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Trends and Issues
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The state of Hispanic financial wellness in the United States: Attitudes and behaviors that shape outcomes

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Introduction

Over the past few years, TIAA and Nuveen have reaffirmed our commitment to enable more Americans to retire with dignity. Our work to ensure retirement security for all remains the very heart of our strategy, especially as we consider startling retirement and savings gaps.

Studies indicate that 40% of American households risk not being able to maintain their standard of living throughout their retirement. When one looks across different populations, the data indicates that these retirement gaps look more significant for some groups than others. We know that women retire with 30% fewer retirement assets than men, and research shows that Black Americans have far fewer retirement assets than White Americans, as do Hispanics. In this brief, we focus on financial wellness and behaviors among Hispanic Americans using available data, as well as findings from a TIAA Institute and Nuveen partnership with PolyX Consulting to better understand a subset of that demographic: Hispanics who are "High Earners Not Rich Yet"—aka, HENRYs—to better inform future engagement and support for this group. This cohort consists of participants ages 18 to 64, all earning over $200,000, and representing a full range of cultural identifications, including Central and South American, Mexico, and the Caribbean.

This analysis will begin with an overview of the data, a view into the future, and the PolyX findings, which help explain the drivers and inform potential solutions.

Overview

Hispanic Americans are quickly becoming the largest non-white segment of the U.S. population, representing about 19% overall, and are projected to reach 29% by 2060 according to the U.S. Census. While Hispanic Americans currently are 19% of the U.S. *labor market*, they are predicted to soon become a much larger portion; one in four members of Gen Z is Hispanic, and Gen Z is about to surpass the number of Boomers in the workforce. Hispanic Americans represent a diverse set of cultural and geographical origins, and bring many rich histories into the communities they now call home. Just as they represent a diaspora of Latin American countries, their needs, aspirations, and financial considerations vary.

This expected growth and, influx of younger workers, coupled with advances in educational attainment and representation across industries as discussed below, underscores the importance of understanding how this population is making financial decisions and planning for the future.

1. Hispanic financial security and financial literacy

The TIAA Institute and Stanford's Global Financial Literacy Excellence Center (GFLEC) fields an annual survey, *TIAA Institute-GFLEC Personal Finance Index* (*P-Fin Index*), to determine the financial literacy, and more recently the longevity literacy, of the U.S. population. Data suggests that a stronger financial literacy score is associated with better financial outcomes. Simply, strong financial literacy, including an understanding of longevity, is essential to making financial decisions that enable financial security to and through retirement. Unfortunately, as determined by the *P-Fin Index* survey, Hispanics' personal finance knowledge is generally lower than that of the overall U.S. adult population.

On the *P-Fin Index* financial assessment consisting of 28 questions, over one third (35%) were unable to answer more than seven questions correctly, almost double the white rate (19%). Similarly, almost four in 10 (38%) had weak longevity literacy compared with 27% of whites. The longevity literacy refers to the ability to identify how long the average person is expected to live post-retirement. The weak longevity literacy score is particularly worrisome since Hispanics have longer life expectancy than whites on average, and therefore must prepare for an even longer retirements.

