

## **The Financial Acumen of Black and White Families**

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## **The Financial Acumen of Black and White Families**

### **Abstract**

This study analyzes the behavior of a representative sample of U.S. families in two measures of financial acumen in 1989-94. *Budget acumen* is success at paying bills on time and maintaining good relationships with creditors. *Wealth acumen* is achieving increases in family wealth over time. First, in univariate comparisons black families achieve lower levels of budget acumen in most of the measures utilized. However, statistical tests that control for demographic and other relevant variables indicate that the black families' lower levels of budget acumen can be attributed to traits such as lower education and poorer health rather than differences in the quality of family budget management, per se. Second, black families are less likely to achieve increases in wealth than white families, and the tests show that this can be related primarily to the lower starting wealth and lower labor income of black families. These results indicate that loan scoring models that include the variables herein cannot justify statistical discrimination against black loan applicants; and that the disproportionate concentration of wealth among white families is not due to inferior wealth management by black families.

## The Financial Acumen of Black and White Families

### Part 1. Introduction

Over time families develop sets of beliefs and rules for behavior that guide life in the family as a whole and that of individuals in the family. Two assumptions about family behavior undergird this study. First, an underlying financial goal of the family is to achieve increases in family wealth. Second, the family seeks to pay its bills on time, and to maintain good relationships with creditors. In economic terms, building wealth creates consumption opportunities, and obtaining credit enables the family to optimally trade off current consumption for future consumption. Thus the two categories of financial acumen examined here are *wealth acumen*, which refers to success at generating wealth, and *budget acumen*, which refers to success at maintaining creditworthiness with lenders.<sup>1</sup> The purpose of this study is to determine how and why black and white families differ in these measures of financial acumen.

This issue is significant for three reasons. First, it is important that private and public providers of financial advice and services understand the financial acumen of black and white families so that these consumers are provided the most appropriate services. Second, it is well known that black applicants are rejected more often for mortgage loans and commercial loans than white applicants.<sup>2</sup> To the extent that after controlling for relevant variables, black families display less budget acumen than white

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<sup>1</sup> “Acumen” is defined in Webster’s New World Dictionary as “keenness and quickness in understanding and dealing with a situation; shrewdness.” Webster’s New World Thesaurus lists 49 synonyms for acumen, including “brains”, “horse sense”, “know-how” and “the smarts”.

<sup>2</sup> On mortgage lending see the articles cited by Yinger (1998) and Ladd (1998). On commercial lending, see Bates (1997b), Bates and Bradford (1992), Cavalluzzo et. al. (1998), and Blanchflower et. al. (1998).

families, then higher rejection rates are not surprising,<sup>3</sup> and the use of public resources to provide training on family budget management may be as valuable as finding and punishing acts of prejudicial lending discrimination. Third, with regard to wealth acumen, the mean and median wealth of black families are much lower than those of white families in the U.S. (Oliver and Shapiro (1990), Blau and Graham (1990) and Altonji et al (2000)), and movement towards wealth equality is slow at best (Bradford (2000a)). This lack of parity has been described as an endemic problem in the U.S. that is associated with free-enterprise capitalism and racism.<sup>4</sup> However, if black families build less wealth than white families with the same amount of resources, then the financial decisions of black families are at least partially responsible for sustaining the wealth gap.<sup>5</sup> This would imply that *both* the financial decisions of black families and the socio-economic system should be changed if more evenly distributed wealth is the goal.

This paper develops measures of budget acumen and wealth acumen, and examines how a national sample of 5,000 black and white families performed in these measures over 1989-94. The findings may be summarized as follows. First, in univariate comparisons black families achieve lower levels of budget acumen and wealth acumen in most of the measures utilized. However, logistic regressions show that black families achieve the same or higher levels of budget acumen compared to white families, after controlling for demographic and other relevant variables. Thus the black families' lower

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<sup>3</sup> This relationship leads to statistical discrimination. Firms will use race to infer likelihood of default of the loan. Here discrimination would not reflect prejudicial discrimination (as discussed by Becker (1957), for example) but rather an attempt to minimize costs of gathering more information.

<sup>4</sup> See Cotton (1998).

<sup>5</sup> The focus here is on changes in wealth instead of accumulated wealth. The latter reflects the activities of prior periods, and not necessarily the wealth acumen over the current period. Most researchers have developed models that observe wealth accumulation instead of wealth changes. See Altonji et al (2000), Blau and Graham (1990), Hurst et al (1998), and Menchik and Jianakoplos (1997).

levels of budget acumen can be attributed to traits such as lower education and poorer health rather than differences in the quality of family budget management, per se. Second, in the logistic regressions predicting whether or not wealth increased over the period, each of the regression coefficients of the black family dummy variables is negative and statistically significant. Thus black families have lower probabilities of wealth increases. However, when labor income and gift/inheritance are subtracted from the change in wealth, the black family indicator is not statistically significant. Therefore differences between black families and white families in labor income and gift/inheritance can explain differences in wealth acumen as defined by whether or not wealth increased.

A second measure of wealth acumen is the amount of change in wealth. In univariate comparisons the mean change in the wealth of white families is found to exceed that of black families. However, in the ordinary least squares regressions predicting the amount of change in wealth, the regression coefficients of the black family dummy variables are not statistically significant. Race does not matter in predicting the amount of wealth changes, and variables such as age, education, number of children, the receipt of a gift or inheritance and the amount of labor income dominate in predicting the amount of the change in wealth.

The rest of this paper is organized as follows. Part 2 discusses the data, the measures of financial acumen, and the hypotheses that are tested. Part 3 presents results of the analyses of budget acumen and wealth acumen for black and white families. Part 4 contains the conclusions of the study.

## **Part 2. Data, Measures of Financial Acumen and Hypotheses**

### **A. Data**

The data utilized in this study come from the Panel Study of Income Dynamics (PSID). One advantage of PSID data is that they are panel data, allowing one to follow the experiences and activities of families over an extended period. Starting in 1984, at five-year intervals PSID has gathered wealth data on its panel families. For this study, I follow the changes in wealth of families with the same head of household over 1989-94. The wealth statistics are weighted cross-sectional snapshots of the financial data of the families. The total sample is representative of the U.S. population when sample weights provided by PSID are used. Through funding from the Survey of Economic Opportunity the data set over-samples black American families.<sup>6, 7</sup>

In addition to family wealth, PSID provides information on the financial experiences of the family as reported by the head or spouse. Specifically, in 1996 (only), PSID included a series of questions on the financial difficulties of the family in 1991-96. This supplement included information about the difficulty in paying bills when they were due, debt consolidation loans, creditors demanding payment, wage attachments, liens

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<sup>6</sup> These data contain essentially only black and white families. Other ethnic groups (Latinos, Asian, and native Americans) are not represented in the sample.

