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Financial Well-being: Psychological Factors that Affect African Americans' Financial Well-being

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Most families strive toward financial security and well-being, which would allow them to weather financial shocks and accomplish their long-term goals. However, African Americans have not experienced the same level of financial well-being as others, and this study explored psychological factors that may affect their financial well-being. Data from the 2016 National Financial Well-Being survey (NFWBS), including the CFPB (Consumer Financial Protection Bureau) Financial Well-Being scale, was utilized in this study. Researchers found that the following factors had a significant positive relationship with the financial well-being of African Americans; grasp of financial skills (confidence), mistreatment with financial services (trust), and health status. Whereas materialism and planning had no significant association with African Americans' financial well-being.

Keywords: financial well-being; psychological; African Americans; personal finance

Financial well-being is a state in which an individual can fully meet current and ongoing financial obligations, feel secure in their financial future, and make choices that allow them to enjoy life (Consumer Financial Protection Bureau [CFPB], 2015). African Americans do not have as much wealth as the overall population (Machintosh et al., 2020), preventing them from having a financial safety net in the short term and from achieving their long-term goals and thus undermining their financial well-being (Noel et al., 2019). This study used the CFPB (2015) Financial Well-Being Scale, which measures financial well-being by assessing participants' financial situation and capabilities, to identify factors associated with African Americans' financial well-being and the disparities compared to other racial groups.

Numerous studies have investigated the large and widening wealth gap between African Americans and White Americans, known as the Black–White wealth gap (Noel et al., 2019; Shapiro et al., 2013). Researchers often point to income, employment status, homeownership, and racial discrimination as contributing factors to this gap (Noel et al., 2019; Shapiro et al., 2013), while others implicate financial knowledge, savings, investing, and other money management skills (Hudson et al., 2018; Lusardi et al., 2017). However, there may be other, non-financial factors, such as health or psychological issues, preventing African Americans from experiencing financial well-being as much as other racial groups.

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As mentioned, the effects of systemic and institutional racial discrimination are responsible for the widening Black–White wealth gap (Mineo, 2021; Noel, 2019). Over time, African Americans' efforts to accumulate wealth have been thwarted (Machintosh et al., 2020); for example, the Freedman's Savings Bank, established in 1865, was set up for formerly enslaved people after the civil war. Due to congressional mismanagement and lack of oversight, the bank failed in 1874, and many African Americans lost their savings (Machintosh et al., 2020). Another example was in 1921, when a thriving African American community in Tulsa's Greenwood District, described as the "Black Wall Street," was destroyed by violence (Machintosh et al., 2020). Discriminatory policies, such as "redlining" in the 1960s, in which lenders refused to invest in African American communities by denying them mortgages, further thwarted attempts to accumulate wealth (Machintosh et al., 2020). In fact, African Americans are still trying to catch up to other racial groups, in terms of wealth, and have not been able to pass on wealth to their children and grandchildren (Pfiffer & Killewald, 2015). Such racial discrimination is inflicted on African Americans and is primarily out of their control; however, they may have more control over the psychological variables explored in this study, which are described further in the literature review (Mineo, 2021; Noel et al., 2019).

Wealth and Financial Well-being

There is a clear connection between wealth and financial well-being, and individuals with higher levels of wealth, particularly enough to cover short-term financial crises and accomplish long-term goals, tend to have greater financial well-being (Maddux, 2021). Individuals with enough money to cover their bills and to still retain funds for other activities, such as traveling, to pay to send their children to college, and to afford to retire, experience greater financial well-being than those who live paycheck to paycheck (Maddux, 2021). Money may not equate to happiness but having an adequate amount of wealth is frequently far better than not having enough when needed (Maddux, 2021).

