

commonwealth

SEPTEMBER
2021

Invest Forward:

Closing the Investing Gap
for Black and Latinx Low- to
Moderate-Income Women



Acknowledgements

Thank you to Commonwealth report authors: Paula Grieco and Steve Holt. Thank you also to our Commonwealth colleagues Julianna Samper, Melissa Gopnik and our survey partner, Logica—led by Lilah Raynor—for their significant contributions. Thank you to Commonwealth’s communications and design team, including Gina Ryder and Teresa Willand.



Commonwealth is a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships. Black, Latinx and female-led households disproportionately experience financial insecurity due in large part to longstanding, systemic racism and gender discrimination. Addressing these issues is critical to Commonwealth’s work of making wealth possible for all. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over 1 million people to accumulate more than \$4 billion in savings. Commonwealth understands that broad changes require market players to act. That’s why we collaborate with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. To learn more, visit us at www.buildcommonwealth.org.



Logica Research excels in creating customized marketing research solutions for complex business questions. Logica provides financial services, fintech, and social impact organizations the insights they need for product and service development, marketing communications, and thought leadership that will improve people’s financial lives, deepen brand engagement, and drive business growth. Research that Logica® has conducted for clients has been published in the largest media outlets in the world including the New York Times, The Financial Times, The Wall Street Journal, CNN, Newsweek, Time, and USA Today. www.logicaresearch.com

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We cannot begin to close these persistent racial and gender wealth gaps on the basis of income from labor alone.”

Executive Summary

Advancing racial and gender equity requires addressing the enormous and persistent [wealth gaps](#) in the United States. The median net wealth of white men is [13x](#) that of Black women, the median wealth of single white men under 35 is [224.2x](#) that of single Black women. The dramatically lower wealth holdings of lower and moderate income (LMI) working women—particularly Black and Latinx women—reflect long-standing systemic racism and sexism that excludes them from traditional pathways to wealth.

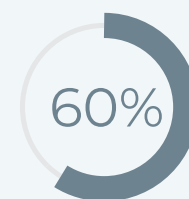
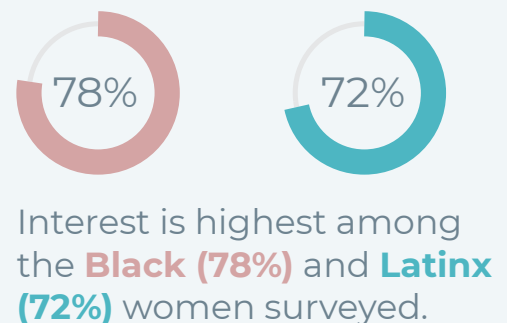
We cannot begin to close these persistent wealth gaps on the basis of income from labor alone. Wealth creation can take many forms, but participation in capital markets is and will continue to be a critical wealth generation path. Those who lack wealth must have access to well-designed, high quality ways to earn returns on capital, especially in financial markets. Getting started investing in the stock market can help participants achieve shorter term goals such as feeling more financially secure and accumulating funds for larger purchases. Looking longer term, life goals such as financing children’s higher education, having a secure retirement, and providing a sound foundation for future generations are nearly impossible to achieve without participating in capital markets (owning stocks, bonds, mutual funds, and similar assets).

To learn more about the financial and investment needs, wants, and aspirations of LMI working women and identify opportunities for them to build wealth through investing in capital markets (outside of retirement plans), we partnered with [Logica Research](#). This report summarizes our findings from that survey of 1,500 LMI working women earning between \$30,000 and \$80,000 annually with a particular focus on Black and Latinx women.

