Falling Behind:

The Black-White Wealth Gap in Life Course and Intergenerational Perspective

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Abstract. The black-white wealth gap in the United States is vast and increases with age. Prior research has typically taken a static approach, predicting current wealth with current individual traits or measures of social origins. This approach is ill-suited to wealth, which reflects the lifetime accumulation of resources. We adopt a life course perspective, examining the accumulation of wealth across individuals' lives and how rates of accumulation change with age. Using data from the National Longitudinal Survey of Youth 1979, we show that whites accumulate wealth more rapidly than blacks throughout their 20s, 30s, and 40s, and the gap increases in the 20s and 30s. Unlike whites, whose rate of wealth accumulation accelerates with age, blacks' rate of wealth accumulation remains low throughout early and middle adulthood. Individual traits, especially income and education, explain about 40 percent of the initial black-white gap in wealth accumulation rates and the entirety of the widening of the gap in the 20s, but not blacks' slower increases in wealth accumulation rates in the 30s. Net of individual traits, black-white differences in social origins explain only about 10 percent of the initial wealth accumulation gap, and even less of its growth with age. In sum, blacks are cumulatively disadvantaged in wealth accumulation across the life course in two ways. First, because their annual rate of wealth accumulation is always lower than whites', with each year they fall farther and farther behind in amassed wealth. Second, because the black-white accumulation rate gap grows with age, blacks lose ground at an increasing rate with each year.

The black-white wealth gap in the United States is large and shows no signs of closing. In 2009, the median white household had net worth twenty times that of the median black household, the largest gap since the data series began twenty-five years previously (Kochhar, Fry, and Taylor 2011). The race gap in wealth is significant because of wealth's implications for outcomes such as marriage (Charles, Hurst, and Killewald 2013; Schneider 2011), health (Smith 1995), and the achievement, education, and labor market outcomes of offspring (Conley 1999; Conley 2001a; Orr 2003). Physical assets, such as homes and vehicles, provide use value to their owners, while financial wealth can be income- and wealth-generating, as well as providing resources to buffer negative economic shocks.

Prior research has sought to identify the causes of racial disparities in wealth, with particular attention to the race gaps in income and social origins. This research, however, has largely been limited by taking a static approach to the study of racial wealth inequality, predicting current wealth as a function of current individual traits or the traits of parents during childhood. This approach is ill-suited to the study of wealth, which, unlike income, is fundamentally a measure of the stock of resources, rather than a point-in-time flow. Thus, past research that relies on "snapshot" estimates of the racial wealth gap has been limited in its ability to study the sources of the black-white wealth gap as it unfolds across the life course (Conley 2001b).

We bring a life course perspective to the study of race differences in wealth, examining the evolution of wealth across individuals' lives. First, we document changes in the black and white wealth distributions as individuals age from young adulthood through middle age, examining not only the central tendency of the distribution, but patterns at more extreme locations. Consistent with prior research (Avery and Rendall 2002; Conley and Glauber 2008),

we find massive increases in the absolute wealth gap with age, although the *ratio* of black to white median wealth remains fairly similar. Second, we model race differences in wealth accumulation year-by-year. By focusing on wealth accumulation as a function of current traits and social origins, we are able to more appropriately model not wealth – a cumulative outcome – but accumulation – a point-in-time outcome – with current circumstances. Furthermore, we examine whether blacks' disadvantage in wealth accumulation is concentrated at particular points in the life course. It is possible that the wealth gap grows with age simply because blacks consistently accumulate less wealth than whites at every age. On the other hand, it may be that blacks' wealth accumulation is particularly stymied at certain points of the life course. Finally, we test the extent to which both individual characteristics, such as income and education, and social origins characteristics, like parents' education and occupation, can explain the race gap in wealth accumulation and its changing pattern across the life course.

WEALTH GROWTH ACROSS THE LIFE COURSE

Even among young adults, whites tend to hold more net worth than blacks (Conley 1999; Killewald 2013), and this gap grows in absolute terms with age (Avery and Rendall 2002; Conley and Glauber 2008; McKernan, Ratcliffe, Steuerle, and Zhang 2013; Shapiro, Meschede, and Osoro 2013). Efforts to explain this descriptive pattern, however, are relatively limited. Shapiro et al. (2013) use a sample of households from the Panel Study of Income Dynamics and track household wealth accumulation between 1984 and 2009. The authors then model the log of wealth growth over this twenty-five year period as a function of various predictors, including average income, time spent unemployed, and education, each of which partially explains the race gap in wealth growth. Conley (2001b), by contrast, examines a five-year panel and models net

worth in 1989 after controlling for net worth in 1984. He finds that, even after adjusting for prior wealth, current and prior income, parental wealth, and household savings between the two periods, whites' wealth is higher than blacks' in 1989. However, the race gap narrows substantially when he further adjusts for the different types of assets held by blacks and whites in 1984.

These studies are an important first step in moving wealth research from a static to life course perspective. However, both studies measure wealth at only two points in time, losing much of the nuance of how wealth evolves. Moreover, both examine change in wealth across calendar years, rather than considering that wealth growth may be particularly concentrated at certain ages or follow different processes at different points in the life course. By contrast, we examine wealth growth year by year, allow age to shape wealth accumulation patterns, and further allow that the age-wealth profile may differ by race. In this way, we are able to evaluate at what stage in the life course blacks particularly fall behind in wealth accumulation.

We hypothesize that blacks may lose ground compared to their white peers in wealth accumulation rates during their 20s, due to blacks' slower transitions to economic and residential self-sufficiency (Danziger and Ratner 2010; Settersten Jr and Ray 2010; Whittington and Peters 1996). In this way, we bridge the literature on the transition to adulthood and its implications for later-life outcomes (Danziger and Ratner 2010; Hogan and Astone 1986; Johnson 2001) with the literature on the race gap in wealth. We focus on wealth's position as a cumulative resource that is by definition shaped by previous outcomes and early-life circumstances. We also allow age to moderate the relationship between wealth and other predictors. This highlights that some factors may become increasingly important for wealth accumulation as adults age, while others may be particularly important in early adulthood.

Our approach pays dividends for considering how much of the race gap in wealth can be explained by income differences – estimated to be about 2/3 in prior research (Barsky, Bound, Charles, and Lupton 2002). These estimates, however, are often limited by considering only present income as a predictor of present wealth (Barsky et al. 2002; Gittleman and Wolff 2004; Killewald 2013), which obscures the fact that wealth stock at a given point in time is a function of an individual's entire history of savings opportunities, reflected at least partially in their cumulative income to date. While some studies attempt to create proxies for lifetime income by averaging income across several years (Conley 2001b; Oliver and Shapiro 2006; Shapiro et al. 2013), this approach may be problematic for estimating the share of the black-white wealth gap attributable to income differences. Because blacks experience greater income volatility than whites (Hardy and Ziliak 2014; Nichols and Zimmerman 2008; Ziliak, Hardy, and Bollinger 2011) and, as previously mentioned, slower transitions to adulthood, coarse proxies for lifetime income may disproportionately overstate blacks' lifetime resources, underestimating the extent to which income gaps across the life course explain the black disadvantage in wealth accumulation.

