

Saving money is essential for overall financial security and helps safeguard families against financial hardship during an emergency.<sup>1</sup> The majority of American households own a bank account, but 55% of these households have less than one month of income in liquid savings.<sup>2</sup> The situation for communities of color is worse, with families of color having an average savings of \$1,600 compared to \$5,000 for White families.<sup>3</sup> Limited savings leaves Latinos<sup>†</sup> vulnerable in times of economic crisis,<sup>‡</sup> which can lead to the use of alternative financial services that can be high-cost and predatory.

This profile features data collected from a survey administered in 2013 by community-based organizations affiliated with the National Council of La Raza (NCLR) in Florida, Illinois, and Texas.<sup>§</sup>

## **The majority of Latinos had a relationship with a bank.**

- Seventy-five percent of Hispanics reported having a bank account. Of those with accounts, 31% had checking accounts, 8% had savings accounts, and 47% had both types of accounts.<sup>||</sup>
- Rates of account ownership varied by language and employment: 72% of those preferring Spanish-language bank transactions had an account, compared to 86% of those preferring English. Those who were employed had a higher rate of account ownership (85%) compared to those without a job (56%).

## **A significant number of Latinos reported saving, but the amount and frequency varied by education and income.**

- Sixty-one percent of all Hispanics surveyed reported saving money either monthly or weekly and 29% reported not saving at all. Respondents with bank accounts saved at higher rates, with only 22% reporting they did not save, compared to 47% of those without accounts.
- Rates of saving varied according to education. Thirty-four percent of those with a high school diploma or less indicated they do not save money, more than double the rate for college graduates (16%).
- Latinos with lower incomes saved less. Thirty-three percent of those making less than \$30,000 save nothing, while only 10% of those making \$50,000 or more do not save.
- Language also seemed to impact savings behavior. Eighty-eight percent of Latinos who preferred English for conducting banking transactions reported saving, compared to only 64% of those who preferred Spanish.

## **Despite saving regularly, Latinos had a limited financial safety net and relied heavily on family and friends for financial help in emergencies.**

- One in three respondents reported they had trouble paying bills or needed emergency cash during the past year.
- Hispanics were most likely to turn to a family member or friend for financial assistance in an emergency, regardless of whether they were banked or unbanked.<sup>4</sup>
- Saving is more difficult for those with lower incomes and this translates into higher instances of needing emergency funds: 40% of those making less than \$30,000 said they needed emergency cash, compared to only 23% of those making \$50,000 or more.

\* This profile was authored by Amelia Collins, Associate Policy Analyst, Policy Analysis Center, with substantive input, direction, and oversight from Samantha Vargas Poppe, Associate Director, Policy Analysis Center, and Lindsay Daniels, Manager, Wealth-Building Initiative. This brief was funded by Citi Community Development and the Ford Foundation. The findings and conclusions presented are those of the author and NCLR alone and do not necessarily reflect the opinions of our funders. Permission to copy, disseminate, or otherwise use information from this paper is granted, provided that appropriate credit is given to NCLR.

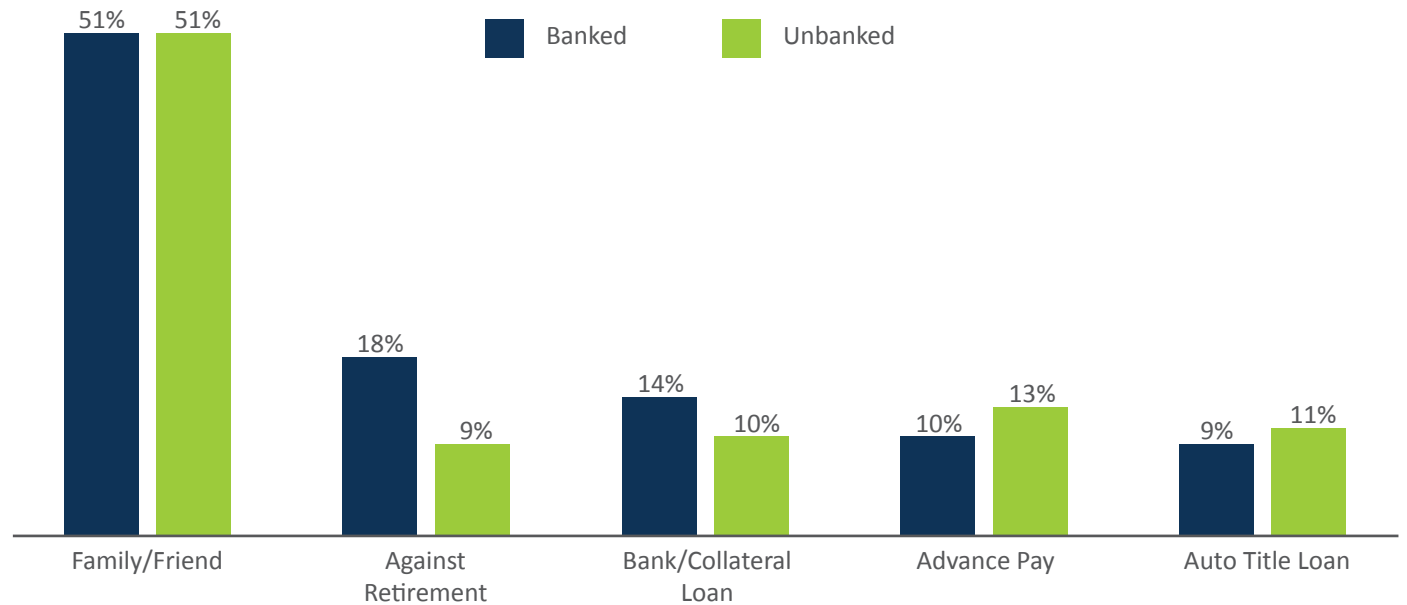
† The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

