

PRACTICING FINANCIAL WELLNESS THROUGH A CULTURAL LENS

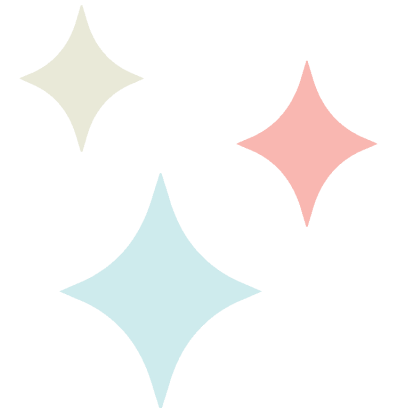
Culture, Saving & Investing



HOW WOULD YOU RATE YOUR COMFORT WITH INVESTING?

1. New to Investing
2. Know the basics
3. Intermediate to advanced

THANK YOU!



EXPECTATIONS

Be present and
reflective.

Be open to being
uncomfortable.

Make space &
take up space.

SPEAKERS



Brian Marshall
Director of Entrepreneurship and
Small Business
BCL of Texas



Melinda Perez, AFC
CNM Certified
Financial Coach

OBJECTIVES

1. Understanding the impact of the investment gap in communities of color
2. Learn the stepping stones to wealth-building

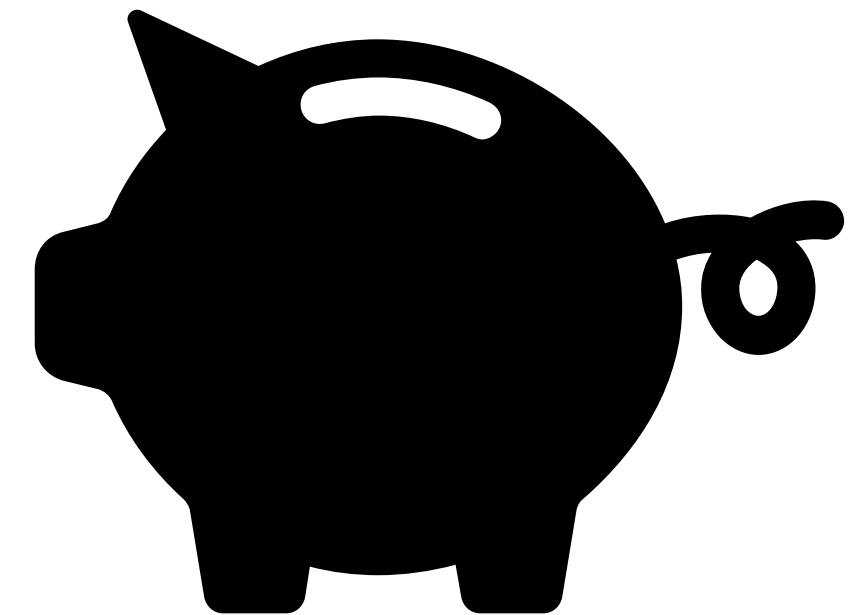
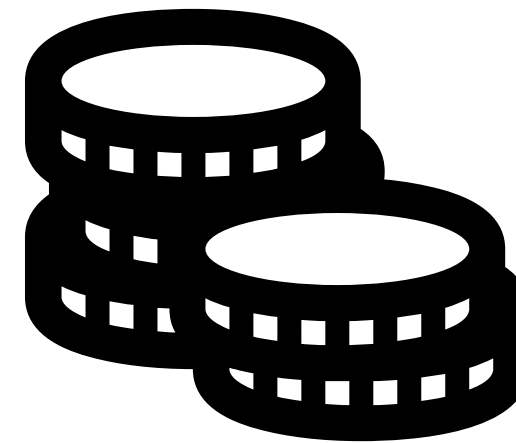
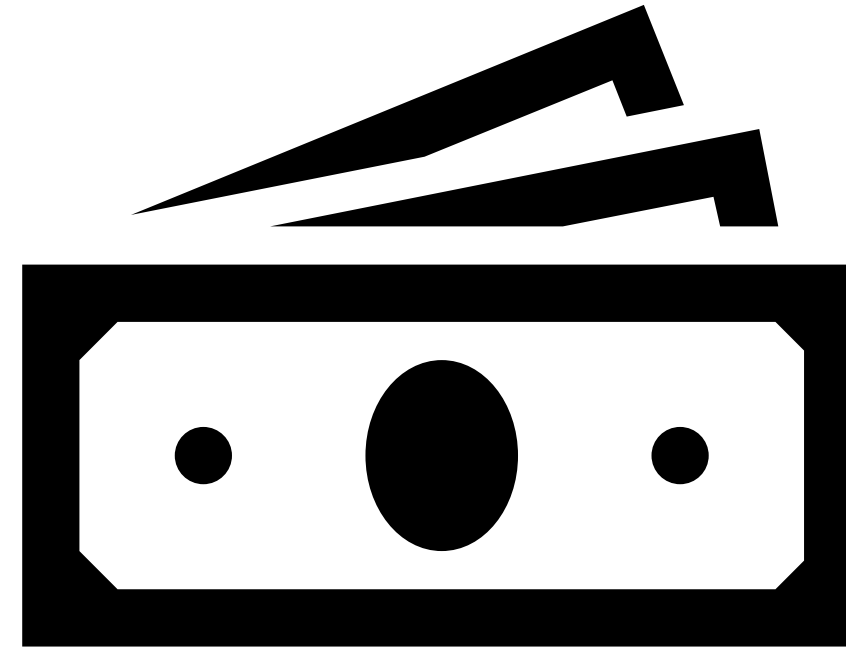
Wealth And The Path To Financial Independence Minority Focus



Brian K. Marshall
Director of Entrepreneurship
BCL of Texas

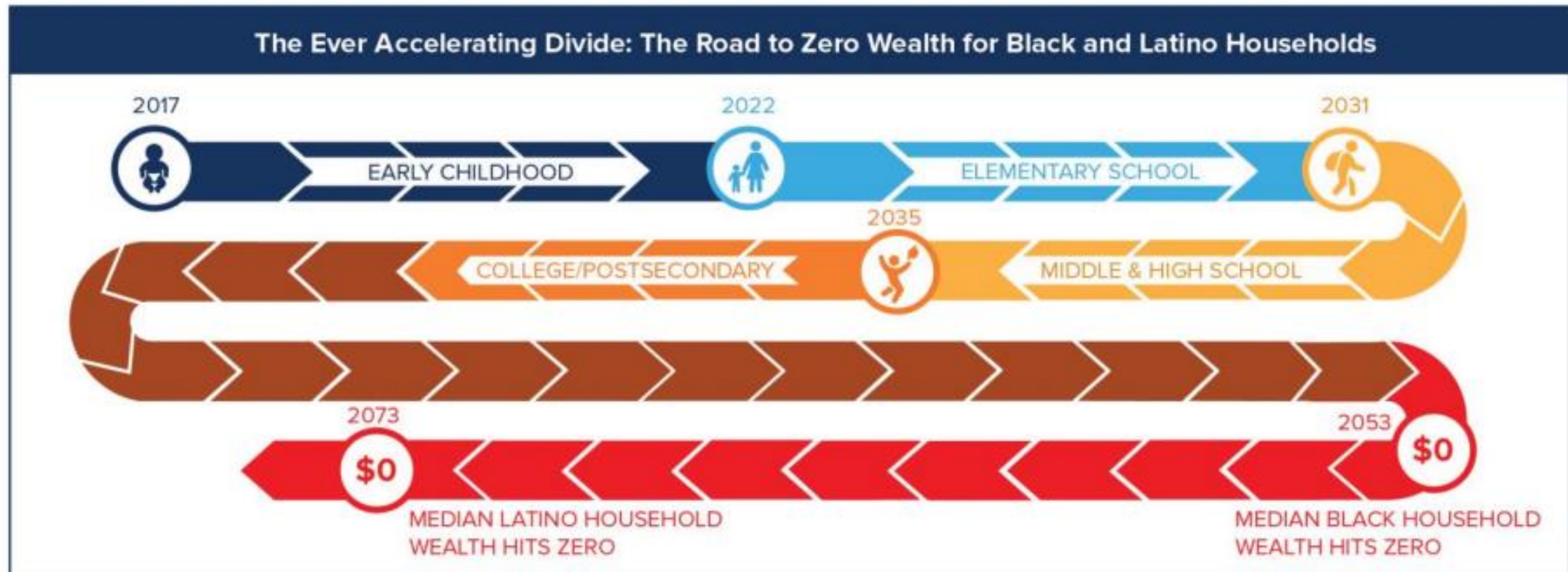


Building wealth and achieving financial security is a primary aspiration for most, but many face distinct challenges in reaching these goals.



