Lifting as We Climb:
Women of Color, Wealth, and America’s Future

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Income vs. Wealth

- **Income** = flow of money into a household over a period of time

- **Wealth** = net worth; value of a household's assets minus debts at a single point in time
Wealth = Assets - Liabilities

- **Assets:**
  - Savings, Checking Accounts
  - Real Estate Owned
  - Stocks, Bonds, Mutual Funds
  - Business Assets
  - 401k, IRAs
  - Etc.

- **Liabilities:**
  - Mortgage
  - Credit Card Debt
  - Loans
  - Etc.
Why Wealth?

- Wealth inequality >> income inequality
  - Top 1% - 17% income, 34% wealth
  - Bottom 60% - 22% income, 4% wealth

- Wealth confers benefits income doesn’t
  - Can generate further income
  - Collateral for loans
  - Passed from generation to generation
  - Weather financial crises
Racial Wealth Gap

- For every dollar of wealth owned by the typical white family, the typical family of color owns only 16 cents

- Inequities in the past live today through inheritance
Why Care About the Women’s Wealth Gap?

- About half of all households are non-married households
- About half of all marriages end in divorce
- Married women outlive husbands; widowhood is not a financial windfall for most
- Women spend more years single than married
- Women need more wealth because they live longer than men
Data

- 2007 Survey of Consumer Finances
  - Sponsored by the Federal Reserve Board
  - Collected prior to economic crisis
  - People of color:
    - Black, African American
    - Hispanic (of any race)
    - But: Asian, Native American, Other are combined
  - Focus here on ages 18-64
Percent with Zero or Negative Wealth

White, non-Hispanic

- Married/Cohabitating: 15%
- Single Male: 23%
- Single Female: 23%

Black

- Married/Cohabitating: 28%
- Single Male: 33%
- Single Female: 46%

Hispanic

- Married/Cohabitating: 31%
- Single Male: 38%
- Single Female: 45%
Median Wealth: Parents of Children Under Age 18

$56,100
$7,970
$10,960
$2,400

White
Black
Hispanic
Percent Owning Cash Accounts

- **White**: 97% (Married/Cohabitating), 91% (Single Male), 92% (Single Female)
- **Black**: 86% (Married/Cohabitating), 72% (Single Male), 77% (Single Female)
- **Hispanic**: 85% (Married/Cohabitating), 62% (Single Male), 67% (Single Female)

Colors:
- **Married/Cohabitating**: Green
- **Single Male**: Blue
- **Single Female**: Magenta
Percent Owning Business Assets

- **White**
  - Married/Cohabitating: 23%
  - Single Male: 12%
  - Single Female: 8%

- **Black**
  - Married/Cohabitating: 11%
  - Single Male: 4%
  - Single Female: 4%

- **Hispanic**
  - Married/Cohabitating: 9%
  - Single Male: 12%
  - Single Female: 1%
Percent with Forms of Debt

- **Education**
  - White: 11%
  - Black: 17%
  - Hispanic: 13%

- **Credit Card**
  - White: 41%
  - Black: 31%
  - Hispanic: 19%

- **Installment**
  - White: 49%
  - Black: 50%
  - Hispanic: 50%

- **Other**
  - White: 39%
  - Black: 34%
  - Hispanic: 34%
Asian American & Native American Women

- Severe lack of data, especially by gender
- Asians: less wealth than whites when control for regional home prices and other socioeconomic factors
- Native Americans: less wealth than whites and have different view of “wealth”
Why?

- Prior Policies
- Current Institutional Factors
- Cultural Reasons
Prior Policies

- Race-specific
  - Ex: Indian Removal Act of 1830, Jim Crow
  - Still feeling the effects today through inheritance

- Gender-specific
  - Ex: married women lack control of property, pregnant women fired
Current Institutional Factors

- Wage Gap
- Subprime Home Mortgages
- Lack of access to the “wealth escalator”
- Others (see briefing paper)
## Median Earnings for Full-Time Workers, 2007

<table>
<thead>
<tr>
<th>Race</th>
<th>Women</th>
<th>Men</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>White, non-Hispanic</td>
<td>$36,398</td>
<td>$50,139</td>
<td>72.6</td>
</tr>
<tr>
<td>Black</td>
<td>$31,035</td>
<td>$35,652</td>
<td>87.1</td>
</tr>
<tr>
<td>Hispanic (of any race)</td>
<td>$25,454</td>
<td>$29,239</td>
<td>87.1</td>
</tr>
<tr>
<td>Asian</td>
<td>$40,664</td>
<td>$51,174</td>
<td>79.5</td>
</tr>
<tr>
<td>American Indian, Alaska Native</td>
<td>$28,837</td>
<td>$34,833</td>
<td>82.8</td>
</tr>
<tr>
<td>Native Hawaiian, Pacific Islander</td>
<td>$29,835</td>
<td>$36,624</td>
<td>81.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$34,278</strong></td>
<td><strong>$44,255</strong></td>
<td><strong>77.5</strong></td>
</tr>
</tbody>
</table>
Even with the same incomes...

Women (and especially women of color) would have less wealth:

- Women more likely to be custodial parents and support more people on one income
  - Less disposable income to save or invest
- Women less likely to have access to the “wealth escalator”
Wealth Escalator

- Translates Income into Wealth More Quickly
- Fringe Benefits
- Tax Code
- Structure of Government Benefits
Wealth Escalator: Fringe Benefits

- Directly build wealth
  - Ex: stock options, pension/401k contributions

- Indirectly build wealth
  - Ex: health insurance, paid sick days

- Women of color less likely to work in jobs with fringe benefits
Tax Code

- Lower tax rates on certain forms of income
  - Ex: long term capital gains
- Tax deferral
  - Ex: employer-sponsored retirement contributions
- Tax deductions
  - Ex: mortgage interest deductions
Structure of Government

Benefits

- Public Assistance
  - Asset limits; “spend down assets”

- Social Insurance
  - Ex: Social Security
    - Women of color receive lower benefits, but depend more on those benefits
Subprime Home Mortgages

- Women of color more likely to receive subprime home loans at every income level
- Many could have qualified for conventional mortgages
- Cost borrower $50,000-$100,000
Cultural Factors

- Sharing economic resources
- Distrust of mainstream financial institutions
Positive Economic Effects

- Women of color are entrepreneurial, growing businesses and creating jobs
- Women of color have language and cultural knowledge valuable in global marketplace
- Development of our nations children: the future globally-competitive workforce
  - Children of single mothers with assets have higher educational attainment
Policy Recommendations

- Improve data collection
  - Economic data collected and disaggregated by race, gender, ethnicity, immigrant status

- Focus on building wealth, not just income
Main Points

- Wealth inequality is distinct from income inequality and much more severe
- Disadvantages of race & gender exponential
- Racial wealth gap cannot close unless gender wealth gap closes
- New strategies needed because excluded from existing strategies that benefit others
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Thank you