

Morgan Stanley

INSTITUTE FOR INCLUSION

Morgan Stanley

WEALTH MANAGEMENT



Equity and Advancement:

Opportunities and Demand in
Wealth Planning for Black,
Hispanic, and Asian High Earners.

Table of Contents

- 1** Executive Summary
- 2** Overcoming Early Lack of Knowledge and Financial Hardship

- 3** High Earner Definition and Survey Methodology

- 5** Attaining Financial Success

- 6** The Importance of Educating the Next Generation

- 7** Looking for the Personal Touch to Alleviate Financial Anxiety

- 9** High Earners and Technology

- 10** Making Progress and Building Trust

- 12** Recognizing our Responsibility to Serve Diverse High Earners



**Financial Empowerment
Survey Whitepaper**
August 2023

Executive Summary

It is imperative that the financial industry serves the needs of an increasingly global and diverse client base. That includes examining and addressing historical inequities and demonstrating our commitment to diversity and inclusion (D&I) in our actions, products and services. At Morgan Stanley, we strive to demonstrate intentional actions to build trust, strengthen relationships with our communities and create sustainable impact.

Part of that ongoing work has been to examine how wealth disparities show up across race, ethnicity and gender. In late 2022, we conducted a survey of High Earning individuals as a whole, with a particular with a focus on Black, Hispanic, and Asian High Earners. The goal was to learn more about diverse High Earners financial journey from youth to adulthood, identify similarities and differences with High Earners overall, and understand how professional financial services can best address any unique needs. As a leader in wealth management, Morgan Stanley has a responsibility to the individuals we serve and the communities in which we live and work. By better understanding the experiences and needs of diverse communities, we can contribute to greater equity, help close the racial wealth gap, and drive better financial outcomes for everyone.

The majority of the diverse High Earners we surveyed experienced considerable financial hardship early on in their lives, including significant debt and living paycheck to paycheck. Respondents indicated a large part of this adversity stemmed from lack of early education on financial matters and limited access to effective money management tools and resources. High Earners overcame these early challenges and reached financial stability by teaching themselves the nuances of money management, embracing low-risk investment strategies, and turning to professional Financial Advisors for advice. High Earners are likely to own their homes, live in multi-income households, and own a business or hold a flexible or part-time secondary job.

Despite their success, however, many High Earners still feel anxious about their finances, driven by the turmoil of the pandemic and the rise of new economic and societal concerns, such as inflation. Although those who work with a Financial Advisor or wealth manager feel more positively about their finances, many High Earners reduced their use of such services—and investing overall—during the pandemic and have not resumed them. High



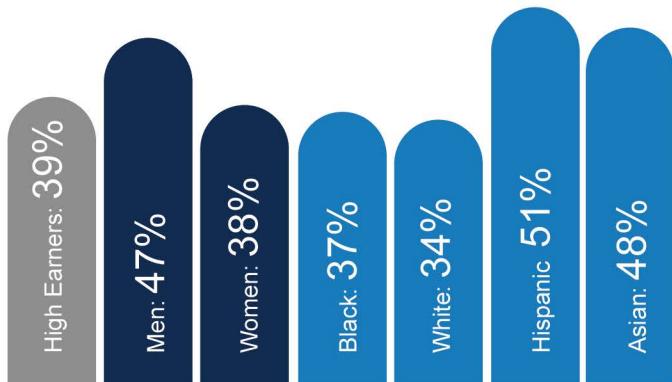
Earners strongly believe that financial education should begin during childhood, and they plan to teach their own children about financial literacy early on. Diverse High Earners also made it clear that diversity and inclusion (D&I) efforts by financial institutions are key to gaining their trust. They are wary of promises that don't lead to concrete actions and results.

Despite Some Groups Having Higher Financial Exposure at Home, Diverse High Earners Still Faced Early Financial Hardship

