

Insights: Financial Capability

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Hidden Disparities: A Closer Look at the Financial Vulnerability of AAPI Adults

Summary

This issue brief examines the financial vulnerability of Asian American and Pacific Islander (AAPI) adults using two approaches. First, using data from the 2012 – 2021 FINRA Foundation’s State-by-State National Financial Capability Study (NFCS) and the 2021 NFCS AAPI Oversample ¹, we investigated trends in financial vulnerability of AAPI adults relative to those in other racial/ethnic groups across a 12-year period. Then, to better understand how financial vulnerability varies within the AAPI population, we assessed the level of financial vulnerability in a sample of AAPI respondents, examining how vulnerability varied by heritage group. To assess financial vulnerability, we assessed whether respondents: (1) are unable to come up with \$2,000 within a month; (2) occasionally overdraft their checking account(s); (3) lack emergency savings; (4) have difficulty paying bills and covering expenses; and (5) have carried over a balance on their credit card(s). We examined each indicator separately and using a sum score (financial vulnerability index) that was implemented in a prior study (Kim et al., 2022). Overall, we found that, relative to other racial/ethnic groups, AAPI respondents reported the lowest levels of financial vulnerability. However, within the AAPI population, financial vulnerability varied by heritage, with those of East Asian heritage reporting less fragility than AAPI adults from other heritage groups. These results help us gain insights into the financial well-being of AAPI households, particularly during the COVID-19 pandemic, and provides initial evidence of the significant disparities that exist within this diverse community.

¹ In 2021, the FINRA Foundation administered the National Financial Capability Study to 1,001 adults who identify as Asian or Pacific Islander to expand our understanding of the financial capability of this population.

Background

Over 24 million residents of the United States (U.S.) identify as Asian, Native Hawaiian, or other Pacific Islander, comprising about 7 percent of the nation's population. While still a relatively small portion of the overall U.S. population, the AAPI population is rapidly growing and the population's economic influence on the U.S. is increasingly important. In fact, AAPI's collective buying power rose by 314 percent from 2000 to 2019 (The Nielsen Company, 2020). Notably, the AAPI population is one of the most diverse ethnic and racial groups in the United States, with roots in over 20 distinct countries. The economic realities of AAPI adults also vary widely. In fact, the Pew Research Center finds the AAPI group to be the racial and ethnic group with the most income disparity in the U.S. (Kochhar & Cillufo, 2018).

Yet, despite AAPI's demographic growth and increasing economic influence in the U.S. (Budiman & Ruiz, 2021), the AAPI population has received little attention in the financial capability literature (Lee et al., 2015; Ouyang et al., 2019). The paucity of research is partly a result of small sample sizes of AAPI respondents, which creates challenges for researchers needing to draw conclusions from the data. The issue is exacerbated by the level of diversity found within this community, making it particularly difficult to accurately gauge the financial state of AAPI adults in the U.S. To date, the few studies that focus on the AAPI population tend to report aggregated results and find that AAPI adults tend to have higher levels of education, income, and wealth than other populations of color. Empirical results show that white and Asian individuals have relatively similar financial capabilities and status (e.g., de Bassa Scheresberg et al., 2014; Lee & Kim, 2022; Lee et al., 2022). But since most of this research fails to consider the vast demographic and geographic diversity within the AAPI population, these figures may hide important disparities.

