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# The Limited Role of Intergenerational Transfers for Understanding Racial Wealth Disparities

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Transfers of wealth between generations—whether through inheritances or inter vivos gifts—are less important in explaining racial disparities in wealth than might be expected. While this factor looms large in the media's discussions of racial inequality, it explains relatively little of the disparities evident in the data. One reason is that most people, regardless of race, receive no inheritance or other transfer of substantial value. In addition, most recipients of inheritances ultimately consume those bequests and do not plan to leave substantial gifts to their offspring. Further, the assets that account for a large majority of most households' wealth (employment-based retirement plans and home equity) are not inherited and accumulate slowly over families' working lives.

Using nonparametric decomposition techniques, we show that intergenerational transfers explain only a modest portion of the disparities between white and non-white families. This finding is consistent with prior research, but we improve upon the existing literature in a variety of ways, including augmenting the wealth measure in the Survey of Consumer Finances to account for the value of defined benefit pensions, adding controls for lifetime earnings and the availability and generosity of employer-provided pensions, and capturing some inheritances and inter vivos transfers that are not typically reflected in most studies. When no other controls are included, we find that differences in intergenerational transfers account for 13 to 16 percent of white/non-white private wealth gaps. When we control for lifetime earnings, workplace pensions, and a handful of additional human capital variables, the marginal contribution of intergenerational transfers shrinks considerably, but the combined portion of the racial wealth gap that is explained rises to 80 to 90 percent. Policymakers interested in helping households build wealth are advised to look to ways that would enable them to boost the earnings that they receive over their lifetime.

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## 1. INTRODUCTION

Researchers and policymakers are increasingly interested in understanding disparities in wealth by racial groups. While wealth inequality—indeed the wealth accumulation process itself—is important to understand, it is also complicated. Household wealth accrues over decades, and it derives from saving linked to earnings and employment as well as entrepreneurial effort, investment, and intergenerational transfers in the form of inheritances and inter vivos gifts. The wealth that any family accumulates by the end of their working life is a joint result of decisions made and events that occurred much earlier. The junctures at which racial bias and discrimination—in the labor market or the housing market—can intervene and further exacerbate wealth disparities are also numerous.

Disparities in wealth are substantial however they are measured. Based on the standard wealth measure from the 2019 Survey of Consumer Finances (SCF), the market wealth of the average white family is 6.8 times as large as that of the average Black family and 4.9 times as large as the average Hispanic family (Sabelhaus and Thompson 2022). When the SCF measure is augmented with data for the value of defined benefit (DB) pensions—which is not included in the survey but accounts for 15 percent of total household wealth (Sabelhaus and Volz 2019)—the “private wealth” of the average white family is 4.4 times that of the average Black or Hispanic family (**Figure 2**).

The extent of racial wealth disparities naturally leads to concerns about fairness, opportunity, and the legacy of racism in the United States. For these and other reasons, it is important to understand the factors that explain these ongoing disparities. Inheritance and inter vivos transfers are obvious potential sources of current disparities that have been discussed in the media as well as existing research. To the extent that wealth accumulated in past generations—when Black families were denied access to home ownership and economic opportunity by law and extralegal means—is handed down to subsequent generations, those inheritances could be directly responsible for some of the existing wealth gaps. When we examine the data to evaluate the role of inheritances, however, we find they contribute only modestly to current white/non-white wealth gaps.

The data reviewed in this paper do confirm that white families are more likely than their Black and Hispanic counterparts to receive inheritances and inter vivos transfers and that the transfers are larger on average. Inheritances overwhelming go to white families, which as a group received \$273 billion annually (9 percent of their total household income) from 1995 through 2018 compared with just \$11 billion annually for Black families (4 percent) and \$5 billion annually for Hispanic families (2 percent; **Table 4**).

The data also show, however, that most families—of all races—never receive an inheritance or substantial inter vivos transfer, and most intergenerational transfers are modest in size. Just one-third of white families (aged 55 and older), 17 percent of “other” families, 14 percent of Black families, and 8 percent of Hispanic families ever receive any inheritance (**Table 6**). Among those with an inheritance, the typical transfer is modest. More than half of inheriting households receive gifts with combined totals of less than \$50,000 (**Table 4**). Furthermore, most recipients of an inheritance do not pass anything on to their own heirs. Among those households (aged 55 and older) who have received an inheritance, only 39 percent plan to leave a substantial gift for their heirs; among those who have never received an inheritance, the share is 24 percent (**Table 6**).

Exploring asset composition and how it evolves over the lifecycle, we see that an overwhelming majority of wealth—outside the richest few households—is held in employment-based retirement plans, home equity, and other real estate. The wealth in these asset classes builds slowly over time. Retirement plans accumulate with years of work and steady contributions (combined with market returns). Pension plan wealth is the single-largest asset class for families with heads in their fifties (29 percent) and their sixties (34 percent; **Figure 3**). Pension assets also dominate the portfolios of the subset of families who have achieved a “reasonably attainable” level of economic prosperity—sitting in the top half of the age-adjusted wealth distribution but excluding the top 5 percent. For these families (aged 45 to 65), pension wealth accounts for 47 percent of total assets (**Figure 4**). Relatively few families inherit homes, and the equity-to-value ratio for all races starts at fairly low levels for young homeowners, approaching 100 percent later in life (**Table 3, Figure 6**).

Substantial years of full-time employment are crucial for wealth accumulation, particularly for the college educated. For households with heads aged 50 to 65 and at least one adult with a college degree, private wealth is just \$154,000 among those with only 10 to 19 years of full-time employment (respondent and spouse or partner combined) compared with \$1.3 million for those with 50 to 59 years of full-time employment (**Figure 8**).

Previous econometric literature, using decomposition methods and other techniques, supports these impressions from the descriptive statistics on inheritance and asset composition, pointing to a fairly small role for inheritance in explaining racial wealth gaps (Altonji and Doraszelski 2005; Menchik and Jianakoplos 1997). Some research concludes that inheritances reduce inequality, as they are distributed less unequally than other forms of wealth (Wolff and Gittleman 2014; Elinder et al. 2018; Boserup et al. 2016). In our econometric analysis, we employ a host of innovations relative to past studies, including a superior wealth measure that reflects the value of

DB assets (Devlin-Foltz et al. 2016), an improved measurement of inheritances and inter vivos transfers (Feiveson and Sabelhaus 2018), nonparametric decomposition techniques, an expanded and improved set of variables reflecting the generosity and availability of employment-related pension benefits, and a direct measure of lifetime earnings (Jacobs et al. 2022). Ultimately, our empirical results on the role of inheritance are consistent with those from previous studies.

When no other controls are included, we find that differences in intergenerational transfers account for 13 to 16 percent of white/non-white private wealth gaps (**Table 9, Appendix Table 1**). The modest impact of inheritance may not be surprising when we note that most families receive no inheritance and acknowledge the host of other differences pertaining to wealth accumulation that vary among the “typical” families by race. The typical white family (those between the 45<sup>th</sup> and 55<sup>th</sup> percentiles of the wealth distribution) has an average wealth of \$246,263, much higher than the typical Black family’s \$35,024 (**Table 2**). But the typical white family is headed by a 55-year-old married couple with 40.5 years of combined full-time work, and the highest educational attainment in the household is a bachelor’s degree (**Table 2**). The typical Black family, on the other hand, is headed by a 50-year-old single adult with 27.6 years of full-time work, and the most common level of education is an associate degree or some college (**Table 2**). All these factors contribute to differences in lifetime earnings and, ultimately, wealth.

If we instead control for lifetime earnings, pension coverage, and other human capital variables, we can explain three-quarters or more of the wealth disparities between white and non-white families (**Table 9, Appendix Table 1, Figure 9**). It appears that much of the limited influence of intergenerational transfers on wealth disparities also works through human capital or earnings, including paying for education. When we consider the impact of inheritances simultaneously with human capital variables, the additional amount of the white/non-white wealth gaps explained by intergenerational transfers falls sharply, adding just a few percentage points to the share of the white/Black and white/Hispanic gaps that are explained. Jointly, all these factors, along with additional demographic controls, can explain 80 to 90 percent of the wealth gaps between white and non-white families.

The key lesson for policymakers concerned about disparities in wealth by race is that inheritances and inter vivos transfers are not very important, but lifetime earnings and pensions are vital to building wealth and can account for nearly all the differences we observe among racial groups. Opportunities to increase lifetime earnings and improve access to quality pension plans are vital to building wealth.

In the remainder of this paper, we (1) discuss the data used in the analysis and the econometric techniques employed; (2) review the data for wealth by race, including levels and trends in racial disparities and the composition of assets, and the evolution of wealth across the life cycle; (3) discuss the prevalence and magnitude of intergenerational transfers (inheritances and inter vivos gifts) by race group; (4) describe lifetime earnings and employment-based pensions received by households; (5) present the results of a nonparametric decomposition of the factors accounting for racial wealth disparities; and (6) discuss the implications of these findings for economic and social policy.

## **2. DATA AND METHODS**

In this paper, we hope to make several contributions to our understanding of racial wealth disparities using the Survey of Consumer Finances. First, we augment the standard market wealth concept in the SCF with defined benefit pension assets and analyze what we call “private wealth” throughout our analysis. Second, using the approach developed in Feiveson and Sabelhaus (2018, 2019), we enhance the existing intergenerational transfer data in the survey—recovering inheritances that are reported outside the “inheritance” module and reclassifying some as inter vivos transfers—to better understand their role in sustaining racial wealth disparities. Third, we introduce new predicted earnings histories (developed in Jacobs et al. 2020, 2022) into the SCF and use the full range of pension generosity measures available in the survey to develop a better understanding of how human capital formation leads—through higher earnings and non-wage compensation over the working life—to the accumulation of wealth. We discuss each of these data innovations in greater detail in the full working paper, “Racial Wealth Disparities: Reconsidering the Roles of Human Capital and Inheritance” (Sabelhaus and Thompson 2022). Interested readers should consider reading the full paper; what follows is a brief summary of the data sources and methods.

### **2A. The Survey of Consumer Finances**

Our study’s primary data come from the 11 waves of the Board of Governors of the Federal Reserve System’s triennial Survey of Consumer Finances conducted from 1989 through 2019. The survey collects detailed information about households’ financial assets and liabilities and has employed a consistent design and sample frame since 1989. Recent waves of the survey include data from about 6,000 families.<sup>1</sup>

In addition to collecting data about a family’s finances, the SCF collects basic demographic

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<sup>1</sup> The unit of analysis in the SCF is the “primary economic unit” (PEU), which refers to a financially dependent and related (by blood, marriage, or unmarried partners) group who live together.

information pertaining primarily to the respondent (that is, the family head). The survey records the respondent’s self-identified race, chosen from among seven options, although in the public data—which we use here—they are collapsed to just four: Black or African American, Hispanic or Latino, white, and “other,” which includes all other responses.<sup>2</sup>

## **2B. DB Pensions and “Private Wealth”**

The SCF includes several detailed questions about DB pensions but does not capture the asset value of plan benefits, even though the Financial Accounts of the United States (FA) indicates that DB pension assets account for 15 percent of all household assets (Sabelhaus and Volz 2019).<sup>3</sup> We follow Jacobs et al. (2022) and add household-level estimates of DB pension wealth developed by Devlin-Foltz et al. (2016) and updated by Sabelhaus and Volz (2019, 2020) to the standard net worth data in the SCF. This approach distributes aggregate household sector DB assets from the FA to both current and future beneficiaries using survey information on benefits currently received for those receiving payments, reported future payments for those with coverage from a past job, and wages and years in the plan for those not yet receiving benefits. The combined wealth concept, adding the market wealth from the standard SCF “net worth” variable to the value of DB pension assets, is referred to as “private wealth.”<sup>4</sup>

## **2C. Inheritances and Gifts**

The SCF collects information from respondents on receipt of inheritances and inter vivos transfers, as well as the giving of inter vivos transfers. Feiveson and Sabelhaus (2019) show that some inheritances and gifts are captured outside the SCF inheritance module, particularly in the sections on real estate and business assets, but are not included in the survey’s standard inheritance variables. The authors develop an augmented measure of intergenerational transfers based on the full range of transfer and gift information available in the SCF, with the resulting

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<sup>2</sup> Before 1998, respondents could choose only one category. Since 1998, they have been allowed to select multiple categories, but first they are asked to indicate the category with which they identify most strongly (Kennickell 1999). The race variable in the public version of the SCF is based on the first answer provided. Very few people give more than one response. As of 2004, respondents, regardless of race, are also asked a question to determine whether their cultural origins are Hispanic or Latino. In our analysis, we use the race variable reflecting the first option that the respondent chose, starting with the 1998 SCF and for all the following surveys, to avoid any potential complications related to the changes in the race variable in 1998 (allowing for the selection of multiple races) and in 2004 (allowing for the separate identification of Hispanic ethnicity).

