Generational Race-Based Trauma and Financial Market Participation

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Abstract

Both theory and empirical research have shown that market frictions and behavioral biases account, in part, for lower than expected household stock market participation rates. However, research has identified only a limited number of factors affecting variation in household stock market participation. This paper examines the hypothesis that historical race-based trauma can influence current household financial market participation. Using restricted use Panel Study of Income Dynamics (PSID) data, we show exposure to historical race-based financial trauma is related to decreased stock market participation that cannot be explained by historical region-based racial exclusion. This has profound implications for wealth accumulation and the persistence of racial wealth inequality. (JEL: D14, D63, G41, G51)

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Prejudice is a burden that confuses the past, threatens the future, and renders the present inaccessible."

- Maya Angelou, Author and Activist

1 Introduction

The persistent racial wealth gap between Black and White Americans is the largest of the economic gaps between the two racial groups (Derenoncourt et al., 2024). According to U.S. Census data, median net worth in 2022 was $256,000 for White households and was $31,250 for Black households.[1] While this nearly $225,000 racial wealth gap has its roots in the enslavement of Black people in the U.S., the gap is perpetuated through significant, lasting racial disparities that affect almost every wealth-creation opportunity in U.S. society. Consequently, it is important to analyze the broader context that continues to hinder the financial advancement of Black Americans.

The question of whether Black Americans' economic status is shaped by race-based trauma is relevant for several reasons. Given the significant racial wealth inequality in the U.S., it is crucial to understand all factors that continue to negatively affect wealth accumulation for people of color. Black Americans face substantial disparities in financial security across their lifetimes, leading to an increased risk of old-age poverty (Bogan, 2023). 19.3% of Black Americans aged 65 and older lived in poverty in 2017, more than double the rate of 9.2% for all older Americans.[2] Identifying the mechanisms that influence household portfolio choices and contribute to these disparities is critical for understanding distributional welfare issues and designing policies to address racial economic inequality.

[1] `https://www.census.gov/data/tables/2022/demo/wealth/wealth-asset-ownership.html`

[2] `https://www.americashealthrankings.org`

Stock market participation is a key means by which households are able to accumulate wealth in the U.S. However, U.S. household stock market participation is lower than would be predicted by standard asset pricing models, given historical risk-adjusted returns from holding stock. Correspondingly, there is a rich literature investigating investment decision-making behavior in order to reconcile observed stock market participation rates with theoretical asset pricing models (see, for example, Haliassos and Bertaut (1995); Hong, Kubik and Stein (2004); and Bogan (2008); Laudenbach, Malmendier and Niessen-Ruenzi (2020)). To date, not much of the cross-sectional variation in portfolio behavior has been explained in the empirical finance literature on portfolio choice. However, race has been one factor that is significantly correlated with lower stock market participation rates. In particular, Black households consistently have been found to be less likely to own stocks than White households (Bennett and Chien, 2022). Using Panel Study of Income Dynamics (PSID) data from 1999 through 2021, we find 25.2 percent of White households but only 4.0 percent of Black households hold individual stocks or mutual funds outside of defined contribution (DC) pension plans or Individual Retirement Accounts (IRAs).

Race-based traumatic stress has been shown to have a differential impact on economic agents depending on their ethnicity (Carter, 2007; Torres, Driscoll and Burrow, 2010; Lewis, Cogburn and Williams, 2015; Lockwood and Cuevas, 2022). The effects of race-based trauma and discrimination have been shown to influence education and health (Evans, Garthwaite and Moore, 2016; Glover, Pallais and Pariente, 2017; Alsan and Wanamaker, 2018). More recently, the link between race-based trauma and financial decision-making has been documented. Albright et al. (2023) find that during the twenty years after the 1921 Tulsa Race Massacre, the African American population within and outside of Tulsa suffered from decreased home ownership and declines in occupational status. Antman and Duncan

(2024) show childhood exposure to lynchings of Mexicans in Texas had negative effects on the home ownership rates of Mexican Americans. Bogan et al. (2024) show that exposure to race-based police violence negatively affects both home ownership and retirement savings.

There is evidence that traumatic stress can be passed across generations, which could affect decision making. In principle, such transmission could occur through a variety of mechanisms. Epigenetic (changes in the way genes function in response to environmental cues), social, and psychological mechanisms all have been explored. Numerous biological studies have demonstrated intergenerational epigenetic inheritance in humans, from parent to child. For example, Yehuda et al. (2016) and Bierer et al. (2020) found specific genetic differences in adult offspring of mothers who were exposed to the Holocaust in childhood versus control participants. Furthermore, both maternal and paternal PTSD have been associated with specific genetic effects in offspring (Yehuda et al., 2014). Transgenerational epigenetic inheritance, from parent to grandchild or subsequent generations, has been relatively less frequently studied in humans due to the length of time required to observe multiple generations. Chou, Huang and Yu (2024) report that the notion of transgenerational epigenetic inheritence is supported by the fact that genetic markers associated with exposure to stressors prior to conception can be passed along to offspring, though it is widely acknowledged that future research is critical to better defining the biological mechanisms through which trauma may be transgenerationally transmitted (Yehuda, Lehrner and Bierer, 2018).

In both the psychology and economic literatures, there also is evidence of personal trauma in humans affecting subsequent generations. Bezo and Maggi (2018) find the 1932-1933 forced starvation and genocide of Ukranians affected the physical health of not only

the survivors but also their children and grandchildren. Dashorst et al. (2019) reviewed 23 studies published between 2000 and 2018 and show that Holocaust survivor offspring have a higher incidence of mental health problems and that having two survivor parents resulted in higher levels of mental health issues than having one survivor parent. Althoff and Reichardt (2024) document significantly lower education, income, and wealth for Black American families whose ancestors were enslaved until the Civil War compared to Black American families whose ancestors were free before the Civil War.

Studies in both finance and economics have shown that psychological distress, trauma, and personal experiences can affect risk tolerance and investment decision-making behavior (Kamstra, Kramer and Levi, 2003; Malmendier and Nagel, 2011; Kramer and Weber, 2012; Bogan, Just and Wansink, 2013; Bogan and Fertig, 2013; Kim and Lee, 2014; Bogan and Fertig, 2018). Additionally, family experience can affect financial decision-making. Chiteji and Stafford (1999) find that the likelihood of an individual owning stocks is affected by whether their parents held these types of assets, reinforcing the intergenerational transmission of financial attitudes and behaviors. Further, financial socialization within households plays a crucial role in shaping stock market participation. Mueden and Niessen-Ruenzi (2023) show that financial discussions occur less frequently with daughters than with sons, and women are less likely to acquire financial competencies at school. This gap in early financial socialization translates into lower financial literacy, reduced financial confidence, and ultimately lower stock market participation among women. Similarly, Liao, Liu and Lu (2024) highlight that childhood gender socialization influences financial behaviors in adulthood. Individuals raised in male-dominated households—where fathers have higher incomes or education levels than mothers—are more likely to invest in the stock market, with this effect being stronger for men. Taken together, these studies emphasize the

long-lasting impact of childhood socialization and family financial dynamics on investment behavior, further reinforcing the role of intergenerational influences in shaping financial decision-making.

Given the literature demonstrates that family experiences influence investment decisions, trauma can be passed across generations, and trauma (including race-based trauma) affects economic decisions, we investigate a question at the nexus of these research strands. We try to understand the effect of trauma on the investment decisions of subsequent generations. A distinguishing feature of this paper is that we examine the effects of historical racism-related trauma on the financial decisions of Black Americans in the U.S. Specifically, we use generational exposure to the Freedman's Savings and Trust Company, commonly known as Freedman's Savings Bank (FSB), to analyze the effect of historical financial trauma on future generations' stock market participation. As we detail later in the paper, the FSB was established in 1865 to encourage Black Americans to participate in savings opportunities. Unfortunately, due to fraud and mismanagement, the bank collapsed in 1874, resulting in significant losses for depositors, which affected the Black community disproportionately. We find that the historical race-based trauma associated with the failure of the FSB negatively affects the current financial market participation of Black Americans in a way that limits wealth accumulation.

