

THE AFRICAN AMERICAN FINANCIAL EXPERIENCE

2011 Prudential Research Study



A report prepared by Prudential Research



Prudential

INTRODUCTION



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African Americans are an important, powerful, and integral part of the American landscape, comprising an influential and growing population that tends to be younger than the general market, with a rapidly emerging middle class and affluent segment. More than one in ten Americans is African American. Therefore, understanding the financial concerns, information preferences, goals and dreams of this population is critical for financial institutions that wish to play a role in helping African Americans achieve their financial goals.

As part of Prudential's ongoing commitment to increasing our understanding of different communities, we undertook this study, *The African American Financial Experience*. We hope these findings will encourage an industry-wide discussion about how to best serve the African American community.

African Americans in our survey have a broad array of financial goals and a strong sense of urgency regarding the importance of planning in meeting those goals. Our study also shows that this population is highly self-reliant, with a relatively strong level of confidence in their ability to make wise financial decisions and meet financial challenges. Although they may have been harder hit than most during the recent economic crisis, they are quite optimistic about the country's recovery from the "Great Recession."

While sharing many financial goals with the general population, African Americans have some unique needs and considerations. The survey shows that, similar to the general population, African Americans are keenly focused on saving, lowering their debt burden, and seeking information to become more knowledgeable about financial products. We learned that faith, family, and community are particularly important when it comes to making financial decisions. While African Americans are quite confident in their ability to meet their financial goals, they also tend to hold fewer financial products, invest more conservatively, lack relationships with financial professionals, and be more likely to borrow from their company retirement plans—all of which are barriers to achieving their goals. They also believe that the financial services industry can do a better job supporting their goals.

This study's findings provide an opportunity to make a difference. At Prudential, we celebrate the resilience and achievement of African Americans, and welcome new opportunities to build on these strengths. Together, the financial services industry and African American decision makers can make real strides to help support the financial and educational needs of the next generation, prepare for a confident future, and achieve true retirement security.

Learn more at www.prudential.com/africanamericans



ABOUT THE STUDY

Benchmark Study

Prudential's benchmark study, *The African American Financial Experience* was developed to help bring new insights into this market.

Specific research goals include:

1. Understanding consumers' needs and dreams for the future
2. Assessing the challenges in achieving greater financial security
3. Understanding what individuals need from the financial services industry
4. Identifying industry opportunities to improve the financial preparedness of consumers

Methodology

The study polled 1,500 African Americans with incomes of \$25,000 or more, between the ages of 25 and 70. All respondents either took the lead or had a significant role in making financial decisions for their households.

African American Respondents – Sample Profile

All charts represent the African American population base unless otherwise noted.

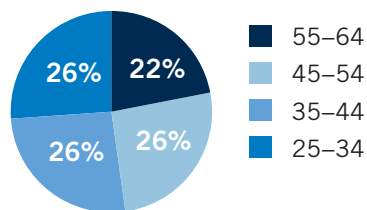
Analytical Framework

- An oversample of 500 random Americans aged 25 to 70 with incomes of \$25,000 or more was conducted as a reference point. This sample is referred to as the “general population” in the study.
- To ensure our ability to identify meaningful differences among African American income segments, 500 surveys in each of three household income ranges—\$25,000 to \$49,999, \$50,000 to \$99,999, and \$100,000 or more were completed.
- “Total” results in the study have been weighted according to the U.S. Census to reflect the proper proportions of African Americans and the general population within each of these income groups.

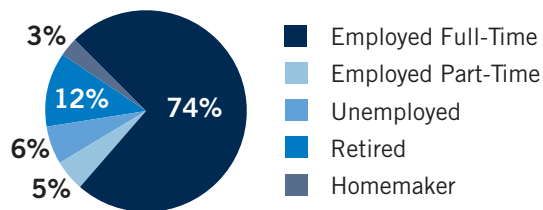
All respondents are members of e-Rewards Consumer Panels. Fielding and tabulation were completed by CR Market Surveys, a minority-owned firm based in Chicago. The study was conducted from November 4 through 23, 2010, with a margin of error of $\pm 2.16\%$ at the 95% confidence interval.

Note: Four percent of respondents are from the West Indies or the Caribbean. The terms “African American” and “Black American” are used interchangeably throughout the report when referencing African American respondents.

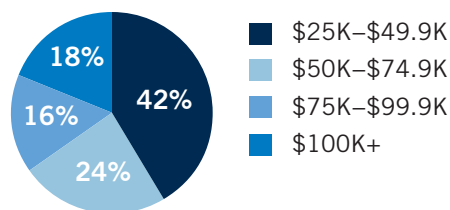
Age



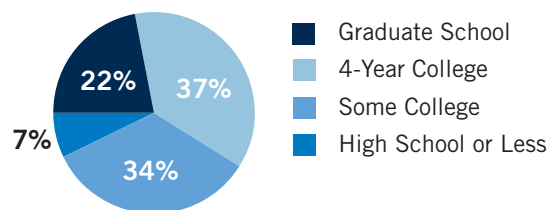
Employment Status



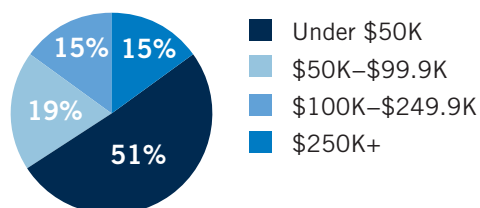
Household Income



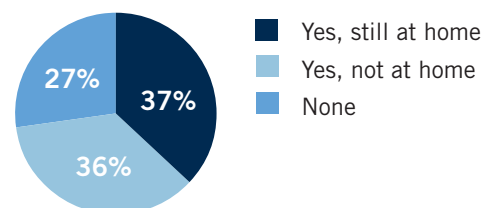
Education

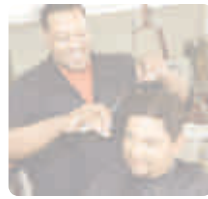
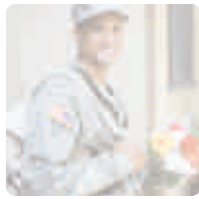