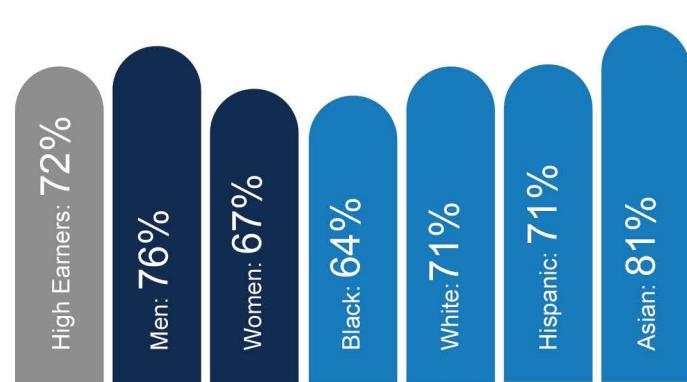
Most High Earners did not grow up being instructed on the details of household finances, with the least amount of conversation happening in the families of future White and Black High Earners. However, the majority were taught the importance of saving money, including a large majority of Asian High Earners in particular. Men were more likely to be taught about saving money and investing than women. Most High Earners entered the financial system relatively young, starting with opening credit cards and taking out loans when they were between 18-24 years old. Despite learning the importance of saving, many High Earners were marked by early struggles with debt and not fully understanding how finances work.



My family spoke openly about household finances growing up



I was taught the importance of saving money from a young age



The combination of lack of financial savvy and starting their financial journeys relatively early means that 81% of High Earners have faced financial hardship, including significant debt and living paycheck to paycheck. This was especially true of Black High Earners, 89% of whom said they faced financial struggles of some sort. Black High Earners, particularly Black men, also faced significantly more loan rejections, reflecting persistent systemic bias.



Financial Hardships Faced by High Earners in the Past:



Large amounts of debt



Black High Earners



White High Earners



Hispanic High Earners



Asian High Earners



Women High Earners



Men High Earners



Living paycheck to paycheck



Black High Earners



White High Earners



Hispanic High Earners



Asian High Earners



Women High Earners



Men High Earners



Getting rejected for a loan



Black High Earners
(58% For Black High Earning men)



White High Earners



Hispanic High Earners



Asian High Earners

“

Right away, I signed up for a credit card and I maxed it out. It took a long time to pay it off and I didn't really understand the nuances of credit and interest and paying things off on time. I think I probably got my financial life started on the wrong foot.”

Black Female

High Earners report that their recent experiences with financial institutions are generally positive. Here, again, though, there are important differences. In particular, Black High Earners, many of whom have personally faced bias in their dealings with the financial system, report more negative experiences and are most keenly aware of systemic inequities. Indeed, Black High Earners are five times more likely than High Earners in general to say they were denied a financial service because of their race or ethnicity, and are six times more likely to say they were treated differently.



High Earner Definition and Survey Methodology

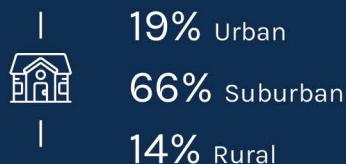
Morgan Stanley fielded an online survey of 1,000 high-earning American adults, nationally representative across age, gender, and region. The sample was also supplemented with oversamples of Black, Hispanic, and Asian High Earners (400 each) to ensure a statistically valid subset of each group. To qualify as a high-earner, respondents needed to have an annual household income of at least \$100,000. Additionally, respondents needed to use at least five major financial services or products. The research was conducted from September 13 – October 3, 2022. The margin of error for this study is $\pm 3.1\%$ for general High Earners, $\pm 4.7\%$ for Black High Earners, $\pm 4.4\%$ for Hispanic High Earners, $\pm 4.6\%$ for Asian High Earners.

Survey respondents:

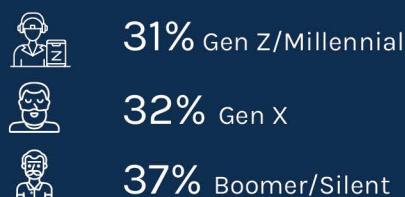
Gender



Living Area



Generation



Recent experiences with financial institutions among High Earners



65%

Positive

59% for Black High Earners



27%

Neutral

30% for Black High Earners

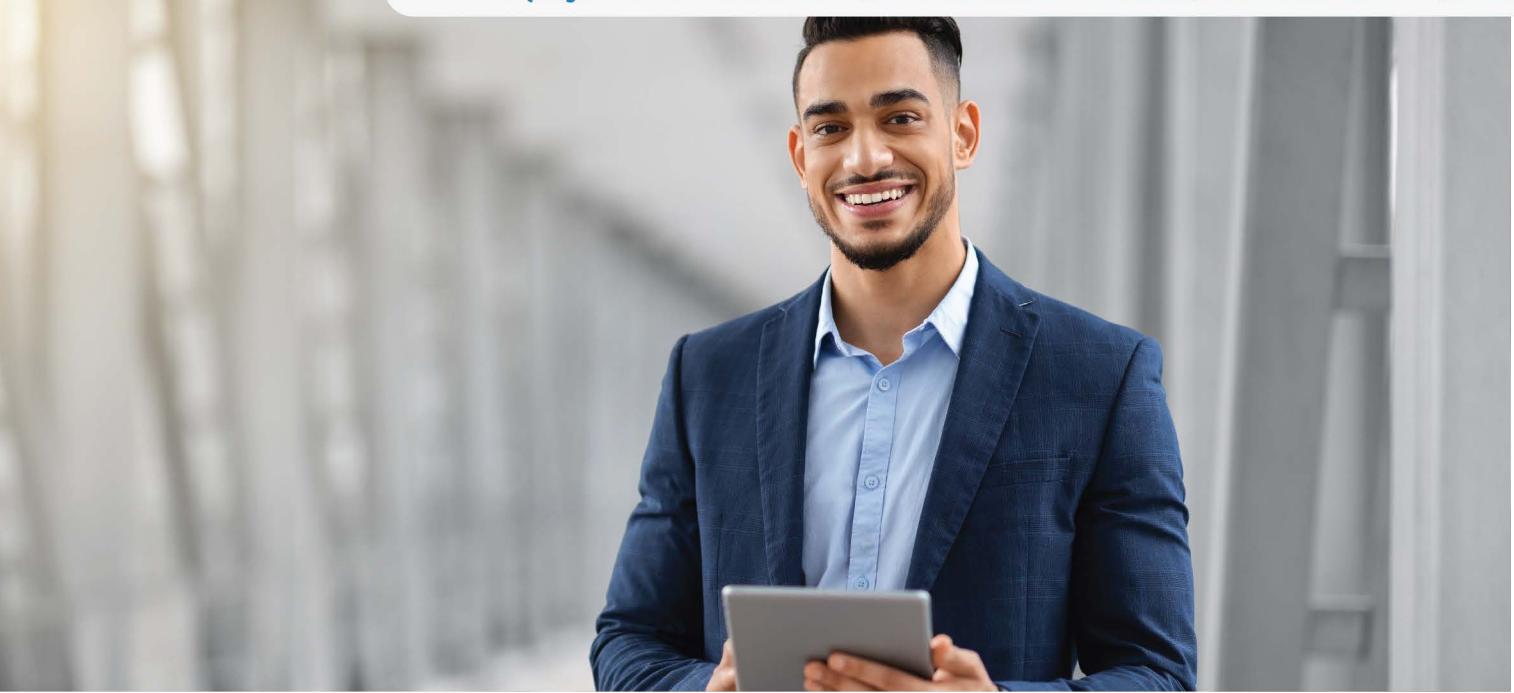


7%

Negative

11% for Black High Earners





Attaining Financial Success

Most High Earners did not reach success overnight. They built their knowledge and wealth over time by pursuing lower-risk investments, consulting with financial professionals, and seeking advice from their families. High-earning men, having received more exposure to financial matters as children, tend to feel more knowledgeable about investing than women do. High Earners overwhelmingly own their homes, are likely to belong to multi-income households, and often have a second, part-time job or side business. High Earners as a whole keep more of their money in investments rather than liquid.

Men feel more knowledgeable about investing than women. Percent who say they are knowledgeable about:



Men feel more knowledgeable about investing than women.

While High Earners typically do not like taking risks and would rather play it safe with their finances, there are some important differences. Men (53%) are much more willing to make high-risk investments than women (33%). Hispanic High Earners are more willing to take greater risks in search of high reward while Asian High Earners are more risk averse and less likely to take out loans or buy things on credit, even for items they need. Uniquely, Black High Earners are more likely to have higher liquidity than investments (46% vs. total high earners: 41%).

Key Traits of High Earners

- 88%** own their homes
Higher among White High Earners (90%) than Hispanic (85%), Asian (83%), and Black (79%) High Earners
- 66%** belong to multi-income households
Higher among Black (70%) and Hispanic (70%) High Earners than Asian High Earners (62%)
- 34%** have a second job or side business
Higher among Black (51%) and Hispanic (42%) High Earners than White (33%) and Asian (32%) High Earners
- 22%** own at least one business
Higher among Black (33%) and Hispanic (26%) High Earners than White (20%) and Asian (15%) High Earners

The Importance of Educating the Next Generation

High Earners want to ensure the next generation is better positioned for success. Thus, they overwhelmingly think financial education should begin during childhood and they plan to teach their own children about finances from an early age. Women in particular are more likely than men to support the teaching of banking basics and credit by age 18.

