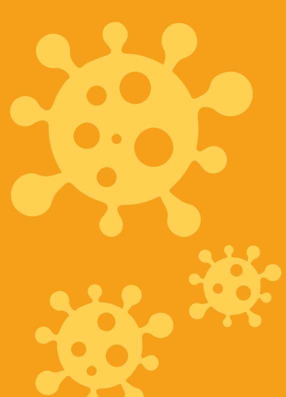
Context for the Need to Reimagine

The massive health and economic crisis of COVID-19 exposed and exacerbated underlying disparities in financial wealth and well-being. Due to structural racism and sexism, many people, especially women and Black, Latinx, Indigenous, and Asian people, were struggling financially before the pandemic, contending with a lack of financial security and limited wealth. This context provides background and rationale for embracing a funding framework that relies on an equity and antiracist lens.



COVID-19

- **Health and economic crisis with uneven impact**
- **Long-lasting impacts unless disrupted**

BACKDROP

- Disparate pathways to financial security
- Wealth gaps

ROOTS

- Structural racism and sexism
- Historical and current economic policies and practices that discriminate, exclude, and extract

Pervasive, Growing Financial Insecurity

Although COVID is a universal public health issue, the nature and magnitude of the pandemic's health and economic impacts have been far from universal. Before the current crisis, racial, gender, community, and income lines placed many families in precarious financial situations; long-standing structural inequities left them with little reserves and few pathways to financial health. COVID undeniably exacerbated these disparities.

Financial insecurity and hardships for women, Black, Latinx, Indigenous, and Asian people have ballooned during COVID, as indicated by growing income inequality alongside with high housing costs, limited savings, and increased debt among these vulnerable populations. These indicators are interconnected and have ripple effects across families, communities, and the economy as a whole.

INCOME INEQUALITY AND OCCUPATIONAL SEGREGATION

Contributing to financial insecurity are wage and benefit gaps driven by systemic inequities for women and Black, Latinx, Indigenous, and Asian people, as well as broader economic trends of declining labor share of income and growing income inequality. The wages paid are often not sufficient to cover the basic costs of living, and the jobs held by women, Black, Latinx, Indigenous, and Asian people have been vulnerable to COVID.

IN 2018, **NEARLY HALF OF ALL WORKERS** who were deemed essential in **2020** earned **less** than a living wage.[1]

Many of these "essential" workers **lacked comprehensive benefits, faced job loss, and risked exposure to COVID** due to inadequate health and safety standards.

COVID HAS IMPACTED THE SERVICE SECTOR

which employs **one in four** workers,[2] who are predominantly **women and Black, Latinx and Asian people.** These workers have faced health risks, limited worker protections, and layoffs.

WIDESPREAD UNEMPLOYMENT & LOSS OF INCOME DURING COVID

left many families facing financial hardship, scrambling to cover essentials.

Since the start of the pandemic, **HALF OF ALL ADULTS** live in a household that has **lost** some employment income.[3]

BLACK AND LATINX PEOPLE, WOMEN AND MILLENNIALS

are among the most impacted in job loss or income reduction by the COVID-19 recession.[4]

BLACK-AND ASIAN-OWNED BUSINESSES HAVE BEEN **DISPROPORTIONATELY** HURT IN THE DOWNTURN.

Many of these businesses **were locked out** of the Small Business Administration Paycheck Protection Program (PPP).[5]

ONE STUDY ESTIMATED OVER **40%** **OF BLACK BUSINESSES** HAD BEEN SHUT DOWN DUE TO COVID **BY APRIL 2020.**[6]

HIGH HOUSING COSTS

In many places in the U.S., housing affordability is an issue for families. When housing costs too much, other essentials cannot be bought nor can the family build savings.

IN 2018, **10.9 MILLION RENTERS** paid more than **half their income on housing.**[7]

BLACK, LATINX, AND INDIGENOUS PEOPLE COMBINED are **twice** as likely to be renters.[8]

DURING COVID,
BLACK, LATINX, ASIAN FAMILIES
GEN Z, MILLENNIALS, & GEN X
have experienced higher levels of housing distress than their peers. **Renters have double the stress of owners.**[9]

LIMITED SAVINGS

Low incomes and high costs of living make it challenging to set money aside on a regular basis.

