



Different Worlds: Native American Financial Capability

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Race and Financial Capability

Race and Financial Capability: Understanding the Native American Experience



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Insights: Financial Capability

Race and Financial Capability in America: Understanding the Native American Experience

Summary

With survey data from the FINRA Investor Education Foundation's 2015 National Financial Capability Study, this issue brief examines financial capability by race, with a focus on Native Americans. The data suggest that Native Americans have higher levels of financial fragility and distress than many other groups. Native Americans also lag whites and Asian-Americans on many measures of financial capability, demonstrating lower levels of financial knowledge and lower use of formal financial products, but are on par with African Americans and Hispanics. This research suggests that Native Americans are less likely to learn about managing finances from parents and that they demonstrate lower levels of confidence in managing their money. However, there are different experiences within the Native American community. Higher-income Native Americans display much higher levels of financial capability than lower income Native Americans, as do men and older Native Americans, but to a lesser degree. The findings in this brief suggest there is still much work to be done to provide opportunities for Native Americans to develop their financial knowledge and skills.

Background

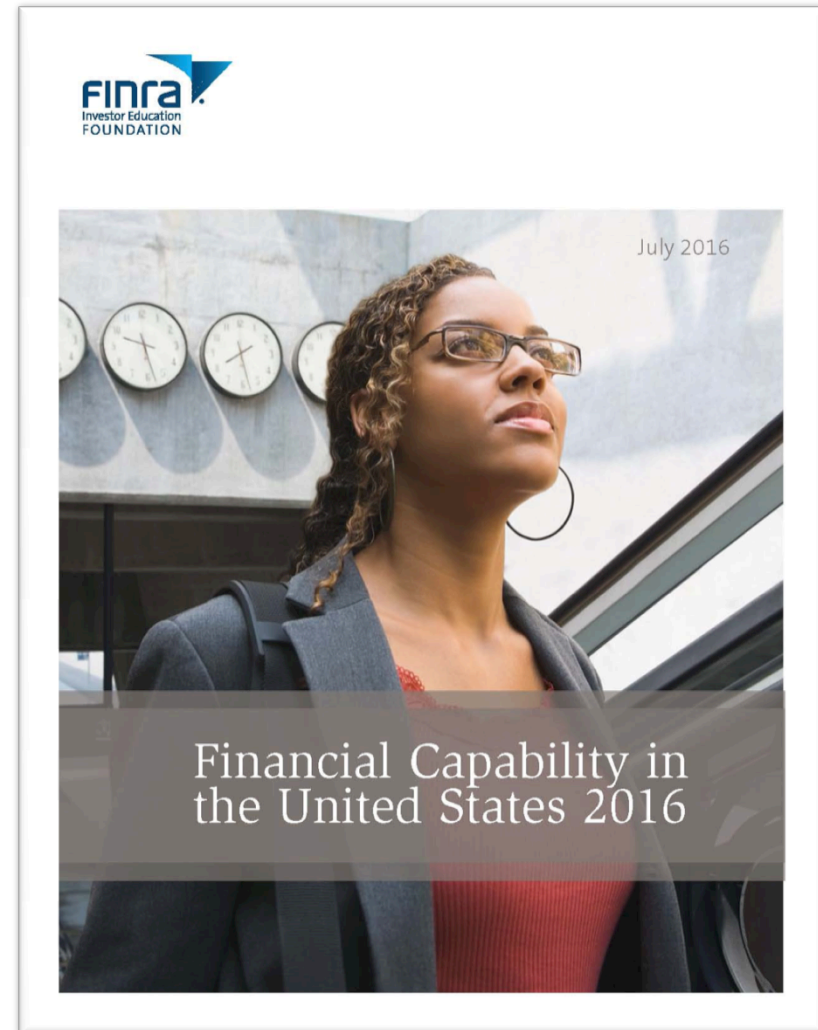
Low financial literacy is a national challenge. According to the 2015 National Financial Capability Study (NFCS) conducted by the FINRA Investor Education Foundation, only 14 percent of respondents age 18 and over were able to answer five financial knowledge questions correctly on a basic five-question financial literacy quiz, and only 37 percent were able to answer four or five questions correctly.¹ Financial literacy is an issue at younger ages, as well. Data from OECD's Programme for International Student Assessment (PISA) indicate that American youth are slightly below average in financial literacy, trailing a number of countries, including Belgium, Estonia and Australia.² And beyond financial knowledge, financial behavior is also a concern. The 2015 NFCS concluded that although the recovering economy and job market have improved financial situations and behaviors for many, there are segments of American society whose financial capability and financial circumstances are not improving.



Drawing from the National Financial Capability Study



- FINRA Foundation conducts national survey every 3 years
- Over 25,000 respondents
- In 2015, nearly 600 respondents identified as American Indian or Alaska Native



