

MassMutual's State of the American Family
African-American Families



Executive Summary



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To understand the changing landscape of American financial security, MassMutual released the third wave of a nationally representative survey of American families. This research sheds light on families and their finances across the United States, including that of African-American families.

A community on the rise

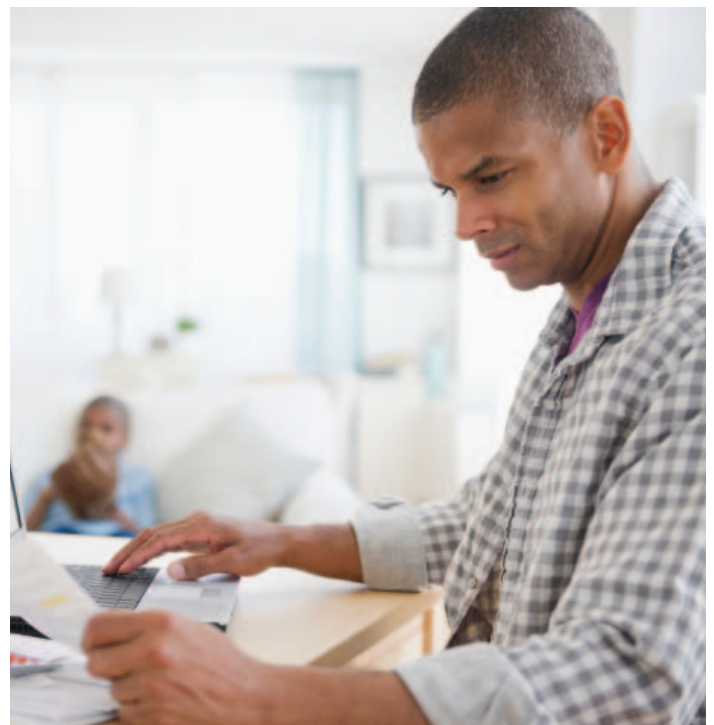
An increasingly powerful force in the American marketplace is the African-American segment of the population. Despite the considerable challenges that have plagued the U.S. economy as a result of the downturn beginning in 2008, the prospects for African-American families have generally improved. Household income is rising-up 45 percent since 2000.¹ African-American families are optimistic, resilient, and eager to learn about ways to improve their quality of life and secure the future for themselves and their families.

African-American families in some respects are struggling more than the general population. They are more likely to have single parent homes while working full time. Nearly a third have less than \$50,000 in household assets (counting their homes, other real estate, cars, personal belongings, and business interests), compared to only 17 percent of the general population. African-American families are among the least prepared for a financial emergency, as nearly half have only three months' or less worth of expenses set aside for an emergency. They carry a greater amount of debt compared to the general population, and are the least satisfied with their current financial situations (14 percent compared to 27 percent). One-third feel they should be doing more to save for the future, but instead are struggling to get by.

Despite these challenges, African-American families remain optimistic. Only 28 percent of African-Americans believe the American Dream is disappearing, compared to 40 percent of the general population. African-Americans continue to forge ahead in the face of adversity-personally taking hold of their finances in the interests of their families, being actively involved in financial decisions, educating their children on finances, and trying to ensure that their children are not unduly burdened by caring for their parents as they age.

The insights drawn from the results of this study help identify where the challenges lie, and, more importantly, how these challenges might be sufficiently addressed with better financial preparation and vigilance.

One-half of African-American families have less than 3 months of expenses set aside for a financial emergency



¹ Nielsen Pop-Facts Premier, 2013 update.

Putting family first

African-Americans have the broadest definition of family – they are most likely of any ethnic group surveyed to include their extended family members, friends, even the entire community. This more inclusive definition of family suggests a broader base of financial concern and responsibility as well, guiding their decision-making.

Three-quarters of African-American families make financial decisions based on what's best for the family

In addition, about three-quarters African-American families make financial decisions based on what is best for the family-compared to only two-thirds of the general population. African-American families are also very concerned with making sure their families will be taken care of financially in the event of their death.



