

# Invest to advance

How multicultural families  
build generational wealth







# Many multicultural investors have charted successful paths to wealth.

In fact, more than one million US high net worth (HNW) investors are Black, Asian or Hispanic and Latino Americans.<sup>1</sup> Yet little has been done to understand the varied experiences and priorities of this growing segment of multicultural investors (MCIs).

In our latest research, UBS explores the wealth journeys of HNW MCIs—how they built wealth, how they manage it and what they want their wealth to help them achieve. To understand their paths, we surveyed and interviewed more than 3,000 MCIs with at least \$1 million in investable assets.

## We found stories of **inspiration—and resilience**

At various points in time, many multicultural investors have faced financial exclusion.<sup>2</sup> Even now, for example, more than half of the HNW Black investors we surveyed say they faced discrimination from financial institutions. Perhaps as a result, in part, our research found that a sizable group of HNW MCIs built wealth outside traditional stock and bond investing.

Many HNW Black investors were able to build wealth through real estate and entrepreneurship. HNW Asian investors, despite many being first generation Americans, derived considerable wealth from workplace compensation. And many Hispanic and Latino HNW investors managed to turn sometimes modest inheritances into robust investment accounts and home purchases.

## MCI wealth **journeys continue**

Today, with more access to financial services than ever before, HNW MCIs are positioned for the next stage of building, managing and preserving their wealth. What are the opportunities?

- For HNW Black investors, supporting Black institutions and businesses are key goals. Sustainable investing may provide an opportunity to achieve those goals while potentially increasing wealth.
- Most HNW Asian investors are focused on growing wealth and building an inheritance. By seeking out estate planning advice, they have a chance to protect and transfer their wealth more efficiently.
- HNW Hispanic and Latino investors see family financial support as a core cultural value. By managing wealth to balance their family's needs with their own, they may better address both.

## A **new era**

What will it take for HNW MCIs to continue their success? We believe it will require expanded exposure to the wealth-building potential of equities, tailored and inclusive wealth strategies, and financial institutions working toward an equitable future for all.

**Get ready for a new era of wealth creation—one with inclusion at its center.**

## **#InvestToAdvance**

<sup>1</sup> Urvashi Vaid and Ashindi Maxton, *The Apparitional Donor: Understanding and Engaging High Net Worth Donors of Color* (2017).

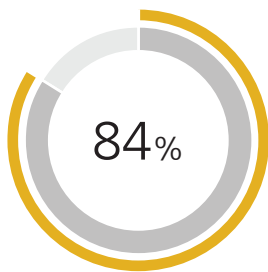
<sup>2</sup> See Appendix for select legislative and institutional actions.

# Forward progress, but there's still work to do

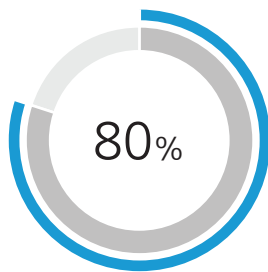
Today, there is clear progress on the road to financial inclusion. The high net worth multicultural investors we surveyed strongly believe the financial industry has fewer barriers today than in the past. Specifically, Black (84%), Asian (80%) and Hispanic and Latino (78%) investors all noted the industry is more inclusive than it was for their parents.

Even so, financial exclusion isn't a remnant of the past. In our research, a quarter of today's HNW Hispanic and Latino investors (23%) and more than half of HNW Black investors (56%) state they've felt discrimination by financial firms. How should this be addressed? About three out of four Black (78%) and Hispanic and Latino (72%) investors, as well as just under half (45%) of Asian investors, said they find it important to work with firms that prioritize diversity, equity and inclusion (DE&I).

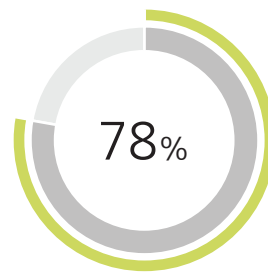
## HNW MCIs find the financial industry more inclusive today than it was for their parents



Black



Asian



Hispanic and Latino

## Still, many state they've experienced discrimination firsthand

56% | Black

14% | Asian

23% | Hispanic and Latino

## And put significant importance on working with firms that prioritize DE&I

78% | Black

45% | Asian

72% | Hispanic and Latino



# Multicultural investors share the way forward

Legislative protections and better access to professional advice, financial solutions and capital mean MCIs face less financial exclusion than at any other period in American history. Still, there is much work to be done and wealth management firms must be eager and active leaders. Full inclusion will only come when MCIs are served by an industry that delivers on its promise of tailored guidance and solutions for all investors.

