

RESEARCH REPORT

Potential Implications of the Great Wealth Transfer for the Black-White Homeownership Rate Gap

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Executive Summary

Nationwide, a sizable transfer of wealth from older generations to younger generations has begun, sometimes referred to as the Great Wealth Transfer. Starting in this decade, the transfer will enrich younger generations by providing them with new opportunities for spending and investment. In turn, this intergenerational transfer of wealth has the potential to reshape the overall economy.

Senior families, those who are part of the baby boomer generation and older, hold a significant amount of wealth—and they are poised to transfer much or all of their wealth to those who are part of Generation X or younger. However, the analysis of the 2022 Survey of Consumer Finances suggests that a small share of younger families expect to receive a sizable estate, including a house and any other assets. And among younger families that expect to receive a sizable estate, white families are more likely to expect to receive an estate with housing assets than Black families. Across housing tenure, which distinguishes between whether one rents or owns their primary residence, younger homeowner families are more likely, within both Black and white racial groups, to expect to receive an inheritance compared with younger renter families.

These inheritance patterns suggest that younger Black renter families may benefit the least from the coming transfer in wealth. The patterns also suggest that, on its own, the Great Wealth Transfer is unlikely to help close the Black-white homeownership rate gap. Instead, the ongoing wealth transfer may further cement, or even widen, the Black-white homeownership rate gap. These potential outcomes suggest that policymakers need to act to improve supply and demand policies to ensure access to homeownership for all families.

Potential Implications of the Great Wealth Transfer for the Black-White Homeownership Rate Gap

Background of the Homeownership Rate Gap

The Black-white difference in US homeownership is a key contributor to the broader wealth gap. For example, 71.7 percent of white households are considered homeowners using the five-year American Community Survey covering 2015 to 2019, while 41.7 percent—fewer than half—of Black households are also homeowners.⁵ In addition, the median value of a home owned by white families exceeds that of Black families.⁶ And, after adjusting housing wealth for mortgage debt and other loans collateralized by the primary residence, the median value of housing equity across white homeowners exceeds that of Black homeowners (Neal, Choi, and Walsh 2020).

The Black-white homeownership rate gap partly reflects economic and household differences. But it is also rooted in structural racism. Redlining, restrictive covenants, and other explicitly racist policies limited homeownership for Black families while the GI Bill and other policies enacted in the aftermath of World War II supported homeownership for white families. Further, appraisal bias, real estate agent steering, and industrial zoning have all restrained home values for Black homeowners (Ray et al. 2021). In addition, Black workers have worse employment outcomes, which curtail successful homeownership outcomes (Couch and Fairlie 2010).

Even though many of the most egregious and explicit acts of discrimination are unlawful, the Black-white homeownership rate gap remains wide.⁷ Evidence suggests that discrimination may still be playing a role in the mortgage market (Quillian, Lee, and Honore 2020). And even if explicitly racist actions have been eliminated through public policy, disparities still exist across key dimensions of mortgage qualification, credit, capacity and collateral; all exhibit significant racial disparities.⁸

Given the role historical racism played in reducing homeownership opportunities for Black families in the past, commentary has suggested that its presence is still being felt through intergenerational wealth transfers. That is, the lack of, or reduced benefits from, homeownership in the past has limited what Black families could transfer to future generations (Jones and Neelakantan 2022). In contrast, past support for homeownership among white families has contributed to the wealth that these families

could pass down to future generations. However, while the role played by intergenerational wealth transfers in the Black-white wealth gap is compelling, some research suggests that its role is smaller than anticipated because the majority of families, Black or white, do not report receipt of an inheritance (Sabelhaus and Thompson 2023).

In this report, we explore the question of whether the Great Wealth Transfer will help close the Black-white homeownership rate gap. We start by describing the data used for this analysis. We then describe the differences in wealth between Black and white senior families. This includes the expectations of and factors that contribute to receiving an inheritance among younger Black and white families and by each racial group's housing tenure (renter or homeowner) Finally, we discuss key policy solutions to expand access to homeownership and close the Black-white gap.

Data

This analysis relies on the 2022 Survey of Consumer Finances (SCF). The SCF is a cross-sectional survey of US families, conducted every three years.⁹ It includes questions on families' balance sheets, pensions, income, and demographic characteristics. The SCF asks a series of questions on both the receipt of an inheritance and the value of the inheritance received. It also queries respondents about their expectation of receiving a substantial inheritance or transfer of assets in the future. It also asks about the amount the respondent expects to receive.

Historically, the SCF data have some limitations for measuring racial and ethnic disparities and analyzing their causes and consequences. Estimates are available for Black and Hispanic or Latino families overall and for certain subsets, but for other subsets the sample size is too small to provide robust estimates. The sample design for the 2022 SCF was adjusted to improve the coverage of Black, Hispanic or Latino, and Asian households in the survey. Specifically, the 2022 SCF kept its sample design but adjusted the sample so families of color were oversampled (Moore and Pence 2021).