Investable Assets



Children





SUMMARY

Prudential's benchmark study, *The African American Financial Experience*, reveals some important information about ways in which African Americans are much like the general population of Americans in their financial attitudes and behaviors, as well as numerous areas where African American families and individuals are unique in their financial goals and aspirations, use of financial resources, information preferences, and investment behaviors.

Financial Strengths

Emerging Middle Market

- Nearly six in ten African Americans in our study have household incomes over \$50,000 and display a strong desire for assistance in finding appropriate product solutions to meet their goals.

Self-Reliance and an Entrepreneurial Spirit

- More self-directed than the general population in terms of their financial information sources, African American financial decision makers often rely on books on business subjects, financial services websites, financial seminars and conferences, and employers for information.
- African American respondents are also highly entrepreneurial, with a high percentage saying they dream of starting a small business.

Confidence, Faith and Resilience

- Compared with the general population, African Americans express a greater degree of general confidence, especially about their ability to make wise financial decisions. Yet, they are aware that confidence in achieving financial goals is lagging and they are not engaging in financial planning as they should be. They convey strong optimism about the country's ability to rebound from the financial crisis.
- Aware that improvements are needed to achieve financial goals, African Americans show a high interest in learning about financial issues through faith-based organizations.

Sense of Urgency Around Family-Centered Goals

- The financial goals of African American decision makers reveal a strong orientation toward improving the well-being of the family. African American respondents were notably more likely than the general population to cite as critical, passing money to heirs, providing financial assistance to elders and other family members, and educating their children on financial matters and debt avoidance.

Community Focus

- Solidarity and concern for the financial health and well-being of the community is very strong among African American decision makers.

- African Americans consider trust in financial institutions to be paramount. They seek evidence that financial services companies “understand me and my culture,” “have convenient offices located in my community,” and “have marketing and advertising materials that are relevant to me.”

Financial Challenges

Household Composition

- Significantly fewer African American decision makers are married, which results in many African Americans handling financial decisions alone while being hampered by incomes that are generally lower due to fewer dual-income households. African Americans surveyed indicated that they are less knowledgeable about a number of asset accumulation and asset protection financial products, and consequently have low levels of ownership of IRAs, stocks and bonds, mutual funds, and annuities.

Little Partnership With Financial Professionals

- Use of financial professionals is low, and African American decision makers are unsure how to find financial products to meet their needs. They often believe they are lagging in meeting their retirement goals. Barriers to using financial professionals include expense, lack of knowledge on how to choose a qualified advisor, the need to build trust, and confidence in their own decision making. Those currently using financial professionals are more confident that their critical goals will be met, and are more on track to meet them.

High Levels of Debt

- Although debt is a concern for most Americans, for African Americans, “reducing my debt and improving my credit-worthiness” is considered a more burning issue. Many are paying off high interest loans and credit cards rather than saving and investing for the goals that are most important to them. Overall, a majority are making debt reduction a priority, believe their current debt situation is manageable, and remain confident that they can reduce personal debt.

Heavy Borrowing Against Most Important Source of Retirement Income

- Most Americans expect company-sponsored retirement plans to be the primary source to fund their retirements. However, Black Americans less often fund these plans on a monthly basis, and more often tap into these plans to meet immediate cash-flow needs, putting their long-term financial well-being at risk.

IMPACT OF THE “GREAT RECESSION”: CONCERNED, BUT OPTIMISTIC

Setback Highlights Critical Concerns

The recent financial crisis, now referred to by many as the “Great Recession,” delivered an economic setback to all Americans, but African Americans may have been hurt to a greater degree than the general population. During the crisis, African Americans were more likely to lose jobs and to own homes with appraised values that had fallen below what was owed on the mortgage. More than three-fourths of African Americans surveyed felt that their household finances had been negatively affected by the financial crisis. Nearly 40% felt they had been adversely affected by the real estate crisis.

Although employment among Black survey respondents is high, they are worried, and report that job security is a major concern. Similarly, survey respondents said keeping their home is critical, even though home ownership rates among the group are lower than that of the general population.

Fear of losing their jobs and homes because of the financial crisis may have exacerbated an existing tendency toward risk aversion. Two-thirds of African Americans surveyed revealed they do not enjoy investing and describe themselves as savers. Some revealed skepticism about the *idea* of investing. A majority say they will be more cautious with their money in the future. Such views demonstrate the challenge the financial industry faces in providing investor education that shows the true long-term benefits that come from investing with a balanced portfolio.

