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Twenty-to-One

Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics

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By Rakesh Kochhar, Richard Fry and Paul Taylor

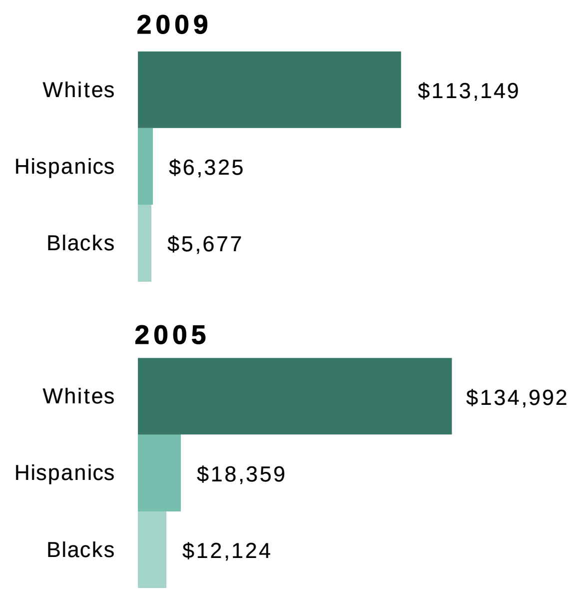
EXECUTIVE SUMMARY

The median wealth of white households is 20 times that of black households and 18 times that of Hispanic households, according to a Pew Research Center analysis of newly available government data from 2009.

These lopsided wealth ratios are the largest since the government began publishing such data a quarter century ago and roughly twice the size of the ratios that had prevailed between these three groups for the two decades prior to the Great Recession that ended in 2009.

Median Net Worth of Households, 2005 and 2009

in 2009 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data

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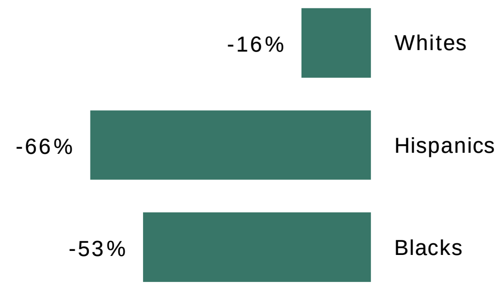
The Pew Research analysis finds that, in percentage terms, the bursting of the housing market bubble in 2006 and the recession that followed from late 2007 to mid-2009 took a far greater toll on the wealth of minorities than whites. From 2005 to 2009, inflation-adjusted median wealth fell by 66% among Hispanic households and 53% among black households, compared with just 16% among white households.

As a result of these declines, the typical black household had just $5,677 in wealth (assets minus debts) in 2009; the typical Hispanic household had $6,325 in wealth; and the typical white household had $113,149.

Moreover, about a third of black (35%) and Hispanic (31%) households had zero or negative net worth in 2009, compared with 15% of white households. In 2005, the comparable shares had been 29% for blacks, 23% for Hispanics and 11% for whites.

Percentage Change in Median Net Worth of Households, 2005 to 2009



Source: Pew Research Center tabulations of Survey of Income and Program Participation data

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Hispanics and blacks are the nation's two largest minority groups, making up 16% and 12% of the U.S. population respectively.

These findings are based on the Pew Research Center's analysis of data from the Survey of Income and Program Participation (SIPP), an economic questionnaire distributed periodically to tens of thousands of households by the U.S. Census Bureau. It is considered the most comprehensive source of data about household wealth in the United States by race and ethnicity. The two most recent administrations of SIPP that focused on household wealth were in 2005 and 2009. Data from the 2009 survey were only recently made available to researchers.[1]

Plummeting house values were the principal cause of the recent erosion in household wealth among all groups, with Hispanics hit hardest by the meltdown in the housing market.

From 2005 to 2009, the median level of home equity held by Hispanic homeowners declined by half—from $99,983 to $49,145—while the homeownership rate among Hispanics was also falling, from 51% to 47%. A geographic analysis suggests the reason: A disproportionate share of Hispanics live in California, Florida, Nevada and Arizona, which were in the vanguard of the housing real estate market bubble of the 1990s and early 2000s but that have since been among the states experiencing the steepest declines in housing values.

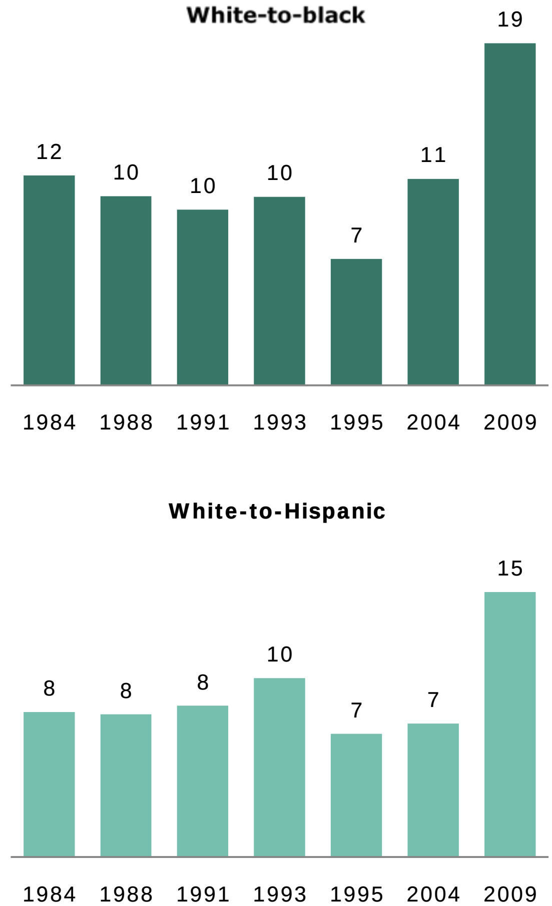
[1] Data on the wealth of households are also collected in the Survey of Consumer Finances (SCF) and the Panel Survey of Income Dynamics (PSID), neither with as large a sample size as SIPP. The SCF was last conducted in 2010 and the PSID last collected wealth data in 2009. However, the final sets of data from those surveys were not available as of the writing of this report.

Wealth Ratios: A 25-Year History

The chart to the right shows the Pew Research Center's estimates of the wealth ratios for 2009 and those published by the Census Bureau for 1984 to 2004. As the chart demonstrates, the white-to-black and white-to-Hispanic wealth ratios were much higher in 2009 than they had been at any time since 1984, the first year for which the Census Bureau published wealth estimates by race and ethnicity based on SIPP data.

Note that the ratios shown in the chart for 2009 differ slightly from the 2009 estimates used in the rest of this report: 19-to-1 for the white-to-black ratio, compared with 20-to-1 elsewhere in the report, and 15-to-1 for the white-to-Hispanic ratio, compared with 18-to-1 elsewhere in the report. That is because, in order to make the estimates in the chart consistent over time, the 2009 figures were adjusted to allow the racial groups "white" and "black" to include Hispanic members of these groups, consistent with methods used by the Census Bureau from 1984 to 2004. In the rest of this report, the white, black (and Asian) racial groups include only the non-Hispanic components of these populations. (Changes in racial identification methods and a redesign of SIPP in 1996 may also have had an impact on the comparability of the wealth ratios over time).

Median Wealth Ratios, 1984 to 2009



Notes: Blacks and whites include Hispanics. The Survey of Income and Program Participation was redesigned for the 1996 panel. The redesign may have affected the comparability of the data from 1998 and later years with the data from earlier panels.

Sources: For 2009: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2008 panel; for 1984 to 2004: various U.S. Census Bureau P-70 *Current Population Reports*

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White and black homeowners also saw the median value of their home equity decline during this period, but not by as much as Hispanics. Among white homeowners, the decline was from $115,364 in 2005 to $95,000 in 2009. Among black homeowners, it was from $76,910 in 2005 to $59,000 in 2009. There was little or no change during this period in the homeownership rate for whites and blacks; it fell from 47% to 46% among blacks and was unchanged at 74% among whites.[2]

Household wealth is the accumulated sum of assets (houses, cars, savings and checking accounts, stocks and mutual funds, retirement accounts, etc.) minus the sum of debt (mortgages, auto loans, credit card debt, etc.). It is different from household income, which measures the annual inflow of wages, interest, profits and other sources of earning. Wealth gaps between whites, blacks and Hispanics have always been much greater than income gaps.

The 2005 to 2009 time frame allows for a before-and-after look at the impact of the Great Recession. However, those dates do not align perfectly with the downturn, which ran from December 2007 to June 2009, according to the National Bureau of Economic Research.

