EXAMINING THE RACIAL AND GENDER WEALTH GAP IN AMERICA

HEARING

BEFORE THE

SUBCOMMITTEE ON DIVERSITY AND INCLUSION

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

SEPTEMBER 24, 2019

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EXAMINING THE RACIAL AND GENDER WEALTH GAP IN AMERICA

Tuesday, September 24, 2019

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DIVERSITY
AND INCLUSION,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:07 p.m., in room 2128, Rayburn House Office Building, Hon. Joyce Beatty [chairwoman of the subcommittee] presiding.

Members present: Representatives Beatty, Clay, Green, Gottheimer, Gonzalez of Texas, Pressley, Adams, Dean, Garcia of Texas, Phillips; Wagner, Kustoff, Hollingsworth, Gonzalez of Ohio, Steil, and Gooden.

Ex officio present: Representatives Waters and McHenry.

Chairwoman BEATTY. The Subcommittee on Diversity and Inclusion will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Also, without objection, members of the full Financial Services Committee who are not members of this subcommittee are authorized to participate in today's hearing.

Today's hearing is entitled, "Examining the Racial and Gender Wealth Gap in America."

I now recognize myself for 4 minutes to give an opening statement.

Today's hearing is centered around a critical mission of why this subcommittee exists. The racial and gender wealth gap is real, unacceptable, and actually much larger than people think.

True wealth can be defined by adding up total assets including cash, retirement accounts, or your home, and then subtracting liabilities such as credit card debt, student loans, and mortgages, to reach your net worth.

But according to the United States Census Bureau, the median net worth of white households was $130,800, while the median net worth of Latino households was $17,530, and for Black households, it was $9,590.

For nearly all working families, the most powerful wealth-building tools are homeownership and retirement savings. However, due to structural racism, redlining practices, outright discrimination, disparities, and the list goes on, along with predatory lending practices that disproportionately affect women and communities of color, it has been more difficult for certain families to actually build wealth across multiple generations.

There is always talk about disparities in income between women and people of color as compared to their white peers, but socioeconomic differences do not explain away racial inequities.

Today's reality is that the homeownership rate for Black households today is the same as it was in 1967, when race-based discrimination in housing was legal and did not happen by accident. And we have all heard those stories. Racial and gender inequities are not caused by individual behavior, but steeped in systems and policies that perpetuate past injustices.

This subcommittee was founded to help leaders and Members of Congress confront the reality that our systems, our institutions, and our outcomes emanate from an unjust hierarchy on which the United States was built.

According to Richard Rothstein, who authored, "The Color of Law: A Forgotten History of How Our Government Segregated America," "We have created a caste system in this country with African Americans kept exploited and geographically separated by racial explicit government policies, and although most of these policies are now off the books, they have never been remedied and their effects endure."

So, for that reason, I am proud to have today's hearing to help identify an underlying issue that perpetuates the racial and gender wealth divide, and to help set the stage for bold, comprehensive solutions to this pressing problem facing the nation.

Barriers to wealth accumulation remain a growing issue facing our communities, in particular my constituents in the Third Congressional District of Ohio, and the nation at large. There is no one size that fits all. And I call on my colleagues within this committee to give this topic the full attention it deserves and to work together to implement multifaceted Federal policy solutions.

I reserve the balance of my time for the Chair of the full Financial Services Committee, Chairwoman Maxine Waters.

The Chair now recognizes the ranking member of ther subcommittee, Congresswoman Ann Wagner, for 5 minutes for her opening statement

Mrs. WAGNER. Madam Chairwoman, thank you so much for putting together this hearing today. It is a critical hearing as we direct congressional efforts towards addressing the racial and gender pay and wealth gaps.

In 1976, one in twenty women were the sole breadwinners in their households. By 2013, it was one in four. And today, women are the breadwinner or co-breadwinner in nearly two-thirds of families with children.

Given these substantial gains in the percentage of women participating in the workforce and growing our economy, we must ensure that women have equal access to opportunities to support their families, save for the future, and build assets.

The good news is that we have seen a tremendous improvement in how women are compensated in the past few decades. A 2018 pay scale study—which I would ask, Madam Chairwoman, that we submit for the record—

Chairwoman BEATTY. Without objection, it is so ordered.

Mrs. WAGNER. —comparing men and women with similar experience, industry and job level, found that women actually receive 98 cents for every dollar earned by men. This is fantastic progress. But there is still much to be done, particularly in addressing the wealth gap and the managers gap and ensuring that the American workforce is more flexible and family-friendly so that mothers can participate without facing unnecessary hurdles or sacrificing the well-being of their children, America's next generation.

As a working woman, I worked before, during, and after I had my children. I have always been a passionate defender of equal pay for equal work. And in order to close the pay gap and empower more women and people of color to be leaders in our workforce, I am a proud cosponsor of H.R. 1935, the Wage Equity Act.

This legislation would empower employees to utilize flexible work arrangements, proactively incentivize businesses to fix pay disparities, protect individuals in negotiating employment based upon merit, not salary history, target negotiation education for women, and protect employees in discussing their compensation with their colleagues.

In 2017, the U.S. Government Accountability Office (GAO) found that women are underrepresented in the financial services industry, especially in management.

In this industry, mathematicians, engineers, and physicists work alongside financiers and economists, but women receive far fewer degrees in math, statistics, computer science, and engineering, compared to men. The underrepresentation of women and minorities in well-paid Science, Technology, Engineering, and Math (STEM) careers is one of the underlying causes of the wealth gap.

Creating greater diversity in STEM education and doing it at an early age is critical, not only for improving opportunities for women and minorities in finance, but across all workforce sectors. It is key to sustaining robust economic growth in the United States.

That is why I sent a letter yesterday to the GAO—which I would like to submit for the record, Madam Chairwoman—

Chairwoman BEATTY. Without objection, it is so ordered.

Mrs. WAGNER. —requesting a study to assess how firms are supporting increased participation among women in STEM programs at the secondary, undergraduate, and graduate levels, and what best practices firms are using to recruit and retain women with STEM degrees. This study will help us continue to find solutions as we strengthen the U.S. financial services industry.

I thank you. And I will now yield the remainder of my time to the ranking member of the full Financial Services Committee, Ranking Member Patrick McHenry from North Carolina.

Mr. MCHENRY. I thank the ranking member, and I thank the chairwoman for holding this subcommittee hearing.

This subcommittee's principle is pretty simple: Every American should have full and equal access to the same economic opportunities. The data indicating that there are gender and racial wealth gaps tells us that that is not the case.

Financial firms and other companies of all types have recognized the negative consequences of the wealth gaps in this country. Firms are taking proactive steps to address the underlying conditions which result in women and minorities earning less, and thus saving less. Initiatives such as financial literacy training, and changes to family leave and childcare policies, that I have been supportive of, and pushes for higher participation in STEM programs have been effective, but we need to do more.

So, thank you for your participation, thank you for your initiatives, and we look forward to a good hearing.

Chairwoman BEATTY. Thank you.

Today, we welcome the testimony of a very diverse and distinguished panel of five witnesses. Thank you.

First, we welcome the testimony of Dedrick Asante-Muhammad, the chief of race, wealth, and community at the National Community Reinvestment Coalition (NCRC). He oversees the NCRC's fair housing, fair lending, and small-business programs. Prior to his role, he was the senior director of the economic department and executive director of the Financial Freedom Center.

Second, we welcome the testimony of Kilolo Kijakazi, who is an institute fellow at the Urban Institute. Ms. Kijakazi's research is focused on economic security, structural racism, and the racial wealth gap. She is the author of the book, "African-American Economic Development and Small Business Ownership." She is also an advisor for the Closing the Women's Wealth Gap Initiative, and was a member of the bipartisan Commission on Retirement Security and Personal Savings.

Third, we welcome the testimony of Dr. Mariko Pyle, a researcher and independent consultant specializing in external evaluation of grants that seek to increase faculty diversity and bring underrepresented groups into STEM. Dr. Pyle is a national expert on the wealth gap, especially gender and racial dimensions of wealth and equality. She is also a founding member of the Closing the Women's Wealth Gap Initiative, and a member of the Insight Center's Experts of Color Network.

Fourth, we welcome the testimony of Sally Krawcheck, who is the Chair of the Ellevest Network, a 135,000-strong global professional women's network. Ms. Krawcheck is the CEO and co-founder of Ellevest, a digitally first mission-driven investment platform for women.

Before launching Ellevest, Ms. Krawcheck built a successful career as the CEO of Merrill Lynch, Smith Barney, U.S. Trust, Citi Private Bank, and Sanford C. Bernstein. She was also chief financial officer for Citigroup.

And finally, we welcome the testimony of Dr. Lisa Cook, an associate professor in the Department of Economics at the James Madison College at Michigan State University. She served as president of the National Economic Association from 2015 to 2016, and currently serves as co-director of the American Economic Association Summer Training Program.

Prior to this academic appointment, and while on the faculty at Harvard University's Kennedy School of Government, she was also the deputy director for African Research and Programs at the Center for International Development at Harvard University. Wow!

The witnesses are reminded that their oral testimony will be limited to 5 minutes.

And without objection, your written statements will be made a part of the record.

The witnesses are reminded to turn on their microphones and abide by the three lights in front of you: Green means go, yellow means wrap up, and red means stop.

We are going to start with Ms. Kijakazi. And you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF KILOLO KIJAKAZI, INSTITUTE FELLOW, URBAN INSTITUTE

Ms. KIJAKAZI. Chairwoman Beatty, Ranking Member Wagner, and members of the subcommittee, thank you for inviting me to testify today.

The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

This hearing represents a critical step in work that has been done to bring the racial and gender wealth gaps to national attention.

My remarks will focus on three key points. First, the racial wealth gap is not the result of bad financial choices by people of color. It was created through structural racism. Second, to understand and effectively address the racial wealth gap, we need more expansive data collection that is federally funded. Third, the gap can be closed, but it will require bold equitable solutions that focus on policy change, not changing people's behavior.

The racial wealth gap is the difference in net worth between families of color and white families. The median wealth of white families in 2016 was 10 times the wealth of Black families, and 8 times the wealth of Latinx families.

Research demonstrates that the racial wealth gap was created by policies, programs, and institutional practices designed to facilitate wealth accumulation by white families, while impeding wealth-building by, or stripping wealth from, families of color.

These policies include human trafficking and bondage of people of African descent to build wealth for white people, followed by policies that restricted Black home and business ownership, employment, and educational opportunities. Latinx families experienced extensive land loss, especially during the Manifest Destiny period and displacement through deportation thereafter.

Native Americans lost much of their land and natural resources through wars, treaties, and forced displacement, including through the Homestead Act. Asian Americans faced special fees, taxes, and regulations that made them less competitive with white people, and Japanese Americans were interned during World War II, losing their freedom and their assets.

It was not until 1900 that all States passed legislation allowing women to control their property, and codified labor market discrimination existed into the 1970s. More recently, families of color were targeted for subprime mortgages, even when they qualified for prime loans, resulting in a loss of homeownership and equity.

The racial wealth gap persists even when Black families make all of the "right" choices. Black people with college degrees have less wealth than white high school dropouts. Black people who work full-time have less wealth than unemployed white people. Two-parent Black families have less wealth than single-parent white families.

The Ford Foundation funded the first research that was specifically designed to measure the racial wealth gap and to disaggregate the data not only by race and ethnicity but also by country of origin and Tribal affiliation. But the study was limited to 5 cities, for 1 year.

We need federally funded data collected periodically to better understand the drivers of the racial and gender wealth gaps and to inform policymakers. A possible solution is to expand the Federal Reserve Board's Survey of Consumer Finances.

The racial and gender wealth gaps are not unsolvable problems, but they require bold, equitable policy solutions to eliminate them.

"Baby bonds" are a bold solution proposed by Darrick Hamilton that would give all newborns a publicly funded endowment ranging from $500 to $60,000 based on the family's wealth. These bonds would be held by the Federal Government until the child becomes a young adult and can use them to pay for an asset like higher education or a home. One analysis showed that baby bonds nearly closed the racial wealth gap. The cost of baby bonds could be covered by a more equitable use of existing tax expenditures for asset building.

Over 70 percent of tax expenditures intended to help families build wealth go to the top 20 percent of income earners. A more equitable use of these tax subsidies would cover the cost of baby bonds.

So, in summary, wealth gaps are caused by discriminatory policies and practices.

Thank you.

[The prepared statement of Ms. Kijakazi can be found on page 105 of the appendix.]

Chairwoman BEATTY. Thank you so much, Ms. Kijakazi.

And now, I would like to recognize Mr. Asante-Muhammad for 5 minutes.

STATEMENT OF DEDRICK ASANTE-MUHAMMAD, CHIEF OF RACE, WEALTH, AND COMMUNITY, NATIONAL COMMUNITY REINVESTMENT COALITION (NCRC)

Mr. ASANTE-MUHAMMAD. Good afternoon, and thank you for inviting me here, as chief of race, wealth, and community at the National Community Reinvestment Coalition, to speak about the racial wealth divide and what must be done to address this critical issue.

NCRC was formed in 1990 and has grown into an association of more than 600 community-based organizations that promote access to essential banking services, affordable housing, entrepreneurship, job creation, and vibrant communities for America's working families.

Thanks to the groundbreaking work of colleagues like Dr. Kilolo Kijakazi and Dr. Mariko Chang Pyle, there is growing recognition of the ongoing challenge of a deep and too-often growing racial wealth divide.

As I often state, the foundation of racial inequality is racial economic inequality, and the foundation of racial economic inequality is racial wealth inequality.

As the country's demographics continue to change, the racial wealth divide is no longer primarily a challenge of disenfranchised minorities but rather a threat to the American middle class. As the report, "Dreams Deferred," notes, since the early 1980s, median wealth among Black and Latino families has been stuck at less than $10,000, while white household median wealth grew from about $105,000 to $140,000.

In spite of the growth of white wealth, national median wealth has slightly declined from about $84,000 to $82,000, showing how the racial wealth divide is weakening the American middle class as a whole.

Similar to the racial wealth divide, there has been ongoing racial inequality for the two largest assets in Americans' wealth portfolio: business ownership, and home ownership.

For the last 40 years, Black and Latino homeownership rates have stayed below 50 percent while white homeownership has remained at about 70 percent. In the second quarter of 2019, whites had a homeownership rate of 73 percent, with Latino homeownership at almost 47 percent, and Black homeownership near 41 percent.

In regard to business ownership, although 13 percent of the U.S. population is Black, only 10 percent of African Americans are businesses owners, and only 2 percent of businesses with employees are Black-owned. Hispanics comprise 17 percent of the population, but own only 6 percent of small businesses with employees.

As was done to jump-start the white American middle class, significant investment capital must be invested to build African-American, Latino, and Native-American wealth. The report, "Ten Solutions to Bridge the Racial Wealth Divide," reviews proposals to bridge racial and economic equality as a whole, and the racial wealth divide in particular.

This report was a collaboration between NCRC, the Kirwan Institute for the Study of Race and Ethnicity at the Ohio State University, and the Inequality Project of the Institute for Policy Studies. These proposals include "baby bonds", as was previously mentioned, similar to those in Senator Cory Bookers' 2018 bill, the American Opportunity Accounts Act.

We also propose a significant investment into affordable housing and homeownership, as exemplified in Senator Elizabeth Warren's American Housing and Economic Mobility Act, and Senator Bernie Sanders' Housing for All plan. Our paper also promotes the passage of H.R. 40, to establish a commission to study and develop reparation proposals for African Americans. Finally, improving data collection on race and wealth is another proposed solution.

NCRC strongly advocates for improving data collection in regards to the racial wealth divide, such as the full implementation of Section 1071 of the Dodd-Frank Act, which would require the CFPB to collect and disclose better data on loans made to minority, women-owned, and small businesses.

Similarly, NCRC advocates for the provisions of the previously mentioned American Housing and Economic Mobility Act that requires banks be examined where they are making a significant amount of retail loans outside the geographical area of bank branches and leveling the playing field for financial institutions by requiring nonbanks to be examined under the Community Reinvestment Act (CRA).

Bold policy proposals are needed to address the national crisis of racial wealth inequality, and we thank the House Financial Services Committee's Subcommittee on Diversity and Inclusion for the opportunity to discuss these necessary reforms.

[The prepared statement of Mr. Asante-Muhammad can be found on page 32 of the appendix.]

Chairwoman BEATTY. Thank you very much.

Ms. Pyle, you are now recognized for 5 minutes to give an oral presentation on your testimony.

STATEMENT OF MARIKO CHANG PYLE, RESEARCHER, AUTHOR, AND PRESIDENT, MARIKO CHANG CONSULTING, INC.

Ms. PYLE. Chairwoman Beatty, Ranking Member Wagner, and members of the subcommittee, my name is Mariko Chang Pyle, and I am a former associate professor of sociology at Harvard University, and I'm currently the president of Mariko Chang Consulting. I appreciate the opportunity to testify about the women's wealth gap.

The women's wealth gap not only impacts women, it affects men, families, and especially children. Two-thirds of mothers are the family breadwinners or co-breadwinners. About one quarter of children under age 18 live in a single-mother family. More than ever before, the economic security of families rests on women's shoulders.

Data from the 2013 Survey of Consumer Finances, provided by the Federal Reserve Board, revealed a significant wealth gap between single men and women during their prime working ages of 18 to 64. Single men, those who had never been married or were divorced or widowed, had a median wealth of $10,150. In comparison, single women owned $3,210. Expressed as a proportion, single women had 32 cents for every dollar of wealth owned by single men. These gaps remain when we take into consideration other factors that impact wealth such as age, income, and level of education.

And the wealth gap is magnified for women of color. Single Black women of prime working age have a median wealth of $200. And for single Hispanic women, it is $100, which amounts to less than a penny of wealth for every dollar owned by their single, white, non-Hispanic male counterparts.

Women of all races also experience a motherhood wealth penalty, with mothers possessing only 20 percent as much wealth as fathers. Again, this penalty is much greater for women of color. Black and Hispanic women with children under age 18 have a median wealth of zero, and $50, respectively. In contrast, single white men who are fathers have a median wealth of more than $41,000.

While wages no doubt contribute to wealth-building, they are not the sole determinant. To illustrate, never-married women working full-time have almost closed the wage gap, but they have only about one-third as much wealth as never-married men.

Closing the wage gap is insufficient for closing the wealth gap for two reasons. The first reason is that women bear a negative economic cost of parenthood. Mothers experience a wage penalty, and women are more likely to be single parents supporting more people on a single income. And two or more people cannot live as cheaply as one.

The second reason is that women lack full access to what I have termed the "wealth escalator." The wealth escalator is made up of mechanisms built into our current systems that help people turn their incomes into wealth more quickly. The wealth escalator consists of government benefits, such as Social Security; employer-related fringe benefits, such as paid sick days and contributions to retirement plans; and tax breaks that help people retain wealth.

Women, and especially women of color, lack full access to the wealth escalator because of the types of jobs they have, because they engage in caregiving, and because they have lower incomes. Women are also carrying more debt, which further restricts their ability to build wealth.

Differential access to the wealth escalator cements other inequities into place, magnifying the impact of the wage gap, the motherhood wealth penalty, and for women of color, the racial wealth gap.

To reduce the wealth gap, we need to focus on pay equity, but we must also expand access to the wealth escalator so it is more accessible to those of lower income, and so that caregivers are not penalized.

I will give three examples of ways this can be done. First, Social Security reforms could incorporate caregiver credits, so the years spent out of the labor market or working part-time for caregiving do not lower average retirement benefits. Second, access to paid family and medical leave is essential.

Third, if asset limits to qualify for public benefits are raised, or if certain types of assets, such as vehicles, are excluded from limits, these assets can help low-income women get back on their feet in times of temporary need rather than becoming an additional barrier to building wealth.

In summary, reducing the women's wealth gap is not only about addressing the wage gap. It requires a more comprehensive approach. Doing so is not only good for women, but it is essential for improving the well-being of children, families, and our nation.

I appreciate the opportunity to be here, and I welcome your questions.

[The prepared statement of Ms. Pyle can be found on page 34 of the appendix.]

Chairwoman BEATTY. Thank you very much.

Ms. Krawcheck, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF SALLY KRAWCHECK, CO-FOUNDER AND CHIEF EXECUTIVE OFFICER, ELLEVEST

Ms. KRAWCHECK. Thank you, and good afternoon to everyone.

Madam Chairwoman, ranking members, and members of the subcommittee, thank you for the invitation to testify on the state of the gender wealth divide in America today.

My passion for this topic was the result of a recognition a few years ago that the retirement savings gap, the retirement savings crisis in this country, can be looked at through the lens of gender.

Women today live 6 to 8 years longer than men; 75 percent-plus of women die single; and women retire with two-thirds the money of men, and less for women of color.

The wealth gap, as noted by this panel, is the result of many things: the gender and racial pay gap; the "pink tax"; the debt gap; the promotion gap; and the domestic work gap, among others. And I would add another one to it and to your wealth escalator, which is the gender-investing gap, in which women today keep 71 cents out of every dollar of their wealth in cash, more than men do, rather than invest it.

There are many structural reasons for this and much data showing this. I would like to address a couple of issues that aren't typically addressed in terms of the investment gap and the money gaps.

The first is, in our society today, boys and girls receive different messages about money. They receive them from childhood through adulthood. And so we, the genders, internalize different beliefs about and approaches to money. Research shows that young boys in our households today are told to go out and earn money, become a CEO. They are taught to invest, they see dad invest, and girls are taught to be careful, clip coupons, and save.

Boys today receive higher allowances for the same chores as girls, and boys today receive higher grades in math for the same answers as girls.

Later in life, as girls grow into young women, we tend to be patronized about money. Articles in women's magazines explain to us why budgeting is hard; websites tell us to take the quiz to see your money type; and entire books are written to guilt women into giving up the latte, with the off-basis premise that giving up these small luxuries will be the key to her financial security.

In contrast, young men are told to dare and grow their money.

So we women tend to, over the course of our lives, internalize that we are bad with money. In fact, it is today an attractive feminine characteristic in our society to be bad with money as a female. Is it any wonder, then, that we are less confident, and that money today for women is associated with loneliness and stress and isolation, not with power and independence?

The second issue relates to the representation of females in the money industry. In my old industry, the industry in which I spent more than 2½ decades on Wall Street, today: 86 percent of financial advisors are men, overwhelmingly white men; 90 percent of Wall Street traders are men; 90 percent of mutual fund managers are men; and 98 percent of mutual fund assets are managed by men. This, despite the fact that the research tells us that women are as good or better money managers than men.

But lest one miss the point, the industry symbol of Wall Street is a bull, a big, snorting, angry, anatomically correct, hypermasculine bull. And it isn't getting any better.

Instead, the diversity actually went backwards after the financial crisis. Again, even though research shows that women are as good or better investors, and even though the research points clearly to the superior performance of companies with diverse leadership teams—and by "superior performance," that includes lowering risk, which is something I think would be important for all of us to have done for Wall Street.

Given the skew in the industry that serves us all in the money industry, it should perhaps be no surprise that women today invest less than men do.

This gender wealth gap is important and is a ripple effect. For example, the power inequity that allows the harassment of the #MeToo movement is also a money inequity. I like to say that the amount of money that women historically could have earned from investing is "No More #MeToo" money; get-your-hand-off-my-leg money.

And so, getting more money in the hands of women and others is why we founded Ellevest. We built an investing algorithm that works to remove gender bias by adjusting for the fact that women live longer and our salaries peak sooner, and we work to be as accessible as possible, having very low investing minimums to make it accessible for more people. And we are among the most quickly of the digital investment platforms engaging with more money in a positive, nonpatronizing way.

Today, many women's primary emotions around money are shame and loneliness, but our research indicates that a key driver of a woman's confidence in achieving her future goals is whether they are actually investing and saving.

[The prepared statement of Ms. Krawcheck can be found on page 117 of the appendix.]

Chairwoman BEATTY. Thank you.

Dr. Cook, you are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF LISA COOK, PROFESSOR OF ECONOMICS, MICHIGAN STATE UNIVERSITY

Ms. COOK. Chairwoman Beatty, Ranking Member Wagner, and eminent members of this subcommittee, thank you for the opportunity to testify today about examining the racial and gender wealth gap in America.

First, 11 to 1: from the survey of consumer finances, this is the ratio of white median household net worth to Black median household net worth.

Second, 31,000 to 1: from the Federal Reserve Bank of Boston, Sandy Darity, Darrick Hamilton, and the co-authors of the "Color of Wealth in Boston" report, this is the ratio of white median household net worth to Black median household net worth in Boston.

Third, 50 to 1: from the Census Annual Survey of Entrepreneurs, this is the number of white to Black entrepreneurs in the United States.

In a widely covered speech on income and wealth inequality in 2014, then-Chair of the Federal Reserve, Janet Yellen, identified four pillars of opportunity or building blocks for the gains in income and wealth that most Americans hope are within reach of those who strive for them: resources available for children, including education; affordable higher education; business ownership; and inherited wealth. Given the data on entrepreneurship and net worth, it appears that the pathways to opportunity in America are blocked for many racial and ethnic minorities.

What we know from American economic history and current data is that laws, policies, institutions, and practices that impede opportunity have emerged, and these are diminishing their expected outcomes.

To quote the opening to the Roosevelt Institute's 2016 report, "Rewrite the Racial Rules: Building an Inclusive American Economy," until economic and social rules work for all, they are not working.

In the short time I have left, I would like to illustrate how this works through one of the critical inputs to economic growth, invention and innovation, the focus of my long-term research.

Despite major gains in the 1970s, women and African Americans remain underrepresented in the innovation economy. Allow me to start with a few basic facts about the innovation economy. In 2014, the median innovation worker earned $81,000 compared to $36,000 for all workers. In general, innovation economy jobs are growing faster than in other sectors, and employment rates are lower.

My research suggests that inequality exists at every stage in the innovation process for women and underrepresented minorities, that is, education, training, and commercialization of invention. I will review each in turn.

Education: In 1970, 9 percent of Ph.D.'s in science and engineering fields were awarded to women, and by 2014, it was 41.6 percent. In 1970, 1 percent of all science and engineering Ph.D.s went to African Americans. In 2014, the share that went to African Americans was 3.5 percent. The trends are similar for master's degrees and bachelor's degrees and are comparable through 2014.

What is preventing participation in STEM fields? We have some clues. The recent research of economist Dania Francis suggests that Black girls are disproportionately underrecommended for AP calculus classes by math teachers, and we know these classes are the pathways to STEM careers.

There is a lot more research that suggests that women in underrepresented minorities (UIRM), are interested in STEM, but are not consistently supported throughout their academic careers.

A second stage in participating in the innovation economy is to be actively engaged in invention. Although participation has increased at this critical training stage, in 2015, white women made up only 18 percent of scientists and engineers working in science and engineering occupations; African American women, 2 percent; and African American men, 3 percent.

Unemployment for underrepresented minority men at just above 4 percent is higher than for white and Asian men, and higher than the average for all scientists and engineers. The unemployment rate for African American women is higher than the unemployment rate overall, nearly double that of all scientists and engineers.

There are big divides with respect to patenting as well.

The third and final stage is the one where wealth is accumulated.

Finally, my co-author, Yanyan Yang, and I calculated that U.S. GDP per capita can be 0.6 percent to 4.4 percent higher if more women and African Americans participated at the beginning of the innovation process.

[The prepared statement of Dr. Cook can be found on page 94 of the appendix.]

Chairwoman BEATTY. Thank you.

And thank you to all of the witnesses.

I now yield myself 5 minutes for questions. I am going to try to get through several questions quickly.

The first question will go to Dr. Cook, Ms. Krawcheck, and Mr. Asante-Muhammad.

Evidence shows that an additional way or pathway to building wealth is through investments and in securities. Yet, Black families are less likely to own stock than white families, partly because Black families have less discretionary income, with little or none to invest.

Several of you mentioned my good friend, Darrick Hamilton, and the baby bonds issue. In 2014, President Obama established the My Retirement Accout (myRA) program to help low- and middle-income workers, regardless of color, who don't have access to, let's say, a 401(k) or a pension plan, to start saving for retirement. In 2017, the Trump Administration ended this program.

So, to the three of you, how could programs like myRA or other Federal saving programs help families invest comfortably to build a nest egg in the future?

Ms. COOK. I would just suggest that this program be reinstituted. It is not exactly my research, but I know the work of Darrick Hamilton and Sandy Darity—I used to be Sandy Darity's research assistant, so I am quite familiar with their research.

But I would say that this is urgent because we are starting from so far back that we are talking about Boston with a 30,000-to-1 net worth ratio, it is urgent that programs like this be reinstated.

Mr. ASANTE-MUHAMMAD. And I would add that I think, definitely, programs like myRA should be reinstated. We see the greatest wealth inequality happening in later years, but I think also additional programs—as was mentioned, for example, the baby bonds program—that provide investment opportunity and financial opportunities for people in their young adult lives are also essential.

And I will just finally note that—and I do believe that the main challenge around investment for African American and Latino families is not just lack of discretionary income, it is that deep asset poverty. If you are not a homeowner, it is kind of challenging to say, I am going to go invest in stocks, before you have even solidified your household by owning a house.

Chairwoman BEATTY. Okay. Thank you.

Anything you want to add, Ms. Krawcheck?

Ms. KRAWCHECK. Yes, I would agree with all of that. I think more avenues to tax-deferred retirement savings are important, taking care of the finances of the family, credit card debt, existing student loan debt, et cetera, which keep individuals from investing for retirement.

What we are trying to do at Ellevest for the private sector is keeping our minimums very low. High investment minimums, by their nature, really are sexist and racist at the end of the day, because if they are the ones who have the money and are able to overcome those high investment minimums, and working to keep it as plain-English, intuitive as possible, as opposed to—it is about reaching one's goals as opposed to buying this mutual fund or that stock.

Chairwoman BEATTY. And let me say, thank you.

Earlier, we were having a conversation, talking about disparities, and we were talking about algorithms. And it was quite interesting that I told the story, as an African-American female, that when I stick my hands under the water fountain, that is based on people being in trials, 9 out of 10 times the water does not come on, and somebody next to me will put their hands under there and the water would come on.

And so, when we talk about oftentimes people watching want to know, why do we always talk about race and ethnicity so much when we talk about disparities? And you finished the story for me. Do you want to say what you said with—

Ms. KRAWCHECK. What we were talking about earlier is just so much medical research was done on a white male's heart attack, and crash dummies are built in the image of a male, so, the investing industry, probably not surprisingly, is an industry that has really been built by and for men. It is probably no surprise that so much about investing reminds you of sports, buying low, selling high, et cetera.

Chairwoman BEATTY. Thank you.

My last question, because the time is—and Ms. Kijakazi and Ms. Pyle, we have a lot of young people sitting in the audience today.

And so, when I think about the future and I think about debt, I can't help but think about the student loan debt.

Can you share how that affects young people and millennials, who should be included in wanting to have a prosperous future?

Ms. KIJAKAZI. Debt definitely impacts the ability of a young person to accumulate wealth over their lifetime.

African American students are more likely to incur debt, which means that they have to delay when they are going to purchase a home, which means that the rate at which they can accumulate equity in their home is slower than that of white students. It absolutely affects how they can move forward in terms of asset accumulation.

So, going back to baby bonds, if they had that kind of endowment at the beginning of their young adulthood, they would be able to invest in higher education without incurring as much, if any, debt, if that is the choice that they made for using their investment.

Chairwoman BEATTY. Thank you. My time is up.

Ms. Pyle, we may be able to fit you in on someone else's question. But, thank you.

I now yield 5 minutes for questioning to the ranking member of the subcommittee, Congresswoman Wagner.

Mrs. WAGNER. Thank you, Chairwoman Beatty.

Studies have shown that when children are introduced to opportunities in different professions at a young age, they are more likely to enter those fields.

Dr. Cook, because I know you have done research on this—and I was stunned to hear about the underrecommended for AP courses for people of color and oftentimes young girls are seeing.

What efforts are proactive companies undertaking to increase the number of women and minorities earning degrees in STEM programs? And what more can be done to increase that number, in your estimation?

Ms. COOK. Thank you for your question.

I happen to be the director of the American Economic Association's summer programs. Economics is a STEM field, and they come to Michigan State University. This is supported by the National Science Foundation. This is intensive mentoring. And it is intensive in the sense that I tell them all the time, "You belong here."

Mrs. WAGNER. At what age do you start?

Ms. COOK. This is for undergraduates. This is to encourage underrepresented minorities to do Ph.D.s in economics.

Mrs. WAGNER. Okay.

Ms. COOK. And one thing they have always been told, many times throughout their educational career, is that they don't belong there. They don't belong in higher-level math courses, they don't belong in economics classes, in econometrics classes, in data science classes, in AI classes, for example.

So, a lot of this has to do with mentoring, and that is what I do in this 2-month-long course. And I think most programs that are similar to it have a similar focus. And they also focus on different pathways to these careers.

One that I would suggest, in addition to my own, is going to the Lemelson Center for the Study of Invention and Innovation at the National Museum of American History, to Spark!Lab, where children can go through the steps—there are about eight steps related to invention and innovation, and the last thing they do is develop innovation.

So I think you are exactly right, in terms of the beginning of your statement. The earlier the exposure—Raj Chetty and his coauthors have work showing that children who are exposed to invention early have much better life outcomes, and they accumulate wealth. There are many outcomes that are better. So, I think that is perceptive.

Mrs. WAGNER. Thank you.

Diversity and inclusion are two distinct but equally important factors with respect to hiring and retaining a diverse workforce.

Dr. Cook, research has shown that recruitment efforts are only effective for increasing overall diversity when the company's culture is such that women and minorities want to stay. What strategies have you seen as effective for creating a more inclusive workspace?

Ms. COOK. I am glad you asked.

I think one of the biggest problems with respect to invention and innovation, if we are just talking about one sector of the economy, is workplace climate. You mentioned making workplaces more friendly for women. I interview entrepreneurs and tech firms every October, and one thing that I find is that women are kept out of a lot of the project management, a lot of the projects, because they have to go home and take care of children, for example. They have household duties. And the men on those teams tell me that they get punished—they see it, and they get punished. It might be implicit, but they get punished for not being there. So changing workplace climate, I think, is critical.

Mrs. WAGNER. Flexibility is absolutely key, workplace flexibility without there being repercussions because of that.

I read your issue brief published in the Washington Center for Equitable Growth in July. And one topic that you discussed related to retention within STEM participation is the peer effects in doctoral STEM programs. You touched on it a little bit and how these efforts can impact whether women graduate within 6 years or potentially leave after the first year of a Ph.D. program.

Can you elaborate briefly—we are going to run out of time—on these efforts and how we can improve this retention?

Ms. COOK. One key thing with respect to science and engineering programs—and I will include economics in that—is that you can't just admit one woman into each cohort, because what you do is, allow them to be isolated. And if there are no women faculty—and that is true for many economics departments—you don't have the kind of mentorship or even role modeling that you need. So it is not only getting more in; it is getting them seen by others.

Mrs. WAGNER. It goes back to the whole concept of not just diversity but inclusion and acceptance.

I have run out of time, and I have to run to the Floor, Madam Chairwoman, to give a Floor speech. I believe Mr. Gonzalez will be taking my seat, and then I will come back. I have more questions. I yield back.

Thank you all very, very much.

Chairwoman BEATTY. Thank you very much.

The Chair now recognizes the gentleman from Missouri, Congressman Clay, who is also the Chair of our Subcommittee on Housing, Community Development, and Insurance.

You are now recognized for 5 minutes.

Mr. CLAY. Thank you, Madam Chairwoman, and thank you for holding this hearing. And thank the panelists for your participation today.

Let me start with Ms. Pyle.

I recently hosted a panel on the racial wealth gap. One of the panelists held the belief that we cannot discuss closing the wealth gap without acknowledging that middle- and upper-class Black families have lost and are still losing wealth due to the segregation and denied benefits of African Americans.

What do you think about that, and what are some solutions to amend these actions?

Ms. PYLE. I see the racial and the gender wealth gaps as intricately interconnected. They have distinct components, but yet there are very similar structural causes that continue to exacerbate existing inequities. So, I feel that we can't talk about one without talking about the other.

Women of color are experiencing both gaps. And actually, I argue that you cannot close the racial wealth gap unless you also close the gender wealth gap. Because women of color are more likely to be single, they are more likely to be raising the next generation, and so the two are intricately related.

Mr. CLAY. Thank you.

Mr. Asante-Muhammad, how do we close the racial wealth gap, in your opinion?

Mr. ASANTE-MUHAMMAD. As mentioned, we helped produce a report entitled, "Ten Solutions to Bridge the Racial Wealth Divide." And I think, what is very helpful in looking at inequality in the frame of wealth is that wealth helps us see the kind of multifaceted aspect, that it is not just getting the person into the right education program; it is not just household composition, because with all of these things, we still see deep wealth inequality. And that is because, again, wealth is an economic indicator that kind of factors in over generations.

So, if we are going to address this issue, it is going to have to be kind of a comprehensive program to deal with these issues, things like, again, as mentioned, baby bonds, and full employment. I think one of the most important things government can do is make sure there is good, adequate information and understanding of our economic data in a racialized way.

Mr. CLAY. One of the other topics of discussion among the panelists and audience—and I am curious to hear your view—was of reparations and its role in closing the wealth gap.

Do you have a view on reparations?

Mr. ASANTE-MUHAMMAD. Yes, I do. I believe reparations for African Americans, and separatereparations for Native Americans are essential. I think it is an important component of bridging racial wealth equality, and it is an important component of this country moving forward in terms of racial justice.

I will make a note, though, that I think in a very regressive economy like we have today, even with a strong reparations program, we still could have ongoing racial wealth inequality. We need reparations and comprehensive progressive policy to actually help make sure we have more equity. Reparations alone won't do it, but it is definitely an essential step, I believe.

Mr. CLAY. Thank you for that response.

Dr. Cook, what kind of solutions would you offer for closing the racial wealth gap? And are reparations included in any of those equations?

Ms. COOK. I haven't studied many of the proposals for reparations closely. But I agree with what my colleague just said, that it can't be just money; it has to be reducing these barriers to participation in the economy.

But one solution that I would suggest would be to augment community development financial institutions (CDFIs) that are particularly focused on closing the racial wealth gap. For example, Rende Progress Capital, in Grand Rapids, Michigan, is specifically focused on closing the racial wealth gap.

They look at projects that have positive externalities for the community. They are profit-maximizing, but some of these would get overlooked by traditional credit committees when they were put forward. This is a less-than-2-year-old business, and I think that it has the right kind of focus on addressing the racial wealth gap. And I think there can be more of those. Those can be encouraged.

Mr. CLAY. And with closing the homeownership gap, to help families build equity and build investment.

Ms. COOK. Absolutely. Entrepreneurship is a pathway to inherited wealth, for example. Homeownership—if we had the same conditions that we had pre-2008, I would not want homeownership. I would want—well, okay, I wouldn't want business ownership either. But I try to address broadly the conditions that are associated with financial crises.

But I would say that the path to inherited wealth is entrepreneurship, not just homeownership, because lots of African American families and Hispanic families lost their entire intergenerational wealth in one home.

Mr. CLAY. Because they were steered into toxic mortgages.

Ms. COOK. Absolutely.

Mr. CLAY. I yield back. Thank you.

Chairwoman BEATTY. I now recognize the gentleman from Indiana, Congressman Hollingsworth, for 5 minutes.

Mr. HOLLINGSWORTH. Good afternoon. I am excited to see such a great panel, and I really appreciate the Chair and the Majority holding this very important hearing.

This is a discussion that needs to be ongoing. I know much research has been dedicated to this area, and I really appreciate the work that everybody on the panel has done and all the conversation thus far.

I was having a debate with a far-more-intelligent friend of mine a few months ago, and he was chastising me and maybe chiding the whole system a little bit in that we in public policy too frequently ask the question of, what has gone wrong, instead of asking a more thoughtful question about what went right in individual cases where something went well for either an individual, a group of individuals, or the country overall.

And his point was that there are a lot of ways that things can go wrong, a lot of places where people can get stuck in an exit or an off-ramp from a pathway to success. But typically, a lot of things have to go right in order for an individual to break free and get to that success, get to their American Dream. Kind of that old Tolstoy principle: "Happy families are all alike; every unhappy family is unhappy in its own way." And his point was we should find what works and extrapolate from that, and that microcosm, that smaller setting, instead of talking about grand, broad, sweeping policies that are based on research, based on theory, but might not pan out in practice.

So I wondered if each of you might talk a little bit about a specific example, maybe a program, maybe a group or community that came together and was able to break through some of these barriers, and was able to get people to success because I, like you, share that passion and that crusade to make sure every American, no matter their ZIP Code, no matter the color of their skin, has the opportunity to be able to hope for a brighter and better future.

So, I wonder if each of you might talk a little bit about that?

Ms. KIJAKAZI. I would say, an initiative that worke was children's savings accounts, which was proposed by Michael Sherraden, and he really shifted our focus from just income to recognizing the importance of asset accumulation.

Mr. HOLLINGSWORTH. These have been implemented?

Ms. KIJAKAZI. Yes. There was a demonstration of children's savings accounts which demonstrated that low-income households—and the test was with low-income households—do save and invest. The issue is that we cannot save our way out of the racial wealth gap because it was not created as a result of people not saving. It was created as a result of structural racism, discriminatory policies and practices.

Mr. HOLLINGSWORTH. Okay. What are some—

Ms. KIJAKAZI. What we need—

Mr. HOLLINGSWORTH. Reclaiming my time, what are some of the examples—that is a great example, and I appreciate you bringing that up. What are some other examples of practices that have worked and perhaps fully closed the gap or helped individuals get to a better place in their own lives?

Ms. KIJAKAZI. The proposal of baby bonds has not been tested—

Mr. HOLLINGSWORTH. Correct.

Ms. KIJAKAZI. —but has been analyzed, and the determination was that it would almost close the wealth gap.

Mr. HOLLINGSWORTH. Yes, a lot of theories.

Yes, please, anybody?

Mr. ASANTE-MUHAMMAD. Yes, sir. One thing that has historically really moved millions of people forward and really created the white American middle class was the policies of the 1940s and 1950s that created massive subsidies in homeownership, massive subsidies in education.

I think most of us who study racial wealth inequality recognize that disenfranchised minorities were not included in that massive initial investment, so we need that once again, but for the first time to be inclusive. So I think that is a historic example of what can really move people forward and create a strong, secure economic security.

I will also just put forward a more specific example. I have been in much conversation with the Association for Financial Planners, and one big challenge we have seen is that most financial education—as was mentioned by a colleague—has not been designed to really deal with the depth of racial wealth inequality.

They make basic assumptions about middle income, high income, and assign a wealth value that Blacks and Latinos, even of the same income, are never there. So we have seen some success in better being able to work with households of color by actually factoring racial wealth inequality into their financial planning.

Mr. HOLLINGSWORTH. Ms. Krawcheck, I have been a big fan of your career and followed you closely, and I really appreciate some of the work that you have done, especially with this new venture.

I heard something that you said earlier which I found very interesting, that high minimums are inherently racist and sexist. That is something I know this committee, and specifically the Minority has been really, really focused on is, how do we lower some of the regulatory burdens that hold firms to these higher levels of investment, because they are holding people back and keeping people out of the system that we otherwise want in the system?

I know something that the ranking member, whom I know had to step out, has been really passionate about is making sure that we have a thoughtful best interest policy coming out of the SEC so that we can enable and empower those with more moderate means to also get the advantages of financial planners.

So, I appreciate the work that you have done in this area to ensure that everyone has a financial planner that they can help rely on, not just a robo-planner. Thank you so much.

Ms. KRAWCHECK. Thank you.

Mr. HOLLINGSWORTH. I yield back.

Chairwoman BEATTY. Thank you.

The Chair now recognizes the gentlewoman from Massachusetts, Congresswoman Pressley, for 5 minutes.

Ms. PRESSLEY. Thank you, Madam Chairwoman. And thank you, Chairwoman Waters, for creating this subcommittee. And thank you, Chairwoman Beatty, for your continued leadership in this space.

And I thank all of you for not only coming here today to testify, but for what you are doing each and every day. We are certainly grateful for your counsel and your expertise and your presentation today. And I apologize that I had to step out for a moment. I am working with some restaurant workers to eliminate the subminimum wage, which in many ways, given who represents that workforce, contributes to the very issue we are discussing today.

But over the past 4 decades, wealth and income inequality has skyrocketed. Nearly half of all wealth grown since 1986, as you well know, has gone to the top 1 percent of our households, while the top 1 percent controls 42 percent of the nation's wealth. The wealth held by the bottom 90 percent of Americans is rapidly shrinking.

You have spoken about my district already, some of you, in your testimony here today. The Massachusetts Seventh Congressional District, which includes Boston, is one of the most diverse and unequal districts in the nation. White households have a net worth of $247,500, while Black households have a median net worth of just $8. Yes, you heard that correctly, and it always bears repeating because it is a sobering and devastating confirmation of the work that we have to do.

Now, none of this happens in a vacuum. This reality is as much an indictment of our inaction as it is of the Federal Government's role in selectively facilitating the wealth-building of some while actively excluding others.

But we are not here today just to double down on the problem; we are here to be prescriptive and solution-focused. And many of you have referenced the bicameral legislation that I have introduced in partnership with Senator Cory Booker, on baby bonds.

And so I just wanted to just do a little bit of a deeper dive on that. There are some who would dismiss this baby bonds bill as another radical proposal. The legislation is simple: Upon birth, every child is given a seed savings account with annual contributions from the Federal Government until that child turns 18, and a stable 3 percent return. By their 18th birthday, children from the poorest families would receive up to $47,000. That is money towards tuition, a down payment on a home, or an investment in a small business.

Again, some think this is radical. But in my district—where median household income drops by $50,000 in a 3-mile radius, and life expectancy by 30 years—we do need to be doing something radical and bold to address that.

So would anyone on the panel wish to speak more to the scale of our nation's wealth inequality and whether or not baby bonds are a measure proportionate to the problem?

Ms. KIJAKAZI. Given the inequitable policies that have caused the racial and gender wealth gaps and the magnitude that you indicated, you call it radical, I call it bold solutions are needed, and baby bonds represent one of those bold solutions.

You mentioned the data from Boston. That data was gathered by Darrick Hamilton and Sandy Darity with the data collection effort that was funded by the Ford Foundation that I referenced. It is information like that that lets us know just how great this problem is and that there is a strong need to do something about that.

And I know that Darrick feels that the forming of your bill has improved on his concept by adjusting annually the amount that would be contributed to the endowment. So it is contributing to helping to, one, enlighten us about what is needed. We need additional data. I argue that additional data is important. And your bill asks for the Comptroller General to gather more information about providing additional information on the wealth of families, and I think that is only beneficial.

Ms. PRESSLEY. Thank you.

Mr. Asante-Muhammad, again, since we arrived here because of policy, the path forward is going to require policy. So, in my remaining time here, do you mind just ticking off again the litany of legislative solutions that you are supportive of, because you did include baby bonds in that?

Mr. ASANTE-MUHAMMAD. Yes. I think, again, one of the most important things about the baby bonds proposal is that it is sustained long-term investment into households, because the racial wealth divide is so deep that, unless it is 20 years or longer, having that type of investment won't deal with this massive effect of racial wealth inequality.

But we also have things like full employment with a high minimum wage, as you noted you are fighting for with restaurant workers. We also have noted Medicare for all because medical cost is a number-one source for bankruptcy.

We also, again, have—collecting data and making sure that there is actually a racial wealth divide audit of our policies, because we can look at our policies and have an understanding of who it is going to benefit more and whether it is going to increase the racial wealth divide or bridge it.

Ms. PRESSLEY. And H.R. 40, and Senator Warren's bill, you also support? Okay.

Mr. ASANTE-MUHAMMAD. You know my 10 solutions better than I do, yes, ma'am.

Ms. PRESSLEY. Okay. All right.

Thank you. I yield back.

Chairwoman BEATTY. Thank you.

The Chair now recognizes the gentleman from Wisconsin, Mr. Steil, for 5 minutes.

Mr. STEIL. Thank you, Madam Chairwoman, and thank you for holding today's hearing on a critical topic.

I want to dive in a little bit on the education side, if I can. I want to look at it from a couple of different angles, from college and Ph.D., and K–12.

Dr. Cook, in your issue brief, you mainly discussed the relationship between low female and minority participation in STEM Ph.D. programs and these groups' comparatively low rates of patents and inventions.

While it is clearly an important area for us to focus on, I think there are many well-paying jobs that require STEM skills that can be obtained with 2-year technical college degrees. This is especially true in my home State of Wisconsin, where advanced manufacturing and skills trade jobs can secure workers a place in the middle class.

Can you comment a little bit on what role a 2-year technical college education can play in addressing gender and minority disparities in STEM career participation?

Ms. COOK. Sure, I can say something about that. One thing that I want to stress is that, while I was giving data on Ph.D. attainment, that was just signaling. A lot of the jobs in the innovation economy require 2-year degrees, and they require specialization. Their programs, as in Massachusetts, at UMass Law, that focus on, say, advanced manufacturing, and those degrees are 2-year, 4-year, and so on.

We have to have a workforce that is adequately prepared, and sometimes that is not always a bachelor's degree. So we have to be prepared any way we can be prepared, but that sputnik moment still has to come no matter whether it is a 2-year degree or a 4-year degree or a 6-year degree or a 10-year degree.

Mr. STEIL. Thank you. I am going to go backwards in progression. I want to dive into K–12 here just a little bit with you, if I can. I look at the legacy of discrimination and how that plays a role in young students' trajectories through school and into the workforce.

Providing kids with this exposure to STEM education, informing them about the career opportunities that are there, and ultimately chipping away at some of the empirical data that we have in front of us, that leaves a lot to be desired.

As I look at this, I think there is a lot of kids who are locked into schools that don't provide them with the opportunities that can put them on that path to a better life. And in particular, I look at school choice and some of the innovative K through 12 programs that exist in the State of Wisconsin and how school choice is giving, and particularly, underrepresented minorities an opportunity to obtain an education that is not locked into their specific ZIP code, giving them the opportunity to live out a broader American Dream.

Could you comment if any of your research has looked into school choice, in particular as it would impact underrepresented minorities pursuing a career in the STEM field?

Ms. COOK. My research hasn't touched on that. I know that the evidence is fairly mixed with respect to school choice. But there are a lot of things that can be done right now that don't involve sort of grand plans related to, say, school choice on that level.

If we just had lanes and stores where there weren't all of the cool toys, scientific toys associated with boys rather than with girls, and all of the pink things, fluffy and uninteresting things related to girls, and all of the ones related to Star Trek related to boys, there are simple things that could be done, or going to Spark!Lab at the Lemelson Center at the Smithsonian.

There are simple things that can be done that don't require much money. The next time you run into Party Center, ask someone why all the rockets are over there in the boys' center.

Mr. STEIL. And I am not doubting that there is not—I think a lot of the things that we have brought up here today are actually really informative and helpful to think about. I do think that there could be additional research, in particular as to the impact the school choice could have, in particular for underrepresented minorities to be able to obtain that early education to get them on the track early.

I have had the opportunity to see that firsthand in southeast Wisconsin, in the community of Racine and other areas in our State, where I believe school choice has given individuals who are from areas where maybe their local school isn't the right fit for them, an opportunity and a helping hand up, and I think that could be uniquely impactful. And so as we go forward, I hope that is an area we can continue to explore.

I appreciate everybody being here, I appreciate the hearing, and I yield back.

Chairwoman BEATTY. Thank you.

The Chair now recognizes the gentlewoman from North Carolina, Ms. Adams, for 5 minutes.

Ms. ADAMS. Thank you, Madam Chairwoman, and thank you for convening this hearing. It is a topic that we need to be talking about. I want to thank all of the witnesses for being here.

Many of us here have been shouting about, fighting for, and researching these issues for decades, and so having this conversation with this focus is long overdue. Let me just get right to my questions.

Ms. Cook, in what ways have local and Federal policies created the racial and gender wealth gaps, and what are some of your proposed solutions?

Ms. COOK. I can give one example with respect to Federal policy. The intentional destruction of Black neighborhoods with revitalization cannot be understated.

One of the things that we know about patent teams—and I will get to my argument quickly. This won't take long—the highest number, the peak year for patenting for African Americans was 1899. There is still a median size of a patent team with African Americans on it of one.

What you did was to break all of these social networks that African Americans had. These were independent inventors. They interacted with inventors. And what you did with revitalization, what happened with revitalization was that these communities were further separated from businesses, from economic activity. So that is one policy. African Americans not being able to take full advantage of the GI bill, that is another policy. These are broad policies, but they are everywhere. They are not in just one place.

Were you asking me for recommendations, or were you asking me just to name some of those policies?

Ms. ADAMS. Well, recommendations.

Ms. COOK. Okay, recommendations. I mentioned CDFIs. But also, again, this is from my research, the Small Business Innovation Research (SBIR), and the Small Business Technology Transfer (STTR) programs have been effective in bringing new invention and innovation to the fore. That is something that can be pushed more, and there can be more outreach and engagement with respect to women.

I thank you all for passing the SUCCESS (the Study of Underrepresented Classes Chasing Engineering and Science Success) Act, which was based on my research, from my reading of it. And the IDEA (Individuals with Disabilities Education) Act is before you now. Those can encourage innovation by women and underrepresented minorities simply by counting them. That is an important part of it.

And I would say that more support for programs like my own, the American Economic Association Summer Program, that provide mentoring and provide training with respect to STEM fields, I think, would be very useful, but that is long term.

Ms. ADAMS. Thank you very much.

Ms. Krawcheck, what is your opinion on the current corporate efforts towards closing their own gender pay gaps? We know that there is not a lot of transparency there. I am curious about what you think.

Ms. KRAWCHECK. The research tells us that the gender pay gaps are decades away from closing for white women; 100-plus years for Black women; and 200-plus years for Latinx women, which is very little progress.

Companies today tend to double down on what they have been doing in order to close it, active inertia, in which they just do the things they have been doing that haven't been working and just continue to do more of it. Where it has been successful is where CEOs like a Marc Benioff at Salesforce have simply decided to close the gender pay gap and have just done it.

Ms. ADAMS. Okay. So does any other witness have a solution for encouraging companies to become more transparent about racial and gender compensation data? Because oftentimes, they don't know what that is.

Ms. PYLE. I think transparency in wages and salary is absolutely essential for closing all of these gaps. People often don't know how much the person sitting next to them doing the same job is earning. I think people should be able to freely discuss their pay with each other.

I think that the average pay for workers by gender and by race and ethnicity at certain categories should be publicly available, not by individual names necessarily but by categories, so that people have a better sense of where they fall along the continuum. But that transparency is absolutely essential.

Ms. ADAMS. Okay. Does anyone else want to add something?

Mr. ASANTE-MUHAMMAD. I will just put forward that I think companies need to boldly name these challenges. JPMorgan Chase recently created the Advancing Black Pathways program, that is focusing on a multitude of levels of one having much more clear data on how African Americans are doing in their company, doing mentorship, doing direct outreach. So, I think those types of bold policy programs are required in a corporate sector.

Ms. ADAMS. Thank you very much.

Madam Chairwoman, I am going to yield back my time.

Chairwoman BEATTY. Thank you.

The Chair now recognizes the gentleman from Ohio, Mr. Gonzalez, for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman, for leading this important hearing, and thank you, everybody, for your participation.

The data is clear and overwhelming, and I, for one, am thrilled that we are starting to have serious conversations about what the drivers are and how we can fix this. We may have different answers ultimately, but the fact that the conversations are taking place in a serious manner, I think is really important, and so I just want to thank you all for all your contributions today and in general.

One area that I would like to focus on with respect to wealth inequality is borrowing costs and lending costs. The reality is, if you are borrowing at a 5-percent rate, a 4-percent rate, or a 3-percent rate, compounding capital and building wealth can occur. If you are disconnected from that environment, it can be awfully difficult if your rates are 10, 20, or 100 percent. Warren Buffett can't build wealth that way.

So I guess with that, I will start with Dr. Pyle. Specifically, in your testimony, you discuss how women are more likely to receive high-cost loans such as subprime home loans. How could the use of financial technology help address this problem by providing more access to credit? And I know we have some issues there too, but I just want to talk about the opportunity.

Ms. PYLE. I think, given appropriate financial information and education, women are extremely savvy financial decision-makers. I think that they were unfairly targeted, and at the same levels of credit score and repayment ability they were targeted with much higher interest rates, and this really undercut their ability to build wealth.

I think there are a lot of opportunities out there for products and for services for women to really help close that gap. And I think it is absolutely, absolutely essential because wealth is not just about how much you are earning in terms of interest; it is how much you are not paying in these other types of fees and interest rates.

So I feel that women are really savvy, but they need a little bit more information and a little bit more transparency in the products that are being offered to them.

Mr. GONZALEZ OF OHIO. Great. And I think that is one of the great promises about technology. Technology—I think people have ascribed value to it, but I think it is value- neutral. It depends on how you apply it. And in this instance, I think it creates some really exciting opportunities.

Dr. Cook, in your report you discuss how mentorships can be a valuable tool for retention within the STEM fields. Can you give some specific examples, kind of to Representative Hollingsworth's questions earlier? What specific examples have you seen that have worked really well?

Ms. COOK. One example that comes up in my research is that of James West at AT&T. He mentored at least two generations of Ph.D. students who were at AT&T, and AT&T used to have one of the most sweeping programs for Ph.D. students, for undergraduate and Ph.D. students promoting equity, so lots of women, and lots of underrepresented minorities.

And he had a distinguished career of invention and including those students on patent teams, for example. So this is where a lot of women and underrepresented minorities get excluded.

My research shows that single-sex teams are less productive than coed teams, patent teams. So we are leaving a lot of money on the table if we have either single-sex male or single-sex female patent teams. So that is a sort of concrete way in which there can be changes made in patenting.

Mr. GONZALEZ OF OHIO. That makes a lot of sense. Thank you for sharing that.

And then, Dr. Pyle, I was looking through your testimony, and you provide the mean and median wealth for couples, single men, and single women. And there is obviously a huge gap between single males and single females: $10,000 in median wealth for single males versus $3,200 for single females.

What I believe is that the bigger gap, or the one that I really wish we could solve, is the couples one. So the couples, $78,000. And when I say that, what I mean is this: I believe one of the main drivers to a lot of the problems we have in our society today is the breakdown of the family. I think we have seen that across ethnic minorities, but also across the entire society.

And this is why I think this is so important. We know that one of the biggest drivers to family breakdown is financial stress. And so, if we get this right and we find ways to be more inclusive in the financial system, my hope is that what we will see is a world where we have more families forming and staying together, because it is my belief that if we truly want to rebuild this country, we have to rebuild our families.

And with that, I yield back.

Chairwoman BEATTY. Thank you.

The Chair now recognizes the gentlewoman from Texas, Ms. Garcia, for 5 minutes.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman. And thank you for holding this hearing on such an important topic to many of us, and it is not just to some of us who may be women or may be minorities, but really it does impact all of us and, more importantly, the nation's economy.

I want to thank all of the panel members today. And, quite frankly, Madam Chairwoman, I don't know about you, but I am still trying to digest the last statement that Ms. Krawcheck made—it will take Latinas 200 years to catch up? And African Americans, 100 years? Madam Chairwoman, I don't think we are going to be around to make any of those rewards or gains or whatever that might be.

I am just completely astounded by that. I knew it was bad, but, quite frankly, until you see the numbers, you really don't get the message about how bad it is. And I know there seems sometimes a narrative that, well, it is all individual choice, if the individual just took responsibility, if they just decided to do what they could.

But the reality is that, even though we can say that we should make opportunities so that no one, no matter what their ZIP Code, that they can achieve, the reality is that your ZIP Code makes a big difference, doesn't it?

Because what we are faced with is not something that can be fixed overnight or that one law or two laws can pass and we fix it. It is the infrastructure. It is all of the things together that have existed, not just today but many years ago, and have been building and building.

So I am just somewhat perplexed trying to figure out, of all the things all of you all have mentioned—because all of those are great policy interventions, but we have done some of that already. And in Texas, we have this saying that you can take the horse to the water, but you can't make the horse drink the water.

So my question to you is, with which of these policies can we get that horse to drink the water, not only to see that there is a CRA and there are housing incentives, that there is equal pay for equal work, how do we get that damn horse to drink the water and really get engaged and buy-in? And quickly, everybody, I think we have maybe less than a minute for each of you.

Ms. KIJAKAZI. Thank you. I think that it takes a package of policies to dismantle the structural racism that exists. So it is not just one policy, and perhaps it didn't work because one policy was tried at a time, but the combination or a package of change in policies that are intended to change.

Ms. GARCIA OF TEXAS. Great.

Mr. Asante-Muhammad?

Mr. ASANTE-MUHAMMAD. Yes. And to take your analogy, I don't think the issue so much—I am not exactly sure who is the horse and what is the water, but I don't think so much the analogy is that the horse isn't taking the water, meaning communities of colors aren't willing to take the investments needed to actually create a stable middle-class economy for themselves. It is that the country has never provided water to these communities that would allow this type of stability.

And so, again, for the first time, we have to do a massive middle-class investment that was done for white America in the 1930s, 1940s, and 1950s, but has never been done for disenfranchised minorities.

Ms. GARCIA OF TEXAS. Okay.

Ms. Pyle?

Ms. PYLE. I took the horse-and-water analogy a little bit differently, talking about how leaders could come together and drink the water.

Ms. GARCIA OF TEXAS. And the institutions, the banks can really embrace and take ownership and really do something with the Community Reinvestment Act. Housing developers can really take the housing incentives and other tools to really build communities for lower, affordable housing, et cetera. We can put it there, but they may not do it. They don't do it.

Ms. PYLE. I think what we have to realize is that these are not just policies that benefit a small subset of the population. These are policies and these are actions that will benefit the entire nation.

So, if there is a community in the nation that is not living up to its full potential because they are being denied opportunities in STEM or in the labor market, for example, or if they are being denied housing because of discriminatory policies, that impacts not just that particular person or that particular community, it really impacts our entire nation, our entire ability to grow economically. So I think that we are very shortsighted when we think about these types of policies as benefiting only a small subgroup rather than the nation as a whole.

Ms. GARCIA OF TEXAS. Agreed.

Ms. Krawcheck?

Ms. KRAWCHECK. I would like to add one very quickly that we haven't talked about today. Coming at it from a private-sector perspective, if there was one thing I could change, it would be to have mandated paid parental leave. That is where we see the gender pay gap really kick in, as women begin to have babies.

And this is despite the research that just a minority of companies in this country have this type of paid leave. Despite the research that shows us that it is not an expense, it is an investment that pays for itself in less than a year. Because if a woman and her family are allowed to bond and come together in those early days, weeks, and months, she is more likely to return to work. The company therefore doesn't have to find a replacement and pay for them and train that replacement. So if I could do one thing, that is what it would be.

Ms. GARCIA OF TEXAS. Ms. Cook, quickly, because I might run out of time, and I am working on the Chair's indulgence at this moment.

Ms. COOK. Okay. I would make one quick, narrow suggestion. Private universities can't or don't reveal their data like public universities have to. All of them have 501(c)(3) status or 40—whatever their nonprofits.

Ms. GARCIA OF TEXAS. Or at least a foundation.

Ms. COOK. Right. And they receive Federal funding. So if they don't supply these data, so we can talk about voluntarily doing this, but those are huge universities, and they have a lot of influence. And this affects the entire stream that we are talking about, the entire innovative process, the financial literacy, financial education. Those universities should be made to make their wage data public as well.

Ms. GARCIA OF TEXAS. Thank you.

And thank you, Madam Chairwoman.

Chairwoman BEATTY. Thank you.

And thank you to all of our witnesses today for your testimony: Ms. Kijakazi; Mr. Asante-Muhammad; Ms. Pyle; Ms. Krawcheck; and Dr. Cook.

I have several articles that, without objection, I would like to enter into the record.

Without objection, it is so ordered.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is now adjourned.

[Whereupon, at 3:39 p.m., the hearing was adjourned.]

APPENDIX

September 24, 2019

Oral Testimony For Diversity and Inclusion Hearing 9/24

Good afternoon, thank you for inviting me here as Chief of Race, Wealth and Community of the National Community Reinvestment Coalition to speak about the racial wealth divide and what must be done to address this critical issue.

NCRC was formed in 1990 and has grown into an association of more than 600 community-based organizations that promote access to essential banking services, affordable housing, entrepreneurship, job creation and vibrant communities for America's working families.

Thanks to the groundbreaking work of colleagues like Dr. Kilolo Kijakazi and Dr. Mariko Chang, there is growing recognition of the ongoing challenge of a deep and too often growing racial wealth divide. As I often state: the foundation of racial inequality is racial economic inequality, and the foundation of racial economic inequality is racial wealth inequality.

As the country's demographics continue to change, the racial wealth divide is no longer primarily a challenge of disenfranchised minorities but rather a threat to the American middle class. As the report "Dreams Deferred" notes, since the early 1980s, median wealth among Black and Latino families have been stuck at less than $10,000 while white household median wealth grew from $105,300 to $140,500. In spite of the growth of white wealth, national median wealth has slightly declined from $84,111 to $81,704, showing how the racial wealth divide is weakening the American middle class as a whole.

Similar to the racial wealth divide, there has been ongoing racial inequality for the two largest assets in Americans wealth portfolio: business ownership and homeownership. For the last 40 years, Black and Latino homeownership rates have stayed below 50% while white homeownership has remained at about 70%. In the 2nd quarter of 2019, whites had a homeownership rate of 73.1%, with Latino homeownership at 46.6% and Black homeownership at a low 40.6%. In regards to business ownership, although 12.6% of the U.S. population is Black, only 9.5% of African Americans are business owners, and only 2.1% of business with employees are Black-owned. Hispanics are 16.9% of the population but only own 5.6% of small businesses with employees. [White businesses are 81.6% of the total, with 62.8% of the total population.]

As was done to jump-start the white American middle class, significant investment capital must be invested to build African American, Latino, and Native American wealth. As Mehrsa Baradaran writes in her important A Homestead Act for the 21st Century,

Starting with the New Deal's mortgage programs, the federal government invested in white homeownership. That initial investment has compounded exponentially over four generations and continues to affect racial disparities in home values. In turn, this affected the quality of public schools and infrastructure, access to credit, and lifetime health and earnings.

The report "Ten Solutions to Bridge the Racial Wealth Divide" reviews bold proposals to bridge racial economic inequality as a whole and the racial wealth divide in particular. This report was a collaboration between NCRC, the Kirwan Institute for the Study of Race and Ethnicity of Ohio State University, and the Inequality Project of the Institute for Policy Studies.

These proposals include Baby Bonds similar to those in Senator Cory Bookers 2018 bill titled the American Opportunity Accounts Act. We also propose a significant investment into affordable housing and homeownership exemplified in Senator Elizabeth Warren's "American Housing and Economic Mobility Act" and Senator Bernie Sander's "Housing for All" Plan. Our paper also promotes the passage of H.R. 40 to establish the Commission to Study and Develop Reparation Proposals for African-Americans. Finally, improving data collection on race and wealth is another proposed solution.

NCRC strongly advocates for improving data collection in regards to the racial wealth divide such as the full implementation of Section 1071 of the Dodd-Frank Act, which would require lending institutions to submit data on small business loans made to minority and women-owned business. Similarly, NCRC advocates for the provisions of the previously mentioned American Housing and Economic Mobility Act that adds assessment areas beyond the geographical areas of bank branches and requiring non-bank mortgage companies that are affiliates or subsidiaries of banks to be automatically included in CRA exams.

Bold policy proposals are needed to address the national crisis of racial wealth inequality, and we thank the House Finance Subcommittee on Diversity and Inclusion to discuss these necessary reforms.

Written Testimony to the
United States House of Representatives Committee on Financial Services

Hearing Title:
Examining the Racial and Gender Wealth Gap in America

Hearing Date:
Tuesday, September 24, 2019

Witness:
Mariko Chang Pyle, PhD
Researcher, Author, and President of Mariko Chang Consulting, Inc.

Asset Funders Network

WOMEN AND WEALTH

INSIGHTS FOR GRANTMAKERS

PUBLICATION AUTHOR

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chicago foundation for women

LEVI STRAUSS FOUNDATION

Women are now more likely to go to college than men, and families are more likely to rely on women's earnings than ever before. Two-thirds of mothers are either the sole breadwinners, primary breadwinners (earning as much or more than their partners), or co-breadwinners (earning 25-49% as much as their partners).[1] The economic security of today's families rests more on the shoulders of women than ever before. While we are accustomed to using income to measure financial well-being, income inequality is just the tip of the iceberg.

By 2014, the public began to scrutinize the extent of wealth inequality in the United States and raised the collective awareness that wealth is distributed far more unequally than income. More people across the country now realize that the current economic system is working to their disadvantage. But both the extent and the consequences of the women's wealth gap have been largely missing from public attention on wealth inequality. Instead, we have focused primarily on the wage gap to understand how women fare economically and as a result, we have underestimated and sometimes even misunderstood women's financial situation.

Our understanding of women's economic status is incomplete without taking wealth into consideration. Grantmakers interested in impacting the future of children, families, and our nation must have an understanding of the women's wealth gap when making investment decisions. Investing in strategies that promote women's asset building, increase financial stability, and help women build a solid financial base for themselves and their families will not only improve women's financial status, but also the financial status of subsequent generations and our nation's economy. What's good for women is good for our nation.

The information and best practices contained in this issue brief will provide funders with the tools for maximizing the impact of their investments in a more socially and economically just society. The women's wealth gap lies at the heart of other social inequities impacting children, families, and our nation. When the lens of the women's wealth gap is used, new and more impactful programming decisions emerge to support a more equitable future that benefits everyone.

INVESTING IN STRATEGIES that promote women's wealth not only improves women's financial status, but also the financial status of subsequent generations and improves our nation's economy.

WEALTH reflects our ability to invest in our own future and the future of our children.

WHAT IS WEALTH?

WEALTH IS THE VALUE OF ASSETS MINUS DEBTS.

Wealth provides an overview of financial health; it represents our ability to deal with the economic consequences of illness, unemployment, and financial emergencies. Wealth also reflects our ability to invest in our own future and the future of our children.

COMMON TYPES OF ASSETS INCLUDE:

- Cash
- Investments
- Retirement accounts such as IRA and 401(k) accounts
- Real estate
- Business assets

COMMON DEBTS INCLUDE:

- Mortgages
- Credit card debt
- Education debt
- Vehicle loans

WEALTH IS AN ASSET.

WEALTH PROVIDES:

- ☑ A reservoir that can be drawn upon in times of need
- ☑ A better future for our children
- ☑ Support in old age

> "WITH NEARLY HALF OF MOTHERS positioned as the sole or primary breadwinner for their families, the advancement of our nation relies on women more than ever before. We are dedicated to investing in programs that positively impact and improve economic security and wealth for women and girls."
>
> DENA L. JACKSON
> V.P. GRANTS & RESEARCH, DALLAS WOMEN'S FOUNDATION

WEALTH: WOMEN VS. MEN

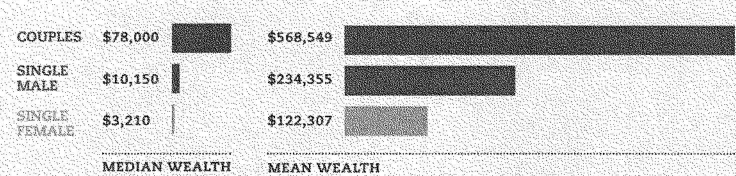
We all know that the middle class is shrinking and wealth inequality has been growing. Perhaps what is less known is how wealth inequality affects men and women differently. Analyses of the newly released 2013 Survey of Consumer Finances data[3] reveal that during their working years, the median wealth for single women is $3,210, whereas single men have a median wealth of $10,150. Single women have only 32 cents for every dollar of wealth owned by single men.

Couples, especially those who are married, are generally wealthier than singles, in part because higher-income people are more likely to marry and because of the wealth-enhancing benefits of marriage such as economies of scale, and more favorable tax treatment.[4]

However, low-income couples do not reap the same level of economic benefits from marriage as higher-income couples and marriage is not the remedy for the wealth gap. Women now spend more years single than married.[5] Even during marriage, women have less control over wealth.[6] To understand the economic situation of women, we cannot assume that marriage will solve their financial struggles. This is especially true for low-income women who are the most financially vulnerable and who are less likely to reap the same wealth-enhancing benefits of marriage as those with higher incomes.[7]

For grantmakers concerned with the well-being of women, low-income families, and children, the women's wealth gap is of paramount importance.

MEAN AND MEDIAN WEALTH FOR COUPLES, SINGLE MEN AND SINGLE WOMEN, AGES 18-64



THE IMPACT OF RACE

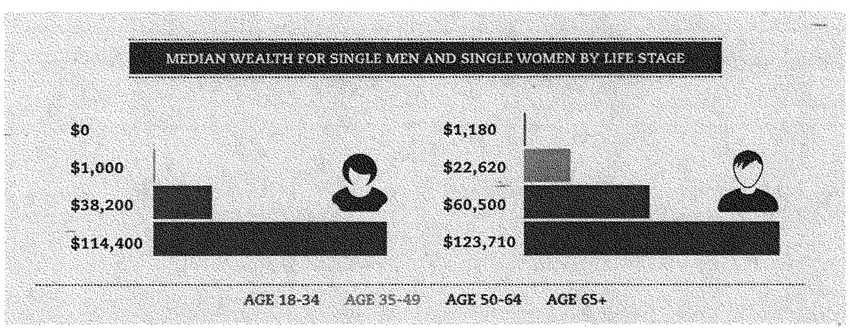
Women of color experience both a gender wealth gap and a racial wealth gap.[8] The historical legacy of the racial wealth gap[9] in combination with the women's wealth gap leaves women of color with the least amount of wealth. Single Black women have a median wealth of $200 and single Hispanic women $100, less than a penny for every dollar of wealth owned by single White non-Hispanic men.[10]

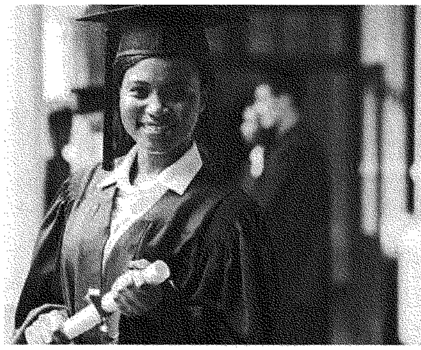
THE WEALTH GAP THROUGHOUT WOMEN'S LIFE CYCLE

While wealth generally increases with age, a wealth gap persists across the life cycle. Moreover, young women are now being hit especially hard. Millennial women have a median wealth of zero and women ages 35-49 have a median wealth of $1,000 (only 4% as much as men ages 35-49). Millennial women are more likely to have education debt than millennial men (49% versus 32%, respectively) and more likely than men to be custodial parents, limiting their ability to build wealth.

The wealth gap appears to narrow substantially for women in retirement, but this is deceptive—reflecting more of a byproduct of demographics. Because women generally live longer than men, the composition of single women in the older age group shifts to encompass a higher percentage of widows, who generally have higher wealth than divorced and never-married women because they have inherited the wealth benefits of marriage. Thus, it is a mistake to conclude that all women in retirement are faring as well as men.

In fact, women are more likely than men to rely on Social Security for the majority of their income in retirement and receive far less income in retirement than men.[11] Coupled with their higher life expectancy and lower retirement incomes, women must rely more heavily on savings to support themselves. Consequently, a truer understanding is that older women need more wealth to cover their retirement years, making the gender wealth gap greater than it appears for seniors.

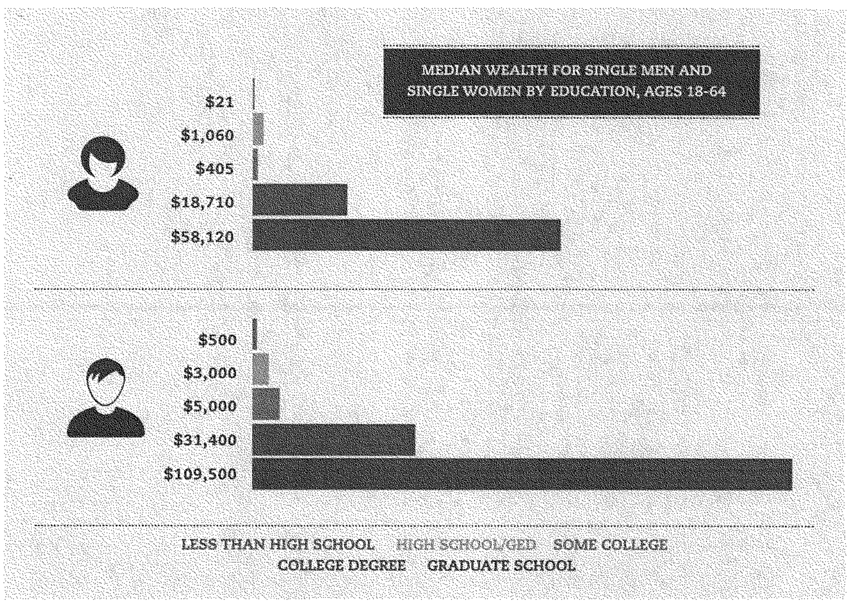




THE DIFFERENCE IN WEALTH between men and women increases dramatically as education increases.

EDUCATION

We would all like to think that higher education and higher wealth go hand in hand, but the wealth benefits of education are not equal. The difference in wealth between men and women increases dramatically as education increases. The median wealth for men with a high school diploma is almost $2,000 more than women, and at the graduate school level the median wealth for men is more than $51,000 higher than women with the same level of education.



MARITAL AND PARENTAL STATUS

Marrying and having children also affect women's wealth. Because of the wealth advantages of marriage (and because higher-income people are more likely to marry), women who have been married generally have higher wealth than those who have never married.[12] Widowed women under age 65 also generally have higher wealth because, as a group, they tend to be older than people who are never-married or divorced and because marital assets were passed to the surviving spouse rather than being divided, as in the case of divorce.

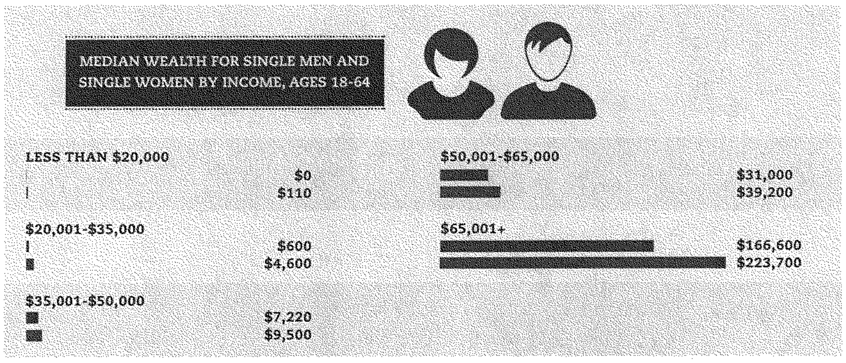
MEDIAN WEALTH FOR SINGLE MEN AND SINGLE WOMEN BY MARITAL STATUS, AGES 18-64

Single mothers also have less wealth than women who are not mothers, due to the additional expenses of raising children and the impact that children have on wages.[13] The wealth tax on mothers is especially high. Mothers have only 20% as much wealth as fathers and the gender wealth gaps for Black and Hispanic women who are mothers are severe. Mothers who are Black or Hispanic have a median wealth of $0 and $50 respectively. Mothers who are also women of color face the triple wealth disadvantage of the gender wealth gap, racial wealth gap, and motherhood wealth tax.

MEDIAN WEALTH FOR SINGLE MEN AND SINGLE WOMEN PARENTS BY RACE/ETHNICITY, AGES 18-64

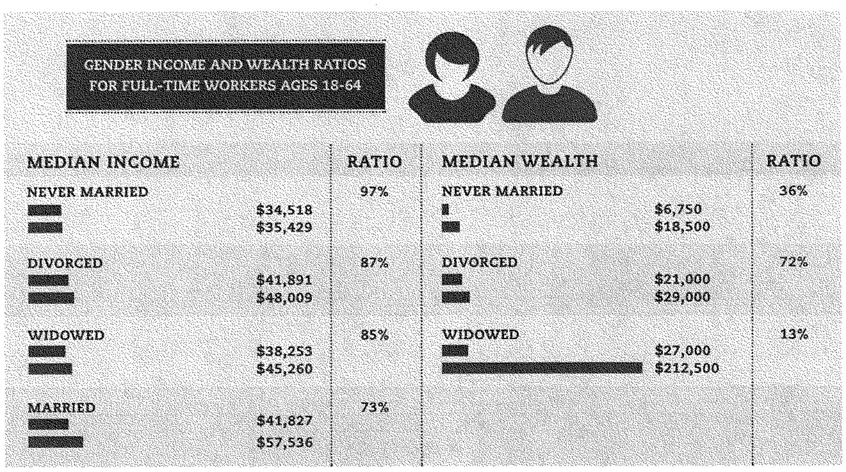
INCOME

Wealth generally increases with income, but women at every income level have less wealth than men.



In fact, if we use only the income gap as our lens for women's financial status, we not only underestimate women's economic vulnerability, but we also fail to see substantial inequities for groups in which the income gap has almost closed. Never-married women working full time earn 97% as much income as never-married men working full time. However, even though never-married women working full time have almost closed the income gap, they still only have about one-third of the wealth of never-married men. If income were our only lens, we would incorrectly surmise that the financial situation of never-married women was just about equal to never-married men.

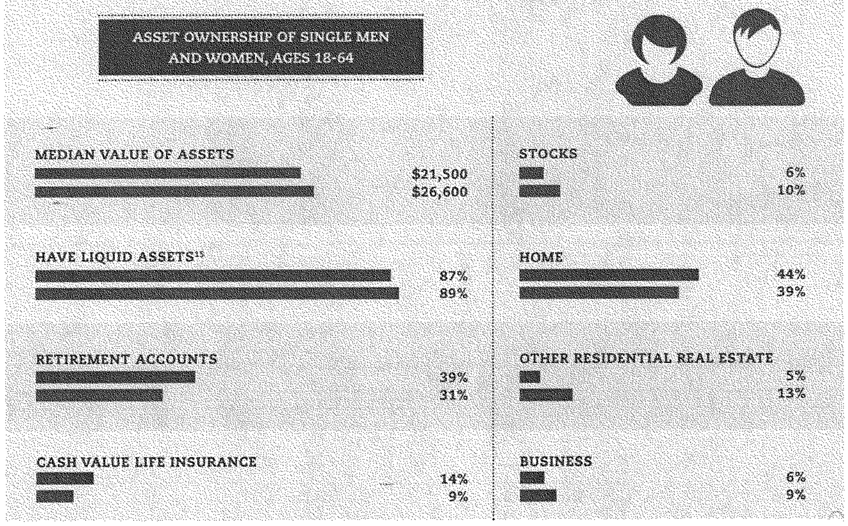
The differences between the gender income and gender wealth gaps reveal that income inequality is not the only cause of the wealth gap. Reducing the women's wealth gap will require strategies beyond closing the income gap.



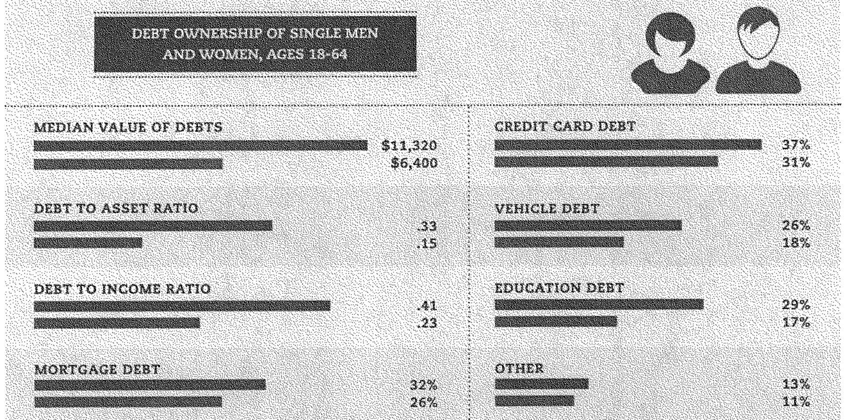
WOMEN are more likely to find they have higher debt because they have lower incomes and because of the financial burden of parenthood.

ASSETS AND DEBTS

Women and men are equally as likely to own the most common types of financial assets. Women are less likely to own business assets, stocks, and other residential real estate, but they are more likely to own their own homes, have cash-value life insurance, and retirement accounts. Women are active asset builders, although the median value of their assets is lower when they do own them.



Wealth is also a function of debt. Women are being weighed down by a debt anchor. Women are more likely to have every type of debt and the median debt for women is 177% higher than the median debt for men. Higher debt-to-asset ratios and higher debt-to-income ratios hit women hard and prevent them from building wealth.



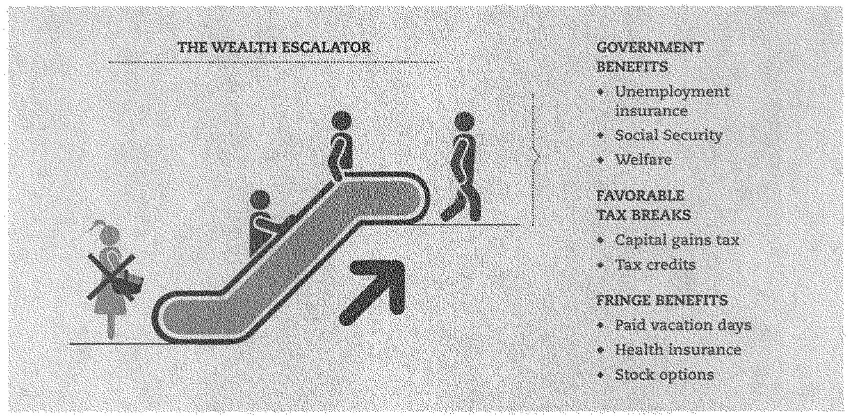
Women are more likely to find they have higher debt because they have lower incomes and because of the financial burden of parenthood. Research by the American Association of University Women, for example, finds that the gender pay gap significantly increases the student debt burden for women as early as their first year after college graduation (and that the gender pay gap remained even after taking into account college major, occupation, and hours worked).[16] As a result, women pay a higher percentage of their incomes to student loan debt every month, leaving less income to meet expenses and to save and invest. A lower income also makes it more difficult for women to finance other purchases, such as vehicles, and to make ends meet generally, resulting in higher debt overall.

REASONS FOR THE WOMEN'S WEALTH GAP

INCOME GAP. While the income gap is not the sole cause of the women's wealth gap, it no doubt contributes. Closing the income gap is an important step toward eliminating the women's wealth gap, but is insufficient for closing the wealth gap because (a) women are more likely to be single parents and have more people to support with their incomes; and (b) more women lack access to the wealth escalator (employment-related fringe benefits, favorable tax codes, and valuable government benefits, which will each be explained below) that helps translate income into wealth more effectively.

PARENTHOOD. Two or more cannot live as cheaply as one. Because women are more likely to have custody of children, their income must support more people. Even if women and men had equal incomes, women will have less money left over to save and invest if they are supporting more people with their paychecks.

The price of parenthood has also increased, making it increasingly difficult for single parents to make ends meet. For instance, while the median income declined between 2000 and 2012, the cost of medical care increased by



21%, child care increased by 24%, and higher education increased by 62%,[17] rendering single mothers with fewer resources to meet the basic needs of medical care, child care, and higher education for themselves and for their children.

The burden of child care for low-income parents is particularly steep. Families with incomes below the poverty level spend 36% of their income on child care expenses and low-income, working-class families living at 100-199% of the poverty level spend 20% of their income on child care.[18] The high cost of child care leaves low-income working parents, and especially single parents, with little money left over to make ends meet and likely leaves next to nothing left over to save or invest.

LACK OF ACCESS TO THE WEALTH ESCALATOR. Women are also less likely to have access to the wealth escalator, a term coined in *Shortchanged: Why Women Have Less Wealth and What Can Be Done About It*,[19] to describe the mechanism that gives some people a wealth-building advantage that others do not receive. The wealth escalator is comprised of employment-related fringe benefits, valuable government benefits, and favorable tax breaks that allow some to turn their income into wealth more quickly.

Women are more likely to work part time and in jobs where they do not have valuable wealth-enhancing fringe benefits such as employer-sponsored retirement plans and health insurance.[20] Low-income women and women of color are even less likely to work in jobs with these types of fringe benefits.

Women also receive less social security benefits during retirement because their lower wages and years out of the labor force or working part time reduces their average benefits. Ironically, because women have lower incomes, they actually need to save more for retirement to compensate for the lower social security benefits they will receive based on their lower wages.

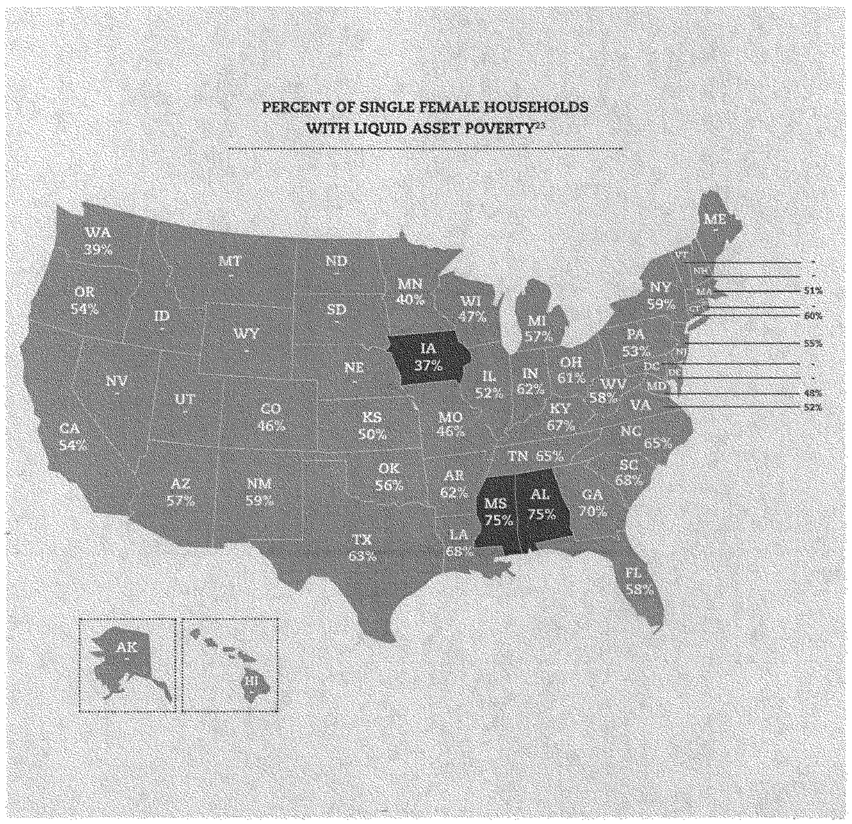
Women are also underrepresented among the wealthiest Americans who receive the most money in tax breaks. For example, the top 1% receive $95 billion in federal tax benefits (more than the bottom 80% combined) and more than 26 times more than the bottom 20% who receive $3.6 billion total in benefits.[21] The higher the income, the higher the tax benefit. Women, who have lower incomes and less wealth, benefit less from the current tax program of tax credits, deductions, exclusions, exemptions, deferrals, and lower tax rates. Those with low incomes (disproportionately women) are also hit harder than those with high incomes, paying a higher percentage of their incomes in state and local income and sales taxes. The poorest 20% pay about 11% of their income in state and local income taxes and sales taxes whereas the top 1% pays 5%.[22]

Differential access to the wealth escalator cements other inequities into place, magnifying the impact of the gender income gap and the motherhood wealth tax.

STATE-LEVEL VARIATION

Using the U.S. Census Bureau's Survey of Income and Program Participation, the Corporation for Enterprise Development has provided state-level data on the percentage of single female households experiencing liquid asset poverty. Liquid asset poverty refers to not having sufficient liquid assets to subsist at the poverty level for three months in the absence of income.

Fifty-seven percent of single female households in the United States do not have sufficient savings to live for three months at the poverty level if they lost their source of income. To put it another way, the majority of single female households are on the brink of financial disaster if they lose their jobs. There is wide variation across states in the vulnerability of single female households, ranging from a low of 37% in Iowa to a high of 75% in Mississippi and Alabama.



IMPROVING WOMEN'S WEALTH BENEFITS CHILDREN AND THE NATION

Eliminating the women's wealth gap is likely to yield significant benefits to children, families, and our nation's economic growth. For example:

- Closing the gender wage gap would cut the poverty rate in half for working women and their families *and* add nearly half a trillion dollars to the nation's gross domestic product.[24] Because wealth inequality is even greater than income inequality, closing the wealth gap is likely to yield even larger impacts on the poverty rate and the nation's gross domestic product.
- With increased assets, health insurance and medical care will become more affordable, leading to greater employee productivity, reduced costs of long-term and preventable medical problems, and less drain on means-tested medical programs.
- Improving women's wealth will improve children's educational and health outcomes. Household wealth affects children's early educational attainment and health outcomes and parental assets are among the strongest predictors of attending and graduating from college.[25] The children of single mothers with assets are more likely to graduate from high school and have higher grade point averages, even when controlling for other important characteristics that predict educational attainment.[26] Improving women's wealth will carry forward to future generations.
- Civic engagement and political participation is positively associated with home ownership and wealth.[27] Increasing women's and families' asset ownership may therefore carry over to a more civic-minded society and enhance the political voice of groups who have been politically disenfranchised.

GRANTMAKING BEST PRACTICES

Funders play a critical role in supporting the types of activities that will be catalysts for change to reduce the women's wealth gap and support the financial well-being of our nation's families. Grantmakers can leverage their funding, authority, and convening ability to build key relationships that will help direct our nation's response to economic inequality. Investing in asset building with a gender lens will help level the playing field and will strengthen our society. Examples include:

1 ADDRESS THE "COSTS" THAT LIMIT THE ABILITY OF WOMEN TO BUILD WEALTH

MAKE CHILD CARE AFFORDABLE AND AVAILABLE

The costs of child care generally fall more heavily on women than men, thereby reducing the dollars available for investment and wealth building. Child care costs are particularly steep for lower-income parents. Programs that increase access to quality child care for lower-income parents allow for greater educational and employment opportunities and advancement, improving economic stability and the potential for building assets.

- **Child Care Subsidy Bridge.** The wait time for child care subsidies to become available differs from state to state. In Texas, for example, the average wait time to receive child care subsidies is six months. Because women may not have sufficient financial resources to pay for child care while they wait for approval, they must either turn down employment or educational opportunities, incur more debt, or choose less reliable and less desirable options for child care. The lack of affordable child care often reduces women's options for employment or education, affecting their family's long-term financial well-being.

The Dallas Women's Foundation has partnered with Educational First Steps to develop and pilot a Child Care Subsidy Bridge that would cover the portion of child care costs that a state subsidy would cover while single mothers are on the subsidy waiting list. This innovative intervention increases opportunities for advancement and employment (and improves options for reliable and safe child care) while increasing financial well-being and the opportunity to enhance savings and asset-building.

SUPPORT AFFORDABLE COLLEGE COMPLETION

The cost of higher education increased by 62% between 2000 and 2012.[28] As women are increasingly attending college, they are also acquiring education debt. Millennials in particular are struggling under the weight of student debt. Women, and especially women of color, are disproportionately attending for-profit colleges, where they accumulate higher debt and are less likely to graduate (and thus do not end up with a degree to help them repay their debt). Navigating the process of financial aid and education loans are challenging for most people, but are particularly challenging for low-income families, first-generation college students, and single parents who are trying to balance earning a degree while raising children. Innovative strategies on how to pay for college and reward completion are needed to address the needs of students who are low-income, first-generation, and parents (the majority of whom are women).

• Grants awarded to non-profits by the **College Futures Foundation** in California finance college scholarships, provide financial aid advising, help students complete the Free Application for Federal Student Aid (FAFSA) to help them qualify for public financial aid, and provide support services to increase graduation rates. The collective impact of these programs tackles the women's wealth gap on several levels: They help encourage women from low-income and underrepresented groups to attend college, help them access public financial aid, help reduce the amount of education debt, and help students graduate from college and thus earn higher incomes.

2 INCREASE ASSET OWNERSHIP

Women, and especially low-income women, need opportunities to build a range of assets, from cash account to homes to retirement accounts. Programs that hel women create a strong financial foundation are critica for closing the women's wealth gap.

SUPPORT FINANCIALLY SOUND HOMEOWNERSHIP

Homeownership with sound financing remains one o the largest reservoirs to build and gain wealth and financial stability for American families. Unfortunately ir today's economy, homeownership and its wealth-building power is inequitably distributed. Indeed, homeownership is often out of reach for low-and-middle income families and women-led households.

In fact, women and people of color who do try to achieve the American dream of homeownership find that they are targeted for subprime loans and that the higher interest rates make it more difficult to build home equity while leaving them much more vulnerable to foreclosure.[29]

• **Choose to Own.** The Choose to Own Homeownership Program is offered through the U.S. Department on Housing and Urban Development, the Chicago Housing Authority, and is enhanced through philanthropic partners like the MacArthur Foundation and the United Way of Metropolitan Chicago. The program provides counseling to residents in subsidized rental units on home ownership and the home purchasing process, referrals to reputable lenders, and access to pro bono attorneys to help with legal issues. The opportunity of homeownership for employed public housing residents—women and their familiesprovides access to a critical wealth-building asset when done in financially sound ways that do not leave homeowners over-leveraged or with subprime loans.

INCREASE RETIREMENT ASSETS

Because of their lower earnings, lack of access to the wealth escalator, and caregiving responsibilities, women often reach their retirement years with insufficient retirement savings. Innovative programs are needed to help women build the retirement nest egg they need so that they can retire securely.

• The **Appalachian Savings Project,** through the Women's Institute for a Secure Retirement (WISER), has been working to provide access to retirement savings programs to low-income female workers who do not have access to employer-sponsored retirement programs. The Appalachian Savings Project has helped self-employed child care workers in Appalachia, Ohio, and West Virginia build retirement savings through matched contributions, simplifying and strengthening access to the electronic U.S. Savings Bonds and the Savers' Credit, and financial workshops tailored to those in the child care business.

SUPPORT OF BUSINESS STARTUPS

Opening up opportunities for women to learn business skills and engage in entrepreneurship will not only provide women and their families with income and assets, but will also fuel economic growth.[30]

• Grameen America, with support from a diverse group of philanthropic organizations such as Capitol One, Citi Foundation, and Women's Fund of Central Indiana, works with women to build small businesses by providing training, microfinance, and group mentorship. The program works with a group of five women at a time who have established trust and provides a week of training to learn about loans, savings and credit building, and culminates with each woman opening a savings account. Each woman then receives a micro-loan of $1,500 to support the creation of their business. A Grameen America staff member meets with the group weekly to make loan and savings payments, provide continuing education, and build peer networks.[31] The program has been implemented in 11 U.S. cities, serving over 43,000 women and creating nearly 52,000 jobs.[32]

3 EDUCATE AND BUILD COALITIONS ON EFFECTIVE WEALTH-BUILDING POLICY

Public policy often shapes who has access to the wealth escalator.[33] Issues such as employer-sponsored retirement accounts, tax structures/credits,[34] payday and auto title lending, and pay inequity require shifts in state or federal policy in order to effectively address the systemic inequalities that negatively impact women's wealth building. Funders can play a key role in supporting both non-profit advocates and coalition groups to educate policymakers on the gendered impact of current policies. They can also help shape potential solutions through programming support and participation in thought leadership opportunities such as the Tax Alliance for Economic Mobility (initially convened and hosted by Asset Funders Network).[35] As an example, the Silicon Valley Community Foundation supports work that draws attention to the problem of payday lending, but also advocates for "changes in municipal laws to inhibit new payday lending establishments in local jurisdictions."[36]

• **Illinois Secure Choice Savings Program.** The Illinois Asset Building Group, utilizing the leadership of its non-profit members such as the Sargent Shriver National Poverty Law Center and the Woodstock Institute, worked with a broad coalition of nonprofit organizations, employers, and researchers in support of the Illinois Secure Choice Savings Program. This innovative program provides the opportunity for Illinoisans to save for retirement through automatic payroll deduction (3% minimum will be paid through the employer unless the employee opts out) into a Roth IRA or investment choices selected by the state, and the account will follow them through job changes. These accounts help people access the wealth escalating effects of tax-preferred contributions and encourage retirement savings.

The funded activities were not lobbying, but provided education to businesses, communities and policymakers on the need for a new retirement option, the impact on retirement savings for middle- and low-income workers, and the impact on business. Through this educational effort, stakeholders understood the positive impact for workers, the state, and business, and in turn informed their elected officials of the need for these accounts.

> "IT IS NOT ENOUGH TO TALK about income inequality without a gender and racial lens. To improve the lives of children, philanthropy must invest in programs that build the wealth of women."
>
> LUIS ARTEAGA
> SR. PROGRAM MANAGER, LEVI STRAUSS FOUNDATION

TO REDUCE THE WOMEN'S WEALTH GAP, investment strategies require support and replication in new regions.

INVESTMENT RECOMMENDATIONS

Women's financial security is critical for families and for economic growth. Reducing the women's wealth gap will not only improve the financial well-being of women, but also of the children and families they support. Greater investment in women's financial futures will yield far-reaching impact.

To actually reduce the women's wealth gap, several promising, intersecting strategies require support and replication in new regions:

CLOSE THE WAGE GAP

Closing the wage gap is an important precondition, even if it is not sufficient for closing the wealth gap. Increasing women's access to higher-paying fields (such as traditionally male jobs in science, technology, engineering, and math, also called STEM fields), passing legislation such as the Paycheck Fairness Act, Restaurant Opportunities Centers United (ROC United) efforts to increase the minimum wage for tipped workers, and educating employers about how to combat the unconscious and/or embedded biases that impact how women are compensated will be necessary for closing the wage gap.

REDUCE THE "COSTS" THAT LIMIT WOMEN'S ABILITY TO BUILD WEALTH

Women often bear additional financial "costs," or responsibilities, that limit their ability to build wealth. The financial burden of single parenthood that falls disproportionately on women, for example, detracts from their ability to save. Expenses like child care and medical bills hit single mothers very hard and may not only prevent them from saving, but also often leaves them with a debt anchor.

The cost of higher education is also of growing concern as women are now surpassing men in rates of college enrollment and completion. However, education debt takes a huge bite out of the higher wages they earn with a college degree (as long as the jobs continue to reflect the wage gap) and inhibits their ability to save and invest.

Even though women have equal (or better) credit scores than men,[37] women are more likely to receive high-cost loans such as subprime home loans.[38] The additional costs of these subprime loans prevent women from building home equity and wealth. The Consumer Federation of America estimates that over the term of the loan, those with subprime loans pay at least $85,000 more in interest payments,[39] which does not build home equity and which reduces disposable income that can be saved or invested to build wealth.

INCREASE OPPORTUNITIES FOR ASSET OWNERSHIP

Opportunities to build assets are gendered, meaning that women are less able to take advantage of opportunities to build assets because they do not have access to the wealth escalator. Programs that help low-income people increase asset ownership are especially impactful for women, who are more likely to be low-income workers. Opening up sound and accessible avenues for those with low incomes to build savings, to buy a home, or to finance a business will help women improve their financial well-being.

PROVIDE WOMEN WITH ACCESS TO THE WEALTH ESCALATOR

Because of the types of jobs they have, because of the wage gap, and because women are more likely to be single parents, they lack equal access to the wealth escalator comprised of employment-related fringe benefits, tax advantages, and access to valuable government benefits. Grantmakers can help level the playing field by supporting targeted services working to narrow the wage and wealth gaps while mobilizing efforts to help change the structures that disadvantage women.

Access to good jobs with fringe benefits, good pay, and opportunities for advancement is critical for providing access to the wealth escalator. Women, and particularly women of color, are more likely to be trapped in dead-end, low-wage employment that perpetuates financial insecurity. Funder-supported workplace initiatives and workforce development that provide skills and create career pathways for women will help close the wealth gap.

INVEST IN TIMELY AND RELEVANT FINANCIAL EDUCATION COUPLED WITH COACHING

Women have longer life expectancies and must therefore support themselves longer in retirement. To make sure women are prepared, financial education and coaching are imperative given that on average, women must save more with lower incomes. Moreover, financial guidance and coaching is especially important for women when making critical financial decisions, such as attending college, purchasing a home, getting married or divorced, or leaving abusive relationships. An example of this work can be found through The Financial Clinic, a non-profit organization that provides training and technical assistance to domestic violence shelters, equipping them with tools and resources to improve the financial development of domestic violence survivors. Originally developed in partnership with the Human Resources Administration of the City of New York and the United Way of New York City, the project has provided services to 149 survivors of violence, resulting in debt alleviation of $87,360; $3,050 in savings bonds purchased and $48,000 in tax refunds claimed.[40]

SUPPORT INNOVATIVE PROGRAMMING, RESEARCH, AND EVALUATION OF OUTCOMES

New approaches to reducing the women's wealth gap are necessary and grantmakers play a critical role in cultivating and advancing innovative programming. Additional research and rigorous evaluation of program effectiveness is also critical. In particular, research is needed to understand the nuances of wealth inequality and asset development for women with different backgrounds and circumstances. Investments in programming based in research and accompanied by sound proven design and metrics will help move the field forward and allow grantmakers to have the greatest impact.

BUILD COALITIONS FOR EFFECTIVE PUBLIC POLICIES

Because many of the disadvantages women experience in their attempts to build wealth are rooted in public policies, solutions for addressing the women's wealth gap would be incomplete without considering ways to change policies that disadvantage women or to develop new policies that provide women with the same opportunities as men. Grantmakers can engage stakeholders, support research that educates and informs policymakers, and mobilize coalitions. They can communicate the needs and voices of women and their families to a national audience through media and research, and help shape the messaging so that policies become buoys rather than barriers to economic success. Policies that support women also support families and economic growth. With women-friendly policies, everyone wins.

TWO-GENERATIONAL STRATEGIES

Philanthropic and public investments in two-generational strategies have the potential to yield significant future returns for models designed to engage women and low-income families. Asset field innovators like Ascend at the Aspen Institute, supported by The Kresge Foundation, The Annie E. Casey Foundation, and W.K. Kellogg Foundation, are advancing two-generational approaches integrating asset-building opportunities for parents and children.[41]

This strategy engages children and parents together to build mutual motivation to achieve three key outcomes: 1) children enter school prepared for success; 2) families create a nurturing and secure environment for their children; and 3) families are connected to one another.[42] The model is supported by Ascend's findings that a parent's education is a strong predictor of a child's educational and economic attainment, and increased family income in the early childhood years is associated with positive health and developmental outcomes.[43]

CONCLUSION

Reducing the women's wealth gap is not only good for women, but it also is essential for improving the economic well-being of children, families, and the nation. Moreover, reducing the women's wealth gap is inextricably linked with other desirable outcomes such as improved educational attainment, access to quality child care and health care, financial independence, and improved workforce and business development to support economic growth.

The women's wealth gap is entrenched within the fabric of our economy through the tax structure, the system of employment-related benefits, and workforce inequities. Consequently, innovative and multi-faceted remedies are required for changing the status quo. The role of grantmakers is critical for making the types of investments in program development, research, and education that are necessary to create a more equitable and economically prosperous nation.

GLOSSARY

ASSET BUILDING
A set of strategies that facilitate economic security by creating and protecting opportunities for low-income individuals, families, and communities to save and invest in themselves, their futures, and their communities by expanding access to financial opportunities, social resources, and good health.

ASSETS
Resources used to promote family (upward) mobility and well-being. Examples of financial assets include interest-earning savings, stocks and mutual funds shares, and homeownership. Assets may also be non-financial, such as education, good health, and community connections.

ASSET OPPORTUNITY
This measure captures asset security (see below) plus additional resources that enable investment in opportunities for mobility, including average expenses for two years at a public university, average down payment for a median-priced home, or average start-up expenses for a business.

> "FAR TOO MANY WOMEN and their children are one illness or financial emergency away from poverty. Through philanthropic investments, we are committed to ensuring all women have equal access to comprehensive financial health and wealth to draw upon in times of crisis and provide a better future for their children."
>
> K. SUJATA
> PRESIDENT, CHICAGO FOUNDATION FOR WOMEN

ASSET SECURITY
Net financial assets plus three months of average unemployment insurance that together cover or exceed 75% of the cost of median essential expenses for three months.

EMPLOYMENT CAPITAL
Employment-based resources and job characteristics beyond income that enable families to build and preserve wealth, including job benefits, job flexibility, and consistent work.

LIQUID ASSET POVERTY
Households without sufficient net worth to live at the poverty level for three months without an income. Liquid assets are resources that are readily available such as cash, checking and savings accounts, stocks and property.

MICROBUSINESS
A business with five or fewer employees, requiring less than $50,000 in start-up capital, and owned by low-income or minority individuals or others who lack access to business capital and resources.

SINGLE WOMEN
Never-married, divorced, and widowed people who are not cohabitating.

WEALTH
The value of assets minus debts.

WEALTH ESCALATOR
Coined in *Shortchanged: Why Women Have Less Wealth and What Can Be Done About It,* [44] to describe the mechanism that gives some people a wealth-building advantage that others do not receive. It is comprised of employment-related fringe benefits, valuable government benefits, and favorable tax breaks that allow some to turn their income into wealth more quickly.

WEALTH GAP
The unequal distribution of wealth within a population.

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ASSET FUNDERS NETWORK (AFN)

The Asset Funders Network (AFN) is a membership organization of national, regional and community-based foundations and grantmakers strategic about using philanthropy to promote economic opportunity and financial security for low and moderate income Americans.

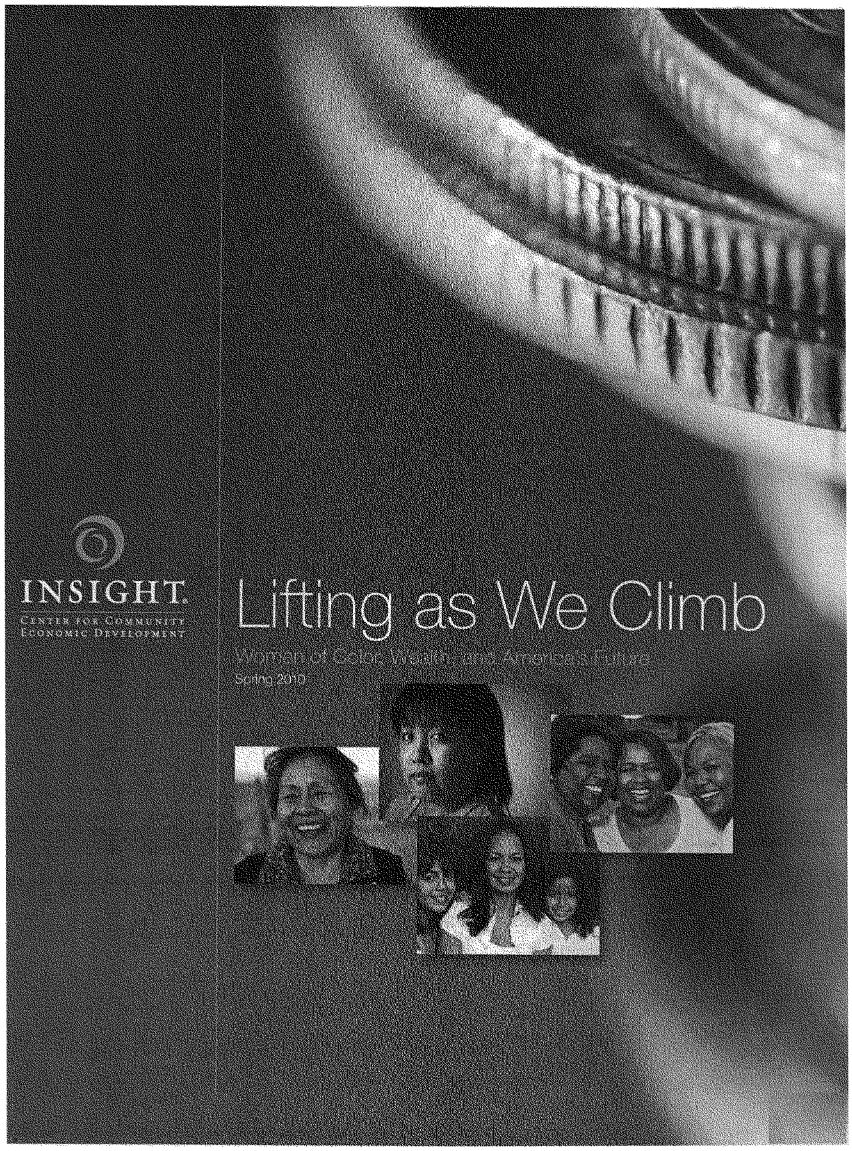
AFN works to increase the capacity of its members to effectively promote economic security by supporting efforts that help low to moderate income individuals and families build and protect assets.

Through knowledge sharing, AFN empowers foundations and grantmakers to leverage their resources to make more effective and strategic funding decisions, allowing each dollar invested to have greater impact.

To learn more and to become involved in advancing the field, please visit AFN at www.assetfunders.org.

Asset Funders Network

www.assetfunders.org


INSIGHT.
Center for Community Economic Development
Lifting as We Climb
Women of Color, Wealth, and America's Future
Spring 2010

About the Insight Center

The Insight Center for Community Economic Development, formerly the National Economic Development and Law Center (NEDLC), is a national research, consulting and legal organization dedicated to building economic health in vulnerable communities. The Insight Center's multidisciplinary approach utilizes a wide array of community economic development strategies including promoting industry-focused workforce development, building individual and community assets, establishing the link between early care and education and economic development, and advocating for the adoption of the Self-Sufficiency Standard as a measurement of wage adequacy and as an alternative to the Federal Poverty Line.

For more information visit www.insightcced.org.

The Closing the Racial Wealth Gap Initiative

There is an enormous racial wealth gap in America. For every dollar of wealth owned by the typical white family, the typical family of color owns only 16 cents. Wealth, not just income, is the key to ensuring economic security and is what enables families to build a better future. The Insight Center's Closing the Racial Wealth Gap Initiative is a national effort to build awareness and support for efforts to address the racial and ethnic wealth inequities based on structural factors. To achieve this goal we have brought together over 150 scholars, advocates, practitioners and other experts of color to inform the national economic debate with diverse perspectives and to develop universal and targeted policy solutions that assure economic inclusion.

For more information visit www.racialwealthgap.org and www.expertsofcolor.org.

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Executive Summary

The poverty gap, based on income, is among the most widely used barometers to measure the relative economic status of women of color. Twenty-nine percent of white women heads of households with children live in poverty, compared to 43 percent of African-American women and 46 percent of Latina women.[1] However, hidden beneath the poverty gap is an even more startling and consequential gap that often goes unnoticed—the wealth gap. The report "Lifting as We Climb: Women of Color, Wealth, and America's Future," examines the wealth gap between women of color and the rest of the population, a gap that significantly limits the economic prospects of future generations and holds back the progress of the American economy.

The current economic crisis has revealed why wealth is so important to the stability of households. Wealth, or net worth, refers to the total value of one's assets minus debts. Without savings or wealth of some form, economic stability is built on a house of cards that quickly crumbles when income is cut or disrupted through job loss, reduced hours or pay, or if the family suffers an unexpected health emergency.

Using data from the 2007 Survey of Consumer Finances, the amounts and types of wealth owned by women of different races are analyzed. Explanation is given as to why women of color have less wealth than white women and men of their same race, locating the roots of the gap in past and present institutional factors. These include but are not limited to the ways in which government benefits, the tax code, and fringe benefits exclude many women of color from wealth-building opportunities that are provided to other segments of the American population.

Because gender and racial economic disparities have been studied separately, we have failed to recognize the daunting economic reality faced by women of color who experience the compounding negative economic effects of being both a woman and a person of color. Investing in programs and public policies that create asset building opportunities that fit the needs and build on the strengths of Native American, African-American, Latino, and Asian women, both native-born and immigrant, can bring economic security to a greater number of families, expand our economy, and increase our nation's capacity to compete in the global marketplace.

Main Findings

- Single black and Hispanic women have a median wealth of $100 and $120 respectively; the median for single white women is $41,500.
- While white women in the prime working years of ages 36-49 have a media wealth of $42,600, the media wealth for women of color is only $5.
- Nearly half of all single black and Hispanic women have zero or negative wealth, the latter of which occurs when debts exceed assets.
- While 57 percent of single white women own homes, only 33 percent of single black women and 28 percent of single Hispanic women are homeowners.
- Only 1 percent of single Hispanic women and 4 percent of single black women own business assets compared to 8 percent of single white women.
- Social Security is the only source of retirement income for more than 25 percent of black women.
- Prior to age 50, women of color have virtually no wealth at all.

Policy Recommendations

- **Improve data collection**
  What is not seen cannot be understood and cannot be remedied. Data on assets must be collected and disaggregated by race, gender, and ethnicity.
- **Improve opportunities for "good" jobs.**
  Occupational segregation, wage disparities, and the lack of fringe benefits tied to the "wealth escalator" (e.g. 401(k)s, health insurance, paid sick days) must be addressed.
- **Support self-employment and microenterprise.**
  Starting one's own business is both an income and an asset building strategy that needs wider recognition and greater government support.
- **Provide subsidies and incentives to save.**
  Despite their low-incomes, women can, and do save. However, the government can put incentives in place to make it easier to do so.
- **Modify social insurance programs to provide adequate protection for women of color.**
  Reforming and restructuring all social insurance programs can lift people out of poverty and ensure economic security.

Lifting as We Climb: Women of Color, Wealth, and America's Future

Mrs. Josephine St. Pierre Ruffin

Founder, National Association for Colored Women

More than a century ago, the National Association for Colored Women was founded by African American women leaders in response to a vicious attack on the character of African-American women. A few decades distant from the abolition of slavery, the intensification of poverty, discrimination, and segregation impelled these women to action in defense of their race. Their motto was "Lifting as We Climb," signaling their understanding that no individual woman of color could rise, nor did they want to rise, without the improvement of the whole race. At the top of their agenda were job training, wage equity, and child care: issues that, if addressed, would lift all women, and all people of color.

As much as things change, as much they stay the same. Some decades after the victories of the Civil Rights movement, people of color have not achieved economic equality, and are, in fact, slipping backward in the current downturn. Persistent poverty, discrimination against women and people of color, and job and residential segregation still stand in the way of our nation's quest for fairness. Women of color have always been an important part of the U.S. economy. For example, black and Latina women have historically had higher rates of labor force participation than white women because, due to discrimination and other factors, black and Latino couples were more likely than white couples to depend on the income from women's work. Then and now, women of color are over-represented in traditional women's jobs such as housekeeping and elder care, jobs that are undervalued and underpaid. Over 100 years later, job training, wage equity, and child care remain on the agenda for race and gender equity.

In spite of the odds, women of color are energetic and entrepreneurial in their efforts to gain a toehold on the economic ladder. Native American women's rates of college attendance and completion are rising rapidly[1], and black women have now surpassed black men in rates of college completion.[2] With good jobs hard to find, women of color, many of them immigrants, turn to self-employment and micro-enterprise development, creating incomes for themselves and others. They own 1.9 million firms in the United States, which employ 1.2 million people and generate $165 billion in annual revenues.[3] These impressive advances are only a glimpse on what women of color could accomplish given the opportunity.

While the pay gap is among the most widely-documented economic gaps for women of color, another gap exists that is even more damaging to future generations. This briefing paper examines this generally overlooked—but critical aspect of the economic status of women of color—the wealth gap. An analysis of the amounts and types of wealth owned by women of different races will be provided, reasons why women of color have less wealth than white women and men of their same race will be posited, and policy recommendations will be proposed to help close the wealth gap for women of color. These recommendations, if used to craft more equitable public policy, will help lift women of color as they continue to climb and improve their lives, and will also help create a more economically stable and prosperous nation for us all.

Why Wealth is Important

The current economic crisis has revealed why wealth is so important to the stability of households. Wealth, or net worth, refers to the total value of one's assets minus debts. Without savings or wealth of some form, economic stability is built on a house of cards that quickly crumbles when income is cut or disrupted through job loss, reduced hours or pay, or if the family suffers an unexpected health emergency.

As the current crisis continues to unfold, it has become all too clear that it is not just "poor" people who are losing their homes to foreclosure in record numbers; even households with some wealth found that they did not have enough to ride out the still unfolding economic downturn.

Wealth impacts not just current economic security, but retirement security as well. With concerns over the solvency of Social Security and the shrinking number of jobs that provide pensions, it is of increasing importance that people have the means to save for their own retirement.

While the racial gap has received growing attention, to date little attention has been paid to the wealth gap for women, let alone women of color.

Wealth is also tied to the well-being of the next generation, as it provides parents with the ability to help pay for their children's college education, and can also be passed down from generation to generation. In fact, the intergenerational transfer of wealth is one of the reasons why racial wealth gaps from policies long ago have become entrenched.[4]

In the seminal book, *Black Wealth/White Wealth*,[5] authors Oliver and Shapiro document how a legacy of policies and practices that prevented blacks from owning and building wealth many generations ago continue to have lasting effects on current generations through the "sedimentation of racial inequality." One of the primary mechanisms by which this sedimentation occurs is through inheritance. The historical wealth advantage held by whites is transferred to the next generation as they inherit wealth of previous generations and use that wealth to provide themselves and their children with access to education, capital for entrepreneurship, and opportunities to build more wealth.

Since the publication of *Black Wealth/White Wealth* more than 10 years ago, researchers have documented wealth disadvantages experienced by other racial and ethnic groups, establishing that the racial wealth gap is widespread and institutionalized in American society.[6]

While the racial wealth gap has received growing attention, to date little attention has been paid to the wealth gap for women, let alone women of color. Some may wonder if gender differences in wealth are important since so many people get married and presumably pool resources. But about half of all households are headed by single (defined as never married, widowed, or divorced) persons,[7] which makes the wealth gap between men and women a reality for a large percentage of people. Also, about half of all marriages end in divorce.[8] Furthermore, men and women are marrying at later ages,[9] leaving women with more years in which they are self-supporting. In fact, women now spend more of their adult years single than married.[10] The women's wealth gap is also central to understanding the racial wealth gap—particularly for black households—because black women are less likely to marry and to remain married.[11] Given the current trends in rates of divorce, the increasing number of children born to unwed parents, and rising ages at first marriage, the wealth gap for women is of considerable significance.

In an upcoming book, *Shortchanged: Why women have less wealth and what can be done about it*,[12] the gender wealth gap is shown to be alarmingly high and due to the compounding of race and gender disadvantages, women of color experience even greater wealth disadvantages than men of color and white women.

Measuring the Wealth Gap for Women of Color

Wealth and income are related, but they are not the same. Income refers to the amount of money received by an individual or household during a specific period of time, such as a month or year. It usually comes in the form of earnings or wages from a job, but can take other forms as well such as interest on savings or investment accounts, Social Security, transitional assistance (welfare payments), pension benefits, or child support. Wealth, or net worth, refers to the total value of one's assets minus debts. Typical types of assets include money in checking accounts, stocks or bonds, real estate, and businesses owned. Typical types of debts include home mortgages, credit card debt, and student loans.

To measure the wealth gap, this paper relies on data from the 2007 Survey of Consumer Finances (SCF). The SCF is a triennial national survey sponsored by the Federal Reserve Board and is considered to be one of the best sources of data on wealth inequality.[13] This paper uses the same definition of wealth employed by the Federal Reserve Board.[14]

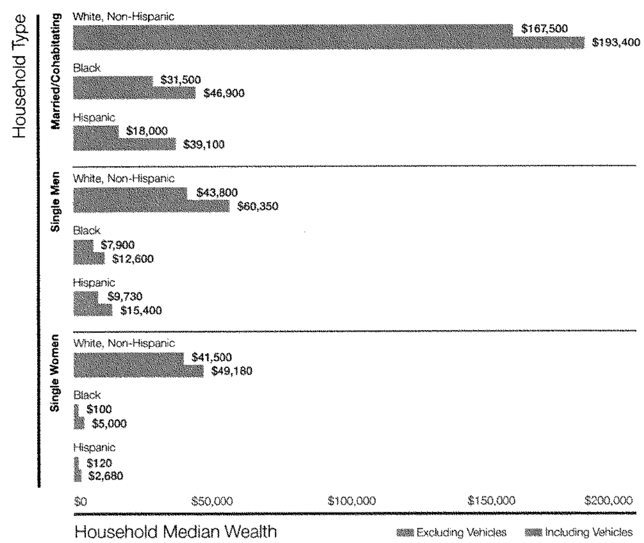
While the 2007 data is the most recent release of the SCF to date, it is important to take into consideration that most of the data were collected prior to the economic downturn and therefore present a more favorable portrait of levels of wealth than is likely to be the case currently. Nonetheless, the overall patterns depicted with respect to wealth of whites versus non-whites are likely to hold. If anything, the portrait of wealth holdings for people of color is likely to be less favorable today than it was in 2007 since people of color hold greater amounts of their assets in homeownership (see Table 4) and communities of color have been hardest hit by the foreclosure debacle. Therefore, the data provides a "conservative estimate" of the current wealth holdings for women of color.

Although the SCF is considered the best source of data on the extent of wealth inequality, Asians and Native Americans[15] are combined into a single category in the public data due to their extremely small sample sizes in the survey. For this reason, when statistics on persons of color are disaggregated into constituent racial or ethnic categories in this paper, only data for blacks and Hispanics will be presented. However, when data for people of color are presented in an aggregated form, Asians and Native Americans are included in the statistics. Where possible, data from other sources for Asians and Native Americans will be presented.

The sample size for non-white and Hispanic unmarried males over age 65 is particularly small in the SCF and so the data for unmarried men and women of color are more representative of persons under age 65.[16] For this reason, the data presented in the briefing paper are for persons under age 65. However, information from other sources are brought in to address the gender wealth gap for people ages 65 and older.

The Wealth Gap for Women of Color

Figure 1.
Racial Differences in Wealth by Household Type, Ages 18-64, 2007



Single black and Hispanic women have one penny of wealth for every dollar of wealth owned by their male counterparts and a tiny fraction of a penny for every dollar of wealth owned by white women.

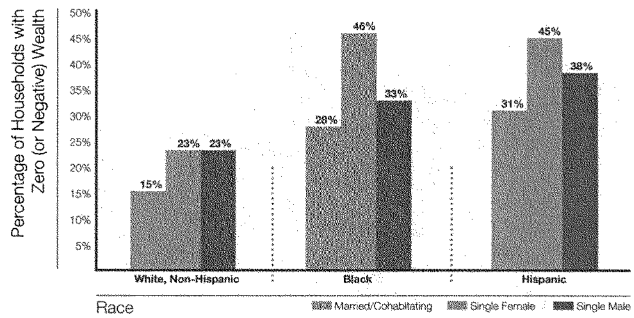
Women of all races experience a gender wealth gap that is greater than the gender income gap, but the disparities are greatest for women of color. Figure 1 provides racial differences in the median wealth for couples (married and cohabitating),[17] single men, and single women. Two definitions of wealth are provided: one that includes the value of vehicles in the calculation and one that excludes vehicles.

When vehicles are included in the calculation of wealth, all groups have higher wealth. However, comparing differences in wealth for women of color when vehicles are included and excluded reveals that most of the wealth owned by black and Hispanic women is in the form of vehicles, which is a depreciating asset.

Although vehicles are important for providing access to employment and can sometimes be used to generate income (for example, they may be used to engage in self-employment), they are generally not part of a household's financial reserve that is tapped into during times of need, for example, in cases of unemployment or to fund a child's education.

Because so many women of color have such little wealth other than the value of a vehicle, the rest of the paper uses the definition of wealth that excludes vehicles in order to capture the economic vulnerability experienced by women of color.

Figure 2.
Percentage of Households with Zero (or Negative) Wealth, Ages 18-64, 2007



Excluding vehicles, single black women have a median wealth of $100 and Hispanic women $120 respectively, while their same-race male counterparts have $7,900 and $9,730. The median wealth of single white women is $41,500. To put it another way, single black and Hispanic women have one penny of wealth for every dollar of wealth owned by their male counterparts and a tiny fraction of a penny for every dollar of wealth owned by white women.

With so little in reserve, half of all single black and Hispanic women could not afford to take an unpaid sick day or to even have a major appliance repaired without going into debt.
The precarious financial situation of women of color is also evident when looking at those with zero or negative wealth (negative wealth occurs when the value of one's assets is lower than the value of their debts). Nearly half of all single black and Hispanic women have zero or negative wealth (see Figure 2).

Wealth Differences by Marital Status

Women in two income families – either married or cohabitating, have access to greater financial resources than single women. To understand the women's wealth gap for single people of color, it is critical to take into consideration whether they are never-married or have had their marriage end due to divorce or widowhood because each circumstance affects wealth between men and women and also between whites and people of color. For instance, divorce impacts the distribution of wealth between women and men because women experience steeper economic declines when they divorce than men.[18]

Moreover, widowhood is often more economically devastating for women of color than for white women because, due to factors such as the racial wealth gap and wage discrimination, many non-white couples have accumulated fewer assets. Upon widowhood, women of color no longer have their husband's income to rely on and have less wealth to support themselves.[19]

Never-married women of color experience the largest wealth disadvantage, with a median wealth of zero (see Table 1). Women of color who are divorced fare better, with a median wealth of $4,200, but this is still only 26% of the wealth of divorced men of color, 8% of the wealth of divorced white women, and 5% of the wealth of divorced white men.

Table 1

Wealth for Never-Married, Divorced, and Widowed Men and Median Women Ages 18-64, 2007

Household Type	White, Non-Hispanic	Non-White and/or Hispanic
Never-Married		
Men	$16,310	$ 4,020
Women	$ 2,660	$ 0
Gender Gap	$13,650	$16,450
Gender Ratio	16%	0%
Divorced†		
Men	$ 80,000	$16,100
Women	$ 52,120	$ 4,200
Gender Gap	$ 27,880	$11,900
Gender Ratio	65%	26%
Widowed		
Men	$604,500	NA††
Women	$136,000	$38,400
Gender Gap	$468,050	NA
Gender Ratio	23%	NA

†The "Divorced" category contains people who are legally separated if the assets are owned mostly or exclusively by them.

†† Unweighted sample size in this category contains less than 10 persons. Source: Author's calculations of the 2007 Survey of Consumer Finances for persons ages 18-64.

Wealth Differences by Parental Status

Women of all races experience a motherhood wealth penalty that stems from the motherhood wage penalty,[20] time spent out of the labor force or working part-time, and for single mothers, the financial burden of being a custodial parent. But this penalty is greater for women of color (see Table 2). Black and Hispanic single mothers with children under age 18 have a median wealth of zero. In contrast, black and Hispanic men who are single fathers have a median wealth of $10,960 and $2,400 respectively.

Table 2

Gender Differences in Median Wealth for Single Men and Women with Children* by Race, 2007

Race	Have Children of any Age	Have Children under Age 18
White		
Men	$79,940	$56,100
Women	$45,400	$7,970
Gender Gap	$34,540	$48,130
Gender Ratio	57%	14%
Black		
Men	$26,000	$10,960
Women	$ 100	$0
Gender Gap	$25,900	$10,960
Gender Ratio	0.4%	0
Hispanic		
Men	$2,400†	$2,400
Women	$ 120	$0
Gender Gap	$2,280	$2,400
Gender Ratio	5%	0

*Includes the respondent's own children and also relatives under age 18 living in the household.

†Unweighted data contain less than 10 Hispanic men who have children of any age who do not also have children under age 18. Source: Author's calculations of the 2007 Survey of Consumer Finances for persons ages 18-64.

When comparing mothers and fathers of color to their white counterparts, mothers continue to fare worse than fathers. Black and Hispanic mothers with children of any age have less than 1% of the wealth of white mothers with children of any age, whereas black fathers have 33% as much wealth as white fathers and Hispanic fathers have 3% as much wealth as white fathers.

While fathers are increasingly being granted custody, the financial burden of single parenthood falls disproportionately on women. The motherhood wealth penalty is particularly acute for women of color, who are not only facing the financial strain of single parenthood, but also the double wage disadvantage of being a woman and a person of color.

Wealth Differences over the Life Course

Young women ages 18-35, whether white or non-white, are beginning their adult years with a median wealth of zero, meaning that at least half of women in this age group had no wealth or had debts greater than the value of their assets (see Table 3). However, while white women in the prime working years of ages 36-49 have a median wealth of $42,600 (still only 61% of their white male counterparts), the median wealth for women of color is only $5. Prior to age 50, women of color have virtually no wealth. Moreover, in comparison to their same-sex white counterparts, women of color in the two youngest age groups, have less than 1% of the wealth of white women whereas men of color in these same age groups under 50 have 18% and 16% of the wealth of white men.

Prior to age 50, women of color have virtually no wealth.