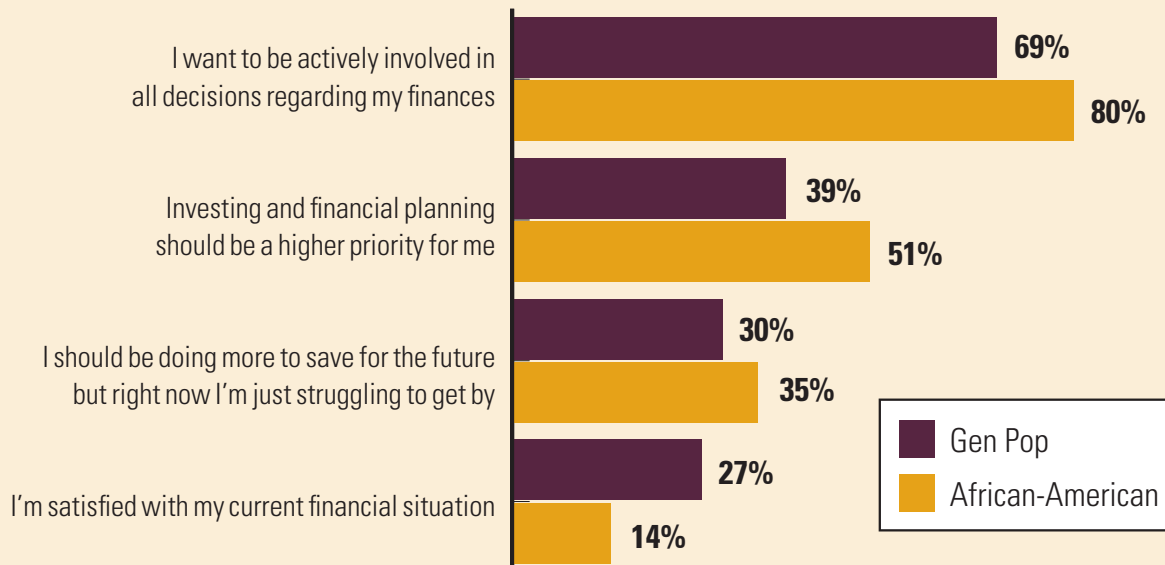
Active involvement in finances

Four out of five African-Americans want to be actively involved in all decisions regarding their finances – highest across all population segments. They read financial magazines 28 percent more than other consumers and spend more time on financial and investment websites.²

However, despite this strong desire to be very active in all decisions regarding money and investing, many African-Americans appear to be conflicted about their own financial circumstances. Compared to the general population, they are least satisfied with their current financial positions, believe they should be saving more, and know that investing/financial planning should be a higher priority for them.

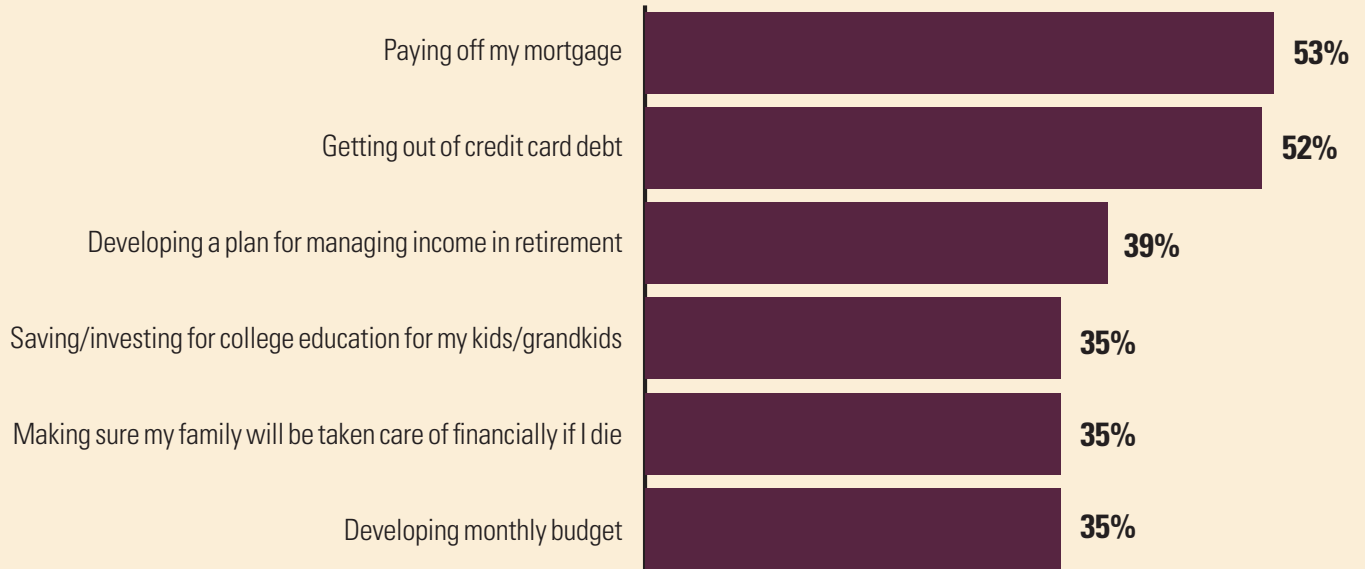
The primary financial challenge for African-American families is controlling debt. A higher percentage has credit card and student loan debt than does any other group. Almost three-quarters of African-American families have credit card debt (an average of \$12,018), compared to slightly more than half of the general population. Student loans are held by 28 percent. Three-quarters have mortgages, with nearly 30 percent owing more on their homes than they are currently worth.