Our survey results provide a deeper understanding of the investment behaviors, perceptions and engagement of LMI working women. Key findings include:

- **Most LMI working women want to invest in capital markets.** It is a misconception to confuse low rates of capital markets participation with indifference to investing. There is a deep well of interest in investing for all women, with 65% of LMI working women wanting to invest. Interest is highest among the Black (78%) and Latinx (72%) women surveyed.
- **Yet, a majority are not investing.** Despite this level of interest, over 60% of LMI working women are *not* investing in capital markets today.
- **Significant systemic barriers discourage engagement.** Options available in the investment marketplace were viewed as too confusing and risky. Although not having resources to invest is a factor for some, just as important is not knowing where to start; an obstacle cited by 47% of women surveyed.
- **Investing is a realistic, attainable wealth building path for LMI Black and Latinx women and some are already using it.** Our data analysis uncovered three distinct personas: The [Confident Investor](#), the [Discerning Investor](#), and the [Potential Investor](#). These personas demonstrate that some LMI Black and Latinx working women are already investing and that investing is a realistic, attainable wealth building path for many others.
- **The investment ecosystem has an unprecedented opportunity to innovate fundamentally more inclusive products.** Traditional financial services and fintechs alike have an unprecedented business opportunity and responsibility to design products that meet the needs, wants, and aspirations of this untapped consumer segment.

It is a misconception to confuse low rates of capital markets participation with indifference to investing.



Over 60% of LMI working women are **not** investing in capital markets today.

These findings reflect Commonwealth's [other work](#) identifying structural barriers that make it difficult to pursue traditional pathways to wealth, such as investing. They resonate with what we have heard [working directly](#) with LMI working women who feel current investment options [are not designed for them](#).

Focusing on opening up investing to LMI Black and Latinx working women—who are disproportionately impacted by the wealth gap—will have a positive impact on many other new investor groups who face similar challenges. Serving this significant untapped consumer segment of [nearly 12 million Black and Latinx working women](#) (earning between \$30,000 and \$80,000) will move toward narrowing the nation's racial and gender wealth gaps.

Partner with Us

With the insights gleaned from this research and additional [investing work](#), we are partnering with the capital markets ecosystem—fintech companies, asset managers, financial advisors, and other investment intermediaries—in designing, developing, testing, and scaling high-quality, fundamentally more inclusive investment tools. To discuss opportunities to collaborate, please contact Julianna Samper, Senior Innovation Manager at Commonwealth, jsamper@buildcommonwealth.org.



Commonwealth is committed to reducing barriers to entry for all pathways to wealth, improving traditional pathways to wealth, and developing new 21st century pathways.”

Introduction

The [median net wealth](#) of white men is 13x that of Black women. The dramatically lower wealth holdings of LMI women—particularly Black and Latinx women—reflect, in large part, long-standing systemic racism and sexism that excludes these women from traditional pathways to wealth. This inequity shortchanges individual households, communities, and an economy that is denied the fruits of full and equitable participation.

Commonwealth is committed to reducing barriers to entry for all [pathways to wealth](#), improving traditional pathways to wealth, and developing new 21st century pathways.

Wealth creation can take many forms, but participation in capital markets is and will continue to be a critical wealth generation path. The gap in investing by women of color contributes to a profound wealth gap. Among race and gender groupings, single Black women have the [lowest net worth](#). Among working age singles, Black and Latinx women have [1% or less](#) of the median wealth of white women, and single women as a whole have [less than one-third](#) the median wealth of single men.

UNDERSTANDING THE UNIQUE NEEDS OF LMI WORKING WOMEN

To understand the financial and investing behaviors, needs, wants, and aspirations of LMI working women and identify opportunities to enable them to invest and build wealth, we partnered with Logica Research. Our partnership fielded a survey designed to:

- Understand attitudes among this population toward investment and wealth accumulation;
- Identify their preferences and needs around investing (past, present, and future); and
- Pinpoint differences based on key demographics of race, age, income and nonfinancial factors.

This information is critical for advising industry partners on how they can better design products and harness the untapped opportunity of this market segment.

This online survey conducted in the first-quarter of 2021 included a target sample of 1,500 working women aged 18 to 65 with annual household incomes between \$30,000 and \$80,000 (about 45% and 120% of national median income, respectively) and oversampled for Black and Latinx women with a total of 405 in each category.

It describes the investing gap among the LMI working women surveyed and then turns the focus to Black and Latinx women. To better understand the opportunity for greater capital markets participation by Black and Latinx working women, we used the survey data to uncover three potential personas to guide further research and foster innovation in a changing investment ecosystem: [Confident Investor](#), [Discerning Investor](#), and [Potential Investor](#).

