Received: 30 May 2022 | Revised: 30 July 2022 | Accepted: 7 August 2022

DOI: 10.1002/cfp2.1148

ORIGINAL ARTICLE

WILEY

Priorities and challenges: Wealth management and financial planning among affluent Black families

Fenaba R. Addo | **Keith Beverly**

Department of Public Policy, University of North Carolina- Chapel Hill, Chapel Hill, North Carolina, USA

Correspondence
Fenaba R. Addo, Department of Public Policy, University of North Carolina-Chapel Hill, CB #3435, Abernethy Hall, Chapel Hill, NC 27599-3435, USA.
Email: faddo@email.unc.edu

Abstract

This article highlights common financial issues and concerns of affluent Black American households as they attempt to build and maintain long-term financial stability. In so doing, we shed light on the nexus of Black families seeking professional wealth management services and Black financial planners working to meet their needs while also attempting to carve out a successful business in a profession and industry within which they are woefully underrepresented. A collaboration of a wealth inequality scholar and financial planning professionals from a wealth management company, this article outlines common planning priorities and challenges raised by African-American families with their planning advisors. While many of these are universal, they also represent topics that are overwhelmingly prioritized by Black clients. When possible, we use information from the 2019 Survey of Consumer Finances on households located in the top quintile of the Black wealth distribution, the "affluent," to complement the information provided by the analysts of their targeted clientele.

KEYWORDS

Black American, debt, financial planning, inequality, race, wealth

The typical Black American household is not wealthy. According to a national survey of the US households, Black households hold approximately a tenth the wealth of White households. In 2019, the median wealth of a Black household was $24,100, and 19.7% of Black households have zero or negative net worth (the difference in total value of the one's assets and the one's liabilities, or debts) (Bhutta et al., 2020). It is therefore not surprising that most scholarly focus has been on the wealth-poor with policy-based solutions directed at financial education and asset building (e.g., building savings, homeownership, small business ownership). A salient point in this focus: If you are poor, then you must educate *yourself* with the proper financial tools to make the right financial decisions. Meanwhile, wealthy or financially secure people often hire trained professionals to make the right decisions for them. It is often believed that Black households can either educate, save, or plan their way to closing the wealth gap (Darity Jr et al., 2018). Given that the accumulation of White wealth has helped to establish and maintain a system of racial status and hierarchy in America, Black wealth, which comprises a minuscule proportion, about 3%, of the total wealth in the United States, has little or no effect on the current structure.

Wealth remains, however, the primary lever of the US stratification system, conferring access to social status, political power, capital, selective educational institutions, better health, and better health care. In 2019, the median wealth in the top 20% of Black households was $324,901 (paling in comparison to the $1.6 million median net worth at the top of the White distribution).[1] Given the greater rates of downward wealth mobility (Pfeffer & Killewald, 2018), for this segment of the Black population, building and managing wealth is critical for financial security and for the financial well-being of future generations.

In the United States, one must not assume that for Black households that have achieved some measure of financial success, the problems, concerns, and issues they encounter are ones in which class dominates rather than race. In fact, the recent articles have highlighted the racism prominent wealthy Black Americans have faced trying to receive financial planning and wealth management services (Flitter, 2019). This underscores the need not just for racial diversity within the financial planning professional community, but also within companies whose mission and services are inclusive, ready, and willing to meet the needs of their Black clientele.

In this article, we are interested in highlighting common financial issues and concerns of affluent Black households as they attempt to build financial stability in a society that has made it nearly impossible for Black families to do so. Overall, common themes include seeking assistance with helping both family and community financially while avoid debt accrual. Clients focus on building "generational wealth" as they are often the only or first in their families to reach these levels of accumulated wealth with a history of little or no financial planning assistance. This article aims to shed light on the nexus of Black households seeking professional wealth management services and Black financial planners working to meet their needs while also attempting to carve out a successful business in a profession and industry within which they are woefully underrepresented. Importantly, many of the challenges these households encounter would be eliminated with greater wealth for them and their kin networks.

1 | SUPPORTING DATA SOURCES

This article draws on data from clients from a wealth management company that specializes in providing wealth management services to Black families. GRID is an independent Black and woman-owned Registered Investment Advisor (RIA) with four Certified Financial Planners and three Chartered Financial Analysts.

Collectively, GRID 202 Partners' Senior Advisors have more than 70 years of industry experience. Prior to joining GRID, the advisors worked in a variety of professional settings with clients ranging from high net-worth individuals and families to large financial institutions. As subject matter experts, data on the priorities and challenges were gathered from conversations with GRID advisors on staff during winter 2020–2021 who met regularly with their clients.