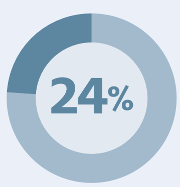
PRE-COVID even though **many families** in the United States had some type of **liquid asset for emergencies,**

THE TYPICAL WHITE FAMILY HELD **FOUR TO FIVE TIMES MORE LIQUID ASSETS** THAN BLACK OR LATINX FAMILIES.[10]

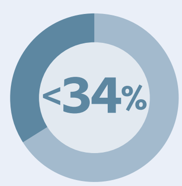
EQUITIES HELD AS HIGH-RETURN ASSETS[A]

include stocks, mutual funds, and semi-liquid retirement accounts.

OF **WHITE FAMILIES** HELD EQUITIES **$50,600 MEDIAN VALUE**



OF **LATINX FAMILIES** HELD EQUITIES **$14,900 MEDIAN VALUE**



OF **BLACK FAMILIES** HELD EQUITIES **$14,400 MEDIAN VALUE**

These pre-pandemic savings disparities **affected families' ability to stay financially afloat** during COVID.[11]

WITHOUT RELIEF ASSISTANCE,

ONLY **10% OF LATINX** AND **14% OF BLACK** FAMILIES HAD ENOUGH SAVINGS TO COVER **SIX MONTHS OF EXPENSES IN 2019**.[12]

EVEN WITH THE FEDERAL RELIEF ASSISTANCE, **A TSUNAMI OF DEBT AND DEFAULT IS NEARING.**

A | Equities held as high-return assets include stocks, mutual funds, and semi-liquid retirement accounts.

DEBT

For many families, debt is a growing fact of life. Debt is used to fill financial gaps or is created by medical costs or government fines and fees. It can help build assets, but it also can impede financial stability and wealth building. Though debt is a widespread problem, it impacts communities unevenly because of disparities in the educational, health, housing, financial, and criminal justice systems. The racial-ethnic wealth gap shapes how groups can use debt and whether it is crippling or constructive.

PRIOR TO THE PANDEMIC many households were **already struggling** to make ends meet;

77% **OF FAMILIES** HELD SOME FORM OF DEBT.[13]

CITY AND COUNTY FINES & FEES increasingly used by municipalities to generate revenue, **place a disproportionate burden on people of color.**[14]

CURRENTLY, APPROXIMATELY **10 MILLION PEOPLE OWE $50 BILLION** BECAUSE OF THEIR INVOLVEMENT IN THE CRIMINAL JUSTICE SYSTEM.

Much of this debt has accumulated because of an **inability to pay fines and fees which typically results in additional fines or fees.**

ALTERNATIVE FINANCIAL SERVICE PROVIDERS, disproportionately located in communities of color, **offer higher-cost credit products** to people who are outside of the mainstream financial system.[15]

ALMOST **40%** OF **BLACK** FAMILIES & **36%** OF **LATINX** FAMILIES use alternative providers for **loans and other financial services,** as compared to **ONLY 16% OF WHITE FAMILIES.**[16]

While these providers offer needed services, they also **charge high fees** that can stress already tight budgets and lead to a cycle of debt.

ACCORDING TO THE **BUREAU OF LABOR STATISTICS**

FROM 2006 TO 2016, THE PRICE OF COLLEGE TUITION INCREASED BY 63% requiring more students to rely on student loans.

AFTER INCURRING DEBT, MANY STRUGGLE TO REPAY ON TIME.

Due to enduring inequities, **Black borrowers** are the most as risk for default.

70% OF **BLACK PEOPLE** WHO HAVE **STUDENT LOANS** are having difficulty repaying the loans **while meeting their other obligations.**[17]

As of late 2020, COVID is still unfolding and impacting people in uneven ways; the Urban Institute is tracking these impacts.

