The Impact of Neighborhood Ethnic Composition on Availability of Financial Planning Services

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Abstract: *In today's diverse world, providers of financial services must take into account the impact of ethnicity and culture on how—and whether—consumers choose to take advantage of their services. Though many studies have indicated that differences exist between minority and majority group members' financial situations and investment preferences, preferences regarding financial planning services have been less thoroughly analyzed. We used zip code-level data from the entire United States to quantitatively explore the relationship between the ethnic composition of a zip code and the types of financial planning professionals offering services there and found that significant differences exist among them.*

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Diversity. This one word describes much in America today, from its demographic composition to the types of services offered by its financial professionals. Differences in race, income, education, marital status, and geographic location abound, and are all important when trying to predict people's attitudes and behavior. This holds true in the world of financial planning. While not a popular idea, ethnic and racial background, in addition to other demographic variables, has been shown to greatly impact how people allocate their resources.

Plath and Stevenson demonstrate that African-Americans "differ markedly from their Caucasian counterparts" when comparing portfolio composition and choice of financial products.[1] Similarly, research has found that blacks, Asians, and Hispanics invest less heavily in stocks than do whites.[2] Expanding on this, Chong, Dow, and Phillips showed that the ethnic composition of neighborhoods has a strong impact on how people in the neighborhood allocate resources across risky assets.[3] As such, it becomes increasingly important to identify subgroups of consumers that could be potential target markets.

In a recent report to the Financial Planning Association membership, it was written, "There are many households in the United States and not enough advisers to serve them all. By keying in on your target market, you can be more effective in your marketing and service of clients."[4] Such a practice also helps financial planners "identify and target potentially profitable segments of the population."[5] Target markets, or client segmentation, however, can be defined not only by client asset level but also by demographic criteria such as "age, gender, life-cycle stage, lifestyle and ethnicity."[6] As

a result of client segmentation, or lack thereof, there has been anecdotal evidence of growth opportunities for financial advisors.[7] However, empirical examination into such opportunities has been sorely lacking, a gap in the literature which this paper's exploratory quantitative analysis begins to address.

In this paper, we looked at the impact of race and ethnicity on financial planning in a new way. Rather than examining ethnicity's impact on how individual consumers and their neighbors allocate resources, we conducted an exploratory study of how neighborhood ethnic mix relates to types of financial planning services being provided to that neighborhood. Using data from almost every zip code in America, we have found that even holding income and education factors constant, there are statistically significant differences in the availability of financial planning services that correspond to different ethnic compositions of zip codes.

This paper begins with a discussion of the data and of the overall picture of financial planners as presented by those data. We then explain our analysis methods and discuss the variables used in the study. The majority of the paper then examines several interesting patterns associated with the provision of financial planning services. Last, we discuss several specific points that financial planners interested in expanding their practices may wish to consider, and we present several future research ideas.

Data

Our research used a novel data source: a comprehensive nationwide telephone directory (www.superpages.com), combined with zip code-level data from the Survey of Consumer Expenditures and other government surveys aggregated by EASI Demographics, an independent provider of demographic and market research data. From the EASI Demographics data, we found 39,749 zip codes with information on:

- Asian households
- Black/African-American households
- Hispanic households
- Other households, e.g., Native American, Eskimo (denoted as "Other")
- White/Caucasian households
- Median household income
- Number of adults, age 25 and older, with less than high school education (less than high school 25)
- Number of adults, age 25 and older, with graduate education (graduate degree 25)
- Median household size
- Males/females, age 16 and older, who are in the military (male/female military 16)
- Zip codes with less than 50,000 population (population 50)
- Zip codes with between 50,000 and 100,000 population (population 50–100)

All these variables were included in our analysis as independent variables for the purpose of determining the specific impact of race on the types of financial planning services offered, apart from the impact of education, income, population density of the area, etc.

Methodology

To test the relationship of these variables to the types of financial planning services provided in a particular zip code, we had to first generate a list of types of financial planning services that were offered in particular zip codes. We did this using data from superpages.com. First, we collected all directory listings under the term "financial planning" in the United States—approximately 340,000 entries. Next, we assigned the listings to different basic categories of financial planning services based on information provided in the listing, such as one's professional designation or title. We were surprised at the diversity and spread of services offered under the search term "financial planning." (Indeed, there are so many designations or certifications within the financial planning industry that this has led to confusion among consumers.[8])

In terms of basic categorizations, 26% of listings offered accounting and tax services,[9] 10% offered bankruptcy and legal services, 12% offered insurance services, 12% offered investment services, 6% offered planning services, and 34% of the listings only gave the financial planner's name without any other identifying information. These listings included registered certified public accountants (CPAs),[10] lawyers, banks that offered financial planning services, certified financial planners (CFPs), and many other types of financial professionals, all of

whom called themselves by the same label—"financial planners"[11]—in the phone book.

As the Financial Planning Standards Board has indicated, "Because the term 'financial planner' is loosely regulated and often poorly understood by the public, companies in the financial services industry may choose to define the term according to a person's job, rather than the person's competency…. [Advisors] who are not qualified to deliver financial planning may hold themselves out as 'financial planners.'"[12] As a result, this makes it impossible to determine the services actually provided by those who list their names alone, with no professional designations. Because of this problem, we excluded from our analysis those who listed their names alone in the phone book, as we could not accurately describe what services they offered.

