



The Association Between Race, Socioeconomic Standing, and Financial Literacy

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Introduction

- Financial literacy is vital for economic well-being, yet racial and socioeconomic disparities persist, with minorities consistently scoring lower than white individuals (Al-Bahrani, Weathers, & Patel, 2019).
- Financial education often benefits white individuals disproportionately, exacerbating knowledge gaps (Al-Bahrani, Weathers, & Patel, 2019).
- The impact of race and socioeconomic status on financial literacy remains insufficiently studied (Anong, 2016; Barcellos & Zamarro, 2019).

Research Questions

- To what extent does race, independent of socioeconomic factors such as income and parental education, influence financial literacy levels?
- How do income and education mediate racial disparities in financial literacy?

Methods

Sample

- Adults (aged 18 to 62+) who voluntarily participated in the National Financial Well-Being Survey (n = 6,394).
- The FinancialWB dataset represents a nationally representative sample of non-institutionalized adults in the U.S.

Measures

- Financial literacy: LMscore (0–3), summing correct responses to three financial knowledge questions.
- Demographics: Race/ethnicity (White, Black, Other, Hispanic), gender (Male, Female), and household income (<\$20k, \$20k–49k, \$50k–99k, ≥\$100k).
- Education: Respondents' highest degrees (less than high school to graduate/professional).

Results

Bivariate

- Black, Non-Hispanic participants scored 0.53 points lower on average than White, Non-Hispanic participants in financial literacy.
- Hispanic participants scored 0.38 points lower on average than White, Non-Hispanic participants in financial literacy (Figure 1).

Multivariate

- Black, Non-Hispanic (Estimate = -0.415, $p < 0.001$), Hispanic (-0.239, $p < 0.001$), and Other, Non-Hispanic (-0.130, $p = 0.001$) groups had significantly lower LMscores compared to White, Non-Hispanic individuals.
- Lower income (<\$20k) was strongly associated with reduced LMscores (Estimate = -0.410, $p < 0.001$) compared to the highest income group (≥\$100k) (Figure 2).
- Higher education levels were positively linked to LMscores, with graduate/professional degrees showing the largest gains (Estimate = 0.478, $p < 0.001$).