FIGURE 1. FUNCTIONAL KNOWLEDGE BY RACE AND ETHNICITY

Percentage of *P-Fin Index* questions answered correctly

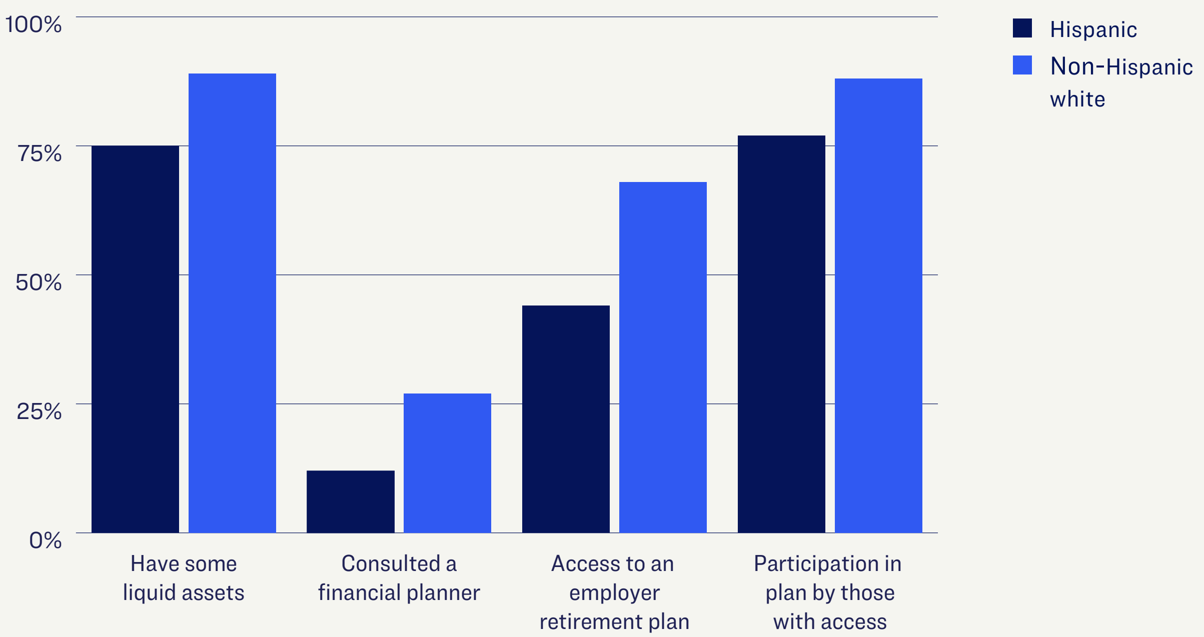
	Asian	Black	Hispanic	White
Borrowing	64% (1)	45% (1)	48% (1)	65% (1)
Saving	62% (2)	41% (3)	44% (2)	60% (2)
Consuming	54% (3)	42% (2)	43% (3)	52% (5)
Earning	49% (6)	37% (4)	37% (4)	53% (3)
Go-to info sources	53% (4)	35% (5)	34% (5)	53% (3)
Investing	53% (4)	32% (6)	33% (6)	50% (6)
Insuring	47% (7)	30% (7)	27% (8)	50% (6)
Comprehending risk	44% (8)	30% (7)	31% (7)	36% (8)

Source: *TIAA Institute-GFLEC Personal Finance Index* (2024).

As noted previously, research confirms that retirement security is rooted in early and consistent retirement savings activities, that are grounded in financial literacy and behaviors. However, a recent study from the TIAA Institute and IPSOS indicates more troubling data, many which clearly will have a negative impact on their financial and retirement success. When compared with non-Hispanic whites, Hispanics are:

- less likely to have an emergency fund (46% versus 64%)
- less likely to have any type of retirement savings (52% compared with about 75%)
- less likely to know how much they have saved for retirement (60% vs 75%)
- more likely to say they are not confident that they can retire as planned (43% versus 38%)
- more likely to say they will not retire at all (20% versus 15%)

FIGURE 2. FINANCIAL WELLNESS INDICATORS



Sources: Federal Reserve Board, 2019 Survey of Consumer Finances and TIAA Institute/IPSOS 2023 Survey

As can be seen on Figure 2, Hispanics are less likely to have any level of liquid assets; and are less likely to have consulted a financial planner. Access to an employer-based retirement plan is lower for Hispanics, and even when available, their participation in these accounts is at a lower level. They are more likely to agree that "retirement savings is not a priority relative to the current needs of my family". Finally, nearly half (47%) of Hispanics prefer cash savings rather than investing in equity markets, which is higher than Americans overall (35%). This follows earlier research that Hispanics, on the margin, prefer liquid low-risk investments.

In addition to these statistics, systemic distrust perpetuates these financial wealth building and savings gaps between and across demographic groups. There is evidence Hispanics Americans may have greater distrust of the financial system. Such distrust may impede wealth accumulation and participation in the financial system. For example, Hispanic female entrepreneurs face unique challenges at the crossroads of gender and ethnicity. In a recent study by Stanford Graduate School of Business, Hispanic female respondents identified access to financing as a barrier: 17% of Hispanic female business owners said access to credit or loans is a major challenge, compared with 9% of white women or Hispanic men and 7% of white men. As this example shows, we must consider structural barriers along with explicit and implicit biases as we look to the future for the growing Hispanic demographic.

2. A look into the future

When we look at Hispanic representation in the labor market, we see that they remain overrepresented in service occupations, but that is shifting. Hispanics now make up 10.7% of workers in management jobs, an increase from 5.2% in 2000. Individually, growth in Hispanics' purchasing power has been outpacing non-Hispanics 87% to 51% this century. Hispanic-owned businesses are growing at a faster rate than their counterparts, which represents $800 billion in annual sales, per the Stanford Graduate School of Business.