We find that households headed by a Black individual who grew up in a county that historically had an FSB branch are significantly less likely to participate in the stock market compared to households headed by non-Black individuals who grew up in an FSB county. These results control for standard demographic and socioeconomic determinants of stock market participation, as well as time-varying county-level unobservables. The effect is

large in magnitude, corresponding to a nearly 80% lower stock market participation rate relative to the mean stock market participation rate in our sample. This effect extends to households headed by Black individuals whose father or grandfather grew up in FSB counties, suggesting the intergenerational transmission of race-based financial trauma.

By using newly available data on geographic locations with extreme racial exclusion – sundown towns – we show that our findings are not driven by the experience of racial exclusion. Additionally, our results are robust to controlling for unobserved county-level differences arising from early-life experiences of household heads and their parents. In a subsample analysis, we also show our results are not driven by differences between states that historically had FSB branches versus those that did not. Finally, by controlling for participation in employer-sponsored retirement accounts, we show that our findings are not driven by differences in retirement savings behavior. Overall, this paper provides evidence that historical race-based trauma reduces descendants' stock market participation, which in turn systematically disadvantages Black Americans' prospects for wealth accumulation.

We hypothesize that trauma-induced lack of trust in financial institutions, passed through familial ties, is a mechanism through which financial decision-making is affected. Relatedly, Jiang and Lim (2018) demonstrate that higher levels of trust inherited from cultural and family backgrounds are linked to a lower likelihood of household debt default, and Bogan and Wolfolds (2022) show that White males are more likely to be unbanked due to lack of trust in financial institutions. Further, there is a growing body of literature that underscores the critical role of trust in shaping stock market participation. Guiso, Sapienza and Zingales (2008) show that individuals who are less trusting are less likely to invest in stocks, and, even when they do, they allocate a smaller portion of their wealth to equity.

Similarly, Balloch, Nicolae and Philip (2015) highlight that trust in financial markets is a key determinant of stock ownership decisions, alongside stock market literacy. Additionally, Giannetti and Wang (2016) provide evidence that corporate fraud revelations erode trust in financial markets, leading to a decline in household stock market participation. These findings suggest that trust—or the lack thereof—can have long-term effects on investment behavior, particularly when negative financial experiences or systemic discrimination undermine confidence in financial institutions.

This paper contributes to the literature in several ways. First, we illustrate another mechanism through which racial wealth inequality is perpetuated. Second, we provide more support for the intergenerational transmission of financial behavior and decision-making. Third, we identify race-based trauma as a significant source of cross-sectional variation in stock market participation rates.

2 Race-Based Trauma and Freedman's Savings Bank

The FSB, established in 1865 following the U.S. Civil War, aimed to integrate Black Americans into the formal financial system by providing savings accounts and encouraging economic participation. Chartered as a private institution, it was initially tasked with investing depositor funds in secure government securities to promote financial stability and trust. Tens of thousands of freed people across the United States patronized FSB branches as a way to invest in their own economic freedom. Black Americans had deposited over $50 million dollars (more than $1.4 billion in 2024 dollars) in FSB by 1874 (Edwards, 2024, p. xvi).

Over time, however, the FSB shifted its focus from a savings bank. In 1870, the bank trustees obtained congressional approval to operate as a commercial bank instead of a savings and trust company (Edwards, 2024). This change enabled FSB to expand its investments into riskier, more speculative areas, further exposing it to vulnerabilities. FSB administrators began making loans to White people with close personal connections to the bank's trustees, while Black depositors were barred from borrowing any funds (Edwards, 2024). These loans benefited White borrowers and bank managers rather than the Black American depositor majority (Osthaus, 1976; Henry, 1939).

The FSB was plagued by governance failures, mismanagement, and fraudulent practices by its predominantly White leadership. These issues were exacerbated by broader economic conditions, particularly the Panic of 1873, which strained liquidity and heightened distrust in financial institutions. Ultimately, the FSB became insolvent and collapsed, which led to the loss of depositor funds (Célérier and Tak, 2025; Fleming, 1927).

The collapse disproportionately impacted Black American depositors, who accounted for the majority of the bank's clientele. Using census data, Célérier and Tak (2025) estimate that depositors lost 80 percent of their remaining account balances as of July 1874. Further, these individuals collectively lost an estimated 10% of the total wealth of the Black community at the date of the FSB failure (Célérier and Tak, 2025), a significant setback for a population newly engaging with formal financial systems. In contrast, White depositors, who were in the minority, experienced less pronounced effects due to broader access to alternative financial systems. Traweek and Wardlaw (2025*b*) show that financially sophisticated White depositors withdrew early from the FSB before its failure, leaving Black depositors to bear disproportionate losses.

After the FSB ceased operations, Black American FSB customers unsuccessfully spent decades pleading with attorneys general, the U.S. Congress, and U.S. presidents to help them recoup their deposits (Edwards, 2024). Many Black Americans had viewed FSB as a cornerstone of economic opportunity during Reconstruction, and its failure undermined their trust in formal financial institutions (Baradaran, 2017; Arthi, Richardson and Van Orden, 2024). The betrayal of trust due to the malfeasance of FSB and the subsequent lack of government protection of their assets was particularly traumatic for the Black community due to the fact that bank administrators had trumpeted the message that Black people had a moral obligation to save (Edwards, 2024; Célérier and Tak, 2025). Figure 1 highlights an example of this FSB messaging to the Black community in its early years. Moreover, after the FSB failure, the Black victims were criticized for entrusting their money to FSB and were accused of "financial ignorance and misguidedness."[3] Yet, this "strategic pillage of the Freedman's Bank by white capitalists represented another type of violence against African Americans."[4]

The failure of the FSB had immediate effects on financial behavior. Many Black Americans, disillusioned with banks, turned to alternative savings mechanisms such as life insurance and community-based financial practices. The collapse also limited opportunities for Black Americans to accumulate and transfer wealth intergenerationally, further exacerbating racial economic disparities (Williams and Jones, 1941; Bullock, 1957).

This paper analyzes the effects of this trauma on subsequent generations of Black Americans that did not have direct financial exposure to or losses from FSB. It ties to a growing body of literature which studies the economic effects of the FSB on Black Americans. Arthi,

[3]Edwards (2024), p. 11
[4]Edwards (2024), p. 9

Richardson and Van Orden (2024) analyze the effect of the FSB collapse on the demand for life insurance. They find a persistent increase in life insurance demand in the Black American communities of affected counties. Stein and Yannelis (2020) use FSB data to show families with accounts at the bank experienced positive outcomes such as more education, higher income, business ownership, and real estate wealth. Yet, Célérier and Tak (2022, 2025) challenged the findings of Stein and Yannelis (2020, 2021) due to concerns about the identification strategy assumptions. Célérier and Tak (2025) demonstrate that FSB practices and strategies contributed to racial wealth inequities not benefits for Black households. They show that expanded advertising practices allowed under deregulation and false claims led to increased FSB deposits from Black American depositors despite the bank's insolvency issues. This led to amplified depositor losses following the bank's collapse, because these advertising practices steered minorities toward inferior financial products.

