

STATE OF HISPANIC WEALTH

REPORT 2019

FWP

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PROJECT

acknowledgements

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Established in 2012, the NAHREP Foundation, dba the Hispanic Wealth Project, is a non-profit charitable organization whose mission is to advance sustainable Hispanic homeownership through engagement in strategic efforts focused on Hispanic workforce participation in housing, small business development, and wealth building.

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Executive Summary

The history of the United States is an immigrant story, a tale of courageous and determined people who came to the Americas in search of prosperity. Today, the future economic viability of this nation rests on an undeniable reality: Latinos in the U.S. are and will be critical players that will determine whether the U.S. remains competitive on the world economic stage.¹

The Latino story is the American story. At 18 percent of the population, Latinos have accounted for half of the national population growth since 2000, and **by the year 2060, nearly one in three people in the U.S. will identify as Latino.**¹ The future of the U.S. economy will be intrinsic to the economic success of the Latino population, as Baby Boomers continue to age out of the American workforce, and with ten thousand Boomers reaching retirement age each day.² With Latinos increasingly fueling the U.S. economy, the solvency of federal programs, such as Social Security, will likely rest on the backs of the Latino workforce.

In 2014, the Hispanic Wealth Project set a goal to triple median Hispanic household wealth by 2024. While there are numerous economic data points that are encouraging, the wealth gap between Hispanics and non-Hispanics remains alarmingly wide. In 2016 the wealth gap was \$150,400, up 12 percent from \$132,200 three years prior.³ To put this into perspective, \$150,000 could have purchased the median-priced home in January of 2016 in a city like Houston, Texas, loan free.⁴ However, it is important to note that while the wealth gap has nominally increased between 2013 and 2016, proportionally it is decreasing. **Non-Hispanic White households held \$8.30 for every dollar of Hispanic household wealth in 2016, down from \$10.36 for every dollar in 2013.**

Overall, it cannot be disputed that Hispanics are showing signs of resilience and perseverance as they continue to recover from the devastating loss of wealth experienced during the Great Recession.

The Gap Explained:

Latinos are young. The median age for Hispanics is 29, which is almost a full decade younger than the median age of the general population at 38 and nearly 60 percent of Latinos are age 34 or younger.⁵ As young Latinos age into their prime wealth building and income-generating years, the disparities between Hispanic families and non-Hispanic White families have the potential to diminish.

Intergenerational wealth impacts the wealth gap. At 5 percent, Hispanics are the least likely of any demographic to report having received an inheritance⁶ and less likely than the general population to grow up in a home owned by at least one their parents.⁷ While 94.1 percent of U.S. Latinos under the age of 18 are U.S.-born, 34.4 percent are foreign-born.⁸ These factors place the starting line of wealth generation farther back for Latinos as they are less likely to experience a head start built through intergenerational wealth.

The gap in asset value is larger than the wealth gap. The mean net housing wealth, or equity, for Latino homeowners is \$129,800, compared to \$215,800 for non-Hispanic White families. Additionally, between 2010 and 2016, Latino households had inflation-adjusted assets amounting for \$27,666 as opposed to \$235,515 for non-Hispanic households. The disparity in assets is larger than the overall wealth gap (\$150,400) indicating the gap is driven more by asset value disparities than by debt.

NEARLY 1 IN 3 PEOPLE

IN THE U.S. WILL IDENTIFY AS LATINO



119 MILLION, 28.6% OF TOTAL U.S. POPULATION
BY 2060

SOURCE: PEW RESEARCH CENTER

MEDIAN HOUSEHOLD WEALTH GAP

2013 AND 2016

2013

\$10.36 : \$1.00

WHITE HOUSEHOLDS

HISPANIC HOUSEHOLDS

2016

\$8.30 : \$1.00

WHITE HOUSEHOLDS

HISPANIC HOUSEHOLDS

SOURCE: FED SURVEY OF CONSUMER FINANCES

¹For clarification, the terms "Hispanic" and "Latino" are used interchangeably throughout this document to refer to people of Mexican, Puerto Rican, Cuban, Central American, South American, Dominican, and Spanish descent, and descent from other Spanish-speaking countries.

Hispanics own retirement accounts at lower rates than all demographics. Across income brackets, Latinos have historically under-participated in investment vehicles, such as retirement accounts. Of the 29.7 percent of Hispanics who own retirement accounts, the median value in those accounts is \$22,600.⁹

Hispanics are over-represented in jobs that offer few benefits. Of the over 27 million Latinos employed in the United States, 24.3 percent work in service industries, where jobs that give access to employee-sponsored 401k, life insurance plans, and stock options are not offered.¹⁰

Latinos are less diversified in their assets, making them more susceptible to losses in the next recession. Latinos have the largest proportion of their assets in their home, at 39 percent, and only 4.2 percent of Latinos own any stocks.¹¹ This lack of diversification leaves Latinos more vulnerable to market sector fluctuations and recessions.

94 percent of Latino-owned businesses do not have any employees. Latino entrepreneurs are outpacing the general population in small business formation. However, only 6 percent of Latino-owned businesses have any employees, and only 3 percent have an annual revenue of over \$1 million.¹²

The Trends:

Hispanics are leading homeownership growth in America. For the fourth consecutive year, Hispanics increased their rate of homeownership, reaching a rate of 47.1 percent. In 2018, Latinos added 362,000 homeowners which is the highest number of owner households added for Latinos since 2005.¹³ Hispanics have achieved marked gains in homeownership rates, despite housing inventory shortages.