Wealth can often equate to security against financial storms, and security can then lead to improved financial well-being; conversely, insufficient wealth can lead to stress, which can manifest as health issues (Shapiro et al., 2013). Individuals with poor health typically do not feel a sense of financial well-being, and people constantly worrying about paying bills or the costs of daily necessities, including food and housing, are often under enormous stress (Shapiro et al., 2013). Stress often leads to anxiety, manifesting in the body as heart issues and high blood pressure (Shapiro et al., 2013; Sinclair & Cheung, 2016).

This study investigates why African Americans experience lower financial well-being than other racial groups, examining psychological factors, grasp of financial skills (confidence), mistreatment by financial services (trust), planning, materialism, and health. The study is unique in that it examines middle-income African Americans, who have achieved more success in terms of education and income than other segments of the African American population (Lewis & Hendricks, 2017). Furthermore, the study's findings may be significant for policymakers in the United States, as the country would benefit if all segments of the population were financially secure (Noel et al., 2019).

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LITERATURE REVIEW

Psychological Factors

Psychological factors have been shown to influence individuals' financial behaviors and skills (Allgood & Walstad, 2012; Hudson et al., 2017). Confidence in one's financial ability has been associated with positive financial outcomes, including greater wealth and higher income (Bannier & Neubert, 2016). This study examines the impact of individuals' grasp of financial services (confidence), mistreatment by financial services (trust), planning, materialism, and health on financial well-being.

Bannier and Neubert (2016) examined the role of actual and perceived financial sophistication (i.e., financial literacy and confidence) on individual wealth accumulation using data from the German SAVE initiative and found that financial knowledge has a significant positive relationship with wealth accumulation and is more vital for women than men. Bannier and Neubert (2016) also found that confidence only supports the wealth of highly educated men, and that financial literacy tends to rise with informal education, whereas confidence increases with education for men but decreases for women (Bannier & Neubert, 2016). The participants in this German SAVE initiative were primarily of German descent and the main comparison was based on gender. The findings might have been different if the study examined racial differences. Similarly, Bannier and Schwarz (2018) examined the influence of actual and perceived financial knowledge (i.e., financial literacy and confidence) on financial wealth. Researchers found that greater financial literacy is associated with higher wealth, with high education strengthening this effect for women but not men, and that confidence increases men's wealth while having hardly any effect for women (Bannier & Schwarz, 2018).

Fereidouni and Tajaddini (2015) examined the role of consumer confidence in the relationship between two types of wealth, housing wealth and financial wealth. They used US poverty data from 1987 to 2012 and found that consumer confidence has a significant positive relationship with the association between housing wealth and consumption expenditure. Stromback et al. (2017) examined the relationship between self-control and financial behaviors as well as self-control and financial well-being in a sample of 2,067 people and found that individuals with good self-control saved more, had less financial stress, had better financial behaviors, and were more likely to experience a sense of financial well-being than those with poor self-control. Another study, conducted with a sample of 271 individuals in Iceland, examined materialism and financial well-being and found that those who have or endorse materialistic values are more likely to have greater financial worries and worse money management skills and engage in compulsive buying, thus worsening financial well-being. Debt, including mortgages, was also found to be tied to materialism (Garoarsdottir & Dittmar, 2012).

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Health Status

By limiting access to educational and employment opportunities, segregation is a powerful mechanism for creating and reinforcing racial inequality (Massey & Denton, 1993). It is recognized that there are significant racial differences in socioeconomic status (SES), and health researchers routinely adjust for SES when examining race–health relationships. However, SES is not merely a confound of racial differences in health, it is part of the causal pathway by which race affects health (Williams, 1999).

Residential segregation is the single most important policy of segregation that continues to have pervasive adverse effects on African Americans' socioeconomic circumstances and health. Gaskin et al. (2012) found that residential segregation has an adverse effect on African Americans' access to primary care providers and an adverse effect on their health. Moreover, residential segregation usually leads African Americans to suboptimal housing which places them at a higher risk of diseases and illnesses such as cancer (Landrine et al., 2016). White American beliefs about African American inferiority and an explicit desire to avoid social contact led to the development of such policies in the early and mid-20th century, which ensured the physical separation of African Americans from White Americans in residential areas (Cell, 1982), accomplished through the cooperative efforts of major societal institutions (Jaynes & Williams, 1987).

