MassMutual's State of the American Family

Chinese Families

Executive Summary

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To understand the changing landscape of American financial security, MassMutual released the third wave of a nationally representative survey of American families. This research sheds light on families and their finances across the United States, including that of Chinese-American families.

Tradition meets change

Chinese-Americans represent a fast-growing, dynamic group within the general population. They are the largest Asian segment in the U.S., with numbers that have doubled over the past 20 years. Whereas the earlier wave of immigrants was predominantly from Taiwan and Hong Kong, over the past two decades immigration has been predominantly driven by arrivals coming directly from Mainland China.

Over three-quarters came to the United States when they were 16 to 25 years of age, mostly for education or to improve their standard of living. As a group, they are educated, hard-working, focused and entrepreneurial. Three-quarters have completed college (far more than the average American), and most are working full-time. About half speak Mandarin and half, Cantonese, but virtually all speak English at home as well.

This new generation of Chinese-Americans is carving out the American Dream distinctly from earlier arrivals and from other ethnic groups. Owning a home remains the primary definition of the American Dream for over two out of three Chinese-Americans, just as for the general population. But entrepreneurship is the category that stands out: Chinese-Americans are the most likely of any group to define “owning or starting a business” as a component of the American Dream-twice as likely as the general population. Of all groups, Chinese-Americans are also the least likely to agree that the idea of the American Dream is disappearing (17 percent compared to 42 percent of the general population).

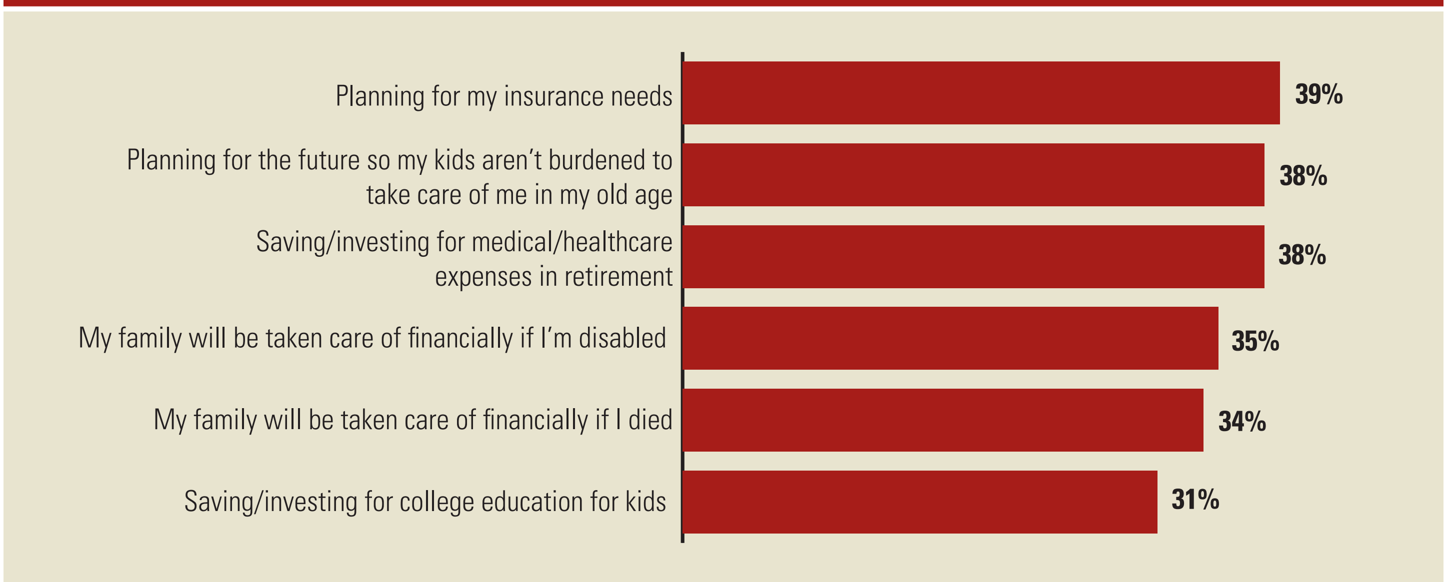
36 percent have set aside 6 months or more of monthly expenses for a financial emergency

Chinese-American families appear to be well-equipped to handle most financial emergencies, as over one in three have set aside six months or more of their monthly living expenses for that purpose. However, despite high levels of savings, ownership of insurance and financial products is significantly below that of their counterparts in nearly all categories auto/home insurance, retirement accounts, mutual funds, term life insurance, individual securities, disability insurance, college savings, and others. While the general population owns an average of almost five financial products, it is only 3.5 for Chinese-Americans. Despite lower direct engagement with financial and insurance services, Chinese-American families continue to value the economic opportunities open to them in the U.S. boding well for their future involvement and acquisition of these services once their value and benefits become more apparent.