In 2017, Hispanics saw the third consecutive year of income growth and the highest of any demographic. Between 2016 and 2017, Hispanics increased their real median income by 3.7 percent. Latino families making an annual income over \$200,000 increased from 2.1 percent in 2011 to 3.8 percent in 2017, and the percentage of Latino millionaires more than doubled between 2013 and 2016.¹⁴

Poverty rates reached a historic low for Latinos. Simultaneous to median income growth, Hispanics have lowered their poverty rate for three consecutive years. With a poverty rate of 18.3 percent in 2017, Hispanics reached their lowest level since poverty estimates for Hispanics were first published by the U.S. Census in 1972.¹⁵

Latinos have significantly higher labor force participation rates. Hispanics are employed at a rate of 66.1 percent, compared to 62.9 percent of the general population. The Hispanic unemployment rate was reduced by over 7 percentage points between 2009 and 2018, from 12.1 percent to 4.7 percent, respectively.¹⁶

Latinos continue to drive small business growth. Between 2014 and 2016, the number of Latino-owned employer firms increased by 13.1 percent, accounting for 23.8 percent of the net growth of all employer firms during that period.¹⁷

Participation in retirement accounts for Latinos is increasing. Between 2013 and 2016, Hispanics increased their rate of retirement account ownership from 25.1 percent to 29.7 percent, and the value of their retirement accounts increased by roughly 40.4 percent.¹⁸

The Solution:

Higher education attainment is positively correlated with Latino household wealth and entrepreneurial success. Hispanics with some college have five times the median household wealth of Hispanics with no college, and Latino business owners have higher rates of education than the general Latino population, with 42 percent having at least a bachelor's degree compared to 9 percent of all Latinos.¹⁹

Networks matter. 77 percent of scaled firms (those firms making more than \$1 million in annual revenue) are more likely to participate in professional trade associations or networks, compared to 35 percent of Latino-owned firms



...we want to witness a tripling of Hispanic household wealth over the next ten years not as spectators, but rather as active participants whose work can be directly linked to our ambitious outcomes.”

-HWP Blueprint

overall.²⁰ Furthermore, one can derive that higher education attainment also leads to networks that facilitate scalability. Peer-to-peer networking groups provide not only a sounding board for professional and financial life decisions, but also bring personal perspectives and stories to guide household economic goals.

Improve conditions for first-time home buyers. Increase the supply of affordable housing and maintain access to affordable home loan financing and low down payment loans. Notably, it would take Latinos an average of 15.7 years to save for a 20 percent down payment.²¹ Support a balance of credit access and consumer protection so as to maximize the wealth building potential of homeownership.

Bridge the knowledge gap. Educate the Latino community on financial literacy fundamentals, including demystifying the process of investing in non-cash financial assets and retirement accounts.

Project Background

In 2014, the National Association of Hispanic Real Estate Professionals® (NAHREP®) published the Hispanic Wealth Project (HWP) with an audacious goal of tripling Hispanic household wealth within ten years. The HWP Blueprint outlined three primary areas of focus and a series of goals: **homeownership, small business, and savings and investments**. The plan additionally referenced two distinct types of initiatives: NAHREP-recognized initiatives and NAHREP-driven initiatives. NAHREP-driven initiatives are undertaken by NAHREP or the HWP directly. In both cases, the resulting initiatives and their progress are included in the HWP Annual Report and are categorized by each component goal.

HISPANIC WEALTH PROJECT COMPONENT GOALS

1

HOMEOWNERSHIP

because it is the primary vehicle for wealth creation for the middle class and core to NAHREP's mission



GOAL

Increase home equity wealth by achieving a Hispanic homeownership rate of 50 percent or greater

2

ENTREPRENEURSHIP

because small business is the engine that drives the U.S. economy and NAHREP's membership is comprised of successful small business owners who have gained wealth by establishing and growing their businesses



GOAL

Increase the wealth generated from small businesses by increasing the number of Hispanic-owned employer firms to 400,000 or greater

3

SAVINGS & INVESTMENT

because the NAHREP membership is a microcosm of the professional Hispanic community for which an understanding of financial management and investment has not sufficiently materialized



GOAL

Increase the wealth created from savings and investments by raising the percent of Hispanics who own a retirement account to 37 percent or greater

Over time, the HWP project goals set through the HWP Blueprint have evolved to address targeted needs within the larger categories. In 2014, the HWP set the measurable time bound goals both for tripling median household wealth and for achieving a rate of over 50 percent of homeownership by 2024. In this next iteration of the HWP Annual Report, which we have renamed the State of Hispanic Wealth Report, we have gone a step further and set measurable time-bound goals for entrepreneurship and participation in retirement accounts, also to be met by 2024. Each subsequent report will take an annual inventory of where Latinos are in respect to those goals.

Furthermore, while the past four issues of the HWP Annual Report have featured NAHREP-recognized initiatives, this year we have refocused this edition of the report in order to conduct a deeper analysis into the variables that impact household wealth. While NAHREP continues to support the commitments made by HWP partner companies, NAHREP will now measure and track these commitments outside of this report.

Taking a Pulse on Latino Economic Health



When the Hispanic Wealth Project set the goal of tripling Hispanic household wealth, the most recent data from the Federal Reserve's Survey of Consumer Finances reported that Latino median household wealth was \$13,700. From there, tripling median household wealth meant that Latinos would have to increase their median household wealth to \$41,100 by 2024. The most recent data from 2016 would indicate that with a steady rate of increase from 2013 to 2024, Latinos are just slightly below where they need to be to meet the goal.

Between 2013 and 2016, Latino median household wealth has increased by 49.3 percent.²² **In order to reach the goal of tripling median household wealth by 2024, Latinos will need to increase median wealth by approximately \$7,473 every three years.ⁱⁱ**

The section below takes a deeper look into the distribution of assets and liabilities for Latino families and provides an analysis of some economic indicators that may impact wealth building potential.

Assets

In looking at the wealth gap between Hispanic and White families, one sees significant differences in the wealth derived from homeownership, investments, and business equity. According to an analysis conducted by the Center for American Progress, between 2010 and 2016, Latino households had inflation-adjusted assets amounting to \$27,666, as opposed to \$235,515 for non-Hispanic White households. This disparity in assets is larger than the overall wealth gap (\$150,400), suggesting that the disparity is largely driven by differences in assets rather than debt.²³

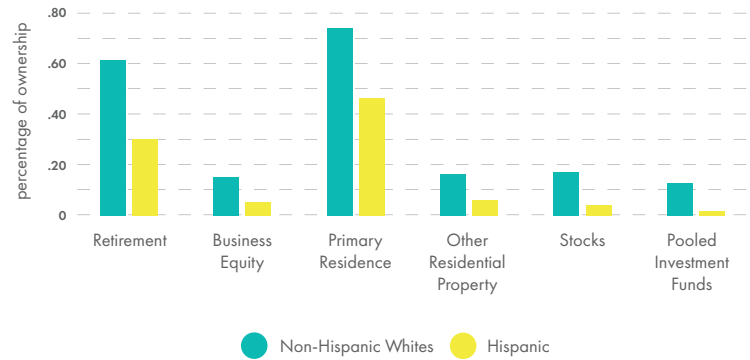
ⁱⁱAuthor's calculation of where Latino household wealth would need to be in order to reach the goals set out by the Hispanic Wealth Project assuming evenly distributed growth rates year over year.

