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Racial Differences in How Inheritances Translate into Wealth in the United States

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Prepared by

Nyanya Browne, Ph.D.

Beza Afework

Digna Mosquera

Rodney Green, Ph.D.

Haydar Kurban, Ph.D.

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Nyanya Browne, Beza Afework, Digna Mosquera, Rodney Green and Haydar Kurban

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Abstract

Using 2022 Survey of Consumer Finances data and log–log quantile regressions, we assess how inheritances and key financial characteristics influence net worth across the wealth distribution. We find that Black households experience significantly smaller net worth gains from inheritances at every quantile. Differences in financial characteristics and asset ownership further indicate that racial disparities in wealth accumulation arise not only from variations in the size of inheritances, but also from unequal translation of financial resources into wealth. These findings highlight structural factors that affect how similar financial resources contribute to net worth across racial groups.

Keywords: Racial Wealth Gap, Inheritances, and Generational Wealth

1 Introduction

Racial disparities in wealth remain among the most persistent and consequential forms of economic inequality in the United States, and intergenerational transfers play a central role in shaping these disparities. Menchik and Jianakoplos (1997) estimate that inheritances account for 10-20% of the racial wealth gap, while Ashman and Neumuller (2020) find that the contribution may be as high as 26%. Because inheritances are an important component of lifetime wealth accumulation, particularly for middle- and upper-income households, it is important to understand their impact on racial wealth inequality.

Wealth accumulation has diverged sharply across groups and over time, with large gaps between income levels[1], racial and ethnic groups[2], and different regions of the country[3]. Over the last 60 years, these gaps have widened, driven in large part by a shift in wealth away from middle-class families toward the richest households.

In 1963, the richest families possessed 36 times as much wealth as those in the middle of the wealth spectrum. By 2022, this disparity had grown sharply, with the wealthiest families holding 71 times the wealth of middle-class families. The pace of wealth accumulation also differs markedly by income level. Families at the 50th percentile saw their wealth increase fourfold between 1963 and 2022. By comparison, families at the 90th percentile increased their wealth sixfold, while the very richest families—those richer than 99% of all households—expanded their wealth by more than seven times over the same period[4]. These patterns underscore the need to understand how effectively intergenerational transfers are

[1]https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/
[2]https://apps.urban.org/features/wealth-inequality-charts/
[3]https://www.commerce.gov/news/blog/2023/06/geographic-inequality-rise-us
[4]https://apps.urban.org/features/wealth-inequality-charts/

converted into lasting wealth.

Using Survey of Consumer Finances (SCF) data, Afework et al. (nd) project the expected "Great Wealth Transfer" in 2045 and perform a simulation equalizing inheritance amounts across racial groups. The results show that even if each household were to receive the same average inheritance, the net worth of Blacks and Whites would still differ by roughly 62%: equal transfers would not yield equal wealth gains. This finding implies that an inherited dollar does not translate into net worth at the same rate for all households. Similarly, Shapiro et al. (2013) find that inheritances are transformed into net wealth more effectively for White families than for Black families: every dollar received through inheritance raises White family wealth by about 91 cents, but increases wealth for Black families by only about 20 cents. These patterns echo the broader evidence in Myers Jr. et al. (2023), who find that wealth accumulation is slower for Black households than for White households with comparable initial wealth. Together, this work suggests that structural disadvantages, such as higher debt burdens, liquidity constraints, or more limited access to high-return financial products, may cause Black households to allocate inherited resources toward immediate needs rather than long-term wealth-building, thereby constraining the translation of inheritances into net worth.

Several features of household finances suggest that inheritances may have heterogeneous effects. Households vary widely in their exposure to unsecured and high-cost debt, their access to investment vehicles, their portfolio composition, and their ability to use homeownership as a platform for wealth accumulation. (Browning and Lusardi, 1996) outline substantial variation in saving behavior, precautionary motives, and portfolio responses, all of which shape how additional resources are deployed. When these financial structures differ

systematically by race, the same inheritance amount can produce very different net worth outcomes.

