RACIAL WEALTH DISPARITY IN NORTH CAROLINA

A Report for the Z. Smith Reynolds Foundation

Center on Poverty, Work and Opportunity

University of North Carolina, Chapel Hill, NC

September 1, 2010

Table of Contents

Introduction and Summary Findings ii
Income, Wealth and Racial Wealth Disparity 1
Measuring Wealth Disparities in North Carolina 2
Documenting Racial Wealth Disparities in North Carolina 4
Racial Wealth Disparities by Type of Asset Holding 8
Wealth and Debt Measures by Earned Income 12
Asset Measures by Income Group 14
Wealth and Asset Measures by Age of Head of Household 17
Racial Wealth and Assets Gap by Gender 19
Conclusion 22
Appendix 23
Endnotes 25

Introduction and Summary Findings[1]

Earlier this year, in partnership with the Z. Smith Reynolds Foundation, the UNC Center on Poverty, Work and Opportunity issued a detailed report on income poverty in North Carolina.[2] That study found that though significant progress has been made over recent decades in educational attainment and in helping North Carolinians lift themselves out of economic distress, potent challenges remain. More of us than the national average live below the notably stringent federal poverty standard. Income poverty is also dramatically maldistributed in the Tar Heel state. It is skewed by race, by age, by family structure, by region, and by locale. Facing this challenge requires pointed investment in North Carolina's people and its places.

This study augments and deepens the North Carolina income poverty report. Household income, which refers to "the sum of all cash income received by [an] individual and/or other family members," is a crucial and pervasive measure of economic wellbeing.[3] Wealth, however, represents the stock of assets and economic resources, accumulated or inherited, owned by such a household at a particular point in time. Wealth, of course, can replicate itself – producing further income and profit. It is a primary source for consumption and investment as well. It provides an essential cushion against tides of economic hardship and dislocation. And it fosters the transmission of financial stability and opportunity from one generation to the next. Wealth, no less than income, can be essential to economic security and possibility.

National studies indicate, however, that wealth disparity – particularly racial wealth disparity – is even more pronounced than income inequality. In 2007, for example, the median net worth for white households in the United States was $170,400, while that of African American households was $17,100.[4] And not only are differentials large, they reportedly are growing.[5] From 1984 to 2007, the wealth gap, nationally, between black and white households increased by $75,000 at the median ($20,000-$95,000).[6]

This study explores racial wealth disparity in North Carolina. Based on data gleaned from the Census Bureau's Survey of Income and Program Participation [SIPP], it finds, broadly, that national trends of harrowing racial wealth inequality are even more pronounced in North Carolina. Focusing, because of limited sample size in the SIPP data, on disparities between white and African American households, it concludes that black households, at the median, claim only about 13 percent of the wealth and, stunningly, about 4 percent of the net worth of white households. The corresponding figures for the nation are a bleak: 15 and 13 percent respectively. Median wealth for white households is roughly seven times that of black households. Net worth comparisons border on the grotesque.

These harsh differentials are spread across almost all asset categories. Nationally, black households have about half the home equity of whites. In North Carolina, it's about a third. Here, black households own pensions at only about half the rate of whites, and at only a quarter of the value. Far fewer black households have significant savings, stocks or investment properties. The mean value of black household savings accounts is only about a quarter of that of whites. Many more black families are unbanked. Half of all black households in North Carolina have less than $100 in savings. Half.

The one outlier in this regime of asset differentials is life insurance. More black households in North Carolina purchase life insurance than white households – though the median value of the policies obtained is modestly less (.80). At higher incomes, though, greater numbers of black North Carolinians own life insurance policies, at higher mean values, than whites.

We also explore black-white wealth distinctions by income categories and by age. Black households report almost no assets until the middle class (200-400 percent of the federal poverty level) income threshold is met. Even at that level, white households have about double the wealth of their African American counterparts. Working poor black households (100-200 percent of poverty) have about one-third the debt level of similar white households, but only a tiny fraction of the wealth. Nearly half of poverty-level white households own home equity, while only about one in five poor black households does. Black families report no significant savings until middle income levels. Very large disparities in pension assets appear across all income categories.

Dramatic racial wealth disparities occur in North Carolina across the age spectrum, or career cycle, as well. To illustrate, black heads of household in late working age (50-65), hopefully preparing for retirement, own, at the median, $17,000 in assets. White households of the same cohort report $143,000. At this (late) career stage, one in ten black households has no significant economic assets. One in twenty white households is in a similar plight.

Finally, the study briefly examines some indicia of gender wealth disparity. Looking at single male and female headed households under the age of 61 in North Carolina, men of both races have markedly higher median net worth than women of the same race. Disparities between white males and females, however, are notably smaller than those between African American males and females. Single white women report about two-thirds the wealth of their male counterparts. Black women own only a miniscule percentage of the economic assets that black males do. Single North Carolinians of both races and both sexes, at the median, report substantially diminished wealth and net worth totals compared to national averages.

We conclude, accordingly, that well-documented national black-white wealth disparities are even sharper in North Carolina. Wealth differentials vary significantly according to categories of assets studied. In the three arenas most directly affecting the prospects of the majority of us – home equity, pensions and savings – very notable racial distinctions are revealed. They expand dramatically at different stages of life and at different levels of income. Black women endure wealth dichotomies of both sex and race that are huge and likely growing. Parsing racial wealth distinctions by asset category, income, age, and sex should help to identify the strongest platforms for targeting and intervention.

Racial wealth disparities – even more, perhaps, than our troubling differentials in income – demonstrate the powerful challenges North Carolina faces in building bright economic prospects and opportunities for all.

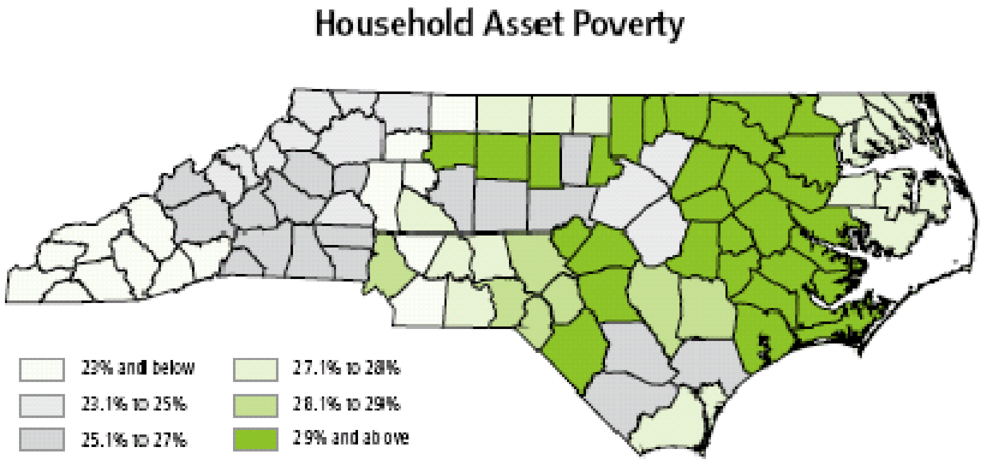
Income, Wealth and Racial Wealth Disparity

In both government data and in the academic literature, there is well-documented inequality in income and wealth among households in the United States. Large concentrations of both income and wealth accrue to a relatively small percentage of households.[7] While household income is an important element of financial status, wealth is distributed even more disproportionately among households. According to Kennickell, the top 10 percent of households in the distribution of net worth in the United States held 71.5 percent of total net worth in 2007. The top 10 percent of income-earning households received 47.2 percent of total household income in 2006.

The importance of wealth to the economic wellbeing and stability of a household has led researchers to look more closely at wealth measures and to provide more nuanced analyses of the dynamics of wealth ownership over time and across different racial groups. An array of scholars has determined that African Americans are among the most disadvantaged groups in wealth ownership. In 2007, the median net worth among white households in the U.S. was $170,400. The median net worth in African American households was $17,100.[8] Not only are the disparities in wealth between white and African American households large, the magnitude of the difference is growing wider over time. From 1984 to 2007, the wealth gap between these groups increased by $75,000 at the median ($20,000 to $95,000). The growth in wealth disparity appears to be the result of both increases in the asset amounts held by whites and stagnant levels of accumulation and asset appreciation among African American households.[9]

Among the 33 states for which there are data available, North Carolina has the seventh largest wealth gap between white and minority households and the ninth largest asset poverty rate.[10] [11] Disproportionate shares of those living in asset poverty in the state are minorities. The percentage of North Carolina residents estimated to live in asset poverty is 17 percent among whites and 47.8 percent among minorities. The gulf is one of the largest in the nation.[12] Figure 1 provides data that illustrate how asset poverty varies across the state. Asset poverty appears to be concentrated in the eastern part of North Carolina where a high proportion of residents are African American.

Figure 1. Asset Poverty by County in North Carolina



Source: Action for Children (2009)

The disparity may, at least in part, result from North Carolina's higher than average poverty rate (14.6 percent, compared to 13.2 percent nationally), and our low median income figures ($46,549, compared to $52,029 nationally). North Carolina also has fewer college graduates (26 percent) and more residents failing to complete high school (17 percent) than national averages (27.7 and 15.1 percent respectively).[13] Finally, the North Carolina Asset Alliance estimates that the state ranks as one of the highest in the nation for the number of "unbanked" households.[14] The unbanked are disproportionately households of color that are considered outside of the financial mainstream and are often relegated to check-cashing organizations that charge high fees for their services.