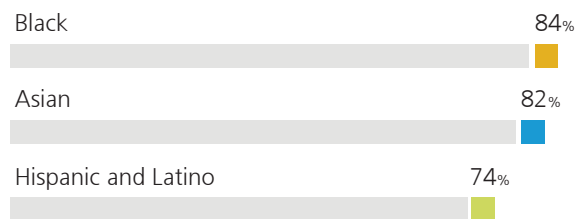
How do MCIs hope to see wealth managers foster more inclusion? A strong majority of those surveyed mentioned the importance of conversations around their goals as well as a better understanding of their cultures. They also noted the importance of a culturally diverse workforce and fee transparency from wealth managers.

## How wealth management firms can foster investor/client inclusion

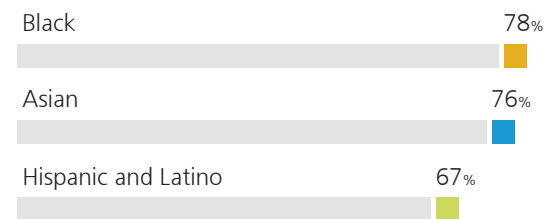
% who agree

### Empathetic listening to foster understanding

Have discussions based on financial needs and goals rather than just investments

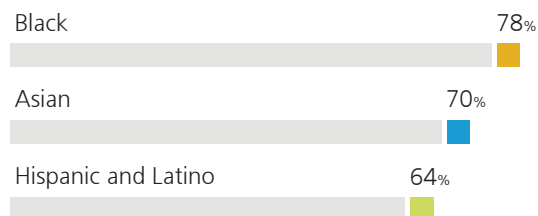


Better understand different cultures and what's important to each culture



### Representation and transparency to build trust

Hire a more culturally diverse workforce



Provide more transparency around the fees charged by wealth management firms

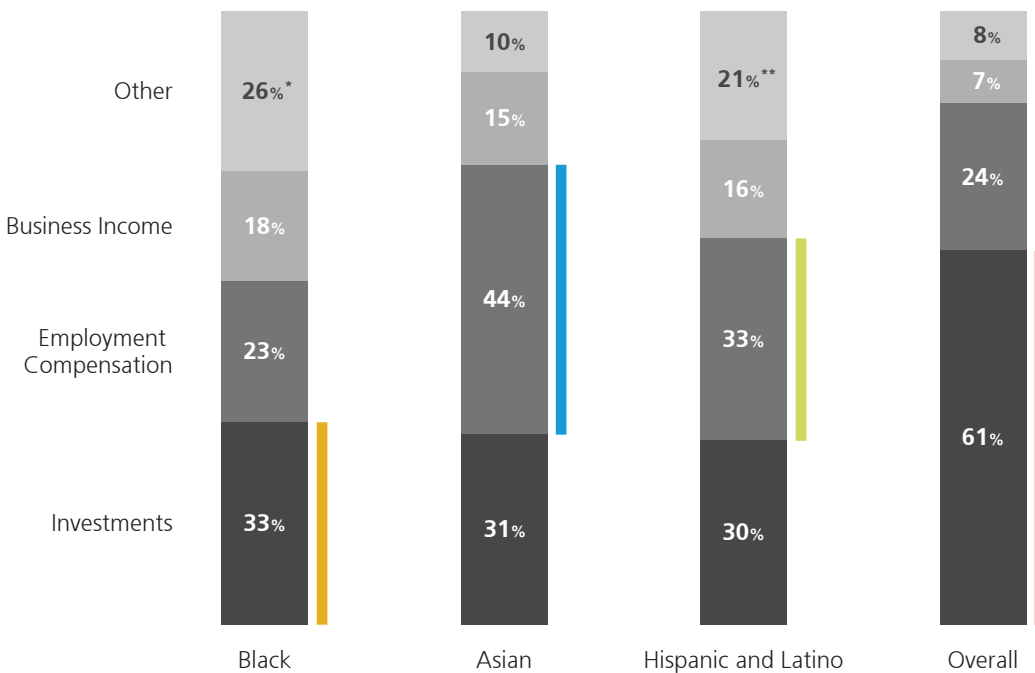


# Inequities have led to less equities

Of the four paths to wealth surveyed—investments, employment compensation, business income and other means—the majority of overall HNW investors (61%) have built wealth through their investment portfolios. However, many HNW MCIs have built wealth outside the common and potentially lucrative path of investing in stocks and bonds.

