

Education and Financial Well Being for Native Americans

Dr. Christiana Stoddard

Dept. of Ag. Economics and Economics

Montana State University

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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?

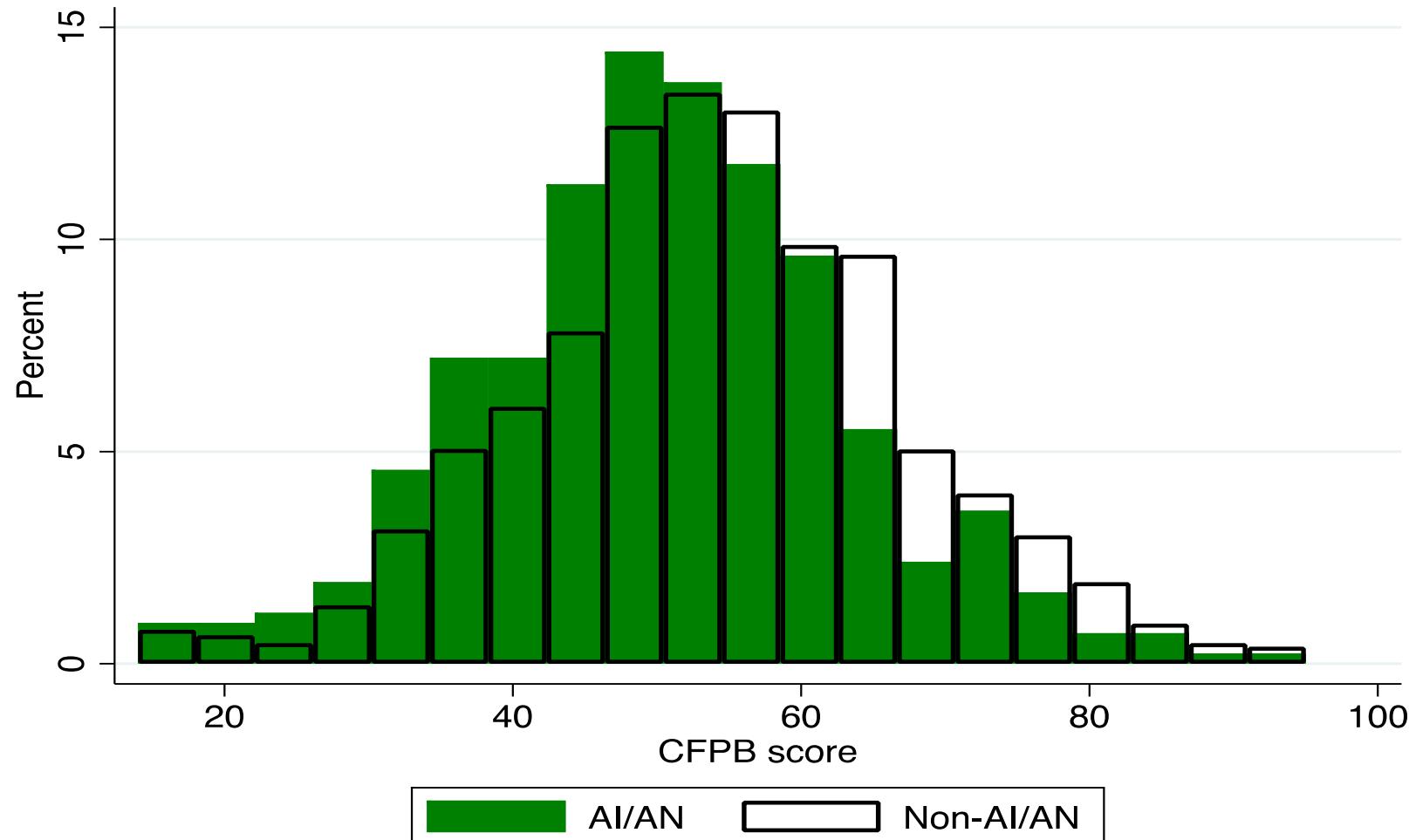
Education is likely to affect FWB through several mechanisms.

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

Data

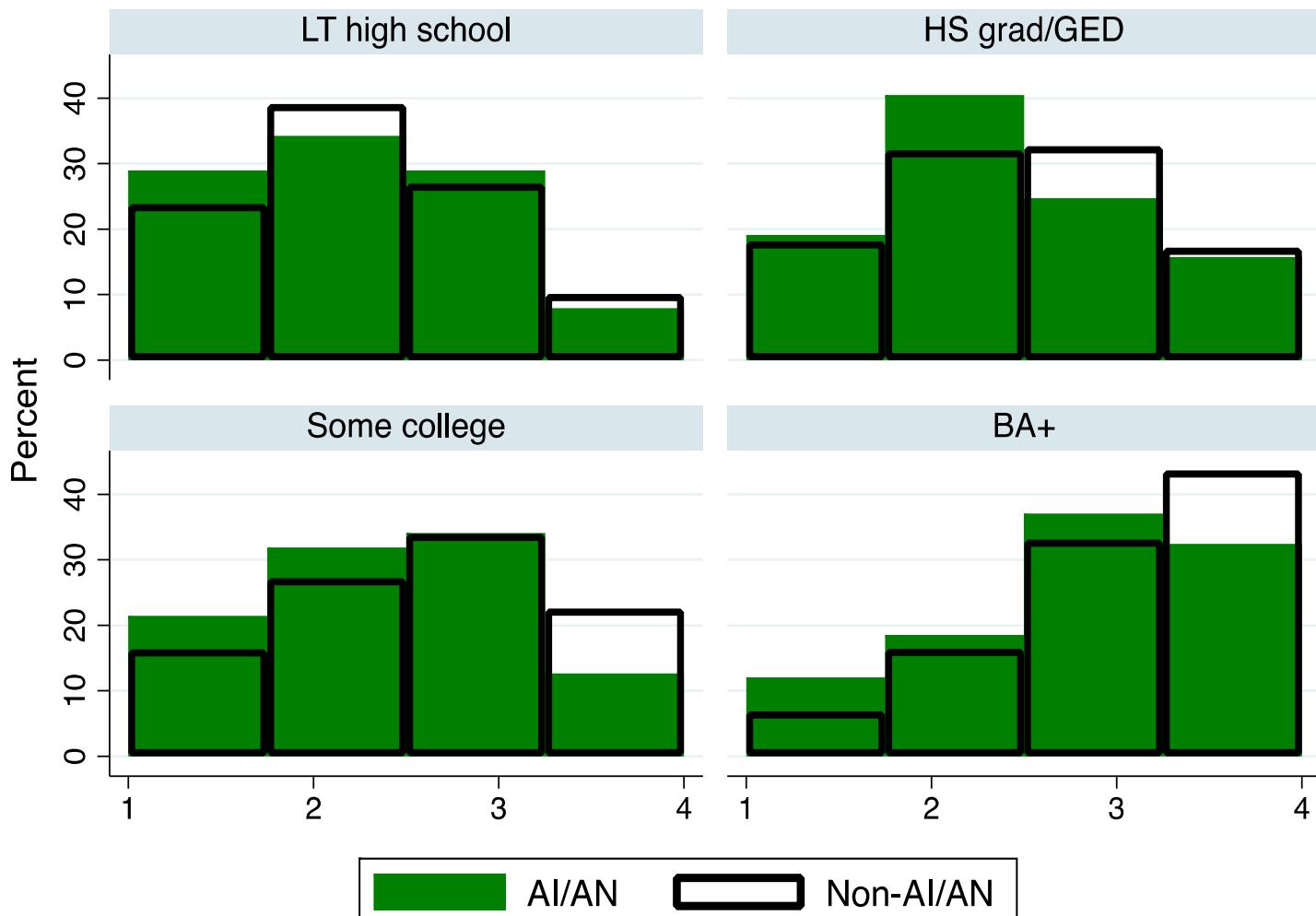
- Understanding America Survey—N=6,846 with 386 AI/AN
- Internet based survey--most survey waves from 2015, financial capability from 2014
- **FWB** is the 10 item CFPB scale score
- **Financial capability** is same measure used in the National Financial Capability Study
- **Income and assets** are measured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