Measuring Wealth Disparities in North Carolina

A number of nationally representative federal data sets collect information on household wealth and assets in the United States. Major examples include the Survey of Income and Program Participation (SIPP), the Survey of Consumer Finances (SCF), the Panel Survey of Income Dynamics (PSID) and the Health and Retirement Study (HRS). The surveys differ in scope, structure, and sample composition. The value that any one survey can contribute to a particular study depends on the questions asked.

We employ SIPP data in this study due to its comprehensive set of income, asset, wealth and debt variables, complete demographic profile and state identifiers, and this project's need to maximize the number of respondent households within North Carolina. While other data sets provide similar information, the SIPP is a nationally representative data set with weights useful for conducting analysis at the sub-national level.[15] The SIPP contains information on the amount of wealth as well as the distribution by type of asset – making it useful in studies focused on wealth and asset accumulation by households.[16]

While the SIPP is not designed to be statistically representative at the state level, SIPP data has been used previously to track state-level trends, including many of the measures set forth here.[17] SIPP remains the best available source for detailed information on wealth from a large nationally representative data source with individual and state identifiers. It is the best option, among a set of limited alternatives, to report wealth and asset data in a state.

We study three categories of wealth measures: total wealth, total debt, and net worth. Total wealth is the sum of the market value of all assets held by each person living in a household.[18] Similarly, total debt is the sum of all liabilities held by each individual living in the household. Net worth is estimated by subtracting the household's total debt from its total wealth. Together these measures will be referred to as the wealth variables.

The total wealth measure is the sum of the five asset types outlined below for each person in the household.[19] Five asset measures are used to calculate the total wealth of households in the sample: home equity, investment property, any amount invested in a defined contribution pension plan, the value of any shares of stock, and any interest-earning financial asset, savings, or checking account. A sixth measure, not included in the total wealth calculation, but examined in the analysis of asset types, is life insurance.[20] The home equity measure is equal to the amount the household has invested in a primary residence minus any remaining mortgage debt. The value of a household's investment property equals the value of any business, vacation home, land, rental property, farmland, or commercial property less any debts held against it. The value of any pension owned by the household reflects the current redemption value of any assets held in an individual retirement account (IRA), KEOGH account, 401(k), or Thrift Savings Plan.[21] Similarly, the measure of stocks reflects the current market value of any stocks held by the household. Finally, the financial assets designated as savings constitute the sum of any amounts held in money market deposit accounts, certificates of deposit, U.S. government securities or savings bonds, municipal or corporate bonds, and savings or checking accounts. We also analyze, discretely, the cash value of life insurance policies.[22]

We report total debt as the sum of any amount that the household owes for loans (mortgages, student loans, car loans, or any amount borrowed to purchase property or land), credit cards and medical expenses. Like the wealth measure, this calculus reflects the sum of all debts for each person within the household. We report a net worth measure which is simply the household's total wealth minus its total debt.

This analysis will present median values since this standard is less sensitive to large outlying values than are estimates of the mean (average). Large outlying values are typically present in wealth and income data, as a small fraction of respondents commonly have extreme values for income and wealth stocks. The median, though, is not informative when more than 50 percent of the sample has none of the measured variable. For example, a small percentage of both white and black households own stocks, and those households that do, own large quantities. The median value for both races is $0, but the average for the groups is notably larger because those who own stocks tend to possess large quantities. In this and similar instances, we report the mean value and percentage of those who own stock. A comparison of the medians is uninformative as it is equal to $0 for both groups, but a comparison of the means coupled with a measure of how concentrated these assets are within each group provides a more useful comparison. The national data that accompany each North Carolina table are derived from the authors' calculations from the same SIPP data used to estimate these measures for the state.

Documenting Racial Wealth Disparities in North Carolina

If a study based on federal SIPP data carries advantages, it is also important to be clear of its limitations. Although we explore racial disparity, the focus here is necessarily a comparison between white and African American wealth disparities in North Carolina. SIPP responses provide helpful information concerning categories of assets and accumulations of wealth in various stages of life and career development. The number of Hispanic and Native American respondents in the data sample, however, is too small to foster meaningful comparisons – either generally or across resource categories. National income and wealth studies suggest that similar or analogous results are likely true for Hispanic and Native American families.[23] But our data comparisons derive from black and white households in North Carolina.[24]

Second, the study is rooted in Census Bureau estimates rather than actual head and asset counts. As the inquiry becomes more localized, sample numbers become markedly smaller. So this report likely captures, most accurately, only broader trends. Sample size is outlined further in the Appendix.

Third, the report is based upon state-wide figures and estimates. It is not possible from SIPP samples to drill down effectively to county, regional or municipal levels of inquiry.

Fourth, the SIPP data upon which this report relies are necessarily dated. Questionnaire responses were obtained in 2004, 2005 and 2006. These most recent available figures are obviously pre-recession. In the interim, North Carolina has experienced high unemployment rates and one of the highest rates of the uninsured in the nation. Unemployment, as of the date of this report, hovers around 10 percent both nationally and in North Carolina. Unemployment among African Americans is estimated to be at least 16 percent. Poverty has, no doubt, risen markedly in North Carolina since 2006. Accordingly, the conclusions sketched should be updated when new SIPP data becomes available.

Fifth, the data upon which this study relies documents and describes a massive disparity in wealth between white and African-American households in North Carolina. It paints a portrait of extant inequality. It explores neither the causes nor the cures of wealth disparity. These crucial questions must be examined through other means and by other studies.

Our overall findings are consistent with trends and magnitudes of the wealth gap between whites and African Americans reported in other national studies and data.[25] White households hold much more wealth than African American households in North Carolina. In general, African American and white households hold more comparable levels of debt than wealth, but African Americans still hold less of each. The combination of significant total wealth disparities and relatively smaller debt disparities means that, in general, whites will have much larger net worth estimates.

The medians (middle) and means (averages) for total wealth, total debt and net worth are reported in Table 1.[26] Both the mean and median values within each category confirm that white households have significantly more asset wealth than African American households in North Carolina.

The median value of total wealth held by white households is over seven times that of African American households. The median total wealth for white households is $71,900 and $9,500 for black households. The ratio of African American wealth to white wealth in North Carolina (.13) is consistent with the national ratio (.15). The overall values of total wealth in North Carolina are lower for both groups compared to the national estimates.

Our analysis indicates that white households also hold more debt than African American households in North Carolina. Both the mean and median value of debt in white households is greater. African Americans hold 18 cents of debt for every dollar of debt held by whites. This is likely the result of white households (with higher incomes and wealth) having greater access to credit than black households. As before, the ratios in North Carolina (.18) are similar to those for the nation (.17) and the total debt values are lower.

The data also reveals relative disparities in median wealth and debt. In simple terms, African Americans hold 13 cents for every dollar in wealth held by whites, and 18 cents in debt for every dollar of debt held by whites. This means that white households have 7.5 times the total wealth of African American and just over 5.5 times the total debt at the median.[27] Thus, the disparity in total debt between whites and African Americans is smaller than that for total wealth. For each dollar of debt, white households hold $1.87 of wealth; African American households hold $1.40 of total wealth for every dollar of total debt. The wealth-to-debt ratios for the nation are larger for both races than those for North Carolina.

Because white households have more wealth and African American households hold lower wealth-to-debt ratios, whites have higher estimates of net worth. As Table 1 indicates, black households have a median net worth of $3,000. In contrast, the median net worth for white households in North Carolina is $68,441. A larger minority of African American households (35 percent) have a net worth of $0 or less than whites (20 percent). The ratio of African American net worth to white net worth is higher for the nation as a whole (.13) than for the state (.04).

Table 1. Overall Wealth Measures and Asset Types by Race

North Carolina	Median Values			Mean Values		
	White	African American	B:W Ratio	White	African American	B:W Ratio
Net Worth	$68,441	$3,000	***0.04***	$197,492	$44,296	***0.22***
Wealth	$71,900	$9,500	***0.13***	$204,453	$49,641	***0.24***
Debt	$38,500	$6,770	***0.18***	$78,889	$33,294	***0.42***
Wealth to Debt Ratio	1.87	1.40		2.59	1.49	
	Participation Rate					
Home Equity	73%	45%		$73,223	$26,648	***0.36***
Pension	59%	31%		$44,828	$10,323	***0.23***
Non-Home Prop.	13%	2%		$32,129	$653	***0.02***
Savings	78%	59%		$14,125	$3,505	***0.25***
Stocks	11%	2%		$6,639	$712	***0.11***
Life Insurance	43%	50%		$99,956	$79,740	***0.80***

United States	Median Values			Mean Values		
	White	African American	B:W Ratio	White	African American	B:W Ratio
Net Worth	$74,475	$10,000	***0.13***	$224,996	$87,200	***0.39***
Wealth	$100,000	$15,400	***0.15***	$235,025	$94,522	***0.40***
Debt	$50,000	$8,600	***0.17***	$96,725	$87,201	***0.90***
Wealth to Debt Ratio	2.00	1.79		2.43	1.08	
	Percent with a Nonzero Amount *Participation Rate*					
Home Equity	71%	46%		$103,585	$50,337	***0.49***
Pension	60%	37%		$50,766	$16,826	***0.33***
Non-Home Prop.	11%	5%		$23,572	$7,776	***0.33***
Savings	81%	59%		$13,937	$4,894	***0.35***
Stocks	13%	3%		$16,175	$2,464	***0.15***
Life Insurance	50%	50%		$126,054	$93,674	***0.74***

