

Future Financial Empowerment for African-Americans



Kristin R. Tucker

Table of Contents

Introduction.....	3
What’s the Real Deal? Economic Factors for African-Americans.....	3
Perceptions about Saving/Investing.....	4
African-American Spending Habits and Ways of Life.....	5
Figure 1--African-Americans Earn Less and Spend More Compared to Whites....	6
The Similarities and Differences between African-Americans and Whites.....	6
Figure 2--Blacks Own a Significantly Smaller Share of Wealth Per Capita than Whites.....	7
Where do we go from Here?.....	8
Figure 3--The Benefit of Investing Early.....	9
Figure 4--Asset Allocation by Age Range.....	9
Figure 5--Guidelines based on Age and Risk.....	10
Making the Correct Investment Choice.....	10
Figure 6--Growth of One Dollar over 75 Years.....	11
African-American Wealth Building 101.....	13
Figure 7--The Benefits of Dollar-Cost Averaging.....	13
If you Want to Be Wealthy, Do What the Wealthy Do.....	15
Entrepreneurship: The Key to African-American Empowerment.....	17
Figure 8--Characteristics of Successful Firms vs. Failures.....	21
Conclusion.....	23
Bibliography.....	24

Introduction: What's the Real Deal? Economic Factors for African-Americans

“It’s time that every black man, woman and child in this country decided that this is *our* country and that its wealth is ours to share in,” implores Jesse Brown, author of *Smart Money Moves for African Americans*.” According to The Selig Center for Economic Growth at the University of Georgia, African-Americans account for \$532 billion of world’s wealth; however, blacks make up only 2 percent of those selling stocks, bonds, mutual funds, and other securities in the United States, according to the Equal Employment Opportunity Commission.

According to Dr. Claude Anderson, author of *Black Labor, White Wealth*, “On the eve of the Civil War, records indicated that more than 50 percent of free blacks were paupers; all free blacks collectively held less than one-half percent of the nation’s wealth...in the 1960s more than 55 percent of all blacks were still impoverished and barely held one percent of the nation’s wealth.”

The current situation of African-Americans is not much better. According to a July 1994 edition of *Black Enterprise* magazine, the average net worth of African-Americans was \$10,651, significantly lower than whites at \$51,191. In a 1998 household study conducted by the University of Michigan, only 4 percent of African-Americans had a net worth of \$170,000, compared to 25 percent of all others.

Furthermore, the majority of blacks are far less likely than whites to have money for a down payment on their first home, quick money for emergencies, or automobile purchases. African-Americans tend to invest more conservatively than whites; therefore, we end up with less retirement savings than they have. In fact, according to the National Summit on Retirement Savings, elderly African-Americans are three times as likely to live in poverty as elderly white Americans.

However, African-Americans are not the only group of people who are not proactively taking control of their financial prosperity. According to one poll, one fourth of all adults between ages 35 and 54 have not yet begun saving for retirement. Of those who are retired, the average retirement income consists of 39 percent from personal savings and investments, 15 percent from pension, 23 percent from employment, 20 percent from Social Security, and 3 percent from other sources, according to the U.S. Department of Commerce.

“The reality is that no matter how great incomes become for individual blacks, our wealth is not sustained because we have very few assets that can be passed on from generation to generation, “ noted Hugh Price, president of the National Urban League in his introduction to a 1998 study of the state of black America’s wealth.

Perceptions about saving/investing

According to Kelvin Boston, there are ten standard reasons given by African-Americans who don’t invest in stocks, bonds, or mutual funds:

1. I don’t make enough money to invest.
2. It’s something rich people do.
3. I don’t know how to invest.
4. I don’t trust the stock market.
5. I’m too young.
6. I have a bank savings account/money market fund/certificate of deposit (CD).
7. The Lord and my Social Security will take care of me.
8. Having a lot of money is not one of my goals.
9. I’m going to hit it big on Powerball.
10. I put my money in safe things like real estate.

There are several reasons why African-Americans are missing out on the opportunity to build wealth—taking care of everyone else but ourselves; the perceived magic, mystique, and sacredness surrounding money; and fear of tying up available money and investing.

Boston found three chief reasons why African-Americans did not routinely invest in the stock market:

1. African-Americans did not feel that they had enough money to invest.
2. African-Americans were not aware of their investment options.
3. African-Americans were too busy trying to survive to think about investing in the stock market.