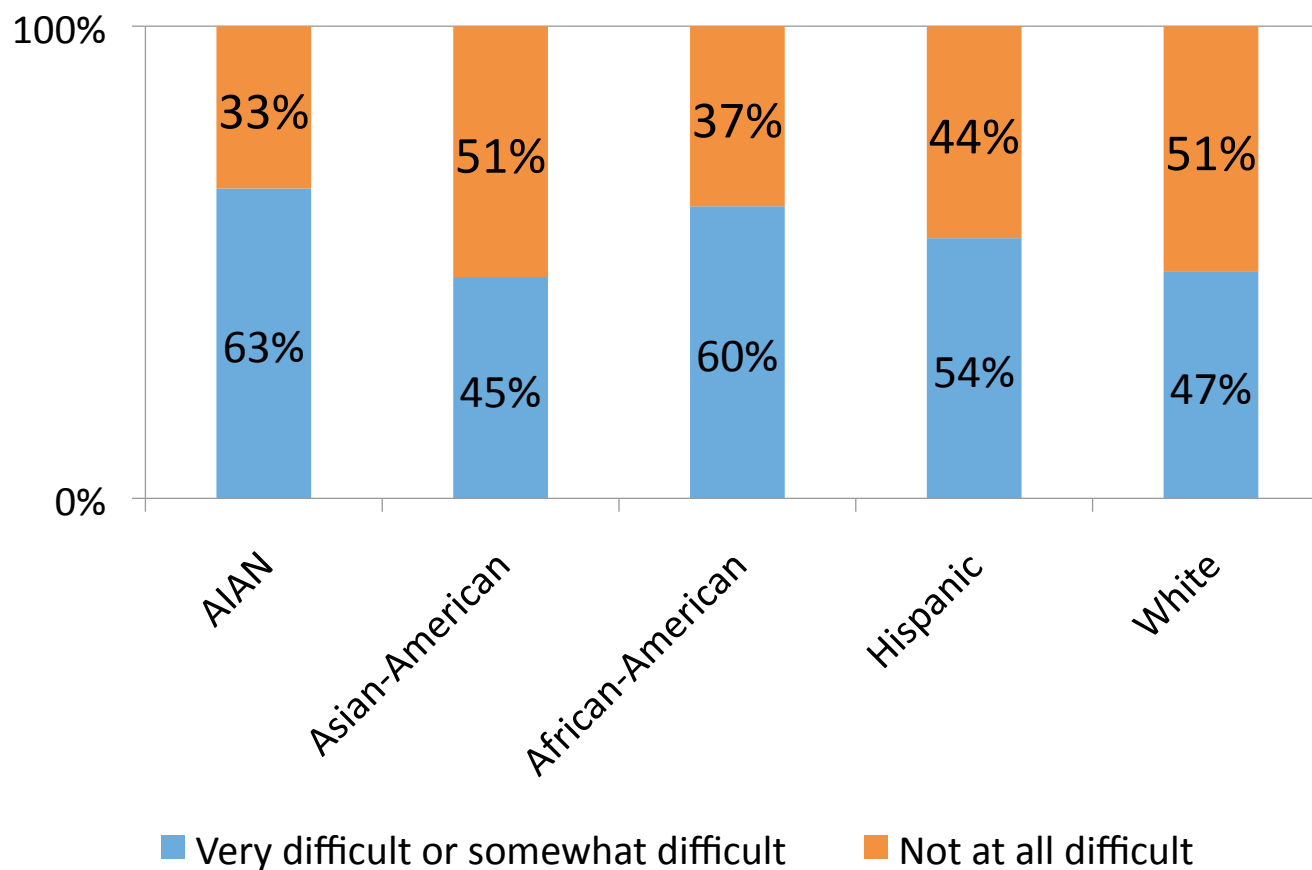
National Financial Capability Study

- Looked at 4 Key Components of Financial Capability:
 - Making Ends Meet
 - Planning Ahead
 - Managing Financial Products
 - Financial Knowledge