3 Data and Methodology

3.1 PSID data

Our main sample utilizes data from the restricted-use Panel Study of Income Dynamics (PSID) database.[5] The PSID is a biennial longitudinal panel survey of US households that contains important demographic, socioeconomic, and geographic information. We use restricted access data to identify the U.S. county where PSID household heads grew up, along with the counties where their fathers, mothers, and grandparents grew up. This allows us to determine whether PSID household heads or their ancestors were raised in a

[5]Panel Study of Income Dynamics, public use dataset and restricted use data. Produced and distributed by the Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, MI (2023–2025).

county that hosted one of the 37 FSB branches.

Our sample consists of household heads who are at least 18 years old and grew up in the U.S.[6] The sample period spans 12 biennial survey waves from 1999 to 2021, beginning in 1999 when consistent data on stock ownership became available.[7] We start with 102,574 biennial observations from 1999 to 2021 for the full PSID sample of household heads aged 18 or older. The unavailability of data on the state and county where the household head grew up reduces the sample to 90,747 observations. Additional missing control variables further reduce the final sample to 88,782 household-year observations that represent 15,282 unique households.

To investigate whether the failure of the FSB had a long-lasting impact on Black American's investment behavior, we use information on the geographic location of 37 FSB branches opened starting in 1865 to the early 1870's from Célérier and Tak (2025) and Traweek and Wardlaw (2025*b*). (The list of these branches is provided in Table A1.) Using the county locations of each FSB branch, we identify whether household heads in our sample grew up in, or had a parent (or grandparent) who grew up in, a county that had an FSB branch during the 19th century.

Summary statistics are presented in Table 1.[8] In our sample, 15.4% of households are classified as Black, while 80.8% of households are classified as White. 32.7% are female

[6] In the PSID, the household head is typically the person who owns or rents the dwelling, with male partners designated as heads in married or cohabiting households.

[7] We measure households' stock market participation based on whether they own shares of stock in publicly held corporations, stock mutual funds, or investment trusts. We do not include equity ownership through pensions or IRAs in our main analysis.

[8] We apply PSID sample weights when reporting summary statistics but exclude them from our main analysis to avoid inefficiency (Deaton, 1997). However, we confirm that our regression results remain consistent when incorporating sample weights, as shown in Table A2.

household heads, and household heads are 51.6 years old on average. About 21.7% of households participate in the stock market. About 5.3% of household heads grew up in a county with at least one FSB branch.

3.2 Empirical model

We examine the effect of exposure to FSB branches using several different proxies. We identify if the household head grew up in a county that contained an FSB branch and if parents or grandparents grew up in a county that contained an FSB branch. Since FSB closed in 1874, these geographic proxies allow us to measure historical, indirect exposure and the differential effect on Black household financial decisions. Specifically, we will compare stock market participation for Black households compared to non-Black households, using the following empirical model:

$$y_{ijt} = \beta_1(Black_i \times FSB_i) + \beta_2 Black_i + \beta_3 FSB_i + \omega' \mathbf{X}_{it} + \zeta_{jt} + \gamma_{\text{yrborn}_i} + \delta_{\text{age}_i} + \varepsilon_{ijt}, \quad (1)$$

where y_{ijt} is stock market participation for household head i currently residing in county j in year t. $Black_i$ is an indicator for whether household head i reports their primary race as Black, and FSB_i indicates whether the household head i grew up in a county that had an FSB branch. Our independent variable of interest is an interaction term ($Black_i \times FSB_i$), which measures the differential effect of geographic proximity to historical FSB branches for Black households relative to non-Black households. Additional versions of this model proxy for FSB exposure using whether the household head's father, mother, or grandparent grew up in a county that had an FSB branch.

The model includes a matrix of control variables, $\mathbf{X}_{it}$, to account for observable factors that have previously been shown to influence stock market participation including race,

gender, education, marital status, household size, income, and wealth. Additionally, we include county-by-year fixed effects, ζ_{jt}, to control for unobserved time-varying factors specific to each county where the household head lives at time t. Fixed effects for year of birth, γ_{yrborn_i}, and age, δ_{age_i}, are included to account for differences due to generational cohort and life-cycle effects (Malmendier and Nagel, 2011).

4 Results

4.1 Baseline Results

Table 3 presents the results from our primary analyses. Consistent with previous literature discussed, we also find that a household with a Black household head is less likely to hold stocks. Furthermore, columns (1) - (3) show that being Black and growing up in a county that historically had an FSB branch is associated with a decrease in the probability that a household participates in the stock market. The effect remains economically and statistically significant once we include county-by-year, birth cohort, and age fixed effects in column (2), as well as additional household-level control variables in column (3).[9] The parameter estimates in column (3) suggest that households headed by a Black individual who grew up in a county that had an FSB branch are 17.3 percentage points less likely to participate in stock markets compared to households headed by non-Black individuals who grew up in counties with an FSB branch; this corresponds to a 79.7% lower stock market participation rate relative to the mean stock market participation rate in our sample (21.7%).

[9] In untabulated results we included additional controls for the self-reported health status of household heads and confirm that our results are not being driven by the health status of the head of household.

Columns (4) through (9) of Table 3 examine whether this effect extends to individuals whose parents grew up in counties that had an FSB branch. The results indicate that the interaction between being Black and having a father who grew up in an FSB county shows a significant negative effect in column (6). However, the interaction between being Black and having a mother who grew up in an FSB county is not statistically significant after accounting for controls, as shown in column (9).

To further explore the intergenerational effects of the FSB collapse, Table 4 shows the differential effect by race of having a grandparent who grew up in a county that had an FSB branch. The results in columns (1) through (3) of Table 4 show Black household heads whose grandfathers grew up in an FSB county are 11.7 percentage points less likely (column (3)) to participate in the stock market compared to non-Black household heads with grandfathers who grew up in FSB counties, representing a 53.9% lower stock market participation rate relative to the 21.7% sample mean. However, we find no statistically significant relationship between equity market participation and being Black with a grandmother who grew up in an FSB county.

For the summary statistics presented in Table 1, we weight observations with the PSID sample weights. However, similar to Brunnermeier and Nagel (2008), we do not use the sample weights in our primary analyses. We do present weighted regressions in Table A2 which show consistent results.

4.2 Robustness Checks

In this section, we test that our results are robust by developing additional model specifications that account for exposure to racial exclusion, county specific effects, state specific effects, or indirect methods of participating in equity markets.

4.2.1 Racial Exclusion

Traweek and Wardlaw (2025*a*) show that racial violence against Black Americans reduced banking participation by Black people. It is possible that the observed effects of FSB county exposure on stock market participation are driven by broad historical racial exclusion rather than race-based financial trauma.

Logan and Parman (2025) discuss the socioeconomic correlates of racial segregation. To test the effect of geographic racial exclusion, we examine whether growing up in, or having a parent who grew up in, a town that had once been classified as a "sundown town" can explain our findings. Sundown towns, also known as sunset towns, were geographic areas (cities, towns, or regions) that practiced racial segregation and excluded Black people through discriminatory local laws, intimidation, and violence.[10] The term came into use because of signs that directed Black people to leave town by sundown (see Figure 2 for an example). If the effect of FSB county exposure simply reflects broader racial exclusion rather than the impact of the FSB collapse, our results should become insignificant once we control for the effects of growing up in, or having a parent who grew up in, a county with historical sundown towns.

[10] See Rigby et al. (2025) for details on the history and identification of sundown towns.

For this portion of the analysis, we also employ a new data set of historical sundown towns in the United States compiled by Rigby et al. (2025). Rigby et al. (2025) categorize historical sundown locations based on the degree of confidence arising from the available evidence: "surely" for cases where there is overwhelming or very convincing evidence of sundown towns, "probable" for cases where there is strong evidence but more research would need to be done to be overwhelmingly sure, and "possible" for cases where there is some convincing evidence.