Specific Concerns:	%
✓ Job security/employment	39
U.S. financial stability	38
Eliminating credit card debt	32
Saving enough for retirement	32
✓ Keeping my house/pay mortgage/rent	25
Sufficiently providing for my family	24
Protect my investments from losses	20
Inflation	19
Financial stability of my community	14
Paying college costs for my children	11

✓ Key findings noted in text

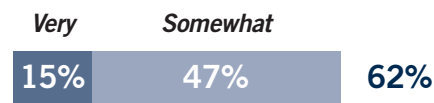
Cautiously Optimistic

Although fearful about losing their jobs and skeptical about investing, African American decision makers are generally more upbeat about the economy and more optimistic about the country’s ability to rebound from the financial crisis than the general population. Ninety-four percent of African American households are concerned about the present state of the U.S. economy, yet many believe improvement is on the horizon. While just half of the general population is confident the economy will recover, 62% of Black American households feel the economy will recover within two years.

Concerned about the U.S. economy



Confident the economy will recover within two years



Effects of Great Recession – % Agree	Married	Male Single	Female Single
Lost ground on household finances	76	75	77
Have been adversely affected by real estate crisis	48	36	38
Attitudes – % Agree	Married	Male Single	Female Single
Need help to make wise financial decisions	63	59	70
Will be more cautious with my money in future	63	60	68
Have four or more very important financial goals	90	84	92

THE EMERGING AFFLUENT SEGMENT: DEMOGRAPHICS AND GROWTH POTENTIAL

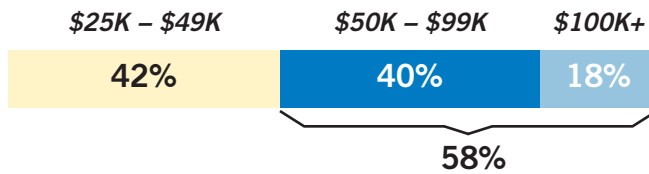
Affluent, Educated, and Homeowners

The majority of African Americans in our study have household incomes of \$50,000 or more, representing a stable middle market. Forty-two percent fall into the lower income range earning between \$25,000 and \$49,999; 40% earn between \$50,000 and \$99,999; and 18% earn more than \$100,000 per year.

The majority of the emerging affluent (\$50K+) are married, highly educated, have significantly more money set aside for the future than the lower income segment, and tend to be homeowners. More than seven in ten are full-time employees, and six in ten have a four-year college degree or have earned a master's or doctorate.

Half of African American financial decision makers are single, compared with less than a third of the general population. Many of these individuals—20% of single men and 54% of single women—have children.

Household Income



	Total	Household Income		
		%	%	%
Marital Status		\$25K – 49K	\$50K – 99K	\$100K+
Married	46	28	51	74
Savings & Investments				
< \$50K	51	70	45	20
\$50K – 99K	19	18	22	17
\$100K – 249K	15	8	17	24
\$250K+	15	4	16	39
Own Home				
Yes	58	38	66	85

 Significantly higher or positive

Those With Higher Incomes Better Prepared

As would be expected, the segments with higher incomes generally fared better in terms of retirement preparation. The highest income group (more than \$100,000) had the highest percentage of married couples (74%), the highest percentage of households with children (75%), and the highest levels of employment (81%) and homeownership (85%). They were also the oldest, with only 41% of the group under the age of 45. Their savings and investing habits were commendable, as 63% of the group had accumulated savings and investments of \$100,000 or more.

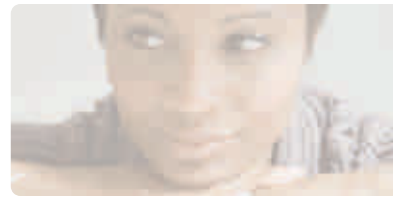
Those earning \$50,000 to \$99,000 had a 51% marriage rate. Nearly seven in ten of these households had children, and 66% owned their home. They also showed some positive savings and investing habits, as 33% of the group had accumulated savings and investments of \$100,000 or more.

The lower income group (\$25,000 to \$49,999) was made up of a higher percentage of females (67%), and people 45 years of age and younger (60%) compared with the emerging affluent. A low percentage were married (28%) and a fairly high percentage had children (56%), which added a strain on their finances due to a lack of dual income. This also affected their saving and investing for the future, as 70% of African Americans in the lower income group have less than \$50,000 in savings and investments set aside for their future.

Women Hold Financial Influence

African American women are driving financial decisions in their households. Of the African American women surveyed, 72% indicated that they are the primary decision makers in their households and do not share financial decision making equally. This compares with 69% of African American men, and 54% of the general population.

African American women in the study were disproportionately more likely to be unmarried (63%), compared with 41% of African American men and 37% of the general population. They are naturally more likely to make financial decisions for their households alone. Without the benefit of a dual income, they are more likely to fall into the lower income segment in comparison with men.



HOUSEHOLD DEBT: A PRESSING ISSUE

Debt Load Is a Hurdle to Progress

Many Americans have issues managing their debt, and this is especially tough during times when money is tight. In the wake of the recent economic crisis, household debt has become an even more pronounced challenge for African American financial decision makers. Nearly four in ten African Americans surveyed indicated their biggest financial hurdle is the lack of disposable income. Somewhat fewer (35%) of the general population chose lack of disposable income as their biggest financial hurdle, suggesting that African Americans may be forced to deal with income restraints to a greater degree than others.