Raw Distribution of FWB



Distribution of FWB by Education level

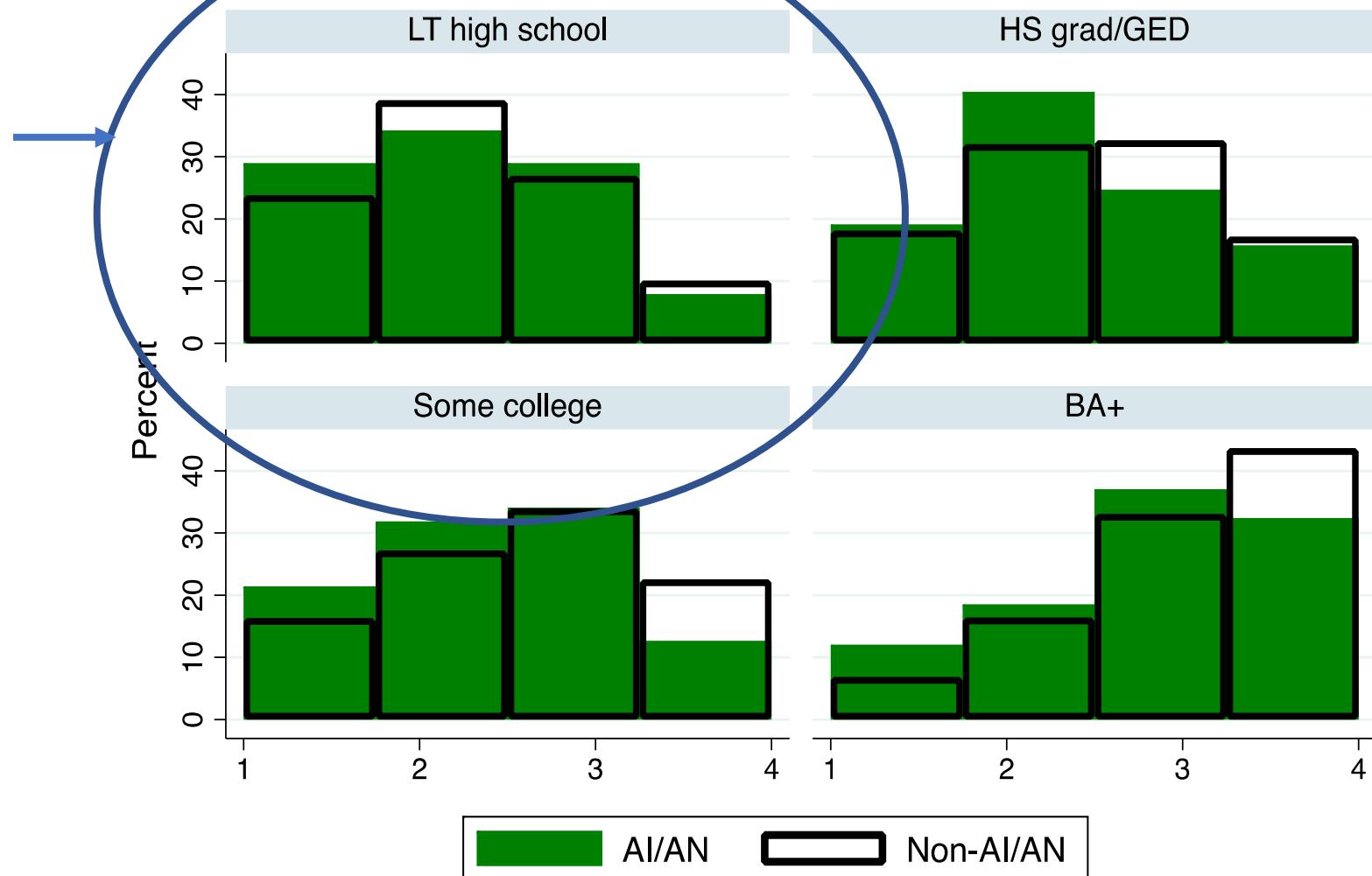
- 1=Insecure (FWB <=40)
- 2=Struggling (41-50)
- 3=Stable (51-60)
- 4=Secure (FWB 61+)