Wealth Gap

- ❑ The wealth gap is persistent.
- ❑ Over 7 decades, no progress has been made in closing it.
- ❑ Perhaps, there is no closure of the wealth gap...



The Racial Wealth Divide in 2024

Current trends suggest that by 2024, median Black household wealth will have declined by a total of about 30% from where it stands today. In that same timeframe, the median Latino family can expect to see their net worth decline by a total of 20% over today's levels. By then, median White household wealth will have increased by about five percent over today's levels.

Overall, this dizzying decline in Black and Latino household wealth would mean that seven years from now, median Black and Latino households would own 60-80% less wealth than they did in 1983. Put differently, by the end of the next presidential term (in January 2025), median White households would own 99 and 75 times more wealth, respectively, than Black and Latino households. By then, the racial wealth divide will have increased by more than \$6,000 from where it stands today.

Change in Median Household Wealth, 1983 to 2024

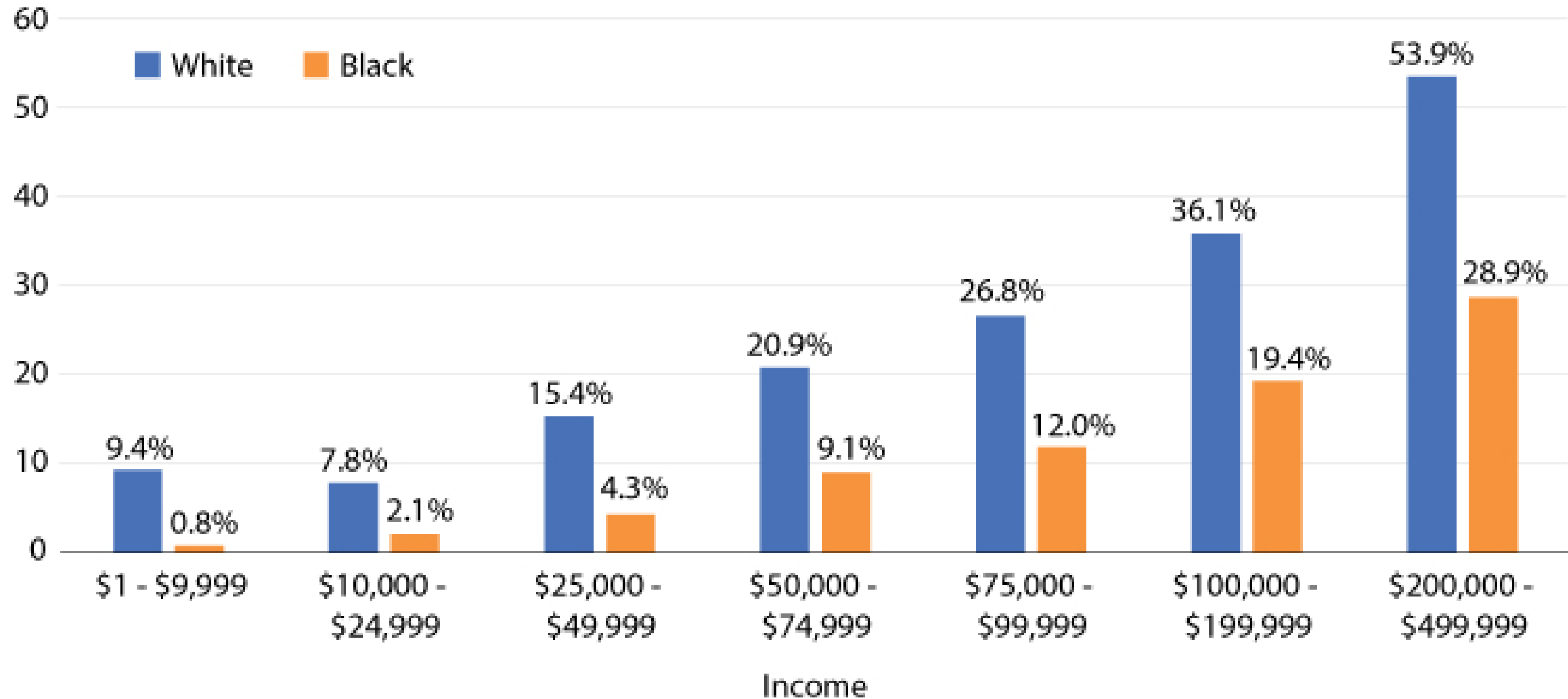
	Black	Latino	White
Median Household Wealth, 1983	\$6,800	\$4,000	\$102,200
Median Household Wealth, 2013	\$1,700	\$2,000	\$116,800
Median Household Wealth, 2020	\$1,403	\$1,767	\$120,342
Median Household Wealth, 2024	\$1,233	\$1,633	\$122,366

Percentage of Population with Wealth Below or Above “Middle-Class Wealth”

	White	Black	Latino
Asset Poor/Working Class	42.22%	72.12%	72.26%
Middle-Class Wealth	18.77%	15.19%	14.22%
Asset Strong/Upper-Class Wealth	39.01%	12.69%	13.60%

Stock Market Participation Rates by Race and Income

Stock market participation rate (percent)

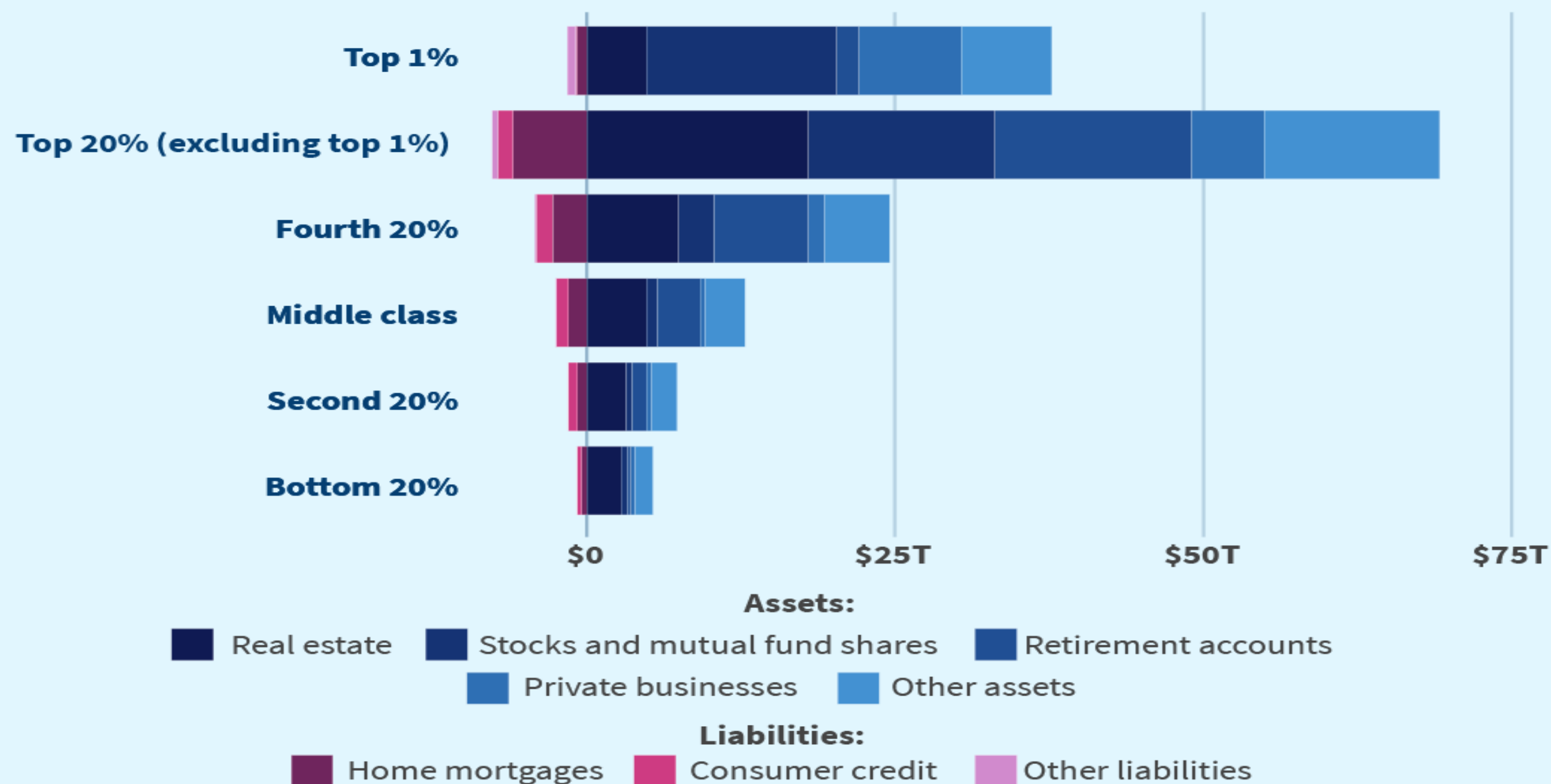


NOTE: The stock market participation rate is defined as the proportion of households who report having a stock or mutual fund value greater than zero.

