

Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance

October 5, 2021

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Disclaimer: The views expressed here are those of the speakers and do not necessarily represent the views of the Federal Reserve Bank of Boston, the Federal Reserve System, The Brookings Institution or its funders.

Wealth, by type, 2016-19, including results for Asian families

		Mean	Median
Market Wealth Projected	Asian	1,230,644	354,585
	Black	145,412	22,320
	Hispanic	225,653	44,462
	white	927,194	188,706
Private Wealth Projected	Asian	1,487,960	585,720
	Black	326,374	39,129
	Hispanic	393,723	91,919
	white	1,241,526	278,737

Table 1 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Thompson, J., and A. Henriques Volz (2021). "A New Look at Racial Disparities Using a More Comprehensive Wealth Measure," Federal Reserve Bank of Boston Current Policy Perspectives, August 16, 2021.

Private wealth adds DB pension assets to market wealth. Includes families with heads between ages 30 and 62. Market and DB wealth projected to age 62 and discounted back to age at survey. For details see Thompson and Volz (2021) and Jacobs et al (2021). Uses real 2019\$.

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Racial Gaps in Private Wealth Over Time

Panel A. Mean Family Private Wealth



Panel B. Median Family Private Wealth

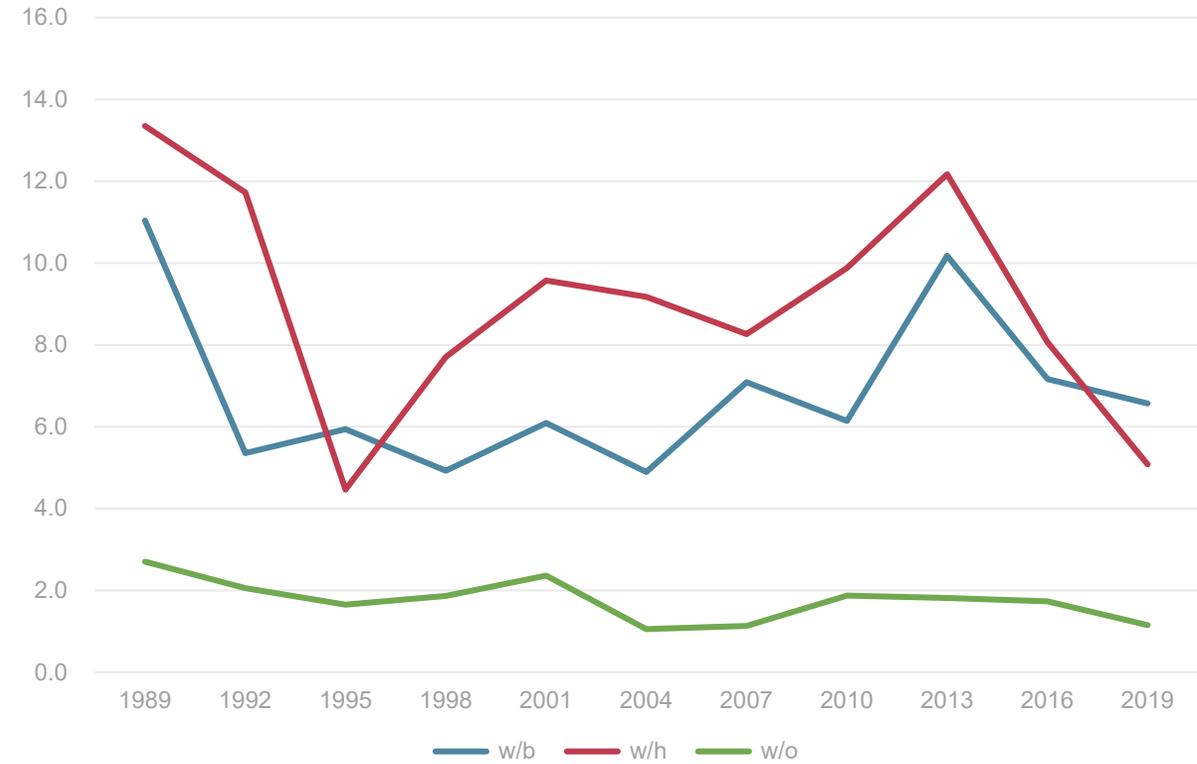


Figure 1 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, all ages, 1989-2019, real 2019\$

W/B is the ratio of white family wealth to Black family wealth, W/H is the ratio of white family wealth to Hispanic family wealth, and W/O is the ratio of white family wealth to other race family wealth.

Wealth and Basic Characteristics of “Typical” Families by Race

	Mean private wealth	Share who are married	Mean age of respondent	Mean years worked full-time (combined R and SP)	Highest Educational Attainment in Household		
					BA or higher	associate degree or some college	high school or GED
White	246,263	62%	55	40.5	48%	34%	15%
Black	35,024	24%	50	27.6	22%	31%	29%
Hispanic	44,299	70%	40	23.5	27%	37%	18%
"Other"	214,929	84%	46	31.6	55%	28%	16%

Table 3 from Sabelhaus and Thompson (2021), “Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance”

Source: Authors’ analysis of Survey of Consumer Finances, 2019

“Typical” indicates the mean among households in the 45-55th percentiles of the race-specific distribution of private wealth.

W/B Mean Wealth Ratios, by Wealth Concept and Adjustments for Age, Marital Status

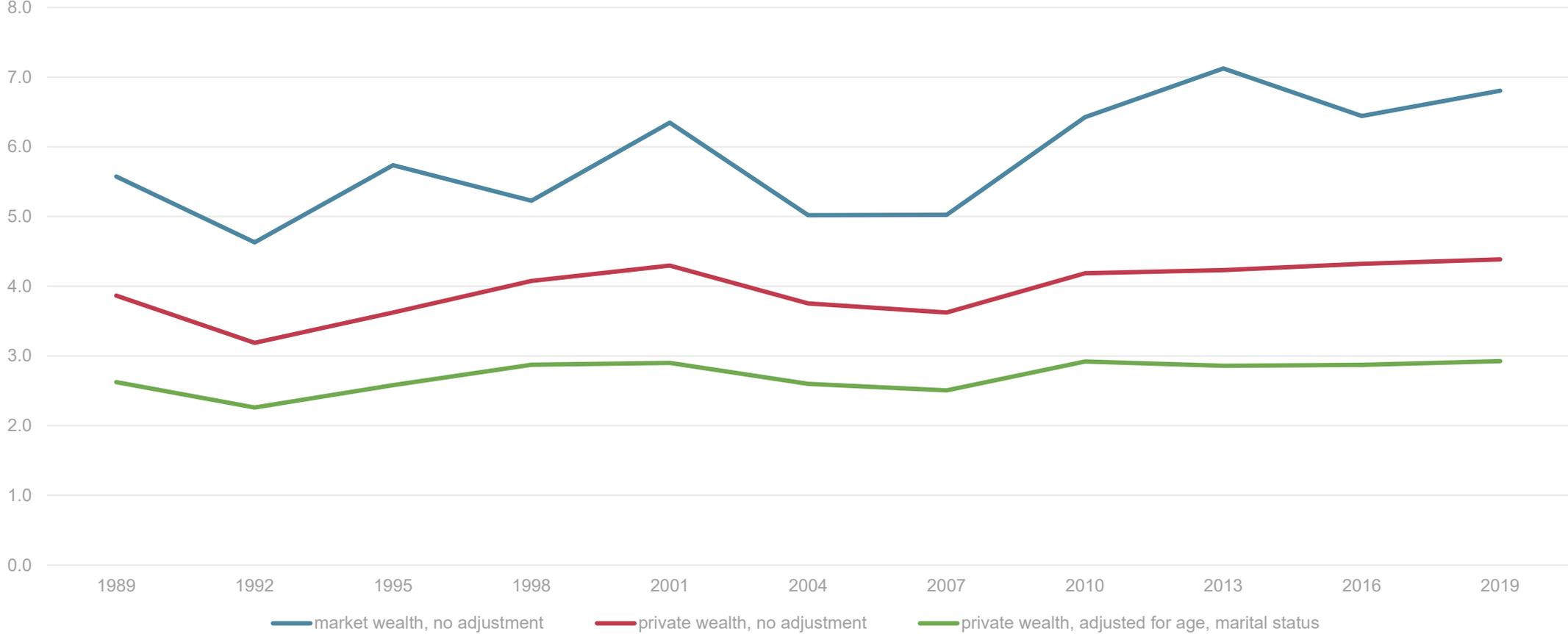


Figure 5 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 1989-2019

W/B is the ratio of white family wealth to Black family wealth.

Overview

Decomposition of white/non-white gaps in wealth:

- * using the Survey of Consumer Finances (SCF)
- * “private wealth” includes defined benefit (DB) pension assets (Sabelhaus and Volz, 2020)

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Relying on Multiple data innovations for the SCF:

- * lifetime earnings histories (Jacobs et al, 2021) into the SCF
- * augmented intergenerational transfers (Feiveson and Sabelhaus, 2019)
- * expanded set of pension coverage and generosity measures

Motivation for Our Approach

- Educational attainment is an inadequate proxy for human capital. Attainment categories are far too heterogeneous. Higher levels of productivity facilitate accumulation of wealth only after generating higher earnings across many years.
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- Private wealth is a superior wealth concept. It better reflects the full range of assets that families rely on, and better aligns with how working families build wealth over their working lives.

