

# Women, Race & Wealth

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## INTRODUCTION

Wealth is the key to ensuring economic security and it is what enables families to build a better future. Wealth – what you own minus what you owe – acts as the fence between temporary setback and economic catastrophe; it allows us to live and retire with dignity and security. Without savings or wealth of some form, economic stability is built on a house of cards that quickly crumbles when income is cut or disrupted through job loss, reduced work hours or reduced wages, or if families suffer from an unexpected health emergency. Wealth is also tied to the well-being of the next generation, as it provides parents with the ability to help pay for their children's college education, and can also be passed down from generation to generation. In fact, the intergenerational transfer and impact of wealth is one of the reasons why racial wealth inequities have become entrenched.

“... for **every dollar** of wealth owned by the typical white family, the median black family owns only **five cents**.”

The picture of wealth in this country looks very different for white and black families largely because black families have been shut out of wealth opportunities due to discrimination and lack of investment by policymakers over several generations. The immense disparity in wealth between white and black households has reached its highest level since 1989;<sup>1</sup> for every dollar of wealth owned by the typical white family, the median black family owns only five cents.<sup>2</sup>

Wealth also looks very different between men and women. It is important to examine wealth held by women because of their increasing role in sustaining a family's economic well-being. Women are now entering and graduating from college at higher rates than men, and frequently are becoming primary breadwinners for their families.

The Great Recession also played a significant role in propelling women into the role of primary breadwinner. During the catastrophic recent downturn, men experienced more frequent and longer bouts of joblessness than women.<sup>3</sup> Two out of five households with children under the age of 18 include mothers who are either the sole or primary source of income for the family. Most of the mothers who are primary breadwinners for their families – nearly two-thirds – are single parents.<sup>4</sup>

Despite the growing role that women in general play in supporting the financial well-being of their families, significant racial differences remain. Black women historically have had higher rates of labor force participation than white women, and, in 2013, 66.9 percent of black mothers were their household's breadwinners.<sup>5</sup> Black women have the highest growth rate of college enrollment than any other group and are increasingly working in management, professional, and related jobs. While these are impressive advances, black women still face tremendous roadblocks to building wealth.

<sup>1</sup> Wealth inequality has widened along racial and ethnic lines since the end of the Great Recession, Rakesh Kochhar and Richard Fry, <http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>

<sup>2</sup> [http://globalpolicysolutions.org/wp-content/uploads/2014/04/Beyond\\_Broke\\_FINAL.pdf](http://globalpolicysolutions.org/wp-content/uploads/2014/04/Beyond_Broke_FINAL.pdf)

<sup>3</sup> <http://www.pewtrusts.org/en/research-and-analysis/analysis/2016/04/26/how-the-role-of-women-in-family-economic-security-has-changed>

<sup>4</sup> <http://www.pewsocialtrends.org/2013/05/29/breadwinner-moms/>

<sup>5</sup> <https://www.americanprogress.org/issues/women/reports/2016/08/23/142815/african-american-women-in-the-u-s-economy/>

While pay inequity is among the most widely documented economic disparity for black women, another gap exists that is even more damaging to future generations – the wealth inequity. Income is mainly used for daily necessities, but wealth constitutes resources that improve life chances. This research paper summarizes patterns of household wealth among black and white women by college education, family structure, and age using the Panel Study of Income Dynamics (PSID). The PSID is the longest running longitudinal household survey in the world. It contains nationally representative household data for each survey year, and we use results from the 2013 wealth module which surveys the value of assets and debts held by households.

We find that with limited wealth, single women without a college degree, irrespective of race, are just one financial crisis or job loss away from catastrophe. Also, wealth differences among white and black women persist despite type of family structure, marriage, age, or education. Black women fall far below parity in wealth with white women, and unmarried black women typically fare the worst. Finally, our findings reveal that black women do not experience gains in wealth that typically are expected with aging or increased educational attainment. Young, single black women with a college degree face particularly dramatic stumbling blocks in accumulating wealth.

