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## Hispanic Population's Share of Wealth Likely to Increase by 2025

By William R. Emmons and Bryan J. Noeth

Wealth owned by Hispanic families would triple in inflation-adjusted terms by 2025 if wealth-building trends observed during the past two decades resume. This would raise the share of total wealth owned by Hispanics to a new high. However, most Hispanic families would remain far less wealthy than white and Asian families. A substantial portion of the increased wealth would result from the Hispanic population growing faster than other groups, rather than from per-capita increases in wealth alone. And there is reason to be cautious about extrapolating previous wealth trends far into the future. Thus, the wealth outlook for Hispanic families is promising but far from certain.

### Hispanic Families Are Less Wealthy Than Average, but Gaining

The U.S.'s Hispanic population was about 50.5 million in 2010, representing 16.3 percent of the total population (Table 1).<sup>1</sup> According to the Federal Reserve's Survey of Consumer Finances and its Financial Accounts of the United States, Hispanic families had about \$1.4 trillion of net worth (wealth) in 2010, representing about 2.2 percent of total wealth (Table 2).<sup>2</sup> The share of total wealth owned by Hispanic families was lower than their share in the population because average wealth per Hispanic household was only \$108,871, compared to average household wealth of \$543,702 among all non-Hispanic families.<sup>3</sup> Table 3 shows that the average wealth of all households was \$494,916 in 2010.

Using census projections of population growth through 2025 and two different

assumptions about the trajectory of wealth gains between 2010 and 2025, we estimate that Hispanic families will own between \$2.5 trillion and \$4.4 trillion of wealth in 2025.<sup>4</sup> This would represent between 2.6 percent and 3.2 percent of total U.S. wealth. We estimate that the majority of the gain will be due to faster population growth, but a small increase may occur due to faster growth of average household wealth.

Our two different assumptions address the uncertainty regarding whether the large wealth losses experienced between 2007 and 2010 will prove to be "permanent," in the sense that subsequent wealth gains are, or are not, unusually rapid for a time. This is particularly important for Hispanic families, who suffered above-average wealth losses during the most recent recession.

### Two Possible Wealth Scenarios

Under one assumption, we project that average wealth levels of Hispanic families (and of families overall) by 2025 will have reverted to the trend lines that best describe the 1989-2010 wealth data in the Survey of Consumer Finances (Figure 1). This would result in faster growth of the average wealth of Hispanic families than for the population overall, primarily because Hispanic families fell further below their trend line in 2010 than did non-Hispanic families and therefore have more wealth to make up to return to trend (Table 3).<sup>5</sup> The average level of wealth among Hispanic families would increase from 22.0 percent of the level among all families in 2010 to 26.5 percent in 2025.

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The alternative assumption projects that average wealth levels in 2010 grow from that crisis-impacted level at the rate observed on average between 1989 and 2010 (Figure 2). That is, the wealth losses suffered in the years leading up to 2010 would prove to be permanent in the sense that no “catch-up” period occurs.

The middle and far-right columns of tables 2 and 3 summarize our projections. Total Hispanic wealth is likely to grow considerably faster than overall wealth through 2025 under both assumptions about wealth gains (Table 2). The Hispanic share of total wealth would increase from 2.2 percent to 3.2 percent under the first assumption (reversion to 1989-2010 trend) and to 2.6 percent under the second assumption (average growth resumes from 2010 level). Table 3 shows that average Hispanic wealth per household would increase faster than for the entire population only under the first assumption, however. In the more pessimistic second scenario, the Hispanic share of total wealth would increase only because the Hispanic population is expected to grow faster.

## The Importance of Population Growth

To isolate the role of relatively fast expected growth of the Hispanic population on wealth trends, Table 4 shows what total Hispanic wealth would be in 2025 under each assumption about average wealth gains if the Hispanic population grew at the same rate as the overall population. In particular, the projections assume that the Hispanic population grows only at the rate expected for the non-Hispanic population between 2010 and 2025—about 0.4 percent at an annualized rate versus the expected 2.3 percent rate among the Hispanic population. The result is that cumulative wealth gains among Hispanics would be only 140.1 percent under the first scenario and 42.1 percent under the second scenario. As Table 2 showed, the baseline wealth projections that assume faster Hispanic growth than the overall population resulted in cumulative gains of 216.6 percent and 79.8 percent, respectively.

