



Consumer Federation of America

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## **MORE AFRICAN-AMERICANS SAVE AND BEGIN TO CLOSE WEALTH GAP**

### **Black America Saves Offers Free Wealth-Building Services**

Washington, DC -- African-Americans are beginning to close the wealth gap with the rest of Americans, according to an analysis of Federal Reserve data released today by the Consumer Federation of America (CFA) and BET.com. From 1989 to 2001, the ratio of median black household wealth to median U.S. household wealth rose from 9.1% to 22.1%.

Over the past decade, African-Americans have made significant progress closing the wealth gap which has separated them from the rest of America, said Stephen Brobeck, CFA Executive Director. "But there is more that can be done," he added.

To assist black wealth creation, BET.com offers free membership in Black America Saves, a service developed by CFA as part of the larger America Saves campaign. BET's building black wealth programming has spurred thousands of Black American Savers to achieve savings goals such as creating an emergency fund and saving for a house, said Retha Hill, BET.com's Vice President of Content Development.

The rise in homeownership among African-Americans over the past decade has been an important factor in their growing wealth. The African-American homeownership rate increased from 42% in 1990 to 48% in 2003, although it continues to lag the 68% homeownership rate of the U.S. population.

"Americans build more wealth through owning a home than they do investing in the stock market, said Vada Hill, Senior Vice President and Chief Marketing Officer of Fannie Mae, who joined CFA and BET.com at the press conference. "Homeownership is a powerful way to transmit wealth from generation to generation."

### African-Americans Build Wealth and Begin to Close the Wealth Gap

According to an analysis by Ohio State Professor Catherine Montalto of the most recent Federal Reserve Survey of Consumer Finances data, the net wealth of the typical African-American household rose from \$5,919 in 1989 to \$19,010 in 2001, an increase of 221%. By comparison, the net wealth of the typical U.S. household rose only from \$64,788 in 1989 to

\$86,100 in 2001, an increase of 32.9%. As a result, the ratio of median black household wealth to median U.S. household wealth increased, during this period, from 9.1% to 22.1%.

An important reason for rising black household wealth has been the growing number of African-Americans who are planning ahead and saving regularly. Between 1989 and 2001, the proportion of black households with a planning horizon of only the next several months, declined from 44% to 27%, while the proportion with a planning horizon of at least five years increased from 22% to 30%. And, during the same period, the proportion of black households that did not save fell from 43% to 28%, while the proportion which saved regularly rose from 29% to 42%. The proportion of all American households saving regularly in the latter year was only 41%.

Another indication of growing financial parity between black households and the rest of the country is an important finding of a July 2003 opinion survey commissioned by CFA and conducted by Opinion Research Corporation International. That survey of more than 1000 representative adults found that virtually the same percentage of black and white Americans are worried about their personal finances (49% and 50% respectively).

#### Closing the Wealth Gap is Goal of Black America Saves

Despite a partial closing of the wealth gap between black and all other U.S. households over the past decade, that gap is still considerable, and not only for the middle class. Among the least and most affluent, the gap was also wide. In 2001, 41.1% of black households, but only 22.9% of all U.S. households, had net wealth under \$10,000. In the same year, less than 1% (.08%) of black households, but 7.0% of all U.S. households, had net wealth of at least \$1 million.

It is this continuing wealth gap that CFA, BET.com, and Fannie Mae along with its lender partners are trying to close. One important initiative, announced one year ago, is Black America Saves, a free savings service offered through BET.com that is part of the larger America Saves campaign (AmericaSaves.org). Black American Savers who develop a savings goal and plan for achieving this goal receive free information about savings strategies and options, a free one-year subscription to the American Saver newsletter, and free information by phone or Internet from volunteer Certified Financial Planners recruited by the Financial Planning Association.

To date, more than 3300 African-Americans have enrolled as Black American Savers. Their most popular savings goals are: emergency fund (26%), homeownership (22%), debt repayment (21%), and retirement (12%).

A survey of a representative sample of 25 of these Savers this past summer revealed interesting facts about their demographic character and changed savings attitudes and behaviors.

About three-quarters of these Black American Savers are female, and most are young adults, with one-half between the ages of 27 and 35. More than one-half have annual incomes below \$50,000, and three-fifths have a college degree.

Most of these Savers said that Black America Saves increased their interest, knowledge, and confidence in saving and wealth-building. The proportion with greater interest (88%) was greater than the proportion with greater knowledge (77%) or increased confidence (77%). Moreover, a large majority of these Black American Savers (77%) said that they had implemented their savings plan at least to some extent.

We at BET.com are gratified that a relatively low-cost, Internet-based service can have such a significant impact on the financial lives of Black American Savers, said BET.com's Retha Hill.

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CFA is a non-profit association of 300 pro-consumer groups that was founded in 1968 to advance the consumer interest through research, education, and advocacy.

BET, a subsidiary of Viacom, is the nation's leading television network providing entertainment, music, news, and public affairs programming for the African-American audience. Its branded businesses include BET.com, BET Digital Network, BET Uptown, and BET book.

Fannie Mae is a New York Stock Exchange company and the largest non-bank financial services company in the world. Since 1968, the company has provided \$4.5 trillion of mortgage financing for more than 49 million families.

#### AFRICAN-AMERICAN HOUSEHOLD FINANCES

	<u>1989</u>	<u>2001</u>
Median Net Wealth	\$5,919	\$19,010
Planning Horizon of		
Next Several Months	44%	27%
At Least 5 Years	22	30
Do Not Save	43%	28%
Save Regularly	29	42

Source: Federal Reserve Board Survey of Consumer Finances