Wealth Management
U.S. Bank

Building Black Wealth

2021 Insights study

Welcome

Building wealth and achieving financial security is a primary aspiration for most, but many communities face distinct challenges in reaching these goals. As advisors who work every day to help clients achieve better financial outcomes, we understand that our industry has an important role to play in closing the racial wealth gap. We must start by listening and learning from our customers and communities.

U.S. Bank's Building Black Wealth Insights Study represents an important part of that process. This report is just one step in understanding the needs, goals and challenges of the Black community. And by continuing to learn and listen, we'll gain insights needed to take actions that support lasting change.

This research highlights many steps we can take as an industry – some of which we've already started – to better serve the Black community. We're eager to apply these important findings to continue our efforts to build Black wealth.

Gunjan Kedia, *Vice Chairman*
U.S. Bank Wealth Management and Investment Services

Table of contents

Executive summary

We must start by acknowledging that financial institutions played a historical role in creating and sustaining gaps in wealth by race and ethnicity. According to the Federal Reserve's 2019 report, there is an 8:1 gap in wealth between white and Black families, and a 5:1 gap in wealth between white and Hispanic families.[1] U.S. Bank acknowledges such history and is leveraging the unique skills and expertise of its employees through U.S. Bank Access Commitment to build wealth in our communities and help close those gaps.

In February 2021, we launched U.S. Bank Access Commitment – building on the $116 million commitment we made in 2020 to address the persistent racial wealth gap. It's our long-term approach to help build wealth while redefining how the bank serves racially diverse communities. As we seek to support businesses owned by people of color, help individuals and communities of color advance economically, and enhance career opportunities for employees and prospective employees, we know we must start by listening to and learning from our customers and our communities. Our inaugural U.S. Bank Building Black Wealth Insights Study represents an important part of that process.

Black households hold significantly less wealth than white households.

Wealth gap between white and Black families.[1]

"We are starting with the Black community, because that is where the wealth gap is greatest. We'll continue to listen and learn in order to take steps to support lasting change."

– **Mark Jordahl,** *President*
U.S. Bank Wealth Management

"My job is to make sure our purpose – to power human potential – is true for everyone. Equity is key to this work; it's not only about looking back and righting wrongs, but also moving forward together in a more dynamic way. I'd encourage us all to look at the sobering facts and resist the urge to call the racial wealth gap a 'Black problem.' It's not. It's an 'all of us' challenge. Extreme disparities and their persistent harm reach into every American's future. We can all be energized by the opportunity to provide the tools of financial prosperity for Black families and other historically disadvantaged members of the American fabric because those benefits will be felt throughout our entire country. By working to close the racial wealth gap, we're creating economic prosperity – more jobs, economic vitality – it's better for business, for families and for communities. The racial wealth gap must be closed if we are to achieve our full potential as a nation. At U.S. Bank we are leveraging our core strengths to catalyze more equitable outcomes for all segments of our community. Imagine if every industry did that."

– Greg Cunningham
SEVP, Chief Diversity Officer
U.S. Bank

Introduction

In the United States, Black households hold significantly less wealth than white households, and over the last several decades, that gap continued to grow.[2] While there was some improvement from 2014 to 2019 with the wealth gap shrinking from 10:1 to 8:1, the net wealth of the average Black family today is less than 15 percent of that of a white family.[1] The overall conclusion is that more work needs to be done to narrow the gap; in fact, a 2018 analysis published by the Federal Reserve Bank of Minneapolis posited, “no progress has been made in reducing income and wealth inequalities between Black and white households over the past 70 years.”[3] Also, according to the Q2 2021 Bureau of Labor Statistics report, the median weekly earnings for Black men were $877, or 78.7 percent of the median for white men ($1,115).[4]

The racial wealth gap constrains the U.S. economy as a whole, resulting in $1-1.5 trillion in lost economic output and a 4-6% drag on our GDP. [5]

It may come as no surprise, then, that our survey found Black affluent respondents feel they are at a disadvantage compared to rest of the population. Nearly twice as many Black affluent individuals as Hispanic individuals in the survey stated they had been treated differently by the financial services industry due to their race – and nearly four times as many compared to Asian and white individuals.

Despite these barriers, we found that Black affluent individuals are more likely than non-Black (white, Hispanic and Asian) affluent respondents to:

- Have clearly defined financial goals.
- Have a strong financial plan that helps guide their decisions.
- Believe they are better at managing their finances than their parents.
- Be more comfortable discussing money matters freely with friends and family.