“

I think the average person has a lack of understanding of how credit works. For a long time, my sister didn't have any loans because she didn't want to pay for something she couldn't necessarily afford but didn't realize it would leave her with a lower credit score, so when she wanted a mortgage for a house, she struggled to get a good rate.”

Asian Female

High Earners believe financial education should begin before the age of 18



Banking basics:
84%



Credit:
61%



Loans:
53%



Investing in the stock market:
35%

Highest among Black High Earners (48%)



This attitude is especially true for Black High Earners, many more of whom believe kids should also receive education about more advanced financial matters, such as the stock market (48%), investing in a 401(k) or Roth IRA (37%), real estate (36%), digital assets (39%), and Financial Advisors/wealth managers (30%).

Indeed, Black High Earners demonstrate strong feelings of responsibility to invest not just for their own future but also for that of their family. This may stem from growing up with financial hardship as well as the systemic inequities that have been passed down from prior generations, along with the resulting aftermath of those inequities, including persistent negative sentiment and mistrust.

Attitudes towards wealth and reasons for investing

Define wealth as having money to pass down to children

51% Black | **34%** Hispanic | **31%** Asian | **32%** white

Currently invest to leave an inheritance for their family

32% Black | **23%** Hispanic | **18%** Asian | **22%** white

Looking for the Personal Touch to Alleviate Financial Anxiety

High Earners tend to define wealth as being free of financial worries. To them, wealth is a feeling, not just the ability to obtain a particular material object or hitting an arbitrary number in a bank account. Being wealthy just means that you don't have to worry about money. Yet the pandemic, followed by the more recent ravages of inflation, appears to have rekindled financial anxiety among some High Earners.

