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## Wealth Gaps between White, Black and Hispanic Families in 2019

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Education, family structure and generation status are related to how much wealth a household has. But regardless of which kinds of those characteristics they have, non-Hispanic Black and Hispanic (of any race) families in the U.S. have large and persistent wealth gaps with non-Hispanic white families (hereafter, Black, Hispanic and white, respectively).



We analyzed 2019 data, the latest available from the Federal Reserve Board's Survey of Consumer Finances (SCF),<sup>1</sup> on family wealth, or what a family owns minus what they owe. We based a family's demographic characteristics on those of the survey respondent, who is generally the most financially knowledgeable person in the household.

We found:

- More education was associated with more wealth for all the racial and ethnic groups considered. However, wide gaps remain at every education level, with Black and Hispanic families having less median family wealth than white families with the same education.
- Black and Hispanic families are less likely than white families to own various types of assets (e.g., homes, businesses, financial and retirement assets) and have lower-valued assets when they do.
- Stark inequities evident in various facets of Black and Hispanic families' wealth and white family wealth point to historical barriers that continue to hamper Black and Hispanic wealth accumulation.

Examples of historical barriers include Black Americans' exclusion from building wealth via the Homestead Act, the Social Security Act of 1935 and the G.I. Bill of 1944; redlining; and discrimination in the criminal justice system (e.g., incarceration and criminal debt).

Less has been documented about the underlying causes of the wealth gap between Hispanic and white families. More research is needed to determine if inequities and barriers similar to those faced by Black families have had an influence on the Hispanic/white gap.

Evidence suggests individual actions and marginal policy changes are unlikely to significantly narrow gaps related to systemic barriers like asset poverty, the legacy of wealth-stripping tactics in housing markets, and

discriminatory practices. Instead, larger systemic changes (PDF) may be necessary to narrow gaps and increase Black and Hispanic wealth.

## **Most Black and Hispanic Families Are Less Wealthy than the Typical White Family**

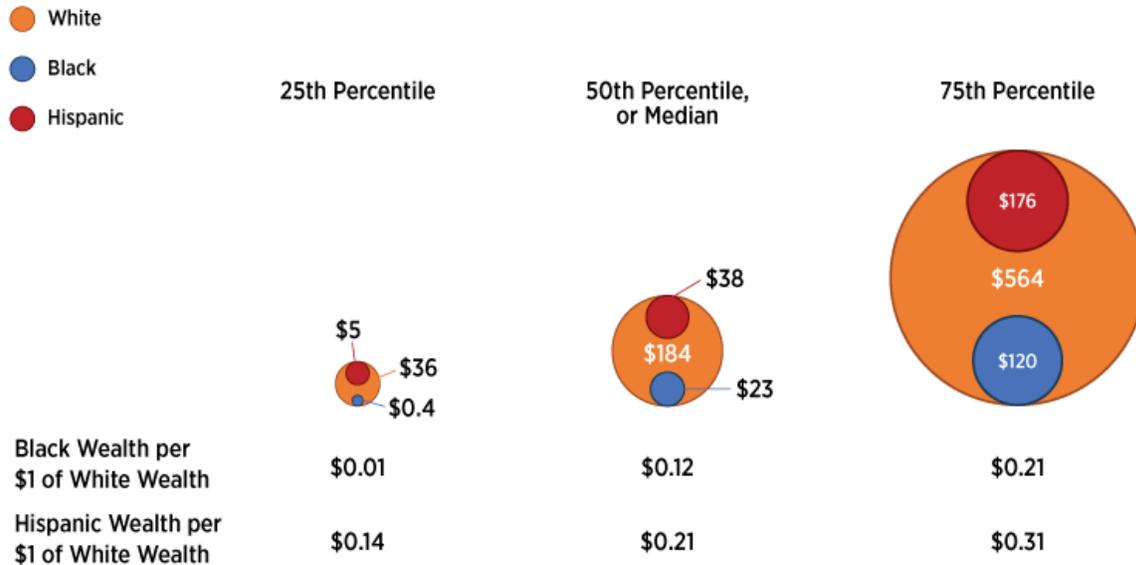
Using SCF data, we evaluated family wealth and found:

- A typical (median) white family owned about \$184,000 in family wealth;
- A typical Black family owned \$23,000; and
- A typical Hispanic family owned \$38,000.