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

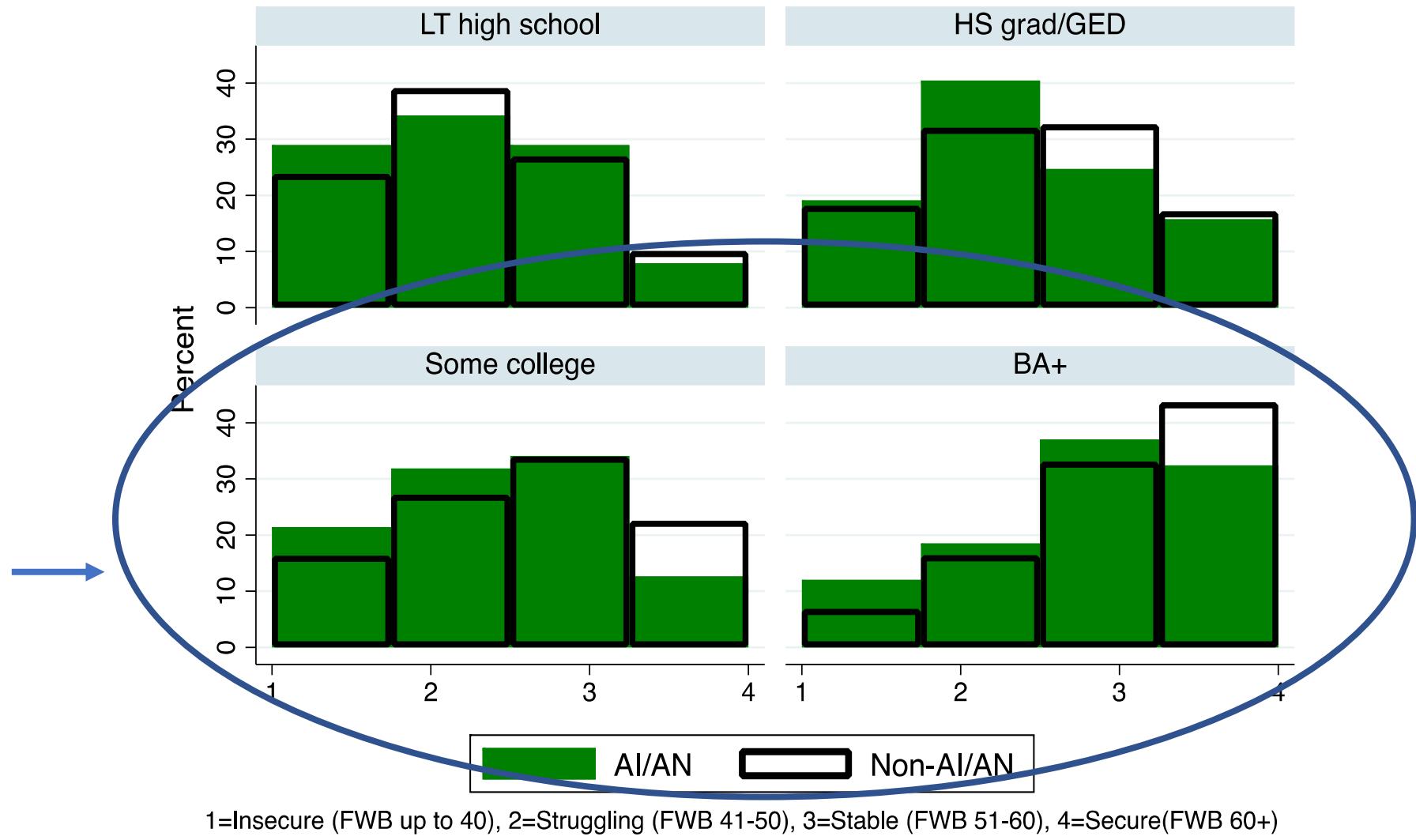
Those with less than high school degree have relatively similar FWB



