

Chapter 18

Financial Wellbeing of Asian Americans

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Abstract

The Asian American population in the United States has been increasing. Research on the economic wellbeing of this minority group is far from being adequate. It is generally found that Asian Americans are more highly educated and have more wealth. Although the homeownership rate of this population is lower than the national average rate, the gap is gradually narrowing. Asian Americans are found to have more confidence in their financial future and have better management in their financial lives. In addition, Asian-owned businesses have been an important part of the U.S. economy and, as such, the self-employment status of Asian Americans has stimulated great interest for research. Large differences in financial behaviors exist among different groups in Asian Americans. This chapter serves the purpose to summarize past research on Asian American consumer finances and provide directions for future research.

Keywords: Asian Americans, debt management, expenditure patterns, financial attitudes, financial behaviors, financial wellbeing, home ownership, immigrants, model minority, self-employment

Introduction

The United States is a multiethnic nation. Asians currently living in the U.S., referred to as Asian Americans in this chapter, are one part of the society. According to the American Community Survey, 18.9 million individuals reported themselves as Asian alone or combined with other races in 2012, accounting for 5.9% of the total U.S. population (322.2 million in 2012). This Asian population increased 46% from 2000 to 2010, which was the fastest growing population (U.S. Census Bureau, 2014). The median household income of Asians alone in 2012 was \$70, 644, higher than the national average (\$51, 324) (U.S. Census Bureau, 2014).

Compared to the total U.S. population, Asian Americans are better educated, with 50.5 % of age 25 and older having at least a bachelor's degree, much higher than the 29.1% for the total population (U.S. Census Bureau 2013). They are more likely to work at management and professional levels. The proportion of civilian-employed single-race Asians, aged 16 and older, who work in management, professional, and related occupations was 49.1 % in 2012 (vs. 36.4 % of the total U.S. population) (U.S. Census Bureau, 2013, 2014). However, compared to the national average, they are less likely to own a home (57.2 vs. 63.5 % of the total U.S. population); their married-couple families have a slightly higher poverty rate (7.6 vs. 5.8 % of the total U.S. population) (U.S. Census Bureau, 2013, 2014).

A vast volume of research has been done on consumer finance; however, research that includes Asian Americans appears to be limited. One reason may be that few national datasets provide detailed information on consumer finances that differentiate Asian Americans from other race/ethnicity groups. Also adding to the scarcity of research on Asian Americans in the United States may be the lack of the passion of academia for investigating the financial

wellbeing of Asian Americans due to the small population of this group. There is evidence in the literature that Asian Americans have been ignored or combined with other race/ethnicity groups (e.g., Getter, 2006; Han, 2004; Hunt, 2004; Olney, 1998).

In this chapter, Asian American will be defined first, followed by an introduction of national datasets that include Asian Americans to highlight datasets available to be employed in the study of Asian American consumer finances. Then an array of research that has been done on the general financial wellbeing of Asian Americans, their financial attitudes and behavior, income and expenditures, debt management, and housing issues related to this racial group in the United States will be introduced. Finally, a summary of the research will be presented and future research directions will be discussed.

The Terms “Asian Americans”

Legally, Asian Americans are U.S. citizens with an Asian background (e.g., their grandparents were immigrants from Asia). First-generation immigrants who live in the U.S. but are not American citizens (i.e., they have other nationalities) technically do not fall into this category. However, during any data collecting process, it is possible that people with an Asian heritage, whether a U.S. citizen or not, identify themselves as “Asian.” Therefore, unless respondents offer to disclose their nationality, it is almost impossible for any data collector to distinguish Asians in America (i.e., immigrants from Asian countries who are currently living in the United States) from Americans with an Asian background (i.e., Asian Americans).

Although Asian Americans shared some common traits, the cultural differences among Asian subgroups should not be ignored. For example, labor participation rate for Korean women is relatively lower compared to other Asian Americans since Koreans believe women should

focus on taking care of family after marriage and childbirth (Xie & Goyette, 2004). According to the World Values Survey Association (2014), over 85% of the people in Philippines considered religion to be very important in their lives, compared to less than 3% in China and about 5% in Japan. Regarding children's education, less than 10% of families in China, Japan and South Korea considered obedience at home an important quality while nearly 60% of Indian families treated it as a very important quality. Additionally, Kim, Young, Atkinson, Wolfe and Hong (2001) found that different Asian groups showed different levels of adherence to common culture values, such as collectivism, conformity to norms, emotional self-control, family recognition through achievement, filial piety, and humility. These differences may affect household financial practices and, therefore, their financial wellbeing.