The median wealth gap between Black and white families of 12 cents per \$1 of white wealth is largely unchanged over the past 30 years, while the gap between Hispanic and white families, 21 cents per \$1 of white wealth, slightly improved but remained large.

Black, Hispanic and white families had more wealth at the average—\$143,000, \$249,000 and \$962,000, respectively—than at the median. These findings are a function of the wealth distribution within each racial and ethnic group: There are few very wealthy families, but their vast amount of wealth pulls the average up. For example, the figure below shows wealth at the 75th percentile, which is lower than the average, meaning most Black, Hispanic and white families have less than the group's average. Because of this, we choose to compare medians (values at the middle of the distribution), as we believe these are more representative of a typical family's experience.

## Family Wealth at Different Distributions In Thousands of 2019 Dollars

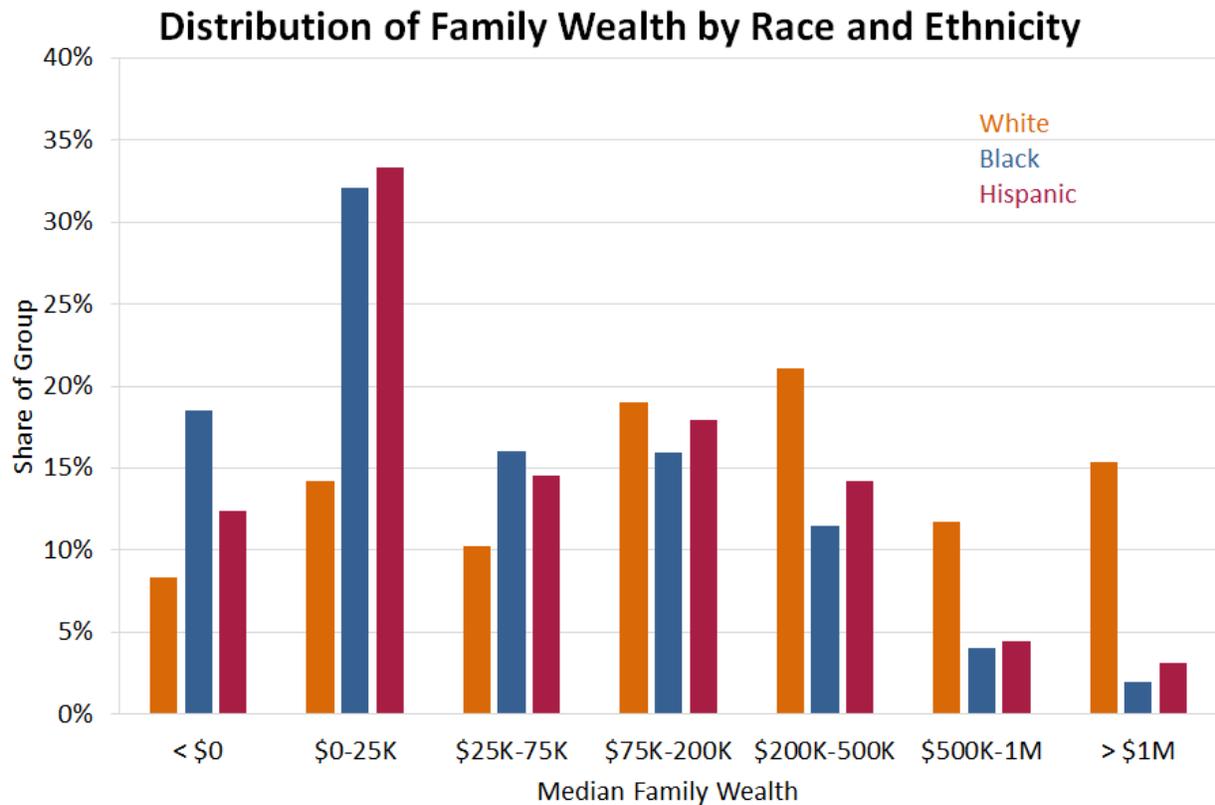


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NOTES: This graphic shows the relative size of family wealth for different racial and ethnic groups. From left to right, the 25th percentiles, 50th percentiles or medians, and 75th percentiles are shown. Also, wealth gaps in terms of Black and Hispanic families' cents per every dollar of white family wealth are shown for each percentile group.