Financial stressors during coronavirus outbreak differ widely by race, ethnicity, and income

% saying they have ________ since the coronavirus outbreak started in February

	Used money from savings/retirement to pay bills	Had trouble paying bills	Gotten food from a food bank/ organization	Had problems paying rent/ mortgage
ALL ADULTS	33	25	17	16
WHITE	29	18	11	11
BLACK	40	43	33	28
LATINX	43	37	30	26
ASIAN*	33	23	14	15
UPPER INCOME	16	5	1	3
MIDDLE INCOME	33	19	12	11
LOWER INCOME	44	46	35	32

* Asian adults were interviewed in English only.

Note: White, Black, and Asian adults include those who report being only one race and are not Latinx. Latinx are of any race. Family income tiers are based on adjusted 2019 earnings.

Source: Survey of U.S. adults conducted Aug. 3-16, 2020. "Economic Fallout From Covid-19 Continues To Hit Lower-Income Americans the Hardest"

PEW Research Center[19]

The added strain is forcing those already living in financial insecurity into high-stress hardship and food and housing insecurity. Because they have limited resources to fall back on, women and Black, Latinx, Indigenous, and Asian people will have a have harder time recovering without a focused response, as they did in the Great Recession.[18] To head off this developing financial catastrophe, philanthropy must take radical action to move deeply toward equity, directing resources toward dismantling the root causes of structural racism to relieve families' distress, eliminate unjust disparities, and direct support to impacted communities that strengthens federal relief efforts.

Wealth Divide

Wealth is the value of personal assets minus debts. Although average wealth has increased, wealth inequality has risen exponentially over the last 50 years. Disturbingly, the lowest-wealth families saw their wealth drop below $0, as families at the top saw their wealth increase fivefold.[20]

Wealth Distribution

% of American Wealth

	THE TOP 10%	THE NEXT 40%	THE BOTTOM 50%
1989	owned the majority of U.S. wealth **67%**	owned less than a third **30%**	owned a sliver **3%**
2019	**77%** owned more of total U.S. income **% OF FAMILIES:** 13% White, 3% Latinx, 1% Black	**22%** owned less	**1%** saw its sliver of wealth shrink *Also, about* ***1 IN 5*** *families had negative net worth* **% OF FAMILIES:** 75% Black 67% Latinx, 41% White

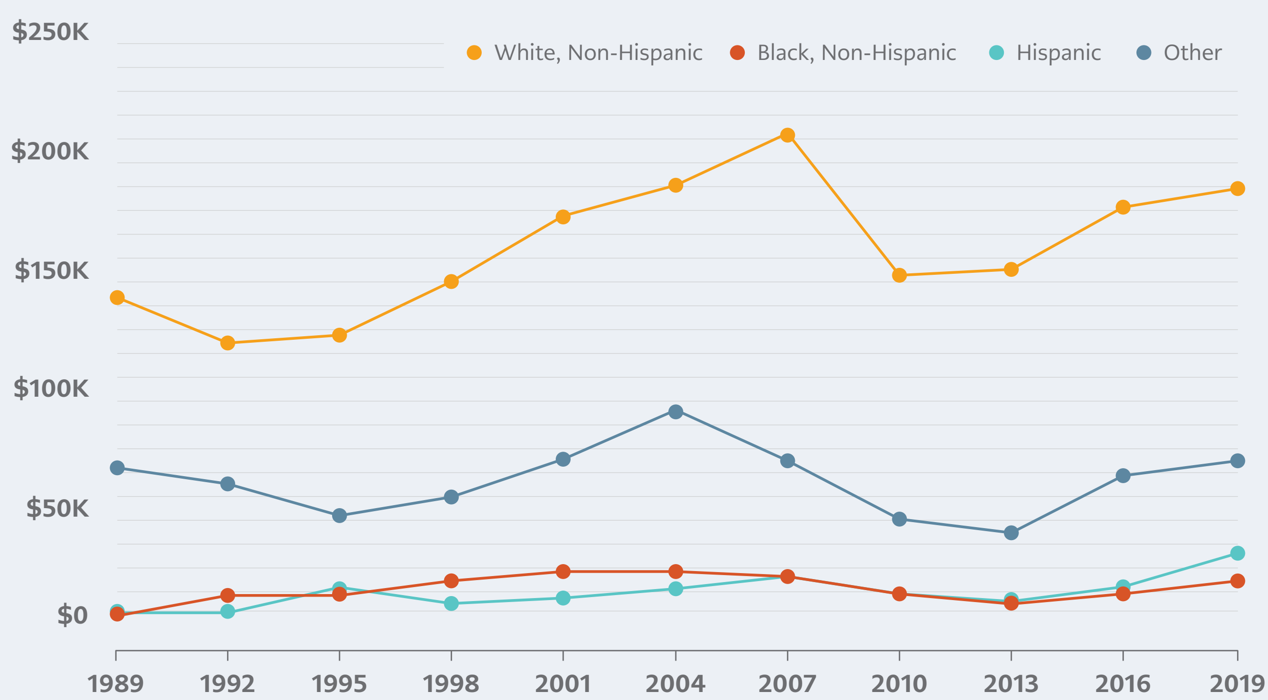
Federal Reserve Bank of St. Louis[21]

