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Community Development Discussion Paper

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Abstract:

This study examines the extent to which family financial transfers occur among Boston residents of color. New data collected for the Boston Metropolitan Statistical Area (MSA), as part of the National Asset Scorecard for Communities of Color (NASCC) survey, for the first time provide detailed information on financial assets that allow analysis to be broken down beyond the traditional black-and-white divide at the metropolitan-area level. Targeting U.S.-born blacks, Caribbean blacks, Cape Verdeans, Puerto Ricans, and Dominicans, findings show that households of color consistently receive fewer financial transfers than whites, while at the same time providing more financial assistance to their families and relatives. Particularly striking are differences in parental payments toward higher education expenses and financial support for the down payment of a home. Immigrant status further explains differences between white and nonwhite households as well as between households of color. The paper ends by discussing policies that have the potential to offset these racial and ethnic differences in intergenerational financial networks.

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"It is appropriate to ask whether [widening inequality] is compatible with values rooted in our nation's history, among them the high value Americans have traditionally placed on equality of opportunity." Janet Yellen, Chair of the Board of Governors of the Federal Reserve System (2014)

Introduction

The importance of wealth for family economic well-being and upward mobility through investment in education, business creation, and home purchases has been widely documented, as have growing racial and ethnic disparities in household wealth holdings (Shapiro, Meschede, & Osoro, 2014; Kochhar & Frey, 2011; Conley, 1999). Research also points to the importance of financial transfers among kinship and social networks on wealth (Gale & Scholz, 1994) and their impacts on racial wealth inequities (Thomas et al., 2014; McKernan et al., 2014; Shapiro, Meschede, & Osoro, 2013; Chiteji and Hamilton, 2002). While most of these studies have been conducted at the national level, comparing white, black, and in some instances Latino households, new data collected in the National Asset Score Card for Communities of Color (NASCC) study provide for the first time detailed information on financial assets at the metropolitan-area level that also allows analysis to be broken down beyond the traditional black-and-white aggregates. This paper focuses on the survey conducted in the Boston Metropolitan Statistical Area (MSA).

Mirroring national trends, residents in the Boston MSA increasingly identify themselves as nonwhite. While still a majority white area, the white share of the population declined to 74 percent in 2012, Hispanics account for 10 percent, and blacks and Asians for 7 percent each. A breakdown of these broad racial and ethnic categories further shows that close to half of the blacks residing in the Boston Metropolitan area were not born in the United States; the largest group among Bostonians traces their roots to the Caribbean. Among Boston Hispanics, the largest groups are Puerto Ricans and Dominicans (for more details, see Muñoz et al., 2015).

This paper compares the extent to which financial transfers among family members occur nationally and among households residing in the Boston MSA, focusing on differences by race and ethnicity. Financial transfers include a variety of types of support: payments toward college expenses, help toward a down payment for a new home, inheritances from relatives or friends, emergency support for family members, and remittances. The paper ends by connecting the findings to documented racial wealth disparities and provides suggestions for programmatic and policy interventions.

Why Study Family Financial Transfers?

Extended family wealth plays a critical role in providing economic assistance across and within generations (Gale & Scholz, 1994; Chiteji and Hamilton, 2005). It can be transmitted in the form of a change in ownership of financial or other assets (for example, homes, and business), typically from the older generation to younger family members. These transfers can occur at the time of death (inheritance) or while those who are giving are still alive (*inter vivo* transfers). Another form of family financial transfers is remittances, also known as international money transfers, which are resources sent by immigrants or foreign workers to their native countries. According to the World Bank (2014), in 2013, $516 billion went to developing countries (a new record) with overall global remittances totaling $581 billion.

Family financial transfers provide the recipient with investment options that promote economic opportunity and upward mobility. Throughout the life course, these transfers can take different forms, ranging from financially supporting a young adult's college attendance to leaving a substantial inheritance that provides financial security in retirement. Ample evidence documents the relationship between family financial transfers and household wealth. Not including college expenses, estimates show that financial gifts from parents to their adult children are the source of at least 20 percent of total wealth and that inheritances can account for half of total wealth in the United States (Gale and Scholz, 1994). In comparison with other similar industrialized nations, the intergenerational wealth elasticity, estimated at 40 percent, is highest in the United States (Charles & Hurst, 2002), indicating a strong connection between wealth of family of origin and current wealth holdings.

The extent of racial wealth disparities in the United States—much larger than racial income disparities—has been documented ever since data on household wealth holdings became available in the early 1980s (Oliver & Shapiro, 1995; Hurst, Luoh, & Stafford, 1998). While it is estimated that blacks earn roughly 60 cents for each dollar a typical white person earns, it has been estimated that a typical black household has about 5 to 10 cents for each dollar a typical white household owns. This documented racial wealth gap transcends generations. Tracing the wealth gap between grandparents and their grandchildren, the black-white median wealth ratio shows the typical black child has grandparents with only about 11 cents of wealth for every dollar held by grandparents of the typical white child (Chiteji, 2010).

The growing racial wealth gap has been the focus of many recent reports. For example, when following the same households over a quarter of a century, the gap between white and black wealth increased threefold (Shapiro, Meschede, & Osoro, 2013). Not only did the Great Recession deepen racial and ethnic wealth disparities (Kochhar et al., 2011; Tippett et al., 2014), postrecession economic recovery also has been slower for blacks and Latinos than for their white counterparts (Kochhar & Frey, 2014; Tippett et al., 2014). These findings show that there has been no progress in closing the racial and ethnic economic divide in recent decades.

Income and education are both related to wealth. College-educated households have typically higher incomes that provide them with more financial resources to set aside and save.[1] However, comparable income levels do not provide the same returns to wealth for black households as they do for white households. Hamilton et al. (2015) find that black households in the middle quintile of the income distribution have lower wealth than white households in the lowest quintile. In addition, the same study finds that black families whose head graduated from college have only two-thirds of the wealth of white families whose head dropped out of high school. These data show that income and education alone cannot improve the wealth holdings of households of color.

[1] It is noteworthy that family wealth provides resources that may position family members to acquire more education and income, especially nonlabor income.

Immigrant status is another critical variable when examining racial and ethnic wealth disparities. Overall, immigrants have lower levels of wealth (Osili & Paulson, 2007); however, age at immigration plays an important role in enabling immigrant households to build wealth. Those immigrating at younger ages tend to have higher wealth than those immigrating at middle to older adulthood. Regardless, immigrant patterns of wealth accumulation reflect those of the U.S. born. While it takes on average about two decades for immigrants to catch up with wealth holdings of native households, analyses conducted on wealth data collected in the early 1990s show that the racial and ethnic wealth disparities are similar for immigrants (Hao, 2004).

