LETTER FROM AMERICA

INHERITANCE, WEALTH AND RACE

Manning Marable

In America, the overwhelmy majority of Americans, regardless of their incomes and educational levels, describe themselves as "middle class." That's because nearly 75 percent of all Americans own their own homes, representing a substantial equity asset. Most also anticipate a windfall inheritance when their parents and/or elderly relatives die.

According to the federal government's statistics compiled by Mark Zandi of "Moody's Economy.com", back in 1985, the average inheritance was $39,000. In subsequent years, the overall amount of total annual inheritance has more than doubled, reaching nearly $200 billion. Researchers at Boston College's Center for Wealth and Philanthropy estimate that by 2050, approximately $25 trillion will be passed from the old to their offspring. "That's an impressive amount of money, even for Bill Gates."

However, the Center for Wealth and Philanthropy quickly notes that only the privileged upper one percent of US households will inherit roughly one-half of that financial windfall— $12.5 trillion. By comparison, for the majority of Americans, the value of median inheritance is actually smaller today - roughly $29,200 - than it was two decades ago. Tens of millions of Americans will receive absolutely nothing, or even debt, from their deceased parents. What explains this apparent paradox, the great expansion of total societal wealth, and the decline in median inheritance?

There are two fundamental reasons for this. First, inherited wealth in the US is disproportionately concentrated among a tiny percentage of America's population. According to a *New York Times* survey of estates in 2006, the upper two percent of all US, estates—the wealthiest—were worth at least $782,300 or more. The next upper three percent of estates were worth between $326,000 and $782,300. The next five percent of estates amounted to $244,600 to $326,000. This elite upper ten percent of all American households controls the vast majority of the nation's private wealth that is inherited, from generation to generation. What about the other 90 percent of ordinary Americans? After the elite 10 percent, the next 40 percent of American estates were worth between $52,200 and $244,600. The next 20 percent of estates amounted to $2,600 to $52,200. The bottom 30 percent of estates were worth under $2,600. These numbers indicate that for the majority of Americans, any estate they inherit will not be a "life-changing event." Wealth has never been democratically distributed in US society.

A second reason for the shrinking inheritances of most Americans is that millions of senior citizens and retirees are liquidating their assets, including the equity in their homes, in order to live. According to a Federal Reserve Board survey, between 2001 and 2004 overall wealth for the average US household only slightly increased, from $91,700 to $93,100. The value of the average American Family's home rose 22 percent between 2001 and 2004, but their average savings and investments dropped 23 percent. Because most Americans are living longer, millions of retirees are outliving the amount they had set aside for retirement. Many elderly Americans are pressured back into the labor force, usually in low wage jobs. But homeowners are increasingly forced to contemplate another option: to drain the equity from their residence in order to survive.

According to the Federal Reserve Board's statistics, there's considerable evidence that this is already happening. Fewer than one half of all US households even have a retirement account; since a significantly higher percentage of American families own a home than have a pension or retirement account, the equity in the house is the primary, if not sole, source of capital.

What do these dire economic trends mean for African Americans and people of color generally? Due to employment discrimination, and residential segregation, African-American families have historically been denied the opportunity to accumulate wealth. Black home ownership, for example, is about 48 percent of all black households, well below the nearly 75 percent home ownership for whites. Roughly 6.5 percent of all white Americans own their own businesses, compared to barely one percent of African Americans. The majority of black workers do not have pensions or individual retirement accounts, so there are insufficient financial resources to pay for expenses after most African Americans become too old to work.

And even for African Americans who do own homes, there is a recent, disturbing trend in home foreclosures that threatens blacks' financial futures. Since the late 1990s, in large urban, minority communities such as Cleveland, Philadelphia, Atlanta, and Chicago, there has been an alarming increase in foreclosures.

In Cuyahoga County, Ohio, which includes Cleveland,, for example, the number of court-ordered foreclosures on homes in 2005 was more than 11,000, triple the number of foreclosures in 1995. For every one hundred single-family homes sold in Cuyahoga County last year, there were 17 auctions of foreclosed properties, up from five in 1995. In Chicago, foreclosure filings tripled between 1993 and 2005. Chicago neighborhoods that are at least 88 percent Latino and/or African American represent about two-thirds of all home foreclosures in the city. Home and business ownership create the equity to pay for children's college educations, as well as to pass down to successive generations. Tragically, when the majority of black Baby Boomers - people born between 1946 and 1964 - die, they will bequeath to their children and grandchildren debt or at best only several thousand dollars in savings. Structural racism is the cause of all this. Without wealth, a home, or a retirement account, millions of African Americans approaching retirement age now face a perilous future. ✍✍✍✍