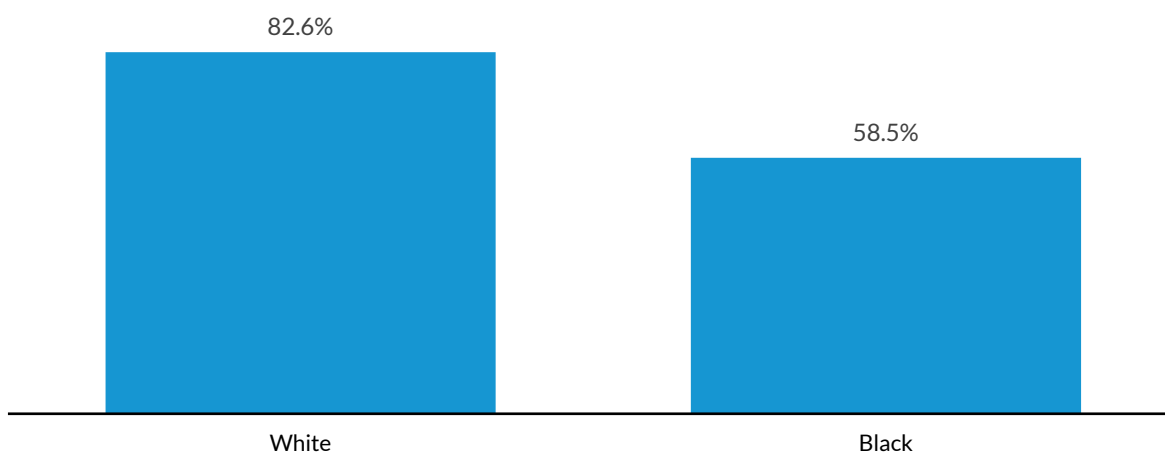
This report analyzes data and trends across generations. We use definitions created by the Pew Charitable Trusts to define these broad groups.¹⁰ According to Pew, the youngest baby boomers were born in 1964, making them 58 years old in 2022, the year of the SCF. We define *senior families* as those headed by someone 58 years and older and *younger families* as those headed by someone less than 58.

The Wealth Gap among Senior Families Is Large

The homeownership rate is directly correlated with age (Goodman et al. 2024). Senior families are more likely to be homeowners than younger families. Research indicates that the children of homeowners are 7 to 8 percentage points more likely to be homeowners than those of renters, all else being equal. This suggests that many of the homes owned by senior families will likely be transferred to younger homeowner families (Choi, Zhu, and Goodman 2018).

Although senior households are more likely to own their home than younger households, senior Black households are less likely to own their primary residence than white senior households (figure 1). This suggests that a smaller proportion of homes will be transferred from senior Black families to younger Black families, compared with that of senior white families to younger white families.

FIGURE 1
Senior Homeownership Rate, by Race



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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>.

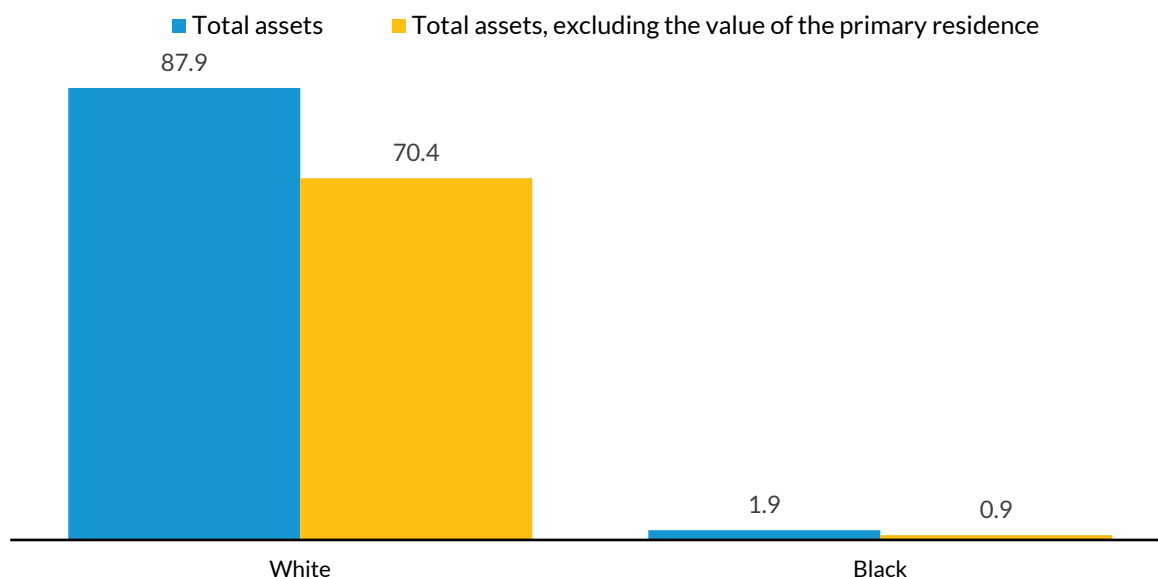
Notes: Senior families are those for whom the head of household is age 58 years or older.