We know that a good portion of racial wealth disparities can be traced to the wealth effects of intergenerational transfers. Overall, white households are not only more likely to receive financial gifts and inheritances than their black and Latino counterparts (Jayakody, 1998; Lee & Aytac, 1998), they also receive larger monetary amounts (Shapiro, Meschede, & Osoro, 2014). Plus, middle- and upper-income blacks are more likely to provide informal financial assistance to relatives than their white counterparts (O'Brien, 2012; Chiteji & Hamilton, 2002; Heflin and Pattillo, 2002).

In addition, research estimates that the transfers of family wealth (not including payments for higher education and down payments for a home) account for up to between 12 and 20 percent of the average explained difference in the black-white wealth gap, which in most studies accounts for more of the gap than demographic and social economic indicators (McKernan et al., 2014; Chiteji & Hamilton, 2002; Menchik & Jianakoplos, 1997). Thus, poorer kin, parents or siblings, explains a critical portion of the gap that exists between the amounts of wealth accumulated by black and white families (Chiteji & Hamilton, 2002). Simulations underscore the role of inheritances in contributing to the racial wealth gap, showing that the white-black wealth gap could have been significantly closed during the mideighties to midnineties if blacks had inherited similar amounts, in addition to having had similar incomes, portfolio allocations, and returns to their investments as their white counterparts enjoyed (Gittleman & Wolff, 2004).

Project Goals

Combining new data on family financial transfers from the latest round of the Panel Study of Income Dynamics (PSID) and the Boston component of the NASCC study, the major aim of this research project is to depict differences in various types of kinship financial transfers by race/ethnicity and to discuss their impact on household wealth. Specifically, this paper extends our knowledge of racial and ethnic family wealth disparities by providing data on subgroups within broader constructs of race and ethnicity. Our analysis seeks to answer the following research questions:

1. To what degree do private financial transfers in Boston reflect national trends for the broader race and ethnic groups?
2. To what degree do private financial transfers in Boston differ by race and ethnicity?
3. What is the role of immigrant status in explaining private financial transfers in Boston?

Data

The NASCC pilot survey collected data on net worth, financial assets and behavior, and debt of race and ethnic groups typically lumped together in larger race and ethnic categories in national surveys. The survey was implemented in five MSAs: Boston, MA; Los Angeles, CA; Miami, FL; Tulsa, OK; and Washington, DC. This paper focuses on data collected in early 2014 for the Boston MSA where 403 households were surveyed, specifically targeting U.S.-born blacks and Caribbean, including Haitian, Cape Verdean, Puerto Rican, and Dominican. The survey also includes other Hispanic, Asian, and white households. Respondents self-identified their race and ethnicity identity.

Overall, the demographic characteristics of the NASCC sample for Boston resemble those of the larger population residing in the Boston MSA, except for the racial and ethnic composition of the area, the result of targeted oversampling of several groups. For example, a smaller proportion of persons in the Boston MSA who identify as black were born in the United States or Canada (45 percent) than in the NASCC sample (57 percent). In total, 39 percent of Boston respondents were immigrants with an average age at immigration of 20, ranging from age 14 for the Puerto Ricans to 26 for other Hispanics.

Sample respondents were overwhelmingly female (65 percent). Overall, 36 percent were married; however, whites were significantly more likely to be married (54 percent) than any other group. The overall average age was 49; however, Cape Verdean, Dominican, and Caribbean respondents were significantly younger (mean ages 40, 43, and 48, respectively) than white respondents (mean age 54). White respondents reported higher levels of educational attainment. Fifty-five percent of them had earned a college degree (BA or higher), slightly higher than black respondents (53 percent), and substantially higher than Hispanic respondents (41 percent). Only Asian respondents exceeded white levels of educational attainment. Seventy-three percent of them reported having a college degree.

Just over 50 percent of all respondents were employed at the time of the survey, either part-time (13.6 percent) or full-time (37 percent). Sixteen percent were on maternity or sick leave, 11 percent were disabled, and 13 percent were looking for work. Income levels varied; they were lowest for Puerto Ricans, at a median of $25,000, and highest for whites and Asian households, at a median of $66,500 and $80,000, respectively. Puerto Ricans also had the lowest marriage rate at just 18 percent; these households typically were relying on just one adult contributing to income.

Just under half (47 percent) of the respondents owned a home, with the homeownership rate highest among whites (79 percent). Homeownership for the other groups ranged from 20 percent for Dominicans and Puerto Ricans to 30 percent for U.S. blacks and 50 percent for blacks from the Caribbean. Total net worth ranged from negative $145,000 to $1.6 million, and it was highest for whites at a median of just under $250,000. Detailed data on wealth and debt for the Boston NASCC survey are reported elsewhere (Muñoz et al., 2015).

In this study, we began our analyses with a comparison of the Boston NASCC data with new national family transfer data collected in the 2013 Family Roster and Transfers

Module as part of the PSID. This new module includes data on the living parents and adult children (over age 18) of respondents and their spouses/partners. These data for family members include age, educational attainment, marital/partner status, and number of children, as well as respondent reports of any recent or long-term transfers of time and money to and from them. The data consist of 9,107 families participating in the PSID in 2013.

Begun in 1968, the PSID represents one of the longest-running panel databases in the world. The PSID initially oversampled lower-income and black populations. As is the nature with panel studies and immigration, the composition of respondents do not keep up with demographic change. In response, the 1997 PSID sample was refreshed, adding 511 immigrant families to the panel. The PSID sample continues to be overwhelmingly white; in 2013, 71 percent of the sample was white. For the remaining groups, 14 percent were black, 9 percent were Latino, and just 2 percent were Asian. At a median age of 43, the national sample was slightly younger than the Boston sample (median age 50), and proportionately more were married (45 percent). Education, income, and wealth data have not yet been made available for the 2013 PSID wave.

Financial Flows in Boston and the Nation

Receiving family financial transfers tends not to be the typical experience in the United States. About a third of families followed over 27 years in the PSID reported having received family financial support (Thomas, Meschede et.al., 2014). The reported rates are lower in the cross-sectional Boston NASCC and PSID data. Just 16 percent of respondents in each of these surveys reported receiving a large financial gift from their families.

Within these reported rates of a substantial family financial transfer, the likelihood of receiving financial gifts differs greatly by race and ethnicity with broad race and ethnic groups in Boston resembling national differences. Although the national data focus on gifts only from parents while the NASCC data include grandparents and other relatives, most transfers occur from parents to their adult children. In addition, the reference period in the two surveys is different (ever in the Boston NASCC survey, past year for the PSID). Despite these differences, overall trends are similar.

