

Do Family Structure Differences Explain Trends in Wealth Differentials?

Prepared for the Federal Reserve Bank of St. Louis Conference on

Does College Level the Playing Field?

Racial and Ethnic Differences in Family Wealth among College-Educated Families

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Introduction

Today's racial gaps in income and wealth remain major social concerns for the U.S. In 2014, the median family incomes of black and Hispanic families stood at about 55% of white median family incomes. Moreover, the wealth differential between white vs. minority families remains even larger. Some of the income and wealth differentials are associated with the lower educational levels of minority families. For 25-59 year-olds as of 2015, the percent of black men and women with BA or higher degrees stood at 12.6 and 19.6 percent, well below the 37.0 percent rate for white men and the 41.6 percent rate for white women. Yet, even among college graduates, the racial differentials in wealth are enormous and have widened over time.

The median net worth of black college graduate families dropped from 36 percent of the white median in 1989 to only 13 percent in 2013. Moreover, as Emmons and Noeth (2015) show, having a college degree did not protect black and Hispanic families from the strongly negative impact of the Great Recession on family wealth. Between 2007 and 2013, while the median wealth of black and Hispanic families headed by a college graduate fell by 60 and 72 percent, the drop in median wealth for white college graduate families was only about 16 percent.

An illustration of declines in wealth of black professionals recently appeared in an article in the *Washington Post* (Badger 2016) highlighting the weak recovery of home prices in a high end black neighborhood in the Atlanta area. The article quotes an economic development expert pointing out that "...The people here make good money... They have good jobs. Their homes are built of the same sturdy brick." According to John O'Callaghan, president of the Atlanta Neighborhood Development Partnership, "Values in South Metro Atlanta, particularly in African American neighborhoods, are coming back very, very slowly. And it's going to be a long time before we get these neighborhoods back to where they were."

The housing market is clearly one area where declines in home prices lowered net worth. But are there demographic reasons as well? One possible explanation for the racial differentials in wealth patterns and wealth trends is differences in family structure by race and

ethnicity. Even among college graduates, over two-thirds (68.2%) of white family heads between ages 25 and 59 were married, while only 40.7 percent of black family heads were married. Studies suggest marriage is associated with increased male earnings, with higher family incomes, and with enhanced wealth-building. Married couples are more likely than unmarried units to take a long-term perspective that is conducive to asset building. The role of marriage in economic well-being is especially important among families with children. As of 2014, among households with no children, the household income of units headed by married couples is about twice the household income level of the unmarried; among those with children, the marriage advantage climbs to about 2.5. Black households experience even large differentials. While the median income of the unmarried, black childless households was only about 70 percent of the income of white childless households, black married couples with children achieved a household income about 86 percent of comparable white households.

A second possible role for family structure is the impact of changing gender mix of college graduates. In recent decades, women have become more likely to attain BA degrees than men. The pattern is especially striking among black and Hispanic men and women. In the 2012-2013 academic year, 123,000 BAs were awarded to black women and only 67,000 to black men. Among Hispanics, women earned 113,000 BAs while men earned 74,000. As a result, we expect minorities to experience an increasing share of women who are college graduates heading families and a lesser tendency of families with two college graduates. Both trends would lead to a relative weakening of economic status of minority college graduates.

This paper examines the evidence on the role for marriage and the presence of children in limiting the impact of the economic downturn and in explaining the racial and ethnic differences in the declines in wealth among college graduates. Although the focus is on net worth as a whole, we take special account of changes in home equity. The first section presents the data on differential family status patterns, especially shifts taking place during the 2004-2015 periods. Next, we examine ups and downs of net worth, adjusting the dollar value of net worth for inflation. The evidence comes both from the Federal Reserve's Survey of Consumer Finances (SCF) and the National Longitudinal Survey of Youth: 1979 (NLSY79). Third,

we use the Current Population Survey to capture family and homeownership trends. Fourth, we develop some multivariate estimates of the effects of marriage differentials and marriage trends, independently of a range of other facts. Finally, we draw conclusions about whether changes in family structure can help explain race-ethnicity differences in recent wealth trends of college graduates.

Trends in Family Structure by Race and Hispanic Status

Definitions of family structure vary widely. In this paper, I divide families into four types based on the marital status of the family head and the presence of children: 1) unmarried, no children; 2) married, no children; 3) unmarried with children under 18, and 4) married with children under 18. To identify these patterns and trends, I use the Annual Social and Economic Supplements of the Current Population Survey because they contain large representative samples of family heads and identify BA degrees since 1992 rather than simply years of schooling.