This paper extends Afework et al. (nd) by shifting the focus from projections to mechanisms. Instead of asking what impact future inheritances will have on the racial wealth gap in 2045, we ask why inheritances fail to generate similar wealth outcomes across racial groups today. To address this, we use SCF data to estimate quantile regressions of net worth on inheritance amounts and key financial variables, including investment account ownership, homeownership, and a debt diversification score measuring the number of loan types held.

Our findings reveal substantial heterogeneity in how inheritances translate into wealth. Returns to inheritances rise across the wealth distribution for White households but differ markedly by race: Black households, in particular, receive significantly lower marginal returns even after controlling for income and education. Interactions with financial variables indicate that differences in investment ownership and debt profiles shape the effectiveness of inherited resources in generating lasting wealth.

While prior work documents that inheritances account for a modest share of the racial wealth gap, less is known about why similar inheritances translate into net worth differently across groups. Using quantile regressions and interaction terms with financial variables, we assess the extent to which Black households, in particular, realize smaller wealth gains from inheritances, investment accounts, and other financial assets. By focusing on the differential translation of inherited resources into wealth, we identify structural and behavioral factors, such as access to investment vehicles and debt burdens, that help explain persistent racial disparities in wealth accumulation.

The remainder of the paper proceeds as follows. Section 2 reviews existing literature on

this subject matter. Section 3 describes the data and construction of our variables. Section 4 outlines the empirical strategy, including the quantile regression framework and treatment of multiple imputations. Section 5 presents the results and Section 6 summarizes our findings and draws out the implications of these findings.

2 Literature Review

Since the 1980s, the United States has experienced a steady rise in total family wealth[5], a trend with significant implications for both household financial stability (Barrell et al., 2006) and the growing concentration of wealth (Keister and Moller, 2000). Researchers have long debated the origins of household wealth. The discussion often contrasts life-cycle saving behavior (Modigliani, 1986) with the influence of intergenerational transfers (Kotlikoff and Summers, 1981; Bernanke and Blinder, 1988; Gale and Scholz, 1994). Estimates by Brown and Weisbenner (2004) indicate that bequests and other wealth transfers make up roughly 20–25% of current household net worth. Consequently, intergenerational transfers remain a consistent and influential factor shaping wealth accumulation across generations (Semyonov and Lewin-Epstein, 2013).

Another body of work explores the extent to which inheritances translate into lasting increases in household wealth. This question has relevance for both taxation and social policy, as the way households deploy inherited resources affects wealth accumulation trajectories. Using administrative data, Joulfaian (2006) shows that inheritances increase wealth only partially because households spend a significant share of inherited funds. Zagorsky (2013) likewise finds that individuals save roughly half of each dollar inherited, while Karagiannaki

[5]https://www.cbo.gov/publication/60807

(2017) estimates that the average household spends about 30% of inherited wealth.

Evidence from Europe suggests that, rather than consuming inherited resources, recipient households tend to allocate them toward financial investments such as publicly traded equities, pension products, and life-insurance policies, while also using part of the transfer to reduce outstanding debt (Spiteri and von Brockdorff, 2023). However, the effects depend on whether the transfer is anticipated or unanticipated: Druedahl and Martinello (2022) show that unexpected inheritances reduce saving and that household wealth gradually returns toward its pre-inheritance path as the windfall is spent down.

Wealth accumulation is shaped by early-life factors such as family formation and education (Killewald et al., 2017) and further affected by economic opportunities as youth transition to adulthood. Therefore, long-term perspectives are essential for identifying the mechanisms through which wealth is reproduced across generations and sustained within families. Drawing on PSID data, Pfeffer and Killewald (2018) find that a 10-percentile advantage in the net worth of parent generation corresponds to a 3.9-percentile advantage for the child generation, a relationship that intensifies as children age. Additionally, a 10-percentile advantage in the grandparent generation is associated with a 2.3-percentile advantage in the grandchild generation. These findings demonstrate that the wealth positions of both parents and grandparents are strong predictors of children's subsequent wealth, underscoring the long-term durability of intergenerational wealth transmission.

