

THE RACIAL WEALTH GAP

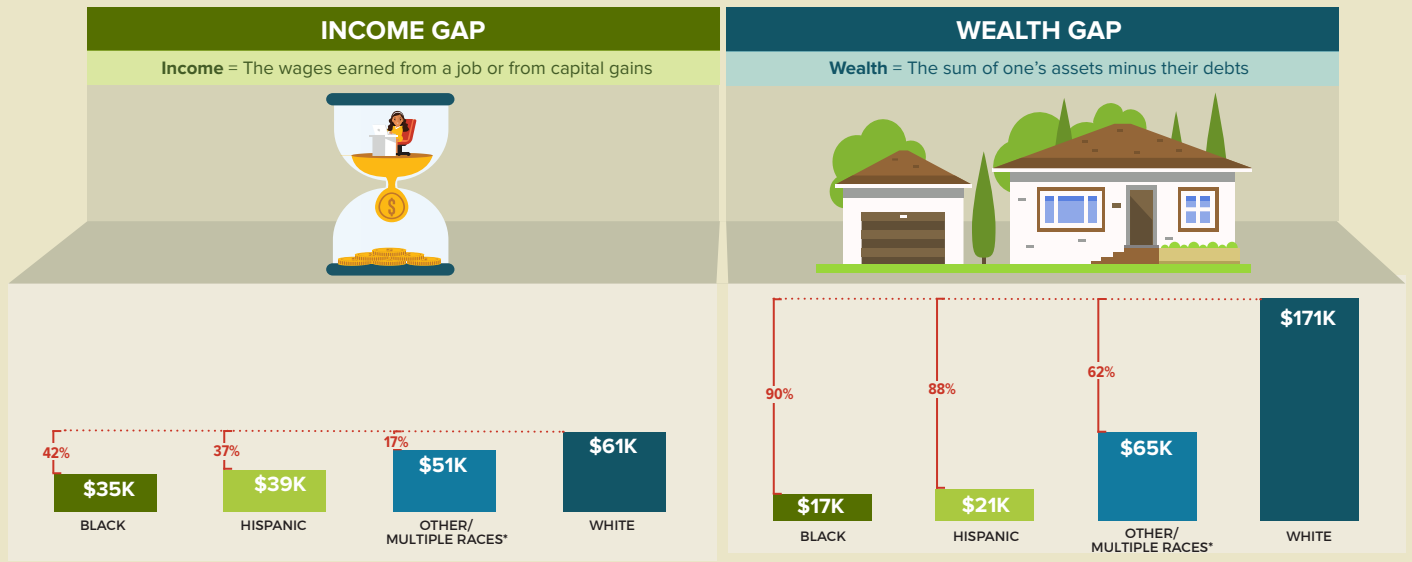
TO CREATE AN ECONOMY THAT WORKS FOR ALL OF US,
WE NEED TO UNDERSTAND AND ADDRESS RACIAL WEALTH INEQUALITY

Only half of Americans realize that there is a wide gap in financial well-being between White households and households of color.¹ 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, 2016²



*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.

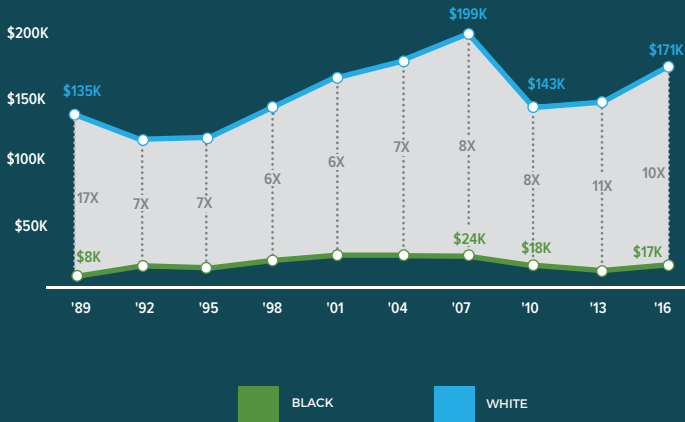
¹"On Views of Race and Inequality, Blacks and Whites Are Worlds Apart," Pew Research Center (Washington, DC), June 27, 2016, www.pewsocialtrends.org/2016/06/27/on-views-of-race-and-inequality-blacks-and-whites-are-worlds-apart/.

