The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America’s Middle Class and What We Can Do About It
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Housekeeping

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- All webinar attendees are muted to ensure sound quality
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Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
We **open doors to opportunity** for those who have been kept off the path to prosperity.

We **help people build wealth** by making sure they have what they need to build a better future.

We **enable meaningful mobility** through research, policies and solutions.
AGENDA

- Income Inequality vs. Wealth Inequality
- The Racial Wealth Divide: Past & Present
- The Racial Wealth Divide in the Trump Era
- Racial Wealth Inequality Beyond Black and Latino Families
- The Disconnect Between Income & Wealth
- Government Boosts and Blocks to Wealth-Building
- What Can be Done to Address Racial Wealth Inequality
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DIFFERENT FORMS OF ECONOMIC INEQUALITY

**Average**
- Sum of values divided by 7
- Average = $500K

**Median**
- 50% Below
- Median = $100K
- 50% Above

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DIFFERENT FORMS OF ECONOMIC INEQUALITY

Source: Board of Governors of the Federal Reserve System: “2016 Survey of Consumer Finances (SCF).” Figures depicted above are in 2016 dollars and should be considered as estimates.
DIFFERENT FORMS OF ECONOMIC INEQUALITY

MEDIAN HOUSEHOLD WEALTH 2013

WITH DURABLE GOODS

$13,500 BLACK

$14,200 LATINO

$146,300 WHITE

WITHOUT DURABLE GOODS

$2,072

$1,761

$121,001

THE RACIAL WEALTH DIVIDE: PAST & PRESENT

MEDIAN HOUSEHOLD WEALTH: 1983-2013

THE RACIAL WEALTH DIVIDE: PAST & PRESENT

MEDIAN HOUSEHOLD WEALTH: 1983-2016

THE RACIAL WEALTH DIVIDE: PAST & PRESENT

MEDIAN HOUSEHOLD WEALTH: 1983-2016

White/Black Wealth Divide
$119,240

White/Latino Wealth Divide
$118,929

White/Black Wealth Divide
$136,440

White/Latino Wealth Divide
$134,300

### Change in Median Household Wealth: 1983 and 2016

<table>
<thead>
<tr>
<th></th>
<th>Median Household Wealth in 1983</th>
<th>Median Household Wealth in 2016</th>
<th>% Change</th>
<th>Dollar Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>$7,045</td>
<td>$4,160</td>
<td>-40%</td>
<td>-$2,885</td>
</tr>
<tr>
<td>Latino</td>
<td>$4,144</td>
<td>$6,300</td>
<td>+52%</td>
<td>$2,156</td>
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<tr>
<td>White</td>
<td>$105,876</td>
<td>$140,600</td>
<td>+32%</td>
<td>$34,724</td>
</tr>
</tbody>
</table>

### Change in Median Household Wealth: 2013 and 2016

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</thead>
<tbody>
<tr>
<td>Black</td>
<td>$1,761</td>
<td>$4,160</td>
<td>+136%</td>
<td>$2,399</td>
</tr>
<tr>
<td>Latino</td>
<td>$2,072</td>
<td>$6,300</td>
<td>+204%</td>
<td>$4,228</td>
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<tr>
<td>White</td>
<td>$121,001</td>
<td>$140,600</td>
<td>+16%</td>
<td>$19,599</td>
</tr>
</tbody>
</table>

The Racial Wealth Divide in 2020

• If current long-term trends continue as they have been, Black households at the median are on track to see their wealth decline by an estimated 5% from where it stood in 2016. Median White and Latino household wealth would increase by an estimated 4-6%, respectively.

The Racial Wealth Divide in 2024

• Current long-term trends suggest that median Black household wealth will decline by an estimated total of about 10% from where it stood in 2016. Median Latino and White household wealth would increase by an estimated 8-12%, respectively.

The Racial Wealth Divide Beyond 2024

• If the past 33 years were to repeat themselves, by 2049 median Black household wealth would decrease by $1,704 while median Latino wealth would increase by $3,278. Median White household wealth would increase by $46,112.

THE RACIAL WEALTH DIVIDE IN THE TRUMP ERA

Reaching Racial Wealth Equity

Assuming that median White wealth stopped growing and that current trends of the past three years continued to repeat…

- Median Latino household wealth won’t equal current white household wealth for over 95 years.
- Median Black household wealth won’t equal current white household wealth for over 171 years.

Assuming that median White wealth stopped growing and that current trends of the past 33 years continued to repeat…

- It would take the median Latino household 2,055 years just to catch up to the current wealth median White households own today.
- The wealth of Median Black households would never catch up to current median White household wealth. At this pace, median Black household wealth is on a path to hit zero by 2097.

