

## Young white homebuyers have a secret weapon: Their parents' money

by Rob Wile | November 30, 2015 1:12 p.m.

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TWEET

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If it seems like your all of your white friends are buying houses, while your non-white friends are still cobbling together a down payment, that may be because white parents are more likely to give their kids help paying for their essentials.

A new piece in *The Atlantic* summarizes research conducted in recent years that shows that white young adults are much more likely to get parental help paying for small expenses (like cell phone bills) and large expenses (like a down payment on a home), and that the cumulative effect of these differences is increasing racial inequality. Here's the key graf (emphasis ours):

A seminal [2013] study published in the *Journal of Economic Perspectives* on wealth accumulation estimates that **as much as 20 percent of wealth can be attributed to formal and informal gifts from family members, especially parents.** And it starts early. In college, black and Hispanic Millennials are more likely to have to work one or two jobs to get through, missing out on opportunities to connect with classmates who have time to tinker around in dorm rooms and go on to found multibillion-dollar companies together. Many of them take on higher levels of student debt than

their white peers, often to pay for routine expenses, such as textbooks, that their parents are less likely to subsidize.

There is often an expectation among minority families that their kids will help their parents with important financial decisions, while the reverse is true for white families.

Meanwhile, a previous study from the last decade showed that half of white Americans got family money for home down payment, while 9/10 black Americans did it on their own. And in a study from last month, Brandeis University's Institute on Assets and Social Policy (IASP) noted that education, despite its obvious benefits, also has the effect of creating a "wealth feedback loop," where "the educational level of parents significantly predicts the level of education completed by their children," because white children are better able to absorb their student debt loads than black children.

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IASP concluded that eliminating student debt for those making at or below \$50,000 would reduce the disparities among low-wealth blacks and whites by nearly 37%, while a policy that eliminated debt among those making \$25,000 or less reduces the same gap by more than 50%.

*IASP*

IASP notes that wealth disparities will actually not improve if you eliminate all

debt across the board. Because they start out with so much more wealth, “the typical white family would see a greater total benefit than the typical Black family,” if there was a population-wide debt wipeout.

Instead, they write, any student debt relief should be scaled according to an individual’s or family’s ability to pay.

“If policymakers are concerned about the growing racial wealth gap as well as the growing level of educational debt among today’s young people, they should design interventions that not only reduce the overall burden of student debt, but do so in ways that do not expand existing racial wealth divides.”