Table 1: Financial Transfers Received and Given, Boston NASCC/PSID[2]

	Boston NASCC 2013/14	PSID 2013
	Received a Substantial Gift from a Relative (ever)	Parent Gave Money to Head and/or Wife (in previous year)
Black	12%*	15%*
Latino	12%*	12%*
Asian[3]	36%	12%
White	21%	17%
	Sent Money to Relative (ever)	Head and/or Wife Gave Money to Parent (in previous year)
Black	30%[a]	18%***
Latino	28%	27%***
Asian	37%	26%***
White	19%	9%

Source: NASCC survey, PSID, authors' calculations
*p<.05, **p<.01, ***p<.001, a p=.06

Nationally and in Boston, white households were more likely to have received money from their parents in comparison with black and Latino households. Seventeen percent of white households nationally and 21 percent in Boston reported receipt of a substantial financial gift from their families. Black and Latino households reported the lowest proportions of such financial gifts; nationwide, 15 percent of black families reported receiving a financial gift from their parents, while in Boston only 12 percent of black families received financial support from parents or other relatives. Both nationally and in Boston, about 12 percent of Latino households received financial gifts from their families.[4]

[2] All analyses use the appropriate survey weights.
[3] Due to the small sample size of Asian respondents in the Boston NASCC study, results are only shown in Table 1 and not discussed in the report.
[4] Statistical significance does not meet the .05 standard level for the Boston NASCC pilot data due to its small sample size. However, some of the comparisons are close: The estimated p value for the difference in receipt of financial assistance between white and black households is .057, and it is .063 for the

Racial and ethnic differences in the provision of financial support for parents and/or relatives are even more pronounced. Nationally, black, Latino, and Asian households are significantly more likely to assist their parents. In Boston, where households were asked whether they regularly send money to relatives, white households reported the lowest rate. Close to one in five white households supported relatives while the comparable figure was three in 10 for black and Latino households. These racial and ethnic disparities in sharing financial resources between family members shed additional light on how wealth disparities may be reproduced in subsequent generations.

With information on the amounts of these transfers in the new PSID data not available yet, we can build on prior research. Analysis of the PSID reveals that for the same families over a 27-year period, close to half of all whites reported having received some type of financial support from their family. In contrast, only 10 percent of black households reported receipt of similar types of support. Not only did the proportion of recipients by race differ but also amounts transferred. In the same analysis, the median amount received by white households amounted to \$83,692, in contrast with \$52,240 for black households (Thomas, Meschede et.al, 2014).

Boston NASCC Survey Results

A main purpose of the NASCC study was to examine whether race and ethnicity identified in gross aggregate categories mask differences in asset and debt accumulation across more specifically identified national origin groups. The Boston groups include households representing whites, U.S.-born blacks, persons of Caribbean ancestry (most of them Haitians), Cape Verdeans, Dominicans, Puerto Ricans, and other Hispanics/Latinos.

The following analyses depict age- and income-adjusted percentages of receiving and giving financial transfers among family members estimated in logistic regression analysis that included dummies for each of the race/ethnic groups in reference to white

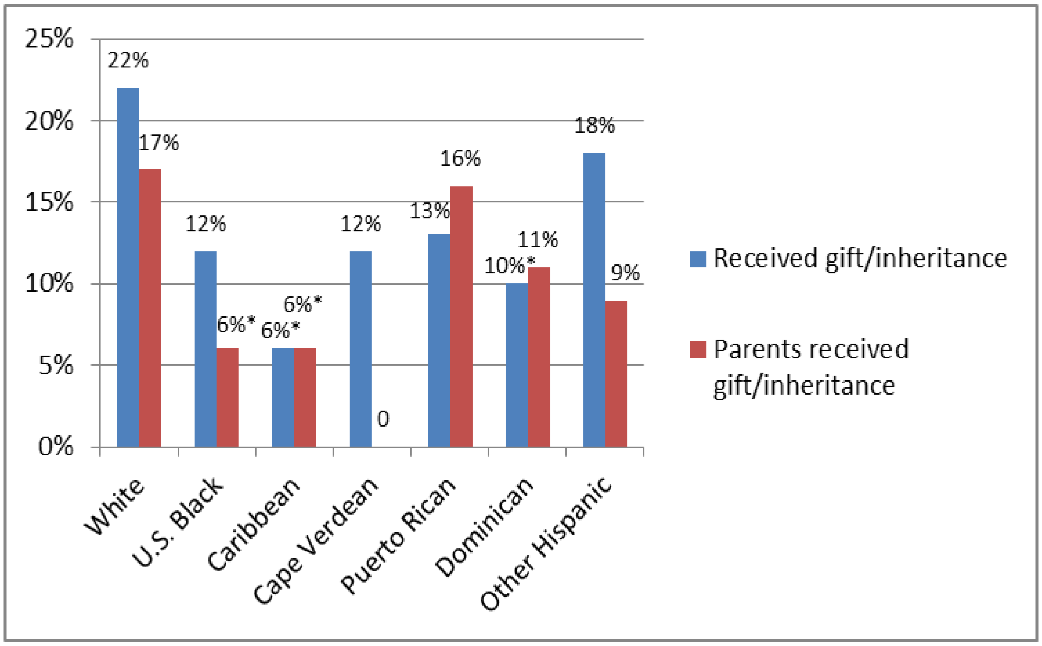
comparison with Latino households. The p value for the difference between white and black households sending money to family =.071.

respondents. Age and income controls were selected due to their relationship with receiving or providing financial transfers. Older households tend to be more in a position to provide financial support to younger, extended family members; vice versa, younger households tend to be more likely to be the recipient of financial gifts. Households with higher incomes are in a better position to give, in contrast to households of lower incomes. Significant differences with white study respondents are depicted throughout.

As indicated by the data for the Boston MSA shown in Figures 1–4, giving and receiving financial transfers within kinship and social networks varied greatly by national origin. White households reported receiving any substantial gift and/or inheritance more often than any of the other race and ethnic and ancestral origin groups. Controlling for age and income, Caribbean and Dominican households had a significantly lower likelihood of receiving such financial boosts when compared to white households. While 22 percent of white respondents reported having received a major financial gift, only 6 percent of Caribbeans and 10 percent of Dominicans did (see Figure 1).

There were also noticeable differences in the likelihood of parents of respondents having received substantial financial transfers. White and Puerto Rican respondents reported the highest rates, 17 and 16 percent, respectively. Parents of U.S.-descendent blacks and Caribbean blacks were significantly less likely to have received a substantial financial gift or inheritance when compared to whites. However, overall only 10 percent (12 percent adjusted for age and income) of respondents in the Boston NASCC sample reported that their parents received a large gift and/or inheritance. This could be an indication of low-wealth backgrounds of immigrants who predominate among the groups of color in this study.