Figure 3 contains maps of the counties in which the sundown towns were located along with the counties that contained FSB branches.[11] Panel (a) shows the counties that surely contained at least one sundown town in yellow, and counties that contained an FSB branch in green. There are no overlapping counties that both surely contained a sundown town and an FSB branch. Panel (b) shows the counties that probably contained at least one sundown town in yellow, counties that contained an FSB branch in green, and counties that both probably contained a sundown county and an FSB branch in red, of which there are six: Mobile AL, Dekalb GA, Hamilton TN, Pulaski AR, St. Louis MO, and Jefferson KY. Panel (c) shows the counties that possibly contained at least one sundown town in yellow, green again depicts FSB counties, and red again depicts overlaps between counties that contained an FSB branch and counties that possibly contained a sundown town, of which there are three: Charleston SC, New Hanover NC, and Craven NC.

We construct indicators for whether a household head, their father, or their mother grew up in a county with a documented sundown town history, using classifications for "surely," "probable," and "possible" sundown towns based on geographic data and confidence levels

[11] The surely, probable, and possible categories are mutually exclusive.

provided by Rigby et al. (2025). The correlations between growing up in, or having a parent from, an FSB county and growing up in, or having a parent from, a sundown county are all negative, as shown in Table 5.

Table 6 incorporates sundown county exposure into our baseline regression models. We find there is no effect of being Black and growing up in a sundown town county on stock market participation. Black individuals with fathers or mothers who grew up in sundown town counties actually are more likely to participate in the stock market relative to their non-Black counterparts. Importantly, the negative and significant impact of FSB county exposure for Black individuals remains robust after controlling for sundown town exposure, suggesting that exposure to the FSB collapse has a distinct effect on present-day stock market participation that cannot be explained by the broader racial exclusion.

4.2.2 County and State Effects

In every year of the sample, over 55% of the household heads are not living in the county where they grew up. Consequently, in addition to our baseline model's county-by-year fixed effects that account for time-varying trends in the county where an individual currently lives, Table 7 includes fixed effects for the county where an individual grew up. Thus, this model addresses the possible concern that the results are driven by unobserved county-level characteristics linked to early-life environments. These fixed effects control for childhood parental wealth, access to regional resources, and regional cultural effects that could influence behavior in later life. Table 7 shows the negative effect of growing up in an FSB county on Black household heads' stock market participation remains significant. To further account for county-level unobservables in parental upbringing, columns (2) and

(3) include additional fixed effects for the counties where the household head's father and mother grew up. The results remain similar to our baseline findings.

Since FSB branch locations were not necessarily randomly selected, we compare Black and non-Black households only within FSB states. Columns (1) to (3) of Table 8 restrict the sample to individuals currently living in states that historically had FSB branches to address concerns that these states may differ from those without FSB branches in ways that could drive the results. The negative effect of growing up in or having a parent from an FSB county on Black household heads' stock market participation remains significant. Column (4) restricts the sample to household heads who grew up in states with historical FSB branches, while columns (5) and (6) restrict the sample to those whose fathers and mothers, respectively, were raised in FSB states. Our results are similar in all cases reinforcing that the findings are not driven by state-based differences among household heads who currently reside in, grew up in, or have a parent who grew up in a state with historical FSB branches.

4.2.3 Indirect Equity Market Participation

Table 9 examines the robustness of our findings by controlling for participation in DC pension plans and IRAs. These employer-sponsored and tax-advantaged retirement accounts provide structured exposure to equity markets, potentially influencing stock market participation outside of a retirement savings vehicle. By including DC/IRA ownership as a control, we ensure that the observed relationship between FSB county exposure and stock market participation is not simply driven by disparities in retirement savings behavior. The results remain consistent even after controlling for DC/IRA participation. Specifically, Black individuals who grew up in a county that historically had an FSB branch are significantly

less likely to participate in the stock market, even when accounting for employer-sponsored retirement plan participation. Similarly, Black household heads whose fathers grew up in an FSB county also show a negative and significant effect on stock market participation, reinforcing the intergenerational impact of historical financial trauma.

5 Conclusion

We present evidence that historical race-based financial trauma, passed across generations, negatively affects the financial market participation of Black Americans in a way that continues to limit wealth accumulation in the present day. Black Americans who grew up in a county that had an FSB branch are significantly less likely to engage with the stock market. Additionally, having a father or grandfather (but not a mother or grandmother) who grew up in an FSB county has a strong negative effect on stock market participation of a household, further supporting the notion of intergenerational transmission. The stronger effects of paternal versus maternal exposure to FSB race-based trauma echoes recent findings with respect to gender differences in early-life financial socialization (Mueden and Niessen-Ruenzi, 2023; Liao, Liu and Lu, 2024).

These findings are important as they identify race-based trauma as a significant source of cross-sectional variation in stock market participation rates, provide more support for the intergenerational transmission of financial behavior, and illustrate another mechanism through which racial wealth inequality is perpetuated. Overall, our results highlight that the adverse effects of eroding Black Americans' trust in financial institutions are pervasive and long-lasting, perpetuating inequality across generations.

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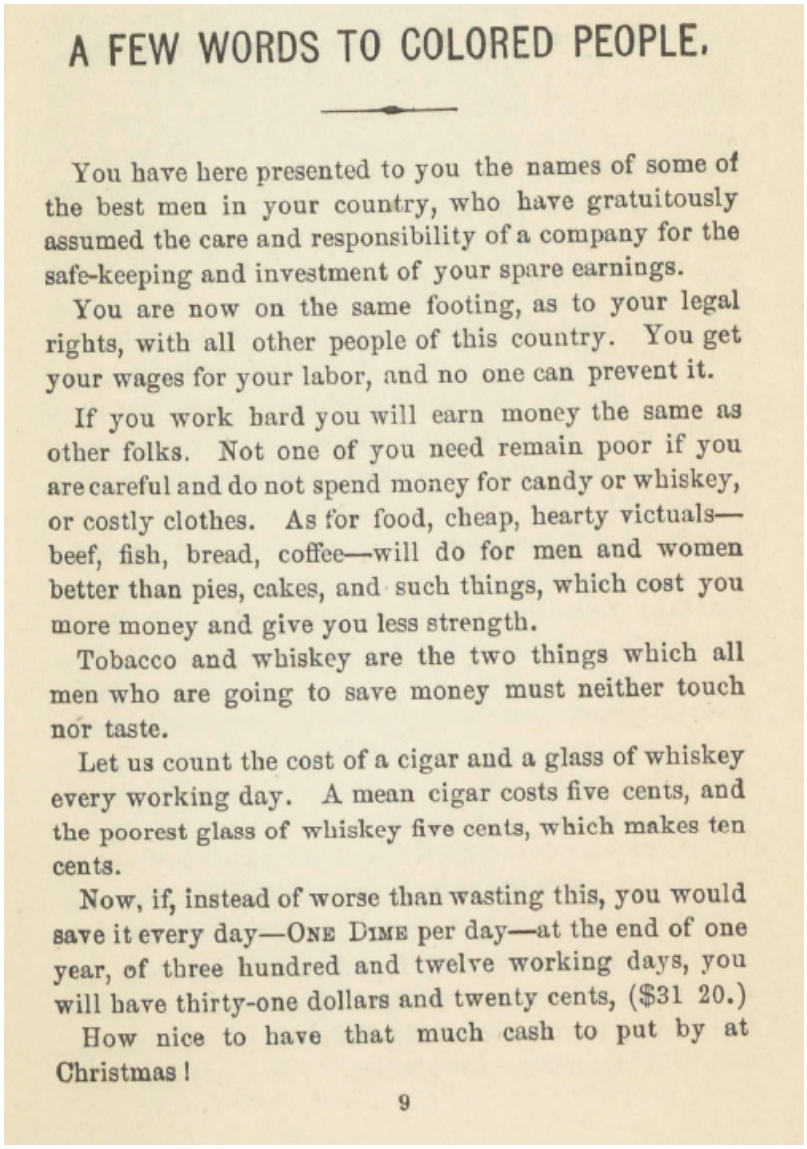
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A FEW WORDS TO COLORED PEOPLE.