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- Private wealth is a superior wealth concept. It better reflects the full range of assets that families rely on, and better aligns with how working families build wealth over their working lives.
- The inheritance module in the SCF does not reflect all the intergenerational transfers reported in the survey. Other gifts and inheritances appear in the business and real estate modules of the survey, resulting in a larger flow of intergenerational transfers.
 - use augmented measures of inheritance and inter vivos transfers (Feiveson and Sabelhaus, 2019)

Key Findings – Human Capital

The non-parametric decomposition analysis finds that re-weighting the white sample to match the distribution of human capital traits among the non-white samples closes most of the observed wealth gaps

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- For white/Black wealth gaps we account for:
 - 56 percent (mean) and 60 percent (median) of the gap when controlling for lifetime earnings histories and earnings and years at current job;
 - Two-thirds (mean & median) when we further controlling for pension coverage and generosity;
 - Three-quarters (mean & median) when we also control for additional human capital and work-related variables (indicators for retirement and disability status, occupation, industry and educational attainment)
- These magnitudes are greater than some past work using the SCF (Thompson and Suarez, 2019 – 40%), but are similar to Barsky et al. (2002) – two-thirds, and somewhat smaller than recent papers using general equilibrium and overlapping generations macro models showing lifetime earnings can account for the entire wealth gap, by itself (Aliprantis et al. 2019) or jointly with inheritance (Ashman and Neumuller, 2020).

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- For white/Hispanic wealth gaps the full suite of human capital variables account for 80 to 90 percent of mean and median gaps.
- “Other” race families have similar earnings history and pension coverage to white families, but when we reweight for the remaining human capital and work-related variables, we raise white family wealth up to that of “other” race families and nearly close the white/”other” gaps.

Key Findings – Intergenerational Transfers

- A separate analysis of intergenerational transfers finds that inheritance and inter vivos transfers account for 14 to 16 percent of white/Black and white/Hispanic gaps (mean & median)
- Included jointly with human capital variables, the additional portion of wealth gaps explained by intergenerational transfers declines sharply, suggesting transfers impact wealth – in large part – by boosting human capital

Agenda

1. Human capital to wealth accumulation
2. Career duration and pension coverage
3. DFL results for earnings histories and human capital
4. Intergenerational transfers – differences by race & DFL results
5. Implications for policy

Human Capital Formation

- *Limits of educational attainment indicator*
- *The need for lifetime earnings*

Education and Wealth by Race and Household Composition

Panel A. Mean Market Wealth by Race, Education

					White Wealth divided by....		
	White	Black	Hispanic	Other	Black	Hispanic	Other
Less than HS	254,694	53,253	76,813	94,256	4.8	3.3	2.7
HS	372,840	80,190	114,246	172,543	4.6	3.3	2.2
Some college	451,989	141,243	156,787	484,785	3.2	2.9	0.9
Bachelor's degree	1,501,663	260,156	367,035	903,652	5.8	4.1	1.7
Advanced degree	2,302,466	319,574	1,121,325	1,847,314	7.2	2.1	1.2

Panel B. Mean Market Wealth by Race, Household Structure and Highest Degree Earned (for selected education levels)

High School							
....Single	227,402	53,100	88,805	137,249	4.3	2.6	1.7
....Married (2 HS)	427,485	99,604	132,636	156,038	4.3	3.2	2.7
Bachelors							
....Single	618,762	184,608	214,259	755,644	3.4	2.9	0.8
....Married (2 BA)	2,226,842	570,094	514,313	1,015,407	3.9	4.3	2.2

Panel C. Mean Private Wealth by Race, Household Structure and Highest Degree Earned (for selected education levels)

High School							
....Single	274,498	122,611	103,284	137,249	2.2	2.7	2.0
....Married (2 HS)	545,036	212,878	147,929	192,954	2.6	3.7	2.8
Bachelors							
....Single	744,499	277,731	428,952	825,635	2.7	1.7	0.9
....Married (2 BA)	2,445,142	800,910	541,020	1,146,417	3.1	4.5	2.1

Table 5 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019

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Source: Authors' analysis of Survey of Consumer Finances, 2016-2019

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ACS Synthetic Panel showing annual earnings growth by major field of study among employed BA holders

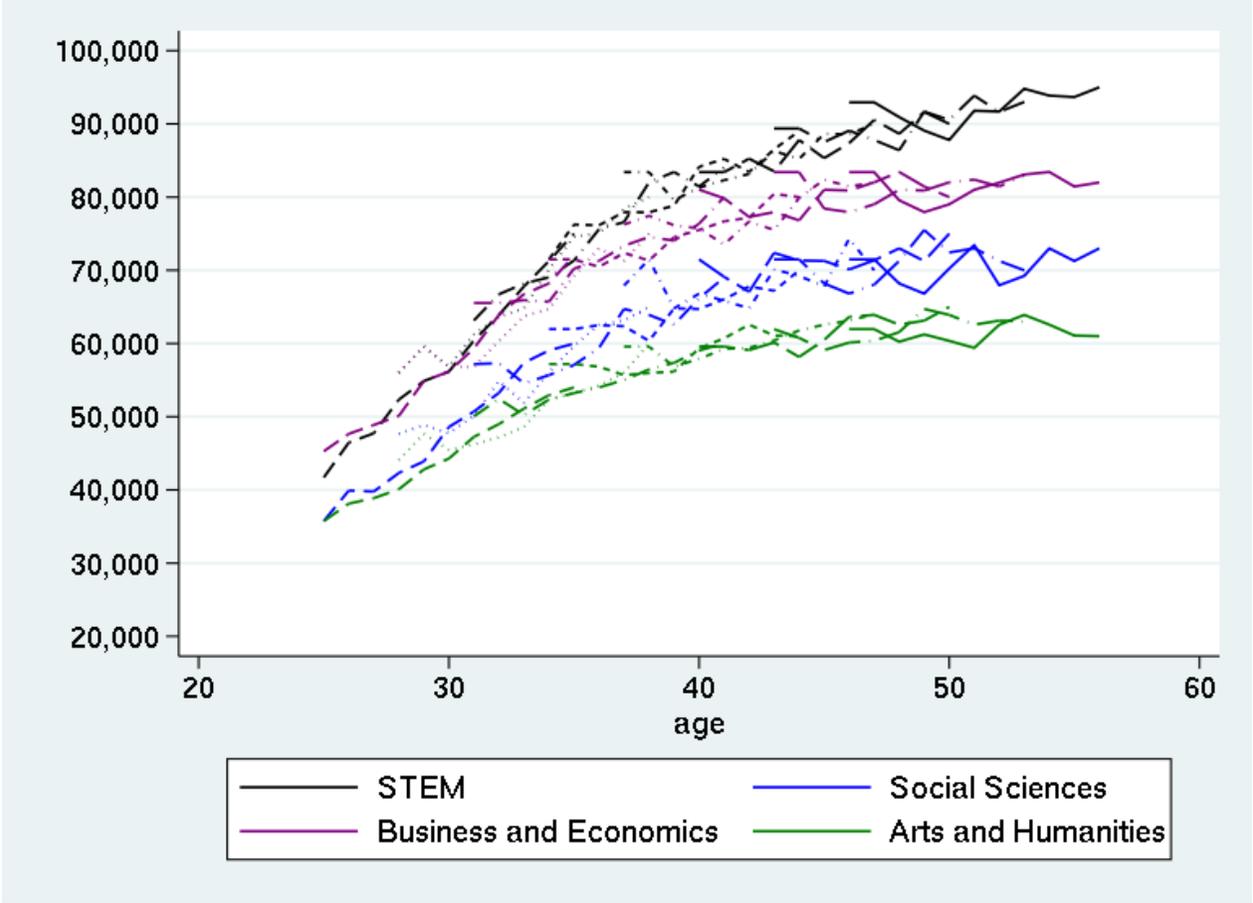


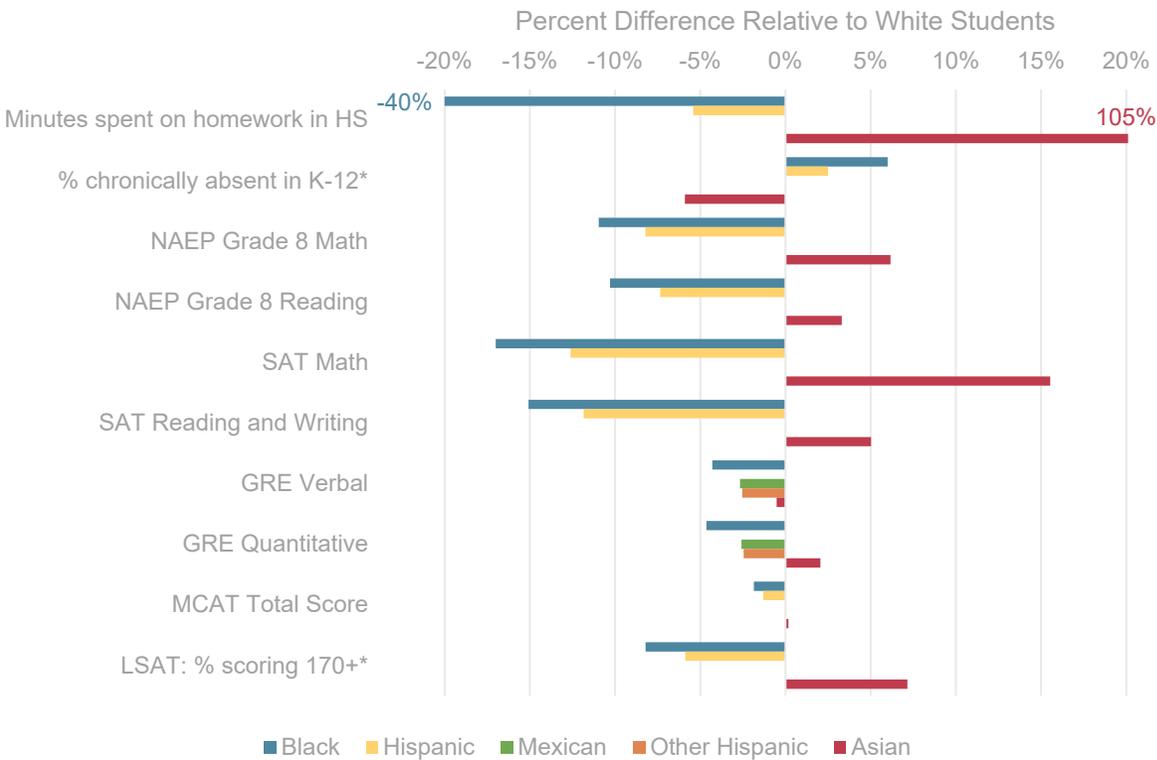
Figure 7 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of ACS 2009-2019 data from IPUMS USA.