Rather than relying on current or average recent family income as a proxy for lifetime income to date, we use current income as a predictor of current wealth accumulation, reflecting that, while wealth levels are likely to be affected by prior income streams, the ability to accumulate wealth at a particular moment in time is shaped largely by resources available for savings. We begin by documenting the race gap in wealth accumulation rates and its evolution with age. We then consider to what extent race differences in income can explain these differences, and whether income's role varies through early and middle adulthood. We hypothesize that the slower transition to adulthood for young adult blacks will lead to slower

wealth accumulation in early adulthood (the 20s), with lower income in this period playing an important role.

We also consider the influence of social origins on rates of wealth accumulation. The intergenerational transmission of advantage in the United States is high, for both income and wealth (Charles and Hurst 2003; Solon 1992). Thus, it is reasonable to assume that a legacy of disadvantage may lead to lower asset accumulation for contemporary blacks, even if there is no race-based disadvantage in current asset markets. Oliver and Shapiro (2006) refer to this process as the "sedimentation of inequality." In addition to any indirect effects of parental wealth on offspring wealth via children's education and income (Conley 1999; Conley 2001a), parental wealth is also directly correlated with the wealth of their young adult offspring (Conley 1999; Killewald 2013). This direct effect may occur in part through direct transfers across generations, in the form of down payment assistance (Charles and Hurst 2002; Hall and Crowder 2011), funding of postsecondary education, or other *inter vivos* transfers.

Sociologists have debated the importance of the sedimentation of inequality versus contemporary social processes disadvantaging blacks (Conley 1999; Conley 2001b; Oliver and Shapiro 2006; Wilson 1978). What seems clear, however, is that race differences in social origins and receipt of inheritance explain at least a portion of the residual race gap in wealth that remains after accounting for income and other individual-level traits (Conley 1999; Conley 2001b; Killewald 2013). Yet the effects of advantaged origins have rarely been considered in dynamic context. A key tenet of the life course perspective is that events early in life inform subsequent trajectories (Elder 1995). This is particularly true for net worth, since wealth (or debt) early in life has the longest time to accumulate interest in subsequent years. Thus, we expect that parental advantage will place young adults on an advantageous trajectory throughout their lives,

allowing them to make wealth-generating investments (such as home purchase) early in life, or

helping them to avoid high-interest debt (such as credit debt). To test this possibility, we

examine whether, net of individuals' own characteristics, parental traits are associated not only

with higher wealth levels, but with faster rates of wealth accumulation. As with income, we can

also examine whether differences by race in social origins are able to explain race differences in

how wealth accumulation patterns evolve with age.

DATA AND METHODS

To answer these questions, we use data from the National Longitudinal Survey of Youth

1979 (NLSY79), which includes 12,686 men and women first interviewed in 1979, when they

were ages 14-22.[1] They have subsequently been interviewed annually or biennially (U.S.

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[1] Compared to the Panel Study of Income Dynamics (PSID), which also collects wealth

information, the NLSY79 dataset has several advantages. First, because the NLSY79 is based on

a cohort of young adults, we have a large number of individuals to follow from young adulthood

through early middle age. Second, the NLSY79, unlike the PSID, is an individual-based survey.

Because data in the PSID are usually collected from the household head or spouse, wealth is

unmeasured for many young adults who have not yet established their own households. The

NLSY79, on the other hand, asks about the wealth of any individual who meets at least one of

the following five criteria: at least 18 years of age, currently enrolled in college, married, a

parent, or living outside the parental home. Lastly, net worth is available for NLSY79 sample

members in far more waves than for PSID sample members. A disadvantage of the NLSY79 is

that, unlike the PSID, we have no measures of parental wealth to include in our set of social

origins controls.

Department of Labor Bureau of Labor Statistics 2012), with the response rate remaining over 80

percent (National Longitudinal Surveys 2013). Respondents are ages 20-28 in the first year asset

information was collected (1985) and 43-51 in the most recent year it was collected (2008).

Thus, the NLSY79 provides a good source of information for the evolution of assets and the race

gap in net worth, from young adulthood through middle age.

We exclude NLSY79 subsamples that were not followed throughout the entire survey

period and respondents who are either not native-born or neither non-Hispanic black nor non-

Hispanic white, as the black-white wealth gap is our primary interest.[2] All financial variables are

adjusted to 2012 dollars using the Consumer Price Index (CPI). We use all observations from the

14 years in which wealth data were collected, leaving us with a total of 68,684 person-year

observations from 6,265 individuals in our analytic sample. In the current version, we use flags

for parent level item-missing data and listwise deletion for observations with missing data on

respondent income, education, inheritance, birth in the South, number of siblings, marital status

or homeownership, although we plan to multiply impute missing data in future drafts.[3]

Wealth. In most years, the NLSY79 has collected information on the respondent's net

worth (1985-1990, 1992-1994, 1996, 1998, 2000, 2004, and 2008). Although the specific wealth

questions vary somewhat across years, NLSY79 creates a measure of the respondent's total net

worth in each wave in which asset information is collected. Net worth is generally the sum of:

housing equity (market value less debt), vehicle(s) value, cash savings, stocks and bonds,

ownership of a farm, business, or property, and other (residual) valuable items or debts.

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[2] For discussions of wealth among Hispanics and Asians, see Campbell and Kaufman (2006) and

Krivo and Kaufman (2004).

[3] We drop 12,335 cases by using listwise deletion.

Beginning in 1988, respondents were also asked to report the value of any rights they hold to estates or trusts. NLSY79 imputes missing values for specific assets, and we employ these imputed values.

When measuring a family's standing in the income distribution, it is common to adjust for family size by dividing total family income by either the square root of household size (e.g., Western, Bloome, and Percheski 2008) or the poverty line for a family of that size and composition (e.g., Duncan and Rodgers 1991). In analyses of wealth, however, such adjustments are uncommon, although a similar logic applies: two people do not require twice the wealth of one person to enjoy the same standard of living. Adjusting for family size is particularly important given race differences in family structure. Therefore, we adjust wealth by the square root of family size. We also top and bottom code wealth at the 5th and 95th percentile for each year, to avoid unduly influential outliers.