<sup>3</sup> The survey does ask DB plan participants about expected future benefits, but many workers, particularly those further from retirement age, know little about their plans or future benefits. It has long been acknowledged that the information collected from these future-benefit questions is not necessarily a good reflection of what respondents will actually receive (Starr-McCluer and Sunden 1999).

<sup>4</sup> Devlin-Foltz et al. (2016) and Sabelhaus and Volz (2019, 2020) find that including the implied assets from future pension benefits modestly reduces inequality in the distribution of wealth, but the authors do not explore disparities in wealth by race. Using a public-use version of the DB wealth estimates from Sabelhaus and Volz (2020), Madowitz et al. (2020) note that the inclusion of DB pensions reduces the median racial wealth gap.

values coming closer to aggregate benchmarks than the default measures in the survey. We use the Feiveson and Sabelhaus (2019) augmented inheritance and inter vivos transfer data in our analysis. Feiveson and Sabelhaus (2018) use those augmented measures to evaluate the importance of intergenerational transfers for wealth concentration. They do not, however, evaluate the role these transfers play in generating racial wealth disparities.

## **2D. Earnings Histories**

The measure of earnings that is most closely related to wealth accumulation is “lifetime earnings,” or the total accumulation of earnings received over an individual’s full period of employment. Since this measure is not collected in most surveys, analysts typically rely on educational attainment or other proxies to reflect the influence of lifetime earnings. In this analysis, we use the measure of lifetime earnings calculated by Jacobs et al. (2020, 2022). This measure is based on the rich earnings-history data already included in the SCF combined with earnings trajectories estimated (across pseudo-panel cohorts based on birth year, education, occupation, and gender) in the Current Population Survey (CPS) to develop full earnings histories for respondents and spouses.<sup>5</sup>

## **2E. Methods: DFL Nonparametric Reweighting Estimator**

Beyond descriptive analysis of improved data, we use a nonparametric reweighting estimator to assess the relative contributions of the factors explored in this paper—intergenerational transfers and lifetime earnings and other human capital-related variables—to the existing disparities in wealth by race. Referred to here as the DFL estimator, it was developed by DiNardio, Fortin, and Lemieux (1996) and has been applied to the study of racial wealth disparities by Barsky et al. (2002) and others. Conceptually, the DFL estimator is simple: It reweights data from one group to give that group the same composition of traits as observed in another group.<sup>6</sup> When the skills, income, and other traits of the various groups in the SCF samples are compared, the estimated counterfactual becomes, “What would the density of wealth have been among white families if they had the skills, income, and other traits of Black families (but retained their own wealth function)?” The variables that contribute the most to closing the wealth gap between the original sample of Black families and the reweighted sample of white families can be viewed as playing a larger role in accounting for existing racial disparities.

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<sup>5</sup> Jacobs et al. (2020, 2022) use the earnings histories as well as earnings forecast up to a age 62 for the purposes of estimating future Social Security benefits (and the implied asset value of those benefits for households). Here, we use only the earnings histories (not the future forecast earnings) based on the application of their models and CPS earnings trajectories to the public SCF data and published as an online data Appendix to Jacobs et al. (2022).

<sup>6</sup> Originally the DFL estimator was used to reweight over time. Here, and in Barsky et al. (2002), the DFL estimator is used to reweight different groups in the same period.

### 3. WEALTH LEVELS, GAPS, AND COMPOSITION BY RACE

Private wealth by race (the four racial groups included in the public version of the SCF: white, Black, Hispanic, and “other”) for each survey year is displayed in **Table 1**. Here, private wealth includes market wealth in inflation-adjusted 2019 dollars reported in the SCF at the time of the survey and DB pension assets estimated by Sabelhaus and Volz (2020) to match the survey year. Mean private wealth for “other” households (made up primarily of Asian families but also Native Americans and other races) was \$1.15 million in 2019, slightly higher than that of white families, for which mean private wealth was \$1.12 million. Median private family wealth was \$249,000 for white families, \$217,000 for families of “other” races, \$49,000 for Hispanic families, and \$38,000 for Black families.

The wealth gaps between white and “other” families and between Black and Hispanic families are substantial and are present in every survey year from 1989 through 2019. Trends in the average wealth gaps, calculated as the ratio of white family wealth to non-white family wealth, are shown in **Figure 1**. Gaps in mean private wealth between white families and non-white families were largely constant over that 30-year period. The white/Black gap fluctuated around 4.0, starting at 3.9 in 1989 and growing to 4.4 in 2019. The white/Hispanic gap in mean private wealth followed a similar path but exhibited somewhat greater volatility.<sup>7</sup> The white/other mean private wealth gap was also mostly constant, hovering at just over 1.0 for most of the period; it started at 1.5 in 1989 and was 1.0 in 2019.

Both the white/Black and white/Hispanic mean private wealth gaps did tick up following the 2008–2009 financial crisis (the white/Black gap, for example, went from 3.6 in 2007 to 4.2 in 2010) and remained elevated through 2019.

The composition of the assets held by the race groups also differs markedly. Including all ages of households and combining the 2016 and 2019 surveys, **Figure 2** shows the composition of private assets (market assets in the SCF plus DB pensions) for white, Black, Hispanic, and other families broken into six broad groupings of financial, nonfinancial, and other assets.<sup>8</sup> White and

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<sup>7</sup> In the earliest survey years, the SCF sample was considerably smaller. In 1989, there were 3,143 total families surveyed, 2,558 of which were white, 308 Black, 161 Hispanic, and 116 of other races. In the 1992 and 1995 surveys, the total sample was increased, first to 3,900 and then to 4,300 families. From 1998 through 2007, the overall sample size remained at approximately 4,400, with the Black sample fluctuating between 410 and 480, and the Hispanic sample fluctuating between 251 and 358. In 2010, the sample was expanded again, and through 2019 it fluctuated between 5,800 and 6,500 depending on the year. The Black sample fluctuated between 790 and 835, the Hispanic sample between 556 and 639, and the “other” sample between 288 and 327.

<sup>8</sup> Financial (transaction) is the sum of all types of transaction accounts and certificates of deposit. Financial (market) is the sum of total directly held mutual funds (excluding MMMFs), stocks, and total bonds (not including bond funds or savings bonds). Financial (retirement) is the sum of DB pension wealth and total quasi-liquid (sum of IRAs, thrift accounts, and future pensions, including currently received benefits). Nonfinancial (business) is businesses in which the household has an active interest (value is net equity if business were sold today, plus loans from HH to



other families have very similar portfolios and appear to be the most “balanced” of the four groups. For white families, real estate (nonfinancial, housing/real estate) accounts for 28 percent of assets, pensions (financial, retirement) 27 percent, businesses (nonfinancial) 18 percent, and stocks, bonds, and other directly held financial assets (financial, market) 15 percent. The remainder of the average white family balance sheet comprises “other” assets (7 percent), which include vehicles, art, collections and other assets, and savings accounts (financial, transaction; the final 5 percent).

**Figure 2** shows Black and Hispanic families, by contrast, holding far less in business and financial market assets. Instead, the average Black family is much more reliant on retirement assets (46 percent) and Hispanic families on real estate (44 percent). Business assets (9 percent) and financial market assets (5 percent) account for modestly larger shares of Hispanic families’ portfolios compared with Black families’ portfolios (6 percent and 2 percent, respectively).

Retirement benefits are crucial to wealth accumulation for most families. Retirement plan assets, including defined contribution (401(k), IRA, etc.) and DB pensions, account for 28 percent of total household assets, and they become increasingly important as workers age. For families whose head is in their twenties or thirties, housing is the predominant asset, but at these young ages, families have low wealth overall (**Figure 3**). Average wealth rises sharply as family heads enter their forties and fifties, and retirement wealth quickly displaces housing as the most important asset. Retirement plans become the largest asset class, accounting for 29 percent of all assets for families whose head is in their fifties and 34 percent of assets for families whose head is in their sixties.

Retirement plans are particularly crucial for the part of the distribution that has achieved a level of “attainable” financial success—families in the top half of the age-specific wealth distribution but outside the top 5 percent. **Figure 4** shows the composition of assets (among families whose head is aged 45 to 65) by different segments of the wealth distribution.<sup>9</sup> Among families in the 50<sup>th</sup> to 95<sup>th</sup> percentiles of the wealth distribution, retirement plan assets account for 47 percent of total assets, compared with 20 percent among families in the bottom half and 16 percent among families in the top 5 percent.

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business, minus loans from business to HH not previously reported, plus value of personal assets used as collateral for business loans that were reported earlier) or nonactive interest (market value of the interest). Nonfinancial (housing/real estate) is the sum of the value of primary residence, other residential real estate, and net equity in nonresidential real estate. Other assets are the sum of savings bonds, cash value of whole life insurance, other managed assets, other financial assets, value of all vehicles, and other nonfinancial assets.

<sup>9</sup> The wealth percentiles represented in Figure 11 are calculated separately for each five-year age bin from 45 to 64.

Including only families below the (race-specific) 95<sup>th</sup> percentile of the wealth distribution, we develop synthetic panels to show the evolution of assets and the asset composition across the life cycle (**Figure 5**). For white families (**Panel A**) and for Black and Hispanic families combined (**Panel B**), we see that assets accumulate steadily as families age. Home equity and retirement wealth are the dominant assets and account for nearly all the asset growth as family heads move from their thirties and approach retirement age. The average values of total assets for white and non-white (Black and Hispanic) families are substantially different, but the composition and the growth paths of those assets across the life cycle are strikingly similar. These slow-growing assets, which start small and build over a career and with housing tenure, account for nearly all the wealth and the growth in wealth.

Some families inherit the homes they live in, but this is far from typical. Only 10 percent of Black homeowners and 6 percent of white homeowners inherited their homes (**Table 3**). The typical path for housing-equity accumulation is depicted in **Figure 6**. Younger homeowners have relatively little equity in their home, with an equity-to-value ratio of 28 percent among Black homeowners in their thirties and 36 percent among white homeowners in that age group. For homeowners of all races, home equity builds steadily with age, rising above 90 percent for Black and white homeowners over the age of 80. Accumulating housing wealth is certainly more complex than aging, and the smooth lines in **Figure 6** do not convey the “full” story—they say nothing of differences in home values by race or the dynamic process of home buying and equity loss during economic crises. The main lesson from **Figure 6** is that home equity, like retirement plan wealth, tends to accumulate not in an instant but slowly over time.

For the vast majority of families, building wealth takes time, but it is not simply a passive process. Retirement funds accumulate as contributions are made year after year, and plan assets produce returns. The value of housing is retained as owners maintain their property, and equity grows as they make mortgage payments and as real estate prices rise over time. And for most families, the ability to make retirement plan contributions and housing payments and maintain the value of housing hinges on sustained employment. Among families in which at least one adult has a bachelor’s degree or higher, the growth path of private wealth differs dramatically over time and based on the presence of pension benefits and full-time work status. **Figure 7** displays the different wealth paths followed by families with employer-funded pensions and high full-time work shares against those followed by families with neither of these traits.<sup>10</sup> The figure

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<sup>10</sup> To meet the criteria for the share of potential years of work worked full-time, either the respondent (R) or spouse/partner (SP) must (1) have worked full-time for at least 90 percent of their potential years of work or (2) be retired, be age 60 or older, and have worked full-time at least 80 percent of their potential years of work. A household is considered to have an employer-funded pension if (1) either the R or SP has a defined benefit plan on a current job or some type of pension from a past job to be received in the future; (2) either the R or SP has a pension

shows that among bachelor's-holding families in which at least one member has an employer-funded pension and the primary adults have worked a high portion (at least 90 percent) of their potential years of work full-time, median private wealth rises steadily. This cohort of families typically sees private wealth rise from about \$250,000 when the head is in their early thirties to \$1.5 million when they are in their late fifties. Bachelor's-holding families without both of these work-related traits experience a much flatter growth path in wealth, which rises to only about \$500,000 by the time the head is in their late fifties.

**Figure 8** further emphasizes the importance of the number of years of full-time work. The figure includes only families with respondents aged 50 to 65 to minimize the impact of aging, as distinct from years of work. Median private wealth is just \$17,000 for those with 10 to 19 years of full-time work, but it rises to \$580,000 for those with 50 to 59 years of full-time work. The wedge in wealth between families with a college-degree holder and those without expands dramatically as full-time work years increase. Mean private wealth among families with 50 to 59 years of full-time work but no college degree is just \$213,000, while for those with a college degree, it is \$1.3 million.

The disparities in wealth by race identified in the preceding tables and figures are large and persistent. To most observers, the existence of these disparities is troubling, and to many, they suggest unfairness, lack of opportunity, and even racism. These traits were certainly present in America's past, and they may, to some extent, apply to current-day realities. The mere existence of these disparities, however, is far from evidence that racism and unfairness are prime determinants, or even major factors, in explaining current differences in wealth by race.

