Title: Inherited Property and the Racial Wealth Gap

Introduction

In response to reports of the widening wealth gap (Asante-Muhammad et al., 2016), the main goal of this research is to determine whether the relationship of race and wealth is impacted by intergenerational wealth transfer via residential real estate, down payment assistance, and heir property. To achieve this goal secondary data will be used to investigate the intertwining nature of race and inheritance as predictors of wealth accumulation. The central hypothesis is that policy measures to encourage homeownership and/or provide down payment assistance may be necessary as an intervention into the racial wealth gap. Additionally, financial education and intervention could be used to help families improve financial decisions and financial behaviors, such as cash flow management, saving, investing, tax planning and estate planning, which are conducive to maintaining residential real estate that ultimately becomes inherited property.

Wealth inequality is a persistent problem in the United States (Piketty, 2000). Wealth, in its simplest form, is savings and investments. It is estimated that for every $1 of wealth held by Black families, White families hold $17-$19 (Asante-Muhammad et al., 2016; White and Heckman, 2016). Intergenerational transfers of wealth would appear to help those households that do not have self-generated wealth. As a result, this type of intergenerational transfer could theoretically bolster household wealth. Although only a modest hedge against inflation as a pure investment, ownership of residential real estate is considered foundational in the accumulation of wealth (Wu & Pandey, 2012).

This research explores the following question, “Does the intergenerational transfer of housing wealth mediate the racial wealth gap, adding emphasis to the importance of proper estate planning and tax planning?” The first hypothesis of the proposed study states:

H1: Race is expected to be a significant predictor of wealth, with Black families having significantly less wealth than White families.

H2: Intergenerational transfer of housing wealth is expected to have a significant impact on the racial wealth gap.

Method

A type of structural equation model known as a mediation model will be used to examine the interrelationship of race, ownership of inherited housing, heir properties, and wealth. The relationship of race to wealth when no outside effects are accounted for is called the “total effect” of race on wealth; this effect may be partially or fully accounted for by other factors. In this case, the research question is whether this relationship can be accounted for by the relationship of race to ownership of inherited housing and heir properties.

Figure 1 illustrates the mediation model accompanying this research question. Path C is called the “direct effect” relating race to wealth, and refers to the part of the relationship of race to wealth that remains unexplained by other factors. Path “AB” (the combination of paths A and B) is called the “indirect effect” of race, and refers to the part of the relationship of race with wealth that is due to racial differences in ownership of inherited housing and heir properties. Together, C + AB equals the total effect of race. If C becomes 0 when the moderating effect is included, this means the effect of race on wealth is “completely moderated” by ownership of inherited housing and heir properties; if the

magnitude of C is lessened but not 0 when the moderating effect is included, this means the effect of race on wealth is "partially moderated" by ownership of inherited housing and heir properties.

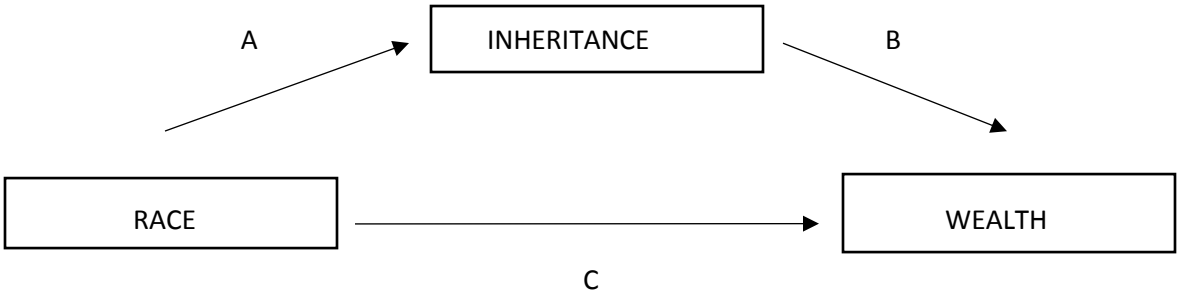


Figure 1. Illustration of Mediation Model

Major project deliverables:

The two projected deliverables of this study are:

1. Understanding of homeownership in intergenerational wealth building;
2. Working paper to be presented at a conference, used in policy discussions about the importance of helping less affluent families attain and maintain homeownership, and peer-reviewed publication.

Data and Analysis

The study uses the 2013 wave of the American Housing Survey (AHS) published by the Department of Housing and Urban Development. AHS data will be analyzed using descriptive and SEM statistical analyses. Descriptive analysis will allow comparison of means. SEM analysis will be used to determine the significance of inherited housing and heir properties as a mediator in the relationship of race and wealth, controlling for other variables.

Limitations

This research is limited in a few ways. First, the researcher will be relying on cross-sectional survey data. Second, there are limits on certain aspects related to the quality of the home in question.

References

Asante-Muhammad, D., Chuck Collins, Josh Hoxie, and Emanuel Nieves (2016). The Ever-Growing Gap: Without Change, African-American And Latino Families Won't Match White Wealth For Centuries. *CFED & Institute for Policy Studies*, August 2016.

Piketty, T. (2000). Theories of persistent inequality and intergenerational mobility. *Handbook of income distribution, 1,* 429-476.