Wealth is a measure of our financial resilience. It represents our ability to deal with the economic consequences of illness, unemployment, and financial emergencies. Wealth also reflects our ability to invest in our own future and that of our children. Unaddressed, wealth inequality translates into unfair financial challenges, risks, and disadvantages for many families and their children. An equitable future calls for confronting the wealth divide and the public policies that sustain and intensify it.

Structural racism and sexism that systematically deny economic opportunities to women and Black, Latinx, Indigenous, and Asian people have created dramatic wealth disparities across racial, ethnic, and gender categories.

Net Worth by Race/Ethnicity

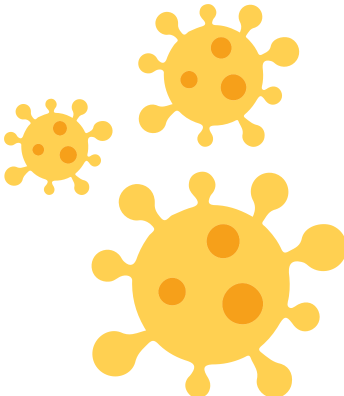
2019 Dollars



Source: Survey of Consumer Finances[25]

At all income levels, households headed by White men have more wealth than households headed by women or people of color.

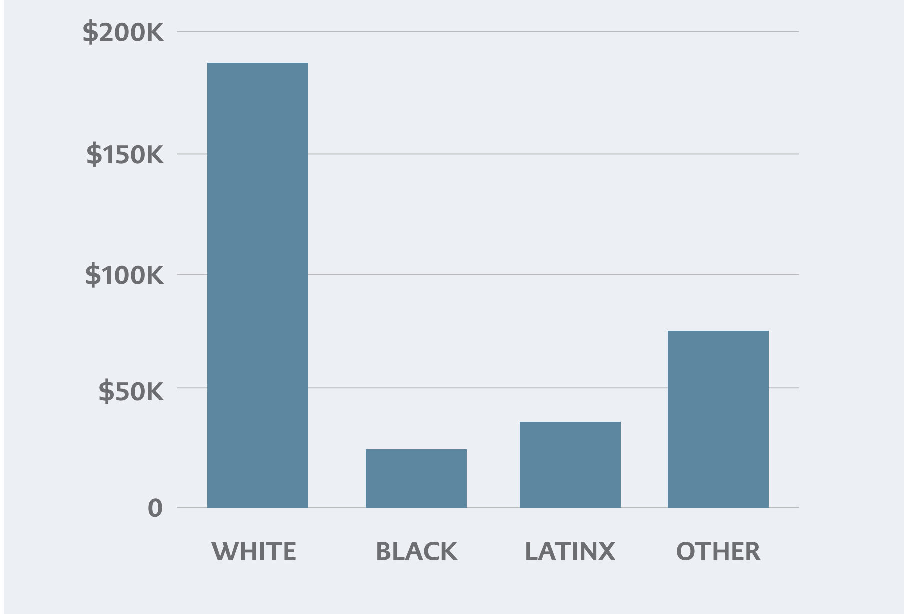
The wealth divide benefitting White men has persisted despite civil rights legislation and gains in income, educational attainment, and homeownership for women and Black, Latinx, Indigenous, and Asian people.[22] For example, the wealth gap between White and Black families is wider at higher income levels.[23] Black and Latinx families that attend college have much less wealth than similarly situated White households. Black families in which one family member has a college degree have two-thirds the median net worth of a White family with a member who has never finished high school.[24]