Table 3

Median Wealth for Single Men and Women by Race and Age, 2007

Race	Age 18-35	Age 36-49	Age 50-65	Over Age 65
White, Non-Hispanic				
Men	$5,600	$70,030	$122,500	$190,000
Women	$0	$42,600	$111,400	$191,070
Gender Gap	$5,600	$27,430	$11,100	+$1,070
Gender Ratio	0%	61%	91%	101%
Non-White and/or Hispanic				
Men	$1,000	$11,000	$61,300	N/A†
Women	$0	$5	$56,980	$46,800
Gender Gap	$1,000	$10,995	$4,320	N/A†
Gender Ratio	0%	.05%	93%	N/A†

*Includes: Black, Hispanic (of any race), and Other racial groups.

†Unweighted sample size in this category contains less than 10 persons. Source: Author's calculations of the 2007 Survey of Consumer Finances.

Like their white counterparts, men and women of color in the pre-retirement years of ages 50 through 65 have a median wealth between $50,000 and $70,000 more than their younger counterparts ages 36 to 49. But large wealth gaps remain between people of color and whites who are nearing retirement. People in the 50-64 year-old age range are more likely to experience the passing of their elderly parents (who would typically be in their 70s, 80s and 90s). It is likely, therefore, that racial differences in inheritance play a role in the large gap between the wealth of whites and people of color due to the transfer of parental wealth.

Pre-retirement wealth disparities for women of color affect them drastically in their retirement years. According to federal poverty standards, poverty rates for people age 65 and over are highest for women of color. In 2007 16.7% of white women living alone were poor, but 26% of Asian women living alone, 38.5% of black women living alone, and 41.1% of Hispanic women living alone were poor.[21]

Because women generally live longer than men, they need more wealth to support themselves in retirement. Women of color are particularly vulnerable because they have accumulated much less wealth to fund their "golden years."

Retirement experts speak of the "three-legged stool" of income from pensions, Social Security and personal savings as necessary to collectively support people during retirement. However as the data show, all three legs of women's retirement "stools" are shaky.

Women of color ages 65 and older are least likely to receive retirement income from pensions or from assets.

Women of color ages 65 and older are least likely to receive retirement income from pensions or from assets. For instance, while 49% of white men and 30.5% of white women receive income from pensions,[22] 26% of black women, 17% of Asian women and 12.7% of Hispanic women receive any income from pensions. Likewise, whereas 66% of white men and 60.4% of white women receive income from assets, 40% of Asian women, 25.4% of black women, and 23% of Hispanic women receive any income from assets.

And of those who do receive income from assets, white men receive a median annual income of $1,277 from assets whereas Asian women receive $975, black women receive $312, and Hispanic women receive only $257.

Because women have less wealth and less pension income to support themselves during retirement, Social Security is of particular importance to them. However, women of color ages 65 and older are least likely to receive income from Social Security. Whereas 91.7% of white women receive income from Social Security, 83.5% of black women, 76.1% of Hispanic women and 66.5% of Asian women do.[23] And when women of color do receive Social Security income, they receive less than white women and men of their same racial and ethnic group because women of color have lower lifetime earnings.

Disparities in Different Types of Assets

Because different types of assets have historically had different rates of return and because they each have different characteristics in terms of liquidity, level of risk, and tax treatment, it is important to understand the types of assets owned by women of color.

Cash

Cash is the asset with the most liquidity and cash forms the base upon which other assets can be built. Cash accounts are the basis of participation in mainstream financial institutions, and while blacks and Hispanics are less likely to have cash accounts than whites, women of color are more likely to have cash accounts than their same-race male counterparts (see Table 4). Nevertheless, there is room for improvement, with about one-third of Hispanic women and one-fourth of black women without cash accounts, or "unbanked." Furthermore, the median value of cash accounts held by women of color is less than the median value of cash accounts held by men of color.

Homes

Home ownership comprises the bulk of wealth for middle-class families.[24] Unfortunately, home ownership has been out of reach for many women of color. As Table 4 reveals, only 28% of Hispanic women and 33% of black women are home owners, far below the percentage of white women who own homes (57%).[25] Of those women of color who do own homes, the median home equity falls far below other home owners. Black women have a median home equity of $47,000 Hispanic women $35,000, and white women $74,000.

In addition to low home ownership rates, women of color are likely to experience slower growth in home equity because they are likely to own homes in minority neighborhoods, in which home prices rise more slowly[26] and are more likely receive sub-prime loans that often lead to foreclosure.[27]

Stock

Once limited to the extremely wealthy, stock ownership has become much more widespread, with 51% of households in 2007 owning stock directly or indirectly in mutual funds, including stock owned within retirement accounts.[28] Stock ownership is important because it has historically yielded higher average returns over time than money kept in savings accounts.[29]

Table 4

Asset Ownership by Household Type and Race, Ages 18-64, 2007

Race	Cash Accounts		Home		Stock		Business	
	% who own	**Median value, if owned**	**% who own**	**Median value, if owned**	**% who own**	**Median value, if owned**	**% who own**	**Median value, if owned**
White								
Married/Cohabitating	97	$7,100	82	$104,000	67	$45,000	23	$99,000
Single Male	91	$3,400	50	$70,000	51	$25,400	12	$90,000
Single Female	92	$1,900	57	$74,000	45	$18,625	8	$50,000
Black								
Married/Cohabitating	86	$2,000	59	$54,000	48	$18,200	11	$25,000
Single Male	72	$2,200	39	$63,000	26	$12,750	4	†
Single Female	77	$1,180	33	$47,000	23	$15,300	4	†
Hispanic (of any race)								
Married/Cohabitating	85	$2,600	57	$92,000	28	$14,100	9	$120,000
Single Male	62	$2,500	29	$93,000	23	†	12	†
Single Female	67	$650	28	$35,000	14	†	1	†

†Unweighted sample size is too small: fewer than 10 men and/or women in this category. Cash accounts include money held in savings accounts, checking accounts (including money market accounts), and certificates of deposit (CDs). Home ownership includes single-family and multiple-family residences, condominiums, town houses, and mobile homes. Equity represents the current market value minus the mortgage and any loans against the property such as home equity lines of credit. Stock ownership includes direct ownership of stock shares and indirect ownership through mutual funds and retirement accounts (such as 401k and IRA accounts). Business ownership includes any privately-held businesses.

People of color are much less likely to own stock than whites, and women of color are the least likely. Only 23% of black women and 14% of Hispanic women own stock and the median value of stock of that stock is significantly lower than the stock owned by white women and men (see Table 4).

Business Assets

People of color and women are a growing segment of business owners. Between 1997 and 2002, business ownership increased by 10% overall but women-owned businesses grew by 20%, Asian-owned by 24%, Hispanic or Latino-owned by 31%, black-owned by 45%, and businesses owned by Native Hawaiians and other Pacific Islanders increased by 67%.[30]

Despite the growth in minority-owned and women-owned businesses, women of color remain underrepresented among business owners.[31] Unmarried Hispanic women are particularly less likely to own business assets; only 1% of single Hispanic women own business assets, compared to 4% of single black women and 8% of single white women (see Table 4). However, while the overall rate may be low, the growth rate of businesses owned by women of color is significant, which suggests that there is strong potential for women of color to build wealth for themselves and the economy as a whole through entrepreneurship.

The Anchor of Debt

Debt for some purposes, such as purchasing a home, can help people build assets if mortgage payments are affordable and if home values remain stable or increase over time. Women of color are least likely to have home debt and white women most likely, signifying that home ownership and the potential wealth that can be built from it, has been out of reach for most women of color.

Investment in education is often considered to be a "good" type of debt because it is likely to improve future earnings and hence improve opportunities to build wealth over the long run. Women of color, especially black women, are the most likely to have education debt. Education debt can become unmanageable, however, if it represents a large percentage of one's income.

While home and education debt have the potential help people build wealth over the long run, other forms of debt, such as credit card debt, can be a huge impediment to building assets. Money spent paying down such destructive forms of debt and its corresponding interest is money that is not being used to build assets. Credit card debt is one of the worst forms of debt and women, regardless of race, are more likely to have credit card debt than men. Overall, women are also more likely to have installment debt than men, but black women are most likely to have installment debt.

Credit card debt is one of the worst forms of debt and women are more likely to have credit debt than men, incurred mostly for daily necessities.

As a whole, the percentage of black women with education, credit card, and installment debt is among the highest of all groups, suggesting that the burden of debt is particularly heavy for black women.

One explanation for the heavy debt burden experienced by black women is that people with low incomes (disproportionately women of color) often rely on credit cards, and borrowing in general, for "survival spending" (groceries and other necessities that their incomes cannot cover), as a recent report by the National Council of La Raza calls it.[32] A second reason is that due to discrimination in lending markets, women of color who need capital are less likely than whites or men to be approved for prime loans, and turn to credit cards to finance microenterprise start-up.[33] Third, women of color are more likely to lack bank accounts due to where they live. Looking at neighborhoods of color in our residentially segregated society, payday lending and remittance shops which charge exorbitant rates for financial services abound, while mainstream banks and credit unions are hard to find.

Table 5

Debt By Gender and Race, Ages 18-64, 2007

Race	White		All Non-White or Hispanic*		Black		Hispanic (of any race)	
	Women	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
% With Any Debt	79%	78%	76%	73%	77%	75%	68%	65%
Median Value	$39,490	$30,000	$18,540	$22,000	$18,540	$ 8,700	$16,900	$13,400
Median Debt to Income Ratio	1.22	.68	.73	.58	.76	.53	.79	.50
% With Home Debt	42%	37%	26%	30%	27%	25%	21%	22%
Median Value	$85,000	$82,500	$100,000	$68,000	$102,000	$62,000	$97,000	†
Median Debt to Income Ratio	1.92	1.56	1.90	1.44	1.87	1.44	2.03	†
% With Education Debt	17%	11%	25%	18%	27%	26%	19%	13%
Median Value	$11,000	$10,500	$10,000	$7,500	$9,000	$7,000	NA	†
Median Debt to Income Ratio	.36	.33	.32	.40	.32	.61	NA	†
% With Credit Card Debt	49%	41%	48%	32%	50%	31%	50%	29%
Median Value	$2,000	$2,000	$1,300	$1,500	$1,800	$1,500	$900	$3,000
Median Debt to Income Ratio	.06	.07	.05	.04	.06	.03	.03	.05
% With Installment Debt	39%	34%	39%	34%	43%	31%	27%	34%
Median Value	$8,000	$7,700	$6,000	$5,800	$6,000	$3,000	$3,400	$7,600
Median Debt to Income Ratio	.25	.18	.17	.15	.15	.14	.17	.15

Source: Authors calculations from the 2007 Survey of Consumer Finances for persons ages 18-64.
*Includes: Black, Hispanic (of any race), and Other racial groups.
†Unweighted sample size is too small (less than 10 men or women) in these categories.

Last but not least, women of color are more likely to use their own financial resources to help out extended family members.[34] With a history of exclusion from public benefits and economic opportunities afforded to whites, women of color know they are relied on and must rely on others in their families and communities when hard times hit. Unemployment in communities of color at nearly double the rate among whites has put a further strain on women of color who are supporting growing numbers of people. Those with low incomes have experienced an inflation-adjusted decline in real wages while expenses such as housing, education, and health care have increased dramatically.[35] The disconnect between wages and basic living expenses leaves a gap in the financial lives of many women of color that quickly turns into an unmanageable chasm.

Asian American and Native American Women's Wealth

Because Asian Americans and Native Americans comprise a much smaller proportion of the U.S. population than blacks and Hispanics and because most surveys that measure wealth do not oversample these groups, our knowledge about their wealth is less robust—particularly for Native Americans.

According to 2004 data from the Survey of Income and Program Participation, Asian Americans have a higher median net worth than white non-Hispanic households ($144,000 and $137,200, respectively).[36] Much of this is due to their home equity, as the Asian population is concentrated in a few cities with very high home values. When data is adjusted for these and other factors, Asians have less wealth than whites with similar socioeconomic characteristics.[37] In interpreting the high home equity of Asian Americans, it is also important to bear in mind that they are likely to own and occupy the home with extended family members and are more likely than whites to contribute more than half of their household income to housing costs.[38]

Moreover, it is important to take into consideration the tremendous variation within the Asian-American group, with Asian Indians, Chinese, Japanese, Koreans and Filipinos much better off than Vietnamese, other Southeast Asians, and other Asian groups, who are much more likely to have immigrated as political refugees than as highly-educated workers.[39]

Median wealth for Native Americans in the survey was $5,700 whereas the median wealth for the sample overall was $65,000, a ratio of only 8.7%.

However, studies to date on Asian American wealth have not examined differences between men and women. Data on women ages 65 and older (see page 8), indicate that Asian women are more economically vulnerable than white women. But additional data and analysis is necessary to understand the wealth holdings of Asian women.

Much less is known about the wealth of Native Americans. They are an even smaller population than Asian Americans, rendering their presence in surveys extremely small. An exception to the lack of information on the wealth of Native Americans is research conducted by Jay Zagorski that uses the National Longitudinal Survey of Youth (NLSY79), which contains some wealth questions and information on Native American ancestry.[40]

Based on this data, in 2000 the median wealth for Native Americans in the survey was $5,700 whereas the median wealth for the sample overall was $65,500, a ratio of only 8.7%. Native Americans were much less likely to own different types of assets and when they did own an asset, the value was much lower than for the survey sample overall. But, like the vast majority of research on wealth, data were not provided for men and women separately.

In addition, Native people view assets differently than the general population in the U.S. They are more likely to identify education and family as assets and also to identify communal assets such as natural resources and the environment.[41] Land – all that nature provides – is "wealth," it is communally owned, and the goal is stewardship.

Reasons for the Wealth Gap for Women of Color

Because Americans believe (or want to believe) in the American Dream, we equate success with working hard. The corollary is that those who have not succeeded have either not worked hard enough or have their own behaviors to blame. As a result, women of color are often the targets of negative stereotypes and media images. In truth, past and current institutional factors play a significant role in positioning women of color at the bottom of the economic ladder.

Prior Institutional Factors

The U.S. has a long history of policies that transferred wealth from people of color to whites, that created specific barriers to wealth accumulation by people of color, and that excluded non-whites from government wealth building programs and incentives. As examples, the Indian Removal Act of 1830 forcibly removed Cherokees from their traditional lands to make room for white settlers. Jim Crow laws kept African Americans out of better paying jobs, quality public education, and business opportunities. The benefits of citizenship, open to Europeans, was forbidden to Asian immigrants. The exclusion of Social Security coverage for a whole generation of farm workers, laborers, and domestic workers, kept Latino and black elders in poverty.[42] Advantage and disadvantage is passed from generation to generation often with a cumulative effect, thereby contributing to the current racial wealth gap.

Laws against interracial marriage also helped cement the historical legacy of wealth inequality between groups. In addition, there were particular historical impacts on women of different races. For instance, the "transfer" of land from Native Americans took away a source of wealth that many Native American women once controlled; land was traditionally passed down along matrilineal lines, but U.S. policy divided their land and distributed it to men only, creating a rift between Native men and women that still waits re-bridging.[43]

Mexicans, like Native women, could inherit and own property. However, this changed in the 1800s after the Treaty of Guadalupe Hidalgo that annexed from Mexico what is now most of the Southwestern states. When Mexican women property owners married white men, U.S. laws accorded ownership of the land to their husbands. These and other historical policies have been well-documented in *The Color of Wealth: The Story Behind the U.S. Racial Divide.*[44] Because inheritance is a major way that wealth is acquired, disadvantages of the past contribute to the current lack of wealth for women of color.

But women of color were not only affected by historical policies directed at persons of color, they were affected by policies that restricted opportunities for women to own and build wealth. Before states passed married women's property acts, married women could not control property, even property that they owned prior to marriage.[45] And, until passage of the Equal Credit Opportunity Act of 1974, it was extremely difficult for women to obtain credit in their own name because lenders could deny applications on the basis of sex or marital status.

Women faced obstacles in the labor market as well that negatively impacted their ability to build wealth. Until the passage of the 1963 Equal Pay Act and Title VII of the 1964 Civil Rights Act, women could be denied a job or promotion simply because they were women and employers could pay women less than men doing the same job or could fire women for getting married or becoming pregnant.[46]

Policies today are not overtly discriminatory against certain groups as they were in the past. Nevertheless, government policies, social insurance, and the tax code have a differential impact on women of color because for structural reasons, they are least likely to benefit from them.

Current Institutional Factors

Wage Disparities

In 2007, the gender wage ratio for annual earnings of full-year workers reached an all-time high of 78%, but fell to 77% in 2008 (the most recent year available).[47] The pay gap affects all women, but it is not uniform for women of different racial and ethnic groups.

Women of color experience a pay gap that is affected not just by the pay gap between men and women, but also between whites and minorities. Men and women of color, with the exception of Asians,[48] have lower median earnings than whites (see Table 6). Black and Hispanic women are particularly likely to be employed in jobs and industries with lower pay. But women of color experience the cumulative earnings disadvantage of being both a person of color and a woman.

Table 6

Earnings Gaps for Full-Time Workers by Sex and Race, 2007

Race	Median Earnings		
	Women	**Men**	**Gender Ratio**
White, non-Hispanic	$36,398	$50,139	72.6%
Black	$31,035	$35,652	87.1%
Hispanic	$25,454	$29,239	87.1%
Asian	$40,664	$51,174	79.5%
American Indian, Alaska Native	$28,837	$34,833	82.8%
Native Hawaiian, Other Pacific Islander	$29,835	$36,624	81.5%
Total	**$34,278**	**$44,255**	**77.5%**

Note: Earnings data from: Bishaw, Alemayehu and Jessica Semaga, U.S. Census Bureau, American Community Survey Reports, ACS-09, Income, Earnings, and Poverty Data From the 2007 American Community Survey, U.S. Government Printing Office, Washington, DC, 2008.

When compared to men of their same race or ethnicity, the largest gender pay gap is between white men and white women, with women earning only 72.6% of the pay of their male counterparts. In contrast, Black and Hispanic women earn 87.1%, Asian women earn 80%, Native American women earn 83%, and Native Hawaiian and Other Pacific Islanders earn 82% of the pay of their same-race male counterparts. One reason why the pay gap is larger between white men and women than it is between men and women of color is that men of color have lower salaries than white men.

Looking at the income gaps between women and men by race, one might expect that the women's wealth gap for whites would be larger than for other groups since their wage gap is larger. But just the opposite is true. Black and Hispanic women may earn 87% of their male counterparts, but single women have less than 1% as much wealth. In contrast, white women may earn a lower percentage of the wages of their male counterparts (72.6%), but single women have 95% as much wealth. (This high overall percentage of wealth for white women in comparison to white men masks vast gender differences in wealth when the category of single women is disaggregated according to whether they are never-married, divorced, or widowed, as shown in Table 1.) Because inheritance is the main way in which wealth is acquired, white women benefit from the wealth passed down from their families; thus, their gender disadvantage is mitigated by their race advantage.

Lack of Access to the "Wealth Escalator"

Earnings are no doubt important for building wealth, but they are converted into wealth at a much faster pace if they are linked with the wealth escalator—fringe benefits, favorable tax codes, and valuable government benefits—that are tied to employment, income, and marital status. Unfortunately, women of color do not benefit from the wealth escalator to the same extent as men or white women.

Fringe benefits

Pay is not the only economic benefit that can be derived from employment. Job-related fringe benefits such as paid sick days, health insurance, and retirement plans (such as pensions and 401k accounts) help people build more wealth by (1) paying for things that one would otherwise pay for out of their earnings (such as health insurance), thus leaving them more disposable income from which to save or invest, or (2) providing people with wealth directly (such as employer contributions to retirement accounts).

401(k) plans, for example, have wealth-building advantages. First of all, contributions are made on a pre-tax basis, meaning that the employee does not pay any income taxes on the contributions until they are withdrawn, when many will be in a lower tax bracket. Second, some employers also match contributions up to a certain percentage.

Often, women of color lack access to fringe benefits because of the types of jobs they have. Nearly one-third of all black and Hispanic women work in service occupations, which are the least likely to include important benefits (see Tables 7 and 8). For instance, only 39% of people working in service occupations receive any paid sick leave (in comparison to 57% of workers overall), only 52% receive any medical care benefits (in comparison to 74% of workers overall), and only 44% receive any retirement benefits (in comparison to 66% of workers overall).

Table 7

Percentage of Employees with Fringe Benefits by Occupational Group

Occupational Group	Retirement Benefits	Medical Care Benefits	Life Insurance Benefits	Paid Sick Leave	Paid Holidays	Paid Vacation	Dependent Care Reimb. Account	Healthcare Reimb. Account
Managerial	83%	94%	85%	80%[49]	94%	94%	56%	59%
Professional	80%	84%	74%	NA	74%	67%	52%	57%
Service	44%	52%	42%	39%	56%	63%	20%	24%
Sales and Office	67%	73%	61%	63%	82%	81%	36%	38%
Natural Resources, Construction & Maintenance	65%	78%	58%	44%	78%	77%	21%	23%
Production, Transportation & Material Moving	66%	78%	67%	47%	85%	82%	26%	27%
All Workers	**66%**	**74%**	**62%**	**57%**	**76%**	**75%**	**34%**	**37%**

Data from the U.S. Department of Labor: "Employee Benefits in the United States, March 2008" and additional tables on the Bureau of Labor Statistics website (www.bls.gov/ncs/ebs/benefits/2008/benefits.htm#health). All data except for paid sick leave refer to workers in the private nonfarm economy except those in private households, and workers in the public sector, except the federal government. Paid sick leave data refer to employees in private industry in 2007 and are derived from the U.S. Department of Labor: "National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2007." Retirement benefits include defined benefit pension plans and defined contribution retirement plans.

Table 8

Percentage of Employed Persons by Occupational Group, Sex, and Race

	Men					Women				
Occupational Group	**Total**	**White**	**Black**	**Hispanic**	**Asian**	**Total**	**White**	**Black**	**Hispanic**	**Asian**
Managerial	16.3	16.7	9.6	7.2	16.6	13.9	13.9	10.4	8.8	16.4
Professional	17.2	16.5	13.3	7.1	33.5	25.1	25.6	20.9	14.7	29.7
Service	13.2	12.4	20.1	19.7	13.6	20.4	19.3	28.2	31.3	19.4
Sales and Office	16.9	16.7	18.2	13.2	17.5	33.8	34.4	31.9	32.9	26.1
Natural Resources, Construction & Maintenance	18.3	20.4	13.0	31.0	7.2	1.0	1.0	0.7	1.7	0.6
Production, Transportation & Material Moving	17.8	17.3	25.7	21.7	11.6	6.2	5.7	7.9	10.6	7.8

Data from the Bureau of Labor Statistics Current Population Survey and refer to 2008. www.bls.gov/cps/tables.htm#annual

Tax Disadvantages

The tax code often exacerbates the wealth gap for women of color because they are less likely to benefit from policies that help people build wealth. For instance, many fringe benefits have tax advantages that help the recipient build more wealth. As mentioned above, employer-sponsored retirement contributions are worth even more because they are not taxed as ordinary income and the recipient does not pay income taxes on the money until it is withdrawn during retirement, when the recipient is likely to be in a lower tax bracket.

Even seemingly equitable-sounding tax deductions such as the home mortgage interest deduction do not benefit women of color to the same extent because they are less likely to own homes and when they do, they own homes that are worth less on average and have lower mortgages. Since residential segregation is still a fact of American life, their opportunities to buy homes in neighborhoods where home values grow more quickly is curtailed. Tax benefits such as the home mortgage interest deduction are worth much more money to wealthier home owners (who are less likely to be women of color), and help to subsidize their ability to build wealth.

Once a person has been rendered utterly wealth poor to qualify for assistance, the resulting lack of assets serves as a further barrier to their return to economic self-sufficiency.

In a similar fashion, college savings plans such as 529 plans are of greater financial benefit to those with the highest incomes because they receive the greatest tax benefit. Because of their lower incomes, people of color—and especially women of color—benefit much less.[50]

Government Benefits Impact the Ability to Build Wealth

Public Assistance

The government provides financial safety nets for the most economically vulnerable. Because women of color have such low incomes and low wealth, they are more likely to need economic assistance. But public assistance programs such as Temporary Assistance to Needy Families (TANF) negatively affect recipients' ability to build wealth.

The asset limits of such public assistance programs have come under criticism for making it more difficult for people to build assets over the long run, thereby actually increasing their economic vulnerability.

For instance, owning a vehicle worth more than $5,000 disqualifies a person from being eligible for benefits in fifteen states.[51] Yet many recipients need a reliable vehicle to apply for jobs or get to their place of employment, and research indicates that owning a vehicle increases the probability of employment, hours worked, and earnings.[52]

In addition to restrictions on value of vehicles owned, every state except Ohio has limits on countable assets ("cash on hand," money held in checking and savings accounts, etc.) to ensure that public assistance is going to those who need it most.[53] Because asset limits do not distinguish between money held in a checking account and money in a retirement account, some recipients must drain their retirement savings and surrender any future security they have already worked to build, simply because they are going through a period of hardship. Once a person has been rendered utterly wealth poor to qualify for assistance, the resulting lack of assets serves as a further barrier to their return to economic self-sufficiency.

Black women in particular rely heavily on Social Security. For more than 25% of black women ages 65 and over, Social Security is their *only* source of income.

Social Insurance

Social insurance programs such as Social Security, unemployment insurance and workers compensation also impact the wealth gap for women of color.[54]

Because Social Security benefits are linked to earnings and years of employment, women of color receive lower benefits because of their lower earnings. In addition, like white women, women of color often reduce their work hours to care for others, which further decreases their income and contributes to lower benefits during retirement. Women of color are also more likely to be employed as domestic or agricultural workers, where employer compliance with reporting income and withholding Social Security taxes is weaker.[55]

Marital status also affects Social Security benefits. Married persons can collect benefits based on their own or their spouse's employment and earnings record, whichever is higher. Because white women are more likely to marry and remain married, they more often have the ability to choose between benefits based on their own employment record or the record of their likely higher-earning spouse. In 2008, 57% of black women aged 65 and over were entitled to benefits only as workers, 20% were dually entitled, and 22% entitled only as a wife or widow of a worker.

For non-white women of other races,[56] 46% were entitled only as workers, 13% were dually entitled, and 42% were entitled only as the wife or widow of a worker. In contrast, 40% of white women were entitled as workers only, 31% were dually entitled, and 28% were entitled only as a wife or widow of a worker.[57] Women who are entitled to benefits only as workers (as is the case most often for women of color) receive lower average benefits because women generally earn less than men. Nevertheless, even though women of color receive lower Social Security benefits based on employment,[58] Social Security is a critically important benefit for women of color since they are less likely to have other sources of income during retirement. Black women in particular rely heavily on Social Security. For more than 25% of black women ages 65 and over, Social Security is their *only* source of income.[59]

Even unemployment insurance is not always well-suited to the realities of employment faced by many women of color. For example, low-wage workers—who are disproportionately women of color—are less likely to qualify for unemployment benefits because many states have a minimum earnings threshold, meaning low-wage workers must work more hours than high-wage workers in order to qualify.

Part-time workers are also often ineligible to receive benefits. Moreover, women of color have more difficulty meeting eligibility requirements pertaining to job tenure because they face greater spells of unemployment (affecting the average length of time they are likely to have worked for an employer), and because women of color are more likely to work in jobs with no paid sick leave, it increases the likelihood that they will be forced to leave a job due to illness (their own or another family member's).[60]

Workers compensation provides disability payments, medical care, and vocational rehabilitation to workers with job-related illnesses or injuries. But people of color are less likely to receive payment for medical costs and receive lower settlement awards.[61] Furthermore, in many states people employed in agricultural industries (disproportionately Hispanics) are not covered by worker's compensation.[62]

In 2007 Hispanic women were almost one and a half times more likely and black women more than twice as likely to receive high-cost home loans as white women. Many could have qualified for conventional mortgages.

Subprime Home Mortgages

In addition to the exorbitant interest rates charged by predatory lending businesses in the communities where women of color are likely to live, women of color, particularly African American women, have been hard hit by predatory lending practices.[63] A recent study conducted by the National Council of Negro Women in partnership with the National Community Reinvestment Coalition[64] revealed that in 2007, of all low- and moderate-income borrowers, Hispanic women were almost one and a half times more likely and black women more than twice as likely to receive high-cost loans than white women.[65] Disparities were even greater for those with higher incomes. Middle- and upper-income Hispanic women were twice as likely and black women were 2.4 times as likely to receive high-cost loans as their white female counterparts.[66] To make matters worse, research reveals that many who received subprime home loans could have qualified for conventional mortgages.[67]

Subprime mortgages cost borrowers a tremendous amount of money. The National Council of Negro Women estimates that a subprime loan costs a borrower $50,000 to $100,000 more over the loan term than a comparable prime loan. Moreover, the additional money paid in interest prevents them from building home equity as quickly and renders borrowers more vulnerable to foreclosure.

Citizenship and Immigration Status

A growing number of women of color are immigrants. In the new global economy, some immigrants are "self-selected" or recruited because of the need for highly-skilled and highly-educated workers. These immigrants are likely to come to the United States with the human capital—and often financial capital as well—that facilitates building wealth in the United States. But most are unlikely to bring wealth with them, so their accumulation process begins on arrival.[68]

The wealth escalator is closed to many immigrant women. Due to language differences, immigration rules, accreditation barriers, and lack of information, even many who were professionals in their countries of origin can only find work in low-paid, unskilled occupations, often in traditional women's occupations such as nannies, food service work, or housekeeping which often lack fringe benefits. They are also ineligible for many government benefits, even though they pay taxes. Because most immigrants live in racially-segregated neighborhoods,[69] immigrant women often lack access to mainstream financial services. Exorbitant rates of interest charged by payday lenders, car dealers, and sellers of remittance services bite into their paychecks. Like other women of color, immigrant women are more likely than whites to be supporting family members beyond the nuclear family, including family members in their home countries.

Changing Family Structures

Wealth-building government policies, social insurance, and tax codes are generally structured around the "norm" of the white married couple, in which the husband is the primary wage earner and the wife takes care of the home and children. Women of color are least likely to benefit from policies based on this model.

Marriage and Divorce

About half of all marriages end in divorce,[70] rendering divorce a reality for most women and men – and yet public policies do not take this into account. Rates of marriage and divorce for women of different races vary for cultural and economic reasons.

Black women are much less likely to marry, have higher rates of divorce, lower rates of remarriage, and have the youngest age of widowhood. In contrast, Asian women are among the most likely to marry and are the least likely to divorce. White women and Hispanic women generally fall in the middle, between black and Asian women.[71]

Many of these group differences are rooted in economic factors. For example, Asians as a group have higher levels of education and income, which is positively associated with getting and staying married. In addition, high unemployment and incarceration rates for black men affect the marriage rates for black women.

The wealth gap for women of color is influenced by these differences. For example, because black women spend fewer years married (and hence more years in which they are likely provide the bulk or only means of financial support for themselves and their children), the wealth gap for black women has a more pronounced impact with potentially devastating effects.

While living in a two income household improves a woman's capacity to build wealth, marriage is not the sole factor responsible for the wealth gap for women of color. Marriage provides less of an economic safety net for black and Hispanic women because they are widowed at younger ages. On average, black and Hispanic women are widowed at age 54 and white non-Hispanic women at age 62. The economic situation of minority women deteriorates rapidly upon widowhood because they lose the income of their former spouse and are likely to have few assets to draw upon.[72]

Because nuclear families are still considered the norm, the responsibilities of women of color for members of the family other than spouses and their own biological children is also not adequately taken into account.

Parenthood

An additional aspect of changing family structures is the rising numbers of women (and to a lesser extent, men) who are raising children on their own. Since 1970, the percentage of children living in single-parent families has more than doubled.[73] Adoption is also increasingly common for singles.[74] Women of color (except Asian or Pacific Islanders) are also much more likely to be single parents.[75]

Women of color are generally younger when they have their first child and have more children, on average, than white non-Hispanic women[76] (although this may be less true in the future as fertility rates have been declining for teens of all races, especially black teens).[77] Due to the economic instability in their communities, women of color are more likely to be grandparenting or taking in the children of relatives than their white counterparts. These factors negatively impact their ability to build wealth since children are expensive and delays in having children is associated with higher wages, even for women in low-wage occupations.[78] Since early parenthood and fertility rates decline with levels of education,[79] as women of color are provided with better educational and employment opportunities, they are likely to begin childbearing at older ages and have fewer children overall.

As previously revealed in Table 2, the negative relationship between parenthood and wealth exists for all women, but particularly women of color.

Cultural Factors

While structural inequalities for people of color and women are the primary causes of the wealth gap, cultural factors also play a role. For people who are not native English-speakers, difficulty accessing information and financial services are a factor, but there are others.

Cultural expectations for some women of color emphasize the importance of giving to family and community, often in the form of sharing economic resources. Native American communities value the importance of giving back to the community and kinship obligations often take precedence for blacks as well.[80] A survey by the Mission Asset Fund also reported that 63% of Latinas agreed or strongly agreed with the statement "Latinos' family obligations take precedent over their personal financial goals."[81] In many communities of color these obligations surpass national boundaries, as many are sending money to support relatives in other countries.

Many groups of color have a greater distrust of financial institutions, limiting their desire to participate in mainstream financial institutions in the U.S. Some Hispanic groups, for instance, are less likely to trust banks because of a legacy of widespread volatility and uncertainty in banks in their home countries.[82] Instead of using banks for loans, many immigrant women are likely to save through rotating savings accounts, in which each member puts in a certain amount each week, and periodically each of them has a turn to withdraw the united savings. For example, in the Korean community, many micro-businesses have been started using this method. However, the amounts are small compared to low-interest loans that are offered primarily to white men.[83]

Wealth Building by Women of Color Speeds Economic Growth

Without wealth, women of color are on an economic fault line where their financial stability can be easily shaken and destroyed by job loss, illness, or larger economic crises that are beyond their control.

The enormous wealth gap for women of color can no longer be ignored. The wealth gap is much larger than the income gap for women of color and is of greater significance. Without wealth, women of color are on an economic fault line, where their financial stability can be easily shaken and destroyed by job loss, illness, or larger economic crises that are beyond their control.

As the racial demographics of the United States continue to shift and our nation becomes majority minority, letting such a large segment of our population live in such perilous financial straits is not only irresponsible, but dangerous to the nation's economic prosperity over the long run. But far from being a drain on the economy, women of color can play a role that stimulates the economy through asset building activities.

Even in the near term, as we work to rise above the economic crisis at hand, we need to maintain ground in this increasingly competitive global marketplace. We need the talents and resources of women of color as workers, consumers, and entrepreneurs to help fuel economic growth and recovery.

Future generations are also at stake. One of the largest and most important groups to benefit from increasing wealth owned by women of color are children. Research shows that women are more likely to use economic resources to benefit children. For example, children in two-parent low- to moderate-income households in the U.S. are less likely to experience food insecurity (i.e., having to skip meals due to lack of food) when household money was controlled by mothers.[84]
Children of single mothers with assets also have higher rates of high school graduation and higher grade point averages, even when controlling for other important factors that predict children's educational attainment.[85]

Children with higher levels of educational attainment are more likely to become productive citizens, thereby reducing future dependence on public assistance and reducing social problems that are linked to poverty. Furthermore, increasing the educational attainment of our nation's children helps create a more globally-competitive workforce.

Increasing opportunities for low-income low-wealth women of color to buy homes with prime mortgages, or receive affordable loan modifications if they already own homes, will stop the deterioration of neighborhoods of color hard hit by foreclosures. Communities throughout the country will also benefit since home ownership and wealth is positively associated with levels of civic involvement and political participation.[86] Moreover, the cost to cities to police abandoned neighborhoods and maintain the properties is a burden on city revenues, whereas homeowners pay property taxes, thereby increasing government revenues.

Increasing opportunities for women of color to build wealth not only benefits society, but failing to do so has serious repercussions. First of all, our society needs the next generation of workers to be as highly-educated as possible to meet the needs of an increasingly competitive global workforce. We cannot meet this need if such a large proportion of our nation's children grow up in asset-poor households and communities that cannot provide educational opportunities to the next generation.

Second, the foreclosure crisis has ramifications beyond women of color. High numbers of foreclosures affects housing prices overall, negatively impacting the most important asset for most middle-class households.

Third, many women of color have an understanding of different cultures and languages that are extremely valuable in the global marketplace.[87] For example, the bilingualism and biculturalism of Latinas in the border states of New Mexico, Texas, California, and Arizona have contributed to their tremendous success as entrepreneurs.[88]

Finally, reducing economic inequality will have positive impacts on society. Research suggests that more egalitarian countries are healthier, have a stronger community life, and provide its members with more social support.[89]

Asset Building for Women of Color

While this paper focuses on one half of communities of color and documents the gap in economic security between men and women, as the National Association of Colored Women understood back in 1896, the economic status of women of color is tied to those of men of the same race. Since white men in our society have been accorded the most economic advantages, white women benefit from their relationships to men of their same race. As the data has shown, having fathers and husbands with little income and wealth inhibits the savings and asset accumulation possibilities for daughters and wives. Therefore, improving economic opportunities for men of color is necessary for the economic well-being of women of color.

Further, because the U.S. is segregated across the nation, with African-Americans concentrated in the South, Latinos in the Southwest, Asians in a few major cities, and American Indians on reservation lands; and residentially segregated by neighborhood as well, targeted community economic development initiatives will be necessary to create greater opportunity for the women of color who live in those communities.

Policy makers must recognize that income generation and wealth accumulation work in tandem to bring about economic security, and all economic initiatives should be examined to ensure that asset building is included.

That said, there are a few general ideas to keep in mind when designing strategies to build wealth for women of color. First, women of color must be employed in jobs that provide enough wages and benefits to save and build assets like retirement accounts, to buy a home or to start their own businesses. Women of color need to services of community based organizations—non-profits deeply rooted in their communities—*that start where people are at.* They utilize the cultural practices and beliefs of those they serve as assets to be built upon. For example, the Mission Asset Fund in San Francisco was able to attain good credit for Latina women based on their participation in rotating lending circles. Women of color look at their situations in the context of family. At New Economics for Women in Los Angeles, a successful project provided workshops for whole families, including young children and teens, on asset development and preservation, thus making wealth building a family affair. It is not just the content of training that works for women of color – they thrive in environments that provide personal encouragement and support, especially when it is culturally appropriate.

Second, we need more asset building policies for the poor. Currently, policies subsidize asset building for those who already have assets, such as taxing income from capital gains less than income from work. For those without assets, income support and asset development are structured so that women in the TANF program can have only one or the other due to low asset limits in the eligibility guidelines. Policy makers must recognize that income generation and wealth accumulation work in tandem to bring about economic security, and all economic initiatives should be examined to ensure that asset building is included. Already, the city of San Antonio has facilitated savings accounts to be set up for all who participated in any public benefit program because they recognized the importance of wealth-building for helping people maintain economic self-sufficiency.

Third, remedies must be universal, but they must also be targeted. For example, stimulus dollars targeted specifically for Detroit help the majority African-American population there who have been particularly hard hit by the decline of the auto industry. Similarly, a larger proportion of Treasury dollars designated for the creation of Community Development Financial Institutions (CDFIs) could be targeted for Native American communities, since there are no banks within hours of many reservations, and since their creation has a proven track record of success through the efforts of First Nations Oweesta Corporation. Low-wage occupations mostly held by women of color need to be targeted for examination and upgrade: care of our elders and children is some of the most important work in our society, but caregivers' wages and benefits do not reflect the value we place in the well-being of our parents and children.

Policy Recommendations

Based on the preceding explanations for the wealth gap for women of color, the following recommendations have the potential to make the most significant impact on the ability of current and future women of color to build wealth for themselves and their families, and will also help create a more economically stable and prosperous nation for us all.

Improve data collection
As we have seen, data is unavailable particularly for Asian and Native American women; what is not seen cannot be understood and cannot be remedied.

- Collect data disaggregated by race, gender, and ethnicity.

Improve employment opportunities for women of color
As in 1896, job training, wage equity and quality affordable child care are still needed to increase employment opportunities for women of color. To address this, we need to:

- Target financial resources for education and training for women of color in sectors and occupations with high opportunities for career advancement. Jobs created with federal funds such as in broadband, transportation, and the "green" sector should include flexible hours, "wealth escalator" fringe benefits, paid sick days and family leave.
- Support the Employee Free Choice Act; unionization is a proven strategy for improving wages and benefits for women and people of color.
- Set federal wage standards that serve as a floor for state rate-setting commissions for direct care occupations based on the principle of comparable worth.
- Implement universal early childhood education programs that would not only better prepare children for success in school, but recognize that women are participants in the labor force.

Support self-employment and microenterprise
- Create a provision in the TANF statute that identifies exploration of self-employment potential to be countable as "job search" and self-employment preparation as a work activity.
- Increase Small Business Administration assistance to microenterprises which often do not have access to mainstream loans, but need technical and legal assistance.
- The "Make Work Pay" tax credit which covers the self-employed should be made permanent.

Provide low-income women with subsidies and incentives to save
Low-income women often do not benefit from the wealth escalator that helps middle- and upper-income people build their wealth. To help remedy this inequity, we need to:

- Remove asset limits from public assistance program eligibility.
- Make the Child and Dependent Care Tax Credit refundable.
- Expand allowable expenditures for matched Independent Development Accounts in the Assets for Independence program.
- Fund new matched savings accounts for children similar to the British Baby Bonds Program and allow contributions by people other than parents; also matched retirement accounts would help elders stay out of poverty.

Modify social insurance to provide adequate protection for women of color, who often fall through the cracks because of significant gaps in coverage.
To address this we need to:

- Institute a minimum benefit for the Social Security program. This would lift many people—particularly women of color—out of poverty.
- Social Security needs to be restructured for part-time workers who have lower annual earnings, which make their average benefits lower. Extend unemployment benefits to part-time workers. Currently, women are two-thirds of the part time labor force.[90]
- Social Security should include caregiver credits.

Conclusion

The dream of economic mobility and security for themselves and their children remains a chimera on the far horizon for the vast majority of women of color. Their ability to build wealth has been negatively impacted by the cumulative effect of historical policies restricting people of color and women from asset building opportunities, and by current policies and practices that continue to exacerbate those gaps.[91] At the intersection of institutional barriers based on race and gender, the impact is not a matter of adding one to the other. As we compare the wealth of women of color to that of men of their same race and to that of white women, it is evident that the impact of these barriers is exponential.

In the face of such overwhelming odds, women of color are some of the most resilient, resourceful and relied-upon people in our society. They raise children and take care of elders. They earn incomes, start businesses, create jobs for others, and donate their time and money to improving their communities. Last but not least, they are leaders working for a more equitable society.

But their stories are often buried in the aggregated data of the population as a whole, of people of color, or of all women. Moreover, the significance of wealth has been overlooked. As a result, their particular situation has not been well documented or understood, and their current and future potential economic contributions have not been fully recognized.

It is the author's intent and sincere hope that shining a spotlight on women of color and wealth becomes a catalyst for policy change - change that will lift women of color as they continue their climb toward economic security. Their futures are inextricably linked with the economic future of the nation.

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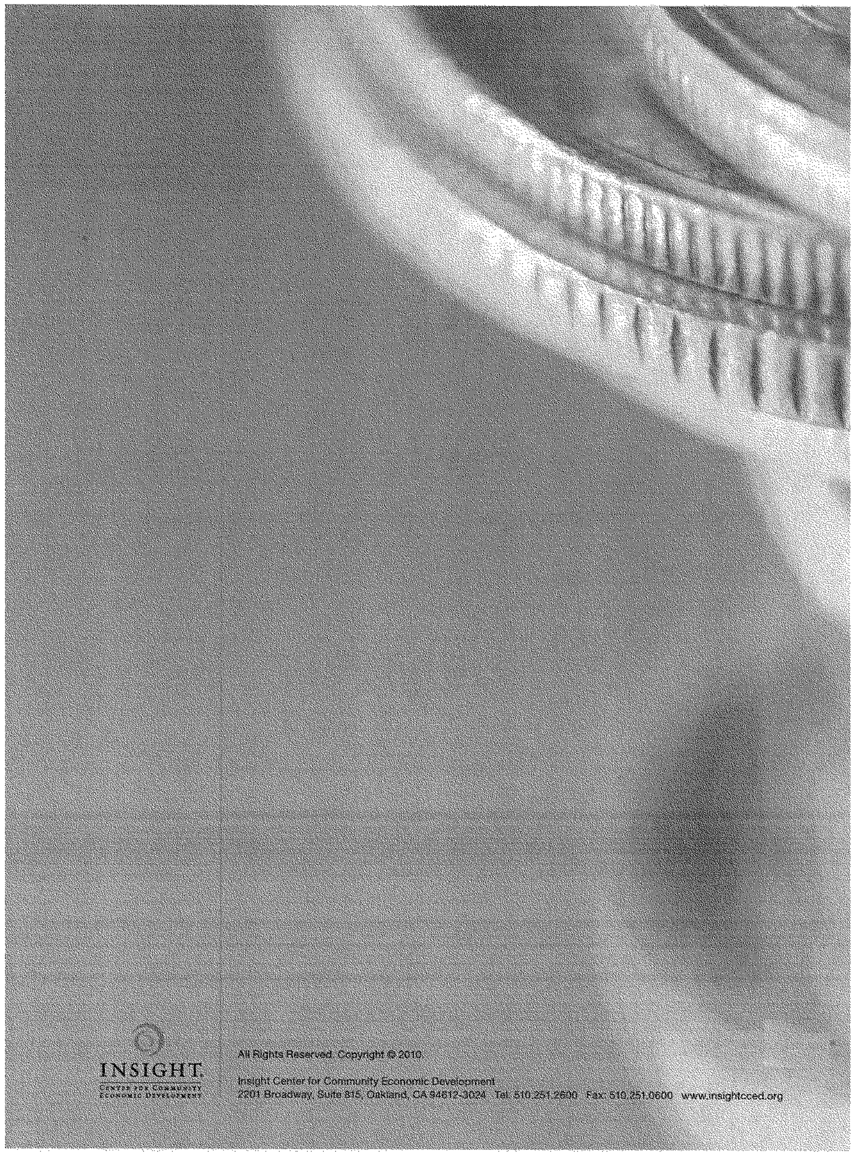
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ISSUE BRIEF: INEQUALITY & MOBILITY

The implications of U.S. gender and racial disparities in income and wealth inequality at each stage of the innovation process

July 2019 Lisa D. Cook and Jan Gerson

Overview

Since the 1960s, both women and underrepresented minorities in the United States have obtained an increasing share of bachelor's degrees and other advanced degrees in fields most associated with invention—the so-called STEM fields of science, technology, engineering, and math. Yet there has been no similar increase in patenting activity among these groups.[1]

The reasons are multiple and varied, but the core problem is the continued discrimination experienced by disadvantaged minorities and women at every stage of the innovation process, from childhood and youth exposure and mentoring in the STEM fields to postsecondary educational barriers to advancement, and from discriminatory denials of patent applications to the lack of opportunity to participate in the development of patentable ideas in the technology workplace. Closing this gender and racial gap in the U.S. innovation process could increase U.S. Gross Domestic Product per capita by 2.7 percent.

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This issue brief examines these problems faced by disadvantaged minorities and women across the arc of the innovation curve in U.S. society and the economy. The research in this area is only just beginning to bear substantial fruit, but the findings to date are encouraging ones for providing the evidence needed to support policy proposals to rectify the problems. The brief then closes with several proposed policy recommnedations, among them better mentoring of students at all levels of education, better opportunities for advancement in academia and in patent recognition, and decisive action against gender and racial discrimination in the workplace.

The problem

The costs of misallocating talent in the U.S. economy are increasingly evident in the economics literature. In their 2013 paper "Why Don't Women Patent," economists Jennifer Hunt at Rutgers University, Jean-Phillippe Garant and Hannah Herman at McGill University, and David Munroe at Columbia University calculate the cost to GDP of not including more women and African Americans in STEM education. They show the gender gap among science and engineering degree-holders is due primarily to women's underrepresentation in patent-intensive fields and patent-intensive job tasks. They also show that women with a degree in science and engineering accrue patents little more than women with other degrees, meaning that an increase in the share of women with science and engineering degrees will not substantially close this gender gap. They find that women's underrepresentation in engineering and in jobs involving development and design explain much of the patent gap. Closing this gap could increase U.S. GDP per capita by 2.7 percent.[2] One of the authors of this issue brief, Lisa D. Cook, and Yanyan Yang of the University of Massachusetts Boston came to similar conclusions concerning women and African Americans in their 2018 paper "Missing Women and African Americans, Innovation, and Economic Growth."[3]

In their 2018 research paper "The Allocation of Talent and U.S. Economic Growth," economists Chang-Tai Hsieh and Erik Hurst at the University of Chicago's Booth School of Business and Charles I. Jones and Peter Klenow at Stanford University analyze the gender and racial distribution for highly skilled occupations over the past 50 years.[4] They show the change in the occupational distribution since 1960 suggests that a substantial pool of innately talented women and African Americans in 1960 were not pursuing their comparative advantage, and this misallocation of talent affects aggregate productivity in the economy. They find one-quarter of growth in aggregate output from 1960 to 2010 can be explained by an improved allocation of talent.

Whatever the source of disparity, these gender and racial disparities exist at each stage of the innovation process, from education to training, and from the practice of invention to the commercialization of invention, and can be costly to the U.S. economy. These disparities can also lead to increased income and wealth inequalities at each stage for those who would otherwise participate in the innovation economy. Let's look at each stage to assess this problem in further detail.

Education and training

In the early stages of postsecondary education and training in STEM fields, women and underrepresented minorities lag in participation in nearly each STEM field. This is first evident in the awarding of bachelor's degrees. Even though a higher proportion of total degrees were awarded to women in 2014, women were awarded only 35 percent of the degrees in STEM fields. For advanced degrees, women outnumber men in some STEM fields. In 2016, women received 53 percent of the doctoral degrees in biological science and 71 percent of doctoral degrees in psychology. In other STEM fields, they are barely present. In 2016, women received 23 percent of doctoral degrees in engineering, 17 percent to 18 percent of those in computer science and physics.[5]

The recent literature on the gender and racial gaps related to participation in STEM fields attempts to identify the factors affecting these differences. In "The Math Gender Gap: The Role of Culture," Natalia Nollenberger at the Instituto de Empress SL, Nuria Rodríguez-Planas at the City University of New York, and Almundena Sevilla at Univeristy College London analyze the math test scores of the children of immigrants to the United States.[6] They find that immigrant girls whose parents come from more gender-equal countries perform better than those whose parents come from less gender-equal countries, showing the transmission of cultural beliefs on the role of women in society contributes to the math gender gap.

Economists Alexander Bell and Raj Chetty at Harvard University, Xavier Jaravel at the London School of Economics, Neviana Petkova at the U.S. Department of the Treasury, and John Van Reenen at the Massachusetts Institute of Technology present evidence in their 2019 paper "Who Becomes an Inventor in America? The Importance of Exposure to Innovation" that suggests that gender and race gaps in children's chances of becoming an inventor in the United States may be primarily driven by differences in environment. They show that exposure to innovation as a child has a significant causal effect on whether the child becomes an inventor.[7] The five co-authors suggest there are many "lost Einsteins" resulting from this lack of exposure to innovation in childhood.

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Other recent papers attempt to identify other salient factors and outcomes associated with gender and racial differences in STEM participation, among them the impact of social norms and gender stereotypes, as well as professors' gender, on test scores and college majors. In their 2018 paper "Nevertheless She Persisted? Peer Effects in Doctoral STEM Programs," economists Valerie Bostwick and Bruce Weinberg at The Ohio State University focus on gender peer effects and attrition among women in STEM doctoral programs.[8] They show that gender peer effects are the largest in programs that are typically male-dominated, finding that women entering cohorts with no female peers are less likely to graduate within 6 years and also more likely to leave after the first year of a Ph.D. program.

Other recent social science literature focuses on factors affecting participation in STEM education beyond the STEM doctoral pipeline in the form of supply constraints. For instance, Indiana University's Elizabeth Canning, Katherine Muenks, Dorainne Green, and Mary Murphy show in their new paper that STEM faculty who believe ability is fixed are associated with higher racial achievement gaps among their students.[9]

The practice of invention

STEM occupations have higher wages and stronger job growth than non-STEM occupations in the United States. The national average wage for all STEM occupations was $87,570, compared to the national average wage for non-STEM occupations of $45,700. Employment in STEM occupations grew by 10.5 percent between May 2009 and May 2015, compared to 5.2 percent in non-STEM occupations.[10]

In the process of practicing invention and creating new knowledge or products, women and African Americans not only engage at generally lower rates than their counterparts but also earn less and are employed less than their counterparts. In 2015, the median salary for African Americans was only 79 percent of that for whites. While the median salary for men in the innovation economy in 2015 was $87,000, it was $62,000 for women, which was 71 percent of the median male salary.[11] Among scientists and engineers, African American unemployment in 2017 was 4.3 percent, compared to 2.1 percent for whites.[12]

While U.S. employment rates are increasing among women and underrepresented minority scientists and engineers, unemployment rates vary significantly by gender and racial and ethnic group. The unemployment rate for African American women is higher than the unemployment rate for all scientists and engineers, is nearly double that of all scientists and engineers, and is more than double that of white women scientists and engineers. Unemployment for underrepresented minority men, at just above 4 percent, is higher than for white and Asian men and higher than the average for all scientists and engineers.[13]

The literature on gender and racial differences in the inventive process has evolved similar to the literature on STEM participation. The older literature focused on identifying the gaps, while the newer literature focuses on sources or correlates and outcomes. A few papers in the past decade have focused on the misallocation of talent among inventors and other high-skilled workers. One of the authors of this issue brief, Lisa Cook, and her co-author at Michigan State University, Chaleampong Kongcharoen, found that co-ed patent teams are more productive (at commercialization) than single-sex male or single-sex female patent teams.[14]

Similarly, in "Why Don't Women Patent," Rutgers' Hunt and her co-authors investigate the gender gap for commercialized patents. Using the 2003 National Survey of College Graduates, they show the gender gap among science and engineering degree holders is due primarily to women's underrepresentation in patent-intensive fields and patent-intensive job tasks.[15] They also show that women with a degree in science and engineering file patents little more than women with other degrees, meaning that an increase in the share of women with science and engineering degrees will not substantially close this gender gap. They conclude that women's underrepresentation in engineering and in jobs involving development and design explain much of the patent gap.

Closing this gap could increase U.S. GDP per capita by 2.7 percent.[16] Research by Cook and Yang executes a similar exercise using more recent data, finding that GDP per capita would be 0.6 percent to 4.4 percent higher if more women and African Americans received STEM training and worked in related jobs.[17]

Commercialization of invention

In the final stage of commercializing invention, outcomes are starkly different. This is the stage where incomes can be high, and wealth generated can be substantial. This is immediately apparent when considering the prominence of tech firms in the most valuable public firms and the relative size of these firms. The trillion-dollar valuations of some tech firms—among them Amazon.com Inc., Apple, Inc., and Alphabet Inc.'s Google unit—put them roughly on par with the Gross National Product of the Netherlands, Mexico, or Australia.[18] Five of the top 10 wealthiest people in the world derive their wealth primarily from the innovation economy, according to *Forbes*' global wealth rankings.[19] And nine technology firms with initial public offerings in the United States last year were valued at roughly $37.5 billion, with the most valuable one, Snap Inc., valued at more than $20 billion.[20]

The number of tech billionaires also is growing. Daniel Ek, the 35-year-old co-founder and CEO of music streaming company Spotify Technology S.A. taught himself to write code in his early teens and started his first business when he was 14. In April 2018, when Spotify went public, the Swede became the tech industry's newest billionaire. On the close of the first day of trading, the company was valued at more than $26 billion, with Ek's share worth nearly $2.5 billion.[21] Tech entrepreneurs continue to dominate the list of the world's billionaires. In the first half of 2018, 11 new tech entrepreneurs became billionaires when companies they founded went public, were acquired, or had new funding.[22]

Female CEOs receive only 2.7 percent of all venture funding, while women of color get virtually none: 0.2 percent.

This is also the stage of the innovation process where the outcomes are most unequal by gender and race. Women are only 8 percent of new hires at venture capital firms.[23] Female CEOs receive only 2.7 percent of all venture funding, while women of color get virtually none: 0.2 percent.[24] Women and African Americans are often found in legal and marketing departments but are largely missing in technical positions and among executives and boards.

In 2014, *Fortune* ranked several large tech firms based on recently released demographic data. With respect to women executives, one firm was ranked highest, with women constituting 43 percent of leadership roles, and two firms were ranked lowest, with women filling 19 percent of these roles. Women constituted just 18.7 percent of boards of companies in the Standard & Poors 500 in 2014, which was up from 16.3 percent in 2011. In 2015, 11 percent of venture capitalists were women, and 2 percent were African American.[25]

This is the stage where gender and racial gaps have been covered the least in the academic literature. Cook and Kongchareon's 2010 research and Cook and Yang's 2018 paper include systematic analyses of commercialization of invention by race and gender, but, case studies in the business literature notwithstanding, this is typically not the focus of academic inquiry.

Policy efforts underway

The potential losses to individuals and to the U.S. economy as a whole due to these gender and racial gaps in the innovative process will not close any time soon. The patent gap, for example, is estimated to close only by 2092.[26] Not surprisingly, then, economists and policymakers are increasingly expressing concern about improving the participation of women and underrepresented minorities in the innovation economy.

In the current session of Congress, the SUCCESS Act was introduced in the House of Representatives (H.R.6758) by Rep. Steve Chabot (R-OH) and the Senate by unanimous consent and became law after President Donald Trump signed it into law on October 31, 2018.[27] The objective of the bill is to obtain information from the U.S. Patent and Trademark Office about the ability of the agency to measure the dimensions of this patenting problem and figure out how best to identify women and underrepresented minorities in the data. In February 2019, the Patent Office released a report on the history and status of women receiving patents. Over the past few decades, the share of patent inventors who are women has increased, yet key differences between female and male inventors persist.[28]

In 2019, a new companion bill, the Inventor Equality and Diversity Act of 2019, is being proposed by the House Subcommittee on Courts, Intellectual Property, and the Internet of the House Committee on the Judiciary. This bill would provide mechanisms to collect demographic data during the patent application process. These data would be collected separately from other data related to the patent application and would be voluntarily submitted to the U.S. Patent and Trademark Office.

If this bill passes, then its provisions would go a long way to improve how inventors are identified in the data. Currently, algorithms identify demographic characteristics based on probabilities, while the current bill would obtain more reliable and consistent data. Having better data could aid researchers in doing such analysis and aid economic policymakers in improving the living standards of all Americans.

Apart from comprehensive data collection by an independent federal agency, further efforts are needed to make the innovation economy inclusive. Such issues include mentoring, exposure to invention, blind patent review, and workplace climate. We briefly look at each of these features in turn below.

Mentoring

Mentoring has been broadly suggested as one tool to address the gender and race gap in STEM careers. As aforementioned, Harvard's Chetty and his co-authors show that the income, race, and gender gap in invention is primarily due to environmental barriers in acquiring human capital, including a lack of mentoring and exposure to careers in science and innovation in childhood, and not due to differences in ability.[29]

Mentoring has been broadly suggested as one tool to address the gender and race gap in STEM careers.

The American Economic Association launched a summer boot camp program in the 1970s to increase racial and ethnic diversity in the economics profession. Mentoring is a key component of this program. A 2014 research paper estimated the effectiveness of the AEA's summer program, finding that program participants were more than 40 percentage points more likely to apply to and attend a Ph.D. program in economics, 26 percentage points more likely to complete a Ph.D., and about 15 percentage points more likely to work in an economics-related academic job.[30] According to these estimates, the summer program may directly account for 17 percent to 21 percent of the Ph.D.s awarded to minorities in economics over the past 20 years.

The effectiveness of mentoring is recognized beyond academic papers and university programs, with programs designed to make a difference. US2020, an organization focused on programming that supports underserved and underrepresented primary and secondary school-age students, has a mission of changing the trajectory of STEM education in the United States by dramatically scaling the number of STEM professionals engaged in high-quality STEM mentoring with youth. US2020 is building a community of companies, organizations, schools, government agencies, and cities to participate in mentoring, encouraging our society to imagine 1 million science, technology, engineering, and math professionals mentoring students in Kindergarten through graduate school.[31]

Encouraging invention at an early age

Exposing children to invention and innovation is becoming more recognized method of increasing participation. Just one case in point is Spark Lab at the Lemelson Center for Invention and Innovation at the Smithsonian Institution, which provides an activity space that allows children to create an invention and to help them think about making the invention useful.[32] Targeting low-income, underrepresented minorities, and female children for such activities is recommended by authors Chetty and his co-authors, among others.

Blind patent review

A recent paper in *Nature* finds that, all else being equal, patent applications with women as lead inventors are rejected more often than those with men as lead inventors.[33] An easy fix would be for the U.S. Patent and Trademark Office to engage in the blind review of patent applications by patent examiners. Research by Princeton University economist Cecilia Rouse and Harvard University economist Claudia Goldin has demonstrated the success of blind reviews in increasing the representation of women in the context of symphony orchestras.[34]

Workplace climate

Workplace issues for women and minorities go beyond the opportunity to participate in invention and innovation. Other issues have been brought into stark relief by recent events related to workplace climate, such as recent protests and discussions at Google and at Microsoft Corp. over an array of discrimination complaints. Among the issues identified in the case of these two firms—ones that have been reported about in similar workplaces elsewhere in U.S. technology industries—is the lack of transparency when dealing with these complaints (including forced arbitration for sexual harassment claims), discriminatory workplace cultures, and pay and promotion inequality.[35]

Most patented invention occurs at firms. Therefore, at public companies, shareholders and the boards of directors need to hold CEOs more accountable for the workplace climate at their firms. The shareholders and boards of private companies should do the same. Congress could also play a role in bolstering the ability of the federal Equal Employment Opportunity Commission to investigate such complaints and help to minimize the frequency and intensity of hostile workplaces for women and underrepresented minorities.

About the authors

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Endnotes

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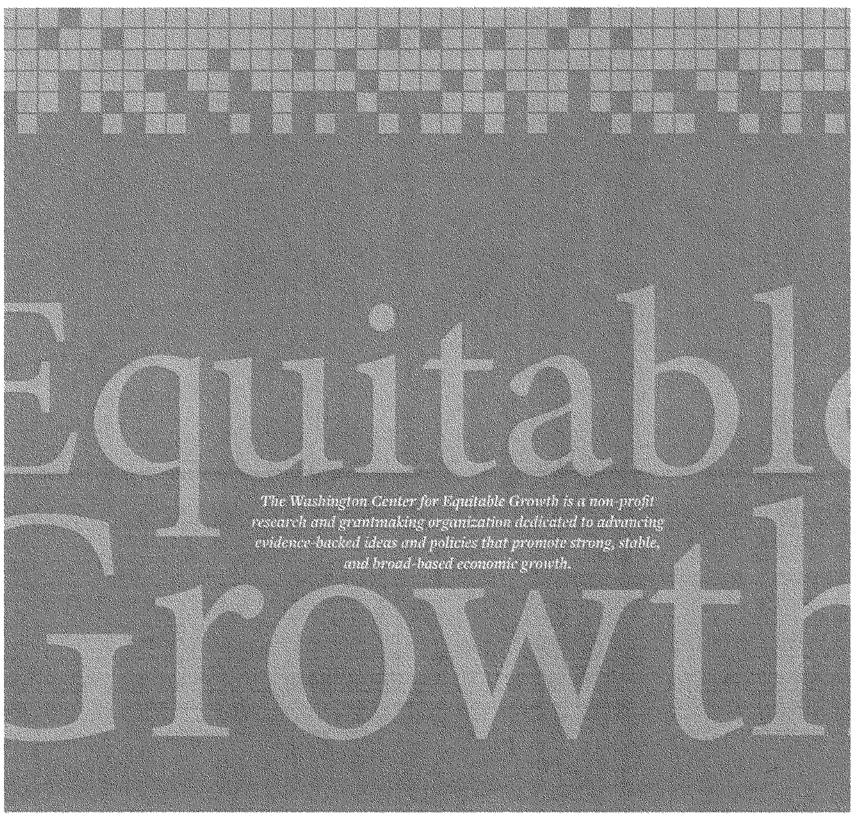

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BOLD, EQUITABLE POLICY SOLUTIONS ARE NEEDED TO CLOSE THE RACIAL AND GENDER WEALTH GAPS

Statement of
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before the
Subcommittee on Diversity and Inclusion
Financial Services Committee,
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EXAMINING THE RACIAL AND GENDER WEALTH GAP IN AMERICA

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* The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

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Chairwoman Beatty, Ranking Member Wagner, and members of the subcommittee, it is a genuine pleasure for me to provide testimony today on the racial and gender wealth gaps in America. The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

This hearing represents a critical step in a journey that began for me in 2003 when I became a program officer at the Ford Foundation. My portfolio addressed asset building for low- and moderate-income families. And over the next 11 years that I was at Ford, the racial wealth gap became a core component of the work that we funded. Ford continued this funding even after I left to join the Urban Institute. The investment that the Ford Foundation made in people and institutions who conducted research, policy analysis, advocacy, and communication on the racial wealth gap has resulted in the issue gaining national attention. Mariko and Dedrick are among those whose work has helped lift up this issue.

In my remarks today, I will focus primarily on the racial wealth gap and will make three key points:

1. The racial wealth gap is NOT the result of inadvisable financial choices by people of color. Rather, the racial wealth gap was created by policies, programs, and institutional practices that were designed to facilitate wealth building by white people while creating barriers to wealth accumulation or stripping wealth from people of color.
2. To understand and effectively address the racial wealth gap, we need federally funded data collection efforts with sample sizes that can be disaggregated by race, ethnicity, and, ideally, country of origin and tribal affiliation.
3. The racial wealth gap can be closed, but it will require bold, equitable solutions that focus on policy change, NOT changing people's behavior.

Cause of the Racial Wealth Gap

Historic and Current Policies Created the Racial Wealth Gap

The Urban Institute recently released a report in which we examined the racial wealth gap: *What Would It Take to Overcome the Damaging Effects of Structural Racism and Ensure a More Equitable Future?* (Kijakazi et al. 2019). We found that the enormity of the racial wealth gap—the disparity in net worth between Black families and white families—illustrates the lasting effects of racist policies and practices. The average wealth of white families in 2016 was seven times the wealth of Black families and five times the wealth of Latinx families (at the median, white families have 10 times the wealth of Black families and eight times the wealth of Latinx families).[1] This disparity has grown over time. In 1963, white families had $121,000 more in wealth than Black families, on average; by 2016, they had over $700,000 more. The disparity also grows with age. On average, white people in their 30s have $147,000 more in wealth than their Black counterparts. But by the time they are in their 60s, white people have $1.1 million more in wealth than Black people, on average.

[1] Lisa J. Dettling, Joanne W. Hsu, Lindsay Jacobs, Kevin B. Moore, and Jeffrey P. Thompson, "Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances," Board of Governors of the Federal Reserve, September 27, 2017, https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-wealth-holding-by-race-and-ethnicity-evidence-from-the-survey-of-consumer-finances-20170927.htm; and Signe-Mary McKernan, Caroline Ratcliffe, C. Eugene Steuerle, Caleb Quakenbush, and Emma Kalish, "Nine Charts about Wealth Inequality in America (Updated)," Urban Institute, October 5, 2017, http://apps.urban.org/features/wealth-inequality-charts/.

This racial disparity is not the result of inadvisable financial choices on the part of people of color, nor did it come about accidentally (Flynn et al. 2017; Rothstein 2017). The racial wealth gap was created by policies, Supreme Court decisions, and institutional practices designed to facilitate wealth accumulation by white families while impeding wealth-building by, or stripping wealth from, families of color (Kijakazi 2016; Lewis 2015; Oliver and Shapiro 2006).

For Black families, these policies began with the human trafficking and bondage of people of African descent to build wealth for white people (Kendi 2016). Centuries of systemic racism followed. Black students were prohibited from attending white schools and universities, Black Codes prohibited Black people from opening lucrative businesses and restricted Black people to menial jobs (Gillette 2006), violent attacks on Black people and communities by white people destroyed individual and community assets (Krugler 2015), racially restrictive covenants prevented Black families from buying white-owned homes, and Black neighborhoods were starved of investment through redlining (Hillier 2005) or decimated by urban renewal without compensation or relocation (Lewis 2015).

Latinx families experienced extensive land loss in the1800s during the "manifest destiny" period (Lui et al. 2006). The Foreign Miners Tax prevented Mexicans from participating in the gold rush. And, although Mexicans were brought to the US during wars to fill labor shortages, thousands were subsequently deported in the 1950s by the pejoratively named "Operation Wetback."

Native Americans lost much of their land and natural resources through wars, treaties, and forced displacement (Lui et al. 2006). The Indian Removal Act of 1830 forced Native Americans from their land in the east to lands west of the Mississippi, making room for white settlers. During the Trail of Tears 15,000 Cherokee people were forced to walk westward for 1,200 miles, and 4,000 of them died. The California Preemptive Act of 1853 made all Native American land in the state available for white homesteaders. And the Homestead Act of 1862 that allowed white male citizens to claim up to 160 acres of government-surveyed land in the west displaced the Sioux, Cheyenne, Ute, Pawnee, and other Native Americans.

Asian Americans helped build wealth for the country with their labor from the time they began to immigrate to the US in the 1840s. But they were barred from citizenship by the Naturalization Law of 1790, which limited naturalization to citizenship to free white people (Liu et al. 2006). During the gold rush in California, special fees, taxes, and regulations were applied to Chinese people to make them less competitive with white miners. And during World War II, Japanese Americans were sent to internment camps, losing their freedom and their assets.

Women's ability to accumulate assets was also restricted. It was not until 1900 that all states enacted legislation allowing women to exercise control over their property.[2] Until the enactment of the Equal Credit Opportunity Act of 1974, banks required unmarried women to have a man co-sign applications for credit, regardless of the woman's income. Before the Pregnancy Discrimination Act of 1978, women could be fired from their jobs for becoming pregnant. And before 1981, husbands could act unilaterally to take out a second mortgage on property owned jointly with their wives.

[2] Suzanne McGee and Heidi Moore, "Women's Rights and Their Money: A Timeline from Cleopatra to Lilly Ledbetter," *The Guardian*, August 11, 2014, https://www.theguardian.com/money/us-money-blog/2014/aug/11/women-rights-money-timeline-history.

More recently, families of color were targeted for subprime mortgages even when they qualified for prime loans (Agarwal and Evanoff 2013). Homeownership is a critical path to wealth accumulation for many families of color, and this deceptive practice was a tremendous blow. The gains made in the three decades after the 1968 Fair Housing Act were erased after 2000.[3] The homeownership rate for Black households today is the same as it was in 1967 when race-based discrimination in housing was legal, and the rate continues to decline. The racial and ethnic homeownership gaps are equally troubling—30 points between Black and white families and 25 points between Latinx and white families—and they are widening.

These barriers prevent most families of color from building wealth and limit their opportunities in other areas that affect economic mobility. Lower wealth levels restrict the ability of families of color to buy or hold onto their homes, invest in schools in their neighborhoods or move to neighborhoods with quality schools, and pass wealth on to their children—for example, to pay for college or make a down payment on a home (McKernan et al. 2014).[4] Research shows that the most important vehicles for intergenerational transfer of wealth are monetary gifts for educational attainment and homeownership (Pfeffer and Killewald 2018). In fact, wealth may be the driver for attaining education, especially higher education, rather than the more commonly held assumption that education is the driver for wealth building (Hamilton et al. 2015).

Structural Barriers in the Labor Market Further Exacerbate the Racial and Gender Wealth Gaps

Racial and gender disparities in the labor market exacerbate wealth gaps (Kijakazi, Smith, and Runes 2019). Disparities in labor market participation and wages are not fully explained by education or occupation. Black workers experience higher rates of unemployment than white workers at every education level (figure 1), receive lower wages at every education level (figure 2), and receive lower wages in every occupation (figure 3).

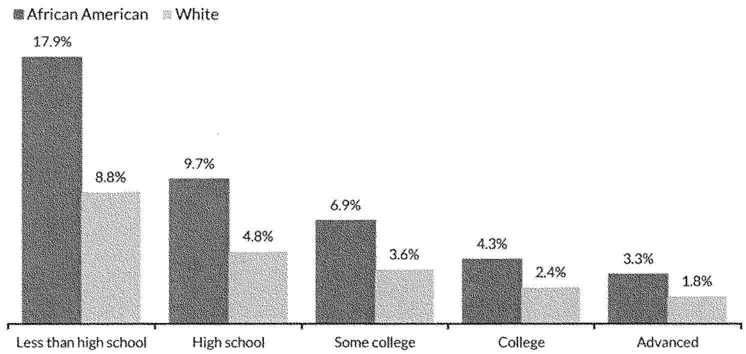
[3] See "Reducing the Racial Homeownership Gap," Urban Institute, accessed September 20, 2019, https://www.urban.org/policy-centers/housing-finance-policy-center/projects/reducing-racial-homeownership-gap.

[4] Also see Laurie Goodman, Alanna McCargo, and Jun Zhu, "A Closer Look at the Fifteen-Year Drop in Black Homeownership," *Urban Wire* (blog), Urban Institute, February 13, 2018, https://www.urban.org/urban-wire/closer-look-fifteen-year-drop-black-homeownership; and Reed Jordan, "High-Poverty Schools Undermine Education for Children of Color," *Urban Wire* (blog), Urban Institute, May 19, 2015, https://www.urban.org/urban-wire/high-poverty-schools-undermine-education-children-color.

FIGURE 1

Black Workers Experience Higher Unemployment Than White Workers at Every Education Level

Share of full-time, full-year workers ages 25 to 64 unemployed, by race and highest education level, 2017

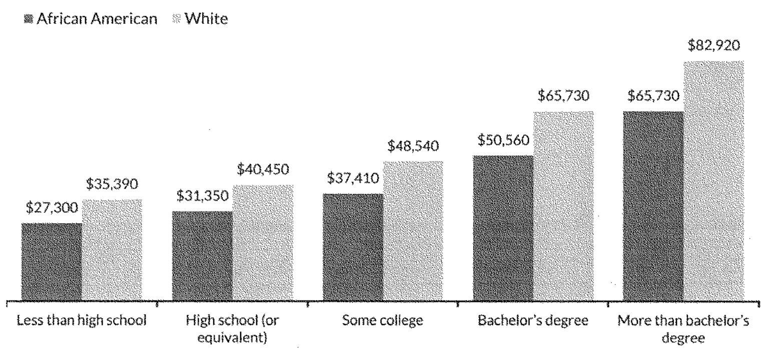


Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.

FIGURE 2

Black Workers Receive Lower Wages Than White Workers at Every Education Level

Median wages for full-time, full-year workers ages 25 to 64, by race and highest degree of education, 2017

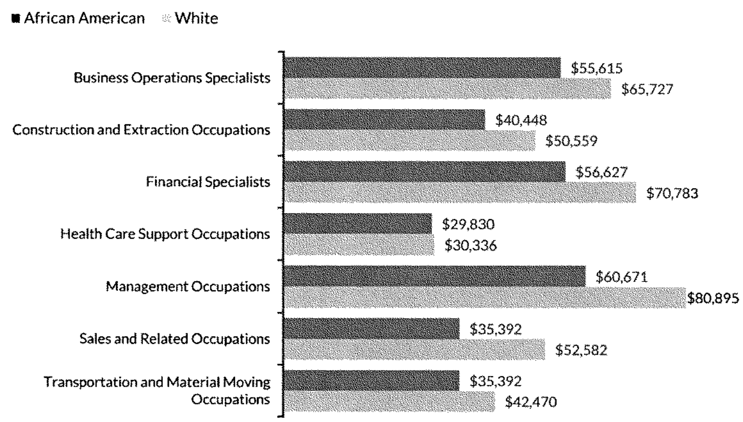


Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.
Note: Full-time, full-year workers work at least 35 hours a week for at least 50 weeks a year.

FIGURE 3

Black Workers Receive Lower Wages in Every Occupation

Median annual wages of full-time, full-year workers ages 25 to 64, by race and occupation, 2017



Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.
Note: Full-time, full-year workers work at least 35 hours a week for at least 50 weeks a year.

These employment and wage disparities are not the result of individual failures (Kijakazi et al. 2019). Discrimination and segregation in hiring, pay, and employment were common and largely legal practices until the 1960s, when civil rights legislation outlawed employment discrimination. And structural racism in the labor market persists today, notwithstanding the enactment of this legislation (Bertrand and Mullainathan 2004, Nunley et al. 2014).

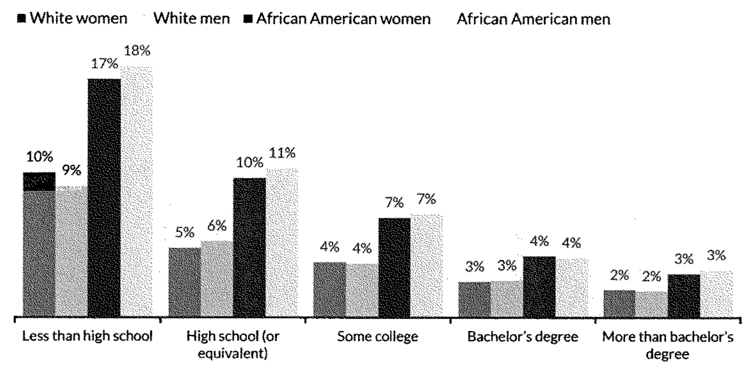
The consequences of structural racism—higher unemployment rates, lower wages, and occupational segregation—make it harder for people of color to obtain pension coverage or save for retirement. When workers of color and white workers have similar circumstances, they make similar choices regarding participation in a retirement plan and contribution level. Munnell and Sullivan (2009) found no significant differences in the participation rates or contribution levels to 401(k) plans between workers of color and white workers, after controlling for job tenure, education, income, and assets.

Although Black women have a strong presence in the labor market, they experience unemployment at relatively high rates. Differences in education levels are often seen as the reason for racial disparities in unemployment. However, even at advanced education levels, the unemployment rate for Black women is substantially greater than that for white men (figure 4). It is also much higher than the unemployment rate experienced by white women at every education level.

FIGURE 4

Unemployment Rates for Black Women Are Substantially Greater Than for White Men and Women at Every Education Level

Unemployment rates by race, gender, and highest education level for adults ages 25–64, 2017



Source: Center for Economic and Policy Research. 2019. American Community Survey Uniform Extracts, Version 1.4.

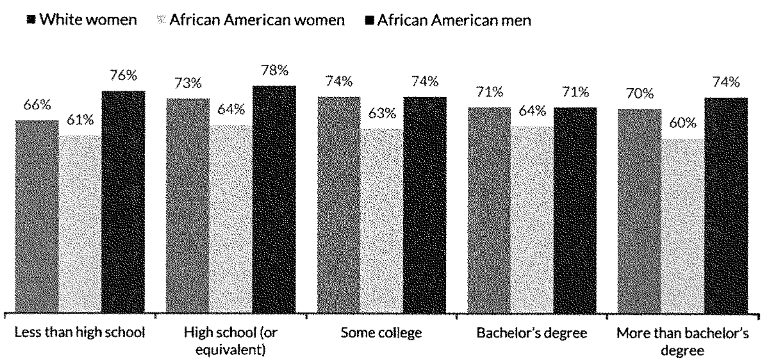
Gender wage differences declined through the 1980s in part because of the increase in women's completion of higher education—even outpacing men—and obtaining greater work experience (Blau and Kahn 2017). However, gender wage differences have not declined much since then. Occupational segregation is a key factor in gender differences in wages, but gender wage gaps *within* occupations remain unexplained. Research also shows "a motherhood penalty for women and a marriage premium for men" (Blau and Kahn 2017, 854). The researchers found the unexplained gender wage difference suggests that discrimination, including discrimination against mothers, continues to contribute to this gap.

In addition to the gender wage disparity, Black women encounter a racial wage disparity (Hegewisch 2018), and differences in education levels do not explain this disparity (Kane-Williams 2014). Figure 5 shows the median annual wage for full-time workers. At every education level, Black women are paid lower wages than white men, Black men, and white women.

FIGURE 5

Black Women Are Paid Lower Wages Than White Men, Black Men, and White Women at Every Education Level

Median annual earnings of full-time wage and salary workers by race, gender, and highest education level, as a percentage of white men's median wage, 2018 annual averages



Source: Center for Economic and Policy Research. 2016. American Community Survey Uniform Extracts, Version 1.4.
Note: Full-time, full-year workers work at least 35 hours a week for at least 50 weeks a year.

Black women have also been confronted with both racial and gender occupational segregation. This was underscored by Conrad (2001), who wrote that during World War II Black women were encouraged to work as domestics so that white women could take manufacturing jobs.

Even when we examine wages within the same occupations, there is a gender and racial wage gap. Figure 6 shows that for each occupation, Black women receive lower wages than men or white women.

The Institute for Women's Policy Research estimates that "if change continues at the same slow pace as it has done for the past fifty years, it will take 40 years—or until 2059—for women to finally reach pay parity."[5] For Black women, it will take a century (until 2119).[6]

Dispelling a Common Myth

A common misperception is that the racial wealth gap can be closed by changing the financial behaviors of individual consumers. But the racial wealth gap is driven by structural barriers, not individual behaviors or choices (Oliver and Shapiro 2006), and it persists even when Black families make all the "right" choices.

[5] "Pay Equity & Discrimination," Institute for Women's Policy Research, accessed March 1, 2019, https://iwpr.org/issue/employment-education-economic-change/pay-equity-discrimination/?gclid=Cj0KCQjwjMfoBRDDARIsAMUjNZqmK9hrA27NC0Wh63361JvR3VXqYZX3zNS59HeCA9RtTtMIplUtCtsaAsBWEALw_wcB.

[6] "Quick Figures: Women's Median Earnings as a Percent of Men's, 1984–2016 (Full-Time, Year-Round Workers) with Projections for Pay Equity, by Race/Ethnicity," Institute for Women's Policy Research, November 2018, https://iwpr.org/wp-content/uploads/2018/10/Q075_Closing-Wage-Gap-2018-by-Race.pdf.

Black people with college degrees have less wealth than white people without high school diplomas (Darity et al. 2018). Black people who work full time have less wealth than unemployed white people. Two-parent Black families have less wealth than single-parent white families. And Black families with incomes similar to white families save at the same or a slightly higher rate. Because the unequal intergenerational transfers of wealth are a driver of the racial wealth gap, Black families remain at a disadvantage compared with white families, generation after generation (Darity 2019).

Need for Federally Funded Primary Data Collection on the Racial and Gender Wealth Gaps

Among the research that the Ford Foundation funded was the National Asset Scorecard for Communities of Color. This was the first study specifically designed to collect primary data to measure the racial wealth gap in multiple cities across the country. In addition, the study was designed to measure wealth not only by race and ethnicity but also by country of origin and tribal affiliation. As a result, the asset holdings of Latinx families could be measured separately for families of Cuban, Mexican, Puerto Rican, and Dominican ancestry. This disaggregation also was designed for Black, Asian American, and Native American families.

The study was led by Darrick Hamilton (who was then at the New School) and William Darity (at Duke University). They engaged a network of multiracial and multiethnic researchers from across the country who designed the survey instrument, selected the sites, guided the data collection, analyzed the data, and have written multiple reports.

Telephone surveys were initially conducted in Los Angeles, CA; Tulsa, OK; Washington, DC; and Miami, Fl. The Federal Reserve Bank of Boston joined the research effort in collaboration with Ford so Boston, MA, could be added to the study.

A number of reports have been generated from this research.[7] These reports show vast disparities in wealth holdings by race, ethnicity, country of origin and tribal affiliation. The reports also show substantial differences in wealth holdings and the racial wealth gap by geographic location.

This research demonstrated the importance of collecting and analyzing data on the racial wealth gap. For example, the research showed that in 2014 white households in the Washington, DC, metropolitan area had a net worth that was 81 times greater than Black households and documented the discriminatory policies and institutional practices from 1792 to 2010 that contributed to this disparity (Kijakazi et al. 2016). But nationally representative data that are collected periodically are also needed to enhance the

[7] See Rebecca Tippett, Avis Jones-DeWeever, Maya Rockeymoore, Darrick Hamilton, and William Darity, *Beyond Broke: Why Closing the Racial Wealth Gap Is a Priority for National Economic Security* (Washington, DC: Center for Global Solutions, 2014).

Ana Patricia Muñoz, Marlene Kim, Mariko Chang, Regine O. Jackson, Darrick Hamilton, and William A. Darity Jr., *The Color of Wealth in Boston*, https://www.bostonfed.org/publications/one-time-pubs/color-of-wealth.aspx;

Melany De La Cruz-Viesca, Zhenxiang Chen, Paul M. Ong, Darrick Hamilton, and William A. Darity Jr., *The Color of Wealth in Los Angeles*, https://luskin.ucla.edu/the-color-of-wealth-in-los-angeles; Kilolo Kijakazi, Rachel Marie Brooks Atkins, Mark Paul, Anne E. Price, Darrick Hamilton, and William A. Darity Jr., *The Color of Wealth in the Nation's Capital*, https://www.urban.org/research/publication/color-wealth-nations-capital; and Alan A. Aja, Gretchen Beesing, Daniel Bustillo, Danielle Clealand, Mark Paul, Khaing Zaw, Anne E. Price, William A. Darity Jr., and Darrick Hamilton, *The Color of Wealth in Miami*, http://kirwaninstitute.osu.edu/wp-content/uploads/2019/02/The-Color-of-Wealth-in-Miami-Metro.pdf.

ability of scholars to better understand the drivers of the racial and gender wealth gaps and to inform policymakers of the kinds of legislative levers that could eliminated these gaps.

The Ford Foundation, a number of its grantees, and the Closing the Women's Wealth Gap Initiative have met several times with the Federal Reserve Board's researchers and policy analyst to explore gathering more expansive data on wealth holding in the Survey of Consumer Finances or Survey of Household Economics and Decisionmaking. Such changes have not been adopted to date. But it could be constructive for subcommittee members to explore the possibility of expanded data collection with the Federal Reserve Board.

Bold, Equitable Policy Solutions Are Needed to Close the Racial and Gender Wealth Gaps

The racial and gender wealth gaps are not unsolvable problems, but they require bold and equitable policy solutions to eliminate them.

Baby Bonds

One bold solution has been proposed by Darrick Hamilton, who is now the executive director of the Kirwan Institute for the Study of Race and Ethnicity. Dr. Hamilton's model of baby bonds would provide all newborns with a publicly funded endowment ranging from $500 to $60,000,[8] with a baby born into a wealth-poor household receiving a substantially higher endowment than one born into a wealthy family.

Children's savings accounts, which are a predecessor to baby bonds, have been proposed in Congress with bipartisan sponsorship and have been implemented by states and local governments.[9] Baby bonds differ from children's savings accounts in three important respects (Kijakazi et al. 2019). First, the size of the endowment depends on family wealth, not income. Second, baby bonds do not emphasize personal saving, since the wealth gap was not created by individual saving behavior. Third, for children born into low-wealth families, the endowment is large enough (with interest compounded over time) to cover the down payment on a home or fully pay for a college education.

Hamilton conceived of baby bonds as public trust accounts held by the federal government until the child becomes a young adult. The young adult could then use the endowment to pay for higher education or a home. The money could not be used for consumption. Hamilton's rationale is that everyone in a capitalist system should have some seed capital, and the lack of capital perpetuates inequality.

[8] Darrick Hamilton, "How 'Baby Bonds' Could Help Close the Wealth Gap," December 18, 2018, TED video, https://www.ted.com/talks/darrick_hamilton_how_baby_bonds_could_help_close_the_wealth_gap?language=en; and Loren Berlin, "Shrinking the Racial Wealth Gap without Focusing on Race: An Interview with the Kirwan Institute's Darrick Hamilton" https://next50.urban.org/article/shrinking-racial-wealth-gap-without-focusing-race-interview-kirwan-institutes-darrick.

[9] "Find a Children's Savings Program," Prosperity Now, accessed May 7, 2019, https://prosperitynow.org/map/childrens-savings.

Naomi Zewde (2018) finds that baby bonds nearly close the racial wealth gap. Currently, the median wealth of young white adults is 15 times that of young Black adults; under baby bonds, young white adults would have 1.6 times the wealth of young Black adults.

A More Equitable Distribution of Asset-Building Tax Subsidies Could Help Pay for a Bold Solution

Research by the Urban Institute shows that one approach to reducing, if not eliminating, the wealth gaps is to more equitably distribute existing asset-building tax subsidies. In 2013, the federal government spent almost $385 billion to provide tax subsidies to help families build wealth (Steuerle et al. 2014). However, approximately 70 percent of asset-building tax subsidies for the home mortgage interest deduction and the deduction for property taxes go to households in the top 20 percent of income earners. If the mortgage interest rate deduction was limited, the savings could be used to cover the cost of baby bonds.[10]

Thank you for the opportunity to testify today.

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[10] McKernan et al., "Nine Charts about Wealth Inequality in America (Updated)," https://apps.urban.org/features/wealth-inequality-charts/.

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Testimony for the House Committee on Financial Services: The Subcommittee on Diversity and Inclusion hearing entitled, "Examining the Racial and Gender Wealth Gap in America."

Madam Chairwoman, Ranking Members and Members of the Committee, thank you for the invitation to testify today on the state of the racial and gender wealth divide in America.

I have worked for three decades in the financial services — and most particularly in the investing — industry. I have been a research analyst, the CEO of Merrill Lynch Wealth Management, the CEO of Smith Barney and am now the CEO and Co-Founder of Ellevest, an investing platform for women....or, more accurately, an intentionally inclusive investing platform, built to close the "gender investing gap," by addressing what has been missing for women from the investing industry.

My passion around this topic was the result, several years ago, of a recognition that the retirement savings shortfall in this country will disproportionately impact women. That's because women live 6–8 years longer than men, and close to 75% of women will die single. Women today retire with 2/3s the money of men, less if they are women of color. If we as a whole do not have enough savings to support our retirements, this disproportionately falls on the shoulders of women.

This "wealth gap" is the result of numerous factors: there is the gender and racial pay gap, the "pink tax," the debt gap, the promotion gap, the domestic work gap. Add to those the gender investing gap, in which women keep 71 cents out of every dollar in cash — more than men do — thereby missing out on the returns that a diversified investment portfolio has historically provided.

As a society — and certainly in my old industry of Wall Street — we have "blamed" women for this shortfall: we tend to believe that "women are risk averse and so do not invest as much as men do;" "men are better investors than women;" "men are better at math — and math-like things like investing — than women;" "women need more financial education in order to invest." But all of those excuses fall away under research or closer examination (except that all genders could certainly use more financial education).

Instead, I would argue that this gender investing gap is the result of a few inter-related issues: The first: In our society, still today, the genders receive different messages about money, from childhood through adulthood, and so internalize different beliefs about, and approaches to, money.

As children, still today, boys are taught to be brave, while girls are taught to be more well-behaved (or perfect, as my friend Reshma Saujani has written). Still today, boys at told they should make money, grow money, pursue money, while girls are told they should be careful with money, save money, budget money. Still, today, boys see dad invest, while girls see mom budget (in just 2% of US households does the mom take the lead in investing). And still today, boys receive better grades in math at schools than girls do....for the same answers.

As they grow, young women are, dare I say, patronized about money. Articles in women's magazines and websites message to her things like financial planning is "really, really hard" and "the real reason you can't stick to a budget isn't because you have expensive taste." In fact, one study found that women were called "excessive spenders" in 65% of articles studied, with advice to coupon to save money. (Men's articles used words like "daring," "invest," and "spend" to achieve "power.") While men are the prime audience for the Bloomberg TVs, more female-focused money revolves around "take this quiz to see your money type;" and entire books are written to guilt her into "not buying the latte" (or not buy the shoes or not enjoy the manicure)....with the off-base premise that giving up these small luxuries will be the key to her financial security. (Newflash: that math simply doesn't work, and it just serves to increase her sense of failure around money.)

The result is that women can internalize that we are not good with money; indeed, in our society today, it can still be considered an attractive female characteristic to be "bad with money."

Is it any wonder then that women are less confident around money than men are? And that money for so many women is associated with loneliness and stress and isolation?

The second issue relates to our representation in the money industries.

Perhaps it is no surprise that — in a society in which we have all been socialized that women are not as good at money — we women are under-represented in our money industries. And not by a little, by a lot:

Today, 86% of Financial Advisors are men.
Today, 90% of Wall Street traders are men.
Today, 90% of mutual fund managers are men.
And, today, 98% of mutual fund assets are managed by men.
Lest one miss the point of the maleness of the business, the industry symbol is a bull. A big, snorting, angry, anatomically correct, hyper-masculine bull.

Perhaps surprisingly, with all of the attention being given to diversity in corporate America, diversity on Wall Street hasn't been meaningfully improving. Instead, it actually went backwards in the years after the financial crisis, even as research shows that women are as good (in some case, better) investors than men, and even as research points to the superior performance of companies with diverse leadership teams....including lower risk. (One would have thought reducing risk in this systemically important industry after the financial crisis would have been a sufficient motivator for management teams, boards of directors and regulators to work harder to increase diversity.)

Given this skew, it should perhaps be no surprise that women today invest less than men do.

I would note that this Wall Street phenomenon is echoed in another money industry, Silicon Valley. There, men make up 91% of decision makers, and women CEOs receive just 2% of venture funding; for women of color, this amount rounds to zero. This "gender funding gap" is, again, despite findings that women-run start-ups can be more successful on average than their all-male counterparts.

Getting more money in the hands of women — and others for whom the existing money industries haven't worked — is why we founded Ellevest. We have conducted thousands of hours of research with women, to build a platform that accepts them, rather than tries to shame them or change them. We have built an investing algorithm that works to remove gender bias where possible, by building investment plans and portfolios that recognize that women live longer than men and that, for a variety of reasons, our salaries tend to peak sooner. And we work to be as approachable as possible, having very low investing minimums, as high minimums by their nature are sexist and racist.

We have had early success. The venture capital investments to start our business have come from individuals and institutions like Melinda Gates' Pivotal Ventures, Rethink Impact (a gender-lens, impact-based fund), Penny Pritzker's PSP Capital, Aspect Ventures, Gingerbread Capital and even Venus Williams, all women-run. We also have funding from corporate venture arms of companies that have worked to close their gender pay gaps, like Salesforce, Paypal and Mastercard.

Today, we are among the most quickly growing of the new wave of digitally enabled investing platforms, and we are engaging more and more women with their money, in a positive, non-patronizing way.

A final thought: this is an important issue with ripple effects that are not immediately clear. As we sit here in a country that has grappled with the #MeToo moment and its implications, we should recognize that the power inequity that allowed the harassment of so many women is also a money inequity. The individuals who have suffered through this can be ones who believe they cannot afford to walk away or remove themselves from the situations. While money certainly doesn't solve everything, I like to say that the amount of money that women historically could have earned from investing at men's levels is "No More #MeToo" money, "Get your hand off my leg" money, "Leave the job I hate" money; it's also "Live the life I want" money and "Make a better life for my family" money.

Today so many women's primary emotions around money are shame and loneliness. Our research indicates that a key driver of women's confidence in achieving their future goals is whether they are actively investing and saving. So, in our view, what Ellevest is doing is about so much more than simply investment returns, but is about changing lives.

Asset Funders Network

October 15, 2019

The Honorable Joyce Beatty
Chair, Financial Services Subcommittee on Diversity and Inclusion
U.S. House of Representatives

The Honorable Ann Wagner
Ranking Member, Financial Services Subcommittee on Diversity and Inclusion
U.S. House of Representatives

Re: supplemental submission to U.S. House of Representatives Committee on Financial Services, Examining the Racial and Gender Wealth Gap in America

Dear Representative Beatty and Representative Wagner:

I serve as the Executive Director of the Asset Funders Network (AFN) and I am submitting additional materials to the record that build upon the materials already presented to the Committee regarding approaches to closing the racial and gender wealth gaps.

AFN is a national philanthropic support organization. Our non-profit seeks to engage philanthropy to inform and influence them to invest to increase prosperity, economic mobility and prosperity for low and middle income Americans. To achieve our mission, we develop and curate research and exemplars of working philanthropic investments to reveal the underlying facts and what investment can have proven or promising impact. At times, we see the research revealing an insufficiently understood systemic challenge causing our content to assume a greater urgency- similar to a call to action to address the challenge. The materials I am submitting reflect such a call to action related to the gender and interrelated racial wealth gap.

American households are increasingly reliant on women's earnings. In 2015, nearly two out of three mothers in the U.S. were their family's sole, primary, or co-breadwinners, contributing at least 25% of household income. The increasing reliance on women to the long-term financial security of American families is both an opportunity and a challenge everyone concerned with household economic mobility, community building, and a stable, equitable economy.

There is an important difference between income and wealth -- and wealth should matter more as a focus of policy making. Women need increased access to wealth-building opportunities to help them weather short-term financial crises, invest in a home or education, save for retirement, support aging parents, and pass on resources to their children. All of these matters stabilize families, communities and our economy as well as reducing the worst harm to our elderly and children. For these reasons, I submit this statement and supporting documents.

AFN Reports Being Submitted
In 2015 AFN produced its seminal brief entitled *Women & Wealth: Insights for Grantmakers* authored by Dr. Mariko Chang Pyle, which she already has submitted into the record. Insights

from this first brief highlighted the need to intentionally focus on efforts to address the wealth gap for women vs. focusing primarily on the income gap. The brief also illuminated the pressing need to take a closer look at women across their life cycle, recognizing that economic security challenges and interventions are different across their lifespan.

In 2018 and 2019, AFN has embarked on a collaboration with the Closing the Women's Wealth Gap Initiative, as our thought partner, on a series of briefs exploring the causes, challenges and strategies to support different cohorts of women, particularly women of color, to better build and preserve their wealth. There have been three briefs thus far in this series.

The first is *On Shaky Ground: Stabilizing the Financial Security of Single Women* authored by Amy Castro Baker, Ph.D., MSW, University of Pennsylvania; Stacia West, Ph.D., MSW, University of Tennessee, and Folosade Famakinwa, MSSP, UPenn. On Shaky Ground explores the causes and intersectionality of women, aging and poverty which highlights the economic policies, investments, products and financial services can best lift up and support this critical generation of women.

The second brief is *Clipped Wings: Closing the Wealth Gap for Millennial* Women authored by Jhumpa Bhattachary, VP of Programs and Strategy and Anne Price, President, Insight Center for Community Economic Development; Fenaba R. Addo, PhD, University of Wisconsin-Madison. Studies indicate that Millennial women face a 37% increase in poverty and are more likely to be underemployed or unemployed than previous generations, despite being more educated than previous generations. Clipped Wings examines of the financial lives of Millennial women especially women of color - to help funders, policy advocates, practitioners better understand their needs to build wealth and to develop effective intersectional solutions.

The third brief is *Unlocking Assets: Building Women's Wealth Through Business Ownership* authored by William Darity, Jr. Director of the Samuel DuBois Cook Center and M'Balou Camara, Graduate Research Associate, Duke University, et al. The brief explores that one key source of the gender wealth gap is the difference in the profitability of businesses owned by women and men. While there has been tremendous growth in the number of women business owners over the past 20 years, particularly for women of color, women still are not building as much equity and wealth through these businesses when compared with male business owners. It includes a review the current landscape of women's business ownership, explores the structural and systemic barriers impeding women's ability to grow wealth building businesses, and highlights best practices and innovative approaches to help women build wealth through business ownership.

Thank you for your consideration of the submitted materials. If we can be of assistance in the future or if you are interested in the next brief focusing on older women over age 65, we would be delighted to assist.

Sincerely,

Joseph A. Antolín
Executive Director

Asset Funders Network

CLIPPED WINGS

Closing the Wealth Gap for Millennial Women

Asset Funders Network

CLOSING THE WOMEN'S WEALTH GAP

This brief was developed in partnership with the Insight Center for Community Economic Development, Asset Funders Network (AFN) and in collaboration with Closing the Women's Wealth Gap Initiative (CWWG). This publication is the second in a series of briefs that build on AFN's 2015 publication, *Women & Wealth*, to explore how the gender wealth gap impacts women, particularly low-income women and women of color, throughout their life cycle, and provides responsive strategies and best practices that funders can employ to create greater economic security for women.

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The Insight Center for Community Economic Development is a national research and economic justice organization working to ensure that all people become and remain economically secure. Insight conducts groundbreaking research to ignite systemic change, produces powerful tools and resources to shift narratives and build political and public will, convenes experts to bridge the gap between academia and activism, and advocates for policies that address economic exclusion. Insight sparks innovative ideas, amplifies community voices and solutions, and leads the field by developing leaders who advance economic prosperity for everyone.

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Texas Women's Foundation

THE NEW YORK WOMEN'S FOUNDATION
Radical generosity.

A note about the data. The data presented in this report comes from the 1997 Cohort of National Longitudinal Study of Youth (NLSY97). The NLSY97 is a nationally representative sample of 8,984 young men and women who were between the ages of 12 and 16 at the baseline interview. The NLSY97 oversamples racial and ethnic minorities and followed up all respondents annually between 1997 and 2011, and then again in 2013 and 2015, and serves as a representative sample of the millennial generation.

MILLENNIAL WOMEN are 37% more likely than GenXers to live below the poverty line.

Millennial women today (born between 1980 and 1997), number about 40 million.[1] Representing 31.5% of the female population in the U.S., millennial women do not benefit from many economic policies and systems designed by, and built to meet the needs of, men as primary breadwinners. Today, many policies affecting family economic security fail to account for the remarkable increase in millennial women being the primary or co-breadwinner for their families. Existing policies and systems often do not support millennial women's rise in educational attainment and resulting student debt burden, nor do they acknowledge the ongoing roles millennial women play as the primary caregivers for children and other family members. Too many millennial women are operating under clipped wings that prevent them from achieving economic security and soaring to their full potential.

Millennial women came of age during the Great Recession, the rise of mass incarceration, unprecedented student debt levels, and changing workforce dynamics. All of these factors contribute to the fact that **millennial women are 37% more likely than Generation Xers (those born between 1965 to 1984) to be living below the federal poverty line** and are more likely to be underemployed or unemployed than previous generations.[2] Additionally, immigrant millennial women, particularly Latinx women, are often key financial contributors to their parents and extended families, which directly impacts their economic stability.[3]

Millennial women are part of the most diverse generation the U.S. has ever seen. Close to 44% are women of color,[4] making it increasingly important to address consistent racial and ethnic wealth inequities in this generation. Throughout history, policy makers and government officials have boosted White communities while placing barriers to economic stability for communities of color. The result is that **single White women in their 20s with a college degree have the median wealth of $3,400, while the median for Black women in their 20s is $11,000 in debt.** For married women in their thirties, Black women have median debt of $20,500 while White women have $97,000 in median wealth.[5]

We risk the financial security of future families, children, and communities if grantmakers, policy advocates, and practitioners fail to support and advocate for key policy changes, make strategic investments and develop programs grounded in the lived experiences and societal context of millennial women, particularly women of color, to ensure their economic stability. This generation of women is facing multiple wealth-stripping mechanisms that must be addressed and curtailed if we want to develop asset- and wealth-building strategies that are truly effective.

Grounded in an intersectional lens—a lens that accounts for the impacts of the multiple parts of a person's identity such as race, class, and gender—this report presents disaggregated original research to outline the current economic reality of millennial women. It explores the primary drivers of millennial women's wealth inequities, offering promising strategies, best practices, and bold ideas for philanthropic investments to address these issues.

LIMITS ON WEALTH INFORMATION

Throughout this AFN brief, we provide data on Black, White and Latinx women. Unfortunately, there is a dearth of data on wealth for Native American and Asian American/Pacific Islander women to be able to provide robust analysis for these populations. More disaggregated data needs to be collected for these populations.

WHAT IS WEALTH?

WEALTH IS THE VALUE OF ASSETS MINUS DEBTS

Wealth, or net worth, is the difference between a household or individual's assets and liabilities. It is a measure of financial health and economic security as it represents our ability to deal with the financial consequences of unexpected life events like illness, unemployment, or divorce. Wealth reflects our ability to invest in our future and that of our children.

COMMON TYPES OF ASSETS INCLUDE:

- Cash
- Investments
- Real estate
- Retirement accounts such as IRA and 401(k) accounts
- Business assets

COMMON DEBTS INCLUDE:

- Mortgages
- Credit card debt
- Education debt
- Vehicle loans

WEALTH IS AN ASSET

WEALTH PROVIDES:

- ☑ A reservoir that can be drawn upon in times of need
- ☑ A better future for our children
- ☑ Support in old age

HISTORICAL LEGACY OF WEALTH INEQUITY

"Why are there such stark wealth gaps? We need to look at our nation's long history of racial and gender discrimination to understand the causes of the women's wealth gap. Many households of color were excluded from owning property and building wealth for centuries due to de jure and de facto discrimination. This included the sale and bondage of people of African descent to build wealth for White people, laws that restricted business ownership and the occupations of free Black people to menial sectors, redlining and racially restrictive covenants, and public programs like Social Security, which explicitly left out domestic and farm workers who were mostly people of color. If we layer on a long history of laws that excluded women from owning property, earning advanced degrees, or accessing mortgage and business credit in their own name, it gives you a sense of how history has created the women's wealth gap we see today."

KILOLO KIJAKAZI AND HEATHER MCCULLOCH
Building Women's Wealth Is Key to Economic Security, Slate, May 29, 2018

WOMEN'S WEALTH GAP: A HISTORICAL PERSPECTIVE

1600s	Pennsylvania, Maryland, and Massachusetts recruit single White women to the colonies by giving them land with no strings attached.
1630s	When White female landowners stay single, legislatures introduce laws repossessing land from women refusing to get married. Georgia passes additional bills preventing women from inheriting property.
1839	Mississippi becomes the first state to allow married White women to own property with written permission from their husbands. This change does not apply to women of color, whether free, indentured, or enslaved.[4]
1960s	Commission on the Status of Women (1961) investigates gender equality in education and employment.
1963	Equal Pay Act of 1963 pledges equal pay for equal work regardless of race, sex, or ethnicity.
1968	Fair Housing Act (1968) prohibits discrimination in selling or renting property based on race, national origin, or religion (notably, sex and gender are not included as protected categories).
1970s	Equal Credit Opportunity Act (1974/1976) establishes women's access to credit and lending without a man's signature for the first time since the 1600s.
1980s	Passage of Women's Business Ownership Act of 1988 makes it illegal to require a male relative's signature on a business loan.
2000s	The number of single female homeowners increases rapidly, and they become the fastest growing group of U.S. homebuyers (a trend that persists today).
2006	Fishbein & Woodall demonstrate brokers are steering single women, and especially those of color, into risky subprime mortgages when many of them would otherwise qualify for safer fixed-rate mortgages.
2007	Housing crisis, underpinned by subprime lending and drops in home values, prompts widespread defaults, foreclosures, and evictions. Single women and communities of color experience concentrated losses associated with the aforementioned trends.
Dec 2007	Onset of Great Recession.
2016	Net worth of single Black women homeowners drops 74% (drops 28% for White women). Nearly all single women aged 45-65 who exit homeownership during the recession experience complete asset depletion.[17]

SINGLE WHITE MEN have close to six times more wealth than single Black women.

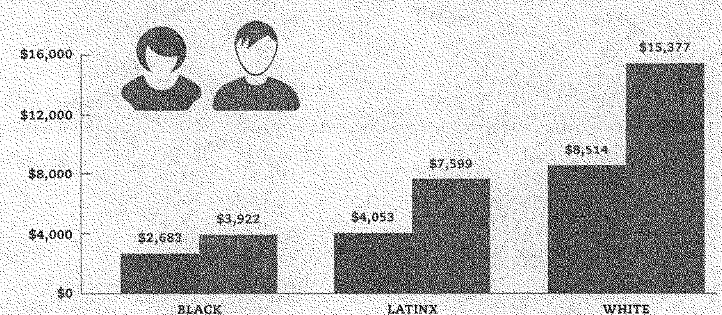
DATA ON WEALTH

In general, millennials are faring worse economically than previous generations. According to a recent report by Young Invincibles, a national network that works to amplify the voices of young adults ages 18 to 34 in the political process and expand their economic opportunities, baby boomers as young adults had twice the wealth of young adults today.[6]

For women, particularly women of color, the picture is even worse. Despite important gains in college attendance rates and career opportunities, millennial women's wealth lags behind that of men The median wealth holdings of single millennial men is still 162% greater than single millennial women ($11,230 and $6,914 respectively)[7].

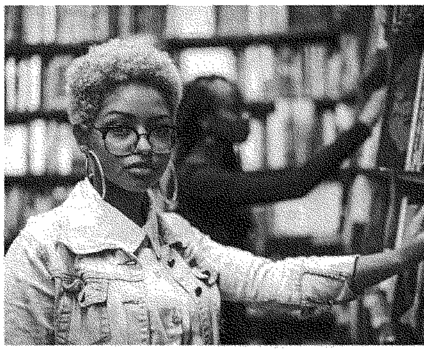
Broken down further across race and ethnicity, single millennial women have less wealth than single millennial men. Single White men have close to six times more wealth than single Black women.

MEDIAN SINGLE MILLENNIAL WEALTH BY RACE/ETHNICITY & GENDER



Source: NLSY 97

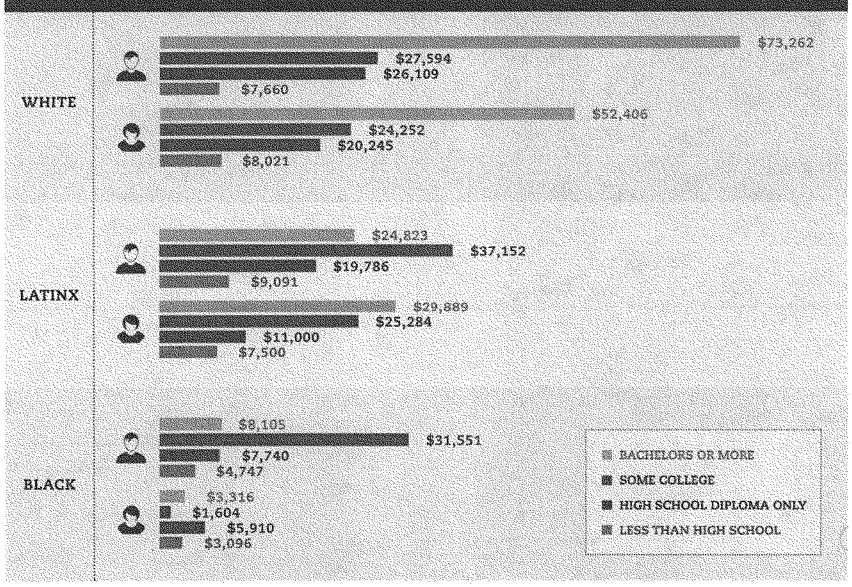
* Single is defined as never married in addition to separated, divorced or widowed



EVEN THOUGH MORE WOMEN ARE EARNING COLLEGE DEGREES than ever before, they do not have economic equality with millennial men.

As noted, women are going to college at higher rates than ever before, helping the overall economic well-being of millennial women. Yet a degree alone does not help millennial women reach economic parity with millennial men.[8] This counterintuitive result is due, in part, to persistent wage inequity and occupational segregation, two of the key drivers of gender wealth inequities explored in this brief.

MEDIAN MILLENNIAL WEALTH BY EDUCATION, GENDER, RACE



KEY DRIVERS OF MILLENNIAL WOMEN'S WEALTH INEQUITIES

There are identifiable key drivers that contribute to the persistent wealth inequity between millennial women and men. Skyrocketing education costs; continued pay inequity and occupational segregation; changing family structures, expectations and norms to contribute to parent and extended family's economic needs; and the systemic criminalization of poverty and rise of mass incarceration contribute to this generation's economic vulnerability. Most of these factors hit millennial women harder than men, reflecting patriarchal cultural norms and the discriminatory underpinnings of policies enacted primarily by men. Ultimately, our current social and economic policies and practices prioritize the needs of men and ignore the specific needs and economic roles of millennial women, particularly women of color.

INCREASING STUDENT DEBT

Millennial women are attending college at higher rates than previous generations. In fall 2017, women represented 56% of students nationwide, up from 42% in the 1970s.[9] At the same time, college tuition has risen at remarkable rates since the baby boomer generation and Generation Xers attended college. A recent report from the College Board highlights that both public and private college tuition is rising faster than the cost of inflation.[10]

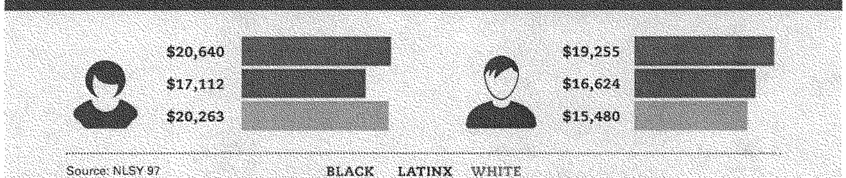
In fact, in the decade between 2002 and 2012 when many millennials went to college, tuition rates for public four-year universities rose 5.7% to 13.3% per year.[11] As a result, millennials have unprecedented levels of student debt when compared with previous generations. Median student debt for millennial women is $20,263 compared to $16,271 for millennial men—four times the levels held by the baby boomer generation.[12] The median student debt (adjusted to 2016 dollars) for the baby boomer generation was $4,949 for women and $4,828 for men.

Student debt is especially burdensome for Black and Latinx women because they have less intergenerational wealth transferred to them. Put simply, their parents have less wealth than their White peers and, therefore, cannot contribute as much to their children's education.[13] In 2016, the median net worth for White households was $171,000, which is nearly **10 times** that of Black households ($17,100), and about **eight times** that of Latinx households ($20,600).[14]

The current national student loan debt is $1.5 trillion dollars, two-thirds of which is carried by women ($900 billion).[15] A high level of student debt directly affects millennial women's ability to live financially secure lives, as they have much less to invest in asset building. As a result, asset-building activities such as purchasing a home, starting or expanding a business, or creating long-term savings is.not seen as possible and is deferred.

Philanthropic investments toward organizations working to eliminate or reduce student debt would have a major impact on the financial security of millennial women.

MEDIAN MILLENNIAL STUDENT DEBT BY RACE/ETHNICITY & GENDER



Source: NLSY 97

CONTINUED PAY INEQUITY AND OCCUPATIONAL SEGREGATION

Although decreasing from previous generations, unequal pay between millennial women and men continues. For instance, in 2013, the median income for millennial women was $30,000 compared to $35,000 for men.[16] This is happening for two reasons—difference of pay within the same occupation or job, and persistent occupational segregation, which funnels women into lower-paying jobs.

The National Women's Law Center recently reported that while women make up about half the workforce, they constitute 70% of employees whose jobs paid less than $10 per hour.[17] While gains were made toward more parity of gender representation throughout all occupations in the 1970s and '80s, progress has stalled since the 1990s in large part due to this occupational segregation of women. Black and Latinx millennial women, in particular, continue to be overrepresented in low-paying jobs.[18]

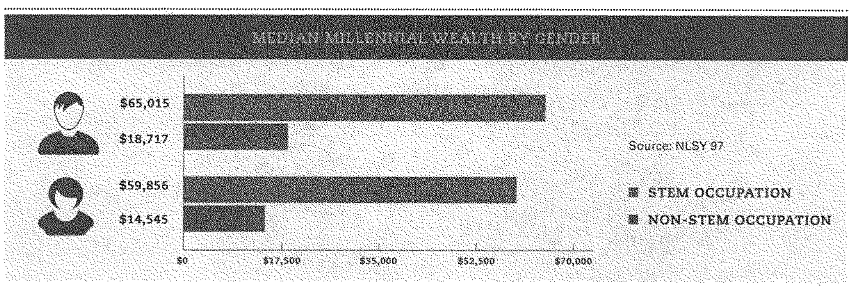
Women are also getting paid less than men for the same job within the same company. In 2018, Hired.com released a report on wages in the workplace. It found that men were offered a higher salary than women for the same job at the same company 63% of the time.[19] The report further noted that Black and Latinx women are consistently offered lower salaries than White men.

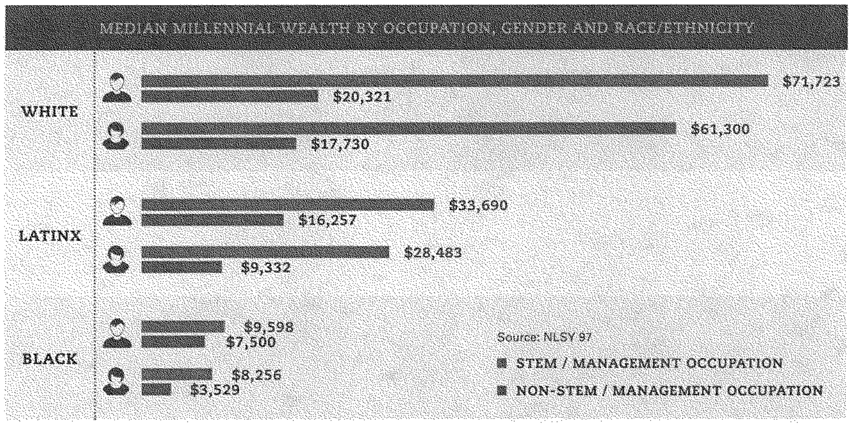
Even in higher pay sectors, millennial women are not seeing increased opportunity. Despite earlier gains for Generation X women, the percentage of millennial women in higher paying STEM jobs is declining. **Generation X women represented one in four people working in STEM occupations. By 2017, that rate had fallen to one in five for millennials.**[20] One cause may be the toxic male culture embedded in many tech companies, creating an unwelcome and sometimes hostile environment for women. According to a report by the Kapor Center for Social Impact, one in 10 women experience unwanted sexual attention within the tech industry. In addition, Black and Latinx women are more likely to be passed over for a promotion than their peers.[21] These trends matter and need to be corrected as a STEM occupation significantly increases wealth holdings.

As seen on page 10, occupational segregation and racial bias built into pay structures prevent millennial women of color from amassing as much wealth as White millennial women, even when looking at higher paying managerial positions within STEM and non-STEM jobs. Simply put, getting paid less impedes your ability to build wealth.

Studies show that Black and Latinx millennials receive a lower income than their White peers. Young Black people earn 57 cents and Latinx earn 64 cents for every dollar earned by young White people.[22] When you combine the racial wage disparity with the previously mentioned gender wage disparity, you have a compounded negative economic effect for millennial women of color. Even in managerial positions that typically receive higher salaries, both within STEM occupations and non-STEM occupations, millennial women's wealth is much lower than men's. The wage disparity along racial and gender lines for millennial women has an overall negative effect on their asset building capacity.

Investing in organizations working to ensure pay equity between men and women, as well as in organizations providing research, data, and analysis on occupational segregation to comprehensively understand the issue are two key ways to address this inequity.

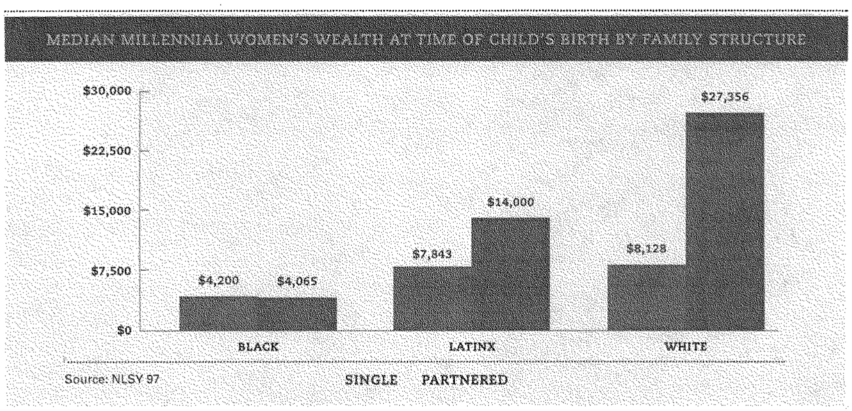




CHANGING FAMILY STRUCTURES

Millennial women are more likely to be the head of households than previous generations.[23] They are increasingly cohabitating with their partners and delaying marriage. They are also having children outside of marriage. According to *Child Trends*, the proportion of births to unmarried women has increased greatly in recent decades, rising from 5% in 1960 to 32% in 1995.[24] By 2008, it rose to 41%.[25] This upwards trend is continuing with 57% of babies born to millennials in 2017 outside of marriage.[26] Current public policies fail to take this changing demographic reality into account.

As seen in the chart below, single millennial women have significantly less wealth than partnered millennial women during the time of the birth of their children. This means that the "motherhood cost"—the physical, emotional, and financial costs of mothers taking time off of work to care for children—is particularly significant for the millennial generation.



Black millennial women have alarmingly low wealth holdings overall and are the only group with little difference in wealth holdings between partnered and single women. This data is indicative of other barriers faced by Black communities, including embedded racism in homeownership as well as within our criminal justice system and workforce, all leading to lower levels of intergenerational wealth transfer.

Child care is an issue for both coupled and single mothers, but with the increase in millennial women choosing to raise children on their own, despite low levels of wealth to draw upon, more and more millennial families are struggling to find ways to pay for child care and make up for income lost during maternity leave. With only one income to draw from, single millennial mothers often are making untenable choices between paying bills, putting food on the table, or paying for child care. Increasing access to affordable, quality child care and comprehensive paid leave are examples of policies that can have great impact for millennial women, particularly women of color.

MILLENNIALS: A Generation of Caregivers

25% OF ALL CAREGIVERS ARE BETWEEN 18 – 34 YRS.

25% OF U.S. MILLENNIALS ARE LATINX WITH 30% OF THEM SUPPORTING 2+ GENERATIONS

75% OF MILLENNIAL CAREGIVERS ARE ASSISTING SOMEONE OVER 50

ECONOMIC STRAIN FROM CONTRIBUTING TO FAMILY ECONOMIC NEEDS

A popular narrative of the millennial generation is that an increasing number are living at home with their parents due to difficulty finding employment, the burdens of student debt, and other repercussions stemming from coming of age during the Great Recession. While it is true that millennials in general have an increased rate of living at home with their parents and rely on parental economic support—in 2014, 32% of young adults lived at home with their parents —the story is a bit more nuanced.[27]

Millennials who are immigrants or the children of immigrants often carry financial responsibilities for their extended families and parents. In fact, close to 25% **of the nation's millennials are Latinx and 30% of them say they are supporting two or more generations of their family.**[28] This is double the rate of the general millennial population (14%), and makes a significant impact on their ability to build wealth.[29]

Data shows that caregiving is another circumstance in which millennials are providing economic, physical, and emotional support to family. New research shows that around 10 million Americans between ages of 18 and 34 are caregivers for a family member, making up 25% of caregivers in the U.S. overall.[30] More than half of these millennial caregivers are people of color, signifying a major shift in caregiving demographics from previous generations.[31] Additionally, 75% of millennial caregivers are helping someone over the age of 50, are more likely than previous generations to be working while caregiving, and are spending a larger portion of their income on caregiving costs than other generations.[32] About half of the money millennials are spending on caregiving goes toward covering household expenses like rent/mortgage, food, and transportation. These factors create a unique circumstance for the millennial generation.

Caregiving is also mostly taken up by women. More than 50% of Black and White millennial caregivers are women, and close to 64% of Asian/Pacific Islander millennial caregivers are women.[14] Data also shows that 58% of all Latinx caregivers of people over the age of 18 are women.[33] The economic, physical, and mental strain of caregiving is a significant issue for millennial women, and suggests that it is critical for funders to incorporate a multigenerational approach in their grantmaking with strategies that consider the holistic needs of multiple generations relying on each other for stability.

MASS INCARCERATION AND THE CRIMINALIZATION OF POVERTY

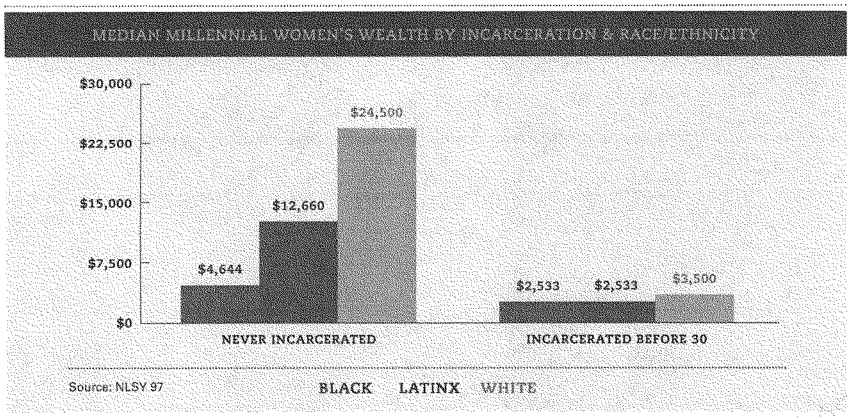
In the 1990s, when many millennials were coming of age, politicians pushed a number of "tough on crime" policy measures into law, leading to unprecedented investments in building prisons and in expanding the private prison business sector. What followed was a dramatically sharp increase in prison populations—despite the fact that crime rates were lessening—in a self-justifying and profit-driven effort to fill prison slots.[34] The U.S. prison population expanded from 220,000 people in 1972 to 2.2 million people in 2014.[35] This trend has had a significant impact on the economic stability of the millennial generation.

Millennial women **are 10 times more likely to be incarcerated than previous generations.**[36] Although incarceration rates are higher for men overall in comparison, the increase in the female incarceration rate overall signifies a disturbing trend for millennial women.

As seen in the chart below, incarceration radically undermines women's capacity to build wealth. The wealth-building constraints are due to the loss of income during time spent in prison, as well as difficulty in finding steady, high-quality employment post-release due to legal barriers under state and local laws, employer bias toward people with criminal records and convictions, and continued systemic burdens such as continued supervision placed on the ex-offenders. This is particularly an issue for millennial women of color. **The rate of incarceration for Black women is almost double that of White women, and the rate for Latinx women is more than 20% higher than White women.**[37]

The continued push toward mass incarceration is closely tied to the movement to criminalize poverty through local and state fines and fees.[38] Since 2010, more than 48 states have either increased their criminal fees, or adopted new fees. In North Carolina, fees have risen by 400%, leading to the startling fact that 20% of people incarcerated in a county jail in North Carolina are there for failure to pay their fines and fees.[39] The timing of this harmful practice has a noteworthy impact on millennials. Either they themselves faced having to pay higher fees just as they were coming into adulthood, which threatened their economic stability, or it impeded their family's financial security as they were growing up.

The Ferguson Report, written by the U.S. Department of Justice in the aftermath of the police shooting and death of Michael Brown in Ferguson, Missouri, brought national attention to the unconstitutional and discriminatory impact of the practices and priorities of that local government. By having local law enforcement and the courts engage in patterns that systematically targeted communities of color, the effect was as if the community residents were seen as a way to fund municipal budgets through fines and fees related to non-violent offenses such as traffic violations, loitering, sleeping on the sidewalk, and other causes for ticketing.[40]



Ferguson was representative of many other municipalities engaging in what the Department of Justice deemed to be unconstitutional acts. Rampant over-policing in communities of color has led to disproportionate rates of police stops and arrests of people of color, leading these communities to pay exorbitant fines and fees, which in turn extracts their wealth.[41]

These wealth-stripping policies and practices related to increased incarceration and imposed debt burden is important for millennial women for another reason. As noted in the Ella Baker Center's *Who Pays* report, **even if women are not the ones being arrested and/or fined, they are primarily the ones paying the fine, fee, or bail money for their sons, grandsons, brothers, partners, uncles, etc.**[42] The report notes that 63% of court-related costs were paid for by family members outside the system, and that 80% of them were women.[43] Further, close to 90% of costs for phone calls and visits to an incarcerated person are incurred by women.[44] As a consequence, these official practices and the movement toward mass incarceration and criminalization of non-violent crimes effectively strips wealth and continues to have major negative economic implications for millennial women of color.

But the system engages in further wealth stripping. Often, families of color and low-income families are already under economic distress and cannot afford to pay the fine or fee. Many states suspend driver's licenses as a penalty for overdue fines and fees, which in turn increases the person's chances of arrest, incarceration, or increased fines for driving without a license. Each result adversely impacts a millennial woman's ability to build wealth. Data shows that even a simple arrest without conviction can make a marked difference in wealth holdings for this generation, as seen above.

An arrest affects the wealth holdings of all millennial women, but Black women with an arrest have one-third the wealth of White women with an arrest. For those not arrested, White women have 6.3 times more wealth than Black women who were never arrested.

Philanthropy should make a commitment to understanding these issues and begin making the important connection between criminal justice reform, wealth building, and economic justice. Mass incarceration and the criminalization of poverty are ways in which wealth is extracted from communities of color and low-income communities. Foundations interested in asset building and economic security should support organizations working on criminal justice reform to combat the effects of mass incarceration and the criminalization of poverty in order to ensure opportunity exists in healthy communities.

The rate of incarceration for Black women is almost double that of White women, and the rate for Latinx women is more than 20% higher than White women.

STRATEGIES FOR ACTION AND PROMISING PRACTICES

Although the picture seems stark for millennial women, there are a number of investments philanthropy can focus upon to turn the tide. Grantmakers can use their resources, power, and influence to be facilitators of deep social change and positively impact the future economic security of millennials and the generations to come. The following are examples of transformative investment opportunities.

STRATEGY FOR ACTION

BROADEN GRANTMAKING TO SUPPORT SYSTEMIC SOLUTIONS AND BEST PRACTICE INTERVENTIONS. For the millennial generation, wealth inequities are a function of systemic factors—pay inequity, student debt, family care burdens, less intergenerational wealth transfer, racial and gender discrimination, and other factors described in this brief. Truly supporting millennial women to build wealth demands having a deep understanding of how wealth-stripping mechanisms such as high levels of student debt, the effects of mass incarceration, and the criminalization of poverty impact traditional asset-building strategies for this generation. A strategic approach to helping millennial women build assets includes:

- A change in the systemic barriers and practices, including more impactful public policy.
- Incorporating the realities of current wealth-stripping policies and practices within proven inclusive practices and interventions, such as increased opportunities for savings, affordable homeownership, and financial coaching coupled with responsible financial products.

It is important that we do not continue business as usual with this generation. Rather, we need to work to remove or address wealth extraction mechanisms and incorporate this reality to customize traditional asset-building strategies for this generation.

For example, financial coaching and counseling strategies have been a significant and effective focus of philanthropic investment within the asset-building field. While these strategies work within the system to address part of the problem by offering often-needed financial coaching, education, and support for a subset of millennial women, they do not address the root systemic causes of racial and gender wealth inequities, which need to be corrected.

If we focus on financial coaching and savings in isolation without also supporting systemic solutions, we will not help low-income women, particularly women of color, build significant wealth. This is especially critical because many of them, through no action or fault of their own, have little to no disposable income due to systemic barriers and current wealth extraction policies.

In other words, financial coaching alone will not help low-income women and women of color build significant wealth when they have limited income, are disproportionately employed in low-wage sectors of the economy, bear family care burdens and high expenses, are subject to wealth extraction from the criminal justice system, and carry high student debt loads.

It is also important to understand that all financial coaching programs are not the same. Too often, financial coaching programs place the burden of responsibility on the person alone, ignoring the policies, norms, narratives, and cultural practices that play a critical role in persistent gender and racial wealth inequities. Quality financial coaching models understand systemic barriers exist, and work to help clients overcome them. They are collaborative by nature and the coach meets people where they are in their financial acumen, acts as a facilitator, and supports clients as they set their own goals, develop plans, and experience growth and learning.[45] If making investments in this area, philanthropy should prioritize the funding of quality programs.

PROMISING PRACTICE

THE SAVINGS INITIATIVE PROJECT, THE PROSPERITY AGENDA. Led by The Prosperity Agenda (TPA), The Savings Initiative is a two-generation savings approach to increase financial resilience in parents and children who are struggling to make ends meet, and who often rely on public benefits. Seeded by work funded by the Northwest Area Foundation, Paul Allen Foundation, and Seattle Foundation, the project is focused on developing, testing, and evaluating a family-centered savings approach to help families realize and build upon their saving strategies and strengthen their financial capability.

TPA has been a leader in developing and testing programs that build efficiencies and incentives into public systems to move and keep people out of poverty, ultimately resulting in increased economic resiliency. TPA's approach puts the focus on listening to program participants' thoughts, ideas, and experiences. TPA, a strengths-based approach, acknowledges that although participants may have significant barriers, they are creative and resourceful enough to have their own answers and know what is right for them. The Savings Initiative affirms that increasingly, women are taking the reins of their household finances and are often the savers in their families.

The Savings Initiative counters common assumptions about low-income mothers that maintain they need access to institutionalized mechanisms to save, and only are more likely to save when there are enticements to do so. Findings from the initiative demonstrate that low-income mothers in this project, who are utilizing public benefits to address the volatility of work, are already driven to save and find numerous ways to save outside of the traditional banking system.