Inheritances also operate as channels through which economic and gender inequalities are reproduced. In 2022, only 17% of families in the bottom third of the distribution of income reported receiving inheritances compared with 28% of families in the top third[6]. Such

[6]https://www.cbo.gov/publication/60807

disparities in intergenerational transfers contribute directly to unequal wealth accumulation and mirror long-standing historical patterns of advantage. Deere and Leon (2003) find that men are more likely to inherit land than women among Latin American households, while Bartels et al. (2025) find that men tend to receive larger transfers than women over the life cycle. These disparities illustrate that private transfers do more than pass along financial resources: they reinforce entrenched inequalities.

Racial differences in wealth transfers are key to understanding the long-run racial wealth gap. Addo et al. (2024) assert that "intergenerational transfers arguably play an outsized role in perpetuating racial gaps in wealth", emphasizing that unequal transfers are a core mechanism through which racial inequality persists. Wolff (2002) finds short-lived equalizing effects of inheritances that dissipate over time, while Nekoei and Seim (2023) show that heterogeneous rates of return on inherited wealth can reverse any equalizing impact: differences in portfolio behavior, saving decisions, and returns generate divergence rather than convergence. Morelli et al. (2025) similarly concludes that inheritances tend to exacerbate racial wealth differences. Using a calibrated dynamic model, Aliprantis et al. (2022) find that persistent earnings disparities, not one-time transfers, are the primary driver of the racial wealth gap; wealth transfers alone cannot close the gap in the long run. Avery and Rendall (2002) show that differences in lifetime inheritances increase both absolute and relative racial wealth inequality, especially among baby boomers.

A natural question emerging from this work concerns the extent to which inheritances explain the persistence and change in magnitude of racial gaps in net worth. Several studies attempt to quantify their contribution. Ashman and Neumuller (2020) find that bequests and intergenerational transfers account for 28.6% and 25.8% of the total wealth gap between

Black and White households, collectively exceeding the proportion due to differences in earnings. McKernan et al. (2014) employ a family-level fixed effects model to examine racial differences in private transfers. Their findings show that minority families consistently receive fewer private transfers than White families and that gifts and inheritances account for approximately 12% of the racial wealth gap. Sabelhaus and Thompson (2025) show that, without controls, intergenerational transfers explain 13-16% of the non-White to White private wealth gap; when controlling for other factors, such as lifetime earnings and pensions, lifetime earnings and human-capital-related factors are shown to account for a large majority of the wealth gap.

Indeed, intergenerational transfers play a substantial role in shaping racial disparities in wealth between Black and White households in the United States. Yet, what remains underexplored is an examination of the mechanisms through which these transfers translate differently into wealth accumulation across racial groups. This paper addresses this gap by examining whether inherited dollars translate into substantially different wealth outcomes across racial groups and why this appears to be so. We focus on disparities in investment behavior, debt burdens, and other structural features of household financial behavior that may mediate the effect of inheritances on long-term wealth.

3 Data

The dataset we use for this study is the 2022 SCF, a nationally representative survey conducted every three years by the Federal Reserve that collects detailed data on household assets, liabilities, and overall net worth. It also records demographic information about the respondent, such as age, gender, and race or ethnicity. Additionally, the SCF includes infor-

mation on inheritances, covering the amount received, the source, and the year in which it was obtained. This data allow us to examine how inheritances are associated with net worth and to quantify whether returns to inheritances differ across the wealth distribution and by race.

Our variables include net worth, defined as the sum of all financial and non-financial assets minus total liabilities; inheritances received; and a set of demographic and financial characteristics, including race and ethnicity, income, education, marital status, homeownership, investment account ownership, and a debt diversification score capturing the number of distinct loan types held by the household. Log transformations of net worth, inheritances and income are used to estimate elasticities and reduce skewness in the distribution of wealth.