Racial Disparities in Senior Family Assets Contribute to Lower Wealth Transfers

Senior white families hold significantly more wealth than senior Black families in aggregate, partly due to weaker homeownership outcomes for senior Black families but also reflecting racial disparities in other asset classes such as stocks, bonds, business equity and retirement (Aladangady, Chang, and Krimmel 2023; Francis and Weller 2021). Excluding the value of the primary residence has a larger

impact on the total assets held by senior Black families than those held by senior white families (figure 2). Not counting the primary residence lowers the total assets held by senior Black families by 51 percent to \$0.9 trillion, while it reduces aggregate white assets by 20 percent to \$70.3 trillion. As a result, white families will direct much of the transfer of wealth, primary residences as well as nonhousing wealth, with Black families controlling significantly less of the wealth to be transferred.

FIGURE 2
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.

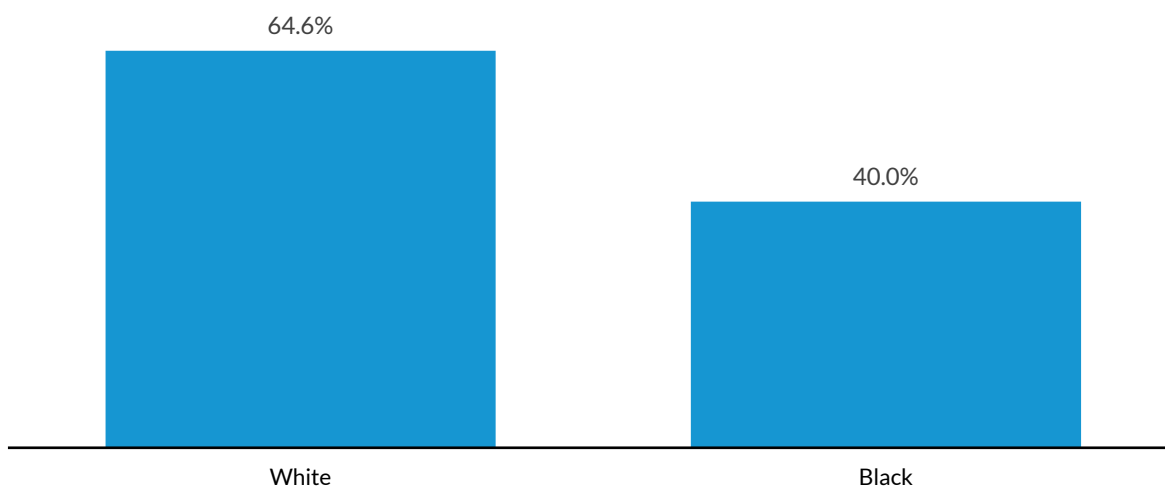
Since there are more white senior families than Black senior families, and senior white families are more likely to own their home than senior Black families, then white senior families have more primary residences to transfer to younger generations than Black senior families.¹¹ Overall, the Black-white gap in overall wealth suggests that younger Black families are less likely to receive an inheritance. And if younger Black families do receive an inheritance, it is likely to be much smaller than younger white families receive.

These results indicate that senior white families have a greater potential for transferring assets across younger generations. They also have more nonhousing wealth to transfer.¹² Nonhousing wealth could help younger families accumulate the resources to purchase a home.

Younger Black Renter Families Are Least Likely to Expect a Sizable Inheritance

The reported Black-white homeownership rate gap exists among younger families as well. Among younger families, white households are more likely to be homeowners compared with Black households. In 2022, the typical younger white family was a homeowner. In contrast, the typical younger Black family was a renter household (figure 3).

FIGURE 3
Younger Homeownership Rate, by Race



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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>.

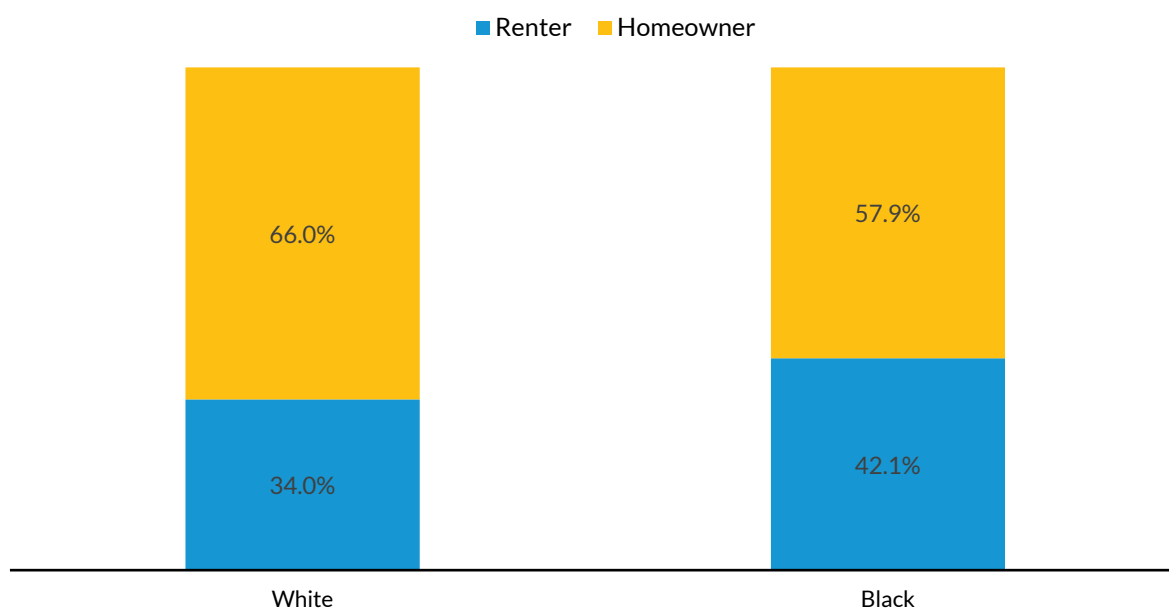
Notes: Younger families are those for whom the head of household is younger than age 58.

