



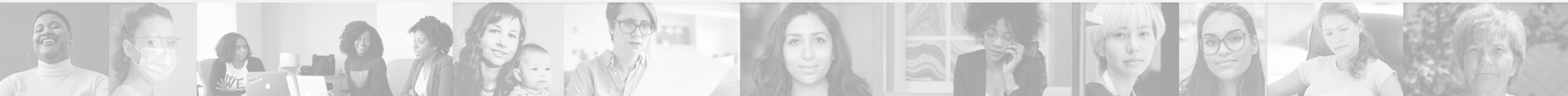
## Financial well-being among Black and Hispanic Women

March 5, 2021

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(joint work with Robert Clark, Olivia Mitchell, and Hallie Davis)

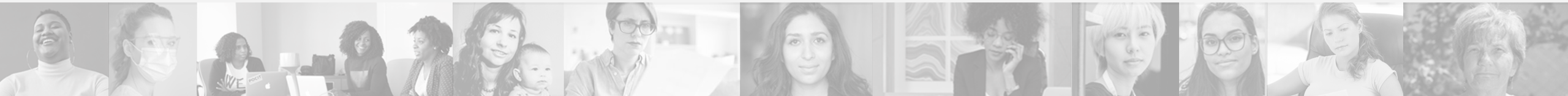
# Motivation

- Women face many financial challenges, which have been exacerbated by the pandemic
- Black and Hispanic women face a double disadvantage
- Little research into financial well-being across race/ethnicity



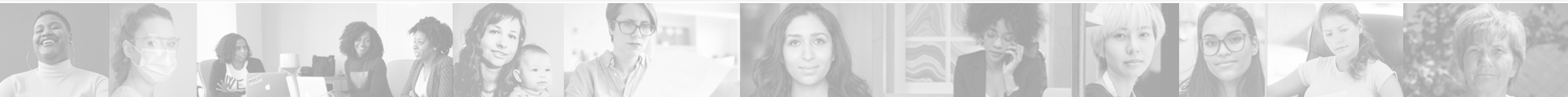
# Financial well-being measure (FWB)

- Developed by the CFPB
- Single metric based on a set of five questions
  - “Because of my money situation, I feel like I will never have the things I want in life”
  - “I am just getting by financially”
  - “I am concerned that the money I have or will save won’t last”
  - “I have money left over at the end of the month”
  - “My finances control my life”



# Proxies for financial well-being

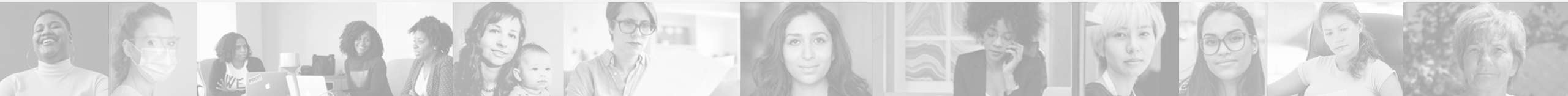
- **Financial dissatisfaction:** Overall, thinking about your assets, debts, and savings, how satisfied are you with your current personal finance condition?
- **Financial anxiety:** Discussing my finances can make my heart race or make me feel stressed.
- **Indebtedness:** I have too much debt right now.
- **Financial fragility:** How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?



# 2018 National Financial Capability Study - NFCS

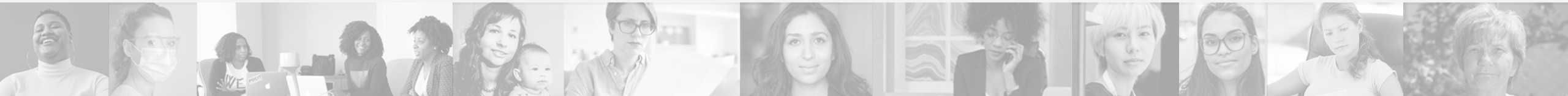
NFCS is a nationally representative survey of the US population

- Sample selection: Ages 22 – 60, non-retired
- Commissioned by FINRA Investor Education Foundation. The NFCS started in 2009 and currently covers data over a 9-year span (collected every 3 years)
- Large number of observations allow researchers to study subgroups
- Offers unique information on financial literacy, financial capability, and financial behavior (before the pandemic)