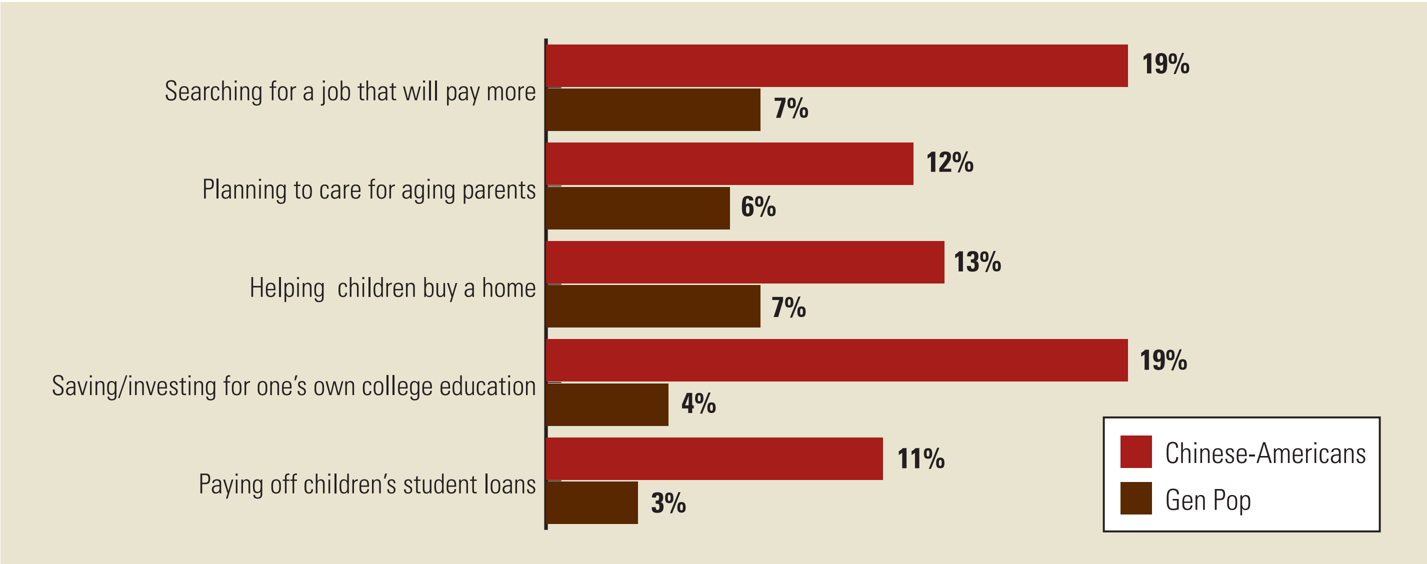
Cherishing the family

The institution of the family is sacred in traditional Chinese culture and it remains strong today among Chinese-Americans. When making financial decisions, they tend to focus on the specific needs of the family, including ensuring that family members are taken care of in the event of disability or death. Four of the top six financial priorities for Chinese-American households relate to family needs:

Top financial priorities



Financial priorities between Chinese Americans and general population

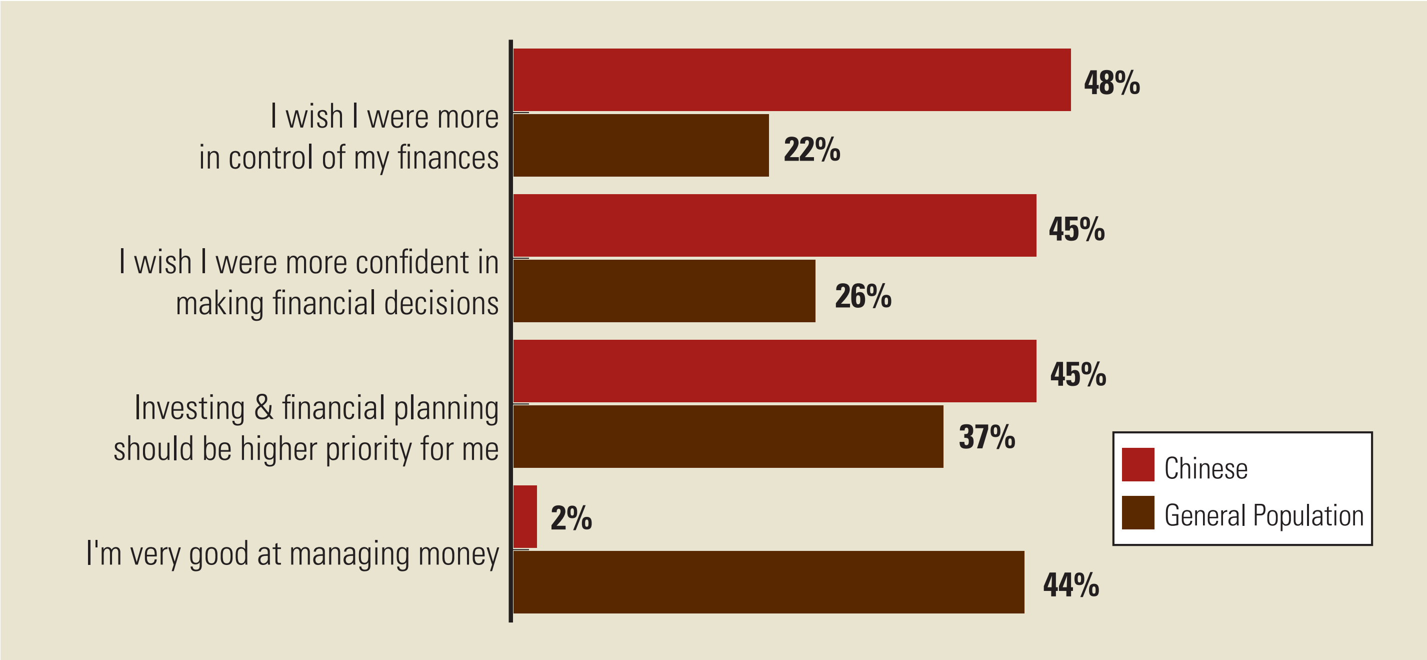


Chinese-Americans stand out in other ways regarding financial decisions which focus on family. These decisions include aiding their children to alleviate their college debt, helping them to purchase a home, and taking care of their own parents.

Gaining control of finances

Like other families, Chinese-Americans have a strong desire to be actively involved in their financial decision-making, but they tend to set very high standards for themselves with regard to their mastery of financial matters. They are more likely say they wish they were more in control of their finances and that they wish they had more confidence when it comes to making financial decisions. They are less likely to say they are very good at managing money. Many want to actively seek ways to educate themselves about finances.

Financial attitudes of Chinese Americans and general population



Chinese-Americans hold what are usually thought of in the United States as traditional values regarding money: hard work and thrift as a means to get ahead. Yet despite the fact that many have accumulated six months of more of their living expenses in their savings, and few (only 23 percent) hold any credit card debt, Chinese-Americans are only half as likely as the general population to express satisfaction with their current financial situation. Given the desire to be actively involved in their financial decisions, many Chinese households should benefit from the services of a financial professional. At this time, however, only one-third of Chinese families are using a financial professional, compared to 42 percent of the general population.

Educating children about money

Like most families today, Chinese-American families tend to believe in the importance of educating the next generation on finances. One-half are actively involved in educating their children about money and investing. Where many Chinese-Americans differ significantly from other groups is in their reliance on others in their personal social circles to play a role in the financial education process. For instance, nearly twice as many Chinese-American families rely on friends and family to help make financial decisions compared to the general population (20% to 11%).

Likewise, twice as many rely on others to educate their children on finances (18% to 9%). This openness to education from all avenues is a good sign that the next generation will be more confident and successful at achieving their financial goals.

Chinese families are twice as likely to rely on friends and family to help make financial decisions.

Not burdening children with elder care

Traditional Chinese families had "four generations under one roof," but modern Chinese-Americans tend to desire more independence. Over half of Chinese-American households express concern about becoming a burden to their children in their old age.

They are more than twice as likely as the general population to say that their own parents are counting on them, but that they don't know how they are going to manage to take care of them (17 percent compared to 7 percent). Half would like to retire between the ages of 61 to 65 (younger than average), but they are less confident than the general population that they will be able to achieve that goal. So it seems there is a gap between what these families say they want regarding long-term planning and what they are taking steps to achieve.