Another mechanism by which discrimination can affect health status is access to medical care. Racism affects how underrepresented groups are treated in the health care system, and a large body of evidence indicates that, even after adjusting for SES, health insurance, and clinical status, White Americans are more likely than African Americans to receive a broad range of medical procedures (Taylor, 2019; Council on Ethical & Judicial Affairs, 1990). Some research also suggests that the subjective experience of discrimination may be a critical type of stress that adversely affects health (Williams et al., 1999). Studies in laboratory settings have shown that exposure to stress can lead to cardiovascular and psychological reactivity among African Americans and a broad range of other groups, while population-based epidemiological studies have shown that experiences of discrimination are adversely related to both physical and mental health (Williams et al., 1999).

CONCEPTUAL FRAMEWORK AND THEORY

Family financial socialization theory is used in this study because it acknowledges the role of psychological variables in financial behaviors and financial well-being. In this theory, financial attitudes (a psychological variable), knowledge, and capabilities have a direct impact on financial behavior and financial well-being (Gudmunson & Danes, 2011). The theory begins with personal and family characteristics, some of which could be psychological, which impact family interactions and relationships and purposive financial socialization. Family interactions and relationships, as well as purposive financial socialization influence one's financial attitudes, knowledge, and capabilities, which in turn influence financial behaviors and well-being (Gudmunson & Danes, 2011). Based on family financial socialization theory, the following hypotheses are proposed:

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H_1: African Americans are less likely to have high financial well-being than White Americans.
H_2: African Americans who have high grasp of financial skills are more likely to have high financial well-being than African Americans who have only a medium grasp of financial skills.
H_3: African Americans who have often or sometimes experienced mistreatment by financial services are more likely to have low financial well-being than those who have not.
H_4: African Americans who are materialistic are more likely to have low financial well-being than African Americans who are not.
H_5: African Americans who are short-term planners are more likely to have low financial well-being than African Americans who are long-term planners.
H_6: African Americans who report that their health is fair or good are more likely to have low financial well-being that African Americans who report having excellent health.

METHOD

Data and Sample Selection

The data for this study was taken from the 2016 National Financial Well-Being Survey (NFWBS), administered, and published by the CFPB, which was designed to measure the level and distribution of financial well-being among the US adult population and to provide information on household characteristics, income and employment characteristics, financial experiences, and financial behaviors, skills, and attitudes. According to the 2019 US census, the median annual income for African American households was $45,438 (Semega et al., 2020); this study removes the low-income biases by including African American households with incomes of $40,000 or more, representing 68% of the sample set. The study sample thus comprised 4,329 respondents, 3,070 (70.9%) of whom identified as White Americans, 407 (9.4%) as African Americans, and 852 (19.7%) as Hispanic and Other Non-Hispanic Americans. Both descriptive and multivariate statistics were weighted according to the NFWBS to be representative of the United States population. Table 1 shows summary statistics for the dataset.

The NFWBS dataset used the term “Black” in its survey, and they primarily sampled “African Americans” in this group (Consumer Financial Protection Bureau [CFPB], 2017). For this reason, researchers of this study used the term “African American” when referring to this group. Per the APA Bias-Free Language guidelines, if the term “African American” is used, you should use the parallel term “European American” when referring to White Americans. However, “European American” does not accurately depict the White American population within the NFWBS dataset. Therefore, the researchers of this study used the term “White American” when referring to this group. This is in line with the NFWBS dataset which used the term “White” in its survey.

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Measurement of Variables

Dependent Variables

A CFPB Financial Well-Being Scale score is a standardized number between 0 and 100 that represents the respondent's underlying level of financial well-being. A higher score indicates a higher level of measured financial well-being, but no specific cut-off exists for a "good" or "bad" score. For this study, respondents were classified into three categories according to their financial well-being, low (0.0–49.9), average (50.0–60.9), and high (61.0–100.0), using a visual binning technique, which was used to identify appropriate cut-off points to create three approximately equal groups (CFPB, 2015). Financial well-being is thus treated as a multinomial ordinal dependent variable (1 = low, 2 = average, 3 = high) (Lobos et al., 2016; Nilsen, 2015).