SOURCES: Federal Reserve Board's Survey of Consumer Finances and authors' calculations.

The vast majority of Black (82%) and Hispanic (76%) families had less wealth than the typical white family at the median. In fact, the entire wealth distributions of Black and Hispanic families are shifted toward lower wealth, while the distribution of white families is more evenly dispersed, as seen in the figure below.



SOURCES: Federal Reserve Board's Survey of Consumer Finances and authors' calculations.

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A larger share of white families have high wealth, whereas a larger share of Black and Hispanic families have low wealth. White families were more likely to be millionaires, and Black families more likely to have negative wealth, meaning their debts were greater than their assets.

Percentages of households who are millionaires:

- White families—15%
- Black families—2%
- Hispanic families—3%

Percentages of families who were in debt:

- Black families—18%
- Hispanic families—12%
- White families—8%

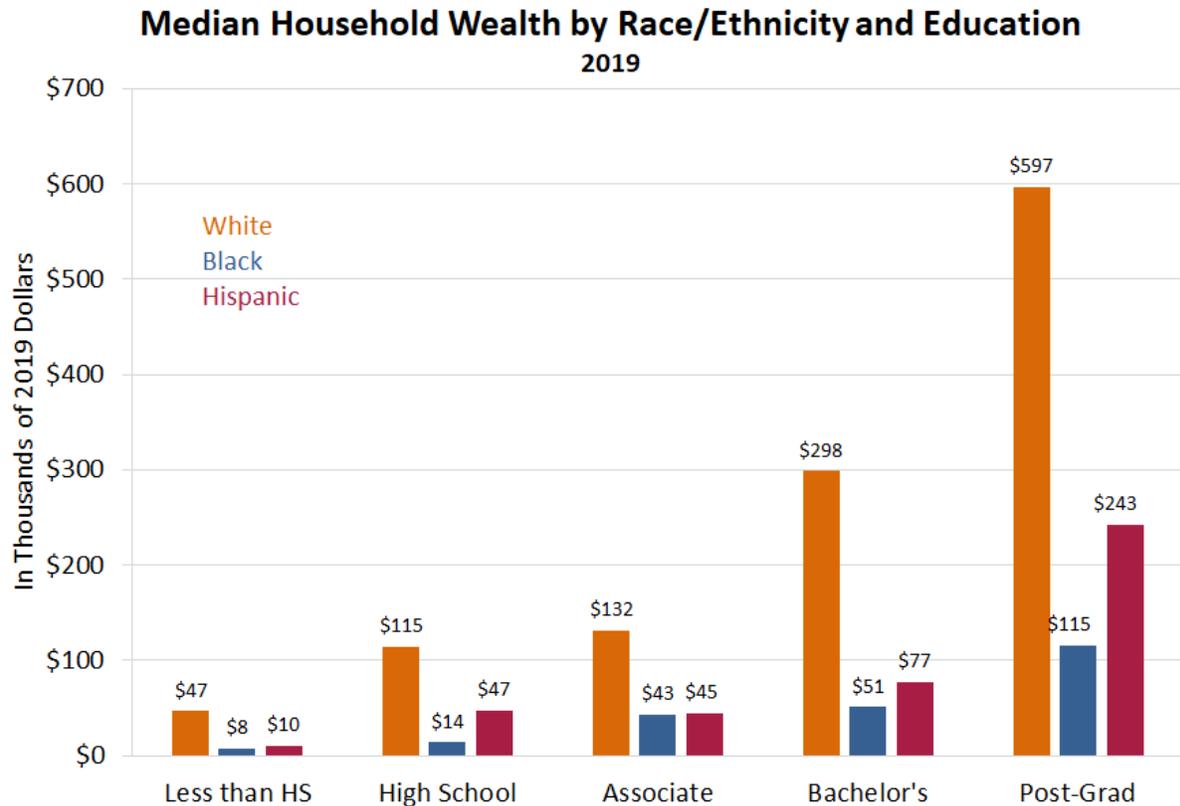
## Comparing the Wealth of Families with Similar Characteristics