STRATEGY FOR ACTION

ADDRESSING SYSTEMIC BARRIERS. In order to make more significant gains in decreasing racial and gender wealth inequities, grantmakers' investments need to intentionally address systemic barriers by increasing support for organizations that work to:

- **Ensure equal pay between men and women and tackle occupational segregation.** Fund policy interventions, research, and on-the-ground organizing that address-es the policies and systems that have produced wage stagnation, and increase women's wages and wealth-building benefits across sectors. Efforts that raise pay and expand access to benefits in the care and service sectors would be particularly impactful for raising the economic stability of millennial women of color.
- **Increase access to affordable, high-quality child care.** Child care can no longer be isolated as a "woman's work issue." Grantmakers should support efforts to reframe the policy focus to increase public investment in quality child care for the developmental benefit of the child, not just to allow the parent to work. And they should support efforts to raise awareness about the need for subsidized child care as a universal support for the well-being of families.
- **Promote debt-free financing for student loans and/ or a lowering or elimination of college tuition costs.** Student debt is an issue, especially for millennial women of color. Funding innovative efforts to decrease the financial burden of higher education, already incurred or to be incurred, will go a long way toward helping millennial women who are attending college and post-secondary training at record rates. Innovative and replicable programs and advocacy for public interventions that offer no-interest or low-interest loans, meaningful public service forgiveness, and subsidized affordable repayment that eliminate or substantially decrease the future debt burden from college or post-secondary tuition and expenses are areas that need more philanthropic support to test and prove the value of innovative approaches. Debt-reduction strategies for those who have already incurred post-secondary educational debt need to be piloted, replicated, and brought to scale.

- **Advocate for guaranteed comprehensive, expanded paid family leave for various types of employment.** As noted before, the "motherhood cost" that reduces wealth building when women take time out of the workforce to bond and care for children significantly impacts millennial women who are increasingly the primary breadwinner for their families. The U.S. is the only developed country with no national paid leave policy. Efforts working to provide robust paid leave for full- and part-time working people that replenishes salaries at 100% is fundamental to the economic security and stability of women and their families. These efforts should be tested and coupled with wealth-building efforts.

Grantmakers interested in improving the economic security of and opportunities for millennial women should invest in organizations working to make systemic change to foster large-scale change. They should also test approaches that support making changes that will help transform the current systemic policies and practices in both the public and private sectors. In doing so, they will contribute to advancing millennial gender wealth equity.

PROMISING PRACTICE

THE MS. FOUNDATION'S ECONOMIC JUSTICE AND CHILD CARE INITIATIVE. The Ms. Foundation is committed to changing the way child care is thought about in this country. The Foundation funds organizations that "work to increase public investments in child care and raise the quality for jobs within the child care sector," a low-wage sector that primarily employs women of color. A primary focus of this initiative is to create a shift in the narrative and understanding such that child care becomes a core part of economic policy discussions in the current and future economies. The Foundation specifically funds advocacy and practice that shifts the conversation about child care from a focus on "women's work" to a foundational support that all families need to thrive, and that children need to help realize their potential.

Among the Foundation's grantees is the Mississippi Low-Income Child Care Initiative (MLICC). Since 1998, MLICC has been a champion for affordable child care for Mississippi's low-income working parents. Its work improves the child care assistance program serving low-income working parents and strengthens the financial viability of the child care centers that serve them, so that no mother has to choose between the job she needs and the child she loves. The initiative's work includes the Child Care Matters Campaign that works to build a strong base of low-income parents and providers to advocate for improved policies and greater investment in child care for low-income families. The purpose is to educate, inform, and engage the constituency in the decision-making process and to get changes in policies and priorities.

In 2016, MLICC brought together 200 providers to gain input on rules being changed in the state's Child Care and Development Fund (CCDF). Many low-income mothers in Mississippi rely on child care vouchers provided by CCDF to make child care affordable for them. One of the new regulations the state was considering was eliminating child care assistance for parents receiving the benefit through TANF (Temporary Assistance to Needy Families). Based on information gained from the convening of the providers, MLICC made the recommendation to CCDF that this new policy was unfair and harmful to low-income women. As a result, the regulation was not changed and TANF families were able to retain continuous child care assistance for a full 12 months, whether or not their TANF eligibility changed.

STRATEGY FOR ACTION

SUPPORT RESEARCH TO UNDERSTAND SPECIFIC ECONOMIC SECURITY NEEDS OF MILLENNIAL WOMEN. As highlighted throughout this paper, millennial women are living under different economic and social circumstances than earlier generations. Millennial women have outgrown the assumptions of our current economic rules and practices and require different economic and social policies to support their ability to build and preserve wealth. This is evident in college tuition skyrocketing faster than the rate of inflation, changing family composition, reduced workplace wealth building and career ladder opportunities, and the constraints and consequences of mass incarceration and altered family responsibilities.

With millennials being the most diverse generation of our nation, the dearth of quality, detailed research and data on millennial women of color, the challenges they face, and the pathways needed to create change and expand opportunities systemically is problematic. We need further data and research with an intersectional race/class/gender lens to understand how these changing dynamics are affecting this diverse population. This will inform systemic policy change that supports economic stability and security.

Grantmakers should fund efforts that:

- Collect disaggregated economic data for the Asian Pacific Islander (API) and Native American populations so we can accurately understand the needs and economic positions of these populations to inform policymakers and private- sector practices.
- Gather economic data for the LGBTQ community to understand the barriers confronting them under current policies and practices.
- Research the economic impact of immigrant and second-generation millennial women financially supporting their parents and extended family. We need to know more about this dynamic to formulate effective solutions for this part of the population.
- Explore how sexual harassment and sexism in the workplace affects millennial women's physical and mental health, economic stability, and overall well-being. The #MeToo movement has raised much-needed awareness on how pervasive sexual harassment is in the workplace. Philanthropic support to pair the anecdotal evidence with hard data in various sectors and across pay grades will inform the sector for advocacy of best policy and practices.
- Determine the role of employer, government, and worker as to who pays for health benefits, child care, retirement, post-secondary education, and other economic benefits with the goal of increasing the net household income available for asset building.
- Test new approaches and asset-building supports (ranging from debt reduction to guaranteed good-paying jobs to basic income and/or benefits) at a scale sufficient to inform policymakers.

PROMISING PRACTICE

GRANTMAKERS FOR GIRLS OF COLOR. Grantmakers for Girls of Color is a collaborative initiative of the NoVo Foundation, Foundation for a Just Society, Ms. Foundation for Women, The New York Women's Foundation, Communities for Just Schools Fund, and other partners. At the heart of the collaboration is the understanding that girls and young women of color live at the intersections of sexism, racism, and other forms of oppression that prevent their full participation in our country's future.

In order to showcase innovative research to help the field better understand the barriers young women of color face, the collaborative runs a resource site to serve as a hub for philanthropy, bringing together the latest research, data, and insights and making them easily available, all in one place. The hub can be found at: https://www.grantmakersforgirlsofcolor.org/resources/ and is a go-to source to hear directly from young women of color on issues such as sexual violence, the impact of immigration detention centers, and harassment in schools. It also provides information on funds and initiatives focused on improving the lives of girls of color.

Over time, it will also highlight new funding, initiatives, and partnerships that are designed to address the challenges facing our nation's girls and young women of color.

STRATEGY FOR ACTION

INCREASE FUNDING FOR ORGANIZATIONS WORKING TO PUT MORE WOMEN, PARTICULARLY WOMEN OF COLOR, IN LEADERSHIP POSITIONS INCLUDING PUBLIC OFFICE AND CORPORATE DECISION-MAKING TABLES. Research indicates that involvement in leadership programs leads to higher levels of civic engagement, self-efficacy, and empowerment.[46] Philanthropic investment can be made to fund more young women's leadership programs.

Additionally, grantmakers should invest in programs that increase the number of women prepared to seek public office and sit at policy-making and corporate decision-making tables. Having more women at decision-making tables allows their perspective and experiences to be heard, and can change the current dynamic where often women's unique needs are at best misunderstood or not on the radar, or at worst, purposefully ignored. Representation matters, and increasing the number of women in leadership positions in organizations, elected office, and policymaking roles can help inform, develop, and institute policies and create programs that meet the changing needs of millennial women.

PROMISING PRACTICE

WOMEN'S POLICY INSTITUTE, WOMEN'S FOUNDATION OF CALIFORNIA. The Women's Policy Institute (WPI) is a program of the Women's Foundation of California. For the last 15 years, WPI has strived to increase the number of cisgender and transgender women, nonbinary and genderqueer people, and transgender men who are actively engaged in public policy. To date, WPI has trained almost 450 fellows who have helped develop and support more than 30 bills that advanced economic security and equity across California.

As a training and capacity-building program, WPI works with the understanding that community leaders need to have a greater impact on the fundamental conditions affecting their lives, families, and communities. WPI gives community leaders the tools, resources, relationships, and coalitions needed to powerfully speak for themselves and their communities, and to become experts in public policy. All of the cohorts work on public policies that support historically oppressed communities across California, including low-income communities, immigrant communities, and communities of color.

Examples of recent bills passed include:

- AB273 – Increasing access to opportunities for families across the state by expanding parent eligibility to qualify for subsidized child care to include the time they take English as a Second Language (ESL and High School Equivalency courses).
- SB1015 – Permanently extending overtime labor protections for domestic workers.
- AB2057 – Providing expedited CalFresh (SNAP benefits) for survivors of domestic violence, recognizing the urgent need for food support.

The WPI model is unique because it invests in established and rising leaders as well as their organizations. By training fellows to become public policy experts, they are building the capacity of their organizations to find viable, community-specific solutions to injustice. Most of the fellows go back to their organizations and educate their colleagues, and lead public policy and advocacy initiatives in their local communities throughout the state. As a result, they're fueling the larger community in civic engagement and the gender justice movement, not just individual leaders.

STRATEGY FOR ACTION

SUPPORT ORGANIZATIONS WORKING TO ELIMINATE FINES AND FEES AND COMBAT THE EFFECTS OF MASS INCARCERATION. Mass incarceration and the heavy burden of fines and fees have adversely affected millennial women by stripping away their opportunities to build wealth. Even with robust policy supports that would increase income and offset child care and family leave costs, millennial women of color, in particular, would still be facing economic insecurity from the aggressive nature of fines and fees and over-policing in communities of color.

Philanthropy can help reverse these damaging policies and practices. Investments in efforts working toward racial justice by eliminating inequitable and unfair fines and fees and supporting government divesting from private prisons and policing are critical. Investing in priorities identified by communities most impacted by mass incarceration and the criminalization of poverty is also important.

Philanthropic support could also accelerate changemaking efforts by municipalities and/or coalitions working to analyze the cost of local municipal or state fines and fees on low-income communities of color. This support will allow for recommendations on which fines and fees have a disparate negative impact on low-income individuals and people of color, and will help identify those that should ultimately be eliminated.

PROMISING PRACTICE

FINANCIAL JUSTICE PROJECT, SAN FRANCISCO. When individuals exit jail or the criminal justice system, they are often assessed thousands of dollars in administrative fees that aim to recoup costs for the courts and government. These fees trap low-income people in cycles of poverty, increase the odds of recidivism, and are an ineffective source of revenue for the city and county since they are largely uncollectable. The San Francisco Office of the Treasurer and Tax Collector is the first in the nation to launch a Financial Justice Project to assess and reform how fines and fees impact the city's most vulnerable residents. The Financial Justice Project examines questions such as: What policy objectives are these financial penalties advancing? Are they serving San Francisco residents, the community, and the city at large? Are there better ways to achieve our goals?

Funded by the San Francisco Foundation and Walter and Elise Haas Fund, the Financial Justice Project released the report, *Criminal Justice Administrative Fees: High Pain for People, Low Gain for Government,* which shed light on the fact that too often government programs and courts levy fines and fees on people, partly to generate revenue to balance public budgets. There is often an insidious unintended impact of this practice—to push people into poverty. These fines and fees can knock people down so hard they can't get back up. Poor people and people of color are usually hit the hardest. These financial penalties can make government a driver of inequality, not an equalizer. The report also includes recommendations for other jurisdictions interested in addressing the harmful effects of fines and fees for their residents.

In July 2018, San Francisco became the first county in the nation to eliminate all local administrative fees charged to people exiting the criminal justice system. The report and advocacy done by the Financial Justice Project, in coalition with community-led organizations, led to the passing of legislation to eliminate more than 10 criminal justice administrative fees, and the forgiveness of $32 million in debt from fees previously assessed to 21,000 people. After the legislation passed, the San Francisco Public Defender and District Attorney successfully petitioned the court to waive all outstanding debt from these fees.

Examples of the types of fees eliminated included administrative costs for electronic monitoring, which charged a $125 sign-up fee followed by a rate of $35 a day, and probation fees at $50 a month, which was charged up front with the average bill being $1,800 (three years of probation). Additional charges included $50 for alcohol testing and a $135 booking fee.

The passage of this landmark legislation has released people from crippling debt and the stress of debt collection.

PROMISING PRACTICE

FREEDOM TO THRIVE COALITION. The Freedom to Thrive Coalition is an effort led by the Black Youth Project 100, Center for Popular Democracy, Law for Black Lives, and PolicyLink to encourage cities and other jurisdictions to shift resources away from overfunded police departments and prisons to community-identified priorities. This budgeting approach has been coined the "divest/invest" framework.

In 2017, the coalition released the groundbreaking report, *Freedom to Thrive: Reimagining Safety and Security in our Communities*. The report examines racial disparities, policing landscapes, and budgets in 12 jurisdictions across the country, comparing the city and county spending priorities with those of community organizations and their members. Each city profile highlights current or prospective divest/invest campaigns, and provides a general framework for budget analysis and advocacy, helping community-based organizations across the nation develop their own campaigns.

Since the release of the report, Freedom to Thrive has continued its support for local divest/invest campaigns by providing research and analysis of local budgets. One such example is the work Freedom to Thrive completed for Justice LA, a coalition of Los Angeles organizations working with directly impacted communities, to reclaim, reimagine, and reinvest what Los Angeles County could do with the $3.5 billion allocated to building two new jails. Together they released the report, Reclaim, Reimagine and Reinvest, which highlighted that 63% of the Los Angeles County incarcerated population is there for non-violent offenses, and that 25% had mental health needs. Furthermore, nationally, 82% of women who are incarcerated have committed a non-violent offense, 80% are mothers, and 82% have an alcohol or drug addiction issue.

The report uplifts national promising practices that diverge money away from mass incarceration to social well-being programs such as drug and alcohol treatment centers, and housing and mental health services. These programs have successfully reduced incarceration rates in local jurisdictions. This report is being used to advocate for Los Angeles County to reevaluate its budget priorities.

Future work of Freedom to Thrive partners includes research and policy development, organizing field support in key geographies, training and leadership development for local staff and organizers, and narrative change and public affairs.

The Nathan Cummings Foundation and Andrus Family Fund were seed funders for the racial justice program at the Center for Popular Democracy from which the idea for Freedom to Thrive evolved.

PROMISING PRACTICE

THE SAFETY AND JUSTICE CHALLENGE. The Safety and Justice Challenge is providing support to local leaders from across the country who are determined to tackle one of the greatest drivers of over-incarceration in America—the misuse and overuse of jails. With a five-year, $148 million investment by the John D. and Catherine T. MacArthur Foundation, jurisdictions selected through a competitive process receive financial and technical support in their efforts to rethink justice systems and implement data-driven strategies to safely reduce jail populations.

The John D. and Catherine T. MacArthur Foundation's Safety and Justice Challenge recognizes that there are better, fairer, and more effective alternatives to excessive jail incarceration. Key to beginning and sustaining reform efforts is an understanding of how jail use has changed, and what impacts this growth has had on individuals, communities, and the economy.

For local leaders involved in the challenge, this means a commitment to identifying the drivers of over-incarceration within their cities, counties, and states; engaging a diverse set of community stakeholders to determine ways to address local drivers of over-incarceration and improve the system as a whole; and building infrastructure to track the right data and measure performance over time.

Jurisdictions participating in the challenge develop and model effective ways to keep people out of jail who don't belong there, more effectively reintegrate those who must be confined into the community upon release, and help them stay out of jail thereafter. Last year, the Foundation gave $11.3 million to municipalities participating in the challenge. This year's grants nearly double that.

STRATEGY FOR ACTION

FUND BOLD, INNOVATIVE POLICY INTERVENTIONS AND PILOTS FOR ECONOMIC PROSPERITY FOR ALL. Racial and gender wealth inequities threaten our American values of freedom, dignity, and security for all, and as such are key issues of our time. Philanthropy is a key source of support to develop this framework for analysis and systemic change.

Due to intentional economic policies and practices that placed barriers to wealth building for women and people of color, alongside gender-neutral policies established and enforced by those in power, economic stratification among gender and racial lines has reached epic heights. Millennial women often see no path to prosperity despite high levels of education and engaging in the workforce. Without bold, visionary action and policies to address the challenges and barriers to economic stability and wealth building, the chasm between women who are economically secure and those who are not—particularly Black, Latinx, Asian and Native American communities—will continue to grow.

Philanthropy can be the catalyst for needed dramatic, systems-level policy interventions to change this tide. Philanthropy can support organizations working on transformative economic policies like a Guaranteed or Universal Basic Income (UBI)—a no-strings-attached direct cash benefit from the government to obtain a basic floor of living; a Federal Jobs Guarantee—a guaranteed public-sector job for everyone; and Baby Bonds/Young Adult Trust Accounts—a government-sponsored child trust account.

Universal Basic Income (UBI) is a model to provide people with a periodic cash payment, delivered unconditionally regardless of income, resources, or employment status. The purpose of the UBI is to prevent or reduce poverty and increase equality. Funding would come from government sources. Currently there are different models and ideas around implementation, spanning from everyone receiving the same benefit amount to a more progressive, tiered model, where the stipend is dependent on an individual's income level.

There are currently UBI pilots in different parts of the U.S. as well as newly suggested legislation aimed toward ensuring every family is able to reach a basic standard of living. One example being suggested is for families making less than $100,000 a year to be eligible for a monthly tax credit of up to $500, or $6,000 a year. The idea is to give more direct cash to families who struggle to meet their basic needs like housing and food. This could serve as an additional safety net for debt-burdened millennials, allowing them to rely less on tapping into limited savings to cover basic needs, an unexpected medical emergency, or caretaking responsibilities, and helping to preserve their limited assets/wealth. Given millennial women have an increased rate of living in poverty than Generation Xers, (as noted earlier in the paper) this policy has the potential of reversing that trend.

While baby bonds are not a new concept, there has been renewed discussion by advocates, academics, and politicians about the potential ability of baby bonds to address major wealth disparities. Proposals under this concept involve the government providing every child with a seed account at birth. The amount provided to the child would range based on the income level of the family. Some advocates are recommending amounts around $500 to $1,000, depending on the wealth of the family. The trust funds would be guaranteed to grow at the rate of inflation plus 1% a year. When a child reaches early adulthood (18-24 years of age), he or she would get access to the funds. Estimates show that children born into the lowest income bracket could receive close to $50,000 by age 18. These baby bonds could support millennial parents of color specifically by providing their children with initial wealth building otherwise not available to them. Given the persistent racial/ethnic and gender wealth inequities in the millennial generation that continue to set up barriers to intergenerational wealth transfer, this concept would also help families with low levels of wealth pass on more to their children. This would help increase asset-building opportunities for millennial families of color.

Another bold idea that is receiving renewed attention is a Federal Jobs Guarantee (FJG). The benefits of this type of program would include fewer people living in poverty in non-urban areas, since proponents of the program suggest paying a minimum annual wage of ***at least $23,000*** (the poverty line for a family of four), rising to a mean of $32,500. In addition to the wage, workers in the FJG program would receive health insurance and pension benefits in line with those that all civil servants and elected federal officials receive. It could lead to a more inclusive economy by providing employment for all who are able to work but are currently left out of the private sector by reducing the persistent unemployment gap experienced by marginalized/stigmatized groups who face continued discrimination, such as re-entry workers. It would address persistent unemployment experienced by Black workers, which has never fallen below 7% since 1972.

PROMISING PRACTICE

MAGNOLIA MOTHER'S TRUST, SPRINGBOARD TO OPPORTUNITIES. Springboard to Opportunities was formed with the understanding that affordable housing alone is not enough to create thriving communities where all residents can succeed. Grounded in the perspectives and real-life experiences of the community they serve, the mission of the organization is to connect families living in affordable housing with resources and programs that help them advance themselves in school, work, and life. All of their programming is resident-driven and resident-focused, with the overall goal to increase the self-efficacy of vulnerable families, thereby positioning them to be their best selves in life, school, and work.

In fall 2018, Springboard announced a new pilot guaranteed cash program, the Magnolia Mother's Trust. The Magnolia Mother's Trust gives 15 low-income Black female-headed households in Jackson, Michigan, a monthly cash benefit of $1,000 with no strings attached. The benefit will last 12 months, translating to $12,000 for the year. With most of Springboard families making an average of about $11,000 a year, this more than doubles their income.

The pilot program was born out of numerous conversations and focus groups with residents, where they repeatedly heard that what these mothers wanted and needed most was cash and the ability to determine how and where they spend it with no restrictions. Springboard believes that families know best what they need for their survival and the ability to thrive, and this understanding lies at the core of the pilot program.

In addition to the cash, women in the pilot program will also receive peer support and have the opportunity to participate in ongoing leadership opportunities designed to provide additional support. Additionally, recognizing the long-term trauma that is present for families who have lived in generations of poverty, the project will also provide holistic supports and individual coaching and counseling to help disrupt the scarcity ideology that so many families have had to adopt as a basic survival technique.

The project will track and learn how families are spending their cash benefit, and aims to answer questions such as: If we offer families a little bit of breathing room, will they be able to dream about something a little bigger? If financial survival were not always top of mind, would community leadership and activism become a real possibility?

Funding for this project is supported by the Economic Security Project, a network committed to advancing the debate on unconditional cash and basic income in the United States.

GENDER WEALTH INEQUALITY

Gender wealth inequality—or the women's wealth gap—remains largely overlooked in income-focused discussions of women's economic security. The women's wealth gap is exacerbated by the racial wealth gap and goes far beyond wage inequality. It is compounded by imbalances in our tax code, the structure of employer-based benefits, the Social Security system, and market-based products and services. The wealth gap impacts current generations and threatens the financial security of future generations. *(Refer to Asset Building Across the Life Cycle of Women chart).*

CONCLUSION

Millennial women are facing a unique set of challenges by having come into adulthood within a society with policies and cultural norms that simply do not fit the reality of their lived experiences. Without systemic, transformative change that includes policies that address wealth extraction and also increases income and/or assets, current and future families are unlikely to survive without considerable economic hardship. Drastic innovation is needed to shift our public- and private-sector policies and practices to effectively meet the needs of millennial women and future generations.

The growing economic insecurity of this generation of women is not inevitable, nor is it irreversible. While more research is needed to understand the full complexity of issues facing millennial women, philanthropy can take short- and long-term steps to make a big difference for this generation. Specific attention needs to be placed on using a race/class/gender intersectional lens in this work. Philanthropy has a unique opportunity to support and pioneer groundbreaking work that can lead us to a more economically just and inclusive society. Putting women at the center of future policy decisions and reimagining how our systems operate is the path forward.

METHODOLOGY

The 1997 Cohort of National Longitudinal Study of Youth (NLSY97). The NLSY97 is a nationally representative sample of 8,984 young men and women who were between the ages of 12 and 16 years at the baseline interview. The NLSY97 oversamples racial and ethnic minorities and followed up all respondents annually between 1997 and 2011, and then again in 2013 and 2015.

The analysis is limited to NLSY97 respondents (N = 7,559) who completed the Assets 30 module (YAST30), which was administered to respondents in the survey year (2010, 2011, 2013, or 2015) during or after the calendar year they turned 30.

SEX. *Female/male*

RACE AND ETHNICITY. *Our main racial categories are non-Latinx White, non-Latinx Black, and Latinx.*

NATIVITY. *Youth was not a citizen, born in the U.S.*

EDUCATIONAL ATTAINMENT: *Four-year college degree or more.*

AGE. *Youth age at Asset 30 module.*

NET WEALTH. *assets – debts; respondents with household net wealth values above $600,000 were topcoded to a value of $600,000.*

HOUSEHOLD INCOME. *Total income from all sources from previous calendar year; includes income of spouse/partner if present; topcoded at the 2% level. The average value of the top 2%of cases is used as the value for respondents with valid non-missing responses.*

WAGES/SALARY. *Income from employment; topcoded at the 2% level. The average value of the top 2% of cases is used as the value for respondents with valid non-missing responses.*

STUDENT LOAN DEBT. *Student loan debt was obtained from the over-25 debt and assets module. Respondents were asked about their total amount of outstanding student loan debt from all sources including federal, private, and assistance from family/friends. (colldebt10_age30)*

FERTILITY. *Female young adult had a child with a birth date prior to the Asset 30 module.*

RELATIONSHIP STATUS AT BIRTH. *Coded using the monthly event history information on marital and cohabitation status and the date of birth of the first child. Single mother is classified as unmarried with no spouse/partner living in household during the month of first child's birth.*

RELATIONSHIP STATUS. *Relationship history and current marital status as of the Asset 30 module.*

INCARCERATION. *Youth has an arrest date prior to Asset 30 module.*

INCARCERATION. *Youth has an incarceration date prior to Asset 30 module.*

FINANCIAL LITERACY. *Three questions to assess the youth's financial literacy. One variable is an indicator if they got all three correct, the other is the total number correct out of three.*

STEM-occupations

- *engineering and related technicians*
- *engineers, architects, and surveyors*
- *health diagnosing and treating practitioners*
- *physical scientists*
- *mathematical/computer scientists*

STEM/management occupations

- *engineering and related technicians*
- *engineers, architects, and surveyors*
- *health diagnosing and treating practitioners*
- *physical scientists*
- *mathematical/computer scientists*
- *Executive, managerial occupations*
- *Management related occupations*
- *social scientists and related workers*
- *lawyers, judges, and legal support workers*
- *life, physical, and social science technicans*

Student debt, net wealth, wages are adjusted for inflation and standardized to reflect 2016 dollars using the Consumer Price Index Research Series (CPI-U-RS).

All summary statistics have been weighted using the custom weights provided by the BLS/NLS website.

Asset Funders Network

CLOSING THE WOMEN'S WEALTH GAP

ASSET BUILDING ACROSS THE LIFE CYCLE OF WOMEN

THE CHALLENGES SINGLE WOMEN FACE

POLICY SOLUTIONS AND OPPORTUNITIES FOR INVESTMENT

ASSET BUILDING ACROSS THE LIFE CYCLE OF WOMEN

BIRTH – TODDLER 0-3 YEARS	CHILDHOOD – ADOLESCENCE 3-17 YEARS	YOUNG ADULTS 18-34 YEARS	MIDDLE ADULTHOOD 35-65 YEARS	OLDER ADULTS 65+ YEARS
PROBLEM DRIVERS/CHALLENGES				
Lack of household savings				
Lack of access to stable affordable housing prohibits savings				
Lack of affordable child care				
Limited access to Head Start programs	Limited understanding of credit/budgeting and vulnerability to predatory lenders due to little or no access to financial education/financial coaching			
	Barriers to participation in STEM programs	Unequal pay		
		Damaged credit		High health care and long-term care costs
		Employment concentrated in lower-paying sectors		
		Lack of comprehensive family leave		
		Lack of access to and accumulation of savings through employer benefit programs		
		Predatory financial products and services		
		Gender-biased financial planning systems		
			Asset depletion from housing loss	
		Debt–including student debt and municipal fines and fees that strip wealth		
			Low SSI benefits and difficulty accessing them	
		Higher mortgage costs		Lack of access to Social Security for immigrant women
		Built-in barriers to many tax benefits		
		Barriers to building business equity including limited access to capital, networks, and mentors		

SELECT POLICY SOLUTIONS**

<table>
<tr><th>BIRTH – TODDLER
0-3 YEARS</th><th>CHILDHOOD – ADOLESCENCE
3-17 YEARS</th><th>YOUNG ADULTS
18-34 YEARS</th><th>MIDDLE ADULTHOOD
35-65 YEARS</th><th>OLDER ADULTS
65+ YEARS</th></tr>
<tr><td colspan="5">Establish universal basic income</td></tr>
<tr><td colspan="4">Make 529 savings accounts more accessible and equitable by providing public matching funds for low-income savers</td><td>Expand access to Medicaid and programs that help cover Medicare costs</td></tr>
<tr><td></td><td colspan="4">Expand funding to support the provision of financial education/coaching for parents and children</td></tr>
<tr><td></td><td></td><td colspan="3">Establish Universal Paid Family Leave with 100% wage replacement</td></tr>
<tr><td></td><td></td><td colspan="3">Expand refundable tax credits such as Earned Income Tax Credit, Child Tax Credit. Turn deductions into refundable credits</td></tr>
<tr><td></td><td></td><td colspan="3">Expand access to portable benefits including state sponsored benefit programs</td></tr>
<tr><td></td><td></td><td colspan="3">Expand access to retirement savings for employees including those employed by smaller businesses and part-time workers through state and federal automatic IRA policies</td></tr>
<tr><td></td><td></td><td colspan="3">Support the establishment of state-based social insurance funds to allow families to receive support for home care for seniors, child care and paid family medical leave</td></tr>
<tr><td></td><td></td><td colspan="2">Increase minimum wage, including wages for tipped workers</td><td>Support protection of and increased SSI benefits</td></tr>
<tr><td></td><td></td><td>Stronger regulation of predatory student lenders and expanded tuition-free college choices</td><td>Institute Social Security credits for caregivers</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Support public subsidies for first time homebuyers and support financial counseling for women homebuyers</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Expand funding for U.S. Small Business Administration Women Business Centers</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Support state and local policies that eliminate or reduce wealth-stripping municipal fines and fees</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Enact bail reform</td><td></td></tr>
</table>

Asset Building   Asset Preservation   ** This represents a select list of recommendations

<table>
<tr><th colspan="5">BEST PRACTICES/OPPORTUNITIES FOR INVESTMENT</th></tr>
<tr><th>BIRTH – TODDLER
0-3 YEARS</th><th>CHILDHOOD – ADOLESCENCE
3-17 YEARS</th><th>YOUNG ADULTS
18-34 YEARS</th><th>MIDDLE ADULTHOOD
35-65 YEARS</th><th>OLDER ADULTS
65+ YEARS</th></tr>
<tr><td colspan="5">New research for more robust wealth data along racial/ethnic and gender lines to disaggregate data for Asian Americans, Latina, Pacific Islander, Native American and Native Hawaiian on gender biases in mortgage rates/lending patterns</td></tr>
<tr><td colspan="5">Multigenerational supports for parents and children</td></tr>
<tr><td>Child savings accounts</td><td colspan="3">Matched savings accounts</td><td>Benefits counseling to ensure enrollment in eligible benefits</td></tr>
<tr><td>Home-visiting programs that incorporate financial coaching</td><td>Financial education in classrooms; financial coaching accompanied with saving opportunities for caregivers focused on developing positive financial habits and norms</td><td colspan="3">Coordination of health and housing services to allow owners to remain in their homes</td></tr>
<tr><td>Multigenerational supports for parents and children</td><td>STEM programs targeting young women</td><td colspan="3">Fraud prevention programs</td></tr>
<tr><td>Dual language programs for parents and children to help a child's economic potential later in life</td><td></td><td colspan="2">Credit building/credit repair</td><td>Financial and legal advice to preserve assets and planning for increased health care costs such as wills and trusts</td></tr>
<tr><td></td><td></td><td colspan="2">Homeownership programs with responsible financial products</td><td>Tailored retirement savings advice and tools</td></tr>
<tr><td></td><td></td><td colspan="2">Financial coaching paired with responsible financial products</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Expand access to business ownership opportunities through grants for business training, mentoring and network development</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Access to capital through loans to small business owners and investments in CDFIs</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Refundable tax credits such as Earned Income Tax Credit (EITC) through Volunteer Income Tax Assistance (VITA) outreach/education</td><td></td></tr>
</table>

Asset Building   Asset Preservation

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Asset Funders Network

The Asset Funders Network (AFN) is a membership organization of national, regional, and community-based foundations and grantmakers strategic about using philanthropy to promote economic opportunity and financial security for low- and moderate-income Americans.

AFN works to increase the capacity of its members to effectively promote economic security by supporting efforts that help low- to moderate-income individuals and families build and protect assets.

Through knowledge sharing, AFN empowers foundations and grantmakers to leverage their resources to make more effective and strategic funding decisions, allowing each dollar invested to have greater impact.

www.assetfunders.org

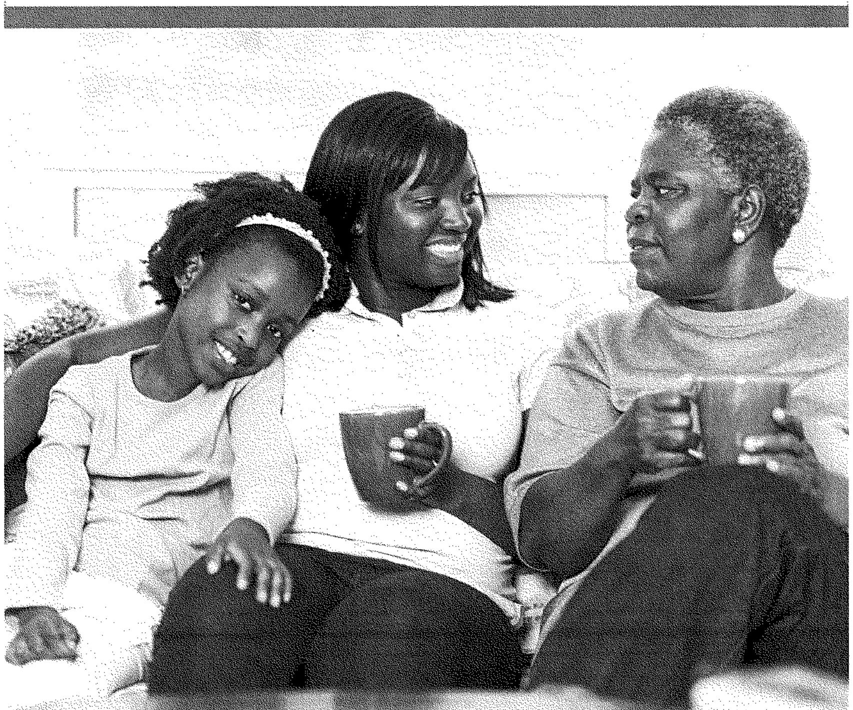
CLOSING THE WOMEN'S WEALTH GAP

The women's wealth gap is the result of a long history of policy, practices, and norms that have limited the capacity of women, especially women of color, to earn, save, invest, and preserve financial assets. Closing the gap will require a broad cross-section of stakeholders working together to understand the causes and effects of the gap and advance a range of policy, programmatic, and market-based solutions.

We invite you to join the Closing the Women's Wealth Gap, a national network of more than 300 philanthropic, nonprofit, private, and public-sector leaders who are leveraging their collective knowledge, expertise, and networks to advance promising solutions.

For more information, please visit www.womenswealthgap.org or contact Founder and Executive Director Heather McCulloch at heather@womenswealthgap.org.

Asset Funders Network



ON SHAKY GROUND

Stabilizing the Financial Security of Single Women

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This brief was developed in partnership with the University of Pennsylvania, School of Social Policy & Practice, Asset Funders Network (AFN) and in collaboration with Closing the Women's Wealth Gap Initiative (CWWG). This publication is the first in a series of briefs that build on AFN's 2015 publication, *Women & Wealth*, to explore how the gender wealth gap impacts women, particularly low-income women and women of color, throughout their life cycle, and provides responsive strategies and best practices that funders can employ to create greater economic security for women.

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Dr. Dr. Castro Baker teaches Impacting Government: Policy Analysis and Coalition Building, and Gender and Social Policy at the University of Pennsylvania. She is an Assistant Professor at the School of Social Policy and Practice and an Affiliated Faculty Member at the Alice Paul Center for Research on Gender, Sexuality and Women. Castro Baker's research explores how economic and social policies contribute to existing disparities, particularly in housing and lending markets. She's conducted extensive work on women and risky lending markets during the subprime foreclosure crisis. Dr. Castro Baker has also worked with Institute for Women's Policy Research (IWPR) to examine growing wealth inequality among single Baby Boomers entering retirement age.

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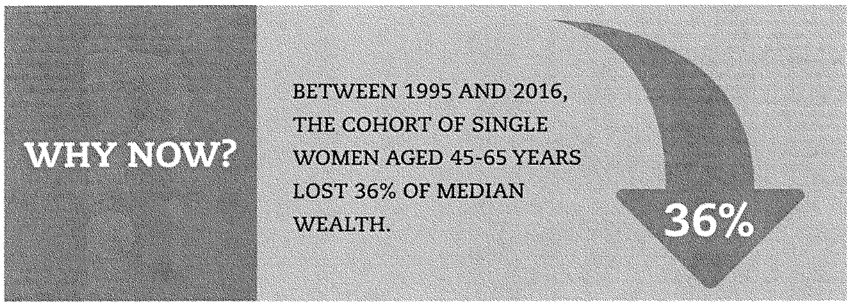


INVESTING IN WOMEN, INVESTING IN OUR ECONOMY

There are many funders interested in addressing inequities compounded by gender, regardless of their formal areas of focus. Some asset funders explicitly employ a gender lens to their grantmaking while others support programs and services proven to positively impact outcomes for women and LGBTQI communities. Unfortunately, the gender wealth gap continues growing. To shepherd our collective efforts and move the needle to improve the economic well-being of low-income women, we must understand how asset inequality is compounded by structural barriers in income, the tax code, social services programs, and the financial marketplace.

Too many single women (including those who never married, or are divorced or widowed) in the United States are entering retirement with few to no assets. Single women of all ages own just $.32 for each dollar of wealth owned by single men, and single Black women and Latinas own less than $.01—yes, one cent—for each dollar of wealth owned by their single White male counterparts.[1]

Women between the ages of 45-65 represent the very first generation to benefit from expanded access to higher education, credit, and other asset-building opportunities originating from the policy changes made during the civil rights and women's movements of the 1960s and 1970s. Today, they are graduating from college in record numbers, starting businesses at unprecedented rates, and, until recently, they have had far greater access to mortgage and business credit than their mothers and grandmothers. Yet this apparent progress belies the fact that the 15 million single women within this cohort—particularly Black women and Latinas—have actually lost substantial amounts of wealth in the last two decades.[2] In fact, all single women in this cohort aged 45-65 lost 36% of median wealth between 1995 and 2016, with a 28% drop for White women and a 74% for Black women from 2007 to 2016.[3] By 2016, the median "quasi-liquid" retirement savings, savings that can quickly be converted into cash, for single Black women and Latinas aged 45-50 was $0. A Black woman or Latina earning the median income for her age of approximately $36,000 and assuming a 6% return would need to set aside nearly 30% of her monthly income to retire at age 67.

Women—in particular Black, Latina, Native American and other women of color—have faced historic, systemic discrimination, reinforced by institutional policies blocking their access to higher education, segments of the job market, home and business credit, and other wealth-building opportunities. The social movements of the 1960s and 1970s—the civil rights and women's rights movements—ended "de jure," or legal discrimination, in education, employment, and credit markets. But many "de facto" barriers remain that are continuing to stymie or undermine women's financial security.

LIMITS ON WEALTH INFORMATION

Wealth data on LGBTQI women, Asian Pacific Islander women, and Native American women is limited in part because researchers must take additional oversampling steps in order to generate statistics meaningful enough to accurately inform policy and practice innovation. This results in entire populations of LGBTQI women, AAPI women, and Native American women being rendered invisible in policy and research conversations about the wealth gap.

WOMEN'S WEALTH GAP: A HISTORICAL PERSPECTIVE

1600s	Pennsylvania, Maryland, and Massachusetts recruit single White women to the colonies by giving them land with no strings attached.
1630s	When White female landowners stay single, legislatures introduce laws repossessing land from women refusing to get married. Georgia passes additional bills preventing women from inheriting property.
1839	Mississippi becomes the first state to allow married White women to own property with written permission from their husbands. This change does not apply to women of color, whether free, indentured, or enslaved.[4]
1960s	Commission on the Status of Women (1961) investigates gender equality in education and employment.
1963	Equal Pay Act of 1963 pledges equal pay for equal work regardless of race, sex, or ethnicity.
1968	Fair Housing Act (1968) prohibits discrimination in selling or renting property based on race, national origin, or religion (notably, sex and gender are not included as protected categories).
1970s	Equal Credit Opportunity Act (1974/1976) establishes women's access to credit and lending without a man's signature for the first time since the 1600s.
1980s	Passage of Women's Business Ownership Act of 1988 makes it illegal to require a male relative's signature on a business loan.
2000s	The number of single female homeowners increases rapidly, and they become the fastest growing group of U.S. homebuyers (a trend that persists today).
2006	Fishbein & Woodall demonstrate brokers are steering single women, and especially those of color, into risky subprime mortgages when many of them would otherwise qualify for safer fixed-rate mortgages.
2007	Housing crisis, underpinned by subprime lending and drops in home values, prompts widespread defaults, foreclosures, and evictions. Single women and communities of color experience concentrated losses associated with the aforementioned trends.
Dec 2007	Onset of Great Recession.
2016	Net worth of single Black women homeowners drops 74% (drops 28% for White women). Nearly all single women aged 45-65 who exit homeownership during the recession experience complete asset depletion.[17]

WHAT IS WEALTH?

WEALTH IS THE VALUE OF ASSETS MINUS DEBTS

Wealth, or net worth, is the difference between a household or individual's assets and liabilities. It is a measure of financial health and economic security as it represents our ability to deal with the financial consequences of unexpected life events like illness, unemployment, or divorce. Wealth reflects our ability to invest in our future and that of our children.

COMMON TYPES OF ASSETS INCLUDE:

- Cash
- Investments
- Real estate
- Retirement accounts such as IRA and 401(k) accounts
- Business assets

COMMON DEBTS INCLUDE:

- Mortgages
- Credit card debt
- Education debt
- Vehicle loans

WEALTH IS AN ASSET

WEALTH PROVIDES:

- ☑ A reservoir that can be drawn upon in times of need
- ☑ A better future for our children
- ☑ Support in old age

WHY WOMEN'S WEALTH MATTERS

Wealth inequality among women, also called the "women's wealth gap," remains largely overlooked in income-focused discussions of women's economic security. The gender wealth gap, exacerbated by a deeper racial wealth gap, goes far beyond wage inequality and is compounded by barriers to benefits embedded in our tax code, employer-based benefits structure, the Social Security system, and market-based products and services.

The wealth gap impacts current generations and threatens the financial security of future ones.[5]

Single women are the economic backbone of millions of families and communities in the U.S. Two-thirds of mothers are the sole breadwinners, primary breadwinners (earning as much or more than their partners), or co-breadwinners (earning 25-49% as much as their partners) in their households.[6] Their financial health—including their ability to build their credit score, access affordable mortgages and build home equity, start and grow businesses, navigate short-term financial crises and save for a secure retirement—has a ripple effect on our economy. A growing body of evidence indicates that personal financial strains and the lack of healthy household balance sheets contribute to boom and bust cycles in the U.S. that limit macroeconomic growth.[7]

Given the increasingly important role of women in the economic stability of households, investing in women is an investment in our broader economy's prosperity and growth. In fact, recent World Economic Forum estimates suggest that achieving gender economic parity in the U.S. would add up to $1.75 trillion to the U.S.[8]

Single women aged 45-65 today are poised to enter retirement with few or no assets and are likely to be insufficiently supported by available public systems designed to keep seniors out of poverty. While the economic fragility of single women threatens families, communities, and the national economy, it represents an opportunity for grantmakers. This brief aims to inform grantmakers, asset-building practitioners and other public- and private-sector stakeholders about emerging strategies and promising practices to address barriers and expand wealth-building opportunities for single women aged 45-65.

SINGLE WOMEN AGED 45-65 IN THE U.S.: A RECAP OF THE IMPACT OF THE FORECLOSURE CRISIS ON WOMEN

The causes of the women's wealth gap are many: Women are paid less than men due to job segregation, discrimination, and other factors; they are less likely to be eligible for employer-based benefits such as paid leave and retirement plans; they are more likely to work part time or to leave the workforce to care for young children or sick family members, which undermines their ability to earn and save and reduces their Social Security benefits; and they have been disproportionately impacted by the foreclosure crisis.

The Great Recession, which lasted from December 2007 through June 2009, resulted in a slow recovery marked by unexpected household income shocks and deep wealth losses across demographic groups in the U.S. Single women, especially Black women, were hit the hardest by the loss of home equity.[9] For older adult single women who were homeowners in 2006, but not by the end of the Recession, changes in total assets were devastating. Black women lost 99% of their total assets, White women lost 97%, and Latina women lost over 100%.[10] This, along with periods of unemployment or under-employment after the recession, contributed to the alarming racial and gender gap now facing this cohort. The net worth of single Latinas increased 124% by the end of the recession, but their starting point was so meager that their 2016 median net worth is still lower than their White and Black female peers.[11] Despite this dramatic wealth gain, since 1995 Latinas have actually lost wealth to such a degree as to wipe out their post-recession gains. Thus, even though the net worth of Latinas more than doubled, it was still not enough to close their racial and gender wealth gap.

WEALTH TRENDS: IMPACT OF FORECLOSURE CRISIS ON SINGLE WOMEN (45-65)

NET WORTH OF WOMEN DURING THE RECESSION

- Black women dropped 74%
- White women dropped 28%

MOST WOMEN WHO EXITED HOMEOWNERSHIP EXPERIENCED TOTAL ASSET DEPLETION

- Black women lost 99% of assets
- White women lost 97% of assets
- Hispanic/Latina women lost > 100% of assets = negative net worth.

AGAINST THE ODDS: SINGLE WOMEN FIGHT FINANCIAL INSECURITY

Despite the barriers that limit wealth building for single women (45-65), these women remain the backbone of economic life for their families.

- 2/3 of mothers are the sole, primary or co-breadwinners for their families
- Are paid less than men—79-80 cents on the dollar
- Own less (not earn) only 32 cents for each dollar owned by men
- Had $0 in quasi-liquid retirement savings (Black/Latina women)
- Have lost 38%-85% of wealth since 1995
- Must set aside almost 30% of monthly income to retire at age 67*
- Have 17% lower market value in their home compared to single male homeowners

*Black/Latina women earning median income of $36,000

Women have the potential to add $1.75 trillion to U.S. GDP

Single women homeowners (55% of single women aged 45-65 own their homes[12]) lost a disproportionate share of their wealth during the foreclosure crisis and recession because a larger percentage of their wealth was tied up in their homes. The cycle of equity loss, experienced by so many in the Great Recession and its aftermath, drastically eroded the savings, equity, and wealth of single female homeowners aged 45-65. At its worst, **nearly everyone in this cohort who exited homeownership during the recession experienced total asset depletion. Black women leaving homeownership lost 99% of their assets, while White women lost 97% and women identifying as Latina experienced a greater than 100% decline in total assets, leaving them with negative net worth.**[13]

A generation of single female homeowners is approaching what should be the end of their working years with little to no assets, leaving them at risk of financial instability and poverty in retirement. After the recession in 2014, White men entered retirement boasting median assets of $319,000 and their White female counterparts entered retirement years with $225,000. But single Black females entered retirement years with median assets of just $20,003.[14] Thus, we can anticipate that even with the economic recovery, women aged 45-65 will continue facing underemployment, loss of equity, income instability, and other interruptions in wealth building, foreshadowing precarious retirement prospects.

AGING INTO RETIREMENT

In addition to a lifetime of lower earnings due to the income gap, single women aged 45-65 will retire with the expectation of Medicare and Social Security Retirement or Supplemental Security Income. In some cases, they will own additional retirement savings from employment-based plans or a prior marriage, but that is the exception to the rule due to systemic factors described earlier (e.g. limited access to jobs offering plans, ineligibility of part-time workers, etc.). Furthermore, many sectors that are dominated by women offer no retirement benefits and few, if any, opportunities for workplace advancement.

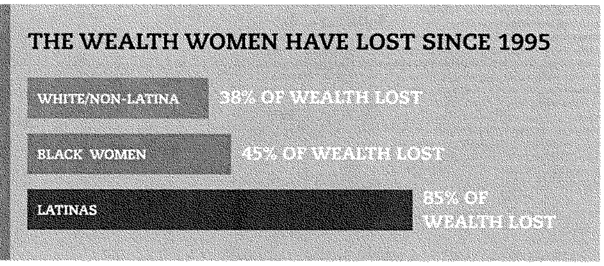
Ageism, structural gender discrimination, and, in some cases, a lack of needed skill-based training means women often do not have access to benefits or enough income to promote wealth-building. They often lack adequate disposable income to contribute to an individual retirement account, and are exposed to the general risk-shifting by employers to employees in many sectors, which increases income instability. Women tend also to be at risk for occupational segregation into part-time and under-the-table jobs that ultimately do not contribute to FICA. The Federal Insurance Contribution Act, or FICA, is a federal payroll tax that is deducted from paychecks and funds Social Security and Medicare programs. With less cumulative lifetime contributions, single women are placed at a disadvantage, resulting in lower Social Security benefits and unstable financial footing in retirement. When single women aged 45-65 retire, most will do so with lower levels of savings in retirement accounts and smaller Social Security payments than men, reflecting a lifetime of lower wages. Even when augmented by Supplemental Security Income (SSI) and other means-tested income supports, the lack of access to employer-based benefits will place them in a precarious position.

Single women–especially Black, Latina and elderly women–were more likely to be targeted by vendors of predatory financial products in the lead up to the foreclosure crisis, further limiting their capacity to save for retirement.[15] For example, before, during, and after the housing crisis, single women were targeted through push-marketing sales of predatory mortgage products sold through door-to-door solicitation or community-based institutions like churches.[16] These unscrupulous lenders were shopping for customers, rather than customers shopping for financial products. As reported by the AARP, "It wasn't just women shady lenders were looking for, but particular kinds of women. They would target Black women, Latina women, and elderly women too."[17]

MEDIAN NET WORTH 1995–2016 | SINGLE WOMEN AGE 45–65 COHORT

	1995	2001	2007	2016
WHITE, NON-HISPANIC	$138,137	$107,710	$118,615	$85,400
BLACK / AFRICAN AMERICAN	$31,320	$17,572	$65,022	$17,100
HISPANIC	$106,488	$30,077	$7,064	$15,820

WHY NOW?



The economic fragility of single women aged 45-65 clearly stems from a complex set of public systems and private-sector practices, including racial and gender discrimination, coupled with lack of equitable wealth-building opportunities. The data, case studies, and emerging best practices presented here provide funders with interventions specifically targeted at preventing single women in the from aging into poverty.

A DEEPER DIVE INTO DATA ON SINGLE WOMEN AGED 45-65

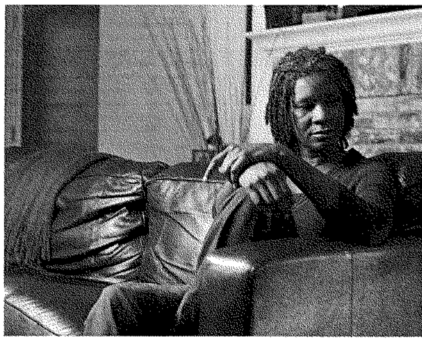
The Equal Credit Opportunity Act of 1974 (ECOA) made it illegal to deny credit based on gender, and opened the door to women accessing credit, mortgages, and other wealth-building products without needing a man's signature. But the potential wealth gains were lost to the "sandwich generation" due to discrimination in credit markets, predatory products, and the loss of home equity during the Great Recession. Many single women of color who owned risky subprime loans faced compounded inequity as their subsequent loss of home equity eliminated gains earned through the ECOA and the 1960s Civil Rights Era, which gave communities of color access to home loans and banking products and services from which they were previously locked out. These losses disrupt intergenerational wealth transfers in communities of color, and erased decades of progress on civil rights in the financial and housing sectors.[18]

When it comes to building wealth for women, age cohort and birth year matter. Birth year now predicts financial instability nearly as much as race or ethnicity, requiring sharper looks at generation level data and interventions.[19] This particular generation of single women aged 45-65 often absorbs the costs of market and policy failures experienced within their family networks. They are also the first generation to fare economically worse than their parents and grandparents.[20]

WHAT IS THE SANDWICH GENERATION?

Women in the "sandwich generation" are caring for at least one parent or family member over the age of 65 while also raising a child, supporting grown children, or supporting grandchildren and extended family. Social norms in American society have tended to assign a greater burden of care work to women, and they are more likely to experience financial stress when squeezed between two generations. These women face a triple threat:

1. They need to work part time in order to care for children and/or parents (who may be struggling with their own financial challenges).
2. As a result, they lose wages and Social Security benefits and may need to spend down accumulated wealth.
3. They face an additional financial burden of dependent children, many of whom will graduate with debt and face dim job prospects.



THE SANDWICH GENERATION is the first generation to fare economically worse than their parents and grandparents.

Income rather than wealth from assets or demographic factors like race, gender, or birth year typically determine one's access to public resources, so these women often fall into a policy and philanthropic gap.[21] As a result, policymakers, researchers, and funders often overlook this group. Most nonprofit programming, facing a dearth of data and little knowledge about single women's long-term financial needs (particularly for women of color in the sandwich generation), has been focused elsewhere.

This brief begins filling in the data gap for single women aged 45-65 with new calculations from the Survey of Consumer Finances (SCF).[22] The graph below outlines the findings from a descriptive analysis of the 2007 and 2016 waves of the SCF.[23]

WEALTH TRENDS: SINGLE WOMEN 45-65 YEARS

Despite Latinas' dramatic wealth gain, since 1995 Latinas have actually lost wealth to such a degree as to wipe out their post-recession gains.

For every $1K in net worth held by single White men (45-65) in 2007:

- Single Latina women had $34
- Single Black women had $312
- Single White women had $569

While the wealth gap narrowed between single women and men aged 45-65 in 2016, some groups of older single women sustained considerable wealth depletion over time. From 2007 to 2016:

- Single Latinas' median wealth increased 124%, from $7,064 to $15,820.*
- Single Black women's median wealth decreased 74%, from $65,022 to $17,100.
- Single White women's median wealth decreased 28%, from $118,615 to $85,400.

The increase in Latina wealth may be attributed to increased rates of homeownership post-recession across the Hispanic/Latino population.

WHY TAKE ACTION

The median quasi-liquid retirement savings (savings that can quickly be converted into cash) for single Black women and Latinas aged 45-50 was $0 in 2016.

If a Black woman or Latina earned the median income for her age of approximately $36,000 and assumed a 6% return, she would need to set aside nearly 30% of her monthly income to retire at age 67.

WHAT ABOUT LGBTQI WOMEN, ASIAN AMERICAN PACIFIC ISLANDERS, AND NATIVE AMERICAN WOMEN?

Limited wealth data on LGBTQI women, Asian American Pacific Islander women, and Native American women results in "legislative invisibility," which means their needs are overlooked because they are undercounted in the national data sets policymakers use to determine who receives benefits. Lack of data on sexual orientation in the U.S. Census compounds the problem for women who identify as LGBTQI because they are not included at all. Lack of accurate data on the group's size, geography, and other demographic information, also significantly impacts these populations because the data determines how federal safety net dollars are spent for programming like the Supplemental Nutrition Assistance Program, housing aid, and disability benefits. In order to capture wealth data on these populations, researchers must take additional over-sampling steps in order to generate statistics meaningful enough to accurately inform policy and practice innovation.[24] Since few federal data sources take these steps, entire populations of LGBTQI women, Asian American Pacific Islander women, and Native American women are rendered invisible in conversations about the wealth gap. That being said, here is what we do know:

WHAT WE KNOW

LGBTQI WOMEN	AAPI WOMEN	NATIVE AMERICAN WOMEN
LGBTQI women are at an increased risk for persistent economic insecurity, and more likely to live in poverty than their heterosexual counterparts.[25]	The model minority myth[26] in tandem with lumping all Asian women into one category of "other" masks wealth differences within Asian American populations, and artificially shrinks the wealth gap between AAPI women and other groups.[27]	Native American households own less than one-tenth the median wealth of all American households.[28]
The average poverty rate for female same-sex couples living in states without employment protections addressing sexual orientation was nearly 4% higher than female same-sex couples living in states with these protections.[29]	Like single White and Black women, the net worth of AAPI families is concentrated in home equity. While complete data on AAPI women is not available, the limited data available suggests the net worth of AAPI households dropped an estimated 54% due to the housing crisis.[30]	1 in 3 Native Americans are living in poverty compared to 1 in 6 of other Americans.

"SINCE 2012, DALLAS WOMEN'S FOUNDATION has included a focus on the economic security of women preparing for and in retirement. Many of these women thought they had a financial plan only to experience a detour due to early widowhood, divorce, or assuming care of grandchildren. Addressing financial needs later in life and planning for the future with a shorter runway is an area that needs more funder attention, research, and investment."

DENA L. JACKSON, PH.D.
SENIOR VP, GRANTS & RESEARCH | DALLAS WOMEN'S FOUNDATION

PROBLEMS, STRATEGIES FOR ACTION, AND PROMISING PRACTICES

In this section, we detail six problem drivers—each responsible for contributing to wealth gaps for women in this demographic. Each problem is coupled with concrete recommendations for grantmakers as well as relevant promising practices.

Increasing the wealth of women in this cohort demands philanthropic investment strategies that cut across two or more of these categories. If the financial market, grantmakers, public policy, or nonprofit efforts do not match the individual efforts of single women, our solutions will fall short. The wealth gap for single women—especially single women of color—will continue growing and funders will miss the opportunity to develop solutions that can be scaled-up within community-based efforts and scaled-out across sectors.

LEGACY OF RACIAL AND SEXUAL DISCRIMINATION IN CREDIT AND LENDING MARKETS

In the past 40 years, there has been progress within the regulatory environment to address discrimination against women and minorities in the financial markets, including the passage of the Equal Credit Opportunity Act (ECOA) and the Community Reinvestment Act (CRA), as well as the establishment of the Bureau of Consumer Financial Protection (BCFP). From prohibiting lending discrimination on the basis of race, color, religion, national origin, sex, marital status, or age to establishing a consumer financial protection agency, these regulatory changes have both benefited and helped to better protect women in this cohort. Gendered forms of assessing financial risk and a lack of legislation protecting women in the market increasingly mark life in the U.S.[31] Existing protective legislation guarantees women's access to credit and housing but says nothing about the types of interest rates or treatment women receive in the market. Despite these regulatory advances, women and people of color remain targets of predatory financial services.

Women of this generation were significantly impacted by now outdated practices in the financial marketplace. For example, decades ago, under the assumption that all women would become pregnant and subsequently leave the workforce, financial institutions would frequently deny women's credit applications or would require a man's signature or a doctor's note verifying infertility or use of birth control. In some states where abortion was legal, women were often required to submit a "baby letter" to gain access to credit and financial services. Baby letters served as written pledges of abortion in the case of unintended pregnancy.[32] Although these particular practices were outlawed in 1974, lending discrimination against women resurfaced during the Great Recession as single mothers, pregnant women, and those on maternity leave were suddenly being denied credit during underwriting, regardless of their financial profile.[33]

Fringe lenders have a long history of targeting low-income women. According to the Center for Financial Services Innovation (CFSI), U.S. households forfeit $173 billion on high fees and interest on alternative financial products each year.[34] While the evidence is mixed, some research suggests that women make up the majority of the customers of payday and other fringe lenders.[35]

A number of factors contribute to a greater take-up among women borrowers: the gender wage gap, a bias toward steering low-income women into less desirable loan products, and a hesitation to lend to single mothers or women.

Even today, building or owning a business can be a great opportunity for building wealth and assets for women. However, women are also facing discrimination in business lending.[36] Women own nearly one in three of all businesses in the U.S. and the number of U.S. businesses owned by women grew nearly 27% from 2007 to 2012.[37] Yet women business owners have a harder time getting loans (they get just 16% of all conventional financing), pay more in interest, and tend to receive smaller amounts than in men-owned companies.[38]

These patterns of historical and current racial and sexual discrimination, coupled with gender-based policy gaps, facilitate a severe level of economic vulnerability among women approaching retirement while simultaneously caring for children and aging parents. Considering women's historical experience and the staggering effects of such predatory tactics, it is no coincidence that many women actively avoid formal financial institutions. This creates a Catch-22 for many single women. When they engage with financial markets, often either the tools do not match their profile or needs, or the risky or inappropriate products available to them ultimately strip them of wealth.

STRATEGY FOR ACTION

SUPPORT RESPONSIBLE LENDING AND LEGAL AID ORGANIZATIONS THAT PROVIDE SERVICES TO CLIENTS FACING DISCRIMINATION. While policies designed to protect women's market access are crucial, banks and mortgage companies can also play a vital role if they become known as a safe lender that offers women fixed or favorable interest rates. Single women aged 45-65 need a range of wealth accumulation products, but they are unlikely to open new accounts if the terms are unsafe. Banks can expand their customer base by providing safe market access and equitable interest rates designed to preserve wealth and build assets.

In addition, many women have a legal right to intergenerational wealth, asset transfers, or more robust benefits, but some cannot access them without legal assistance. Legal aid organizations providing free or low-cost legal representation in the court system are critical to providing women with equal access to justice under the law, including the rights to counsel and a fair trial. When low-income women are able to utilize low- or no-cost legal services, they can better access critical wealth building and preservation benefits, and defend against discrimination in the credit and lending markets.

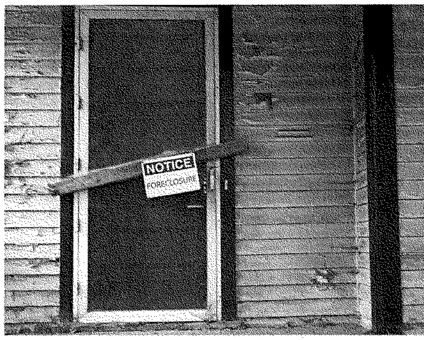
PROMISING PRACTICE

MISSOURI FAITH VOICES ANTI-PREDATORY LENDING ADVOCACY As previously mentioned, some research suggests that women make up the majority of the customers of payday and other fringe lenders. In Missouri, where more than 50% of those in poverty are women,[39] payday lending has had a major impact. In 2016, one in four Missourians took out a payday loan, with 1.62 million payday loans issued in that year.[40] The average loan of $314.93 carried an interest rate of 462.87%.[41] According to Center for Responsible Lending, there are more payday lenders in Missouri than Walmarts and McDonalds.

Missouri Faith Voices is a grassroots multiracial, statewide organization committed to empowering and transforming the lives of ordinary citizens who are targeted by unfair policies and practices. With funding from the Weiss Foundation and Health Impact Partners, the organization works to prevent the extraction of wealth from families, especially women and people of color. From supporting the Bureau of Consumer Financial Protection in the development and release of The Payday Lending Rule to encouraging municipalities to increase regulations on predatory lenders, this organization works both locally and nationwide. In 2017, the City of St. Louis passed Proposition S, which imposes a $5,000 annual fee on small-dollar loan lenders for new permits and renewals, and issues fines if signs regarding interest rates aren't posted. Missouri Faith Voices also organized the Springfield City Council to issue a proclamation that predatory lending would be a legislative priority and sponsored a bipartisan bill to cap interest rates. The bill did not pass the first time, but the organization is working on reintroducing it in the next legislative session.

PROMISING PRACTICE

CALIFORNIA RURAL LEGAL ASSISTANCE PROGRAM FOR LGBTQI WOMEN. Accessing appropriate legal documentation is necessary to transfer homes or wealth when widowed, separated, or divorced, or to maintain financial stability during custody disputes. These kinds of situations are even more difficult to navigate for LGBTQI women, whose rights shift by zip code or by a particular judge's inclination to uphold LGBTQI rights. These dynamics are especially pronounced for women struggling with housing or mortgage trouble. Single women are at greater risk of eviction, default, foreclosure, tenant-landlord disputes, unjust terms during loan origination, and problems with deed transfers.[42] These situations disrupt ongoing savings, produce a loss of home equity, expose women to financial exploitation, and are associated with higher rates of anxiety, depression, and stress.



MORE WOMEN HOMEOWNERS than men were forced into foreclosure due to subprime mortgage lending practices.

Particularly in isolated rural areas, cross-sector collaborative grantmaking can counteract these dynamics by linking smaller nonprofits to legal aid organizations with needed technical expertise. The California Rural Legal Assistance (CRLA) program for LGBTQI women is one example of this type of cross-sector collaboration. The Arcus Foundation, Small Change Foundation, The California Endowment, and the LGBTQI Program at CRLA aim to eradicate these issues through effective legal support by leveraging their funding activities as a collective. CRLA's mission is to provide legal services for California's low-income rural communities, and they assist over 43,000 members with free legal assistance and community education programs. With initiatives like the Equal Access Project, CLRA's LGBTQI Program focuses on advocating for people experiencing housing discrimination due to their sexual orientation.

GENDER INEQUITIES IN HOMEOWNERSHIP

Homeownership is one of most lauded strategies for building wealth, yet it tends to be less profitable and riskier for women in this cohort who have faced a range of wealth-stripping obstacles that have limited their capacity to build home equity. These obstacles range from past practices such as redlining (the refusal to lend in specific geographic areas typically located in inner-city neighborhoods) in communities of color and targeting by subprime mortgage lenders to current barriers including higher costs and more frequent denials then men, despite a better repayment history.[43]

Women of color have been systematically locked out of accessing credit for homeownership through the discriminatory practice of redlining. The Community Reinvestment Act was enacted in 1977 to stop depository financial institutions from engaging in redlining—a practice employed by the Federal Housing Administration (FHA), the U.S. Department of Veteran Affairs (VA), and private banks. Essentially financial providers would refuse or limit loans, mortgages, or insurance within specific geographic areas regardless of the financial profile of residents. Redlined areas were typically in predominantly Black or Hispanic inner-city neighborhoods and limited the appreciation of home values and home equity for residents in those neighborhoods. It also affected the long-term wealth-building capacity of these communities, resulting in a significant loss in intergenerational wealth transfers—eliminating valuable assets that could be passed onto the next generation. This practice was outlawed in 1968 but persisted well into the 1990s.

In the years leading up to the housing crisis, subprime brokers engaged in reverse-redlining by targeting formerly redlined neighborhoods of color. Instead of locking out households of color, they were specifically targeted, steered away from fixed-rate loans they may be eligible for and into adjustable rate mortgages, which continually reset to dramatically higher interest rates. In addition, both before and during the Great Recession (and indeed, pegged as one of its causes), brokers frequently engaged in aggressive push-marketing tactics that encouraged older women to acquire adjustable mortgages as initial or refinancing products.[44] These subprime mortgage-lending practices stripped wealth from this population: Women were significantly more likely to go into foreclosure than other homebuyers, and typically did so within five years of buying their homes.[45]

Even when controlling for financial profile, single women tend to be saddled with higher interest rates at purchase, and their first homes are also worth less than the homes of their male peers.[46] Homes owned by single men over the course of 15 years had a 17% higher market value than those of their single female counterparts during the same period. Although women generally rely on homeownership as their biggest asset, it also tends to be both less profitable and less safe for them.[47] Individual financial education—or lack thereof—does not alone explain such wide disparities in homeownership; structural financial forces have had a distinctly ravaging effect on the economic stability of older women approaching retirement.

During the housing crisis and throughout history, women in this cohort were exploited and targeted with risky products that drastically reduced their ability to invest in homes.[48] Despite these barriers, women's homeownership represents a unique philanthropic opportunity as, even post-recession, single women remain the fastest-growing group of homebuyers in the United States. Although the recession depleted the wealth of many single women, research and housing intervention data indicates that providing women with appropriate non-predatory structural supports to access safe and affordable housing products generates financial stability and upward mobility.

STRATEGY FOR ACTION

SUPPORT INITIATIVES THAT EASE THE HOUSING STRAIN ON SINGLE WOMEN. As detailed above, a lack of affordable mortgages and fair treatment by lenders has made it very difficult for women in this generation to build assets through homeownership. The good news is that since 2000, single women consistently rank among the fastest-growing group of homebuyers in the U.S., a dynamic that can lead to significant wealth building if, and only if, single women gain access to safe, fixed-rate mortgages.[49] This poses a ripe opportunity for strategic grantmakers to interrupt a historic dynamic by investing in efforts that rebuild trust between women and institutions through safe, responsible financial products and programs that support their homeownership.

PROMISING PRACTICE

CHOOSE TO OWN HOMEOWNERSHIP PROGRAM – CHICAGO. The Choose to Own Homeownership Program is offered through the U.S. Department of Housing and Urban Development and the Chicago Housing Authority, and is enhanced through philanthropic partners like the MacArthur Foundation and the United Way of Metropolitan Chicago. The program provides counseling to residents in subsidized rental units on homeownership and the home-purchasing process, referrals to reputable lenders, and access to pro bono attorneys to help with legal issues. The opportunity of homeownership for employed public housing residents provides access to a critical wealth-building asset for women and their families, as long as homeowners are not over-leveraged or saddled with subprime loans. In just 15 years, more than 550 families entered homeownership through the program, and 69% of them moved to neighborhoods classified as "opportunity areas" with lower rates of violent crime and reduced poverty levels.

PROMISING PRACTICE

SELF-HELP CREDIT UNION LOAN PROGRAM – NORTH CAROLINA. Self-Help is one of the country's largest community development financial institutions (CDFIs) with a mission of providing responsible and affordable financial services to people of color, women, rural residents, and low-wealth families and communities. Self-Help operates credit unions in North Carolina, California, Illinois, Wisconsin, and Florida. Since 1984, Self-Help has served 8,623 borrowers directly with home loans totaling over $833 million, reaching 1,739 women-headed households ($128 million). Its secondary market home mortgage program has provided nearly $5 billion in financing for over 53,000 borrowers—with nearly half going to women-headed households (22,256 loans worth $2 billion).

In an effort to promote homeownership options for women, Self-Help received $1.8 million in grants from the Oak Foundation to support home lending to single mothers and other women-headed households with dependents across North Carolina. The "Oak subsidy" allows loan officers to increase the loan amount while reducing the down payment, clearing the largest hurdle keeping single mothers from becoming homeowners. This injection of $10,000 to $20,000 at 0% interest reduces the overall interest rate on the mortgage and thus significantly lowers the monthly payment. This subsidy also provides more choices to the borrower in terms of the size, quality, and location of the home they can afford. Additionally, this support allows borrowers to build savings that they can use later to help maintain their homes and to make mortgage payments if budgets tighten. Since 2004, Self-Help has served an estimated 194 women with $1.8 million in grant subsidies and $15 million in mortgage financing. Of these women, 19% were aged 45 or older at the time of loan origination, 96% were low income, and 92% were minorities. Based on research of Self-Help's overall portfolio conducted by the University of North Carolina's Center for Community Capital, Self-Help estimates that borrowers build, on average, more than $31,000 in home equity during their first five years of homeownership.

57% OF WORKERS paid under $15/hour are women.

STRUCTURAL GENDER INEQUALITY

Many safety net programs indirectly leave single women at risk of aging into poverty. Gaps in Social Security and inequitable access to paid family/sick leave programs inadvertently hinder women's capacity to build significant wealth as they approach retirement. Furthermore, as mentioned earlier in this brief, for a subset of women in the LGBTQI, Asian American Pacific Islander, or Native American communities, there is a surprising lack of data available from the U.S. Census, leading to invisibility in safety net programs. In many cases, existing policy structures lead to lifespan-driven consequences that limit women's capacity to accrue wealth.

Social Security benefits are a function of lifetime earnings. Social Security Income payments in retirement are calculated based on a worker's average indexed lifetime earnings over the 35 years when they earned the most money. Workers must accrue 40 credits, the equivalent of earning $5,280 annually per year for 10 years, to be eligible for benefits at retirement age.[50] Gaps in employment during prime working years can leave women unable to accrue enough credits required to receive assistance, unless they are able to secure benefits through a spouse. This structure unfairly impacts women who are more likely to work in low-wage jobs and/or to work part time in the U.S. (57% of workers paid less than $15 an hour are women).[51] Therefore, women's benefits packages rarely match their male counterparts.

The average Social Security benefit for women 65 and older is about $13,500 per year, compared to about $17,600 for men 65 and older.[52] Social Security is progressive in its formula. The more you earn in your lifespan, the more you receive upon retirement. This functions to the detriment of many women in this cohort: When balancing lower-wage jobs with spending a significant amount of time out of the workforce caregiving, there is no formula for receiving Social Security credit for the years spent caregiving for children or aging parents. Married or divorced women who stayed out of the workforce to stay at home with children or care for their families are penalized if they have not accrued enough credits or substantial enough Social Security benefits in the workforce. As a spouse, or former spouse, a woman can receive only 50% of her spouse's benefit if she was married for over 10 years. Nonetheless, Social Security functions as a lifeline for women. Without it, nearly half of women over age 65 would live in poverty.[53]

The 1993 Family and Medical Leave Act mandated that most employers provide job-protected leave for employees who need to perform caregiving duties. However, paid family and sick leave are still uncommon in today's workforce, especially for low-wage workers (most of whom are women), and millions of lower-income workers cannot afford to take unpaid leave. As few as half of workers in the lowest quarter of the earnings distribution have access to paid sick and vacation days.[54] Far fewer have access to paid leave to care for an aging parent or a sick child.

Women with access to paid family leave are 40% more likely to return to work at any time after giving birth than those who do not.[55] For those working in positions that do not offer paid leave to perform caregiving duties, it is highly unlikely that they will return to the same position. The lack of accessibility to paid family and sick leave, and the structural inequities in social safety net programs, contribute to gaps in employment among women, causing older women to enter retirement with fewer funds in hand than men.[56] For women who leave a job because of lack of flexibility or lack of paid leave, workforce development programs can be an effective inflection point—with the right resources and support, women of this cohort could qualify for better paying, more flexible jobs with paid leave.

STRATEGY FOR ACTION

ADJUST GRANTMAKING ACTIVITIES TO SUPPORT POLICY AND PRACTICE INTERVENTIONS ADDRESSING STRUCTURAL GENDER INEQUALITY. The communal or individual best practice interventions highlighted in this brief are only effective if scaffolded by a fair policy landscape. As a funding community, there's an opportunity to support organizations that target policy-level changes while at the same time supporting organizations working on proven asset-building strategies including but not limited to affordable and available child care, affordable college, increased retirement assets, and workforce development.

Even if grantees and community members implement evidence-based asset-building activities perfectly, a shift in markets or consumer protections can undercut outcomes and eliminate wealth in future generations. In addition to providing services to women in this cohort now, grantmakers can focus efforts on building opportunities to gain and preserve wealth for younger women, rather than waiting until they are at imminent risk of aging into poverty.

PROMISING PRACTICE

YWCA'S FIFTYPLUS EMPLOYMENT SUPPORT PROGRAM – SAN FRANCISCO. YWCA is the first and only organization in the San Francisco Bay Area to offer employment services specifically targeting women over 50 years of age. YWCA's FiftyPlus program empowers clients to work through barriers to employment that are unique to mature women such as ageism, lack of updated technology skills, low self-esteem (usually due to long-term unemployment), disabilities, poor interview skills, and lack of job readiness. The goal of the program is to prepare mature women to secure and retain employment so they may live independently, maintain a healthy lifestyle, and contribute to the vitality of the community. The program provides a targeted mix of highly customized services and strategies to improve clients' job readiness, including career assessments, job search and interview training, résumé writing, networking techniques (both in person and via social media), and computer classes. Funders include Marin Community Foundation, Peggy & Jack Baskin Foundation and AARP Foundation. Other corporate funders not only provide grants but also engage in volunteerism such as hosting mock interview days, and speaking on employer forum panels about how to break into the banking industry.

YWCA's FiftyPlus program has been in operation since 2000. Its clients find jobs, on average, in 26 weeks or less, as compared to the national average of 57 weeks. The average wage secured by clients is more than $21 an hour, almost double the California minimum wage. The job placement rate, on average, is 50% and tends to be durable: More than 75% of the program's previously placed clients remained employed after one year.

PROMISING PRACTICE

EQUAL RIGHTS ADVOCATES – NATIONWIDE. Equal Rights Advocates (ERA) is a national nonprofit that combines movement building, policy advocacy, and strategic enforcement efforts to drive women's wealth-building reform at the city, state, multi-state, and national level. ERA leads the Stronger California Women's Economic Agenda with more than 50 partners leading policy initiatives across four pillars critical to wealth building, including (1) asset building (including through bail reform and other reforms to stop practices that strip assets), (2) affordable and quality childcare, (3) fair pay and job opportunities, and (4) family-friendly workplaces. ERA also chairs the national Equal Pay Today! Campaign working with more than 26 partners across 10 states and at the national level to close the pay gap harming women's wealth. In 2015, ERA co-sponsored the California Fair Pay Act. Since its passage,

OVERARCHING STRATEGY
Elevate Invisible Women

We know that older women in general experience greater degrees of financial insecurity than their male counterparts. However, we have limited information on certain subgroups of older women and their particular financial needs. Data allow us to develop interventions that best serve different groups. There is a great need for the philanthropic support for research and the collection of financial data on LGBTQI women, Asian American Pacific Islander women, and Native American women. With better data on these subpopulations, the financial capability field can develop, pilot, and refine their approaches.

ERA has worked with partners across the nation to introduce similar fair pay laws in 41 other states, and passage of pending legislation like the Paycheck Fairness Act. ERA and its partners are developing momentum-building strategies critical for expanding wealth, ranging from bail and predatory lending reform to paid family leave expansion to stronger protections against harassment and other employment obstacles. A founding partner of the Closing the Women's Wealth Gap Initiative, ERA's goal is to radically accelerate the pace of women's wealth building across the country. ERA has received financial support from the NoVo Foundation to pursue high-impact campaigns.

ACCESS TO EMPLOYER-BASED RETIREMENT AND SAVINGS PLANS

Despite the increased number of women in the workforce, the majority of working women are not saving in an employer-based retirement savings plan.[57] This is largely an issue of access—although women are more likely than men to work for employers that offer a retirement savings plan, they are less likely to be eligible to enroll in such programs. Employers often limit enrollment to full-time employees, placing women at a special disadvantage, considering they are twice as likely as men to work part time. Moreover, even when eligible for enrollment, women are still not building a substantial amount of savings. On average, women save a mere two-thirds of what men save in defined contribution and defined benefit plans.[58] Because women tend to have longer lifespans than men, their lack of opportunity to save for retirement leaves them with a grossly insufficient amount of financial resources to depend on during their retirement years.

According to the St. Louis Federal Reserve, those struggling with financial instability and living paycheck to paycheck have three things in common: too much debt, too few savings or liquidity, and too much wealth in homeownership.[59] Lack of access to opportunities to save leaves women, especially single women, vulnerable to high-cost lenders. Unscrupulous lenders target single women, in part, because without savings, they need to borrow to meet unexpected expenses like car repairs or medical bills.

STRATEGY FOR ACTION

SUPPORT INTERVENTIONS THAT BUILD SAVINGS AND COMPENSATE FOR THE LACK OF EMPLOYER-BASED RETIREMENT PLANS THAT SERVE WOMEN'S NEEDS. Having the opportunity to save for retirement by building liquid savings prevents women from being forced to choose between paying a necessary bill and drawing on carefully built equity. Focusing grantmaking strategies on applying the learnings from innovative savings programs for women in this cohort can build on a string of successes in the savings realm. Some of these strategies include matched college savings account initiatives in San Francisco and New York, where early results show that children with $500 earmarked for college are approximately three times more likely to attend, and four times more likely to graduate than those without savings. Another example is the Earned Income Tax Credit (EITC) program. This tax refund program that is a benefit for working low- and moderate-income people often serves as a savings technique for low-income families when they receive their benefit.[61] In addition to increased opportunities for savings plans for women, we need to support innovation around employer-based plans as well as other kinds of retirement plans—both individual and group-based. As grantmakers, if we can build on these models and apply lessons learned to single women in this generation, we can work in partnership to build solutions that better meet the needs of single women and fill the existing retirement fund gap.

PROMISING PRACTICE

OREGON SAVES. The Oregon Saves program provides portable benefits and encourages residents to save for retirement, including workers who don't currently have access to employer-based plans. This innovative program provides the opportunity for Oregonians to save for retirement through automatic payroll deduction. The program operates similar to a Roth IRA, where contributions are

> "DESPITE YEARS OF ECONOMIC GROWTH, women aged 45-65 are caring for both the next generation of Millennials, who are coming of age in an era of volatility and debt, and aging parents."
>
> AMY CASTRO BAKER
> PhD, SCHOOL OF SOCIAL POLICY AND PRACTICE | UNIVERSITY OF PENNSYLVANIA

LACK OF ACCESS to opportunities to save leaves women, especially single women, vulnerable to high-cost lenders.

deducted from a worker's paycheck after taxes but can be withdrawn in retirement tax free. By default, 5% of a saver's income is automatically moved into a capital preservation fund. Employees can elect to save more or less, and to move the funds into either a target-date fund or an index fund. Workers are charged 1% of their assets a year to cover the fund fee and administration costs. Business owners are not charged a fee to maintain the plan and they aren't allowed to contribute to workers' accounts. These accounts help people access the wealth-escalating effects of tax-preferred contributions and encourage retirement savings.

Oregon Saves is rolling out in phases and will require all private employers who don't offer a retirement plan to register before 2021. Currently, employers with more than 50 workers must register and others can do so voluntarily. As of February 2018, over 300 employers had registered with more than 7,500 employees having made a contribution to their IRA. About 20% of eligible workers have opted out, according to state data, a similar rate to many 401(k) programs.[62]

Although the federal government is not supporting these approaches, states across the country are stepping up to address the low retirement savings rate among their residents. For example, Illinois and California are in the process of implementing state auto-IRA programs; lawmakers in 10 states and in Seattle, Washington, have passed legislation to enact programs.

PROMISING PRACTICE

AARP/WISER/MANA PARTNERSHIP TO PROMOTE WOMEN'S SAVINGS – NATIONWIDE. The Women's Institute for a Secure Retirement (WISER) and MANA, a national Latina organization focused on promoting leadership, service, and advocacy for Latinas nationwide, used a grant from the AARP Foundation to start a project to improve savings rates among working-class Latinas in Baytown, Texas; Topeka, Kansas; and Albuquerque, New Mexico. The project specifically focuses on scaling-up WISER's existing knowledge about low- and moderate-income women's saving patterns through grassroots community partnerships, financial education, matched savings, and app-based programs that facilitate passive savings in real time. At a pilot event in Albuquerque, WISER and MANA partnered with a local credit union; ultimately 29 women signed up to participate in the savings project thanks to the combination of community trust in both MANA and WISER, the focus on education, and local partnerships. (The credit union had expected only five sign-ups at the session.) The project represents one way a leading funder like the AARP Foundation is partnering with women to leverage both traditional savings and app-based technology tailored to women's needs. The pilot program began in late 2017, with an expected completion date of April 2019.

LIMITED FINANCIAL CAPABILITY

In order to be resilient in the face of ongoing gender inequities detailed in this brief—wage gap, homeownership inequities, credit and lending markets, retirement savings and safety net programs—women aged 45-65 need the knowledge, products, and right tools at their disposal. Research shows that program impact increases when financial concepts are timely and relevant for the target audience and when there is the opportunity to take a concrete action, an approach now known as "financial capability." The Department of Treasury defines financial capability as "the capacity, based on knowledge, skills, and access, to manage financial resources effectively."

Targeted financial capability programs designed to be relevant and actionable for this cohort can help address these needs through a blend of education, ongoing coaching, and responsible financial products and services. Given data demonstrating that customers of predatory or fringe banking services often use them because of hidden fees or prior mistreatment with traditional banks or lenders, strong coaching paired with safe market access can potentially rebuild trust between women and financial institutions [63]

STRATEGY FOR ACTION

PROMOTE FINANCIAL CAPABILITY PROGRAMS DESIGNED FOR WOMEN AGES 45-65. The Center for Financial Services Innovation recommends financial capability approaches that include the following practices: teachable moments, learning by doing nudges and reminders, rules of thumb (mental shortcuts), and making it fun, customizable, and social.[64] Effective financial capability programs tend to combine financial education or coaching with responsible financial products and services that focus on savings or emergency savings, and credit-building—ultimately providing people with a pathway to greater financial security. While effective nonprofit approaches are being employed in this area, few nonprofit programs are designed to increase the financial capability of women in the 45-65 cohort. Grantmakers could consider scaling and targeting existing financial capability programs to layer a lifespan approach onto approaches to address the unique goals, barriers, and circumstances of different age groups, and especially those of older women.

PROMISING PRACTICE

WINGS. DALLAS, TEXAS. The WiNGS Finance & Career program integrates education and access to financial products with financial coaching to help women build financial security and assets. Results have shown year over year that coaching is the critical ingredient. It is where the real results happen, with members making great strides in debt reduction, income and savings increases, and improvements in credit scores.

The coaching-based education model opens with each participant completing an online benefit screening. Access to benefits provides short-term relief as members begin their path to financial security. Available online and accessible via smartphone, members can complete the screening process on their own. Screening is followed by a four-week, 12-hour course led by two volunteers that incorporate coaching and SMART goals (Specific, Measurable, Attainable, Relevant and Timely) within the first two weeks of the program. In the third week, additional volunteer coaches are introduced, and members spend half of the session with their coach. They continue their coaching through week four. Following the four-week course, members and coaches self-schedule their sessions, meeting at the WiNGS Center, by phone, or at a convenient location. Education cohorts have an average of 25 participants. Providing a staff coach for every participant would mean adding another 10 coaches to the team. Using trained volunteers provides a cost savings of more than $500,000 annually and grows capacity to 78% of members accessing both education and financial coaching.

The most recent cohort of almost 350 program participants experienced the following outcomes:

- Average savings increase of $2,411.
- Average reduction in debt of $3,053.
- Average improvement in credit score of 61 points.

Those seeking access to financial products continue to work closely with a paid staff financial coach. Financial products include Credit WiNGS, a credit-building option for those with little to no credit history; matched savings to purchase a home, start a business, or enroll in post-secondary education; and starter savings accounts.

Fi·nan·cial Ca·pa·bil·i·ty /fi·nan·sh*uh*l key·p*uh*·bil·i·tee/
noun
The capacity, based on knowledge, skills and access, to manage financial resources effectively.

MULTI-GENERATIONAL SUPPORT puts mothers and their young children on a savings path early in their lives.

PROMISING PRACTICE

APPALACHIAN SAVINGS PROJECT. In 2012, the Women's Institute for a Secure Retirement (WISER) created the Appalachian Savings Project to increase the economic stability of child care workers in the mid-Appalachian regions of Ohio and West Virginia. To address the lack of access to savings opportunities for low-wage workers in the area, WISER simulated a refundable Saver's Tax Credit and connected participants to resources appropriate for people saving on a small scale, like Series I United States Saving Bonds. Analysis of programmatic outcomes suggests that if incentivized to do so, low-wage earners can accrue a significant amount of savings over the course of a year. Women in the Appalachian Savings Project reportedly saved an average of $1,227, estimated to be an average 5.5% of their annual income.

GENDER BIAS IN RETIREMENT TOOLS AND EROSION OF FINANCIAL PROTECTIONS

Women, and especially single women, experience financial markets differently than their male counterparts. However, investment advice and wealth-building interventions rarely account for the many, often invisible, ways gender shapes market outcomes. Because women perform more unpaid labor at home, they make less money over their lifespans, yet need more money in retirement since they tend to live longer than men. This information is generally not accounted for by the calculators and algorithms used by defined benefit plans that tend to have default settings matching a male profile.[65]

Women typically participate in the workplace 75% of the years men work because they are more likely to be caring for children or ill family members. This means the timing of their investment strategies and their mix of asset classes should look different from those of their male peers. Even if single women follow standard savings advice—with no customized interventions—investment funds do not match or reward their efforts in the same way. For instance, if a man and a woman entered the workplace with the same financial package, on average, the woman would need to save 18% of her income to match what her male counterpart would have in retirement by saving only 10% of his income.[66]

In addition, a major driver of why current calculators and algorithms do not work well for women is because they tend to approach investment risk differently.[67] Women tend to be more cautious when investing because a primary goal is protecting their families. They tend to favor products with features that appear to protect their money, even if that means accepting larger fees.

The few consumer protections that exist for women in this area are eroding or under threat. For example, in early 2017, the federal government delayed the implementation of the fiduciary rule, which requires financial advisers to disclose conflicts of interest to their clients, among other provisions. It is estimated that Americans lose $17 billion annually by following investment advice from advisers with conflicts of interest.[68] At the time of this publication, the fiduciary rule is still being delayed in court.[69] The weakening of financial protections impacts all Americans, but for marginalized populations of single women already experiencing severe asset depletion, the trend carries greater risks.[70]

STRATEGY FOR ACTION

PROMOTE WOMEN-FOCUSED RETIREMENT/INVESTMENT PLANNING TOOLS AND SUPPORTS. By investing in promising solutions as well as programs and services built around the gender-specific financial planning needs of low-income women in this cohort, we can help remove barriers preventing them from saving and planning for retirement. Funders are uniquely situated to move the needle on this problem as they are adept at orchestrating multi-sector collaborations, have a hold on which solutions are working on the ground, have influence in the private sector, and can encourage others to pursue funding strategies. One proven example of multi-generational support is one that puts mothers and their young children on a savings path early in their lives. This solution, in particular, may require close partnership with both for-profit and nonprofit sectors.

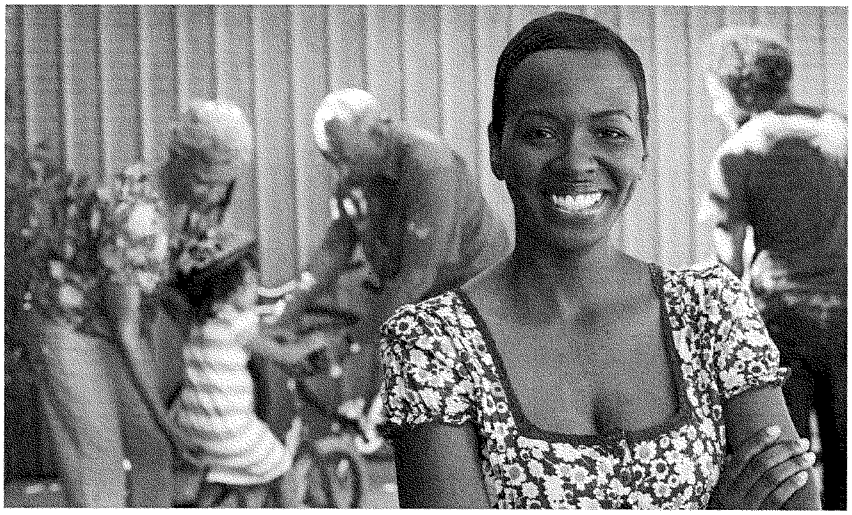
PROMISING PRACTICE

ELLEVEST. Investment advice and retirement calculators typically default to a male lifespan and earning curve. This standardized methodology results in ill-timed mixing of asset classes and incomplete retirement advice because the profile of a female wage earner is not accounted for in underlying algorithms and financial coaching models. A for-profit company, Ellevest, is paving the way to develop algorithms and investment advice customized for women. Ellevest demonstrates what is possible when technology and predictive analytics are paired with sound economic and social data about women's lives. What Ellevest lacks is what grantmakers do best: (1) connecting people with programs and initiatives they already know and trust through existing relationships, and (2) incubating ideas within the nonprofit sector that are deeply rooted in local ways of knowing and being. Ellevest is a market-based solution not specifically targeting low- or moderate-income women, but the lessons learned in developing this type of gender-focused financial planning could be extremely valuable in the future for helping low and moderate- income women obtain relevant financial and investment advice to plan for their economic futures.

PROMISING PRACTICE

TWO-GENERATION PROGRAM MODELS TARGETING THE SANDWICH GENERATION. A subset of single women in the cohort detailed in this brief are part of the sandwich generation and are caring for young and elderly family members at the same time. From aging parents with medical bills to the costs of raising children and funding their education, women in the sandwich generation have a lot pulling on their paychecks. One way to close the wealth gap for single mothers in this group is an intergenerational approach that alleviates the burden of caring for two generations at the same time. The post-recession erosion of wealth spurred renewed interest in these "2Gen" approaches to reversing inequality and building assets. 2Gen approaches integrate asset-building opportunities for parents and children simultaneously. Philanthropists like the Bill and Melinda Gates Foundation, the George Kaiser Foundation, the Annie E. Casey Foundation, and the Pascale Sykes Foundation are functioning as catalysts to build evidence of success and best practices for 2Gen approaches.[71]

In 2014, the Aspen Institute founded the Ascend Network to serve as a national network and resource bank of policymakers, philanthropists, and researchers focused on whole-family or 2Gen approaches to social problems through cross-sector collaboration. Ascend boasts 227 partners in 41 states reaching 3,571,976 people through 2Gen models. For single women in particular, effective strategies are those that serve their economic needs by also serving the needs of those under their care. The 2Gen model places the entire family network at the center of data collection, innovation, and cross-sector collaboration. Key to this approach is partnering with grantees to generate and collect outcome data for more than one generation rather than focusing on just children, or just parents. For example, rather than funding either child development savings accounts or matched savings plans for women, grantmakers can collaborate across sectors to infuse wealth building tools into two generations simultaneously.



CONCLUSION

Single women between the ages of 45 and 65 represent the first generation to have benefited from the 1960s and 1970s social movements that made progress on making discrimination illegal in higher education, housing, access to home and business credit, and other arenas. But data shows that many of these women are struggling financially. We know that the median net worth of this cohort dropped 36% in the past 20 years. The wealth gap for women impacts not only current generations, but threatens the financial security of future generations as well.[45]

The women's wealth gap has been largely overlooked in income-focused discussions of women's economic security. The gender wealth gap—exacerbated by a deeper racial wealth gap—goes far beyond wage inequality and is compounded by imbalances in our tax code, employer-based benefits structures, the Social Security system, as well as market-based products and services.

The growing economic fragility of this generation of women is not inevitable, nor is it irreversible. Certainly, women face extraordinary barriers when it comes to building financial security, yet we cannot overlook their resilience, ingenuity, resourcefulness, and the value of their multi-generational caregiving on past, present, and future generations. While economic fragility of women is threatening to families, communities, and the national economy, it represents a ripe opportunity for grantmakers. Supporting women supports our economy. Philanthropy has the opportunity to influence and develop individual, community, and structural interventions by investing in the single women who function as the financial backbone of their families and neighborhoods.

ADDENDUM

SINGLE OLDER ADULTS: NET WORTH BY RACE, ETHNICITY, GENDER, AND INCOME

The figures below display how median net worth changed from 2007 to 2016 for older, single adults aged 45-65. In Figure 1, single Latinas reported the lowest overall wealth, just over $7,000 in 2007. By comparison, White women reported net worth nearing $119,000, and Black women's median net worth was nearly $65,000. Across each racial and ethnic group, women's net worth in 2007 was substantially less than White men's reported wealth of approximately $209,000.

MEDIAN NET WORTH 2007 | SINGLED AGED 45-65 COHORT

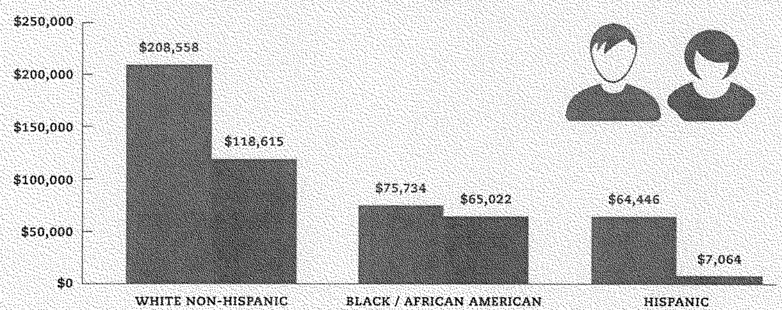


Figure 1: Median net worth of weighted SCF respondents, single, aged 45-65 by race and gender in 2007

MEDIAN NET WORTH 2016 | SINGLED AGED 45-65 COHORT

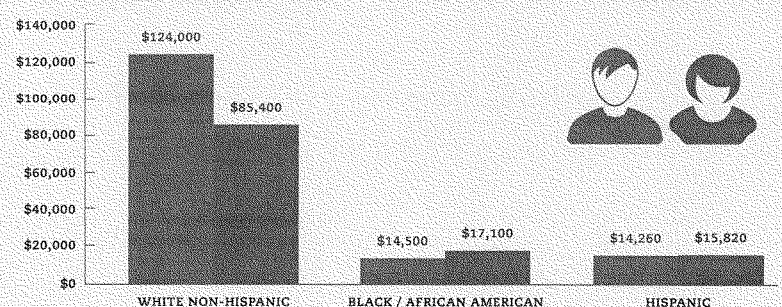


Figure 2: Median net worth of weighted SCF respondents, single, aged 45-65 by race and gender in 2016

ADDENDUM

MEDIAN NET WORTH OF WOMEN-HEADED HOUSEHOLDS

The chart below displays the median net worth of cohorts of single women aged 45-65 by income percentile in both 2007 and 2016. It is clear that lower-income single women are entering their retirement years with far fewer assets than their White male counterparts.

Examining the data by income levels, it's important to note that higher-income women also experienced substantial wealth loss during that period:

- Among the lowest-income women, there was little change in net worth comparing the 2007 cohort to the 2016 cohort.
- For those in the 20-39.9 percentile, women's median net worth was nearly 53% less in 2016.
- For the 40-59.9 percentile, women's wealth decreased by 37%.
- For the 60-79.9 percentile, women's wealth decreased by 31%.
- In the 80-89.9 percentile, women's net worth was 63% less in 2016.

NET WORTH BY INCOME PERCENTILE

NET WORTH BY INCOME PERCENTILE	GENDER	0-20%	20-39.9%	40-59.9%	60-79.9%	80-89.9%	90-100%
2007	Female	$5,790	$79,903	$152,973	$299,543	$935,097	$1,955,482
2016	Female	$4,965	$37,580	$95,950	$205,500	$341,900	$1,253,800

Asset Funders Network

CLOSING THE
WOMEN'S
WEALTH
GAP

ASSET BUILDING ACROSS THE LIFE CYCLE OF WOMEN

THE CHALLENGES SINGLE WOMEN FACE

POLICY SOLUTIONS AND
OPPORTUNITIES FOR INVESTMENT

<table>
<tr><th colspan="5">ASSET BUILDING ACROSS THE LIFE CYCLE OF WOMEN</th></tr>
<tr><th>BIRTH – TODDLER
0-3 YEARS</th><th>CHILDHOOD – ADOLESCENCE
3-17 YEARS</th><th>YOUNG ADULTS
18-34 YEARS</th><th>MIDDLE ADULTHOOD
35-65 YEARS</th><th>OLDER ADULTS
65+ YEARS</th></tr>
<tr><th colspan="5">PROBLEM DRIVERS/CHALLENGES</th></tr>
<tr><td colspan="5">Lack of household savings</td></tr>
<tr><td colspan="5">Lack of access to stable affordable housing prohibits savings</td></tr>
<tr><td colspan="5">Lack of affordable child care</td></tr>
<tr><td>Limited access to Head Start programs</td><td colspan="4">Limited understanding of credit/budgeting and vulnerability to predatory lenders due to little or no access to financial education/financial coaching</td></tr>
<tr><td></td><td>Barriers to participation in STEM programs</td><td colspan="3">Unequal pay</td></tr>
<tr><td></td><td></td><td colspan="2">Damaged credit</td><td>High health care and long-term care costs</td></tr>
<tr><td></td><td></td><td colspan="3">Employment concentrated in lower-paying sectors</td></tr>
<tr><td></td><td></td><td colspan="3">Lack of comprehensive family leave</td></tr>
<tr><td></td><td></td><td colspan="3">Lack of access to and accumulation of savings through employer benefit programs</td></tr>
<tr><td></td><td></td><td colspan="3">Predatory financial products and services</td></tr>
<tr><td></td><td></td><td colspan="3">Gender-biased financial planning systems</td></tr>
<tr><td></td><td></td><td></td><td colspan="2">Asset depletion from housing loss</td></tr>
<tr><td></td><td></td><td colspan="3">Debt–including student debt and municipal fines and fees that strip wealth</td></tr>
<tr><td></td><td></td><td></td><td colspan="2">Low SSI benefits and difficulty accessing them</td></tr>
<tr><td></td><td></td><td colspan="2">Higher mortgage costs</td><td>Lack of access to Social Security for immigrant women</td></tr>
<tr><td></td><td></td><td colspan="2">Built-in barriers to many tax benefits</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Barriers to building business equity including limited access to capital, networks, and mentors</td><td></td></tr>
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<table>
<tr><th colspan="5">SELECT POLICY SOLUTIONS**</th></tr>
<tr><th>BIRTH – TODDLER
0-3 YEARS</th><th>CHILDHOOD – ADOLESCENCE
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65+ YEARS</th></tr>
<tr><td colspan="5">Establish universal basic income</td></tr>
<tr><td colspan="4">Make 529 savings accounts more accessible and equitable by providing public matching funds for low-income savers</td><td>Expand access to Medicaid and programs that help cover Medicare costs</td></tr>
<tr><td></td><td colspan="4">Expand funding to support the provision of financial education/coaching for parents and children</td></tr>
<tr><td></td><td></td><td colspan="3">Establish Universal Paid Family Leave with 100% wage replacement</td></tr>
<tr><td></td><td></td><td colspan="3">Expand refundable tax credits such as Earned Income Tax Credit, Child Tax Credit. Turn deductions into refundable credits</td></tr>
<tr><td></td><td></td><td colspan="3">Expand access to portable benefits including state sponsored benefit programs</td></tr>
<tr><td></td><td></td><td colspan="3">Expand access to retirement savings for employees including those employed by smaller businesses and part-time workers through state and federal automatic IRA policies</td></tr>
<tr><td></td><td></td><td colspan="3">Support the establishment of state-based social insurance funds to allow families to receive support for home care for seniors, child care and paid family medical leave</td></tr>
<tr><td></td><td></td><td colspan="2">Increase minimum wage, including wages for tipped workers</td><td>Support protection of and increased SSI benefits</td></tr>
<tr><td></td><td></td><td>Stronger regulation of predatory student lenders and expanded tuition-free college choices</td><td>Institute Social Security credits for caregivers</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Support public subsidies for first time homebuyers and support financial counseling for women homebuyers</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Expand funding for U.S. Small Business Administration Women Business Centers</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Support state and local policies that eliminate or reduce wealth-stripping municipal fines and fees</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Enact bail reform</td><td></td></tr>
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Asset Building   Asset Preservation   ** This represents a select list of recommendations

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<tr><th colspan="5">BEST PRACTICES/OPPORTUNITIES FOR INVESTMENT</th></tr>
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3-17 YEARS</th><th>YOUNG ADULTS
18-34 YEARS</th><th>MIDDLE ADULTHOOD
35-65 YEARS</th><th>OLDER ADULTS
65+ YEARS</th></tr>
<tr><td colspan="5">New research for more robust wealth data along racial/ethnic and gender lines to disaggregate data for Asian Americans, Latina, Pacific Islander, Native American and Native Hawaiian on gender biases in mortgage rates/lending patterns</td></tr>
<tr><td colspan="5">Multigenerational supports for parents and children</td></tr>
<tr><td>Child savings accounts</td><td colspan="3">Matched savings accounts</td><td>Benefits counseling to ensure enrollment in eligible benefits</td></tr>
<tr><td>Home-visiting programs that incorporate financial coaching</td><td>Financial education in classrooms; financial coaching accompanied with saving opportunities for caregivers focused on developing positive financial habits and norms</td><td colspan="3">Coordination of health and housing services to allow owners to remain in their homes</td></tr>
<tr><td>Multigenerational supports for parents and children</td><td>STEM programs targeting young women</td><td colspan="3">Fraud prevention programs</td></tr>
<tr><td>Dual language programs for parents and children to help a child's economic potential later in life</td><td></td><td colspan="2">Credit building/credit repair</td><td>Financial and legal advice to preserve assets and planning for increased health care costs such as wills and trusts</td></tr>
<tr><td></td><td></td><td colspan="2">Homeownership programs with responsible financial products</td><td>Tailored retirement savings advice and tools</td></tr>
<tr><td></td><td></td><td colspan="2">Financial coaching paired with responsible financial products</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Expand access to business ownership opportunities through grants for business training, mentoring and network development</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Access to capital through loans to small business owners and investments in CDFIs</td><td></td></tr>
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Asset Building   Asset Preservation

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All syntax and output of the Survey of Consumer Finances analyses used for this report are available from the authors upon request.

Asset Funders Network

UNLOCKING ASSETS

Building Women's Wealth Through Business Ownership

Asset Funders Network

CLOSING THE WOMEN'S WEALTH GAP

This brief was developed in partnership with the Samuel DuBois Cook Center on Social Equity at Duke University, Asset Funders Network (AFN) and in collaboration with Closing the Women's Wealth Gap Initiative (CWWG). This publication is the third in a series of briefs that build on AFN's 2015 publication, *Women & Wealth*, to explore how the gender wealth gap impacts women, particularly low-income women and women of color, throughout their life cycle, and provides responsive strategies and best practices that funders can employ to create greater economic security for women.

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WOMEN-OWNED BUSINESSES ARE GROWING IN THE U.S.

- Total 11.6 million businesses
- Experienced 114% growth rate since 1997
- Employ close to 9 million people in US
- Generate more than $1.7 trillion in total annual sales revenue

The number of women-owned businesses in the United States has increased significantly in the past two decades. In fact, in January 2017, an estimated 11.6 million privately owned businesses were owned and operated by women—a growth rate of 114% since 1997 (two and a half times the average for all businesses).[1] These businesses employ close to 9 million people across the country and generate more than $1.7 trillion in total annual sales revenue–increases of approximately 27% and a remarkable 103% respectively since 1997.[2] Despite this impressive rate of growth, women-owned firms have not generated the same levels of wealth for their owners as male-owned firms.

This report explores ways business ownership can serve as a wealth-building tool for women, explains the systemic barriers impeding women's ability to build wealth through business ownership, and suggests ways grant makers, policy advocates, and practitioners can intentionally promote wealth-building by entrepreneurial women through business ownership.

Across the nation, households are increasingly reliant on women's earnings—**in 2015, nearly two out of three mothers in the U.S. were their family's sole, primary, or co-breadwinners, contributing at least 25% of household income.**[3] The increasing relevance of women to the long-term financial security of American families is both an opportunity and a challenge for grant makers concerned with household financial security.

Women need increased access to wealth-building opportunities to help them weather short-term financial crises, invest in a home or education, save for retirement, support aging parents, and pass on resources to their children. However, the current prevalence of gender disparities in wealth, often the result of systemic drivers, remains a central challenge facing women across the country.

One key source of the gender wealth gap is the difference in the profitability of businesses owned by women and men. While data shows that women-owned businesses are growing in number, the businesses are typically smaller in size and generate lower revenues and profits for their owners and employees. This relative business underperformance is due to four key obstacles facing women business owners:

1. **Limited access to capital**
2. **Occupational segregation**
3. **Inadequate access to mentors and networks**
4. **Lower levels of business education and training**

This brief describes the gender wealth gap, surveys prior research on the relationship between business ownership and wealth, highlights differences in both the number and performance of women-owned businesses compared to those owned by men, and outlines key challenges preventing more women-owned businesses from producing wealth for their owners. It highlights additional disadvantages faced by women of color related to starting and growing wealth-building enterprises. Finally, the brief explores successful practices and initiatives supported by funders interested in reducing the gender wealth gap by increasing women's wealth through business ownership and concludes with a series of actionable recommendations for grantmakers, policy advocates, and practitioners.

WHAT IS WEALTH?

WEALTH IS THE VALUE OF ASSETS MINUS DEBTS

Wealth, or net worth, is the difference between a household or individual's assets and liabilities. It is a measure of financial health and economic security as it represents our ability to deal with the financial consequences of unexpected life events like illness, unemployment, or divorce. Wealth reflects our ability to invest in our future and that of our children.

COMMON TYPES OF ASSETS INCLUDE:

- Cash
- Investments
- Real estate
- Retirement accounts such as IRA and 401(k) accounts
- Business assets

COMMON DEBTS INCLUDE:

- Mortgages
- Credit card debt
- Education debt
- Vehicle loans

WEALTH IS AN ASSET

WEALTH PROVIDES:

- ☑ A reservoir that can be drawn upon in times of need
- ☑ A better future for our children
- ☑ Support in old age

GENDER WEALTH DISPARITIES

Wealth is of greater long-term importance than income in maintaining economic health and security. The higher the level of wealth—the difference between what you own (assets) and what you owe (debt/liabilities)—the greater the level of financial security for individuals and households. Wealthier households are better able to weather a decrease in income, purchase homes, invest in businesses, accumulate retirement savings, and acquire higher education. Wealth also provides greater long-term security to families through intergenerational financial transfers and gifts.

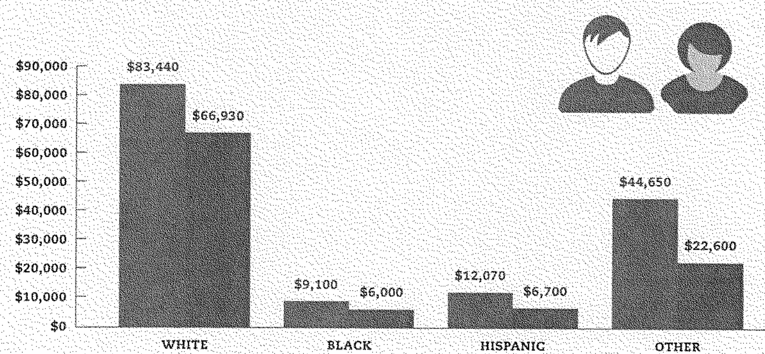
Throughout the country, women have significantly less wealth than men. Single women between the ages of 18 and 64 hold about one-third of net worth vis-á-vis single men in the same age range when the value of the household vehicle is excluded from net worth calculations.[4]

The gender wealth gap is even larger for women from marginalized racial or ethnic communities. Estimates from the 2013 Survey of Consumer Finances (SCF) reveal that the median single White woman had $15,640 in net worth while the median single White man had $28,900 in wealth. In contrast, the median Latinx woman had $100 in net worth, while the median Latinx man had a wealth level of only $950. The median single Black woman and man had a net worth of $200 and $300, respectively.[5]

Newer estimates from the 2016 SCF, displayed below in Figure 1, yield much higher measures of median net worth. Furthermore, when the value of a vehicle is accounted for in the calculation of net worth, the median single woman has 68 cents to the dollar in net worth compared to the median single male. The charts below highlight 2016 figures, since the 2016 SCF provides the most recent data available.

Alarmingly, the general pattern of the intergroup disparity remains the same, highlighting how far women of color come out behind. The median net worth is approximately $66,930 for White women, but only $6,000 for Black women and $6,700 for Latinx women. Within race and across gender, the median net worth of single Black women was about 66% of Black men's. Similarly, single Latinx women at the median hold about 55% of the net worth of single Latinx men's.[6]

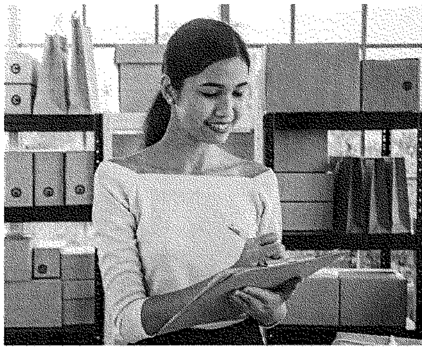
FIGURE 1 | MEDIAN WEALTH OF SINGLE MEN AND WOMEN BY RACE, 2016



Source: Authors' calculations from the Survey of Consumer Finances, 2016.[7]

For Black and Latinx women, the current wealth gap is even more dramatic compared to White men. According to the 2016 SCF, the median single Black woman had 9 cents to the dollar in net worth of the median single White male, while the median single Latinx woman had 8 cents to the dollar.[8] From each comparison, Black and Latinx women face the extreme disadvantage of an immense deficit in wealth vis-à-vis White women, men within their own race, and—even more so—White men.

The lack of precise net worth values in racial groups within the "other" category (e.g. American Indian and Alaskan Native, Native Hawaiian, and Pacific Islander) is a reflection of insufficient data across various surveys on these under-represented racial groups. Due to their relatively small sample sizes in national studies, academic and policy discourse often neglects the gender wealth gap with respect to American Indian and Pacific Islander women countrywide. In order to effectively inform policy, studies must continue to take additional steps to examine and document the relative wealth of women in these communities.



MEDIAN NET WORTH of unmarried adults who own a business is 9X higher than unmarried adults who do not own a business.

GENDER DISPARITIES IN BUSINESS OWNERSHIP AND PERFORMANCE

Gender disparities in wealth stem from a variety of complex and intertwined discriminatory and systemic factors that make it hard for women to benefit from wealth-building opportunities. These systemic factors operate to constrain and limit entrepreneurial women from starting and expanding businesses. For example, women are:

- Overwhelmingly employed in economic sectors where they are less likely to be eligible for employer-based health and retirement benefits, making it harder to develop the assets to leverage in launching a business.
- Less likely to have access to public tax subsidies that incentivize savings and investment.
- More likely to be caring for children or elderly parents, limiting their capacity to work, save, and take risks launching or expanding a business.
- More likely to be carrying high levels of student debt, restricting their ability to build a nest egg for emergencies and to invest in homes or businesses.
- Less likely to benefit from intergenerational wealth and business transfers.

As a result of these factors and others mentioned in the brief, women often have smaller and less lucrative businesses.

Business ownership can be an important component of household wealth. Business ownership not only produces income, but it also allows owners to build assets via profits distributed to themselves or shareholders, investment equity in ventures or real estate, and accumulation of working assets. For example, the median net worth of unmarried adults who own businesses is close to nine times higher than that of unmarried adults who do not own businesses ($273,000 versus $31,000).[9] Moreover, female business owners on average have a total net worth of $1.1 million, which is approximately four times higher than the average total net worth of full-time working women at $319,000.[10] Indeed, successful business ownership can be a powerful vehicle toward wealth creation.[11]

Just as business ownership contributes to wealth accumulation, accumulated wealth plays a critical role in business startup and growth. Access to personal financial assets like cash, savings, and home equity are critical to the startup and growth of new businesses—roughly 70% of current businesses acquire their startup financing from personal assets or those of their family. Yet women, especially Black and Latinx women, typically start their adult lives with limited wealth, since fewer resources have been passed to them via financial inheritances, asset transfers, or gifts because of the comparatively deprived wealth position of their parents and grandparents.[12]

Despite the rapid growth in women's business ownership in recent decades, a substantial gender gap persists in business performance when measured by survival rates, profits, employment, and annual sales revenue.[13] In 2015, firms owned by men received close to 80% of all sales revenues, whereas firms owned by women received a mere 12%.[14] Women-owned firms are also less likely to have revenues over $1 million.[15]

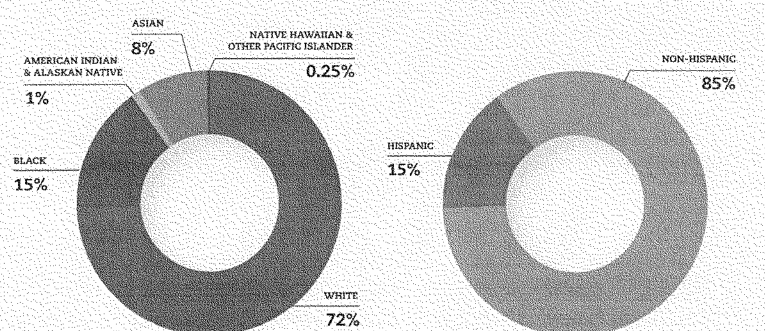
Even in industries where women-owned businesses comprise the majority (e.g. health care and social services, educational service, etc.), women-owned firms earn a much smaller share of total revenue (see Appendix,

BUSINESSES OWNED BY MEN received close to 80% of all sales revenues, whereas businesses owned by women received 12%.

Figure 3). Furthermore, women-owned firms display lower profitability. In 2015, 56% of men-owned firms were operating at a profit, while 50% of women-owned firms were doing so. Conversely, 31% of women-owned firms compared to 25% of men-owned firms were operating at a loss.[16]

Among all privately owned employer firms, those that are owned by women have fewer employees and significantly smaller annual payrolls (See Appendix, Figure 2).[17] They own only 21% of all employer firms (defined as having at least one employee other than the owner) compared to 65% owned by men.[18] Business size, measured by employees, is especially low for firms owned by Black, Latinx, and Native American women—more than 90% of these businesses are non-employer firms (see Appendix, Figure 2).

FIGURE 2 | WOMEN-OWNED BUSINESS BY RACE AND BY HISPANIC VS. NON-HISPANIC

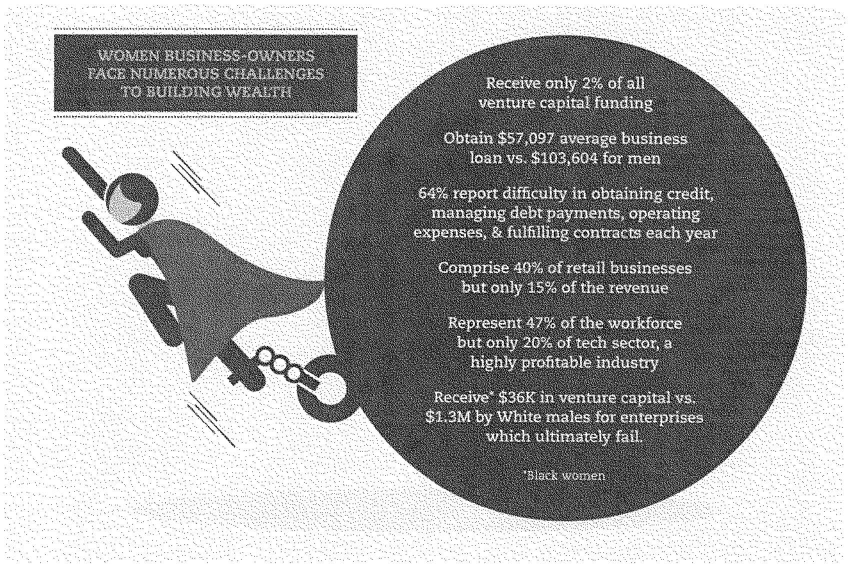


This chart does not include women-owned firms owned by those individuals of "some other race" or who are classified under more than one race.

Source: Survey of Business Owners (2012)

CHALLENGES FACING WOMEN BUSINESS OWNERS

Women face a number of challenges restricting their capacity to build wealth as business owners: limited access to capital, occupational segregation, limited access to networks and mentors, and lower levels of business education and training. Moreover, women who are business owners do not have access to an effective ecosystem to address these challenges in a holistic manner.



LIMITED ACCESS TO CAPITAL

Before the Women's Business Ownership Act of 1988, women in many states could not obtain a business loan without a signature from a male relative. Today, women face fewer legal restrictions, yet they continue to face major obstacles in obtaining financing—debt from loans and equity from investors in exchange for an ownership stake—on the same terms and under the same conditions as men.[19] In fact, 64% of women-owned firms report financial challenges related to obtaining credit, managing debt payments, operating expenses, and fulfilling contracts each year.[20]

In addition to challenges in gaining access to capital, when women are able to secure financing, they obtain lower levels of funding compared to men. Moreover, the gap is widening. Last year, the average funded business loan for women-owned firms was $57,097—down from more than $99,000 in 2016, according to Biz2Credit's annual State of Women-Owned Small Business Finance Study. In comparison, the average size of a business loan for male entrepreneurs remained stable at $103,604.

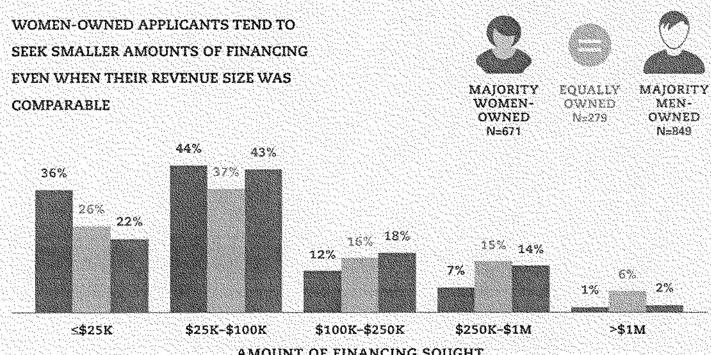
In 2017, only about 2% of the $85 billion raised through venture capital in the U.S. went to female-founded start-ups, according to data from the research firm PitchBook.[21] The challenges are even greater for women of color. For example, in 2016, Project Diane, a biennial demographic study that provides a snapshot of the state of Black women founders in the U.S., authored by Atlanta-based digitalundivided, reveals how the situation is more difficult for Black women seeking to start businesses, especially in the high-tech arena. Ninety-two percent of the Black women founders in the Project Diane database have a college degree, with 60% having graduated from top- 20 institutions. Nevertheless, between 2012 and 2014, they received only 0.2% of all venture deals. Furthermore, the average amount of venture capital for Black women who did manage to close deals was only $36,000, compared to $1.3 million to the typical *failed* start-up, largely obtained by White males.[22]

The lack of access to loans, equity investment, and equity-based capital programs for women business owners restricts financing of women-owned businesses of all sizes. From private mainstream business loans to venture capital, women still receive a very small share of those dollars.

While female entrepreneurs are not likely to be charged higher interest rates when a loan is made, they are less likely to receive a loan in the first place—or to receive as large a loan as a comparably situated man. This is due to historic gender bias and ongoing embedded biases that continue to have a discriminatory effect. It is also due to a persistent lack of access to venture capital among women, creating a last-in, first-out effect for business loans for women. In more prosperous times, women tend to be at the back of the queue for receipt of loans. In lean times, they are more likely to be denied loans than men. For example, research shows women-led firms were far less likely to obtain financing, regardless of their degree of credit-worthiness, during the contraction in 2009 and 2010.[23]

Not only do these discriminatory, mainstream lending climates directly affect access to credit for women seeking to enter entrepreneurship, but the well-founded anticipation of unfair rejection also dissuades some women from seeking credit in the first place.[24] As displayed in Figure 3, women-owned firms are less likely to seek financing above $100,000 than male-owned businesses or equally female- and male-owned businesses.[25] Again, these conditions reflect historic and embedded gender bias that continues to have discriminatory impacts, denying equitable societal outcomes and economic opportunities.

FIGURE 3 | FINANCING SOUGHT BY REVENUE SIZE OF FIRM AND GENDER



• TOTAL AMOUNT OF FINANCING SOUGHT BY REVENUE SIZE OF FIRM (% OF APPLICANTS)

Categories have been simplified for readability. Actual categories are ≤$25K, $25,001–$100K, $100,001–$250K, $250K–$1M, >$1M
Source: NY Federal Reserve

OCCUPATIONAL SEGREGATION

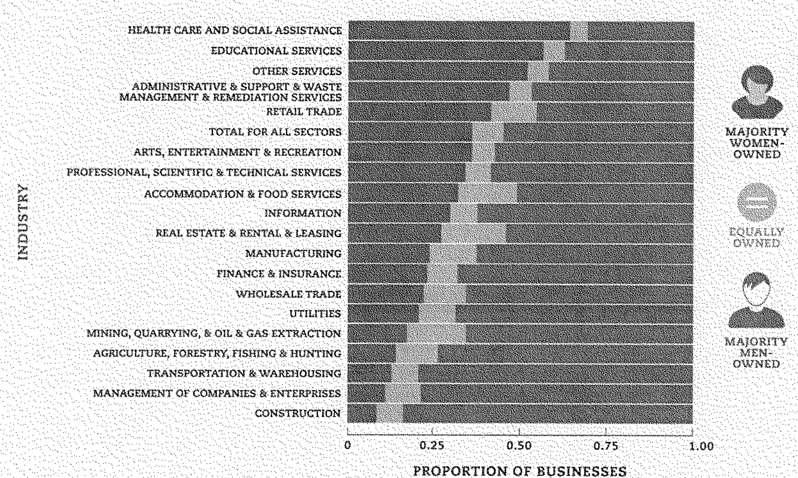
In the context of a contemporary workplace that is highly segregated by gender, women-owned firms across all sectors experience a wide revenue gap and have trouble entering some sectors that are higher in pay and prestige.[26] Despite the 20th century gender revolution in the workplace, studies suggest that a full 53% of employed women would have to shift to a different occupation in order to eradicate occupational segregation by gender.[27]

For women business owners, the story is very similar. For example, women neither work nor own businesses in high-tech, high-growth industries and occupations in proportion to their numbers in the general population. While women make up 47.2% of the workforce, they comprise only 20% of the jobs in the tech sector, 27% of the total manufacturing jobs, and a mere 9% of jobs in the construction industry as employees.[28] Consequently in these sectors, women are less likely to start a business and have less experience in these industries. Figure 4 further illustrates that less than 10% of construction firms are owned by women and only 25% of firms in the tech information industry are owned by women.

Indeed, in every single sector—except health care and social services (64.6%), educational services (56.9%), and other services (52%)—men make up roughly the same proportion or a majority of business owners.

Having less cash and less access to cash from loans and equity not only entails a tougher road to startup, but also effectively limits the type of business a woman can start, purchase, or support. Manufacturing and construction companies, which yield larger sales revenue than other sectors (and which are far more likely to be owned and operated by men), require larger amounts of investment not currently available to women. Together, these factors limit women's ownership opportunities in these sectors.

FIGURE 4 | RATE OF BUSINESS OWNERSHIP BY GENDER AND INDUSTRY (2012)



Source: Survey of Business Owners (2012)

The types of businesses women can and do start has an impact on their ability to generate revenue. For example, women-owned firms account for roughly 40% of firms in the retail industry (as shown in Figure 4), yet they earn only 15% of the revenue.[29] Women-owned businesses that represent half of the businesses in the sector only make 20.7% of the total revenue in health care and social services, 28.2% of educational services revenue, and 22.7% of other services revenue (See Appendix, Figure 3).[30]

In certain industries, women-owned businesses earn much less than their male counterparts. For example, women-owned businesses in the transportation, finance, manufacturing, and construction sectors generate less than 10% of total revenue generated within each sector (See Appendix, Figure 3). When women do attempt to enter more lucrative business ownership sectors, they must overcome difficulties associated with access to needed capital and networks.

ACCESS TO NETWORKS AND MENTORS

Networks and mentorship are crucial to successful business ownership and future expansion. Networks and mentors help entrepreneurs navigate the challenges of business ownership in the sector and provide resources for building social capital. They provide valuable guidance, the relationship-building needed for pathways to solutions, and helpful practical advice.

In a recent study, participants reported that their mentorship experiences produced positive results in their performance in the managing of their companies. Participants reported better outcomes when they were able to consult with mentors while making difficult decisions and when creating, developing, and implementing business strategies.[31]

Female business owners encounter difficulties building networks and finding mentors in their chosen sectors. Despite studies showing that women are more likely than men to sponsor other women and provide them guidance on the rise to the top, women still have trouble finding other women as mentors, and many women are reluctant to take on mentoring roles.[32]

An explanation for the difficulty in encountering experienced women mentors is the fact that women-owned businesses are disproportionally located at the lower end of the firm "age" distribution, while bias often restrains mentorship from male entrepreneurs whose firms are older.

One would expect that older firms are not only larger in size, but also are in stronger, more successful positions than firms that were established more recently. Close to half of male-owned firms have been in operation for 11 or more years, compared to just 38% of female-owned firms.[33] Due to the age distribution, women-owned firms are at a disadvantage in terms of institutional knowledge and market navigation experience. Thus, there are fewer established firms owned by women to serve as role models, and there are fewer women to provide advice and guidance for women who own businesses or who aspire to own businesses.

ACCESS TO TRADITIONAL BUSINESS EDUCATION AND TRAINING

Business education and training, as well as financial education, help entrepreneurs develop and execute successful business plans, financial projections, growth strategies, and personal financial well-being. In addition, education and experience allow owners to adjust their plans and expectations as needed, balance competing interests, and plan for long-term success. In recent decades, women have actually become the majority of students in higher education in the U.S. Yet, only 36% of people holding M.B.A.s from business schools are women.[34] The expense of business education, as well as the pressures related to gendered educational and labor market opportunities, can function as obstacles to women's pathway to business ownership.

Traditional sources of business education (i.e. colleges and universities) can deplete assets and/or increase the debt levels carried by women entrepreneurs who face tradeoffs between taking on debt to complete higher education or sacrificing college to enter the labor market.[35] Because they often start with fewer assets and are limited by low wages and household demands in their ability to save for business startup, higher education often has a negative impact on their net worth, at least in the near term.[36] Female college students are more likely to be in debt and to have higher debt than male college students.[37] Moreover, these high levels of debt serve as a sorting mechanism that influences the positions women attain relative to men in the social stratification system.

If they pursue education, the debt and depletion of assets will delay startup or expansion of business ownership. But, if they do not learn through business education, the lack of a disciplined framework often leads the entrepreneur to be either too risk averse and miss big opportunities or, conversely, too reckless in undertaking business risks.

STRATEGIES FOR ACTION AND PROMISING PRACTICES

Philanthropists have the opportunity to address the barriers faced by women business owners by supporting and influencing the development of an ecosystem that provides women entrepreneurs with the resources, networks, mentors, and capital needed to start, grow, and sustain businesses that build equity.

RESOURCES REQUIRED FOR WOMEN ENTREPRENEURS

The following section elevates strategies and successful practices of strategically influential and innovative programs and investments, addressing the key challenges that impact women's ability to start and grow wealth-building businesses. These challenges have been identified as:

- Constrained access to business financing, including loans and equity investments.
- Lower levels of approved business financing.
- Initial lower levels of overall wealth, particularly for women of color.
- Less cash to start, which limits the types and scale of businesses women own.
- Occupational segregation, which limits the sectors within which women are starting businesses.
- Limited access to mentors, business networks, and markets.
- Lack of access to business education and training.

STRATEGY FOR ACTION

IMPROVING ACCESS TO RESPONSIBLE FINANCING. To ensure that women have access to essential capital during the initial or growth phase of their businesses, philanthropy should invest in financial organizations and vehicles that provide critical sources of capital, including Community Development Financial Institutions (CDFIs), credit unions, integrated capital models (the coordinated use of different forms of financial capital and non-financial resources to support an enterprise) and venture capital or equity funds. Where appropriate, models should leverage public resources to support women-owned businesses as part of economic development and equity efforts.

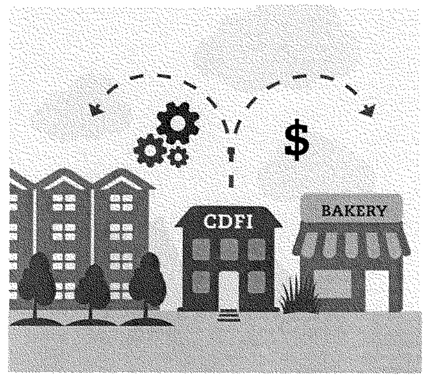
The types of capital needed by women entrepreneurs to build businesses that will generate wealth vary from small dollar loans (loans under $25,000) to venture capital funding. The examples shared below highlight the variety of financing programs or initiatives that are providing critical capital, and in some cases, complimentary support, based on the capital needs of women entrepreneurs.

PROMISING PRACTICE

SMALL DOLLAR LOANS: OPPORTUNITY FUND EMPOWERING WOMEN. www.opportunityfund.org Opportunity Fund is the largest nonprofit lender to small businesses in the United States, with over $160 million in assets under management. As a CDFI, the organization invests in business owners who do not have access to traditional financial resources and who have been shut out of the financial mainstream. In fiscal year 2018, Opportunity Fund provided over $92 million in loans to help more than 2,800 small-business owners invest in their businesses.

In 2018, Opportunity Fund launched a broad initiative to build a community and develop resources that support women's economic empowerment. Opportunity Fund and its partners work to identify, educate, mentor, and provide access to capital for women-owned small businesses, removing barriers to transparent, affordable credit for underserved women small-business owners in 13 states. Small women-owned businesses and entrepreneurs with as little as one year in business can receive funding in two to five days, once approved. Loan amounts range from $2,600 to $100,000, and first-time women borrowers enjoy a 2 percentage point interest rate reduction.

Mentorship is integral for fostering access to networks with key community partners and assisting with the application and use of the CDFI's low annual interest borrowing rates. Borrowers who apply for mentoring can select from one of Opportunity Fund's preferred community partners.



WHAT IS A CDFI?

