



**NORTH AMERICA INSIGHTS**

**OCTOBER 2022**

# Pursuing prosperity

Bridging the racial wealth and opportunity gap  
for Black communities



# Foreword



“Mastercard is committing to not only understanding the journey of Black Americans, but also to doing the work to help close the racial wealth and opportunity gap.”

Understanding the needs of a group is the first step to being able to tailor solutions that are meaningful and sustainable. We know, for instance, that only 3% of all startups are Black-owned, while Black Americans make up 13.6% of the population. Owing to a long history of exclusionary systems, Black Americans are more likely to live below the poverty line and to face disparities in everything from education to home ownership, healthcare access and more. Historically, society has placed heightened focus on understanding how we can and must lift up those who have most disproportionately been left behind, resulting in heavy focus on lower income Black Americans. However, we should also consider the unique needs of other Black socioeconomic groups.

Major institutions have missed key demographics that contribute in significant ways to the economy and to society more broadly – namely, middle and high income Black Americans. Middle-income Americans are those with an annual household income of at least \$75,000, while upper-income Americans are those with an annual household income of at least \$125,000 or with at least \$100,000 in investible assets. We cannot lean on stereotypes or paint broad strokes about any group of people, and particularly Black communities, because doing so poses harm to the very community institutions’ desire to help. The reality is that Black Americans are just as multifaceted and complex as any other demographic, with diverse, educational backgrounds, spending habits and needs.

Mastercard, recognizing this gap, commissioned research on these so-often overlooked and under-researched groups. What we found are some purposeful and sometimes surprising insights that distinguish middle- and upper-income Black Americans from any other consumer segment.

Affluent Black Americans, for instance, hold only one-eighth the net worth of their White counterparts, yet are more likely to be optimistic about their financial future and to seek out ways to improve their financial health. Black Americans are challenging taboos and connecting critical dots on financial and emotional and physical wellbeing. What’s more, we found through our research that Black Americans are also more attuned at putting their dollars where it most positively impacts social and economic equity.

Through our **In Solidarity** commitment, we are engaging at all levels and with diverse partners to close the racial wealth and opportunity gap to create equal opportunities for all. From pioneering research and insights like this report, to investing in HBCUs and the next generation of Black leaders, to connecting Black entrepreneurs and consumers with the tools and resources they need to build their financial health and wealth, our support is ongoing and unwavering. Most importantly, we are committed to keeping our eyes wide open as we learn more about the communities we serve and with critical nuance of meeting people where they are. We are committed to strengthening the Black ecosystem and being the employer, brand and community partner of choice for Black communities.

My favorite quote is, "Nothing changes if nothing changes." If we want to do more and better by and for the Black community, we need to understand and honor nuance by doing things differently. Not only is it the right thing to do; it is also good for business.

**Randall M. Tucker**

Executive vice president, chief inclusion officer

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# Executive summary



**Middle-income Americans** are those with an annual household income of at least \$75,000.

**Upper-income Americans** are those with an annual household income of at least \$125,000 or with at least \$100,000 in investible assets.

## 1 A staggered start creates false financial perceptions

The wealth gap in the U.S. is staggering, and it is felt most acutely within communities of color. This is illustrated by the fact that only 4% of the nation's wealth<sup>1</sup> is held by Black Americans even though they make up 13% of the population. Pathways to wealth generation have been rocky and, in many cases, blocked, (e.g., subprime lending, redlining, displacement, etc.). Surprisingly, Black Americans are more likely to have experienced financial challenges, including lower credit scores, lack of savings, inability to pay rent and an increased need to financially support others. Given these systemic barriers, it is not surprising that even middle- and upper-income<sup>2</sup> Black Americans (39%) are less likely to consider themselves financially well-off as compared to their White counterparts (51%).

## 2 Progressive financial strategies and tools shore up a stronger future

Despite significant barriers, middle- and upper-income Black Americans are optimistic about their financial future. The past two years provided a time of recalibration, with middle- and upper-income Black Americans (51%) more likely than their White (41%) counterparts to say they have revved up their approach to financial education, money management, and financial strategy. Nearly two-thirds started using new financial products over the last two years (62%, +20% vs. White). Middle- and upper-income Black Americans are also 1.2 times more likely than White Americans to utilize new digital payment methods such as mobile wallet, Click to Pay and Buy Now Pay Later (BNPL).

