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United States House of Representatives Committee on Financial Services**

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Examining the Racial and Gender Wealth Gap in America

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Asset Funders Network



WOMEN AND WEALTH

INSIGHTS FOR GRANTMAKERS

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Women are now more likely to go to college than men, and families are more likely to rely on women's earnings than ever before. Two-thirds of mothers are either the sole breadwinners, primary breadwinners (earning as much or more than their partners), or co-breadwinners (earning 25-49% as much as their partners).¹ The economic security of today's families rests more on the shoulders of women than ever before. While we are accustomed to using income to measure financial well-being, income inequality is just the tip of the iceberg.

By 2014, the public began to scrutinize the extent of wealth inequality in the United States and raised the collective awareness that wealth is distributed far more unequally than income. More people across the country now realize that the current economic system is working to their disadvantage. But both the extent and the consequences of the women's wealth gap have been largely missing from public attention on wealth inequality. Instead, we have focused primarily on the wage gap to understand how women fare economically and as a result, we have underestimated and sometimes even misunderstood women's financial situation.

Our understanding of women's economic status is incomplete without taking wealth into consideration. Grantmakers interested in impacting the future of children, families, and our nation must have an understanding of the women's wealth gap when making investment decisions. Investing in strategies that promote women's asset building, increase financial stability, and

help women build a solid financial base for themselves and their families will not only improve women's financial status, but also the financial status of subsequent generations and our nation's economy. What's good for women is good for our nation.

The information and best practices contained in this issue brief will provide funders with the tools for maximizing the impact of their investments in a more socially and economically just society. The women's wealth gap lies at the heart of other social inequities impacting children, families, and our nation. When the lens of the women's wealth gap is used, new and more impactful programming decisions emerge to support a more equitable future that benefits everyone.

INVESTING IN STRATEGIES that promote women's wealth not only improves women's financial status, but also the financial status of subsequent generations and improves our nation's economy.



WEALTH reflects our ability to invest in our own future and the future of our children.

WHAT IS WEALTH?

WEALTH IS THE VALUE OF ASSETS MINUS DEBTS.

Wealth provides an overview of financial health; it represents our ability to deal with the economic consequences of illness, unemployment, and financial emergencies. Wealth also reflects our ability to invest in our own future and the future of our children.

COMMON TYPES OF ASSETS INCLUDE:

- ◆ Cash
- ◆ Investments
- ◆ Retirement accounts such as IRA and 401(k) accounts
- ◆ Real estate
- ◆ Business assets

COMMON DEBTS INCLUDE:

- ◆ Mortgages
- ◆ Credit card debt
- ◆ Education debt
- ◆ Vehicle loans

WEALTH IS AN ASSET.

WEALTH PROVIDES:

- ✓ A reservoir that can be drawn upon in times of need
- ✓ A better future for our children
- ✓ Support in old age

“WITH NEARLY HALF OF MOTHERS positioned as the sole or primary breadwinner for their families, the advancement of our nation relies on women more than ever before. We are dedicated to investing in programs that positively impact and improve economic security and wealth for women and girls.”

DENA L. JACKSON
V.P. GRANTS & RESEARCH, DALLAS WOMEN'S FOUNDATION

WEALTH: WOMEN VS. MEN

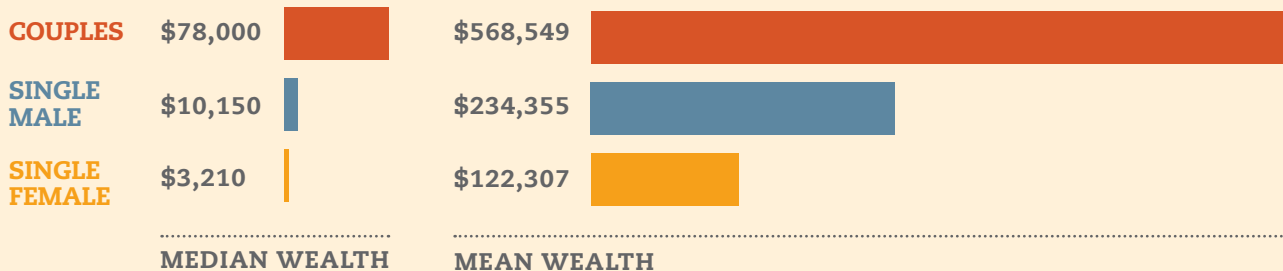
We all know that the middle class is shrinking and wealth inequality has been growing. Perhaps what is less known is how wealth inequality affects men and women differently. Analyses of the newly released 2013 Survey of Consumer Finances data² reveal that during their working years, the median wealth for single women is \$3,210, whereas single men have a median wealth of \$10,150. Single women have only 32 cents for every dollar of wealth owned by single men.

Couples, especially those who are married, are generally wealthier than singles, in part because higher-income people are more likely to marry and because of the wealth-enhancing benefits of marriage such as economies of scale, and more favorable tax treatment.⁴

However, low-income couples do not reap the same level of economic benefits from marriage as higher-income couples and marriage is not the remedy for the wealth gap. Women now spend more years single than married.⁵ Even during marriage, women have less control over wealth.⁶ To understand the economic situation of women, we cannot assume that marriage will solve their financial struggles. This is especially true for low-income women who are the most financially vulnerable and who are less likely to reap the same wealth-enhancing benefits of marriage as those with higher incomes.⁷

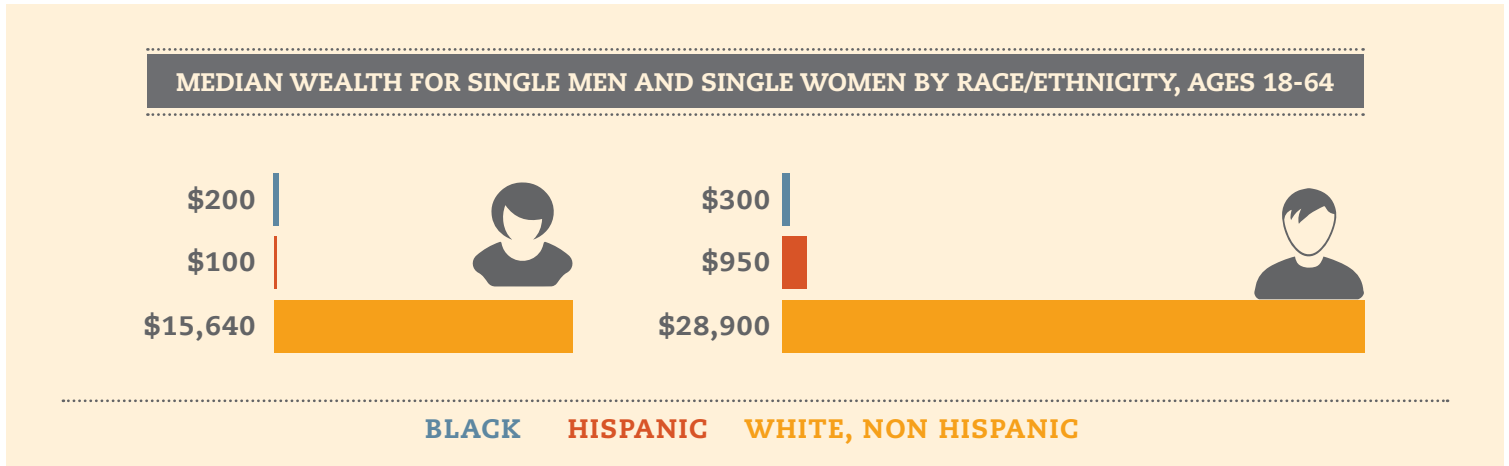
For grantmakers concerned with the well-being of women, low-income families, and children, the women's wealth gap is of paramount importance.

MEAN AND MEDIAN WEALTH FOR COUPLES, SINGLE MEN AND SINGLE WOMEN, AGES 18-64



THE IMPACT OF RACE

Women of color experience both a gender wealth gap and a racial wealth gap.⁸ The historical legacy of the racial wealth gap⁹ in combination with the women's wealth gap leaves women of color with the least amount of wealth. Single Black women have a median wealth of \$200 and single Hispanic women \$100, less than a penny for every dollar of wealth owned by single White non-Hispanic men.¹⁰

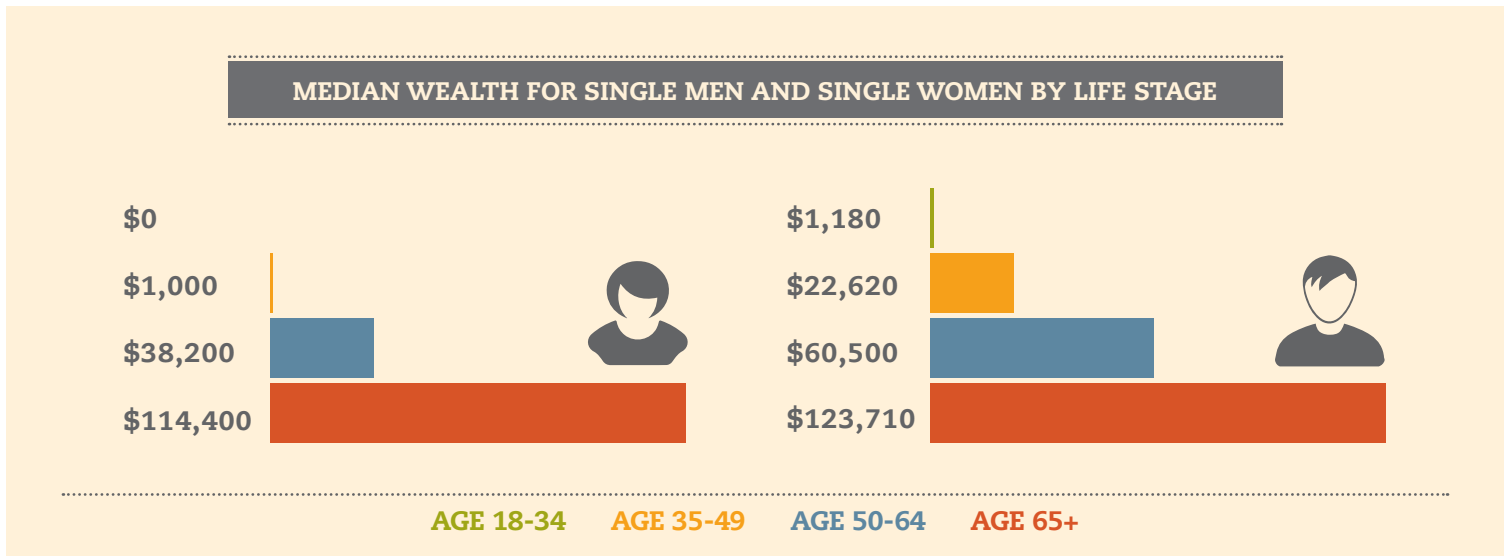


THE WEALTH GAP THROUGHOUT WOMEN'S LIFE CYCLE

While wealth generally increases with age, a wealth gap persists across the life cycle. Moreover, young women are now being hit especially hard. Millennial women have a median wealth of zero and women ages 35-49 have a median wealth of \$1,000 (only 4% as much as men ages 35-49). Millennial women are more likely to have education debt than millennial men (49% versus 32%, respectively) and more likely than men to be custodial parents, limiting their ability to build wealth.

The wealth gap appears to narrow substantially for women in retirement, but this is deceptive—reflecting more of a byproduct of demographics. Because women generally live longer than men, the composition of single women in the older age group shifts to encompass a higher percentage of widows, who generally have higher wealth than divorced and never-married women because they have inherited the wealth benefits of marriage. Thus, it is a mistake to conclude that all women in retirement are faring as well as men.

In fact, women are more likely than men to rely on Social Security for the majority of their income in retirement and receive far less income in retirement than men.¹¹ Coupled with their higher life expectancy and lower retirement incomes, women must rely more heavily on savings to support themselves. Consequently, a truer understanding is that older women need more wealth to cover their retirement years, making the gender wealth gap greater than it appears for seniors.

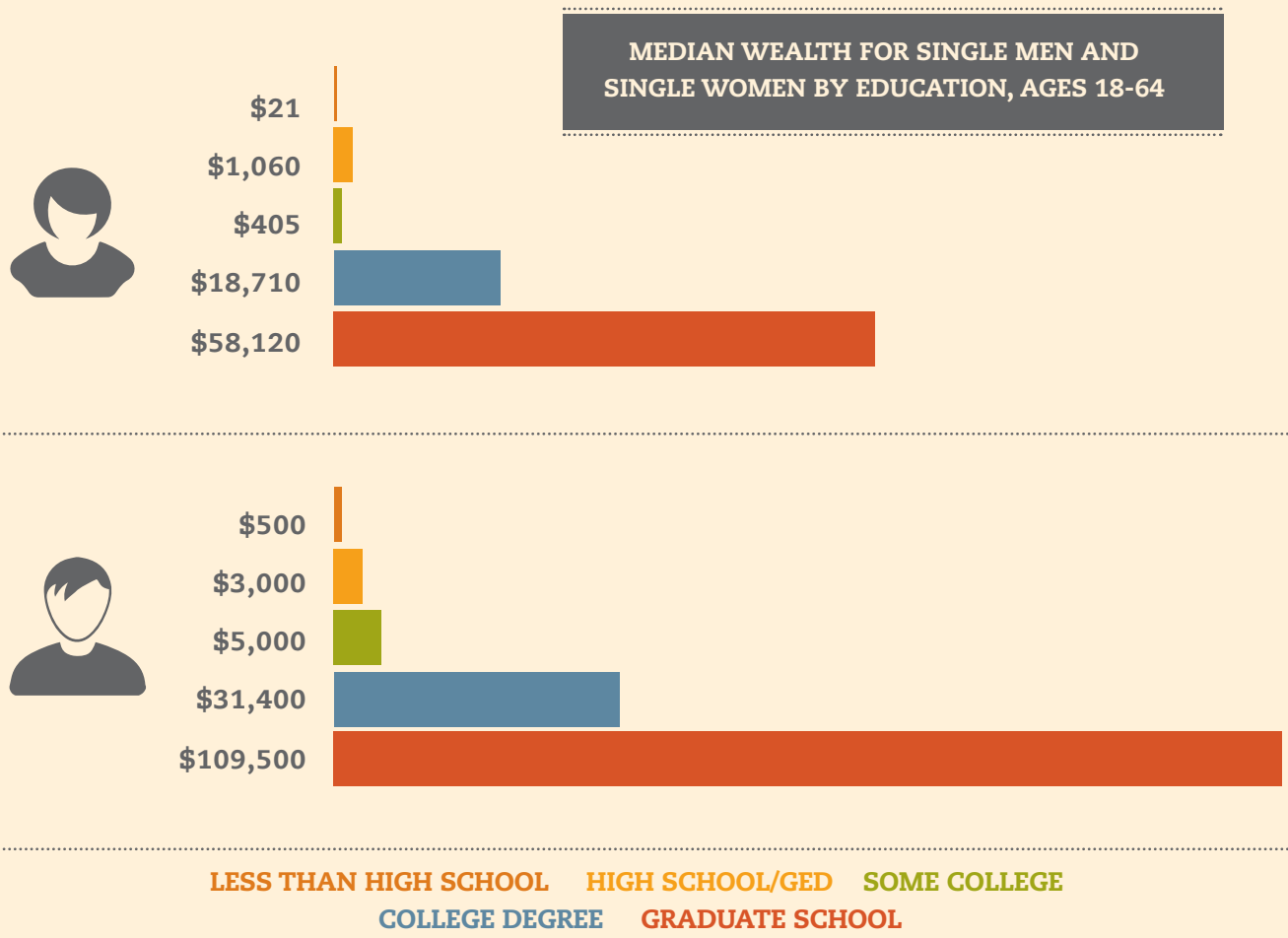




THE DIFFERENCE IN WEALTH between men and women increases dramatically as education increases.