These wealth snapshots do not account for the devastating impacts COVID is having on Black, Latinx, Indigenous, and Asian families.

Today, the median White family has between five to eight times more wealth than Latinx and Black families. In pre-COVID 2019, a White family's median wealth was $188,200. At that time, a Black family's median wealth was $24,100, or roughly 13% of White families. For Latinx families, median wealth was $36,100, or around 19% of White families. Other families (including Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, other race, and multiracial) have median wealth that lies between that of White families and Black and Latinx families.[26]

Median Net Worth[27]



Along with the racial-ethnic wealth gap, and compounding it, is a gender wealth gap that is fueled by disparities in income, benefits, occupational segregation, as well as caregiving expectations. As of 2015, the median net wealth of single women was $3,210, or roughly 32% of the median net wealth ($10,150) of single men. For women of color, the divide is much greater—Black women have a median net wealth of $200 (6%) and Latinx women have just $100 (3%) in wealth.

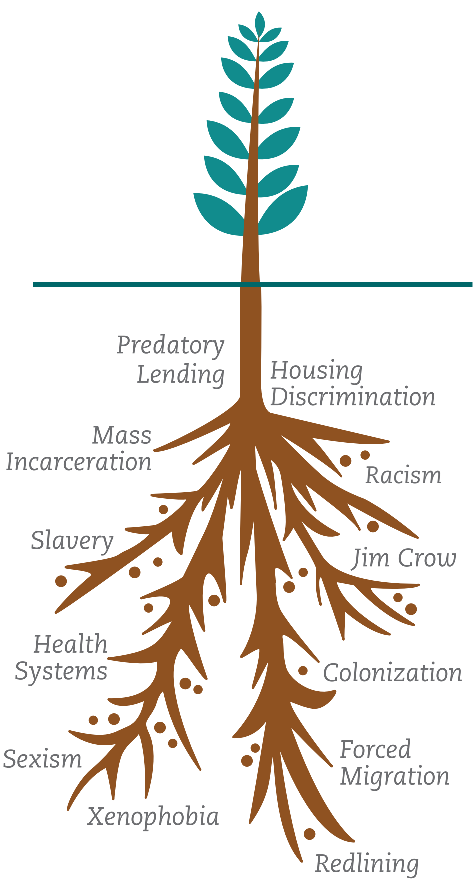
Pernicious wealth gaps leave people vulnerable; when emergencies strike, without wealth to fall back on, they lose ground. Given wealth's central role in allowing families to meet financial needs, weather financial storms, and invest in their future, without a serious reckoning, today's pervasive financial insecurity will continue through future generations.

Root Causes of Economic Inequities

By design, unfair forces have shaped the financial picture of the nation, creating the widespread financial insecurity and enormous wealth gaps we see today.

Structural racism and sexism have a long history of formal support through public policy, institutional practices, social representations, and societal norms that justify the overt results of discrimination and exclusion.

There is no single explanation for wealth gaps, but their roots can be traced back centuries through racialized public policies and practices, which fueled boosts to White families that allowed for intergenerational wealth transfers and created barriers to non-White families.