More than 80% of GRID's 115 clients identify as Black. Of this group, roughly 40% are parents, 35% are single women, and just under 39% are married. The median income of the firm's Black clients is $300,000 with a median net worth of $318,000, median age of 41, with an age range of 27 to 75 years old and a geographic distribution across 18 US states. This demographic has been their focus since the firm's inception. Many peer firms focus on assets under management (AUM) which typically excludes Black households who are growing their wealth. GRID largely serves households that otherwise would not qualify to work with an advisor with their level of expertise and experience, that is, multiple credentials, 10 or more years of experience, etc. Firms that work with the households considered middle income (less than $150,000) typically have scale or considerable financial backing. Most black-owned RIAs have less than 10 employees and less than $100 million in assets under management.

Using nationally representative data from the 2019 Survey of Consumer Finances, these figures indicate that their clientele are in the top quintile of Black wealth distribution and the fourth quintile of the overall US wealth distribution (see Table 1).

We use information from the SCF on households located in the top quintile of the Black wealth distribution, who we refer to as "affluent," to complement the information provided by the analysts. As shown in Table 2, top quintile households are, on average, headed by someone in their late 50s, the majority are in married partnerships, have earned at least a college degree or more, and are employed in the paid labor force, with almost one-fifth self-employed. Just over half, or 51%, hold managerial or professional occupations, which aligns with their wealthier positions (Addo & Darity, 2021).

TABLE 1 Net worth and income distributions, national versus black households

Net worth quintiles	Median wealth ($)	Median income ($)
National wealth distribution		
1	−500	28,507
2	23,950	40,725
3	121,800	59,051
4	315,400	76,359
5	1,219,500	157,808
Black wealth distribution		
Net worth quintiles	**Median wealth ($)**	**Median income ($)**
1	−12,705	34,616
2	1690	22,399
3	24,100	38,688
4	85,730	50,906
5	324,901	83,486

Source: 2019 Survey of Consumer Finances.

TABLE 2 Descriptive statistics of affluent black households (top 20% of black wealth distribution)

	Mean
Age	57.55
Currently married	0.47
Unmarried partnered	0.03
Unpartnered	0.50
College degree or more	0.53
Employed	0.67
Self-Employed	0.19
Occupation category (among employed):	
Managerial/professional	0.51
Technical/sales/services	0.30
Other (incl. Production/craft/repair workers, operators, laborers, farmers, foresters, fishers)	0.19

Source: 2019 Survey of Consumer Finances.

Financial planning and wealth management are not enough to close the substantial Black-White wealth gap, and this is not a how-to manual, nor should it be interpreted as such. The goal of this article is to outline common planning priorities and challenges raised by Black families with their GRID advisors. While many of these are universal, they also represent topics that are overwhelmingly prioritized by Black clients. It is our intent that this report serves as a starting point for more conversations about racial wealth inequality *and* (1) the role of financial planning for family financial security, (2) wealth management among Black, Indigenous, and People of Color (BIPOC) households, and (3) decentering whiteness within broader discussions of wealth management.

1.1 | Major planning priority: Avoiding debt at all costs

Negative perceptions about debt stem from institutional racism across various financial services sectors: mortgages, student loans, and credit cards. Ards and Myers Jr (2001) show that historically because of racist credit practices that only allowed Black households to use installment credit, they necessarily had higher savings rates, that is, greater access to liquidity, and lower debt. Holding debt tends to penalize Black borrowers, for whom it impedes wealth accumulation, and reward White borrowers, who have used it to build wealth (Ards & Myers Jr, 2001; Seamster, 2019).

In 2006, at the height of the housing boom, Black and Hispanic families making more than $200,000 a year were more likely on average to be given a subprime loan than a White family making less than $30,000 a year (Body, 2019). And most recently during the COVID pandemic, Black applicants were less likely to be approved for mortgage refinancing (Choi et al., 2022; Donnan et al., 2022). Black households encounter less favorable loan terms than White borrowers do after controlling for credit risk factors. How borrowers are racially categorized affects their likelihood of obtaining a credit card, their number of credit cards owned, and the fees and conditions attached to a card (Freeman, 2016; Lin, 2010; Seamster, 2019).

> I know this might sound silly and even though it might make sense to do it, I just have a mental hang-up about taking on more debt.

The above quotation is from a GRID client responding to the suggestion that she consider a personal loan at an interest rate of 10%. Instead, she took an early distribution from a 401(k) with a former employer and subjected herself to both the IRS's 10% early-withdrawal penalty and taxation at her ordinary income tax rate of 32%.

GRID advisors find that clients frequently hold negative views about debt, and do not distinguish between the relative advantages of different types of debt. For instance, some subscribe to the Ramsey (2021) philosophy of avoiding debt at all costs, while others have had early, negative experiences that affected their willingness to use debt as a strategic tool. GRID advisors often run multiple wealth projection scenarios to illustrate the potential long-term implications of debt on a client's net worth. For example, in the above scenario, the $4800 in tax savings combined over 20 years earning 7% annually, would be $18,574, the equivalent of about 1 month of projected college costs ($208,697) or a down payment on an investment property for her child, or the price of a new (used) car for the child—given as a reward for strong academic performance.

