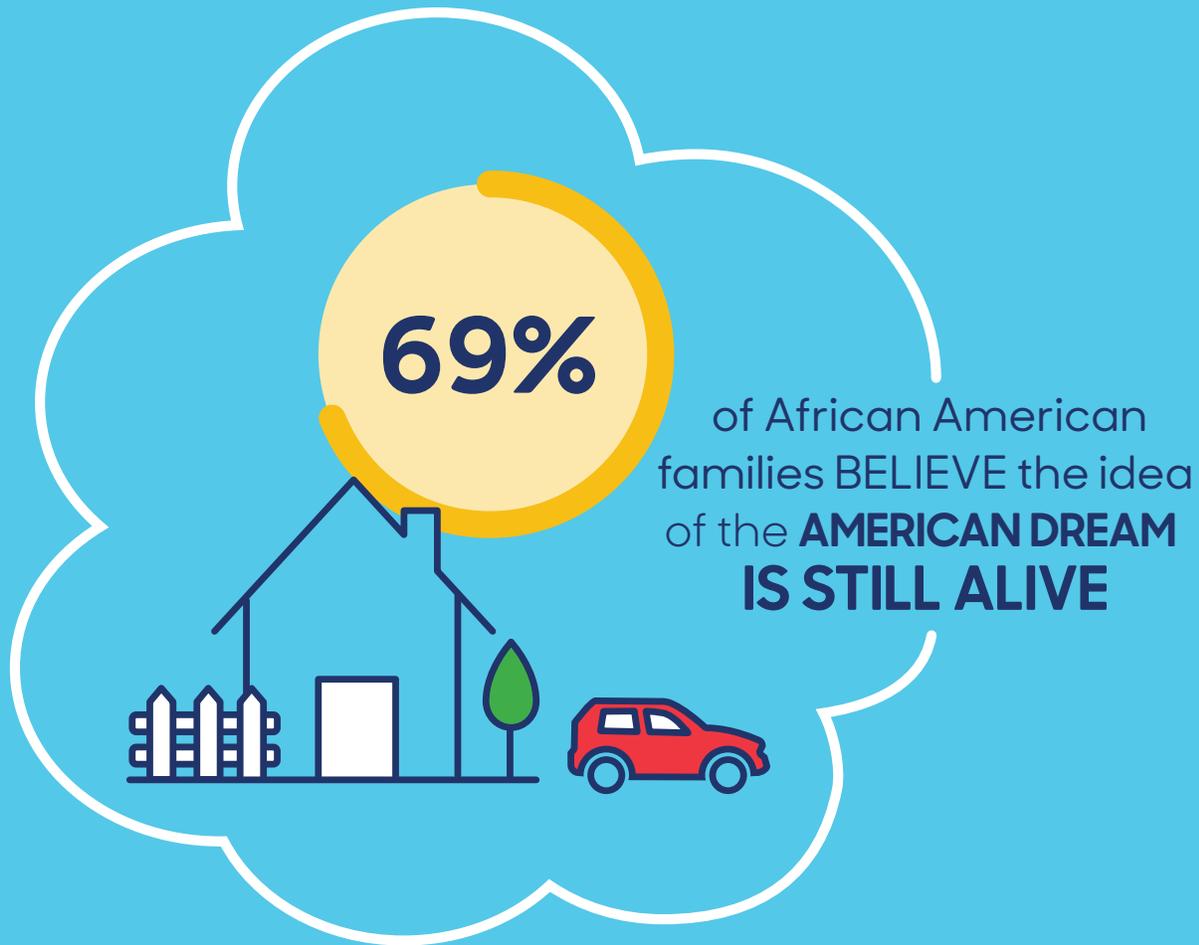
– **HILL HARPER**

*The Wealth Cure: Putting Money in Its Place*

In 2018, Massachusetts Mutual Life Insurance Company (MassMutual) commissioned the fourth wave of a nationally representative survey of American families to better understand how they view the American Dream and the financial aspects involved.

We reached into the nation’s great cultural and economic diversity through individual market segments, different social groups and evolving family structures. In the process, we connected with various racial and ethnic groups, Veteran families, LGBTQ families and more.