We conclude with an invitation to participants in that ecosystem to join us in the next phase of research to test and learn from innovative pilot approaches.

Our Survey



Online survey of **1,500 LMI working women** with a particular focus on Black and Latinx women (405 in each category).



Ages **18-65**



Annual household income between **\$30,000 and \$80,000**

The Investing Gap for LMI Women

Although some LMI women are investing, our survey found a significant gap between interest in investing in capital markets and those who are doing so. Respondents identified what was keeping them from investing as well as what would facilitate their participation.

A MAJORITY OF LMI WORKING WOMEN WANT TO INVEST

It is a misconception to confuse low rates of capital markets participation with indifference to investing. Among the LMI working women not currently investing, nearly two-thirds (65%) expressed interest in doing so. Interest is even higher among the Black (78%) and Latinx (72%) women surveyed.

Notably, regardless of household income, women demonstrate interest in investing: 63% of those in our sample with lower household incomes (\$30,000 to \$50,000) were interested in investing, and 68% of those with higher incomes (\$50,000 to \$80,000) indicated interest.

The value of this pathway to wealth building is recognized by LMI working women who are interested in investing—including those who are not investing at present.

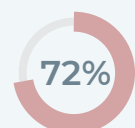
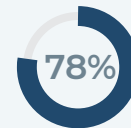
Why LMI Working Women Want to Invest

56% Saving money for long-term goals

56% Increasing income outside of work

52% Saving for retirement

There is a significant gap between interest in investing in capital markets and those who are doing so.



Interest is even higher among the **Black (78%)** and **Latinx (72%)** women surveyed

Notably, regardless of household income, women demonstrate interest in investing:

63% of those in our sample with lower household incomes (\$30,000 to \$50,000) were interested in investing

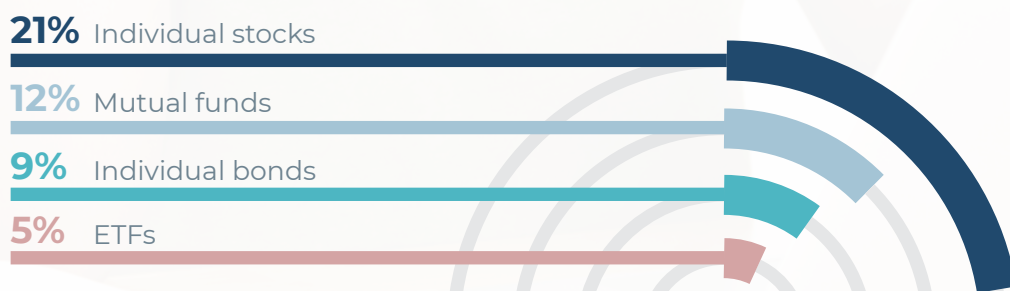
68% of those with higher incomes (\$50,000 to \$80,000) indicated interest.

