

# The Racial Wealth Gap: Asian Americans and Pacific Islanders



Center for  
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**T**he growing racial and ethnic wealth gap occurring in the United States is crippling communities of color, including Asian American and Pacific Islander (AAPI) families. This gap is a result of systemic and social barriers that keep people of color from achieving and enjoying economic success. This fact sheet highlights racial and ethnic disparities in some fundamental economic areas.

A person's wealth (or "net worth") is the value of all their assets minus their debt. Asset accumulation is the foundation of economic mobility for low- and middle-income families. Common private assets include bank accounts, home, land, stocks, bonds, life insurance, pensions, cash-on-hand, and retirement plans. Common public assets include Social Security, Medicare, and Unemployment Insurance. Investing in assets and limiting debt helps build wealth and improve financial security.

Despite stereotypes perpetuated by the "Model Minority Myth"—which contends that all Asian Americans are wealthy and highly educated—many Asian American families lack access to the necessary savings and investments to climb up the economic ladder.

## Facts At A Glance

- Asian American families own 68 cents for every dollar of wealth a White family owns.
- Asian American socioeconomic experiences are obscured by aggregate racial data.
- Nearly 57 percent of Asian Americans own a home compared to 73.5 percent of Whites.

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## The Asian American Socioeconomic Experience

The Asian American group is composed of subgroups from different cultural, social, and historical backgrounds. For example, people with Chinese, Korean, Indian, Vietnamese, or Pakistani descent are all lumped into the Asian category. These groups, however, have vastly different socioeconomic experiences. It is important to collect and present disaggregate data by Asian subpopulations in order to get a clear picture of the Asian American socioeconomic experience. This fact sheet will report on Asian American subpopulation data if it is available.

### Problems with Asian American Data

There are a number of challenges that affect our ability to disseminate and rely on Asian American data. One of these problems includes data aggregation. Some surveys either do not give Asian respondents the ability to specify their ethnicity or do not report on these data. As a result, many Asian subpopulations are grouped into one single “Asian” category that masks the underlying differences between subpopulations.

Self-identification is another issue with Asian data. Many Asian Americans do not identify as Asian, but instead identify with a specific ethnic group, such as “Indian,” or an ethnic American, such as “Korean American.” Additionally, many Asians consider themselves multiple races, such as Asian and White. These identifications are usually not included in the “Asian only” category, and therefore are not included in several socioeconomic indicators.

Finally, language barriers prevent Asian American families from participating in English-only surveys.

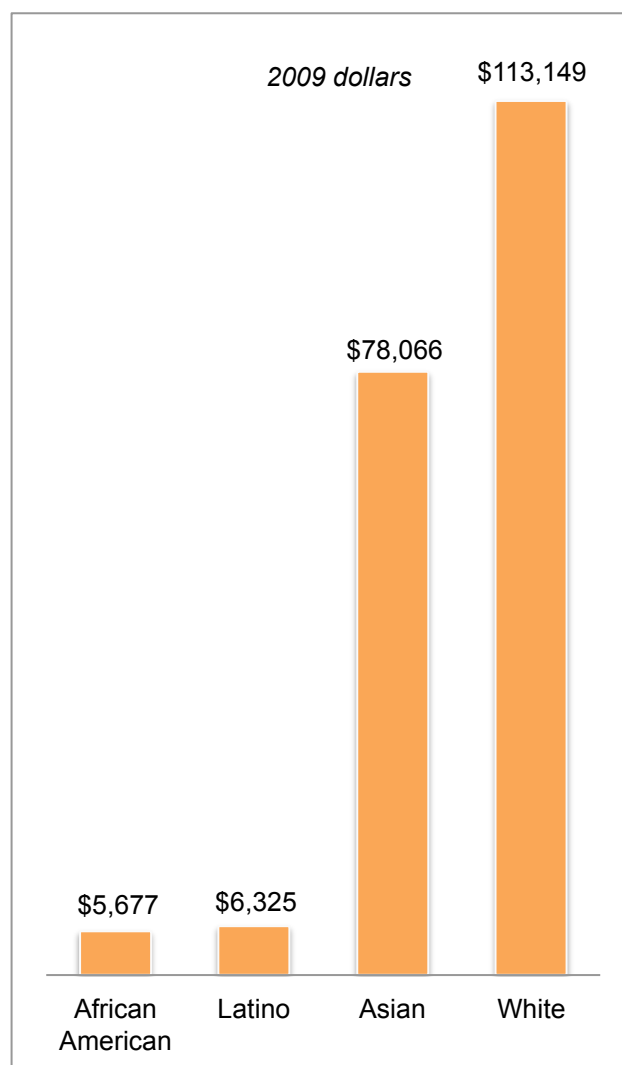
An estimated 47 percent of Asian Americans speak English less than “very well,” which is a higher percentage than that for Latinos.<sup>1</sup> These language issues prevent many Asian American families from reporting on their socioeconomic experiences.

