



SOCIAL SECURITY POLICY DESIGN AND RACIAL WEALTH DISPARITIES

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Racial Wealth Disparities in Older Age and Social Security Program Participation

Significant disparities in wealth between Black and White households continue to persist in the United States. However, little is known about the lifecycle of racial wealth disparities and how these disparities interact with public safety net programs. Differences in the evolution of wealth among older age households may also feed into persistent racial wealth differences through bequest motives.

Racial wealth disparities persist in older age and Social Security program participation effects vary

Analysis of the Health Retirement Survey (HRS) data shows that racial wealth disparities persist as people age: older Black households are significantly less wealthy than their White peers and total Black household wealth as a share of total White household wealth decreases with age. Furthermore, the greater their wealth, the harder it is for Black households to accumulate wealth at the same rate as their White counterparts with similar initial wealth. Supplemental Security Income (SSI) program – a federal program intended to financially support low-income families – tends to reduce these differences unlike Social Security Disability Insurance – a program tied instead to work history.

Racial wealth gaps grow with age

Older age Black households have significantly less wealth than White households of similar age and corresponding rank in the distribution of White total wealth using the Health Retirement Survey (HRS). Black/White wealth percentile ratios are less than one third and decrease with age. This widening of the racial wealth disparity holds across wealth ranks.

The greater the wealth, the larger the racial disparity in wealth accumulation

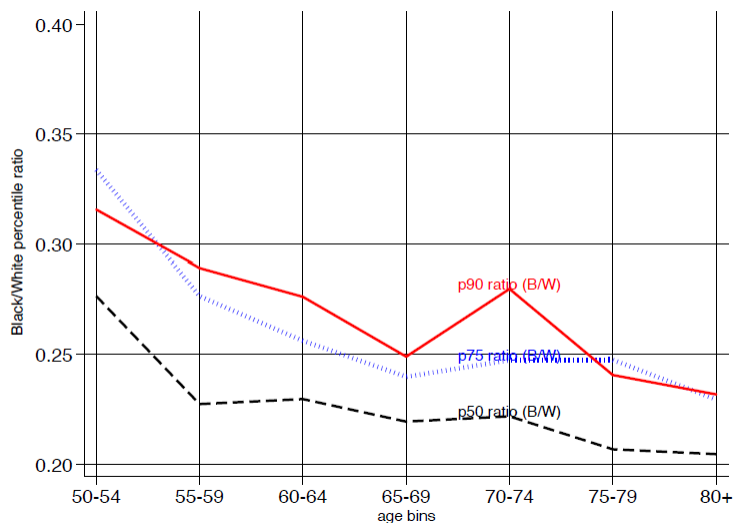
Comparing Black and White households in the same age bin and at similar wealth levels, the Black-White differential in wealth accumulation is larger for wealthier households. These wealth accumulation disparities are robust to controls for differences in the composition of assets held by households.



Social Security programs vary in their implications for wealth accumulation by race

Receipt of the means-tested Social Security Supplemental Income (SSI) program is correlated with a decrease in racial wealth accumulation differences. However, receipt of the work history-based Social Security Disability Insurance (SSDI) program does not have a similar effect.

Figure 1: Growing racial wealth disparities with age



Notes: Black-White percentile ratios across age bins using the RAND HRS Longitudinal Sample 1992–2018. Age bins are on the horizontal axis while ratios are on the vertical axis. The red solid line is the 90th wealth percentile ratio. The 75th wealth percentile ratio is the blue dotted line, and the black dashed line represents the median wealth ratio.

Implications

- Racial wealth disparities are sizable among older age households and growth with age.
- Growing wealth disparity in older age may amplify racial inequality *across generations* through racial disparities in bequests.
- In an aging and wealth-unequal America, more research on the channels behind the racial wealth accumulation gap and the design of various public social insurance programs may lead to more effective policies.

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