The U.S. Census counts all people regardless of their citizenship or immigration status. In its 2014 survey, the Census asked respondents to select one or more of the race categories listed in the questionnaire. The categories included American Indian or Alaska Native, Asian, black or African American, Native Hawaiian or other Pacific Islander, and white. According to the U.S. Census Bureau, Asians in the U.S. include those residing in the U.S. who report an origin from an Asian country. Asians may either be Hispanic or non-Hispanic. Data on Asians may be reported as "alone" or "in-combination" (U.S. Census Bureau, 2014). This definition is used in this chapter to refer to Asian Americans.

National Datasets That Include Asian Americans

Most national datasets include information on respondents' race/ethnicity information. However, many of them group Asians with other races such as American Indians, Alaska Natives, and Native Hawaiian/Pacific Islanders. The group sometimes is called "other race."

These “other” people, of course, are not homogeneous. Even a few datasets do distinguish Asians from other groups; the sample sizes of Asian Americans remain small. The downside of having a small sample is that Asian Americans are likely to be grouped into another race category, and the results are not likely to be very meaningful.

Another problem with the race categorization deals with the interracial marriage. It is possible that someone is born into a family that has more than one racial/ethnic background. It is completely up to the respondents in any data collecting process to report their primary, if not limited to only one, race/ethnicity. For example, someone with a white father and a black mother could identify himself or herself as either white or black. Let us further assume he or she is born into a family with mostly black relatives; he or she identifies himself or herself as black. The influence of his or her white father and relatives of other races is ignored in the studies conducted by researchers using this dataset. If this person married someone with an Asian heritage, he or she will still identify himself as a black; therefore, the influence of his wife or her husband is overlooked. Strictly speaking, if this person is the head of the household, the household should be referred to as a household headed by a black person.

Major datasets that are used by researchers in the consumer finance field are briefly introduced below. However, readers should keep in mind that the race/ethnicity categorization is never a clear-cut process. It is possible for one individual to have multiple racial/ethnic identities. Due to the data limitations, researchers in this field have focused on people’s self-identification of race/ethnicity.

The Current Population Survey (CPS) (www.census.gov/cps/) is a monthly survey of about 50,000 households that provides data, at the national level, on the social, economic, and

demographic characteristics of the U.S. population. The survey is jointly sponsored by the Census Bureau and the Bureau of Labor Statistics. The survey shows the federal government's monthly unemployment statistics and other estimates of labor force characteristics. One of its supplements, the March Annual Demographic Supplement, is currently the official source of estimates of income and poverty in the United States. In this dataset, an individual could be recorded as one race only (e.g., white, black, Asian) or a mixture of different race/ethnicity backgrounds.

The Consumer Expenditure Survey (CE) (www.bls.gov/cex/) data are collected by the Census Bureau for the Bureau of Labor Statistics. The data provide information on the buying habits of consumers in the United States. The two independent surveys (the quarterly Interview Survey and the weekly Diary Survey) utilize different household samples and collect different data. The Interview Survey includes monthly expenditures such as housing and entertainment, while the Diary Survey includes weekly expenditures on items such as food and beverages. Respondents are categorized as whites, blacks, Asian, and other races.

The Survey of Income and Program Participation (SIPP) (www.sipp.census.gov/sipp/) is a monthly survey, sponsored by the U.S. Census Bureau, which collects cross-sectional and longitudinal data on the source and amount of household income, labor force participation, and general demographic characteristics. The SIPP records a detailed list of real and financial assets and liabilities of households and their expenditures such as the out-of-pocket costs of medical care, shelter costs, and child support payments. Respondent's race/ethnicity is collected in the survey to be one of the following: white, black, American Indian/Aleut/Eskimo, Asian/Pacific Islander, and other.

The National Longitudinal Surveys (NLS) (www.bls.gov/nls/) are a set of surveys, sponsored by the U.S. Department of Labor, focused on gathering information on individual respondents' labor market participation at different points in time. These surveys collect race information by asking respondents to identify themselves into one or more race/ethnicity groups including white, black/African American, Asian, native Hawaiian/Pacific Islander, American Indian/Alaska Native, another self-specified race, and Hispanic/Latino.

The Survey of Consumer Finances (SCF) (<http://www.federalreserve.gov/econresdata/scf/scfindex.htm>) is sponsored by the Federal Reserve Board with the cooperation of the Department of Treasury. This survey is a national survey conducted every three years to record a detailed inventory of household financial assets and their liabilities. The question asks the respondents to select one of the following race/ethnicity categories that they feel best describe themselves: white, black or African-American, Hispanic or Latino, Asian, American Indian or Alaska Native, Hawaiian Native or other Pacific Islander, or other race.