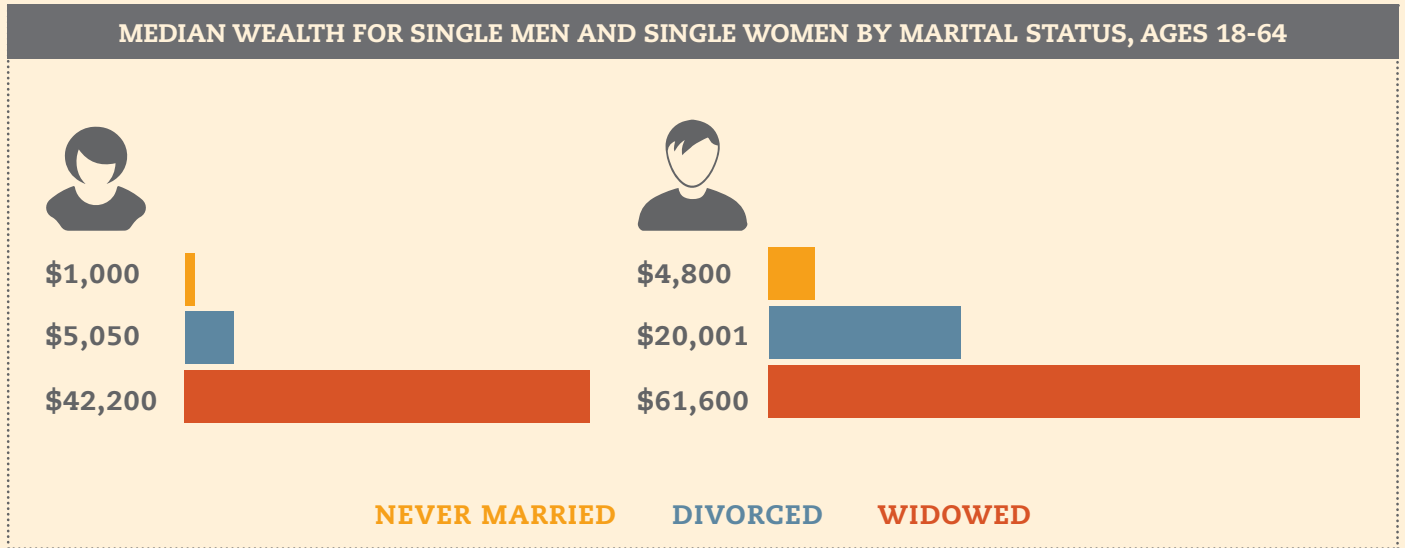
EDUCATION

We would all like to think that higher education and higher wealth go hand in hand, but the wealth benefits of education are not equal. The difference in wealth between men and women increases dramatically as education increases. The median wealth for men with a high school diploma is almost \$2,000 more than women, and at the graduate school level the median wealth for men is more than \$51,000 higher than women with the same level of education.

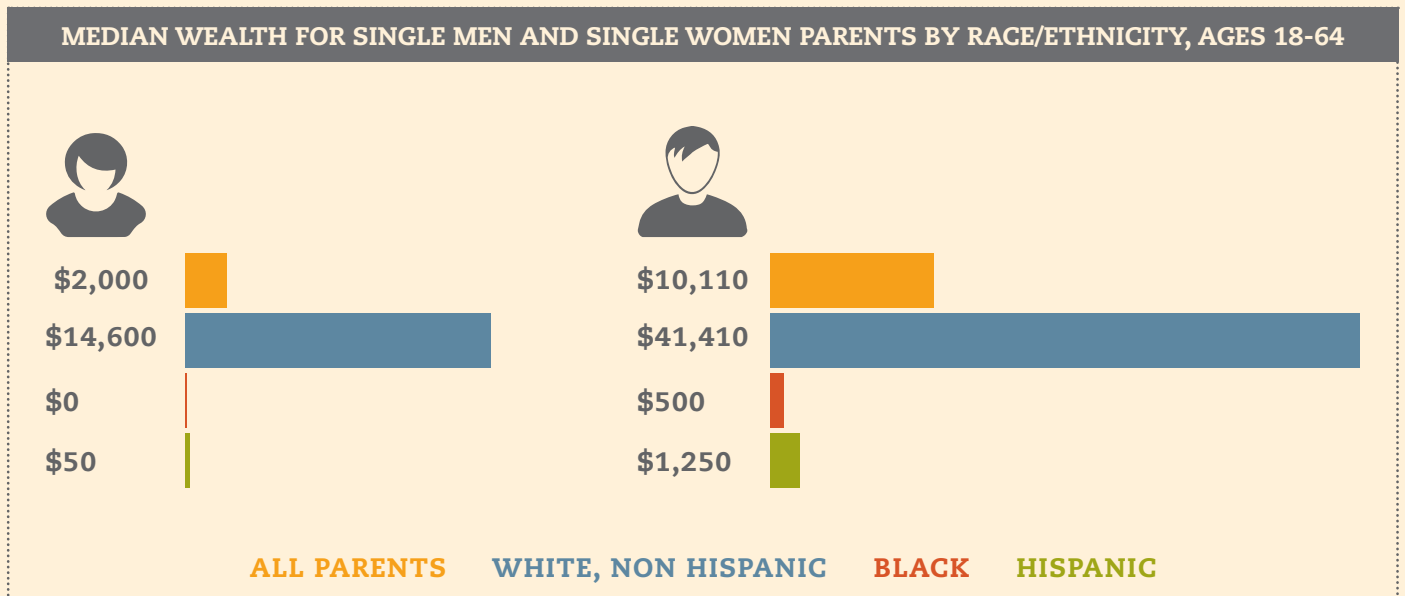


MARITAL AND PARENTAL STATUS

Marrying and having children also affect women’s wealth. Because of the wealth advantages of marriage (and because higher-income people are more likely to marry), women who have been married generally have higher wealth than those who have never married.¹² Widowed women under age 65 also generally have higher wealth because, as a group, they tend to be older than people who are never-married or divorced and because marital assets were passed to the surviving spouse rather than being divided, as in the case of divorce.

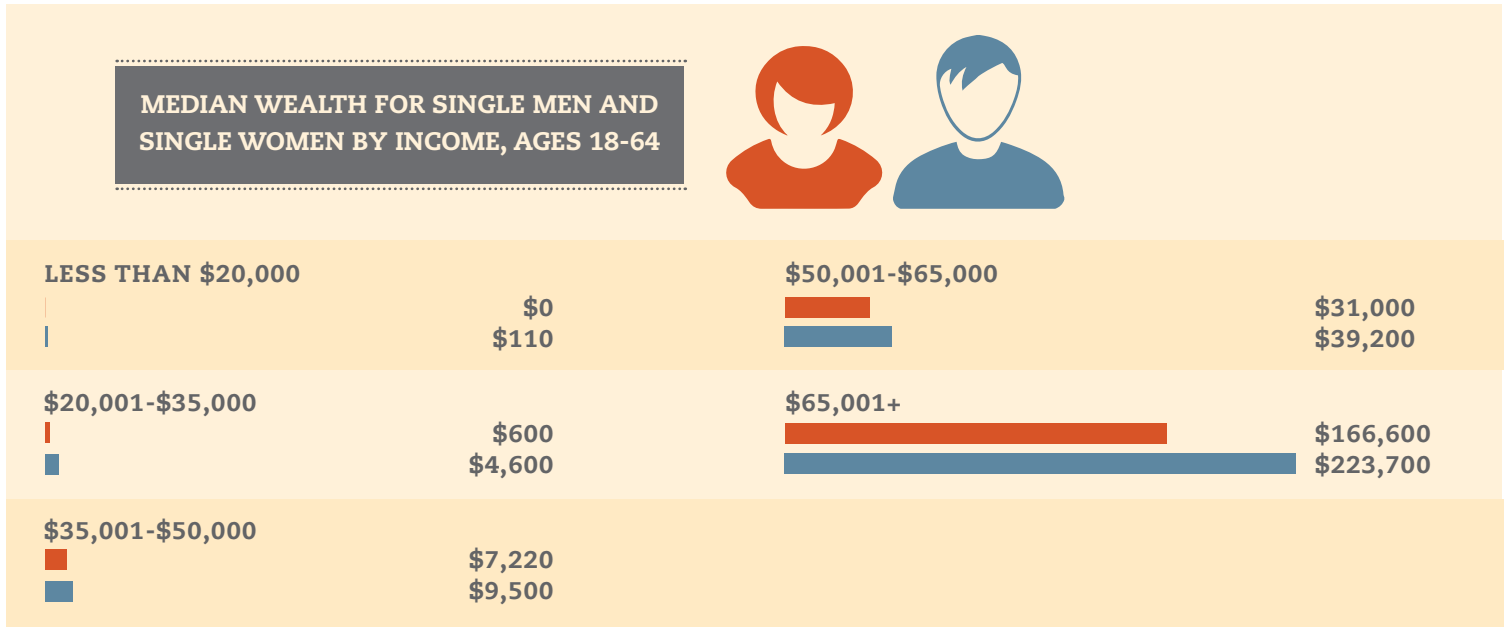


Single mothers also have less wealth than women who are not mothers, due to the additional expenses of raising children and the impact that children have on wages.¹³ The wealth tax on mothers is especially high. Mothers have only 20% as much wealth as fathers and the gender wealth gaps for Black and Hispanic women who are mothers are severe. Mothers who are Black or Hispanic have a median wealth of \$0 and \$50 respectively. Mothers who are also women of color face the triple wealth disadvantage of the gender wealth gap, racial wealth gap, and motherhood wealth tax.



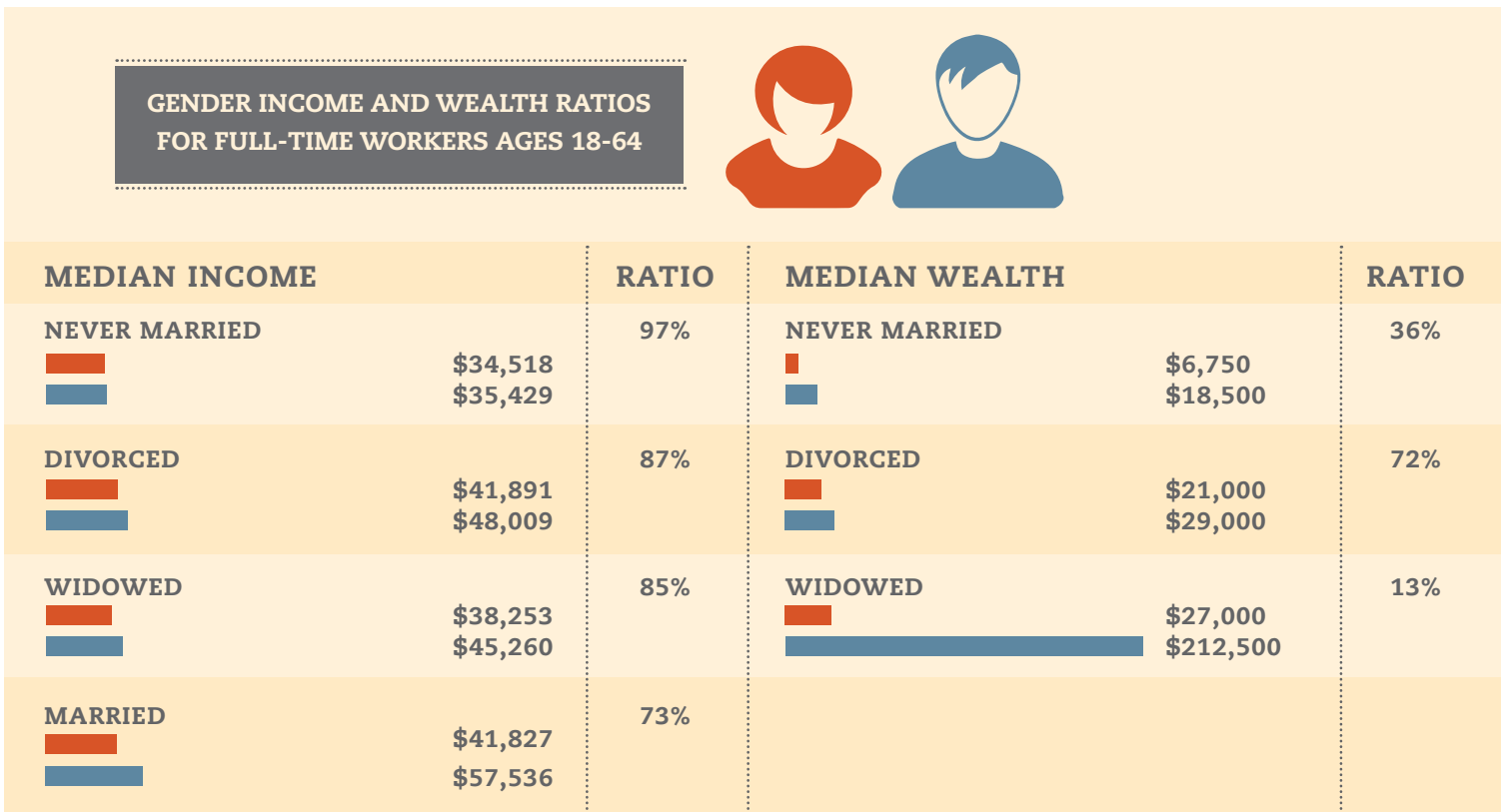
INCOME

Wealth generally increases with income, but women at every income level have less wealth than men.



In fact, if we use only the income gap as our lens for women’s financial status, we not only underestimate women’s economic vulnerability, but we also fail to see substantial inequities for groups in which the income gap has almost closed. Never-married women working full time earn 97% as much income as never-married men working full time. However, even though never-married women working full time have almost closed the income gap, they still only have about one-third of the wealth of never-married men. If income were our only lens, we would incorrectly surmise that the financial situation of never-married women was just about equal to never-married men.

The differences between the gender income and gender wealth gaps reveal that income inequality is not the only cause of the wealth gap. Reducing the women’s wealth gap will require strategies beyond closing the income gap.





WOMEN are more likely to find they have higher debt because they have lower incomes and because of the financial burden of parenthood.

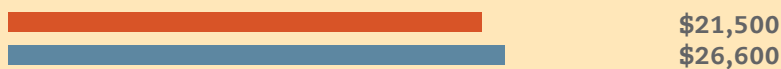
ASSETS AND DEBTS

Women and men are equally as likely to own the most common types of financial assets. Women are less likely to own business assets, stocks, and other residential real estate, but they are more likely to own their own homes, have cash-value life insurance, and retirement accounts. Women are active asset builders, although the median value of their assets is lower when they do own them.

ASSET OWNERSHIP OF SINGLE MEN AND WOMEN, AGES 18-64



MEDIAN VALUE OF ASSETS



HAVE LIQUID ASSETS¹⁵



RETIREMENT ACCOUNTS



CASH VALUE LIFE INSURANCE



STOCKS



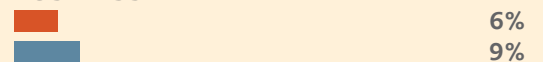
HOME



OTHER RESIDENTIAL REAL ESTATE



BUSINESS

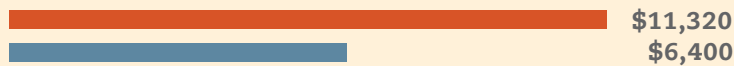


Wealth is also a function of debt. Women are being weighed down by a debt anchor. Women are more likely to have every type of debt and the median debt for women is 177% higher than the median debt for men. Higher debt-to-asset ratios and higher debt-to-income ratios hit women hard and prevent them from building wealth.

