



The Great Wealth Transfer

Racial Wealth Equity Research & Conversation Series

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Key Takeaways

- 1.) The Great Wealth Transfer could widen Black-white homeownership rate gap
- 2.) But the homeownership rate gap could be further exacerbated because Blacks are less likely to have a will/the liquid assets to pursue estate planning
- 3.) Even if all Black families are prepared to pass off their wealth, the Great Wealth Transfer could still amplify the Black-white wealth gap because inherited properties are more likely to be structurally unsound undermining their value
- 4.) More fundamentally, traditional measures of wealth accumulation may understate the Great Wealth Transfer itself, because net worth calculations typically do not include the payouts from life insurance.

Disclosures

The research that will be presented or discussed has been, now or in the past, supported by JP Morgan Chase Foundation, Prudential Foundation and Invest STL.

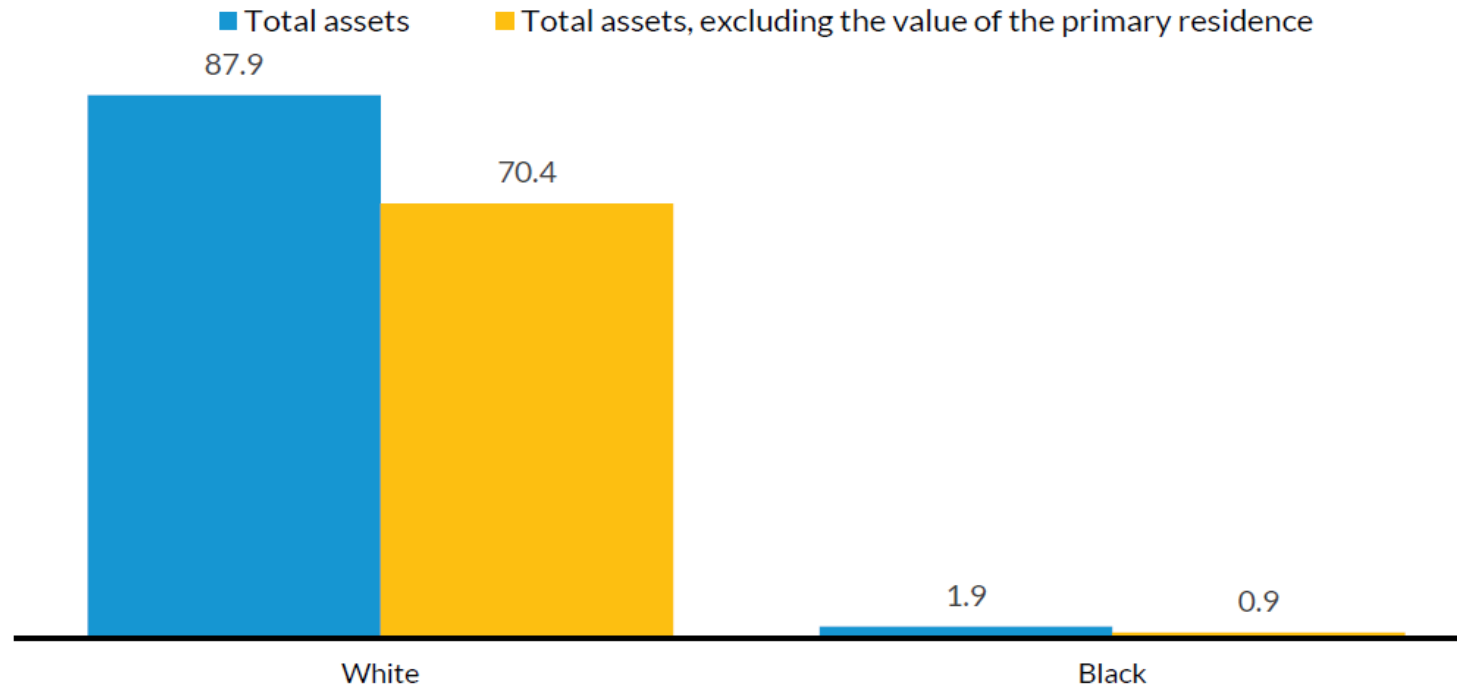
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Wide racial disparities in senior family assets