Table 1 presents descriptive statistics for the variables used in the analysis, weighted using SCF sampling weights. Net worth is highly skewed, as reflected in the large gap between the mean and median. The average household holds approximately $2.0 million in net worth, while the median is $449,800, indicating that a relatively small share of households holds a disproportionate amount of total wealth. A similar pattern appears for income and inheritances. The mean inheritance received is about $272,000, compared with a median of $81,000, highlighting substantial variation in the size of transfers. Average household income is approximately $183,000, while the median is roughly $84,300.

The financial-structure variables also display notable patterns. Households hold an average of 0.92 types of debt (on a 0–5 scale), with a median of 1, indicating that most households carry at least one form of debt but relatively few hold multiple loan types. Weighted tabulations show that 41% of households hold no debt, 33% hold one type, and only 6% hold three or more types, confirming that highly leveraged or highly diversified debt positions

Table 1: Summary Statistics of Key Variables

	Mean	Median
Log(Net worth)	14.1	13.8
Net worth ($)	1,990,005	449,800
Log(Inheritance Received)	11.2	11.3
Inheritance Received ($)	271,999	81,000
Log(income)	11.3	11.3
Income	183,122	84,311
Debt Score	0.92	1
Investments	0.65	1
Homeownership	0.83	1

are relatively rare. Asset-holding patterns also reveal important differences. Roughly 65% of households have at least one investment account, while 35% do not. Homeownership is prevalent in the sample: 83% of households own a home, compared with 17% who rent or otherwise do not own housing.

Weighted descriptive statistics reveal substantial racial disparities in wealth, inheritance, and financial characteristics 2. White households have the highest average net worth, approximately $2.14 million, followed closely by Asian/Other households at $1.85 million. In contrast, Black households hold only about $275,000 on average—roughly 13% of the White mean—while Hispanic households hold about $664,000.

Table 2: Means of Key Variables by Race

	White	Black	Hispanic	Asian/Other
Net worth ($)	2,136,916	274,995	663,522	1,852,826
Inheritance Received ($)	290,017	87,818	91,386	230,357
Debt Score	0.910	1.069	1.228	0.591
Homeownership	0.831	0.724	0.833	0.830
Investments	0.685	0.281	0.467	0.562
Income ($)	192,308	56,360	99,699	207,103

Note: Values are weighted means.

Patterns in inheritances mirror these disparities. White households report receiving

approximately $290,000 in inheritances, more than three times that of Black (about $88,000) and Hispanic (roughly $91,000) households, and slightly higher than Asian/Other households ($230,000). Because inheritances are heavily concentrated at the top, these group differences reflect not only unequal transfer levels but also potential compounding effects on long-term wealth.

Debt and asset characteristics also vary meaningfully across groups. Black and Hispanic households exhibit higher debt diversification scores (1.07 and 1.23, respectively), indicating they carry more types of debt on average relative to White (0.91) and Asian/Other (0.59) households. Investment account ownership displays the largest racial disparity: 69% of White households hold investment accounts, compared with only 28% of Black households. Hispanic (47%) and Asian/Other (56%) households fall in between.

Homeownership rates are high among most groups—over 83% for White, Hispanic, and Asian/Other households—but are lower among Black households (72%). Income differences parallel wealth gaps: White and Asian/Other households report average incomes exceeding $190,000, while Black and Hispanic households report roughly $56,000 and $100,000, respectively. Overall, these patterns underscore the depth and persistence of racial wealth inequality. White and Asian/Other households not only possess greater net worth but also receive larger inheritances, hold more financial assets, and bear less debt diversification.

Table 3 presents the distribution of net worth and total inheritance by race, as well as for the full sample, across quartiles. Whites have the highest net worth at all quartiles, with particularly high upper-quartile inheritance. Black and Hispanic households, by contrast, exhibit substantially lower wealth and inheritance across the distribution. The lower-quartile values for inheritance are identical for Black and Hispanic households, reflecting a concen-

tration of households with little or no inherited wealth. Interestingly, the 75th-percentile values for these groups are also similar, suggesting that the upper quartile of both populations receives comparable inheritance amounts. Asian/Other households fall between Whites and the other groups in both wealth and inheritance distributions. At the median and top percentiles, the full-sample values are lower than those for White households. This difference reflects the inclusion of groups with lower wealth and inheritance levels in the overall population, which pulls down the overall percentiles.