Across the board, Latinos under-participate in investment vehicles, ranging from retirement accounts to stocks and bonds. **White families are twice as likely as Latino families to own retirement accounts, four times more likely to own stocks, and more than seven times more likely to own pooled investment funds.**²⁴ The largest disparity occurs in retirement account ownership where 29.7 percent of Latinos own retirement accounts compared to 60.4 percent of non-Hispanic White families.²⁵ Additionally, while Hispanics have seen four years of consecutive growth in the homeownership rate, there is a difference of 25.9 percentage points between the non-Hispanic White (73.0 percent) and Hispanic (47.1 percent) homeownership rate.²⁶ And, while Hispanics are leading the way in small business starts, non-Hispanic Whites own more than three times the amount of business equity that Hispanics do.²⁷

Considering that Hispanics hold the largest proportion of their household wealth in housing assets at 39 percent,²⁸ the lack of diversification of assets have left Latinos more vulnerable to market sector fluctuations, as was seen following the 2008 housing crisis.

DISTRIBUTION OF ASSETS 2016

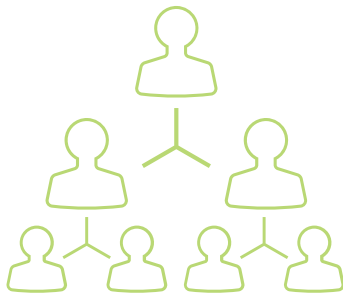
SOURCE: FED SURVEY OF CONSUMER FINANCES



Inheritance

PERCENT OF FAMILIES RECEIVING INHERITANCE

SOURCE: FED SURVEY OF CONSUMER FINANCES



26%

NON-HISPANIC WHITE

15%

OTHER

8%

BLACK

5%

HISPANIC

One of the key drivers of the wealth gap between Hispanic and White families is the transfer of wealth from generation to generation. Inheritance is closely linked to wealth accumulation, and inheritance is much more prevalent for White households. **Only five percent of Hispanic families reported having ever received an inheritance, compared to 26 percent of White families.**²⁹ Hispanics are the least likely to have reported receiving an inheritance, compared to any other demographic, further exacerbating the difference in starting points on their economic journey.

Debt

Overall, compared to other demographics, Latino families carry less debt. For all categories, Latinos hold lower median debt values than the general population and the non-Hispanic White population. This further underscores that wealth disparities between Hispanics and non-Hispanic Whites are likely driven more by differences in assets than by liabilities.

Of families with any debt, Latino families owe a median debt of \$30,000 compared to \$74,100 for White families.³⁰

Furthermore, student debt is negatively impacting median household wealth, and impacting homeownership rates particularly for millennials. Latinos saw a steep increase in educational debt between 2007 and 2016, jumping from 14 percent of Latino families who held educational debt in 2007 to close to 20 percent in 2016.³¹ Even so, only 19 percent of Latino families report having education debt, compared to 31 percent of Black families, and 20 percent of White families.³²

It is important to note that while Latinos tend to carry lower levels of debt than other demographics, Hispanics still have to pay a higher share of their income on debt payments, given lower income levels compared to their non-Hispanic White counterparts.³³

DID YOU KNOW?

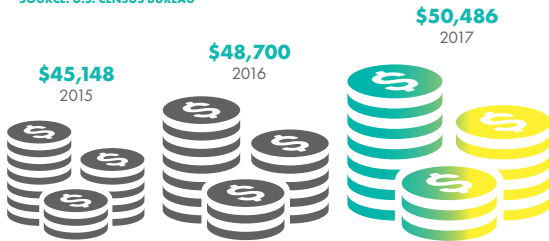
Liabilities: An obligation agreed upon between two or more parties that has yet to be paid.

Employment and Income

MEDIAN HISPANIC HOUSEHOLD INCOME GROWTH

2015 - 2017

SOURCE: U.S. CENSUS BUREAU



Hispanics are the only demographic to increase median household income and decrease poverty rates for three consecutive years. **With a median household income of \$50,486 in 2017, an increase of 3.7 percent from 2016, Hispanics had the highest increase of any other demographic and more than double the rate increase experienced by all households.³⁴**

While real median incomes continue to rise, Hispanic households at or under the poverty line have reached a historic low. In 2017, the number of Hispanics living in poverty declined by 1.1 percentage points, the largest year-to-year decline out of all groups. With a poverty

rate of 18.3 percent, Hispanics reached their lowest level ever reported since poverty estimates for Hispanics were first published by the U.S. Census in 1972.³⁵

Hispanics at the upper end of the income spectrum have also experienced substantial gains. **Latino families earning a household annual income of over \$200,000 increased from 2.1 percent in 2011 to 3.8 percent in 2017**, and the percentage of Latino millionaires more than doubled between 2013 and 2016.³⁶

With a labor force participation rate of 66.1 percent in 2017, the Hispanic labor participation rate was higher than both that of the general population and that of non-Hispanic Whites. Hispanics have also reduced their unemployment rate by over 7 percentage points between 2009 and 2018, from 12.1 percent to 4.7 percent, respectively.³⁷

While income growth and labor participation continue to be strong, a disparity of income still exists, with non-Hispanic White households out-earning Hispanic households by 35 percent. One explanation could be the overrepresentation of Latinos in occupational sectors that frequently offer low wages and little to no benefits. The largest proportion of Hispanic workers are employed in service occupations, at 24.3 percent, which could also account for Hispanics' lower participation rates in retirement accounts, a benefit often sponsored by employers in other sectors.³⁸

