
Better Off in the South? Black American Household Wealth, Assets, and Saving Trends, 1989-2019

Morningstar Behavioral Research

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Introduction

As part of our research to examine the causes and potential solutions to the U.S. racial wealth gap,¹ we took a deep dive into the finances of Black households. We look at trends in wealth accumulation as well as savings rates--overall and for retirement--along with the proportion of wealth held in various assets like retirement, brokerage accounts, houses, and vehicles. Understanding the importance of location, we compare the South--where most Black families live and where there is important historical and socioeconomic significance for this racial group--with other regions across the U.S. We focus on median² households and make comparisons by race that account for differences in income, education, age, nativity, household composition, region, and living in an urban versus rural location.

We find that median Black households have low wealth overall, especially outside of the South. They also have higher proportions of wealth in lower-yield assets and lower overall savings and retirement savings rates than white households. However, when we account for income, education, and other factors, there are no significant differences in overall savings, though differences in retirement savings rates remain. There are also differences in savings rates by racial group in terms of the influence of income, education, and location.

Key Takeaways

- ▶ A median Black household in the South has about 50% more net wealth than one outside the South. The racial wealth gap is also much lower in the South, though this gap is growing.
- ▶ Black household wealth overall appears more concentrated on low-yield assets, such as a house or vehicle, compared with white households.
- ▶ Significantly less Black households participate in a workplace retirement account, and there is a downward trend of participation over the past few years.
- ▶ Income and education are major factors linked to higher savings rates among median Black households. Income is particularly influential among Black Southern households while higher education is more influential for Black households outside the South.
- ▶ Median Black households led by college graduates have higher levels of retirement savings than those led by adults who did not complete high school—an effect particularly linked to Southern households.

¹ Thompson and Wendel. 2021. "[Drivers of Savings Inequality by Race and Place](#)." Morningstar. Wendel. 2021. "[Unpacking Racial Disparities in Savings](#)." Morningstar.

² By median household, we refer to "typical" households--those in the middle of the wealth distribution--where half of households have a lower net wealth (assets minus debts) and half have a higher net wealth.

Background

The racial wealth gap has widened considerably³ in the U.S. and a disproportionate number of African-American or “Black”⁴ households remain on the lower end of the income distribution, such that the median Black household only has \$24,100 in wealth--less than 15% of the median white household.⁵ This is largely due to powerful residual barriers to equitable employment and education following the end of explicit race-based discrimination.⁶ The South is a particularly fascinating region of the U.S. to examine economic trends for Black households for several reasons:

- ▶ This is where African Americans were a key labor source for America’s early plantation economy.⁷
- ▶ Despite the 20th century Great Migration,⁸ most Black households still reside in the South.
- ▶ There is a growing trend of reverse migration southward as families find improved opportunities.⁹
- ▶ Many of the growing proportion of Black immigrants also favor the South.¹⁰

While our research does not address the broader structural disadvantages faced by Black families, we shed light on household savings and asset-accumulation patterns and factors that may help or hinder their prospects for wealth creation. Some assets like stocks and bonds within brokerage and retirement plans--especially when diversified or well-managed to minimize risk--can result in large returns over time¹¹ compared with regular bank savings accounts that generally have low interest rates. Owning a home is a crucial pillar for social and financial security for many families and may even generate wealth over time;¹² however, this may be less the case for Black families who still face unfair appraisal practices.¹³

While many unique factors influence the savings practices of diverse households, our data allow us to focus on a few broad yet consequential ones to understand differences linked to race. In particular:

- ▶ **Income:** Both research by Aliprantis and Carroll (2019)¹⁴ and past Morningstar research¹⁵ find that income is a crucial driver of wealth accumulation and more influential on savings rates for typical families than rates of return on investments or intergenerational transfers.

3 Aladangady, A. & Forder, A. 2021. [“Wealth Inequality and the Racial Wealth Gap.”](#) FEDS Notes: Board of Governors of the Federal Reserve System.

4 We use the term “Black” to refer to people who self-identify as non-Hispanic Black, African American, Caribbean, or African in our data source, the Panel Study of Income Dynamics. We refer to “white” as those who self-identify as non-Hispanic white or European American and “Hispanic” for those who self-identify as Hispanic or Latina/o/x, whether or not they also identify as white, Black, or another racial group.

5 Bhutta, N., Chang, A.C., Dettling, L.J., & Hsu, J.W. 2020. [“Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances.”](#) FEDS Notes, Board of Governors of the Federal Reserve System.

6 Mineo, L. 2021. [“Racial wealth gap may be a key to other inequities.”](#) The Harvard Gazette.

7 U.S. Department of the Interior, National Park Service. 2017. [“Rise of the Colonial Plantation System.”](#)

8 The National Archives. 2021. [“The Great Migration \(1910-1970\).”](#)

9 Curtis, K.J. 2018. [“U.S. Return Migration and the Decline in Southern Black Disadvantage, 1970-2000.”](#) *Social Science Quarterly*, 99(3).

10 Tamir, C. 2022. [“Key findings about Black immigrants in the U.S.”](#) Pew Research Center.

11 U.S. Securities and Exchange Commission. [“Beginners’ Guide to Asset Allocation, Diversification, and Rebalancing.”](#) 2021.

