

Using Tax Refunds to Promote Financial Fitness: Financial Behaviors & Needs of Border Families



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Overview of Latinos in the US

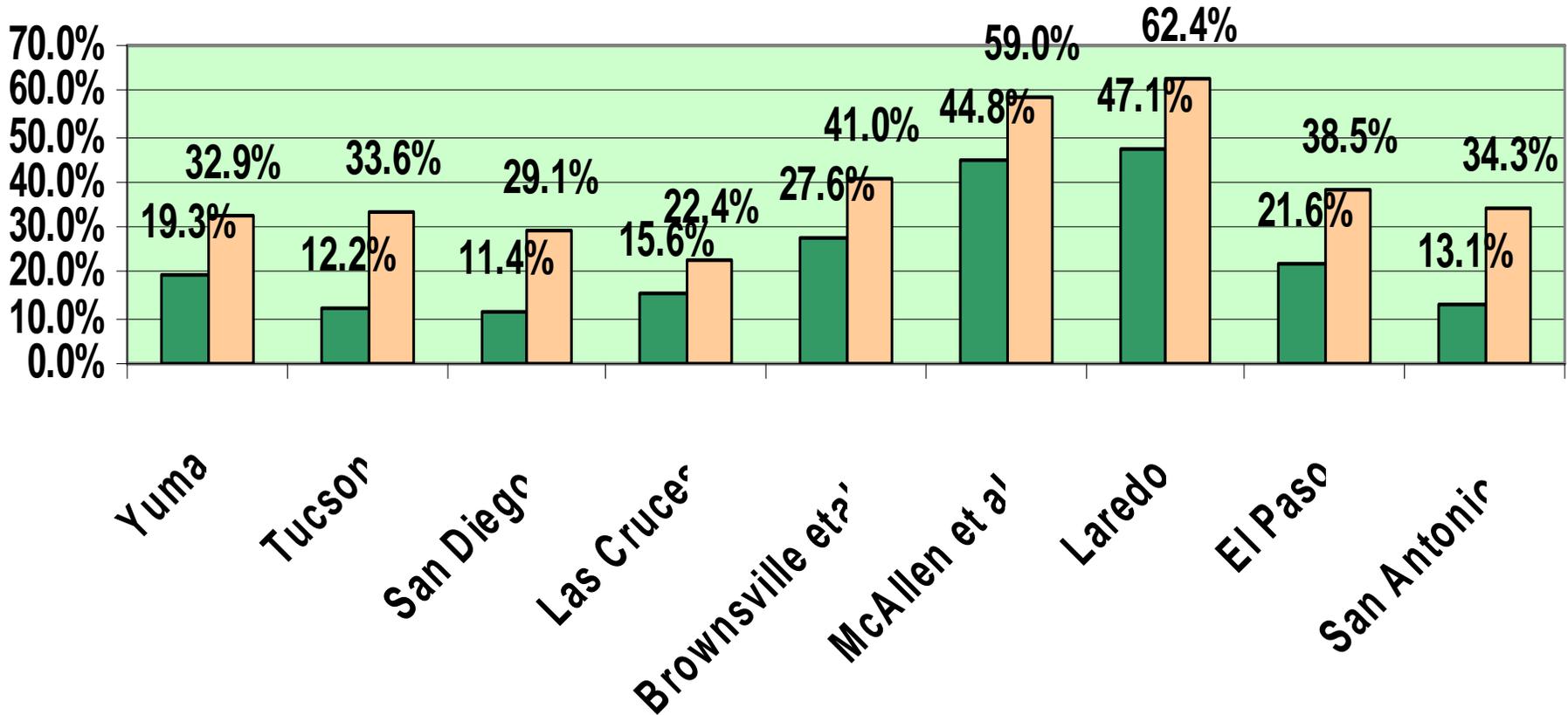
- There are as many Latinos in the US (42.7 million) as there are in C. America (~42 million)
- Median Age of the Hispanic population is 27.2 years compared to 36.4 years for the US population (Census, 2005)
- The Latino population in the US (CPS 2005) consists of ≈
 - 40% Foreign Born/1st Generation
 - 30% 2nd Generation
 - 30% 3rd Generation plus