## Asian American Wealth

The median wealth of White households is over \$35,000 higher than that of Asian households (Figure 1). In 2005, median Asian household wealth was \$168,103; by 2009—following the Great Recession—this figure had declined to \$78,066. This is a loss of 54 percent of wealth among Asian families. White families only lost 16 percent of their wealth during that same time period.<sup>2</sup>

In 2009, 19 percent of Asian households had zero or negative net worth; this is an increase from 12 percent in 2005.<sup>3</sup>

Figure 1 | Wealth by Race



Pew Research Center, 2011

The significant wealth gap between Asian and White families is a reflection of systemic and social barriers that have long existed and have limited economic mobility. Communities of color face obstacles obtaining reliable jobs to generate consistent and adequate income or accessing banking services in order to save for future investments.

Asian Americans often lack the resources to invest in a diverse asset portfolio. These families face obstacles in the labor market and financial industries, leading to inadequate levels of savings and poor, or nonexistent, investment strategies. We need to explore why these families start, and remain, at a disadvantage.

## Income Inequality and Poverty

Income inequality is a major contributor to the growing wealth gap. In fact, 20 percent of the racial wealth gap is due to low household income.<sup>4</sup> Asian American families, as a broad racial group, earn a higher income than White families (\$68,636 compared to \$57,009, Figure 2).<sup>5</sup> These numbers, however, fail to account for intra-group differences. In 2010, for example, Korean Americans earned \$50,000 and Vietnamese Americans earned \$53,400; these incomes were less than the White median income. On the other hand, Indian Americans earned \$88,000 and Chinese Americans earned \$65,000, which was higher than that of Whites.<sup>6</sup>

Lower incomes lead to a higher poverty rate among Asian Americans (11.7 percent compared to 9.7 percent for Whites, Figure 2).<sup>7</sup> These poverty rates also differ by ethnicity.

For example, 2006-2010 aggregate poverty rate estimates show that Filipino Americans had a 6.4 percent poverty rate, lower than the aggregate Asian and White rates. In addition, 12.2 percent of Chinese Americans and 13.9 percent of Vietnamese Americans are in poverty.<sup>8</sup> Low earning levels leave many Asian families struggling, as the combination of low incomes and the cost of living prevents them from accumulating assets.

### The Importance of Public Assets

Many Asian American families rely on public assets as a source of income, including Social Security. For example, 42 percent of Asian American seniors over age 65 rely on Social Security for at least 90 percent of their income, compared to 35 percent of Whites.<sup>9</sup>

Asian American families also rely on public assets as a source of benefits, including Medicare and Medicaid. For example, 21.3 percent of Asian Americans under the age of 65 lack health care coverage, compared to only 17 percent of Whites.<sup>10</sup> Benefits from public health care programs are crucial for Asian American families in maintaining a healthy lifestyle.

Efforts to cut or eliminate these programs will harm the economic stability of families of color. Public assets are important for Asian American families and must, therefore, be protected and expanded.