You have here presented to you the names of some of the best men in your country, who have gratuitously assumed the care and responsibility of a company for the safe-keeping and investment of your spare earnings.

You are now on the same footing, as to your legal rights, with all other people of this country. You get your wages for your labor, and no one can prevent it.

If you work hard you will earn money the same as other folks. Not one of you need remain poor if you are careful and do not spend money for candy or whiskey, or costly clothes. As for food, cheap, hearty victuals—beef, fish, bread, coffee—will do for men and women better than pies, cakes, and such things, which cost you more money and give you less strength.

Tobacco and whiskey are the two things which all men who are going to save money must neither touch nor taste.

Let us count the cost of a cigar and a glass of whiskey every working day. A mean cigar costs five cents, and the poorest glass of whiskey five cents, which makes ten cents.

Now, if, instead of worse than wasting this, you would save it every day—ONE DIME per day—at the end of one year, of three hundred and twelve working days, you will have thirty-one dollars and twenty cents, ($31 20.)

How nice to have that much cash to put by at Christmas!

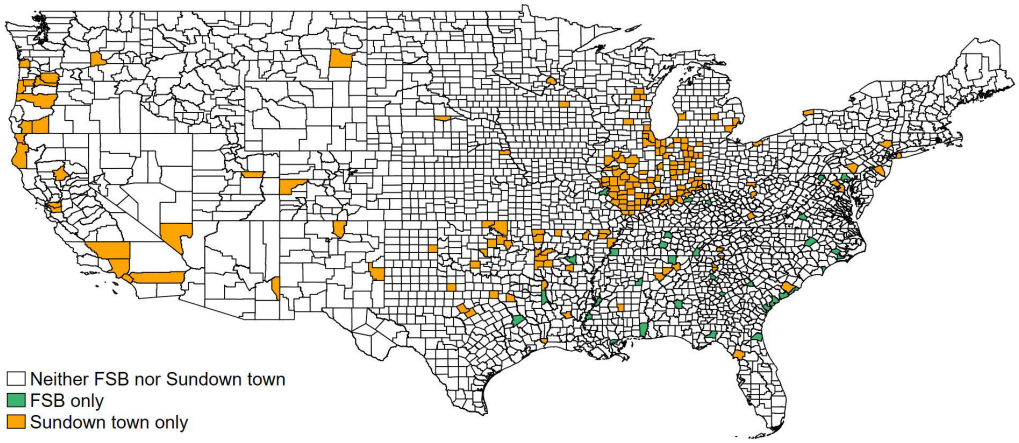
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Figure 1: FSB Messaging to Black Community - 1869. Excerpt taken from the pamphlet, "National Savings Bank: Freedman's Savings and Trust Company Charted by Congress," page 9. Material sourced from the Historical Society of Pennsylvania.

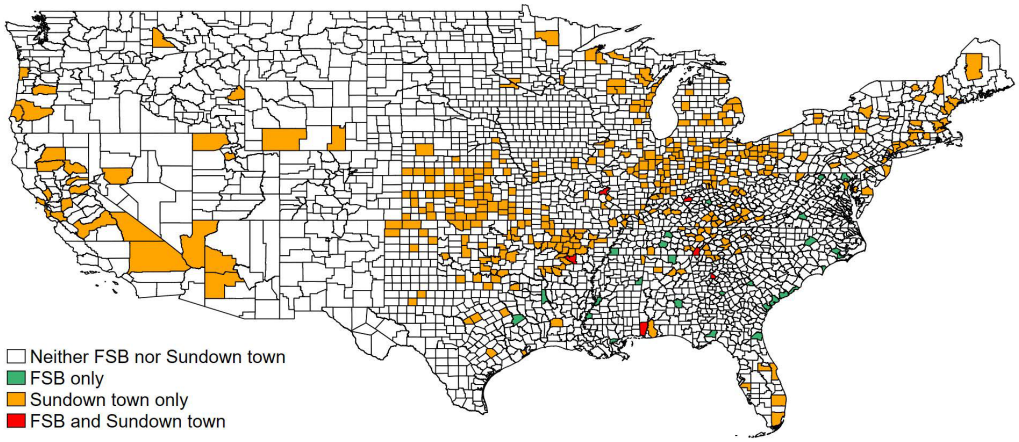


Figure 2: Sundown Town Sign. From the collection of the Tubman African American Museum in Macon, Georgia.

(a) "Surely" Sundown Town Locations



(b) "Probable" Sundown Town Locations



(c) "Possible" Sundown Town Locations

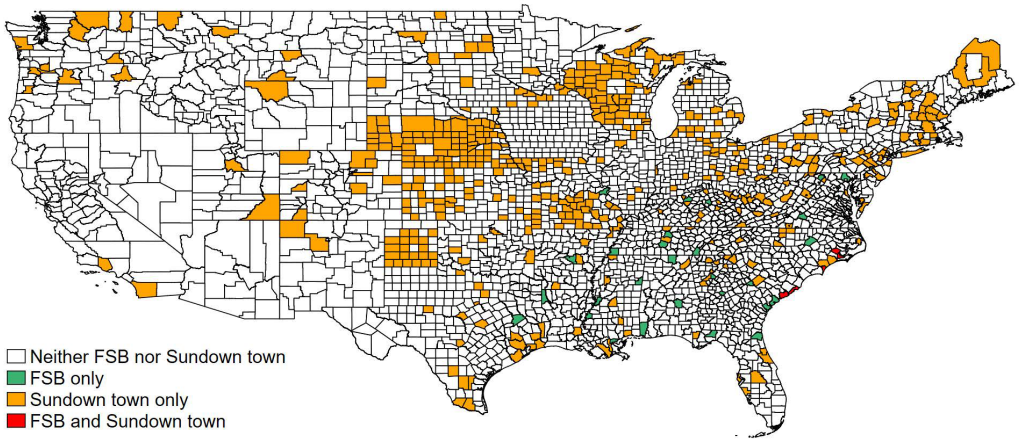


Figure 3: Sundown Town Locations in the US. Panel a shows the counties that "surely" contained at least one sundown town, in yellow. Panel b shows the counties that "probably" contained at least one sundown town, in yellow (excluding counties that "surely" contained any sundown towns). Panel c shows the counties that "possibly" contained at least one sundown town, in yellow (excluding counties that "surely" or "probably" contained any sundown towns). In all three panels, counties that contained an FSB branch appear in green. In each panel, counties that contained both an FSB branch and the respective definition of sundown town appear in red.