Factoids on Latino Border Communities

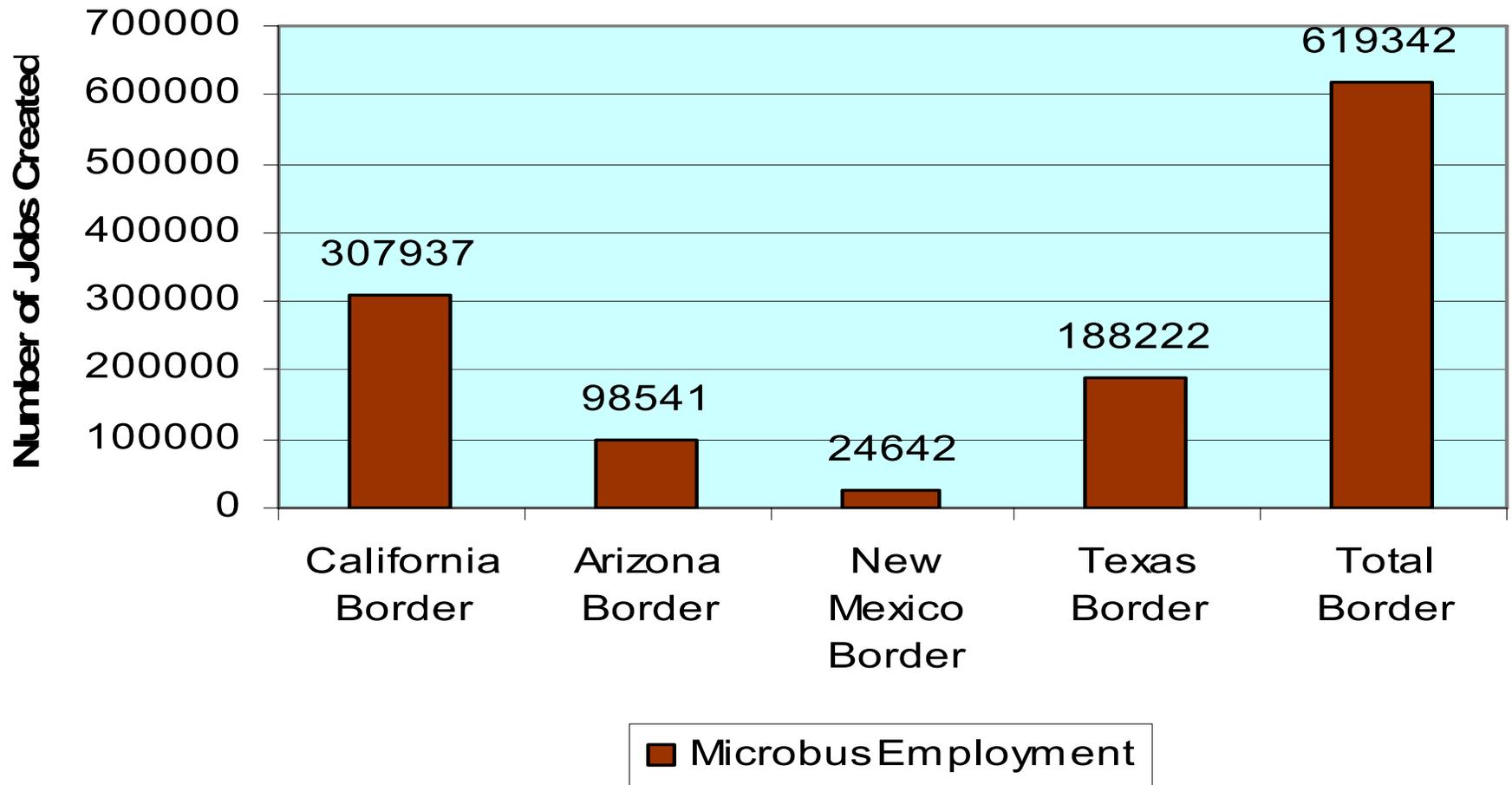
- 55% of all Latinos in U.S. live in CA, TX, AZ & NM
- Latinos have a average non-mobility rate of 64% in counties along the Border (ACS, 2004)
- Border Gross State Product is \$2.9 trillion or 23.3% of Total U.S. GDP, \$12.4 trillion (current 2005\$)
- Texas Gross State Product is \$989.4 billion (current 2005\$, BEA, Commerce Dept)
- Border Counties with high Latino density have high homeownership rates but low home value
- Self-Employment and Microbusiness growth along the US Border continue to accelerate