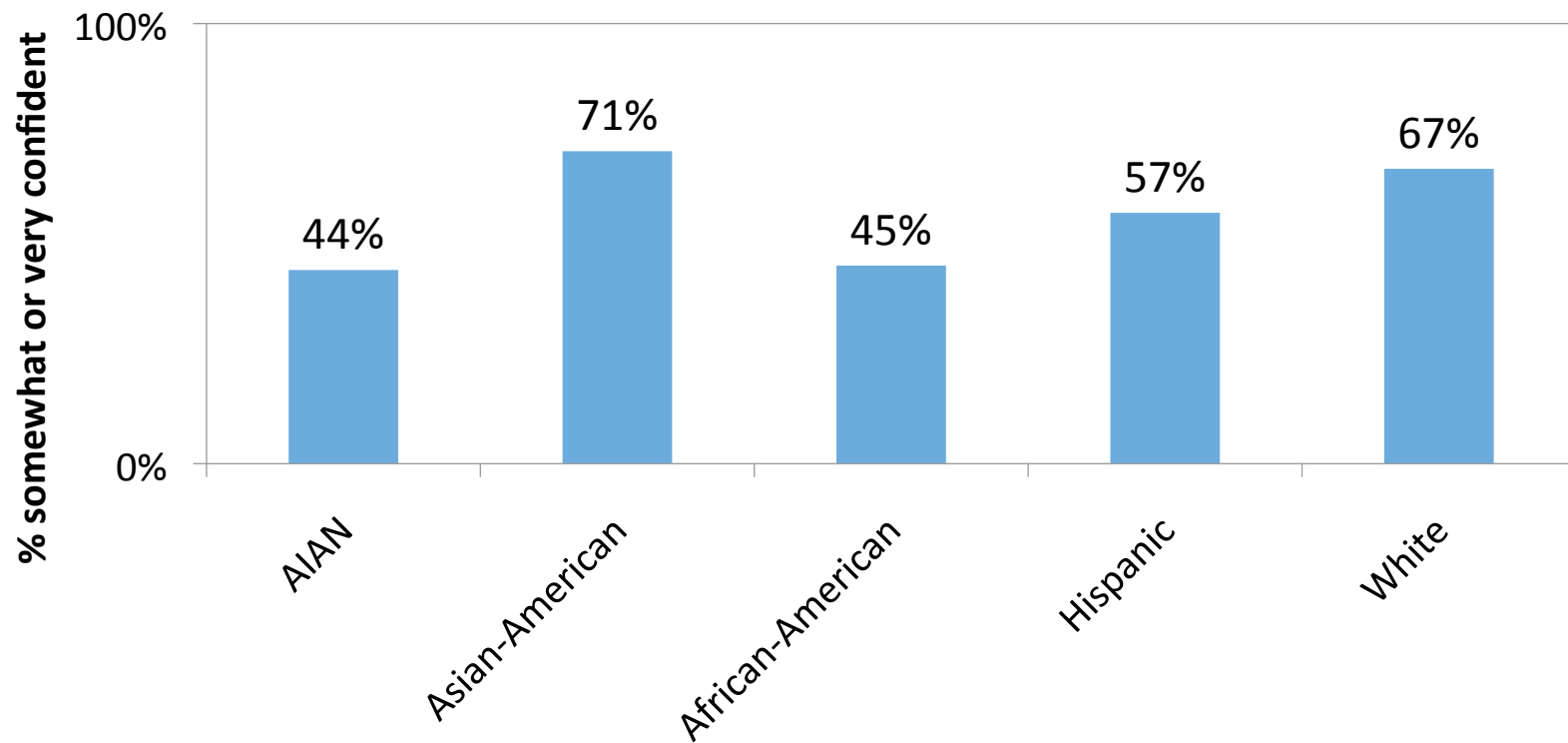
Making Ends Meet

In a typical month, how difficult is it for you to cover your expenses and pay bills?



Making Ends Meet

How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?



Making End Meet

	Income from Family Members				
	AIAN	Asian-American	African-American	Hispanic	White
Over the past 12 months, have you received any money from family members who do not live in your household?	26%	24%	24%	23%	16%

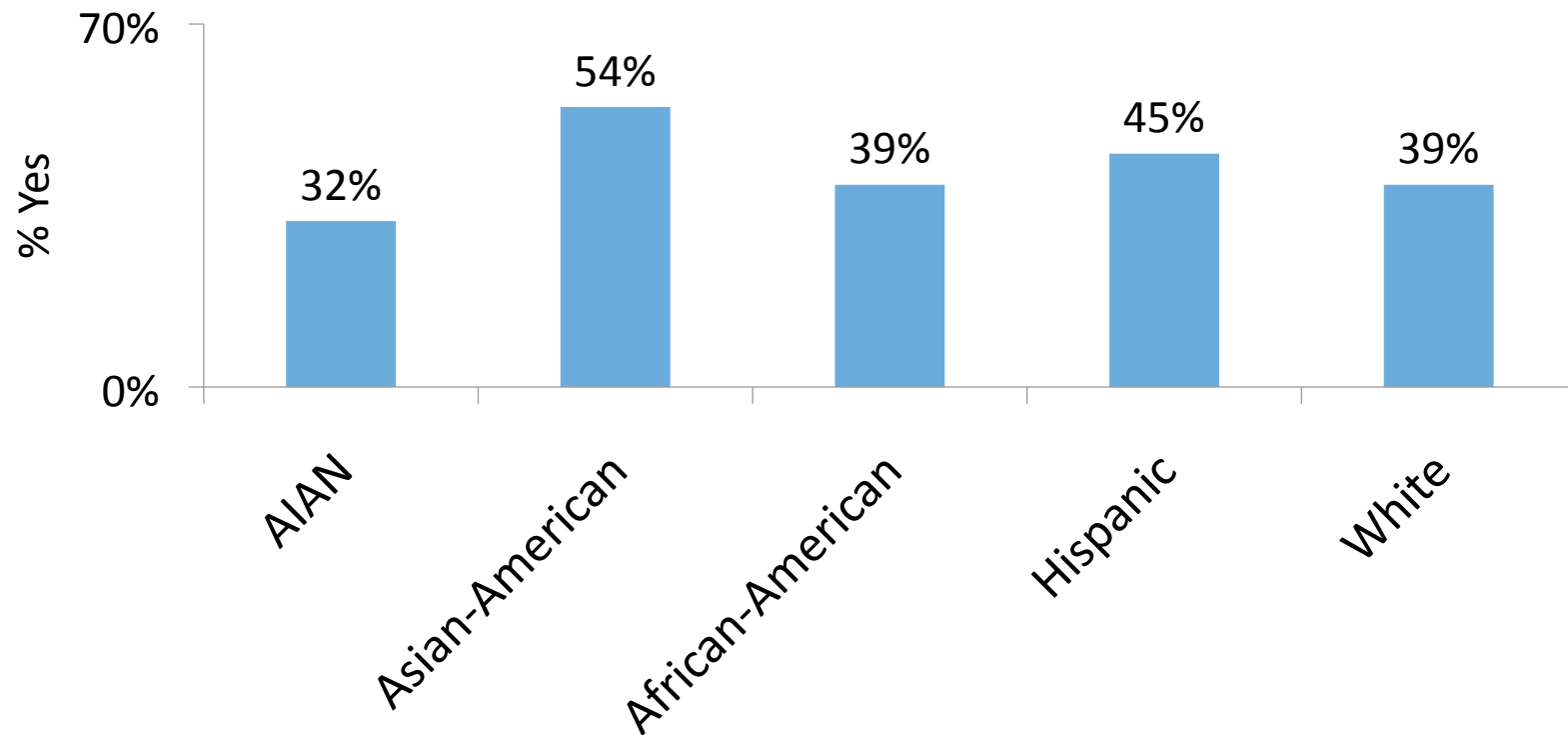


Planning Ahead

	AIAN	Asian-American	African-American	Hispanic	White
Have tried to figure out how much to save for retirement	33%	41%	36%	35%	41%