Table 3: Distribution of Net Worth and Total Inheritance by Race and Full Sample

	Net Worth ($)			Total Inheritance ($)		
	p25	p50	p75	p25	p50	p75
White	176,600	523,400	1,530,100	26,000	90,000	223,000
Black	32,705	155,500	355,200	10,000	30,000	82,000
Hispanic	62,120	271,700	465,100	10,000	25,000	82,000
Asian/Other	117,600	356,900	935,300	30,000	125,000	350,000
Full Sample	159,800	449,800	1,390,000	25,001	81,001	215,001

4 Empirical Strategy

We estimate the relationship between inheritances and net worth using a log–log specification in which both net worth and the inheritance received enter the model in natural logarithms. The logarithmic transformation is appropriate given the right-skewed distribution of both variables.

The analysis is restricted to respondents who report receiving inheritance, since the goal is to examine heterogeneity in the translation of inheritances into wealth rather than the determinants of receiving an inheritance.

To estimate the mean effects reported in column (1) of Table 4, we use the SCF's combined-implicate file, which implements the repeated-imputation inference (RII) frame-

work. The SCF handles item nonresponse by creating five implicates, each containing an independent draw from the conditional distribution of the missing values. RII then combines these implicates to produce valid point estimates and variance components for survey-weighted estimators. Following Pence (2015), we incorporate both imputation uncertainty and bootstrapped standard errors, which account for the survey's complex sampling design and jointly reflect sampling variance and imputation uncertainty. This approach yields consistent mean estimates and design-corrected standard errors for OLS models estimated on the SCF.

To assess heterogeneity across the wealth distribution, we estimate quantile regressions at the 25th, 50th, and 75th percentiles of net worth. Because the Pence (2015) method can not be applied to quantile regressions, we estimate each quantile model separately on each of the five implicates, using both the primary sampling weight and the replicate weights. We then combine the estimates across implicates using Rubin's multiple-imputation combining rules(Rubin, 2018), which account for within- and between-imputation variability. The results of the quantile models are reported in columns (2)–(4) in Table 4. Our baseline model takes the following form:

$$\begin{aligned}\log(\text{Net worth}_i) = \beta_0 &+ \beta_1 \log(\text{Received inheritances}_i) + \beta_2 \text{Race}_i + \beta_3 \text{Female}_i \\ &+ \beta_4 \text{Married}_i + \beta_5 \text{Education}_i + \mathbf{X}_i'\boldsymbol{\gamma} \\ &+ \beta_6(\text{Race}_i * \log(\text{Received inheritances}_i)) + (\text{Race}_i * \mathbf{X}_i)'\boldsymbol{\delta} + \varepsilon_i\end{aligned} \tag{1}$$

where the dependent variable, $log(Networth_i)$, is the natural log of the household's total net worth. The main explanatory variable, $log(Receivedinheritances_i)$, is the natural log of

total inheritance received. $Race_i$ includes indicators for Black, Hispanic, and Asian/Other households, with White households as the reference category; and $Education_i$ contains indicators for respondents with some college and college degree, with high-school or less as the omitted group. $Female_i$ and $Married_i$ are binary demographic controls. X_i is a vector of financial factors, including the respondent's debt score[7], homeownership status (1 if the respondent owns a home), and ownership of investment accounts (1 if the respondent holds any). The interaction terms ($Race * log(Receivedinheritances)$) allow the elasticity of net worth with respect to inheritances to vary across racial groups. Additional interactions ($Race * X_i$) allow the effects of indebtedness, homeownership, and owning investment accounts to differ by race. The error term, ε_i, captures unobserved determinants of net worth.