Table 1: Summary Statistics

	Mean	Standard Deviation	P1	Median	P99	N
Age	51.633	18.041	21	51	91	88,782
Black	0.154	0.361	0	0	1	88,782
White	0.808	0.394	0	1	1	88,782
Other Race	0.038	0.191	0	0	1	88,782
Female	0.327	0.469	0	0	1	88,782
High school	0.895	0.307	0	1	1	88,782
College	0.363	0.481	0	0	1	88,782
Married	0.473	0.499	0	0	1	88,782
Household size	2.168	1.317	1	2	6	88,782
Household Income ($)	93,818	135,902	207	65,590	482,402	88,782
Ln(Household Income)	10.910	1.403	5.339	11.091	13.087	88,782
Household Wealth ($)	326,364	1,734,023	-123,184	29,909	4,484,811	88,782
Ln(Household Wealth)	8.724	4.857	0	10.306	15.316	88,782
Equity participation	0.217	0.412	0	0	1	88,782
FSB county	0.064	0.244	0	0	1	88,782
Grew-up in FSB county	0.053	0.223	0	0	1	88,782
Dad grew-up in FSB county	0.065	0.247	0	0	1	78,484
Mom grew-up in FSB county	0.058	0.234	0	0	1	81,103

Note: This table presents sample-weighted summary statistics for PSID households in biennial survey waves from 1999 to 2021. Our sample consists of household-year observations for household heads who are at least 18 years old and grew-up in the U.S. "Age" is the age of the household head in years. "Black" is an indicator equal to 1 if the household head identifies as Black or African-American, and 0 otherwise. "White" is an indicator equal to 1 if the household head identifies as White, and 0 otherwise. "Other Race" is an indicator equal to 1 if the household head identifies as Asian, Pacific Islander, Latino, American Indian (including Eskimo or Alaskan Native), or Other, and 0 otherwise. "Female" is an indicator equal to 1 if the household head's sex is female, and 0 otherwise. "Education" is the highest grade or years of school completed. "Married" is an indicator equal to 1 if the household head is married or permanently cohabitating, and 0 otherwise. "Household size" is the total number of people in the household. "Household Income" is annual household income CPI-adjusted to December 2021 dollars, and "Household Wealth" is total household wealth CPI-adjusted to December 2021 dollars, and "Equity participation" is an indicator equal to 1 if the household holds shares of stock in publicly held corporations, stock mutual funds, or investment trusts, and 0 otherwise. This variable excludes ownership of equity in IRAs. "FSB county" and "Grew-up in FSB county" are indicators equal to 1 if the household head currently resides in or grew up in, respectively, a county that historically had an FSB branch, and 0 otherwise. "Dad grew-up in FSB county" and "Mom grew-up in FSB county" are indicators equal to 1 if the household head's father or mother grew up, respectively, in a county that historically had an FSB branch, and 0 otherwise.

Table 2: Summary Statistics by Race

	Means			Black − White		Black − Other Race	
	Black (N=33,471)	White (N=52,560)	Other Race (N=2,751)	Difference	p-value	Difference	p-value
Age	47.501	52.741	44.806	-5.24	0	2.695	0
Female	0.515	0.293	0.295	0.222	0	0.22	0
High school	0.824	0.91	0.858	-0.086	0	-0.034	0.554
College	0.195	0.395	0.361	-0.2	0	-0.166	0
Married	0.243	0.516	0.49	-0.273	0	-0.247	0
Household size	2.155	2.159	2.426	-0.004	0	-0.271	0.001
Household Income ($)	51,898	101,793	94,231	-49,895	0	-42,333	0
Ln(Household Income)	10.242	11.035	10.96	-0.793	0	-0.718	0
Household Wealth ($)	47,753	380,951	295,350	-333,198	0	-247,598	0
Ln(Household Wealth)	5.851	9.293	8.274	-3.442	0	-2.423	0
Equity participation	0.04	0.252	0.181	-0.212	0	-0.141	0
FSB county	0.152	0.048	0.034	0.104	0	0.118	0
Grew-up in FSB county	0.139	0.037	0.026	0.102	0	0.113	0
Dad grew-up in FSB county	0.136	0.053	0.035	0.083	0	0.101	0
Mom grew-up in FSB county	0.129	0.045	0.031	0.084	0	0.098	0

Note: This table presents sample-weighted means by race and differences between Black, White, and Other Race groups for key variables. The sample and variables are as defined in Table 1.

Table 3: Baseline Results

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Black × Grew-up in FSB county	-0.095***	-0.074***	-0.062**						
	(0.024)	(0.023)	(0.021)						
Grew-up in FSB county	0.094***	0.040*	0.033			-0.007			-0.003
	(0.023)	(0.021)	(0.019)			(0.009)			(0.009)
Black × Dad grew-up in FSB county				-0.104***	-0.073**	-0.065**			
				(0.023)	(0.024)	(0.021)			
Dad grew-up in FSB county				0.099***	0.051**	0.043*			
				(0.022)	(0.023)	(0.020)			
Black × Mom grew-up in FSB county							-0.057**	-0.024	-0.016
							(0.022)	(0.022)	(0.019)
Mom grew-up in FSB county							0.058**	0.004	0.002
							(0.021)	(0.020)	(0.017)
Black	-0.191***	-0.200***	-0.111***	-0.197***	-0.213***	-0.116***	-0.197***	-0.213***	-0.119***
	(0.014)	(0.015)	(0.011)	(0.013)	(0.015)	(0.011)	(0.013)	(0.015)	(0.011)
Other Race			-0.072***			-0.065***			-0.071***
			(0.014)			(0.016)			(0.015)
Female			-0.007			-0.006			-0.007
			(0.005)			(0.006)			(0.005)
High school			0.032***			0.035***			0.033***
			(0.008)			(0.008)			(0.008)
College			0.123***			0.121***			0.125***
			(0.008)			(0.008)			(0.008)
Married			0.027***			0.033***			0.032***
			(0.006)			(0.007)			(0.007)
Household size			-0.008***			-0.007***			-0.007***
			(0.001)			(0.002)			(0.001)
Ln(Household Income)			0.010***			0.009***			0.008***
			(0.002)			(0.002)			(0.002)
Ln(Household Wealth)			0.015***			0.015***			0.015***
			(0.001)			(0.001)			(0.001)
County-by-Year Fixed Effects	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	88782	84078	84078	78484	73829	73829	81103	76404	76404
Adjusted R^2	0.069	0.168	0.246	0.074	0.173	0.249	0.073	0.172	0.249

Note: This table reports OLS regression estimates examining the effect of being Black and growing up in, or having a parent grow up in, a county that historically had an FSB branch on equity participation. All variables are as defined in Table 1. County-by-year fixed effects indicate the specific county where the household head lives at time t. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses.

Table 4: Grandparents

	(1)	(2)	(3)	(4)	(5)	(6)
Black × Grandpa grew-up in FSB county	-0.065*	-0.077**	-0.074**			
	(0.032)	(0.029)	(0.030)			
Grandpa grew-up in FSB county	0.057*	0.065**	0.066**			
	(0.031)	(0.026)	(0.027)			
Black × Grandma grew-up in FSB county				-0.022	-0.029	-0.033
				(0.033)	(0.027)	(0.028)
Grandma grew-up in FSB county				-0.001	0.013	0.017
				(0.030)	(0.025)	(0.026)
Dad grew-up in FSB county			-0.001			0.008
			(0.016)			(0.012)
Mom grew-up in FSB county			-0.021			-0.020
			(0.014)			(0.013)
Grew-up in FSB county			0.006			-0.002
			(0.017)			(0.014)
Black	-0.192***	-0.105***	-0.109***	-0.187***	-0.108***	-0.109***
	(0.017)	(0.014)	(0.014)	(0.015)	(0.012)	(0.012)
Other Race		-0.073**	-0.062*		-0.087***	-0.072**
		(0.028)	(0.029)		(0.024)	(0.024)
Female		-0.027***	-0.027***		-0.019***	-0.020***
		(0.008)	(0.008)		(0.006)	(0.006)
High school		0.023**	0.024**		0.011	0.013
		(0.009)	(0.009)		(0.007)	(0.007)
College		0.116***	0.115***		0.118***	0.118***
		(0.009)	(0.009)		(0.009)	(0.010)
Married		0.037***	0.036***		0.034***	0.033***
		(0.009)	(0.009)		(0.008)	(0.008)
Household size		-0.005**	-0.005**		-0.004*	-0.003*
		(0.002)	(0.002)		(0.002)	(0.002)
Ln(Household Income)		0.008***	0.007***		0.005***	0.006***
		(0.002)	(0.002)		(0.001)	(0.002)
Ln(Household Wealth)		0.013***	0.013***		0.011***	0.011***
		(0.001)	(0.001)		(0.001)	(0.001)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	29554	29554	29064	37843	37843	35932
Adjusted R^2	0.167	0.239	0.239	0.179	0.247	0.249

Note: This table reports OLS regression estimates examining the effect of being Black and having a grandparent grow up in a county that historically had an FSB branch on equity participation. "Grandpa grew-up in FSB county" and "Grandma grew-up in FSB county" are indicators equal to 1 if the household head's grandfather or grandmother grew up, respectively, in a county that historically had an FSB branch, and 0 otherwise. All other variables are as defined in Table 1.
County-by-year fixed effects indicate the specific county where the household head lives at time t. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses.