- CDFIs are private financial institutions dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream.
- By financing community businesses—including small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing—CDFIs spark job growth and retention in hard-to-serve markets across the nation.
- CDFIs are profitable, but not profit-maximizing, and offer tailored resources and innovative programs that invest federal dollars alongside private sector capital to take a market-based approach to supporting economically disadvantaged communities.
- There are numerous ways for foundations to invest in CDFIs, including making direct loans to them, co-lending alongside CDFIs, offering grant-funded credit enhancements for CDFI loans and even guaranteeing loans made by CDFIs. Funders can also provide grant support to CDFIs that provide technical assistance and counseling to their lending clients.
- For more information on specific examples of how philanthropy has partnered with CDFIs, please see Philanthropy Northwest's guide https://philanthropynw.org/sites/default/files/resources/CDFI%20Guide_FNL_new.pdf

Opportunity Fund is building a group of advisers to assess the landscape on what the organization can do to deepen its support for women entrepreneurs by developing their own financial products and services and identifying partners in the community to provide complimentary support services. Opportunity Fund supporters include JPMorgan Chase Foundation, Bank of America, Goldman Sachs, Knight Foundation, and the Calvert Foundation.

Currently, Opportunity Fund lends to small businesses in California and, through specific partners, in the states of Florida, Georgia, Illinois, Michigan, New Jersey, New York, Nevada, North Carolina, Ohio, Oregon, Pennsylvania, Texas, and Washington.

PROMISING PRACTICE

INTEGRATED FINANCING: RSF SOCIAL FINANCE.
https://rsfsocialfinance.org/give/give-to-rsfprojects/capital
RSF Social Finance is a financial services organization that connects social entrepreneurs with capital and offers catalytic investing and giving options. Since 1984, the organization has focused on developing innovative social finance tools that serve the unmet capital needs of its clients and partners. Through collaboration with a diverse group of funders, partners, and philanthropists, RSF Social Finance takes a holistic approach to financing entrepreneurs across all sectors. It also organizes what they call "Shared Gifting Circles" with nonprofit leaders who collectively decide how to use money.

While RSF offers various resources, its particular use of integrated capital tools—the coordinated use of different forms of financial capital and non-financial resources—has been particularly successful in supporting women-led social enterprises and women-owned businesses. Table 1 highlights the types of financial and non-financial resources provided by RSF and offers examples of different ways funders can participate in supporting women's access to capital. The organization has provided $1.5 million to 25 women-led social enterprises in over 20 countries. RSF ultimately seeks to grow the collaborative to $10 million.

Seeing a need to focus on women entrepreneurs, in 2016, RSF developed its Women's Capital Collaborative (WCC), which began by providing $1 million to four companies in its first round.[38] WCC targets companies "in need of early stage growth" because early-stage women-led enterprises have such difficulty finding money even though it is a make or break phase for the business. WCC focuses on women-led social enterprises that support women and/or girls. WCC's top focus areas are economic empowerment, education, and health. Additionally, the enterprises in which RSF invests must have a collaborative decision-making process. This pioneering fund now has other collaborating funders, which have deployed $2 million in funding to women-led social enterprises supporting women and/or girls and raised over $4 million for the initiative to date. Funders of this work include the Nia Foundation.

PROMISING PRACTICE

SUPPORT ENTREPRENEURS OF COLOR: JPMORGAN CHASE.
Detroit's Entrepreneurs of Color Fund was created in 2015 by the W.K. Kellogg Foundation, JPMorgan Chase Foundation, Fifth Third Bank, and the Detroit Development Fund with $6.5 million in capital, which grew to $22 million by 2018. The fund has made loans to over 45 companies that employ over 800 people with 55% of the businesses being minority women-owned businesses and over 70% located in Detroit neighborhoods.

Building on that success, via its Community Development Banking division, JPMorgan Chase replicated the fund's model and created two new funds to help minority and women entrepreneurs in San Francisco ($3.1 million) and the South Bronx ($2 million). One purpose of the approach was to address the shortage of finance for women and minority entrepreneurs. In San Francisco, JPMorgan Chase research found that Small Business Administration loans were approved to less than 10% of the Latinx and Black business owners and to 29% of Asian and Pacific Islander business owners, while White entrepreneurs received 53%. In the Bronx, New York,

TABLE 1 | RSF INTEGRATED CAPITAL TOOLS

LOANS	LOAN GUARANTEES	INVESTMENTS	GRANTS	NON-FINANCIAL SUPPORTS
SENIOR-SECURE LOANS	RSF GUARANTEES	EQUITY	TECHNICAL ASSISTANCE GRANTS	NETWORK CONNECTIONS
UNSECURED LOANS	THIRD-PARTY GUARANTEES	REVENUE SHARE AGREEMENTS	THIRD-PARTY GRANTS	ADVISORY SUPPORTS
LOAN PARTICIPATIONS		MEZZANINE FINANCE		

80% of small-business owners are people of color who typically have difficulty getting needed loans and investment.[39] These funds were part of its $150 million Small Business Forward program to help women, minority, and veteran entrepreneurs with the goal of helping local minority-owned small businesses share in the growth of these two cities.

In Chicago, JPMorgan Chase put $3 million and Fifth Third Bank added $2.5 million into the Entrepreneurs of Color Fund, with community partners Local Initiatives Support Corporation (LISC)-Chicago and Acción Chicago providing mentoring, networks, additional capital, and coaching. The goal is to provide capital to minority- and women-owned businesses to build reserves, support expansion, and promote startups. By targeting the west and south sides of Chicago, the beneficiaries are likely to be Latinx, Asian, and Black entrepreneurs. In addition, JPMorgan invested $1 million to fund business-mentoring programs for Black and Latinx entrepreneurs at the University of Chicago (for entrepreneurs with less than $1 million in annual revenues) and Northwestern University (for entrepreneurs with more than $1 million in annual revenue). The goal across both efforts is to serve up to 1,000 entrepreneurs of color with both programs and leveraged mainstream capital.[40]

STRATEGY FOR ACTION

INCREASING REPRESENTATION IN HIGH-GROWTH INDUSTRIES. As highlighted earlier in the brief, women are underrepresented in high-tech sectors, both as employees and as entrepreneurs, thus limiting their ability to acquire the necessary technical skills to build highly profitable technology-based companies and mentor other women who seek to join the sector and build businesses within the industry. Opportunities to increase women's representation in the high-tech sector include strategies that support young women to enter the field through STEM (science, technology, engineering, and mathematics) programs and mentorship, and others that expand business resources such as accelerators and incubators. The examples below are focused on supporting women starting technology-related tech companies.

PROMISING PRACTICE

ACCELERATING HIGH-GROWTH COMPANIES: SPRINGBOARD ENTERPRISES. https://sb.co Founded in 2000 and based out of Washington D.C., Springboard Enterprises consists of a trusted network of entrepreneurs, investors, and advisers who accelerate the success of accomplished, entrepreneurial women leaders in technology-driven companies. Through targeted programming and initiatives, they source, qualify, advise, showcase, and support businesses seeking capital or partnerships for product development and expansion.[41]

Over 700 women-led companies have participated in Springboard's accelerator programs, resulting in the creation of tens of thousands of new jobs, and billions of dollars in annual revenues. More than 82% of Springboard companies are still in business as independent or merged entities, including 17 IPOs.[42]

Springboard's programs are supported by financial gifts and sponsorships including Springboard Patron Sponsors, who form the organization's inner circle. Patrons provide financial support and bring invaluable expertise to Springboard Enterprises, its programs, portfolio companies, and its community of women entrepreneurs.

Accelerator programs are especially effective for Black female entrepreneurs. For example, more than 30% of the Black women founders identified in Project Diane, the research project led by digitalundivided, participated in an accelerator program at some stage in building their enterprise. They were nearly two times more likely to receive funding to support the development of their businesses than Black women who had not been in an accelerator program. Their experience reinforces the potential benefits of philanthropy supporting the expansion of programs of this type.[43]

Funders supporting Springboard provide financial support and bring invaluable expertise to Springboard Enterprises, its programs, portfolio companies, and its community of women entrepreneurs. Funders supporting Springboard include Dell, Aetna Inc., CA Technologies, and The George Washington University.

PROMISING PRACTICE

CATALYZING TECH STARTUPS: WOMEN WHO TECH. www.womenwhotech.com Based in Washington, D.C. and started in 2008, Women Who Tech (WWT) is a nonprofit organization with a mission to fund women-led startups. WWT uses an inclusive definition of woman–welcoming transwomen, genderqueer, and non-binary people who identify, have identified, or have been identified as female or a woman. It brings together innovators, talented and renowned women breaking new ground in technology, proposing new products that solve problems or transform the world and inspire change. WWT's goal is to provide funding, advice and guidance to the startups to help them scale and be successful. It also produces several Women

Who Tech TeleSummits, which include discussions led by startup investors.[44] WWT continues to expand its effort to connect the dots between women who want to pitch their innovative startups and bring plans and investors to scale.

Women Who Tech also launched the Women Startup Challenge in partnership with Craig Newmark, founder of Craigslist, one of the first online classified advertisement websites with sections devoted to jobs, housing, items for sale, items wanted, services, community, gigs, résumés, and discussion forums. The Women Startup Challenge provides women with a platform to showcase their startups and earn the support that they need. In addition to Craig Newmark, the challenge receives sponsorship support from industry leaders including Fred and Joanne Wilson, Google, Microsoft, Medium, Blanc and Otus, LinkedIn, BBG Ventures, 500 Startups, Office of Mayor Sadiq Khan at City Hall in London, IBM, and more.

The Women's Startup Challenge has raised over $1 million in cash and prizes to support women-led startups and attracted over 1,900 attendees comprised of founders, engineers, investors, tech press, and others. Over 2,000 applicants have participated in the Women Startup Challenge, representing diverse, women-led startups across the U.S., Canada, and Europe; and 40% of Women Startup Challenge finalists have been women of color. Since competing in the Women Startup Challenge, finalists have collectively raised $25 million.

STRATEGY FOR ACTION

ACCESS TO MENTORS AND NETWORKS. Female business owners continue to encounter difficulties in building networks and finding mentors within and across industries. Critical to successful women's business ownership is access to formal networks that foster business opportunities for women both in the sector and the community.

PROMISING PRACTICE

CREATING MEANINGFUL MENTORSHIP EXPERIENCES: MICROMENTOR. www.micromentor.org Through funding support from corporate, government, and nonprofit partners, MicroMentor is a free, easy-to-use social platform that matches entrepreneurs and volunteer mentors. The service allows entrepreneurs and mentors to connect so they can further develop existing businesses, spot opportunities for growth and expansion, and work through any problems that may arise. Volunteer mentors bring an array of experiences and typically help with marketing strategy, business planning, and finance.

Since 2009, MicroMentor has provided mentoring connections to 6,500 entrepreneurs across the globe, 60% who are women. Their efforts have resulted in a significant increase in job creation, business survival, successful startups, and revenue growth.[44] Of the entrepreneurs who use MicroMentor, 47% are ethnic minorities (33% African American, 7% Latinx, 6% Asian), and 77% created or retained jobs. Mentored businesses experienced an 83% survival rate and increased revenues by the same proportion. MicroMentor, a nonprofit service of MercyCorps, is located in Oregon. Its founding funders included the Charles Stewart Mott Foundation, Citi Foundation, Friedman Family Foundation, Western Union Foundation, and Zero Divide. Current funders include Capital One, Sam's Club, The Salesforce.com Foundation, Hewlett Packard, and Google Grants, among others.

STRATEGY FOR ACTION

BUSINESS EDUCATION AND TRAINING. As explained earlier, women are systemically disadvantaged by less business training and financial education than men. Moreover, the costs associated with advanced training and education can, in some cases, prevent potential female entrepreneurs from creating or expanding businesses by reducing the assets at their disposal.

An important aspect of business education for women should include financial coaching. Financial coaches work with clients in a one-on-one relationship where the focus is on performance gains driven by the goals set forth by the client. The coach provides a structure for clients to develop their own solutions, which helps people develop skills and behaviors they can improve upon independently. Financial coaching, when embedded in existing education and training programs, would be very effective in helping women business owners achieve their goals by creating action plans tailored to where they are in their business. Financial coaching can also be instrumental in helping women become loan ready or "bankable" when they apply for financing from financial institutions.

Several strategies replicated in different communities can provide foundational tools for women motivated to sustain and grow their businesses to generate wealth, all in an affordable way.

PROMISING PRACTICE

ENGAGING FEMALE ENTREPRENEURS: BABSON COLLEGE WIN LAB®. https://www.babson.edu/academics/centers-and-institutes/center-for-womens-entrepreneurial-leadership/programs-and-events/win-lab/ Created at Babson College, the Women Innovating Now (WIN) Lab is a venture accelerator. The WIN Lab® engages women entrepreneurs in any industry who have a high-growth, big idea and are well positioned in the market.

Once selected, the WIN Lab® program provides women with five months of business education, one-on-one coaching, access to industry experts, and public "pitch" events showcasing the entrepreneur's company. These events help the women develop relationships with investors and create connections to a cohort of other women who are on the same journey. This inspiring community of women business owners and experts catalyzes innovative thinking, enabling the entrepreneurs to successfully launch, expand, or transform their businesses. With the support from the John S. and James L. Knight Foundation, the WIN Lab® program was expanded to Miami. With cohorts of 20 women entrepreneurs each in Boston (half are Babson College students and half have no affiliation) and Miami (no Babson college affiliation), each year the program is developing stronger businesses and business leaders who are addressing training and mentoring.

The WIN Lab® also created an Intensity Track for women who are M.B.A. students to gain experience as entrepreneurs. The goal is to provide the coursework and experience to develop future CEOs. Funding is provided by a range of corporate and philanthropic contributions. This allows the program to be free to participants–women who are a majority stakeholder in their existing business. In its fourth year, the WIN Lab® was designated as one of the top two specialty programs for Excellence in Entrepreneurship Education by the United States Association for Small Business and Entrepreneurship.

For the last two years, with the support of the James Beard Foundation, Babson has also hosted a five-day Women's Entrepreneurial Leadership program. The program is designed to mentor 20 female chefs and restaurateurs who seek to scale and advance their business. The program curriculum addresses advanced business and finance concerns related to entrepreneurship and expansion, leadership training, and provides mentors and career development as well as creates a national network of peers through the James Beard Foundation's broader women's leadership programs.[45]

PROMISING PRACTICE

LEVELING THE PLAYING FIELD: U.S. SMALL BUSINESS ADMINISTRATION (SBA) WOMEN'S BUSINESS CENTERS. www.sba.gov/offices/headquarters/wbo As part of the passage of the Women's Business Ownership Act in 1988, which made it illegal to require a male relative's signature on a business loan, funding was included to support the establishment of Women's Business Centers (WBC) around the U.S.[46]

WBC, now a program of the U.S. Small Business Association (SBA) under the Office of Women's Business Ownership, is a national network of more than 150 centers that offer one-on-one counseling, training, networking, workshops, technical assistance, and mentoring to women entrepreneurs on numerous business development topics including business startup, financial management, marketing, and procurement. WBCs are funded by government grants, typically requiring a 100% match from philanthropic resources. Many WBCs are chronically underfunded, especially in rural areas where securing required match dollars is more difficult. Therefore, philanthropy plays an important role in helping these WBCs to survive and thrive.

According to a recent American Express report, women entrepreneurs receive only 4% of commercial loan dollars. It is also important to note that WBCs are also designed to assist women in starting and growing small businesses in local communities across the nation, including connecting them to needed capital, where possible.

WBCs have a track record of creating positive outcomes across the U.S. Through their comprehensive approach, WBCs not only help women develop and follow through with business plans, but also help women forge valuable network connections and obtain access to financing. In 2016, WBCs helped more than 145,000 clients secure nearly $40 million in government contracts for women-owned businesses.

There is currently an effort advocating the increase of funding for Women's Business Centers from $17 million to $100 million, with the ambitious goal of raising $50 million from banks and other private sources.[47] Given their proven results and the opportunity to contribute both to local centers or the national organization, funder investment in WBCs can make a significant impact at home and nationally.

FUNDER RECOMMENDATIONS

The number of women-owned businesses in the U.S. has increased greatly in the past 20 years, particularly those owned by women of color. However, the promise of wealth has not materialized for women at the same rate or level as men.

Key barriers to women business owners' ability to build greater business equity are both historic and systemic. Additionally, they have had to navigate an underdeveloped ecosystem to provide support throughout the business life cycle.

Funders can effectively support women entrepreneurs to build and expand successful ventures by investing in proven practices to scale successful efforts, AND undertaking bold and innovative approaches that address the root challenges to women-owned businesses. They can also support efforts that fill gaps in knowledge that will enable further understanding of the diverse needs and demographics of women business owners.

As described above in this brief, philanthropy should continue supporting and replicating best practices to expand women business owners' access to:

- Responsible financing.
- High-growth sectors.
- Mentorship and networking opportunities.
- Business training, education, and programs that specifically target women.
- Entrepreneurial efforts.

INVEST IN ORGANIZATIONS/ FUNDS THAT PROVIDE EQUITABLE ACCESS TO CAPITAL

The prevailing research demonstrates that female entrepreneurs and business owners face a persistent funding gap. Funders looking to support the creation and growth of women-led businesses can maximize their impact by supporting groups and funds that intentionally aggregate sources of funding to effectively target access to women entrepreneurs with low and moderate incomes. Knowing that business owners need working capital throughout the lifetime of their enterprise, particular emphasis should be given to groups and funds that promote fair access to credit at the startup stage, and beyond. Examples of promising funding sources include:

- CDFIs.
- Collaborative funds.
- Market investor groups.
- New and innovative methods of financing.

SUPPORT WOMEN-LED VENTURES IN HIGH-GROWTH FIELDS

For women looking to start businesses in high-growth fields, a sufficient amount of prior industry knowledge *and* a significant capital investment are often necessary. Undoubtedly, organizations that allow women to develop the requisite industry knowledge in an affordable way play a key role in reducing the current level of occupational segregation. Yet, in order to realize the potential of female-owned ventures, large funders must provide the necessary capital for successful product development and implementation. Venture capital firms, which help finance promising startup companies with high-growth potential, allow women to seize opportunities and are important in driving women-led ventures in high-growth fields. While many funders may face barriers to the creation of entirely new venture capital firms, there is plenty of room—and great need—for collaborations between large funders and existing venture capital firms that specifically support women-led companies. In short, funders should take a multifaceted approach that includes:

- Supporting organizations that educate female entrepreneurs about the opportunities present in high-growth STEM (science, technology, engineering, and mathematics) fields (e.g. Access Latina).
- Aiding or investing in venture capital firms that specifically aim to help women enter high-growth fields (e.g. Texas Women's Ventures).
- Continuing to back advocacy campaigns and initiatives that encourage women to pursue education and entrepreneurship in high-growth fields.

CLOSE THE MENTORSHIP AND NETWORK GAPS

Strong networks and mentors, when paired with sufficient training, education, preparation, and financing, unlock new opportunities for female entrepreneurs to expand their businesses and garner the industry expertise necessary for long-term success. Yet, in addition to funding gaps and occupational segregation, many women entrepreneurs also experience a gap in access to mentorship and network training.

To help address these disparities, funders are encouraged to invest in programs and organizations focused on connecting female entrepreneurs with mentors and networks that will further their entrepreneurial goals. Moreover, funders can support networks to provide advice and connections that allow entrepreneurs to grow their business. Some actionable steps for funders include:

- Investing in organizations that help connect women to new business networks and seek new sources of business.
- Supporting services and organizations that provide mentorship opportunities for female entrepreneurs (e.g. MicroMentor).
- Personally mentoring female entrepreneurs and/or using one's own network to connect female entrepreneurs to promising business connections, whenever possible.

SUPPORT ALTERNATIVE METHODS OF BUSINESS EDUCATION AND TRAINING

While effective for some, traditional sources of business education (i.e. a bachelor's degree or M.B.A) often can reduce a woman's assets and, consequently, prevent women from starting new businesses. Indeed, it appears that alternative, low-cost methods of business training and education may be more useful to many women, as they bolster their entrepreneurial skills while preserving capital that can later be used to start thriving businesses. For instance, accelerator programs and laboratories allow women to start and grow their businesses while also providing an ecosystem of support.

To support women who are already pursuing college degrees in business administration, funders can invest in programs that help female students gain entrepreneurial confidence through efforts that bridge subject matter expertise and application of that knowledge to a career after graduation. Importantly, these programs allow women to gain greater expertise as they pursue their degree, making their investment in education more valuable and enabling them to hit the ground running after graduation.

While these programs exist in some communities, funding is needed to help develop these supports and replicate their success in new areas. Funders looking to improve business education and training for female entrepreneurs can:

- Invest in accelerators, laboratories, business training centers, and other low-cost sources of business education that improve female entrepreneurs' expertise while preserving their ability to fund new ideas or expand their current ventures.
- Support entrepreneurship programs within universities that allow future female business owners to extract more value from their degree.
- Invest in programs or organizations that simultaneously provide business training and education, network building opportunities, and access to funding sources for an even greater impact.

SPUR INNOVATION

CATALYZE THE CREATION OF NEW PATHWAYS FOR WOMEN ENTREPRENEURS TO GAIN CAPITAL.

Funders can support a demonstration project to evaluate the effects of "seeding" assets for women who start their entrepreneurial efforts with little personal wealth.

A potential experiment could consist of a total of 800 women, randomly assigned to treatment and control groups. A fund of $10 million would make it possible to have a treatment group of 400 women, each receiving $25,000 in funds, half of whom would have to use the money for business ownership and half of whom could use the funds as they saw fit. The companion 400 women in the control group would receive no endowment. Education supports for business ownership could be built into the demonstration project.

POLICY ADVOCACY

SUPPORT EFFORTS TO ENFORCE LEGAL STANDARDS FOR EQUAL ACCESS.

Funders should invest in legal advocates to alter the behavior of existing institutions by reliance on anti-discrimination laws and lawsuits, they can also support CDFIs as lending institutions and collaborative funds explicitly designed to provide credit on reasonable and *equitable* terms for women and/or all borrowers.[48] The legal remedy is probably underutilized for gender, racial, and national origin discrimination.

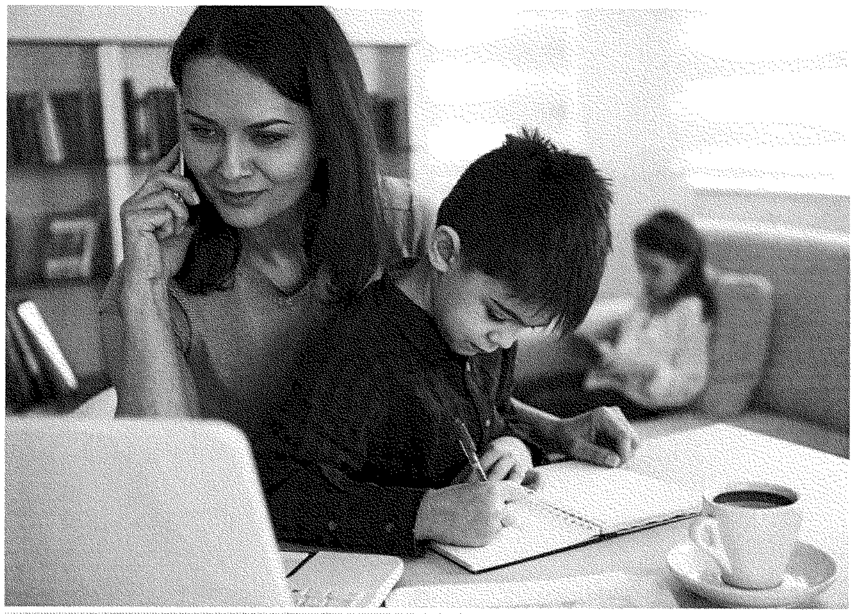
In 2017, researchers who conducted a matched pair mystery shopper experiment in two eastern metropolitan areas found strong evidence of discrimination in business credit for Black entrepreneurs. They concluded that "Policymakers should push for more strenuous enforcement of fair lending laws."[49]

Funders can also support advocacy efforts for improved application of those laws by replicating organizations like the California Reinvestment Coalition (CRC). CRC is a California-based advocacy organization that focuses on ensuring financial institutions are providing fair and equal access to financial services for low- to moderate-income communities across the country.[50]

INVEST IN RESEARCH TO FILL GAPS IN KNOWLEDGE

There is a paucity of research on women entrepreneurs, and consequently, a lack of policy-relevant initiatives that can address the very obstacles they face. This gap in insight is particularly pronounced for specific cohorts of women in the American Indian and Alaskan Native, Native Hawaiian, and Pacific Islander communities. There is also a lack of systematic research that explores the nature of entry into and exit out of business ownership for different women throughout the country. We need better insight into the intersections and dynamics that play into how different women entrepreneurs confront different entrepreneurial opportunities and challenges. To fill in these gaps of knowledge, the following areas of research require further investment:

- Disaggregated data on women entrepreneurs by ethnicity – particularly within Asian, Hawaiian and Pacific Islander communities (e.g. Asian Indians, Chinese, Japanese, Vietnamese, Samoan women, etc.).
- Data on aspects related to initial ownership and subsequent outcomes such as longevity, sales, employment, revenues, or profits of businesses by gender, sector, and race or ethnicity.
- Longitudinal datasets that allow us to characterize the experiences of women entrepreneurs from the starting point of ownership of a business to the end point.



CONCLUSION

The financial security and overall well-being of families increasingly rests on the shoulders of women. As such, long-term economic security for women and their families requires that women have access not only to higher incomes, but also to wealth-building opportunities. For business ownership to serve as an effective pathway to wealth accumulation for women, as opposed to an employment strategy, core obstacles—limited access to capital, mentors and networks, business education and training, along with occupational segregation—must be addressed.

Philanthropic investment can and should play a role in expanding opportunities for women to build wealth, thereby narrowing the wealth gap through business ownership. This is especially true for women of color who are affected most disparately by the wealth gap.

APPENDIX TABLE 1 | TABLE 1: GENDER DIFFERENCES IN U.S. BUSINESS OWNERSHIP (2012)

Consistent with findings for 2015, this table highlights the gender gap in business performance and size across men-owned, women-owned, or equally-owned businesses in 2012.

GENDER	NUMBER OF FIRMS IN 2012	% OF TOTAL 2012	RECEIPTS OF ALL FIRMS ($1,000)	NUMBER OF EMPLOYER FIRMS	RECEIPTS OF EMPLOYER FIRMS ($1,000)	EMPLOYMENT	PAYROLL ($1,000)
MEN-OWNED	14,844,597	54.6%	$9,466,039,188	3,333,572	$8,813,398,192	41,132,111	$1,643,868,568
WOMEN-OWNED	9,878, 397	36.3%	$1,419,834,295	1,035,655	$1,190,586,438	8,431,614	$263,720,252
EQUALLY-OWNED	2,456,386	9.0%	$1,078,204,389	764,977	$960,600,118	6,494,837	$188,853,393

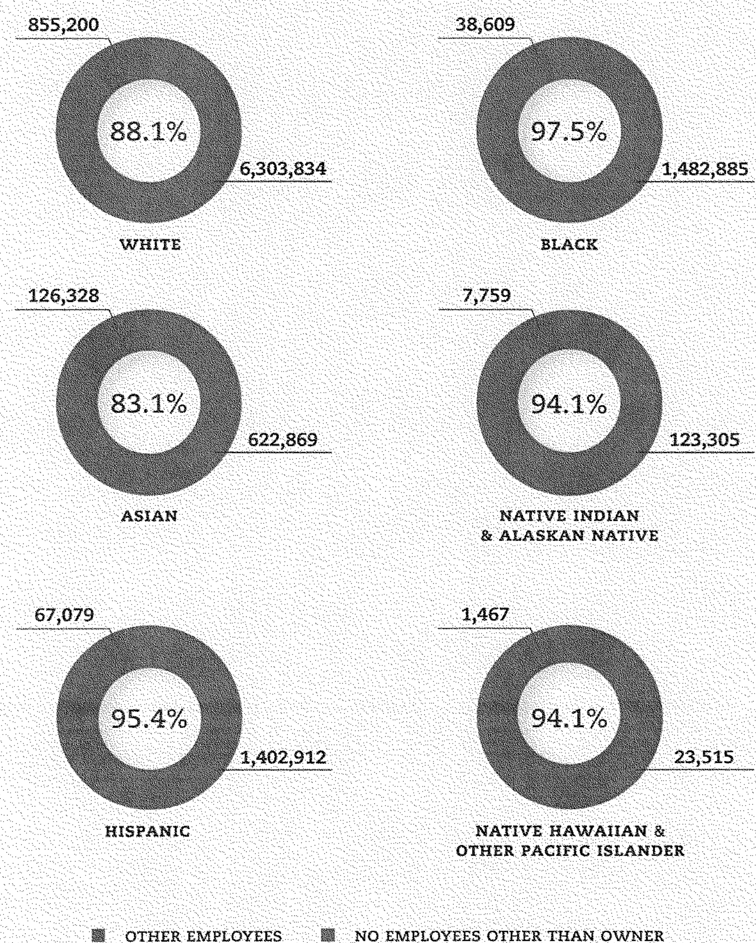
Source: Survey of Business Owners (2012)

APPENDIX TABLE 2 | WOMEN-OWNED BUSINESS BY RACE AND BY HISPANIC VS. NON-HISPANIC

WOMEN-OWNED FIRMS (2012)	NUMBER	PERCENT
ALL WOMEN-OWNED FIRMS	9,878,397	100%
WHITE	7,159,034	72%
BLACK	1,521,494	15%
NATIVE AMERICAN & ALASKAN NATIVE	131,064	1%
ASIAN	749,197	8%
NATIVE HAWAIIAN AND PACIFIC ISLANDER	24,982	0.25%
This table does not include women-owned firms owned by those individuals of "some other race" or who are classified under more than one race.		
ALL WOMEN-OWNED FIRMS	9,878,397	100%
HISPANIC	1,469,991	15%
NON-HISPANIC	8,402,865	85%
EQUALLY HISPANIC + NON-HISPANIC	5,541	0%

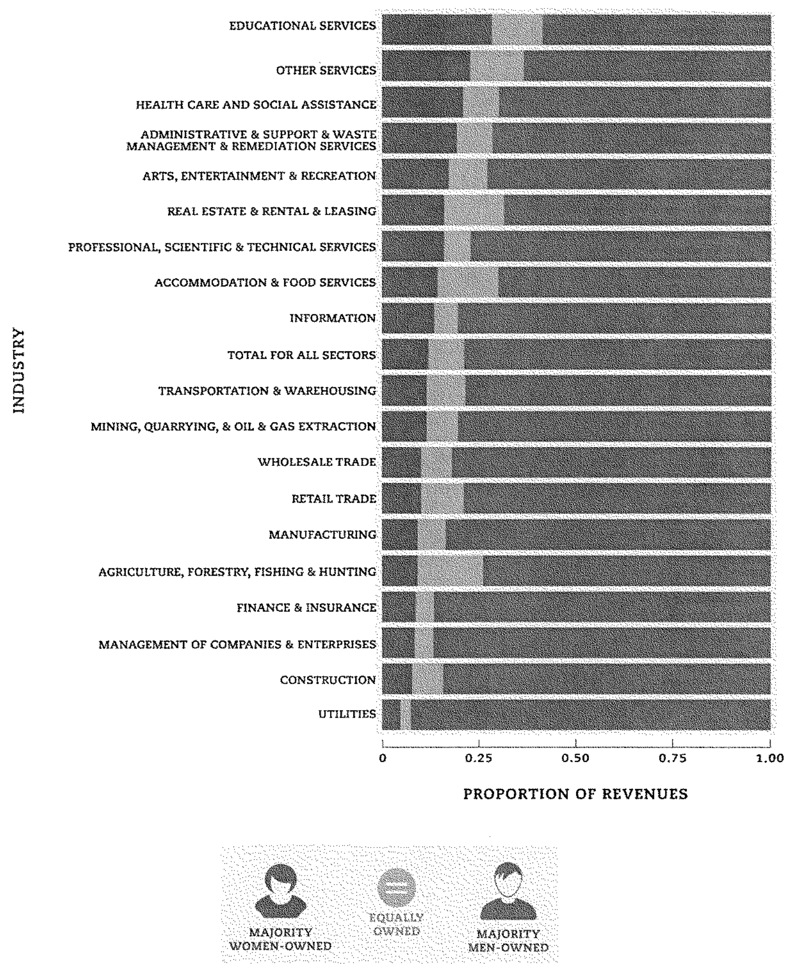
Source: Survey of Business Owners (2012)

APPENDIX FIGURE 2 | NUMBER OF EMPLOYER AND NON-EMPLOYER WOMEN-OWNED BUSINESSES BY RACE AND HISPANIC ORIGIN (2012)



Source: Survey of Business Owners (2012)

APPENDIX FIGURE 3 | BUSINESS REVENUE BY GENDER AND INDUSTRY



Source: Survey of Business Owners (2012)

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Asset Funders Network

The Asset Funders Network (AFN) is a membership organization of national, regional, and community-based foundations and grantmakers strategic about using philanthropy to promote economic opportunity and financial security for low- and moderate-income Americans.

AFN works to increase the capacity of its members to effectively promote economic security by supporting efforts that help low- to moderate-income individuals and families build and protect assets.

Through knowledge sharing, AFN empowers foundations and grantmakers to leverage their resources to make more effective and strategic funding decisions, allowing each dollar invested to have greater impact.

www.assetfunders.org

CLOSING THE WOMEN'S WEALTH GAP

The women's wealth gap is the result of a long history of policy, practices, and norms that have limited the capacity of women, especially women of color, to earn, save, invest, and preserve financial assets. Closing the gap will require a broad cross-section of stakeholders working together to understand the causes and effects of the gap and advance a range of policy, programmatic, and market-based solutions.

We invite you to join the Closing the Women's Wealth Gap, a national network of more than 300 philanthropic, nonprofit, private, and public-sector leaders who are leveraging their collective knowledge, expertise, and networks to advance promising solutions.

For more information, please visit www.womenswealthgap.org or contact Director Heather McCulloch at heather@womenswealthgap.org.

Chenoa fund

<u>Testimony Submitted for the Record</u>

House Financial Services

Subcommittee on Diversity and Inclusion Hearing:

<u>Examining the Racial and Gender Wealth Gap in America</u>

by the

Cedar Band of Paiutes' Mortgage Agency ("CBCMA")
(the "Chenoa Fund")

September 24, 2019

Chairwoman Beatty, Ranking Member Wagner, and Members of the Subcommittee, the Cedar Band of Paiutes' housing agency, the CBC Mortgage Agency ("CBCMA"), with its Chenoa Fund program is very pleased to submit testimony for the record that addresses the important issues of examining the reasons for the racial and gender wealth gap in our country.

There are a number of reasons for the racial and gender wealth divide, but for purposes of today's hearing, we would like to focus on what we believe to be one of the principle reasons for the divide between minority and non-minority groups: the inability for certain segments of our population to purchase and build wealth through home ownership.

Unfortunately, today's minority populations still have a much lower homeownership rate than non-minority populations. The homeownership rate in the African-American community, for example, is the lowest it has been since 1968. Additionally, the Federal Reserve found that the average net worth of a homeowner was $231,400 – 36 times that of the average renter, with a net worth of $5,200.[1]

Below is a chart from the Urban Institute's forum titled, "Black Homeownership Gap: Research Trends and Why the Growing Gap Matters" that effectively demonstrates the growing divide.

Homeownership is a clear, critical factor in narrowing the racial and wealth divide in our country. For low- to moderate-income first-time home buyers, saving for a down payment can take many years, particularly for millennial home buyers burdened with student debt. Properly designed and managed down payment assistance programs can safely assist first-time home buyers in becoming a home owner, enabling them to more quickly accumulate wealth by building equity in their home. These well-run down payment assistance programs are a key part of the solution to narrowing the racial wealth gap. Unfortunately, over two-thirds of homeowners find that the required down payment is the single biggest barrier to homeownership,[2] and this number may be even higher in minority communities where few families have access to intergenerational wealth.

Harry Jackson, senior pastor of the Hope Christian Church, Beltsville, Maryland, spoke eloquently on this major policy challenge:

> *Many racial challenges facing this country stem from our massive disparity in wealth. White households enjoy 12 times the net worth of African American households, a disturbing gap that grows wider by the day. While nearly three out of four whites own homes, the African American homeownership rate is 41 percent – the lowest it has been since 1968.*[3]
>
> *A primary reason for this disparity is that unlike many whites, African Americans typically lack intergenerational wealth to assist their children with the most important purchase of their lives, buying a home. As a result, government policies that hinder effective programs*

[1] Data comes from the 2016 Survey of Consumer Finances – the most recent published by the Federal Reserve. A full report is available from the Federal Reserve here. A summary of the Changes in U.S. Family Finances from 2013 to 2016 is available here.
[2] https://www.urban.org/sites/default/files/publication/99028/barriers_to_accessing_homeownership_2018_4.pdf
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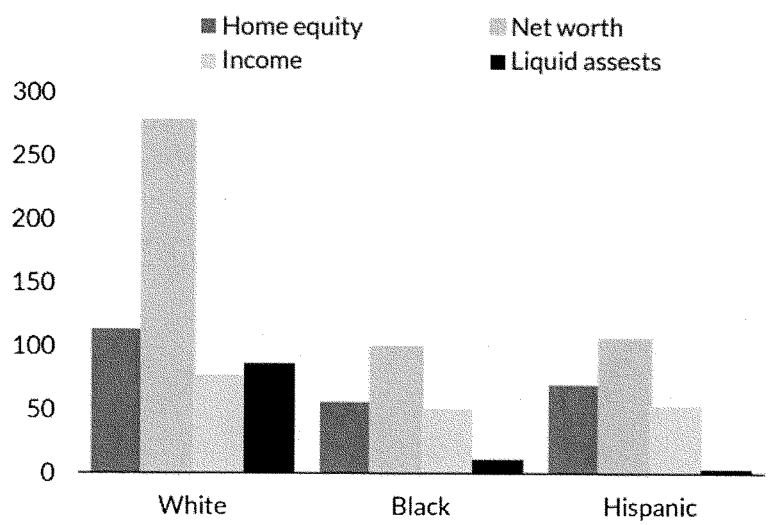
like down payment assistance perpetuate a system that is leaving many African Americans in a permanent, renting underclass.[4]

Properly designed and managed down payment assistance programs are a key part of the solution to narrowing the racial wealth gap.

Home equity, net worth, liquid assets and income ($ thousands)



Source: Survey of Consumer Finance and Urban Institute.

The above chart from the Urban Institute's forum titled, "Black Homeownership Gap: Research Trends and Why the Growing Gap Matters" demonstrates the important point made by Bishop Jackson: there is a clear connection between homeownership and generating and sustaining personal and household wealth.

CBCMA has been working steadily since its inception in 2013, to responsibly expand homeownership opportunities to minorities, low- to moderate-income, and first-time home buyers through its Chenoa Fund down payment assistance programs. Over half of CBCMA's borrowers are minority borrowers; over 60% are low- to moderate-income borrowers; and nearly all of their customers are first-time homebuyers.

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[4] https://www.uhousi.com/blog-1/hud-s-new-rule-crushes-the-american-dream-and-threatens-african-american-economic-empowerment

In stark contrast to CBCMA's mission to assist minority and first-time homebuyers, the Department of Housing and Urban Development (HUD) has attempted to limit or, in some cases eliminate the down payment assistance programs provided by Governmental Entities – i.e., national, state and local housing finance agencies. In the case of down payment assistance programs provided by national housing finance agencies that are owned by Native Indian tribes (e.g., the Chenoa Fund[5]), HUD released Mortgagee Letter (ML) 2019-06, *Downpayment Assistance and Operating in a Governmental Capacity* (Mortgagee Letter), that attempted to limit those agencies' activities to providing down payment assistance only to those tribal organization's enrolled members and/or only to tribal members living on their respective reservations.[6]

HUD's Mortgagee Letter was ultimately withdrawn after HUD lost the first phase of the legal challenge brought by the Cedar Band of Paiutes, the CBC Mortgage Corporation and CBCMA, and the Court dismissed the case. If HUD's Mortgagee Letter had gone into effect, it would not only have put federally-chartered Native American down payment assistance housing finance agencies out of business, it would have jeopardized all down payment assistance programs offered by all governmental entities.

The impact of HUD's Mortgagee Letter had significant disparate impact on Indian Americans, harmed borrowers, especially minority borrowers, and would not have improved the financial solvency of the FHA Mutual Mortgage Insurance Fund (MMIF).

Of note, at the end of the Court proceedings, HUD advised that it intended to continue to pursue its ill-founded policy agenda by regulation. HUD intends to pursue a regulatory initiative that would limit down payment assistance provided by governmental entities:

- In HUD's 2018 Annual Report to Congress on the Financial Status of the FHA MMIF, HUD stated that it is considering limiting the national scope of governmental entities providing secondary market financing.
    - HUD's attempted regulations had a disparate impact on Native American-owned housing finance agencies that are federally-chartered by the Bureau of Indian Affairs. HUD mistakenly believes that governmental entities, operating on a national scale, pose a risk to the MMIF. Just because these housing finance agencies operate *nationally*, as a result of their federal charter, does not mean they pose a risk to the MMIF.
- In May 2019, HUD published a notice stating that it was intending to issue an Advanced Notice of Proposed Rulemaking (ANPR) in January 2020 and that it intended to define when governmental entities are deriving a prohibited financial benefit.

[5] The CBC Mortgage Agency ("CBCMA" – i.e., the "Chenoa Fund), is a wholly-owned subsidiary of the Cedar Band Corporation, which a wholly-owned Section 17 corporation of the Cedar Band of Paiutes. The Cedar Band of Paiutes is located in Southern Utah. The net profits from the Chenoa Fund are used to support the Cedar Band of Paiutes' essential governmental functions as well as social programs such as senior and youth programs; stipends to its senior members over the age of 62; and economic development. (See Attachment C)

[6] Among many other flaws, HUD's policy initiative illustrated a complete lack of understanding of Native American organizations and the laws governing them, their members, how they operate and, very importantly, the capabilities of Native American tribes to operate a successful down payment assistance program. Given its strong record of performance, the Chenoa Fund, which is 100%-owned by the Cedar Band of Paiutes, is very obviously proving that HUD's underlying bias against Native American organizations is wrong.

In Section 528 of the 1978 National Housing Act, Congress clearly stated that it wanted to encourage innovation and experimentation among governmental entities providing secondary financing, and it expected HUD to impose only those restrictions on secondary financing that related to normal credit underwriting standards and that were directly correlated to reducing a substantial risk to the Federal Government.[7]

Any restrictions imposed on secondary financing should be based on data that demonstrates that such restrictions are clearly needed to avoid substantial risk to the Federal Government. As HUD Secretary Carson noted in testimony before the House Financial Services Committee in June 2019, HUD is not currently tracking the specific the specific governmental entity that is providing secondary market financing for a borrower's down payment, but simply requires the originator to indicate that the down payment assistance is provided by a governmental entity.[8] This lack of specificity makes it impossible for HUD to be able to determine the default whether the down payment assistance provided by any particular governmental entity poses a substantial risk to the MMIF.

Before creating any new rules or policies that restricts down payment assistance provided by governmental entities, HUD should collect the appropriate data for individual governmental entities providing down payment assistance on FHA-insured loans. Doing so would allow HUD to monitor not only the default performance of FHA mortgages receiving down payment assistance from each governmental entity, but it would also allow HUD to track the interest rates being charged on the FHA first mortgage.

The collection of a more granular level of data can be implemented very easily by simply changing the data that is entered into HUD's existing system. This change would bring needed pricing and performance transparency to loans in this market segment while enabling HUD and each governmental entity to better-manage their programs.

This transparent system would benefit mortgage consumers using these programs, which play a very important role in narrowing the racial and wealth divide through home ownership.

Below is a more detailed review of the flaws in HUD's ill-advised policy position and an appropriate alternative that avoids the harmful impact that HUD's policy would have on consumers who most need our assistance and the assistance provided by other governmental entities.

1. **Limiting Down Payment Assistance Will Have a Disproportionate Effect on Minority Borrowers.**

Under the FHA's guidelines, borrowers must make a down payment of 3.5% towards to the purchase of their home if they intend to get an FHA-insured mortgage. Borrowers who do not have a 3.5% down payment or who would prefer to keep their savings so that they have a financial "cushion" once they buy their home need some form of down payment assistance.

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[7] House Report 95-1161 titled "Housing and Community Development Amendments of 1978," prepared by the Committee on Banking, Finance and Urban Affairs, to accompany H.R. 12433, May 15, 1978

[8] See Attachment A – Transcript of the exchange between Rep. Ben McAdams (D-UT) and HUD Secretary Carson at the June 2019 House Financial Services Committee hearing.

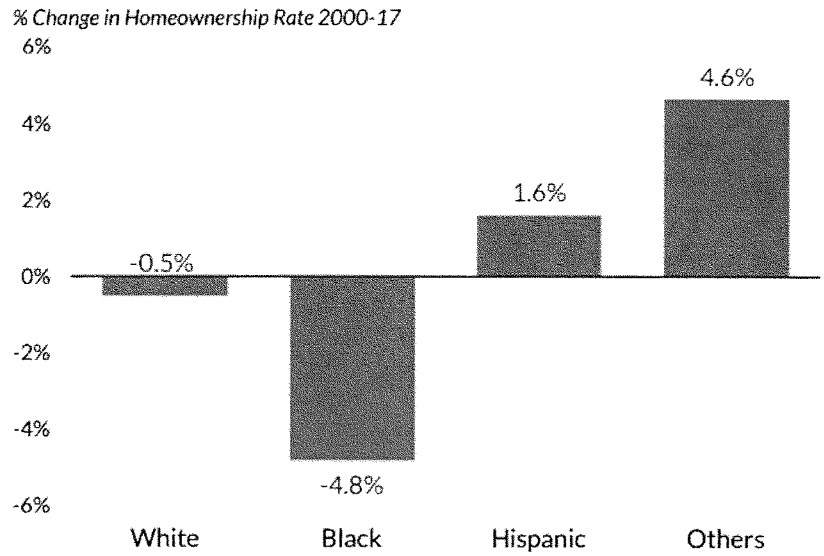
According to HUD's statistics in its published reports, down payment assistance provided by:

- "Relatives" represents approximately 65% of the down payment assistance provided on FHA Loans
- "Governmental Entities" represent approximately 33% of such down payment assistance.[9]

The vast majority of borrowers receiving down payment assistance from the "Relatives" group are fortunate enough to come from families that accrued intergenerational wealth and whose relatives have the financial ability to provide their children (or relatives) with a down payment towards the purchase of the borrower's home.

Of course, many low- to moderate-income and minority borrowers do not come from families who have had the ability to accumulate intergenerational wealth; those borrowers need the down payment assistance programs offered by governmental entities. The chart below, which was taken from the Urban Institute's forum titled, "Black Homeownership Gap: Research Trends and Why the Growing Gap Matters," paints a striking picture of the homeownership rate for roughly the past two decades. The African American demographic has been disproportionately hurt by the economic troubles of the early 2000s and has been unable to recover. While other demographics have seen improvements in the percentage change in the homeownership rate, such a substantial rate of regression truly disenfranchises entire families and prevents the accumulation of personal wealth.

[9] According to HUD's statistics, the default rates for the FHA-insured mortgage with down payment assistance provided by "Relatives" is very similar to the default rates for FHA-insured mortgage with down payment assistance provided "Governmental Entities": approximately 4.91% vs. 5.12%, respectively.



Source: Decennial Census, American Community Survey, and Urban Institute.

Despite the fact that the down payment assistance provided by "Governmental Entities" is only approximately 7% of FHA's book of business and its default performance is almost identical to the default record of the "Relatives" group, HUD is focused on limiting the down payment assistance provided by governmental entities – the source of down payment for most low- to moderate-income and minority borrowers. To make matters worse, HUD's Mortgagee Letter 19-06 would have so limit national Native American down payment assistance programs that they will effectively be shut down. Today, 25% of the down payment assistance provided by "Governmental Entities," as a group, are loans made to minorities. In the case of the Chenoa Fund, **more than 50% of their down payment assistance is made to minorities.**

2. **HUD's Mortgagee Letter Attempted to Implement Poor Housing Policy**

Currently, HUD only collects performance and pricing data for "Governmental Entities" as a group. HUD does not collect performance and pricing data for each individual governmental entity (or Housing Finance Agency). As a result, HUD is not able to discern the performance and pricing of FHA-insured mortgages with down payment assistance from any individual governmental entity. HUD has simply *assumed* that the down payment-assisted loans provided by national Native American-owned down payment assistance lenders – and more specifically, the Chenoa Fund – have higher default and interest rates than those of other governmental entities.

Instead of making unfounded assumptions, HUD needs to collect the appropriate data in order to make informed policy decisions. HUD needs to begin to collect the performance and pricing data on each individual governmental entity. A more granular level of data would not only help HUD better manage the MMIF, but it would also help each governmental entity better manage its program.

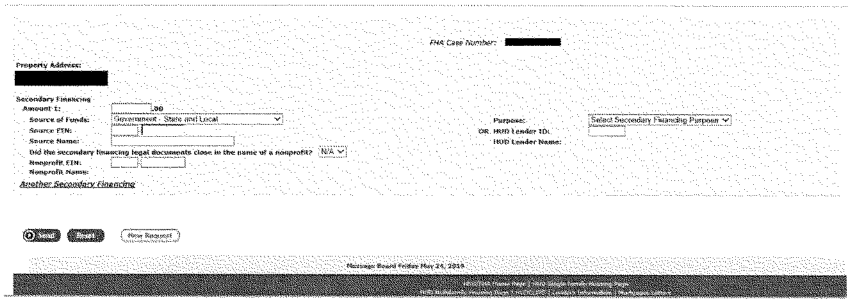
In addition, the pricing and performance data should be transparent and made available publicly, as HUD does with the Neighborhood Watch Program[10] for first mortgage lenders. By setting up a Neighborhood Watch Program for governmental entities, defaults can be managed and reduced, and pricing can be kept in check.

HUD currently collects this granular level of data for each mortgage lender originating FHA-insured first-lien mortgages. According to HUD, "Neighborhood Watch is intended to aid HUD/FHA staff in monitoring lenders and our programs, and to aid lenders and the public in self-policing the industry. The system is designed to highlight exceptions, so that potential problems are readily identifiable. In addition, the system can be used to identify loan programs, geographic areas and lenders that are performing well."

HUD also collects data for each not-for-profit entity providing down payment assistance on FHA-insured mortgages by requiring the EIN (i.e., tax ID number) be filled in on the mortgage form, as is done for FHA-insured first lien loans. HUD began collecting this data for each not-for-profit organization in 2000 after it published a Mortgagee Letter. (See Attachment B.)

HUD can easily start collecting the same data for each governmental entity by having the EIN number recorded on the mortgage form. No systems changes would be needed as the field already exists on the current mortgage form. On the following page is a screenshot of the form that shows the existing data fields.

[10] Originating lenders work with borrowers to provide them with FHA mortgage loans. Their loan officers meet with the borrowers, complete an application, and walk the borrowers through the lending process. HUD tracks each mortgage loan that these lenders originate and has created a useful system called the Neighborhood Watch. The system is fully transparent and anyone can go onto this system and find the default rate of all of the mortgages that a lender has originated in the last two years. HUD compares a lender's default rates with those of its peers and with the national average. If an originating lender's loans have a compare ratio of 150%, it means that its loans are defaulting at 1.5 times the average, and HUD will place this lender on its 'watch' list. If an originating lender's loans have a compare ratio of 200%, or twice the average rate of default, HUD may suspend that lender's ability to originate FHA mortgages. In many ways, this is a superb monitoring system. Unfortunately, because of the way most governmental entities operate, their ability to determine their own performance is mixed. Governmental entities generally do not originate the FHA mortgage loans for which they provide down payment assistance, so their performance data will not show up in the Neighborhood Watch system. This can make it difficult for a governmental entity to determine the performance of the FHA loans for which it provide down payment assistance once those loans are sold or placed in securities." *(See HUD website* https://entp.hud.gov/sfnw/public/


FHA Case Number: [redacted]

Property Address:
[redacted]

Secondary Financing
Amount 1: .00
Source of Funds: Government - State and Local
Source EIN:
Source Name:
Did the secondary financing legal documents close in the name of a nonprofit? N/A
Nonprofit EIN:
Nonprofit Name:
Another Secondary Financing
Purpose: Select Secondary Financing Purpose
OR, HUD Lender ID:
HUD Lender Name:
Send Reset New Request
Message Board Friday May 24, 2019

Conclusion

In conclusion, we would like to note that we are very proud of the Chenoa Fund that we have built from the "ground up." Every day, we strive to help many minority, low- to moderate-income and first-time home buyers, across 49 states, become responsible home owners. As noted earlier in this statement, over 50 percent of our borrowers are minorities (20% African American; 30%/Hispanic; 4% Native American and Asian); 60+ percent are low- to moderate-income; and nearly all are first-time home buyers.

We continue to innovate in an effort to ensure that our products meet the needs of our mortgage customers, our prices remain very competitive, our consumers receive the help and guidance they might need before and after their home purchase. We use Hope LoanPort, a HUD-approved counseling agency to provide pre-purchase counseling services to our lower-FICO score borrowers, which is mandatory, and post-purchase counseling for all of our borrowers for one year post closing. We have found that the extra care and attention we give to our borrowers helps them be successful home owners.

Also, all of our borrowers receive the full protections provided by all federal, state, and local consumer protection regulations. Just because we are a sovereign nation does not mean that we do not want our borrowers to be fully protected by those laws and regulations.

We believe that we are running a successful housing finance agency that responsibly provides down payment assistance to borrowers, and that has brought innovative products and solutions safely to this segment of the mortgage market – just as Congress envisioned in 1978.

Attached are samples of the borrower feedback we have received confirming that the mortgage consumers we helped are very satisfied with our products and services. We would also like to recommend that your visit our website to review additional borrower feedback that validates how important our program has been in helping first-time home buyers become successful homeowners.[11]

Rather than trying to limit down payment assistance HUD should work with industry so that the appropriate level of data are collected. Then, HUD needs to be put in place a transparent system that will enable HUD to manage the MMIF and help all governmental entities better-manage their individual programs.

A competitive system that brings performance and price transparency to this market segment will benefit all borrowers, but particularly minority and first-time home buyers.

Thank you for considering our views and recommendations.

Attachment A

Transcript of the McAdams – Carson Testimony

WATERS: The gentleman from Utah, Mr. McAdams, is recognized for five minutes.

MCADAMS: Thank you, Madam Chair.

Secretary Carson, thank you for being here today. Mr. Secretary, would you generally agree that policymakers make better policy decisions when they consider all data and facts before making a decision?

CARSON: Yes.

MCADAMS: And would you also agree that it's important for policymakers to be transparent and hear from interested persons that may be affected by a particular policy?

CARSON: Yes.

MCADAMS: In fact, I'm happy to hear that. It's even in HUD's policy statement, 24 CFR Section 10.1. So it's great to hear these answers from you and I agree.

Mr. Secretary, in my home state of Utah, housing prices continue to climb dramatically, as in many places around the country. In the area -- our area is facing a shortage of thousands of homes.

Just for reference, the median sales price of a new home in Salt Lake County in 2018 was up 61 percent from the median price in 2010. Three other (inaudible) counties have had similar rates of increase.

And since 2010, new households in Utah have numbered -- have outnumbered new housing units, so that's new households created have outnumbered new housing units by over 40,000, which explains a lot, the cost increases of housing.

Because of this, HUD's mission of supporting affordable housing access and affordable housing development is vitally important to me and to my constituents, so I want to specifically ask you about a recent HUD action that may make it harder for low- and moderate-income individuals to be able to purchase a home.

Mr. Secretary, last month, FHA issued a mortgage letter -- a mortgage letter claiming to clarify documentation requirements for loans originated that have down payment assistance from governmental entities. That mortgage -- mortgagee letter, however, issued new requirements for a number of entities, many of whom had been originating mortgages for years and suddenly were no longer able to do so.

The results of this is that low- and moderate-income individuals in my district and in many districts around the country may no longer be able to purchase a home with -- with no -- with no longer having access to some of these programs. And I understand that this policy is currently under litigation, so I respect that you probably can't discuss the details of this litigation, but I wanted to talk to you some about the process, which I think you can discuss. Mr. Secretary, what formal process and public comment period did HUD or FHA undertake before FHA issued this mortgagee letter?

CARSON: I'm not aware of a public process (inaudible)

MCADAMS: That is absolutely correct. There was no public process.

Mr. Secretary, HUD previously announced that it would address governmental down payment assistance programs through rulemaking in both the 2018 spring and fall regulatory agendas. What changed at HUD to warrant a decision not to advance rulemaking, and instead, to just issue this guidance through a mortgagee letter?

CARSON: I -- I think it was the feeling of -- of those involved that it was creating damage to people, and that they wanted them to understand what the parameters of being able to -- to offer this kind of assistance were, and that it should be done within one's own jurisdiction; that it tended to metastasize outside of one's jurisdiction, is when the problems began to occur.

MCADAMS: But again, I would go back to the -- HUD's policy statement that policymakers make better decisions when they consider all data and facts before making a decision, and that it would be important to include policymakers and -- and other interested persons before adopting a particular policy. And that's why I think I was disappointed, especially with the negative impacts, understanding that there may be rational reasons for looking at this, but the negative impacts of proceeding with the mortgagee letter before doing a formal rulemaking, as had been previously promised.

CARSON: Your point is well taken.

MCADAMS: Thank you, Mr. Secretary.

It's also my understanding that the mortgagee letter may negatively affect tribal governmental entities more than it would affect other housing finance agencies. Do you have any evidence that these DPA loans are performing worse than other DPA loans?

CARSON: I am -- I'm not familiar with the data that was used.

MCADAMS: I think that's because there is no data. HUD does not collect taxpayer IDs -- IDs that differentiate between a tribal FHA -- HFA and a nontribal HFA.

So Mr. Secretary, I appreciate the role that you must play in protecting taxpayers and - and the MMIF, but if you do not currently collect the appropriate data to judge the success of a DPA program, then perhaps we should collect that data before moving forward with this policy.

I yield back.

CARSON: I agree with you, actually.

MCADAMS: Thank you. Thank you. I hope that if you do agree, I hope that maybe we can -- can revisit this and look at engaging the public in a process before continuing. Thank you.

Attachment B

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

March 3, 2000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MORTAGEE LETTER 00- 8

TO: ALL APPROVED MORTGAGEES ALL APPROVED NONPROFIT AGENCIES

SUBJECT: Nonprofit Agency Participation in Single Family FHA Activities

This Mortgagee Letter provides instructions to nonprofit agencies on obtaining approval from FHA to 1) act as a mortgagor using FHA mortgage insurance; 2) purchase the Department's Real Estate Owned Properties (HUD Homes) at a discount; and 3) provide secondary financing. In addition, it outlines the reporting and recertification requirements for the nonprofit agency to remain a participant in these activities and announces a limitation on the number of 203(k) FHA insured loans available to nonprofit agencies. This Mortgagee Letter also announces additional programmatic changes. Both current and prospective nonprofit agencies will be assessed pursuant to the standards and procedures set forth in this Mortgagee Letter. Mortgagees must assure that nonprofit agencies adhere to requirements contained under the heading "Responsibilities of the Mortgagee." The procedures described in this Mortgagee Letter and all attachments are effective 30 days from the date of this letter.

INFORMATION FOR NONPROFIT AGENCIES REGARDING PARTICIPATION IN FHA ACTIVITIES

All nonprofit agencies must follow the uniform standards for participation and recertification in FHA activities. All approved nonprofit agencies must carefully read the section entitled "Recertification," because if the nonprofit agency fails to submit an acceptable recertification package within 45 days from the date of this Mortgagee Letter, they will be removed from the list of approved nonprofit agencies. Further, the approval and recertification requirements ensure that participating nonprofit agencies work to fulfill FHA's goal of creating homeownership opportunities for low and moderate income persons.

- **Application Process:** Nonprofit agencies wanting to participate with FHA as a mortgagor (#l above) and/or purchase HUD Homes at a discount (#2 above) must apply to FHA by completing attachments l and 2 (Application Package for Nonprofit Agency Approval for FHA Activities and Affordable Housing Program-Format for Narrative, respectively) and submitting them to the appropriate Homeownership Center (HOC). The affordable housing program details the nonprofit agency's plan to develop successful homeownership opportunities for low and moderate income persons. In addition, nonprofit agencies are to refer to Mortgagee Letter 96-52 for details regarding successful elements of an affordable housing program. For those nonprofit agencies applying only for approval to provide secondary financing (#3 above), only attachment l (Application Package for Nonprofit Agency Approval for FHA Activities) is required to be submitted. Attachment 2 (Affordable Housing Program-Format for Narrative) is not required.

Information Collection Requirements

The information collection requirements referred to in this Mortgagee Letter have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35). The OMB number issued for this requirement is OMB 2502-0540.

Incomplete Application and Recertification Packages

Nonprofit agencies that submit incomplete application or recertification packages will receive a letter indicating the information required to cure the deficiency. This letter will give nonprofit agencies 15 days to correct any deficiencies. If the nonprofit agency does not satisfy the outstanding requirement in its entirety and within the prescribed deadline, it must wait an additional 90 days prior to re-applying. In the case of failure to comply with the deficiency letter related to recertification, the nonprofit agency's approval will be withdrawn.

Application Approval or Denial

The jurisdictional HOC approves or denies the nonprofit agency's participation in FHA activities. The approval is valid for a two year period. An approval granted by one HOC will be recognized and accepted by all other HOCS, with the exception of the affordable housing program. A nonprofit agency's affordable housing program (see Attachment 2) must be separately approved by every HOC with jurisdiction over the geographic areas in which the nonprofit agency wishes to do business. The approval of the affordable housing program assures that it serves local needs. If a nonprofit agency is found to not be in compliance with any aspect of their approval, it may be rescinded by any HOC prior to the expiration of the two year period.

Approval Letters

Nonprofit agencies that are approved for participation in the above described activities will be issued an approval letter. This letter will describe which activities the nonprofit was approved for and any conditions associated with that approval. Mortgagees should not process any loan application on behalf of the nonprofit agency without this approval letter. In addition, the mortgagee should verify that the nonprofit is approved as a participating nonprofit agency. Mortgagees can verify this by visiting the applicable HOC website. The addresses of these websites are listed below:

Philadelphia HOC: **http://www.hud.gov/offices/hsg/sfh/talk/addr_phi.cfm**
Atlanta HOC: **http://www.hud.gov/offices/hsg/sfh/talk/addr_atl.cfm**
Denver HOC: **http://www.hud.gov/offices/hsg/sfh/talk/addr_den.cfm**
Santa Ana HOC: **http://www.hud.gov/offices/hsg/sfh/talk/addr_sna.cfm**

Questions concerning a nonprofit agency's approval should be directed to the appropriate HOC.

- **Recertification:** Nonprofit agencies must be recertified by FHA every two years, as the approval granted is only valid for a two year period. However, in an attempt to verify that all nonprofit agencies are meeting and furthering the goals of the Department, within 45 days from the date of this Mortgagee Letter, **all approved nonprofit agencies** are to submit a complete recertification package (refer to Attachment 1, page 4, for more information) to the applicable HOC. A complete list of the HOC mailing addresses can be found in attachment 1 as part of the application package. Nonprofit agencies that fail to submit an acceptable recertification package within 45 days from the date of this Mortgagee Letter will have their approval withdrawn. Attachment 4 provides additional information on about FHA's recertification procedures.

- **Monitoring and Reporting Process:** Periodically, FHA will perform field reviews of nonprofit agencies that participate in FHA activities. The purpose to this review is to ensure compliance with FHA requirements and to ascertain the management and financial capacity of the nonprofit agency. These reviews may include, without limitation, a review of projects under development, the agency's internal control procedures, adherence to the goals of the approved affordable housing program, and verification that HUD Homes purchased at the 30 percent discount level are sold to persons at or below the applicable median income.

  Nonprofit agencies that purchase HUD Homes at the 30 percent discount level must submit an annual report to the applicable HOC Director providing information about their program accomplishments over the previous calendar year by February 1 of the following year. The HOC will review these accomplishments and supporting documentation to determine, among other things, that substantial benefits are passed on to the homeowner as a result of the nonprofit agency receiving a 30 percent discount on the property. Failure to pass on adequate savings to the ultimate homeowner may result in removal from the approved list of nonprofit agencies. For additional information about this requirement, nonprofit agencies should review Mortgagee Letter 97-5. Although nonprofit agencies that purchase properties at the 10 percent discount level are not required to submit a report, the Department reserves the right to monitor the nonprofit agency's activities relating to these transactions.

If the nonprofit agency has not already submitted this report, it should be submitted with the recertification package as described above. Failure to submit this report to the HOC may result in FHA's rescinding the nonprofit agency's approval. Nonprofit agencies approved to purchase HUD Homes at less than a 30 percent discount level, or only to act as a mortgagor, or to provide secondary financing to homebuyers are not required to submit an annual report. Further information about monitoring and reporting is found in Attachment 3.

- **Removal:** FHA may remove a nonprofit agency from the list of approved nonprofit agencies for reasons including, but not limited to, excessive defaults, foreclosure or claim status associated with the nonprofit agency acting as a mortgagor on FHA insured loans, failure to comply with the goals established by the nonprofit agency as outlined in its approved affordable housing program, violations of the conditions of FHA's approval, noncompliance with reporting requirements or for any action detrimental to the Department. Attachment 4 provides additional information about FHA's removal procedures.

RESPONSIBILITIES OF THE MORTGAGEE

Mortgagees may not process any loan application on behalf of the nonprofit agency without an approval letter and without verifying that it is a participating nonprofit agency. In addition the Department has developed additional controls for nonprofit agencies and requirements for mortgagees. The mortgagee is responsible for ensuring that the participating nonprofit agency meets and adheres to the requirements described below.

- **Limitation on the Number of 203(k) FHA Insured Mortgages:** In order to ensure that nonprofit agencies will not overextend their financial and management capabilities, a nonprofit agency will now be prohibited from borrowing under the 203(k) program if the agency has 10 or more incomplete 203(k) developments at that time. FHA defines completed 203(k) developments as those that have completed all rehabilitation/construction work *in a timely manner,* received all appropriate certificates of occupancy, and EITHER the property has been sold and the nonprofit has successfully repaid the 203(k) loan in full, OR the property is occupied by a renter and the rental receipts exceed all property expenses, including mortgage payments, generating a positive cash flow. In the case of a rental property, the nonprofit agency must provide evidence that the property has been occupied by a renter for at least three months and that rental receipts exceed expenses.

  Nonprofit agencies already having more than 10 incomplete developments may not obtain additional 203(k) financing until they reduce the number of incomplete 203(k) developments to less than ten. Therefore, in the future, nonprofit agencies shall not have more than ten incomplete 203(k) developments at any time unless they qualify for the exceptional performance waiver described below. For those nonprofit agencies with limited housing experience, FHA may further restrict the number of **203(k)** mortgages it will insure to less than 10.

Mortgagees must verify that nonprofit agencies do not exceed this 10 (or less as stated above) 203(k) FHA insured mortgages limit. In all cases, the mortgagee must review the nonprofit agency's approval letter from FHA. This letter will clearly outline the amount of 203(k) financing available to the nonprofit agency. Questions concerning the nonprofit agency should be directed to the approving HOC.

- **Exceptional Performance Waiver:** Nonprofit agencies with an exceptional performance record of successfully completing 203(k) developments (defined as those agencies that have successfully completed 20 or more 203(k) developments) may apply to the HOC for a waiver of the limitation on 203(k) loans. This waiver request should contain a narrative describing the nonprofit agency's homeownership or long term rental program, audited financial statements with an unqualified opinion from a Certified Public Accountant for the prior three years, a listing of all properties currently owned by the nonprofit agency (both conventional and government financed), a record of performance on **all** 203(k) loans (current as well as previous loans) as well as the evidence to support the sale or rental of these properties. Nonprofit agencies that are approved for this waiver for financing for more than 10 203(k) mortgages at one time will have it stated in their approval letter from the HOC.

- **Requirement for Federal Tax Identification Number:** Lenders must obtain the tax identification number *of the nonprofit agency* when a) the nonprofit agency is acting as a mortgagor or b) when the nonprofit agency provides downpayment assistance in the form of a gift.

  If the nonprofit agency is acting as a mortgagor, lenders are to enter the Federal Tax identification number of the nonprofit agency into the social security number field in the Computerized Homes Underwriting Management System (CHUMS). Failure to do this will result in the loan not being insured by FHA. If the nonprofit agency is providing downpayment assistance in the form of a gift, lenders are to enter into the CHUMS system the Federal Tax identification number of the nonprofit agency in the field designated for a charitable organization's tax identification number. Failure to do this will result in the loan not being insured by FHA.

- **Approval of Downpayment Assistance Programs in the Form of Gifts:** There has been widespread confusion regarding the Department's role in approving downpayment assistance programs in the form of gifts. FHA does not "approve" downpayment assistance programs in the form of gifts administered by charitable organizations. Mortgage lenders are responsible for assuring that the gift to the homebuyer from the charitable organization meets the instructions described in HUD Handbook 4155.1, REV-4, Change 1 (e.g., no repayment implied, etc.). Thus, while FHA will issue approval letters to nonprofit agencies for their participation as mortgagors, providers of secondary financing, and as purchasers of HUD Homes at a discount, such letters **are not** to be construed as approval of the nonprofit agency's downpayment assistance gift programs. FHA will not issue approval letters for downpayment assistance gift programs.

- **Mortgagee's Responsibility for Credit Approval:** Mortgagees are required to follow sound underwriting judgment in approving a nonprofit agency as mortgagor. This includes performing a credit evaluation, a financial analysis and assessing the nonprofit agency's development and management capacity. In addition, mortgagees are responsible for reviewing the nonprofit agency's approval letter, as described in the "approval letter" section of this Mortgagee Letter, provided by FHA to determine if any conditions or restrictions apply. Mortgagees should also inquire/verify that the nonprofit organization remains eligible under Section 501(c)(3) as exempt from taxation under Section 501 (a) of the Internal Revenue Code of 1986, as amended. Loans that are processed that do not meet the requirements of the approval letter may be ineligible for FHA insurance. Attachment 6 to this Mortgagee Letter and Mortgagee Letter 96-52 provide additional information regarding the responsibility of the mortgagee in determining the management ability and financial capacity of the nonprofit agency acting as a mortgagor.

- **Continued Requirement for Compliance with the Seven Unit Limitation:** Mortgagees are reminded that any borrower, including nonprofit agencies that act as a borrower, is restricted from obtaining FHA-insured financing for a property that may be rented if it has or will have a financial interest in more than seven rental units (regardless of financing type) in a contiguous area, generally defined as within a two-block radius. This regulation is designed to limit FHA's insurance exposure on multiple mortgages to any one borrower in any one area.

  The restrictions discussed above do not apply if (1) the neighborhood has been targeted by a State or local government for redevelopment or revitalization; and (2) the State or local government has submitted a plan to HUD that defines the area, extent, and type of commitment to revitalize the area.

  Mortgagees seeking a waiver of the seven unit limitation must submit written requests to the appropriate HOC, stating the basis for the requested waiver. Waiver of this limitation will be granted only if the waivers pose no significant risk to HUD, and where the properties are in an area that is economically viable and with a demonstrated need for additional rental housing for families of low and moderate income.

- **Continued Requirement for Credit Alert and Limited Denial of Participation Screening:** Mortgagees are reminded that they must also screen nonprofit agencies acting as a mortgagor through the Credit Alert Interactive Voice Response System (CAIVRS) and against the Department's Limited Denial of Participation Lists. This is used to determine if the nonprofit agency has any Federal delinquencies or defaults or has been barred from participation in FHA programs.

Questions regarding this Mortgagee Letter should be directed to the FHA Homeownership in Atlanta (1-888-696-4687), Denver (1-800-543-9378), Philadelphia (1-800-440-8647) and Santa Ana (1-888-827-5605).

Sincerely,

William C. Apgar
Assistant Secretary for Housing-
Federal Housing Commissioner

Attachments:
Attachment 1: Application Package for Nonprofit Agency Approval for FHA Activities
Attachment 2: Affordable Housing Program-Format for Narrative
Attachment 3: Nonprofit Agency Reporting Requirements and FHA Monitoring Activities
Attachment 4: Nonprofit Agency Recertification Requirements and Reasons for Removal
Attachment 5: Recertification for Nonprofit Agencies-Property Listing Format
Attachment 6: Mortgagee Responsibility in the Credit Evaluation of the Nonprofit Borrower

Attachment C

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: August 13, 2018 at 11:33 AM

[redacted]

If I wasn't able to receive down payment assistance, I would never have been able to buy a house. Owning a home means I can plan for my family's financial future instead of living paycheck to paycheck. My rent went up every year, but my mortgage has actually gone down since I bought my house in 2017. I chose the Chenoa Fund because they not only offered financial assistance, but education and post-purchase support. The only improvement I can think of is to get the word out! Relatively few people know down payment assistance is an option, and I know that's what stops most people my age (29) from buying a home.

[redacted]

From: **Chenoa Fund** [illegible]
Subject: Chenoa Fund Borrower Feedback
Date: July 25, 2018 at 9:18 PM

[redacted]

Recieving this assistance didnt just aid me in purchasing a house, I was able to find my dream home at the age of 24. House buying is no picnic and my experience was no exception. The Chenoa Fund helped the process go so much smoother than I could have ever dreamed. I was able to use money I had saved up to fix my home thanks to Chenoa. Owning a home to me means I don't just have a roof over my head, I have a safe place to come home to after taking care of my patients as a nurse after a long 12 hour shift. I searched for other funds and lenders but The Chenoa Fund were the ones who believed in me and extended their hand with aid I most desperately needed. Their communication was phenominal even though the process was long. Thank you for your support when I needed you the most.

[redacted]

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: July 17, 2018 at 8:19 PM

[redacted]

The Down payment assistance meant the world to my family and I. Without the down payment assistance we received, my husband and I would have never been able to buy our first home at 22 years old for our soon to be family of 4! Owning our own home is so special because it allows us to provide a consistent a loving place for our children to grow up in and cherish. We did not have any other down payment so this truly made purchasing a home possible for us. We did look at other down payment programs but all the other ones were either way too hard to qualify for or had hidden details that we didn't like. I think the Chenoa fund is an amazing program and I wouldn't change a thing!

[redacted]

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: August 15, 2018 at 3:12 PM

[redacted]

The down payment assistance program was a God send. My credit score was not very high and my debt to income ratio was high. I found this program and was eligible for assistance. I never imagined being a first time homeowner at 47 years old. I was able to utilize the program, purchase my home, and move my 83 year old mother in with me. Thank you so much!

[redacted]

From: Chenoa Fund
Subject: Chenoa Fund Borrower Feedback
Date: August 14, 2018 at 8:49 AM

CF

[redacted]

We had to move to a larger home to care for my MIL who was diagnosed with lung cancer and could not afford the cost of a care home. We planned to buy in the next couple years, but had to move quickly and the Down Payment assistance was very helpful with being able to accomplish that

[redacted]

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: August 13, 2018 at 8 24 PM

[redacted]

Thank you Chenoa Fund. you were a true blessing I'm so appreciative of the roll you played in the assistance of the purchase of my new home. My family and I were able to purchase our home thanks to the assistants provided by the Chenoa Fund Funding was a hardship for me. I'm the only full time income for my family Your assistants got me through a stressful time. I'm glad there're trustworthy organizations like yours that are truly out there to make our American dream come true. I'm now a home owner. Please remember you played a roll in that My family and I could never express our gratitude Thank you sincerely [redacted]

[redacted]

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: August 13, 2018 at 12 32 PM

CF

[redacted]

Without the assistance of Chenoa Fund, we wouldn't have had the full down payment to purchase our very first home, and we would still be renting. We are so thankful that they were there to help us become happy home owners! Their assistance also allowed us to save the money we did have put aside for other expenses and any unexpected expenses along the way. After closing on our home, they've kept in consistent contact to ensure that we are making our mortgage payments on time so that we do not have to pay back the money they provided. It feels great knowing that they are on your side and want you to be a successful home owner.

[redacted]

Chenoa fund
offered by
CBC Mortgage Agency
(435) 273-0022 | (866)-563-3507
www.chenoafund.org

Please provide your response below:

mr Whipple,

I am happy to provide this information to you. I'd like to thank you for your assistance and everyone over @ Chenoa fund. Owning a home has always been important for me. My family fell apart at a very young age. Mother passed @ 3years old. Two older brothers in prison. I've been on my own since I was 17. I've always been a hard working individual with a huge heart. I've worked for everything I have and often give when I have nothing. I took in my nephew @ 16 and he's now 19. Starting the home purchase process was because of him. He helped me focus and to accomplish my goals. It was not easy saving for all the additional costs that come along with the purchase process. The assistance that I received from your organization made it all happen. I thank you for the help. I am happy and excited to be a homeowner!! I have something to call my own and something to be able to leave behind for my own children. I absolutely couldn't have done it without you all! Forever grateful, [redacted]

912 W. Baxter Drive, Suite 150 · South Jordan, Utah 84095

Chenoa fund

offered by

CBC Mortgage Agency

866-563-3507

Please provide your response below:

Thank you for helping us get our home.

My wife and I suddenly had to start caring for her mother, and we found ourselves needing a larger home with very short notice It would have been difficult saving for the down payment while paying for the unplanned medical expenses treating mom's lung cancer.

Thanks again for helping us provide a home for mom during a very difficult time

Respectfully

[redacted]

Chenoa fund

offered by

CBC Mortgage Agency

866-563-3507

Please provide your response below:

Thank-you from the bottom of my heart.
Having the down payment assistance was my only way of fulfilling my dreams of being a homeowner once again. After divorcing more than 8 years ago, I lost our family home since I was unable to maintain on my own. I have worked hard to restore my credit after foreclosure and I have worked in the same industry for more than 27yrs and I was a good candidate for purchasing, however I am in a position that I am unable to save enough for a down payment. I assist my daughter who is a single mother of three with necessities and I even have my grandson living with me so he can go to school so I am not sure I would have been able to accomplish my dream without your generosity. I never imagined being in a position to get assistance due to my income level but I am so thankful, I hope to be able to make you proud and glad you helped me. I cherish my new home and I will pay on time and take great care of it for many years to come. Bless you and thank you for this tremendous opportunity.

912 W. Baxter Drive, Suite 150 · South Jordan, Utah 84095

[redacted]

Chenoa fund
offered by
CBC Mortgage Agency
(435) 273-0022 | (866)-563-3507
www.chenoafund.org

Please provide your response below:

The Chenoa fund was everything to us, without this help we would not of been able to do the down payment of the home we were in process of buying. I was counting on first-time Home Buyer FHA assistance, then it was found my income just tipped over allowable for down payment assistance. So, we needed to have a down payment and without your timely assistance our dream of finally being able to own a home would of been post-poned yet again. This would of been devastating this time as we thought we had what was needed. My wife and I are 52 years old. Since receiving your help, we purchased our first home and we are loving being home owners. I have heard my wife say many, many times, "I Love My Home", "I Love Our Home", to which I reply, "Yes, I Love it too!!

Thank You Sincerily,

[redacted]

Chenoa fund

offered by

CBC Mortgage Agency

866-563-3507

Please provide your response below:

I am so happy I was able ~~of~~ to get help with my down payment. I have been a single mom for most of my life, and to say that I have struggled, like so many people do, is an understatement. In the last few years, I have worked so hard to build credit, pay off old debts to get myself in a position to purchase a home. Without the help of a down payment, I would not have been able to do it! I quickly learned that there is a lot of money needed up front when buying a house. I am so grateful for the help of this fund, and I hope this fund will continue to help people like me in purchasing a home for their family

Thank you so much!

Warm Regards,

[redacted]

Chenoa fund

offered by

CBC Mortgage Agency

866-563-3507

Please provide your response below:

The Chenoa fund's assistance with the down payment on our new home was more than financially valuable. It was an answer to prayer. Actually, it was an answer to hundreds of prayers over many years.

Without the Chenoa fund and the CBC Mortgage Agency providing this monetary opportunity, our dream to begin the journey of home ownership would only have been an unreachable dream.

We pledge that we will continue to do all in our power to make each home mortgage payment in full and on time each month.

Thank you Chenoa fund, from the bottom of our hearts.

[redacted]

912 W. Baxter Drive, Suite 150 South Jordan, Utah 84095

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: August 13 2018 at 11 35 AM

[redacted]

Hello! We were able to become our dream of being homeowners a lot faster using your assistance!! We are so grateful that we rece ved the down payment assistance from you guys because we were able to buy a home for our growing family Being owners is a huge blessing for us as a fam ly We are currently a family of 4 but will be adopting a chi d soon and become a fami y of 5! Having this home has allowed us to grow our family and be happier than ever We had some down payment but not enough We were able to use what we had to purchase applicants and needed items after we moved in wh ch was a huge help We did not look at other programs You guys provide an amazing opportunity to families l ke us We are very thankful for the blessing we received! Thank you!

[redacted]

Chenoa Fund
Chenoa Fund Borrower Feedback
September 12, 2018 at 1:13 PM

[redacted]

The assistance of the Chenoa fund made the difference between us having a home or being homeless. Rising rents had pushed us out of where we were renting, and we did not have enough saved for first, last and deposit at a new place. We were facing some tough decisions ahead for myself, my husband, and our two dogs and cats. The Chenoa fund was presented to us by [redacted], and we were able to use it for a down-payment. We now have a home, and were able to stay in the city close to where we work. Our dogs love the big yard, and our neighbors have been amazing. It's difficult to think where we might have ended up without this assistance, and I am so thankful for the fund. This is a life-changing resource that can make all the difference families and keep them from getting displaced by rising rent costs. Thank you!

[redacted]

[redacted]

Dear Mr. Whipple,

I am responding to your letter and your request of feedback concerning the purchase of our new home and the assistance that your office provided.

My husband and I purchased our first home end of October 2017. Prior to buying our home, we were renting a home in [redacted]. We have 3 children; two of whom are under the age of 3. Our two year old daughter likes to chew, on everything... including the window sill in her bedroom. Very quickly we discovered that our sweet girl had lead poisoning. This prompted us to apply for a home loan and attempt to buy a house. We hadn't planned on purchasing a home for another 3 years, and I was just starting to clean up our finances work towards saving for a down payment.

Had we not had your assistant with our down payment, we would not have been able to purchase our home. My husband and I had no savings at the time. Having two complicated pregnancies and two children in the last 3 years has tapped us out. Your assistance was a very appropriately timed and a very much needed blessing.

We LOVE our new cozy, cute, little home and we have grown very quickly to adore our new neighbors. We plan on living in this house for a long time and we are so blessed thanks to your agency.

Gratefully yours,

[redacted]

From: Chenoa Fund
Subject: Chenoa Fund Borrower Feedback
Date: August 13, 2018 at 11:45 AM

CF

[redacted]

The Chenoa funds I received made the impossible, possible. My daughter will now have a home to finish growing up in, a place to drive by and point at and say "That is where I grew up". Having our own home, a place to belong, is incredibly powerful. As a single mother, without the help of another parent, with student debt that greatly exceeds the average, being a home owner was a dream always just out of reach. I work really hard- I have a full time and a part time job. I do what I can but my student loan debt and circumstances are limiting. I literally cannot thank you enough for bringing this gift into our lives. Thank you for your help. Thank you for your generosity and your humanity. I hope karma exists and that it comes back to you because I want other people to be able to have this wonderful addition, this foundation on which to stand. When things get difficult, when there are hard days, when I am tired and feeling a bit defeated at the end of the day... I have come home and been able to say "Well, today was hard. But this place is MINE." My little haven, my collection of good things, and my little loved one, kept safe by the home made possible by you. I've never understood so fully the meaning of the word "grateful". So, as small and trivial as the two words feel compared to the amount of gratitude I feel - Thank You

[redacted]

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: August 13, 2018 at 1:25 PM

CF

[redacted]

•What did our assistance mean to you and your family in terms of your ability to purchase a home, and what owning a home means to you and your family With the assistance of Chenoa Fund, I was able to purchase my home without having worrying about a full down payment Owning a home means the world to me I have a place to call my own and I no longer have to worry about the rent going up or renewing a lease I have a place that is now big enough to host my family when they visit from out of town!

•If you had your own down-payment, did you use our assistance so that you could keep your savings for unexpected expenses with your new home? Yes Unexpected expenses come up at the worst times and being able to keep my saving was a amazing

•Did you look at other sources of down payment assistance? If so, what lead you to choose our program? Yes, your program was a better fit for me as a first time home buyer

•How can we improve our program to better support borrowers before and after the purchase of their new home? I would say, continue your great service. It is much appreciated

[redacted]

From: Chenoa Fund
Subject: Chenoa Fund Borrower Feedback
Date: July 21, 2018 at 6:08 PM

[redacted]

I really appreciate the Chenoa fund because my wife and myself would not own our home without the down payment assistance we received. Owning our home has help stabilize our family; previously we were renting for 18 years and constantly moving to find more affordable housing. After deciding that we could no longer afford to live in MA we were planning to relocate to a more affordable housing market. With the encouragement and support from some amazing friends and divine intervention we decided to stay in MA and attempt to purchase a home. Then we heard about the Chenoa fund and all our dreams came true: we found a lovely home, were approved for a mortgage loan and down payment assistance provided by the Chenoa fund and closed on our house. Our monthly mortgage including taxes and fees equals the rent we were paying for many years. We love our home and are happy to pay our mortgage each month while we build equity in home. We extend our deepest gratitude to the folks at the Chenoa fund! We recently shared our story with a family member and they applied for and received down payment assitance from the Chenoa fund and recently moved into their new home.

[redacted]

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: July 17, 2018 at 6:01 PM

[redacted]

Without the assistance of the CBC Mortgage my family would have had to wait much longer before we could have purchased our home. We had a lot of expenses that were involved in moving out of state that were not paid for by employers. The assistance with the down payment allowed for us to pay for the move as well as keep some for savings. The program was recommended to us. We did not look at any other sources. We are now happily living in our dream home in a dream location. We couldn't be happier with the service and assistance provided to us.

[redacted]

Chenoa fund

offered by

CBC Mortgage Agency

435-273-0022 | 866-563-3507

www.chenoafund.org

Please provide your response below:

Thank you so much for the assistance I had the funds but need them for medical expenses my husband has an illness, for which there is currently no cure. Most importantly, we were living on the 2nd floor of a rented condo & my husband could no longer climb the stairs to the unit.

We had to move quickly & your loan made all the pieces come together. Without your assistance, we would not be in our beautiful new, single story home.

This has changed our lives beyond belief and made whatever time my husband has left so very much more enjoyable. It may have even extended his life as he is so happy & under less stress in our new home!

[redacted]

From: Chenoa Fund
Subject: Chenoa Fund Borrower Feedback
Date: July 17, 2018 at 5:16 PM

[redacted]

The down payment assistance I received was monumental to me and my opportunity of owning a home. It has given me the freedom to be my own person and have my own space to be creative and relaxed. I had some money saved but not enough for the full down payment. I looked into some other down payment assistance options but after talking with my lender we both decided that Chenoa Fund was the best fit for me. My experience with the before and after process with CBC has left me believing there is no need for improvements to the program

[redacted]

From: Chenoa Fund
Subject: Chenoa Fund Borrower Feedback
Date: July 17, 2018 at 5 23 PM

[redacted]

Owning a home means that in retirement I won't to to worry about where I am going to live. Owning my home anchors me to something, and keeps me from moving over and over Owning my home commits me to a foundation that will be there when I retire. We had the availability to get more down payment, but it would have been from my 401(k). Recieving your assistance helps keep more of that mine, and keeps me from having to pay more of it back.

To the question regarding why Chenoa Fund, this was our lender's pick. We were new at the home buying experience, and [redacted] walked us through the process When [redacted], our lending agent, explained the Chenoa Fund, we liked the thought a lot as we planned to stay in the home for a long time, and my paying habits work with the 3 year no late payment mentality. After moving in the direction of getting the funds to buy the home, he unfortunately disclosed that it was only available for FHA Loans and not Conventional, and thus caused us to have a higher interest rate and mortgage insurance. We had to think about that, and even in the next 2 1/2 years we will have to weigh pro's and con's of refi into a conventional loan and paying your assistance back ($5000) but reduce my interest rate and mortgage insurance

With that said, that leads me into what could be better with the Chenoa Fund. It would be nice to be able to utilize your assistance in conventional loans as well For a new home-owner, every expense is one step closer to being to much and the little bit you save in a conventional loan can mean the difference on success.

[redacted]

From Chenoa Fund
Subject Chenoa Fund Borrower Feedback
Date July 18, 2018 at 9:57 AM

[redacted]

I just wanted to take a minute and write to let you know how much the Chenoa Fund helped me. If I would not have had this assistant I would not be living in my home. Down payments are hard something to come up with especially when you are already in a bind and not making much money. The fund helped me not only move into my home, but it helped me build my dream house for me and my little one and actually give me an opportunity to live in a nice area. I did not have another source of assistant from anyone else. It was not a option when I was purchasing my home. I am so grateful for this and I know that they will only help other like me in the future and continue to do great things for a lot of people around the world

[redacted]

Chenoa fund

offered by
CBC Mortgage Agency
(435) 273-0022 | (866)-563-3507
www.chenoafund.org

Please provide your response below:

Thank you so much for the funds you gave me in the purchasing of my home. I needed the money to meet my down payment as well as having money to take care of all the things that needed to be done when purchasing a home such as having the air conditioning system checked, plumbing checked, locks changed and other minor repairs needed. With your help I was able to do to these things as I prepared to move in.

Home ownership was a goal realized for me especially after being homeless after our August 14, 2016 flood here in [redacted]

A GOOD START OVER for ME,

[redacted]

CBC Mortgage Agency February 10th, 2018

- First of all, Thank you will never be enough for the most wonderful, amazing and completely unexpected gift ever in the form of a down payment.
I had actually given up hope, that it was just not for me to ever own a home. But, then I was notified that someone is giving me the down payment to buy my home, and that alone gave me all the hope I needed to keep fighting, to do what was needed to buy my house. Now, as I sit here, it's still unbelievable and doesn't feel real. I haven't even hung any pictures, decor. Nothing on the walls so I won't put holes in the wall. This home would not be possible without your Agency.
There really are no words to describe what you have given to me.

Thank You,
[redacted]

Chenoa fund

offered by

CBC Mortgage Agency
866-563-3507

Please provide your response below:

Dear Folks at Chenoa Fund

My husband & I want to say a big thank you to your team!

The down payment assistance meant we could own a home again.

We lost everything in the 2008 Recession due to cancer & job loss. Thought we would never be "whole" again. You have given the opportunity to be whole!

912 W Baxter Drive, Suite 150 | South Jordan, Utah 84095

And as we get on in years we will have a "home".

Thank you is an inadequet word -

Kindest Regards- [redacted]

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: August 13, 2018 at 1:37 PM

[redacted]

Because of the down payment assistance we were able to own a home after being renters for 17 years in the same apartment complex. Owning our own home was a goal we didn't think we could ever manage with rising rent and a child who was just about to start college. The down payment assistance made it possible for us to reach both goals- homeownership and sending our child off to pursue higher education. We were lucky that our lender knew about the Chenoa fund, as we didn't qualify for first time homebuyer programs due to income (but this was our first home purchase).

[redacted]

Chenoa fund
offered by
CBC Mortgage Agency
(435) 273-0022 | (866)-563-3507
www.chenoafund.org

Please provide your response below:

The down payment assistance Chenoa provided to me was incredibly important to me. I was needed to help in the care of my mother. I was able to get pre approved for a loan which was also equally important in order to be competitive when making an offer on a house.

With Chenoa's assistance I was able to locate, make an offer, and move in within 30 days. This allowed me to spend necessary quality time with my mother the last six months of her life and I am truly grateful!

Thank You!

[redacted]

91 W. Baxter Drive Suite 150 South Jordan, Utah 84095

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: July 30, 2018 at 9:54 PM

[redacted]

Down payment assistance afforded me through the Chenoa Fund meant that I could purchase a home right away instead of having to resign a new lease for an overpriced, poorly maintained rental, that was in an undesirable section of town, in hopes that I would be able to save up enough money for a down payment before having to extend the lease yet again.
My family loves our new home. The neighborhood is beautiful, safer, and has many conviences close by. We feel blessed to call this house, home.
I worked a lot of overtime to save for an adequate down payment, but I also had to purchase new furnishings as the previous place had a termite infestation, so I also had to save for that expense as well. I worked so much that I did not qualify for other income based assistance, but Chenoa came through for me and my family and I am grateful. I loved the simplicity of the approval process. Maybe Chenoa can provide proven referral information for maintenance contractors to assist new homeowners with projects that come up.

[redacted]

From: **Chenoa Fund** [illegible]
Subject: Chenoa Fund Borrower Feedback
Date: August 13, 2018 at 1:14 PM

[redacted]

Thank you so much for all of your help. The Chenoa Funds made what appeared to be an impossible dream and closing possible. My daughter and I are enjoying our new home and are so very thankful for each day that we get to come back to it. The Chenoa Funds are a great asset to the community and to people like me that have a dream to own their own home.

[redacted]

Chenoa fund

offered by

CBC Mortgage Agency

866-563-3507

Please provide your response below:

This loan meant so much to our family. we would not be in this home without it. we realized what we were paying in rent we could pay a mortgage. we Struggled to save money with Kids, Something always Coming up and one off to College. So we concentrated on getting our credit up. we didn't realize the help that was out there until we started the process. I'm glad and thankful for this loan to get my family in this home. Could not thank you enough

[redacted]

Chenoa fund

CBC Mortgage Agency
866-563-3507

Please provide your response below:

We have been traveling for work for 6 years and Staying in our 5th Wheel. We had grand kids move in with us 16 months ago and we had to rent a home to fit us all in. My Husband had been working 550 miles from home and so we looked to rent closer to him. We did not have a down payment so we thought that meant we could not own our own home. The help you gave us has meant the world to us. The Grandkids feel more secure knowing it is our home. Thank You so much for helping to make all of our dreams come true

[redacted]

PS. This also allowed us to be closer to the rest of our grandkids and also our brothers & Sisters. We have been away for 13 yrs

Thank You

Chenoa fund

offered by

CBC Mortgage Agency

866-563-3507

Please provide your response below:

I am so grateful to receive this down payment assistance. There wasn't a way my husband and I could purchase a new home without it. We were not able to save up our down payment in time so this made it possible. We are extremely thankful and excited to be in our own place.

We did not have an additional down payment besides this grant.

Thank you for making home ownership possible for us as well as so many other people!

[redacted]

Chenoa fund
offered by
CBC Mortgage Agency
(435) 273-0022 | (866)-563-3507
www.chenoafund.org

Please provide your response below:

THANKS TO YOUR PROGRAM WE ARE BACK IN A HOME OF OUR OWN. WE HAD AN ACCOUNTANT THAT HAD MADE A MISTAKE. WHEN THE IRS AUITED US HE SAID HE COULD DEFEND THE SALE OF AN APPARTMENT BUILDING - THEN HE DIED. IN THE MESS THAT FOLLOWED WE LOST OUR HOME AND NEARLY ALL WE OWNED. MY WIFE IS A DOG TRAINER AND RENTING IS VERY DIFFICULT FOR US AND ALLOW HER TO WORK WITH ANIMALS IN A RENTAL.

WE ARE SO GRATEFUL TO BE IN A HOME AND WHILE NOT AN IDEAL HOME IT IS IN A GREAT NEIGHBORHOOD. THANKS AGAIN.

[redacted]

Chenoa fund
offered by
CBC Mortgage Agency
(435) 273-0022 | (866)-563-3507
www.chenoafund.org

Please provide your response below:

We did not have any money to be able to pay our down paymet. With the assistance of CBC Mortgage Agency we would not have been able to purchase our home. Owning our home means everything to us. I am 47 years old and have never been able to own a home before so this is the best feeling in the world!

Thank you!

[redacted]

From: Chenoa Fund [illegible]
Subject: Chenoa Fund Borrower Feedback
Date: August 13, 2018 at 12:55 PM

[redacted]

With the assistance of your program we were able to purchase our dream home and still have money left to paint the walls (which were hideous) and other items that we needed to get started in our new location. When we moved to Utah buying a home was a huge priority, as we have the best dog in the world and two small children, and we wanted to make sure that they all had a safe place to play and enjoy the outdoors. Without the assistance your program provided we would not have been able to purchase a home with as much yard space as we did. We spend most of our time at home outside, so this has been amazing for us! The process of applying for your program was effortless, and we encountered no obstacles or undue stress. Thank you so much for all you have don't for our family!

[redacted]

From: **Chenoa Fund**
Subject: Chenoa Fund Borrower Feedback
Date: July 23, 2018 at 7:46 PM

[redacted]

The Chenoa Fund saved my husband and me!
We began the build on our first home in September of last year, we put $3,000 down even to begin the build. We had already had our FHA [redacted] Housing Approval; so we weren't worried. And it made the news we were expecing our first child that following month that much sweeter. It made us happy to know we could provide a forever home for him

The building process progressed nicely. We saved up a couple grand to cover the closing costs we knew we needed, and went on to pick the paint, the carpet, the whole 9 yards

Que the end of January, our home in nearing completion and we are finalizing all the numbers on our loan. Well on the final credit pull, and less than a week before we were scheduled to close, there was an error on my credit. An old school had misreported on my credit and dropped my score from 735 to 650. The was devastating and I spent that whole day in tears over this. We had lost the [redacted] Housing, and could no longer afford our home.

At 5 months pregnant and more then a little distraught I explained the situation to my husband and we held our breath as our Lender searched for a resolution

A lender called me the following morning and told me about the Chenoa Fund. It was a miracle. We filled all the paperwork, put every penny we had into closing costs and were able to sign on our home on time

We moved in February and welcomed our son [redacted] in June

[redacted]

Chenoa fund
offered by
CBC Mortgage Agency
(435) 273-0022 | 866)-563-3507
www.chenoafund.org

Please provide your response below:

12/31/2017

Dear CBC Mortgage Agency:

The assistance for the down payment for my home purchase March 2017 was such a surprise and much needed. I had been left with large credit card debt in my name from a recent divorce (my spouse had used them for her business, unknowingly to me.) I had received some child support after 4 years of waiting and I was contemplating filing bankruptcy. Because of the assistance program, I was able to have the downpayment needed, negotiate with the credit card companies and have a place for my teen aged son and myself. Without this program, I would have had to rent and the payments would be nearly the same! I had been house sitting for four years while getting back on my feet. The thought of owning a home was not even a possibility in my mind. I had called about a rental property and the manager of that property was a mortgage broker and helped me through the process of owning my current home. It's a 1908 farmhouse with renovated kitchen & bathroom/laundry on 1/3 acre [redacted]

CLOSING THE
WOMEN'S
WEALTH
GAP

October 15th, 2019

Honorable Chair Joyce Beatty
Subcommittee on Diversity and Inclusion
House Committee on Financial Services
United States House of Representatives

Dear Chair Beatty, Ranking Member Wagner and distinguished members of the subcommittee,

Please consider this report, *Closing the Women's Wealth Gap—What It Is, Why It Matters and What Can Be Done About It*, for inclusion in the official hearing record in relation to your recent subcommittee hearing, "Examining the Racial and Gender Wealth Gap in America," on Tuesday, September 24, 2019. The report catalyzed the formation of the Closing the Women's Wealth Gap (CWWG) initiative in early 2017, which now includes a national network of more than 450 nonprofit, philanthropic, public and private sector leaders – from 28 states and the District of Columbia – who are working together to advance policies and strategies that close the gender wealth gap by building wealth for low-income/low-wealth women, especially women of color.[1]

Today the women's wealth gap is much larger than the income cap and it's a chasm for women of color. As CWWG Founding Partner Dr. Mariko Chang Pyle stated in her September 24th testimony: single women own only 32 cents on the dollar compared to single men, and Black and Latina women own pennies compared to white men and white women.[2]

Women face an array of public systems and private sector practices that challenge or undermine their capacity to earn, save and invest. The gender pay gap, alone, results in an average wealth loss of more than $400,000 over the course of a woman's 40-year career. The wealth loss is more than $800,000 for African American women, more than $900,000 for Native American women and $1 million for Latinas.[3] A lack of access to paid family and medical leave means that women have to take time out of the workforce, foregoing income and Social Security benefits and spending down savings, when a child or parent is ill.

Women often do not benefit from private and public systems designed to help people turn income into wealth. For example, millions of working women cannot access employer-based retirement plans because they work part time or for smaller employers who do not offer them, and many tax benefits that are designed to help families save and invest are not accessible to

[1] Founding partners include: Dr. Mariko Chang Pyle, author; Angela Glover Blackwell, founder of PolicyLink; Elena Chavez Quezada, Senior Director of the San Francisco Foundation; Noreen Farrell, Executive Director of Equal Rights Advocates; Dr. Kilolo Kijakazi, Fellow with the Urban Institute; and Surina Khan, CEO of the Women's Foundation of California. For more information and a full list of members, please visit: www.womenswealthgap.org.

[2] For more information, see Mariko Chang, *Women and Wealth: Insights for Grantmakers*, Asset Funders Network, 2015, https://assetfunders.org/resource/women-wealth-insights-grantmakers/

[3] "Women and the lifetime wage gap: How many woman years does it take to equal 40 man years?" National Women's Law Center, March 28, 2017. https://nwlc.org/wp-content/uploads/2017/03/Women-and-the-Lifetime-Wage-Gap-2017-1.pdf

CLOSING THE
**WOMEN'S
WEALTH
GAP**

working women because they are structured as deductions instead of credits. Making matters worse, women with the least resources are often penalized for saving as asset limits in public benefit programs force them to spend down assets in 529 or retirement savings accounts before they can access short-term benefits.

Closing the gender wealth gap should be a national imperative in the years ahead because the economic security of women – especially women of color, who are most impacted by the gap – plays a pivotal role in the prosperity of children and families. Over the course of the last forty years, women's contribution to the economic security of American households has increased exponentially. In 1976 one in twenty women were the sole breadwinners in their households; by 2013, it was one in four.[4] Today, women are breadwinners or co-breadwinners in nearly two-thirds of families with children and women are the *sole or primary* breadwinners in 70 percent of Black households and 40 percent of Latino households.[5]

Furthermore, policies that support women's ability to earn, save and invest are critical to a thriving national and global economy. S&P Global research shows that taking steps to support the entry and retention of women in the workforce would add five to ten percent to the annual U.S. gross domestic product;[6] and research by McKinsey Global Institute shows that advancing women's equality could add 12 trillion to global growth by 2025.[7]

Closing the Women's Wealth Gap—What it is, Why it Matters, and What Can Be Done About It provides a detailed overview of why women's access to wealth-building opportunities is so critical to women, their families and their communities; and it points to promising policy and practical solutions – proposed or underway at the national, state, and local levels.

Thank you for your attention to this issue. We look forward to working with you on solutions in the months and years ahead.

Sincerely,

Heather McCulloch
Founder and Executive Director
Closing the Women's Wealth Gap Initiative

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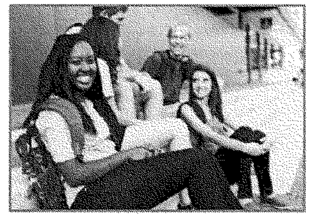
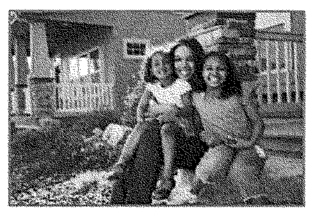


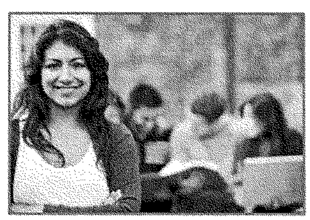
CLOSING THE WOMEN'S WEALTH GAP

What It Is, Why It Matters, and What Can Be Done About It

By Heather McCulloch

Updated January 2017





Author

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About the Initiative

The *Closing the Women's Wealth Gap (CWWG)* initiative started in early 2016 as a series of national calls among advocates, organizers, researchers, funders, and practitioners about the causes and effects of the women's wealth gap. The initiative is being led by report author Heather McCulloch, under the guidance of advisors, Elena Chavez Quezada, Senior Program Officer with the Walter and Elise Haas Fund; Dr. Mariko Chang, researcher and author; Noreen Farrell, Executive Director of Equal Rights Advocates; Angela Glover Blackwell, CEO of PolicyLink; Surina Khan, CEO of the Women's Foundation of California; and Kilolo Kijakazi, Fellow at the Urban Institute. The initiative includes a planning group of more than 70 national leaders who are working together to understand the causes and effects of the gap, and to identify solutions that build wealth among low-income women and women of color.

Acknowledgements

The author would like to thank the many researchers and advocates who have contributed to the body of research cited in this report. Special thanks goes to Dr. Mariko Chang for her pioneering and painstaking research on the drivers of the women's wealth gap. Thank you to the advisors of the CWWG initiative and the participants of the CWWG planning group, who are grappling with the issues and working together towards promising solutions. And thank you to the Friedman Family Foundation and the Walter and Elise Haas Fund for providing funding to support this report.

This paper has been updated since it was published in November 2016 to inform the first national meeting of the Closing the Women's Wealth Gap (CWWG) initiative. For more information about the initiative, contact Heather McCulloch, CWWG director, at heather@assetbuildingstrategies.com.

Executive Summary

Building women's economic security and closing the gender wealth gap should be a national imperative in the years ahead because the economic security of women is not just about women—it's about the prosperity of children, families, communities, and the national economy. In the past forty years, women's economic contribution to their households has increased exponentially. In 1976 one in twenty women was the sole breadwinners in their households; by 2013, it was one in four;[1] and today, women are breadwinners or co-breadwinners in nearly two-thirds of families with children.[2]

Women's ability to earn, save, and invest plays a critical role in the well-being of their children;[3] the strength of their communities, and the economic prosperity of our nation. Yet, today, private sector practices, public systems, and policy barriers are limiting the capacity of women—and especially women of color—to reach their full economic potential.

A national movement has mobilized to break down barriers and advance economic opportunities for women through advocacy for pay equity, affordable childcare, and work supports like paid sick and family leave. These efforts are critical to addressing income inequality for women, but they are not enough to build their long-term economic security because the definition of the problem is too narrow.[4] Income inequality and a lack of work supports are key drivers of gender inequality, but other factors are at play. Today, the women's wealth gap is far greater than the income gap. While women earn about 79 cents on the dollar compared to men, they *own* only 32 cents; and women of color own only pennies on the dollar compared to white men and white women.[5]

> The economic security of women is not just about women—it's about the prosperity of children, families, communities, and the national economy.

Wealth is different than income. Wealth is a store of resources to be used for emergencies. It includes savings for college or a secure retirement; resources to be leveraged into investments, like a home or a business; and it can be passed on to the next generation.

Addressing the gender income gap is part of the solution to building women's economic security, but it is not enough. Instead, a more comprehensive framework is needed that identifies income and wealth inequality in both the description of the problem and search for solutions.

Closing the Women's Wealth Gap—What It Is, Why It Matters, and What Can Be Done About It aims to inform a national discussion about the women's wealth gap, and to catalyze movement towards policy and practical solutions that build wealth for low-income women and women of color. The report begins with an overview of what wealth is and why it matters; it summarizes some key data on the causes and effects of the wealth gap; and it points to promising policy and practical solutions, proposed or underway at the national, state, and local levels. The data and findings included in this paper are not the result of new research; instead, the paper highlights ideas and insights of a committed cadre of researchers and advocates to draw attention to the issue and lift up solutions.

Here is a selection of the findings:

What Are the Causes and Effects of the Women's Wealth Gap?

- Wage disparities, employment segregation, and caregiving burdens are key drivers of gender income and wealth inequality.
- Women have lower levels of financial knowledge than men.
- Women are more likely to be denied a mortgage and to pay more despite a better repayment history.
- Women-owned businesses are growing in number, but most produce minimal wealth for their owners.
- Lower-income women and women of color are unlikely to benefit from savings and investment incentives offered through the U.S. tax code.
- The "three-legged retirement stool" is broken for women, especially lower-income women and women of color.
- Millions of lower-income women, women of color, and their families are trapped in a cycle of debt that is undermining their capacity to build wealth.

What Can We Do About It?

- Advocate for pay equity and supportive family care policies and practices.
- Expand access to financial education and coaching at key points in women's lives.
- Help support women to build their credit scores.
- Increase opportunities and reduce barriers for women to save.
- Expand opportunities for women to buy homes and build home equity.
- Expand women's capacity to build wealth through business equity.
- Increase women's access to and adequacy of retirement savings.
- Make wealth-building tax subsidies more accessible to women.
- Regulate wealth-stripping products and practices.
- Target solutions to maximize benefits for low-income women and women of color.

CLOSING THE WOMEN'S WEALTH GAP

What It Is, Why It Matters, and What Can Be Done About It

Introduction

In recent years, a national discussion about the causes and effects of inequality has played out in our communities, the media, the presidential race, and the Halls of Congress. The issue is often framed in terms of growing income and wealth gaps, but the conversation about solutions typically focuses on addressing the income gap—connecting people to job opportunities, raising wages, expanding access to job training, and other approaches. The same dynamic is at play in relation to women's economic security. Significant national discussions are underway about closing the income gap, but closing the women's wealth gap is rarely part of the discussion.

Addressing the causes of the gender income gap is key to increasing the financial stability of women and their families. But building their long-term economic security will require a broader range of strategies because, today, the women's wealth gap is far greater than the income gap. While single women earn about 79 cents on the dollar compared to men, they *own* only 32 cents.[6] The wealth gap for women of color is a chasm—pennies on the dollar compared to both white women and men.[7]

MEDIAN WEALTH	
All single men	**10,150**
All single women	**$3,210**
▪ **Single White men**	**$28,900**
▪ **Single White women**	**$15,640**
▪ **Single Black women**	**$200**
▪ **Single Hispanic women**	**$100**
▪ **Single Black mothers**	**$0**
▪ **Single Hispanic mothers**	**$50**

Source: *Women and Wealth—Insights for Grantmakers*. Asset Funders Network, 2015.

Why Wealth Matters

Wealth is different than income—it is a measure of a household's net worth. One way to look at it is the difference between a budget, showing income and expenses, and a balance sheet, tracking assets and liabilities. Like a balance sheet, wealth is the measure of a household's assets—cash savings, stocks, bonds, and home, business and real estate equity—minus their liabilities, such as mortgage and credit card debt. Wealth—or financial assets—is a store of resources that women and their families can tap into during emergencies. It provides a nest egg they can leverage into investments, like a home or a business; and it can be passed on to future generations.

Women—as singles, mothers, wives, and widows—need access to a full continuum of opportunities to save, invest, and preserve financial assets so that they can build a better future for themselves and their families. They need access to financial education and coaching, coupled with affordable and appropriate savings and credit-building products, at key times in their lives. They need opportunities to save—for emergencies, higher education, and a secure retirement—and to leverage savings into wealth-building opportunities (see Appendix, page 26).

Marriage was once seen as a pathway to economic security and wealth accumulation for women; but today, single women (never-married, widowed, or divorced) make up half of all households.[8] So policies focused only or primarily on the financial security of married women are no longer enough. Furthermore, women, especially women of color, are more likely to be the sole, primary, or co-breadwinners in their households; so their financial assets are having an increasingly significant influence on the financial security of their families and communities.[9]

Barriers and Solutions

Women face a host of barriers to building wealth. They are more likely to be carrying high levels of student debt, which restricts their ability to build a nest egg for emergencies or to invest in homes or businesses; and to be caring for children, grandchildren, or elderly relatives, which limits their capacity to save.[10] They are less likely to be eligible for employer-based retirement savings accounts or public tax subsidies that incentivize savings and investment.

Women of color are doubly affected by the intersections of the racial and gender wealth gaps They are less likely to have access to affordable financial products and services, business capital, and resources to save for retirement than white men and white women. They are more likely to be carrying student debt, and to be targeted by predatory lenders. Black women face additional challenges due to the fact that they are more likely than white women to be sole income earners and single parents.[11] Immigrant Latina and Asian women often face unique wealth-building barriers due to their citizenship status. They are more likely to be segregated in low-paying jobs with no benefits; and some pay into public systems, like Social Security and state and federal tax systems, but are ineligible for benefits provided by these systems. Data about the wealth holdings of Native American women is limited, but we do know that Native Americans own less than one tenth of the median wealth of all Americans.[12]

Women of color are doubly affected by the intersections of the racial and gender wealth gap.

Making matters worse, racial and gender discrimination embedded in public policy and private practices of prior generations continues to affect the wealth holdings of women of color today. A long history of de jure and de facto discrimination—from slavery and Jim Crow laws to publicly sanctioned "redlining" and the exclusion of farm and domestic workers from Social Security—has limited or depleted the wealth of households of color.[13] Generational wealth transfers, through gifts and inheritances, has reinforced racial and gender wealth gaps over time. Since men of color were historically excluded from asset-building ownership opportunities, women of color inherited less than white women.[14]

Lesbian, bisexual, and transgender women face unique barriers, due to discrimination based on sexual orientation, which affects their capacity to build wealth over their lifetimes. They face discrimination in jobs, housing, health care, and the workforce. And even though the legalization of same-sex marriage has helped same-sex couples to access the benefits of marriage, the legacy of past discrimination still affects the wealth holdings of older couples and widows who cannot access spousal benefits retroactively.[15]

Closing the Women's Wealth Gap

Fortunately, these wealth-building barriers can be addressed through practical and policy solutions, many of which are already in place in different parts of the country, or in other countries. Yet, until recently, there was no national forum for stakeholders to come together, to discuss and debate the causes and effects of the women's wealth gap, and to identify promising policy and practical solutions.

The *Closing the Women's Wealth Gap (CWWG)* initiative began in early 2016 as a series of national calls—among advocates, organizers, researchers, funders and practitioners—about the causes and effects of the women's wealth gap. The initiative includes a planning group of more than 70 national leaders who are working together to identify solutions that close the gap by building wealth among low-income women and women of color. The purpose of this paper is to inform these and other national discussions. It is meant as a resource for those who are already at the table, and a guide for others to join a growing movement for change.

What We Know: The Causes and Effects of the Women's Wealth Gap

Understanding the causes and effects of the women's wealth gap is challenging, due to the dearth of wealth-related data broken down by gender. This section highlights a selection of key findings.

Low Wages and Caregiving Burdens Are Key Parts of the Story

A discussion about the women's wealth gap must begin with a discussion of wage disparities and caregiving responsibilities as they play key roles in women's capacity to build wealth over their lifetimes. Today, the income gap hovers around 79 cents on the dollar for all women; but it is only 65 cents for Native Hawaiian and Pacific Islander women, 64 cents for African American women, 59 cents for American Indian and Alaskan native women, and 54 cents for Latina women, compared to white, non-Hispanic men.[16] The gap is 90 cents for all Asian American women, but larger for subsets of the Asian American population.[17] Causes of the wage gap include the fact that women make up the majority of the low-wage and minimum-wage workforce; they tend to work in lower-paying sectors and are underrepresented in growing middle-skill jobs; they are twice as likely to be working part-time as men—typically because of caregiving responsibilities—and they face ongoing gender discrimination in the workforce.[18]

Low wages mean women have less capacity to save and invest in wealth-building assets, and they are more likely to turn to higher-cost debt products to meet daily expenses or unexpected emergencies. Women who work in minimum wage, lower-wage, or part-time jobs typically do not have access to employer-provided retirement savings plans or benefits like healthcare, paid sick and family leave. As a result, they lose income and must spend down savings when they are forced to step out of the workforce or reduce their hours to care for children, grandchildren, or sick or elderly relatives. Furthermore, they have limited access to wealth-building public benefits like tax subsidies that encourage investments in homes and higher education.[19]

All of these work-related challenges are compounded for women of color who face a larger wage gap, greater job segregation, higher rates of unemployment, and primary caregiving responsibility.[20] In addition, some are the primary source of financial support for incarcerated loved ones and their families.[21] Lesbian, bisexual, transgender, and queer women face discrimination finding work and on the job.[22] They are more likely than any other group to live in poverty.[23] LGBTQ women of color, older LGBTQ women, and LGBTQ women raising children are the most economically vulnerable.[24]

Women Have Less Financial Knowledge and Are More Risk Averse Than Men

Given ever-increasing complexity of financial markets, products, and services—and the fact that consumers bear more of the risks associated with loans and investments—financial knowledge is key to the long-term financial security of households. Recent studies indicate low overall levels of financial knowledge in the U.S.; but they also find that women have less financial knowledge than men, controlling for demographic and economic characteristics.[25] More alarming is that the fact that women under 35 age fare even worse than older women.[26] One example of where a lack of financial knowledge has had a measurable impact on the wealth holdings of women occurred during the lead up to the mortgage crisis of the mid-2000s. In a 2006 report by the Consumer Federation of America about subprime lenders targeting women, and especially women of color, the authors argued that a lack of financial knowledge resulted in higher levels of subprime loans taken out by women.[27]

Other research finds that women are less likely to take financial risks.[28] Research shows that greater levels of risk aversion may be detrimental to the growth and development of women-owned businesses;[29] but it may play a positive role in relation to retirement savings, where women tend to have more balanced portfolios and higher returns than men.[30]

Strategies to help women build financial knowledge and access targeted financial advice at key points in their lives are described in the next section.

Building Credit Scores Is One Key to Building Wealth

Credit scores play a key role in people's capacity to build wealth. They determine whether and at what cost individuals can access loans to invest in wealth-building assets like a home, business, or higher education. Furthermore, today, credit scores play a significant role in determining whether people have access to jobs, homes, and even services, as employers, landlords, utility companies and other service providers are using them to assess a person's risk worthiness.

Research on women's credit scores shows mixed results. A recent analysis by the consumer reporting company, Experian, found that women on average have higher credit scores than men (675 for women vs. 670 for men);[31] but research on 7 million customers by the credit-reporting and monitoring company Credit Sesame showed that women, on average, had *lower* credit scores then men, despite the fact that they actually owed less in credit card debt.[32] One explanation Credit Sesame analysts offer for women's lower credit scores is the fact that men have higher incomes, on average, thus lower debt-to-income ratios, which plays a role in credit scoring.[33] Another explanation is that women have higher levels of "credit utilization"—they use more of the credit available to them—which, in turn, lowers their credit score.[34] Thus the credit scoring process may create a vicious cycle for women—a lower credit score means a lower credit limit; and a lower credit limit produces a higher utilization ratio for a given level of debt, thereby contributing to a lower credit score.

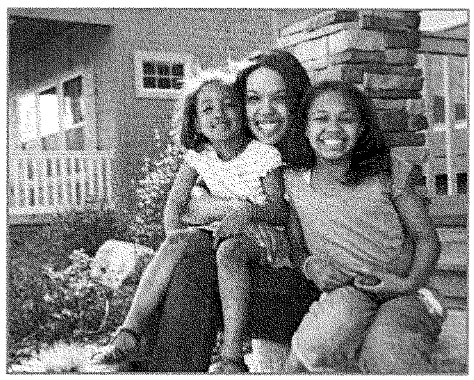
> The wealth-building impact of having a low or no credit score is substantial: $200,000 in lost wealth over a lifetime.

People of color tend to have lower credit scores than white men and women. In 2013, almost 66% of white borrowers had a FICO score of 720 or more, compared to only 41% of Latinos and 33% of African Americans.[35] In addition, people of color are more likely to have no or limited credit history, which reduces their ability to access mainstream financial products and makes it more likely that they will turn to high-cost financial service providers in times of need. The wealth-building impact of having a low or no credit score is substantial: $200,000 in lost wealth over a lifetime.[36]

Industry representatives argue that the credit scoring system is designed to be gender neutral.[37] But the data cited above points to the need for more research to better understand how the credit scoring process contributes to the gender and racial wealth gaps, and how it can be changed to produce more equitable outcomes.

- Homeownership Has Been a Pathway to Building—and Losing—Wealth for Women

Prior to the Fair Housing Act of 1968 and the Equal Opportunity Act of 1974, women had limited access to mortgage credit. Single women were denied home loans altogether; married women could not get loans in their own names; and the credit history of divorced or widowed women, whose prior credit was in their husbands' names, was not taken into account when they tried to get loans in their own names.[38] Federal reforms ended most de jure gender and racial discrimination in the mortgage lending market, but de facto discrimination continued in the form of subprime lending targeted to women and people of color in the lead-up to the foreclosure crisis.



Research shows that women, on average, are still paying more for their mortgages than men *despite* a better repayment history.

By 2001, home equity had become the primary source of wealth for low- and moderate-income African American and Latino households, and women made up a significant share of mortgage borrowers.[39] However, despite higher average credit scores, by 2005, women were much more likely than men to receive subprime loans.[40] African American and Latina women faced the highest rates of subprime lending: African American women were 2.5 times more likely to receive a subprime mortgage than white men, Latina women were 1.5 times more likely.[41] Asian Pacific Islanders were also targeted by subprime lenders and were more likely than white households to lose their home to foreclosure.[42] The crash of the mortgage market and ensuing recession wiped out billions of dollars of accumulated wealth for households of color, exacerbating the racial wealth gap and the women's wealth gap and undermining faith in the wealth-building value of homeownership.

Post-crash reforms of mortgage lending markets have prohibited most egregious forms of subprime lending; but research shows that women, on average, are still paying more for their mortgages than men *despite* a better repayment history.[43] According to a recent report by the Housing Finance Policy Center of the Urban Institute, controlling for credit characteristics, women are less likely to default on their mortgage loans—yet they pay more.[44] The research also shows that women are denied loans more often than men, despite their superior repayment history.[45] The author notes that a third of female-only borrowers are women of color, and half are living in lower-income communities.

Similarly, recent research by the Woodstock Institute focused on the Chicago area points to disparities in women's access to mortgage loans, both for purchases and refinancing across racial and ethnic groups.[46] The research finds that female applicants, overall, were 8% less likely to have purchase loans originated and 21% less likely to have refinance loans originated than men. To control for demographic factors related to single parent applicants, the research looked at a subset of co-applications and found that female-headed joint applicants were 24% less likely to have purchase loans originated and 34% less likely to have refinance loans originated than male-headed applicants.[47]

Together, these reports point to the need for investigation into possible gender discrimination in mortgage lending practices, and a better system of risk assessment to accurately reflect women's repayment performance as opposed to credit characteristics.

Women Are Building Businesses but Few Are Building Business Equity

Business equity is the second largest source of wealth, after home equity, for American households; and the median net worth of business owners is twice that of people who do not own businesses.[48] Described below, support for women's start-ups and microenterprises, strategies to grow women-owned businesses, and cooperative ownership strategies are all important approaches to building wealth through business ownership for low-wealth women and entrepreneurs of color.

From Microenterprises to Growing Women-Owned Businesses

The philanthropic, public, and private sectors have long supported the microenterprise, or microbusiness, industry—organizations providing loans, training, and other business development services to low-wealth entrepreneurs—as a way to build the economic security of low-income business owners.[49] Microenterprise programs are important providers of business services for women entrepreneurs because they typically target low-income women and people of color. In addition, many programs provide wealth-building services to business owners, such as financial education and coaching, credit counseling, and free tax preparation.[50] The microenterprise field is continuing to grow in terms of the loans provided, businesses served, and operating income of microenterprise programs. However, microenterprise programs still only reach a small subset of women entrepreneurs;[51] and training-based programs have seen a decline in revenue in recent years.[52]

While the number of women-owned firms has grown in recent decades—there are now more than 9.4 million women-owned firms in the U.S., with almost 3 million owned by women of color[53]—women-owned businesses remain relatively small, which limits their potential to build wealth for owners. While women-owned firms make up 30% of U.S. businesses, only 12% of those firms includes employees other than the entrepreneur herself, and only 2% have revenue over $1 million.[54] Business equity can be a particularly powerful wealth-building force for women of color: the median net worth of black women entrepreneurs is ten times greater than for nonbusiness owners.[55] While the number of businesses owned by women-of-color has increased in recent years (by 67% since 2007), their growth has been limited.[56]

Numerous factors affect the growth—and hence wealth-building potential—of women-owned businesses. Women entrepreneurs are more likely to rely on personal resources rather than external capital to grow their businesses. For example, men are over three times more likely than women to access equity financing through angel investors or venture capital firms, and men are more likely to tap networks of close friends and business acquaintances for capital.[57] Venture capital networks have been male dominated and tightly knit[58]—only 25% of angel investors were women and 5% people of color in 2015.[59] In addition, studies have shown that women entrepreneurs have higher levels of risk aversion and lower-levels of self-confidence than men, which may affect their business decisions and their willingness to apply for loans.[60] Fewer women entrepreneurs in key growth industries—such as information technology, manufacturing, construction, and transportation—as also been cited as a cause for more limited growth.[61]

The Role of Cooperative Ownership in Building Wealth for Women

Another promising avenue of wealth building for women is worker-owned cooperatives. Worker-owned cooperatives provide opportunities for workers to gain an equity stake in a business where they work, along with secure wages, benefits, and often a voice in how the business is managed.[62] Worker cooperatives are limited in number in the U.S. but they have a long history in some communities and in other countries, and they have become more popular in recent years as people turn to alternative economic structures in the wake of the recession.[63] Cooperative ownership played a significant role in the economic history of African American communities, which has been well documented by scholar and author Dr. Jessica Gordon Nembhard;[64] but additional research is needed to understand the potential of worker-owned cooperatives in building equity among low-income women and women of color.

While business ownership is a potentially valuable source of wealth for low-income women and women of color, practical and structural barriers remain. Some promising solutions are discussed in the next section.

▪ The Three-Legged Retirement Stool Is Broken for Women

Economists and policymakers use the concept of the "three-legged stool" to discuss retirement savings—with the legs including pension plans (defined benefit and defined contribution), Social Security, and personal savings. Women have lower level of savings in each of these categories despite the fact that they tend to live longer and, hence, need more savings than men. The income gap and caregiving burden are primary causes of the retirement savings gap. Women earn less and are able to save less than their male counterparts; they are more likely to take time out of the workforce to care for children, grandchildren, elders and other family members, thereby forfeiting income and Social Security benefits; and they often face higher expenses due to caregiving. But other structural factors are also at play.

Understanding women's retirement *in*security demands an exploration of the twin challenges of access and adequacy—do women have *access* to retirement savings vehicles and are they able to save an *adequate* amount to ensure a secure retirement? Today the answer to both questions is "no."

Access and Adequacy in Pension Savings

Employer-provided retirement savings plans are the most common avenue for saving because they give workers access to an account structure to save, they sometimes offer an employer match, and they provide access to publicly-subsidized retirement tax benefits. Employer-provided, defined benefit (DB) plans—whereby employers assume the investment risk and employees get a guaranteed annual payment in their retirement years—are seen as the "gold standard" for retirement savings. But they have gradually been replaced by defined contribution (DC) plans—typically 401(k)s—in recent decades, forcing employees to assume the risks associated with market fluctuations and investment decisions.

Understanding women's retirement insecurity demands an exploration of the twin challenges of access and adequacy.

Perhaps surprisingly, recent research by the National Institute on Retirement Security (NIRS), shows that women are *more likely* than men to work for employers who offer some sort of retirement savings plans; however, women are less likely to be eligible to participate in those plans than men.[65] According to the NIRS report, "In 2012, 63 percent of women worked in jobs where their employers offered either DB pensions or DC retirement account plans, but only 46 percent of women actually participated in some type of retirement plan."[66] Latina and African American women are less likely than white women to work for employers who offer defined contribution retirement plans; and when they are eligible, more than a quarter are unable or chose not to do so. Asian American women have the highest participation rates among all groups.[67]

A primary reason for lower eligibility rates for women is that they work part time—women are almost twice as likely as men to work part time[68]—and private-sector employers are only required to provide access to retirement plans for employees who work more than 1,000 hours a year.[69] Furthermore, smaller firms typically do not offer retirement plans to their employees, often due to the cost and administrative burden of setting up and managing them, so women working for these firms have no access. Today, half of workers at companies with fewer than 50 employees do not have access to retirement plans through their employers.[70]

Lack of participation in employer-provided retirement plans should not be mistaken for lack of demand. A Government Accounting Office (GAO) report showed that 68% of the lowest-income workers and 81% of part-time workers would participate in a plan if they had access.[71]

Even when women have access to a plan, many are unable to accumulate adequate savings to be financially secure in their retirement years. On average, women are able to save only two thirds of what men save in DB and DC plans. They are saving less and living longer, leaving them with lower levels of retirement income each year.[72] As a result, women are 80% more likely than men to live in poverty at the age of 65 and three times more likely once they hit 75.[73]

While data on the level of retirement savings owned by women of color is limited, the large gap among households of color and white households is well documented. According to research by the Economic Policy Institute, Black and Latino households have less than a third of the retirement savings of white households.[74] Lower savings levels are partially a function of lower incomes, higher levels of student debt (which limit savings), and more limited access to retirement savings plans;[75] but other factors, such as providing financial support to extended family members, may also play a role. Furthermore, the recession and ensuing recovery had a disparate impact on the retirement savings of households of color. While the median DC balances of white households did not change significantly between 2007 and 2013, the balances of Black and Latino households dropped dramatically (for example, the median retirement savings of Black families dropped by almost 50%, from $31,100 in 2007 to $16,400 in 2013).[76]

Social Security

Social Security—another "leg" of the "three-legged stool"—is a critical source of wealth for women in their retirement years. For lower-income women, the importance of Social Security rests on its progressive features. It replaces a higher share of average lifetime earnings for lower-income than for higher-income workers; it provides a guaranteed annual benefit, so they do not have to worry about payments ending in their later years; and it is adjusted for inflation, unlike pensions and other savings.[77]

Social Security provides the majority of the income of women who are divorced, widowed, or over the age of 70 during their retirement years. For unmarried women, including widows 65 or older, it provides 90% or more of their income.[78] Like white women, Black women are likely to rely on Social Security during retirement,[79] whereas almost three quarters of Latina women (74%) and more than two thirds of Asian American women (69%) live in households that do not receive any Social Security benefits. This discrepancy is partially due to the fact that Latina and Asian American women are more likely to be immigrants, and may not be eligible to receive benefits, or they may be naturalized citizens without enough years of work in the U.S. to be eligible for Social Security.[80]

While women rely on Social Security more than men, their benefits levels are lower—over the age of 65, women receive $14,000 a year in benefits on average compared to almost $18,000 for men.[81] Lower lifetime earnings are a key driver of women's lower Social Security benefits, but design features also play a role. For example, Social Security benefits calculations are based on the highest of 35 years of inflation-adjusted earnings. This formula negatively affects women who spend time out of the labor force to care for children, sick relatives, or elderly parents, as even one year of zero earnings—or several years of part-time earnings—can significantly reduce a woman's benefit calculation.[82]

Private Savings

Personal savings—such as savings in traditional and Roth Individual Development Accounts (IRAs)—are the third leg of the retirement stool, but only one in ten Americans save in either type of IRA.[83] For most low-income workers, the process of setting up an IRA or Roth IRA is daunting, the associated fees are discouraging, and they have limited resources to save.[84] Furthermore, they are not incentivized by tax deductions associated with IRA savings. As described later in this document, a tax deduction is only valuable if taxpayers itemize on their tax returns and the vast majority of households in the bottom two quintiles do not itemize.[85] The federal Saver's Credit represents one attempt to expand lower-wage workers' access to retirement savings, outside of employers; however, take up rates have been low due to the fact that it is structured as a credit so lower income households with no tax liability cannot access it.

- ## The Tax Code Subsidizes Wealth Building, but Lower-income Women Are Unlikely to Benefit

The tax code is fueling inequality by subsidizing wealthier families to save and invest. Lower-income households cannot access the vast majority of federal, tax-code based, saving and investment subsidies, primarily due to the way they are structured. According to research by CFED, more than $500 billion in annual tax "expenditures"—deductions, deferrals, exclusions, credits, and other benefits—subsidize taxpayers to build wealth through savings (e.g. retirement and college savings accounts) and investments (e.g. homes). Of these wealth-building public subsidies, the bottom 60% of households accrues only 12% of the benefits; and the wealthiest 1% of households receives more than the bottom 80% combined.[86]

Limited data is available to understand who benefits from tax-code based subsidies by gender, but it is important to understand that low-income women and women of color are unlikely to benefit from most of them due to the way they are structured.[87] Low-income taxpayers who do not itemize on their tax returns cannot benefit from deductions like the home mortgage interest tax deduction; nor are they likely to benefit from exclusions and preferential rates.[88] Women working part-time or in low-wage jobs without employer-provided retirement plans are unlikely to benefit from tax exclusions associated with retirement savings.[89] Furthermore, women, and especially women of color, are less likely to benefit from preferential tax rates on dividends and capital gains (profits on stocks and bonds that are held for more than a year are taxed at a lower rate than ordinary income) because they are less likely to own stocks.[90] Women of color are less likely to own stocks than white women or men—only 23% of Black women and 14% of Latinas own stock.[91]

Tax benefits are most likely to accrue to lower-income women if they are refundable or partially refundable tax credits, like the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). Unlike a deduction, a credit can be claimed whether or not a taxpayer itemizes their deductions (less than one in 20 households in the lowest-income quintile, and one in six in the next quintile, itemizes on their tax returns);[92] and a refundable credit, provided in the form of a refund check from the government, can be claimed by households with no tax liability (predominantly women).[93] Partially due to its refundable structure, more than 90% of the benefits of the federal EITC accrue to the bottom 40% of households.[94]

The American Opportunity Tax Credit (for higher education expenses) is partially refundable so low-income women receive some benefit. The Child and Dependent Tax Credit (childcare) and the Saver's Credit (retirement savings) are both important savings tools for women, but they are of less value to very low-income women because neither is refundable.