1. <https://www.brookings.edu/blog/up-front/2020/12/08/the-black-white-wealth-gap-left-black-households-more-vulnerable/>

2. Middle-income refers to Mass Affluent Black Americans (at least \$75K in HHI annually); upper-income refers to Affluent Black Americans (at least \$125K HHI annually or \$100K in investable assets)

3

### **Mental health correlates to financial health**

Beyond just increasing their financial health, middle- and upper- income Black Americans are also focused on improving their overall wellbeing – with two-thirds placing more emphasis on their mental health. Once a taboo topic, over the past two years, 63% of Black Americans have sought resources to better their mental health.

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### **Reinvesting in the Black small business community needs to be measured to show impact**

Middle- and upper-income Black Americans feel strongly about reinvesting in their communities. Two-thirds say it is important to support Black-owned businesses, while nearly half claim to shop there a majority of the time. Yet, many are yearning for better resources to find, support and endorse these businesses – and they seek tools to provide help in finding and tracking their spend.

5

### **The expectation for brands to take action has been heightened**

The racial reckoning that was ignited over the past two years has made Black Americans more empowered than ever. Two-thirds say corporations have a responsibility to help close the racial wealth gap, and they are looking for signals of authentic support. Black Americans respond well to brands that take action – this includes discussing ways to dismantle racism, prioritizing hiring diverse talent and providing opportunities for creators of color and other minority communities.

## **Methodology**

This research is based on a multi-pronged research approach, including qualitative exploration in the form of 30 mobile purchase diaries and in-depth interview sessions conducted among an online community of both Mass & Affluent Americans in May 2021. The research also included a quantitative portion based on a survey of 2,000 Mass & Affluent Americans in July 2021. Mass Affluent Americans are those with an annual household income of at least \$75,000. Affluent Americans are those with an annual household income of at least \$125,000 or with at least \$100,000 in investible assets.

## **Artwork**

Illustrations commissioned for this report were designed by Sheree Brand Art Co. Sheree Brand creates art that highlights and elevates People of Color, friendship and people at rest. Learn more at [shereesbrand.com](https://shereesbrand.com)

# Part 1: A staggered start creates false financial perceptions

Black women are currently paid only 63 cents for every dollar paid to a non-Hispanic White man

Black Americans are 1.2x more likely than White Americans to state they have faced financial challenges

Reasons for the racial wealth gap are complicated and multi-layered, in a country with a history of racism, historical injustices, structural inequality and educational disparities. Black Americans have been excluded from, squeezed out of, and ejected from cornerstones of economic security in this country, such as homeownership.

Today only 4% of the nation's wealth is held by Black Americans even though they are 13.6% of the population. The median household income of White Americans is 1.7 times greater than that of Black Americans.

This disparity widens further when considering net worth as the median net worth of White households is nearly eight times that of Black households. Black Americans also have the lowest rate of home ownership in the U.S. (45%, compared to 74% of White Americans). The percentage of Black American homeownership is lower today than when the Fair Housing Act was passed more than 50 years ago.

With all of these disparities, Black Americans are 1.5 times more likely than White Americans to state that ongoing racial injustice has had a big impact on how they think about financial inequity. They are also twice as likely to recall being told they need to work twice as hard to do well in life.

Given the amount of systemic and financial barriers Black Americans have had to overcome, it is no surprise that even with income and asset parity, the upper-income Black community is less likely to recognize as financially well-off. Some call this "The Black Tax"<sup>1</sup> – the constant feeling of battling financial inequities that continue to persist, while also anticipating future financial familial obligations and burdens.

In fact, Black Americans are 1.6 times more likely to financially support family and attribute their financial insecurity to these obligations. They are also 1.4 times more likely to anticipate future financial burdens.

## Black households are...

2.2x

less likely to be middle-income than White households<sup>3</sup>

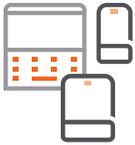
1.6x

less likely to be upper-income than White households<sup>3</sup>

3. US Census 2020, Federal Reserve

## Part 2: Black Americans are increasingly active participants in an empowered financial future

### Black Americans favor self-guided digital financial education tools



Black Americans are 2.4x more likely to use YouTube for financial education



White Americans are 1.7x more likely to use a financial planner

# 63%

of Black Americans agree "I have an opportunity for upward financial mobility that my family did not" (+7% vs White)

Middle- and upper-income Black communities express a profound sense of optimism and opportunity for upward mobility. The pandemic provided a moment for recalibrating everything from financial management to mental wellness.

Three in four Black Americans state financial wellness became more important amidst the pandemic (72%, +9% vs. White), with rising focus on financial tools and education. Half suggest the pandemic had a big impact on money management (50%, +11% vs. White), while 57% of upper-income Black Americans used this time to get their finances in order and update their strategy (+12% vs. White upper-income).

