

Transforming Viewpoints

Exploring wealth in the AAPI community

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Key takeaways

- Recently, Merrill Wealth Management published, "Diverse Viewpoints: Exploring Wealth in the AAPI Community," a study examining affluent Asian Americans and Pacific Islanders (AAPI).
- While the AAPI community accounts for 7% of the US population, it represents 10% of the country's affluent population. And the community is growing. In fact, the AAPI population grew by more than 38% in the past decade, making it the fastest growing minority community in the country.
- The study aims to better understand how individuals in the AAPI community achieve success and grow their wealth, along with their motivations, priorities and goals for the future.

A spotlight on the AAPI community

In the melting pot of cultures that make up the United States, members of the Asian American Pacific Islander (AAPI) community encompass a broad range of diversity — representing approximately 50 ethnic communities from more than 40 countries around the world. There are currently more than 25 million Asian Americans and Pacific Islanders living in the US, accounting for roughly 7% of the population and the AAPI population grew by more than 38% in the past decade, making it the fastest growing minority community in the country.

In recent years, the number of affluent AAPI has been growing and the community now represents 10% of the country's affluent population (defined as having a household income of at least \$100,000).

Recently, Merrill Wealth Management set out to get a better understanding of the diverse populations that make up our communities through [Diverse Viewpoints: Exploring Wealth in the AAPI Community](#), a study examining affluent Asian Americans and Pacific Islanders (AAPI). The Diverse Viewpoints study can serve as a starting point in important conversations, deeper relationships and more inclusive experiences. For AAPI communities, that begins with considering deeply held motivations like taking care of their families in the US and abroad, a desire for stability that often results in risk aversion, and a quest for life-long learning and new experiences.

Family at the cornerstone

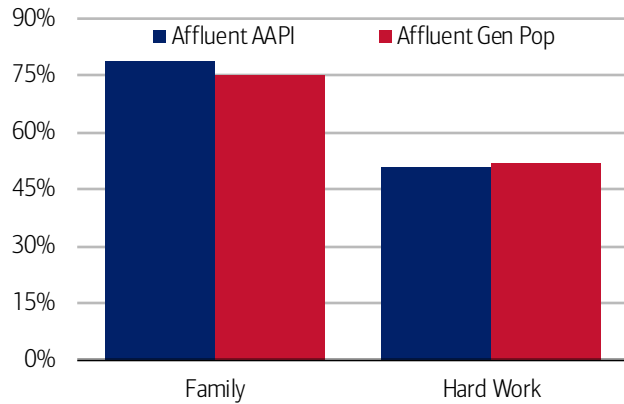
Knowing how AAPI communities value family — and how the definition of family evolves over time — lends a new layer of understanding to the responsibilities and stresses they face. For AAPI communities, the commitment to supporting family extends beyond partners and children and includes aging parents, family who live overseas, and for some, their local or regional communities. The study revealed that affluent AAPI communities are more likely than the affluent general population to provide financial support for extended family and to prioritize anyone they view as part of this inner circle (Exhibit 1).

However, while this responsibility is seen as a core part of their identity, it's also a source of financial stress, with many describing it as a worry that's top of mind. That may be because affluent AAPI are two to three times more likely to feel obligated to financially assist aging parents or support family members in another country.

Of course, there were nuanced views on this topic among AAPI communities, and affluent Filipino and Indian respondents felt the most strongly about providing financial support to help aging parents or family members in another country (Exhibit 2).

Exhibit 1: Most important life aspects (% identifying category in top 3)