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

Larger gaps for those with college



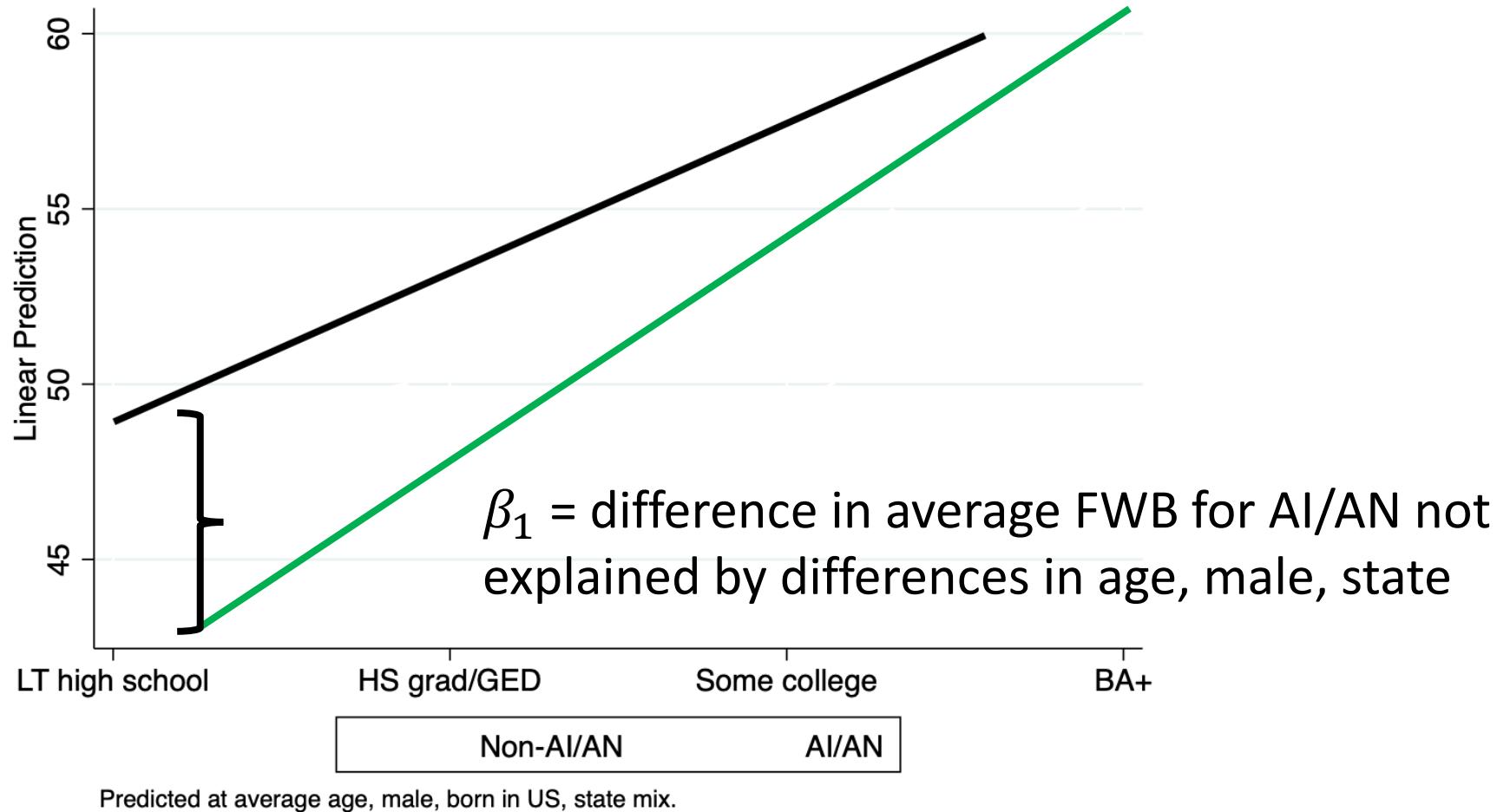
Empirical Approach

- Raw differences may be due to differences in characteristics

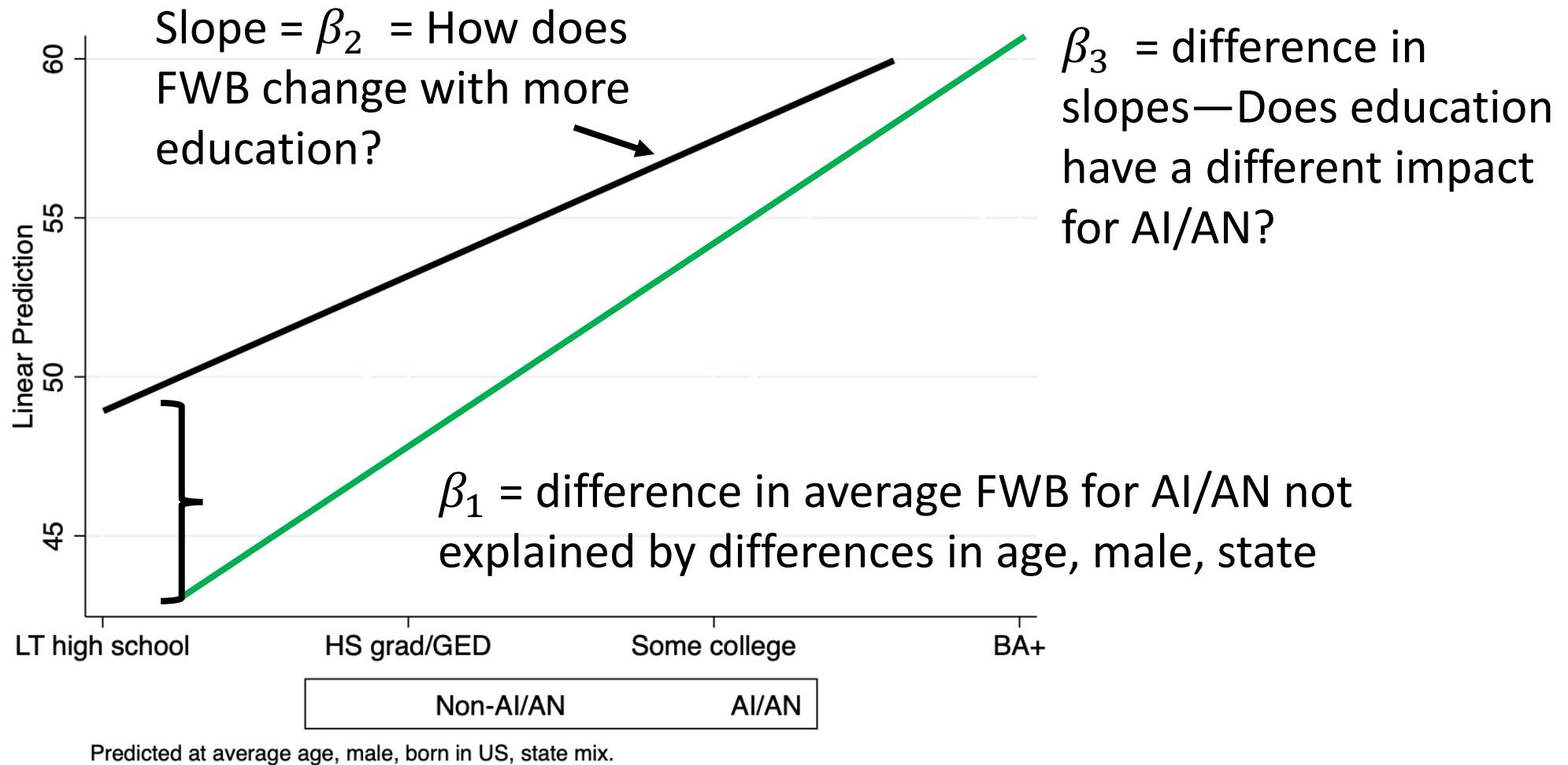
$$FWB_{i,s} = \beta_0 + \beta_1 AIAN_i + \beta_2 Educ_i + \beta_3 AIAN * Educ_i + \beta_4 X_i + State_s + u_{i,s}$$