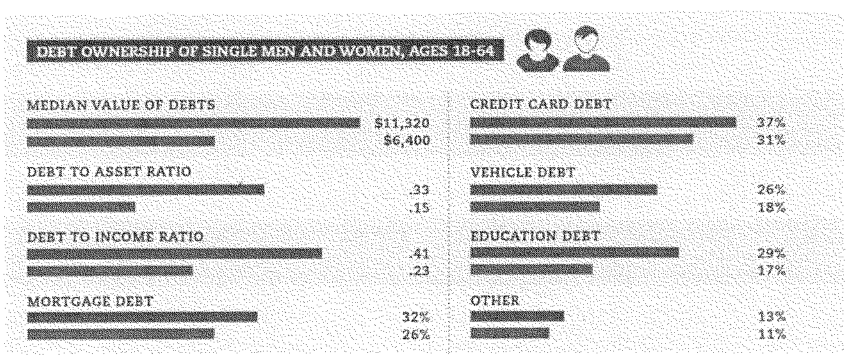
- Debt – The Bad and the Ugly

In addition to looking at strategies that build wealth, it is important to examine the ways that predatory lending practices are *stripping* wealth from low-income women and women of color.

The Debt Trap of High-Cost Loans

According to Dr. Mariko Chang, "women are being weighed down by a debt anchor." Her research—taking credit card, educational, vehicle, and other types of debt into account—shows that at the median, women's debt load is 177% higher than that of men.[95] "Pinklining," by author Suparna Bhaskaran, highlights findings from interviews with 771 women from Los Angeles, Minneapolis and Newark. The interviews highlight the downward financial spiral faced by women who find themselves caught in a debt trap of high interest rates and late payment fees on fringe financial products.[96] The report finds that women make up almost 60% of payday loan customers,[97] although more recent research shows that women and men may be using payday loans at about the same rate.[98]

Regardless of whether women use payday loans more, the sheer numbers of low- and moderate income users turning to payday loans to cover short-term credit needs—including basic expenses—has risen dramatically in recent years. According to Pew Charitable Trusts, households are forfeiting $9 billion in payday loan fees and $3 billion in auto title fees each year.[99] These fees represent lost wealth that could be partially recaptured if women and their families had access to more affordable small-dollar loan products.



Source: *Women and Wealth, Insights for Grantmakers.* Asset Funders Network, 2015.

Higher Education Debt

Higher education has long been seen as a critical pathway to building wealth as it tends to increases graduates' earning capacity, thereby making it more likely they will have access to opportunities to save and invest.

Today college debt consumes a higher portion of women's—particularly Black women's – earnings compared to men.

Until the passage of Title IX of the Education Amendments in 1972, institutions of higher education could legally limit women's access to higher education by imposing higher entry requirements or by limiting their entry into certain academic or vocational fields; but today, women earn a majority of the nation's associate, bachelor's, master's, doctorates, and professional degrees.[100] Despite these gains, today college debt consumes a higher portion of women's—particularly Black women's—earnings compared to men;[101] and women, particularly women of color, make up a disproportionate share of the student body at for-profit colleges, where they are accumulating higher levels of debt and are less likely to graduate.[102] Research shows that it takes women, and especially women of color, longer to pay off their student debt.[103] With large portions of their monthly earnings devoted to paying off student debt, graduates are left with fewer resources to save or invest in equity-building assets like homes, businesses, stocks, or bonds.

Fines and Fees Are Stripping Wealth For Low-Income and Women of Color

In the wake of the Ferguson crisis, new research and activism is drawing attention to the detrimental economic impact of incarceration, bail, fines, and fees on low-income communities of color. Less discussed is the fact that women, especially women of color, often bear the financial burden when a loved one is incarcerated.[104]

According to the nonprofit, the Essie Justice Group, one in four women, and one in two Black women, have a family member in prison.[105] A participatory research project led by the Ella Baker Center for Human Rights, Forward Together, and Research Action Design, working with 20 community-based organizations in 14 states, found that the financial costs of incarceration extend far beyond the individual being punished, as it drains the financial resources—and increases the debt—of entire families.[106] The report found that 85% of the family members bearing the primary financial burden of the costs of incarceration were women. Furthermore, a forthcoming PolicyLink report notes the financial toll of common practices like the imposition of fines and fees on parents or guardians of children in the juvenile justice system. For example, it highlights one incident where a mother in Michigan went to jail for not paying her child's juvenile court fees.[107]

A national conversation about closing the women's wealth gap should include a focus on reducing or eliminating fines and fees that are stripping the wealth of women and their families.

What Can We Do About It—Promising Strategies and Policy Solutions

Closing the women's wealth gap is a long-term endeavor, but work is already underway that is helping to build the financial security of women and their families through targeted wealth-building approaches. Progress comes in the form of innovative products, programs, and services that are helping low-income women and women of color to build their financial knowledge, access affordable products and services, save and invest in homes and businesses, access retirement plans, dig themselves out from burdensome debt loads, and protect their financial assets. Other efforts are focusing on changing public policy to address structural barriers and increase opportunities for lower-income women and women of color to build wealth. This section highlights a subset of promising practical and policy solutions—underway at the local, state and national levels—that are beginning to address the women's wealth gap.

Promising Solutions

- Advocate for Pay Equity and Supportive Family Care Policies and Practices

Campaigns to expand women's access to equal pay are critical to building women's long-term economic security and increasing their capacity to build wealth. National and state-level coalitions and campaigns—such as Equal Pay Today,[108] National Committee on Pay Equity,[109] and Stronger California[110]—are leading these fights and are having an impact. For example, President Obama has signed executive orders to ensure fair pay for employees of federal contractors; and California recently passed one of the most strict pay equity acts in the country, requiring companies to give fair pay to women and men who are doing "substantially similar" work.[111] These policy campaigns can and should be fully supported by advocates for closing the women's wealth gap as they are strengthening the capacity of women to earn, save, and build financial assets.

Equally important are efforts to expand the infrastructure of support for the care of children, elders, and other family members so women are not forced to take time out of the workforce—losing income, spending down savings, and lowering Social Security benefits—to do so. National and state-level advocates have been pushing for policies to expand affordable childcare and paid sick and family leave, with many successes. In addition, a new concept is being proposed by the National Domestic Workers Alliance and Caring Across Generations: "universal family care" is a public family care insurance fund that families could draw upon to cover the costs of child care and elder care.[112] These and other policy and practical strategies that relieve the financial burden of family care for women are key elements of the continuum of strategies to close the women's wealth gap.

- Provide Financial Education and Coaching at Key Points in Women's Lives

Given the complexity of today's financial markets—and the history of predatory lending products targeted to women—financial education and coaching[113] at critical points in women's lives, coupled with appropriate financial products and services, are key to addressing the women's wealth gap.[114] One approach is to integrate financial coaching into existing financial service programs. For example the *Doorways for Women and Families* program, supported by the Washington Area Women's Foundation, supports financial coaching as part of a suite of services offered to women struggling with domestic violence and/or homelessness. It provides basic financial skills, helping women to address errors in their credit scores, negotiate and pay down debt, along with other supports that put them on a pathway to financial security at the most vulnerable time in their lives.[115] Similarly, many "two generation" efforts—underway at the local, state and national levels—are integrating a range of supports for children and their parents, including financial education and coaching;[116] and, in recent years, many federally-funded Promise Neighborhoods initiatives have offered financial coaching in addition to a range of services they provide to low-income community residents.[117]

On the policy front, recent efforts to expand women's access to retirement savings include public resources for targeted financial education. For example, the Women's Pension Protection Act (WPPA), federal legislation introduced by Senator Patty Murphy in September 2015, proposed federal grants for community-based organizations to provide financial education and coaching for working women.[118] These and other philanthropic and public-sector initiatives to support targeted financial education, coaching, and counseling for women are key strategies to closing the women's wealth gap.

- Support Women to Build Their Credit Scores

As described earlier, credit scores play a key role in determining women's access to—and the cost of—credit to purchase homes, invest in businesses, or pay for higher education. Today, innovative programs are working at the local level and being replicated nationally to build the credit scores of low-income individuals, especially women. For example, the Mission Asset Fund (MAF) offers opportunities for low-income, primarily Latino residents of the Mission neighborhood of San Francisco to access loans and build their credit history through its Lending Circle program.[119] Lending Circles convene a group of participants, 60% of whom are women, who each contribute a set monthly amount to a shared pool of resources. Each month, one participant has an opportunity to use the pool's resources.[120] Payments are reported to credit bureaus, thereby establishing a credit history for some and improving it for others. An evaluation of the MAF program showed that average credits scores rose by 168%.[121] MAF now offers the program through nonprofit partners nationwide.[122]

Pilot projects that are reporting rental payments to credit agencies are another innovative approach to building credit histories and credit scores for lower-income women. For example, the Credit Builders Alliance (CBA), a national network of nonprofits working to advance innovative approaches to building credit for lower-income households, has been working with Experian, one of the big three credit reporting agencies, to allow reporting of rental payments on consumers' credit reports.[123]

Strategies that help low-income women to establish and increase their credit scores—thereby increasing their access to and lowering the cost of credit—are critical to closing the women's wealth gap.

- Increase Opportunities and Reduce Barriers for Women to Save

Women need opportunities to save—for emergencies and investments in higher education, a home, or a business—in order to build their long-term financial security, invest in their children, and build their wealth. First developed in the 1990s, Individual Development Accounts (IDAs) are one strategy that has helped boost the savings of some lower-income women and women of color. IDA programs are structured in different ways—and match levels vary—but most allow participants to save for a home, business, or higher education. IDA savers are more likely to be women, African American, single, or never married, compared to the overall low-income population.[124] IDA programs have long been supported by federal resources—in 1996, the Personal Responsibility and Work Opportunity Act allowed federal funds to be used for IDAs and the 1998 Assets for Independence Act authorized the U.S. Department of Health and Human Services to provide grants to nonprofits for IDA programs.[125] While efforts to take IDAs to scale have been challenging, the approach shows that low-income families can and will save, if given appropriate opportunities and incentives.

Women need opportunities to save–for emergencies and investments in higher education, a home, or a business–in order to build their long-term financial security, invest in their children, and build their wealth.

More recently, some matched savings programs allow participants to save for financial emergencies—like a job loss, health emergency, or death in the family. For example, Start2Save, a program of the Opportunity Fund of San Jose offered through community-based organizations and social service agencies, allows participants to save up to $500 towards an emergency savings fund, with savings matched two to one for a total of $1,500.[126] Emergency savings enable low-income families to avoid the wealth-stripping fees charged by payday and other high-cost lenders when faced with an unexpected event, like a job loss, divorce, or illness of a family member.

Children's savings accounts (CSAs) are another savings tool that is enabling low-income women to save—in this case for the higher education of their children. Research points to positive impacts of these accounts: improving mothers' expectations for their children's education and boosting disadvantaged children's early social-emotional development.[127] CSA pilot programs are underway at the local level through innovative programs like the Kindergarten to College program in San Francisco and Oakland Promise in Oakland, California, and at the state level through initiatives like the Harold Alfond College Challenge in Maine. The Oklahoma Native Assets Coalition is administering a CSA program in native communities, working with fifteen partners, including tribes and Native nonprofits in Oklahoma.[128] Federal policy to support CSAs has been proposed for years through proposals like the America Saving for Personal Investment, Retirement and Education (ASPIRE) Act[129] and the American Dream Accounts Act.[130]

A significant barrier to savings—especially for lower-income women—are "asset limits" in public benefit programs that force women to spend down even small amounts of savings before they are eligible for temporary public assistance.

Today's public inffastructure to incentivize savings is mainly focused on retirement, missing families' need for flexible resources to manage volatility in both income and expenses; but many national organizations are working to advance policies that expand opportunities for low-income households to build flexible savings.[131] A relevant federal policy proposal is the Financial Security Credit Act of 2015, proposed by Representative Jose Serrano (D/NY) which would enable low-income households to receive a credit at tax time, when they assign a portion of their federal tax refund into a designated savings account.[132] Women and their families could draw down on these savings, avoiding the need to turn to predatory products or deplete retirement savings.

A significant barrier to savings—especially for lower-income women—are "asset limits" in public benefit programs that force women to spend down even small amounts of savings before they are eligible for temporary public assistance. The federal government allows states to waive or reduce asset limits, or to exempt certain types of assets, in their administration of federal programs like Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and Supplemental Security Income (SSI). Under pressure from advocates, many states have raised or eliminated asset limits or exempted certain types of assets in many public benefit programs, and battles continue across the country.[133]

IDAs, CSAs, flexible savings accounts, and efforts to raise or eliminate asset limits in public benefits programs are all part of the continuum of strategies to close the women's wealth gap by building assets for low-income women and women of color.

- Expand Opportunities for Women to Buy Homes and Build Home Equity

The Urban Institute report cited earlier describes how women are being charged more for home mortgage loans and denied mortgages more often, despite stronger repayment histories than men. Given the findings, the author calls for new, more accurate means of measuring risk in mortgage lending. The Woodstock Institute report, on the higher denial rates for mortgage loans among women in Chicago, points to the need for further investigation into possible gender discrimination in mortgage lending markets.

State-level efforts are particularly important for women, who are less likely to be eligible for retirement savings accounts through their employers.

Another approach to help women build wealth through homeownership is a 2013 proposal by the Urban-Brookings Tax Policy Center to replace the federal mortgage interest deduction (MID) with a refundable, first-time homebuyer's credit. [134] Female-headed households and households of color are more likely to be low-income, so it is safe to assume most do not benefit from the MID because they do not itemize on their taxes.[135] They are more likely to benefit from a refundable first-time homebuyer's credit because they could access it whether or not they itemize or have a tax liability.[136] While reforming the MID is not currently in play at the national level, several member organizations of the Tax Alliance for Economic Mobility are proactively exploring alternatives in preparation for future national conversations about comprehensive tax reform.[137]

- Expand Women's Capacity to Build Wealth Through Business Equity

As described earlier, an important approach to closing the women's wealth gap, particularly for women of color, is to help them build equity in their own businesses. The infrastructure of support for microenterprises owned by women and people of color has been well developed in recent decades, with technical assistance from national organizations like Grameen and ACCION; national support initiatives like the FIELD program at the Aspen Institute; and networks, like the Association for Enterprise Opportunity (AEO). These organizations and networks are all playing a significant role in helping women to start and grow their own businesses.

The Office of Women's Business Ownership within the Small Business Administration (SBA) has long supported women-owned businesses to grow, including targeted technical assistance to economically disadvantaged businesses.[138] A new SBA rule builds on existing federal efforts to target small and disadvantaged women-owned businesses by allowing federal agencies to sole source contracts to women-owned businesses.[139] In addition, the SBA 8(a) program, and similar state-level programs support business owners of color to establish and grow their businesses through counseling, training, and technical assistance.[140]

Still, recent research points to the need to expand women's access to debt and equity financing in order to grow women-owned firms to the point where they actually build wealth for their owners.[141] Pipeline Angels and Astia Angels are examples of practical efforts to address capital access barriers for women and women of color. Now in cities across the country, Pipeline Angels includes a "bootcamp" to train women investors and a "pitch summit" where women and "non-binary femme entrepreneurs" have an opportunity to pitch ideas to women investors.[142] The bootcamp has trained more than 180 women since its launch in 2011, with graduates investing more than 1.7 million in 20 women-owned companies who have gone through the pitch summit process.[143] Astia Angels, an international network of women and male investors supporting the growth of women-owned firms, has invested 13 million in 40 women-owned firms since it was founded in 2013.[144]

These private, nonprofit and public-sector programs are key pieces of the infrastructure needed to close the women's wealth gap by helping women entrepreneurs to build business equity.

- Increase Women's Access to and Adequacy of Retirement Savings

As described earlier, women are more likely to live longer and, hence, they need more savings for retirement; but on average women are saving less for their retirement years than men. Key challenges are access and adequacy. Recent federal and state-level initiatives are working to expand access to an infrastructure and incentives to help lower-income individuals to save. These efforts, described below, are far from sufficient to address the lack of savings among low-income women and women of color; but they represent key steps that can inform future efforts.

Researchers and advocates have long called for the creation of automatic IRAs (Auto-IRAs), retirement accounts that would be set up automatically by employers and available to all workers, as a way to address the current lack of access to savings by millions of low-income workers. Auto IRAs first emerged as a bipartisan proposal from the Brookings Institute and Heritage Foundation, inspired by research that showed that automatically enrolling workers in retirement plans boosts savings rates.[145] They have been proposed at the federal level for years, including in President Obama's fiscal year 2017 budget proposal, but they have faced partisan opposition in recent years.

In the absence of federal action, states have taken the lead in recent years in establishing state-level Auto-IRAs. For example, California and Illinois have passed legislation and are now implementing "Secure Choice" programs that require smaller employers to provide workers with access to retirement savings accounts; and other states are following suite.[146] These state-level efforts are particularly important to women, who are less likely to be eligible for retirement savings accounts through their employers. Other proposals to encourage small businesses to establish retirement savings plans for their employees include pooled 401(k) plans and small business tax credits to lower the costs and/or administrative burden of establishing and administering retirement plans.[147]

In an effort to expand access to individual savings, the U.S. Treasury recently began piloting myRA, a low-risk starter savings account. A type of portable, Roth IRA with no fees, myRAs allow workers to make small contributions; savings are invested in low-risk, U.S. Treasury securities; and contributions can be withdrawn tax-free without penalty at any time. They were rolled out in 2015 as a pilot program with employers volunteering to participate; and by late 2015 they were available to anyone, with income restrictions.[148]

Another important approach to expanding women's access to employer-provided benefits is to provide part-time workers with pro-rata benefits, as is currently done in European Union (EU) countries. Implemented in 2000, the EU Part-Time Work Directive requires member countries to give part-time workers the same pro-rata pay and benefits as full-time workers.[149] Relevant legislation in the U.S. would expand access to employer-provided retirement accounts for part-time workers by decreasing the hours they need to work to be eligible.[150]

In addition, efforts are underway at the national and state levels to explore different approaches to "portable benefits." For example, the Aspen Institute's Future of Work Initiative, is leading national discussions about building a system of portable benefits that are accessible to part-time and independent workers with the following three features: They are "portable," i.e. not tied to any job or employer; "pro-rated," i.e. employers contribute at a fixed rate, based on the amount of work completed; and "universal," i.e. they are available to all workers, not just full-time employees.[151] Work is underway in California to form a coalition of stakeholders that will build widespread community support and legislative momentum for a portable benefits policy; planning is underway to determine whether these efforts will focus at the state level or include local Bay Area cities/counties, as well.

Even if lower-income women have access to accounts, they are challenged by a lack of resources to save. One source of support for savings, typically used by wealthier families, is the U.S. tax code. Today, the federal tax code subsidizes retirement savings through tax benefits, but research shows that more than 70% of the benefits go to the top 20% of income earners.[152] The federal Saver's Credit was created in 2001 as a way to incentive low- and moderate-income taxpayers to save for retirement by providing a match (in the form of a tax credit) to taxpayer savings. But the Saver's Credit has been underutilized because it is non-refundable, so taxpayers with no tax liability cannot benefit from it. Many national organizations are fighting to make the Saver's Credit refundable; others are working to advance alternative proposals to make the credit more accessible to lower-income households.[153]

Reform Social Security

Several proposed reforms to Social Security would increase benefits for women including providing credit for years that women spend out of the labor force caring for dependents, and adjusting spousal benefits to account for the growing numbers of women who were never married, or married too few years to access their spouse's benefits.[154] Other proposals include improving the surviving spousal benefit, adjusting the Consumer Price Index for the

Elderly, reducing the years of marriage required to receive spousal benefits, and enhancing the minimum benefit.[155]

State auto-IRAs, myRAs, a refundable Saver's Credit, pro-rata or portable benefits, and Social Security reform are all part of a continuum of strategies to close the wealth gap by supporting women to save and invest in retirement assets.

- Make Wealth-Building Tax Subsidies More Accessible to Women

Expanding the number and size of federal and state refundable tax credits, and turning existing tax benefits into refundable credits, are the most effective approaches to equitable tax reform that is most likely to benefit low-income women and women of color.

In recent years, several national coalitions have focused on the role of the tax code in fueling wealth inequality.[156] More than 30 national organizations participating in the Tax Alliance for Economic Mobility have worked, together and separately, to raise public awareness about the inequitable nature of wealth-building tax subsidies and to advocate for policy reform. In 2015 a large national campaign, led by the Center on Budget and Policy Priorities and other national partners, succeeded at making permanent improvements to the EITC and CTC, resulting in significant long-term benefits for women and their families.[157] EITC advocates are currently focused on expanding it for "childless" workers—individuals who do not have children—and those who do not have custody of their children.[158] At the state level, coalitions are working to advance state EITCs and other tax reforms that build the economic security of low-income families.

By changing the way federal and state tax benefits are structured, tax reform advocacy efforts could produce significant wealth-building opportunities for low-income women and women of color. Organizations concerned with closing the women's wealth gap should be part of these conversations, especially given the level of public resources at stake.

- Eliminate Products and Practices That Trap Women in a Cycle of Debt

National, state, and local advocacy efforts are underway around the country to regulate abusive small-dollar loan products on lower-income borrowers. Recently, the Consumer Financial Protection Bureau (CFPB) stepped into the fray, issuing long-awaited rules to regulate payday, auto title, and other small dollar loan products.[159] But even if efforts to regulate payday lending are successful, the issue remains that low-income households need access to safe and affordable small dollar loan products and legal aid to address the far-reaching impact of unbearable debt loads.[160]

Conclusion – Moving Forward

Across the nation, conversations are underway about the economic insecurity of American households, yet most are not focusing on the wealth gap as a driver. Closing the income gap is part of the solution to building families' economic security, but it is not enough to ensure their long-term prosperity and economic mobility.

Today, women play a key role in household wellbeing as they are more likely than ever before to be the sole, primary, or co-breadwinners; yet they face barriers to turning income into wealth through savings and investments. As a result, the women's wealth gap is far greater than the income gap, with low-income and women of color the furthest behind.

The causes and effects of the women's wealth gap are multifaceted and require rigorous exploration, but they must be addressed if we are to build families' long-term economic security. Closing the women's wealth gap calls for a different set of solutions than income- and workforce-focused strategies. It demands a broad menu of policy and practical approaches that builds women's financial knowledge, expands their access to mortgages and business capital, allows them to save for a secure retirement, and enables them to invest—in themselves, their families, and their communities.

The Closing the Women's Wealth Gap initiative includes a growing network of advocates, researchers, practitioners, and funders who are committed to advancing promising policy and practical solutions to gender wealth disparities. In the years ahead, the network will be working in coalition with partners in the public, private, and nonprofit sectors to raise awareness of the women's wealth gap and build the public will to address it.

Without a doubt, closing the women's wealth gap is a long-term endeavor. But given the role of women in the economic security of families, communities and the prosperity of the nation, addressing the gap is in our collective interest.

Appendix

Closing the Women's Wealth Gap:

Moving from Poverty to Prosperity

Women & Families → **Economic Prosperity**

Financial Knowledge/ Credit Building

- Financial education and coaching at key points in women's lives
- Two-generation strategies
- Credit-building strategies
- Credit counseling and legal aid

Savings and Higher Education

- Matched savings (IDAs, CSAs, etc.)
- Flexible savings accounts
- Expand access to retirement savings plans and incentives
- Combat predatory student loans
- Reduce educational debt among young women/women of color
- Make 529 accounts more accessible

Income and Work-based Strategies

- Fight for pay equity
- Increase minimum wage
- Eliminate hiring and promotion barriers
- Address barriers to higher paying sectors
- Expand women's access to
  - ✓ affordable child care
  - ✓ paid sick and family leave

Expand Access to Wealth Escalator

- Expand women's access to:
- Employer-provided benefits (e.g. federal and state auto IRA policies, pro rata benefits for part-time workers)
- Tax-code based benefits (e.g. maximize refundable credits; turn deductions into credits)
- Social Security benefits (e.g. caregiver credits)

Expand Investment Opportunities

- Address gender disparities in mortgage lending
- Expand women's access to home ownership incentives
- Support microenterprise programs targeting women
- Support growth of women-owned businesses

Asset Preservation

- Regulate wealth-stripping financial products and services
- Raise or eliminate asset limits in public benefits programs
- Reduce fines and fees

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[158] Marr, Chuck, Chye-Ching Huang, Cecile Murray and Arlock Sherman. *Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty: Improvement Targeted at Lone Group Taxed into Poverty*. Center on Budget and Policy Priorities, April 11, 2016. http://www.cbpp.org/research/federal-tax/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce

[159] *Notice of Proposed Rulemaking on Payday, Vehicle Title and Certain High-Cost Installment Loans, Consumer Financial Protection Bureau*. (Accessed on October, 12th, 2016).http://www.consumerfinance.gov/policy-compliance/rulemaking/rules-under-development/notice-proposed-rulemaking-payday-vehicle-title-and-certain-high-cost-installment-loans/

[160] One valuable source of information and resources is the Pew Charitable Trust/Small Dollar Loan Program. Developed in 2011 the program is support research and the development of alternatives; see http://www.pewtrusts.org/en/projects/small-dollar-loans-research-project.

COMPASS
WORKING CAPITAL

Aspire. Plan. Invest.

October 15, 2019

The Honorable Joyce Beatty
Chair, Financial Services Subcommittee on Diversity and Inclusion
U.S. House of Representatives

The Honorable Ann Wagner
Ranking Member, Financial Services Subcommittee on Diversity and Inclusion
U.S. House of Representatives

Dear Chair Beatty, Ranking Member Wagner, and members of the subcommittee:

We are grateful for the opportunity to submit this letter and request that it be included with the record for the hearing entitled "Examining the Racial and Gender Wealth Gap in America" that was held at 2:00pm on Tuesday, September 24, 2019.

The purpose of this letter is to highlight an existing, federal program that this committee can tap into right now as a strategy to help close the racial and gender wealth gaps in America.

The program to which we are referring is the Family Self-Sufficiency (FSS) program, which was created by Congress in 1990 and is administered by the U.S. Department of Housing and Urban Development. The power of the FSS program is rooted in the way that it integrates an asset-building opportunity into the delivery of housing assistance. Federally subsidized housing provides a crucial safety net for millions of U.S. families, particularly in the context of rising housing unaffordability across the country. Families who receive housing assistance generally pay about 30% of their income toward rent. Therefore, as families increase their income, they experience a proportional increase in rent. Although designed to keep housing affordable for households receiving assistance, this structure can discourage some families from increasing their income, since they worry about paying more rent and losing other benefits with income limits.

The FSS program enables families who increase their earned income to capture the corresponding rent increase in an escrow savings account. This account builds over time, and families can use their savings to achieve their financial goals. Average savings per graduate nationally is $6,500.[i] There is no other anti-poverty program like FSS in the country, that integrates asset building into the provision of housing or welfare assistance. The FSS program has supported many thousands of families to reach their financial goals and become more financially secure. This includes people like Julia, an FSS participant in Boston who recently reached her long-held dream of opening her own business, whose story is included as an attachment to this letter.

The FSS program is important to consider when examining the racial and gender wealth gaps in America because it has the potential to particularly impact low-wealth households of color and low-wealth households led by women. There are an estimated 2.2 million U.S. households that could take advantage of the FSS program if it were made available to them.[ii] The majority of these households are headed by women who are working (or seeking employment) and raising children, and a greater share of these are households of color than the U.S. population at large.[iii]

In recent years, Congress has taken steps to expand the scope and impact of the FSS program. These include the extension of eligibility for the program to private owners with Project-Based Section 8 contracts, the passage of the Family Self-Sufficiency Act (introduced as standalone bipartisan legislation in both chambers[iv] and passed as part of S. 2155 in May 2018), and an increase of $5 million in funding for the program as part of the approved FY2019 budget.

Approximately 74,000 households participated in the program in the most recent year reported by HUD – less than 3.4% of the total estimated households that stand to benefit from the program.[v] Therefore we would strongly encourage this subcommittee and your fellow Members of Congress to build on your recent efforts in order to further expand the scope and impact of the program. The most immediate opportunity to do so would be to ensure that the $105 million appropriation for FSS in the House FY20 budget is approved as part of final budget negotiations. Additional opportunities to expand the scope and impact of the program are described in the attached policy brief written by our evaluation partners at Abt Associates.

We would welcome the opportunity to share additional information about the FSS program and to further discuss its potential to help close the racial and gender wealth gaps. Thank you for your leadership in calling this hearing, and again for the opportunity to request that this letter be included in the hearing record.

Sincerely,

Sherry Riva
Founder and Chief Executive Officer

Markita Morris-Louis
Chief Strategy Officer

CC: Erica Miles

Attachments:

- Julia de los Santos, Boston, MA story
- Jeffrey Lubell and Hannah Thomas, "Abt Associates Policy Brief: Unlocking the Potential of HUD's Family Self-Sufficiency Program to Expand Financial Coaching and Asset-Building Opportunities for Households with Low Incomes," June 2019

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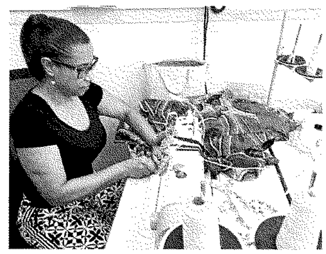
[i] HUD 2020 Congressional Justifications

[ii] Lubell, Jeffrey and Hannah Thomas, "Abt Associates Policy Brief: Unlocking the Potential of HUD's Family Self-Sufficiency Program to Expand Financial Coaching and Asset-Building Opportunities for Households with Low Incomes," June 2019, abtassociates.com/CompassFSS

[iii] National Low Income Housing Coalition, "Housing Spotlight: Who Lives in Federally Assisted Housing?" November 2012, https://nlihc.org/sites/default/files/HousingSpotlight2-2.pdf

[iv] Original cosponsors: Sens. Blunt (MO), Reed (RI), Scott (SC), and Menendez (NJ); Reps. Duffy (WI-7) and Cleaver (MO-5)

[v] HUD 2020 Congressional Justifications



Julia de los Santos, Boston, MA

Julia started learning how to sew when she was nine years old, and designing clothes when she was 14. After putting herself through design school, she spent several years working in alterations for large retailers.

For years, in addition to her job as a tailor, Julia also took on work for friends doing fittings, alterations, and occasionally a custom design. So when she first learned about the Compass FSS program, she saw it as an opportunity to do something she'd thought about for a long time: to open her own clothing boutique and tailoring business.

Julia had always been in the habit of managing a budget and tracking her expenses. One of the first things the FSS program helped her do, she says, was to learn how to reduce her debt and improve her credit. Her Compass financial coach also connected her with support on launching her business through the MA Small Business Development Center Network, where she was able to get feedback on her business plan and assistance with the legal aspects of opening a business.

In late 2017, Julia hosted a ribbon-cutting ceremony with friends and family for the official opening of her own store – JDLS Couture, at 923 Washington Street near the Dorchester/Milton line. Currently the business is primarily focused on tailoring and alterations, but she also sells a few of her own designs and custom pieces and hopes to do more of this in the future.

Julia's major focus right now is on marketing her business to build her customer base. *"I know quality, and my clothes are quality,"* says Julia, *"but I need to improve my marketing so I can stay busy. I would love to find a marketing coach, or affordable classes to learn how I can expand more."*

Julia credits the Compass FSS program as helping her feel ready to get her business off the ground. *"I always had confidence that I would make it, and I always felt like I could do this,"* Julia reflected recently, *"but the program helped me feel really supported."*

ABT ASSOCIATES POLICY BRIEF

JUNE 2019

Unlocking the Potential of HUD's Family Self-Sufficiency Program to Expand Financial Coaching and Asset-Building Opportunities for Households with Low Incomes

By Jeffrey Lubell and Hannah Thomas*

Overview

The U.S. Department of Housing and Urban Development's (HUD's) Family Self-Sufficiency (FSS) program is one of the largest asset-building programs targeted to households with low incomes in the United States, currently serving more than 74,000 households. At the same time, as explained more fully in the technical appendix, FSS serves fewer than four percent of the estimated 2.2 million eligible households that might benefit from it. Increasing the share of eligible households that participate in FSS would substantially expand asset-building opportunities for households with low incomes.

In this policy brief, we mine lessons learned from a recent evaluation of Compass Working Capital's (Compass') National FSS Network to stimulate ideas for how to approach this challenge. The National FSS Network is a technical assistance initiative of the non-profit Compass aimed at supporting the development of FSS programs with a strong focus on building assets and financial capability. We came away from the evaluation convinced there is strong interest among practitioners both in expanding FSS and in adopting or adapting Compass' asset-building model for FSS.

What is FSS?

FSS is a program established by Congress in 1990 that seeks to help participants in three HUD rental assistance programs (the Housing Choice Voucher, Public Housing, and Project-Based Section 8 programs) make progress toward economic security. FSS works to achieve this goal by combining stable affordable rental housing with (a) case management or coaching to help participants identify and achieve their goals and (b) an escrow savings account that increases in value as participants' earnings and rent contributions rise.

To realize the FSS program's sizable potential to help thousands of additional households build assets, a broad array of partnerships, resources, and supports will be needed. Scaling FSS will require, among other things:

- Increased funding for FSS coordinators through federal appropriations, state or local government funding, and philanthropic sources.
- Increased resources devoted to FSS by public housing agencies (PHAs) from administrative fees or other sources.
- In-kind contributions of services from partner organizations with similar objectives.

* *Jeffrey Lubell is the Director of Housing and Community Initiatives at Abt Associates, and Hannah Thomas is an Associate/Scientist at Abt. This policy brief draws on findings of a three-year process evaluation that Abt conducted of the National FSS Network, an initiative of the non-profit Compass Working Capital. Funding for the evaluation and this policy brief has been provided by a grant to Compass from the W.K. Kellogg Foundation. Hannah Thomas was the project director for the evaluation. We are grateful to Kellogg and Compass for funding this work. All opinions are those of the authors alone, however.*

Greater program efficiencies will also be needed; for example, through regional partnerships that allow for the sharing of certain administrative functions and through the use of technology to supplement in-person coaching and allow for higher caseloads without compromising program quality.

This brief first outlines relevant learning from our evaluation of Compass' National FSS Network and then describes a range of options for scaling FSS to support asset-building for thousands of additional households with low incomes.

What Did Abt Learn through Its Evaluation of Compass' National FSS Network?

Abt's evaluation was designed primarily to provide feedback to Compass about how Network members perceive the Network and how it could be strengthened. But the evaluation also generated a number of insights with application for the broader field. The following is a brief summary of key insights, focusing first on multifamily FSS programs offered by owners of Project-Based Section 8 developments and second on FSS programs administered by PHAs for Public Housing residents and participants in the Housing Choice Voucher program.

There is significant interest among multifamily property owners in starting new FSS programs that incorporate financial coaching, but they will need support to successfully launch and sustain their programs.

From the inception of FSS in the early 1990s until 2016, FSS could be administered only by PHAs, which could offer the program to households living in Public Housing or participating in the Housing Choice Voucher program. Owners of HUD-assisted multifamily developments became eligible to offer FSS to their residents in 2016. Despite the relatively new authorization for multifamily FSS programs, Compass has found strong multifamily partners to work with both in its direct service work and in the FSS Network, including the Caleb Group, Preservation of Affordable Housing, and The Community Builders. All three of these organizations are non-profit multifamily housing providers with a strong commitment to providing resident programs and services to create nurturing and supportive affordable housing communities.

Notwithstanding the strong interest among some multifamily owners, there are a number of significant obstacles to the successful expansion of FSS to new multifamily properties and owners. These include:

- **Lack of HUD funding for FSS coordinators in multifamily housing.** For FY 2019, Congress appropriated $80 million to fund FSS coordinators serving households participating in a Public Housing or Housing Choice Voucher FSS program, but no money to fund FSS coordinators working in HUD-assisted multifamily housing.
- **Program complexity and required capacities.** Among other things, a new FSS program needs to build or acquire expertise in providing coaching or case management to participating households. In addition, property managers need to learn the details of FSS program rules and develop procedures for implementing them. Compass' asset-building FSS program model also requires expertise in financial coaching. These are serious but likely manageable challenges for large mission-driven owners that have resources and can take advantage of economies of scale. However, these capacity challenges may be significant impediments for smaller non-profit owners whose properties are too small or fragmented to support the costs of providing FSS-related services to residents and for the many for-profit owners that lack a strong service orientation.

What is Compass Working Capital?

Compass is a non-profit asset-building organization based in Boston, Massachusetts, that works with PHAs and private owners to administer FSS programs. Compass is one of the largest FSS providers in the United States, currently serving about 2,000 households enrolled in FSS in 11 programs in four states. Taking advantage of the flexibility that HUD gives to providers to shape the service delivery model, Compass has developed an approach to FSS that places a strong emphasis on helping residents build assets and financial capability.

What is Compass' National FSS Network?

In 2016, Compass launched the National FSS Network to help new multifamily FSS programs get started and help existing PHA-led FSS programs adopt or adapt Compass' asset-building FSS program model. Compass focused initially on providing direct technical assistance to Network members—three when the initiative launched in 2016, growing to eight members by 2018. Based on this experience, Compass has designed and launched a new FSS Learning Network that features an online platform in order to reach substantially more FSS programs. The new Learning Network, titled Compass FSS Link (www.compassfsslink.org), is supported with an array of complementary technical assistance services.

While most PHAs already have an FSS program established, they will need help growing their program and building capacity to provide financial coaching.

In addition to helping multifamily owners launch new FSS programs, the National FSS Network worked with a number of PHAs to help them strengthen their FSS programs by adding a greater focus on helping participants build financial capability. Among other take-aways from the evaluation, we found:

- **There was strong interest among PHAs participating in the National FSS Network in expanding their FSS programs,** and each of the PHA-led FSS programs made progress in increasing the size of its FSS program during its time in the Network. But limited funding for FSS coordinators made it difficult for programs to expand substantially.
- **There is significant interest among existing FSS programs in deepening their focus on financial coaching and asset-building.** This will require training, however. Many FSS program staff feel they do not have sufficient expertise to coach participants on how to improve their credit and make important financial decisions.
- **Many staff of existing FSS programs have the desire to build the knowledge and skills needed to strengthen their programs.** But as most FSS programs have very small staffs and little formal relationship with other FSS programs, they often lack the institutional framework needed to gain this knowledge and build these skills. Staff are also pressed for time given the workload of the FSS program and the additional responsibilities many are asked to handle.
- **The National FSS Network demonstrated the benefits of having an institution nurture and support local FSS programs** so they are better able to secure the training they need to strengthen their programs and incorporate a deeper focus on asset-building and financial capability.

What Can Be Done to Substantially Expand the Reach of FSS to Serve Additional Households?

It is clear there are multifamily owners interested in starting new FSS programs and PHAs interested in expanding existing FSS programs. Under current policy, HUD will fund the FSS escrow accounts of as many households as wish to participate. The key limitation on program participation is thus the capacity of those owners or PHAs to serve a larger number of households and to provide coaching or case management to those households. Local FSS programs could also benefit from training, technical assistance, and peer networks that could help support their growth and success.

There are a number of ways to meet these needs, including:

- Increases in federal appropriations for FSS coordinators
- Funding from state or local governments
- Increased funding by PHAs from administrative fees or other sources
- Philanthropic funding
- In-kind contributions from partner organizations with similar objectives
- New approaches to FSS coaching / case management that allow for higher caseloads without compromising program quality

The following is a brief summary of the value proposition for each of these six investments.

Increases in federal appropriations for FSS coordinators

To the extent FSS helps participants increase their earnings, as we found in our evaluation of the Compass programs in Cambridge and Lynn, Massachusetts (see text box on next page),[1] FSS will lead to increases in the amount of rent participants pay once their participation in FSS ends. This, in turn, will reduce the amount of government subsidy required to house program participants, freeing up subsidy to expand the number of households receiving housing assistance. Some FSS participants may decide they no longer wish to pay the higher rent and will leave subsidized housing, which would also free up spots for other households. In either event, a successful FSS program should allow the federal government and its agency and owner partners to provide affordable housing for more households.

The federal government also has a broad interest in helping households build assets and escape poverty. In the FSS programs Compass administers, the average FSS escrow payment to graduates is $7,400. These funds can help households escape intergenerational poverty through investments in homeownership, postsecondary education, small businesses, a reliable car, and retirement, among other uses.

Funding from state or local governments

While FSS is a federal program, it advances many of the same objectives that motivate state and local programs, including the goals of helping households with low incomes to increase their earnings and build assets and financial capability. FSS can also free up funds to expand the number of households receiving housing assistance, as noted above. While state and local governments (or their nonprofit partners) can certainly run their own programs, apart from FSS, they would gain significant leverage by partnering with PHAs and private owners to expand their FSS programs. The leverage comes in the form of the FSS escrow account, which is funded by HUD, as well as in the platform of stability that federally subsidized housing provides to allow households to focus on building assets and increasing their earnings.

Some state or local human service agencies provide funding for FSS coordinators who serve households receiving Temporary Assistance for Needy Families (TANF) cash assistance. Given the overlap in program goals, a case can be made for human service agencies to fund FSS coordinators even for low-income households that are not receiving TANF cash assistance to help them make progress toward economic security.

Is the Compass FSS model effective?

An Abt evaluation of Compass FSS programs in Cambridge and Lynn, Massachusetts, found that after about three years in the program, Compass FSS produced large impacts on average annual household earnings (an increase of $6,305) and annual TANF receipt (a decrease of $496) compared to a matched comparison group. Compass FSS participants also experienced sizable increases in FICO® scores (23 percentage points) and the share of participants with a FICO® score (seven percentage points) and sizable decreases in credit card debt ($655) and derogatory debt ($764). These improvements in credit and debt outcomes significantly exceeded benchmarks calculated from credit bureau data. A cost-benefit analysis confirmed that the program's benefits substantially outweighed its costs. Evaluation materials are available at www.AbtAssociates.com/CompassFSS.

Increased funding by PHAs from administrative fees or other sources

As noted above, most PHAs with an FSS program receive limited HUD funding for FSS coordinators. But PHAs also receive administrative fees that they can use for a variety of functions, including FSS. While PHAs' administrative budgets are generally tight, some PHAs choose to invest a portion of their administrative fees in the FSS program to enable them to serve more households. Other PHAs, by contrast, ask the FSS coordinator to assume responsibilities for annual re-examinations of income, in addition to their FSS responsibilities, reducing the number of households the coordinator can support in FSS.

To expand the number of households participating in FSS, PHAs could, at a minimum, not ask FSS coordinators to assume responsibility for functions other than FSS. PHAs could also use some of their administrative fees, or even some of their reserves (if sufficient), to fund FSS coordinators.

Philanthropic funding

Compass has been very successful in raising philanthropic funding for its FSS work. Among other arguments for philanthropic support is the substantial leverage provided by the FSS escrow account and FSS coordinator grants, both of which are funded by HUD. Several of the sites in the National FSS Network were also successful in raising funds from philanthropy. One multifamily site was largely supported by philanthropy, and one of the PHA-led FSS programs obtained a multi-year grant to fund two additional FSS coordinators.

In addition to funding the FSS coordinators who work directly with participating households, philanthropy could also help support investments in the infrastructure for FSS that allows FSS to reach more households and improve the quality and sustainability of local FSS programs. One approach, discussed in the "New Approaches" section below, would be to invest in strategies that use technology to facilitate remote coaching, allowing a single coordinator to serve more FSS participants.

A second approach would be to make regional investments that help increase efficiency and broaden participation in FSS. The following are four ideas for doing so:

- Funders could organize and fund training for FSS coordinators within a region to help strengthen the quality of local programs and facilitate the incorporation of financial coaching or other approaches for building financial capability into the programs' FSS models.
- Some regions have created regional FSS coordinator groups that help facilitate peer-to-peer learning among FSS programs in the region. Funders could help support these networks where they exist and fund their creation in regions where they do not.

- Funders could help support the establishment of a single regional FSS program coordinating committee (PCC) that serves all FSS programs in a region, reducing the need for each program to set up and maintain its own committee and freeing up coordinator time to serve more households. Under HUD program rules, every PHA-run FSS program must have a PCC to create linkages with area service providers, agency officials, employers, and others that can help participants succeed.
- Funders could support the formation of a regional FSS program in which a single regional FSS program serves all households referred by cooperating owners or PHAs. This idea holds particular promise as a solution for making FSS available to households living in smaller multifamily properties that cannot afford to set up their own FSS programs.

One challenge is that some parts of the country have less access to local philanthropic funding than others. A national philanthropic pool could help address these disparities and facilitate the FSS program's expansion in a broader range of geographies.

In-kind contributions from partner organizations with similar objectives

Partnerships play a critical role in the FSS program. In most FSS programs, the case manager or coach works closely with the participant to identify barriers to increased earnings and other participant-defined goals and makes referrals to service providers in the community to work directly with the participant on the identified issues. An array of partners willing to accept and act on referrals is thus important for helping participants make progress.

While FSS programs need strong partners just to meet the needs of existing participants, partnerships can also be used to expand the number of participants in the program. A program that already provides financial or employment coaching, for example, could partner with a PHA or private owner of multifamily affordable housing to provide coaching for FSS participants, allowing an FSS program to serve more households. Models for such partnership already exist. One of the multifamily programs in the National FSS Network, for example, is partnering with a LISC Financial Opportunity Center (FOC); FOC coaches provide case management and financial coaching to FSS program participants in addition to their existing FOC clients. Similarly, in a former program of the State of Alaska, participants receiving both housing and TANF cash assistance received case management from case-workers in the TANF agency that satisfied many of the requirements of FSS coaching.

As noted above with respect to government agencies, non-profits could certainly continue to run their own programs apart from FSS. But by using their coaching or case management capacity to support FSS participants, non-profits become part of a comprehensive long-term approach that may lead to better outcomes for their (now) shared clients. This approach combines the coaching or case management that the non-profits already provide with the asset-building and work-incentivizing FSS escrow account and the stability provided by housing assistance to more comprehensively help participants make progress toward economic security.

New approaches to FSS coaching / case management that allow for higher caseloads without compromising program quality

Another way to increase participation in FSS is to identify approaches that allow a single coach to provide coaching or case management to more participants without compromising program quality. Compass is currently considering options for accomplishing this. The options include the use of technology that allows for remote coaching - reducing travel time for coaches - and potentially texting and smartphone apps that convey key messages automatically. Compass and one of the Network sites have been using texting and phone calls for remote coaching for some time and believe it to be effective. Any new approach will need to be tested carefully, as there is always a danger that the coaching intervention becomes too diluted to be effective. However, there are some precedents in related areas that suggest it may be possible to use technology to improve efficiency. For example, participants in HUD's study of pre-purchase homeownership education and counseling strongly preferred remote approaches (online education and telephone counseling) over in-person delivery.[2]

Key Partner Agencies

Key partners for FSS programs include agencies that provide the following and other important services:

- Job training, employment search, and post-employment stabilization services
- Financial education and coaching on credit and debt issues
- Homeownership counseling and education
- Expungement of old criminal records
- Transportation
- Child care

Conclusion

There is a large potential for expanding FSS programs to help more households build assets and financial capability. Federal, state, and local policy makers stand to benefit by investing in FSS to help subsidized housing participants become more financially stable, freeing up housing subsidy to assist more households. Realizing the potential to expand FSS programs and incorporate into FSS a greater emphasis on asset-building and financial capability will require action by a range of stakeholders working in partnership with local FSS programs, including federal, state, and local government actors, PHAs, and local and national philanthropies. Other essential partners include the many individuals and organizations working on compatible initiatives to help households build assets and financial capability and increase their earnings.

Ultimately, progress will require a broader group of stakeholders to view FSS as a shared platform for achieving their own programmatic objectives, rather than simply an initiative run by PHAs and private owners of multifamily affordable housing.

Technical Appendix

What share of the eligible population is enrolled in FSS?

HUD reports that FSS currently serves "more than 74,000 households."[3] But the current FSS enrollment represents only a small fraction of the potential market for FSS. Neither the governing statute nor the applicable regulations place any limit on the number of households that may participate in FSS. Any public housing agency or private owner of a Project-Based Section 8 development may request permission from HUD to start or increase the size of its FSS program, with funding provided by HUD for the escrow accounts of all participating households.

The FSS program has the capacity to expand far beyond its current footprint. Nationwide, more than 1.9 million households receive one of the three housing subsidies eligible for participation in FSS (Public Housing, the Housing Choice Voucher program, or Project-Based Section 8) and are headed by someone who is neither elderly nor a person reporting a disability.[4] All of these households are potential participants in FSS.

Elderly persons and persons with disabilities are also eligible for FSS, though only a minority are likely to be in the labor market or interested in joining the labor market. Since employment is required to graduate from FSS, it seems logical in estimating the potential addressable market to discount the total populations of the elderly and persons with disabilities based on their labor force participation rates. According to the Bureau of Labor Statistics, about 15 percent of women age 65 or older and 19 percent of people with disabilities are in the workforce. Applying these percentages to HUD data on households receiving rental assistance headed by someone who is either (a) elderly without a reported disability or (b) not elderly but with a reported disability would bring the estimated potential addressable market for FSS to about 2.2 million households.[5]

The approximately 74,000 households now being served by FSS represent **less than four percent** of this potential addressable market.

Endnotes

[1] Geyer, Judy, Lesley Freiman, Jeffrey Lubell and Micah Villarreal. 2017. Evaluation of the Compass Family Self-Sufficiency (FSS) Programs Administered in Partnership with Public Housing Agencies in Lynn and Cambridge, Massachusetts. Bethesda, MD: Abt Associates. This paper also includes a summary of other research on FSS. Dastrup, Samuel, Lesley Freiman, Jeffrey Lubell, Micah Villarreal, and Daniel Weiss. 2017. Interim Cost-Benefit Analysis of the Compass Family Self Sufficiency (FSS) Program. Bethesda, MD: Abt Associates.

[2] Moulton, Shawn R., Laura R. Peck, Nichole Fiore, Debbie Gruenstein Bocian, and Donna DeMarco. 2018. Who Participates in Homebuyer Education and Counseling Services and Why? Insights From HUD's First-Time Homebuyer Education and Counseling Demonstration. Report prepared by Abt Associates. Washington, DC: U.S. Department of Housing and Urban Development.

[3] HUD's FY 2020 Congressional Budget Justification, https://www.hud.gov/sites/dfiles/CFO/documents/2020CJ-FSS.pdf. This represents the approximate number of participants in FSS programs that receive FSS coordinator grants from HUD. The actual number of participants is likely to be somewhat higher since this figure does not include participants in PHA-led FSS programs that do not get coordinator grants or participants enrolled in Project-Based Section 8 developments.

[4] Authors' tabulations of data from HUD's 2018 Picture of Subsidized Housing Database. This database treats households as elderly if the head or spouse is age 62 or older and identifies a household as having a disability if a disability has been reported for the head, spouse, or co-head. Among these 1.9 million households, there are also no spouses or co-heads who are age 62 or older or report a disability.

[5] All households participating in the Housing Choice Voucher, Public Housing, or Project-Based Section 8 program are eligible for FSS, regardless of disability status or age. For purposes of estimating the potential addressable market for FSS, this paper assumes 15 percent of elderly households without a reported disability and 19 percent of non-elderly households with a reported disability are in the labor force or interested in and capable of joining it. These rates are based on data on workforce participation. According to the Bureau of Labor Statistics, 15.5 percent of women age 65 or older were in the workforce in 2016 (https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm, accessed May 28, 2019) and 19.1 percent of people with disabilities were in the workforce in 2018 (https://www.bls.gov/news.release/pdf/disabl.pdf, accessed May 28, 2019).

FREE FROM
Financial security and safety for survivors

October 14, 2019

The Honorable Joyce Beatty
Chair, Financial Services Subcommittee on Diversity and Inclusion
U.S. House of Reprsentatives

Re: The Survivor Wealth Gap – Contribution to official record for the "Examining the Racial and Gender Wealth Gap in America" hearing

Dear Congresswoman Beatty:

FreeFrom requests that the contents of this letter be submitted as a contribution to the official record for the hearing entitled, "Examining the Racial and Gender Wealth Gap in America."

The Survivor Wealth Gap

1 in 4 women, 1 in 2 transwomen, and 1 in 7 men in the U.S. have experienced severe domestic violence, and the number 1 reason survivors stay in or return to abuse is because they can't afford to leave or stay safe.

Why can't survivors afford safety? The stark reality is that experiencing violence is incredibly expensive. In a report published last year, the CDC estimates that the average cost of domestic violence per female survivor is $104,000. However, this figure tells only part of the story. In 99% of domestic violence cases, harm-doers use economic abuse to exert control over a survivor by wreaking havoc on the survivor's finances. For example, harm-doers incur debts in the survivor's name, liquidate the survivor's assets, and prevent the survivor from getting or keeping a job.

This means that when survivors leave abuse, they do so with six figures in costs and no money, no source of income, damaged credit, and no support system. Faced with the horrifying choice between returning to danger or becoming homeless, most survivors return. In fact, a survivor will go back an average of seven times, most prevalently for financial reasons.

In order to break the cycle of violence, we must prioritize financial security for survivors and close the survivor wealth gap.

Closing the Survivor Wealth Gap

At FreeFrom, we envision a world without a survivor wealth gap. More specifically, we envision a world where survivors have sustaining income, savings, and credit with which to build wealth and the resources to support individual, intergenerational, and community healing.

FreeFrom has developed Survivor Wealth Policy Objectives that, if implemented, will improve wealth building opportunities for survivors, which will in turn make significant strides in closing the survivor wealth gap:

Objective 1: Widen the Definition of Domestic Violence to Include Economic Abuse

Economic abuse occurs when a harm-doer controls a survivor's ability to acquire, use, and maintain economic resources, thus making the survivor completely financially dependent on the harm-doer. Economic abuse, which occurs in 99% of domestic violence cases, has devastating effects on a survivor's financial future, including by damaging a survivors credit, reducing a survivor's assets, and decreasing a survivor's employability over time.

Despite its prevalence and significance, no state in the U.S. recognizes economic abuse as domestic violence. In order to solve the problem of domestic violence, we must fully and accurately define it. Thus, expanding the definition to include economic abuse is essential to both closing the survivor wealth gap and ending the cycle of violence in the U.S.

FreeFrom is taking a 50-state approach to the implementation of this policy objective by partnering with local advocates to help provide the subject matter expertise they need to successfully widen the definition of domestic violence to include economic abuse in their state.

Objective 2: Create Paid and Protected Leave for Survivors

60% of survivors lose their employment as a result of abuse. A major contributing factor is the lack of paid and protected leave for survivors. Only 17 states in the U.S. allow survivors to use their accrued sick and vacation days to deal with the consequences of abuse. This leave is not always protected or paid and requires a survivor to deplete their sick and vacation days.

Survivors need access to employment so that they can get the sustainable income they need to afford safety. Creating paid and protected leave for survivors is essential to closing the survivor wealth gap and ending the cycle of violence in the U.S.

FreeFrom will be working with 3-5 large corporations to pilot a paid leave policy for survivors and conduct a cost / benefit analysis of the policy's effects. We hope to be able to demonstrate that corporations can actually save money in offering such a policy (through increased employee retention and productivity) and increase employee morale.

Objective 3: Engage Banks and Financial Institutions in Supporting Survivors

With the advent of online banking, harm-doers—who often control or at least have access to a survivor's personal information including usernames and passwords—can more easily gain access to and interfere with a survivor's finances, including by liquidating a survivor's assets and incurrent debts in their name. For instance, in a 2019 study, 52% of survivors reported coerced or fraudulent debt at the hands of their harm-doer.

This abuse of banking systems by harm-doers can have devastating implications for a survivor's financial well-being. In the same 2019 study, 46% of survivors reported damaged credit as a result of coerced or fraudulent debt with another 14% reporting that they were unsure of their credit score.

FreeFrom is creating industry guidelines and best practices for banks to address domestic violence and economic abuse that cover everything from training for bank tellers, organized systems to protect survivors' privacy, and new products to support survivors' financial recovery. We are working with international consultants and experts, survivors in the U.S. via our experts by experience group and interested banks to draft these guidelines. Our hope is that once the guidelines have been created, we can support interested banks in implementing them.

Objective 4: Increasing Survivor Access to Civil Remedies

Survivors bear the brunt of the costs of abuse, which include medical bills, property damage, and lost wages. Survivors need a way to recoup these costs. However, existing torts are ill-equipped to give survivors the help they need. Generally, torts must be brought within 1-2 years after a discrete act causes an injury. However, working through the trauma of abuse often takes several years, causing survivors to miss their window to sue. Moreover, domestic violence is a pattern of coercive control, not a series of discrete acts.

In order to increase survivor access to civil remedies and help survivors recoup the costs of abuse, domestic violence torts should be implemented in all 50 states, and applicable statutes of limitation should be increased to give survivors sufficient time to bring claims against their harm-doers.

FreeFrom is taking a 50-state approach to the implementation of this policy objective by partnering with local advocates to help provide them the subject matter expertise they need to successfully create domestic violence torts and expand applicable statutes of limitation in their state.

In order to break the cycle of violence in the U.S., we must close the survivor wealth gap. The above policy objectives represent important first steps, but in order to make safety an affordable option for survivors and their families, we must prioritize survivor wealth.

Best,

Sonya Passi

Sonya Passi
Founder & CEO, FreeFrom

inclusiv

October 16, 2019

The Honorable Joyce Beatty
Chair, Financial Services Subcommittee on Diversity and Inclusion
U.S. House of Representatives

The Honorable Ann Wagner
Ranking Member, Financial Services Subcommittee on Diversity and Inclusion
U.S. House of Representatives

Dear The Hon. Joyce Beatty and The Hon. Ann Wagner,

Thank you for entering Inclusiv's written documentation into the record for the Subcommittee on Diversity and Inclusion. Inclusiv is a non-profit organization of community development credit unions, dedicated to serving low-income communities and communities of color. We were very interested in the recent Subcommittee on Diversity and Inclusion hearing "Examining the Racial and Gender Wealth Gap in America" on September 24, 2019. This is a prominent focus of our organization and its members.

I have enclosed in this package a letter outlining our strategy for building and preserving minority credit unions, entitled "Inclusiv Strategy for Building MCUs." Please include this document as part of the record for the September 24th, 2019, hearing.

I have also included in this package two supplementary documents. The first is an overview of our organization and the work we conduct, entitled "Inclusiv_brochure_082719_final." The second supplementary document is an announcement for a partnership with which we were involved between our member, Concord FCU, and the non-profit Bedford-Stuyvesant Restoration to expand financial access to people of color in Brooklyn, entitled "Concord Partnership Announcement 4-2019."

Thank you for your consideration, and thank you for your continued efforts to promote and expand financial inclusion to communities of color.

Sincerely,

Cathie Mahon
President/CEO, Inclusiv

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Inclusiv announces partnership between Concord FCU and Bed Stuy Restoration

Inclusiv <info@inclusiv.org>
Mon 4/8/2019 4:28 PM
To: Jules Hebert <jhebert@inclusiv.org>

View as Webpage

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For Immediate Release: April 8, 2019
Contact: Anat Gerstein, **anat@anatgerstein.com** or 347-361-6633
Jake Oliver, **jake@anatgerstein.com** or 347-361-9983

Inclusiv Announces Partnership Between Bedford Stuyvesant Restoration and Concord Federal Credit Union to Expand Financial Access for Central Brooklyn Residents and Boost African American Credit Unions

Part of Initiative supported by Citi Community Development to Address Alarming Rates of Closures Among Much-Needed African American Credit Unions

(Brooklyn, N.Y.) – Inclusiv, a nonprofit that works with community development credit unions to boost prosperity in low-income neighborhoods, today announced an innovative partnership that will help central Brooklyn residents access safe, fair, and affordable financial services and will grow the capacity of a historic African American credit union. The announcement was made during Financial Literacy Month, which is celebrated each April.

The partnership is between Bedford Stuyvesant Restoration Corporation and The Concord Federal Credit Union, which was launched by the Concord Baptist Church of Christ in 1951. It has the potential to triple the size of the credit union and offer access to affordable loans, credit building, savings accounts, and financial counseling to an additional 2,000 central Brooklyn households. The collaboration is part of the **African American Credit Union Initiative**, supported by Citi Community Development.

"This important partnership builds financial empowerment and security for residents and keeps residents' money in the communities they live in. More than that, this kind of work is helping revitalize legacy African American institutions to be more visible and effective agents of change in their communities," said Cathie Mahon, Inclusiv CEO.

Nearly a million New York City households are un- or under-banked. In Bedford-Stuyvesant, approximately one-in-five households are unbanked and nearly 30 percent are under-banked, meaning they have a checking or savings account but still use alternative financial services such as expensive check cashing and high-interest predatory loans. The unemployment and poverty rates in the neighborhood are significantly higher than they are in Brooklyn and citywide.

"There is a great need in Bedford-Stuyvesant and in central Brooklyn for financial services and products people can trust, rely on, and afford. We are thrilled to be expanding access to our credit union to many more families who will benefit from our services to build a better future," said Ronnie L. Brandon, President of the Board of Directors, Concord Federal Credit Union.

"This partnership will support Restoration's initiative to disrupt and close the exploding racial wealth gap," said Colvin W. Grannum, Restoration's President and CEO . Over the past 25 years, the wealth gap between black and white Americans has nearly tripled. In 2018, the median white household wealth in the U.S. totaled $140,000 vs. $3,400 for African Americans. "The partnership will elevate the prominence of Concord Federal Credit Union and give local residents greater access to financial services and products that will help them better manage their financial resources and build assets such as savings for emergencies, education or home ownership"

In addition to expanding financial services to residents, the partnership will also help boost the long-term success of the Concord Federal Credit Union, a central goal of the larger African American Credit Union Initiative.

Minority-owned credit unions, lifelines for financial security and growth in minority neighborhoods, are closing at the staggering rate of roughly one per week. African American credit unions, which make up 50 percent of all minority-owned credit unions, are among the fastest to decline. These closures are particularly concerning given that Black and Hispanic households are five times more likely to be under-banked than White households according to the FDIC.

"Citi recognizes that it takes many different financial institutions and organizations to provide the mosaic of services that communities and households need," said Gregory Schiefelbein, NY Tri-State Director, Citi Community Development. "By collaborating with Inclusiv to support African American credit unions, we aim to help address the operating challenges of small minority-owned credit unions like Concord Federal Credit Union and expand financial access for individuals, families and communities."

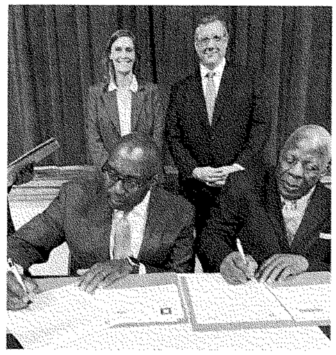
The African American Credit Union Initiative helps African American credit unions grow and become more sustainable through:

- Access to a common back-office technology platform to help achieve greater efficiency and economies of scale
- Assistance with building networks and community partnerships to expand their customer reach
- Consumer outreach and marketing, including a new website - **inclusivcommunities.org** - that provides the first online presence for many of these institutions
- Training and strategic planning to help credit unions become stronger and grow

The African American Credit Union Initiative was launched in January 2017. Between January 2017 and December 2018, the initiative resulted in African American credit unions in New York City:

- Growing assets by 9 percent
- Increase in lending by 23 percent
- Increasing deposits by 16 percent
- Opening 578 new accounts

The African American Credit Union Initiative is also working with credit unions in Chicago.
To find out more about joining the Concord Federal Credit Union, visit **inclusivcommunities.org.**



Colvin W. Grannum, Restoration CEO, at left, and Ronnie L. Brandon, President of the Concord FCU Board of Directors, sign partnership agreement joined by Cathie Mahon, Inclusiv CEO, and Gregory Schiefelbein, NY Tri-State Director, City Community Development

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About Inclusiv

At Inclusiv, we believe that true financial inclusion and empowerment is a fundamental right. We dedicate ourselves to closing the gaps and removing barriers to financial opportunities for people living in distressed and underserved communities. Inclusiv is a certified CDFI intermediary that transforms local progress into lasting national change. We provide capital, make connections, build capacity, develop innovative products and services and advocate for our member community development credit unions (CDCUs). Inclusiv members serve over eight million residents of low-income urban, rural and reservation-based communities across the US and hold over $92 billion in community-controlled assets. Founded in 1974, Inclusiv is headquartered in New York, NY, with offices in Madison, WI and Atlanta, GA. For more information about Inclusiv visit us at **Inclusiv.org** and connect with us on **Facebook**, **LinkedIn** and **Twitter**.

Inclusiv is the new name of the National Federation of Community Development Credit Unions.

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Inclusive and Equitable Ownership of Capital in Communities of Color: Driving Minority Depository and Community Development Financial Institutions on a Path to Scale and Sustainability

Summary

Inclusiv is the leading champion for creating a more just and equitable economy by building, growing and supporting local ownership and control of capital in low-income and communities of color. We believe that financial and economic inclusion is a fundamental right. We dedicate ourselves to closing the gaps and removing barriers to financial opportunities for people living in distressed and underserved communities. Inclusiv is a certified CDFI intermediary that transforms local progress into lasting national change. We provide capital, make connections, build capacity, develop innovative products and services and advocate for our member community development credit unions (CDCUs).

Our strategic goals for this effort are:

- ***Preserve and build*** the diversity of the Credit Union movement
- Increase ***organizational capacity*** and effectiveness of minority depository institutions and CDFIs to grow and serve their community
- Propel ***innovation and impact*** among low-income communities through technology

Inclusiv works to build a more inclusive economy and nation by promoting, supporting and growing a robust network of minority depository institutions.

The Challenge

African Americans as a group are among the most financially underserved Americans, resulting from our country's long history of discrimination and redlining. But even in today's economy disparities continue to widen. Income gains since the financial crisis have not been shared equitably. The family income in census tracts served by community development and minority credit unions fell by more than $800 relative to tracts served by mainstream financial institutions. A recent Prosperity Now report demonstrates that from 1983-2013 the wealth of African American households declined by 75% compared with a 14% increase for White households. While 27% of all Americans are unbanked or underbanked, 49% of African Americans are either unbanked or underbanked, regularly relying on payday lending and other high-cost financial services to meet household needs. These predators target communities of color and exacerbate wealth gaps extracting exorbitant fees and trapping people into cycles of debt.

Building wealth may start with a safe place to bank and grow savings but credit unions recognize that it requires a clear and achievable pathway of productive credit and services to ultimately access wealth building tools such as the purchase a home, accessing an education or starting a business.

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inclusiv.org | info@inclusiv.org

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The Solution

Minority depository institutions, like black owned credit unions and banks, have been the most effective vehicles for helping African Americans build and grow wealth in this country. And they represent the best solution for rebuilding assets and bridging the racial wealth divide. FinTech has an important role to play designing tools along the way, but on-the-ground trusted financial institutions and advisors are critical to put the pieces together. Minority depository institutions have taken a hit in the past two decades with limited capital to withstand the financial and economic shocks. But with the expansion of CDFI programs, increased interest among socially responsible investors and access to other tools for growth (Bond guarantee, tax credits and potentially opportunity zone credit) these historic institutions can recast and rebrand their historical role into new opportunities that being a CDFI affords.

In 2016, the #BankBlack movement took off as consumers and socially responsible investors around the country chose to put their money with their values and opened accounts at Black banks and credit unions. These efforts are only going to continue to grow. But it requires a proactive federal policy that promotes equity (and near-equity) investment into these institutions to allow these institutions to grow and deploy those deposits into affordable loans and a supportive regulatory environment committed to building lasting sustainable growth models for minority and community development credit unions.

Building a Robust Network of Sustainable MDIs

There are currently more than 500 minority credit unions chartered in the United States. The Inclusiv Network spans 270 community development credit unions in 48 states and serve nearly 10 million residents of low-income urban, rural and reservation-based communities across the US and hold over $99 billion in community-controlled assets. All credit unions in the Inclusiv Network were formed by and for underserved communities historically excluded from mainstream financial services. Roughly one-half of these community development credit unions have the designation of minority credit union.

Inclusiv launched its Inclusiv Communities work to support minority credit unions through initiative like the African American Credit Union Initiative to build the tools that will enable its members, credit unions primarily owned by and serving black communities, to create a new sustainable growth-oriented business model for the future. These credit unions are in communities few others have been able to reach and serve well. Many of these smaller, historically black credit unions want to reach more but have limited capital and resources to so do. Inclusiv has set out to help create the model and the environment for African American credit union growth and sustainability through:

- Intensive training and technical assistance to guide credit union through key stages of stability and compliance support; leadership development through board and staff planning sessions;
- Expanding product and service suite and the delivery of these products through investment in technology;

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- Developing strategic partnerships with local government, service organizations, community development efforts and local business to expand the reach and connection to consumers in need;
- Design and execution of Marketing strategies and the development of marketing collateral to provide clear and culturally appropriate information and education about using the credit union;
- Investing capital in the form of deposits and secondary capital to foster next stage of growth;
- Advocate on the national and local level to create a regulatory environment where minority credit unions are able to thrive.

We started with the fundamentals: ensuring that we have a stable and solid network of black-owned credit unions to work with. The first and most critical step is supporting the safety and soundness of each institution to ensure they are on stable footing for growth. Inclusiv began with a cohort of African American credit unions in New York and Chicago, and then grew to connect with an emerging group of credit unions serving high-poverty African American communities across the Southeast (Alabama, Mississippi and Louisiana). In the past two years, Inclusiv has provided 30 trainings to 50 African American credit union leaders. This year we are expanding the work to Detroit and Cleveland while building a national leadership council to promote the practices nationally in all 48 states we serve.

Advocating for an Innovative Approach

A vision for growth must be driven by a CU Board and leadership. But it can also be greatly aided or hampered by the broader policy and regulatory environment. Too many credit unions seeking to grow and change to their adapting communities, have been constrained or even halted by insufficient capital to experiment and grow; and regulatory overreach. We seek a supportive policy and regulatory environment that will:

- **Direct resources specifically to minority credit unions through both NCUA and the CDFI Fund.** Both CDFI Fund and NCUA administer capital and technical assistance funds that help build the capacity of CDFIs and credit unions. However, the vast majority of these funds are not reaching minority led CDFIs and credit unions. We urge targeted appropriations with explicit language that earmarks resources to build capital and impact of these institutions.
- **Extend the benefits of a regulatory sandbox approach** for innovation in the development and implementation of a new growth and sustainability business model for minority credit unions. For small CUs an examiner can wield outsized influence both positive and negative on operations. Examiners frequently prevent minority credit unions from growing, innovating and piloting new products and strategies. With the rise of FinTech, there have been proposals and pilots exploring the establishment of a regulatory sandbox, a regulatory approach that allows live, time-bound testing of innovations under a regulator's oversight. An equal regulatory sandbox for minority credit unions seeking to grow would give sufficient time and flexibility to move toward growth and effectuate changes in their loan policies, implement new services and expand their fields of membership more readily to find their own pathway toward growth.

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Our Quest for Financial Inclusion

At Inclusiv, we believe that equal access to financial services is a fundamental right. The only network of credit unions with a mission of financial empowerment, we work to close gaps and remove barriers to financial opportunities for people living in distressed and underserved communities nationwide. We provide capital, make connections, build capacity, develop innovative products and services, and advocate for our member community development credit unions (CDCUs).

Our members currently serve more than 9 million low- and moderate-income residents of urban, rural, and reservation-based communities across the United States and hold over $99 billion in community-controlled assets. These members are part of our growing movement to unite like-minded credit unions so we can transform local progress into lasting change at the national level.

Inclusiv's goal is to increase the visibility and impact of mission-driven financial institutions and create a stronger, more robust, and vibrant economy. We invite you to join us and help achieve that goal.

Innovation and Impact

Inclusiv offers members two types of assistance:

We invest in CDCUs, giving them the secondary capital necessary to grow and increase their impact in their communities and we provide innovative programs that directly help CDCUs better serve the people who need them. Here's a look at our investment services.

/ inclusiv. / capital

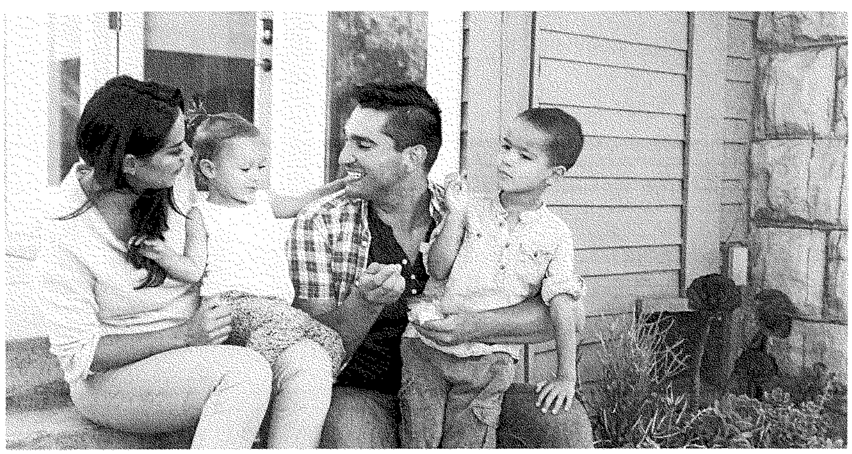
Inclusiv/Capital invests in member credit unions to strengthen their financial position and enable them to offer innovative and responsible loan products in their local communities. Since it was established in 1982, Inclusiv/Capital has invested more than $120 million in its member CDCUs.

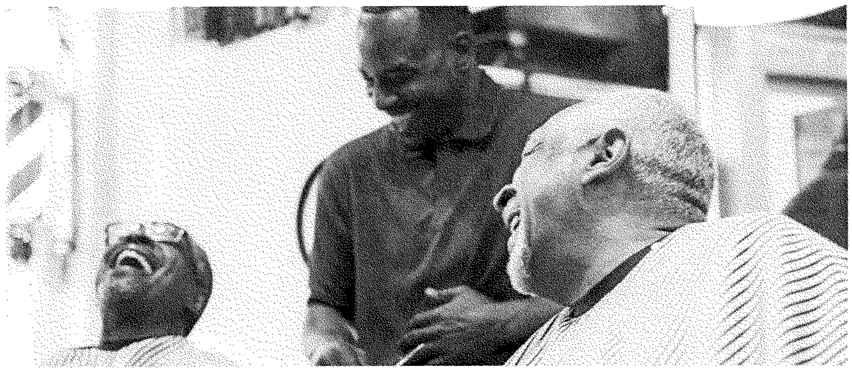
www.inclusiv.org/capital.

/ inclusiv. / mortgage

Inclusiv/Mortgage is a secondary market program that purchases seasoned, performing mortgage loans from member credit unions to replenish their loan capital so they can expand their lending in local communities. Inclusiv/Mortgage also offers mortgage training, underwriting assistance, compliance support, and discounted mortgage insurance.

www.inclusiv.org/mortgage





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As Inclusiv members, we are part of a national movement that is changing people's economic lives.

JACK LAWSON - INCLUSIV BOARD CHAIR AND CEO, MISSOULA FCU

In addition to investment opportunities, we have developed a range of innovative programs and solutions:

inclusiv/communities

Inclusiv/Communities provides programs for reaching communities underserved by the financial mainstream. Current initiatives include Juntos Avanzamos (Together We Advance), Pathways to Financial Empowerment, the African American Credit Union Initiative, and On the Rise Financial Center.

www.inclusiv.org/initiatives

inclusiv/technology

Inclusiv/Technology is a customized shared core platform that offers credit unions of all sizes robust back-office accounting, processing, and compliance support. It also enables CDCUs to measure, evaluate, and report on their impact in the community.

www.inclusiv.org/technology

Membership Benefits

Inclusiv members have access to:

- Inclusiv/Capital's community development investment program
- Guides for implementing innovative services for underserved consumers
- Program support for serving diverse markets
- Free CDFI reporting, certification review and analysis
- Free Community Development Credit Union Profile with personalized KPIs and peer benchmarks
- Free technical assistance
- Discounted financial counseling
- Free webinars
- Discounted registration at Inclusiv events

"

Thank you! You are all worth your weight in gold... Your process was seamless, and I have nothing but wonderful kudos to you for your hard work on my certification report.

LISA LEEPER-MARTINEZ - SVP OF OPERATIONS, TINKER FCU

Free CDFI Annual Certification Reporting Assistance

CDFI certification is an essential credential for credit unions with a focus on financial inclusion. Inclusiv offers free CDFI Annual Certification Reporting to its members. The aggregate data we collect provides unique insights into our membership and CDFI credit unions, and helps us to effectively advocate on behalf of our member CDCUs to secure greater resources from the CDFI Fund for credit union activity.

Inclusiv was instrumental in establishing the CDFI Fund in 1994, is a permanent member of the national CDFI Coalition and is the CDFI and community finance authority for the credit union industry. Our member CDCUs represent over 8 million members in low-income communities across the US, representing the majority of all CDFI-certified credit unions.

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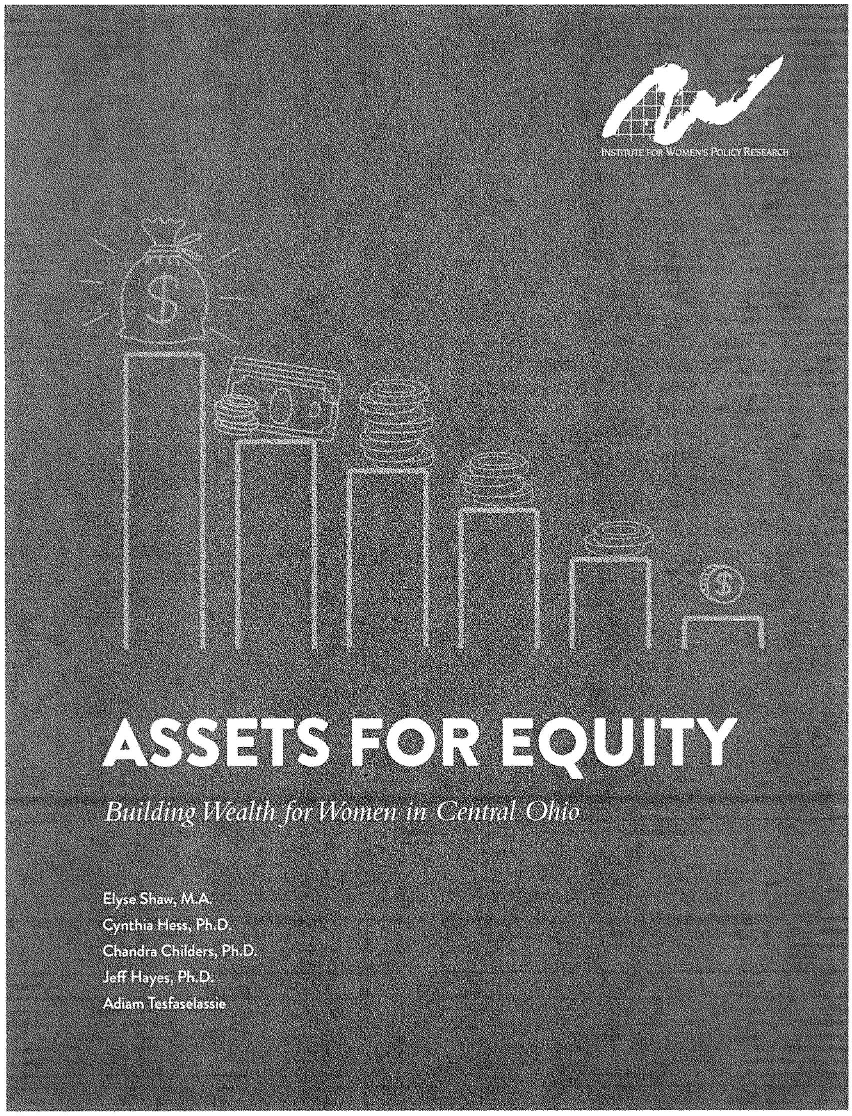
INSTITUTE FOR WOMEN'S POLICY RESEARCH

ASSETS FOR EQUITY

Building Wealth for Women in Central Ohio

Elyse Shaw, M.A.
Cynthia Hess, Ph.D.
Chandra Childers, Ph.D.
Jeff Hayes, Ph.D.
Adiam Tesfaselassie

About This Report

This report examines the gender and racial wealth gaps in Central Ohio, focusing on the causes and extent of these gaps as well as on promising strategies for addressing them. Drawing on multiple data sources—including national data on wealth, local and state data on women's employment and economic status, an online survey and focus groups, and interviews with policymakers and program leaders—the report analyzes how wealth accumulation differs between women and men and how it differs among women along racial and ethnic lines, examining the obstacles that prevent women from accumulating wealth. It builds on the Institute for Women's Policy Research's longstanding report series, *The Status of Women in the States*, which has provided data on the status of women nationally and for all 50 states plus the District of Columbia since 1996. The Status of Women in the States publications use data from U.S. government and other sources to analyze women's status across multiple issue areas. These reports highlight women's progress and its lack and encourage policy and programmatic changes that can improve women's opportunities. This report was funded by The Women's Fund of Central Ohio with additional funding from the NoVo Foundation.

About the Institute for Women's Policy Research

The Institute for Women's Policy Research (IWPR) conducts and communicates research to inspire public dialogue, shape policy, and improve the lives and opportunities of women of diverse backgrounds, circumstances, and experiences. The Institute's research strives to give voice to the needs of women from diverse ethnic and racial backgrounds across the income spectrum and to ensure that their perspectives enter the public debate on ending discrimination and inequality, improving opportunity, and increasing economic security for women and families. The Institute works with policymakers, scholars, and public interest groups to design, execute, and disseminate research and to build a diverse network of individuals and organizations that conduct and use women-oriented policy research. IWPR's work is supported by foundation grants, government grants and contracts, donations from individuals, and contributions from organizations and corporations. IWPR is a 501(c)(3) tax-exempt organization that also works in affiliation with the Program on Gender Analysis in Economics at American University.

IWPR #R591

About The Women's Fund of Central Ohio

The Women's Fund of Central Ohio is fiercely committed to igniting social change for the sake of gender equality. We spark conversations, connect people and organizations, and influence the opportunity for economic empowerment and leadership for women and girls.

We believe that positive social change will come about only when barriers of gender, class, ethnicity, race, educational background, sexual orientation, gender identity, economic status, and faith traditions are overcome. Participation at the broadest level is the beacon of our work.

We provide the research to inform and affect policy, the tools to disrupt social norms, and the grants to build capacity; all while creating a community of change-makers. For the next three years, we are focused on affecting the following issue areas under our strategic priority areas of economic empowerment and leadership for women and girls: Childcare & The Benefits Cliff; Paid Leave; Pay Equity; Access to comprehensive, medically accurate sex education and contraception; and, leadership for women and girls.

www.womensfundcentralohio.org

Women's Fund of Central Ohio Ad-hoc Research Committee

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Jennifer Beard

Jamaal Bell

John McHugh

Jennifer Landau

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United Way of Central Ohio

YWCA Columbus

Assets for Equity: Building Wealth for Women in Central Ohio

Elyse Shaw, M.A.
Cynthia Hess, Ph.D.
Chandra Childers, Ph.D.
Jeff Hayes, Ph.D.
and Adiam Tesfaselassie

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The authors thank the IWPR staff involved in the research and report production. Dr. Heidi Hartmann, President and CEO, provided input on the methodology and reviewed the report. Dr. Jessica Milli, Study Director, contributed to conducting microdata analysis, and Dr. Joo Yeoun Suh, former Postdoctoral Fellow in Economics, programmed the online survey in Qualtrics. Emma Williams-Baron, former Policy and Data Analyst and research interns Tessa Holtzman and Alyssa Mendez provided research assistance. Jennifer Clark, Director of Communications, and Nicolas Martinez, Communications Associate, oversaw the layout, design, and dissemination of the report.

The authors are deeply grateful to the 670 individuals who completed the survey and the 22 focus group participants who shared their stories and experiences. We also thank the 12 program leaders and policymakers for giving their time and insights into obstacles and accelerators for wealth building in Central Ohio: Linda Kanney, Member of the Board of Directors, National Coalition of 100 Black Women, Inc.; Iris Cooper, National Coalition of 100 Black Women, Central Ohio Chapter; Dr. Karen Patricia Williams, Director, Center for Women, Children, and Youth, Ohio State University; Councilmember Elizabeth Brown, Columbus City Council; Christie Angel, President and Chief Executive Officer, YWCA Columbus; Dan A. Sharpe, Vice President, Community Research and Grants Management, Columbus Foundation; Matthew Martin, Community Research and Grants Management Officer, Columbus Foundation; Kalitha Williams, Project Director, Policy Matters; Dr. Lisa Courtice, President and CEO of United Way of Central Ohio; Toshia Safford, President and CEO, The Center for Healthy Families; Chad Ketler, President and CEO, Community Properties of Ohio Management Services; Regina Clemons, Chief Program Officer, Community Properties of Ohio Management Services.

The Women's Fund of Central Ohio is especially grateful for the input of Dr. Suparna Bhaskaran, WFCO research consultant, and the support of the Women's Public Policy Network and Policy Matters Ohio.

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Appendices

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Appendix Tables

Executive Summary

Building wealth is integral to women's economic security, good health, and overall well-being. Wealth—the value of assets minus debts—enables women to weather unexpected economic hardships and provides them with resources that allow them to have proactive control over their lives, giving them the chance to pursue educational degrees, business ventures, or other opportunities without accruing significant debt. While building wealth can be a lifelong process, women, especially women of color, generally have fewer opportunities than men to accumulate wealth. National discussions of inequality have typically focused on the gender earnings gap – with women earning just 80 cents on the dollar compared with men – yet the wealth gap is even larger: single women ***own*** only 40 cents for every dollar that single men own. For Black and Hispanic women, the wealth gap is especially stark: single Black women own ***two cents*** on the dollar compared with all single men, and single Latina women own only ***eight cents***. Understanding the causes and consequences of these gender and racial disparities in wealth is essential to increasing the economic security and well-being of women, families, and the nation as a whole.

Women, especially women of color, face numerous obstacles to wealth accumulation throughout their lifetime. These wealth gaps have historical roots in discriminatory policies, structural inequalities, and systemic racism. For example, the legacy of slavery and legalized racial discrimination has limited the ability of people of color to build wealth across generations. Women have faced additional historic and systematic discrimination that has blocked their access to assets such as homes, businesses, and other wealth-building opportunities. Black women have also been more likely to be targeted for risky and predatory loans, leaving them increasingly vulnerable, for example, to the Great Recession and making it more difficult for them to recover from this large economic shock. Many policies and practices today—such as a lack of affordable child care and paid sick days and family and medical leave—continue to exacerbate the wealth divide, because women who are paid low wages, including many women of color, disproportionately experience these shocks.

This report examines the gender and racial wealth gaps in one local area, Central Ohio (which includes the counties of Delaware, Franklin, Fairfield, Licking, Pickaway, Madison, and Union), focusing on assets and debts, perceptions of economic security, and accelerators and barriers to building wealth. Because wealth data are generally not collected from large enough samples to be analyzed at the state or local level, the Institute for Women's Policy Research (IWPR) conducted an online survey of 670 individuals, three focus group interviews with 22 participants, and 9 interviews with 12 policy makers and program leaders in Central Ohio. To contextualize the findings from these data sources, IWPR analyzed demographic data and data on women's employment and economic status in Central Ohio, the state, and the nation overall from the U.S. Census Bureau's American Community Survey (ACS), as well as national wealth data from the Federal Reserve Board's Survey of Consumer Finance (SCF). The data show that the survey sample was more educated, had higher household income, and was more likely to be married compared with Central Ohio overall. While the results of the analyses are not generalizable, they shed light on respondents' experiences with wealth-building and their perceptions of their economic security.

Black, Hispanic, and Young Women Have the Lowest Incomes and the Least Wealth

Data on the economic status of women in Central Ohio and national wealth data show that Black, Hispanic, and young women face particular challenges to building wealth:

- Women earn less than men in every county in Central Ohio. Women's earnings also vary widely by race and ethnicity: in Central Ohio, Hispanic and Black women who work full-time, year-round have the lowest earnings ($31,631 and $34,531, respectively) compared with White women ($43,276) and all men ($50,690).

- More than one in four Black women in Central Ohio live below the poverty line. Younger women (aged 18–34)—who may still be in school or struggling with debt, or parenting young children—are also considerably more likely than older women to be poor. The poverty rate for White women is 10.7 percent.

- Nationally, single Black women have by far the lowest median wealth at only $300 and single Hispanic women have median wealth of $1,200, which is significantly less than single White women ($27,710).

- The median net wealth for single women aged 18-34 in the United States is $0; while women aged 35 and older have positive median net wealth, their wealth continues to lag significantly behind men's in all age ranges.

Home Ownership is the Primary Source of Wealth for Women in Central Ohio—and a Major Source of Debt

The main source of accumulating wealth for women in Central Ohio is through home ownership, but the women surveyed also owe more on their mortgages than the national average:

- About 75 percent of women survey respondents own their home, with White women reporting the highest rates of home ownership (79 percent) and women who identified with another race or ethnicity reporting the lowest (51 percent).

- When asked to estimate the current market value of their home, White women homeowners reported the highest median home values ($300,000), and Black women reported the lowest ($150,000). This is higher than the median home values for Central Ohio as reported by the ACS, which ranges from a low of $80,000 for Black women who have never been married to a high of $210,000 for married women who identify with a racial or ethnic group other than White, Hispanic, or Black.

- One in three survey respondents have a much higher balance on their mortgage than the national average. The majority of those who reported owning a home said they have a mortgage (78 percent) and about three in ten said their mortgage balance was over $210,000, higher than the national average for single men and women ($95,000) and married couples ($131,000).

Entrepreneurship Can be an Accelerator and an Obstacle to Wealth Building

While business ownership can be an important accelerator for wealth building, women are much less likely than men to own a business and often face numerous barriers when it comes to entrepreneurship: a 2018 IWPR study found that women are less likely than men to obtain new funding from external investors. Having access to wealth can help women invest in their own business without taking on major debt, but difficulties obtaining external funding or other reasons for business failure can also lead to a depletion of overall wealth.

- Nineteen percent of female survey respondents reported owning their own business, and some focus group participants described business ownership as a main way to build their own wealth:

  > "Do I take money and [invest it] or something or do I invest in me and invest in what I think my real potential is? So do I invest in someone else's idea or do I invest in my idea? You know, do I build your wealth or do I build my wealth potential."

- At the same time, several respondents cited a failing business as a reason they have not been able to build wealth as they would have liked. One focus group participant who called her year of entrepreneurship her "midlife crisis" because she pulled from her retirement funds to finance her attempt at entrepreneurship.

Access to Employer-Provided Benefits is a Major Accelerator for Wealth Building

Access to employer-provided benefits help women build wealth by allowing workers to either convert their income into wealth directly (through retirement plans or pensions), or by providing items that individuals would otherwise have to pay for (such as health insurance or life insurance).

- A large share of female respondents employed full-time reported having access to employer-provided wealth escalator benefits such as paid sick days (85 percent), paid vacation (87 percent), and health insurance (87 percent).

- Female respondents who were employed part-time were significantly less likely to report having access to these employer-provided benefits; fewer than one in five stated they had access to paid family leave and only one in three had health insurance.

Lack of Financial Literacy and Gender Norms and Stereotypes Prevent Early Wealth Building for Women

Starting to build wealth early is crucial to lasting economic security across the lifespan. Women and girls, however, face unique obstacles when it comes to building wealth.

- Survey respondents cited the lack of financial literacy as a major barrier to wealth building. This theme also resonated throughout the three focus groups, where participants noted that early financial education is important to building wealth, but feel they did not get this education either in school or at home.

- Focus group participants discussed stereotypical expectations from family members that men should be the breadwinner and take responsibility for finances, linking their limited financial knowledge to these same stereotypes. Some said that thinking about personal wealth felt selfish:

> "I was never taught to invest in myself or do the things I needed to secure my financial future. And until I hit the age of about 30-35, it felt selfish to do it. And I think part of the discussion that needs to occur with women...it's not selfish; it's responsible."

High Levels of Medical and Student Loan Debt Hinder Wealth Building for Women in Central Ohio

Survey respondents identified student loan and medical debt as factors that have made it more difficult for them to build wealth. Millennial women participating in the focus groups especially expressed concern about the impact of student loan debt on their long-term economic security:

- Among women survey respondents, 39 percent reported having student loan debt, a higher share than that reported by women aged 18-64 nationally. Black and Hispanic women responding to the survey are especially likely to have high levels of student loan debt: 78 percent of Hispanic women and 57 percent of Black women who have student loans say these loans are more than $30,000, compared with 44 percent of White women.

- Fifteen percent of women survey respondents said they had experienced a significant health issue in the past year and 17 percent said a family member had. Among those who reported a recent health issue for themselves or their family, 31 percent said they have medical debt. Among all women reporting medical debt (13 percent), over half (52 percent) reported having between $1,000 and $5,000 in debt and 14 percent report having between $5,000 and $10,000.

The Wage Gap and the High Cost of Caregiving are Obstacles to Accumulating Wealth in Central Ohio

- Lower earnings and the gender wage gap play a significant role in the wealth gap. Among women of color, the gender earnings gap is particularly stark: while White women earn 82 percent of White men's earnings in Central Ohio, Black women and Hispanic women earn just 65 and 60 percent, respectively. Focus group participants noted that having lower earnings makes it more difficult to make ends meet, save money, and invest.

- Both survey respondents and focus group participants identified the high cost that comes with having children and family caregiving responsibilities as a major factor that limits women's ability to build wealth. Women of color focus group participants especially noted that they often are responsible not only for the economic well-being of their immediate family members, but also for their extended family, which affects their ability to build wealth.

Recommendations

Proactive policy and programmatic interventions are essential to address the structural barriers that make it more difficult for women to build wealth. Positive interventions could:

- **Increase access to financial literacy programs.** Communities can make financial literacy and financial education programs part of classroom education both for teens in high school and young adults and establish and expand existing community based financial counseling and education programs for women who have not received any formal financial education.

- **Eliminate predatory student loan practices and increasing access to loan forgiveness programs.** Tackling the problem of rising student loan debt should include efforts to make sure that all student loan repayment programs, including those for private loans, are adjusted based on an individual's income so as to not unduly burden those who are paid low wages.

- **Work to close the gender and racial wage gaps.** Steps to close the gaps include working to end pay secrecy practices and ensure transparency in hiring and promotion practices, increasing the minimum wage and eliminating the tipped minimum wage, and creating career pathways for women to advance into well-paying, middle-skill jobs.

- **Increase access to wealth escalator benefits for all workers.** Access to employer-provided benefits such as health insurance and paid leave would free up more income that could be invested or saved. Ensuring that all workers, including part-time workers, have access to these benefits is vital to closing the wealth gap for women.

- **Increase access to affordable health care.** Access to affordable health care would help ensure that those who need to access care do not have to accumulate debt in order to do so. This could include maintaining Medicaid expansion in Ohio and supporting organizations that provide health services to low income individuals.

- **Increase access to affordable child care.** Lack of access to affordable child care is one reason that many women work part-time jobs, where they are less likely to have access to employer benefits. Increasing access to affordable child care would allow more women to have access to jobs that also come with wealth-building, employer-provided benefits and higher wages.

- **Increase avenues for first time homebuyers to purchase a home.** This would include expanding programs that promote homeownership and creating tax incentives to help first time homebuyers. Additionally, policies that combat predatory lending practices should be prioritized.

- **Tackle obstacles to entrepreneurship for women.** This could include increasing programs that help women entrepreneurs access networks and funders, increasing access to low-interest business loans, and eliminating discrimination based on race or ethnicity in program.

1. Why Study Women's Wealth

Women's Wealth in Brief

The notion of the American dream, with its connotations of upward mobility and the accumulation of a reasonable amount of wealth -- a home, a car, retirement security – remains strong in the consciousness of many Americans. The United States is often portrayed as the "land of opportunity," yet many low-income individuals and families have a difficult time building assets and accumulating wealth. For women and people of color, the obstacles to building wealth are especially pronounced: nationally, single women's wealth is only 40 percent of single men's, and within each of the largest racial/ethnic groups, women hold less wealth than men (Appendix Table B.1). To put this in context, single women ***own*** only 40 cents for every dollar that single men own and for Black and Hispanic women the wealth gap is especially stark: single Black women own ***two cents*** on the dollar compared with all single men, and single Latina women own only ***eight cents.*** Disparities also persist among different groups of women: among single women, those who are Black have 1 percent of the wealth of their White counterparts, and Hispanic women have 4 percent (Appendix Table B.1).[1] Moreover, a wealth gap persists for women across the lifecycle, with younger women facing especially low levels of wealth (Appendix Table B.1), due in part to their greater likelihood than men of having student debt and being custodial parents (Chang 2015).

Despite these stark disparities in wealth, the national dialogue about gender inequality continues to focus largely on the earnings gap: in the United States, women who work full-time, year-round earn 81 cents on the dollar compared with men (Hegewisch 2018). While closing this earnings gap is an important part of eliminating the wealth gap, it is not enough. Wealth—one's assets minus their debts—is different from income: it includes savings and equity in a home, business, or other investments, minus all forms of debt, such as a home mortgage, credit card debt, and student loans or medical debt. As such, wealth helps women cope with economic hardships, such as the loss of a job, an unexpected medical expense, or divorce. It allows them to have proactive control over their lives, giving them the opportunity to go to college or start a business without taking on significant debt. In addition, wealth provides a stock of resources that families can pass on to future generations, increasing their economic mobility over time.

Causes of Gender and Racial Wealth Gaps

Multiple factors contribute to women's more limited ability to accumulate wealth compared with men. Research shows that in addition to facing a gender earnings gap for full-time, full-year work, women are more likely than men to hold part-time jobs, which often do not come with benefits that contribute to wealth-building, such as health insurance, paid vacation time, or an employer contribution to a pension or retirement savings plan (Chang 2010; Chang 2015; Shaw et al. 2016). In addition, women bear a disproportionate share of caregiving responsibilities within families, limiting their ability to work and save. And while women are more likely than men to earn a college degree, they graduate from college with higher average levels of student debt than their male counterparts (Gault, Reichlin, and Román 2014), leaving them with less disposable income for investing and dealing with emergencies. Women of color face additional obstacles to building wealth, including discrimination in the workforce and a lower likelihood of receiving a family inheritance (Baker, Martin-West, and Famakinwa 2018; Chang 2015; McCulloch 2017). These obstacles also have historical roots in discriminatory policies and practices.

[1] Wealth data are for those aged 18-64.

Discriminatory Policies

An array of structural factors and policy decisions contribute to the gender and racial wealth divide in the United States today. For example, the legacy of slavery and legalized racial discrimination—such as Jim Crow segregation and red lining policies that kept communities of color from purchasing homes in areas with higher property values—has limited the ability of people of color to build wealth over time (Asante-Muhammad et al. 2017; Baker, Martin-West, and Famakinwa 2018; Leachman et al. 2018). Women have also faced historic and systematic discrimination that has blocked their access to assets such as homes, businesses, and other wealth-building opportunities. For example, it was not until the Equal Credit Opportunity Act in the 1970s that it became legal for women to have access to credit and lending without a man's signature; requiring a male relative's signature to get a business loan did not become illegal until the passage of the Women's Business Ownership Act in 1988 (for a historical timeline of laws see Baker, Martin-West, and Famakinwa 2018).

Even with the passage of anti-discrimination laws, laws to eliminate gender bias, and sustained work to dismantle institutionalized sexism and racism, women, especially women of color, still face discrimination, particularly when it comes to obtaining loans and purchasing homes. While it is no longer legal to refuse to sell homes to people of color in any community, people of color are often not shown or sold homes in high-value and predominantly White neighborhoods; as a result, home equity appreciation is much slower for Black homeowners than for White homeowners (Loving, Finke, and Salter 2012). In addition, women—especially women of color—were, and continue to be, more likely to be targeted for risky subprime loans. Research has shown that prior to the Great Recession; Black women were 2.5 times more likely and Latina women were 1.5 more likely than White men to receive a subprime mortgage (Fishbein and Woodall 2006). This left women of color especially vulnerable to the housing and economic collapse during the Great Recession (Baker 2014).

Lasting Impact of the Great Recession on Women

The Great Recession—which was marked by high levels of unemployment, especially for Black women— exacerbated the wealth gaps for women. While much attention was paid to the financial crisis on Wall Street, the housing crisis was the main cause of the Great Recession and impacted the wealth and economic well-being of households (Baker 2018). Risky subprime loans and increased unemployment rates are the main reasons many women experienced a decline in wealth during this time period: the net worth of White women aged 45-65 dropped 28 percent, while the net worth of Black women dropped 74 percent (Baker, Martin-West, and Famakinwa 2018).

It has taken women, and women of color in particular, longer than White men to recover from the Great Recession when recovery is measured through unemployment rates and wealth. While the unemployment rate for all women remained higher in 2016 than their pre-recession rate, the unemployment rates for Black women were particularly dire: Black women's 2016 unemployment rate was higher than White women's unemployment rate at its highest in 2010 (Childers and McLean 2017).

The Great Recession was a result of a financial crisis in which, among other financial risks taken, institutions bought and sold risky mortgage loans. While the federal government aided the banks to keep the financial system working, very little was done that was effective in helping home purchasers who often needed predatory loans on what became vastly overvalued properties (Baker 2018). Women also continue to pay more than men, on average, for their mortgages and are still more likely to be denied loans, despite women's superior repayment history (Goodman, Zhu, and Bai 2016). Together these factors significantly limit women's ability to build wealth through homeownership.

Educational and Economic Obstacles

Achievement of education, such as high school completion and postsecondary education and degrees, leads to higher earnings and increases one's ability to build wealth. Though women today are entering and graduating from college at higher rates than women of previous generations (Anderson et al. 2016), not all women and girls reach their educational goals. For example, educational attainment is often particularly difficult for teen mothers: 30 percent of teen girls who drop out of high school cite pregnancy or parenthood as a primary reason (National Conference of State Legislatures 2013) and only 2 percent of teen mothers finish college by age 30 (National Conference of State Legislatures 2018). College students who are parents also face substantial barriers to degree completion and are less likely to graduate than their peers without children (Reichlin Cruse, Eckerson, and Gault 2018).

Women are also more likely than men to take time out of the workforce to care for children or other family members, which results in lost wages (Butrica and Karamcheva 2015), a reduced ability to invest and save, and lower social security benefits (Fischer and Hayes 2013; National Council of Women's Organizations and Center for Community Change 2013). Evidence also shows that caregiving for a spouse, parent, or child is associated with a higher probability that families will fall into poverty (Butrica and Karmachva 2015), especially for those who do not have access to paid family and medical leave.

In addition, women are more likely than men to work part-time—often due to their caregiving responsibilities—and are disproportionately concentrated in low-earning jobs where they do not have access to wealth-building fringe benefits such as employer-sponsored retirement plans, paid sick days, and paid vacation, among others (Chang 2015; Shaw et al. 2016). Mariko Chang (2010) identifies these employer-provided benefits as "wealth escalator" items, which help individuals make the most of their incomes and allows them to build wealth more quickly. Women's lower likelihood of having access to these wealth escalators means they are less able to invest or save their income and have less access to savings or other capital when faced with an economic shock (Chang 2010; Chang 2015). Additionally, divorce disproportionately impacts women, leaving them more likely to face financial hardships due to their lower earnings and the greater likelihood of gaining physical custody of—and therefore increased financial obligations for—children (Holden and Smock 1991; Weitzman 1996), resulting in a wealth gap between divorced men and women (Chang 2010). The obstacles to building wealth that women face often leave them in a precarious position as they age.

Single Black women have by far the lowest median wealth at only $300.

These challenges to accumulating wealth have contributed to gender and racial wealth gaps across the nation. Though in the United States overall median net worth[2] increased between 2013 and 2016[3]—from $78,000 to $94,500 for married couples, $10,150 to $15,000 for single men, and $3,210 to $5,951 for single women (see Appendix Table B.1 for 2016 data and Chang 2015 for 2013 data)—significant disparities remain. Single Black women have by far the lowest median wealth at only $300, which is just 30 percent of single Black men's wealth, and single Hispanic women have median wealth of $1,200, which is 21 percent of single Hispanic men's wealth. Both have significantly less wealth than single White women ($27,710) who have 74 percent of single White men's wealth (Appendix Table B.1). The

[2]See the technical appendix for a discussion of the data analysis.
[3] 2016 is the latest year for which data are available from the Survey of Consumer Finances.

median wealth for Black women increased the least between 2013 and 2016, increasing only $100 from $200 in 2013 (Chang 2015) to $300 in 2016 (Appendix Table B.1).

Study Rationale and Research Questions

While marriage was once seen as a reliable route to wealth accumulation for women, more than half of all adult women today are single (never married, widowed, separated, or divorced; Hess et al. 2015), and women of color and those with low incomes are less likely to be married than White and higher-income people (Hartmann 2015). These lower rates of marriage and greater obstacles that women, especially women of color, face in accumulating wealth can leave them economically more vulnerable throughout their lifetimes and with fewer resources for retirement, which may last longer for women due to their greater longevity. Given the increasing importance of women's wealth to family economic security, this vulnerability has implications that extend beyond individual women. Closing the gender wealth gap is essential to strengthening the well-being of women, families, and the nation as a whole (McCulloch 2017).

To close the wealth gap requires policy and programmatic interventions built on a nuanced understanding of the causes and consequences of this gap and its impact on women across the lifecycle. This report contributes to this understanding by exploring in depth the gender and racial wealth gaps in one area, Central Ohio,[4] focusing on the causes and extent of these gaps as well as on promising strategies for addressing them. It draws on multiple data sources to examine the questions:

- Why does wealth matter for women, and how does women's wealth in Central Ohio compare with men's and with women's in the state and nation overall?
- How does wealth in Central Ohio differ across racial and ethnic groups and over a woman's lifetime?
- How do women in this area learn about strategies for building wealth, and how secure do they feel about their current financial situation and future financial prospects?
- What obstacles prevent women, particularly women of color and single women, from accumulating wealth?
- How do these obstacles differ for women across the life cycle, and what changes can help address them?

The report's focus on a local area diverges from other studies of the gender and racial wealth gaps, which concentrate on disparities at the national level. Wealth data are not generally collected from large enough samples to be available at the local and state level; data on women's economic status for Central Ohio, however, suggest that women in this region, as in other areas, are less likely than men to be able to accumulate adequate levels of wealth over their lifetime. For example, women in Central Ohio who work full-time, year-round earn just 81 cents on the dollar compared with men and are more likely to work part-time; among Black and Hispanic women, earnings are especially low (Appendix Tables C.3, C.4, and C.8). Lower earnings and part-time work translate into less money to save and invest and therefore less accumulated wealth over time.

Overview of Methodology

To address the research questions above, the Institute for Women's Policy Research (IWPR) gathered original data on wealth and economic well-being through an online survey of 670 women and men in Central Ohio, three focus groups with a total of 22 women, and 9 interviews with 12 program leaders. The survey included open- and closed-ended questions on assets, debts, access to employment benefits, and

[4] Central Ohio in this report includes Delaware, Franklin, Fairfield, Licking, Pickaway, Madison, and Union counties.

respondents' perceptions about their economic security, as well as basic demographic questions such as their gender, race and ethnicity, and marital and parental status. The Women's Fund of Central Ohio disseminated the survey to a network of more than 7,500 individuals (both female and male) and community partners; given this method of distribution, the sample is not representative of the population of Central Ohio as a whole and, as will be shown below, the survey sample was more educated, had higher household income, and was more likely to be married compared with Central Ohio overall.

The Women's Fund of Central Ohio also led the recruitment for the focus groups and program leader interviews (see Appendix A for a more detailed account of the data collection for the project). Focus group discussions, which lasted about 90 minutes, explored how women were introduced to the concepts of wealth and wealth building, how they make financial decisions, and the challenges to building wealth that they have faced at different phases of their life. The interviews with program leaders examined their views about effective strategies for addressing the wealth gap in Central Ohio.

To contextualize the findings from these data sources, IWPR analyzed demographic data and data on women's employment and economic status in Central Ohio, the state, and the nation overall from the U.S. Census Bureau's American Community Survey (ACS), as well as national wealth data from the Federal Reserve Board's Survey of Consumer Finances (SCF; see Appendix A for a full methodological appendix). Where sample sizes were sufficient, IWPR disaggregated the data by race and ethnicity, age, level of education, and marital status to understand how the economic and wealth data varies across population groups.

The report begins by examining some key data on women's economic status in Central Ohio to provide some background information on women's economic security in this area and the implications of these data for their opportunities to build wealth. Next, the report explores the findings from the IWPR Survey on Wealth in Central Ohio, focusing on women's self-reports about their financial circumstances and perceptions of their financial security and experiences with building wealth. The report then discusses the particular obstacles that women in Central Ohio face to accumulating wealth. It concludes by summarizing key insights from interviews with program leaders about effective strategies to increase women's access to wealth in Central Ohio, presenting policy and programmatic recommendations.

2. The Economic Status of Women in Central Ohio: Viewed with Federal Data

As a first step toward understanding the extent to which women in Central Ohio face the same wealth disparities as shown in the national data and the causes of the gender and racial wealth gaps in this area, IWPR analyzed key economic data from the U.S Census Bureau's American Community Survey (ACS), a nationally representative household survey. Data on the economic status of women give important insight into women's access to wealth; participating in the labor force and having good earnings, for example, can help women generate enough income to not only meet basic needs but also save and invest over time. IWPR's analysis of ACS data—including women's labor force participation, earnings, unemployment, and poverty rates—indicates that in general, women in Central Ohio may have less access to wealth than their male counterparts but fare reasonably well compared with women in the state and nation overall. Their economic status, however—and likely their access to opportunities to build wealth—varies across the Central Ohio counties.

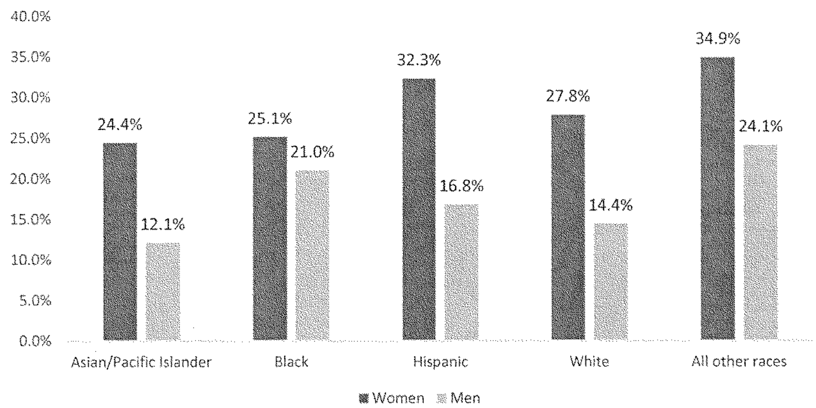
Labor Force Participation

Participating in the labor force, and holding a job with family-sustaining wages, increases women's ability to build wealth over time. In Central Ohio, as in the state and nation overall, women are less likely than men to be in the labor force, meaning they are neither employed nor actively looking for work (64 percent of women are in the labor force compared with 73 percent of men; Appendix Table C.8). Among the Central Ohio counties, women's labor force participation rates range from a high of 66 percent in Franklin County to a low of 57 percent in Pickaway, Madison, and Union counties combined. Women in Central Ohio are more likely to be in the workforce than women in the state (59 percent) and nation (58 percent) as a whole (Appendix Table C.8).

Labor force participation among women in Central Ohio also varies by race and ethnicity. Black women and women who identify with another race and ethnicity have the highest participation rates (68 percent and 67 percent, respectively), followed by Hispanic women (66 percent), White women (64 percent), and Asian/Pacific Islander women (57 percent; Appendix Table C.9).

In Central Ohio, as in Ohio and the United States overall, women are considerably more likely than men to work part-time (Appendix Table C.8). Twenty-eight percent of employed women in Central Ohio work part-time, with the largest share of women working part-time in Fairfield County (30 percent). This also varies greatly by race and ethnicity: women who identify with another race and ethnicity are most likely to work part-time (35 percent) followed by Hispanic women (32 percent); Asian/Pacific Islander women are the least likely to work part-time (24 percent). All women in Central Ohio are still much more likely to work part-time than men in Central Ohio (Figure 1).

Figure 1. Share of Women and Men Working Part-Time by Race and Ethnicity, Central Ohio, 2016



Notes: Labor force participation is the percent of all women and men age 16 and older who were employed or looking for work in 2016. Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

The reasons many women work part-time vary. In Ohio, the majority who work part-time do so voluntarily, but a substantial number do not.[5] Among part-time workers classified as voluntary part-time workers, women in Ohio are much more likely than men to say they work part-time because of child care problems (36,000 women compared with 1,000 men) or because of other personal and family care obligations (141,000 women compared with 12,000 men; U.S. Bureau of Labor Statistics 2017).[6] As noted, part-time jobs are less likely to provide valuable employment benefits, such as paid sick days, paid family leave, health insurance, and an employer contribution to a pension or retirement plan, which are all vitally important for building wealth over time.

Median Annual Earnings

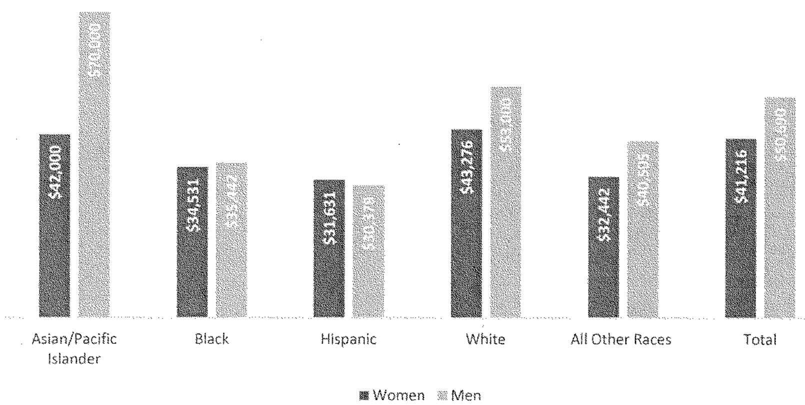
Having a job with good earnings is essential to achieving economic security and accumulating wealth over a woman's lifetime, yet women in Central Ohio, as in the state and nation as a whole, face a gender earnings gap that makes it more difficult to save and invest. In Central Ohio, women who work full-time, year-round have median annual earnings of $41,216, which is 81 percent of what men in this area earn (Appendix Table C.4). Median earnings for women among the Central Ohio counties range from a low of $37,700 in Licking County to a high of $52,268 in Delaware County; the gender earnings gap between women and men, however, is largest in Delaware County, where women earn only 72 percent of what

[5] Involuntary part-time workers are those who are working part-time because their hours have been reduced or because they could not find full-time work.
[6] Child care and family care obligations could be considered involuntary if survey respondents would prefer to be working full-time. Nevertheless, part time workers with these reasons are considered working part-time voluntarily.

men earn (Appendix Table C.4). Women's median annual earnings in Central Ohio overall are slightly higher than in the state ($38,000) and nation ($40,000).

Women's earnings in Central Ohio vary widely by race and ethnicity, as in the state and nation as a whole. In Central Ohio, Hispanic and Black women who work full-time, year-round have the lowest earnings at $31,631 and $34,531, respectively, and White women have the highest ($43,276; Figure 2 and Appendix Table C.3). The lower earnings of Hispanic and Black women, who have comparatively high rates of labor force participation, reflect their concentration in service occupations, an occupational group where jobs often have low wages and lack important employer-provided benefits (DuMonthier et al. 2017). Many workers in these jobs may struggle to make ends meet, let alone have enough resources to save for emergencies and retirement.

Figure 2. Women's and Men's Median Annual Earnings by Race and Ethnicity, Central Ohio, 2016



Note: Median annual earnings for full-time, year-round workers aged 16 or older. Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

Unemployment

Periods of unemployment can force women to draw down savings to make ends meet, reducing their ability to accumulate wealth. In Ohio, a smaller proportion of women were unemployed in 2018 than men (6.2 percent compared with 7.1 percent; Appendix Table C.14). Women in Ohio are less likely to be unemployed than women in the United States overall, though unemployment varies considerably by county: women in Delaware County have the lowest rate (2.5 percent) while women in Licking and Pickaway Counties have the highest rate (5.8 percent: Appendix Table C.14).

Poverty

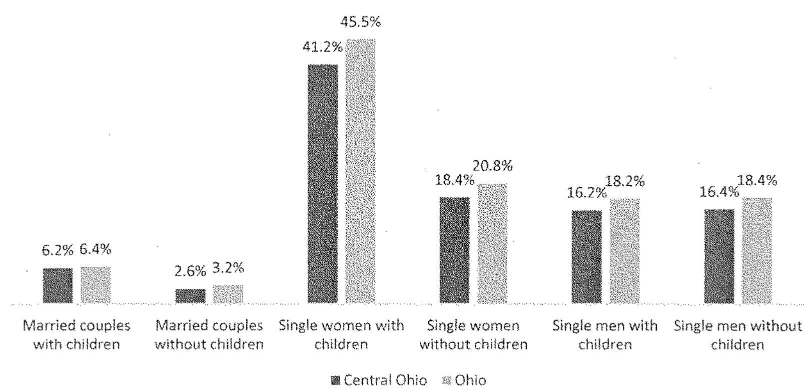
The ability to accumulate assets is essential to enabling families to move out of poverty, yet for those facing serious economic hardship, building wealth may seem like an unrealistic goal. With limited income, many families may not have enough resources to meet their day-to-day expenses, let alone think about saving and investing in a better future.

Overall, 14 percent of women in Central Ohio live in poverty, compared with 11 percent of men. Among the Central Ohio counties, women are most likely to be poor in Franklin County (16 percent) and least likely to be poor in Delaware County (5 percent; Appendix Table C.11). Poverty rates for women in Central Ohio are slightly lower than in the state (14 percent and 15 percent, respectively) and the same as in the nation overall (Appendix Table C.11).

Poverty levels in Central Ohio also vary widely by race and ethnicity and age. More than one in four Black women and women who identify as another race in Central Ohio live below the poverty line, compared with only one in ten White women (Appendix Table C.10). Younger women (aged 18–34)—who may still be in school or struggling with student debt, or parenting young children—are also considerably more likely than older women to be poor (Appendix Table C.10).

As shown in Figure 3 below, households headed by single mothers in Central Ohio and Ohio have the highest poverty rate among all household types, as these households also do for the nation as whole. Forty-one percent of single mothers live below the poverty line, more than double the rate of households headed by single women without children and about 15 times the rate of married couples without children, the household type least likely to be poor.

Figure 3. Share of Households Living in Poverty by Household Type, Central Ohio and Ohio, 2016

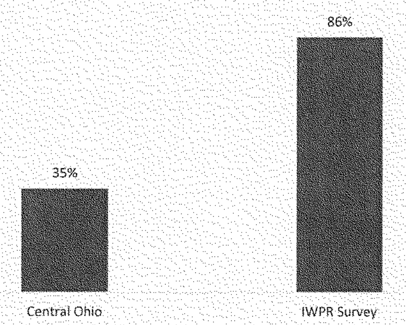


Note: Households with children are those with children under 18. Households headed by women and men can consist of unmarried women and men living with a relative, other unrelated individuals, or alone.
Source: IWPR analysis of American Community Survey microdata.

Spotlight on Central Ohio Federal Data vs Survey Data

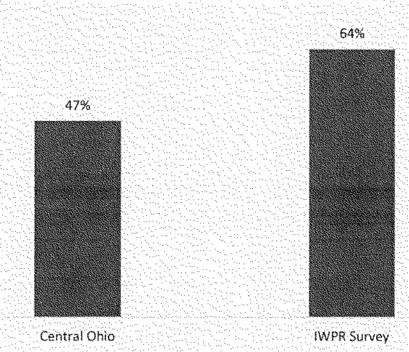
As shown in the Charts below, women survey respondents are more educated, have higher labor force participations rates, have higher household income, and are more likely to be married compared with women in Central Ohio overall.

Chart 1. Women's Educational Attainment: Share who have a BA or Higher



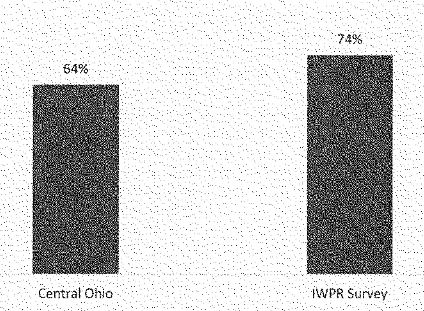
Notes: IWPR Survey N=644. ACS Data: Aged 25 or older.
Sources: IWPR analysis of American Community Survey microdata and IWPR Survey on Wealth in Central Ohio.

Chart 2. Women's Marital Status: Share of Married Women



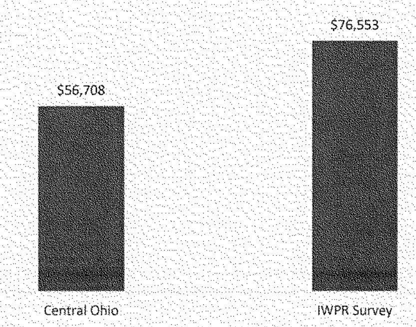
Notes: IWPR Survey N=644
Sources: U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates, accessed through American FactFinder and IWPR Survey on Wealth in Central Ohio.

Chart 3. Women's Labor Force Participation: Share who are in the Labor Force



Notes: IWPR Survey N=644. ACS data: Labor force participation is the percent of all women and men age 16 and older who were employed or looking for work in 2016.
Sources: IWPR analysis of American Community Survey microdata and IWPR Survey on Wealth in Central Ohio.

Chart 4. Median Household Income



Notes: IWPR Survey N=605.
Sources: IWPR analysis of American Community Survey microdata and IWPR Survey on Wealth in Central Ohio.

3. Women and Wealth Building: How Women Fare in Central Ohio Viewed with Newly Collected Survey Data

The economic and employment data discussed in Chapter 2 indicate that while many women in Central Ohio may have access to opportunities to build wealth, some women face challenges—such as low wages, unemployment, or poverty—that can make it difficult to save and invest over time. As noted, to get a deeper picture of women's experiences with building wealth and their perceptions of their economic security in Central Ohio, IWPR conducted an online survey. Nearly all respondents were women (644 of the 670 identified as female, 23 as male, and 2 as transgender; one identified as unspecified or nonconforming). Among female respondents, 76 percent identified as White, 14 percent as Black or African American, 3 percent as Hispanic or Latina, and 7 percent with another race or ethnicity. This distribution across racial and ethnic groups is similar to the distribution of women across racial and ethnic groups in Central Ohio, where 73 percent of women identify as White, 15 percent as Black or African American, 4 percent as Hispanic or Latina, and 7 percent with another race or ethnicity (Appendix Table C.1).

Survey Respondents Have Greater Access to Wealth than Central Ohio Women Overall

Women respondents to the survey have some characteristics that indicate they likely have greater access to wealth than women in Central Ohio and Ohio overall:

- Female respondents to the IWPR survey are more likely to be married than women in Central Ohio and the state as a whole. Among women respondents to the survey, 64 percent said they were married, compared with 47 percent in Central Ohio and in the state overall (in the Central Ohio counties, the share of women who are married ranges from a low of 35 percent in Franklin County to a high of 61 percent in Pickaway County; Appendix Table C.1). Twenty percent of survey women respondents reported being single; 16 percent were divorced, widowed, or separated; and 10 percent said they were cohabiting with a partner.

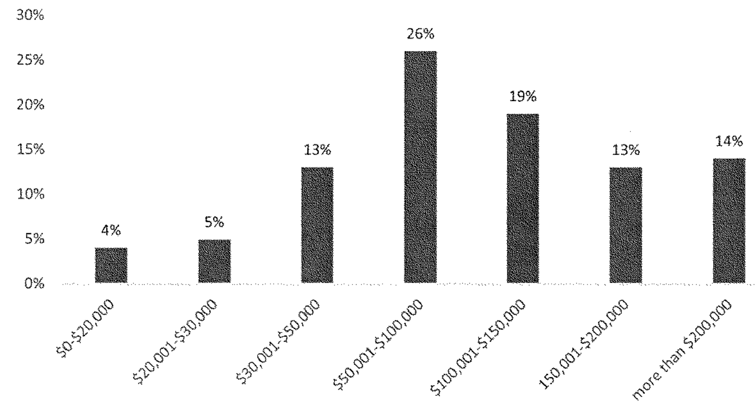
- Respondents to the IWPR survey are more likely to be in the labor force and to work full-time than women in Central Ohio and the state as a whole. Seventy-four percent of women respondents said they are in the labor force (either employed full- or part-time, or unemployed and looking for work), compared with 64 percent in Central Ohio and 59 percent in Ohio as a whole (in the Central Ohio counties, the share of women in the labor force ranges from a low of 57 percent in Pickaway, Madison, and Union Counties to a high of 66 percent in Franklin County; Appendix Tables C.8). Among employed women, 80 percent of survey respondents work full-time, compared with and 72 percent in Central Ohio and 69 percent in Ohio.

- Women respondents to the IWPR survey have high levels of education. Thirty-nine percent said they have a bachelor's degree, and an additional 47 percent said they have a graduate or professional degree. Among women in Central Ohio and Ohio overall, 35 percent and 26 percent, respectively, have a bachelor's degree or higher (Appendix Table C.13).

Many Women Survey Respondents Report High Household Incomes

Given the high levels of full-time employment reported by female survey respondents, their high levels of educational attainment, and the large share of women who are married, it is not surprising that the reported household income for female survey respondents is comparatively high. While nearly half of all women respondents reported having a household income of $100,000 or more (Figure 4), income levels vary by household type, as they do in virtually all household income data. More than half of women respondents with children (58 percent) reported having a household income of $100,000 or more, with almost one in five reporting a household income of more than $200,000. Only one in three women respondents without children reported a household income of $100,000 or more. In Central Ohio, the median household income for households with children is $75,508 and $50,830 for households without children (Appendix Table C.6). Single mothers in Ohio have the lowest household income ($23,000) and married couples with children have the highest ($88,000; Appendix Table C.7).

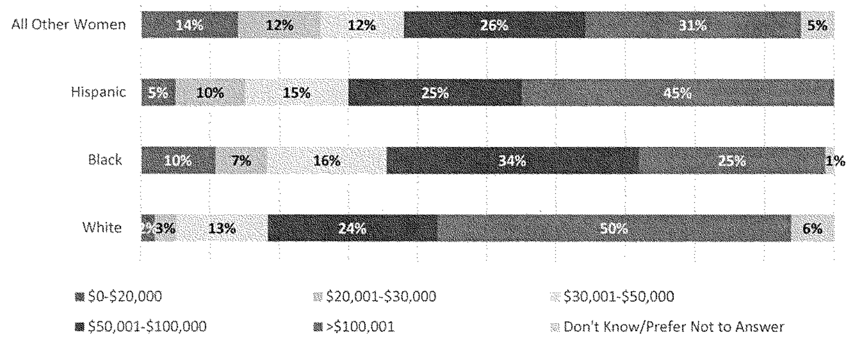
Figure 4. Women Survey Respondents' Reported Household Incomes, 2017



Note: N= 644. Percentages may not sum to 100 due to rounding and because responses of "I don't know" or "prefer not to answer" are not shown but are included in the calculations as a part of the denominator.
Source: IWPR Survey on Wealth in Central Ohio.

Household income among women survey respondents also varies by race and ethnicity and level of educational attainment. White women are the most likely to have incomes of $100,000 or more (50 percent), and Black women are the least likely (25 percent; Figure 5).

Figure 5. Women Survey Respondents' Reported Household Income by Race and Ethnicity, 2017

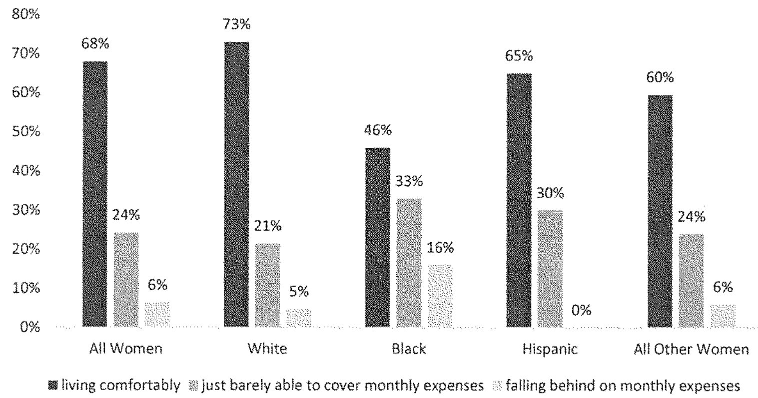


Notes: N=644: White women (464), Black women (85), Hispanic women (20), and All other women (42).
Source: IWPR survey on Wealth in Central Ohio.

Most Women Survey Respondents Report Feeling Economically Secure

The survey asked three questions to assess respondents' sense of their overall economic well-being, including how well they think they are managing financially, how they would describe their household spending, and how they would pay for a $400 emergency expense. More than two-thirds of women respondents (68 percent) said they have the economic resources to live comfortably and weather economic shocks, but the survey data indicate that Black and Hispanic women are less likely to report this than White women. Seventy-three percent of White women said they are living comfortably, compared with 65 percent of Hispanic women, 46 percent of Black women, and 60 percent of all other women (Figure 6). These findings are not surprising given the additional structural barriers and discrimination that women of color face and the lasting impact of historical discriminatory policies: as mentioned above, women of color are disproportionately concentrated in occupations that pay low-wages (Shaw et al. 2016) and are more likely to be the sole or co-breadwinner for their families (Anderson 2016). Black women also often have additional caregiving responsibilities: they are more likely than White, Hispanic, and Asian and Pacific Islander women to live with someone with a disability (DuMonthier et al. 2017) and many older Black women act as caregivers for their grandchildren or other extended family members (Ellis and Simmons 2014), meaning their earnings often have to stretch further to make ends meet.

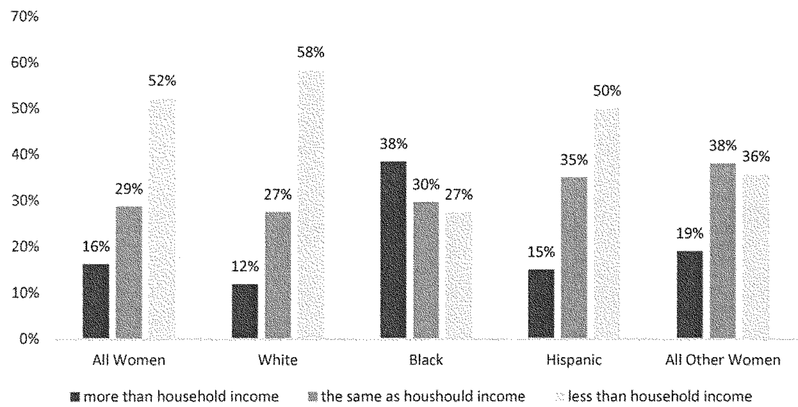
Figure 6. Women Respondents' Perceptions of How They are Doing Financially by Race and Ethnicity



Notes: N=644: White women (489), Black women (89), Hispanic women (19), and All other women (42). Percentages may not sum to 100 due to rounding and because responses of "I don't know" or "prefer not to answer" are not shown but are included in the calculations as a part of the denominator.
Source: IWPR Survey on Wealth in Central Ohio.

Overall, 52 percent of women reported spending less than their household income in the last 12 months, with only 16 percent reporting spending more than their household income and 29 percent living paycheck to paycheck. White women were the most likely to say they were spending less than their household income, and Black women were the least likely to say they were spending more than their household income (Figure 7).

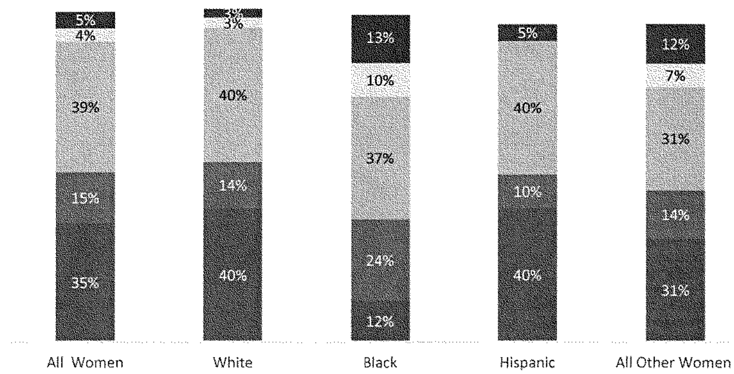
Figure 7. Women Respondents' Perceptions of Their Household Spending in the Past 12 Months by Race and Ethnicity



Note: N=644; White women (488), Black women (91), Hispanic women (20), and All other women (42). Percentages may not sum to 100 due to rounding and because responses of "I don't know" or "prefer not to answer" are not shown but are included in the calculations as a part of the denominator.
Source: IWPR Survey on Wealth in Central Ohio.