The SCF collects extensive data on household debt. Listed in Table 3 are major debt categories with information on the proportion of households that indicate they hold those debts and median nonzero values among Black households in the top quintile. Most affluent Black households hold some type of debt with a median value of $91,000. The largest debt categories include housing, credit card, and vehicle debt, and yet, the highest median values are in housing, $155,000, and education debt, $29,000. We say more about education debt below.

1.2 | Major planning priority: A desire to give back

GRID clients are often generous giving back to their local academic or familial communities. Many want to give

TABLE 3 Categories within the debt portfolio of affluent SCF black households

	Percentage	Median value
Total debts	0.84	$91,100
Housing debt	0.54	$155,000
Other residential real estate debt	0.09	$11,000
Credit card balance	0.54	$2800
Other lines of credit	0.02	$17,000
Other debts[a]	0.06	$4300
Education loans	0.26	$29,000
Vehicle loans	0.40	$14,000
Installment debt that's not vehicle, education, or other loans	0.04	$2400

Note: Survey of Consumer Finances 2019.
[a]Loans against pensions, loans against life insurance, margin loans, and miscellaneous.

TABLE 4 Additional information on challenges and priorities among affluent SCF black households

	Mean (unless specified otherwise)
Charitable giving	0.52
Median amount	$2000
Nonzero average	$4218
Life insurance	0.83
Whole life	0.35
Term life	0.61
Risky assets	
Have stock equity[a]	0.64
Median amount	$63,000
Owns primary residence	0.91
Owns other residential real estate	0.28
Willingness to take on financial risk to save/make investments	
Substantial financial risks	0.06
Not willing to take financial risks	0.32
Ability to receive fin assistance of $3000 from non-residential friends/relative	0.62
Self-employed	0.19
Holds financial assets in a business	0.17
Median amount	$135,000
Importance of leaving an estate/inheritance[b]	
Very important	0.38
Important	0.26
Somewhat important	0.23
Not important	0.12
Plan to leave an estate/inheritance	0.74
Financial planner is source of information about:	
Borrowing or credit	0.28
Saving and investments	0.38

Note: Data source is 2019 Survey of Consumer Finances.
[a]Financial assets invested in stock (directly held, stock mutual funds, retirement accounts invested in stock, other managed assets with equity interest, savings accounts invested in stock, e.g., 529).
[b]There was an additional category (not shown), respondent and Spouse/Partner differ, which was less than 0.01.

despite having limited discretionary funds or are willing to reallocate funds from other important expressed planning priorities. GRID's experience is consistent with data from the W.K. Kellogg Foundation's Cultures of Giving report that found "almost two-thirds of Black households make charitable donations." (W.K. Kellogg Foundation, 2012) Education on strategies for tax-advantaged giving is an important financial planning focus with clients.

> I wouldn't have any of it without Him. I'm blessed.

The above quote is from a high-income business executive who, at the time, had donated $50,000, 20% of her annual income, to her church while simultaneously having less than six months of cash in emergency reserves. Giving, whether in the form of regular tithes to churches or charitable donations to organizations and universities, is often a priority for GRID's Black clients.

Research on the racialized aspects of philanthropic giving needs more attention from the financial planning, public policy, and social science communities. Conley (2000) noted that to understand racial differences in philanthropic giving, it is necessary to examine wealth, and more specifically, wealth inequality. Conley's calculations based on 1994 panel data align with more recent analysis from the Urban Institute, which found that in 2016 Black households, compared to other racial groups, contributed the largest share of their median wealth toward charitable giving. Considering Black households have lower net worth, this relationship implies Black households are more philanthropically inclined and generous, despite their more limited resources.

The SCF asks households to report any charitable giving greater than $500. Unfortunately, they do not collect information related to the recipients of philanthropic funds. More than a majority of affluent Black households reported they gave to charity; the median amount given was $2000 (Table 4).

1.3 | Major planning challenge: Life Insurance: Permanent versus Term

Black households hold slightly more life insurance (56% vs. 52%) than the general population as reported by the 2021 Insurance Barometer Study (Caswell & Wood, 2021). As a percentage of their total assets, Black Americans have four times as much (8%) of their assets in cash value life insurance compared to white households (2%) (Natella et al., 2014). They are also likelier to buy more life insurance than their White counterparts, with 6 in 10 indicating they are fairly or very likely to buy life insurance for themselves or another member of their household in the next 12 months compared to 45% of the general population (Williams, 2017).

> I didn't understand it fully, but it sounded good at the time - save money that would grow over time and save on taxes.

This is a direct quote from a new client who had a four-figure credit card debt balance at 18.99% and more than twice that amount of cash value in a whole life insurance policy.

