

Financial Advice and the Experiences of Black and Hispanic Workers and Retirees

When it comes to confidence in having enough money to last throughout retirement, having a financial advisor is an important factor. In fact, according to the [2021 Retirement Confidence Survey \(RCS\)](#), 51 percent of workers who said they are very confident about their retirement prospects reported working with a professional financial advisor compared with just 15 percent of those who are not confident about their prospects. Unfortunately, many people do not know where to go for good financial advice. Furthermore, the criteria for what an individual is looking for in an advisor vary by race and ethnicity, and Black and Hispanic workers and retirees are more likely to feel that they have not been treated fairly by financial services companies and their representatives compared with their White counterparts.

To investigate the experiences of Black and Hispanic workers and retirees when it comes to financial advice and advisors, the 2021 RCS included an oversample of Black and Hispanic workers and new questions to address potentially different concerns about preparing for retirement. This *Fast Fact* compares the experiences and views of financial advice and advisors of Black and Hispanic Americans with those of their White counterparts.

About the 2021 RCS

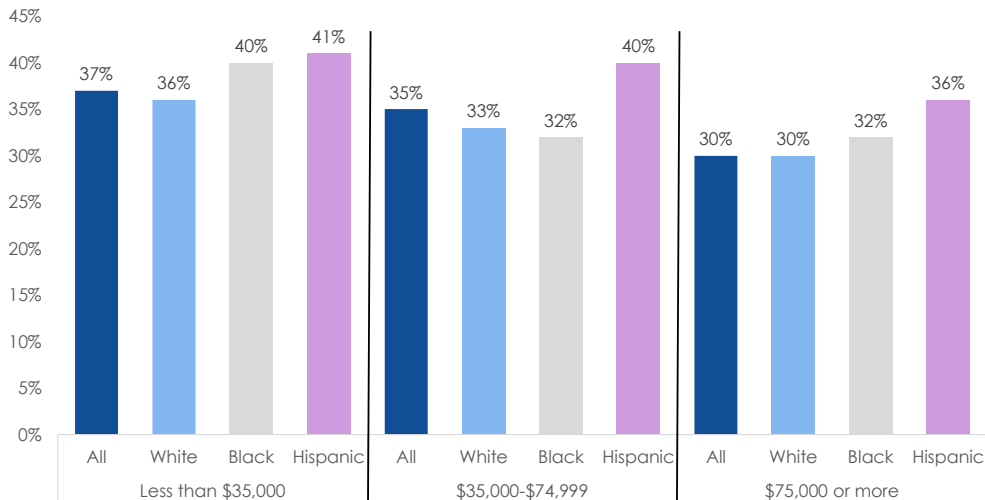
The 2021 Retirement Confidence Survey (RCS) included an oversample of Black and Hispanic workers and retirees to explore and identify potential differences in attitudes, experiences, and behaviors related to financial management and preparing for retirement.¹ The advantage of an oversample is the ability to control for important factors that are strongly associated with many of the results about retirement preparations, in particular household income. The RCS has historically demonstrated significant differences in how respondents in lower- and upper-income groups respond to survey questions. In addition, Black and Hispanic Americans are more likely to have lower incomes and assets. Therefore, household income is used as a control to see which differences by race and ethnicity persist even when comparing respondents of the same incomes.

Locating Sources of Good Financial Advice

Roughly one-third of workers and retirees agreed with the statement that they do *not* know who to go to for good financial or retirement planning advice. This was true regardless of income or race/ethnicity (Figure 1).² On the other hand, 1 in 3 workers said they currently work with a professional financial advisor, with one-third of White and Hispanic workers doing so but only 25 percent of Black workers doing so (Figure 2). In addition, nearly 4 in 10 workers think they will work with a professional financial advisor in the future regardless of race/ethnicity. There was a greater discrepancy in the share of retirees working with a professional financial advisor among White and Black retirees than among workers. Forty-one percent of White retirees said they currently work with an advisor compared with only 17 percent of Black retirees. For retirees not currently working with an advisor, fewer said they were likely to work with one in the future than workers, at approximately 1 in 10 across each race/ethnicity.

Figure 1
Percentage Who Feel They Do Not Know Who to Go to for Good Financial Advice, by Race/Ethnicity and Income