Figure 2

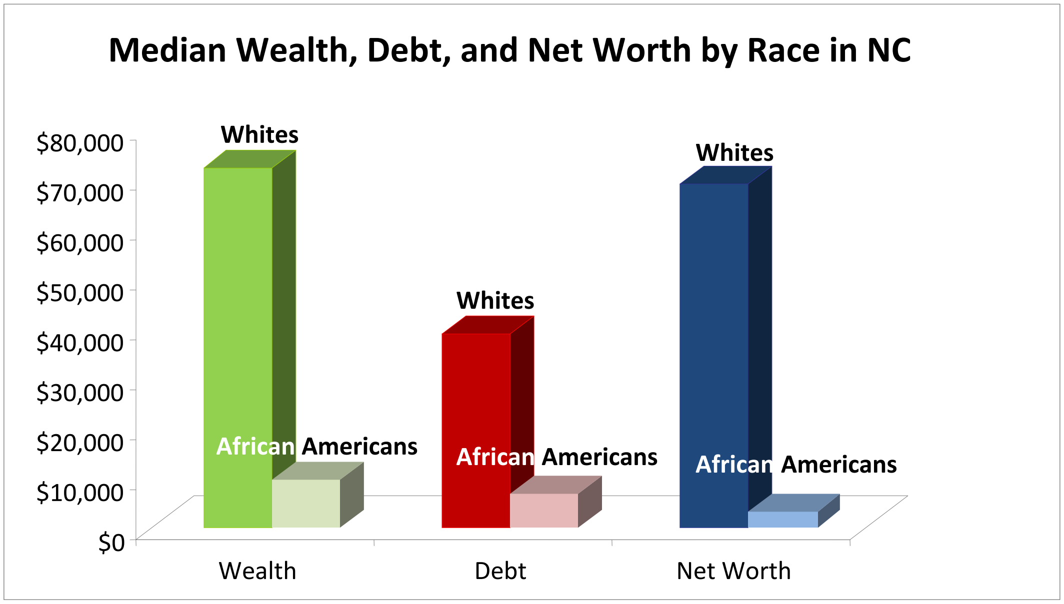
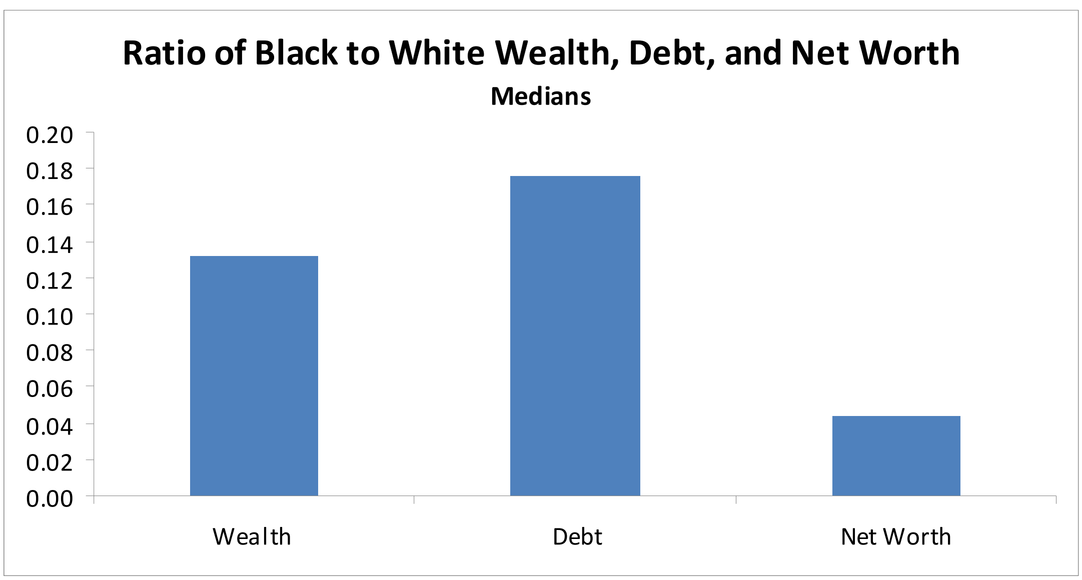


Figure 3



Racial Wealth Disparities by Type of Asset Holding

A look at the specific asset holdings and the distribution of the total wealth measures offers an additional perspective on wealth disparities between white and African American households. For example, white households have higher rates of ownership as well as higher mean values for each type of asset.[28] Home equity is one of the most significant and accessible assets for both white and black households. Pensions and savings accounts play large roles in wealth accumulation as well. While life insurance policies are important for both groups, the cash value of this asset is less easily redeemed than other types of assets. Table 1 reports the mean and median values for the asset holdings of white and African American households.

The mean value for each asset category is higher for white households than African American households in North Carolina. Due to the large number of African American and white households with no holdings in some asset categories, we also report the percent of households with any nonzero value for each asset type.[29] This estimate will be referred to as the "participation rate." It indicates the percentage of those who participate in the specified savings vehicle. Table 1 also reports these percentages.

Figure 4

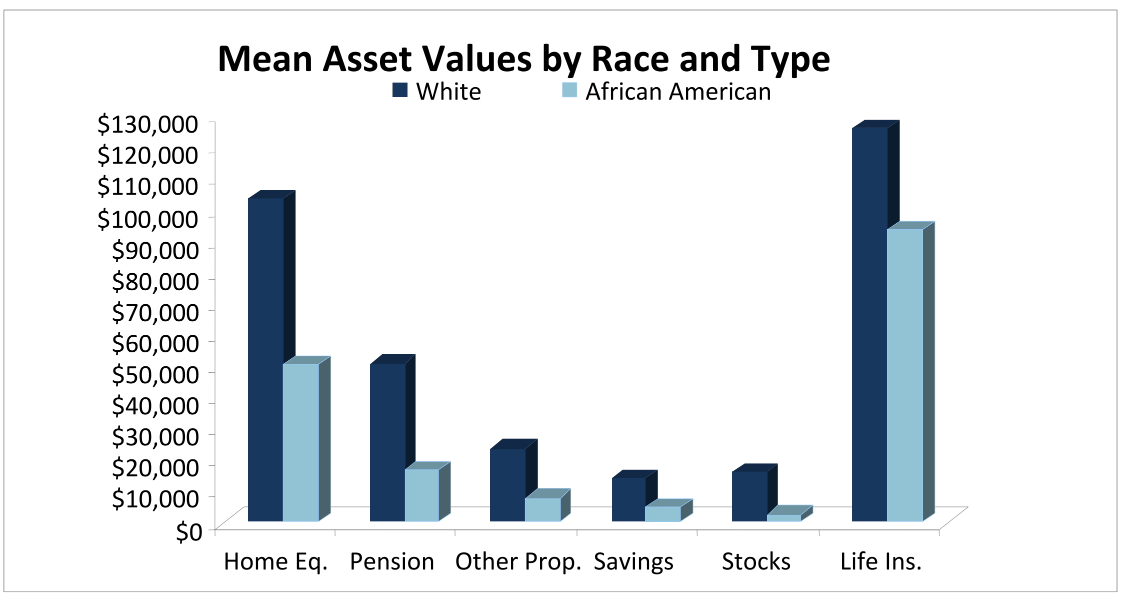
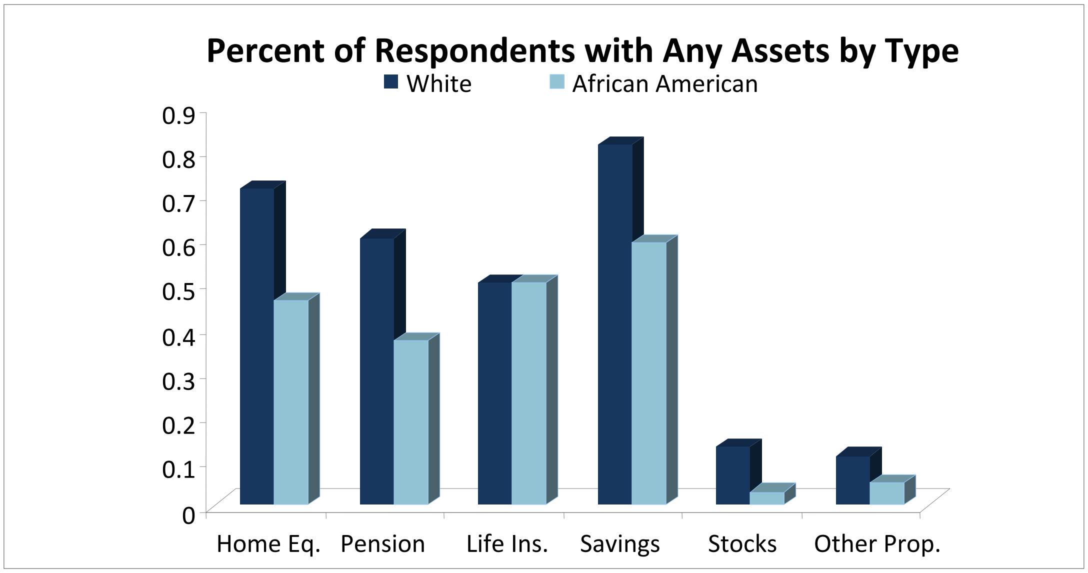


Figure 5



Almost three-quarters of white households (73 percent) and less than a majority of African Americans (45 percent) have some home equity. While the rate of homeownership is 62 percent greater among white households, it is relatively large for both groups. These estimates are consistent with national figures which, in 2009, report homeownership rates for white households at 71 percent and for African American households at 46 percent.[30] Whites also have greater equity in their homes. The average white household holds roughly $73,000 in home equity compared with $27,000 for African Americans. The home equity wealth gap estimated for North Carolina (.36 of white household equity) is larger than that for the nation (.49).