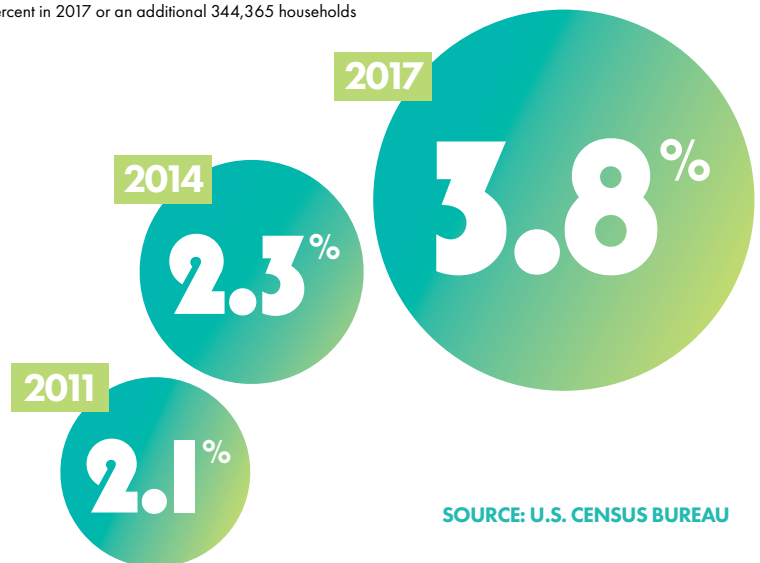
Education

As of 2017, 15.2 percent of Hispanics had a bachelor's degree or higher, compared to 34.5 percent of non-Hispanic Whites. While non-Hispanic Whites have double the rate of Hispanic higher education attainment, this marks the third consecutive annual increase for Hispanics.³⁹ And, while higher education alone does not bridge the widening wealth gap, few variables positively impact Latino median household wealth like higher education.

According to a study conducted by the Center for American Progress, **Hispanics with at least some college had a median net worth of \$91,800, a figure more than five times that of the median net worth of Hispanic families with no college (\$17,400).⁴⁰** However, Latinos with at least some college have a median net worth roughly similar to that of non-Hispanic Whites with no college, further underscoring what could be differences in intergenerational wealth.

PERCENT OF HISPANIC HOUSEHOLDS WITH A HOUSEHOLD INCOME OF \$200,000 OR MORE

The share of Hispanic families with a household income of \$200,000 or more annually increased from 2.1 percent in 2011 to 3.8 percent in 2017 or an additional 344,365 households



SOURCE: U.S. CENSUS BUREAU

Demographics

The median age for Hispanics is 29, compared to 38 for the total U.S. population.⁴¹ The young age of the Latino community is another contributor to the wealth gap. People start to accumulate more wealth as they enter the workforce and their income rises. Wealth peaks at the point of retirement and starts to decline as retirees stop accumulating assets and begin to utilize their savings. As young Latinos age into their prime wealth building and income-generating years, the disparities between Hispanic families and non-Hispanic White families have the potential to diminish.

Homeownership

COMPONENT GOAL #1: Increase home equity wealth by achieving a Hispanic homeownership rate of 50 percent or greater.

Hispanics are the only demographic to have increased their rate of homeownership for the past four consecutive years. Hispanics are in a strong position to reach a 50 percent homeownership rate by 2024, as set by the HWP goals. Hispanics are the fastest-growing demographic group, and, as they continue to age into prime home-buying years, the potential for additional growth is favorable. According to a 2014 study by Urban Institute, by 2030, Hispanic families will account for 56 percent of new homeowners. And, in the 2020s, the number of White homeowners will decline as the predominantly home-owning Baby Boomers continue to age.⁴²

Homeownership continues to be the number one wealth building vehicle for Hispanics, particularly when the median net worth of all mortgage holders is 44 times the median net worth of all renters, at \$231,400 and \$5,200, respectively.⁴³ **39 percent of Hispanic wealth is derived from home equity**, which is a 12 percent decline from



SOURCE: FEDERAL RESERVE BANK

pre-recession years, when housing accounted for 52 percent of assets for Hispanics.⁴⁴ For Latinos, mean net housing wealth, or the value of home minus any debts owed, is \$129,800 compared to \$215,800 for White families.⁴⁵ This is an indication that while the rate of homeownership is increasing for Hispanics, loan terms or the return on investment on their homes might be disproportionately lower than for White households.

Despite some positive trends in homeownership, housing affordability continues to be a barrier towards moving more Hispanics from the renter category to the homeowner category. While Hispanics continue to lead in homeownership growth, affordability may be hindering the type of homes Latino families are able to buy, the location they can buy in, and how much equity they can derive from their home.

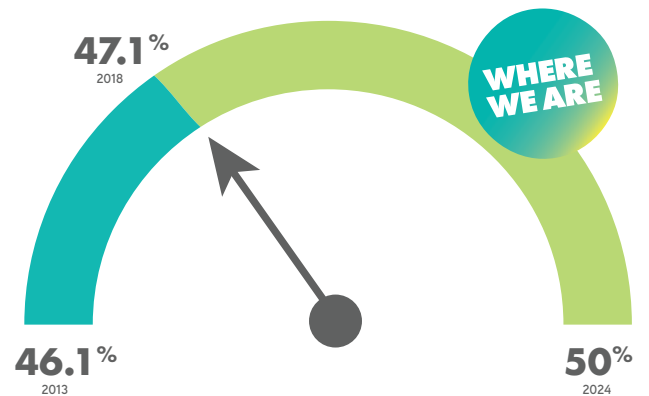
Potential Barriers

Saving for a down payment: Low down payment loans remain pivotal to sustained increases in Hispanic homeownership rates. It would take Hispanics 15.7 years to save for a 20 percent down payment on a home, compared to 4 years to save for a 5 percent down payment.⁴⁶ This calculation is done assuming a 10 percent savings rate of after-housing-cost net income.ⁱⁱⁱ

HOW EDUCATIONAL ATTAINMENT RELATES TO MEDIAN HOUSEHOLD WEALTH

	NON-HISPANIC WHITE	HISPANIC
NO COLLEGE	\$81,650	\$17,400
SOME COLLEGE	\$325,600	\$91,800

SOURCE: CENTER FOR AMERICAN PROGRESS



HISPANIC HOMEOWNERSHIP RATE

ⁱⁱⁱCalculations derived by taking median household income today of 25-34 year-olds, projected their income growth looking at the median household income of 45 – 54 year-olds in same group, assumed 10 percent savings rate of after-housing-cost net income, and projected home price growth using the past 20 years of CoreLogic Home Price Index growth. Author conducted calculations at metro-level and derived at national average using population weights for each metro area. Calculations provided by CoreLogic.