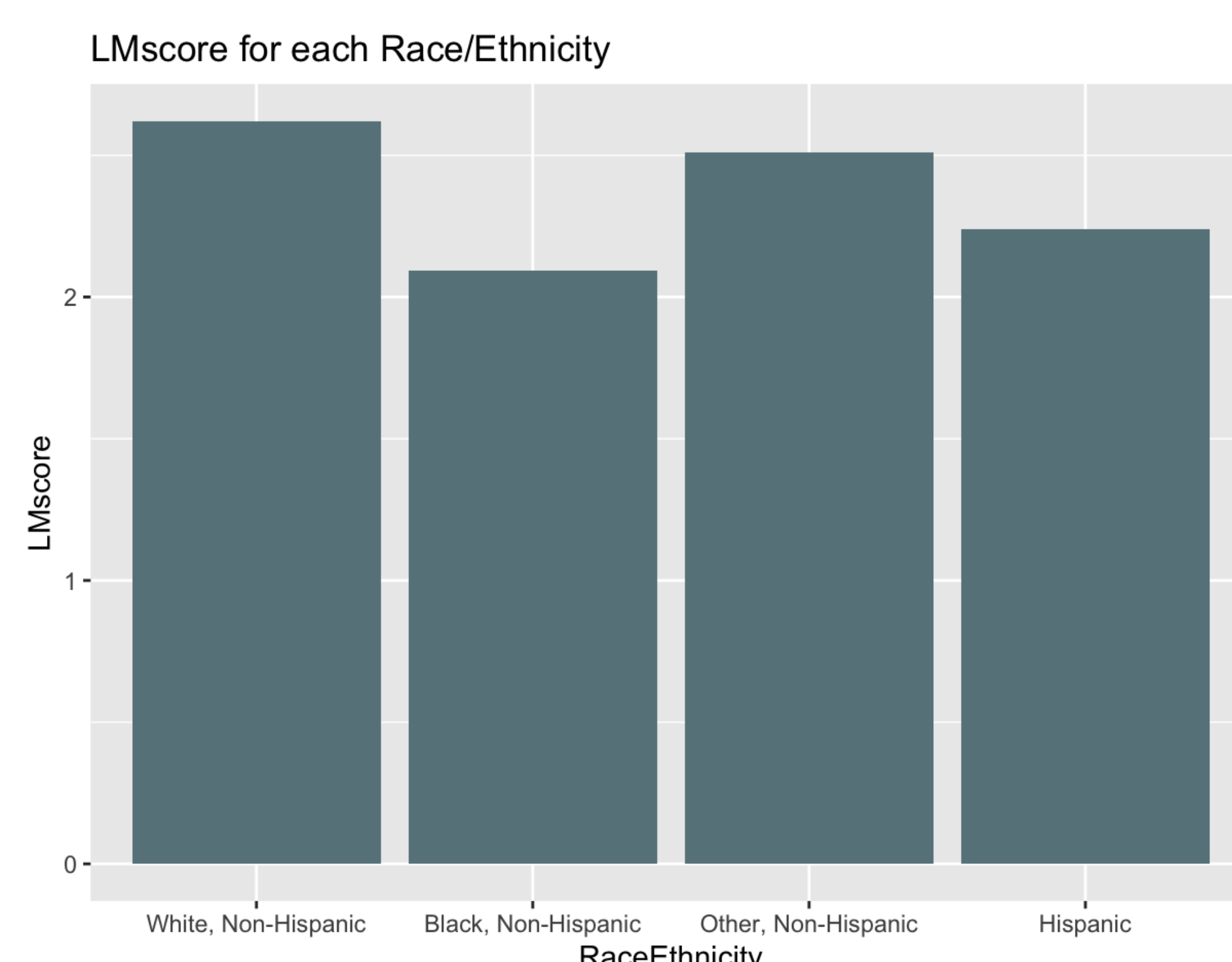


Figure 1: Average financial literacy scores (LMscore) by Race/Ethnicity

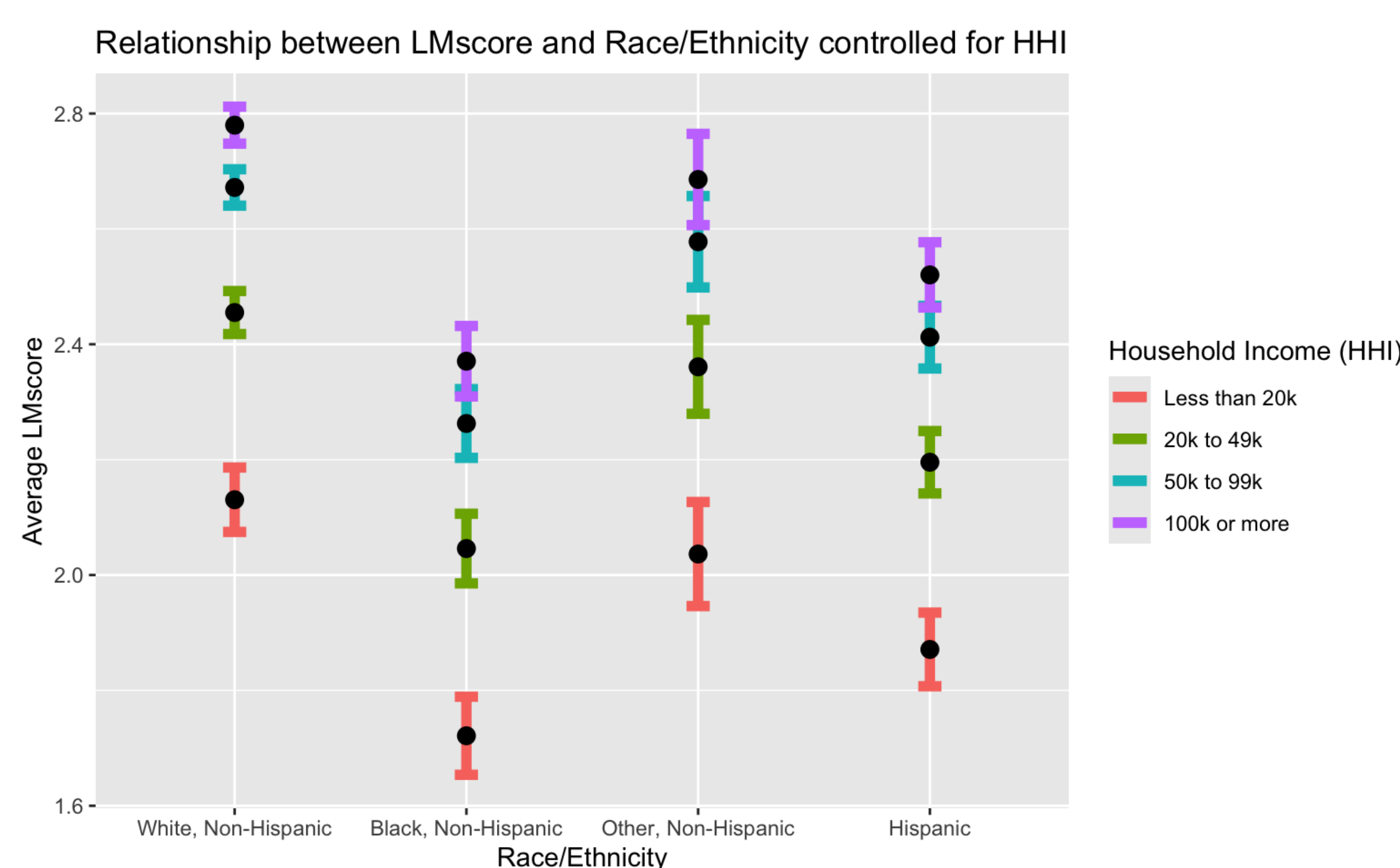


Figure 2: Average LMscore by Race/Ethnicity and Household Income (HHI). The chart shows LMscore differences across racial/ethnic groups, segmented by income levels, with error bars indicating variability.

Discussion

- Financial literacy disparities persist, with Black, Hispanic, and lower-income individuals scoring significantly lower, highlighting the need for targeted financial education programs.
- Higher education levels are strongly associated with improved financial literacy, underscoring the importance of educational attainment in promoting financial knowledge.
- Future research should explore how systemic factors, such as access to quality education and resources, contribute to racial and economic disparities in financial literacy.

References

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