Often clients have been sold a permanent life insurance policy (typically whole life) when term coverage is more suitable. Term life insurance provides coverage over a defined period and is the least expensive form of life insurance. Permanent life insurance policies, on the other hand, provide both a death benefit and cash value account that accumulates for the life of the policy. A portion of the premium covers the death benefit, and a portion is contributed to the cash value account. These policies usually have a surrender period of 7–15 years where the policyholder is penalized if they surrender the policy. These policies carry higher commissions to the sales agent than term insurance policies. This is another example of Black consumers being targeted with inappropriate, exploitative, and predatory financial products. Cases where permanent policies are inappropriate include the client having large credit card balances where they are paying high interest on the debt or insufficient cash reserves relatively early in their careers.

There may be several reasons for gaps in understanding insurance coverage and options. For one thing, there is the complexity. For another, insurance tends to be something people know they "should" have, but rarely is it a product people are excited about signing up for. That often translates into a lack of research into different policy options that may be available and the tradeoffs involved. Advisors have also observed that buying insurance is, for some clients, their first exposure to financial advice. Yet, often they have purchased coverage without a full understanding of what their policy does and does not cover. As a result, some come to us with not only a poor understanding of their investment, but also a bad impression of financial advisors. Advisors should always conduct a coverage analysis, identifying gaps and opportunities for clients to obtain better value for their money and life circumstances. Educating clients on their policies as well as explaining how they can use life insurance strategically to pass on wealth to the future generations can be transformative.

According to the 2019 SCF, 83% of affluent Black households reported having life insurance policies, 35% reported holding whole life compared to 61% with term life policies (Table 4).

1.4 | Major planning challenge: Investing in risky assets

Black households tend to report a greater risk aversion, with a higher tendency to hold large cash balances. In many respects, the predisposition to hold greater cash reserves is justified given systemic barriers that continue to plague Black households. For example, the common mantra of holding 3–6 months of expenses in reserves is sensible when expected unemployment lasts 5.25 months. However, for Black households the length of unemployment averages 6.5 months, suggesting target cash reserves of an additional 1 to 2 months (BLS 2022).

> I know investing in the stock market makes sense for the long term, but I still want to be educated along the way. And I've always been interested in real estate. Growing up, my grandparents always said, "Get some land – something you can touch.

Reflecting the broader changes in retail investing, including the rise of passive and robo-investing strategies, younger clients, especially, tend to already have self-directed brokerage accounts, and to be highly focused on fees. At the same time, they also value investing with ESG (Environmental, Social and Governance) considerations and social impact values guiding the investment process. Most clients express a lack of confidence in their investing knowledge. GRID has found introducing general investing concepts decreases self-doubt.

Almost two-thirds, 64%, of affluent SCF Black households reported holding financial assets invested in stock, or equity. The median amount was $63,000. When asked to describe the degree of financial risks they were willing to take on related to their savings or investments, 5.5% reported "substantial," and 34% said "none at all (Table 4)."

In a 2005 paper, Yao et al. (2005), find that relative to white households, Black households display a greater risk tolerance, after accounting for numerous demographic, socioeconomic, and financial factors, and are more willing to take on substantial risk. Almost all the affluent Black households own their own homes, with a quarter reporting that they also own secondary residential real estate.

1.5 | Major planning challenge: Familial transfer payments

Black middle-class families may find that their financial situations place them in positions to financially assist or support less well-off relatives. In a foundational study that examined how class differences within families influence wealth, Chiteji and Hamilton found that financial asset ownership drops among middle-class Black families with parents and siblings who are impoverished. They own fewer stocks and have lower rates of bank account ownership. Securing one's financial foundation becomes especially important when kin networks are not positioned to assist (financial transfers are one-directional). The fact that low-income Black families and kin are more likely to request financial assistance from wealthier family members impedes the latter's wealth generation and contributes to persistent racial wealth gaps (Chiteji & Hamilton, 2002; O'Brien, 2012).

> I budget $1k/month for family assistance. If I exceed that amount, I just let them know I don't have it.

Frequently, GRID's clients are the first generation in their family to have achieved or be on track to accumulate significant wealth. That can mean they are tasked with informally or formally supporting other family members—sometimes described as "the black tax."

Planning for these situations involves balancing sometimes competing priorities that include debt reduction, saving for big-ticket items such as a home purchase, and retirement savings. In these circumstances, GRID's advice to clients ranges from quantifying the long-term financial implications of their familial transfers to providing recommendations for financial courses or enlisting coaches appropriate to the family member's financial situation.

The SCF does not collect data on transfer payments to family members. However, there is information on ability to receive assistance from family or friends in the event of an emergency. Among affluent Black households, 62% said they would be able to borrow $3000 from a family or friend (Table 4).