## A COLLEGE DEGREE AND MARRIAGE FAILS TO YIELD SIGNIFICANT WEALTH GAINS FOR BLACK WOMEN

The story of the American Dream proclaims that opportunities for economic success are open to anyone with pure grit, gumption, and merit regardless of race. A college education is viewed as a key driver of upward mobility and the primary vehicle to eradicate racial differences in economic success. In reality, while a college degree may result in some improvement in life outcomes, it does little to undo the massive differences in wealth across race.

Our data show that black women have far less wealth than white women regardless of level of education. Single white women *without* a college degree have \$3,000 more in median wealth than single black women *with* a college degree. Single white women with a bachelor’s degree have seven times the wealth of their black counterparts, \$35,000 and \$5,000 in median wealth, respectively.

Marriage is another avenue that traditionally has been invoked as a means of increasing wealth for women. However, instead of marrying those from different social classes, more and more people with higher incomes and college educations are choosing to marry one another – a phenomenon referred to as assortative mating. Marriage does little to help equalize wealth among white and black women with a college degree. For example, Table 1 shows that married white women *without* a bachelor’s degree have more than two and a half times the wealth of married black women *with* a degree. Racial wealth disparities widen among married women with a bachelor’s degree, as married white women have more than five times the amount of wealth as their black counterparts.

**TABLE 1: MEDIAN WEALTH OF WOMEN BY FAMILY STRUCTURE, COLLEGE EDUCATION AND RACE, 2013**

	No Bachelor’s Degree		With Bachelor’s Degree	
	BLACK	WHITE	BLACK	WHITE
Married*	\$25,000	\$117,200	\$45,000	\$260,000
Single Females	\$500	\$8,000	\$5,000	\$35,000

## SINGLE MOTHERS HAVE VIRTUALLY NO WEALTH TO DRAW UPON IN A FINANCIAL CRISIS

Married women with children under 18 tend to be much better off financially than those who are single mothers. Our findings show that single mothers, regardless of race, have virtually no wealth to draw upon in times of crisis or job loss – further dimming prospects for the next generation. While single white mothers have a median wealth of \$3,000, black single mothers experience the largest wealth disadvantage with a median wealth of zero – at least half of these mothers had no wealth or had debts greater than the value of their assets.

The table below shows that having children certainly dips into the wealth of a parent, regardless of race. Childcare and education costs most likely lessen a parent’s ability to save and accumulate wealth. Once again, similar patterns of wealth inequities persist. White women still have considerably more wealth than black women regardless of raising children or not. In fact, single white women with kids have the same amount of wealth as single black women without kids.

Married women without children have significantly more wealth than single women. Married white women without children have over \$200,000 more in wealth than married white women with children and six times the wealth of black women who similarly have no children. This category of white married women has \$285,500 in median wealth compared with \$45,000 for blacks. With children in the picture, **married white women have over four times the net worth of married black women.**

**TABLE 2: MEDIAN WEALTH OF WOMEN BY FAMILY STRUCTURE, PRESENCE OF CHILDREN UNDER 18 AND RACE, 2013**

	No Children		With Children	
	BLACK	WHITE	BLACK	WHITE
Married*	\$45,000	\$285,500	\$16,000	\$65,529
Single Females	\$3,000	\$19,000	\$0	\$3,000

\* Head of household married. Over 98% are married couple households. 1.5% are households with no “Wife” present.

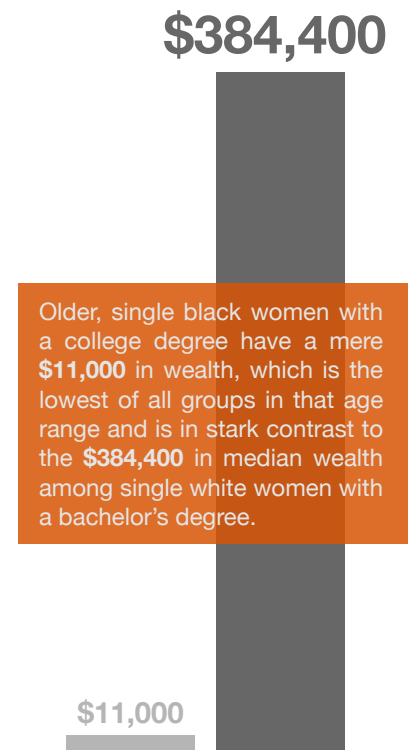
Note: “With Children” refers to households with children under the age of 18.