12 Goodman, L. 2018. [“Homeownership is still financially better than renting.”](#) Urban Institute.

13 Mock, B. 2020. [“A Neighborhood’s Race Affects Home Values More Now Than in 1980.”](#) Bloomberg CityLab.

14 Aliprantis, D., & Carroll, D.R. 2019. [“What Is Behind the Persistence of the Racial Wealth Gap?”](#) Economic Commentary.

15 Wendel, S. 2021. [“Unpacking Racial Disparities in Savings.”](#) Morningstar, Inc.

- **Education:** Higher levels of education are largely expected to increase households' ability to save through generating wealth-creating knowledge and opportunities,¹⁶ though it is also possible it could create debt through student loans.¹⁷
- **Financial Giving:** "Supporting others" is cited as the most financially impactful disruptor according to The Harris Poll's 2019 Financial Disruptions Survey,¹⁸ so it may lead to a decrease in household savings. That said, households that plan to support others may instead have better savings practices.
- **Household Composition:** Households with multiple adult earners may be better able to share expenses and increase savings. However, past research suggests that each additional child may boost savings rates for white families but decrease savings rates for Black households.¹⁹
- **Age:** The typical pattern for income-earning adults in the U.S. is to gradually increase savings as income grows, hitting a pinnacle during middle-age, then gradually decreasing.²⁰ However, our past research finds that Black household savings only weakly follows this pattern when accounting for other factors like income and education.²¹
- **Nativity:** There are a growing number of Black immigrants²² who may have different saving practices and may need to support international family members.
- **Location:** Over 58% of Black households in the U.S. live in the South²³—the census region with the lowest cost of living and relatively low income.²⁴ Southern Black households may thereby find it easier or more difficult to save and accumulate wealth.

Analysis & Data

To unpack financial similarities and disparities, we look at Black American households nationwide and compare them with white households. We then delve further into Black household finances by comparing two subgroups based on whether they lived in the Southern Census Region²⁵ or in another part of the U.S. Our analysis consists of descriptive statistics to compare assets and saving practices and

16 Cole, S., Paulson, A., & Shastry, G.K. 2014. "[Smart Money? The Effect of Education on Financial Outcomes.](#)" *The Review of Financial Studies*, Vol. 27, No. 7, P. 2022-2051.

17 Dorn, E., Dua, A., & Law, J. 2020. "[The rising toll of student debt: More than graduates can sustain?](#)" McKinsey. Retrieved Sept. 13, 2021.

18 Harris Poll. 2020. "[2019 Financial Disruptions Survey.](#)" Harris Poll, on behalf of TD Ameritrade.

19 Painter, M.A., & Shafer, K. 2011. "Children, Race/Ethnicity, and Marital Wealth Accumulation in Black and Hispanic Households." *Journal of Comparative Family Studies*, Vol. 42, No. 2, P. 145.

20 Feivesom, L., & Sabelhaus, J. 2019. "[Lifecycle Patterns of Saving and Wealth Accumulation.](#)" (No. 2019-010; Finance and Economics Discussion Series). Board of Governors of the Federal Reserve System.

21 Thompson and Wendel. 2021. "[Drivers of Savings Inequality by Race and Place.](#)" Morningstar.

22 Tamir, C. 2022. "[Key findings about Black immigrants in the U.S.](#)" Pew Research Center.

23 Analysis of U.S. Census data from the U.S. Department of Health and Human Services, Office of Minority Health: <https://minorityhealth.hhs.gov/omh/browse.aspx?lvl=3&lvlid=61>

24 U.S. Bureau of Labor Statistics. 2021. "[Consumer Expenditures for the U.S., regions, and selected metropolitan areas.](#)"

25 Please refer to the U.S. Census for more details about their geographic regions: <https://www.census.gov/geographies/reference-maps/2010/geo/2010-census-regions-and-divisions-of-the-united-states.html>

quantile regression statistical techniques²⁶ to examine factors that might affect savings rates. These regression models allow us to simultaneously account for a wide variety of factors that might affect a median household's savings rate so that we can focus on distinct differences based on race and other characteristics in context.

Our data source is the Panel Study of Income Dynamics²⁷--the longest-running detailed survey of household finances in the world, covering a nationally representative panel of American households from 1968 to 2019. Morningstar developed a process to standardize and clean the PSID data and has made the code and data available at: <https://github.com/Morningstar/PSID>.²⁸ Specifically, our study tracks the financial and demographic changes of households over two five-year waves (1989-94, 1994-99) and 10 two-year waves (1999-2001 through 2017-19), building on data coding and preparation from our prior research.²⁹

Results

Our findings display a grim outlook concerning the wealth, assets, and saving practices of Black Americans. As previous research has found, we see that Black households are far behind white households regarding overall wealth and savings. However, when it comes to identifying the drivers of the wealth gap between Black and white households in the U.S., our results show that not all differences by race remain once we account for income, education, location, and other factors. The following sections will first take a closer look at how Black households save in retirement and in other assets, followed by a review of our findings regarding the factors that may be impacting savings rates.