However, concerns regarding household debt are not just an issue for lower income African Americans; even the most affluent group in our survey was highly motivated to tackle the corrosive problem of household debt. In fact, the survey's African American respondents were significantly more likely than the general population to indicate that reducing debt, improving credit-worthiness, and educating children about debt avoidance are critical or very important financial goals.

Focus on Managing Debt Is a Positive Sign

The fact that African Americans recognize the importance of maintaining or regaining their good credit, and are focused on addressing this critical issue, is a very positive sign. There is a high degree of awareness that household debt is a barrier to financial planning. There is also strong interest in educating the future generation on the importance of debt management, coupled with a relatively strong level of confidence that reducing personal debt is an achievable goal.

While household debt is a significant concern, very few feel that their debt is unmanageable, underscoring the resilience and optimism seen elsewhere in our study.

Attitudes Towards Debt

	African American Segments Gender/Household Income						
	African American %	General Population %	Male %	Female %	<\$50K %	\$50K – 99K %	\$100K+ %
Critical/Very Important: Reducing personal debt, improving credit-worthiness	80	68	71	87	81	80	81
Biggest financial hurdle: lack of disposable income	39	35	39	39	50	35	23
Debt is unmanageable	12	10	9	15	16	11	6
Confident can reduce debt	53	46	53	53	49	56	56

Significantly higher or positive



FINANCIAL GOALS: COMMUNITY, FAMILY, AND CONFIDENCE

Goals Focus on Family, Community

To a greater extent than other groups, the financial goals of African Americans reflect a strong focus on the well-being of the family. African Americans rated issues like educating children about debt avoidance, providing college tuition, and passing money on to heirs as very important significantly more often than did the general population. This family-centric concern is also expressed in concern for the broader community. For example, African Americans are significantly more likely than the general population to cite charitable donations as an important financial goal (68% vs. 55%).

Achieving Financial Goals

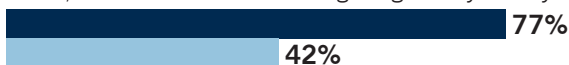
■ Critical or Very Important ■ Confident

General Money Management

Learn to become more financially stable/comfortable



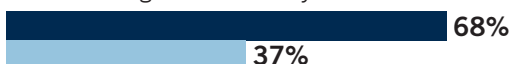
Learn, understand how to manage & grow my money



Reduce my debt, improve credit-worthiness



Provide college tuition for my children



Pass money on to my children



Retirement

Have enough money to maintain lifestyle in retirement

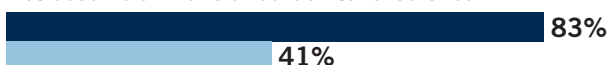


Don't outlive or fully spend all of my savings



Insurance

Not become a financial burden to loved ones



Maintain standard of living for my family if I die or become disabled



Gap Between Goals and Confidence

There is a large gap between respondents' urgent focus on multiple goals and confidence in their ability to achieve those goals. The largest gap exists between the importance of maintaining lifestyles in retirement and confidence in the ability to do so—82% feel maintaining their current lifestyle in retirement is very important, but only one-third feel confident they will be able to do it. Furthermore, 83% believe that not becoming a financial burden to loved ones is a very important goal, but just four in ten are confident they will be able to achieve that goal.

Of those African Americans surveyed, one-third feel very well prepared to make financial decisions, as compared to only 28% of the general population. However, in spite of that confidence, African Americans recognize they are behind in planning and saving for retirement, and they are less likely than the general population to feel they are on track to meet their financial goals (21% vs. 34%).

African Americans show great optimism about meeting their financial goals and overcoming the challenges that may prevent them from reaching those goals. However, our study suggests they may be overly optimistic about some aspects of meeting those goals.

Based on their current investable assets, it appears that many African Americans do not properly plan for the amount of money that will be needed in retirement for healthcare, inflation, and support of other family members. They expect to rely on workplace plans as their primary source of retirement income. The number of African Americans contributing to workplace retirement plans is quite high at 83% (compared to 87% among the general population). However, six in ten African Americans have less than \$50,000 saved in company retirement plans. Only 23% have over \$100,000 in these plans, compared with 34% among the general population. Much more will have to be done to safely secure their retirement goals.

GROWTH ENGINES: SMALL BUSINESS AND FINANCIAL EDUCATION

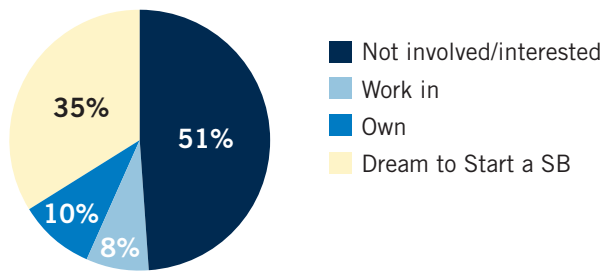
Entrepreneurship Is a Goal Many Pursue

Small business opportunities are viewed as a growth engine in the Black community. African Americans are nearly twice as likely to have a dream of starting a small business (35%) as those in the general population (19%).

African Americans are also more likely than the general population to view starting a small business as a path to financial freedom (27% vs. 16%).

While 76% of those with a goal of starting a small business are confident or somewhat confident that they will achieve their goal, 56% of those with an interest in owning a small business say lack of capital is the main reason they have not been able to open their own small business.