Much of the wealth held by senior families has not yet been transferred to younger families. To assess the potential impact of this sizable transfer of wealth, we analyze younger families' expectations of receiving a substantial inheritance, the terminology used by the 2022 SCF.¹³ What a respondent considers a substantial inheritance may exclude wealth transfers of smaller value, but later findings in

this report suggest that the share of families expecting to receive a “substantial inheritance” are similar to the proportion of younger families having received an inheritance of any size.

With younger Black and white families the majority of both groups expecting to receive an inheritance are already homeowners (figure 4). Across younger white families, 66.0 percent of those expecting to receive an inheritance were homeowners, while across younger Black families, 57.9 percent expected to receive an inheritance. In contrast, a minority of younger renter families, both Black and white, expected to receive an inheritance (figure 4).

FIGURE 4
Distribution of Younger White and Black Families Who Expect to Receive an Inheritance, by Housing Tenure



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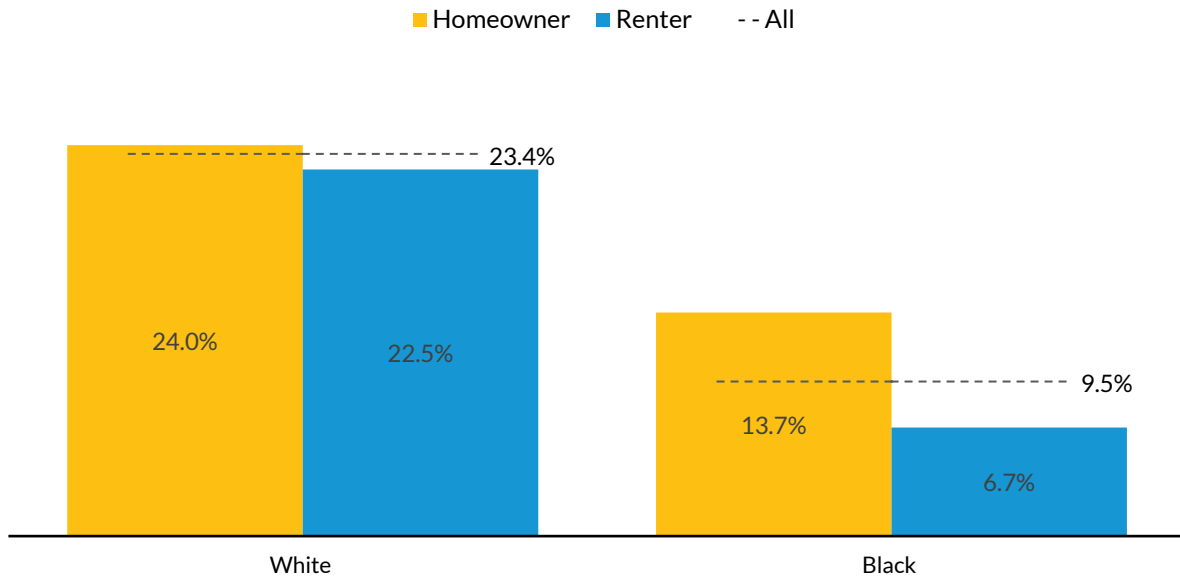
Source: Urban Institute’s calculations: 2022 Survey of Consumer Finances (SCF) (Washington, DC: Board of Governors Federal Reserve System, 2023), <https://doi.org/10.17016/8799>.

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

Most younger families do not expect to receive a *sizable* inheritance (figure 5). However, younger white families were more likely than younger Black families to expect to receive an inheritance. Overall, younger white homeowner and renter families are similarly likely to expect to receive a sizable inheritance. Younger Black homeowner families are less likely to expect to receive a sizable inheritance than younger white homeowner or renter families. Younger Black renter families are least likely to expect to receive a sizable inheritance.

