

THE **RACIAL WEALTH GAP**

CHARLOTTE-MECKLENBURG

November 2019

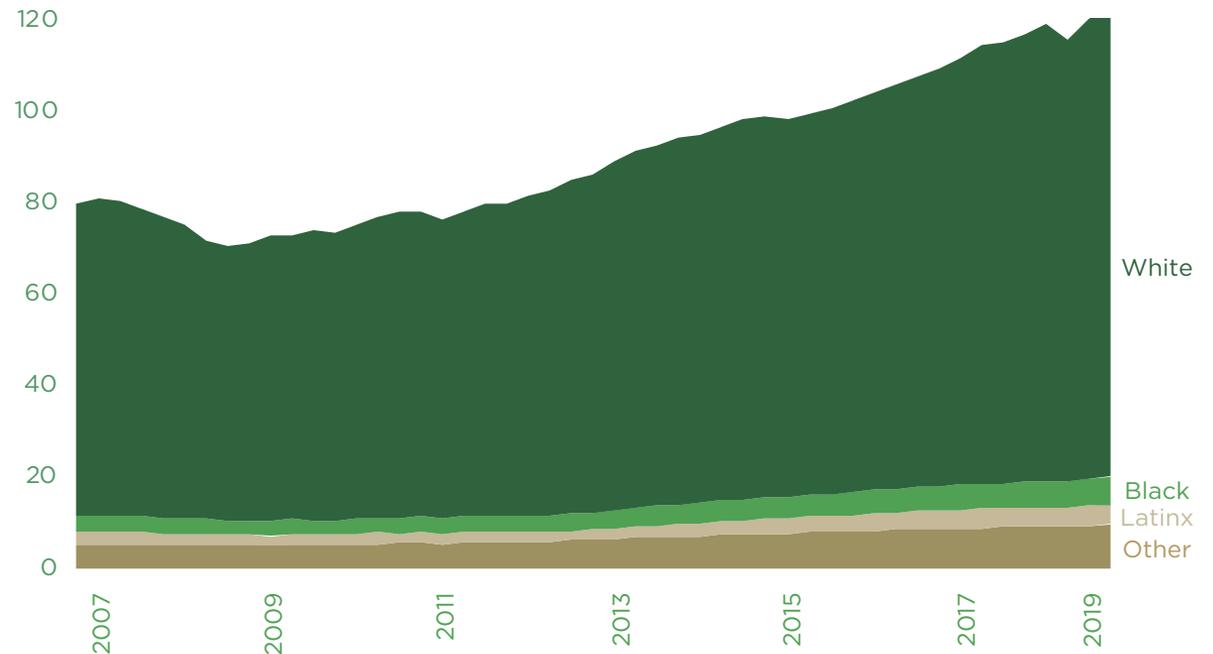


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*Cover visualization: Total
U.S. Household Net
Worth, 2007-2019,
Dollars in Trillions;
Unadjusted
Source: Distributional
Financial Accounts,
Federal Reserve Bank*



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INTRODUCTION

Introduction



Wealth offers families opportunity & protection and is "a paramount indicator of social well being."¹

Wealth opens doors. Families with access to diverse assets beyond their immediate income are able to purchase homes and businesses, pay for a college education, and care for young and aging family members. Wealth also enables families to weather emergencies, serving as

a safety net when job loss, illness, or other unforeseen tragedies occur.

The opportunities and protections offered by wealth, however, are not universally available. White households hold a disparate share of wealth in the United States -at last measure 10 times that of Black households² - and thus greater access to the the benefits stemming from it.³

¹ Hamilton & Darity, 2017

² Dettling, 2017

³ e.g., Killewald et al., 2017

*Previous & current pages:
Brooklyn, no date
Photo Credit: Charlotte
Observer Staff Photo*

Despite its importance in unlocking a number of social and economic benefits, wealth - particularly the racial gap - is complex and a relatively new focus of research. ⁴

Wealth is difficult to measure and address because it is conceptually complex in several ways. First, it is *multifaceted*, rather than unidimensional. Wealth is about more than income, home equity, or any one asset alone.

Second, it is *cumulative* in nature, rather than a point-in-time phenomenon. Wealth develops over time. The wealth of grandparents and great grandparents helps build wealth in subsequent generations.

Third, wealth is *structural*, rather than individual. Conventionally, efforts to address gaps in wealth and income have focused at an

individual or household level, assuming that the underlying problem is in individual behavior, beliefs, or values. However, the roots of the racial wealth gap are systemic, erected by historic economic and social policies.⁵

This report focuses on the structure of the racial wealth gap. We briefly document the historical context of the racial wealth gap, describe recent wealth statistics, examine national and local evidence across various components and processes of wealth, and discuss strategies to address the racial wealth gap.

Wealth is multifaceted, cumulative, and structural, presenting challenges for research and intervention.

⁴ Killewald et al., 2017

⁵ Hamilton & Darity, 2017

Historical Context



Understanding historical context is necessary to understand the racial wealth gap.

In 1912, the Charlotte Observer published the headline, "Far-sighted man believes that eventually this section, because of its proximity to the center of the city, must sooner or later be utilized by the White population."⁶ The man was referring to historic Brooklyn,

now Charlotte's Second Ward. He foreshadowed the destruction of the historically Black community through federally sanctioned policies and local, state, and federally funded contracts.

The story of Brooklyn is one of many such stories in Charlotte and across the nation. Intersecting federal, state, and local policies dismantled wealth and wealth-growing potential in Black, Latinx, and Native communities.

⁶ Pyke, 2016

*First day of Urban
Renewal demolition in
Brooklyn, 1961.
Photo Credit: Charlotte
Observer
Staff Photo*

Slavery and the seizing of indigenous lands and resources fueled the economic system that seeded the racial wealth gap in the U.S.⁷ The Reconstruction period after the Civil War offered a brief window of wealth-building opportunity for former slaves, but following Lincoln's Assassination, land grants and other wealth-building mechanisms were revoked and dismantled, often violently.⁸

In their place, Jim Crow laws and Black Codes were enacted to *explicitly* limit freedoms, including economic freedom. Subsequent New Deal reforms that were to address the economic needs of citizens following the Great Depression *implicitly* limited benefits for Nonwhite citizens as did post World War II programs through the G.I. Bill. The race-neutral policies of the Civil Rights era could not erase the impact of previous policies on wealth disparity.

Broadly, a range of governmental policies and practices have created and sustained the racial wealth gap, including, but not limited to:

Housing Policies “redlined” Nonwhite communities, preventing homeownership and the flow and benefits of capital investment. Redlining was the practice of rating neighborhoods based on perceived financial risk and then systematically denying loans or services in the areas marked in red that were perceived as too risky for investment.

As the picture (*left*) of a page from Homer Hoyt's 1933 dissertation describes, Nonwhite races, particularly “Negroes” and “Mexicans,” had a “detrimental effect” on their neighborhoods.⁹ Hoyt's work and his role as a housing economist in the newly formed Federal Housing

⁷ Sacerdote, 2005

⁸ Lui et al., 2006

⁹ Hoyt, 1933, p. 316

most favorable come first in the list and those exerting the most detrimental effect appear last.³²

1. English, Germans, Scotch, Irish, Scandinavians
2. North Italians
3. Bohemians or Czechoslovakians
4. Poles
5. Lithuanians
6. Greeks
7. Russian Jews of the lower class
8. South Italians
9. Negroes
10. Mexicans

While precise information on rents between different racial and national groups is lacking, Table XXXVII shows that native whites rank highest and negroes lowest in the average amount of rents paid.

TABLE XXXVII*
PERCENTAGE OF TOTAL RENTED HOMES OF EACH GROUP IN CHICAGO FALLING WITHIN GIVEN RENTAL CLASS, 1932

Rent	Native White	Foreign-born White	Negro
Over \$1000	10.0	10.0	10.0
\$750 to \$1000	10.0	10.0	10.0
\$500 to \$750	10.0	10.0	10.0
\$250 to \$500	10.0	10.0	10.0
Under \$250	10.0	10.0	10.0

Photo: Tom Hanchett; Page 316 from Homer Hoyt's 1933 dissertation that informed federal housing policy.

From housing to labor, the impacts of government policies interact and compound to limit wealth.

Authority shaped the country's housing policy and mortgage practices.¹⁰ Subsequent public housing policies, including Urban Renewal and Hope VI, razed mainly Nonwhite neighborhoods with the promise of better housing and community structures.¹¹

Transportation Policies identified, appropriated, and razed neighborhoods for federal and local highway development. In urban areas like Charlotte, targeted neighborhoods were largely nonwhite.¹²

Labor Policies excluded industries dominated by Black and Latinx workers from policy protections and benefits that

create economic security, like access to Social Security.¹³

Criminal Justice Policies, including forced labor exclusions and disparate sentencing guidelines, disproportionately impacted Black communities. Black men are nearly 6 times more likely to be incarcerated than White men.¹⁴

Other policies, including a range of education and social welfare policies, have had similar disparate impacts on Black, Latinx, and Native communities. Some of these policies have been overturned or are currently being challenged, but their cumulative impact is not as easily undone.

The cumulative impact of multiple policies is not easily undone.

¹⁰ Rothstein, 2017.

¹¹ Hud, 1974

¹² e.g., Connerly, 2002; Pyke, 2016

¹³ e.g. Talen, 2014; Stoesz, 2016

¹⁴ e.g., Western & Wildeman, 2009

Terms

Wealth, or **net worth**, is the total of household financial and non-financial assets less any debt or liability.¹⁵

Financial assets include interest earning and checking accounts, stocks and mutual funds, retirement accounts, and proceeds from the sell of a business.

Nonfinancial assets include real estate and durable goods like vehicles.¹⁶

Liabilities include secured liabilities (e.g., mortgages on real estate; debt on business, and vehicle loans) and unsecured liabilities (credit card debts, health-related bills, and educational loans).

Wealth inequality is the extent to which wealth is unevenly distributed within a population.

Income is the regular flow of money excluding capital gains. This definition includes government cash transfers. The Census Bureau lists 15 alternative definitions for income.³

Income inequality is the extent to which income is unevenly distributed within a population.

Economic mobility is the ability for individuals to move up or down the income distribution.

Asset Poverty is lacking sufficient savings or assets that can be used to pay for basic needs for three months without income.

Race and Ethnicity are defined in various ways across different measures. These differences are described in-depth in the Appendix.

¹⁵ Federal Reserve Bank, 2019

¹⁶ U.S. Census Bureau, n.d.

Measurement

About a dozen surveys measure U.S. household wealth,¹⁷ but most reports rely on the three surveys described below. These sources, however, do not provide local estimates.

Panel of Income Study Dynamics (PSID), University of Michigan. Nationally representative, longitudinal survey. Does not track the upper end of the wealth and income distribution. Surveys were conducted every year from 1968-97 and every other year from 1999-2017.

Survey of Consumer Finances (SCF), Federal Reserve Bank. Nationally representative, cross-sectional survey. Oversamples households at upper end of the income distribution. Conducted every 3 years. Last survey was in 2016. Classifies race and ethnicity as *White*, *Black*, *Hispanic*, and *Other*.

Survey of Income and Program Participation (SIPP), U.S. Census Bureau, Nationally representative series of continuous 2.5-4 year panel surveys. Oversamples households at the lower end of the income distribution. A new survey design launched in 2014. Classifies race and ethnicity as *White only*, *Black only*, *Asian only*, *Hispanic or Latino*, and *Residual* (Other).

Distributional Financial Accounts is a new source on wealth from the Federal Reserve Bank. It combines the SCF wealth measures to the Financial Accounts of the U.S., providing quarterly estimates on the distribution of aggregate household wealth.¹⁸

Wealth to Income Ratio is the ratio of household wealth to household income. The current aggregate household ratio is 6.6.

¹⁷ Killewald et al., 2017

¹⁸ Batty et al., 2019.



THE RACIAL WEALTH GAP

THE RACIAL WEALTH GAP

The Racial Wealth Gap

*Previous & current page:
Brooklyn, 1963, Brevard at
Stonewall;
Photo credit: UNC
Charlotte Atkins Library
Special Collection*



*Nationally, the median wealth of White households is **10 times** that of Black households and **8 times** that of Latinx households.¹⁹*

Key economic indicators demonstrate persistent racial and ethnic disparities in wealth. Information on net worth, assets, and debt describe wealth disparities from slightly different

perspectives but together define the problem.²⁰

The most comprehensive sources for wealth measurement are available only at the federal level. However, local numbers on negative net worth and asset poverty can give additional insight into the extent of the racial wealth gap in Charlotte-Mecklenburg.

¹⁹ Dettling, 2017

²⁰ Darity, 2019

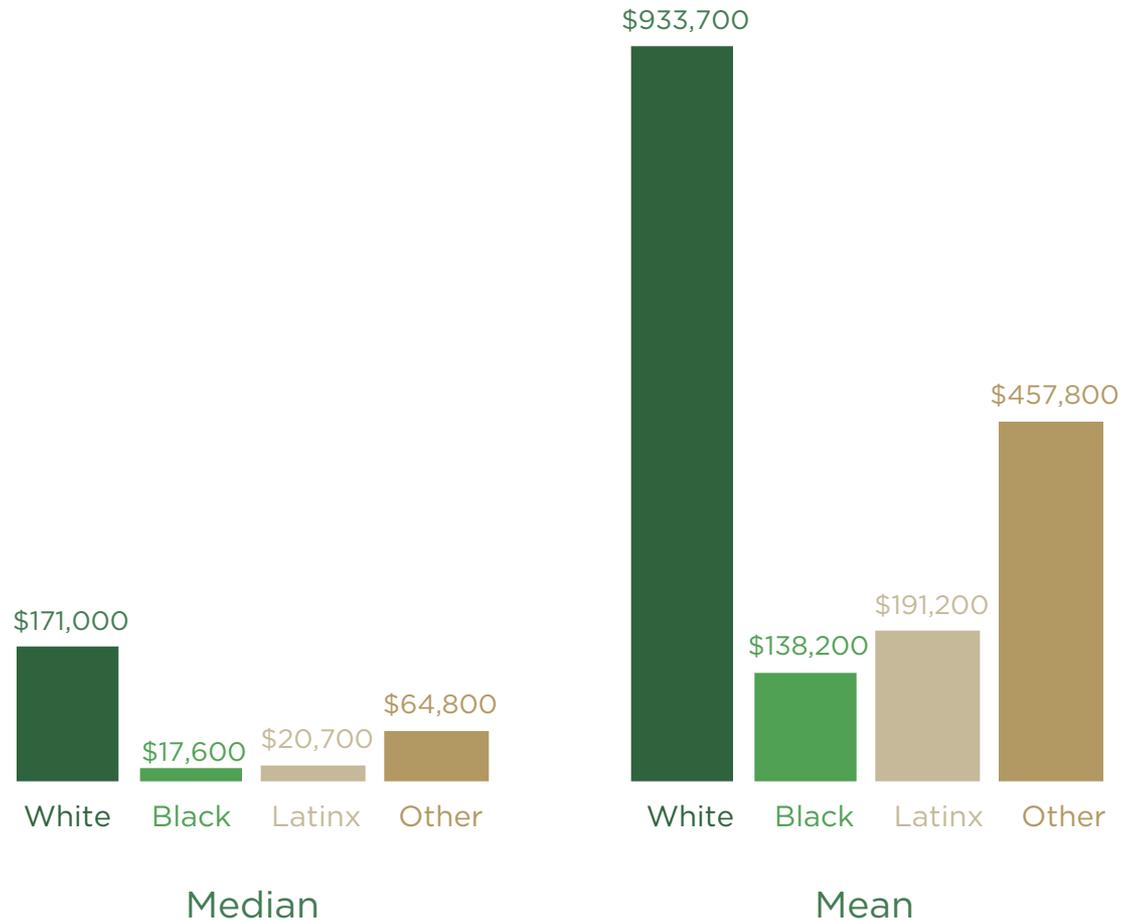
Median & Mean Net Worth

U.S. Households, 2016 dollars

The median net worth of White households in the U.S. exceeds that of any other racial or ethnic group.