Black Southern Households Have More Wealth, but the Racial Wealth Gap Is Growing

Tracking our panel of households over the 2001-19 period, we find that the net wealth for the median Black household is low and declining, and this is particularly the case outside of the South (Exhibit 1). The median Southern Black household had approximately \$33,000 in wealth in 2001, but this declined to below \$10,000 around 2011 before making a slight rebound toward the end of the period. Black wealth outside of the South plummeted from approximately \$19,000 to \$6,000 by 2009 and remained at this low level through 2019. These trends mean that Black households in the South had an average of almost 50% more wealth than non-Southern Black households through this period.

The racial wealth gap between median Black households and median white households grew remarkably over the 2001-19 period but remains far larger outside of the South (Exhibit 1). At the start of this period, we estimate that the median Black household typically had about 25% of a median white

26 For more methodological details please see our previous research: Thompson, M.F. and Wendel S. 2021 "Drivers of Savings Inequality by Race and Place." Morningstar.

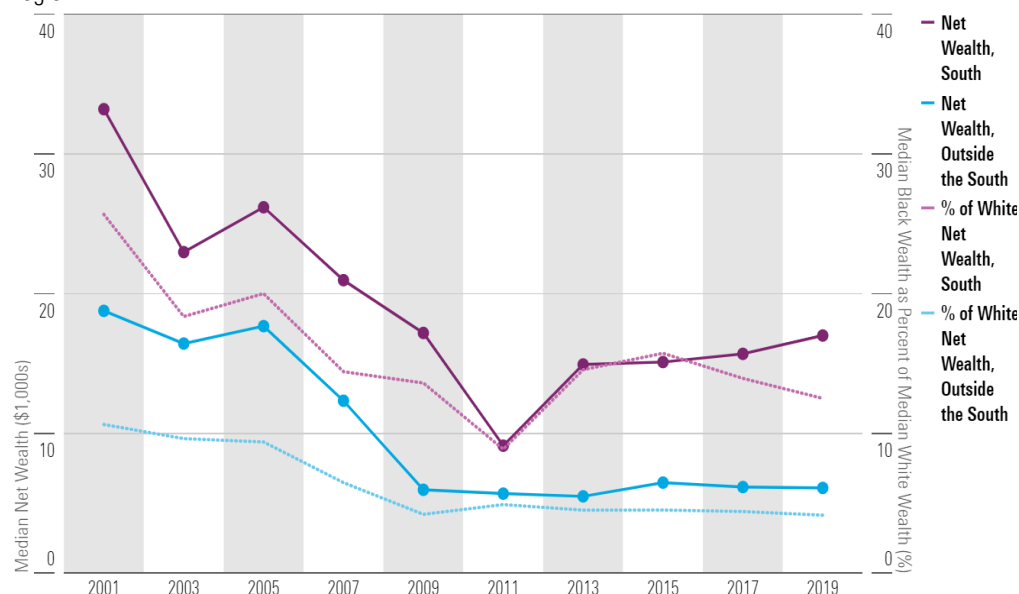
27 Panel Study of Income Dynamics, public use dataset [restricted use data, if appropriate]. Produced and distributed by the Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, MI (2021). The collection of data used in this study was partly supported by the National Institutes of Health under grant number R01 HD069609 and R01 AG040213, and the National Science Foundation under award numbers SES 1157698 and 1623684. Data available (as of 2021) at: <https://psidonline.isr.umich.edu/>.

28 For further information regarding the data, data processes, and subsetting process, refer to Wendel (2021) at: <https://www.morningstar.com/content/dam/marketing/shared/pdfs/Research/Savings-Rates-Differences-By-Race.pdf>.

29 Analysis of pooled data involves multiple observations of the same household over time, so there are some limitations to quantile regression with pooled data instead of preferred time-series methods. Please see previous study for more details: Thompson, M.F. and Wendel S. 2021 "Drivers of Savings Inequality by Race and Place." Morningstar.

household's wealth. However, this ratio plummeted to under 10% by 2011 and increased only slightly to 13%. The racial wealth gap is far greater outside the South throughout this period since a median Black household had only 10% of a median white household's wealth in 2001, and this number steadily declined to 4% by 2019.

Exhibit 1 Black Households' Median Net Worth (2019 Value) and Percentage of White Net Worth by Region