An Alternative Approach to Measuring the Wealth Gap Trend

This report measures the changing wealth gaps between whites, Hispanics and blacks using ratios. An alternative approach would be to measure the changes in absolute levels rather than ratios. By that yardstick, the median wealth gaps between these groups *decreased* from 2005 to 2009. For example, in 2005, the median wealth of white households was $116,632 more than the median wealth of Hispanic households. By 2009, the difference had shrunk to $106,824. The same is true for the white-black difference in median wealth. This means that white households experienced a greater absolute drop in their wealth. However, because the wealth base for white households is so much far larger than it is for Hispanics and blacks, the proportional decrease in wealth was much less for whites. That is reflected in the sharp rise of the white-to-Hispanic and white-to-black wealth ratios reported in this study.

In 2005, both the stock and housing markets were still rising. Thus, had the base year for these measurements of wealth been closer to the top of these markets in 2006 or 2007, the recorded declines are likely to have been even steeper.

Moreover, since the official end of the recession in mid-2009, the housing market in the U.S. has remained in a slump while the stock market has recaptured much of the value it lost from 2007 to 2009. Given that a much higher share of whites than blacks or Hispanics own stocks—as well as mutual funds and 401(k) or individual retirement accounts (IRAs)—the stock market

[2] The homeownership rates cited in this report are derived from SIPP data. They differ from homeownership rates published by the Census Bureau from other data sources.

rebound since 2009 is likely to have benefited white households more than minority households.

Other key findings from the report:

Hispanics: The net worth of Hispanic households decreased from $18,359 in 2005 to $6,325 in 2009. The percentage drop—66%—was the largest among all groups. Hispanics derived nearly two-thirds of their net worth in 2005 from home equity and are more likely to reside in areas where the housing meltdown was concentrated. Thus, the housing downturn had a deep impact on them. Their net worth also diminished because of a 42% rise in median levels of debt they carried in the form of unsecured liabilities (credit card debt, education loans, etc.).

Blacks: The net worth of black households fell from $12,124 in 2005 to $5,677 in 2009, a decline of 53%. Like Hispanics, black households drew a large share (59%) of their net worth from home equity in 2005. Thus, the housing downturn had a strong impact on their net worth. Blacks also took on more unsecured debt during the economic downturn, with the median level rising by 27%.

Whites: The drop in the wealth of white households was modest in comparison, falling 16% from $134,992 in 2005 to $113,149 in 2009. White households were also affected by the housing crisis. But home equity accounts for relatively less of their total net worth (44% in 2005), and that served to lessen the impact of the housing bust. Median levels of unsecured debt among whites rose by 32%.

Asians: In 2005 median Asian household wealth had been greater than the median for white households, but by 2009 Asians lost their place at the top of the wealth hierarchy. Their net worth fell from $168,103 in 2005 to $78,066 in 2009, a drop of 54%. Like Hispanics, they are geographically concentrated in places such as California that were hit hard by the housing market meltdown. The arrival of new Asian immigrants since 2004 also contributed significantly to the estimated decline in the overall wealth of this racial group. Absent the immigrants who arrived during this period, the median wealth of Asian households is estimated to have dropped 31% from 2005 to 2009. Asians account for about 5% of the U.S. population.

No Assets: About a quarter of all Hispanic (24%) and black (24%) households in 2009 had no assets other than a vehicle, compared with just 6% of white households. These percentages are little changed from 2005.

Medians and Means: Just as the gap in median household wealth among racial and ethnic groups rose from 2005 to 2009, so too did the gap in mean household wealth. However, the mean differences are not as dramatic as the median differences. (A median is the midpoint that separates the upper half from the lower half of a given group; a mean is an average, and, in this case, the average is driven upward by households with high net worth). In 2005, mean white household wealth was 2.3 times that of Hispanics and 3 times that of blacks. By 2009, it was 3.7 times that of both Hispanics and blacks.

Wealth Disparities within Racial and Ethnic Groups: During the period under study, wealth disparities increased not only between racial and ethnic groups, they also rose *within* each group. Even though the wealthiest 10% of households within each group suffered a loss in wealth from 2005 to 2009, their share of their group's overall wealth rose during this period. The increase was the greatest among Hispanics, with the top 10% boosting their share of all Hispanic household wealth from 56% in 2005 to 72% in 2009. Among whites, the share of wealth owned by the top 10% rose from 46% in 2005 to 51% in 2009. These trends indicate that those in the top 10% of the wealth ladder were relatively less impacted by the economic downturn than those in the remaining 90%.

Terminology

References to whites, blacks and Asians are to the non-Hispanic components of those populations. The only exception to this rule is when historical comparisons are drawn with data published by the Census Bureau.

"Asian" refers to (non-Hispanic) persons reporting their racial origin as Asian alone and does not include native Hawaiians or other Pacific Islanders. "Black" refers to black alone, and "white" refers to white alone.

The racial and ethnic identity of a household is determined on the basis of the racial and ethnic identity of the head of the household.

Household "net worth" is the sum of the market value of assets owned by every member of the household minus their liabilities (debt).

Unless otherwise stated, all estimates in this report are expressed in 2009 dollars.

SIPP Net Worth

SIPP data include the following assets and liabilities:

Assets

- Financial institution accounts
  - Savings accounts
  - Money market deposit accounts
  - Certificates of deposit (CD)
  - Interest-earning checking accounts
  - Regular checking accounts
- Other interest-earnings assets
  - U.S. government securities
  - Municipal or corporate bonds
  - U.S. savings bonds
- Stocks and mutual fund shares
- Business or profession
- Motor vehicles
- Owned home
- Rental property
- Vacation homes and other real estate
- IRA and Keogh accounts
- 401(k) and Thrift Saving Plans
- Mortgages held for sale of real estate
- Amount due from sale of business or property
- Other financial assets

Liabilities

- Secured liabilities
  - Margin and broker accounts
  - Debt on business or profession
  - Vehicle loans
  - Mortgages on own home
  - Mortgages on rental property
  - Mortgages on other homes or real estate
- Unsecured liabilities
  - Credit card and store bills
  - Student loans
  - Doctor, dentist, hospital, and nursing home bills
  - Loans from individuals
  - Loans from financial institutions
  - Other unsecured liabilities

Major assets not captured by SIPP are equities in defined-benefit pension plans, the cash value of life insurance policies, the value of household furnishings and jewelry, and future claims on Social Security. Thus, wealth estimates from SIPP are typically less than the estimates from the Survey of Consumer Finances.

About the Report

This report presents net worth and asset ownership figures from wave 6 of the 2004 panel of the Survey of Income Program and Participation (SIPP) and wave 4 of the 2008 SIPP panel. These waves were conducted at the end of 2005 and 2009, respectively. SIPP is a longitudinal survey of households conducted by the U.S. Census Bureau. By design, SIPP oversamples low-income households and thus surveys large numbers of minority households. SIPP has periodically collected detailed wealth data since 1984 and is considered an authoritative source on the wealth of American households. As with any survey, estimates from SIPP are subject to sampling and nonsampling errors. See the appendix for more details.

This report was edited and the overview written by Paul Taylor, executive vice president of the Pew Research Center and director of its Social and Demographic Trends project. Senior researcher Rakesh Kochhar and senior economist Richard Fry researched and wrote the report. Research assistant Seth Motel helped with the preparation of charts. The report was number-checked by Motel and Pew Research Center staff member Gabriel Velasco. The report was copy-edited by Marcia Kramer. The Center is grateful for the expeditious assistance of Nasrin Dalirazar of the Housing and Household Economic Statistics Division of the U.S. Census Bureau on the definition of SIPP net worth components, weighting issues, and the replication of wealth tabulations published by the Census Bureau.

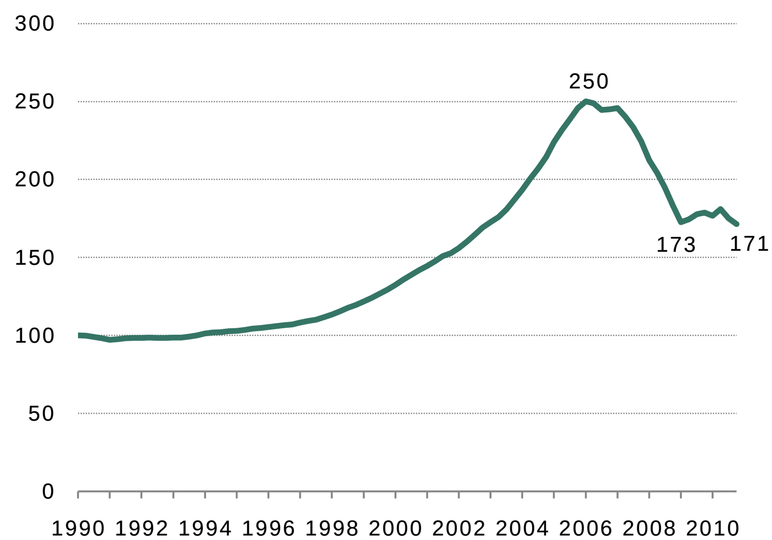
CHAPTER 1: THE MACROECONOMIC CONTEXT

The period of 2005 to 2009 was marked by a series of tumultuous economic developments. A bubble in the housing market burst in 2006, triggering the Great Recession in 2007 and a stock market collapse in 2007-2008. Each of these events was historic in its magnitude, and it is not surprising that household wealth would shrink under their collective weight. This section of the report provides background on the major economic trends that created the context for the sharp erosion of household wealth from 2005 to 2009.[3]

The Housing Market

S&P/Case-Shiller Index of Home Prices, 1990 to 2010

1990, First Quarter = 100



Note: The S&P/Case-Shiller Index is the quarterly, seasonally adjusted national composite index of home prices.