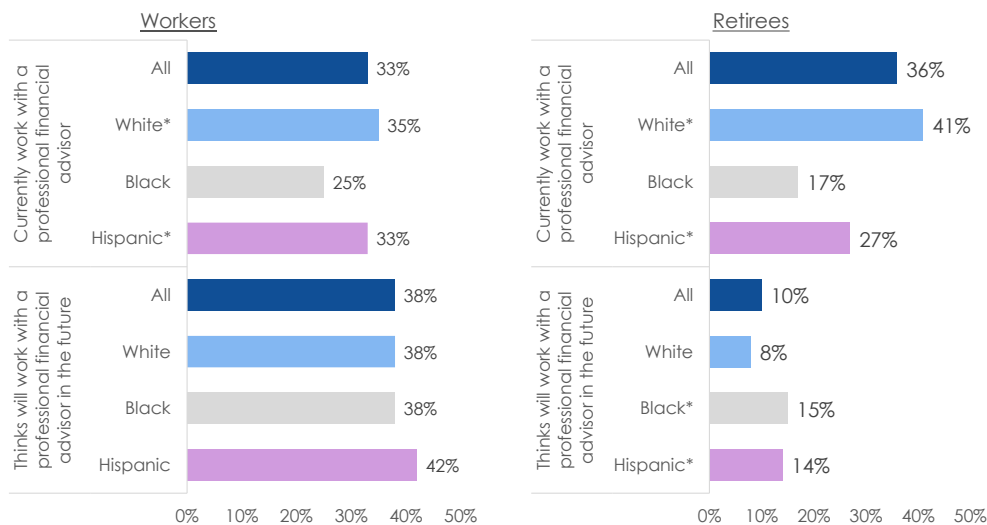
To what extent do you agree or disagree with the following?
 You do not know who to go to for good financial or retirement planning advice.
 Total: Workers n=1,507, Retirees n=1,510, Percentage Agree



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

Figure 2
Percentage Who Work With a Professional Financial Advisor, by Race/Ethnicity

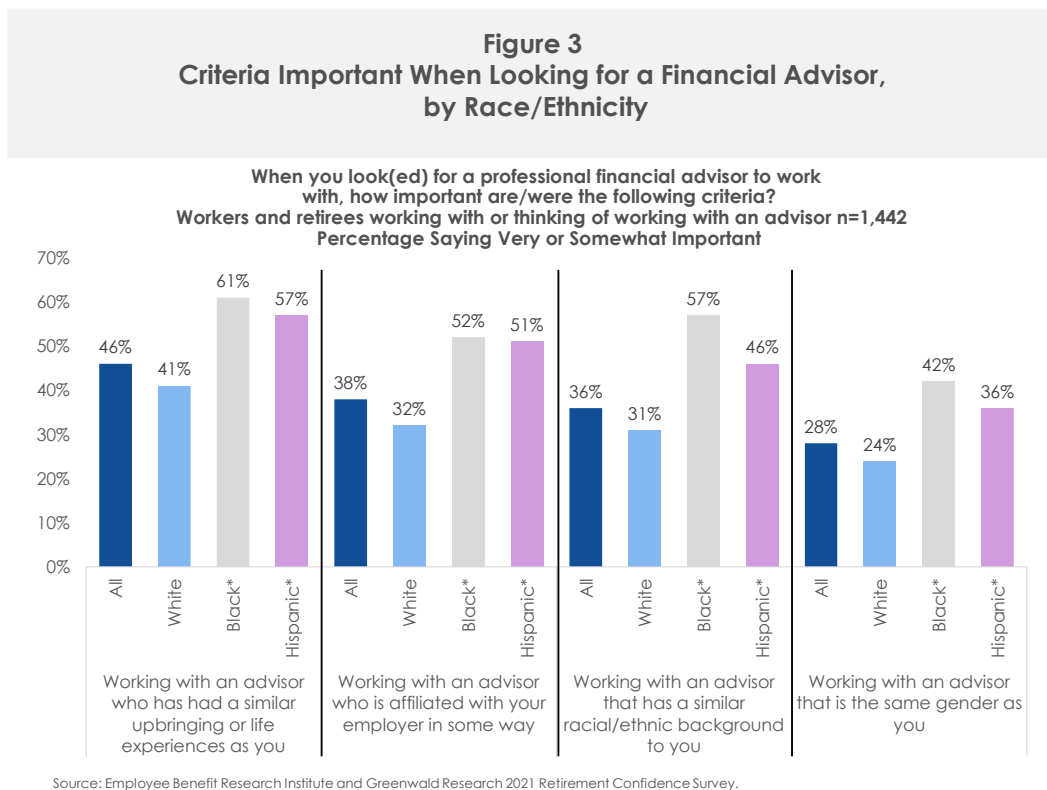
Do you currently work with a professional financial advisor? Workers n=1,507, Retirees n=1,510, Percentage Yes
 Do you think you will work with a professional financial advisor in the future? Workers n=1,065, Retirees n=1,023



Source: Employee Benefit Research Institute and Greenwald Research 2021 Retirement Confidence Survey.