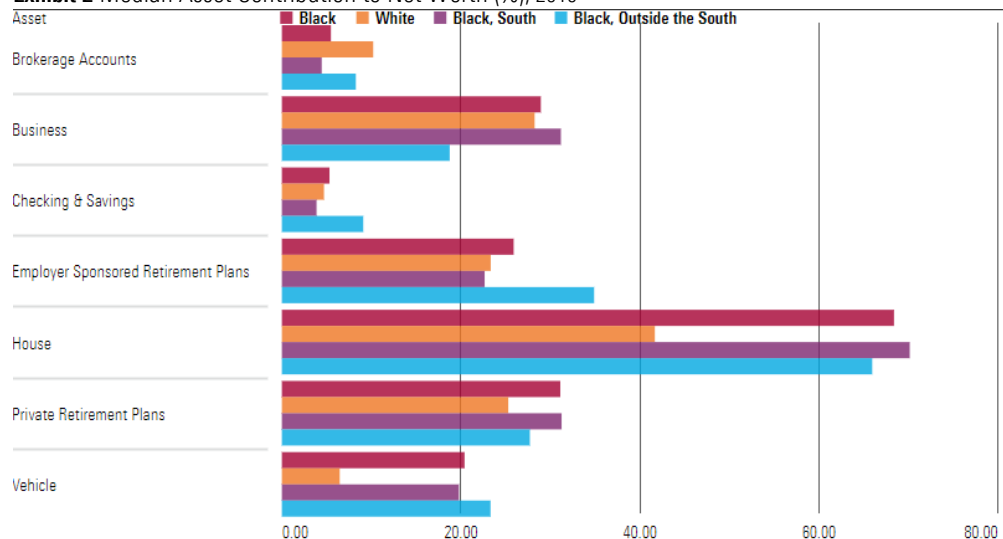


Source: Morningstar Analysis of the PSID. Data as of Aug. 5, 2021.

Low-Yield Assets Dominate the Net Worth of Black Households

To uncover a holistic view of households' finances, we also looked at wealth by typical asset classes. As part of this analysis, we calculated how much each asset contributed to a household's overall net worth. This analysis allows us to see the spread of a household's assets. Ideally, a household's net worth would be distributed among multiple asset classes to minimize risk. Exhibit 2 displays the median values of this calculation by race and region, including only households who owned each asset. Overall, we see an alarming trend: Black households seem to be more concentrated on low-yield assets, such as a house or vehicle, when compared with white households. This trend is consistent with past research, which finds that lower-income households may be forced to focus on lower-yield assets out of necessity. This is the idea of the progression of assets with income, where individuals start building wealth by investing in homes and vehicles then move on to higher-return assets as their income grows.³⁰

30 Gittleman, Maury, and Edward N. Wolff. 2004. "Racial Differences in Patterns of Wealth Accumulation." *The Journal of Human Resources* 39 (1): 193-227.

Exhibit 2 Median Asset Contribution to Net Worth (%), 2019

Source: Morningstar Analysis of the PSID. Data as of Aug. 5, 2021.

As Exhibit 2 shows, we do see a few key differences when comparing Black households who live in the South with Black households who do not. Black households from the South tend to concentrate their wealth on tangible assets, such as a house or business.³¹ Black households outside of the South, in comparison, seem to place more of their wealth in workplace retirement accounts and brokerage accounts.³²

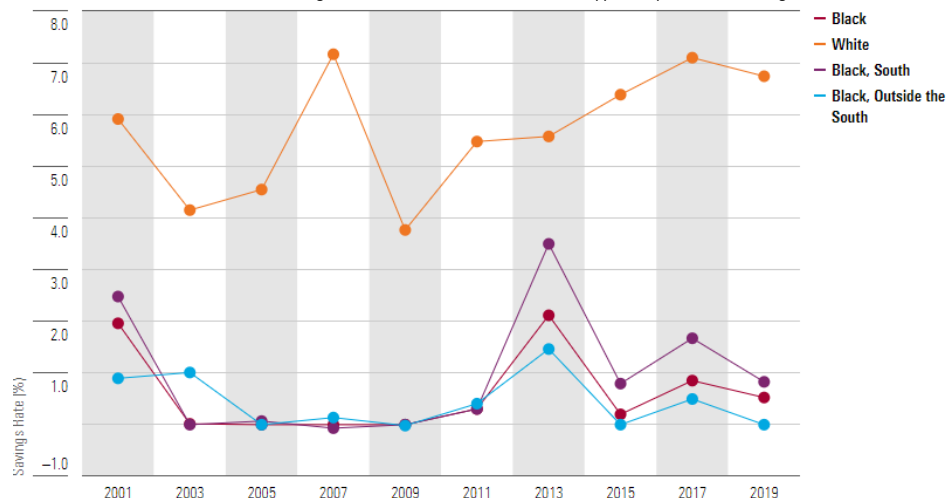
Overall Savings Are Low, With Minimal Improvement

When we look at households' overall savings rate, across all investment types, we once again see that Black households are far behind their white counterparts (See Exhibit 3). Over the past almost two decades, the gap between the savings rate of Black and white households has persisted. In recent years, however, there appears to be some differences between the median households' savings rate of Black households from the South versus those outside the South, though these may be linked to low savings rates among Black households in the urban Northeast.³³

³¹ The difference in asset contribution between Black households from the South versus those outside of the South regarding home, ($t=5.7$, $p<0.001$) and business ($t=3.2$, $p<0.001$) are statistically significant.

³² The difference in asset contribution between Black households from the South versus those outside of the South regarding workplace retirement accounts ($t=7.9$, $p<0.001$) and brokerage accounts ($t=6.4$, $p<0.001$) are statistically significant.

³³ Thompson, M.F. 2021. "The Impact of Race and Location on Savings Rates." Morningstar.

Exhibit 3 Median Household Savings Rates Across all Investment Types, by Race and Region

Source: Morningstar Analysis of the PSID. Data as of Aug. 5, 2021.