Race. Because our sample is limited to non-Hispanic whites and non-Hispanic blacks, race is captured with a binary variable for whether the respondent is black.

Age. We adjust for age centered at 20 – the youngest age of respondents in 1985. Recentering allows us to interpret intercept terms in our regressions in meaningful ways. To allow for nonlinearities in the age-wealth-accumulation association, we construct a linear spline with knots at ages 30 and 40, allowing wealth accumulation to change at different rates in each decade of life.

Income. In each wave, NLSY79 ascertains total family income in the prior calendar year. Following Conley (2001b), we exclude asset income from our measure of income, as it is likely to be endogenous with wealth. Because wealth accumulation is likely to be affected by the amount of disposable income, we normalize family income, like wealth, by the square root of

family size.[4] Given prior evidence that income is non-linearly associated with wealth (Barsky et al. 2002; Killewald 2013), we specify family-size-adjusted household income as a linear spline with knots at the quartiles of the distribution.

Education. Education has been hypothesized to affect asset accumulation via improved financial decision-making, and it is consistently positively associated with net worth (Yamokoski and Keister 2006). We measure current educational attainment in four categories: less than a high school degree, exactly a high school degree, some college education, and a four-year college degree or more.[5]

Sex. We control for sex with a binary variable set to one if the respondent is female, reflecting some evidence of gender differences in wealth accumulation patterns (Ruel and Hauser 2013).

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[4] Family income is a function of family structure and family labor supply as well as earnings. Thus, by controlling for family income we also control to some extent for family formation processes.

[5] Prior to 1988, the NLSY79 collected data only on the highest grade level completed and whether or not respondents had received a high school diploma or GED. Starting in 1988, data were collected on the highest degree received to date. We code education level in years prior to 1988 using standard assumptions about grade level completion and degree acquisition (e.g., 12 years completed = high school diploma, 16 years = four-year college degree, more than 16 years = advanced degree), with checks for whether or not the respondent reported having received a high school diploma or GED. In 1988 and subsequent years, we code education based on highest degree received when available and fill in missing data on degree attainment using highest grade level completed, with the same assumptions.

Independent residence. In addition to calendar age, we assume that other indicators of the transition to adulthood may be associated with wealth accumulation. For example, individuals who do not yet live independently from their parents may accumulate wealth more slowly, either because their disadvantaged circumstances are the impediment to independent living, or because household resources are shared, preventing wealth accumulation by the young adult. Alternatively, "doubling up" with parents may be a financial strategy that allows young adults to accumulate wealth more quickly by reducing household expenses (Pilkauskas, Garfinkel, and McLanahan 2014). We create a dummy variable set to one if the individual is currently living independently and also include a linear term that reflects the number of years she has been living independently.

Social origins. Respondents' social origins are measured with parental education, the prestige and average wage of the parent's occupation, the parent's age in 1978, whether the respondent was born in the south, and the respondent's number of siblings, all measured at baseline in 1979. Information on parental wealth is not collected by the NLSY79, and parental income is available only for adolescents still living with their parents in 1979. Therefore, we proxy parental resources with education and the characteristics of the parent's occupation. Parental education is positively associated with wealth, net of individuals' own traits (Yamokoski and Keister 2006), while siblings are negatively associated with net worth (Keister 2003; Yamokoski and Keister 2006).

Parental education is measured in the same categories as the respondent's own education, taking the maximum among the respondent's residential biological parents at age 14, if there is

more than one.[6] Parents also reported their occupation in 1979, if they were working. For each occupation, we estimate an occupational wage using data from a random subsample of full-time (greater than 35hours per week) workers ages 40-50 in the 1980 U.S. Census (Ruggles et al. 2010).[7] Parental occupational prestige is created using the Hodge-Siegel-Rossi score (Smith, Marsden, Hout, and Kim 2015). Both parental occupational prestige and parental occupational wage are measured as the maximum among respondents' residential parents, if both parents report working. For respondents who did not live with either biological parent at age 14 or for whom this information is missing, maternal values of parental traits are used, and paternal values are used if maternal values are unavailable. A dummy variable is set equal to one if the respondent reports having been born in the American south.

     Inheritance. Unlike social origins, inheritance received to date is a time-varying variable. In 1988, respondents were asked to report inheritance received prior to 1987. In the 1988-1998 waves, respondents reported inheritances received in the prior calendar year. In 2000 and subsequent waves, respondents reported inheritances received since the date of the last interview. We use a measure of net present value of inheritance to date, summing the respondent's total reported values of inheritances received to date and assuming a 5 percent rate of return. In this way, we allow that inheritance may not only increase individuals' stock of wealth, but also

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[6] Parents' education is reported as highest grade level completed. We use the same assumptions to translate years of education to degree categories as for respondents' educations.

[7] Occupational wage is estimated through a hierarchical linear model, exploiting that detailed occupations fall into broader occupational groups in order to gain statistical power for some small occupation. We control for gender, race and age composition in each occupation.

facilitate future wealth accumulation, through direct return on investments or by facilitating investments in other wealth-generating opportunities, such as homeownership.

Method

We experimented with a variety of analytic approaches to describe wealth accumulation across the life course. As previously discussed, we believe that shifting to a focus on wealth accumulation, rather than wealth levels, has conceptual value. However, we also considered more traditional models of wealth levels that incorporated a life course perspective. One obvious approach is to use hierarchical linear models, allowing both time-varying and time-invariant characteristics to affect wealth *levels*, and additionally allowing time-invariant variables to moderate the age-wealth association. Despite the appeal of this approach, it raises substantial questions about the appropriate specification of the dependent variable. Previous studies of wealth often use net worth itself as the outcome (Barsky et al. 2002; Smith 1995; Yamokoski and Keister 2006). However, we found evidence of considerable heterogeneity across the wealth distribution in not only the rate of wealth increase with age, but the association between other predictors and wealth as well, with coefficients typically much larger (as one would expect) toward the top of the wealth distribution. Although statistical techniques are available to estimate associations at different points in the outcome distribution (Firpo, Fortin, and Lemieux 2009), such an approach quickly becomes overwhelming in the number of coefficients generated.

Because of concerns of outliers and heteroskedasticity, another popular approach is to use the natural log of net worth (Conley 1999; Conley 2001b; Conley and Glauber 2008; Hall and Crowder 2011; Keister 2003; Killewald 2013). A persistent concern with this approach is that it leads to diverse approaches to handling the roughly 10 percent of American households with

non-positive net worth (Budrıa, Diaz-Giménez, Quadrini, and Rios-Rull 2002), each of which

has limitations (Killewald 2013).

