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# The big difference between how wealthy African-American and white investors treat their money

By **Michael A. Fletcher** November 24, 2014

The nation's wealthiest African Americans take a far more conservative approach toward investing than whites of similar means, according to a new [report](#).

The study, done by Credit Suisse in conjunction with the Institute on Assets and Social Policy at Brandeis University, found that the wealthiest 5 percent of African Americans —those with a net worth of \$357,000 or better—pour a greater share of their holdings into relatively low-risk, low-reward investment vehicles, such as certificates of deposit, saving bonds, and insurance policies, rather than stocks, bonds and mutual funds.

In addition, those well-off African Americans tend to have more of their wealth in real estate and less in businesses than similarly situated whites.

Pamela Thomas-Graham, Credit Suisse's chief marketing and talent officer and head of the bank's New Markets effort, said the investment strategy of African Americans makes

sense, given their relatively poor experiences with banks through the years and their historically fragile financial standing.

One study cited in the report noted that fewer than one in four African Americans who were in the top quartile of black wealth holders in 1984, remained there in 2004. The report also cited a study that found that black business owners received bank loans with less frequency, of smaller size and at higher interest rates than white-owned companies.

“If you are in the top five percent and you are African American you probably are smart to have a more cautious approach,” Thomas-Graham said in an interview. “Historically, there is more [downward] mobility, and fragility.”

Still, that means African Americans are leaving a lot of money on the table by eschewing the financial vehicles that tend to grow most rapidly. Overall whites have nearly \$8 of wealth for every \$1 held by African Americans, according to the [Institute on Assets and Social Policy](#). The Institute’s breakdown of the factors driving that difference is below:

The wealth gap has only grown in recent years as housing prices have rebounded—but mainly in non-black communities. Meanwhile, the stock market has soared.

Changing the relative underinvestment of the wealthiest African Americans in stocks and businesses, would not only help them build wealth faster, but stands as a lucrative business opportunity for financial institutions.

“It is possible people are not seeing the full range of options that are available,” Thomas-Graham said.

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