Wealth gaps are not just present at the aggregate. Looking across families while matching on various characteristics also shows that white families have more wealth than Black or Hispanic families. The following comparisons focus on one characteristic at a time and do not control for other variables (e.g., income).

### Education

Though many may hope education is a “great equalizer,” college does not eliminate or substantially reduce racial or ethnic wealth gaps. For families of all races and ethnicities, higher educational attainment is generally associated with more accumulated wealth. However, education does not close racial wealth gaps—Black and Hispanic families have less median family wealth than white families with the same education.

The figure below shows that Black and Hispanic families with a bachelor’s degree have greater median wealth than Black or Hispanic families without one, but they have much less wealth than white families with a similar degree. Even the typical Black and Hispanic families whose highest level of education was a bachelor’s degree had less median wealth than the typical white family whose highest level of education was a high school degree.



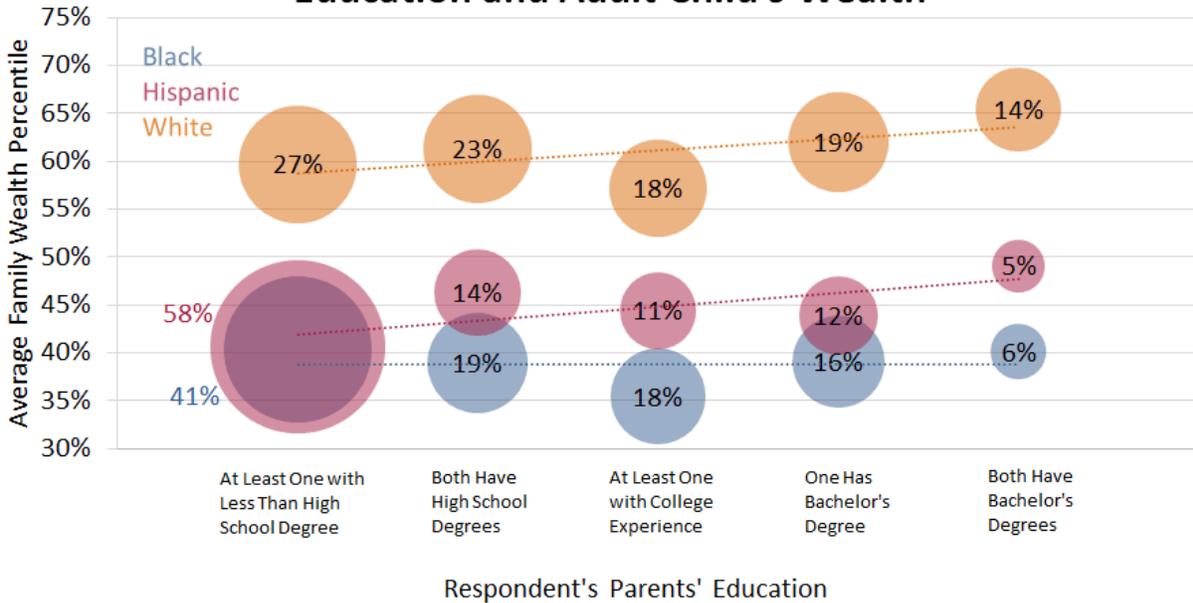
SOURCES: Federal Reserve Board's Survey of Consumer Finances and authors' calculations.