In addition to varying in amounts of wealth, families of different races vary markedly along multiple other dimensions associated with the accumulation of wealth. For example, the "typical" white family (the mean for families in the 45<sup>th</sup> to 55<sup>th</sup> percentiles of the private wealth distribution) had private wealth of \$246,000 in 2019, compared with \$35,000 for the "typical" Black family (**Table 2**). The typical white family, though, includes a married couple in which one of the members holds a bachelor's degree and there is a combined history of 41 years of full-time work. The typical Black family, on the other hand, is headed by a single adult with either a high school diploma, some college or an associate degree, and 28 years of full-time work.

To understand the racial wealth gaps we observe, to make sense of the factors that account for their persistence, we need to take into account the various dimensions along which families of

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to which their employer contributes; (3) the household is currently receiving a number of retirement, pension, or disability payments or making withdrawals from a pension or retirement account (total number of such accounts is greater than 0), the R is age 60 or older, and either the R or SP is retired; or (4) either the R or SP is self-employed with an IRA or Keogh.

various races differ. We need to give particular attention to those factors that, independent of race, we know to be associated with the accumulation of wealth.

#### **4. INHERITANCES AND INTER VIVOS TRANSFERS**

The role that inherited wealth plays in generating high levels of wealth concentration or disparities in wealth by race is important to consider. The fact that we can see heirs to great fortunes become quite affluent themselves suggests it must play some role in sustaining wealth concentration. And the fact that most recipients of large inheritances are white further suggests that inherited wealth plays some role in racial disparities.

The research literature on the importance of inheritance, however, is more circumspect. In fact, numerous analyses of the distribution of wealth conclude inheritances equalize the distribution of wealth (Wolff 2002; Elinder et al. 2018; Boserup et al. 2016). Some past research on the white/Black wealth gap also concludes that inheritance has only a modest impact on racial disparities (Altonji and Doraszelski 2005). Menchik and Jianakoplos (1997) estimate that inheritance disparities can explain 10 to 20 percent of the wealth gap. Thompson and Suarez (2019) find that inheritance receipt accounts for less than 10 percent of the white/Hispanic or white/Black wealth gaps.<sup>11</sup>

In this section, we explore the extent to which the racial disparities in wealth can be accounted for by the augmented inheritance and inter vivos transfer variables developed by Feiveson and Sabelhaus (2018, 2019). First, we describe how the annualized flow of inheritance and inter vivos transfer receipt varies by race. Second, we calculate the share of wealth reported at the time of the survey that might, according to a range of assumptions on returns to and consumption of bequests, be accounted for by inheritance. Third, we present some statistics exploring the ubiquity of “broken links” in the chain of intergenerational wealth transfers—the share of heirs who do not leave bequests for their offspring and the share of families leaving substantial estates who never received any inheritance. Finally, we use the DFL nonparametric reweighting estimator to estimate, for the mean and median, the portion of white/non-white disparities in private wealth that can be accounted for by differences in the distribution of inheritances and inter vivos transfers.

##### **4A. How Do Inheritances and Inter Vivos Gifts Received Vary by Race?**

Using SCF data from 1995 through 2019, we calculate the annual receipt of inheritances and inter vivos transfers over eight three-year subperiods (transfers received in 2016 through 2018

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<sup>11</sup> Thompson and Suarez (2019) also evaluate some broader indicators of financial support from family that could potentially help explain racial wealth disparities—discussed in greater detail below in footnote 15—which are not addressed in this paper but are addressed at length in Sabelhaus and Thompson (2022).

for the 2019 SCF, etc.) We then compute the average annual number and dollars (inflation-adjusted 2019 dollars) of inheritances and gifts received by race.

Annual flows of both inheritances and inter vivos transfers are overwhelmingly concentrated among white families (**Table 4, Panel A**). Over this period, white families received \$273 billion in inheritances and \$37 billion in inter vivos transfers each year. Black families received just \$1 billion in inheritances and less than \$1 billion in inter vivos transfers. Hispanic families received approximately \$5 billion in each type of intergenerational transfer annually. The probability of receiving an inheritance in any year was 5 percent for white families, 2 percent for Black families, and 1 percent for Hispanic families. Inheritance flows amounted to nearly 9 percent of the total income of white families but less than 4 percent for Black families and just 2 percent for Hispanic families.

Most families, regardless of race, do not receive any inheritance or major gift in a typical year or at any point. Conditional on receiving a transfer, most inheritances and major gifts are also modest in size. Half of all individual inheritances and 66 percent of all inter vivos transfers received by white families are less than \$50,000 (**Table 4, Panel B**). Moderately higher shares of the number of transfers received by Black and Hispanic families are also under \$50,000.

One striking distinction about the size distribution of intergenerational transfers is the absence of major transfers among Black families compared with white, Hispanic, and “other” families. Roughly two-thirds of the total dollar value of inheritances received by white, Hispanic, or “other” families was in the “large gift” class of inheritances exceeding \$300,000. By contrast, less than half of the value of inheritances received by Black families came in the form of such large gifts.

#### **4B. How Important Are Intergenerational Transfers to the Wealth of Families, by Race?**

Making simple assumptions about the rate of return on inherited wealth over time and about the share of inherited wealth consumed (or lost) by its recipients, we can provide back-of-the-envelope estimates of the share of current wealth that is constituted by inheritances. Following Feiveson and Sabelhaus (2018), we consider scenarios in which real inheritances grow annually at rates of 3 percent and 5 percent from year of receipt to survey year. We further modify the scenarios by first assuming that all inherited wealth is successfully invested (following Feiveson and Sabelhaus 2018) and then changing the assumption to allow for the consumption/loss of some portion of the initial inheritance. Using these conditions, we calculate, by race, the share of current wealth that inherited wealth contributes. With no consumption of wealth and 3 percent real annual growth, inheritances account for 19 percent of the wealth of white families, 14 percent of Black family wealth, 12 percent of “other” family wealth, and just 6 percent of

Hispanic family wealth (**Table 5, Panel A**). Allowed to grow at a real annual rate of 5 percent, inheritances would account for one-third of white family wealth, one-quarter of Black family wealth, one-fifth of “other” family wealth, and 8 percent of Hispanic family wealth.

Altering the scenario by assuming that all small inheritances (less than \$25,000) are consumed, with 3 percent real annual growth for remaining gifts, inheritances would account for 18 percent of white family wealth, 12 percent of Black and “other” family wealth, and 5 percent of Hispanic family wealth. Allowing for greater consumption of transfers systematically reduces the share of current wealth that is accounted for by transfers. If half of intergenerational transfers are consumed or wasted, the share of current wealth they account for (at 3 percent assumed growth) falls to 9 percent for white families, 7 percent for Black families, 6 percent for “other” families, and 3 percent for Hispanic families.

The actual rate at which inherited wealth grows and the amount of inherited wealth that is consumed are uncertain. The existing literature finds that nontrivial portions of inherited wealth do not end up fueling the future wealth of heirs because it is consumed or lost (bad investments, business failures, gifts to friends and family). Zagorsky (2013) uses wealth and inheritance data in the longitudinal data in the National Longitudinal Survey of Youth (NLSY79) and estimates that roughly half of total inherited wealth, including all smaller inheritances, is consumed or lost. Holtz-Eakin et al. (1993) find that recipients of large inheritances are more likely to leave the labor force. Using administrative estate tax data, Joulfaian (2006) finds that heirs increase their wealth by only 79 percent of the inherited amount within a few years of receipt. He also finds evidence of reduced labor supply following inheritance. Using the Health and Retirement Survey, Brown et al. (2010) find that receipt of an anticipated inheritance is associated with a significant increase in the probability of retirement. Bo et al. (2019) study Norwegian administrative data and find large reductions in labor supply among recipients of large inheritances. Recipients of inheritances clearly benefit financially, but a considerable portion of the value of inherited wealth flows into consumption as opposed to wealth inequality.

These basic lessons from studies of inheritances—which draw attention to limits in the extent to which intergenerational transfers augment family wealth—are reinforced by other research on the effects of lottery winnings and other major shocks to household resources. Bulman et al. (2021) study major lottery winners and the college attendance of their children using administrative records in the United States. They find that prizes of about \$50,000 have very little impact on college attendance and that substantial increases in attendance are associated only with much larger prizes, with attendance rates rising at 0.6 percentage points per \$100,000 in after-tax winnings. In their study of financially distressed lottery winners in Florida, Hankins et al. (2011) show that, compared with small prizes, larger prizes (\$50,000 to \$150,000)

postponed but did not prevent bankruptcy filings. They also show that small- and large-prize winners filing for bankruptcy had similar assets and similar debt. Imbens et al. (2001) find that lottery winners in Massachusetts worked less and increased their savings by only a small fraction of the prize they had won.

#### **4C. Broken Links in the Intergenerational Transmission of Wealth**

Some nontrivial portion of intergenerational transfers is consumed, but most families neither receive nor leave any inheritance. Only 29 percent of families with heads aged 65 and older plan to leave substantial estates (**Table 6, Panel A**). One-third (32 percent) of families with similarly aged heads report ever having received an inheritance or substantial inter vivos transfer.<sup>12</sup> The inheritances that we can measure show clear and powerful evidence of an important minority of families helping their children and extended families through intergenerational transfers, even if much of that assistance fuels consumption rather than wealth accumulation. We do not observe, however, the linkages across more than two generations due to limitations in the data. We do know from the limited data that many of these links are broken and that the wealth of the past may succeed at “staying in the family” even less—or at least across fewer successive generations—than the inheritance statistics might suggest at first blush.

Only 39 percent of those having received an inheritance or inter vivos transfer plan to leave a substantial estate themselves. Less than half (44 percent) of those planning to leave a sizeable estate have received an inheritance (Sabelhaus and Thompson, 2022). If only 4 in 10 of the 32 percent who receive an inheritance end up leaving an estate, then we will see just 13 percent of the third generation inherit some portion of the wealth that was held during their grandparents’ generation. By the next generation, just 5 percent of households will inherit some of the wealth originally held by their great-grandparents.

Because wealth is consumed and lost, the influence of the past on today’s wealth for most families is smaller than might be imagined. The majority of families of all races receive no inheritance; hence, none of the wealth they hold came directly from transfers from previous generations. Even among those receiving bequests, the source of that inherited wealth is overwhelmingly from the two most recent generations, with few of today’s inheritances bearing any mark from the distant past.<sup>13</sup>

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<sup>12</sup> Note that “ever received inheritance” and size of inheritance are based on the augmented inheritance data from Feiveson and Sabelhaus (2018).

<sup>13</sup> For those receiving particularly large gifts, however, the lasting intergenerational legacy of bequests looks somewhat different (Sabelhaus and Thompson 2022). Among recipients of inheritances or inter vivos transfers (ever received, 3 percent growth) in excess of \$300,000, the share planning to leave a sizeable estate rises to 50 percent compared with just 22 percent among those receiving transfers of less than \$25,000. Recipients of small

Overall, white families (head aged 55 and older) are the most likely to have received an inheritance/major gift (33 percent), but “other” race families are the most likely to plan to leave a sizeable estate (32 percent; **Table 6**). Among those who received a transfer at some point in the past, 49 percent of Hispanic and “other” families plan to leave a sizeable estate compared with 41 percent of white and 34 percent of Black families. Among those who have not received an inheritance or an inter vivos transfer, nearly one-third of “other” race families, one-quarter of white and Hispanic, and one-fifth of Black families plan to leave a sizeable estate.

#### **4D. Decomposition Exercise: Quantifying the Contribution of Intergenerational Transfers to Wealth Disparities**

The decomposition technique we use estimates the private wealth of white families after reweighting the white sample so that it has the same distribution of traits (in this case intergenerational transfers) as non-white families.<sup>14</sup> The extent to which the white/non-white gaps change once we reweight the white sample to match the traits of the non-white sample reveals the magnitude of the contributions of those traits to the wealth gaps.

Reweighting for the distribution of cumulative inheritances ever received, we see that the white/Black and white/Hispanic gaps in mean private wealth both close slightly more than 10 percent (**Table 9, Panel A**). Further reweighting to also match the distribution of inter vivos transfers ever received among non-white households has little additional impact on the estimated white wealth or either of these wealth gaps. At the median of the distribution, reweighting for inter vivos transfers adds a few percentage points to the share of the wealth gaps that is explained, but it leaves the explained share at just 14 percent for the white/Black gap and 16 percent for the white/Hispanic gap. These estimates are similar to those found in the existing literature.