Total Assets Owned by Senior Families, by Race

In trillions of dollars



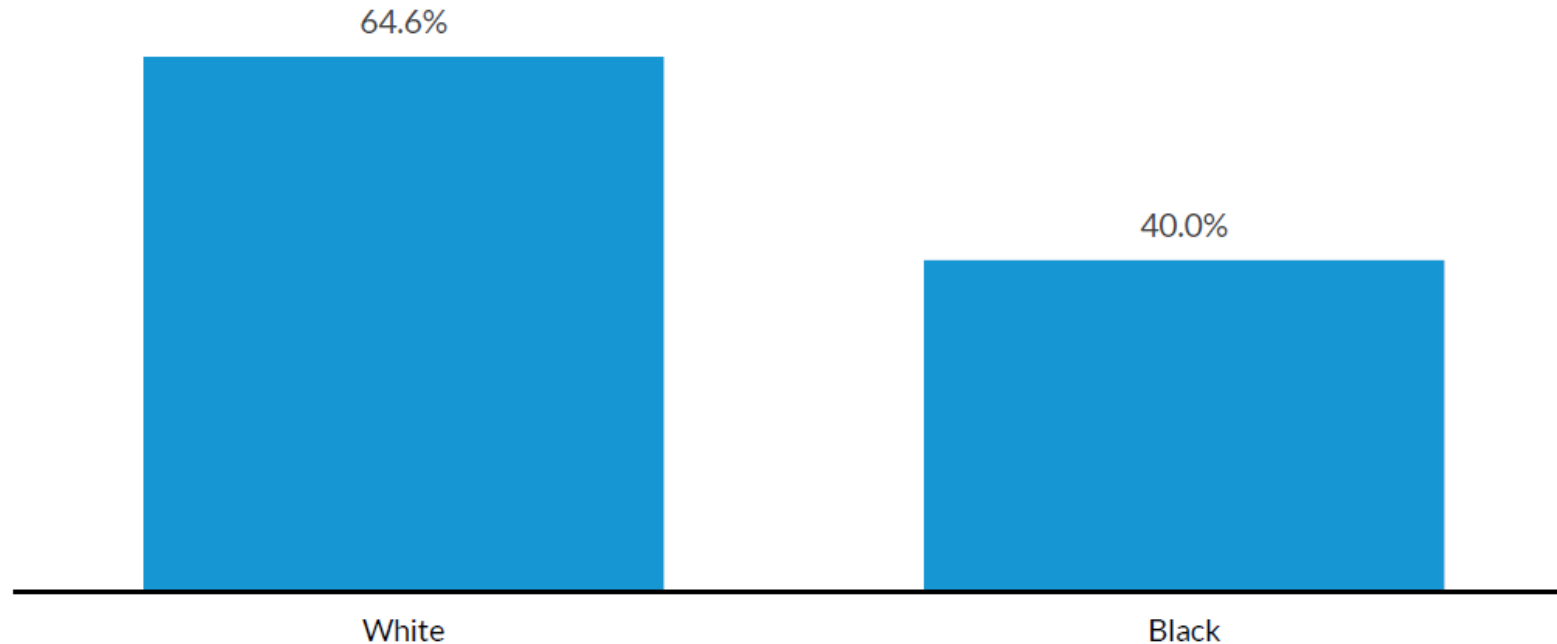
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Source: Urban Institute's calculations: 2022 Survey of Consumer Finances (SCF) (Washington, DC: Board of Governors Federal Reserve System, 2023), <https://doi.org/10.17016/8799>.

Notes: Senior families are those for whom the head of household is age 58 years or older.