When asked how they would pay for an unexpected $400 emergency expense, the largest share of female respondents said from their checking or savings account (39 percent), followed by those who would charge the expense to a credit card and pay it off in full at the next statement (35 percent). Fifteen percent of women said that they would put the expense on a credit card and pay it off over time, and smaller shares said they would take out a loan or borrow money (4 percent) or not be able to pay for the expense at all (5 percent; Figure 8). Black women and women who identify with another race or ethnicity were the most likely to say they would not be able to pay for the expense, though only 13 and 12 percent, respectively, indicated they would not have the resources to do so.

Figure 8. Women Respondents' Reports of How They Would Pay for a $400 Emergency Expense by Race and Ethnicity



Notes: N=644: White women (491), Black women (90), Hispanic women (20), and All other women (42). Percentages may not sum to 100 due to rounding and because responses of "I don't know" or "other" are not shown but are included in the calculations as a part of the denominator.
Source: IWPR Survey on Wealth in Central Ohio.

Women Survey Respondents Report High Levels of and Asset Ownership

Analysis of the Survey of Consumer Finance shows that, while almost all women in the United States have some assets—whether financial assets such as stocks, bonds, mutual funds, and checking or money market accounts or nonfinancial assets such as a house, business, or land—there are large differences in the value of these assets by gender, race, ethnicity, age, and level of education (Appendix Table B.2). For example, among those who have any assets, at the median, single women have 63 percent of the total assets of single men and just 11 percent of the total assets of married couples. Among single women with assets, those with a bachelor's degree or higher have 152 times more assets than those with less than a high school diploma. White single women with assets have almost 14 times that of Hispanic single women and almost 20 times more than Black single women (Appendix Table B.2). Generally, women respondents to the IWPR survey in Central Ohio reported high levels of asset ownership, but much like the national trends, asset ownership varied by race and ethnicity.

Home Ownership is a Wealth Accelerator for Women in Central Ohio

Homeownership is a primary source of wealth for women in Central Ohio. Among women respondents to the IWPR survey, about 75 percent own their home, with White women reporting the highest rates of home ownership (79 percent), followed by Black women (66 percent), Hispanic women (60 percent), and all other women (51 percent). These rates of homeownership among women are higher than in the region and state overall (Appendix Table B.7 and B.8). Analysis of data from the American Community Survey (ACS) shows that rates of homeownership among White, Black, and Hispanic married, divorced or widowed, and single women vary from a high 76 percent of married White women who own their homes to a low of 14 percent of never married Black women (Appendix Table B.7).

Homeowners in the IWPR survey were asked to estimate the current value of their home. The overall median value reported by women was $280,000. White women home owners reported higher median values ($300,000) than Black women ($150,000), Hispanic women ($225,000) or women who identified as another race or ethnicity ($200,000). These values are higher than in the region as a whole: according to analysis of ACS data, the reported median home value for women who have never been married in Central Ohio is $120,000, ranging from a high of $130,000 for White women and women of all other races to a low of $80,000 for Black women (Appendix Table B.13).

Home equity, the market value of the house minus the outstanding balance on the property, is a measurement of homeownership as an asset. Analysis of ACS data indicates that in Central Ohio, estimated home equity among homeowners is $75,103 for married couples, $45,000 for men who have never been married, and $43,580 for women who have never been married. These values are higher than the estimated home equity of homeowners in Ohio as a whole, but lower than the estimated home equity of married and single women and men in the United States overall (Appendix Tables B.10, B.11, and B.12). In Central Ohio, Black women and men who own their homes have less home equity than White women and men (data are not available for Hispanic homeowners in Central Ohio). In all three areas (Central Ohio, Ohio, and the United States), the amount of home equity generally is higher among home owners with advanced education, as well as among homeowners who are older and have likely paid a larger portion of their mortgage loans.

Financial (Liquid) Assets: Savings and Checking Accounts

Liquid assets—which include cash on hand and assets that can be quickly converted to cash—are central to a household's ability to withstand economic shocks. As Chang (2015) notes, insufficient access to liquid assets can lead households to fall into economic hardship. Nationally, nearly all women and men—regardless of marital status, race or ethnicity, age, or educational level—report having some liquid assets, yet the amount varies across different population groups (Appendix Table B.4). At the median, single women with liquid assets have fewer ($1,410) than single men ($2,100) and married couples ($6,000). Among single women with liquid assets, the median value for Black and Hispanic women ($930 and $820, respectively) is lower than for White women ($2,200). The value of these assets is generally higher among older age groups and individuals with higher levels of education; among single women with less than a high school diploma, the value of median liquid assets is just $290 (Appendix Table B.4).

The IWPR survey asked respondents about liquid assets saved in a checking or savings account. Nearly all women (638 of 639) reported having a checking account; among those who specified the amount in their account (590), the median amount women report is $2,000-$3,000, and the largest shares said they have either more than $10,000 (16 percent) or between $1,000-$2,000 in the account (16 percent; Table 1). A large majority of women respondents also reported having a savings account (89 percent, or 564 of 632), with those who provided their balance (513) reporting a median amount in savings of $5,000 to $10,000. The largest share (41 percent) reported having $10,000 or more in the account. With both checking and savings accounts, Black women are more likely than women of other racial and ethnic groups to have less than $500 (Table 1).

Table 1. Women Respondents' Reported Checking and Savings Account Balances by Race and Ethnicity (among those with accounts)

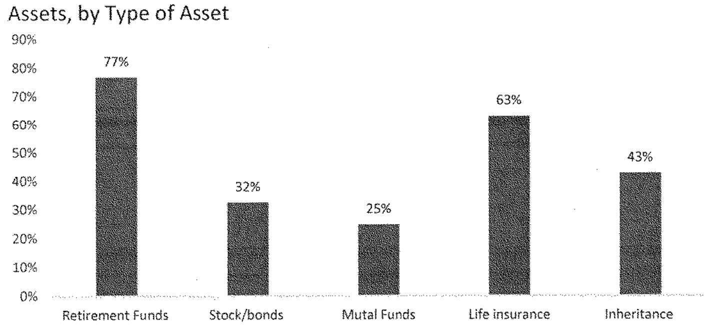
	Checking Account					Savings Account				
	White	Black	Hispanic	All Other	Total	White	Black	Hispanic	All Other	Total
<$500	50	33	1	7	91	35	24	0	8	67
$500-$1,000	48	9	4	8	69	26	7	2	3	38
$1-$2,000	79	12	3	3	97	28	6	4	2	40
$2-$3,000	58	8	2	5	73	24	7	1	1	33
$3 -$4,000	41	5	3	4	53	25	2	2	0	29
$4-$5,000	28	6	2	2	38	18	2	1	3	24
$5-$10,000	59	3	4	4	70	59	4	2	6	71
>$10,000	86	6	1	6	99	183	13	6	9	211
Total	449	82	20	39	590	398	65	18	32	513

Notes: N Checking = 590. N Savings = 513. Respondents who answered "I don't know" or "prefer not to answer" are not shown in the table.
Source: IWPR Survey on Wealth in Central Ohio.

Other Financial Assets: Inheritance, Stock/Bonds, Retirement Funds, Mutual Funds, and Life Insurance

Since inheritance is a key source of wealth accumulation, especially for those who have wealth at younger ages, the IWPR survey asked whether participants have received any inheritance in addition to other financial assets such as life insurance, stocks/bonds, retirement funds, or mutual funds. As Figure 9 shows, women respondents were most likely to report they have retirement funds (77 percent); fewer women respondents report having life insurance (63 percent), an inheritance (43 percent), stocks or bonds (32 percent), or mutual funds (25 percent).

Figure 9. Percent of Women Survey Respondents Who Have Additional Financial Assets, by Type of Asset



Notes: N= 644. Respondents were allowed to select more than one answer.
Source: IWPR Survey on Wealth in Central Ohio.

Access to these other financial assets varied by race and ethnicity. White women were more likely than women of color to have each type of asset, except life insurance (81 percent of Hispanic and 79 percent of Black women reported having life insurance compared with 74 percent of White women). The difference in those who have received inheritance is especially stark: when asked if they have ever received any inheritance, substantial gift, or trust that is valued at more than $1,000, 50 percent of White women said yes, compared with 20 percent of Black women, 25 percent of Hispanic women, and 29 percent of women of another race. Given the important role that inheritance plays in building wealth at a young age, the lesser likelihood for women of color of receiving an inheritance represents one way that racial and gender wealth gaps are reinforced over time (McCulloch 2017).

The difference in those who have received inheritance is especially stark: when asked if they have ever received any inheritance, substantial gift, or trust that is valued at more than $1,000, 50 percent of White women said yes, compared with 20 percent of Black women, 25 percent of Hispanic women, and 29 percent of women of another race.

Women responding to IWPR's survey are considerably more likely to have retirement funds than women in the United States overall. Analysis of national data from the Survey of Consumer Finances indicates that 41 percent of single women (as well as 64 percent of married couples and 39 percent of single men) have retirement accounts, such as an individual retirement account or pension (Appendix Table B.5). Among those who report having these accounts in the nation overall, the median value of single women's accounts is considerably less than those of single men's and married couples' ($22,000, compared with $30,000 and $67,000, respectively).

Women Survey Respondents Report High Levels of Debt

Being able to manage one's debt is important for building economic security and wealth over time. While some debt, such as mortgage debt, can help families build wealth, other debt limits their ability to do so. In the United States, the median total debt[7] for single women—including debt from primary residences such as mortgages and home equity loans, credit card balances, and education loans—is $29,000, which is similar to single men ($29,660) but much lower than for married couples ($102,500; Appendix Table B.14), who are more likely to own a home and to carry higher mortgage balances (Appendix Tables B.8 and B.16). Nationally, White women, men, and married couples have, at the median, higher levels of total debt than those who identify with other racial and ethnic groups. Among the age ranges shown in Appendix Table B.14, median debt is highest for those aged 35–49, who may be near the beginning stages of paying down a home mortgage, paying back education loans, and raising children. Those with a bachelor's degree or higher also have considerably larger median debt than those with lower levels of education, but those with higher education also have higher earnings (Anderson et al. 2016; Gault, Milli, and Reichlin Cruse 2018) and median assets (Appendix Tables B.2 and B.14).

Mortgage Debt

According to one ranking of the states according to the affordability of housing, Ohio has the most affordable housing in the nation.[8] Yet, among women respondents to the IWPR survey who reported

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[7] Medians are calculated only for those who hold the debt or asset (excluding zeros).

[8] This affordability ranking compares the median housing prices in a state with the median family income and mortgage interests rates that are calculated by Moody's Analytics using U.S. Census Bureau data (https://www.usnews.com/news/best-states/rankings/opportunity/affordability).

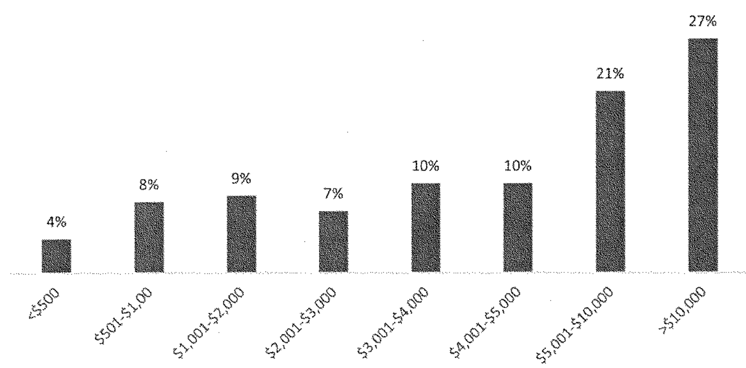
owning their homes, the majority (78 percent) said they have a mortgage, and about three in ten (29 percent) said their mortgage balance is over $210,000, a finding consistent across all racial and ethnic groups. Smaller shares of women respondents reported that their mortgage is between $60,000 and $90,000 (14 percent), $90,000 and $120,000 (14 percent), or $180,000 and $210,000 (12 percent). IWPR analysis of data from the Survey of Consumer Finances indicates that among those who have mortgages nationally, the median amount for single women and single men is $95,000, compared with $131,000 for married couples (Appendix Table B.16).

Among women respondents... three in ten (29 percent) said their mortgage balance is over $210,000

Credit Card Debt

In addition to mortgage debt, the IWPR survey asked respondents about several other kinds of debt, including credit card balances. Among women who report having credit card debt, the median debt reported is $4,000 to $5,000; the largest shares say they have either between $5,000 and $10,000 (21 percent) or more than $10,000 (27 percent; Figure 10). This is significantly higher than median credit card debt reported nationally, which ranges from a high of $2,800 for married couples to a low of $1,400 for single men. Among women survey respondents from the largest racial and ethnic groups who have credit cards, White women are the most likely to have debt above $5,000 (54 percent) and women who identify with another race or ethnicity are the least likely (32 percent). For many, credit card debt often arises from unforeseen emergencies or accrues when those who are paid low wages must resort to credit cards to make ends meet.

Figure 10. Women Respondents' Reported Amounts of Credit Card Debt

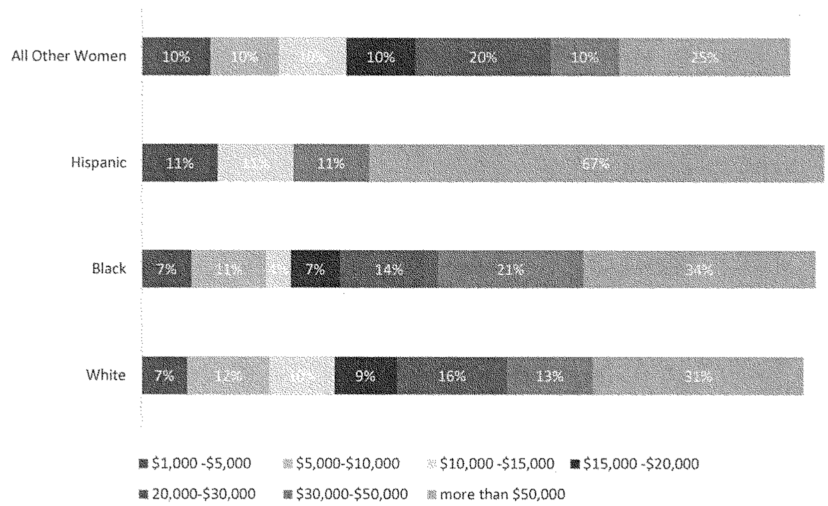


Notes: N=280. Percentages reflect amount of debt among those who report having credit card debt. Percentages may not sum to 100 due to rounding and because responses of "I don't know" or "prefer not to answer" are not shown but are included in the calculations as a part of the denominator.
Source: IWPR Survey of Wealth in Central Ohio.

Student Loan Debt

Student loan debt can be a major barrier to building wealth, especially among young adults who are just finishing college and starting their careers. Among women respondents to the IWPR survey, 39 percent reported having student loan debt, a higher share than among women aged 18–64 nationally (33 percent of single women in the United States overall, 29 percent of married couples, and 21 percent of single men have student loan debt; Appendix Table B.17). Of the women responding to the IWPR survey who say they have student loans and reported balances, the median amount owed is $20,000 to $30,000 and nearly one-third (32 percent) said they have more than $50,000 in student loan debt. Women of color responding to the IWPR survey are especially likely to have high levels of student loan debt. Among Hispanic and Black women who have student loans, 78 percent and 55 percent, respectively, say these loans amount to more than $30,000, compared with 43 percent of White women (Figure 11).

Figure 11. Women Respondents' Reported Amounts of Student Loan Debt by Race and Ethnicity (among those with student loans)



Notes: N=251; White women (166), Black women (56), Hispanic women (9), and All other women (20). Percentages may not sum to 100 due to rounding and because responses of "I don't know" or "prefer not to answer" are not shown but are included in the calculations as a part of the denominator.
Source: IWPR Survey of Wealth in Central Ohio.

Medical Debt

Fifteen percent of women respondents said they had experienced a significant health issue in the past year and 17 percent said a family member had. While overall 13 percent of women reported having medical debt, among those who reported a recent health issue for themselves or a family member, 31 percent of women respondents reported that they have medical debt. Among all women reporting medical debt, over half (52 percent) report having between $1,000 and $5,000 in debt, and 16 percent (14 respondents) having between $5,000 and $10,000. The share of women with medical debt varies by race and ethnicity, with Black women the most likely to have debt (25 percent) and White women the least likely (11 percent). Black women are the most likely to have debt of $5,000 or more (43 percent of Black women with medical debt report having debt of $5,000 or more).

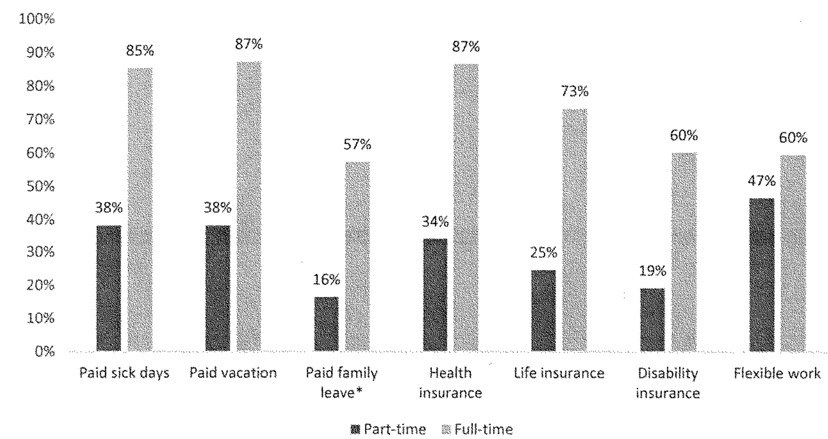
Employer-Provided Benefits are Vital to Wealth Building for Women in Central Ohio

Mariko Chang (2010) defines the "wealth escalator" as financial benefits that help individuals accumulate wealth at a faster rate. These items include employer-provided fringe benefits—such as paid sick days, paid vacation, health insurance, and retirement funds, among others—as well as favorable tax codes and government benefits, such as Social Security and unemployment insurance, which are often tied to income and marital status. Chang's research shows that women often lack access to these wealth escalator items, hindering their ability to accumulate wealth throughout their lifetimes (2010; 2015).

Access to Employer-Provided Benefits

Since a majority of the women survey respondents reported being employed full-time, a high share also reported having access to employer-provided benefits, particularly paid vacation, paid sick days, and employer-provided health insurance. Those employed full-time were considerably more likely to have employer-provided benefits than those employed part-time (Figure 12). Part-time women workers were least likely to report having access to paid family leave (16 percent) and most likely to report having access to flexible work schedules (47 percent), which is often a key reason women choose to work part-time.

Figure 12. Access to Employer-Provided Benefits Among Employed Women Respondents



Notes: N= 538 employed women. Respondents were allowed to select more than one answer. *Paid Maternity/Paternity/Family leave.
Source: IWPR survey on wealth in Central Ohio.

While the female survey respondents who were employed full-time generally reported high levels of access to employer-provided benefits, fewer women said they have access to paid family leave, flexible work schedules, and disability insurance than the other benefits. Additionally, while just over half of White and Black female respondents employed full-time report having paid family leave (57 and 53 percent, respectively) and 72 percent of Hispanic women employed full-time (13 respondents) report the same, access to paid family leave is particularly low for women employed full-time who identify with another race or ethnicity (45 percent).

Spotlight on Obstacles to Wealth Building Across the Lifespan

Women face numerous challenges when it comes to accumulating wealth throughout their lives. Many women, especially women of color, do not have access to accelerators that would help ensure their economic security and that of their children and grandchildren.

Barriers

Across all Ages:

Women face a number of barriers to wealth building that affect them from birth to retirement and beyond:

- **Lack of access to affordable housing**, especially for those who are paid low wages, means that women, and women of color in particular, often spend a large share of their incomes on housing costs, leaving them less to save or invest.
- The **high cost of child care** limits the amount many women can save or invest.
- A **lack of household savings** leaves a household vulnerable to economic shocks and insecurity if any of the primary earners face a setback like a job loss, health issue, or a reduction in pay or hours.

Girls and Young Women (0-17):

Girls and young women continue to face barriers even before they formally enter the workforce:

- **Limited financial education**, which leads to a limited understanding of budgeting, credit, or savings, can keep young women from acquiring the understanding of essential wealth building drivers needed to proactively plan for their future.
- **Persistent gender stereotypes** regarding women's role as default primary caregivers and men as the breadwinner and in charge of the household finances send conflicting messages to women, who are often also taught that they must be self-sufficient. Gender stereotypes may also limit a young women's perceptions of the educational and career paths she should or could take.
- Many girls and young women face **barriers to participation in STEM programs**, which can divert them from high-paying STEM jobs later in life (National Women's Law Center 2012).
- Lack of access to medical care and contraception can lead to teen pregnancy and the pressures of teen parenting which often keep young women from **reaching their educational goals** (National Conference of State Legislatures 2013), which leads to lower earnings and contributes to intergenerational poverty (Akella and Jordan 2015).

Young Adults (18-34):

Young women continue to face barriers to wealth accumulation as they pursue higher education or enter the workforce:

- Many young women accumulate **high amounts of student loan debt** when pursuing a postsecondary degree or credential.
- When young women enter the labor force they also face **unequal pay and the gender wage gap**, which IWPR has estimated costs millennial women with a college education $1 million over their lifetime (Hayes and Hartmann 2018).
- Women of color are especially likely to start out and continue working in **occupations that pay low wages** or to work in part-time jobs, limiting their earning potential.
- These low-wage and part-time occupations also are **less likely to come with employer-provided benefits**—such as paid leave, health insurance, and retirement funds—that help individuals invest more of their income into savings and help insulate against economic shocks.

Prime Wealth Building Years (35-64):

The barriers to wealth accumulation are compounded in the years when many women are working to save for retirement:

- Many women **lack access to paid sick days and paid family leave**, forcing more women to take unpaid time out of work if they must care for children or older family members.
- Women, especially women of color, are often **targeted for risky, subprime loans**—which are more likely to result in foreclosure when homeowners are faced with economic shocks. These loans also charge **higher interest rates.**
- Women experience multiple **barriers to entrepreneurship and building wealth through business ownership**, including limited access to capital and investments.

Older Women (65+):

- While women hold less wealth than their male counterparts, they live longer on average and older women often face **high health care costs**, which can deplete any wealth they may have built up over the years.

Accelerators

Numerous multigenerational policy and program changes would not only help increase short-term economic security, but also help many women start to build intergenerational wealth.

Across all ages:

- Make **child savings accounts and 529 savings plans** more accessible and equitable for women who are paid low wages by using public funding for matched savings accounts.
- Provide access to **multigenerational supports** for parents and children such as a universal basic income and expanded financial literacy education.
- **Expand eligibility for public benefit programs** so individuals do not lose their benefits until they begin to earn a living wage.

Girls and Young Women (0-17):

- Provide increased access to **affordable child care.**
- Provide **financial education** in classrooms and introduce wealth and wealth-building concepts at earlier ages.
- Support **STEM programs** for young girls
- Ensure that **supports for pregnant and parenting teens** are available so these young women can reach their educational goals.

Young Adults (18-34):

- **Increase the minimum wage** and eliminate the tipped minimum wage.
- **Work to eliminate the wage gap** by enacting regulations that end pay secrecy and block employers from using prior salary history in determining pay for new hires. Additionally, companies should be encouraged to make salaries public and increase transparency in hiring and promotion processes.
- Expand **tuition-free colleges** and **combat predatory student lending** practices.
- Expand access to **employer-provided benefits** in low-wage and part-time jobs.

Prime Wealth Building Years (35-64):

- Enact universal **paid family and medical leave** and **paid sick days** laws. Also, add a **caregiving credit to Social Security** benefits for women who take time out of the labor force to care for children or other family members.
- **Expand access to business ownership and entrepreneurship** through grants and investment in women-run businesses.
- **Eliminate predatory lending practices** in mortgage lending and payday lending services. Additionally, women would benefit from **increased tax credits for first-time home buyers.**

Older Women (65+):

- Since women are more reliant on Social Security benefits, the support and protection of Social Security benefits is vital to help women.
- Access to affordable and quality health care through Medicaid and the expansion of access to programs that help cover Medicaid costs.

4. Women in Central Ohio Face Many Obstacles to Accumulating Wealth over the Lifespan: Insights from Focus Groups & Survey Responses

In Central Ohio and the nation overall, women experience the wealth gap across their lifespan. Nationally, single women aged 18–34 have a median net wealth of $0, and at all ages women's wealth lags behind men's (Appendix Table B.1). Additionally, though median wealth increases as educational attainment increases, it is not until single women earn a bachelor's degree or higher that the wealth gap between single women and single men begins to narrow. In fact, the median wealth of single men with a high school diploma or GED ($12,930) is six times that of women who have some college or an associate's degree ($2,100; Appendix Table B.1).

Nationally, single women aged 18–34 have a median net wealth of $0, and at all ages women's wealth lags behind men's.

To understand better the factors that may hinder women's ability to build wealth in Central Ohio, IWPR conducted three focus groups—one consisting of millennial women (MFG), another of women of color

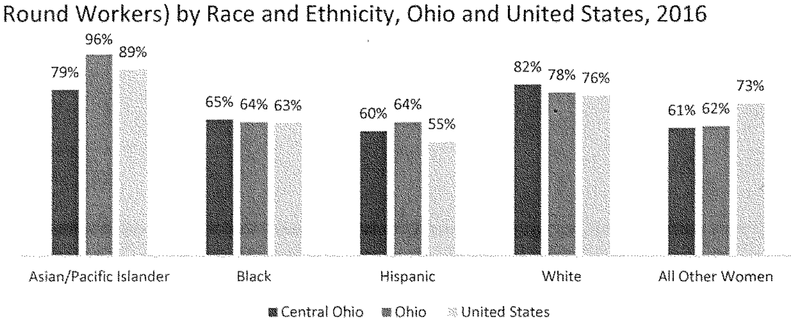
(WOC), and a third with women from the outer Central Ohio counties (OCFG).[9] Each group had between 5 and 11 female participants for a total of 22 participants. Of the 22 participants, 10 identified as White and 12 were women of color (4 Black, 2 Hispanic, 3 Asian, and 3 women who identified as multiracial). The focus groups participants had high levels of education: 12 had a bachelor's degree, and 10 had a graduate or professional degree. Two participants reported being retired and one was a homemaker; all other participants were employed full-time.

Despite their relatively high economic and educational status, the focus group participants and survey respondents identified a number of ways in which they have struggled to accumulate wealth. While the obstacles they have faced may differ at the various phases of their life, some common themes emerged across the focus group discussions, some of which were also echoed by women respondents to the survey. These themes point to the important ways that social norms and pay discrimination, limited access to financial education, and significant life experiences such as divorce and job loss affect women's ability to build wealth.

The Gender Wage Gap and Women in Ohio

A primary obstacle for women is the gender wage gap, or women's lower earnings compared with men's. Federal data shows that although the gender difference in earnings is not the only factor contributing to the wealth gap, it is one key reason the gender wealth gap exists. Women in Central Ohio who work full-time, year-round earn 81 cents on the dollar compared with full-time, year-round employed men. Though women's earnings in Central Ohio vary considerably across counties—from $37,000 in Licking County to $52,000 in Delaware County—women earn less than men in each county (Appendix Table C.4). Among women of color, the gender earnings gap is particularly stark: while White women earn 82 percent of White men's earnings in Central Ohio, Black women and Hispanic women earn just 65 and 60 percent, respectively (Appendix Table C.3). This is similar to the state and nation overall (Figure 13).

Figure 13. Ratio of Women's Earnings to White Men's Earnings (Full-Time, Year-Round Workers) by Race and Ethnicity, Ohio and United States, 2016



Notes: Aged 16 and older. Racial groups are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata, 2012-2016.

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[9] Women of color were included in all three focus groups but the 'women of color' focus group was composed solely of women of color. Similarly, millennial women of color were also included in both the millennial and women of color focus groups.

Focus group participants noted that having lower earnings make it more difficult to make ends meet and save money to invest. Many said that women who are paid low wages may be so consumed with making ends meet that they may not have the energy to think about saving or accumulating wealth for long-term financial security.

The wage gap was of particular concern for women in the millennial focus group. Most of the participants expressed concern that they did not know how to negotiate for higher wages and were unsure what their male peers were being paid or when to ask for a promotion or raise.

> "I feel like—and I don't know if this is a 'me' thing or if it's a woman thing—but I feel like nobody has ever said 'walk into a meeting and...ask for this amount. This is what you are worth.'" (MFG)

> "So I think understanding that you have the ability to negotiate, learning how to negotiate, and understanding that your salary is not a secret [is very important]. If the company tells you it's a secret they're lying...But I think those were big gaps that I saw...[and the men in my life] were just a bit more comfortable having that conversation." (MFG)

The losses due to the wage gap accumulate over time; IWPR estimates that the wage gap costs college-educated millennial women $1,000,000 over their careers (Hayes and Hartmann 2018).

Limited Access to Financial Education While Growing Up

Focus group participants noted that early financial education is important to building wealth and cited two important sources of financial information in their lives—their family and their first jobs.[10] Some participants said their parents discussed the importance of saving, budgeting, and general finances with them as they grew up, but only one said her parents discussed wealth building with her:

> "My dad has actually been an accountant my whole life...he was all about making sure I didn't make the same mistakes that he did as far as making sure all of your debt gets paid. And knowing what a 401(k) is and all of that stuff. So the amazing thing is if my dad...didn't do all of that, I didn't learn about it in school....But it's just an interesting dynamic of it's not something you've [officially] been taught." (MFG)

Another participant reported that her family imparted the importance of employer-provided benefits:

> "So I think just given those kind of public sector positions and the fact that [my parents] had union jobs. And they had a lot of good benefits, strong benefits, they kind of could impart the importance of all that to me...Just kind of building the importance of your employer...helping contribute to some of your financial security...So having a retirement plan from your employer, having health insurance...Getting sick days. Getting paid vacation days. All of that adds to your financial security." (MFG)

More often, however, the women said their parents did not discuss financial issues or concepts.

> "[I]n our culture it's more, 'Oh, well, you're not paying the bills so you don't need to be part of this conversation.' So, I really didn't have much exposure." (WOC)

[10] While some secondary schools and colleges and universities may offer personal finance courses, none of our focus group participants mentioned this as a source of financial information.

> "I grew up in what you might call a working-class family. And money was something we never talked about either in terms of income or wealth. I didn't know what my parents made until we were filling out my FAFSA—that was the first time I thought about my parents and money in that way. And then I had a really kind of culture shock when I married my husband because he came from a very different background. And to see the way that his family taught him how to manage stocks and mutual funds. And he would never know things if his family hadn't taught him that." (MFG)

> "I had a medical background so I didn't have any business understanding [from school]. So, this is all very new to me…I feel like you…have to seek [knowledge and information] out. It's not really there for you to find. Or no one is going to tell you until you ask about it. [The information] is there to find [only] if you look for it." (MFG)

Coming from a family whose members had a good understanding of finances did not guarantee an early financial education. Another participant whose father was an accountant said she still felt like she only learned about wealth and wealth-building when she was in college:

> "But as far as actual structural, 'How do I make my own money and accumulate wealth?' I would say it was probably in college for me. When I was learning the basics—my dad's an accountant, which is also crazy…he's an auditor—and so I remember learning those things and my dad talking to me like, 'Yeah, you know.' And I was like, 'No, I don't know!'" (WOC)

Another participant's family would even purchase stocks and bonds for her, but she never felt like she was taught how to manage her money:

> "But I guess…they built all of that up for me but not necessarily the knowledge of how to continue and make sure I am then reinvesting in the right things." (MFG)

In the focus groups, those who were raised by a single mother said they were much more involved with family finances and decision-making processes regarding saving, spending, and wealth-building.

> "The first time it was introduced to me was as a child. My mother was a single mother of four, we grew up on welfare in [the] projects. From there her goal was to own a home, become self-sufficient, and to move from the stage of being—receiving help from the city." (WOC)

> "My mother was a single mom…I mean we didn't have as many choices, because we didn't have any money, but it was all very much a family thing. She took us along." (OCFG)

Many participants reported that their first introduction to wealth and wealth building came through the first full-time job that had employer-provided retirement benefits:

> "The first exposure I had was my first job as an attorney at the age of 28." (WOC)

"I think I got exposed to wealth management when I got my first 'real' job…they talked about profit-sharing and 401(k) and all those things were so weird to me, because nobody in my family has ever had any of those things."

> "I think I got exposed to wealth management when I got my first 'real' job...they talked about profit-sharing and 401(k) and all those things were so weird to me, because nobody in my family has ever had any of those things...So, that was the first time I think I heard it and I was able to show my family." (WOC)

When exposure to wealth building concepts comes through a first job, those without employer-provided benefits may be left without any formal introduction to wealth building.

Some Participants See Lack of Financial Literacy as a Challenge to Building Wealth

As a part of the survey, respondents were asked three basic financial literacy questions to gain a general sense of respondents' understanding of basic financial concepts, developed by the George Washington University Global Finance Excellence Center. As shown in Table 2 below, the survey respondents (Central Ohio) scored higher on financial literacy than women and men in Ohio and the nation overall.

Table 2. Survey Respondents' Scores on Basic Financial Literacy, by Gender

	Women	Men
Central Ohio (2018)*	2.68	2.74
Ohio (2015)**	2.53	2.51
United States (2015)**	2.44	2.52

Note: *N = 610 women; 23 men. Scores computed as the number of correct answers for respondents answering all three financial literacy questions proposed by the George Washington University Global Finance Excellence Center. (http://gflec.org/education/3-questions-that-indicate-financial-literacy/).
Source: *IWPR Survey on Wealth in Central Ohio **2015 National Financial Capability Study (http://www.usfinancialcapability.org/downloads.php)

Even though survey respondents scored comparatively well on basic financial literacy questions, 12 respondents still cited a lack of financial literacy or knowledge as a major barrier that has kept them from building wealth the way they would have liked. This theme also resonated throughout the three focus groups. One participant said,

> "So, as a lawyer and as someone who worked at the Fed, it was very hard for me to admit that I didn't know what I was doing when I was investing. So I shied away from it...So, for me, kind of swallowing my pride and going, 'I don't know it. I need somebody else'...I have a broker now. That's weird for me to say, but because I'm not comfortable in that space. I've realized I have to delegate that job to somebody else who does it well and takes a fee for it." (WOC)

A vast majority of the women reported having spoken to a financial advisor at some point in their lives; many of them spoke to an advisor for the first time in their 30s or early 40s. The women who had spoken to a financial advisor at a younger age—all the women who took part in the focus group for millennial women reported meeting with a financial advisor for the first time in their early 20s—often gained access to these advisors as a part of the benefits provided through their first full-time job. Many of the women, however, still reported feeling that they did not know the right questions to ask:

> "You just don't know what you don't know...even now I've met with that financial advisor before...I know he's there to help me...But I don't even know what questions I should be asking." (WOC)

Access to a financial advisor is often a luxury that many individuals cannot afford, especially for those who work in jobs that pay low wages and do not come with employer-provided benefits.

"You just don't know what you don't know...even now I've met with that financial advisor before...I know he's there to help me...But I don't even know what questions I should be asking."

Gendered Cultural Norms and Gender Stereotypes Undermine Women's Ability to Build Wealth

The vast majority of IWPR women survey respondents who are married or cohabitating with a partner report being actively involved in managing their household finances. Thirty-three percent say that they take primary responsibility for household finances, and 46 percent say that they split the responsibility with their partner evenly.[11]

Many focus group participants, however, discussed the stereotypical expectations from family members that men should be the breadwinners in their households and take responsibility for household finances. In some cases, participants connected their limited financial knowledge to these same gender stereotypes.

> "I don't know a lot about investing...So I do have an advisor...I feel that as women sometimes we give over the power to either the husband we have...or...to your advisor...We, as women, have to educate ourselves...But I think there has to be more workshops that teach women in a very nonjudgmental environment." (WOC)

One major theme that came up independently in all three focus groups was the feeling that thinking about personal wealth and wealth building felt "selfish."

> "So, growing up...I was never taught to invest in myself or do the things I needed to secure my financial future. And until I hit the age of about 30-35, it felt selfish to do it. And I think part of the discussion that needs to occur with women, especially when we're talking about wealth building, it's not selfish; it's responsible." (WOC)

While many expressed a desire to break with what they saw as gendered cultural norms and stereotypes as the key to helping young women start to think about wealth-building early, focus group participants indicated that they did not feel that they knew how to do this effectively.

> "And I don't know how to help young girls understand that early: you're not being selfish because you're saving and you're not buying this and that. You're not being selfish because you put your money away and you see your brother spend all his and you didn't give it to him. But you're being responsible to yourself. And I wish that were a lesson I learned growing up and I understand why culturally I did not." (WOC)

Focus group participants also indicated that they felt that traditional gender stereotypes about men being the breadwinner or taking control of finances are still strong today. Even the women in the millennial focus group reported that their families expected their male partners to earn more and take responsibility for the financial well-being of the household. This was reported by women who also stressed they were taught they should be independent and self-sufficient:

[11] A total of 58 individuals who responded to the survey identified as LGBTQ+.

> "I've had a boyfriend for a while and he has a good job but he makes less money than me and doesn't have as much education. And I can see, especially with my father he's upset…that I'm the breadwinner even though we pay our own way and that's fine. I think there is a difference—there's an expectation now that he's a man, he should be paying the bills or taking care of the house or doing things like that." (MFG)

> "My boyfriend makes a lot less than I do. And I kind of feel some of that tension sometimes from my parents." (MFG)

> "My husband came from an extremely traditional family…and he was always told…the husband should be the breadwinner. And the husband should control all the finances. And I make significantly more money than he does. And he is constantly told that I'm a disrespectful wife because I choose to make more money than he does." (MFG)

Women in the millennial focus group also reported that they were asked to think about family planning and the impact it might have on their careers:

> "I ended up changing to a medical degree, which I love, but something my mom brought up with me when I was 18 years old is 'you need to consider if down the line you want to have kids, is this going to be a job or career that's going to be flexible and give you that ability?' And I was 18 years old. So….as a female I just all of a sudden felt this burden of I need to make a decision that's going to impact my life whoever knows how long down the road…I have two brothers and I don't think my parents would ever ask them the same questions." (MFG)

The focus group participants felt, however, that things have come a long way from how they used to be. Many shared stories of their mothers or other women who were taught to have their own secret or "safety" money, which was often cash hidden away.

> "And [my mother] had a little place in her closet that she hid her money until the day she died…she always said 'You gotta have your money. You've always got to have something that's just yours for whatever you want to use it for.'" (OCFG)

And many reported that it was often linked to the idea of providing safety for women who had no access to their own wealth outside of joint bank accounts:

> "But I now understand [keeping money of your own] after living through [divorce], it's a survivor thing." (WOC)

> "[I was told] you give your daughter money, like…escape money. So my father did that when I got married." (OCFG)

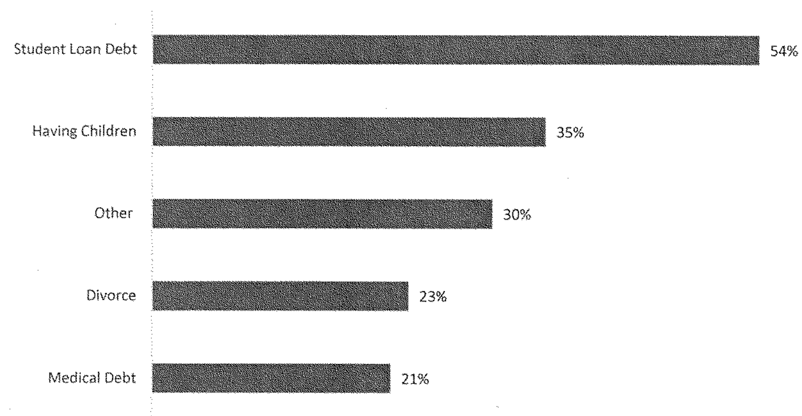
While many of the women reported that their mother would have hidden money for herself, few of the respondents say they kept hidden bank accounts or financial assets from their partners. Many of the women in the millennial focus groups, however, stated that they and their partner did keep separate bank accounts, even after marriage.

Multiple women, however, discussed the importance of learning to "pay yourself" even if it's only $5 per paycheck. This "paying yourself" is how some focus group participants who were raised in poverty say they first started saving and learning how to building wealth.

Student Debt, Parenthood, and Divorce Can Hinder Women's Ability to Build Wealth

While women's lower earnings compared with men's and often limited access to financial education contribute to the gender wealth gap, other factors hinder women's ability to save and accumulate wealth over their lifetime. When asked what major life events or experiences they feel have kept them from building wealth, female respondents identified acquiring debt—specifically, student loans (54 percent) and medical debt (21 percent)—as important factors, along with having children (35 percent) and going through a divorce (23 percent; Figure 14). Focus group participants also identified health issues, limited access to wealth escalator items, and lack of support for women entrepreneurs as factors that can prevent wealth accumulation.

Figure 14. Percent of Women Survey Respondents with Major Life Experiences that Prevented Wealth Building, by Type of Experience



Notes: N=644. Respondents were allowed to select more than one answer.
Source: IWPR Survey on Wealth in Central Ohio.

Student Loan Debt

As shown above in Figure 14, more than half of survey respondents feel that student loan debt has kept them from being able to build wealth the way they would have liked. This is not surprising given the high levels of student loan debt reported by female survey respondents (see Figure 11). As more women are attending and graduating from college (Rose 2015), rising levels of student loan debt is increasingly becoming a concern for women. Millennial women participating in the focus groups especially expressed concern about the impact of student loans on their long-term economic security. One participant said,

> "Looking at the number is really scary...in my junior year of college we had this one class...and our professor made us consider our debt after school. And he was like, 'I'm 50 and I just paid my last student loan bill.' And....my stomach just melted inside my body. But at least now I can be honest with myself that that could definitely be me." (MFG)

Student loan debt is generally considered a problem primarily associated with young adulthood when many people are completing their education and entering the labor market; however, this debt can stay with debtors well into middle age and remain even at older ages.

Parenthood and Caregiving Responsibilities

Survey respondents and focus group participants identified the high costs that come with having children and family care responsibilities, common in early adulthood and mid-life, as major factors that limit women's ability to build wealth. Though child care costs in Ohio are comparatively low—when looking at the cost of child care compared with the median annual earning of women in each state, Ohio ranks 11th best out of all 50 states and the District of Columbia (Hess et al. 2015)—these costs are still substantial. In Ohio, the average annual cost of full-time center-based care for an infant in 2017 was $9,466 (Child Care Aware of America 2018). Without affordable and reliable child care, many women are forced into an economic tradeoff between working to pay for child care or withdrawing from the labor market to provide full-time care themselves. While the decision to reduce hours of paid work or withdraw from the labor force may make short-term economic sense within the family, it can threaten women's longer-term economic security. Withdrawing from the labor force for a period of time or cutting back on hours of paid work damages women's earnings potential and may reduce the amount of their Social Security and pension benefits in retirement.

While the IWPR survey did not specifically ask about elder care, as the population of the United States ages, the need for this care will increase. Much like child care, the responsibility for caring for parents often falls on women (National Alliance for Caregiving and AARP 2015). For many women, the need to care for aging parents comes at a time when they also have children to care for, which can lead to increased time out of the labor force or increased costs that come with the need for paid elder care (National Alliance for Caregiving and AARP 2015; Hess et al. 2015). One of the focus group participants discussed the effects that caring for her aging parent has had on her financial considerations and budget:

> "And, so, aging parent situations create a whole other set of dynamics, whole other complexity in terms of how you balance your money and the decisions—the financial decisions you make and what really goes in where and how." (WOC)

Women of color focus group participants especially noted that they often faced a variety of family responsibilities that stretched their time and resources thin and affected their ability to even think about wealth or wealth building. Some said they are responsible not only for the economic and overall well-being of their immediate family members, but also for their extended family. Particularly for those with limited economic resources or for those living in poverty, these responsibilities can greatly affect their ability to plan for the future. One focus group participant specifically linked the ability to think about wealth building to the trauma of living in poverty:

> "Because I grew up with a lot of trauma around me, we didn't deal with planning. We dealt with fire...And when you think about that, like in communities that are experiencing that, they're not processing being alive long-term. So, why am I investing money when someone might not be here in a year?" (WOC)

Spotlight on Single Mothers

Single mothers face challenges when it comes to building wealth, since they often earn less and are the primary caregivers for their children. In Ohio, and the nation overall, the median annual income of households headed by single mothers is lower than for all other household types (Appendix Table C.6), and the poverty rate is higher (Appendix Table C.12). In both the state and nation, the poverty rate for households headed by single women is more than double the rate for those headed by single fathers, and more than five times the rate for married couple households with children (Appendix Table C.12).

Thirteen percent of the respondents to the IWPR survey (89 respondents) reported being single mothers; only 8 of these, however, have at least one child or more under age 6, and 38 have at least one child between the ages of 6 and 17. While the survey data suggest that many of the single mother respondents experience economic security, they also point to ways in which some of the single mothers IWPR surveyed may struggle to build wealth.

- Eighty-one percent of single mothers in the IWPR survey are in the labor force, a larger share than among all women in Central Ohio (64 percent) and the state overall (59 percent; Appendix Table C.8). Among single mother survey respondents, 65 percent are working full-time.
- Single mothers in the IWPR survey are more likely than other women surveyed to be unemployed (4.5 percent compared with 2.9 percent).
- Single mother respondents reported a median household income range of between $30,000 and 50,000. Eighteen percent had an income of less than $30,000.
- Two-thirds (66 percent) of single mothers in the IWPR survey have a bachelor's degree or higher. While higher levels of education generally lead to higher earnings and greater economic security, some single mothers in the IWPR survey also reported high levels of student loan debt. Among the 33 single mothers who said they have this debt, the median level reported is $30,000 to $50,000, with 13 respondents (39 percent) reporting debt of $50,000 or more.
- Seventy-four percent of employed single mothers report having access to employer-provided benefits. Seventy-nine percent of working single mothers say they have paid sick days, paid vacation days, and employer-provided health insurance. Seventy-one percent of employed single mothers (47 of 66) have a retirement plan through their employer. In addition, 45 percent of employed single mothers reported having paid family and medical leave.
- Many single mother respondents, however, report lacking access to liquid assets. Of the 87 single mothers who reported having a checking account, 29 percent reported having less than $500 in their account, and 19 percent said they had between $500 and $1,000. Twenty-seven percent of single mothers reported not having a savings account; among those who do have a savings account, 19 percent reported having a balance of less than $500.
- Thirty-four percent of single mothers reported just barely being able to make ends meet, and an additional 15 percent said they were falling behind on their expenses. Thirty-one percent of single mothers also reported spending more than their household income in the past 12 months, and 33 percent saying they were just breaking even.
- A substantial share of single mothers report having experienced a major setback in the 12 months before completing the survey. Nineteen percent say they have had a significant health problem of

their own, and 15 percent reported that a family member experienced a major health issue. Ten percent reported losing a job, 12 percent had their pay reduced, and 11 percent went through a divorce. When asked what factors have kept them from accumulating wealth as they would have liked, single mothers most commonly said divorce (56 percent), followed by the expenses that come with having children (43 percent), school debt (28 percent), and medical debt (19 percent). Fourteen percent also cited other factors such as low paid work and discrimination.

Divorce

While marriage has historically provided some women the opportunity to build wealth, divorce is a major obstacle for women when it comes to wealth-building and economic security. Divorce can leave women with the financial burden of being the primary caregiver for children and increase women's overall financial strain. Some of the women who participated in the focus groups discussed their experiences with divorce, reporting heavy financial setbacks:

> "And I'm starting over and I've been the breadwinner. I was the breadwinner in my marriage for years and then it's probably the classic story that when you finally get it all figured out, then they're gone. I'm just left holding the bag and my student loans and his loans…." (WOC)

One woman even reported that she had to declare bankruptcy and start over again after her divorce:

> "I was married 18 years prior to my marriage now and my husband did everything…everything was in his name and I didn't even know how to put gas in the car, because he always did it. So, I always thought I had this amazing man, because he did everything and I was just, like, 'I'm so lucky, I don't pay the bills,' and, so, I learned...because it was a horrible moment when I [realized] in one moment, leaving someone, that he was able to turn off everything, take everything, pull everything out…I had to go bankrupt…I had to start all over." (OCFG)

Divorce not only depletes women's assets because they must be split with the ex-partner, it also depletes women's wealth through costly attorney's fees and other legal fees. Research has also found that divorce has a greater economic impact on women than men due to women's lower earnings and their greater likelihood of gaining physical custody of their children (Holden and Smock 1991; Weitzman 1996), leaving a wealth gap between divorced men and women (Chang 2010). Women with minor children may especially experience increased financial strain due to divorce.

Spotlight on LGBTQ+ Women

Due to data constraints, there is no national data on wealth, assets, and debts and little information on obstacles to wealth building for LGBTQ+ women. This means that there is little understanding of what accelerators could help LGBTQ+ women when it comes to accumulating wealth. Research has shown that LGBTQ+ women are more likely to face discrimination when looking for work and often face increased discrimination on the job. They are also more likely to live in poverty and to experience economic insecurity; LGBTQ+ women of color and those who are raising children are especially economically vulnerable (Hess et al. 2015). While the legalization of same-sex marriage has helped some LGBTQ+ couples financially by granting them access to tax and other benefits that were previously denied to them, the legacy of discrimination is still felt by many older couples and widows who are not given access to spousal benefits retroactively (McCulloch 2017).

A total of 58 respondents to the Survey on Wealth in Central Ohio identified as LGBTQ+. Their educational and economic circumstances do not differ much from those of other survey respondents.

- Eighty-six percent of LGBTQ+ respondents have at least a bachelor's degree, compared with 84 percent of all other respondents.
- Ninety percent of LGBTQ+ respondents work full-time, compared with 80 and 85 percent of all other respondents, respectively.
- Thirty-eight percent of LGBTQ+ respondents report having a household income of more than $100,000, compared with 44 percent of all other respondents.
- Most LGBTQ+ respondents feel they are living comfortably (60 percent) and are able to meet their monthly expenses (72 percent report spending the same or less than their household income). A majority (57 percent) reported owning a home, but this is less than the 75 percent of all other women who own their home.
- Ninety-seven percent (56 out of 58) have both a checking and savings accounts with balances similar to all women.

Employed LGBTQ+ individuals reported being less likely than other respondents to have access to wealth escalator items. Only 60 percent of LGBTQ+ respondents who are employed have access to employer-provided retirement plans, 71 percent have access to paid sick days, 69 percent have access to paid vacation, and 42 percent have paid family and medical leave. This is slightly lower than that reported by all other respondents, of whom 77 percent have access to paid sick days, 80 percent have access to paid vacation, and 52 percent have access to paid family and medical leave.

Health Issues Can Hinder Women's Ability to Build Wealth

As noted above, health problems—for oneself or a family member—can slow wealth accumulation, particularly for those who do not have health insurance. Many focus group participants, some of whom had experienced health issues, spoke about the potential impact of health issues on their financial future. Some participants reported feeling like they were on track for retirement as long as they did not experience any health issues. One woman discussed her ability to take out long-term care insurance because of a known family history of Alzheimer's:

"We've no qualms about do we have enough money to live [during retirement]. The concern is…Alzheimer's…So, when we talk about retirement planning for us, health was a huge issue and, so, we made the decision to get long-term care insurance to try and protect some of the finances. Which is also really expensive and a lot of people would not be able to afford it." (OC)

Other participants highlighted the importance of affordable health insurance to financial well-being. One said,

"You don't recognize how much—how good you have it with good [health] insurance and savings and all that until you're in the hospital for a while and then you think of a regular person and how that totally can bankrupt a person." (OC)

Similarly, another remarked,

"Some of the things that come with the job that you don't realize add value, because you weren't raised a certain way. In recent years I've become really aware of how important health insurance is." (WOC)

"You don't recognize how much—how good you have it with good [health] insurance and savings and all that until you're in the hospital for a while and then you think of a regular person and how that totally can bankrupt a person."

Too Often Women Have Limited Access to Wealth Escalator items

Access to wealth escalator items—including policies such as paid leave, health insurance, and flexible work arrangements—can help women attend to their family responsibilities while succeeding in the workforce (increasing their opportunities to build wealth); yet, as noted, a small share of women employed full-time and the majority of women employed part-time surveyed said they do not have these benefits (see Figure 12). The focus group participants recognize their importance, however, even if they learned of it later in life. One woman said,

"And those side benefits? You don't appreciate what they [do to] augment your wealth because you're not spending that money there. Right? So, that was a lesson for my late 30s." (WOC)

Another remarked,

"I had two offers and one was…a little less money, but $30,000 a year worth of benefits…and I had to switch my thinking to taking [the lower paying job]…it was like 'okay, invest in your financial future.'" (WOC)

One focus group participant said that after having children, she found it very challenging to find part-time or flexible working arrangements that allowed her to continue to earn an hourly wage similar to what her previous full-time position paid. She noted that it is often hard to find employment opportunities that will make the reduction in hours worth the move to part-time:

> "So when you need flexibility or when child care costs exceed what you'd been making, which happens for a lot of women, there aren't a lot of alternatives that allow you to earn a similar hourly wage at a lesser schedule. I was shocked how few options there were." (OCFG)

Women Entrepreneurs Lack Social and Economic Support

Business ownership can be a means of wealth building, yet, women are much less likely than men to own businesses, and women-owned firms generate lower revenues than men-owned firms: the sales, receipts, and value of shipments for men-owned businesses is more than six times that of women-owned businesses (Anderson and Williams-Baron 2018). Women face numerous barriers when it comes to entrepreneurship and are less likely to have the support of external investors (Williams-Baron, Milli, and Gault 2018; Shaw and Hess 2018). In the Central Ohio survey, 19 percent of female respondents reported owning a business, yet several focus group respondents cited their failing business as a reason they have not been able to build as much wealth as they would have liked. One focus group participant said,

> "I call my year of entrepreneurship my midlife crisis, because I pulled my retirement out to finance that year. I pulled some stocks out to finance that year. I had a fantastic year and learned a ton about myself…but I made some horrifying financial decisions that year." (WOC)

Another spoke of her decision about whether to start a business or invest in something else:

> "And there's some aspect of…do I take money and [invest it] or something or do I invest in me and invest in what I think my real potential is?..So, then do I invest in someone else's idea or do I invest in my idea? You know, do I build your wealth or do I build my wealth potential. " (WOC)

The lack of social and economic support for women entrepreneurs make decisions about starting their own businesses more stressful and any failure all the more devastating.

Spotlight on Women in Low-Wage Jobs: Insights from Program Leaders in Central Ohio

To gain additional insight into barriers to and accelerators for women's wealth building in Central Ohio, IWPR interviewed 12 individuals who were either policymakers or program leaders in the area. These individuals work with a variety of different groups of women and provided crucial insight into the specific barriers and accelerators to wealth building they faced, especially for women who are paid low wages and are working to lift themselves and their families out of poverty, and face other substantial obstacles to accumulating wealth. Since more than one-in-four working women (26 percent) and almost one-half of working Black women (47 percent) and Hispanic women (42 percent) in Ohio lack economic security (Suh, Hess, and Hayes 2018), the perspectives shared by these leaders in Central Ohio give valuable insight into additional barriers many Ohio women may face when it comes to building wealth.

- Almost all policymakers and program leaders interviewed said that not being paid a livable wage was a main obstacle to economic security and wealth building for women, especially for women of color—who are more likely to be a primary breadwinner or the head of their household—and single mothers. Being paid low wages often leaves women and their families unable to meet their financial obligations, limits their ability to save for the future, and increases the likelihood of their experiencing poverty, especially if they face an unexpected expense or illness.

- Many of those interviewed cited the difficulty and increased obstacles that women face as they begin to earn higher wages and lose access to public benefits. This "benefits cliff" leaves women and their families increasingly vulnerable to expected or unexpected economic emergencies. Even as women's earnings increase, they may still earn less than they need to meet all their financial obligations.

- Most of those interviewed mentioned the rising cost of living, especially in Franklin County and in Columbus in particular, which they noted is leading to a housing crisis and increased homelessness for those who are paid the lowest wages. As rent increases, many of those who are living in or near poverty are facing eviction or are forced to "double up" where extended family members and friends all live together in a one or two bedroom apartment to help with the cost.

- Almost all of the policymakers and program leaders interviewed mentioned the decrease in funding to public education and the schools in Central Ohio (and the United States generally), which has led to program cuts and, in their view, left many schools, especially inner-city schools, vastly understaffed and underresourced at a time when teachers are being asked to take on more responsibility for students. For example, several interviewees observed that many teachers have to navigate the challenges that students living in poverty face, challenges that would often be better handled by social workers and school psychologists.

- Program leaders and policymakers also mentioned many of the barriers that were highlighted in the survey and in focus group interviews—a lack of affordable child care, an increased need for access to affordable health care, and the impact of the wage gap and inequality in earnings.

The policymakers and program leaders interviewed suggested a host of policies and practices that would help accelerate wealth building for women in Central Ohio.

- At the top of the list of solutions is paying a living wage—a wage that takes into account the rising cost of housing and high cost of child care, and ensures that individuals are able to support themselves and their families. This could come from employers who commit to paying a living wage or policies that raise the minimum wage to a living wage.

- In addition to increased wages, leaders stressed the increased need for quality and affordable housing.

- Interviewees also noted the importance of expanding eligibility for public benefits so that as those with low wages begin to earn more they do not face a benefits cliff. Ensuring these workers have access to the safety net until they are paid a living wage is crucial for their economic success.

- Those interviewed also suggested investing more in public education and schools for children and youth:

    - Increased funding would allow public schools to provide classes such as home economics or another course teaching personal finance where wealth building concepts and financial education could be introduced at younger ages.

    - Increased support would also allow additional resources to provide support for those students who are living in poverty or are homeless and who may come to school having experienced trauma. One program leader said that schools would even benefit from having a social worker in every classroom to make sure students get the resources they need, which will allow teachers to focus on teaching.

    - Increased support should also include ensuring an increased understanding of the needs of parenting/pregnant students or transient and homeless teens. For example, asking basic questions like "are you a parent" or "how many schools have you previously been enrolled in" when a student moves to a new school would allow schools to get a good sense of a student's potential needs. Additionally, one program leader stressed that GED or E-learning programs should not be the first choice for students who get pregnant or are parenting, since these programs often lead to teens missing out on nonacademic developmental milestones (such as building relationships and learning how to negotiate social situations, among others).

- Interviewees said that employers and policymakers should also focus on addressing the wage gap. This could include getting employers to sign a pledge—like the Columbus Commitment: Achieving Pay Equity pledge—to increase transparency in their pay and in their hiring and promotion practices.

- Many saw tackling the lack of financial literacy and education as only one component of any solution. Policymakers and program leaders also stressed the need for matched savings accounts—for adults as well as children—as a way to help those being paid the lowest wages to begin to build savings. At the same time, policies should address predatory lending practices, such as high-interest payday loans, that tax the already low earnings of many individuals.

- Many leaders mentioned the importance of using a holistic approach to poverty reduction and increasing economic security, which includes listening to those who are living in poverty, since they know what their greatest needs are. Leaders said that in their experience of working with low-income families, they have found that these needs often include access to affordable child care with flexible hours, workforce development programs, and transportation assistance, among others.

While all the program leaders mentioned the need for additional funding for programs that work on poverty alleviation and economic security, they stressed to fully address the gender and racial wealth gaps it will take programs that work directly with communities along with the political will to implement policy changes that address structural inequalities.

Conclusion & Recommendations

Women, especially women of color, face numerous obstacles to wealth accumulation throughout their lifetime. While these wealth gaps have historical roots in discriminatory policies, structural inequalities, and systemic racism, many policies and practices today continue to exacerbate the wealth divide. For women, this disparity in wealth can have significant consequences across the lifespan. It can leave them economically vulnerable at different stages of life, such as when raising young children, after divorce, or in retirement. It can also limit women's chances to pursue entrepreneurship or other opportunities that may generate financial resources. In addition, the wealth gap leaves women with fewer resources to pass on to future generations, limiting the economic mobility of their families over time.

Those who completed the IWPR survey and the women who participated in the focus group interviews were economically better off than the average woman in Central Ohio, yet this obscures the hardships facing many women, especially those earning the lowest wages, in this area.

The policymakers and program leaders interviewed for this study sought to highlight the concerns and difficulties of women in Central Ohio with limited resources; these leaders noted, for example, that women working low-wage jobs often lack benefits and are significantly affected by the rising cost of living in Central Ohio, as well as by the decline in investments in public education, the lack of affordable child care, and the loss of public benefits among some workers who increase their earnings. The following represent some actions that can and should be taken to address the wealth gaps affecting women in Central Ohio, particularly those with fewer resources, to help ensure that all women can be economically secure.

Recommendations

Increase Access to Financial Literacy Programs

One of the major themes in the focus group interviews is that women often receive little formal education on finances, budgeting, and wealth building. Their introduction to these concepts at an early age depended on a parent or family member discussing them with their children or other family members, which left many without any financial literacy or understanding until later in life.

- Make age appropriate financial literacy and financial education programs part of classroom education both for teens in high school and young adults in community college or university.

- Establish and expand existing community-based financial counseling and education programs for women who have not received any formal financial education.

Address Student Loan Debt

Given the rising levels of student loan debt that many women, especially women of color, are facing, addressing the problem of student loan debt is essential to closing the wealth gaps. Some solutions could include:

- Work to reduce student loan debt by eliminating predatory student loan practices and increasing access to loan forgiveness programs for all workers.
- Ensure that all student loan repayment programs, including those for private loans, provide income-based repayment options and are adjusted to not unduly burden those who are paid low wages.
- Consider a free college promise for low- and moderate-income students at community colleges and public universities in Ohio.
- Allow Pell grants to cover living expenses from low- to moderate-income students.

Work for pay equity

In addition to cutting the poverty rate in half for working women, closing the gender wage gap would increase women's access to capital that they can invest and save. Steps to close the gap include:

- Create career pathways for women to advance into well-paying, middle-skill jobs—jobs that often do not require an advanced degree but come with good wages and employer-provided benefits.
- Work to eliminate pay secrecy practices and increase transparency in hiring and promotion practices.
- Increase the minimum wage and eliminate the tipped minimum wage.
- Enact fair and flexible scheduling standards for hourly workers.
- Expand access to unions and jobs covered by union contracts. Gender and racial bias is minimized in unions mainly due the fact that hiring, pay, and promotion criteria and decisions are more transparent for union jobs.
- Consider implementing The Women's Fund Gender By Us™ program to examine the part that gender roles and implicit bias play in the wage gap.

Expand access to wealth escalator items

Since women are more likely to work part-time—often due to caregiving responsibilities—increasing access to wealth escalator items would free up more income that could be invested or saved:

- Ensure that all employees—including part-time workers and workers being paid low wages—have access to employer-provided benefits (such as health insurance, paid vacation, and retirement plans, and paid sick days and paid family and medical leave) that help build wealth.
- Raise or eliminate asset limits to public benefits programs. This could include increasing eligibility for OWF (Ohio TANF); eliminating work requirements or allowing education and training hours to count for work requirements for accessing benefits; and making the state EITC refundable. Additionally, banks should ensure that TANF recipients who receive their benefits via electronic benefit transfer (EBT) do not have to pay ATM fees to access their benefits.

- Increase access to affordable child care throughout the state of Ohio. Encourage policy makers in Ohio to increase the income eligibility threshold to 200 percent of the federal poverty level for child care benefits. Additionally, employers should be encouraged to offer dependent care reimbursement account, which allow employees to use pre-tax money to pay for dependent care.

- Increase access to affordable health care. This would include encouraging legislators in Ohio to maintain Medicaid expansion and supporting organizations that provide health services to low income women.

Eliminate predatory lending practices

Homeownership is a central means of wealth accumulation. Strategies to ensure that women have equal access to this valuable asset include:

- Collecting accurate data on the impact of high cost loans, debt traps, and predatory loans on low and moderate income women and utilize the data to push for stronger consumer protection laws targeted at predatory lending practices.

- Eliminating predatory lending practices such as payday loans, pre-paid credit cards with high fees, or risky sub-prime lending practices.

- Addressing gender and racial disparities in mortgage lending practices and more strictly enforcing housing anti-discrimination laws.

- Expanding programs that promote homeownership and create tax incentives to help first time homebuyers purchase a home. This could include affordable housing tax credits, especially in communities with good schools.

- Conducting systematic Central Ohio based research on how racial and economic segregation impacts women's access to credit by neighborhood. This should include an analysis of Central Ohio lending markets that re-create housing insecurity and homelessness among low to moderate income women and women of color.

Support the growth of women-owned businesses

Given that business ownership is a main source of wealth building, tackling the obstacles women entrepreneurs face is essential to closing the wealth gaps. This could entail:

- Increasing programs that help women entrepreneurs access networks and funders.

- Expanding access to low-interest business loans for all women.

Appendix A. Technical Appendix

Methodology for Survey, Focus Groups, and Interviews

Online Survey

Design and Dissemination

The Institute for Women's Policy Research (IWPR) drew on multiple sources to develop its survey on women and wealth, including a literature review on wealth and wealth-building and questions asked on prior surveys such as the Federal Reserve Board's Survey of Household Economic Decision-Making and Survey of Consumer Finance. The IWPR survey contained both open- and closed-ended questions on assets, debts, access to employer-provided benefits, and perceived economic security. It also included demographic questions such as gender, parent status, race/ethnicity, sexual orientation, education level, and employment status. The survey questionnaire was tested internally at IWPR and approved by American University's Institutional Review Board for Protection of Human Subjects in Research.

An invitation to participate in the survey was disseminated electronically to a network of more than 7,500 Women's Fund of Central Ohio network and community partners. Online survey responses were collected in September and October 2018. The survey was completed online using the software Qualtrics and received a total of 670 completed responses. Because of the survey distribution method for the study, the sample is not representative of the population of Central Ohio as a whole. As shown in the report, the survey sample was more educated, had higher household income, and was more likely to be married compared with Central Ohio overall. While the results of the analyses are not generalizable, they shed light on respondents' experiences with wealth-building and their perceptions of their economic security.

Data Analysis

Closed-ended survey data were analyzed using the statistical software Stata to provide descriptive statistics on responses to survey questions. These include reporting median values for dollar amounts measured using ranges or brackets as survey response categories. Open-ended questions were analyzed to identify consistent patterns and themes. Most of the survey questions allowed respondents to choose responses of "don't know" or "prefer not to answer." These responses are included in the data as a part of the denominator in the analyses, but in most cases are not shown in most tables and figures in this report.

Focus Group Design and Recruitment Process

To further contextualize the other data collected and analyzed for this report and get a better sense of the lived experiences of women in Central Ohio, IWPR conducted three focus group interviews. The focus group interview protocol was designed in conjunction with the survey and included questions about how women were introduced to the concept of wealth and wealth building, how they make financial decisions and the factors that affect their decision-making, and the challenges to building wealth that they have faced.

Using The Women's Fund of Central Ohio member network, The Women's Fund helped IWPR identify 297 women who were eligible to participate in at least one of three focus groups, which include a group of women who live in the outer Central Ohio counties (Delaware, Fairfield, Licking, Union, and Madison counties), a group of women of color, and a group of millennial women (aged 19-30). Those who were eligible for more than one focus group were given the choice of which to attend. All three focus groups were held in September 2018; two were weekday breakfast sessions and one a weekday lunch session.

Given the number of women who work, scheduling the focus group meetings at this time limited the pool of availability to those who do not work, have flexible work schedules, or worked close enough to the location where the focus group interviews took place that it did not affect their work day. Each group had between 5 and 11 female participants for a total of 22 participants. Of the 22 participants, 10 identified as White and 12 were women of color (4 Black, 2 Hispanic, 3 Asian, and 3 women who identified as multiracial). Eighteen were employed full-time, two were retired, one was employed part-time, and one was a homemaker. The focus groups participants had high levels of education: 12 had a bachelor's degree, and 10 had a graduate or professional degree.

Program Leader Interviews

IWPR also conducted 9 interviews with 12 program leaders and policymakers in Central Ohio. Fifteen community members were identified by The Women's Fund as individuals who have expertise on issues that affect the wealth gap. The individuals identified held positions that ranged from State Senator, to City Council Member, to CEO of local nonprofit organizations working to reduce poverty in local communities. IWPR contacted these 15 individuals by email and conducted 9 phone interviews with 12 individuals. The interview protocol included questions about the type of work done by the program leaders and policymakers, their views of the obstacles to wealth building for the people they serve, and policy and program interventions that would help close the wealth gaps in Central Ohio.

IWPR's survey, focus group protocol, and interview questions for the program leaders can be found online at: (https://iwpr.org/tools-data/program-leader-interviews-ohio/)

National Wealth Data

National data on assets, debts, and wealth come from the Federal Reserve Board's 2016 Survey of Consumer Finances (SCF). The SCF is conducted every three years and the data from 2016 are the most recently collected. The survey was collected using computer assisted personal interviews. Most of the sample is drawn as a standard multi-stage area probability design supplemented by an oversample of families likely to be relatively wealthy from statistical records derived from tax data by the Statistics of Income Division of the Internal Revenue Service. The data are nationally representative using the sample weights provided.

The data in the survey represent the financial characteristics of an economic unit that can be a subset of the household unit that includes individuals in the household who are financially interdependent. For married and cohabiting couples, there is no information on individual ownership or control of assets or debts; they are assumed to be jointly held, which does not allow for any analysis of wealth by gender in married or cohabiting households. The SCF data are also limited regarding racial analysis, since the survey only reports wealth for White, Black, and Hispanic households. All other racial categories, including Asian, are combined into one racial category.

In analyzing the 2016 data, IWPR followed the methodology used by Mariko Chang (2010; 2015). The value of assets and net worth exclude the value of vehicles. Many wealth researchers consider vehicles a durable good that will depreciate in value rather than an asset that might gain value over time. Most analyses include only householders aged 18 to 64, the period of time when most people are accumulating assets and before they begin to spend them down as they transition into retirement. Households headed by married people who are separating are excluded as the final distribution of the assets may radically change the wealth portfolios of formerly married women and men.

Total assets include both financial and non-financial assets. Financial assets include liquid assets (money market accounts, checking accounts, savings accounts, and prepaid cards), CDs, directly held pooled investment funds, savings bonds, directly held stocks, directly held bonds, cash value of whole life insurance, retirement accounts (individual retirement accounts and pensions), other managed assets (annuities and trusts), and other miscellaneous financial assets. Non-financial assets include primary residence, residential property excluding primary residence, non-equity residential estate, businesses, and other miscellaneous nonfinancial assets. Total debt includes debt secured by primary residence (mortgages and home equity loans), debt secured by other residential property, other lines of credit (not secured by residential real estate), credit card balances after last payment, installment loans (educational loans, vehicle loans, other installment loans), and other debt (e.g. loans against pensions or life insurance).

The public release of the SCF include replicates of respondents with multiple imputations for non-reported or missing data. The descriptive analyses are weighted to account for the sample design that includes an oversample of higher wealth households. The sample weight is divided by 5 to adjust for the multiple imputation replication. For the regression models used for estimating housing wealth in Ohio (below), the models use the Stata procedures for combining the multivariate results accounting for the additional variability from data imputation.

Estimating Housing Wealth in Ohio

The 2012-2016 American Community Survey (ACS) collects information on housing characteristics, including whether the housing unit is owned without a mortgage, owned with a mortgage, the current value of the home, and when the householder moved in. Survey respondents are not asked about the current balance on their mortgage(s) or home equity lines of credit to directly calculate a value for home equity. Using national data from the Survey of Consumer Finances that is designed to measure household assets, debt, and wealth, IWPR estimated a statistical model of home equity as predicted by home value, household income, and the length of time of residence for home owners with a mortgage or home equity loan – variables that could be matched to the ACS. Using the results of this statistical model, home equity was estimated for similar households in the ACS. Results are shown for the characteristics of the householder and weighted using the ACS' household weights.

Economic Data

The economic data in the report that IWPR analyzed from the U.S. Census Bureau's American Community Survey (ACS) were accessed through American FactFinder or from the Minnesota Population Center's Integrated Public Use Microdata Series (IPUMS), Version 6.0 (Ruggles et al. 2015). The ACS is a large annual survey of a representative sample of the entire resident population in the United States, including both households and group quarter (GQ) facilities. GQ facilities include places such as college residence halls, residential treatment centers, skilled nursing facilities, group homes, military barracks, correctional facilities, workers' dormitories, and facilities for people experiencing homelessness. GQ types that are excluded from ACS sampling and data collection include domestic violence shelters, soup kitchens, regularly scheduled mobile vans, targeted nonsheltered outdoor locations, commercial maritime vessels, natural disaster shelters, and dangerous encampments.

County-level data, accessed through American FactFinder and ACS microdata, combine five years of data (2012-2016) to ensure adequate sample sizes. When analyzing state- and national-level ACS microdata, IWPR used 2016 data, the most recent available, for most indicators. When analyzing indicators by race and ethnicity and age, IWPR combined three years of data (2014, 2015, and 2016) to ensure sufficient sample sizes. IWPR constructed a multi-year file by selecting the 2014, 2015, and 2016 datasets, averaging the sample weights during the three-year period. Data for earnings are not presented if the unweighted sample size is less than 100 for any cell; data on other indicators are not presented if the sample size is less than 35 for any cell (for frequencies), or if the category total is less than 35 times the number of categories (for percentages).

IWPR used personal weights to obtain nationally representative statistics for person-level analyses of ACS microdata. Weights included with the IPUMS ACS for person-level data adjust for the mixed geographic sampling rates, nonresponses, and individual sampling probabilities. Estimates from IPUMS ACS samples may not be consistent with summary table ACS estimates available from the U.S. Census Bureau due to the additional sampling error and the fact that over time the Census Bureau changes the definitions and classifications for some variables. The IPUMS project provides harmonized data to maximize comparability over time; updates and corrections to the microdata released by the Census Bureau and IPUMS may result in minor variation in future analyses.

Appendix B. Wealth Data from Federal Sources

Appendix Table B.1. Median Wealth in the, United States, 2016

	Married	Single Women	Single Men
All	$94,500	$5,951	$15,000
Race/Ethnicity			
Black	$12,730	$300	$1,000
Hispanic	$8,520	$1,200	$5,670
White	$157,000	$27,710	$37,300
All Other Races	$85,500	$3,610	$8,000
Age			
18–34 years	$4,570	$0	$1,630
35–49 years	$94,500	$8,300	$22,201
50–64 years	$260,300	$41,050	$69,430
65+ years	$332,500	$148,100	$172,000
Educational Attainment			
Less than high school diploma	$6,950	$360	$1,910
High school diploma or GED	$45,025	$900	$12,930
Some college or associate's degree	$70,160	$2,100	$6,045
Bachelor's degree or higher	$324,600	$54,600	$65,580

Notes: Data by race and ethnicity and education are for those aged 18-64. Excludes the values of vehicles. Racial categories are non-Hispanic. Single women and men include those who are widowed, divorced, or never married.
Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix Table B.2. Median Value of Total Assets, United States, 2016

	Married		Single Women		Single Men	
	Median	Share with assets	Median	Share with assets	Median	Share with assets
All	$227,630	99%	$25,000	98%	$39,570	98%
Race/Ethnicity						
Black	$88,810	99%	$4,300	97%	$7,000	98%
Hispanic	$60,050	97%	$6,130	97%	$18,300	93%
White	$291,300	100%	$84,320	99%	$70,300	99%
All Other Races	$211,000	100%	$16,000	98%	$18,800	95%
Age						
18–34 years	$73,600	99%	$3,190	98%	$10,810	96%
35–49 years	$249,020	99%	$40,900	98%	$77,951	98%
50–64 years	$400,200	100%	$91,305	98%	$120,500	99%
Educational Attainment						
Less than high school diploma	$34,100	97%	$890	96%	$10,000	91%
High school diploma or GED	$136,700	99%	$4,220	97%	$30,640	100%
Some college or associate's degree	$197,170	100%	$18,600	97%	$16,660	98%
Bachelor's degree or higher	$543,100	100%	$135,000	100%	$116,500	98%

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic. Single women and men include those who are widowed, divorced, or never married. Total assets exclude vehicles.
Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix Table B.3. Median Value of Financial Assets, United States, 2016

	Married		Single Women		Single Men	
	Median	Share with assets	Median	Share with assets	Median	Share with assets
All	$35,100	99%	$4,800	98%	$8,500	97%
Race/Ethnicity						
Black	$14,861	99%	$1,650	97%	$2,100	98%
Hispanic	$4,000	94%	$1,900	97%	$5,300	95%
White	$66,900	100%	$12,500	99%	$11,600	99%
All Other Races	$23,100	100%	$4,920	98%	$6,000	99%
Age						
18–34 years	$9,640	99%	$2,355	98%	$6,000	96%
35–49 years	$39,000	99%	$5,810	98%	$7,140	97%
50–64 years	$108,800	99%	$8,500	98%	$22,700	98%
Educational Attainment						
Less than high school diploma	$2,500	95%	$400	95%	$1,010	87%
High school diploma or GED	$13,000	99%	$1,141	97%	$2,400	99%
Some college or associate's degree	$24,960	100%	$4,500	97%	$5,630	98%
Bachelor's degree or higher	$160,400	100%	$25,900	100%	$48,100	98%

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic. Single women and men include those who are widowed, divorced, or never married. Financial assets include liquid retirement accounts and other liquid assets, such as savings, accounts, checking accounts, and money market accounts.
Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix Table B.4. Reported Median Value of Liquid Assets, United States, 2016

	Married		Single Women		Single Men	
	Median	Share with assets	Median	Share with assets	Median	Share with assets
All	$6,000	99%	$1,410	97%	$2,100	96%
Race/Ethnicity						
Black	$2,450	98%	$930	96%	$700	95%
Hispanic	$2,000	94%	$820	97%	$2,000	90%
White	$8,310	99%	$2,200	98%	$3,020	98%
All Other Races	$6,800	100%	$1,330	97%	$2,000	95%
Age						
18–34 years	$3,550	99%	$1,200	97%	$2,310	96%
35–49 years	$6,002	99%	$1,450	97%	$2,100	95%
50–64 years	$8,300	98%	$1,500	97%	$2,000	98%
Educational Attainment						
Less than high school diploma	$1,240	94%	$290	93%	$550	87%
High school diploma or GED	$2,950	98%	$750	96%	$750	96%
Some college or associate's degree	$5,000	100%	$1,350	97%	$2,000	97%
Bachelor's degree or higher	$18,600	100%	$4,400	100%	$7,100	98%

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic. Single women and men include those who are widowed, divorced, or never married. Liquid assets include money market accounts, checking accounts, savings accounts, and prepaid cards.

Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix Table B.5. Reported Median Value of Liquid Retirement Assets, United States, 2016

	Married		Single Women		Single Men	
	Median	Share with assets	Median	Share with assets	Median	Share with assets
All	$67,000	64%	$22,000	41%	$30,000	39%
Race/Ethnicity						
Black	$49,200	49%	$13,100	31%	$9,300	24%
Hispanic	$22,000	32%	$18,000	28%	$40,000	39%
White	$80,000	73%	$30,000	52%	$35,000	44%
All Other Races	$65,000	59%	$18,000	35%	$30,000	32%
Age						
18–34 years	$14,000	51%	$5,000	31%	$15,000	34%
35–49 years	$60,000	66%	$25,000	45%	$30,000	42%
50–64 years	$152,000	70%	$38,000	45%	$80,000	42%
Educational Attainment						
Less than high school diploma	$40,000	26%	$6,000	11%	$9,500	13%
High school diploma or GED	$36,000	53%	$15,000	27%	$32,000	28%
Some college or associate's degree	$38,000	63%	$20,000	39%	$16,000	33%
Bachelor's degree or higher	$132,000	84%	$30,000	65%	$40,000	61%

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic. Single women and men include those who are widowed, divorced, or never married.
Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix Table B.6. Median Value of Nonfinancial Assets, United States, 2016

	Married		Single Women		Single Men	
	Median	Share with assets	Median	Share with assets	Median	Share with assets
All	$225,000	76%	$135,000	46%	$141,000	48%
Race/Ethnicity						
Black	$160,000	58%	$105,000	34%	$100,000	37%
Hispanic	$160,000	57%	$103,000	38%	$140,000	39%
White	$240,000	83%	$150,000	57%	$145,000	55%
All Other Races	$320,000	69%	$125,000	40%	$220,000	36%
Age						
18–34 years	$165,000	55%	$115,000	22%	$103,000	27%
35–49 years	$240,000	77%	$125,000	47%	$125,000	58%
50–64 years	$281,000	88%	$150,000	61%	$180,000	62%
Educational Attainment						
Less than high school diploma	$100,000	57%	$50,000	31%	$90,000	42%
High school diploma or GED	$160,000	70%	$79,000	36%	$120,000	52%
Some college or associate's degree	$200,000	74%	$135,000	42%	$100,000	43%
Bachelor's degree or higher	$400,000	88%	$187,500	63%	$230,000	52%

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic. Single women and men include those who are widowed, divorced, or never married. Nonfinancial assets exclude vehicles.
Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix Table B.7. Percent Who Own Homes, Central Ohio, 2016

		Women		Men	
	Married	Divorced or Widowed	Never Married	Divorced or Widowed	Never Married
All	70%	52%	25%	51%	30%
Race/Ethnicity					
Black	45%	37%	14%	38%	17%
Hispanic	43%	N/A	N/A	N/A	N/A
White	76%	57%	33%	54%	36%
All Other Races	54%	49%	19%	N/A	16%
Age					
18–34 years	45%	29%	12%	30%	18%
35–49 years	73%	44%	34%	50%	42%
50–64 years	86%	59%	56%	54%	51%
Educational Attainment					
Less than high school diploma	38%	25%	N/A	34%	14%
High school diploma or GED	63%	43%	22%	50%	30%
Some college or associate's degree	66%	49%	17%	47%	26%
Bachelor's degree or higher	80%	71%	36%	63%	37%

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic. N/A = sample size less than 25.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table B.8. Percent Who Own Homes, Ohio, 2016

	Women			Men	
	Married	Divorced or Widowed	Never Married	Divorced or Widowed	Never Married
All	75%	54%	27%	56%	37%
Race/Ethnicity					
Black	49%	37%	15%	31%	18%
Hispanic	52%	39%	19%	40%	22%
White	79%	58%	36%	60%	43%
All Other Races/Mixed	58%	49%	19%	48%	22%
Age					
18–34 years	50%	28%	13%	39%	23%
35–49 years	77%	46%	33%	51%	45%
50–64 years	88%	61%	54%	60%	54%
Educational Attainment					
Less than high school diploma	51%	30%	10%	38%	20%
High school diploma or GED	72%	51%	23%	56%	38%
Some college or associate's degree	73%	53%	22%	57%	35%
Bachelor's degree or higher	84%	71%	44%	65%	43%

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic.
Source: IWPR analysis of the American Community Survey microdata.

Appendix Table B.9. Percent Who Own Homes, United States, 2016

	Women			Men	
	Married	Divorced or Widowed	Never Married	Divorced or Widowed	Never Married
All	70%	55%	29%	56%	35%
Race/Ethnicity					
Black	53%	43%	20%	38%	22%
Hispanic	51%	42%	20%	43%	24%
White	78%	60%	37%	61%	41%
All Other Races/Mixed	62%	52%	27%	50%	30%
Age					
18–34 years	44%	26%	14%	36%	21%
35–49 years	71%	46%	35%	50%	42%
50–64 years	85%	62%	53%	61%	54%
Educational Attainment					
Less than high school diploma	49%	37%	13%	45%	23%
High school diploma or GED	66%	51%	22%	55%	35%
Some college or associate's degree	70%	53%	24%	55%	33%
Bachelor's degree or higher	79%	67%	41%	62%	39%

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table B.10. Estimated Median Home Equity, Central Ohio, 2016

		Women		Men	
	Married	Divorced or Widowed	Never Married	Divorced or Widowed	Never Married
All	$75,103	$55,567	$43,580	$57,972	$45,000
Race/Ethnicity					
Black	$51,987	$40,294	$35,742	$49,179	$34,323
Hispanic	$62,107	N/A	N/A	N/A	N/A
White	$76,095	$59,239	$46,472	$62,134	$46,940
All Other Races/Mixed	$87,833	$49,666	$42,350	N/A	$65,000
Age					
18–34 years	$47,146	$36,380	$37,715	$25,697	$36,968
35–49 years	$73,562	$50,300	$42,896	$51,928	$47,113
50–64 years	$94,268	$58,233	$54,750	$62,634	$60,705
Educational Attainment					
Less than high school diploma	$46,924	$34,316	N/A	$30,996	$42,516
High school diploma or GED	$57,810	$49,011	$40,000	$46,979	$38,026
Some college or associate's degree	$62,663	$54,932	$40,359	$51,928	$40,000
Bachelor's degree or higher	$91,686	$67,230	$47,185	$83,311	$52,211

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic. N/A = sample size less than 25.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table B.11. Estimated Median Home Equity, Ohio, 2016

	Women			Men	
	Married	Divorced or Widowed	Never Married	Divorced or Widowed	Never Married
All	$64,467	$47,180	$38,678	$49,031	$40,217
Race/Ethnicity					
Black	$44,012	$35,588	$30,544	$40,000	$32,000
Hispanic	$48,965	$38,536	$27,000	$36,947	$29,513
White	$66,612	$50,000	$40,639	$49,318	$40,658
All Other Races	$77,067	$49,000	$42,350	$48,863	$34,290
Age					
18–34 years	$38,935	$30,000	$29,518	$28,884	$30,473
35–49 years	$62,108	$40,239	$35,594	$41,889	$40,173
50–64 years	$82,072	$51,961	$49,390	$53,549	$55,710
Educational Attainment					
Less than high school diploma	$47,018	$34,363	$35,125	$34,375	$30,261
High school diploma or GED	$53,512	$42,762	$33,776	$40,615	$38,097
Some college or associate's degree	$57,840	$43,607	$33,067	$46,985	$36,423
Bachelor's degree or higher	$84,201	$59,469	$45,737	$69,932	$49,150

Note: Data limited to those ages 18-64. Racial categories are non-Hispanic.
Source: IWPR analysis of the American Community Survey microdata.

Appendix Table B.12. Estimated Median Home Equity, United States, 2016

	Women			Men	
	Married	Divorced or Widowed	Never Married	Divorced or Widowed	Never Married
All	$89,517	$66,933	$58,244	$64,508	$63,344
Race/Ethnicity					
Black	$64,240	$51,961	$46,064	$53,388	$50,000
Hispanic	$70,000	$64,108	$55,664	$62,105	$60,762
White	$91,912	$70,000	$62,126	$66,520	$62,279
All Other Races/Mixed	$141,224	$100,000	$101,161	$84,586	$104,845
Age					
18–34 years	$50,432	$38,703	$43,341	$41,090	$47,101
35–49 years	$84,506	$57,311	$53,949	$57,767	$62,167
50–64 years	$115,000	$75,000	$80,000	$73,000	$84,959
Educational Attainment					
Less than high school diploma	$55,517	$47,240	$41,654	$44,863	$45,000
High school diploma or GED	$67,844	$55,000	$46,071	$53,836	$50,430
Some college or associate's degree	$78,758	$60,899	$50,000	$62,204	$56,826
Bachelor's degree or higher	$121,673	$91,414	$71,491	$95,673	$82,704

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table B.13. Median Home Value, Central Ohio, 2016

		Women		Men	
	Married	Divorced or Widowed	Never Married	Divorced or Widowed	Never Married
All	$185,000	$130,000	$120,000	$135,000	$120,000
Race/Ethnicity					
Black	$135,000	$100,000	$80,000	$101,000	$87,000
Hispanic	$160,000	$100,000	$98,000	$110,000	$120,000
White	$190,000	$140,000	$130,000	$140,000	$125,000
All Other Races	$210,000	$125,000	$130,000	$130,000	$159,000
Age					
18–34 years	$160,000	$118,000	$130,000	$96,000	$120,000
35–49 years	$200,000	$140,000	$120,000	$140,000	$125,000
50–64 years	$185,000	$130,000	$110,000	$130,000	$110,000
Educational Attainment					
Less than high school diploma	$95,000	$60,000	$120,000	$60,000	$75,000
High school diploma or GED	$130,000	$95,000	$90,000	$95,000	$98,000
Some college or associate's degree	$155,000	$125,000	$95,000	$130,000	$110,000
Bachelor's degree or higher	$230,000	$170,000	$135,000	$200,000	$140,000

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table B.14 Median Total Debt, United States, 2016

	Married		Single Women		Single Men	
	Median	Share with debt	Median	Share with debt	Median	Share with debt
All	$102,500	88%	$29,000	77%	$29,660	71%
Race/Ethnicity						
Black	$68,230	86%	$25,300	73%	$17,200	70%
Hispanic	$39,750	81%	$20,570	72%	$15,000	69%
White	$119,200	90%	$36,750	82%	$37,000	73%
All Other Races	$103,840	89%	$18,900	73%	$23,000	65%
Age						
18–34 years	$68,700	90%	$21,590	77%	$24,200	66%
35–49 years	$136,500	90%	$32,450	81%	$42,060	79%
50–64 years	$98,000	85%	$35,000	75%	$30,000	70%
Educational Attainment						
Less than high school diploma	$32,400	73%	$6,200	54%	$12,000	64%
High school diploma or GED	$59,800	85%	$14,000	63%	$20,200	62%
Some college or associate's degree	$90,500	93%	$22,000	84%	$24,500	72%
Bachelor's degree or higher	$183,800	92%	$80,000	88%	$51,000	80%

Notes: Data limited to those ages 18-64. Racial categories are non-Hispanic.
Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix Table B.15. Median Credit Card Balances, United States, 2016

	Married		Single Women		Single Men	
	Median	Share with debt	Median	Share with debt	Median	Share with debt
All	$2,800	51%	$1,820	45%	$1,400	36%
Race/Ethnicity						
Black	$1,370	57%	$1,200	40%	$700	40%
Hispanic	$1,600	53%	$2,000	52%	$1,000	46%
White	$3,600	50%	$2,000	48%	$1,600	33%
All Other Races	$2,500	50%	$1,100	39%	$1,500	36%
Age						
18–34 years	$1,550	52%	$870	40%	$1,600	35%
35–49 years	$3,500	53%	$1,800	47%	$1,200	41%
50–64 years	$3,200	48%	$2,600	46%	$1,200	32%
Educational Attainment						
Less than high school diploma	$1,500	43%	$1,000	29%	$2,500	26%
High school diploma or GED	$2,100	54%	$1,100	35%	$1,400	31%
Some college or associate's degree	$2,600	61%	$1,500	48%	$1,100	40%
Bachelor's degree or higher	$4,500	45%	$3,000	54%	$2,000	38%

Note: Data limited to those ages 18-64. Racial categories are non-Hispanic.
Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix Table B.16. Median Mortgage Debt on Primary Residence, United States, 2016

	Married		Single Women		Single Men	
	Median	Share with debt	Median	Share with debt	Median	Share with debt
All	$131,000	57%	$95,000	28%	$95,000	25%
Race/Ethnicity						
Black	$107,000	43%	$79,000	21%	$100,000	15%
Hispanic	$105,000	38%	$75,000	24%	$140,000	21%
White	$132,000	64%	$103,000	35%	$90,000	30%
All Other Races	$174,000	53%	$95,000	20%	$145,000	21%
Age						
18–34 years	$124,000	43%	$115,000	12%	$95,000	11%
35–49 years	$152,000	62%	$110,000	33%	$100,000	35%
50–64 years	$111,000	62%	$81,000	35%	$92,000	33%
Educational Attainment						
Less than high school diploma	$76,000	33%	$46,000	11%	$83,000	22%
High school diploma or GED	$100,000	49%	$80,000	19%	$89,000	27%
Some college or associate's degree	$117,000	56%	$78,000	27%	$80,000	21%
Bachelor's degree or higher	$180,000	72%	$130,000	43%	$150,000	29%

Note: Data limited to those ages 18-64. Racial categories are non-Hispanic.
Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix Table B.17. Median Student Loan Balances, United States, 2016

	Married		Single Women		Single Men	
	Median	Share with debt	Median	Share with debt	Median	Share with debt
All	$19,000	29%	$20,000	33%	$15,700	21%
Race/Ethnicity						
Black	$20,700	42%	$20,000	40%	$15,000	22%
Hispanic	$14,000	21%	$26,000	23%	$15,700	22%
White	$20,000	29%	$18,000	32%	$19,000	20%
All Other Races	$20,100	33%	$26,000	29%	$12,500	27%
Age						
18–34 years	$18,000	45%	$19,000	52%	$18,900	37%
35–49 years	$21,500	34%	$22,000	34%	$15,000	16%
50–64 years	$18,000	16%	$23,000	20%	$7,000	9%
Educational Attainment						
Less than high school diploma	$12,000	9%	$9,000	8%	$6,800	4%
High school diploma or GED	$12,000	26%	$14,000	13%	$5,000	7%
Some college or associate's degree	$19,000	36%	$13,000	40%	$11,000	31%
Bachelor's degree or higher	$26,000	34%	$38,000	49%	$24,000	30%

Note: Data limited to those ages 18-64. Racial categories are non-Hispanic.
Source: IWPR analysis of data from the 2016 Survey of Consumer Finances.

Appendix C. Demographic and Economic Data from Federal Sources

Appendix Table C.1. Basic Demographic Statistics for Women in Central Ohio, Ohio, and the United States, 2016 =

	United States	Ohio	Central Ohio	Delaware County	Fairfield County	Franklin County	Licking County	Madison County	Pickaway County	Union County
Total population	318,558,162	11,586,941	1,895,335	188,996	150,163	1,232,118	169,762	43,537	56,804	53,955
Number of women, all ages	161,792,840	5,913,048	963,476	95,575	75,450	631,316	86,530	19,730	26,733	28,142
Sex ratio (males per 100 females)	96.9	96	N/A	97.7	99	95.2	96.2	120.7	112.5	91.7
Median age	39.0	40.8	N/A	38.5	40.6	34.8	40.9	42.0	40.8	38.2
Distribution of women by age										
Under 18	22%	22%	N/A	27%	24%	23%	23%	23%	23%	24%
18 to 44	35%	34%	N/A	34%	32%	41%	33%	31%	33%	38%
45 to 64	26%	27%	N/A	27%	28%	24%	28%	29%	28%	26%
65 and older	16%	17%	N/A	13%	16%	12%	17%	17%	17%	12%
Distribution of women by race and ethnicity, all ages										
Asian	5.2%	1.9%	N/A	4.8%	1.6%	4.2%	1.1%	N/A	N/A	2.8%
Black	12.5%	12.3%	15.3%	3.3%	6.0%	21.5%	3.2%	1.4%	0.7%	3.4%
Hispanic	16.6%	3.2%	3.6%	2.2%	1.9%	4.6%	1.6%	1.1%	1.0%	1.2%
Native American	0.7%	0.1%	N/A	N/A	N/A	0.1%	N/A	N/A	N/A	N/A
Pacific Islander	0.2%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
White	61.9%	80.1%	73.2%	85.6%	87.8%	64.7%	91.2%	94.2%	96.0%	90.0%
All Other Races	0.2%	0.1%	N/A	N/A	N/A	0.3%	N/A	N/A	N/A	N/A
Multiracial	2.2%	2.1%	6.6%	1.8%	1.9%	3.3%	2.2%	1.6%	1.3%	1.6%
Distribution of women by marital status, aged 15 and older										
Married	47.6%	47.4%	46.8%	61.2%	55.0%	42.2%	52.9%	52.0%	54.1%	53.3%
Separated, Widowed, or Divorced	23.1%	24.3%	21.9%	17.2%	21.8%	22.3%	23.3%	25.1%	23.1%	21.6%
Single, Never Married	29.3%	28.3%	31.2%	21.6%	23.2%	35.5%	23.8%	22.9%	22.8%	25.1%

Note: Households with children are those with children under 18. Households headed by women and men can consist of unmarried women and men living with relatives, other unrelated individuals, or alone. Racial categories are non-Hispanic.
Source: U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates, accessed through American FactFinder.

Appendix Table C.2. Distribution of Households by Type in Central Ohio, Ohio, and the United States, 2016

Household type	United States	Ohio	Central Ohio	Delaware County	Fairfield County	Franklin County	Licking County	Madison County	Pickaway County	Union County
Married couples with children	29.2%	26.9%	31.1%	43.2%	31.9%	29.1%	28.5%	27.3%	29.9%	37.5%
Married couples without children	44.0%	45.8%	41.4%	43.2%	46.3%	38.6%	48.9%	47.6%	48.7%	44.5%
Single women with children	10.6%	11.5%	12.1%	6.1%	9.5%	14.4%	10.0%	9.8%	7.8%	6.9%
Single women without children	8.9%	8.6%	8.1%	3.5%	5.6%	9.8%	7.2%	7.3%	7.2%	4.0%
Single men with children	3.5%	3.7%	3.9%	2.6%	4.0%	4.2%	3.2%	4.8%	3.9%	4.1%
Single men without children	3.8%	3.5%	3.3%	1.4%	2.6%	4.0%	2.2%	3.3%	2.5%	3.0%
Percent of unmarried same-sex couple households	0.4%	0.4%	N/A	0.4%	0.4%	0.8%	0.6%	0.2%	0.2%	0.2%

Note: Households with children are those with children under 18. Households headed by women and men can consist of unmarried women and men living with relative, other unrelated individuals, or alone. Racial categories are non-Hispanic.

Source: U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates, accessed through American FactFinder.

Appendix Table C.3. Women's and Men's Median Annual Earnings and the Gender Earnings Ratio, Full-Time, Year-Round Workers, Ohio and United States, 2016

	Central Ohio			Ohio			United States		
	Women	Men	Ratio of Women's Earnings to White Men's	Women	Men	Ratio of Women's Earnings to White Men's Earnings	Women	Men	Ratio of Women's Earnings to White Men's Earnings
Asian/Pacific Islander	$ 42,000	$ 70,000	79.2%	$ 48,663	$ 70,058	96.0%	$ 49,453	$ 60,829	88.8%
Black	$ 34,531	$ 35,442	65.2%	$ 32,404	$ 36,059	63.9%	$ 35,338	$ 39,150	63.5%
Hispanic	$ 31,631	$ 30,379	59.7%	$ 31,361	$ 33,456	61.9%	$ 30,379	$ 33,999	54.5%
Native American	N/A	N/A	N/A	N/A	N/A	N/A	$ 32,404	$ 39,492	58.2%
White	$ 43,276	$ 53,000	81.7%	$ 39,492	$ 50,691	77.9%	$ 42,580	$ 55,694	76.5%
All Other Races	$ 32,442	$ 40,505	61.2%	$ 31,428	$ 41,211	62.0%	$ 40,505	$ 48,156	72.7%
Total	$41,216	$50,690	81.3%	$ 38,000	$ 50,000	76.0%	$ 40,000	$ 50,000	80.0%

Note: Median annual earnings for full-time, year-round workers aged 16 or older. Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.4. Women's and Men's Median Annual Earnings and the Gender Earnings Ratio, Full-Time, Year-Round Workers, Central Ohio, Ohio, and United States, 2016

	Women	Men	Ratio of Women's Earnings to Men's Earnings
Delaware County	$ 52,268	$ 72,994	71.6%
Franklin County	$ 40,552	$ 48,662	83.3%
Fairfield County	$ 40,552	$ 52,268	77.6%
Licking County	$ 37,700	$ 48,738	77.4%
Pickaway, Madison, and Union Counties	$ 40,000	$ 51,520	77.6%
Central Ohio	$41,216	$50,690	81.3%
Ohio	$ 38,000	$ 50,000	76.0%
United States	$ 40,000	$ 50,000	80.0%

Note: Median annual earnings for workers aged 16 or older.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.5. Median Hourly Wage for Workers by Gender and Race/Ethnicity, Ohio and United States, 2016

	Ohio			United States		
	Female	Male	Total	Female	Male	Total
White	$13.50	$15.89	$15.00	$14.00	$16.00	$15.00
Black	$12.02	$13.00	$12.50	$12.00	$13.00	$12.50
Asian/Pacific Islander	$12.00	$14.50	$13.50	$14.00	$15.00	$15.00
Hispanic	$11.10	$13.00	$12.00	$12.00	$13.80	$12.50
All Other Races	$11.00	$12.50	$12.00	$12.00	$14.00	$13.00
Total	$13.00	$15.00	$14.00	$13.00	$15.00	$14.00

Note: For women and men 16 years or older. Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.6. Median Household Income, Ohio and United States, 2016

	With Children	Without Children
Central Ohio	$75,508	$50,830
Ohio	$67,900	$45,500
United States	$70,000	$50,000

Note: Households with children ae those with children under 18.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.7. Median Household Income by Race and Household Type, Ohio and United States, 2016

	Ohio						United States					
	Married with Children	Married without Children	Single Women with Children	Single Women Without Children	Single Men with Children	Single Men without Children	Married with Children	Married without Children	Single Women with Children	Single Women without Children	Single Men with Children	Single Men without Children
Asian/Pacific Islander	$95,000	$85,000	$42,801	$29,000	$30,000	$40,000	$105,000	$89,500	$38,000	$42,190	$51,700	$52,000
Black	$70,200	$63,000	$18,000	$23,800	$28,600	$22,000	$74,400	$68,500	$22,000	$27,400	$35,000	$28,800
Hispanic	$62,000	$65,500	$18,200	$25,000	$32,700	$32,000	$55,700	$63,000	$23,500	$28,400	$40,400	$37,000
Native American	N/A	N/A	N/A	N/A	N/A	N/A	$65,000	$62,600	$21,300	$23,300	$35,000	$24,000
White	$90,000	$74,000	$28,000	$29,000	$50,000	$37,000	$99,000	$80,800	$32,550	$32,200	$52,000	$40,000
All other races	$80,000	$70,000	$16,300	$22,000	$23,500	$30,000	$86,400	$80,000	$25,000	$30,000	$45,000	$37,200
Total	$88,000	$73,000	$23,000	$27,800	$45,000	$34,700	$88,600	$78,700	$26,600	$31,000	$47,000	$38,400

Note: Households with children ae those with children under 18. Households headed by women and men can consist of unmarried women and men living with relative, other unrelated individuals, or alone.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.8. Women's and Men's Employment Status in Central Ohio, Ohio, and United States, 2016

	Labor Force Participation (16+)		Percent Employed Full-Time		Percent Employed Part-Time		Percent with Children Under 18 in the Labor Force		Percent with Children Under 6 in the Labor Force	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Delaware County	64.8%	76.6%	71.2%	88.7%	28.8%	11.3%	78.5%	96.3%	74.3%	97.8%
Fairfield County	59.1%	67.3%	69.9%	84.4%	30.1%	15.6%	79.2%	91.7%	75.0%	93.4%
Franklin County	65.7%	74.4%	73.1%	84.0%	26.9%	16.0%	77.5%	93.3%	75.7%	94.6%
Licking County	60.9%	71.2%	70.6%	83.0%	29.4%	17.0%	77.7%	92.1%	71.7%	92.6%
Pickaway, Madison, and Union Counties	57.2%	61.9%	72.5%	85.5%	27.5%	14.5%	75.4%	93.3%	68.8%	93.1%
Central Ohio	64.0%	72.6%	72.4%	84.6%	27.6%	15.4%	77.6%	93.5%	74.7%	94.6%
Ohio	58.8%	67.9%	69.1%	83.8%	30.9%	16.2%	75.9%	92.6%	70.6%	93.6%
United States	58.3%	68.3%	71.7%	84.6%	28.3%	15.4%	73.2%	93.0%	68.0%	94.3%

Note: Labor force participation is the percent of all women and men age 16 and older who were employed or looking for work in 2016. Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.9. Women's and Men's Employment Status by Gender, Race/Ethnicity, and Age, Central Ohio, 2016

	Labor Force Participation (16+)		Percent Employed Full-Time		Percent Employed Part-Time		Percent with Children Under 18 in the Labor Force		Percent with Children Under 6 in the Labor Force	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Race/Ethnicity										
Asian/Pacific Islander	56.6%	78.0%	75.6%	87.9%	24.4%	12.1%	66.0%	96.4%	57.7%	95.7%
Black	67.7%	67.7%	74.9%	79.0%	25.1%	21.0%	82.6%	88.9%	84.4%	91.7%
Hispanic	65.8%	84.8%	67.7%	83.2%	32.3%	16.8%	70.2%	96.0%	65.7%	96.0%
Native American	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
White	63.5%	72.9%	72.2%	85.6%	27.8%	14.4%	77.9%	94.0%	74.2%	95.1%
All other races	67.1%	69.7%	65.1%	75.9%	34.9%	24.1%	75.8%	91.9%	72.6%	N/A
Age										
16–34 years	73.9%	76.4%	65.8%	76.4%	34.2%	23.6%	75.3%	94.6%	73.7%	95.3%
35–44 years	80.0%	89.0%	79.2%	93.2%	20.8%	6.8%	80.0%	94.8%	76.9%	94.5%
45–54 years	77.8%	86.4%	80.1%	93.1%	19.9%	6.9%	78.3%	92.4%	72.8%	93.5%
55–64 years	62.4%	71.8%	76.9%	87.9%	23.1%	12.1%	66.7%	86.8%	N/A	N/A
65 years and older	14.8%	23.1%	44.0%	58.0%	56.0%	42.0%	N/A	N/A	N/A	N/A

Notes: Labor force participation is the percent of all women and men age 16 and older who were employed or looking for work in 2016. Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.10. Percent of Women and Men with Family Incomes Below the Poverty Line by Race/Ethnicity and Age, Central Ohio, Ohio, and the United States, 2016

	Central Ohio		Ohio		United States	
	Women	Men	Women	Men	Women	Men
Race/ethnicity						
Native American	N/A	N/A	32.9%	23.3%	27.1%	23.8%
Black	25.6%	20.8%	29.5%	25.3%	24.2%	19.9%
All Other Races	26.0%	22.6%	28.4%	22.4%	19.4%	15.8%
Hispanic	23.5%	16.4%	26.5%	20.4%	22.8%	17.2%
Asian/Pacific Islander	14.8%	14.2%	16.3%	17.2%	13.3%	13.1%
White	10.7%	8.3%	12.6%	9.5%	11.8%	9.6%
Age						
18–34 years	21.2%	15.7%	24.8%	17.3%	22.5%	17.4%
35–44 years	13.2%	9.8%	15.7%	11.9%	15.3%	11.4%
45–54 years	10.4%	9.5%	12.4%	10.6%	12.2%	10.6%
55–64 years	9.4%	7.7%	10.9%	10.2%	11.8%	10.9%
65 years and older	8.8%	6.0%	9.8%	6.3%	11.0%	7.7%

Note: Racial categories are non-Hispanic.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.11. Percent of Men and Women with Family Incomes Below the Poverty Line, Central Ohio, Ohio, and United States, 2016

	Women	Men
Delaware County	5%	4%
Franklin County	16%	13%
Fairfield County	10%	7%
Licking County	13%	8%
Pickaway, Madison, and Union Counties	11%	7%
Central Ohio	14%	11%
Ohio	15%	11%
United States	14%	11%

Note: For women and men age 18 and older.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.12. Percent of Households Living in Poverty by Household Type, Ohio and the United States, 2016

	Central Ohio	Ohio	United States
Household type			
Married couples with children	6.2%	6.4%	7.6%
Married couples without children	2.6%	3.2%	3.8%
Single women with children	41.2%	45.5%	40.1%
Single women without children	18.4%	20.8%	20.2%
Single men with children	16.2%	18.2%	18.5%
Single men without children	16.4%	18.4%	17.5%

Note: Households with children are those with children under 18. Households headed by women and men can consist of unmarried women and men living with relative, other unrelated individuals, or alone.
Source: IWPR analysis of American Community Survey microdata.

Appendix Table C.13. Percent of Women and Men with a Bachelor's Degree or Higher, Ohio, 2016

	Women	Men
Delaware County	49.1%	54.1%
Franklin County	37.4%	38.7%
Fairfield County	26.5%	25.3%
Licking County	25.1%	21.9%
Pickaway, Madison, and Union Counties	22.7%	18.9%
Central Ohio	35.4%	35.9%
Ohio	26.4%	26.5%
United States	31.0%	30.4%

Note: Aged 25 or older.
Source: IWPR Analysis of American Community Survey microdata

Appendix Table C.14. Women's and Men's Unemployment Status, Central Ohio, Ohio, and the United States, 2016

	Unemployment Rate	
	Women	Men
Delaware County	2.5%	2.4%
Fairfield County	5.3%	5.6%
Franklin County	5.3%	6.0%
Licking County	5.8%	6.5%
Madison County	4.3%	6.2%
Pickaway County	5.8%	5.4%
Union County	2.8%	3.9%
Ohio	6.2%	7.1%
United States	6.7%	7.0%

Source: U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates, accessed through American FactFinder.

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NATIONAL CAPACD

October 15, 2019

Statement for the record by Seema Agnani, Executive Director of the National Coalition of Asian Pacific American Community Development (National CAPACD)

"Examining the Racial and Gender Wealth Gap in America"

Subcommittee on Diversity and Inclusion
Committee of Financial Services
US House of Representatives

Chairwoman Waters, Ranking Member McHenry, and Members of the Committee, thank you for the opportunity to provide our statement for the record related to the Asian American and Pacific Islander (AAPI) experience of the racial wealth divide in the United States.

We often find that the AAPI narrative is left out of conversations on the racial wealth divide. I am encouraged by the Committee Memorandum, which acknowledges many of the historic policies that have blocked AAPIs from land ownership and economic security, including the appropriation of Native American lands and exclusionary laws to keep people of Asian origin from purchasing land and owning businesses. In my statement for the record, I would like to build on the case that has been made in the Committee Memorandum.

National CAPACD is a coalition of local organizations that advocate for and organize in low-income AAPI communities and neighborhoods. We strengthen and mobilize our members to build power nationally and further our vision of economic and social justice for all. Our coalition is comprised of nearly 100 community-based organizations spanning 21 states and the Pacific Islands. Collectively, our work improves the lives of the over two million AAPIs living in poverty nationwide.

The AAPI community is currently the fastest growing racial group in the country, growing over four times as rapidly as the total U.S. population and it is expected to double to over 47 million by 2060. Furthermore, AAPIs have the greatest income inequality of any other racial or ethnic group in the United States today. As documented by the Pew Research Center and referenced in your Memorandum, from 1970 to 2016, the top income bracket of Asian Americans experienced tremendous economic growth while those in the lowest income bracket experienced highly concentrated poverty. Indeed, the top 10% of Asian Americans make 10.7 times more than the bottom 10%.

While the Pew data is alarming, it is not surprising-- National CAPACD has been tracking these data related to AAPI poverty for years. In the six years between the end of the Great Recession to the time of the latest poverty data from the U.S. Census (2010 to 2016), the number of AAPIs living below the federal poverty line grew by nearly one quarter million people, a 13 percent increase. The economic conditions that AAPIs face are vastly different from those of the general population for whom overall poverty levels decreased by 1.95 million people or four percent. Challenges that AAPIs face to overcome poverty are compounded by the fact that AAPIs have both high levels of language diversity (fully 77 percent of Asians and 43 percent of Native Hawaiians and Pacific Islanders speak a language other than English at home) and high rates of limited English proficiency (40 percent of Asians and 15 percent of Native Hawaiians and Pacific Islanders),

The Committee's Memorandum also references decreasing homeownership as a contributing factor to the racial wealth gap. This is a particular challenge for AAPIs - the majority of AAPIs living in poverty are concentrated in a limited number of metropolitan statistical areas (MSAs). More than 50 percent of the total AAPI poverty population lives in the top 10 MSAs compared to 25 percent of the nation's poverty population. AAPIs are also disproportionately concentrated in areas with the highest housing costs; from 2000-2014, nationwide median gross rent increased 53 percent, but in neighborhoods with high concentrations of AAPI residents, median gross rent increased 74 percent. For renters, this translates to extremely unstable housing, high rates of overcrowding, and an inability to build savings due to the large percentage of income that goes toward paying rent. Further still, from 2000-2014, nationwide home values increased by 57 percent, but in neighborhoods with high concentrations of AAPI residents, home values increased by 112 percent. AAPIs are increasingly unable to rent or buy homes in the neighborhoods of their choice, both a cause and consequence of the racial wealth gap.

Finally, with some 2 million AAPI-owned businesses in the U.S. today, half of which employ fewer than 20 people, entrepreneurship is an important asset building pathway for this community. According to a 2017 Federal Reserve Bulletin article, business equity is the second-largest source of family non-financial assets after residential equity in the US. AAPI immigrants, in particular, start businesses at a higher rate than the general U.S. population. Notably, the net worth of business owners in the country is almost 2.5 times higher than non-business owners according to a 2011

Association for Enterprise Opportunity report. AAPIs have a higher rate of entrepreneurship (10.5 %) than the general population according to the SBA Office of Advocacy. Yet, the AAPI entrepreneur community faces significant barriers to starting, expanding, and operating their businesses. For example, there is an almost exclusive overreliance on friends and family for advice and access to startup capital because of a distrust of mainstream financial institutions. Fully 66% of National CAPACD members surveyed in a recent survey of AAPI small businesses nationally do not receive any small business-related funding or technical assistance from federal agencies. To further exacerbate challenges faced by AAPI small businesses, like residents, small businesses in AAPI neighborhoods across the country are at very high risk of displacement because they are located in some of the "hottest" markets.

National CAPACD appreciates this Committee's efforts to explore solutions to narrow the racial and gender wealth gap in the United States. It is critical that the Committee continue to advocate for improved data collection, particularly on race and ethnicity. We are concerned about proposals that would block efforts to effectively measure trends for racial/ethnic subgroups, as included in CFPB's ANPR, Home Mortgage Disclosure (Regulation C) Data Points and Coverage as well as delays in the collection of small business data mandated under Section 1071 of the Dodd-Frank Act. Data disaggregation is critical to understanding the impact of the racial wealth divide on different communities of color - only then can we advocate for and respond with the appropriate policy solutions. Furthermore, National CAPACD advocates for policies that are culturally competent and build in language access requirements when engaging with or providing resources to impacted community members. Finally, we encourage the Committee to continue to support local organizations that provide asset building services to community members and respond to growing threats of displacement of residents and small businesses.

I would like to close by thanking Chairwoman Waters, Ranking Member McHenry, and Members of the Committee again for the opportunity to provide written comments on the racial wealth divide in the United States. I feel it is important to state that while National CAPACD lifts up the AAPI experience in spaces that have failed to account for it, we recognize the impact of the racial wealth divide on communities of color more broadly. We support bold action to address the unacceptable racial wealth divide that is experienced by communities of color across the country.

Sincerely,

Seema Agnani
Executive Director, National CAPACD

NATIONAL
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Rep. Joyce Beatty, Chair
House Committee on Financial Services, Subcommittee on Diversity and Inclusion
Oct. 15, 2019

Dear Representative Beatty:

The National Women's Law Center respectfully requests to submit the attached statement for the record of the Subcommittee's Hearing, Examining the Racial and Gender Wealth Gap in America, held on Sept. 24, 2019.

The Center deeply appreciates the Subcommittee's attention to this critically important issue. Should you have any questions, please do not hesitate to contact me at amatsui@nwlc.org or (202) 588-5180.

Sincerely,

Amy K Matsui

Amy K. Matsui
Senior Counsel & Director of Income Security
National Women's Law Center

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Examining the Racial and Gender Wealth Gap in America

Hearing Before the U.S. House Committee on Financial Services, Subcommittee on Diversity and Inclusion

The National Women's Law Center (the Center) appreciates the opportunity to submit a written statement for the hearing, Examining the Racial and Gender Wealth Gap in America, held before the Subcommittee on Diversity and Inclusion of the U.S. House Committee on Financial Services on September 24, 2019.

The Center fights for gender justice — in the courts, in public policy, and in society — working across the issues that are central to the lives of women and girls. The Center uses the law in all its forms to change culture and drive solutions to the gender inequity that shapes society and to break down the barriers that harm everyone — especially those who face multiple forms of discrimination. For more than 45 years, the Center has been on the leading edge of every major legal and policy victory for women.

In particular, the Center places particular priority on advancing the economic security of women and families with low incomes. While economic security is often defined in terms of income, it is critically important to also consider wealth. Wealth (defined for the purposes of this discussion as what a person owns minus what a person owes) empowers women and enables them to access economic opportunities — whether a college education, a small business, or a home – for themselves and their families over the course of a lifetime. Wealth also offers a safeguard against disruptions in income. On the other hand, when women lack wealth, they and their families may be one car repair, missed shift, or medical emergency away from serious financial distress.

Yet over their lifetimes, women of color face significant wealth gaps as a result of systemic discrimination expressed through myriad economic policies. The Center commends the Committee for highlighting both gender and racial wealth gaps and the structures and policies that create and exacerbate them, in order to advance economic security for all and racial, gender, and economic equity.

<u>Women of Color Have Significantly Less Wealth</u>

Women of color, especially single women of color, face significant racial and gender wealth gaps. In 2013, the median net worth of single white, non-Hispanic men, $28,900, vastly exceeded the median net worth of single Latinx women ($100) and single Black women ($200).[1] Single Black men and single Latinx men also face stark wealth disparities (with median net worth of $300 and $950, respectively).[2] In 2013, moreover, white households held twelve times the median assets held by Black families, and almost ten times the median assets held by Latinx households.[3]

Across different categories of wealth, moreover, racial and gender disparities are strikingly apparent. For example:

- *Homeownership*: in 2007, 50 percent of single white, non-Hispanic men owned homes. In contrast, only 33 percent of single Black women and 28 percent of single Latinx women owned homes.[4] Moreover, households of color saw the values of their homes decrease the most during the recession[5] – and the values of men's homes tend to be worth more, and appreciate more, compared to women's homes.[6]
- *Educational debt:* In 2011-12, the mean cumulative educational debt for those graduating with a bachelor's degree was almost $30,000 for Black women, almost $21,000 for Latinx women, and just over $20,000 for white, non-Hispanic women – compared to $18,934 for white, non-Hispanic men.[7]
- *Retirement Savings:* It has been estimated that women have two-thirds the retirement savings accumulated by men.[8] In 2014, among employed workers aged 21-64 with some retirement savings, the median retirement account balances for white, non-Hispanic men were nearly 200 percent larger than those of Black and Latinx women, and 20 percent larger than those of white and Asian women.[9] This is particularly problematic for women, who have lower Social Security retirement benefits, on average, than men,[10] yet who have longer average lifespans such that they need more, rather than fewer, savings to ensure a secure retirement.

Glaring gender and racial wealth gaps exist, as manifestations of the historical and ongoing racial and gender inequities in this country.

Women of Color Face Significant Obstacles to Building Wealth

Women of color face obstacles to building wealth throughout their lives, as a result of these structural inequalities and the gender and racial discrimination that are baked into every aspect of our economic policies. First, households of color are overrepresented among low- and moderate-income households,[11] as are women supporting families on their own.[12] Overall, many women of color – especially Black, Latinx, and Native women – experience higher rates of poverty than men.[13]

This is in part because women of color are overrepresented in jobs with the lowest wages.[14] In addition, women of color working full time, year round are typically paid less than their male counterparts.[15] In particular:

- Black women make only 62 cents for every dollar paid to white men;
- Latinx women are paid 54 cents, Native women are paid 57 cents, and Native Hawaiian and Pacific Islander women are paid 61 cents for every dollar paid to white, non-Hispanic men;
- While Asian women make 85 cents for every dollar made by white men, there are wide disparities among sub-populations;[16]
- Immigrant women of color also face a substantial wage gap: in 2017, for every dollar paid to white, non-immigrant men, Black, Latinx, and Asian immigrant women were paid 58, 48, and 83 cents, respectively.[17]

The wage gap translates into an average annual loss of almost $24,000 per year for Black women, over $28,000 for Latinas, and over $24,000 for Native women.[18] Those losses in income compound over time, and in addition, the wage gap tends to grow as women workers progress in their careers. Based on today's wage gap, Black women who work full time, year round could lose over $900,000 in income over a 40-year career, while Latinx women will lose around $1 million.[19] It is clear that income disparities of this magnitude play a significant role in producing the wealth disparities that women and people of color face.

In addition to wage gaps, a variety of policies curtail the ability of women of color to earn enough to accumulate wealth throughout their lives. Numerous policies contribute to destabilizing the incomes of workers in the lowest paid jobs, like child care workers, or restaurant or retail workers, among whom women of color predominate (for example, those that weaken workers' bargaining power, fail to guarantee hours of work, or otherwise increase job precarity).[20] In addition, low- and moderate-income caregivers often face financial penalties, since women workers with children are unlikely to be able to access paid family and medical leave and receive little support for the exorbitant cost of the child care they need to go to work.[21] Moreover, the fact that women are breadwinners, or co-breadwinners, in two-thirds of families with children means that their paychecks must stretch to cover a family's needs.[22] Having less income, and less disposable income, makes it indisputably harder for women of color to build wealth.

In addition, other policies make it harder for women of color to build wealth.[23] For example, discriminatory housing and lending practices such as redlining or targeting women for subprime mortgages make it more difficult for women of color to purchase homes, pay down housing debt, and build equity.[24] Insufficient financial aid in higher education increases student debt, leaving women of color paying down student loans rather than saving for a car, a house, or emergencies starting from the very beginning of their careers.[25] Moreover, the prevalence of state and local governmental fines and fees can strip wealth from women of color, and even make it more difficult to be employed.[26] Many of these policies are grounded in racial and gender discrimination, and reinforce each other -- exacerbating racial and gender wealth gaps, and undermining equity and economic security for women of color.

The special role of tax policy in creating and compounding gender and racial wealth gaps merits particular discussion. The federal tax code is commonly understood to provide incentives for economically valuable activities, such as work, homeownership, or saving for higher education or retirement. However, the design of many tax "incentives" renders them inaccessible to lower- and moderate-income households – among whom women supporting families on their own and families of color are overrepresented. For example, the tax code purports to incentivize homeownership through the Mortgage Interest Deduction (MID). Under the MID, tax filers can deduct the interest on mortgages for primary and secondary residences from their taxable income, as an itemized deduction. Families will only itemize deductions on their federal income tax returns, however, if the amount of their itemized deductions (which include not only the MID, but also the deductions for charitable contributions, excess medical expenses, etc.) will exceed the amount of the standard deduction ($12,200 for single filers and $24,400 for joint filers in 2019).[27] Only about 30 percent of households overall itemized deductions on their federal tax returns in 2016,[28] and even smaller shares of households with low or moderate incomes did so.[29] Moreover, it is unclear whether the MID encourages *and* enables families to purchase homes by reducing taxable income, or just rewards families who can already afford to do so. Indeed, the MID is overwhelmingly claimed by higher-income taxpayers: in 2018, an estimated 73 percent of tax filers claiming the MID had incomes above $100,000.[30] As the example of the Mortgage Interest Deduction amply demonstrates, when tax policies do not take income and wealth disparities, gender and racial discrimination and structural inequality into account, the resulting tax provisions will exacerbate gender and racial wealth gaps.

Policy Solutions That Target Reduction of Racial and Gender Wealth Gaps

While policy may have created or exacerbated gender and racial wealth gaps, policy has the potential to reduce them. Policymakers could, among other things:

- Increase the federal minimum wage (including by eliminating the sub-minimum wage), enact robust standards for enforcing pay equity (such as those set forth in the Paycheck Fairness Act), and adequately fund income security programs that ameliorate gender and racial wage gaps;
- Expand refundable tax credits that especially benefit women, people of color, and women of color, such as the Earned Income Tax Credit and the refundable Child Tax Credit (including by providing a "child allowance"), and improve the Child and Dependent Care Tax Credit, including by making it refundable so that it reaches more low- and moderate-income families;

- Provide employee benefits, work supports, and social insurance that increase job quality and stability, such as paid family and medical leave, assistance with the high cost of child care, and expanded unemployment insurance;
- Provide meaningful tax incentives for wealth-building that are available to low- and moderate-income families as part of a comprehensive strategy to increase racial, gender, and economic equity through direct spending programs and the tax system; and
- Enact tax policies that curb excessive wealth at the top of the income scale.

By taking steps like these to reduce gender and racial wealth gaps, policymakers can further gender, racial, and economic equity and support an economy that works for all of us.

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[1] Mariko Chang, *Women & Wealth: Insights for Grantmakers*, Asset Funders Network 3, 6 (2015), https://assetfunders.org/wp-content/uploads/Women_Wealth_-Insights_Grantmakers_brief_15.pdf. Single white women had median assets of $15,640. *Id.*

[2] *Id.*

[3] Dedrick Asante-Muhammad et al., *The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class*, Prosperity Now & Inst. Pol'y Studies 1, 6 (2017), https://prosperitynow.org/sites/default/files/PDFs/road_to_zero_wealth.pdf (median household wealth calculated including durable goods).

[4] Mariko Chang, *Lifting as We Climb: Women of Color, Wealth, and America's Future*, Insight Ctr. for Community Econ. Dev., 1, 12 tbl..4 (2010, https://static1.squarespace.com/static/5c50b84131d4df5265e7392d/t/5c5c7801ec212d4fd499ba39/1549563907681/Lifting_As_We_Climb_InsightCCED_2010.pdf. Fifty-seven percent of single white women owned homes. *Id.*

[5] Sarah Burd-Sharps & Rebecca Rasch, *Impact of the U.S. Housing Crisis on the Racial Wealth Gap Across Generations*, Soc. Sci. Res. Council, 1, 4 (2015), https://www.aclu.org/sites/default/files/field_document/discrimlend_final.pdf.

[6] *See* Amy Castro Baker, Folosade Famakinwa & Stacia Martin-West, *On Shaky Ground*, Asset Funders Network 1, 4 (2019), https://assetfunders.org/wp-content/uploads/AFN-Shaky-Ground-Brief-2018.pdf.

[7] Kevin Miller, *Women Deeper In Debt: Women and Student Loans*, Am. Ass'n of Univ. Women, Fig. 6 (2017), https://www.aauw.org/aauw_check/pdf_download/show_pdf.php?file=deeper-in-debt.

[8] Heather McCulloch, *Closing the Women's Wealth Gap: What It Is, Why It Matters, and What Can Be Done About It*, Closing the Women's Wealth Gap 1, 5 (2017), https://womenswealthgap.org/wp-content/uploads/2017/06/Closing-the-Womens-Wealth-Gap-Report-Jan2017.pdf.

[9] Unpublished calculations from the National Institute of Retirement Security based on the U.S. Census Bureau's Survey of Income & Program Participation, Wave 1 and SSA Supplement (excluding retirement accounts with $0 balances, and showing median account balances of $60,000 for white, non-Hispanic men, $50,000 for white and Asian women, $20,000 for Black women, and $21,750 for Latinx women) (on file with Nat'l Women's Law Ctr.).

[10] Jasmine Tucker, *Women & Social Security*, Nat'l Women's Law Ctr. (2019), https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2015/02/2018-Women-and-SS.pdf.

[11] *See, e.g,* Nathan Joo & Ricard V. Reeves, *White Still: The American Upper-Middle Class*, Brookings Inst., (2017), https://www.brookings.edu/blog/social-mobility-memos/2017/10/04/white-still-the-american-upper-middle-class/; Rakesh Kochhar & Anthony Cilluffo, *Appendix A: Income Distributions of whites, blacks, Hispanics and Asians in the U.S., 1970 and 2016*, Pew Res. Ctr. 1, 40 (2018),

https://www.pewsocialtrends.org/2018/07/12/appendix-a-income-distributions-of-whites-blacks-hispanics-and-asians-in-the-u-s-1970-and-2016/.

[12] *See, e.g.,* Nat'l Women's Law Ctr., *What's In the Tax Cuts and Jobs Act of 2017: Provisions That Impact Women and Families* (Apr. 2018), https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/07/Tax-Cuts-and-Job-Act-2017.pdf.

[13] Nat'l Women's Law Ctr. calculations based on U.S. Census Bureau, 2018 Current Population Survey, using Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 6.0 [dataset]. Minneapolis, MN: IPUMS, 2018. https://doi.org/10.18128/D030.V6.0.

[14] *See, e.g.,* Jasmine Tucker & Kayla Patrick, *Low-Wage Jobs Are Women's Jobs: The Overrepresentation of Women in Low-Wage Work*, Nat'l Women's Law Ctr. 1, 1 (2017), https://nwlc.org/resources/low-wage-jobs-are-womens-jobs-the-overrepresentation-of-women-in-low-wage-work/.

[15] Nat'l Women's Law Center, *The Wage Gap: The Who, How, Why, and What to Do* (Sept. 2019), https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/10/The-Wage-Gap-Who-How-Why-and-What-to-Do-2019.pdf [hereinafter "The Wage Gap"]. Overall, women working full time year round are typically paid 82 cents for every dollar paid to men. *Id.*

[16] Morgan Harwood, Nat'l Women's Law Center, *Equal Pay for Asian American and Pacific Islander Women* 1, 1 (Mar. 2019), https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2019/03/Asian-Women-Equal-Pay-3.7.19-v2.pdf.

[17] Nat'l Women's Law Ctr. calculations based on U.S. Census Bureau, 2018 Current Population Survey, using Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 6.0 [dataset]. Minneapolis, MN: IPUMS, 2018. https://doi.org/10.18128/D030.V6.0. Overall, foreign-born women made 67 cents for every dollar paid to non-immigrant men in 2017.

[18] *The Wage Gap, supra* note 15 at 1, https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/10/The-Wage-Gap-Who-How-Why-and-What-to-Do-2019.pdf. Asian women on average will lose around $6,000 per year. *Id.* Overall, women stand to lose over $10,000 annually. *Id.*

[19] *See* Jasmine Tucker, Nat'l Women's Law Ctr., *The Wage Gap for Black Women: Working Longer and Making Less* (Aug. 2019), https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2019/08/Wage-Gap-for-Black-Women.pdf; Nat'l Women's Law Ctr. calculations based on U.S. Census Bureau, 2018 Current Population Survey, using Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 6.0 [dataset]. Minneapolis, MN: IPUMS, 2018. https://doi.org/10.18128/D030.V6.0. Overall, a woman who works full time, year round stands to lose $407,760 over a 40-year period. *See The Wage Gap, supra* note 15.

[20] *See, e.g.,* Nat'l Women's Law Ctr., *Set Up to Fail: When Low-Wage Work Jeopardizes Parents' and Children's Success* (2016), https://nwlc.org/wp-content/uploads/2016/06/FINAL-Set-Up-To-Fail-When-Low-Wage-Work-Jeopardizes-Parents'-and-Children's-Success.pdf.

[21] McCulloch, *supra* note 8, at 7.

[22] *See , e.g.,* Sarah Jane Glynn, *Breadwinning Mothers Are Increasingly the U.S. Norm*, Ctr. for Am. Progress (Dec. 19, 2016), https://www.americanprogress.org/issues/women/reports/2016/12/19/295203/breadwinning-mothers-are-increasingly-the-u-s-norm/.

[23] *See generally* McCulloch, supra note 8.

[24] *See id.* at 5.

[25] *See id.*

[26] *See id.* at 16; *see also* STOP Campaign Research & Recommendations, POWER-PAC Ill., *Stopping the Debt Spiral* 6 (2018) (respondent unable to work for public school because of debt to city); Peter Edelman, *How it Became a Crime to be Poor in America*, The Guardian (Nov. 6, 2017), https://www.theguardian.com/commentisfree/2017/nov/06/how-poverty-became-crime-

america; Abby Shafroth & Larry Schwartzol, Nat'l Consumer Law Ctr., Inc., & Criminal Justice Pol'y Program at Harvard Law Sch., *Confronting Criminal Justice Debt: The Urgent Need for Reform* 2 (2016).
[27] Ctr. on Budget & Pol'y Priorities, *Policy Basics: Tax Exemptions, Deductions, and Credits* 1, 1 (2019), https://www.cbpp.org/sites/default/files/atoms/files/policybasics-exempt.pdf (last visited Oct.. 15, 2019); I.R.S., *IRS provides tax inflation adjustments for tax year 2019* (Nov. 15, 2018), https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2019.
[28] Tax Pol'y Ctr., *What are itemized deductions and who claims them?*, https://www.taxpolicycenter.org/briefing-book/what-are-itemized-deductions-and-who-claims-them (last visited Oct. 15, 2019).
[29] *See id.* at fig. 3 (21% of households with Adjusted Gross Income of $30,000-49,999 and 7% of households with AGI under $30,000 itemized deductions).
[30] Calculations based on Joint Comm. on Taxation, *Tables Related to the Federal Tax System as in Effect 2017 through 2026: Table 6.-Distribution of Tax Benefit for Mortgage Interest Deduction* 1, 7 (2018), https://www.jct.gov/publications.html?id=5091&func=startdown.

The New York Times

THE BONANZA

How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich

By Jesse Drucker and Eric Lipton

Aug. 31, 2019

NEW ORLEANS — President Trump has portrayed America's cities as wastelands, ravaged by crime and homelessness, infested by rats.