Involvement/Interest in Small Business (SB)



Small Business Attitudes Base: Own, Work, Dream of having a SB	Strongly Agree %
SB is a path to financial freedom	57
Capital is my main barrier	56
SB owners need succession planning	48
Need SB planning help	38
SB – Life & health insurance is difficult	37
SB – Saving for retirement is difficult	36
Need help obtaining SB loans	31
SB needs are different in my community	29
Few resources in my community to help	29
Difficult to find support partners	26
Understand tax benefits of SB	25

○ Significantly lower or negative

Positive Attitudes About Financial Learning

African American consumers demonstrate a strong willingness to go the extra step to learn more about managing their finances, and are very self-sufficient in their learning style. They are more likely to use books, company websites and seminars to obtain new financial insights and strategies than the general population. Yet, almost half (46%) admit they need help in some specific financial areas when making financial decisions, and one-fifth need assistance in many areas.

Prepared to Make Wise Financial Decisions

	%
Very well prepared	35
✓ Need help in selected areas	46
Need a lot of help in many areas	19

✓ Key findings noted in text

Preferred Sources to Learn About Financial Products

Sources of Financial Information	Preference %
Internet articles and resources	53
✓ Books on business and financial	42
✓ Financial company websites	41
Print media – news articles	41
Friends and family	40
✓ Financial seminars and conferences	37
A financial professional	35
TV programs	24
My employer	24
Advertising and marketing materials	17
Radio programs	11
Blogs/User groups/Social media	9

✓ Key findings noted in text

FINANCIAL PLANNING: SHORT-TERM NEEDS VS. LONG-TERM GOALS

Short-Term Needs Compromise the Future

The challenge of meeting day-to-day expenses in a difficult economic environment has caused African American financial decision makers to make choices that help them solve immediate problems at the expense of their long-term goals. For example, African American financial decision makers are taking withdrawals from their company-sponsored retirement plans at three times the rate of the general population. This money is being withdrawn to meet immediate cash-flow needs, pay off debt, and cover a variety of personal emergencies. In effect, retirement plans are being viewed as a savings account.

Other barriers to long-term planning and investing which are compromising goals for the future include surprisingly high levels of confidence in meeting financial goals, excessive investment risk-aversion, and low levels of partnerships with financial professionals.

Company-Sponsored Retirement Plans

Loan, withdrawal behaviors

	African American	General Population
Current Plan	%	%
Took 1+ loans	24	8
Withdrew money	17	6
Did not regularly contribute	11	10
Former Plan		
Took 1+ loans	19	12
Did not regularly contribute	26	17

○ Significantly lower or negative

Dreams and Retirement Deferred

Most Americans expect company-sponsored retirement plans to be their primary source of retirement security, as many believe Social Security will not be enough to cover their retirement needs.

Due to fear of outliving their savings, a large proportion of African Americans feel they may have to work longer than expected, don't know when they can retire, or fear they may never be able to retire. Compared with the general population, fewer African Americans believe they will have an opportunity to rely on a spouse's retirement savings, or an inheritance to fund their retirement. In fact, only two in ten African Americans believe they are on track to meet their planning and saving goals for retirement, and nearly twice as many say they are way behind or haven't even started.

Status of Planning and Saving for Retirement



Most Important Source of Income for Retirement

	African American %	General Population %
Workplace retirement plans (401(k), 403(b), 457)	31	26
Personal savings	22	23
Pension	17	13
Social Security	10	8
Work in retirement	6	5
Spouse's retirement	2	8
Inheritance	1	6