As noted in Feiveson and Sabelhaus (2018, 2019), even with the augmented measures of inter vivos transfers, we are still not capturing the full range of ways families financially support their offspring, many of which could ultimately facilitate the accumulation of wealth. These additional forms of family financial support are of interest to researchers but are not captured in the survey.<sup>15</sup>

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intergenerational transfers are equally likely to plan to leave an estate as those who have received no inheritance or inter vivos gifts. The median private wealth of recipients (aged 65 and older) of large transfers who plan to leave a sizeable estate is \$1.9 million compared with just \$413,000 for the recipients of large transfers who do not plan to leave an estate.

<sup>14</sup> To remain consistent with the decomposition using lifetime earnings that we conduct later in the paper, we restrict the sample to include only respondents aged 40 to 59 and spouses/partners, if present, aged 30 to 62.

<sup>15</sup> Previous studies use additional variables in the SCF as proxies for additional family financial support. One example is a survey question asking respondents about their ability to obtain help from friends and family (in the



## 5. THE ROLES OF LIFETIME EARNINGS AND PENSIONS

The additional factors that we consider here are lifetime earnings plus access to and generosity of work-related pensions, as well as a handful of other human capital and demographic variables. See the related working paper (Sabelhaus and Thompson 2022) for a more complete discussion of the lifetime earnings and the employment-based pension variables.

The contribution of differences in lifetime earnings to racial wealth disparities is also explored in other research and shown to account for a majority of white/Black wealth gaps by both Barsky et al. (2002) and Aliprantis et al. (2019). Standard economic theory indicates that the wealth families accumulate is a function of their lifetime earnings, not the income or earnings from any one year. Other variables, such as education, can be used to proxy for lifetime earnings, but this is far from ideal because, among other limitations, there is substantial earnings variation within broad educational attainment categories. In this research, we use the direct measure of lifetime earnings, developed by Jacobs et al. (2022), based on employment and earnings history questions in the SCF. Median combined household lifetime earnings for respondents aged 40 to 59 in 2016/2019 was \$1.8 million (inflation-adjusted 2019 dollars) for white families and \$1.1 million for Black families (**Table 8, Panel B**).<sup>16</sup> Among families in which the respondent holds a bachelor's degree, median white family lifetime earnings were \$2.4 million, and Black family earnings were \$1.5 million.

Less attention has been paid to the role of access to and generosity of employment-based pensions in sustaining racial wealth disparities. In this research, we not only incorporate the value of DB pension wealth into the “private wealth” concept we are studying, but also develop a suite of variables to reflect the types, number, and generosity of employment-related pensions. Families can have multiple employment-related pensions based on the past and current jobs of

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amount of \$3,000) in case of a financial emergency. Thompson and Suarez (2019) hypothesize that expectation of future financial assistance is a likely indicator for past receipt of assistance and employ it as a proxy for additional family financial support. In the working paper related to this paper (Sabelhaus and Thompson 2022), we explore this variable and find that, conditional on inclusion of human capital controls, it contributes little to explaining racial disparities in wealth. More importantly, though, we do not regard this question as a suitable proxy for past receipt of financial assistance from family. The actual survey question asks not just about family support, but also about support from friends and, in fact, references friends before mentioning relatives. In principle, this question could be capturing past receipt of family support, or it could be a measure of the economic status of the friends whom the respondent and spouse socialize with contemporaneously, which would be highly correlated with their own economic status, however achieved. Even if the hypothetical financial assistance is from family (“relatives who do not live with you”), it is not necessarily the case that meaningful assistance has been received in the past. For instance, the respondent could simply be thinking about a sibling or even a younger cousin whose access to resources could be entirely orthogonal to the respondent's wealth.

<sup>16</sup> Also for spouses/partners (if present) aged 30 to 65.

the respondent and the spouse/partner. Pensions also vary widely in the generosity of the employer contribution.

Pension coverage and quality varies by race, which we document in Sabelhaus and Thompson (2022). Before explicitly estimating the contribution that pension differentials by race contribute to wealth gaps, though, we describe how pension coverage varies by education. We do this to highlight how pensions can be an independent driver of accumulation; conditional on educational attainment and even lifetime earnings, superior pension coverage and generosity, *ceteris paribus*, will result in greater wealth.

When pension recipients are broken out by educational attainment, we see that the most highly educated workers have more generously funded pensions and a greater number of pensions in the family—from current jobs, future pensions from past jobs, and IRA and Keogh plans among the self-employed. At their current jobs, fewer than half of respondents (aged 45 to 65) with a high school degree are covered by any type of pension, while 16 percent have a DB pension, and 7 percent have a DC plan to which their employer matches contributions at or above 5.25 percent of their annual salary (**Table 7, Panel A**).<sup>17</sup> By contrast, more than two-thirds of workers with advanced degrees are covered by a pension at their current job, including 26 percent with DB pensions and 13 percent in DC plans with contributions at or above 5.25 percent of their salary matched by their employer. The differences across educational attainment are striking, but the variation within educational attainment is also notable. Even among workers with advanced degrees, a nontrivial number have no current job pension or have a plan with either no employer contribution or a very low contribution matching rate.<sup>18</sup>

The pension advantage of highly educated workers extends beyond current employment and reaches back to pensions from past jobs. A nontrivial number of respondents with advanced degrees (13 percent) will receive a pension from a past job (**Panel B**).<sup>19</sup> Less than 8 percent of workers with some college/associate degree or lower level of educational attainment will receive

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<sup>17</sup> Married/partnered households were assigned the generosity level of the most generous pension held by either the respondent or spouse/partner (least generous to most generous: no pension, unfunded pension, low-match, middle-match, high-match, and DB pension).

<sup>18</sup> For ease of interpretation, the current job pension generosity variable discussed in the descriptive statistics (Table 7, Panel A) is shown for the respondent. The version used in the decomposition analysis (Table 9, Figure 9, and Appendix Table 1) instead reflects the most generous pension for either the respondent or the spouse/partner (if present).

<sup>19</sup> The future pension from past job source was required to be a past job pension of the respondent or spouse/partner, military, union pension, non-account-type pension moved from the mop-up for current-job pensions of the respondent or spouse/partner, or pension from a current second job. Households may have pensions of more than one type; each household was assigned a single pension category in the following order: account, mixture, regular income for life (that is, a household with both account and regular income for life pensions is categorized as having the regular income for life type).

a pension from a past job. The pension advantage also carries over to the self-employed. Most workers are not self-employed, but the probability of self-employment rises with educational attainment (**Panel C**). Twenty-two percent of advanced-degree holders are self-employed, compared with only 13.5 percent of high school diploma holders. Among the self-employed, those with greater educational attainment are also much more likely to have an IRA or Keogh account. More than one-half of advanced-degree holders who are self-employed have an IRA or Keogh compared with less than one-third of the self-employed with lower levels of education.

Finally, conditional on having a specific type of pension, the families of more highly educated workers are covered by a larger number of pensions (**Panel E**). For example, families of advanced-degree holders with current job pensions hold 1.6 pensions, on average, compared with 1.3 among workers with less than a high school degree. For future pensions from past jobs, advanced-degree holders also have 1.6 pensions, on average, compared with 1.0 for those with less than a high school degree. Coverage alone is simply insufficient to capture the variation in the value of pensions across families.

### **5A. Decomposition Exercise: Quantifying the Contribution of Lifetime Earnings and Pensions to Wealth Disparities**

When we reweight the white sample to match the distribution of lifetime earnings and current job earnings (separately for the respondent and spouse/partner), the number of years at the current job, and the total number of full-time years worked for the household for non-white families, we see sharp reductions in median private wealth gaps, particularly between white and Black families. The white/Black gap falls to 2.7, with reweighting for these earnings and work tenure variables accounting for 60 percent of the disparity in wealth (**Table 9, Panel B**). At the mean of the distribution, the reweighting reduces the white/Black wealth gap from 4.4 to 2.5, accounting for 56 percent of the private wealth disparity (**Appendix Table 1, Panel B**).

Reweighting the white sample to also match the distribution of pension coverage and generosity variables results in further declines in white/Black wealth gaps. At the median, the white/Black private wealth gap drops to 2.4, and at the mean it falls to 2.1, with the combination of earnings and pension variables being controlled for at this point accounting for two-thirds of wealth disparities. The inclusion of several additional human capital/work-related controls—indicators for retirement and disability status, occupation, industry, health insurance coverage, and union status—pushes the share of the white/Black wealth gap accounted for at the mean and the median up to three-quarters (**Figure 8**). When the white sample matches the earnings, pension, and work-related distribution of the Black sample, it has median wealth of \$115,400, just 2.0 times the Black median of \$56,600.

Looking at white/Hispanic disparities, we see that adjusting for just earnings and years of work results in reductions in wealth gaps (both mean and median) that are somewhat smaller than what we see for the white/Black gaps. The more limited reweighting accounts for 46 percent of the median wealth gap between white and Hispanic families and only one-third of the mean wealth gap. Once we include the full range of earnings, job tenure, pension coverage and generosity, and the remaining human capital and work indicators, however, the share of the total gap explained is actually somewhat larger for Hispanic families. Jointly, the reweighting accounts for more than 90 percent of the white/Hispanic private wealth gap at the median and more than 77 percent at the mean.

Our findings are similar to those of previous research on the white/Hispanic wealth gap. Using data from nine waves of the Survey of Income and Program Participation through 2001, Cobb-Clark and Hildebrand (2006) find that their observable factors explain essentially all of the wealth gap between non-Hispanic white households and households of Mexican origin (separately for native and foreign-born). They also show that education is the most important contributing factor to this portion of the wealth gap and that the effect of education, which contributes to human capital, is larger at the top of the wealth distribution.

Because the wealth of families of “other” races is greater than the wealth of white families (at the mean and the median), reweighting the white sample to match the distribution of characteristics of “other” families looks somewhat different. Since white and “other” families already have very similar earnings histories, work tenures, and pension coverage, reweighting white families to look like families of “other” races leaves white wealth almost unchanged. When we reweight the white sample to match the “other” races distribution of the remaining human capital and work-related variables, though, we see that the wealth of white families rises. At the mean, the entirety of the small private-wealth gap between white families and families of “other” races nearly disappears; at the median, the wealth of white families climbs from 60 percent of “other” races family wealth to 70 percent.

Once we have controlled for lifetime earnings, pensions, and other human capital variables in the decomposition, the further inclusion of intergenerational transfers or additional demographic controls (age, presence of children, and other family structure variables) adds very little to the explained portion of wealth disparities. With all these controls, the amount of the median white/Black wealth gap the decomposition accounts for jumps to 81 percent compared with 75 percent with only the earnings and human capital controls (**Table 9, Panel C** and **Figure 8**). These additional controls result in no change in the explained portion of the median white/Hispanic wealth gap.

## 6. CONCLUSION AND REFLECTIONS ON POLICY

In this paper, we seek to improve upon existing research using the Survey of Consumer Finances to understand the factors contributing to racial disparities in wealth. By studying private wealth, which includes DB pension assets, we are acknowledging an asset that is vital for those who hold it, particularly Black working families, and influences their decision to save (or not save) in assets that are reflected in market wealth. Measured disparities in private wealth are somewhat smaller and relatively flat over time when compared with market wealth disparities, but they remain substantial nonetheless. By studying private wealth, we also bring the wealth concept into better alignment with the accumulation of assets through work.

By introducing lifetime earnings histories and expanded measures of pension coverage and generosity into our analysis, we also are better able to reflect the ways that human capital formation—by facilitating access to high-paying jobs with generous pension benefits—drives the accumulation of wealth. The combined set of human capital variables we explore can account for three-quarters of the wealth gap between white and Black families, a somewhat larger share than is explained in past research using microeconomic estimation strategies but slightly less than what is implied by recent studies using general-equilibrium overlapping-generations models (Aliprantis et al. 2019; Ashman and Neumuller 2020). Differences in lifetime earnings and human capital can also account for nearly all the wealth gaps between white and Hispanic families, consistent with other previous research. They also can nearly close the average wealth gap between white families and families of “other” races, raising the counterfactual estimate of white wealth up to the average wealth of “other” races families.

Our inability to fully account for the white/Black wealth gap from our microeconomic approach could be a result of not controlling for several additional factors that we think are related to wealth accumulation. We briefly discuss three of these factors here: (1) housing, (2) better information on human capital and family financial support, and (3) geography.

Housing is one of the most important assets, and there is a voluminous literature exploring the importance of housing for wealth building and the role that race, and discrimination by race, play in accessing housing and building home equity. Housing surely explains some of what we cannot account for in this analysis, but it also should be pointed out that much of the housing literature points back to the areas we assess here (earnings and demographics in particular) to help explain differences in housing wealth. Charles and Hurst (2002), for example, document large differences between races in the likelihood that a mortgage application is rejected, but they conclude that those differences explain only a small portion of the observed differences across races in transitioning into homeownership. The most important factors, they find, are differences

in household income and family stability. To the extent that housing disparities are downstream from earnings disparities, intergenerational transfers, and demographics, our work will have already accounted for some of the influence of housing on disparities in overall wealth.