Asian is one of the choices. However, in the public dataset, Asian, American Indian, Alaska Native, and Native Hawaiian/Pacific Islander are combined into the "other" category. Researchers who use this dataset have not been able to differentiate Asian Americans from respondents with other racial/ethnic backgrounds (e.g., Bucks, Kennickell and Moore, 2006). For couple households, the SCF provides race/ethnicity information only on the respondent, who is the more knowledgeable person about family finances. Researchers who employ this dataset in their studies do not know whether the respondent and the spouse or partner are of the same race/ethnicity.

The Health and Retirement Study (HRS) (<http://hrsonline.isr.umich.edu/>), sponsored by the National Institute on Aging, is a biannual longitudinal survey that provides the economic wellbeing (e.g., income and net worth, retirement plans and perspectives, and housing) as well as health and other information of individual respondents over age 50. The HRS survey contains a race question that asks respondents to select a race/ethnicity that they consider themselves to belong. The race/ethnicity groups include white/Caucasian, black/African American, and other (including American Indian, Alaskan Native, Asian, and Pacific Islander).

Asian is one of the choices. However, in the public released datasets, the race variable is masked. The Asian group is combined with American, Alaskan Native, and Pacific Islander groups into one “other” category. Researchers who employ this dataset, too, are unable to study characteristics that apply to the Asian American group in particular (e.g., Smith, 1995).

The American Community Survey (ACS) (www.census.gov/acs/www/) is a nationwide survey designed to provide communities a fresh look at how they are changing. The survey provides estimates of demographic, housing, social, and economic characteristics every year for all states, as well as for all cities, counties, metropolitan areas, and population groups of 65,000 people or more. For smaller areas, it takes three to five years to accumulate sufficient sample to produce data for areas as small as census tracts. The data have three race variables and one Hispanic origin variable. Seven options are listed for Asians: Asian Indian, Chinese, Filipino, Japanese, Korean, Vietnamese, and Other Asian.

Survey of Consumers (<http://www.sca.isr.umich.edu/>) is a monthly national survey conducted by the Survey Research Center of the University of Michigan. It originated in the late 1940s and had been carried out quarterly until 1977 when it changed to monthly survey. Over

500 interviews are conducted each month. It collects information about consumer attitudes and expectations and aims to understand how they affect consumer decisions related to saving, borrowing and purchases. An index of Consumer Expectations is created in this survey and focus on how consumers consider prospects for their own financial situations, for the general economy over the short and long term. Information about race is collected in the survey. Five options are listed: non-Hispanic white, non-Hispanic black, Hispanic, American Indian or Alaskan Native, Asian or Pacific Islander.

The Panel Study of Income Dynamics (PSID) (<http://simba.isr.umich.edu/data/data.aspx>) is carried out by University of Michigan and considered to be the longest longitudinal national household survey in the world. PSID began in 1968 and were conducted annually for the same family. After 1997, the study was carried out biennially. The sample contains over 18,000 individuals in 5,000 families. PSID provides data on a wide range of topics, such as income, wealth, expenditures, health, childbearing, education and other subjects. The questions regarding races and ethnic groups are asked for the head of the family, spouse and children. The race choices include: white, black, American Indian or Alaska Native, Asian, Native Hawaiian, Pacific Islander and Other. Hispanic origin is asked in a separate question. Asians were further divided into seven groups: Chinese, Filipino, Asian Indian, Japanese, Korean, Vietnamese, and Other Asian.

The New Immigrant Survey (NIS) (<http://nis.princeton.edu/>) is compiled by the U.S. Immigration and Naturalization Service. It is a multi-cohort national longitudinal survey targeting at the new immigrants to the U.S. (people who just arrived at the U.S. or just changed their immigration status). The interviews were conducted in respondents' preferred language. At present, there are only two surveys available to use. One is the first full cohort study conducted

from May to November 2003 and the recent follow up survey carried out from June 2007 to December 2009. The NIS records information on demographics, economic, health, housing, children, transfers and immigration. The survey collects information about the household respondent, the spouse and their child and asks questions about the immigrants' origin country. Asian countries include China, India, Korea, the Philippines, Vietnam and other Asian countries.

Financial Wellbeing

Researchers have paid attention to income, wealth, and poverty of Asian Americans. Some studies concluded that Asian Americans are wealthier while others claimed that these households either have more wealth or tend to be more likely to live in poverty. Cobb-Clark and Hildebrand (2006) studied the wealth and asset holdings of U.S. households. Immigrants from European and Asian countries were found to have substantially more wealth than average immigrant households. The Census data consistently shows that Asian American households vary widely in their wellbeing. They occupy the extremes of wealth and poverty. Nam (2014) compared the economic wellbeing of older Americans (65 years or older) among different racial groups. Eight racial groups were used in this study: native Asians, immigrant Asians, native whites, immigrant whites, native blacks, immigrant blacks, native Hispanics, and immigrant Hispanics. Native Asians in this study referred to the second and later generations of Asian immigrants while immigrant Asians referred to the first generation. Native Asians were found to be better off than immigrant Asians and other racial groups indicated by all four wellbeing indexes. In addition, immigrant Asians were worse off than immigrant whites but better off than immigrant blacks and Hispanics.

