

Racial/Ethnic Differences in Consumer Financial Capability: The Role of Financial Education and Financial Anxiety

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This study examined racial/ethnic differences in consumer financial capability. Extended from previous studies on financial capability, we focused on the role of financial education and financial anxiety as well as other factors explaining the racial/ethnic gaps. Using newly added variables regarding financial education and financial anxiety to the 2018 National Financial Capability Study, we analyzed associations between a set of factors (including financial education and financial anxiety) and financial capability. The most notable finding is that both financial education and financial anxiety play salient roles to explain racial/ethnic differences in financial capability. In particular, results suggest that financial education may narrow while the financial stress may widen the racial/ethnic gaps in financial capability. Further, we find financial education attributes such as various sources, number of hours and its overall quality are associated with financial capability. Given that the U.S. federal and state governments have advocated financial education programs for the public, these findings have implications for consumer policy makers, educators, and researchers, especially for narrowing the racial/ethnic gaps in financial capability in the U.S.

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