NATIONAL ASIAN PACIFIC
CENTER ON AGING

Financial Well-being among Low-income Asian Older Workers: Evidence from Senior Community Service Employment Program Participants

Yunju Nam[1] & Eun Jeong Lee[2]

Introduction

Social Security benefits provide crucial economic resources for almost all older adults in the United States, although they seldom fully meet older adults' economic needs. For example, the average Social Security income covers 61% of basic consumption needs of older women and 81% of the needs of older men (Wider Opportunities for Women & University of Massachusetts Boston, 2011). Accordingly, retirees need savings and assets to meet the gap between Social Security benefits and their consumption needs. The need for savings and assets is probably greater among older immigrants because they are less likely to have Social Security benefits: about 70% of older immigrants have Social Security income compared to almost 100% of native older adults (Borjas, 2009).

However, there is limited information about the economic needs of older Asian immigrant adults. Due to the public perception of Asians as a model minority group, the needs and issues of Asian seniors' economic security after retirement have often been neglected in practice and research. The aging Asian community is aware of the seriousness of long-term economic security issues among seniors, but it has been very hard to find data to support these needs. For instance, we do not know how many older Asian adults have achieved long-term economic security strong enough to meet their post-retirement economic needs and succeeded in accumulating savings and assets enough for their retirement consumption.

To investigate economic readiness for retirement among older Asian adults, the National Asian Pacific Center on Aging (NAPCA) conducted a pilot survey on financial capacity and asset ownership among low-income older Asians in NAPCA's Senior Community Service Employment Program (SCSEP). NAPCA's SCSEP provides critical economic supports to low-income older workers. As an employment and training program funded by the Department of

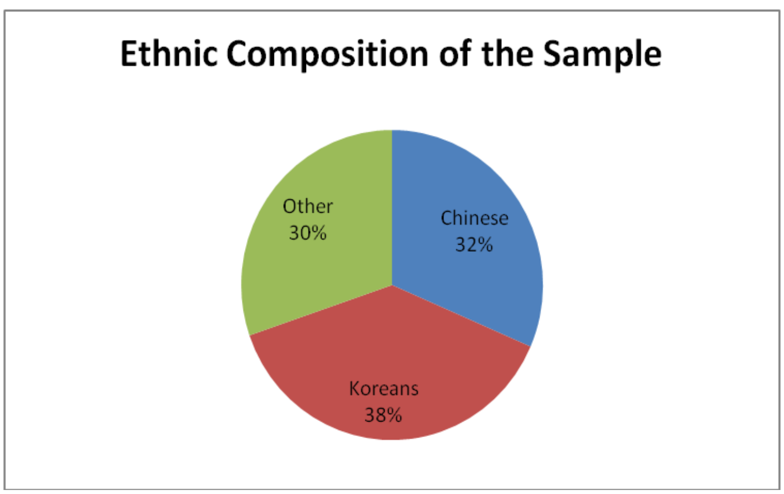
[1] Associate Professor, School of Social Work, University of Buffalo, State University of New York
[2] National Director of Senior Community Service Employment Program (SCSEP), National Asian Pacific Center on Aging

Labor, SCSEP offers employment opportunities for unemployed people who are 55 years or older. Only low-income individuals with an income less than 125% of the federal poverty threshold are qualified to participate in SCSEP. As a minority-focused SCSEP grantee, NAPCA serves mainly older immigrants from Asia and the Pacific Islands through its collaboration with community organizations. SCSEP provides these older workers with community service work, pays them federal or state minimum wage (whichever is higher), and allows them to stay in the program for up to 48 months. The goal of SCSEP is to help participants get an unsubsidized job and obtain self-sufficiency after they have completed the program. In addition, NAPCA's SCSEP encourages participants' incorporation into the U.S. financial system by promoting bank account ownership through the direct depositing of participants' wages into their accounts. NAPCA is currently operating SCSEP at 10 sites in seven states.

This report presents major findings from NAPCA's survey. The data was collected from SCSEP participants in three locations: Los Angeles and Orange County in California and New York City in New York. Out of its 10 locations, NAPCA selected its two biggest programs (Los Angeles and New York City) and included Orange County because of its geographic proximity to Los Angeles. NAPCA plans to collect additional data from other locations in the future.