Why LMI Working Women Are Not Investing Today



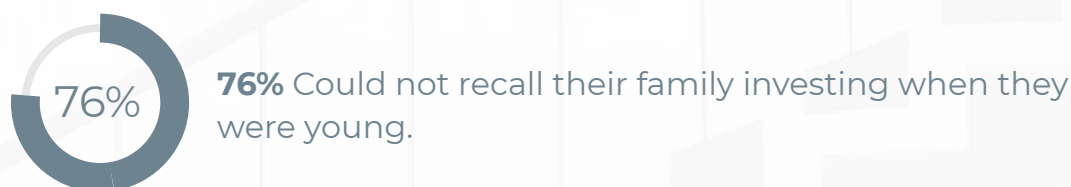
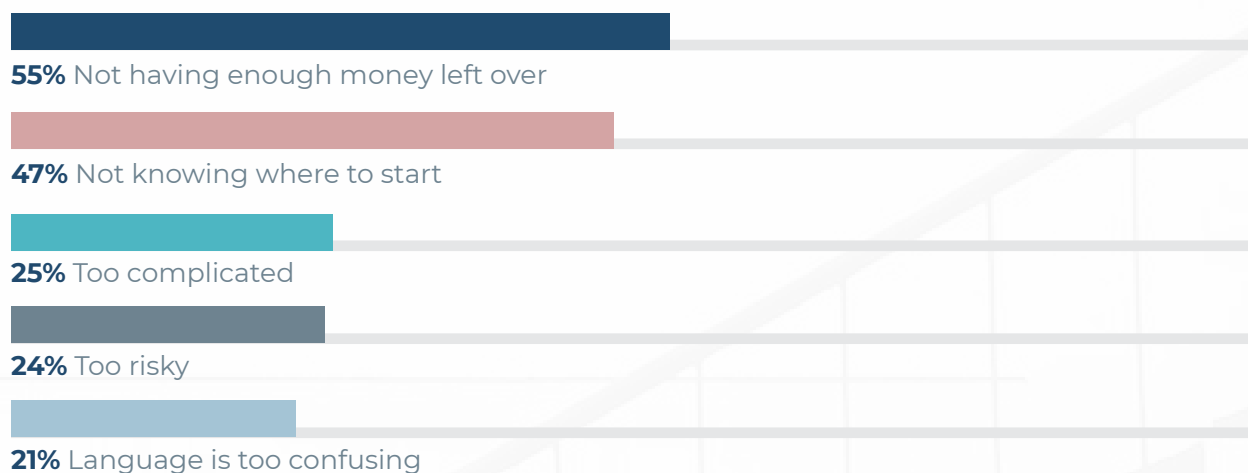
In our survey of LMI working women, **under 40%** reported having investments.

Individual stocks were the most common asset held, owned by **21% of respondents** (68% of those with investments). **12%** reported having money in mutual funds. **9%** said they owned individual bonds. **5%** reported investing in ETFs (Exchange-Traded Funds).



Barriers to Investing

Over half (55%) cited not having enough money left over after paying expenses as a reason for not having started investing. **Nearly half (47%)** said a primary reason was not knowing where to start. Other significant barriers were that investing is too complicated (selected by **25% of respondents**), too risky (**24%**), and that the language is confusing (**21%**).



When asked what would encourage them to start investing, **60% said having a simple way to do so**, and **57% wanted to know how their investment would be protected from losses**.

Respondents with investing experience started investing at **31 years old**, on average, and are **most likely to classify themselves as beginners (65%)**.



An Opportunity:

Participation in Capital Markets by Black and Latinx Women



Who Are Black and Latinx LMI Working Women Investors?

Three Prospective Personas

Both the persistent racial and gender wealth gaps and lower rates of participation in capital markets point to the importance of increasing investing by Black and Latinx LMI working women. Our survey of Black and Latinx LMI working women exploring investment behavior and interest and financial status yielded rich insights into the perspectives of potential Black and Latinx women investors. Our data analysis uncovered three distinct personas encompassing this diversity of perspectives. The rapidly evolving capital markets ecosystem provides fertile ground for innovation.

These personas demonstrate that some LMI Black and Latinx working women are already investing and that investing is an attainable wealth building path for others. The three personas are: Confident Investor, Discerning Investor, and Potential Investor. An important finding is that there was no significant variance in income among the three; the differences lie in other demographic characteristics, life experiences, social networks, perceptions, attitudes, and expectations.

The Confident Investor

Of the women we surveyed, 23% fit this persona, with 62% Black women and 38% Latinx women. Confident investors have greater exposure to financial tools, accounts, and investing. They enjoy a higher level of financial well-being and have positive attitudes toward investing, perceiving it as providing better opportunities for financial well-being. They strongly disagree that investing is more for men than for women or that there are no opportunities for people like them.

The Discerning Investor

This group comprised 36% of the respondents in our sample, with 53% Black women and 47% Latinx women. The financial well-being of Discerning Investors is moderate, and they have moderate exposure to financial tools, accounts, and investing. Their attitudes toward investing and opportunities in capital markets are neutral.