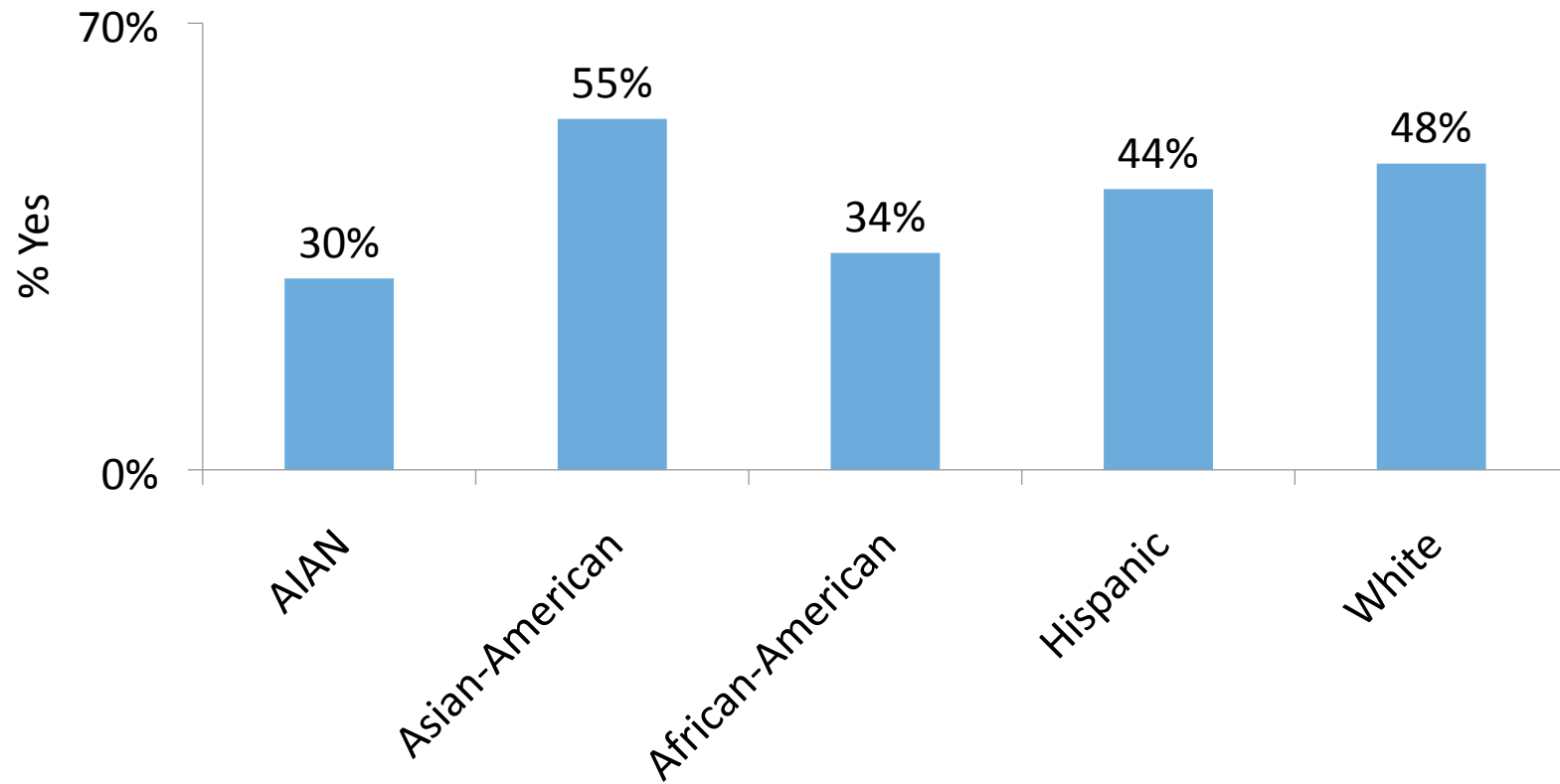
Planning Ahead

College Savings?