²Board of Governors of the Federal Reserve System, *2016 Survey of Consumer Finances* (SCF) (Washington, DC: Federal Reserve Board, 2017), see 'Excel Based on Public Data', 'Estimates inflation-adjusted to 2016 dollars'.

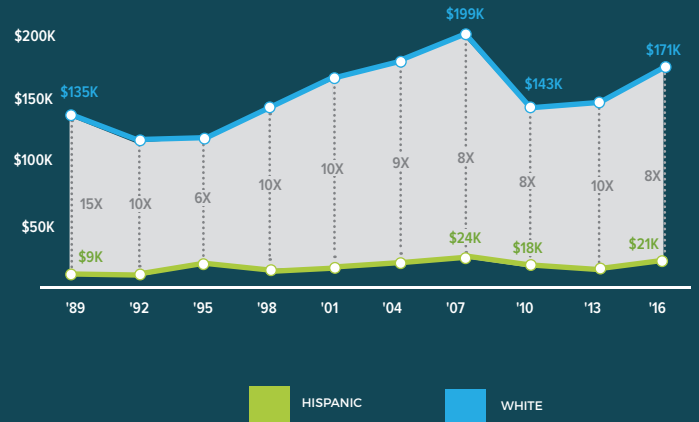
OVER THE PAST THREE DECADES, THE RACIAL WEALTH GAP HAS NOT SIGNIFICANTLY IMPROVED³