DEBT OWNERSHIP OF SINGLE MEN AND WOMEN, AGES 18-64



MEDIAN VALUE OF DEBTS



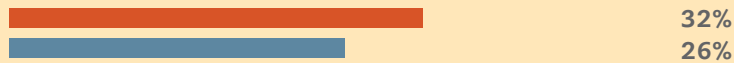
DEBT TO ASSET RATIO



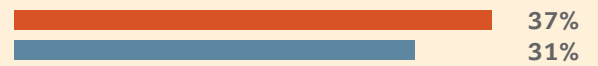
DEBT TO INCOME RATIO



MORTGAGE DEBT



CREDIT CARD DEBT



VEHICLE DEBT



EDUCATION DEBT



OTHER



Women are more likely to find they have higher debt because they have lower incomes and because of the financial burden of parenthood. Research by the American Association of University Women, for example, finds that the gender pay gap significantly increases the student debt burden for women as early as their first year after college graduation (and that the gender pay gap remained even after taking into account college major, occupation, and hours worked).¹⁶ As a result, women pay a higher percentage of their incomes to student loan debt every month, leaving less income to meet expenses and to save and invest. A lower income also makes it more difficult for women to finance other purchases, such as vehicles, and to make ends meet generally, resulting in higher debt overall.

REASONS FOR THE WOMEN'S WEALTH GAP

INCOME GAP. While the income gap is not the sole cause of the women's wealth gap, it no doubt contributes. Closing the income gap is an important step toward eliminating the women's wealth gap, but is insufficient for closing the wealth gap because (a) women are more likely to be single parents and have more people to support with their incomes; and (b) more women lack access to the wealth escalator (employment-related fringe benefits, favorable tax codes, and valuable government benefits, which will each be explained below) that helps translate income into wealth more effectively.

PARENTHOOD. Two or more cannot live as cheaply as one. Because women are more likely to have custody of children, their income must support more people. Even if women and men had equal incomes, women will have less money left over to save and invest if they are supporting more people with their paychecks.

The price of parenthood has also increased, making it increasingly difficult for single parents to make ends meet. For instance, while the median income declined between 2000 and 2012, the cost of medical care increased by

THE WEALTH ESCALATOR



GOVERNMENT BENEFITS

- ◆ Unemployment insurance
- ◆ Social Security
- ◆ Welfare

FAVORABLE TAX BREAKS

- ◆ Capital gains tax
- ◆ Tax credits

FRINGE BENEFITS

- ◆ Paid vacation days
- ◆ Health insurance
- ◆ Stock options

21%, child care increased by 24%, and higher education increased by 62%,¹⁷ rendering single mothers with fewer resources to meet the basic needs of medical care, child care, and higher education for themselves and for their children.

The burden of child care for low-income parents is particularly steep. Families with incomes below the poverty level spend 36% of their income on child care expenses and low-income, working-class families living at 100-199% of the poverty level spend 20% of their income on child care.¹⁸ The high cost of child care leaves low-income working parents, and especially single parents, with little money left over to make ends meet and likely leaves next to nothing left over to save or invest.

LACK OF ACCESS TO THE WEALTH ESCALATOR. Women are also less likely to have access to the wealth escalator, a term coined in *Shortchanged: Why Women Have Less Wealth and What Can Be Done About It*,¹⁹ to describe the mechanism that gives some people a wealth-building advantage that others do not receive. The wealth escalator is comprised of employment-related fringe benefits, valuable government benefits, and favorable tax breaks that allow some to turn their income into wealth more quickly.

Women are more likely to work part time and in jobs where they do not have valuable wealth-enhancing fringe benefits such as employer-sponsored retirement plans and health insurance.²⁰ Low-income women and

women of color are even less likely to work in jobs with these types of fringe benefits.

Women also receive less social security benefits during retirement because their lower wages and years out of the labor force or working part time reduces their average benefits. Ironically, because women have lower incomes, they actually need to save more for retirement to compensate for the lower social security benefits they will receive based on their lower wages.

Women are also underrepresented among the wealthiest Americans who receive the most money in tax breaks. For example, the top 1% receive \$95 billion in federal tax benefits (more than the bottom 80% combined) and more than 26 times more than the bottom 20% who receive \$3.6 billion total in benefits.²¹ The higher the income, the higher the tax benefit. Women, who have lower incomes and less wealth, benefit less from the current tax program of tax credits, deductions, exclusions, exemptions, deferrals, and lower tax rates. Those with low incomes (disproportionately women) are also hit harder than those with high incomes, paying a higher percentage of their incomes in state and local income and sales taxes. The poorest 20% pay about 11% of their income in state and local income taxes and sales taxes whereas the top 1% pays 5%.²²

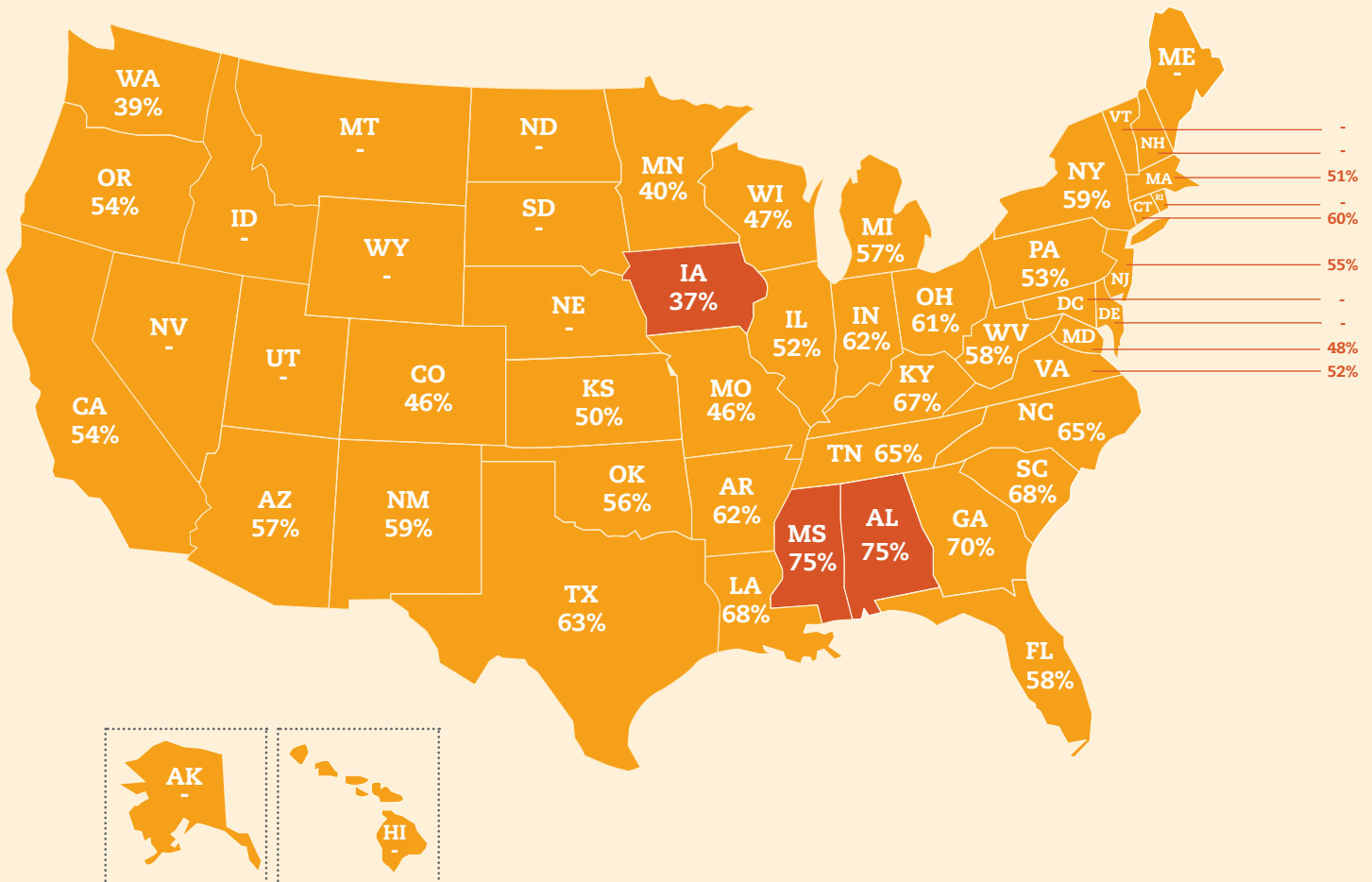
Differential access to the wealth escalator cements other inequities into place, magnifying the impact of the gender income gap and the motherhood wealth tax.

STATE-LEVEL VARIATION

Using the U.S. Census Bureau's Survey of Income and Program Participation, the Corporation for Enterprise Development has provided state-level data on the percentage of single female households experiencing liquid asset poverty. Liquid asset poverty refers to not having sufficient liquid assets to subsist at the poverty level for three months in the absence of income.

Fifty-seven percent of single female households in the United States do not have sufficient savings to live for three months at the poverty level if they lost their source of income. To put it another way, the majority of single female households are on the brink of financial disaster if they lose their jobs. There is wide variation across states in the vulnerability of single female households, ranging from a low of 37% in Iowa to a high of 75% in Mississippi and Alabama.

PERCENT OF SINGLE FEMALE HOUSEHOLDS
WITH LIQUID ASSET POVERTY²³



IMPROVING WOMEN'S WEALTH BENEFITS CHILDREN AND THE NATION

Eliminating the women's wealth gap is likely to yield significant benefits to children, families, and our nation's economic growth. For example:

- ◆ Closing the gender wage gap would cut the poverty rate in half for working women and their families *and* add nearly half a trillion dollars to the nation's gross domestic product.²⁴ Because wealth inequality is even greater than income inequality, closing the wealth gap is likely to yield even larger impacts on the poverty rate and the nation's gross domestic product.
- ◆ With increased assets, health insurance and medical care will become more affordable, leading to greater employee productivity, reduced costs of long-term and preventable medical problems, and less drain on means-tested medical programs.
- ◆ Improving women's wealth will improve children's educational and health outcomes. Household wealth affects children's early educational attainment and health outcomes and parental assets are among the strongest predictors of attending and graduating from college.²⁵ The children of single mothers with assets are more likely to graduate from high school and have higher grade point averages, even when controlling for other important characteristics that predict educational attainment.²⁶ Improving women's wealth will carry forward to future generations.
- ◆ Civic engagement and political participation is positively associated with home ownership and wealth.²⁷ Increasing women's and families' asset ownership may therefore carry over to a more civic-minded society and enhance the political voice of groups who have been politically disenfranchised.

GRANTMAKING BEST PRACTICES

Funders play a critical role in supporting the types of activities that will be catalysts for change to reduce the women's wealth gap and support the financial well-being of our nation's families. Grantmakers can leverage their funding, authority, and convening ability to build key relationships that will help direct our nation's response to economic inequality. Investing in asset building with a gender lens will help level the playing field and will strengthen our society. Examples include:

1

ADDRESS THE "COSTS" THAT LIMIT THE ABILITY OF WOMEN TO BUILD WEALTH

MAKE CHILD CARE AFFORDABLE AND AVAILABLE

The costs of child care generally fall more heavily on women than men, thereby reducing the dollars available for investment and wealth building. Child care costs are particularly steep for lower-income parents.

Programs that increase access to quality child care for lower-income parents allow for greater educational and employment opportunities and advancement, improving economic stability and the potential for building assets.

- ◆ **Child Care Subsidy Bridge.** The wait time for child care subsidies to become available differs from state to state. In Texas, for example, the average wait time to receive

child care subsidies is six months. Because women may not have sufficient financial resources to pay for child care while they wait for approval, they must either turn down employment or educational opportunities, incur more debt, or choose less reliable and less desirable options for child care. The lack of affordable child care often reduces women's options for employment or education, affecting their family's long-term financial well-being.

The Dallas Women's Foundation has partnered with Educational First Steps to develop and pilot a Child Care Subsidy Bridge that would cover the portion of child care costs that a state subsidy would cover while single mothers are on the subsidy waiting list. This innovative intervention increases opportunities for advancement and employment (and improves options for reliable and safe child care) while increasing financial well-being and the opportunity to enhance savings and asset-building.

SUPPORT AFFORDABLE COLLEGE COMPLETION

The cost of higher education increased by 62% between 2000 and 2012.²⁸ As women are increasingly attending college, they are also acquiring education debt. Millennials in particular are struggling under the weight of student debt. Women, and especially women of color, are disproportionately attending for-profit colleges, where they accumulate higher debt and are less likely to graduate (and thus do not end up with a degree to help them repay their debt). Navigating the process of financial aid and education loans are challenging for most people, but are particularly challenging for low-income families, first-generation college students, and single parents who are trying to balance earning a degree while raising children. Innovative strategies on how to pay for college and reward completion are needed to address the needs of students who are low-income, first-generation, and parents (the majority of whom are women).

- ◆ Grants awarded to non-profits by the **College Futures Foundation** in California finance college scholarships, provide financial aid advising, help students complete the Free Application for Federal Student Aid (FAFSA) to help them qualify for public financial aid, and provide support services to increase graduation rates. The collective impact of these programs tackles the women's wealth gap on several levels: They help encourage women from low-income and underrepresented groups to attend college, help them access public financial aid, help reduce the amount of education debt, and help students graduate from college and thus earn higher incomes.

Women, and especially low-income women, need opportunities to build a range of assets, from cash accounts to homes to retirement accounts. Programs that help women create a strong financial foundation are critical for closing the women's wealth gap.

SUPPORT FINANCIALLY SOUND HOMEOWNERSHIP

Homeownership with sound financing remains one of the largest reservoirs to build and gain wealth and financial stability for American families. Unfortunately in today's economy, homeownership and its wealth-building power is inequitably distributed. Indeed, homeownership is often out of reach for low-and-middle income families and women-led households.

In fact, women and people of color who do try to achieve the American dream of homeownership find that they are targeted for subprime loans and that the higher interest rates make it more difficult to build home equity while leaving them much more vulnerable to foreclosure.²⁹

- ◆ **Choose to Own.** The Choose to Own Homeownership Program is offered through the U.S. Department on Housing and Urban Development, the Chicago Housing Authority, and is enhanced through philanthropic partners like the MacArthur Foundation and the United Way of Metropolitan Chicago. The program provides counseling to residents in subsidized rental units on home ownership and the home purchasing process, referrals to reputable lenders, and access to pro bono attorneys to help with legal issues. The opportunity of homeownership for employed public housing residents—women and their families—provides access to a critical wealth-building asset when done in financially sound ways that do not leave homeowners over-leveraged or with subprime loans.

INCREASE RETIREMENT ASSETS

Because of their lower earnings, lack of access to the wealth escalator, and caregiving responsibilities, women often reach their retirement years with insufficient retirement savings. Innovative programs are needed to help women build the retirement nest egg they need so that they can retire securely.

- ◆ The **Appalachian Savings Project**, through the Women's Institute for a Secure Retirement (WISER),

has been working to provide access to retirement savings programs to low-income female workers who do not have access to employer-sponsored retirement programs. The Appalachian Savings Project has helped self-employed child care workers in Appalachia, Ohio, and West Virginia build retirement savings through matched contributions, simplifying and strengthening access to the electronic U.S. Savings Bonds and the Savers' Credit, and financial workshops tailored to those in the child care business.