Table 5: Correlations: FSB and Sundown Town Counties

	Grew-up in FSB county	Mom grew-up in FSB county	Dad grew-up in FSB county
Grew-up in sundown county (Surely)	-0.10***	-0.07***	-0.07***
Dad grew-up in sundown county (Surely)	-0.08***	-0.10***	-0.08***
Mom grew-up in sundown county (Surely)	-0.07***	-0.06***	-0.10***
Grew-up in sundown county (Probable)	-0.01***	-0.02***	-0.04***
Dad grew-up in sundown county (Probable)	-0.01***	-0.01***	-0.02***
Mom grew-up in sundown county (Probable)	-0.03***	-0.01*	-0.02***
Grew-up in sundown county (Possible)	-0.05***	-0.02***	-0.03***
Dad grew-up in sundown county (Possible)	-0.04***	-0.06***	-0.04***
Mom grew-up in sundown county (Possible)	-0.04***	-0.03***	-0.06***

Note: The table reports sample-weighted pairwise correlations between indicators for whether an individual, their father, or their mother grew up in an FSB county and whether they grew up in a county with historical sundown towns. Surely, Probable, and Possible indicate the confidence level in designating a place as a sundown town, as described in Rigby et al. (2025). *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table 6: Robustness: Sundown Town Counties

Controlling for:	"Surely" Sundown Counties			"Probable" Sundown Counties			"Possible" Sundown Counties		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Black × Grew-up in FSB county	-0.058**			-0.060**			-0.063**		
	(0.021)			(0.020)			(0.021)		
Grew-up in FSB county	0.034*	-0.003	0.001	0.032	-0.006	-0.003	0.033	-0.007	-0.003
	(0.019)	(0.009)	(0.009)	(0.019)	(0.009)	(0.009)	(0.019)	(0.009)	(0.009)
Black × Dad grew-up in FSB county		-0.059**			-0.066***			-0.064**	
		(0.021)			(0.021)			(0.021)	
Dad grew-up in FSB county		0.041*			0.043*			0.042*	
		(0.020)			(0.020)			(0.020)	
Black × Mom grew-up in FSB county			-0.010			-0.016			-0.019
			(0.019)			(0.019)			(0.019)
Mom grew-up in FSB county			0.000			0.003			0.004
			(0.017)			(0.017)			(0.017)
Black × Grew-up in sundown county	0.010			0.012			-0.000		
	(0.016)			(0.013)			(0.011)		
Grew-up in sundown county	0.023*	0.027**	0.028**	0.003	0.012	0.012	0.026**	0.028***	0.025***
	(0.011)	(0.009)	(0.010)	(0.009)	(0.008)	(0.008)	(0.009)	(0.007)	(0.008)
Black × Dad grew-up in sundown county		0.039**			0.055***			0.029**	
		(0.015)			(0.012)			(0.010)	
Dad grew-up in sundown county		-0.005			-0.030**			-0.011	
		(0.013)			(0.009)			(0.008)	
Black × Mom grew-up in sundown county			0.039**			0.033**			0.008
			(0.016)			(0.012)			(0.011)
Mom grew-up in sundown county			-0.013			-0.018			0.002
			(0.014)			(0.011)			(0.010)
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	84078	73829	76404	84078	73829	76404	84078	73829	76404
Adjusted R^2	0.247	0.250	0.249	0.246	0.250	0.249	0.247	0.250	0.249

Note: This table reports OLS regression estimates controlling for growing up in, or having a parent who grew up in, a county with a historical Sundown town on stock market participation. Columns (1) to (3) use indicators for whether an individual, their father, or their mother grew up in a county that contains at least one sundown town classified with a confidence level of "surely" (Rigby et al., 2025). Columns (4) to (6) use indicators for counties classified as "probable," while columns (7) to (9) include those classified as "possible." All other variables are as defined in Table 1. Control variables, including race, gender, education, marital status, household size, log income, and log wealth, are included in all specifications. County-by-year fixed effects indicate the specific county where the household head lives at time t. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses.

Table 7: Robustness: County Grew-up Fixed Effects

	(1)	(2)	(3)
Black × Grew-up in FSB county	-0.080***		
	(0.022)		
Black × Dad grew-up in FSB county		-0.067**	
		(0.025)	
Black × Mom grew-up in FSB county			-0.040*
			(0.021)
Black	-0.095***	-0.096***	-0.101***
	(0.010)	(0.011)	(0.010)
Other Race	-0.060***	-0.046**	-0.063***
	(0.015)	(0.017)	(0.014)
Female	-0.009	-0.004	-0.006
	(0.005)	(0.005)	(0.005)
High school	0.029***	0.025***	0.028***
	(0.007)	(0.008)	(0.008)
College	0.114***	0.095***	0.096***
	(0.008)	(0.007)	(0.007)
Married	0.029***	0.036***	0.036***
	(0.006)	(0.006)	(0.006)
Household size	-0.007***	-0.007***	-0.005***
	(0.001)	(0.001)	(0.001)
Ln(Household Income)	0.009***	0.008***	0.007***
	(0.002)	(0.002)	(0.002)
Ln(Household Wealth)	0.014***	0.012***	0.012***
	(0.001)	(0.001)	(0.001)
County Grew-up Fixed Effects	Yes	Yes	Yes
County Dad Grew-up Fixed Effects	No	Yes	No
County Mom Grew-up Fixed Effects	No	No	Yes
County-by-Year Fixed Effects	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes
Observations	83944	73640	76214
Adjusted R^2	0.297	0.361	0.359

Note: This table reports OLS estimates from baseline regressions, including fixed effects for the county where the household head grew up. Additionally, columns (2) and (3) include fixed effects for the counties where the household head's father and mother grew up, respectively. All variables are as defined in Table 1. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses.