Source: Downloaded on March 24, 2011, from http://www.standardandpoors.com/home/en/us

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The sharp increase in housing prices that characterized the real estate bubble can be traced to the middle of the 1990s. At the time, the U.S. economy was in the midst of the longest economic expansion on record, from March 1991 to March 2001. After remaining flat for the first half of the 1990s, home prices, as measured by the S&P/Case-Shiller Index, rose 29% from the first quarter of 1995 to the first quarter of 2000.

For housing prices, the latter half of the 1990s would prove to be only the prelude. In the space of the next six years home prices nearly doubled, increasing 89% from the first quarter of 2000 to the first quarter of 2006. However,

[3] For a more detailed analysis of economic trends in the recession, see Pew Research Center, Social and Demographic Trends (2010), http://pewsocialtrends.org/2010/06/30/how-the-great-recession-has-changed-life-in-america/; and Pew Research Center, Social and Demographic Trends (2011), http://pewsocialtrends.org/2011/04/12/home-sweet-home-still/.

the clock then rewound quickly. By the first quarter of 2009, home prices had fallen 31%. And since then, they have remained flat.

The 2006 peak in home prices and the subsequent trough in 2009 roughly coincide with the dates of the wealth estimates reported in this study. In particular, the 2005 wealth data were collected from September to December 2005, and the 2009 wealth data were collected from August to November 2009 (see the appendix for details). Thus, the wealth estimates in this report, and the estimated changes from 2005 to 2009, capture the brunt of the housing downturn.

The rise of the housing bubble and its deflation were not evenly distributed across the country or across demographic groups. The run-up in home prices was among the steepest in California, Arizona, Nevada and Florida, and so was the run-down. For example, according to the S&P/Case-Shiller Index, home prices rose 168% in the Miami metropolitan area from January 2000 to January 2006. But they fell 45% from January 2006 to December 2009. Some other states, such as Michigan, have suffered sharp losses in house prices since 2006 even though they did not experience much of a run-up during the bubble years. (In the case of Michigan, the main culprit has been job losses caused by the manufacturing downturn.)

Another facet of the housing meltdown is the rise in foreclosure rates. According to RealtyTrac©, the number of homes in the U.S. with at least one foreclosure filing increased from 0.6% in 2006 to 2.2% in 2010. The rates were much higher in some states: Nevada (9.4%); Arizona (5.7%); Florida (5.5%); and California (4.1%). Research also suggests that Hispanics and blacks were twice as likely as whites to experience foreclosures from 2007 to 2009.[4]

The growth in home prices was accompanied by a historic increase in the homeownership rate. From 1994 to 2004, the U.S. homeownership rate increased from 64% to 69%. A rise of this magnitude in the course of a decade was last seen in the post-World War II economic boom. Minorities, especially Asians, rode the crest of this wave, narrowing the gap in homeownership with respect to whites. However, homeownership rates peaked in 2004 for whites and blacks and in 2006 for Hispanics and Asians.[5] Since then, homeownership rates have been flat or declining for all groups, adding to the downward pressure on household wealth.

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[4] See Bocian, Li and Ernst (2010).

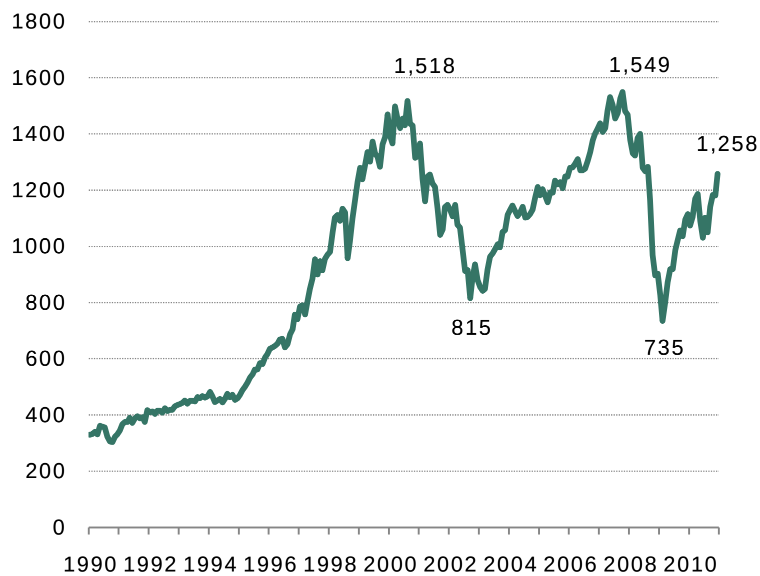
[5] See Kochhar, Gonzalez-Barrera and Dockterman (2009), http://pewhispanic.org/reports/report.php?ReportID=109.

The Stock Market

Households seeking to recoup real estate losses in the stock market would have met with disappointment. Stock prices fell sharply twice within the past decade. The first episode lasted from 2000 to 2002, surrounding the 2001 recession. The S&P 500 index dropped from a high of 1,518 in August 2000 to 815 in September 2002, a fall of 46%.

The second episode of plunging stock prices was fueled by the subprime lending crises and, not coincidentally, mostly ran parallel to the housing downturn. This time, the S&P 500 index fell from 1,549 in October 2007 to 735 in February 2009, a drop of 53%. The stock market has recovered since then and the S&P 500 had reached 1,115 by December 2009, the last date for which wealth data are reported in this study.

S&P 500 Index, 1990 to 2010



Note: The S&P 500 data are the index levels at closing on the final day of a quarter.

Source: Downloaded on April 5, 2011, from http://finance.yahoo.com/

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As noted earlier, the wealth estimates in this study are for the end of 2005 and the end of 2009. This period includes both the increase in stock prices from 2005 to 2007 and the subsequent decline through 2009. Overall, the S&P 500 fell from 1,248 in December 2005 to 1,115 in December 2009, a loss of 11%.

The Labor Market

The Great Recession lasted from December 2007 to June 2009 and was historic by most labor market indicators. The most visible labor market effect of the recession was the loss of 7.5 million jobs during its official duration. At the same time, the unemployment rate rose from 5.0% in December 2007 to 9.5% in June 2009.

Perhaps the most striking feature of the Great Recession is that those without jobs are enduring the longest spells of unemployment recorded in the post-WWII era. At the start of the recession, in December 2007, the median duration of unemployment was 8.4 weeks. By June 2009, the median duration had risen to 17.4 weeks. It continued to rise beyond the end of the recession and peaked at 25.5 weeks in June 2010.

The rise in long-term unemployment is significant. There is considerable evidence of negative consequences associated with unemployment—loss in income, career interruptions, ill effects on families and health. Moreover, long-term unemployment can feed upon itself. That is because the likelihood of reemployment falls the longer a person has been out of work.[6]

One feature of economic downturns is that minorities tend to experience greater increases in unemployment. The Great Recession is no exception. Job losses were higher for Hispanic and black workers than for whites. The Hispanic unemployment rate (nonseasonally adjusted) increased from 5.9% in the fourth quarter of 2007 to 12.6% in the fourth quarter of 2009. The black unemployment rate increased from 8.6% to 15.6%. The increase in the unemployment rate for whites was much less, from 3.7% to 8.0%.

A related consequence of the recession was a decline in household income. In inflation-adjusted dollars, the median income of white households fell 4%, from $56,814 in 2007 to $54,461 in 2009. The loss in income was greater for minority households. Median household income for Hispanics decreased 5% and the income of black households dropped 7%.[7]

The negative consequences of the Great Recession—lost jobs, record long spells of unemployment and dwindling incomes—are likely to have had an impact on household net worth above and beyond the direct effect of falling asset prices.

[6] For example, see von Wachter and Sullivan (2009); Elsby, Hobijn and Sahin (2010); and Pew Research Center, Social and Demographic Trends (2010), http://pewsocialtrends.org/2010/06/30/how-the-great-recession-has-changed-life-in-america/.
[7] See DeNavas-Walt, Proctor and Smith (2010). In Census Bureau data on household income, black households include Hispanics.

CHAPTER 2: HOUSEHOLD WEALTH

Adjusted for inflation,[8] the median wealth, or net worth, of U.S. households fell from $96,894 in 2005 to $70,000 in 2009, a drop of 28%. The precipitous decline in wealth was not evenly distributed across groups. Minority households—Hispanics, blacks and Asians—experienced far steeper declines than white households.