Net worth is typically measured by the median, or middle value in each distribution, rather than the mean or average of all values in the distribution. Median values better represent the typical group member. However, the typical values may obscure the extent of wealth or lack of it in the highest and lowest ends of the distribution. For example, 97% of White wealth is held by households above the median, or typical, number.²¹

²¹ Darity, 2019



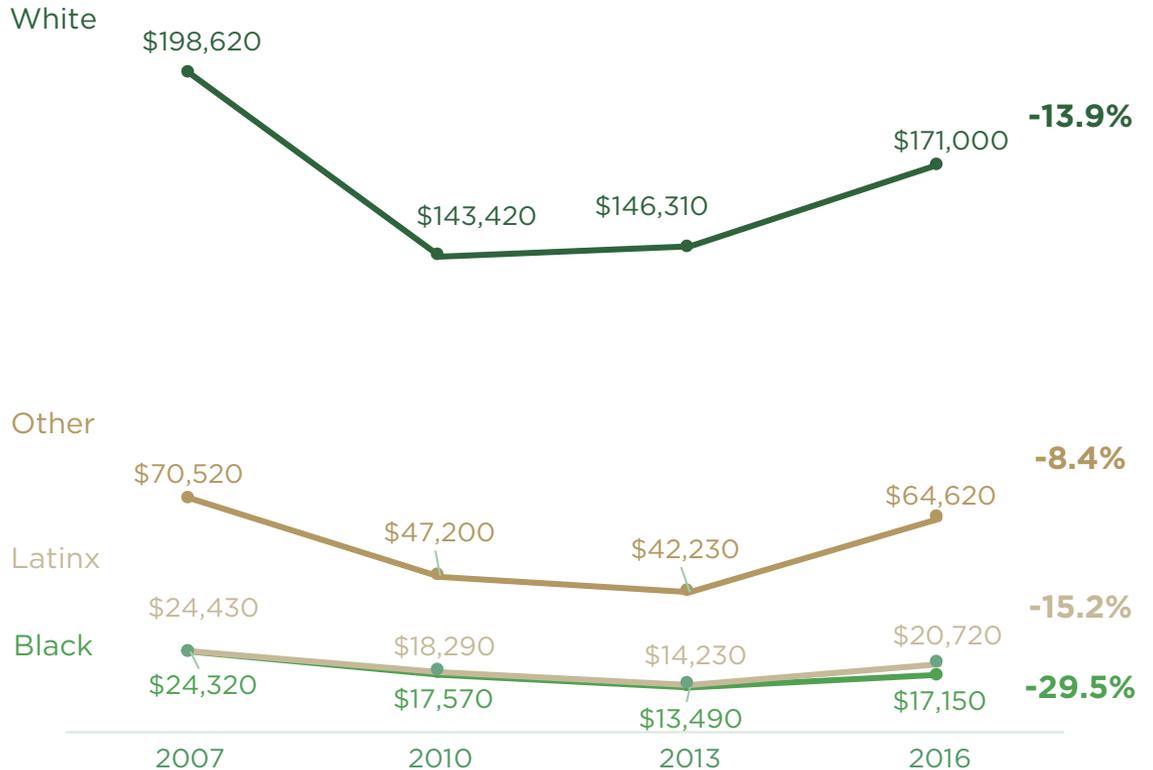
Source: Federal Reserve Board, Survey of Consumer Finances, 2016

Median Net Worth

U.S. Households, 2007-2016
2016 Dollars

From 2007 to 2016, Median net worth fell 13.9% for White families and 29.5% for Black families.

The Great Recession (2007-2010) negatively impacted the net worth of all households. Immediately after the recession (2010-2013), White households were able to begin recovery sooner. Overall, White households lost 13.9% of their wealth between 2010 and 2016, while Black households lost 29.5% of their wealth in the same period, further widening the racial wealth gap.



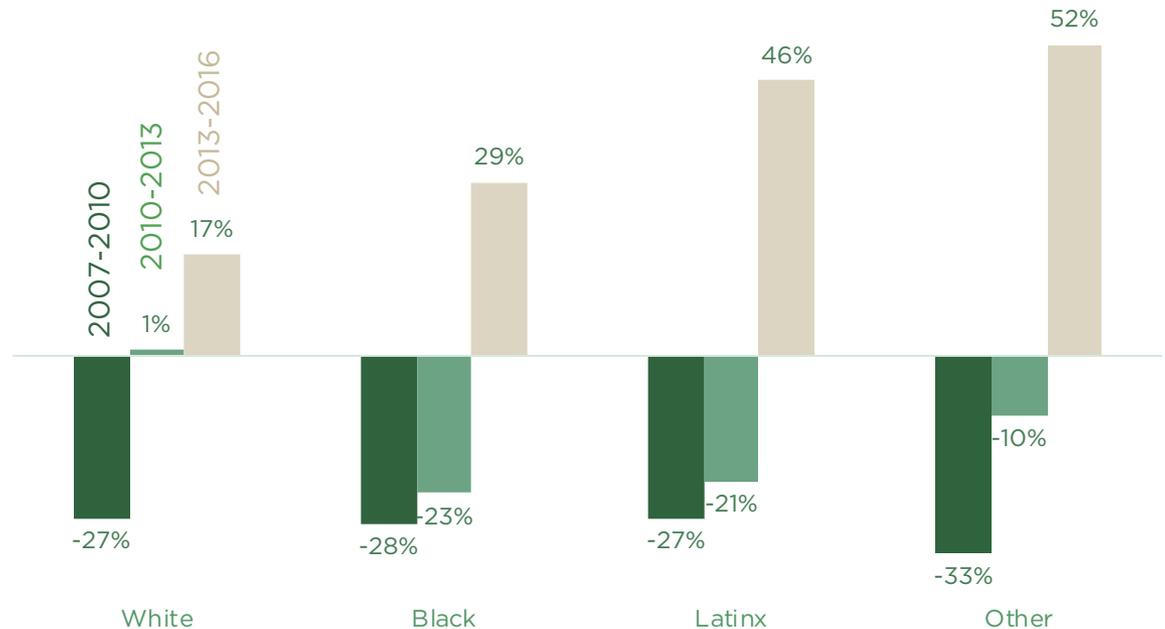
Source: Federal Reserve Board, Survey of Consumer Finances, 2007-2016

Median Net Worth

U.S. Households, 2007-2016
Percent change

Black and Latinx households only recovered a small portion of their pre-recession wealth in the period following the recession.

In the period following the recession (2010-2013), White households stopped losing wealth and began to recover, while Nonwhite households, particularly Black and Latinx families, continued to lose pre-recession wealth. Between 2013 and 2016, median net worth rose more among Nonwhite households, but gains have done little to close the wealth gap, which worsened considerably after the recession.



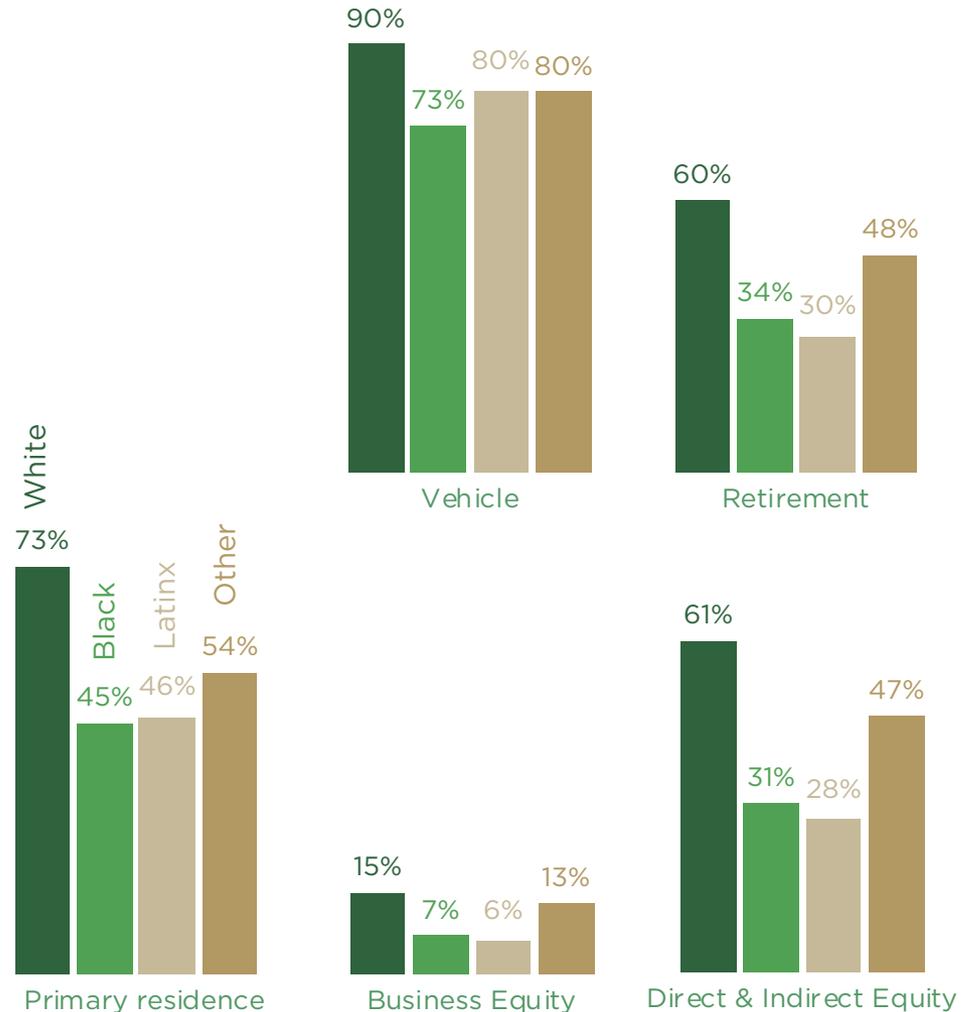
Source: The Federal Reserve Board, Survey of Consumer Finances, 2007-16

Asset Types

U.S. Percent of Households with Asset, 2016

White households have a more diversified wealth portfolio.

More than 60% of White families have retirement accounts and direct or indirect equity. Black and Latinx families have roughly half of these assets. With more types of assets on hand, White families are better protected against market forces and sudden decreases in investments, as well as better positioned to expect higher gains from existing assets.



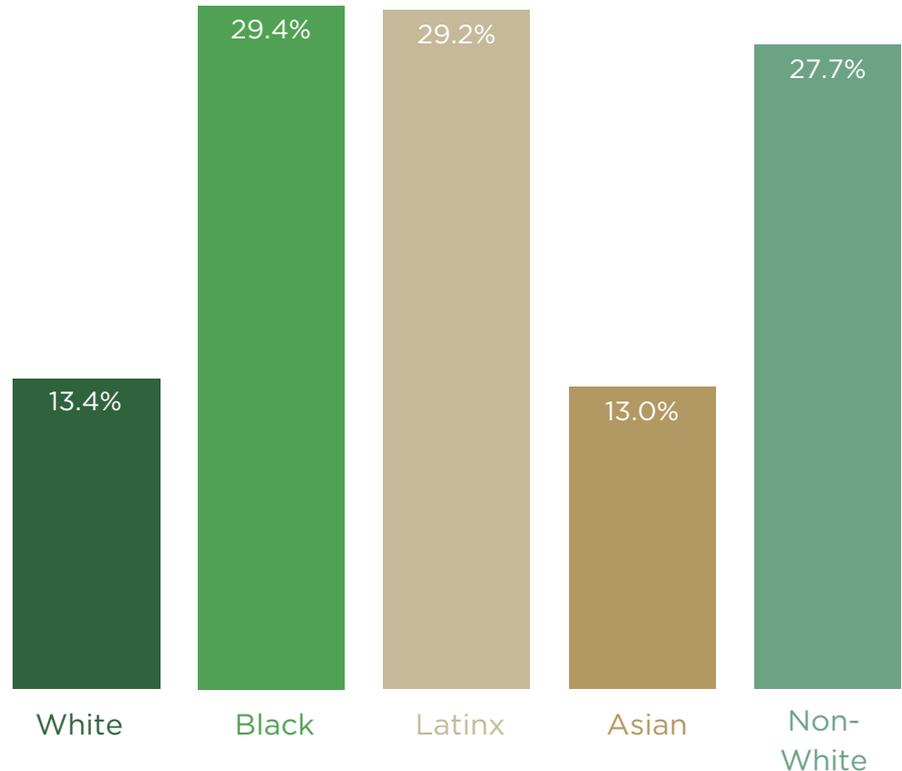
Source: Federal Reserve Bank, 2018

Negative Net Worth

Charlotte, Percent of Households

More Black and Latinx families in Charlotte have zero or negative net worth.