The patterns in Tables 1 and 2 reveal stark differences by education in the trends in family structure among families headed by 25-59 year-olds. For the non-college grads (Table 2), married couple families with children represent a sharply declining share of households. For example, 49 percent of white households headed by someone without a college degree were married couples with at least one child under 18. By 2015, this figure had dropped to 33 percent. For black families, the comparable decline went from 30 to 17 percent. Put another way, each of the education groups had similar shares of married parent households in 1985 but a wide gap had emerged after 1985. On the other hand, the decline in married couples with children was far lower, falling from 49 to 43.5 percent for whites and from 35.5 to 29.5 percent among blacks. Hispanic college grads are the exception with an 11 point decline in the share of married parent families.

We next ask what share of college graduate parents were in married couple vs. unmarried households. Here, the trends are similar for college graduates and non-graduates, though the levels are very different. Except for white college graduates, the share of parents who were unmarried jumped by about 10-11 percentage points between 1985 and 2015. For

black parents, the unmarried share jumped to 41 percent among college graduates and 66 percent among those who did not have a BA degree. Among white, non-Hispanic college graduates, the unmarried share of parents rose by about 50 percent but from a small base. Thus, as of 2015, only 15 percent of white college graduate parents were not married.

Table 1: Family Structure of Households Headed by 25-59 Year-Olds with a BA Degree or Higher by Race: 1985-2015

	Unmarried, No Children	Married, No Children	Unmarried, Children	Married, Children
<u>Percent of College Graduates in Each Family Status</u>				
White, Non-Hispanic				
1985	24.9	20.6	3.8	50.6
1995	25.1	21.9	3.8	49.2
2005	24.9	22.5	4.4	48.2
2015	26.8	20.4	5.0	47.8
Black, Non-Hispanic				
1985	37.8	11.4	11.0	39.9
1995	35.7	14.2	12.9	37.2
2005	35.1	12.5	14.4	38.0
2015	37.4	12.6	14.8	35.2
Hispanic				
1985	28.7	16.1	5.0	50.2
1995	33.5	15.3	6.1	45.2
2005	33.1	15.1	7.2	44.6
2015	33.9	13.7	9.7	42.6

Note: Here is an example for reading this table. The upper left cell reveals that 24.9 percent of college graduate 25-59 year-olds were unmarried with children in 1985.

Source: Tabulations from the Current Population Surveys.

Table 2: Family Structure of Headed by 25-59 Year-Olds with Less than a BA Degree by Race: 1985-2015

	Unmarried, No Children	Married, No Children	Unmarried, Children	Married, Children
Percent of Non-College Graduates in Each Family Status				
White, Non-Hispanic				
1985	19.8	18.2	12.7	49.3
1995	24.0	18.5	14.0	43.6
2005	28.2	20.2	14.1	37.5
2015	32.2	19.2	15.4	33.2
Black, Non-Hispanic				
1985	24.5	8.3	36.9	30.3
1995	28.3	9.0	37.2	25.5
2005	35.7	10.5	33.1	20.7
2015	41.0	8.9	32.8	17.2
Hispanic				
1985	16.3	9.5	22.1	52.1
1995	17.9	9.4	23.6	49.2
2005	21.5	9.0	21.9	47.6
2015	23.4	9.1	26.1	41.4

Source: Tabulations from March Current Population Survey

Another perspective is to examine the proportion of each marital status-presence of children group is made up of college graduates. Table 3 reveals that married families with children were far more likely to be headed by a college graduate in 2015 than in 1985. In fact, for non-Hispanic white and for Hispanic college graduates doubled their share of married parent families, accounting for almost half of white married parent families (45.9 percent). Among black married parent families, the share of heads with a BA or higher degree reached over 35 percent by 2015, nearly 2.5 times the 14 percent level of 1985.