Due to a mistrust of traditional financial institutions that have historically excluded the Black community<sup>4</sup> from accessing services and products, many actively seek tools to optimize financial health, as nearly two-thirds started using new financial products over the last two years (62%, +20% vs. White). Black Americans are 1.2 times more likely than White Americans to utilize progressive digital payment methods such as mobile wallet, Click to Pay and Buy Now Pay Later (BNPL).

Most importantly, these strategic changes made today are setting up a better tomorrow: 82% of Black Americans believe these new financial strategies are likely to be their new normal as they carry on these behaviors in the future.



"There's a difference between being rich and being wealthy and I want to be wealthy...It's about having the freedom to do the things you want. I want to be able to travel more, do things with my kids that I wasn't able to do as a kid."

4. <https://www.frbsf.org/community-development/publications/community-development-investment-review/2021/august/the-racialized-roots-of-financial-exclusion/>

## Part 3: Mental health correlates to financial health

97%

have changed their approach to maintaining overall wellbeing in the past year

Health and wellness as a whole have become increasingly important to Black Americans, especially due to the spotlight on social injustice. Nearly eight in ten Black Americans say that when it comes to physical, mental, and financial health, you cannot have one without the other (78%).<sup>5</sup>

Over six in ten attest, "Rising awareness of social injustice has made health and wellness more important to me" (61%).

63%

have sought resources to better their mental health

Black Americans feel more comfortable than prior generations discussing mental health, a change from the stigma of years past, emphasizing their own needs to invest in mental health resources.



"I appreciate being part of the community to lend a voice. You're hearing directly from someone that has been impacted by [social injustice] and is trying to thrive."

– consumer interview

"I hope that in the future generations are taught the importance of their mental and emotional health and are encouraged to talk about their feelings from a young age so that they are not facing the same stigma in the future."

– consumer interview

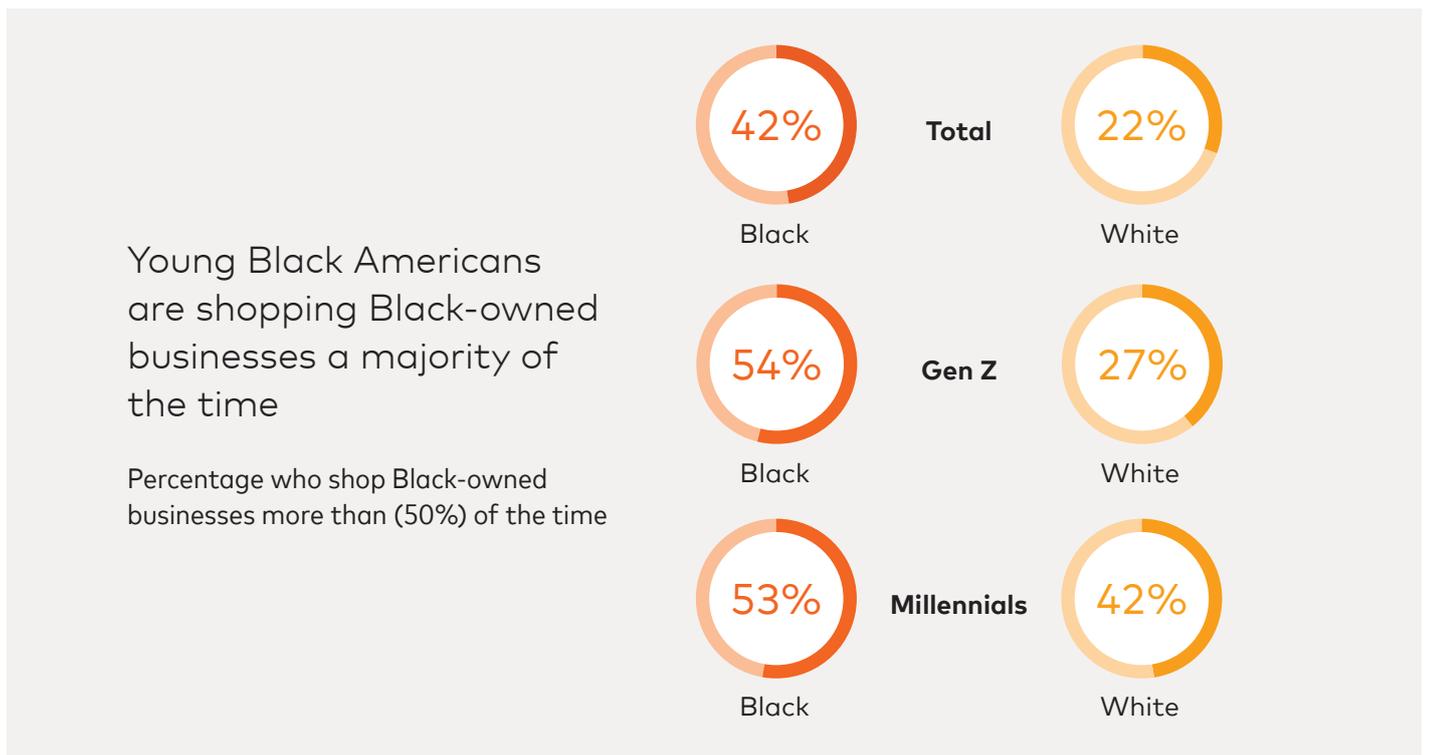
5. NAM Mastercard Health & Wellness study, Nov/Dec, 2020