Another limitation is that despite the strengths of the data, we are unable to control for many of the aspects of human capital and intergenerational transfers that we would ideally like to take into account. For instance, in addition to the inheritances and inter vivos transfers that are already in the data, it would be ideal to have more detailed information on other forms of financial assistance from family that the respondents might have benefited from in building their assets (assistance with college tuition, etc.). In addition to having information on educational attainment, knowing college majors and aptitude test scores would be a huge benefit. These additional measures of family support and heterogeneity in skills could likely help us understand some of the currently unexplained portion of the wealth gap.

Another factor that would be important to have but is not available in the public data is geographic location. To a great degree, different races in the United States do not live together. The geographic difference is not just in neighborhoods and towns; it can be seen across regions of the country. America's different race groups are not distributed evenly across the country but instead are concentrated in different regions. In 2010, Black Americans accounted for 12.6 percent of the total population. The 716 counties where the Black population share was 12.6 or higher are heavily concentrated in the southeastern states (Sabelhaus and Thompson 2022). These counties are home to three-quarters of all Black Americans and one-third of the total US population. The 507 counties where at least 16.3 percent (the national average) of the local population is Hispanic are overwhelmingly located in the Southwest and are home to three-quarters of Hispanic Americans and just under one-third of the total US population. Regional factors could play an important role in the overall wealth accumulated by the different race groups, but we are unable to account for them.

Despite limitations, these findings are suggestive of the types of policies that should help Black and Hispanic families build wealth. Intergenerational transfers account for very little of the disparity in wealth among racial groups, while lifetime earnings and human-capital-related factors are shown to account for a large majority. The substantial roles of differences in earnings, pensions, and other human capital and work-related variables in explaining racial wealth disparities have implications for the set of policies that will be most effective in reducing wealth gaps. Policies focused on boosting educational attainment, employment, and earnings should play a key role in any agenda to build wealth among low-wealth Black and Hispanic households. These policies should not only focus on college attendance or completion, but also seek to prepare students from low-income backgrounds to succeed in (and draw them to) the most

challenging courses of study, broadly the STEM fields, which lead to higher earnings and ultimately wealth.

Policies to increase human capital formation should not only target the top end of the skill distribution, but also include approaches to boosting basic skills and facilitating employment and labor market attachment for less skilled workers. In their work on racial disparities in earnings, Bayer and Charles (2018) and Thompson (2021) conclude that one of the most important factors driving modern white/Black gaps is on the participation dimension, with low skills increasingly associated with nonparticipation. The relevant set of policies addressing low skills and nonparticipation would encompass basic skills training, high school completion, and apprenticeships, but would also dovetail with criminal justice reform efforts. It is not just the prevalence of low skills that needs to be diminished; the links between low skills and incarceration and criminal records also must be addressed.

The important roles that pension coverage and generosity play in sustaining racial disparities in wealth also carries unique implications for policy. Longer spells of employment at higher earnings will result in greater pension wealth for covered workers, but many workers are not covered by any pension or have low-quality plans. Reforms that both work with employers to improve the stability and quality of their pension benefits and extend publicly supported, low-fee pension plans to uncovered workers hold promise for helping low-income workers accumulate pension wealth.

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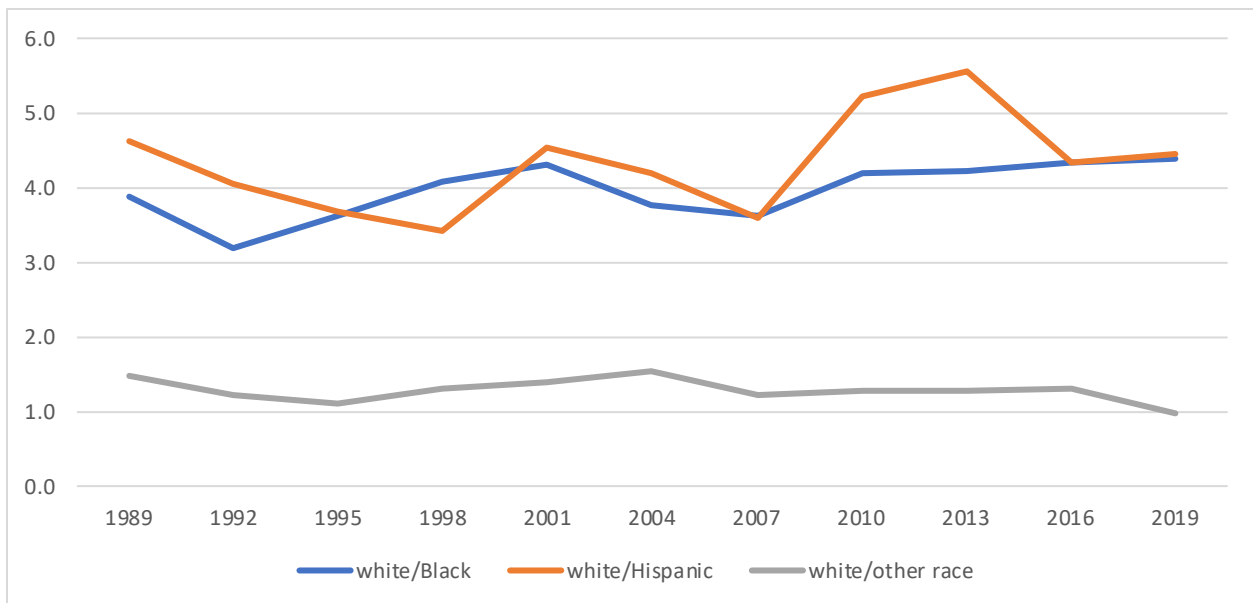
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Table 1. Private Wealth by Race

	Mean					Median				
	(1) All	(2) White	(3) Black	(4) Hispanic	(5) Other	(1) All	(2) White	(3) Black	(4) Hispanic	(5) Other
1989	460,602	555,788	143,770	120,123	374,149	138,981	196,986	17,841	14,753	72,855
1992	427,219	503,389	157,907	124,692	414,775	133,774	178,236	33,285	15,196	86,807
1995	456,457	529,236	146,082	143,715	481,650	133,512	169,102	28,462	37,893	102,496
1998	553,837	650,014	159,458	190,134	496,712	155,897	202,419	41,090	26,266	108,523
2001	688,804	829,772	193,107	182,431	596,835	169,015	248,206	40,727	25,924	105,068
2004	730,003	892,642	237,771	212,745	579,924	172,081	249,988	51,088	27,249	237,041
2007	813,935	976,665	269,551	271,380	795,937	198,246	270,357	38,143	32,712	238,982
2010	717,458	899,441	214,864	172,411	702,331	134,497	210,706	34,311	21,326	112,535
2013	722,739	913,848	215,975	164,456	712,496	140,566	229,957	22,589	18,889	126,784
2016	882,852	1,132,661	262,110	260,787	861,480	146,348	240,261	33,518	29,780	138,583
2019	895,235	1,124,872	256,451	253,192	1,153,818	167,500	249,035	37,910	49,030	216,600

Source(s): Authors' analysis of Survey of Consumer Finances, 1989–2019.

Figure 1. Racial Gaps in Mean Private Wealth over Time, All Ages, 1989–2019, real 2019\$



Source(s): Authors' analysis of Survey of Consumer Finances, 1989–2019.

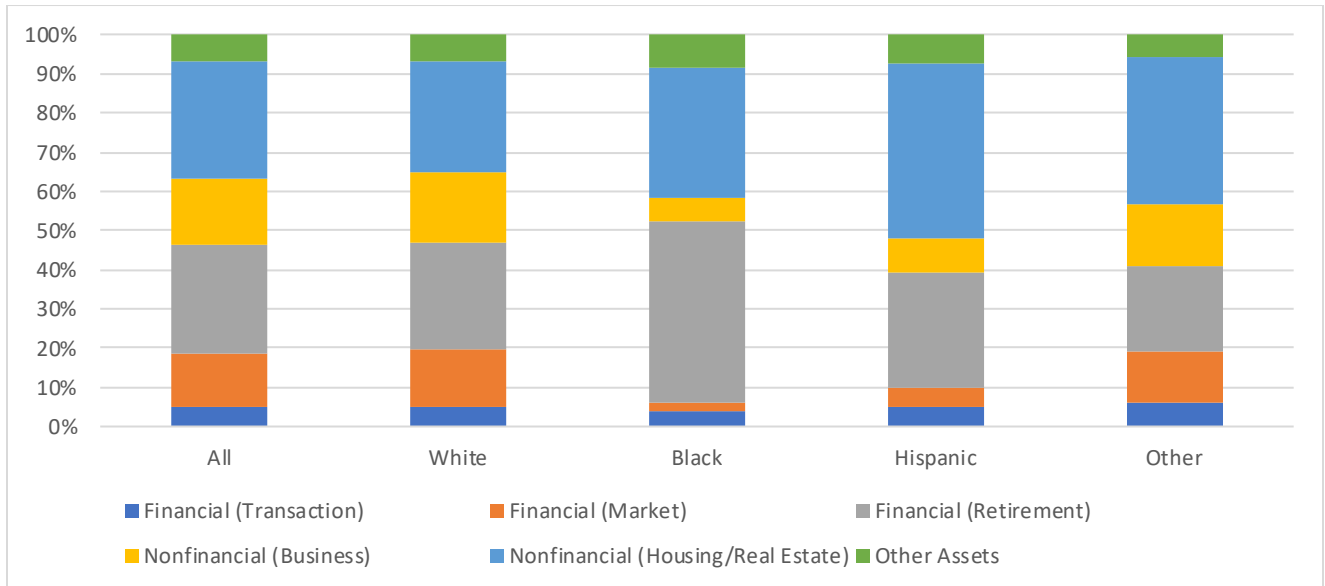
Table 2. Wealth and Basic Characteristics of “Typical” Families by Race, 2019

	Mean private wealth	Share who are married or with partner	Mean age of respondent	Mean years worked full-time (combined R and SP)	Highest educational attainment in household		
					Bachelor's or higher	Associate's 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%

Note: “Typical” here indicates the mean among households in the 45<sup>th</sup>–55<sup>th</sup> percentiles of the race-specific distribution of private wealth.

Source(s): Authors’ analysis of Survey of Consumer Finances, 2019.

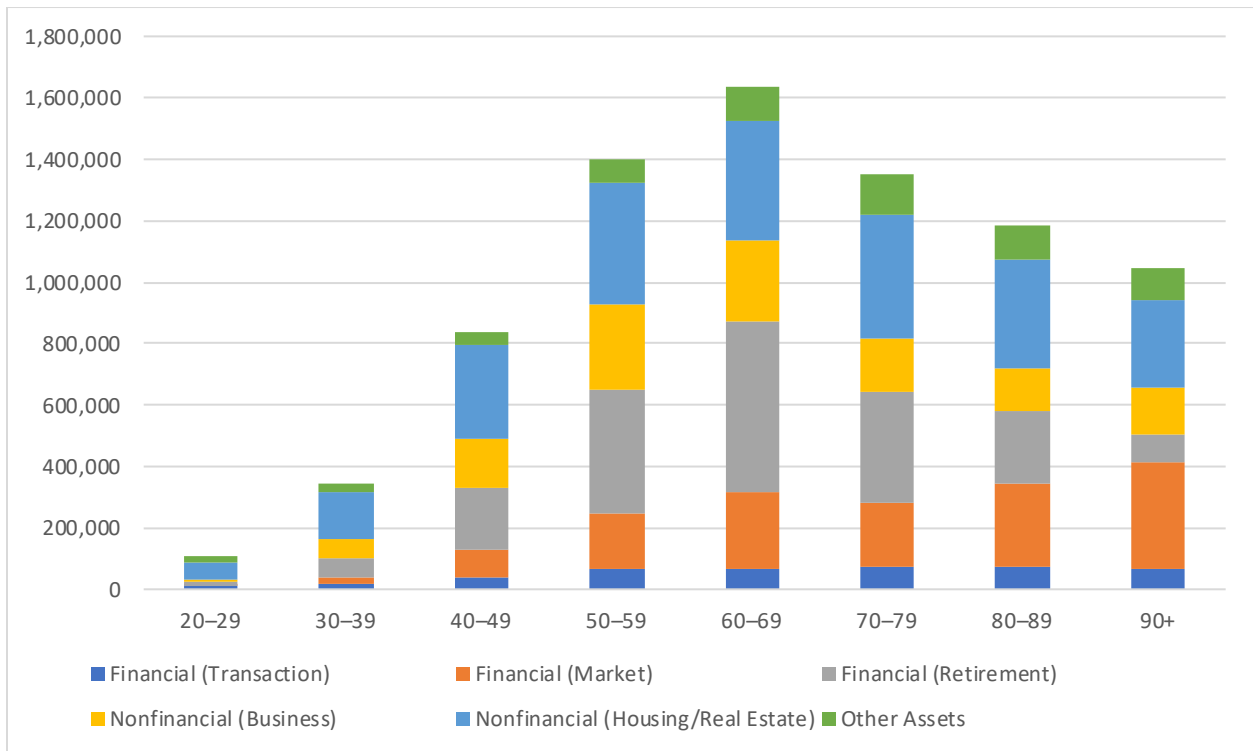
Figure 2. Composition of Assets by Race



Source(s): Authors' analysis of Survey of Consumer Finances, 2016–2019.