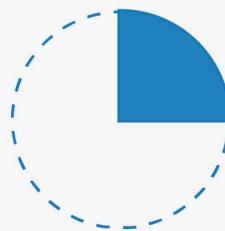
PERCENT OF HIGH EARNERS WHO FEEL ANXIOUS ABOUT CURRENT FINANCES



35%
Asian High Earners



35%
White High Earners



25%
Black High Earners



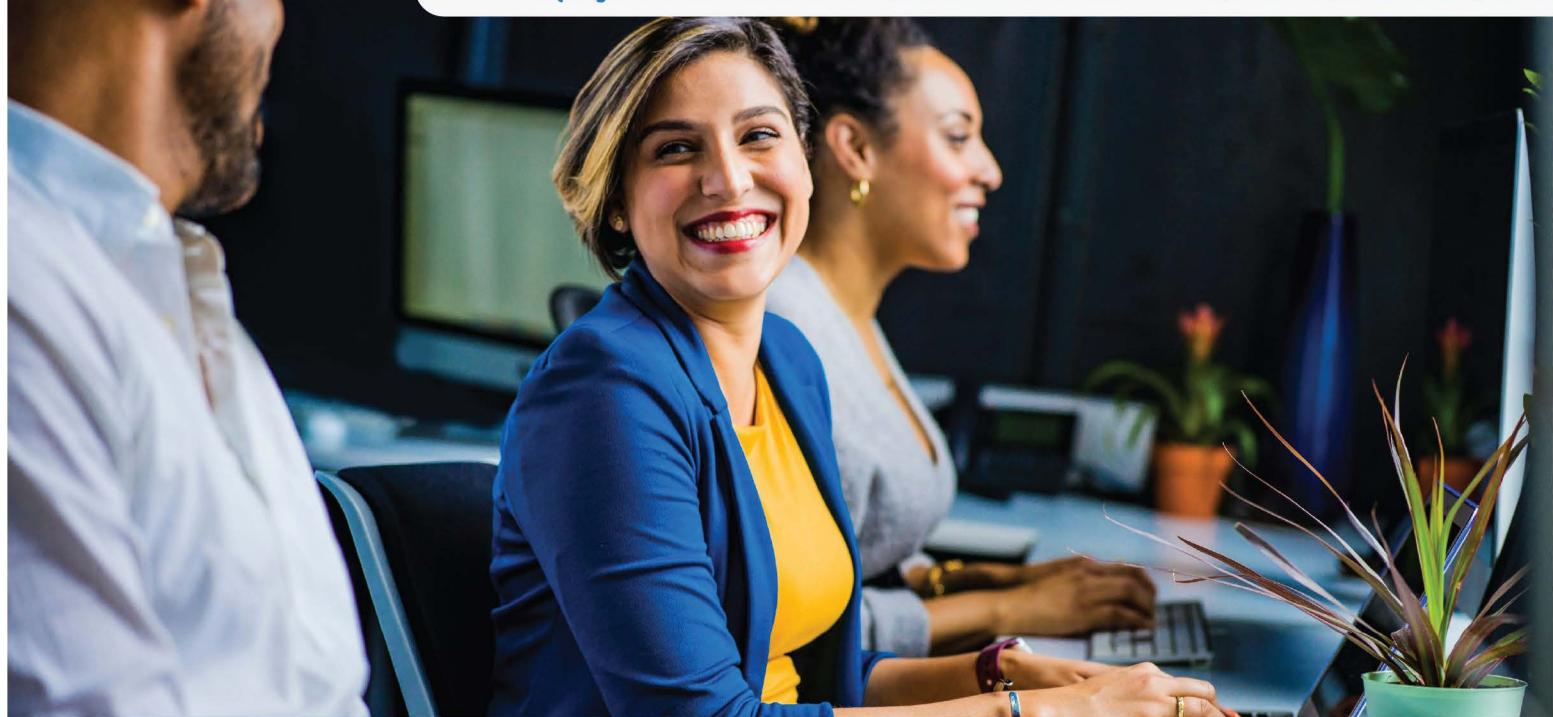
21%
Hispanic High Earners

This has, in turn, affected their investment behavior. Namely, they are investing less and using professional financial services less often as they hunker down to ride out the uncertainty. While understandable, this is a concerning development because High Earners who consult Financial Advisors tend to place high trust in them and feel much more positively about their finances.

Attitudes towards finances among those with and without a Financial Advisor or wealth manager

	with	without
Currently invested in retirement funds:	86%	76%
Feel knowledgeable about retirement funds:	83%	77%
Currently invested in the stock market:	80%	61%
Feel knowledgeable about the stock market:	71%	59%
Feel positive about their current financial situation:	71%	56%
Currently have higher investments than liquidity:	68%	53%
Feel knowledgeable about real estate:	63%	54%
Currently invested in real estate:	39%	32%

Currently, about four in 10 (41%) High Earners use a Financial Advisor or wealth manager. Of those who do not have a Financial Advisor, nearly half (45%) said they used to meet with one but stopped during the pandemic. And more than a third (35%) of those who do not currently have a wealth manager said they used to have one but stopped during the pandemic.



Financial actions taken by High Earners before and after the pandemic started

MET WITH FINANCIAL ADVISOR: TT

BEFORE	AFTER
52%	36%

WORKED WITH WEALTH MANAGER:

BEFORE	AFTER
43%	33%

INVESTED IN BONDS OR COMMODITIES:

BEFORE	AFTER
42%	24%

INVESTED IN STOCKS:

BEFORE	AFTER
57%	40%

TOOK OUT LARGE LOAN:

BEFORE	AFTER
78%	31%

BOUGHT A HOME:

BEFORE	AFTER
78%	21%

High Earners also demonstrate some curiosity around digital assets like cryptocurrency and non-fungible tokens (NFTs). However, this curiosity is tempered by a high degree of suspicion – only 11% of High Earners place trust in crypto, though Black and Hispanic High Earners showed higher levels, at 22% and 24%, respectively. Moreover, only 21% of High Earners feel that investing in digital assets should be taught to teenagers or young adults. Black High Earners were a significant outlier here, with 39% saying education around digital assets should start before age 18. Perhaps underscoring their appreciation of personal connections, High Earners also rated cryptocurrency firms as not being effective communicators, with only 30% rating them as somewhat or very effective.

High Earners and Technology

Like every other industry, finance has been disrupted by mobile platforms and digital tools that make it easier than ever for people to keep tabs on their money, track their spending, and invest in assets of all kinds. High Earners appreciate the convenience of technology to keep tabs on their finances. But they still prefer interacting with real people with whom they have forged a personal connection when it comes to managing their money and making investment decisions.