Younger Black families less likely to be homeowners

Younger Homeownership Rate, by Race



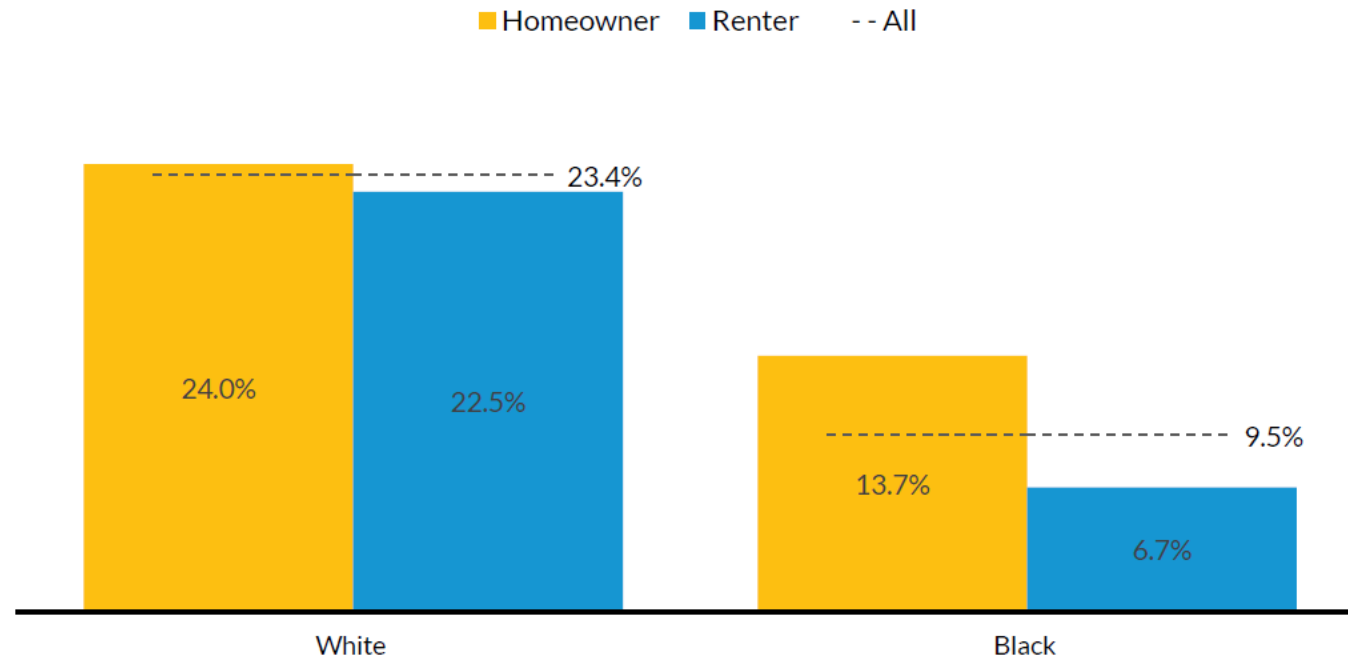
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Notes: Younger families are those for whom the head of household is younger than age 58.