This Executive Summary reviews the key findings about African American families and their attitudes about financial decisions. In addition to the study insights, you’ll find helpful ideas and specific actions that can help you turn your American Dream into reality.



## Rise Up

**The heart of the American Dream for Black families is financial wellness and financial freedom.**

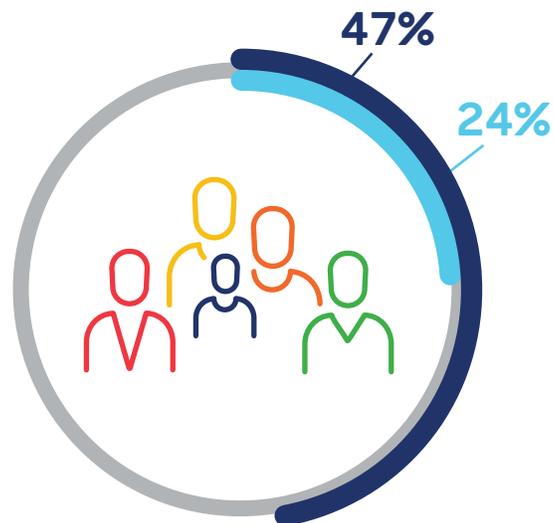
There are many ways to express the American Dream, including owning their home, not living paycheck to paycheck, and being able to travel. Today, 69% of African American families are confident the American Dream is still attainable.

Historically, African American families have had fewer opportunities to build generational wealth through investments and inheritance. In this century, many Black families were stripped of their wealth and financial security in the aftermath of the housing crisis when they were disproportionately preyed upon by subprime lenders and lost their homes. Today, African Americans families have among the lowest household income of any ethnic group surveyed.

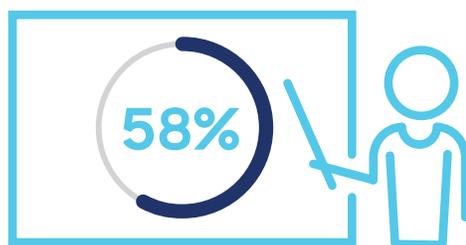
Even facing these obstacles and setbacks, Black families feel more confident about achieving the American Dream than the general population. One reason for their optimism is that incomes have bounced back over the past five years. As a result, more Black families are sending their children to college and taking steps to improve their financial security.

The optimism of Black families is also rooted in whom they view as family. Compared to other ethnic groups surveyed, their definition of family is wider: 47% consider extended family and 24% consider friends as part of their definition of family. This compares to 33% and 13% respectively for whites. Blacks also lead every other ethnic group surveyed in their sentiments for taking care of each other and working together.

African Americans are more likely to include **EXTENDED FAMILY** and **FRIENDS** in their DEFINITION OF FAMILY



Traditionally, Black families have focused on managing day-to-day expenses, and their wider definition of family has meant more people to care for. As a result, Black families do not have as much savings to achieve their long-term goals. The survey reveals that Black adults are more likely to wish their parents had taught them more about money, and 58% are now actively involved in educating their own children about finances.



African American parents are **most actively involved\*** in **EDUCATING THEIR CHILD(REN) ON FINANCES** likely because they wish their parents taught them more about money

\* Of ethnic groups surveyed

# Financial Wellness

For most families, the heart of the American Dream is financial wellness. American families tend to view financial wellness in terms of certain priorities.

The 2018 study reveals five common financial priorities:

- Having an emergency fund
- Feeling confident in both short-term and long-term financial decision making
- Not carrying a lot of debt
- Being financially prepared for the unexpected
- Not living paycheck to paycheck

Let's look at each of these priorities in African American families.

## Having an emergency fund

Life has a way of handing families little surprises. Your car breaks down. Your roof needs repair. Someone in your family has a medical crisis. Whatever the emergency, having a financial cushion can help you weather the storm without endangering your long-term financial health.

But Black families are the least prepared for a financial emergency with 33% having less than 1 month of expenses saved. And just 1 in 5 African American families have set aside enough money to cover more than 6 months of expenses.

African American families are the **LEAST PREPARED** for a financial emergency



## Feeling confident in both short-term and long-term financial decision making

Eighty-six percent of African American families are involved with making long-term financial decisions, and nearly 70% feel confident doing so. In terms of getting educated about finances, 40% rely on family members for information.

