Education and Financial Well Being for Native Americans

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Motivation and Context

• Little is known about patterns of financial well-being (FWB) for American Indians and Alaska Natives (AI/AN)

• “higher levels of financial fragility and distress than many other groups” Dewees and Mottola’s (2017)

• This study first to characterize FWB for this group
Research Questions

• How does the distribution of financial well-being for AI/AN individuals compare to that of other groups in the US?

• Does educational attainment have a distinct relationship with FWB for AI/AN individuals?

• Do financial capability, confidence or numeracy have distinct relationships with FWB?

• How do specific financial behaviors (e.g., student loans, home ownership) relate to FWB and education for AI/AN households?
Education is likely to affect FWB through several mechanisms.

1. Higher earnings, asset accumulation ↑ FWB
2. Costs of education ↓ FWB
3. Better financial skills, knowledge, or capabilities ↑ FWB.
4. Other indirect channels (e.g., health) most are likely to ↑ FWB
5. More educated also typically have families with more resources, greater safety net
Data

- Understanding America Survey—N=6,846 with 386 AI/AN
- Internet based survey--most survey waves from 2015, financial capability from 2014
- **FWB** is the 10 item CFPB scale score
- **Financial capability** is same measure used in the National Financial Capability Study
- **Income and assets** are measured at HH level. Assets are net assets.
Distribution of FWB by Education level

1=Insecure (FWB <=40)
2=Struggling (41-50)
3=Stable (51-60)
4=Secure (FWB 61+)

1=Insecure (FWB up to 40), 2=Struggling (FWB 41-50), 3=Stable (FWB 51-60), 4=Secure(FWB 60+)
Distribution of FWB by Education level

Those with less than high school degree have relatively similar FWB.
Distribution of FWB by Education level

Larger gaps for those with college

Legend:
- AI/AN
- Non-AI/AN

1 = Insecure (FWB up to 40), 2 = Struggling (FWB 41-50), 3 = Stable (FWB 51-60), 4 = Secure (FWB 60+)
Empirical Approach

- Raw differences may be due to differences in characteristics

\[ FWB_{i,s} = \beta_0 + \beta_1 AIAN_i + \beta_2 Educ_i + \beta_3 AIAN^*Educ_i + \beta_4 X_i + State_s + u_{i,s} \]

- X includes exogenous chars: age, age2, male, born in US
- State fixed effects
- Focus on \( \beta_1, \beta_2, \beta_3 \)
Empirical Approach

\[ \beta_1 = \text{difference in average FWB for AI/AN not explained by differences in age, male, state} \]
Empirical Approach

\[ \beta_1 = \text{difference in average FWB for AI/AN not explained by differences in age, male, state} \]

Slope = \( \beta_2 \) = How does FWB change with more education?

\[ \beta_3 = \text{difference in slopes—Does education have a different impact for AI/AN?} \]
Empirical Approach

control for earnings, assets, financial skills

the line flattens

Predicted at average age, male, born in US, state mix.
Empirical Approach

Still sloping up?
Other things explain association between FWB and education

Predicted at average age, male, born in US, state mix.
Adjusted Average FWB by Education Level (Bars represent 95% confidence intervals)

Predicted at average age, male, born in US, state mix.
Accounting for Income and Assets

Predicted at average age, male, born in US, state mix, HH income, HH assets.
Accounting for Income and Assets

These lines have converged and are flatter—individuals with same income and assets have same FWB whether or not Al/AN and whether or not have HS degree
Non AI/AN individuals with college education have higher FWB than counterparts with same income and assets but no college.

Less true for AI/AN
Accounting for Income and Fin. Capability

Predicted at average age, male, born in US, state mix, HH income, financial capability and numeracy.
## Association of Financial Behaviors and FWB

<table>
<thead>
<tr>
<th></th>
<th>White</th>
<th>AI/AN</th>
<th>Black</th>
<th>Hispanic</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<tr>
<td><strong>Current Student Loan</strong></td>
<td>-5.516***</td>
<td>-2.236</td>
<td>-3.394*</td>
<td>-5.053**</td>
</tr>
<tr>
<td></td>
<td>(0.698)</td>
<td>(1.655)</td>
<td>(1.405)</td>
<td>(1.540)</td>
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<tr>
<td><strong>Payday Loan Last 3 years</strong></td>
<td>-6.444***</td>
<td>-7.578***</td>
<td>-4.870**</td>
<td>-4.021*</td>
</tr>
<tr>
<td></td>
<td>(1.023)</td>
<td>(2.227)</td>
<td>(1.567)</td>
<td>(1.891)</td>
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<tr>
<td><strong>Own Bank Account</strong></td>
<td>1.256+</td>
<td>0.718</td>
<td>2.791+</td>
<td>0.706</td>
</tr>
<tr>
<td></td>
<td>(0.683)</td>
<td>(1.490)</td>
<td>(1.423)</td>
<td>(1.366)</td>
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<tr>
<td><strong>Own Home</strong></td>
<td>2.731+</td>
<td>4.359**</td>
<td>4.854***</td>
<td>4.277***</td>
</tr>
<tr>
<td></td>
<td>(1.397)</td>
<td>(1.479)</td>
<td>(1.380)</td>
<td>(0.540)</td>
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Regressions include age, age2, male, born in US, education level, state fixed effects.
Summary of Findings

• FWB is lower for AI/AN than for other groups

• Although education is associated with higher FWB, AI/AN have a smaller increase in FWB associated with college education

• This differential association is not explained by income, assets, financial capability, or numeracy

• Some college in particular confers little gains
Summary of Findings

Highlights the role of other factors associated with education that affect FWB

• Higher costs of education for AI/AN students?
• Differences in quality of institutions?
• Less family financial support? (Fewer bequests/lower support during shocks?)
• Are more educated AI/AN more likely to support other AI/AN family/community members?
• Lower association with other protective factors?