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

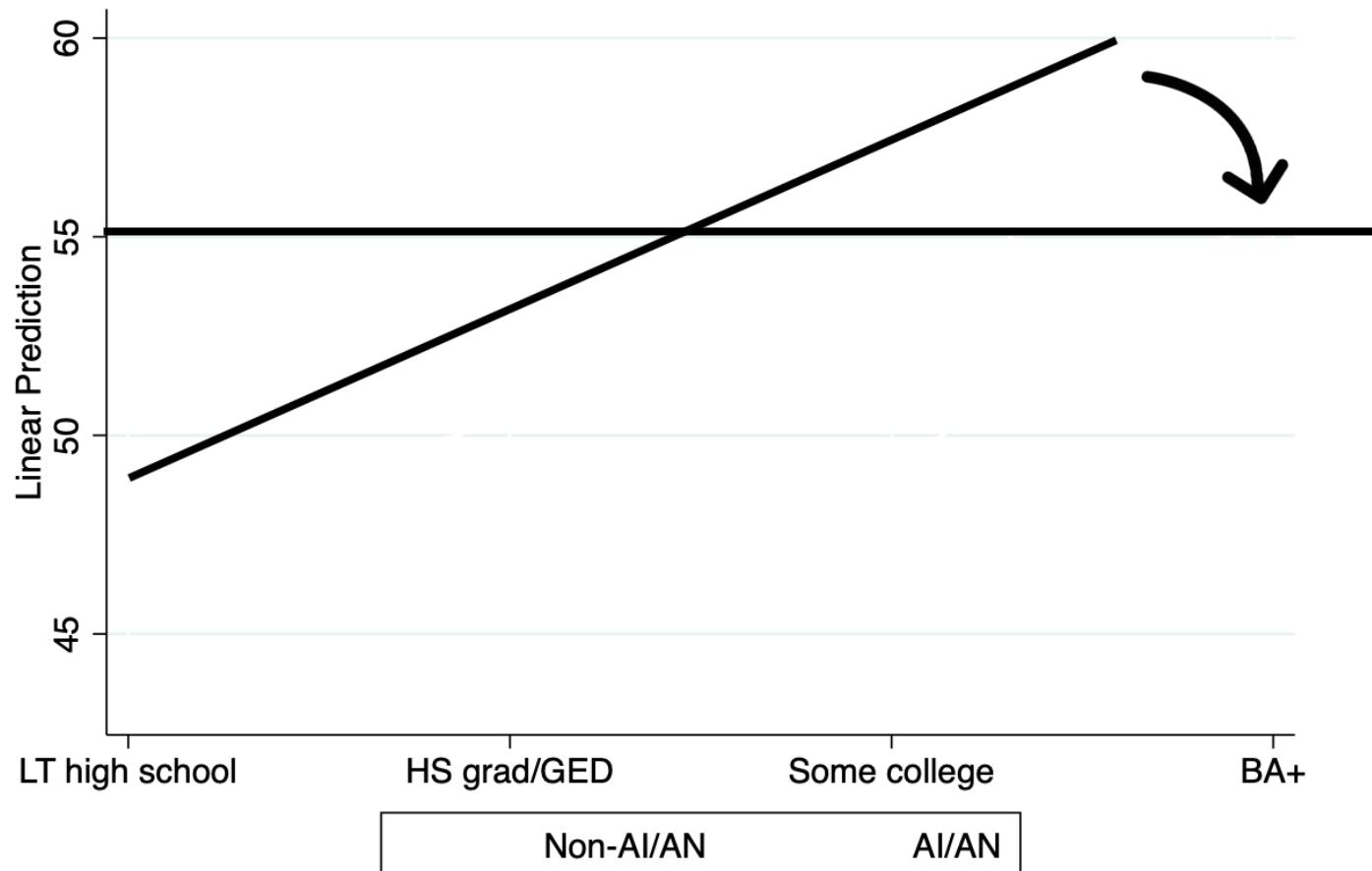
Empirical Approach



Empirical Approach



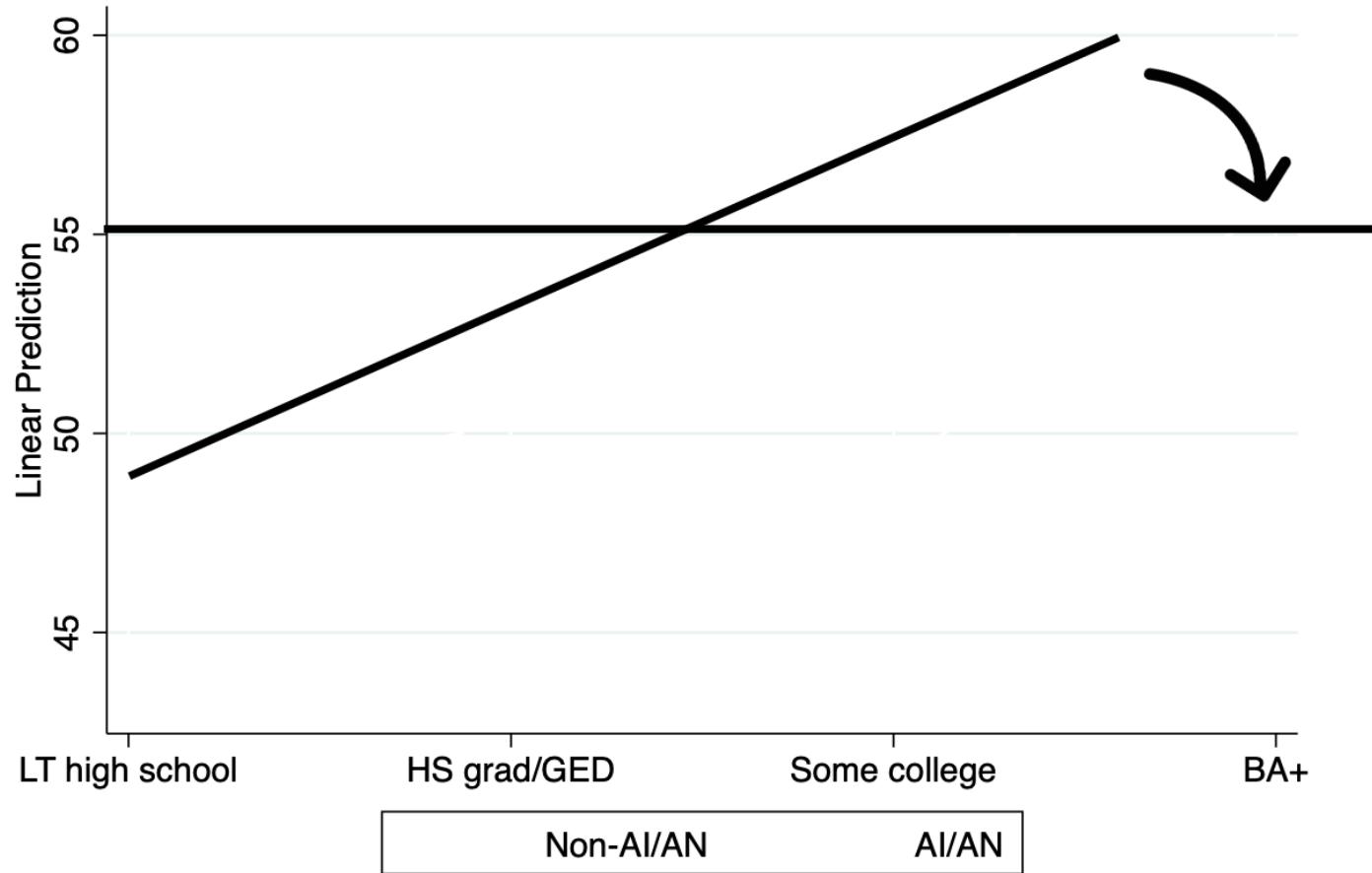
Empirical Approach



control for earnings,
assets, financial skills

