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## [The Debt We Owe: Promoting Financial Literacy Among Minority Groups](#)

I had the high honor to serve as the keynote speaker for the State of Iowa's celebration of Dr. Martin Luther King, Jr.'s birthday. The event afforded me a great opportunity to share with the audience some thoughts about the legacy of Dr. King and what it means today -- as we celebrate Black History Month -- in the context of personal wealth creation and financial literacy.

When I think about Dr. Martin Luther King, Jr.'s "I Have a Dream" speech, I am reminded of a personal finance metaphor he used. Dr. King stated, "In a sense, we've have come to our nation's capital to cash a check. When the architects of our republic wrote the magnificent words of the Constitution and the Declaration of Independence, they were signing a promissory note to which every American was to fall heir. This note was a promise that all men -- yes, black and white men -- would be guaranteed the unalienable rights of life, liberty and the pursuit of happiness. It is obvious today that America has defaulted on this promissory note, insofar as her citizens of color are concerned. Instead of honoring this sacred obligation, America has given the Negro people a bad check -- a check which has come back marked 'insufficient funds.'" Dr. King was talking about the moral obligation America had to its minority citizens and his idea of a promissory note applies to the state of financial literacy today.

Each of us has an outstanding promissory note, payable to Dr. King, that requires us to be committed to maximizing the benefits of his work, which gave Americans of color greater access to education, jobs, economic opportunities, public accommodations and more. There must be a commitment to gain the financial knowledge needed to utilize these opportunities and maximize

the financial resources generated from his work. This is true of all Americans, especially those of color.

The recognition of Dr. Martin Luther King, Jr.'s work should not stop with his marches or speeches. [Financial literacy](#) gives individuals the ability to understand the functions of financial transactions and products and practical application of personal money management concepts. This is accomplished through the acquisition of information, instruction and/or objective advice that enables individuals to develop the skills and confidence to become more aware of financial opportunities and risks. In doing so, they are able to make choices and take other effective actions to improve their financial well-being and protect their financial resources.

When we look specifically at the status of African-Americans, the data indicates that the need for financial literacy is alarming. Many African-Americans generally lack a working knowledge of personal money management concepts. For example, many African-Americans experience the following:

- Higher debt delinquencies than any other ethnic group
- Comparatively lower savings
- A lower homeownership rate (only 45 percent own homes)
- A greater incidence of home foreclosure than other ethnic group
- A greater incidence of predatory lending practices
- A greater incidence of higher cost auto/consumer loans

Based on data from a Federal Deposit Insurance Corporation survey, 55 percent are unbanked or underbanked (i.e., they do not have bank account or do not have the appropriate bank account) -- more than any other group. And according to data from [LendingPatterns.com](#), at the height of the subprime mortgage market, African-Americans had a greater share of such mortgage loans.

Surveys indicate that many African-Americans do not have a working knowledge of how to accumulate wealth to establish a financial legacy. 29.7 percent of older African-Americans rely on Social Security for 90 percent of their family income. The Joint Center for Political and Economic Studies' 1998 and 2009 polls indicates that 35 percent of African-Americans expect to receive a major portion of their retirement income from Social Security, and 29.2 percent receive it from employer sponsored pension plans. U. S. Census data issued July 2010 indicate that African-Americans and Hispanics report having less than \$10,000 in savings. [The 2010 Ariel/Hewitt Study](#) reflects that in its highest income bracket (\$120,000 and above), 31 percent of African-Americans and 20 percent of Hispanics reported outstanding loans. In contrast, 13 percent of white employees and 8 percent of Asian employees had outstanding 401(k) loans.

Wealth disparities can only be closed through financial literacy. The African-American community reflects a wide range of socio-economic backgrounds, but that should not limit our ability to acquire the financial knowledge needed to grow wealth. The acquisition of financial knowledge, however, does not eliminate the invisible barriers or discrimination that exist in the market place. However, such knowledge can serve as a moderator, in which you equip a person to be aware of the function of financial transactions and personal money management concepts so that they will not be taken advantage of and know how to efficiently utilize their financial resources.

To ensure that each individual fulfills the promissory note owed to Dr. King, he or she must:

- Know how to manage credit

- Know how to save for emergencies and/or unexpected expenses
- Know how to manage debt
- Know how to save and use investment vehicles to accumulate wealth and retirement income
- Know how to manage risk to protect current income and assets
- Know how to manage cash so that you are not living from payday to payday; this will require you to develop a budget that will serve as your spending plan
- Know how to protect one's self from fraud or predatory lending practices
- Know how to use financial services such as checking, saving and money market accounts

If America is going to be the land of opportunity, we must gain parity in financial literacy; then we can repay, in full, the debt we owe Dr. Martin Luther King, Jr. At the same time, it will take us into the promised land of economic prosperity. Such parity can not be dependent on chance or luck; we must gain the financial knowledge needed to realize the economic opportunities that were dear to Dr. King.

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*Theodore R. Daniels is the Founder and President of the [Society for Financial Education and Professional Development \(SFEPD\)](#). Founded in 1998, SFEPD is a non-profit organization whose mission is to enhance the level of financial and economic literacy of individuals and households in the United States and to promote professional development at the early stages of career development through mid-level management.*