Asian American Wealth: The Forgotten Racial Wealth Divide

• Greater levels of wealth inequality within the Asian American community:
  o The richest 10% of Asian Americans held 168 times more wealth ($1.4 million) than the poorest 20% of Asian Americans ($9,300) while the richest 10% White households owned 121 times more wealth ($1.2 million) than the poorest 20% White households ($10,000).

• Overlooked racial wealth inequality between White and Asian American households:
  o Among the bottom half of the income distribution, White households own more than 2x the wealth ($42,238) held by their Asian American peers ($18,270).

Native American Wealth: The Unaccounted Racial Wealth Divide

• Scant data available to illustrate to the current state of wealth within the Native American community:
  o The last time Native American wealth was systematically measured was 17 years ago. Back then, the median net worth of Native households stood at just $5,700.
THE DISCONNECT BETWEEN INCOME & WEALTH

Middle-Class Wealth Economic Security Is Unequally Distributed Along Racial Lines

Having a College Education Is Not Enough to Guarantee Many Black and Latino Families Middle-Class Wealth

**Source:** U.S. Census Bureau, Survey of Income and Program Participation, 2014. Wealth figures depicted above exclude durable goods.
ADDRESSING RACIAL WEALTH INEQUALITY

UNDERSTAND THE PROBLEMS FACING LOW-WEALTH HOUSEHOLDS in order to make informed decisions about public policy.

INVEST IN LOW-WEALTH HOUSEHOLDS by fixing unfair, upside-down tax programs and reducing wealth concentration at the top.

IMPROVE ACCESS to life-long wealth building opportunities so children have access to job training and college degrees.

INCREASE INCOMES at the bottom of the wage spectrum to address the growing economic divide between White and non-White households.

ENCOURAGE SAVINGS for emergencies and for the future among low-wealth communities of color.

ENABLE WEALTH CREATION by increasing opportunities for low-wealth households to own long-term wealth-building assets.

PROTECT HOUSEHOLD WEALTH by defending the gains made by low-wealth households from wealth stripping practices.

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ADDRESSING RACIAL WEALTH INEQUALITY

UNDERSTAND THE PROBLEMS FACING LOW-WEALTH HOUSEHOLDS
• Racial Wealth Divide Government Audit
• Improve Data Collection on Economically Disenfranchised People

INVEST IN LOW-WEALTH HOUSEHOLDS
• Turn Upside-Down Tax Expenditures Right-Side Up
• Expand Existing Progressive Taxes
• Fix the Hidden Wealth Problem

IMPROVE ACCESS TO LIFE-LONG WEALTH-BUILDING OPPORTUNITIES
• Establish Children's Savings Accounts

GENERATE MORE INCOME AT THE BOTTOM OF THE WAGE SPECTRUM
• Strengthen the Earned Income Tax Credit (EITC)
• Significantly Raise the Minimum Wage
• Guarantee Employment

ENCOURAGE AND ENABLE SAVINGS
• Create a National Automatic-Enrollment Individual Retirement Account (Auto-IRA) Program

INCREASE OPPORTUNITIES TO OWN WEALTH-BUILDING ASSETS
• Increase Access to Homeownership & Housing Opportunities

PROTECT HOUSEHOLD WEALTH AGAINST WEALTH-STRIPPING PRACTICES
• Maintain the Effectiveness & Independence of the Consumer Financial Protection Bureau (CFPB)
• Stop Wealth-Stripping Practices
ADDRESSING RACIAL WEALTH INEQUALITY

THE RISING COST OF UNFAIR UPSIDE DOWN TAX PROGRAMS

TAX BENEFITS FOR MILLIONAIRES VS WORKING FAMILIES (Sub 50K)

SAVINGS & INVESTMENTS
- Millionaires: $138,280
- Working Families: $10

HOUSING
- Millionaires: $11,890
- Working Families: $18

RETIREMENT
- Millionaires: $10,020
- Working Families: $110

EDUCATION
- Millionaires: $0
- Working Families: $88

TOTAL FOR 2017
- Millionaires: $160,190
- Working Families: $226
Who Benefits from the Tax Code?