Younger Black renter families are least likely to expect a sizable inheritance

Share of Younger Families Expecting to Receive a Sizable Inheritance, by Race



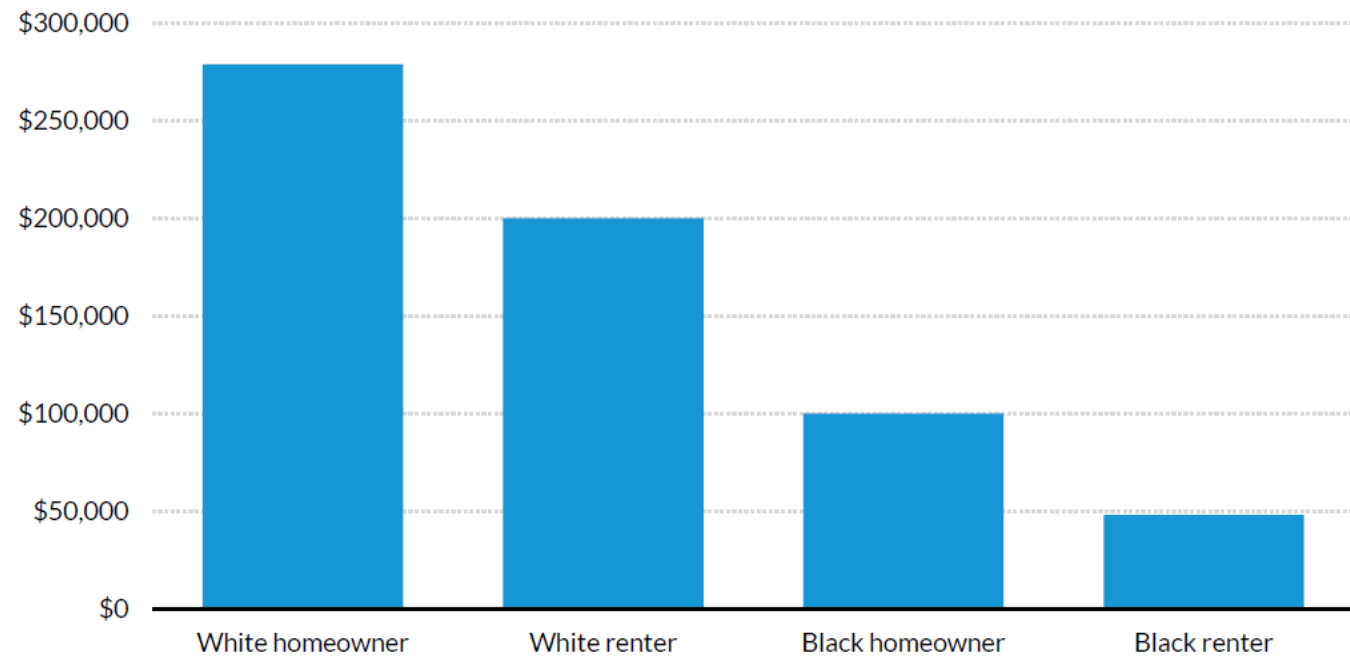
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Notes: Younger families are those for whom the head of household is younger than age 58.

Younger Black households expect to receive much smaller inheritances than their white counterparts

Median Expected Amount of Inheritance among Younger Families, by Race and Homeownership



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Source: Urban Institute's calculations: 2022 Survey of Consumer Finances (SCF) (Washington, DC: Board of Governors Federal Reserve System, 2023), <https://doi.org/10.17016/8799>.

Notes: Younger families are those for whom the head of household is younger than age 58.

Heirs' property conditions among black and white older homeowners

How Inheritance Could Change Homeownership Rates among Younger Families

Younger than age 58

	Black	White	Among younger Black families
Number of households	9,942,352	46,035,994	--
Number of homeowners	3,977,599	29,722,743	--
Homeownership rate	40%	64.6%	--
Median home value	--	--	\$250,000
3.5 percent of median home value	--	--	\$8,750
Number of renters expecting to receive an inheritance	397,371	3,666,452	
Number of qualifying renters (expected amount + current assets ≥ \$8,750)	341,110	3,534,969	
Number of total new homeowners	4,318,709	33,257,712	
New homeownership rate	43.4%	72.2%	
Percentage point difference in new homeownership rate vs current	+3.4	+7.7	

Source: Urban Institute's calculations: 2022 Survey of Consumer Finances (SCF) (Washington, DC: Board of Governors Federal Reserve System, 2023), <https://doi.org/10.17016/8799>.