After noting this basic spread of services offered, we further divided up the listings so that we could obtain a specific count of each type of financial service offered in a zip code. Our final list separated entries in the phone book into eight distinct groupings based on the key words mentioned in the listings. In alphabetical order, these were as follows: First was accounting, which also included the key words "bookkeeping," "enrolled agent," "tax," and their variants. Second was banking, which also included such key words as "credit union" and "thrift." The third category was CPA, and the fourth was credit counseling. Fifth was insurance, which also included appropriate professional designations. The sixth was investment. The seventh was legal, which also included the words "trusts," "wills," and "estates." Finally, the eighth was planning, which also included appropriate professional designations such as CFP. Note that despite its name, this group is only a part of the broad financial planning field, which includes all eight categories of offered services.

We used these categories as our set of dependent variables. Having determined how many financial planners in each zip code offered a particular type of financial planning service, we ran a series of regressions to determine the relationship between our demographic zip code data and the number of financial planners offering each of the eight types of financial services in that zip code. Our results were significant and striking.

Findings

Overview

Before specifically testing the relationship between ethnic composition of a neighborhood and the type of financial planning service offered, we thought it useful to plot the number of white (or Asian, black, Hispanic, or Other) households in a zip code against the number of directory listings in that same zip code that offered any type of financial planning service. As shown in Figure 1, the total number of financial planners in a zip code tends to go up with the number of white households in that zip code and tends to decline with the number of minority households.

This result may not be surprising, given the common stereotype that financial planners are white men.[13] In 2002, a CFP Board survey showed that approximately 95% of the almost 22,000 CFP professionals who responded were whites.[14] Its implications, though, are potentially distressing: minority neighborhoods do not have the same access to financial planning services as do white neighborhoods. Of course, this figure does not take other variables, such as education and income, into account. As they stand, it merely shows that different ethnic groups may potentially vary in their ability to take advantage of financial planning services, a point that is addressed later in this study when we discuss how we used statistical methods to control for income and education differences.

Earlier, we had alluded to the practice of client segmentation by investable assets,[15] which may play a part in the availability of financial planning services in minority neighborhoods. Since "more than 80 percent of advisors require clients to have at least $100,000 in investable assets before a financial planning engagement becomes a realistic outcome, and more than 50 percent set the minimum asset level in excess of $500,000,"[16] financial planning services may be beyond the reach of lower income households (usually blacks and Hispanics).[17]