Furthermore, the data shows that U.S.-born Hispanics ages 18 to 34 have greater financial literacy than each age group of foreign-born Hispanics. Given the growth in the native-born Hispanic population accompanied with increased in Hispanic educational attainment, the gap in financial literacy amongst between Hispanics and non-whites may decrease. Continued gains in educational attainment among Hispanics will also likely further decrease the gap. Their high school graduation rate has increased from 58% in 1996 to 88% in 2021. There has been an increase in college attendance amongst Hispanics, yet despite that, they have a lower level of student loans, with regard to incidence (37% versus over 42%) and amount of debt ($15,000 average as compared to over $25,000). (The advantages of entering adulthood with lower levels of debt is obvious.)

3. A deeper look at Hispanic HENRYs—the PolyX Hispanic "HENRY" study

To better understand the future needs of this community, PolyX Consulting collected data through a mixed-methods approach of surveys and interviews, from a select group of 50 to 60 Hispanic "HENRYs"—High Earners but Not Rich Yet—as it seems this may be the fastest growing consumer demographic. The insight gained can provide context on this groups' cultural, familial and personal values in financial decision-making, financial priorities, investing habits, retirement planning and experiences with financial institutions.

According to the results of the focus groups, Hispanic HENRYs often find themselves at the center of complex multigenerational financial dynamics, balancing the desire to support their parents' retirement with their own wealth-building goals. Providing resources and tools to facilitate open family dialogues and collaborative planning is crucial in addressing these unique challenges. Furthermore, participants also shared insights underscoring that this group also holds a deep-seated distrust toward financial institutions. This often stemmed from historical marginalization and negative experiences. This distrust stands as a significant barrier to engagement with financial services providers and is consistent among the overall Hispanic community.

As noted earlier, there is lower financial literacy amongst this population. This may exacerbate a vulnerability to predatory lending and lower savings as a result. When the topic was broached with the HENRY group, experiences with financial institutions were mixed: Among interviewees, 44% appreciate effective digital platforms, but 34% cite a lack of trust, and 30% struggle with financial jargon. About two thirds do not currently work with a financial advisor, primarily due to a desire for self-management and a perception of insufficient assets. Importantly, more of those surveyed said that an advisor who reflects their background is "good but not essential," than those who said it was "very important" or "ideal."

A notable shift is observed from the "work for money" mindset of Hispanic HENRYs' parents to a "make money work for you" approach. While still valuing the strong work ethic instilled by their elders, Hispanic HENRYs are actively seeking ways to grow their wealth through investing and building diverse income streams. Over 90% find the phrase "make money work for you, not work for money" extremely effective in capturing their financial mindset.

A critical insight that financial companies must be aware of is the self-admitted shortcomings in knowledge of personal finance. More than seven out of 10 (74%) cite lack of financial education as a major barrier to putting their desire for savings and investing into practice—i.e., having their money work for them. Despite gaps in formal financial education, these Hispanic HENRYs demonstrated a strong desire to take control of their financial futures. They actively seek out knowledge through self-directed learning, community wisdom-sharing, and engaging with relatable financial content. Large majorities said financial education would increase their likelihood to invest (76%) and that they're learning though real-world investing experience (70%), and independent online research (74%).

Hispanic HENRYs' embrace a "Siempre Adelante" (Always Forward) mindset, characterized by a determination to overcome obstacles and build a better future, and this strongly influences their approach to financial planning and wealth-building, per our focus group findings. Ensuring financial security for self/family is the top priority, far ahead of self-actualization goals like having a meaningful career. There seems to be no doubt that for the growing cohort of Hispanic Americans, investing is now top of mind. In the PolyX work, the top answers to wealth-building strategies included owning mutual funds and real estate, both exceeding the number of respondents who said they can improve wealth by engaging in "side hustles". This shift in wealth and financial wellness could be evidenced in increased Hispanic American homeownership. While it still lags that of their non-Hispanic peers, it increased from 45.4% in 2019 to 49.5% in 2021, while it decreased from 68.7% versus 67.3% for their peers. Hispanics also lag the national average in brokerage accounts or other professionally managed accounts, again highlighting the need and opportunity for continued education and appropriate financial advice.