Many people don't take advantage of stocks, bonds, and mutual funds because they feel that those forms of investment are beyond their understanding. In fact, 38 percent of African-Americans, compared to only 21 percent of whites, say lack of knowledge was a major reason for not investing more of their income.

"Many blacks I know have stories about an uncle, aunt, parent, or cousin who has a life's savings stashed in a shoe box or sock drawer. The only thing that money will grow is mildew. Your savings should not be locked away, buried in the backyard or put in a treasure chest. Nor should your money be wasted on things you don't really need or can't afford to pay for outright," says Jesse Brown, author of *Investing in the Dream*.

Boston argues in *Smart Money Moves for African Americans* that African-Americans have been the victims of "financial miseducation." The primary perpetrators have been the public school system, which generally teach children the basics needed to enter the working world, and the Black church, which discourages its followers from accumulating earthly possessions, and encourages them to "be rewarded with God's riches in heaven."

It should also be noted that one's education does not determine their ability to build wealth. "Being a well-educated, high income earner does not automatically translate into financial independence. It takes planning and sacrifice." Wealth is blind—it does not care about one's education.

African-American Spending Habits and Ways of Life

"Although there are more prosperous African-Americans than ever, far too many African-Americans still live from paycheck to paycheck and never build lasting wealth," says Jesse Brown. The average African-American household will control over \$1 million in earnings over a forty-year period, but most do not have a plan to accumulate wealth.

Due to the lack of financial education, poverty has become a way of life for many families. Scraping pennies has become a habit. Maintaining the status quo has become easier than breaking the cycles of poverty. Consequently many of these families unconsciously leave their heirs a tradition of poverty, which is passed along from generation to generation. In fact, sixty percent of the African-American elderly are poor, many of whom believe that their social security will take care of them.

Many people put off serious investment savings until they are in their forties because by that time they either feel that they have taken care of the essentials, such as a home, car and their children’s education, or simply begin to panic about retirement.

“African-Americans tend to invest in the trappings of success—clothes, expensive cars, electronic equipment, household gadgets, fine liquor—rather than the substance of success. This is due largely to a history of deprivation that has resulted in African-Americans needing to make a visible statement about economic success.” As the following chart illustrates, Blacks earn less and spend more when compared to whites:

Figure 1

African-Americans Earn Less and Spend More Compared to Whites			
	Expenses as a Percentage of Income		
Living Expenses	<i>African-Americans</i>	<i>National Average</i>	<i>Difference (Af-Am vs. White)</i>
Food (at home and away)	15.4%	13.9%	10.8%
Housing:			
Shelter operations and supplies	18.3	17.6	4.0
Utilities	9.1	6.4	42.2
Household furniture and supplies	2.5	3.0	-16.7
Furniture and equipment	3.0	3.8	-21.1
Clothing	7.2	5.6	28.6
Transportation			
Car purchase	6.5	7.1	-8.5
Gas/Oil	3.3	3.2	3.1
Other vehicle-related expenses	5.7	5.8	-1.7
Entertainment	3.3	4.9	-32.7
Personal care products and services	1.7	1.3	30.8
Education	0.8	1.4	-42.9
Health care	3.9	5.3	26.4
Life and other personal insurance	1.3	1.1	18.2
Miscellaneous	2.4	2.5	-4.00
Total Annual Living Expenses	84.4%	82.9%	1.8%

Source: Kelvin Boston, author of *Smart Money Moves for African Americans*

The Similarities and Differences between African-Americans and Whites

Raymond St. Jacques once said, “The fundamental difference is the attitude white people have about acquiring wealth and the attitude Black people have. White people know that wealth brings power, so they do everything possible to gain more wealth and

this more power. Black people, too often, seek wealth to have enjoyment, to buy pleasure. There's a big difference between power and pleasure, and since power lasts longer than pleasure, whites have gained control of practically everything.”

