Only half of Americans realize that there is a wide gap in financial well-being between White households and households of color. However, even among those who do recognize racial economic inequality, there is a widespread misconception that the problem is only based on a difference in income. The problem is much deeper than that: when we consider wealth—which is the financial capital families need to expand their economic opportunity and agency—the disparity facing households of color grows even larger.

**THE RACIAL INCOME GAP IS A BIG PROBLEM, BUT THE RACIAL WEALTH GAP IS AN EVEN BIGGER PROBLEM**

**MEDIAN HOUSEHOLD INCOME AND WEALTH, 2016**

<table>
<thead>
<tr>
<th>INCOME GAP</th>
<th>WEALTH GAP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td><strong>Wealth</strong></td>
</tr>
<tr>
<td>$35K</td>
<td>$17K</td>
</tr>
<tr>
<td>$39K</td>
<td>$21K</td>
</tr>
<tr>
<td>$51K</td>
<td>$65K</td>
</tr>
<tr>
<td>$61K</td>
<td>$171K</td>
</tr>
</tbody>
</table>

*Income = The wages earned from a job or from capital gains

Wealth = The sum of one’s assets minus their debts

*According to the Federal Reserve, the ‘Other/Multiple Races’ racial category listed throughout this document includes "those identifying as Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, other race, and all respondents reporting more than one racial identification." The White racial category listed throughout this document refers to non-Hispanic Whites.


Over the past three decades, the racial wealth gap has not significantly improved.\(^3\)

**Median Household Wealth**

**White vs. Black**

- 1989: $8K White, $17X Black
- 2016: $171K White, $10X ($199K) Black

**White vs. Hispanic**

- 1989: $135K White, $9K Hispanic
- 2016: $171K White, $10X ($199K) Hispanic

**White vs. Other/Multiple Races**

- 1989: $68K White, $17X Other/Multiple Races
- 2016: $171K White, $3X ($199K) Other/Multiple Races

**All Households**

- 1989: $8K White, $68K Other/Multiple Races
- 2016: $171K White, $65K Other/Multiple Races

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By striking at the core of the wealth owned by households of color—the home—the economic crisis disproportionately impacted these communities. Not only did families of color lose a larger share of their wealth during the downturn compared to White households, it also took them twice as long to recover from those losses.

While homeownership has long been the leading source of household wealth in the U.S., it is fundamentally important to the wealth of households of color, as the home tends to account for a larger share of their assets compared to White households.

Unfortunately, despite homeownership being critical to the wealth of communities of color, these households build less wealth, on average, through homeownership than White households do.

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5 Ibid.
TO BUILD THE ECONOMY OF TOMORROW, WE MUST CLOSE THE RACIAL WEALTH GAP

By 2045, it is estimated that households of color will represent a majority of the U.S. population.6

Change in Population**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th>2045</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTHER/MULTIPLE RACES</td>
<td>10%</td>
<td>15%</td>
<td>50%</td>
</tr>
<tr>
<td>BLACK</td>
<td>13%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>HISPANIC</td>
<td>18%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>WHITE</td>
<td>61%</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

If unaddressed, the racial wealth gap will continue to limit our ability to create an inclusive economy that works for all of us.7

Change in Household Wealth**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th>2045</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLACK</td>
<td>$17K</td>
<td>$62K</td>
<td></td>
</tr>
<tr>
<td>HISPANIC</td>
<td>$21K</td>
<td>$72K</td>
<td></td>
</tr>
<tr>
<td>OTHER/MULTIPLE RACES</td>
<td>$65K</td>
<td>$86K</td>
<td></td>
</tr>
<tr>
<td>WHITE</td>
<td>$171K</td>
<td>$210K</td>
<td></td>
</tr>
</tbody>
</table>

**Population projections: Because individuals may report more than one race, the sum of the population of the racial groups listed above may not add to 100. Wealth projections: figures were calculated using a simple compounding interest projection formula.


7 2016: Board of Governors of the Federal Reserve System, 2016 Survey of Consumer Finances (SCF); 2045: Author’s calculations based on data from the 2016 Survey of Consumer Finances (SCF).
TO CLOSE THE RACIAL WEALTH GAP, WE MUST ADDRESS SEVERAL CHALLENGES FACING HOUSEHOLDS OF COLOR TODAY.

