

The Financial Clinic's Role in Closing the Racial Wealth Gap;

[A response to recent research on the racial income disparity](#)

By Mae Watson Grote, Founder and CEO | Michael Dedmon, Policy Manager | The Financial Clinic

The Financial Clinic's mission is national in scope: We want to leverage our success with individuals to produce lasting change that will impact millions of working people across this country. We know that to fulfill this mission we need to take the totality of our customers' lives and experiences into account, and that includes understanding how their race affects their financial security. Alongside our [ecosystem partners](#) across the nation, the Clinic is passionately advocating for long-term policy changes focused on reducing the racial wealth gap.

Last Monday, Stanford economist Raj Chetty and several co-authors from the Equality of Opportunity Project released a [new working paper](#) on the racial income gap in the United States. Relying on census data for nearly 20 million Americans born between 1978-1983, the persistent, generational inequality they describe, [presented in vivid detail](#) by the *New York Times*' The Upshot, is sobering. Their findings suggest that black men, even when raised in identical circumstances to their white peers, make substantially less at all income levels and while white men raised wealthy are likely to remain so, black men who grow up wealthy are much more likely than white men to lose ground compared to their parents. While the persistence of intergenerational inequality between African Americans and white Americans is the most striking takeaway from this research, their data also shows that the income gap between whites and other minorities is not closing fast enough.

Beyond the racial income gap, we also know that racial *wealth* inequality plays a critical part in perpetuating generational disparities. The Clinic's financial coaches and other practitioners using our coaching platform, Change Machine, see this every day firsthand. On average, a white customer of non-Hispanic descent [has over four times](#) the asset value as an African American or Hispanic customer. Only 16% of customers that identify as white are credit invisible - [meaning they do not have any credit history](#) - compared to 35% of non-white Hispanic customers and 28% of African American customers. The gap is just as visible in retirement savings: Of those with employee sponsored retirement accounts, non-Hispanic white customers have an average balance of over \$3,000 compared to an average of less than \$300 for African Americans and Hispanics.

State and federal policies must widen access and reduce discriminatory barriers to assets that build long-term wealth. We are proud of our role in parlaying our on-the-ground experience into

[legislation](#) in New York State that will now allow tax filers to split their state refund and set aside a portion directly into a 529 college savings account. Data show that lower income households, and especially households of color, are [among the least likely](#) to own these types of assets. Research suggests that even small amounts of college savings can help create an identity for students as “college bound,” and that children with accounts in their name are [three times more likely](#) to attend and **four times** more likely to graduate from college. Giving tax filers the option to directly save to 529 accounts at tax time will significantly increase the opportunity for wealth-building among populations [that historically benefit the least](#) from other federal asset building subsidies.

Our success with the Refund 529 campaign is only the beginning. Later this year, the Clinic will announce a national policy platform, informed by the day-to-day experiences and successes of our customers and the transformative work of our ecosystem partners, which will guide our future advocacy efforts.

As we refine our policy priorities, we are committed to the same principles that have given our mission its impact in the communities and households we serve.

The first is the belief that assets -- not income alone -- are a key driver of wealth, and that our definition of what constitutes an asset is often woefully limited. There are a myriad of intangible assets -- communities, networks, families -- that can, and must, be more integrated into policy interventions. Second, and most important, our vision for a financially-secure nation is explicitly grounded in the belief that our customers are the best experts in their own lives. In this way, communities of color the single best source for the solutions needed to counter the inequity described in Chetty’s research. Communities of color should design and select the policies they need to build a more equitable American future.