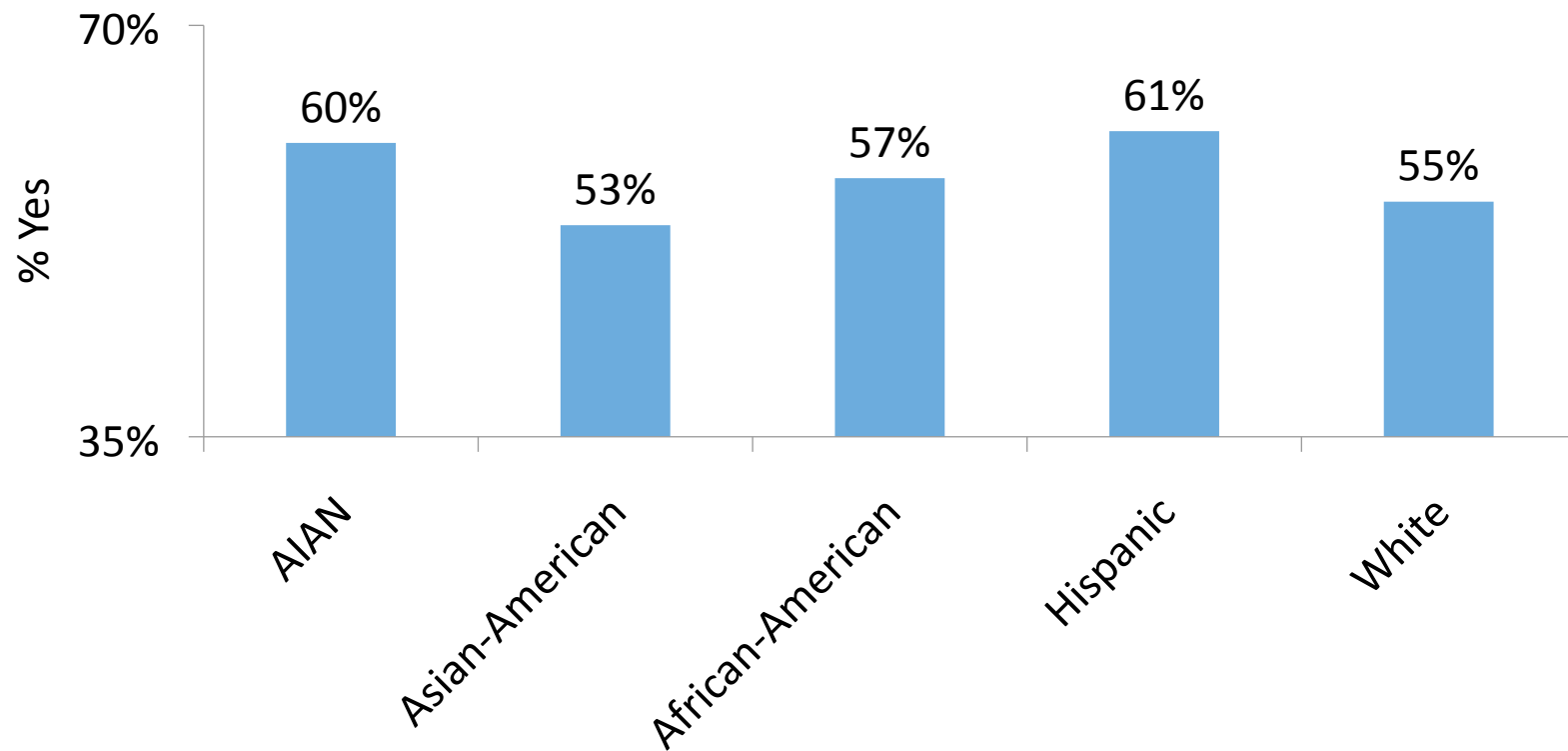
Planning Ahead

Emergency Savings?



