“Family Achievements?”:
How Wealth Trumps Education Among White and Black College Graduates

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DOES COLLEGE LEVEL THE PLAYING FIELD? RACIAL AND ETHNIC DIFFERENCES IN FAMILY WEALTH AMONG COLLEGE-EDUCATED FAMILIES
A Research Symposium at the St. Louis Federal Reserve Bank, May 25-26, 2016
Presentation Outline

• Long-term wealth trends among college educated households and impact of large financial gifts/inheritances (PSID)

• Wealth transfers among college educated households and association with wealth holdings in 2013 (PSID 2013 Family Roster and Transfers Module)

• Processes/mechanism of wealth transfers shaping wealth trends (IASP Levering Mobility study)

• Discussion of results
Median Net Wealth, College Graduates 1989-2013

Median Wealth - with Home Equity

- Non-hispanic, white CE household heads
- Non-hispanic, black CE household heads

5 3 7 7 6 8 8 15 14 15*

+ $31,343

- $19,816

* White/black ratio
Median Net Wealth 2013, without Inheritance

- Non-hispanic, white CE household heads
- Non-hispanic, black CE household heads

2013:
- Non-hispanic, white CE household heads: $193,000
- Non-hispanic, black CE household heads: $155,000
Financial Transfers into the Household

In 2012

- Any financial support from parents, 2012?
  - White: $4,446
  - Black: $1,313

Since turning 18,

- Wtr parent helped pay school
- Wtr parent helped w home purchase
- Wtr parent oth financial help

The sample is restricted to college educated households, defined by either the PSID head’s or wife’s attainment of a Bachelor’s degree or higher.
Financial Support of Adult Children

In 2012

- Any financial support to adult children, 2012: $7,995
- Help pay for school for adult child: $3,095

Since Child turned 18,

- Help pay for school for adult child: $73,378
- Help pay for home for adult child: $16,182
- Other financial help for adult child: $22,575

The sample is restricted to college educated households, defined by either the PSID head’s or wife’s attainment of a Bachelor’s degree or higher.
Median Net Wealth 2013, no Inheritance or Wealth Transfer

- **Non-hispanic, white CE household heads**: $193,000
- **Non-hispanic, black CE household heads**: $155,000

Comparison:
- **$120,000**
Financial Support of Parents

The sample is restricted to college educated households, defined by either the PSID head’s or wife’s attainment of a Bachelor’s degree or higher.
Family Financial Transfers and Net Wealth (IHS transformed), estimated by OLS

Only significant associations are shown

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<thead>
<tr>
<th>Demographics</th>
<th>Coefficient</th>
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<tbody>
<tr>
<td>Age (head) in 2013</td>
<td>0.51***</td>
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<td>Age (head) in 2013, squared</td>
<td>-0.003***</td>
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<td>Married in 2013</td>
<td>2.76***</td>
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<td>Race</td>
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<td>Black (head)</td>
<td>-4.64***</td>
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<tr>
<th>Transfers into Households</th>
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<tr>
<td>Parents help school</td>
<td>1.07**</td>
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<tr>
<td>Parents help home</td>
<td>1.69**</td>
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<tr>
<td>Parent help other</td>
<td>-1.90***</td>
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<th>Transfers out of Households</th>
<th>Coefficient</th>
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<tr>
<td>Help of parents in 2012</td>
<td>-0.26*</td>
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<td>Help child other</td>
<td>0.34*</td>
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Note: *p<.05; **p<.01; ***p<.001. The sample is restricted to college educated households, defined by either the PSID head’s or wife’s attainment of a Bachelor’s degree or higher.
Similar achievements, very different outcomes

• Scullys, white couple, two children
  – Down payment
  – Inheritance
Bazark Family, black couple, two daughters
  - Recession
  - Loss of employment
• Cotes Family, black couple with two children
  – Timing of career change
  – Selling CA home pre-recession
Thank you!

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