FIGURE 5

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



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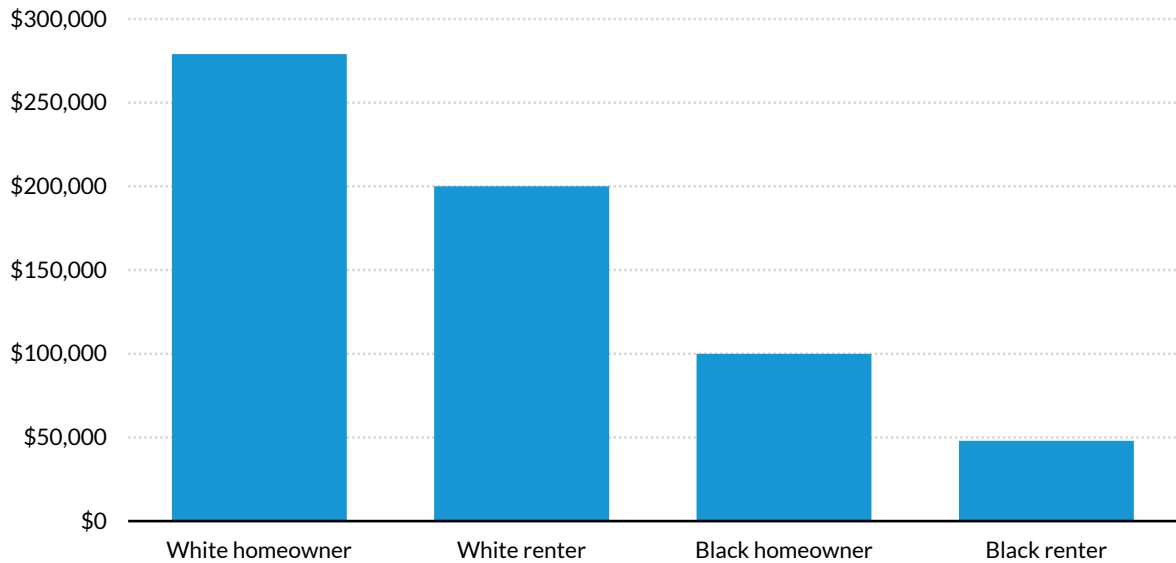
Source: Urban Institute's calculations: 2022 Survey of Consumer Finances (SCF) (Washington, DC: Board of Governors Federal Reserve System, 2023), <https://doi.org/10.17016/8799>.

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

In addition to estimates of the overall likelihood of receiving a sizable inheritance, white younger families, homeowners and renters alike, expect to receive a median \$200,000 or more in a sizable inheritance. In contrast, the median expected inheritance among younger Black homeowner was \$100,000, half of the median expectation among younger white renter families. The median expectation amount across Black renter families was \$48,000, less than 25 percent of the median expectation among younger white renter families and less than 50 percent of the median expectation among younger Black homeowner families (figure 6).

FIGURE 6

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>.

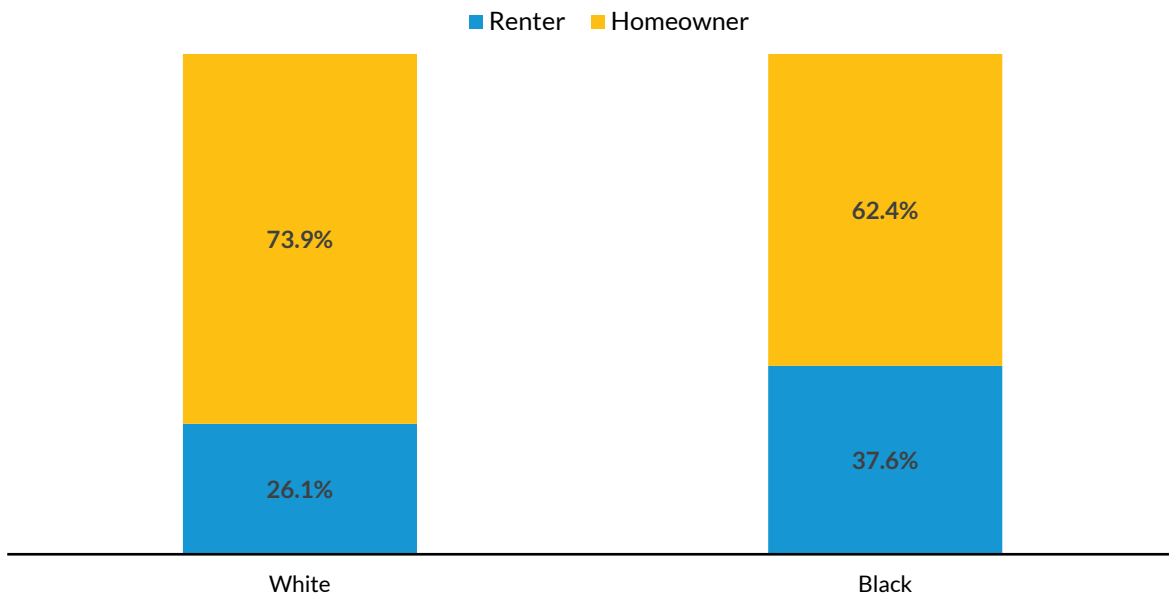
Notes: Younger families are those for whom the head of household is younger than age 58.