5 Results

The results of the quantile regressions are presented in columns (2)–(4) of Table 4, with average estimates in column (1) serving as a baseline. Across the net worth distribution, inheritances are strongly and positively associated with wealth. The elasticity increases with wealth: a 1% increase in inheritance predicts a 0.11% increase in net worth at the 25th percentile, 0.13% percent at the median, and 0.16% percent at the 75th percentile. These rising coefficients suggest that inheritances translate into larger gains for households higher in the wealth distribution.

[7]This variable counts the number of different loan types a household holds, capturing the diversity of formal borrowing rather than the total debt burden.

Table 4: Mean and Quantile Regression Results

	(1) Mean	(2) 25th Pctl.	(3) 50th Pctl.	(4) 75th Pctl
Log(Inheritance Received)	0.1636***	0.1141***	0.1278***	0.1559***
	(0.0189)	(0.0135)	(0.0188)	(0.0168)
Black	1.6723***	1.0851***	1.1631**	1.8250***
	(0.3123)	(0.3423)	(0.4578)	(0.7073)
Hispanic	0.5673	0.4590	1.0808	1.4481
	(0.6528)	(0.8261)	(1.4057)	(0.9862)
Asian/Other	0.2405	0.5978	0.1286	0.0643
	(0.5104)	(0.6104)	(0.5008)	(0.5413)
Log(Inheritance) × Black	-0.1496***	-0.0956***	-0.1025**	-0.1572***
	(0.0308)	(0.0358)	(0.0439)	(0.0575)
Log(Inheritance) × Hispanic	-0.0489	-0.0148	-0.0858	-0.1467
	(0.0587)	(0.0757)	(0.1203)	(0.0896)
Log(Inheritance) × Asian/Other	-0.0235	-0.0407	-0.0076	-0.0252
	(0.0465)	(0.0572)	(0.0487)	(0.0528)
Investments	0.2380***	0.1308***	0.1448***	0.2411***
	(0.0415)	(0.0427)	(0.0413)	(0.0643)
Investments × Black	-0.3867***	-0.1719**	-0.3359***	-0.6192***
	(0.0811)	(0.0812)	(0.1015)	(0.1674)
Investments × Hispanic	0.3153	0.3141**	0.2228	0.1777
	(0.1735)	(0.1458)	(0.2685)	(0.3592)
Investments × Asian/Other	0.5351**	0.5250*	0.7245**	0.8336**
	(0.1872)	(0.2994)	(0.3241)	(0.3896)
Debt Score	-0.1274***	-0.1165***	-0.1455***	-0.1390***
	(0.0248)	(0.0242)	(0.0275)	(0.0270)
Debt Score × Black	-0.00005	0.0456	-0.0003	-0.1081*
	(0.0363)	(0.0456)	(0.0488)	(0.0608)
Debt Score × Hispanic	-0.0399	-0.1497	-0.0673	0.0152
	(0.1176)	(0.1402)	(0.1402)	(0.1605)
Debt Score × Asian/Other	-0.1406	-0.2822*	-0.1807	-0.2384*
	(0.1098)	(0.1611)	(0.1630)	(0.1392)
Homeowner	0.4163***	0.3792***	0.3828***	0.2654***
	(0.0416)	(0.0487)	(0.0492)	(0.0956)
Homeowner × Black	-0.0578	-0.1325	-0.0043	0.0863
	(0.0905)	(0.1167)	(0.1331)	(0.2303)
Homeowner × Hispanic	-0.1845	-0.3103	-0.1595	0.0898
	(0.1945)	(0.2090)	(0.2256)	(0.2947)
Homeowner × Asian/Other	-0.3212*	-0.2869	-0.3845	-0.3629
	(0.1542)	(0.2679)	(0.2780)	(0.3212)
Log(Income)	0.2324***	0.2677***	0.3757***	0.3792***
	(0.0624)	(0.0422)	(0.0533)	(0.0653)
Female	-0.0738	-0.0251	-0.0920*	0.0268
	(0.0566)	(0.0534)	(0.0481)	(0.0607)

