



Consumer Federation of America

BLACK AMERICAN FINANCES AND SAVINGS IN A COVID ERA

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January 2021

Executive Summary

This report uses two new data sources to analyze the finances and savings of Black American households, particularly the perceived impact of the COVID virus on these finances. It draws the following conclusions:

- Black households hold much less net wealth than other American households yet by 2019 had largely rebuilt wealth lost during the Great Recession.
- Only a minority (37%) said, in late November 2020, that their current financial condition had worsened since the beginning of the year. Yet, a significant majority (59%) expressed concern about their financial future.
- One reason for this worry may be lack of adequate savings. Well under half (42%) have a savings account and/or money market deposit account at a bank or credit union, and many with an account said they were not saving enough to meet emergency expenditures.
- A large majority of those surveyed do not make “regular and automatic” deposits in savings or MMDA accounts.
- A large majority of those without savings accounts would “seriously” or “probably” consider opening an account if their bank or credit union encouraged them to do so and charged no monthly fees.

Introduction

It has been widely reported that Black households have much less wealth than do many other groups of Americans. But how have these Black households fared recently,

especially during the COVID era? To what extent has the pandemic and related recession hurt them financially, if at all? How do they see their financial futures? And to what extent are they saving adequately for financial emergencies? This report addresses these and related questions using two unique sources – the Federal Reserve Bank’s most recent Survey of Consumer Finances (SCF) and a recent survey of 1,003 representative Black adult Americans.

The latest Survey of Consumer Finances was conducted in 2019 and released this year. Its tables, based on public data in inflation-adjusted 2019 dollars, are one important SCF source. A second SCF source are data, analyzed by Professor Jessie X. Fan of the University of Utah, about savings accounts. The Fed’s published tables aggregate these data on savings with those on checking and prepaid cards into the category of “transaction accounts.”

The omnibus survey questions were written by CFA and administered by ENGINE Insights on November 12-17, 2020, to 1,003 Black adult respondents online. The timing of the survey, after results of the presidential election were known, provided survey respondents with more knowledge they could use to anticipate their financial futures. The sample was weighted to reflect the demographic composition of the Black population.

Black Americans Recover from the Great Recession

A key indicator of household financial health is its net wealth, also referred to as net worth or net assets. This statistic takes into account all household assets – from savings to stock investments to home equity – and also all debts. As Table 1 shows, Black households were hit hard by the Great Recession but then began a slow but steady recovery. Between 2013 and 2019, according to the SCF, median Black household wealth increased 67 percent.

Year	Median	Mean
2007	25.9	166
2010	18.7	117
2013	14.4	108.8
2016	18.2	146.8
2019	24.1	142.3

Source: Federal Reserve, 2019 Survey of Consumer Finances

Other savings indicators also grew more positive. According to SCF data, between 2010 and 2019 the percentage of Black households that saved rose from 39 percent to 47 percent, an increase of 21 percent. Moreover, between 2013 and 2019

median Black assets in retirement accounts, for those with accounts, increased 67 percent, from \$20,900 to \$35,000 (rounding off to the nearest tenth). However, only 35 percent of Black households had such an account.

It should be noted, though, that the net wealth of Black households remained far lower than that of other households. As table 2 indicates, all American households held about five times as much median and mean wealth as Black households. The table also indicates that there was great inequality within each population – average net wealth was six times larger than median net wealth.

Table 2: Household Net Wealth in 2019 (thousands of dollars)		
	Median Net Wealth	Mean Net Wealth
Black households	24.1	142.3
All households	121.8	746.8

Source: Federal Reserve, 2019 Survey of Consumer Finances

The COVID Recession Threatens This Recovery

When the COVID-19 virus began sweeping the nation, Black households were better prepared, than years earlier, to cope with an accompanying recession in which many were fired, furloughed, or had work hours cut. How badly, to date, have Black households been harmed financially by the virus?

Our November 2020 survey of 1,003 Black Americans asked the question: “Compared to early this year, is your current financial condition better or worse?” Somewhat surprisingly, over one-fifth of respondents (22%) said that their condition was better. Yet, this figure was overshadowed by the nearly two-fifths (37%) who indicated it was worse. About two-fifths (41%) said their financial condition remained the same.

Predictably, there were household income differences. Only 16 percent of Black households with incomes at least \$100,000, but 41 percent of those with incomes below \$50,000, said their financial condition was worse. Those with low and moderate incomes were much more likely to be adversely affected by cutbacks in services such as dining out, travel, and entertainment that employ many lower-wage workers.

Less expected, though, were age-related differences. As Table 3 suggests, young adults (age 18-34) said they were much more likely than older adults to say their financial condition was better. However, the combined percentages of those who said their condition was unchanged or worse did not vary consistently by age.

Age	Better	Same	Worse
18-34	30%	36%	34%
35-44	26%	32%	43%
45-54	17%	46%	37%
55-64	15%	44%	41%
65+	11%	56%	33%

Source: ENGINE Insights survey, November 12-17, 2020

We can speculate that this improvement for nearly one-third of young adults reflected, in part, some of them entering the labor force for the first time and their greater willingness to take on jobs exposing them to the virus.

While most Black Americans say that they have not been financially harmed by the Covid recession, a significant majority indicated concern about their financial futures. We asked the question: “Compared to early this year before the pandemic, how concerned are you about your financial future?” Nearly three-fifths (59%) responded that they were more worried, with 24 percent (of the total sample) saying they were “much more worried.” Twenty percent said they were less worried.

More Blacks with incomes under \$50,000 (61%), than those with incomes at least \$100,000 (53%) said they were “more worried.” But this eight-percentage point difference was surprisingly small. And there were no consistent age differences on this issue.

Greater Bank Promotion and Consumer Use of Automatic Savings Accounts Could Reduce Financial Worries

The 2019 Survey of Consumer Finances indicated that only 42 percent of Blacks have a traditional savings account and/or money market deposit account (MMDA), with median deposits of \$3,000. Not unexpectedly, the ENGINE Survey revealed a higher percentage of savings account ownership. In surveys, consumers consistently overestimate account ownerships, and online surveys, despite weighting, can underreport less educated households. Yet, less than one-third of all those surveyed (31%) indicated that they “have a savings account at a bank or credit union with sufficient funds to cover emergency expenses.” One likely reason for this low percentage is that only 38 percent of those surveyed said that “deposits to [their] savings account are made regularly and automatically.” Research has consistently shown that automatic savings is easier and more effective than individual saver deposits.

The ENGINE survey also asked those without a savings account the question: “Would you consider opening a savings account if your bank or credit union encouraged you to do so and charged no monthly fee?” Over four-fifths (82%) said they would, with one half of this group indicating they “would seriously consider it” and the other half saying they “would probably consider it.”

America Saves is a campaign managed by the nonprofit Consumer Federation of America that uses the principles of behavioral economics and social marketing to motivate, encourage, and support low-to-moderate income households to save money, reduce debt, and build wealth. America Saves encourages individuals and families to take the America Saves pledge and organizations to promote savings year-round and during America Saves Week. Learn more at americasaves.org.

[The Consumer Federation of America](https://www.consumerfed.org/) is an association of more than 250 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.

Stephen Brobeck and George Barany are founders of America Saves.