To study the race gap in wealth across the life course, we have an additional concern:

after log transformation, coefficients on predictor variables can be interpreted as the percent

increase in wealth associated with a one-unit change in the predictor variable. For example, we

would identify how whites and blacks differ in their percentage gains in wealth with age.

However, given that young whites and blacks start at very different wealth levels, a 2 percent

annual increase in wealth for blacks is a much smaller dollar amount than the same rate of

increase for whites. Deciding whether to measure wealth in relative or absolute gains is in part an

empirical question. If most wealth gains are due to the return on assets, then it is reasonable to

examine relative gains. On the other hand, if most wealth accumulation is due to savings, then

absolute values are more appropriate. Given that savings account for the majority of wealth

growth (Gittleman and Wolff 2004), we believe that the absolute specification is more

appropriate. We also considered, as a robustness check, models that additionally control for prior

wealth. Although prior wealth is positively associated with wealth accumulation in the baseline

model, the sign reverses after the inclusion of individual controls, and the results are qualitatively

similar to our main models (see Appendix Table 1).

We also believe that the absolute approach is most useful for interpreting the race gap in

wealth and the extent to which it is mediated by other factors. If, conditional on income, there is

no race gap in year-to-year percent growth in wealth, but only because blacks' lower wealth

levels mean that each dollar of income translates into far less wealth for blacks, it would be

inappropriate to say that income can explain the black-white gap in wealth accumulation. Given

vastly different starting points, equal relative rates of increase with each year would still imply

that, in dollar terms, the disparity between blacks' and whites' wealth will grow with age, with profound implications for racial disparities in the economic well-being of retired and elderly adults.

Because wealth is measured with considerable error, measuring the rate of change in wealth is notoriously challenging (Juster, Smith, and Stafford 1999). To reduce this problem, we exploit the large number of waves of data in the NLSY79 and create a measure of change in average wealth between the five years leading up to and including the current period and the five years following. In the biennial years we do not have observations in all surrounding years, and we sometimes also have wave- or item-missing data. We simply use available wealth measures within the period and average. In order to interpret the results as an annual increase, we divide by the average gap in years between the earlier and later periods.

We use median regression rather than a conditional mean model in order to reduce the influence of outliers. We present three models. The first, a baseline model, controls only for race and its interaction with age. This model estimates how much more slowly median black wealth grows each year than white wealth (in absolute terms) and how the accumulation gap varies from age 20 through the 40s. The second model adjusts for individuals' own traits, including education and income. We allow both gender and education to be associated with wealth accumulation differently at different ages. The third model further adjusts for parental traits and inheritance received. In preliminary models, we allowed all social origins variables to be associated differently with wealth accumulation at different points in the life course. However, we found that these interactions had little explanatory power and did not substantially alter the results, so we present models that assume these factors are associated with wealth accumulation in a constant way across the life course, for simplicity.

Consistent with prior research, we assume that the residual race gap in wealth accumulation, net of respondents' own demographic traits, income, residence, and social origins, represents an *upper bound on the direct effect* of contemporary racial discrimination in the asset market. It is an *upper bound* because residual race differences may be due to factors other than discrimination, and it measures only the *direct effect*, because it does not consider discriminatory practices that affect the values of the covariates, such as income.

RESULTS

Table 1 displays weighted descriptive statistics for the key dependent and independent variables in our models by race. As expected, there is little difference between blacks and whites in age or gender: women are about half of each sample, and respondents are, on average, 18 years of age in 1979, when the first wave of data was collected. However, there are large differences by race in both social origins and realized adult outcomes. By age 25, a quarter of whites have completed at least a four-year college degree, while only 10 percent of blacks have. Blacks are about twice as likely as whites not to have finished high school (17.5 percent versus 8.9 percent). Adjusted for family size, average household income is about 60 percent as high for blacks as for whites ($22,000 versus $36,000). In terms of social origins, whites have parents with higher average levels of education, higher occupational prestige, and higher occupational wages. Whites are also substantially less likely to be born in the south (23 percent versus 61 percent) and have fewer siblings on average.

The descriptive statistics presented for wealth show the substantial right skew of the distribution. In the full sample, mean family-size-adjusted wealth is $48,000, while the median is only $16,700. Pooling across all ages, median adjusted wealth is $23,000 for whites, compared

to only $2,300 for blacks. Median wealth accumulation is just under $200 per year for blacks, compared to $2,500 for whites.

[Table 1 about here]

[Figure 1 about here]

These average race differences mask considerable variation across the age range covered by our sample. Figure 1 shows changes in the raw black and white family-size-adjusted wealth distributions, smoothed with a three-year moving average, from ages 21 to 46.[8] At age 21, the black and white wealth distributions are relatively similar at the bottom of the distribution. At this point, the bottom decile of both whites and blacks has negative net worth (slightly more net debt for whites). The 25th percentile of the distribution is also similar by race: $0 for blacks compared to just $330 for whites. Thus, what distinguishes the wealth of young blacks and whites is not whites' greater ability to avoid debt. Instead, differences emerge at higher points in the wealth distribution. The median wealth of 21 year-old blacks is only $250, while the median wealth for the youngest whites is more than ten times that: $2,900. This means that the median of the white wealth distribution is above the 75th percentile of the black wealth distribution ($2,500). Likewise, the 90th percentile of the black distribution ($8,100) is below the 75th percentile of the white distribution ($8,700), and 10 percent of 21 year-old whites hold at least $21,000 in wealth.

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[8] In the figure, we use all available wealth observations for individuals of a given age, prior to listwise deletion.

Although the race gap in wealth appears early, it grows vastly with age. Until age 45, at least one quarter of blacks hold no net worth, and net worth at the 25th percentile never exceeds $100. By contrast, the 25th percentile of the white wealth distribution grows steadily with age, exceeding $20,000 at age 40 and rising to over $32,000 at age 46. Recall that at age 21 the absolute wealth gap at the 25th percentile was only $330. Thus, the size of the gap increases almost hundredfold over the period between ages 21 and 46.

At the median, the wealth gap at age 21 is already moderate ($2,600), but it too grows considerably with age. By age 30 the gap exceeds $20,000 ($24,000 versus $2,200) and it is over $100,000 at age 46 ($120,000 versus $17,000). In other words, it takes until age 46 for the median of the black wealth distribution to reach the same level of affluence that the median white has achieved by age 28. In absolute terms, the gaps at the upper end of the wealth distribution are vast by midlife: $190,000 at the 75th percentile and $330,000 at the 90th percentile.