**SHARE OF TAX SUBSIDIES, BY INCOME QUINTILE (2015)**

- **Top**: 86.6%
- **Second**: 80.3%
- **Middle**: 58.4%
- **Fourth**: 45.5%
- **Bottom**: 4.6%

- **Capital Gains**: 7.8%
- **Itemized Deductions**: 3.6%
- **Exclusions**: 1.2%
- **Non-Refundable Credits**: 1.2%
- **Refundable Credits**: 1.2%

**DEMOGRAPHIC COMPOSITIONS OF INCOME QUINTILE, BY RACE AND ETHNICITY (2015)**

- **White**: 58%
- **Black**: 15.3%
- **Latino**: 14.4%
- **Asian**: 8.8%
- **Native American**: 7.5%
- **Other**: 1.5%


The income quintiles used in the graphs above were developed by the Urban-Brookings Tax Policy Center and are as follows (in 2015 dollars): bottom quintile ($0–$22,800); second quintile ($22,801–$43,511); middle quintile ($43,512–$72,001); fourth quintile ($72,002–$112,262); top quintile ($112,263 and up).
ADDRESSING RACIAL WEALTH INEQUALITY

Trump-Ryan tax plan benefits the rich, not the middle class

TAX PLAN CUTS BY COMPARISON

<table>
<thead>
<tr>
<th>THE RICHEST 0.1%</th>
<th>THE RICHEST 1%</th>
<th>MIDDLE CLASS</th>
<th>POOREST 1/5 OF AMERICANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>EARNING AT LEAST $3.4M</td>
<td>EARNING AT LEAST $732,800</td>
<td>EARNING $48,600 TO $86,100</td>
<td>EARNING $25,000 OR LESS</td>
</tr>
<tr>
<td>-$722,510 tax cut</td>
<td>-$129,030 tax cut</td>
<td>-$660 tax cut</td>
<td>-$60 tax cut</td>
</tr>
<tr>
<td>10.2% income boost after-tax income</td>
<td>8.5% income boost after-tax income</td>
<td>1.2% income boost after-tax income</td>
<td>0.5% income boost after-tax income</td>
</tr>
</tbody>
</table>

Addressing Racial Wealth Inequality

Key Findings

- Engaging on tax policy comes with unique barriers
- Advocates need tools to empower their advocacy
- Leveraging widely used advocacy tactics provides a significant opportunity to increase local advocacy on tax policy
- Advocates must see taxes as “their fight”

Why the U.S. Tax Code?

- The U.S. tax code has the potential to solve or exacerbate inequality
- The time for our fight for equitable tax reform is now
- New tax policy is made in every single session of Congress, and the current Congress is poised to pass major tax legislation
ADDRESSING RACIAL WEALTH INEQUALITY

Take Action at the Prosperity Now Advocacy Center!

Make your voice heard by calling, emailing, tweeting or scheduling a visit with your Members of Congress with a fast and simple click of a button!

https://prosperitynow.org/take-action
What questions do you have?
Share them in the Questions box!
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Next Steps

- Keep the conversation going! Join the Twitter Town Hall immediately after the webinar and add your voice to the discussion. Follow @ProsperityNow and use #RoadtoZeroWealth and #RacialWealthDivide

- Become a member of the Racial Wealth Equity Network and listserv to engage with others committed to addressing the racial wealth divide. https://prosperitynow.org/get-involved/racial-wealth-equity

- Learn more about equitable, inclusive policymaking and advocacy. Register today for our State Policy Blueprint webinar on November 2! https://prosperitynow.org/events

Register with the Prosperity Now Advocacy Center at www.prosperitynow.org/take-action
The Prosperity Now Community

facilitates **learning**
creates **connections**
& inspires **action**

Get involved in the Community today!

Sign up to stay informed about Prosperity Now and the Community.

*Sign up today at* [prosperitynow.org/join](http://prosperitynow.org/join).

to create and improve programs and policies that foster opportunity, especially for those who have not had it before.
Want to dig deeper?

Sign up for listservs and working groups, volunteer to facilitate peer discussions, serve in a leadership role and more!

- Racial Wealth Equity Network
- Taxpayer Opportunity Network
- Adult Matched Savings Network
- Financial Coaching Network
- Affordable Housing Network
- Innovations in Manufactured Housing (I’M HOME) Network
- Campaign for Every Kids Future — Children’s Savings Accounts

Visit any of the networks above at prosperitynow.org/getinvolved to get started.
Take action with Prosperity Now Campaigns!

Sign up to stay informed about the latest developments and opportunities to take action by joining one of our four federal policy campaigns.

**HOMEOWNERSHIP**

Homeownership is key to building wealth. Together, we will advocate for products and policies that provide more affordable homes to more people.

**CONSUMER PROTECTIONS**

Consumer protections create fairer, more transparent financial markets. Together, we will ensure consumers keep the safeguards they deserve.

**SAFETY NET**

Safety net programs help protect vulnerable individuals and families from falling deep into poverty. Together, we will protect programs like SNAP, IDAs and more to help those in need when they need it most.

**TURN IT RIGHT-SIDE UP**

The vast majority of tax incentives go to those at the top, not to those who need it most. Together, we will turn our upside-down tax code right-side up.

Visit any of the Campaigns above at [https://prosperitynow.org/get-involved](https://prosperitynow.org/get-involved) to learn more and join.

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Thank You!

Please take our survey following the webinar.