Until fairly recently, few banks, brokerages or trust companies existed to serve multicultural investors, limiting many investors’ full market participation. As a result, HNW MCIs are still less likely than other HNW investors to cite investing as their primary source of wealth. For example, Black and Hispanic and Latino investors tend to attribute more of their wealth to business interests than HNW investors overall. Asian and Hispanic and Latino investors are more likely to cite workplace compensation.

## Wealth creation



\* Includes inheritance (12%), marriage (9%) and sales of real estate or business (5%)

\*\*Includes inheritance (7%), marriage (9%), sales of real estate or business (4%) and prefer not to answer (1%)



# Multicultural investors reflect on their journeys

> “When I first started out, I had a real estate license and my broker encouraged me to purchase income property. Real estate has been my main focus ever since and, though it may take a while, I believe it always goes up.”

**Sheila, 56**

> “My family transitioned to wealth. When my parents first came to the US, things were very tight, but they saved their money, they opened a business, and through time, accumulated wealth.”

**Sam, 60**

> “As I moved through my career and started getting raises, I just set myself a budget that I live off of; the rest I just invest.”

**Namita, 45**



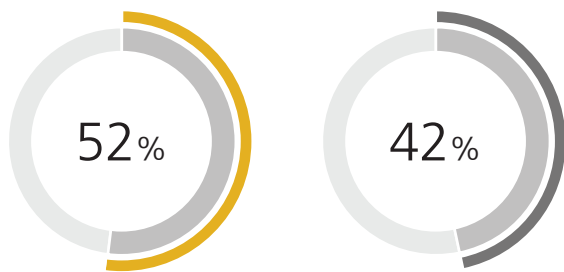
# Building wealth with real estate

For the high net worth (HNW) Black investors we surveyed, real estate is a frequent path to wealth. Half grew up in households that emphasized real estate investing and nearly six in 10 currently invest in real estate, income properties or vacation rentals. Primarily, they prefer real estate because they believe it is likely to stay ahead of inflation and hold its value.

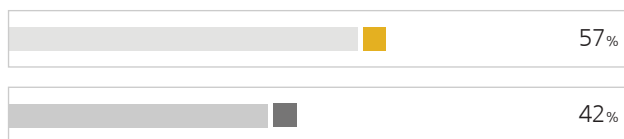
## Real estate is an enduring family value

% who agree      ■ Black      ■ Overall

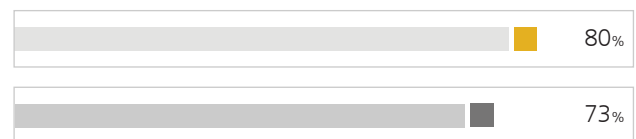
Taught the value of owning property



Invest in real estate, income properties and rentals



Believe real estate and other hard assets stay ahead of inflation



> "I started investing in real estate almost 40 years ago. I would often bring my kids to meet the tenants. I wanted them to see how my investments could help fund their college education."

**Michelle, 65**



# Prioritizing support for Black institutions

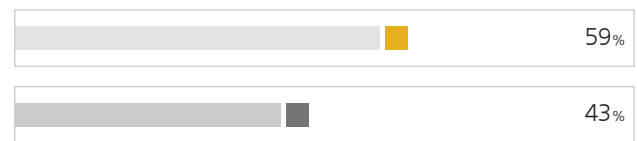
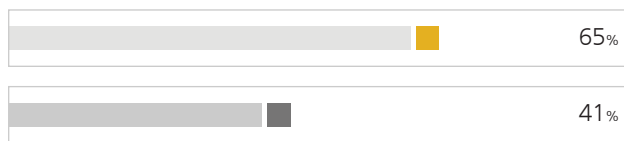
The HNW Black investors we surveyed are using their wealth to advance their communities. The impact is clear, whether intentionally buying goods and services from Black-owned companies or donating to Black-focused institutions. For HNW Black investors, community support is driven by a desire to shape a more equitable future.

## Community is highly important

% who agree ■ Black ■ Overall

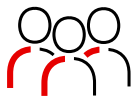
Buy from companies owned or managed by members of my community

Give to charities that support my community



## Reasons for supporting culturally aligned institutions

% who agree



It feels good to help people with the same background succeed

85%



I want to help narrow the wealth gap among different racial and ethnic groups

81%



I feel people in my culture were given fewer opportunities, so this is a way to "pay it forward"

74%

> "I want my legacy to be that I was a person who helped people like me, and made them smile."