According to the National Urban League's 1994 *State of Black America Report*, “there has been little significant improvement in the quality of life for blacks since 1980.” The following exhibit shows that African-Americans own a significantly smaller share of wealth per capita than whites:

Figure 2

Blacks Own a Significantly Smaller Share of Wealth Per Capita than Whites					
	Net Worth	Interest Earnings	Stocks & Mutual Funds	Home Equity	Rental Property
African-Americans	\$10,651	\$872	\$115	\$416	\$7,196
Whites	\$51,191	7,308	3,420	\$4,561	21,627
Percentage Difference	381%	738%	2874%	996%	201%
Source: <i>Smart Money Moves for African Americans</i> by Kelvin Boston					

So, what are the characteristics of the wealthy? According to Thomas J. Stanley and William D. Danko, authors of *The Millionaire Next Door*, common denominators of millionaires include the following:

1. They live well below their means.
2. They allocate their time, energy and money efficiently.
3. They believe that financial independence is more important than displaying wealth.
4. Their parents did not provide “economic outpatient care.”
5. Their adult children are economically self-sufficient.
6. They are proficient in targeting market opportunities.
7. They chose the right occupation.

However, author Jesse Brown argues that these are characteristics of white millionaires. Brown's definition of the *black* millionaire next door is "a widowed or divorced woman with two children and a net worth of a million or two. There is a considerable amount of equity in her home, she has a very good corporate or government job, and she has been in the same position for 10-15 years. Typically, this black millionaire drives a three-year-old car, probably a Mercedes or Lexus, and dresses well.'

"If she is married, her husband is a professional. She belongs to social clubs and church congregations instead of country clubs. She purchases stock only through her company's retirement plan and worries about paying for her children's education. Although she saves money, mostly in real estate or CDs, she doesn't go for high rates of return found in stocks and bonds."

Where do we go from Here?

"Two of the most difficult things to get going in this life are a diet and an investment plan," says Jesse Brown.

As African-Americans, we have to commit ourselves to prosperity and be responsible for our own financial health. "Adopting an abundance mentality is the first step toward securing peace of mind and toward reaching the freedom that we as a people have yet to fully claim: financial freedom. No excuses accepted. No limits projected," says Jesse Brown.

"History has proven that through hard economic times and boom years, bull markets and bear markets, a disciplined, long-term strategy of saving and investing is the best way to accumulate wealth, and more importantly, *pass it on*," noted Earl Graves, publisher of *Black Enterprise* magazine. Although you may be unable to invest a large amount of money, it makes more sense to begin investing when you are young given the concept of simple mathematics and the magic of compound interest—the interest, dividends, capital gains, and other forms of return that can generate income on their own.

The following chart illustrates the enormous benefits of investing early in life. Investing \$100 per month starting at the age of fifty will only yield a little more than \$50,000, while a twenty-five year old will accumulate well over \$1 million by retirement.

Figure 3

The Benefit of Investing Early (based on a return of 12%)			
Age of Initial Investment	Monthly Investment	Total Contribution	Investment Value at Age 65
25 years old	\$100	\$48,000	\$1.18 million
30 years old		\$42,000	\$649,527
40 years old		\$30,000	\$189,764
50 years old		\$18,000	\$50,458

However, investing alone is not enough. Nearly 92 percent of a portfolio's performance is due to asset class selection, according to a 1991 study reported in the *Financial Analysts Journal*. The rest of a portfolio's performance depends on your individual selections and the timing of the purchase of assets. The following two charts provide a model for asset allocation by age range and risk tolerance, and generally suggest that young people invest aggressively, while older people invest conservatively:

Figure 4

Asset Allocation by Age Range			
	20-30 year olds	30-40 year olds	50-60 year olds
Large company stocks	10%	10%	20%
Mid-cap stocks	25	25	15
Small company stocks	15	10	5
International stocks	30	25	20
Intermediate-term corporate bonds	15	20	0
Convertible or high-yield bonds	5	10	0
Municipal bonds or treasury notes	0	0	40

Figure 5

Guidelines based on Age and Risk				
	29 years old or younger	30-40 year olds	41-50 years old	At least 51 years old
GOAL	Maximum Growth	Growth and Some Income	Growth and Income	Income and Protection from Inflation
RISK TOLERANCE	High	High to Moderate	Moderate	Moderate to Low
ALLOCATIONS				
Growth Funds	40%-60%	30%-40%	20%-30%	10%-20%
Growth and Income Funds	40%-50%	30%-50%	30%-40%	20%-30%
Income Funds or Tax-free funds	0%-10%	20%-30%	30%-50%	50%-70%

Making the Correct Investment Choice

Why should African-Americans invest in stocks, bonds, or mutual funds? According to Jesse Brown, for peace of mind. With so many unexpected events and occurrences that induce stress, having an investment plan tends to ease the burden. It's not about money, as Jesse Brown says, 'it's about being able to buy things.' It's a "freedom thing."