## Slow but Steady Progress Likely

Median wealth among Hispanic families—that is, the family that ranks exactly

TABLE 1

	2010	Projected 2025	Percent Change, 2010-2025 (%)
U.S. Population	308,745,538	346,407,223	12.2
Hispanic Population	50,477,594	70,973,499	40.6
Hispanic Share of U.S. Population (%)	16.3	20.5	—

SOURCE: Census Bureau.

TABLE 2

		Assumption 1: Wealth Reverts by 2025 to 1989-2010 Trend		Assumption 2: Wealth Grows at 1989-2010 Rate from 2010 Level	
	2010	Estimated 2025	Percent Change, 2010-2025	Estimated 2025	Percent Change, 2010-2025
Total U.S. Wealth (Trillions of 2010 Dollars)	63.4	135.8	114.4	96.2	51.9
Total Hispanic Wealth (Trillions of 2010 Dollars)	1.4	4.4	216.6	2.5	79.8
Hispanic Households' Share of Total Wealth (%)	2.2	3.2	—	2.6	—

SOURCES: Census Bureau, Federal Reserve Financial Accounts of the United States, Federal Reserve Survey of Consumer Finances, our estimates.

TABLE 3

		Assumption 1: Wealth Reverts by 2025 to 1989-2010 Trend		Assumption 2: Wealth Grows at 1989-2010 Rate from 2010 Level	
	2010	Estimated 2025	Percent Change, 2010-2025	Estimated 2025	Percent Change, 2010-2025
Average U.S. Household Wealth (2010 Dollars)	494,916	965,465	95.1	674,516	36.3
Average Hispanic Household Wealth (2010 Dollars)	108,871	255,572	134.7	140,056	28.6
Average Hispanic Household Wealth Relative to Overall Average Household Wealth (%)	22.0	26.5	—	20.8	—

SOURCES: Federal Reserve Survey of Consumer Finances, our estimates.

in the middle of the wealth distribution—was quite low in 2010 at \$15,000. The median wealth among the entire population was \$77,000. Nonetheless, we expect the wealth of the median Hispanic family to increase faster than the wealth of the median family in the overall population under both of our assumptions about future wealth gains (Table 5). This is primarily due to the extraordinary 39 percent

decline in median wealth suffered by the entire population between 2007 and 2010. The decline among Hispanic families alone was about 32 percent, so a resumption of growth at the rate experienced between 1989 and 2010 among the entire population—in fact, a net decline—would result in further small declines in wealth through

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TABLE 4

		Assumption 1: Wealth Reverts by 2025 to 1989-2010 Trend		Assumption 2: Wealth Grows at 1989-2010 Rate from 2010 Level	
	2010	Estimated 2025	Percent Change, 2010-2025 (%)	Estimated 2025	Percent Change, 2010-2025 (%)
Total U.S. Wealth (Trillions of 2010 Dollars)	63.4	135.8	114.4	96.2	51.9
Total Hispanic Wealth if Hispanic Population Grows at Rate of Non-Hispanic Population (Trillions of 2010 Dollars)	1.4	3.3	140.1	2.0	42.1
Hispanic Households' Share of Total Wealth (%)	2.2	2.4		2.0	

SOURCES: Census Bureau, Federal Reserve Financial Accounts of the United States, Federal Reserve Survey of Consumer Finances, our estimates.

TABLE 5

		Assumption 1: Wealth Reverts by 2025 to 1989-2010 Trend		Assumption 2: Wealth Grows at 1989-2010 Rate from 2010 Level	
	2010	Estimated 2025	Percent Change, 2010-2025 (%)	Estimated 2025	Percent Change, 2010-2025 (%)
Median U.S. Household Wealth (2010 Dollars)	77,000	128,563	67.0	75,347	-2.1
Median Hispanic Household Wealth (2010 Dollars)	15,000	31,799	112.0	22,507	50.0
Median Hispanic Household Wealth Relative to Overall Median Household Wealth (%)	19.5	24.7		29.9	

SOURCES: Federal Reserve Survey of Consumer Finances, our estimates.