Jaime, 51





# Eye on the future: Invest in what matters

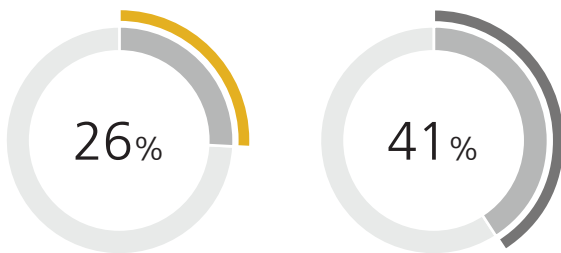
The portfolios of HNW Black investors we surveyed are only 26% allocated to stocks, on average. This is well below overall HNW investors who allocate 41% to equities.

As a result, Black investors may be missing opportunities to grow their wealth by fully participating in stock market gains. Sustainable investing could be a path to fuller stock market participation while also supporting communities. In our research, more than seven in 10 HNW Black investors expressed interest in investments that make a positive environmental, social or governance impact.

## A lower preference for stocks

% allocation ■ Black ■ Overall

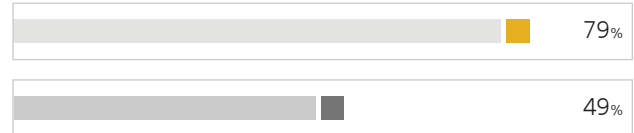
Stocks (including international)



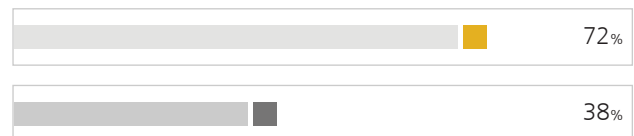
## But sustainable investments are appealing

% who agree ■ Black ■ Overall

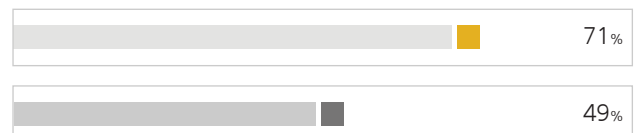
Favor social impact  
(equality, inclusion, community development)



Favor governance impact  
(board diversity, business ethics)



Favor environmental impact  
(climate change, pollution control)



### Sustainable investing (SI)

A term for investment strategies where environmental and social objectives are elevated to drive investment decision-making.

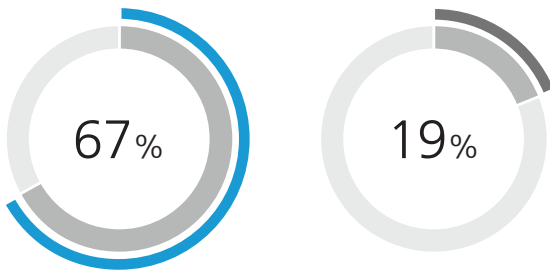
SI strategies seek to achieve competitive financial returns, while explicitly aiming to contribute to sustainability objectives.

# Building wealth at work

High net worth (HNW) Asian investors were far more likely to reference workplace compensation as their primary source of wealth than HNW investors overall (44% vs. 24%). This is directly linked to the fact that two-thirds (67%) of the HNW Asian investors we surveyed are first- or second-generation Americans whose families moved to the US for more lucrative work opportunities.

## First- and second-generation investors

■ Asian ■ Overall



## Reasons for family moving to the US

% who agree



Job opportunity



40%



Higher standard of living



38%



Better education



30%



> “I learned about investing when I moved to the US and had my first job. The company offered a 401(k) that you could fund with your salary and invest in mutual funds or stocks.”

**Grace, 55**





# Investing for growth is a priority

The HNW Asian investors we surveyed prioritize growing their wealth. More than half of their assets, for example, are invested in stocks compared to 41% of HNW investor assets overall.

In our research, only a quarter of HNW Asian investors grew up in households where money was openly discussed (24%). Those surveyed noted that they were more likely to be self-reliant investors who draw on a wide range of sources including investment sites and financial publications. Over half of HNW Asian investors are self-taught and only 57% said they use a financial advisor, citing uncertainty around the benefits.