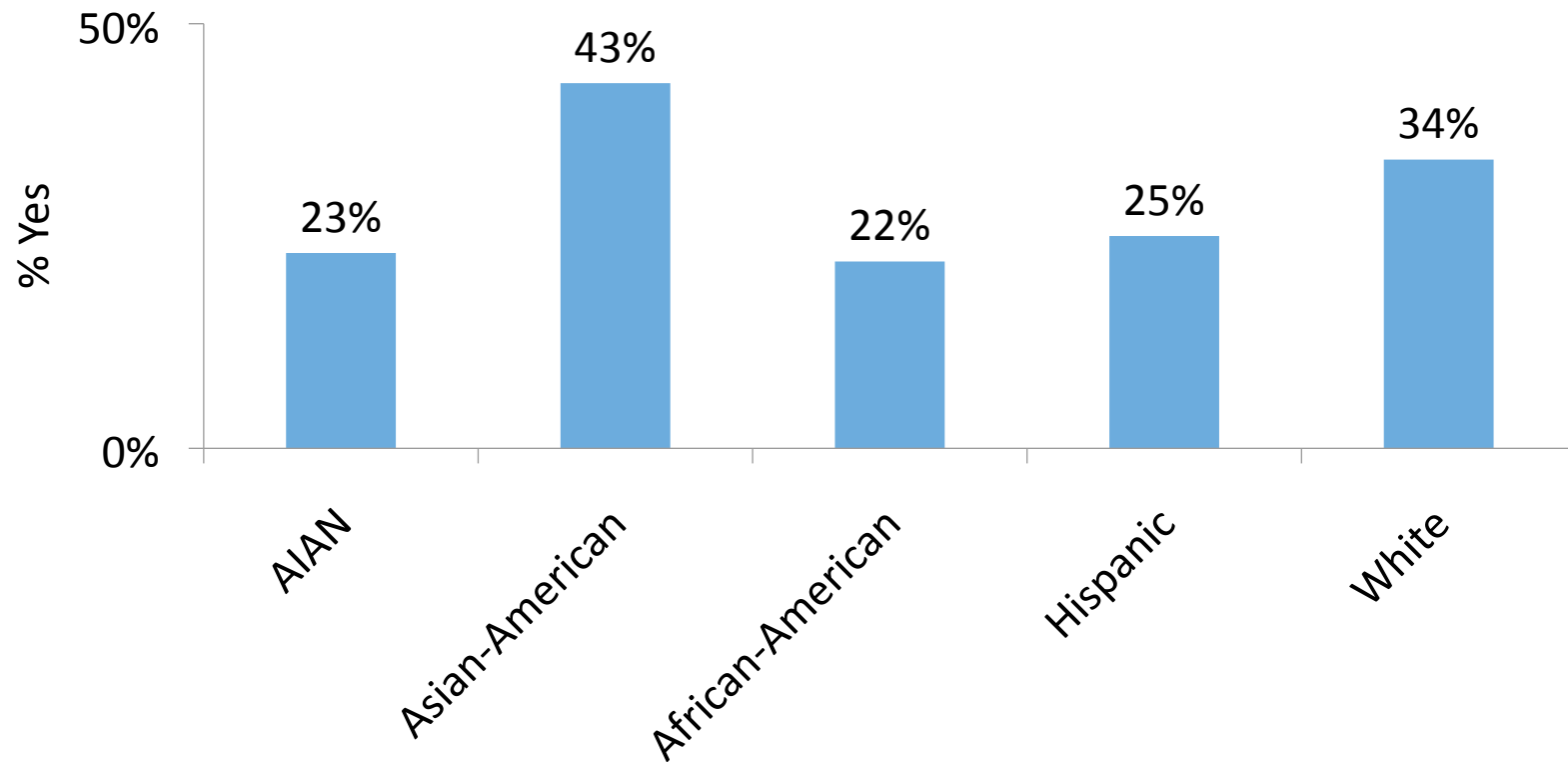
Planning Ahead

Does your household have a budget?



Managing Financial Products

Do you own non-retirement investment accounts?

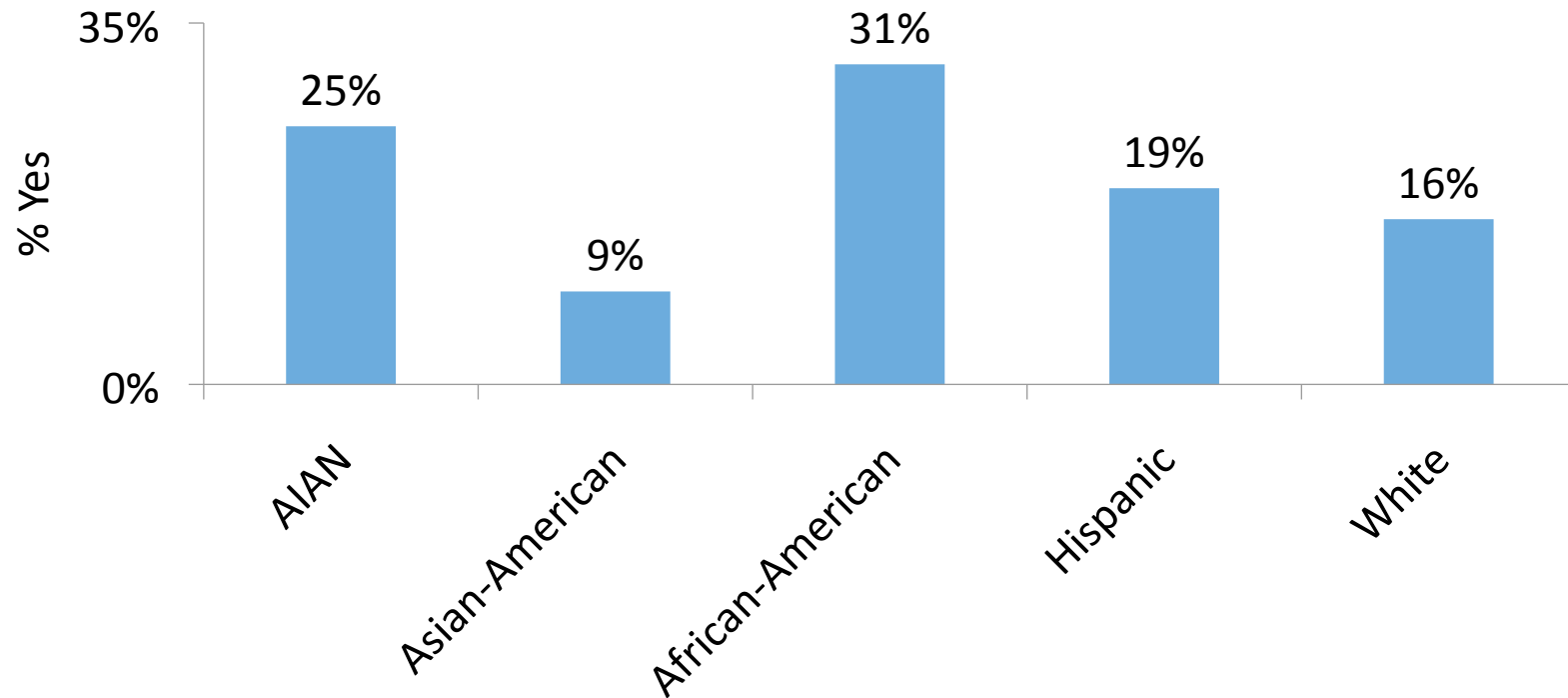


Managing Financial Products

Non-bank borrowing methods used at least once in the past five years	AIAN	Asian-American	African-American	Hispanic	White
Pawn shop	24%	14%	25%	23%	13%
Short-term "payday" loan	17%	13%	21%	17%	9%
Rent-to-own store	12%	10%	16%	14%	8%
Auto title loan	11%	13%	13%	13%	8%
Used one or more	37%	21%	39%	34%	21%

Managing Financial Products

Have you been contacted by a debt-collection agency in the last 12 months?





