Racial Wealth Divide Initiative

Dedrick Asante-Muhammad
Director of the Racial Wealth Divide
CFED Mission: CFED's work makes it possible for millions of people to achieve financial security and contribute to an opportunity economy. We scale innovative practical solutions that empower low- and moderate-income people to build wealth. We drive responsive policy change at all levels of government. We support the efforts of community leaders across the country to advance economic opportunity for all.

**CFEDs Racial Wealth Divide Goals:**

- **Develop** a clear organizational position on the drivers of the racial wealth divide
- **Leverage** CFED brand and networks to make the case to the public and decision makers that specific investments in asset-based solutions to the racial wealth gap ultimately benefits us all.
- **Define** the appropriate partnership strategies for CFED to engage with more organizations of color in efforts to bridge racial wealth inequality;
- **Advance** best practices in bridging the racial wealth divide among asset development and racial equity organizations.
The Racial Wealth Divide Initiative was launched in September 2015 to lead the organization in a more comprehensive and targeted approach to address racial wealth inequality.

**Three Focus Areas:**

- To strengthen the ability of **CFED’s programs** to address racial wealth inequality and develop stronger analysis of asset poverty in communities of color.

- To launch **specific projects that highlight best practices** in bridging racial wealth inequality working in collaboration with local and regional organizations.

- To elevate CFED and its partners as influential voices that **drive policy solutions** to tackle racial economic inequality at the national, state and local levels.
Racial Wealth Publications 2016

To create an economy that works for all of us, we must close the racial wealth gap.

The United States has been a beacon of economic growth and opportunity for generations. But all Americans have not benefited equally. Today, the racial wealth gap means that households of color are 2.1 X more likely to live below the poverty line. This means households of color are 1.7 X more likely to lack liquid savings. It means that households of color are 1.9 X more likely to lack access to safe and affordable financial products and services.

Many households of color lack access to safe and affordable financial products and services.

- **Access to Checking/Savings**
  - White: 84%
  - Hispanic: 81%
  - Black: 77%
  - American Indian: 81%
  - White: 87%
  - Hispanic: 84%
  - Black: 79%
  - American Indian: 83%

Many households of color lack the savings to sustain them during a long term financial emergency.

- **Have enough savings to cover 4 months of expenses**
  - White: 63%
  - Hispanic: 60%
  - Black: 55%
  - American Indian: 60%

A majority of households of color use cash for day to day financial transactions.

- **Use cash for financial transactions**
  - White: 18%
  - Hispanic: 16%
  - Black: 27%
  - American Indian: 19%

Many households of color rely on high cost financial products and services to carry out everyday banking needs.

- **Use of alternative financial services in the past 12 months**
  - White: 10%
  - Hispanic: 10%
  - Black: 20%
  - American Indian: 39%

Expand access to economic opportunities:

Financial access is only part of the problem—households of color also face growing gaps in wealth ownership.

- **Percent of households that own their home**
  - White: 77%
  - Hispanic: 75%
  - Black: 58%
  - American Indian: 67%

To build the economy of tomorrow, we need to address three challenges today.

1. **Expand financial access**
2. **Expand economic opportunities**
3. **Close racial gaps in wealth and income**

- **Household wealth in 2013**
  - White: $150,000
  - Hispanic: $120,000
  - Black: $80,000
  - American Indian: $100,000

- **Median income in 2013**
  - White: $68,000
  - Hispanic: $50,000
  - Black: $36,000
  - American Indian: $40,000

- **Percent of households that own their home**
  - White: 77%
  - Hispanic: 75%
  - Black: 58%
  - American Indian: 67%
THE EVER-GROWING GAP

WITHOUT CHANGE, AFRICAN-AMERICAN AND LATINO FAMILIES WON’T MATCH WHITE WEALTH FOR CENTURIES
The Future of the Racial Wealth Divide

THE GROWING RACIAL WEALTH DIVIDE

See methodology for more details on these calculations.
The Long Road to Reaching Racial Wealth Equity

• It would take Latino families **84 years** to amass the same amount of wealth White families have today.

• Black families would not reach wealth parity with White households until the year 2241. That means Black families will not reach wealth parity with White households for **228 years**.
The Future of Extreme Wealth Inequality

Overall, a continuation of the last three decades would see the wealth of the average household increase by almost 1.7 times from where it stands today, reaching $850,030 by 2043. If trends from the past 30 years continue over the next 30 years, the Forbes 400 will see their average wealth skyrocket to a staggering $48 billion—more than eight times the amount they hold today. Similarly, the top 1% will see their average wealth balloon to $33 million by 2043.
# Median Household Wealth

## Table 6: Rise in Median Household Wealth from 1983 to 2043

<table>
<thead>
<tr>
<th></th>
<th>Black</th>
<th>Latino</th>
<th>White</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Household Wealth, 1983</td>
<td>$6,800</td>
<td>$4,000</td>
<td>$102,200</td>
<td>$78,000</td>
</tr>
<tr>
<td>Median Household Wealth, 2013</td>
<td>$1,700</td>
<td>$2,000</td>
<td>$116,800</td>
<td>$63,800</td>
</tr>
<tr>
<td>Median Household Wealth, 2043</td>
<td>$425</td>
<td>$1,000</td>
<td>$131,980</td>
<td>$52,300</td>
</tr>
</tbody>
</table>
As Blacks and Latinos have been slipping further and further behind, the wealthiest Americans have enjoyed tremendous gains. Between 1983 and 2013, the top 20% of the wealthiest households took 99.4% of all wealth gains, with the top 1% taking the lion’s share of those gains (40%).