SOURCE: 2018 SIPP and authors' calculations.

STATE of the UNION
in **NUMBERS**

How is **wealth** divided in the US?



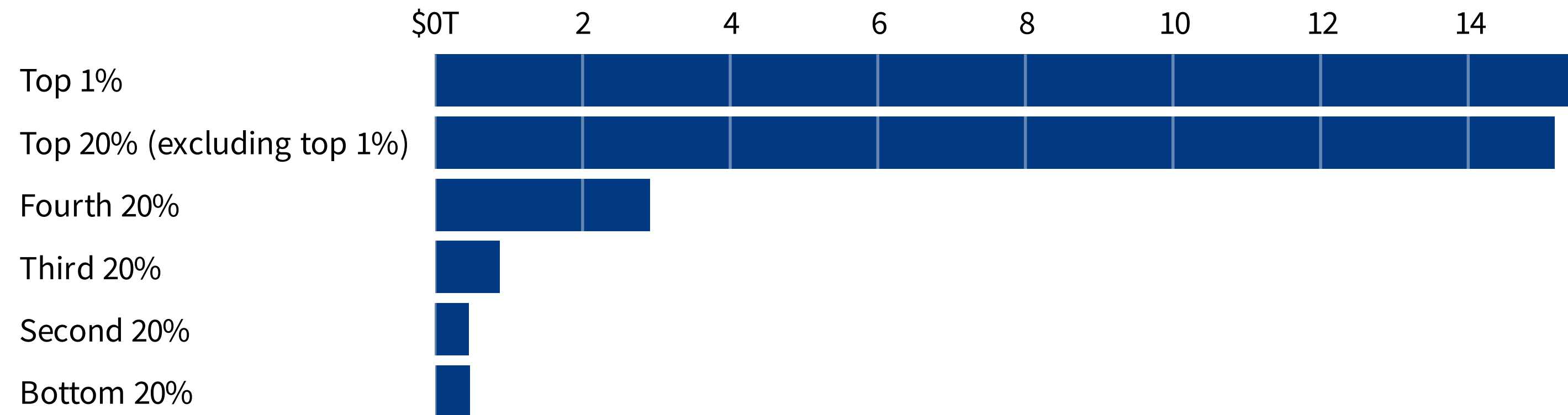
Components of wealth by income quintile, adjusted for inflation (2022 dollars), Q1-Q3 2022 average

Source: Federal Reserve

USA FACTS

Stocks and mutual funds are most associated with wealth.

Assets in stocks and mutual fund shares in 2022 dollars by income quintile, 2022

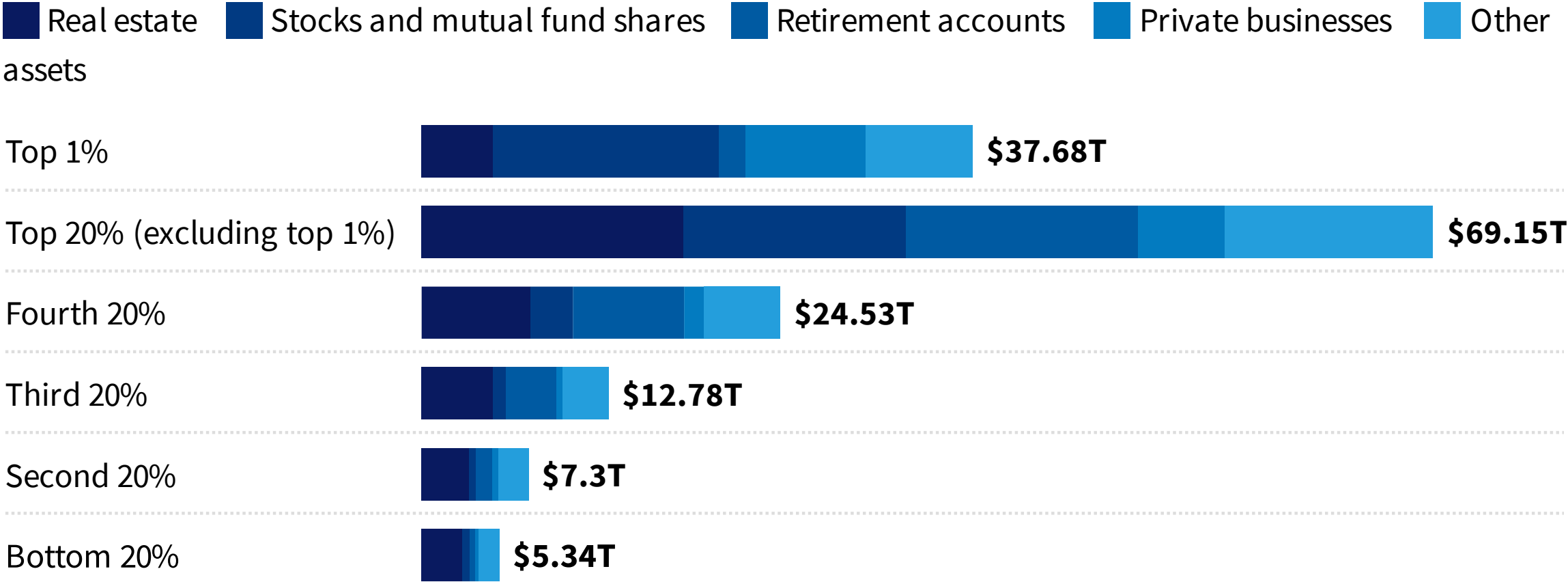


Source: Federal Reserve

The greatest difference in assets between higher and lower income quintiles is money in stocks and mutual fund shares.

Assets of all types increase further up the income quintiles.

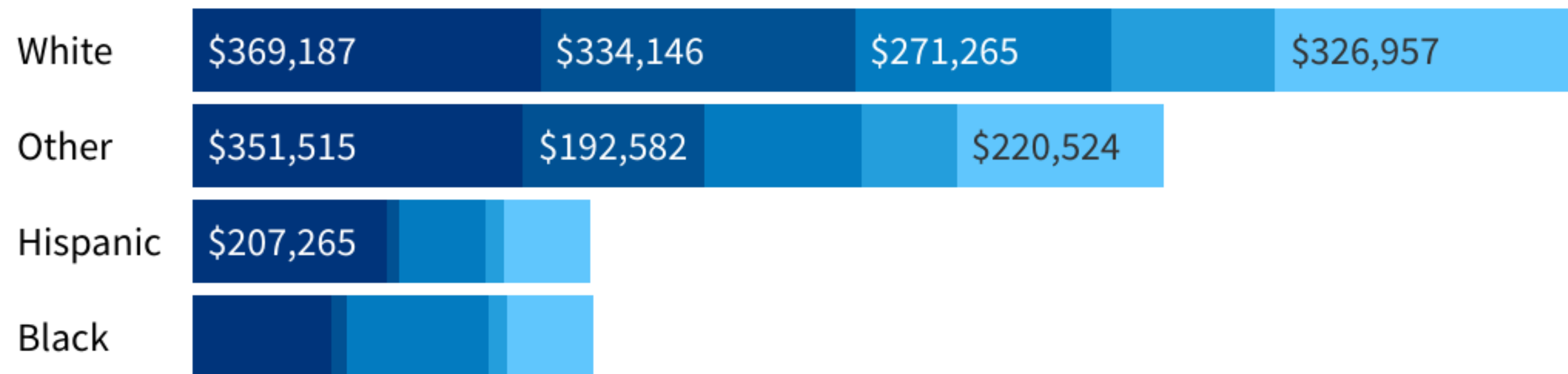
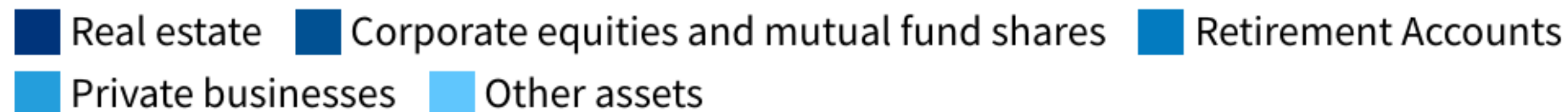
Components of assets by income quintile in 2022 dollars



Source: Federal Reserve

The white and other households had higher proportions of their wealth invested into corporate equities and mutual fund shares than Black and Hispanic households.