**If you need help with long-term financial planning, get in touch with a financial professional today about setting goals, making a plan and tracking your progress.**

African American families are taking steps to **IMPROVE THEIR FINANCIAL SECURITY:**

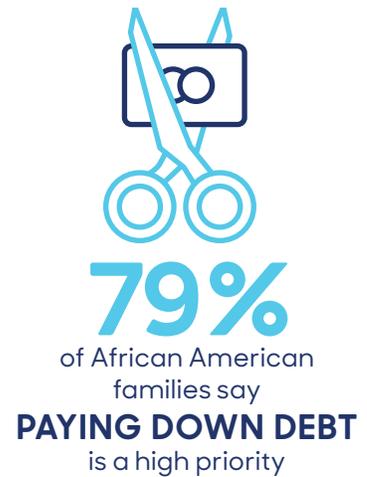


## Not carrying a lot of debt

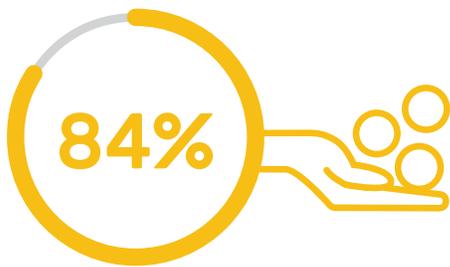
While it's preferable to pay for purchases without borrowing, that's not always realistic. For example, few families can buy a home or car or pay for college without taking out loans. Most families consider a mortgage and student loans as "good debt" because these loans help them achieve elements of the American Dream.

Credit card debt is often considered "bad debt" because interest cost is generally high. It's smart to pay down credit card debt first because these loans can cost you the most money.

African American families are more likely than any other group to carry high debt balances. Nearly 70% have credit card debt, and almost half are paying student loans. But 79% say paying down debt is a high priority.



## Being financially prepared for the unexpected



of African American families prioritize having a **STABLE SOURCE OF INCOME** for family in event of the unexpected

You can't control the unexpected, but you can be prepared if it happens. Among African American families, 84% prioritize having a stable source of income for their family in case of the unexpected.

Don't forget to consider what would happen if you got sick or injured and were unable to work. Where would you get the money to pay for expenses like food, clothing, utilities and the mortgage? For most people, their single most valuable asset is their ability to earn an income.

## Not living paycheck to paycheck

Family life often creates stress and living paycheck to paycheck adds more — it makes you feel anxious about your financial situation. It also makes it hard to save, which can leave you vulnerable in case of a financial emergency. Compounding the challenge, Black families have one of the lowest average household incomes among all ethnic groups surveyed, and hold nearly the highest average credit card debt and student loan debt.



**78%** of African Americans say that **NOT LIVING PAYCHECK TO PAYCHECK** is part of the American dream

# Financial Freedom

African American families continue working to make ends meet, pay down debt and save for the future, but they also aspire to live their American Dream in other important ways. Their goals include the opportunity to send their children to college, the chance to travel and a comfortable retirement.

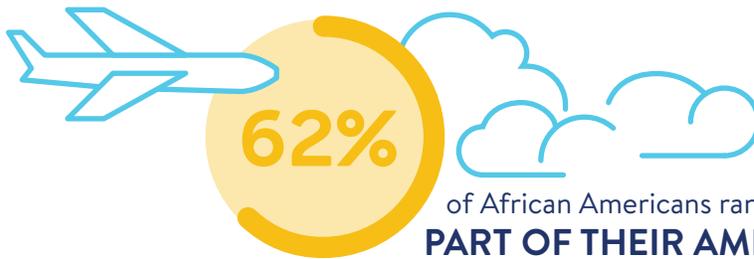
## Investing in education

For 66% of African American families, paying for college is an important financial priority, and 51% consider paying for their children's college part of their American Dream. That makes sense because a college degree can help establish a career and achieve financial security. And today more African Americans are going to college. In a five-year span, enrollment of Black college students rose to 14.5% of the general population, and in 2016, 58.2% of Black high school graduates enrolled in college.<sup>1</sup>

**66%**  
of African American families consider paying for college education a **FINANCIAL PRIORITY**



## Enjoying the ability to travel



of African Americans ranked **TRAVEL** as **PART OF THEIR AMERICAN DREAM**, higher than any other ethnicity

## Enjoying a comfortable retirement

Being financially prepared for retirement is a key priority for African American families. The study reveals that two thirds are not confident they are financially prepared for their retirement, and only about one third have an actual plan in place. Nearly a third worry they will outlive their retirement savings and 6% already plan to work part time during retirement.