A 1998 survey of the investment habits of 1,232 black and white households with annual incomes of at least \$50,000 found that while many African-Americans classified real estate as the best overall investment, whites chose stocks. Robert Kiyosaki, author of *Rich Dad, Poor Dad*, contrary to popular belief, contends that one's home is not an asset—rather, it is a liability because there is no income generating on a regular basis. Most classify homes as assets because their appreciation and equity growth. This provides for an interesting discussion.

Time has proven that in the long run, equity investments usually outperform debt investments by five to six percentage points. However, equity investments can have significant fluctuations in value. Therefore, they are not suitable for short-term goals. For example, Economist Roger Ibbotson showed the present value of a dollar invested in 1925 among various types of securities. Over a 75-year time frame, stocks grew by over 500 percent, compared to less than 20 percent growth by government bonds.

Figure 6

Growth of One Dollar over 75 Years		
Investment Security	Total Investment in 1925	Current Value (year 2000)
Inflation	\$1	\$7.46
Government bonds		\$17.99
Corporate bonds		\$27.18
Stock market		\$517.50*
<small>* Only \$25.89 come from price appreciation; the remainder of the increase is due to dividend growth and dividend reinvestment Source: Jesse Brown, author of <i>Investing in the Dream</i></small>		

Despite the major impediments to building wealth are inflation, taxes, and market volatility, dollar cost averaging is one of the best methods of investing; however, it takes patience and faith on the part of the investor. This is a method of consistently investing an equal amount of money over time in order to take advantage of price fluctuations and minimizing the risk of getting burned by a sudden downturn in the market.

There are several tools investors can use to choose equities in which to invest, including Value Line, Morningstar, and company’s annual reports. On-line trading has also grown dramatically in the past few years, as it is fast, easy, and generally cheaper than making purchases through a stockbroker. In fact, on-line stock purchases now account for more than 190,000 trades a day.

One may ask how to choose equity investments, and there are several methods and styles:

- Technicians—those who predict how the stock market will do using charts and graphs of past performance.

- Fundamentalists/Value Investors—those who use basic performance data, such as earnings and dividends; look for solid, growing companies; and hold on to these stocks for a long period of time.
- Dart-throwers/Efficient market hypothesizers—those who randomly select stocks.
- Peter Lynch—the former manager of Fidelity Magellan mutual fund, Lynch chooses to purchase stocks in those companies who have good products and services, and those companies whom consumers repeatedly support.
- Warren Buffett—one of the richest men in the world at a net worth of \$16 billion, Buffett invests in companies that are well-managed, undervalued, and recession-proof. Buffett invests in companies that he can understand, and keeps these stocks as long as possible.

Mutual funds one of the most popular investment tools, especially for novice investors. More than \$5 trillion is invested into mutual funds. Mutual funds are investment vehicles that put a pool of investors' money into the financial markets, allowing for considerably greater leverage. Mutual fund investors benefit through dividend reinvestment, capital gains distributions, and share appreciation.

With the exception of index funds, mutual funds are professionally managed, and allows for diversification of funds. There are several black mutual fund-families, including Ariel mutual funds, Brown Capital Management Funds, Highland Growth, Lou Holland Growth, Kenwood Growth, Edgar Lomax Value Fund, MDL Broad Market Fixed Income and Large Cap Growth Equity Fund, Profit Value Fund, and Victory Lakefront.

In 1999, home ownership rates for African-Americans reached an all-time high at 65.7 percent. However, nearly 72 percent of whites own their own homes, and just 45 percent of blacks and Hispanics combined were homeowners, according to the 1998 study conducted by the polling firm of Hart-Riehle-Hartwig Research for the Fannie Mae Foundation. However, minorities are confronted with obstacles such as racist lending policies.

African-American Wealth Building 101

“A race which cannot save its earnings can never rise in the scale of civilization”

Frederick Douglass

To build financial prosperity, Boston suggests seven “smart money moves” that will help families increase their net worth and financial well-being:

Create a wealth-building plan, which is a financial plan whose goal is to increase a family’s net worth.

1. A financial plan is a work in progress. It is best to revisit investment goals at least four times a year to ensure you are adopting the appropriate strategies and that investments are still aligned with your goals. In the wake of volatility, short-term goals need to be monitored much more closely than longer-term goals.