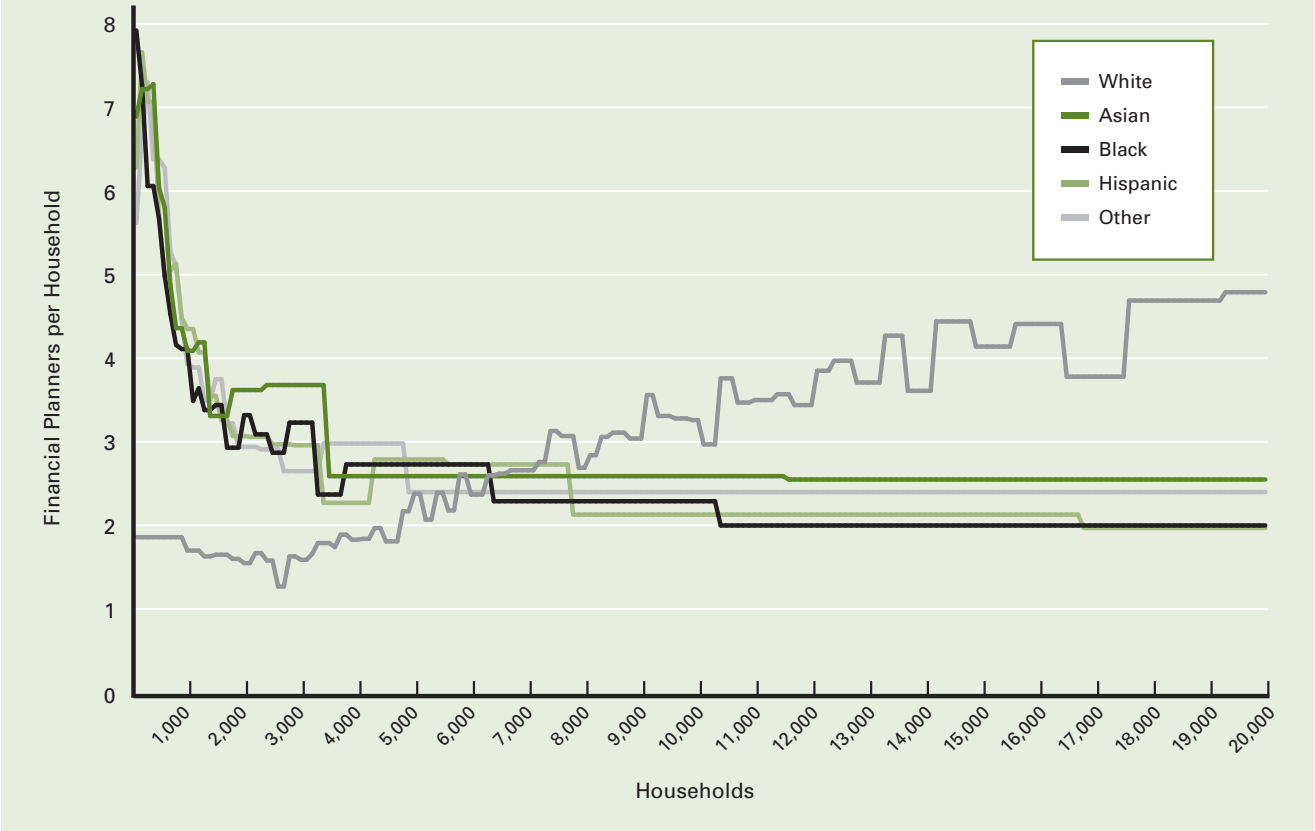
Regression Analysis

Our next step was to use statistical methods to determine whether or not a similar relationship existed between the ethnic composition of a zip code and the number of different types of financial planners, while

holding constant education, income, and other demographic variables. We did this in separate studies for each of the eight categories of financial planners, which helped us to identify real and significant relationships between the ethnic composition of neighborhoods and the types of financial planning services available therein. It is important to note that our eight studies did not purport to separately estimate causes for the supply of financial planning services or the demand for such services. It is possible that both consumer preference and the availability of financial planners may have an impact on the observed distributions of financial planning services. As such, even if financial planning services are predominantly provided by whites practicing client segmentation, we should not assume that consumer demand has no part to play in reinforcing such practices.

Our first analysis examined the number of accounting and tax services offered in a zip code. A separate analysis for CPAs is done later. This first model, like the seven which follow, used the multiple regression statistical technique to estimate the extent to which various independent variables impacted a dependent variable—in this first case the number of accounting and tax services offered in a zip code. We began each analysis by including a variety of variables besides ethnicity that could have been associated with the number of financial planners in an area. These control variables included education, household income, median household size, military participation, and population size of the zip code. We then also included the number of various types of racial and ethnic households in a zip code. If the negative correlation between the number of nonwhite households and the number of financial planners was due to income or education differences between the ethnic groups, then we would expect the actual ethnic composition of a neighborhood to add little explanatory power to the statistical model.

FIGURE 1



The analysis showed that the number of accounting and tax services in a zip code increased with both the number of white households and the number of black households in that zip code and was statistically unrelated to the number of Asian, Hispanic, and Other households in the neighborhood. The regression analysis of accounting and tax services is fairly mathematical, but can be found in Table 1.

This discrepancy between white and black as one group and other races and ethnicities as another group raises the question of the inherent differences between the first and the second. Familiarity with and acceptance of American culture[18] comes to mind as one possibility, as does fluency in English,[19] strength of "old country" lifestyles[20] that could last for generations,[21] religious differences,[22] and other cultural variables. For the moment, however, we merely note that a difference does seem to exist.

Our second analysis used the same explanatory variables in an examination of the number of banks that advertised financial planning services in a zip code. This result is even stronger than the first. Holding education, income, and other variables constant, the number of listings of banking in a zip code not only increases with the number of white and black households, but also significantly decreases as numbers of other minority households in a zip code increase. These regression results are in Table 2.

Banks might find this analysis particularly of interest, as examining the demographics of unbanked households may provide clues as to whether banks are meeting the demand for banking services in general and financial planning services in particular. In a survey conducted by the Federal Deposit Insurance Corporation,[23] 7.7% of U.S. households are unbanked. Racial groups least likely to be unbanked are Asians (3.5%) and whites (3.3%), while those most likely to be unbanked are blacks (21.7%), Hispanics (19.3%), and Others (i.e., American Indian/Alaskans, 15.6%). Also, more likely to be unbanked are households where Spanish is the only language spoken (35.6%). There is also evidence that a country's institutional environment influences beliefs (and the use of financial services) of immigrants, in that "immigrants from countries with more effective institutions are

TABLE 1

Dependent Variable: Accounting
(Method: least squares; included observations: 39,749; White heteroscedasticity-consistent standard errors & covariance)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	-12.72521	5.765837	-2.207002	0.0273
Asian	6.89E-05	0.000253	0.272733	0.7851
Black	0.000334	5.98E-05	5.582141	**0.0000**
Hispanic	0.000242	0.000144	1.677220	0.0935
Other	-0.000420	0.000236	-1.776809	0.0756
White	0.000832	4.28E-05	19.44560	**0.0000**
Median Household Income	-7.13E-06	4.63E-06	-1.539268	0.1237
Less than High School 25	-9.50E-05	8.92E-05	-1.065118	0.2868
Graduate Degree 25	0.001377	0.000230	5.994513	**0.0000**
Median Household Size	-0.151075	0.069455	-2.175148	**0.0296**
Male/Female Military 16	-0.000268	9.85E-05	-2.716497	**0.0066**
Population 50	13.09159	5.768297	2.269576	**0.0232**
Population 50–100	7.541841	5.681088	1.327535	0.1843