SUPPORT OF BUSINESS STARTUPS

Opening up opportunities for women to learn business skills and engage in entrepreneurship will not only provide women and their families with income and assets, but will also fuel economic growth.³⁰

◆ Grameen America, with support from a diverse group of philanthropic organizations such as Capitol One, Citi Foundation, and Women's Fund of Central Indiana, works with women to build small businesses by providing training, microfinance, and group mentorship. The program works with a group of five women at a time who have established trust and provides a week of training to learn about loans, savings and credit building, and culminates with each woman opening a savings account. Each woman then receives a micro-loan of \$1,500 to support the creation of their business. A Grameen America staff member meets with the group weekly to make loan and savings payments, provide continuing education, and build peer networks.³¹ The program has been implemented in 11 U.S. cities, serving over 43,000 women and creating nearly 52,000 jobs.³²

Valley Community Foundation supports work that draws attention to the problem of payday lending, but also advocates for "changes in municipal laws to inhibit new payday lending establishments in local jurisdictions."³⁶

◆ **Illinois Secure Choice Savings Program.** The Illinois Asset Building Group, utilizing the leadership of its non-profit members such as the Sargent Shriver National Poverty Law Center and the Woodstock Institute, worked with a broad coalition of nonprofit organizations, employers, and researchers in support of the Illinois Secure Choice Savings Program. This innovative program provides the opportunity for Illinoisans to save for retirement through automatic payroll deduction (3% minimum will be paid through the employer unless the employee opts out) into a Roth IRA or investment choices selected by the state, and the account will follow them through job changes. These accounts help people access the wealth escalating effects of tax-preferred contributions and encourage retirement savings.

The funded activities were not lobbying, but provided education to businesses, communities and policymakers on the need for a new retirement option, the impact on retirement savings for middle- and low-income workers, and the impact on business. Through this educational effort, stakeholders understood the positive impact for workers, the state, and business, and in turn informed their elected officials of the need for these accounts.

3

EDUCATE AND BUILD COALITIONS ON EFFECTIVE WEALTH-BUILDING POLICY

Public policy often shapes who has access to the wealth escalator.³³ Issues such as employer-sponsored retirement accounts, tax structures/credits,³⁴ payday and auto title lending, and pay inequity require shifts in state or federal policy in order to effectively address the systemic inequalities that negatively impact women's wealth building. Funders can play a key role in supporting both non-profit advocates and coalition groups to educate policymakers on the gendered impact of current policies. They can also help shape potential solutions through programming support and participation in thought leadership opportunities such as the Tax Alliance for Economic Mobility (initially convened and hosted by Asset Funders Network).³⁵ As an example, the Silicon

“IT IS NOT ENOUGH TO TALK about income inequality without a gender and racial lens. To improve the lives of children, philanthropy must invest in programs that build the wealth of women.”

LUIS ARTEAGA
SR. PROGRAM MANAGER, LEVI STRAUSS FOUNDATION



TO REDUCE THE WOMEN'S WEALTH GAP, investment strategies require support and replication in new regions.

INVESTMENT RECOMMENDATIONS

Women's financial security is critical for families and for economic growth. Reducing the women's wealth gap will not only improve the financial well-being of women, but also of the children and families they support. Greater investment in women's financial futures will yield far-reaching impact.

To actually reduce the women's wealth gap, several promising, intersecting strategies require support and replication in new regions:

CLOSE THE WAGE GAP

Closing the wage gap is an important precondition, even if it is not sufficient for closing the wealth gap. Increasing women's access to higher-paying fields (such as traditionally male jobs in science, technology, engineering, and math, also called STEM fields), passing legislation such as the Paycheck Fairness Act, Restaurant Opportunities Centers United (ROC United) efforts to increase the minimum wage for tipped workers, and educating employers about how to combat the unconscious and/or embedded biases that impact how women are compensated will be necessary for closing the wage gap.

REDUCE THE "COSTS" THAT LIMIT WOMEN'S ABILITY TO BUILD WEALTH

Women often bear additional financial "costs," or responsibilities, that limit their ability to build wealth. The financial burden of single parenthood that falls disproportionately on women, for example, detracts from their ability to save. Expenses like child care and medical bills hit single mothers very hard and may not only prevent them from saving, but also often leaves them with a debt anchor.

The cost of higher education is also of growing concern as women are now surpassing men in rates of college enrollment and completion. However, education debt takes a huge bite out of the higher wages they earn with a college degree (as long as the jobs continue to reflect the wage gap) and inhibits their ability to save and invest.

Even though women have equal (or better) credit scores than men,³⁷ women are more likely to receive high-cost loans such as subprime home loans.³⁸ The additional costs of these subprime loans prevent women from building home equity and wealth. The Consumer Federation of America estimates that over the term of the loan, those with subprime loans pay at least \$85,000 more in interest payments,³⁹ which does not build home equity and which reduces disposable income that can be saved or invested to build wealth.

INCREASE OPPORTUNITIES FOR ASSET OWNERSHIP

Opportunities to build assets are gendered, meaning that women are less able to take advantage of opportunities to build assets because they do not have access to the wealth escalator. Programs that help low-income

people increase asset ownership are especially impactful for women, who are more likely to be low-income workers. Opening up sound and accessible avenues for those with low incomes to build savings, to buy a home, or to finance a business will help women improve their financial well-being.

PROVIDE WOMEN WITH ACCESS TO THE WEALTH ESCALATOR

Because of the types of jobs they have, because of the wage gap, and because women are more likely to be single parents, they lack equal access to the wealth escalator comprised of employment-related fringe benefits, tax advantages, and access to valuable government benefits. Grantmakers can help level the playing field by supporting targeted services working to narrow the wage and wealth gaps while mobilizing efforts to help change the structures that disadvantage women.

Access to good jobs with fringe benefits, good pay, and opportunities for advancement is critical for providing access to the wealth escalator. Women, and particularly women of color, are more likely to be trapped in dead-end, low-wage employment that perpetuates financial insecurity. Funder-supported workplace initiatives and workforce development that provide skills and create career pathways for women will help close the wealth gap.

INVEST IN TIMELY AND RELEVANT FINANCIAL EDUCATION COUPLED WITH COACHING

Women have longer life expectancies and must therefore support themselves longer in retirement. To make sure women are prepared, financial education and coaching are imperative given that on average, women must save more with lower incomes. Moreover, financial guidance and coaching is especially important for women when making critical financial decisions, such as attending college, purchasing a home, getting married or divorced, or leaving abusive relationships. An example of this work can be found through The Financial Clinic, a non-profit organization that provides training and technical assistance to domestic violence shelters, equipping them with tools and resources to improve the financial development of domestic violence survivors. Originally developed in partnership with the Human Resources Administration of the City of New York and the United Way of New York City, the project has provided services to 149 survivors of violence, resulting in debt alleviation of \$87,360; \$3,050 in savings bonds purchased and \$48,000 in tax refunds claimed.⁴⁰

SUPPORT INNOVATIVE PROGRAMMING, RESEARCH, AND EVALUATION OF OUTCOMES

New approaches to reducing the women's wealth gap are necessary and grantmakers play a critical role in cultivating and advancing innovative programming. Additional research and rigorous evaluation of program effectiveness is also critical. In particular, research is needed to understand the nuances of wealth inequality and asset development for women with different backgrounds and circumstances. Investments in programming based in research and accompanied by sound proven design and metrics will help move the field forward and allow grantmakers to have the greatest impact.

BUILD COALITIONS FOR EFFECTIVE PUBLIC POLICIES

Because many of the disadvantages women experience in their attempts to build wealth are rooted in public policies, solutions for addressing the women's wealth gap would be incomplete without considering ways to change policies that disadvantage women or to develop new policies that provide women with the same opportunities as men. Grantmakers can engage stakeholders, support research that educates and informs policymakers, and mobilize coalitions. They can communicate the needs and voices of women and their families to a national audience through media and research, and help shape the messaging so that policies become buoys rather than barriers to economic success. Policies that support women also support families and economic growth. With women-friendly policies, everyone wins.

TWO-GENERATIONAL STRATEGIES

Philanthropic and public investments in two-generational strategies have the potential to yield significant future returns for models designed to engage women and low-income families. Asset field innovators like Ascend at the Aspen Institute, supported by The Kresge Foundation, The Annie E. Casey Foundation, and W.K. Kellogg Foundation, are advancing two-generational approaches integrating asset-building opportunities for parents and children.⁴¹

This strategy engages children and parents together to build mutual motivation to achieve three key outcomes: 1) children enter school prepared for success; 2) families create a nurturing and secure environment for their children; and 3) families are connected to one another.⁴² The model is supported by Ascend's findings that a parent's education is a strong predictor of a child's educational and economic attainment, and increased family income in the early childhood years is associated with positive health and developmental outcomes.⁴³



CONCLUSION

Reducing the women's wealth gap is not only good for women, but it also is essential for improving the economic well-being of children, families, and the nation. Moreover, reducing the women's wealth gap is inextricably linked with other desirable outcomes such as improved educational attainment, access to quality child care and health care, financial independence, and improved workforce and business development to support economic growth.

The women's wealth gap is entrenched within the fabric of our economy through the tax structure, the system of employment-related benefits, and workforce inequities. Consequently, innovative and multi-faceted remedies are required for changing the status quo. The role of grantmakers is critical for making the types of investments in program development, research, and education that are necessary to create a more equitable and economically prosperous nation.

GLOSSARY

ASSET BUILDING

A set of strategies that facilitate economic security by creating and protecting opportunities for low-income individuals, families, and communities to save and invest in themselves, their futures, and their communities by expanding access to financial opportunities, social resources, and good health.

ASSETS

Resources used to promote family (upward) mobility and well-being. Examples of financial assets include interest-earning savings, stocks and mutual funds shares, and homeownership. Assets may also be non-financial, such as education, good health, and community connections.

ASSET OPPORTUNITY

This measure captures asset security (see below) plus additional resources that enable investment in opportu-

nities for mobility, including average expenses for two years at a public university, average down payment for a median-priced home, or average start-up expenses for a business.

ASSET SECURITY

Net financial assets plus three months of average unemployment insurance that together cover or exceed 75% of the cost of median essential expenses for three months.

EMPLOYMENT CAPITAL

Employment-based resources and job characteristics beyond income that enable families to build and preserve wealth, including job benefits, job flexibility, and consistent work.

LIQUID ASSET POVERTY

Households without sufficient net worth to live at the poverty level for three months without an income. Liquid assets are resources that are readily available such as cash, checking and savings accounts, stocks and property.

MICROBUSINESS

A business with five or fewer employees, requiring less than \$50,000 in start-up capital, and owned by low-income or minority individuals or others who lack access to business capital and resources.

SINGLE WOMEN

Never-married, divorced, and widowed people who are not cohabitating.

WEALTH

The value of assets minus debts.

WEALTH ESCALATOR

Coined in *Shortchanged: Why Women Have Less Wealth and What Can Be Done About It*,⁴⁴ to describe the mechanism that gives some people a wealth-building advantage that others do not receive. It is comprised of employment-related fringe benefits, valuable government benefits, and favorable tax breaks that allow some to turn their income into wealth more quickly.

WEALTH GAP

The unequal distribution of wealth within a population.

“**FAR TOO MANY WOMEN and their children are one illness or financial emergency away from poverty. Through philanthropic investments, we are committed to ensuring all women have equal access to comprehensive financial health and wealth to draw upon in times of crisis and provide a better future for their children.**”

K. SUJATA
PRESIDENT, CHICAGO FOUNDATION FOR WOMEN

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ASSET FUNDERS NETWORK (AFN)

The Asset Funders Network (AFN) is a membership organization of national, regional and community-based foundations and grantmakers strategic about using philanthropy to promote economic opportunity and financial security for low and moderate income Americans.

AFN works to increase the capacity of its members to effectively promote economic security by supporting efforts that help low to moderate income individuals and families build and protect assets.

Through knowledge sharing, AFN empowers foundations and grantmakers to leverage their resources to make more effective and strategic funding decisions, allowing each dollar invested to have greater impact.

To learn more and to become involved in advancing the field, please visit AFN at www.assetfunders.org.

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INSIGHT.
CENTER FOR COMMUNITY
ECONOMIC DEVELOPMENT

Lifting as We Climb

Women of Color, Wealth, and America's Future

Spring 2010





About the Insight Center

The Insight Center for Community Economic Development, formerly the National Economic Development and Law Center (NEDLC), is a national research, consulting and legal organization dedicated to building economic health in vulnerable communities. The Insight Center's multidisciplinary approach utilizes a wide array of community economic development strategies including promoting industry-focused workforce development, building individual and community assets, establishing the link between early care and education and economic development, and advocating for the adoption of the Self-Sufficiency Standard as a measurement of wage adequacy and as an alternative to the Federal Poverty Line.

For more information visit www.insightccd.org.

The Closing the Racial Wealth Gap Initiative

There is an enormous racial wealth gap in America. For every dollar of wealth owned by the typical white family, the typical family of color owns only 16 cents. Wealth, not just income, is the key to ensuring economic security and is what enables families to build a better future. The Insight Center's Closing the Racial Wealth Gap Initiative is a national effort to build awareness and support for efforts to address the racial and ethnic wealth inequities based on structural factors. To achieve this goal we have brought together over 150 scholars, advocates, practitioners and other experts of color to inform the national economic debate with diverse perspectives and to develop universal and targeted policy solutions that assure economic inclusion.

For more information visit www.racialwealthgap.org and www.expertsofcolor.org.

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Executive Summary

The poverty gap, based on income, is among the most widely used barometers to measure the relative economic status of women of color. Twenty-nine percent of white women heads of households with children live in poverty, compared to 43 percent of African-American women and 46 percent of Latina women.¹ However, hidden beneath the poverty gap is an even more startling and consequential gap that often goes unnoticed—the wealth gap. The report “Lifting as We Climb: Women of Color, Wealth, and America’s Future,” examines the wealth gap between women of color and the rest of the population, a gap that significantly limits the economic prospects of future generations and holds back the progress of the American economy.

The current economic crisis has revealed why wealth is so important to the stability of households. Wealth, or net worth, refers to the total value of one’s assets minus debts. 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 hours or pay, or if the family suffers an unexpected health emergency.

Using data from the 2007 Survey of Consumer Finances, the amounts and types of wealth owned by women of different races are analyzed. Explanation is given as to why women of color have less wealth than white women and men of their same race, locating the roots of the gap in past and present institutional factors. These include but are not limited to the ways in which government benefits, the tax code, and fringe benefits exclude many women of color from wealth-building opportunities that are provided to other segments of the American population.

Because gender and racial economic disparities have been studied separately, we have failed to recognize the daunting economic reality faced by women of color who experience the compounding negative economic effects of being both a woman and a person of color. Investing in programs and public policies that create asset building opportunities that fit the needs and build on the strengths of Native American, African-American, Latino, and Asian women, both native-born and immigrant, can bring economic security to a greater number of families, expand our economy, and increase our nation’s capacity to compete in the global marketplace.

Main Findings

- Single black and Hispanic women have a median wealth of \$100 and \$120 respectively; the median for single white women is \$41,500.
- While white women in the prime working years of ages 36-49 have a media wealth of \$42,600, the media wealth for women of color is only \$5.
- Nearly half of all single black and Hispanic women have zero or negative wealth, the latter of which occurs when debts exceed assets.
- While 57 percent of single white women own homes, only 33 percent of single black women and 28 percent of single Hispanic women are homeowners.
- Only 1 percent of single Hispanic women and 4 percent of single black women own business assets compared to 8 percent of single white women.
- Social Security is the only source of retirement income for more than 25 percent of black women.
- Prior to age 50, women of color have virtually no wealth at all.

Policy Recommendations

- **Improve data collection**
What is not seen cannot be understood and cannot be remedied. Data on assets must be collected and disaggregated by race, gender, and ethnicity.
- **Improve opportunities for “good” jobs.**
Occupational segregation, wage disparities, and the lack of fringe benefits tied to the “wealth escalator” (e.g. 401(k)s, health insurance, paid sick days) must be addressed.
- **Support self-employment and microenterprise.**
Starting one’s own business is both an income and an asset building strategy that needs wider recognition and greater government support.
- **Provide subsidies and incentives to save.**
Despite their low-incomes, women can, and do save. However, the government can put incentives in place to make it easier to do so.
- **Modify social insurance programs to provide adequate protection for women of color.**
Reforming and restructuring all social insurance programs can lift people out of poverty and ensure economic security.