Independent Variables

Three demographic characteristics were included as control variables in the analysis. Age group and education level were coded as categorical variables, the age groups were "34 and younger," "35 to 54," "55 to 69," and "over 70," and the education levels were "some college or less," "college degree," and "postgraduate degree." The "over 70" age category was the reference group for age, while "postgraduate degree" was the reference group for education. The third demographic characteristic, marital status, was binary (married = 1, unmarried = 0).

The psychological variables were defined to reflect the conceptual framework. The grasp of financial skills (confidence) variable was created from the CFPB Financial Skill Scale, which is an unpublished Item Response Theory-based scale ranging from 1 to 5, which was developed during a prior phase of the CFPB's financial well-being research project. In the dataset, the final financial skill score was based on survey question items; respondents were coded as "low" if their score was 2 or less, "medium" if their score was 3, or "high" if their score was 4 or 5.

Mistreatment by financial services (subjectively assessed trust) was based on a question responded to as 1 = never, 2 = sometimes, or 3 = often. The financial planning time horizon was based on a single question with responses on a scale from 1 = next few months to 5 = 10 or more years. Respondents were coded 1 (long-term) if they indicated "5 years or greater" and 0 (short-term) otherwise. Self-reported materialistic attitudes were based on three questions with responses ranging from 1 = strongly disagree to 5 = strongly agree; responses were coded and grouped as 1 (disagree) for a score of 1 or 2, 3 (neutral) for a score of 3, and 2 (agree) for a score of 4 or 5. Health status (subjectively assessed) was based on a single question, "In general, would you say your health is . . .", with responses on a scale from 1 = poor to 5 = excellent. Responses were coded "fair" for a score of 1 or 2, "good" for a score of 3, and "excellent" for a score of 4 or 5.

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Model Specifications

A multinomial logistic model, also called a multinomial logistic regression, is suitable for the analysis of financial well-being across racial groups. The response variable has three categorical outcomes with an ordered structure, low financial well-being, middle financial well-being, and high financial well-being, and the multinomial logistic model considers the probability of a particular event given certain psychological and socioeconomic factors (McFadden, 1974). The financial well-being levels are assumed to be a function of financial factors, psychological factors (i.e., grasp of financial skills [confidence], mistreatment by financial services [trust], financial planning time horizon, materialism, and health status), and socioeconomic factors (i.e., age group, marital status, and education level). The model derives the probability that an individual with specific characteristics will be in the low, middle, or high financial well-being groups.

$$Financial\ well\text{–}being\ =\ f\ (financial\ , psychological\ , socioeconomic\ ) \quad (1)$$

$$Logit(\rho) = \log\left(\frac{\rho(High\ Well\ Being)}{\rho(\ Middle\ Well\ Being)}\right) = \beta_0 + \beta_1\chi_1 + \beta_2\chi_2 + \cdots + \beta_\kappa\chi_\kappa \quad (2)$$

$$Logit(\rho) = \log\left(\frac{\rho(Low\ Well\ Being)}{\rho(Middle\ Well\ Being)}\right) = \beta_0 + \beta_1\chi_1 + \beta_2\chi_2 + \cdots + \beta_\kappa\chi_\kappa \quad (3)$$

Where β is a vector of coefficients to be determined and χ is a vector of African Americans' financial and psychological factors and socioeconomic characteristics.