○ Significantly lower or negative



THE VALUE OF FINANCIAL PLANNING

Detailed Plans Help Meet Future Goals

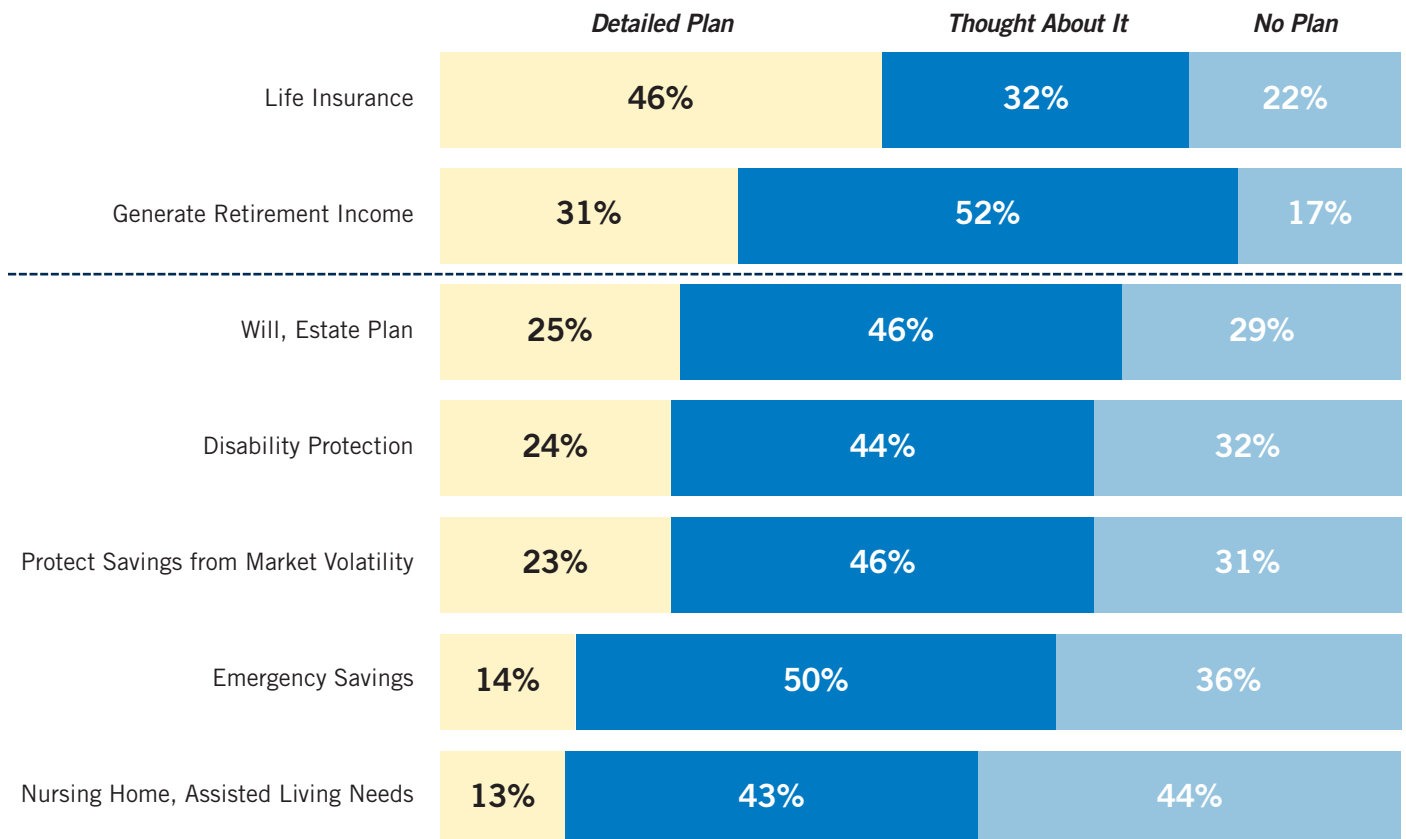
African Americans are less likely than the general population to have a detailed financial plan for meeting a number of their critical goals. However, our survey shows that those with a detailed plan express much greater confidence than those without a plan that they can achieve their retirement and family protection goals. Those without a detailed plan face a much more uncertain future.

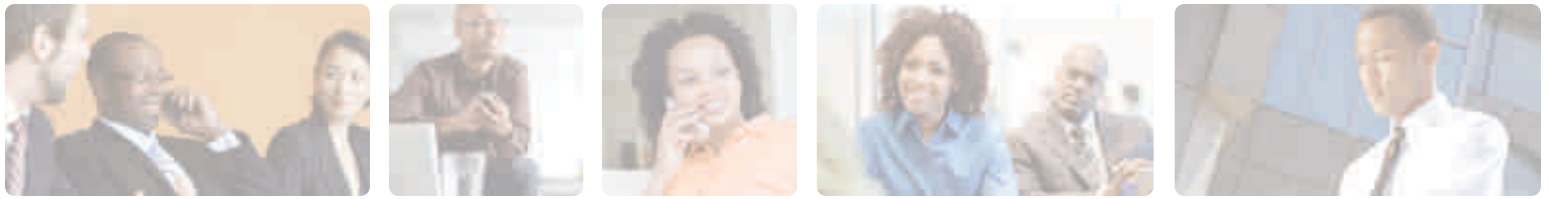
More than half of those African Americans who constructed a detailed financial plan were confident that they could maintain their lifestyle in retirement, as opposed to 14% who did not have a plan. Similarly, half of African Americans with a detailed plan say they are confident they can maintain their family's security if they die or become disabled, compared to one in four of those without a plan. While those with a plan are much more confident, they still must follow through by choosing the right investment and protection products, and then staying the course.

% Confident	Level of Plan		
	Detailed	Some Thought	None
Maintain lifestyle in retirement	52	25	14
Maintain family security if I die or become disabled	49	26	25

Significantly higher or positive

Conducting Financial Planning to Achieve Goals – Planning Products/Solutions





USE OF FINANCIAL ADVISORS AND FINANCIAL PRODUCTS

More Financial Knowledge Needed

Although the need for increased use of financial advisors and financial products is often expressed by African Americans, there is a reluctance to take advantage of them. Much of the hesitation seems to come from a lack of knowledge. Our survey revealed that the lower the level of knowledge respondents had about complex financial products, the lower the level of ownership of these products, the fewer advisor relationships, and the lower the level of industry trust.

- More than half (51%) of those not prepared to make wise financial decisions felt they would benefit from “a greater understanding of financial products and services.”

Products Owned		
	African Americans %	General Population %
Savings account	84	83
Company retirement plan	67	71
Life Insurance	67	62
Workplace benefits	54	52
IRAs	35	52
Individual stocks/bonds	32	43
Mutual Funds	31	41
Estate plans, Wills, Trusts	19	26
Long-Term Care Insurance	15	13
Annuities	12	14

○ Significantly lower or negative

Ownership of *Basic* Financial Products Is Solid

African American ownership of traditional products such as life insurance and savings accounts is slightly higher than that of the general population. Understanding of these products is relatively high as well.