Dollar-cost averaging is the primary tool for small investors to make money in the stock market. Regular investing helps investors to make money even when the market is down, and frees the investor from trying to compete with professional investors at market timing. The following chart illustrates the benefit of systematic investing:

Figure 7

The Benefits of Dollar-Cost Averaging		
Monthly Investment	Selling Price of Mutual Fund Stock	Number of Shares Purchased
\$50	4.0	12.5
50	2.5	20.0
50	1.5	33.3
50	1.0	50.0
50	2.0	25.0
50	4.0	12.5

Total Investment	\$300.00
Total number of shares	153.33
<u>Final Price</u>	<u>x 4.00</u>
Value of shares purchased	\$613.32

Through systematic investing, one would spend only \$300, compared to spending over \$600 in a one-time purchase situation. Investors may also want to hire a financial planner, especially if they are still learning the basics of investing. However, investors should also select their financial planners very carefully, as the financial planning industry is highly unregulated.

According to *Consumer Reports*, there are more than 500,000 licensed financial planners in the United States. However, only about 10 percent have five years of experience, have a clean record of working with clients, and are therefore, qualified to give financial advice, according to a study by DALBAR, Inc. Furthermore, only about 4,000 are fee-only financial planners who don't earn commission from the sale of products they recommend.

2. **Invest in your dreams every payday.** Boston suggests five methods to systematically increase African-American net worth and thus gain control of their financial futures.
 1. Utilize income the family already controls (such as income and human resources—our intellectual, physical and spiritual capital).
 2. Help reach important financial goals.
 3. Reduce the impact of financial hardships.
 4. Decrease the wealth deficit with white America.
 5. Reduce the numbers of “working poor” African-American families.

Brown also suggests that one max out tax-deferred retirement planning contributions as soon as possible and continuing until retirement. This money

is one of the fastest growing tools because it is not taxed, which allows the money to compound “unmolested” until retirement.

3. **Own your home.** This will allow one to take advantage of tax benefits, the opportunity for appreciation, and the change to use home equity to purchase higher priced homes.
4. **Invest in the stock market.** Historically, stocks have provided an average return of 14 percent annually. However, African-Americans invest at much lower rates when compared to whites. In fact, according to the U.S. Census, the average African-American only owns \$115 worth of stocks.
5. **Insure your dreams** through life, health and disability insurance. As the saying goes, it’s better to be safe than sorry.
6. **Own a business enterprise.** This concept will be discussed more in depth later in the paper.
7. **Maximize your human resources**, what Boston calls your intellectual, physical, and spiritual capital.

As Marcus Garvey once stated, “Chance has never yet satisfied the hope of a suffering people. Action, self-reliance, the vision of self and the future have been the only means by which the oppressed have seen and realized the light of their own freedom.”

If you Want to Be Wealthy, Do What the Wealthy Do

“Financial prosperity really has nothing to do with how much money you are making right now. It has much more to do with what you are doing with what you have.” --Jesse Brown

Since income tax, the largest annual expenditure for most households, is a tax on *income* and not wealth or capital appreciation, authors of the *The Millionaire Next Door* suggest that “to build wealth, one must minimize their realized (taxable) income and

maximize their unrealized income (wealth/capital appreciation without a cash flow).” They define wealth as those who get much more pleasure from owning substantial amounts of appreciable assets than from displaying a high-consumption lifestyle. According to Stanley and Danko, being frugal is the “cornerstone of wealth-building.” However, our society glamorizes big spending and flashiness.

The following are characteristics of millionaires, taken from *The Millionaire Next Door*:

- About two-thirds of millionaires are self-employed. Self-employed people make up less than 20 percent of the workers in America, but account for two-thirds of the millionaires.
- 97 of millionaires are homeowners, whose homes are valued at an average of \$320,000. About half of all millionaires have occupied the same home for more than twenty years, and have, thus, enjoyed significant increases in the value of their homes.
- Millionaires live well below their means—they wear inexpensive suits and drive American cars. Only a minority of millionaires drives the current-model year automobile, and very few lease their vehicles.
- Most millionaires have accumulated enough wealth to live without working for ten or more years.
- Most millionaires save at least 15 percent of their earned income, and invest, on average, nearly 20 percent of their household realized income each year.
- On average, 21 percent of the household’s wealth is in their private businesses.