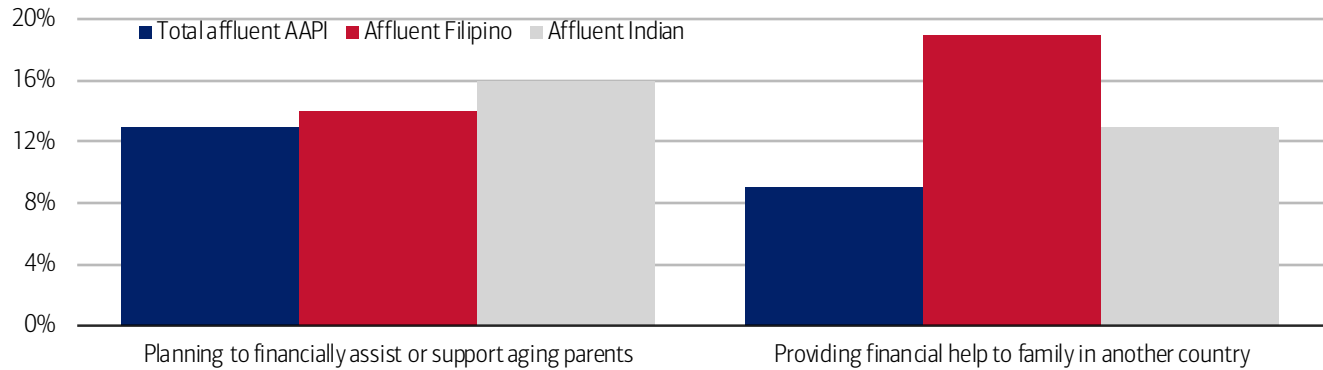
Affluent AAPI individuals ranked family as one of the most important life aspects



Source: Merrill Diverse Viewpoints: Exploring Wealth in the AAPI Community

Exhibit 2: Share of affluent AAPI communities who plan to offer financial support to parents or other family overseas (%)

Affluent Filipino and Indian respondents felt the most strongly about providing financial support to aging parents or family in another country

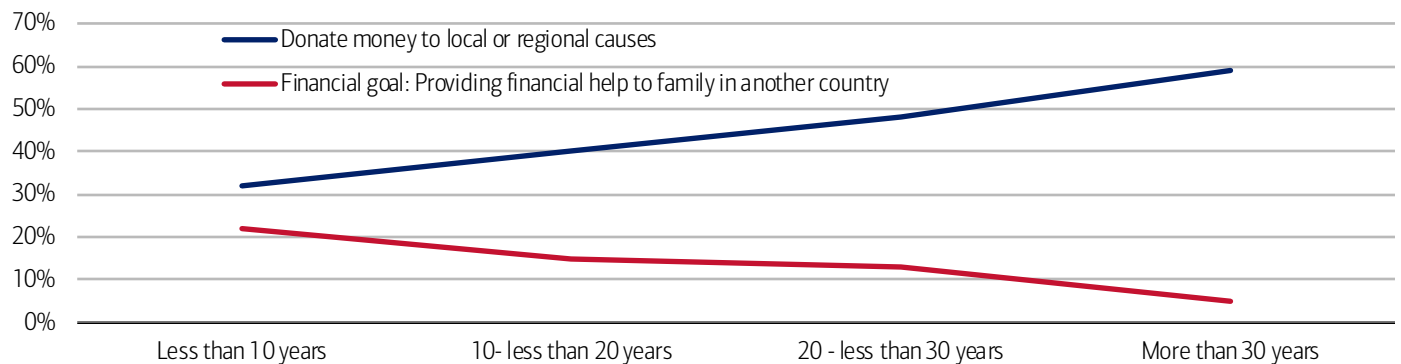


Source: Merrill Diverse Viewpoints: Exploring Wealth in the AAPI Community

While the commitment to supporting family doesn't dissipate the longer a member of the AAPI community lives in the US, the definition of the extended family does eventually begin to evolve — resulting in a significant shift in where financial support is provided. As affluent AAPI individuals become more rooted in America, they focus more on their local and regional communities, and in turn, financial support for these communities increases over time. (Exhibit 3)

Exhibit 3: Proportion of the AAPI community who donate money locally/regionally versus providing family help overseas by length of stay in US (%)

As AAPI individuals become more rooted in America, they focus more on their local and regional communities, and financial support for these communities increases over time



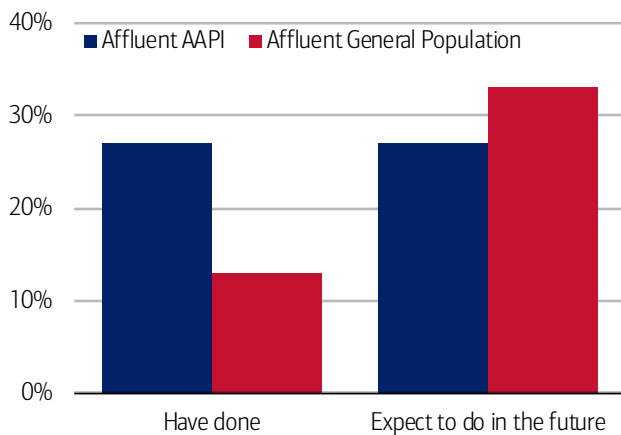
Source: Merrill Diverse Viewpoints: Exploring Wealth in the AAPI Community