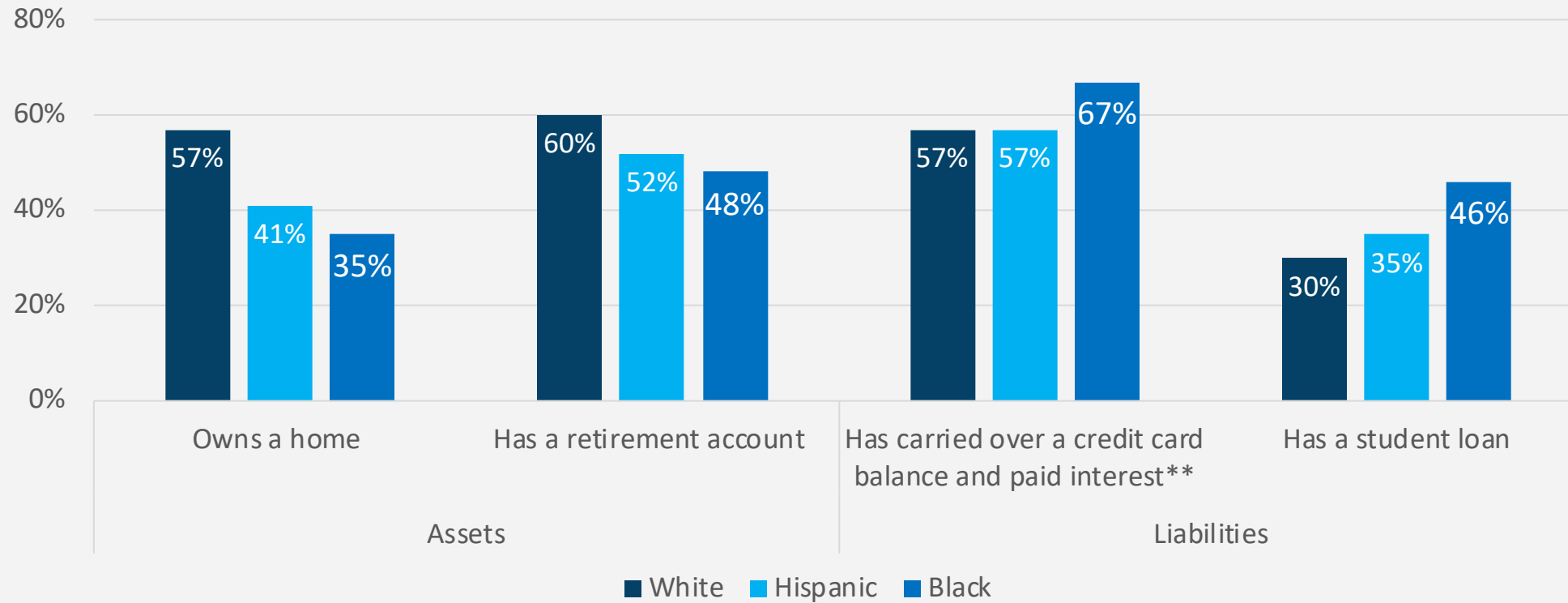


# Main Findings

- Black and Hispanic women are less likely to have assets and more likely to use high-cost methods of borrowing
- There are meaningful differences in the demographic factors that influence financial well-being for White, Hispanic, and Black women
  - There are differences across education, employment, family structure, and financial literacy
- Financial literacy programs and research should be better tailored to the financial needs, goals, and well-being of Black and Hispanic women.