Research Methods

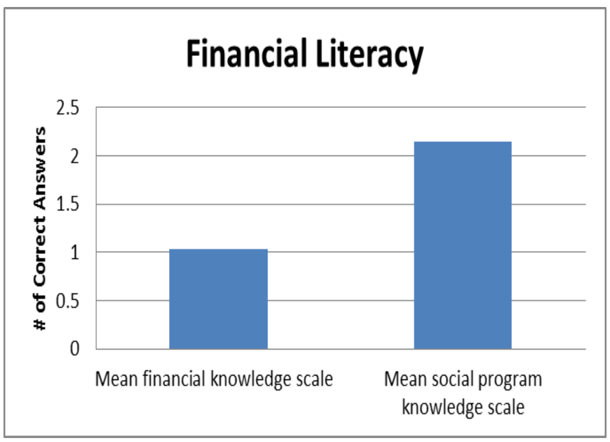
As mentioned above, this report illustrates financial capacity and asset ownership among NAPCA's SCSEP participants using survey data collected from three locations. Because of SCSEP's eligibility rules, all of the survey respondents are low-income individuals 55 years or older. Additionally, most study participants are immigrants from Asia due to NAPCA's strong ties with Asian communities. In March 2012, data were collected from 163 SCSCEP participants who attended mandated quarterly meetings at the three locations and who were able and willing to fill out the survey questionnaire in one of three languages: Chinese, English, and Korean.

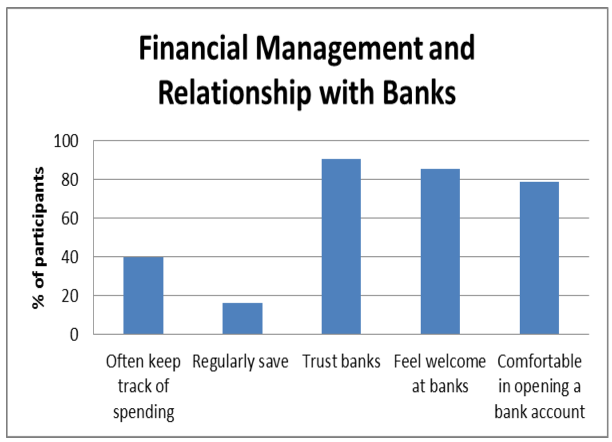


The study sample consists of 32% Chinese or Taiwanese, 38% Koreans, and 30% other ethnic groups (e.g., Asian Indians and Filipinos). Half of the sample is comprised of SCSEP participants from the LA site while 34% and 16% are from NYC and OC, respectively. Slightly more than half are women (56%) and currently married (60%). Forty-five percent of the sample is 55-64 years old, 47% is 65 years old or older, and the remaining (7%) did not answer the question about their age. Slightly more than half have U.S. citizenship (54%) while the rest are noncitizens.

Financial Capacity and Asset Ownership among SCSEP Participants

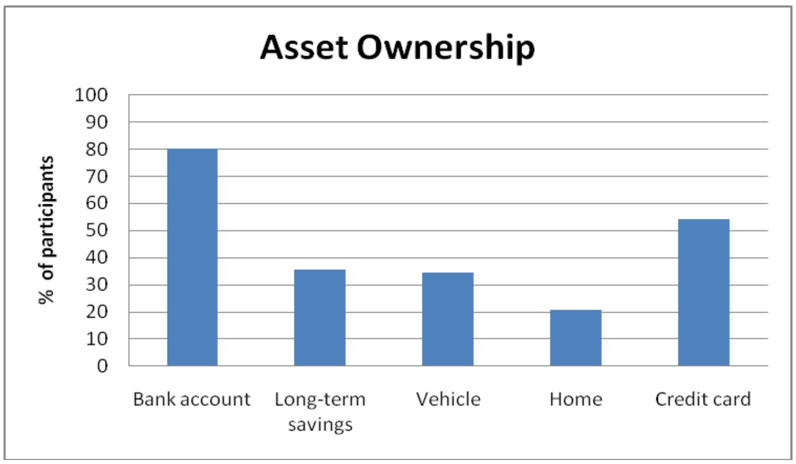
NAPCA's SCSEP participants have very low levels of financial knowledge. On average, they gave a correct answer to only one out of four true-or-false questions about basic financial issues (e.g., "All banks give you the same rate of interest on your savings accounts"). This survey also asked SCSEP participants five basic questions about the eligibilities and benefits of Social Security and Medicare, critical knowledge in making long-term financial planning and management among older adults (e.g., "Your Social Security benefit amount will be the same regardless of age of retirement"). As in the case of financial knowledge, SCSEP participants' level of understanding of these two important social programs is low; respondents averaged slightly higher than two correct answers out of the five questions.