Average assets per household by race and category, Q3 2022



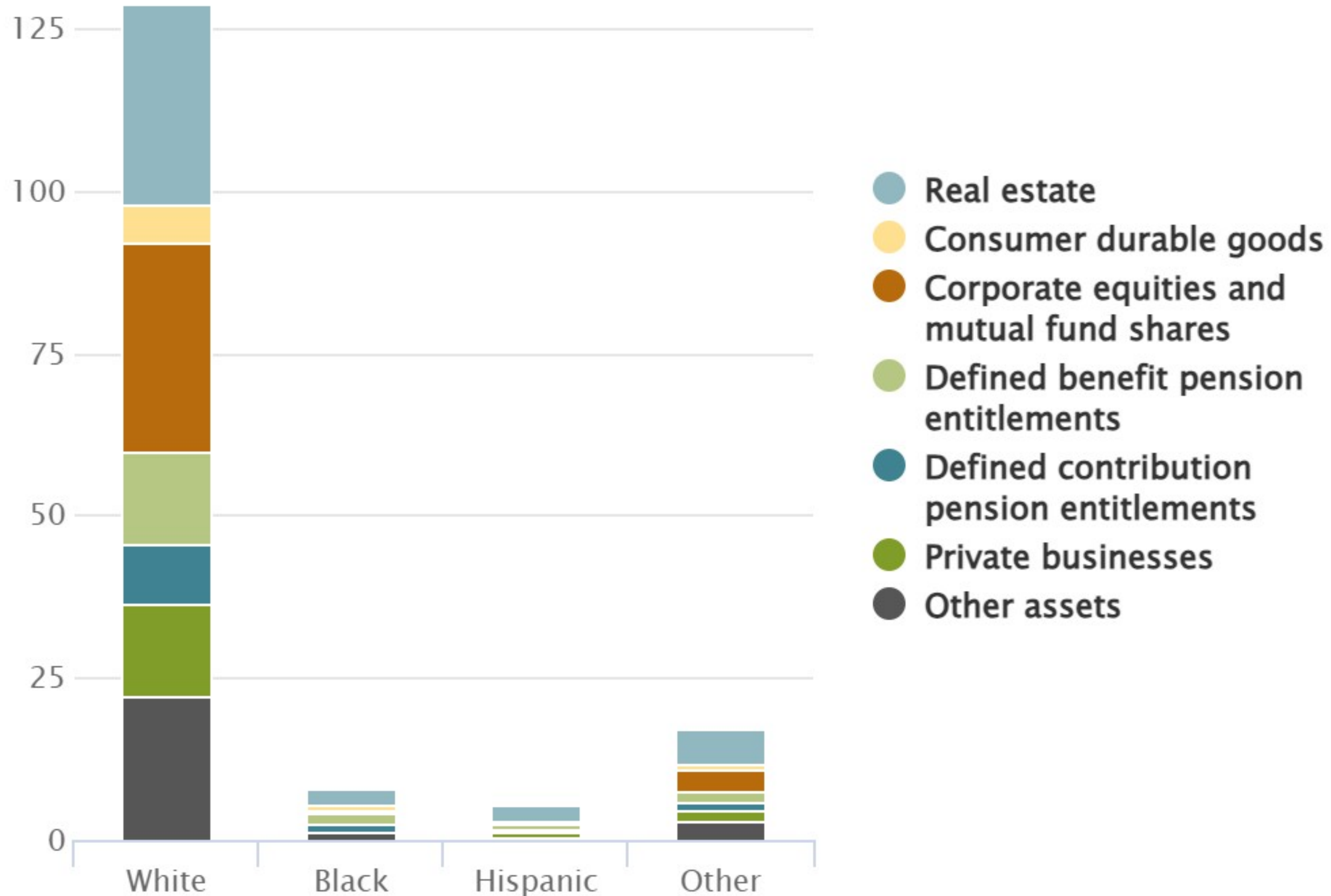
Source: [Board of Governors of the Federal Reserve System](#)

USA FACTS



Assets by race in 2023:Q1

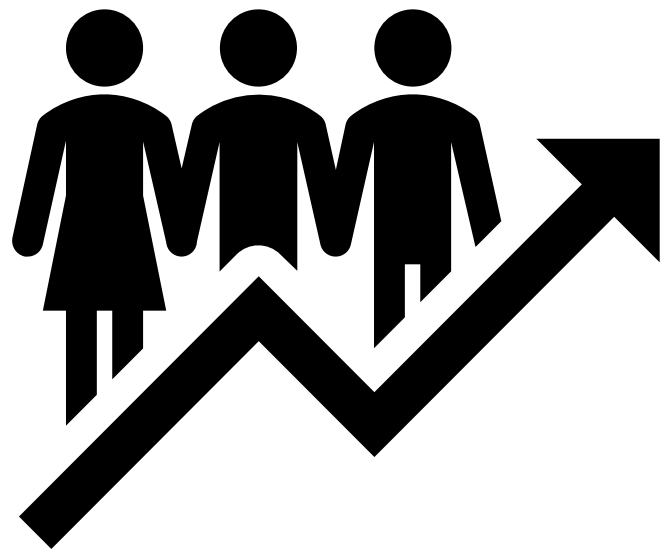
Trillions of Dollars



Source: Survey of Consumer Finances and Financial Accounts of the United States

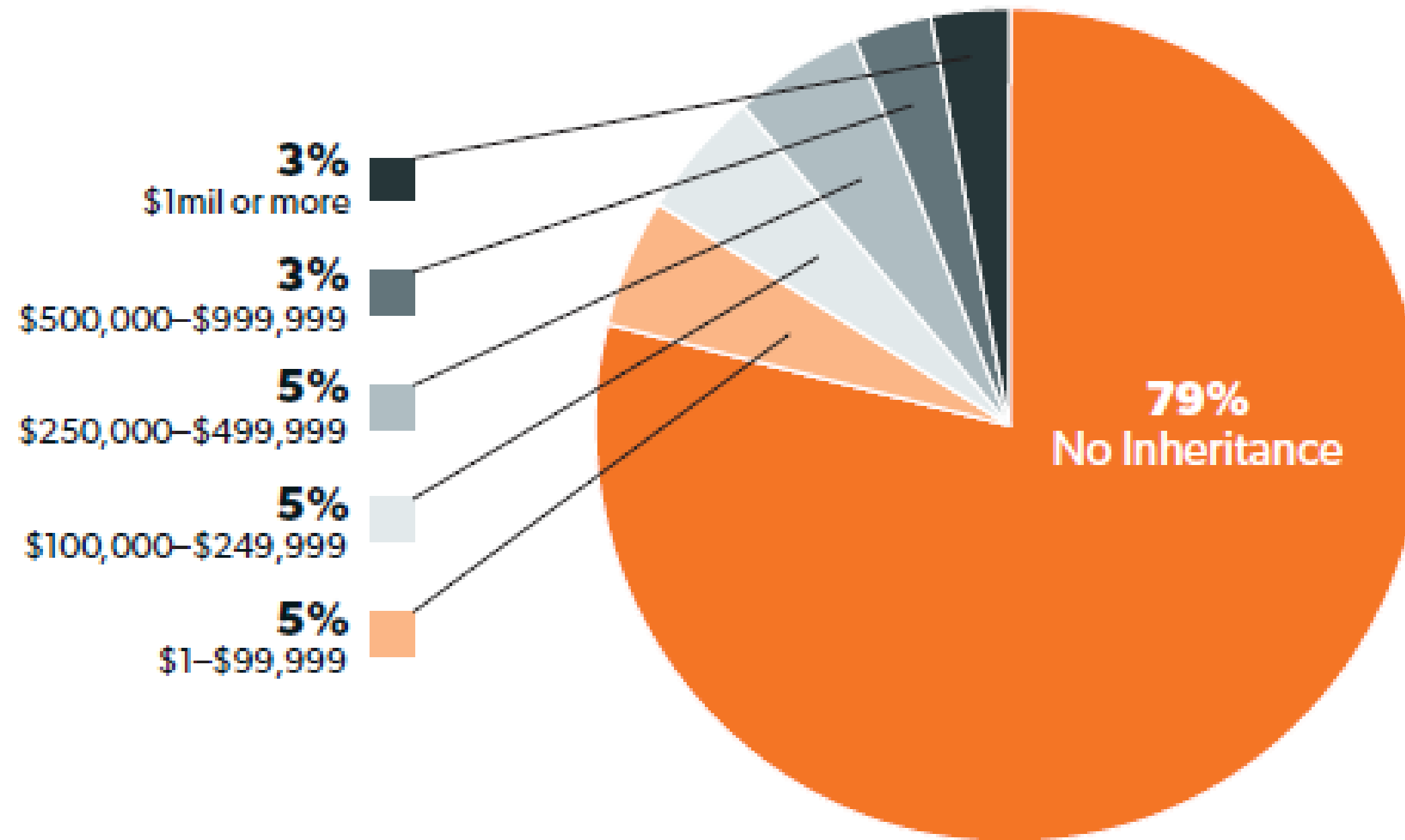
Table 15d Differences in Wealth-Building Beliefs by Generation