## Growing wealth

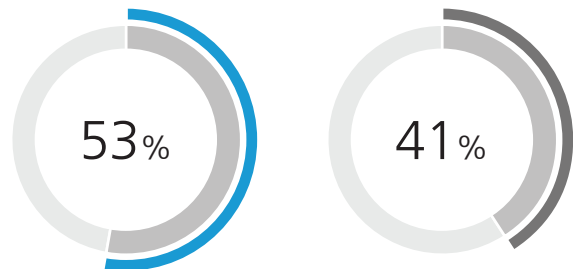
Focus on growth strategies



## With an equities concentration

% allocation ■ Asian ■ Overall

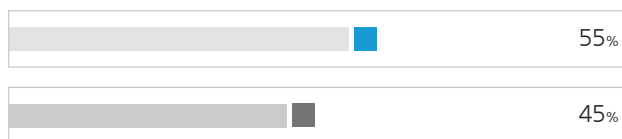
Stocks (including international)



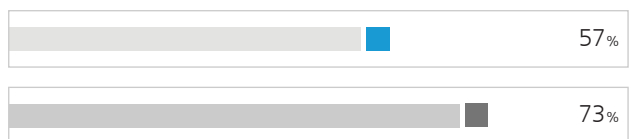
## Self-taught, self-directed investors

% who agree ■ Asian ■ Overall

Self-taught investors



Investors who use an advisor



> "What I really understood was that if I want to get to a certain place in my life I need to invest and invest now while I have time on my side."

Rajit, 32

# Eye on the future: Preserving wealth for **the next generation**

As primarily self-reliant investors focused on growing wealth, HNWI Asian investors may face limits to what can be achieved on one's own. This is especially true when it comes to sophisticated estate planning techniques to minimize taxes. Eight in 10 surveyed expect to leave an inheritance—with proper planning they may have greater opportunities to preserve wealth for their heirs.

In addition, only four in 10 say they have taken part in inheritance conversations and fewer Asian investors have an updated will, compared to overall investors. Having an open dialogue can help ensure loved ones are prepared to make the most of their inheritances.

## Passing on wealth

Expect to leave an inheritance



vs

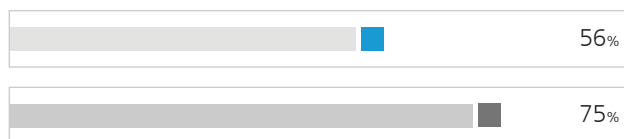
Prioritize wealth preservation



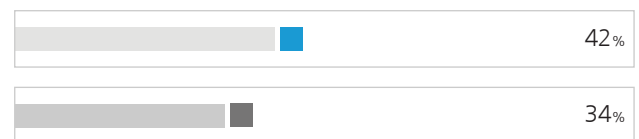
## Opportunities for estate planning

% who agree ■ Asian ■ Overall

Fewer have an up-to-date will



More have not had inheritance discussions with heirs





# Building wealth by giving and receiving financial support

For many high net worth (HNW) Hispanic and Latino investors we surveyed, caring for family and friends is a core cultural value throughout their wealth journeys. They received financial support and are motivated to pay that support forward.

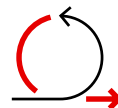
Agree that providing financial support is a strong part of their culture

Feel responsible to pay financial support forward because they received support



85%

and



72%

## Inheritance as seed capital for wealth

% who agree ■ Hispanic and Latino ■ Overall

While six in 10 of all HNW investors receive an inheritance, the HNW Hispanic and Latino investors we surveyed were nearly three times as likely to cite the important impact a sometimes modest inheritance had on wealth creation. Inheritance was primarily used as wealth seed capital to grow savings or investments, purchase a home or set up the next generation.

Inheritance greatly improved my overall financial position



> "I'm a big proponent of sharing the wealth, especially to help family because I've had family help me."

Luis, 39

# Prioritizing support for loved ones

A full 81% of the HNW Hispanic and Latino investors we surveyed currently provide multigenerational financial support to parents, adult children or other family members.

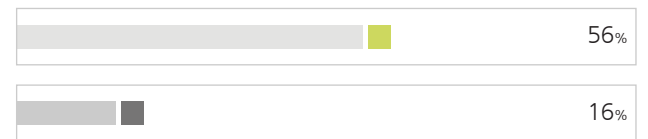
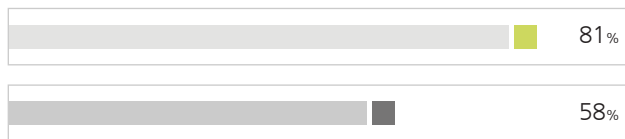
Nearly half of the investors were first- or second-generation Americans whose families moved to the US. Almost six in 10 investors currently support family members outside the US. They defined financial support as everything from daily expenses (e.g., transportation and food) to help with major life events (e.g., down payment on home and business ventures).