1 EXPAND ON OPPORTUNITIES TO INCREASE INCOMES AND BUILD SHORT- AND LONG-TERM SAVINGS

Households of color are two times more likely to live below the federal poverty line.\(^8\)

Nearly three out of every five households of color do not have enough savings to replace income at the poverty level for three months in the event of a financial emergency.\(^9\)

In addition to lower median retirement account values, workers of color are less likely than White workers to have access to and participate in employer-sponsored retirement plans.\(^10\)

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2 ENABLE GREATER WEALTH CREATION THROUGH ENTREPRENEURSHIP AND EMPLOYMENT EQUITY

Workers of color are not only less likely to own businesses than White workers,\(^11\) but when they do, the average value of their businesses is significantly lower than the average value of White-owned businesses.\(^12\)

Workers of color are unemployed at much higher rates today than White workers\(^13\)—a reality that has held consistent since the 1970s.\(^14\)


Many households of color are unbanked (meaning they do not have a bank account at all) while many more are underbanked, meaning they have a bank account but also rely on alternative financial services—such as payday lenders—to carry out everyday financial transactions.

In 2017, underserved consumers—including those unbanked and underbanked—spent $173 billion in fees and interest to use alternative financial services.

**ALTERNATIVE FINANCIAL SERVICES**

*Use of Alternative Financial Services (AFS) During the Prior 12 Months*

<table>
<thead>
<tr>
<th></th>
<th>CREDIT AFS***</th>
<th>TRANSACTION AFS***</th>
<th>ANY AFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHITE</td>
<td>6%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>ASIAN</td>
<td>5%</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>HISPANIC</td>
<td>8%</td>
<td></td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>36%</td>
</tr>
<tr>
<td>BLACK</td>
<td>12%</td>
<td></td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>40%</td>
</tr>
</tbody>
</table>

In 2017, underserved consumers—including those unbanked and underbanked—spent $173 billion in fees and interest to use alternative financial services.

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**According to the FDIC, transaction AFS includes money orders, check cashing, and international remittances, while Credit AFS includes payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, and auto title loans.**

**“2017 FDIC National Survey of Unbanked and Underbanked Households,” Federal Deposit Insurance Corporation (FDIC), Appendix, Pg. 1.**

**Ibid. Pg. 81-86.**

**CLOSE THE EDUCATIONAL ATTAINMENT, STUDENT DEBT AND EQUITY GAP**

**HIGHER EDUCATION ATTAINMENT**  
Adults with at Least a 4-Year Degree (%)  
- White Adults: 36%  
- Adults of Color: 23%  

White adults are 1.5 times more likely than adults of color to have a four-year college degree.  

**MEDIAN HOUSEHOLD STUDENT DEBT**  
- White Households: $20K  
- Households of Color: $24K  

At the median, households of color owe 20% more in student debt than White households.  

**RETURNS ON EDUCATIONAL INVESTMENT**  
Median Household Wealth given College Graduation  
- White Households: $391K  
- Households of Color: $92K  

White graduates with a bachelor’s degree or higher have a median net worth 4.25x that of graduates of color.  

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**IMPROVE ABILITY TO CREATE LONG-TERM WEALTH**

**HOMEOWNERSHIP RATE**  
Percentage of Occupied Housing Units That Are Owner-Occupied  
- White: 72%  
- Asian: 60%  
- Hispanic: 47%  
- Black: 41%  

Although homeownership plays a critical role in the wealth of households of color, communities of color face a large homeownership gap that further limits their ability to build long-term wealth.  

**FAMILY FINANCIAL ASSISTANCE**  
Percentage of Households that Received an Inheritance  
- White: 26%  
- Other/Multiple Races: 15%  
- Black: 8%  
- Hispanic: 5%  

Building long-term wealth can also be greatly influenced by intergenerational wealth transfers, such as inheritances. Today, White households are about 2-5 times more likely than communities of color to receive an inheritance.  

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19 Prosperity Now’s calculation using 2016 Survey of Consumer Finance data.  
20 Ibid.  
ALTHOUGH THERE IS NO SINGLE SOLUTION TO BRIDGING AND CLOSING THE RACIAL WEALTH GAP...

...THE ASSET BUILDING POLICY NETWORK IS COMMITTED TO ADDRESSING THIS GAP THROUGH MULTIPLE APPROACHES THAT AIM TO GENERATE SAVINGS AND STRENGTHEN HOUSEHOLD FINANCIAL RESILIENCY WITHIN COMMUNITIES OF COLOR.

The mission of the Asset Building Policy Network (ABPN), a coalition of the preeminent civil rights and asset-building organizations, together with Citi Community Development, is to expand economic opportunities for low-income members of communities of color. We develop and promote research and program solutions aimed at generating savings and strengthening household financial resiliency within communities of color. We focus on systems and policy change across a range of areas—from financial services to entrepreneurship to immigration to the tax code—that impact wealth creation with the goal of not only creating equitable opportunities for communities of color to build wealth, but also addressing barriers and practices that strip wealth from the communities we serve.

TO LEARN MORE ABOUT HOW WE'RE INVESTING IN THE FUTURE OF THE AMERICAN ECONOMY, VISIT OUR WEBSITE AND FOLLOW US ONLINE

www.assetbuildingpolicynetwork.org  @theabpn