Non-Employer Statistics for Metro Border Areas, Percent Change 1997-2001

■ % Change in Establishments ■ % Change in Receipts



Employment Created by Microbusiness in Border Counties by State, 2003



Source: American Enterprise Organization, 2003 State and County Data

Latinos and Income

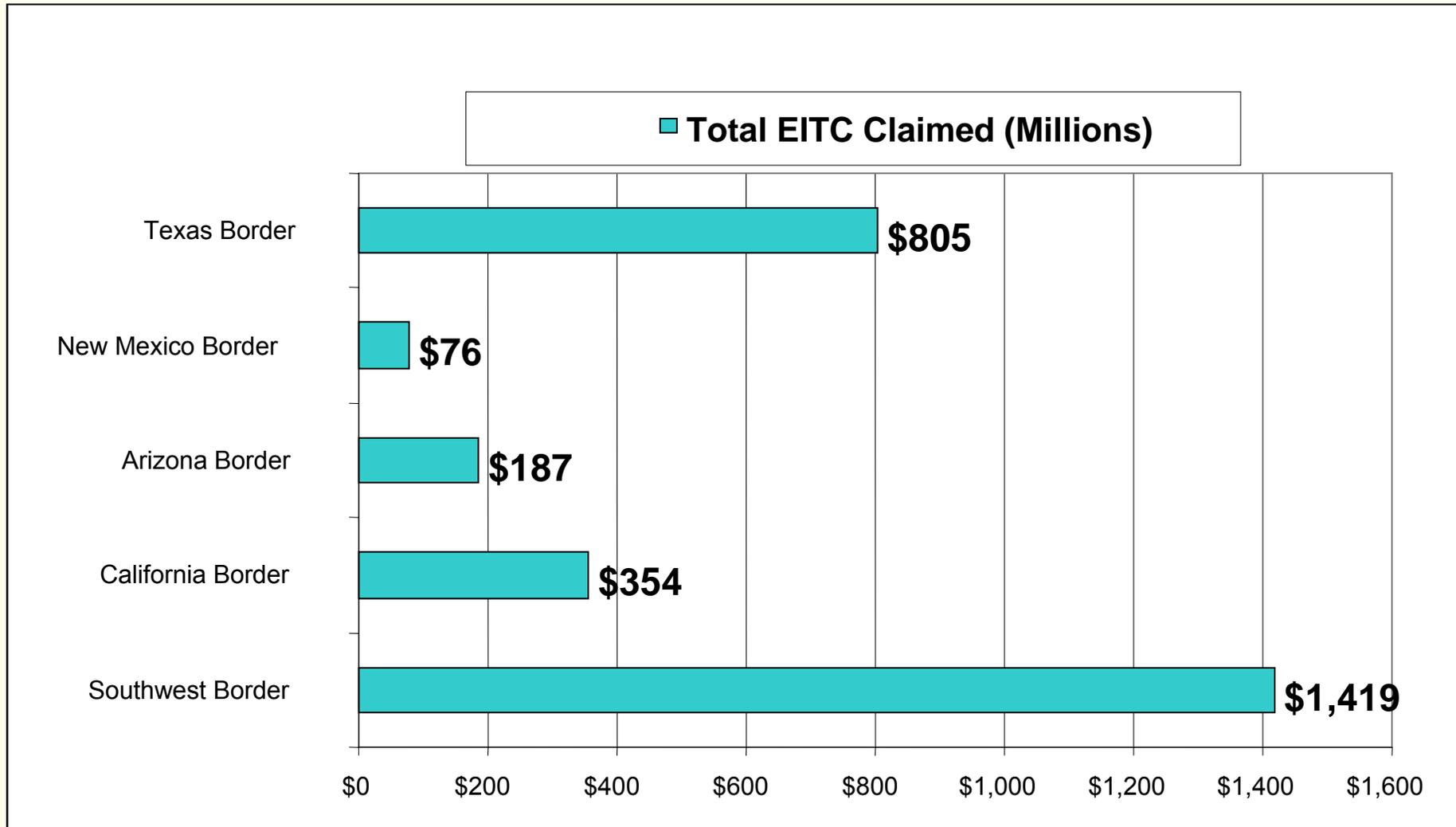
- Latino earnings and income reflect the stigma associated with low-end service sector jobs
- Evidence of multiple-jobs and increasing number of family members as earners
- Increases in microbusinesses and self-employment activities in high-density Latino communities along the Border