Takei and Sakamoto (2011) investigated the poverty status among Asian Americans. Compared to whites, both foreign-born and native-born Asian Americans in general showed a slightly higher poverty rate. Recent immigrants were found to have higher poverty rates than those who immigrated more than five years ago. However, keeping other demographic factors constant, the poverty rate of foreign-born Asian Americans was lower than foreign-born whites. Kwon, Zuiker and Bauer (2004) examined factors associated with Asian immigrant household poverty status. Households with a higher human capital level and experienced acculturation were found to be less likely to live below the poverty threshold. This study mentioned an interesting point that acculturation made a difference in the wellbeing among Asian immigrant households.

Education is likely to be related to the level of earnings. Previous literature noticed this relationship and investigated the earning differentials between Asian Americans and other races. Campbell and Kaufman (2006) found that although Asian-Americans were more educated and had an overall high socio-economic status, their net worth levels were still lower than white households controlling for residential location, household structure, citizenship, age, employment status and income. In particular, employment status and family structure had an influential effect on Asian-Americans' wealth level. The authors stated that one possible way of wealth accumulation for Asian-Americans was through self-employment. The stable and relatively small family sizes also contributed to their wealth accumulation. However, findings showed the reason for Asian Americans to earn a higher level of income may be longer work hours than whites.

Researchers also devoted to study the Asian-American families' portfolio allocation and composites. Yao (2010) collected data from Chinese Americans in five Midwestern states and found that Chinese American households had a mean of \$27,034 in liquidity assets and \$300,464 in investment assets. A large majority of the respondents had mortgage loans. The majority of the

sample respondents did not have adequate emergency fund and one-third of them bore more debts than assets. Particularly, the households with the pessimistic anticipation about the future economy were less likely to save adequate emergency funds while the homeowners were more likely to have a negative net worth.

Financial Attitudes and Behaviors

Research has shown that the majority of Asian Americans (62%) have personal savings for retirement, similar to whites (66%) and higher than Hispanics and blacks (Employee Benefit Research Institute, 2001). Compared to other races, Asian Americans were found to be more likely to invest in their defined contribution plans and had the highest account balance. In addition, 69% of Asian Americans reported having other retirement plans outside of employer plans, higher than whites (59%), Hispanics (49%) and blacks (54%) (ING Retirement Research Institute, 2012). Asian Americans were also the most confident to believe that they had adequately planned for retirement (Employee Benefit Research Institute, 2002). Asian Americans feel the most prepared for retirement with the highest balance of \$81,000 in their retirement plans, compared with the average balance of \$69,000 across all ethnic groups (ING Retirement Research Institute, 2012). However, researchers also found that Asian Americans across all age levels lack serious consideration and professional guidance on their retirement plans. A majority of them do not work with financial professionals, nor have financial plans (Prudential Financial, 2013). Springstead and Wilson (2000) compared participation rates in IRAs, 401(k)s, and the TSP. They concluded that Asian Americans were more likely to participate in tax-deferred savings accounts than white Americans. Household financial wellbeing is dependent on attitude toward financial issues and financial behaviors. Examples of

research on Asian Americans' money beliefs, banking status, emergency fund savings, and personal investments are discussed below.

Masuo, Malrouu, Hanashiro and Kim (2004) compared money beliefs and behaviors of college students in Korea and Japan and college students in the United States with Japanese or Korean background. Results show that Korean and Japanese college students had significantly different money beliefs from their U.S. counterparts. College students in Korea and Japan were found to firmly believe that money could solve all problems. Asian American college students were more likely to prefer to use cash rather than credit cards, to keep personal the details of their financial status, and to feel guilty about spending money on necessities even when they could afford to do so. These findings are very important, in that they suggest although Asian students and Asian American students share similar cultures, they display different money attitudes and money behaviors. Therefore, acculturation may be the reason for this difference. Another example of research that showed the effect of acculturation is Rhine and Greene (2006). The authors found that immigrants who had lived in the United States for a longer period of time were less likely to be unbanked than those who came to the country recently.

The emergency fund adequacy of Asian American households was studied by Hong and Kao (1997). More Asian Americans were found to have adequate emergency funds than non-Hispanic whites, African Americans, and Hispanics. Consistent with this finding, the ING Retirement Research Institute (2012) reported that only 10% of Asian Americans had no emergency cash reserve, compared to 20% of whites and Hispanics. Additionally, Asian Americans had an average of four months in reserve, the highest among all races.

