



# THE HISPANIC AMERICAN FINANCIAL EXPERIENCE

2014 Prudential Research



Prudential



## FOREWORD

# THE HISPANIC AMERICAN FINANCIAL EXPERIENCE

According to the most recent U.S. Census, Hispanics are the fastest growing population segment in the country, expected to grow 167% from 2010 to 2050. By comparison, the total population is only projected to grow 42% during the same timeframe. This continued and significant population growth will affect Hispanics' personal financial outlook, both in the short and long term.

As part of our ongoing commitment to better meet the financial needs of America's diverse communities, we conducted an in-depth survey of the Hispanic community to gauge their current economic situation, financial priorities and challenges. We explore where Hispanics may be similar to or differ from other communities as well as examine some of this community's needs that may impact their financial status.

Survey results depict a family-focused culture that is generally positive about where this community is today and what is expected for the next generation. Cultural beliefs about debt, strong multigenerational relationships often in one household, and potential retirement outside of the United States are just a few of the financial scenarios faced by the Hispanic community.

The Hispanic community is, on average, a young community. In fact, according to Pew Hispanic Center data and information reported by VotoLatino, one Hispanic turns 18 every minute of every day. This statistic, combined with the rapid population growth of the Hispanic community, affects U.S. labor force participation. By 2020, the Bureau of Labor Statistics projects that 30.5 million entrants into the labor force will be of Hispanic origin, nearly tripling the 10.7 million reported in 1990. These facts shape what financial needs Hispanics have today and will have in the future, especially when it comes to asset building and preparing for retirement. While similar challenges may affect many Americans, this survey provides insights into some of the characteristics specific to the Hispanic community as a whole.

At Prudential, we remain committed to helping all individuals build financial strength and confidence so they may have a brighter, more secure future. This is an important baseline survey in our signature series of research on diverse markets. We hope the findings ignite a dialogue that supports the financial health and growth of Hispanics and initiates industry action to better meet the needs of this important community.



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Figure 1: **Geographic Breakdown**

HEAVILY CONCENTRATED IN WEST

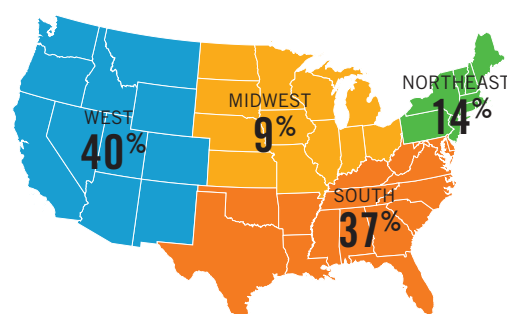
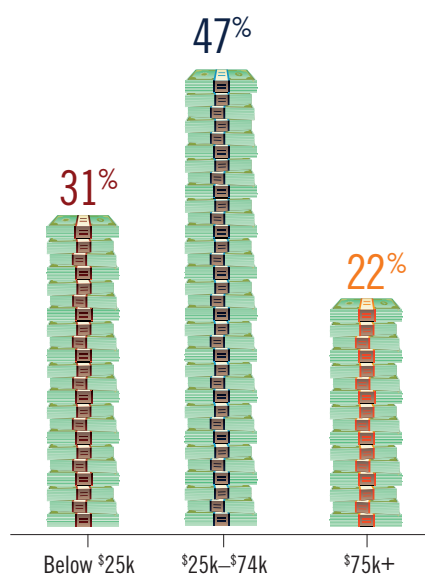


Figure 2: **Household Income**

MEDIAN INCOME \$40,400\*



\*Source: U.S. Census Bureau, American Community Survey, 2012; Prudential survey included participants earning a minimum of \$25,000 in household income.



## ABOUT THE PRUDENTIAL RESEARCH

### Methodology

Prudential's research, *The Hispanic American Financial Experience*, was conducted from October 28–November 18, 2013, by GfK Custom Research, Inc. in both English and Spanish. This survey polled 1,023 Americans who self-identify as “Hispanic” and survey questions encompassed a broad range of financial topics.

All participants met the following criteria:

- Age 25–70
- Household income of \$25,000 or more
- Some involvement in household financial decisions

This survey was designed to broadly represent characteristics of the 9.6 million Hispanic households with incomes of \$25,000 or more. It is important to note, however, that the Hispanic community is composed of a number of different groups with unique cultural experiences, traditions and history. Results reported at the total sample level (n=1,023) are subject to a margin of sampling error of +/- 5.5%.

### Sample Source

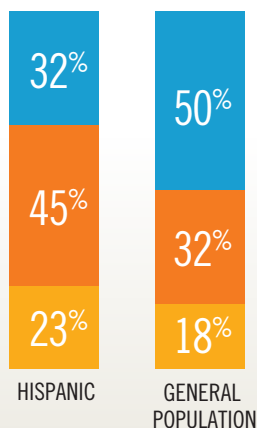
The sample source included participants sampled from GfK's Knowledge Panel Latino, which uses address-based sampling covering 93% of the U.S. Hispanic population. Non-Internet households that were sampled received a netbook and free Internet service to ensure broad coverage.

### Notes

- The term “Hispanic” is used consistently with the official U.S. government definition as included in the 2010 U.S. Census to refer to “a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race.”
- General population statistics are from the U.S. Census or from identical questions asked among 471 General Population consumers as part of Prudential's *The African American Financial Experience*, conducted March 7–19, 2013, using the GfK Knowledge Panel. Comparison results are included from *The African American Financial Experience* and from *The LGBT Financial Experience*, conducted August 2012 using Community Marketing, Inc.'s LGBT Research Panel.
- All results shown are percentages unless otherwise labeled. Percentages may not add up to 100 due to rounding and multiple responses allowed for some questions.
- Results of the survey reflect broad generalizations, averages and only some of the characteristics of the broadest depiction of the Hispanic community, as defined in the U.S. Census. As such, results or analyses do not necessarily describe some or all of the groups that comprise that community. Prudential recognizes that substantial variations in individual experience exist and this survey should not be used as a basis for assuming that all Hispanic customers have the characteristics cited.
- More information and survey results can be downloaded at [Prudential.com/Hispanics](http://Prudential.com/Hispanics).

Figure 3: **Age**

HISPANIC COMMUNITY IS YOUNGER; RESPONDENT MEDIAN AGE IS 42



BOOMERS/MATURES  
 GEN X  
 GEN Y

Figure 4: **Marital Status**

MORE LIKELY TO BE MARRIED OR LIVING WITH A PARTNER

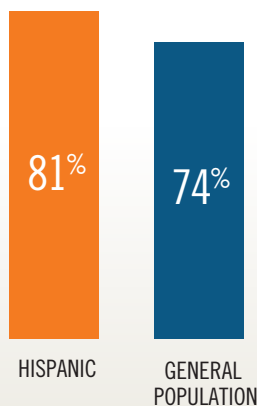
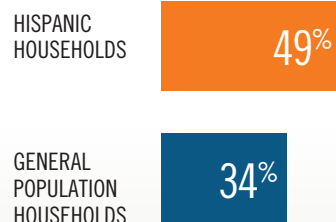


Figure 5: **Children**

MORE LIKELY TO HAVE CHILDREN UNDER 18





## SUMMARY

# KEY FINANCIAL THEMES FOR HISPANICS

## Higher Retirement Age

Retirement is expected to begin at age 63 for both the general population and African American community, while **surveyed Hispanics anticipate retiring at age 66 or older**. Once retired, the Hispanic community plans to remain active in the workforce, with 73% indicating they may work at least part time after retirement.

## Workplace-based Retirement Plans Underutilized

More than half of the Hispanics surveyed—regardless of income or country of birth—indicated a “poor” or “very poor” understanding of U.S. workplace-based retirement plans. Additionally, when compared to the general population, **the Hispanics surveyed generally have less access**

**(72% versus 83%) and lower contributions (71% versus 85%) to workplace-based retirement plans.**

These three factors combined may create financial challenges for Hispanics as retirement approaches.

## Retirement Outside the U.S. Creates Uncertainty

The Hispanic community may also experience hesitation in funding their workplace-based retirement plans because of questions raised when considering retirement outside of the United States. During retirement, **23% of respondents intend to divide their time equally between the United States and another country, while 7% intend to live primarily in another country.** One in 10 Hispanics not contributing to a workplace-based plan cite “not knowing what will happen to my money if I retire outside the U.S.” as a barrier.



## ‘Saver’ Mindset Prevails with Low Ownership of Financial Products

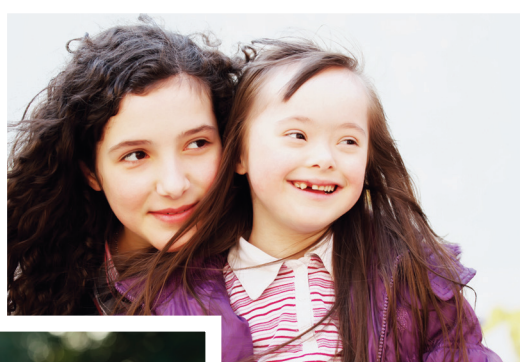
**Surveyed Hispanics most often describe themselves as savers** (versus investors), although many indicate they are neither savers nor investors. This is reinforced by low and conservative ownership of financial and insurance products. **Twenty percent of respondents indicated they did not have any of the products surveyed.** Among Hispanics who owned at least one of the financial products listed in the survey, a savings account is by far the most popular product.

**Language is a Barrier for Some, but Not the Community at Large**  
**Language is not a top barrier to financial education and confidence among the Hispanic community at large.** Instead, surveyed Hispanics indicate lack of trust of service providers and failure to understand different financial products and services as top barriers. It should be noted, however, that half of Hispanic participants who speak Spanish more often at home express a preference for Spanish-language informational materials and Spanish-speaking or bilingual advisors.

## Financial Advice, Greater Community Involvement Welcome

When compared to the general population, **Hispanics are half as likely to currently have a professional financial advisor and significantly less likely to have been contacted by a financial advisor**, regardless of income levels. Despite this disparity, survey





respondents are equally likely to work with a financial advisor, if contacted. Hispanics, like many other groups, often have very clear financial goals but may be unsure about how to achieve them, especially when family is ranked as the top source of financial information for current financial decisions. Given these factors, tremendous opportunity exists for financial advisors and financial services firms to engage the Hispanic community through increased community involvement and financial literacy opportunities.

### Multigenerational Support Influences Family Finances

Given the strong cultural focus on the family, **Hispanics have a higher occurrence of multigenerational support** when compared to the general population. Members of Hispanic households that were surveyed may include children (both above and below the age of 18), parents, grandparents, other relatives or friends. Financial support of these individuals may compete for resources. In addition to supporting household members, **four**

**in 10 non-U.S. born Hispanics surveyed send money to relatives in their home country**, with 77% sending money more than once per year.

### Income, Age and Birthplace Affect Financial Priorities

Differences in financial priorities and product ownership do exist by income, age and country of birth. **Hispanic respondents with lower incomes and those born outside of the U.S. place a higher priority on funding near-term goals** when compared to the general population. Near-term goals, such as education for their children, saving to purchase a home and supporting elderly family members, compete for household resources, resulting in less priority placed on saving for retirement.

### Consistent, Moderate Confidence Level Across Demographics

Overall, **Hispanics exhibit a financial confidence level** that is higher than the general population. Unlike other groups, financial confidence scores are highly consistent across participant demographics. Increased confidence is projected over the next two years, especially in the areas of the national economy and household finances.

### Debt Aversion Conflicts with Reality

The survey suggests that in the Hispanic community, personal debt is culturally taboo, as evidenced by **62% asserting that there is no such thing as “good debt”** and 49% indicating a preference to pay cash for an item or not buy it all. Despite the aversion to debt, the reality is that 69% of respondents indicate it’s nearly impossible to live debt free. This paradox may create educational opportunities for the financial services industry.



## NEAR-TERM PRIORITIES RANK HIGH

### Near-Term Financial Priorities

Financial priorities for Hispanic respondents (Figure 6) are often near-term goals that focus on improving their immediate financial situation by reducing debt, purchasing a home or creating an emergency savings account. In general, Hispanics have three financial priorities, which is on par with the general population.

**The most important financial priorities for Hispanics are saving for retirement (53%), reducing debt (52%), building an emergency savings account (42%) and funding education for children or grandchildren (31%).** Other than saving for retirement, the top Hispanic financial priorities rank higher than the general population.

### Consistency Between Priorities, Efforts and Future Goals

There is consistency when comparing Hispanics' financial priorities with what they are currently setting money aside for. The top financial priorities that respondents are currently setting money aside for include reducing debt (61%), saving for retirement (53%), building an emergency savings account (47%) and funding education for children or grandchildren (46%).

Similarly, Hispanics' future financial goals are consistent with current financial priorities. Survey participants indicated that, in the coming year, their financial goals include paying down debt (48%), tracking spending more carefully (42%) and saving more money in an emergency fund (37%). These three goals are significantly higher

Figure 6: **Important Financial Priorities**

|                                                                     | HISPANIC | GENERAL POPULATION |
|---------------------------------------------------------------------|----------|--------------------|
| Saving for retirement                                               | 53%      | 62%                |
| Reducing debt                                                       | 52%      | 50%                |
| Building an emergency savings account                               | 42%      | 41%                |
| Funding education for children/ grandchildren                       | 31%      | 18%                |
| Protecting existing investments and savings                         | 25%      | 47%                |
| Saving to purchase a home                                           | 23%      | 13%                |
| Having enough life insurance to protect your loved ones             | 23%      | 21%                |
| Saving for a major purchase other than a home (e.g., car, vacation) | 21%      | 20%                |
| Leaving an inheritance to your children or other heirs              | 17%      | 17%                |
| Supporting elderly family member(s)                                 | 15%      | 6%                 |
| Giving to charity                                                   | 12%      | 15%                |
| Funding a small business                                            | 9%       | 6%                 |
| Supporting special needs children                                   | 6%       | 4%                 |
| Other                                                               | 4%       | 5%                 |

Figure 7: **Important Financial Priorities by Income, Generation and Country of Birth**

HIGHER INCOME RESPONDENTS AND THOSE BORN IN THE UNITED STATES PLACE MORE EMPHASIS ON RETIREMENT.  
PARTICIPANTS BORN OUTSIDE THE U.S. PLACE STRONGER EMPHASIS ON CHILDREN'S EDUCATION AND SAVING TO PURCHASE A HOME.

| FINANCIAL PRIORITY                            | % SELECTING AS IMPORTANT | INCOME |        | GENERATION |       |                 | COUNTRY OF BIRTH |           |
|-----------------------------------------------|--------------------------|--------|--------|------------|-------|-----------------|------------------|-----------|
|                                               |                          | <\$75k | \$75k+ | GEN Y      | GEN X | BOOMERS/MATURES | NON-U.S. BORN    | U.S. BORN |
| Saving for retirement                         | 53%                      |        | 65%    |            |       |                 |                  | 57%       |
| Reducing debt                                 | 52%                      |        |        |            |       |                 |                  | 59%       |
| Building an emergency savings account         | 42%                      |        |        | 52%        |       |                 |                  | 45%       |
| Funding education for children/grandchildren  | 31%                      |        |        |            | 40%   |                 | 36%              |           |
| Protecting existing investments and savings   | 25%                      |        | 32%    |            |       | 37%             |                  | 28%       |
| Saving to purchase a home                     | 23%                      |        |        | 33%        | 29%   |                 | 25%              |           |
| Enough life insurance to protect loved ones   | 23%                      |        |        |            |       | 33%             |                  |           |
| Saving for a major purchase other than a home | 21%                      |        |        | 28%        |       |                 |                  |           |
| Leaving an inheritance to your children/heirs | 17%                      |        |        |            |       |                 |                  |           |
| Supporting elderly family members(s)          | 15%                      |        | 21%    |            | 21%   |                 | 20%              |           |
| Giving to charity                             | 12%                      |        |        |            |       |                 |                  |           |
| Funding a small business                      | 9%                       | 12%    |        |            |       |                 | 12%              |           |
| Supporting special needs children             | 6%                       |        |        |            |       |                 |                  |           |

than other goals and also trend with prevailing Hispanic financial concerns—household expenses (38%), debt level (33%) and savings level (33%).

While the top goals are clear, some Hispanics may be seeking additional assistance to achieve those goals. In assessing the confidence level of achieving their desired goals, surveyed Hispanics were confident but not highly

confident, so opportunities for improved financial planning, coupled with tools and resources to help achieve these goals, may be needed for this community.

### Impacts on Financial Behavior

With Hispanics, several factors impact their financial priorities. These factors include income, age and country of birth (Figure 7). Higher income respondents

and those born in the U.S. place more emphasis on reducing debt, saving for retirement, building an emergency savings account and protecting existing investments. Participants born outside the U.S. place stronger emphasis on children's education, saving to purchase a home, supporting elderly family members and funding a small business. Both Gen Y and Gen X are focused on saving for a home.



## STRONG FAMILY TIES INCREASE MULTIGENERATIONAL SUPPORT



### **Family Finances Often Multigenerational, Global**

The Hispanic community is extremely family-focused. Eight out of 10 Hispanics surveyed are currently married or living with a partner. Given the importance of family and the close-knit family structure within the Hispanic community, it is not surprising to find that many Hispanics are supporting relatives, both in the United States and their home countries.

Of the respondents, 67% reported financially supporting another person, including minor children, adult children, parents, other relatives and grandchildren. This compares to only 52% of the general population supporting extended family. Hispanics are five times more likely than the general population to support their parents. One in six Hispanics, or 16%, is currently supporting parents, compared to only 3% of the general population.

Forty-two percent of non-U.S. born Hispanics send money to relatives in their home country. Of those, 77% reported sending money to their country of origin more than once per year, with the median annual amount totaling \$600. Of the relatives supported in other countries, 65% are parents and 43% are siblings (Figure 8).

### **Non-U.S. Born Providing Even More Support**

Non-U.S. born Hispanics are often providing even more support to others. Of the survey participants who were born outside of the U.S., 70% reported supporting another person compared to 56% of U.S.-born Hispanics.

Figure 8: **Global Support of Relatives**

OF NON-U.S. BORN HISPANICS

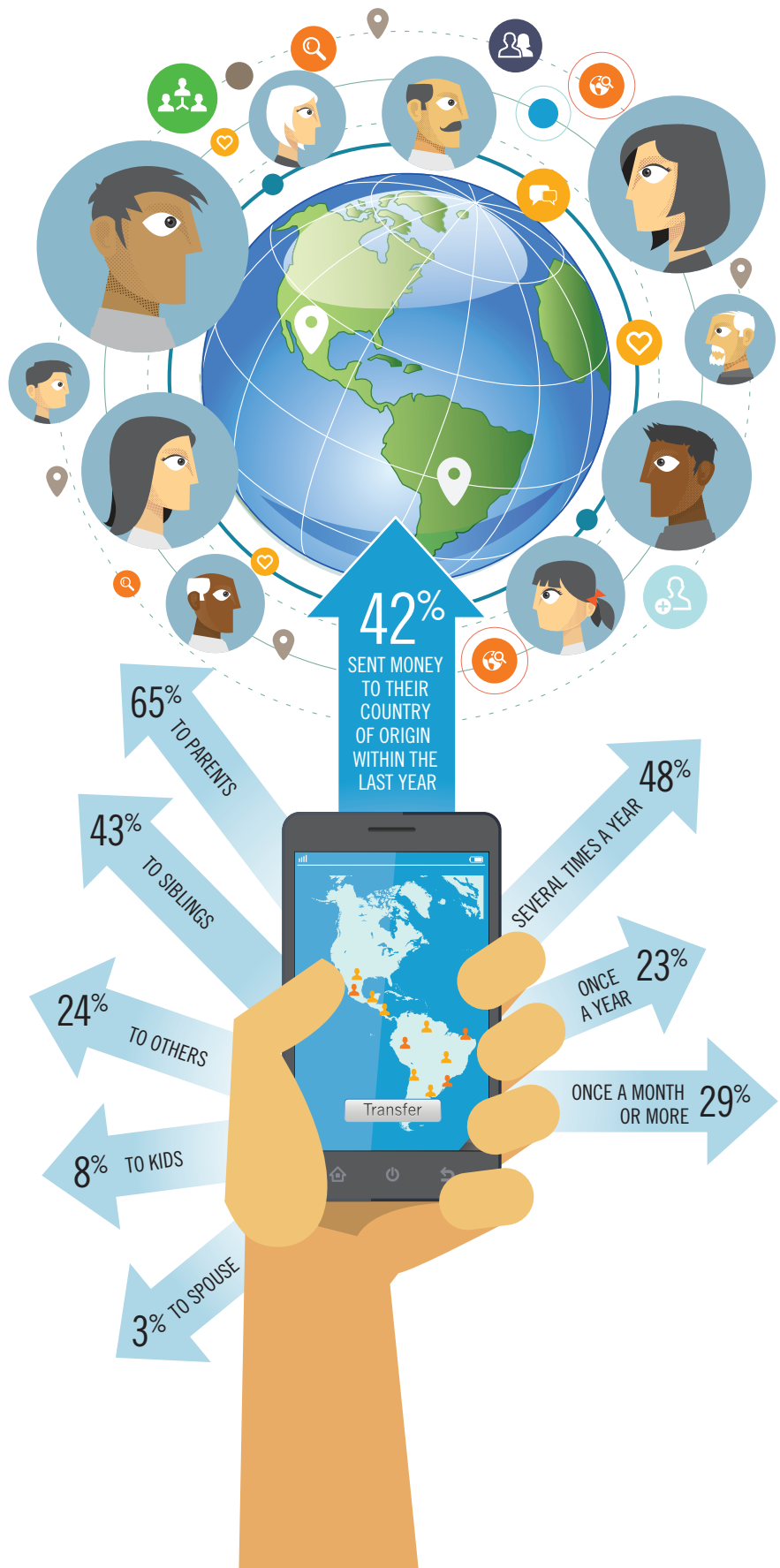


### Community Hit Harder by Unemployment

According to the Bureau of Labor Statistics, the average unemployment rate for civilian Hispanics from July to November 2013 was 9.1% (adjusted seasonally), as compared to 6.4% for civilian non-Hispanic Whites. This employment disparity demonstrates the continual effect the recession has had on the Hispanic community. This is even further supported by the fact that 13% of surveyed Hispanics indicated they are financially supporting someone unemployed and looking for work, compared to 7% of the general population.

### Employed and Pooling Financial Resources

To support their extended families in the United States and abroad, Hispanics are active in the workforce. Among those respondents in households with at least \$25,000 in income, 58% are working full time and 8% are working part time, similar to the general population. To boost household incomes, 13% of working Hispanics reported holding more than one job and in married and partnered households, 45% indicate that both spouses work. Non-spousal household members also contribute income in 12% of households.





## ATTITUDES ABOUT DEBT MAY HINDER WEALTH BUILDING

### Cultural Aversion to Debt

Culturally, there is a strong, negative stigma attached to personal debt, so in general, Hispanics seek to avoid it. In fact, 62% reported that there is no such thing as “good debt” while 49% indicated if they can’t pay cash, they simply do not buy the item.

Despite prevalent dislike of debt, 69% of respondents indicate it’s nearly impossible to live debt free and 77% feel that it is acceptable to take on debt for large purchases, such as homes, cars, college or a business. This makes for an interesting juxtaposition of community values versus reality. It also creates an opportunity for financial

education about the types of debt and potential advantages of “good debt” in reaching long-term goals, especially given that 35% indicated they would wipe out all of their savings before going into debt.

### Asset Building a Challenge

With a stronger focus on near-term goals, general asset building has been a challenge for the Hispanic community. In every category of assets—total financial assets, employer retirement plans and home equity—Hispanics trail the general population, even in higher income groups (Figure 9).

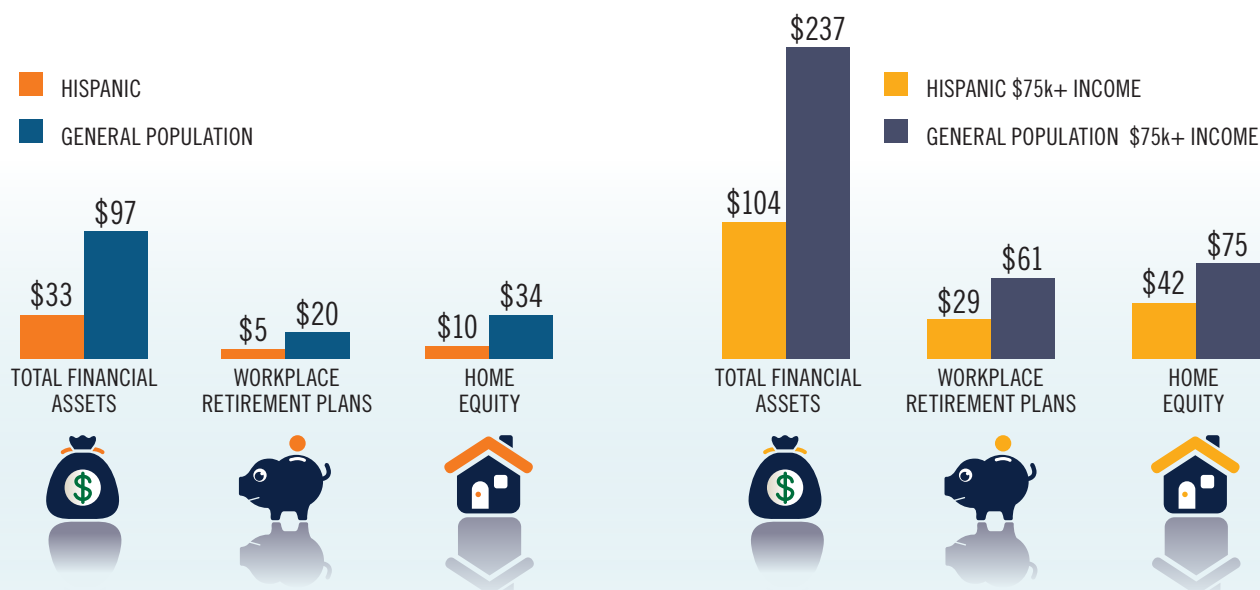


Like the African American community, there is also an income gap when compared to the general population; however, for the Hispanic community that gap is even greater. The median annual household income for Hispanic respondents earning \$25,000 or more is \$58,300, making it lower than the African American community (\$60,500) and the general population (\$77,700).

Hispanics earning at least \$25,000 in household income reported having \$33,000 in total financial assets compared to \$97,000 among the general population. Even in high-income households (\$75,000+), total financial assets lag behind the general population by \$133,000 (Figure 9).

Figure 9: **Comparison of Assets**

HISPANIC POPULATION TRAILS IN ASSETS, EVEN IN HIGHER INCOME GROUPS—MEDIAN ASSETS (IN THOUSANDS)



## MODERATE FINANCIAL CONFIDENCE CONSISTENT AMONG HISPANICS

The Prudential Financial Confidence Index establishes a baseline of the Hispanic community's confidence that can be tracked over time. Survey participants answer 10 questions related to current feelings and future outlook for household finances, local and national economy, and the financial industry's and government's attention to the needs of the Hispanic community. Each question had a score of 0–10 for a total potential score of 100.

### Moderate Financial Confidence

With a baseline score of 46 (Figure 10) on the Prudential Financial Confidence Index, the Hispanic community exhibits moderate financial confidence and outlook. When compared to the general population Financial Confidence Index of 43, Hispanics exhibit higher financial confidence; however, it is slightly less than the African American (49) and LGBT (48) communities.

### Few Variations Across Demographics

Unlike other groups, Hispanics' Financial Confidence Index scores are highly consistent across demographics. Hispanic men and women are equally confident with a score of 46 (Figure 10). Additionally, there are no significant differences in scores across the demographic categories of region, income, education and type of residence.

Hispanics who work with a financial advisor exhibit the highest confidence at 50. Interestingly, Matures (49) seem slightly more confident than the other generations, especially Boomers (45), but are relatively close in confidence to the youngest generation, Gen Y (47).



*“Target young couples, college and high school students to teach them the importance of saving and investing earlier in life.”*

—Hispanic Survey Participant



Individuals who speak both English and Spanish equally also exhibit a higher confidence (49) than Hispanics who are either English dominant (44) or Spanish dominant (46).

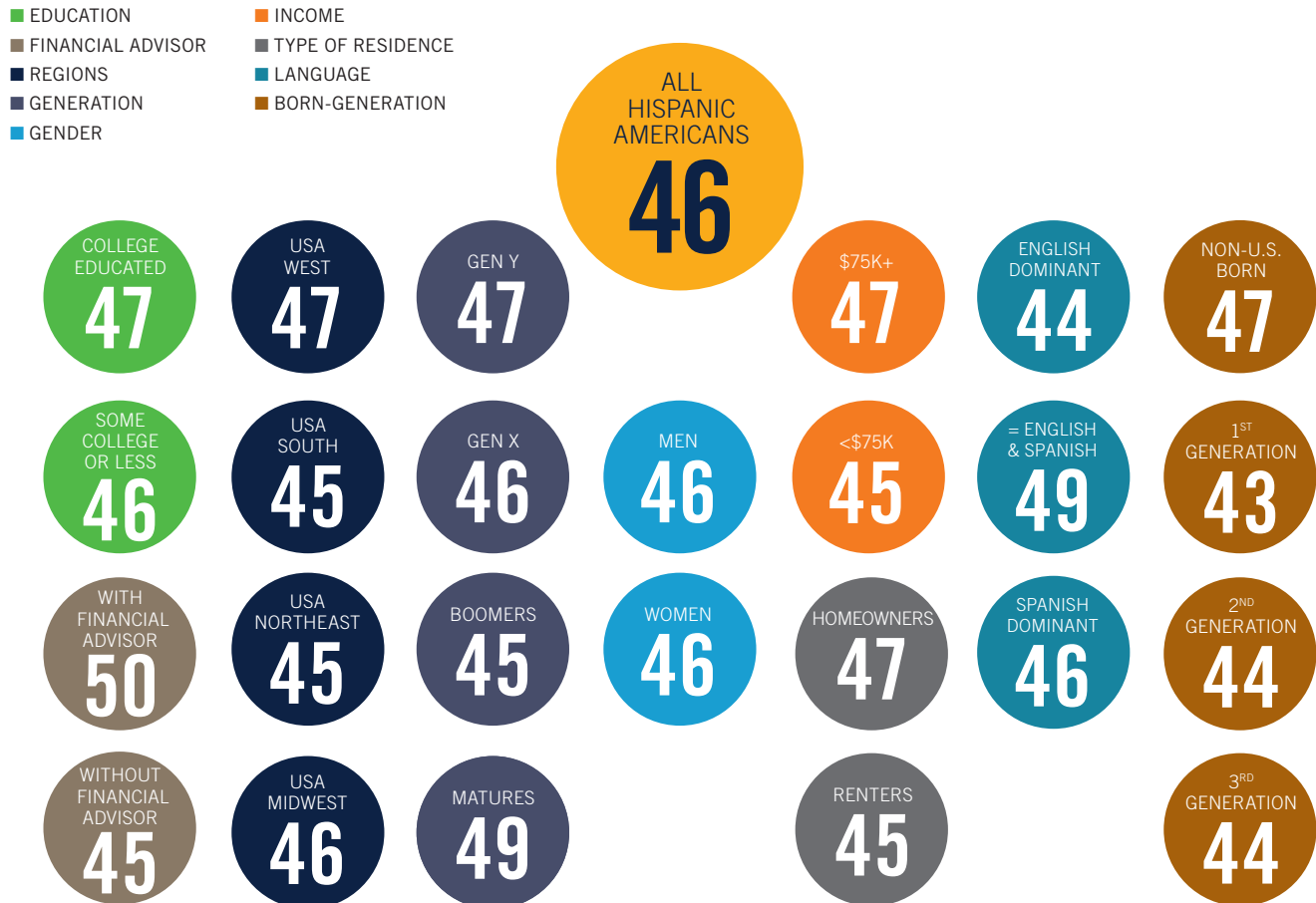
### Brighter Outlook Expected

Looking ahead, the Hispanic community is even more confident about their household finances, the local and national economy, and attention to community needs over

the next two years. Participants expect the greatest improvement in the national economy, projecting an “excellent” ranking increase to 16% from the current 2%. Household finances show the next strongest improvement, jumping from 19% to 32%.

When comparing the future outlook of Hispanics to the general population, four of the five categories surveyed—local economy, national economy, financial industry attention to needs and government attention to needs—are significantly higher than the general population. The two-year outlook for household finances between Hispanics and the general population are nearly the same.

Figure 10: **Confidence Index**



# HISPANICS OWN FEWER FINANCIAL PRODUCTS



Figure 11: **Financial Product Ownership**

| FINANCIAL PRODUCTS OWNED                                    | GENERAL POPULATION | HISPANIC | HISPANIC \$75k+ INCOME | GENERAL POPULATION \$75k+ INCOME |
|-------------------------------------------------------------|--------------------|----------|------------------------|----------------------------------|
| RETIREMENT                                                  |                    |          |                        |                                  |
| Workplace-based retirement plan (e.g., 401(k), 403(b), 457) | 51%                | 38%      | 50%                    | 60%                              |
| Workplace-based pension plan                                | 23%                | 16%      | 27%                    | 30%                              |
| Individual retirement account (IRA)                         | 39%                | 19%      | 34%                    | 52%                              |
| SAVINGS                                                     |                    |          |                        |                                  |
| Savings accounts                                            | 81%                | 62%      | 66%                    | 87%                              |
| Education savings accounts                                  | 6%                 | 4%       | 6%                     | 11%                              |
| INVESTMENTS                                                 |                    |          |                        |                                  |
| Individual stocks                                           | 23%                | 8%       | 15%                    | 33%                              |
| Individual bonds                                            | 11%                | 3%       | 5%                     | 17%                              |
| Mutual funds                                                | 20%                | 7%       | 12%                    | 27%                              |
| INSURANCE                                                   |                    |          |                        |                                  |
| Workplace-based life insurance                              | 47%                | 28%      | 37%                    | 51%                              |
| Individual life insurance                                   | 37%                | 25%      | 33%                    | 42%                              |
| Annuity                                                     | 13%                | 5%       | 7%                     | 17%                              |
| Long-term care insurance                                    | 13%                | 4%       | 7%                     | 16%                              |
| Disability insurance                                        | 16%                | 11%      | 15%                    | 19%                              |



### Access to Money Important

When it comes to owning financial and insurance products, 20% of Hispanics indicate they did not have any of the products surveyed, which included retirement plans, bank accounts and life insurance. This percentage is double those from the general population and African American community. The most popular financial product held by surveyed Hispanics is a banking account such as a checking or savings account, money market account or certificate of deposit. At 62%, this is the highest-ranking product, but it still falls significantly behind similar ownership among the general population (81%) and African Americans (73%).

This financial product ownership preference may indicate that some members of the Hispanic community prefer fast and easier access to money. Echoing this preference, 16% of Hispanic respondents cited not wanting to tie up their money as one of the reasons for not contributing to their retirement plans.

After banking accounts, the most widely owned financial product is a workplace-based retirement plan (38%), but again is significantly lower than the general population (51%) and African Americans (45%). Life insurance provided by an employer ranks third highest in product ownership for Hispanics at 28%, which again is lower than the general population and African Americans, 47% and 43%, respectively.



### Income is a Factor in Product Selection

When segmenting the responses by income, a slightly different picture emerges. Hispanics earning more than \$75,000 more closely resemble the general population when it comes to ownership of retirement and insurance products. For example, half of higher income Hispanics have a workplace-based retirement plan, one-third have an IRA, and one-third have an individual life insurance policy.

### More Conservative, Risk-Averse Community

When asked to describe themselves, 37% of Hispanics indicated they are more of a “saver” than an “investor.” However, many (36%) say they are “neither a saver nor an investor.” This statistic may indicate a conservative or low-risk financial strategy, which may also correspond with low and conservative ownership of financial and insurance products as shown in Figure 11.



### Education Opportunities for Wealth Building

Based on these results, there are significant opportunities for engaging the Hispanic community in expanded education about wealth and asset building. Excluding the 21% of respondents who indicated they didn't know the value of their household assets, 58% of Hispanics surveyed cited household assets (excluding home or business) totaling less than \$50,000. Given the aspirational nature of the Hispanic community to better equip the next generation to achieve the American Dream, tools and resources could be helpful in this endeavor. Additionally, financial advisors can help guide Hispanics in diversifying their portfolios to balance access to cash with longer-term investment strategies. Greater involvement in the Hispanic community is a key strategy to increasing educational awareness of these concepts.

# INCREASED EMPHASIS ON RETIREMENT NEEDED

## Hispanics Plan to Retire Later and Continue to Work

In the Hispanic community, the anticipated retirement age indicated by non-retired Hispanics is 66, which is three years later than the general population. Additionally, 12% of respondents indicate they intend to retire at age 75 or later, compared to only 4% of the general population. Once retired, 73% plan to continue working at least part-time.

## Less Access To and Use of Workplace-based Plans

Understanding the U.S. retirement system is complex for many Americans, including Hispanics. When asked to self-assess their understanding of the U.S. Social Security System and U.S. workplace-based retirement plans, 56% of surveyed Hispanics indicated a “poor” or “very poor” understanding in both categories. In addition to not fully understanding the entire system, questions specific to their employers’ plan may contribute to less participation. For example, 17% of employed Hispanics are unsure of whether their employers provide matching retirement contributions, compared to only 8% of the general population.





Employed Hispanics also have less access to workplace-based retirement plans. Only 72% of individuals earning more than \$25,000 have access to a retirement plan through their employer, compared to 83% of the general population. This number is even lower (68%) for Hispanics born outside the U.S. versus those born in the U.S. (78%). Of those who do have access to workplace-based retirement plans, only 71% of Hispanics report they contribute to the plan versus 85% of the general population.

Less access and lower contributions are only two parts of the equation. A third part is that retirement only generates a moderate concern or worry among Hispanic respondents. Although slight differences based on income exist, only 25% worry about their ability to retire. Household expenses, health care costs, savings and debt level—all near-term concerns—are ranked as higher concerns than retirement, especially for Hispanics earning less than \$75,000.

### **Retirement Location Raises Questions**

Underutilizing workplace-based retirement plans may only be one aspect contributing to the retirement savings gap. Thirty percent of Hispanics surveyed intend to spend their retirement living in another country, either part time or full time. Questions about disbursement and tax implications upon retirement may create hesitation in funding workplace-based plans as 10% of participants indicated an uncertainty about what would happen to their money if they retired outside of the U.S.

### **Others' Needs Compete with Retirement**

When compared to the general population, Hispanics place a higher priority on funding education for their children and grandchildren, saving to purchase a home and supporting elderly family members. With these near-term goals that focus primarily on family needs competing for household resources, there is less priority placed

on saving for retirement. Currently, only 53% of Hispanics cite saving for retirement as an important financial priority. By comparison, 62% of the general population and 55% of African Americans consider it a priority.

### **Sources to Fund Retirement**

Of the non-retired Hispanics surveyed, 29% believe only one funding source for retirement is needed versus 19% of the general population. At 62%, Social Security is the highest expected source of funding during retirement, followed by personal savings (52%) and workplace retirement plans (51%). However, all three categories show results lower than the general population. Because 73% plan to continue working at least part time once retired, it is not surprising that 26% of non-retired Hispanics plan to fund their retirement with supplemental income from a job.



## WILLINGNESS TO WORK WITH LOCAL FINANCIAL PROFESSIONALS

### Receive Less Contact from Advisors, But Open to Advice

Tremendous opportunity exists for financial advisors to expand their contacts with the Hispanic community. When compared to the general population, Hispanic respondents are only half as likely to have been contacted by a financial advisor (27% versus 55%). Surveyed Hispanics are also half as likely as the general population to currently have a professional financial advisor;

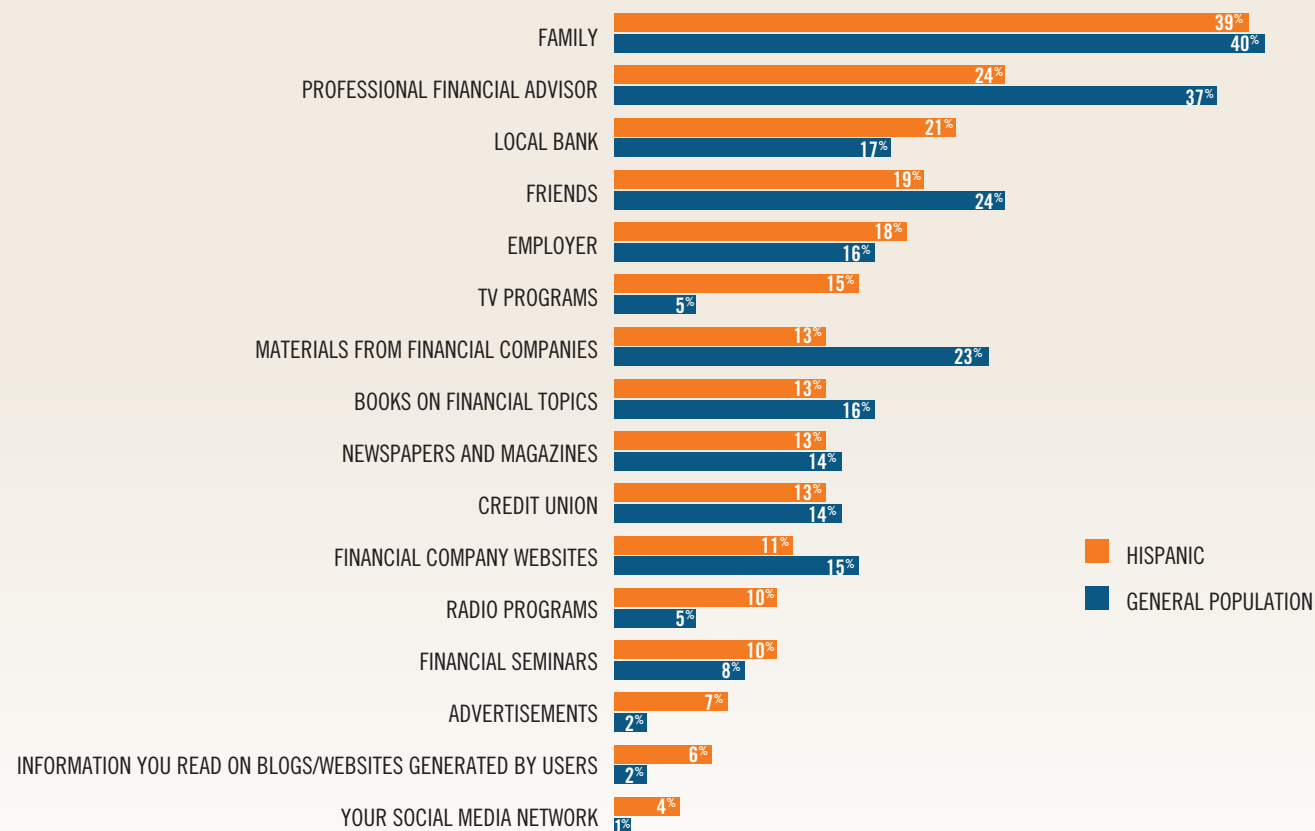
only 15% reported currently working with a professional advisor versus 30% of the general population. Even among higher household incomes (\$75,000+), Hispanics receive less contact from financial advisors. Yet, Hispanics are equally as likely to work with a financial advisor, if contacted.

In general, Hispanics are looking for a financial advisor who understands their needs and goals (51%), explains

investment options clearly (44%) and creates a personalized financial plan (37%). Like other communities, Hispanics are most interested in sound financial advice from advisors they trust who offer assistance that relates to their specific situations. To support that assertion, 86% indicated that ethnicity or race did not matter when choosing a professional financial advisor. In fact, Hispanics' strongest preference is for an advisor involved in the local community.

Figure 12: Sources of Financial Knowledge

HISPANICS ARE MORE LIKELY TO USE TV AND RADIO PROGRAMS, ADVERTISEMENTS AND SOCIAL MEDIA AS SOURCES OF FINANCIAL INFORMATION THAN THE GENERAL POPULATION.



*“I feel Hispanics are family-oriented people, so [financial services companies could better] inform them about how services will benefit families in the present and in the future.”*

—Hispanic Survey Participant

### Hispanics Rely on Friends and Family for Information

The community is an important hub of information. When asked about the important sources of financial information used to make current financial decisions, family and friends rank as top sources for a combined total of 58% (39% family; 19% friends). Newspapers and magazines, books and TV programs (combined) rate as the next highest source at 41%, while local banks and credit unions (combined) rank at 34%. Professional financial advisors total 24%, which is significantly less than the general population (37%).

### Key Barrier is Trust

The language of financial services is challenging for both English and Spanish speakers. When identifying challenges faced by Hispanics in obtaining financial products or services, receiving information in a preferred language ranked extremely low (7%). Instead, Hispanic respondents experience more difficulty with trusting providers of financial products or services (18%), understanding different financial products and services (14%), and not knowing where or who to go to for information (13%).

However, language becomes a factor when English fluency level is considered. Among Hispanics who speak Spanish only or predominantly

Figure 13: **What actions could financial services firms take to better meet the needs of the Hispanic community?**

SURVEY RESPONDENTS PROVIDED THEIR OWN COMMENTS. THE MOST FREQUENTLY OCCURRING COMMENTS WERE COMPILED IN THE FOLLOWING WORD CLOUD.

**Be more involved  
in the community**

**Communicate in Spanish**

**Financial education for the community**

**Tailor products/services to the community**

**Provide jobs for Hispanic workers**

**Communicate in Hispanic media**

**Use easy to understand language**

at home, 50% rate having a bilingual financial advisor as important. Similarly, 49% of Spanish-dominant Hispanics indicate that having information provided in Spanish is important.

### Financial Community Involvement is Desired

Among survey respondents, 44% believe that financial services firms have effectively engaged and shown support for the Hispanic community. Although

this number is significantly higher than the African American community where only 26% felt they were effectively engaged and supported, it still indicates a strong need for financial services firms to become more involved with the Hispanic community. Offering financial education and providing products and services to help meet their clients' specific financial needs would also be welcomed.

## TREMENDOUS OPPORTUNITIES TO IMPROVE FINANCIAL STRENGTH

Prudential is proud to release this survey calling attention to insights into the current financial position, confidence and values of the Hispanic community while better understanding the financial priorities and challenges this large and diverse community faces today. The data create an important baseline measurement that can be used to track future progress of the fastest growing population segment in the country. While there is enormous variation within subsets and between individuals within the Hispanic community, the broad trends and characteristics of the community identified in this survey can be used to develop strategies for expanded growth in this critical market.

While current financial confidence is moderate and shows signs of projected improvement over the next two years, preparing for long-term financial security remains an important challenge.

However, with that challenge comes tremendous opportunity. Greater engagement of the Hispanic community by financial services companies and advisors can help build trust and create better understanding of the unique financial scenarios Hispanics often encounter in their households. This could dramatically and positively affect the long-term health and stability of the overall community and its members.

Examining the many wealth-building opportunities within the Hispanic community can encourage a critical dialogue within the financial services industry. We hope this will lead to identifying better ways to serve and meet the needs of this important community and better position the community for an even brighter, more secure future.





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