## Who investors support

% who agree ■ Hispanic and Latino ■ Overall

Provide financial support to extended family

Provide financial support to family outside the US



## Types of support provided



General use

67%



Rent or mortgage

65%



Education

64%



House down payment

63%



Business venture

59%

# Eye on the future: Balancing today's priorities with tomorrow's opportunities

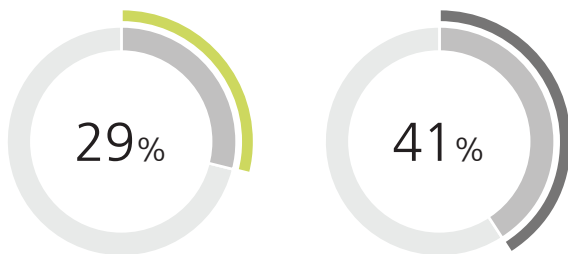
Comfortable retirement is a top financial goal of the HNW Hispanic and Latino investors we surveyed (81% vs. 72% overall). At the same time, many prioritize paying day-to-day financial expenses for their extended family members. These twin goals require keeping a higher cash balance, which leaves less to invest and less to help their families with major life expenses such as home purchases and education.

In our research, HNW Hispanic and Latino investors were more cautious about risk compared to investors overall. Their preference for less exposure to equities is consistent with their more capital preservation-minded, conservative approach to investing. Broadening their investment planning could help meet their current needs and provide for future opportunities.

## Exposure to equities

% allocation ■ Hispanic and Latino ■ Overall

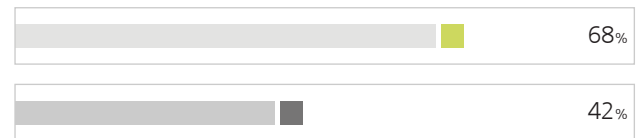
Stocks (including international)



## Approach to investing

% who agree ■ Hispanic and Latino ■ Overall

Conservative



Moderate



Aggressive





> “I want to support what my son wants to pursue while I’m still alive, and then leave him something for after.”

**Sofia, 32**





# Invest to advance

## Start with wealth, from your point of view

Understanding the bigger picture is the first step to helping you pursue your financial goals today, tomorrow and for generations to come. UBS Wealth Way<sup>3</sup> is designed to help you on that journey.

### Get to the heart of your ambitions and passions

- What excites you about the future?
- Who are the people who matter most to you?
- What impact would you like to have on your loved ones and community?
- What keeps you up at night?
- How do you plan to achieve your life's vision?

### Organize your financial goals around 3 key strategies

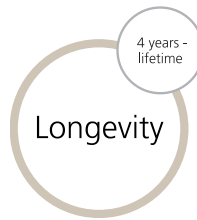
This approach gives you a clearer understanding of where your money is—and why.



To help provide cash flow for short-term expenses—to help maintain your lifestyle

#### Why it matters

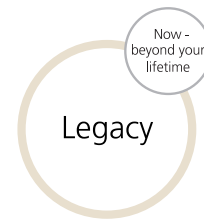
Helps take the emotion out of investing with a plan for your needs



For longer term needs—to help improve your lifestyle

#### Why it matters

Allows you to focus on your long-term financial goals



For needs that go beyond your own—to help you improve the lives of others

#### Why it matters

Helps you plan to make a difference for the people and causes you care about

## Then, build on your legacy

### Plan for generational wealth

Estate planning involves planning out your final wishes and preparing in case you aren't able to take care of your affairs. Planning for any scenario can provide you and your family with comfort now and a smoother transition when the time comes. It begins with the foundational documents of wills, revocable living trusts, powers of attorney and health care directives. However, these are not substitutes for conversations about values.