Figure 1: Percentage of Respondents and Their Parents Reporting Receipt of a Large Financial Gift/Inheritance by Race and Ethnicity



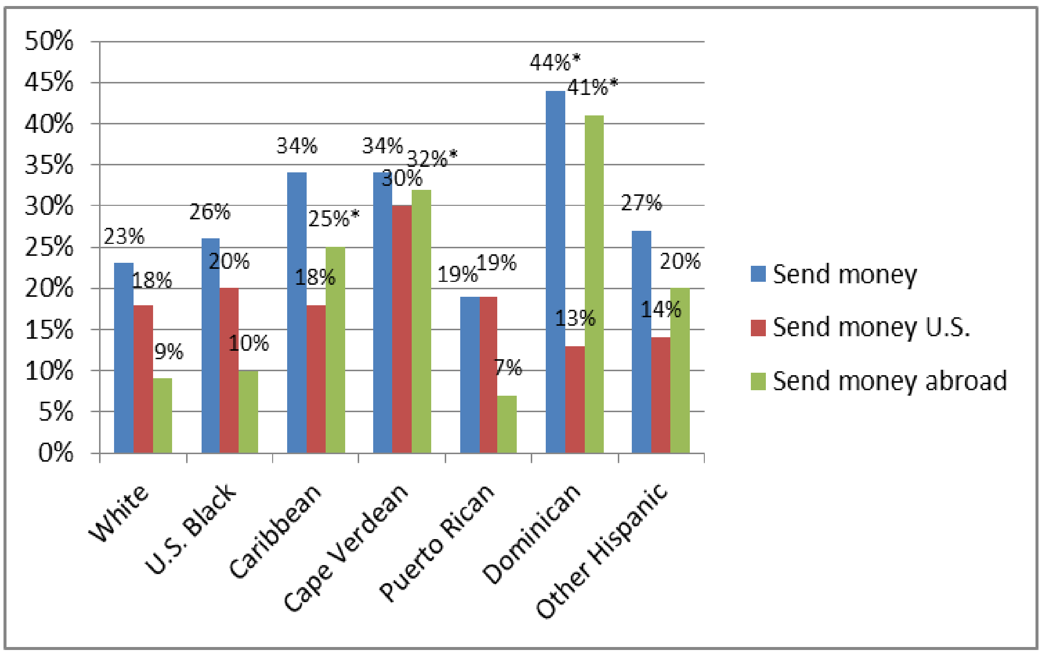
Source: NASCC survey, authors' calculations. *p<.05

Once a family has accumulated wealth, transferring financial resources across more than one generation is not uncommon. Thirty-seven percent of Boston respondents who reported that they received a substantial gift or inheritance also reported that their parents received such a transfer, compared to just 6 percent among those who did not receive a financial enhancement from either parents or friends (data not shown). With white respondents reporting the highest levels of these transfers, to themselves and to their parents, they were also the most likely to benefit from sharing financial resources across more than one generation. Among them, 43 percent of financial transfer recipients also reported a financial gift their parents had received, compared to just 9 percent among black transfer recipients.

On the flip side of receiving intrafamily financial transfers, there were also noticeable differences in sending money to other family members, whether within the United States or abroad. While there was some variation in the degree to which respondents regularly sent money to family members, except for Dominican households, these differences were not statistically significant compared to whites (see Figure 2). In

Boston, only Puerto Ricans showed lower levels of sending money when compared to whites, with all other race/ethnic groups of interest reporting higher levels than their white counterparts.[5] All communities of color in this study also indicated a higher percentage of sending money in support of family members than receiving financial support when compared to white respondents. This net difference between receiving and sending was highest for Dominicans (33 percent), followed by Caribbeans (28 percent) and Cape Verdeans (22 percent).

Figure 2: Percentage of Respondents Sending Money in Support of Family Members by Race and Ethnicity



Source: NASCC survey, authors' calculations. *p<.05

Distinguishing between sending money to families within U.S. borders or abroad indicated additional differences (see Figure 2, red and green bars). While there were no statistically significant differences between households of color and whites, U.S.-born blacks and Cape Verdeans reported slightly higher proportions than whites who

[5] In Chiteji and Hamilton's (2002) analysis of role of poverty in explaining the racial wealth gap for middle-income families, they find substantially higher levels of poverty of extended family kin for black families in comparison to white families.

transmitted money to family within the United States; Dominicans and other Hispanic households reported the lowest levels. However, Dominican households, as did Cape Verdean households, reported significantly higher rates of sending money to their family members abroad, indicating that most of the money Dominicans share with family goes overseas. This is suggestive of strong kinship ties with countries of origin.

Family Financial Transfers for Higher Education and Home Purchase

Another path for family wealth to be shared with the next generation is paying for college expenses and contributions toward the down payment for a first home. While these types of transfers are often not viewed as financial gifts from family members receiving them (Shapiro, 2005), they position the recipient in a much more favorable wealth-building trajectory. Both the Boston NASCC survey for Boston and the PSID modules on transfers include specific questions to examine the extent to which these transfers occur among family members.

Financial help with pursuit of a college education

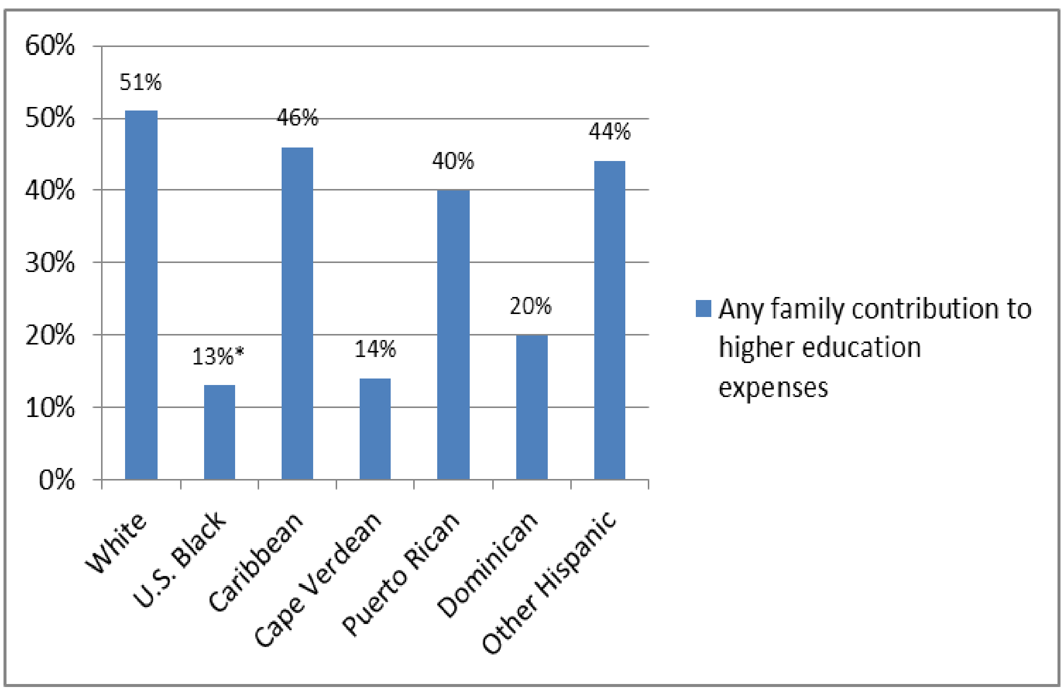
Differences in college attendance and completion by race and ethnicity are substantial, as are differences in the extent of student debt and the degree to which a family is able to financially support college attendance. Nationally and in Boston, college completion is significantly higher for whites and Asians than for any other racial and/or ethnic groups. In Boston, 73 percent of Asian respondents and 55 percent of white respondents reported a bachelor's degree or higher, as compared to just 11 percent among Dominicans and 17 percent among Puerto Ricans. About four in 10 among Caribbean blacks, U.S. blacks, and other Hispanics had completed college (Muñoz et al., 2015).[6]