The savings rate for Hispanics who might be saving for homeownership might be hindered by the high percentage of their income spent on rental housing. According to CoreLogic, Hispanic renters spend 31.4 percent of their income on rent nationally, compared to non-Hispanic Whites who spend 26.2 percent of their income on rent.⁴⁷ This percentage is much higher for high-cost areas with large Hispanic populations, such as the Los Angeles metro area.

Commuting costs: When incorporating the wage-earning opportunity costs of time spent commuting, Hispanics use a significantly larger share of their income on housing than other racial and ethnic groups. As of 2017, Hispanic renters spent 67.6 percent of their income on housing, including the cost of commuting, as opposed to 50.7 percent for non-Hispanic Whites.⁴⁸ Hispanic homeowners spent 58.2 percent of their income on housing and commuting costs, compared to 42 percent of non-Hispanic Whites.⁴⁸ The opportunity costs of commuting are striking given that **Hispanic homeowners sacrifice almost 38.1 percent of their income-potential on commute time.**

There are two possible explanations for this finding. First, Latinos tend to work in occupations that require commutes to longer and varying distances.⁴⁹ Such jobs include construction, service industry, and even real estate where employment requires travel to varying locations. Second, 27 percent of Hispanics live in multi-generational households, second only to 29 percent of Asian families.⁵⁰ This could indicate that Hispanics live farther away from employment centers in order to accommodate larger households and access more affordable housing. Hispanics also move at higher rates than any other demographic and are the most likely to give “finding more affordable housing” as their main reason for moving.⁵¹

The 2008 housing crisis will likely continue to have an impact on future homeowners. According to Urban Institute, children who grow up in an owner household are 7 to 8 percentage points more likely to be homeowners than children who live in a renter household, controlling for other factors. The study concluded the strongest impact of this correlation was seen for what were considered stable, home-owning parents – those who remained homeowners through the entirety of the study from 1999 to 2015.⁵² In 2013, 43.4 percent of Latino children lived in an owner household, an 8.1 percentage point drop from the peak pre-crisis levels in 2007. 2013 was the lowest point in the past decade.⁵³

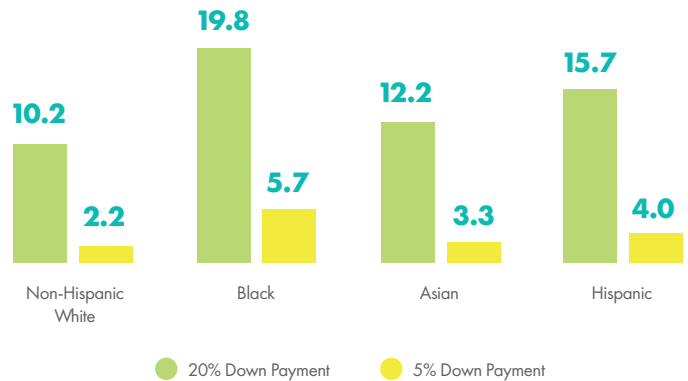
While Hispanic homeownership has been on the rise for the past four consecutive years, the reduction of homeowners due to foreclosures during the Great Recession may have a ripple effect on the future homeownership and wealth building potential of their children.

Entrepreneurship

COMPONENT GOAL #2: Increase the wealth generated from small businesses by increasing the number of Latino-owned employer firms to 400,000 firms or greater.

The Hispanic Wealth Project has modified its second component goal for entrepreneurship in an effort to provide a quantitative measure by which the growth in entrepreneurship can be reliably tracked. Employer firms are more likely to scale, compared to non-employer firms. A scaled firm is one that produces revenue of \$1 million or more, creating the capacity for Latino business owners to build wealth through equity. Consequently, being an employer firm is a precursor to scaling a business.

YEARS IT WOULD TAKE TO SAVE FOR DOWN PAYMENT



SOURCE: CoreLogic



HISPANIC-OWNED EMPLOYER FIRMS

⁴⁸Opportunity costs calculations derived by using ACS commute costs and calculating 75 percent of average hourly wages. Housing costs include mortgage or gross rent, insurance, taxes, heating, cooling, HOA fees. Calculations provided by CoreLogic.

According to the Stanford Latino Entrepreneurship Initiative (SLEI), Latino-owned employer firms comprise only 6 percent of all Latino-owned businesses, with the majority of the growth happening in non-employer firms. Currently only 3 percent of Latino-owned firms were reported to be scaled, or making an annual revenue of \$1 million or more.⁵⁴ The HWP component goal seeks to double the current rate of Latino-owned employer firms as a strategy to increase the rate of scaled firms.

State of Hispanic Entrepreneurship:

Hispanics have long been driving the growth in business formations and entrepreneurial starts in the U.S., a trend that has continued to grow. Through analysis of the U.S. Census Survey of Business Owners and Self-Employed Persons (SBO), SLEI reports the total number of businesses in the U.S. declined between 2007 and 2012, while the number of Latino-owned businesses grew by 46 percent. More recent iterations of the survey are not currently available, but, as of 2012, Latino-owned firms represent 12 percent of all firms, totaling about 3.3 million firms and generating over \$473 billion in sales.⁵⁵ Today, it is estimated Latino-owned businesses are contributing more than \$700 billion in sales to the economy annually, and nearly half of Latino-owned businesses were started within the last six years.⁵⁶

While the majority of Latino-owned businesses are small and consist of businesses without any paid employees, Latinos have been driving significant gains in employer firms in recent years. Using data calculations from the U.S. Census Survey of Entrepreneurs (ASE), **between 2014 and 2016, Hispanic business owners added 38,970 new employer firms and were responsible for 23.8 percent of the net growth of all employer firms** during that period.⁵⁷