## INCREASED AGE AND EDUCATION DO NOT NECESSARILY TRANSLATE INTO WEALTH FOR BLACK WOMEN

Single young women (under age 40), regardless of race and education, are beginning their adult years with very little if any wealth. Single white women with a college education begin to build more wealth in their 40s, but single white women who lack a college degree have low wealth levels at all ages. On the other hand, married white women, especially those with college degrees, are able to build wealth across age groups.

Black women are the most disadvantaged as they show negative median wealth at different ages regardless of marital status. Single black women in their 20s without a degree have zero wealth and the **typical single black women with a college degree is \$11,000 in debt. Married black women in their 30s and with college degrees are \$20,000 in debt.** One reason for the wealth gap among college educated single women is that black women have the highest level of student debt and struggle to pay off the debt in early adulthood despite working full-time. Between 2009 and 2012, white women who graduated in the 2007–08 school year paid off an average of 33 percent of their student debt, while black women in that group managed to pay off less than 10 percent of their student debt.<sup>6</sup> As a result, black women are less able to build wealth by saving for retirement or purchasing a home.

Further, when we examine women’s wealth near retirement (ages 60+), we see that white women are better positioned for stable retirement. This is especially the case if they are married and college educated, since they have nearly two times the wealth of black married women with bachelor’s degrees. Married white women without a college degree have nearly four times the wealth of their black counterparts. **Older, single black women with a college degree have a mere \$11,000 in wealth,** which is the lowest of all groups in that age range and is in stark contrast to the **\$384,400 in median wealth among single white women with a bachelor’s degree.**



<sup>6</sup> <http://www.aauw.org/2016/02/08/pay-gap-especially-harmful-for-black-and-hispanic-women-struggling-with-student-debt/>

**TABLE 3: MEDIAN WEALTH OF WOMEN BY AGE, FAMILY STRUCTURE, COLLEGE EDUCATION AND RACE, 2013**

AGE	No Bachelor's Degree				With Bachelor's Degree			
	MARRIED		SINGLE		MARRIED		SINGLE	
	BLACK	WHITE	BLACK	WHITE	BLACK	WHITE	BLACK	WHITE
20-29	\$4,000	\$13,000	\$0	\$2,000	\$7,700	\$18,700	\$-11,000	\$3,400
30-39	\$12,000	\$33,450	\$0	\$0	\$-20,500	\$97,000	\$0	\$7,500
40-49	\$22,501	\$60,000	\$1,000	\$3,006	\$12,000	\$195,000	\$6,000	\$25,000
50-50	\$38,000	\$155,000	\$2,000	\$8,200	\$198,000	\$430,000	\$9,500	\$117,500
60+	\$89,500	\$344,700	\$12,000	\$60,000	\$424,000	\$778,000	\$11,000	\$384,400

## CONCLUSION

The data presented here shows us that neither marriage, a college education nor a lifetime of work provides the answer for equalizing opportunity between black and white women. Black and white women are positioned differently from one another largely because white women benefit more from wealth being passed down from their families. Intergenerational transfers like financing a college education, providing help with the down payment on a house and other gifts to seed asset accumulation are central sources of wealth building. Given past and present barriers that have kept black families from building wealth, private action and market forces alone cannot be expected to address wide-scale racial wealth inequality that is gendered.



The Cook Center is a research initiative whose mission is the comparative, cross-national investigation of inter-group disparities and the assessment of existing policies and design of new policies to eliminate such disparities. Utilizing an interdisciplinary approach, Center scholars not only address the overarching social problem of general inequality, but also explore social problems associated with group-based (gender, race, ethnicity, religious affiliation) disparities and conflict.

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