



## **Upward Mobility and Wealth Building for Black America: The Financial Services Industry Responds By Promoting Racial Equality and Financial Well-Being**

### **Executive Summary**

Racial injustice and inequality have followed a certain playbook for decades, and no matter the statistics or the screams for help, they have always continued.

It is time that our nation actually understands those marginalized and mistreated for so long. As the only non-profit, accredited institution dedicated to financial services education, we believe that the financial services industry has a pressing obligation to effect change given its role in helping people accumulate, retain, and distribute wealth. For far too long, those people have been predominantly white and already affluent—a cycle of entitlement that must stop in favor of a platform that promotes upward mobility and wealth building in Black America.

A viable, actionable plan for sustainable, generational change will help narrow the wealth gap, and have a lasting effect on how the profession best serves a fast-becoming majority-minority nation. These are the financial industry's future customers. Standing on the frontlines now will afford the profession a monumental opportunity to understand these communities and support their financial needs.

As an industry, we can repeat the efforts of the past and achieve the same insufficient outcomes, or we can find common ground around a generational cause. The College proposes that the financial services industry devotes its financial and intellectual capital to participate in these *Four Steps Forward*.

1. **Develop financial literacy programs for Black women designed to address systemic wealth inequality and empower financial well-being.** The glaring, yet underfunded problem of failing to empower Black women illustrates that the wealth gap extends beyond gender roles. Copious research points to the challenges—childcare costs, student loan debt, generational and familial obligations—and the opportunities to empower many Black female single parents and push more Black households out of poverty.
2. **Create a national platform that can be executed locally, with community-focused initiatives and the financial and intellectual capital of national organizations.** By working alongside local professionals, corporate America can create lasting change in how Black communities view and establish wealth. Such a platform will require the best financial and investment tools at the profession's disposal, as well as the boots on the ground that understand policies that can deliver the greatest impact. COVID-19 has demonstrated that urgency for impact can bring organizations together and drive expedited efforts to deliver something tangible for the benefit of society.

3. **Identify next-generation Black leaders at financial services firms and develop their leadership, interpersonal, and relationship skills through an executive program that helps them break through the corporate ceiling in a white male dominated environment.** Blacks need far more opportunity to move from middle management into positions of corporate power and influence. Participating professionals must have a white senior executive colleague to mentor, sponsor, and develop them in their role and career progression at the company. This corporate commitment at the highest level is simply non-negotiable.
4. **Commit to purposeful professional development in the form of recruiting more Blacks into financial services, developing a study-group blueprint that equips Black professionals with the knowledge to get these groups off the ground, and rallying financial services firms and trade organizations to identify top white advisors to lead professional study groups and serve as mentors.** It is time that the industry looks more like our fast-becoming majority-minority nation. Yet, Black professionals often feel shut out from predominantly white networks. An approach focused on creating and fostering a collaborative, inclusive environment will improve how Black professionals view their career prospects and become successful.

Everyone says that this time seems different. The financial services industry has the opportunity – and the obligation – to make sure it really is different.

As former Supreme Court Justice Thurgood Marshall once said, “We must dissent from the indifference. We must dissent from the apathy...from the fear, the hatred, and mistrust. We must dissent from a nation that has buried its head in sand. We must dissent because America can do better, because America has no choice but to do better.”

### **Existing Challenges That Require Tackling the Status Quo**

We have all heard the stories of Black men and women navigating America’s densest housing projects – the malnutrition, the financial stress, the entrenched inequalities in our system that eventually boil over. It is no mystery that Black Americans have become fearful of cops, of creditors, even of each other as their survival instincts take over.

This is what it *is*, not what it has *become*. While corporate America has condemned the actions that led to George Floyd’s death through spokespeople and social media managers, a crisis communications response will not mitigate future injustices, like the killing of Rayshard Brooks outside an Atlanta Wendy’s restaurant. While this step will fill a news cycle, left alone, it will not fill the void of needed leadership and a real sustained effort to improve the lives of many Black Americans. Despite million-dollar philanthropic pledges and anti-discrimination projects over decades, the embedded systemic challenges the Black community face remain.