<sup>7</sup> Wealth includes real estate (own or main home, second home, rental real estate, land contract holdings), cars, trucks, motor homes, boats, farm or business, stocks, bonds, mutual funds, savings and checking accounts, money market funds, certificates of deposit, government savings bonds, Treasury bills, IRAs, bond funds, cash value of life insurance policies, valuable collections for investment purposes, and rights in trust or estate, less mortgage, credit card, and other debt on such assets. This measure does not include wealth in the form of private pensions or expected social security retirement benefits. I add two observations about the PSID wealth data here. First, PSID does not capture wealth information on households at the very top of the wealth distribution. The majority of the measurement problems in PSID occur beyond the ninety-eighth percentile of the wealth distribution, possibly even beyond the 99.5 percentile. Juster, Smith and Stafford (1998) find that the PSID wealth data for 1989 line up closely with those from the 1989 Survey of Consumer Finances through the 99.5 percentile. Of course, a major concern in this study is the experience of African Americans, who are over-sampled by PSID and who are considered to be proportionately underrepresented in the top 99.5 percentile of wealth holders in the U.S. (Hurst, Luoh and Stafford, 1998).

against and repossessions of property. The information reported for 1991-94 is utilized for this study. Data were also gathered in a separate part of the 1996 PSID on the two most recent bankruptcy filings, with details about the reasons and effect of the bankruptcy filings. The information on any bankruptcy that occurred in the 1989-94 period is used in this study. Based upon the required information, included in the study are data on 5,000 families which had the same head over 1989-94, and on which data on budget acumen and wealth acumen are available. There were 3,296 families with a white head of household, and 1,704 families with a black head of household.

## **B. Measures of Financial Acumen**

**Budget Acumen:** The measures of budget acumen follow from special supplements of the 1996 PSID. The questions in the supplements are paraphrased below:

*In 1991-94 did you:*

- a. find yourself unable to pay your bills when they were due?*
- b. obtain a loan to consolidate or pay off your debts?*
- c. have a creditor call or come to see you to demand payment?*
- d. have your wages attached or garnisheed by a creditor?*
- e. have a lien filed against your property because you could not pay a bill?*
- f. have your home, car, or other property repossessed?*

*In 1989-94 did you:*

- g. file for bankruptcy?*

The concept of budget acumen is success at paying bills on time and maintaining good relationships with creditors. These concepts are used to measure budget acumen along a discrete continuum, based upon the questions posed in a through g. “Successful” is denoted as one and “unsuccessful” as zero in the measures of budget acumen. The first measure of budget acumen is the most conservative:

BAC1 = 1 if **No** to all of a through g  
 = 0 if **Yes** to at least one of a through g

When BAC1 = 1, the family had no problems with paying bills when due, and no problems with creditors. Families for which BAC2 = 1 consists of families for which BAC1 = 1 plus families that answered yes to a or b, but no to c through g.

BAC2 = 1 if **No** to all of c through g  
 = 0 if **Yes** to at least one of c through g

Success at BAC2 is no creditor called to press for payment, and no legal proceedings associated with creditors. The family may have had trouble at some point (s) paying bills when they were due and/or obtained a loan to consolidate or pay off debts. Presumably, the family was able to manage through such times without difficulty with creditors.

Families for which BAC3 = 1 consists of families for which BAC2 = 1 plus those that answered yes to c and no to d through g:

BAC3 = 1 if **No** to all of d through g  
 = 0 if **Yes** to at least one of d through g

For BAC3, a family is unsuccessful in budget acumen if creditors pursued legal measures such as garnishments, liens filed and property repossession, and cases in which bankruptcy was declared.<sup>8</sup>

**Wealth Acumen:** Two categories of wealth acumen will be analyzed. The first category is based the discrete response to whether or not the family's wealth increased between 1989 and 1994. Assume for the moment that flows in and out of the family unit occur only at the start and end of the period. The wealth at the end of the period is equal to the wealth at the start,  $W_{89}$ , plus the net change in the value of the wealth claims held over

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<sup>8</sup> Instead of considering bankruptcy alone, I add the other measures of severe financial distress to BAC3. This helps to avoid problems caused by the relationship between the bankruptcy decision and the bankruptcy laws of the state in which the family resides. It is likely that the other items under BAC3 happen when the severe financial distress associated with bankruptcy occurs, even when bankruptcy is not declared.



the period,  $\Delta W_{89}$ , plus income earned,  $Y$ , plus gifts and inheritances received,  $G$ , less expenditures,  $E$ .

$$W_{94} = W_{89} + \Delta W_{89} + Y + G - E$$

$W_{94}$  = Wealth in 1994

$W_{89}$  = Wealth in 1989

$G$  = Gifts and inheritances from others in 1989-94.

$\Delta W_{89}$  = Net change in the value of assets and debts held in 1989.

$Y$  = Income in 1989-1994 (except for  $\Delta W_{89}$ )

$E$  = Expenditures for consumption, contributions, gifts to others, medical expenses, etc in 1989-94.

The first category of wealth acumen contains three measures that make different adjustments to changes in wealth. These measures embody different adjustments to changes in wealth. The first measure reflects whether or not family wealth changed between 1989 and 1994. Thus WAC1 is defined as

$$\begin{aligned} \text{WAC1} &= 1 \text{ if } W_{94} - W_{89} = \Delta W_{89} + Y + G - E > 0 \\ &= 0 \text{ if } W_{94} - W_{89} = \Delta W_{89} + Y + G - E \leq 0 \end{aligned}$$

The second discrete measure subtracts out gifts and inheritances from the change in wealth, to adjust for wealth changes due to in gifts and inheritances.

$$\begin{aligned} \text{WAC2} &= 1 \text{ if } W_{94} - W_{89} - G = \Delta W_{89} + Y - E > 0 \\ &= 0 \text{ if } W_{94} - W_{89} - G = \Delta W_{89} + Y - E \leq 0 \end{aligned}$$

The third measure adjusts by subtracting out labor income from WAC2. If labor income is systematically lower, for example, for black families (due to current and/or past racial biases), subtracting out labor income can provide a clearer picture of the ability to build

wealth without the differences that occur because of different experiences in the labor markets.<sup>9</sup>

$$\begin{aligned} \text{WAC3} &= 1 \text{ if } W_{94} - W_{89} - G - Y_L = \Delta W_{89} + Y_o - E > 0 \\ &= 0 \text{ if } W_{94} - W_{89} - G - Y_L = \Delta W_{89} + Y_o - E \leq 0 \end{aligned}$$

where  $Y_o$  denotes other (non-labor) income.

