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Executive Summary

Hispanic households have less than ten cents for every dollar in wealth owned by White households.* This situation is worse than just a few years ago as the net worth of Hispanics was higher in the years leading into the 2001 recession. The recession eroded over one-quarter of the value of Hispanic wealth between 1999 and 2001. Latinos recouped some of that loss in the following year but ended 2002 with less wealth than they had in 1999. A similar picture emerges for Black households in recent years. The differences are that the net worth of Blacks is even less than that of Hispanic households and that it fell by more from 1999 to 2002. At the same time, the wealth of White households continued to grow, albeit at a slower pace than before the recession.

A Pew Hispanic Center analysis of data from the Census Bureau finds that the 2001 recession and the jobless recovery that followed were much harder on the net worth of minority households. Large segments of Hispanic and Black households are extremely vulnerable to economic downturns since over one-quarter of them have zero or negative net worth. Also, more than one out of four Hispanic and Black households owns no assets other than a car or unsecured debt. Most Hispanics and Blacks fall into the lowest category of wealth and the size of their middle-class is relatively small in itself and in comparison to Whites. One result of this is that the wealthiest 25 percent of households own over 90 percent of the total wealth in the Hispanic and Black communities. But even the wealthiest five percent of Hispanic households have a net worth that is less than one-half of the net worth of comparably placed White households.

The wealth gap between White households on the one hand and Hispanic and Black households on the other is much higher than the difference in income across these groups. Even though the median income of Latino and Black households is two-thirds as high as that of White households their wealth is only one-tenth as much. The reasons for this disparity include the facts that minorities have more limited access to financial markets and face greater barriers to homeownership. The ownership of a home bears a strong relationship with the net worth of a household. Homeowners own more of other assets and have a huge advantage in net worth over renters and other households. Hispanic homeowners, in fact, have a net worth that is half as much as the wealth of non-Hispanic homeowners. But non-Hispanic households are much more likely to own homes and that creates an even bigger gulf in wealth across the two groups.

Compared to Whites, Hispanics are also relatively young, not as highly educated, concentrated in high cost regions, such as New York and California, where homeownership can be less attainable, and are much more likely to be immigrants. All of these factors contribute to lower levels of wealth but are also self-correcting to some extent. The wealth gap should shrink as the Latino population ages and acquires greater education, especially college degrees. The Hispanic population is also starting to penetrate into new settlement areas, such as Raleigh, Omaha and Nashville, with lower costs of living than the traditional areas of concentration, and this trend may help more Latino households become homeowners. As immigrants assimilate into labor and financial markets, their income and wealth rises naturally. Although the process of assimilation is not complete in the sense that it leads to wealth parity, it does eliminate much of the initial wealth gap between immigrants and native-born households.

The data from the Census Bureau enable the estimation of wealth maintained within the borders of the U.S. only. But, many immigrants, and especially Hispanics, display a strong propensity to send remittances to their source countries. Indeed, for many migrants the ability to support family members through remittances is an important motive for coming to the United States. Remittance flows to Latin American and Caribbean countries are presently estimated at more than \$30 billion per year. That

* The terms Latino and Hispanic are used interchangeably in this report. The terms White and Black refer to the non-Hispanic portions of those racial groups.

computes to over \$2,500 per year for each Hispanic household in the U.S. If that sum were saved and invested within the U.S. it would have a significant impact on the measured wealth of Hispanic households, even if it were not nearly enough to close the gap between them and non-Hispanic households.

Major findings of this report include:

- The median net worth of Hispanic households in 2002 was \$7,932. This was only nine percent of \$88,651, the median wealth of White households at the same time. The net worth of Black households was only \$5,988.
- Between 1999 and 2001, the net worth of Hispanic and Black households fell by 27 percent each. The net worth of White households increased by 2 percent.
- Twenty-six percent of Hispanic, 32 percent of Black and 13 percent of White households had zero or negative net worth in 2002. These proportions are essentially unchanged since 1996.
- Fifty-five to 60 percent of Hispanic and Black households had wealth less than one-fourth the national median level of wealth between 1996 and 2002. Fewer than 40 percent have middle-class levels of wealth and this proportion has not changed since 1996. Nearly 75 percent of White households have middle-class or higher levels of wealth.
- The wealthiest 25 percent of Hispanic and Black households own 93 percent of the total wealth of each group. Among White households, the top 25 percent own 79 percent of total wealth.
- The percentage of White households who owned homes in 2002 was 74.3 percent. The homeownership rates for Hispanic and Black households were 47.3 percent and 47.7 percent respectively.
- Financial market participation for Hispanic and Black households is well below the norm for White households. More than 25 percent of Latino and Black households, and only 6 percent of White households, own no assets other than a vehicle or unsecured liabilities.
- Home equity is a key component of household wealth and accounts for two-thirds of the mean net worth of Hispanic and Black households. The strength of the housing market in the recent economic slowdown eased the erosion in wealth of households which can be traced to the loss in value of financial assets.
- The median net worth of renters is only one percent of the level of net worth of homeowners.
- The net worth of immigrant households is only 37 percent of the net worth of native born households. Immigrants tend to be younger and less educated and their incomes are below average. Many are also in the early stages of assimilation.
- Hispanic immigrants from Central American and Caribbean countries had a net worth of only \$2,508 in 2002. Cuban immigrants led the way for first-generation Hispanics with a net worth of \$39,787. Mexican immigrants are in the middle with a net worth of \$7,602 in 2002.
- Immigrants, Hispanic and non-Hispanic, show initial signs of rapid assimilation into homeownership, but it takes about 20 years for the homeownership rate among immigrants to equal the rate among native-born households of the same ethnicity.