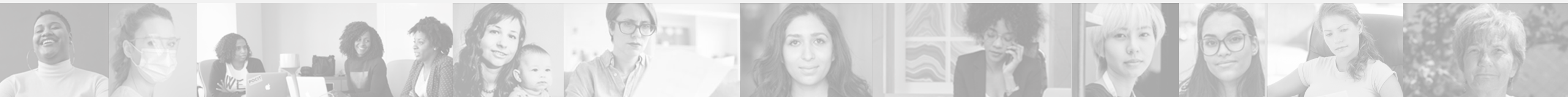


# Univariate results – assets and liabilities

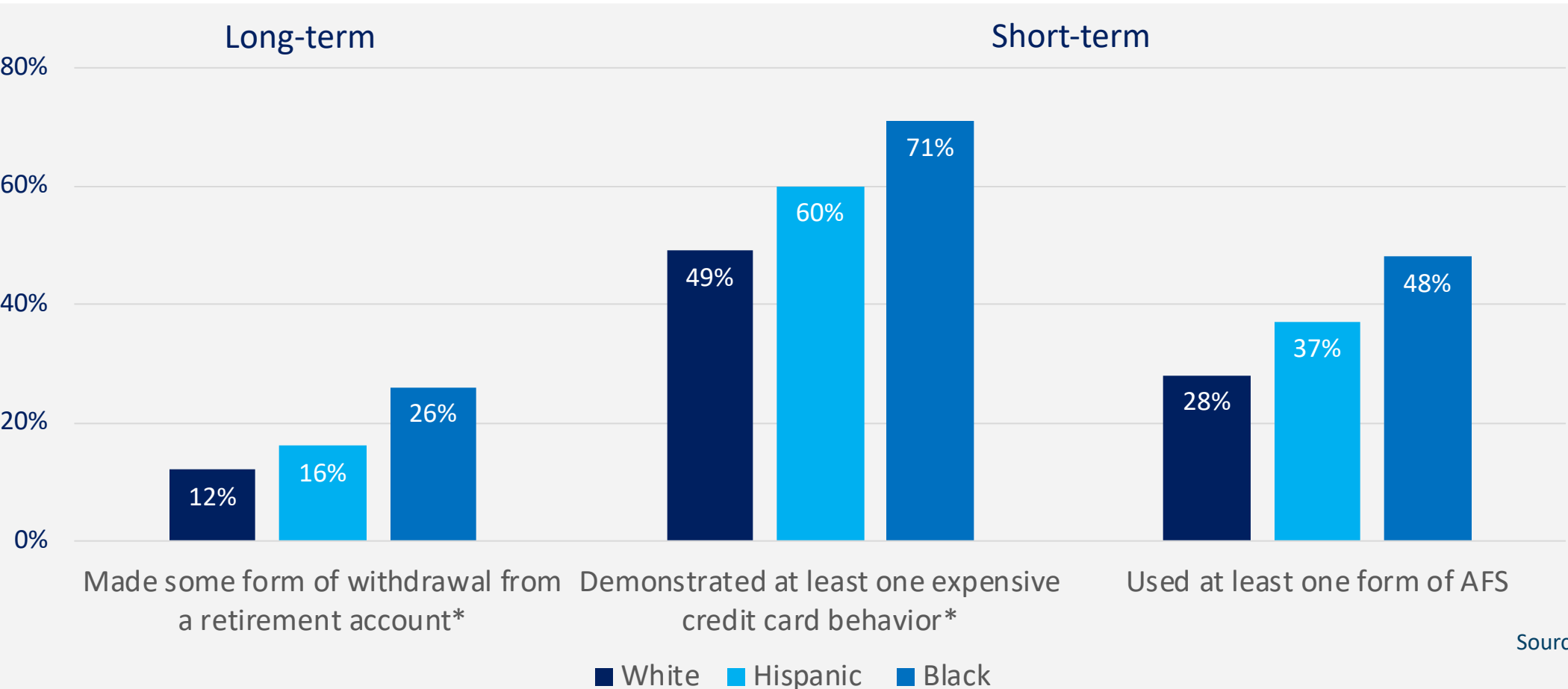


Source: 2018 NFCS

Note: Observations vary by category. Sample restricted to individuals age 22-60 who have a calculated financial well-being score; data are weighted. \*\*Proportion conditional on having the related asset