The upward momentum of Latino business owners is likely to continue. Latino business owners, like the overall Latino population, tend to be younger than non-Latino business owners, with 33 percent of Latino entrepreneurs being 45 years old or younger, compared to just 22 percent of non-Hispanic White entrepreneurs.⁵⁸

Key drivers of latino entrepreneurship growth and scalability:

Latino business owners are more educated than the general Latino population: According to the 2018 SLEI Survey of Latino Business Owners, 42 percent of Latino business owners hold at least a bachelor's degree, compared to the national Latino average of 9 percent. Among scaled Latino firms, 42 percent have a graduate degree.⁵⁹

Networks play a key role in the success of Latino entrepreneurs: Formal networking membership in business organizations, such as chambers of commerce or trade associations, plays a key role in providing social capital for Latino entrepreneurs. This social capital can be pivotal in scaling businesses by providing referrals, access to information, or other business opportunities that can have real monetary value. According to the 2018 SLEI Survey of Latino Business Owners, **scaled firms are more likely to be well-networked (77 percent) than the average Latino-owned firm (35 percent).**⁶⁰ On average, 3.5 out of every 10 Latino business owners participate in a formal organization. Furthermore, networked firms, or a firm whose owner participates in formal business organizations such as chambers of commerce or trade associations, are more likely to be profitable (39 percent), scaled (76 percent), and employers (52 percent).⁶¹ Conversely, a study conducted by the Kauffman Foundation in 2018 found that nearly a quarter (24 percent) of Hispanic first-year startups personally know only one or fewer business owners whom they can consider to be in their network.⁶² Role models, or having relationships with others who have gone through the similar journey of starting and growing a business, can be instrumental in providing roadmaps for business owners who are just starting out.

The following insights might be hindering growth:

Latino business owners tend to start their businesses using personal savings and credit cards: Latino business owners tend to rely on personal savings and seed funding from friends and family to start a business.⁶³ Furthermore, the Kauffman Foundation finds that small businesses with \$5,000 or less in startup capital are 23 percent more likely

DID YOU KNOW?

Non-Employer Firm: A firm with no paid employees, annual business receipts of \$1,000 or more (\$1 or more in construction industry), and subject to federal income taxes. These firms make up three-quarters of all U.S. businesses' but account for only about 3 percent of businesses receipts.

42%
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NATIONAL LATINO
AVERAGE OF
9 PERCENT

to fail than those with \$100,000 or more. It is important to note that \$100,000 is almost five times the median Hispanic household wealth. Latino business owners are also more likely than White business owners to use credit cards or cash advances to fund their businesses.⁶⁴

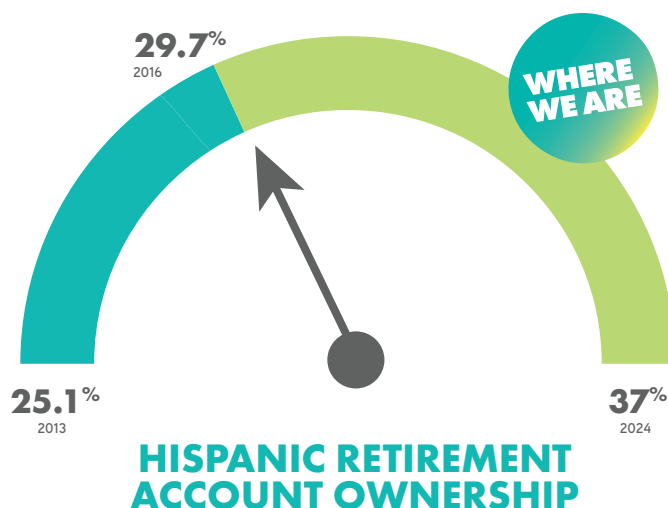
Latino business owners underutilize available formal financing: Access to capital has often been cited as impeding the growth of Latino-owned businesses. Among all Latino entrepreneurs surveyed in the SLEI Survey of U.S. Latino Business Owners, 60 percent indicated that they were not applying for business loans. Of those that chose not to apply, 15 percent made the assumption that they would not be approved.⁶⁵ Unscaled firms report having low credit scores as the likely reason their funding was not fully approved, and scaled firms report having insufficient collateral as the likely reason their funding was not fully approved.

Savings and Investments

COMPONENT GOAL #3: Increase the wealth created from savings and investments by raising the percent of Hispanics who own a retirement account to 37 percent or greater.

State of Hispanic Savings and Investments

The U.S. Administration on Aging predicts that the Latino population age 65 and older will comprise 21.5 percent of the population by 2060.⁶⁶ The failure to save and invest for retirement not only impacts the individuals reaching retirement, but also the wealth building capabilities of their entire family. As Hispanics work to improve their own financial standing, taking care of a loved one in their later years might hinder long-term potential for building intergenerational wealth. In addition, saving for unexpected expenses, including securing at least three months of living expenses, can help families weather recessions or difficult emergencies, such as loss of employment. Moreover, diversifying assets beyond housing also allows families to be better prepared for the next recession. Hispanic families overall are not prepared for retirement, and much of their wealth is held in housing. This is the area where the most attention is needed in order to triple median household wealth and bridge wealth disparities.



Retirement

While the median value of retirement accounts is increasing, Hispanics own retirement accounts at lower rates than all other demographics. The median value of retirement accounts for Latinos took a hit in the aftermath of the Great Recession. However, as Latinos enter prime wage-earning years, the median value of retirement accounts has now increased to \$22,600, a 40 percent increase from 2013.⁶⁷

At 29.7 percent, however, Latinos have the lowest rate of retirement plan ownership among all racial and ethnic groups. In fact, according to a recent study by the Federal Reserve, 13 percent of Hispanic retirees are drawing income from real estate as a source of funds in retirement.⁶⁸ At 7 percent, Latinos are the highest to report drawing on income from a business, compared to 5 percent of non-Hispanic Whites. 8 percent of Hispanics report relying on children or other family, compared to 3 percent of non-Hispanic Whites.⁶⁹ As stated previously in this report, Latinos are overrepresented in the service industry, where employer benefits are not as common. Access to information regarding Simplified Employee Pension Investment Retirement Accounts (SEP IRAs) for the growing number of Latino small business owners will be critical to ensure more Latinos are ready for retirement.