The second largest asset among white households is contributory pension plans such as 401(k), IRA, and KEOGH holdings. The average white household in North Carolina reports $44,828 in pension assets, while African American households claim $10,323. In brief, African Americans hold 23 cents of pension for every dollar held by whites. The participation rate for these plans among whites (59 percent) is nearly double that of blacks (31 percent). Differences in participation likely reflect differential access to pensions through employment. Data from the Current Population Survey indicate that African Americans are less likely to work for an employer that offers a pension plan and are less likely to participate voluntarily when plans are available.[31]

Personal savings is the third most significant asset category contributing to household wealth. Large percentages of white (78 percent) and African American (59 percent) households have access to personal savings. These participation rates are roughly consistent with those for the nation. Whites hold an average of $13,371 in savings; African Americans, on average, report $4,614. Half of the African American households in the sample have less than $100 in savings.[32] Unlike pensions or home equity, these funds are liquid assets that offer a first line of cash reserve in times of crisis. Such low levels of household savings represent a serious impediment to economic security in the event of financial strain. Black households are also disproportionately represented among the unbanked.[33] Many such households report that they do not have sufficient income to justify a savings account.[34] Additionally, banks often carry minimum balance requirements and charge fees that these households cannot sustain.[35] The figures in Table 1 indicate that the savings amounts in North Carolina are comparable to those at the national level, even though the racial disparity is somewhat larger for the state.

Two of the remaining asset categories, stocks and non-home property, are held by a small fraction of all North Carolina households. Only 11 percent of white households and 2 percent of African Americans in the state own stocks. These participation rates are similar to those estimated for the nation as a whole. The mean values reported are large because the households that invest in the stock market tend to invest at significant levels. The mean value of stocks held by white households is $6,639; the mean value for African American households is $712. These estimates are inflated by the values of the top 1 percent of stockholders in North Carolina.

Similarly small percentages of white (13 percent) and African American (2 percent) households report owning property other than their home. These could be a small business, vacation home or other real estate holding. These participation rates are comparable to those for the nation. Again, the small percentages of households that do own investment property have large quantities invested. The mean value of this property in white households is $32,129 and $653 for African Americans. The top 1 percent have invested between $652,000 and $2,025,000 in those assets.

While small percentages of both groups own property beyond the primary residence, national research indicates that businesses owned by African Americans are smaller and less successful. On average, African American firms have lower sales, hire fewer employees, and report smaller profits and higher closure rates than those owned by whites.[36] These outcomes are frequently attributed to low startup capital available to African American entrepreneurs, lack of prior work in a family business, lower levels of education relative to whites, and discrimination in capital credit markets.[37]

The cash value of life insurance policies is the one asset where the average value held by African American households is comparable to that held by whites. The ratios in this category are the closest to parity at the state (.8) and national levels (.74). This is also the highest black to white asset value ratio measured in this study. While life insurance policies appear to be an important aspect of a household's wealth portfolio, this asset is not easily converted into income. It is also frequently unclear from the data whether the plans are term or whole life policies. [38] This anomaly likely reflects the measured differences in propensity to purchase life insurance. Previous analyses have shown that

African Americans are more likely to consider purchasing life insurance than the rest of the U.S. population.[39]

The mean values from each of the asset holdings which contribute to the total wealth measures confirm that racial wealth gaps persist in each asset category. The median values also reveal a low level of investment for both African American and white households. The median values were so low and number of African American households with zero assets so large that it was necessary to frame part of our analysis in terms of the percent of households with any nonzero amount of assets. Among the three most prevalent investment vehicles though—housing, pensions and personal savings—white households invest at higher rates and at higher levels than black households. Life insurance represents an interesting departure from this pattern.

Figure 6

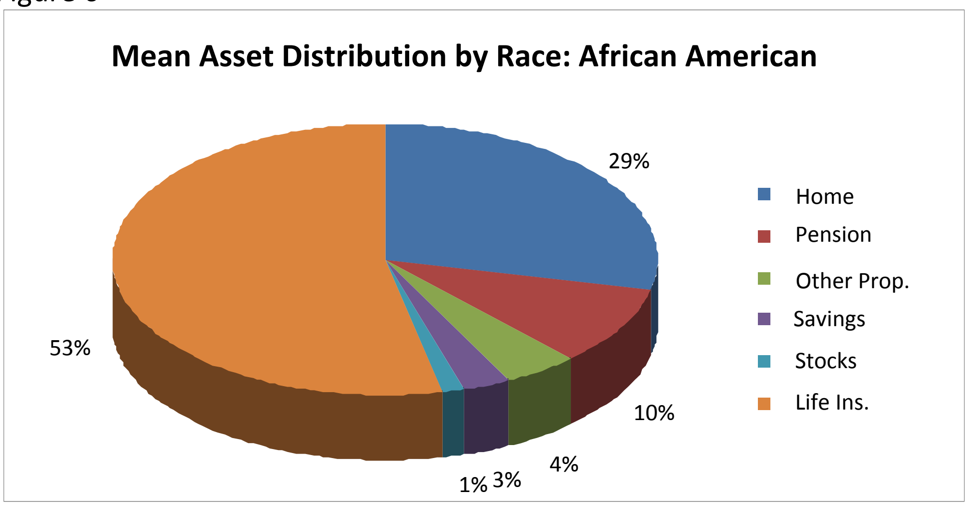
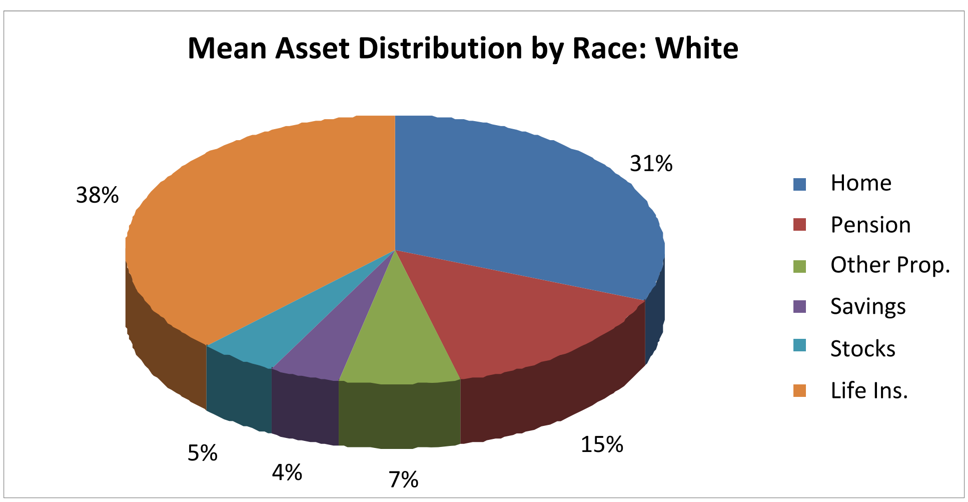


Figure 7



Wealth and Debt Measures by Earned Income

In Tables 2, 3, 4 and 5, households in the sample are grouped according to their reported earned income as a percentage of the federal poverty level (FPL) in 2004.[40] A family of three earning less than $15,670 is considered "impoverished" in 2004. The same family earning between $15,671 and $31,183 (100 to 199 percent of FPL) is considered "working poor." A household of three with income between $31,183 and $62,523 (200 to 399 percent of FPL) is considered "middle class." A family of three with an income above $62,523 (≥400 percent) is considered "high-income."

Table 2. Median Net Worth, Total Wealth and Total Debt by Income as a Percent of the Federal Poverty Line and Race

North Carolina		**<100%** Impoverished	**100% to 199%** Working Poor	**200% to 399%** Middle Class	**≥400%** High-Income
Net Worth	**White**	$700	$12,200	$55,100	$172,708
	African American	$24	$1	$28,873	$44,500
	B:W Ratio	***0.03***	***0.00***	***0.52***	***0.26***
Total Wealth	**White**	$7,877	$16,000	$59,000	$176,550
	African American	$49	$200	$30,775	$57,100
	B:W Ratio	***0.01***	***0.01***	***0.52***	***0.32***
Total Debt	**White**	$500	$7,500	$27,224	$92,300
	African American	$0	$2,500	$16,200	$42,500
	B:W Ratio	***0.00***	***0.33***	***0.60***	***0.46***
United States		**<100%** Impoverished	**100% to 199%** Working Poor	**200% to 399%** Middle Class	**≥400%** High-Income
Net Worth	**White**	$3,650	$18,800	$85,390	$244,000
	African American	$0	$762	$27,724	$115,875
	B:W Ratio	***0.00***	***0.04***	***0.32***	***0.47***
Total Wealth	**White**	$8,000	$24,460	$93,200	$254,000
	African American	$0	$2,450	$35,300	$128,895
	B:W Ratio	***0.00***	***0.10***	***0.38***	***0.51***
Total Debt	**White**	$2,000	$5,000	$38,600	$105,650
	African American	$0	$2,000	$18,100	$81,000
	B:W Ratio	***0.00***	***0.40***	***0.47***	***0.77***