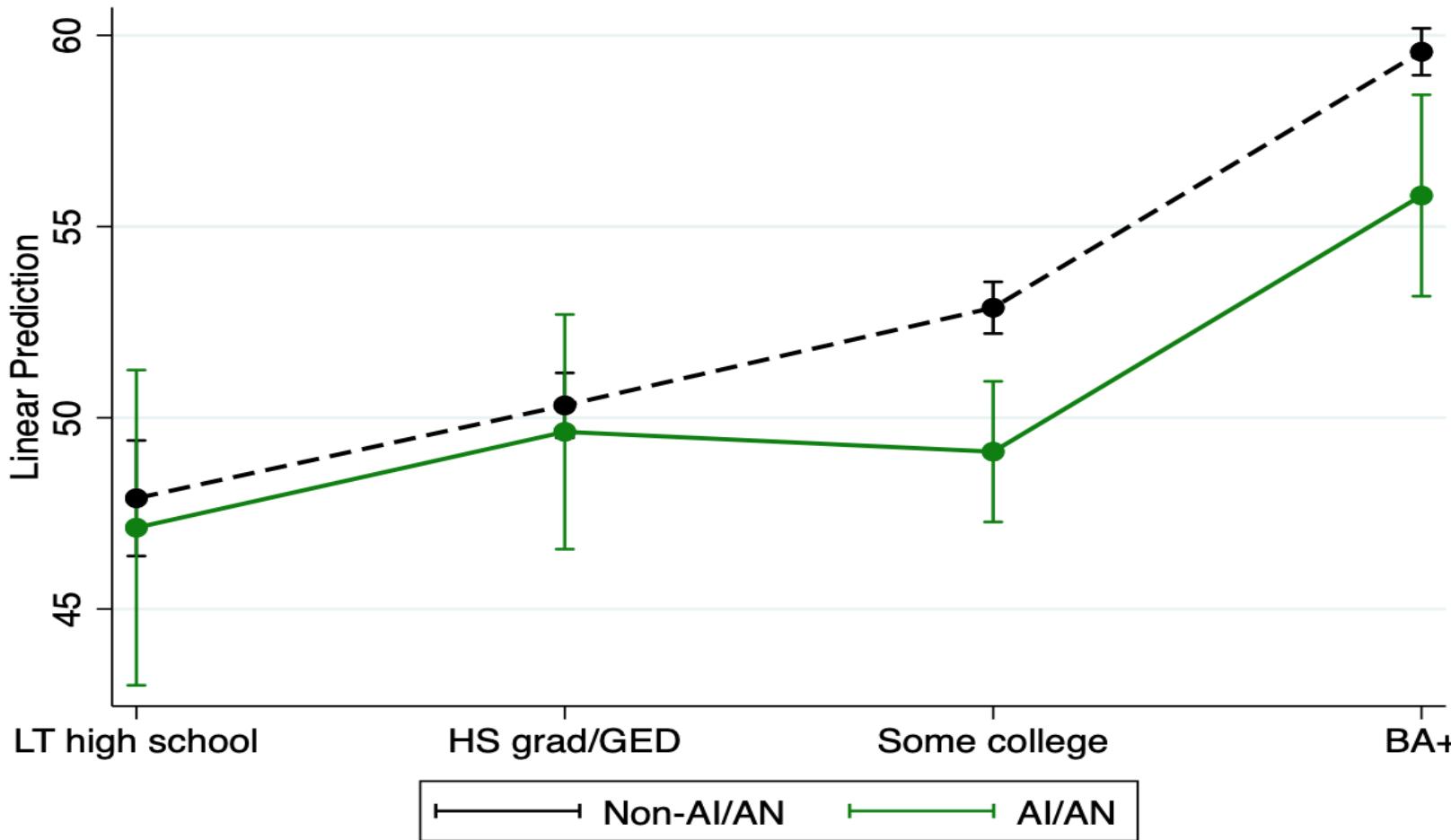
the line flattens

Empirical Approach

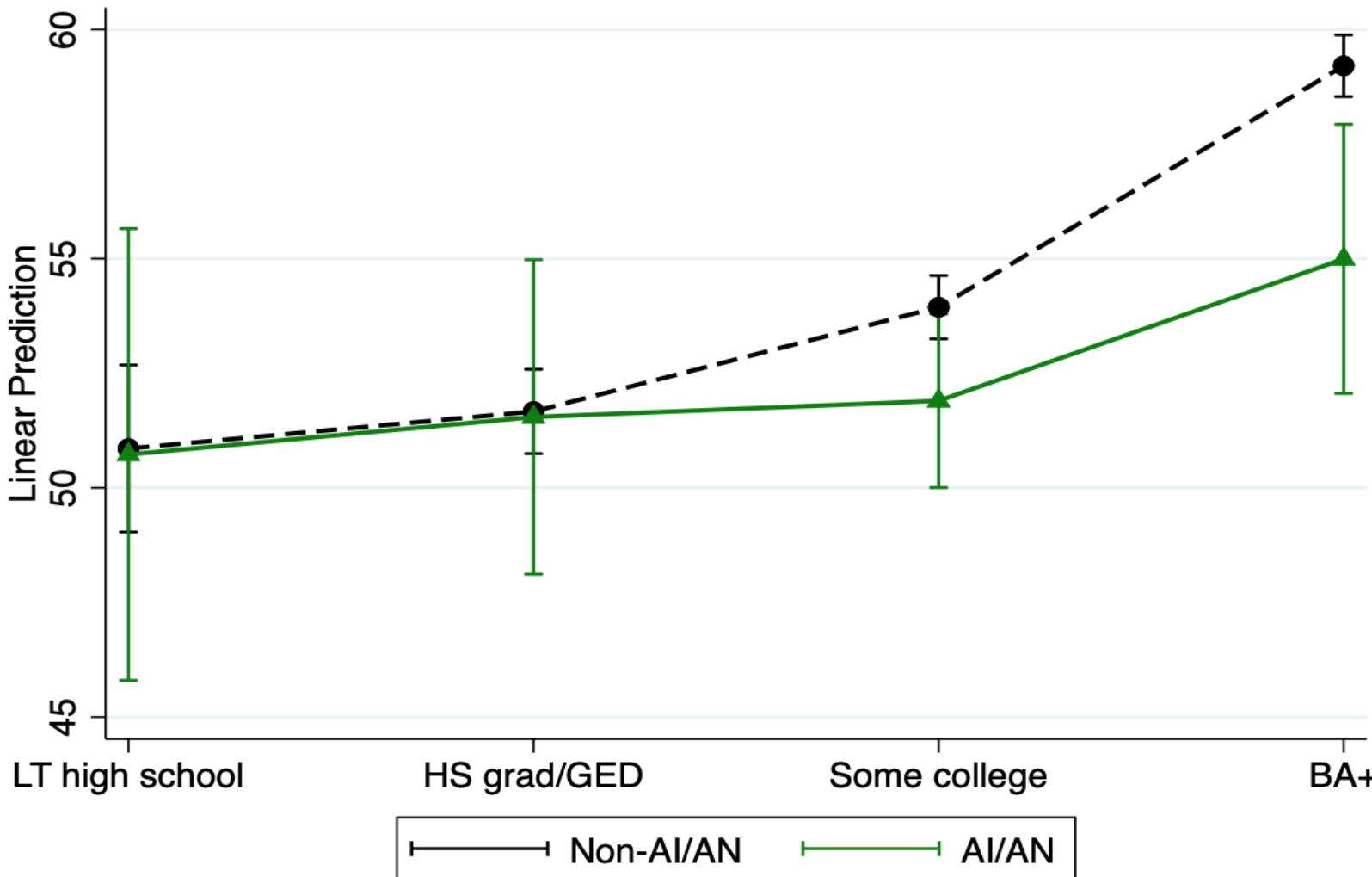


Still sloping up?
Other things explain
association between
FWB and education

Adjusted Average FWB by Education Level (Bars represent 95% confidence intervals)