In regards to financial management, only 40% report that they often keep track of their spending and an even a smaller percent (17%) regularly save. Considering that both are indicators of efficient financial management and successful asset accumulation, the low levels of sound financial management practices in the sample are alarming. SCSEP participants' perception of and relationship with mainstream financial institutions is generally positive. Over 90% of participants report they trust banks; 85% feel welcome at banks; and about three out of four are comfortable in opening a bank account.

Asset ownership rates are generally low among SCSEP participants. One exception is bank account ownership, as 80% have either a checking or saving account. A high rate of bank account ownership may be explained at least partially due to NAPCA SCSEP's efforts to encourage participants to open a bank account. NAPCA SCSEP deposits participants' wages directly into their bank accounts whenever possible. To the contrary, only one out of three participants possess long-term savings, such as a savings account, money market account, certificate of deposit, retirement account, stocks or stock mutual funds, or bonds. Similarly, vehicle ownership rate is 35%. Homeownership rate, however, is even lower than other types of assets (20%). Additionally, only slightly more than half of the survey respondents have a credit card. A credit card plays a crucial role in financial well-being because it grants its owners easy and immediate access to credit.

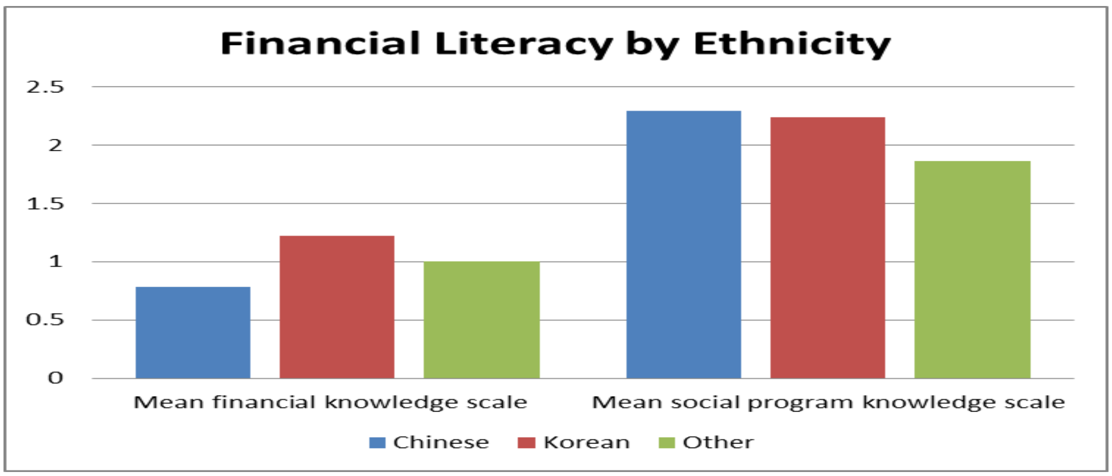


NAPCA's SCSEP participants have very low levels of financial literacy and their asset ownership rates are also low. These findings call for urgent intervention for economic security among this population.

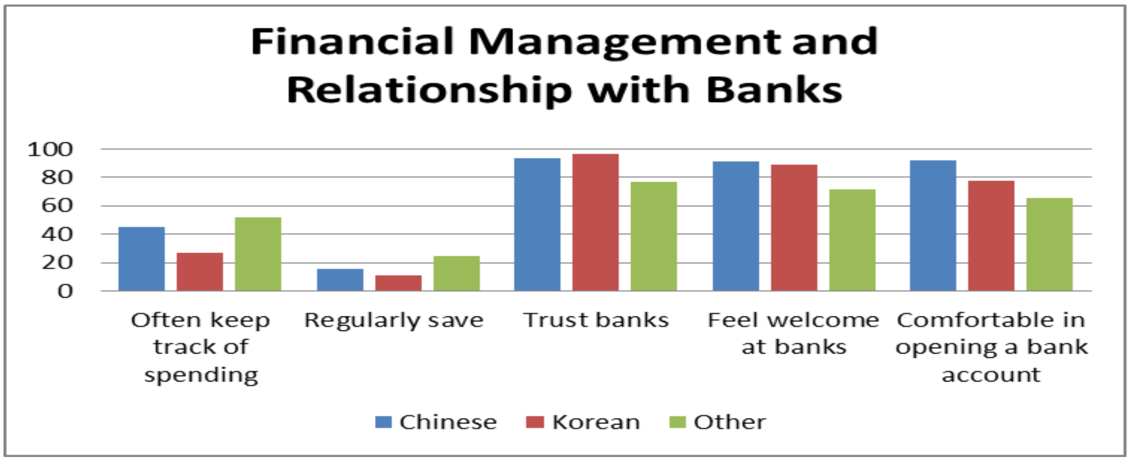
Financial Capacity and Asset Ownership by Ethnicity