Minority households experienced greater losses because they are more dependent on home equity as a source of wealth. As noted above, housing values started to fall sooner than stock prices and, unlike the stock market, the housing market has not begun to recover. Hispanics and Asians were further affected because they are disproportionately likely to reside in states that have been among the hardest hit by the housing crisis: California, Florida, Nevada and Arizona. Hispanics and blacks have also been more susceptible to home foreclosures and their homeownership rates have dropped more than for any other group.

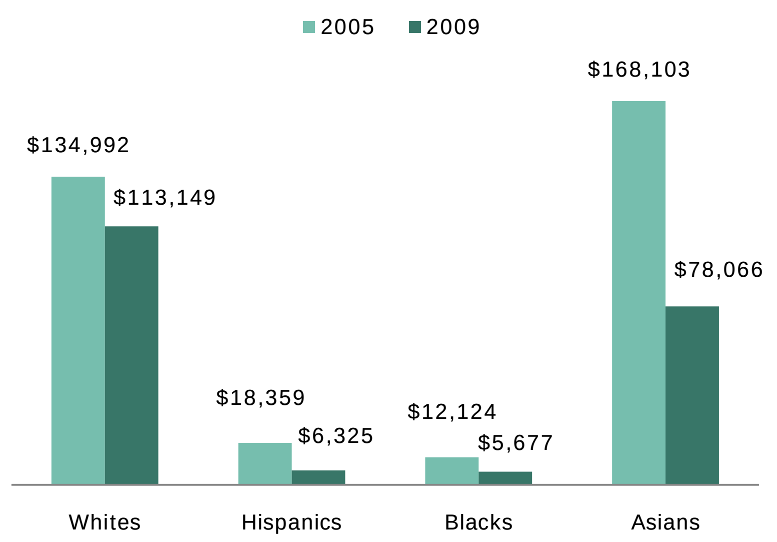
Household Wealth by Race and Ethnicity

In 2009, the median net worth of white households—$113,149—was the highest of all groups. In sharp contrast, Hispanic and black households had median net worth of $6,325 and $5,677 respectively. Asian households, with a median net worth of $78,066, had much more wealth in 2009 than Hispanics and blacks but much less than whites.

All groups experienced drops in wealth from 2005 to 2009 but there were sharp differences among them.

Median Net Worth of Households, 2005 and 2009

in 2009 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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[8] Unless otherwise stated, all data in this report are expressed in 2009 dollars.

Hispanics' median net worth fell 66%, from $18,359 in 2005 to $6,325 in 2009. Black households experienced a loss of 53%, from $12,124 in 2005 to $5,677 in 2009. The drop in the wealth of white households was modest in comparison, falling 16% from $134,992 in 2005 to $113,149 in 2009.

Asian households lost their standing at the top of the wealth ranking. Their net worth is estimated to have fallen by 54%, from $168,103 in 2005 to $78,066 in 2009.

However, as discussed in greater detail in the appendix, the recorded decrease in the wealth of Asian households, more than three-quarters of which are headed by immigrants, is sensitive to the arrival of new immigrants between 2005 and 2009. The accumulation of assets takes time, and immigrants initially tend to have low levels of wealth.[9] If the 2009 SIPP sample is adjusted to remove immigrants who arrived since 2004, the median wealth of Asian households in 2009 is estimated to be $116,555. That is a drop of 31% from 2005, nearly twice as much as for white households but still leaving Asian households with median wealth that is similar to that of whites.[10]

The Gap in Wealth between Whites, Hispanics and Blacks

In 2009, the median wealth of white households was 20 times as high as the wealth of black households and 18 times as much as the wealth of Hispanic households. These ratios are about twice as high as the ratios that existed before the onset of the housing crisis, the stock market crash and the Great Recession. In 2005, the median wealth of white households was 11 times the wealth of black households and seven times the wealth of Hispanic households. The wealth gaps that currently exist between whites, Hispanics and blacks are the highest in at least 25 years.[11]

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[9] See Kochhar (2004), http://pewhispanic.org/reports/report.php?ReportID=34.

[10] Removing newly arrived immigrants from the 2008 SIPP panel does not have a notable effect on estimates for white, black and Hispanic households. In brief, the wealth estimates for 2005 and 2009 are based on panels of households formed in 2004 and 2008, respectively. As such, the 2005 estimates are representative of the U.S. household population in February 2004 and the 2009 estimates are representative of households in September 2008. If the household panel from 2008 includes a large share of immigrants who arrived between 2004 and 2008 that can have a notable impact on measures of the change in wealth from 2005 to 2009. This is potentially problematic when interpreting changes in household wealth for Hispanics and Asians, two groups experiencing rapid population growth due to immigration (Kochhar, 2004).

[11] A historical perspective on the wealth gap is provided in a later section of the report.

The Role of Housing

An owned home is the most important asset in the portfolio of most households.[12] Thus, the housing downturn that began in 2006 had a great impact on the net worth of a typical household.

Overall, the net worth of the typical U.S. household decreased from $96,894 in 2005 to $70,000 in 2009, a loss of $26,894. However, median net worth in assets other than home equity fell by only $3,522, from $17,088 in 2005 to $13, 566 in 2009. These estimates suggest that the total loss in net worth emanated principally from declining levels of home equity.[13]

The corrosive effect of the housing downturn was the deepest for Hispanics and blacks. Median net worth exclusive of home equity decreased only $479 for Hispanics and $626 for blacks. With housing included, their losses were $12,034 and $6,447, respectively. Similarly, white and Asian households would have experienced only a small fraction of their actual losses if not for the housing downturn.

Median Net Worth of Households with and without Home Equity, 2005 and 2009

in 2009 dollars

	Total			Excluding home equity		
	2005	2009	Change	2005	2009	Change
All	$96,894	$70,000	-$26,894	$17,088	$13,566	-$3,522
Whites	$134,992	$113,149	-$21,843	$32,961	$29,169	-$3,792
Hispanics	$18,359	$6,325	-$12,034	$3,285	$2,806	-$479
Blacks	$12,124	$5,677	-$6,447	$1,676	$1,050	-$626
Asians	$168,103	$78,066	-$90,037	$27,137	$20,300	-$6,837

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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[12] This issue is explored in greater detail in later sections of the report.

[13] Because of the way medians are computed these data cannot be used to estimate the share of the total loss that is due to housing and the share that is due to non-housing assets.

Households with Zero or Negative Net Worth

A significant fraction of U.S. households either have no wealth (zero net worth) or have more liabilities than assets (negative net worth). Overall, 20% of U.S. households were in this position in 2009, up from 15% in 2005. The share of households with zero or negative net worth is much higher among Hispanics and blacks. About one-third of Hispanics (31%) and blacks (35%) had no wealth or were in debt in 2009, compared with 15% of whites.

The increase in the share of households with zero or negative net worth from 2005 to 2009 was greatest among minority households. It increased from 23% to 31% for Hispanics, from 12% to 19% for Asians, and from 29% to 35% for blacks. The change was more modest for white households, with the share climbing from 11% to 15%. Thus, another gulf, the one separating those with some wealth from those without, has widened, to the disadvantage of minority households.

Households with Zero or Negative Net Worth, 2005 and 2009

% of all households

	2005	2009
All	15	20
Whites	11	15
Hispanics	23	31
Blacks	29	35
Asians	12	19

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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CHAPTER 3: NET WORTH BY TYPE OF ASSET

The net worth of a household depends on the types of assets it owns, the value of those assets and the claims on those assets. For example, the typical American household owns a home. The market price of that home determines its value but it may have a claim against it in the form of a mortgage loan. The difference between the value of the house and the amount owed on the mortgage—home equity—is the contribution of this asset to household net worth.

Changes in the net worth of a household over time depend on the same factors. The mix of assets owned by a household, for example, determines whether the drop in the value of an asset matters to it. A household with little stock ownership is less sensitive to fluctuations in the stock market. But the wealth of a household that depends on home ownership, and little else, would be very sensitive to real estate fluctuations.

This section of the report presents estimates of the typical amount of equity held by households in different types of assets. Subsequent sections of the report focus on the rates of ownership of assets and the contributions of individual assets to household net worth.

The conclusion that emerges from the asset-based analysis is that developments in the housing market are the principal agents of change in household wealth from 2005 to 2009. A home is one of the most commonly owned assets, and home equity is the single largest contributor to household wealth. Thus, plummeting housing prices had a profound impact on the net worth of most households. The effect was more pronounced for minorities because, relative to whites, housing assumes a larger share of their portfolios. Also, Hispanics and Asians were deeply affected because their population is relatively more concentrated in California, Florida, Nevada and Arizona, which experienced among the greatest declines in home prices.

Asset ownership rates also edged downward from 2005 to 2009, but in small measure. The drop in asset ownership was generally modest in comparison with the fall in the net worth of assets. Overall, declining value, not declining ownership, is at the heart of the loss in household wealth.