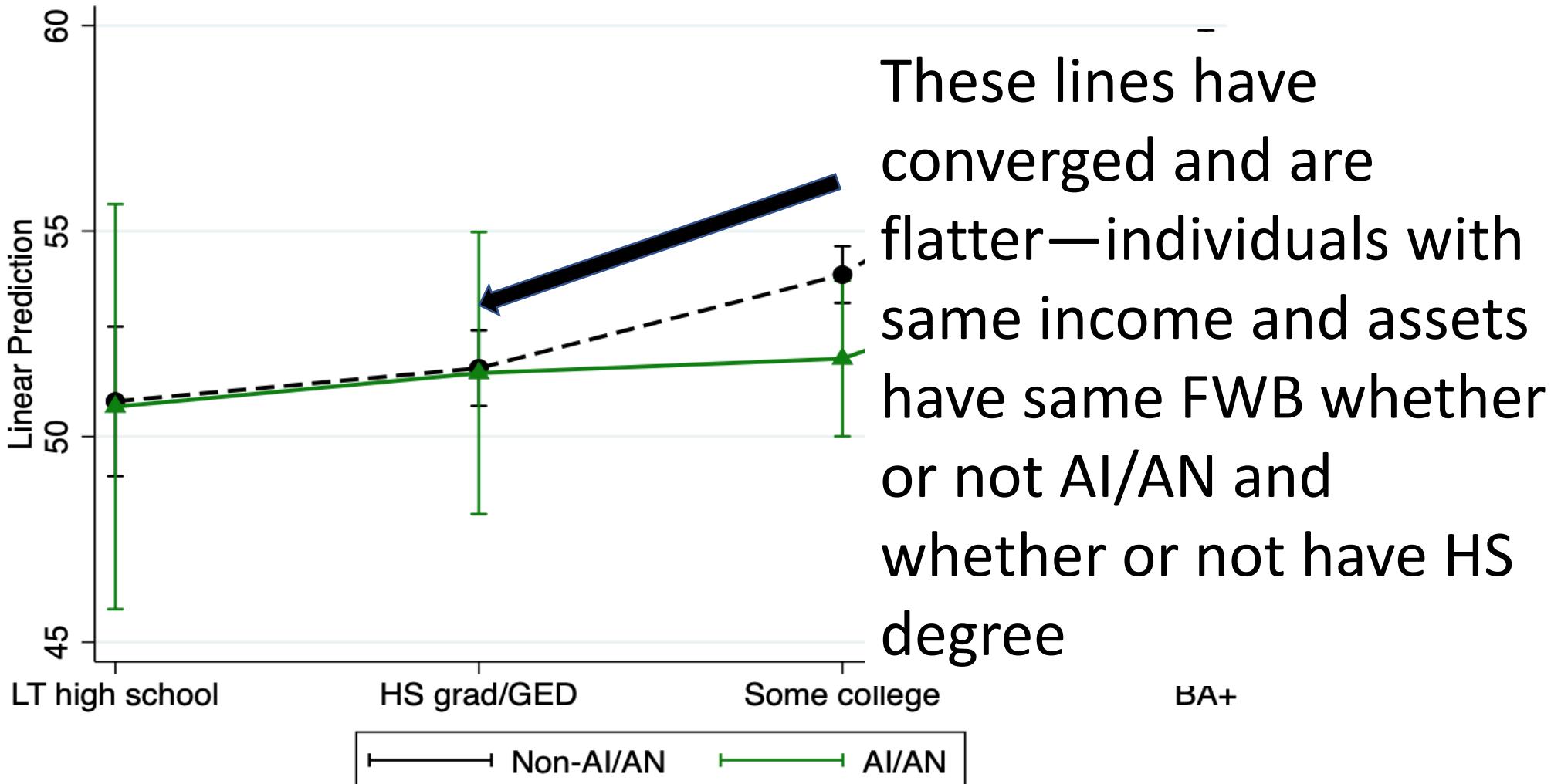


Accounting for Income and Assets



Predicted at average age, male, born in US, state mix, HH income, HH assets.