## Part 4: Black Americans are prioritizing supporting their communities, but want tools to help find and track spend

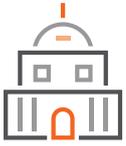
As Black Americans optimize their own wellbeing, they are also seeking opportunities to stimulate their communities' economies. Two-thirds feel it is important to support Black-owned businesses (62%) and 42% shop them a majority of the time. Support for minority-owned businesses is most pronounced among Black Women and upper-income Black Americans.

Despite an appetite to create real impact by shopping Black-owned, many struggle to easily locate businesses, both online and in-person. Half express difficulties in locating those businesses to support and say they want to support more but are not sure where to find them. Black Americans rely on word of mouth and online search/filters on e-commerce.

Locating these businesses is only the first step. In order to increase spending with Black-owned businesses, there must be a way to provide tools that easily allow consumers to find Black-owned businesses and enable them to transparently quantify their personal positive impact on those businesses. Black Americans are looking to understand their impact: as almost half agree they wish there was a way to track and set goals for spending with minority-owned businesses.



## Part 5: Black Americans expect companies to earn their trust and loyalty through measurable impact



Over two-thirds say income inequality is directly caused by systemic racism

A similar percentage say corporations have a responsibility to help close the racial wealth gap

Black Americans expect brands to take action against inequities, stand by their side as they build wealth, and support them through maintaining and fostering wealth in Black communities.

This moment of racial reckoning has empowered the Black community to speak up about the systemic nature of the wealth gap; nearly half (46%) consider systematic exclusionary and discriminatory practices, as one of the reasons they are financially behind where they want to be.

Beyond just acknowledging the issue, Black Americans are calling for corporations to take action toward meaningful change through changing employment practices, supporting antiracist efforts, and providing opportunities for creators of color.



of Gen Z and Millennial Black Americans cite a responsibility for corporations to provide opportunities for creators of color and other marginalized groups (vs. 53% White)

*"I would like to see figures, statistics and the plan put in place by brands, including what socioeconomic impact it will have on the Black community."*

– consumer interview

# Conclusion: Five opportunities to close the racial and opportunity gap for middle and higher-income Black communities in America

- 1** **Pave a pathway for financial success:** Shift financial confidence by creating a new metric of financial success (being wealthy vs. being rich); build the pathways to get there – acknowledge financial milestones and successes and showcase what lies ahead.
- 2** **Provide progressive, culturally relevant financial education and tools:** Shift middle- and upper-income Black Americans into the next level of financial sophistication, providing education around innovative and tech-forward investment strategies; tap into the trend-forward nature of the community by providing digital tools and connecting through culturally relevant platforms (i.e., Instagram stories, TikTok).
- 3** **Empower financial wellbeing through the connected nature of mental health:** Educate around the direct correlation mental wellness has with financial wellness; provide tools and offerings through partnerships that can create discussion around the priority of mental health in the Black community.
- 4** **Enable re-investing in the Black community through intelligent shopping tools:** Provide tools that easily allow consumers to find Black-owned businesses, whether shopping locally or while traveling, and enable them to transparently see their own impact by setting goals and transparently quantifying their spend at Black-owned businesses.
- 5** **Keep listening and embracing intersectionality; co-create solutions for nuanced needs:** Continue researching the desires and pain points of the Black community as their needs continuously evolve. Embrace intersectionality to provide nuanced solutions for specific needs.

Mastercard welcomes partnership with brands to co-create and promote effective, sustainable solutions that close the racial wealth and opportunity gap. Our collaborations aim to expand city programs to support Black communities, create and provide affordable financial tools and services, and provide capital and resources for Black-owned businesses. We hope these insights inspire other companies to join our quest for a more just and equitable society.



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