Two comments on this category of wealth acumen are relevant here. First, it is likely that funds will move in and out of the categories in  $W_{89}$  within the five-year period instead of just at the endpoints. One can define  $\Delta W_{89}$  to include such intermediate flows without a loss of relevance for the measures here. Second, all of the measures in wealth acumen are in current dollars. Current dollar measures are the most clear to the family unit as it evaluates its financial position. The family will translate the changes in current dollar wealth to changes in constant dollar wealth depending on the change in the cost of the basket of goods and services that it expects to consume. This can differ for each family, and data on these differences are not available.

The second category of wealth acumen is *the dollar change in wealth* between 1989 and 1994. As I will discuss below, regression models will specify to what extent black and white families differ in the changes in wealth between 1989 and 1994, after controlling for various traits that also impact wealth accumulation. In particular, the elimination of gift/inheritance and labor income from WAC2 and WAC3 may exclude information that is helpful in understanding their role in wealth accumulation. These two variables are included in the regression models that predict the amount of change in family wealth.

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<sup>9</sup> The degree to which black workers receive lower wages because of racial discrimination is a topic of ongoing controversy. See Holzer and Neumark (2000).

### C. Methodology

Multivariate regression models are used to examine the relationship between the measures of financial acumen and race while considering the impact of the other family traits. For budget acumen, the logistic regression model estimates  $P_B$ , the probability that a family achieved success in budget acumen (e.g.  $BAC1 = 1$ ) as a function of the independent variables:

$$P_B = \text{Probability (BAC}_i = 1) = F[\text{Race; Other Independent Variables}]$$

In addition to the head of the family's race, the independent variables are the head of the family's age, education, health, marital status, gender, work status, and wealth quartile.

The independent variables also include the number of children in the family, other dependents, whether the head or spouse (for married couples) received a gift or inheritance, and the regional location of the family's residence. The descriptive variables relate to those reported as of 1989. The gift/inheritance received cover 1989-94. Exhibit 1 contains descriptions of the independent variables.

Insert Exhibit 1 here

The model and independent variables utilized for wealth acumen are similar to those of budget acumen. The probability,  $P_W$ , associated with the discrete measures  $WAC1 - WAC3$  are functions of the independent variables in the logistic models. Thus

$$P_W = \text{Probability (WAC}_i = 1) = F[\text{Race; Other Independent Variables}]$$

The treatment of gifts and inheritances in  $WAC1 - WAC3$  is different from that in the budget acumen tests. The receipt of gift and inheritances (yes or no) is omitted from the independent variables in the regressions for  $WAC1 - WAC3$ , since the dollar amount of

gifts and inheritances is a component of WAC1 – WAC3. In the analyses of the magnitude of the changes in wealth, the following relationships are assumed:

$$Wealth_{94} - Wealth_{89} = F[\text{Race; Other Independent Variables}]$$

Ordinary least squares regressions will be utilized to determine the impact of race and other variables on the change in the wealth of the sample families. The total labor income of the head and spouse (if any) over 1989-1993, and starting wealth (wealth in 1989) will be included as independent variables. The regressions for both categories of wealth acumen will include BAC1 as an independent variable. This provides an analysis of the association between budget acumen and wealth acumen.

#### **D. Hypotheses**

The expected relationships are expressed in a *ceteris paribus* context. With regard to the budget acumen regressions, it is hypothesized that budget acumen is positively related to age and education. Age and education should increase the accumulated knowledge about effective short-term money management. Married couple families are expected to achieve more success in budget acumen than single head families. The former potentially have two people discussing and participating in money matters. Several of the independent variables describe possible positive or negative shocks to the family's budget. Poor health is expected to have a negative impact on budget acumen.<sup>10</sup> The receipt of a gift or inheritance is expected to have a positive impact on budget acumen. The number of children and the number of dependents outside of the family are expected to have negative impacts on budget acumen.

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<sup>10</sup> Smith (1995) finds that healthier households are wealthier households. The direction of causality is tricky. The relationship between health and budget acumen is examined here.

Based on previous studies, it is hypothesized that home ownership has a negative impact on budget acumen (e.g. Hurst and Stafford, 1998). Mortgage payments reduce budget flexibility, and some families over commit funds in purchasing a home. With regard to work status, it is expected that relative to the self-employment status, both worker (i.e., wage/salary) status and unemployment have a negative impact on budget acumen. Self-employment has been found to increase wealth at a faster rate over time than wage/salary status (e.g. Bradford (2000a) and Quadrini (1999)), and thus funds to manage the family's finances should be more plentiful. The impact of the retirement status on budget acumen is expected to be positive (this is in comparison to self-employment). Retirees presumably have more time to manage finances and typically their budgets are simpler and (except for health) more predictable.

The relationship between a family's budget acumen and accumulated wealth is analyzed by the use of dummy variables defined by the 1989 wealth quartile of the family.<sup>11</sup> The reference wealth quartile is the bottom wealth quartile. It is hypothesized that higher wealth will have a positive impact on budget acumen. At lower wealth levels the family has less to draw on to make payments when unforeseen outflows occur. No difference is expected between single female- and single male-headed families in budget acumen. A major focus of this study is the financial acumen of black families compared to white families. It is hypothesized that race has no statistically significant impact on budget acumen after considering the impact of the other variables.

With regard to changes in wealth, prior studies have focused on predicting wealth accumulation instead of changes in wealth. This is because most sources of wealth data

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<sup>11</sup> Here I refer to the family wealth in 1989, not the change in wealth between 1989 and 1994.

do not follow the same families over an extended period of time. The relationships between wealth acumen and the independent variables are hypothesized to be the same as those for budget acumen except for two items. First, unlike the negative relationship hypothesized between budget acumen and home ownership, a positive relationship is expected between wealth acumen and home ownership. The family will have a greater motivation to own a home as its wealth increases, for both tax/investment purposes and the mental satisfaction of home ownership. Second, it is expected that the coefficient on race will be negative for WAC1, but will decline in influence going from WAC1 to WAC3. WAC1 reflects whether or not the wealth of the family increased. The differences between the black families and the white families in the probability of wealth increases are expected to be associated with differences in gift/inheritance and labor income. WAC2 subtracts out the former and WAC3 subtracts out both. To the extent that the probabilities of increases in wealth are similar for black families and white families except for the differences in gift/inheritance and labor income, then the race variable will become less influential as one moves from WAC1 to WAC3. Finally, gift/inheritance (dollar amount) and labor income will be included as independent variables in the regressions that predict the dollar amount of changes in wealth. It is expected that both of these variables have a positive impact on changes in wealth over the 1989-94 period.