R-squared	0.342129	Mean dependent variance	2.239880
Adjusted R-squared	0.341931	S.D. dependent variance	6.825444
S.E. of regression	5.536900	Akaike info criterion	6.261074
Sum squared resid	1218197	Schwarz criterion	6.263883
Log likelihood	-124422.7	Hannan-Quinn criterion	6.261963
F-statistic	1722.079	Durbin-Watson statistic	1.826536
Prob (F-statistic)	0.000000		

TABLE 2

Dependent Variable: Banking
(Method: least squares; included observations: 39,749; White heteroscedasticity-consistent standard errors & covariance)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	-0.804694	0.764186	-1.053008	0.2923
Asian	-0.000162	2.30E-05	-7.041267	**0.0000**
Black	4.92E-05	1.13E-05	4.337113	**0.0000**
Hispanic	-3.70E-05	1.58E-05	-2.345087	**0.0190**
Other	-0.000313	2.72E-05	-11.49754	**0.0000**
White	7.33E-05	6.87E-06	10.67016	**0.0000**
Median Household Income	3.55E-06	6.16E-07	5.756481	**0.0000**
Less than High School 25	0.000165	1.47E-05	11.23974	**0.0000**
Graduate Degree 25	0.000308	3.46E-05	8.878112	**0.0000**
Median Household Size	-0.085702	0.009463	-9.056653	**0.0000**
Male/Female Military 16	7.53E-05	2.59E-05	2.903601	**0.0037**
Population 50	0.841427	0.764395	1.100776	0.2710
Population 50–100	0.514493	0.752399	0.683803	0.4941

R-squared	0.332568	Mean dependent variance	0.340537
Adjusted R-squared	0.332367	S.D. dependent variance	1.059948
S.E. of regression	0.866071	Akaike info criterion	2.550628
Sum squared resid	29805.16	Schwarz criterion	2.553437
Log likelihood	-50679.46	Hannan-Quinn criterion	2.551518
F-statistic	1649.973	Durbin-Watson statistic	1.735893
Prob (F-statistic)	0.000000		

more likely than other immigrants to have a relationship with a bank and to use formal financial markets more extensively."[24] This influence dissipates after immigrants have been acculturated in the United States.[25] From this research, it appears that banks wishing to expand their financial planning services might wish to target neighborhoods consisting of Hispanics and Others. However, the prior research also suggests that there may be deep cultural barriers to overcome before these ethnic groups become comfortable using depository services.

Third, we examined the number of CPA listings offering financial planning in a zip code. The results are similar to those of the first regression (the general listings of accounting and tax services): the number of CPA listings increased with the number of white and black households in a neighborhood and was not statistically related to the presence of other ethnic groups. The regression results are shown in Table 3.

Our fourth analysis focused on the number of credit counselors found in different neighborhoods. The regression showed that as the number of Hispanic households increased, the number of credit counselors in that neighborhood also increased. Additionally, the number of credit counselors is positively related to the numbers of white and black households in a neighborhood, but is negatively correlated with the number of Other households in that neighborhood. Interestingly, the number of Asian households in a zip code is not at all correlated with the number of credit counselors in that area. These numerical results are in Table 4.

In a survey conducted by the Financial Industry Regulatory Authority (FINRA) on the financial capability in the United States, the data "reveal a sharp disconnect between self-reported financial knowledge and math skills and responses to the financial literacy questions and questions designed to test math skills," especially among blacks and Hispanics.[26] Further, a relationship appears to exist between consumers' credit and financial literacy and undesirable financial outcomes, e.g., being denied credit or experiencing a bad financial event like eviction or declaring bankruptcy.[27] Therefore, in the case of credit counselors, our results suggest congruence between the demand and supply of financial planning services.

TABLE 3

Dependent Variable: CPA
(Method: least squares; included observations: 39,749; White heteroscedasticity-consistent standard errors & covariance)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	-353.7992	157.3642	-2.248282	0.0246
Asian	-0.006574	0.006487	-1.013344	0.3109
Black	0.006444	0.001728	3.729889	**0.0002**
Hispanic	0.005812	0.004556	1.275657	0.2021
Other	-0.009554	0.007300	-1.308681	0.1906
White	0.021988	0.001274	17.25867	**0.0000**
Median Household Income	-0.000426	0.000132	-3.231615	**0.0012**
Less than High School 25	-0.003270	0.002643	-1.237279	0.2160
Graduate Degree 25	0.038944	0.006420	6.065787	**0.0000**
Median Household Size	-0.846640	1.966864	-0.430451	0.6669
Male/Female Military 16	-0.006852	0.002837	-2.415382	**0.0157**
Population 50	364.3715	157.4331	2.314453	**0.0206**
Population 50–100	191.8981	154.9605	1.238368	0.2156