America is laying bare its weakness in this moment of immense pain. It is time that our nation not only hears, but also understands, those marginalized and mistreated for so long. This request is bigger than a commitment to hiring a few more Black men and women, setting up a diversity council or cloaking systemic racism and the struggles that Black people face with a program that means well, but stops a few steps short of feeling uncomfortable. A more aggressive approach led by a broader coalition across the nation has expressed its willingness to act.

## **The Financial Services Industry Must Lead Through This Time**

The Black community's needs are not new, and they have only become more urgent over time. We have witnessed how the effects of socioeconomic factors on healthcare inequity have played out in sad reality during the COVID-19 pandemic. The deep-rooted inequalities in the criminal justice system are again part of the public discourse, reflecting on how police officers actually police Black communities as well as the disproportionate number of Black men and women currently incarcerated or part of the system via probation or parole. We also cannot forget where inequalities begin, in educational and economic systems that have left so many in the Black community behind and struggling to catch up.

Americans and community-minded companies can seize this opportunity to commit to impactful change on these issues and others. As a nation, our legacy proves that success over a shared threat comes through rising as one. We need powerful institutions, like those in the financial services industry, to act now to lead the way in the critical areas they know best and to become a change agent and platform for progress rather than to merely mirror societal norms.

Recent events and the nation's response present an opportunity to establish a new standard for racial equality and financial well-being. It is time for the financial services industry to finally address the systemic issue underneath these inequality patterns.

Just as this nation evolved and tried to move past the stain of slavery, we must stand up now. A coalition of financial leaders can have a tremendous impact on the profession and the national economy by bringing all of their expertise across sectors to the table to affect real, lasting change during this moment in our nation's history. We can teach and guide the Black community to look at assets with a long-term view in the same way financial services firms look at their organizations. Only with this foundation can we define wealth at the community level and deploy organizational knowledge to help put these Black communities on a path to upward mobility and wealth building.

Defining wealth inside overwhelmingly Black communities is also an important exercise at the organization level, as America evolves into a majority-minority nation within the next 20-30 years. Pursuing this opportunity will improve how firms build business relationships with these communities and target specific products and services to match particular financial needs and goals. These communities are full of current and potential clients, employees, and future leaders—so by doing good for them, organizations can gather the intelligence needed to build sustainable businesses and workforces. The perspective needed to build a sustainable company is the same desire we have to build sustainable Black communities for future generations. This opportunity to think through a new standard for wealth in America poses a win-win for all involved.

## **The American College of Financial Services is a Catalyst for Change**

As an accredited, non-profit institution educating financial professionals for a near-century, The College has the partner relationships, professional reputation, and impartiality to join with the industry's trade and financial services organizations to help shepherd a broad initiative and bring us together in this common cause.

When this financial services model proves successful, it can be tailored to create the same change for other cultural groups in our increasingly diverse nation. Today, given the national unrest, the “hot spot” is Black America. The question before us is not if we will answer the call, but whether we will repeat the same missteps along the road to a truly inclusive economy. This model should not replace what financial services firms are already doing, but should be additive to those initiatives – defining a way to increase and accelerate the impact of proven leaders in an area that needs an integrative approach to “winning.”

Below, we lay out *Four Steps Forward* (not in singular order) for your consideration in making a difference in Black communities and lifting up Black leaders into influential positions in Corporate America and across the financial services profession. Together, we can understand these communities and leadership roles through data analysis and on-the-ground involvement and move quickly to identify quick wins to establish our presence and increase momentum.

### **Financial Literacy/Well-Being: Focused on Impact and Outcomes**

When looking at economic data and stock prices, we hear the caveat: “The economy is not the stock market.” We tend to ignore an even bigger chasm – the United States is the world’s largest economy, but according to the Standard & Poor’s Financial Literacy Survey, it ranks tied-14<sup>th</sup> with Switzerland in financial literacy. To put that into perspective: the U.S. adult financial literacy level of 57 percent is only slightly higher than Botswana, whose economy is 1,127 percent smaller.

