

The Racial Wealth Gap is Growing

By **Jeremie Greer** on 02/19/2014 @ 11:00 AM

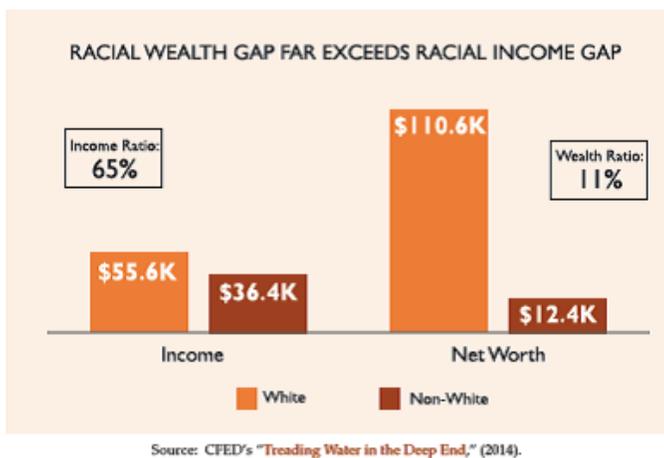
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In a month when we celebrate the bravery and sacrifices made every day by extraordinary people to advance racial equality in the United States, we are also reminded that despite incredible progress we have not come far enough. The financial security of communities of color is still incredibly fragile, and in many communities across the country, families are barely getting by—if they are getting by at all. In a [speech](#) marking the 50th Anniversary of the March on Washington, President Obama articulated this struggle—far better than I ever could—by describing the measure of progress as defined by those who gathered in Washington, DC, 50 years ago. During this speech President Obama said:



“The test was not, and never has been, whether the doors of opportunity are cracked a bit wider for a few. It was whether our economic system provides a fair shot for the many - for the black custodian and the white steelworker, the immigrant dishwasher and the Native American veteran. To win that battle, to answer that call - this remains our great unfinished business.”

In addressing the question of whether communities of color are accumulating wealth, building assets or achieving financial security for their families, unfortunately the answer—as articulated by President Obama—is that as a country we have “unfinished business.”



On January 30, CFED released its annual [Assets & Opportunity Scorecard](#), which profiles state data on household financial security and 67 policy solutions, and highlighted the many families who are living in a persistent state of financial insecurity. One major and troubling finding was that **two out of every three** (61%) households of color are liquid asset poor, which means they have less than three months' worth of savings (conservatively measures as \$5,887 for a family of four). Further, and as reported in a recent [post](#) by Lebaron Sims, African-Americans are twice as likely to be liquid asset poor as white households. This lack of savings corresponds with overall lower wealth and assets. CFED found that households of color have approximately one-tenth the median net worth (assets minus debt) of white households (\$12,377 and \$110,637, respectively).

This week, CFED's Government Affairs team has released a new fact file, titled "[The Racial Wealth Gap is Growing](#)," which highlights the disturbing trend of wealth inequality regarding households of color in the United States and some of the reasons it exists and persists in the United States. Here are some of the alarming facts:

- **The racial wealth gap far exceeds the racial income gap.** As mainstream rhetoric tends to focus on income inequality, CFED's [new Scorecard data](#) brings into light the reality that inequality is more extreme and pervasive when looking at different households' net worth.
- **The racial wealth gap is growing.** According to research by the [Urban Institute](#), the wealth gap has doubled in the past few decades. In 1983, the average wealth of white families was \$230,000 higher than the average wealth of African-American and Hispanic families; in 2010, it has increased to over \$500,000.
- **Homeownership rates for households of color are 26 percentage points below the rate for white households.**

Research by the [Institute on Assets and Social Policy \(IASP\)](#) has determined that the homeownership gap is a result of a broad legacy of systematic racial segregation, discrimination and unequal opportunity. Additionally, new research from [Zillow, Inc.](#), in collaboration with the National Urban League, found that there were significant differences across race and ethnic groups with the success of mortgage applications.

These facts and trends are explored in more depth in the [Fact File](#).

All in all, we know that in order to finish the “business” of expanding opportunity, whether it is through investments in homeownership, college education or small businesses, disparities between white households and households of color must be erased. In his State of the Union Address, President Obama offered hope that this vision can be realized when he said, “Opportunity is who we are. And the defining project of our generation must be to restore that promise”.

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