But the Trump administration's signature plan to lift them — a multibillion-dollar tax break that is supposed to help low-income areas — has fueled a wave of developments financed by and built for the wealthiest Americans.

Among the early beneficiaries of the tax incentive are billionaire financiers like Leon Cooperman and business magnates like Sidney Kohl — and Mr. Trump's family members and advisers.

Former Gov. Chris Christie of New Jersey; Richard LeFrak, a New York real estate titan who is close to the president; Anthony Scaramucci, a former White House aide who recently had a falling out with Mr. Trump; and the family of Jared Kushner, Mr. Trump's son-in-law and senior adviser, all are looking to profit from what is shaping up to be a once-in-a-generation bonanza for elite investors.

The stated goal of the tax benefit — tucked into the Republicans' 2017 tax-cut legislation — was to coax investors to pump cash into poor neighborhoods, known as opportunity zones, leading to new housing, businesses and jobs.

The initiative allows people to sell stocks or other investments and delay capital gains taxes for years — as long as they plow the proceeds into projects in federally certified opportunity zones. Any profits from those projects can avoid federal taxes altogether.

"Opportunity zones, hottest thing going, providing massive new incentives for investment and job creation in distressed communities," Mr. Trump declared at a recent rally in Cincinnati.

Instead, billions of untaxed investment profits are beginning to pour into high-end apartment buildings and hotels, storage facilities that employ only a handful of workers, and student housing in bustling college towns, among other projects.

Many of the projects that will enjoy special tax status were underway long before the opportunity-zone provision was enacted. Financial institutions are boasting about the tax savings that await those who invest in real estate in affluent neighborhoods.

Among those raising money for opportunity-zone investments are Anthony Scaramucci, center, the founder of SkyBridge Capital, and Chris Christie, right, the former governor of New Jersey. Bridget Bennett for The New York Times ɜ tax benefit also is helping finance the construction of a 46-story, glass-wrapped apartment tower — amenities include a yoga lawn and ool surrounded by cabanas and daybeds — in a Houston neighborhood already brimming with new projects aimed at the wealthy.

d in Miami's hot Design District, where commercial real estate prices have nearly tripled in the last decade, the tax break is set to be d for a ritzy new office tower with a landscaped roof terrace.

ne proponents of opportunity zones note that money is already flowing into downtrodden communities like Birmingham, Ala., and Erie, They argue that more funds will follow. And they note that because no data exists on where investments are being made, it is ossible to quantify the benefits going to the wealthy versus the poor.

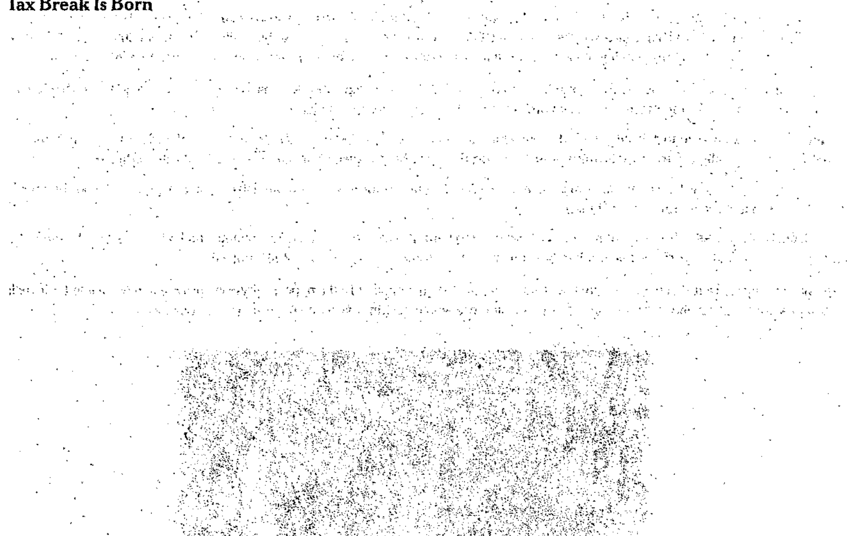
ıe early wave, that's not what you judge," said John Lettieri, president of the Economic Innovation Group, an organization that lobbied the establishment of opportunity zones.

: leaders of groups that work in cities and rural areas to combat poverty say they are disappointed with how it is playing out so far.

pital is going to flow to the lowest-risk, highest-return environment," said Aaron T. Seybert, the social investment officer at the Kresge ındation, a community-development group in Troy, Mich., that supported the opportunity-zone effort.

rhaps 95 percent of this is doing no good for people we care about."

Tax Break Is Born



r. Scaramucci, left, shaking hands with John F. Kelly, the former White House chief of staff. Mr. Scaramucci is using opportunity-zone advantages to help build a hotel in a endy section of New Orleans. Bridget Bennett for The New York Times

opportunity-zone tax break was targeted at the trillions of dollars of capital gains held by rich Americans and their companies: profits ı investments in the stock market, real estate and other businesses, even short-term trades by hedge funds. When investors sell those ts, they can incur tax bills of up to 41 percent.

ı Parker, an early backer of Facebook, helped come up with the idea of pairing a capital-gains tax break with an incentive to invest in ressed neighborhoods. "When you are a founder of Facebook, and you own a lot of stock," Mr. Parker said at a recent opportunity-zone 'erence, "you spend a lot of time thinking about capital gains."

ting in 2013, Mr. Parker bankrolled a Capitol Hill lobbying effort to pitch the idea to members of Congress. That effort was run through

The plan won the support of Senators Cory Booker, Democrat of New Jersey, and Tim Scott, Republican of South Carolina. When Congress, at Mr. Trump's urging, began discussing major changes to the federal tax code in 2017, Mr. Parker's idea had a chance to become reality.

Mr. Scott, who sponsored a version of the opportunity-zone legislation that was later incorporated into the broader tax cut package, said it was "for American people stuck, sometimes trapped, in a place where it seems like the lights grow dimmer, and the future does, too."

"Let's turn those lights on and make the future bright," he added.

Confined to six pages in the 185-page tax bill, the provision can significantly increase the profits investors reap on real estate and other transactions.

It allows investors to defer for up to seven years any capital gains taxes on the money they invest in opportunity zones. (That deferral is valuable because it allows people to invest a larger sum upfront, potentially generating more profits over time.) After 10 years, the investor can cash out — by selling the opportunity-zone real estate, for example — and not owe any taxes on the profits.

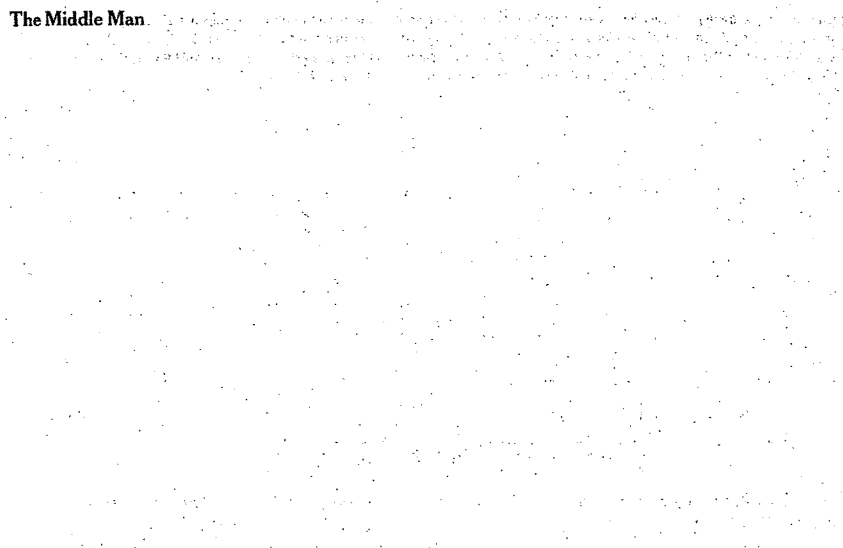
Over a decade, those dual incentives could increase an investor's returns by 70 percent, according to an analysis by Novogradac, an accounting firm.

"We are very, very excited about the potential," the president's daughter Ivanka Trump said last year at an event celebrating Mr. Parker's role in creating opportunity zones. "The whole White House obviously is behind the effort. The whole administration."

The opportunity zones, focused on low-income census tracts, were drawn by officials in each state, as well as in Washington, D.C., and Puerto Rico. Last year, the Treasury Department approved roughly 8,800 such zones. (The White House and Treasury declined to make senior officials available to discuss the program.)

Nearly a third of the 31 million people who live in the zones are considered poor — almost double the national poverty rate. Yet there are plenty of affluent areas inside those poor census tracts. And, as investors would soon realize, some of the zones were not low income at all.

The Middle Man



The Preston is financed by the investors in Cresset, a multibillion-dollar asset management firm. Brandon Thibodeaux for The New York Times

The Harvard Club of New York City, in Midtown Manhattan, is the embodiment of America's old-money elite. Crimson-jacketed waiters

One recent morning, financial advisers representing several dozen of America's richest dynasties — advisers to the Pritzker and Soros families were listed as attendees — crowded into a drab meeting room on the club's third floor.

The advisers were there to see Daniel Kowalski, a top aide to Treasury Secretary Steven Mnuchin and the Trump administration's point person for the opportunity-zone rules. Mr. Kowalski is barnstorming the country, bouncing from one conference to the next, explaining to real estate investors and developers how to take advantage of the new rules.

Mr. Kowalski was an aide to the Trump campaign, where he worked for the White House policy adviser Stephen Miller. Before that, he was an aide to Jeff Sessions when Mr. Sessions was on the Senate Budget Committee.

[The Trump associates benefiting from a tax break for poor communities.]

At the Harvard Club, he dived into an explanation of how opportunity zones work — and for whom they work. "The audience for opportunity zones is inherently fairly small because it's limited to capital-gains income, which is why I wanted to come and talk to this group," he told the room of advisers.

That audience is small indeed: Only 7 percent of Americans report taxable capital gains, and nearly two-thirds of that income was reported by people with a total annual income of $1 million or more, according to I.R.S. data.

Yet this is a vital constituency, since the success of the opportunity-zone program will hinge largely on how much money investors kick in. That is why the Trump administration — and Mr. Kowalski in particular — is promoting the tax break on Wall Street.

"I have served a little bit as a middle man between the business community and the I.R.S.," he said at another conference a few weeks later.

More than 200 opportunity-zone funds have been established by banks like Goldman Sachs and major real estate companies, including CIM Group of Los Angeles, which has previously been a partner with the Trump and Kushner families on projects. Those funds have said their goal was to raise a total of nearly $57 billion.

The law does not require public disclosure of who are taking advantage of the initiative or how they are deploying their funds. Among those who have invested money or said they intend to are Mr. Kohl, a founder of the department store chain that bears his name; Steve Case, co-founder of AOL; Alexander Bhathal, part owner of the Sacramento Kings basketball team; and Richard Forman, the former owner of the Forman Mills chain of clothing stores, according to interviews and other public statements.

Daniel Kowalski, the Trump administration's point person for opportunity-zone rules, speaking at a Washington forum about them in June. Melissa Lyttle for The New York Times

Many others are lesser-known business executives who recently sold small companies or real estate and are looking for ways to avoid large tax bills.

Paul DeMoret, for example, recently sold his auto-industry software company in Oregon. He said he was using some of those capital gains to help finance a Courtyard by Marriott in Winston-Salem, N.C., and an apartment building in Tempe, Ariz., among other projects in opportunity zones. He is making the investments through a private equity firm, Virtua Partners.

The tax break is largely benefiting the real estate industry — where Mr. Trump made his fortune and still has extensive business interests

Mr. Christie, a onetime adviser to Mr. Trump, has raised money for opportunity-zone investments including an apartment building in Hackensack, N.J., and a self-storage center in Connecticut.

Cadre, an investment company co-founded by Mr. Kushner and his brother, Joshua, is raising hundreds of millions of dollars that it hopes to use on opportunity-zone projects. The company is eyeing neighborhoods in Savannah, Ga., Dallas, Los Angeles and Nashville that are expected to grow larger and wealthier in coming years. Jared Kushner has a stake in Cadre worth up to $50 million, according to his most recent financial disclosure.

Mr. LeFrak, a longtime confidant of Mr. Trump's and a major campaign donor, is building a luxury residential community in the middle of an opportunity zone in Miami. (It is unclear how much of the development's funding will end up being tax advantaged.)

Not far away in the Design District, Daniel Lebensohn is planning to build his high-end office tower. Mr. Lebensohn previously joined the Trump Organization to sell luxury condominiums at the Trump Hollywood complex north of Miami.

And Mr. Kushner's family company directly owns or is in the process of buying at least a dozen properties in New York, New Jersey and Florida that are in opportunity zones. They include a pair in Miami, where Kushner Companies plans to build a 393-apartment luxury hig rise with sweeping views of Biscayne Bay, according to a company presentation for potential investors.

A representative for the Kushner family confirmed that it was considering opportunity-zone funding for some developments, but said it would probably not use the funding for the Miami projects.

'The Best Thing I Have Ever Done'

Backers of the opportunity-zone program say luxury projects are the easiest to finance, which is why those have been happening first. Over the long run, they say, those deals will be eclipsed by ones that produce social benefits in low-income areas.

At least some struggling neighborhoods are already starting to receive investments.

In Birmingham, for example, a developer is using opportunity-zone funds to convert a building, vacant for decades, into 140 apartments primarily aimed at the local work force.

"We are seeing projects that are being announced here in Alabama that would not have happened otherwise," said Alex Flachsbart, founder of Opportunity Alabama, which is trying to steer investors to economically struggling neighborhoods.

Similar projects are getting underway in Erie, Cleveland and Charlottesville, Va. Goldman Sachs is using some of its capital gains — profits on the company's own investments — in opportunity zones, including $364 million for mixed-income housing developments in Sal Lake City, Baltimore and other cities.

Mr. Case, the AOL co-founder, and Derrick Morgan, a former professional football player, are among those who have announced that the will invest in opportunity-zone projects that are designed to address clear social and economic problems.

As he announced his retirement from the Tennessee Titans in July, Mr. Morgan wrote on Instagram that his goal would be to "create mor opportunities for those who are underserved and overlooked" in communities like Coatesville, Pa., where he went to high school.

Emanuel J. Friedman, a hedge fund manager, is using some of his capital gains and money he has raised from others to build 11 warehouses in rural Jasper County, S.C., near the Savannah seaport. The warehouses won't employ many people, but he said the jobs would offer higher wages than hotel housekeeping positions at the nearby Hilton Head resort, where many area residents now work.

"Of course it will make a difference," Mr. Friedman said. "It is mind-boggling. It is the best thing I have ever done."

A Spa for Pets

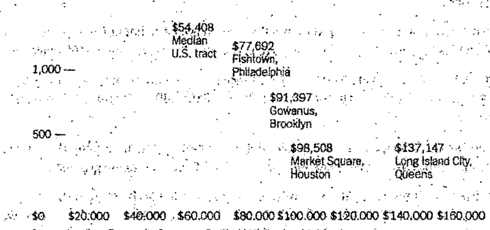
The developers of the Sole Mia project in North Miami, Fla., urged a local official to nominate the area as an opportunity zone and are now considering ways to take advantage of the status. Scott McIntyre for The New York Times

But even supporters of the initiative agree that the bulk of the opportunity-zone money is going to places that do not need the help, while many poorer communities are so far empty-handed.

Some opportunity zones that were classified as low income based on census data from several years ago have since gentrified. Others that remain poor over all have large numbers of wealthy households.

Number of Opportunity Zones by Median Household Income

More than 7 percent of opportunity zones had household incomes above the median census tract in 2017. Investors are focusing on projects in these neighborhoods.



Source: American Community Survey • By Blacki Migliozzi and Juliette Love

And nearly 200 of the 8,800 federally designated opportunity zones are adjacent to poor areas but are not themselves considered low income.

Under the law, up to 5 percent of the zones did not need to be poor. The idea was to enable governors to draw opportunity zones in ways that would include projects or businesses just outside poor census tracts, potentially creating jobs for low-income people. In addition, states could designate whole sections of cities or rural areas that would be targeted for investment, including some higher-income census tracts.

In some cases, developers have lobbied state officials to include specific plots of land inside opportunity zones.

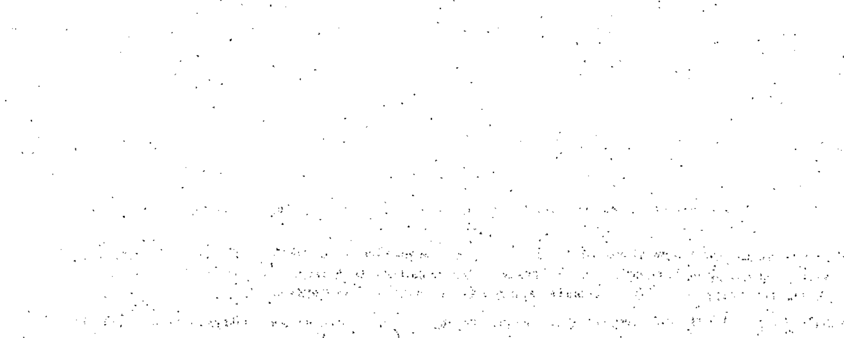
In Miami, for example, Mr. LeFrak — who donated nearly $500,000 to Mr. Trump's campaign and inauguration and is personally close to the president — is working with a Florida partner on a 183-acre project that is set to include 12 residential towers and eight football fields' worth of retail and commercial space.

In spring 2018, as they planned the so-called Sole Mia project, Mr. LeFrak's executives encouraged city officials in North Miami to nominate the area around the site as an opportunity zone, according to Larry M. Spring, the city manager. They did so, and the Treasury Department made the designation official.

Bill Ackman.

Mr. Ackman is trying to find tenants for 80,000 square feet of unused office space in his fund's building, which has a Jaguar dealership on the ground floor. He said he was using its location inside an opportunity zone as a lure.

That is because investors can use their capital gains to invest not only in real estate but also in businesses inside opportunity zones. A company that sets up shop inside Mr. Ackman's building therefore would be eligible to accept tax-advantaged opportunity-zone money.



One of the Sole Mia partners is Richard LeFrak, who donated nearly $500,000 to President Trump's campaign and inauguration. Scott McIntyre for The New York Times

Financial institutions are not even trying to make it look as if their opportunity-zone investments were intended to benefit needy communities.

CBRE, one of the country's largest real estate companies, is seeking opportunity-zone funding for an apartment building in Alexandria, Va., which CBRE is pitching to prospective investors as "one of the region's most affluent locations."

JPMorgan Chase is raising money to build housing targeting students in College Park, Md., near the University of Maryland. (Because many students do not have jobs, census data often wrongly suggests that college towns are poor neighborhoods.)

In marketing materials, JPMorgan noted that while College Park "qualifies as low income due to the student population, the area around it is affluent." The bank added, "The tax benefits can be remarkable."

The Swiss bank UBS is raising funds from its "ultra high net worth" clients — requiring in some cases that they have at least $50 million in investable assets — for developments in New York and Connecticut. The projects include a 23-story retail and office building in Downtown Brooklyn and an upscale apartment building in New Rochelle, N.Y., with a yoga studio and 24-hour valet parking. There is even a spa — for residents' pets.

Other companies have set up subscription databases showing which zones have the highest incomes and fastest-growing populations to help investors steer their money to the most lucrative and least risky destinations.

"The current system is clearly driving capital to places that are known to be winners," said Christopher A. Coes, vice president at Smart Growth America, a nonprofit group that encourages investments in American cities.

Luxury Hotels, Abandoned Homes

This street in New Orleans became part of an opportunity zone after a hotel in the Virgin chain had already been planned there. Akasha Rabut for The New York Times

The Warehouse District of New Orleans is one of the city's trendiest neighborhoods. Some of the area's hottest restaurants — as well as a new one dishing out shrimp tempura tacos — are here. So are hipster barbershops. Boutique hotels spill well-heeled tourists onto the red brick sidewalks. High-end coffee shops are packed with young people buried in their MacBooks.

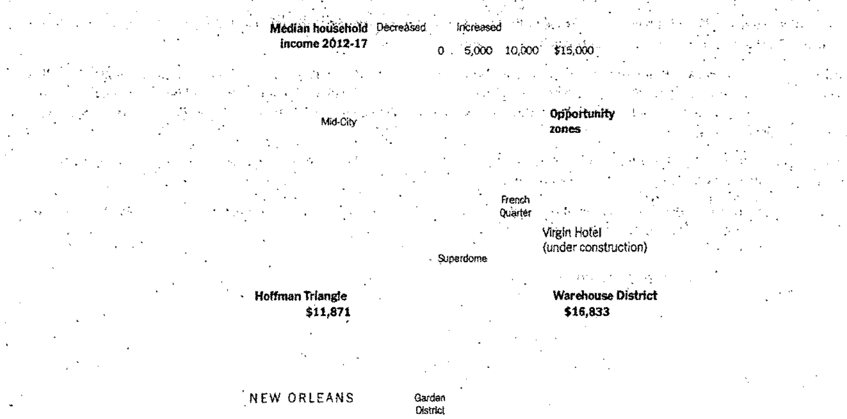
And it is getting hotter. The sounds of heavy-duty equipment heaving steel or pouring cement are audible across the neighborhood.

In other words, in a city grappling with acute poverty, this is not a neighborhood that especially needs a generous new tax break to lure luxury lodging. Yet state officials have established an opportunity zone here.

That decision benefited businesses already operating or planned for the district. One of those is a 225-room hotel, part of Richard Branson's Virgin Hotels chain, whose plans were unveiled a year before Mr. Trump signed the tax law. Its location inside an opportunity zone meant investors could earn greater profits than they otherwise would have, by financing the project with tax-advantaged money.

Changing Incomes in New Orleans

Early opportunity zone development is often happening in neighborhoods where income was already rising, not in struggling areas.



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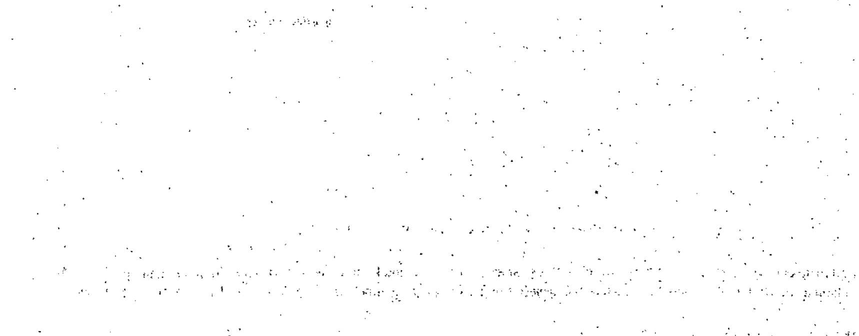
Sources: American Community Survey; OpenStreetMap | By Weiyi Cai and Blacki Migliozzi

Those investors include Mr. Scaramucci, who briefly served as White House communications director in 2017 and has claimed credit for helping to create the opportunity-zone plan. "We got to get into this business because this will be transformative to the United States," he said recently.

Mr. Scaramucci's investment firm, SkyBridge Capital, has raised more than $50 million in capital gains from outside investors, and most of it is being used to finance the hotel, according to Brett S. Messing, the company's president. He said the hotel was likely to be the first of numerous opportunity-zone projects financed by SkyBridge.



The Virgin Hotels construction site in New Orleans. Because of the zone, the 225-room hotel can be financed with tax-advantaged money. Akasha Rabut for The New York Times

Less than two miles away is the poorest opportunity zone in Louisiana — and one of the poorest nationwide. The zone includes the Hoffman Triangle neighborhood, where the average household earns less than $15,000 per year. Block after block, streets are lined with dilapidated, narrow homes, many of them boarded up. On a recent afternoon, one of them was serving as a work site for prostitutes.

City officials, including the head of economic development for New Orleans, said they were not aware of any opportunity-zone projects in this neighborhood.

Terrance Ross, a construction worker who has lived in the area for 20 years, is familiar with the building boom underway in the Warehouse District.

"Why is the federal government putting money where money is already accumulating?" he asked, lighting a cigarette and standing across the street from an abandoned house. "This neighborhood just needs some tender loving care."

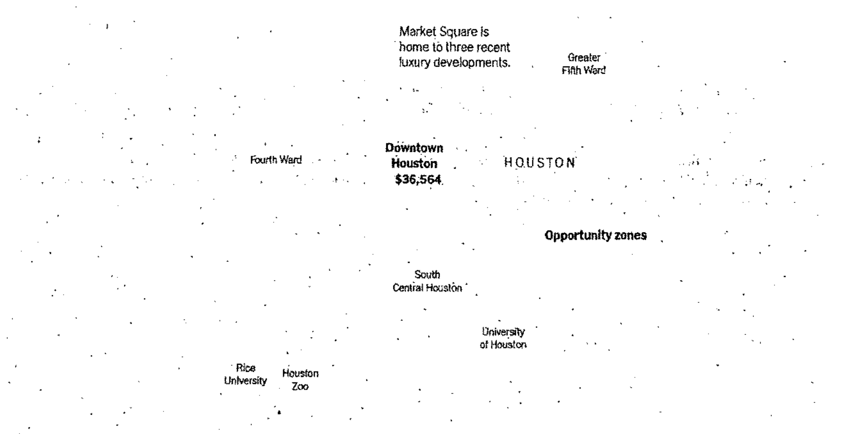
Similar scenes are playing out in opportunity zones across the United States: The federal government is subsidizing luxury developments — often within walking distance of economically distressed communities — that were in the works before Mr. Trump was even elected president.

In Houston, construction recently started on the Preston, with 373 "luxury for rent" apartments as well as a "skydeck" and a resort-style swimming pool. The development is being financed by the investors in Cresset, a multibillion-dollar asset management firm, including one of its founders, Avy Stein.

Changing Incomes in Houston

Early opportunity zone investment is coming to Market Square, already a site of high-end developments and major income growth.

Median household Decreased Increased



Sources: American Community Survey; OpenStreetMap | By Weiyi Cai and Blacki Migliozzi

And in downtown Portland, Ore., the developers of a 35-story tower with a hotel, condos and office space are hoping to raise up to $150 million in opportunity-zone money to pay for the project. Condos will go for as much as $7.5 million each. The hotel is a Ritz-Carlton.

Partying at Red Square

Club music blared from speakers as millionaires and billionaires — and the money managers, lawyers, accountants and other professionals looking to make money off all this wealth — milled around a pool and private cabanas at the Bellagio hotel in Las Vegas.

They were at an annual investment conference to talk about the next big thing. This year, that thing was opportunity zones, which were the focus of five panel discussions.

The Las Vegas event was hosted by Mr. Scaramucci. Among the attendees was Mark Cuban, the billionaire owner of the Dallas Mavericks basketball team. At one point he posed and smiled for a photo with Mr. Scaramucci and his wife.

"OZ are super hot right now," Mr. Cuban said in an email after the event, adding that he had recently bought a property in an opportunity zone, but had not decided yet if he would use the tax break. "Every major investor I know has been pitched a property or fund within an OZ."

The feeding frenzy is not confined to rich individuals. Lawyers, accountants, wealth managers and consultants are enjoying a gusher of new work — and raking in fees — helping clients structure deals with the maximum tax savings.

Real estate lawyers like Brad A. Molotsky are billing hundreds of extra hours as they field calls from eager investors. One day in June, Mr. Molotsky juggled clients who wanted to invest in $500 million worth of opportunity-zone projects.

"I am just one guy, and that was from just two meetings," said Mr. Molotsky, who works in New Jersey for the law firm Duane Morris. He has completed more than 20 opportunity-zone deals, he said, and has dozens more in the pipeline.

The night after Mr. Scaramucci's pool party, more festivities were underway on the other end of the Las Vegas Strip — part of a separate event also focused on opportunity zones. One party was at the Soviet-themed Red Square restaurant. Inside, an investor handed out postcards with photographs of buildings he wanted to buy in opportunity zones.

At another open-bar soiree, a man in a navy suit and a cowboy hat wandered the crowd, drink in hand. Attached to the top of his hat was a large sign. It beckoned: "Looking for OZ Funds."

Jesse Drucker reported from New Orleans, and Eric Lipton from Miami. Deborah Acosta and Matthew Goldstein contributed reporting from New York, and Mark Walker from Washington. Kitty Bennett contributed research.

A version of this article appears in print on Sept. 1, 2019, Section A, Page 1 of the New York edition with the headline: Meant to Lift Poor Areas, Tax Break Is Boon to Rich

Wednesday, October 16, 2019

Chairwoman Joyce Beatty
Subcommittee on Diversity and Inclusion
U.S. House Committee on Financial Services

Joint Statement for the Record
Examining the Racial and Gender Wealth Gap in America

Thank you, Chair Beatty, Ranking Member Wagner, Vice Ranking Member Gonzalez, and Members of the Subcommittee, for holding this hearing on "Examining the Racial and Gender Wealth Gap in America."

On behalf of the undersigned organizations, coalition partners of the Ohio Women's Public Policy Network, we are writing to urge action on proactive policy solutions following the informative and timely hearing. The Women's Public Policy Network, a coalition of more than 30 organizations working collaboratively to advocate for public policies that build economic opportunity for women and families, brings together our organizations under the shared vision wherein all women and families are able to achieve economic security and lead safe and healthy lives - **and closing the gender and racial wealth gap is integral to that mission.**

National discussions of inequality have typically focused on the gender and racial wage gap – with women earning, on average, 80 cents on the dollar compared with men, and pay disparities remaining even more significant for women of color. Equal pay is critically important to the financial security of all women and their families, however, a focus on wages and income alone is not nearly enough.

The gender and racial *wealth* gap is much higher, and it is a far more accurate indicator of the disparities that exist for women, particularly women of color: **Single women overall own only 40 cents for every dollar that single men own. For Black and Hispanic women, the wealth gap is especially stark: single Black women own two cents on the dollar compared with all single men, and single Latina women own only eight cents.**[1]

[1] Institute for Women's Policy Research (September 2019). Assets for Equity: Building Wealth for Women in Central Ohio. [Online]. http://www.womensfundcentralohio.org/wp-content/uploads/2019/09/2019-Gender-Racial-Wealth-Gap-Report.pdf

It is imperative that federal policymakers take steps to address the root causes and consequences of wealth inequality. Closing the gender and racial wealth gap will bolster the economic security and well-being of women, children, and communities, and it promises to yield more systemic and long-term solutions for our nation. **As you examine the racial and gender wealth gap in America, we urge you to take into consideration the impact that the following public policies would have in helping to close the racial and gender wealth gap:**

- **Enact a National Paid Family and Medical Leave Policy:** Women are more likely to take on unpaid caregiving responsibilities for children or aging family members, but only 17 percent of workers – and only four percent of low-wage workers – have access to any form of paid leave through their employers. Black and Latina women are even less likely to have access to paid leave, which exacerbates the wealth gaps and racial disparities among families of color and white families.[2] **Paid family and medical leave policies strengthen maternal and infant health, increase women's workforce participation, and protect working families' financial income during times of leave - and it is one of the most impactful policies to promote wealth building.** According to a new report from PL+US: Paid Leave for the United States and the Georgetown Center on Poverty and Inequality, ***The Paid Family and Medical Leave Opportunity: What Research Tells Us About Designing a Paid Leave Program that Works for All,***[3] "racial disparities in access to job benefits have accounted for 20 percent of the widening of the racial wealth gap since 1984.[4] As a result [of wealth disparities], families of color may have fewer resources and opportunities to save, particularly when earnings are used to cover unexpected expenses from life events.[5] This makes access to paid leave even more important for these families." **A national paid family and medical leave program, which allows workers to take paid leave to care for and bond with a new child (birth, adoptive, or foster placement), care for an ill or aging family member, or address their own medical situation, is crucial to ensure that all workers, particularly low-income and part-time workers, have access to this impactful wealth building policy.**

- **Protect Against Wage Discrimination, Promote Equal Pay Practices, and Close the Gender and Racial Wage Gap:** Women, whether in low-wage or high-wage jobs, experience a pay gap in nearly every occupation and sector of work. In Ohio, the gap is

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[2] The National Partnership for Women and Families (August 2018). Paid Family and Medical Leave: A Racial Justice Issue – and Opportunity [Online] http://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/paid-family-and-medical-leave-racial-justice-issue-and-opportunity.pdf

[3] "The Paid Family and Medical Leave Opportunity: What Research Tells Us About Designing a Paid Leave Program that Works for All" July 2019 paidleave.us georgetownpoverty.org

[4] Shapiro, Thomas, Tatjana Meschede, and Sam Osoro. "The Roots of the Widening Racial Wealth Gap: Explaining the BlackWhite Economic Divide." Institute on Assets and Social Policy, February 2013. Available at https://heller.brandeis.edu/iasp/pdfs/ racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth- gap.pdf.

[5] Traub, et al. "The Racial Wealth Gap: Why Policy Matters." 2016.

slightly larger than the national average with women typically earning just 75 cents for every dollar men make, totaling an annual wage gap of $12,686. And the pay disparities are even larger for women of color working in Ohio: Black women are paid 64 cents and Latinas are paid 61 cents for every dollar paid to White, non-Hispanic men.[6] **Unfair wage disparities not only impact women's paychecks now, but also have long-term consequences for women's wealth attainment, investment, and retirement savings.** Wage inequality means that women have less to spend on themselves and their families, invest and save for the future, and put back into businesses and the local economy. Due to the wage gap, women working full time in the United States lose a combined total of more than $915 billion every year.[7] **Federal policymakers can take steps towards closing the wage gap, which in turn helps to build wealth for women and women of color, by addressing the root causes of wage discrimination and enacting policies that promote equal pay, such as prohibiting employers from seeking or requiring salary or wage history; removing pay secrecy practices and prohibiting retaliation against employees discussing wages or pay; and establishing systems for workers to report complaints of wage discrimination.**

- **Strengthen the Earned Income Tax Credit (EITC):** The EITC is a crucial worker support, particularly for working mothers, designed to reward work and strengthen families by supporting hard-working parents and helping them lift their families out of poverty. In 2016, the EITC helped lift 6 million Americans out of poverty, and many of those individuals who relied on this crucial worker support were women: 1.2 million women were raised above the poverty line because they were able to access the EITC.[8] **A strong EITC can help reduce barriers to financial security by providing working mothers in Ohio with additional support to invest back into their family, using their refunds towards basic needs such as food, housing, health care, child care, and transportation.** Despite the key role many women play as breadwinners for their families, women regularly face economic barriers, including disproportionate representation in low-security and low-wage jobs, which hold them and their families back from reaching their full economic potential. Two-in-five female-headed households with children are living in poverty, nearly 90 percent higher than that of male-headed families with children. The EITC is a proven policy that promotes work and provides much-needed support to working families, particularly among women with low-incomes who are struggling to support children on their own. **Congress should strengthen the**

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[6] The Women's Public Policy Network (August 2018), Fact Sheet: Equal Pay and the Gender Wage Gap [Online] http://womenspublicpolicynetwork.org/wp-content/uploads/2018/08/WPPN_FACT-SHEET-EQUAL-PAY-AND-THE-GENDER-WAGE-GAP.pdf

[7] The National Partnership for Women and Families (September 2019), Fact Sheet: America's Women and the Wage Gap. [Online]. http://www.nationalpartnership.org/our-work/resources/economic-justice/fair-pay/americas-women-and-the-wage-gap.pdf

[8]Center on Budget and Policy Priorities. (2017, October 11). EITC, CTC Together Lifted 9.8 Million out of Poverty in 2015. https://www.cbpp.org/blog/eitc-ctc-together-lifted-98-million-out-of-poverty-in-2015

Earned Income Tax Credit by making expansions to the credit to provide additional support for working families who currently qualify for the credit and increasing who is covered by the credit. Expanding the EITC would help to lift more families out of poverty and provide greater assistance to low- and moderate-income workers struggling to build wealth - and it would be particularly impactful for working mothers and their families.

- **Increase the Minimum Wage and Eliminate the Tipped Wage:** Despite having slightly higher levels of educational attainment than men, women are more likely to hold a part-time job, work for minimum wage, and live in poverty. In Ohio, nearly seven-in-ten minimum wage workers are women, and women of color represent a disproportionate share of these workers – particularly Black women who are overrepresented in three of the nation's lowest wage-earning, highest growth jobs (personal care aides, food preparation/servers, and home health aides).[9] Women make up nearly three-quarters of the tipped wage workforce in Ohio, receiving less stable pay and experiencing a poverty rate that is twice as high as the rate for other workers.[10] There remains a great disconnect between the job market and the purchasing power of wages. Adjusting for inflation, today's national minimum wage holds the same buying power as it did nearly 40 years ago.[11] **The stagnant wages of the minimum wage workforce means that the vast majority of low-wage workers are making too little to make ends meet, let alone to save for the future and create opportunities for wealth building.** In fact, according to a report from Policy Matters Ohio, workers in seven of the ten largest occupation categories in Ohio earn so little they would need food assistance for a family of three. **Because of the overrepresentation of women, particularly women of color, in the minimum wage and sub-minimum wage workforce, federal policymakers must address the stagnant wages of low-wage workers by establishing a living wage and eliminate the tipped wage in order to fully support the economic security and wealth building of these working families.**

- **Increase Access and Affordability of Comprehensive Healthcare:** Strong health and well-being of women is connected directly to their ability to remain active in the workforce and provide financially for their families – but affordable coverage and care are out of reach for many. **Without access to adequate, comprehensive health care and treatment, the goals of economic security and wealth accumulation are cut short**

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[9] The National Women's Law Center (2018, August), Fact Sheet: Low-Wage Jobs Held Primarily by Women Will Grow the Most Over the Next Decade. [Online]. https://nwlc.org/resources/jobs-largest-projected-growth-2012-2022-almost-half-are-low-wage-nearly-two-thirds-arefemale- dominated/

[10] The National Women's Law Center. (2017, July). Tipped Workers State by State. [Online]. https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wpcontent/uploads/2017/07/Tipped-Workers-State-by-State-7.20.17.pdf

[11] DeSilver, D. (2018, August 7). For most Americans, real wages have barely budged for decades. [Online]. https://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-for-decades/.

before it begins. Seven percent of Ohio women between the ages of 19 and 64 lack health insurance altogether. Women of color are more likely to be uninsured, which presents barriers to accessing preventive and primary health care and contributes to persistent health disparities, such as higher rates of diabetes, pregnancy-related complications, and cervical and breast cancer than white women.[12] Research has shown that due to the prohibitive cost barriers for women without insurance coverage, there are some low-income women in Ohio who are less likely to seek necessary medical care or have lower rates of accessing preventive services when compared to low-income women with insurance coverage. **Federal lawmakers must make efforts to enact policies that increase access and affordability of comprehensive health care, particularly for low-income women and women of color who face disparities in access, quality, and cost of care. These efforts must include strengthening and protecting Medicaid and Medicaid Expansion, protection from surprise billing, requiring health care providers be trained in cultural competency, enacting Health Equity in All Policies Initiative, and increased access to and affordability of contraception and abortion access.**

While no one policy will solve wealth inequality in the U.S., crafting bold policies, such as paid family and medical leave and an increased minimum wage, will move the needle forward on change. Closing the gender and racial wealth gap is possible, but our federal policymakers must make a concerted effort to advance legislative fixes to promote gender and racial equity and strengthen existing laws.

We, the undersigned organizations, collectively urge you to take these policy recommendations into consideration as bold solutions to address the gender and racial wealth gap.

Sincerely,

NARAL Pro-Choice Ohio
National Coalition of 100 Black Women Central Ohio Chapter
Ohio Domestic Violence Network
Ohio Religious Coalition for Reproductive Choice
The Ohio Women's Public Policy Network
The Women's Fund of Central Ohio
The Women's Fund of the Greater Cincinnati Foundation
YWCA Dayton

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[12] Henry J Kaiser Family Foundation, State Health Facts: Health Insurance Coverage of Women 19-64 (2016), https://www.kff.org/other/stateindicator/nonelderly-adult-women/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D

Pew Research Center

October 15, 2019

Racial and Ethnic Wealth Gaps in the U.S.

Written testimony prepared for the U.S. House Committee on Financial Services, Subcommittee on Diversity and Inclusion

BY *Rakesh Kochhar, Senior Researcher*

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Racial and Ethnic Wealth Gaps in the U.S.

Whether viewed through the prism of income or wealth, economic inequality in the United States has risen steadily since the 1980s. The wealthiest 1% of U.S. households currently hold 32% of the nation's wealth, up from 24% in 1989, according to the Board of Governors of the Federal Reserve System.[1] Estimates by others suggest that the present-day concentration of wealth in the U.S. is at its highest level since before World War II.[2]

This testimony presents key facts related to racial and ethnic gaps in the wealth of American households, and differences in wealth across households of different income levels. Wealth gaps across racial and ethnic groups are sizable and have endured for decades, if not longer. Notably, many black and Hispanic households either have no wealth or are in debt, and differences in income across households account for only a portion of the gaps in wealth. Black and Hispanic households are also much more dependent on homeownership as a source of wealth, leaving them vulnerable to economic cycles, such as the housing market crash that preceded the Great Recession of 2007-09.

The following are five major findings on the wealth of American households based on research conducted by Pew Research Center:

1. There is a large and persistent gap in the wealth of white households and the wealth of black and Hispanic households. In 2016, the latest year for which data are available, the median wealth of white households was 10 times that of black households. This gap is slightly greater than the gap that existed in 1983, when comparable data first

Definitions and methods

Household wealth is the value of assets accumulated over time (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.

The median divides a population into two equal-sized groups, one half with more wealth than the median and the other half with less wealth than the median.

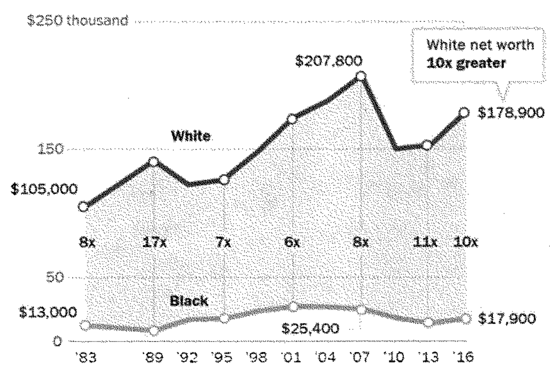
The principal source of data for the analysis is the Federal Reserve's Survey of Consumer Finances (SCF). The SCF was first conducted in 1983 and triennially since 1989. The latest survey was fielded in 2016. Asians and other racial groups are not separately identified in the SCF.

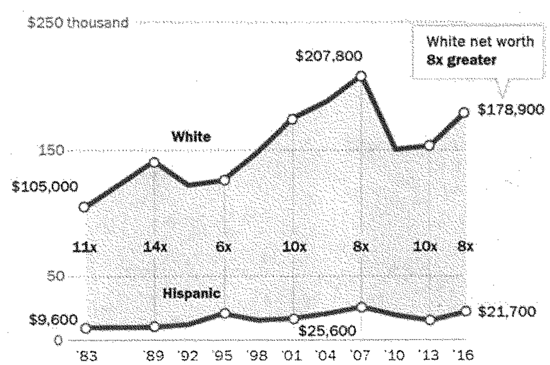
All dollar figures reported in this testimony are expressed in 2018 dollars. The terms "household" and "family" are used interchangeably.

[1] Federal Reserve estimates are available at https://www.federalreserve.gov/releases/efa/efa-distributional-financial-accounts.htm
[2] World Inequality Database: https://wid.world/country/usa/

Racial and ethnic wealth gaps are sizable and show no signs of closing

Median net worth of households, in 2018 dollars





Notes: Blacks and whites include only non-Hispanics. Hispanics are of any race.
Source: Pew Research Center tabulations of Survey of Consumer Finances public-use data.

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became available. At that time, white households had eight times as much wealth as black households. Compared with Hispanic households, white households had eight times as much wealth in 2016, compared with 11 times the wealth in 1983.

In dollar amounts, the median wealth of white households stood at $178,900 in 2016, compared with $17,900 for black households and $21,700 for Hispanic households. Overall, American household wealth has not fully recovered from the Great Recession of 2007-09. In 2007, white households had $207,800 in median wealth, black households had $25,400 and Hispanic households had $25,600. The stagnation in wealth is most severe among black households, whose median wealth in 2016 was no greater than in 1995.

2. Black and Hispanic families are more likely than white families to either have no wealth or to have more debt than assets. In 2016, 19% of black households and 13% of Hispanic households were in this position, compared with 9% of white households. These shares have changed little since the end of the Great Recession. The share of black families in these circumstances is also about the same as in 1983. While the share of Hispanic families who have no wealth or are in debt has been cut in half from 27% in 1983, the share of white households in this situation has gone up from 5%, according to Pew Research Center estimates.

3. Differences in income explain some of the difference in wealth across racial and ethnic groups, but sizable gaps remain. In 2016, lower-income white households had a net worth of $24,000, compared with $5,200 for black households and $8,300 for Hispanic households in this income tier. In other words, among lower-income households, whites had nearly five times as much wealth as blacks and three times as much wealth as Hispanics. To some degree, this reflects differences in homeownership rates among families – 49% for lower-income whites, versus 31% for lower-income blacks and 30% for lower-income Hispanics. It is also important to note that only 25% of white households are in the lower-income tier, compared with about 50% each of black and Hispanic households. Thus, low levels of wealth are much more prevalent among black and Hispanic households than among white households.

Defining lower-, middle- and upper-income families

Middle-income households have incomes from two-thirds to double the national median household income, after incomes are adjusted for household size. Lower-income families have incomes of less than two-thirds the national median and upper-income families have incomes of more than two times the national median. In 2016, the national middle-income range was about $47,000 to $140,000 annually for a household of three (income expressed in 2018 dollars).

About the same level of wealth inequality exists among middle-income households. White households in the middle-income tier had a median net worth of $161,600 in 2016, compared with $40,000 for middle-income blacks and $48,100 for middle-income Hispanics. Homeownership rates among middle-income blacks (53%) and Hispanics (60%) are also lower than among middle-income whites (76%). Half of white households, 42% of black households and 40% of Hispanic households are in the middle-income tier.

Middle-income black and Hispanic families took a substantial hit in the Great Recession. The median wealth of middle-income black households in 2013 was $35,200, down 47% from 2007. Likewise, the median wealth of middle-income Hispanic households dropped to $40,700 in 2013, a loss of 55% since 2007. Meanwhile, middle-income white families experienced a less substantial loss of 31% in this period, as their median wealth fell to $138,100. As a result, racial and ethnic wealth inequality among middle-income families increased during or after the recession.

4. Wealth gaps between upper-income families and lower- and middle-income families are at the highest levels recorded. Although lower- and middle-income families overall experienced gains in wealth in recent years, they were not large enough to make up for the losses these families sustained during the recession. In 2016, the median wealth of lower-income families was 42% less than in 2007, and the median wealth of middle-income families was 33% lower. Indeed, the net worth of these families in 2016 – $11,300 for lower-income families and $115,200 for middle-income families – was comparable to 1989 levels.

The experience of upper-income families is markedly different. Their losses in the recession were smaller and their recovery was stronger. By 2016, upper-income families had a median wealth of $848,400, 10% more than prior to the recession in 2007. Moreover, the median wealth of upper-income families in 2016 was at the highest level since the Federal Reserve started collecting these data in 1983.

Consequently, the recession drove wealth inequality between upper-income families and lower- and middle-income families to the highest levels observed. In 2016, the median wealth of upper-income families was seven times that of middle-income families, a ratio that has doubled since 1983. Upper-income families also had 75 times the wealth of lower-income families in 2016, compared with 28 times the wealth in 1983.

Upper-income white families have grown wealthier. Among upper-income families, white households had a median net worth of $1,016,600 in 2016, notably higher than the overall median for this income tier. Moreover, the median wealth of upper-income white families in 2016 was 25% greater than its pre-recession level, an increase greater than for all upper-income families combined. There are an insufficient number of observations in the Survey of Consumer Finances data to report on upper-income black and Hispanic families separately.

5. Housing is a key component of household wealth, even more so for black and Hispanic households. This left these groups more vulnerable to the housing market crash, especially with their greater exposure to subprime lending. Developments in the housing market were the principal agents of change in household wealth in the past decade. Accelerating sharply at the start of this century, housing prices peaked in 2006 and then nosedived through 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.

In 2005, 74% of white households, 47% of black households and 51% of Hispanic households were owner-occupied. But home equity was more vital to the wealth of black and Hispanic households. It accounted for 59% of the net worth of black households and 65% of the wealth of Hispanic households, compared with 44% among white households, who are more likely to own financial assets. As a result, the net worth of black and Hispanic households was more sensitive to the downturn in the housing market.

At the same time, black and Hispanic households were more likely than whites to borrow in the subprime market, where loans are usually higher priced. In 2007, just ahead of the Great Recession, 27.6% of home purchase loans to Hispanics and 33.5% to blacks were higher-priced loans, compared with just 10.5% of home purchase loans to whites that year. Moreover, in 2007, blacks and Hispanics borrowed higher amounts than did whites with similar incomes, exposing themselves to greater debt relative to their incomes.

Source reports

This testimony is based on the following reports published by Pew Research Center:

"How wealth inequality has changed in the U.S. since the Great Recession, by race, ethnicity and income." Nov. 1, 2017.
https://www.pewresearch.org/fact-tank/2017/11/01/how-wealth-inequality-has-changed-in-the-u-s-since-the-great-recession-by-race-ethnicity-and-income/

"The American Middle Class Is Losing Ground." December 2015.
https://www.pewsocialtrends.org/2015/12/09/5-wealth-gap-between-middle-income-and-upper-income-families-reaches-record-high/

"America's wealth gap between middle-income and upper-incomes families is widest on record." Dec. 17, 2014.
https://www.pewresearch.org/fact-tank/2014/12/17/wealth-gap-upper-middle-income/

"Wealth inequality has widened along racial, ethnic lines since end of Great Recession." Dec. 12, 2014.
https://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/

"The Lost Decade of the Middle Class: Fewer, Poorer, Gloomier." August 2012.
https://www.pewsocialtrends.org/2012/08/22/the-lost-decade-of-the-middle-class/

"Wealth Gaps Rise to Record Highs Between Whites, Blacks, Hispanics." July 2011.
https://www.pewsocialtrends.org/2011/07/26/wealth-gaps-rise-to-record-highs-between-whites-blacks-hispanics/

"Minorities, Immigrants and Homeownership: Through Boom and Bust." May 2009.
https://www.pewresearch.org/hispanic/2009/05/12/through-boom-and-bust/

"Inside the Middle Class: Bad Times Hit the Good Life." April 2008.
https://www.pewsocialtrends.org/2008/04/09/inside-the-middle-class-bad-times-hit-the-good-life/

"The Wealth of Hispanic Households: 1996-2002." October 2004.
https://www.pewresearch.org/hispanic/2004/10/18/the-wealth-of-hispanic-households/

About the author

Rakesh Kochhar is a senior researcher at Pew Research Center. He is an expert on trends in employment, income and wealth. His research has focused on the American and global middle classes and the economic well-being of white, black, Hispanic, Asian and immigrant workers. Prior to joining Pew Research Center, he was senior economist at Joel Popkin and Company, where he served as a consultant to government agencies, private firms, international agencies and labor unions. Kochhar received his doctorate in economics from Brown University. He has appeared on numerous media outlets, including NPR, CNN, MSNBC and Fox News. He has testified before Congress and regularly speaks at professional, academic and business conferences.

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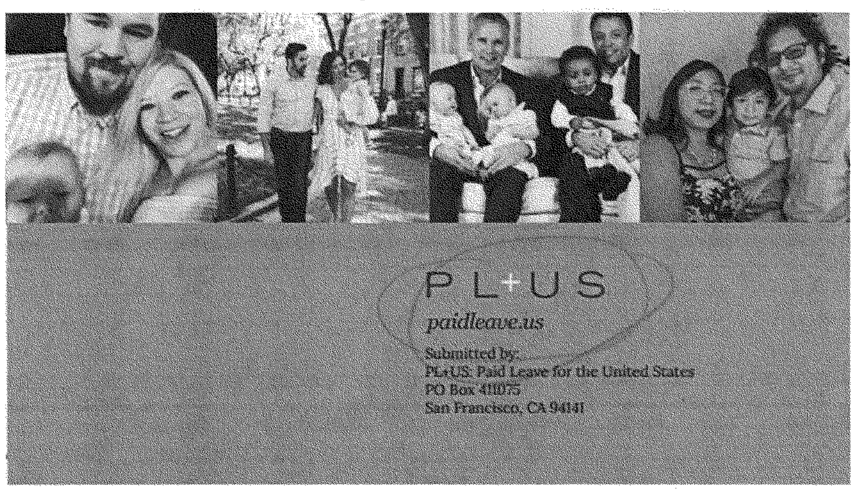
STATEMENT FOR THE RECORD
SUBCOMMITTEE ON DIVERSITY AND INCLUSION
U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES

"Examining the Racial and Gender Wealth Gap in America"

September 24, 2019



Chairwoman Joyce Beatty

Subcommittee on Diversity and Inclusion
U.S. House Committee on Financial Services

Statement for the Record
Examining the Racial and Gender Wealth Gap in America

Thank you, Chairwoman Beatty, Ranking Member Wagner, Vice Ranking Member Gonzalez, and Members of the Subcommittee, for holding this hearing on "Examining the Racial and Gender Wealth Gap in America."

I am Katie Bethell, Executive Director of PL+US: Paid Family Leave for the U.S. PL+US is the bold national campaign to win paid family and medical leave for everyone in the U.S. by 2022. At PL+US, we know that most people in the U.S. don't have even a single day of paid family and medical leave. We all need to be there for our families, whether we're welcoming a new baby or caring for an aging parent or spouse with cancer. But right now that's out of reach for most families.

As you examine the racial and gender wealth gap in America, we urge you to take into consideration the impact paid family and medical leave would have in helping to close the racial and gender wealth gap.

According to a new report, ***The Paid Family and Medical Leave Opportunity: What Research Tells Us About Designing a Paid Leave Program that Works for All,***[1] "In fact, racial disparities in access to job benefits have accounted for 20 percent of the widening of the racial wealth gap since 1984.[2] Latinx and black households have significantly less wealth on average than their white counterparts (Latinx families hold eight percent of white families' wealth, and black households hold six percent of white families' wealth).[3] American Indians[4] also face wealth disparities compared to their white counterparts, as do some Asian American subgroups.[5] As a result, families of color may have fewer resources and opportunities to save, particularly when earnings are used to cover unexpected expenses from life events.[6] This makes access to paid leave even more important for these families."

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[1] "The Paid Family and Medical Leave Opportunity: What Research Tells Us About Designing a Paid Leave Program that Works for All" July 2019 paidleave.us georgetownpoverty.org
[2] Shapiro, Thomas, Tatjana Meschede, and Sam Osoro. "The Roots of the Widening Racial Wealth Gap: Explaining the BlackWhite Economic Divide." Institute on Assets and Social Policy, February 2013. Available at https://heller.brandeis.edu/iasp/pdfs/ racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth- gap.pdf.
[3] Traub, et al. "The Racial Wealth Gap: Why Policy Matters." 2016.
[4] "Paid Family and Medical Leave: A Racial Justice Issue – and Opportunity." National Partnership for Women and Families. 2018.
[5] Weller, Christian E., and Jeffrey Thompson. "Wealth Inequality Among Asian Americans Greater Than Among Whites." Center for American Progress, 20 December 2016. Available at https://www.americanprogress.org/issues/race/reports/2016/12/20/295359/wealth-inequality-among-asian- americans-greater-than-among-whites/.
[6] Traub, et al. "The Racial Wealth Gap: Why Policy Matters." 2016.

While no one policy will solve wealth inequality in the U.S., enacting bold policies such as a national paid family and medical leave program would be an important step in addressing this critical divide. We urge you to take action on federal paid family and medical leave.

Sincerely,

Katie Bethell
Executive Director
PL+US: Paid Leave for the U.S.

Enclosure: ***The Paid Family and Medical Leave Opportunity: What Research Tells Us About Designing a Paid Leave Program that Works for All***

THE PAID FAMILY AND MEDICAL LEAVE OPPORTUNITY:

What Research Tells Us About Designing a Paid Leave Program that Works for All

By Kali Grant, Cara Brumfield, Sophie Khan, Funke Aderonmu and Indivar Dutta-Gupta

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GEORGETOWN CENTER ON POVERTY AND INEQUALITY

The Georgetown Center on Poverty and Inequality (GCPI) works with policymakers, researchers, practitioners, advocates, and people with lived experience to develop effective policies and practices that alleviate poverty and inequality in the United States.

GCPI conducts research and analysis, develops policy and programmatic solutions, hosts convenings and events, and produces reports, briefs, and policy proposals. We develop and advance promising ideas and identify risks and harms of ineffective policies and practices, with a cross-cutting focus on racial and gender equity.

The work of GCPI is conducted by two teams: the Initiative on Gender Justice and Opportunity and the Economic Security and Opportunity Initiative.

ECONOMIC SECURITY AND OPPORTUNITY INITIATIVE

The mission of the Georgetown Center on Poverty and Inequality's (GCPI) Economic Security and Opportunity Initiative (ESOI) is to expand economic inclusion in the United States through rigorous research, analysis, and ambitious ideas to improve programs and policies. Further information about GCPI's ESOI is available at www.georgetownpoverty.org.

Please refer any questions and comments to gcpiesoi@georgetown.edu.

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Any errors of fact or interpretation remain the authors'. Further information about GCPI's ESOI is available at www.georgetownpoverty.org.

We are grateful to PL+US for funding this report. The views expressed are those of the GCPI ESOI authors and should not be attributed to our advisors or funders. Funders do not affect research findings or the insights and recommendations of GCPI's ESOI.

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CONTENTS

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INTRODUCTION & SUMMARY

Care for and by loved ones is central to every society. At some point in our lives, nearly all of us will need to take time away from a job to address a loved one's or our own serious or chronic illness, or to welcome a new child into our family. Unfortunately, the United States offers only a meager and inequitable patchwork system of paid leave. Despite the national Family and Medical Leave Act's important unpaid job-protected leave, many workers, including workers with disabilities, workers of color, and women, benefit less than others, in part because they cannot afford to take unpaid time off.

When workers cannot access *paid* leave, they face a cruel and unnecessary tradeoff: health and family, or work and making ends meet. For many, going without pay to care for a family member or oneself can lead to serious economic hardship. Forty percent of households cannot readily manage a $400 emergency.[1] A survey of low-paid workers found that one in seven reported losing a job due to falling ill or caring for a sick family member.[2] It is time to build upon the successes of the FMLA and establish a comprehensive and inclusive national paid family and medical leave (PFML or paid leave) program.

The already-universal need for paid leave continues to grow, particularly as the U.S.'s demographic and labor force landscape changes. A national survey found that 43.5 million caregivers had provided unpaid care to a child or adult in 2015.[3] The need for family caregiving is expected to increase as the population ages, and formal long term support services are unaffordable for many.[4, 5, 6] This reality is compounded by a lack of affordable child care—federal funding for child care assistance has not kept up with the rising costs and has never met need.[7, 8] Indeed, some workers find themselves part of a "sandwich generation"—caring for both young children and older family members, while also working full time.[9]

It is time to build upon the successes of the FMLA and establish a comprehensive and inclusive national paid family and medical leave program.

In response to these realities, momentum is growing for a national paid leave policy in the U.S. Paid leave has risen in popularity among voters and as a policy priority for federal policymakers across party lines, as exemplified by the formation of a bipartisan Senate Finance Committee paid leave working group led by Senators Maggie Hassan (D-NH) and Bill Cassidy (R-LA).[10, 11, 12, 13, 14] Private employers,[15] states,[16] and localities[17] in the U.S. also have proposed and enacted partial and comprehensive paid leave policies. Since 2018, a group of 100 companies, including retailers Gap Inc. and Target, along with coffee chain Starbucks, have implemented or expanded their own paid leave policies.[18, 19] Other major companies, such as Patagonia, Airbnb, and Spotify, have expressed support for a national paid leave policy.[20] As of July 2019, nine states, the District of Columbia, and Puerto Rico[21, 22] have passed paid leave laws for either family-only or medical-only leave[23] or both,[24] and legislation has been recently proposed in at least four other states.[25, 26] A national paid leave program could ensure that U.S. workers and their families no longer have to rely on the inadequate and inequitable existing patchwork of state and local laws, voluntary employer benefits, and federal unpaid leave.[27]

As it is, the U.S. is the only industrialized country in the world without a national paid leave policy.[28, 29, 30] Among the 34 Organisation for Economic Co-operation and Development (OECD) member countries whose paid leave policies have been studied, many provide paid leave, including 33 for maternity leave,[31] 32 for paternity leave, 32 for one's own condition,[32] 28 to care for children's health conditions, and 22 to care for adult family members.[33]

A BODY OF EVIDENCE SUPPORTS NATIONAL, COMPREHENSIVE, & INCLUSIVE PAID LEAVE

Recent momentum toward a national paid leave policy and state, local, and private employer victories, are due, in part, to the ongoing and persistent work of local, state, and federal advocates.[34] Research has been central to the success of these efforts,[35] as a substantial body of evidence suggests that well-designed paid leave policies can lead to positive outcomes for workers, their families and employers, and society. Research confirms that paid leave allows families to better meet their personal, financial, and workplace needs.[36] Paid leave has been shown to have positive short-term and long-term effects for both employers—such as decreased employee turnover and increased profitability, productivity, and employee morale—[37, 38] and workers and their families—such as improved physical and mental health for both parents and children,[39, 40, 41] increased economic productivity,[42] and improved economic security along with greater workforce participation, particularly for women.[43] Research also shows that paid parental leave, in particular, can reduce gender-based wage disparities.[44, 45, 46]

RESEARCH CAN HELP INFORM POLICY

Developing paid leave policy at any level of government requires consequential design decisions. These decisions determine how well the policy can meet care needs and support better health, developmental, and economic outcomes for workers, their families, and their employers. This paper considers how available research and evidence can inform the various policy levers and parameters policymakers should consider when developing a paid leave proposal.

Some of the parameters explored in this report include:

- Job protection measures that ensure that workers have the same or an equivalent job when they come back from their period of paid leave,
- Anti-retaliation protections against adverse employment consequences for taking or requesting leave,
- Employer-sponsored health coverage continuity,
- Qualifying events and documentation,
- Wage replacement levels,
- Eligibility requirements tied to employment, such as tenure and work history,
- Intermittent and incremental use of leave,
- Outreach and education, and
- Models of financing and administration.

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RESEARCH-BASED PAID LEAVE POLICIES SHOULD SUPPORT EQUITY & PROSPERITY FOR ALL

This report offers research-based recommendations that outline who should qualify for paid leave and why, the nature of the paid leave benefits themselves, and how paid leave policies should be structured and administered. The recommendations are designed to advance racial, gender, and economic equity in pursuit of three interrelated goals:

1. Allow all workers to provide necessary care for themselves and their families;
2. Support better health and child development outcomes for workers and their families; and
3. Ensure the economic stability of workers, their families, and their employers.

SUMMARY OF RECOMMENDATIONS

Ultimately, this report recommends that a paid leave program be designed to:

1. Include all worker types. Paid leave should include workers at businesses of all sizes, public employees, contractors, self-employed workers, domestic workers, agricultural workers, part-time workers, and those who work for multiple employers. Paid leave programs that include all worker types are more equitable because the jobs that tend to be left out of leave policies are often lower-paying and disproportionately filled by women, people of color, and immigrants.

2. Cover a broad range of personal and family medical, safety, and caregiving needs. Workers should be able to take leave to meet an expansive set of medical, safety, and caregiving needs, including the needs of military families and of DV/IPV, stalking, and sexual assault victim-survivors. Programs should define covered family members in ways that reflect the realities of workers' lives—by including extended family members, same-sex partners, domestic partners, and chosen family. Such expansive definitions of family reflect modern family structures and are especially important for LGBTQ+ people and people with disabilities.

3. Provide sufficient time to meet workers' needs. Leave duration that matches health and development needs is crucial to helping workers maintain their financial stability. Adequate duration is especially important for low-paid workers who may have fewer financial resources and savings. Six months is generally time enough to allow workers to meet their caregiving responsibilities or take care of their own medical needs.

4. Allow intermittent and incremental leave. Workers should be able to take leave intermittently and in short increments (hours or days) as needed. This flexibility is particularly more equitable vis-a-vis workers (and their loved ones) with disabilities or chronic health conditions who require ongoing care. It also supports more equally shared caregiving between parents.

5. Ensure sufficient wage replacement. Wage replacement rates should be progressive and high enough to allow workers to afford to take leave without jeopardizing their financial stability. Wage replacement rates of 80 to 100 percent are more likely to support gender equity and likely are necessary for low- and middle-income workers to meet their financial needs.

6. Guarantee job protection and anti-retaliation protections. Workers should not have to worry that their jobs or pay are at risk, or that they might face other consequences, for taking the leave they are entitled to and need. These protections are especially important for workers of color, women, and immigrants, who face greater workplace and hiring discrimination.

7. **Structure financing to pool risk and limit hiring discrimination.** The social insurance model pools risk and may be less likely to result in gender- or disability-based hiring discrimination than an employer mandate. A tax credit structure is unlikely to benefit those who need paid leave the most because employer participation would be voluntary—and marginalized workers are less likely to be employed at businesses that offer paid leave.

8. **Build upon existing administrative infrastructures.** A national paid leave program should be administered through a federal agency such as the Social Security Administration (SSA) to best ensure coverage of all workers regardless of state residency or employer type. Using the SSA could also reduce the reporting and documentation burden for participants—which is especially important for low-paid workers.

9. **Employ targeted outreach strategies and establish simple, accessible application processes.** Paid leave programs should utilize targeted outreach strategies that include accessible, multilingual materials. This can help ensure that people with disabilities and those with limited English proficiency can access the information they need. Information about programs should be complete, accurate, and presented in plain language. The paid leave application process should be simple, short, and accessible to all workers.

WHAT IS PAID LEAVE & HOW DOES IT IMPROVE LIVES?

Paid family and medical leave (PFML)[1] policies enable workers to take partially- or fully-compensated time away from work to care for a family member's or their own serious or chronic health condition, or to care for or bond with an infant or recently adopted or fostered child.[47] Often, PFML is categorized into three, at times overlapping, types: personal, parental, and family.[48]

BOX 1: HOW DOES PFML DIFFER FROM OTHER WORKPLACE LEAVE PROGRAMS?

PFML differs from other kinds of paid time off work.[49, 50] Paid sick days, for example, usually require less documentation and are typically financed by employers (sometimes through a government mandate).[51] Sick leaves are usually taken for shorter durations than PFML.[52, 53] The proposed Healthy Families Act would establish a national paid sick and safe days policy which would benefit many of the 34 million workers who do not currently have access to paid sick leave by providing at least seven days of job-protected paid sick leave per year for workers in businesses with at least 15 employees.[54] (The proposed bill would not grant an additional week of paid sick leave for workers who already have at least seven days of leave.)[55]

Paid time off (PTO) is a related policy which workers can utilize for a wide range of reasons (e.g., illness or vacation).[56] PTO can sometimes be combined with PFML for workers who require longer periods of leave.[57] Workers may also have access to short-term or long-term disability insurance (sometimes referred to as Temporary Disability Insurance or TDI) through their employer or the government.[58] Disability insurance provides extended time off for medical reasons.[59] Five states and Puerto Rico currently have TDI programs,[60]

1 *For the purposes of this paper, we consider the outcomes of PFML policies, along with Temporary Disability Insurance and Temporary Caregiver Insurance policies.*

and four states have built paid family leave (PFL) policies atop their existing TDI programs.[61, 62] Long-term disability insurance can sometimes provide longer periods of pay than PFML programs.[63] Employers and governments may also provide temporary caregiver insurance which enables workers to take parental leave or leave to care for a family member who is ill.[64]

Workers with disabilities can also access leave under the Americans with Disabilities Act (ADA).[65] The ADA provides qualifying workers the right to leave as a form of reasonable accommodation.[66] The duration provided varies and employers can request medical documentation from workers seeking to take leave.[67] Along with the reasonable accommodation leave, the ADA requires that employers provide employees with disabilities the same level of access to leave offered to other employees.[68]

WELL-DESIGNED PAID LEAVE CAN BENEFIT US ALL

When well-designed and informed by research, paid leave policies can support improved health, development, and economic outcomes for workers, their families, and their employers. A selection of the multitude of benefits of paid leave policies is listed below.

Paid leave **can allow all workers to provide necessary care for themselves and their loved ones** and lead to:

- Improved physical and mental health for fathers,[69] mothers,[70, 71] and other caregivers (such as individuals who provide care to elderly family members);[72]
- Improved parent-child bonding and co-parenting skills for up to five years after the child's birth (and more equitable division of household responsibilities for up to two years after birth);[73, 74]
- Increased family caregivers' time spent caring for their older relatives;[75] and
- Reduced stress among parents.[76]

Paid leave can **support better health and child development outcomes for workers and their families** through:

- Higher breastfeeding rates and longer durations of breastfeeding[77] (particularly for women with lower incomes),[78] higher vaccination rates,[79] and decreased rates of infant mortality,[80] low birth-weight, and preterm birth;[81]
- Improved emotional health and cognitive development for infants;[82] and
- Improved long-term health outcomes for children, such as decreased diagnoses of attention deficit/hypertension disorder, obesity, ear infections, and hearing problems,[83] and decreases in hospitalizations for pediatric abusive head trauma due.[84]

Paid leave can **ensure the economic security of workers, their families, and their employers** through:

- Improved labor market attachment and higher wages, (in some cases for women, in particular, and for both part-time and full-time workers);[85]
- Increased long-term labor force participation for caregivers;[86]

- Decreased need for public assistance programs;[87] and
- Improved job retention for both low- and high-paid workers,[88] higher employee morale,[89] and reduced employee stress.[90]

The benefits of paid leave are tied to the design of the policies. Programs must be designed inclusively for these positive outcomes to be shared by *all* workers.

THE CURRENT APPROACH LEAVES MANY WORKERS BEHIND

Paid leave is a core component of the economic security and opportunity systems that enable and promote work, financial well-being, and health for all workers.[91] Current paid leave policies, however, do not reflect the reality of today's labor market—particularly for low-paid workers. Indeed, existing programs leave out many workers in the nation—and disproportionately leave out low-paid and other marginalized workers who may need access the most.[92] Workers with the most to gain from access to paid leave are currently the least likely to have it—or access to unpaid leave, for that matter. These workers include:

- Low-paid[93] and part-time workers,[94]
- Women,[95]
- Workers of color[96] (particularly Latinx people),[97]
- Immigrants,[98]
- Workers with disabilities and their caregivers,[99]
- Workers with lower educational attainment,[100]
- People who work for multiple employers,[101]
- Individuals who are self-employed and workers who are misclassified as independent contractors,[102] and
- Domestic and agricultural workers.[103]

A comprehensive national paid leave policy has the potential to benefit individuals and families who are otherwise too easily left out.

A comprehensive national paid leave policy has the potential to benefit individuals and families who are otherwise too easily left out.[104, 105] As it is, just 17 percent of civilian workers have access to paid family leave[106] and 39 percent have access to personal medical leave through short-term TDI.[107] Among the lowest-paid workers, 92 percent do not have access to paid family leave,[108] and only 19 percent have access to employer-provided short-term TDI.[109] On the other hand, people who work for larger employers,[110] individuals with higher educational attainment[111] and income,[112] and white workers[113] are among those most likely to have access to paid or unpaid leave. In addition, not all leave (paid or unpaid) policies recognize modern family structures. Existing programs often exclude partners in unmarried couples, surrogate parents,[114] and chosen family members,[115] which can be particularly harmful to LGBTQ individuals and people with disabilities.[116]

The racial disparities in access to leave (and other benefits) are stark. Black and Latinx workers are less likely than white workers to hold jobs with benefits like health insurance, retirement, and paid time off.[117, 118] Asian American and American Indian workers are also more likely to have an unmet need for paid leave than white workers[119] and just 43 percent of black workers and 25 percent of Latinx workers have access to paid parental leave.[120] Disparities in benefits access also exist along gender lines, with black and Latinx women being the most impacted.[121]

Workers of color, women, and workers with disabilities are also more likely than other workers to be employed in low-paying jobs.[122, 123] Many low-pay industries are characterized by unstable work schedules that lack flexibility for workers; such schedules can be especially challenging to navigate for individuals who also have caregiving responsibilities.[124] As a result, without adequate paid leave policies, low-paid workers are more likely to have to reduce their hours or even leave the workforce entirely when faced with health or caregiving needs.[125, 126] Latinx people are the least likely among racial and ethnic groups to have flexibility in their work hours or have access to paid leave.[127]

An inclusive national paid leave program would not only improve access for workers, but it could also serve to reduce economic inequality along gender and racial dimensions. In fact, racial disparities in access to job benefits have accounted for 20 percent of the widening of the racial wealth gap since 1984.[128] Latinx and black households have significantly less wealth on average than their white counterparts (Latinx families hold eight percent of white families' wealth, and black households hold six percent of white families' wealth).[129] American Indians[130] also face wealth disparities compared to their white counterparts, as do some Asian American subgroups.[131] As a result, families of color may have fewer resources and opportunities to save, particularly when earnings are used to cover unexpected expenses from life events.[132] This makes access to paid leave even more important for these families.

THE FAMILY & MEDICAL LEAVE ACT & EXISTING STATE POLICIES

While the U.S. has no national paid leave law, the Family and Medical Leave Act (FMLA) grants up to 12 weeks per year of *unpaid*, job-protected leave to certain workers for their own medical conditions and caregiving for certain family members.[133] However, only about 60 percent of workers in the U.S. have access to unpaid leave under FMLA.[134] Among those not eligible are workers who are self-employed or independent contractors,[135] workers at small businesses with fewer than 50 employees within a 75-mile radius, new employees who have not yet worked for their employer for 12 months, seasonal and other part-year employees, and "some part-time workers who worked less than 1,250 hours for a single employer in the past 12 months."[136] Workers who are not eligible for FMLA tend to be paid lower wages,[137] have less formal education than covered workers,[138] are more likely to be people of color,[139] and work in jobs with higher turnover rates.[140] Some people work in part-time and nontraditional employment, such as seasonal or contract work, due to caregiving responsibilities. These exclusions disproportionately caregivers for people with disabilities, as well as women and people of color—who are more likely to provide care for a loved one—and can reduce their labor force participation rates.[141, 142, 143]

The current national system of unpaid leave can have far reaching economic costs. It is estimated that the economic costs of unpaid caregiving amount to $67 billion annually and are projected to increase to as much as $147 billion by 2050.[144] These costs are driven by the growth of the population of elderly people with disabilities, and include the costs to highly educated workers who must reduce their work hours, change jobs, or quit working altogether to provide care for their elderly relatives.[145] Nine states (California, Connecticut, Hawaii, Massachusetts, New Jersey, New York, Oregon, Rhode Island, and Washington), the District of Columbia, Puerto Rico,[146, 147] and many municipalities across the U.S.[148] have passed paid leave laws for either family-only or medical-only leave or both.[149] Despite these efforts, just 17 percent of civilian workers have access to PFL,[150] 39 percent of workers have access to short-term disability insurance, and 34 percent have access to long-term disability insurance to care for their own medical conditions.[151]

WHAT DOES RESEARCH TELL US ABOUT HOW TO ACHIEVE OUR GOALS?

Paid leave research is ongoing, especially as new policies are implemented and evaluated. As a result, what we believe to be the optimal policy now may change as we gain more information—and as our social and economic contexts evolve. Nevertheless, a substantial body of existing research argues unequivocally for action and can inform policymakers and other stakeholders today. The research summarized in this section sheds light on who and what events should qualify for paid leave; what the nature of paid leave benefits should be, including their duration, wage replacement levels, and worker protections; and how an inclusive paid leave program should be structured and implemented. This section also examines existing paid and unpaid leave policies at the national, state, and local levels, along with the policies of OECD countries. (The OECD is an international economic organization made up of 36 middle- or high-income[152] democratic countries, including the U.S., with market economies.[153] Though findings from these countries' paid leave experiences will not necessarily transfer directly to the U.S., their experiences nevertheless offer some insights into the possibilities in the U.S.)

BOX 2: THE FAMILY ACT

The FAMILY Act, the leading national paid leave proposal under consideration in Congress today,[154] would provide workers up to 12 weeks of paid family leave[155] (as would some recent conservative paid leave tax credit proposals).[156, 157] The law would likely cover many more workers than the FMLA does.[158, 159] The Institute for Child, Youth, and Family Policy at Brandeis University estimates that the FAMILY Act would reduce by 75 percent the share of families who fall into poverty from taking unpaid leave through the FMLA.[160]

To be eligible for benefits under the FAMILY Act, all workers, including public employees, would need a basic work and earnings history or to meet the "work credit" requirements for Social Security Disability Insurance.[161, 162] The law does not include a job-specific tenure requirement.[163] It also would provide access to paid leave for small business owners—who would receive a benefit amount based on their self-employment income.[164] The proposed legislation does not specify that all paid leave must be taken at one time,[165] allowing for the possibility of taking leave intermittently. The current version of the bill includes a 66 percent wage replacement rate based on earnings in the past three years, with a cap on monthly payments that would be indexed to the national average wage index to ensure that benefits keep up with the rising cost of living.[166] Workers would also have protection against employer retaliation for requesting leave under the FAMILY Act.[167] Under the bill, there would be a five-day waiting period for receiving benefits unless the individual provided care for 15 or more days in the prior month.[168] The FAMILY Act would cover all of the qualifying events covered by the FMLA, along with care for a domestic partner's health condition, which is not included in the FMLA.[169]

The FAMILY Act proposes that the national program use a social insurance model administered through a new Office of Paid Family and Medical Leave that would be created within the SSA.[170] The social insurance model has been successful in reducing racial,[171] gender,[172] and economic inequality[173] for other programs at the national level—especially Social Security—[174] which is one reason why the proposed FAMILY Act also uses this model.[175] The law mandates targeted outreach and education to increase utilization.[176, 177]

A new Federal Family and Medical Leave Insurance trust fund would be created and the funds would be used exclusively for to pay paid leave benefits and program-related costs.[178] Benefits would be financed through an uncapped 0.2 percent payroll tax on employers and employees, as well as a 0.4 percent tax on the wages of self-employed workers.[179] A 2018 report from the Institute for Women's Policy Research (IWPR) suggests that the program would pay out close to $27 billion in benefits each year.[180]

WHO QUALIFIES FOR PAID LEAVE & FOR WHAT REASONS?

Eligibility for paid leave programs is often determined by factors that, first, make a worker generally eligible, and, second, make the worker specifically eligible due to a qualifying event.

WORKER ELIGIBILITY

Paid leave policies have requirements tied to employment.[181] Worker eligibility is often contingent on a number of factors, including employer size, full-time status, worker type (employee or non-employee), job tenure (length of time with a particular employer), work history (recent history of hours, weeks, or calendar quarters worked), and recent earnings.[182, 183] While many state paid leave laws have less stringent requirements than the FMLA,[184] some part-time workers, small business workers, and non- employee or nonstandard workers (e.g., self-employed workers and independent contractors)[185] are still left out of some state programs.[186]

Many states also exclude public employees.[187] For example, in both New York and California, public employees have access to the paid leave program only if their unions opt in during collective bargaining or their employers opt in to the law.[188] As a result, 21 percent of public workers in California in higher quality jobs (i.e., jobs that pay a minimum of $20 per hour and provide health insurance) and 48 percent of public workers in lower quality jobs do not have access to paid family leave.[189] Rules excluding public employees are consequential for racial and gender equity in paid leave programs because women and people of color, particularly African Americans, make up a larger share of the public employee workforce than other groups.[190]

While no state paid leave laws explicitly exclude undocumented workers, California,[191] New Jersey,[192] Washington,[193] and Rhode Island[194] require a Social Security Number to determine eligibility. The District of Columbia and New York accept either a Social Security Number or an Individual Tax Identification Number (ITIN) issued by the Internal Revenue Service (IRS),[195] the latter of which helps include undocumented workers, some of whom (workers who receive paychecks in the case of New York) may be contributing taxes toward funding the program.[196]

Employer Size

Some states limit job protections to workers at businesses with a minimum number of employees.[197] These provisions can exclude a sizable share of workers from needed job protections, as more than 32 million workers are employed at businesses with fewer than 50 employees and over 20 million are employed at businesses with under 20 employees.[198] When California amended its paid leave law in 2017 to include job-protected paid leave for workers with employers that have at least 20 employees (down from the previous requirement of at least 50 workers) within a 75-mile radius, the state expanded access to an additional 2.7 million workers—16 percent of the state's workforce.[199, 200] New Jersey expanded access to job protection to 200,000 additional workers when the New Jersey Family Leave Act was amended in 2019.[201] New York and Rhode Island provide workers with job-protected paid family leave irrespective of their employer's size.[202]

Similarly, the vast majority of OECD countries with paid leave policies provide job protection to workers irrespective of employer size.[203, 204, 205]

A national program without employer size restrictions would not only protect more workers—it may also help small businesses. Paid leave programs can make it more affordable for small businesses to provide paid leave, especially if funded as a social insurance program or through general revenues.[206, 207] Such policies allow small businesses to recruit and retain employees who otherwise may have gone to businesses with capacity to provide their own paid leave benefits without a state or national program.[208] Further, a survey of small- and medium-sized businesses in Rhode Island found that the state's recently- implemented paid leave program had no reported negative impact on employee productivity and work hours in Rhode Island;[209] there were similar responses from both large and small businesses about New Jersey's program.[210, 211]

Part-Time Employment

Many part-time workers are left out of paid leave programs that require a minimum number of hours worked per week or include tenure requirements (which, in some cases, apply only to part-time workers). More than 25 million people (25,636,000) were part-time workers in 2018.[212] Over 3.5 million workers[213] work part time because they could not find full-time work or had their work hours cut.[214] (Such part-time workers are disproportionately people of color.)[215] Others (over 22 million workers in 2018)[216] work part time for other reasons, such as a disability[217] or caregiving responsibilities. Tenure and work history requirements can be particularly consequential for women (especially women of color), who are more likely to work part time, provide paid or unpaid caregiving work,[218] or leave a job due to caregiving obligations.[219]

State paid leave policies vary in their tenure and work history requirements.[220] Under Washington's paid leave law, all workers must work an average of approximately 16 hours per week over 52 weeks for the same employer to qualify.[221] New York does not have a requirement related to hours worked per week, but does have a tenure requirement (at least 175 days for workers who work for less than 20 hours per week and at least 26 weeks for those working over 20 hours per week).[222] The District of Columbia also does not have a minimum work hours requirement.[223] Other states such as Rhode Island, Massachusetts, and New Jersey have either a minimum work hours requirement or a minimum earnings requirement, which can effectively become a work hours requirement for low-paid workers.[224]

Independent Contractors & Self-Employed Workers

Many independent contractors and self-employed workers are left out of paid leave programs. In 2017, 6.9 percent of workers (10.6 million) were independent contractors.[225] In 2018, there were an estimated 9.8 million workers who were self-employed as their primary job[226, 227] (about six percent of workers).[228] In a 2017 survey, about half of the contract workers polled lacked access to any benefits from their employer, including sick leave and health insurance.[229, 230] Such exclusions also can impact restaurant employees, construction workers, and truck drivers, who are often misclassified as contractors.[231] People of color and immigrants are overrepresented in the restaurant, construction, and trucking industries and, as a result, may face added barriers to access to paid leave.[232]

New York, Washington, the District of Columbia, California, and Oregon allow independent contractors and self-employed workers to opt in to paid leave programs.[233, 234] Massachusetts allows self-employed workers to opt in to the state's paid leave program, while independent contractors are covered if they contract with employers whose workforce is over 50 percent contractors.[235] New York and Massachusetts require all self-employed workers who opt in to pay both the employee and employer payroll tax (as is the case with the mandatory FICA [Federal Insurance Contribution Act] tax),[236] while Washington requires those who opt in to pay solely the employee share of the tax—though they are eligible for the same benefits.[237]

Some states, such as Washington and the District of Columbia, aim to limit adverse selection (i.e. workers undermining the financial stability of the paid leave fund by joining only when in need of leave and opting out once they no longer need it) by requiring self-employed workers who opt in to remain in the program for a minimum of three years before opting out if they choose.[238, 239, 240] This specific strategy for avoiding adverse selection has not yet been evaluated.

Self-employed workers, independent contractors, and consultants typically have to make both employer and employee contributions (except in Washington state) to access benefits.[241] Such contribution requirements could be cost-prohibitive for these workers if they are required to pay more than traditional employees to access paid leave.[242] However, states like Washington and Massachusetts have devised contribution plans that allow self-employed workers and independent contractors to pay the full cost (employer-employee) for certain provisions like paid family leave but only pay the employee portion for other benefits like medical leave.[243] These provisions can serve to reduce contribution costs for independent contractors and self-employed workers.[244]

Internationally, a number of OECD countries provide paid leave to self-employed workers, though some provide reduced benefits to these workers. Eight OECD countries provide paid medical-only leave at the same wage replacement rate and duration to self-employed workers as other workers, while 18 provide it at lower wage replacement rates and shorter durations.[245] Among the 27 OECD countries that provide paid parental-only leave for either parent, 21 provide the same level of benefits to self-employed workers as other workers.[246] Additionally, three countries provide paid parental-only leave to self-employed workers for shorter durations and at lower wage replacement rates.[247] (For an explanation of wage replacement rates and duration considerations, see the next section, *What is the Nature of PFML Benefits & Protections?*)

Domestic & Agricultural Workers

Domestic and agricultural workers[248] have long been left out of paid leave programs and other worker benefits and protections.[249] Landmark laws such as the Fair Labor Standards Act and Equal Pay Act excluded many domestic and agricultural workers from protections like overtime compensation, the minimum wage, and equal pay for equal work.[250] Agricultural and domestic workers were also excluded from federal protections under laws like the Civil Rights Act of 1964 and the Occupational Health and Safety Act of 1970.[251, 252] Access to paid leave is essential for these workers—and can advance racial and gender equity outcomes, as people of color and women are disproportionately represented in domestic and agriculture jobs.[253, 254]

Domestic Workers

Although eight existing state paid leave programs and the District of Columbia's program cover domestic workers in the same manner as they cover other workers,[255] these workers often face access barriers. New York is the only state explicitly to include domestic workers in its paid leave law, requiring that those hired by private families work at least 40 hours per week to qualify (while other worker types must only work 20 hours per week, or in some cases, fewer).[256] Domestic workers may be less likely to be aware that a paid leave program exists than others.[257, 258] Most workers learn about paid leave programs through their employers. Domestic workers, however, are often employed by families who may not be aware of their legal obligation to provide leave.[259] Domestic workers and those who are people of color or immigrants, in particular, may also fear that they will lose their job or be retaliated against if they take the leave they are entitled to.[260]

In many cases, domestic workers have physically demanding jobs with long hours and low pay—and some paid leave programs include minimum earnings requirements that may be hard for domestic workers to reach given these low wages. Many domestic workers, particularly live-in workers, tend to work more than 40 hours per week without guarantee of overtime pay.[261] In fact, domestic workers work 84 hours per week on average by some estimates.[262] A study of domestic workers found that 70 percent are paid less than $13 an hour, and 67 percent of workers who live in their employers' households are paid below the minimum wage.[263]

The barriers to paid leave access that domestic workers experience exacerbate economic inequities along racial and gender lines. Black, Latinx, and immigrant women are overrepresented in the domestic labor force, and domestic workers of color are paid less on average than their white counterparts.[264, 265] Additionally, most domestic workers lack other employee benefits such as retirement, health insurance, and paid vacation.[266] The high demands placed on domestic workers combined with the lack of benefits severely undermine economic security for these workers.

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Agricultural Workers

Many agricultural workers lack access to paid leave and have limited access to other important benefits like health insurance and paid sick leave.[267, 268] Some states, like New York, explicitly exclude farmworkers from their paid leave programs.[269] Even when not explicitly excluded, many agricultural workers are effectively excluded from state programs because of criteria like tenure requirements that indirectly exclude seasonal or temporary workers[270] (who make up an increasing share of farmworkers).[271]

Agricultural workers are among those who need access to paid leave the most. Many agricultural workers also earn low wages, with 30 percent of farmworkers earning incomes below the federal poverty line.[272] Farm and food production workers often labor in conditions that put them at high risk for illness, injury, and death.[273] These conditions increase the health disparities between agricultural and non-agricultural workers.[274] Although workers' compensation laws provide some benefits if a worker is injured on the job or suffers from a work-related illness,[275] access to job-protected paid leave would help provide workers time and economic security to address their other health and caregiving needs. Ultimately, paid leave benefits should supplement, not supplant, workers' compensation benefits.

Paid leave protections for agricultural workers are also crucial for racial and gender equity. People of color and immigrants make up a significant share of the workforce.[276] A national survey found that 75 percent of agricultural workers were foreign-born, and 83 percent were Hispanic or Latinx.[277] Women comprise an increasing share of farmworkers—up from an estimated 18.7 percent in 2007 to around 25 percent in 2017.[278]

Tenure, Work History, & Earnings Requirements

Paid leave policies typically include tenure, work history, and/or earnings requirements. Tenure requirements relate to the length of time a worker has been with a specific employer.[279] Work history requirements relate to the length of time a worker has been employed recently or over their lifetime.[280] Minimum earnings requirements restrict eligibility to only those workers who earned above a specified amount in a set period.

These requirements exclude certain workers. Minimum earnings requirements[2] have a disproportionate impact on low-paid workers, as they must work more to meet any earnings threshold.[281] Workers who are

2 Some people who work may be left out of PFML laws if their work consists primarily or entirely of informal work that is off the books.

now employed but may not have had a chance to build up the requisite tenure include recent graduates, younger workers,[282] labor market re-entrants (such as people returning from incarceration or caregiving),[283] some self-employed workers, and many part-time and seasonal workers.[284] Workers who frequently move in and out of the workforce may also be excluded due to tenure requirements. Researchers from the Economic Policy Institute estimate that every three months, 20 percent of the lowest-paid workers either leave or start a new job,[285] suggesting that tenure requirements likely put a significant share of low-paid workers at a disadvantage.

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All state-level paid leave policies have at least one of these three types of requirements.[286] For example, in California, to qualify for PFML, a participant must have earned at least $300 in wages in 12 months,[287] while in New York, one must have worked for a covered employer for at least 26 consecutive weeks (or 175 days for part-time employees) for family leave, while for personal medical leave, one must have worked for a covered employer for at least four consecutive weeks (or 25 days for part-time employees).[288]

A majority of OECD countries that offer paid leave do not have job-specific tenure requirements.[289, 290] Within the 15 OECD countries that do have a tenure requirement for personal medical leave, nine countries have a requirement of a month or less, and eight countries provide paid leave at a reduced duration or wage replacement level for workers who do not meet the tenure requirement.[291] Several OECD countries have tenure requirements of just four weeks or less.[292] Some OECD countries impose minimum earnings or work history requirements instead of tenure requirements, but a similar number have none of these three requirements.[293, 294]

There are strategies to mitigate the impact of these requirements on access to paid leave. Allowing workers to use their earnings or tenures from multiple jobs (including self-employment), known as "portability," may help low-paid and nonstandard workers more easily meet tenure requirements.[295] Most states allow this. Another option is to tie the tenure or work history requirement to the state or the locality rather than a specific employer, as is the case in New Jersey,[296] and in eight OECD countries.[297] This approach may be more inclusive of women workers, who are more likely than men to hold more than one job at a time,[298] as well as immigrant workers[299] and African Americans,[300] who also hold multiple jobs at high rates.

There are also strategies to ensure better access for people with gaps in their work history. For example, policies can be designed to offer continued access to paid leave and other benefits even if a worker is between jobs.[301] Massachusetts' paid leave law has this feature, while New York provides TDI to unemployed workers, but not PFL.[302] In Massachusetts, a worker who left their job in the past 26 weeks can receive benefits if they had at least 15 weeks of earnings and a minimum of $4,700 in earnings in the twelve months before they applied for leave.[303] This is particularly helpful for seasonal workers who may not have sufficient employment during the offseason;[304] African Americans and Latinx people are disproportionately represented among seasonal workers.[305]

Alternatively, paid leave policies could exclude tenure requirements entirely, as is the case in nine OECD countries. [306] The lack of a tenure requirement has not been associated with lower labor force participation, reduced economic growth, or higher unemployment in OECD countries.[307]

Recommendation 1: Include All Worker Types

Paid leave policies should cover all worker types, including public employees, workers at businesses of all sizes, part-time workers, independent contractors, self-employed workers, domestic workers, agricultural workers, seasonal workers, and those who work for multiple employers. Independent contractors and self-employed workers should be allowed to opt in easily or have automatic coverage that is at parity with other workers. These policies should cover part-time workers based on a reasonable part-time work history and all workers with a modest recent work history. Paid leave programs that include all worker types are more equitable because the jobs that tend to be left out are often low-paying and disproportionately filled by women, people of color, and immigrants.

QUALIFYING EVENTS

A qualifying event is a change in life circumstances that triggers eligibility for a leave program. Qualifying events are generally serious health conditions which require inpatient or continuing treatment, such as cancer, Alzheimer's disease, diabetes, asthma, complications related to pregnancy, or prenatal care.[308] Other qualifying events include the birth, adoption, or fostering of a child.[309] Paid leave policies should cover a broad array of life events to ensure that workers' needs are met.

Qualifying events under the FMLA include: birth, adoption, or fostering of a child; care for an employee's own health condition; care for an employee's spouse, child, or parent's health condition; and caregiving for military leave and/or deployment purposes.[310] Most states' family and medical leave programs do not cover bereavement[311] and neither does the FMLA. Oregon's newly passed paid leave law will require employers that already provide paid sick or vacation leave to include bereavement as a qualifying reason for leave, while Massachusetts' paid leave law will provide 12 weeks of paid leave for the death of a family member in the military starting in 2021.[312] New York was the first state to allow paid leave for "certain needs in connection with a close family member's active duty military service abroad,"[313] followed by Massachusetts and Connecticut.[314, 315] "Close family members" are defined in the New York law as spouses, domestic partners, children, and parents.[316] Connecticut, however, excludes domestic partners.[317]

Documentation & Waiting Periods

Generally, leave programs require workers to submit documents[318] such as birth certificates, adoption or foster care paperwork, pay stubs or tax returns, or documentation of the medical condition provided by a health professional.[319, 320, 321] Some documentation requirements can make it harder for participants to prove their eligibility—especially low-paid workers.[322] Behavioral science research has shown that one of the ways to reduce poverty is to decrease the cognitive effort that participants must put forth when applying for programs. Stringent documentation requirements do the opposite, as workers are more likely to miss a detail and lose out on the benefits they need.[323]

Some states have waiting periods: a period a worker must wait after the qualifying event occurs before they receive benefits (though most have exceptions). Waiting periods were included in the first TDI programs and the SSDI program as a means to save program funds, reduce administrative burdens,[324] and make it, "unprofitable for a person who can work not to do so," according to the Congressional Research Service.[325] Yet, waiting periods can be unworkable for people with urgent health or caregiving needs, who require immediate financial assistance to receive treatment. Waiting periods can deter low- paid workers from taking leave or disproportionately affect their ability to meet their basic needs.[326] In some states, workers are able to use their paid sick days or PTO during the waiting period, but low-paid workers are also less likely to have access to these benefits.[327]

In New Jersey's TDI program the first seven days of leave are unpaid, but participants can be paid retroactively if their disability continues for 22 days or more.[328] The state's Family Leave Insurance (FLI) program has a one-week waiting period which will be eliminated in 2020.[329, 330] Washington's paid leave program includes a seven-day waiting period, unless the qualifying event is the birth, foster placement, or adoption of a child.[331] Other states, like New York,[332] do not have a waiting period. California eliminated waiting periods in 2018 to provide benefits more quickly to those with urgent caregiving needs.[333]

Safe Leave

Some states offer sick and safe leave to workers, though most state PFML programs do not cover safe leave.[334, 335] Sick and safe leave programs typically expand on sick days policies to allow workers to use accrued time off for both sick leave *and* leave related to domestic violence and intimate partner violence (DV/IPV), stalking, and sexual assault.[336] In some cases, workers can also use these policies to attend to family members who have experienced DV/IPV, stalking, and sexual assault.[337]

Although safe leave has typically been included in sick days policies, rather than PFML policies, paid leave policies could include DV/IPV, stalking, and sexual assault as qualifying events.

Although safe leave has typically been included in sick days policies, rather than PFML policies, paid leave policies could include DV/IPV, stalking, and sexual assault as qualifying events. A 2018 survey from the Centers for Disease Control and Prevention estimated that 1 in 4 women and 1 in 10 men have experienced, "sexual violence, physical violence and/or stalking by an intimate partner during their lifetime."[338] American Indian women face higher rates of intimate partner violence and sexual assault than any other group, with recent studies finding that 39 percent of American Indian women had such an experience.[339]

Victim-survivors of DV/IPV, stalking, and sexual assault need sufficient time off to meet their needs, which may include medical treatment and counseling, relocation, assistance from a victims' services organization, or related legal activities.[340] According to the Institute for Women's Policy Research, victim-survivors who experienced stalking "lost an average of 10.1 days of paid work per year, those who were [sexual assault victim-survivors] lost an average of 8.1 days per year, and those who experienced physical violence lost 7.2 days per year."[341]

Safe leave policies help provide economic security to victim-survivors of DV/IPV, stalking, and sexual assault as they seek safety and care. Indeed, economic security is a major concern for many victim-survivors. The National Network to End Domestic Violence found that concerns over the ability to provide for themselves and their children are a major reason DV/IPV victims stay in abusive relationships.[342]

Among states, New Jersey provides paid leave for victim-survivors of DV/IPV and sexual assault under its PFL program, and under Oregon's newly passed PFML law, DV victim-survivors will qualify for paid leave.[343, 344] Internationally, New Zealand allows ten days of paid leave for DV/IPV victim-survivors, as does the Philippines.[345] Many provinces in Canada also have sick and safe leave laws.[346, 347] The proposed Healthy Families Act would guarantee seven days of sick and safe leave for workers at businesses with over 15 employees.[348]

Family Definition

The way that family is defined determines who workers can take paid and/or job-protected time off to care for. Over 80 percent of households do not fit into the "traditional" nuclear family model, which consists of a married couple along with their minor children.[349] Gender-neutral family definitions that include domestic

Gender-neutral family definitions that include domestic partners are more inclusive of the diversity of families, including same-sex couples, unmarried partners, and blended families.

partners are more inclusive of the diversity of families, including same-sex couples, unmarried partners, and blended families.[350, 351]

Family definitions should also include extended and chosen family. In 2014, 85 million individuals—disproportionately people of color—lived with extended family members[352] and almost one-third (32 percent) of U.S. adults have taken time off to provide care for chosen family members or friends.[353] A 2017 CAP survey of U.S. residents found that LGBTQ+ workers and workers with disabilities were especially likely to take time off to care for chosen family members.[354]

The FMLA family definition is limited to child, spouse (now including same-sex spouses),[355] parent (including adoptive and foster parents),[356] and relatives who cared for the individual as a child, which can include siblings and grandparents.[357, 358] However, many are excluded, including partners in unmarried couples, surrogate parents,[359] other extended family members, and chosen family members.[360]

Most state laws have broader definitions of family than the FMLA. Some include siblings,[361] grandparents, domestic partners, parents-in-law, and/or chosen family.[362] The New Jersey program is one of the most inclusive, recognizing relationships "equivalent to a family relationship" (chosen families)[363] and caregivers for victim-survivors of DV/IPV or sexual assault, for example.[364] Eleven OECD countries define family broadly, including "partners, cohabitants, individuals residing in the same household, and loved ones."[365]

Care for Children

Often, the responsibility to care for children is shared among multiple family members.[366] Paid leave policies should reflect this reality. For example, inclusive family definitions can allow a single parent recovering from childbirth or caring for a newly adopted or fostered child to be supported by another family caregiver, such as their own parent or sibling. Inclusive definitions can also allow grandparents or siblings of children with disabilities or other medical conditions to provide care when a parent is unavailable or if a parent has developed their own care needs. Bundling parental and family leave together can help broaden the definition of family in this way.[367]

Proposed changes to state PFL policies, such as the one put forth in California's 2019-2020 budget, would allow other close family members besides parents to take up to six months of paid leave to care for a newborn or newly adopted child.[368, 369] Evidence shows that allowing other family members to take paid leave alongside parents increases the amount of care available to children and reduces the burden on any individual or employer,[370] which may particularly help women—who provide a disproportionate amount of caregiving in families.[371, 372]

Recommendation 2: Cover a Broad Range of Medical, Safety, & Caregiving Needs

Paid leave programs should cover a broad range of medical, safety, and caregiving needs, including the needs of military families and of DV/IPV, stalking, and sexual assault victim-survivors. Waiting periods should be minimized or left out, as medical and caregiving needs can be unforeseeable and urgent. The definition of family should be expansive and include same-sex partners, domestic partners, extended family, and chosen family. Inclusive definitions of family are important and help promote equity for members of the LGBTQ+ community and people with disabilities, in particular.

WHAT IS THE NATURE OF PFML BENEFITS & PROTECTIONS?

Paid leave policies should be responsive to the realities of workers' lives. This means reasonable leave durations, job and retaliation protection, adequate wage replacement, the option to take leave intermittently, and health coverage continuation, all of which can help ensure the effectiveness of paid leave.[373]

DURATION

Duration refers to the length of time away from work a leave policy provides. The appropriate duration depends on the nature of the health issue or other qualifying event for which leave is taken and is often determined by a doctor's medical certification then verified by the corresponding insurance agency.[374, 375] Leave duration can vary within the same policy, as a worker could face one duration time limit for receiving wage replacement and another time limit for job protection, or varying duration depending on qualifying event. Sufficient durations help allow workers to address health and caregiving needs without undermining their financial security. Leave duration can be especially consequential for low-paid workers who may have limited savings and resources to cover health costs.[376]

Parental Leave

Leave for parents serves a variety of purposes, including caring for an infant and bonding with a newly-adopted or fostered child. (Time off for physical recovery from childbirth is usually covered by personal medical leave.) The duration of parental leave is consequential for the health and development of families and children. Paid leave can also ameliorate some of the major stresses of the transition to parenthood.[377] Indeed, caring for a newborn can impose financial stress on new parents which has been shown to undermine parental health (e.g., weakened immune system and increased risk for depression), and black mothers are particularly at risk for these negative health effects.[378]

Many paid parental leave policies provide significantly less time off to care for children in single parent households, compared to two-parent households.[379] Often, policies provide a certain length of leave per parent, which parents can take simultaneously or consecutively. This means that children of single parents get less time with a parent at home on paid leave than children in two-parent homes have access to. Five OECD countries permit single parents to take the same amount of leave as two-parent families get combined, while two countries have such policies just for single mothers.[380]

Existing leave policies provide varying leave durations for new parents. New York provides almost three months (12 weeks) of paid leave per parent—the longest duration of any state.[381] Nearly three-quarters of OECD countries offer six or more months of paid leave for mothers (at least 26 weeks).[382] Paid leave for fathers averages eight weeks in the OECD, though some member countries, such as Japan and South Korea, provide up to 12 months (52 weeks).[383] In comparison, Japan and South Korea provide mothers up to 58 and 64.9 weeks of paid leave, respectively.[384]

Child development and labor market research suggests that six months of paid leave for each parent may offer the most benefits to families.

A number of private companies have created their own paid leave policies for parents. Deloitte and Microsoft provide two of the most comprehensive policies in the private sector. At Deloitte, employees can take up to 16 weeks of paid family leave to care for a new child or a loved one with a serious health condition.[385] Microsoft provides 20 weeks (approximately five months) of paid leave to those who have given birth and 12 weeks (approximately three months) to fathers, adoptive parents, and foster parents.[386] In addition, Microsoft exclusively partners with suppliers who provide at least 12 weeks (approximately three months) of paid parental-only leave to their employees.[387]

Parental & Child Health Outcomes

Sufficiently lengthy paid parental leave can significantly improve health and child development outcomes for workers and their families. Child development and labor market research suggests that six months of paid leave for each parent may offer the most benefits to families.[388, 389, 390] In the early months of an infant's life, sufficient leave supports parents in breastfeeding, attending medical visits, and completing necessary immunizations, among other important aspects of care.[391] At around six months infants are also developing attachment patterns with their caregivers, which is important for their emotional and social development.[392] Paid leave can help parents directly provide higher quality child care for their infants, especially given the extremely high costs of child care in the U.S.[393]

Six months of paid parental leave can support parents in meeting their breastfeeding goals. The American Academy of Pediatrics and the World Health Organization recommend that infants be breastfed exclusively for the first six months.[394] Breastfeeding for longer has been shown to promote improved cognitive development, reduce obesity risk, and reduce the risk of breast cancer and postpartum depression for women.[395] Breastfeeding may also decrease the risk of postpartum hemorrhage,[396, 397] one of the leading causes of maternal mortality in the U.S.[398] However, mothers face increased barriers to breastfeeding when they return to work—in part because work places often fail to offer breastfeeding supports for mothers.[399] This is especially consequential for women of color, and black women in particular, who face increased systemic barriers to breastfeeding.[400]

There is evidence to suggest that access to paid leave can ameliorate some of the racial disparities in child and maternal health outcomes. For example, a study on the effect of paid leave in five states found that access to paid maternity leave significantly reduced the likelihood of early birth and the share of low-weight births among black mothers.[401] Mothers of color—black, American Indian and Alaska Native (AIAN) mothers especially—are at increased risk of maternal mortality,[402] low birth weight, and pre-term birth[403] compared to their white counterparts.

A growing body of evidence points to the importance of paternity leave for health and development. A study of four OECD countries, including the U.S., indicated that longer paternity leave and increased paternal engagement with children is associated with higher cognitive test scores on average for their children.[404] Evidence also suggests that increased paternal engagement reduces children's risk of developing behavioral challenges later in life and is linked to improved mental health outcomes[405] and emotional stability.[406] Paternity leave-taking can reduce overall family stress[407] and improve sleep quality for both mother and newborn.[408] Additionally, use of paternity leave, especially intermittent use, has been shown to reduce risk of postpartum health complications for mothers and improve their mental health outcomes.[409]

Employment & Economic Security Outcomes

Paid leave has meaningful implications for women's labor force participation and advancement.[410] Access to at least six months of job-protected paid leave increases the likelihood that women will return to their jobs.[411, 412, 413] The retention of women in the labor force can reduce gender wage gaps by enabling women to continue building tenure and experience in their jobs, which, in turn, can increase their earnings.[414, 415, 416]

Paid leave has meaningful implications for women's labor force participation and advancement.

Countries with at least six months of paid maternity leave have seen no short-term difference in economic output, instead seeing higher rates of labor force participation for women.[417] Since maternity leaves tend to be longer than paternity leaves in most current policies, employers may assume that women are more likely to take longer periods of leave and discriminate against them as a result.[418, 419] Offering equal lengths of leave for both parents may lessen that discrimination.[420] Normalizing paid leave by creating a gender-neutral, standardized national policy could also help combat workplace discrimination.[421, 422]

Paid leave policies that provide incentives for fathers to take leave can combat gender discrimination, interrupt the gender wage gap, and promote retention and job growth for women.[423, 424] Findings from a 2018 study suggest that women in the workforce are often penalized when they have children,[425] meaning they experience a negative shock in earnings.[426] (Men, on the other hand, tend to experience the opposite effect, sometimes referred to as the "fatherhood bump.")[427] According to the study's findings, mothers were less likely to be viewed as competent or recommended for hire, and had lower starting salaries compared to non-mothers and to men who were fathers.[428] The disparate impact of parenthood also stems from employer assumptions that women will be more inclined to take leave from work or take on the majority of caregiving for a new child, relative to men.[429]

Paid leave policies can encourage men to take leave by setting aside time exclusively for paternity leave or providing bonuses if both parents take leave, for example.[430, 431] Cultural shifts in gendered expectations around parental leave are crucial for women in the workplace, as is allowing and incentivizing fathers to take the same duration of leave as mothers. This can also reduce stigma around leave-taking—which is sometimes interpreted to mean low dedication to work.[432] Indeed, analysis of paid leave programs in OECD countries indicates that countries with policies that incentivize fathers to take leave had smaller gender gaps in labor force participation and supported mothers in returning to and remaining in the workforce.[433]

Family Caregiving Leave

Family caregiving leave (also referred to as family leave) is designed to allow workers to take time off to care for family members with a health problem or illness. The need for caregiving is growing and demand for caregiver support is projected to outpace the supply of caregivers as soon as 2030.[434] The increasing costs of child care and long-term supports for people with disabilities and the elderly have made quality formal care unaffordable and inaccessible for many people.[435] Family caregiving leave stands as one of the few available supports that can offer workers the flexibility to care for their loved ones without risking their financial security.[436]

State-level policies offer a range of 4 to 12 weeks (about one to three months) of family medical leave.[437, 438] Half of OECD countries[439] provide at least three months of paid leave to care for one's children and have shown no adverse effects on labor force participation, unemployment, or economic growth.[440] Eight OECD countries provide at least three months of paid leave to care for an adult family member.[441]

Workers' family leave needs vary widely. For example, children with cancer may miss up to 31 days of school for treatment, and children with mood disorders may need inpatient treatment which can take up to a month, in addition to outpatient therapy.[442] Workers may also take paid leave to provide care for adult family members with such conditions.[443] Care for the elderly may require hospital visits and caregiving during recovery time after health procedures.[444]

Personal Medical Leave

Personal medical leave typically covers an employee's own serious medical condition(s), including physical recovery from childbirth. State-level programs provide between two weeks (in the District of Columbia) and 52 weeks (in California) of paid leave for one's own health condition, with the majority providing around 12 to 30 weeks (approximately three to seven months).[445] Of OECD countries, 28 have paid personal medical leave for at least six months (26 weeks), with no effects seen on national economic output or unemployment rates.[446]

The duration of leave that a worker requires will depend on their condition. For example, heart attacks can often require a minimum of four weeks of recovery time with up to six months of follow-up appointments. Cancer, which often requires chemotherapy and/or radiation treatment, can require up to six months of continuous treatment, depending on the individual case.[447] Chronic conditions like diabetes can require ongoing appointments and sometimes hospitalization.[448]

Time off from work can be especially crucial for women with pregnancy complications, who may need preventive care and treatment prenatally.[449] Evidence suggests that taking paid leave before giving birth reduces the incidence of low birthweight and preterm birth.[450] Leave taken up to four weeks before birth can yield other maternal health benefits—including reduced risk of birth by Cesarean section (C-section).[451] Birth by C-section increases the likelihood of stillbirth, preterm birth, and maternal mortality and morbidity, among other complications,[452] and typically requires up to eight weeks for full recovery postpartum.[453]

It is essential that policies provide a duration of leave that is generous enough to cover a wide variety of needs. However, the length of paid leave should not be so long as to significantly harm labor market outcomes, although the duration of leave is ultimately determined by a physician's medical certification.[454] Research on OECD countries suggests that taking leave for longer than a year can, "damage future earnings prospects and make it more likely that people leave the labor force altogether."[455] Some studies show that the negative effects of paid leave could start at the six month mark for women, through decreased wages[456] by making it harder for women to move up within their organization due to the loss of on-the-job experience.[457] These undesirable effects may be exacerbated by the gender discrimination that working women and working mothers face, in particular. The normalization of personal medical leave may be an important way to decrease the discrimination-related impacts on women—potentially lengthening the optimal duration for paid leave.

Health Coverage Continuity

Health coverage continuity is when workers continue to have access to their employer-provided health insurance with the same providers during their leave.[458] New York's PFL law provides health coverage continuity,[459] as does Washington's.[460] Workers and their families need access to health insurance during periods of paid leave to afford the necessary treatment for their conditions avoid incurring debt for out-of-pocket medical costs.[461] Paid leave programs should require that workers have access to their health insurance while on leave.[462]

Recommendation 3: Provide Sufficient Time to Meet Workers' Needs

Six months of paid leave will generally meet workers' needs while promoting positive labor market and gender equity outcomes. Leave policies should be gender-neutral, and both fathers and mothers should have access to six months of parental leave per parent. Women should be able to take leave during pregnancy, rather than only after giving birth, if they choose. Single-parent families should have parental leave at parity with two-parent families. Appropriate leave durations support better financial, health, and child development outcomes for workers and their families.

INTERMITTENT & PART-TIME USE

Intermittent leave allows workers to take their paid leave in small increments, such as days or hours, instead of in one longer block of time.[463] This allows workers the flexibility to use their leave when they need it and save it when they do not. For example, a parent may need to take off part of a day for medical appointments for their child, or a worker might take leave occasionally to address their mental health needs.[464]

Part-time paid leave use can be particularly beneficial for new parents by enabling them to stagger their use of leave (and bring in more earnings by doing so).[465] The staggering of leave can facilitate sharing of caregiving obligations between parents,[466, 467, 468] as well as elder caregiving among adult children,[469] or other relatives caring for people with disabilities.[470] Some evidence suggests that policies that allow for part-time leave can help new mothers return to work earlier and remain in the workforce.[471]

Workers with disabilities who require occasional medical attention and rest may particularly benefit from intermittent leave.[472] Overall, over 12 percent of the U.S. population—or some 41 million people—reports having a disability.[473] A higher percentage of African Americans and American Indians have a disability compared to the white population.[474] In part stemming from racial and ongoing labor market discrimination,[475] people of color with disabilities are also more likely to work part time in low-paying jobs without access to leave.[476]

Intermittent leave could benefit those who experience symptoms related to menstruation, as well. A 2019 survey of over 30,000 women found that participants lost an average of nine days of productivity each year due to period pain.[477] According to the study, 1 in 7 women surveyed took time off work due to their period symptoms.[478] Intermittent leave (and other benefits like paid sick time and PTO) can provide greater flexibility in work hours for those who suffer from period pain and other symptoms related to menstruation—the study noted that flexibility in work hours could reduce the productivity effects.[479]

California, Massachusetts, New Jersey, New York, and the District of Columbia permit intermittent leave.[480, 481, 482] A survey of the workers in states with PFL programs found that shorter increments (e.g., granted one day at a time, like in New Jersey and New York,[483] or one hour at a time, as in California), are more effective at meeting workers' needs than longer increments (e.g., in Rhode Island, where leave can only be split into week-long increments).[484] The hour-long increments permitted by California's program are particularly beneficial;[485] an individual may, for example, want to take leave for a couple of hours once a week to go to a medical appointment without having to use a full-day of paid leave.[486]

Twelve OECD countries provide intermittent paid medical leave for personal health needs.[487] At least half of the countries with paid family leave allow intermittent leave.[488] Studies of OECD countries have found that intermittent paid leave can help workers with chronic diseases, increase workforce participation by allowing earlier returns to work,[489] and promote work-life balance.[490] A study in France found that the introduction of intermittent paid leave helped mothers with lower educational attainment remain attached to the labor market after childbirth.[491] A study in Sweden found that intermittent leave for fathers of newborns led to improved mental health and a reduced risk of postpartum health issues among mothers who were also on leave.[492]

Recommendation 4: Allow Intermittent & Incremental Leave

Paid leave policies should include intermittent leave and allow workers to take their leave in short increments, such as hours and days. Intermittent leave and short increments allow workers to take the leave they need, when they need it—and to work when they can. This is especially important for people with disabilities or chronic health conditions.

WAGE REPLACEMENT

Wage replacement refers to the percent of a worker's salary or wages they receive during their leave. A sufficiently high wage replacement rate makes it more likely that workers will be able to afford to take the leave they need. Progressive wage replacement schemes (wherein lower-paid workers have a higher replacement rate than higher-paid workers) and wage replacement caps are tools that can help ensure that low-paid workers receive sufficient wage replacement while containing program costs. Higher-paid workers are also more likely to have savings to help finance periods of leave compared to lower-paid workers.[493] State program wage replacement rates range from 50 percent (New York for personal medical-only leave) to 100 percent (Oregon) with varying caps for maximum benefits.[494] A number of states use progressive wage replacement.

Colorado legislators put forth the FAMLI Act, which would provide an estimated 65-95 percent weekly wage replacement to workers depending on their income.[495] A simulation of the proposed law found that if five percent of eligible workers participated, a replacement rate of 90 to 100 percent of weekly wages for the lowest-paid workers would require a premium of less than one percent (0.678 percent) of total state payroll to cover the program's costs.[495]

Twenty-five OECD countries have at least an 80 percent wage replacement rate for maternity-only leave while 19 have this rate or higher for paid medical-only leave.[497] Eighteen OECD countries provide at least an 80 percent rate for leave related to children's health needs, and 15 provide at least an 80 percent wage replacement rate for leave to care for adult family members.[498]

Evidence from OECD countries suggests that wage replacement rates must be at least 80 percent for low-paid workers to reduce poverty and promote gender equity.[499] However, rates higher than 80 percent may be needed to help the lowest-paid workers, especially in places where the minimum wage is insufficient to meet workers' basic needs.[500] A wage replacement rate of at least 80 percent can also help some middle class families meet their financial obligations, including housing payments, and out-of-pocket medical expenses.[501] This is also compatible with a healthy national economy, as studies on OECD countries found no significant negative effects of an 80 percent wage replacement rate on GDP growth or unemployment rates.[502]

Progressive Wage Replacement & Wage Replacement Caps

In many paid leave programs, wages are replaced at a sliding scale so that low- and middle-income people receive a high enough share of their usual wages for leave to be affordable. This progressive wage replacement is combined with a wage replacement cap that places a dollar limit on how much of a worker's wages can be replaced in a certain period of time.

Progressive wage replacement schemes and caps vary. In most state-based programs, caps are "set as a percentage of the state's average weekly wage, ranging from 50 percent to 100 percent."[503] Oregon's PFML law, passed in June 2019, includes the most progressive wage replacement policy among states— starting in 2023 Oregon will provide 100 percent wage replacement for workers who make less than 65 percent of average weekly wages (AWW), capped at $1,215 per week.[504] The state's maximum payment amount is indexed to the Consumer Price Index (CPI) and will be adjusted annually.[505] California also uses progressive wage replacement[506] and includes a $1,252 per week cap for 2019, which will be adjusted annually based on the state's AWW.[507] The District of Columbia compensates low-paid workers (workers with earnings at or below $840 a week on average) at 90 percent of their AWW.[508, 509] In 2021, Massachusetts will implement an 80 percent replacement rate for wages below half of the state's AWW with no cap, and an 80 percent wage replacement with a cap of 50 percent of the state AWW for workers with incomes higher than 50 percent of the state's AWW.[510] In countries with maternity leave benefits, such as the Netherlands and Norway, mothers with above average earnings receive a wage replacement that is about 30 percentage points lower than those making less than average earnings.[511]

Wage Replacement & Take-Up Rates

Insufficient wage replacement rates can make it unaffordable for some workers to take the leave they are entitled to. For example, research from California shows that even among workers who were aware of the state's original PFL law, almost one-third did not apply because the 55 percent wage replacement rate (with a cap) was too low[512] and low-paid workers were particularly unlikely to apply.[513] The low wage replacement rate would drive a minimum wage-earner deeper into poverty.[514] In 2016 the wage replacement rate in California was raised to a range of 60 to 70 percent based on these concerns.[515]

Other states provide further examples. In Rhode Island, where the wage replacement rate is 60 percent of wages with a cap of $795 per week, 80 percent of survey respondents who were qualified to take paid leave but chose not to said they declined because they could not afford the pay cut.[516] In New Jersey, where the replacement rate is 66.6 percent of wages with a cap of $615 per week,[517] studies have found that the rate was too low for some fathers with low incomes to afford to take leave[518] and, while average nominal weekly benefits increased between 2009 to 2011, the real value of those benefits declined because wages had not kept up with inflation.[519] In 2020, the wage replacement rate will rise to 85 percent of weekly wages with a cap of $860 per week.

Evidence from OECD countries indicated that a 67 percent replacement rate was needed to facilitate even modest paternity leave take-up rates.[520] Findings from OECD countries also suggest that a high wage replacement rate better supports gender equity by improving gender parity in paid leave utilization rates,[521] reducing gender gaps in labor force participation,[522] and promoting equal involvement in child care between parents.[523]

Recommendation 5: Ensure Sufficient Wage Replacement

Wage replacement rates of 80 to 100 percent are necessary for low- and middle-income workers to be able to meet their financial needs while taking leave. These rates also better support gender equity. Wage replacement schemes should be progressive and avoid creating cliff effects where workers' benefits are abruptly and significantly reduced or altogether cut off upon reaching a certain income threshold. Sufficient wage replacement can improve take-up rates—especially for low-paid workers.

JOB PROTECTION & ANTI-RETALIATION PROTECTIONS

Job protection and anti-retaliation protections are core components of equitable paid leave policies. Job protection ensures that workers have the same or an equivalent job when they come back from their period of leave,[524] while anti-retaliation provisions protect workers from adverse consequences such as pay reduction, dismissal, or demotion.[525] The FMLA includes provisions that protect employees from retaliation and discrimination in hiring, promotion, or disciplinary action.[526] Paid leave policies must account for widespread discrimination in the workplace. Despite federal laws banning discrimination and retaliation, many workers—people of color, people with disabilities, and women, in particular—continue to experience employment and workplace discrimination.[527, 528] Findings from the U.S. Equal Employment Opportunity Commission indicate that 34 percent of employment discrimination claims in 2017 were race-based,[529] about one-third were disability-based,[530] and 30 percent were gender-based.[531]

States vary on job protection and anti-retaliation provisions. For most PFML state laws, the only workers who with access to job protection are those who receive it under the FMLA (and the FMLA leaves two in five workers out of job protections).[532, 533] Currently, Oregon is the only state to include job protection for paid personal medical leave separately from what one may qualify for under the FMLA.[534, 535] New York's family leave law includes both job and anti-retaliation protections.[536] New York has also created a transparent process for responding to complaints of noncompliance, retaliation, and discrimination.[537] Rhode Island provides job-protected family leave with anti-retaliation protections.[539] Massachusetts currently has the strongest job protection and anti-retaliation protections.[540, 541] Nearly all (32 of 33) OECD countries with paid maternal leave and 20 of 32 with paternal leave guarantee job protection, though job protection is less common in countries with shorter paternity leaves.[542]

These protections make it more likely that workers will take the leave that they are entitled to. A survey of those who took job-protected PFL under Rhode Island law found that 45 percent of leave-takers surveyed would not have taken the leave if it was not job-protected.[543] Studies have also shown that eligible workers may not take leave out of fear of losing their jobs, being demoted, or overlooked for promotions.[544] One survey of California employers and workers found that more than one-third of respondents did not take paid leave because they were worried it would affect their opportunities for promotions or cause them to lose their job.[545]

Job protection can also help address racial disparities in leave-taking.[546] Workers of color are likelier than white workers to face discrimination, retaliation, or job loss if they need to take leave.[547] Black and Latinx workers are more likely to work in contract jobs and other jobs where workplace discrimination protections do not always apply.[548, 549]

Job protection and anti-retaliation protections may be an important way to support fathers in taking leave. In a study of parents with low incomes in New Jersey, some fathers reported that they did not participate in the Family Leave Insurance (FLI) program due to the lack of job protection.[550] In New Jersey, many fathers of color and with low incomes reported that they did not take paid leave to bond with or care for their new child because it was not job-protected.[551] In California, fathers were more likely to take leave for the birth of their first child than for any subsequent children.[552] This pattern may stem from a lack of job protection in California's law, as employers are more likely to approve leave for the birth of a first child.[553]

These protections are also of particular importance for women—especially women of color and mothers. Women who become mothers often face a penalty in the workplace. One study found that, on average, a woman's hourly wages drop by four percent for each child she has.[554] In contrast, men's wages increase by an average of six percent when they become fathers, when accounting for experience, education, marital status, and hours worked.[555, 556] Black and Latinx mothers are more likely than white mothers to be terminated from their jobs due to taking leave.[557] Women of color are more likely than white women to be caregivers *and* breadwinners for their families, meaning they have less flexibility to leave the workforce to meet health or caregiving needs.[558] Over 80 percent of black mothers, 67 percent of AIAN mothers, and 52 percent of Latinx mothers are major or sole providers for their families, compared to 50 percent of white mothers.[559]

Recommendation 6: Guarantee Job Protection & Anti-Retaliation Protections

Paid leave policies should include job protections and anti-retaliation protections. These policies should also include adequate enforcement of protections. Job protections and anti-retaliation provisions would help ensure that marginalized worker populations, in particular, fully realize the benefits of paid leave.

HOW IS PFML POLICY STRUCTURED & ADMINISTERED?

The structure of a paid leave policy, including how it is financed and administered, and how potential beneficiaries are made aware of and educated about the program, can impact access and the administrative burden on employees, employers, and the government.

FINANCING & DELIVERY STRUCTURE

Research suggests that the social insurance model funded through payroll taxes and the general revenue model are both strong financing and delivery structures for equitable paid leave policies. In contrast, employer mandate programs are usually financed and administered by employers themselves, which may make these programs less effective at inhibiting hiring discrimination. A tax credit structure is unlikely to benefit those who need paid leave the most because employer participation would be voluntary—and marginalized workers are less likely to be employed at businesses that offer paid leave.

Social Insurance

Social insurance is a method of providing benefits to people that is run by a government. Paid leave programs with a contributory social insurance structure are typically funded by payroll taxes levied on either employees and employers, or both.[560] The money is put into an insurance trust fund which the government uses to administer the program and disburse benefits.[561] (Such funds are sometimes supplemented by additional government appropriations.[562, 563]) Because employers do not pay the full cost of leave, the social insurance model can help combat hiring discrimination, particularly against women who may become mothers.[564]

Social insurance is the most commonly selected design for existing state-level PFML programs.[565] The social insurance model has been successful for other programs at the national level (e.g., Social Security).[566] Additionally, the vast majority of paid leave programs in OECD nations across the world fund their programs "through social security or public funds, or through a combination of employer liability and public funds."[567]

Social insurance is the most commonly selected design for existing state-level PFML programs.

Most state-level PFL programs employ a payroll tax of approximately one percent that applies to wages up to a cap, which is relatively modest compared to Social Security payroll taxes.[568] Some states have a payroll tax on both employees and employers.[569] As of 2019, the District of Columbia's paid leave program is the only one financed using an employer-only tax.[570] That decision stemmed from a unique legal prohibition against taxing non-resident workers.[571] A worker-side tax along with a tax on employers can make workers more likely to view the program as an investment that is shared between themselves and their employer. This dynamic could help increase take-up rates and bolster public support.[572]

Health insurance and paid leave benefits would not be tied to the employer under a social insurance model. These benefits would be administered through the government, thus relieving workers of legal and other obligations to return to their prior employer post-leave or to pay their employer back for benefits if they do not return. Under the FMLA, if an employee does not return to their job after their period of unpaid leave, they may be required to pay their employer back for the cost of their health insurance during their leave, unless they quit for an FMLA qualifying reason.[573] This can discourage low-paid workers from taking leave or cause them financial harm.[574]

Social insurance paid leave programs can also allow more flexibility for workers who switch jobs compared to employer mandates and tax credits because social insurance programs are administered by the government rather than by one's employer.[575] However, some workers who hold multiple jobs may be ineligible for paid leave if the program includes a job-specific tenure requirement,[576] although each employer pays into the system via payroll taxes (a cost that is likely passed on to workers in the form of decreased wages). In the Unemployment Insurance (UI) system (which is structured as a social insurance program), some multiple job-holders may be at a disadvantage in this way.[577] The social insurance model can be designed to include multiple job-holders by rejecting or minimizing job-specific tenure requirements.

Risk Pooling

Social insurance models can pool risk.[578] When social insurance programs are broadly inclusive and have limited or no options to opt out, more workers and employers participate.[579] A large pool, in turn, more effectively diffuses risk and reduces the cost to individual participants and employers (though, ultimately, program cost will also depend, in part, on program utilization rates).[580] When high risk is offset and diffuse under a social insurance model, premiums and other costs to each payer also become more predictable, meaning that all employers and workers can receive similar benefits and prices regardless of health status and other demographic factors that predict propensity to take leave.[581] Governments might have an advantage relative to private insurers when it comes to administering a social insurance program, as a government agency could pool risk across an entire jurisdiction's workforce and leverage existing payroll systems to collect contributions.[582]

General Revenue

In PFML programs funded through general revenues, the government pays for the cost of benefits through its general budget instead of levying dedicated payroll taxes on workers or employers.[583] Instead of applying wage replacement rates, most policies of this kind provide benefits at a flat or modest rate,[584] although proposals exist that provide wage replacement funded through general revenues.[585] Australia uses a flat rate model and gives workers a benefit equal to the country's minimum wage. New Zealand also uses this system for parental leave.[586] Other OECD countries, such as Germany and Luxembourg, use general revenues to finance paid parental-only leave,[587] and others still, like Portugal and Italy, use general revenues to fund paid parental-only leave for certain workers, such as social assistance recipients and workers in specific industries.[588]

General revenues can be advantageous for financing paid leave policies because they incentivize greater support from employers and businesses, as they do not directly bear the cost burden under this structure.[589] For example, New Zealand was able to provide a longer duration of parental-only leave with limited employer objections because the extension would not be financed directly by the businesses.[590]

Conversely, implementing a general revenue structure for paid leave, particularly in the U.S. context, could result in a higher general tax burden,[591] (as could a social insurance model) along with a greater budget deficit[592] or funding cuts to other assistance programs.[593] With general revenue financing, policymakers may find it easier to restrict eligibility on a needs basis to manage costs, as is the case in Australia, where paid leave benefits are available only to workers with annual incomes below a certain threshold ($150,000 AUD or $105,232 in 2019 USD).[594]

Employer Mandate

Employer mandates require employers to offer paid leave to workers. Generally, employers would either pay for the leave out of pocket or by purchasing private insurance plans.[595] Sometimes the government provides some of the funding for the program[596] or employees might contribute.[597] Under this system, employers look at employees' chance of using leave or how much leave they have taken in the past to determine how much premiums should cost.[598] Employers generally are not in favor of an employer mandate because of the added costs to them, including administrative costs.[599] Participation rates could be high, but tempered by fear of facing consequences for taking leave, and discomfort with sharing personal, sensitive medical information with employers directly rather than sharing one's information with a government agency.[600]

Employer mandate programs require government oversight to ensure that employers do not discriminate during the hiring process against those they perceive as more likely to take leave.

Employer mandate programs require government oversight to ensure that employers do not discriminate during the hiring process against those they perceive as more likely to take leave. This could be done through the U.S. Department of Labor or Equal Employment Opportunity Commission. There is no model for using an employer mandate structure for a national PFML program, though some countries have provided maternity leave in this way[601] and Hawaii does so for its TDI program.[602] Countries with using employer mandates have seen increased employment discrimination against women and gender wage gaps because, under this structure, risk is not pooled and women are as seen as being more likely to take leave or have family obligations.[603, 604]

Employer Tax Credit

Under an employer tax credit financing structure, the government provides employers a tax credit for a portion of wages paid to employees while on leave. Rather than guaranteeing access to all workers, this structure rewards voluntary employer behavior.[605, 606] This puts low-paid workers at a disadvantage, as they are less likely to work for businesses that offer leave. Additionally, tax credits are likely most beneficial for large companies, which have more resources to cover the expenses of paid leave relative to smaller businesses.[607, 608] Nonprofit organizations are unlikely to benefit from tax credits since these types of employers are typically exempt from federal taxes, and employer tax credits tend to be non-refundable.[609, 610, 611] Government employers may be excluded from receiving the credit, as is the case with the 2017 Tax Cuts and Jobs Act (TCJA) employer tax credit.[612] Further, employer tax credits will likely leave out self-employed workers and workers whose employers are unable to afford to provide paid leave even with the tax credit.[613]

An employer tax credit for PFML was established in the 2017 Tax Cuts and Jobs Act (TCJA).[614] The nonrefundable credit compensates employers who replace at least 50 percent of their employees' wages based on income from the year before (beginning in 2017) for up to 12 weeks of paid leave in accordance with the FMLA, and can be claimed for years 2018 and 2019.[615] The TCJA tax credit covers 12.5-25 percent[616] of paid leave benefits paid to employees who earned $72,000 or less in 2017, in an effort to target paid leave benefits toward middle-class and low-paid workers.[617] Since the TCJA tax credit only covers up to a quarter of paid leave costs and would be paid at the end of the year, it provides limited incentives and resources for companies to start providing paid leave.[618]

Employer tax credits have been put forth in national paid leave proposals, including that of Senator Marco Rubio during his presidential run.[3] Rubio's proposal called for an employer tax credit at 25 percent of wages

3 *The Rubio proposal was the forerunner to what ended up in the TCJA. Rubio walked away from this proposal after his presidential run, concluding that social insurance (albeit through Social Security "pull forward") would be more effective. See: "Rubio, Romney, Wagner, Crenshaw Introduce Bill Giving Parents an Option for Paid Family Leave." Marco Rubio, U.S. Senator for Florida, 27 March 2019. Available at https://www.rubio.senate.gov/public/index.cfm/2019/3/rubio-romney-wagner-crenshaw-introduce-bill-giving- parents-an-option-for-paid-family-leave.*

paid to employees taking leave for up to 12 weeks,[619] capped at $4,000 per employee per year.[620] An analysis of Rubio's proposal found that the benefits would tend to accrue to employers who were already providing paid leave.[621, 622] A similar tax credit was proposed in the Strong Families Act, introduced by Senators Deb Fischer (R-NE) and Angus King (I-ME).[623] The proposal would provide employers with a tax credit if they offer at least two weeks of paid leave time, separate from vacation or sick leave, to their employees.[624] Under the proposal, employers would receive 25 percent of the wages paid to employees on leave capped at $3,000 per employee per year.[625] The tax credit would be available to all employers regardless of size, and the proposal includes anti-retaliation protection for workers who participate in the program.[626]

Recommendation 7: Structure Financing to Pool Risk & Limit Hiring Discrimination

Paid leave programs should be structured as social insurance models (involving payroll taxes on employees, employers, or both) and/or funded through general revenues. The social insurance model pools risk and is more likely to provide continuity in access to benefits for workers. Employer mandates are more likely to result in hiring discrimination, and employer tax credits reward voluntary employer behavior rather than create a guarantee of access to paid leave for workers.