## Unemployment and Long-Term Unemployment

As of April 2014, Asian Americans had a lower unemployment rate than Whites (5.4 percent compared to 5.8 percent, respectively).<sup>11</sup> When we compare these groups by post-secondary education, however, we see that 6.4 percent of Asians with a college degree were unemployed in 2011, compared to 4.3 percent of Whites.<sup>12</sup>

If we break down unemployment by Asian ethnic groups, 2008-2010 aggregate unemployment data show a wide disparity between subpopulations. For example, only 4 percent of Japanese Americans were unemployed, compared to 6.6 percent of Filipino Americans and 6.4 percent of Vietnamese Americans.<sup>13</sup>

An estimated 50.1 percent of unemployed Asians are “long-term unemployed” (which is defined as an individual suffering from a period of unemployment lasting longer than 27 weeks). This is the highest rate of any racial or ethnic group, including 42.4 percent of unemployed Whites who are long-term unemployed.<sup>14</sup> The long-term unemployed face substantial difficulties moving back into the workforce. The longer an individual remains unemployed, the more difficult it becomes for him or her to rejoin the workforce.

Unemployment inhibits asset building, as it creates an unstable and unreliable income source, placing additional burdens on the wage earners in the home who maintain employment. Less income is devoted to asset and wealth building as more income is dedicated to providing for basic family needs.

## Savings Disparities

Asian Americans use banking accounts at a similar rate as Whites (Figure 2). Almost 3 percent of Asian Americans are unbanked, meaning they do not own a deposit account at an insured bank, compared to 4 percent of Whites. Similarly, 77.1 percent of Asian Americans are fully banked, meaning they have a bank account and do not rely on alternative financial institutions, compared to 77.0 percent of Whites.

These numbers differ for Hawaiian and Pacific Islanders, 6.2 percent of whom are unbanked, with 62.9 percent being fully banked.<sup>15</sup>

Figure 2 | Barriers to Asset Ownership

	Median Income <sup>1</sup>	Poverty Rate <sup>1</sup>	Unbanked <sup>2</sup>	Fully Banked <sup>2</sup>
African American	\$33,321	27.2%	21.4%	41.6%
Latino	\$39,005	25.3%	20.1%	48.7%
Asian	\$68,636	11.7%	2.7%	77.1%
White	\$57,009	9.7%	4.0%	77.0%

<sup>1</sup> US Census Bureau, 2013  
<sup>2</sup> FDIC, 2011

Unfortunately, these data are not disaggregated by ethnicity. Asian American subpopulations with higher savings rates may overshadow the savings disparities faced by other subgroups.

### Savings Disparities Among Communities of Color

Families of color are over five times more likely than Whites to be unbanked.<sup>16</sup> Only 44 percent of families of color, compared to 56 percent of White families, save some of their income, regardless of whether they own a bank account. The average amount saved by families of color is \$1,600, compared to \$5,000 for White families.<sup>17</sup>

Communities of color are more likely to accumulate debt because they do not have sufficient income or savings. Not only are they more likely to have zero or negative wealth due to high debt, they also have a very high debt-to-asset ratio (29.1 percent compared to 14.4 percent for White households).<sup>18</sup> This high ratio limits their access to credit because financial institutions view families of color as financial risks and either deny them credit or impose inordinately high interest rates.

Income and savings inequities are significant barriers to economic prosperity for families of color. These issues must be addressed, but achieving wealth equity must also include investments in a diverse assets portfolio.

## Homeownership

Buying a home is the single largest investment any family can make. Asian American families are at a disadvantage when purchasing homes, due to a history of redlining, reduced access to credit, and lower incomes.

The homeownership rate for all communities of color is 25.8 percent lower than the homeownership rate for White families. The homeownership rate for Asian Americans is 56.7 percent, 16.8 percent lower than the 73.5 percent rate for White families.<sup>19</sup>

For those Asian American families who do own a home, the crash of the housing and mortgage markets hit very hard. The crash resulted in a significant loss of wealth for Asian Americans due to falling housing market prices, higher rates of foreclosures, and low property values. For example, home equity decreased by 32 percent among Asian Americans, from \$219,742 in 2005 to \$150,000 in 2009.<sup>20</sup>