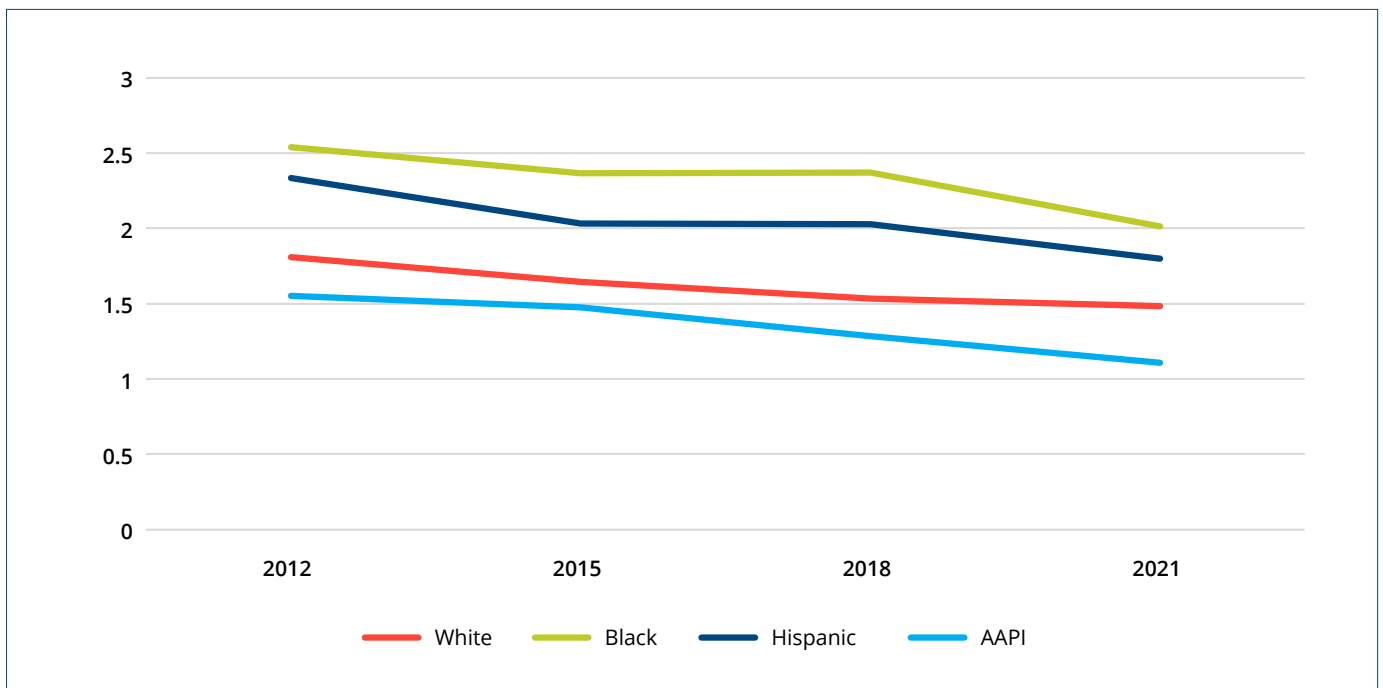
The need to better understand the financial wellbeing of AAPI households is particularly critical now given the impact of the COVID-19 pandemic. As of April, 2023, the CDC reported 104 million COVID-19 cases (Centers for Disease Control and Prevention, 2022). During the same period, U.S. households experienced record-high inflation rates, soaring to 9.1 percent in June 2022, (U.S. Bureau of Labor Statistics, 2022a) and peak unemployment rates (14.7 percent, April 2020; U.S. Bureau of Labor Statistics, 2022b). The COVID-19 pandemic has disproportionately impacted the financial capability of different racial/ethnic groups in the U.S. (OECD, 2022). For the AAPI community, the COVID-19 pandemic coincided with a rise in hate crimes and violence against them, which beyond being physically and emotionally devastating, can result in financial detriment for its victims and the community at large (Huang et al., 2023). And many endured medical consequences of COVID-19, with the highest COVID-19-related mortality and morbidity rates cited among AAPI adults (Rubin-Miller et al., 2020). Given medical costs tied to COVID-19 infection, many AAPI households likely felt financial costs of COVID-19 (Graves et al., 2021). However, for AAPI adults, the role that COVID-19 pandemic has played on household finances is largely unknown.

Many U.S. households lack adequate financial planning for both expected and unexpected disasters, an important concern as failure to plan financially or prepare for life events can prevent households from being able to respond to them appropriately (Lusardi et al., 2011; Lusardi et al., 2018). The inability to do so is reflected in financial fragility. This brief explores the financial fragility of AAPI households during the COVID-19 pandemic and is one of the first to examine how heritage may play a role in this association.