BOX 3: THOUGH BENEFICIAL TO WORKERS, TAX CREDITS CANNOT ENSURE INCLUSIVE & COMPREHENSIVE PAID LEAVE

In recent years, policymakers and experts have put forth proposals that leverage the tax code to either explicitly or implicitly expand access to paid leave for workers. For example, the proposed Earned Income Leave Benefit (EILB) is modeled after the Earned Income Tax Credit (EITC) and would provide paid leave. Evidence that married women with children work fewer hours when someone in their household receives the EITC[627] has led some policymakers to suggest that a sufficiently high Child Tax Credit (CTC) could eliminate the need for paid leave for parents.

The EITC and CTC are not a replacement for paid leave programs, however. They are not designed to provide wage replacement, job protection, or other important aspects of paid leave programs. What's more, tax credits are usually dispersed annually, which limits their usefulness for covering monthly expenses like rent.[628] Further, workers who operate in the informal sector (e.g., some domestic workers) and are unable to file taxes do not have access to tax credits.[629]

Nonetheless, efforts to expand tax credits are important. Indeed, a significant body of evidence indicates that the EITC and CTC combat poverty, boost employment, and improve child development outcomes.[630] Additionally, the EITC helps to offset payroll taxes,[631] which may help low-paid workers who contribute to paid leave programs through taxes on their wages. Policymakers have proposed to expand access to tax credits to include unpaid caregivers and others who do not earn wages. Such expansions could be especially important for households that do not include a worker who is eligible for paid leave (e.g., households with a single, stay-at-home parent).

The Earned Income Leave Benefit (EILB)

Modelled after the EITC, the EILB would create a paid leave benefit capped at $3,500 over 12 weeks of leave for workers with annual incomes below $28,000.[632] Workers who qualify for leave under the FMLA would be eligible.[633] The EILB was proposed in 2016 by the American Action Forum as a less expensive alternative to the FAMILY Act,[634] and leave benefits are projected to accrue primarily to individuals with incomes below 200 percent of the federal poverty line (FPL).[635]

Strengthening the EITC and the CTC

The EITC supports low-paid workers by providing a lump sum payment each year to qualifying individuals and families after filing their tax returns.[636] The CTC works in a similar way. Structuring paid leave benefits as taxable income could support low-paid workers who qualify for the EITC and CTC by increasing the tax credit they would receive.[637]

Policymakers have endeavored to expand these important tax credits. Introduced by Senator Michael Bennet (D-CO) and Representative Rosa DeLauro (D-CT), the American Family Act would increase funding for the Child Tax Credit (CTC), expand eligibility, and make the credit fully refundable.[638, 639] Unlike the current structure, which provides the lump sum payment annually, the payment would be disbursed monthly to more effectively support families in meeting their monthly expenses.[640] The Working Families Tax Relief (WFTR) Act, proposed by Representatives Dan Kildee (D-MI) and Dwight Evans (D-PA), would expand both the EITC and CTC.[641]

Caregiver EITC

While the EITC and CTC exclude those who do not receive wages for work, a caregiver EITC would modernize the EITC to provide credits to millions of unpaid caregivers in low-income households, many of whom are stay-at-home parents, caregivers for adult loved ones, or parents enrolled in school full-time.[642] A caregiver EITC would enable caregivers of children and vulnerable adults to receive a full EITC refund (up to $4,000 a year),[643] recognizing that caregiving is a form of work.[644] However, childless adults who face barriers to employment and adults who do not have custody of their children would be excluded.[645] The caregiver EITC idea has been included in a number of legislative proposals including the Cost-of-Living Refund and the EITC Modernization Act.[646]

Cost-of-Living Refund

Spearheaded by the Economic Security Project, the Cost-of-Living Refund proposal includes a caregiver credit, similar to a caregiver EITC, which would provide benefits for unpaid caregivers, along with full-time students with low incomes.[647] EITC recipients could also opt to receive their benefits monthly.[648] It is estimated that the Cost-of-Living Refund would reach about 40 percent of households (153.7 million people), lift an estimated 14.7 million out of poverty, and cut the poverty rate by a third.[649] A number of policymakers have embraced the Cost-of-Living Refund in policy platforms and proposed bills—including Senator Cory Booker (D-NJ), Senator Sherrod Brown (D-OH) and Representative Ro Khanna, along with Representative Bonnie Watson Coleman (D-NJ) who proposed the EITC Modernization Act.[650]

ADMINISTRATION

When enacting PFML, an administrative body will need to be either created or, if an existing agency is chosen, expanded to administer the PFML program. This decision is linked to other key decisions regarding how the program will be structured and delivered, and whether states or the federal government will have ultimate administrative responsibilities. Regardless of the specifics, the chosen administrative body should be well-suited to undertake the following core functions:

1. Conduct outreach and education;

2. Determine whether a worker is eligible based on rules for program participation;[651]

3. Determine whether a worker is experiencing a leave-qualifying event;[652]

4. Calculate, process, and disperse benefits;[653] and

5. Process and address appeals claims where a worker's benefits are initially denied.[654]

Paid leave programs should be administered through a public agency rather than private industry to leverage access to a wider base of contributions and existing payroll tax-collection systems. One option is to have the Social Security Administration (SSA) administer a new national program. Indeed, this is the approach that is proposed in the FAMILY Act.

States vary in how they administer existing paid leave programs. A few administer their programs through employment security agencies and rely on the administrative infrastructures of existing TDI programs—others rely on existing UI infrastructures. The paid parental-only leave plan put forth in the Trump Administration's FY 2018 budget would be administered jointly through states' UI programs and the federal government starting in 2020.[655] States would have the flexibility to set benefit levels.[656]

A National Paid Leave Program

A national program could use SSA's existing administrative infrastructure (though the FAMILY Act does propose creating a new office within the SSA to run the program).[657] This would build upon the agency's existing expertise in the five core functions noted above. As the agency administering a number of programs that range from retirement benefits to disability insurance,[658] SSA houses considerable expertise in determining eligibility, calculating and dispersing benefit payments, and processing appeals claims. Additionally, SSA already collects earnings data for almost all workers in the U.S., allowing for the SSA to determine eligibility and calculate paid leave benefits amounts while minimizing reporting burdens on employees and self-employed workers.[659] SSA has numerous processing centers and regional offices, as well as field offices in all 50 states, the District of Columbia, and the U.S. territories.[660] SSA conducts outreach and promotes public awareness of programs through its various regional offices,[661] and produces general information materials in various formats and languages.[662]

Primary administrative responsibility is best-placed at the federal level—and SSA is an ideal option. Placing the primary administrative responsibility at the state level, on the other hand, could result in uneven implementation and, where funded at the state level, structural underfunding. The UI experience suggests that state competition may result in inadequate financing and, consequently, more modest benefits, especially for low-paid workers.[663] While the primary administrative responsibilities should lie at the federal level, a national policy may allow for and encourage state and employer programs to augment the national policy by, for example, providing higher wage replacement rates or extended paid leave durations.[664]

State-Level Paid Leave Programs

The first adopters of state PFML used social insurance models and delegated administrative responsibility to existing bodies that already administered other social insurance programs.[665] California, New Jersey, Rhode Island, and New York relied on the administrative structures of their long-standing TDI programs and administer their paid leave programs through state employment security agencies[666] or state departments of labor.[667]

In some cases, states have used the administrative body that runs their UI programs.[668] For example, in the District of Columbia[669] and Massachusetts,[670] the programs are administered through separate offices inside the state departments of labor—which also administer the UI programs. Similarly, in Washington, both the paid leave program and the UI program are administered by the Employment Security Department.[671] Connecticut, however, has a quasi-public agency (made up of both public and private entities) that runs its paid leave program and is not housed under any other state agency.[672]

Recommendation 8: Build Upon Existing Administrative Infrastructures

A national PFML program should be administered at the federal level, rather than through a state-federal partnership, and could be administered by a new office within the SSA. SSA likely offers the best administrative structure for ensuring adequate benefits levels and access for all workers. Using the SSA could also reduce reporting and documentation burdens—which is especially important for low-paid workers. Net new staff should be hired to alleviate the administrative burden of implementing a paid leave program when using existing infrastructure.

BOX 4: WHAT WE CAN LEARN FROM THE UI EXPERIENCE?

In developing a national PFML program, policymakers can draw from the experience of our unemployment insurance (UI) system. Established in the 1930s, the modern UI program temporarily replaces a portion of wages lost by job seekers who, "through no fault of their own," are separated from employment.[673] In turn, the program also helps stabilize the economy during economic downturns.[674] States administer unemployment insurance benefits and largely fund the programs through payroll taxes on employers.[675] The federal government pays the administrative costs of the programs.[676] The UI program's long history—and its challenges related to reaching disadvantaged workers—offer insights into how to design and implement an inclusive, national PFML policy.

UI is designed as a federal-state partnership. The U.S. Department of Labor oversees the states' programs to ensure they meet minimal federal requirements,[677] but states have much freedom to define eligibility, employer tax rates, benefit levels, and duration.[678] As a result, UI programs differ considerably by state[679] and, to attract and retain businesses, some states may lower UI taxes by tightening eligibility standards in ways that disproportionately affect workers with low incomes.[680] A national paid leave program should be administered at the federal level, rather than through a federal-state partnership, to avoid these problems.

UI also demonstrates the pitfalls of a program that is too tightly structured around formal, full-time employment.[681] Depending on the state, part-time and seasonal employees are excluded—and, even when included, the system largely disadvantages them.[682] For example, many states do not cover job seekers who are seeking part-time work rather than full-time work.[683] Improving access to UI for part-time workers would especially benefit women and workers with low incomes.[684] Independent contractors and self-employed workers are typically excluded as well.[685] A national paid leave policy should cover all worker types, including those who work part time.

Most states determine the value and duration of unemployment insurance benefits a worker qualifies for based on both the worker's prior wages and their recent work history.[686] As a result, many working in the informal economy and those first entering or recently returning to the formal labor market are at a disadvantage. The workers who often fall into these categories include those with caregiving responsibilities, formerly discouraged workers, and workers with unpredictable schedules and pay.[687] A national paid leave program should have low minimum earnings requirements and cover all workers with a modest work history.

OUTREACH, EDUCATION, & APPLICATION PROCESS

To be truly inclusive, paid leave programs must provide outreach, education, and application processes that are easy to navigate. It is not enough to rely on employers to communicate with workers about paid leave programs. Materials and application processes should be available in multiple languages and be accessible to people with disabilities. Materials and applications should also use plain language.

Outreach & Education

Targeted outreach and education campaigns, especially for low-paid and other marginalized workers, are essential components of any inclusive paid leave program. Evidence suggests that low-paid workers, women, and people of color are among those least likely to be aware of paid leave laws and benefits.[688, 689] Many workers learn about programs through their employers. However, employers who have generous existing paid leave policies have an incentive to spread awareness about state-level programs,[690] while smaller employers or employers with more part-time or nonstandard workers may not have such an incentive.[691, 692] It is also likely that if paid leave policies do not include important features like job protection and adequate wage replacement, people of color and those in low-paying jobs will be less likely to take leave and share information about paid leave with their networks.

States have used various strategies to raise awareness and educate workers about their paid leave programs. New York developed a robust public advertising campaign which, according to the Community Service Society of New York, included "subway and bus ads, webinars, public service announcements, brochures, a website, a telephone helpline, posters, events, social media, fact sheets and FAQs geared to various constituencies, and earned media coverage."[693] Researchers at the Center for Economic Policy Research (CEPR) noted that advocates in California were able tq successfully increase awareness of the state's PFL program by providing information about it in federally qualified health centers (FQHCs), where advocates held community workshops, distributed flyers, and trained caseworkers to have one-on-one conversations about the program with clients.[694]

Despite the existing awareness efforts, disparities in awareness about paid leave programs persist. Studies of state paid leave programs have shown that people of color were least likely to know about the programs, benefits, eligibility requirements, and application processes.[695] In California, a study on the first decade of paid leave implementation in that state found that the workers who were most likely to need leave, including people of color, individuals with less educational attainment or low incomes, and individuals who did not already have employer-based paid leave benefits (such as part-time workers and nonstandard workers),[696] were the least likely to know about the paid leave program.[697] Only 18 percent of parents of children with special needs knew about the program, and only five percent had used it.[698] In New Jersey, single adults and people of color were among the groups least likely to be aware of the state's family leave program.[699]

Despite the existing awareness efforts, disparities in awareness about paid leave programs persist.

Application Processes

Even when workers know about existing state-level paid leave programs, the information they receive can often be unclear and the application process can be difficult to navigate. For example, English language-learners in California who received informational materials on the state's paid leave program reported that the materials were hard to understand and sometimes poorly translated.[700] A study of workers with disabilities and serious health conditions and their caregivers in California, New Jersey, New York, and North Carolina found that information from both the government and employers was unclear, incomplete, or confusing, which led to workers being unsure about their eligibility.[701] Workers with disabilities in the study also had difficulty finding support to navigate the application process. For example, some workers had to make trips to the claims office because they could not get in touch with a program administrator by phone.[702]

Tight deadlines can be a barrier for those applying to programs. New Jersey's PFL program has a narrow timeframe for paid leave applications, for example, which has resulted in many claims being denied because they were submitted after the deadline.[703] The state also will not process the paperwork until the applicant's period of paid leave has begun and many employees have started their leave without knowing if their application would be accepted.[704]

Online applications are generally the most user-friendly option and can provide administrative cost savings.[705] Many states use online applications, though paper applications are still available by request in most states.[706, 707] In California, the move to an online application has led to reduced time for processing claims, reduced paper and postage costs, more protection against fraud, and the convenience of an online confirmation that the application has been submitted.[708] While California's paid leave website is available at all times for most services, including filing claims and submitting forms, online account creation for the website is only available from 6 A.M. to 6 P.M. Monday-Saturday and from 6 A.M. to 5:30 P.M. on Sundays.[709] California also has an online portal that answers common questions about the program;[710] for disability insurance, the state has videos, tutorials, and tips for how to use the program.[711] In New York, workers have reported that the state's PFML website was easy to understand and user-friendly[712] and the state has a toll-free helpline that can assist anyone who wants more information about the program.[713]

Online applications are generally the most user-friendly option and can provide administrative cost savings.

While online applications have demonstrated benefits in reducing administrative costs, an exclusively online system may leave out people who lack internet or technology access, of which people with disabilities make up a disproportionate share.[714] Inclusive paid leave programs should have options to file applications in person or by phone, along with accessible online options.[715]

Recommendation 9: Employ Targeted Outreach Strategies & Simple, Accessible Application Processes

Paid leave programs should employ targeted outreach strategies that include accessible, multilingual materials written in plain language. This can help ensure that people with disabilities and those with limited English proficiency, in particular, can access the information they need. Information about programs should be complete, accurate, and presented in plain language. The paid leave application process should be simple, short, and accessible to all workers. Support should also be widely available to help workers in need of assistance.

CONCLUSION

In a nation where adults who are able to work are overwhelmingly expected to work, and caregiving needs are often met by loved ones, the need for paid leave is universal. Every worker, at one point or another, likely will need time off to care for themselves or a loved one. And research shows that paid leave supports workers in meeting their caregiving, health, and safety needs. Paid leave also supports better economic, health, and child development outcomes for workers and their families, and can help ensure that workers do not have to choose between giving or receiving care and the earnings they need to maintain their families' financial security. The cost—to both workers and employers—of continuing to rely on the patchwork of existing policies is too high.[716]

Caregiving is essential to society—and it is demanding work. In 2015, an estimated 43.5 million adults were informal (unpaid) caregivers, mostly for their family members.[717] These caregivers spent an average of 24.4 hours providing care each week.[718] Over half (56 percent) of those who were employed while providing care worked full time.[719] Although most caregivers are women, 40 percent are men.[720] Despite the prevalence of working caregivers, our society does little to support them.

Our nation's workers need and deserve more. Access to paid leave should not be determined by what kind of job you have, where you live, or by the luck of the draw in the employer lottery. What's more, workers who are most likely to be left out are often those who would benefit the most from access to paid leave—including low-paid workers, immigrants, women, workers with disabilities, and workers of color. A comprehensive and inclusive national policy is long overdue. In the absence of a national policy, states must do more.

A substantial and growing body of research is available to inform decisions about how to design equitable paid leave programs that meet the needs of all workers. This means excluding requirements related to employer size and extending eligibility to all worker types—including part-time workers, domestic and agricultural workers, as well as independent contractors. Documentation requirements should not be prohibitive and family definitions should be broad and inclusive. Workers should be able to access leave for a wide variety of reasons, including DV/IPV. Paid leave durations should be sufficiently long, and workers should be able to use their leave intermittently and in small increments. Wage replacement rates should be progressive and high enough that all workers can afford to take leave, and when they do, their jobs should be protected and they should be guarded against retaliation.

A robust social insurance paid leave program may be most likely to meet these standards—and to support employers who might otherwise struggle to provide paid leave to their workers. Paid leave also supports a strong economy by increasing labor force participation and productivity—and by helping workers stay in jobs that match their skills.[721]

To promote gender, racial, and economic equity and support workers in meeting their caregiving responsibilities, taking care of their own health, and maintaining financial security, we need a national paid leave policy that is designed to reach all workers in ways that make sense for them and their lives.

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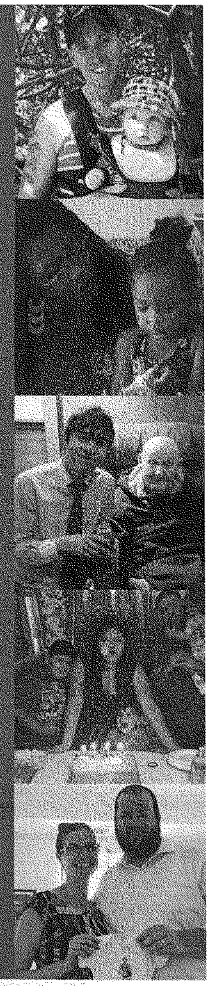

PLUS

CENTER ON POVERTY and INEQUALITY
GEORGETOWN LAW

ECONOMIC SECURITY and
OPPORTUNITY INITIATIVE

PROSPERITY NOW

October 16, 2019

The Honorable Joyce Beatty
Chairwoman
Subcommittee on Diversity and Inclusion
House Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

The Honorable Ann Wagner
Ranking Member
Subcommittee on Diversity and Inclusion
House Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

Dear Chairwoman Beatty and Ranking Member Wagner:

On behalf of Prosperity Now, I am writing to express our appreciation for the subcommittee's decision to convene its September 24, 2019 hearing titled "Examining the Racial and Gender Wealth Gap in America" and for the opportunity to submit a statement for the record on such critically important issues. We thank you for your commitment and willingness to better understand and address issues related to and at the intersection of diversity and inclusion.

For forty years, Prosperity Now has worked to help make it possible for millions of people, especially people of color and those of limited incomes, to achieve financial security, stability and, ultimately, prosperity. As part of our work, we offer a unique combination of scalable practical solutions, cutting-edge research and proven policy solutions, all of which are aimed at building wealth for those who need it most.

As part of our efforts to equip advocates with the data and tools they need to fight for a more prosperous economy, over the past several years we have intentionally worked to leverage our connections to national organizations, a growing network of state and local partners, and our core competencies–technical assistance, policy development and advocacy, and applied research–to aggressively address racial economic inequality.

To date, we have assisted in developing high-impact nonprofit organizations of color focused on advancing economic opportunity nationally; established networks across sectors to have lasting local influence and advance social change; improved relationships between organizations of color, local organizations and asset-building institutions; and equipped organizations of color to become leading voices in local and national asset-building dialogues and decisions.

In addition, we have also worked to build a greater understanding of the racial wealth divide, which today sees median Black and Latino households holding 10 and 12 cents ($17,200 and $20,700 total), respectively, for every dollar of wealth owned by White households ($171,000).[1] In this effort, through a series of research briefs—including *The Ever Growing Gap*[2], *The Road to Zero Wealth*[3] and *Running in Place*[4]—we have worked to bring national attention to how vast this gap has been over the past three decades—especially when consumer durable goods such as automobiles, electronics and furniture are removed from the wealth holdings of households. As it is noted below, when these assets are removed, the median Black and Latino household has barely any wealth to speak of when compared to White households in a similar position.

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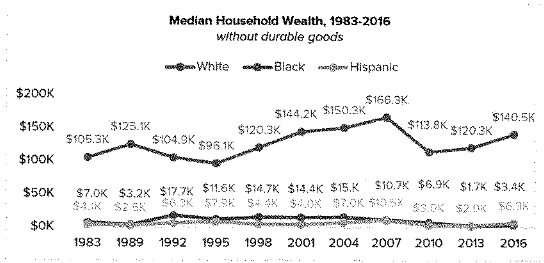
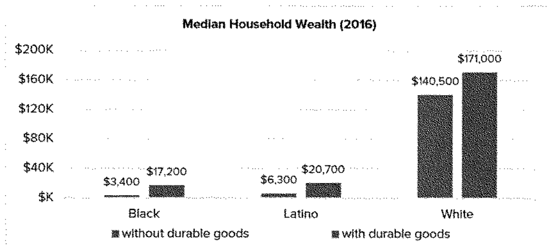


Source: Prosperity Now, *Running in Place: Why the Racial Wealth Divide Keeps Black and Latino Families From Achieving Economic Security*.

Put differently, without these everyday assets, median Black and Latino households hold between 2 and 5 cents (down from 10 and 12 cents) for every dollar of wealth held by a similarly positioned White household.[5] That amounts to $3,400 and $6,300 respectively, compared to $140,500.[6]



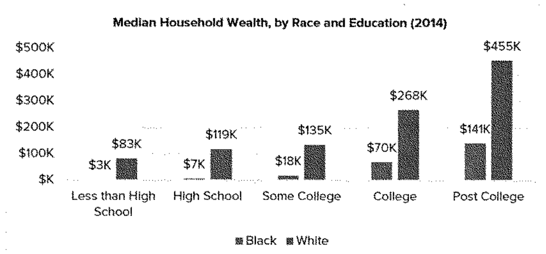
Source: Federal Reserve, *Survey of Consumer Finances* (wealth with durable goods), Prosperity Now, *Running in Place: Why the Racial Wealth Divide Keeps Black and Latino Families From Achieving Economic Security* (wealth with durable goods).

Beyond this, our work has also showed that if average Latino household wealth continued to grow at the pace it has over the past three decades, it would take the average Latino family 84 years to amass the same amount of wealth White families have today.[7] For the average Black family, reaching racial wealth equity would require an additional 228 years of wealth-building.[8] Finally, our work has also found that if the racial wealth divide is left unaddressed and is not exacerbated further, median Black and Latino household wealth is on a path to hit zero by 2053 and 2073, respectively.[9]

As unfortunate and devastating as the racial wealth divide is, the financial situation that communities of color find themselves in today is not merely a byproduct of their decision making; rather, it's the byproduct of decades of racial discrimination that permeates virtually every aspect of the economy — from housing to education to access to financial services – which has systematically deprived communities of color of equal economic opportunity.

The consequences of these dynamics have been so severe and devastating that even when people of color work hard and do things "the right way," research shows that it does not always translate into the outcomes that can allow these communities to overcome inherent and systematic economic disadvantages. For example, a recent study entitled "What We Get Wrong About Closing the Racial Wealth Gap" shows that greater educational attainment does little to reduce the wealth gap between White households and Black households.[10] According to this study, Black households who are headed by a college graduate have less wealth than a White household headed by a high school dropout.[11] Other studies have shown that similar patterns hold true for Latino households.[12]

Beyond education, researchers at Demos and the Institute on Assets and Social Policy have also found that being part of a two-parent household, working full-time, or even spending less does little to close the racial wealth divide.[13]



Source: Samuel DuBois Cook Center on Social Equity and the Insight Center for Community Economic Development, *What We Get Wrong About Closing the Racial Wealth Gap*

As was elevated by several of the witnesses in the September 24th hearing, today's racial wealth divide did not suddenly materialize overnight or even over the course of a few years. Instead, the creation and expansion of this divide can be directly attributed to federal public policy.

Historically, the federal government has played an important role in helping families build wealth through long-term and progressive policies. However, since our earliest days, many of the federal initiatives used to expand economic opportunity for all systematically created discriminatory barriers that limited households of color from building long-term wealth.

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A few of the most noteworthy examples include:

- The exclusion of farmworkers and domestic workers—who were predominately people of color—from coverage under the Social Security Act of 1935.
- The racially biased implementation of the GI Bill by officials within the Department of Veterans Affairs, which resulted in an unequal distribution of benefits—such as low-cost home mortgages and tuition assistance—between White service members and service members of color.
- The Federal Housing Administration's practice of shutting out, through redlining, entire communities of color from the opportunity to purchase a home—the single largest source of household wealth in the country.

In the more than 50 years since the Civil Rights Act was passed, policymakers have corrected these and many other discriminatory practices, but the consequences of these actions can be seen and felt today. At the same time, many other federal policies and systems remain in effect today that actively limit the wealth-building potential of households of color. Among those is the U.S. tax code, which stands on its own for its massive efforts of continuing to fuel the nation's racial wealth divide.

For instance, research conducted by Prosperity Now and the Institute on Taxation and Economic Policy (ITEP) found that out of nearly $275 billion in tax cuts within the Tax Cuts and Jobs Act, $200 billion (72%) benefits the top 20% of households (with incomes of $110,000 or more).[14] Though the tax code is race neutral, our research shows that the 2017 tax law heavily favors the wealth-building potential of White households over everyone else. In fact, when examining the previously mentioned $275 billion tax cut figure through the lens of race, our research has found that $218 billion (80%) of it goes to White households, with more than 40% of that going to White households in the top 5% (with incomes of $243,000 or more).

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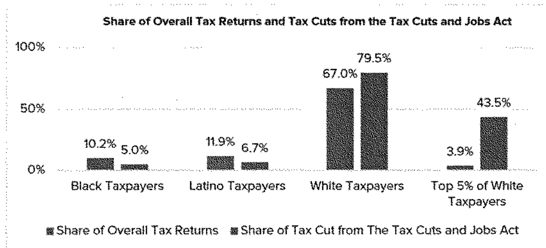
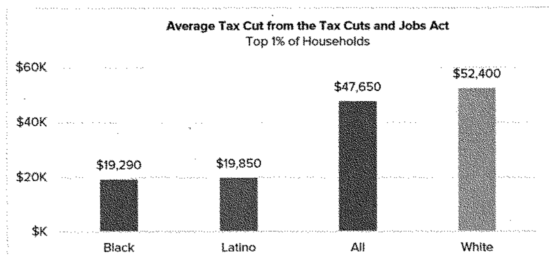


Source: Institute on Taxation and Economic Policy and Prosperity Now, *Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide*

Even among the super wealthy, those in the top 1%, Black and Latino households receive 60% less in wealth-building support from the 2017 tax law when compared to their White peers.



Source: Institute on Taxation and Economic Policy and Prosperity Now, *Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide*

In large part, these disparities in how and who our tax code helps build wealth are due to the way that it favors income earned through passive means (e.g. investments, capital gains, etc.) over earned income. Typically, these types of income are taxed at a lower rate to begin with than traditional income from labor. Compared to households of color, White households not only earn higher incomes, on average and at the median, but more of those incomes are derived from business activities, corporate stocks and investments.

Ultimately, given that the racial wealth gap is a problem that was created, fueled and nurtured over generations, piecemeal approaches—particularly those that focus heavily on often-considered economic equalizers—or single "silver bullet" solutions cannot on

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with the least resources, as the AOAA proposes, will be critical towards bridging and ultimately closing the racial wealth divide.

But such bold solutions can only take us so far. To supplement the AOAA and other bold solutions, the federal government should also conduct an audit of existing federal public policies to determine their impact on the racial wealth divide. Such an approach would not only allow for policymakers and advocates to have a deeper understanding of the role current federal policies have on the racial wealth divide, but it would also provide critical information on what it will take to close it.

In closing, though the racial wealth divide is a daunting problem facing all of us, we greatly appreciate the subcommittee's work to understand and address the racial wealth gap in America. As an organization that has dedicated itself to measuring and mitigating the racial wealth divide, we are grateful for the opportunity to submit this statement for the record. If the subcommittee has any questions or if additional information is needed, please do not hesitate to contact us.

Best,

Emanuel Nieves,
Associate Director, Policy
Prosperity Now

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[4] Emanuel Nieves and Dedrick Asante-Muhammad, *Running in Place: Why the Racial Wealth Divide Keeps Black and Latino Families From Achieving Economic Security* (Washington, DC: Prosperity Now, 2018).
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[7] Dedrick Asante-Muhammad, Chuck Collins, Josh Hoxie and Emanuel Nieves, *The Ever-Growing Gap: Without Change, African-American and Latino Families Won't Match White Wealth for Centuries* (Washington, DC: Prosperity Now, Institute for Policy Studies, 2016).
[8] Ibid.
[9] Dedrick Asante-Muhammad, Chuck Collins, Josh Hoxie and Emanuel Nieves, *The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class* (Washington, DC: Prosperity Now, Institute for Policy Studies, 2017), 10.
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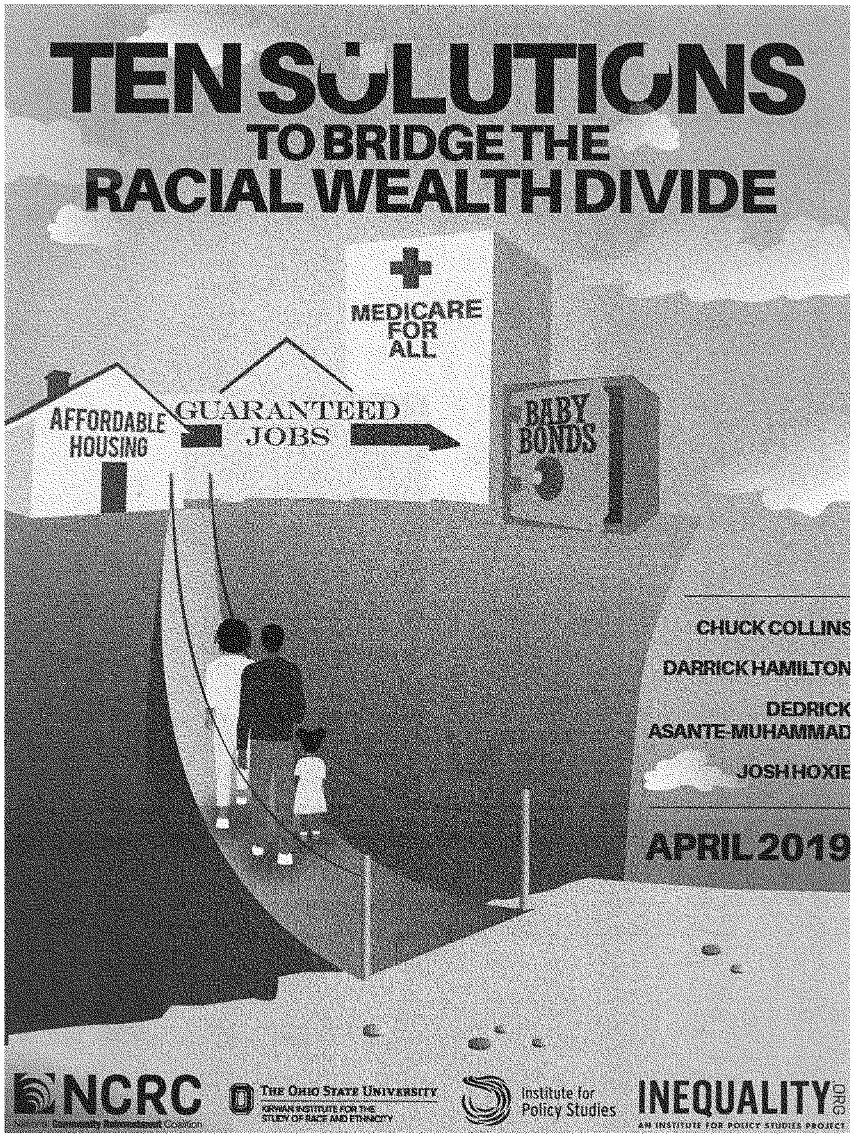
TEN SOLUTIONS
TO BRIDGE THE
RACIAL WEALTH DIVIDE
MEDICARE FOR ALL
AFFORDABLE HOUSING
GUARANTEED JOBS
BABY BONDS
CHUCK COLLINS
DARRICK HAMILTON
DEDRICK ASANTE-MUHAMMAD
JOSH HOXIE
APRIL 2019
NCRC
National Community Reinvestment Coalition
THE OHIO STATE UNIVERSITY
KIRWAN INSTITUTE FOR THE STUDY OF RACE AND ETHNICITY
Institute for Policy Studies
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AN INSTITUTE FOR POLICY STUDIES PROJECT

CO-AUTHORS:

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Chuck Collins directs the Program on Inequality and the Common Good at the Institute for Policy Studies, where he also co-edits Inequality.org. His most recent book is *Is Inequality in America Irreversible?* from Polity Press and in 2016 he published *Born on Third Base: A One Percenter Makes the Case for Tackling Inequality, Bringing Wealth Home, and Committing to the Common Good.*

Darrick Hamilton is the executive director of the Kirwan Institute for the Study of Race and Ethnicity at The Ohio State University. In addition, Professor Hamilton holds a primary faculty appointment in the John Glenn College of Public Affairs, with courtesy appointments in the departments of economics and sociology in the College of Arts and Sciences at The Ohio State University.

Josh Hoxie directs the Project on Opportunity and Taxation at the Institute for Policy Studies and co-edits Inequality.org. He has co-authored a number of reports on topics ranging from economic inequality, to the racial wealth divide, to philanthropy.

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The **Institute for Policy Studies** (www.IPS-dc.org) is a multi-issue research center that has been conducting path-breaking research on inequality for more than 20 years.

The **IPS Program on Inequality and the Common Good** was founded in 2006 to draw attention to the growing dangers of concentrated wealth and power, and to advocate policies and practices to reverse extreme inequalities in income, wealth and opportunity.

The **Inequality.org** website (http://inequality.org/) provides an online portal into all things related to the income and wealth gaps that divide us, in the United States and throughout the world. **Subscribe to our weekly newsletter at Inequality.org or follow us on Twitter and Facebook: @inequalityorg**

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CONTENTS

Executive Summary

The deep and persistent racial wealth divide will not close without bold, structural reform. It has been created and held in place by public policies that have evolved over time including slavery, sharecropping, Jim Crow, white capping, red lining, mass incarceration, and predatory subprime lending among many others. The racial wealth divide is greater today than it was nearly four decades ago, and trends point to its continued widening.

In this report, we offer 10 bold solutions broken into three categories: Programs, Power and Process. These solutions are designed to strike at the structural underpinnings holding the racial wealth divide in place while inspiring activists, organizers, academics, journalists, legislators and others to think boldly about taking on this incredibly important challenge. This summary outlines the 10 solutions, gives a snapshot of the latest racial wealth divide data, and offers a warning against false solutions.

Programs

1. **Baby Bonds**

The source of the racial wealth gap is grounded in endowment, the unequal and unfair distribution of inherited advantage. Baby bonds, as colloquially described today, was originally conceived by Darrick Hamilton, a co-author of this report, and presented in print by Hamilton and William Darity Jr. Baby Bonds are an essential program to balance the historical injustices that created the racial wealth divide in a manner that is both universal and race conscious. Baby bonds are federally managed accounts set up at birth for children and endowed by the federal government with assets that will grow over time. When a child reaches adulthood, they can access these funds/use these assets for education, to purchase a home or to start a business. One recent study shows that a baby bond program has the potential to reduce the current black-white wealth gap by more than tenfold. Another study shows that had a baby bond program been initiated 40 years ago, the Latinx-white wealth divide would be closed by now and the black-white wealth divide would have shrunk by 82 percent.

2. **Guaranteed Employment and a Significantly Higher Minimum Wage**

Black and Latinx workers are twice as likely as white workers to be among the "working poor," meaning they have a job, but that job doesn't pay enough to cover basic living expenses. Likewise, the black-white unemployment ratio has consistently remained roughly 2:1. Bridging the racial wealth divide requires more than just "more jobs"; it demands good jobs that pay a living wage for everyone who is able to work. A federal job guarantee would provide universal job coverage for all adult Americans and eliminate involuntary unemployment. It would offer existing workers a viable alternative to jobs with low wages, inadequate benefits and undesirable working conditions. Moreover, the work would be used to create and improve our nation's physical and human public infrastructure.

The current federal minimum wage is lower than the cost of living in every city in the country. Moreover, at every education level, blacks are twice as likely to be unemployed compared to their similarly educated white peers. We recognize that income and wealth are conceptually different, and that the racial wealth divide persists through the income distribution. Nonetheless, the income from a federal job guarantee will limit the racially disproportionate exposure to predatory finance practices (e.g. wealth stripping debt traps) resulting from inadequate income, unemployment and income volatility.

3. **Invest in Affordable Housing**

Affordable housing remains out of reach for millions of families. A comprehensive approach like the "American Housing and Economic Mobility Act" is needed to ameliorate historical injustices in housing and to address the current crisis. Perhaps the most direct way the bill works to reduce the racial wealth divide is by including a provision that provides down payment assistance to first-time homebuyers living in formerly redlined or officially segregated areas. Three out of four neighborhoods that were redlined are still low income showing the long-term effect of this policy on cities. Safeguards would need to be considered to prevent the moral hazards of subsidizing unintended recipients gaming the policy and hastening displacement of intended recipients via gentrification.

4. **Medicare for All**

People of color accounted for more than half of the total 32 million non-elderly uninsured in 2016. Poor access to health care and poor health outcomes are inextricably tied to race in the United States. The privatized healthcare system in the United States continues to leave behind millions of families, despite progress made by the Affordable Care Act. This deeply unfair and immoral system leaves low-income and low-wealth people in the most vulnerable position of choosing between forgoing the care they need and financial ruin. The number one cause of bankruptcy in the United States is an illness to oneself or a family member. Medicare for All would remove the burden and stigma associated with finances at the point of the delivery of medical care. Medicare for All would guarantee high quality healthcare as a human right, not a privilege.

5. **Postal Banking**

The number of unbanked families remains stubbornly high in this country, with the FDIC reporting that about 10 million American families lack bank accounts. Predatory financial services targeting low-wealth, unbanked families thrive due to the lack of competition from a public banking option. People of color are particularly vulnerable to being unbanked, as are rural populations, the very young and the elderly. The postal service is uniquely positioned to provide essential financial services to these families including short term, low-level loans to address income volatility.

Power

6. **Significantly Raise Taxes on the Ultra-Wealthy**

The growing concentration of wealth has translated to a monopolization of economic and political power by the ultra-wealthy. The tiny group that controls the vast majority of the nation's private wealth is overwhelmingly white and have been the primary beneficiaries of the past four decades of economic growth and historically low tax rates. Significantly raising taxes on the ultra-wealthy serves both the intrinsic value of reducing the corrupting influence of plutocratic power, as well as the instrumental value of producing significant public revenue that can be invested in creating wealth building opportunities for those who have been blocked from generating wealth.

7. **Turn Upside-Down Tax Expenditures Right-Side Up**

Federal tax subsidies, estimated at over $600 billion per year, are currently skewed dramatically to ensure the wealthy are able to become wealthier. Shifting these tax expenditures toward wealth-building programs for low-wealth people, particularly those of color, would have a monumental impact in reducing the racial wealth divide and solving economic inequality more broadly.

Process

8. **Congressional Committee on Reparations**

For decades, Congress has considered the topic of reparations, but never created a formal commission to take on the issue or grapple with what it would really look like. In 2008, the House of Representatives passed a resolution issuing a symbolic formal apology for slavery and Jim Crow. Unfortunately, this resolution did not acknowledge the ongoing injustice created by this history and did not move forward any effort to address this injustice. Legislation like HR 40, championed for many years by now retired Rep. John Conyers (D-MI-13) and currently by Rep. Sheila Jackson Lee (D-TX-18), proposes to create a commission to study the issue and then propose what an apology and policy might look like.

9. **Improve Data Collection on Race and Wealth**

It is difficult to understand the breadth and scope of the racial wealth divide without the necessary data on the full range of racial diversity in the United States. The collection of localized data, that includes information on household assets and debt disaggregated by respondent race, ethnicity, tribal affiliation and ancestral origin, would to provide better insight into the nation's racial and economic differences.

10. **Racial Wealth Analysis**

Analytical tools like the "Racial Wealth Audit" from the Institute on Assets and Social Policy (IASP) and the "Racial Equity Toolkit" from the Government Alliance on Racial Equity (GARE), provide a framework to assess how legislation will widen or narrow the divide. If closing the racial wealth divide is to be a priority, adopting a framework to assess public policy through a racial equality lens is essential to understand the impact and potential unintended consequences of legislation on the racial wealth divide.

Racial Wealth Divide Snapshot

- Between 1983 and 2016, the median black family saw their wealth drop by more than half after adjusting for inflation, compared to a 33 percent increase for the median white household.
- The Forbes 400 richest Americans own more wealth than all black households plus a quarter of Latinx households.
- Black families are about 20 times more likely to have zero or negative wealth (37 percent) than they are to have $1 million or more in assets (1.9 percent). Latinx families are 14 times more likely to have zero or negative wealth (32.8 percent) than they are to reach the millionaire threshold (2.3 percent). White families are equally likely to have zero or negative wealth (about 15 percent) as they are to be a millionaire (15 percent).

False Solutions:

- Changes in individual behavior will not close the racial wealth divide, only structural systemic policy change can do that. Adjustments to black and Latinx education rates, homeownership, savings and employment do not greatly reduce the racial wealth divide due to the structural underpinnings holding the racial wealth divide in place.

Introduction

A tremendous amount of research has been conducted in recent years depicting the vast divide between the ultra-wealthy and the rest of the country. A small but significant portion of this research has focused on inequality through a racial lens, looking at how economic disparities cut across race. This research into the racial wealth divide has contributed to increasing public understanding of just how deeply divided our economy and society is today.

We at the Institute for Policy Studies, the Kirwan Institute for the Study of Race and Ethnicity at The Ohio State University, and the National Community Reinvestment Coalition (NCRC) have been at the forefront of this research and advocacy by working with our allies to produce cutting edge reports, proposals and analysis on the divide. Our recent contributions include "The Color of Wealth in Miami"[1] by the Kirwan Institute (along with the Samuel DuBois Cook Center on Social Equity at Duke University and the Insight Center for Community Economic Development), "Dreams Deferred: How Enriching the 1 Percent Widens the Racial Wealth Divide"[2] by the Institute for Policy Studies and "HOLC 'Redlining' Maps: The Persistent Structure of Segregation and Economic Inequality"[3] by NCRC.

Some of the data in this report comes from our organizations' prior work, although our intent is not to repackage or repeat. In this report we intend to present a clear and actionable menu of public policies and actions to not merely tinker with, but dramatically reduce the unjust racial wealth divide.

While it is clearly not the priority of the current presidential administration, or Congress as a whole, to adopt policies to substantially address the racial wealth divide, momentum is building and there is a potential for the political winds to propel us towards a government that will. Nonetheless, there are aspects of our proposals which could be implemented at state and local levels, where there may be political will and philanthropic support.

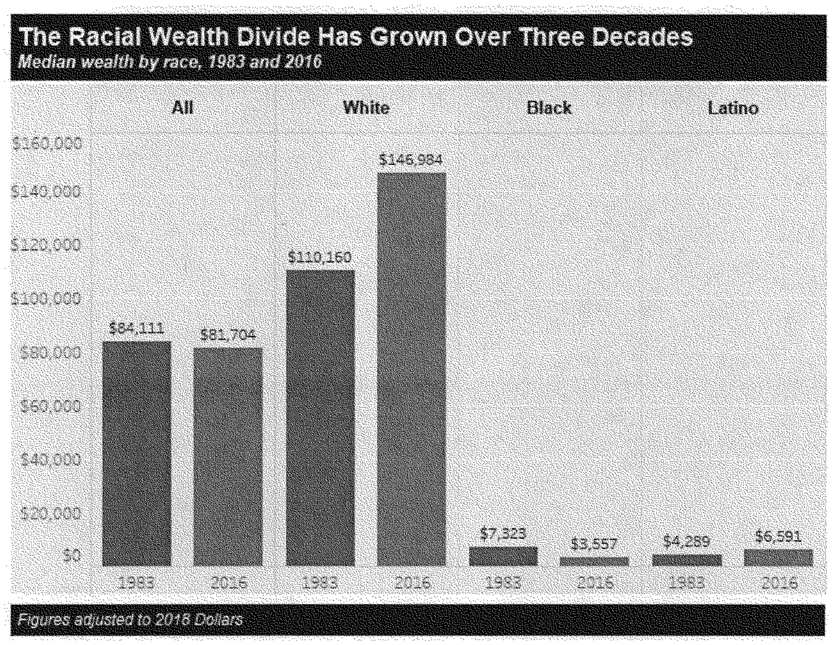
This report seeks to offer bold ideas for policy makers, organizers, activists, journalists, academics, students and citizens who are concerned about the current trajectory we are on and want to take a different path. The solutions offered here are far from all-encompassing and do not represent an exhaustive listing of all the available policy levers that may have an impact. Rather, we present a case to move beyond small-thinking and piecemeal reforms towards policy solutions that strike at the heart of what's contributing to the stark economic divisions that exist in the United States.

The Racial Wealth Divide: A Primer

Before diving into the solutions on how we as a society can move towards closing the racial wealth divide, it's important to understand what we mean when we talk about the racial wealth divide. This section presents key findings from recent studies on economic inequality presented here to provide a baseline understanding of how race and wealth intersect. Also outlined in this section are the often-repeated canards about the racial wealth divide that falsely conflate the structural inequality inherent in today's economy with individual behavior. The racial wealth divide is a structural problem that requires structural solutions if we are to make any progress in closing it. Debunking false solutions is critical to moving forward the serious policy interventions outlined in the next section of this report.

Wealth can be simply understood as the sum total of what a family owns minus what they owe. Sometimes referred to as net worth, household wealth is a measure of total assets minus liabilities, or debt. Wealth is critical to economic stability. More so than income or employment rates or other leading economic indicators, wealth reflects a family's ability to overcome unexpected financial challenges. It is often the difference between whether a financial setback like a job-loss or a medical emergency appears as a minor unpleasantry or leaves a family in financial ruin. Moreover, wealth provides the collateral security to attain financial stability, take risks and acquire additional wealth; as well as the resources to make intergenerational transfers that seed financial stability and mobility for future generations.

The Institute for Policy Studies' *Dreams Deferred* report utilized the triannual Federal

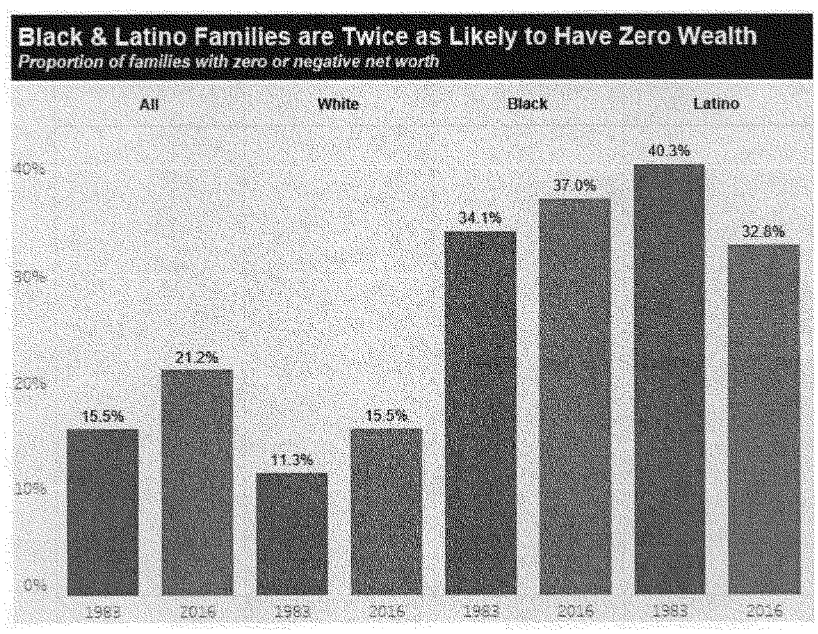


Reserve Survey of Consumer Finances to reveal how wealth is skewed along racial lines in the United States.[4] The study found that the median black family today owns practically no wealth, just $3,600 in 2018. This figure is just two percent of the $147,000 the median white family owns. The median Latinx family has assets worth $6,600 – just four percent as much as the median white family. Put differently, the median white family has 41 times more wealth than the median black family and 22 times more wealth than the median Latinx family.

It's important to note that we largely focus on median wealth figures rather than mean, or average. The nomenclature and discourse regarding the racial wealth divide is generally in reference to the median (i.e. what is "typical.") The racial wealth divide at the median compares the typical black household to the typical white household. However, the mean racial wealth divide between blacks and whites is much larger than the median due to the high concentration of wealth in the hands of an extremely small proportion of overwhelmingly white families. Because the median measure represents comparisons between typical families, for the most part the policies in this report are considered in relation to the median.

Looking at median household wealth over time shows that the racial wealth divide is expanding, not closing. Between 1983 and 2016, the median black family saw their wealth drop by more than half after adjusting for inflation. The median white families, on the other hand, saw their wealth jump by a third. The median Latinx family saw their wealth rise marginally and has yet to top $10,000.

This growing divide has occurred at a time when wealth has shifted largely into the hands of the very wealthy. Since the early 1980s, the number of households with $10 million or more skyrocketed by 856 percent. The richest 0.1 percent have seen their wealth jump 133 percent. Meanwhile, the proportion of all U.S. households with zero or negative wealth, meaning their debts exceed the value of their assets, has grown from 1 in 6 in 1983 to 1 in 5 households today. However, this loss of wealth is not evenly borne among racial groups. Thirty-seven percent of black families and 33 percent of Latinx families have zero or negative wealth, compared to just 15.5 percent of white families.



Unfortunately, the growing racial wealth divide described above was compounded by tax cuts passed by Congress in December 2017. A recent study by Prosperity Now and the Institute on Taxation and Economic Policy titled, "Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Divide," and a report by the Roosevelt Institute entitled, "The Hidden Rules of Race Embedded in the New Tax Law," looked at the how racial disparity, including the racial wealth divide, will grow as a result of the Tax Cuts and Jobs Act of 2017, commonly known as the Trump tax cuts.[5,6]

"Of the nearly $275 billion within the Tax Cuts and Jobs Act in 2018," the Prosperity Now study found that "$218 billion (80 percent) goes to white households. On average, white households will receive $2,020 in cuts, while Latino households will receive $970 and black households receive $840." This is because the tax package heavily skewed towards high-income households who are mostly white. White households in the top one percent of earners received $143 a day from the tax cuts while middle-class households (earning between $40,000 and $110,000) received just $2.75 a day. While the media coverage of the tax package and the public statements of the bill's backers did not explicitly state that it would directly contribute to increasing the racial wealth divide, this was the impact, intended or otherwise.

False Solutions

Wealth is not the only measure that shows how divided economic prosperity in the United States is among racial groups. Employment, income, homeownership, stock ownership, entrepreneurship and virtually every other economic indicator shows a stark divide around race.[7] Many commentators look at this data and come to the conclusion that this outcome is the result of individual behavior. A series of recent studies shows that this is indeed not the case.

A 2018 report co-authored by Darrick Hamilton as well as colleagues from the Samuel DuBois Cook Center on Social Equity at Duke University and the Insight Center for Community Economic Development titled, "What We Get Wrong About Closing the Racial Wealth Gap," took on this argument directly looking specifically at the black-white wealth divide.[8] The authors state, "Blacks cannot close the racial wealth gap by changing their individual behavior." They go on to list and debunk 10 popular myths about individualized behavior that blacks could take as a group in substantially closing the divide. These include going to college, working harder, buying a house, "banking black," saving more, improving financial literacy rates and entrepreneurship rates, improving "personal responsibility," emulating "model minorities," or increasing two-parent households. In fact, many of the racial differences in the outcomes above result from the racial wealth divide itself. In other words, for instance, much of the racial difference in college completion, labor market performance, homeownership, entrepreneurial activity, etc. is a product of blacks having less resources in the first place. The authors point out that changing each or all of these individual behaviors does not change the underlying structures of economic white supremacy that facilitated and keeps the racial wealth divide in place.

This study builds off some of the authors' earlier report, "Umbrellas Don't Make It Rain," which examined the same topic.[9] This study looked at the impact of what some of these individual decisions have on wealth accumulation and found, among other findings that,

> Black families whose heads graduated from college have about 33 percent less wealth than white families whose heads dropped out of high school. The poorest white families—those in the bottom quintile of the income distribution— have slightly more wealth than black families in the middle quintiles of the income distribution. The average black household would have to save 100 percent of their income for three consecutive years to overcome the obstacles to wealth parity by dint of their own savings activity.

The authors go on to conclude that the best indicator for a family's wealth accumulation is the amount of wealth they inherit from their family. A similar 2017 study from the Institute on Assets and Social Policy and Demos titled, "The Asset Value of Whiteness," came to a similar conclusion.[10] Changing how much black families work, spend, save or are educated does not close the racial wealth divide because white families who work, spend, save or are educated at the same degree generate more wealth. For example, they find that, "the median white adult who attended college has 7.2 times more wealth than the median black adult who attended college and 3.9 times more wealth than the median Latino adult who attended college." Another example they point out is, "the average white household spends 1.3 times more than the average black household of the same income group."

As the title of their study suggests, there is an asset value to whiteness that is impossible for individual behavior change to overcome. That is not to say that whites and nonwhites alike can't improve their economic circumstances by their own actions, but individual action does not overcome racist structured economic policy. Things like home ownership, higher education and a diverse financial portfolio are important to strengthening economic security, but the greatest barriers to these assets is a lack of capital, not individual behavior. To overcome the racial wealth divide requires mass targeted capital investment similar to the mass targeted capital investment that was historically appropriated disproportionately to white communities. Large scale policy change is the most promising path to addressing the racial wealth divide and many asset poor whites as well; the most promising of which we lay out in the next section of this report.

Solutions

The racial wealth divide in the United States dates back centuries. It has been created and held in place by public policies that have evolved with time including slavery, Jim Crow, red lining, mass incarceration, among many others.[11] It has also been experienced differently by different racial groups who have varying experiences of disenfranchisement. Put simply, this problem is complex. Solutions are also complex and there is no single panacea. Offered below are a number of promising solutions that could have a significant impact on reducing the racial wealth divide in a meaningful way. Each is rooted in a public policy shift that can have a structural impact across society, not simply individual behavior changes. They are presented in hope of inspiring activists, organizers, academics, journalists, lawmakers and others to think boldly about taking on this incredibly important challenge. This is not an exhaustive or all-encompassing list, but rather a number of bold ideas that can have a systemic impact.

The following solutions are grouped into three categories—programs, power and process. Programs refer to new government programs that could have a major impact on improving the financial prospects of low-wealth families. An example is a baby bond program. Power refers to changes to the federal tax code that could have a redistributive impact on the current deeply skewed division of wealth in the country and address the concentration of power. An example is to raise taxes on the ultra-wealthy through, for instance, a direct tax on extreme wealth. Process refers to changes to the way government operates in regard to race and wealth. For instance, instituting a racial wealth divide audit or racial equity analysis would change how Congress processes policy and its impact.

Programs

Baby Bonds

Baby bonds are federally managed accounts set up at birth for children and endowed by the federal government at a level inversely commiserate with the financial position in which the child is born. These funds can be used when the child reaches adulthood for education, to purchase a home or to start a business. The source of the racial wealth divide is grounded in endowment, the unequal and unfair distribution of inherited advantage. Baby bonds are an essential universal race-conscious program to provide everyone with an opportunity to attain the asset security irrespective of the race and financial position in which they are born.

In 1991 Michael Sherraden wrote, *Assets and the Poor: A New American Welfare Policy*. This book helped raise the importance of asset and wealth building to develop economic security and helped to popularize his proposed "Individual Development Accounts," an idea he first introduced in his 1988 book, *Rethinking Social Welfare: Toward Assets*. In *Assets and the Poor*, Sherraden proposed "Individual Development Accounts" (IDA) as a means to build on the income supplements that had been advanced during the Great Society of the late 1960's. The basic idea was to create long term saving accounts that would be seeded by the government and supplemented with additional funds to develop a nest egg of financial assets that households can use as their starting capital to more fully participate in our capitalist economy.

This IDA proposal would help initiate a series of pilot programs often times focused on IDA's for children that would be called Children's Savings Accounts. The Prosperity Now paper, "Reinvesting Children's Savings Accounts To Address The Racial Wealth Divide," notes much of this history and highlights how these pilots were primarily micro investments that on average had initial deposits of $50, far too little to address the deep and wide asset poverty found in many communities of color. Prosperity Now recommends increasing the initial deposits in CSA's and to "permit account holders [of CSAs] to use the money for any asset-building purchase, not just postsecondary education."

Senator Cory Booker (D-NJ) introduced a version of "baby bonds" (or more accurately "baby trusts") in the form of a bill in 2018 titled, the American Opportunity Accounts Act.[12] Baby Bonds are similar to Children Saving Accounts, in that they establish accounts with some seeded endowment, however, they differ in the fact that the seeds are more heavily endowed in a more progressive manner, and that the accounts are not managed by the child's family, but rather, similar to Social Security, by the state. This framing of Baby Bonds was originally crafted by a co-author of this report Darrick Hamilton and first appeared in print in an article he co-authored with William Darity, Jr. in 2009.[13] Hamilton and Darity also published two other initial versions of the Baby Bonds proposal in 2010 and 2012 in "The Review of Black Political Economy." [14]

Booker's proposed Baby Bond program would be universal with every child receiving at least $1,000 at birth.[15] After that, up to $2,000 would be added to the account each year up to adulthood based on family income, with lower income families receiving larger deposits. The funds would be managed by the Treasury Department with a guaranteed annual return of three percent. Funds would become available at age 18 and eligible only for education, homeownership or retirement. The estimated account balance for a child from a very-low income family is just under $50,000 by the time they reach age 18. For a child born to a very-high income family, the total would be just under $2,000.

Booker's bill goes one step further in reducing the divide by linking the revenue from the bill to a robust increase in the federal estate tax which currently only the wealthiest 0.2 percent of households pay. This means that the households who have the most wealth are playing the biggest role in ensuring children born to low-wealth families have at least some of the benefits of intergenerational wealth (although likely much less than their own kids).

A recent analysis of a baby bond proposal very similar to Booker's by Naomi Zewde at the Center on Poverty and Social Policy at Columbia University showed the potential of the policy to reduce the wealth divide between young white households and young black households from its current level of 16 to 1 down to 1.4 to 1.[16] Put simply, it could reduce the divide by more than tenfold. Similar research from the Annie E. Casey Foundation in conjunction with the Institute on Assets and Social Policy looked at what the impact on the racial wealth divide would have been had baby bonds been enacted decades ago. Their 2016 study found that if Congress had instituted a baby bonds program in 1979, the white-Latinx wealth divide would be fully closed by now and the white-black wealth divide would have shrunk by 82 percent for young adult households.[17]

Guaranteed Employment and Significantly Raise the Minimum Wage

Princeton sociologist and prestigious MacArthur Fellowship recipient Matthew Desmond recently published an insightful exposé in *The New York Times* titled, "Americans Want to Believe Jobs Are the Solution to Poverty. They're Not."[18] The article tracks the lives of a single family in New Jersey struggling to get by on patched together minimum wage jobs. The paltry income generated by this work is far below the basic costs of living, leaving the family scrambling in and out of homelessness and food insecurity. Desmond makes the argument (and presents copious data to support his argument beyond this one illustrative family) that simply increasing workforce participation is wholly inadequate in lifting people out of poverty.

What is needed is not just more jobs, but more good jobs that pay a living wage for everyone who is able to work. This would help all workers, not just racial minorities, but would have an outsized impact on reducing the racial wealth divide given the disproportionate number of low-income, non-white households. We recognize that income and wealth are conceptually different, and that the racial wealth divide persists through the income distribution. Nonetheless, the jobs and income from a federal job guarantee will limit the racially disproportionate exposure to predatory finance (e.g. wealth stripping debt traps) resulting from inadequate income, unemployment and income volatility.

According to the Bureau of Labor Statistics, black and Latinx workers are twice as likely as white workers to be among the "working poor," meaning they have a job, but that job doesn't pay enough to cover basic living expenses.[19] In fact, black workers have consistently higher unemployment rates and lower wages than their white counterparts, a dynamic that has sustained for several decades.[20]

The Economic Policy Institute finds that, after adjusting for inflation, productivity has jumped 77 percent since 1973 while wages have risen by only 6 percent.[21] Had wages kept pace with productivity growth, which they did in the decades prior, the minimum wage would today be more than $20 per hour. The federal minimum wage today has not only not gone up over the past four decades, it has actually dropped after adjusting for inflation. A full-time minimum wage worker in 1968 would have earned $20,600 a year in today's dollars while the current full-time minimum wage worker earns only $15,080 working full time, well below the poverty line to support a family.[22] Had the minimum wage just remained steady at the 1968 level, black and Latinx poverty rates would be almost 20 percent lower. Raising the minimum wage is critically important to reducing the racial wealth divide.

Mark Paul, William Darity, Jr. and Darrick Hamilton have offered one of various proposals for a federal job guarantee to address this dynamic.[23] There work builds on the work of many scholars, civil rights activists and policy makers that came before them.[24] They propose that the federal government in partnership with state and local governments, Indian Nations and local community organizations develop a job bank consisting of an inventory of necessary tasks from which universal job coverage will be offered to any adult who desires employment. The jobs would pay a minimum annual wage of $24,600 for full-time workers (indexed to above poverty wages for a family of four), include a standard benefits package that includes health insurance, retirement plans, paid family and sick leave and one week of paid vacation per three months worked. The jobs would be similar in nature to the New Deal's Works Progress Administration (WPA) and Civilian Conservation Corps (CCC), which were responsible for both lifting millions of families out of poverty and for building and maintaining huge swaths of public infrastructure and other socially useful goods and services. The types of tasks, assignments would evolve to meet our 21st century needs, including protecting our environment to make our society more resilient to climate fluctuation and natural disasters and assuring quality care for individuals from child to elder care. Such a program has the potential, the authors argue, of eliminating involuntary unemployment and working poverty while providing a true floor for the labor market.

Senator Cory Booker released a co-sponsored bill with Senators Gillibrand, Merkley, Warren and Harris to establish a pilot program to provide grants for a job guarantee programs, and Senator Bernie Sanders has gone beyond the pilot stage and called for the release of a bold transformative, full scale, federal job guarantee. Newly elected Representative Alexandria Ocasio-Cortez and Senator Ed Markey proposed a "Green New Deal," which would address the urgency of our dire environmental concerns by putting Americans to work.

Invest in Affordable Housing

There is not a single state in the country where a full-time minimum wage worker making the federal minimum wage of $7.25 per hour could afford to rent a two-bedroom apartment.[25] Furthermore, there is not a single state with an adequate supply of affordable rental housing for low-income renters.[26] While raising income is obviously important, and addressed in the previous section, so too is addressing the drastic shortage of affordable housing.

While many proposals exist to address this crisis, and as the 2020 presidential campaign heats up more may come, perhaps the boldest is Senator Elizabeth Warren's "American Housing and Economic Mobility Act."[27] Among the bill's many components is a $445 billion investment over 10 years in the Housing Trust Fund, which would provide up to 2.17 million homes for low-income families. It also includes several billion dollars for a variety of other housing supports and expands on the Fair Housing Act's housing discrimination ban. Perhaps the most direct way the bill works to reduce the racial wealth divide is by including a provision that provides down payment assistance to first-time homebuyers living in formerly redlined or officially segregated areas. Three out of four neighborhoods that were redlined are still low income showing the long-term effect of this policy on cities.[28] Safeguards would need to be consider to avoid moral hazards of subsidizing unintended recipients gaming the policy by moving to formerly redlined areas and hastening displacement of intended recipients via gentrification, nonetheless, the bill is a bold step intended to address some of the legacies of housing discrimination. The bill also strengthens the Community Reinvestment Act by forcing financial institutions to serve creditworthy families in communities they've historically ignored.[29]

Investing in affordable housing does not mean just the development of new housing, but also shifting the tax incentives that currently prioritize wealthy homeowners over low-income renters and first-time home buyers. This is especially true for the Mortgage Interest Deduction, from which the largest beneficiaries are not the folks who need housing assistance the most. A recent study from Institute on Assets and Social Policy (IASP) and National Low-Income Housing Coalition found that black and Latinx families received just six and seven percent of total benefits from the mortgage interest deduction respectively, each making up about 13 percent of the U.S. population. "This amounts to an estimated $4.8 billion in lost housing investments for black families and $4.1 billion dollars directed away from Latino families," the report finds, "relative to a more equitable distribution of benefits."[30] The report authors suggest converting the mortgage interest deduction into a refundable credit as well as introducing a renter's tax credit to help renters save for a future home.

Medicare for All

The privatized healthcare system in the United States continues to leave behind millions of families despite progress made by the Affordable Care Act. This deeply unfair and immoral system leaves people of low-income and low-wealth in the most vulnerable position. Medicare for All health care reform would guarantee high quality healthcare as a human right not a privilege. The number one cause of bankruptcy is an illness to oneself or a family member.[31] At the point of delivery of medical care, we are at our most vulnerable. Medicare for All removes the burden and stigma associated with finance at the point of the delivery of medical care.

People of color accounted for more than half (55 percent) of the total 32.3 million nonelderly uninsured in 2016, according to a study from the Kaiser Family Foundation.[32] Perhaps not surprisingly, people of color also utilize less care and fare significantly worse than their white counterparts on a wide range of health indicators.

Representative Pramilla Jayapal (D- WA) and Senator Bernie Sanders (I- VT) each introduced Medicare for All legislation in the House and Senate respectively. Their bills would gradually expand existing Medicare coverage to include all people in the country and phase out existing employer sponsored private health insurance. It would also phase out insurance premiums, instead funding coverage through public tax revenue.

Many other Democrats have introduced variations on Sanders' and Jayapal's bills with efforts to maintain parts of the existing privatized system. These include more than a half dozen variations, all from Democrats without Republican support, in the House and Senate.[33]

Postal Banking

The number of unbanked families remains stubbornly high in this country, with the FDIC reporting that about 10 million U.S. families lack bank accounts.[34] This means they are forced to use expensive check cashing locations or rely on usurious debit cards to receive payroll and to pay for utility and other bills. In addition, they lack access to credit and are susceptible to predation via, for instance, payday lenders — firms that borrow large sums at rock bottom rates and lend it out to low-income families at APR equivalent rates as high as 500 percent.

People of color are particularly vulnerable to being unbanked, as are rural populations, the very young and the elderly. The high cost of having low wages effectively strips wealth from our communities, as the Insight Center calculated in their report on the economic impact of payday lending on our country.[35] Rather than contributing to more economic prosperity in our communities, payday firms cost Americans almost $1 billion and 14,000 jobs every year. Payday consumers are in debt, on average, for five months as the two-week loan they take out is rolled over again and again. The fees the consumer pays with each rollover come from money they would otherwise spend on food, clothing or education.

In 2014 the Inspector General of the United States Postal Service proposed expanding their financial services to include banking transactions, including small dollar loans.[36] This postal banking would provide a real competitor to many of the high cost services that are most often left to underbanked individuals and resolves many of these harmful issues, while providing a real competitor for payday firms. The most harmful predatory product, the high interest payday loan, would be replaced with a small dollar product with a proposed 28 percent interest rate.

Today, there are several proposals for postal banking in the U.S. Senate including from Senators Kirsten Gillibrand (D-NY), Bernie Sanders (I-VT) and Elizabeth Warren (D-

MA).[37] In addition, recent scholarship by law professor, Mehrsa Baradaran, and economists Thomas Herndon and Mark Paul have (in separate articles) advanced the case for the public sector to engage in direct financial service via the postal system.[38,39] Senator Kamala Harris (D-CA) introduced legislation to address predatory lending called the LIFT (Livable Incomes for Families Today) the Middle Class Act, which provides up to $500 per month to working and middle class families in the form of a tax credit.[40] The funds are intended to prevent families from having to rely on payday lenders to cover unexpected expenses such as rent increases, medical bills, or child care expenses.

Expanding selective financial services through our postal offices can more conveniently provide access, lower-cost and higher-quality financial products to Americans, particularly the under-banked and unbanked. They can provide Americans with convenient, local and safe access to simple banking services, which the mainstream financial industry does not provide.

Power

Significantly Raise Taxes on The Ultra-Wealthy

It is not possible to address the racial wealth divide without also addressing the massive concentration of wealth at the high end of the distribution, in particular the top one and 0.1 percent of the income distribution, which is overwhelmingly white and largely the result of capital gains (i.e. unearned income). This tiny group controls the vast majority of the nation's private wealth and have been the primary beneficiaries of the past five decades of economic growth and historically low tax rates.[41] This group has converted these economic gains into economic and political power. The tax code is a potent tool for reversing runaway economic inequality and we should not be timid in calling for bold policies that utilize tax reform to this end.

Significantly raising taxes on the ultra-wealthy serves both the intrinsic value of reducing the corrupting influence of plutocratic power as well as the instrumental value of producing significant public revenue that can be invested in creating wealth building opportunities for those who have been blocked from generating wealth. The French economist Thomas Piketty has warned that if we don't intervene to reverse the growing concentration of wealth, the heirs of today's billionaires will dominate our politics, culture, philanthropy and economy.

There are a number of smart ways to institute a tax increase on the ultra-wealthy. Presented here are several ideas that have the potential for transformative impact either on their own or combined. These include a direct tax on wealth, a robust tax on inherited wealth and a significant increase and expansion of marginal income tax rates. "The ideal tax system would have a progressive income tax, a progressive estate tax, and a progressive annual tax on wealth," says French economist Gabriel Zucman who has done extensive research on wealth inequality. "They all do different things, and they complement each other."[42]

The idea for a direct tax on wealth is not new. Such tax regimes have existed in various forms in Europe for decades if not longer as have proposals to impose such a tax in the United States. New York University economist Ed Wolff has championed a direct wealth tax since the early 1990s and Piketty prescribed a wealth tax in his 2014 inequality blockbuster book, *Capital in the 21st Century*. The most recent iteration of this idea, and one that has gained significant attention, is the "Ultra-Millionaire Tax" from Senator Warren.[43] Her plan would impose a progressive annual tax starting at two percent on assets over $50 million and rising to three percent on assets over $1 billion. The bill is estimated to raise $2.75 trillion in tax revenue over a 10-year period directly from the wealthiest 0.1 percent.

A robust tax on inherited wealth is also not new. The federal estate tax, a levy on the intergenerational transfer of immense wealth, is more than a hundred years old. While the tax has fluctuated in scale and scope over the decades, the top marginal estate tax rate was 77 percent from 1941 to 1976.[44] The existing estate tax has been largely gutted by the Economic Growth and Tax Relief Reconciliation Act of 2001 (Bush tax cuts) and the Tax Cuts and Jobs Act of 2017 (Trump tax cuts) which both cut the marginal estate tax rate and greatly increased the threshold for estates to be taxed. Today, less than one in every thousand households pay any estate tax at all and among those that do, their effective rate is just 16 percent.[45] Senator Sanders has recently proposed a robust addition to the federal estate tax titled, "For the 99.8% Act."[46] Billionaires under his plan would pay a top rate of 77 percent on whatever they bequeath to their heirs over $1 billion, a restoration of the top rate from the middle of the last century. The bill would raise an estimated $2.2 trillion over 10 years.

Another way to tax inherited wealth is by implementing an inheritance tax. Inheritance tax differs from estate tax because it is placed on the beneficiary of the estate, not the estate itself, a small change with significant implications. New York

University law professor Lily Batchelder has put forward a framework on how to implement an inheritance tax by essentially taxing inherited wealth as ordinary income.[47] Batchelder proposes applying the income tax to inheritances with a surcharge of 15 percent, equal to the maximum payroll tax rate. With a $2.1 million lifetime exemption, meaning you could inherit $2.1 million tax free, she estimates the inheritance tax could generate about $200 billion over 10 years. Reducing the exemption level slightly to $1.25 million would increase the expected revenue from this tax to $670 billion over 10 years.

Another thoughtful proposal for raising taxes on the ultra-wealthy is through raising top marginal income tax rates. It will surprise some readers that the United States has a strong tradition of very high-income tax rates on the wealthy. The top marginal rate topped 90 percent from 1951 to 1963 under Republican President Dwight Eisenhower.[48] The highest rate actually came several years earlier in 1944 and 1945 when the top rate was 94 percent and it remained above 70 percent until 1980. These high rates corresponded with a time of widespread expansion of the American middle class. However, this expansion largely excluded non-white families who were excluded from many of the wealth building programs funded by this high tax rate. Restoring a high tax rate on super-high incomes would generate the necessary revenue for more fair and equitable wealth building programs.

There exist a number of proposals to raise top marginal income tax rates. Rep. Jan Schakowsky's (D-IL) Fairness in Taxation Act would raise top marginal rates to 49 percent for billionaires. It would also end the preferential treatment of capital gains and dividends for income over $1 million, which are currently taxed at 20 percent. This plan would raise $800 billion over ten years.[49] Another plan comes from Rep. Ocasio-Cortez's (D-NY) who proposes to tax income above $10 million at a 70 percent rate which could generate an estimated $720 billion over ten years.[50]

These several methods for increasing taxes on the wealthy are far from the only options. Other good ideas include ending the preferential tax treatment of capital gains that overwhelmingly benefits the very wealthy and ending the practice of corporate stock buybacks that benefit corporate executives over their employees. A recent report from the Institute on Taxation and Economic Policy shows that the wealthiest five percent of Americans receives 90 percent of the benefit of capital gains preferential tax treatment.[51] On corporate stock buybacks, Senator Sanders has introduced legislation banning the practice for companies that pay less than $15 per hour, don't offer at least seven paid sick days and don't cap their CEO-median worker pay ratio at 150-to-1.[52] Senators Cory Booker and Bob Casey introduced a bill to curb stock buybacks that forces companies who buy back stock to also pay out commensurate sum to their employees.[53]

Turn Upside-Down Tax Expenditures Right-Side Up

As we pointed out earlier in this report, efforts to utilize the federal tax code to reduce the racial wealth divide took a big step backward with the passage of the Tax Cuts and Jobs Act of 2017, commonly known as the Trump tax cuts. Unfortunately, the tax code already served to exacerbate the racial wealth divide even before the Trump tax cuts were passed, which authors of this report Chuck Collins, Dedrick Asante-Muhammed, and Josh Hoxie point out in their 2016 report, "The Road to Zero Wealth."[54] The federal government spent $677 billion through the tax code in 2016 to help families purchase a home, go to college and save and invest for the future. This is more than the individual budgets of every federal agency excluding the Department of Defense. Unfortunately, these supports largely go almost exclusively to the already wealthy, the top one percent of all U.S. households received more in federal spending than the bottom 80 percent combined.[55] Very little or no support goes to low- and moderate-income families, particularly those of color.

Due to the massive amount of money spent through these wealth-building tax programs and their far reaches, shifting these tax expenditures toward wealth-building programs for low-wealth people would have a monumental impact in reducing the racial wealth divide and solving economic inequality more broadly. This could take many forms, among which could include revising the mortgage interest deduction to be a refundable credit that prioritizes first time homebuyers as mentioned in the section above. Furthermore, cutting at expenditures for the very wealthy could free up funds to be utilized for rental assistance programs.

A Roosevelt Institute brief by Darrick Hamilton and Michael Linden entitled, "The Hidden Rules of Race Embedded in the New Tax Law," also details how the recently enacted Tax Cuts and Jobs Act is a partisan game-changer (a law that was passed with overwhelming Republican support and Democrat opposition) that will accelerate racial economic disparities in at least four ways.[56] First, the benefits accrue disproportionately to high-income households, who are grossly overrepresented with white and under-represented with black households. And it gets worse over time: by 2027, fully 83 percent of the tax cuts will flow to the top one percent, while the bottom 60 percent of earners will, on average, actually experience tax increases compared to before the law was passed. Second, the tax cuts privilege existing wealth holders, rather than providing avenues to create new wealth, and blacks have generationally been denied the ability to access and pass down wealth. For example, a centerpiece of the law is its massive tax cut for corporations, reducing their tax rate down from 35 percent to 21 percent. This $1.3 trillion windfall over the next decade will primarily benefit existing shareholders. Third, by limiting the state and local tax (SALT) deduction, the law will push states and localities to rely more heavily on fees and fines as sources of revenue, which will disproportionately increase the debt and strip the wealth from black communities. Not only are fees and fines more regressive sources of revenue, but they also extend the reach of a broken criminal justice system that causes enormous economic and civic damage within communities of color. And when confronted with an expensive legal system, blacks and Latinxs have far less income or wealth to address their exigent situation. Finally, the enormous revenue loss, to the tune of nearly $2 trillion over the next decade, coupled with the limitation on the state and local tax deduction, will undermine the public sector, which will impose a peculiar burden on black American workers and black American communities. These budget-busting tax cuts in a political context that overemphasizes "austerity" will accelerate impact on the demise of an already dimensioned public sector that provides vital services and employment, which disproportionately hurts black and brown communities.

Process

Congressional Committee on Reparations

The discussion around reparations has come into the mainstream in recent years as Democratic presidential candidates have been forced to answer questions about the topic and media outlets have tried to inform the public about what is meant by the term. This was evident in a recent segment aired by MSNBC on the AM Joy Show with Joy Reid titled, "Reparations for slavery becoming 2020 hot button issue," that featured the National Coalition of Blacks for Reparations in America (NCOBRA) and looked at the current presidential candidates position on reparations.[57]

Since 1989, Representative Conyers sponsored House Resolution 40, "Commission to Study and Develop Reparation Proposals for African-Americans Act". The bill number is a reference to the infamous unfulfilled promise to freed slaves that they would receive 40 acres and a mule upon gaining their freedom. After Conyers retirement in 2018, Representative Lee (has championed the bill, which as of the publication of this report has just 35 co-sponsors in the House of Representatives. The preamble of the bill states its purpose:

> To address the fundamental injustice, cruelty, brutality and inhumanity of slavery in the United States and the 13 American colonies between 1619 and 1865 and to establish a commission to study and consider a national apology and proposal for reparations for the institution of slavery, its subsequent de jure and de facto racial and economic discrimination against African-Americans, and the impact of these forces on living African-Americans, to make recommendations to the Congress on appropriate remedies, and for other purposes.[58]

HR 40 does not impose a specific reparations plan or policy (although plenty of viable proposals for reparations exist).[59] It proposes to create a commission to study the issue and then propose what an apology and policy might look like. The commission would provide a clear understanding of the state sanctioned injustice that began in chattel slavery when blacks were literally physical and financial capital for a white plantation owning class and continued through the 19th, 20th and 21st century in the form of sharecropping, Jim Crow, lynching, riots, terrorism, fraud, disenfranchisement, white capping, police brutality and terror, redlining, restrictive covenant, discrimination and the subprime crisis to name several examples. HR 40 provides an authentic analysis and articulation for an apology and the first step towards redress for these injustices, since acknowledgement without redress is an empty apology.

This is far from a radical concept and indeed has recent and significant historical precedent. The Civil Liberties Act of 1988 signed into law by President Reagan issued a formal apology to Japanese-Americans imprisoned under World War II era internment camps in the United States. Checks for $20,000 were dispersed to more than 80,000 survivors of the internment camps costing $1.6 billion.[60] More recently, the House of Representatives passed a resolution issuing a symbolic formal apology for slavery and Jim Crow in 2008.[61] Unfortunately, this resolution did not acknowledge the ongoing injustice created by this history and did not move forward any effort to address this injustice.

Improve Data Collection on Race and Wealth

While few people outside of academic researchers, policy staff and journalists tend to dig into government wealth statistics, this data provides the baseline for what we know about the racial wealth divide. The quality and availability of economic data through a racial lens dictates the ability to extrapolate useful analysis of how race and wealth intersect.

Currently the primary source of racial wealth data derives from the Survey of Income and Program Participation (SIPP), the Panel Study of Income Dynamics (PSID), the National Longitudinal Youth Survey (NLSY), or the Survey of Consumer Finances (SCF). These data sets generally only provide racial wealth data for the country as a whole amongst the three largest racial and ethnic groups (black, white, and, sometimes, Latinx. It would be a substantial benefit to understanding and addressing the racial wealth divide to have localized racial wealth data that could identify more specific groups disaggregated by ancestry, including Native Americans disaggregated by tribal origin. Lumping the asset and debt position of Cuban Americans residing in, say, Miami, FL with Mexican Americans residing in say Los Angeles, CA might not accurately define the economic position of either group; likewise aggregating Cambodian descendants who may have migrated to America as war refugees with, say, Japanese Americans who may have immigrated for more economic reasons many generations ago leads to a bias that might not accurate depict the wealth position of either group. Moreover, we need to collect asset and debt information that might be more relevant to communities of color, including exposure to payday lending and the American criminal justice systems, for example. Finally, to better understand gender dynamics and the ways in which gender may intersect with race and ethnicity, we need wealth data that more accurately measures gender, sexual orientation and intra-family power dynamics such as which spouse maintains and makes decisions with regards to household finance.

Income and wealth inequality in the United States, especially across racial and ethnic groups, is dramatic and persistent. While the decennial census and American Community Survey is commonly used by researchers, practitioners, advocates and policymakers to describe local economic conditions and drive policy decisions, it's focus on income without the inclusion of detailed assets and debts renders it somewhat inadequate as an indicator of economic well-being, social mobility and asset-security.

Currently projects like the National Asset Scorecard for Communities of Color (NASCC) with limited funding help fill this void by administering localized surveys to groups disaggregated by specific ancestral origin. But with all the data collection that occurs through or in conjunction with federal offices the optimal solution is to better integrate wealth and racial and ethnic subgroup data in the country's current data collection efforts. The NASCC project has collected detailed data on assets and debts among subpopulations, according to race, ethnicity, tribal affiliation, and country of origin in six metropolitan area contexts – Baltimore, MD., Boston, MA., Los Angeles, CA., Miami, FL., Tulsa, OK., and Washington, DC. The disaggregation of groups into specific ancestral origin allows for a less heterogenous examination of variations in asset holdings both across and within broadly defined racial and ethnic groups, and how that stratification will vary in a localized context in which asset and debt products, prices and polices may vary. As the United States continues to become more ethnically pluralist, a goal would be for NASCC or a robust version of NASCC be adopted into either the Census Bureau or the Federal Reserve System via perhaps their Survey of Consumer Finance data collection infrastructure to facilitate better research, practice, advocacy, and policy as it relates to understanding and improving economic inclusion across stratified groups.[62]

Racial Wealth Analysis

Researchers at the Institute on Assets and Social Policy (IASP) at Brandeis University have developed a unified framework for assessing the impact of public policy on the racial wealth divide.[63] We recognize that there is no one size fits all approach or tool to evaluate all policy or even forecast its impact on the racial wealth divide. However, if closing the racial wealth divide is a priority, and promoting racial justice more generally, then adopting mechanisms like the Racial Wealth Audit and the Racial Equity Toolkit – developed by Julie Nelson, senior vice president at *Race Forward* and her colleagues at the Government Alliance on Racial Equity (GARE), which is already widely being implemented in Seattle, Washington, and other cities – is essential to understand the impact and potential unintended consequences of legislation on the racial wealth divide.[64]

A similar policy analysis currently exists for Congress to assess how legislation that adjusts revenue or spending contributes to the national debt. Bills proposed by Congress are scored and an objective impact statement is included in the legislation for lawmakers and the public to understand how new laws will make the national debt go up or down. Unfortunately, scoring related to the national debt is a limited functional barometer of the public benefit of legislation. Nevertheless, there is no reason a similar framework could not be utilized to gauge the impact of legislation on the racial wealth divide. Both Congress and state legislatures could and should adopt a racial equity and stratification lens framework into formal policy analysis through the Congressional Budget Office (CBO) or appropriate state budget offices.

Conclusion

If the past several decades are to teach us anything about race and wealth, it should be that the racial wealth divide will not be closed without a structural change to the status quo. Individual behavioral action is not the answer to address structurally established barriers nor is the patient aspirant idea that this problem will fix itself. Bold action created the disparity and bold action is required to strike at the systemic underpinnings of white supremacy holding the racial wealth divide in place. This report seeks to examine a number of potential solutions already on the table to do just that. It is far from an exhaustive list and the authors acknowledge many great and valid ideas exist that are not listed in these pages. It is our hope that this report can inspire serious action to move forward towards a more fair and just economy and society.

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October 15, 2019

The Honorable Joyce Beatty
Chair, Financial Services Subcommittee on Diversity and Inclusion
U.S. House of Representatives

The Honorable Ann Wagner
Ranking Member, Financial Services Subcommittee on Diversity and Inclusion
U.S. House of Representatives

Hearing: Examining the Racial and Gender Wealth Gap in America
United States House of Representatives Committee on Financial Services
Subcommittee on Diversity and Inclusion
Statement by Bo Young Lee, Chief Diversity and Inclusion Officer, Uber

Chairwoman [Joyce] Beatty, Ranking Member [Ann] Wagner, and Members of the Subcommittee: thank you for convening a hearing on this important topic.

On behalf of everyone at Uber, it is a privilege to submit testimony on a subject that is so central to what we do and who we are as a company.

As the Chairwoman pointed out in her opening statement, the inequities that prevent certain populations from building wealth are "steeped in systems and policies that perpetuate past injustices."

Few such systems can rival the U.S. transportation system in reach or impact.

UNEQUAL MOBILITY, UNEQUAL OPPORTUNITY

Across the country, access to reliable, low-cost transportation is a privilege—not a right, let alone a reality—for an overwhelming majority of Americans.

The challenge of mobility hits low-income communities and communities of color the hardest—and the hard truth is that it's only getting worse.

In America's cities, hundreds of thousands of carless households lack any access to reliable transit. Millions more have to rely on transit systems that are aging, limited—or both. Buses break down frequently, severing a critical link between non-central neighborhoods and subway lines. This leaves people waiting for buses that arrive late, or don't arrive at all. For those Americans living in rural areas, nearly 20% of the population, cuts to public-transit budgets and the cancellation of services further isolate communities and create seemingly insurmountable obstacles to economic opportunity.

Even the buses that do arrive often stop short of carrying passengers all the way to their destinations, forcing them to pay expensive cab fares. If they can get a cab at all: Studies have found that taxi drivers avoid certain areas *and* certain individuals; here in Washington DC, cabs are 25 percent less likely to stop for black passengers.

The result? People without cars or reliable transit options have a much harder time finding and keeping good jobs.

For countless Americans, access to transportation is the difference between employment and joblessness. And this isn't an exaggeration: an ongoing Harvard study suggests that commuting time due to a lack of efficient transportation is the single biggest factor in determining socio-economic mobility.

In other words, lack of reliable transportation options prevents full economic participation.

It's a vicious cycle.

MOBILITY UNLOCKS OPPORTUNITY

Fortunately, the situation is far from hopeless—because the inverse is also true: Transportation opportunity *creates* socio-economic opportunity. And companies like Uber have revolutionized transportation opportunity.

One recent study on low-income neighborhoods in Los Angeles reported that, on average, Ubers take half as long to arrive as traditional taxis—and cost half as much. Another showed that in New York City, six of the 10 fastest-growing zip codes in Uber pickups had incomes below the city median.

Why am I sharing this with the Subcommittee?

In part because it's a reminder of Uber's mission: to ignite opportunity by setting the world in motion.

But also because there are direct parallels between the opportunities we create externally, through our services—and the opportunities we create internally, for members of our own workforce.

At past hearings, this Subcommittee has heard testimony on the business case for diversity and inclusion.

But even as we make this affirmative case, we cannot afford to ignore the costs that already accrue to companies that fail to foster diversity and inclusion—and thereby perpetuate racial and gender wealth gaps.

THE PROBLEM

Let's start with some raw numbers.

Today, women comprise just over 40 percent of Uber's overall workforce, but only about 28 percent of our leadership team and 21 percent of our tech team. Black employees make up 9 percent of our workforce, but just 3.6 percent of our tech leadership. And Latinx employees, who comprise 8 percent of our workforce, represent only 4.4 percent of our tech team

That means we're doing only slightly better than this Congress—one of the least diverse institutions in America—where 24 percent of members are women, 9 percent are black, and 6 percent are Latinx.

And we're doing about the same as peer companies like Facebook and Google, where the tech workforce is a little under 20 percent female, 1 percent black, and 3 percent Latinx.

A few recent studies have shed some light on how we got here.

One found that—while 14 percent of high-income college students land internships in STEM, business, or medical fields, only 6 percent of their lower-income peers have access to similar opportunities. Another survey reported that black men who pursue graduate degrees in engineering face isolation, overt racism, and microaggressions on a regular basis—and also lack the mentorship opportunities that can help them succeed. And just this year, Stanford researchers showed that the way we measure academic performance in STEM fields systematically underestimates the actual abilities of women.

All of which explains why so many more white men pursue STEM degrees than women, people of color, and especially women of color.

But the problem is not just a matter of pipeline. It's also the implicit message that potential applicants pick up on when they seek to enter and advance in these fields: You don't belong.

It is not enough—and it will never be enough—merely to open the door for underrepresented people. We need to address the factors that prevent so many of them from walking through it, and further, succeeding once they're inside.

THE OPPORTUNITY

That's why Uber has spent the past year assessing how these dynamics affect our own hiring process—and then working hard to root them out.

We're also investing in proactive outreach—so we can expand our hiring pool among under-represented communities.

This bears emphasis, because it gets at the "inclusion" part of "diversity and inclusion"—which too many companies ignore, despite serious consequences.

One recent report on tech attrition found that unfairness is a key driver of turnover in the industry. Forty-two percent of people who left tech jobs—many of whom were women, people of color, and LGBTQ workers—said they quit their jobs due to mistreatment or unfairness in their work environment.

The same study revealed that almost a quarter of all people of color experienced stereotyping. A fifth of LGBTQ respondents said they were bullied. And 10 percent of women said they'd been harassed or faced unwanted sexual attention.

All of this is appalling. But it isn't just a moral issue. As I said a moment ago, it's a massive business problem.

These days, turnover alone costs tech companies $16 billion each year. Which is all the more shocking because it's totally avoidable: most respondents in that study said they would've been glad to stay at their companies had they been more inclusive or tried to promote a more respectful environment.

THE RESPONSIBILITY

This gets at the heart of the matter, and the most important thing anyone can do to make a dent in such a daunting, abstract problem: take responsibility.

No single actor—no legislative body, and certainly no company—can address all the many factors that contribute to the persistent wealth gaps this Subcommittee is rightly focused on.

But if each of us takes responsibility for our own sphere of influence—for our impact on the world, and the way we treat our people—we can start to have a collective impact *today*, even as we continue to work toward bigger, bolder solutions.

That's why I so appreciate the opportunity to share this testimony with the Subcommittee: because Uber's place in this conversation is not tangential to our mission. Quite the opposite—it's at the heart of everything we do.

CONCLUSION

Since its founding, Uber has proven the power of mobility—and unleashed the enormous opportunity that comes with setting the world in motion.

We pioneered ridesharing, which means we have an unparalleled ability to connect communities and remove barriers of access created by traditional forms of transportation. This enables us to ignite opportunity for underserved communities all over the world.

We also have an unparalleled ability—and responsibility—to ignite opportunity within our workforce. As a global company that serves so many diverse populations every day, we have a unique vantage point, and a worldwide platform, for driving progress.

Both internally and externally, we're aiming sky-high because we know from experience that we can only disrupt patterns of inequality through radical, transformative change.

We're already seeing this in the hundreds of cities—and dozens of countries—where Uber is helping to close the distance between potential and reality.

And with leadership from this Congress, we can—and we will—continue to build a more diverse, interconnected, and possibility-rich world.

Thank you again for the opportunity to submit testimony. I would be delighted to answer questions, provide additional information, or continue this discussion at the Subcommittee's convenience.

Sincerely,

Bo Young Lee
Chief Diversity & Inclusion Officer

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Sources of the Latino Wealth Gap in America

Submitted to

U.S. House of Representatives Financial Services Committee
Subcommittee on Diversity and Inclusion

Submitted by

UnidosUS
Raul Yzaguirre Building
1126 16th Street NW, Suite 600
Washington, DC 20036-4845

Date

October 16, 2019

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INTRODUCTION

UnidosUS, formerly the National Council of La Raza, is the largest national Hispanic civil rights and advocacy organization in the United States. For more than 50 years, we have worked to advance opportunities for Latino families to achieve economic stability and to build wealth. In this capacity, UnidosUS and its Affiliate network of nearly 300 community-based organizations in 37 states, the District of Columbia, and Puerto Rico, work to provide education, healthcare, housing, workforce development, and other services to millions of Latinos in the United States each year.

For more than two decades, UnidosUS has been actively engaged in anti-poverty and wealth-building work. UnidosUS has combined original research, policy analysis, and advocacy to support policy solutions that will help advance the economic standing of the nation's 58.9 million Latinos. This has included: advocating for a fair and equitable federal income tax system; empowering Latino wealth-building through homeownership; and supporting a regulatory environment that fosters a safe and affordable financial market.

This statement will outline the key components that contribute to Latino wealth as well as existing barriers to wealth-building. First, it will identify the wealth gap between Latinos and Whites. Second, it will detail the role of homeownership in wealth disparities, and finally it will proceed to unpack the role of income, job quality, and retirement savings as vehicles for wealth building for Latinos.

WEALTH

Different from income, wealth is an important indicator of long-term financial security. It allows people to prepare for retirement, buy homes, start businesses, and invest in opportunities that affect their families for generations to come. Homeownership, income, and retirement savings plans are three of the primary avenues by which Americans build wealth. Yet, systems of injustice and inequality have resulted in a massive disparity in wealth when Latinos are compared to Whites.[1] For example in 2017, Latino families held $20,000 in wealth compared to $175,728 held by White families.[2]

The Great Recession further exacerbated wealth disparities between Whites and Latinos. In pre-recession years, Latino wealth was closely tied to homeownership—as the housing market crashed, so did Latino wealth—deepening that divide even more.[3] Despite post-recession growth in the housing market, Latino wealth has not recovered as many Latinos still confront foreclosure, debt, and limited opportunities for affordable homeownership.[4] Other factors that contribute to wealth-building, including disparities in income, job quality, and access to an employer-sponsored retirement plan have not helped to even the playing field between the amount of wealth that Whites and Latino's respectively hold.

Homeownership

Homeownership has long been a cornerstone of the American dream for countless Americans, including Latinos, who value homeownership as a path to the middle class. The high priority that

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Latinos place on homeownership is evidenced by the fact that Latinos are more likely than other groups to have most of their assets invested in their homes.[5] In fact, in 2007, more than half of Latino assets (52%) were invested in housing.[6] By 2016, the share of Latino assets in housing had declined by 13 percentage points from 52% in 2007 to 39%.[7] The drop in the percentage of Latino housing assets is indicative of a decline in Latino housing-related assets overall, including foreclosures and underwater mortgages, as well as lower home values.

For this reason, the housing crisis hit Latinos especially hard. By 2011, about 12% of Latinos who bought their homes between 2004-2008 had lost them to foreclosure, greater than the share of White and Black homeowners.[8] In 2007, the Latino homeownership rate approached an all-time high of 50% and dropped five percentage points by 2014.[9] A troubling sign of the lingering effects of the recession of Latino housing, 2016 had the lowest percent of assets in housing for Latinos since the beginning of the recession. The data tell a different story for Whites; White families now have a greater percentage of assets in housing than in 2007. Although Latino families retain a higher percentage of their assets in housing than Whites, because of the housing crisis Latinos experienced in the wake of the Great Recession, the difference has shrunk from 22% of assets in housing in 2007 to 7% in 2016.

Income

Latinos work hard: at 67%, the Latino labor force participation rate is among the highest of all racial and ethnic groups in the United States.[10] Latinos also lead in labor force growth, as the Latino labor force has grown to six times its size over the last four decades—from 4.3 million to more than 26.8 million.[11] Income and earnings play an important role in a household's ability to get by on the day-to-day as well as save for the future. Latinos' disproportionate concentration in low-wage jobs constrains their ability to achieve economic security and build wealth for future generations.

Latino families still lag behind Whites in their earnings. In fact, the gap between Latino and White median household income widened in the decade between 2007 and 2017. Latino median family income increased by just over $13,500 from 2007 ($46,486) to 2017 ($60,000), in 2017 dollars. Yet, the median household income for Whites increased from $62,000 in 2007 to $77,427 in 2017. In 2007, the difference between White and Latino's median household income was $15,514, which expanded to $17,427, an increase of $1,913.[12]

Job Quality

The amount that an employee earns in their paycheck is only one of the types of compensation a worker can attain through their employment. Employers also provide employees with workplace benefits, such as employer-sponsored health insurance, paid time off from work, or a retirement plan. According to the Institute on Assets and Social Policy at Brandeis University, one-third of a working person's compensation comes from the workplace benefits available to them.[13]

Longstanding discriminatory practices present in the workplace have concentrated workers of color, especially Latinos, in occupations and industries that are both low-paid and that provide few workplace benefits.[14] For many employees, the workplace can be a crucial access point for wealth-building opportunities, through paid sick leave, paid family leave, and flexible schedules,

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which increases workplace and economic stability. According to the Heller School, "employment benefits are the most direct contributors to wealth-building via the workplace."[15]

Yet, despite having one of the highest labor force participation rates, Latino workers continue to have the lowest access to paid leave among all racial and ethnic groups.[16] Latinos' limited access to paid leave means that they are often faced with the impossible decision of forgoing pay and potentially threatening their job security or leaving illnesses or other medical concerns for themselves or their children untreated.

Retirement Savings

Outside of homeownership, the largest source of Latino wealth is ownership of a retirement saving plan.[17] Yet, access to and participation in an employer-sponsored retirement savings plan is a challenge for all Americans.[18] Retirement is a particularly urgent issue for the nation's 58.9 million Latinos, as Hispanic employees are at the greatest risk of not having retirement savings.[19]

This is due in part to more than two-thirds of Latino households (69%) having no retirement account assets, compared to 39% of White households.[20] Furthermore, a large portion of Hispanics work in jobs where they do not have access to an employer-based retirement plan. In 2014, only 53.7% of Latino workers between the ages of 21 and 64 worked for an employer that sponsored a retirement plan, compared to 73.4% of White employees.[21] Even when employers do offer retirement plans, the participation rate for Latinos is still lower than for Whites (30.9% compared to 53%, respectively).[22]

CONCLUSION

The role that Latinos play in our nation's economy grows more critical with every generation; Latinos drive labor force participation, small business growth, and account for one in every four elementary school students. Latino's ability to weather economic downturns and build wealth is a matter of importance to the country and the economy as a whole, because when Latinos succeed, the country succeeds.

Homeownership was, and remains, the most direct and accessible way for Latinos to accumulate wealth. Income, job quality, and access to an employer-sponsored retirement savings plan also assist Latinos in building wealth. More than ever, Latinos need responsive, people-centered policies that help build wealth, through increased access to homeownership, increased wages, quality jobs, and access to employer-sponsored retirement savings plans.

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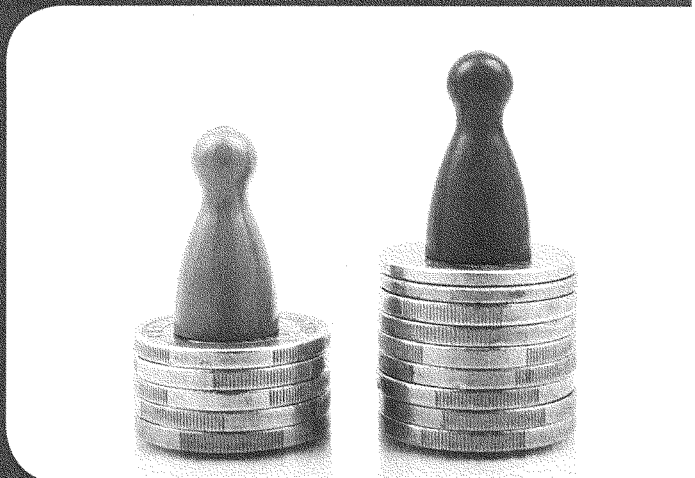


PULSE REPORT:
Applying a Gender Lens to the Wage Gap

April 24, 2017

UC ECONOMICS CENTER
RESEARCH AND CONSULTATION

the WOMEN'S FUND
OF THE GREATER CINCINNATI FOUNDATION

About the Women's Fund

The Women's Fund of The Greater Cincinnati Foundation leads our community in ensuring the economic self-sufficiency of women in our region and ignites a shared desire to improve it. Although there are many factors that contribute to a woman's ability to be self-sufficient, we focus on four areas: access to affordable, quality child care, training and education, employment, and getting more women into living wage careers.

We research.
The Women's Fund has released groundbreaking studies on the status of women and girls in Greater Cincinnati and has inspired others to apply a gender lens to their work. This research helps us clarify the challenges, educate our leaders, and gives us a road map of which issues to tackle first.

We catalyze the community.
Always at the table, The Women's Fund provides a strong voice for women and families in our community. We quicken the pace of change on big community problems by bringing together people from all sectors and providing them with the tools they need to be change agents.

We drive systemic change.
We seek out common ground and advocate for policy change that advances women's economic self-sufficiency.

the WOMEN'S FUND
OF THE GREATER CINCINNATI FOUNDATION

Dear community partners,

At the Women's Fund, we imagine a world where all women can participate, prosper and reach their full potential.

In 2014, when we issued the PULSE Study that applied a gender lens to the 2020 Jobs Outlook Report, we discovered that a gender wage gap existed in every single occupational group. To more fully understand the gender wage gap and the variables that contribute to it, we commissioned the UC Economics Center to study the wage gap and its effect on wealth accumulation. What they found is that the wage gap is not simple; it comprises a complex interrelationship of explained and unexplained differences and the ever-subjective concept of "choice."

As you will read, the results show significant disparities in men's and women's wages, even when controlling for variables like education, hours worked, age, marital status, and the presence of children. The remaining disparity amounts to a significant unexplained difference in wages between men and women. Over time, this disparity in wages leads to hundreds of thousands of dollars lost, forcing women to either work longer or retire with less. For women of color, the disparities are even more profound.

We know that when women thrive, communities thrive. **If we want our community to be a leader in business and industry, we must also be a leader in equity.**

So what can we do? After reading this report, the most important action you can take is to explore wages in your own workplace. You can:

- **Conduct a pay equity analysis at your company.**
  We have assembled resources on how to do this on our website: cincinnatiwomensfund.org. If doing it yourself seems daunting, you may want to hire a professional. Myriad variables will be at play including education level, years of service, promotion and raise structures, as well as more subtle practices that may affect pay including negotiation styles. A solid economic analysis can help your organization assess your wage data.

- **Use your findings to inform your actions.**
  Knowing the information is only the beginning. If your company uncovers a gender wage gap, develop a plan to address it. Refer to our website for some helpful resources.

- **Share your story with us!**
  Let us know how conducting a pay equity analysis affected your organization. You can share your story on our website.

Let's use this information to energize our community and address these inequities together.

Meghan Cummings

Meghan Cummings
Executive Director
The Women's Fund of The Greater Cincinnati Foundation

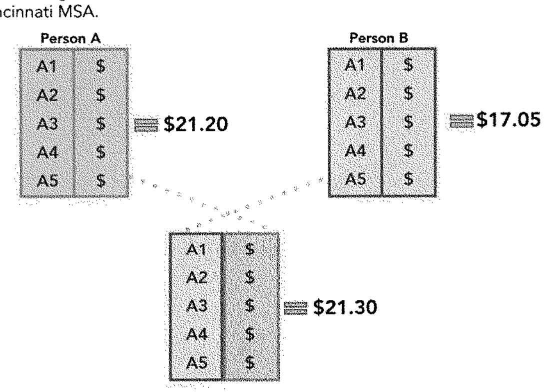
200 W. Fourth St.
Cincinnati, OH 45202

For more resources, visit:
www.CincinnatiWomensFund.org/PayEquity

WHEN WE COMPARE THE WAGES of men and women, we're looking at both the levels of various attributes as well as the returns on those attributes. This provides a much deeper understanding of what contributes to wage gaps. While a significant amount of research on the topic explores the average wages of men and women, this research delves into the return structure: **how much would women make if they were rewarded at the same rate as men?**

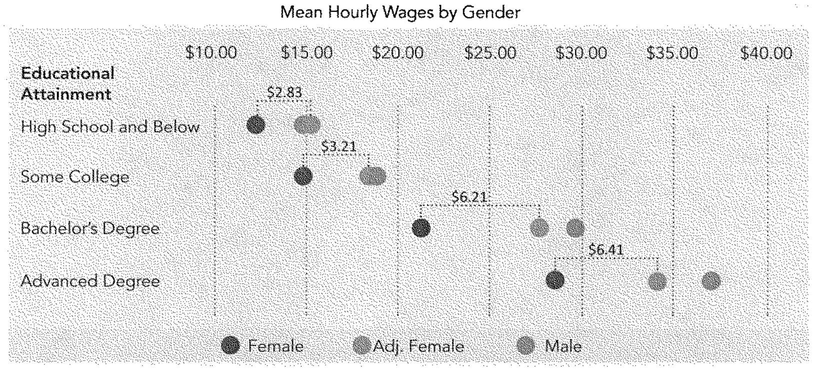
For example, imagine two individuals. They both possess various levels of the same attributes (education, experience, etc.). They also have rates of returns for each respective attribute.

Person A is the average male within the Cincinnati MSA whereas Person B is the average female within the Cincinnati MSA.



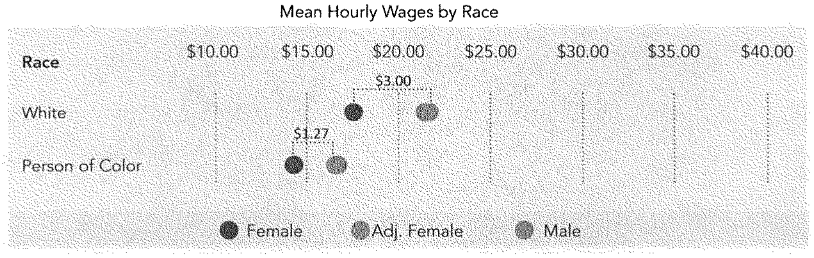
When we use the female's levels of attributes with the male's returns on attributes, we find that the average woman in the Cincinnati MSA should actually be out-earning her average male counterpart. This new "person", which from hereon will be called an Adjusted Female (Adj. Female) to represent the constant level of attributes from female-to-female but using the female-to-male return weights.

Mean Hourly Wages by Gender



The difference in mean hourly wages between men and women takes on additional impact when coupled with level of education. The acquisition of education has long been touted as the great equalizer--the way to achieve self-sufficiency, financial independence, and to level the playing field. However, the data indicate that as educational attainment increases, the gap between the actual hourly wage of men and women, and the gap between the wage of women and the adjusted wage of women (F-M wage) grows larger. In fact, as can be seen from the chart above, the actual average wage of women with an advanced degree is less than the average wage of men with a bachelor's degree. Adjusting women's wage to reflect men's returns only partially closes these gaps, gaps that increase the higher the education level. Even after incorporating men's returns into women's wages, these adjusted women's wages remain below that of men for all educational levels except high school and below.

Mean Hourly Wages by Race



As with education, applying a racial lens to the data reveal some interesting findings. Wages for females of color are affected by both gender and race effects. For persons of color, actual male, actual female, and adjusted female wages are much less dispersed than for whites, and all fall below the associated levels for their white counterparts. In fact, all three measures of wages are less than the lowest of the associated white wages—actual wages for males of color is less than the actual wage for white women.

How much does the wage gap end up costing women?

The wage gap of $0.80 on the dollar for women to men adds up over time. The wage gap reduces the amount of take-home pay that women receive but it also has implications on saving for retirement, debt-to-income ratios, and employer contributions to savings accounts.

The following wage gap comparisons are based on the difference between our average women and the adjusted women. All attributes of the average female in the Cincinnati MSA were held constant, however, the male reward rates were used. This follows the previous examples to establish the adjusted female. Then, we compare females with adjusted females.

The first comparison is at the one hour of work level. The wage differential for females and the adjusted females is more than the cost of a breakfast meal at most fast-food restaurants.

One hour of the wage gap is equal to $4.26 an hour, or a meal at most fast food restaurants.

The United States Department of Agriculture prepares weekly and monthly cost estimates for the cost of food at home at four different cost plan levels. The four levels are thrifty, low-cost, moderate-cost, and the liberal cost plan. All plans exceed the national standard for a nutritious diet. The gap in weekly wages between females and adjusted females in Cincinnati is approximately $170. The thrifty food plan for a family of four is between $128 and $147, depending on the age of dependents. The low-cost plan, which is commonly used in lawsuits to determine alimony or child support, ranges from $163 to $193.

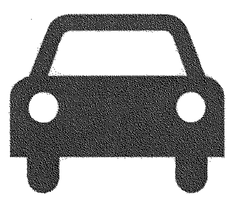
Assuming full-time work, one week of wage gap is equivalent to the grocery budget for a family of four.

The hourly wage gap represents $745 over the course of a month, assuming full-time employment. The median home price for currently listed (April, 2017) homes in Cincinnati, Ohio is approximately $157,000.

Based on current interest rates and a 30-year mortgage, the amount of wage gap experienced per month would exceed the $742 monthly mortgage cost associated with a median home. For the average female working full time, the wage gap literally is enough to pay for a house.

The wage gap results in a lost $745 every month for the average female, or more than the mortgage payment on the average Cincinnati home.

Lastly, over the course of a year, the accumulated wage gap is equivalent to a used car. For example, a 2012 Honda Civic's Kelly Blue Book value is $8,900, just $50 shy of the annual $8,950 wage gap for the Cincinnati MSA.



For full-time employees, the wage gap experienced by females is approximately the same as buying a used car.

The annual wage gap of $8,950 also exceeds the Child Care Aware of America and Ohio's estimates for Ohio's average cost of full-time infant child care. The accumulated yearly losses due to wage gap would provide care at an Ohio based child-care center for a year, which coincidently would free up full-time work effort if an individual was trading off a workplace discontinuity in order to provide home care.

THE EXTENSION OF THE WAGE GAP to look at weeks, months, and years includes a number of assumptions. First, all of the levels of attributes are held constant except for age and age squared. This ensures the most apples-to-apples comparison between female and adjusted female as well as female to male.

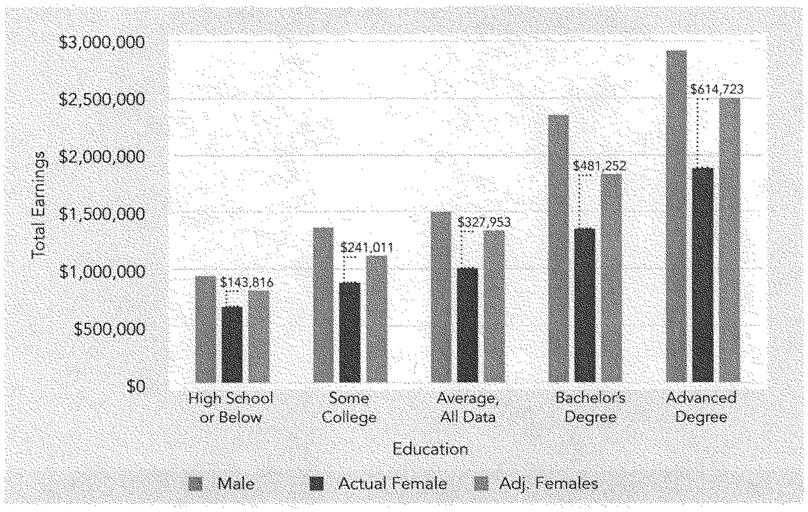
By controlling levels, we are not artificially introducing any labor force discontinuities that may happen in the future. Examples of labor force discontinuities are taking time off for child care, education, or elder care. Labor force discontinuities are relatively common and previous research has shown that the burden of discontinuities often falls on females more than males.

Additionally, any labor force discontinuity that has already taken place is endogenous to the model. In other words, if a discontinuity resulted in a loss of wages in the past, the model would capture that during the 2015 snapshot in time and the impacts would already be included. Therefore, forecasting out other discontinuities becomes challenging and potentially harmful to the models performance as well as the unbiased nature of the model. These amounts do not show the total amount of money that individuals have in retirement accounts or savings accounts.

The graph on the right represents the total earnings from ages 40-67 calculated for males, females, and adjusted females for a number of educational achievements as well as racial differences. Total earnings includes all earned income (wages or salaries) plus returns on an assumed savings rate. These numbers were prepared by combining the wage gap research with Survey of Consumer Finance research on savings rates by age and income quartiles and estimated expected returns on savings. This age-income matrix allows for a dynamic calculation of assumed percent of income saved as individuals made varying levels of income, as well as when individuals aged into the next age quartile. Overall, these numbers are a conservative representation of the potential long-term impacts of gender gaps in pay.

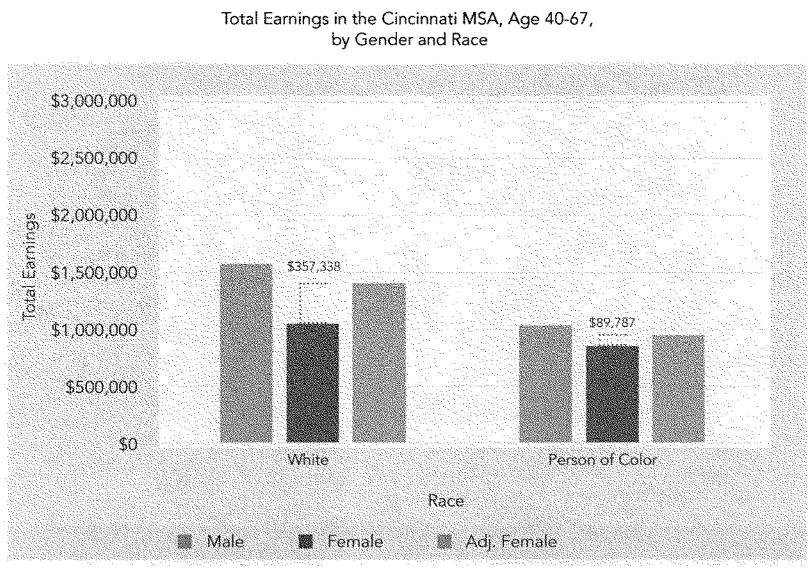
The orange and purple bars are representative of males and females, respectively. The green bars signify what female lifetime wealth accumulation would look like if females were rewarded similarly to men. The green bars show what happens if we simply apply the male rate of returns on the attributes of a female. This difference is also called the unexplained difference between male and female wages.

Total Earnings in the Cincinnati MSA, Age 40-67,
by Gender and Educational Attainment



The graph above shows clearly that, on average, income scales upward with education. The average person with some college generally has a higher earnings profile than someone with a high school degree or below and someone with a bachelor's generally earns more than someone with some college. This trend continues from high school and below to advanced degree.

A few interesting considerations, however, are that while wages keep increasing with education, the returns by gender are not consistent within the same educational attainment. For example, females with some college earn less than a male with high school and below education. This offset stays constant throughout all educational achievements. One of the main reasons for the size of the earnings gap for ages 40-67 is that there are explained differences (the difference between the green bar and orange bar) due to certain variables such as hours worked per week or weeks worked per year. Therefore, the unexplained (purple bars to green bars) differences show a very clear difference in total earnings due to a number of unexplained effects.



The above chart shows the relationships between wage, race, and gender. The first key finding is that all of the totals for persons of color are lower than those for white individuals. Also, the differences between female and male, as well as female and adjusted, are smaller for persons of color nominally and percentage wise. This may be due to the already apparent gender effects having a more limited impact due to a lower wage at the start.

Opposed to the previous hourly dot charts which indicated that white females should out earn white males, we see the opposite when comparing the green and orange bars for white. This transition to males earning more than adjusted females is due to the differences in levels for hours worked per week and weeks worked per year. However, the impact on those work-effort attributes may be due to other pre-market choices or responsibilities outside of work such as child or elder care.

What are some other considerations?

There are a number of other considerations when continuing to explore the causes and effects of a gender or race based wage gap. For example, women have higher rates of educational attainment which may also lead to a student debt gender gap. Continuing this line of thought, women not only make less money but may also owe at a higher rate or incidence. Additionally, this disparity or gap in the debt-to-income ratio may contribute to different rates of home ownership for females and males or lower levels of equity and retirement savings.

Caveats

While this analysis informs many questions about the local wage gap and its components, there remain several issues that it does not address. The unexplained portion of the wage gap is just that—unexplained by the model. That means that this portion could be due to variables that could not be included because of data limitations, such as on-the-job tenure, in-occupation tenure, occupation, explicit labor market discontinuities and/or labor market discrimination.

We also cannot address the cause of the explained differences. Empirically controlling for differences in attributes begs the question as to why there are differences in attributes at all. These differences could arise because of perceptions of differences in future labor market returns, explicit choices, or other factors that cannot be quantified.

Data

The following are the data sources used in this analysis. A more detailed methodology and report is available at the EconomicsCenter.org website.

The wage gap analysis was completed with Integrated Public Microdata Series provided by the Minnesota Population Center at the University of Minnesota. This data is a harmonized dataset of the 2015 American Community Survey.

The total earnings between 40 and 67 years old was calculated by the estimated earned income through work as well as the estimated savings and savings return rates by age and income quartile. To ensure the most descriptive and representative samples for savings returns, the population was split into a matrix of four incomes and four ages that the various individuals (Male with Some College, Female with an advanced degree, etc.) were transitioned through. For example, the estimated savings rates differ based on the individual's age as well as their earned income.

The four framing examples for the wage gap by hour, week, month, and year were using prices as of April 2017. The prices were collected primarily online with the exception being a fast food meal price where the authors checked both online menus as well as in person. The weekly numbers for groceries are available as of January 2017 here: https://www.cnpp.usda.gov/sites/default/files/CostofFoodJan2017.pdf. The monthly estimated mortgage costs were assuming a 30-year fixed interest mortgage at a 3.92% interest rate and a $157,000 median home price. Lastly, the price of a car was using an excellent quality Honda Civic with 60,000 using the Kelly Blue Book online price calculator.

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At The Women's Fund, our research is a gift to the community. We hope that you use our PULSE Reports to initiate discussions, inspire your partners and effect change. When you use this information in presentations, grant proposals, papers and in other outlets, please credit The Women's Fund of The Greater Cincinnati Foundation.

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THE OHIO
WOMEN'S
PUBLIC POLICY NETWORK

Promoting an Economic Security Agenda for Ohio Women and Families

The Ohio Women's Public Policy Network is a coalition unlike any other group in the state. Formed in 2015 and convened by Innovation Ohio Education Fund, we bring together more than 30 organizations to collaboratively advance policies that create economic security for women and strengthen Ohio families. Using a collective voice that represents the women of our state, the network works to ensure that public policy reflects the true needs of women and families.

Over the last few decades, women have made great strides in workforce participation and educational attainment. However, women – particularly women of color – still face substantial barriers to achieving economic self-sufficiency and are more likely than men to remain at risk of economic insecurity at all stages of their lives. Workplace policies have not kept pace with the changing dynamics of the American workforce and often fail to reflect the multi-faceted role that many women play as both caregivers and breadwinners for their families. Ohio lacks many foundational policies that would promote full economic prosperity and opportunity for women – holding back women, families, and our state as a whole.

Equity is pivotal to our mission as a coalition and should remain a fundamental consideration in all policy creation. We recognize that, historically, our country's laws and policies have reinforced and perpetuated gender discrimination, structural and institutional racism, and bias against marginalized communities. The Women's Public Policy Network is dedicated to confronting and addressing these barriers by working to advance policies that create fair opportunity and equal prosperity for women and their families.

We are united by a shared vision for Ohio in which all women - particularly women of color and other marginalized women - have the resources to thrive and opportunity to lead economically secure, safe, and healthy lives. In order to make a meaningful impact, policymakers must advance public policies centered in equity, fairness, and justice that address the following issue areas:

1. Promoting economic security for women and families
2. Ensuring fairness and opportunity in the workplace
3. Improving women's health and well-being

The members of the Women's Public Policy Network, listed below, are committed to working to implement these and other pro-women policies at the state and local levels:

ACLU of Ohio
ACTION OHIO
American Association of University Women of Ohio
Catholics for Choice
Children's Defense Fund - Ohio
Closing the Women's Wealth Gap
Hadassah Columbus Innovation Ohio Education Fund
Jobs with Justice, Cleveland Chapter
Juvenile Justice Coalition
NARAL Pro-Choice Ohio
National Coalition of 100 Black Women, Central Ohio Chapter
National Council of Jewish Women, Cleveland Chapter Ohio Alliance to End Sexual Violence
Ohio Coalition of Labor Union Women (CLUW)
Ohio Domestic Violence Network
Ohio Federation of Teachers
Ohio NOW
Ohio Progressive Asian Women's Leadership
Ohio Religious Coalition for Reproductive Choice
Ohio Urban Resources Systems (O.U.R.S.)
Planned Parenthood Advocates of Ohio
Policy Matters Ohio
ProgressOhio
Restoring Our Own Through Transformation (ROOTT)
The Women's Fund of Central Ohio
The Women's Fund of the Greater Cincinnati Foundation
UHCAN Ohio
URGE
YWCA Columbus
YWCA Dayton
YWCA Greater Cincinnati

PROMOTING ECONOMIC SECURITY FOR WOMEN

Women regularly face economic barriers, including disproportionate representation in low-security and low-wage jobs. Despite having slightly higher levels of educational attainment than men, women are more likely to hold a part-time job, work for minimum wage, and live in poverty. In Ohio, nearly seven in ten minimum wage workers are women, and women of color represent a disproportionate share of these workers – particularly Black women who are overrepresented in three of the nation's lowest wage-earning, highest growth jobs (personal care aides, food preparation/servers, and home health aides).[1] Women make up nearly three-quarters (74.8 percent) of the tipped wage workforce in Ohio; receiving less stable pay and experiencing a poverty rate that is twice as high as the rate for other workers.[2]

Additionally, women are more likely to take on caregiving duties for children or sick family members, but only 15 percent of workers – and only four percent of low-wage workers – have access to any form of paid leave through their employers. Black and Latina women are even less likely to have access to paid leave, which exacerbates the wealth gaps and racial disparities among families of color and white families.[3] Meanwhile, the average annual cost of infant care in Ohio is $8,977, which is estimated to take up 15.1 percent of the average Ohio family's income for one child.[4]

Women's systemic labor market barriers threaten their economic security and that of their families, at a time when women play an increasingly integral role in securing their families' livelihood: women are the sole, primary, or co-breadwinner in roughly two-thirds (67 percent) of all families in Ohio. Looking across racial groups, 85 percent of Black mothers, 62 percent of Latina mothers, and 53 percent of White mothers are key family breadwinners. However, as much as 32 percent of the more than 587,000 Ohio households headed by women had incomes below the poverty level in 2017.[5] Single mothers, women of color, and elderly women living alone are particularly vulnerable to living in poverty. The Ohio Women's Public Policy Network advocates for policies that promote women's economic security, such as:

- Increase the minimum wage and eliminate the tipped wage
- Improve the state earned income tax credit to benefit more working women
- Increase access to paid family and medical leave and paid sick days
- Increase affordability of child care and expand public preschool
- Ensure pension protection and retirement security
- Increase access to affordable housing and housing security

ENSURING FAIRNESS AND OPPORTUNITY IN THE WORKPLACE

Women's workforce participation has increased 35 percent since the early 1970s and, in Ohio, women now make up nearly half (48 percent) of the state's workforce. As many families increasingly depend upon the wages of working mothers, women are remaining in their jobs longer into their pregnancies and staying in the workforce at higher rates after childbirth than ever before. Despite this increased participation in the workforce, women, particularly those working in the low-wage workforce, continue to face barriers to keeping their employment or advancing in their careers due to outdated workplace policies or workplace discrimination.

Pregnancy discrimination, such as being forced out of a job or denied reasonable accommodations while pregnant, affects women across race and ethnicity, but women of color and immigrant women may be at elevated risk due to their disproportionate representation among jobs with less flexibility, fewer legal protections, and greater physical demands. Unfair or discriminatory hiring practices, among other factors, contribute to the gender and racial wage gaps, which prevent women and their families from reaching their full economic potential. In Ohio, the gap is slightly larger than the national average with women typically earning just 75 cents for every dollar men make, totaling an annual wage gap of $12,686. Pay disparities are even larger for women of color working in Ohio who face racial and gender pay inequities. On average, Black women are paid 64 cents and Latinas are paid 61 cents for every dollar paid to white, non-Hispanic men.[6] Failing to provide equal pay not only impacts women's paychecks, but also has longer term impacts on women's wealth attainment, investment, and retirement savings.

Women disproportionately experience domestic violence and sexual harassment and violence – issues that not only affect the health and safety of women, but also permeate into the workforce by affecting productivity, jeopardizing the safety of victims and co-workers, and increasing absenteeism and employee turnover. Research estimates that the average lifetime cost of intimate partner violence for women is $103,767.[7] Women of color and immigrant women are particularly vulnerable to sexual harassment and assault in the workplace as they are overrepresented in lower-wage industries, which have stark power imbalances and meager legal protections. The Women's Public Policy Network promotes the following policies to ensure fairness and opportunity in the workplace:

- Ensure pay equity for all women by protecting against pay discrimination on the basis of gender, race, color, religion, sexual orientation, national origin, age, or disability
- Promote fair and flexible work schedules
- Protect the rights of workers to organize and bargain collectively for fair wages, benefits, and working conditions
- Support nursing mothers in the workplace
- Protect against discrimination on the basis of pregnancy or caregiver status
- Eliminate barriers to employment and career advancement, particularly for formerly incarcerated women
- Promote opportunities for women to advance and excel in the business and entrepreneurial sector
- Prevent and address sexual harassment and violence in the workplace
- Protect against discrimination in housing or the workplace on the basis of sexual orientation or gender identity
- Protect against discrimination in housing and the workplace against survivors of sexual and domestic violence

IMPROVING WOMEN'S HEALTH AND WELL-BEING

Without access to adequate, comprehensive health care and treatment, the goal of economic security is cut short before it begins – but affordable coverage and care are out of reach for many. Seven percent of Ohio women between the ages of 19 and 64 lack health insurance altogether; and women of color are more likely to be uninsured, which presents barriers to accessing preventive and primary health care and contributes to persistent health disparities, such as higher rates of diabetes, pregnancy-related complications, and cervical and breast cancer than white women.[8] Black women also face disproportionally higher rates of pregnancy-related deaths. The United States is the most dangerous developed nation in the world for women to give birth, and Ohio faces a maternal mortality rate above the national average. Nationally, Black women are three to four times more likely to die from pregnancy-related deaths compared to white women as a result of racial disparities in access to and quality of care; discrimination and implicit bias in the health care system experienced before, during, and after pregnancy; and stress and trauma associated with structural and institutional racism.[9]

Medicaid has long been a lifeline for women, especially women in rural areas of the country. In Ohio, women compose more than half (58 percent) of the state's Medicaid population, and nationally, Medicaid covers more than 50 percent of births, playing a critical role in maternal care and health outcomes for babies.[10] Unfortunately, due to prohibitive cost barriers for women without insurance coverage, research demonstrates there are some low-income women in Ohio who are less likely to seek necessary medical care or have lower rates of accessing preventive services when compared to low-income women with insurance coverage. As a result of increased health care utilization for physical and mental health needs, health care costs can be even higher for women who have experienced physical or sexual abuse, and these elevated costs can continue for years after the incident of abuse.

Although many women presently rely on reproductive health services, ideological legislative agendas have impeded access to abortion and other reproductive health care services, and access is not distributed evenly. Restrictions to abortion access in Ohio disproportionately hurt women of color, low-income women, and women living in rural areas. Access to contraception and abortion care is directly linked to women's educational attainment, workforce participation, and economic security. Women who are denied an abortion are three times more likely to live in poverty two years later, compared to women of similar earning potential who were able to obtain an abortion.[11] Women of color, and especially Black women, are disproportionately likely to be denied or unable to access resources, services, and information related to their reproductive health, which prevents them from experiencing maximum health, wellbeing, and birth outcomes. The Women's Public Policy Network believes that women have a right to choose their own health care options and advocates for policies that improve women's health and well-being, such as:

- Preserve access to and increase affordability of comprehensive health care for low- and middle-income women
- Address barriers to behavioral and mental health treatment
- Protect against cultural, social, racial, and ethnic barriers for obtaining healthcare services
- Protect the health and safety of incarcerated women and girls
- Improve maternal health outcomes and address maternal health inequity, particularly for Black mothers who face higher rates of maternal mortality and morbidity
- Prevent lawmakers and employers from interfering in health care decisions
- Restore and protect access to reproductive health care services, including contraception and abortion
- Ensure the physical and mental health needs of survivors of sexual and domestic violence are met without cost to the survivor; the crimes against them investigated and prosecuted; and perpetrators of such crimes are held accountable
- Support and invest in programs that address and prevent sexual and domestic violence, such as healthy relationship education
- Create new protections for survivors of sexual abuse, domestic violence, and stalking

[1]*National Women's Law Center (2018, August), Fact Sheet: Low-Wage Jobs Held Primarily by Women Will Grow the Most Over the Next Decade. [Online]. https://nwlc.org/resources/jobs-largest-projected-growth-2012-2022-almost-half-are-low-wage-nearly-two-thirds-are-female-dominated/*

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[3]*The National Partnership for Women & Families. (2018, August). Paid Family and Medical Leave: A Racial Justice Issue – and Opportunity. [Online]. http://www.nationalpartnership.org/research-library/work-family/paid-leave/paid-family-and-medical-leave-racial-justice-issue-and-opportunity.pdf*

[4]*Economic Policy Institute. (2016, April). The cost of child care in Ohio calculator. [Online]. https://www.epi.org/child-care-costs-in-the-united-states/#/OH*

[5]*National Women's Law Center (2017, April). A Snapshot of Working Mothers. [Online]. https://nwlc.org/wp-content/uploads/2017/04/A-Snapshot-of-Working-Mothers.pdf*

[6]*National Partnership for Women & Families. (2017, April). Fact Sheet: Ohio Women and the Wage Gap. [Online]. http://www.nationalpartnership.org/research-library/workplace-fairness/fair-pay/4-2017-oh-wage-gap.pdf*

[7]*Center for Disease Control and Prevention. (2018, April). Lifetime Economic Burden of Intimate Partner Violence Among U.S. Adults. [Online]. American Journal of Preventative Medicine, https://www.ajpmonline.org/article/S0749-3797(18)31904-4/fulltext.*

[8]*Henry J Kaiser Family Foundation, State Health Facts: Health Insurance Coverage of Women 19-64 (2016), https://www.kff.org/other/state-indicator/nonelderly-adult-women/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D*

[9]*Center for Disease Control. Pregnancy Related Deaths. https://www.cdc.gov/reproductivehealth/maternalinfanthealth/pregnancy-relatedmortality.htm*

[10]*Henry J Kaiser Family Foundation. (2017, June). Fact Sheet: Medicaid's Role for Women. [Online]. https://www.kff.org/womens-health-policy/fact-sheet/medicaids-role-for-women/*

[11]*Innovation Ohio Education Fund. (2017, December). Reproductive Access and Women's Economic Security: A Policy Prescription for Ohio. [Online]. http://womenspublicpolicynetwork.org/wp-content/uploads/2018/01/IOEF_womenseconomic_12.08.pdf*

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Members of the Women's Public Policy Network are committed to working to implement these and other pro-women policies at the state and local levels. Although member organizations may not endorse every individual policy promoted by the Women's Public Policy Network, they will not actively work against such efforts to advance the policy.

For more information, visit our website at
WWW.WOMENSPUBLICPOLICYNETWORK.ORG

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