Stocks, Bonds, and Mutual Funds

Overall, Hispanics have only nominal participation in taxable investments, such as stocks, bonds, and mutual funds. According to the Survey of Consumer Finances, only 4.2 percent of Hispanics own stocks. Of those who own stocks,

the median value of their stock holding is \$10,500. This is compared to the 17.5 percent of non-Hispanic Whites who own stocks, with a conditional median stock holding value of \$30,000. Similarly, only 1.7 percent of Hispanics own pooled investment accounts, compared to 13.3 percent of non-Hispanic Whites. The Survey of Consumer Finances noted insufficient responses to even report asset valuations for bond participation.⁷⁰

According to a survey by Think Now Research, Hispanics appear to be the most risk-averse when it comes to investing in the stock market. The survey found that 49 percent of Hispanics found investing money in the stock market as “too risky.”⁷¹ A key strategy to tripling median Hispanic household wealth will be to create an environment where Latinos are ready to invest and diversify their assets.

Saving for Unexpected Expenses

In 2017, 48.2 percent of Latinos reported having enough savings for unexpected expenses, compared to 62.4 percent of non-Hispanic Whites. Between 2015 and 2017, Hispanics saw a 5.7 percent increase in this category, the biggest increase of any demographic group.⁷² What is unclear is what people perceive to be “enough”. More research is needed in order to understand the balance sheets of Hispanic families. In assessing whether or not Latino individuals have enough savings, it is important to note that Hispanics tend to have larger families made up of multi-generational households.⁷³ More individuals per household increase the amount needed to save for unexpected expenses.

According to a survey conducted by Federal Deposit Insurance Corporation (FDIC), 65.9 percent of Hispanics reported using savings accounts to save for unexpected expenses, compared to 73 percent of non-Hispanic Whites and 75.4 percent of Asian-Americans. Interestingly, **at 15.5 percent, Hispanics were the most likely to report saving money at home or with family or friends than any other group.**⁷⁴ More research is needed to understand the relationship Latinos have with the overall financial system.

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Conclusion

Looking at the state of Hispanic wealth today, Latinos are in a strong position to achieve the goal of tripling median household wealth by 2024. This year's report marks the halfway point in the timeline set out by the HWP Blueprint in 2014. Today, Latinos are driving growth in homeownership, entrepreneurship, and labor participation. As a community, Latinos are earning higher incomes, reaching higher rates of educational attainment, and record low poverty rates. Steady and consecutive gains in these economic factors are all encouraging indicators for the future of Latino household wealth.

The findings of this report also illustrate the continued need to boost Hispanic assets, as the wealth gap between non-Hispanic Whites and Latinos is driven more by the disparity in total value of assets than by total amount of debt. However, debt to income ratios still remain high, key gaps remain in Latino diversification of assets and participation in retirement accounts, specifically.

The power of education and networks cannot be underestimated for Latino economic growth. Higher education attainment and participation in professional networks have positive correlations with higher household wealth and revenue rates for Latino-owned businesses. Notably, the two are not mutually exclusive but synergistic. Attaining a college degree opens the doors to networks and social capital that can have profound monetary value. Participation in formal networks, such as trade associations, provide access to information and connections integral to increasing earning potential.

Hispanics are resilient, hardworking, and optimistic. The vision of economic prosperity for one's family is universally shared by Latinos. As Baby Boomers continue to retire while Latinos fuel the workforce and drive population growth, the future of the U.S. economy rests on the economic success of the Latino community. Fostering conditions that stimulate economic growth for Latinos is a necessary strategy for continued U.S. economic prosperity.

APPENDIX A: NAHREP-led Initiatives

The Hispanic Wealth Project Blueprint stated, “we want to witness a tripling of Hispanic household wealth over the next ten years not as spectators, but rather as active participants whose work can be directly linked to our ambitious outcomes”. The National Association of Hispanic Real Estate Professionals (NAHREP)’s network of over 30,000 members is our biggest asset in staying true to that initial vision. NAHREP members tend to be highly networked individuals and leaders in their own respective markets. They are both the initial audience and the messengers for the HWP’s financial education campaigns.

While NAHREP continues to support the commitments made by HWP partner companies, NAHREP will continue to measure and track the progress made on these commitments outside of this report.

NAHREP 10 Certified Trainer Program:

In 2016, the HWP released the Hispanic Wealth Disciplines, also known as “The NAHREP 10”, as a culturally relevant roadmap to provide exposure to the knowledge and resources available for long-term financial planning and building generational wealth. Over the last three years, NAHREP has asked its members to not only adopt these principles, but to share them within their personal and professional networks. The NAHREP 10 is a prominent component of NAHREP national and local chapter events, reaching tens of thousands of individuals within the association’s network every year.

In an effort to escalate forward momentum on closing the wealth gap, the Hispanic Wealth Project has created The NAHREP 10 Certified Trainer program. This program is a platform for NAHREP leaders to expand the reach of the wealth disciplines to a broader audience in order to educate the Latino community. The Hispanic Wealth Project recognizes that while homeownership rates, income, and labor force participation continue to grow, Latinos are still under-participating in critical financial strategies, such as savings and investment vehicles.

Interested participants can apply through the Hispanic Wealth Project website to become certified to teach and mentor others using the wealth disciplines as a guide. The program includes interactive training and web-based classroom learning for overall financial literacy, financial tools, and public speaking skills. Upon certification, trainers are expected to teach these principles both inside and outside of the NAHREP network, with a special focus on reaching millennials, community based organizations, and higher education centers within their local market.

Project Goals and Metrics:

In 2018, the Hispanic Wealth Project set a goal of certifying 50 individual trainers within the first 36 months, with an aim to reach 20,000 unique audience members. The goal is to also have the trainers take on a total of 50 mentees as part of the program. Since September of 2018, the HWP has received over 300 applications and 86 individuals have begun the training program. Within months, several trainers have become certified, and the program expects to reach their goal of 50 trainers before September of 2019.