A 12-Year Look at Financial Vulnerability Across Different Racial/Ethnic Groups

We examined trends in financial vulnerability across different racial and ethnic groups from 2012 to 2021, using an overall financial vulnerability index as well as the five individual underlying questions that form the index. Using both approaches, we saw that relative to other racial/ethnic groups, AAPI respondents consistently reported lower levels of financial vulnerability across the 12-year period. Using the financial vulnerability index, which ranged from 0 to 5, with higher scores indicating greater vulnerability, we saw a consistent decline in financial vulnerability for AAPI adults from 2012 (1.6 of 5) to 2021 (1.1 of 5) (see Figure 1). When examining the specific financial vulnerability variables (Figure 2), we also found a lower proportion of AAPI respondents indicated evidence of financial vulnerability. Fewer AAPI respondents reported an inability to come up with \$2,000, a lack of emergency savings, and carrying over balance on credit cards compared to those in other racial/ethnic groups across the years studied.² However, a similar proportion of AAPI and white adults reported over drafting their checking accounts and experiencing difficulty paying bills.

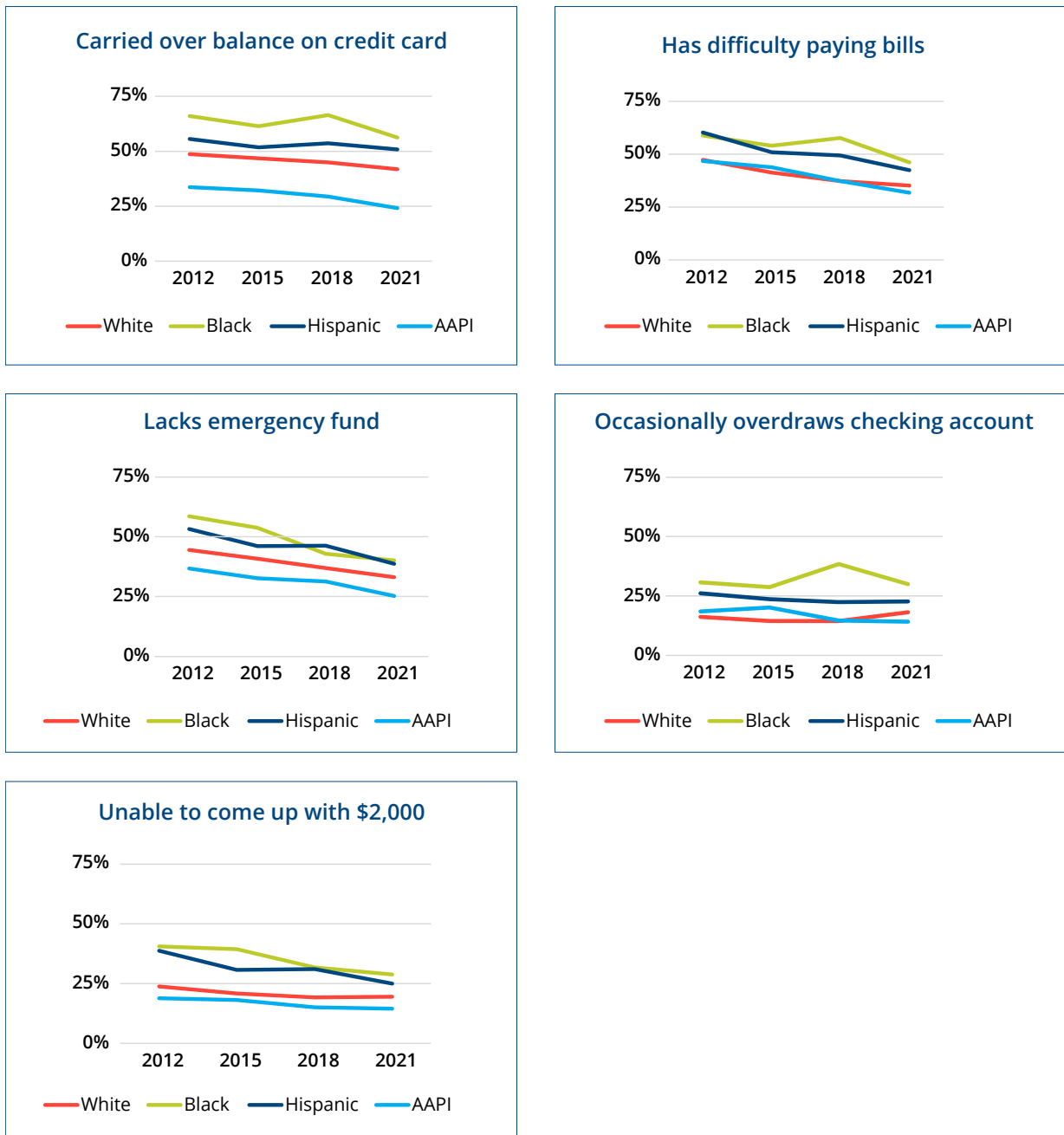
Figure 1. Financial vulnerability Score (out of 5) across race and ethnicity from 2012 - 2021 NFCS