Continued on next page

Table 4 (continued)

	(1) Mean	(2) 25th Pctl.	(3) 50th Pctl.	(4) 75th Pctl
Married	0.0164	-0.1309**	-0.1492**	-0.0078
	(0.0622)	(0.0589)	(0.0629)	(0.0974)
Some College	-0.0052	0.0066	0.0158	-0.0682
	(0.0432)	(0.0410)	(0.0538)	(0.0529)
College Graduate	0.2416***	0.0708	0.1616***	0.1766***
	(0.0531)	(0.0437)	(0.0521)	(0.0662)
Constant	9.1612***	9.1929***	8.0847***	8.0051***
	(0.5810)	(0.4076)	(0.5748)	(0.6152)
Observations	1,098	1,098	1,098	1,098
R^2	0.5507	0.311	0.381	0.426

Standard errors in parentheses. * p < 0.10, ** p < 0.05, *** p < 0.01

For Black households, inheritances generate substantially smaller wealth gains compared with White households across all percentiles. The interaction term between inheritance and Black households is negative at all percentiles, indicating that returns to inheritances for Black households are lower than for White households. However, when combined with the baseline coefficient for inheritances, the net effect remains positive at the 25th percentile (0.0185) and the median (0.0253), meaning inheritances still increase wealth for Black households, albeit less than for White households. Only at the 75th percentile does the net effect become slightly negative (-0.0013), reflecting a point where inheritances no longer confer a wealth gain relative to Whites. In other words, Black households experience consistently lower returns, but inheritances still provide positive gains for lower- and middle-wealth households, contributing to a widening racial gap at higher wealth levels. Browning and Lusardi (1996) document substantial heterogeneity in household saving and portfolio behavior, driven by liquidity constraints, debt burdens, differences in financial literacy, and precautionary motives—mechanisms that may help explain these lower returns. Interaction

terms for Hispanic and Asian/Other households are not statistically significant, indicating that their returns to inheritances do not differ meaningfully from Whites.

Other financial characteristics show similarly patterned disparities. Ownership of an investment account is positively associated with net worth, but the magnitude varies sharply by race. For Black households, the net effect is 4.0%[8] lower at the 25th percentile, 17.4% lower at the median, and 31.5% lower at the 75th percentile, indicating that the wealth gains associated with investment accounts for White households are not realized for Black households.

Andersen and Nielsen (2011) find through natural experiments that many households, even when receiving large, unexpected inheritances, do not enter the stock market or maintain inherited stock portfolios. Consistent with this, our quantile regression results show that Black households, particularly at the median and top of the distribution, are less able to translate inheritances into higher net worth through financial assets, as evidenced by the negative net effects relative to White households.

Hispanic households exhibit a much stronger association at the 25th percentile, with a 56.0% larger investment-related net worth compared to their White counterparts. Asian/Other households show even stronger patterns, with investment-account ownership associated with 92.7%, 138.5%, and 192.9% higher net worth at the 25th, 50th, and 75th percentiles, respectively. These results indicate that racial differences in how investment account ownership relates to wealth, not simply differences in ownership rates, contribute meaningfully to disparities in net worth.

[8]The net effect of the interaction of two dummy variables is calculated by summing the baseline coefficient and the interaction term, then converting to a percentage change using the exponential function: Percent change $= (e^{\beta_{baseline}+\beta_{interaction}} - 1) * 100$.

Debt patterns also shape these disparities. A higher debt diversification score is negatively associated with net worth, with racial differences evident across quartiles. Black households face an additional penalty at the 75th percentile: the interaction of –0.1081 combines with the baseline effect of –0.1390 to produce a net effect of –0.2471, indicating that holding multiple types of debt disproportionately reduces wealth for higher-wealth Black households. Asian/Other households also experience a stronger debt penalty at both the 25th (–0.2822) and 75th percentiles (–0.2384), highlighting that multiple forms of debt erode net worth more severely for these groups at different points of the wealth distribution. While the Black interaction is not significant at lower quartiles, the upper-quartile effect underscores the cumulative disadvantage over the wealth distribution.