Belief #	Common Beliefs Around Building Wealth	Boomers	Gen X	Millennials
1	To become rich, you have to take big risks with your money	59%	72%	77%
2	To become rich, you need to act rich	18%	27%	31%
3	Most millionaires have a million-dollar home	43%	64%	67%
4	If you're born into a poor family, you can't become wealthy	10%	23%	26%
5	You have to be lucky to get rich	45%	52%	60%
6	Wealthy people are materialistic, self-centered, obsessed with having more money	38%	50%	52%
7	Most wealthy people come from wealthy families	70%	78%	86%
8	The majority of millionaires inherited their money	52%	69%	74%
9	You need a six-figure salary to become a millionaire in today's economy	53%	68%	69%
10	Wealthy people use debt in their favor to make more money	85%	89%	82%

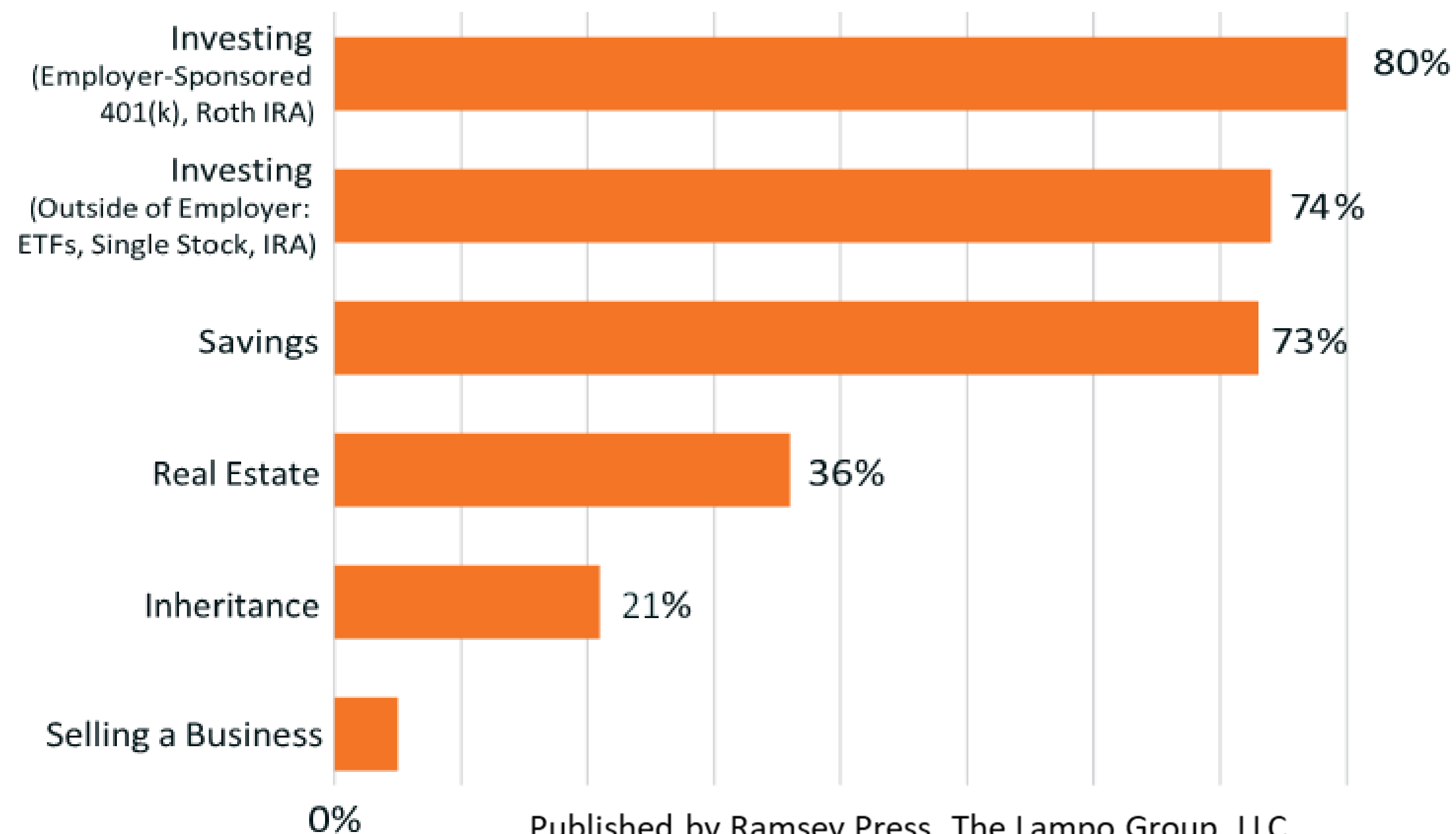


Our Beliefs Have an Impact!

Figure 23 Millionaires and Inheritances Received



Investment Vehicles Used by Millionaires



Published by Ramsey Press, The Lampo Group, LLC
Brentwood, Tennessee 37027

- The average millionaire in this study was 63 years old.
- A vast majority of those who had attained net-worth millionaire status were at least 45 years old.
- Only 7% were younger than 45, while almost three-fourths of the millionaires were at least 55 (74%).