Carroll, Rhee and Rhee (1999) found no evidence of cultural effect on savings behavior. They argued that the immigrants' savings patterns did not necessarily represent savings patterns in their countries of origin. This statement indicated that acculturation may have been the reason why immigrants and people in their countries of origin may display different savings behavior. Another example of research that did not find a significant difference in financial behaviors is Perry and Morris (2005). Compared with whites, Asian Americans were not found to behave significantly differently in terms of controlling expenditures, paying bills on time, planning for financial future, saving, and providing for themselves and their family.

Income and Expenditure

Lots of research results showed that Asian Americans, compared to average Americans, have higher earnings. Wells Fargo conducted a national survey of financial attitude and behaviors in 2013 and found that over one third of Chinese-Americans (37%) reported a \$100,000 annual earning, compared to only 23% of all adults in the U.S. (Wells Fargo, 2013). Oh and Min (2011) employed the U.S. Census data to compare the earning patterns among Chinese, Filipino, and Korean American male workers in New York. Compared to those who were born in the U.S., the earnings of Chinese and Filipino American male workers (foreign-born but came to the U.S. before the age of 13) were statistically significantly higher. However, no significant difference was found between the foreign-born and native-born Korean Americans. In addition, bilingual ability had a positive effect on the earnings for Chinese Americans but did not give Koreans and Filipinos significant advantage in earnings.

Some researchers argued that it was the education level and longer work hours that made a difference. Barringer, Takeuchi and Xenos (1990) found that most Asian Americans were

better educated than whites, blacks, and Hispanics. However, after controlling for other variables, only Japanese Americans' income came near to that of whites. Higher education of Asian Americans did not lead to income equity with whites. Portes and Zhou (1996) found that self-employment had a positive effect on the logged average earnings of respondents with Chinese or Korean backgrounds and a negative effect on the logged earnings of those with Japanese background and whites. They argued that Japanese immigrants and whites had higher average earnings than other groups. Interestingly, they also found that self-employment had a negative effect on the logged hourly earnings of all groups except for Korean immigrants. This indicated that the positive effect of average earnings of Chinese immigrants was merely the increased number of hours involved in their self-employment work.

Sharpe and Abdel-Ghany (2006) compared the determinants of income level of six Asian groups in the United States, whites and blacks. Results demonstrated that human capital investment and structural barriers explained the income differentials among these groups. Compared with otherwise similar whites, Chinese, Filipinos, Korean, and Vietnamese immigrant households had significantly lower household income; and Japanese households had significantly higher. All Asian American household groups had significantly higher household income than their black counterparts. The authors argued that higher education is the key to increase household income and fluency in English determines access to higher education.

Zhou and Kamo (1994) compared factors affecting the earnings for Chinese, Japanese, and Non-Hispanic white males in the United States in terms of assimilation, human capital and structural characteristics. Structural characteristics mainly referred to the industry, occupation, hours per week and whether living in large metropolitan cities. In general, Chinese-Americans and Japanese-Americans earned less than their white peers, controlling for education, residency

and place of born. English proficiency and education were found to be the most important determinants in earnings.

Researchers have also been interested in expenditure patterns of minority households. They agreed that even after controlling for other variables, Asian Americans displayed a different expenditure pattern. Compared with otherwise similar whites, Asian American households were found to spend more on education (Fan, 1997) and housing (Fontes & Fan, 2006); however, they spent less on fuel, utilities, household equipment, alcohol, and tobacco products (Fan, 1997). Fan and Koonce-Lewis (1999) compared budget allocation patterns of African Americans to that of Asian Americans, Caucasian Americans, and Hispanic Americans. Compared to African Americans, Asian Americans spent more on food away from home, entertainment, shelter, transportation, and health care and less on apparel, fuel, and utilities.

Plassmann and Norton (2004) analyzed expenditure allocation between children and adults and compared the differences among four ethnical groups: Whites, Hispanics, Asians and Blacks. Expenditures between child and adult for Asian families was found to be nearly the same, while Hispanic children only spent one-fifth of the adult expenses in the family. Compared to other races, Asians had the highest household income and accounted for the largest percentage of college educated households. The authors indicated that this could lead to Asian households' highest child-adult expenditure allocation ratio. Dyer, Burnsed and Dyer (2006) compared the expenditure differences on durable and nondurable home furnishings expenditures among African American, Asian/Pacific Islander, Caucasian, Hispanic, and Native American. Asian/Pacific Islanders were found to have the second lowest mean expenditure on both durable and non-durable home furnishings. In addition, they spent most on kitchenware and kitchen furniture, which may indicate preference for family intimacy in Asian culture (Fan, 1997).