Zero or negative net worth occurs when total debts exceed total assets. In Charlotte, nearly 1 in 3 Black and Latinx households have zero or negative net worth. About 1 in 7 White and Asian households have zero or negative net worth.



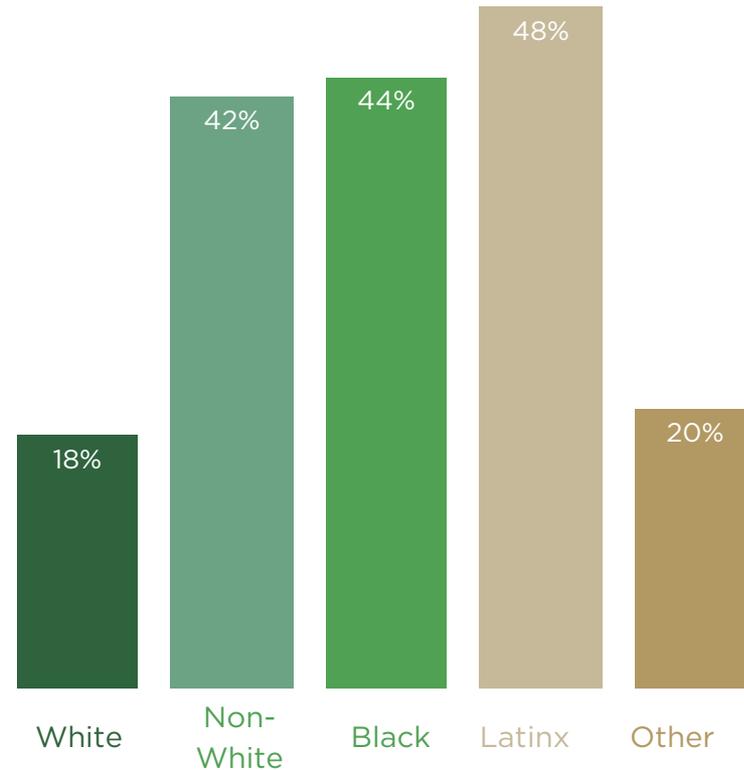
Source: Prosperity Now, 2019

Asset Poverty

Charlotte, Percent of Households
2014

Black and Latinx households are more than twice as likely to be asset poor.

Asset poverty is another way to understand where wealth is absent. Asset poverty is the lack of sufficient savings or assets that can be used to pay for basic needs for three months without income. In Charlotte, households of color are more than twice as likely to experience asset poverty as White households. Almost half of all Latinx households wouldn't be able to cover basic needs after three months without income.



Source: Prosperity Now calculations of ACS and SIPP data, 2014

A photograph of a person in a field of rubble, possibly a demolition site or a place of destruction. The person is in the middle ground, wearing a light-colored shirt and dark pants, and appears to be working with the debris. The background is filled with bare trees and a utility tower. The entire image has a warm, brownish-orange tint. A large, dark green, wavy graphic shape is overlaid on the bottom half of the image, partially obscuring the photograph. The text "Pathways of Wealth Accumulation" is written in a bold, dark green font across the middle of the image, overlapping the photograph and the green graphic.

Pathways of Wealth Accumulation

Pathways of Wealth Accumulation

Disparities in multiple components of wealth in Charlotte-Mecklenburg suggest racial and ethnic gaps.

*Previous & current page:
Brooklyn, 1965, 1st Street
Photo Credit: UNC
Charlotte Atkins Library
Special Collection*



Wealth is built through a combination of pathways, each with its own policy and practice history and sequence of consequences that enhance or hinder wealth building across racial and ethnic groups.

Wealth is not built through single milestones or accomplishments such as purchasing a home or earning an advanced degree. Rather, wealth grows through a combination of assets that are built and maintained over time and across generations.

Disparities hinder or halt the growth of wealth on each pathway.

This section describes pathways of wealth accumulation including education, income, home ownership, business ownership, retirement, and other savings and investment accounts. We provide historical context and local statistics where available.

Educational Attainment

Education attainment is a predictor of wealth for all groups, but differs across racial and ethnic households with similar levels of education.²²

Education is a powerful tool for economic stability that broadens career choice, enhances specialized skills, and raises earnings. Higher education and obtaining an advanced degree raises household income and is widely recognized as an asset building strategy.

However the value of an education, and specifically its impact on household wealth varies considerably across racial and ethnic groups. *Within* groups, additional levels of educational attainment lead to greater net worth. *Across* groups, however, similar educational attainment does not correlate with similar household

net worth. In other words, a college degree accumulates more wealth for White households than for Black and Latinx households.

While higher education levels lead to higher net worth, wealth also predicts college attendance and degree attainment, due in part to the greater ability of White families to pay more toward a college education, requiring less student loan debt. Black college graduates are also more likely to support their families than White college graduates, further impacting potential gains to net worth.²³

A college education does not close the wealth gap for Black and Latinx households

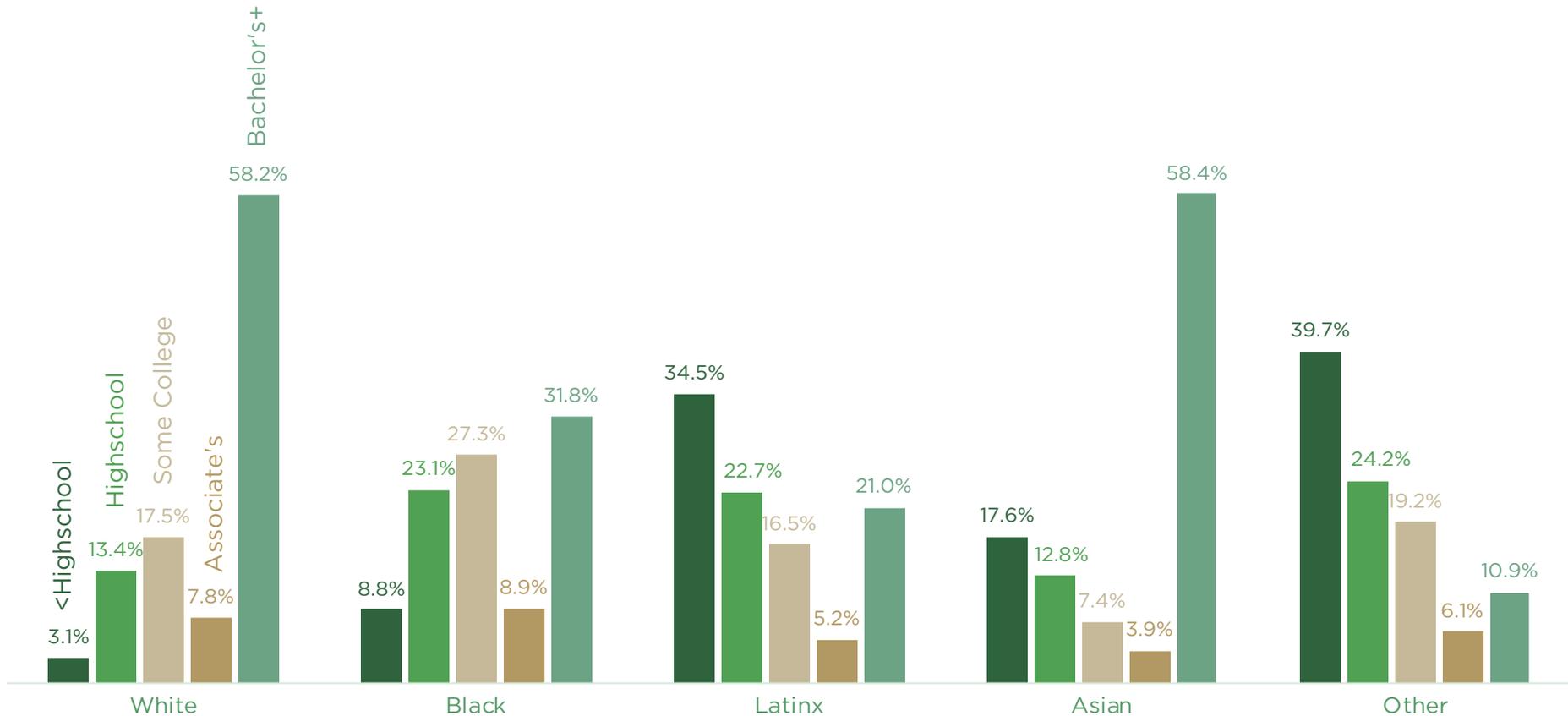
²² Rumberger, 2010

²³ Meschede et al., 2017

Educational Attainment

Mecklenburg County, 2017

Distribution of Education across Races



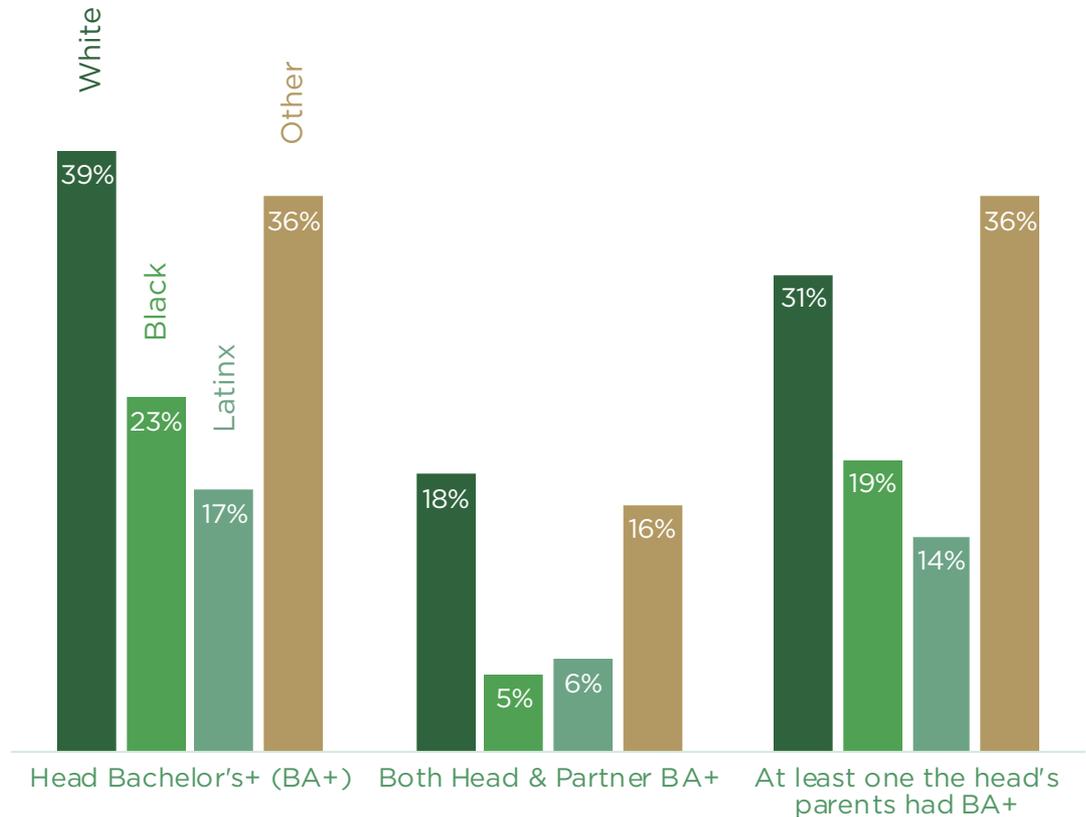
Source: U.S. Census Bureau, American Community Survey 1-Year Estimates

Bachelor's Degree

U.S. Percent of Households, 2016

Bachelor's degree attainment is 40-64% lower for Black and Latinx heads of household.

Bachelor's degree attainment for both head and partner in Black families is about 70% lower than White households. Further, White and Other families are much more likely to have a parent with at least a Bachelor's degree.

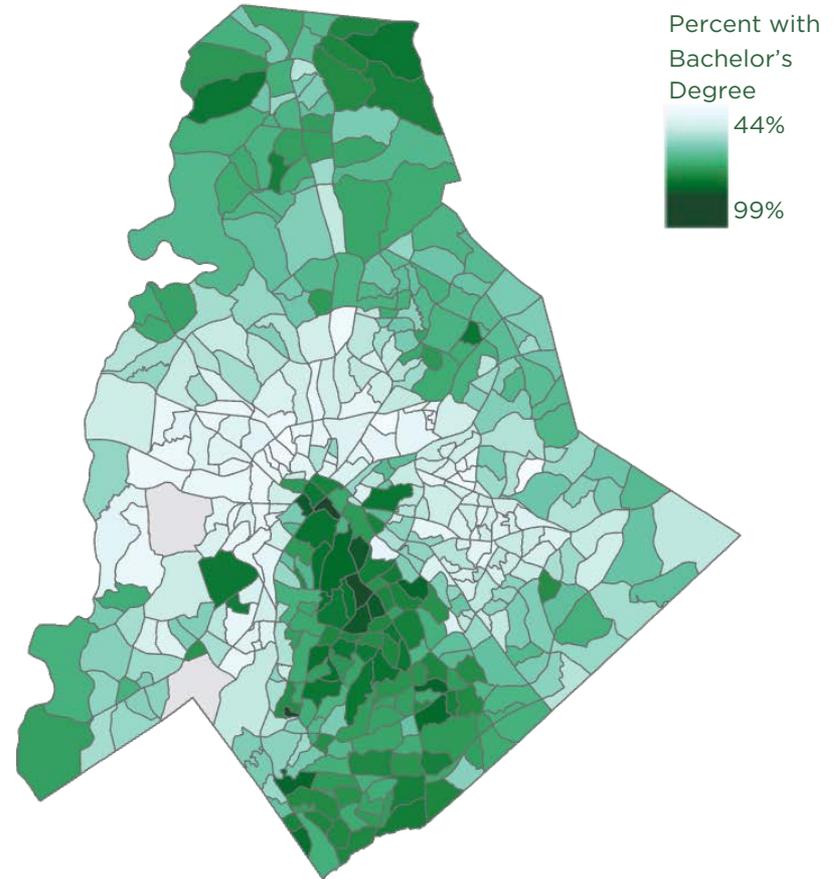
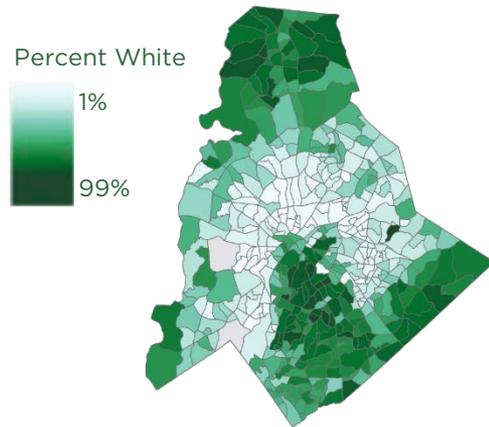


Source: Federal Reserve Board, Survey of Consumer Finances, 2016

Bachelor's Degree

Mecklenburg County
Percent of Adults, 2017

43% of adults in Mecklenburg County have a bachelor's degree. People with those degrees, however, are concentrated in a southeast Charlotte wedge. The reference map below depicts the percentage of White residents.