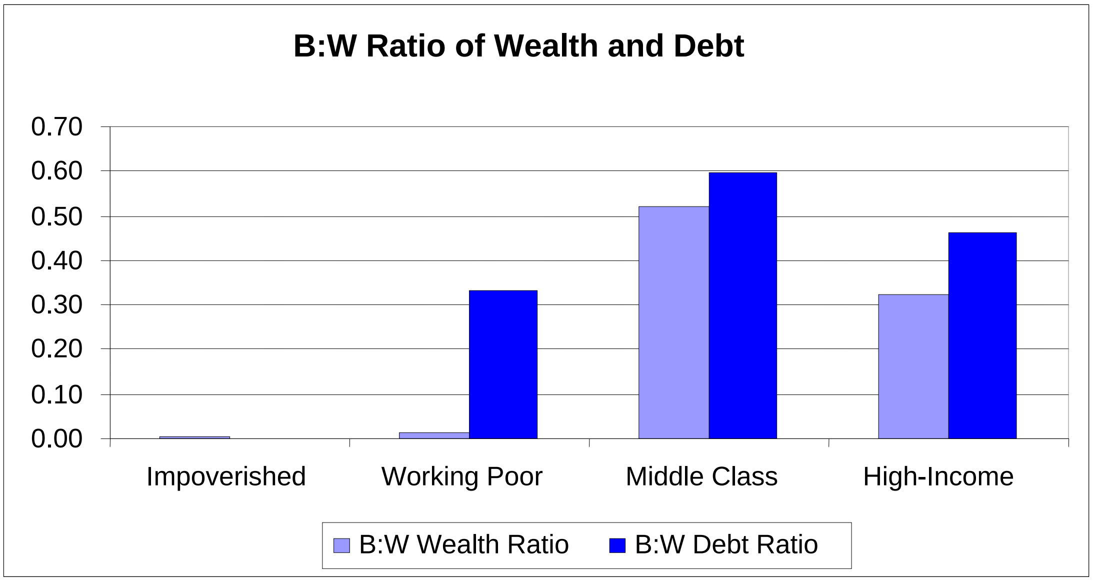
Notable patterns emerge in Table 2. First, median total wealth and debt increase with higher levels of income in both white and African American households. The finding that higher-income households, which accumulate more assets, can also afford large amounts of debt is unsurprising. Those with more disposable income will be better positioned to invest and save and will have easier access to credit for consumption and investment. While the correlation between income and wealth is positive for both groups, the amount of wealth and the rate of increase are much higher for whites than African Americans. The median net worth among African American households is zero or near zero at each income level until the middle-income group. African Americans accumulate debt at a faster rate than wealth, relative to whites. This is true for North Carolinians and the nation as a whole.

Even at low levels of income, whites have a larger base of wealth, and middle-class whites are more likely to have positive net worth than middle-class African Americans. One reason for this disparity could be differences in intergenerational transfers. Whites are more likely to leave inheritances and are more likely to have parents that are able to help them purchase a home.[41]

Second, African American households with incomes above the federal poverty level tend to resemble white households more closely in levels of debt than in levels of total wealth. Among households with income levels just above the federal poverty line—the working poor—African Americans hold one-third of the debt but one one-hundredth of the total wealth held by working-poor whites. Middle-class African American households have just over half (52 percent) of the total wealth and nearly three-fifths (60 percent) of the debt held by white households. This relative disparity holds even among high-income households. This trend is not unique to North Carolina, as it also emerges in estimates from the national data.

These estimates date from 2004, a time when credit was increasingly accessible to a greater number of households. Data from the Survey of Consumer Finances indicate that African Americans have consistently held higher debt-to-income ratios than white households throughout the last decade.[42] While both groups increased their debt from 2001 to 2007, the growth of the debt-to-income ratio in African American households has outpaced that of white households.[43] The vast majority of this increase in debt appears to be concentrated in mortgages.[44]

Figure 8



Asset Measures by Income Group

We report the mean value for each type of asset by earned income category because the median values in most income categories – save the highest – are $0 for each asset type. Table 1 reports these figures with the percentages of non-zero values for each category – highlighting how concentrated ownership is for each asset type. This underscores the importance of homeownership, savings, pension assets and life insurance policies for both white and African American households.

According to the estimates in Tables 3 and 4, the participation rates of homeownership and the value of home equity increases with income for both groups. More lower-income whites, however, invest in homes and amass greater amounts of home equity. Nearly half (49 percent) of impoverished whites have home equity, and an overwhelming majority (86 percent) of high-income whites are homeowners. In contrast, a small fraction (21 percent) of impoverished African Americans and just over two-thirds (68 percent) of high-income African Americans have home equity. The homeownership rate for African Americans does not pass 50 percent until they enter the middle class. The homeownership rate for whites is nearly 50 percent regardless of income. Finally, the mean values of home equity are much larger for whites at all income levels. These disparity trends are roughly equivalent to those at the national level.

Table 3. Mean Values and Ratios for Asset Types by Income as a Percent of the Federal Poverty Line and Race

North Carolina		<100% Impoverished	100% to 199% Working Poor	200% to 399% Middle Class	≥400% High-Income
Home Equity	**White**	$52,951	$41,758	$55,196	$101,051
	African American	$3,500	$29,009	$33,800	$35,857
	B:W Ratio	***0.07***	***0.69***	***0.61***	***0.35***
Savings	**White**	$3,264	$12,295	$14,567	$22,019
	African American	$196	$184	$3,740	$9,874
	B:W Ratio	***0.06***	***0.01***	***0.26***	***0.45***
Pension	**White**	$7,990	$8,518	$22,402	$80,648
	African American	$0	$1,291	$8,220	$33,382
	B:W Ratio	***0.00***	***0.15***	***0.37***	***0.41***
Stocks	**White**	$0	$2,421	$2,404	$12,338
	African American	$0	$0	$0	$3,303
	B:W Ratio	***0.00***	***0.00***	***0.00***	***0.27***
Non-Housing Property	**White**	$40,755	$24,905	$20,365	$183,405
	African American	$0	$0	$1,000	$1,429
	B:W Ratio	***0.00***	***0.00***	***0.05***	***0.01***
Life Insurance	**White**	$15,382	$18,386	$118,308	$135,417
	African American	$4,679	$56,069	$75,670	$185,857
	B:W Ratio	***0.30***	***3.05***	***0.64***	***1.37***

United States		<100% Impoverished	100% to 199% Working Poor	200% to 399% Middle Class	≥400% High-Income
Home Equity	**White**	$59,194	$63,210	$97,069	$160,252
	African American	$14,847	$33,649	$51,197	$105,537
	B:W Ratio	***0.25***	***0.53***	***0.53***	***0.66***
Savings	**White**	$4,257	$6,425	$11,636	$26,245
	African American	$715	$1,082	$4,158	$14,453
	B:W Ratio	***0.17***	***0.17***	***0.36***	***0.55***
Pension	**White**	$10,517	$11,368	$31,396	$91,631
	African American	$1,013	$2,734	$12,568	$46,616
	B:W Ratio	***0.10***	***0.24***	***0.40***	***0.51***
Stocks	**White**	$4,134	$10,402	$11,396	$36,848
	African American	$184	$103	$1,052	$9,085
	B:W Ratio	***0.04***	***0.01***	***0.09***	***0.25***
Non-Housing Property	**White**	$9,776	$11,573	$15,524	$44,468
	African American	$1,266	$1,836	$5,213	$19,746
	B:W Ratio	***0.13***	***0.16***	***0.34***	***0.44***
Life Insurance	**White**	$30,541	$42,077	$100,248	$211,014
	African American	$12,327	$40,716	$100,520	$216,092
	B:W Ratio	***0.40***	***0.97***	***1.00***	***1.02***

A significant disparity exists in the amounts African Americans and whites hold in savings. Still, the smallest differences among financial asset categories in participation rates and values lie in savings. Black households lag behind whites at lower income levels and to a lesser extent at higher incomes. The data suggest that African American households in North Carolina fall well behind national norms in personal saving levels.

Pensions are the third most prevalent of accessible investments among respondents.[45] As noted, African Americans are less likely to be employed in positions that offer these benefits and are less likely to participate when programs are available. One might expect availability to be more uniform at higher incomes, so participation rates should converge if these benefits are typically offered to higher paid workers. The figures in Table 3 indicate this is not the case. The disparity in pension wealth persists even at higher incomes – even though a sizable majority of blacks (64 percent) participate in such plans. We are unable to discern whether the pension asset gap results from decreased participation or is the result of higher employee or employer contributions among white households. The participation rates at lower incomes, and contribution levels at all incomes, fall behind national averages for African Americans.

Table 4. Participation Rates by Income as a Percent of the Federal Poverty Line, Asset Type and Race

North Carolina		**<100%** Impoverished	**100% to 199%** Working Poor	**200% to 399%** Middle Class	**≥400%** High-Income
Home Equity	**White**	49%	58%	68%	86%
	African American	21%	38%	51%	68%
Savings	**White**	35%	61%	79%	92%
	African American	29%	45%	73%	82%
Pension	**White**	10%	19%	58%	85%
	African American	0%	14%	40%	64%
Stocks	**White**	0%	5%	5%	18%
	African American	0%	0%	0%	7%
Non-Housing Property	**White**	8%	8%	13%	17%
	African American	0%	0%	2%	7%
Life Insurance	**White**	18%	29%	44%	52%
	African American	29%	41%	58%	68%

United States		**<100%** Impoverished	**100% to 199%** Working Poor	**200% to 399%** Middle Class	**≥400%** High-Income
Home Equity	**White**	46%	58%	75%	87%
	African American	21%	38%	55%	75%
Savings	**White**	47%	64%	82%	92%
	African American	22%	47%	65%	82%
Pension	**White**	16%	26%	55%	80%
	African American	4%	18%	41%	69%
Stocks	**White**	4%	4%	10%	25%
	African American	0%	0%	3%	8%
Non-Housing Property	**White**	5%	5%	10%	18%
	African American	1%	2%	4%	12%

Life Insurance	**White**	20%	34%	53%	65%
	African American	23%	41%	58%	71%

Stocks and investment property are held by only a small fraction of persons in both white and African American households. Whites, again, are more likely to have both and the values of these assets are likely to be larger. When African Americans and whites invest in these assets, however, they tend to do so in large quantities. While investment in the stock market or non-housing property is confined almost exclusively to higher income African American households, white households report participating in these assets even at lower income levels. Stock values in the state are well below the national averages for both races.