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2025 for the median family overall. The median Hispanic family would experience a larger cumulative wealth gain between 2010 and 2025 under both of our assumptions about future wealth trends.

In summary, we project the Hispanic share of total wealth to increase from 2.2 percent in 2010 to either 2.6 percent or 3.2 percent of the economy's total wealth by 2025, depending on our assumption about wealth-building trends. If it were not for the faster rate of population growth projected for the Hispanic population, the wealth shares in 2025 would be 2.0 or 2.4 percent—that is, either a small decline or a small increase from their 2010 shares. Thus, relatively rapid population growth in the Hispanic population is likely to be an important contributor to the rising share of total wealth owned by Hispanics. ■

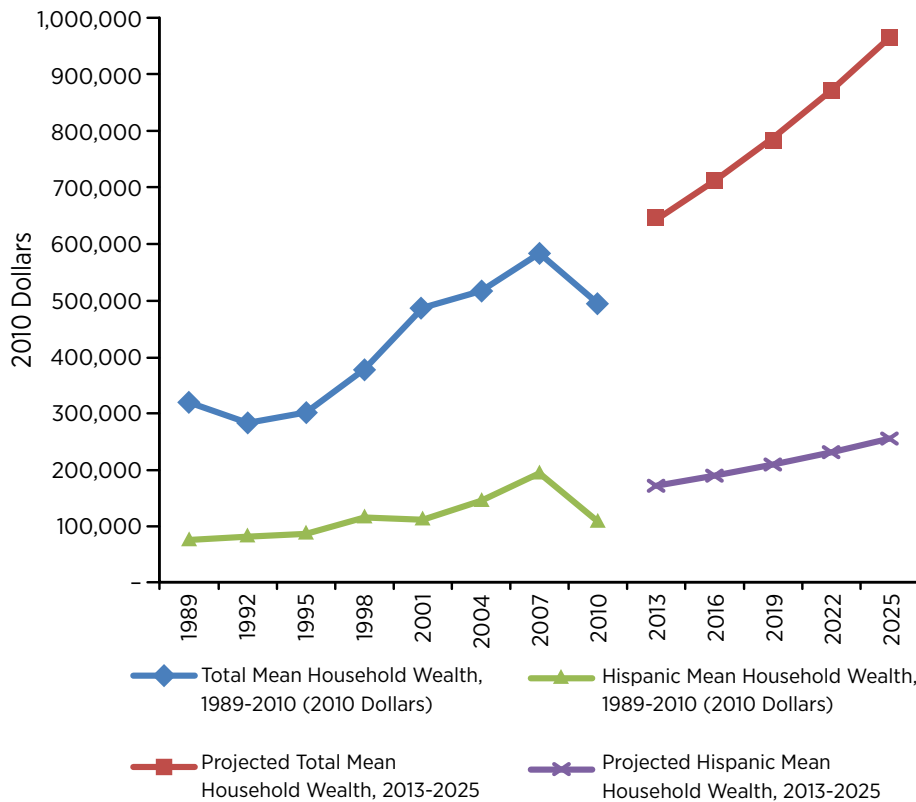
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#### ENDNOTES

1. Census Bureau. In this article, Hispanics may be of more than one race.
2. Federal Reserve Board. We applied the average wealth level and total wealth share for Hispanic families from the Survey of Consumer Finances to the aggregate measure of household net worth from the Financial Accounts of the United States.
3. The average Hispanic household is larger than the average non-Hispanic household—about 3.5 members versus 2.5 members, so the disparity is even larger in per-capita terms (Census Bureau).
4. All figures are expressed in terms of 2010 dollars. Also, we assume that average family size does not change for Hispanic or non-Hispanic families during the projection period, so population and household growth rates are the same for each group.
5. The large wealth loss of Hispanic families in 2007 through 2010 was due, in part, to high asset concentrations in housing and above-average levels of debt, which magnified home-value losses.

