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Not entirely, according to recently published research on retirement accounts and race. The study, by the Financial Industry Regulatory Authority Investor Education Foundation, found that even when income and education levels are equal, blacks and Hispanics are less likely than whites to have taxable investment accounts.

About 36 percent of white households have taxable accounts, compared with 25 percent of Hispanic households and 22 percent of black households, according to the study. Factors like income and education disparities account for much of the gap. But FINRA, as the authority is known, found that "black households are 7 percentage points less likely than white households to own taxable investments, all things equal." For Hispanic households, a 4 percentage point gap remains. [\(Tweet This\)](#)

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Eliminating the race-wealth gap: Ex-NFL star

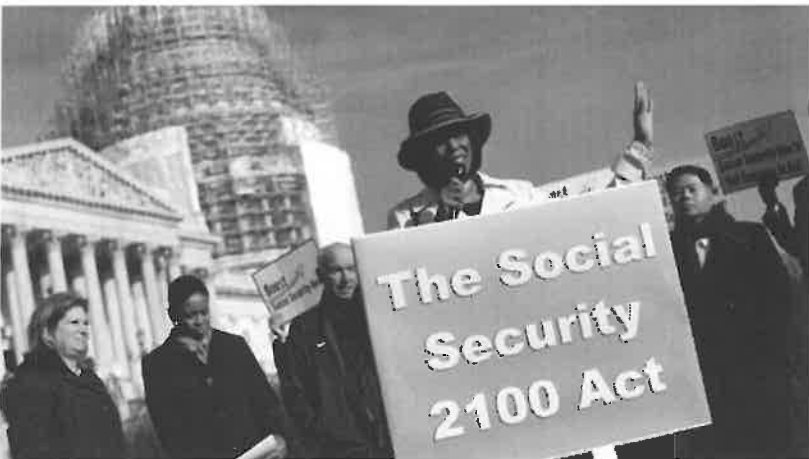
A researcher for FINRA said the data do not indicate a definitive cause for the discrepancy. However, "some research in this area suggests that the racial gap in investment behavior may be due in part to lower levels of trust in the financial services sector among minorities, and other research has suggested that the gap may be driven, at least in part, by lower levels of financial literacy among minorities."

In separate research on financial literacy, FINRA has found that whites are able to correctly answer three of the five questions on a commonly used financial literacy quiz, while African-Americans get 2.4 questions right, on average, and Hispanics 2.6.

Maya Rockey Moore, president and CEO of the Center for Global Policy Solutions, a Washington think tank, agreed that African-Americans may be more wary of investing.

"For many, the market is an unfamiliar and scary place," she said. "The image of the market for many of these households is a big casino where the sharks win over the guppies at every turn."

In addition, she said, white and African-American breadwinners with the same income may experience very different financial pressures. Higher income African-Americans often "are first-generation income secure," she said. In addition, "they are often the bank of first resort for immediate and extended family members," and helping those people can "take precedence over long term savings."



Getty Images

Maya Rockey Moore, president of the Center for Global Policy Solutions, speaks as House Democrats hold a news conference to announce the introduction of Social Security 2100 Act in front of the U.S. Capitol in April 2015.

Another potential barrier to minorities building wealth relates to workplace retirement accounts. Some 62 percent of white workers have access to an employer-sponsored retirement plan at work, but only 54 percent of African-Americans and a paltry 38 percent of Hispanics have plans available to them, according to research by the

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"Overall, as a community, African-Americans have much less access to retirement savings accounts, and Latinos as well," said Tatjana Meschede, research director for the Institute on Assets and Social Policy at Brandeis University. As a result, she said, they have "fewer opportunities to build wealth."

Other disparities also feed the racial wealth gap. For example, a study Meschede co-authored found that "the number of years families owned their homes was the largest predictor of the gap in wealth growth by race," accounting for 27 percent of the difference.

Whites have an edge when it came to buying homes, the study found, in part because their families are more likely to be able to provide financial help with that first home purchase and the larger down payments they make keep their borrowing costs lower.

An analysis of Census Bureau data by Demos.org found that 73 percent of white households owned their homes as of 2011, compared with 47 percent of Latinos and 45 percent of Blacks.

There are at least as many proposals to close the racial wealth gap as there are reasons for the gap itself, but for now, it is persisting. The FINRA researcher noted that "we now know that we need to take a deeper look into the issue so we and our colleagues in the field of financial capability-building can better understand and tackle it."



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Kelley Holland
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