Source: Charlotte-Mecklenburg Quality of Life Explorer, 2017

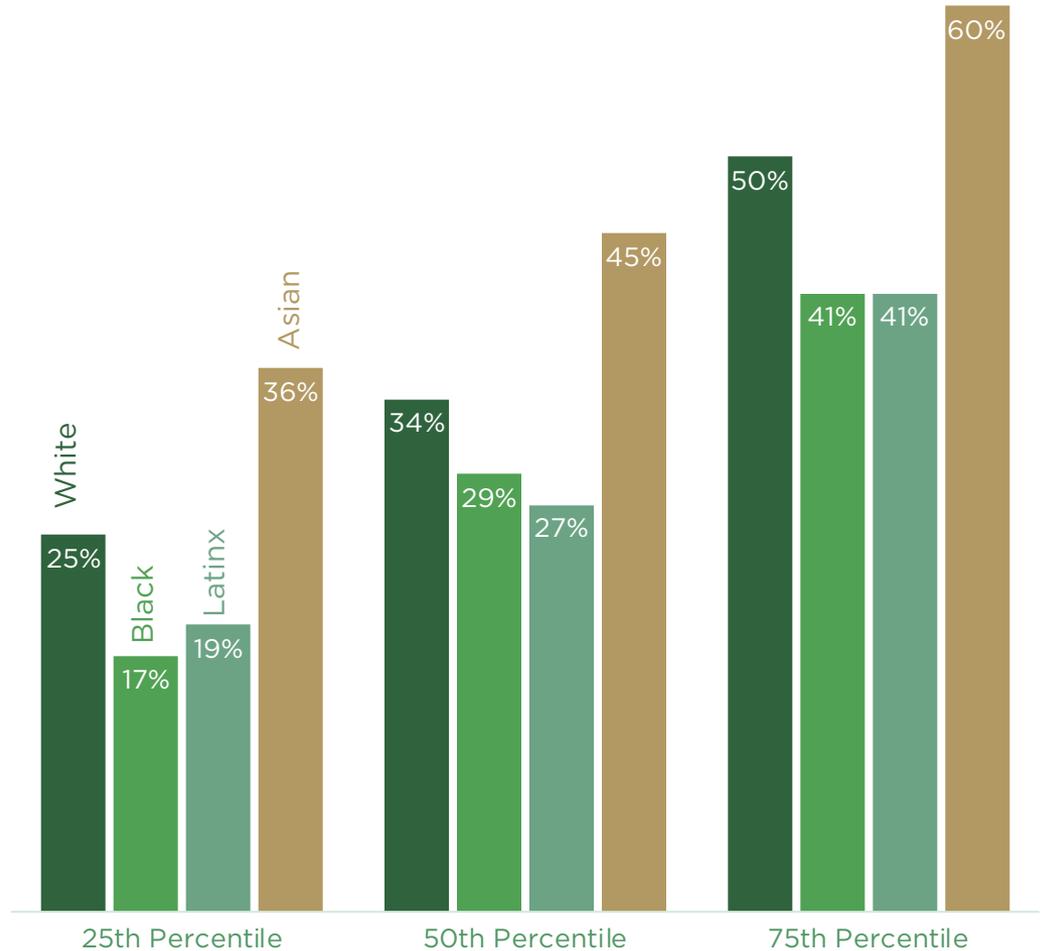
Children from Mecklenburg households with higher incomes will have higher graduation rates.

Data from Opportunity Insights gives an indication of the educational success of students who grew up in Mecklenburg County and who live in households at the bottom, middle, and top of the income distribution. Their data projects the percent expected to receive a college degree. Overall, the higher the income, the higher the anticipated college graduation rate.

Data note: Income categories represent children in households with incomes exactly at the 25th, 50th, and 75th percentiles

Bachelor's Degree

Mecklenburg, 2015
Income Percentile & Race



Source: Opportunity Insights, 2015

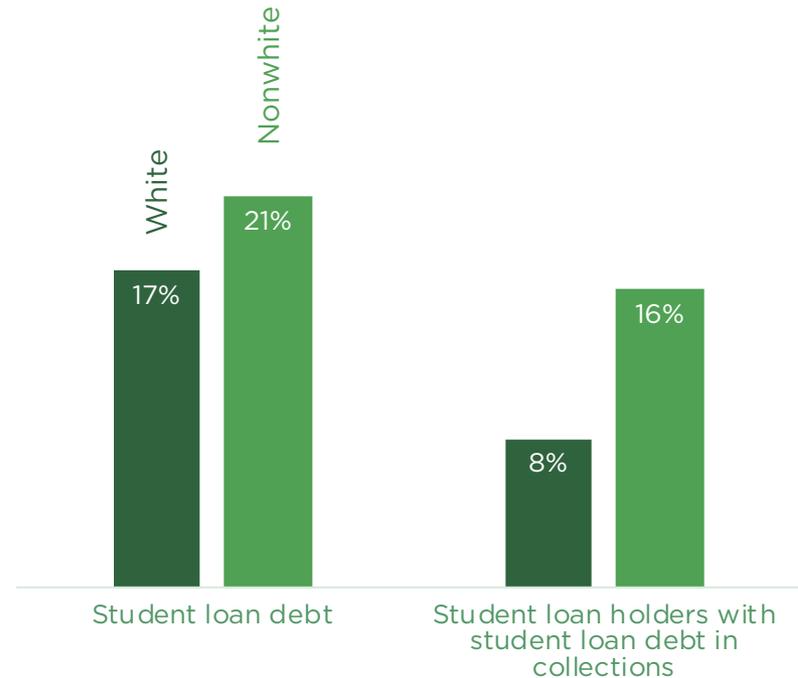
Educational Debt

Mecklenburg County, 2018

Percent of Students

Not only do Nonwhite students incur more student debt than their White peers in Mecklenburg County, they are also in student loan debt collections at twice the rate of White students.

On a national level, Black students owe about \$7,400 more in student loans than White students. In the years after college graduation, the gap gets considerably worse and nearly triples in size. The growing debt for Black students can be attributed to higher interest rates and higher rates of borrowing for graduate school.²⁴ In addition, Black students face greater financial challenges to college completion and are more likely to accrue debt without earning a degree.²⁵



Source: Urban Institute Debt in America Dashboard, 2018

²⁴ Scott-Clayton & Li, 2016

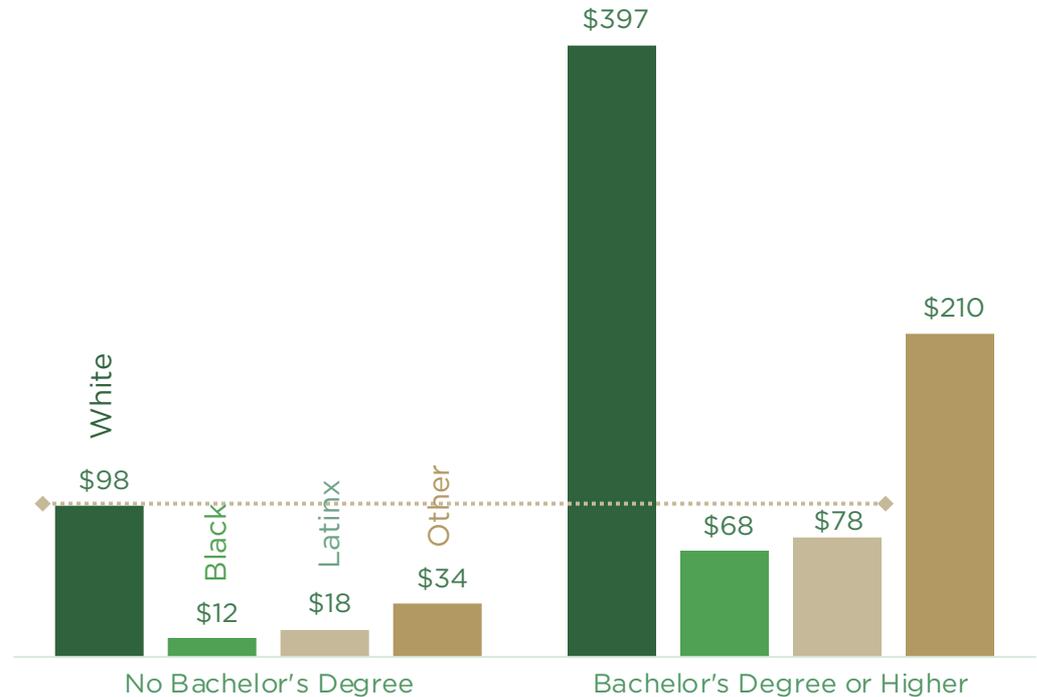
²⁵ Sullivan et al., 2016

Education Value

U.S. Median Net Worth by Race and Education, Thousands, 2016

Black families with a college-educated head of household have about \$30,000 less net worth than White families whose head has not earned a college degree.²⁶

Higher education and obtaining an advanced degree is considered a fundamental asset development strategy. While important, higher education is just one of the pathways to building long term wealth. Vast differences in net worth remain. These data are a strong indication that education alone doesn't close the racial wealth gap.



Source: Federal Reserve Board, Survey of Consumer Finances, 2016

²⁶ Dettling et al., 2017

Income

Income disparities persist across racial and ethnic groups.

Income is a major component of wealth; however, the relationship between income and wealth is complex. Households living with higher incomes can dedicate larger shares of their income toward accumulating wealth through various investments, which ultimately results in higher gains in net worth. However, the racial wealth gap cannot be explained by income alone. And while income disparities are large, wealth disparities are much larger.²⁷

Some evidence suggests that if the income gap was closed the wealth gap would close faster.²⁸ Chetty and colleagues found that income was a better predictor of economic mobility than wealth, particularly for Black men who

were *less* likely to be upwardly mobile and *more* likely to be downwardly mobile than White men who grew up in the same neighborhood and income quintile.²⁹ However, the study's proxy for wealth was limited to parental wealth in the form of homeownership, monthly mortgage payments, home value, and number of vehicles and did not account for additional generational wealth and more diverse assets.

Wealth and income are both used to measure a family's economic situation but they tell us different things about the health and strength of economic well-being.

"Income allows a family to get by; wealth allows a family to get ahead."³⁰

²⁷ Williams, 2017

²⁸ Aliprantis & Carol, 2019

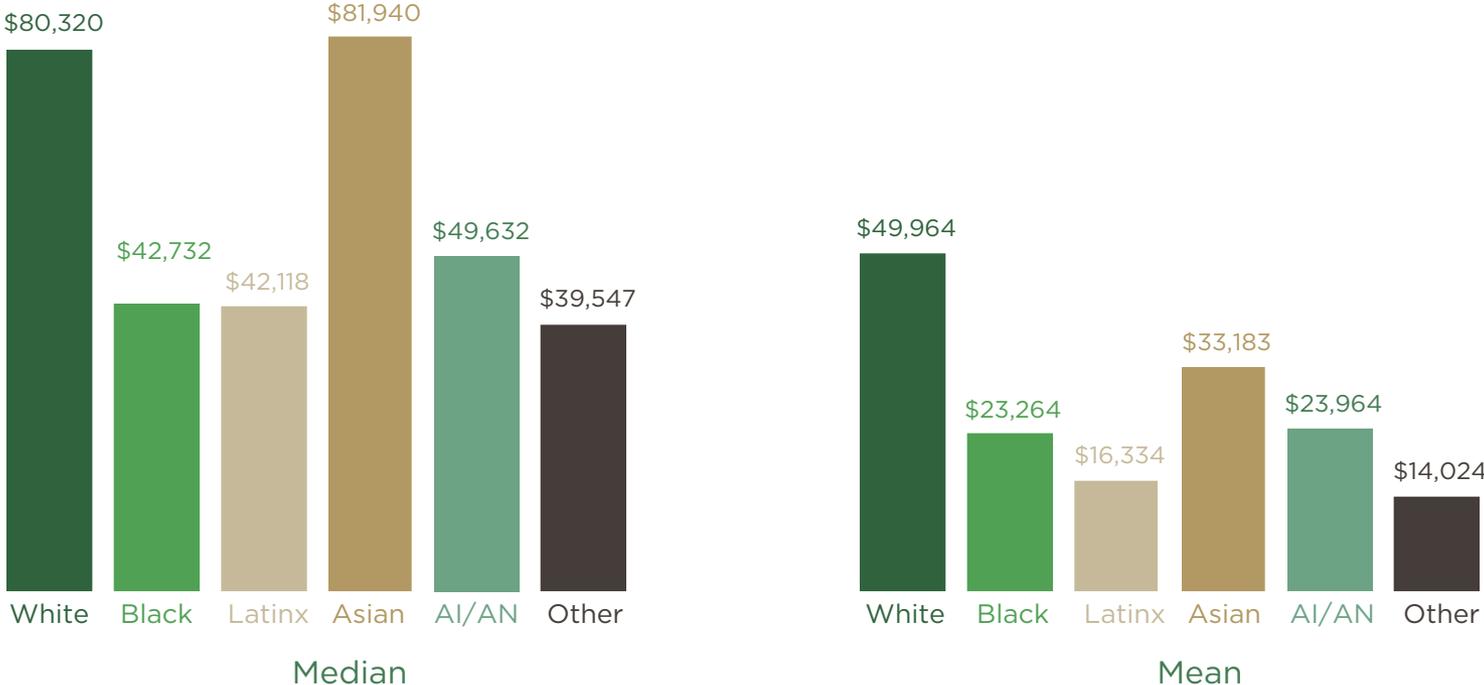
²⁹ Chetty et al., 2018

³⁰ Kent & Ricketts, 2019

Median & Mean Income

Mecklenburg County, 2017

On average, Asian and White household incomes are double that of Black and Latinx households.