Against this pattern of skyrocketing absolute gaps, the ratio of black to white median wealth shows no clear pattern across the age range. When blacks and white are in their 20s, the median (across ages) black-white ratio in median wealth is 0.13, compared to 0.07 in their 30s and 0.12 in their 40s. This confirms our decision to examine absolute wealth accumulation patterns in order to fully engage diverging wealth patterns by race across the life course. The figure also highlights the heavy right skew of the wealth distribution. Particularly for whites, the top quartile of the distribution, and even more the top decile, pulls vastly away from the median as adults approach midlife. This confirms our decision to use median regression in order to avoid unstable estimates due to outliers. However, it also means that our results will speak to

differences in the median experiences of blacks and whites, ignoring the extent to which blacks may be particularly disadvantaged in their access to the highest levels of wealth.

Table 2 displays the results of our multivariate models. The first column shows the results of our baseline model, which estimates wealth accumulation as a function only of age, race, and their interaction. For whites, wealth growth is always positive and accelerates in the 20s and 30s, then reaches a roughly constant rate in the 40s. For the youngest whites, median wealth accumulation is $1,800 per year. Because wealth accumulates increasingly rapidly during the 20s, by age 30 median annual accumulation has grown to about $2,000 per year ($1754 + $28.78*10). In the 30s, wealth accumulation accelerates, reaching about $4,300 per year by age 40 ($1754 + $28.78*10 + $222.9*10). After age 40, there is no statistically significant change in median annual wealth accumulation (and the coefficient is negative). Thus, for whites, wealth tends to grow throughout the life course, with accumulation accelerating through the 20s and 30s before reaching a roughly steady state in the 40s. Note that this does not mean *wealth* is stable, merely that the annual amount of accumulation has stabilized by about age 40.

[Table 2 about here]

For blacks, the picture is quite different. Blacks accumulate wealth at a slower rate than whites even at age 20, and black rates of accumulation, unlike those of whites, do not increase with age. At age 20, the median black increases wealth by only about $300 per year ($1754-$1427). Rates of wealth accumulation become even slower in the 20s, falling to $40 per year at age 30 ($1754-$1427 + ($28.78-$57.90)*10). Accumulation then improves somewhat in the 30s,

to $500 per year by age 40, before falling again in the 40s. As a result, predicted annual wealth accumulation for 50 year-old blacks is about $200 – no better than for 20 year-olds.

These baseline associations show that blacks are disadvantaged compared to whites in rates of wealth accumulation throughout the 20s, 30s, and 40s, but the gap increases with age, especially in the 20s and 30s. While whites accumulate wealth ever more rapidly as they age through young adulthood, blacks do not.

In terms of wealth levels, blacks experience cumulative disadvantage in two distinct ways. First, blacks start with slower rates of wealth accumulation. Even with no other changes, this implies that they will fall farther and farther behind in wealth levels across the life course. Second, their rate of wealth growth increases less rapidly with age, meaning that the amount they fall behind each year *also* increases with age.

In the second column, we add the controls for individual characteristics. Importantly, adjusting for individual characteristics fully explains the acceleration in white wealth accumulation during the 20s. In other words, the fact that whites are putting away more money at age 30 than age 20 can be entirely explained by their changing individual circumstances. Net of these individual characteristics, however, wealth accumulation still becomes more rapid in the 30s for whites, before declining somewhat in the 40s.

Adjusting for race differences in income, education, gender composition, and independent residence, the initial race gap in wealth accumulation rates falls by about 40 percent, from about $1,400 per year in the baseline model to about $900 per year in the model with individual controls. Adjusting for race differences in individual traits also eliminates the black disadvantage in the acceleration of wealth accumulation during the 20s. Thus, the lack of acceleration in blacks' rates of wealth accumulation in their 20s can be fully explained by their

slower transitions to adulthood in other dimensions: education, young-adult income, and transitions to independent residence, consistent with our predictions. In the baseline model, blacks and whites diverged only slightly in their 40s in their acceleration in wealth accumulation (the difference was not statistically significant), and, after adjusting for individual controls, blacks' rate of wealth growth actually increases more than whites' after age 40.

However, just as individual traits do not explain whites' acceleration in wealth accumulation in their 30s, they explain only about one third of the black-white gap in acceleration during this period.

Although not the focus of our analysis, we discuss briefly the results for the control variables. As expected, high-income individuals are able to accumulate more wealth in a given year, although the strength of the association varies across the income distribution. In the first quartile of the income distribution, up to $5,500 (adjusted for household size), increasing income is not associated with more rapid wealth accumulation, perhaps reflecting that these individuals are resource-constrained enough that they adjust spending with additional income, rather than having disposable income available for savings. Over the second and third quartiles, each additional $1,000 of family-size-adjusted household income is associated with an increase of about $40 in wealth accumulation. Finally, the rate of wealth accumulation increases dramatically in the top quartile of the income distribution, increasing over $240 for every additional $1,000 in income. These results are consistent with prior evidence of higher savings rates and a sharper income-wealth relationship at higher income levels (Barsky et al. 2002; Gittleman and Wolff 2004; Killewald 2013).

Education is also associated with the speed of wealth accumulation, even net of income. In particular, those with some college education accumulate wealth more rapidly than those with

no more than a high school degree, and college graduates accumulate wealth still faster. Compared to those with less education, wealth accumulation decelerates in the 20s for both college groups, perhaps reflecting both tuition payments and deferred earnings, before accelerating more rapidly in the 30s. Differences by gender in wealth accumulation patterns are slight and not statistically significant, and whether and for how long the individual has been living independently is also not a significant factor in rates of wealth accumulation.

Finally, in the third column we show the results of the model that adds measures of individuals' social origins, as well as their adult characteristics. Net of individual factors, social origins explain only a modest amount of the race gap in wealth accumulation or its changing magnitude with age. Whites' more advantaged social origins explain about an additional 6 percent of the initial early-adulthood advantage in wealth accumulation and only 3 percent of the widening of the accumulation gap in the 30s. Both prior bequests or inheritances and higher parental education are associated with greater wealth accumulation, but otherwise the social origins measures are not statistically significant predictors of wealth accumulation (although they may be associated with wealth *levels*). Thus, while more advantaged social origins do explain a portion of whites' ability to accumulate wealth more rapidly, the direct role of social origins, net of independent traits, is relatively small.