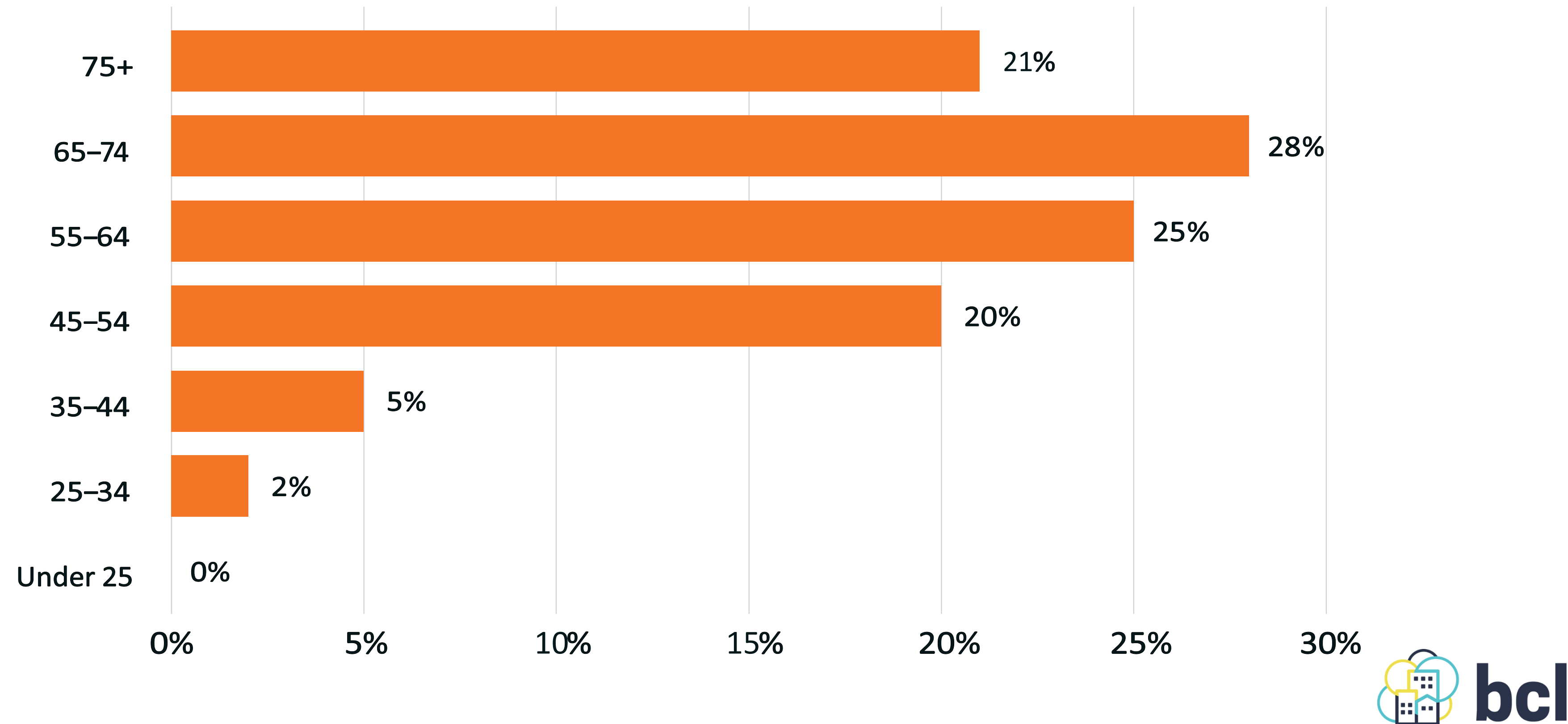
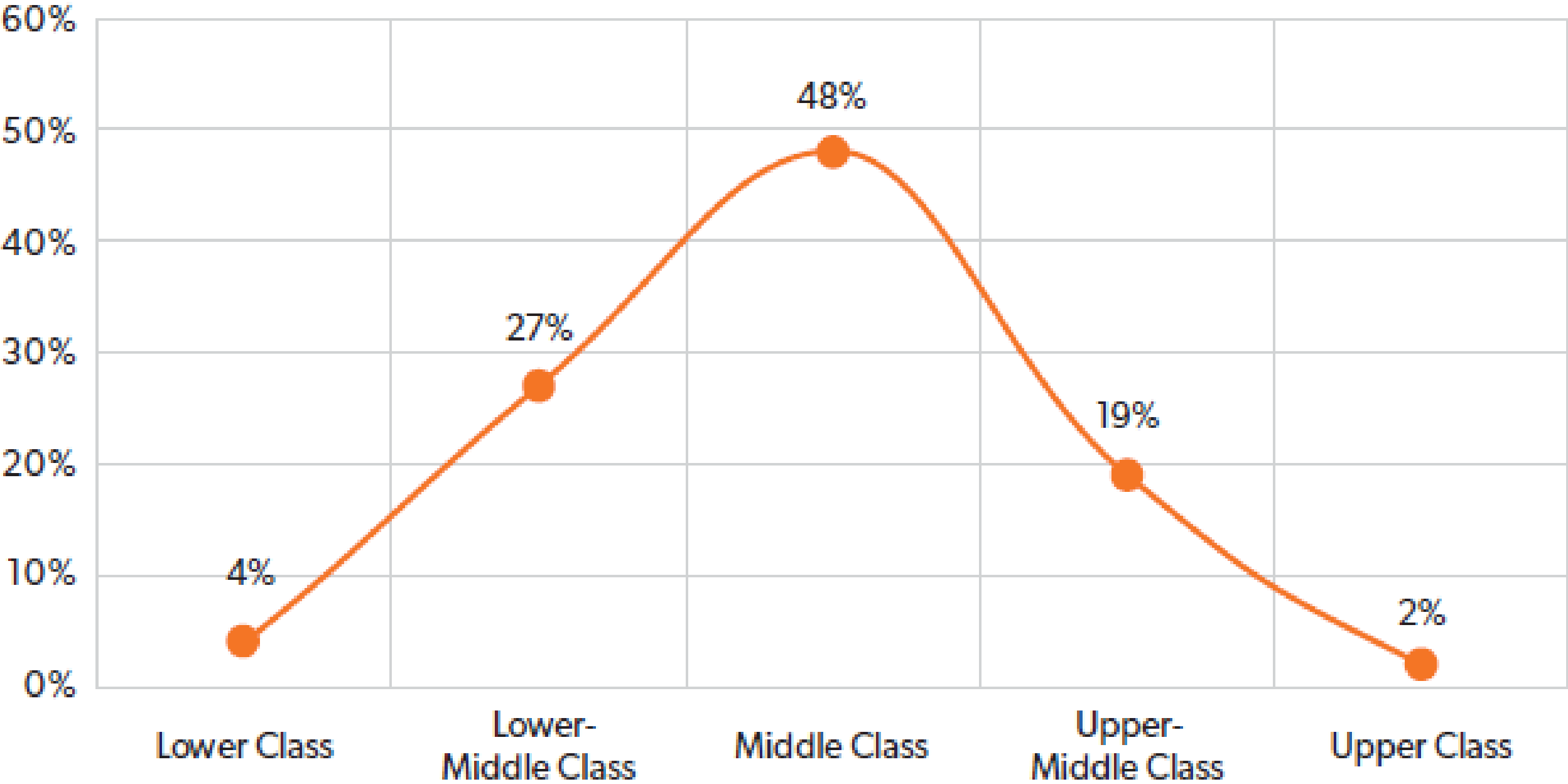


