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The Racial Wealth Gap:  
Facts, Myths & Promising Responses  
Cook County Council of Economic Advisors  
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*\*These are my own views, and not necessarily the views of the Federal Reserve Bank of St. Louis, Federal Reserve System, or the Board of Governors*

# Snapshot of the Black-White Wealth Gap: The U.S.

Analysis by William R. Emmons, Ana Hernández Kent, and Lowell R. Ricketts of Federal Reserve's 2016 Survey of Consumer Finances, available at [stlouisfed.org/hfs](http://stlouisfed.org/hfs)

\*\* <https://www.pewtrusts.org/~media/assets/2015/11/emergencysavingsreportnov2015.pdf>

Measure	Black Families		White Families
Median net worth (assets less liabilities)	\$16,000	10X	\$163,000
Own their home	4 in 10	Nearly 2X	7 in 10
Days could survive on emergency savings**	5	6X	31
Have zero or negative median net worth	1 in 5	2X	1 in 10
Have become a millionaire	1 in 200	28X	1 in 7

# Snapshot of the Black-White Wealth Gap: Cook County

scorecard.prosperitynow.org, 2018

Measure	Black Families		White Families
Own their home	4 in 10	Nearly 2X	7 in 10
Have zero or negative net worth	32 in 100	2.5X	13 in 100
Could not subsist on their net worth for three months	46 in 100	2.7X	17 in 100
Could not subsist on their liquid savings for three months	57 in 100	2.4X	24 in 100

# Myth One: Trends & Overall Progress

Analysis by William R. Emmons, Ana Hernández Kent, and Lowell R. Ricketts of Federal Reserve's 2016 Survey of Consumer Finances, available at [stlouisfed.org/hfs](http://stlouisfed.org/hfs)

*Myth:* Narrowing many black-white gaps also reduces the wealth gap.

*Reality:* Economic and other gains are not translating into more wealth.

Measure	Black-White Gap Since 1995
Self-reported health status	Narrowed 7.4%
Marriage / Co-habitation	Narrowed 1.7%
4-year college degree or higher	Narrowed 14.7%
Income	Narrowed 5.5%
Savings to cover an emergency	Narrowed 26.4%
Net worth	<b>Widened 4.1%</b>

# Myth Two: Education

Analysis by William R. Emmons, Ana Hernández Kent, and Lowell R. Ricketts of Federal Reserve's 2016 Survey of Consumer Finances, available at [stlouisfed.org/hfs](http://stlouisfed.org/hfs); *Why Didn't Higher Education Protect Hispanic and Black Wealth?* by William R. Emmons and Bryan J. Noeth, available at [stlouisfed.org/hfs](http://stlouisfed.org/hfs); and *Black College Graduates Are Losing Wealth: Here's What Can Help* by Ray Boshara, available at [washingtonpost.com](http://washingtonpost.com)

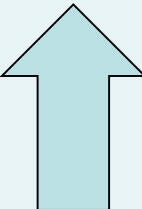
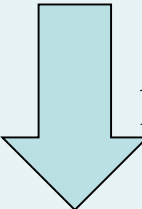
*Myth:* College is the great equalizer and will narrow the gap.

*Reality:* The black-white wealth gap nearly *doubles* as educational attainment rises, and has radically *diverged* since 1992.

Black-White Wealth Gap, 2016

College Degree	Grad/Prof. Degree
\$64,000	\$123,000

Change in Wealth Since 1992

College-educated Whites	College-educated Blacks
 96 %	 10 %

# Myth Three: Homeownership

Analysis by William R. Emmons, Ana Hernández Kent, and Lowell R. Ricketts of Federal Reserve's 2016 Survey of Consumer Finances, available at [stlouisfed.org/hfs](http://stlouisfed.org/hfs)

*Myth:* Equalizing homeownership rates will close the racial wealth gap.

*Reality:* Homeownership narrows the black-white wealth gap but does not eliminate it.

	Black Median Net Worth		White Median Net Worth
All families	\$16,000	9.9X	\$163,000
Homeowners	\$104,000	2.6X	\$272,000
Non-homeowners	\$1,800	4.4X	\$7,800

# Myth Four: A Post-Racial America

[College Is Not Enough: Higher Education Does Not Eliminate Racial and Ethnic Wealth Gaps](https://www.stlouisfed.org/hfs/college-is-not-enough-higher-education-does-not-eliminate-racial-and-ethnic-wealth-gaps), by William R. Emmons and Lowell R. Ricketts, available at [stlouisfed.org/hfs](https://www.stlouisfed.org/hfs)

*Myth:* Hard work, personal responsibility and “good” choices will close the wealth gap.

*Reality:* An overwhelming wealth gap remains when comparing blacks and whites who made similar choices.

Overall Gap	Adjusted for Age	Adjusted for Financial, Educational, Marriage and All Other Choices
90% (\$163K v. \$16K)	Reduces gap 14%	Reduces gap 4%

“Post-racial” view: poor wealth outcomes reflect poor *choices*.

v.

“Structural” view: poor wealth outcomes reflect poor *opportunities*.

# Responses

<i><b>MORE IMPACT</b></i>	<i><b>LESS IMPACT</b></i>
“Build family wealth and opportunity” framing	“Close the gap” framing
Change how institutions behave	Change how individuals behave
Access to savings and liquidity	Access to high-priced loans
Targeted local & neighborhood investments (to address schools, social capital, segregation, inequality, and single-family households)	Less targeted national policies
Savings and education early in life	Student loans later in life



# Local Resources

Asset Funders Network

<https://assetfunders.org/>

Metropolitan Planning Council

<https://www.metroplanning.org/>

The Chicago Community Trust

<https://cct.org/>

Woodstock Institute

<https://woodstockinst.org/>

Federal Reserve Bank of Chicago

<https://www.chicagofed.org/>