The Potential Investor

This persona constituted 41% of the working women we surveyed, with 41% Black women and 59% Latinx women. Potential Investors do not currently invest, and they experience lower financial well-being. They are particularly unlikely to recall their family investing when they were growing up. They are not sure where to start in investing (feeling they need to know a lot) and are significantly more fearful of losing money. They lack exposure to financial accounts, brands, or tools.



The Confident Investor

Demographics

Age

39

MEAN AGE

31%

UNDER 30
YEARS OLD

Race

38%

LATINX

62%

BLACK

Other

35%

HAVE
CHILDREN

85%

OWN A
LAPTOP



Financial Picture



CFPB FINANCIAL
WELL-BEING SCORE
(SCALE 1-100)



38%

High

CFPB score (mean): 66.5



INCOME

\$54k

Mean



SAVINGS

\$3.2k

Mean



DEBT

\$8.5k

Not incl. mortgage/
student loans



The Confident Investor



Investing Experience

50%

Self-described
beginner

43%

Currently own
stocks

28%

Recall family
investing when
growing up

84%

Family or friends
currently investing

32%

Use investment
account for
savings



RISK TOLERANCE

31%

Balanced



HOW MUCH THINK
NEED TO INVEST

\$948



INTERESTED IN \$5
INVESTING CONCEPT

85%



Reasons to Invest



70%

Save money for
long term



52%

Save money for
retirement



49%

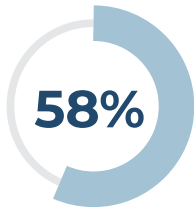
Increase income
outside of work



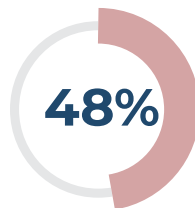
The Confident Investor



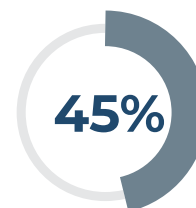
Barriers to Start Investing



HAVING A SIMPLE
WAY TO DO IT



KNOWING INVESTMENT
PROTECTED FROM LOSSES



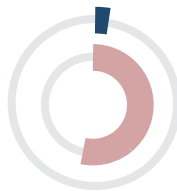
TOOLS AND RESOURCES



Perceptions and Approach



PERCEPTIONS ABOUT FINANCES



3%

Finances control life

56%

Have savings goals, trying to reach a
defined amount by a certain date

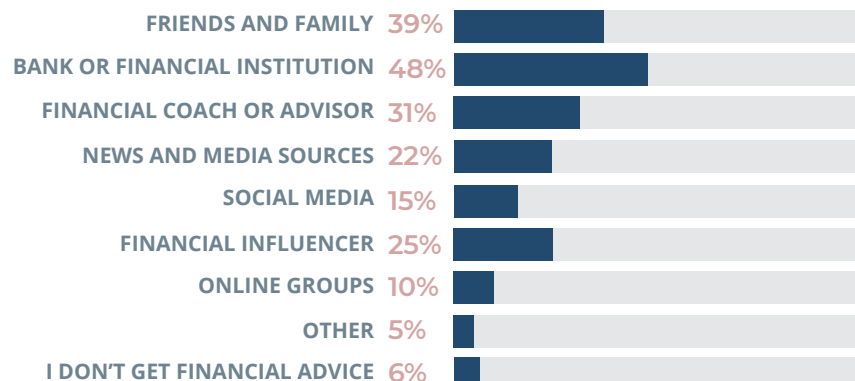
GENERAL FINANCIAL PERCEPTIONS

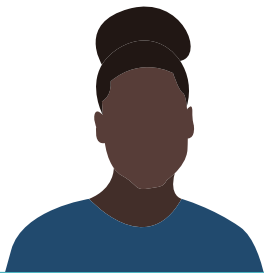
INVESTING PERCEPTIONS

- Strongly disagree that investing is for men and not women
- Strongly disagree that there are no opportunities for people like them