Median Net Worth of Individual Assets

Real estate, for either personal use or rental purposes, is the most highly valued asset owned by households. Financial assets, in the form of stocks, mutual funds, bonds and retirement accounts are also a key part of the portfolio. Of these two major groups of assets, net worth eroded the most for real estate holdings. The value of financial assets moved in different ways, depending on the specific asset and subpopulation examined.

Homeowners—65% of all U.S. householders in 2009—experienced a sharp decline in home equity from 2005 to 2009. The greatest losses were felt by Hispanic and Asian homeowners. For Hispanics, the median level of home equity fell by half (51%), from $99,983 in 2005 to $49,145 in 2009. Median home equity for Asian homeowners dropped from $219,742 in 2005 to $150,000 in 2009, a loss of 32%.

Losses for black and white homeowners were less severe. Black homeowners lost 23% of their home equity, from $76,910 in 2005 to $59,000 in 2009. Median home equity for white homeowners eroded 18%, from $115,364 to $95,000.

Computing Median Net Worth by Type of Asset

A complicating factor in computing the median net worth of specific assets is that not all households own an asset. If a particular asset is owned by less than 50% of households, the median value of that asset, by definition, is zero. For example, less than 50% of Hispanic households own a home. That means more than half of Hispanic households have zero home equity. Because the median divides the population into two halves, and half have no home equity, the median level computed across all Hispanic households is zero. A similar complication arises with respect to most other assets.

The median net worth of individual assets reported in this section is computed only over the population of households that own those particular assets. Thus, median home equity is computed across the population of homeowners. Likewise, the median value of 401(k) and thrift accounts is computed across the population that owns those accounts. The two populations may intersect but are not necessarily the same.

The median values represent the household's equity in an asset, or the net worth of the asset. Assets that serve as collateral for a household loan obligation have the outstanding loan balance subtracted from the estimated value of the asset. For example, equity in motor vehicles reflects the respondent's estimated value of the household's vehicle(s) minus the outstanding loan balances on any car loans secured by the vehicle(s).

The median value of directly held stock and mutual funds declined the most for Hispanics and blacks. Hispanics who owned stocks and mutual funds lost 32% of their value, down from $21,974 in 2005 to $15,000 in 2009. Losses for black stockholders were more than twice as high. Their holdings of stock and mutual funds fell from $27,468 in 2005 to $8,000 in 2009, a loss of 71%.

The median value of stocks and mutual funds owned by whites dropped modestly, falling 9% from $30,984 in 2005. Stocks and mutual funds owned by Asians actually increased in value, rising 19% from $25,270 in 2005 to $30,000 in 2009.

Retirement plans are also an important source of wealth accumulation for households. Black householders experienced significant losses in their pension savings. The value of IRA and Keogh accounts held by black householders fell from $17,319 in 2005 to $15,000 in 2009, a drop of 13%. Likewise, the value of their 401(k) and thrift accounts shrank from $15,382 to $11,000, a loss of 28%.

Median Net Worth of White Households, by Type of Asset, 2005 and 2009

in 2009 dollars

	2005	2009	Change, 2005-09	Percentage Change
Own home	$115,364	$95,000	-$20,364	-18%
Rental property	$153,819	$125,000	-$28,819	-19%
Other real estate	$82,403	$80,000	-$2,403	-3%
Stocks and mutual funds	$30,984	$28,043	-$2,941	-9%
IRA and Keogh accounts	$27,468	$30,000	$2,532	9%
401(k) and thrift accounts	$32,961	$32,000	-$961	-3%
Financial institution accounts	$4,395	$4,000	-$395	-9%
Other interest-earning assets	$1,318	$1,450	$132	10%
Business equity	$32,961	$25,000	-$7,961	-24%
Vehicles	$5,698	$5,960	$262	5%
Other assets	$36,341	$35,000	-$1,341	-4%
Unsecured liabilities	$6,043	$8,000	$1,957	32%

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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Hispanic and white households with pension savings experienced relative stability in their IRA, Keogh, 401(k) and thrift accounts. For both groups, the median value of IRA and Keogh accounts increased modestly from 2005 to 2009 and the median value of 401(k) and thrift accounts decreased slightly. Asian households experienced a 12% decline in the value of their 401(k) and thrift accounts and little change in their IRA and Keogh accounts.

Median Net Worth of Hispanic Households, by Type of Asset, 2005 and 2009

in 2009 dollars

	2005	2009	Change, 2005-09	Percentage Change
Own home	$99,983	$49,145	-$50,838	-51%
Rental property	$152,721	$100,000	-$52,721	-35%
Other real estate	$76,910	$20,000	-$56,910	-74%
Stocks and mutual funds	$21,974	$15,000	-$6,974	-32%
IRA and Keogh accounts	$14,283	$15,000	$717	5%
401(k) and thrift accounts	$13,185	$12,500	-$685	-5%
Financial institution accounts	$1,373	$1,000	-$373	-27%
Other interest-earning assets	$549	$1,000	$451	82%
Business equity	$32,961	$15,000	-$17,961	-54%
Vehicles	$3,684	$3,765	$81	2%
Other assets	(X)	(X)	(X)	(X)
Unsecured liabilities	$4,944	$7,000	$2,056	42%

(X) - Not available, insufficient sample size

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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In light of the economic downturn, it is notable that business owners, regardless of race and ethnicity, reported large losses in the equity they hold in their businesses. The loss in business equity was highest among minority households, all losing about half the value they started with in 2005. For Hispanics, business equity fell from $32,961 in 2005 to $15,000 in 2009; for blacks, equity in their businesses decreased from $23,403 to $10,000; and, for Asians, business equity dropped from $54,935 to $27,000. White households experienced a loss of 24%, the median equity in their business falling from $32,961 in 2005 to $25,000 in 2009.

Median Net Worth of Black Households, by Type of Asset, 2005 and 2009

in 2009 dollars

	2005	2009	Change, 2005-09	Percentage Change
Own home	$76,910	$59,000	-$17,910	-23%
Rental property	$82,403	$100,000	$17,597	21%
Other real estate	$54,935	$45,000	-$9,935	-18%
Stocks and mutual funds	$27,468	$8,000	-$19,468	-71%
IRA and Keogh accounts	$17,319	$15,000	-$2,319	-13%
401(k) and thrift accounts	$15,382	$11,000	-$4,382	-28%
Financial institution accounts	$1,099	$850	-$249	-23%
Other interest-earning assets	$659	$600	-$59	-9%
Business equity	$23,403	$10,000	-$13,403	-57%
Vehicles	$2,843	$3,000	$157	6%
Other assets	(X)	(X)	(X)	(X)
Unsecured liabilities	$5,494	$7,000	$1,506	27%

(X) - Not available, insufficient sample size

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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Median Net Worth of Asian Households, by Type of Asset, 2005 and 2009

in 2009 dollars

	2005	2009	Change, 2005-09	Percentage Change
Own home	$219,742	$150,000	-$69,742	-32%
Rental property	(X)	(X)	(X)	(X)
Other real estate	(X)	(X)	(X)	(X)
Stocks and mutual funds	$25,270	$30,000	$4,730	19%
IRA and Keogh accounts	$24,172	$24,000	-$172	-1%
401(k) and thrift accounts	$31,863	$28,000	-$3,863	-12%
Financial institution accounts	$6,592	$5,300	-$1,292	-20%
Other interest-earning assets	$1,538	$2,314	$776	50%
Business equity	$54,935	$27,000	-$27,935	-51%
Vehicles	$7,856	$6,683	-$1,173	-15%
Other assets	(X)	(X)	(X)	(X)
Unsecured liabilities	$5,494	$7,000	$1,506	27%

(X) - Not available, insufficient sample size

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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Even as the net value of most assets was on the decline, the unsecured liabilities of households (credit card debt, education loans and other loans not secured by assets) were on the rise from 2005 to 2009. The increase was greatest for Hispanics, their unsecured debt growing from

$4,994 in 2005 to $7,000 in 2009, or by 42%. White households have higher levels of unsecured debt, $6,043 in 2005 and $8,000 in 2009. However, the increase for them, 32%, was not as great as for Hispanics. Blacks and Asians have identical levels of unsecured liabilities, and the median values for them rose the least, from $5,494 to $7,000, or by 27%.

CHAPTER 4: ASSET OWNERSHIP

The most ubiquitous assets in American households are owned homes, motor vehicles and interest-earning assets at financial institutions (savings accounts, etc.). About half of all households also carry some form of unsecured liability. The combination of relatively high ownership rates and high levels of equity places an owned home at the center of most household portfolios.

Homeownership rates are highest for whites—unchanged at 74% from 2005 to 2009—and lowest for blacks—down slightly from 47% in 2005 to 46% in 2009. In between are Hispanics who experienced the greatest decline in the homeownership rate, from 51% to 2005 to 47% in 2009. Among Asian households, the homeownership rate fell from 60% in 2005 to 57% in 2009. A leading cause of the general decline in homeownership is the foreclosure crisis, which has had a greater impact on minorities.[14] Hispanics and Asians are also more likely to live in areas most affected by the housing crisis, such as California, Florida, Nevada and Arizona.