Includes individuals ages 24-56 in 3-year cohorts. Restricted to employed individuals with a bachelor's degree or higher and positive wage and salary income. Annual earnings are measured as median total pre-tax wage and salary income for the previous year in 2019 dollars. Field of study categories were created using the field of degree variable.

Human Capital Formation and Wealth Accumulation by Race

Panel A. Racial Minority Student Academic Performance Relative to White Students



Panel B. Educational Attainment by Race

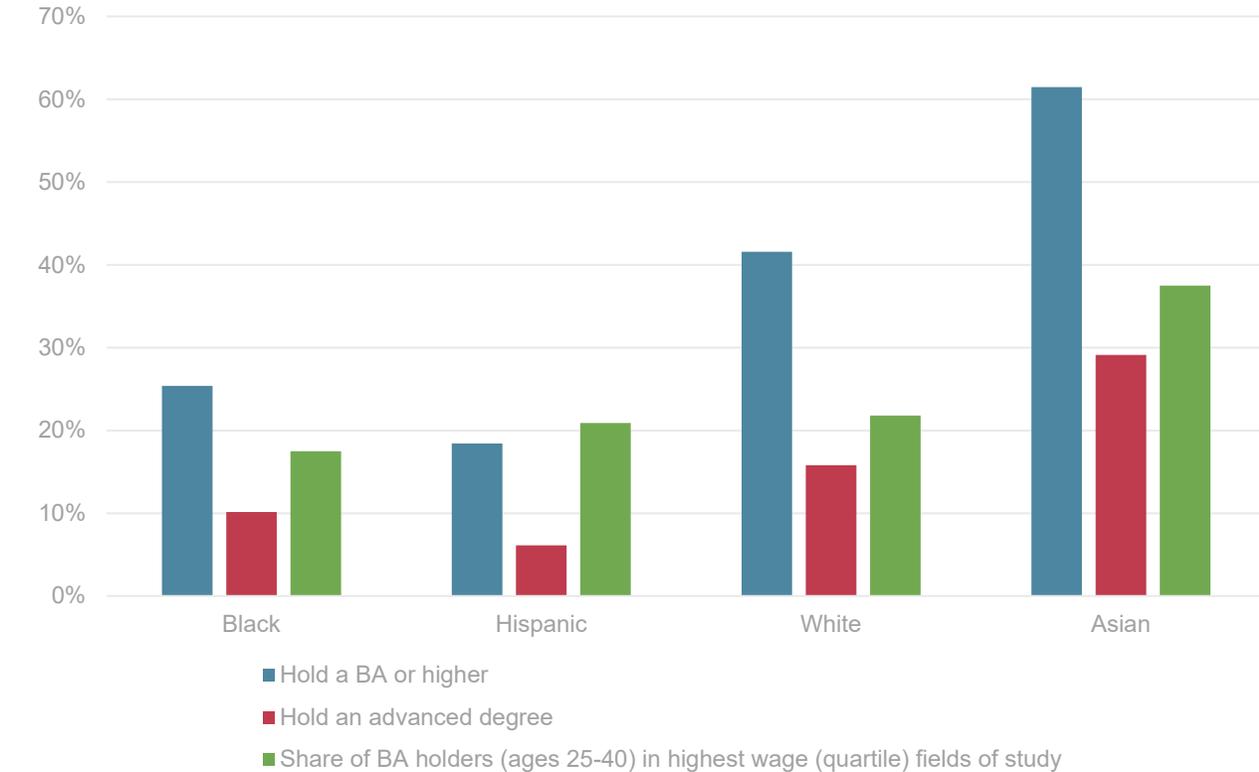
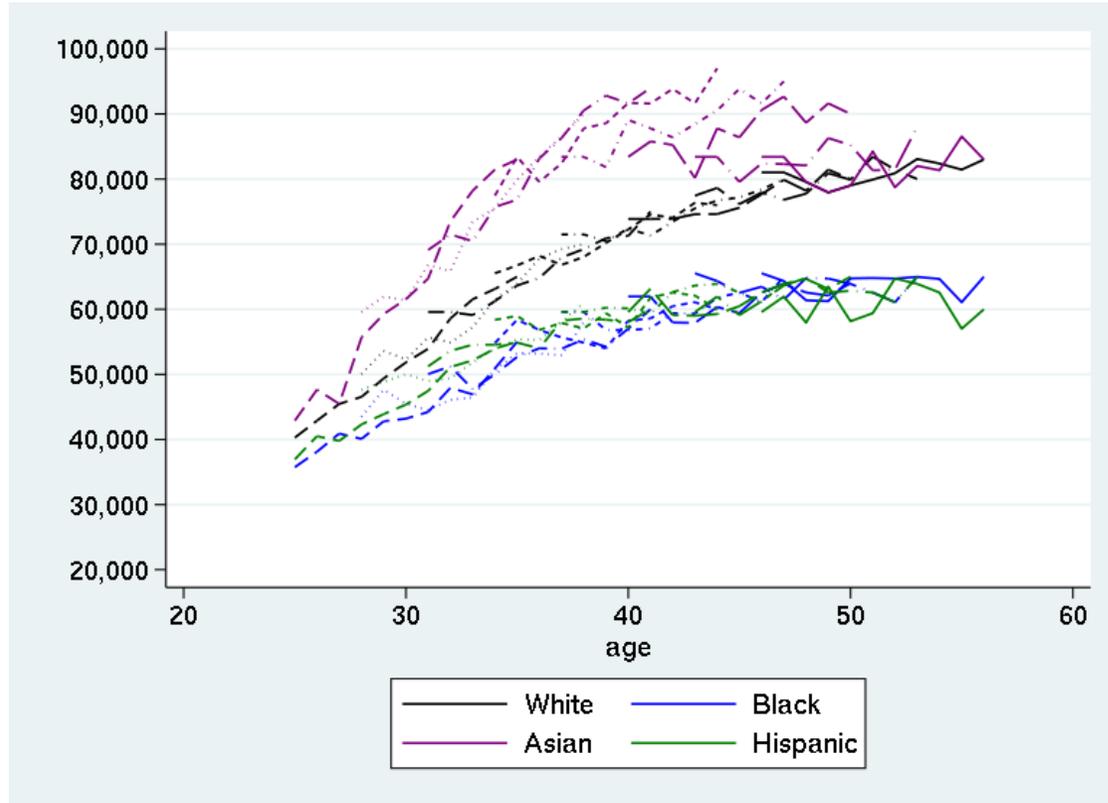


Figure 6 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: See Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance," footnote 39

Human Capital Formation and Wealth Accumulation by Race (Continued)

Panel C. Average Earnings Trajectory by Race – Synthetic Panel of Workers in ACS, 2009-2019



Panel D. Average Private Wealth by Race, 2016-19 (Household Heads 30 to 62)

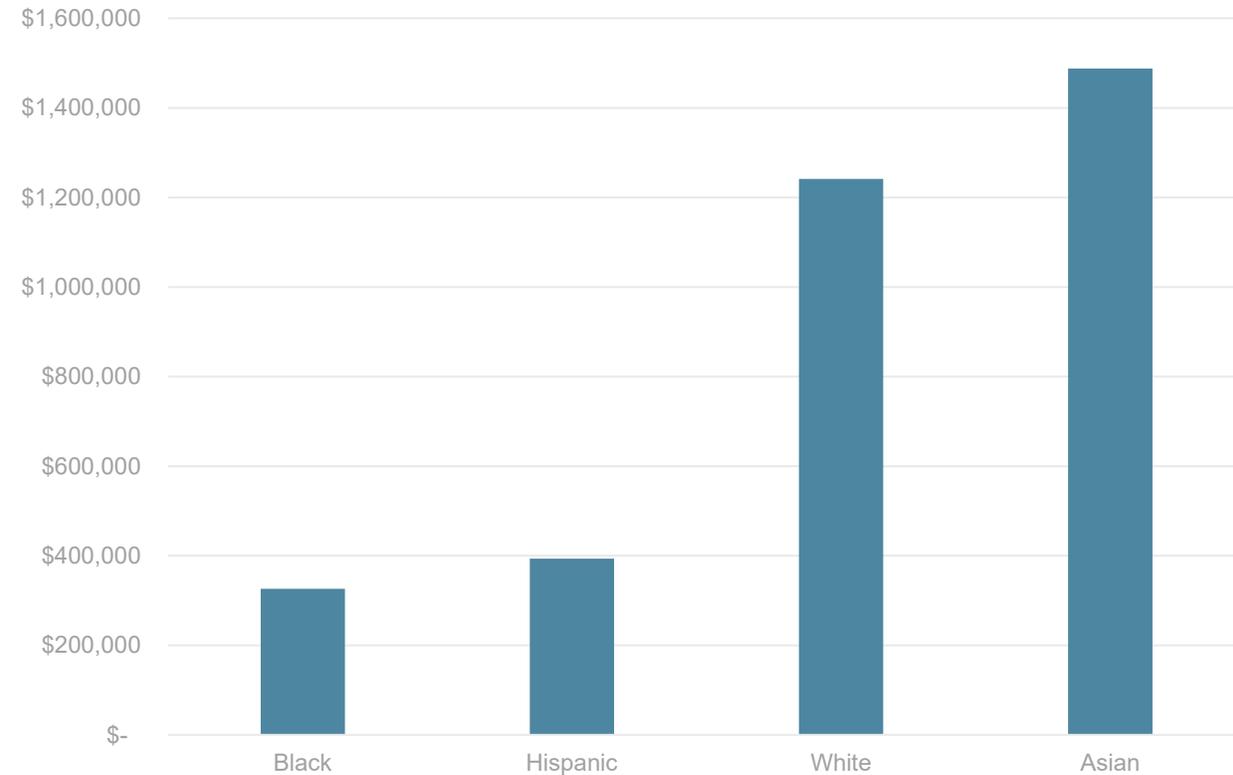


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Source: See Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance," footnote 40

Career duration and pension coverage

Wealth generated through work is developed slowly over many years, and pensions play a vital role

Median Private Wealth by Years of Full-Time Work and Presence of College Degree

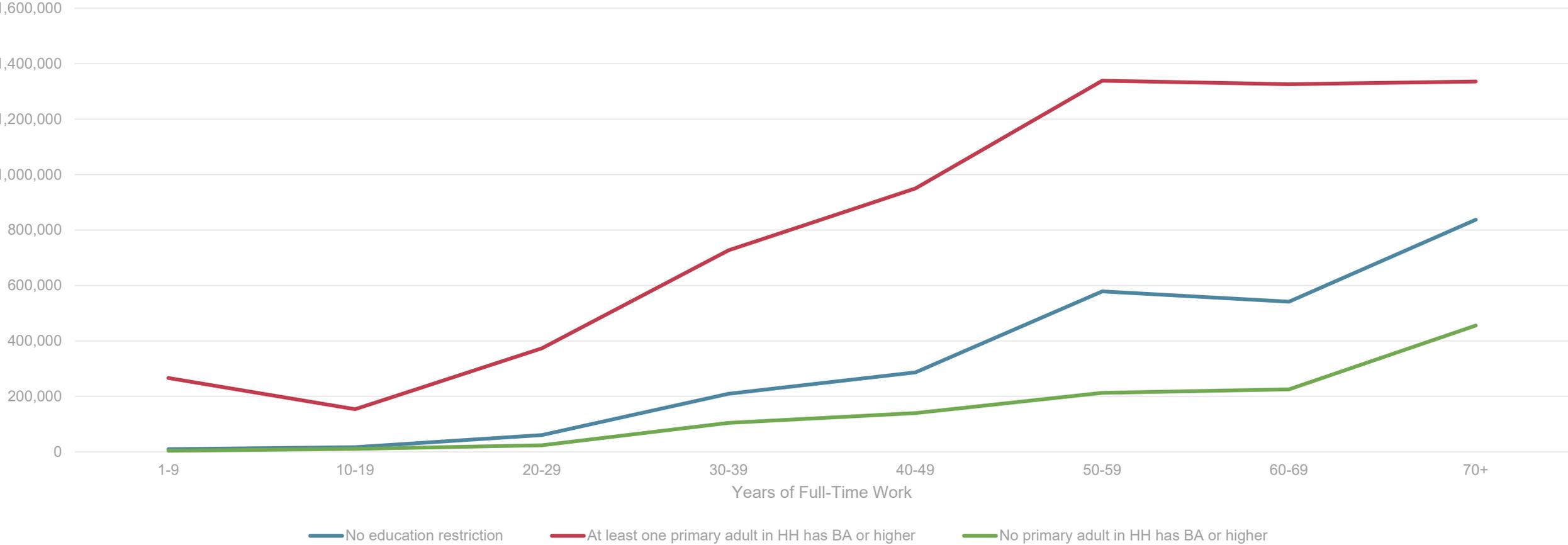


Figure 8 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 50-65

For married/partnered households, years of full-time work are combined for the respondent and spouse/partner.

Years of Full-Time Work (for Respondent and Spouse/Partner) by Race

	Years of Full-time Work		Share of Potential Years of Work Worked Full-time	
	Mean	Median	Mean	Median
White	46.5	44	81.3%	88.9%
Black	35.0	33	74.3%	84.6%
Hispanic	36.9	35	69.1%	72.7%
Other	41.1	40	73.2%	75.6%

Table 7 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 45-65

For married/partnered households, years of full-time work and share of potential years of work worked full-time combine R and SP data.

Mean Value of Asset Category by Respondent Age

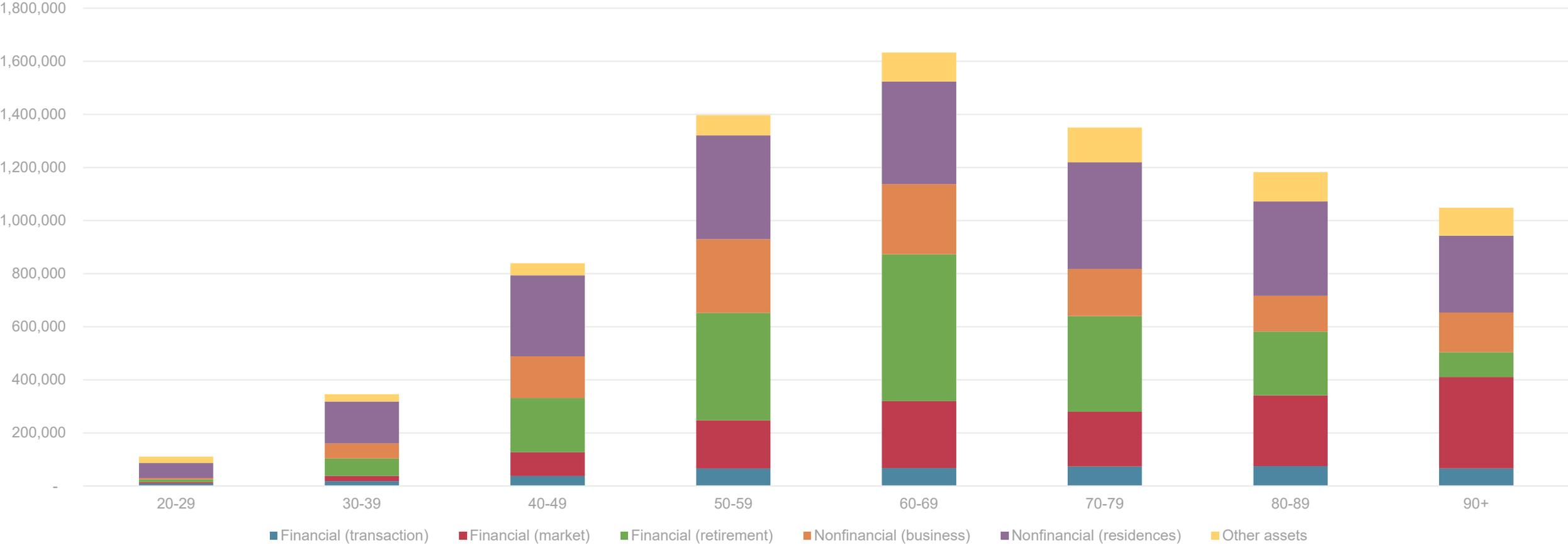


Figure 10 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019

Asset Composition by Wealth Percentile Group

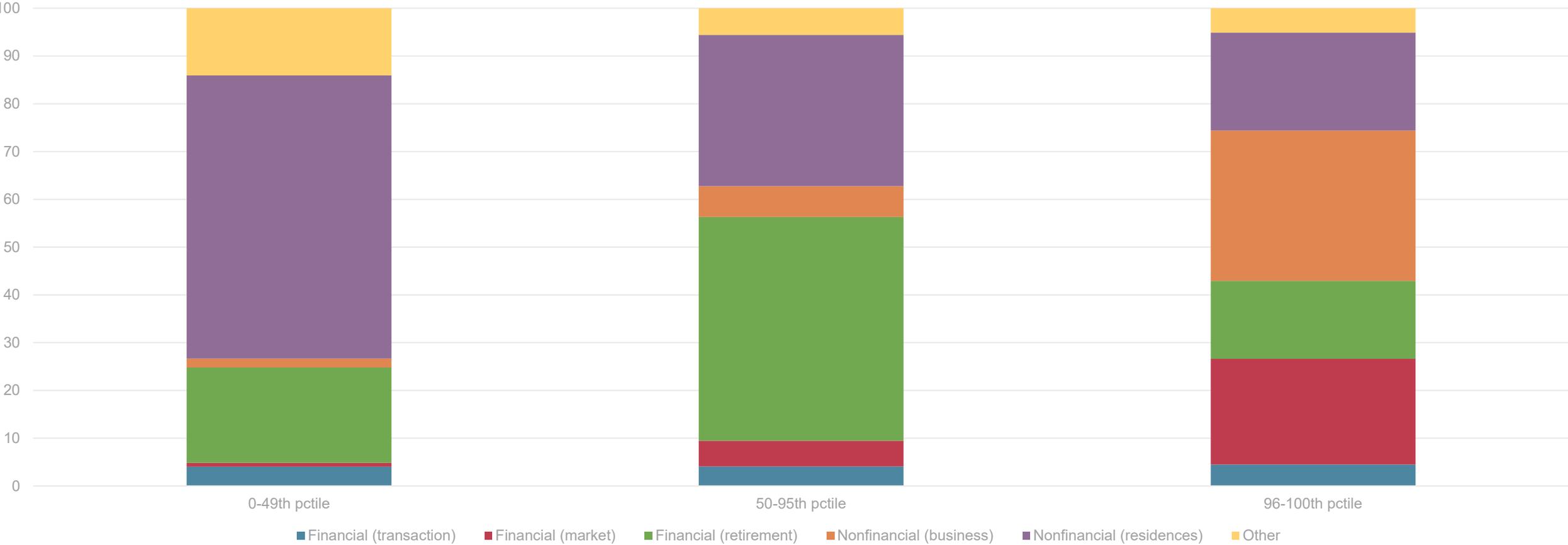


Figure 11 from Sabelhaus and Thompson (2021), “Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance”

Source: Authors’ analysis of Survey of Consumer Finances, 2016-2019, respondents ages 45-65

Wealth percentiles are based on 5-year age bins.

Job-based Pension Status/Generosity by Educational Attainment and Type of Pension

Panel A. Pension at Current Job for Respondent

	Less than HS	High school	Some college/ associate degree	Bachelor's degree	Advanced degree	Total
Not currently working	41.4%	28.6%	25.4%	16.0%	13.5%	24.5%
Currently working						
.....No pension	76.8%	53.4%	46.2%	35.2%	30.6%	45.8%
.....Unfunded pension	0.8%	4.4%	5.1%	7.6%	7.7%	5.5%
.....Low Match: <= 3.25%	5.0%	11.5%	12.8%	13.9%	11.2%	11.8%
.....Middle Match: 3.26-5.24%	3.6%	7.7%	7.3%	9.7%	11.1%	8.2%
.....High Match: 5.25+%	4.4%	6.8%	8.3%	13.3%	13.3%	9.5%
.....DB pension	9.4%	16.2%	20.3%	20.3%	26.1%	19.2%

Table 9 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 45-65

Job-based Pension Status/Generosity by Educational Attainment and Type of Pension

Panel A. Pension at Current Job for Respondent

	Less than HS	High school	Some college/ associate degree	Bachelor's degree	Advanced degree	Total
Not currently working	41.4%	28.6%	25.4%	16.0%	13.5%	24.5%
Currently working						
.....No pension	76.8%	53.4%	46.2%	35.2%	30.6%	45.8%
.....Unfunded pension	0.8%	4.4%	5.1%	7.6%	7.7%	5.5%
.....Low Match: <= 3.25%	5.0%	11.5%	12.8%	13.9%	11.2%	11.8%
.....Middle Match: 3.26-5.24%	3.6%	7.7%	7.3%	9.7%	11.1%	8.2%
.....High Match: 5.25+%	4.4%	6.8%	8.3%	13.3%	13.3%	9.5%
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Currently working						
.....No pension	76.8%	53.4%	46.2%	35.2%	30.6%	45.8%
.....Unfunded pension	0.8%	4.4%	5.1%	7.6%	7.7%	5.5%
.....Low Match: <= 3.25%	5.0%	11.5%	12.8%	13.9%	11.2%	11.8%
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Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 45-65

Job-based Pension Status/Generosity by Educational Attainment and Type of Pension (continued)

	Less than HS	High school	Some college/ associate degree	Bachelor's degree	Advanced degree	Total
Panel B. Future Pensions from Past Jobs for Respondent						
No future pension from past job	96.9%	93.8%	92.8%	87.5%	87.0%	91.7%
Account	0.8%	2.7%	2.1%	5.6%	4.2%	3.1%
Mixture	0.7%	0.6%	1.2%	2.1%	1.4%	1.2%
Regular income for life	1.6%	2.9%	3.9%	4.8%	7.4%	4.0%
Panel C. Self-Employed & IRA/Keogh for Respondent						
R is not self-employed	89.3%	86.5%	88.6%	82.9%	77.7%	85.4%
R is self-employed without an IRA/Keogh	9.3%	9.9%	8.3%	9.9%	9.6%	9.3%
R is self-employed with an IRA/Keogh	1.4%	3.6%	3.1%	7.3%	12.7%	5.2%
Panel E. Mean Number of Pensions in Household (Conditional on Having any Pensions of this Type)						
Pension at current job	1.3	1.4	1.5	1.5	1.6	1.5
Future pension from past job	1.0	1.2	1.2	1.3	1.6	1.3
IRA/Keogh pensions owned by self-employed individual	1.3	1.3	1.4	1.8	1.7	1.6
Currently Receiving Job-based Pension	1.1	1.3	1.2	1.3	1.3	1.3

Table 9 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 45-65

Job-based Pension Status/Generosity by Educational Attainment and Type of Pension (continued)

	Less than HS	High school	Some college/ associate degree	Bachelor's degree	Advanced degree	Total
Panel B. Future Pensions from Past Jobs for Respondent						
No future pension from past job	96.9%	93.8%	92.8%	87.5%	87.0%	91.7%
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Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 45-65

Job-based Pension Status/Generosity by Educational Attainment and Type of Pension (continued)

	Less than HS	High school	Some college/ associate degree	Bachelor's degree	Advanced degree	Total
Panel B. Future Pensions from Past Jobs for Respondent						
No future pension from past job	96.9%	93.8%	92.8%	87.5%	87.0%	91.7%
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IRA/Keogh pensions owned by self-employed individual	1.3	1.3	1.4	1.8	1.7	1.6
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Table 9 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 45-65

Job-based Pension Status/Generosity by Educational Attainment and Type of Pension (continued)

	Less than HS	High school	Some college/ associate degree	Bachelor's degree	Advanced degree	Total
Panel B. Future Pensions from Past Jobs for Respondent						
No future pension from past job	96.9%	93.8%	92.8%	87.5%	87.0%	91.7%
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Mixture	0.7%	0.6%	1.2%	2.1%	1.4%	1.2%
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Table 9 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 45-65

Synthetic Panel Growth in Median Private Wealth for College Degree-holders by other “Career Track” traits (funded pension and $\geq 90\%$ full-time work)

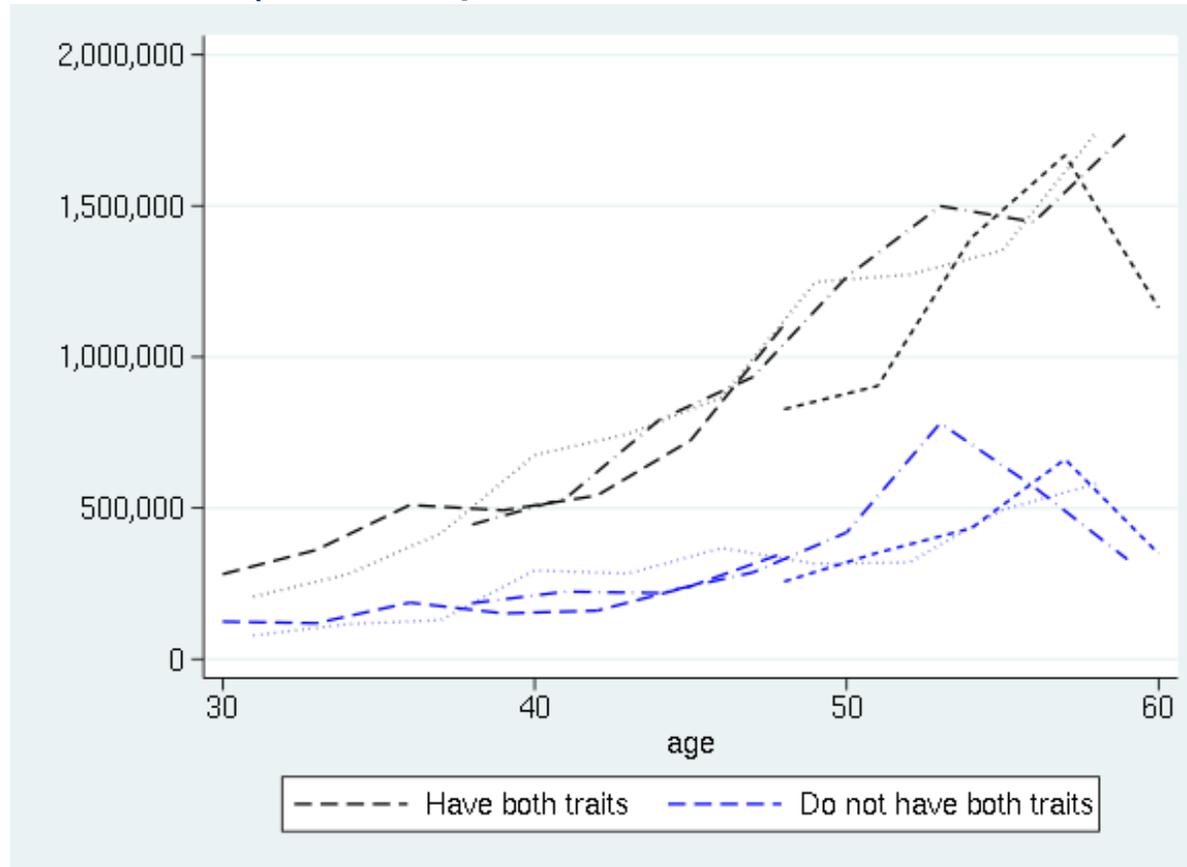


Figure 12 from Sabelhaus and Thompson (2021), “Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance”

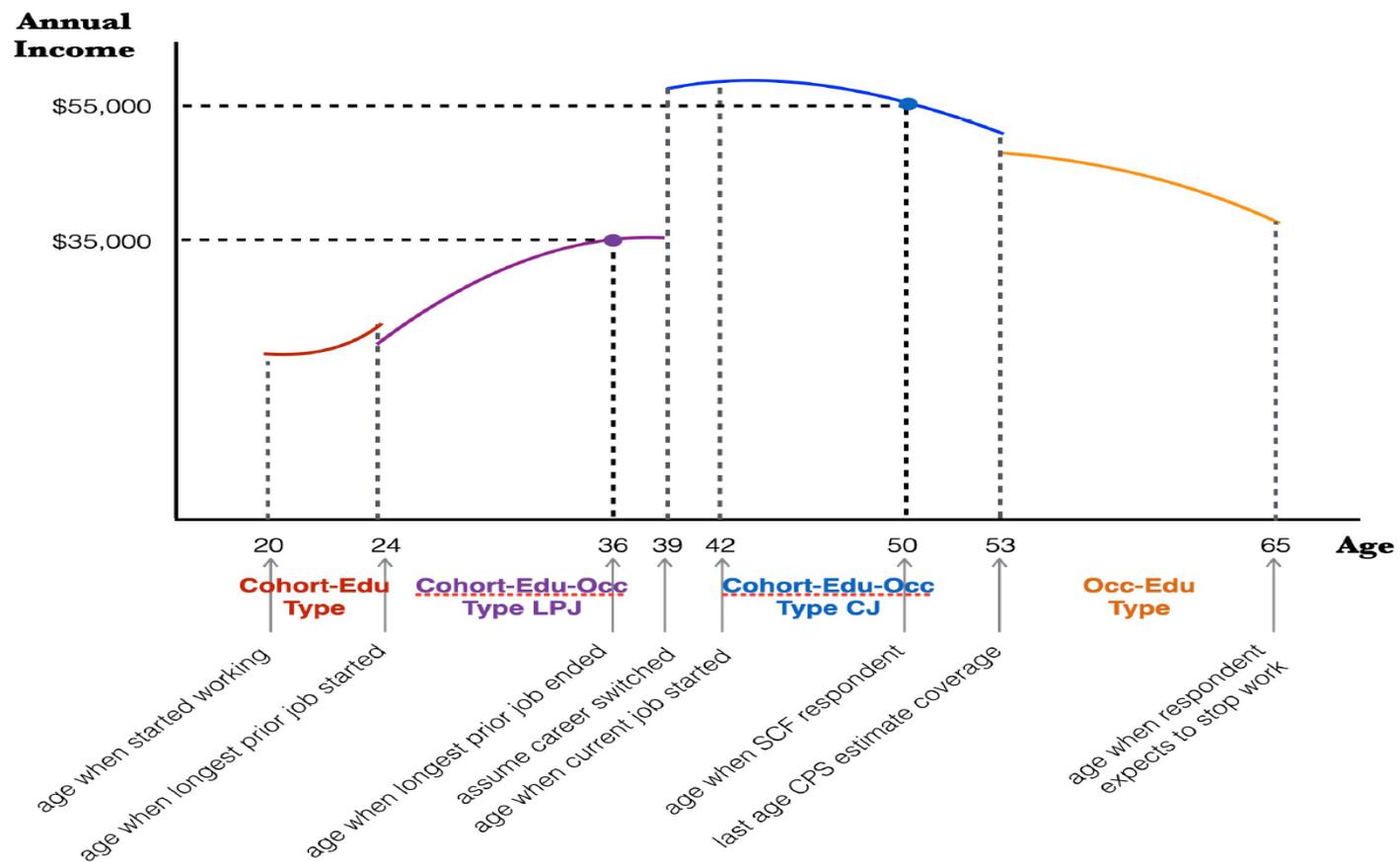
Source: Authors’ analysis of Survey of Consumer Finances, 1989-2019

Synthetic panel uses 10-year cohorts based on birth year. Restricted to households with at least one primary adult with a BA or higher. “Have both traits” indicates that the household meets the Career Track criteria for share of potential years of work worked full-time and employer-funded pension. “Do not have both traits” indicates that the household meets only one or neither of the Career Track criteria for share of potential years of work worked full-time and employer-funded pension.

Estimating the contribution of earnings histories
and pension generosity to racial wealth disparities

Developing Lifetime Earnings Histories for the SCF

FIGURE A.1: *Estimating Earnings Profile Example*



Jacobs et al. forthcoming

Median Lifetime Earnings (R and SP combined) by Race and Education of Respondent

	White	Black	Hispanic	Other race	Total	White lifetime earnings relative to:		
						Black	Hispanic	Other race
Less than HS	1,022,254	455,635	775,412	876,991	812,502	2.2	1.3	1.2
HS diploma	1,551,910	1,024,098	1,238,330	1,152,041	1,389,831	1.5	1.3	1.3
Some college/ associate degree	1,510,887	1,004,140	1,281,670	1,604,855	1,392,502	1.5	1.2	0.9
Bachelor's degree	2,436,221	1,485,467	1,490,095	2,073,214	2,212,420	1.6	1.6	1.2
Advanced degree	2,634,040	1,889,526	2,021,442	2,938,545	2,551,941	1.4	1.3	0.9
Total	1,848,965	1,060,389	1,084,251	1,985,111		1.7	1.7	0.9

Table 13 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 40-59, spouse/partners (if present) 30-65

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	White	Black	Hispanic	Other race	Total	White lifetime earnings relative to:		
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Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 40-59, spouse/partners (if present) 30-65

Non-parametric Decomposition of White/Non-white Private Wealth Disparities – Controlling for Lifetime Earnings, Pension, and Other Human Capital Controls; Reweighting White sample to match human capital trait distribution of Non-white sample

Panel A. Mean Private Wealth

	White	Black	Hispanic	Other	Gaps			Share of Gaps Explained		
					W/B	W/H	W/O	W/B	W/H	W/O
Observed	1,266,592	289,694	327,326	1,535,166	4.4	3.9	0.8			
Reweighted White Sample to Match Distribution of Non-White Sample Characteristics, including:										
Earnings History (R,SP), Current Earnings (R,SP), Years on Current Job (R,SP), Total Years FT Employment (R,SP), Year FE	-	723,895	948,570	1,241,172	2.5	2.9	0.8	56%	34%	*
+ Current Job Pension Generosity (R,SP), Pension Type and Generosity (HH), Number of Pensions (HH)	-	614,237	776,834	1,254,338	2.1	2.4	0.8	67%	52%	*
+ retirement and disability indicators (R,SP), occupation and industry indicators (R), educational attainment (R,SP)	-	530,847	549,318	1,404,367	1.8	1.7	0.9	75%	76%	*
+ savings and investment attitudinal controls	-	517,190	505,114	1,409,561	1.8	1.5	0.9	77%	81%	*

Table 14 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 40-59, spouse/partners (if present) ages 30-65

Non-parametric Decomposition of White/Non-white Private Wealth Disparities – Controlling for Lifetime Earnings, Pension, and Other Human Capital Controls; Reweighting White sample to match human capital trait distribution of Non-white sample

Panel A. Mean Private Wealth

	White	Black	Hispanic	Other	Gaps			Share of Gaps Explained		
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Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 40-59, spouse/partners (if present) ages 30-65

Non-parametric Decomposition of White/Non-white Private Wealth Disparities – Controlling for Lifetime Earnings, Pension, and Other Human Capital Controls; Reweighting White sample to match human capital trait distribution of Non-white sample

Panel A. Mean Private Wealth

	White	Black	Hispanic	Other	Gaps			Share of Gaps Explained		
					W/B	W/H	W/O	W/B	W/H	W/O
Observed	1,266,592	289,694	327,326	1,535,166	4.4	3.9	0.8			
Reweighted White Sample to Match Distribution of Non-White Sample Characteristics, including:										
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Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 40-59, spouse/partners (if present) ages 30-65

Non-parametric Decomposition of White/Non-white Private Wealth Disparities – Controlling for Lifetime Earnings, Pension, and Other Human Capital Controls; Reweighting White sample to match human capital trait distribution of Non-white sample

Panel A. Mean Private Wealth

	White	Black	Hispanic	Other	Gaps			Share of Gaps Explained		
					W/B	W/H	W/O	W/B	W/H	W/O
Observed	1,266,592	289,694	327,326	1,535,166	4.4	3.9	0.8			
Reweighted White Sample to Match Distribution of Non-White Sample Characteristics, including:										
Earnings History (R,SP), Current Earnings (R,SP), Years on Current Job (R,SP), Total Years FT Employment (R,SP), Year FE	-	723,895	948,570	1,241,172	2.5	2.9	0.8	56%	34%	*
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Table 14 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 40-59, spouse/partners (if present) ages 30-65

Non-parametric Decomposition of White/Non-white Private Wealth Disparities – Controlling for Lifetime Earnings, Pension, and Other Human Capital Controls; Reweighting White sample to match human capital trait distribution of Non-white sample (continued)

Panel B. Median Private Wealth

	White	Black	Hispanic	Other	Gaps			Share of Gaps Explained		
					W/B	W/H	W/O	W/B	W/H	W/O
Observed	296,000	56,625	75,930	510,940	5.2	3.9	0.6			
Reweighted White Sample to Match Distribution of Non-White Sample Characteristics, including:										
Earnings History (R,SP), Current Earnings (R,SP), Years on Current Job (R,SP), Total Years FT Employment (R,SP), Year FE	-	151,983	194,730	290,000	2.7	2.6	0.6	60%	46%	*
+ Current Job Pension Generosity (R,SP), Pension Type and Generosity (HH), Number of Pensions (HH)	-	134,117	143,620	288,335	2.4	1.9	0.6	68%	69%	*
+ retirement and disability indicators (R,SP), occupation and industry indicators (R), educational attainment (R,SP)	-	116,150	96,700	350,870	2.1	1.3	0.7	75%	91%	*
+ savings and investment attitudinal controls	-	116,150	92,250	360,540	2.1	1.2	0.7	75%	93%	*

Table 14 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019, respondents ages 40-59, spouse/partners (if present) ages 30-65

Intergenerational transfers

Inheritances and Inter vivos Transfers Received Annually, 1995 to 2018

	All	White and Other	Black	Hispanic
Average Annual Transfers Received (Billions, 2019\$s)				
Inheritances	\$ 296.0	\$ 280.1	\$ 10.8	\$ 5.1
<i>Inter vivos</i>	\$ 44.4	\$ 39.1	\$ 0.6	\$ 4.7
Transfers Received Relative to Income				
Inheritances	8.1%	8.9%	3.7%	2.3%
<i>Inter vivos</i>	1.2%	1.2%	0.2%	2.2%
Average Annual Number of Transfers				
Inheritances	1,638,669	1,487,943	104,622	46,104
<i>Inter vivos</i>	352,855	319,625	20,080	13,151
Annual Probability of Transfer Receipt				
Inheritances	4.2%	5.0%	1.9%	1.2%
<i>Inter vivos</i>	0.9%	1.1%	0.4%	0.3%

Table 16 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances

Inheritances and Inter vivos Transfers Received Annually, 1995 to 2018

	All	White and Other	Black	Hispanic
Average Annual Transfers Received (Billions, 2019\$)				
Inheritances	\$ 296.0	\$ 280.1	\$ 10.8	\$ 5.1
<i>Inter vivos</i>	\$ 44.4	\$ 39.1	\$ 0.6	\$ 4.7
Transfers Received Relative to Income				
Inheritances	8.1%	8.9%	3.7%	2.3%
<i>Inter vivos</i>	1.2%	1.2%	0.2%	2.2%
Average Annual Number of Transfers				
Inheritances	1,638,669	1,487,943	104,622	46,104
<i>Inter vivos</i>	352,855	319,625	20,080	13,151
Annual Probability of Transfer Receipt				
Inheritances	4.2%	5.0%	1.9%	1.2%
<i>Inter vivos</i>	0.9%	1.1%	0.4%	0.3%

Table 16 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances

Inheritances and Inter vivos Transfers Received Annually, 1995 to 2018

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<i>Inter vivos</i>	\$ 44.4	\$ 39.1	\$ 0.6	\$ 4.7
Transfers Received Relative to Income				
Inheritances	8.1%	8.9%	3.7%	2.3%
<i>Inter vivos</i>	1.2%	1.2%	0.2%	2.2%
Average Annual Number of Transfers				
Inheritances	1,638,669	1,487,943	104,622	46,104
<i>Inter vivos</i>	352,855	319,625	20,080	13,151
Annual Probability of Transfer Receipt				
Inheritances	4.2%	5.0%	1.9%	1.2%
<i>Inter vivos</i>	0.9%	1.1%	0.4%	0.3%

Table 16 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances

Inheritances and Inter vivos Transfers Received Annually, 1995 to 2018

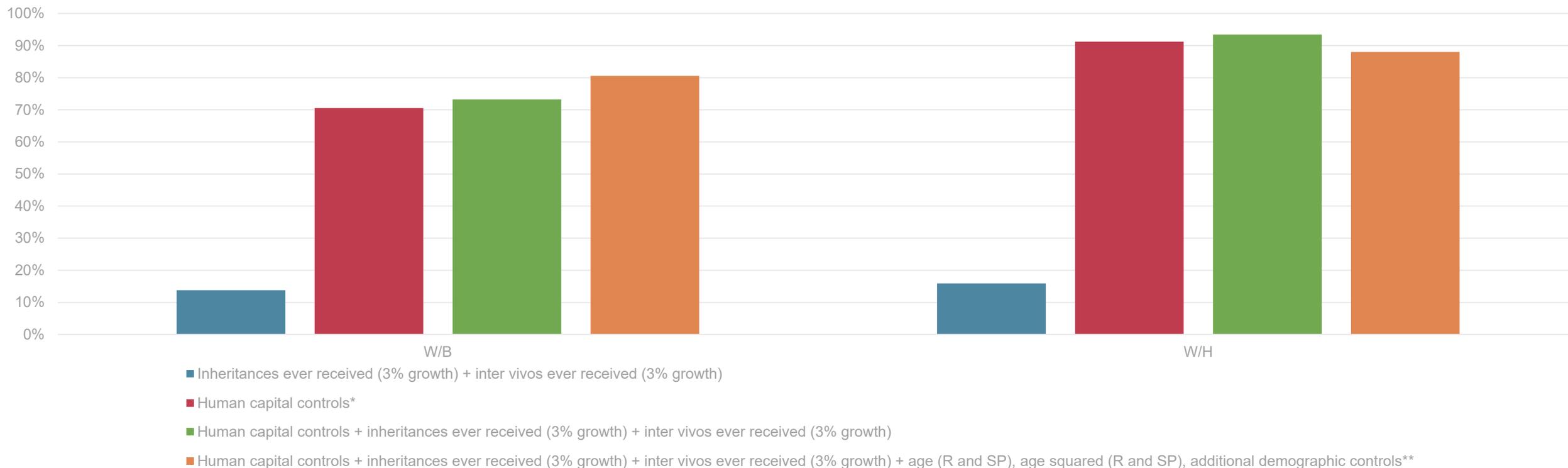
	All	White and Other	Black	Hispanic
Average Annual Transfers Received (Billions, 2019\$)				
Inheritances	\$ 296.0	\$ 280.1	\$ 10.8	\$ 5.1
<i>Inter vivos</i>	\$ 44.4	\$ 39.1	\$ 0.6	\$ 4.7
Transfers Received Relative to Income				
Inheritances	8.1%	8.9%	3.7%	2.3%
<i>Inter vivos</i>	1.2%	1.2%	0.2%	2.2%
Average Annual Number of Transfers				
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Table 16 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances

Reweighted Private Wealth for Inheritance and Inter vivos Transfers, by Race; Reweighting White sample to match inheritance and inter vivos transfers receipt distribution of Non-white sample; Non-parametric Decomposition of White/Non-white Private Wealth Disparities – Controlling for Human Capital and Intergenerational Transfer Controls; Reweighting White sample to match human capital trait distribution of Non-white sample

Share of median private wealth gap explained



Tables 22 and 24 from Sabelhaus and Thompson (2021), “Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance”

Table 22 source: Authors’ analysis of Survey of Consumer Finances, 2016-19, respondents ages 40-59, spouse/partners (if present) ages 30-65; Table 24 source: Authors’ analysis of Survey of Consumer Finances, 2007-2019, respondents ages 40-59, spouse/partners ages 30-65

*Human capital controls: IHS predicted lifetime earnings (R and SP), years FT (R and SP), IHS current job earnings (R and SP), years on current job (R and SP), years on past job (R and SP), current job pension generosity (R and SP), pension type and generosity (HH), number of pensions (HH), retired indicator (R and SP), disabled indicator (R and SP), occat1 R, occat2 R, indcat R, educational attainment (R and SP), year fixed effect

**Additional demographic controls: number of children living in household, number of children living elsewhere, “nonprimary” family member living in household, family structure, divorced, number of siblings (R and SP), parents are living (R and SP), age of parents (R and SP)

Implications for policy: Lifetime earnings and pensions are key to building wealth

Lifetime earnings:

*Earnings = years of work * earnings per year * number of workers*

Pensions:

Coverage

Quality/Generosity

Employer-focused reforms / worker-focused public options

Thank you.

Supplemental Material

Composition of Assets by Race

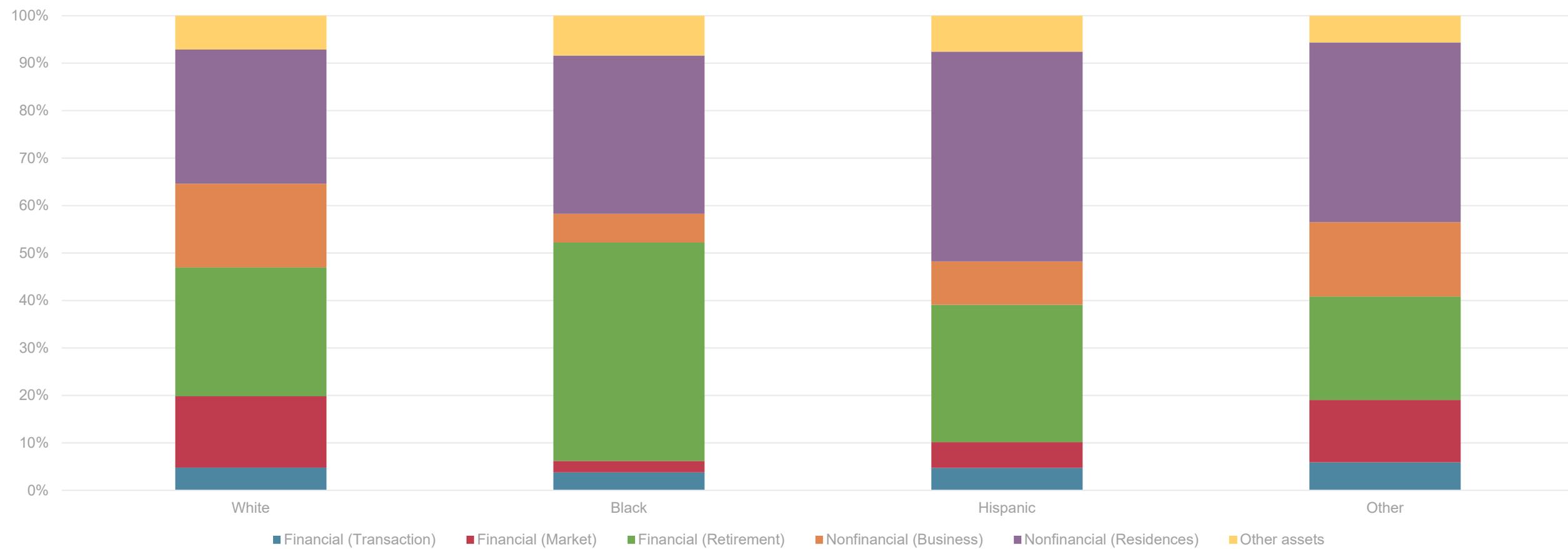


Figure 2 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019

Age-Private Wealth Profiles, by age of respondent (3-year moving average)

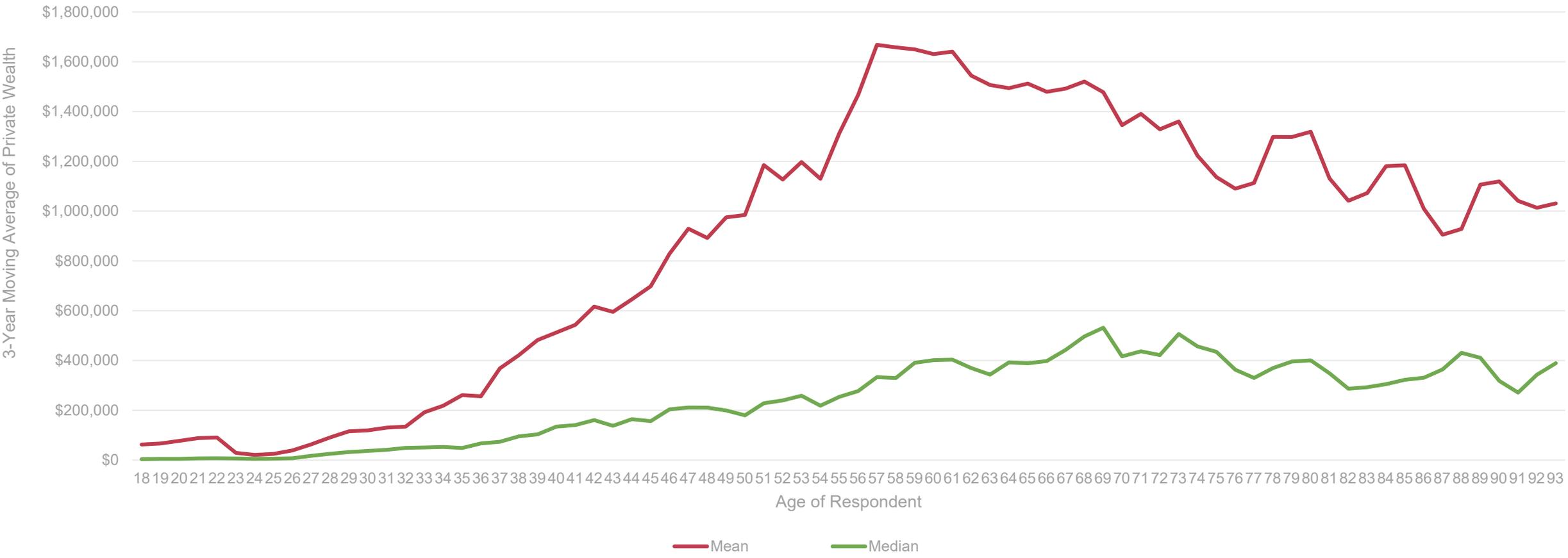


Figure 3 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019

Age Inheritance Profile, share ever received an inheritance by 5-year age bin

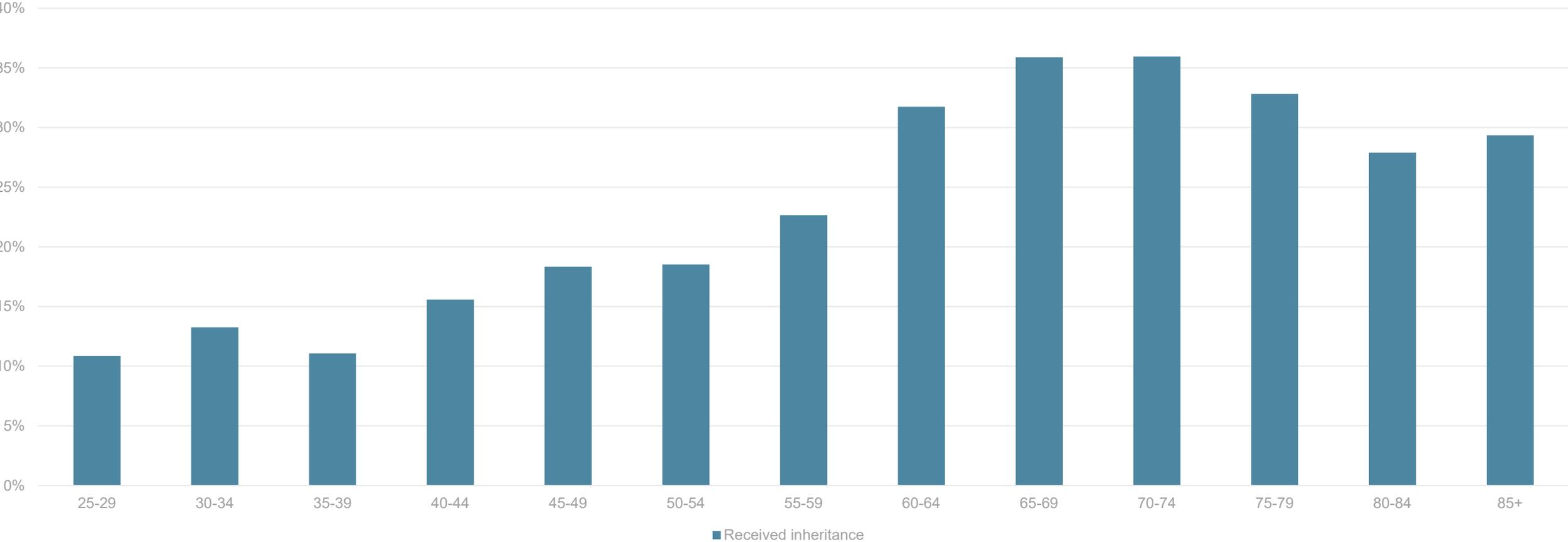


Figure 4 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2016-2019

Plans to Leave Sizeable Estate by Inheritance/Inter vivos Status and Size

	Total	Will you leave a sizeable inheritance?		
		Yes	Possibly	No
Total		28.7%	20.0%	51.3%
Received inheritance and/or inter vivos?				
.....Yes	32.3%	39.4%	22.8%	37.8%
.....No	67.7%	23.6%	18.7%	57.8%
Received or expects inheritance?				
Size of inheritance and inter vivos				
.....<\$25,000	3.3%	22.3%	15.6%	62.1%
.....\$25,000-49,999	3.2%	30.3%	24.4%	45.3%
.....\$50,000-299,999	13.3%	35.9%	23.4%	40.6%
.....\$300,000+	12.6%	49.6%	23.6%	26.8%

Table 19 from Sabelhaus and Thompson (2021), "Racial Wealth Disparities: Re-considering the Roles of Human Capital and Inheritance"

Source: Authors' analysis of Survey of Consumer Finances, 2013-2019, respondents age 65+