Trends Suggest Little Financial Benefit from Inheritance Transfers for Younger Black Families

The expectations of receiving a substantial inheritance may not be indicative of actual inheritance transfers (Neal et al. 2023). The share of younger families that have received an inheritance to date (and the median amount received in 2022 dollars) is broadly consistent with past inheritances among these age, racial, and housing tenure groups (figure 7). However, while broadly similar, the share of Black and white families having received an inheritance currently lags the percentage that each respective group expects to receive (figure 8 versus figure 5). This may reflect the fact that the source of the intergenerational wealth transfer—that is, the benefactor—remains alive.

FIGURE 7

Distribution of Younger White and Black Families Who Have Received an Inheritance, by Housing Tenure



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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.

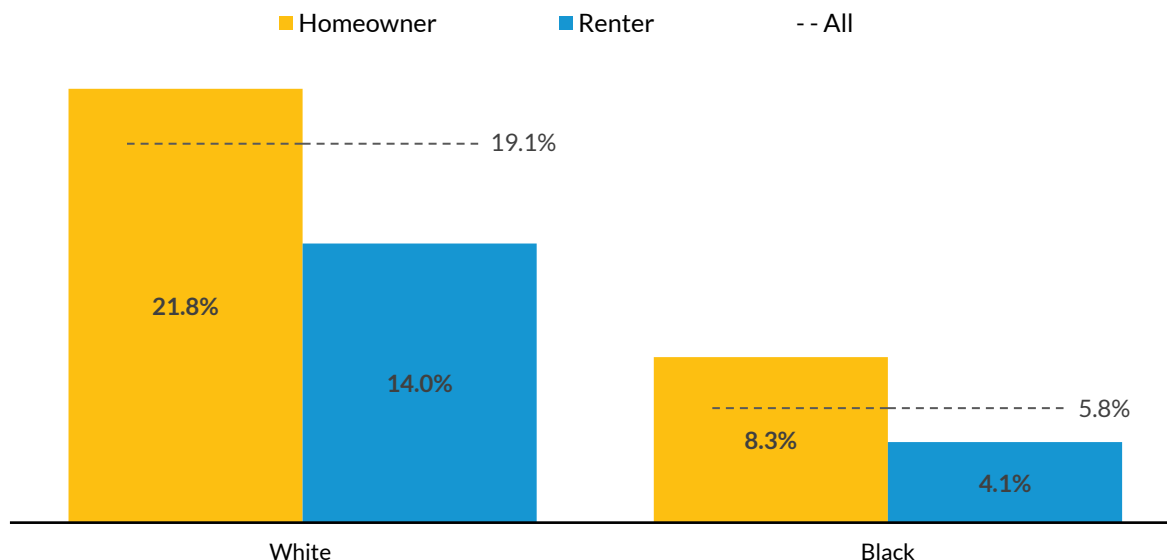
Homeowners accounted for the majority of younger families that have already received at least one inheritance. This was true for both younger white families and younger Black families. These results are similar to the distribution of younger white and Black families expecting to receive an inheritance by their housing tenure status (see figure 4). However, the housing tenure distribution across Black and white families having received an inheritance is more concentrated among homeowners relative to the distribution of younger White and Black homeowners that expect to receive a sizable estate.

Across younger white families, 73.9 percent of those having already received an inheritance were homeowners, while across younger Black families, 62.4 percent that have already received an inheritance were homeowners. As illustrated in figure 4, homeowners accounted for 66.0 percent of the younger white families that expected to receive an inheritance and 57.9 percent of the younger Black families expecting to receive an inheritance.

Overall, younger white homeowner families are the most likely to have received an inheritance. Among white families, younger renter families were less likely than younger homeowner families to have received an inheritance. However, both groups were more likely than Black families, homeowners

or renters, to have received an inheritance (figure 8). Younger Black renter families were least likely to have received an inheritance to date.