The numbers are even bleaker in the Black community. This nation’s 44 million Blacks account for 13 percent of the population and have a significant impact on the economy with \$1.2 trillion in annual purchases. Yet, according to a late 2019 study by the TIAA Institute, Black financial well-being lags total U.S. adults, particularly white adults. Blacks scored 17 percentage points lower than white adults on the Institute’s Personal Finance Index, a difference that remains consistent after controlling for other socio-economic factors, such as gender, education, marital status, and household income. Black women scored seven percentage points lower than Black men, and Blacks with household incomes under \$25,000 scored the worst of any sub-group at 25 percent. In general, many financial well-being surveys paint the same picture: financial literacy is generally lower among Blacks, females, younger people, and those with less formal education and income.

**We believe a progressive approach that leverages practical, purposeful, applied financial knowledge can make a major impact. We propose that the financial services industry explore partnerships to target financial literacy programs to Black women in communities across America.**

Why start with Black women instead of Black males? The failure to empower Black women has been an identified, yet underfunded problem for too long. As far back as 2010, sociologist Mariko Chang revealed that a single white woman had a median wealth of \$42,600 compared to \$5 for a single Black woman, which illustrates that the wealth gap extends beyond typical gender roles. There are many reasons for this disparity, including career development, educational priorities, and the fact that Black mothers make up a disproportionate percentage of single-parent households. The most powerful statistic came from Pew Research, which indicated that in 2017, 89 percent of Black single parents were female, and 28 percent of all single parents were Black compared to only 13 percent of total cohabiting parents.

Prioritizing our efforts serving Black women, we believe that financial empowerment will increase well-being across income and education levels, as well as push more Black households out of poverty. This initiative will focus on the skills necessary to improve their job prospects, to make sound budgeting decisions, and to develop holistic financial plans that inform choices across their personal and professional lives. One consideration is a corporate collaboration with a company like Walmart, which along with its Foundation, recently announced a \$100 million commitment to create a new center on racial equity. The center will support philanthropic initiatives aligned with four key areas: the nation's financial, healthcare, education, and criminal justice systems—a symbiotic list of needs to the one identified earlier in this document.

Many Black women are hindered by low-paying jobs and high childcare costs and/or significant student loan debt as a first-generation college graduate. We should focus a curriculum on forging a path to overcome these barriers, built to address specific issues and celebrate specific milestones on a journey to a better life for themselves and their families. A program would focus on topics such as improving a credit score, paying down debt, choosing the best savings vehicles, identifying potential employment opportunities, running small businesses, and developing the soft skills necessary for success, all within a long-term framework that leads to more sustainable financial behaviors and successful outcomes. Interestingly, such programs exist, yet have not delivered lasting impact. We believe a true partnership with the financial services industry will enhance the knowledge delivered and help identify solutions to move past roadblocks and empower Black women toward upward mobility.

The College's strength in explaining financial concepts and its desire to serve as a curator of research and knowledge, alongside the financial services industry's expertise in increasing consumer engagement, will help drive real impact.

### **A National Platform Executed at the Community Level**

In the immediate aftermath of racial injustice, entrepreneurs, celebrities, and Corporate America tend to offer significant charitable money to fix the problem. Yet, dollars flying in different directions will only affect change so far and for so long until the next crisis shifts capital to another cause. Organizations tend to follow an isolated impact approach that seeks to invent independent solutions to major societal problems, often competing with each other and exponentially increasing the resources needed to make meaningful progress.

Yet, COVID-19 has shown us all that urgency for impact can bring organizations together. Just think about the public-private partnerships and organizational expertise driving an expedited effort to find a vaccine for COVID-19. The resources and partnerships are meeting an immense need, and we can match that same effort here.

**We propose to convene the nation's top financial services organizations in a collective impact initiative that marries organizational capital with the profession's top thinkers to deliver the greatest outcomes in Black communities. Instead of capital diverging, we should facilitate dialogue to leverage funds and expertise in an effort to create a massive knowledge transfer to the Black community. That leverage requires all of the financial and investment tools at the profession's disposal, including impact investments and current tax and investment incentives.**

A collective impact initiative establishes processes that point to common metrics and agreed-upon end goals. Together, we can collect and analyze the data then communicate with the researchers, academics, and professional leaders in the Black community to understand how best to act on it.