Median Income, 2004 (current dollars)

<i>Family Type</i>	<i>Total Primary Families</i>	<i>Total Married Couple Family</i>	<i>Total Married Couple Under 65 years of age</i>	<i>Total Married Couple with two or more Related Children</i>
White, Non-Hispanic	\$60,9690	\$68,003	\$75,426	\$67,671
Hispanic	\$35,401	\$41,636	\$43,361	\$40,221

Source: U.S. Census Bureau, Current Population Survey, 2005 Annual Social and Economic Supplement, Department of Commerce (2004 Income)

Total EITC Refunds, Tax Returns Filed in 2003 (TY2002)



Source: Author's calculations, Internal Revenue Service, SPEC, 2004

Border Financial Survey Issues

- Latino Border Families are Multi-generational and have Multi-legal status members
- Immigrant and Native Born Border Latino Family Socio-economic indicators are similar
- Immigrant and Native Born Border Latino Family financial behaviors and needs are virtually identical
- Use of tax refunds for family member green card/immigration papers

Financial Survey Data Analysis TY2005 (Tax Season 2006)

- Arizona returned 2920 surveys
- New Mexico returned 1162 surveys
- Texas returned 2061 surveys
- California returned 823 surveys

TOTAL DATA OBS: 6,966 (2ND YEAR TY2005)

TOTAL DATA OBS: 4,555 (1ST YEAR TY2004)

TOTAL PANEL DATA: 11,520 survey respondents

Characteristics of Border Tax Returns (TY2005)

- 64% Latino
- 19.5% White
- 4 % Native American
- 4% Other
- 1.4% Asian
- 7% African-American
- Average Years of Education:
 - Border: 11.2
 - Texas: 10.9

Respondent Income Profile

- AGI: Border \$13,819 vs. Texas \$15,141
- Avg EITC: Border \$1,161 vs. TX \$1,441
 - Maximum EITC Received: \$23,727 (TX)
- Avg SchSE: Border \$529 vs. TX \$1,517
- Avg Fed Refund: Border \$1,623 vs. TX \$1,898
- ITIN Filers: Border 2.2% vs. TX 1%
- Spanish Survey: 32.6% vs. TX 45.7%
- Total Informal Savings: \$50,900 (tandas)