WHERE GO TO FOR FINANCIAL HELP





The Discerning Investor

Demographics

Age

39

MEAN AGE

24%

UNDER 30
YEARS OLD

Race

47%

LATINX

53%

BLACK

Other

48%

HAVE
CHILDREN

83%

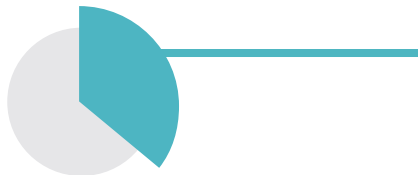
OWN A
LAPTOP



Financial Picture



CFPB FINANCIAL
WELL-BEING SCORE
(SCALE 1-100)



36%

Low/Medium

CFPB score (mean): 47.9



INCOME

\$52k

Mean



SAVINGS

\$1.7k

Mean



DEBT

\$14.5k

Not incl. mortgage/
student loans



The Discerning Investor



Investing Experience

67%

Self-described
beginner

35%

Currently own
stocks

20%

Recall family
investing when
growing up

70%

Family or friends
currently investing

17%

Use investment
account for
savings



RISK TOLERANCE

46%



HOW MUCH THINK
NEED TO INVEST

\$1k



INTERESTED IN \$5
INVESTING CONCEPT

82%



Reasons to Invest



56%

Increase income
outside of work



55%

Save money for
long term



51%

Save money for
retirement



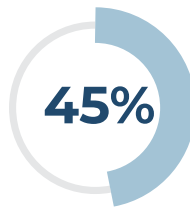
The Discerning Investor



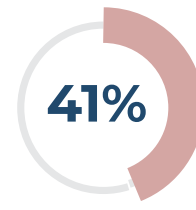
Barriers to Start Investing



HAVING ENOUGH
MONEY LEFT OVER



HAVING A SIMPLE
WAY TO DO IT



KNOWING INVESTMENT
PROTECTED FROM LOSSES



Perceptions and Approach



PERCEPTIONS ABOUT FINANCES



13%

Finances control life

37%

Have savings goals, trying to reach a
defined amount by a certain date

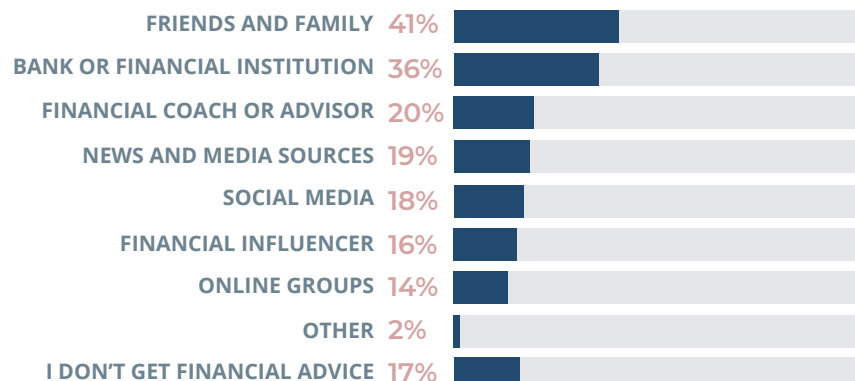
GENERAL FINANCIAL PERCEPTIONS

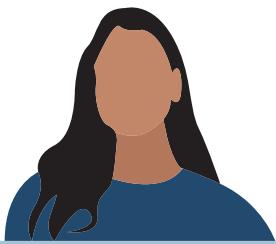
INVESTING PERCEPTIONS

- Neutral responses to perceptions of investing.



WHERE GO TO FOR FINANCIAL HELP





The Potential Investor

Demographics

Age

37

MEAN AGE

37%

UNDER 30
YEARS OLD

Race

59%

LATINX

41%

BLACK

Other

40%

HAVE
CHILDREN

78%

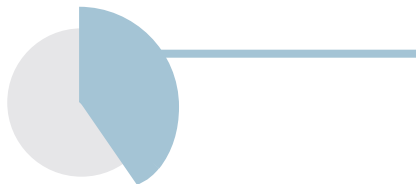
OWN A
LAPTOP



Financial Picture



CFPB FINANCIAL
WELL-BEING SCORE
(SCALE 1-100)