# Univariate results – financial behavior



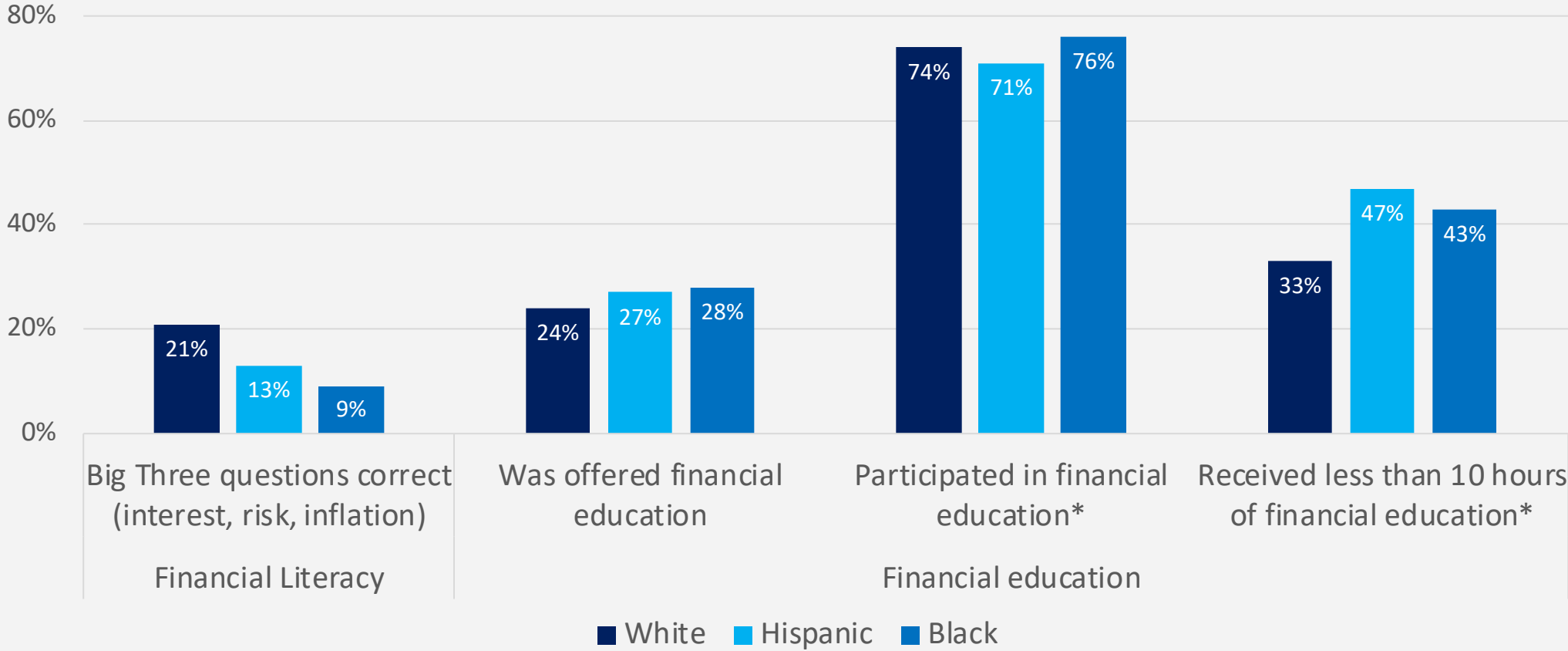
Source: 2018 NFCS

Note: Observations vary by category. Sample restricted to individuals age 22-60 who have a calculated financial well-being score; data are weighted. \*Proportion conditional on having the related asset