RESULTS

Table 1 shows the descriptive statistics for the survey sample. The sample comprised 70.9% White Americans, 9.4% African Americans, and 19.7% Hispanic and Other Non-Hispanic Americans. Income levels between $100,000 to $149,000 were the highest represented group, with about 25% of the White Americans in the sample, 20% of the African Americans, and 21% of the Hispanic and Other Non-Hispanic Americans. White Americans were most commonly in the top half of the income scale (67.1%), while Hispanic and Other Non-Hispanic Americans were less likely to be among the top earners (62.8%) and African Americans the least (57.4%). White Americans were least likely to be of average financial well-being (33.6%), while African Americans were more likely (34.9%) and Hispanic and Other Non-Hispanic Americans most likely (39.0%). In the sample, women were more common in the White American (51.0%) and African American (59.7%) groups, but not the Hispanic and Other Non-Hispanic American (48.0%) group.

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Table 1.

Descriptive statistics of the weighted sample.

	Overall sample (n = 4,329)					
Variables	**White Americans (n = 3,070)**		**African Americans (n = 407)**		**Hispanic and Other Non-Hispanic Americans (n = 852)**	
	Observations	**%**	**Observations**	**%**	**Observations**	**%**
Financial well-being						
Low	753	24.5	123	30.2	277	32.2
Average	1030	33.6	142	34.9	336	39.0
High	1287	41.9	142	34.9	249	28.8
Household Income						
$40,000 to $49,999	268	8.7	55	13.5	107	12.4
$50,000 to $59,999	318	10.4	67	16.5	96	11.1
$60,000 to $74,999	425	13.8	51	12.6	118	13.7
$75,000 to $99,999	591	19.2	80	19.7	179	20.8
$100,000 to $149,999	755	24.6	79	19.5	183	21.2
$150,000 or more	713	23.3	75	18.2	179	20.8
Gender						
Men	1505	49.0	164	40.3	448	52.0
Women	1565	51.0	243	59.7	414	48.0
Age group						
34 and younger	862	28.1	133	32.7	382	44.3
35 to 54	1071	34.8	161	39.5	310	36.0
55 to 69	767	25.0	83	20.4	134	15.5
70 and older	370	12.1	30	7.4	36	4.2
Marital status						
Unmarried	838	27.3	172	42.3	323	37.5
Married	2232	72.7	235	57.7	539	62.5
Education level						
Some college or less	1772	57.7	230	56.5	541	62.8
College degree	799	26.0	107	26.3	215	24.9
Postgraduate degree	499	16.3	70	17.2	106	12.3
Employment status						
Self-employed	193	6.3	21	5.2	74	8.6
Full-time	1531	49.9	242	59.4	432	50.1
Retired	617	20.1	59	14.5	77	8.9
Other	729	23.7	85	20.9	279	32.4

The 35-54 age group was dominated by White Americans (34.8%) and African Americans (39.5%), with Hispanic and Other Non-Hispanic Americans (44.3%) dominating the 34 and younger and White Americans (37.1%) likely to be 55 or over than the other two groups. More than half of the respondents were married: 72.7% of White Americans, 57.7% of African Americans, and 62.5% of Hispanic and Other Non-Hispanic Americans. Regarding education levels, "some college or less" was the most common for all groups, but African Americans were more educated than the overall sample. African Americans (59%) were slightly ahead for full-time employment compared to White Americans (50%) and Hispanic and Other Non-Hispanic Americans (50%).

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Table 2 presents the multinomial logistical estimates of the likelihood for each racial group of being within the low financial well-being group rather than the average or high financial well-being groups. Comparing respondents of average financial well-being to those of low financial well-being, no significant differences were found using White Americans as the reference group. Comparing high financial well-being with low financial well-being, both African Americans (47.6%, $p < .001$) and Hispanic and Other Non-Hispanic Americans (32.2%, $p < .01$) were less likely to have high financial well-being than White Americans. Race, therefore, is associated with financial well-being, specifically, reducing the likelihood of African Americans having high financial well-being relative to White Americans; hypothesis H_1 is thus supported.

Table 2

Multinomial logistical analysis of the likelihood of financial well-being levels among racial groups.