Black affluent individuals equate financial security with success and are likely to focus on leaving a legacy and helping the next generation. However, other segments in the survey define financial success by being able to pursue their own interests and make purchases. While they are less likely to have wealth products and more likely to have consumer loan products than other segments, they tend to value real estate as part of their wealth portfolio at a higher rate, viewing it as a tangible asset to pass along to family.

Pursuing goals and paying it forward

While everyone has a unique definition of financial security, it's often defined as having peace of mind that their income is enough to cover both expected and unforeseen expenses. With peace of mind around financial security as a top indicator, Black affluent individuals consider themselves successful at the same rate as non-Black affluent individuals. And despite the pandemic, those surveyed within the Black community, especially younger and emerging affluent individuals, are more likely than other segments to rate their current financial situation as better than a year ago (61 percent vs. 49 percent).

While Black affluent individuals feel they are on par with the non-Black affluent in terms of success and status, they continue to pursue financial goals at a higher rate than white affluent individuals, many of whom feel they have met their goals. The goals of Black affluent individuals are influenced by a strong belief that financial success is about more than pursuing personal interests and independence. **Achieving success brings a responsibility to help others in their family and within their community.**

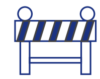
Black affluent individuals consider themselves successful at nearly the same rate as non-Black affluent individuals (70 vs. 75%).

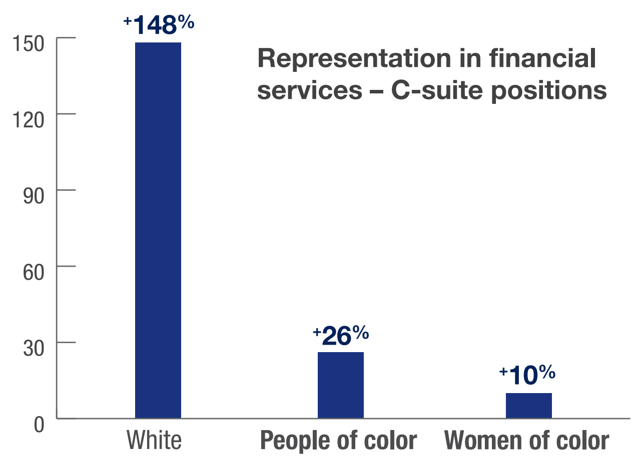
Positivity despite ongoing discrimination

No matter someone's level of financial success, affluence does not protect against racial discrimination. Black affluent individuals report discrimination within financial services, and 79 percent surveyed feel there are institutional roadblocks impeding their wealth accumulation, with Black affluent women reporting feeling disadvantaged at a higher rate than Black affluent men (70 percent versus 59 percent).

The data also shows that representation is an issue. Non-white people are generally represented at the entry-level in financial services jobs in proportion to their share of the overall population, higher-level positions do not reflect that diversity.
In addition, **while the percentage of white employees grows 148 percent from entry-level positions to C-suite positions, it drops 74 percent for people of color. For women of color, that representation drops 90 percent.**[6]

79% feel there are institutional roadblocks impeding their wealth accumulation.





With these barriers in mind, it may not be surprising that most Black individuals surveyed believe that, at best, the racial wealth gap will be the same in 2030 as it is today. However, despite these barriers, Black affluent respondents have a somewhat positive outlook toward the financial industry and are more likely to be prepared with a strong financial plan that helps guide their decisions. Compared to non-Black respondents, Black respondents – especially those with $100K+ in investable assets – tend to view the financial industry in a more positive light.

Nevertheless, positivity and confidence levels drop along with levels of affluence – especially in regard to having clearly defined financial goals and a strong financial plan to guide decisions.

Valuing financial advisors – with a discerning eye

In holding with their somewhat positive perceptions of financial services, 61 percent of Black affluent individuals use a human advisor, and another 29 percent use a robo-advisor or other digital tool. Those with $100K+ in investable assets are more likely to engage their advisor for financial planning and investment management, while the emerging affluent do so more for mortgage lending.

For emerging Black affluent individuals who don't engage with financial planners, the most common reasons are not having gotten around to it and believing they don't make enough money. More broadly, Black entry-level and emerging affluents also cite not making enough money and holding too much debt as roadblocks impeding wealth accumulation.