Note: State-by-State NFCS and NFCS AAPI oversample data. Weighted results. N=75,186.

2 Full results are available from authors upon request. Overall findings hold even when controlling for age, income, educational attainment, marital status, and employment status.

Figure 2. Time trends in financial vulnerability factors across racial/ethnic groups, 2012 - 2021 NFCS



Note: NFCS State-by-state and NFCS AAPI oversample data. Weighted results. N=75,186.

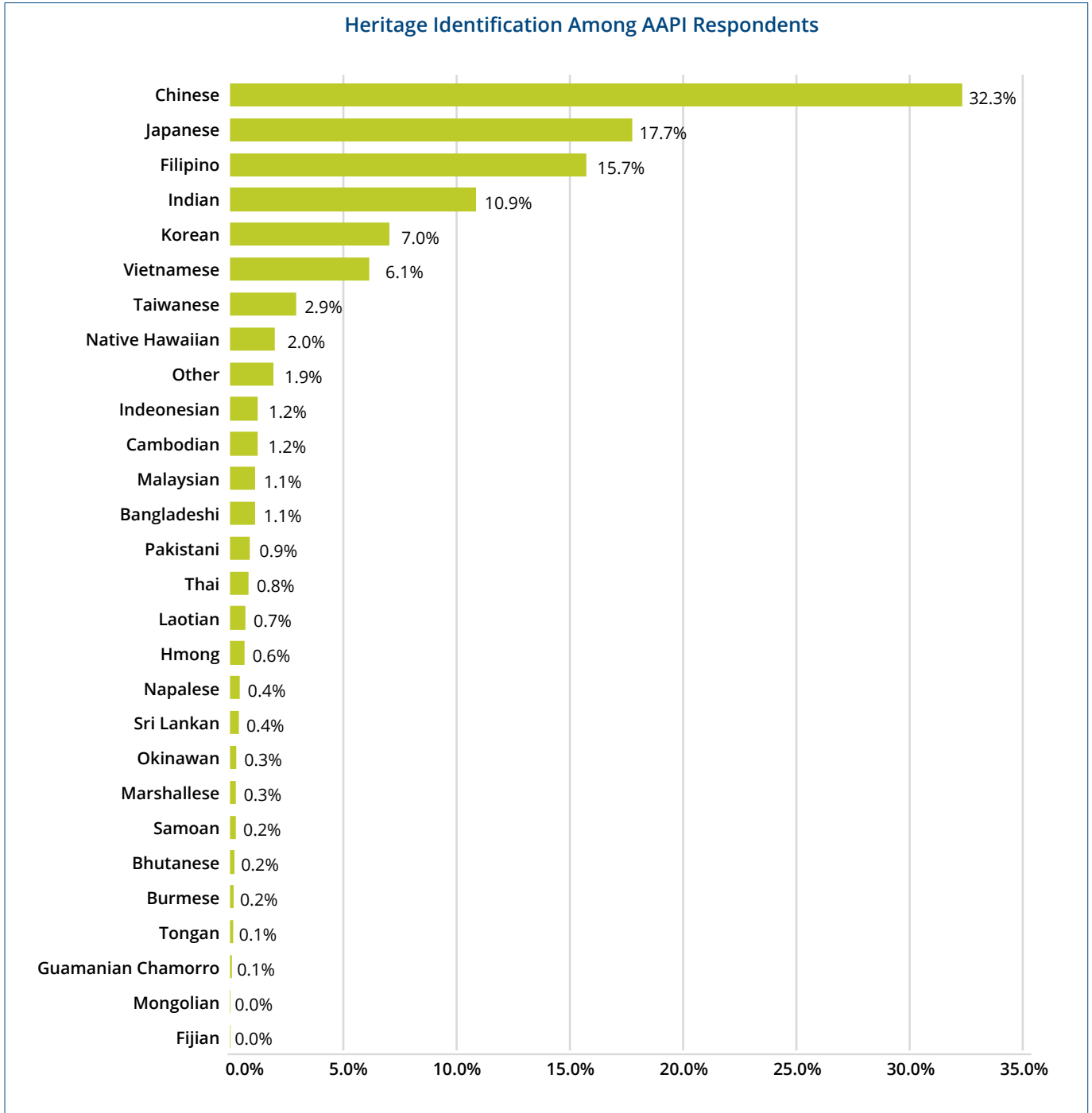
A Closer Look at AAPI Financial Vulnerability: Differences Across AAPI Heritage Groups