Life insurance is an important and consistent presence in the asset portfolios of African American households. In North Carolina, blacks show higher rates of life insurance ownership across all income groups. The mean value of policies owned by African Americans is significant, especially for the working poor. Life insurance trends in the state approximate those at the national level.

A table on sample size for these reported income groups appears in the Appendix.

Wealth and Asset Measures by Age of Head of Household

According to the life cycle hypothesis, households save while they are of working age in anticipation of eventual retirement. In this section, our sample is disaggregated by age to compare the asset accumulation patterns of African American and white households in North Carolina over the life cycle. Here the life cycle has been categorized as early working age (18-29); middle working age (30-49); late working age (50-65); and retirement age (65 and up).[46] The patterns of investment identified here, unsurprisingly, confirm that households of working age accumulate wealth and those in retirement draw from their amassed assets for consumption.

Table 5 includes the median values for total wealth, total debt and net worth at each age classification. The figures show that white and African American households follow the pattern suggested by the life cycle hypothesis. Both black and white households have low levels of assets and higher rates of participation at younger ages, and higher mean values and lower participation rates at later ages. Whites have higher estimates for mean net worth, total wealth and debt than African Americans at each age group.

Table 5. Asset Disparities at Different Points in the Life Cycle by Race

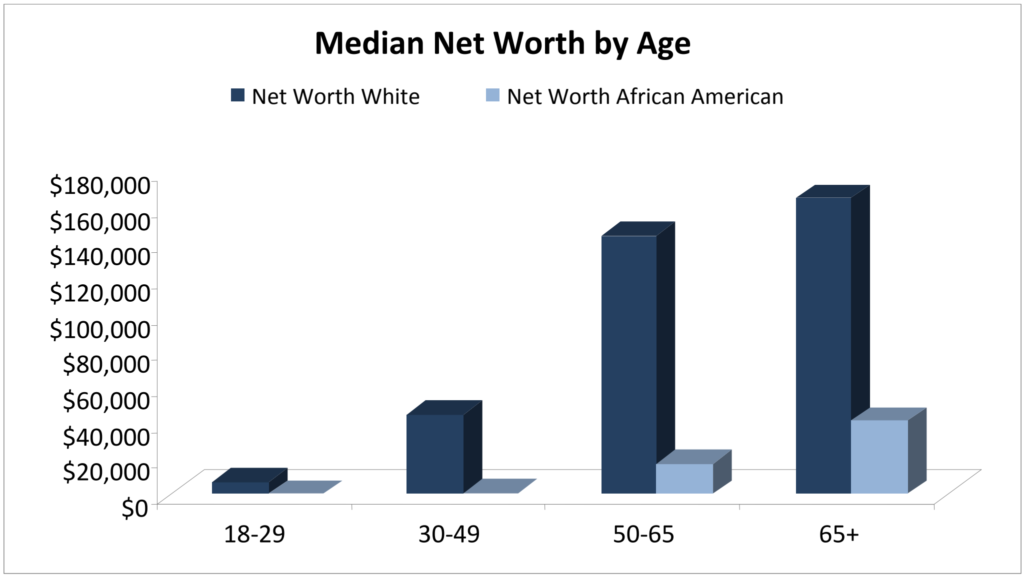
North Carolina		18-29 Early Working Age	30-49 Middle Working Age	50-65 Late Working Age	65+ Retirement Age
Net Worth	**White**	$6,400	$44,500	$143,700	$164,800
	African American	$150	$750	$17,000	$40,806
	B:W Ratio	***0.02***	***0.02***	***0.12***	***0.25***
Total Wealth	**White**	$13,438	$55,000	$150,900	$165,000
	African American	$1,264	$2,163	$22,000	$41,806
	B:W Ratio	***0.09***	***0.04***	***0.15***	***0.25***
Total Debt	**White**	$13,499	$54,000	$45,750	$150
	African American	$25	$2,825	$15,000	$0
	B:W Ratio	***0.00***	***0.05***	***0.33***	***0.00***

United States		18-29 Early Working Age	30-49 Middle Working Age	50-65 Late Working Age	65+ Retirement Age
Net Worth	**White**	$2,350	$70,557	$158,222	$165,289
	African American	$0	$3,104	$28,521	$49,990
	B:W Ratio	***0.00***	***0.04***	***0.18***	***0.30***
Total Wealth	**White**	$8,625	$80,700	$167,890	$167,600
	African American	$100	$8,000	$34,950	$51,000
	B:W Ratio	***0.01***	***0.10***	***0.21***	***0.30***
Total Debt	**White**	$18,000	$77,001	$40,000	$685
	African American	$1,900	$10,699	$10,000	$0
	B:W Ratio	***0.11***	***0.14***	***0.25***	***0.00***

Black households have much lower levels of total wealth and net worth, especially at older ages. By late working age (50-65), the median net worth for African Americans is low ($17,000) for a group nearing retirement. The median white household has accumulated over $143,000 by the same point in time. More than one in ten African Americans in late working age have no net worth, compared with one in twenty whites. Sadly, these data are consistent with trends at the national level. Some of this disparity in net worth could be related to the different rates of labor force participation and patterns of employment between white and African American workers. Blacks tend to exit the labor force and retire earlier than white workers and experience more frequent spells of unemployment.[47]

African American households also show different patterns of debt accumulation across the life cycle. Debt in white households appears to peak in middle working age and decline in older stages. African American debt continues to grow into late working age. This is true at the national level as well. Debt drops precipitously for both groups in retirement.

Figure 9



Racial Wealth and Assets Gap by Gender

Finally, we examine wealth disparity between male and female headed households in North Carolina. It is more complex to unpack wealth disparity than income inequality because many households share economic assets. This analysis, therefore, examines only *single* male and female headed households under the age of 61 by race.[48] The small sample size precludes as detailed an analysis as provided in earlier sections of this report. We compare aggregate wealth measures – total wealth, debt and net worth – by gender and race.[49]

While much of the study of gender disparity focuses on the income gap, scholars have also documented a wealth gap between single men and single women.[50] The findings from national data in Gottschalck (2008) indicate that single white men have only a modestly larger net worth than single white women, while disparities between single black men and single black women are more pronounced. Nationally, white women have fewer assets than white men, but they have more than both African American single men and women. These patterns, we find, hold true for North Carolina as well.

Figure 10

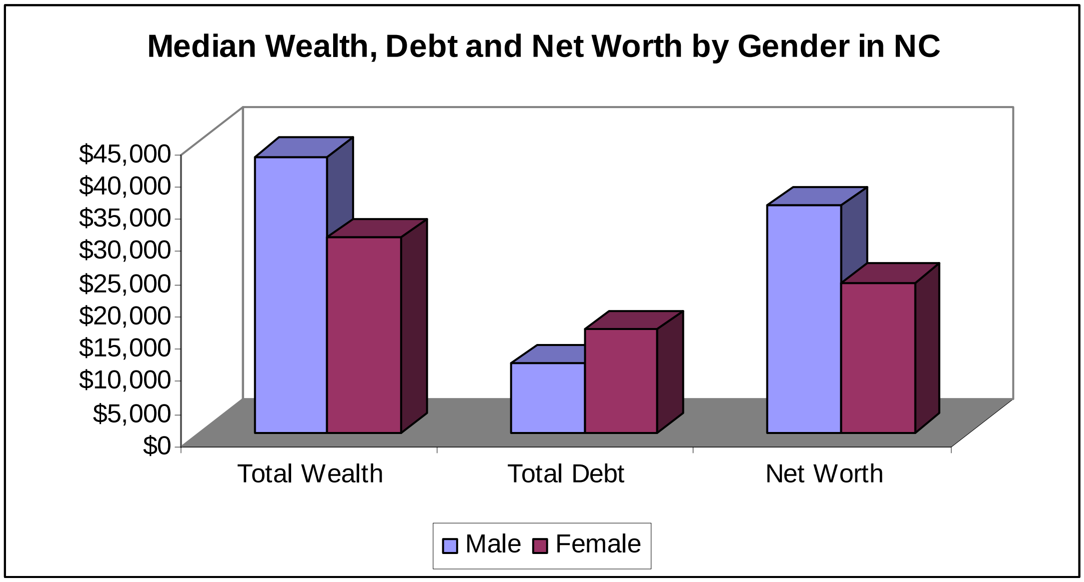


Table 6 shows that single men of both races have higher median net worth than single women of the same race in North Carolina. Disparities between white men and white women are smaller than those between African American men and women. Women of both races hold high levels of debt. White women hold nearly $1.50 of debt for each dollar of debt held by white men, but only 71 cents for each dollar of male wealth. A similar, though starker, relationship exists, for African American women and men. Single black women owe 57 cents for every dollar of debt held by African American men, but own only 3 cents for every dollar of their wealth. These trends are evident at the national level, but there the disparity is less severe. Single women have markedly diminished assets and wealth in North Carolina compared to single men. This is especially, and disproportionately, true for African American women.