Median Household Wealth

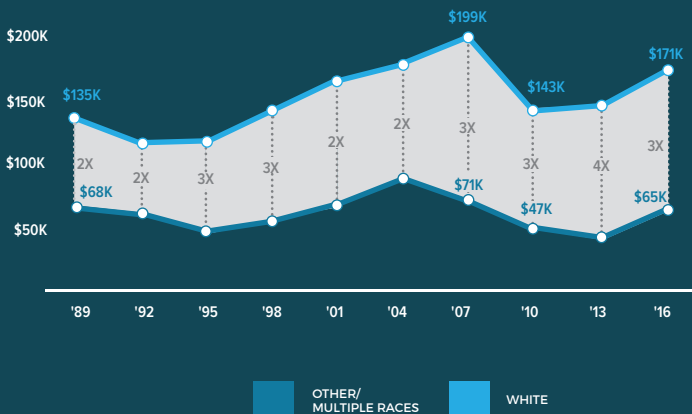
WHITE VS BLACK



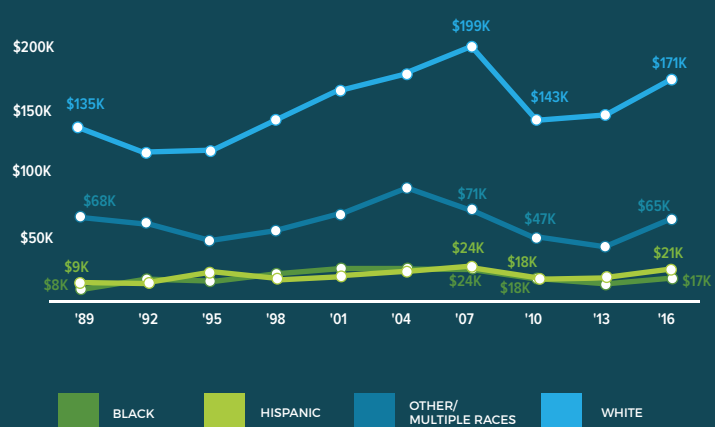
WHITE VS HISPANIC



WHITE VS OTHER/ MULTIPLE RACES



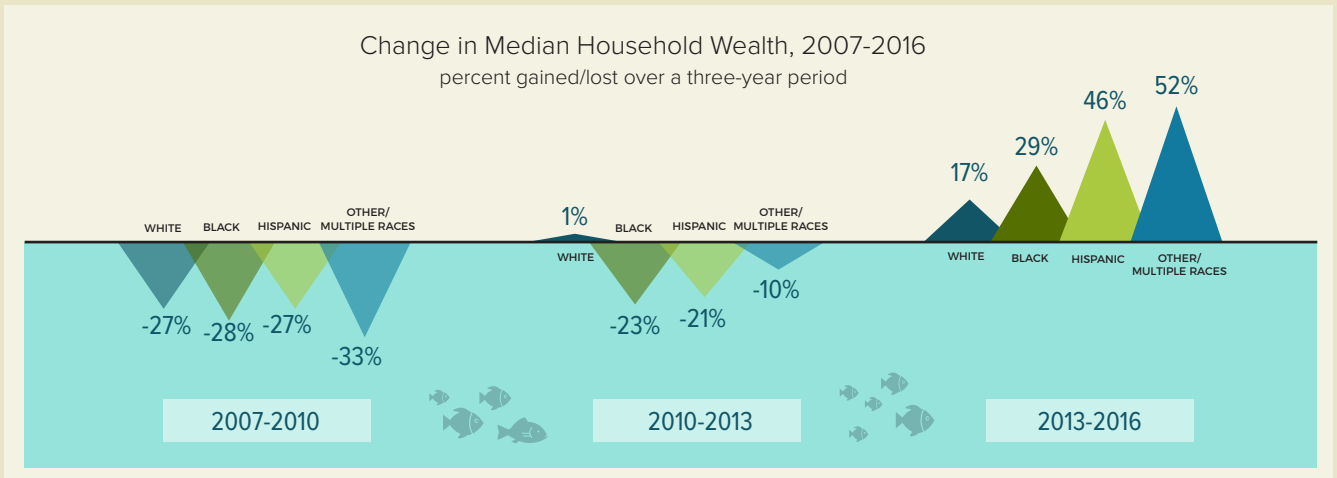
ALL HOUSEHOLDS



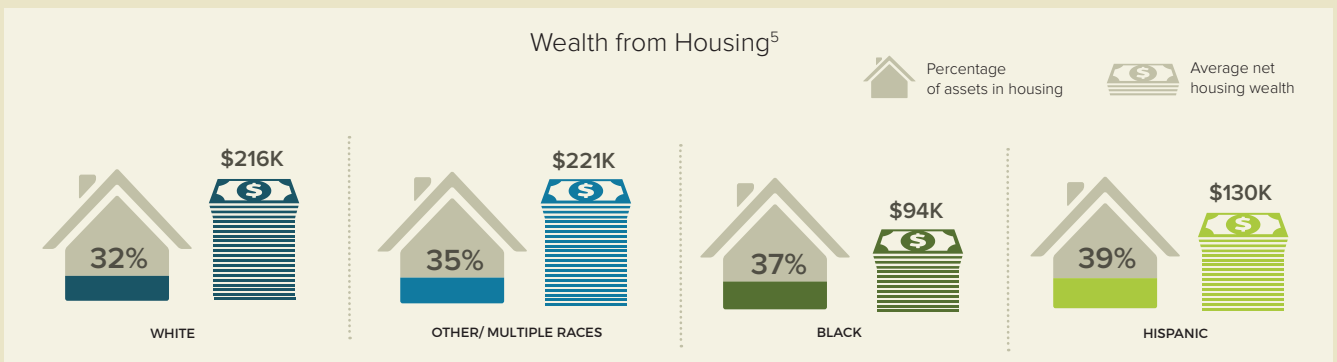
³ Board of Governors of the Federal Reserve System, *2016 Survey of Consumer Finances* (SCF) (Washington, DC: Federal Reserve Board, 2017), see 'Excel Based on Public Data', 'Estimates inflation-adjusted to 2016 dollars'.

