

# GENDER AND RACIAL WEALTH GAPS AND WHY THEY MATTER



The tax code increasingly rewards extreme wealth, shields it from taxation, and allows it to grow larger across generations. Because of the preferential rates and loopholes available to the very wealthy, the current tax system (while progressive overall) enables enormous amounts of wealth to be accumulated by very few—who tend to be white and male. This exacerbates racial and gender inequality, hinders economic growth and broadly shared prosperity, and sharply limits the tax revenues available to make investments in women and people of color.

## What is Wealth?

- Wealth is commonly understood as the total value of assets that individuals or families have accumulated (such as savings, stock, a home, or a 401(k)) minus any debts (such as student loans or credit card debt).

White men and white families are much more likely to hold wealth than women, households of color, or women of color—and hold significantly more of it. This is a longstanding and **persistent problem**, but here is the most recent data about gender and racial wealth gaps.

## Gender and Racial Wealth Gaps

### Women

- For every \$1 of wealth owned by a single man, single women **own 82 cents**.
- Women have always **owned less wealth** than men due to historical and ongoing factors like **employment discrimination**, **lack of access to credit**, and barriers to property ownership.
- The **largest gender wealth gap** is between men and women who had never been married, and so have never shared assets with a partner.

- While it can be hard to assess wealth gaps between married men and married women—because wealth is assessed at the household level—there is also evidence that married women **hold less wealth** than married men.

### People of Color

- For every \$1 of wealth owned by a white household, Black households **own 13 cents** and Latinx households **own 19 cents**.
- Families of other races, including Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, other races, and those who identified as more than one race, **also have less wealth** than white families.
- Black and Latinx families have very **little wealth to pass down** to their children. White families are nearly three times more likely than Black families, and over four times more likely than Latinx families, to have received an inheritance.
- Racial wealth gaps reflect a long history of discriminatory policies that have barred people of color from growing wealth. These gaps have not narrowed over time. In fact, Black and Latinx families experienced a greater drop in household wealth in the years following the **Great Recession**, suggesting that racial wealth gaps may widen again after the COVID-19 recession.

### Women of Color

- For every \$1 of wealth owned by a single white man, single Black women and single Latinas **own 9 cents**.
- Women of color experience the **most profound wealth gap** because they face both gender and racial disparities.



- COVID-19 is likely to impact the wealth of women of color, who faced higher rates of **unemployment** and **material hardship** during the pandemic than white women or white men.

Additionally, women and people of color are underrepresented among the very wealthy. This year, the Forbes 400 list named only **56 women** and **two Black men**—meaning that 85% of the Forbes 400 list are white men.

### Wealth Inequality Harms Everyone

Concentrating excessive wealth in the hands of the few—who are disproportionately white and male—not only exacerbates gender and racial inequities but slows **economic growth**, and, as discussed further below, undermines the economic security of women and people of color, and damages democracy.

### Lack of Wealth is Harmful to Women and People of Color

- The fact that single women and people of color have less median wealth than white men and white households, and are less likely than white men to have high wealth, reflects gender and racial inequality.
- Low levels of wealth impact the financial stability, economic resilience, well-being, and access to opportunity for women supporting families on their own, families of color, and women of color.
  - Wealth provides a cushion against emergencies, helps build future wealth, and allows families to pursue opportunities for a better future. It offers support across generations.
  - Lack of wealth makes it harder for women and families of color to **weather financial crises**, **seek higher wages**, and experience upward **economic mobility**.
  - Lack of wealth can have **detrimental lifetime effects** on children, like worse physical health, worse social outcomes, and fewer years of completed schooling.

### Excessive and Concentrated Wealth Undermines the Democratic Process

- Wealth accumulation concentrates political power, giving the very wealthy—who are disproportionately white and male—**outsized access** to politicians and the political process through:
  - Being able to afford to employ lobbyists
  - Donations to lawmakers
  - **Outside spending and donations** to Political Action Committees
- It was estimated that each of the top 400 or so richest Americans had on average about **22,000 times** the political power of the average member of the bottom 90 percent.
- Outsized political influence allows the wealthy to ensure their own policy preferences, most of which **do not align** with what benefits the general public and the economy overall.
- Policies that benefit the wealthy are **more likely to be enacted** than those that benefit women and people of color. Further, the very wealthy are **much less likely to support** programs that benefit women and families.
- The lobbying efforts and political contributions of the wealthy **have proven effective** at overcoming the popularity and strong policy rationale for a more equitable tax code that raises revenue necessary to support investments in women and families.

But it doesn't have to be this way. Tax policy can be a powerful tool to increase racial and gender equity, if we are willing to **unlock its full potential**. Taxing wealth fairly and more effectively would reduce gender and racial wealth gaps. It would break up concentrated wealth (which is disproportionately held by white families and white men). And the revenues raised by better taxing wealth could be invested in supports, such as child care, paid leave, home and community based services, health care, affordable housing, and family tax credits, that could increase opportunities for women and people of color to build wealth. Moreover, it would increase racial and gender equity in the tax code.



For more information, read our report, **[Advancing Gender and Racial Equity By Taxing Wealth](https://nwlc.org/resources/gender-and-the-tax-code/)**. More resources on how taxes are a racial and gender justice issue are available at **<https://nwlc.org/resources/gender-and-the-tax-code/>** and **<https://nwlc.org/resource/ttp/>**.