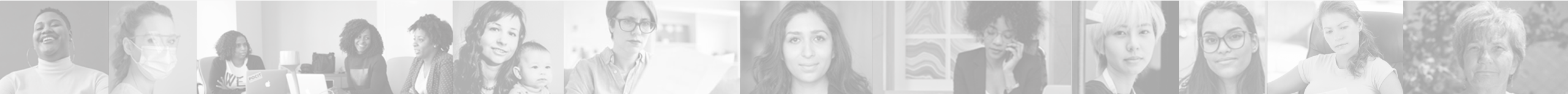


# Univariate results – financial literacy

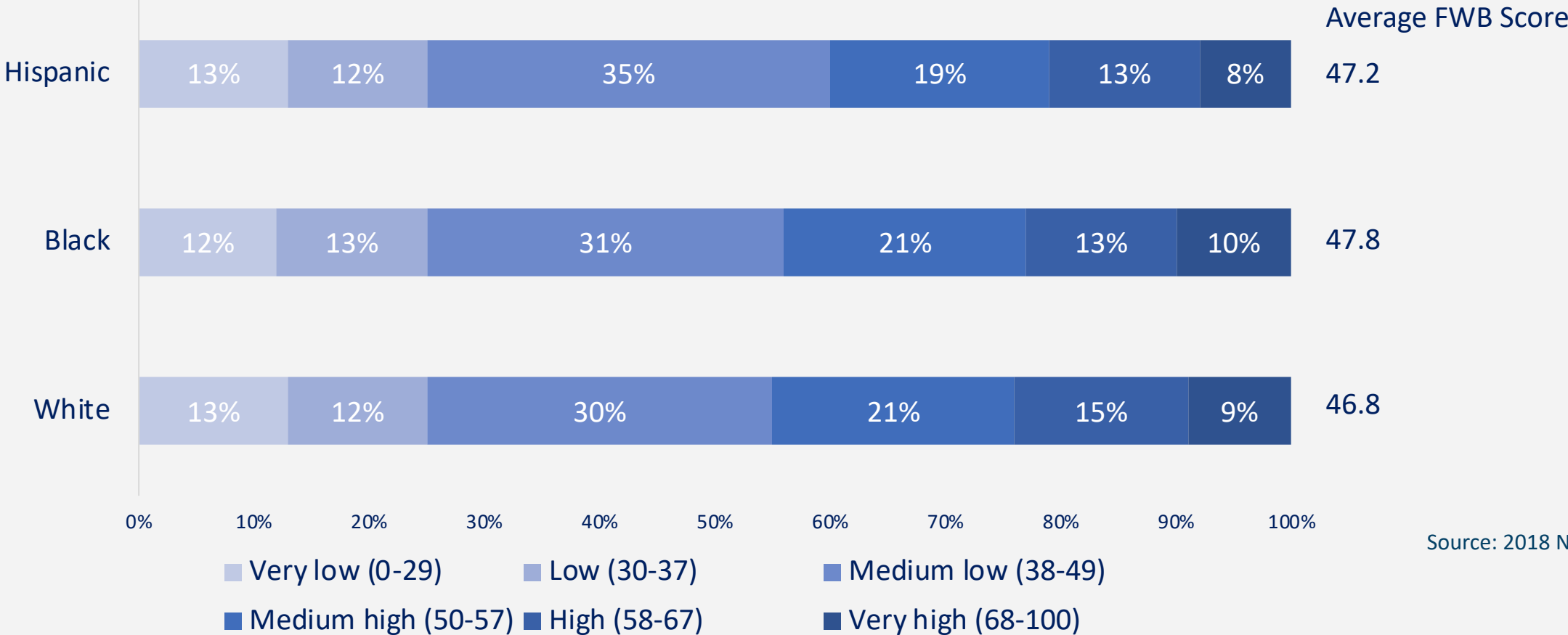


Source: 2018 NFCS

Note: Observations vary by category. Sample restricted to individuals age 22-60 who have a calculated financial well-being score; data are weighted. \*Proportion conditional on having participated in financial education.



# Financial well-being



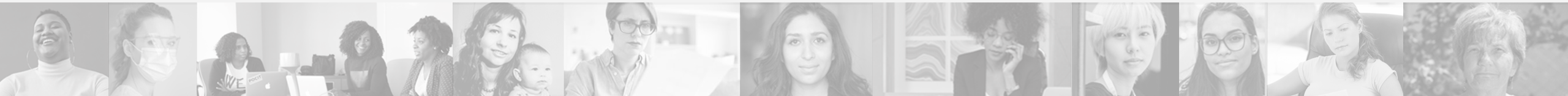
Note: All data from the 2018 NFCS dataset. Sample restricted to individuals age 22-60 who have a calculated financial well-being score; data are weighted. There are 7,002 observations for White women, 1,037 for Black women, and 1,120 for Hispanic women.



# Multivariate results – financial well-being

VARIABLES	White <sup>a</sup>	Black <sup>b</sup>	Hispanic		White <sup>a</sup>	Black <sup>b</sup>	Hispanic
<b>Education (Omitted: HS or less)</b>				<b>Employment (Omitted: Employed)</b>			
Some college	-1.172*** (0.371)	0.459 (1.077)	-0.248 (0.952)	Unemployed	-5.248*** (0.766)	-0.404 <sup>a</sup> (1.603)	-1.932 (1.512)
Bachelor's degree or more	0.399 (0.449)	2.087 (1.336)	2.346** (1.147)	Retired	4.157*** (0.752)	-2.527 (2.492)	13.508*** <sup>b</sup> (2.896)
<b>Marital Status (Omitted: Married)</b>				Not in the labor force	-0.310 (0.368)	-0.912 (1.165)	-1.513 (0.945)
Single	-2.239*** (0.422)	-4.104*** (1.082)	-4.300*** (0.973)	<b>Financial Literacy</b>			
Divorced/Separated	-3.161*** (0.495)	-2.832* (1.579)	-5.619*** (1.379)	One out of Big Three correct	0.102 (0.446)	1.558 (1.114)	0.660 (1.046)
Widowed	-5.447*** (0.964)	-5.547* (3.050)	-9.101*** (3.227)	Two out of Big Three correct	0.630 (0.461)	2.044 (1.267)	0.704 (1.127)
<b>Financially Dependent Children (Omitted: No Children)</b>				Three out of Big Three correct	3.423*** (0.515)	-1.774 <sup>a</sup> (1.750)	2.956** (1.446)
1 or 2 children	-3.763*** (0.358)	-2.525** (1.010)	-0.229 (0.904)	<b>Income</b>	Y	Y	Y
3 or more children	-4.652*** (0.535)	-1.713 (1.391)	-1.794 (1.283)	<b>Age</b>	Y	Y	Y
				<b>Constant</b>	44.421*** (0.682)	47.279*** (1.863)	45.502*** (1.610)
				Observations	7,002	1,037	1,120
				R-squared	0.237	0.101	0.175