Income remains a strong predictor of net worth at all quartiles, increasing in magnitude as wealth rises. Homeownership is also strongly associated with net worth across quartiles, but racial interactions are not significant, suggesting that the racial wealth differential arises less from homeownership itself and more from differences in other assets and transfers.

At the 50th-percentile, female-respondents experience roughly 8.9%[9] lower net worth than their male counterparts (significant at the 10% level), while being married is associated with about 12.3% lower net worth at the 25th percentile and 13.9% lower at the median (both significant at the 5% level). These results indicate that demographic factors further shape wealth accumulation, particularly at lower and median levels of the distribution. College graduates also show significantly higher net worth at the median and 75th percentiles compared to those with high school education or less.

[9]To facilitate the interpretation of dummy variables in a log-log model, coefficients are exponentiated and expressed as percent differences relative to the reference category: Percentage change $= (e^{\beta_i} - 1) * 100$.

Overall, the results consistently point to the same mechanism: inheritances, investment assets, and debt structures do not translate into wealth equally across racial groups. The inequalities are smallest at the bottom of the distribution but widen and become most severe at the top, where potential wealth gains from inheritances and financial assets are largest. These patterns indicate that structural differences in financial conditions and asset associations—not merely differences in the size of inheritances—drive the racial gap in wealth accumulation.

6 Conclusion

Using data from the SCF and quantile regression methods, this paper investigates whether inheritances and related financial characteristics translate into wealth differently across the net worth distribution and across racial groups. The results show that inheritances are strongly and positively associated with wealth for all households, with larger effects among those higher in the distribution. Yet these gains are far from uniform. Black households experience substantially lower returns to inheritances at every quartile, with the disparity widening toward the top where wealth gains are greatest. This pattern indicates that the racial wealth gap persists not only because Black households receive smaller inheritances on average, but also because those inheritances generate significantly smaller increases in wealth.

The makeup of these overall disparities can be traced to financial variables we examine. Investment account ownership is strongly associated with higher net worth for White, Hispanic, and Asian/Other households, but the returns for Black households are sharply reduced particularly at the upper quartile. One possible explanation is that prior discrim-

inatory treatment and predatory financial practices have fostered mistrust of mainstream institutions, reducing both participation in and effective use of formal financial services even when access is available (Adams-Fuller et al., 2025). Debt diversification also imposes heavier penalties on Black and some Asian/Other households, especially at higher wealth levels. Together, these results demonstrate that racial differences in the returns to financial resources, not simply levels or access, constitute a key mechanism shaping unequal wealth accumulation.

The analysis relies on a single cross-sectional wave of the SCF, which restricts the ability to observe how households' financial positions evolve over time or how the translation of inheritances varies across economic cycles. Inheritances are self-reported and may be measured with error, particularly for informal or irregular transfers. Several financial variables likely reflect broader structural factors, such as differences in credit access, financial knowledge, or exposure to high-cost financial products, that the SCF does not directly observe. As a result, the quantile regressions document important distributional patterns but cannot fully unpack the mechanisms behind them.

Despite these limitations, this paper contributes to the growing literature by shifting attention from how much of the racial wealth gap inheritances can statistically explain to why inheritances, investments, and debt structures yield such different returns across groups. While recent research emphasizes that intergenerational transfers account for only a modest share of the racial wealth gap, the present analysis shows that the conversion of these transfers into wealth is itself structurally unequal. Inheritances explain only part of the gap; racial inequalities in how households can leverage those inheritances reveal deeper constraints in financial markets, liquidity, debt exposure, and investment access—constraints dispropor-

tionately faced by Black households. Additionally, contrary to the common narrative that homeownership drives wealth accumulation, our results suggest that racial differences in wealth arise less from homeownership itself and more from disparities in other assets and transfers. This underscores the need to look beyond housing when addressing the racial wealth gap.

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