Table 3: The College Graduate Share of Selected Demographic Groups, 25-59, by Race: 1985-2015

	Unmarried, No Children	Married, No Children	Unmarried, Children	Married, Children
White, Non-Hispanic				
1985	30.1	24.7	14.5	23.4
1995	31.0	29.7	15.2	30.0
2005	32.4	33.5	19.1	37.6
2015	35.2	38.7	23.4	45.9
Black, Non-Hispanic				
1985	14.3	14.1	6.7	14.4
1995	15.3	19.4	8.1	18.2
2005	17.2	19.8	12.8	26.7
2015	21.1	27.0	16.9	35.1
Hispanic				
1985	11.5	12.8	4.0	8.4
1995	12.2	13.7	4.4	9.1
2005	13.9	18.3	7.1	11.9
2015	17.1	21.1	10.6	16.1

Note: Here is an example of how to read this table. The upper left cell indicates that college graduates made up 30.1% of White, non-Hispanic, unmarried people without children in 1985.

Source: Tabulations from March Current Population Survey

What is notable about the data is that composition of families headed by college graduates evolved but showed only modest change during the post-2005 period when wealth declined. These 2005-2015 shifts in family structure look too modest to explain the wealth shortfalls experienced by minority college graduates. Still, several questions arise about the relationship between wealth changes and family structure for minorities. Among them are:

- How did the reductions in wealth vary by family structure? Did the reductions in wealth for black and Hispanic college graduates occur mainly among unmarried families, especially unmarried parents, or were the declines spread across all types of families?
- Did the pattern of wealth reductions with respect to housing and other assets differ by family structure?
- What role did family structure play in the increases in wealth up to 2004?
- Did the reductions take place within specific families or were they primarily a cohort phenomenon?
- Were the changes in net worth mirrored by changes in income?

The next sections examine these and related questions drawing on data from three sources. For net worth and related variables, the Survey of Consumer Finances for cross section changes and the National Longitudinal Survey of Youth, 1979 for a longitudinal analysis. For some homeownership and income analyses, the Current Population Surveys.

Net Worth in the Survey of Consumer Finances (SCF)

The strengths of the SCF include its comprehensive look at assets and liabilities and its coverage of the highest income and highest wealth families. One limitation of the SCF is the relatively small sample size of the survey. As a result, estimates for several subgroups are subject to high levels of variability. For this reason, we must treat the estimates described here with respect to detailed subgroups as subject to error. The net worth figures are in real terms, adjusted to the Consumer Price Index. Again, the focus is on families headed by someone in the 25-59 age groups.

The estimates in Table 4 illustrate both the declines in median wealth among minorities as well as relative wide swings in the data by detailed subgroup. The tabulations reveal the extremely high differentials by race and Hispanic origin for college graduates by family type.

Table 4: Trends in Median Net Worth of Families Headed by 25-59 Year-Old College Graduates, by Family Structure and Race: 1992-2013

	Unmarried, No Children	Married, No Children	Unmarried, Children	Married, Children
White, Non-Hispanic				
1992	\$50,384	\$171,575	\$56,217	\$209,595
1995	95,672	198,842	67,758	191,405
1998	81,483	285,275	94,205	296,211
2001	114,184	395,409	210,903	382,645
2004	100,749	430,367	76,751	405,827
2007	166,847	376,361	229,937	417,455
2010	82,521	312,078	69,553	367,538
2013	77,300	300,900	69,600	355,990
Black, Non-Hispanic				
1992	42,146	184,898	22,795	107,121
1995	36,915	25,880	109,743	222,673
1998	46,531	72,891	40,956	152,101
2001	123,232	139,989	5,319	151,873
2004	22,320	185,489	119,615	129,480
2007	14,933	78,371	39,275	272,008
2010	30,136	191,726	43,725	73,400
2013	31,500	48,000	16,301	20,100
Hispanic				
1992	49,896	3,250	(4,874)	152,240
1995	16,181	1,915,110	95,581	103,246
1998	7,362	340,369		164,009
2001	135,327	474,005	131,322	81,012
2004	(7,608)	107,653	25,403	347,092
2007	24,589	655,151	23,242	383,884
2010	37,970	26,905	15,648	118,101
2013	24,501	136,600	11,280	56,900

Source: Tabulations from Surveys of Consumer Finances.

Within these family categories, we can observe declines in net worth for all race and ethnic backgrounds. Even among whites, the median levels of net worth fell from the 2004 and/or 2007 levels into the Great Recession. Families headed by a married couple retained substantial advantages over families headed by unmarried heads. For blacks, the dramatic reductions hit nearly all family types in ways that are highly variable. Some of the numbers in

the tabulations are subject to errors. According to these figures, unmarried heads with no children ended up with more wealth than did married couples with children. Hispanic married couples suffered incredibly high losses from the 2004-2007 periods, when net worth ranged from \$347,000-384,000, to the 2010-2013 and net worth of \$57,000-118,000. When using other indicators on the wealth distribution, say the 75th percentile, the levels change but the trends look similar and wide ranging. Similarly, other age breakdowns yield similar results on the trends in net worth.

