
Presented by:
Sidnee McDonald
The Wide and Persistent Gap in Wealth Between White and Black Families

• "The persistent racial wealth gap in the United States is a burden on black Americans as well as the overall economy. " (page 3)

• The economic power of the U.S. has expanded in the last century, which is shown in the growth in wealth for American families. (page 5)
  • From 1992 to 2016 the median family wealth grew from $83,000-$97,000. (page 5)
The Racial Wealth Gap Negatively Impacts the Entire U.S. Economy

- The racial wealth gap has a cyclical effect on the disadvantages it imposes on black families, individuals, and communities. (page 5)
- The widening racial wealth gap constrains the US economy by placing a negative impact on consumption and investment, which "will cost the US economy between $1 trillion and $1.5 trillion between 2019 and 2028—4 to 6 percent of the projected GDP in 2028." (pages 5-6)
Components of Wealth Generation For A Family

- There are four elements that account for the majority of a family’s ability to build wealth across a generation: (page 8)
  1. Community Context
  2. Family Wealth
  3. Family Income
  4. Family Savings
Black Families Concentrate in States That Have Unfavorable Economic and Social Conditions

There are 16 states in which black population exceeds national average:

1. MI
2. IL
3. NY
4. NJ
5. DE
6. MD
7. VA
8. NC
9. SC
10. GA
11. FL
12. TN
13. AL
14. MS
15. LA
16. AR
• These states are below the national averages in economic opportunity, employment, healthcare access, healthcare quality, public health, and access to broadband. (page 9)

• When compared to white and Latinx families, at the neighborhood level, black families are up to 4.6 times more likely to live in areas of concentrated poverty. (page 9)

• High-income black families are not exempt. (page 9)
What did it do?
- Created the Federal Housing Administration (FHA) and the Federal Savings and Loan Insurance Corporation.

How did it impact black families?
- Contributed to socioeconomic segregation. (page 11)
- "Limiting many black families’ housing options to those in D-rated neighborhoods, which are characterized by distressed housing stock, lower-income residents, and overall decline." (page 11)
- Most black families have reminded in those neighborhoods. (page 11)
Family wealth

- The keys to a stable base of family wealth:
  1. Capital
  2. Liquid savings
  3. Credit
  4. Access to investable assets

- Black families have uneven access to each of these key components:
  - Why?
    - They begin with lower levels of wealth: "only 8 percent of black families receive an inheritance, compared with 26 percent of white families." (page 11)

- An inheritance for a black family is 35 percent of the value of that of a white family. (page 11)

- What impact does the lack of access to "stater" wealth have on black Americans? (page 11)
  - Black college graduates are more likely than white college graduates to support their parents causing their wealth to decline after graduation.
  - Black college graduates are 1.3 times more likely than white families to have student debt.
  - Black student loan debt is typically 1.7 times higher than those of white families.
  - Black borrowers are 2.3 times more likely than white borrowers to default on their loans.
• Over their lifetime, black people can expect to earn up to $1 million less than whites. (page 12)

• "Black families face serious obstacles on the journey through the education system and converting education to stable employment that provides rising incomes." (page 12)

• Obstacles that reduce lifetime earning potential: (page 12)
  • Poor school quality
  • Differential treatment in the criminal-justice system
  • Workplace discrimination
  • Career selection
  • A lack of role models who can guide professionals’ career advancement

• 45 percent of black children attend high-poverty schools, which is approximately six times the rate of white children. (page 12)

• In 2017 24 percent of the black population over the age of 25 holds a bachelor’s degree or higher —ten percentage points lower than the comparable white population. (page 12)
33 percent of the incarcerated population is black, almost triple the black citizens’ share of the US population, however, white citizens’ share of inmates is half of their share of the general population. (page 13)

It is estimated that incarceration reduces annual wages by 40 percent "not including the lost wages during the time served." (page 13)

Incarceration reduces the economic mobility of the formerly incarcerated and increases the risk of school expulsion six times for the children of the formerly incarcerated. (page 13)

The costs of incarceration and interactions with the criminal justice system is expensive. (page 13)

Black men without criminal records are less likely to receive job interviews than white men who have criminal records. (page 13)
Black Workers

- Black workers experience lower rates of professional advancement. (page 13)
- Black workers are unemployed at twice the rate of white workers. (page 13)
- Black workers who hold bachelor’s degrees experience a rate of unemployment similar to that of white workers with no college education. (page)
- "Black workers make up 13 percent of the US workforce, but racial discrimination against this group accounts for 26 percent of all claims filed with the Equal Employment Opportunity Commission and its partner agencies." (page 13)
The median wealth of a single black woman is $200, compared with the median wealth of a single white man, which is $28,900. (page 15)

Black women have lower earning power than both white peers and male peers. (page 15)

The median black woman earns 65 percent as much as the median white man. (page 15)

Black women earn 89 percent as much as black men. (page 15)

Black men earn 74 percent as much as white men. (page 15)
Family Savings: "Black families are less able to accumulate savings than white families"

• Factors hindering black families from saving: (page 17)
  • High expenses relative to incomes
  • Less access to affordable financial tools
  • Entitled to lower employment-linked benefits

• The Results of this hindrance: (page 17)
  • A typical black family has one-sixth the liquid savings of a white family.
  • "In an emergency, most black families would not know someone who could lend them $3,000."
  • "30 percent of black families spend more than 50 percent of their income on housing."
  • "Black families are also twice as likely as white families to lack enough liquid savings to pay each month’s expenses."
  • Black Americans are 13 percent of the US population but make up 40 percent of the homeless population.
Black Families and Banking

- Black families have less access to private savings such as mainstream banking system. (page 18)
- The lack of access leads to black families relying on “high-cost financial services (such as payday lending in neighborhoods where black families disproportionately live).” (page 18)
- “Banks in predominantly black neighborhoods require higher minimum balances ($871) than banks in white neighborhoods do ($626).” (page 18)
- “38 percent of black families are underserved by their banks, and 17 percent are completely disconnected from the mainstream banking system because of a lack of assets and a lack of trust in financial institutions.” (page 18)
- “Tax-linked benefits, such as mortgage deductions, are less accessible to black families because of racial gaps in homeownership.” (page 18)

Exhibit 8

**Banking with traditional institutions can be expensive—as well as harder to access in communities of color.**

<table>
<thead>
<tr>
<th>Share of paycheck that must be kept deposited to avoid fee or account closure</th>
<th>Financial institutions per 100,000 people</th>
</tr>
</thead>
<tbody>
<tr>
<td>White neighborhoods</td>
<td>28</td>
</tr>
<tr>
<td>Black neighborhoods</td>
<td>60</td>
</tr>
<tr>
<td>White-majority counties</td>
<td></td>
</tr>
<tr>
<td>Nonwhite-majority counties</td>
<td></td>
</tr>
</tbody>
</table>


"Unbanked" defined as not served by bank or similar financial institution; "underbanked" defined as not having sufficient access to mainstream financial services and products typically offered by retail banks.


Increasing basic banking access could save many black individuals up to $40,000 over the course of their lives.

47% of black households are either unbanked or underbanked… meaning they rely on alternative financial services like check cashing and prepaid cards, which pose significant costs.

$40,000

Amount a full-time worker who cashes checks could save over course of full career by using a lower-cost checking account
Questions?