Note(s): Financial (transaction) is the sum of all types of transactions accounts and certificates of deposit. Financial (market) is the sum of total directly held mutual funds (excluding MMMFs), stocks, and total bonds (not including bond funds or savings bonds). Financial (retirement) is the sum of defined benefit pension wealth and total quasi-liquid (sum of IRAs, thrift accounts, and future pensions, including currently received benefits). Nonfinancial (business) is businesses in which the household has an active interest (value is net equity if business were sold today, plus loans from HH to business, minus loans from business to HH not previously reported, plus value of personal assets used as collateral for business loans that were reported earlier) or nonactive interest (market value of the interest). Nonfinancial (housing/real estate) is the sum of the value of primary residence, other residential real estate, and net equity in nonresidential real estate. Other assets are the sum of savings bonds, cash value of whole life insurance, other managed assets, other financial assets, value of all vehicles, and other nonfinancial assets.

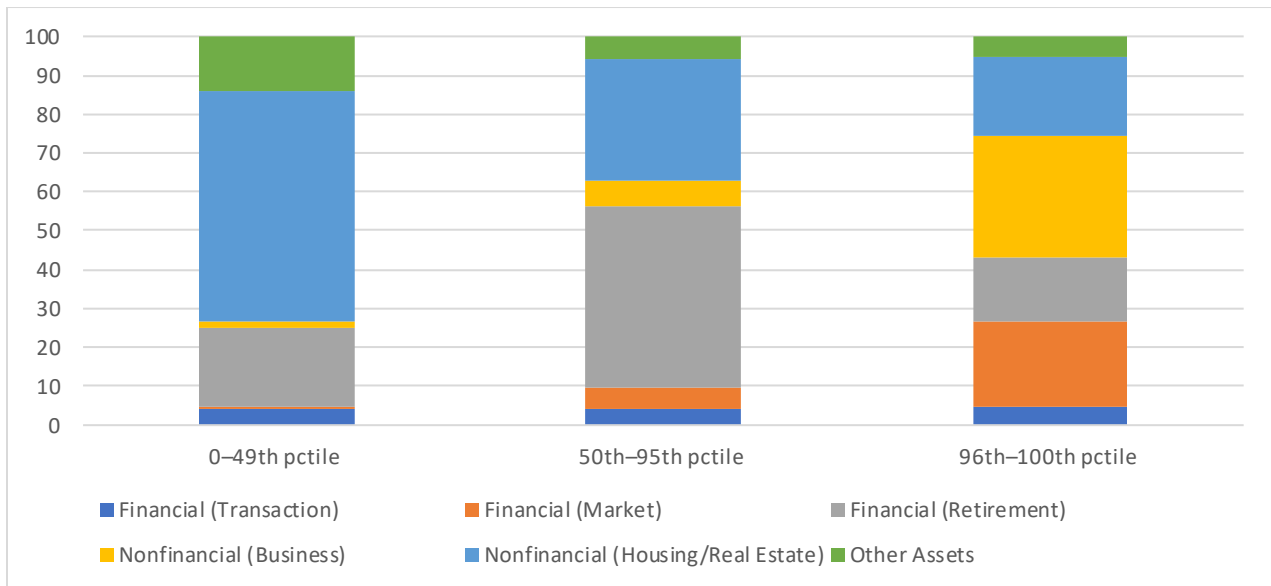
Figure 3. Mean Value of Asset Category by Respondent Age



Source(s): Authors' analysis of Survey of Consumer Finances, 2016–2019.

Note(s): Financial (transaction) is the sum of all types of transactions accounts and certificates of deposit. Financial (market) is the sum of total directly held mutual funds (excluding MMMFs), stocks, and total bonds (not including bond funds or savings bonds). Financial (retirement) is the sum of DB pension wealth and total quasi-liquid (sum of IRAs, thrift accounts, and future pensions, including currently received benefits). Nonfinancial (business) is businesses in which the household has an active interest (value is net equity if business were sold today, plus loans from HH to business, minus loans from business to HH not previously reported, plus value of personal assets used as collateral for business loans that were reported earlier) or nonactive interest (market value of the interest). Nonfinancial (housing/real estate) is the sum of the value of primary residence, other residential real estate, and net equity in nonresidential real estate. Other assets are the sum of savings bonds, cash value of whole life insurance, other managed assets, other financial assets, value of all vehicles, and other nonfinancial assets.

Figure 4. Asset Composition by Wealth Percentile Group, 2016–19, Ages 45–65



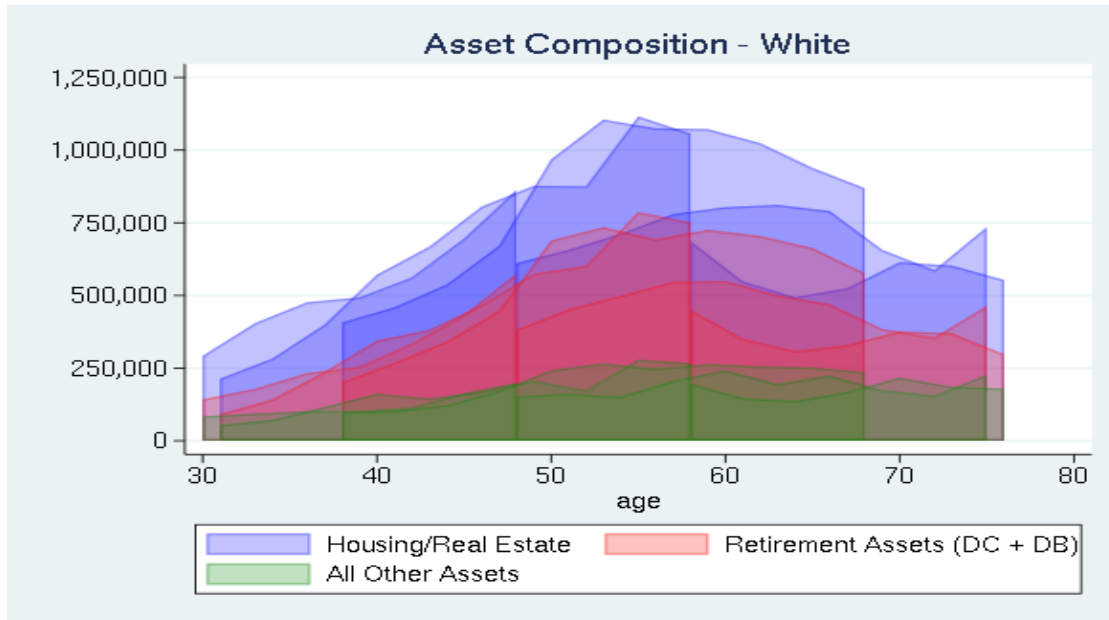
Source(s): Authors’ analysis of Survey of Consumer Finances, 2016–2019.

Note(s): Restricted to households with respondents aged 45–65. Wealth percentiles are based on 5-year age bins.

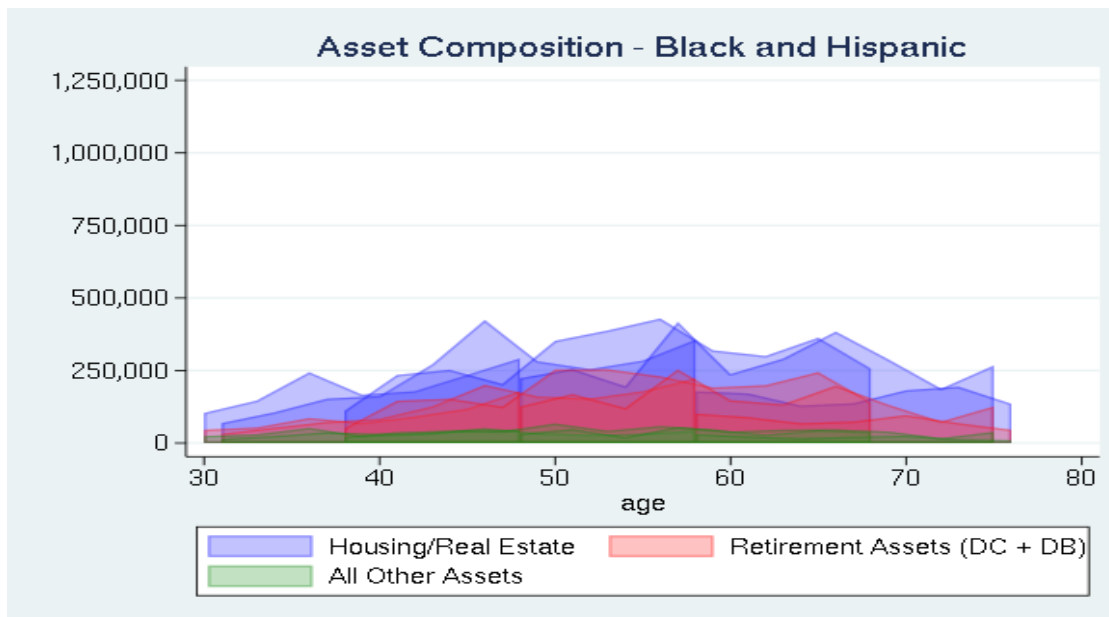
Financial (transaction) is the sum of all types of transactions accounts and certificates of deposit. Financial (market) is the sum of total directly held mutual funds (excluding MMMFs), stocks, and total bonds (not including bond funds or savings bonds). Financial (retirement) is the sum of DB pension wealth and total quasi-liquid (sum of IRAs, thrift accounts, and future pensions, including currently received benefits). Nonfinancial (business) is businesses in which the household has an active interest (value is net equity if business were sold today, plus loans from HH to business, minus loans from business to HH not previously reported, plus value of personal assets used as collateral for business loans that were reported earlier) or nonactive interest (market value of the interest). Nonfinancial (housing/real estate) is the sum of the value of primary residence, other residential real estate, and net equity in nonresidential real estate. Other assets are the sum of savings bonds, cash value of whole life insurance, other managed assets, other financial assets, value of all vehicles, and other nonfinancial assets.

Figure 5. Evolution of Asset Composition across the Life Cycle for Bottom 95% of Families: Synthetic Panel Stacked Area Chart of Mean Asset Value by Race

5a. White Families



5b. Black and Hispanic (Combined) Families

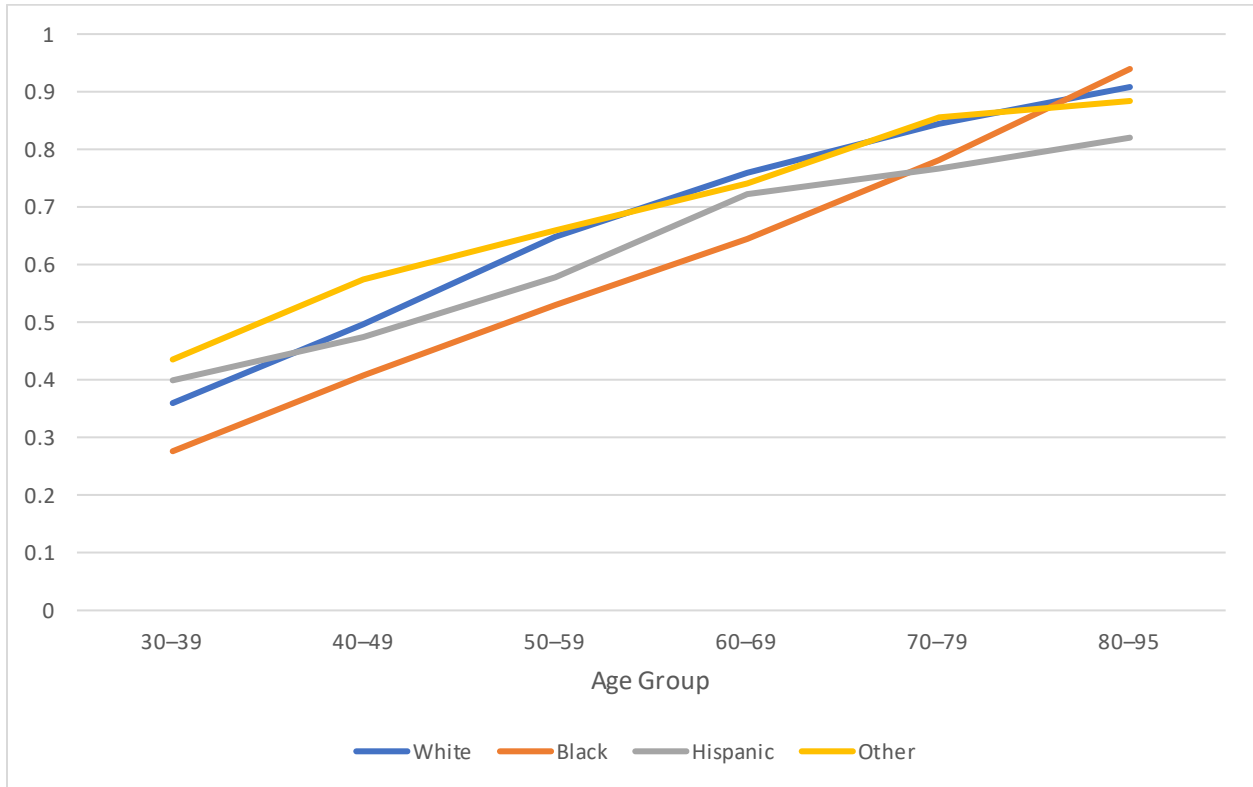


Source(s): Authors' analysis of Survey of Consumer Finances, 1989–2019.