Millionaires spend a considerable amount of time planning their own finances compared to non-millionaires. However, one may ask what is necessary to begin investing. To start, one must:

- Determine their investment goals
- Distinguish their wants from needs
- Understand their risk tolerance
- Determine asset allocation strategy depending on risk tolerance

- Determine how to stay abreast of market and portfolio performance

Investment clubs also provide economic and educational opportunities for African-Americans. In 1998, there were more than 37,500 investment clubs in the United States, up from only 10,000 in 1993. The average club is 8.5 years old and has fourteen members who contribute \$58 per month and enjoy returns of 12.4 percent on their investment.

In closing, “money should never change one’s values...making money is only a report card. It’s a way to tell how you’re doing.”

Entrepreneurship: The Key to African-American Empowerment

The latest U.S. Census showed only 425,000 entrepreneurs among the total 33 million African-American population in the United States. This represents a mere 1.2 percent of the African-American population. In comparison, white Americans have almost 12.5 million businesses, representing approximately 5.9 percent of their population. These statistics are more alarming since the vast majority of millionaires are also self-employed, and African-American entrepreneurs earn on average twice as much as employed African-Americans. The total earning of minority businesses was more than \$78 billion in 1992, according to the U.S. Census.

Jeffrey A. Timmons offers an interesting definition of entrepreneurship in his book, *The Entrepreneurial Mind*. He says, “Entrepreneurship is the ability to create and build something from practically nothing. It is initiating, doing, achieving, and building an enterprise or organization, rather than just watching, analyzing or describing one. It is the knack for sensing an opportunity where others see chaos, contradiction and confusion. It is the ability to build a founding team to complement your own skills and talents. It is the know-how to find, marshal and control resources (often owned by others) and to make sure you don’t run out of money when you need it most. Finally, it is a willingness to take calculated risks, both personal and financial, and then do everything possible to get the odds in your favor.”

Timmons goes on to say, “While anyone can try to start a business, relatively few

can grow one to beyond \$1 million in sales. According to government data, only about 1 in 30 businesses had annual sales of over \$1 million.” He also suggests that the businesses with the most likelihood of experiencing long-term success have a minimum of ten employees and sales over \$500,000.

As with anything, there are several advantages and disadvantages of entrepreneurship. Advantages of entrepreneurship include:

- Being your own boss
- Having the independence and power to make your own business decisions
- Direct contact with customers, employees, suppliers, and others
- Personal satisfaction, a sense of achievement, and recognition that come with success
- Opportunities to be creative and to develop your own ideas, products, and services
- Having the chance to do something you truly enjoy
- Doing something that contributes to others

However, some of the disadvantages of entrepreneurship include the following:

- In many ways, you are *not* your own boss, because there are many people you must report to—customers, government agencies, and suppliers, to name a few
- Large financial risk
- Long hours
- Lack of spare time for family or a social life
- Unlike a salary, income will likely be unsteady
- There is no boss to pass problems on to—you have chief responsibility
- If you don’t like your business, it may take many years to sell the business or find another exit strategy

Many people think that entrepreneurs are very risky, and one college professor gives his definition of risk: “What is risk? Having one source of income. Employees are at risk...they have a single source of income. What about the entrepreneur who sells

janitorial services to your employers? He has hundreds and hundreds of customers...hundreds and hundreds of sources on income.”

Although there is considerable risk associated with entrepreneurship, business owners have a set of beliefs that help reduce this risk:

- I'm in control of my own destiny.
- Risk is working for a ruthless employer.
- I can solve any problem.
- The only way to become a CEO is to own the company.
- There are no limits on the amount of income I can make.
- I get stronger and wiser every day by facing risk and adversity.

Also, there are many myths surrounding entrepreneurs, including the following:

1. Entrepreneurs are born, not made. The reality is that many successful entrepreneurs emerge from a combination of work experience, study, and development of appropriate skills.
2. Anyone can start a business. To be successful, the odds must be in your favor, and you must act like an entrepreneur.
3. Entrepreneurs are gamblers. Successful entrepreneurs take calculated risks, and do as much as they can to minimize their risk.
4. You are better off as an independent one entrepreneur, owning the whole show yourself. Boston points out that it is very difficult to grow a venture beyond \$1 million in profitable sales single-handedly. Conversely, those businesses that succeed often have multiple founders.
5. Being an entrepreneur is the only way you can be your own boss and completely independent. The reality is that entrepreneurs have many constituencies to serve—customers, suppliers, distributors, creditors, employees, not to mention spouses, family, and friends.
6. Entrepreneurs work longer and harder than managers in big companies. A recent survey of Harvard Business School alumni showed that self-employed persons work both more *and* less than their corporate counterparts.