While aggregated results show that AAPI respondents reported lower levels of financial vulnerability than their non-AAPI counterparts, these overall findings can obscure differences that exist within the AAPI community. Using the 2021 NFCS State-by-State and AAPI oversample data, we took a closer look at the variability in AAPI adults' financial vulnerability. Geographically, AAPI respondents identified more than 27 countries to describe their heritage. Thus, in the second set of analyses, we examined whether financial vulnerability differed by geographic location. Figure 3 shows the proportion of the AAPI respondents by locations associated with heritage. Seventy-seven percent of participants reported identifying with one of four heritages, with the highest representation from China, Japan, the Philippines, and India. Figure 3 shows the proportion of the AAPI respondents by heritage. Given the small sample sizes for several heritages, we grouped them by geographic location to conduct analyses. The groups were divided as follows: (1) South Asia (comprising those who identified with Bangladeshi, Bhutanese, Indian, Nepalese, Pakistani, and/or Sri Lankan heritage), (2) East Asia (comprising those who identified Chinese, Hmong, Japanese, Korean, Mongolian, Okinawan, and/or Taiwanese heritage), (3) South East Asia (comprising those who identified Burmese, Cambodian, Filipino, Indonesian, Laotian, Malaysian, Thai, and/or Vietnamese heritage), (4) Pacific Islanders (comprising those who identified Fijian, Guamanian Chamorro, Marshallese, Native Hawaiian, Samoan, and/or Tongan heritage), and (5) Others.

As shown in Figure 4, about 13 percent of respondents were classified as having South Asian heritage, 57 percent East Asian heritage, 24 percent Southeast Asian heritage, 2 percent Pacific Islander heritage, and 5 percent as Other heritage, including those who identified with multiple heritages that expanded across the distinct geographic locations studied (for instance, respondents who identified both Chinese and Thai heritages). While the analysis would yield relatively robust statistics for larger heritage groups, the statistics of Pacific Islanders which had a relatively small sample size need to be interpreted with caution. To address this issue, we conducted additional analyses as robustness checks, and we found similar results³.

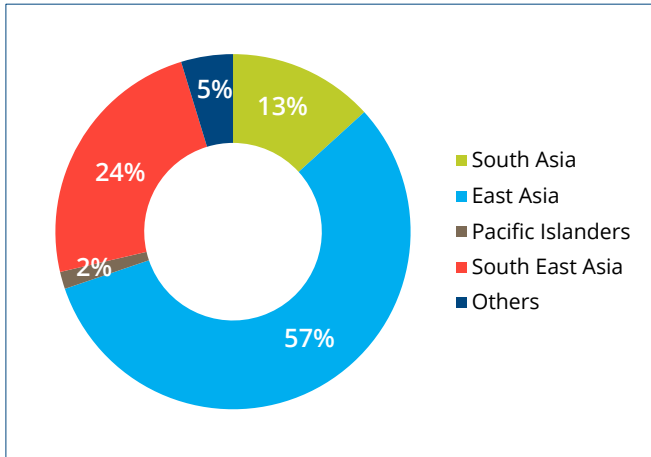
³ Full results are available from authors upon request.