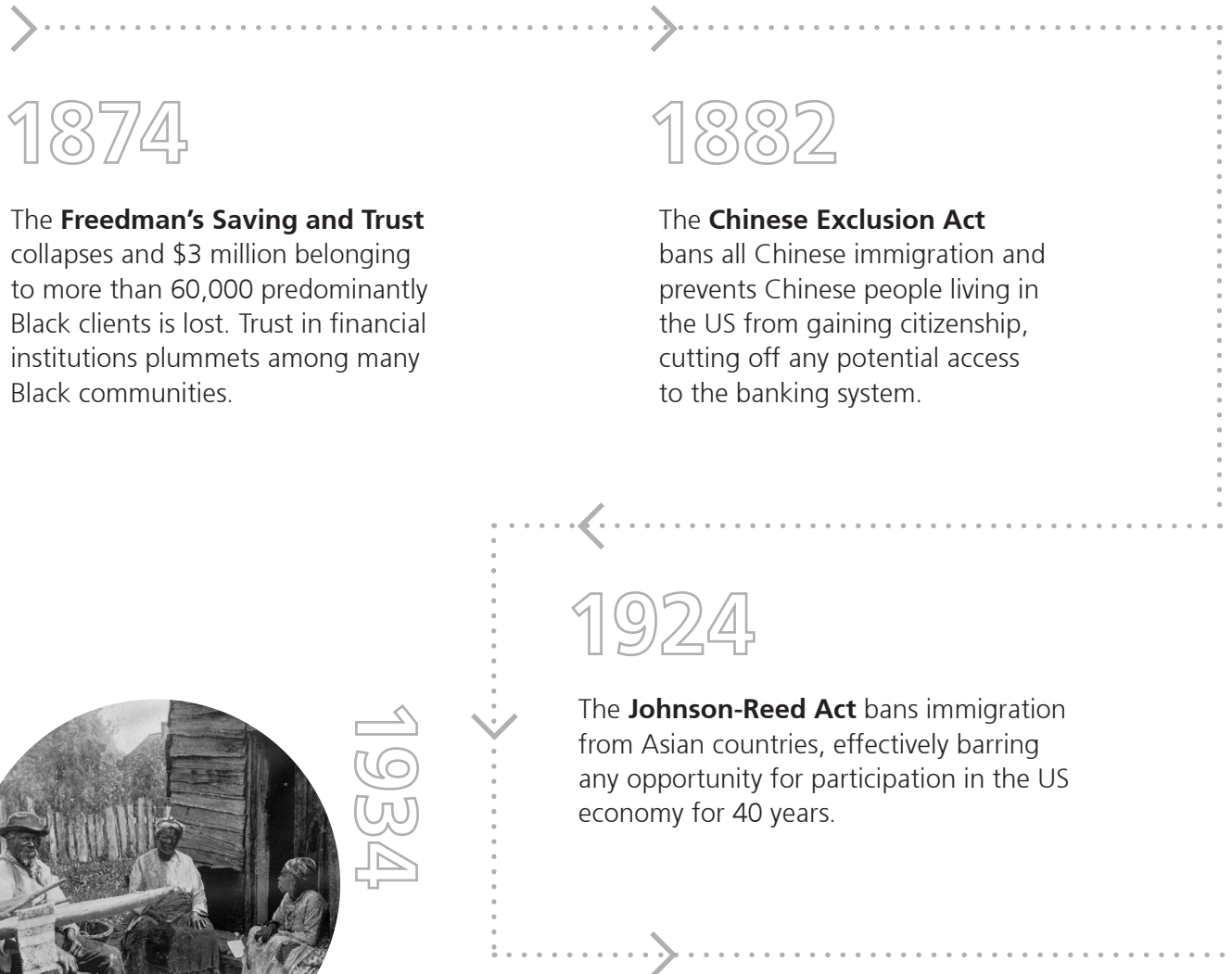
### Pass down a wealth mindset

Talking to your loved ones and heirs about money can be difficult and many are, understandably, hesitant. Because of unease about raising the topic, this is one of the most important family discussions that too frequently doesn't take place. But it is crucial that you have the conversation, communicating with loved ones and heirs about what you have and what your vision is for their future—and for future generations.

<sup>3</sup> UBS Wealth Way is an approach incorporating Liquidity, Longevity, Legacy, strategies that UBS Financial Services Inc. and our Financial Advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different time frames. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment. Time frames may vary. Strategies are subject to individual client goals, objectives and suitability.



# Select barriers and breakthroughs to multicultural wealth in the US



1874

The **Freedman's Saving and Trust** collapses and \$3 million belonging to more than 60,000 predominantly Black clients is lost. Trust in financial institutions plummets among many Black communities.

1882

The **Chinese Exclusion Act** bans all Chinese immigration and prevents Chinese people living in the US from gaining citizenship, cutting off any potential access to the banking system.

1924

The **Johnson-Reed Act** bans immigration from Asian countries, effectively barring any opportunity for participation in the US economy for 40 years.



1934

The **National Housing Act** formally ushers in redlining, a discriminatory practice that denies mortgage lending to Black, Hispanic and Latino homeowners and legalizes housing segregation across the country.

