

# Financial security of Chinese American households depends on education, researcher finds

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As the financial crisis continues, researchers have been focusing more attention on how individuals handle finances at home. Rui Yao, personal financial planning professor in the University of Missouri School of Human Environmental Sciences, surveyed the financial health of Chinese American households to gain a better understanding of how this particular group of people manages their personal finances.

Yao says Chinese Americans represent the largest group of Asians in the United States, but relatively little research has been done on them. In her study published in the *Journal of East Asian Studies*, Yao found that a majority of Chinese American households do not save enough of their income, but rather invest most of their net worth in the stock market.

For her study, Yao used the emergency fund ratio, which refers to how many months a household could continue living at its current lifestyle if they stopped receiving income. Financial experts suggest saving at least three months of income, but Yao found that a majority of Chinese Americans are not meeting this guideline.

"Less than 50 percent of Chinese Americans meet the emergency fund ratio guideline, but Chinese Americans are also investing more than average," Yao said. "Everyone should have an adequate emergency fund in place before thinking about the stock market."

The study also explored Chinese American market participations and found that a surprising number of the households she studied invest a majority of their net worth in stocks.

"Chinese Americans tend to have too much exposure in the [stock market](#)," Yao said. "In an emergency, stocks and bonds can be quickly sold and liquidated, but when the markets are down, like they are now, it is not wise to sell your stocks because you won't get a good return back on them."

Yao believes an increase of financial education is key to improving the [financial security](#) of Chinese American households.

"[Financial education](#) is the biggest need for this group," Yao said. "In the United States, financial experts say that if you have financial dependents you should have life insurance, but it is equally important to tell families they need to start saving for emergencies so that in a down market, if people lose their jobs, they don't have to sell their stocks and incur the potential loss."

Provided by University of Missouri-Columbia

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