Accounting for Income and Assets

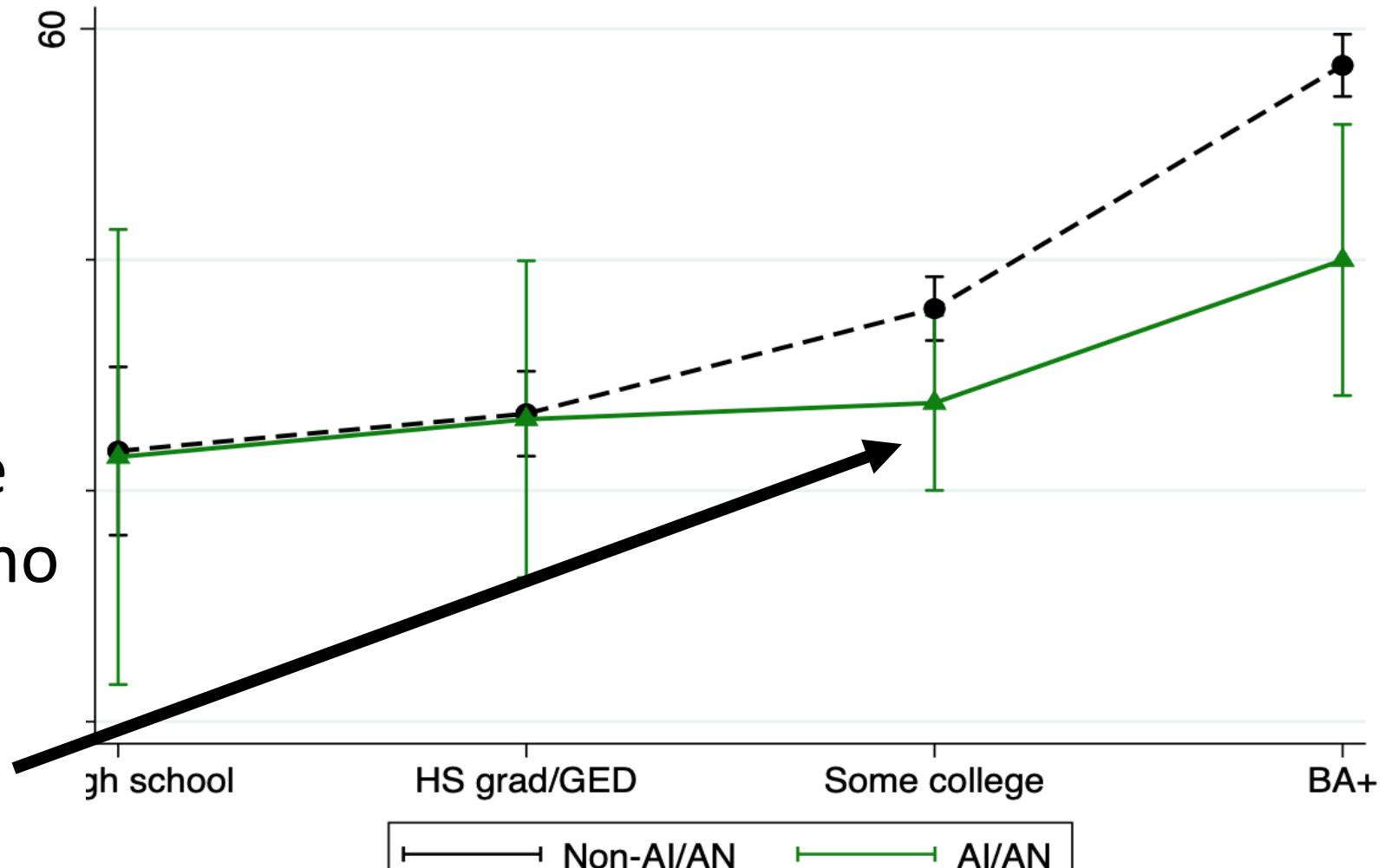


Predicted at average age, male, born in US, state mix, HH income, HH assets.

Accounting for Income and Assets

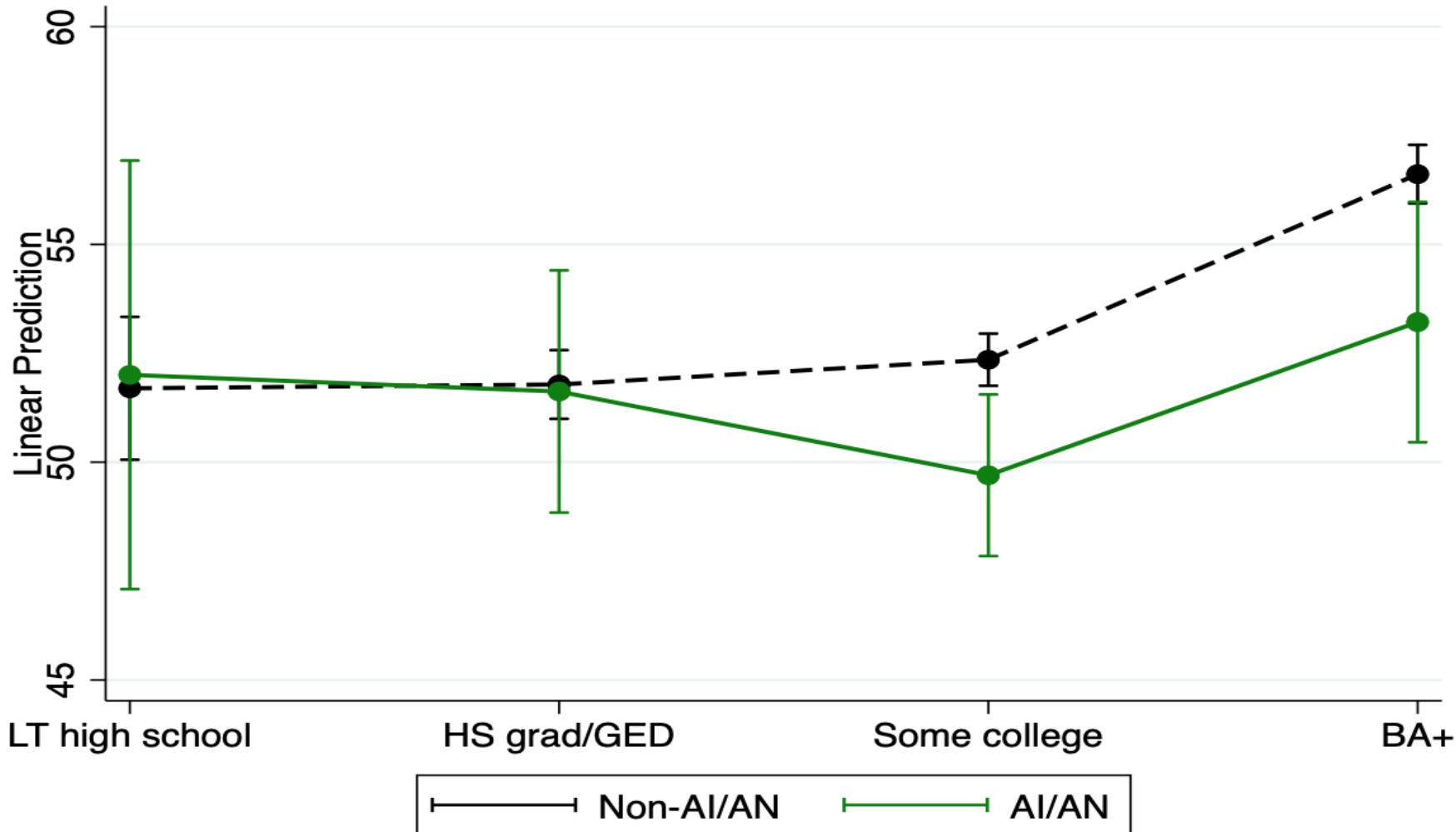
Non AI/AN individuals with college education have higher FWB than counterparts with same income and assets but no college.

Less true for AI/AN



Predicted at average age, male, born in US, state mix, HH income, HH assets.

Accounting for Income and Fin. Capability



Association of Financial Behaviors and FWB

| | White | AI/AN | Black | Hispanic |
|-------------------------------------|----------------------|----------------------|---------------------|---------------------|
| Current Student Loan | -5.516*** (0.698) | -2.236 (1.655) | -3.394* (1.405) | -5.053** (1.540) |
| Payday Loan Last 3 years | -6.444*** (1.023) | -7.578*** (2.227) | -4.870** (1.567) | -4.021* (1.891) |
| Own Bank Account | 1.256+ (0.683) | 0.718 (1.490) | 2.791+ (1.423) | 0.706 (1.366) |
| Own Home | 2.731+ (1.397) | 4.359** (1.479) | 4.854*** (1.380) | 4.277*** (0.540) |

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?