Attitudes towards technology in financial interactions

High Earners prefer technology:

- For interacting when it comes to managing money
- To get more control over finances
- For convenience

High Earners trust people more for:

- Tracking what is going on with their money
- Making a personal connection when managing money

“

I feel like I'm seen as just another money bag... I think with the advent of technology, we're shifting more from one-on-one connections to doing everything online... It doesn't always seem like it's going to be as intimate as it should be because you are investing a part of your livelihood and building a connection with a person who is helping you invest. I think it's really essential to building that trust and making sure that you're making a sound investment.”

Black Female



Given their relative financial success, perhaps it is not surprising that High Earners as a whole generally trust financial institutions. In fact, 93% report having recent experiences that were positive or neutral. They also place high trust in Financial Advisors (56%), second only to credit unions (62%). This trust is even stronger among those who work with Financial Advisors (70%).

Financial institutions that invest in getting to know their customers and providing a personalized experience will build stronger trust among High Earners. Some 88% of High Earners said they would trust a financial institution more if it employed people who understand and relate to their personal financial situation and experiences with money. Other high-ranking drivers of trust include providing timely information about economic events (86%), having national recognition (84%), and sharing their values (82%).

88%

of High Earners say they would trust a financial institution more if it employed people who understand and can relate to their financial situation and experiences with money.

Making Progress and Building Trust

Financial Advisors have the power to significantly shift the needle on diverse High Earners' perceptions of the financial industry. They can do so by bringing personalized service that authentically accounts for the lived experiences and unique needs of these customers. Indeed, a personal connection raises levels of trust: 63% of High Earners with a Financial Advisor or wealth manager agreed that financial institutions communicate in a way that shows empathy and/or cultural sensitivity, while just 50% of those without an advisor felt that way.

Trust in financial institutions

High Earners with a Financial Advisor or wealth manager most trust:

Financial Advisors: 70%	Credit unions: 64%	Commercial banks: 47%
-------------------------	--------------------	-----------------------

High Earners without a Financial Advisor or wealth manager most trust:

Credit unions: 61%	Financial Advisor: 46%	Commercial banks: 36%
--------------------	------------------------	-----------------------

Diverse High Earners with a Financial Advisor/wealth manager most trust

Black High Earners:

Financial Advisors: 63%	Credit Unions: 63%	Investment Banks: 49%
-------------------------	--------------------	-----------------------

Hispanic High Earners:

Credit Unions: 66%	Financial Advisors: 62%	Investment Banks: 57%
--------------------	-------------------------	-----------------------

Asian High Earners:

Credit Unions: 63%	Financial Advisors: 57%	Investment Banks: 49%
--------------------	-------------------------	-----------------------

This personal touch is key to winning over High Earners, with more than three-quarters saying it is important that financial institutions communicate with them in a personalized way rather than through generic messages. Common complaints included interactions that come off as transactional instead of personal and feelings of being talked down to.

76%

of High Earners find it important to get personalized communications

“

I'm part of this [financial institution] because I have a bank account with them, but I'm just another number. I don't have someone to talk to. I don't get advice from them... I think anything that's personalized to me builds trust... Just something where I can see that they really care what I'm doing with my money”

Hispanic Male



76%

High Earners are also clear that, at the institutional level, D&I activities are important to earning their trust. Effective D&I policies include those that demonstrate cultural awareness and sensitivity, take clear stands on social issues, and implement diverse hiring practices at all levels. Two-thirds of all High Earners—and 84% of Black High Earners—say they would place more trust in financial institutions that embrace these initiatives. Yet despite their recent positive experiences, High Earners generally feel that financial institutions are falling short of their D&I expectations.

High Earners' views of D&I at financial institutions

- 63%** say there is systemic bias towards certain groups in determining credit worthiness
- 55%** say financial institutions show systemic bias towards certain groups
- 55%** say financial institutions communicate in a way that shows empathy or cultural sensitivity
- 36%** say financial institutions treat people the same regardless of how much money they have
- 24%** say financial institutions treat people of their race/ethnicity worse than others

“

[D&I efforts] would have a positive impact, but I would like to see not just the statement, but the outcome as well. A lot of these companies set out with extensive targets... but when it came out, it just sounded like statements on the surface, and nothing was given... I would feel a positive impact if at the start of the year, they said they would do this, and at the end of the year, they say this is what they did.”

Asian Male



Personalizing financial communications to be relatable and relevant will strengthen engagement with High Earners. Emphasizing diversity and inclusion is important for High Earners, and absolutely vital for Black High Earners.