Asset Ownership Rates by Type of Asset, 2005 and 2009

	Whites		Hispanics		Blacks		Asians	
	2005	2009	2005	2009	2005	2009	2005	2009
Own home	74%	74%	51%	47%	47%	46%	60%	57%
Rental property	6%	6%	2%	3%	2%	3%	6%	6%
Other real estate	8%	7%	3%	1%	3%	2%	4%	3%
Stocks and mutual funds	31%	27%	8%	5%	9%	7%	29%	24%
IRA and Keogh accounts	36%	35%	12%	10%	12%	11%	33%	30%
401(k) and thrift accounts	44%	45%	26%	24%	29%	30%	46%	46%
Financial institution accounts	84%	82%	61%	60%	59%	58%	85%	83%
Other interest-earning assets	19%	16%	5%	3%	7%	5%	10%	9%
Business equity	13%	12%	8%	8%	6%	6%	12%	11%
Vehicles	90%	88%	80%	77%	70%	69%	82%	80%
Other assets	3%	4%	1%	1%	1%	1%	2%	2%
Unsecured liabilities	54%	53%	48%	47%	49%	49%	47%	49%

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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[14] See Bocian, Li and Ernst (2010).

Whites and Asians are much more likely than Hispanics and blacks to own financial assets. More than 80% of whites and Asians own interest-earning assets at financial institutions, compared with about 60% of Hispanics and blacks. Whites and Asians are also three to four times as likely as Hispanics and blacks to own stocks and mutual fund shares. For example, in 2009, 27% of whites owned stocks and mutual fund shares, but only 7% of blacks owned then. And almost as large a disparity exists with regard to IRA or Keogh accounts—about 35% of whites and Asians were owners compared with about 11% of Hispanics and blacks. Ownership rates for 401(k) and thrift savings accounts are about 45% for whites and Asians but only about 25% to 30% for Hispanics and blacks.

A sizable minority of U.S. households own no assets other than a motor vehicle. In 2009, that was true for 24% of black and Hispanic households, 8% of Asian households and 6% of white households. There is no increase of note in this share from 2005 to 2009.

Overall, asset ownership rates—real estate, financial or other—edged downward from 2005 to 2009, but in small measure. The drop in asset ownership is generally modest in comparison with the fall in the net worth of assets. Thus, declining value, not declining ownership, is at the heart of the loss in household wealth.

Households Not Owning Any Assets, 2005 and 2009

% of all households

	Households with no assets		Households with no assets other than a vehicle	
	2005	2009	2005	2009
All	5	5	10	10
Whites	2	3	5	6
Hispanics	11	11	23	24
Blacks	14	15	24	24
Asians	4	5	7	8

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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CHAPTER 5: WHICH ASSETS ARE MOST IMPORTANT?

The importance of an asset to household wealth depends on its prevalence and its value. For that reason, homeownership plays a central role for most households—it is a high value asset, and most U.S. households own their homes. The diversity of a portfolio also matters. Although Hispanics and blacks are less likely than whites and Asians to own homes, their wealth is relatively more dependent on home equity. That is because whites and Asians are much more likely to own financial assets and have more diverse portfolios.

The contribution of an individual asset to total net worth can be determined by examining the distribution of the *mean* level of wealth.[15] For all groups, the largest single contributor to total net worth is an owned home. Further, home equity is much more vital to the wealth of Hispanic and black households. Thus, these two groups were more sensitive to the downturn in the housing market.

Hispanics. Nearly two-thirds (65%) of Hispanic household wealth in 2005 was derived from owned homes. No other asset accounted for more than 10% of total net worth in 2005. Given the large role played by housing, the decrease in real estate values from 2005 to 2009 had a large negative impact on the net worth of Hispanic households. Their mean wealth fell from $122,649 in 2005 to $73,026 in 2009, a loss of $49,623. Almost all of this loss is attributable to declining home equity levels. Another key factor was the increase in unsecured liabilities. These liabilities "took away" 5% from net worth in 2005, and the take-away rose to 13% in 2009.

Blacks. Black households drew 59% of their net worth from home equity in 2005. Only one other asset—401(k) and thrift accounts—contributed more than 10% at the time. Thus, like Hispanics, the bulk of the loss in mean wealth is accounted for by falling levels of home equity. The rise in unsecured liabilities, with the take-away increasing from 7% in 2005 to 12% in 2009, is another important factor underlying the loss in mean net worth.

Whites. Owned homes also are the largest single source of wealth for white households, but financial assets are relatively more important to their economic well-being. Stocks and mutual

[15] Median wealth, the statistic reported through the rest of this report, cannot be distributed across individual components. Mean net worth is generally higher than median net worth because it is pulled up by the net worth of very wealthy households. But changes in mean net worth from 2005 to 2009 also indicate far greater losses for Hispanics (40%) and blacks (22%) than whites (5%). The estimates for Asian households show a slight increase in mean net worth even though median net worth is estimated to have decreased by 54%. This suggests that the 2008 SIPP panel may include a few very wealthy Asian households that may be distorting estimates of mean wealth in 2009. For example, the mean value of stocks and mutual fund shares held by Asians is estimated to have increased sharply from 2005 to 2009 despite a decline of 11% in the S&P 500 Index during that time.

funds, IRA and Keogh accounts, and 401(k) and thrift accounts were responsible for 28% of the net worth of white households in 2005 compared with 19% for blacks and 15% for Hispanics. And although white households were also affected by the housing crisis, those losses had (proportionally) a lesser impact on their overall wealth.

Mean Net Worth of Households and Its Distribution by Type of Asset, 2005 and 2009

in 2009 dollars

	Whites		Hispanics		Blacks		Asians	
	2005	2009	2005	2009	2005	2009	2005	2009
Total	$284,913	$270,985	$122,649	$73,026	$95,050	$73,826	$312,564	$313,029
Own home	44%	38%	65%	55%	59%	56%	50%	35%
Rental property	6%	6%	5%	9%	5%	6%	7%	5%
Other real estate	5%	4%	4%	2%	4%	3%	2%	1%
Stocks and mutual funds	8%	16%	3%	3%	2%	5%	6%	32%
IRA and Keogh accounts	9%	10%	3%	6%	5%	6%	6%	6%
401(k) and thrift accounts	11%	12%	8%	11%	12%	14%	10%	10%
Financial institution accounts	6%	6%	4%	6%	5%	6%	7%	6%
Other interest-earning assets	2%	2%	0%	1%	1%	1%	1%	1%
Business equity	8%	7%	9%	14%	9%	9%	10%	5%
Vehicles	3%	3%	3%	5%	3%	4%	3%	2%
Other assets	3%	3%	1%	2%	2%	1%	2%	1%
Unsecured liabilities	-3%	-5%	-5%	-13%	-7%	-12%	-3%	-4%

Note: Financial institution accounts include checking accounts.

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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CHAPTER 6: THE GEOGRAPHY OF THE HOUSING DOWNTURN

The housing downturn that began in 2006 had distinct geographic patterns. From the end of 2005 to the end of 2009, median home prices decreased by more than 30% in five states: Nevada (down 49%), Florida (38%), Arizona (38%), California (37%) and Michigan (34%). Home prices fell between 10% and 22% in 12 other states and by less than 10% in 12 more states. They were flat or rising from 2005 to 2009 in the remaining 21 states and the District of Columbia.

The geography of the housing downturn had an especially strong impact on Hispanics and Asians because they are much more likely to reside in the hardest-hit areas. In 2005, more than two-in-five of the nation's Hispanic and Asian households resided in Arizona, California, Florida, Michigan and Nevada, the five states with the steepest declines in home prices. By contrast, only about one-in-five of the nation's white or black households resided in these states. Thus, Hispanic and Asian households were more exposed to the housing downturn than were other households.

