Racial Gaps in Financial Outcomes

JPMorgan Chase Institute | Nov. 2020
We have assembled a **data asset of 1.8 million families** with Chase DDA accounts and self-reported race.

<table>
<thead>
<tr>
<th>Subgroup</th>
<th>National population</th>
<th>Registered voters in FL/GA/LA</th>
<th>Chase sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>60.4%</td>
<td>63.7%</td>
<td>47.1%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>18.3%</td>
<td>11.1%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Black</td>
<td>13.4%</td>
<td>20.9%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Asian</td>
<td>5.9%</td>
<td>1.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Other</td>
<td>4.2%</td>
<td>2.4%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

1. Source: US Census Bureau, July 2018 estimate [https://www.census.gov/quickfacts/fact/table/US/PST045218](https://www.census.gov/quickfacts/fact/table/US/PST045218). “White” refers to the Census measure of non-Hispanic, non-Latino White, and “Hispanic” refers to its measure of Hispanic or Latino. Numbers do not sum to 100% because the Black, Asian, and Other groups include individuals who also identify as Hispanic.

2. We exclude from the denominator registered voters whose race is missing (5.4% of all registered voters).

**The Chase sample does NOT represent**
- Population outside of FL, GA, and LA
- The unbanked
- Those who are not eligible or not registered to vote

**The Chase sample over-represents**
- Black and Hispanic population
- Urban population
- Younger population
Median Black and Hispanic families earn roughly 70 cents in take-home income for every dollar earned by White families.

For every dollar the median White family earns, the median Black family earns just 71 cents, and the median Hispanic family earns 74 cents.

Racial gaps in take-home income are larger among higher-earning families.

Note: Take-home income reflects the income after taxes and other payroll deductions that is deposited into one's checking account, which includes labor income, government benefits, tax refunds, capital and retirement income, ATM deposits, check deposits, and other electronic deposits.

Source: JPMorgan Chase Institute
Racial gaps in liquid assets are twice as large as gaps in take-home income.

For every dollar White families have in liquid assets, Black families have just 32 cents and Hispanic families have 47 cents.

Note: We define liquid assets as the sum of balances in one's checking, prepaid debit cards, savings, money market, and certificates of deposit accounts.

Source: JPMorgan Chase Institute
After job loss, Black and Hispanic families cut their spending more than White families, differences that are explained by racial gaps in liquid and financial asset buffers.

A dollar drop in income led to a 46 cent drop in nondurable spending among Black families and a 43 cent drop among Hispanic families compared to a 28 cent drop for White families.

Source: JPMorgan Chase Institute
After job loss, Black and Hispanic families cut their spending more than White families, differences that are explained by racial gaps in liquid and financial asset buffers.

Black-White and Hispanic-White difference in marginal propensity to consume, by control variable

- Overall (no control): 0.18* 0.15*
- Cash buffer: 0.11* 0.12*
- Imputed liquid asset buffer: 0.07 0.07
- Imputed financial asset buffer: 0.03 -0.01

Control variable

Note: Cash buffer is the ratio of (checking account balance + savings account balance) to monthly nondurable expenditure, imputed liquid asset buffer is the ratio of imputed liquid assets to monthly nondurable expenditure, and imputed financial asset buffer is the ratio of imputed financial assets to monthly nondurable expenditure. * indicates that the Black-White or Hispanic-White difference in marginal propensity to consume is statistically significantly different from 0 at the 95% level.

Source: JPMorgan Chase Institute
Upon receipt of a tax refund, Black and Hispanic families increase their expenditures more than White families, a difference explained by racial gaps in liquid asset buffer.