Respondents in the Boston NASCC study who attended institutions of higher education were asked to estimate the percentage of their tuition bills paid by their parents,

[6] Educational attainment data are based on the Boston NASCC sample.

grandparents, or other family members. Overall, white parents paid significantly more toward college tuition bills, with one-third of white respondents reporting that their parents paid between 75 and 100 percent of their tuition bills. U.S.-descendent blacks, Cape Verdean, and Dominican respondents were the least likely to have received contributions to their higher education expenses from their families, but only the difference between whites and U.S-descendent blacks was statistically significant (see Figure 3 below). It is not surprising, then, that U.S. blacks and Cape Verdeans were among those with the highest level of student loan debt (Muñoz et al., 2015). Regardless of race, ethnicity, and age, having family financial support paying for higher education expenses was correlated with significantly higher incomes, indicating the long-term advantage such payments have for the recipient.

Figure 3: Percentage of Respondents with Any Family Financial Contribution to Higher Education Expenses



Source: NASCC survey, authors' calculations. *p<.05

National PSID data corroborated some of these findings, with white and Asian respondents more likely to have received financial support for their higher education pursuits than their black and Latino counterparts. Limiting the question in the PSID to asking whether respondents received financial support just from their parents, the national differences between the broader race and ethnic groups were less stark. Eighteen percent of white, 17 percent of Asian, 14 percent of black, and 8 percent of Latino respondents reported receiving financial aid from their parents.

It is not surprising, then, that white and Asian parents were also more likely to contribute to their adult children's college expenses. Forty-one percent of Asian parents and 25 percent of white parents in the PSID data reported financially supporting their adult children's schooling, compared with 10 percent of black and 16 percent of Latino parents.

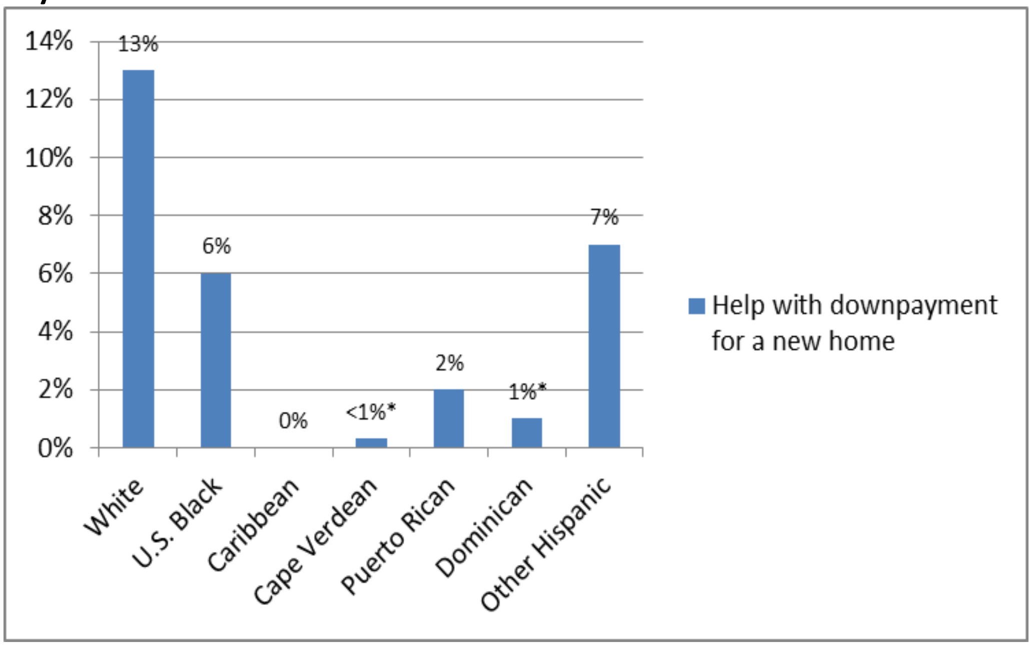
Financial help with home purchase

Financial transfers at the time of purchasing a home directly add to the wealth holdings of the recipient by adding to the home equity of the recipient and lowering the mortgage loan and subsequent mortgage payments. In both surveys, PSID and NASCC, the response to the question of whether the surveyed household received any help with the down payment of their home showed very few respondents reporting such financial help. In the PSID, overall only 8 percent of respondents shared that they received financial help when purchasing their home, with the highest proportion among whites (10 percent) and significantly lower rates among Latinos and blacks, 4 and 3 percent, respectively.

In the Boston NASCC survey, of the 191 homeowners, including those who are in the process of purchasing a home, only 7 percent (adjusted for age and income) reported either inheriting or receiving a financial gift or personal loan from a family member at the time of the purchase. More white respondents benefited from family financial support when purchasing a home, with an adjusted 13 percent reporting such a significant wealth transfer. Only the very low rates for Cape Verdeans (< 1 percent) and

Dominicans (1 percent) were found to be statistically significant from whites (see Figure 4).