### **Part 3. Results of the Analyses**

#### **A. Descriptive Statistics**

Table 1 contains the summary statistics on the 5,000 families included in the study. The first two columns describe all of the white families and all of the black

Insert Table 1 here

families, respectively. The next six columns compare white and black families by category: married couples, single males and single females. The financial performance of black families overall is less favorable than that of the white families. In the first two measures of both budget acumen and in wealth acumen the success rates of black families are lower than those of the white families. For BAC3 and WAC3 the success rates are equal. However, black married couples are less successful than white married couples in all of the measures of financial acumen. Surprisingly, black single males have better results than white single males: black single males report greater acumen than white single males for all of the measures of financial acumen. In fact, black single males report higher rates of financial acumen than all of the other groups, black or white. This relationship, which may reflect a lack of access to credit markets, is an area requiring further analysis. The financial acumen measures for black single females are lower than those of white single females except for BAC3. The two female groups report equal levels of BAC3 acumen.

Table 1 also shows that the heads of the black families are younger (43.9 years versus 46.8 years) and have fewer years of education (12.4 versus 13.0). Thirty-seven percent of the heads of black families have less than high school education compared to 21 percent for the heads of white families. Eight percent of the heads of black families have a college degree, compared to 26 percent of the heads of white families. A much lower proportion of black families own their own homes (40 percent versus 68 percent) and a higher proportion report fair or poor health (26 percent versus 14 percent). Black families have more children (0.91 versus 0.68) and more dependents outside of the home (0.29 versus 0.23). Black families also hold lower levels of wealth. More than half (52

percent) of black families are in the lowest wealth quartile, and only 4 percent of black families are in the top wealth quartile. Only 0.8 percent of black families reported receiving a gift or inheritance in 1989-94, compared to 6.6 percent of white families.

## **B. Budget Acumen**

Table 2 contains the results of the logistic regressions for budget acumen.

Insert Table 2 here

The dependent variables in the budget acumen regressions are BAC1, BAC2 and BAC3. The budget acumen regressions show that after considering the impact of the other variables, race is not statistically significant in predicting budget acumen if budget acumen is defined as BAC1. However, for BAC2 and BAC3, the black families are able to display more budget acumen after controlling for the affect of the other variables. category increases the probability of budget acumen success, after considering the impacts of the other variables. Black is positive and statistically significant for BAC2 and BAC3.

In these regressions, the single male category has a positive and statistically significant impact on budget acumen. The married couple category is the reference group, implying that the budget acumen of married couples is less than that of single males. The single female coefficient is not statistically significant for BAC1 and BAC3 but is negative and statistically significant for BAC2. Thus the single male category has a more favorable impact on budget acumen compared to the married couple category and the single female category.

Budget acumen is positively related to age. But the negative and statistically significant coefficient for age squared indicates a non-linear relationship between budget



acumen and age. Education also has a positive impact on budget acumen. The reference category for educations is less than high school education, and the regression coefficients increase with more education. Owning a home has a negative impact on budget acumen, indicating that the size and inflexibility of a mortgage payment and real estate taxes increase the financial pressures on families. Better health is positively related to budget acumen. As hypothesized, more children and more other dependents negatively impact budget acumen.

With regard to the association between budget acumen and accumulated wealth, as the level of wealth (as measured by the wealth quartile) increases, the regression coefficient for wealth increases, indicating that budget acumen increases with wealth. Self-employment is the reference category in the variables that express work status. Interestingly, the coefficients of each of the three other categories (employee, retired, unemployed) are positive. This indicates that relative to the other categories, the impact of self-employment is a lower level of budget acumen. The latter finding is interesting, since it has been found that upward wealth mobility is highest for the self-employed (Quadrini, 1999). Thus the higher wealth attainment of the self-employed is accompanied by more financial problems. The impact of a gift/inheritance differs among the measures of budget acumen. For BAC1 the impact is negative, but for BAC2 and BAC3, the impact is positive. The negative impact for BAC1 may reflect family heads that had difficulty in paying bills (thus unsuccessful in BAC1), and then requested and received funds from relatives. The receipt of those funds enabled the families to achieve success in BAC2 and BAC3.

### C. Wealth Acumen

Table 3 contains the results of the logistic regressions utilizing the discrete measures of wealth acumen: WAC1, WAC2 and WAC3. As hypothesized, the

Insert Table 3 here

coefficient reflecting race is negative and statistically significant for WAC1, remains negative and statistically significant but is smaller in absolute size for WAC2, and is smallest in absolute size and not statistically significant for WAC3. Thus the differences between the black families and the white families in the probability of wealth increases are eliminated when differences in gift/inheritance and labor income are removed.

The coefficients for single male and single female are negative and statistically significant for WAC1 and WAC2, but positive and statistically significant for WAC3. Relative to married couples, single males and females experience lower increases in wealth before and after adjusting for gift/inheritance. The positive coefficients for WAC3 indicate that single males and females, in comparison to married couples, achieve higher levels of non-labor income plus gains on wealth holdings less expenditures. Table 3 also shows that age has a small negative impact on wealth acumen for WAC1 and WAC2 and a small positive impact on wealth acumen for WAC3. The age-squared variable has the opposite sign of age except for WAC2. The implication is that age has a small impact on wealth acumen, and the interpretation of the impact is not clear. Wealth acumen also increases with education, since the regression coefficients of the education categories are increasing as the amount of education rises.

As expected, owning a home has a positive relationship with wealth acumen, indicating that the blend of investment/taxes and mental satisfaction of home ownership

is positively related to increases in wealth. Better health is negatively related to wealth acumen. This may indicate that better health may reduce the precautionary motive for accumulating wealth. As hypothesized, more children negatively impacts wealth acumen, but other dependents has a positive impact on WAC1 and WAC2, while having a negative impact on WAC3. The size of the coefficient for the number of dependents outside of the family is relatively small in each of the regressions.

The regression coefficients of the wealth quartiles are negative for each of the three measures of wealth acumen. This indicates that those in the lowest wealth quartiles have a greater probability of increasing wealth. In addition, for WAC1 and WAC2, the absolute sizes of the regression coefficients increase as the wealth quartile increases. But for WAC3 the absolute sizes of the regression coefficients decline as the wealth quartile increases. It is felt that the difference obtains for WAC3 because labor income is a lower proportion of incremental wealth as the wealth quartile rises. Self-employment is the reference category in the classifications of work category. For WAC1 and WAC2 the employee status has an advantage over self-employment in terms of the probability of increasing wealth. Of course, once labor income is removed the advantage of employee status over self-employment becomes a disadvantage. As would be expected, retirement and unemployment have a negative impact on wealth acumen compared to self-employment; and the two have a positive impact on wealth acumen when labor income is removed.

Nevertheless, the exclusion of the differences between families in gift/inheritance and labor income may omit information that would be helpful in understanding their role

in wealth accumulation. Thus, Table 4 reports the results of four OLS regression models using the change in wealth as the dependent variable for measuring financial acumen.