The PolyX work revealed that HENRYs care about their family and their broader community but are driven in every decision they make to move ahead and create a better reality for themselves and the next generation. In other words, while they expressed an interest in the community at large, this cohort of investors was not willing to sacrifice returns or take on undue risk for "impact" investing—or to allocate their money towards these causes. Their mindset is undoubtedly focused on the future, as they want the next generation to be better off than this one. (Perhaps this helps explain the lower level of college debt noted above in Section 2.)

On the other hand, the PolyX group also agreed that because they often find themselves at the center of complex multigenerational financial dynamics, they need to balance the desire to support their parents' retirement with their own wealth-building goals. However, while they want to support their parents, it is not a priority and would not take priority over their own financial goals for themselves or the future. This may be why about two thirds of HENRYs said their investments are more about paying it forward to support future generations than supporting their parents or grandparents. And yet, three out of four said they would likely allocate a portion of their savings to their parents' retirement accounts if their parents needed financial support, emphasizing the intergenerational complexities this group faces.

HENRYs are clearly in a better financial situation than non-HENRY Hispanics. Of those surveyed, 88% have money in an employer-sponsored retirement plan, compared with 44% of Hispanics overall. Nevertheless, much can be learned from this group. Almost three out of four have a personal retirement account and would prefer a fixed income payout as opposed to a lump sum at retirement. Similarly, about three-quarters are willing to take moderate risk, reflecting a higher risk tolerance than most said their parents have. Almost all believe diverse income streams are crucial for financial stability and growth.

Hispanic HENRYs express a growing preference for a collaborative "Do It with Me" model of financial advice, striking a balance between maintaining autonomy in decision-making and leveraging expert guidance when needed. The ideal financial advisor is envisioned as a trusted partner who educates, empowers, and understands their unique cultural context. As this demographic group is projected to grow over the next two decades, financial companies need to create educational material and products that match their desires.

4. How to engage Hispanic clients to meet their interests and needs

With the anticipated growth of Hispanic representation in the labor market, and increasing participation in management-level jobs, employers and financial professionals must be ready to engage this cohort in a compelling way. This means understanding their preferences, desires, and drivers—but also the historical context. We've established that Hispanics have lower access to and participation in employer-based retirement plans. A likely contributing factor is a higher level of self-employment and employment in small-to-medium sized business (i.e., where employer-based retirement plans are not offered or have limited options). While those working for large employers are often defaulted into a plan and into a target date fund investment, those who are self-employed must choose *where* to save and *how* to asset allocate their savings. The lack of trust in financial institutions, combined with a lower level of financial knowledge, means they're starting with a steeper path ahead of them. Overcoming this distrust requires financial institutions and trusted educators to commit to transparency, clear communication, and a genuine focus on client education and empowerment. These institutions must create culturally relevant resources and jargon-free guidance, which are crucial in fostering trust, engagement, and financial confidence for a "Do It with Me" model of financial advice.

The HENRYs said they're much more interested in ensuring financial security for themselves than in supporting community organizations or causes. They want funds with a good historical track record and low fees, much more so than thematic investments like specialized funds that support disadvantaged communities or are owned by women and minorities. They prefer to get their information from web sites and newsletters as opposed to direct mail or targeted social media ads. To build trust, financial experts, advisors, and institutions must know that Hispanic HENRYs prioritize transparency, tailored products, integrity and digital access. Culturally relevant content matters and resonates but doesn't need to be delivered through a Latino advisor.

Conclusion

The Hispanic population is the fast-growing demographic in the U.S. According to Pew Research and U.S. Census, it grew by 23% between 2010 and 2020, a much larger increase than the overall 7% growth in the U.S. To better serve this population, the finance industry, employers, and policymakers need to understand their diverse composition, needs, and fears. They also need to consider this group's deeply ingrained feelings about structural impediments and personal biases they have confronted as a population for decades.

Understanding this target demographic and creating products and solutions they are interested in can go a long way in closing the retirement gap and achieve our goal to enable more Americans to retire with dignity.

About the authors

Benny Goodman is a vice president at the TIAA Institute, serving as a subject matter expert on lifetime income. He has been with TIAA since 1988 and has held a variety of actuarial positions, including life insurance pricing, pension plan pricing, product development and dividend setting. He also has managed TIAA's Actuarial Consulting Services division, with a focus on pension plan design and meeting individual retirement income needs, and has spent time in non-actuarial roles, including Operations and Institutional Sales.

Benny earned a BS in mathematics and computer science from Touro College. He has co-authored several papers for the TIAA Institute and is a featured speaker at academic and industry events nationwide.

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