It is possible that whites' accelerating wealth growth in their 30s is due in part to processes other than income and education. We consider two such processes in the final column of Table 2: marriage and homeownership. Marriage and homeownership are both endogenous to wealth (Charles and Hurst 2002; Schneider 2011), so it is not possible to make causal claims about the role of these processes in wealth accumulation based on the results of simple regression models. However, we believe that our models can provide an upper bound on the

fraction of the black-white wealth accumulation gap that can be explained by these processes. We create simple dummy variables for whether the individual is married and is a homeowner in the current year. We find no statistically significant association between marriage and wealth accumulation. While marriage may lead to wealth gains indirectly, through higher family income, and may lead to a short-term increase in wealth, by combining the wealth stocks of two individuals, we find no evidence that married couples accumulate wealth more rapidly (adjusted for family size). Homeownership, however, is associated with more rapid wealth accumulation. As we might expect, given the small fraction of 20 year-olds who own homes, homeownership does not explain any of the black-white accumulation gap for the youngest adults (that is, at the intercept), net of other characteristics. However, it does explain about an additional 13 percent of the growth in the accumulation gap during the 30s.

PRELIMINARY CONCLUSIONS AND FUTURE WORK

The race gap in wealth and its growth across the life course have attracted considerable attention, yet scholars have typically focused theoretically on factors that increase wealth levels, rather than those that shape wealth growth. In this paper, we turn attention to patterns of wealth accumulation across the life course. Consistent with prior research, we find that blacks experience much slower rates of wealth accumulation than whites. Furthermore, this disadvantage in accumulation grows with age, especially through the 20s and 30s. While whites, on average, increase wealth ever more rapidly through their 20s and 30s, the median black does not accumulate wealth more rapidly in middle adulthood compared to early adulthood, and wealth accumulation remains slow throughout.

Our results thus demonstrate how cumulative disadvantage processes shape the black-white wealth gap. Previously research has shown that, even among young adults, whites hold higher levels of net worth (Killewald 2013), a finding that our descriptive analyses of wealth quantiles by age confirm. Our analyses further show that blacks accumulate wealth less rapidly than whites through early and middle adulthood. Because wealth at a given point in time is a function of all previous accumulation outcomes, lower rates of accumulation imply that blacks fall farther and farther behind in net worth as they age. Even beyond this, however, our results show that the annual rate at which blacks fall behind rises with age, especially through the 20s and 30s. By midlife, race disparities in wealth are massive, especially in the top half of the wealth distribution.

While individual traits, especially education and income, explain only about 40 percent of the initial race gap in wealth accumulation facing the youngest adults, they explain the entirety of whites' more rapid acceleration in wealth growth through their 20s, as well as the more modest gap in acceleration in the 40s. In other words, if blacks in their 20s experienced the same education, income, and residential patterns as whites at the same ages, we would not close the wealth gap for these young adults, but we would remove one layer of the cumulative disadvantage process: blacks would still fall farther and farther behind in wealth at each age, due to lower wealth accumulation, but the rate at which they fall behind would not increase through the 20s.

We considered that, especially for the youngest adults, race differences in social origins might contribute to the accumulation gap. However, we found that, above and beyond individual traits, social origins explain only about an additional 10 percent of the accumulation gap for the youngest adults and almost none of the widening gap in the 30s.

Thus, we were unable to explain about 60 percent of the initial accumulation gap (for the youngest adults), and also about two-thirds of the growth in the accumulation gap during the 30s. While social origins clearly affect wealth levels and wealth accumulation, both directly and indirectly, much of the accumulation gap remains unexplained by either achieved characteristics or social origins. With these results in mind, we considered wealth-generating processes that may become particularly important for whites and blacks in their 30s: marriage and homeownership. While our results are descriptive rather than causal, we found that including these measures allowed us to explain a total of half of the widening of the accumulation gap in the 30s. In future analyses, we plan to consider self-employment and child-bearing as well.

We also propose to refine our models in several ways. In particular, some previous research suggests that blacks may receive a lower wealth return on wealth-enhancing traits, such as education and income (Addo and Lichter 2013; Altonji and Doraszelski 2005; Conley and Glauber 2008). Therefore, we will experiment with alternative specifications that allow for interactions between race and the covariates.

Lastly, we propose to engage in a series of simulations for how closing the race gaps in social origins, education, or income, would change the race gap in wealth at midlife. These analyses are not intended to be causal, but follow in the tradition of demographic decomposition and simulation under alternative possible scenarios.

By bringing a life course perspective to the study of the black-white wealth gap in America, we focus on understanding the processes by which wealth is accumulated. Rather than attempting to explain wealth, an outcome accumulated through the life course, with measures of current characteristics, we use these characteristics to explain variation in the amount of wealth that individuals are able to amass from period to period. This approach allows us to focus on how

race differences in wealth accumulation vary through early and middle adulthood, calling attention to the fact that the race gap in wealth and its accumulation are neither constant across the life course nor shaped by similar mechanisms at all ages. In this way, our research sheds new light on the sources of black-white wealth disparities and how legacies of disadvantage unfold not only across generations but over the course of an individual life, suggesting that policies designed to address the race gap in wealth may need to be differentially targeted across the life course as well.

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Table 1: Descriptive Statistics

	All	Black	White
Person-Level			
Black	18.4%	--	--
Age in 1979 (mean)	18.0	18.0	18.0
(std dev)	(2.3)	(2.3)	(2.3)
Female	48.9%	48.9%	48.9%
Education at 25			
Less than HS	10.5%	17.5%	8.9%
HS only	49.2%	52.7%	48.4%
Some college	18.3%	19.9%	17.9%
4 year college degree	22.1%	9.8%	24.9%
Social Origins			
Parent Educ			
Less than HS	22.1%	47.0%	16.5%
HS only	43.6%	35.3%	45.5%
Some college	13.3%	9.7%	14.1%
4 years of college	21.0%	8.0%	24.0%
Parents' Occupational Prestige	42.7	34.9	44.5
(std dev)	(13.6)	(12.4)	(13.2)
Parents' Occupational Wage	9.02	8.91	9.05
(std dev)	(1.0)	(0.8)	(1.1)
Parents' Age in 1978	45.2	44.2	45.4
(std dev)	(6.8)	(7.5)	(6.6)
Born in South	29.9%	60.8%	22.9%
No. of siblings (mean)	3.3	4.6	3.0
(std dev)	(2.2)	(3.0)	(1.9)
N	6,265	2,628	3,637
Person-Year Level			
Wealth (mean)	$ 80,418	$ 27,214	$ 92,021
(std dev)	(132,324)	(69,156)	(139,762)
Median	$ 26,354	$ 4,049	$ 36,364
Wealth -- *family size adjusted* (mean)	$ 47,684	$ 16,560	$ 54,472
(std dev)	(77,306)	(42,131)	(81,457)
Median	$ 16,699	$ 2,382	$ 22,713
Annual Wealth Growth -- *family size adjusted* (mean)	$ 5,523	$ 1,956	$ 6,300
(std dev)	(11,201)	(6,897)	(11,793)
Median	$ 1,714	$ 181	$ 2,453
Family (Non-Asset) Income	$ 55,111	$ 35,911	$ 59,298
(std dev)	(39,060)	(31,883)	(39,228)
Family (Non-Asset) Income -- *family size adj.* (mean)	$ 33,895	$ 21,990	$ 36,491
(std dev)	(23,765)	(19,972)	(23,734)
NPV of Inheritance (mean)	$ 6,883	$ 2,110	$ 7,924
(std dev)	(22,133)	(12,006)	(23,648)
NPV of Inheritance -- *family size adj.* (mean)	$ 4,211	$ 1,328	$ 4,840
(std dev)	(13,556)	(7,660)	(14,451)
Person-Years	68,684	28,165	40,519