Insert Table 4 here

All of the models include gift/inheritance as an independent variable. Model 1 excludes both total labor income and starting wealth from the independent variables. Model 2 adds the total labor income of the family head (and spouse if any) for 1989-93 as an independent variable. Model 3 excludes labor income but includes family wealth in 1989 as an independent variable. Model 4 includes both labor income and 1989 wealth as independent variables. The F-statistics show that each of the regressions in Table 4 is statistically significant at the 0.01 level, and the adjusted coefficients of determination range from 0.14 to 0.22.

The results of model 1 indicate that race matters in predicting changes in wealth. The regression coefficient for Black is negative and statistically significant at the 0.1 level. This implies that black families build less wealth, after controlling for the other variables. When labor income is included in the independent variables (model 2), Black is not statistically significant, and the absolute size of the regression coefficient is smaller. This same result occurs when starting wealth is included and labor income excluded (model 3), and when both labor income and starting wealth are included as independent variables (model 4). The regression coefficient for Black is smallest in absolute size in model 4, which includes both labor income and starting wealth.

In Table 4, both education and age are positively related to the change in wealth, and education more consistently than age. The number of children has a negative effect on the change in wealth, and each of the coefficients for this variable is statistically

significant. Owning a home does not have a consistent relationship with the change in wealth, and most of the regression coefficients for this variable are not statistically significant. Surprisingly, being in better health has a consistently negative impact on the change in wealth, and most of the regression coefficients are statistically significant. The number of dependents outside of the family unit is positively associated with the change in wealth. Each of the work status dummies is negative and statistically significant, meaning that the change in the wealth of the self-employed is higher than each of the other work statuses when I control for the impact of the other variables. As expected, both labor income and starting wealth are positive and statistically significant when they are included in the models. When we include labor income and starting wealth, race has no predictive content in determining changes in wealth.

Table 5 reproduces the results of model 4 in Table 4, and also reports the results of quantile regressions of model 4. The median quantile regression is included here

Insert Table 5 here

because one can be more interested in the median of the change in wealth than in the mean of the change in wealth. In addition, the skewness and fat tails of the change in wealth among the population may make it more informative to estimate conditional medians. Median regressions find a line through the data that minimizes the sum of the absolute residuals rather than the sum of the squares of the residuals as in ordinary regression. Generalized quantile regression is similar to median regression, the difference being that one estimates an equation describing a quantile other than the 0.5 (median) quantile. I have included the results of model 4 for the 0.25 quantile and the .75 quantile.

Inclusion of the quantile regressions augments this analysis in several respects. First, I find that race does not matter across the distribution of wealth changes. Black is statistically insignificant at the .25 quantile and median, and the difference between the Black coefficient for the median and the .75 quantile is not statistically significant.<sup>12</sup> Second, while owning a home is positively associated with changes in wealth for the .25 quantile and median, it is not found to be positively associated with wealth changes for the .75 quantile. Third, the impact of gift/inheritance and labor income on wealth changes is consistently positive across the distribution of wealth changes, as should be expected. Finally, budget acumen is consistently positive across the distribution of wealth changes of the families in the study.

#### **Part 4. Conclusions**

*Budget acumen* is success at paying bills on time and maintaining good relationships with creditors. If black and white loan applicants with otherwise the same demographic and financial variables embody different levels of budget acumen, rational lenders will use race as a signal in making their lending decisions. Here discrimination would not reflect prejudicial discrimination (as discussed by Becker (1971), for example), but statistical discrimination (originally developed by Phelps (1972)), in the lender's attempt to minimize costs of gathering more information. The analyses above show that after controlling for demographic and other relevant variables, black families achieve the same or higher levels of budget acumen compared to white families. It is concluded that higher loan rejection rates of black families compared to white applicants

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<sup>12</sup>The Stata statistical package was used. It provides tests for differences between coefficients of the quantile regressions. See Gould (1997).

with the same demographic traits cannot be justified by a higher propensity of blacks to mismanage family finances.

*Wealth acumen* is achieving increases in family wealth over time. The tests also show that black families are less likely to achieve wealth increases than white families, and this can be related to the lower gift/inheritance and labor income received by black families. The OLS regressions on the amount of wealth changes show that when labor income and starting wealth (along with demographic and other variables) are controlled for, black families *do not* build wealth at a lower pace than do white families. To the extent that gift/inheritance and labor income are distributed in the favor of white families, black families will generate lower levels of wealth increases than will white families in the U.S., and the disproportionate concentration of wealth among white families is not due to inferior wealth management by black families.

### Exhibit 1: Description of Variables

Race: Black head of household = 1; white head of household = 0;

Age: Years;

Education of Head:

- Less than High School
- High School Only
- High School Plus College (No Degree)
- College Degree

Own Home in 1989: Yes = 1, No = 0;

Health of Head: Excellent, Very Good or Good = 1, Fair or Poor = 0;

Type of Household:

- Male single, divorced or separated
- Female single, divorced or separated
- Married couple not separated.

Inheritances or Gifts Received in 1989-94: Dollar Amount;

Children less than 18 years old in residence: Number;

Number of Dependents Outside of Family: Number;

Employment category:

- Employee (Wage/Salary)
- Retired
- Self-employed
- Unemployed

Region: Dummy variables are used. States are divided into 9 regions as specified below. The North Atlantic region is the reference region.



**Exhibit 1 (Con.)**

## Regions:

1. New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
2. North Atlantic (excluded region): New Jersey, New York, Pennsylvania.
3. Southeast: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia.
4. East South Central: Alabama, Kentucky, Mississippi, Tennessee.
5. Oil States: Arkansas, Louisiana, Oklahoma, Texas.
6. Plains States: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.
7. Mountain States: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming.
8. West: Alaska, California, Hawaii, Oregon, Washington.
9. Great Lakes: Illinois, Indiana, Michigan, Ohio, Wisconsin.