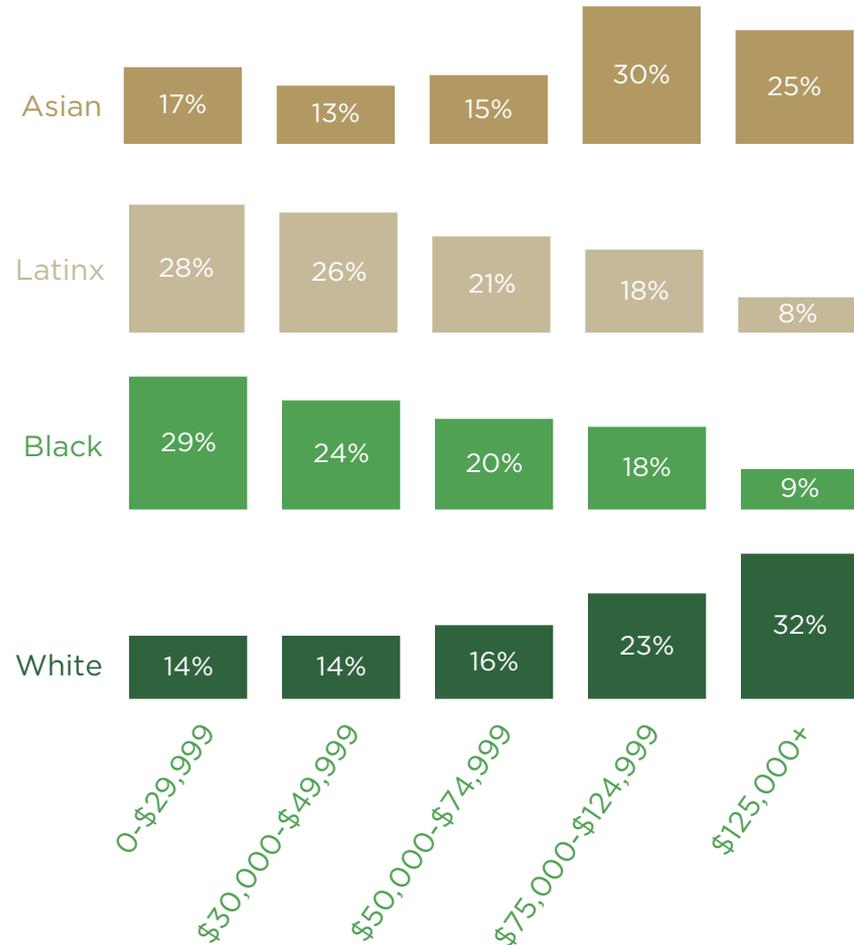


Source: American Community Survey 5-Year Estimates, 2013-17. Data note: Mean calculated per capita.

Income Distribution

Mecklenburg County, 2017

Percent of Households



Source: ACS 5-Year Estimates, 2017

Racial and ethnic disparities in income persist in Mecklenburg County.

About a third of White households and a quarter of Asian households live with incomes in the top quintile, while less than ten percent of Black and Latinx households are represented in the highest income bracket.

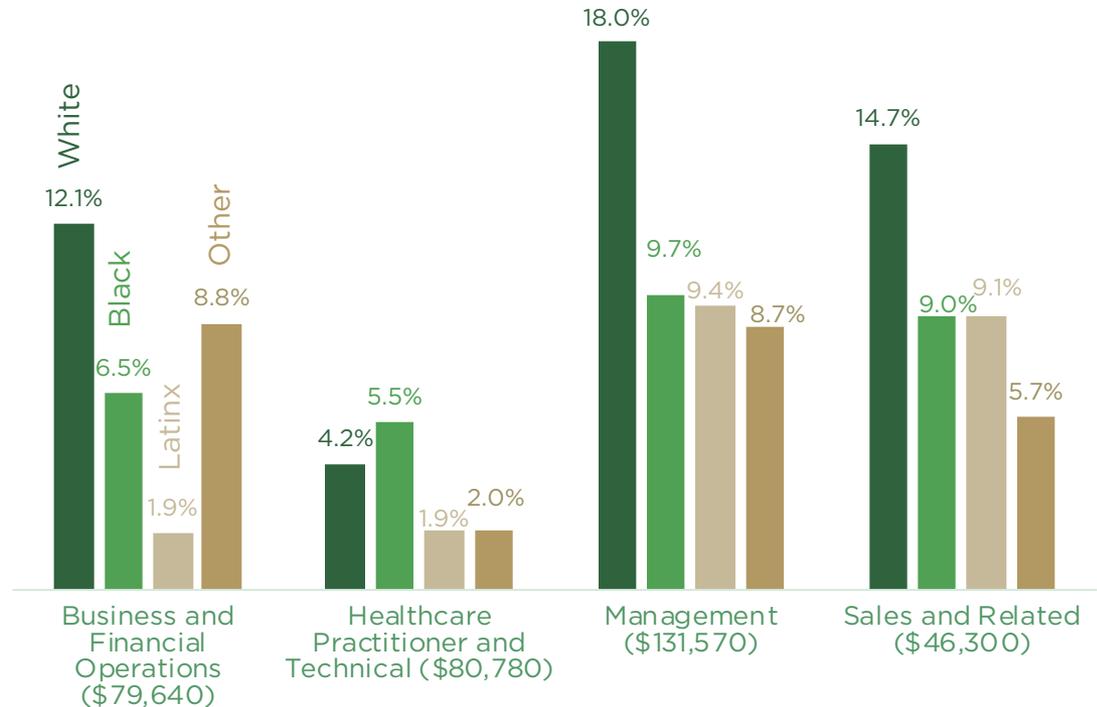
Most Common Jobs in Top Quintile

Mecklenburg County, Percent, 2017

Median Income: \$74,100

Except for healthcare jobs, White adults hold a greater portion of jobs in the most common industries in the top income quintile.

In the lowest income quintile, the pattern is reversed, with Nonwhite adults holding a greater portion of jobs in the most common industries, including building, grounds and maintenance, food preparation, and office and administrative support.



Source: American Community Survey 1-Year Estimates, 2017, Bureau of Labor Statistics Employment and Wage Estimates, 2018

Economic Mobility

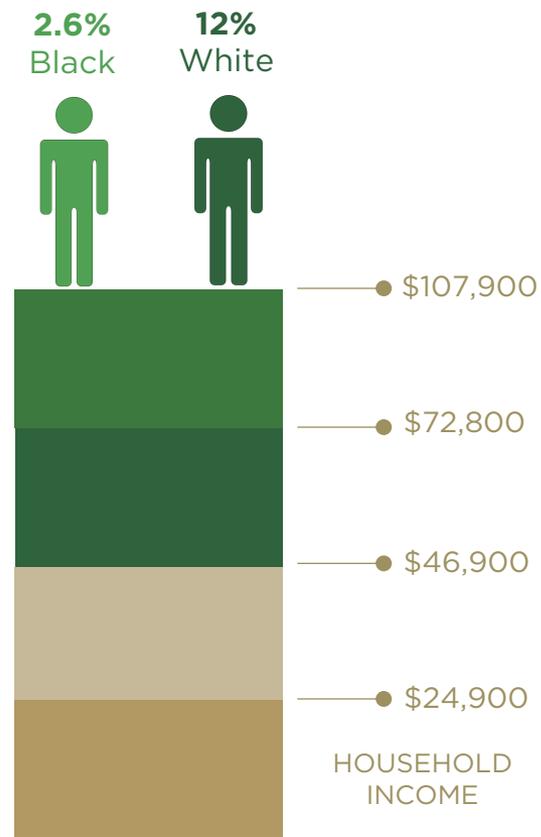
Mecklenburg County, 2014-15

The upward mobility rate for White children in Mecklenburg County is comparable to some of the most mobile places in the country.

The Charlotte area ranked 50th for upward mobility out of the 50 most populous commuting zones in the country. Only 4% of those born in bottom quintile of the income distribution will rise to the top, or earn over \$107,900 in household income. In Mecklenburg County, only 2.6% of Black children will rise to the top quintile compared to 12% of White children, making the upward mobility rate for White children comparable to metro areas with some of the highest rates of economic mobility in the U.S.³¹

In Mecklenburg -
From the bottom quintile, only **2.6%** of Black children will make it to the top as adults.

Nationally -
From the top quintile, Black children are almost as likely to fall into the lowest quintile as an adult as they are to remain at the top.



³¹ Chetty et al., 2018

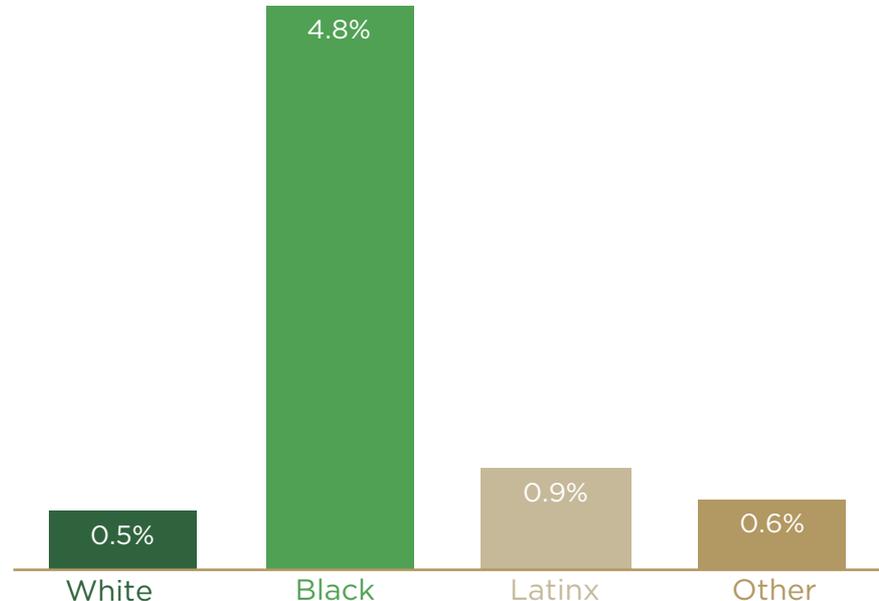
Incarceration

Percent of Men from Charlotte
2010

Black men from Charlotte are 9.6 times more likely to be incarcerated than White men from Charlotte.

When young people are removed from the labor market, they lose years and opportunities to begin earning income and accumulating wealth at an early age.³² Nationally, Black men receive longer sentences than White men who commit similar crimes.³³

Opportunity Insights found that the Black sons of families in the top 1% of the income distribution had the same chance of being incarcerated as the sons of White families earning about \$36,000.³⁴



*Source: Opportunity Insights and U.S. Census Bureau data, 2010;
Note that these data show rates on the day of the census*

³² Oliver & Shapiro, 2006

³³ Rhodes et al., 2000

³⁴ Chetty et al., 2018

Home Ownership

*A home is typically the largest major asset held among Americans regardless of race or ethnicity.*³⁵

Owning a home is often regarded as a key strategy to close the racial wealth gap. A home is where most households see gains in equity. White families own homes at higher rates than do Black and Latinx families, a disparity that is unsurprising since between 1934 and 1968, White households received 98% of all home loans approved by the federal government.³⁶

While a major and important asset, several factors impact the value of home ownership for Black and Latinx families. Home equity grows as the value of the home and particularly the land increases. Homes exist within

neighborhoods, and it is the neighborhood that ultimately determines home value. The historical legacy of redlining continues to impact the value of home ownership today.

In 2014, the median wealth of White homeowners in the US was \$239,300, while the median wealth for Black homeowners was \$99,840.³⁷ Home ownership and wealth are correlated, but home ownership alone will not address the racial wealth gap.

*“A home is one of the only assets in which the race of the owner affects the rate of return.”*³⁸

³⁵ Rothstein, 2017

^{36,37} Darity et al., 2018

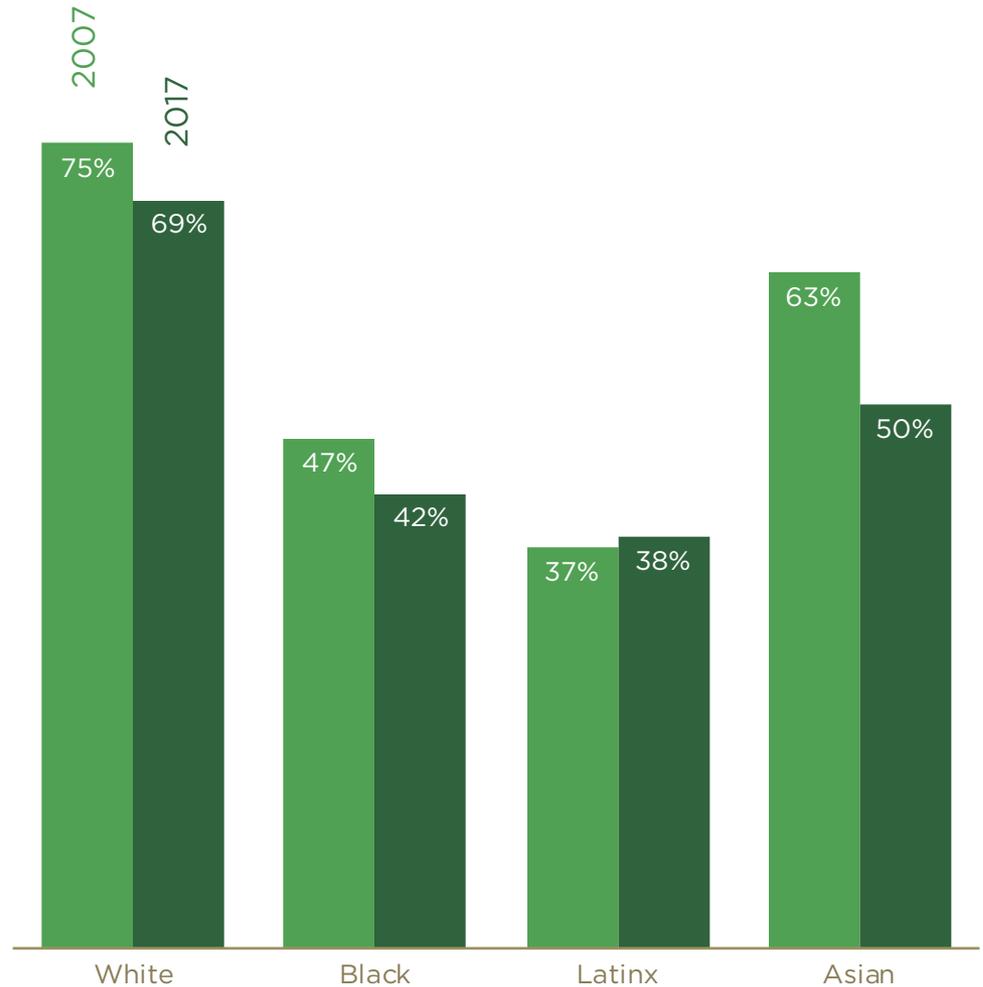
³⁸ Rothstein, 2017

Home Ownership

Mecklenburg County, 2007 & 2017

White households in Mecklenburg County are more likely to own their own homes than all other racial and ethnic groups.