This collaborative effort will include the financial services industry's best intellectual capital and the necessary funds ready to deploy to local communities based on their specific needs. This requires boots on the ground, specifically, community organizers, public officials, and smart financial professionals who understand the financial knowledge needed to deliver the most significant impact. The people we are talking about are the same people that lead and drive the most successful financial services firms. For some communities, that may mean advancing knowledge around specific economic and financial issues, while in others, it may mean developing tools and teaching programs from the ground-up.

This ambitious initiative is more than charity and engagement. It aims to bring together national organizations and local communities who want to not only see the change, but also be part of it. Through this work, we will eventually develop a template for impact that is customizable to specific community concerns. This project will combine top-down organizational strength with bottom-up community involvement to effect real, lasting change.

### **Executive Leadership in Corporate America**

Despite Blacks accounting for roughly 13 percent of the U.S. population, they only occupy 3.2 percent of the senior leadership roles at large U.S. companies and just 0.8 percent of all CEOs at Fortune 500 companies. Putting that into context, just four Fortune 500 chief executives are Black.

This “ceiling” is not from a lack of desire. A report from The Center for Talent Innovation, *Being Black in Corporate America*, noted that it is not a lack of personal ambition holding Blacks back. Black professionals were 12 percentage points more likely than white professionals to indicate career ambition, yet nearly one-in-five felt someone of their race or ethnicity would never achieve a top job at their company. The same report showed that just 31 percent of Black professionals had access to senior leaders at work – a major networking and face-time flaw that is historically tied to career advancement in Corporate America.

A recent report from the U.S. Government Accountability Office measured the trend line in the percentage of specific races/ethnicities in financial services management positions from 2007 to 2015. It drew a startling comparison – Asian, Hispanic, and other classified non-white races all increased their percentage of management positions in the profession. Yet, Blacks saw their share fall from 6.5 percent to 6.3 percent. What is holding them back?

The Stanford Project is a program focused on helping Asian Americans transition into leadership roles in Corporate America. Similar efforts are underway to do the same for Black leaders – one a program at Carnegie Mellon and the other with the Executive Leadership Council that focuses on those just below the C-Suite (this is probably the smallest cohort of any Black group).

**We propose executing an initiative that identifies next-generation Black leaders at financial services firms and focuses on improving their leadership skills and interpersonal and relationship skills within a white male dominated corporate environment. Blacks need more opportunity to move from middle management into senior management and executive roles, including corporate board service –**

**positions of power and influence. Executives who participate must be sponsored by their firm and have a white senior executive colleague agree to mentor, sponsor, and develop them in their role and career progression at the firm.**

While this is not an area of expertise for The College, our Master of Science in Management program, which focuses on leadership, is a good starting baseline, and our plan includes identifying specialists, primarily Black educators and leaders who have studied and/or navigated the highest levels of corporate America, to help establish the curriculum and programming.

### **Purposeful Professional Development in Financial Services**

The American College's Conference of African American Financial Professionals (CAAFP) is a community dedicated to education, mentorship, and networking. Its goal is to increase diversity in the financial services profession through scholarship and community organization. The CAAFP will hold a one-day virtual event in 2020 and reconvene for its 15<sup>th</sup> annual live conference in 2021. The largest conference for Black financial professionals focuses on their roadblocks and delivers strategies to build lasting businesses and relationships with the communities they serve.

**Through partnerships with financial services organizations, The College proposes a strategy to recruit more Blacks into financial services and develop a best-practices template for Black study groups. So often, Black financial professionals feel shut out from predominantly white study groups in a profession that lacks diversity, yet works with similar clientele. A two-pronged approach will include a blueprint that equips these professionals with the knowledge to get these groups off the ground and a massive effort to have financial services firms and financial advisor trade organizations recruit their top white advisors to serve as coaches/mentors for these study groups.**

These coaches/mentors would share how their study groups function, offer strategies for success, discuss how they set up joint work opportunities, and participate in teams for major client cases. Mentorship may lead to peer-to-peer collaboration outside these study groups, increase their chances of lasting success, and help support career advancement in the Black community.

While there are valuable, and valued, national mentorship programs for Black business professionals, there is nothing of organizational prestige and backing in the financial services profession.