Figure 3. Distribution of Heritages Among AAPI Respondents, NFCS & AAPI Oversample



Note. State-by-State NFCS and NFCS AAPI oversample data. Weighted results. N=1,709. Category not mutually exclusive, respondents could select multiple heritages.

Figure 4. Distribution of Heritage Groups Among AAPI Respondents



Note: Weighted results. N=1,709. Categories are mutually exclusive.⁴ South Asia (Bangladeshi; Bhutanese; Indian; Nepalese; Pakistani; Sri Lankan), East Asia (Chinese; Hmong; Japanese; Korean; Mongolian; Okinawan; Taiwanese), Southeast Asia (Burmese; Cambodian; Filipino; Indonesian; Laotian; Malaysian; Thai; Vietnamese), Pacific Islanders (Fijian; Guamanian Chamorro; Marshallese; Native Hawaiian; Samoan; Tongan), and Others.

Table 1 shows key differences in age, gender, education, and income across heritage groups. Compared to other heritage groups, the Southeast Asia group was relatively younger (41 years), and the East Asia group was relatively older (51 years). East Asia was the only group with higher male composition than female. The proportion of respondents with a college degree was highest for the South Asia group (8 percent), followed by East Asia (73 percent), Pacific Islanders (61 percent) and Southeast Asia (61 percent). There was a considerable gap between East Asia and Pacific Islanders in educational attainment. The proportion of respondents earning at least \$50,000 was highest among the East Asia group (75 percent), followed by South Asia (70 percent), Southeast Asia (63 percent), and Pacific Islanders (62 percent). In addition, our results show that the vulnerability index levels varied by the demographic characteristics of AAPI. AAPI respondents who were young, male, less educated, and earned lower incomes tended to exhibit statistically significantly higher levels of financial vulnerability.⁵

Table 1. Summary Statistics of AAPI demographics by heritage groups, 2021 NFCS & AAPI Oversample

	Total Sample	South Asia	East Asia	Pacific Islanders*	Southeast Asia	Others
Sample Size	1709	231	975	33	395	75
Mean Age (years)	47.0	43.0	51.2	45.7	40.8	39.7
Gender						
Male	47.1%	46.7%	50.6%	44.4%	40.3%	42.6%
Female	52.9%	53.3%	49.4%	55.6%	59.7%	57.4%
Educational Attainment						
No College Degree	29.9%	20.2%	26.6%	38.9%	39.0%	47.5%
Four-Year College Degree	70.1%	79.8%	73.4%	61.1%	61.0%	52.5%
Household Income						
Less than \$50,000	30.5%	30.0%	25.5%	37.7%	36.9%	55.7%
\$50,000 or more	69.5%	70.0%	74.5%	62.3%	63.1%	44.3%

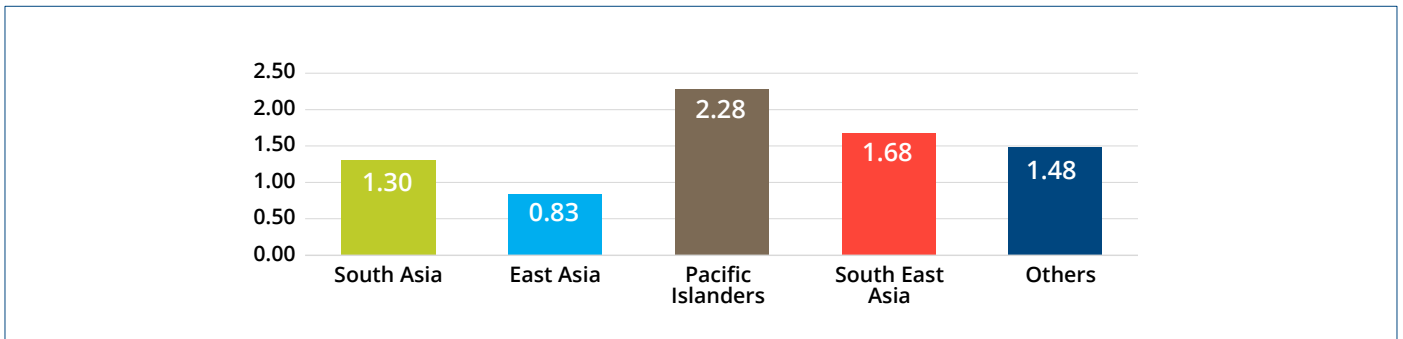
Note: State-by-State NFCS and NFCS AAPI oversample data. Weighted results. N=1,709. Categories are mutually exclusive. The different heritages were statistically different in age ($p<.001$), gender ($p=.023$), educational attainment ($p<0.001$), and household income ($p<0.001$).