Summarizing the CPS and SCF data, based on cross sections of the population, I find no evidence that family structure accounts for the larger declines in wealth among black and Hispanic college graduate families than among white college graduates. We now turn to other data with substantially larger samples and that capture trends in homeownership, in family incomes, and changes within families over time.

Homeownership Trends by Family Status and Race

The Current Population Surveys provide good data on homeownership and family incomes. We track trends in both for the college graduate families of different family types by race. Although homeownership does not capture the net asset positions of families, it is easier to measure than the potential ranges of assets and liabilities. Moreover, the data are less likely to be subject to wide swings, even for detailed subgroups, partly because of the variable and partly because the CPS samples for college graduate heads of families by family type, race, and ethnicity are at least three times the size of comparable groups from the SCF.

The trends in homeownership follow a similar pattern to the trends in net worth, with improvements up to the 2005 peak and then a decline between 2005 and 2015.

Table 5: Trends in Homeownership Rates Among 25-59 Year-Old College Graduates, by Family Structure, Race and Hispanic Origin: 1985-2015

Ethnicity, Race, Year	Unmarried, No Children	Married, No Children	Unmarried, Children	Married, Children	Total
White, Non-Hispanic					
1985	47.4	74.2	71.5	88.0	74.4
1995	53.8	79.4	72.0	89.8	77.8
2005	61.0	88.3	81.1	94.3	84.1
2015	53.8	81.4	70.2	88.9	77.0
Black, Non-Hispanic					
1985	43.3	50.6	51.9	74.1	57.3
1995	45.9	74.2	49.2	77.0	61.9
2005	53.0	86.7	59.5	82.2	69.2
2015	48.4	71.3	48.1	71.8	59.5
Hispanic					
1985	34.9	65.5	45.7	71.8	58.9
1995	40.5	66.6	55.9	73.3	60.2
2005	56.9	72.9	57.3	79.0	69.2
2015	45.3	63.6	53.8	73.5	60.6

Source: Tabulations from the March Current Population Surveys.

Although the 2005-2015 declines in homeownership rates cover all groups, white and Hispanic married parents experienced somewhat lower reductions than other family types. Still, no family type escaped the fall-off in homeownership rates. At the same time, married couple families retained their enormous advantage in homeownership. Among black parents, married couples ended the period with a homeownership rate of 72 percent, while unmarried black parents attained a homeownership rate of 48 percent. Among families with no child under 18, married couples were much more likely to own a home than unmarried heads of families. Although changing family patterns had little to do with the decline in homeownership among

black college graduates, the 2015 differences between whites and blacks in family structure do explain just over one-quarter of the black-white homeownership gap for college graduates.

In addition to the decline in homeownership, home values in excess of mortgage debt decline for all types of families. Note in Table 6 the sharp drops extend to white, black, and Hispanic married couple homeowners with children. College apparently did not shield these homeowners from massive home equity losses, independently of race and family status. One noteworthy pattern from Table 6 is that that married homeowners without children maintained a higher level of home equity than did married homeowners with children. The patterns are similar at higher and lower percentiles of home equity.

Household Income Changes Over the Last 30 Years

Did declines in income among college graduate households accompany the fall-off in wealth and homeownership? Since all groups experienced a large increase in BA completion, the declining selectivity of college graduates might have led to modest gains when comparing BAs in 2015 (when BAs were common) to BAs in 1985 (when BAs were far less common). We use CPS data to examine the question in Table 7. Surprisingly, changes in median household income within these groups of 25-59 year college graduates heading families generally continued their increases. However, the gains for households headed by married couples generally exceeded those for unmarried heads of families. Further, the racial gaps in household income of families headed by college graduates are modest in comparison to the enormous differences in wealth.