Table 8: Robustness: Subsample of FSB States

	Currently Living in an FSB State			Grew up in an FSB State	Father Grew up in an FSB State	Mother Grew up in an FSB State
	(1)	(2)	(3)	(4)	(5)	(6)
Black × Grew-up in FSB county	-0.071***			-0.066**		
	(0.020)			(0.022)		
Grew-up in FSB county	0.039*	-0.010	-0.007	0.044*	-0.003	-0.001
	(0.019)	(0.009)	(0.009)	(0.021)	(0.010)	(0.010)
Black × Dad grew-up in FSB county		-0.079***			-0.069***	
		(0.024)			(0.022)	
Dad grew-up in FSB county		0.059**			0.049**	
		(0.024)			(0.021)	
Black × Mom grew-up in FSB county			-0.017			-0.022
			(0.020)			(0.021)
Mom grew-up in FSB county			0.005			0.013
			(0.019)			(0.019)
Black	-0.135***	-0.141***	-0.147***	-0.142***	-0.151***	-0.151***
	(0.014)	(0.014)	(0.014)	(0.015)	(0.014)	(0.014)
Other Race	-0.097***	-0.125***	-0.126***	-0.115***	-0.132***	-0.141***
	(0.019)	(0.020)	(0.020)	(0.018)	(0.022)	(0.018)
Female	-0.002	-0.002	-0.003	-0.004	-0.007	-0.004
	(0.006)	(0.007)	(0.007)	(0.006)	(0.006)	(0.006)
High school	0.029**	0.032**	0.030**	0.027**	0.029**	0.026**
	(0.010)	(0.011)	(0.011)	(0.010)	(0.010)	(0.009)
College	0.105***	0.104***	0.107***	0.103***	0.106***	0.103***
	(0.009)	(0.010)	(0.010)	(0.009)	(0.009)	(0.009)
Married	0.029***	0.030***	0.030***	0.027***	0.028***	0.027***
	(0.008)	(0.008)	(0.008)	(0.007)	(0.007)	(0.006)
Household size	-0.005**	-0.004**	-0.005***	-0.005**	-0.003*	-0.005**
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.001)
Ln(Household Income)	0.007***	0.007***	0.006***	0.006***	0.005***	0.005***
	(0.002)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)
Ln(Household Wealth)	0.012***	0.012***	0.011***	0.012***	0.012***	0.011***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	46424	41564	43219	45151	44326	45064
Adjusted R^2	0.254	0.257	0.259	0.268	0.270	0.259

Note: This table reports OLS estimates using subsamples from states with historical FSB bank locations. Columns (1)–(3) use the subsample of household heads residing in states with historical FSB bank locations. Column (4) uses the subsample of household heads who grew up in states with FSB locations. Columns (5) and (6) use the subsample of household heads whose fathers and mothers, respectively, grew up in states with FSB locations. County-by-year fixed effects indicate the specific county where the household head lives at time t. All variables are as defined in Table 1. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses.

Table 9: Robustness: Control for DC or IRA Participation

	(1)	(2)	(3)
Black × Grew-up in FSB county	-0.074***		
	(0.022)		
Grew-up in FSB county	0.042*	-0.000	0.002
	(0.021)	(0.011)	(0.011)
Black × Dad grew-up in FSB county		-0.086***	
		(0.023)	
Dad grew-up in FSB county		0.055**	
		(0.023)	
Black × Mom grew-up in FSB county			-0.019
			(0.023)
Mom grew-up in FSB county			0.002
			(0.020)
Black	-0.097***	-0.099***	-0.105***
	(0.013)	(0.012)	(0.012)
Other Race	-0.055***	-0.052**	-0.056**
	(0.015)	(0.020)	(0.019)
Female	-0.013*	-0.013	-0.013*
	(0.007)	(0.007)	(0.007)
High school	0.023**	0.027***	0.027***
	(0.008)	(0.007)	(0.008)
College	0.107***	0.104***	0.109***
	(0.007)	(0.008)	(0.008)
Married	0.014*	0.019**	0.018**
	(0.008)	(0.008)	(0.008)
Household size	-0.007***	-0.007***	-0.007***
	(0.002)	(0.002)	(0.002)
Ln(Household Income)	0.017***	0.016***	0.015***
	(0.003)	(0.003)	(0.003)
Ln(Household Wealth)	0.014***	0.014***	0.014***
	(0.001)	(0.001)	(0.001)
DC/IRA ownership	0.104***	0.103***	0.102***
	(0.006)	(0.006)	(0.006)
County-by-Year Fixed Effects	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes
Observations	63435	55744	57378
Adjusted R^2	0.259	0.259	0.259

Note: This table presents OLS estimates of the effect of FSB branch exposure on equity participation among Black household heads, controlling for participation in an IRA or DC plan through their employer. County-by-year fixed effects indicate the specific county where the household head lives at time t. All variables are as defined in Table 1. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses.

Appendix

Table A1:

Freedman's Savings and Trust Company Branch Locations

City	State	County	State FIPS	County FIPS
Huntsville	Alabama	Madison	1	89
Mobile	Alabama	Mobile	1	97
Montgomery	Alabama	Montgomery	1	101
Little Rock	Arkansas	Pulaski	5	119
Washington	Virginia	Arlington	11	1
Jacksonville	Florida	Duval	12	31
Tallahassee	Florida	Leon	12	73
Macon	Georgia	Bibb	13	21
Savannah	Georgia	Chatham	13	51
Atlanta	Georgia	Dekalb	13	89
Augusta	Georgia	Richmond	13	245
Lexington	Kentucky	Fayette	21	67
Louisville	Kentucky	Jefferson	21	111
Shreveport	Louisiana	Caddo	22	17
New Orleans	Louisiana	Orleans	22	71
Baltimore	Maryland	Baltimore	24	5
Natchez	Mississippi	Adams	28	1
Columbus	Mississippi	Lowndes	28	87
Vicksburg	Mississippi	Warren	28	149
St. Louis	Missouri	St. Louis	29	189
New York	New York	New York County	36	61
New Bern	North Carolina	Craven	37	49
Wilmington	North Carolina	New Hanover	37	129
Raleigh	North Carolina	Wake	37	183
Philadelphia	Pennsylvania	Philadelphia	42	101
Beaufort	South Carolina	Beaufort	45	13
Charleston	South Carolina	Charleston	45	19
Nashville	Tennessee	Davidson	47	37
Chattanooga	Tennessee	Hamilton	47	65
Columbia	Tennessee	Maury	47	119
Memphis	Tennessee	Shelby	47	157
Houston	Texas	Houston	48	225
Alexandria	Virginia	Alexandria	51	13
Lynchburg	Virginia	Campbell	51	31
Norfolk	Virginia	Norfolk	51	710
Richmond	Virginia	Richmond	51	760
Martinsburg	West Virginia	Berkeley	54	3

Note: This table lists the 37 FSB branch locations adapted from Célérier and Tak (2025) and Traweek and Wardlaw (2025*b*).

Table A2:

Robustness: Sample-Weighted Regressions

	(1)	(2)	(3)
Black × Grew-up in FSB county	-0.085**		
	(0.029)		
Grew-up in FSB county	0.046*	0.012	0.027
	(0.024)	(0.018)	(0.018)
Black × Dad grew-up in FSB county		-0.096***	
		(0.026)	
Dad grew-up in FSB county		0.048**	
		(0.021)	
Black × Mom grew-up in FSB county			-0.037
			(0.026)
Mom grew-up in FSB county			-0.001
			(0.021)
Black	-0.093***	-0.094***	-0.099***
	(0.013)	(0.014)	(0.013)
Other Race	-0.052**	-0.053*	-0.054**
	(0.022)	(0.025)	(0.020)
Female	-0.012	-0.007	-0.010
	(0.008)	(0.009)	(0.009)
High school	0.059***	0.064***	0.062***
	(0.011)	(0.012)	(0.012)
College	0.134***	0.131***	0.137***
	(0.009)	(0.009)	(0.009)
Married	0.032**	0.044***	0.040***
	(0.011)	(0.011)	(0.011)
Household size	-0.010***	-0.012***	-0.011***
	(0.002)	(0.002)	(0.002)
Ln(Household Income)	0.015***	0.015***	0.014***
	(0.003)	(0.003)	(0.003)
Ln(Household Wealth)	0.021***	0.021***	0.020***
	(0.001)	(0.001)	(0.001)
County-by-Year Fixed Effects	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes
Observations	83438	73305	75873
Adjusted R^2	0.283	0.284	0.284

Note: This table presents OLS estimates for baseline regressions using PSID sample weights. All variables are as defined in Table 1. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses.