Racial Wealth Inequality

How can the financial services industry improve wealth accumulation for African Americans?

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Aims: This article examines the impact of racial wealth gaps in America and why it is essential to rectify these discrepancies. The purpose of this study is to review the financial service industry's role in improving the economic well-being of African Americans, how insufficiencies in financial investment activities have contributed to racial wealth inequality, and how the financial sector can leverage financial education to help improve economic outcomes for the African American community by changing financial behavior.

Methods: The study utilized meta-analysis to examine how African Americans approach saving, investing, and wealth accumulation. Additionally, it examined how African American financial advisors could leverage behavioral finance to improve levels of financial literacy education and financial activities to enhance the economic well-being of African American clients (Arthur, 2012; Guiso & Viviano, 2014). In addition, twenty-three African American financial advisors participated in a series of qualitative interviews that captured data relative to their professional experiences, along with recommendations on how the financial industry can improve wealth accumulation for African Americans (Merriam & Tisdell, 2015).

Results: Studies have shown that differences in financial literacy efficacy and limited relationships with financial planning professionals negatively impact progressive financial activity behaviors of African Americans and serve as a critical factor in wealth disparity between White Americans and African Americans despite similarities in general education and income (Shapiro, 2017; Williams, 2013).

Conclusions: Research has shown that the first step in accomplishing the goal of improving wealth accumulation for African Americans is to significantly increase the percentage of African American financial advisors within the industry. The study corroborates findings that the financial service industry's role in increasing asset accumulation for African American clients could be achieved by increasing the number of African American financial advisors who can aid in administering financial education programs and delivering financial advice designed to improve financial investment behaviors of African American clients, which would accelerate wealth accumulation.

Introduction

Insufficient financial investment activity has negatively impacted the economic well-being of African Americans for generations. This lack of financial efficacy has prevented African Americans from taking advantage of and benefitting from investment and stock market gains at a rate comparable to White Americans. Research has shown that only 55% of African Americans invest in the stock market, compared to 71% of White Americans. These differences in investment activity have been identified as contributing to the wealth gap between African Americans and Whites (Ariel Investments and Charles Schwab & Co., Inc., 2021; Hudson et al., 2018; Lusardi, 2005). In addition, the median monthly savings rate for White Americans is 76% higher than for African Americans, $693 for White Americans compared to $393 for Blacks Studies show that African Americans are also less inclined than White Americans to possess or own any type of financial instrument other than fixed-income assets and whole life insurance policies. Furthermore, only 21% of African Americans receive any type of family inheritance compared to 51% of White Americans (Ariel Investments and Charles Schwab & Co., Inc., 2021). Consequently, the U.S. Federal Reserve reports that the median net worth of African American families of $24,100 in 2019 was 83% lower than White families, whose median net worth was $142,500 (Bhutta et al., 2020). This problem has significantly contributed to economic inequality for African Americans compared to Whites (Taylor et al., 2011).

This article examines the impact and consequences of the racial wealth gap in the U.S. on American society, specifically the African American community. In addition, an assessment will be provided that outlines the importance of why steps should be taken to narrow the racial wealth gap in America. Finally, the analysis will review recommendations that may potentially resolve the problem of racial wealth inequality in America, along with multiple benefits relative to implementing such strategies. Recommendations outlined in this article include increasing the number of African American financial advisors who serve as financial educators and improving the delivery of financial planning strategies to the African American community in general and current and potential African American investors specifically.

The Impact of the Racial Wealth Gap in America

A study by Sullivan et al. (Wolla & Sullivan, 2017) has shown that during the past 40 years, America has become more racially diverse and more segregated regarding wealth accumulation. Their investigation reveals that while the population percentage of people of color increased during this period, the wealth gap between White Americans and people of color widened. While the population percentage of minorities in America is expanding (Frey, 2018), African Americans own only 6% and Latinos only 8% of the wealth held by White Americans, who “control 42% of the nation's wealth” (Sullivan et al., 2015, p. 5). Research has also demonstrated that while the percentage of people of color steadily increases, an inverse correlation is evident to the racial wealth gap. Data from the Urban Institute shows that in 1963 the median net worth of White Americans was 193% greater than African Americans and Hispanics, which was $47,655 (McKernan et al., 2017). However, while the population percentage of White Americans decreased by 30% from 1960 to 2016 (U.S. Census Bureau, 2021), their median net worth increased to $171,409, which is 450% greater than the net worth of African Americans which was $17,409 and Hispanics which was $20,920 (McKernan et al., 2017). Research has shown that while the racial wealth gap has hurt people of color economically throughout history, these financial discrepancies have also affected society and the economy (Herring & Henderson, 2016).

The Effect of Racial Wealth Inequality on American Society At Large

Research has shown that racial inequality has negatively impacted African Americans financially and adversely impacted America's social and economic well-being (Herring & Henderson, 2016). Racial inequality has elevated medical and health-related issues, increased societal unrest, and reduced social goodwill (Wilkinson & Pickett, 2011). Research has also identified lower life expectancy in underserved communities as an indirect result of racial wealth inequality in the United States (Kaplan et al., 1996; Wilkinson, 2002). In addition, studies show that racial wealth inequality in America has impacted social problems, evidenced by heightened levels of depression, alcoholism, drug use, and criminal activity (Layard, 2003). Finally, there is evidence of diminishing levels of potential economic growth as a consequence of negligence related to fully realizing possible consumerism of underserved populations within the financial services and other economically beneficial sectors (Milanovic, 2011).

The Effect of Racial Wealth Gap on U.S. Economic Growth

The enduring legacy of racial wealth inequality in the U.S. has significantly strained the African American community and burdened the country's economy (Noel et al., 2019). Based on research conducted by Shawn Rochester (2018), the estimated cost to the American economy of ongoing racial wealth inequality and consequential racism from the beginning of slavery in 1619 to the present day is approximately $70 trillion.

Researchers have long claimed that foundational economists such as Adam Smith espoused the idea that wealth inequality helped create growth in certain economies (Berg & Ostry, 2011, 2017). However, studies have also shown that Smith viewed high levels of wealth inequality as constraining long-term economic growth. The research also showed that Smith expressed concern about the impact of excessive wealth disparity on society and the quality of fiscal expansion (Fleischacker, 2013; Rasmussen, 2016). Research suggests that extreme wealth inequities within a wealth system are abnormal (Boucoyannis, 2014). In addition, according to Smith, an economy with sustained growth is "always just and equitable" (Smith, 2016, p. 96). According to Smith, property is broadly distributed in an economy without extreme wealth inequality. High taxation is appropriate if impartial and unbiased legislation is necessary to protect all citizens from financial manipulation (Boucoyannis, 2014).

Research conducted by World Bank economist George R.G. Clarke (1995) supports this hypothesis. Clarke's findings have shown that wealth inequality negatively impacts economic growth. Subsequent studies conducted by the International Monetary Fund (IMF) demonstrate a correlation between wealth inequality and constrained economic growth (Berg & Ostry, 2011). In addition, the IMF's research reveals that wealth inequality limits an economy's ability to maximize potential development. Wealth inequality also decreases the quality of the country's institutions (Berg & Ostry, 2017). In addition, it negatively impacts the gross domestic product (Dabla-Norris et al., 2015). In the United States, research has shown that racial wealth inequality has cost the economy $16 trillion in reduced GDP from 2000 to 2020 (Hallett, 2020). According to a 2020 study conducted by CitiGroup, racial wealth inequality in the U.S. contributed to stark reductions in potential African American economic activity in the following categories:

- $2.7 trillion in reduced consumer and investment spending
- $213 billion in lower potential housing sales and related expenditures
- $113 billion in lost income due to more difficult access to higher education
- $13 billion in lost business revenue and 6.1 million potential jobs lost per year, resulting from unfair and inequitable lending practices to African American entrepreneurs (Peterson & Mann, 2020)

Research conducted by Roberto Perotti (1996) provides recent examples of the impact of racial wealth inequalities on the U.S. economy. Perotti investigated several possible causes of how such inequality would impinge upon economic growth. Perotti found that wealth inequality is linked to lower investment in human capital, reduced educational development, and higher infertility rates, all of which led to lower economic growth. Perotti also discovered that wealth inequality is connected to increased tax reapportionments that lower the potential for savings and investments, which can slow economic growth. Perotti concludes by claiming that societies with higher wealth inequality often have more significant social problems, resulting in less human capital investment and lower potential economic growth.

According to economist Branko Milanovic (2011), wealth inequality impairs investment in human capital and slows economic growth. Research has also shown that wealth inequality negatively impacts economic development for all American citizens. However, it has an even more significant effect in underserved communities. Studies show that the persistence of racial wealth inequality in the U.S. has also caused significant gaps in home ownership and securities investment activity within the African American community (Peterson & Mann, 2020).

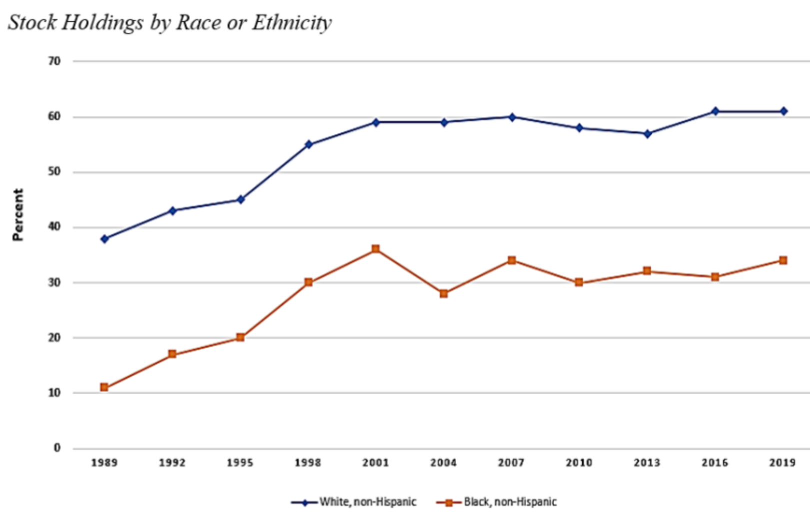
The Effect of Wealth on Housing Inequality

Multiple studies have shown that racial wealth inequality has led to wide disparities in homeownership between White Americans and African Americans throughout history (Burd-Sharps & Rasch, 2015; Derenoncourt et al., 2021; Peterson & Mann, 2020). According to the U.S. Census Bureau (2021), approximately 72% of White Americans are homeowners compared to 47% of African Americans. Based on research conducted by Pedro Da Costa (2019) of the Economic Policy Institute (EPI), African Americans have failed to reach and maintain wealth through homeownership equal to White Americans from 1940 through 1960. Between 1999 and 2011, the racial wealth gap reached its highest point in 2007. Median wealth, including home equity wealth, was $244,000 for White Americans and $63,000 for African Americans. However, data also points out the tremendous wealth discrepancies between African Americans and White Americans, even with homeownership levels (Burd-Sharps & Rasch, 2015). Research has shown that differences in home equity value have caused unofficial housing segregation. Such practices have sustained the homeownership gap between White Americans and African Americans, widening the racial wealth gap in America (Aranda, 2019).

Increasing Investment Activity and Improving Wealth

In addition to inequalities in homeownership, studies have shown that African Americans possess fewer investment assets than White Americans (Peterson & Mann, 2020). Though 98% of Whites and Blacks own assets, 71% of White Americans owned marketable security assets compared to 55% of African Americans. In 2019, only 33% of African American households owned equity investments (e.g., stocks), compared to 61% of White American households (Choe, 2021). According to the Federal Reserve (2020), this gap in stock ownership between Whites and Blacks represents a 45% difference in equity investment holdings which has remained relatively consistent over 30 years from 1989 to 2019, as illustrated in Figure 1.

Figure 1

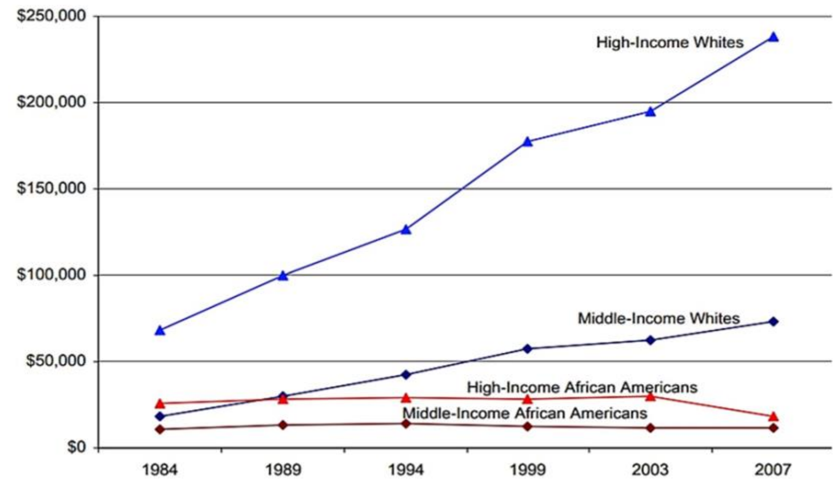


Note: Adapted from data derived from Stock Holdings by Race or Ethnicity by The Federal Reserve, 2020. (https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/) Copyright © 2020 by the Federal Reserve.

According to research conducted by Natella et al. (2014), African American investors with an income comparable to their White American counterparts tend to be more risk-averse and more inclined to invest in lower-yielding investments such as certificates of deposit (C.D.s), bonds, real estate, or life insurance instead of historically higher-yielding stocks. Between 2010 and 2020, one of the highest-yielding bond mutual funds yielded a 40% return, compared to a 257% return for the highest-yielding stock mutual fund during the same period. According to Natella et al., the tendency of Black investors to purchase investments that they feel are safer, yielding less return over time, limits the ability of many Black investors to increase wealth compared to White investors.

Figure 2

Median Wealth Holdings by Income, 1984-2007



Note: Used with permission from The Racial Wealth Gap Increases Fourfold by T. Shapiro, T. Meschede, and L. Sullivan, 2010, Brandeis University. (http://iasp.brandeis.edu) Copyright © 2021 by the Heller School for Social Policy and Management at Brandeis University.

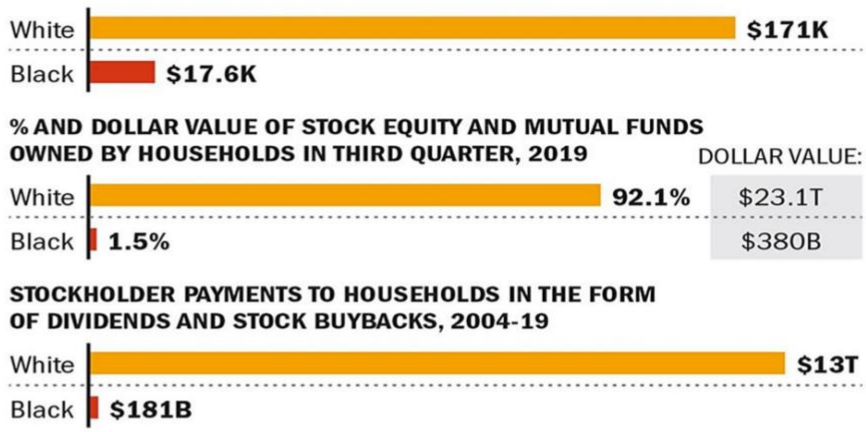
Studies have shown, as illustrated in Figure 2, that the discrepancy in stock ownership between Whites and Blacks is one of the critical factors in the ever-widening racial wealth gap (Choe, 2021; Shapiro et al., 2010).

Additionally, differences in retirement savings are another factor contributing to the widening racial wealth gap, as opposed to income disparity. Research has shown that Blacks' retirement savings rate through defined contribution plans (401k) and individual retirement accounts (IRA) is significantly lower than Whites' with similar incomes. The median retirement savings for White Americans aged 25 to 61 is currently $79,500, compared to only $29,200 for African Americans (Wills, 2021). Studies have revealed that 49% of eligible White American employees contribute to 401ks compared to 32% of African Americans (Morrissey, 2016). Research has also shown that 50% of White Americans use IRAs, of which 36% invest in higher-yielding assets such as stocks. In comparison, only 15% of African Americans used IRAs for retirement savings, and only 9% invested in stocks (Posner, 2020). Research shows that a successful outcome would be an increase in the percentage of African Americans who use 401ks (currently 32%) and IRAs (currently 36%) to save for retirement to levels comparable to Whites, 49%+ of whom use 401ks and 50%+ of whom use IRAs. In addition, raising the percentage of African American investors who use higher-yielding assets such as stocks as investment vehicles within these retirement accounts from 15% to 36% would also fulfill this goal.

Finally, as illustrated in Figure 3, studies have shown that another benefit of investing in higher-yielding stock is being eligible for equity dividends and securities redemptions. Research shows stockholder payments to White American households, 61% of whom owned higher-yielding stock, of $13 trillion between 2004 to 2019 (Choe, 2021), compared to $181 billion distributed to African American households, only 33% of which owned stock (Choe, 2021; Peterson & Mann, 2021).

Figure 3

Stock Ownership Accelerated Racial Wealth Gap



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Closing the racial wealth gap is vital because such measures will narrow income, educational attainment, housing, and wealth within the African American community. These measures will also improve the financial performance of private-sector companies and the U.S. economy (Hunt et al., 2015).

Importance of Narrowing the Racial Wealth Gap

The resolution of this problem lies in creating higher levels of financial literacy aptitude and changes in investing behavior for African Americans. Such improvements can significantly aid in building wealth as African Americans manage personal finances (Atkinson et al., 2015). However, differences in financial socialization and education approaches have served as barriers to increasing wealth accumulation and long-term economic well-being for African Americans. Enhancing financial education can improve financial behaviors, assisting in wealth accumulation and improving economic outcomes over time (Lusardi & Mitchell, 2011a). In addition, changes in financial behaviors can alter the continuous course of personal wealth inequality for African Americans (Lusardi & Mitchell, 2011b). This problem is critical to address because, without improvements in financial literacy education and subsequent financial behaviors, the median net worth for African Americans is projected to be $4,845 by 2024 and $0 by 2053 (Asante-Muhammad et al., 2017).

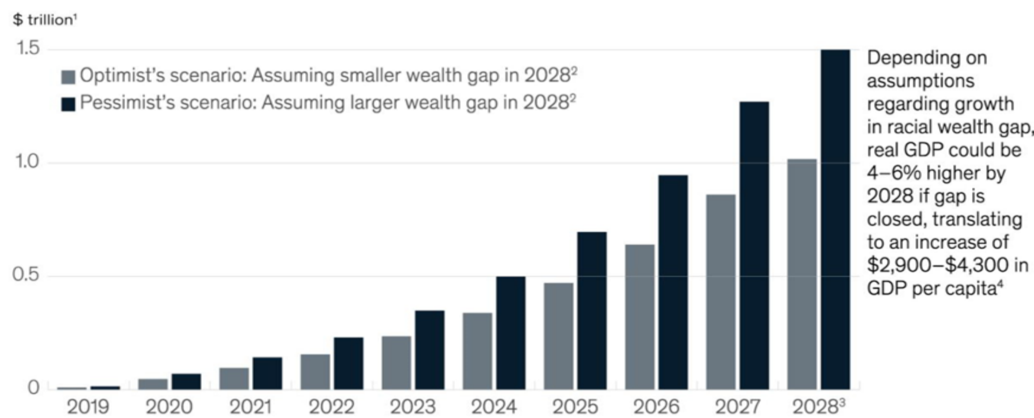
Financial advisors can play a critical role in changing these financial behaviors, which would help African Americans increase wealth and benefit the financial services industry. By increasing African Americans' access to financial products, the financial services sector could create approximately $2 billion in additional annual revenue (Florant et al., 2020). And if the median wealth and stock investment rates increased for Blacks to a level comparable to that of Whites, the financial services industry could realize $60 billion in additional annual revenue (Florant et al., 2020).

Studies have also shown that incentives exist for private sector businesses, the U.S. economy, and even the global economy to narrow or eliminate the current racial wealth gap (Patterson & Mann, 2020). Private sector companies in the top 25% of workplace diversity have a more racially diverse and inclusive customer base and are 36% more profitable than companies in the lower 25% of workplace and customer diversity (Hunt et al., 2015).

Finally, the U.S. economy would benefit from increased African American wealth. Closing the racial wealth gap today could add $1 trillion to $1.5 trillion in U.S. GDP and $5 trillion to the global economy by 2028 (Noel et al., 2019). As illustrated in Figure 4, additional studies have shown that closing the racial wealth gap could add $16 trillion to the U.S. economy over 20 years. The gross domestic product could increase annually by 0.4% for the U.S. and 0.1% for the global economy during this period (Peterson & Mann, 2020).

Figure 4

Real GDP Increase From Closing Racial Wealth Gap



[1]2018 dollars.
[2]Assumes that, over time, wealth gap will close in linear fashion, reaching scenario's assumed targets by 2028.
[3]$2,631 billion–$3,990 billion in nominal dollars.
[4]$7,500–$11,400 in nominal dollars.
Source: "2016 survey of consumer finances," Federal Reserve Board, September 2017, federalreserve.gov; Oxford Economics; McKinsey Global Institute analysis

Note: Used with permission from "The Economic Impact of Closing the Racial Wealth Gap" by N. Noel, D. Pinder, S. Stewart, III, and J. Wright, 2019 (https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap).

Studies have shown, too, that improving the rate of full financial inclusion of African Americans and members of all underserved communities in banking and investing serves as a critical strategy for narrowing racial inequality in America (Florant et al., 2020).

Recommended Solutions to Narrow Racial Inequality in America

Research has shown improved customer satisfaction at financial service firms that leverage financial education programs. These companies are more effective in building client relationships, leading to greater levels of customer trust and loyalty, which result in increases in revenue over time (EVERFI, 2018). In their research, Ariel & Schwab (2021) demonstrated that the lack of trust in financial services firms is a leading cause of African American investors' reluctance to invest in the stock market: 23% of African American investors (and 20% of White investors) feel that financial services firms are untrustworthy. Ariel & Schwab state that only 35% of Black investors believe they are treated with respect and professionalism by these institutions compared to 62% of White investors who feel they receive adequate respect. Their study also showed that 63% of Black investors are more inclined to consider a firm's racial diversity before becoming a client, compared to only 27% of White investors. According to Ariel & Schwab, only 21% of Black investors say they are willing to work directly with an advisor, and 65% of those investors reported feeling disrespected by their financial services firm. Government research reveals that the U.S. financial services industry does not have a diverse financial advisor population. The country's racial mix is 57.8% White, 16.7% Hispanic, and 14% Black (U.S. Bureau of Labor Statistics, 2021). However, according to one study, 82% of financial advisors are White, and only 3% are African American (Diaz et al., 2020).

New investor and planner relationships could result in better economic outcomes for African American clients, narrowing the wealth gap and, as noted above, add a projected $60 billion in additional annual revenue for the financial services industry from African American investors (Florant et al., 2020). Increasing the percentage of investors who work directly with financial advisors would improve the financial decision-making acumen of Black investors through financial education and financial planning, and according to a 2021 study conducted by U.S. Bank (2021), African American investors are twice as inclined to work with African American financial advisors.

Increase the Percentage of African American Advisors

The findings outlined above with regard to improving African American economic well-being inevitably led to the conclusion that the financial services industry needs to increase the number and percentage of African American advisors working in this sector. Studies have shown that improving the rate of full financial inclusion of African Americans and members of all underserved communities in banking and investing serves as a critical strategy for narrowing racial inequality in the United States (Florant et al., 2020). By significantly increasing the number of African American advisors to attract more African American investors, the financial services industry (Munk, 2021).

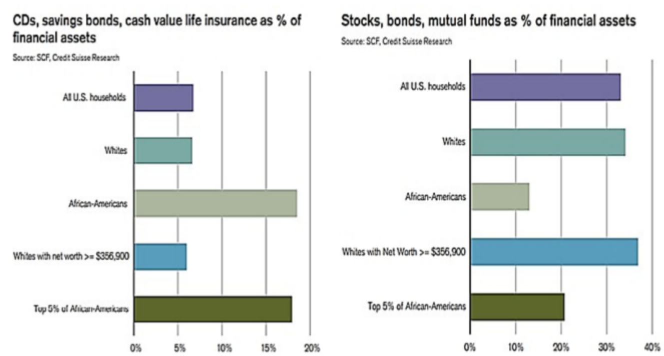
Though African Americans make up 14% of the U.S. population, only 3% of the financial service industry's 551,000 advisors are African American (U. S. Bureau of Labor Statistics, 2021). The 2015 study by McKinsey & Company cited above showed that organizations with high levels of ethnic diversity have a 35% greater potential to produce better financial outcomes than less diverse ones (Hunt et al., 2015). The study also revealed a direct correlation between racial diversity and performance: Each 10% increase in racial diversity in senior management resulted in a 0.8% increase in average earnings for U.S. companies.

A 2021 U.S. Bank (2021) survey of 4,000 affluent investors showed that 61% of Black respondents stated that improving their financial education was important, compared to 46% of non-Black respondents. Additionally, the study pointed out that an overwhelming majority of the survey's African American respondents "wanted to see themselves reflected in the financial teams helping them" (U.S. Bank, 2021, p.14).

Research has also shown that working directly with a financial advisor can help investors define investment goals, develop investment plans, and create diversified portfolios (Anspach, 2021). Research conducted by Natella et al. (2014) and Ariel and Schwab (2021) shows that the investment portfolios of White investors, who work with financial advisors at a greater rate than African Americans, are more diversified. As illustrated in Figure 5, the investment portfolio of the top 5% wealthiest African Americans contains 12% in stocks, bonds, and mutual funds compared to 37% for White American investors. Natella et al. also revealed that certificates of deposit, savings bonds, and life insurance policies represent 18% of investment portfolios of wealthy Black investors compared to only 6% for White investors.

Figure 5

CDs, Savings Bonds, Cash Value of Life Insurance, Stocks, Bonds, and Mutual Funds as a Percentage of Financial Assets



Note: Used with permission from "Wealth Patterns Among the Top 5% of African Americans" by S. Natella, T. Meschede, and L. Sullivan, 2014, Credit Suisse Group (p. 18). (https://www.credit-suisse.com/about-us-news/en/articles/media-releases/42428-201411.html). Copyright © 2014 by Credit Suisse Group

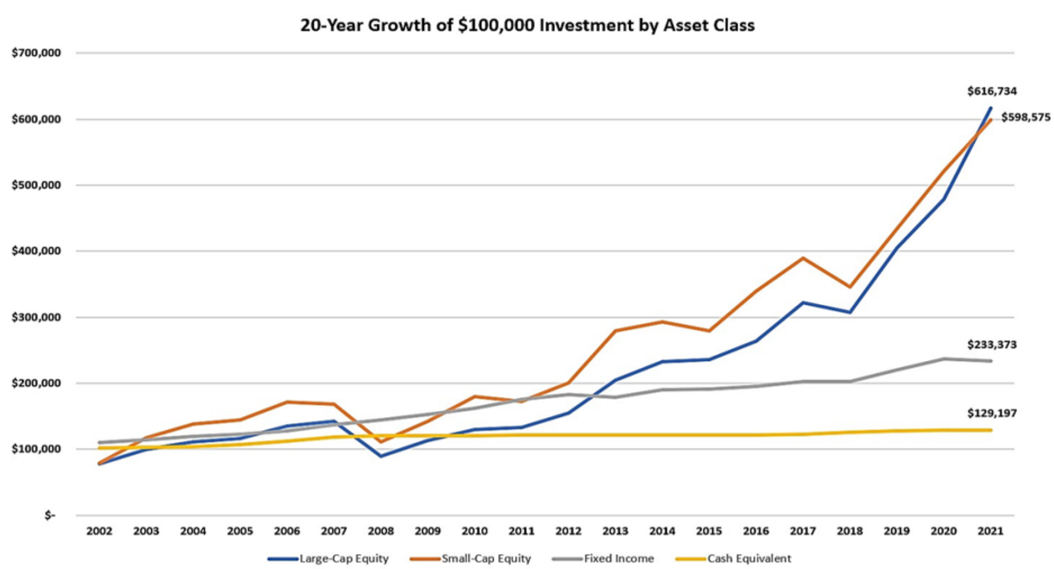
Financial advisors can help investors build diversified portfolios, focusing on asset allocations that combine stocks, bonds, and cash. This process is critical for creating higher investment returns and more significant growth over extended periods (Cussen, 2021). Studies indicate that 80% of African Americans state that given the current state of financial inequality in the Black community, they understand the importance of working with a financial advisor and actively seeking expert help from these professionals (Pechter, 2019). The same research also revealed that, of this 80% of African Americans, 65% expressed a desire to meet with financial advisors regularly to review their financial plans compared to only 49% of the general investor population. African American investors are eager to work closely with financial advisors. The financial services industry can help facilitate the creation of these relationships by increasing the number of African American financial advisors.

As previously mentioned, data from the U.S. Bureau of Labor Statistics (2021) reveals that while African Americans comprise 14% of the U.S. population, they represent only 3% of the financial service industry's 551,000 advisors. In contrast, the BLS reports that while White Americans represent 57.8% of the U.S. general population, 82% of financial advisors are White Americans. Based on these figures, the financial services industry would need to hire an additional 99,349 African American advisors to reach a level of commensurate with the percentage of African Americans (14%) in the general U.S. population. A vast increase in African American advisors would mutually benefit African American investors and the financial services industry: The financial services industry could increase its annual revenue by $2 billion if current Black investors used financial products at similar rates to White investors (Florant et al., 2020). These studies also reveal that if Blacks reach a comparable level of investment activity and wealth accumulation as Whites, the financial services industry could add $60 billion in annual revenue from African American investors (Florant et al., 2020). To capture this $60 billion in additional revenue from Black investors, the financial services industry should consider a long-term strategy that would ultimately result in hiring approximately 100,000 African American financial advisors.