DISCRIMINATORY POLICIES that limited where Black, Latinx, Indigenous, and Asian families could live or buy housing, start a business (including getting needed loans), or get affordable, quality education stymied any potential for wealth accumulation that could have been passed down generationally or used to develop community assets, such as schools and businesses. Such policies and practices included colonization, slavery, legal and de facto segregation, redlining, employment and housing discrimination, and wealth-stripping (for instance, through predatory lending), as well as policies that reduced access to capital. This disinvestment continues today in part through occupational segregation and income inequality.[28]

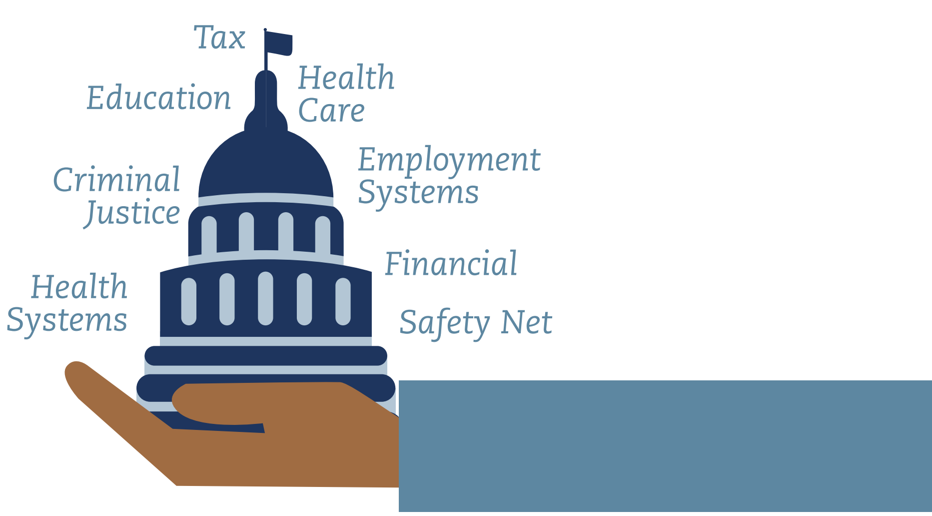
WOMEN AND BLACK, LATINX, INDIGENOUS, AND ASIAN PEOPLE WERE EXCLUDED AND IMPACTED IN DIFFERENT WAYS. Black people endured slavery, Jim Crow laws, peonage law abuse, federal redlining, and overt discrimination across all sectors. Indigenous people contended with land theft, government-ordered dislocation, family separation, denial of culture, and genocide. Latinx populations were exploited, providing low income, essential work without rights; excluded from education, housing, and other opportunities by language or status; historically discriminated against (since the Mexican American and Spanish American wars of the 1800s) by skin color, language, or status. Indigenous people, and many Latinx and Asian people, underwent forced migration and assimilation enforced by U.S. foreign and domestic policies. Many non-White immigrants face xenophobia, and some of the federal relief efforts significantly excluded Latinx people.[29] On the other hand, White families have had ample opportunities to build wealth, supported by government initiatives and asset transfers such as the Homestead Acts, the Home Owners' Loan Corporation, the GI Bill, and other public policies.

Today's policies favor the very wealthy, further driving inequality. The legacy of entrenched disparity perpetuates extreme wealth inequality by building on the White wealth advantage via tax, financial, health care, criminal justice, employment, safety net, education, and other systems that are ostensibly "color-blind" but that advantage wealthy Whites over others.[30]

Meanwhile, wealth continues to be extracted from women and Black, Latinx, Indigenous, and Asian people, and their ability to accumulate wealth continues to be impeded by official policies and societal practices.

THESE WEALTH GAPS ARE REFLECTED IN THE WIDE DISPARITIES IN BANK ACCOUNTS, HOMEOWNERSHIP, FINANCIAL WEALTH, STUDENT LOAN DEBT, AND OVERALL WELL-BEING ACROSS POPULATIONS. The wealth divide persists because of structural and historical exclusions from economic opportunities—not because of individual education, employment, or income levels.[31] Wealth disparities have had predictably devastating effects on women and Black, Latinx, Indigenous, and Asian people from COVID.

The breadth and depth of injustices in this country and our belief in equity beckons us to reimagine our systems from the ground up, through an equity and antiracist lens. We know that addressing these issues involves reshaping public policy and collaborating with other sectors. By investing in equity by design, philanthropy can play a vital role in shaping the society we wish to see.



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