Figure 4a Income Class of Millionaires' Household During Childhood

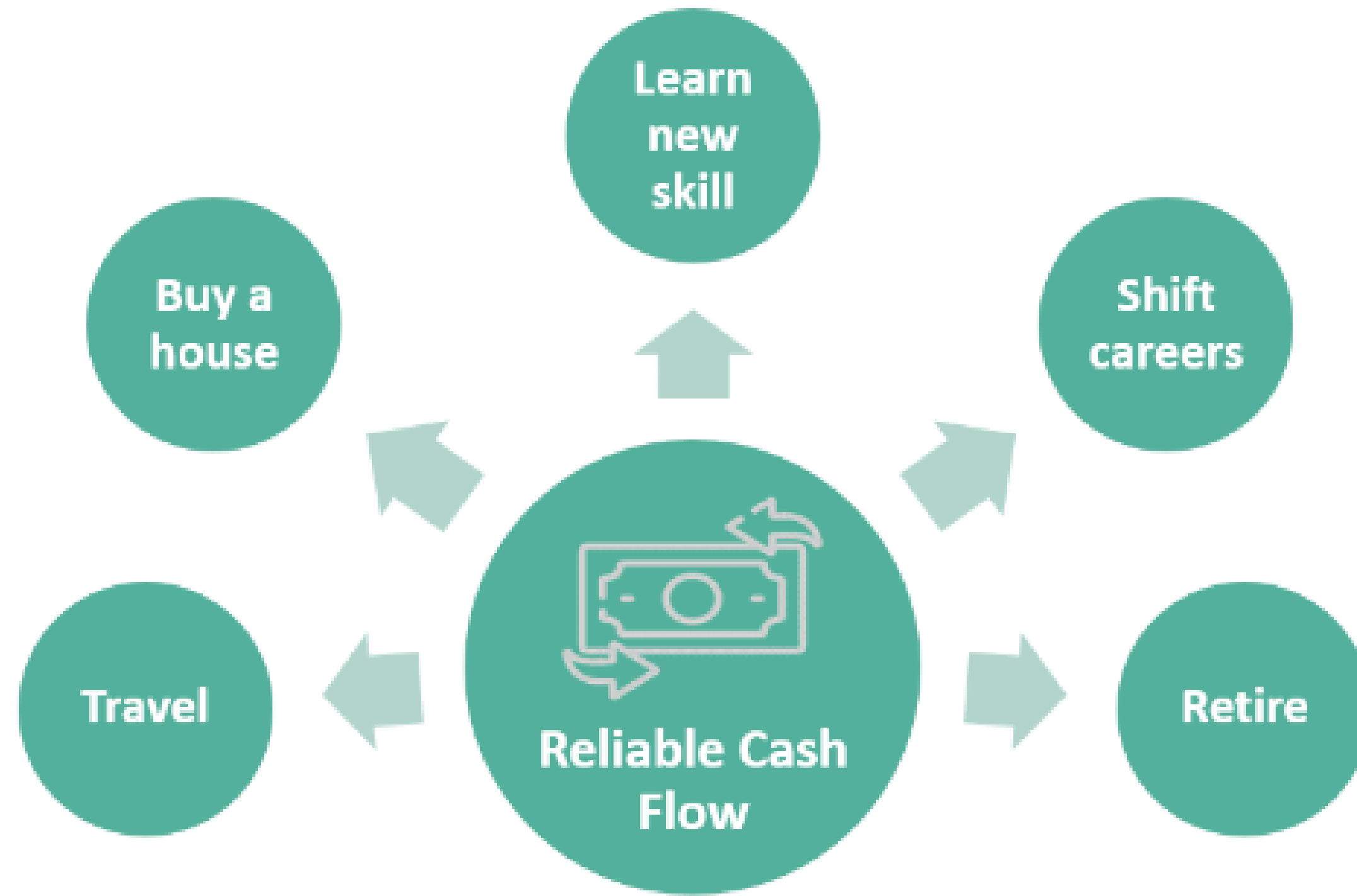




Road To Financial Freedom & Wealth



What is Financial Freedom?



Road to Financial Freedom

Stage 0 – DEPENDENCE

Your lifestyle depends
on others for financial
support

Stage 1- SOLVENCY

You can meet your
financial commitments
without any help

Stage 2 – STABILITY

You no longer have
consumer debt

Stage 3 – AGENCY

You have the freedom to
live and work as you
choose

Stage 4 – SECURITY

Your investment income
covers what you need

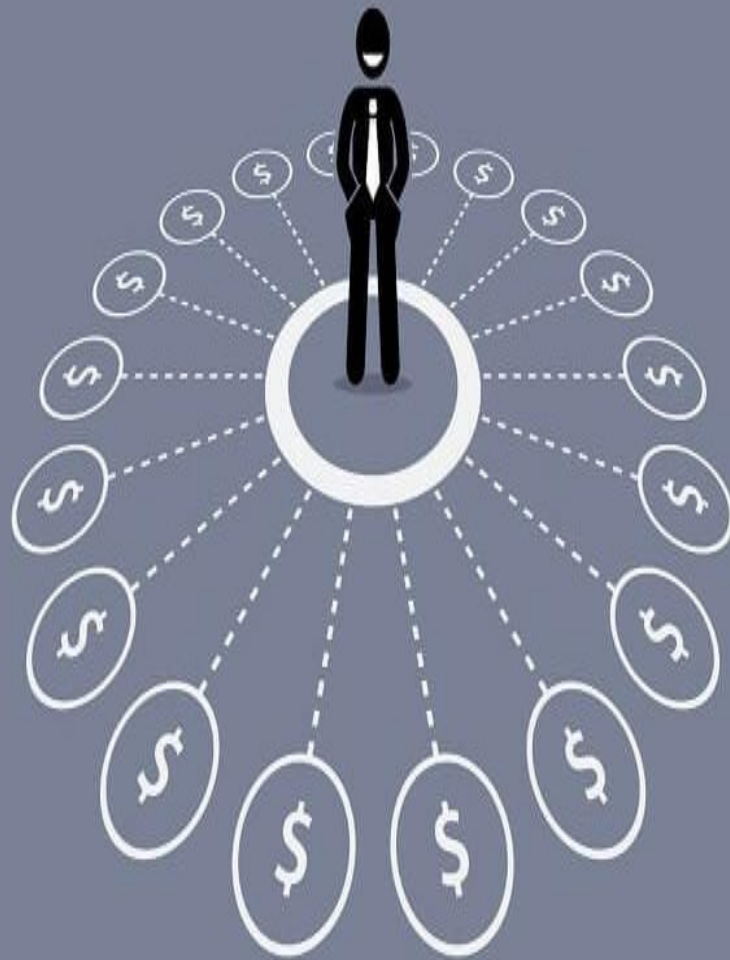
Stage 5 – INDEPENDENCE

Your investment income
covers your current
standard of living

Stage 6 – ABUNDANCE

You have enough and
then some

Multiple Streams Of Income



8 INCOME STREAMS

- 1. Earned Income** - Income from working a *job*
- 2. Profit Income** - Income from *buying and selling*
- 3. Interest Income** - Income from *lending money*
- 4. Royalty Income** - Income from *others using your idea*
- 5. Dividend Income** - Income from *owning stocks*
- 6. Rental Income** - Income from *renting a property*
- 7. Capital Gains** - *Assets increasing in value*
- 8. Residual Income** - Paid *continuously after work is done*



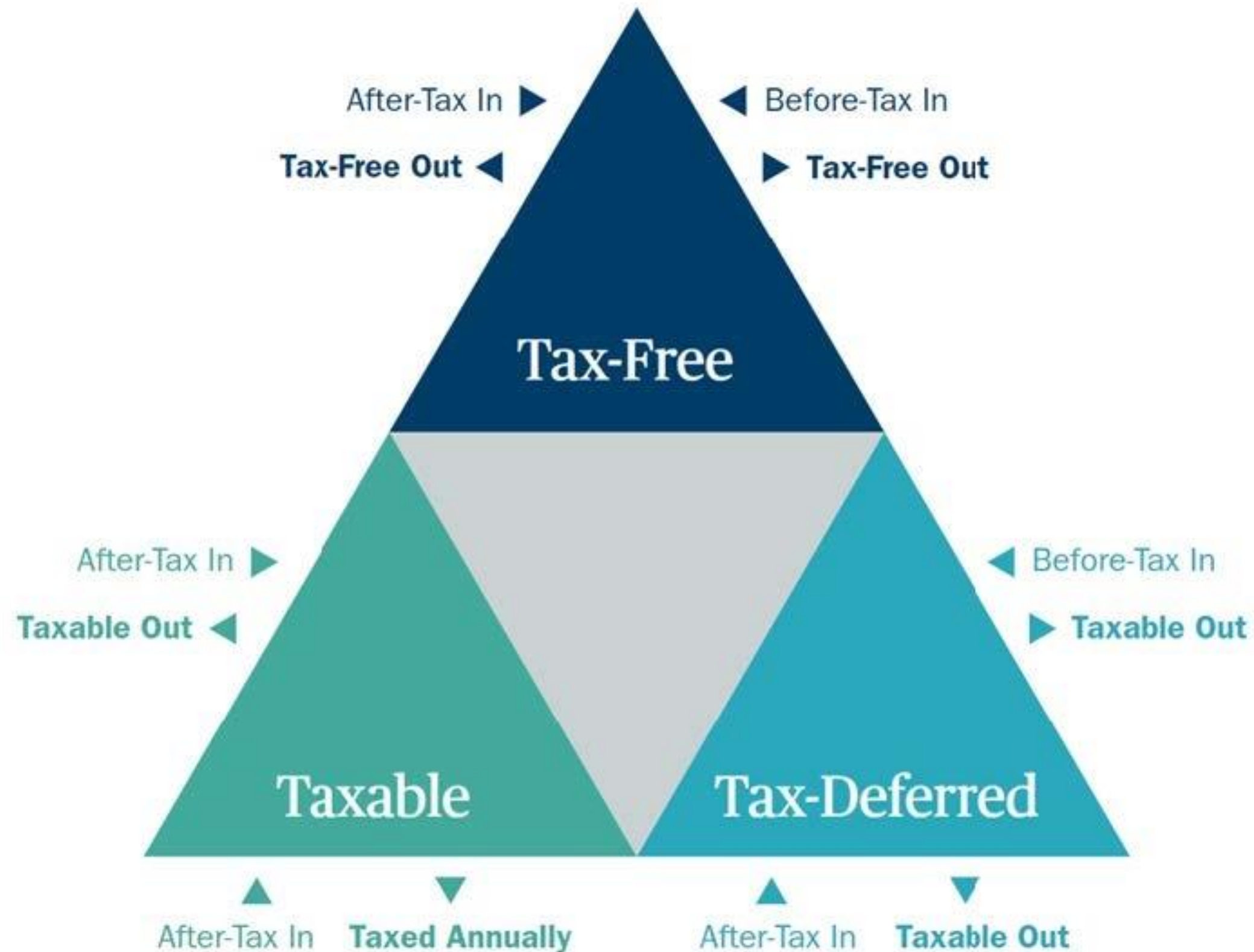
Financial Planning Pyramid



Investment & Risk = Know Your Tolerance Level!