However, their ownership of more complex financial products is lower. Lower use of accumulation products (such as IRAs, stocks, bonds, and mutual funds), asset protection products (such as wills and estate plans) and income protection products (such as long-term care insurance and annuities) is likely compromising African Americans’ ability to meet financial goals for the future.

- Seven in ten African Americans surveyed agreed with the statement, “I’m sure there are financial products that can meet my needs, but I don’t know how to choose them.”

Trustworthy Financial Advisors Sought

Financial advisors can provide much of the knowledge that could help increase the use of financial products among African Americans. Only one in four African Americans have a financial planner compared with one in three in the survey general population. Relationships with financial professionals vary by income, as affluent African Americans (\$100K+) use advisors at the same level as the general population.

In spite of the current low levels of formal advisory relationships, the majority of respondents recognize the need and the value of professional advice. African American decision makers desire help with setting savings goals, planning for retirement, and choosing effective financial products.

- In fact, 58% agreed with the statement, “I would like advice on saving and planning for retirement, but I don’t know or can’t find a professional I can trust.”

Although the majority say they want financial advice, concerns about finding “a qualified professional they can trust and relate to” prevent many from hiring an advisor. Other reasons many decide to go without professional help include not knowing how to select a good advisor and worries over the fees advisors charge. Still others forego an advisor because they feel confident enough to make their own investment decisions.

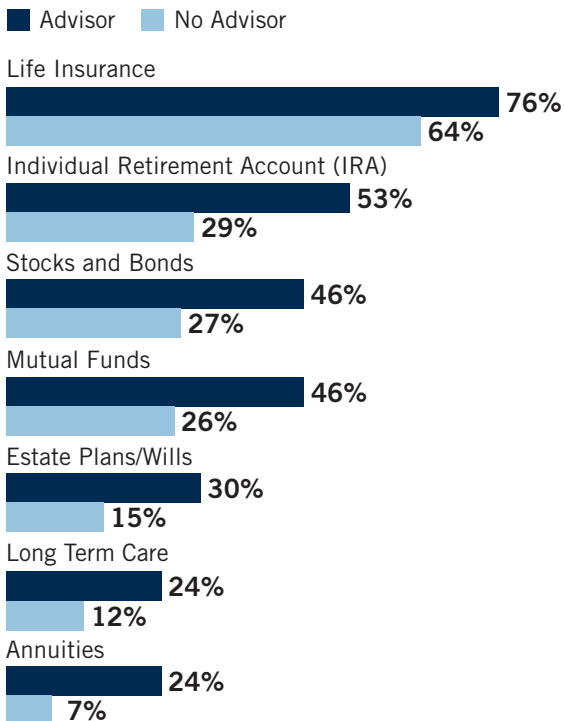
BENEFITS OF ADVICE

Benefits of Advisory Relationships Clear

African Americans who use advisors tend to be older and more affluent than African American decision makers overall. They are also more likely to be married, to be homeowners, and to have attained advanced degrees.

Among those who use an advisor, product ownership and detailed financial planning increase, and confidence in meeting key financial goals typically doubles. Those who use an advisor are generally more knowledgeable about financial products, and therefore are more likely to own asset accumulation and asset protection products. For example: they are three times more likely to own annuities, and twice as likely to have long-term care insurance and estate plans as those who do not have the help of an advisor. Additionally, those who use an advisor are significantly more likely than non-users to have a detailed plan to meet all of their financial goals.

Product Ownership



Identical Goals, but Advice Builds Confidence

There is virtually no difference between the overarching financial goals of African Americans who have an advisor and those who don't, but the gap in confidence in their ability to meet their goals is stark. Twice as many African American decision makers with an advisor say their retirement plans are "right on track" as compared with those who do not have an advisory relationship. However, even with an advisor, confidence that most goals can be met often does not top 50%.

Financial Confidence and Preparation

Use an Advisor?	Yes %	No %	Confidence Gap %
Prepared to generate retirement income	50	24	-26
Protect investments from volatility	42	17	-25
Know savings needed for retirement	37	15	-22
Retirement on track	36	16	-20
Track my accounts at least monthly	54	36	-18
Knowledgeable about buying a home	65	48	-17
Confident pass money to heirs	49	32	-17

○ Significantly lower or negative

FAITH AND TRUST IN THE FINANCIAL INDUSTRY

Industry Must Earn Trust

It is no surprise that one impact of the financial crisis was an erosion of trust in the financial industry. However, this lack of trust in the industry is not new. There is a long-standing perception that the financial industry has fallen short in terms of reaching and serving the African American community.

African American financial decision makers are searching for a partnership with financial institutions they can trust, rely on, and believe in. Loyalty is earned through an ethical reputation, cultural understanding, and demonstrated support for the community. Currently, few financial institutions appear to be meeting these criteria.

When asked, “Has any financial services company effectively engaged and shown support for the Black community?,” 78% of African American respondents answered “No.” When purchasing a financial product from a financial services firm, 94% say earning trust is either critical or very important.

Such sentiments send the financial industry a clear message. Like all Americans, African American decision makers look to firms that “walk the walk”—demonstrate a strong ethical foundation, make it easy to do business with them, inspire confidence, and provide value. Greater outreach, more initiatives to build understanding, and increasing efforts to find ways to connect are required in order to create long-term mutually beneficial relationships.

