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LACK OF CASH RESERVES AND INVESTMENT KNOW-HOW CREATES FINANCIAL INSECURITY FOR WOMEN OF COLOR

*New report finds the need to reduce debt trumps all other financial goals, threatening general savings
and retirement planning*

BRYN MAWR, PA – Dec. 3, 2012 – The pressure to pay off debt amid the challenge of meeting their own and their family’s immediate needs are key challenges preventing many women of color from saving and building cash reserves. This ongoing strain is resulting in a state of financial insecurity that is consistent across women of all racial and ethnic groups, according to a new study released today by The State Farm® Center for Women and Financial Services at The American College, the nation’s leading authority on economic issues and opportunities for American women.

These trends are common among the general population of women who, despite using a variety of approaches to meet their financial goals, still don’t feel financially secure. The report titled “Survey on the Financial Needs & Attitudes of Women of Color” polled 3,000 Asian, Hispanic and African American women ages 25 to 75, along with a comparison group representative of women in the general public.

Virtually all women surveyed (95 percent) reported the need to build cash reserves and an emergency fund. Yet, most have not calculated what they need or set up a plan. Instead, reducing or eliminating debt remains a top priority for three-quarters of women of all racial and ethnic backgrounds. A further challenge is that 64 percent of women say their financial progress has been impeded by meeting their family’s more pressing needs.

“Our research uncovered the key roles a systematic savings plan and cash reserves play in the financial security and stability of women of color,” said Professor Mary Quist-Newins, ChFC®, CLU®, CFP®, Director of The State Farm Center for Women and Financial Services at The American College. “Women don’t need to choose between saving and paying off debt – they must do both to build a stronger and brighter long-term financial future for themselves and their families.”

The lack of cash reserves exists across all income levels, hitting middle-income households the hardest. The survey found the presence of cash reserves are generally correlated with income and women who reported annual household earnings of more than \$80,000 are more likely to have these funds. Specifically among women of color, seven in ten Asian women (71 percent) report having this type of savings, which is significantly higher than the 56 percent of Hispanic women and 51 percent of African American women who report having an emergency fund.

What is the key ingredient to having a cash reserve? Across all income levels and ethnicities, women who put aside a set amount every month were almost three times as likely to have emergency reserve (56 percent) versus those without a systematic savings approach (19 percent). These findings affirm the time-tested wisdom of the “pay yourself first” approach to budget management.

The report also found the lack of confidence and expertise about investing is another hurdle for achieving financial security. Only one in ten women overall agree that they know how to invest their money so it grows as most are saving through basic checking and saving accounts or through workplace retirement plans (97 percent of general population use checking accounts and 85 percent report having a savings account). Fewer women have savings products or investments outside of basic banking. In addition, 18 percent of women report keeping their savings in a hiding place at home.

Despite the challenges and the general lack of financial security, women of color report greater optimism about their financial futures. In fact, across all income levels, African American women expressed the most hope for an improved position in the coming years (74 percent compared to 56 percent of the general population). Additionally, the majority of women believe they are making progress on their goals, particularly those ages 55 and older.

Other noteworthy statistics from the study:

- **Women across racial and ethnic backgrounds (four in ten) strongly agree that their mother was good at managing money.** Fewer – just three in ten (29 percent) – laud their father’s financial management. Still, fewer than half (47 percent) suggest that their approach to money management resembles that of their parents.
- **Women of color generally plan to retire at a younger age than women overall.** On the whole, women of color expect to retire about a year sooner than average (65), while women in the general population (27 percent) are far more likely to say they plan to retire at age 70 or beyond.
- **Women of color are more likely to think they can’t afford a financial advisor, but all women believe that working with one could help.** Half of all women agree at least somewhat that working with a financial professional would help them achieve their financial goals. When it comes to what women look for, the advisor doesn’t need to be a woman – understanding their unique financial needs (23 percent general population) is far more important than sharing the same demographic traits, like age (7 percent), race (6 percent) or gender (4 percent).
- **Asian and African American women are more focused on starting a business than women in the general population.** The report found 15 percent of African Americans and 12 percent of Asians report starting a business as a high financial priority.

To learn more, [download the full report](#), which is available at:

<http://WomensCenter.TheAmericanCollege.edu/FinancialNeeds>. In addition, you can view a [video](#) about these findings and their implications on The American College’s Wealth Channel as well as an [infographic](#).

Methodology: This survey was conducted by independent market research firm Matthew Greenwald & Associates, Inc. on behalf of The American College’s State Farm Center for Women and Financial Services. Responses were gathered through an online survey with a total of 3,000 women, including 750 interviews with Asian, Hispanic and African American women, plus a comparison group representative of women in the general public. All of the participants selected were ages 25 to 75 with household income of at least \$45,000. Interviewing took place September 4 to 19, 2012. The data was weighted by age and education to reflect the total population of women ages 25 to 75 with household income of at least \$45,000. General population and minority women were weighted separately. If this study were a random survey of 750 women, it would have a margin of error (at the 95 percent confidence level) of plus or minus 3.7 percentage points.

The American College is the nation’s largest non-profit educational institution devoted to financial services. Holding the highest level of academic accreditation, The College has served as a valued business partner to banks, brokerage firms, insurance companies and others for over 85 years. The American College’s faculty represents some of the financial services industry’s foremost thought leaders, including The State Farm Center for Women and Financial Services – the first and only academic institution devoted exclusively to the study of women and financial services. For more information, visit TheAmericanCollege.edu.