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## Parental Education

Higher parental wealth affords various advantages for children, including helping finance higher education or a down payment on a mortgage. This head start makes it easier for those born with financial resources, who are disproportionately white, to get ahead. Using parental education as a proxy for wealth, we found that for white families higher parental education is associated with a higher wealth standing for the adult child survey respondent, as seen in the figure below. The relationship is less clear for Hispanic families and we found no relationship for Black families, signaling greater difficulty in passing advantages to the next generation.

## Race Differences in Intergenerational Parental Education and Adult Child's Wealth



NOTES: The bubble size represents the fraction of families by parents' level of education. Each bubble is vertically centered on the average wealth percentile of the adult respondents within each group. On the far right, for example, 14%, 5% and 6% of white, Hispanic and Black respondents, respectively, had two parents with bachelor's degrees, while the average wealth percentile for each of these groups was 65%, 49% and 40%, respectively.

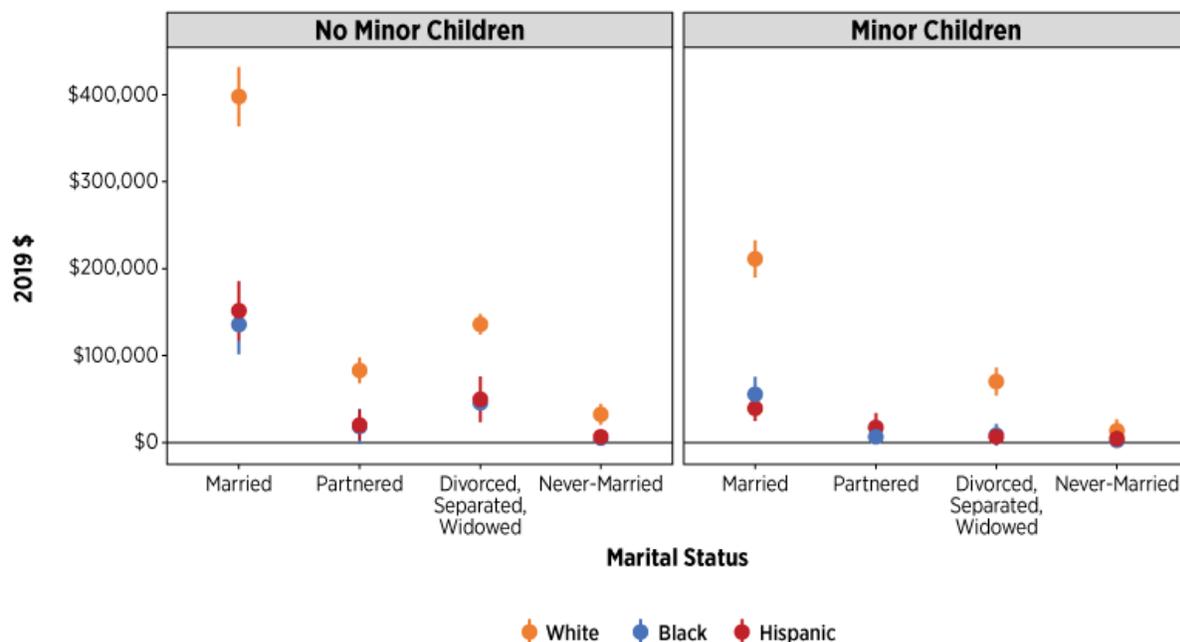
SOURCES: Federal Reserve Board's Survey of Consumer Finances and authors' calculations.

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### Family Structure

Family structure—marital status and whether a household has children—has complex associations with race, ethnicity and wealth. For example, while married couples' wealth is higher than nonmarried couples' wealth, this association does not necessarily indicate that marriage builds wealth: Wealthier singles could be more likely to marry. The figure below compares families with the same family structure; wealth gaps remain—Hispanic and Black families typically have similar levels of wealth and less overall wealth than white families.