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



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Mrs. Josephine St. Pierre Ruffin

Founder, National
Association for
Colored Women

More than a century ago, the National Association for Colored Women was founded by African American women leaders in response to a vicious attack on the character of African-American women. A few decades distant from the abolition of slavery, the intensification of poverty, discrimination, and segregation impelled these women to action in defense of their race. Their motto was “Lifting as We Climb,” signaling their understanding that no individual woman of color could rise, nor did they want to rise, without the improvement of the whole race. At the top of their agenda were job training, wage equity, and child care: issues that, if addressed, would lift all women, and all people of color.

As much as things change, as much they stay the same. Some decades after the victories of the Civil Rights movement, people of color have not achieved economic equality, and are, in fact, slipping backward in the current downturn. Persistent poverty, discrimination against women and people of color, and job and residential segregation still stand in the way of our nation's quest for fairness. Women of color have always been an important part of the U.S. economy. For example, black and Latina women have historically had higher rates of labor force participation than white women because, due to discrimination and other factors, black and Latino couples were more likely than white couples to depend on the income from women's work. Then and now, women of color are over-represented in traditional women's jobs such as housekeeping and elder care, jobs that are undervalued and underpaid. Over 100 years later, job training, wage equity, and child care remain on the agenda for race and gender equity.

In spite of the odds, women of color are energetic and entrepreneurial in their efforts to gain a toehold on the economic ladder. Native American women's rates of college attendance and completion are rising rapidly¹, and black women have now surpassed black men in rates of college completion.² With good jobs hard to find, women of color, many of them immigrants, turn to self-employment and micro-enterprise development, creating incomes for themselves and others. They own 1.9 million firms in the United States, which employ 1.2 million people and generate \$165 billion in annual revenues.³ These impressive advances are only a glimpse on what women of color could accomplish given the opportunity.

While the pay gap is among the most widely-documented economic gaps for women of color, another gap exists that is even more damaging to future generations. This briefing paper examines this generally overlooked—but critical aspect of the economic status of women of color—the wealth gap. An analysis of the amounts and types of wealth owned by women of different races will be provided, reasons why women of color have less wealth than white women and men of their same race will be posited, and policy recommendations will be proposed to help close the wealth gap for women of color. These recommendations, if used to craft more equitable public policy, will help lift women of color as they continue to climb and improve their lives, and will also help create a more economically stable and prosperous nation for us all.

Why Wealth is Important

The current economic crisis has revealed why wealth is so important to the stability of households. Wealth, or net worth, refers to the total value of one's assets minus debts. 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 hours or pay, or if the family suffers an unexpected health emergency.

As the current crisis continues to unfold, it has become all too clear that it is not just “poor” people who are losing their homes to foreclosure in record numbers; even households with some wealth found that they did not have enough to ride out the still unfolding economic downturn.

Wealth impacts not just current economic security, but retirement security as well. With concerns over the solvency of Social Security and the shrinking number of jobs that provide pensions, it is of increasing importance that people have the means to save for their own retirement.

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 of wealth is one of the reasons why racial wealth gaps from policies long ago have become entrenched.⁴

In the seminal book, *Black Wealth/White Wealth*,⁵ authors Oliver and Shapiro document how a legacy of policies and practices that prevented blacks from owning and building wealth many generations ago continue to have lasting effects on current generations through the “sedimentation of racial inequality.” One of the primary mechanisms by which this sedimentation occurs is through inheritance. The historical wealth advantage held by whites is transferred to the next generation as they inherit wealth of previous generations and use that wealth to provide themselves and their children with access to education, capital for entrepreneurship, and opportunities to build more wealth.

Since the publication of *Black Wealth/White Wealth* more than 10 years ago, researchers have documented wealth disadvantages experienced by other racial and ethnic groups, establishing that the racial wealth gap is widespread and institutionalized in American society.⁶

While the racial wealth gap has received growing attention, to date little attention has been paid to the wealth gap for women, let alone women of color. Some may wonder if gender differences in wealth are important since so many people get married and presumably pool resources. But about half of all households are headed by single (defined as never married, widowed, or divorced) persons,⁷ which makes the wealth gap between men and women a reality for a large percentage of people. Also, about half of all marriages end in divorce.⁸ Furthermore, men and women are marrying at later ages,⁹ leaving women with more years in which they are self-supporting. In fact, women now spend more of their adult years single than married.¹⁰ The women's wealth gap is also central to understanding the racial wealth gap—particularly for black households—because black women are less likely to marry and to remain married.¹¹ Given the current trends in rates of divorce, the increasing number of children born to unwed parents, and rising ages at first marriage, the wealth gap for women is of considerable significance.

In an upcoming book, *Shortchanged: Why women have less wealth and what can be done about it*,¹² the gender wealth gap is shown to be alarmingly high and due to the compounding of race and gender disadvantages, women of color experience even greater wealth disadvantages than men of color and white women.

While the racial gap has received growing attention, to date little attention has been paid to the wealth gap for women, let alone women of color.

Measuring the Wealth Gap for Women of Color

Wealth and income are related, but they are not the same. Income refers to the amount of money received by an individual or household during a specific period of time, such as a month or year. It usually comes in the form of earnings or wages from a job, but can take other forms as well such as interest on savings or investment accounts, Social Security, transitional assistance (welfare payments), pension benefits, or child support. Wealth, or net worth, refers to the total value of one's assets minus debts. Typical types of assets include money in checking accounts, stocks or bonds, real estate, and businesses owned. Typical types of debts include home mortgages, credit card debt, and student loans.

To measure the wealth gap, this paper relies on data from the 2007 Survey of Consumer Finances (SCF). The SCF is a triennial national survey sponsored by the Federal Reserve Board and is considered to be one of the best sources of data on wealth inequality.¹³ This paper uses the same definition of wealth employed by the Federal Reserve Board.¹⁴

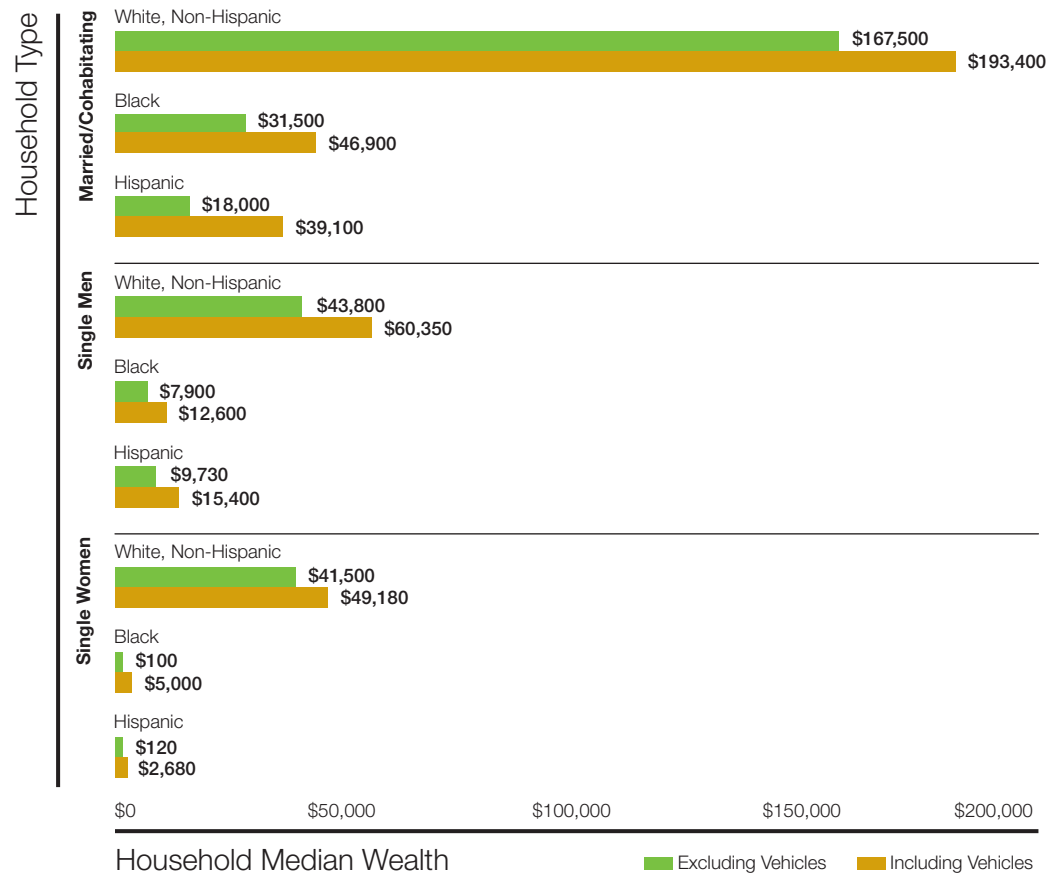
While the 2007 data is the most recent release of the SCF to date, it is important to take into consideration that most of the data were collected prior to the economic downturn and therefore present a more favorable portrait of levels of wealth than is likely to be the case currently. Nonetheless, the overall patterns depicted with respect to wealth of whites versus non-whites are likely to hold. If anything, the portrait of wealth holdings for people of color is likely to be less favorable today than it was in 2007 since people of color hold greater amounts of their assets in homeownership (see Table 4) and communities of color have been hardest hit by the foreclosure debacle. Therefore, the data provides a “conservative estimate” of the current wealth holdings for women of color.

Although the SCF is considered the best source of data on the extent of wealth inequality, Asians and Native Americans¹⁵ are combined into a single category in the public data due to their extremely small sample sizes in the survey. For this reason, when statistics on persons of color are disaggregated into constituent racial or ethnic categories in this paper, only data for blacks and Hispanics will be presented. However, when data for people of color are presented in an aggregated form, Asians and Native Americans are included in the statistics. Where possible, data from other sources for Asians and Native Americans will be presented.

The sample size for non-white and Hispanic unmarried males over age 65 is particularly small in the SCF and so the data for unmarried men and women of color are more representative of persons under age 65.¹⁶ For this reason, the data presented in the briefing paper are for persons under age 65. However, information from other sources are brought in to address the gender wealth gap for people ages 65 and older.

The Wealth Gap for Women of Color

Figure 1.
Racial Differences in Wealth by Household Type, Ages 18-64, 2007



Women of all races experience a gender wealth gap that is greater than the gender income gap, but the disparities are greatest for women of color. Figure 1 provides racial differences in the median wealth for couples (married and cohabitating),¹⁷ single men, and single women. Two definitions of wealth are provided: one that includes the value of vehicles in the calculation and one that excludes vehicles.

When vehicles are included in the calculation of wealth, all groups have higher wealth. However, comparing differences in wealth for women of color when vehicles are included and excluded reveals that most of the wealth owned by black and Hispanic women is in the form of vehicles, which is a depreciating asset.

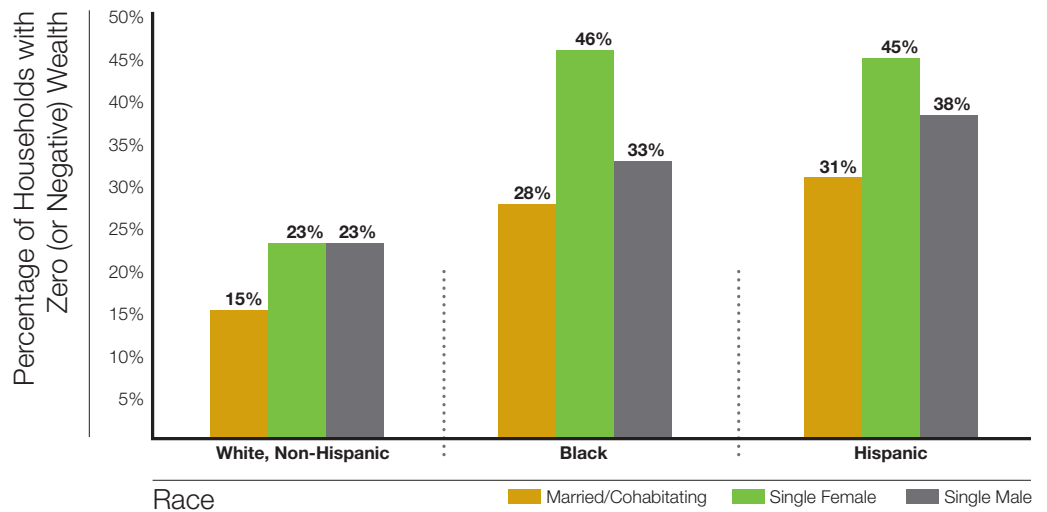
Although vehicles are important for providing access to employment and can sometimes be used to generate income (for example, they may be used to engage in self-employment), they are generally not part of a household's financial reserve that is tapped into during times of need, for example, in cases of unemployment or to fund a child's education.

Because so many women of color have such little wealth other than the value of a vehicle, the rest of the paper uses the definition of wealth that excludes vehicles in order to capture the economic vulnerability experienced by women of color.

Single black and Hispanic women have one penny of wealth for every dollar of wealth owned by their male counterparts and a tiny fraction of a penny for every dollar of wealth owned by white women.

Figure 2.

Percentage of Households with Zero (or Negative) Wealth, Ages 18-64, 2007



Excluding vehicles, single black women have a median wealth of \$100 and Hispanic women \$120 respectively, while their same-race male counterparts have \$7,900 and \$9,730. The median wealth of single white women is \$41,500. To put it another way, single black and Hispanic women have one penny of wealth for every dollar of wealth owned by their male counterparts and a tiny fraction of a penny for every dollar of wealth owned by white women.

With so little in reserve, half of all single black and Hispanic women could not afford to take an unpaid sick day or to even have a major appliance repaired without going into debt. The precarious financial situation of women of color is also evident when looking at those with zero or negative wealth (negative wealth occurs when the value of one's assets is lower than the value of their debts). Nearly half of all single black and Hispanic women have zero or negative wealth (see Figure 2).

Wealth Differences by Marital Status

Women in two income families – either married or cohabitating, have access to greater financial resources than single women. To understand the women's wealth gap for single people of color, it is critical to take into consideration whether they are never-married or have had their marriage end due to divorce or widowhood because each circumstance affects wealth between men and women and also between whites and people of color. For instance, divorce impacts the distribution of wealth between women and men because women experience steeper economic declines when they divorce than men.¹⁸

Moreover, widowhood is often more economically devastating for women of color than for white women because, due to factors such as the racial wealth gap and wage discrimination, many non-white couples have accumulated fewer assets. Upon widowhood, women of color no longer have their husband's income to rely on and have less wealth to support themselves.¹⁹

Never-married women of color experience the largest wealth disadvantage, with a median wealth of zero (see Table 1). Women of color who are divorced fare better, with a median wealth of \$4,200, but this is still only 26% of the wealth of divorced men of color, 8% of the wealth of divorced white women, and 5% of the wealth of divorced white men.

Table 1

Wealth for Never-Married, Divorced, and Widowed Men and Median Women Ages 18-64, 2007

Household Type	White, Non-Hispanic	Non-White and/or Hispanic
Never-Married		
Men	\$16,310	\$ 4,020
Women	\$ 2,660	\$ 0
Gender Gap	\$13,650	\$16,450
Gender Ratio	16%	0%
Divorced†		
Men	\$ 80,000	\$16,100
Women	\$ 52,120	\$ 4,200
Gender Gap	\$ 27,880	\$11,900
Gender Ratio	65%	26%
Widowed		
Men	\$604,500	NA††
Women	\$136,000	\$38,400
Gender Gap	\$468,050	NA
Gender Ratio	23%	NA

†The “Divorced” category contains people who are legally separated if the assets are owned mostly or exclusively by them.

†† Unweighted sample size in this category contains less than 10 persons. Source: Author’s calculations of the 2007 Survey of Consumer Finances for persons ages 18-64.

Wealth Differences by Parental Status

Women of all races experience a motherhood wealth penalty that stems from the motherhood wage penalty,²⁰ time spent out of the labor force or working part-time, and for single mothers, the financial burden of being a custodial parent. But this penalty is greater for women of color (see Table 2). Black and Hispanic single mothers with children under age 18 have a median wealth of zero. In contrast, black and Hispanic men who are single fathers have a median wealth of \$10,960 and \$2,400 respectively.