White, K. J., and Stuart J. Heckman (2016). Financial Planner Use Among Black and Hispanic Households. *Journal of Financial Planning,* 29(9), 40–49.

Wu, C. Y., and Vivek K. Pandey (2012). The Impact of Housing on a Homeowner's Investment Portfolio. *Financial Services Review*, 21, 177-194.

Budget & Justification

Academic Year PhD Student: Salary at 40%	$15,849.20
Fringe Benefits (6%)	$ 950.95
Conference Travel (PI & Research Assistant)	$ 2,500.00
UGA Statistical Consulting Center (5 hours * $120)	$ 600.00
Total	$19,900.15

Research Assistant: ($15,849.20). Salary for a PhD student to serve as a research assistant will be paid at the Academic Year PhD 40% salary rate. The research assistant will perform data analysis and literature reviews. Fringe benefits are calculated at 6%, UGA's typical rate for graduate research assistantships.

Conference Travel: (estimated $2,500). Travel and lodging for the principal investigator and research assistant to attend one conference to present the working paper.

UGA Statistical Consulting: ($600). The director of the Statistical Consulting Center will be hired for five (5) hours at a rate of $120 per hour to provide statistical consultation of the data and model.

KENNETH JOHN WHITE Jr.
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Financial Planning, Housing and Consumer Economics
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EDUCATION

The Ohio State University — Columbus, OH
Ph.D. Consumer Sciences — August 2016
Specialization: Family Resource Management

The Ohio State University — Columbus, OH
M.S. Consumer Sciences — May 2015

Boston University — Boston, MA
Certificate in Financial Planning — January 2010

Belmont University — Nashville, TN
Master of Accountancy — August 2005

Wayne State University — Detroit, MI
B.A. Mathematics — May 1995

Professional Designation:
Enrolled Agent (EA) – Internal Revenue Service — March 2009 - Present

ACADEMIC POSITIONS

The University of Georgia — Athens, GA
Assistant Professor — Fall 2016 - Present
Department of Financial Planning, Housing and Consumer Economics

The Ohio State University — Columbus, OH
Graduate Associate — Fall 2013 - Spring 2015
Department of Human Sciences

PUBLICATIONS

White, Kenneth J., and Stuart J. Heckman. 2016. "Financial Planner Use Among Black and Hispanic Households." *Journal of Financial Planning* 29 (9): 40-49.

White, Kenneth J. 2014. "The Retirement Income Planning Process, Part 1." Chapter 10 of *Supplemental Digest for Applications in Financial Planning II* course textbook at The American College. Keir Educational Resources, Middletown, OH.

PRESENTATIONS

White, K.J. (November 2015). *Financial socialization and related financial behaviors among college students.* Paper session at the AFCPE Research & Training Symposium, Jacksonville, FL.

Montalto, C.P., White, K.J. (June 2015). *Is a dollar a dollar? The relationship between college financing strategies and academic progress.* Paper session presented at the National Summit on Collegiate Financial Wellness, Bloomington, IN.

White, K.J., Heckman, S.J. (May 2015). *Financial planner use among African-American households.* Poster session at the American Council on Consumer Interests Annual Conference, Clearwater Beach, FL.

White, K.J., Hanna, S.D. (October 2014). *Financial behaviors & attitudes of African-American households compared to other racial/ethnic groups in the U.S.* Paper session presented at the Academy of Financial Services Annual Conference, Nashville, TN.

TEACHING EXPERIENCE

UGA Certified Financial Planner (CFP) Program — Athens, GA
Assistant Professor
- FHCE 3250: Survey of Financial Planning — Fall 2016, Spring 2017
- FHCE 5250: Capstone in Financial Planning — Spring 2017
- FHCE 8200: Financial Planning & Analysis — Fall 2016

OSU Certified Financial Planner (CFP) Program — Columbus, OH
Graduate Teaching Associate
Independently instructed the following courses:
- CFFS 4260: Family Tax Planning — Fall 2013 & Fall 2014
- CFFS 4270: Retirement Planning & Employee Benefits — Spring 2014

TEACHING AWARD

OSU Consumer Sciences Program — April 2014
Graduate Student Award for Excellence in Teaching

PROFESSIONAL DEVELOPMENT

OSU University Center for the Advancement of Teaching — June 2014
Course Design Institute

UNIVERSITY SERVICE

OSU University Center for the Advancement of Teaching — August 2015
Teaching Orientation Facilitator
Topic: *Introduction to teaching and learning*

OSU Department of Human Sciences — Spring 2015
Diversity Committee Member

OSU Education & Human Ecology Undergraduate Scholarship Competition — Spring 2014
Essay Reviewer

OSU Education & Human Ecology Graduate Student Orientation — Fall 2014
Advanced Graduate Student Panelist

OUTREACH

Financial Planning Association — October 2014
Presenter, Cincinnati Financial Planning Day
Topic: *Managing money in hard times*

FINANCIAL WORK EXPERIENCE

Internal Revenue Service — Boston, MA
Revenue Agent — September 2010 – August 2012

The Vanguard Group — Scottsdale, AZ
Investment Specialist — October 2007 – September 2010

RSM McGladrey — Phoenix, AZ
Tax Associate — January 2007 – October 2007

Ernst & Young — Nashville, TN
Tax Associate — August 2005 – August 2006