Table 2. Median Regression of Annual Wealth Growth on Race and Age over the Life Course

	Baseline	Individual Model	Social Origins Model	Social Origins + Marriage and Homeownership
Black	-1,427***	-868.1***	-778.0***	-784.6***
	(145.0)	(171.4)	(177.1)	(177.1)
Age				
20 to 30	28.78**	-48.56	-44.23	-62.53*
	(12.52)	(34.78)	(35.26)	(35.29)
30 to 40	222.9***	119.1***	115.6***	94.40***
	(11.02)	(35.08)	(35.55)	(35.57)
40+	-22.18	-156.2	-175.1	-146.0
	(33.09)	(118.9)	(120.4)	(120.5)
Female		-104.2	-99.88	-124.7
		(165.6)	(167.8)	(168.0)
Education				
HS only		187.7	221.4	256.5
		(249.5)	(253.0)	(253.1)
Some college		1,281***	1,262***	1,254***
		(287.1)	(292.5)	(292.6)
4 year college degree or more		3,481***	3,408***	3,696***
		(327.2)	(334.1)	(334.6)
Current Student		4.091	-33.70	-30.91
		(110.1)	(111.7)	(111.8)
Household Income[1]				
Bottom Quartile		-0.200	0.999	2.751
		(11.47)	(11.63)	(11.64)
Second Quartile		33.00***	32.11***	19.47***
		(7.250)	(7.354)	(7.430)
Third Quartile		45.18***	45.37***	35.99***
		(5.452)	(5.524)	(5.548)
Top Quartile		241.8***	239.9***	236.2***
		(2.895)	(2.942)	(2.946)
Independent Residence		-77.70	-90.73	-96.50
		(82.89)	(84.05)	(85.05)
Years of Independent Residence		-0.216	0.769	-6.246
		(9.193)	(9.348)	(9.454)
Net Present Value of Inheritance[1]			3.632**	1.794
			(1.417)	(1.418)
Parent Education				
HS only			9.587	20.69
			(66.89)	(66.92)
Some college			30.37	55.94
			(95.94)	(96.01)
4 years of college or more			252.4**	299.7***
			(105.6)	(105.7)
Parents' Occupational Prestige			3.603	3.407
			(2.476)	(2.477)

	(1)	(2)	(3)	(4)
Parents Not Working			16.79	-19.15
			(195.4)	(195.5)
Don't Know Parents' Occupation			18.40	-6.889
			(179.8)	(179.9)
Parents' Occupational Wage			-26.29	-28.80
			(26.49)	(26.51)
Parents' Occupational Wage - Missing			-54.41	-15.65
			(144.7)	(144.8)
Parents' Age in 1978			1.899	2.153
			(3.800)	(3.802)
Parents' Age - Missing			-228.9	-190.9
			(200.1)	(200.4)
Born in South			-13.48	-37.22
			(56.90)	(57.04)
No. of siblings			5.615	5.546
			(11.37)	(11.38)
Married				9.991
				(62.52)
Homeowner				989.8***
				(66.62)
Interactions with Age				
Black*Age				
20 to 30	-57.90***	35.56	30.45	50.99**
	(19.49)	(23.00)	(23.30)	(23.36)
30 to 40	-171.5***	-112.4***	-107.1***	-84.85***
	(17.37)	(20.50)	(20.80)	(20.81)
40+	-13.28	112.7*	116.8*	95.28
	(53.16)	(62.47)	(63.32)	(63.36)
Female*Age				
20 to 30		18.26	19.16	22.61
		(22.24)	(22.53)	(22.55)
30 to 40		-9.794	-10.74	-12.56
		(19.73)	(19.98)	(19.99)
40+		79.19	94.13	102.0*
		(60.08)	(60.84)	(60.87)
Education*Age				
HS only				
20 to 30		-21.48	-25.97	-31.91
		(34.21)	(34.65)	(34.67)
30 to 40		22.24	23.44	22.47
		(34.06)	(34.50)	(34.52)
40+		-53.99	-53.23	-66.22
		(117.5)	(119.0)	(119.0)
Some college				
20 to 30		-151.5***	-151.1***	-146.2***
		(41.15)	(41.70)	(41.72)
30 to 40		86.48**	82.79*	63.13
		(43.79)	(44.38)	(44.40)
40+		-140.2	-135.1	-128.6
		(144.8)	(146.6)	(146.7)
4 year college degree or more				

20 to 30		-209.3***	-213.4***	-250.0***
		(43.59)	(44.15)	(44.20)
30 to 40		123.1***	127.2***	125.0***
		(38.60)	(39.16)	(39.19)
40+		53.57	66.62	17.00
		(127.6)	(129.2)	(129.3)
Constant	1,754***	946.0***	866.6**	905.3**
	(93.33)	(259.2)	(389.2)	(389.4)
Person-Years	68,684	68,684	68,684	68,684

Standard errors in parentheses; * p<0.05, ** p<0.01, *** p<0.001

[1] Family size adjusted. Measured in thousands. Top coded at the 95th percentile and bottom coded at the 5th percentile in any given year.