1.6 | Major planning challenge: Student debt

Taking out loans to cover the cost of college is how many students and their families finance their post-secondary education. A family's ability to pay for college increases with its wealth, but the share of government-subsidized college costs has declined over time and shifted to students and their families. It is therefore not surprising that Black families, who have less wealth, are more likely to borrow for college and accumulate more debt on average (Addo et al., 2016). Black households are also more aggressively targeted by for-profit education companies, resulting in almost 60% of Black students who attended a for-profit college in 2004 defaulting on their student loans by 2016 compared to 36% of White students (Scott-Clayton, 2018). Facing wage discrimination and higher rates of unemployment and underemployment, Black borrowers also struggle with repayment. Rates of default and delinquency are consistently the highest among Black student debt borrowers. Black borrowers overwhelmingly enroll in income-driven repayment plans to reduce their debt burden, yet they are also experiencing negative amortization (their current balance is greater than their principal amount) (Kolodner, 2021; Taylor et al., 2020). The Black-White disparities in student debt contribute to entrenching wealth inequities among today's young adults. (Houle & Addo, 2019).

> I wasn't familiar with the student loan process, and my parents definitely weren't. I completed my own FAFSA. I had to figure things out.

A large segment of GRID's client base consists of Millennial and Generation X professional degree holders, with law, medical, or MBA degrees. This means they typically have high debt levels acquired at the undergraduate and graduate levels. Some feel constrained in their wealth-building options and/or express the wish that they had a better understanding ahead of time of the financial implications of taking on debt they incurred to advance their education. Others are focused on repaying debt as quickly as possible *(again reflecting negative attitudes toward debt)*, even to the detriment of prolonging their goal of financial independence.

While clients are often aware and may already be participating in various repayment programs, they might not be focused on the importance of and the extent to which they can access lower interest rates through refinancing or consolidating their student loans. Recommendations include helping clients establish a debt repayment plan that balances their goals of being debt-free, with the imperatives of establishing emergency savings, investing for retirement, and accumulating funds for intermediate and longer term goals such as real-estate investment and starting a family.

As reported in Table 3, over a quarter of affluent SCF Black households reported having education loans, with a median amount of $26,000. Of these households, 88% reported that the primary loan was for either the respondent or their spouse/partner, with the remaining for a child, grandchild, or relative (Table 4).

1.7 | Major planning priority: Entrepreneurship

Wealth is a critical component for entry into entrepreneurship. Yet, Black firms are more likely to receive loan denials and receive higher interest rates despite clean credit histories and credit worthiness (Ards & Myers Jr, 2001; Blanchflower et al., 2003). Disparities in the source and amount of start-up capital may mean the difference between success or failure. Black businesses comprise about 9% of privately owned businesses in the United States. These businesses, 82% of employer-owned and 91% of nonemployer-owned, are overwhelmingly newly founded or started, compared with purchased, inherited, or transferred businesses (Camara et al., 2019; Fairlie et al., 2010).

> I started my company because I was tired of seeing less qualified people be promoted before me and I knew my contributions weren't being valued. It was worth taking the risk for the peace of mind, and I was financially stable enough to do so.

For many of GRID's entrepreneurial clients, their net worth is tied up in their business. Funding their businesses in a manner that protects their personal finances is critical. That's especially true given the lack of parity in access to start-up and debt capital. Roughly 1% of Black startups receive venture capital funding (Transparent Collective, n.d.), with Black-owned businesses being denied loans at 2.5 times the rate of White-owned businesses (Cavalluzzo & Wolken, 2005). Black-white differences in loan denials is largest at the top end of the wealth distribution as compared to the lower end (Ards & Myers Jr, 2001). Only 56% of minority-owned businesses were approved for some of the financing they sought compared to 73% of White-owned firms (de Zeeuw, 2019). Financing obstacles are exacerbated by the fact that most Black entrepreneurs do not have the same familial resources to draw on for capital access.

Entrepreneurs often seek advice on risk mitigation, such as forming an LLC, maintaining adequate personal liquidity, and utilizing tax-saving strategies. Additionally, acting as a resource to clients in connecting them with potential funding organizations and other business development resources, is part of GRID's approach to planning.

Among the SCF affluent Black households, 19% are self-employed and 17.2% reported holding assets in a business. The typical amount of financial assets held in a business is $135,000 (Table 4).

1.8 | Major planning priority: Achieving generational wealth

Current racial wealth inequalities reflect the ability of White families to transfer wealth across generations. Not only are White households more likely to receive financial inheritances, but they are also more likely to expect them. Pfeffer and Killewald (2018) find a weaker intergenerational correlation for African-American households with evidence that greater rates of downward mobility play a factor. Differences in receipt of private transfers within familial networks account for approximately 12% of Black-White wealth inequality (Addo & Darity, 2021; Beverly, 2019; McKernan et al., 2014; Oliver & Shapiro, 2006; Pfeffer & Killewald, 2018).

> I want to get this right the first time.