Overall, the billionaires of the Forbes 400—which includes only two African-Americans and five Latinos—now own more wealth than the entire Black population and one-third of the Latino population, combined. That’s 400 wealthy individuals versus more than 60 million people.
In the past twenty years, the federal government has spent more than $8 trillion through tax programs to help families build long-term wealth by helping them save for retirement, purchase a home, start a business or access higher education. Since 1994, the federal government’s massive wealth-building spending has more than tripled, going from a little over $200 billion to $660 billion in 2015.
Interventions

• Conduct an evidence-based, government-wide Audit of Federal Policies to understand the role current federal policies play in perpetuating or closing the racial wealth divide
  – Appoint a racial wealth divide audit ombudsperson or special advisor
  – Conduct a thorough, evidence-based review
  – Issue a public report with actionable administrative reforms
  – Demonstrate legislative leadership
Interventions

• Fix unfair, upside-down tax incentives to ensure households of color also receive to support to build wealth
  – $229 billion to support homeownership through tax programs that primarily enable households to take on more mortgage debt and buy bigger homes.
  – $227 billion to boost savings and investments by actively increasing accessible savings through investments and inheritances
  – $172 billion to support retirement through tax-preferred treatment of retirement plans, such as defined benefit plans, 401(k)s and IRAs
  – $32 billion to support higher education through after-purchase subsidies and support for college savings
Interventions

• Address the distorting influence of concentrated wealth at the top through the expansion of existing progressive taxes and exploration of a dedicated wealth tax
  – Robust Estate and Inheritance Taxation
  – New Worth Tax on Fortunes
  – State-Level Estate and Wealth Taxation
BRIDGING RACIAL WEALTH INEQUALITY
WITH THE RACIAL WEALTH AUDIT
**Table 3. Universal Debt Relief Expands the Wealth Gap While Targeted Loan Forgiveness Could Reduce Wealth Disparities**

<table>
<thead>
<tr>
<th>Before Reducing Student Debt</th>
<th>After Eliminating Student Debt, All Income Levels</th>
<th>After Eliminating Student Debt for Those Making $50,000 and Below</th>
<th>After Eliminating Student Debt for Those Making $25,000 and Below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth Gap Between Young Black and White Families</td>
<td>$32,201</td>
<td>$35,200</td>
<td>$30,000</td>
</tr>
<tr>
<td>Change in the Racial Wealth Gap</td>
<td>$2,999</td>
<td>($2,201)</td>
<td>($1,111)</td>
</tr>
<tr>
<td>Percent Change</td>
<td>9%</td>
<td>-7%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

Calculations for Households Age 25-40
Source: IASP Analysis of 2013 Survey of Consumer Finances Data

Eliminating Student Loan Debt
Figure 9. Reduction of the Wealth Gap After Equalizing College Graduation Rates

- **Latino families (any race)**: $3,528
- **Black families**: $1,313
- **White families**: $120k

Source: Survey of Income and Program Participation (SIPP), 2008 Panel Wave 10, 2011
What would happen if we invested in CSAs for all children at $7,500?

*Estimated Net Worth With Universal Children's Savings Accounts*

(based on investment levels)

- $60,000
- $30,000
- $15,000
- $7,500

Narrows Latino-white gap by 23%\(^a\)
Narrows black-white gap by 28%\(^a\)

- White: $19,510
- Latino: $15,100
- African-American: $9,850
Asset Building and Local Non-Profit Groups
The NAACP and Racial Economic Inequality

Seattle King County NAACP’s Vice President and Economic Development Chair, Sheley Secrest
Building High-Impact Nonprofits

Building High-Impact Nonprofits to Bridge the Racial Wealth Divide project goals:

• Assist in developing high-impact nonprofit organizations of color focused on advancing economic opportunity nationally;
• Build an understanding of the intersection of income, assets and the racial wealth divide;
• Establish networks across sectors to have lasting local influence and advance social change;
• Improve relationships between organizations of color, local organizations and asset-building institutions; and,
• Equip organizations of color to become leading voices in local and national asset-building dialogues and decisions.
The Racial Wealth Divide Is Different All Over the Country

To view the Profiles Visit this Shortened URL: http://bit.ly/2dNYXix
Intervention: Build High Impact Nonprofits of Color Project
Find us online!

http://cfed.org/programs/racial_wealth_divide/

https://www.facebook.com/racialwealthdivide/

https://soundcloud.com/rwdpodcast