4 Respondents who selected multiple heritages that crossed distinct heritages identified were grouped in “Others.”
 5 Full results are available from authors upon the requests.

Lastly, Figure 5 shows the difference in the financial vulnerability index by heritage groups. Respondents with East Asia heritage had the lowest financial vulnerability (0.83), followed by South Asia (1.30), Other (1.48), Southeast Asia (1.68), and Pacific Islanders heritage (2.28). Notably, while the level of financial vulnerability East Asia and South Asia heritage groups was lower than that of white respondents in 2021, the financial vulnerability score of Pacific Islander respondents was higher than that of their white, Hispanic, and Black counterparts.⁶

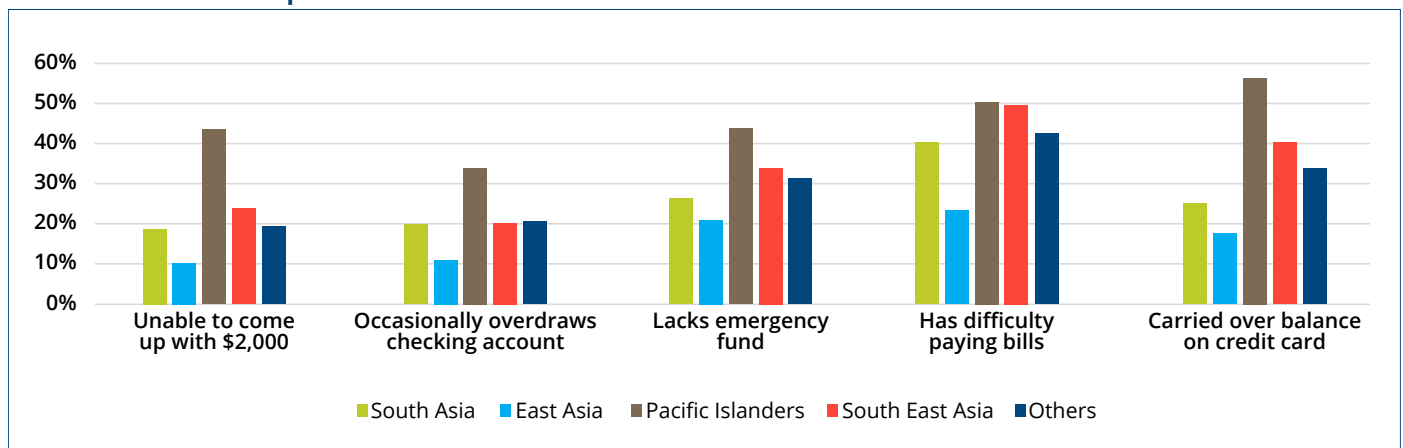
In addition, respondents with East Asian heritage, which constitute the largest proportion of our analytic sample had the lowest rate of all five financial vulnerability variables compared to other heritage groups (see Figure 6). Southeast Asian heritage, which is the second largest heritage group in our sample, had a very high rate of difficulty paying bills. While Pacific Islander heritage is the smallest group of our sample, they exhibited the highest rate for four out of five vulnerability variables: inability to come up with \$2,000, overdrawing their checking accounts, lack of emergency fund, and carrying over a balance on their credit card(s).

Figure 5. Financial vulnerability of AAPI group across different heritage groups, 2021 NFCS & AAPI Oversample



Note: State-by-State NFCS and NFCS AAPI oversample data. Weighted results. N=1,709. An ANOVA test confirmed statistically significant differences in financial vulnerability index across AAPI heritage groups.