HOUSEHOLDS OF COLOR WERE HIT HARD BY THE RECESSION AND OVERLOOKED BY THE ECONOMIC RECOVERY⁴

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.

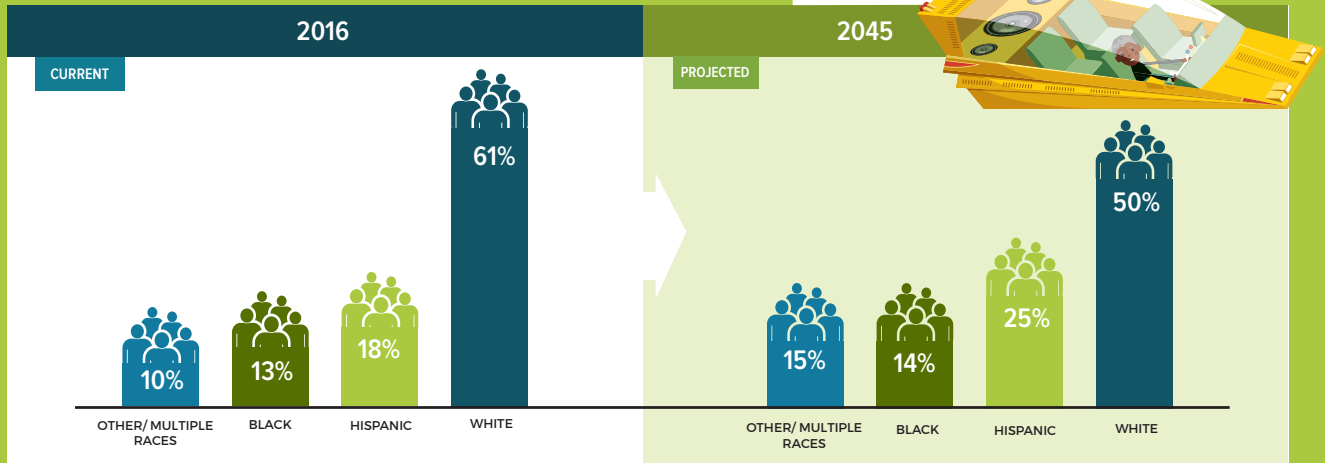
⁴ Lisa J. Dettling, Joanne W. Hsu, Lindsay Jacobs, Kevin B. Moore, and Jeffrey P. Thompson with assistance from Elizabeth Llanes, "Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances," FEDS Notes, Board of Governors of the Federal Reserve System, September 27, 2017.

⁵ Ibid.

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

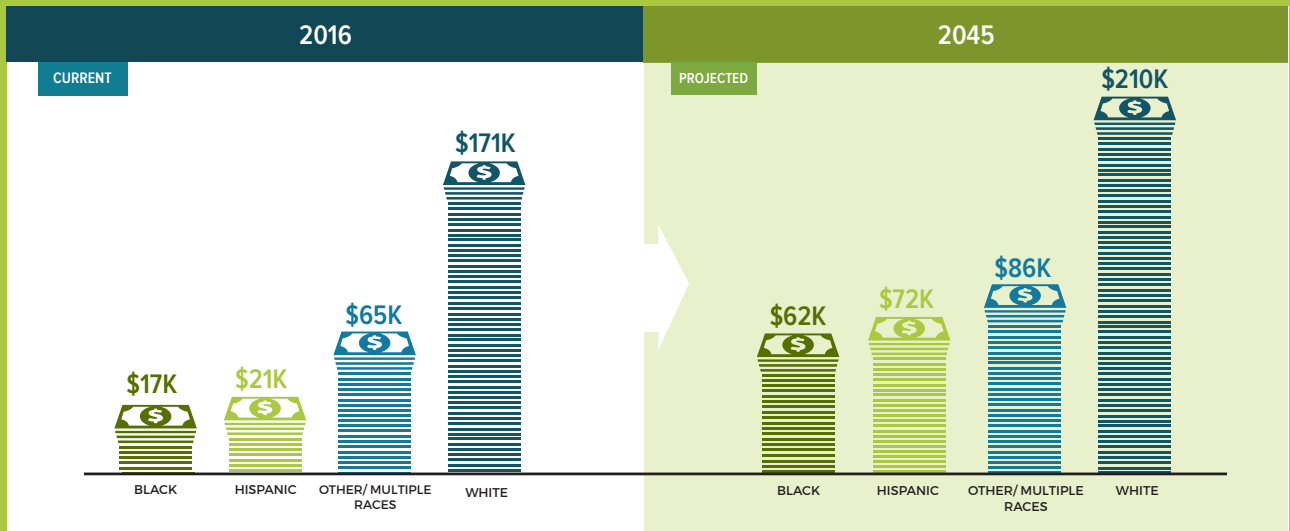
By 2045, it is estimated that households of color will represent a majority of the U.S. population.⁶