38%

Low/Medium

CFPB score (mean): 45.7



INCOME

\$50k

Mean



SAVINGS

\$1.3k

Mean



DEBT

\$14.4k

Not incl. mortgage/
student loans



The Potential Investor



Investing Experience

82%

Self-described
beginner

0%

Currently own
stocks

13%

Recall family
investing when
growing up

56%

Family or friends
currently investing

5%

Use investment
account for
savings



RISK TOLERANCE

46%

Averse, 24% DK



HOW MUCH THINK NEED TO INVEST

\$1k



INTERESTED IN \$5 INVESTING CONCEPT

82%



Reasons to Invest



60%

Save money for
long term



59%

Increase income
outside of work



44%

Save money for
retirement



41%

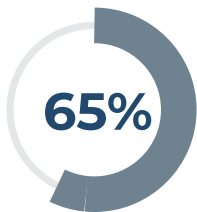
Learn how to
invest



The Potential Investor



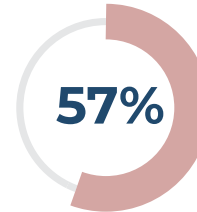
Barriers to Start Investing



HAVING ENOUGH
MONEY LEFT OVER



HAVING A SIMPLE
WAY TO DO IT



KNOWING INVESTMENT
PROTECTED FROM LOSSES



Perceptions and Approach

GENERAL FINANCIAL PERCEPTIONS



PERCEPTIONS ABOUT FINANCES



22%

Finances control life

21%

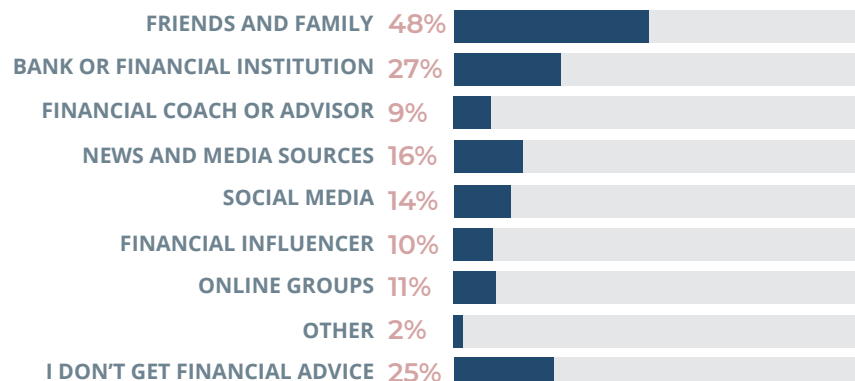
Have savings goals, trying to reach a defined amount by a certain date

INVESTING PERCEPTIONS

- Significantly more fearful of losing money
- Not knowing where to start
- Needing to know a lot about investing



WHERE GO TO FOR FINANCIAL HELP



Persona Summary

Thinking about investing needs and desires from the perspective of these personas illuminates the multiple phases of the wealth building journey and the different places LMI Black and Latinx working women find themselves along the way.

These prospective personas are a first step in the process of designing products, experiences, and distribution channels that will work for these populations. They facilitate understanding user needs, experiences, behaviors, and goals. Uncovering the different requirements and expectations of market subgroups enables user-centered designs that will increase their effectiveness; Commonwealth will use these to inform our prototyping and our partnerships with market actors.

Next Steps

The interest among LMI Black and Latinx working women in pursuing investment and the evolving investment ecosystem provides significant opportunities for market actors to innovate fundamentally more inclusive products, tools, and distribution channels. Commonwealth continues to conduct actionable research, design and develop innovations with [leading fintechs](#) and other innovators in the investing ecosystem. [We have pinpointed](#) the barriers women of color face in investing: resources, actionable knowledge, market access, and investor identity.

The three potential investor personas we uncovered among our survey respondents provide a better understanding of the different needs and expectations among LMI Black and Latinx working women. The persona perspective is critical to the design of effective user-centered products and distribution channels.

Our research employs an iterative process of test and learn pilots. We see promising roles for fintech companies, asset managers, financial advisors, and other investment intermediaries. If you are part of the capital markets ecosystem interested in pursuing this opportunity, please contact Julianna Samper, jsamper@buildcommonwealth.org.



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