Criteria When Looking for a Financial Advisor

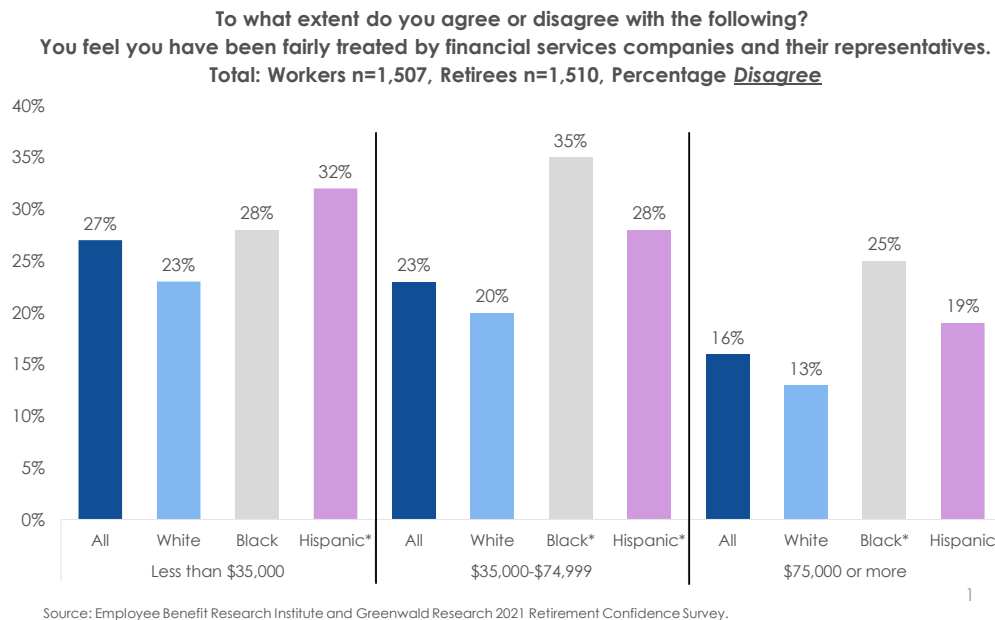
While workers and retirees, regardless of race/ethnicity, considered expertise in their particular financial goals and specializing in households with a similar amount of money/assets to them to most likely be important criteria when looking for a professional financial advisor, other criteria felt to be important in this decision reveal significant differences across races/ethnicities. Hispanic and Black Americans were more likely than their White counterparts to say that some connection or commonality between them and the advisor was important. This included working with an advisor who has had a similar upbringing or life experiences as them, working with an advisor who is affiliated with their employer, working with an advisor who has a similar racial/ethnic background to them, and working with an advisor who is the same gender as them (Figure 3).



Experiences With Financial Service Companies

Another important area of difference was the cohorts' perceptions of if they felt they were fairly treated by financial services companies and their representatives. Nearly a third of lower-income (less than \$35,000 in annual household income) Hispanic workers and retirees felt they had not been treated fairly, compared with 23 percent of lower-income White workers and retirees. Furthermore, 35 percent of middle-income (\$35,000–\$74,999) Black Americans and 28 percent of middle-income Hispanic Americans felt they had not been treated fairly compared with 20 percent of middle-income White Americans (Figure 4). The racial differences persisted among upper-income (\$75,000 or more) workers and retirees, with 25 percent of Black workers and retirees saying they felt they had not been treated fairly vs. 13 percent of White workers and retirees.

Figure 4
Percentage Who Feel They Have Not Been Treated Fairly by Financial Services Companies, by Race/Ethnicity and Income



Discussion

While there are systemic challenges faced by Black and Hispanic workers and retirees when it comes to preparing for retirement, there are also unique challenges faced by these individuals. The RCS finds that Black and Hispanic Americans place more importance on sharing a connection or commonality with their financial advisors than White Americans, including the advisor being affiliated with their employer. In addition, Black and Hispanic Americans were more likely to say that their workplace retirement plan would be improved through the provision of more one-on-one, personalized education so that the workplace could be a place where retirement preparations of Black and Hispanic workers could be enhanced.

¹ An oversample refers to collecting more data from groups that are a lower share of the population in order to do a more complete analysis of these groups by having a sufficient sample size to control for other variables besides just the variable of interest, in this case race and ethnicity. However, the overall results are weighted to retain national representation despite the larger sample of Black and Hispanic Americans than would actually be found in the population.

² The * indicates the statistically significant differences in each of the figures. All significance tests are at the 95 percent level. The significant findings are explained below.

Figure 2

- White and Hispanic workers and retirees were more likely to say they are currently working with a professional financial advisor than Black workers and retirees.
- White retirees were more likely to say they are currently working with a professional financial advisor than Hispanic retirees.
- Black and Hispanic retirees were more likely to say they think they will work with a professional financial advisor in the future than White retirees.

Figure 3

- Black and Hispanic Americans were more likely to say they that the following criteria were important when looking for a professional financial advisor than White Americans: has a similar upbringing or life experiences as them, affiliated with their employer, has a similar racial/ethnic background to them, and that is the same gender as them.

Figure 4

- Hispanic Americans in the lower- and middle-income groups and Black Americans in the middle- and upper-income groups were more likely to disagree that they feel they have been treated fairly by financial services companies and their representatives than White Americans in those income groups.