‡ In the years following the Great Recession, the combination of high unemployment and the elimination of free checking accounts knocked many Latino families out of the banking system.

§ NCLR surveyed 2,310 Hispanic participants as part of a larger data collection effort contained in *Banking in Color: New Findings on Financial Access for Low- and Moderate-Income Communities* (Washington, DC: NCLR, 2014), <http://publications.nclr.org/handle/123456789/1203>.

|| Fourteen percent of respondents indicated they did not know which type of account they had.

**Figure 1**  
**Reported Source of Emergency Funds by Banking Status**



Source: NCLR calculation using data from our 2013 survey of 2,310 Hispanic participants in Florida, Illinois, and Texas.

Latinos, like all Americans, struggle to save enough money to cover unexpected expenses. As Latinos comprise an ever-increasing proportion of the population, their financial security reflects the economic stability of the country. Increasing savings and decreasing financial hardship is essential to ensure the fiscal health of the nation. As such, financial institutions should expand their outreach to the unbanked, provide resources in additional languages, and avoid high fees and minimum balance requirements that might hinder saving by low- and moderate-income consumers.<sup>5</sup> Formal and informal savings methods such as matched savings, Independent Development Accounts, and retirement plans need greater private sector investment, expanded uses for matching funds, and features such as automatic enrollment.

## Endnotes

- 1 National Council of La Raza, National Urban League, and the National Coalition for Asian Pacific American Community Development, *Banking in Color: New Findings on Financial Access for Low- and Moderate-Income Communities* (Washington, DC: NCLR, 2014), 24, <http://publications.nclr.org/handle/123456789/1203> (accessed September 2015).
- 2 Pew Charitable Trusts, *The Precarious State of Family Balance Sheets* (Washington, DC: Pew Charitable Trusts, 2015), [http://www.pewtrusts.org/~media/Assets/2015/01/FSM\\_Balance\\_Sheet\\_Report.pdf](http://www.pewtrusts.org/~media/Assets/2015/01/FSM_Balance_Sheet_Report.pdf) (accessed September 2015).
- 3 Maya Rockeymoore and Elvis Guzman, "The Racial Wealth Gap: Latinos" (Washington, DC: Center for Global Policy Solutions, 2014), 4, [http://globalpolicysolutions.org/wp-content/uploads/2014/04/RacialWealthGap\\_Latino\\_Final.pdf](http://globalpolicysolutions.org/wp-content/uploads/2014/04/RacialWealthGap_Latino_Final.pdf) (accessed September 2015).
- 4 Unbanked households are defined as those without a checking or savings account, and underbanked households are those who have a bank account but also use alternative providers for financial transactions or "payday lenders, pawn shops, rent-to-own stores, or refund anticipation loans." Susan Burhouse, Karyen Chu, Ryan Goodstein, Joyce Northwood, Yazmin Osaki, and Dhruv Sharma, *2013 FDIC National Survey of Unbanked and Underbanked Households*, (Washington, DC: FDIC, 2014), 16, [www.fdic.gov/householdsurvey/2013report.pdf](http://www.fdic.gov/householdsurvey/2013report.pdf) (accessed October 2015).
- 5 National Council of La Raza, National Urban League, and the National Coalition for Asian Pacific American Community Development, *Banking in Color: New Findings on Financial Access for Low- and Moderate-Income Communities* (Washington, DC: NCLR, 2014), 25–26, <http://publications.nclr.org/handle/123456789/1203> (accessed September 2015).