Why the Latino Wealth Gap Persists, and What We Can Do to Fix It

Wealth inequality is one of the most prevalent and far-reaching issues today that disproportionately affects Latinos and other communities of color. Data shows that the median wealth for White families is five times higher than that of Latinos.¹ Moreover, data from the last Census showed that there are approximately 62.1 million Latinos that altogether account for slightly more than half (51.1%) of the total U.S. population growth between 2010 and 2020.² In contrast, the White population decreased by 8.6% since 2010.³ This large discrepancy in population growth and wealth accumulation shows that the road to equality is a long and hard one, but trends show that Latinos are gaining ground. The net worth of Whites used to be 10 times that of Latinos back in 2013.⁴ However, the pandemic posts new challenges and pervasive structural barriers are impeding efforts to close the wealth gap.

Net worth by race or ethnicity from 1989–2019 in the U.S., in thousands of 2019 dollars

Structural Barriers to Latino Wealth

Contrary to the notion that individuals make poor financial decisions due to lack of financial literacy and that this in turn explains wealth disparities,⁵ the racial wealth gap is more likely rooted in socioeconomic and political structural barriers. It is more likely that economic circumstances—not poor decision-making or deficient knowledge—constrains choice itself and leaves Latino and other communities of color at a disadvantage. Common structural barriers are deeply rooted in racism and exclusion,⁶ some of these include:

- **Discriminatory practices like red lining and the effects of white flight.** These practices, while now illegal, still carry a compounding effect on communities of color that have been denied access to financial products based on their race and ethnicity. These practices have been correlated with high levels of poverty,⁷ poorer health,⁸ and can directly explain aspects of the racial gap in homeownership.⁹
Unequal access to banking and credit. 30% of Latino adults are unbanked or underbanked, compared to 12% of White adults. Latinos are also more likely to live in communities with limited access to credit unions and bank branches. Also, Latinos are twice as likely to be credit invisible than Whites and have a harder time getting approved in a credit application than whites.

Closed networks and resources. Wealth is iterative and it provides people with the necessary initial capital to purchase assets and generate more wealth. Despite Latinos outpacing the general population in entrepreneurship and creation of small business, access to established networks and resources continues to slow down growth.

Overtly complicated administrative burdens. Government interventions with a goal of addressing poverty and incentivize economic upward mobility have complicated eligibility rules, lack appropriate outreach strategies, enforce contradictory regulations and lack the appropriate funding to scale their impact. These administrative burdens are common in our tax, welfare and economic development systems that are satiated with bureaucratic procedures.

Intergenerational wealth presents another challenge. Wealth accumulation generally follows a predictable lifecycle arc, wherein families generally accumulate wealth during their working years in preparation for retirement. Latinos have a median age that this younger than other demographic groups and have yet to enter the wealth accumulation age. Moreover, Latinos are less likely than the general population to report having received an inheritance: only 4.2% do. By some estimates, inheritance and transfers account for at least half of aggregate wealth and account for more of the racial wealth gap than any other demographic or socioeconomic indicator.

Moreover, the gap in asset value between Latinos and Whites is larger than the wealth gap, indicating that the gap is driven more by asset value disparities than by debt. Lastly, although Latinos have a higher-than-average labor force participation, structural barriers in the labor market have forced Latinos to be overrepresented in jobs that offer few benefits and Latinos own retirement accounts at a lower rate than all other demographics.

Areas of work to combat structural barriers

The burden to close the Latino wealth gap requires systemic change. Ongoing efforts to address this policy problem include:

- An equitable tax system: Improving the design of tax credits like the Child Tax Credit and the Earned Income Tax Credit to ensure that the most vulnerable families have access to the highest available credit.
- Fair Banking System: Promoting use of special purpose credit programs (SPCP) that target communities historically shut out of the banking system.
- Inclusive Homeownership Policies: Implementing a national, targeted down payment assistance program for first-generation, first-time homebuyers to address a common barrier to homeownership for Latinos.
- Accountability and Regulation: Using regulations, like the Community Reinvestment Act, to encourage financial institutions to invest in low-income communities and communities of color, and to hold financial institutions accountable for gaps.

These policies are just a first step in addressing the Latino wealth gap but could help create an economy that works for all families, including those that have been systemically excluded from opportunities for upward mobility.

Key Links and Resources:


2 Ibid

3 Ibid

4 Ibid


11 https://libertystreeteconomics.newyorkfed.org/2016/03/banking-deserts-branch-closings-and-soft-information/#.VI5UhtBYG53

12 https://www.undosous.org/blog/2019/03/19/credit-scoring/


14 2019-SHWR-Annual-Report.pdf (hispanicwealthproject.org)


