

Racial Wealth Gaps Rise to Record Highs

By Rakesh Kochhar, Richard Fry and Paul Taylor

The median wealth of white households is 20 times that of African American households and 18 times that of Hispanic households, according to a Pew Research Center analysis of newly available government data from 2009.

These lopsided wealth ratios are the largest since the government began publishing such data a quarter century ago and roughly double what they used to be for the two decades preceding the Great Recession that ended in 2009.

The Pew analysis finds that, in percentage terms, the bursting of the housing market bubble in 2006 and the recession that followed took a far greater toll on the wealth of minorities than of whites. From 2005 to 2009, inflation-adjusted median wealth fell by 66 percent among Hispanic households and 53 percent among African American households, compared with just 16 percent among white households.

As a result of these declines, the real wealth (assets minus debts) of a typical African American household was just \$5,677, of a Hispanic household was \$6,325, and of a white household was \$113,149 in 2009. Moreover, about a third of African American (35 percent) and Hispanic (31 percent) households had zero or negative net worth, compared with just 15 percent of white households. In 2005, the comparable figures were 29 percent for African Americans, 23 percent for Hispanics, and 11 percent for whites.

Plummeting housing values were the principal cause of erosion in household wealth among all groups, with Hispanics being the hardest hit. Between 2005 and 2009, the median level of home equity held by Hispanics declined by half—from \$99,983 to \$49,145—and the rate of home

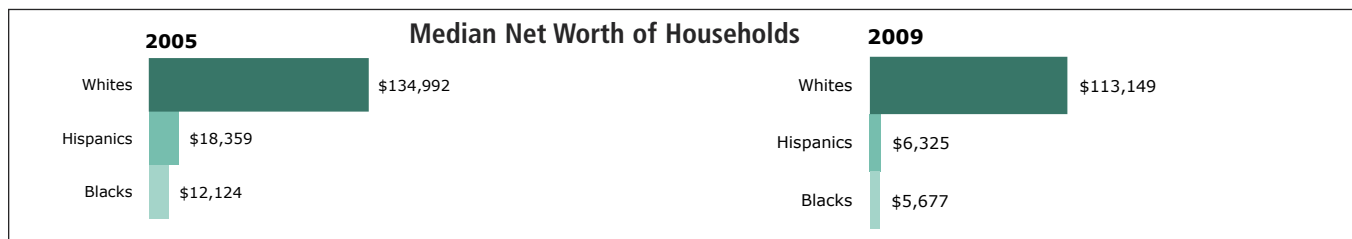
ownership fell from 51 to 47 percent. A geographic analysis reveals the reason for this: Most Hispanics live in California, Florida, Nevada, and Arizona—areas at the vanguard of the housing market bubble of the 1990s and early 2000s, which have since seen the steepest decline in values.

White and African American homeowners also saw the median value of their homes decline during this period, but not as much as Hispanics. Among whites, the decline was from \$115,364 in 2005 to \$95,000 in 2009. Among African Americans, it went from \$76,910 in 2005 to \$59,000 in 2009. There was no change during this period in the homeownership rate for whites (74 percent) and a 1 percent decline for African Americans.

The 2005 to 2009 time frame allows for a before-and-after look at the impact of the Great Recession. However, those dates do not align perfectly with the downturn, which ran from December 2007 to June 2009, according to the National Bureau of Economic Research.

Since the official end of the recession in mid-2009, the housing market has remained in a slump while the stock market has recaptured much of the value it lost from 2007 to 2009. Given that a greater number of whites than African Americans or Hispanics own stocks, mutual funds, 401(k)s, and individual retirement accounts (IRAs), the stock market rebound is likely to have benefited white households far more than minority households. ■

61



Graphic: Median net worth of households, 2005 vs. 2009 (in 2009 dollars). ©2009 Pew Research Center

Rakesh Kochhar, Richard Fry, and Paul Taylor are staff members at the Pew Research Center's Social and Demographic Trends. Read the full report, including methodology at pewsocialtrends.org.