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White-Minority Wealth Gulf Widens

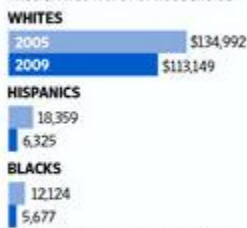
By MIRIAM JORDAN

The wealth gap between whites and each of the nation's two largest minorities—Hispanics and blacks—has widened to unprecedented levels amid the housing crisis and the recession, according to new research.

Growing Wealth Gap

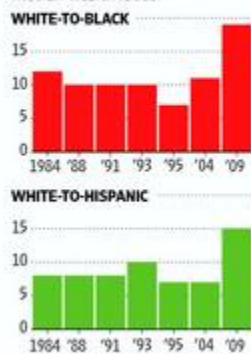
The net worth of whites declined less percentage-wise than for blacks or Hispanics during the recession.

Median net worth of households



Note: Dollar figures for whites and blacks exclude Hispanics. Ratios for both whites and blacks include Hispanics. The Survey of Income and Program Participation was redesigned in 1996, which may affect comparability of data before and after the change.
Source: Pew Research Center tabulations of SIPP and Census data

Median wealth ratios



Wealth—the sum of such assets as a home, cars, stocks, bank and retirement accounts, minus the sum of debt—is a key indicator of economic well being, alongside income. Income refers to wages, interest, profits and other sources of earnings. The main difference between wealth and income is that wealth can be passed on.

"Wealth can establish the financial status of a family for generations," said Mr. Kochhar, who is an economist.

Late last year, the U.S. Census Bureau reported that the number of Americans living in poverty was at a 15-year high.

For all groups, home ownership is the biggest contributor to net worth. The surge in home prices early in the past decade was accompanied by a historic increase in home-ownership rate, to 69% in 2009 from 64% in 2004. But plummeting house values then became the biggest cause of the erosion in household wealth, the study found.

The price drop had a more detrimental impact on minorities than on whites: Hispanics and blacks derive more than half of their net worth from home equity, whereas it accounts for 44% of a white household's net worth.

As a result of the declines, the median black household had just \$5,677 in wealth in 2009, while the median Hispanic household had \$6,325. The median white household had \$113,149 in 2009.

The two-bedroom house of Laevonne Gordon, an African-American from Escondido, Calif., was worth \$265,000 when she bought it in 2005. Now, it is valued at \$81,000, and she is behind on her monthly mortgage payments. "I'm trying to get a loan modification so I can keep the house," she said during a visit to Community Housing Works, a counseling agency in San Diego.

Hispanics were hardest hit by the housing meltdown because they are concentrated in areas that suffered the biggest depreciation in home values—Arizona, California, Florida and Nevada.

The median value of directly held stock and mutual funds dropped the most for Hispanics and blacks. The value fell 32% for Hispanics and 71% for blacks. For whites, the value fell 9%. Blacks and Hispanics in financial distress might have been compelled to sell stocks or stop contributing to their pension plans, diminishing the value of their holdings, Mr. Kochhar said.

Given that a bigger share of whites own stocks and mutual funds, and have retirement accounts, the stock-market rebound since 2009 is likely to have benefited white households more than minority households.

Extended unemployment and shrinking income are also likely to have adversely affected household wealth, said the Pew study.

Ms. Gordon, a mother of three in the process of getting a divorce, has been delivering newspapers since her home day-care-center business went downhill because many of her clients lost their jobs and their homes.

The findings are based on Pew's analysis of data from the Survey of Income and Program Participation, an economic questionnaire distributed to more than 36,000 households by the U.S. Census Bureau in late 2009.

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