7. Entrepreneurs face greater stress and more pressures and thus pay a higher price for their role than any others. Although entrepreneurship is quite stressful and demanding, it is no more stressful than other professional roles. In fact, seventy five percent of entrepreneurs said that they would be entrepreneurs again if they had to do it all over again. Although it can be taxing, entrepreneurs thrive off of the flexibility, innovation and high job satisfaction they experience.
8. Starting your own company is a risky, hazardous proposition, which often ends in failure. With the right mix of people, ideas, and opportunities, successful ventures are much more common than failures because they are driven by talented and experienced founders.
9. Money makes the difference. Of all of the necessities of starting a business, money is the least important aspect of operating a successful venture. For many motivators, money is not the primary motivator—entrepreneurs thrive on the “thrill of the chase,” and still work long hours and launch more companies.
10. Start-ups are for the young and energetic. There are no age barriers to starting companies. Anyone can benefit from advantages, such as well-developed networks of contacts. One study showed that one fifth of business founders were over forty when they embarked on their entrepreneurial career, the majority were in their thirties, and just over one quarter were entrepreneurs by the age of twenty-five. Many examples were cited of those aged sixty plus starting business ventures.
11. Entrepreneurs are motivated solely by the quest for the almighty dollar; they want to make money so they can spend it. “Growth-minded entrepreneurs are more driven by building the enterprise and realizing long-term capital gains than by instant gratification through high salaries and perks,” says Boston. Visions and dreams seem to be the most powerful motivators of entrepreneurs.
12. Entrepreneurs seek power and control over others so they can feel in charge. Most entrepreneurs are driven by the quest for responsibility, achievement and results, not power.
13. African Americans do not have what it takes to be successful entrepreneurs. This myth is totally unfounded, and there are many examples to prove otherwise.

Given the tenacity and steadfastness of African-Americans throughout time, we are well suited for entrepreneurship.

The common characteristic of business owners is that they all enjoy what they do, and take pride in “doing it alone.” However, many businesses fail in the first two years of operation due to a lack of research, improper marketing, improper management, lack of capital, and/or lack of technology. However, lack of capital remains the number one cause of most small business failure, and usually signifies inadequate planning. The following charts compares characteristics of both successful and failed firms:

Figure 8

Characteristics of Successful Firms vs. Failures		
Factor	Successful Firms	Failures
Degree of Preparation	Spent 6 to 10 months to research and prepare for their ventures	Spent less than four months to prepare for start-up.
Use of Advisers	90% utilized professional advisers such as lawyers and accountants in starting up.	Only 25% sought professional help at an early stage.
Business Education, Reading	Almost 70% had taken business-related courses before starting business and also regularly read business books and magazines.	Only 10% had attended business courses or now took time to read business material.
Expectations of Income	More than half said they started with modest expectation, typically about \$12,000 a year (Canadian), and were prepared to be patient for signs of success.	36% said they fully expected to make barrels o money within 3 years. The anticipated level of annual earnings they most often quoted was \$40,000 (Canadian).
<i>Source: "Women: The Best Entrepreneurs," Jane T. Cook in Canadian Business, June 1982.</i>		

Conclusion

It is important for African-Americans to strive for financial empowerment. There are and have been many obstacles to prevent this from occurring; however, the time is overdue for our people to claim its own destiny. The reality is that money rules the world. A paradigm shift is in order, and a plan of action is necessary if we are to become *real* players in this global economy.

Bibliography

Boston, Kelvin. *Smart Money Moves for African-Americans*. New York: The Berkley Publishing Group, 1996.

Brown, Carolyn. *The Millionaires' Club*. New York: John Wiley & Sons, Inc., 2000.

Brown, Jesse. *Investing in the Dream*. New York: Hyperion, 2000.

Cook, Jane. "Women: The Best Entrepreneurs," in *Canadian Business*, June 1982.

Graves, Earl. *Black Enterprise Magazine*. New York, July 1994.

Kiyosaki, Robert. *Rich Dad, Poor Dad*. New York: Warner Books, 1998.

National Urban League. *State of Black America Report*. 1994.

Wilson, Amos. *Blueprint for Black Power*. New York: Afrikan World InfoSystems, 1998.