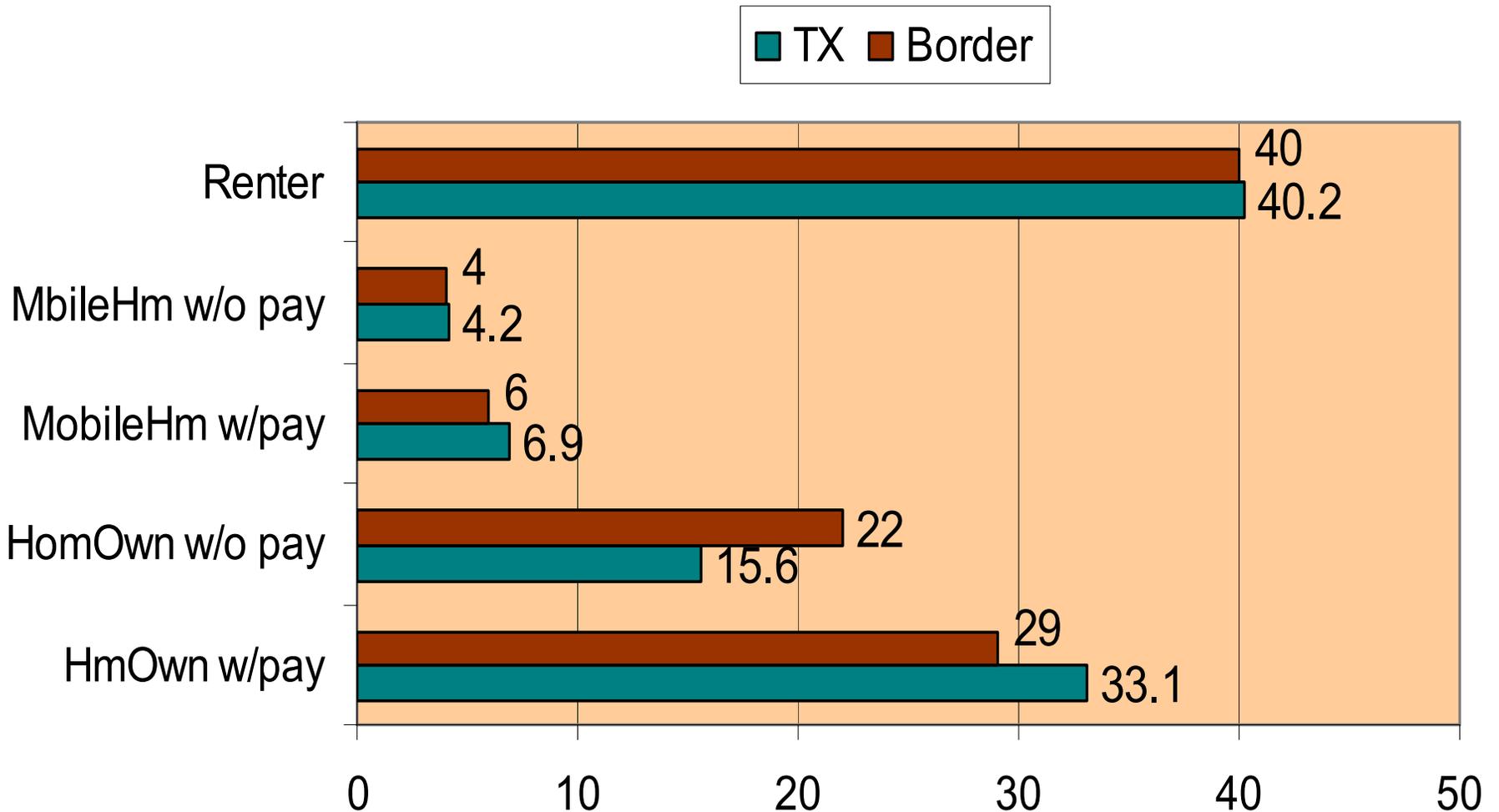
Financial Product Ownership of Respondents (TY2005/NTA)

- 30.6% Owned Both: Checking & Saving
- 41.8% Owned Checking Acct. Only
- 10.3 % Owned Savings Acct. Only
- 12.3% No interest in owning accounts
- 5.6% No account, but interested
- .3% Don't Qualify for acct ownership
 - 81.7% OWN ACCOUNTS