Lower Retirement Account Participation Among Black Americans

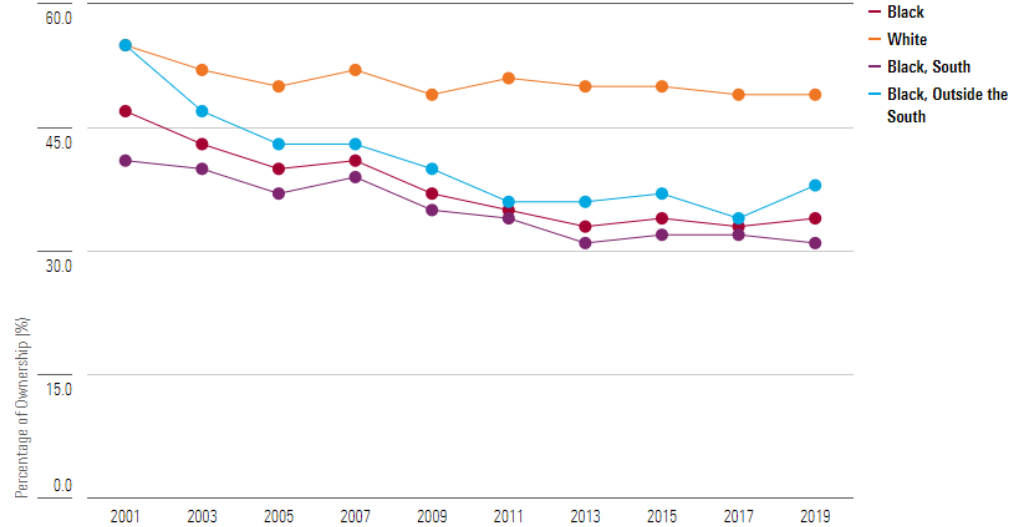
When we look at participation in workplace retirement plans, we see a concerning pattern. Not only do we see that significantly less Black households participate in a workplace retirement account, but we also see a downward trend of participation over the past few years. As Exhibit 4 displays, while the ownership rate of workplace retirement accounts of white households has remained relatively stable since 2001, that of Black households has been steadily decreasing. There are many potential causes of this drop-in participation rate, such as income disparities³⁴ for Black households, the Great Recession³⁵ and its lasting impact on the finances of minorities, or Black households' lack of access to workplace plans.³⁶ Unfortunately, private retirement plans do not fill the gap, as only 9% of Black households report having an IRA or similar private plan compared with 35% of white households.³⁷

34 Reid-Cleveland, K. & Hussein, N. 2022. "11 Charts Examining the Racial Wealth Gap." Jan. 31, 2021. Morningstar.

35 Morrissey, M. 2019. "The State of American Retirement Savings." Economic Policy Institute.

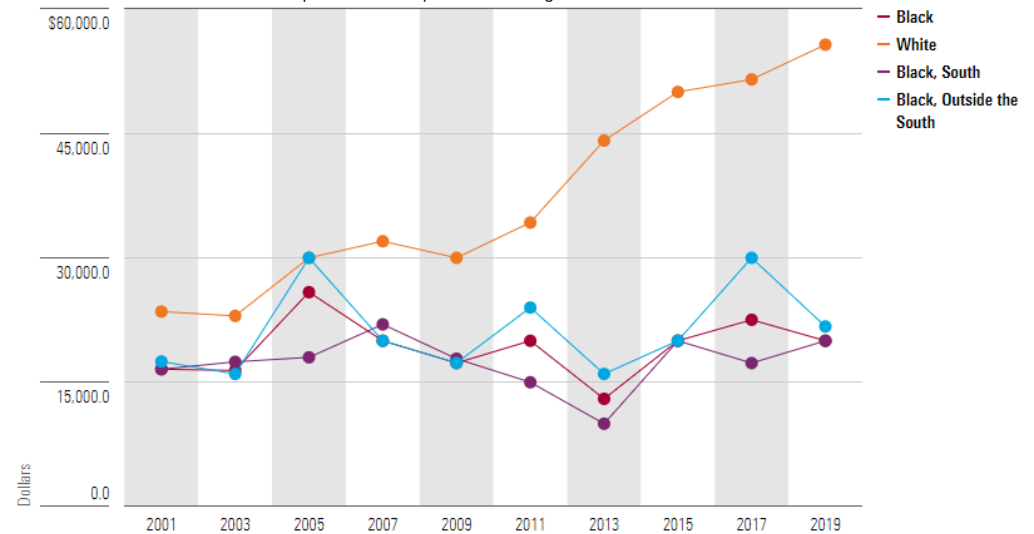
36 Harvey, C. 2016. "Access to Workplace Retirement Plans by Race and Ethnicity." AARP.

37 The differences by group are partially explained by their different age profiles: Older households tend to have IRAs, and white Americans have a higher average age than Hispanic Americans, for example.

Exhibit 4 Ownership of Workplace Retirement Plans, by Race and Region

Source: Morningstar Analysis of the PSID. Data as of Aug. 5, 2021.