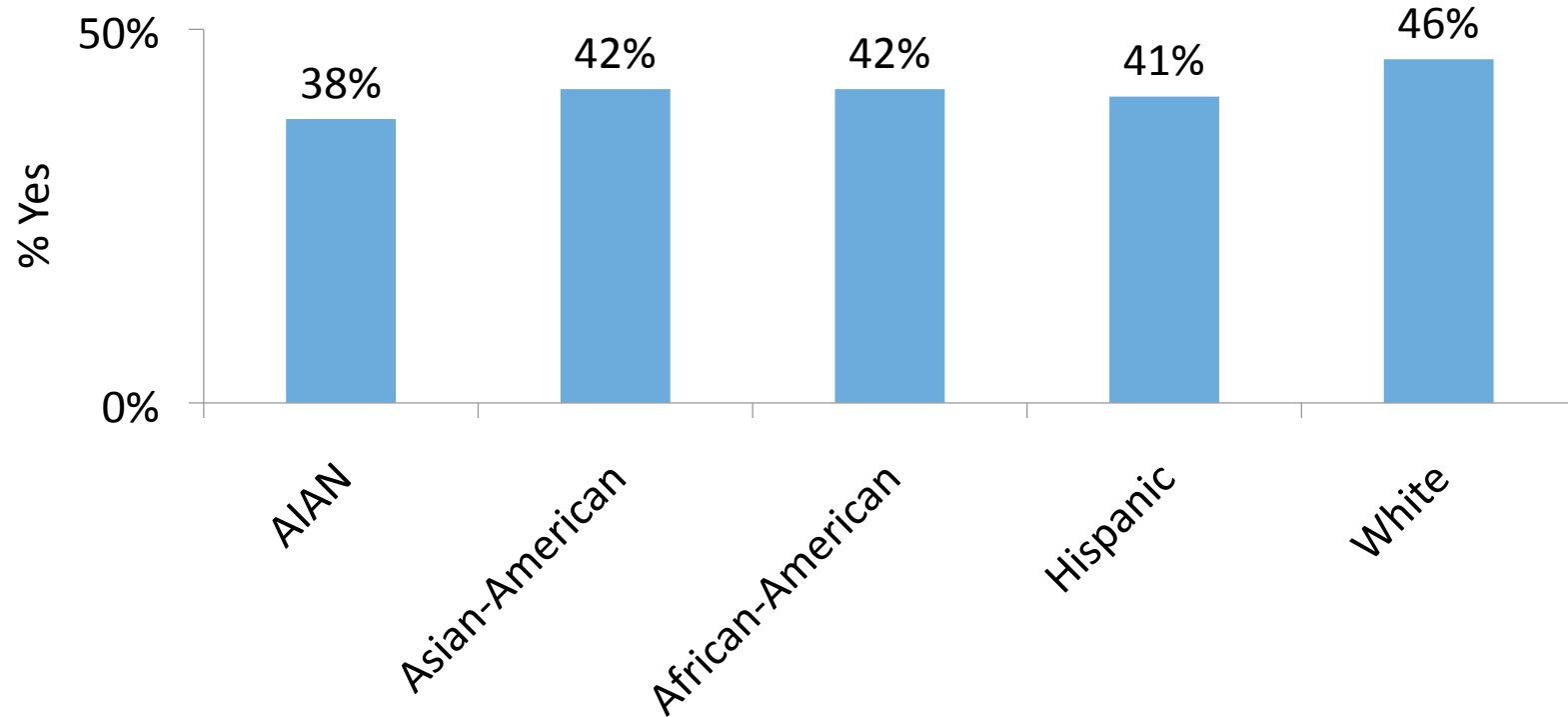
Financial Knowledge and Decision Making



Financial Knowledge	Total Respondents % Correct	AIAN Respondents % Correct
Interest rate question	75%	73%
Inflation question	59%	52%
Bond price question	28%	18%
Mortgage question	75%	66%
Risk question	46%	34%