Potential Bridge Hole: Heirs' Property

Heirs' property conditions among senior black and white homeowners

Race or ethnicity	No will or trust	Two or more children	Widowed or no partner	All three conditions
Black	69.4%	84.0%	17.8%	9.8%
White	34.9%	78.6%	14.1%	2.6%

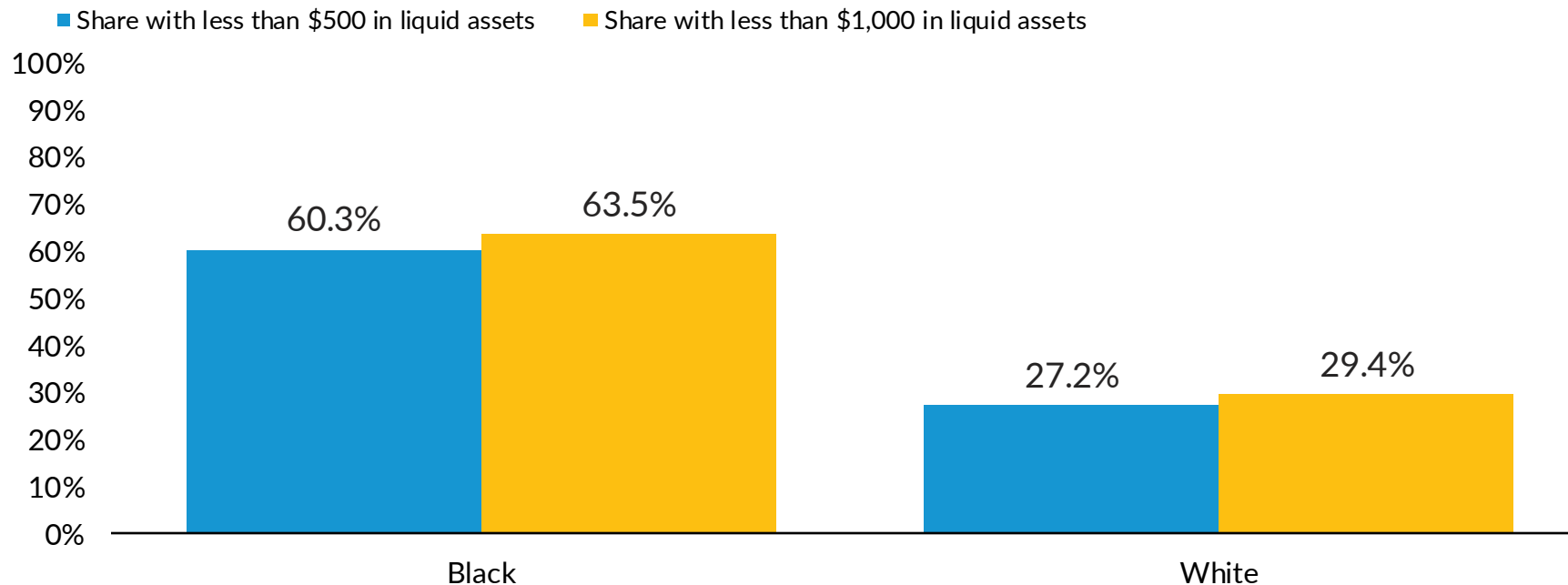
Sources: 2020 Health and Retirement Study and Urban Institute calculations.

Notes: Results are for households where the household head is 50 or older that own some real estate (does not have to be primary residence). Black and white households are non-Hispanic.

^a Prospective tangled title value is the total value of real estate owned by households that meet the three conditions.