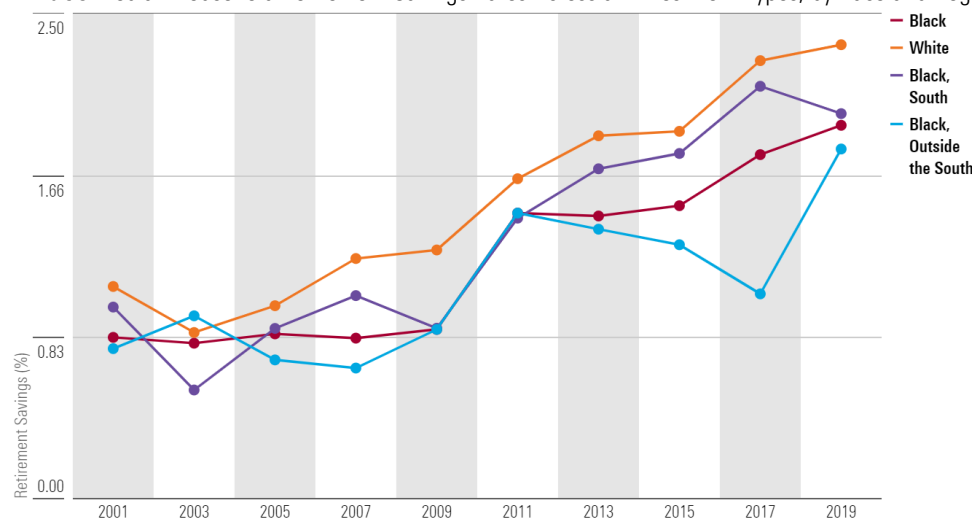
The trend in median assets in workplace accounts by Black households tell a similarly grim story. Exhibit 5 displays the median assets held in workplace retirement accounts by race and region, only incorporating households that have a retirement account. Even accounting for only those who have a retirement account, Black households, regardless of region, fall far behind white households. Though the median assets of white households are increasing over time, those of Black households seem to remain fairly stagnant.

Exhibit 5 Median Assets in Workplace Plans, by Race and Region

Source: Morningstar Analysis of the PSID. Data as of Aug. 5, 2021.

However, the retirement savings rates of Black households tell a different story (Exhibit 6). Median Black and white households doubled their retirement savings rate during this period, though a gap hovering between 0.1 and 0.5 percentage points remained throughout.³⁸ Although this steady increase in retirement savings rate is a good sign, the growth in assets of Black households may be thwarted by lower incomes, the already large gap in retirement assets, and hardship withdrawals.³⁹

Exhibit 6 Median Household Retirement Savings Rates Across all Investment Types, by Race and Region



Source: Morningstar Analysis of the PSID. Data as of Aug. 5, 2021.

What Explains Black Households' Savings Rates?

The large difference in savings rates between Black and white households no longer holds once we control for other factors. That is, when we compare two median households—one Black and one white—which are otherwise similar in terms of income, education, location, household composition, nativity, age, and financial giving, there is no significant difference in their savings rate. For the rest of our analyses, we will use quantile regression techniques to compare the impact of particular factors on median households' savings rates while accounting for other factors that might affect savings. We will first examine differences in the overall savings rate and then differences in the retirement savings rate.

Income Drives Black Household Savings in the South, Education Outside the South

Our research confirms that the large racial gap in savings is not due to race per se but due to other socioeconomic differences. When we simply compare differences between median Black households and median white households without accounting for socioeconomic status or societal-level factors, Black households save 4.3 percentage points less than white households, across the 1989-2019 period.⁴⁰

³⁸ The regression models discussed later in the paper confirm the overall Black-white gap in retirement savings rates is statistically significant across the 1989 to 2019 period ($t = -5.24$, $p < 0.001$).

³⁹ Ariel Educational Initiative & Hewitt. 2012. "[401\(k\) Plans in Living Color \(The Ariel/Aon Hewitt Study\)](#)." Ariel Investments; Hewitt.

⁴⁰ Thompson, M.F. and Wendel, S. 2021. "[Drivers of Savings Inequality by Race and Place](#)." Morningstar.

However, once we consider other socioeconomic factors, the Black-white gap is no longer statistically significant nationwide (column 1 of Exhibit 7), though past research shows there is still a gap within the Northeast.⁴¹ Because income and education are some of the strongest predictors of higher savings rates, that median Black households have lower levels of income and education than white households is key for understanding the difference in savings.

When we compare differences among median white households and differences among median Black households (columns 2 and 3 of Exhibit 7), we gain further insight into what factors influence savings rates within each racial group. While income, education, age, and family structure all strongly influence differences in savings rates among white households, active saving among Black households is primarily affected by education and, to a lesser extent, income (column 3 of Exhibit 7).

Higher education proves to be a highly salient factor influencing savings rates among median Black households. Even controlling for income and other factors, Black households led by adults who completed college save 2.6 percentage points more than Black households with adults who did not complete high school ($t=2.48$, $p<0.05$). Similarly, Black households led by graduate-degree-holders save 1.9 percentage points more than Black households without a high school graduate, even if the households have other similar characteristics.