### Retirement is a concern for African American families

**2/3**   
are **NOT CONFIDENT** that they are **GETTING FINANCIALLY PREPARED** for their retirement

Only **1/3**   
have an **ACTUAL PLAN** for retirement saving

<sup>1</sup> Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily

## Next Steps

Black families are taking steps to secure their financial future and dreams, but more can be done to keep the American Dream alive. The top financial regret across all consumer groups surveyed is “not starting early enough.” What can *you* do?

**MAKE FINANCIAL PLANNING A FAMILY PRIORITY.** Teach the next generation about finances. Involving your children in discussions of family budgeting and monthly bills can help them understand what is involved in managing money.

**PREPARE FOR THE UNEXPECTED.** Protect your family with appropriate amounts of life insurance and disability income insurance. These precautions can provide a measure of security for your family should the unthinkable happen.

**PAY DOWN DEBT.** It’s a good idea to pay off the loans and credit cards with the highest interest rates first, then the smallest balances or the highest minimums. If you can make extra payments or pay more than the minimum, do so. This will reduce the total cost of the loan.

**ESTABLISH SAVINGS.** Open a separate savings account designated for your emergency fund and add to it every paycheck. Use automatic deposit so you don’t forget. As a rule of thumb, target 3 to 6 months of salary for your financial cushion.

**PLAN FOR YOUR CHILDREN’S EDUCATION.** Create a plan for how you will pay for college. In addition to your income, there are opportunities to pay for college like 529 plans, Coverdell Education Savings Accounts, student loans, permanent life insurance loans,<sup>2</sup> financial aid, grants and work-study programs.

**SAVE FOR RETIREMENT.** The amount of income needed to maintain a standard of living in retirement varies from person to person and family to family. Think about your current and future expenses to see if you are saving enough right now. If you’re not, or if you’re not sure, talk with a financial professional.

MassMutual is a strong and stable resource that can help you secure your financial future. To connect with a MassMutual representative near you, visit [massmutual.com](https://www.massmutual.com) today.

<sup>2</sup> Access to cash values through borrowing or partial surrenders will reduce the policy’s cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.



# Live Mutual

It's in our nature to take care of the people who make life worth living, so we instinctively protect them physically and emotionally. Making plans to secure their futures should feel no different. While the world would have us strive for independence, the truth is when we depend on one another — *when we live mutual* — we aren't just more secure. Life is happier and more fulfilling.

Living mutual has always been at the core of human existence, and it's the principle that's guided MassMutual since our founding in 1851. It's not a concept we invented, but one we champion for the simple reason that people today take it for granted.

To connect with a MassMutual financial professional near you, visit [massmutual.com](https://www.massmutual.com) today. Together, you can take the right steps in creating a personal financial strategy that supports the American Dream for *your* family.

## Methodology

The State of the American Family survey was conducted for MassMutual by Isobar between January 19th and February 7th, 2018 via a 20-minute online questionnaire. The survey comprised 3,235 total interviews with Americans. The vast majority of these interviews (2,730) were conducted with men and women aged 25-64, with household incomes equal to or greater than \$50,000 and with dependents under age 26 for whom they are financially responsible. Respondents had to contribute at least 40% to decisions regarding financial matters in their household to qualify. Results were weighted to the March 2017 Annual Social and Economic Supplement (ASEC) of the Current Population Survey for age, income, gender, ethnicity, region, and weighted to the 2016 American Community Survey Public Use Microdata Sample for same sex married/partnered couples, to be representative of American families in this age and income bracket. Additional quotas were set for the targeted ethnic groups including: African American, Asian Indian, Chinese, Korean and Hispanic, which were then weighted to be representative of American families. This study includes trending data for the previous survey wave conducted in 2013. The sampling margin of error for the 2018 study is +/- 1.88 percentage points at the 95% confidence level when looking at the results for the 2,730 interviews at a total level.



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