

# Mortality Differentials, the Racial/Ethnic Retirement Wealth Gap, and the Great Pandemic

EDWARD N. WOLFF, NEW YORK UNIVERSITY AND NBER

## **Key Findings and Policy Implications**

This paper analyzes wealth trends by race and ethnicity from 1983 to 2020 with a particular focus on how the mortality changes during the COVID-19 pandemic affected racial/ethnic gaps in augmented wealth measures that include Social Security wealth. The study uses data from the 1983, 1989, 2001, 2007, 2010, and 2019 Surveys of Consumer Finances, and 2020 mortality data to estimate changes in Social Security wealth during the first year of the COVID-19 pandemic. The paper finds that:

- The net worth of Black households, relative to white households, was largely unchanged between 1983 and 2007, but declined from a ratio of 0.19 in 2007 to 0.14 in 2010, and it remained at 0.14 through 2019. The net worth of Hispanic households, relative to white household, rose between 1983 and 2007, but dropped from a ratio of 0.26 in 2007 to 0.15 in 2010, and back up to 0.19 in 2019.
- When the definition of wealth is expanded to incorporate Social Security and defined benefit pension wealth, the racial and ethnic wealth gap is lower. In 2019, the ratio in mean augmented wealth between Black and white households was 0.27; the ratio between Hispanic and white households was 0.32. The ratio of median augmented wealth between Black and white households was 0.39; and 0.48 for Hispanic relative to white households.
- The increased mortality rates of the COVID-19 pandemic lopped off over a quarter of Social Security wealth. Mean Social Security wealth fell 29.4 percent among young households, and 26.7 percent overall. Median Social Security wealth fell 30.6 percent among young households, and 28.3 percent overall.
- The pandemic reversed both the absolute and relative life expectancy gains made by minorities in the preceding decades. The racial gap in life expectancy between Black and white men, which had declined from 6.2 years in 2006 to 4.8 years in 2019, jumped to 7.0 years during the pandemic. The racial gap in life expectancy between Black and white women, which had declined from 4.2 years in 2006 to 3.1 years in 2019, jumped to 4.5 years during the pandemic. The Hispanic life expectancy advantage over white households was also reduced during the pandemic.
- The dramatic change in mortality rates in 2020, and the disproportionate reduction in life expectancy of racial and ethnic minorities translated into reductions in their relative Social Security

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wealth and augmented wealth. Black households saw their mean Social Security wealth fall by 29.1 percent. The Black-white ratio of mean Social Security wealth declined from 0.60 to 0.57, and the Hispanic-white ratio fell from 0.76 to 0.71. The Black-white ratio of mean augmented wealth dropped from 0.27 to 0.24 during the pandemic, and the median values dropped from 0.39 to 0.35. The Hispanic-white ratio of mean augmented wealth dropped from 0.32 to 0.28; the ratio of median augmented wealth fell from 0.48 to 0.42.

One of the principal manifestations of structural racism is in the mortality differential between Blacks and whites. This is due to more limited access to health care, lower quality health care, higher poverty, less education, neighborhood effects, and lifestyle differences. Disparities in mortality rates play a key role in accounting for the gap in defined benefit pension wealth and Social Security wealth since in their calculation future benefits are weighted by survival rates in each year. This study presents evidence that the racial gaps in mortality have increased during the pandemic, thereby worsening the wealth gaps between Black and white households, and between Hispanic and white households.