Most GRID's clients are first generation affluent (Beverly, 2019). They recognize that their ability to grow their wealth is significantly higher than their parents'. In part, their lack of exposure to financial planning concepts throughout their lives serves as a motivating factor for them wanting to "get it right the first time." The sense of urgency and prioritization of their financial affairs proves helpful when acting on the proposed recommendations. While they certainly want to learn and be informed throughout the financial planning process, resistance to change and shifting behavior often remains.

From the SCF, affluent Black households overwhelmingly believe it is important to leave a gift or inheritance, and almost three-fourths, or 74%, plan to do just that.

1.9 | Major planning challenge: Working with an advisor (at all)

Studies that have examined financial planner utilization based on large-scale national datasets find that Black households report greater prevalence after accounting for racial differences in income, wealth, and other household characteristics. Black households are also more likely to seek planner or financial assistance for insurance advice or to consult with an accountant (Collins, 2010; Elmerick et al., 2002; White & Heckman, 2016).

> I'm only talking to you because my friend referred me.

When asked, most of GRID's clients usually recount they found them through word of mouth or social networks sometimes citing negative initial experiences with White advisors. Black clients are typically prioritizing the same financial objectives as GRID's White clients: assistance with retirement planning strategies, management of investment assets, educational funding, debt management, tax mitigation, etc.

GRID clients often cite a life event, such as the birth of a child, a divorce, or transitioning from college to gainful employment as turning points for when they decided to engage the services of a financial advisor. Some just want to get a handle on their finances, obtain a reality check for how they are managing their savings and budgeting, and/or feel that they are not "maximizing" their financial resources effectively.

The SCF asks respondents about different sources of information used to make decisions regarding borrowing or credit and savings and investment. Affluent Black households are more likely to seek the assistance of financial planners for savings and investment information, 38%, compared with borrowing or credit decisions, 28%.

1.10 | Major planning priority: Working with a Black advisor

Of the 83,106 Certified Financial Planners in the U.S, in 2018, 2916 are Black and Latinx, representing 3.5% of the total profession, an increase of 8% from 2017. These numbers emphatically underscore how underrepresented Black and Latinx planners are, and how difficult it may be for Black households looking to work with a Black planner to locate one. One of the newest ways to enter the profession and become certified is to major in financial planning at one of the 148 undergraduate programs around the country, yet Reiter & Elizabeth Kiss, 2021 find that among the programs they surveyed almost 60% had not prioritized recruiting a racially diverse student body (CFP Board, 2019; Reiter & Elizabeth Kiss, 2021).

> I have a very demanding life between work, family, and community involvement. It's a breath of fresh air to work with a firm that understands all aspects of my life without me having to bring you up to speed. It's a better use of my time and energy.

For many of GRID's clients, working with a Black-owned and run financial advisory firm was a conscious decision. They express a preference to engage with an advisor who brings ample cultural competence and awareness to the relationship. The reasons they give include a desire to work with someone who understands where they are coming from, feeling excluded by the high minimum net worth requirements set by many majority-owned White financial firms, aligning their investment portfolios with their personal values, and a desire to support Black-owned businesses. The fact that the firm is also women-led has been a particularly strong motivator for GRID's Black women clients. In one recent engagement with a firm's African-American Employee Resource Group (ERG) members, 69% of ERG members stated they "were more comfortable engaging with advisors of color/firms that are BIPOC-owned." GRID has observed a noticeable increase in the number of prospects specifically seeking out Black-owned firms and attributes the renewed desire to patronize Black-owned firms to the events of 2020 and the ensuing heightened awareness of racial trauma. There is no information in the SCF collected on the race or ethnicity of financial planners.

2 | CONCLUSION

This article collates anecdotes from client meetings, GRID advisors' expertise, and scholarship on racial wealth inequality, racial discrimination in lending, credit, and employment markets to paint a picture of the financial planning environment among affluent Black American households seeking wealth management services from one Black and women-led company. It is very difficult to find micro-level data disaggregated by race about the financial planning industry. The industry is overwhelmingly white and male. Yet a significant number of studies analyzing professional–client interactions from the doctor's office to the classroom have for years touted the importance of same-sex and same race partnerships for improvements in performance, health, and well-being and less detrimental outcomes than experienced with across race matching (Gershenson et al., 2018; LaVeist & Nuru-Jeter, 2002). Equally important is removing racist and harmful advisors, of all backgrounds, who may not advise their Black clients with the best intentions. We believe this article is the start of an important and long overdue conversation related to the complexity of wealth maintenance and generation for affluent Black families.

The recent COVID-19 pandemic underscored the financial fragility of many Black households. These households were overwhelmingly impacted, as a health, labor, and financial crisis all coalesced once the economy came to a screeching halt in Spring 2020. The situation exposed preexisting inequities within our society, and yet also created opportunities to reset and imagine new and improved pathways forward. Financial planning will not close the racial wealth gap, nor is it the solution to wealth inequality. This is, however, a charge for the industry to consider how their work will create meaningful and impactful contributions to this discussion and in the lives of Black clients.