Table 6. Median Values of Overall Wealth Measures by Gender and Race for Single Respondents

North Carolina	White			African American		
	Male	Female	F:M Ratio	Male	Female	F:M Ratio
Net Worth	$35,000	$23,049	***0.66***	$12,250	$6	***0.00***
Wealth	$42,500	$30,099	***0.71***	$21,025	$628	***0.03***
Debt	$10,700	$15,929	***1.49***	$3,600	$2,050	***0.57***
Wealth to Debt Ratio	3.97	1.89		5.84	0.31	
	Percent with a Nonzero Amount Participation Rate					
Home Equity	69%	64%		50%	34%	
Pension	53%	54%		28%	28%	
Other Prop.	14%	10%		3%	2%	
Savings	75%	76%		50%	59%	
Stocks	2%	5%		0%	0%	
Life Ins.	44%	35%		45%	45%	

United States	White			African American		
	Male	Female	F:M Ratio	Male	Female	F:M Ratio
Net Worth	$69,428	$51,832	***0.75***	$17,250	$400	***0.00***
Wealth	$79,000	$60,000	***0.76***	$21,330	$2,700	***0.13***
Debt	$27,000	$24,000	***0.89***	$6,000	$4,000	***0.67***
Wealth to Debt Ratio	2.93	2.50		3.56	0.68	
	Percent with a Nonzero Amount Participation Rate					
Home Equity	64%	62%		46%	37%	
Pension	54%	52%		34%	31%	
Other Prop.	11%	8%		6%	3%	
Savings	77%	77%		56%	53%	
Stocks	8%	7%		1%	1%	
Life Ins.	47%	45%		47%	46%	

Conclusion

The well-documented national racial wealth gap exists dramatically in North Carolina. In many cases, the racial disparity is larger here than in the rest of the country. It is clear that African Americans have far less wealth than whites. The disparity is distributed across almost all asset types. In the three classes of assets that principally determine most Americans' wealth – home equity, pensions and savings – black North Carolinian households own far less than white households. National studies suggest that similar results may be true for Hispanic and Native American households. It is also likely that the gulfs in wealth that are documented in North Carolina here have been made even worse by the 2008-2010 recession. Understanding the bold distinctions that exist across categories of assets should aid in policy and intervention formulation. Additional analyses by income, age and sex of the household head can provide further assistance in targeting economic investment and development initiatives.

Policy and programmatic efforts aimed at securing and expanding home equity, securing loan modification and foreclosure relief, increasing pension and savings assets, reducing the unbanked, reforming troubling lending practices, improving financial literacy, opening opportunities for small and even micro business investment, and similar steps would seem to be directed to demonstrably inequitable patterns of wealth distribution in North Carolina. Racial wealth disparities of the magnitude documented here, however, require the attentions not only of the non-profit sector, but the for-profit corporate community and government as well.

Appendix

The SIPP was developed to complement the employment and income information provided in the Current Population Survey (CPS) March Income Supplement by collecting detailed information on household assets and liabilities, program participation and other variables that are needed to measure a household's economic status more completely. The individuals in each SIPP panel are a nationally representative sample of noninsitutionalized households in the U.S. population. Respondents are interviewed once every four months, providing information on their demographic characteristics, labor force participation, program participation over the life of the panel (currently, every 4 years), amounts and types of earned and unearned income received including transfer payments, noncash benefits from various programs, asset ownership and private health insurance. Other questions are asked less frequently as a part of the "topical modules" that are designed to generate data in greater detail with respect to assets and liabilities, school enrollment, marital history, fertility, migration, disability, and work history.[51] This study relies on the topical module in Wave 6 of the 2004 SIPP panel. The data used from this module includes information on household wealth and the types of assets owned as well as any debts. It was collected between October 2005 and January 2006 and was compiled and provided by the National Bureau of Economic Research (NBER).[52] [53]

The Sample

In this wave, there were 3,114 respondents from 946 households from North Carolina. However, this study generally looks at only those households with at least one person of typical working age (18-61) among African American and white households. To ensure that only those households that were most likely to participate in the labor force were surveyed, the sample was further reduced to include only those households with positive earned incomes. Finally, households with mixed race couples were excluded to not confound the estimation of the differences in wealth holdings in white and African American homes in North Carolina. The remaining sample includes 556 white and 129 African American households for a total of 685 responding households.

These tables indicate the distribution of the total sample across races as well as across the different income and age thresholds analyzed in this report. Some of the variability between the North Carolina and national estimates can be explained by smaller samples at the state level. This is especially true for the mean estimates. Below are tables indicating the sample sizes of the samples used in this analysis.

N =		***Totals*** ***(18-61)***	***Totals*** ***(18+)***
Sample Size	**White**	556	698
	African American	129	158

N =		**<100%** **Impoverished**	**100% to 199%** **Working Poor**	**200% to 399%** **Middle Class**	**≥400%** **High-Income**
Sample Size	**White**	46	95	165	250
	African American	28	29	44	28

N =		***18-29*** ***Early Working Age***	***30-49*** ***Middle Working Age***	***50-65*** ***Late Working Age***	***65+*** ***Retirement Age***
Sample Size	**White**	64	291	201	185
	African American	18	69	42	44

Endnotes

[1] This report was written principally by Gene Nichol and Jeff Diebold with research guidance and direction by Daniel Gitterman, all from the University of North Carolina, for the UNC Center on Poverty, Work and Opportunity and the Z. Smith Reynolds Foundation. Ferrel Guillory, Paul Voss, Peter Leousis, Jesse White, Jessica Dorrance, Jonathan Morgan, Heather Hunt and Wendy Spitzer provided helpful critique. It was completed on September 1, 2010.

[2] UNC Center on Poverty, Work and Opportunity, "Documenting Poverty, Economic Distress and Challenge in North Carolina," UNC Center on Poverty, Work and Opportunity and the Z. Smith Reynolds Foundation. http://www.law.unc.edu/documents/poverty/publications/documentingpoverty.finalreport.pdf (accessed September 1, 2010).

[3] This definition comes from the Census Bureau. It defines "total household income" in the Survey of Income and Program Participation. Income poverty remains the most widely used measure of economic distress and is the official measure of poverty in the United States, but researchers have begun to incorporate "net worth" into such definitions. See Alfred O. Gottschalck, *Net Worth and the Assets of Households* (Washington, D.C.: U.S. Bureau of the Census, 2008).

[4] Meizhu Lui, *Laying the Foundation for National Prosperity: The Imperative of Closing the Racial Wealth Gap* (Oakland, CA: Insight Center for Community Economic Development, 2009), 2.

[5] Thomas M. Shapiro, Tatjana Meschede and Laura Sullivan, *The Racial Wealth Gap Increases Fourfold* (Waltham, MA: Institute on Assets and Social Policy, 2010).

[6] Ibid.

[7] Timothy M. Smeeding, "Public Policy, Economic Inequality, and Poverty: The United States in Comparative Perspective," *Social Science Quarterly* 86 (December 2005): 955-983; Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913-1998," *The Quarterly Journal of Economics* 118, no. 1 (February 2003): 1-39; Edward N. Wolff, "Recent Trends in the Size Distribution of Household Wealth," *Journal of Economic Perspectives* 12, no. 3 (Summer 1998): 131-150; Edward N. Wolff, "The Rich Get Increasingly Richer: Latest Data on Household Wealth During the 1980s," *Research in Politics and Society* 5, (1995): 33-68; Lisa A. Keister and Stephanie Moller, "Wealth Inequality in the United States," *Annual Review of Sociology* 26 (2000): 63-81.

[8] Meizhu Lui, *Laying the Foundation for National Prosperity: The Imperative of Closing the Racial Wealth Gap*, 2.

[9] Thomas M. Shapiro, Tatjana Meschede and Laura Sullivan, *The Racial Wealth Gap Increases Fourfold* (Waltham, MA: Institute on Assets and Social Policy, 2010).

[10] Minority in this study was defined as non-white (African American, Asian, Pacific Islander, American Indian, Aleut, Eskimo or Hispanic).

[11] Asset poverty is defined as the percentage of households without sufficient net worth to subsist at the poverty level for three months in the absence of income. States were ranked according to the ratio of median net worth in white households to that of minorities. Larger ratios indicate higher inequality. CFED, "Assets & Opportunity Scorecard: Net Worth by Race," http://scorecard.cfed.org/state_data/north_carolina.php (accessed September 1, 2010).

[12] Ibid.

[13] U.S. Bureau of the Census, 2008 American Community Survey, Table S1501.

[14] "Unbanked" refers to those without an account at a bank or other financial institution. CFED, "Assets & Opportunity Scorecard: Unbanked Households," http://www.ncassets.org/documents/CFEDScorecardNC_Unbanked_FINAL.pdf (accessed September 1, 2010).

[15] Since population units may be sampled with different selection probabilities and since response rates and coverage rates may vary across subpopulations, different responding units represent different numbers of units in the population. The use of weights in survey analysis compensates for this differential representation, thus producing estimates that relate to the target population. U.S. Census Bureau, *Survey of Income and Program Participation Users' Guide (Supplement to the Technical Documentation),* 3rd ed. (Washington, D.C.: U.S. Census Bureau, 2001), http://www.census.gov/sipp/usrguide.html (accessed Sept. 1, 2010).).

[16] Melvin L. Oliver and Thomas M. Shapiro, *Black Wealth/White Wealth: A New Perspective on Racial Inequality* (New York: Routledge, 1995); Alfred O. Gottschalck, *Net Worth and the Assets of Households* (Washington, D.C.: U.S. Census Bureau, 2008); Action for Children North Carolina, *2009 North Carolina Children's Index* (Raleigh, NC: 2009).