Median Home Prices, by State, Fourth Quarter 2005 and Fourth Quarter 2009

	2005:4	2009:4	Change
U.S.	$216,396	$178,813	-17%
Nevada	$303,092	$155,826	-49%
Florida	$238,361	$147,378	-38%
Arizona	$240,730	$150,065	-38%
California	$512,649	$321,117	-37%
Michigan	$143,635	$95,473	-34%
Rhode Island	$296,002	$229,759	-22%
Illinois	$186,776	$151,413	-19%
Maryland	$318,761	$258,517	-19%
Minnesota	$198,878	$161,507	-19%
Georgia	$157,151	$128,434	-18%
New Hampshire	$258,513	$216,599	-16%
New Jersey	$337,758	$283,822	-16%
Virginia	$270,579	$228,420	-16%
Massachusetts	$350,198	$300,200	-14%
Connecticut	$312,157	$269,108	-14%
Ohio	$125,916	$111,275	-12%
Delaware	$247,461	$223,761	-10%
New York	$270,289	$246,227	-9%
Hawaii	$541,487	$505,283	-7%
Oregon	$224,829	$210,717	-6%
Maine	$186,615	$175,688	-6%
Washington	$262,573	$248,341	-5%
Idaho	$152,047	$144,047	-5%
Wisconsin	$163,120	$154,602	-5%
Missouri	$129,619	$123,462	-5%
South Carolina	$142,455	$136,597	-4%
Colorado	$222,640	$214,022	-4%
Vermont	$209,833	$202,698	-3%
Indiana	$114,087	$110,213	-3%
North Carolina	$153,101	$153,656	0%
Pennsylvania	$152,894	$153,585	0%
Kentucky	$127,168	$129,884	2%
Tennessee	$120,252	$122,956	2%
Nebraska	$115,692	$118,496	2%
Alabama	$126,962	$130,176	3%
New Mexico	$159,144	$164,688	3%
Iowa	$111,197	$115,966	4%
West Virginia	$117,345	$123,715	5%
Kansas	$111,734	$118,193	6%
Arkansas	$110,116	$118,260	7%
Utah	$181,395	$196,381	8%
Alaska	$218,128	$236,921	9%
Texas	$122,021	$132,889	9%
Montana	$161,927	$177,940	10%
District of Columbia	$348,629	$386,352	11%
Mississippi	$113,499	$126,328	11%
South Dakota	$138,769	$154,651	11%
Oklahoma	$102,889	$115,548	12%
Louisiana	$134,325	$151,638	13%
Wyoming	$160,977	$185,552	15%
North Dakota	$108,417	$129,603	20%

Note: Includes one-unit, non-condominium properties only.

Source: Federal Housing Finance Agency

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Estimates of household net worth by region reveal the differential impact of the housing downturn. Residents of Arizona, California, Florida, Michigan and Nevada experienced far greater drops in their net worth than residents elsewhere. For Hispanics in these five states, median net worth tumbled from $51,464 in 2005 to $6,375 in 2009, a loss of 88%. For Hispanics residing outside of these five states, median net worth fell from $11,853 to $6,200, or by 48%.[16]

Median Net Worth of Households, by State of Residence, 2005 and 2009

in 2009 dollars

	Median net worth				Median net worth in own home			
	2005	2009	Change	Percentage Change	2005	2009	Change	Percentage Change
Whites								
AZ, CA, FL, MI or NV	$205,232	$115,724	-$89,508	-44%	$207,656	$100,000	-$107,656	-52%
All other states	$122,742	$112,522	-$10,220	-8%	$104,377	$95,000	-$9,377	-9%
Hispanics								
AZ, CA, FL, MI or NV	$51,464	$6,375	-$45,089	-88%	$213,150	$59,999	-$153,151	-72%
All other states	$11,853	$6,200	-$5,653	-48%	$53,836	$45,000	-$8,836	-16%
Blacks								
AZ, CA, FL, MI or NV	$19,446	$4,633	-$14,813	-76%	$142,832	$40,000	-$102,832	-72%
All other states	$11,446	$6,000	-$5,446	-48%	$65,923	$60,000	-$5,923	-9%
Asians								
AZ, CA, FL, MI or NV	$187,762	$66,683	-$121,079	-64%	$351,587	$200,000	-$151,587	-43%
All other states	$147,901	$82,924	-$64,977	-44%	$175,794	$120,000	-$55,794	-32%

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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The regional estimates of wealth also illustrate the roller-coaster ride that was the housing boom and bust. In 2005, Hispanic households in Arizona, California, Florida, Michigan and Nevada had a net worth more than four times the net worth of Hispanics elsewhere, $51,464 versus $11,853. By 2009, the net worth of Hispanic households had equalized across regions.

[16] It is important to note that the SIPP sample is not designed to provide state level estimates. In other words, the estimates for Arizona, California, Florida, Michigan and Nevada reported above may differ from estimates derived from samples designed specifically to represent the populations of those states. The goal of this section is not to provide estimates for individual states but to indicate the extent to which developments in selected states shaped the national trend in SIPP data.

The experience of Hispanic households repeats across all racial and ethnic groups. The net worth of blacks, whites and Asians fell at much greater rates in the five states. In 2005, at the cusp of the housing downturn, all households in the five states had reported much greater levels of wealth. By 2009, the situation had reversed for blacks and Asians—those residing in Arizona, California, Florida, Michigan and Nevada now had lower levels of wealth.

The role of housing is further explicated by the estimates of median levels of home equity. Regardless of race and ethnicity, households located in the five states with the greatest declines in home prices also experienced the greatest losses in home equity.[17]

[17] The Board of Governors of the Federal Reserve System also finds that the decline in family wealth from 2007 to 2009 was greatest for families living in the west Census region, which it attributes to the larger declines in home prices occurring there (Bricker, et al., 2011).

CHAPTER 7: TRENDS IN HOUSEHOLD WEALTH, 1984 TO 2009

Estimates of household wealth by race and ethnicity from SIPP are available starting in 1984. The time series is not entirely consistent because of a redesign of the SIPP panel in 1996 and changes to the racial identity question in 2004.[18] Subject to these two caveats, the latest estimates indicate that the wealth of Hispanic and black households in 2009 is at its lowest level in at least 25 years. Furthermore, the wealth gaps between white and Hispanic households and white and black households are at their highest level in recent economic history.

Among Hispanics, net worth last dipped to about $7,000 in 1993. In other years from 1984 to 1995, their net worth was about $10,000, increasing to about $15,000 in 2004. For black households, net worth was in the range of $6,500 to $10,000 from 1984 to 2004, but it dropped to about $5,000 in 2009. The experience of white households is different. Despite the steep decline in wealth from 2004 to 2009, their net worth remains higher than the levels that existed from 1984 to 1995.[19]

Median Net Worth of Households, 1984 to 2009

in 2009 dollars

	1984	1988	1991	1993	1995	2004	2009
Median net worth							
Whites	$76,951	$75,403	$68,203	$67,327	$68,520	$111,313	$92,000
Hispanics	$9,660	$9,624	$8,209	$6,853	$10,139	$15,188	$6,325
Blacks	$6,679	$7,263	$7,071	$6,503	$9,885	$9,823	$4,900
Ratios							
White-to-Black	12	10	10	10	7	11	19
White-to-Hispanic	8	8	8	10	7	7	15

Notes: Blacks and whites include Hispanics. The Survey of Income and Program Participation was redesigned for the 1996 panel. The redesign may have affected the comparability of the data from 1998 and later years with the data from earlier panels.

Sources: For 2009: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2008 panel; for 1984 to 2004: various U.S. Census Bureau P-70 *Current Population Reports*

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As a result of the disparate trends in net worth by racial and ethnic groups, the ratios of the wealth of white households to the wealth of black and Hispanic households are at their highest

[18] See Orzechowski and Sepielli (2003) for more on the SIPP redesign. The racial identity question was changed to allow respondents to identify as being of two or more racial origins. Since the 2004 panel, “white” and “black” refer to “white alone” and “black alone,” respectively. Before the 2004 panel, the white and black racial categories include some individuals who were of two or more racial identities.

[19] The 2009 median net worth estimates for white and black households in this section differ from those reported elsewhere in the report. That is because the groups “white” and “black” include Hispanics for purposes of comparisons with historical data published by the Census Bureau which also include Hispanics in those racial categories. In all other sections of this report, the terms “whites” and “blacks” refer to their non-Hispanic components only.

levels since at least 1984. These ratios were about 10-to-1 in favor of whites from 1984 to 2004. From 2004 to 2009, the white-to-Hispanic and the white-to-black wealth ratios doubled to about 20-to-1.

Evidence from Other Sources

The SIPP is considered the most comprehensive source of data about household wealth by race and ethnicity in the United States, but it is not the only source. Two other surveys provide periodic snapshots—the Survey of Consumer Finances (SCF) and the Panel Study of Income Dynamics (PSID).

The SCF has been conducted triennially by the Federal Reserve Board since 1989. However, wealth data from these surveys are broken down into only two broad racial and ethnic groups: non-Hispanic white households and all other nonwhite or Hispanic households.

As with the SIPP, the wealth ratios from the SCF displayed a generally consistent level for the two decades prior to the Great Recession. In 1989, the wealth of non-Hispanic white households was estimated to be 12 times as high as the wealth of nonwhite or Hispanic households. However, the ratio fell to six by 1992 and remained at that level through 2007. There was a short-lived rise to seven in the level of the ratio in 2001.[20] The wealth ratios estimated from officially published SCF data are generally lower than those from SIPP because the nonwhite group includes Asians, a high wealth group. The Pew Research Center used the SCF to tabulate the net worth of non-Hispanic white, non-Hispanic black and Hispanic households in 2004 and 2007. The white-to-Hispanic wealth ratio was nine in 2004 and eight in 2007. The white-to-black wealth ratio was seven in 2004 and 10 in 2007.