Black affluent individuals tend to place a higher degree of importance on the characteristics of advisors than non-Black affluent individuals, considering factors such as the advisor's education, their understanding of and respect for their client's goals and priorities, and even sharing the same race or gender as themselves. Such discernment is logical and may reflect the fact that Black individuals have historically been underrepresented by the financial sector as a whole.

85% of Black respondents stated the importance of their bank having a good mobile app, versus **67%** of white respondents.

Our survey findings found that differences exist between Black affluent women and Black affluent men. Notably, as a whole, Black affluent women are nine percent less likely than their male counterparts to work with a financial advisor.

Black affluent women are also more likely than Black affluent men to associate financial planning with stress and anxiety, a gendered nuance that holds true among affluent women of all races. U.S. Bank's 2019 Women and Wealth Insights Study – which focused primarily and more broadly on gender disparity – showed that women, compared to men:[7]

- Are more likely to associate negative words like fear, anxiety, inadequacy and dread with financial planning (47 percent vs. 31 percent).
- Are less likely to associate positive words like happiness, excitement and pride with managing money (53 percent vs. 69 percent).
- Are less likely to say they feel very financially prepared (23 percent vs. 34 percent) and consider themselves financially savvy (19 percent vs. 33 percent).

This discrepancy between men and women of all races manifests in the practices of Black affluent individuals. Black affluent men are more apt to have a financial plan and future goals established, while Black affluent women report a higher incidence of successful daily financial planning, such as having a balanced budget and tracking income and expenses.

Black affluent women are also more likely than Black affluent men to associate financial planning with stress and anxiety, a gendered nuance that holds true among affluent women of all races.

Notable insights from Black single head-of-household women respondents

72% of Black female single head of household respondents work with a financial advisor

Likely to rely on banks as a one-stop shop for financial advice and other wealth management needs

If not working with a financial advisor, most say they haven't gotten around to it – possibly due to lack of time and available resources, real or perceived

85% feel there are institutional roadblocks impeding their wealth accumulation, versus 70% Black affluent women as a whole and 59% Black affluent men

The value of tangible assets and leaving a legacy

Black affluent individuals and families equate financial security with success and are likely to focus on leaving a legacy and helping the next generation. They tend to hold their wealth in tangible assets like real estate and cash savings accounts rather than investment products. While less likely to have wealth products and more likely to have consumer loan products than other segments, Black affluent individuals tend to value real estate as part of their wealth portfolio at a higher rate than non-Black respondents, viewing it as a tangible asset to pass along to family.

More than half of Black affluent individuals use the guidance of a financial advisor, however are least likely to have a wealth account compared to other racial groups. Only Black individuals with $100K+ in investable assets report holding a range of accounts, including wealth accounts, that more closely resemble the product ownership of non-Black individuals. Black individuals of all affluency levels are more likely to hold loans than non-Black affluent individuals, though the type of loan differs by level of affluency.

- Among Black affluent individuals, those with $100K+ in investable assets are more likely to have a mortgage but not have student loans.
- Those with less than $100K are more likely to have student loans and are more inclined to feel hindered by debt than Black individuals at a higher level of affluence.

Black individuals of all affluency levels agree that real estate is a smart investment due to maintaining value, and see more value in passing it to future generations noting the predictable cash flow it offers.

Data from 2021 shows that just **44.6% of Black families owned a home, compared to 74.2% of white families.**[8]

What's next: how the financial industry can impact change

The positivity demonstrated in the survey, despite the historical and current barriers faced by Black individuals, presents abundant opportunities to close the wealth gap. Yet there is still much that industry leaders can do to support Black affluent individuals – and Black individuals at all economic levels. Here are just a few thought starters:

- **Advisor training –** Ensure employees at all levels are trained to recognize their own individual biases and to treat all individuals with fairness – whether they're greeting someone at a bank counter or considering approval for a loan product.
- **Advisor awareness –** Acknowledge that working with a financial advisor may be uncomfortable for someone doing it for the first time or someone who has had a prior negative encounter. Consider how words and actions can impact an experience and commit to training client-facing advisors to enhance the client experience, especially for those from different backgrounds.
- **Diverse advisors –** Know that representation matters. Expand hiring and retention efforts to ensure diversity doesn't just occur at entry-level positions, but through all levels of client-facing roles and leadership.
- **Tailored advice –** As with any customer, avoid making assumptions about financial goals and ensure financial planning advice takes into consideration the priorities of the individual or family. Examples may include ensuring current lifestyle needs are met, helping the next generation and leaving a legacy. Make real estate part of the conversation and ensure fair mortgage lending.