Financial well-being levels (n = 4,329)				
	Average		High	
	β	**Exp(β)**	**β**	**Exp(β)**
Intercept	.314		.536	
Racial group: reference category = White Americans				
African Americans	–.121	.886	–.647**	.524
Hispanic and Other Non-Hispanic Americans	–.167	.846	–.388*	.678

*Note: *p < .01, **p < .001. (1–Exp(β)) × 100 gives the percentage increase or decrease due to a one-unit change in the independent variable. The reference category for the model is the low financial well-being group.*

Table 3 presents the results of the multinomial logistic regression analysis. The first model compares the differences between respondents who scored at the low financial well-being level with those who scored at the middle financial well-being level. Socioeconomic variables were not significant for African Americans. Interestingly, self-reported materialistic behavior was not a significant factor at all, and hypothesis H_4 was thus not supported.

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Table 3.

Multinomial logistical analysis of the likelihood of financial well-being levels (financial psychological variables).

	Financial well-being levels (n = 4,329)											
Parameter estimates	**White Americans (n = 3,070)**				**African Americans (n = 407)**				**Hispanic and Other Non-Hispanic Americans (n = 862)**			
	Low		**High**		**Low**		**High**		**Low**		**High**	
	β	**Exp(β)**	**β**	**Exp(β)**	**β**	**Exp(β)**	**β**	**Exp(β)**	**β**	**Exp(β)**	**β**	**Exp(β)**
Intercept	-2.585		1.013		-1.693		.683		-2.432		1.220	
Age group: reference category = Over 70												
34 and younger	1.387***	4.001	-1.124***	.325	1.051	2.861	-.686	.504	1.591*	4.909	-1.635*	.195
35 to 54	1.156***	3.178	-1.312***	.269	.653	1.921	-.896	.408	1.439	4.217	-1.475**	.229
55 to 69	.691**	1.996	-.643***	.526	-.309	.734	-.871	.419	1.126	3.084	-.913*	.401
Marital Status: reference category = Unmarried												
Married	-.075	.928	.138	1.148	-.027	.973	.520	1.681	-.054	.947	.193	1.213
Education Level: reference category = Postgraduate degree												
Some college or less	.590**	1.805	-.368**	.692	.140	1.150	-.847*	.429	.318	1.375	.020	1.020
College degree	.306	1.358	-.031	.970	.094	1.099	-.927*	.396	.035	1.036	-.307	.736
Financial Skill Grasp (confidence): reference category = Medium												
Low	.915***	2.496	-.738**	.478	.683	1.981	.782	2.186	1.187***	3.279	.430	1.537
High	-.723***	.485	1.103***	3.013	-.563	.570	1.252***	3.497	-.622**	.537	1.076***	2.933
Mistreatment with financial services (trust): reference category = Never												
Often	.760*	2.138	-.224	.800	1.652	5.215	-.894	.409	.591	1.806	1.494**	4.454
Sometimes	.350**	1.419	-.397***	.672	.391	1.479	-.469	.626	.289	1.336	-.354	.702
Financial planning time horizon: reference category = Long-term												
Short-term	.664***	1.942	-.673***	.510	.420	1.522	.069	1.072	.142	1.152	-.562**	.570
Materialist: reference category = Neutral												
Disagree	-.108	.898	.280**	1.323	-.325	.723	-.034	.967	-.329	.719	-.127	.881
Agree	.275	1.316	.300*	1.350	.474	1.607	.039	1.039	-.039	.962	.053	1.055
Health Status: reference category = Excellent												
Fair	.897***	2.452	-.264	.768	.415	1.515	-.707	.493	1.363***	3.906	-.429	.651
Good	.380**	1.462	-.253*	.776	.815	2.258	-.150	.861	.699***	2.013	-.937***	.392

*Note: *p < .05, **p < .01, ***p < .001. (1–Exp(β)) × 100 gives the percentage increase or decrease due to a one-unit change in the independent variable. The reference category for the model is the middle financial well-being group.*

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Low Financial Well-Being Versus Middle Financial Well-Being