As of 2017, just over two-thirds of White households in Mecklenburg County owned a home, followed by Asian households, and then Black and Latinx households (42% and 38%, respectively). The home ownership rate fell slightly between 2007 and 2017 for all groups, other than Latinx, likely due to the instability of the housing market caused by the 2008 housing crash and recession that followed.



Source: American Community Survey 1-year estimates, 2017

Home Ownership Mecklenburg County, 2017

Homeownership rates in Mecklenburg County continue to reflect redlining practices enacted early in the 20th Century .

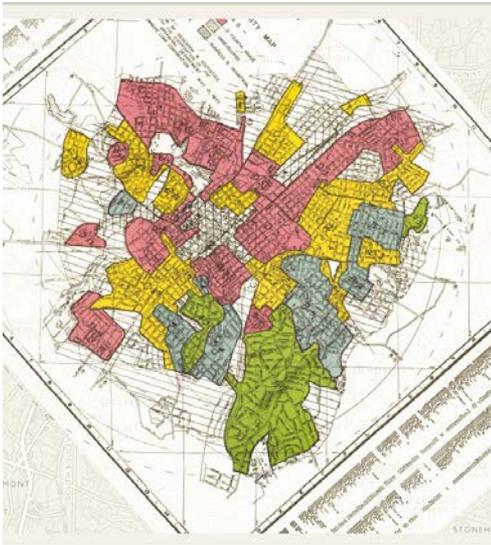
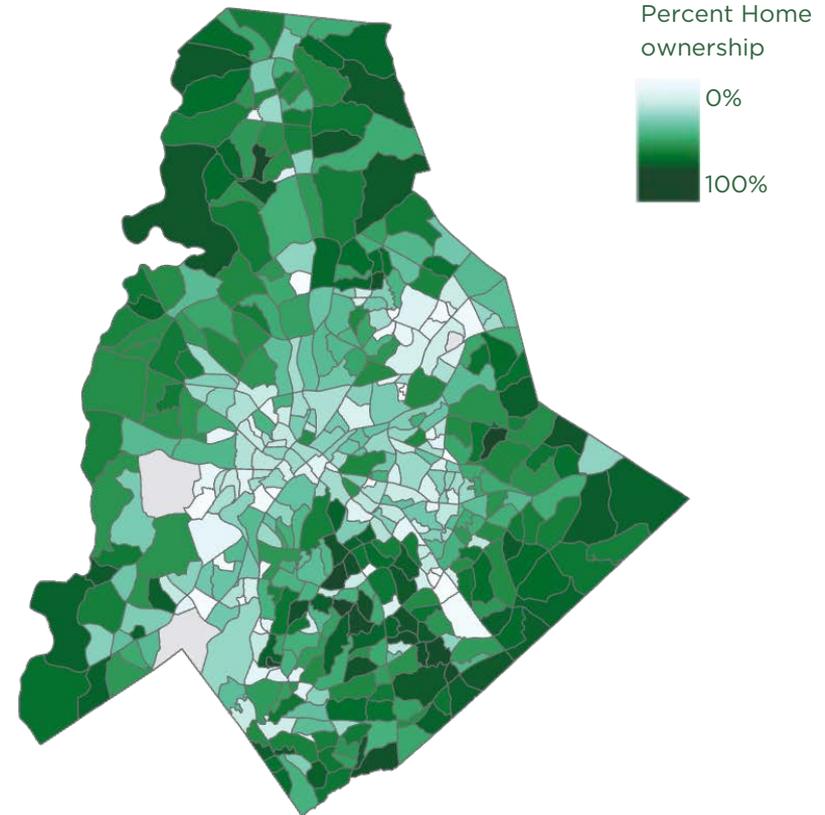


Photo credit: HOLC Map, Charlotte



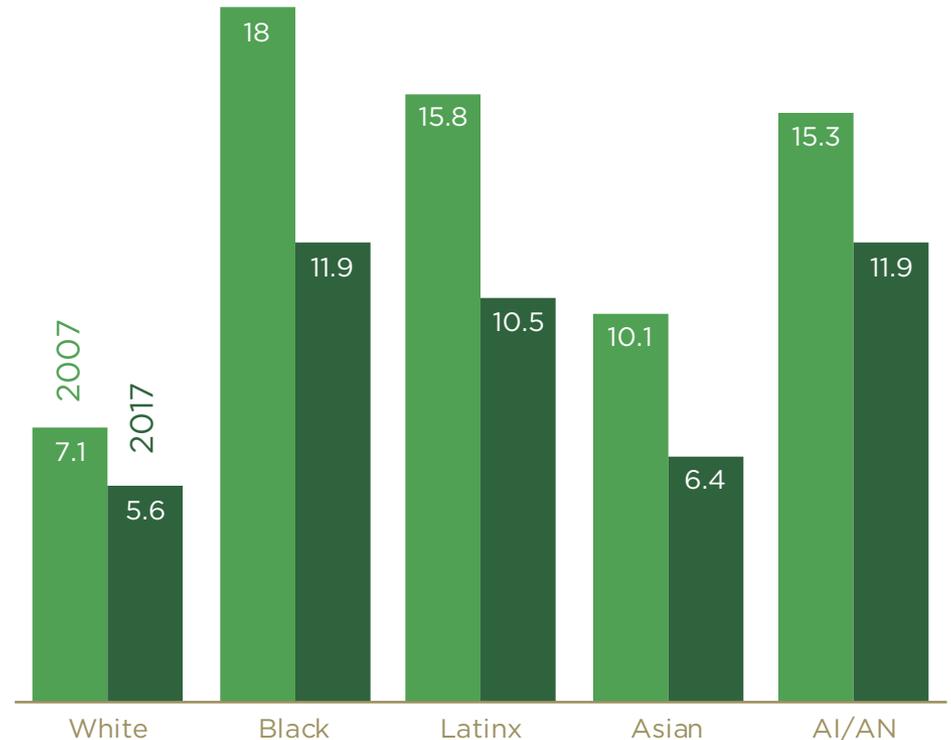
Source: Charlotte-Mecklenburg Quality of Life Explorer, 2017

Home Loan Denial

Mecklenburg County
Rate per 100, 2007 & 2017

Black mortgage applicants are denied a home loan twice as often as White mortgage applicants.

Mortgage lending in Mecklenburg County continues to reflect racial disparities. Black, Latinx, and American Native applicants were denied home loans more often than White and Asian applicants in 2017. Persistent disparities can be linked to lack of sufficient income, less access to intergenerational wealth for down payments, and discriminatory lending practices. Note that these numbers do not control for denial reasons (i.e., debt-to-income ratio, credit score, available cash).



Source: Consumer Financial Protection Bureau HMDA data, 2007 & 2017

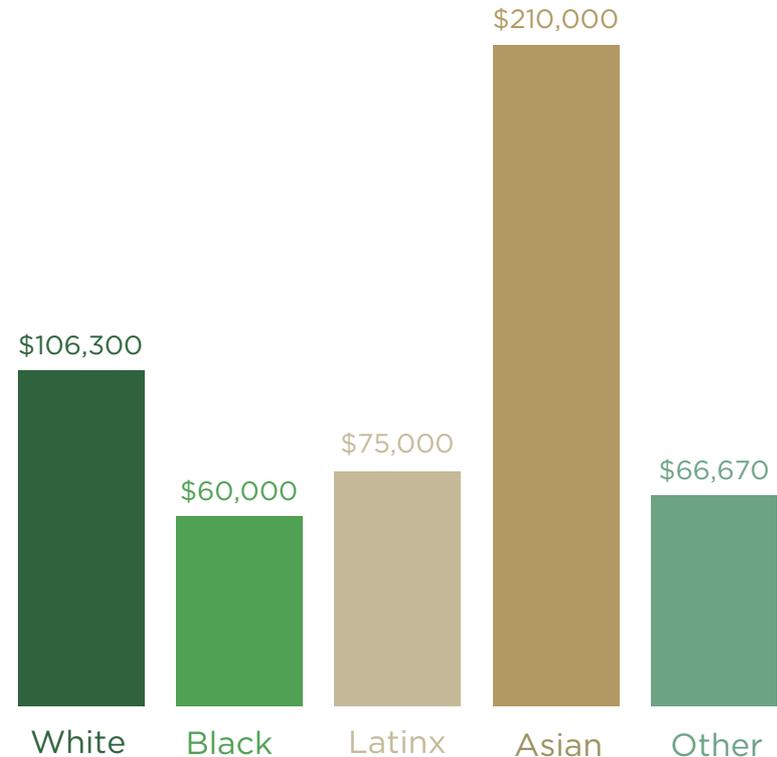
Home Equity

U.S. Households, 2016

Median Value of Home Equity

“Home equity has long been the single largest component of wealth for Black and Latinx households.”³⁹

The distribution of households holding wealth in home equity demonstrates ongoing racial disparities. Asian households have nearly twice as much in home equity than White households, and more than three times as Black, Latinx, and Other households.



Source: U.S. Census Bureau Asset and Wealth Tables, 2016

³⁹ Emmons, 2017

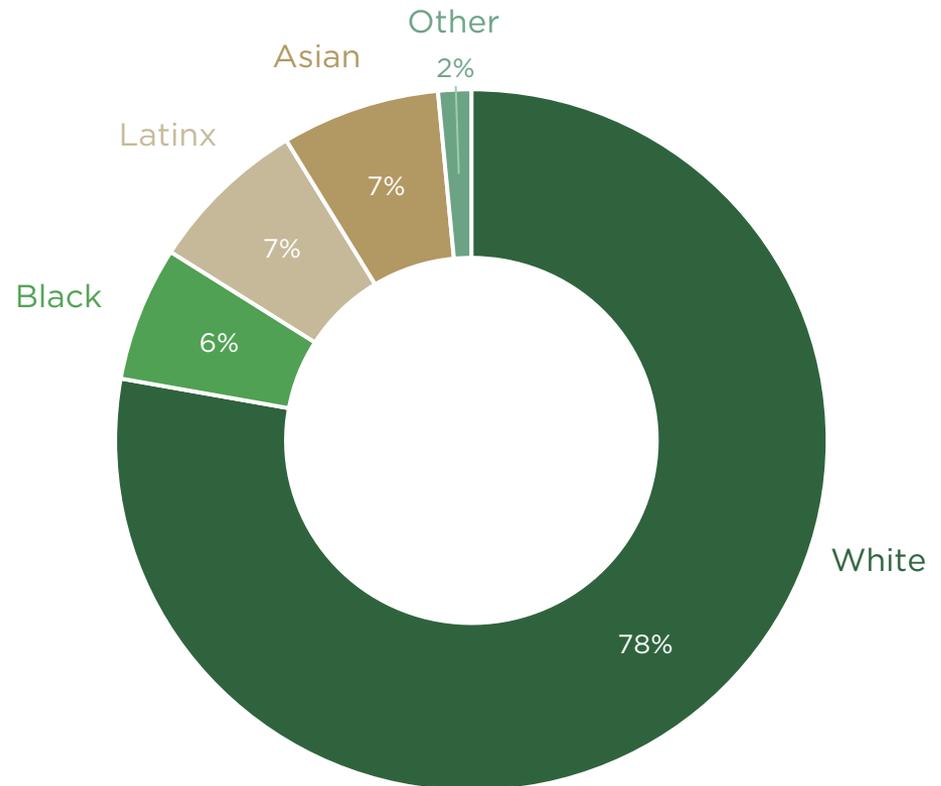
Mortgage Interest Deduction

U.S. Households with a Mortgage

Share of benefits, 2015

The federal government spends \$55 billion annually to subsidize homeownership for households making \$100,000 per year or more.⁴⁰

The Home Mortgage Interest Deduction is largely distributed to the wealthiest households, with 84% of the benefits going to households with incomes greater than \$100,000.⁴¹ Additionally, benefits are only accessible to households that already have a mortgage and itemize deductions. These qualifications only apply to a small portion of the population, who are more likely to be White.



Source: ISAP and NLIHC calculation of data from Joint Committee on Taxation, 2017

^{40,41} Institute on Assets for Social Policy & National Low Income Housing Coalition, 2017

Business Ownership

Business ownership has proven to be a strong wealth builder for communities of color.⁴²

Nationally, the median net worth of Black and Latinx business owners is more than ten times that of their peers who do not own a business.⁴³ Overall, however, White households are more likely than any other racial or ethnic group to own a business, followed by Asian households, Latinx households, then Black households.⁴⁴ People of color who do own businesses have substantially less wealth and equity on the front end to use towards investments in a company.

The number of employees in a business impacts overall success; business with employees have much higher sales than businesses without employees.

According to the 2012 US Census Bureau's Survey of Business Owners, more than 90 percent of Black and Latinx-owned businesses do not have any employees, other than the owner.