50 Certified Trainers | 20,000 Audience Members | 50 Mentees

APPENDIX B: Additional Research Needed

The primary source for most data points on the economic health of Latinos is the Federal Reserve's Survey of Consumer Finances. While it is the most respected and comprehensive source, it is only released every three years. In order to maintain a steady understanding of trends, it is imperative that additional research is conducted in order to get a more robust picture of the year-to-year evolution of Latino economic mobility.

Below are some of the areas where additional data and research are needed:

Latinos and Savings: While the FDIC National Survey of Unbanked and Underbanked Households tracks how many families report saving for unexpected expenses, there are many unanswered questions regarding Latinos and savings. What is the median value of total savings? What is the savings rate for Latinos? How large of a savings reserve do Latino families feel is sufficient?

Latino-Owned Scaled Firms: The U.S. Census Bureau 2012 Survey of Business Owners dataset was the last survey the Census did of its kind. That was the last dataset that tracked how many Latino businesses are scaled, or making an annual revenue of more than \$1 million per year. This data point is critical to tracking the success of Latino-owned businesses.

Latinos and Investments: Aside from the data provided by the Survey of Consumer Finances, not much is known about Latinos and non-cash financial assets. What is the relationship between Hispanics and investment tools? Broken down by income bracket, how many Latinos own non-cash financial assets? Of those who invest in non-cash financial assets, how were they first introduced to these investments, and what influenced their decision to start investing?

Latinos and Credit Scores: While Experian has published data on credit scores based on age cohorts, there is little public access to data broken down by race. Understanding the credit scores of Latinos over time would be a key indicator of their overall financial health, the key factors that most impact Hispanic credit scores, and Hispanic understanding of credit reporting factors.

Latinos and Equity: In order to better understand the wealth Hispanics are deriving from their homes, regular data tracking home equity broken down by race would help shine light on overall wealth projections and trends.

Perceptions on Financial System: For Latinos born outside of the United States, how does their country of origin impact the perception they have about the U.S. financial system? How have the financial systems of their countries of origin impacted their current financial decisions and those of their families?

APPENDIX C: component goal # 1

The following section outlines the Hispanic Wealth Project's blueprint for tripling Hispanic median household wealth by 2024.

Requirement		Objective
Consistent access to low down payment mortgage financing.	1	Obtain commitments from additional lenders, government and other entities that will increase the supply of low down payment mortgages.
An increase in housing inventory especially in the stock of affordable homes.	2	Obtain commitments from government, builders, servicers and other entities to deploy and support programs that increase the supply of affordable housing stock.
An increase in the number of formally-trained Hispanics working in the mortgage and real estate industries.	3	Secure commitments from – and partnerships with – entities that can support the recruitment of Hispanics into the real estate and finance industries, and can support Hispanic professional growth through training and mentorship.
Practical consumer protection that reduces the risk for predatory activity while simultaneously promoting fair housing and improving credit access.	4	Foster and support programs and policies that ensure an appropriate balance between consumer protection and mortgage access.
Down payment assistance and a plan to assist more Hispanic families with access to available programs.	5	Increase the number of first-time buyers by supporting programs and policies that expand down payment assistance programs, increase awareness of program availability to Hispanic families and enhance Hispanic borrower access to first-time home buyer mortgage programs.
Housing counseling that improves homeownership sustainability	6	Identify and support pre-purchase housing counseling programs for all first-time buyers, and specifically seeks to endorse programs that align with Hispanic cultural and demographic patterns and characteristics.
Strong Community Reinvestment Act (CRA) and affordable housing goals that are met through programs that truly serve communities and home buyers.	7	Recognize and support innovative and successful CRA programs and to endorse policies that establish ambitious CRA and affordable housing goals that serve communities and home buyers.
The continuation of government policies, including the mortgage interest tax deduction, that favor homeownership outcomes.	8	Support policymakers who will work to preserve the mortgage interest deduction and will otherwise advance initiatives that support homeownership outcomes.

component goal #2

Requirement		Objective
Education programs that create awareness of small business formation opportunities and guide formation activities.	1	<p>(1) Identify existing education programs with Spanish-language content that can be accessed via the internet.</p> <p>(2) Support curriculum development that offers learning on small business fundamentals, and make such curriculum available for use by a wide variety of public and private institutions.</p>
Mentorship, by which successful Hispanic small business owners provide visible and tangible evidence and support for success, and peer-to-peer groups that offer “mastermind” coaching.	2	<p>(1) Identify business leaders who have worked through many of the start-up challenges faced by Hispanic businesses and encourage such leaders to share their stories.</p> <p>(2) Be a forum for the exchange of ideas and for matching mentors and protégés in program aimed to give Hispanic entrepreneurs clearer roadmaps for business success.</p>
Incubators for technology and financial services entrepreneurship that allow small business owners to collaborate.	3	Build and sustain forums for collaboration where entrepreneurs can gather, examine business challenges and learn to apply proven solutions.
Availability of capital for small business lending.	4	Identify, foster and publicize lending programs that address specific community, cultural and economic patterns.
Hispanic access to small business lending programs.	5	Close the gap between lenders and would-be borrowers through outreach programs that encourage small business lenders to reach deeply into Hispanic communities, and that provide Hispanic entrepreneurs with the confidence and capability to apply for business financing.

component goal #3

Requirement

Objective

Investment education for small business owners.

1

Identify, endorse and deploy investment education that creates awareness and understanding of various investment instruments (e.g. stocks, bonds), explains the concepts underlying portfolio diversification, introduces channels for accessing investments, and provides tools for tracking and measuring investment risks and returns.

Training programs for employers to drive increases in Hispanic participation in retirement programs.

2

Identify and highlight consumer education materials that make investments intriguing for a Hispanic audience.

Tax policies that create incentives for diversified financial holdings.

3

Advocate for policies that create incentives for consumers who participate in employer-sponsored retirement programs (e.g. 401k), make investments (e.g. mutual funds), and otherwise diversify the repositories for their household wealth.

Awareness programs (including technology-based social media) that engender investment curiosity and offer clear paths for taking first steps.

4

Identify and support programs that make investing interesting and accessible, that lower minimum account balance requirements for the opening of an investment account, that allow small-dollar trades for low-risk investment experimentation, and that attach high-touch multi-lingual customer support to the process of establishing and sustaining an investment-firm relationship.

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