Figure 4: Percentage of Respondents Receiving Financial Help toward the Down Payment for a New Home



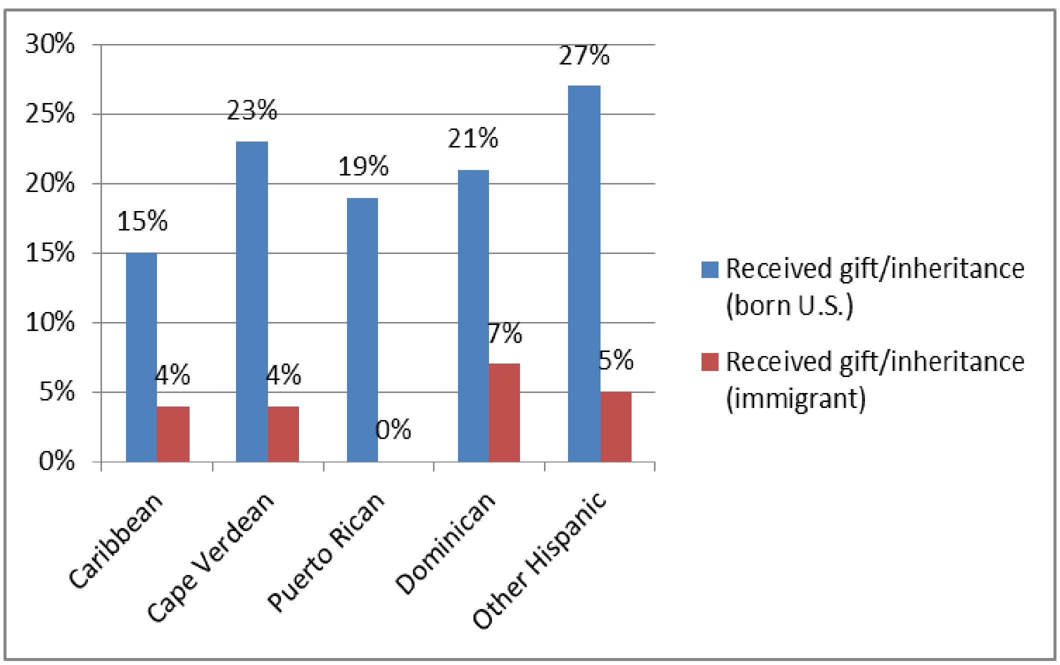
Source: NASCC survey, authors' calculations. *p<.05

The Role of Immigrant Status

With most immigrants arriving in the United States with little if any wealth, we now turn to the role of immigrant status in receiving or giving family financial transfers. The Boston NASCC provides a good data source to test the role of immigrant status, as by design it oversampled immigrant households. This resulted in a sample in which 39 percent of respondents were not born in the United States. This section of the paper examines the role of immigrant status on the likelihood of financial transfers within kinships. As to be expected, immigrant status varied greatly based on race and ethnic identification. The largest immigrant groups were found among Caribbeans (89 percent), Dominicans (79 percent), and Cape Verdeans (75 percent).

Stratifying our analyses by immigrant status adds to our understanding of the likelihood of receiving financial help from family. Overall, receipt of a large financial gift and/or inheritance was substantially more common among U.S.-born respondents. For example, in all five race and ethnic groups with sufficient numbers of immigrant respondents[7] as shown in Figure 5, between 15 and 27 percent of U.S.-born respondents of color reported having received a financial gift, compared to just 0 to 7 percent among immigrants of color. In multivariate analysis, regardless of race or ethnic group, immigrants had a significantly lower likelihood (by 76 percent) of receiving a substantial family financial transfer, controlling for age and income. These data provide evidence that the flow of financial support into households is correlated to immigrant status.

Figure 5: Percentage of Respondents Receiving Substantial Gift/Inheritance by Immigrant Status

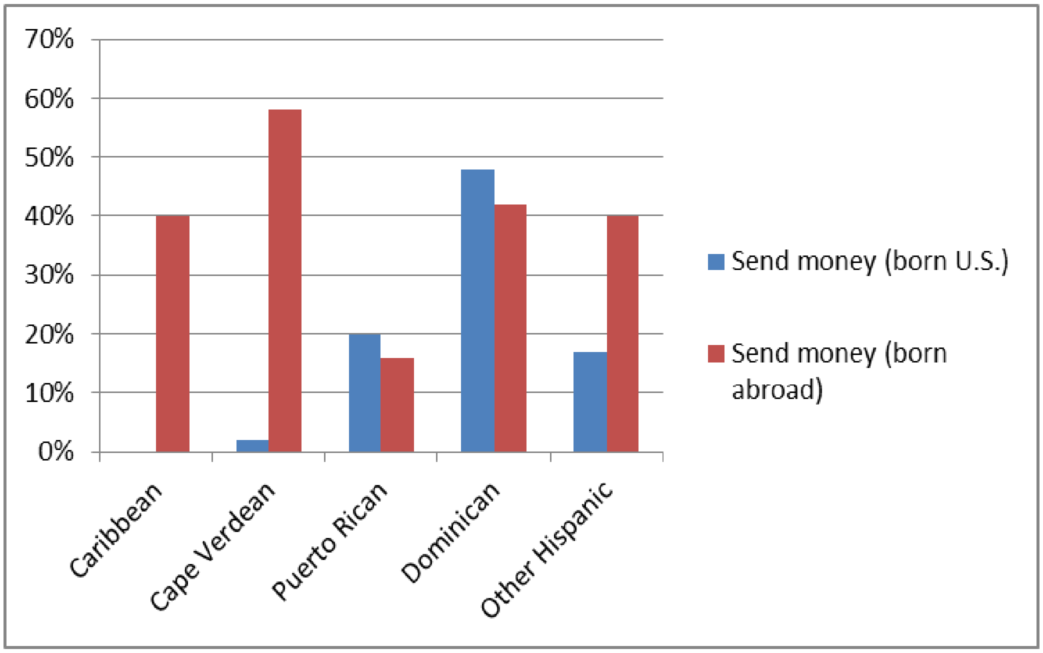


Source: NASCC survey, authors' calculations.

[7] The sample sizes for immigrants among Cape Verdeans and Puerto Ricans was very low, with just 13 respondents in each group.