## Median Wealth by Family Structure



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NOTES: Bands indicate 90% confidence intervals; overlapping bands indicate the groups are not significantly different from each other. The data point for partnered white families with minor children is overlapped by the data point for Hispanics.

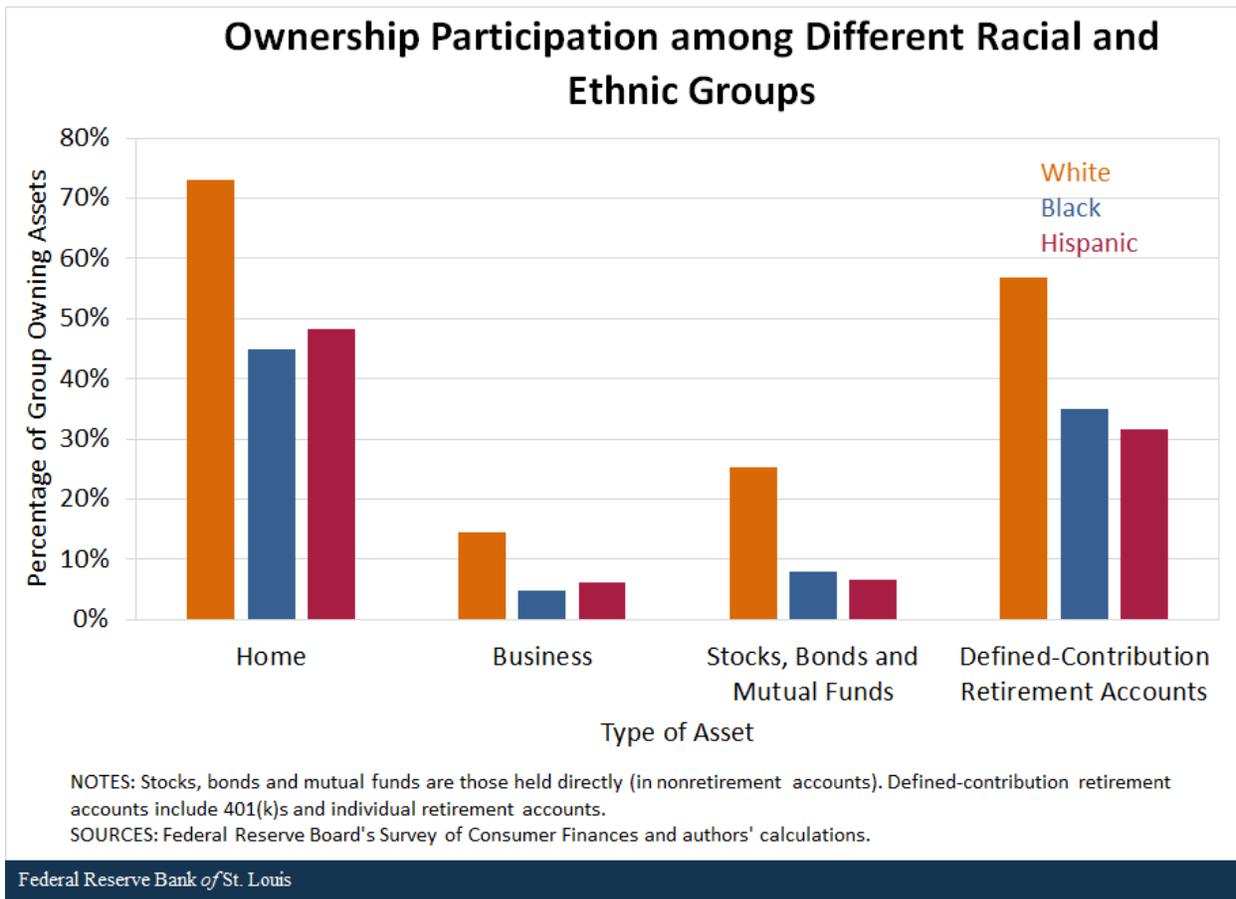
SOURCES: Federal Reserve Board’s Survey of Consumer Finances and authors’ calculations.