**Table 6: Median Home Equity of College Graduate Homeowners,
by Family Structure and Race: 1992-2013**

	Unmarried, No Children	Married, No Children	Unmarried, Children	Married, Children
White, Non-Hispanic				
1992	\$89,362	\$116,983	\$61,741	\$86,112
1995	77,412	94,109	51,608	75,894
1998	68,617	92,919	92,919	100,067
2001	99,804	137,888	114,906	128,695
2004	98,651	160,308	53,025	135,646
2007	112,280	165,051	142,595	175,156
2010	58,943	121,102	70,732	133,962
2013	70,000	110,000	71,200	97,000
Black, Non-Hispanic				
1992	64,991	84,488	40,619	37,370
1995	30,358	207,950	75,894	91,073
1998	35,738	61,469	24,302	37,168
2001	56,468	23,638	34,144	64,348
2004	24,663	147,977	34,528	129,480
2007	35,929	39,298	140,349	123,508
2010	64,302	114,671	28,936	38,581
2013	51,000	96,000	32,000	12,000
Hispanic				
1995	227,682	235,272	86,519	60,715
1998	61,469	428,857	NA	38,597
2001	82,733	136,574	17,072	105,057
2004	4,933	129,480	120,848	186,204
2007	111,157	168,419	NA	116,771
2010	41,796	11,789	16,075	50,370
2013	100,000	97,000	36,000	44,000

Source: Tabulations from Surveys of Consumer Finances.

**Table 7: Median Household Income by Race and Family Structure
Among Households Headed by 25-60 Year-Old College Graduates: 1985-2015**

	Unmarried, No Children	Married, No Children	Unmarried, Children	Married, Children
White, Non-Hispanic				
1985	\$51,145	\$88,394	\$52,110	\$89,405
1995	57,303	103,017	58,069	107,310
2005	61,377	118,000	69,502	124,018
2015	66,000	120,020	69,516	131,096
Black, Non-Hispanic				
1985	40,735	65,504	36,767	83,114
1995	50,193	87,230	54,054	90,433
2005	49,560	118,118	54,616	96,841
2015	55,332	100,002	55,721	113,000
Hispanic				
1985	46,637	79,572	37,390	76,146
1995	53,053	87,432	52,914	86,372
2005	59,000	99,216	49,560	93,366
2015	64,020	95,000	58,000	105,522

Source: Tabulations from March Current Population Survey

Wealth and Family Changes Within A Cohort

Following individuals within a cohort over time offers an alternative perspective on how changes in wealth interact with family structure. The National Longitudinal Survey of Youth, 1979 (NLSY79) provides data on individuals from ages 14-21 through ages 47-54. In addition to an enormous array of control variables, the NLSY79 includes information on net worth and homeownerships during the 2008 to 2012 period. The most recent year of data is 2012, still in the early stages of recovery and a year before the last year of SCF data. Still, the NLSY79 reveals how wealth changes took place for individuals. We examine trends based on the same family

status categories used in the SCF and CPS analyses: unmarried, no children; married, no children; unmarried, children, and married, children. For the 2004-2012 period highlighted in the SCF and CPS analyses of 25-59 year-olds, the NLSY respondents were 40-47 year-old in 2004 and 48-55 in 2012. Thus, the 2004-2012 period is capturing not only changes in the economy but also the aging of the survey respondents.

The age-family profiles of college graduates indicate that married parent families peak in the late 30s through the mid-40s, with the share of married couples with no children rising through the period (Table 8). Although the gap in unmarried parenthood is wide in percentage terms between whites and blacks, the patterns differ only modestly between Hispanic and white college graduates in their late-30s through mid-50s. The share of unmarried individuals with no children present differs substantially between blacks on the one hand and Hispanics and whites on the other. The gaps in the overall married shares of the cohorts are especially wide; about 74 percent of white college graduates in their late 40s through mid-50s were married, as compared to about 55 percent of black college graduates and about 70 percent of Hispanic college graduates.

The wealth trends in Table 9 show similarities and differences with those evident in the SCF. In both cases, the differentials by family structure are quite large, especially by marital status. Black married families have about seven to eight times the wealth as unmarried black families. The percentage gaps are lower for whites and Hispanics but very substantial in absolute terms. Among those without children, the wealth differentials by marital status are especially striking, especially among black and Hispanic graduates in 2008.