Requirements of a Financial Services Firm

	%
✓ High ethical standards	80
Makes me feel confident that they can meet my needs	77
Easy to do business	76
Strength and reputation	76
Value – worth the price	74

✓ Key findings noted in text

Commitment to Children and Community Is Valued

For many, financial knowledge was a gap in their education—less than one in four (21%) African Americans completely or strongly agree that their family helped them develop positive financial habits when growing up. Consistent with the strong focus on family and the welfare of children in their financial goals, African Americans say the **number-one** way that financial services firms can show engagement and build trust is to promote financial literacy at a young age by engaging with schools in minority communities.

Additionally, financial institutions might consider teaming up with faith-based institutions to deliver financial information. Nearly half (47%) of African American decision makers are interested in learning about investments through a faith-based organization. Black women and younger Black Americans are the most interested in this option.

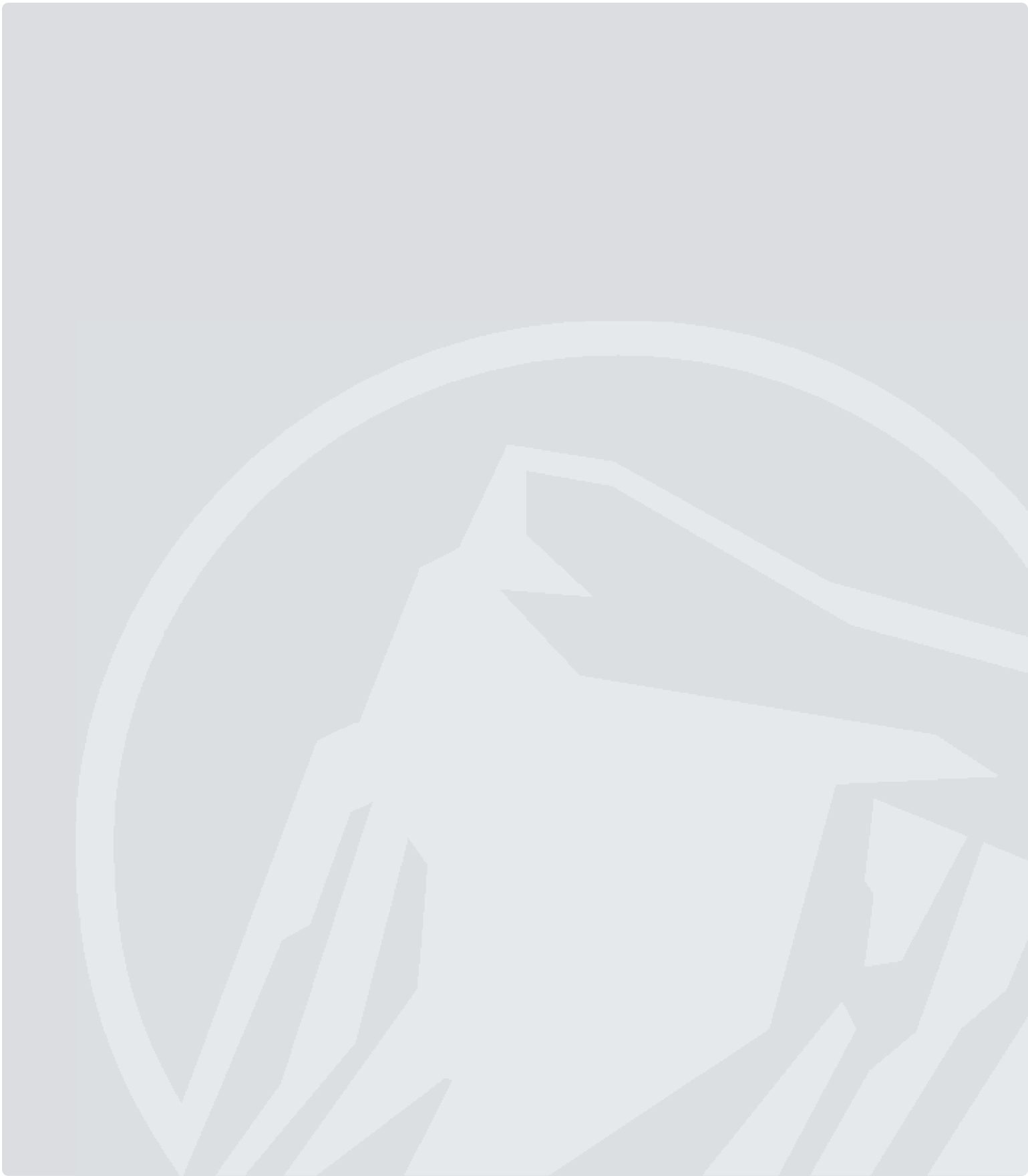
The emphasis on community support in order to gain trust permeates all income groups, and is actually **highest** among African Americans in the \$100,000+ income group. In fact, community issues permeate the study—57% feel that it is very important for financial companies to “support local charities and educational and religious organizations in the community.”

To increase engagement between African American financial decision makers, the financial industry, and financial professionals, a stronger demonstration of commitment from the industry is needed.

Actions Companies Can Take to Boost Interest and Trust

Critical/Very Important	%
✓ Promote financial literacy to young people in minority communities	71
✓ Invest in/loan to small minority businesses	64
✓ Institute diverse hiring practices	61
Commitment to Black charities & outreach	57
Open branches in my community	55
Advertise in Black media	54
Portray people like me in marketing materials and ads	53

✓ Key findings noted in text



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