FIGURE 1

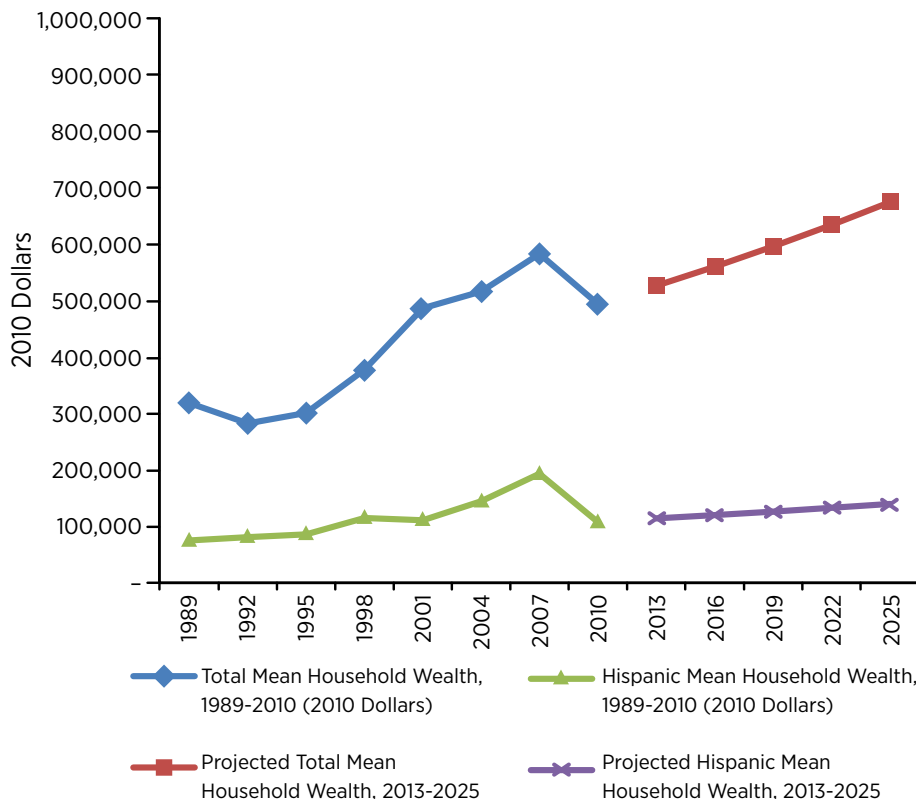
### Average Household Wealth under Assumption 1



SOURCES: Federal Reserve Survey of Consumer Finances, our estimates.

FIGURE 2

### Average Household Wealth under Assumption 2



SOURCES: Federal Reserve Survey of Consumer Finances, our estimates.

### Featured Past Presentations

- **William Emmons** [presented](#) on the role of credit in a healthy balance sheet at a Credit Builders Alliance webinar in April.
- **William Emmons** [presented](#) on balance-sheet links among economic vulnerability, financial fragility and economic recovery at a Consumer Financial Protection Bureau research seminar in Washington, D.C., in April.
- **Ray Boshara** [gave remarks](#) on balance sheets and consumer financial health at the Center for Financial Services Innovation's EMERGE annual conference in Los Angeles in June.

### Featured Events

The Federal Reserve System's biennial community development research conference will be held April 2-3, 2015, in Washington, D.C. The theme will be economic mobility. Please see the [call for papers](#); submissions are due Sept. 8.

The Center on May 8-9 hosted a symposium on the balance sheets of younger Americans. Slides, videos and selected papers are available on the [event page](#). Scholars from around the nation presented 12 original research papers, and the event closed with a discussion on policy implications of the research that was presented.

Building on the research presented at the May symposium, the Center will convene a policy symposium titled "Millennials after the Great Recession," on Oct. 16-17, 2014, in partnership with the New America Foundation and Young Invincibles. The symposium will expand the scope of the discussion to include issues that impact, and are impacted by, the balance sheets of millennials: unemployment and underemployment, labor markets, education and training, family formation and technology.