Black and Hispanic senior homeowners without wills often lack the liquid assets needed for estate planning

Among homeowners older than 50 without a will

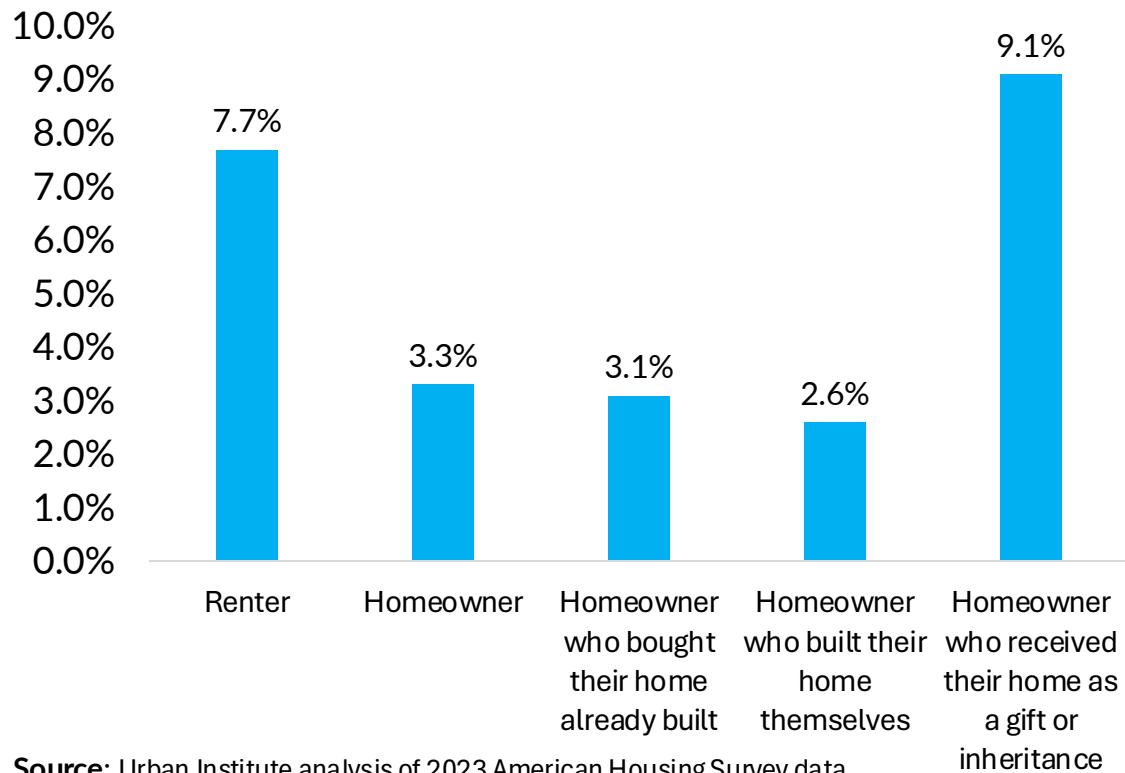


Source: Urban Institute analysis of the 2020 Health and Retirement Study.

Notes: Liquid assets include the total that a household has in checking accounts, savings accounts, money market funds, stocks, and stock mutual funds. "Homeowners" includes all real estate owners, even those who live in nursing homes or elsewhere but still own property. Ninety-seven percent of senior real estate owners are homeowners. The "other" category comes directly from the dataset, but we know that lumping together groups into categories like "other" can obfuscate important