Only one in four Chinese-Americans has developed a plan for retirement, and only about one in eight has always been able to stick to it. Only half have ever tried to figure out how much they'd need for retirement. In general, Chinese-Americans have a high degree of solvency. Nearly 40 percent mention not having any credit card, mortgage or student loan debt at all among the highest of all segments. By contrast, only 17 percent of the general population can claim the same. Having little debt and a lot of savings is a very good start to remaining financially independent in retirement, but it isn't always enough. What happens when family members outlive their savings or are faced with a financial emergency?

Chinese-American households stand to benefit from the services of a financial professional, who can help them choose the right mix of investment products for their particular situations. Currently, Chinese-Americans have only two or three times the amount of their salaries in life insurance, compared to five times or more for the general population. They are also less likely to have purchased disability insurance, retirement accounts, or long-term care insurance. These types of products can continue providing protection to families even when savings are depleted by medical emergencies or other financial crises.

Building a future

Chinese-American families have enjoyed a great deal of success in recent years. They have retained the traditional values of hard work, strong family ties, and respect for their elders while adopting the cherished American values of individual freedom and equality. They have tended to avoid the "buy now, pay later" trap in favor of saving to get ahead. By focusing on education and work, Chinese-Americans have positioned themselves to plan for long-term financial success for themselves and their families.

For more than 160 years, MassMutual has been providing strength and stability to generations of families. Like the many Americans who are placing family first, we are focusing on the people who matter most to us our policyowners.

MassMutual offers the following tips to Help Chinese Americans ensure their finances are on the right track:

Monitoring short-term and long-term family goals: Consider your goals and priorities. Discuss them with your spouse or other immediate family members and think about how you may be able to achieve them. Keep in mind the questions, what's important to me and my family now or later? What am I doing now or what will I do later? Set savings objectives for these goals and then incorporate them into the budget's fixed expenses. After a few months or a year, evaluate the progress towards these goals and readjust allocations if needed.

Gain control over your finances: Sign up for free financial management tools, blogs, or other online resources. Ask five friends to refer you to their financial services professionals. Once you have the contact information for each, interview them to ensure that their style and approach works well with yours. Conduct a formal review of your finances and protection products with the financial professional you have chosen. Review your financial plan yearly or whenever life circumstances change.

Teach and prepare future generations about finances: Talk to your children about money. Explain that every household has a finite amount of money, and every dollar spent on one thing is a dollar not spent on something else. Explain the difference between wants and needs. Involve your children in spending decisions. Give them a budget for back-to-school shopping or the family's yearly vacation and let them research the options. Give your children banks to encourage them to save, and pay them interest (even if it's pennies). Research financial education classes or activities for children within your community. MassMutual offers a variety of family seminars to teach families and parents about finances.

Start thinking about retirement if you're not already: Think about current expenses and future expenses to see if you are saving enough right now. The percentage of pre-retirement income your family needs to maintain your standard of living depends on your family's goals. If you are not on track to meet your goals, you may want to talk to someone who can help you create a plan.

Visit **massmutual.com** today to find a MassMutual financial professional in your area. Learn how to take the next step in creating a solid financial strategy and helping to achieve fiscal fitness.

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Methodology

The State of the American Family program, an in-depth series of research studies, is exploring the changing definitions and dynamics of families in this country. This multi-year initiative will produce a deeper understanding of the different forms families take, how factors like ethnicity and income affect family dynamics, how family members interact on financial and other matters, and trends that will shape families in the coming decade. The State of the American Family will provide adults and children in the United States with the information and guidance they need to make responsible financial decisions.

The State of the American Family survey was conducted for MassMutual by the Forbes Consulting Group, LLC between February 4th and February 25th, 2013 via a 20-minute online questionnaire. The survey comprised 1,337 interviews with American households with children under age 18 for whom they are financially responsible. Interviews were conducted among men and women aged 25-64 with household incomes greater than $75,000 (50 completes were allowed among 25-32 year olds with household incomes falling between $50,000 and $75,000). Respondents had to contribute at least 40 percent to decisions regarding financial matters in their household to qualify. Results were weighted to the 2010 US Census distributions for age, gender, ethnicity, region, and same sex married/partnered couples to be representative of American families in this age and income bracket. This study includes trending data for survey waves conducted in 2009 and 2011.

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