R-squared	0.265951	Mean dependent variance	56.84196
Adjusted R-squared	0.265730	S.D. dependent variance	199.0080
S.E. of regression	170.5291	Akaike info criterion	13.11602
Sum squared resid	1.16E+09	Schwarz criterion	13.11883
Log likelihood	-260661.3	Hannan-Quinn criterion	13.11691
F-statistic	1199.721	Durbin-Watson statistic	1.860091
Prob (F-statistic)	0.000000		

TABLE 4

Dependent Variable: Credit Counseling
(Method: least squares; included observations: 39,749; White heteroscedasticity-consistent standard errors & covariance)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	-0.603714	0.245237	-2.461763	0.0138
Asian	-2.87E-06	1.08E-05	-0.265848	0.7904
Black	4.98E-05	4.51E-06	11.03978	**0.0000**
Hispanic	4.62E-05	8.82E-06	5.243006	**0.0000**
Other	-5.22E-05	1.51E-05	-3.467227	**0.0005**
White	4.89E-05	2.54E-06	19.22295	**0.0000**
Median Household Income	-3.64E-07	2.20E-07	-1.652009	0.0985
Less than High School 25	-1.63E-05	6.78E-06	-2.406125	**0.0161**
Graduate Degree 25	1.54E-06	1.00E-05	0.153671	0.8779
Median Household Size	-0.005345	0.003418	-1.563748	0.1179
Male/Female Military 16	3.89E-06	8.63E-06	0.450931	0.6520
Population 50	0.617627	0.245323	2.517601	**0.0118**
Population 50–100	0.368632	0.241756	1.524812	0.1273

R-squared	0.190925	Mean dependent variance	0.103499
Adjusted R-squared	0.190681	S.D. dependent variance	0.408911
S.E. of regression	0.367865	Akaike info criterion	0.838128
Sum squared resid	5377.275	Schwarz criterion	0.840938
Log likelihood	-16644.38	Hannan-Quinn criterion	0.839018
F-statistic	781.4076	Durbin-Watson statistic	1.923280
Prob (F-statistic)	0.000000		

Our fifth analysis, in contrast, showed that the number of insurance agents offering financial planning services in a zip code was positively correlated with the number of white, black, and Other households in that area, but negatively correlated with Hispanic households and Asian households. The regression output can be found in Table 5.

Our sixth regression compared our demographic variables to the number of listings for investment services. Similar to the previous analysis, white and Other households were positively related to the number of investment listings, while Hispanic and Asian households were negatively related to the number of investment listings. However, in this case, the number of black households in a zip code did not impact the number of investment service listings in that zip code. These statistical results are in Table 6.

Previous studies have identified a lack of financial literacy in the Hispanic community.[28] While Hispanics (and in some ways, blacks[29]) accumulate wealth at a slower pace than whites due to their "preference for near-term savings, favoring liquidity, and low investment risk at the expense of higher yielding assets,"[30] such a preference may ultimately be a consequence of low financial literacy,[31] which may result in a lack of demand for investment services.

Risk tolerance may also play a role in determining demand for investment or financial planning services. Immigrants into the United States have been found to be more risk tolerant than nonimmigrants, and Asians and Hispanics are more risk tolerant than whites or blacks.[32] While Chinese immigrants are more risk tolerant than Americans, this tolerance is limited to the investment domain (and does not extend to medical or academic decisions) and could be attributed to the "cushion" provided by extended families in a collectivistic society.[33] The high-risk tolerance, or low-risk aversion, of Asians and Hispanics implies a lower need for financial planning services as "the value of [financial] advice varies with a client's risk aversion…. In general, the most risk averse households should place the highest value on comprehensive financial planning advice."[34]

Seventh, we found that the number of legal services providers was positively correlated with the number of

TABLE 5

Dependent Variable: Insurance
(Method: least squares; included observations: 39,749; White heteroscedasticity-consistent standard errors & covariance)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	0.829519	2.412655	0.343820	0.7310
Asian	-0.000191	7.15E-05	-2.671939	**0.0075**
Black	0.000241	2.45E-05	9.835284	**0.0000**
Hispanic	-0.000466	3.17E-05	-14.67459	**0.0000**
Other	0.000536	6.58E-05	8.141890	**0.0000**
White	0.000545	1.65E-05	33.06559	**0.0000**
Median Household Income	-2.07E-06	1.47E-06	-1.410034	0.1585
Less than High School 25	-0.000175	3.89E-05	-4.486924	**0.0000**
Graduate Degree 25	-7.87E-05	7.25E-05	-1.086291	0.2774
Median Household Size	-0.033222	0.022194	-1.496888	0.1344
Male/Female Military 16	-7.66E-05	5.29E-05	-1.447143	0.1479
Population 50	-0.821237	2.413293	-0.340297	0.7336
Population 50–100	-1.167402	2.381601	-0.490175	0.6240

R-squared	0.443763	Mean dependent variance	0.950640
Adjusted R-squared	0.443595	S.D. dependent variance	2.671534
S.E. of regression	1.992766	Akaike info criterion	4.217251
Sum squared resid	157796.3	Schwarz criterion	4.220061
Log likelihood	-83802.76	Hannan-Quinn criterion	4.218141
F-statistic	2641.762	Durbin-Watson statistic	1.604083
Prob (F-statistic)	0.000000		

