

# MINORITIES AND MONEY

*By Michael D. Lee, MBA*

Minorities do not bank, buy insurance or invest in stocks in the same way as white Americans. For example, less than half of all Hispanics have credit cards compared to 80 percent of the population. Only 57 percent of middle-class African Americans have money invested in the stock market as opposed to 81 percent of whites. About 58 percent of Hispanic households had savings or checking accounts compared with 71 percent of black families and 93 percent of white households. Hispanics spend less than half of other groups on life and health insurance.

People from diverse cultures can be a large and growing market for companies in the financial services industry – if you know how to meet their unique needs. The U.S. Census Bureau estimates that minorities will comprise over one-third of the country's population by 2020. The Bureau says that the number of foreign-born residents have reached an all-time high of 56 million. In addition, there are 78 million multicultural Americans already here.

Developing a diverse clients base takes more than simply printing brochures in different languages or hiring bilingual tellers. It takes commitment and a willingness to adjust business practices to meet the unique needs of Hispanics, African Americans, Asians and people from the Middle East. While some Americans would prefer that people from diverse cultures simply adjust to us, their cultures are far older and ingrained than ours so if we want part of the \$1 trillion they spend here each year it is we who must change.

How can we customize our services to meet the needs of multicultural customers?

First, financial services companies must become aware of the specific cultures they serve. It's not enough to be aware that you have Hispanics or Asians as clients. The Hispanic culture is composed of many subgroups that are very different. Cubans are different from Mexicans who are different from South Americans. The Asian culture is composed of fifteen major subgroups that are not only different in terms of language and culture but many not even feel comfortable with each other. Chinese cannot converse with Japanese in their native tongues nor can either talk to Koreans, Vietnamese or Filipinos. Many of these groups have historically been mortal enemies and may be radically different views about finances.

Next, financial services companies must make a more concerted effort to hire more people of color. Their presence not only demonstrates a commitment to diversity but their awareness and sensitivity can help bring in new customers from all cultures.

Financial services have very complex products and services and we must educate our minority consumers. Asians, for example, are very good savers but gravitate towards larger, well-known banks because they are unaware of the safety that federal insurance can provide banks, savings and loans and credit unions regardless of size. Few minorities are aware of the differences between these institutions and the benefits each offers.

Culture also has an impact where lending is concerned. Many Asians believe it is a shame to owe money. Some Hispanics may not have well-established credit histories and require alternative methods to verify their credit worthiness. African Americans are sometimes concerned about discrimination and may prefer applying for loans online rather than in-person. Devout Muslims are prohibited by their faith from paying interest

and some creative lenders have developed “rent-to-own” programs to meet the needs of this group to finance everything from cars to homes.

Studies show that minorities in the United States have lower savings rates, invest less, are less likely to be knowledgeable about investing, begin financial planning later in life and invest more conservatively than other groups. As a result, they do not accumulate as many assets and are more likely to be impoverished when they retire. Don't these sound like perfect clients for financial services professionals?

The good news is these can be your clients if you're willing to learn about their unique needs and take the time to educate them about your products and services.

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