Table 2

Gender Differences in Median Wealth for Single Men and Women with Children* by Race, 2007

Race	Have Children of any Age	Have Children under Age 18
White		
Men	\$79,940	\$56,100
Women	\$45,400	\$7,970
Gender Gap	\$34,540	\$48,130
Gender Ratio	57%	14%
Black		
Men	\$26,000	\$10,960
Women	\$ 100	\$0
Gender Gap	\$25,900	\$10,960
Gender Ratio	0.4%	0
Hispanic		
Men	\$2,400†	\$2,400
Women	\$ 120	\$0
Gender Gap	\$2,280	\$2,400
Gender Ratio	5%	0

*Includes the respondent’s own children and also relatives under age 18 living in the household.

†Unweighted data contain less than 10 Hispanic men who have children of any age who do not also have children under age 18. Source: Author’s calculations of the 2007 Survey of Consumer Finances for persons ages 18-64.

Prior to age 50, women of color have virtually no wealth.

When comparing mothers and fathers of color to their white counterparts, mothers continue to fare worse than fathers. Black and Hispanic mothers with children of any age have less than 1% of the wealth of white mothers with children of any age, whereas black fathers have 33% as much wealth as white fathers and Hispanic fathers have 3% as much wealth as white fathers.

While fathers are increasingly being granted custody, the financial burden of single parenthood falls disproportionately on women. The motherhood wealth penalty is particularly acute for women of color, who are not only facing the financial strain of single parenthood, but also the double wage disadvantage of being a woman and a person of color.

Wealth Differences over the Life Course

Young women ages 18-35, whether white or non-white, are beginning their adult years with a median wealth of zero, meaning that at least half of women in this age group had no wealth or had debts greater than the value of their assets (see Table 3). However, while white women in the prime working years of ages 36-49 have a median wealth of \$42,600 (still only 61% of their white male counterparts), the median wealth for women of color is only \$5. Prior to age 50, women of color have virtually no wealth. Moreover, in comparison to their same-sex white counterparts, women of color in the two youngest age groups, have less than 1% of the wealth of white women whereas men of color in these same age groups under 50 have 18% and 16% of the wealth of white men.

Table 3
Median Wealth for Single Men and Women by Race and Age, 2007

Race	Age 18-35	Age 36-49	Age 50-65	Over Age 65
White, Non-Hispanic				
Men	\$5,600	\$70,030	\$122,500	\$190,000
Women	\$0	\$42,600	\$111,400	\$191,070
Gender Gap	\$5,600	\$27,430	\$11,100	+\$1,070
Gender Ratio	0%	61%	91%	101%
Non-White and/or Hispanic				
Men	\$1,000	\$11,000	\$61,300	N/A [†]
Women	\$0	\$5	\$56,980	\$46,800
Gender Gap	\$1,000	\$10,995	\$4,320	N/A [†]
Gender Ratio	0%	.05%	93%	N/A [†]

*Includes: Black, Hispanic (of any race), and Other racial groups.

†Unweighted sample size in this category contains less than 10 persons. Source: Author's calculations of the 2007 Survey of Consumer Finances.

Like their white counterparts, men and women of color in the pre-retirement years of ages 50 through 65 have a median wealth between \$50,000 and \$70,000 more than their younger counterparts ages 36 to 49. But large wealth gaps remain between people of color and whites who are nearing retirement. People in the 50-64 year-old age range are more likely to experience the passing of their elderly parents (who would typically be in their 70s, 80s and 90s). It is likely, therefore, that racial differences in inheritance play a role in the large gap between the wealth of whites and people of color due to the transfer of parental wealth.

Pre-retirement wealth disparities for women of color affect them drastically in their retirement years. According to federal poverty standards, poverty rates for people age 65 and over are highest for women of color. In 2007 16.7% of white women living alone were poor, but 26% of Asian women living alone, 38.5% of black women living alone, and 41.1% of Hispanic women living alone were poor.²¹

Because women generally live longer than men, they need more wealth to support themselves in retirement. Women of color are particularly vulnerable because they have accumulated much less wealth to fund their "golden years."

Women of color ages 65 and older are least likely to receive retirement income from pensions or from assets.

Retirement experts speak of the “three-legged stool” of income from pensions, Social Security and personal savings as necessary to collectively support people during retirement. However as the data show, all three legs of women’s retirement “stools” are shaky.

Women of color ages 65 and older are least likely to receive retirement income from pensions or from assets. For instance, while 49% of white men and 30.5% of white women receive income from pensions,²² 26% of black women, 17% of Asian women and 12.7% of Hispanic women receive any income from pensions. Likewise, whereas 66% of white men and 60.4% of white women receive income from assets, 40% of Asian women, 25.4% of black women, and 23% of Hispanic women receive any income from assets.

And of those who do receive income from assets, white men receive a median annual income of \$1,277 from assets whereas Asian women receive \$975, black women receive \$312, and Hispanic women receive only \$257.

Because women have less wealth and less pension income to support themselves during retirement, Social Security is of particular importance to them. However, women of color ages 65 and older are least likely to receive income from Social Security. Whereas 91.7% of white women receive income from Social Security, 83.5% of black women, 76.1% of Hispanic women and 66.5% of Asian women do.²³ And when women of color do receive Social Security income, they receive less than white women and men of their same racial and ethnic group because women of color have lower lifetime earnings.

Disparities in Different Types of Assets

Because different types of assets have historically had different rates of return and because they each have different characteristics in terms of liquidity, level of risk, and tax treatment, it is important to understand the types of assets owned by women of color.

Cash

Cash is the asset with the most liquidity and cash forms the base upon which other assets can be built. Cash accounts are the basis of participation in mainstream financial institutions, and while blacks and Hispanics are less likely to have cash accounts than whites, women of color are more likely to have cash accounts than their same-race male counterparts (see Table 4). Nevertheless, there is room for improvement, with about one-third of Hispanic women and one-fourth of black women without cash accounts, or “unbanked.” Furthermore, the median value of cash accounts held by women of color is less than the median value of cash accounts held by men of color.

Homes

Home ownership comprises the bulk of wealth for middle-class families.²⁴ Unfortunately, home ownership has been out of reach for many women of color. As Table 4 reveals, only 28% of Hispanic women and 33% of black women are home owners, far below the percentage of white women who own homes (57%).²⁵ Of those women of color who do own homes, the median home equity falls far below other home owners. Black women have a median home equity of \$47,000 Hispanic women \$35,000, and white women \$74,000.

In addition to low home ownership rates, women of color are likely to experience slower growth in home equity because they are likely to own homes in minority neighborhoods, in which home prices rise more slowly²⁶ and are more likely receive sub-prime loans that often lead to foreclosure.²⁷

Stock

Once limited to the extremely wealthy, stock ownership has become much more widespread, with 51% of households in 2007 owning stock directly or indirectly in mutual funds, including stock owned within retirement accounts.²⁸ Stock ownership is important because it has historically yielded higher average returns over time than money kept in savings accounts.²⁹

Table 4

Asset Ownership by Household Type and Race, Ages 18-64, 2007

Race	Cash Accounts		Home		Stock		Business	
	% who own	Median value, if owned	% who own	Median value, if owned	% who own	Median value, if owned	% who own	Median value, if owned
White								
Married/Cohabiting	97	\$7,100	82	\$104,000	67	\$45,000	23	\$99,000
Single Male	91	\$3,400	50	\$70,000	51	\$25,400	12	\$90,000
Single Female	92	\$1,900	57	\$74,000	45	\$18,625	8	\$50,000
Black								
Married/Cohabiting	86	\$2,000	59	\$54,000	48	\$18,200	11	\$25,000
Single Male	72	\$2,200	39	\$63,000	26	\$12,750	4	†
Single Female	77	\$1,180	33	\$47,000	23	\$15,300	4	†
Hispanic (of any race)								
Married/Cohabiting	85	\$2,600	57	\$92,000	28	\$14,100	9	\$120,000
Single Male	62	\$2,500	29	\$93,000	23	†	12	†
Single Female	67	\$650	28	\$35,000	14	†	1	†

†Unweighted sample size is too small; fewer than 10 men and/or women in this category. Cash accounts include money held in savings accounts, checking accounts (including money market accounts), and certificates of deposit (CDs). Home ownership includes single-family and multiple-family residences, condominiums, town houses, and mobile homes. Equity represents the current market value minus the mortgage and any loans against the property such as home equity lines of credit. Stock ownership includes direct ownership of stock shares and indirect ownership through mutual funds and retirement accounts (such as 401k and IRA accounts). Business ownership includes any privately-held businesses.

People of color are much less likely to own stock than whites, and women of color are the least likely. Only 23% of black women and 14% of Hispanic women own stock and the median value of stock of that stock is significantly lower than the stock owned by white women and men (see Table 4).

Business Assets

People of color and women are a growing segment of business owners. Between 1997 and 2002, business ownership increased by 10% overall but women-owned businesses grew by 20%, Asian-owned by 24%, Hispanic or Latino-owned by 31%, black-owned by 45%, and businesses owned by Native Hawaiians and other Pacific Islanders increased by 67%.³⁰

Despite the growth in minority-owned and women-owned businesses, women of color remain underrepresented among business owners.³¹ Unmarried Hispanic women are particularly less likely to own business assets; only 1% of single Hispanic women own business assets, compared to 4% of single black women and 8% of single white women (see Table 4). However, while the overall rate may be low, the growth rate of businesses owned by women of color is significant, which suggests that there is strong potential for women of color to build wealth for themselves and the economy as a whole through entrepreneurship.

The Anchor of Debt

Debt for some purposes, such as purchasing a home, can help people build assets if mortgage payments are affordable and if home values remain stable or increase over time. Women of color are least likely to have home debt and white women most likely, signifying that home ownership and the potential wealth that can be built from it, has been out of reach for most women of color.

Investment in education is often considered to be a “good” type of debt because it is likely to improve future earnings and hence improve opportunities to build wealth over the long run. Women of color, especially black women, are the most likely to have education debt. Education debt can become unmanageable, however, if it represents a large percentage of one’s income.

While home and education debt have the potential help people build wealth over the long run, other forms of debt, such as credit card debt, can be a huge impediment to building assets. Money

Credit card debt is one of the worst forms of debt and women are more likely to have credit debt than men, incurred mostly for daily necessities.

spent paying down such destructive forms of debt and its corresponding interest is money that is not being used to build assets. Credit card debt is one of the worst forms of debt and women, regardless of race, are more likely to have credit card debt than men. Overall, women are also more likely to have installment debt than men, but black women are most likely to have installment debt.

As a whole, the percentage of black women with education, credit card, and installment debt is among the highest of all groups, suggesting that the burden of debt is particularly heavy for black women.

One explanation for the heavy debt burden experienced by black women is that people with low incomes (disproportionately women of color) often rely on credit cards, and borrowing in general, for “survival spending” (groceries and other necessities that their incomes cannot cover), as a recent report by the National Council of La Raza calls it.³² A second reason is that due to discrimination in lending markets, women of color who need capital are less likely than whites or men to be approved for prime loans, and turn to credit cards to finance microenterprise start-up.³³ Third, women of color are more likely to lack bank accounts due to where they live. Looking at neighborhoods of color in our residentially segregated society, payday lending and remittance shops which charge exorbitant rates for financial services abound, while mainstream banks and credit unions are hard to find.

Table 5
Debt By Gender and Race, Ages 18-64, 2007

Race	White		All Non-White or Hispanic*		Black		Hispanic (of any race)	
	Women	Men	Women	Men	Women	Men	Women	Men
% With Any Debt	79%	78%	76%	73%	77%	75%	68%	65%
Median Value	\$39,490	\$30,000	\$18,540	\$22,000	\$18,540	\$ 8,700	\$16,900	\$13,400
Median Debt to Income Ratio	1.22	.68	.73	.58	.76	.53	.79	.50
% With Home Debt	42%	37%	26%	30%	27%	25%	21%	22%
Median Value	\$85,000	\$82,500	\$100,000	\$68,000	\$102,000	\$62,000	\$97,000	†
Median Debt to Income Ratio	1.92	1.56	1.90	1.44	1.87	1.44	2.03	†
% With Education Debt	17%	11%	25%	18%	27%	26%	19%	13%
Median Value	\$11,000	\$10,500	\$10,000	\$7,500	\$9,000	\$7,000	NA	†
Median Debt to Income Ratio	.36	.33	.32	.40	.32	.61	NA	†
% With Credit Card Debt	49%	41%	48%	32%	50%	31%	50%	29%
Median Value	\$2,000	\$2,000	\$1,300	\$1,500	\$1,800	\$1,500	\$900	\$3,000
Median Debt to Income Ratio	.06	.07	.05	.04	.06	.03	.03	.05
% With Installment Debt	39%	34%	39%	34%	43%	31%	27%	34%
Median Value	\$8,000	\$7,700	\$6,000	\$5,800	\$6,000	\$3,000	\$3,400	\$7,600
Median Debt to Income Ratio	.25	.18	.17	.15	.15	.14	.17	.15

Source: Authors calculations from the 2007 Survey of Consumer Finances for persons ages 18-64.

*Includes: Black, Hispanic (of any race), and Other racial groups.

†Unweighted sample size is too small (less than 10 men or women) in these categories.

Last but not least, women of color are more likely to use their own financial resources to help out extended family members.³⁴ With a history of exclusion from public benefits and economic opportunities afforded to whites, women of color know they are relied on and must rely on others in their families and communities when hard times hit. Unemployment in communities of color at nearly double the rate among whites has put a further strain on women of color who are supporting growing numbers of people. Those with low incomes have experienced an inflation-adjusted decline in real wages while expenses such as housing, education, and health care have increased dramatically.³⁵ The disconnect between wages and basic living expenses leaves a gap in the financial lives of many women of color that quickly turns into an unmanageable chasm.

Asian American and Native American Women's Wealth

Because Asian Americans and Native Americans comprise a much smaller proportion of the U.S. population than blacks and Hispanics and because most surveys that measure wealth do not oversample these groups, our knowledge about their wealth is less robust—particularly for Native Americans.

According to 2004 data from the Survey of Income and Program Participation, Asian Americans have a higher median net worth than white non-Hispanic households (\$144,000 and \$137,200, respectively).³⁶ Much of this is due to their home equity, as the Asian population is concentrated in a few cities with very high home values. When data is adjusted for these and other factors, Asians have less wealth than whites with similar socioeconomic characteristics.³⁷ In interpreting the high home equity of Asian Americans, it is also important to bear in mind that they are likely to own and occupy the home with extended family members and are more likely than whites to contribute more than half of their household income to housing costs.³⁸

Moreover, it is important to take into consideration the tremendous variation within the Asian-American group, with Asian Indians, Chinese, Japanese, Koreans and Filipinos much better off than Vietnamese, other Southeast Asians, and other Asian groups, who are much more likely to have immigrated as political refugees than as highly-educated workers.³⁹

However, studies to date on Asian American wealth have not examined differences between men and women. Data on women ages 65 and older (see page 8), indicate that Asian women are more economically vulnerable than white women. But additional data and analysis is necessary to understand the wealth holdings of Asian women.

Much less is known about the wealth of Native Americans. They are an even smaller population than Asian Americans, rendering their presence in surveys extremely small. An exception to the lack of information on the wealth of Native Americans is research conducted by Jay Zagorski that uses the National Longitudinal Survey of Youth (NLSY79), which contains some wealth questions and information on Native American ancestry.⁴⁰

Based on this data, in 2000 the median wealth for Native Americans in the survey was \$5,700 whereas the median wealth for the sample overall was \$65,500, a ratio of only 8.7%. Native Americans were much less likely to own different types of assets and when they did own an asset, the value was much lower than for the survey sample overall. But, like the vast majority of research on wealth, data were not provided for men and women separately.