The Federal Reserve Bank has also released a preliminary estimate of the change in household wealth from 2007 to 2009. Based on a subsample of the 2007 panel, the Fed reports that median household wealth decreased by 18% from 2007 to 2009. Post-recession estimates by race and ethnicity are not yet available from the SCF.[21]

The PSID is conducted by the Institute for Social Research at the University of Michigan. It is a longitudinal study of U.S. households and was started in 1968 with a sample of about 5,000 families. Estimates made by the Center from a preliminary release of 2009 PSID data show

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[20] Survey of Consumer Finances data are available at the following website: http://www.federalreserve.gov/pubs/oss/oss2/scfindex.html.

[21] See Bricker, et al (2011).

that the median net worth of all households decreased by 19% from 2007 to 2009. The decrease in the wealth of Hispanic households (52%) and black households (30%) was greater than the 9% decrease in the net worth of white households.[22]

[22] For more on changes in household wealth during the recession, see Pew Research Center, Social and Demographic Trends (2010), http://pewsocialtrends.org/2010/06/30/how-the-great-recession-has-changed-life-in-america/. A recent report from the Institute on Assets and Social Policy at Brandeis University utilizes PSID data to study the gap in wealth between black and white households. It finds a steadily rising absolute gap in wealth from 1984 to 2007 (Shapiro, Meschede and Sullivan, 2010).

CHAPTER 8: WEALTH GAPS WITHIN RACIAL AND ETHNIC GROUPS

Just as the wealth gap between whites, Hispanics and blacks expanded in favor of whites during the time period under study, it also widened in favor of the wealthiest within each racial and ethnic group. The share of total wealth held by the top 10% of households in the wealth rankings increased from 2005 to 2009 within all groups.

Share of Wealth Held by the Wealthiest 10% of Households, 2005 and 2009

	Wealth share		90th percentile of wealth (in 2009 dollars)	
	2005	2009	2005	2009
All	49%	56%	$646,327	$598,435
Whites	46%	51%	$719,983	$702,950
Hispanics	56%	72%	$395,667	$236,161
Blacks	59%	67%	$290,486	$234,252
Asians	44%	61%	$762,911	$686,349

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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This did not happen because the rich got richer. They did not: the inflation-adjusted threshold for entry into the wealthiest 10% decreased from 2005 to 2009 for all racial and ethnic groups. Even so, those in the top 10% of the wealth ladder were relatively less affected by the economic downturn than those in the remaining 90%, and this was the case for all groups. Also, as noted earlier, the share of households with zero or negative net worth increased among all groups.

Among all U.S. households, the share of wealth held by the top 10% increased from 49% in 2005 to 56% in 2009. The increase in the degree of concentration at the top was the greatest among Asians and Hispanics. The share of the top 10% went up from 44% to 61% among Asians and it rose from 56% to 72% among Hispanics. Among blacks, the share increased from 59% to 67%. The increase in wealth disparity was the lowest among whites, with the share of the top 10% increasing from 46% to 51%.

Although wealth grew more concentrated at the top, the threshold for entry into the top 10% was lower in 2009 than in 2005. For all U.S. households, the threshold, which is the 90th percentile of the wealth distribution, decreased 7%, from $646,327 to $598,435. The drop among Hispanics was more dramatic, from $395,667 to $236,161, or 40%. The threshold fell 19% among blacks and 10% among Asians, but only 2% among whites.

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APPENDIX

Data Sources

The net worth and asset ownership levels are tabulated from the U.S. Census Bureau's Survey of Income and Program Participation. SIPP is a longitudinal survey designed to follow a given panel of households over several years. The panels are nationally representative samples of the civilian, non-institutionalized population of the United States and are selected anew every few years. The two panels utilized in this report are the 2004 panel, interviewed from 2004 to 2008, and the 2008 panel, interviews scheduled to last from 2008 to 2012.

Each SIPP panel is divided into four interview groups. A complete cycle of interviews lasts for four months, one interview group per month, and is referred to as a "wave." A single wave typically features a different set of questions referred to as "topical modules."

The 2009 wealth data comes from wave 4 of the 2008 SIPP panel. These interviews, for the assets and liabilities topical module, occurred from September 2009 to December 2009. The group interviewed in September 2009 was asked about its assets and liabilities as of the last day of August. The group interviewed in October was queried about its net worth as of the last day of September, and so on. Thus, the 2009 snapshot presented in this report is a composite of the assets and liabilities of households as of August, September, October and November 2009.

Unweighted Number of Households, 2005 and 2009

	2005	2009
All	36,855	36,147
Whites	27,381	26,208
Hispanics	2,763	3,313
Blacks	4,569	4,356
Asians	926	1,206

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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The 2005 wealth data derives from wave 6 of the 2004 SIPP panel. That cycle of interviews was conducted from October 2005 to January 2006. Thus, the 2005 wealth estimates are a composite of the assets and liabilities of households as of September, October, November and December 2005.

SIPP, along with the Survey of Consumer Finances (SCF) and the Panel Survey of Income Dynamic (PSID), is one of the leading sources of data on household wealth. One of its advantages is that each panel consists of about 35,000 households. Because of the large sample in the SIPP panels, minority households are well represented.

SIPP asks a detailed set of questions on the assets and liabilities of every member of the household. However, not all possible assets are captured in the interviews. The major assets that are not included in the estimates of net worth are equities in defined benefit pension plans and the cash value of life insurance policies, as well as the value of jewelry and home furnishings.

SIPP has been collecting detailed wealth data periodically since 1984 and the U.S. Census Bureau periodically issues a major report on the nation's wealth based on SIPP. The latest published report is Net Worth and the Assets of Households: 2002, issued in April 2008. Detailed information on SIPP data is available at the U.S. Census Bureau's SIPP website, http://www.census.gov/sipp/index.html.

Data from SIPP are subject to sampling and nonsampling errors. The Census Bureau has published standard errors for estimates of median net worth for 2004 (www.census.gov/hhes/www/wealth/2004_tables.html). Those imply the following margins of error (in 2009 dollars) at the 90% confidence interval: for non-Hispanic whites, +/- $804; for Hispanics, +/- $712; for blacks (including Hispanics), +/- $431; and for Asians (including Hispanics), +/- $11,233.

The margins of error may be used to derive approximate upper and lower bounds for the wealth estimates in this report. For example, the median net worth of white households in 2005 is estimated to be $134,992 (in 2009 dollars). The margin of error suggests that we can be 90% certain the true value of the net worth of white households lies within the range from $134,188 to $135,796. It is necessary to note, however, that the Census Bureau includes Hispanics in the racial categories black and Asian; the estimates in this report do not.

The margins of error reported by the Census Bureau for the 2004 estimates are only an approximate guide to the variance in the 2005 and 2009 estimates contained in this study. Also, margins of error cannot be directly applied to determine whether the median net worth of one group overlaps with the net worth of another group. Determining the significance of the difference in net worth between groups requires the application of a test of significance designed for that purpose. Standard errors for median wealth estimates from the 2008 SIPP panel are not yet available.

Interpreting Changes in Wealth over Time

In interpreting the changes in wealth from 2005 to 2009, it is necessary to be mindful of demographic changes that characterize rapidly growing populations such as Hispanics and Asians. The Asian population of heads of households, for example, is 81% foreign born and its growth continues to be fueled by immigration.[23] This means that changes in the wealth of Asian households from 2005 to 2009 may be influenced, in part, by the arrival of new immigrants. The result is a downward pull on median wealth because newly arrived immigrants typically have very low levels of wealth.[24]

This report does not try to parse the extent to which changes in wealth are due to demographic change and the extent to which they are due to underlying economic trends. However, some inferences can be drawn by adjusting the 2008 SIPP panel to exclude recently arrived immigrants. Among Asian heads of households in the 2008 SIPP panel, 16% had arrived in the U.S. since 2004.[25] Those Asian heads of households, along with 5% whose immigration status was unknown, were excluded from the sample. That led to a reduction in the (unweighted) sample size of Asian heads of household from 1,206 to 959, a loss of 20%. The losses for other groups are more modest.

Estimates for 2009 for the full sample and based on the adjusted sample (eliminating immigrant household heads who arrived after 2003) are reported in the table. The 2009 median net worth of Hispanic, black and white households is pretty much unchanged regardless of whether recently arrived immigrant households are included. However, the median net worth for Asians significantly increases (from $78,066 to $116,555) if recently arrived immigrant households are excluded from the 2009 sample.

Median Net Worth of Households, 2005 and 2009

in 2009 dollars

	2005	2009	
	All households	All households	Excluding recent immigrants
All	$96,894	$70,000	$74,448
Whites	$134,992	$113,149	$114,300
Hispanics	$18,359	$6,325	$6,725
Blacks	$12,124	$5,677	$5,500
Asians	$168,103	$78,066	$116,555

Source: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2004 and 2008 panels

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[23] Pew Research Center estimate from the March 2009 Current Population Survey, Annual Social and Economic Supplement.
[24] See Kochhar (2004).
[25] Among Hispanic heads of households, 9% had arrived in the U.S. since 2004. The shares among whites (1%) and blacks (3%) are much smaller.