

Does Race Matter for the Bank Account Ownership of Young People?

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Abstract

Wealth disparity between Whites and minorities has been increasing during the past years and racial disparities also exist in bank account ownership. As one aspect of financial capability, bank account ownership has been found to be associated with wealth building. Wealth inequality may begin early in childhood resulting from parents' financial socialization. In particular, the disparity in bank account ownership seems to last during young adulthood. Racial differences in bank account ownership have been found in past studies; however when the disparity begins or how it persists in young adulthood has rarely been explored.

The present study examined predictors of bank account ownership of adolescents and young adults using data from the Panel Study of Income Dynamics Child Development Supplement and Transition into Adulthood. We compared Whites, Blacks, and Latinos to identify the nature of racial/ethnic differences. Black children and young adults were significantly lagging in bank account ownership, controlling for the effects of structural variables. Having a bank account as a child was significantly associated with bank account ownership in young adulthood. Parental bank account ownership and family assets during childhood significantly increased the odds of childhood bank account ownership for Whites compared to Blacks. Young adult characteristics such as financial independence, employment status, and education level were significant and showed greater association with bank account ownership than socialization factors. The paper concludes with implications and directions for future research.

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