This report compares financial capacity and asset ownership among Chinese (and Taiwanese), Koreans, and "other" ethnic groups (e.g., Filipino and Asian Indians). It is likely that financial capacity and asset ownership differ across ethnicity due to the unique culture, immigration history, and community resources of each ethnic group.

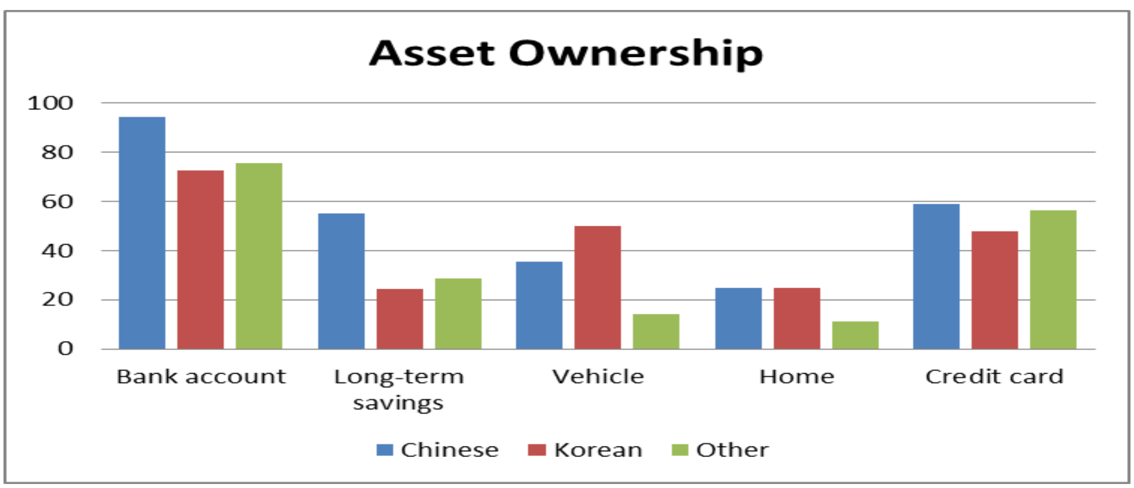
Survey results revealed that levels of knowledge on financial issues and social programs differ by ethnicity. Overall, Korean older adults have a good understanding of both financial issues and social programs. The mean number of correct answers to basic financial questions is 1.2, the highest among the three groups, and the mean number of correct answers to social program questions is 2.2. The corresponding statistics for Chinese older adults is 0.7 and 2.3, respectively. As such, the Chinese group had the lowest mean score for the financial knowledge scale among the three groups, whereas their level of understanding of social programs is comparable to Koreans. The "other" ethnic group's mean score of understanding of social programs is lowest, but its financial knowledge is in between the other two groups.



Despite a high level of financial knowledge, Korean older adults' financial management practices are worse than other groups. Only 27% often keep track of spending and 11% report that they regularly save. Among the three ethnic groups, the "other" ethnic group shows the highest percentages of participants who often keep track of spending and who regularly save. These results indicate that higher levels of financial knowledge do not always result in efficient financial management and practices. At the same time, data indicate that the "other" ethnic group has lower levels of trust toward mainstream financial institutions and are less likely to feel welcome at banks than Chinese and Korean older adults. They also feel less comfortable in opening a back account than the other groups.