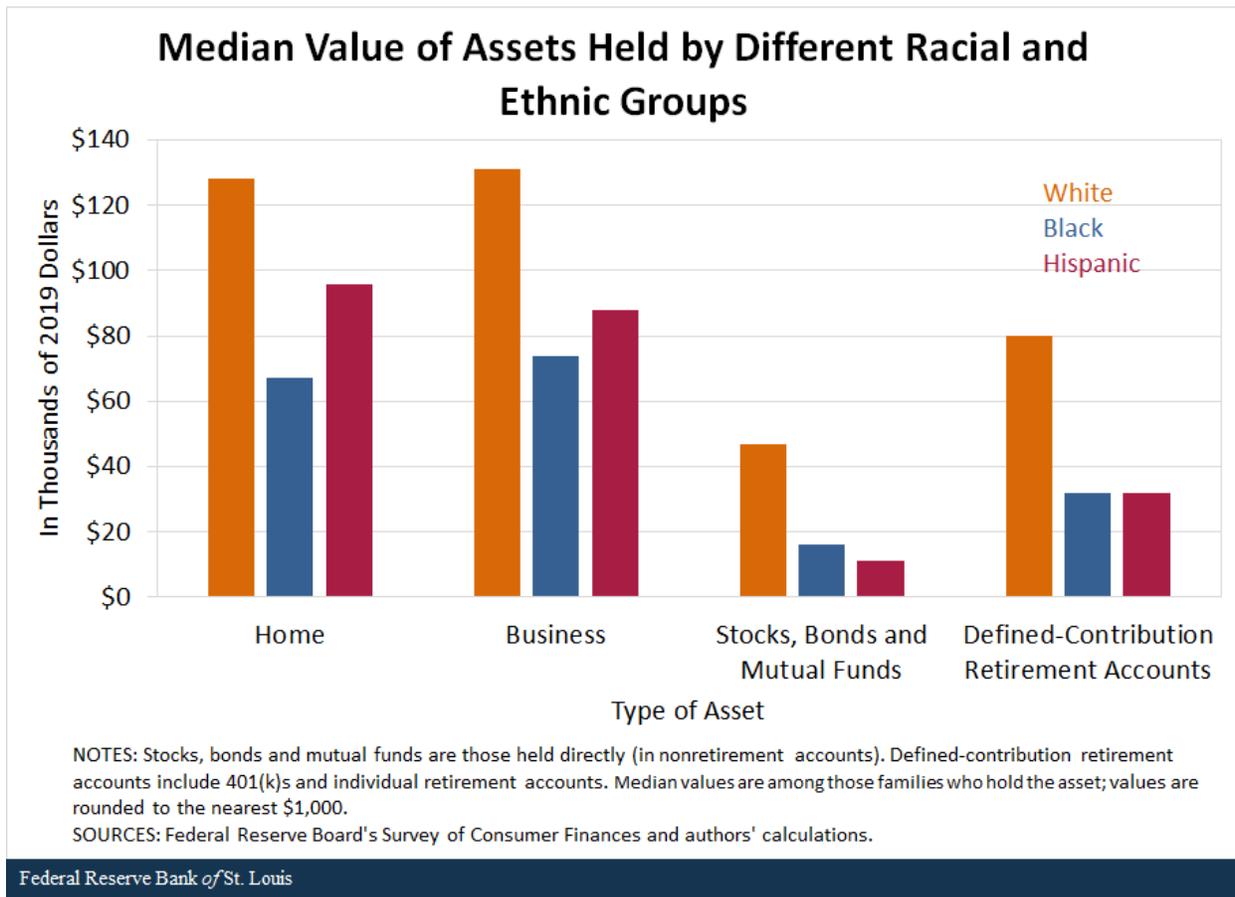
### Generation

Across generations, Black and Hispanic families consistently had less median wealth than white families. For example, white Baby Boomers (born between 1946 and 1964) owned \$331,000 at the median, considerably more than Hispanic Boomers, with \$141,000, and Black Boomers, with \$45,000 at the median. Black millennials (born between 1981 and 1996) had very low levels of accumulated wealth, owning just \$3,000 at the median. Hispanic millennials fared better, with \$15,000, though not as well as white millennials, who had median wealth of \$53,000.