Income and age are also important factors among median Black households but play a smaller role than they do among median white households. While each additional 50% of income earned by a white household leads to an additional 2 percentage points of saving ($t=19.10$, $p<0.001$),⁴² among Black households, a 50% boost in income only leads to a 0.6-percentage-point gain in savings ($t=6.81$, $p<0.001$). While there is a strong relationship between age and savings rates among white households, the impact of age on savings is noticeably weaker among Black households.

Finally, while we see no differences in active savings rates among median Black households due to location, we see that some of the factors that affect savings rates are different in the South versus other parts of the U.S. (columns 4 and 5 of Exhibit 7). Within the South, there are stronger boosts to savings rates linked to income--a 0.8-percentage-point gain in savings for a 50% boost in income--than outside of the South, where the gain for such an income boost is only 0.4 percentage points. Helping others financially is linked to an increase in savings rates outside the South to the tune of a 0.5-percentage-point gain for every \$1,000 given to others. However, there is no such link between financial giving and savings in the South. The positive impact of higher education also works differently by region. Non-Southern Black households with college graduates exhibit much higher levels of savings than those with adults who did not finish high school, but there is no such gain in the South.

⁴¹ Thompson, M.F. "[The Impact of Race and Location on Savings Rates](#)." Morningstar.

⁴² For all estimates where we calculate the impact on a median household's savings rate due to a 50% increase in income, we multiply the logged income estimate by $\ln(1.5)$ using the natural logarithm. Since $\ln(x*y) = \ln(x) + \ln(y)$, and the regression coefficient for the median regression in this case is 5.046, a 50% increase in income is associated with savings rate of $5.046 * \ln(1.5 * \text{current Income}) = 5.046 * \ln(1.5) + 5.046 * \ln(\text{current Income}) = 2.046 + 5.046 * \ln(\text{current Income})$, or 2.046 percentage points over the current median savings rate.

Exhibit 7: Predictors of Active Savings Rates (%) for U.S. Households by Race and Region, 1989-2019

Household:	All	White	Black	Black, South	Black, Outside the South
Race Compared With White					
<i>Black</i>	-0.519+				
<i>Hispanic</i>	-1.301**				
<i>Other Race</i>	0.556				
Region Compared With South U.S.					
<i>Northeast</i>	-0.818*	-0.303	-0.636+		
<i>North Central</i>	0.311	0.591	-0.438+		
<i>West</i>	0.153	0.298	-0.440		
Urban (MSA) vs Rural Location	-0.551*	-0.657+	-0.064	-0.253	-0.830
Household Head Structure Compared With Two Adults					
<i>Single Female Adult</i>	0.369	1.280**	-0.329	-0.356	-0.593
<i>Single Male Adult</i>	-0.120	0.301	-0.104	0.213	-0.953
Number of Children	-0.087	-0.192	0.064	0.103	0.004
Born or Grew Up Abroad	1.292*	2.449**	1.945	-0.426	3.168+
Age	0.235**	0.329**	0.106*	0.148+	0.005
Age Squared	-0.004***	-0.005***	-0.001*	-0.002+	-0.000
Net Income Logged	3.963***	5.046***	1.411***	1.861***	0.911**
Amount Helped Others Financially (\$1000s)	-0.075	-0.076*	0.385*	0.707	0.464**
Education Level Compared With Less Than High School					
<i>High School Graduate</i>	-0.712*	-0.535	-0.063	-0.160	-0.205
<i>Some College</i>	-0.372	0.026	-0.149	-0.165	-0.293
<i>College Graduate</i>	2.416***	2.060***	2.592*	0.130	5.035***
<i>Graduate Education</i>	2.363***	1.893**	4.051**	5.908*	0.777
[Control variables for each panel are included but not shown]					
Constant	-40.074***	-53.226***	-15.222***	-20.480***	-7.027+
Observations (1,000s)	70.295	39.059	24.489	16.547	7.942
Pseudo R-squared	0.0054	0.0053	0.0029	0.0035	0.0032

Quantile regression results with p-values from t-tests: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Source: Morningstar, Inc. using data from the Panel Study of Income Dynamics. Data as of Aug. 5, 2021.

Higher Education Is Linked to Higher Retirement Savings Rates for Black Households, Especially in the South

While we note earlier that most Black households do not have a retirement savings plan, we see important differences in what affects retirement savings rates among those who do have employer and/or private retirement savings accounts (Exhibit 8). First, median Black households in the South save greater proportions of their income for retirement than any other region. Like white households, higher levels of income are associated with higher levels of retirement savings among Black households, however, there is less of a gain in the savings rate. For white households, each additional 50% of income is linked to a gain of 0.29 percentage points in their retirement savings rate ($t=19.18$, $p<0.001$); but for Black households, the gain is only 0.17 percentage points ($t=5.53$, $p<0.001$).

Education has a particularly strong link to higher retirement savings rates among median Black households, since those led by college graduates save at a rate of 0.49 percentage points higher than those led by adults who did not finish high school ($t=3.79$, $p<0.001$). This is a much bigger difference than that observed among white households based on education ($t=4.91$, $p<0.001$). Southern Black households in particular may be driving this strong association since we do not see a significant impact for education on savings rates outside of the South.