Change in Population**



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**



**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.

⁶ Projected Race and Hispanic Origin: Main Projections Series for the United States, 2017-2060. U.S. Census Bureau, Population Division: Washington, DC., Table 4, www.census.gov/data/tables/2017/demo/popproj/2017-summary-tables.html.

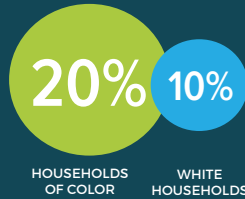
⁷ 2016: Board of Governors of the Federal Reserve System, 2016 Survey of Consumer Finances (SCF); 2045: Author's calculations based on data from the 2016 Survey of Consumer Finances (SCF).

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

INCOME POVERTY



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

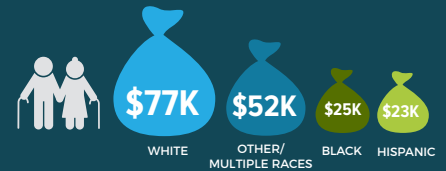
LIQUID ASSET POVERTY



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

RETIREMENT SAVINGS

Median Value of Retirement Accounts



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

2

ENABLE GREATER WEALTH CREATION THROUGH ENTREPRENEURSHIP AND EMPLOYMENT EQUITY

BUSINESS OWNERSHIP

WHITE HOUSEHOLDS
HOUSEHOLDS OF COLOR

19%

16%

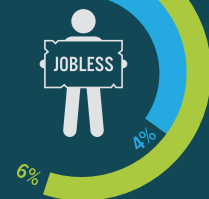
AVERAGE BUSINESS VALUE



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

UNEMPLOYMENT RATE

WORKERS OF COLOR
WHITE WORKERS



Workers of color are unemployed at much higher rates today than White workers¹³—a reality that has held consistent since the 1970s.¹⁴

⁸ "Income Poverty Rate by Race," 2019 Prosperity Now Scorecard, February 2019, <http://scorecard.prosperitynow.org/data-by-issue#finance/outcome/income-poverty-rate>.

⁹ "Liquid Asset Poverty Rate by Race," 2019 Prosperity Now Scorecard, February 2019, <http://scorecard.prosperitynow.org/data-by-issue#finance/outcome/liquid-asset-poverty-rate>.

¹⁰ Median Retirement Account Values: 2016 Survey of Consumer Finances; Employer-Sponsored Retirement Account Access/Participation: Nari Rhee, Race and Retirement Insecurity in the United States (Washington, DC: National Institute on Retirement Security, 2013), 3.

¹¹ "Business Ownership by Race," 2019 Prosperity Now Scorecard, February 2019, <http://scorecard.prosperitynow.org/data-by-issue#jobs/outcome/business-ownership-by-race>; Data Year: 2012.