There is still much that industry leaders can do to support Black individuals at all economic levels.

Hiring and developing diverse talent

U.S. Bank recently expanded its hiring efforts to include at least one woman or person of color in the interview process for all employment opportunities. **U.S. Bank is also committed to expanding the use of diverse interview panels and has revised partnerships for sourcing diverse candidates.** U.S. Bank Wealth Management recently launched a new mentorship program titled, "Each One, Reach One," designed specifically to develop diverse talent from within U.S. Bank.

Key takeaways

1 **Black affluent respondents feel a deep responsibility to help others in their family and within their community.** Their goals are influenced by a strong belief that financial success is about more than pursuing personal interests and independence.

2 **To build trust, Black consumers need to see themselves reflected in their financial team.** Of affluent individuals surveyed, Black individuals are twice as likely as Hispanic individuals to say they have been treated differently by the financial services industry due to their race – and nearly four times as likely as Asian and white individuals.

3 **Black affluent respondents tend to focus on leaving a legacy and helping the next generation.** More than other segments surveyed, they value real estate as part of their wealth portfolio at a higher rate than other segments, viewing it as a tangible asset to pass along to family.

U.S. Bank Access Commitment

We're taking steps across the company and the community to redefine how we serve diverse populations and provide more opportunities for diverse employees – all while helping people build wealth. Our Access Commitment includes, among other initiatives:

- The $25 million Access fund, focused on businesses owned by women of color.
- Expanded efforts to provide trade financing to more diverse businesses.
- A mortgage program focused on homeownership education and career development.
- Financial wellness coaching programs and an investment in a family finance app to help kids and teens build financial literacy.

Methodology

The survey was fielded in the U.S. from January 6 to 26, 2021, by C+R, a market insights agency, on behalf of U.S. Bank.

The survey included 4,024 respondents.

- All participants were sole, primary or joint financial decision makers in the household.
- All participants had a personal relationship with a bank or financial institution.
- Respondents represent a range of ages and levels of affluence:

  Affluent: Age 18+ with $100K+ in investable assets*

  Entry-Level Affluent: Age 18+ with $25K–<$100K in investable assets

  Emerging Affluent: Age 21–40, employed full-time, 4-year college degree, 2019 income by age minimum:

  – Age 21–24: $55K
  – Age 25–29: $75K
  – Age 30–34: $80K
  – Age 35–40: $90K

- Sample size represented approximately 1,000 respondents for each measured race/ethnicity segment:

  – Asian
  – Black
  – Hispanic
  – White

***Investable Assets –** Personal financial investments (taxable, IRAs and Keoghs) including deposits, investments and annuities. Excludes 401(k), 403(b), profit share, IRA-SEP, stock purchase/ESOP, money purchase, life insurance or home value.

Sources

1. Gale, William G. How to build Black wealth. Brookings. brookings.edu/blog/how-we-rise/2020/07/06/how-to-build-black-wealth/. July 6, 2020.

2. Bhutta, Neil, et al. Disparities in wealth by race and ethnicity in the 2019 Survey of Consumer Finances. Board of Governors of the Federal Reserve System. federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm. September 28, 2020.

3. Kuhn, Moritz, et al. Income and wealth inequity in America, 1949–2016. Federal Reserve Bank of Minneapolis. minneapolisfed.org/research/institute-working-papers/income-and-wealth-inequality-in-america-1949-2016. June 14, 2018.

4. Bureau of Labor Statistics. Usual weekly earnings of wage and salary workers – second quarter 2021. bls.gov/news.release/pdf/wkyeng.pdf. July 16, 2021.

5. https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap

6. Diaz, Arelis, et al. Racial equity in financial services. McKinsey & Company. mckinsey.com/industries/financial-services/our-insights/racial-equity-in-financial-services#. September 10, 2020.

7. U.S. Bank. U.S. Bank survey says women are leaving money and influence on the table. usbank.com/newsroom/stories/survey-says-women-are-leaving-money-and-influence-on-the-table.html. March 5, 2020.

8. U.S. Census Bureau. Quarterly residential vacancies and homeownership, second quarter 2021. census.gov/housing/hvs/files/currenthvspress.pdf. July 27, 2021.

Wealth Management
U.S. Bank