FIGURE 8
Share of Younger Households Who Have Received an Inheritance, by Race



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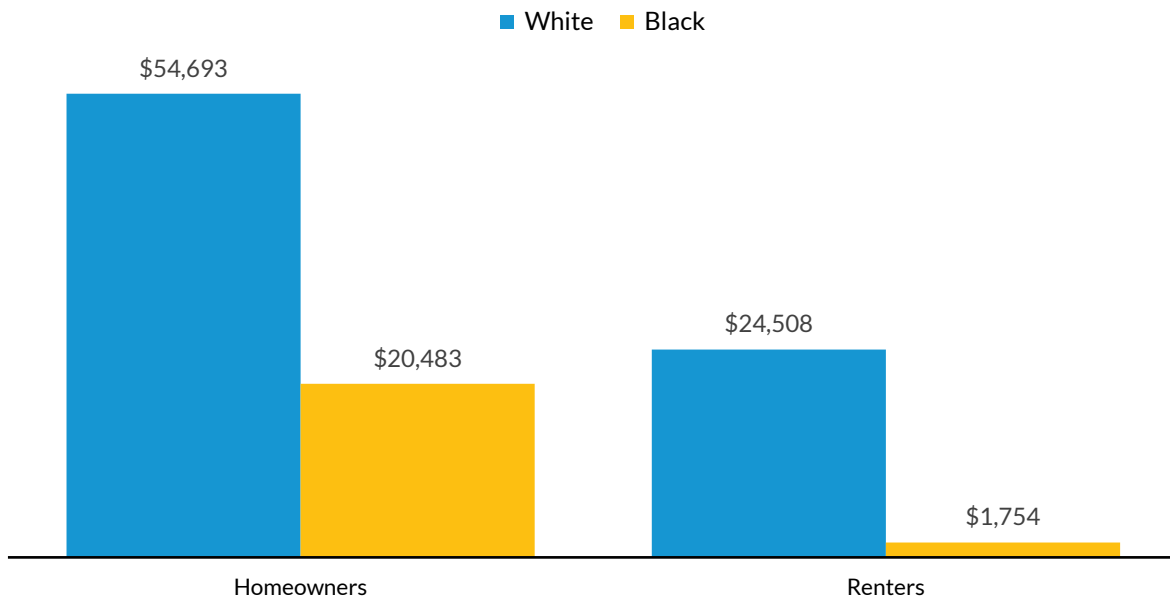
Source: Urban Institute's calculations: 2022 Survey of Consumer Finances (SCF) (Washington, DC: Board of Governors Federal Reserve System, 2023), <https://doi.org/10.17016/8799>.

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

Among younger families that have received an inheritance, the median amount received by white homeowner families exceeded that of white renter families and all Black families. Conditional on receiving an inheritance, the median amount received by younger white renter families and younger Black homeowner families was similar, though the typical white renter received more. However, as shown in figure 9, the median inheritance among younger Black renter families was only \$1,754.¹⁴

FIGURE 9

Median Amount of Total Inheritances Received by Younger Families, by Race



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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. Inheritance received is equal to the value of up to three reported inheritances adjusted to 2022 dollars using the year of receipt and the CPI-U from the Bureau of Labor Statistics. Any additional inheritances are included but unadjusted because the SCF only collects the year of receipt for up to three inheritances.

These inheritance results suggest that the Great Wealth Transfer will significantly boost the wealth of younger white families compared with younger Black families. A larger share of younger white homeowner families is expected to receive an inheritance in the future and a larger amount if they do receive one. Younger white renter households may receive a smaller inheritance compared with younger white homeowner families, even if they are similarly likely to receive an inheritance.

Younger Black homeowner families may be less likely to receive an inheritance compared with white families and may receive a smaller amount as well, but these families are already homeowners. However, younger Black renter families are least likely to receive an inheritance, significantly limiting a potential financial resource that could support a home purchase. And, if current trends continue, the actual inheritances they receive will significantly lag their expectations and may not be enough to help them purchase a home. In contrast, the greater likelihood of receiving an inheritance among younger white renter families, combined with the possibility of receiving a larger inheritance, suggests that a

larger share of younger white renter families will have more resources to achieve homeownership, aided by the intergenerational wealth transfer.

The Great Wealth Transfer Could Widen the Black-White Homeownership Rate Gap

Table 1 below estimates the potential impact of the Great Wealth Transfer on Black and white homeownership rates across younger households. It offers an illustrative example based on assumptions using the 2022 SCF data. Our estimates suggest that this transfer of wealth could increase the younger Black homeownership rate by 3.4 percentage points to 43.4 percent and the younger white homeownership rate by 7.7 percentage points to 72.2 percent. Since the white homeownership rate rises more than the estimate of the Black homeownership rate, then, from these estimates, the Black-white homeownership rate gap would rise.

TABLE 1

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>.

Assumptions and Conclusions of SCF Data on Transfer of Wealth

Our analysis of SCF data uses the median home value of younger Black homeowners, \$250,000. It sets a financial resources threshold of \$8,750, which is 3.5 percent of the median home value across younger Black homeowners and the minimum amount needed for a down payment on a mortgage endorsed by

the Federal Housing Administration. Financial resources are the sum of what a younger renter household expects to receive from a substantial inheritance and the total value of assets they already own. Each younger renter household with financial resources equal to or above this threshold could achieve homeownership with a minimum down payment on a \$250,000 home (this exercise does not consider closing costs, which exacerbates the gap).

From these results, we draw three conclusions: (1) most younger households, Black or white, do not expect to receive an inheritance; (2) younger white renter households are more likely to expect to receive an inheritance than younger Black renter households; and (3) conditional on expecting to receive an inheritance, younger white renter households expect to receive a larger inheritance than the conditional expectation of younger Black renters.

This example above relies on several assumptions. First, it assumes that current younger homeowners, Black and white, remain homeowners and all renter households that become homeowners remain in this tenure. It also assumes that younger Black families realize their inheritance expectations. Second, it assumes that there are enough homes valued at \$250,000 for younger renter households to buy, and that they will use their financial resources, including any inheritance, to become homeowners. And if they do, it assumes they can monetize any nonfinancial assets to achieve this goal and that the household would qualify for a Federal Housing Administration mortgage, including income.¹⁵

In addition, several important data caveats underly our results. First, the SCF does not provide a method for linking senior families with younger families. This would strengthen the analysis of potential intergenerational wealth transfer. Second, the use of “substantial inheritance” may omit families expecting to receive a smaller inheritance. Issues such as the lack of a will or tangled property titles could affect the results as well, although these instances are more likely to amplify the conclusions rather than shrink them (Neal et al. 2023).