TABLE 6

Dependent Variable: Investment
(Method: least squares; included observations: 39,749; White heteroscedasticity-consistent standard errors & covariance)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	-3.462553	2.748689	-1.259711	0.2078
Asian	-0.000234	7.50E-05	-3.119394	**0.0018**
Black	2.13E-05	2.43E-05	0.876310	0.3809
Hispanic	-0.000260	3.14E-05	-8.281033	**0.0000**
Other	0.000426	6.09E-05	6.998461	**0.0000**
White	0.000399	1.77E-05	22.47989	**0.0000**
Median Household Income	5.81E-06	2.01E-06	2.900039	**0.0037**
Less than High School 25	-0.000138	3.35E-05	-4.126773	**0.0000**
Graduate Degree 25	0.000632	0.000102	6.221041	**0.0000**
Median Household Size	-0.168162	0.030155	-5.576521	**0.0000**
Male/Female Military 16	-9.92E-05	4.22E-05	-2.349157	**0.0188**
Population 50	3.554669	2.749673	1.292760	0.1961
Population 50–100	1.854150	2.716042	0.682666	0.4948

R-squared	0.440699	Mean dependent variance	0.991673
Adjusted R-squared	0.440530	S.D. dependent variance	2.789756
S.E. of regression	2.086673	Akaike info criterion	4.309346
Sum squared resid	173018.7	Schwarz criterion	4.312156
Log likelihood	-85633.10	Hannan-Quinn criterion	4.310236
F-statistic	2609.154	Durbin-Watson statistic	1.831160
Prob (F-statistic)	0.000000		

white and Other households, negatively correlated with Hispanic households, and was not correlated with the number of black or Asian households in a zip code. This regression is presented in Table 7.

Finally, we came to the analysis of our last variable: the actual, self-designated financial planners of the large and diverse group of those offering financial planning services. Again, our results were significant with quite different ethnicity effects even when holding income and education constant. The number of white households was again positively correlated with the number of financial planners in their zip code, as was the number of Other households. Increasing numbers of Hispanic and Asian households were associated with decreasing numbers of financial planners in a zip code. Interestingly, black household numbers were not significantly related to the dependent variable. If the supply of financial planning services is a response to the demand for such services, then our results are consistent with findings from previous studies, which found that "households with Hispanic and with Other/Asian respondents are significantly less likely to use financial planners than those with white or black respondents," and further suggests "that populations with substantial proportions of immigrants are underserved by financial planners."[35] These statistical results are in Table 8.

From our findings, it is surprising that Asians are underserved by financial planning practitioners. While Asians are value-conscious with their purchasing decisions,[36] and therefore may not believe that financial planning services are a worthwhile investment, they appear to fit financial advisors' "traditional narrow focus on affluent clients."[37] In 2007, it was noted that "with total buying power of more than $400 billion, Asian-Americans represent the most affluent minority consumer group in the U.S.… With a higher per-capita income than non-Hispanic whites, Asian Americans also trump their Hispanic counterparts with a per-capita income that is 85 percent higher than other minority groups."[38] Asians were also reported to be the largest minority group with incomes of $100,000 and above.[39] Further, between 2000 and 2010, Asians grew at a faster rate (43%) than other major ethnic groups and had the second largest numeric change (an increase of 4.4 mil-

TABLE 7

Dependent Variable: Legal
(Method: least squares; included observations: 39,749; White heteroscedasticity-consistent standard errors & covariance)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	-6.632587	2.451202	-2.705851	0.0068
Asian	-0.000201	0.000134	-1.493658	0.1353
Black	-1.65E-06	3.85E-05	-0.042927	0.9658
Hispanic	-0.000168	6.71E-05	-2.510039	**0.0121**
Other	0.000252	0.000116	2.171503	**0.0299**
White	7.37E-05	2.59E-05	2.843870	**0.0045**
Median Household Income	2.32E-06	4.12E-06	0.564110	0.5727
Less than High School 25	0.000156	5.14E-05	3.035320	**0.0024**
Graduate Degree 25	0.001103	0.000152	7.267499	**0.0000**
Median Household Size	-0.215557	0.063971	-3.369610	**0.0008**
Male/Female Military 16	4.01E-05	7.82E-05	-0.513591	0.6075
Population 50	7.098711	2.453583	2.893202	**0.0038**
Population 50–100	4.195642	2.395544	1.751436	0.0799

R-squared	0.069208	Mean dependent variance	0.836398
Adjusted R-squared	0.068927	S.D. dependent variance	5.054665
S.E. of regression	4.877355	Akaike info criterion	6.007410
Sum squared resid	945263.4	Schwarz criterion	6.010220
Log likelihood	-119381.3	Hannan-Quinn criterion	6.008300
F-statistic	246.2094	Durbin-Watson statistic	1.821009
Prob (F-statistic)	0.000000		

TABLE 8

Dependent Variable: Planner
(Method: least squares; included observations: 39,749; White heteroscedasticity-consistent standard errors & covariance)