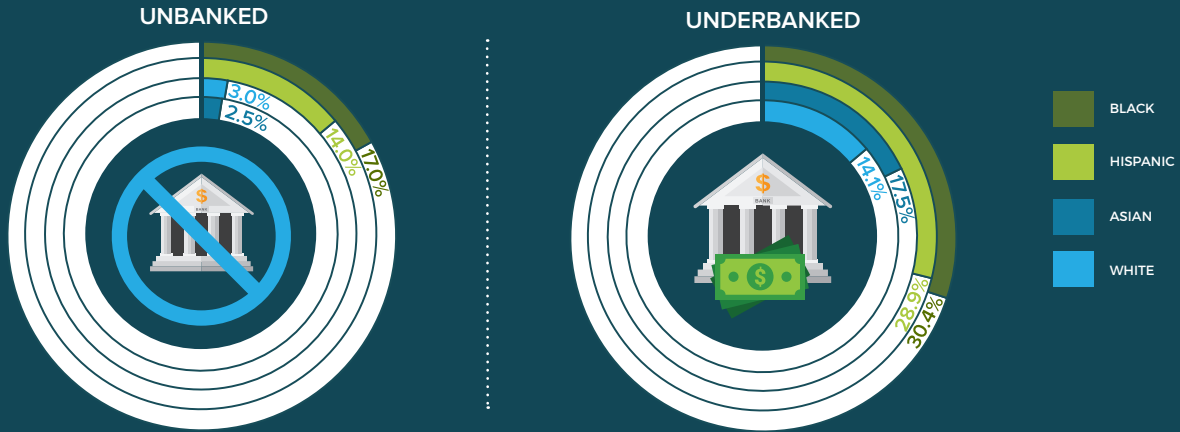
¹² "Business Value by Race," 2019 Prosperity Now Scorecard, February 2019, <http://scorecard.prosperitynow.org/data-by-issue#jobs/outcome/business-value-by-race>; Data Year: 2012.

¹³ "Race Detail - Unemployment Rate," 2019 Prosperity Now Scorecard, February 2019, <http://scorecard.prosperitynow.org/data-by-issue#jobs/outcome/unemployment-rate>; Data Year: Q4 2017 - Q3 2018.

¹⁴ Derek Thompson, "The Workforce Is Even More Divided by Race than You Think," The Atlantic, November 6, 2013, www.theatlantic.com/business/archive/2013/11/the-workforce-is-even-more-divided-by-race-than-youthink/281175/.

3

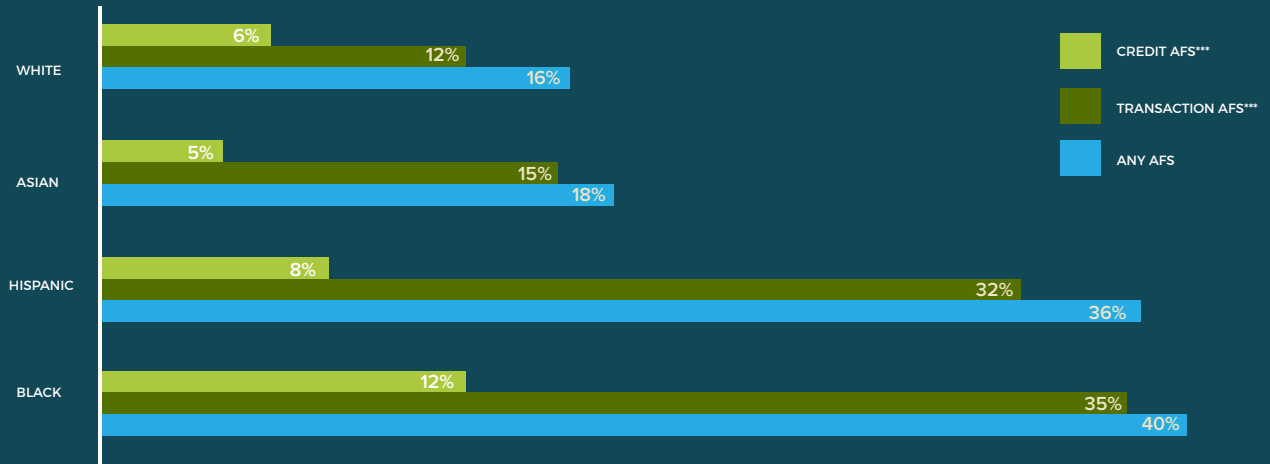
PROVIDE ACCESS TO SAFE AND AFFORDABLE FINANCIAL PRODUCTS AND SERVICES¹⁵



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 services¹⁶—such as payday lenders—to carry out everyday financial transactions.