1935

The **Social Security Act** and **National Labor Relations Act** enshrine a safety net and labor protections for most American workers yet exclude the agricultural and domestic jobs where a majority of Black, Hispanic and Latino people work.



# 1968-77

The backbone of US consumer rights is established with the passage of laws including the **Consumer Credit Protection Act**, the **Fair Debt Collection Practices Act**, the **Fair Credit Reporting Act** and the **Equal Credit Opportunity Act**. Creditors are barred from discriminating on the basis of race, color, religion, national origin, sex, marital status or age.

1965



# 1975

The **SEC mandates deregulation** of brokerage commissions, paving the way for lower trading fees and democratizing access to investments.



The **Hart-Celler Immigration Act** abolishes the quota system that severely limited immigration from Asia, Eastern Europe and Africa. In the coming decades, tens of millions of immigrants would move to the US and become citizens, gaining *de facto* access to the banking system.



# 1988

The **Civil Liberties Act of 1988** authorizes a \$20,000 payment to each Japanese American who was incarcerated in US internment camps.



# 1942-46

**Executive Order 9066** establishes internment camps for the unjust incarceration of Japanese Americans during WWII. Japanese Americans lost property and belongings as they were forcibly removed from their homes.



2021

The **Infrastructure Investment and Jobs Act** expands and makes permanent the Minority Business and Development Agency, increasing programs to connect the more than nine million minority-owned US businesses with capital and markets.





## About the report

For this publication, UBS surveyed 5,188 investors from June 29, 2021 – February 9, 2022, who had at least \$1 million in investable assets. Investors identified as one or more of the following: Asian (1,082), Black (1,043), Hispanic or Latino (1,160) or Non-Hispanic White (1,903). Another 20 individuals were interviewed face to face. Names have been changed to protect the privacy of the individuals.

Given that our analysis aggregates data for broad and racial and ethnic cultural groups, it is important to recognize that US multicultural investors are not monolithic and within each aggregated group are unique cultures and experiences. For more information on cultural diversity in the US in general, please see below.

All data included in this report are based on UBS proprietary research unless otherwise noted.

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## Cultural diversity in the US

Analysis from Pew Research Center highlights the diversity found within US Black, Asian and Hispanic and Latino populations as of 2019.

**US Black population:**<sup>1</sup> Of the nearly 47 million Black Americans, one in 10 is born outside the US and are from the Caribbean (46%), Africa (42%) or another part of the world (12%) including Guyana, Mexico and Honduras. Ten Caribbean or African cultural groups account for two-thirds of the Black population born outside the US: Jamaican (16%), Haitian (15%), Nigerian (8%), Ethiopian (6%), Dominican (5%), Ghanaian (4%), Trinidadian and Tobagonian (4%), Kenyan (3%), Guyanese (2%) and Somalian (2%).

**US Asian population:**<sup>2</sup> A handful of cultural groups account for 85% of all 22 million Asian Americans including: Chinese (23%) and Taiwanese (1%), Indian (21%), Filipino (19%), Vietnamese

(10%), Korean (9%) and Japanese (7%). More than a dozen cultural groups account for the remaining 15% including Pakistani, Thai and Cambodian. Percentages do not total to 100 because individuals identifying with more than one Asian group were included in all groups.

**US Hispanic and Latino population:**<sup>3</sup> For the 60 million Hispanic and Latino Americans, the following cultural groups are represented: Mexican (62%), Puerto Rican (10%), Salvadoran (4%), Cuban (4%), Dominican (4%), Guatemalan (2%) and other groups (14%), including Columbian, Honduran, Spaniards, Ecuadorian, Peruvian, Nicaraguan, Venezuelan, Argentinian and Panamanian.

<sup>1</sup> Pew Research Center tabulations of the March 2019 Current Population Survey. Annual Social and Economic (ASEC) supplement (IPUMS). "One-in-Ten Black People Living in the U.S. Are Immigrants"

<sup>2</sup> Pew Research Center analysis of 2019 American Community Survey 1-year estimates (Census data)

<sup>3</sup> Pew Research Center tabulations of the 2017 American Community Survey (1% IPUMS)

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### Important information about brokerage and advisory services.

As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that you understand the ways in which we conduct business and that you carefully read the agreements and disclosures that we provide about the products or services we offer. For more information, please review the client relationship summary provided at [ubs.com/relationshipsummary](https://ubs.com/relationshipsummary).

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