Another major factor associated with higher retirement savings rates is family structure. Once we compare median households who have similar income, education, and other factors, those headed by single females have higher savings rates than those headed by two adults among all households overall and especially among Black households. Among Black households, those headed by single women save 0.51 percentage points more than households headed by two adults ($t=5.39$, $p<0.001$). While each additional child within the household is linked to lower savings rates for white households, there is no similar reduction in the savings rate for Black households overall--only among Southern Black households where each additional child is linked to a 0.15-percentage-point lower savings rate ($t=-4.01$, $p<0.001$).

To an even greater extent than median white households, median Black households led by adults who were born or grew up outside the U.S. have lower retirement savings rates than those led by U.S.-born adults--0.27 percentage points lower ($t=-2.09$, $p<0.05$)--accounting for other factors. This finding is largely linked to households outside of the South since there was no significant drop in savings rates linked to Southern households.

Finally, we note a lack of an association between retirement savings and age for Black households. While white households show a clear pattern of saving more through mid-to-late career and then a decline around retirement age, among Black households, there is no such link once we control for income, education, and other factors.

Exhibit 8: Predictors of Retirement Plan Savings Rates (%) for U.S. Households by Race and Region, 1989-2019

Household:	All	White	Black	Black, South	Black, Outside the South
Race Compared With White					
<i>Black</i>	-0.206***				
<i>Hispanic</i>	-0.165*				
<i>Other Race</i>	-0.075				
Region Compared to South U.S.					
<i>Northeast</i>	-0.002	0.096*	-0.264**		
<i>North Central</i>	0.105**	0.163***	-0.217*		
<i>West</i>	0.050	0.169**	-0.376***		
Urban (MSA) vs Rural Location	0.090**	0.075*	0.140+	0.133	-0.000
Household Head Structure Compared With Two Adults					
<i>Single Female Adult</i>	0.316***	0.248***	0.510***	0.570***	0.476***
<i>Single Male Adult</i>	0.137+	0.126	0.329+	0.471	0.296+
Number of Children	-0.182***	-0.210***	-0.050	-0.151***	0.015
Born or Grew Up Abroad	-0.056	-0.168**	-0.267*	-0.175	-0.336**
Age	0.107***	0.134***	-0.067*	-0.052	-0.067+
Age Squared	-0.002***	-0.002***	0.000	0.000	0.000
Net Income Logged	0.658***	0.707***	0.411***	0.452***	0.386**
Amount Helped Others Financially (\$1000s)	-0.004	-0.004	0.042+	0.081+	0.039
Education Level Compared With Less Than High School					
<i>High School Graduate</i>	0.113***	0.066+	0.157+	0.088	0.192
<i>Some College</i>	0.146***	0.051	0.237*	0.175	0.251
<i>College Graduate</i>	0.420***	0.322***	0.494***	0.440**	0.394+
<i>Graduate Education</i>	0.554***	0.440***	0.246	0.160	0.511
[Control variables for each panel are included but not shown]					
Constant	-6.946***	-8.046***	-1.034	-1.752	-0.859
Observations (1,000s)	38.523	25.793	9.852	6.665	3.187
Pseudo R-squared	0.0263	0.0248	0.0426	0.0527	0.0385

Quantile Regression results with p-values from t-tests: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Source: Morningstar, Inc. using data from the Panel Study of Income Dynamics (PSID). Data as of Aug. 5, 2021.

Conclusion

Median Black households do seem to be doing better financially in the South than outside of the South. However, Black households overall still have far lower levels of wealth and savings compared with white households, and the racial wealth gap has increased remarkably in just the past two decades. While the median white household has a diverse set of asset types, Black household wealth is disproportionately linked to lower-yield assets such as homes and vehicles. Southern households have more wealth linked to business ownership than non-Southern households that have greater proportions of their wealth linked to brokerage accounts.

Median Black households have very low savings rates overall, but their rates are comparable to white households when we consider factors like income and education. These factors are strongly linked to higher savings rates among Black households, especially income for Southern households and education outside the South. Retirement savings rates, however, are much lower for median Black households than white households even when we consider other factors. Higher education is a key factor driving retirement savings rates among Southern Black households.

Our results strongly suggest that improving Black households' access to higher income and education could greatly assist them in improving their savings rates and therefore would reduce the racial wealth gap. More research would be valuable to understand what aspects of the South allow median Black households to have better financial outcomes than other parts of the U.S, even though the opposite is true of white households. The fact that the South has larger proportions of Black residents, less urban racial segregation,⁴³ and a lower cost of living⁴⁴ offer a few important clues.

For financial professionals, our examination of Black households suggests some important opportunities. Black households may benefit from diversifying their wealth away from an overreliance on home ownership to increased participation in other high-return opportunities like brokerage accounts focused on investments for long-term growth. There is also evidence that Black households still lack sufficient access to workplace retirement plans, thereby missing out on a crucial means for building lasting financial security. ■■

⁴³ Logan, J.R. and Stults, B. J. 2021 "The Persistence of Segregation in the Metropolis: New Findings from the 2020 Census." Diversity and Disparities Project, Brown University. Available at: <https://s4.ad.brown.edu/Projects/Diversity>.

⁴⁴ U.S. Bureau of Labor Statistics. 2021. "[Consumer Expenditure Survey](#)."

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