Entrepreneurial generational shift

Findings from the study show that affluent members of the AAPI community are also more likely to own their own businesses than the general population, with affluent Filipino respondents being the most likely to have their own business or expect to start one. While entrepreneurship may be indicative of the AAPI tendency toward self-reliance, the choice is also highly influenced by the availability of other opportunities. Older generations who immigrated to the US had few career options at the time, and new transplants often face a similar lack of choices, so business ownership is a bigger focus. In fact, affluent AAPI individuals who've lived in the US for five years or less are more than twice as likely to open shop for themselves as those who are American born.

Exhibit 4: Likelihood of starting own business amongst AAPI and general population (%)

AAPI are more likely to start their own business



Source: Merrill Diverse Viewpoints: Exploring Wealth in the AAPI Community

As more career options are available for both American-born and younger generations, the desire for entrepreneurship wanes. Today, just 37% of affluent AAPI between the ages of 20 and 54 expect to start their own businesses, compared to 61% of the affluent general population in the same age group.

But even as the desire for entrepreneurship decreases within the AAPI community, the importance of self-reliance remains constant among all age groups and continues to be passed down from older generations to younger. Recognizing the ingrained and even unconscious nature of this sentiment opens the door for collaborative financial partnerships built on trust, where guidance and advice are offered without stepping on the individual need for independence.

Hands-on approach to finances

Members of AAPI communities often endure serious hardships and make difficult sacrifices for the sake of their future. As a result, many expressed a deep-seated desire to be self-sufficient and do as much as they can on their own. According to the study this push to be self-reliant was driven by a variety of different reasons, including needing to protect themselves from risk, to wanting to avoid extra costs and save money wherever possible.

According to the study, this desire for affluent members of the AAPI community to be actively involved in their own success was shared across ages and revealed itself in myriad ways, from preferring to make their own financial and investment decisions to taking a self-directed approach to learning.

Track record of achievement

Another hallmark that stood out within the study was that AAPI communities put a strong emphasis on achievement as a marker for success. Many affluent respondents indicated that not only is achievement the primary way they measure their own success but having an established track record also influences how they perceive others' success — impacting both credibility and trust. This viewpoint is especially prominent among the affluent Chinese, who tend to be highly selective when deciding whom to trust, which they believe not only ensures their financial security and growth, but it also provides a sense of self-assurance.

Another nuance uncovered by the study showed that the importance of an established track record extends beyond individuals to institutions. While this was true for all affluent AAPI communities — with 59% placing trust in large financial institutions — affluent Japanese individuals showed even higher levels of trust in well-established financial companies that had proven records of success.

Stability: Cultural, emotional, financial

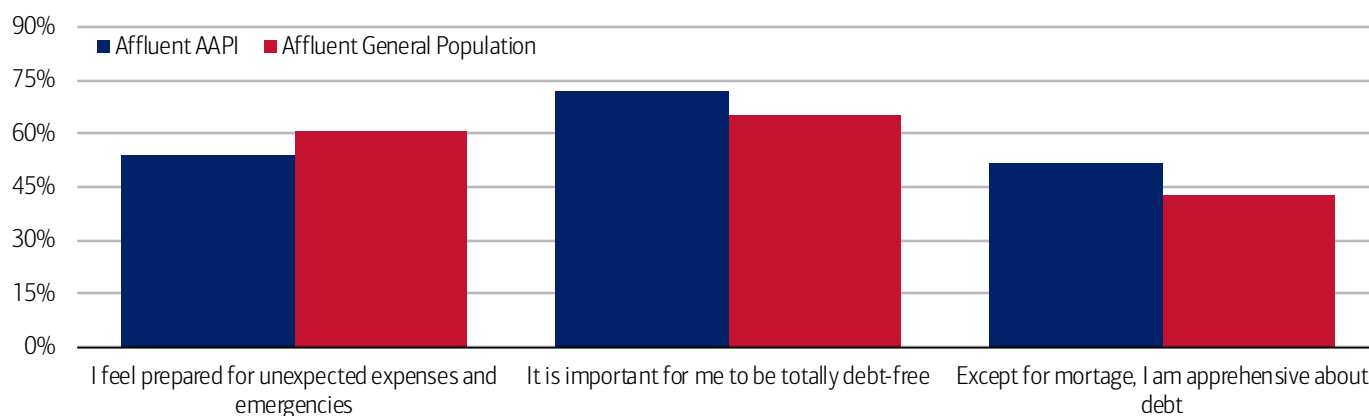
For AAPI transplants who have expressed a deep obligation to support their families and generally place a strong emphasis on achievement, feelings of instability can be particularly challenging to handle. The study revealed a universal desire in the affluent AAPI community to reestablish a sense of stability, with a particular focus on frugality and building savings in order to feel financially secure.