In addition, Native people view assets differently than the general population in the U.S. They are more likely to identify education and family as assets and also to identify communal assets such as natural resources and the environment.⁴¹ Land – all that nature provides – is “wealth,” it is communally owned, and the goal is stewardship.

Reasons for the Wealth Gap for Women of Color

Because Americans believe (or want to believe) in the American Dream, we equate success with working hard. The corollary is that those who have not succeeded have either not worked hard enough or have their own behaviors to blame. As a result, women of color are often the targets of negative stereotypes and media images. In truth, past and current institutional factors play a significant role in positioning women of color at the bottom of the economic ladder.

Median wealth for Native Americans in the survey was \$5,700 whereas the median wealth for the sample overall was \$65,000, a ratio of only 8.7%.

Prior Institutional Factors

The U.S. has a long history of policies that transferred wealth from people of color to whites, that created specific barriers to wealth accumulation by people of color, and that excluded non-whites from government wealth building programs and incentives. As examples, the Indian Removal Act of 1830 forcibly removed Cherokees from their traditional lands to make room for white settlers. Jim Crow laws kept African Americans out of better paying jobs, quality public education, and business opportunities. The benefits of citizenship, open to Europeans, was forbidden to Asian immigrants. The exclusion of Social Security coverage for a whole generation of farm workers, laborers, and domestic workers, kept Latino and black elders in poverty.⁴² Advantage and disadvantage is passed from generation to generation often with a cumulative effect, thereby contributing to the current racial wealth gap.

Laws against interracial marriage also helped cement the historical legacy of wealth inequality between groups. In addition, there were particular historical impacts on women of different races. For instance, the “transfer” of land from Native Americans took away a source of wealth that many Native American women once controlled; land was traditionally passed down along matrilineal lines, but U.S. policy divided their land and distributed it to men only, creating a rift between Native men and women that still waits re-bridging.⁴³

Mexicans, like Native women, could inherit and own property. However, this changed in the 1800s after the Treaty of Guadalupe Hidalgo that annexed from Mexico what is now most of the Southwestern states. When Mexican women property owners married white men, U.S. laws accorded ownership of the land to their husbands. These and other historical policies have been well-documented in *The Color of Wealth: The Story Behind the U.S. Racial Divide*.⁴⁴ Because inheritance is a major way that wealth is acquired, disadvantages of the past contribute to the current lack of wealth for women of color.

But women of color were not only affected by historical policies directed at persons of color, they were affected by policies that restricted opportunities for women to own and build wealth. Before states passed married women’s property acts, married women could not control property, even property that they owned prior to marriage.⁴⁵ And, until passage of the Equal Credit Opportunity Act of 1974, it was extremely difficult for women to obtain credit in their own name because lenders could deny applications on the basis of sex or marital status.

Women faced obstacles in the labor market as well that negatively impacted their ability to build wealth. Until the passage of the 1963 Equal Pay Act and Title VII of the 1964 Civil Rights Act, women could be denied a job or promotion simply because they were women and employers could pay women less than men doing the same job or could fire women for getting married or becoming pregnant.⁴⁶

Policies today are not overtly discriminatory against certain groups as they were in the past. Nevertheless, government policies, social insurance, and the tax code have a differential impact on women of color because for structural reasons, they are least likely to benefit from them.

Current Institutional Factors

Wage Disparities

In 2007, the gender wage ratio for annual earnings of full-year workers reached an all-time high of 78%, but fell to 77% in 2008 (the most recent year available).⁴⁷ The pay gap affects all women, but it is not uniform for women of different racial and ethnic groups.

Women of color experience a pay gap that is affected not just by the pay gap between men and women, but also between whites and minorities. Men and women of color, with the exception of Asians,⁴⁸ have lower median earnings than whites (see Table 6). Black and Hispanic women are particularly likely to be employed in jobs and industries with lower pay. But women of color experience the cumulative earnings disadvantage of being both a person of color and a woman.

Table 6**Earnings Gaps for Full-Time Workers by Sex and Race, 2007**

Race	Median Earnings		
	Women	Men	Gender Ratio
White, non-Hispanic	\$36,398	\$50,139	72.6%
Black	\$31,035	\$35,652	87.1%
Hispanic	\$25,454	\$29,239	87.1%
Asian	\$40,664	\$51,174	79.5%
American Indian, Alaska Native	\$28,837	\$34,833	82.8%
Native Hawaiian, Other Pacific Islander	\$29,835	\$36,624	81.5%
Total	\$34,278	\$44,255	77.5%

Note: Earnings data from: Bishaw, Alemayehu and Jessica Semaga, U.S. Census Bureau, American Community Survey Reports, ACS-09, Income, Earnings, and Poverty Data From the 2007 American Community Survey, U.S. Government Printing Office, Washington, DC, 2008.

When compared to men of their same race or ethnicity, the largest gender pay gap is between white men and white women, with women earning only 72.6% of the pay of their male counterparts. In contrast, Black and Hispanic women earn 87.1%, Asian women earn 80%, Native American women earn 83%, and Native Hawaiian and Other Pacific Islanders earn 82% of the pay of their same-race male counterparts. One reason why the pay gap is larger between white men and women than it is between men and women of color is that men of color have lower salaries than white men.

Looking at the income gaps between women and men by race, one might expect that the women's wealth gap for whites would be larger than for other groups since their wage gap is larger. But just the opposite is true. Black and Hispanic women may earn 87% of their male counterparts, but single women have less than 1% as much wealth. In contrast, white women may earn a lower percentage of the wages of their male counterparts (72.6%), but single women have 95% as much wealth. (This high overall percentage of wealth for white women in comparison to white men masks vast gender differences in wealth when the category of single women is disaggregated according to whether they are never-married, divorced, or widowed, as shown in Table 1.) Because inheritance is the main way in which wealth is acquired, white women benefit from the wealth passed down from their families; thus, their gender disadvantage is mitigated by their race advantage.

Lack of Access to the “Wealth Escalator”

Earnings are no doubt important for building wealth, but they are converted into wealth at a much faster pace if they are linked with the wealth escalator—fringe benefits, favorable tax codes, and valuable government benefits—that are tied to employment, income, and marital status. Unfortunately, women of color do not benefit from the wealth escalator to the same extent as men or white women.

Fringe benefits

Pay is not the only economic benefit that can be derived from employment. Job-related fringe benefits such as paid sick days, health insurance, and retirement plans (such as pensions and 401k accounts) help people build more wealth by (1) paying for things that one would otherwise pay for out of their earnings (such as health insurance), thus leaving them more disposable income from which to save or invest, or (2) providing people with wealth directly (such as employer contributions to retirement accounts).

401(k) plans, for example, have wealth-building advantages. First of all, contributions are made on a pre-tax basis, meaning that the employee does not pay any income taxes on the contributions until they are withdrawn, when many will be in a lower tax bracket. Second, some employers also match contributions up to a certain percentage.

Often, women of color lack access to fringe benefits because of the types of jobs they have. Nearly one-third of all black and Hispanic women work in service occupations, which are the least likely to include important benefits (see Tables 7 and 8). For instance, only 39% of people working in service occupations receive any paid sick leave (in comparison to 57% of workers overall), only 52% receive any medical care benefits (in comparison to 74% of workers overall), and only 44% receive any retirement benefits (in comparison to 66% of workers overall).

Table 7
Percentage of Employees with Fringe Benefits by Occupational Group

Occupational Group	Retirement Benefits	Medical Care Benefits	Life Insurance Benefits	Paid Sick Leave	Paid Holidays	Paid Vacation	Dependent Care Reimb. Account	Healthcare Reimb. Account
Managerial	83%	94%	85%	80% ⁴⁹	94%	94%	56%	59%
Professional	80%	84%	74%	NA	74%	67%	52%	57%
Service	44%	52%	42%	39%	56%	63%	20%	24%
Sales and Office	67%	73%	61%	63%	82%	81%	36%	38%
Natural Resources, Construction & Maintenance	65%	78%	58%	44%	78%	77%	21%	23%
Production, Transportation & Material Moving	66%	78%	67%	47%	85%	82%	26%	27%
All Workers	66%	74%	62%	57%	76%	75%	34%	37%

Data from the U.S. Department of Labor: "Employee Benefits in the United States, March 2008" and additional tables on the Bureau of Labor Statistics website (www.bls.gov/ncs/ebs/benefits/2008/benefits.htm#health). All data except for paid sick leave refer to workers in the private nonfarm economy except those in private households, and workers in the public sector, except the federal government. Paid sick leave data refer to employees in private industry in 2007 and are derived from the U.S. Department of Labor: "National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2007." Retirement benefits include defined benefit pension plans and defined contribution retirement plans.

Table 8
Percentage of Employed Persons by Occupational Group, Sex, and Race

Occupational Group	Men					Women				
	Total	White	Black	Hispanic	Asian	Total	White	Black	Hispanic	Asian
Managerial	16.3	16.7	9.6	7.2	16.6	13.9	13.9	10.4	8.8	16.4
Professional	17.2	16.5	13.3	7.1	33.5	25.1	25.6	20.9	14.7	29.7
Service	13.2	12.4	20.1	19.7	13.6	20.4	19.3	28.2	31.3	19.4
Sales and Office	16.9	16.7	18.2	13.2	17.5	33.8	34.4	31.9	32.9	26.1
Natural Resources, Construction & Maintenance	18.3	20.4	13.0	31.0	7.2	1.0	1.0	0.7	1.7	0.6
Production, Transportation & Material Moving	17.8	17.3	25.7	21.7	11.6	6.2	5.7	7.9	10.6	7.8

Data from the Bureau of Labor Statistics Current Population Survey and refer to 2008. www.bls.gov/cps/tables.htm#annual

Tax Disadvantages

The tax code often exacerbates the wealth gap for women of color because they are less likely to benefit from policies that help people build wealth. For instance, many fringe benefits have tax advantages that help the recipient build more wealth. As mentioned above, employer-sponsored retirement contributions are worth even more because they are not taxed as ordinary income and the recipient does not pay income taxes on the money until it is withdrawn during retirement, when the recipient is likely to be in a lower tax bracket.

Once a person has been rendered utterly wealth poor to qualify for assistance, the resulting lack of assets serves as a further barrier to their return to economic self-sufficiency.

Black women in particular rely heavily on Social Security. For more than 25% of black women ages 65 and over, Social Security is their *only* source of income.

Even seemingly equitable-sounding tax deductions such as the home mortgage interest deduction do not benefit women of color to the same extent because they are less likely to own homes and when they do, they own homes that are worth less on average and have lower mortgages. Since residential segregation is still a fact of American life, their opportunities to buy homes in neighborhoods where home values grow more quickly is curtailed. Tax benefits such as the home mortgage interest deduction are worth much more money to wealthier home owners (who are less likely to be women of color), and help to subsidize their ability to build wealth.

In a similar fashion, college savings plans such as 529 plans are of greater financial benefit to those with the highest incomes because they receive the greatest tax benefit. Because of their lower incomes, people of color—and especially women of color—benefit much less.⁵⁰

Government Benefits Impact the Ability to Build Wealth

Public Assistance

The government provides financial safety nets for the most economically vulnerable. Because women of color have such low incomes and low wealth, they are more likely to need economic assistance. But public assistance programs such as Temporary Assistance to Needy Families (TANF) negatively affect recipients' ability to build wealth.

The asset limits of such public assistance programs have come under criticism for making it more difficult for people to build assets over the long run, thereby actually increasing their economic vulnerability.

For instance, owning a vehicle worth more than \$5,000 disqualifies a person from being eligible for benefits in fifteen states.⁵¹ Yet many recipients need a reliable vehicle to apply for jobs or get to their place of employment, and research indicates that owning a vehicle increases the probability of employment, hours worked, and earnings.⁵²

In addition to restrictions on value of vehicles owned, every state except Ohio has limits on countable assets ("cash on hand," money held in checking and savings accounts, etc.) to ensure that public assistance is going to those who need it most.⁵³ Because asset limits do not distinguish between money held in a checking account and money in a retirement account, some recipients must drain their retirement savings and surrender any future security they have already worked to build, simply because they are going through a period of hardship. Once a person has been rendered utterly wealth poor to qualify for assistance, the resulting lack of assets serves as a further barrier to their return to economic self-sufficiency.

Social Insurance

Social insurance programs such as Social Security, unemployment insurance and workers compensation also impact the wealth gap for women of color.⁵⁴

Because Social Security benefits are linked to earnings and years of employment, women of color receive lower benefits because of their lower earnings. In addition, like white women, women of color often reduce their work hours to care for others, which further decreases their income and contributes to lower benefits during retirement. Women of color are also more likely to be employed as domestic or agricultural workers, where employer compliance with reporting income and withholding Social Security taxes is weaker.⁵⁵

Marital status also affects Social Security benefits. Married persons can collect benefits based on their own or their spouse's employment and earnings record, whichever is higher. Because white women are more likely to marry and remain married, they more often have the ability to choose between benefits based on their own employment record or the record of their likely higher-earning spouse. In 2008, 57% of black women aged 65 and over were entitled to benefits only as workers, 20% were dually entitled, and 22% entitled only as a wife or widow of a worker.

In 2007 Hispanic women were almost one and a half times more likely and black women more than twice as likely to receive high-cost home loans as white women. Many could have qualified for conventional mortgages.

For non-white women of other races,⁵⁶ 46% were entitled only as workers, 13% were dually entitled, and 42% were entitled only as the wife or widow of a worker. In contrast, 40% of white women were entitled as workers only, 31% were dually entitled, and 28% were entitled only as a wife or widow of a worker.⁵⁷ Women who are entitled to benefits only as workers (as is the case most often for women of color) receive lower average benefits because women generally earn less than men. Nevertheless, even though women of color receive lower Social Security benefits based on employment,⁵⁸ Social Security is a critically important benefit for women of color since they are less likely to have other sources of income during retirement. Black women in particular rely heavily on Social Security. For more than 25% of black women ages 65 and over, Social Security is their *only* source of income.⁵⁹

Even unemployment insurance is not always well-suited to the realities of employment faced by many women of color. For example, low-wage workers—who are disproportionately women of color—are less likely to qualify for unemployment benefits because many states have a minimum earnings threshold, meaning low-wage workers must work more hours than high-wage workers in order to qualify.

Part-time workers are also often ineligible to receive benefits. Moreover, women of color have more difficulty meeting eligibility requirements pertaining to job tenure because they face greater spells of unemployment (affecting the average length of time they are likely to have worked for an employer), and because women of color are more likely to work in jobs with no paid sick leave, it increases the likelihood that they will be forced to leave a job due to illness (their own or another family member's).⁶⁰

Workers compensation provides disability payments, medical care, and vocational rehabilitation to workers with job-related illnesses or injuries. But people of color are less likely to receive payment for medical costs and receive lower settlement awards.⁶¹ Furthermore, in many states people employed in agricultural industries (disproportionately Hispanics) are not covered by worker's compensation.⁶²

Subprime Home Mortgages

In addition to the exorbitant interest rates charged by predatory lending businesses in the communities where women of color are likely to live, women of color, particularly African American women, have been hard hit by predatory lending practices.⁶³ A recent study conducted by the National Council of Negro Women in partnership with the National Community Reinvestment Coalition⁶⁴ revealed that in 2007, of all low- and moderate-income borrowers, Hispanic women were almost one and a half times more likely and black women more than twice as likely to receive high-cost loans than white women.⁶⁵ Disparities were even greater for those with higher incomes. Middle- and upper-income Hispanic women were twice as likely and black women were 2.4 times as likely to receive high-cost loans as their white female counterparts.⁶⁶ To make matters worse, research reveals that many who received subprime home loans could have qualified for conventional mortgages.⁶⁷

Subprime mortgages cost borrowers a tremendous amount of money. The National Council of Negro Women estimates that a subprime loan costs a borrower \$50,000 to \$100,000 more over the loan term than a comparable prime loan. Moreover, the additional money paid in interest prevents them from building home equity as quickly and renders borrowers more vulnerable to foreclosure.