Grasp of financial skills (confidence) and financial planning time horizon were not significant factors for African Americans at the low financial well-being level. Whereas for Hispanic and other Non-Hispanic Americans, mistreatment by the financial services industry (trust) and financial planning time horizon was not significant. For White Americans, a low grasp of financial skills (149.6%, $p < .001$) increased the likelihood of low financial well-being while having a masterly grasp of financial skills (51.5%, $p < .001$) decreased the likelihood of low financial well-being relative to the medium group. Similarly, Hispanic and Other Non-Hispanic Americans with a low grasp of financial skills (227.9%, $p < .001$) had a higher likelihood of low financial well-being than the medium group and having a masterly grasp of financial skills (46.3%, $p < .01$) resulted in a lower likelihood. Hypothesis H_2 and H_3 were therefore supported.

White Americans with any level of mistreatment by the financial services industry (trust), whether often (113.8%, $p < .05$) or sometimes (41.9%, $p < .01$), were more likely to have low financial well-being, as were African Americans when often mistreated (421.5%, $p < .05$); hypothesis H_3 was therefore supported. For financial planning time horizon, only White Americans were more likely to have low financial well-being because of being short-term planners (94.2%, $p < .001$), so hypothesis H_5 was not supported.

All Americans were impacted by their health status, whereas for African Americans, fair health status was insignificant. However, respondents in good health rather than excellent health are more likely to have low financial well-being: with African Americans (125.8%, $p < .01$) being the most impacted, then Hispanic and Other Non-Hispanic Americans (101.3%, $p < .001$) and White Americans (46.2%, $p < .01$). Hypothesis H_6 was therefore supported.

High Financial Well-Being Versus Middle Financial Well-Being

The second multinomial logistic regression model estimates the likelihood that a respondent will be classified as having high financial well-being rather than middle (average) financial well-being. Except for African Americans, all age groups under 70 were significantly less likely to be classified as having high financial well-being when compared to those 70 or older, including White Americans under 70 ($p < .001$) and Hispanic and Other Non-Hispanic Americans 34 and younger (80.5%, $p < .001$). For education, African Americans with some college or less were 57.1% ($p < .05$) less likely to have high financial well-being than those with a postgraduate degree, and those with a college degree were 60.4% ($p < .05$) less likely. White Americans were 30.8% ($p < .01$) less likely to have high financial well-being with less than a college degree, but no significant relationship was found for Hispanic and Other. Non-Hispanic Americans.

Grasp of financial skills (confidence) was found to have a significant relationship with the likelihood of high financial well-being for African Americans. More specifically, having a masterly grasp of financial skills was associated with a significant increase in likelihood ($p < .001$) of having high financial well-being for all groups of Americans, with African Americans

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(249.7%) most impacted, followed by White Americans (201.3%) and Hispanic and Other Non-Hispanic Americans (193.3%). Hypothesis H2 was therefore supported. Mistreatment by the financial services system (trust) was not significant for African Americans with high financial well-being. However, White Americans (32.8%, $p < .001$) were less likely to have high financial well-being when sometimes mistreated than those who were never mistreated. Hispanic and Other Non-Hispanic Americans were not dissuaded when mistreated by the financial services industry and were 345.4% ($p < .01$) more likely to have high financial well-being than those who were never mistreated.

Short-term planners were less likely to have high financial well-being than long-term planners, with White American short-term planners (49%, $p < .001$) being the least likely to have high financial well-being, followed closely by Hispanic and Other Non-Hispanic Americans (43%, $p < .01$). Materialistic attitudes provided ambivalent results for White Americans, with those who neither agreed nor disagreed about 33% more likely to have high financial well-being, but a materialistic attitude was not significant for any other group. Hispanic and Other Non-Hispanic Americans (60.8%, $p < .001$) were most negatively impacted by not being in excellent health, while White Americans were 22.4% ($p < .05$) less likely to have high financial well-being for that reason.