n = 4321 respondents

Profile of Respondents

Renter/Home Owner Status of Respondents

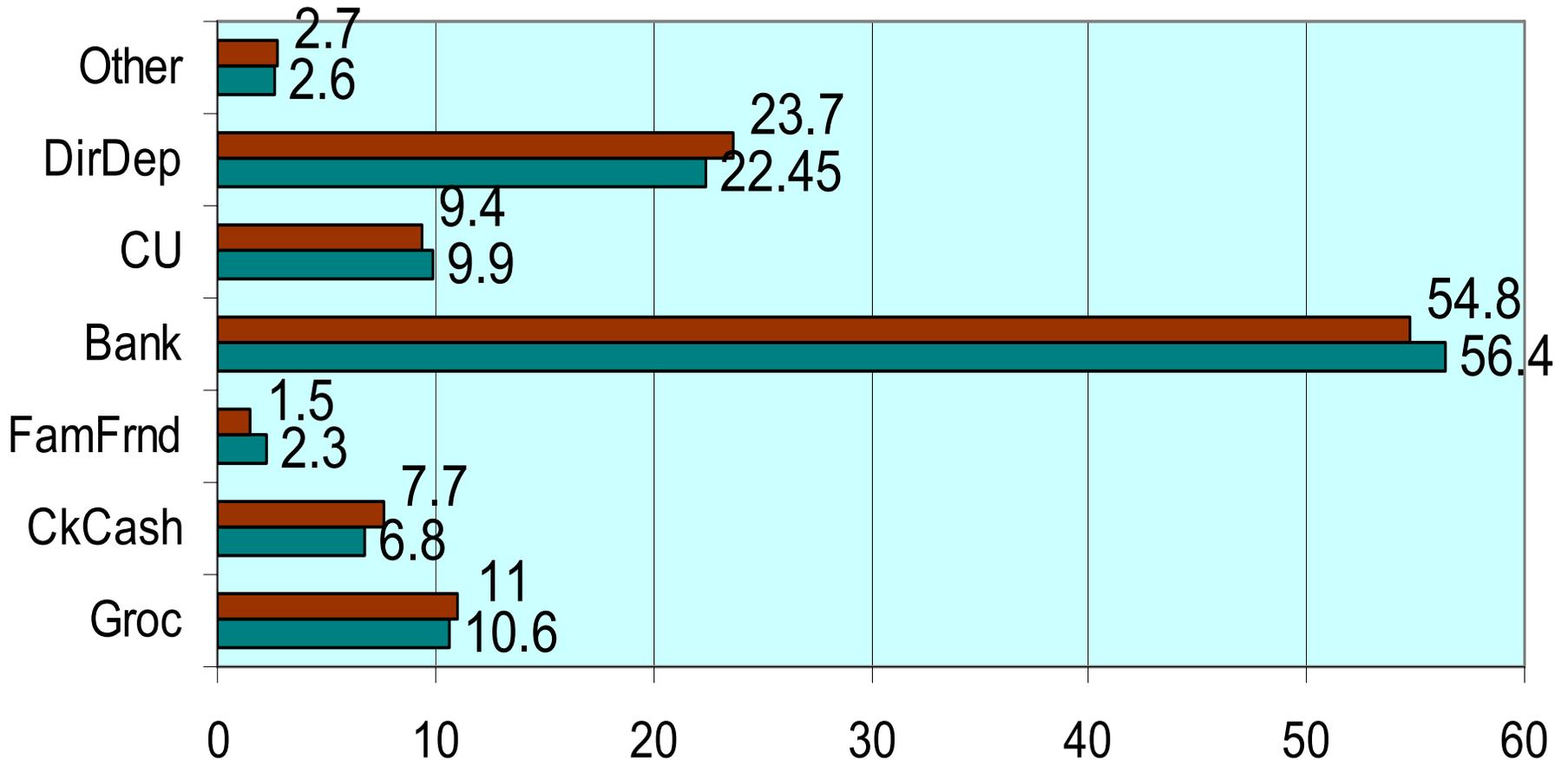


Financial Behaviors Findings

Where do you cash your paycheck?