ACKNOWLEDGEMENT

Deborah Adeyanju, CFA, for research assistance.

ORCID

Fenaba R. Addo https://orcid.org/0000-0003-1935-3300

ENDNOTE

[1] Author's calculation using the 2019 Survey of Consumer Finances, see Table 1 for more information.

REFERENCES

Addo, F. R., & Darity, W. A. (2021). Disparate recoveries: Wealth, race, and the working class after the great recession. *The Annals of the American Academy of Political and Social Science*, *695*(1), 173–192.

Addo, F. R., Houle, J. N., & Simon, D. (2016). Young, black, and (still) in the red: Parental wealth, race, and student loan debt. *Race and Social Problems*, *8*(1), 64–76.

Ards, S. D., & Myers Jr, S. L. (2001). The color of money: Bad credit, wealth, and race. *American Behavioral Scientist*, *45*(2), 223–239.

Beverly, K. (2019). A Planner's guide to serving the affluent diverse gen XY household. *Journal of Financial Planning*, *32*(3), 34–37.

Bhutta, N., Chang, A., Dettling, L. J., & Hsu, J. W. (2020). Disparities in wealth by race and ethnicity in the 2019 survey of consumer finances. *FEDS Notes. Washington: Board of Governors of the Federal Reserve System* (blog). September 28, 2020. https://doi.org/10.17016/2380-7172.2797.

Blanchflower, D. G., Levine, P. B., & Zimmerman, D. J. (2003). Discrimination in the small-business credit market. *Review of Economics and Statistics*, *85*(4), 930–943.

CFP Board. 2019, January 15. CFP Board Marks significant milestones and achievements - showing growth and interest in CFP® certification, 2019. https://www.cfp.net/news/2019/01/cfp-board-marks-significant-milestones-and-achievements——showing-growth-and-interest-in-cfp-cert.

Body, Dyvonne. 2019, March 19. Worse off than when they enrolled: The consequence of for-profit colleges for people of color. *Family Finances* (blog). https://www.aspeninstitute.org/blog-posts/worse-off-than-when-they-enrolled-the-consequence-of-for-profit-colleges-for-people-of-color/#:~:text=Students%20of%20color%20are%20the%20majority%20at%20for%2Dprofit%20colleges&text=According%20to%20the%20Federal%20Reserve%20all%20for%2Dprofit%20colleges.

Camara, M.′ B., Zaw, K., Hamilton, D., & Darity Jr, W. (2019). *Entering entrepreneurship: Racial disparities in the pathways into business ownership*. The Samuel DuBois Cook Center on Social Equity, Duke University.

Caswell, E. & Wood, S. (2021). Black Americans: Life insurance ownership and attitudes—A 2021 insurance barometer supplementary report. https://www.limra.com/en/research/research-abstracts-public/2021/black-americans-life-insurance-ownership-and-attitudes–a-2021-insurance-barometer-supplementary-report/.

Cavalluzzo, K., & Wolken, J. (2005). Small business loan turndowns, personal wealth, and discrimination. *The Journal of Business*, *78*(6), 2153–2178.

Chiteji, N. S., & Hamilton, D. (2002). Family connections and the black-White wealth gap among middle-class families. *The Review of Black Political Economy*, *30*(1), 9–28.

Choi, Ann, Shawn Donnan, and Hannah Levitt. 2022, March 25. Wells Fargo faces persistent racial gap in mortgage refinancing. *Bloomberg.Com* 2022, 3:20 PM EDT edition. https://www.bloomberg.com/news/articles/2022-03-25/wells-fargo-faces-persistent-racial-gap-in-mortgage-refinancing?sref=8PRZDVzI.

Collins, J. M. (2010). A review of financial advice models and the take-up of financial advice. *Center for Financial Security WP*, *10*(5), 1–66.

Conley, D. (2000). The racial wealth gap: Origins and implications for philanthropy in the African American community. *Nonprofit and Voluntary Sector Quarterly*, *29*(4), 530–540.

Darity, W., Jr, Hamilton, D., Paul, M., Aja, A., Price, A., Moore, A., & Chiopris, C. (2018). What we get wrong about closing the racial wealth gap. *Samuel DuBois Cook Center on Social Equity and Insight Center for Community Economic Development*.

de Zeeuw, M. (2019). *Report on minority-owned firms: Small business credit survey*. Federal Reserve Bank of Atlanta. https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/20191211-ced-minority-owned-firms-report.pdf

Donnan, S., Choi, A., Levitt, H., & Cannon, C. (2022, March 11). Wells Fargo rejected half its black applicants in mortgage refinance boom. *Bloomberg.Com*. https://www.bloomberg.com/graphics/2022-wells-fargo-black-home-loan-refinancing/?sref=8PRZDVzI.