Moreover, health care costs could play a role in determining future wealth transfer (Schein 2023). Anecdotes indicate that much of senior families’ wealth goes to health care. And many senior families struggle to pay for expenses like premiums, copayments, coinsurance and uncovered health services.¹⁶ Senior families may also donate their money to charity or other philanthropic causes.

Public Policy Can Ensure Homeownership Remains Viable for Younger Black Families and First-Time Homebuyers

Our analysis suggests that younger Black families, and younger Black renter families in particular, are least likely to benefit financially from the Great Wealth Transfer, implying an even more limited path to achieving homeownership and limited options for homeownership to help these younger families build future wealth. However, housing policymakers could proactively insulate these families if they don't benefit from the large wealth transfer.¹⁷ Steps to expand access to mortgage credit as well as boosting affordable housing supply could help provide additional ownership options to families not benefiting from the intergenerational transfer of wealth. Federal policymakers could take several steps to boost homeownership:

1. **First-generation down payment assistance**—This policy, which can be pursued at both the federal and state or local levels of government, provides tailored support for low-income households and households of color seeking homeownership. The policy should also allow recipients of this type of down payment assistance to use the funds for closing costs. Down payment assistance could also reduce the size of the loan, which could increase the amount of housing equity a homebuyer has after closing on the mortgage.
2. **Permanent mortgage rate buydowns to improve housing affordability**—Mortgage rates have soared in recent years and reduced housing affordability; targeted rate buydowns could improve purchasing power of families without intergenerational wealth to fall back on. Localities already have implemented these types of policies. Reducing mortgage rates also increases the pace of principal reduction over the life of the mortgage, thereby boosting the wealth accrued through homeownership.
3. **Additional steps that could help to increase the supply of affordable housing**—For example, federal policies to expand the Low-Income Housing Tax Credit could increase the number of affordable rental units. In turn, renters can better accumulate the savings needed to purchase a home.
4. **Public policies to support the construction of new for-sale housing**—At the state or local level, policymakers should consider reducing permit fees, which add to the cost of new homes. And at the federal level, increased financial assistance for the Housing Trust Fund and the Capital Magnet Fund can provide additional support for new housing.

Notes

- ¹ Anna Bahney, “Millennials Stand to Become the Richest Generation in History, After \$90 Trillion Wealth Transfer” CNN, March 1, 2024, <https://www.cnn.com/2024/03/01/economy/millennials-richest-generation-in-history/index.html>.
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- ³ Jennifer Wines, “How Might the Great Wealth Transfer Change Society?” Kiplinger, December 5, 2023, <https://www.kiplinger.com/retirement/how-might-the-great-wealth-transfer-change-society>.
- ⁴ “Defining Our Six Generations: Your Guide to America’s Six Living Generations,” Pew Charitable Trusts, February 8, 2019, <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2019/defining-our-six-generations>.
- ⁶ “Data That Drives Impact,” Black Wealth Data Center, accessed May 14, 2024, <https://blackwealthdata.org>.
- ⁷ “Racial Differences in Economic Security: Housing,” US Department of the Treasury, November 4, 2022, <https://home.treasury.gov/news/featured-stories/racial-differences-in-economic-security-housing>.
- ⁸ Liam Reynolds, Vanessa Perry, and Jung Hyun Choi, “Closing the Homeownership Gap Will Require Rooting Systemic Racism Out of Mortgage Underwriting,” *Urban Wire* (blog), Urban Institute, October 13, 2021, <https://www.urban.org/urban-wire/closing-homeownership-gap-will-require-rooting-systemic-racism-out-mortgage-underwriting>.
- ⁹ “About,” Survey of Consumer Finances (SCF), Board of Governors of the Federal Reserve System, accessed March 13, 2024, <https://www.federalreserve.gov/econres/aboutscf.htm>.
- ¹⁰ Pew Charitable Trusts, “Defining Our Six Generations.”
- ¹¹ This report focuses primarily on primary residences, the basis for the homeownership rate. But some families own investment properties and multiple homes.
- ¹² Black Wealth Data Center, “Data That Drives Impact.”
- ¹³ The question in the 2022 SCF is “Do you (or your {husband/wife/partner/spouse}) expect to receive a substantial inheritance or transfer of assets in the future?” A respondent may exclude a small inheritance from their answer, and each respondent may define small differently.
- ¹⁴ These results may not be a perfect comparison with expectations results. Presumably if a renter household received a home, they would be considered a homeowner and the amount they received would be captured under homeowners instead of renters. Rather, the results are meant for an illustrative comparison.
- ¹⁷ The potential implications of the Great Wealth Transfer may also suggest the need for an assessment of tax and estate planning policy.

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