Research shows that investors working with financial advisors have improved investment decision-making relative to creating goal-oriented investment portfolios that increase wealth over time (Hube, 2021). As illustrated in Figure 6, if an African American client invested $100,000 at the beginning of 2002 in a large-cap stock growth equity portfolio, it would have been worth $616,734 by the end of 2021. However, research shows that most Black investors would invest $100,000 in more conservative investments such as cash equivalent investments (Natella et al., 2014). As a result, such investment strategies would amount to significantly lower returns—as low as $129,000 if invested in cash equivalents—over this same period (Callan LLC, 2021).

Figure 6

Estimated Returns Based on Investment Type



Note: Adapted from Callan Periodic Table of Investment Returns data: Year-End 2021. Retrieved June 26, 2022 (https://www.callan.com/research/2021-classic-periodic-table/). Copyright 2022 by Callan LLC.

In accordance with the quantitative analysis, based on their experience, all of the study's qualitative financial advisor interview participants expressed the need for the financial services industry to increase the number of African American advisors to help improve the delivery of financial education and investment behavioral activities within the African American community. Because of the mutual benefits to both African American investors and the financial industry, the sector should pursue a strategy to eventually hire as many as 100,000 African American financial advisors. Such a strategy would allow the industry to increase annual revenue while also increasing the net worth of its African American clients (Florant et al., 2020).

Training Advisors as Financial Educators Focused on Behavioral Finance

Research findings strongly suggest that increasing the number of African American financial advisors could profoundly impact the African American community's ability to build substantial wealth (Barbour, 2021; Boskamp, 2021; Florant et al., 2020). To ensure that these advisors are fully equipped, it is recommended that they focus on continuous learning and education to be trained as financial educators, gaining a deep understanding of psychological and behavioral finance. This specialized training can significantly enhance their client's economic decision-making skills, aligning with previous research (Baker & Ricciardi, 2015; Çera et al., 2020).

As financial educators, African American financial advisors play a crucial role in reshaping the financial decision-making skills of African American investors. They can significantly deepen their clients' financial knowledge by delivering financial advice using behavioral finance concepts. Research has shown that African American financial advisors could leverage continuous education to improve levels of financial literacy and financial activities to enhance the economic well-being of African American clients (Arthur, 2012; Guiso & Viviano, 2014). This approach can shape clients' financial capability and improve their long-term financial outcomes (Horton, 2021). It is of utmost importance to train African American financial advisors as financial educators who deeply understand the role of behavioral finance in reshaping African American clients' financial decision-making skills. This would benefit the African American community and enhance the professional growth of financial advisors, boosting their confidence and credibility when communicating with clients through ongoing continuous learning and education (Xiao & Porto, 2019).

Research has shown that the first step in accomplishing the goal of improving wealth accumulation for African Americans is to significantly increase the percentage and continuous financial education of African American financial advisors within the industry. Studies have corroborated findings that the financial service industry’s role in increasing asset accumulation for African American clients could be achieved by increasing the number of African American financial advisors who can aid in administering financial education programs and delivering financial advice designed to improve financial investment behaviors of African American clients, which would accelerate wealth accumulation (Merriam & Tisdell, 2015).

Conclusion

Insufficient financial literacy education has negatively impacted the economic well-being of African Americans for generations. The racial wealth gap in America has had adverse effects on society, ranging from increased social unrest to decreases in citizens’ health and life expectancy along with reductions in American economic GDP. Studies have also shown that the problem of racial wealth inequality is a cause of ongoing issues related to housing inequality and decreased financial resiliency within the African American community. Even though the problem of racial wealth inequality in America is daunting, research points to various recommended strategies the financial services industry could implement that may potentially resolve this problem. Those strategies include vastly increasing the number of African American financial advisors who serve as financial educators and improving the delivery of financial planning solutions to the African American community in general and to current and potential African American investors specifically. As outlined in this study, research has shown that taking these prescribed steps of resolving racial wealth inequality in America would be mutually beneficial for the African American community, the financial services industry, the U.S. economy, and American society at large (Florant et al., 2020; Noel et al., 2019; Peterson & Mann, 2020; Pew Charitable Trusts, 2015).

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