**Table 8: Family Structure of Households Headed by 36-55 Year-Olds
with a BA Degree or Higher by Race: 2000-2012**

Share of Households by Marital Status of Head and Presence of Children

Year, Age by Race, Ethnicity	Unmarried, No Children	Married, No Children	Unmarried, Children	Married, Children
White, Non-Hispanic				
2000, 36-43	18.2	13.0	4.8	64.0
2002, 38-45	17.0	12.2	5.6	65.3
2004, 40-47	18.2	10.8	5.7	65.3
2006, 42-49	18.3	11.9	5.8	64.0
2008, 44-51	17.8	14.7	7.0	60.5
2010, 46-53	17.7	16.6	6.7	59.1
2012, 48-55	18.3	22.0	7.8	51.9
Black, Non-Hispanic				
2000, 36-43	22.0	9.7	16.7	51.6
2002, 38-45	20.6	9.5	19.4	50.6
2004, 40-47	23.6	7.7	18.0	50.8
2006, 42-49	25.9	9.9	17.0	47.2
2008, 44-51	25.7	12.3	18.7	43.3
2010, 46-53	27.1	13.1	16.8	43.0
2012, 48-55	27.5	17.8	17.3	37.4
Hispanic				
2000, 36-43	17.0	13.5	6.6	63.0
2002, 38-45	15.4	11.2	8.4	64.9
2004, 40-47	16.9	10.5	10.8	61.8
2006, 42-49	15.3	12.1	9.4	63.3
2008, 44-51	18.2	15.1	10.3	56.4
2010, 46-53	18.6	16.6	12.1	52.7
2012, 48-55	19.3	24.8	11.0	44.8

Source: Tabulations from National Longitudinal Survey of Youth, 1979.

Turning to the changes in wealth over the recession, we find that 2012 brings a decline in net worth within population groups for blacks and Hispanics, but not nearly as severe as the drop-off indicated in the SCF. As of 2012, black married parents with a BA or higher had a median wealth of over \$170,000 in 2012, below the 2004 level but \$29,000 above the 2008 level. Non-Hispanic white college graduates experience an increase in net worth between 2008 and 2012 for most population groups. White married parents suffer a decline in net worth of over \$60,000 between 2007 and 2013, according to the SCF, but an increase of about \$12,000 in the longitudinal NLSY data.

Table 9: Real Net Worth of Households Headed by a Cohort of 34-41 Year Olds as of 1998, with a BA Degree or Higher by Race: 2000-2012

Share of Households by Marital Status of Head and Presence of Children

Year, Age by Race, Ethnicity	Unmarried, No Children	Married, No Children	Unmarried, Children	Married, Children
White, Non-Hispanic				
1998, 34-41	\$80,982	\$145,369	\$61,599	\$189,113
2000, 36-43	98,805	213,822	73,529	265,523
2004, 40-47	154,976	286,884	131,316	382,118
2008, 44-51	174,986	397,695	173,952	495,263
2012, 48-55	204,900	442,000	199,000	507,500
Black, Non-Hispanic				
1998, 34-41	13,683	67,985	33,588	64,387
2000, 36-43	34,595	151,910	12,656	88,082
2004, 40-47	47,913	127,175	54,774	150,244
2008, 44-51	24,286	222,550	30,755	200,969
2012, 48-55	18,500	145,000	21,000	172,000
Hispanic				
1998, 34-41	32,526	178,957	1,195	142,051
2000, 36-43	38,603	158,292	65,742	182,547
2004, 40-47	111,205	211,643	106,591	328,290
2008, 44-51	85,054	358,456	127,793	466,597
2012, 48-55	50,500	336,750	81,500	288,000

Source: Tabulations from National Longitudinal Survey of Youth, 1979.

Incorporating Family Patterns in a Multivariate Approach

Tabulations reveal patterns and trends but do not capture the interactions between variables. This section examines the factors associated with changes in net worth, focusing on year and family structure variables. The evidence comes from two sets of multivariate analyses, one from examining different cross sections of individuals in the SCF data and the other from examining the same individuals over time in the NLSY data. In both cases, we restrict the analyses to college graduates.

In interpreting the results described in Tables 10 and 11, the coefficients represent the percentage change in net worth for a unit change in the relevant variable. Thus, in Table 10 for white Non-Hispanic units, moving from the base year 2000 to the year 2004 leads to an expected decline of 3.7 percent in net worth, after controlling for age. In the second set of regressions in Table 10, which include family structure variables, the decline associated with 2004 is an expected 1.3 percent, after controlling for age and the family structure variables. The T-values are linked to the statistical significance of the estimates. A T-value of 1.6 is required for the coefficient to be statistically significant at the 10 percent level and a T value of around 2 is required for statistical significance at the 5 percent level.