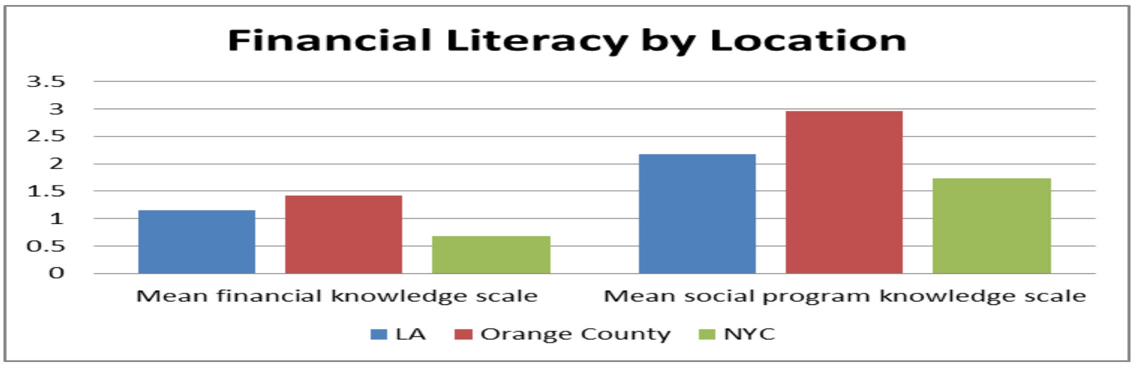
In general, Chinese older adults are better off than the other two groups in terms of asset ownership. Almost all Chinese participants have a bank account while one in four Koreans and those of "other" ethnic groups are unbanked. The long-term saving ownership rate among Chinese older adults is almost twice that of Koreans and "others". Although their vehicle ownership rate is lower than Korean older adults, Chinese participants' homeownership rate is the same as Koreans'. The credit card ownership rate is also highest among Chinese participants.



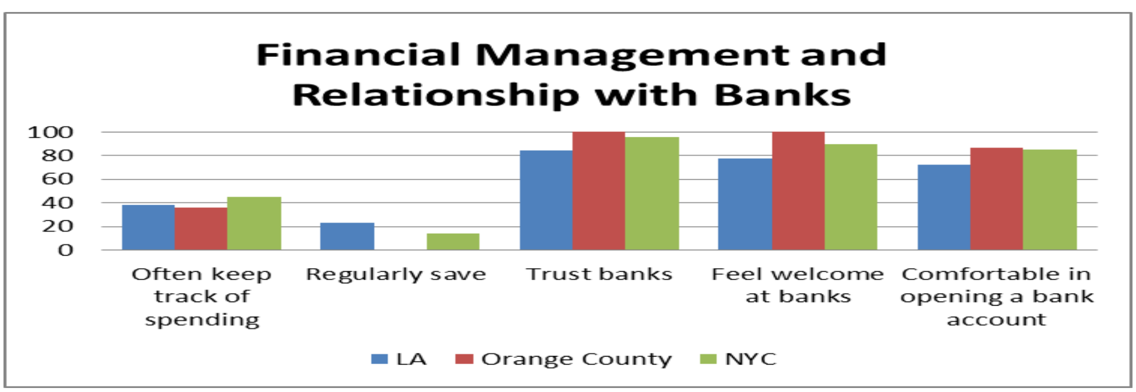
Financial Capacity and Asset Ownership by Location

This report compares financial capacity and asset ownership by SCSEP program location: Los Angeles, Orange County, and New York City. Different environments by location (e.g., the accessibility of local financial institutions, such as ethnic banks) may provide distinct opportunities for and barriers to financial capacity among SCSEP participants.

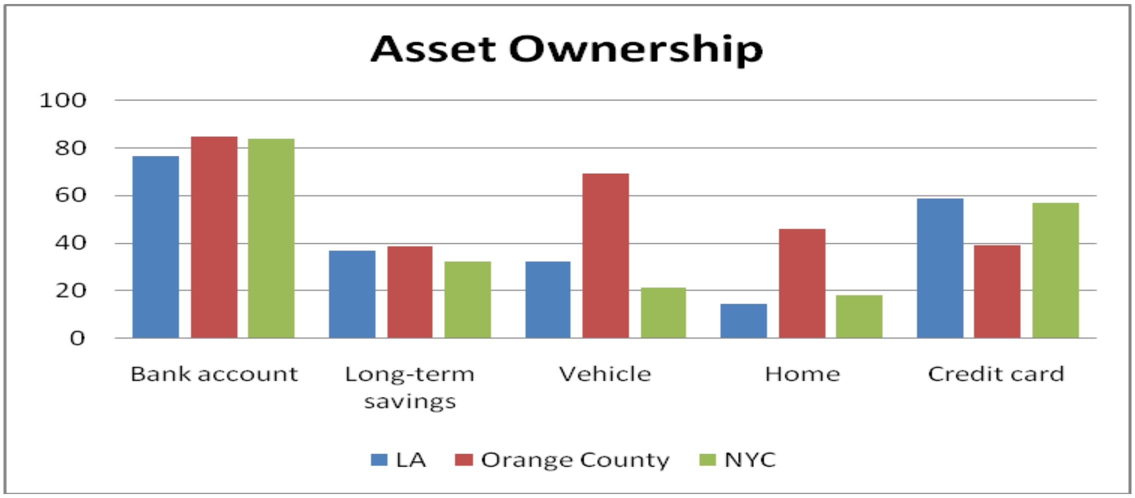
Financial literacy was measured by self-report of knowledge on financial issues and understanding of social programs. SCSEP participants in Orange County had the highest mean scores while those in New York City had the lowest mean scores. For example, Orange County residents averaged three out of five correct answers to the basic questions about Social Security and Medicare. New York City participants averaged 1.7 correct answers.



As shown in the analysis of the results by ethnicity, financial knowledge does not guarantee efficient financial management. Although SCSEP participants in Orange County have the highest level of financial knowledge, the percentage practicing efficient financial management is lowest. Only 36% of the participants in Orange County often keep track of spending and nobody regularly saves. Despite their low level of financial knowledge, a higher percentage of SCSEP participants in New York City keep track of spending than those in the other locations. In regard to relationships with financial institutions, SCSEP participants in Los Angeles are most vulnerable; they show the lowest levels of trust toward banks, of feeling welcome at a bank, and of feeling comfortable in opening a bank account.



Asset ownership also differs by location. Bank account ownership rate among Los Angeles participants is lower than participants in the other locations by 10%. Long-term savings ownership rates are under 40% in all three locations, indicating that only four out of ten participants own this type of asset. Ownership rates for a vehicle and home are much higher among those in Orange County, probably because a vehicle is a necessity in suburban areas while homes are more affordable. Credit card ownership is considerably lower among participants in Orange County than other two locations.



Implications for Program Development

Findings from the survey data from NAPCA's SCSCEP participants clearly demonstrate the need for active interventions to enhance Asian older adults' financial capacity and to promote asset building. The following interventions are recommended to strengthen long-term economic security among NAPCA's SCSEP participants and other low-income immigrants from Asia.

- The financial literacy level among SCSEP participants is very low in terms of financial knowledge, understanding of social programs, and financial management. Accordingly, community organizations and service providers, including NAPCA, should develop and provide financial education and planning services for SCSEP participants and other low-income older immigrants from Asia. Considering the importance of Social Security and Medicare among older adults' lives, financial education should include information on these social programs, and financial planning services should incorporate program participants' eligibility and expected benefit amounts in developing financial plans for these individuals.
- Financial knowledge does not automatically promote efficient financial management. For example, the percentage of Koreans who often track spending is lower than Chinese or those of 'other' ethnic groups although their average financial knowledge score is higher than the other two groups. Accordingly,

financial education and planning programs should not focus solely on delivering information on financial issues but should also include components that encourage participants to practice efficient financial management (e.g., asking participants to record their spending and to bring the record to the next financial education class).

- The savings rates and asset ownership rates among SCSEP participants are very low. Only 17% of participants regularly save, and one in three has long-term savings. As such, it is imperative to promote saving and asset accumulation among this population by developing and providing asset-building programs. NAPCA and other community organizations may adopt and modify asset-building strategies developed for other low-income populations, such as saving matches in Individual Development Accounts.
- Although the majority of SCSEP participants report trust toward banks, feeling welcome at banks, and feeling comfortable in opening a bank account, a substantial portion report otherwise. SCSEP participants in the “other” ethnic group and at the Los Angeles location show lower levels of trust and higher levels of uneasiness with business at financial institutions. NAPCA and other community organizations should work with financial institutions to ensure low-income older immigrants’ access to financial services.
- Analysis of the results shows diversity in financial capacity and asset ownership among SCSEP participants. The level of financial literacy and ownership rates of various types of assets differ by ethnicity and location. Accordingly, NAPCA and other community organizations should develop culturally sensitive programs suitable for each location.
- Governments – at federal, state, and local levels - and private foundations should provide funding to community organizations so that they can develop and implement financial education and planning services as well as asset-building programs.

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