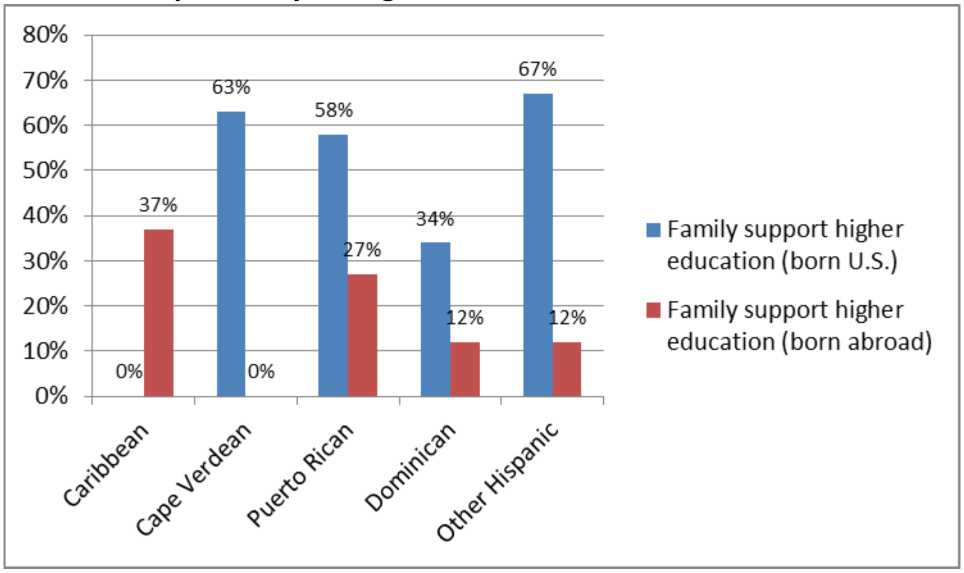
Further, while there were no significant differences with respect to sending money regularly to family overall, unsurprisingly, immigrant families were significantly (four times) more likely to send money to extended family members abroad. As can be seen in Figure 6, for some of the race and ethnic groups, all respondents sent financial support overseas.

Figure 6: Percentage of Respondents Sending Money Overseas by Immigrant Status



Source: NASCC survey, authors' calculations.

Figure 7: Percentage of Respondents with Any Family Contribution to Higher Education Expenses by Immigrant Status



Source: NASCC survey, authors' calculations.

Regardless of race and ethnicity, immigrant status is also significantly related to the likelihood of receiving financial support for college attendance from parents, grandparents, or other family members. Almost three-fourths of immigrant respondents reported that their family did not contribute any funds to their college education, compared to just over half for U.S.-born respondents. On the other hand, 20 percent of U.S.-born respondents had 100 percent of their college expenses paid for by their parents or other family members, whereas only 14 percent among college-attending immigrants had their complete college bill paid for by their family. In multivariate analysis testing the relationship of belonging to one of the racial or ethnic groups discussed above and immigrant status, only U.S. blacks and immigrants had a significantly lower likelihood of having received any financial support from their families for college attendance when compared to white households.

Finally, immigrants are also disadvantaged when counting on financial help for the down payment of a new home. Only 3 percent of immigrant homeowners received family financial help when purchasing their home, as compared to 10 percent among U.S.-born homeowners. Other Hispanics and Dominicans were the only ethnic groups in which homeowning immigrants reported having received family financial assistance when purchasing their home.

Discussion

Due to new data collected in the NASCC study, we can for the first time portray race and ethnic differences in sharing family financial resources among households residing in the Boston metro area. The data presented above document persistent race and ethnic wealth inequalities in flow of financial resources among kinships or within social networks. Consistent with previous work, the data show the large financial advantages of white households who, on average, had the highest level of receiving financial support and the lowest level of sharing financial resources with family members. Previous research identified structural factors, such as economic resources, over cultural practices as the leading sources for the depicted race and ethnic differences in family financial transfers (Berry, 2006). Thus, greater access to financial wealth and higher incomes in the white community would explain much of the difference in providing financial resources within the family network.

The negative net financial support (less likely to receive and more likely to send money) experienced by communities of color, to varying degrees as this research shows, has been demonstrated previously for broader race and ethnic groups in the United States (McKernan et al., 2011; Chiteji and Hamiliton, 2005). In Boston, this negative financial support was most pronounced in the Dominican, Caribbean, and Cape Verdean communities with a difference of over 30 percent between receiving a financial gift and providing financial support. This deficit in flow of financial resources has negative effects on wealth-building trajectories of members in these communities.

Particularly striking are the differences in parents' or other family members' financial support of college attendance. Not only did fewer nonwhite study participants attend higher education institutions and receive a college degree, those who did could not count on family financial assistance. U.S.-born blacks, Cape Verdeans, and Dominicans were the groups with the least family financial support in financing their college education; they were also among those who were heavily burdened by student loan debt (Muñoz et al., 2015). Such differences in human capital investment have long-lasting impacts. With little or no family resources, young adults of color may decide to forgo attending college, leading to significantly lower lifetime earnings. Others who may decide to attend college may face much higher student debt, facing greater wealth losses over their lives than those who have little or no student debt (Hiltonsmith, 2013).

Immigrants, for the most part, face a number of challenges that native-born respondents do not face. With little, if any, family kin residing in the United States, they cannot count on family financial resources for support from within the United States. Among immigrants, Cape Verdeans and Caribbean blacks had the lowest levels of support for college and/or purchasing a home. In addition, immigrant households tend to send money to provide financial support to their family in their native countries. Squeezed by the greater need to support their families abroad in their native countries, while simultaneously working toward improving their own economic well-being trajectories in the United States, these immigrant groups face greater hurdles and have few means to build a foundation of economic security for themselves and their families.

The challenges of having a weak financial network are numerous. In addition to lacking financial support for college and/or home purchase, there are many other areas where family financial assistance can help a family avoid depleting their financial resources when facing a crisis. For example, when faced with an income loss due to unemployment or illness, family wealth can greatly enhance the families' opportunities by injecting financial resources, thus helping the family to stay the course with their ambitions and trajectories for their children (Thomas, Meschede et al., 2014). Nonwhite families in Boston face these financial challenges to a much larger degree than white families, thereby impeding their chances of economic security and opportunity for themselves and their families. This paper provides further evidence that differences in intrafamilial receipts and expenditures of financial transfers reproduce the already dramatic racial and ethnic wealth disparities from generation to generation.

Limitations and Future Research

While the NASCC study for the first time details wealth data beyond the traditional broader race and ethnic groups collected in wealth surveys, there are some challenges in this new data set. First, small sample sizes for each race and ethnic group limit analyses. Second, for research on wealth flows within kinship networks, information on parental wealth status is an important factor in the analyses. While the NASCC survey asks respondents about wealth transfers their parents received, additional information on parental wealth holdings (e.g., homeownership) would be helpful for future analyses. Third, the data depicted above raise many questions. For example, how regularly do financial transfers occur; are there cultural differences in giving and receiving; and how do respondents in the different race and ethnic groups view the impact family financial transfers, either receiving or sending, have on wealth building? Qualitative research is better positioned to respond to these questions.

