A comprehensive study on wealth creation and wealth management among the nation’s wealthiest African Americans reveals more conservative approaches to financial decision-making.

(PRNewswire) – The top 5 percent of African Americans invest a greater proportion of their wealth in lower-volatility assets – such as insurance, savings bonds and CDs – when measured against a White comparison group, according to a new study published this week.
The research sponsored by Credit Suisse’s New Markets business also shows proportionally higher investments in real estate, and proportionally lower investments in business assets. Conducted in collaboration with Brandeis University’s Institute on Assets and Social Policy (IASP), the study seeks to advance financial opportunity among women, African-Americans and the LGBT community.

“This study identifies distinctive investing behaviors within the African-American community and a number of potential drivers of these behaviors,” said Pamela Thomas-Graham, Credit Suisse’s chief marketing and talent officer and head of New Markets.

“The findings may also reflect what we know from adjacent data, which is that African-Americans are generally under-served by banking institutions. The Commerce Department, for example, has published data showing that minority business owners receive loans less frequently, at significantly smaller sizes, and at worse rates than non-minority business owners.”

Highlights of the report include:

- The top 5 percent of African Americans take a relatively conservative approach to decision-making on matters of wealth creation and wealth management. For example:
  - The investment portfolios of the top 5 percent of African Americans are three times more heavily weighted towards CDs, savings bonds and insurance than the investment portfolios of the study’s white comparison group, and are nearly one-half less weighted towards stocks, bonds and mutual funds.
  - The top 5 percent of African Americans invest 9 percent of their non-financial assets in business assets, defined as the total value of business(es) in which a household has either an active or non-active interest. The study’s white comparison group invests 37 percent of their non-financial assets in business assets.
  - The top 5 percent of African Americans invest 41 percent of non-financial assets in real estate outside their primary home, relative to 22 percent for the study’s white comparison group.
  - “Wealth mobility” – the degree to which a population maintains wealth over time or moves into wealth over time – is relatively low among African-Americans and may be a driver of more conservative financial decision-making. IASP’s research shows that around 57 percent of high-income African-American families in 1984 were still in the top segment of income in 2009, but 8 percent had fallen into the low-income segment. For high-income White American families, 73 percent remained in the high income segment and only 1 percent fell into the low income segment. This analysis is a new analysis of the 1984-2009 data.
  - Education is a key driver of wealth among the top 5 percent of African-Americans. Almost 69 percent of African-Americans at the 95th percentile of net worth have a college degree, compared with 64 percent for the study’s White comparison group.

“The numbers in our report provide rich and detailed insights,” said Stefano Natella, global head of Equity Research and one of the study’s authors.

“Wealth at the top of the African-American community, what drives it and how it compares to specific control groups has not been studied with this comprehensiveness in some time.”

View the full report

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