Figure 6. Financial vulnerability (5 separate variables) of AAPI group across different heritage groups, 2021 NFCS & AAPI Oversample



Note: State-by-State NFCS and NFCS AAPI oversample data. Weighted results. N=1,709. Category mutually exclusive. Differences in financial vulnerability indicators across heritage groups were statistically significant.

⁶ Full results are available from authors upon the requests. Overall findings hold even when controlling for basic demographic variables such as age, income, education, marital status, and employment status.

Conclusion

We examined the financial vulnerability of AAPI adults over the past 12 years and found that, on average, those who identify as AAPI consistently reported lower financial vulnerability than their counterparts in other racial/ethnic groups. However, these aggregated racial and ethnic results hid stark differences within the AAPI population. When examining differences in financial vulnerability within the AAPI population in 2021, we saw that heritage appeared to play a key role. AAPI respondents of East Asian heritage reported lower financial vulnerability than those of non-East Asian heritage. Those who identified with countries in the Pacific Islands reported greatest financial vulnerability, although interpretations may be hampered by small sample sizes. Our findings suggest that prior research that suggests a high financial stability within the AAPI group could be due to AAPI respondents of East Asian heritage, which constitute the largest proportion of many AAPI survey datasets. In addition, the use of aggregated analysis for people who identify as AAPI might conceal the financial insecurity or other characteristics of subpopulations within the AAPI community.

This study confirms a need for future research to consider the demographic and geographic diversity of AAPI and to use larger datasets that allow for closer examination of meaningful differences within the AAPI population. A robust understanding of the financial disparities that exist within the AAPI community has important implications for policymakers, practitioners, educators, and others interested in advancing equity and inclusion in the United States. A nuanced understanding of the financial capability of diverse communities of color like AAPI are critical to ensuring we are effectively identifying solutions that appropriately address people's needs.

Methodology

This study used data from four waves (2012, 2015, 2018 and 2021) of the FINRA Investor Education Foundation's State-by-State National Financial Capability Study (SxS NFCS) as well as data from the 2021 NFCS AAPI Oversample. The 2021 SxS NFCS and 2021 NFCS AAPI Oversample data were collected between June and October 2021 and provide a unique opportunity

to examine U.S. adults' financial capability during the COVID-19 pandemic. The analytic sample size for each dataset was as follows: 2012 SxS NFCS (N=16,757), 2015 SxS NFCS (N=19,633), 2018 SxS NFCS (N=19,198), 2021 SxS NFCS (N=18,817), 2021 NFCS AAPI Oversample (N=781). For AAPI-specific analyses, we merged data from the 2021 NFCS oversample and from the subsample of respondents in the 2021 SxS NFCS who identified as Asian, Pacific Islander or Native Hawaiian (N=928).

Following previous literature on financial vulnerability (e.g., Lusardi et al., 2011; Kim et al., 2022), we used five binary indicators of financial vulnerability from the 2021 NFCS dataset as follows: (1) inability to come up with \$2,000; (2) occasionally overdrafting checking account(s); (3) lacking emergency fund savings; (4) having difficulty in paying bills and expenses; and (5) carrying over a balance on credit card(s). In addition, we constructed an index of financial vulnerability from the sum of the five financial vulnerability variables ranging from 0 to 5, with higher score indicating greater vulnerability. Thus, we restricted the sample to the respondents who answered all five financial vulnerability questions. For the time trends of financial vulnerability, the total analytic sample of 75,186 was used for analysis.

Weighting

National-level sampling weights were used are representative of Census distributions based on data from the American Community Survey. Figures were weighted to be representative of the national population in terms of age, gender, ethnicity, and Census division. Note that a specific set of weights were created for the combined 2021 State-by-State NFCS and 2021 AAPI NFCS Oversample datasets. For AAPI-specific analyses, weights were used to be representative of the AAPI population in the U.S. These weights approximate the AAPI population in terms of age, gender, ethnicity, education, and Census Division were used, based on data from the 2019 American Community Survey. While weighting provides a reliable representation of the AAPI population as a whole at the national level, breakdowns of sub-populations are not necessarily representative.

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