Conclusion and Policy Implications

This paper was motivated by the desire to gain a deeper understanding of the flow of financial resources in kinship and social networks and the relationship of family financial transfers, either in the form of receiving or giving, on household wealth holdings. While limitations of the wealth data in the pilot NASCC study for the Boston metro area do not allow detection of a direct link to current wealth holdings for each of the race and ethnic groups in the study, a plethora of prior research clearly establishes the link of financial transfers to household wealth, passing on the advantage or disadvantage from one generation to the next. In the absence of family wealth, many groups in Boston, among them immigrants of color and U.S.-born black families, face enormous challenges to better their life and that of their children. There are a number of policy interventions that hold promise for low-wealth families, in particular families of color, to access better economic opportunities for themselves and their children. These include instituting children savings accounts and making higher education more affordable, at the more microlevel, as well as revisiting the U.S. tax code on home mortgage interest deductions and tax of inherited wealth.

Children's savings accounts (CSA) have gained a lot of traction recently in the United States. In New England, the Alfond Scholarship Foundation in Maine began in 2009 to award each child born in the state $500 to be used for investing in that child's future education expenses. Parents or grandparents may contribute to these accounts, thus adding to the funds and encouraging these children's college education. Other New England states have begun to consider establishing similar mechanisms in their respective states.[8] While these won't help immigrants access higher education, it would provide avenues for their children to do so.

To offset racial differences in intergenerational financial networks, Hamilton and Darity (2010) have proposed a bolder approach of federally financed child trust accounts (Baby Bonds) set up at birth for all newborns. Baby Bonds would provide an explicit mechanism to offset non-merit-based wealth-building advantages associated with the family network in which an individual is born. These accounts would be gradationally funded based on the family wealth position in which the recipient is born. The Baby Bonds would set up trusts for all newborns that would progressively rise for babies born into the poorest families. When the child becomes an adult, the account could be used for asset-enhancing endeavors, such as purchasing a home, starting a new business, or financing a debt-free college education (Aja et al., 2014).

Racial and ethnic disparities that result in depending on college loans due to lack of family wealth are pronounced in Boston, as they are in the nation. With college tuition ballooning, discouraging some to ever attend, and adding massive debt levels to those who do attend with no or few family resources to support them, there is a great need to make higher education affordable to anyone who desires to go to college. Policies along principles that aim to reduce reliance on college loans while at the same time support

[8] A brief description of CSA initiatives in New England summarized by Poore and Quint (2014) can be found here www.nebhe.org/thejournal/baby-talk-childrens-savings-accounts-mark-new-frontier-in-paying-for-college/

college completion are needed to achieve this goal, especially targeting those with low-wealth backgrounds.

And, finally, the tax code needs to provide a cap on home mortgage interest deductions, which mostly benefit those in higher income and wealth households and provide no benefit for renters, predominately households of color.

If the United States truly values, as Janet Yellen stated, that every citizen or resident in the country should have the same opportunity for economic well-being regardless of their family background, then this value needs to be reflected in our taxation system, which, for the most part, currently benefits upper-income and wealthy citizens. As we know, persistent inequality has consequences for both affected individuals and society as a whole. For individuals, it denies them the opportunity to develop their full potential. For our society, we lose the potential contributions of so many individuals to improve life for all of us. Alternative policy interventions, as suggested above, are needed to reverse the course of racial and ethnic wealth disparities in Boston and the United States and put people of color on the same paths as their white counterparts.

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Appendix

NASSC Methodology

The National Asset Scorecard for Communities of Color (NASCC) is a research initiative that includes the design and implementation of a piloted survey in targeted metropolitan areas to provide insights about the asset and debt positions of racial and ethnic groups at the detailed ancestral origin level. The study is able to delve beyond information about the net worth position of broadly defined ethnic groups, such as Latinos or Asians taken collectively. Instead, it collects asset and debt information on more specific groups, such as Mexicans, Puerto Ricans, and Cubans or Asian Indians, Chinese, Filipinos, Koreans, Vietnamese, and Japanese respondents. In addition, the study provides information on Native Americans disaggregated by tribal affiliation and black Americans disaggregated by ancestral origin, whether from the Caribbean or recently immigrated from the African continent. To date, very little is known about the asset positions of these more narrowly identified national origin subgroups, particularly those with Native American and Asian heritage.

The survey was conducted in the Boston MSA and in four other metropolitan areas (Los Angeles, CA; Miami, FL; Tulsa, OK; and Washington, DC) chosen using a systematic approach to ascertain geographic and demographic national representativeness of the ethnic groups defined at the ancestral origin level. The criteria of choosing a metro area for sampling inclusion was based primarily on ethnic plurality and other intangibles such as geographic representation, area size, and access to certain ethnic groups that might be hard to identify in an urban context. The survey instrument was designed primarily to ascertain information about specific assets, liabilities, financial resources, and the personal savings and investment activity of respondents. Additional areas of inquiry included remittance behavior—sending assets or other resources abroad—and support for relatives elsewhere in the United States. The survey also provides information on homeownership, foreclosure experiences, and the equity status of homes. The survey solicited additional information that might be specific to the financial experiences of lower-wealth nonwhite individuals, such as the use of payday lenders. The survey included core demographic characteristics found in most surveys, such as age, sex, educational attainment, household composition, nativity, income, family background, etc.

For consistency with an existing national data set, the asset and debt module of the questionnaire replicates questions used in the Panel Study of Income Dynamics (PSID). For the non-asset and debt-based questions, the NASCC survey replicated many questions found on the Multi-City Study of Urban Inequality (MCSUI), which, similar to NASCC, was a cross-sectional multicity survey aimed at gathering socioeconomic differences across ethnic and racial groups that was conducted in the early 1990s.

The average survey lasted 39 minutes. Various sampling techniques were utilized in order to locate and identify an ethnically plural sample consisting of the specifically defined ethnic groups. The techniques included directory-listed landline samples targeted to census tracts where specific ethnic groups were known to reside; cell phone random digit dialing (RDD) samples drawn from rate centers that cover targeted ethnic group ZIP codes, samples drawn from targeted ZIP codes based on billing address; and the use of surname-based lists targeting specific national origin groups. In sum, 59,311 personalized advance letters were sent; 64,154 telephone numbers were dialed 337,085 times; and 9,525 interviewer hours were spent across three shops to conduct 2,343 completed surveys.

Race and ethnic identity for this study is based on self-identification of the family respondent best qualified to discuss family financial matters. The statistics in the sample utilized weights that were anchored on family characteristics in the U.S. Bureau of the Census's American Community Survey to generate results representative of specific ethnic group characteristics in each respondent's metropolitan area of residence. Overall, the unweighted NASCC sample is not dissimilar from the weighted NASCC sample, suggesting the specific ethnic group observations in the particular metropolitan areas in the study are fairly representative of their populations at large.

Finally, the study was primarily designed to compare specific ethnic and racial groups within the same metropolitan area. An advantage of this approach is the implicit control with regard to asset and debt pricing and products associated with particular geographic areas.