[17] CFED, "Assets & Opportunity Scorecard: North Carolina," http://scorecard.cfed.org/state_data/north_carolina.php (accessed September 1, 2010); Lynn A. Blewett, Margaret Brown Good, Kathleen Thiede Call and Michael Davern, "Monitoring the Uninsured: A State Policy Perspective," *Journal of Health Politics, Policy and Law* 29, no. 1 (2004): 107-145; Action for Children North Carolina, *2009 North Carolina Children's Index* (Raleigh, NC, 2009); David Card, Andrew K.G. Hildreth and Lara D. Shore-Sheppard, "The Measurement of Medicaid Coverage in the SIPP: Evidence From a Comparison of Matched Records," *Journal of Business & Economic Statistics* 22 (2004): 410-420.

[18] This does not include the value of any vehicle because the method used to collect this data by SIPP does not create specific amounts. For the methodology on this procedure, please refer to U.S. Census Bureau, *Survey of Income and Program Participation Users' Guide*.

[19] The definitions of these measures are taken from the SIPP survey, U.S. Census Bureau, *Survey of Income and Program Participation Users' Guide* and Alfred O. Gottschalck, *Net Worth and the Assets of Households*.

[20] We exclude life insurance from the estimation of total wealth and net worth because this is the practice to which most studies have adhered. Alfred O. Gottschalck, *Net Worth and the Assets of Households.* It is likely that these studies refrain from including life insurance policies in the estimation of household wealth because it is unclear whether these are term or whole life policies and because they are often not immediately redeemable. Also not included is the value of any vehicles owned by the household. These are also excluded because of precedent. SIPP has a formulaic estimation of car wealth (described in the SIPP Users' Guide) that is likely to be an imprecise measure of vehicle assets.

[21] The value of any defined benefit plan is not available in the SIPP and thus our estimates may over- or understate the discrepancy between the pension wealth of white and African American households, depending on whether either group has a disproportionate probability of being covered or vested in one of these plans.

[22] This measure was not included because previous analyses (Alfred O. Gottschalck, *Net Worth and the Assets of Households*) have not included it in their estimations, and including it would complicate efforts to compare our findings with that of existing research. Also, unlike the other assets, life insurance is not an easily converted, available resource for consumption. The assets included in the total wealth and net worth estimates do not suffer from this complication.

[23] Mariko Chang and Meizhu Lui, *Lifting as We Climb: Women of Color, Wealth, And America's Future* (Oakland, CA: Insight Center for Community Economic Development, Spring 2010).

[24] Although we have focused on African American and white households in order to capture as large a sample size as possible, the total numbers are still fairly small (see Appendix). As a result, anomalies in the data may appear.

[25] Edward N. Wolff and Ajit Zacharias, "Household Wealth and the Measurement of Economic Well-Being in the United States," Journal of Economic Inequality 7, no. 2 (June 2009): 83-115; Oliver and Shapiro, *Black Wealth/White Wealth: A New Perspective on Racial Inequality*; Francine D. Blau and John W. Graham, "Black-White Differences in Wealth and Asset Composition," *The Quarterly Journal of Economics* 105, no. 2 (May 1990): 321-339; Edward N. Wolff, "Changing Inequality of Wealth," *American Economic Review* 82, no. 2 (May 1992): 552-558; Paul L. Menchik and Nancy Ammon Jianakoplos, "Black-White Wealth Inequality: Is Inheritance the Reason?" *Economic Inquiry* 35, no. 2 (April 1997): 428-42.

[26] As explained in the Appendix, the median is the preferred value to report due to the sensitivity of the mean to large outlying values.

[27] A similar estimate is unavailable for the net worth measure because the median net worth of African American households is $0. Because the ratio cannot be calculated with a zero value, one might refer to similar measures taken for the mean in this instance.

[28] In this section, we use the mean values because the median value of most of these asset types is zero for both whites and African Americans.

[29] Nonzero values include positive values as well as instances where the amount borrowed exceeds the amount owned in a particular asset, such as a mortgage on a home or a business, or bank loan used to invest in a business or invest in other property.
[30] U.S. Census Bureau, "Housing Vacancies and Homeownership," Table 22, http://www.census.gov/hhes/www/housing/hvs/annual09/ann09ind.html (accessed Sept. 1, 2010).
[31] Patrick Purcell, *Pension Sponsorship and Participation: Summary of Recent Trends* (Washington, D.C.: Congressional Research Service, 2009), 10-11.
[32] This observation, though astonishing, conforms to findings from other racial wealth disparity studies. While many studies do not distinguish savings—or if they do, they define it differently—asset values reported here are generally congruent. See Mariko Chang and Meizhu Lui, *Lifting as We Climb*, 7 (finding that median wealth (i.e., not just savings) of single black women was $100); Jennifer Wheary, Tatjana Meschede and Thomas M. Shapiro, *The Downslide Before the Downturn: Declining Economic Security Among Middle Class African Americans and Latinos, 2000-2006*, By a Thread Report #5 (Waltham, MA: Institute on Assets and Social Policy and New York: Dēmos, 2009), 5 (finding that the median middle class black household had $500 in savings in 2006); Thomas M. Shapiro, *Hidden Cost of Being African American: How Wealth Perpetuates Inequality* (New York: Oxford University Press, 2005), 50 (finding that African American households at the median of the middle quintile had $800 in net financial assets (i.e., liquid assets) in 1999).
[33] Federal Deposit Insurance Company, Executive Summary, *FDIC National Survey of Unbanked and Underbanked Households*, (Boston: FDIC, December 2009), 3-4.
[34] Ibid.
[35] Christopher Berry, *To Bank or Not to Bank? A Survey of Low-Income Households* (Cambridge, MA: Joint Center for Housing Studies Working Paper Series, 2004), 5.
[36] Robert W. Fairlie and Alicia M. Robb, *Race and Entrepreneurial Success: Black-, Asian- and White-Owned Businesses in the United States* (Cambridge, MA: MIT Press, 2008).
[37] Fairlie and Robb, *Race and Entrepreneurial Success: Black-, Asian- and White-Owned Businesses in the United*; David G. Blanchflower, Phillip B. Levine and David J. Zimmerman, "Discrimination in the Small-Business Credit Market," *The Review of Economics and Statistics* 85, no. 4 (September 2003): 930-943.
[38] For these reasons and due to the fact that this measure was not included in the estimation of household wealth and net worth, we choose to omit life insurance in the estimation. This permits us to cross-reference our findings with those of similar studies.
[39] Nilufer Ahmed, *Understanding Today's African American Consumers* (Hartford, CT: LIMRA, June 2010); Arthur B. Kennickell and Janice Shack-Marquez, "Changes in Family Finances from 1983 to 1989: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin* (January 1992): 1-18; Arthur B. Kennickell, Martha Starr-McCluer and Annika E. Sunden, "Family Finances in the U.S.: Recent Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin* (January 1997): 1-24.
[40] To estimate the household's income as a percent of the percent of the federal poverty level, income from all sources were combined for each member of the household and divided by the federal poverty level for that household. The SIPP collects monthly data on income for each participating household in each of the four months that the respondents are interviewed. The household's annual income was estimated by taking the average of these income values and multiplying them by 12 (for the number of months in a year). This could understate or overstate the level of income by household depending on the monthly income fluctuations over the course of year that are not captured in these data. For computational simplicity, we have assumed that these fluctuations occur with equivalent frequency in both white and black households.
[41] Oliver and Shapiro, *Black Wealth/White Wealth: A New Perspective on Racial Inequality*.
[42] Brian K. Bucks, Arthur B. Kennickell and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances," *Federal Reserve Bulletin* 92 (February 2006): A1-A38; Brian K. Bucks et al., "Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin*, 95 (February 2009): A1-A56.
[43] Author's calculation using estimates from Brian K. Bucks et al., "Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances."
[44] Ibid.
[45] Life insurance is more prevalent at lower incomes but this asset is not readily accessible.

[46] Other studies assemble age groups in different ways but our method was an attempt to maximize the number of respondents per cell in order to limit the possibility that a few observations would drastically affect the mean and median values. This is due to the small sample size used in this analysis.
[47] Chenoa A. Flippen and Marta Tienda, "Pathways to Retirement: Patterns of Late Age Labor Force Participation and Labor Market Exit by Race, Hispanic Origin and Sex," *Journal of Gerontology* 55, no. 1 (January 2000): S14-S27.
[48] Households over the age of 61 were excluded because these households are likely to have begun divesting their accumulated assets to maintain consumption in retirement and so including them would further complicate the analysis.
[49] Because only single men and women are included in the sample, there are too few respondents for an analysis based on income and age.
[50] Alfred O. Gottschalck, *Net Worth and the Assets of Households*; Mariko Chang and Meizhu Lui, *Lifting as We Climb: Women of Color, Wealth, And America's Future*.
[51] U.S. Census Bureau, *Survey of Income and Program Participation Users' Guide (Supplement to the Technical Documentation).*
[52] The data were collected just prior to the economic recession that the NBER dates to December 2007. As a result, the levels of reported wealth owned by households will reflect the overvaluation of asset values in the lead-up to the collapse of the housing and asset bubbles in 2008, following the financial crisis within the U.S. banking system. Thus, current asset levels will be lower for many households when the Census releases its asset data collected in late 2009, as a part of the 2008 Panel of the SIPP.
[53] The wealth data were collected prior to the economic downturn and while the differences will almost certainly remain, their magnitudes have likely changed.