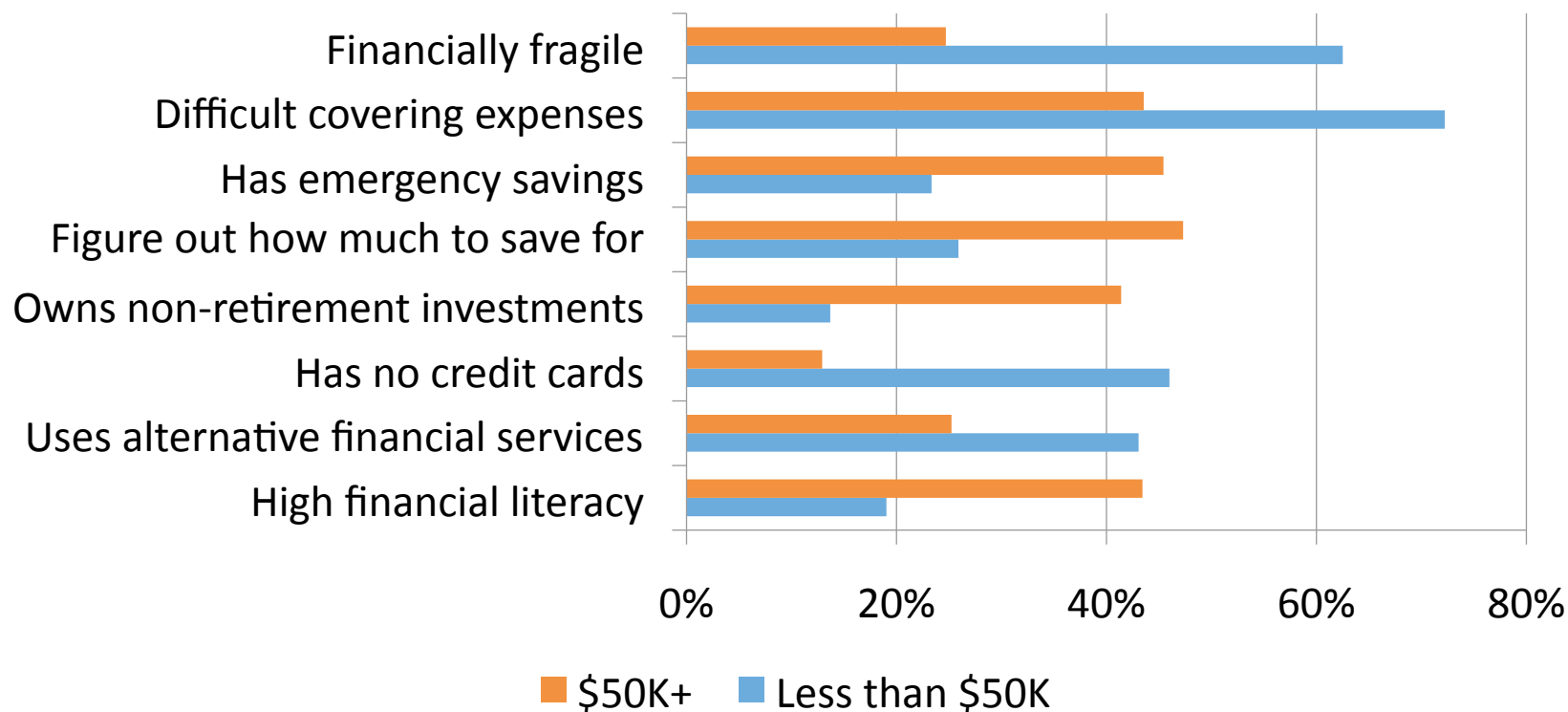
Financial Knowledge

Did your parents or guardians teach you how to manage your finances?



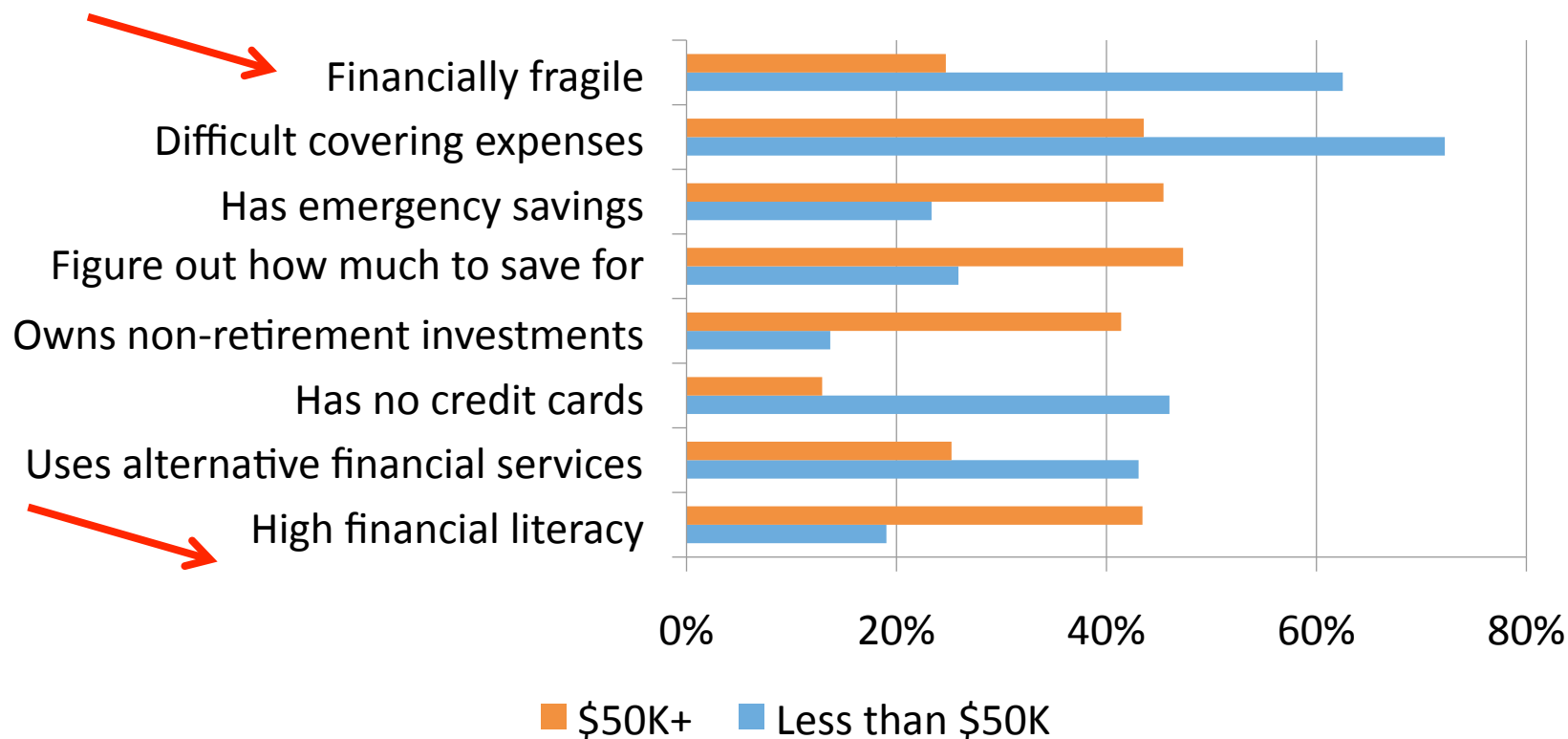
Demographic Differences

Household Income and Financial Capability Among Native Americans



Demographic Differences

Household Income and Financial Capability Among Native Americans





Questions or Comments?