Turning to Table 10, we find the sharp and frequently statistically significant declines in net worth associated with several years after 2000. The declines extend to white as well as black and Hispanic college graduates. For whites, net worth in 2013 is 19 percent below the 2000 level after accounting for age and age squared, and 16 percent below the 2000 level after accounting for the two age variables and the family structure variables. In all cases, the family status variables exert large percentage effects on net worth and generally lower the impact of various years. Thus, for blacks, the impact of marriage and having children is to raise net worth by 55.1 percent; the family structure variables lower the negative effect of 2013 from 20.4 percent to 13.4 percent and to eliminate the statistical significance of the differential between 2013 and 2000 (the base year). Similar patterns show up for whites and Hispanic households, with family structure variables affecting net worth and reducing the year effects.

Table 10: SCF Estimates of Year and Family Structure Effects on the Natural Log of Net Worth of 25-59 Year-Old College Graduates, by Race and Hispanic Status: 2001-2013

Variables by Race	Coefficient	T-Value	Coefficient	T-Value
White, Non-Hispanic				
Age	0.216	22.9	0.166	17.4
Age Squared	-0.002	-15.3	-0.001	-10.2
Married, Kids			1.058	44.8
Married, No Kids			0.952	35.4
Unmarried, Kids			-0.043	-1.0
Year 2004	-0.037	-1.3	-0.013	-0.5
Year 2007	0.024	0.8	0.076	2.7
Year 2010	-0.148	-4.9	-0.122	-4.2
Year 2013	-0.190	-6.4	-0.160	-5.6
Constant	6.544	33.0	6.850	34.5
Black, Non-Hispanic				
Age	0.197	5.4	0.142	3.7
Age Squared	-0.002	-3.8	-0.001	-2.2
Married, Kids			0.551	6.0
Married, No Kids			0.189	1.6
Unmarried, Kids			-0.143	-1.4
Year 2004	-0.262	-2.3	-0.176	-1.5
Year 2007	0.057	0.5	0.042	0.4
Year 2010	-0.316	-2.7	-0.217	-1.9
Year 2013	-0.204	-1.7	-0.134	-1.1
Constant	6.206	8.1	7.082	9.0
Hispanic				
Age	0.222	4.0	0.209	3.8
Age Squared	-0.002	-2.9	-0.002	-2.7
Married, Kids			0.415	3.2
Married, No Kids			0.558	3.8
Unmarried, Kids			-0.712	-4.3
Year 2004	0.318	1.7	0.173	0.9
Year 2007	0.941	5.4	0.791	4.6
Year 2010	-0.421	-2.7	-0.336	-2.2
Year 2013	-0.083	-0.5	-0.083	-0.5
Constant	5.906	5.4	6.018	5.5

Source: Linear regressions using the Survey of Consumer Finances.

Because the NLSY follows the same individuals over time, we can examine how recent years and changes in family structure affect changes in net worth. The focus is on changes for the same individual and not differences between individuals. One approach is to use “fixed effects” regressions. Under this procedure, the effect of independent variables is measured in a way that controls for all of the initial characteristics of the individual, including his or her ability, schooling, saving propensity, and personality. Thus, the estimates cumulate the changes in net worth for families of particular individuals with respect to changes in the independent variables. Thus, the family structure variables show how net worth changes in the context of family structure changes. The age variable captures the change in net worth with each year of age. More recent years reflect in part changes in wealth over parts of the life cycle. Instead of capturing how people in different circumstances attain different wealth levels, the fixed effect analyses show how wealth evolves for the same individuals.

The results in Table 11 indicate that wealth rises over the life cycle and did not decrease substantially between 2008 and 2012 for the cohort, ages 43 to 50 in 2008. In fact, real wealth is substantially higher in 2012 for this group than in 2004, 2000, and 1996. We do observe a modest decline between 2008 and 2012 for all groups. For example, wealth for non-Hispanic blacks was 110 percent higher in 2008 than in 1996, but only 97 percent higher in 2012 than in 1998. The 2008-2012 declines high all three groups. The family structure variables exert powerful effects, indicating that changing one’s status with respect to marriage and the presence of children influences one’s net worth. The periods in which individuals are married show substantially higher wealth; only a modest gap appears between married parents and other married couples. Those who become unmarried with children have about the same net worth as the unmarried without children (the base category). Further, the family structure changes slightly mitigate the year effects for white and black, non-Hispanics, but enhance the year effects among Hispanics.