Taxes and Wealth



HOUSEHOLD FINANCIAL SECURITY FRAMEWORK

LEARN

Knowledge and skills that enable navigation of and success in markets (labor, financial) have a direct bearing on financial security

- **K-12 & Postsecondary Education:** Basic literacy and math skills, plus commitment to lifelong learning are critical for employment and advancement
- **Financial Education & Counseling:** Timely, relevant, accurate information on basic budgeting, taxes, financial products and services, and use of credit
- **Asset-specific Education:** Preparation for homeownership, business ownership, postsecondary education, and financial investments

Assets can increase income and earning capacity

EARN

Wage Income
+ Business Income
+ Public & Employee Benefits
+ Tax Credits
+ Investment Income

= **Income**

Ability to Maximize Income Depends On:

- Access to *reliable* basic goods and services (housing, transportation, medical care, child care, food)
- Available quality **job** and **business opportunities**
- Access to **public benefits** and **tax credits** (e.g., EITC, Child Care)
- **Asset ownership** (higher education, home, business, financial investments)
- **Knowledge and skills** related to work, taxes and benefits

SAVE

Income
- Current Consumption
- Debt Payments

= **Savings**

Ability to Save Depends On:

- Access to *affordable* basic goods and services (housing, transportation, medical care, child care, food)
- **Debt reduction**
- Convenient, low-cost **financial products** (transaction and savings vehicles, credit and insurance products)
- Convenient, **affordable financial structures** (e.g., direct deposit, automatic enrollment, online banking, bank location)
- **Knowledge and skills** related to money management, financial products, and credit building and repair

INVEST

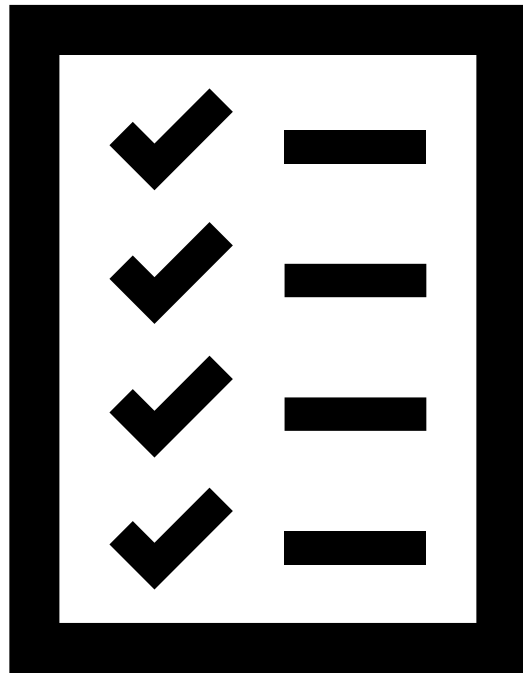
Savings
+ Borrowing
+ Public Incentives

= **Assets**

Ability to Build Assets Depends On:

- **Price and appreciation of assets** (higher education, home, business, financial investments)
- **Affordable financing**
- Access to **public incentives** (e.g., downpayment assistance, gov't loan guarantees, tax incentives, Pell Grants, IDA/CSA match)
- **Knowledge and skills** related to asset purchase and management

Option #1



FINANCIAL ORDER OF OPERATIONS

Knowing exactly what to do to grow your money can feel like a mystery. ***Turns out, money does have an instruction manual.*** These nine, tried-and-true steps will help you make the most of your money and secure your financial future.

1 Deductibles Covered

2 Employer Match

3 High Interest Debt

4 Emergency Reserves

5 Roth & HSA

6 Max-Out Retirement

7 Hyper-Accumulation

8 Pre-Paid Future Expenses

9 Low Interest Debt

Option #2: Steps For Debt Reduction & Wealth Building

Step 1: Save \$1,000 in your Emergency Fund

Step 2: Pay off All Debt (except the mortgage)

Step 3: Save 3-6 months of Expenses in an Emergency Fund

Step 4: Invest 15% of Your Household Income in Retirement

Step 5: Save for Your Children's College Fund

Step 6: Pay off Your Home Early

Step 7: Build Wealth and Give

Leaving a Legacy - Estate Planning Basics



RACIAL WEALTH GAP & RETIREMENT

Retirement Inequality: Why?

- Less likely to inherit wealth
- Face discrimination in labor markets
- Higher costs for healthcare
- Higher debt loads
- Support family and friends financially

Francis, Dania V., and Christian E. Weller. "Retirement inequality by race and ethnicity." Public Policy & Aging Report 31.3 (2021): 83-88.

Saving Behavior: 401(k)

- Black and Hispanic workers have lower participation and contribution rates than White and Asian workers (even within similar age and income groups)
- Black workers:
 - Invest a lower proportion in equities
 - More likely to make hardship withdrawals
 - More likely to take out loans
- Black and Hispanic workers are more likely to invest in lowest-risk fund option

YOONG, JOANNE K., ET AL. DISPARITIES IN MINORITY RETIREMENT SAVINGS BEHAVIOR: SURVEY AND EXPERIMENTAL EVIDENCE FROM A NATIONALLY-REPRESENTATIVE SAMPLE OF US HOUSEHOLDS. RAND, 2019.

At Risk of Insecure Retirement by Race/Ethnicity

White
households:
48%

African American
households:
54%

Hispanic/Latino
households:
61%

Munnell, Alicia H., Wenliang Hou, and Geoffrey T. Sanzenbacher. "Trends in retirement security by race/ethnicity." Center for Retirement Research at Boston College (2018).

Suggestions for Financial Counselors & Coaches



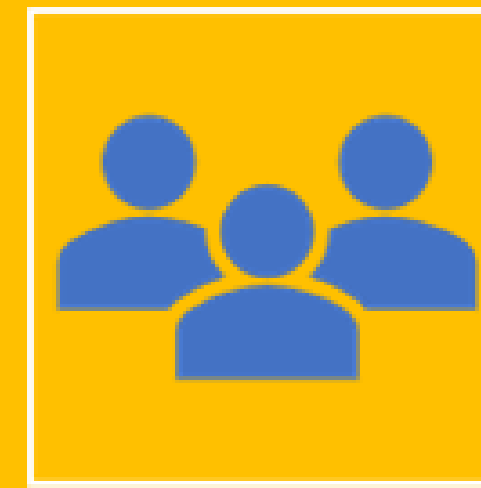
Help with job
benefit
comparison



Work on
expanding
planning
horizon



Address
financial
behavior



Workforce
development
resources



Ripple effect

Four Components of Wealth Building

Wealth
Accumulation

Growth &
Management

Preservation

Distribution

Q&A



CONTACT US

MARINA GARCIA, RAISE TEXAS, MGARCIA@RAISETEXAS.ORG

MELINDA PEREZ, MELINDA@THEHIGHFLYER.COM

BRIAN MARSHALL, BMARSHALL@BCLOFTEXAS.ORG

Sources

Munnell, Alicia H., Wenliang Hou, and Geoffrey T. Sanzenbacher. "Trends in retirement security by race/ethnicity." Center for Retirement Research at Boston College (2018).

YOONG, JOANNE K., ET AL. DISPARITIES IN MINORITY RETIREMENT SAVINGS BEHAVIOR: SURVEY AND EXPERIMENTAL EVIDENCE FROM A NATIONALLY-REPRESENTATIVE SAMPLE OF US HOUSEHOLDS. RAND, 2019.

Francis, Dania V., and Christian E. Weller. "Retirement inequality by race and ethnicity." Public Policy & Aging Report 31.3 (2021): 83-88.