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**Table 1: Descriptive Statistics for Variables in the Study**

	All White Families	All Black Families	White Married Couples	White Single Males	White Single Females	Black Married Couples	Black Single Males	Black Single Females
Number of Families	3,296	1,704	2,304	466	526	647	342	715
BAC1	0.86	0.79	0.86	0.82	0.87	0.81	0.83	0.76
BAC2	0.94	0.91	0.94	0.92	0.93	0.91	0.95	0.90
BAC3	0.97	0.97	0.98	0.96	0.97	0.96	0.99	0.97
WAC1	0.65	0.56	0.68	0.66	0.56	0.62	0.67	0.49
WAC2	0.64	0.56	0.66	0.66	0.55	0.62	0.67	0.49
WAC3	0.19	0.19	0.18	0.14	0.27	0.13	0.27	0.19
Wealth in 1989 (\$000)	160.1	25.7	217.5	59.3	80.0	59.7	12.7	11.9
Wealth Change 1989-94 (\$000)	50.5	16.6	63.6	42.8	20.3	22.1	22.8	11.1
Labor Inc 1989-93 (\$000)	136.2	69.0	171.8	122.5	49.1	122.3	72.9	38.4
AGE (Yrs)	46.8	43.9	46.5	37.4	54.8	47.4	36.9	44.6
SD	83.6	41.6	68.5	81.3	112.3	33.0	33.4	48.6
Education of Head (Yrs)	13.0	12.4	13.2	13.3	12.5	12.9	12.3	12.1
SD	18.0	24.3	15.2	19.0	26.0	25.2	16.3	26.6
Ed, Head: Less than H. S.	0.21	0.37	0.20	0.19	0.28	0.34	0.28	0.42
H. S. only	0.31	0.35	0.31	0.27	0.34	0.34	0.35	0.35
Coll, no degree	0.21	0.19	0.20	0.24	0.20	0.20	0.28	0.15
Coll degree	0.26	0.08	0.28	0.30	0.17	0.11	0.08	0.06
Own Home	0.68	0.40	0.84	0.34	0.53	0.68	0.23	0.31
Health Fair or Poor	0.14	0.26	0.11	0.13	0.23	0.27	0.18	0.30
Children (Number)	0.68	0.91	0.94	0.16	0.36	1.26	0.25	0.98
SD	5.31	3.41	5.42	2.92	4.77	3.11	2.01	3.85
Dependents Outside of Family	0.86	0.84	0.85	0.82	0.92	0.87	0.60	0.91
No. of Deps Outside Family	0.23	0.29	0.25	0.32	0.14	0.22	0.82	0.12
SD	3.70	2.05	3.53	4.27	3.83	1.52	3.21	1.33
Wealth: Lowest Quartile	0.20	0.52	0.11	0.40	0.32	0.24	0.56	0.69
Lower Middle	0.24	0.31	0.21	0.31	0.26	0.43	0.37	0.21
Upper Middle	0.27	0.13	0.30	0.18	0.25	0.24	0.06	0.09
Highest	0.29	0.04	0.37	0.11	0.17	0.09	0.00	0.01
Rec. Gift or Inheritance, 1989-94	0.066	0.008	0.080	0.046	0.042	0.011	0.003	0.007
Amount if Recvd (\$000)	60.6	42.1	62.4	41.4	67.1	51.8	11.5	38.7
Retiree	0.19	0.18	0.18	0.11	0.30	0.25	0.11	0.18
Worker	0.62	0.61	0.63	0.72	0.50	0.69	0.66	0.55
Self-Employed	0.12	0.02	0.16	0.09	0.04	0.03	0.01	0.01
Unemployed	0.07	0.19	0.03	0.08	0.17	0.03	0.22	0.26

Source: Author's calculations based on data from the PSID. Proportions may not add to 1.0 because of rounding.

**Table 2: Results of the Logistic Regressions**

**Budget Acumen**

Dependent Variable: Independent Variable:	BAC1			BAC2			BAC3		
	Coeff.	Wald Chi-Sq.	Pr > Chi-Sq.	Coeff.	Wald Chi-Sq.	Pr > Chi-Sq.	Coeff.	Wald Chi-Sq.	Pr > Chi-Sq.
Intercept	-1.2417	326.8	0.0001 ***	-0.4688	22.0	0.0001 ***	1.0972	51.7	0.0001 ***
Black	-0.0384	1.8	0.1750	0.2820	48.5	0.0001 ***	0.6148	92.8	0.0001 ***
Single Male	0.1535	26.9	0.0001 ***	0.2211	27.5	0.0001 ***	0.1817	8.4	0.0038 ***
Single Female	0.0066	0.1	0.8052	-0.1422	14.3	0.0002 ***	0.0594	1.1	0.2930
Age	0.0304	870.9	0.0001 ***	0.0375	577.5	0.0001 ***	0.0177	61.1	0.0001 ***
Age Squared	-0.0866	16.4	0.0001 ***	-0.1512	26.5	0.0001 ***	-0.0786	3.0	0.0847 *
Education of Head:									
H.S. only	0.2546	92.6	0.0001 ***	0.0402	1.2	0.2735	-0.2172	16.4	0.0001 ***
Coll, no degree	0.2099	52.0	0.0001 ***	0.1550	14.3	0.0002 ***	0.2267	12.7	0.0004 ***
Coll degree	0.4666	220.0	0.0001 ***	0.6442	181.4	0.0001 ***	0.8971	121.2	0.0001 ***
Own Home	-0.3687	177.0	0.0001 ***	-0.3443	80.1	0.0001 ***	-0.4752	69.0	0.0001 ***
Health Excel. or Good	0.3924	177.6	0.0001 ***	0.4496	114.2	0.0001 ***	0.4755	60.8	0.0001 ***
No. of Children	-0.1346	210.5	0.0001 ***	-0.1815	208.6	0.0001 ***	-0.1761	82.7	0.0001 ***
No. of Deps Outside	-0.1075	80.0	0.0001 ***	-0.1235	57.0	0.0001 ***	-0.1189	27.9	0.0001 ***
Wealth Quartile:									
Lower Middle	0.6067	485.3	0.0001 ***	0.7101	359.7	0.0001 ***	1.1762	417.6	0.0001 ***
Upper Middle	1.0890	981.4	0.0001 ***	1.6343	931.8	0.0001 ***	1.7631	541.7	0.0001 ***
Highest	1.7898	1,631.4	0.0001 ***	2.0132	882.0	0.0001 ***	3.1446	594.8	0.0001 ***
Worker	0.4479	181.7	0.0001 ***	0.5699	146.1	0.0001 ***	0.5343	51.3	0.0001 ***
Retiree	0.6910	187.5	0.0001 ***	0.9776	144.1	0.0001 ***	1.2103	101.2	0.0001 ***
Unemployed	0.8132	304.6	0.0001 ***	1.2978	357.9	0.0001 ***	1.7123	213.3	0.0001 ***
Rec. Gift/Inher. 1989-94	-0.4013	101.0	0.0001 ***	0.2718	13.8	0.0002 ***	1.2147	51.7	0.0001 ***
Region:									
New England	0.2109	16.9	0.0001 ***	-0.0469	0.3	0.5622	0.1868	1.7	0.1897
Southeast	0.3418	110.4	0.0001 ***	-0.0330	0.5	0.4963	-0.2490	11.0	0.0009 ***
East South Central	0.3232	64.3	0.0001 ***	0.0705	1.4	0.2381	-0.5056	37.0	0.0001 ***
Oil States	0.5715	202.1	0.0001 ***	-0.0936	2.9	0.0881 *	-0.1347	2.5	0.1158
Plains States	0.4165	114.8	0.0001 ***	0.1034	3.3	0.0695 *	0.2132	5.5	0.0193 **
Mountain States	0.3868	63.4	0.0001 ***	0.5049	40.6	0.0001 ***	1.0449	42.9	0.0001 ***
West	0.0910	7.4	0.0066 ***	-0.2975	36.5	0.0001 ***	-0.6703	82.4	0.0001 ***
Great Lakes	0.5708	301.2	0.0001 ***	0.1175	5.9	0.0151 **	0.2172	7.6	0.0058 ***
Minus 2 Log L		74,123	0.0001 ***		41,130	0.0001 ***		20,782	0.0001 ***

N = 5,000

\* = 0.10 \*\* = 0.05 \*\*\* = 0.01

Source: PSID Data and the Author's calculations.