### The Types and Values of Families’ Assets

The disparities documented here are the latest data points capturing longstanding inequities. The next two figures below show the share of families within racial and ethnic groups that own various types of assets, and the typical value of those assets. Consistent with our findings on education and family structure, white families were both more likely to own various asset types and had higher asset values than Black and Hispanic families.





## Racial Wealth Gaps: Historical Roots and Systemic Barriers

Some of these inequities have roots in historical government-sponsored discriminatory policies, which, along with systemic barriers today (such as labor market discrimination), continue to hamper Black and Hispanic families' wealth accumulation.<sup>2</sup>

Our findings also suggest that historic economic advantages enjoyed by white families continue to influence the wealth accumulation of their descendants. Intergenerational wealth transmission happens through various pathways. For example, for white families in particular, higher levels of parental education are related to higher family wealth.

White families are also more likely to have parents with a bachelor's degree or higher who may be better positioned to invest in their children's education—indirectly improving their prospects for economic success. Additionally, inheritances and in vivo transfers (i.e., gifts while the parents are living) are important drivers of wealth concentration.<sup>3</sup> Thus, past economic imbalances can continue to affect current wealth gaps.

Our research suggests families will be better positioned to fully participate in the economy and realize their full economic potential when race is no longer predictive of starting points. Given the links to historical discrimination and systemic barriers, focusing solely on individual actions or marginal policy interventions (aimed at incremental change and treating symptoms) will likely not narrow these *persistent racial and ethnic wealth gaps*. Instead, solutions could focus on the root causes of wealth gaps and keep a historical perspective while expanding inclusive economic opportunities for all Americans.

## Notes and References

1. Our estimates may differ slightly from the Federal Reserve Board's Bulletin publication due to our accessing the public, versus private, datasets and slight variations in demographic definitions. For example, we use two questions on race and ethnicity to determine respondents' racial/ethnic classification. We use "typical" to indicate a family at the median.
2. Aaronson, Daniel; Hartley, Daniel; and Mazumder Bhash. "The Effects of the 1930s HOLC 'Redlining' Maps." Federal Reserve Bank of Chicago Working Paper 2017-12, 2017, revised February 2019; Carpenter, Ann; George, Taz; and Nelson, Lisa. "The American Dream or Just an Illusion? Understanding Land Contract Trends in the Midwest Pre- and Post-Crisis." Joint Center for Housing Studies, August 2019; and Bertrand, Marianne; and Mullainathan, Sendhil. "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *The American Economic Review*, Vol. 94, Issue 4, September 2004, pp. 991-1013.
3. Feiveson, Laura; and Sabelhaus, John. *How Does Intergenerational Wealth Transmission Affect Wealth Concentration?* 2018; Pfeffer, Fabian T.; and Killewald, Alexandra. "Generations of Advantage. Multigenerational Correlations in Family Wealth." *Social Forces*, Volume 96, Issue 4, June 2018, pp. 1411-42; and Blau, Francine D.; and Graham, John W. "Black-White Differences in Wealth and Asset Composition," *The Quarterly Journal of Economics*, Vol. 105, Issue 2, May 1990, pp. 321-39.

## Additional Resources

- *On the Economy*: The Real State of Family Wealth: Will COVID-19 Worsen Racial, Educational and Generational Gaps in the U.S.?
- *Open Vault*: Has Wealth Inequality in America Changed over Time? Here Are Key Statistics
- The Demographics of Wealth