## Property Foreclosure

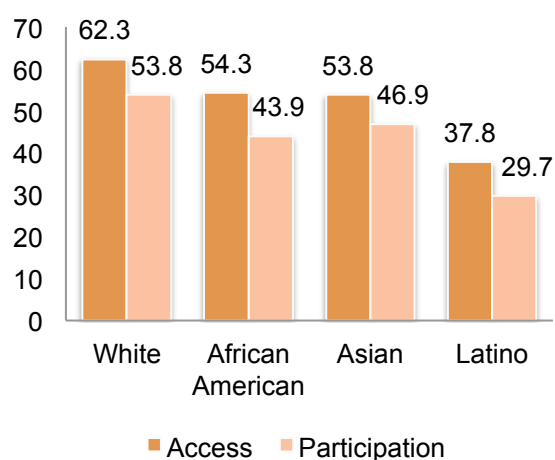
About 4.6 percent of Asian American and 6.3 percent of Hawaiian and Pacific Islander borrowers lost their homes to foreclosure during the recession, compared to 4.5 percent of Whites. Sixteen percent of Asian American and 18.6 percent of Hawaiian and Pacific Islander borrowers remain at imminent risk of foreclosure.<sup>21</sup> This loss of equity has significant impacts for those families who lose the ability to borrow against their equity, a secure place to live, and the capacity to pass to future generations any wealth gained in home equity.

In 2005, homebuyers of color were 30 percent more likely to receive the highest cost subprime loan than were White subprime loan borrowers. This is another reason why AAPIs and other communities of color were disproportionately affected during the recession, with many losing their homes due to foreclosure.<sup>22</sup>

## Retirement Security

Asian American workers are less likely to work in fields that offer pensions or retirement accounts like 401(k)s. Only 53.8 percent of Asian Americans work for an employer who offers a retirement plan, compared to 62 percent of White workers (Figure 3).<sup>23</sup> Additionally, as Asian Americans grow older they are less likely to have access to workplace retirement plans. This differentiates them from other racial groups, including Whites, who are more likely to have access to workplace retirement plans as they age.

Figure 3 | Access and Participation Rates in Workplace Retirement Plans



National Institute on Retirement Security, 2013



## Educational Achievement

Access to quality education from childhood through adulthood is important for financial competency. Post-secondary and financial education may help communities of color achieve financial equity.

A similar rate of Asian Americans over the age of 25 has graduated college compared to the total U.S. population (86.2 percent vs. 85.1, respectively). In addition, Asian Americans have a lower rate of individuals who have not completed high school when compared to the total U.S. population (13.8 vs. 14.9). Despite these encouraging numbers, there are significant variations by subpopulations. While 92.3 percent of Filipino Americans and 90.8 percent of Indian Americans graduate high school, only 70.3 percent of Vietnamese Americans and 62.4 percent of Cambodian Americans graduate.<sup>24</sup>

Aggregate data show a higher rate of Asian Americans graduating with a bachelor's degree than the general U.S. population (49.4 percent vs. 27.9 percent). When these data are disaggregated by subpopulations, there are problems of ethnic disparities, however. For example, while 70.0 percent of Indian Americans and 51.1 percent of Chinese Americans over the age of 25 have a bachelor's degree, only 25.8 percent of Vietnamese Americans and 17 percent of Pacific Islanders have a degree.<sup>25</sup>

## Financial Education

Financial education is another important component in solving the racial wealth gap. It can help families understand the importance of creating a budget, saving for emergencies, and investing in a diversified portfolio.

Financial education strategies can be implemented through school curricula, community-based organizations, and financial institutions.

## Moving Forward

After years of systemic and social discrimination reinforced by public policy, there is no single solution to closing the racial wealth gap. Wealth-building policies must be structured to account for the various factors exacerbating the disparity.

A comprehensive policy approach that addresses inequities from childhood through old age is needed to help close gap. Policy solutions may include increasing educational attainment among communities of color by providing equitable education quality in public schools. Policies that help bring people into the mainstream financial system are also important, including the need to expand access to low- and no-cost financial services. Universal savings accounts with a match component may also give families the vehicle to invest in wealth-building assets. Finally, Social Security expansion is critical for people of color.

The racial and ethnic wealth gap is not going away, and neglecting it has only made it worse. The sooner we address these issues, the sooner we will become a more economically prosperous nation where all families can reap the rewards for their hard work.

Dr. Maya Rockeymoore and Elvis Guzman authored this fact sheet.

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