Historically, Black Wall Streets, or areas with a high concentration of successful Black-owned businesses like Brooklyn in Charlotte, have been targeted for redevelopment through federal programs like Urban Renewal or the Federal Highway Act.⁴⁴

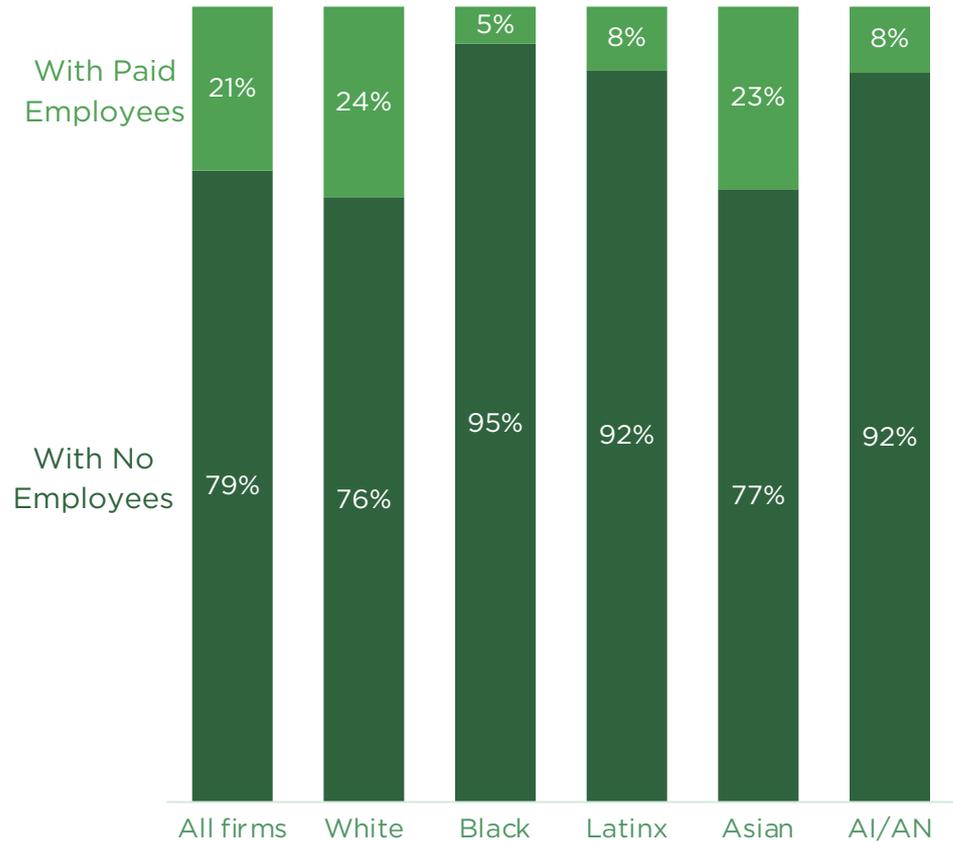
^{42,43} Tippet et al., 2014

⁴⁴ Allen & Smith, 2011

Business Ownership

Mecklenburg County, 2012

Percent by race



Source: SBO, 2012; Note: Responses may be tabulated in more than one category.

The majority of businesses in Mecklenburg County do not have employees.

Only a quarter of White and Asian business owners have employees and less than 10% of Black, Latinx and American Indian or Alaska Native business owners have employees.

Similar to the overall population, White business owners own 65% of all firms in Mecklenburg County. Black households have the second highest rate of business ownership, followed by Latinx households, Asian, and American Indian and Alaska Native.

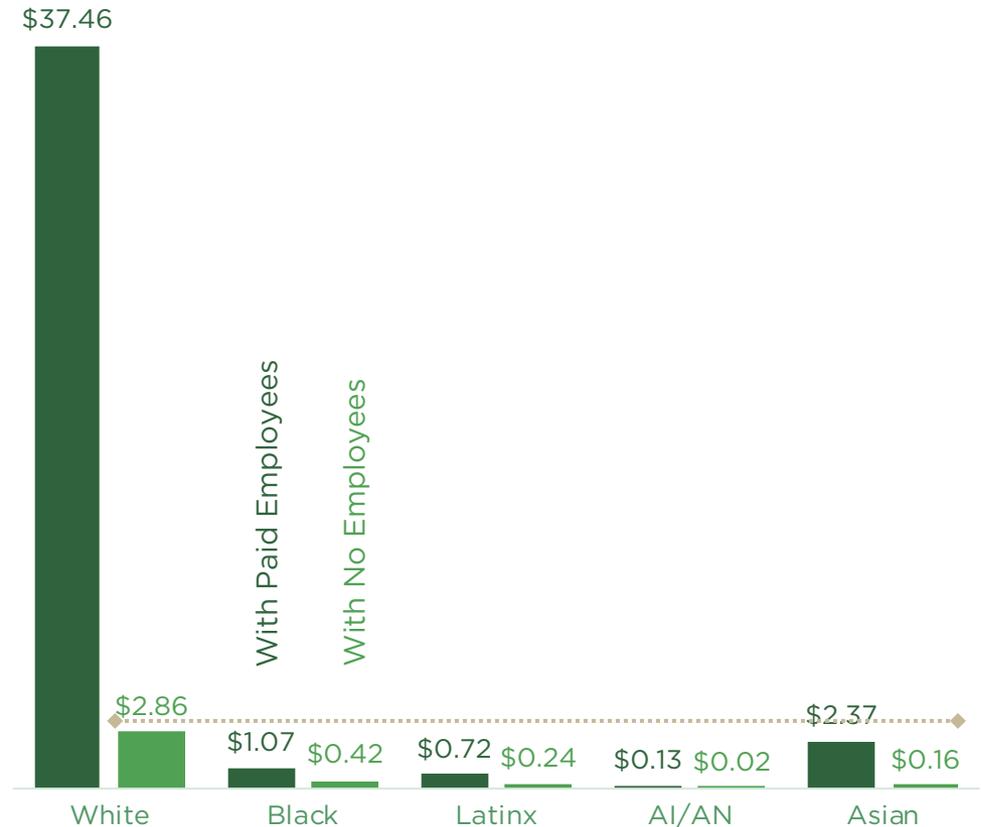
Business Ownership

Mecklenburg County, 2012

Total Sales, Receipts, or Value, Billions

White-owned business with employees have \$35 billion more sales, receipts, and value than other racial and ethnic groups.

The majority of wealth from self-employment is held by White-owned businesses with employees. White-owned businesses without any employees have more value than businesses owned by people of color with and without employees.



Source: SBO, 2012; Note: Responses may be tabulated in more than one category.

Retirement Savings & Investments

Retirement savings are a reflection of current wealth and a predictor of future wealth.

Retirement savings are typically held in various types of investments. Depending on how retirement investments are managed, as well as the level of risk that can be afforded, there is great possibility for the savings to grow over time.

Retirement savings are also facilitated by employer-sponsored programs that mandate automatic retirement savings as well as match employee contributions, further enhancing the ability to grow these assets. However, employer-sponsored retirement savings are not available in all jobs.

Managing self-directed retirement investment requires significant access to financial knowledge and tools. Financial knowledge and access to wealth also facilitates investments in stocks, bonds, and mutual funds. Nationally, Asian households have the highest rates of holdings in stocks and mutual funds, followed by White households.⁴⁵

When income is taken into account, evidence doesn't support that Black households have a lower saving rate than White households, and often have slightly higher savings rates.⁴⁶

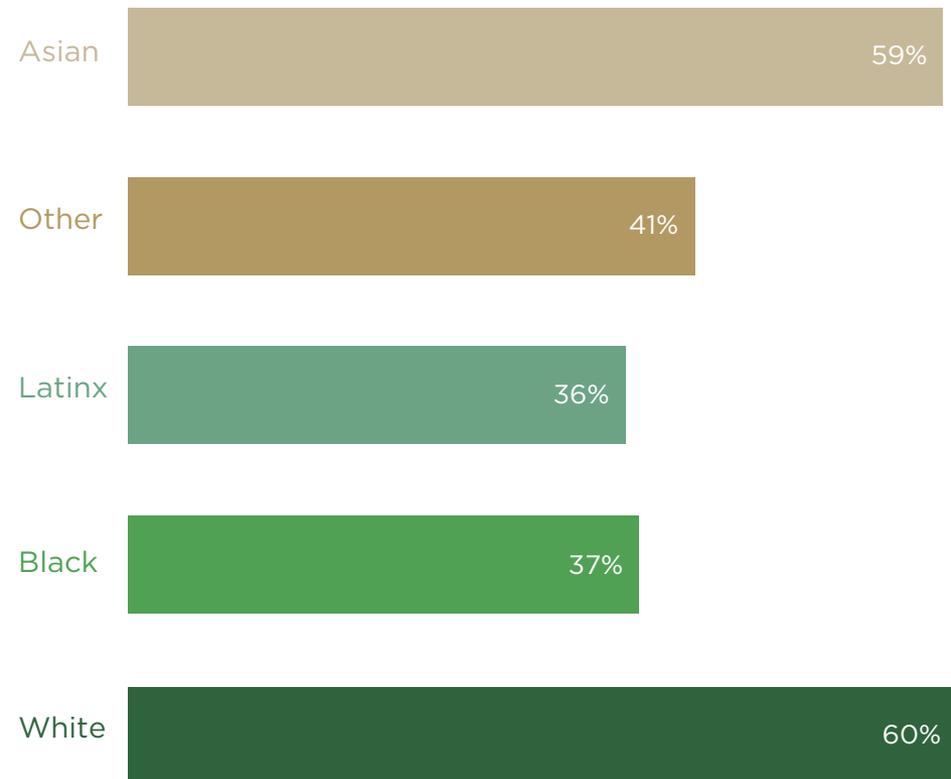
Black families save at about the same rate as White families when controlling for income.

⁴⁵ U.S. Census Assets and Wealth Tables, 2016

⁴⁶ Hamilton & Chiteji, 2013

Retirement Savings

U.S. Percent of Households
Any Retirement Savings, 2016



Over 60% of Black and Latinx households do not have retirement savings through traditional retirement accounts.

Nationally, more White and Asian households have retirement savings than Black and Latinx households.⁴⁷ However, once income is controlled for, Black families have similar rates of savings as White families and in some studies have a slightly higher rate of savings than White households.⁴⁸

Source: U.S. Census Bureau, *Asset & Wealth Tables, 2016*

⁴⁷ U.S. Census 2016

⁴⁸ Federal Reserve Board, 2019

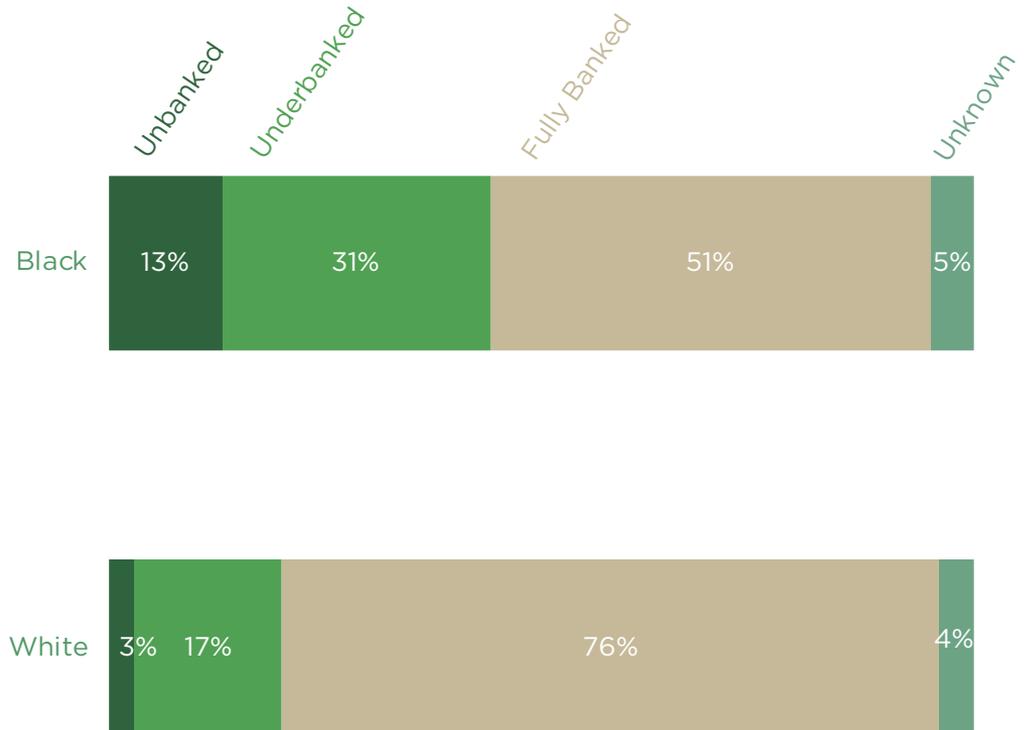
Banking Status

Charlotte-Concord-Gastonia MSA
Percent of Households, 2017

Black households are twice as likely as White households to be unbanked or underbanked in the Charlotte region.

Financial institutions offer the infrastructure to house and protect savings and other assets. Banks and credit unions provide access to loans, used to acquire assets such as vehicles or homes as well as help families avoid using costly check cashing services and payday loans.

Families remain unbanked or underbanked for a variety of reasons including distrust of banking institutions due to their history of exclusion through redlining and predatory lending practices.⁴⁹



Source: FDIC, 2013-17. Data note: Reliable data unavailable for Latinx, Asian, & Other households

⁴⁹ Williams, 2017

Intergenerational Transfer

Wealth is transferred from parents and grandparents.

Wealth begets wealth. Families with higher levels of wealth typically have the ability to pass some of that wealth on to their children or grandchildren through an inheritance or assistance with a down payment or higher education, putting those children in a better position to acquire their own assets and build wealth to then pass on to their children.

While wealth is typically transferred from a parent or grandparent to the next generation, financial support is also given by children to a parent or older family member. These types of family transfers and requests for help occur twice as often in Black and Latinx households than in White households. The lack of

intergenerational wealth places additional burden on these households.¹ Even though households of color generally have lower levels of wealth to begin with, Black households give twice as much as white households to parents and older family members.⁵⁰

Based on national pooled data from 1995 to 2016 from SCF, 88% of individuals who received an inheritance or living trusts transfers were white.⁵¹

Black families support parents or older family members twice as often as White families.