Percent of High Earners who find it important that financial institutions communicate in this way:



Recognizing Our Responsibility to Serve Diverse High Earners

Many High Earners overcame early life challenges to build their wealth through a combination of family support, prudent investment choices, and professional advice. Diverse High Earners in particular believe financial education needs to begin early, in the teenage or young adult years. Despite their success, the pandemic reignited anxiety around finances, causing them to pull back on investments and professional financial advice. However, those with Financial Advisors trust them highly and have a more positive outlook on their financial situation. High Earners generally trust financial institutions, though many still believe systemic bias exists and want D&I efforts to show tangible results. Ultimately, what's clear is that financial institutions must do more to serve high-earning individuals of diverse backgrounds. Morgan Stanley and the financial industry as a whole have a responsibility to do right for all. This means examining the past, evaluating where the industry is today, and taking concrete actions towards a better future. Let's look at some useful insights from the survey that we can use today to improve our understanding and actions together.

DIVERSE HIGH EARNERS

Own your journey

Know where you are today and be proud of what it has taken to get this far. No matter your path, acknowledge the journey – and set your sights on what's next. It's time to take full ownership of your financial future.

Know your goals and values

Reflect on your history with money and get clear on what matters to you. Set specific financial goals, such as saving for retirement, setting up a college fund, or passing on wealth. Define your values and make sure your investments align with what matters to you.

Seek expertise

Don't go at it alone. The right team of professionals can help you achieve your goals while honoring your journey and supporting your values. You deserve to be seen and heard, so start the conversation with someone who respects your history and understands your goals.

FINANCIAL INDUSTRY

Honor the journey

Financial institutions must do more to equip Financial Advisors and wealth managers with the resources, knowledge, and tools to understand and respect the experiences of diverse clients, recognize their past hardships, and celebrate their hard-earned successes.

Get personal

Investors are still on edge about the pandemic and ongoing economic uncertainty. Add that to a historical distrust of financial institutions, and these worries can have a real, lasting impact. Bringing a human touch while showing what can be achieved can instill confidence and increase trust.

Live diversity

Investors want actions and results, not words. Institutions must do more to deliver tangible results by ensuring equitable treatment for all and building more diverse workforces. This also means advisors must be versed on the historical context of their clients' wealth journeys as well as recent efforts and results.

Deliver experience and professionalism

Diverse High Earners highly value experience and professionalism. Advisors should do what they do best and ease anxiety with empathy and realistic expectations around current and future financial challenges. The key is to help investors achieve financial success for themselves, their families, and future generations.

CORPORATE COMMUNICATIONS

Christine Jockle
Executive Director
Corporate Communications
Morgan Stanley
(914) 225-6827
Christine.Jockle@MorganStanley.com

WEALTH MANAGEMENT DIVERSITY

Kara Underwood
Managing Director
Morgan Stanley
914 225-6180
Kara.Underwood@MorganStanley.com

MARKETING RESEARCH AND INSIGHTS

Anthony Guglielmucci
Executive Director
Morgan Stanley
914-225-5531
Anthony.Guglielmucci@MorganStanley.com

Grace Rafferty
Vice President
Morgan Stanley
914-225-6567
Grace.Rafferty@MorganStanley.com

HUMAN RESOURCES

Sam Lalanne
Managing Director
Morgan Stanley
212-762-1492
Sam.Lalanne@morganstanley.com

This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Past performance is not necessarily a guide to future performance. This material should not be viewed as advice or recommendations with respect to asset allocation or any particular investment.

This material has been prepared for educational purposes only. It does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it.

Investing involves risk, including risk of loss.

Morgan Stanley

Launched in 2020, the Morgan Stanley Institute for Inclusion brings our employees, communities and clients together in a shared commitment to creating a more equitable society. The Institute supports those commitments with investments in underserved communities through products, services, data and insights; philanthropic efforts to help promote equity; and thought leadership in workplace diversity, equity and inclusion.

The Institute's Mission:

Invest in Underserved Communities: We are committed to advancing economic outcomes in underserved communities through our products, services, spending, business practices and thought leadership.

Advance Equity Through Giving:

We leverage our philanthropic efforts to help promote equity and inclusion for underrepresented groups and do our part to help eradicate systemic bias.

Promote Workplace Diversity and Inclusion:

We strive to lead the way in attracting, developing, and retaining individuals with diverse backgrounds and perspectives, and to drive a culture of inclusion for all colleagues.