Debt Management

Debt status and management of Asian Americans were not substantially investigated by researchers. According to Wells Fargo's national survey of financial attitude and behaviors, Chinese-Americans were more likely to avoid credit card debt and over half of the respondents reported to pay off their credit card balance every month compared to 40% of all Americans (Wells Fargo, 2013). Baum and O'Malley (2003) examined the impact of debt burdens on student loan borrowers in repayment who had at least one federal student loan in 2002. Although Asian American students were not found to have significantly higher or lower undergraduate debt or total debt than white students, they did feel less burdened with their educational debt. Compared with students from other races, Asian American students were the least likely to state a willingness to opt for lower payments even if it means that they would have to pay more in the long run. Whether Asian American students have better debt management skills than students with other racial/ethnicity backgrounds, as may be indicated by the above results, cannot be concluded because it was also found in the research that Asian American students had the highest current earnings among all students.

Chinese Americans reported good or excellent health, owned financial assets, and were less likely to have debts than general Americans (Yao et al., 2011). Chinese Americans with non-financial assets were more likely to be debtors. Age and possibility of debt ownership showed a non-linear relationship. Debt first increased with age and then decreased. Households with higher income were found to be more likely to be debtors. The authors attributed this to the unique cultural factors among Chinese Americans. Chinese were not accustomed to the concept of using debts until recently. Kim (2004) examined the racial differences in the effect of financial aid on students' college choice. Asian American students were found to be strongly influenced by

having loans or a combination of grants with loans when they decided to attend their first choice of colleges. The author further indicated that the Asian-Americans' high value of education contributed to the results of them attending first-choice institutions even they had to use loans.

Lyons (2004) summarized data of college students at the University of Illinois who were financially at risk. White students and Asian students did not show a difference in their likelihood to have a credit card debt of \$1,000 or more, to not pay their credit card balance in full, or to make late payments. Analyses were also done with only those who had at least one credit card. Results were the same except for that Asian and Hispanic students were more likely to not pay their credit card balance in full than otherwise similar white students. Research needs to be done to explore the reasons why Asian American students were less likely than white students to pay credit card balance in full, whether it is due to a lack of knowledge on debt management, over spending, or other reasons. Regardless of the reasons, more education needs to be designed to target the debt management skills of Asian American students since not paying credit card in full is generally not considered a good practice.

Housing Issues

According to Asian Real Estate Association of America (AREAA) (2007), after analyzing data from the U.S. Census Bureau, the homeownership rate for Asian Americans was 53% in 2000, lower than that of the total population (65%). By 2005, Asian American homeownership increased considerably to 59%, still 6 percentage points lower than that of the total population (67%). It was also found that in 18 metropolitan areas, 25% or more of Asian American households were linguistically isolated, which may be one of the reasons why these households were less likely than the total population to own a home. Language barriers can be

one of the factors that affect household ability to understand the mortgage loan terms as well as the housing market as a whole.

The homeownership rate of Asian Americans was 60.1% in 2006, slightly increased to 60.3% in 2007, fell to 59.0% in 2008 and remained at the same percentage in 2009, lower than that of the total population (66%). Due to the 2007-2009 recession, the property value of Asian Americans reduced as high as \$35,200 (AREAA, 2011). The Bangladeshi, Hmong, Korean, Thai, Pakistani, and Filipinos suffered the most from the loss of property value and their homeownership rates dropped in 2009 compared to 2008. The increase of the cost of housing contributed to the difficulty for the Asian Americans' homeownership rate to catch up with the average national homeownership rate.

Researchers have attributed the racial differences in mortgage lending to the cultural affinity (Calomiris, Kahn and Longhofer, 1994; Hunter & Walker, 1996). If this affinity affected mortgage lending, white loan officers would be more lenient toward white applicants and minority applicants would benefit from their affinity with minority loan officers. On the contrary, Black, Collins and Cyree (1997) found evidence that black-owned banks rejected a higher proportion of black mortgage loan applicants than white-owned banks.

Whether minority bank workforce was more likely to approve minority borrowers for mortgage loans was examined by Kim and Squires (1998). The analyses were done in five major metropolitan areas: Atlanta, Boston, Denver, Milwaukee, and San Francisco. Findings illustrated that in the financial institutions, Asians and blacks were hired to work at lower levels than if they worked elsewhere. When controlled for everything else listed above, mortgage loan applications filed by Asians were the most likely to be approved in all cities except Atlanta, which was

represented by a large black population. The controlled results confirmed the cultural affinity hypothesis that the racial composition of the workforce at the administrative and professional levels did have a significant effect on the probability of the mortgage application being approved. However, the employment of Asian workers did not have a significant impact on the likelihood of mortgage loan applications filed by Asians to be approved.