ALTERNATIVE FINANCIAL SERVICES

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



In 2017, underserved consumers—including those unbanked and underbanked—spent \$173 billion in fees and interest to use alternative financial services.¹⁷

***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.

¹⁵ "2017 FDIC National Survey of Unbanked and Underbanked Households," Federal Deposit Insurance Corporation (FDIC), Appendix, Pg. 1.

¹⁶ Ibid. Pg. 81-86.

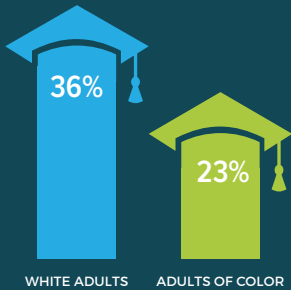
¹⁷ "Rebecca Loya, Chris Brown and Marisabel Torres, "The Future of Banking: Overcoming Barriers to Financial Inclusion for Communities of Color," (Washington, DC; Oakland, CA: UnidosUS, PolicyLink, 2019).

4

CLOSE THE EDUCATIONAL ATTAINMENT, STUDENT DEBT AND EQUITY GAP

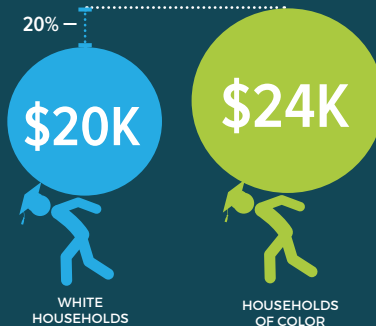
HIGHER EDUCATION ATTAINMENT

Adults with at Least a 4-Year Degree (%)



White adults are 1.5 times more likely than adults of color to have a four-year college degree.¹⁸

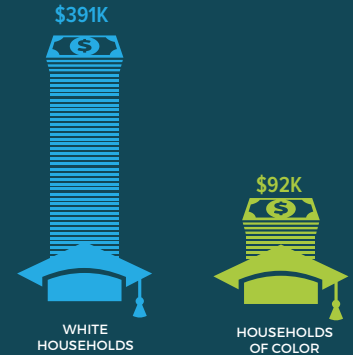
MEDIAN HOUSEHOLD STUDENT DEBT



At the median, households of color owe 20% more in student debt than White households.¹⁹

RETURNS ON EDUCATIONAL INVESTMENT

Median Household Wealth given College Graduation



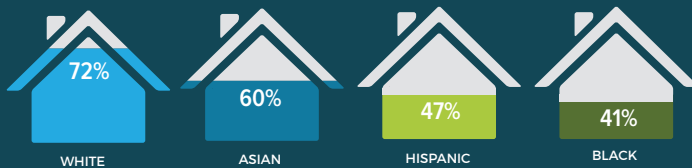
White graduates with a bachelor's degree or higher have a median net worth 4.25x that of graduates of color.²⁰

5

IMPROVE ABILITY TO CREATE LONG-TERM WEALTH

HOMEOWNERSHIP RATE

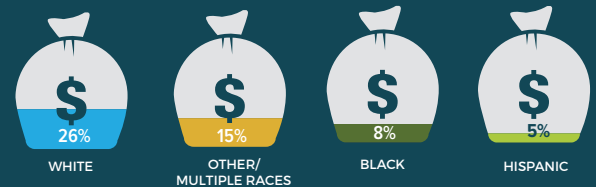
Percentage of Occupied Housing Units That Are Owner-Occupied



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.²¹

FAMILY FINANCIAL ASSISTANCE

Percentage of Households that Received an Inheritance



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.²²

¹⁸ "Race Detail - Four-Year College Degree," 2019 Prosperity Now Scorecard, February 2019, <http://scorecard.prosperitynow.org/data-by-issue#education/outcome/four-year-college-degree>.