Table 11: Estimates of Percentage Changes in Wealth Associated with Year and Family Structure of 31-54 Year-Old College Graduates: 2000-2012

	Coefficient	T-Value	Coefficient	T-Value
White, Non-Hispanic				
Year 2000	0.438	14.3	0.422	14.0
Year 2004	0.718	23.3	0.699	22.9
Year 2008	0.967	31.2	0.959	31.4
Year 2012	0.962	30.1	0.974	30.9
Married, Children			0.690	12.1
Married, No Children			0.557	9.6
Unmarried, Children			0.094	1.2
Constant	11.870	665.1	11.361	245.6
Black, Non-Hispanic				
Year 2000	0.485	6.3	0.470	6.1
Year 2004	0.834	10.8	0.812	10.5
Year 2008	1.105	14.4	1.082	14.2
Year 2012	0.974	12.2	0.951	11.9
Married, Children			0.392	2.9
Married, No Children			0.485	3.4
Unmarried, Children			-0.074	-0.5
Constant	10.746	238.1	10.524	110.3
Hispanic				
Year 2000	0.444	5.1	0.420	4.9
Year 2004	0.973	11.0	0.976	11.0
Year 2008	1.266	14.4	1.277	14.6
Year 2012	1.108	12.2	1.125	12.4
Married, Children			0.666	4.3
Married, No Children			0.527	3.0
Unmarried, Children			0.056	0.3
Constant	11.322	223.1	10.849	84.5

Source: Fixed effects regressions based on the National Longitudinal Survey of Youth, 1979.

Conclusions

Net worth declined dramatically for Americans in the wake of the 2008-2009 collapse of home prices. College graduates of all race and ethnic categories did not escape the drop in non-liquid wealth. Between 2007 and 2013, white homeowners who were married and college graduates experienced a decline in their median home equity of about \$80,000; among black homeowners, the decline in median home equity was an astounding \$110,000, falling from \$123,000 to about \$12,000.

This paper examines the potential role of the changing family in explaining why black and Hispanic families headed by college graduates were unable to withstand the decline in net worth. The main conclusions are that 1) family status changes between 2007 and 2013 were too small to account for much of the wealth decline among black and Hispanic college graduates; and 2) even married couple families among black and Hispanic families suffered sharp declines in home equity and net worth. One should not interpret these results as indicating a modest role for college graduation and for marriage in maintaining family wealth. In fact, the percentage gains in wealth associated with graduating college and with marriage remained high after the Great Recession. In 2007, black college graduates had a 140 percent advantage in net worth over non-graduates; by 2013, the advantage had reached 177 percent. Although the wealth differentials between married black college graduates and unmarried graduates declined, married couples retained at least a 70 percent advantage over the unmarried groups.

A major reason for the losses was the decline in home values, leading to a decline in home equity. While declining home values can have ongoing consequences in the risks of foreclosure and in making refinancing difficult, a fall in one's home value is often not as harmful as other losses of wealth. One reason is that when a homeowner experiences a decline, others in the community are likely to experience a similar decline. A second is that many homeowners have fixed rate payments that are independent of the home's value or no mortgage payments at all. For these households, the home is less a financial asset than a place to live; the declining home value does not raise the cost of living in their housing unit.

The SCF differentials and trends took place among different age groups. To track a single group as it aged, we followed a cohort of 35-42 year-olds in 2000 through the 2012 period using the NLSY79. The estimates of net worth trends from 2004 through 2012 capture both the life cycle patterns of asset accumulation as well as the impacts of the Great Recession. These results reveal the cohort's ability to maintain the vast bulk of their net worth even through some reductions took place between 2008 and 2012. For this cohort, marriage and other favorable family structures did convey a net worth advantage and did mitigate the 2008-2012 declines in net worth.

Reducing racial wealth gaps remains a serious challenge, even among black college graduates. The data reveal that income differences are far more limited than are wealth differences among all types of families and marital status and even among college graduates. Insuring that black families have sufficient credit to take advantage of historically low mortgage interest rates and home prices should remain a top priority. Such policies can lower the monthly costs (Lerman 2011) and the risks of long-term rent increases associated with paying for housing (Sinai and Souleles, 2005). In addition, as home prices return to an upward trend, it is important that minority households are able to participate and regain lost wealth.

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