TX=2061 obs

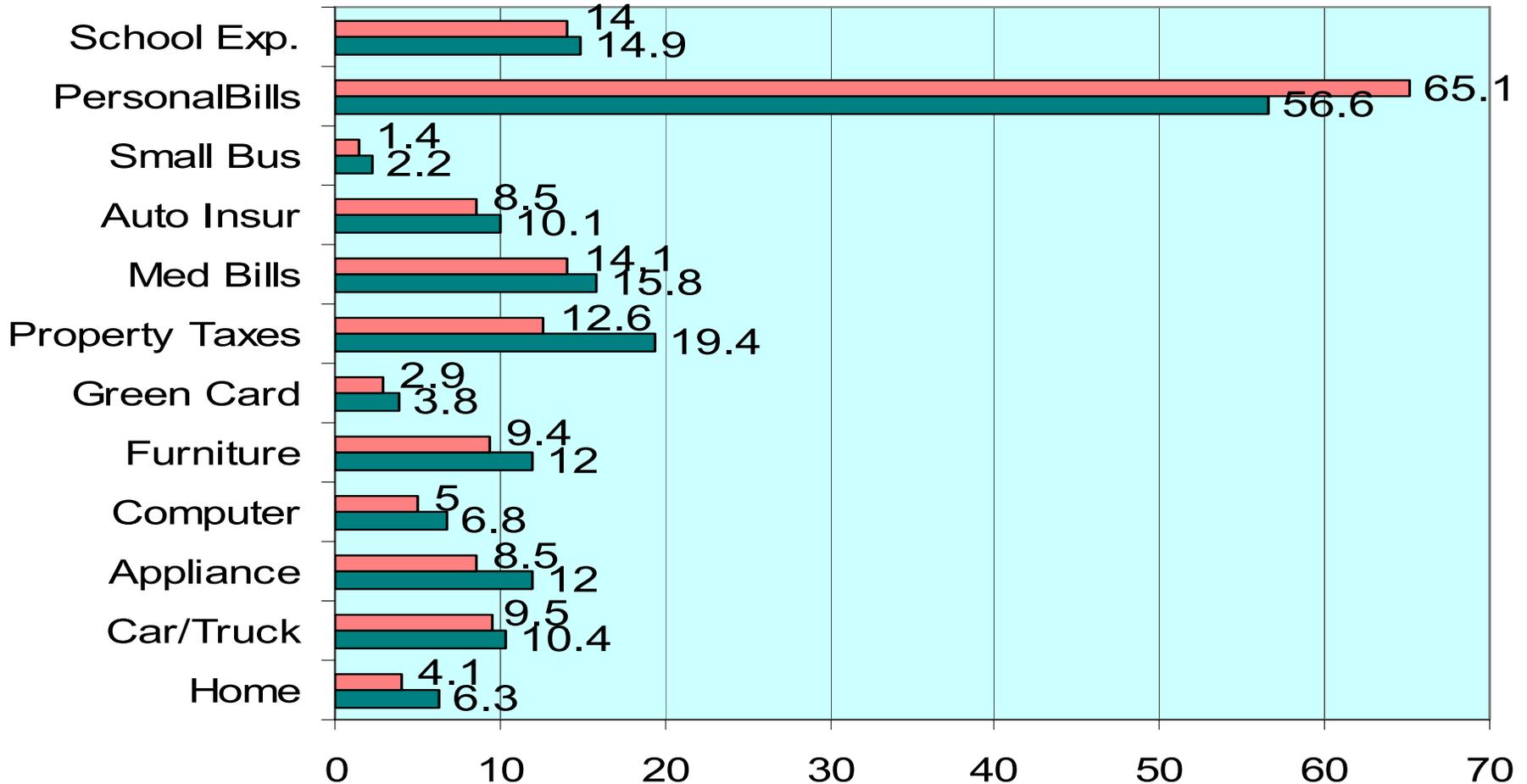
Border=5896 obs



Financial Behaviors Findings

Have you spent your Tax Refund on:

TX=2061 obs Border=5896 obs

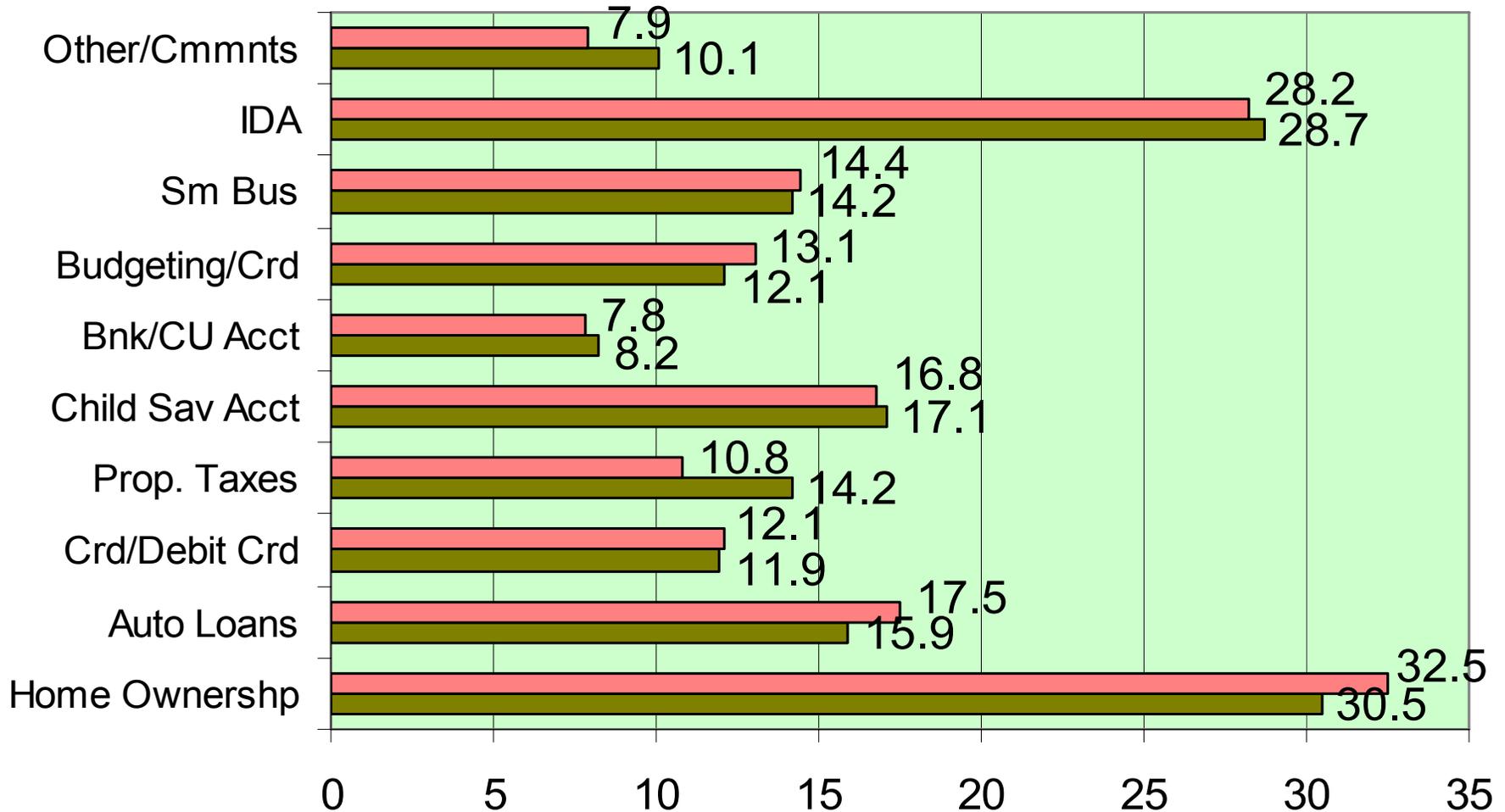


Financial Behaviors Findings

What Would You Like to Know More About?

TX=2061 obs

Border=5896 obs



Factors Affecting Latinos Use of Financial Services

- Mistrust of financial institutions
- Language and Cultural Obstacles
- Belief that a lot of money is needed to open an account
- Latin America has large informal cash based economies
- Banks in Latin America are class-oriented
- No deposit insurance in Latin America
- Avoidance of “intangible” investments
- Relying on family networks for help

Opportunities for Financial Services

- Latino population growth outpaces government estimates and will continue growing at rapid rates
- Latino labor participation rates exceed those of other populations
- Latino family formation will continue to increase with population and immigration growth
- Latino consumers are highly 'brand' loyal
- Latino CBOs understand and recognize Latino families' economic survival strategies and can mediate between Latino communities and mainstream institutions lacking cultural competency

Asset Building Issues for Latino Families and Communities

- Collaboration with community based organizations in Latino low-resourced communities
- Providing Latino Communities with Financial Services, Culturally Relevant Products and Literacy outreach
- Increasing Latino participation in the Earned Income Tax Credit
- Designing Financial Products and Services that create opportunities for Latino families to 'pool' resources for asset building

¿Comentarios or Questions?



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