**Table 3: Results of Logistic Regressions**

**Wealth Acumen**

Dependent Variable:	WAC1			WAC2			WAC3		
	Independent Variable:	Wald Coeff.	Pr > Chi-Sq.	Wald Coeff.	Pr > Chi-Sq.	Wald Coeff.	Pr > Chi-Sq.		
Intercept	0.6670	170.7	0.0001 ***	0.5917	136.2	0.0001 ***	-2.3114	1,377.6	0.0001 ***
Black	-0.2323	107.2	0.0001 ***	-0.1946	75.7	0.0001 ***	-0.0092	0.1	0.7439
BAC1	0.4239	449.9	0.0001 ***	0.4270	463.0	0.0001 ***	0.1906	47.6	0.0001 ***
Single Male	-0.3528	238.4	0.0001 ***	-0.2859	159.1	0.0001 ***	0.2931	110.0	0.0001 ***
Single Female	-0.5953	958.7	0.0001 ***	-0.5184	737.1	0.0001 ***	0.1080	21.8	0.0001 ***
Age	-0.0063	76.5	0.0001 ***	-0.0069	93.5	0.0001 ***	0.0199	518.5	0.0001 ***
Age Squared	0.0048	0.1	0.7954	-0.0240	1.7	0.1936	0.0472	3.4	0.0637 *
Education of Head:									
H.S. only	0.1614	70.2	0.0001 ***	0.1490	60.3	0.0001 ***	0.1689	52.3	0.0001 ***
Coll, no degree	0.3774	287.4	0.0001 ***	0.3373	232.3	0.0001 ***	0.1385	25.0	0.0001 ***
Coll degree	0.8343	1,283.0	0.0001 ***	0.7403	1,037.8	0.0001 ***	0.2412	76.4	0.0001 ***
Own Home	0.5803	735.3	0.0001 ***	0.5893	769.3	0.0001 ***	0.2547	88.8	0.0001 ***
Health Excel. or Good	-0.1168	31.2	0.0001 ***	-0.0726	12.2	0.0005 ***	-0.2500	115.9	0.0001 ***
No. of Children	-0.1541	386.0	0.0001 ***	-0.1509	377.0	0.0001 ***	-0.0434	17.0	0.0001 ***
No. of Deps Outside	0.0710	47.9	0.0001 ***	0.0749	54.2	0.0001 ***	-0.0043	0.1	0.7137
Wealth Quartile:									
Lower Middle	-0.4582	384.1	0.0001 ***	-0.4577	389.5	0.0001 ***	-0.3115	103.9	0.0001 ***
Upper Middle	-0.7331	689.0	0.0001 ***	-0.7340	703.9	0.0001 ***	-0.1295	14.1	0.0002 ***
Highest	-1.2668	1,636.5	0.0001 ***	-1.2444	1,607.7	0.0001 ***	0.0203	0.3	0.5900
Worker	0.3043	162.6	0.0001 ***	0.2739	133.7	0.0001 ***	-0.8842	1,014.6	0.0001 ***
Retiree	-0.1196	15.5	0.0001 ***	-0.1452	23.1	0.0001 ***	0.3924	141.1	0.0001 ***
Unemployed	-0.0722	4.6	0.0311 **	-0.1592	22.9	0.0001 ***	0.0493	1.7	0.1904
Region:									
New England	-0.6125	326.1	0.0001 ***	-0.5457	262.0	0.0001 ***	-0.5650	143.2	0.0001 ***
Southeast	0.0522	4.5	0.0341 **	0.0765	9.8	0.0017 ***	0.3466	131.5	0.0001 ***
East South Central	0.3501	116.3	0.0001 ***	0.3830	142.1	0.0001 ***	0.6199	282.6	0.0001 ***
Oil States	-0.3348	130.3	0.0001 ***	-0.2973	104.3	0.0001 ***	-0.1404	13.2	0.0003 ***
Plains States	0.2587	78.9	0.0001 ***	0.2594	81.6	0.0001 ***	0.0202	0.3	0.5727
Mountain States	0.2111	33.5	0.0001 ***	0.2781	59.0	0.0001 ***	-0.0664	2.2	0.1417
West	0.3040	136.7	0.0001 ***	0.3401	174.6	0.0001 ***	0.3716	142.6	0.0001 ***
Great Lakes	0.1218	25.6	0.0001 ***	0.1809	57.4	0.0001 ***	0.0428	2.0	0.1552
Minus 2 Log L		119,113	0.0001 ***		120,705	0.0001 ***		87,939	0.0001 ***

N = 5,000

\* = 0.10    \*\* = 0.05    \*\*\* = 0.01

Source: PSID Data and the Author's calculations.