DISCUSSION AND IMPLICATIONS

This study provides insight into the effect of psychological factors on African American financial well-being. Three of the five psychological variables (Financial Skills Grasp, Mistreatment by the financial services industry, and Health Status) had a significant positive relationship with financial well-being. However, only the Education level was significant of the three socioeconomic variables. These findings add to the body of knowledge regarding African American financial well-being.

African Americans educated at the postgraduate level and with a strong grasp of financial skills were more likely to experience high financial well-being, and those in excellent health who had avoided mistreatment by the financial services industry were less likely to experience low financial well-being. These findings are consistent with previous studies, which also found that those with higher levels of confidence (grasp of financial skills) are more likely to have higher levels of financial well-being (Bannier & Neubert, 2016; Bannier & Schwarz, 2018; Fereidouni & Tajaddini, 2017). Previous researchers have also found that those who report excellent health are more likely to have better financial well-being (Williams et al., 1999; Zajacova & Lawrence, 2018).

There are no previous studies that have specifically examined the effects of mistreatment by financial services on financial well-being, but many researchers have pointed to racial discrimination, often at the hands of the financial services industry, as an impediment to African American wealth (Machintosh et al., 2020; Shapiro et al., 2013). This study's finding of a significant positive relationship between mistreatment and low African American financial well-being is consistent with such studies.

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This study reinforces the connections between the constructs of family financial socialization theory because both acknowledge the role of psychological variables in financial behaviors and financial well-being. The theory makes a direct connection between financial attitudes, psychological variables, and financial well-being (Gudmunson & Danes, 2011). Likewise, it makes an indirect connection between personal and family characteristics, which could be psychological in nature, and financial well-being.

Financial service institutions, such as providers of investment products, insurance companies, and other credit and financing organizations, have long considered what could be done to help better prepare African Americans for retirement and generate more wealth. Federal policymakers want Americans to save for retirement wealth rather than depend on social security and may be interested in this study's financial skill grasp, mistreatment, and health status findings. Furthermore, financially skilled African Americans may be an untapped market for wealth management companies that have previously failed to attract African American clients. Similarly, financial practitioners and policymakers can use these findings in developing socially responsive financial education initiatives and personal finance literacy policies to help improve the financial skills of African Americans and thus close the wealth gap between African Americans and White Americans.

Limitations

Institutional and systemic racism have profoundly affected African Americans' economic advancement, and while some racist policies and procedures were noted in this study, their actual economic effect on African Americans was not measured or quantified. Such policies and procedures can also limit African Americans' access to healthcare, education, and employment, thus further limiting or impeding their financial well-being, and this has also not been measured or quantified. The unknown impact of these policies and procedures creates a limitation for this study.

Several variables were subjectively measured, such as asking the participants whether they were in excellent, good, or poor health and whether they were confident about their financial skills. An objective examination of the participants' financial skills and health might produce different results. Finally, the CFPB Financial Well-Being Scale is new and has limited psychometric and real-world data, which also presents a limitation.

CONCLUSION

Psychological factors were found to have a positive significant relationship with African Americans' financial well-being. Those with a masterly grasp of financial skills were more likely to have high financial well-being, and those who felt they were in excellent health were less likely to have low financial well-being than those who felt they were merely in good health. African Americans who experienced mistreatment by financial services were more likely to have low financial well-being, and although it is not a psychological effect, African Americans with postgraduate degrees were more likely to have high financial well-being than those with a college degree. Financial planning time horizon and materialism had no significant effect on African Americans' financial well-being; except for having a college

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degree, none of the other significant findings (financial skill grasp, mistreatment with financial services, and health status) differed from those for White Americans.

Despite the stated limitations, these findings add to the body of literature on African Americans' financial well-being. There remains a gap between the financial well-being and wealth of African Americans and that of White Americans. In short, this study has added to the literature that the relationship between possible psychological factors is not necessarily straightforward and can be associated with knowledge, income, education, financial literacy, and systemic discrimination.

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