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	-1.793460	1.218060	-1.472390	0.1409
Asian	-0.000101	3.58E-05	-2.823412	**0.0048**
Black	1.48E-05	1.19E-05	1.246781	0.2125
Hispanic	-0.000134	1.68E-05	-8.004843	**0.0000**
Other	0.000214	3.13E-05	6.838690	**0.0000**
White	0.000219	8.36E-06	26.16493	**0.0000**
Median Household Income	1.81E-06	9.29E-07	1.948218	0.0514
Less than High School 25	-6.58E-05	1.67E-05	-3.944479	**0.0001**
Graduate Degree 25	0.000230	4.62E-05	4.977308	**0.0000**
Median Household Size	-0.069419	0.014002	-4.957844	**0.0000**
Male/Female Military 16	-3.94E-05	2.25E-05	-1.750630	0.0800
Population 50	1.836002	1.218518	1.506751	0.1319
Population 50–100	0.892830	1.201832	0.742891	0.4576

R-squared	0.415235	Mean dependent variance	0.492692
Adjusted R-squared	0.415059	S.D. dependent variance	1.412497
S.E. of regression	1.080298	Akaike info criterion	2.992678
Sum squared resid	46373.67	Schwarz criterion	2.995488
Log likelihood	-59464.99	Hannan-Quinn criterion	2.993568
F-statistic	2351.343	Durbin-Watson statistic	1.823841
Prob (F-statistic)	0.000000		

lion),[40] presenting opportunities for financial planners in a high-growth, high-income market.

The summarized version of our results is shown in Table 9, with (+) marking positive correlations, (–) marking negative correlations, and "NS" marking relationships that were not significant. This table is a summary of the eight tables.

As expected, the number of white households in a zip code is consistently positively correlated with the number of listings for financial planners in that zip code. What is more interesting is to note the differences in impact on the prevalence of certain types of financial planning services in different ethnic-majority neighborhoods. Asian and Hispanic neighborhoods appear similar on many variables, as do black and white households. The number of Other households sometimes has similar tendencies as whites, yet on different variables appears more similar to Asian or Hispanic households. Whatever may be the reason for these differences, it is clear that differences do exist; the racial and ethnic makeup of a zip code most assuredly has an impact on the types of financial planning services offered therein.

Discussion and Implications

We have been told by successful financial planners that they "just go where the money is" and "if you can't make a living you can't stay in business." Yet, it appears that there are substantial differences in the presence of different types of financial planning services in zip codes nationwide that are associated with ethnicity alone, even after controlling for income and education. Clearly, there is something at work in the field of financial planning besides simply "following the money."

Our analysis showed that in many ways these differences in the availability of financial planning services are between "established" ethnicities (white and black) and what we call "new immigrant" ethnicities (Asian and Hispanic). The Other category falls between these two groups.

As the white population rises, the number of each type of financial planning service provider tends to increase. As the black population rises, the numbers may not always go up but neither do they go down.

On the other hand, with few exceptions, the "new immigrant" populations either had no statistical impact on the number of financial planning professionals or were negatively related. An increasing Hispanic population is associated with increased numbers of credit counselors, just as are the white and black populations, but has no impact on accounting and tax services or on CPAs, and also show a negative relation with other types of financial planners. The Asian population is statistically neutral with regards to credit counseling, accounting and tax services, CPAs, and legal services. However, the more Asian households, the fewer banking, insurance, investment, and financial planning service providers are in the neighborhood.

These are interesting patterns. With the exception of the Other category, the accounting and tax services, CPA, and credit counseling areas of financial planning are all neutral or positively associated with white, black, Asian, and Hispanic household counts. Each of these is a service area that is not associated with product sales and may be on more of a one-time basis rather than as part of a long-term relationship.

On the other hand, the insurance sales, investment advisor, legal services, and financial planner service providers may be associated with product sales or the revealing of more personal information and so tend to be based on longer-term trust relationships. These are the financial planning categories that are particularly sparse in the Asian and Hispanic communities. However, the numbers of these service providers tend to remain constant or increase with the number of black and white households in the neighborhood.

The current data are not able to identify precisely why there seems to be such a disconnect between the financial

TABLE 9

	Asian	Black	Hispanic	White	Other
Accounting	NS	(+)	NS	(+)	NS
Banking	(-)	(+)	(-)	(+)	(-)
CPA	NS	(+)	NS	(+)	NS
Credit Counseling	NS	(+)	(+)	(+)	(-)
Insurance	(-)	(+)	(-)	(+)	(+)
Investment	(-)	NS	(-)	(+)	(+)
Legal	NS	NS	(-)	(+)	(+)
Planner	(-)	NS	(-)	(+)	(+)

service professionals associated with insurance, investments, legal, and planning services, and the new immigrant populations. The data suggest that even new immigrant communities with similar incomes and educations will have far fewer financial service professionals than corresponding white communities. This could demonstrate a need to build better trust relationships between financial service professionals and these populations.