The concept of thriftiness is often instilled in now-affluent AAPI children at a young age. Many respondents shared that the sacrifices their parents made in order to build wealth were top of mind, and 69% of affluent AAPI individuals agreed they don't take wealth for granted. This is especially true for those who were born in other countries, but as a whole, the AAPI community is much more likely to live frugally and focus on saving compared to the general population.

Throughout the study, affluent AAPI individuals also shared that constantly anticipating unexpected expenses or financial curveballs keeps them from ever feeling prepared. This may explain why they're more likely to avoid risky financial situations and debt, and also comes to life in more risk-averse choices for investments, with many affluent members of AAPI communities preferring tangible investments such as real estate/homes.

Exhibit 5: Attitudes around debt and unexpected expenses amongst AAPI and general population (% of relevant group)

AAPI feel less prepared for unexpected expenses and more likely to avoid debt



Source: Merrill Diverse Viewpoints: Exploring Wealth in the AAPI Community

Generational influence

The urge to save among many affluent AAPI individuals is typically driven by a desire to reduce risk and build a safety net. Older generations are particularly risk averse with 57% of respondents aged 55-75 expressing apprehension around debt. For younger generations, however, saving and living frugally is still a priority, with almost half (48%) of those aged 20-54 noting that except for a mortgage, they too, are apprehensive about debt – a concern likely rooted in a spirit of thriftiness passed down through the family. In fact, many respondents (49%) credit their parents' saving habits and frugal behaviors for positively influencing their own approaches.

Life-long learning and growth

Another common theme throughout the study was an interest in continuous learning and growth. In fact, over one quarter (26%) of respondents noted that their desire to learn new things, visit new places and have new experiences is a top life motivator.

This emphasis on life-long learning also translated to a high importance placed on higher education for children. The study found that nearly 50% more affluent members of AAPI communities prioritize the need to pay for their children's education compared to the affluent general population.

While this quest for learning wasn't limited to any specific subject, the study did find that many affluent AAPI individuals were highly invested in growth and learning related to financial topics, particularly in comparison to the general population. This interest in learning how to better manage their finances may be driven in part by the fact that only 40% of AAPI respondents consider themselves financially savvy compared to the 44% of the general population that do.

A note on terminology and confirmation bias

In an effort to use terms that feel inclusive and are considerate of individual preferences, we use “AAPI” — which more adequately represents these communities as a whole. AAPI is typically used to include all people of Asian, Asian American, or Pacific Islander descent. However, we acknowledge that the term as used in our research may not capture all nuances in detail throughout this whitepaper.

Confirmation bias is a well-studied human tendency to embrace information that confirms pre-existing ideas, perspectives, or personal experiences and ignore or reject information that contradicts our views and beliefs. We encourage readers to approach the stories and data shared in this paper with an open mind.

Methodology

Ipsos conducted multiple waves of research from 2019 to 2022, employing a variety of research methodologies, starting out by interviewing Merrill stakeholders who serve and represent the diverse communities covered within this report. In parallel, they synthesized and reviewed an array of publications and academic research on the topics of diversity, wealth and inclusion in financial services and beyond. The Quantitative research was conducted from April to May 2022 in which Ipsos spoke with n=745+ members of the AAPI community and compared them to a representative sample of the n=150 respondents from the affluent general population.

Contributors

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Sources

2023 Merrill Diverse Viewpoints: Exploring Wealth in the AAPI Community

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