Elmerick, S. A., Montalto, C. P., & Fox, J. J. (2002). Use of financial planners by US households. *Financial Services Review*, *11*(3), 217.

Fairlie, R. W., Robb, A. M., & Hinson, D. (2010). *Disparities in capital access between minority and non-minority-owned businesses*. US Department of Commerce, Minority Business Development Agency.

Flitter, Emily. 2019. This is what racism sounds like in the banking industry. *The New York Times*, December 11, 2019, sec. B. https://www.nytimes.com/2019/12/11/business/jpmorgan-banking-racism.html

Freeman, A. (2016). Racism in the credit card industry. *NCL Rev.*, *95*, 1071.

Gershenson, Seth, Cassandra MD Hart, Joshua Hyman, Constance Lindsay, and Nicholas W. Papageorge. 2018. *The long-run impacts of same-race teachers*. National Bureau of Economic Research.

Houle, J. N., & Addo, F. R. (2019). Racial disparities in student debt and the reproduction of the fragile black middle class. *Sociology of Race and Ethnicity*, *5*(4), 562–577.

Kolodner, M. 2021. Does income-based loan repayment drive borrowers of color into debt? The Hechinger report. 2021. https://hechingerreport.org/do-income-based-repayment-plans-drive-young-borrowers-of-color-deeper-into-debt/.

LaVeist, T. A., & Nuru-Jeter, A. (2002). Is doctor-patient race concordance associated with greater satisfaction with care? *Journal of Health and Social Behavior*, *43*, 296–306.

Lin, C. J. (2010). *Racial discrimination in the consumer credit market*. Ohio State University (Economics Department, PhD thesis).

McKernan, S.-M., Ratcliffe, C., Simms, M., & Zhang, S. (2014). Do racial disparities in private transfers help explain the racial wealth gap? New evidence from longitudinal data. *Demography*, *51*(3), 949–974. https://doi.org/10.1007/s13524-014-0296-7

Natella, Stefano, Tatjana Meschede, & Laura Sullivan. 2014. Wealth patterns among the top 5% of African Americans. Impact Series.

O'Brien, R. L. (2012). Depleting capital? Race, wealth, and informal financial assistance. *Social Forces*, *91*(2), 375–396. https://doi.org/10.1093/sf/sos132

Oliver, M. L., & Shapiro, T. (2006). *Black wealth, White wealth: A new perspective on racial inequality*. Routledge.

Pfeffer, F. T., & Killewald, A. (2018). Generations of advantage. Multigenerational correlations in family wealth. *Social Forces*, *96*(4), 1411–1442.

Ramsey, D. (2021). 10 characteristics of debt-free living, www.ramseysolutions.com, https://www.ramseysolutions.com/debt/7-characteristics-of-debt-free-people

Reiter, M., & Elizabeth Kiss, D. (2021). Efforts in diversity and recruiting in financial planning undergraduate programs. *Family and Consumer Sciences Research Journal*, *49*(3), 238–253.

Scott-Clayton, J. (2018). *The looming student loan default crisis is worse than we thought*. Brookings. https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/

Seamster, L. (2019). Black Debt, White Debt. *Contexts*, *18*(1), 30–35.

Statistics, US Bureau of Labor. (2022). Employment situation summary. April 1. https://www.bls.gov/web/empsit/cpsee_e18.htm.

Taylor, Morgan, Jonathan M. Turk, Hollie M. Chessman, and Lorelle L. Espinosa. 2020. Race and ethnicity in higher education: 2020 supplement. http://1xfsu31b52d33idlp13twtos-wpengine.netdna-ssl.com/wp-content/uploads/2020/11/REHE-2020-final.pdf.

Transparent Collective. n.d. What is transparent collective. Who Are We. https://www.transparentcollective.com/who-we-are.html#/.

W.K. Kellogg Foundation. (2012). Cultures of giving: Energizing and expanding philanthropy by and for communities of color. https://www.wkkf.org/resource-directory-old/resources/2012/01/cultures-of-giving–energizing-and-expanding-philanthropy-by-and-for-communities-of-color–full-repo.

White, K. J., & Heckman, S. J. (2016). Financial planner use among black and Hispanic households. *Journal of Financial Planning*, *29*(9), 40–49.

Williams, D. (2017). Black Americans offer a huge opportunity in life insurance sales. *ThinkAdvisor*, March 7. https://www.thinkadvisor.com/2017/03/07/black-americans-offer-a-huge-opportunity-in-life-insurance-sales-infographic-2/.

Yao, R., Gutter, M. S., & Hanna, S. D. (2005). The financial risk tolerance of blacks, Hispanics and whites. *Journal of Financial Counseling and Planning*, *16*(1), 51–62.

How to cite this article: Addo, F. R., & Beverly, K. (2022). Priorities and challenges: Wealth management and financial planning among affluent Black families. *Financial Planning Review*, *5*(2-3), e1148. https://doi.org/10.1002/cfp2.1148