According to studies that address the issue of marketing to minority groups[41] (especially recent Asian and Hispanic immigrants who are yet to be acculturated), the solution is to have a financial planner on board who is from the same culture as the target minority group. This ethnic financial planner could come from within one's firm or via collaboration with another firm.[42]

There are other factors to note for each group. While African Americans state that respect is important to them, Asian consumers are concerned with relationships, and the Hispanic consumer is looking for trust.[43] Financial planners need to be aware of these and other needs and values of their target market and thereby offer appropriate services in response. Along with this, the industry could work toward the continued development of greater overall cultural sensitivity on the part of the professionals working in this area, for the purpose of promoting long-term relationships with Asian and Hispanic clients.

It may be difficult for traditional financial service professionals to learn new cultural cues and develop client relationships in the Asian and Hispanic markets and, for many, there is adequate business without entering these communities. However, for those who are willing to step outside their cultural comfort zone, there are many potential clients who, except for their ethnicity, would appear on paper to have income, education, and wealth attributes like more traditional black or white clients.

At the same time, we recognize that in many markets there are not nearly enough qualified financial service professionals—as opposed to "salesmen"—to meet the existing needs of the traditional markets. We believe that continued active recruitment and training of individuals from the Asian and Hispanic communities to become financial service professionals is a positive step toward bridging the financial planning ethnicity gap.

There may also be a corresponding need for greater educational outreach to minority populations. Some universities[44] have begun new personal financial literacy and planning programs, in cooperation with local Society of Financial Service Professionals and Financial Planning Association chapters, specifically to teach college students from all ethnic backgrounds about the range of services that can be provided by these professionals. While these programs are still in their relative infancy, anecdotal data suggest that such awareness and skill building also helps students' family members and friends within these underserved populations recognize and respond to the need for long-term financial planning relationships.

It has also been suggested[45] that consumers may be responding to the phenomenon of many product salesmen calling themselves financial planners while selling overpriced, poorly designed products and not actually providing financial planning services. Public education programs informing the underserved communities about what should be expected from a financial planner, and ways to distinguish between real and phony planners, may also be quite impactful.

Presently, across the whole marketplace, there is "a lot of confusion regarding what planners do, and whether their services are valuable."[46] Consumers not working with a financial planner tend "to believe that financial planners are just salespeople who want you to buy something, and that people should save money by doing their own financial planning."[47] Further, consumers have the impression that financial planning relates to investments and retirement planning,[48] since "about half of survey takers agree with the statement, 'Hiring a financial planner only makes sense if they can help you get a higher rate of return on your investments than you can get on your own.'"[49]

While such opinions appear to be prevalent across ethnic groups, the previously cited marketing literature regarding the importance of trust and relationship suggests to us that these apparent misconceptions about the nature and role of professional financial planning would be particularly impactful on efforts to market to the Asian and Hispanic populations. Presumably correcting such misconceptions through targeted educational, marketing, and public information programs could promote long-term trust relationships among the Asian and Hispanic communities.

Further Research

As an exploratory analysis, this research only aimed at providing a description of a relationship not previously studied in the literature. Now that we have established the correlation of neighborhood race and ethnicity to the type of financial planning services offered in that area, a myriad of causality-seeking studies are in order. Why does the presence of Asian and Hispanic households seem to discourage financial planners, investment service providers, and insurance agents from establishing a presence in a zip code? Why is an increase in black households correlated with an increase in accounting, credit counseling, banking, and insurance, but ambivalent to the presence of financial planners themselves? Why do households of nonmajor ethnic and racial groups seem to have a negative impact on the number of banks and credit counseling providers in a zip code, but a positive or insignificant impact on the others? While we have postulated answers for some of these questions in our analysis, there is a great deal of room for future research to conduct empirical studies of these issues.

Possible factors to explain these differences might include cultural expectations that conflict with traditional white American values, people's occupation, their religion, or even their comfort level with the English language. Additional demographic variables such as age and gender might also add explanatory power to future studies. It is also possible that minority neighborhoods simply present a new target market for financial planners—if minorities have not been taught about the need for specific types of financial planning services, it is not surprising that they would not desire them.

Since we used zip code level data for our analysis, it is possible that something besides race and ethnicity is actually responsible for the increase or decrease of financial planners in particular types of neighborhoods. Because of this, future research could be done at the household level to confirm or reinterpret our analysis. In addition, as mentioned previously, we did not take into consideration the 34% of financial planning professionals listed in the superpages.com database who gave no indication of what specific services they provided. It is possible that these listings may narrow the differences identified in this study, but this hypothesis must again be supported (or rejected) by future study.

Conclusion

Professionals in the financial planning industry clearly face a diverse market. Though white and black households may invest differently, financial planners appear to provide similar levels of access to financial planning services to these communities, regardless of education and income levels. On the contrary, financial planners appear to offer fewer financial planning services to communities with a greater presence of Hispanics, Asians, or people of other minority backgrounds.

This presents both a puzzle and an opportunity to the world of financial planning. With more research, perhaps this gap can be closed through a combination of (1) greater efforts in financial education of ethnic communities, (2) better understanding by financial planners of the cultural norms of ethnic communities regarding investment, (3) an increase in the number of financial planners who choose to open businesses in minority-dominated neighborhoods, and (4) the encouragement of minorities to enter the financial planning profession.

Whatever the answer to the puzzle, one thing must be acknowledged by today's financial planners: diversity makes a difference. ■

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