Note(s): Synthetic panel uses 10-year cohorts based on birth year. The 5% wealthiest households by 5-year age bin, survey year, and race group (Black and Hispanic combined) were dropped. Restricted to households with respondent aged 30–85.



Figure 6. Home Equity-to-Value (EV) Ratio by Race and Age, Respondents Aged 30+ (2013–2019)



Source(s): Authors’ analysis of Survey of Consumer Finances, 2013–2019.

Note(s): The EV ratio is calculated by dividing the weighted mean of home equity by the weighted mean of home value. Restricted to homeowners.

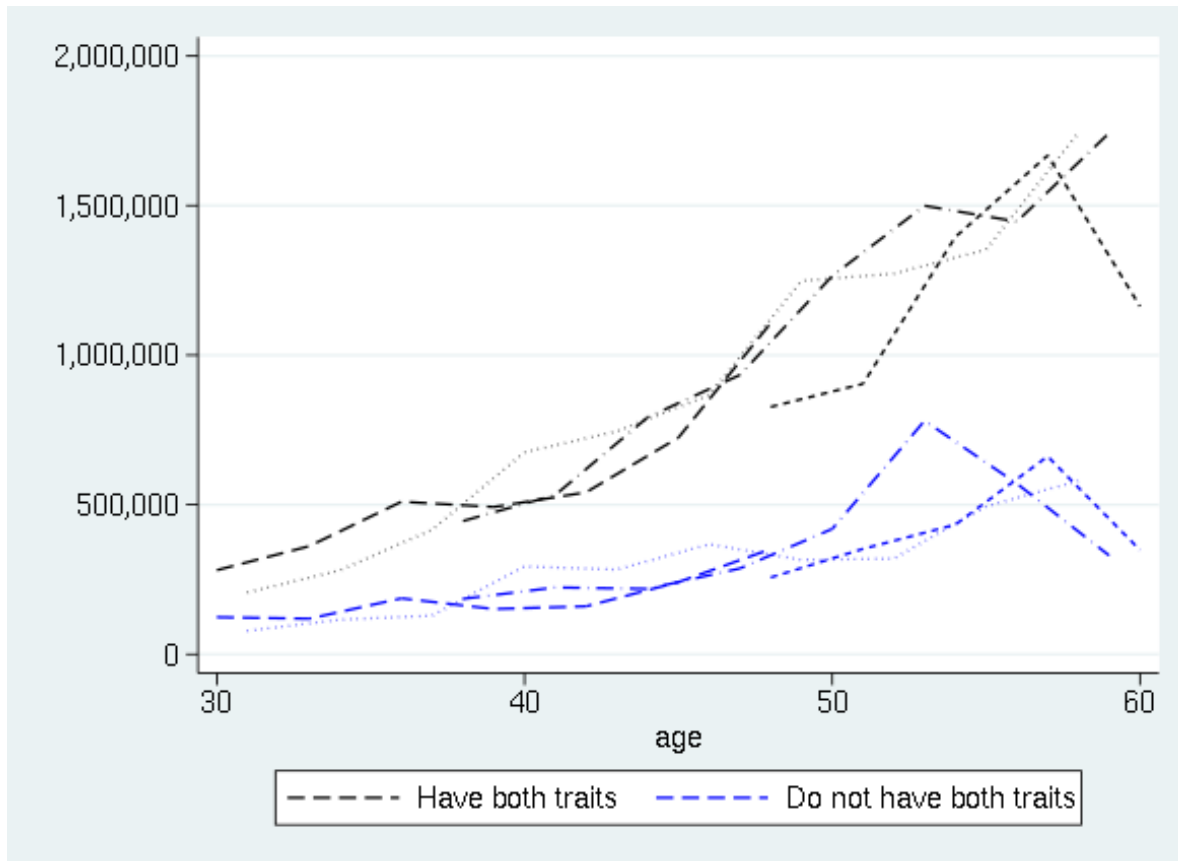
Table 3. Share of Homeowners Who Inherited House (2016–2019)

	Share of homeowners who inherited their house		
	All ages	Respondents aged 40+	Respondents aged 50+
White	5.6%	5.9%	5.9%
Black	9.7%	9.5%	10.8%
Hispanic	3.0%	3.6%	3.1%
Other race	7.6%	6.1%	6.5%

Source(s): Authors’ analysis of Survey of Consumer Finances, 2016–2019.

Note(s): Restricted to homeowners.

Figure 7. Synthetic Panel Growth in Median Private Wealth for College-Degree Holders Funded Pensions and  $\geq 90\%$  Full-Time Work Effort; Only Households with at Least One Primary Adult with a Bachelor’s Degree or Higher

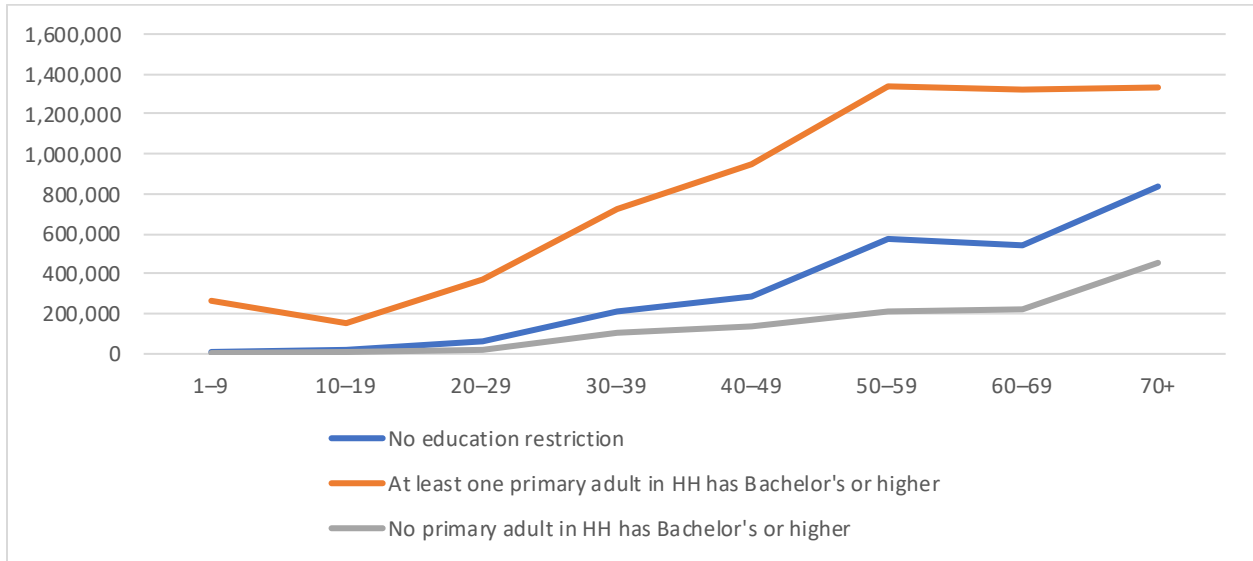


Source(s): Authors’ analysis of Survey of Consumer Finances, 1989–2019.

Note(s): Synthetic panel uses 10-year cohorts based on birth year. Restricted to households with at least one primary adult with a bachelor’s degree or higher.

To meet the criteria for the share of potential years of work worked full-time, either the respondent (R) or their spouse/partner (SP) must (1) have worked full-time for at least 90% of their potential years of work or (2) be retired, be age 60 or older, and have worked at least 80% of their potential years of work. A household is considered to have an employer-funded pension if (1) either R or SP has a defined benefit plan on a current job or some type of pension from a past job to be received in the future; (2) either R or SP has a pension to which their employer contributes; (3) the household is currently receiving retirement, pension, or disability payments or making withdrawals from a pension or retirement account (total number of such accounts is greater than zero), the respondent is age 60 or older, and either R or SP is retired; or (4) either R or SP is self-employed with an IRA or Keogh.

Figure 8. Median Private Wealth by Years of Full-Time Work and Presence of College Degree (Aged 50–65), 2016–2019



Source(s): Authors' analysis of Survey of Consumer Finances, 2016–2019.

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

Table 4. Inheritances and Inter Vivos Transfers Received—Volume and Distribution by Size, 1995–2018

**Panel A. Average Annualized Flows of Inheritances and Inter Vivos Transfers Received, 1995–2018**

	All	White	Black	Hispanic	Other race
Average Annual Transfers Received (Billions, 2019\$)					
Inheritances	\$ 296.0	\$ 272.8	\$ 10.8	\$ 5.1	\$ 7.3
Inter vivos	\$ 44.4	\$ 37.2	\$ 0.6	\$ 4.7	\$ 1.9
Transfers Received Relative to Income					
Inheritances	7.8%	8.9%	3.6%	2.3%	3.8%
Inter vivos	1.2%	1.2%	0.2%	2.1%	1.0%
Average Annual Number of Transfers					
Inheritances	1,638,669	1,447,496	104,622	46,104	40,447
Inter vivos	352,855	303,855	20,080	13,151	15,770
Annual Probability of Transfer Receipt					
Inheritances	4.2%	5.2%	1.9%	1.2%	2.5%
Inter vivos	0.9%	1.1%	0.4%	0.3%	1.0%

**Panel B. Inheritances and Inter Vivos Transfers Combined Ever Received by Size, 1995–2018**

Percent Distribution of Inheritance Number					
Less than \$50,000	51%	50%	57%	65%	46%
\$50,000 to \$299,000	35%	36%	34%	25%	38%
\$300,000 or more	14%	14%	8%	10%	17%
Percent Distribution of Inter Vivos Number					
Less than \$50,000	66%	66%	78%	58%	54%
\$50,000 to \$299,000	27%	27%	22%	29%	36%
\$300,000 or more	7%	7%	0%	13%	10%
Percent Distribution of Inheritance \$s					
Less than \$50,000	5%	5%	11%	11%	5%
\$50,000 to \$299,000	25%	25%	42%	24%	27%
\$300,000 or more	70%	71%	48%	65%	67%
Percent Distribution of Inter Vivos \$s					
Less than \$50,000	8%	9%	27%	2%	7%
\$50,000 to \$299,000	27%	27%	73%	11%	51%
\$300,000 or more	65%	64%	0%	87%	42%

Source(s): Authors' analysis of Survey of Consumer Finances, 1995–2019.

Table 5. Share of Wealth Accounted for by Inheritances and Inter Vivos Transfers Received (1998–2019)

	All	White	Black	Hispanic	Other race
Panel A. Share of wealth accounted for by transfers (no consumption)					
Real Interest Rate=3%	18.0%	18.9%	13.7%	5.9%	12.3%
Real Interest Rate=5%	31.6%	33.2%	25.3%	8.2%	20.1%
Panel B. Share of wealth accounted for by transfers (inheritances and inter vivos less than \$25,000 consumed)					
Real Interest Rate=3%	16.8%	17.6%	11.6%	4.9%	11.6%
Real Interest Rate=5%	29.8%	31.4%	21.8%	6.9%	19.1%
Panel C. Share of wealth accounted for by transfers (assumes 50% of all inheritances and inter vivos transfers are consumed)					
Real Interest Rate=3%	9.0%	9.4%	6.9%	2.9%	6.1%
Real Interest Rate=5%	15.8%	16.6%	12.7%	4.1%	10.0%

Source(s): Author's analysis of Survey of Consumer Finances, 1998–2019.