Researchers agreed that renters bear a greater housing cost burden than homeowners, especially for lower-income households (Apgar, Dispasquale, Cummings and McArdle, 1990; Schwenk, 1991). Inconsistent with this result, McConnell and Akresh (2010) found housing cost burden for new immigrant homeowners to be higher than renters. They also found that Asian Americans bore higher housing cost burdens than Western European Americans due to the effects of arrival recency, household size, tenure status and location in the U.S. Chi and Laquatra (1998) analyzed factors affected the housing cost burden. Their results showed that Asian American households were more likely than non-Hispanic white households to have a higher risk of excessive housing costs, even after controlling for housing tenure. The authors argued that this result might be due to the possibility that Asian American households tend to view their home as an investment. Coulson (1999), Painter, Gabriel and Myers (2001), and Krivo and Kaufman (2004) compared home ownership rates between Asian Americans and other ethnic groups. Their findings consistently showed that Asian Americans were less likely than their white counterparts to own a home. These studies, however, did not differentiate among Asian American groups.

Some studies differentiated among Asian American groups. Borjas (2002) analyzed the national origin differentials in homeownership rates. After controlling for socioeconomic characteristics and metropolitan area-fixed effects, immigrants from China, India, Korea, and Philippines were found to be less likely to own a home than natives. Painter, Yang and Yu (2003)

examined the differences in home ownership rates among Asian American groups: Chinese, Filipino, Japanese, Korean, Asian Indian and Other Asian. Contrary to the findings by Borjas (2002), these authors found that most Asian American groups were as likely as otherwise similar whites to own a home. Particularly, Chinese American households were significantly more likely to own a home than other groups. Yu (2006) examined the homeownership of Taiwanese immigrants in Los Angeles. Taiwanese Americans' homeownership rate increased from 1980 to 1990 and was higher compared to other Chinese Americans and non-Hispanic white households. The author also investigated factors affecting this growing homeownership rate. Results showed that education and wealth were positively related to the homeownership while English proficiency negatively affected the homeownership. In addition, the endowment provided part of the explanation of the increasing trend of the homeownership. The major contribution of the increase of homeownership in 1990s came from the younger Taiwanese Americans with lower income but higher household wealth levels. Similarly, Painter, et al. (2004) studied the homeownership determinants for Chinese Americans in Los Angeles Consolidated Metropolitan Statistical Area. Chinese Americans ownership was higher than that of whites and significant differences existed among Chinese American subgroups. Taiwanese had the highest rates followed by households from Mainland China and Vietnam. The study also found that English proficiency did not explain the Chinese Americans homeownership, which was consistent with Yu (2006)'s findings.

Self-employment

“Asian-owned businesses continued to be one of the strongest segments of our nation's economy, bringing in more than half a trillion dollars in sales in 2007 and employing more than 2.8 million people,” stated by Thomas Mesenbourg, U.S. Census Bureau Deputy Director (U.S.

Census Bureau, 2011). According to the U.S. Census Bureau (2007), the rate of Asian-owned nonfarm businesses was 5.7% among all nonfarm businesses in the U.S., an increase of 40.4 % from 2002. This growth rate was more than twice the national growth rate. Asian Indians earned the most (30%) among all Asian sub groups while Chinese Americans owned the most businesses (27.3%). Different Asian-American subgroups served in various industries. Over half of the revenue for Chinese Americans came from the wholesale trade and accommodation and food services. Similarly, Japanese Americans earned more from the wholesale trade (29.2%) and Korean Americans earned over half of their revenue from the wholesale and retail trade (53.6%). In contrast, health care and social assistance accounted for over one third (33.4%) of Filipino-owned business revenue. The probability of self-employment was different among Asian subgroups (U.S. Census Bureau, 2011; U.S. Census Bureau, 2007). Koreans were found to be the most likely to own businesses among all Asian subgroup.

Bates and Dunham (1993) analyzed the determinants of business entry, especially the effect of racial differences. The authors found that education and wealth levels played a positive role in business formation. In addition, Asians showed no significant differences in business entry rates compared with other racial groups. Boyd (1990) studied factors affecting self-employment and the differences between Asian and black workers in large U.S. metropolitan areas. The authors found that U.S.-born Asian-Americans, married with children and with good speaking English skills were more likely to be self-employed. Koreans were most likely to run their own businesses, followed by Japanese and Chinese. In contrast, family structure had no effect on the possibility of blacks being self-employed. Education positively affected blacks' self-employment. Another interesting finding was that the growth of Asian population had no effect

on the probability of blacks' self-employment, indicating that Asian-Americans did not impede the development of blacks' business ownership.