Citizenship and Immigration Status

A growing number of women of color are immigrants. In the new global economy, some immigrants are “self-selected” or recruited because of the need for highly-skilled and highly-educated workers. These immigrants are likely to come to the United States with the human capital—and often financial capital as well—that facilitates building wealth in the United States. But most are unlikely to bring wealth with them, so their accumulation process begins on arrival.⁶⁸

The wealth escalator is closed to many immigrant women. Due to language differences, immigration rules, accreditation barriers, and lack of information, even many who were professionals in their countries of origin can only find work in low-paid, unskilled occupations, often in traditional women's occupations such as nannies, food service work, or housekeeping which often lack fringe benefits. They are also ineligible for many government benefits, even though they pay taxes. Because most immigrants live in racially-segregated neighborhoods,⁶⁹ immigrant women often lack access to mainstream financial services. Exorbitant rates of interest charged by payday lenders, car dealers, and sellers of remittance services bite into their paychecks. Like other women of color, immigrant women are more likely than whites to be supporting family members beyond the nuclear family, including family members in their home countries.

Changing Family Structures

Wealth-building government policies, social insurance, and tax codes are generally structured around the "norm" of the white married couple, in which the husband is the primary wage earner and the wife takes care of the home and children. Women of color are least likely to benefit from policies based on this model.

Marriage and Divorce

About half of all marriages end in divorce,⁷⁰ rendering divorce a reality for most women and men – and yet public policies do not take this into account. Rates of marriage and divorce for women of different races vary for cultural and economic reasons.

Black women are much less likely to marry, have higher rates of divorce, lower rates of remarriage, and have the youngest age of widowhood. In contrast, Asian women are among the most likely to marry and are the least likely to divorce. White women and Hispanic women generally fall in the middle, between black and Asian women.⁷¹

Many of these group differences are rooted in economic factors. For example, Asians as a group have higher levels of education and income, which is positively associated with getting and staying married. In addition, high unemployment and incarceration rates for black men affect the marriage rates for black women.

The wealth gap for women of color is influenced by these differences. For example, because black women spend fewer years married (and hence more years in which they are likely provide the bulk or only means of financial support for themselves and their children), the wealth gap for black women has a more pronounced impact with potentially devastating effects.

While living in a two income household improves a woman's capacity to build wealth, marriage is not the sole factor responsible for the wealth gap for women of color. Marriage provides less of an economic safety net for black and Hispanic women because they are widowed at younger ages. On average, black and Hispanic women are widowed at age 54 and white non-Hispanic women at age 62. The economic situation of minority women deteriorates rapidly upon widowhood because they lose the income of their former spouse and are likely to have few assets to draw upon.⁷²

Because nuclear families are still considered the norm, the responsibilities of women of color for members of the family other than spouses and their own biological children is also not adequately taken into account.

Parenthood

An additional aspect of changing family structures is the rising numbers of women (and to a lesser extent, men) who are raising children on their own. Since 1970, the percentage of children living in single-parent families has more than doubled.⁷³ Adoption is also increasingly common for singles.⁷⁴ Women of color (except Asian or Pacific Islanders) are also much more likely to be single parents.⁷⁵

Women of color are generally younger when they have their first child and have more children, on average, than white non-Hispanic women⁷⁶ (although this may be less true in the future as fertility

rates have been declining for teens of all races, especially black teens).⁷⁷ Due to the economic instability in their communities, women of color are more likely to be grandparenting or taking in the children of relatives than their white counterparts. These factors negatively impact their ability to build wealth since children are expensive and delays in having children is associated with higher wages, even for women in low-wage occupations.⁷⁸ Since early parenthood and fertility rates decline with levels of education,⁷⁹ as women of color are provided with better educational and employment opportunities, they are likely to begin childbearing at older ages and have fewer children overall.

As previously revealed in Table 2, the negative relationship between parenthood and wealth exists for all women, but particularly women of color.

Cultural Factors

While structural inequalities for people of color and women are the primary causes of the wealth gap, cultural factors also play a role. For people who are not native English-speakers, difficulty accessing information and financial services are a factor, but there are others.

Cultural expectations for some women of color emphasize the importance of giving to family and community, often in the form of sharing economic resources. Native American communities value the importance of giving back to the community and kinship obligations often take precedence for blacks as well.⁸⁰ A survey by the Mission Asset Fund also reported that 63% of Latinas agreed or strongly agreed with the statement “Latinos’ family obligations take precedent over their personal financial goals.”⁸¹ In many communities of color these obligations surpass national boundaries, as many are sending money to support relatives in other countries.

Many groups of color have a greater distrust of financial institutions, limiting their desire to participate in mainstream financial institutions in the U.S. Some Hispanic groups, for instance, are less likely to trust banks because of a legacy of widespread volatility and uncertainty in banks in their home countries.⁸² Instead of using banks for loans, many immigrant women are likely to save through rotating savings accounts, in which each member puts in a certain amount each week, and periodically each of them has a turn to withdraw the united savings. For example, in the Korean community, many micro-businesses have been started using this method. However, the amounts are small compared to low-interest loans that are offered primarily to white men.⁸³

Wealth Building by Women of Color Speeds Economic Growth

The enormous wealth gap for women of color can no longer be ignored. The wealth gap is much larger than the income gap for women of color and is of greater significance. Without wealth, women of color are on an economic fault line, where their financial stability can be easily shaken and destroyed by job loss, illness, or larger economic crises that are beyond their control.

As the racial demographics of the United States continue to shift and our nation becomes majority minority, letting such a large segment of our population live in such perilous financial straits is not only irresponsible, but dangerous to the nation’s economic prosperity over the long run. But far from being a drain on the economy, women of color can play a role that stimulates the economy through asset building activities.

Even in the near term, as we work to rise above the economic crisis at hand, we need to maintain ground in this increasingly competitive global marketplace. We need the talents and resources of women of color as workers, consumers, and entrepreneurs to help fuel economic growth and recovery.

Without wealth, women of color are on an economic fault line where their financial stability can be easily shaken and destroyed by job loss, illness, or larger economic crises that are beyond their control.

Future generations are also at stake. One of the largest and most important groups to benefit from increasing wealth owned by women of color are children. Research shows that women are more likely to use economic resources to benefit children. For example, children in two-parent low- to moderate-income households in the U.S. are less likely to experience food insecurity (i.e., having to skip meals due to lack of food) when household money was controlled by mothers.⁸⁴ Children of single mothers with assets also have higher rates of high school graduation and higher grade point averages, even when controlling for other important factors that predict children's educational attainment.⁸⁵

Children with higher levels of educational attainment are more likely to become productive citizens, thereby reducing future dependence on public assistance and reducing social problems that are linked to poverty. Furthermore, increasing the educational attainment of our nation's children helps create a more globally-competitive workforce.

Increasing opportunities for low-income low-wealth women of color to buy homes with prime mortgages, or receive affordable loan modifications if they already own homes, will stop the deterioration of neighborhoods of color hard hit by foreclosures. Communities throughout the country will also benefit since home ownership and wealth is positively associated with levels of civic involvement and political participation.⁸⁶ Moreover, the cost to cities to police abandoned neighborhoods and maintain the properties is a burden on city revenues, whereas homeowners pay property taxes, thereby increasing government revenues.

Increasing opportunities for women of color to build wealth not only benefits society, but failing to do so has serious repercussions. First of all, our society needs the next generation of workers to be as highly-educated as possible to meet the needs of an increasingly competitive global workforce. We cannot meet this need if such a large proportion of our nation's children grow up in asset-poor households and communities that cannot provide educational opportunities to the next generation.

Second, the foreclosure crisis has ramifications beyond women of color. High numbers of foreclosures affects housing prices overall, negatively impacting the most important asset for most middle-class households.

Third, many women of color have an understanding of different cultures and languages that are extremely valuable in the global marketplace.⁸⁷ For example, the bilingualism and biculturalism of Latinas in the border states of New Mexico, Texas, California, and Arizona have contributed to their tremendous success as entrepreneurs.⁸⁸

Finally, reducing economic inequality will have positive impacts on society. Research suggests that more egalitarian countries are healthier, have a stronger community life, and provide its members with more social support.⁸⁹

Asset Building for Women of Color

While this paper focuses on one half of communities of color and documents the gap in economic security between men and women, as the National Association of Colored Women understood back in 1896, the economic status of women of color is tied to those of men of the same race. Since white men in our society have been accorded the most economic advantages, white women benefit from their relationships to men of their same race. As the data has shown, having fathers and husbands with little income and wealth inhibits the savings and asset accumulation possibilities for daughters and wives. Therefore, improving economic opportunities for men of color is necessary for the economic well-being of women of color.

Policy makers must recognize that income generation and wealth accumulation work in tandem to bring about economic security, and all economic initiatives should be examined to ensure that asset building is included.

Further, because the U.S. is segregated across the nation, with African-Americans concentrated in the South, Latinos in the Southwest, Asians in a few major cities, and American Indians on reservation lands; and residentially segregated by neighborhood as well, targeted community economic development initiatives will be necessary to create greater opportunity for the women of color who live in those communities.

That said, there are a few general ideas to keep in mind when designing strategies to build wealth for women of color. First, women of color must be employed in jobs that provide enough wages and benefits to save and build assets like retirement accounts, to buy a home or to start their own businesses. Women of color need to services of community based organizations—non-profits deeply rooted in their communities—*that start where people are at*. They utilize the cultural practices and beliefs of those they serve as assets to be built upon. For example, the Mission Asset Fund in San Francisco was able to attain good credit for Latina women based on their participation in rotating lending circles. Women of color look at their situations in the context of family. At New Economics for Women in Los Angeles, a successful project provided workshops for whole families, including young children and teens, on asset development and preservation, thus making wealth building a family affair. It is not just the content of training that works for women of color – they thrive in environments that provide personal encouragement and support, especially when it is culturally appropriate.

Second, we need more asset building policies for the poor. Currently, policies subsidize asset building for those who already have assets, such as taxing income from capital gains less than income from work. For those without assets, income support and asset development are structured so that women in the TANF program can have only one or the other due to low asset limits in the eligibility guidelines. Policy makers must recognize that income generation and wealth accumulation work in tandem to bring about economic security, and all economic initiatives should be examined to ensure that asset building is included. Already, the city of San Antonio has facilitated savings accounts to be set up for all who participated in any public benefit program because they recognized the importance of wealth-building for helping people maintain economic self-sufficiency.

Third, remedies must be universal, but they must also be targeted. For example, stimulus dollars targeted specifically for Detroit help the majority African-American population there who have been particularly hard hit by the decline of the auto industry. Similarly, a larger proportion of Treasury dollars designated for the creation of Community Development Financial Institutions (CDFIs) could be targeted for Native American communities, since there are no banks within hours of many reservations, and since their creation has a proven track record of success through the efforts of First Nations Oweesta Corporation. Low-wage occupations mostly held by women of color need to be targeted for examination and upgrade: care of our elders and children is some of the most important work in our society, but caregivers' wages and benefits do not reflect the value we place in the well-being of our parents and children.

Policy Recommendations

Based on the preceding explanations for the wealth gap for women of color, the following recommendations have the potential to make the most significant impact on the ability of current and future women of color to build wealth for themselves and their families, and will also help create a more economically stable and prosperous nation for us all.

Improve data collection

As we have seen, data is unavailable particularly for Asian and Native American women; what is not seen cannot be understood and cannot be remedied.

- Collect data disaggregated by race, gender, and ethnicity.

Improve employment opportunities for women of color

As in 1896, job training, wage equity and quality affordable child care are still needed to increase employment opportunities for women of color. To address this, we need to:

- Target financial resources for education and training for women of color in sectors and occupations with high opportunities for career advancement. Jobs created with federal funds such as in broadband, transportation, and the “green” sector should include flexible hours, “wealth escalator” fringe benefits, paid sick days and family leave.
- Support the Employee Free Choice Act; unionization is a proven strategy for improving wages and benefits for women and people of color.
- Set federal wage standards that serve as a floor for state rate-setting commissions for direct care occupations based on the principle of comparable worth.
- Implement universal early childhood education programs that would not only better prepare children for success in school, but recognize that women are participants in the labor force.

Support self-employment and microenterprise

- Create a provision in the TANF statute that identifies exploration of self-employment potential to be countable as “job search” and self-employment preparation as a work activity.
- Increase Small Business Administration assistance to microenterprises which often do not have access to mainstream loans, but need technical and legal assistance.
- The “Make Work Pay” tax credit which covers the self-employed should be made permanent.

Provide low-income women with subsidies and incentives to save

Low-income women often do not benefit from the wealth escalator that helps middle- and upper-income people build their wealth. To help remedy this inequity, we need to:

- Remove asset limits from public assistance program eligibility.
- Make the Child and Dependent Care Tax Credit refundable.
- Expand allowable expenditures for matched Independent Development Accounts in the Assets for Independence program.
- Fund new matched savings accounts for children similar to the British Baby Bonds Program and allow contributions by people other than parents; also matched retirement accounts would help elders stay out of poverty.

Modify social insurance to provide adequate protection for women of color, who often fall through the cracks because of significant gaps in coverage.

To address this we need to:

- Institute a minimum benefit for the Social Security program. This would lift many people—particularly women of color—out of poverty.
- Social Security needs to be restructured for part-time workers who have lower annual earnings, which make their average benefits lower. Extend unemployment benefits to part-time workers. Currently, women are two-thirds of the part time labor force.⁹⁰
- Social Security should include caregiver credits.

Conclusion

The dream of economic mobility and security for themselves and their children remains a chimera on the far horizon for the vast majority of women of color. Their ability to build wealth has been negatively impacted by the cumulative effect of historical policies restricting people of color and women from asset building opportunities, and by current policies and practices that continue to exacerbate those gaps.⁹¹ At the intersection of institutional barriers based on race and gender, the impact is not a matter of adding one to the other. As we compare the wealth of women of color to that of men of their same race and to that of white women, it is evident that the impact of these barriers is exponential.

In the face of such overwhelming odds, women of color are some of the most resilient, resourceful and relied-upon people in our society. They raise children and take care of elders. They earn incomes, start businesses, create jobs for others, and donate their time and money to improving their communities. Last but not least, they are leaders working for a more equitable society.

But their stories are often buried in the aggregated data of the population as a whole, of people of color, or of all women. Moreover, the significance of wealth has been overlooked. As a result, their particular situation has not been well documented or understood, and their current and future potential economic contributions have not been fully recognized.

It is the author's intent and sincere hope that shining a spotlight on women of color and wealth becomes a catalyst for policy change - change that will lift women of color as they continue their climb toward economic security. Their futures are inextricably linked with the economic future of the nation.

Notes

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- 14 The SCF oversamples high-income households, who own the most wealth and are less likely to show up in random samples. The oversampling of high-income households renders a more accurate portrait of the magnitude of wealth inequality. For information on how the SCF compares with other household surveys of wealth, see: Curtin, Richard F., Thomas Juster, and James Morgan. 1989. "Survey Estimates of Wealth: An Assessment of Quality." Pp. 473-551 in R. Lipsey and H.S. Tice (eds.) *The Measurement of Savings, Investment, and Wealth*. IL: University of Chicago Press; Oliver, Melvin L. and Thomas M. Shapiro. 2006. *Black Wealth/White Wealth: A New Perspective on Racial Inequality* (10th Anniversary Edition). NY: Routledge; Wolff, Edward N. 2002. *Top Heavy: The Increasing Inequality of Wealth in America and What Can Be Done About It*. NY: The New Press (Appendix).
- 15 Details pertaining to the calculation of wealth can be found in the 2007 Survey of Consumer Finances Codebook: www.federalreserve.gov/PUBS/oss/oss2/2007/codebk2007.txt.
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