**Table 4: OLS Regressions of Wealth Acumen**

**Dependent Variable: Change in Wealth 1989-1994 (Dollars)**

Independent Variable:	Model 1		Model 2		Model 3		Model 4	
	Coeff.	t-stat.	Coeff.	t-stat.	Coeff.	t-stat.	Coeff.	t-stat.
Intercept	54,233	4.2 ***	15,279	1.2	50,502	4.0 ***	19,493	1.6
BAC1	-7,394	-1.6 *	-3,829	-0.7	-5,612	-1.0	-2,945	-0.6
Black	19,828	4.0 ***	15,087	3.1 ***	12,112	2.5 **	9,202	1.9 *
Single Male	-24,039	-4.4 ***	-10,741	-2.0 **	-14,504	-2.7 ***	-4,901	-0.9
Single Female	-27,036	-5.8 ***	-8,151	-1.7 *	-14,490	-3.2 ***	-734	-0.2
Age	236	1.4	397	2.4 **	-312	-1.9 *	-117	-0.7
Age Squared	-3,777	-0.8	-7,351	-1.7 *	-38	0.0	-3,368	-0.8
Education of Head:								
H.S. only	5,156	1.1	3,474	0.7	-94	0.0	-827	-0.2
Coll, no degree	30,050	5.4 ***	20,032	3.7 ***	20,425	3.8 ***	13,481	2.5 **
Coll degree	54,703	9.9 ***	27,990	4.9 ***	34,469	6.3 ***	15,308	2.7 ***
Own Home	18,366	4.3 ***	11,012	2.6 ***	705	0.2	-3,132	-0.7
Excel. Or Good Health	-3,229	-0.6	-5,091	-1.0	-10,234	-2.0 **	-10,904	-2.2 **
No. of Children	-7,230	-3.8 ***	-7,865	-4.2 ***	-5,631	-3.0 ***	-6,335	-3.5 ***
No. of Deps Outside	8,434	3.5 ***	5,135	2.2 **	6,953	3.0 ***	4,465	1.9 *
Worker	-51,690	-8.2 ***	-52,265	-8.5 ***	-25,405	-4.0 ***	-28,997	-4.7 ***
Retiree	-65,017	-8.1 ***	-34,928	-4.3 ***	-39,901	-5.1 ***	-18,595	-2.3 **
Unemployed	-53,633	-6.1 ***	-37,802	-4.4 ***	-29,382	-3.4 ***	-19,484	-2.3 **
Gift or Inheritance	0.7937	13.6 ***	0.7709	13.5 ***	0.6810	12.0 ***	0.6761	12.1 ***
Labor Income			0.2860	14.9 ***			0.2309	12.2 ***
Starting Wealth					0.2821	18.4 ***	0.2485	16.2 ***
Region:								
New England	-19,865	-2.2 **	-21,634	-2.5 **	-20,665	-2.4 **	-21,999	-2.6 ***
Southeast	12,655	2.1 **	14,623	2.4 **	20,016	3.4 ***	20,729	3.5 ***
East South Central	9,689	1.3	16,226	2.1 **	21,370	2.9 ***	25,258	3.4 ***
Oil States	-10,657	-1.5	-2,920	-0.4	-121	0.0	4,873	0.7
Plains States	4,489	0.6	11,957	1.7 *	16,097	2.4 **	20,746	3.1 ***
Mountain States	10,491	1.2	16,487	1.9 *	20,810	2.4 **	24,423	2.9 ***
West	15,182	2.3 **	17,491	2.8 ***	14,176	2.3 **	16,160	2.6 ***
Great Lakes	9,146	1.5	11,317	1.9 *	16,268	2.8 ***	17,174	3.0 ***
Adjusted R <sup>2</sup>	0.14		0.18		0.20		0.22	
F-Statistic	30.2 ***		39.0 ***		44.1 ***		49.3 ***	

Level of statistical significance: \* = .10. \*\* = .05. \*\*\* = .01. N = 4,607

Cases are limited to those whose initial wealth and change in wealth is between -\$200,000 and \$1,200,000.

Source: Author's regressions using PSID Core and Supplemental Wealth Files.

**Table 5: OLS and Quantile Regressions of Wealth Acumen**

**Dependent Variable: Change in Wealth 1989-1994 (Dollars)**

Independent Variable:	OLS Model 4		Quantile Regressions					
	Coeff.	t-stat.	0.25		Median		0.75	
			Coeff.	t-stat.	Coeff.	t-stat.	Coeff.	t-stat.
Intercept	19,493	1.55	-18,944	-4.8 ***	-9,567	-1.4	22,210	1.2
Black	-2,945	-0.56	-752	-0.8	-2,341	-1.6	-3,454	-1.7 *
BAC1	9,202	1.948 *	6,956	5.1 ***	5,806	3.6 ***	2,562	1.9 *
Single Male	-4,901	-0.93	342	0.2	1,547	0.8	1,615	0.5
Single Female	-734	-0.16	2,071	1.4	2,942	1.7 *	4,260	1.6
Age	-117	-0.7	73	1.5	106	2.3 **	123	1.5
Age Squared	-3,368	-0.79	-1,999	-1.6	-1,674	-1.2	-848	-0.7
Education of Head:								
H.S. only	-827	-0.18	193	0.2	-342	-0.3	758	0.4
Coll, no degree	13,481	2.535 **	-1,803	-1.1	937	0.5	1,875	0.7
Coll degree	15,308	2.737 ***	3,891	1.9 *	7,090	2.5 **	5,391	1.2
Own Home	-3,132	-0.75	6,970	4.0 ***	5,257	2.2 **	-1,525	-0.5
Excel. Or Good Health	-10,904	-2.17 **	1,577	1.7 *	696	0.8	-1,246	-0.9
No. of Children	-6,335	-3.47 ***	-1,216	-3.2 ***	-777	-1.6	-737	-1.6
No. of Deps Outside	4,465	1.949 *	-1,047	-1.3	518	0.6	454	0.3
Worker	-28,997	-4.69 ***	-3,719	-1.3	-14,340	-2.3 **	-42,454	-2.3 **
Retiree	-18,595	-2.35 **	3,731	1.3	-5,209	-1.0	-26,968	-1.5
Unemployed	-19,484	-2.3 **	3,603	1.2	-5,474	-0.9	-32,204	-1.8 *
Gift or Inheritance	0.6761	12.14 ***	0.9001	10.0 ***	0.9040	7.2 ***	1.1883	3.9 ***
Labor Income	0.2309	12.16 ***	0.1423	8.2 ***	0.2133	8.2 ***	0.3383	9.3 ***
Starting Wealth	0.2485	16.16 ***	-0.4773	-11.2 ***	-0.1770	-2.7 ***	0.1979	3.3 ***
Region:								
New England	-21,999	-2.58 ***	-295	-0.1	-3,632	-0.6	-13,075	-2.7 ***
Southeast	20,729	3.527 ***	2,291	1.6	4,697	2.5 **	6,815	2.6 ***
East South Central	25,258	3.425 ***	4,387	2.2 **	7,475	2.3 **	9,164	3.0 ***
Oil States	4,873	0.696	-626	-0.4	1,367	0.6	4,829	1.7 *
Plains States	20,746	3.083 ***	3,585	1.6	7,062	2.8 ***	8,595	2.4 **
Mountain States	24,423	2.872 ***	3,226	0.9	9,152	2.2 **	5,180	0.6
West	16,160	2.629 ***	2,395	1.2	7,127	2.2 **	10,596	1.9 *
Great Lakes	17,174	3.021 ***	2,117	1.6	6,723	3.9 ***	7,948	2.5 **
Adj R <sup>2</sup>	0.22		Psdo R <sup>2</sup>	0.19	0.07		0.14	

Level of statistical significance: \* = .10. \*\* = .05. \*\*\* = .01. N = 4,607

Source: Author's regressions using PSID Core and Supplemental Wealth Files.