

# Racial wealth gap with young children widening, report finds

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The wealth gap in the United States between white and black households with children nearly doubled to \$47,000 between 1994 and 2007, according to a new report.

"Diverging Pathways: How Wealth Shapes Opportunity for [Children](#)," written by University of Michigan researcher Trina Shanks and released today (Thursday) by the Insight Center for [Economic Development](#), found that the percentage of black [households](#) with no net worth or living in debt is on the rise.

In 2007, about 70 percent of Latino and black households with young children were poor and 40 percent had no financial assets—more than twice the respective rates for white households.

The widening racial gap in wealth—what a family owns versus what it owes—has significant consequences for children's health and thought development, such as problem-solving and decision-making, Shanks says.

"The vastly changing demography, where the majority of children will no longer be white, can bring new energy and creativity to our nation," she said. "Yet, right now, many racial and ethnic groups find themselves living in the same country but inhabiting completely different economic landscapes, both literally and figuratively."

Shanks, an assistant professor of social work and a member of the

Insight Center's Experts of Color Network, says enduring racial wealth gaps pose a serious threat to the nation's long-term economic viability. To counter current trends, the Insight Center's Closing the Racial Wealth Gap Initiative and its Experts Network support policies that provide long-term opportunities for all households to build assets.

"Our quality of life and ability to secure a strong common economic and social future depends upon our commitment to invest wisely in our children now," said Meizhu Lui, director of the Closing the Racial Wealth Gap Initiative.

Several report findings demonstrate the disparities in financial resources available to families with children before the start of the Great Recession, which hit families of color particularly hard and widened the wealth gap.

According to the report:

- The median wealth of white households with children grew 63 percent from \$34,218 in 1994 to \$55,614 in 2007 in constant dollars. During the same period, median wealth for black households fell by 6 percent from \$9,506 to \$8,946.
- In the years leading up to the recession, the financial stability of black households was declining. The percentage of black households with zero or negative net worth rose from 35 percent to 39 percent from 2005 to 2007, while the rate for white households was constant at 15 percent.
- In 2007, black households with children held only 4 percent of the wealth of white households.
- Half of white households with young children are economically stable. They have incomes over 185 percent of the federal poverty level and

multiple assets, compared to only 14 percent of black and Latino households. American Indian and Native Alaskan children live in households that are overwhelmingly low-income, though many do own assets.

- Black households with children that are economically stable have assets of less value than their white counterparts. White households with children are worth \$57,000 on average, compared to \$38,000 for the 8 percent of black households similarly situated.

Household wealth is important because it allows a family to weather a lost job or a health crisis, send a child to college or leave an inheritance. Beyond the economic consequences, the report shows, wealth disparities can affect a child's health and thought-development.

The report found that all children start out with fairly similar scores on a standard child development test, but that by age 2 racial disparities emerge, with the most economically vulnerable children beginning to lag behind. Those early differences become even more pronounced by kindergarten.

Other research has also shown that black, native Hawaiian/Pacific Islander and Filipino children tend to have higher rates of asthma as early as age 2, leading to higher health costs, hospitalization and lost school days.

"These results are important to help connect the dots between household wealth and early disparities, especially since these indicators are known to influence later education and economic outcomes," Shanks said.

**More information:** [www.insightcced.org/uploads/CR...r-FinalEmbargoed.pdf](http://www.insightcced.org/uploads/CR...r-FinalEmbargoed.pdf)

Provided by University of Michigan

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