Fernandez and Kim (1998) compared the differences in self-employment rates and patterns among four Asian-Americans groups: Korean, Chinese, Asian Indians, and Vietnamese. Consistent with previous research, the authors found that Korean Immigrants were the most likely to be self-employed among these four groups. Chinese, Asian Indians and Vietnamese immigrants without a college degree were more likely to engage in self-employment businesses due to the exclusion of the mainstream occupation. Additionally, English proficiency was found to have a positive effect on the probability of Chinese and Vietnamese immigrants to own their own businesses, while it negatively affected the Korean immigrants to be self-employed. Previous research also showed that married couples were more likely to have their own businesses (Boyd 1990). Bates (1999) studied the behaviors of the two highest-earning Asian immigrants' business owners: Asian Indian and Filipinos. Asian Indian and Filipinos immigrants were found to be more likely to leave low-profit and traditional fields when the barriers to exit in the market was small.

Conclusions and Future Research Directions

This chapter serves the purpose of providing a preliminary summary of the research done on Asian American consumer finances. The population of Asian Americans is growing. The phrase "Asian Americans" is an umbrella term for this greatly diversified group. Asian Americans are from many Asian countries such as China, Japan, Korea, Philippines, Vietnam, Cambodia, Thailand, Laos, India, and Pakistan. Although previously believed to share similar cultures in "Confucian Dynamism" (Hofstede & Bond, 1988), each of these Asian American

groups is unique in language, life style, and cultural values and beliefs (Kim, et al., 2001). Also varying widely among Asian American ethnic groups are their socioeconomic levels, including poverty rate (PewResearch, 2013), family income, education and occupation (Reeves & Bennett, 2004).

Researchers have made an effort to establish theories to describe the relationship between culture and household financial behavior. Weber and Hsee (1998) proposed the “Cushion Hypothesis,” stating that people living in a collective society where interdependence was valued highly showed a higher level of risk tolerance. As a result, they were willing to take more investment risks than others. This was confirmed by findings in Weber, Hsee and Sokolowska (1998), and Hsee and Weber (1999). Because Asian Americans are very different from other races and among themselves, theories that explain their financial behavior and wellbeing are needed.

Past literature has recognized the existing differences in financial wellbeing of households with various racial/ethnic backgrounds. However, without in-depth understanding of the reasons behind the visible race/ethnicity, readers could be directed to believe that race/ethnicity is a factor that affects household financial wellbeing. This is, to some extent, misleading. The differences in consumer finance that are claimed by some researchers to be race/ethnicity-related may be due to factors that are hidden behind race/ethnicity. It is erroneous to claim that a household is likely to be wealthier or poorer because it belongs to a certain race/ethnicity group. Cultures and beliefs that are associated with race/ethnicity are more likely to affect an individual’s financial behavior, which have a direct impact on his/her economic wellbeing.

Immigration status, although difficult to determine using survey instruments, may also affect household financial attitude and behavior. Imagine a young person with a temporary work visa who is not sure whether he will be able to stay in the U.S. is included in a research survey. Due to the uncertainty of the future and the possible short investment horizon, this person is very likely to show a risk tolerance attitude and behavior that are far more conservative than he would have preferred if he knew he would stay in the U.S. for a much longer time. Unlike first-generation immigrants who were born and raised in another culture, later-generation immigrants may be more acquainted with American values and beliefs. Therefore, households led by these people may have different money attitudes and behavior that directly affect their economic wellbeing. The degree of affinity to a certain culture, rather than race/ethnicity itself, influences money attitudes and beliefs of young immigrants (Masuo et al., 2004). Kwon et al. (2004) provided evidence to this claim by stating that the degree of acculturation affected Asian immigrant household economic wellbeing.

Some researchers believe that Asian Americans, with their above-average socioeconomic success, are a model minority (e.g., Peterson, 1971). Wong, Lai, Nagasawa and Lin (1998) concluded that “Asian Americans perceived themselves as more prepared, motivated and more likely to have greater career success than whites” (p. 95). This perception was affirmed by their Whites, Hispanics, Blacks and Native Americans peers. However, other researchers argue that this group does face economic discrimination (e.g., Wong, 1982). Sakamoto, Goyette and Kim (2009) pointed out that the “high socioeconomic achievement among Asian Americans is misleading or highly exaggerated because racial and ethnic discrimination persists and many Asian Americans continue to be poor or disadvantaged” (p. 260). The Asian American population, currently inadequately studied, is growing faster than the overall population

(Bernstein, 2004). The nation cannot afford to ignore the great purchasing power and enormous needs in financial services that Asian Americans represent and must address the diverse needs of Asian Americans. The future of cultural-sensitive services will depend not only on the knowledge of this culturally diversified group but also on the direction of research studies in the field of consumer finances. Past research did not show success in finding the real factors that directly affect the wellbeing among racial/ethnic groups; and this is what future research should focus more on to better serve minority communities and help improve their economic wellbeing.

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