Table 6. Inheritance Status, Conditional Mean and Median Inheritance, and Plans to Leave Sizeable Estate by Race, 2001–2019, Aged 55+

	Total	Will you leave a sizeable inheritance?		
		Yes	Possibly	No
<b>Panel A. All Households (2013–2019, Aged 65+)</b>				
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%
<b>Panel B. White Households (2001–2019, Aged 55+)</b>				
Total		29.7%	20.0%	50.2%
Received inheritance and/or inter vivos?				
.....Yes	33.4%	40.9%	21.8%	37.3%
.....No	66.6%	24.2%	19.2%	56.7%
<b>Panel C. Black Households (2001–2019, Aged 55+)</b>				
Total		22.0%	20.6%	57.5%
Received inheritance and/or inter vivos?				
.....Yes	13.6%	33.8%	21.3%	44.9%
.....No	86.4%	20.1%	20.4%	59.4%
<b>Panel D. Hispanic Households (2001–2019, Aged 55+)</b>				
Total		26.7%	18.0%	55.3%
Received inheritance and/or inter vivos?				
.....Yes	8.1%	49.2%	22.1%	28.7%
.....No	91.9%	24.8%	17.6%	57.6%
<b>Panel E. Other Race Households (2001–2019, Aged 55+)</b>				
Total		32.3%	21.7%	46.0%
Received inheritance and/or inter vivos?				
.....Yes	16.9%	49.2%	18.1%	32.7%
.....No	83.1%	28.9%	22.5%	48.7%

Source(s): Authors' analysis of Survey of Consumer Finances, 2001–2019.

Table 8. Lifetime Earnings by Race and Education, Respondents Aged 40–59; Spouse/Partners (If Present) Aged 30–65, 2016–2019

**Panel A. Mean 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	1,274,481	640,438	805,486	971,035	963,066	2.0	1.6	1.3
HS diploma	1,665,991	1,147,900	1,290,233	1,211,133	1,500,929	1.5	1.3	1.4
Some college/associate degree	1,680,506	1,246,933	1,349,345	1,684,842	1,562,048	1.3	1.2	1.0
Bachelor's degree	2,729,234	1,767,662	1,725,299	2,558,605	2,540,668	1.5	1.6	1.1
Advanced degree	2,990,453	1,891,735	2,317,653	3,081,719	2,845,689	1.6	1.3	1.0
Total	2,115,067	1,272,618	1,254,225	2,287,934		1.7	1.7	0.9

**Panel B. Median Lifetime Earnings (R and SP Combined) by Race and Education of Respondent**

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

Source(s): Authors' analysis of Survey of Consumer Finances, 2016–2019.

Table 7. Job-Based Pension Status/Generosity by Educational Attainment and Type of Pension (2016–2019 for Respondents Aged 45–65)

**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%

**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 D. Currently Receiving Job-based Pension for Respondent**

No current pension benefits from past job	99.8%	98.9%	97.2%	97.6%	96.7%	98.0%
Account-type pension	0.0%	0.0%	0.1%	0.3%	0.0%	0.1%
Not account-type pension	0.2%	1.1%	2.7%	2.1%	3.3%	1.9%

**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

Source(s): Authors' analysis of Survey of Consumer Finances, 2016-2019.

Note(s): *Pension at current job*: Respondents were assigned the generosity level of the most generous pension they hold (least generous to most generous: no pension, unfunded pension, low-match, middle-match, high-match, and DB pension). *Future pension from past job*: The pension source was required to be a respondent's past job pension, military, union pension, non-account-type pension moved from the mop-up for current-job pensions of R, or pension from a current second job. Respondents may have pensions of more than one type; each respondent was assigned a single pension category in the following order: account, mixture, regular income for life (that is, a respondent with both a account and regular income for life pensions is categorized as having the regular income for life type). *Current pension*: In the public SCF data set, the current pension sources best suited for inclusion in this variable (past job pension of R, military, union pension, and foreign government pension) are included in the category of current job pension of R. Respondents who reported receiving a current pension from a current job were excluded to differentiate between current pensions from current jobs and past jobs. Respondents may have pensions of more than one type; each respondent was assigned a single pension category in the following order: account-type, non-account-type (that is, a respondent with both account-type and non-account-type pensions is categorized as having the non-account-type). *Number* of current job pensions, future pensions, and current pensions are not restricted by source or type of pension.



Table 9. Nonparametric Decomposition of White/Non-White Private Wealth Disparities—Controlling for Human Capital and Intergenerational Transfer Variables, Respondents Aged 40–59, Spouse/Partners Aged 30–65; Reweighting White Sample to Match Human Capital and Intergenerational Transfer Trait Distribution of Non-White Sample

	White	Black	Hispanic	Other	Gaps			Share of Gaps Explained		
					W/B	W/H	W/O	W/B	W/H	W/O
Observed Median Private Wealth (2016–2019)	296,000	56,625	75,930	510,940	5.2	3.9	0.6			
Median Private Wealth of White Sample Reweighted to Match Distribution of Characteristics of Non-White Sample, including:										
<b>Panel A. Intergenerational Transfers (2016–2019)</b>										
IHS Inheritances Ever Received (3% growth)	-	269,297	268,500	273,313	4.8	3.5	0.5	11%	12%	*
+ IHS Inter vivos Transfers Ever Received (3% growth)	-	263,000	261,000	272,115	4.6	3.4	0.5	14%	16%	*
<b>Panel B. Human Capital (2016–2019)</b>										
Lifetime earnings	-	151,983	194,730	290,000	2.7	2.6	0.6	60%	46%	*
+ Employer-based pensions	-	134,117	143,620	288,335	2.4	1.9	0.6	68%	69%	*
+ Other human capital variables	-	115,380	97,795	347,533	2.0	1.3	0.7	75%	90%	*
<b>Panel C. Human Capital, Intergenerational Transfers, and Demographics</b>										
Human capital and intergenerational transfers (2016–2019)	-	105,209	95,519	339,067	1.9	1.3	0.7	80%	91%	*
+ Demographics (2007–2019)	-	100,460	93,640	304,236	1.9	1.4	0.8	81%	89%	*

Notes:

All specifications include year fixed effects.

Lifetime earnings variables: IHS earnings history (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)

Employer-based pensions variables: current job pension generosity (R and SP), pension type and generosity (HH), number of pensions (HH)

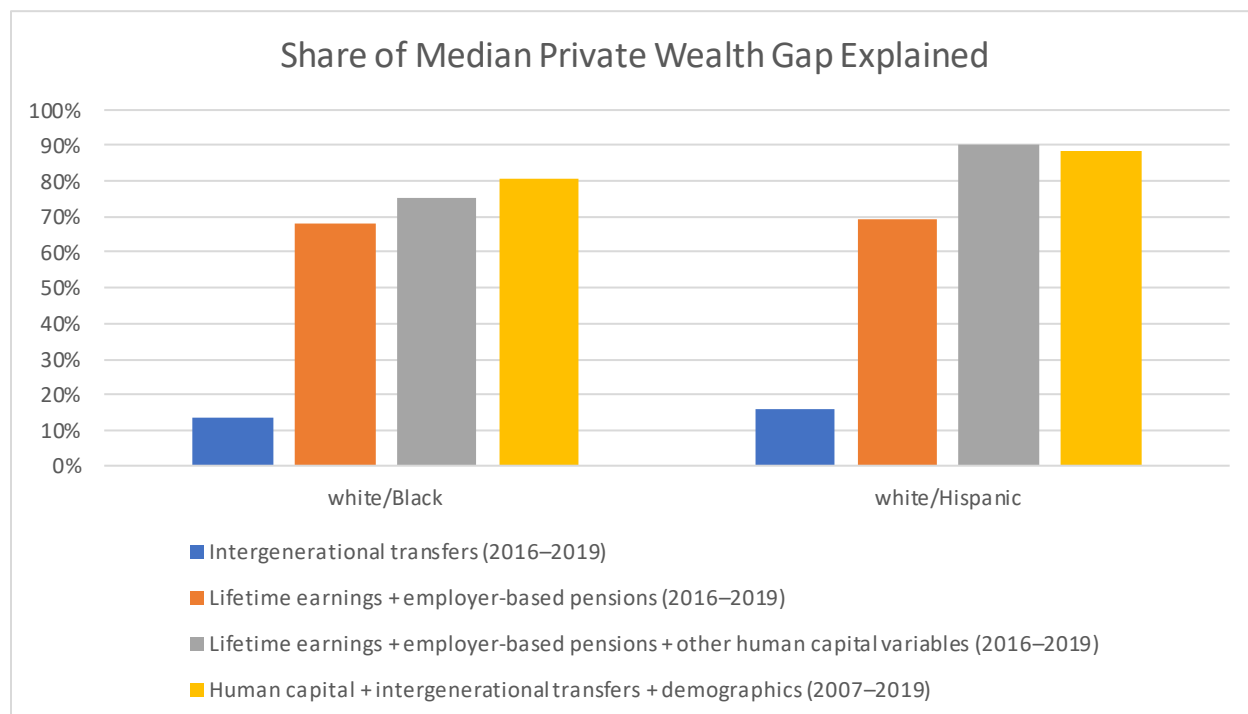
Other human capital variables: retired indicator (R and SP), disabled indicator (R and SP), occat1 R, occat2 R, indcat R, educational attainment (R and SP), employer-provided health insurance (HH), union indicator (HH)

Demographic variables: age (R and SP), age squared (R and SP), 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)

Source(s): Authors' analysis of Survey of Consumer Finances, 2007–2019.

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Figure 9. Share of Median White/Non-White Private Wealth Gaps Explained by Various Factors. Nonparametric Decomposition of White/Non-White Private Wealth Disparities—Controlling for Human Capital and Intergenerational Transfer Variables; Reweighting White Sample to Match Trait Distribution of Non-White Sample



Source(s): Authors' analysis of Survey of Consumer Finances, 2007–2019.

Note(s): All specifications include year fixed effects. *Intergenerational transfers variables*: IHS inheritances ever received (3% growth), IHS inter vivos ever received (3% growth). *Lifetime earnings variables*: IHS earnings history (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). *Employer-based pensions variables*: current job pension generosity (R and SP), pension type and generosity (HH), number of pensions (HH). *Other human capital variables*: retired indicator (R and SP), disabled indicator (R and SP), occat1 R, occat2 R, indcat R, educational attainment (R and SP), employer-provided health insurance (HH), union indicator (HH). *Demographic variables*: age (R and SP), age squared (R and SP), 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).

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Appendix Table 1. Nonparametric Decomposition of White/Non-White Private Wealth Disparities—Controlling for Human Capital and Intergenerational Transfer Variables, Respondents Aged 40–59, Spouse/Partners Aged 30–65; Reweighting White Sample to Match Human Capital and Intergenerational Transfer Trait Distribution of Non-White Sample

	White	Black	Hispanic	Other	Gaps			Share of Gaps Explained		
					W/B	W/H	W/O	W/B	W/H	W/O
Observed Mean Private Wealth (2016–2019)	1,266,592	289,694	327,326	1,535,166	4.4	3.9	0.8			
Mean Private Wealth of White Sample Reweighted to Match Distribution of Characteristics of Non-White Sample, including:										
<b>Panel A. Intergenerational Transfers (2016–2019)</b>										
IHS Inheritances Ever Received (3% growth)	-	1,140,336	1,138,515	1,149,742	3.9	3.5	0.7	13%	14%	*
+ IHS Inter vivos Transfers Ever Received (3% growth)	-	1,136,060	1,132,910	1,148,122	3.9	3.5	0.7	13%	14%	*
<b>Panel B. Human Capital (2016–2019)</b>										
Lifetime earnings	-	723,895	948,570	1,241,172	2.5	2.9	0.8	56%	34%	*
+ Employer-based pensions	-	614,237	776,834	1,254,338	2.1	2.4	0.8	67%	52%	*
+ Other human capital variables	-	521,999	543,314	1,402,965	1.8	1.7	0.9	76%	77%	*
<b>Panel C. Human Capital, Intergenerational Transfers, and Demographics</b>										
Human capital and intergenerational transfers (2016–2019)	-	497,320	510,621	1,314,445	1.7	1.6	0.9	79%	80%	*
+ Demographics (2007–2019)	-	456,464	469,553	1,335,954	1.5	1.5	1.2	81%	80%	*

## Notes:

All specifications include year fixed effects.

Lifetime earnings variables: IHS earnings history (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)

Employer-based pensions variables: current job pension generosity (R and SP), pension type and generosity (HH), number of pensions (HH)

Other human capital variables: retired indicator (R and SP), disabled indicator (R and SP), occat1 R, occat2 R, indcat R, educational attainment (R and SP), employer-provided health insurance (HH), union indicator (HH)

Demographic variables: age (R and SP), age squared (R and SP), 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)

Source(s): Authors' analysis of Survey of Consumer Finances, 2007–2019.