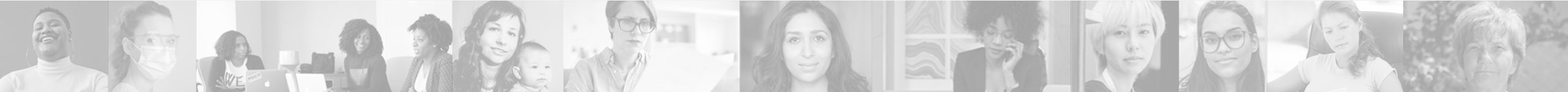
Note: All data from the 2018 NFCS dataset. Sample restricted to individuals age 22-60 who have a calculated financial well-being score; data are weighted. plans. a indicates statistically significant difference from White females, b indicates statistically significant difference from Black females at p<0.05. Robust standard errors in parentheses. \*\*\* p<0.01, \*\*p<0.05,\*p<0.1.



# Multivariate results – financial fragility (proxy)

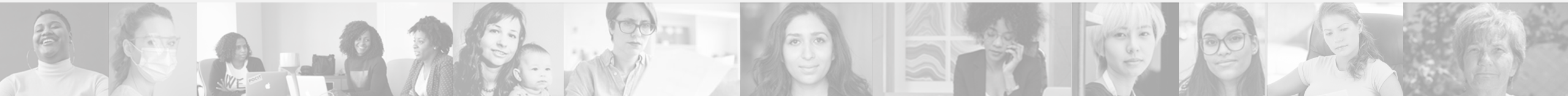
VARIABLES	White <sup>a</sup>	Black <sup>b</sup>	Hispanic		White <sup>a</sup>	Black <sup>b</sup>	Hispanic
<b>Education (Omitted: HS or less)</b>				<b>Employment (Omitted: Employed)</b>			
Some college	0.008 (0.012)	-0.023 (0.036)	-0.031 (0.034)	Unemployed	0.074*** (0.026)	0.096* (0.053)	0.012 (0.053)
Bachelor’s degree or more	-0.095*** (0.015)	-0.006 (0.044)	-0.124*** (0.040)	Retired	-0.059** (0.025)	-0.110 (0.083)	-0.218** (0.102)
<b>Marital Status (Omitted: Married)</b>				Not in the labor force	0.022* (0.012)	0.115*** (0.039)	0.059* (0.033)
Single	0.024* (0.014)	0.099*** (0.036)	0.163*** (0.034)	<b>Financial Literacy</b>			
Divorced/Separated	0.081*** (0.017)	0.114** (0.052)	0.138*** (0.049)	One out of Big Three correct	-0.044*** (0.015)	-0.013 (0.037)	-0.009 (0.037)
Widowed	0.154*** (0.032)	0.096 (0.101)	0.148 (0.114)	Two out of Big Three correct	-0.064*** (0.015)	0.004 (0.042)	-0.028 (0.040)
<b>Financially Dependent Children (Omitted: No Children)</b>				Three out of Big Three correct	-0.156*** (0.017)	-0.006 (0.058)	-0.152*** (0.051)
1 or 2 children	0.079*** (0.012)	0.023 (0.034)	-0.060* (0.032)	<b>Income</b>	Y	Y	Y
3 or more children	0.064*** (0.018)	0.027 (0.046)	0.050 (0.045)	<b>Age</b>	Y	Y	Y
				<b>Constant</b>	0.641*** (0.023)	0.499*** (0.062)	0.522*** (0.057)
				Observations	7,002	1,037	1,120
				R-squared	0.236	0.134	0.179

Note: All data from the 2018 NFCS dataset. Sample restricted to individuals age 22-60 who have a calculated financial well-being score; data are weighted. plans. a indicates statistically significant difference from White females, b indicates statistically significant difference from Black females at p<0.05. Robust standard errors in parentheses. \*\*\* p<0.01, \*\*p<0.05, \*p<0.1.



# Conclusion and implications

- Women face many financial challenges
- There are meaningful differences in the demographic factors that contribute to FWB across race and ethnicity for women
- “One size fits all” approach is unlikely to address financial well-being across the board
  - Need for targeted financial education



# Thank You!

More info at [www.tiaainstitute.org](http://www.tiaainstitute.org)

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