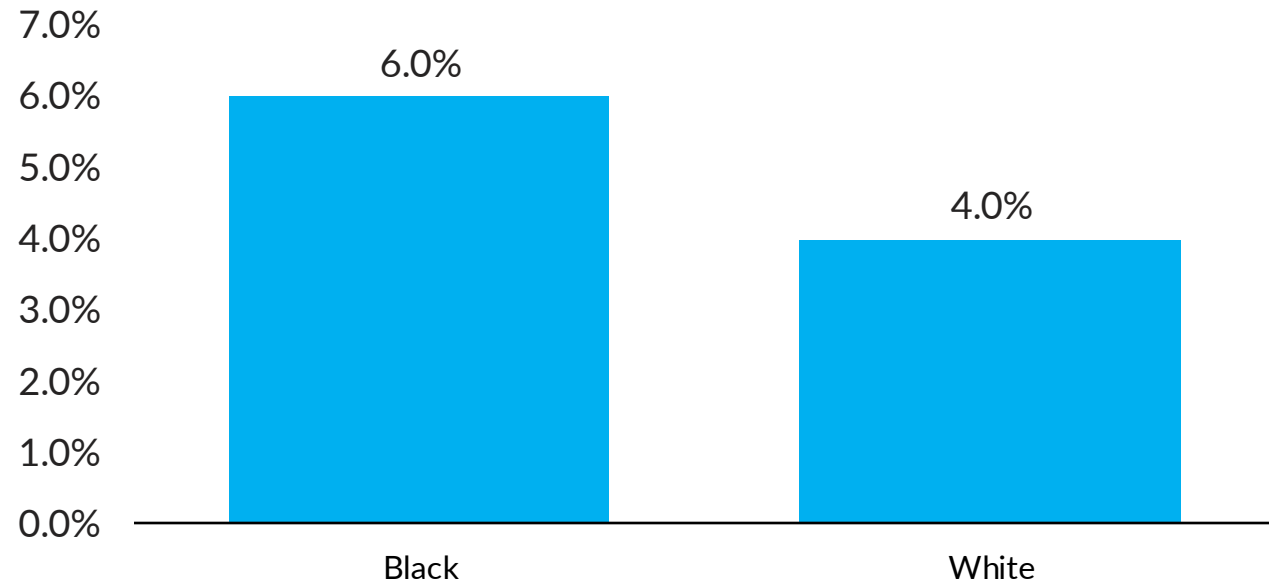
Black Homeowners Are Most Likely to Live in Inherited or Gifted Homes

Share of homeowners living in physically inadequate properties



Source: Urban Institute analysis of 2023 American Housing Survey data.

Share of homeowners living in inherited or gifted homes, by race or ethnicity



Source: Urban Institute analysis of 2023 American Housing Survey data.

Potential Underestimation of Great Wealth Transfer: Life Insurance

Net worth Definition

Net worth = Financial Assets + Nonfinancial Assets - Debt

- Financial Assets – Liquid Assets, Certificates of Deposit, Non-money market funds, Stocks, Bonds, Retirement Accounts, Saving Bonds, **Cash Value of Life Insurance**, Other Financial Assets
- Nonfinancial Assets – Vehicles, Primary Residence, Other Residential Real Estate, Nonresidential Real Estate, Business Equity, Other
- Debt – Mortgages, Other Residential Debt, Other Lines of Credit, Credit Card Balances, Installment Loans (Education, Medical, etc.), **Other Debt (includes Borrowing against Cash Value of Life Insurance)**.

Measures of transferable wealth do not include the payouts from life insurance policies

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The screenshot displays the Housing Finance Policy Center website. At the top right, there is a blue button labeled "SUPPORT URBAN INSTITUTE". Below the header is a dark navigation bar with links for "About", "Staff", "Publications", "Projects", "Events", "Urban Wire Posts", "In the News", and "More". The main content area features a line chart with multiple data series in yellow and blue, showing fluctuations over time. To the right of the chart is the title "Housing Finance at a Glance: March" and a brief description: "The most recent edition of At A Glance, the Housing Finance Policy Center's reference guide for mortgage and housing market data." Below the chart are navigation arrows. The "LATEST WORK" section contains three featured items:

- Working Paper:** "What Fueled the Financial Crisis?" by Laurie Goodman and Jun Zhu, dated April 4, 2018. The image shows an aerial view of a residential neighborhood.
- Urban Wire Post:** "Where can renters afford to buy homes?" by Laurie Goodman and Jun Zhu, dated March 20, 2018. The image shows a person walking through a doorway into a bright interior.
- Research Report:** "Housing Affordability: Local and National Perspectives" by Laurie Goodman, Wei Li, and Jun Zhu, dated March 28, 2018. The image shows a modern, single-story house with a green lawn.