Attitudes towards financial decisions for African-Americans



² Nielsen, NetView, total March 2013.

Top six financial priorities for African-Americans



Teaching children about money

African-Americans are more likely than any other group to say that, when making financial decisions, they consider what would be best for their families. Nowhere is this commitment to family more evident than in their attitudes about financial education for their children. African-American families wish, more than any other group, that their parents had taught them more about finances.

They also believe most strongly of any group in the importance of educating the next generation on finances, and are most likely to be actively involved in educating their children about money and investing. African-Americans are more likely than the general population to be actively seeking ways to educate themselves about finances as well. This forward-looking commitment to education is a good sign that the next generation will be more confident and successful at achieving their financial goals.

Avoiding burdening children with elder care

Consistent with the notion of investing in their children's future, many African-American families are reluctant to burden their kids when it comes to their retirement prospects. Nearly 70 percent believe it is important that their children aren't burdened to take care of them. Nowhere is this more evident than in African-Americans' approach towards their own retirement.

Less than one in three African-Americans has developed a plan for retirement, and only about four in ten has always been able to stick to it. Close to half have never even tried to figure out how much money they would need. African-Americans tend to have the least amount of money set aside for emergencies: about half have three months' worth of expenses to none at all saved for this purpose. High levels of debt and little savings can pose a danger to remaining financially independent in retirement.

Half are actively involved in educating their children on finances

However, African-Americans have made some wise investments towards their retirement planning. They are most likely of any group (83 percent) to have set up a retirement account, such as a 401k, and most likely to have life insurance. Almost two-thirds have purchased five times their salary or more in life insurance coverage – the most of any group. Over three-fourths have disability insurance, and almost two-thirds have long-term care insurance, also the highest rates of any groups.

On average, African-American families plan to retire at age 64. About half say this is older than they originally planned. The highest percentage of retirement income is expected to come from pension plans, followed by Social Security and personal savings.

Building optimism

African-American families are purposeful and creative, with a proud history of resilience in the face of obstacles. They are optimistic and eager to educate themselves as a means of improving life for themselves and their children. African-American women in particular have made impressive gains in recent years in education, employment and business ownership.³

African-Americans have had a profound influence in shaping mainstream American culture. As confidence grows within the African-American community in the areas of investing and financial planning, they will apply their creativity, their strong faith, their desire for education and their community spirit to the task of shaping secure futures for themselves and their families.

For more than 160 years, MassMutual has been providing strength and stability to generations of families. Like the many Americans who are placing family first, we are focusing on the people who matter most to us: our policyowners.



MassMutual offers the following tips to help African-Americans ensure their finances are on the right track:

Take charge of your household's finances. Sign up for free financial management tools, blogs, or other online resources. Conduct a formal review of your finances and protection products with a financial professional to help feel more confident in your family's security.

Managing credit card debt. Request a free copy of your credit score and review the findings. Revise your budget or cut back on some of the items you spend money on regularly so you can allocate more money to paying off debts instead. Pay off your highest-interest-rate debts first.

Teach and prepare future generations about finances.

Setting children up for financial success is vital, yet if you're like many parents, you might not know where to start. Explain the difference between wants and needs, and make a game of identifying, whenever the subject of money is mentioned, whether a particular item is a want or a need. Playing family board games, smartphone applications or engaging in activities that have a monetary component also can help kids learn in a fun way.

Start thinking about retirement if you're not already. Think about current expenses and future expenses to see if you are saving enough right now. The percentage of pre-retirement income your family needs to maintain your standard of living depends on your family's goals. If you are not on track to meet your goals, you may want to talk to someone who can help you create a plan.



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Methodology

The “State of the American Family” program, an in-depth series of research studies, is exploring the changing definitions and dynamics of families in this country. This multi-year initiative will produce a deeper understanding of the different forms families take, how factors like ethnicity and income affect family dynamics, how family members interact on financial and other matters, and trends that will shape families in the coming decade. The “State of the American Family” will provide America’s adults and children with the information and guidance they need to make responsible financial decisions.

The “State of the American Family” survey was conducted for MassMutual by the Forbes Consulting Group, LLC between February 4th and February 25th, 2013 via a 20-minute online questionnaire. The survey comprised 1,337 interviews with American households with children under age 18 for whom they are financially responsible. Interviews were conducted among men and women aged 25-64 with household incomes greater than \$75,000 (50 completes were allowed among 25-32 year olds with HH incomes falling between \$50,000 and \$75,000). Respondents had to contribute at least 40 percent to decisions regarding financial matters in their household to qualify. Results were weighted to the 2010 US Census distributions for age, gender, ethnicity, region, and same sex married/partnered couples to be representative of American families in this age and income bracket. This study includes trending data for survey waves conducted in 2009 and 2011.

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