⁵⁰ Williams, 2017

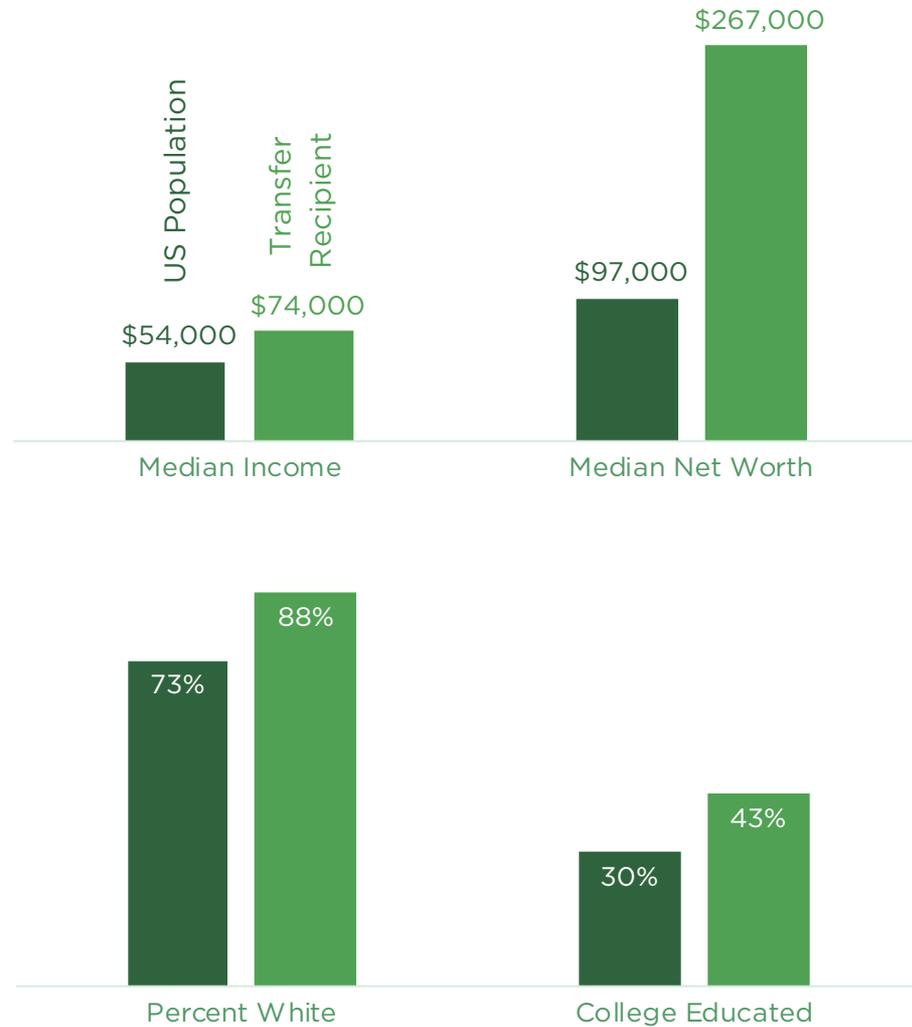
⁵¹ Feiveson & Sabelhaus, 2018

Transfer Recipients United States, 2018

From 1995 to 2016, 88% of individuals who received an inheritance or living trust transfers were White.⁵²

The median net worth of transfer recipients is \$170,000 higher than the overall population. Transfer recipients are more likely to be more highly educated, have higher incomes, and have higher wealth.

For all races and ethnicities, those living in the top ten percent of the income distribution are twice as likely to receive an inheritance, compared with those living in the bottom half of the income distribution.⁵³



Source: Feiveson & Sabelhaus, analysis of SCF data, 2018

^{52, 53} Feiveson & Sabelhaus, 2018

SCRIPTIONS



DRUGS

PHOTO

VITAMINS

Strategies to Close the Gap



Strategies to Close the Gap

Given the complexity of the racial wealth gap, how can Charlotte address it locally?

*Beatties Ford Road
business, 1961
Photo Credit: UNC
Charlotte Atkins Library
Special Collection*



The data that describe the racial wealth gap also suggest the difficulty in addressing it. Due to the multifaceted and cumulative nature of wealth, building capacity to attain or grow one asset – for example, earning a degree or buying a home – has not measurably shifted wealth disparities in the U.S.

Yet, most efforts to address economic stability focus on narrowing the gap in attainment rates for only one asset. Further, efforts predominantly focus on

attaining or building that asset by addressing the behaviors, values, or skills of individuals and households.

The data and historical context also suggest the difficulty of addressing the wealth gap locally when the mechanisms that caused and sustain the gap are rooted in governmental policies, often national policies, that are difficult to change.

Given the complexity of wealth disparities and the daunting

nature of the problem, how can Charlotte begin to close the wealth gap locally while awaiting more national and universal solutions? Several concepts can inform the strategies implemented at the local level:

First, **focus on fixing systems, not people.** As noted by Darity, Hamilton, and colleagues, while individual solutions are “not necessarily undesirable, they are wholly inadequate to bridge the racial chasm in wealth.”⁵⁴ Local proposals should instead challenge the way institutions and programs limit opportunities for households of color.

Second, **utilize a targeted universalism approach.** John A. Powell, a guest of the Charlotte Opportunity Task Force in 2015, describes the practice of setting goals that benefit all and then targeting strategies in order to create “structures and systems that advance all the groups to the universal goal.”⁵⁵ A goal of

economic prosperity for all Charlotteans will require various tailored strategies to address the particular systemic barriers faced by particular groups.

Finally, given the complex and cumulative nature of the racial wealth gap, **combine solutions** within and across systems, and in the case of the racial wealth gap, across generations. For example, children’s savings accounts paired with down payment assistance for the parent address multiple dimensions of the wealth gap. As Powell notes, it takes a “multiplicity” of strategies to get all groups to universal goals.

The remainder of the report briefly reviews strategies that have been proposed and/or researched to address the racial wealth gap or one of its component pathways.

⁵⁴ Darity et al., 2018

⁵⁵ Powell et al., 2019

System Strategies

Baby Bonds

The Racial Wealth Gap is fundamentally a structural problem, reflecting the cumulative impact of historic and current disparities in multiple systems. The following strategies or policy proposals address disparities in one or more systems. These strategies may offer insight into local efforts to address the racial wealth gap.

Baby Bonds are substantial and universal children’s savings accounts established at birth, that can grow with federal guarantees of at least 1.5-2% annually. Bonds would range between \$500 and \$50,000, with average trusts at \$20,000 per child. The amount in trust would depend on the net worth of the child’s family. In adulthood, these seeded trusts can be used for long-term investments for wealth-building purposes. Baby Bonds don’t require parents to contribute additional savings to receive the maximum benefit.

- TedTalk: [How “baby bonds” could help close the wealth gap \(2018\)](#) by Darrick Hamilton.
- Columbia University, Center on Poverty and Social Policy: [Universal Baby Bonds Reduce Black-White Wealth Inequality. Progressively Raise Net Worth of All Young Adults \(2018\)](#) by Naomi Zewde
- Prosperity Now: [Quick Guide to CSA Research \(2018\)](#) by Shira Markoff et al.

Universal Basic Income

UBI proposals guarantee a minimum, regular income per individual. The income, its frequency, and duration vary by proposal. UBI proposals address poverty alleviation and the lack of income to meet basic needs but do not alone address wealth disparities.

- Stanford Basic income Lab: A review of [Basic Income Experiments](#).
- [Disrupting the Racial Wealth Gap](#) by Melvin Oliver and Thomas Shapiro

Federal Job Guarantee

FJG proposals provide universal job coverage to individuals that are seeking employment. A minimum wage would be over the poverty level and indexed to inflation. A national jobs corp would provide socially useful goods and services, including physical and human public infrastructure.

- Center on Budget and Policy Priorities: [The Federal Job Guarantee – A Policy to Achieve Permanent Full Employment \(2018\)](#) by Mark Paul et al.

Universal Retirement Accounts

URAs would be federally regulated retirement plans that provide a savings infrastructure for all workers. Workers would be automatically enrolled with an option to opt-out and could also provide a matching component.

- The Brookings Institution, The Hamilton Project: [Building on What Works: A Proposal to Modernize Retirement Savings](#) by John N. Friedman

Minority Business Capitalization & Support

Strengthen policies and programs that invest in developing, sustaining, and growing minority-owned businesses including expanded access to capital through loans, grants and venture capital and support for alternative community business structures like neighborhood cooperatives.

- Center for Global Policy Solutions: [A Policy Agenda for Closing the Racial Wealth Gap](#)

Employee Ownership Conversion

EOCs are business ownership transitions that allow employees to build assets, maintain income, prevent the closure of local businesses when owners retire, and potentially transfer White ownership to employees of color. There are two types of conversions. Worker-Owned Cooperatives and Employee Stock Ownership Plans (ESOP).

- North Carolina Justice Center: [Down Home Capital: How Converting Business into Employee-Owned Enterprises can Save Jobs and Empower Communities \(2016\)](#) by Patrick McHugh.
- [Employee Ownership, ESOPs, Wealth, and Wages \(2016\)](#) by Jared Bernstein.

Postal Banking

To address the financial services needs of the unbanked or underbanked, the United States Postal Service would offer an array of basic banking services, including access to small loans at affordable rates.

- Harvard Law Review Forum: [It's Time for Postal Banking: The USPS should Help Extend Credit to the Unbanked Population](#) by Mehrsa Baradaran
- [Ten Solutions to Bridge the Racial Wealth Divide \(2019\)](#) by Collins et al.

Criminal Justice Reform & Smart Decarceration

Reduce disparities in sentencing and incarceration, including programs that prepare returning citizens.

- Institute for Justice Research and Development: [Guideposts for the Era of Smart Decarceration](#) by Carrie Pettus-Davis et al.
- The Rand Corporation: [Evaluating the Effectiveness of Correctional Education: A Meta-Analysis of Programs that Provided Education to Incarcerated Adults](#) by Lois Davis et al.

Access to Higher Education & Student Loan Forgiveness

Advance policies that make public colleges and universities less expensive for students from low-income and low-wealth households, including targeted student debt forgiveness programs.

- [The Effects of Debt Relief on the Student Loan Market](#) by Marco Di Maggio et al.
- Center for Global Policy Solutions: [A Policy Agenda for Closing the Racial Wealth Gap](#)
- Institute on Assets and Social Policy: [Equitable Investments in the Next Generation: Designing Policies to Close the Racial Wealth Gap](#) by Laura Sullivan et al.

Homeownership and Housing Policy Solutions

Address the housing and lending practices which limit the asset appreciation of the housing stock and financial products available to certain populations, from enhancement and enforcement of fair housing practices to a modern Homestead Act.

- Prosperity Now: [Black Homeownership: How Do We Fix What's Wrong? \(2019\)](#) by Pamela Agava
- The Great Democracy Initiative: [A Homestead Act for the 21st Century](#) by Mehrsa Baradaran

Asset-Building Reinvestments

Tax expenditures are more equitably shifted toward wealth-building for low-wealth families including revision of such wealth building tax code programs like the mortgage tax deduction.

- CFED and The Annie E. Casey Foundation: [Upside Down \(2010\)](#) by Beadsie Woo and Jillien Meier

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Appendix

Race and Ethnicity

Race and ethnicity are categorized differently across data sources, creating a challenge for comparing and reporting categories. Some important points to consider:

First, various terms are used to refer to individuals with ethnic origins in Latin American countries. We use the gender neutral term Latinx in this report.

Second, unless otherwise noted, households include only the single racial/ethnic categorization of the head of household instead of the potential diversity within the household.

Third, the data sources used in this report provide insight about the wealth experiences of broad racial and ethnic categories. Unfortunately, racial and ethnic subgroups are often aggregated together, limiting the ability to accurately describe differences within racial and ethnic groups.

Below we describe the race and ethnicity categories for each data source in the report:

Consumer Financial Protection Bureau Home Mortgage Disclosure Act:

American Indian or Alaska Native, Asian, Black, Native Hawaiian or Other Pacific Islander, White, and Hispanic or Latino. All available categories used in analyses for this report. No changes in categories 2007-2017.

Federal Deposit Insurance Corporation (FDIC): Black, Hispanic, Asian, White, and Other. Data from 2013-2017.

Due to small sample sizes, only White and Black categories were used in analyses for this report.

Federal Reserve Bank, Distributional Financial Accounts: As of 1989-White, Black, Hispanic, and Other. All

available categories used in analyses. No change 1989-2016.

Federal Reserve Bank, Survey of Consumer Finances (SCF):

White non-Hispanic, Black or African American non-Hispanic, Hispanic or Latino, and Other or Multiple Race. Asian grouped into Other or Multiple Race category. No changes 1989-2016. All available categories were used in analyses of SCF data for this report.

Institute on Assets for Social Policy (IASP) and National Low Income Housing Coalition (NLIHC):

White, Black, Latino, Asian, Other Races. Initial analysis performed by IASP and NLIHC of SIPP data and adapted for this report. Data from 2015.

Opportunity Insights: Asian, Black, Hispanic, White. Does not include Other category. Data does not account for households outside of these groups. No change 2010-2017.

Prosperity Now: White non Hispanic, Black, Asian, and Latino. Also includes Households of Color, combining all nonwhite households. Initial analyses performed by Prosperity Now and adapted for this report. Groups as of 2014.

U.S. Census Bureau, American Community Survey (ACS):

White, White alone not Hispanic or Latino, Black, American Indian or Alaska Native, Native Hawaiian and Other Pacific Islander, Some other race, Two or more races, and Hispanic or Latino origin. No changes 2009-2017. For research comparison purposes, analyses of ACS data in this report include White not Hispanic or Latino, Black, Asian, and Hispanic or Latino.

U.S. Census Bureau, Asset and Wealth Tables: White, White not Hispanic, Black, Asian, Other (residual), Hispanic origin. Data from 2016. Analyses of data used

in report include all available categories, except for White alone because it was necessary to differentiate between White households with and without Hispanic and Latino origin.

U.S. Census Bureau, Survey of Income and Program

Participation (SIPP): White only, Black only, Asian only, Hispanic or Latino, and Residual (Other). No direct analysis of SIPP data on this report. Used an analysis by Prosperity Now that grouped Asian only into Other (residual). Most recent data, 2014.

U.S. Census Bureau, Survey of Business Owners (SBO): Uses 20 categories of race and ethnicity. If more than one race or ethnicity was reported, responses were tabulated in more than one group. Tabulations weighted by the reciprocal of the firm's probability of selection. Categories updated in 2007. Analyses of SBO data for this report used White, Black,

American Indian or Alaska Native, Asian, and Hispanic or Latino.

Urban Institute: Debt in America Dashboard categorizes data into White and Nonwhite, based on county or state zip codes that are predominantly White (at least 60 percent of the population is white) or predominantly Nonwhite (at least 60 percent of the population is Nonwhite). Data recent as of 2018.

University of Michigan, Panel of Income Study Dynamics (PSID): White, Black/ African American/or Negro, American Indian or Alaskan Native, Asian, Native Hawaiian or Pacific Islander, Other. No direct analysis done with this data in report. Categories updated in 2007.