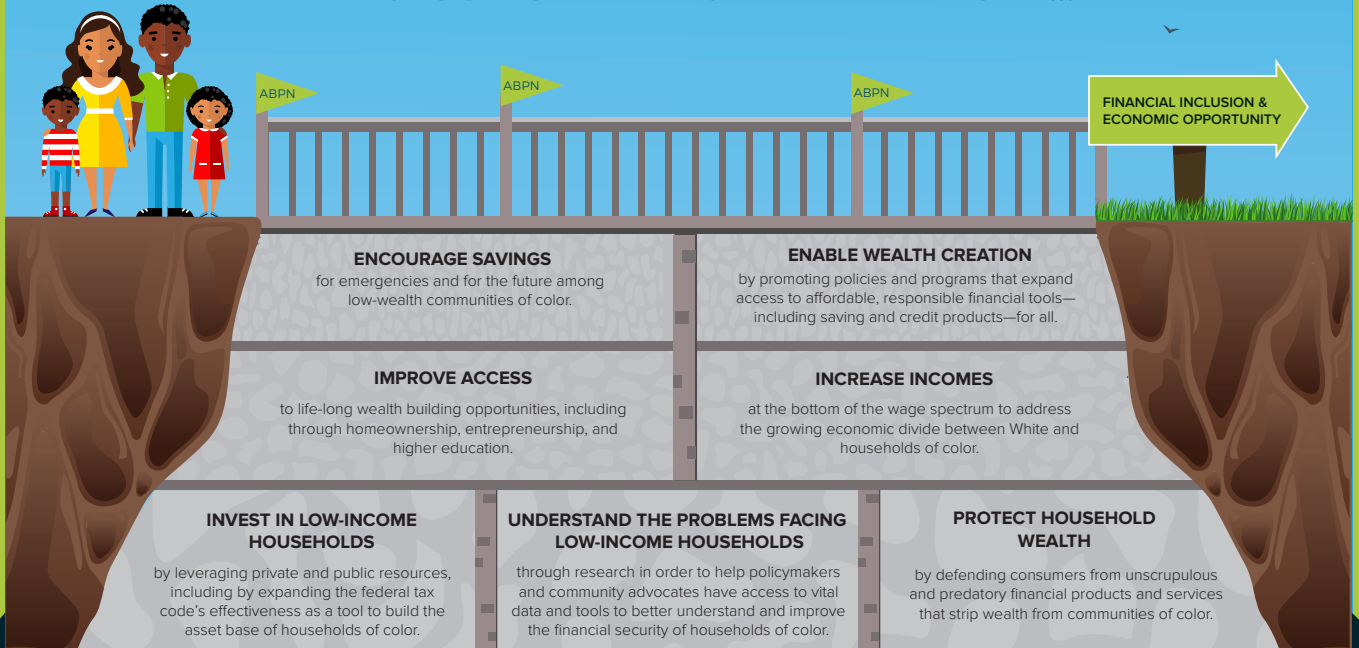
¹⁹ Prosperity Now's calculation using 2016 Survey of Consumer Finance data.

²⁰ Ibid.

²¹ "Homeownership Rate by Race," 2019 Prosperity Now Scorecard, February 2019, <http://scorecard.prosperitynow.org/data-by-issue#housing/outcome/homeownership-rate>.

²² Lisa J. Dettling, Joanne W. Hsu, Lindsay Jacobs, Kevin B. Moore, and Jeffrey P. Thompson with assistance from Elizabeth Llanes, "Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances," FEDS Notes, Board of Governors of the Federal Reserve System, September 27, 2017.

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



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