Figure 1. Wealth across the Life Course, by Race

Blacks

Whites

10th percentile   25th percentile   50th percentile
75th percentile   90th percentile
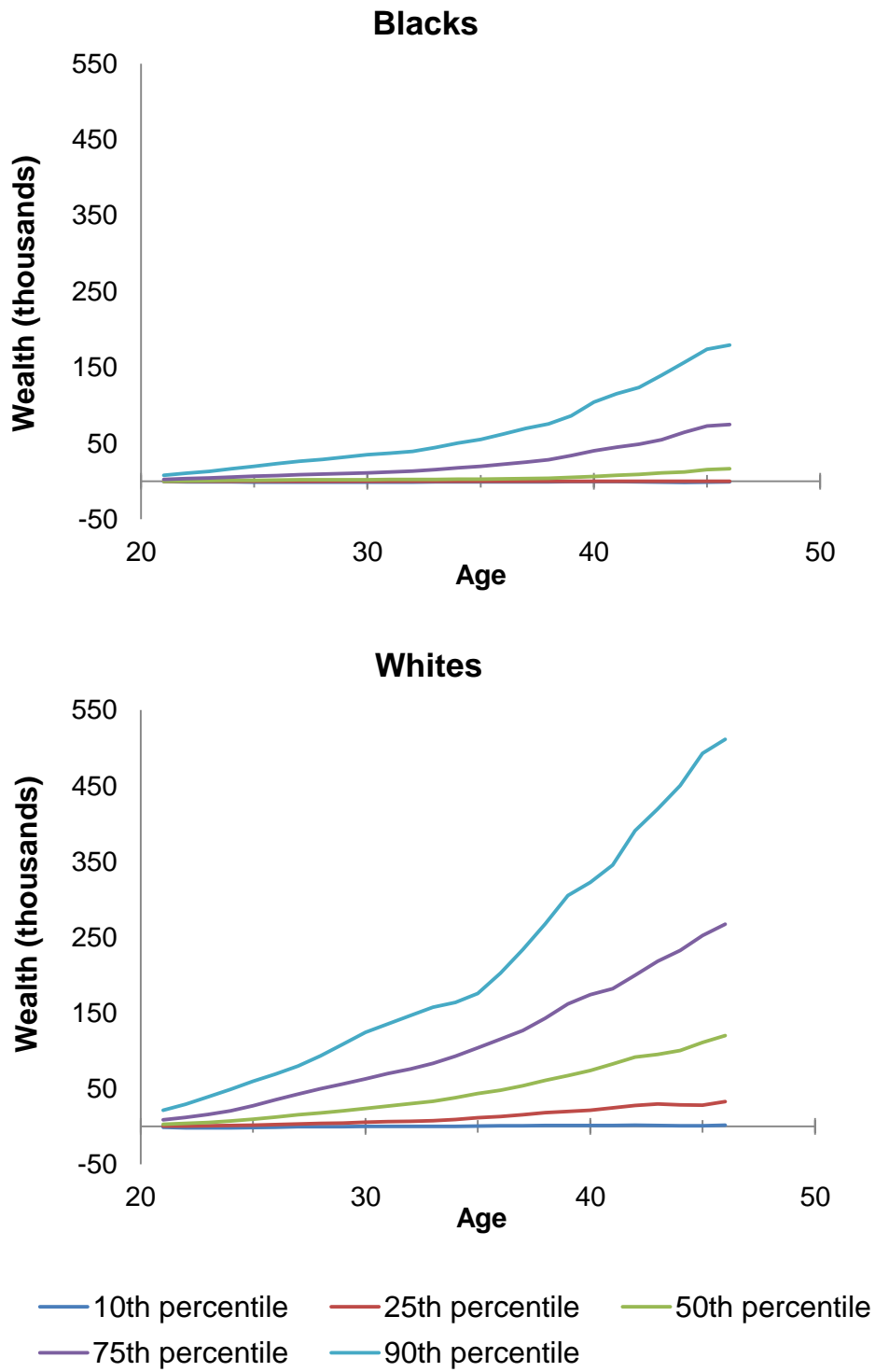
Appendix Table 1. Median Regression of Annual Wealth Growth on Race and Age over the Life Course, Controlling for Prior Wealth

	Baseline	Individual Model	Social Origins Model	Social Origins + Marriage and Homeownership
Black	-1,443***	-852.4***	-763.1***	-789.7***
	(278.4)	(197.6)	(201.4)	(194.7)
Age				
20 to 30	17.40	-41.94	-37.97	-63.62
	(24.10)	(40.10)	(40.11)	(38.78)
30 to 40	201.9***	147.5***	139.3***	114.4***
	(21.38)	(40.45)	(40.44)	(39.09)
40+	-61.16	-127.0	-147.0	-111.8
	(63.69)	(137.0)	(137.0)	(132.4)
Avg. Previous Wealth	0.00526***	-0.0107***	-0.0113***	-0.0124***
	(0.000348)	(0.000262)	(0.000270)	(0.000263)
Female		-118.0	-110.8	-123.4
		(190.9)	(190.9)	(184.6)
Education				
HS only		195.8	228.9	257.3
		(287.7)	(287.8)	(278.2)
Some college		1,288***	1,286***	1,269***
		(331.0)	(332.7)	(321.5)
4 year college degree or more		3,524***	3,475***	3,744***
		(377.2)	(380.1)	(367.6)
Current Student		-4.388	-33.23	-44.31
		(127.0)	(127.1)	(122.9)
Household Income[1]				
Bottom Quartile		-0.844	0.254	2.314
		(13.23)	(13.23)	(12.80)
Second Quartile		36.18***	35.13***	21.08***
		(8.360)	(8.367)	(8.165)
Third Quartile		48.76***	49.59***	38.08***
		(6.287)	(6.285)	(6.100)
Top Quartile		257.3***	255.9***	254.1***
		(3.468)	(3.467)	(3.351)
Independent Residence		-72.69	-85.80	-95.63
		(95.58)	(95.64)	(93.47)
Years of Independent Residence		0.259	1.010	-6.732
		(10.60)	(10.64)	(10.39)
Net Present Value of Inheritance[1]			9.927***	9.088***
			(1.655)	(1.600)
Parent Education				
HS only			16.41	21.90
			(76.09)	(73.54)
Some college			33.99	62.47
			(109.1)	(105.5)
4 years of college or more			266.8**	329.6***
			(120.2)	(116.3)
Parents' Occupational Prestige			3.681	3.788

	(1)	(2)	(3)	(4)
			(2.817)	(2.723)
Parents Not Working			-1.195	-32.67
			(222.3)	(214.9)
Don't Know Parents' Occupation			13.57	-16.18
			(204.5)	(197.7)
Parents' Occupational Wage			-31.98	-30.70
			(30.16)	(29.15)
Parents' Occupational Wage - Missing			-50.95	-5.113
			(164.6)	(159.1)
Parents' Age in 1978			2.184	2.530
			(4.324)	(4.179)
Parents' Age - Missing			-246.5	-188.9
			(227.7)	(220.2)
Born in South			-17.46	-38.25
			(64.72)	(62.69)
No. of siblings			5.486	5.358
			(12.94)	(12.50)
Married				0.445
				(68.73)
Homeowner				1,220***
				(73.89)

Interactions with Age
Black*Age

20 to 30	-45.96	27.85	22.16	51.12**
	(37.46)	(26.52)	(26.51)	(25.67)
30 to 40	-154.6***	-140.8***	-130.5***	-104.8***
	(33.44)	(23.65)	(23.68)	(22.88)
40+	23.82	78.41	68.66	38.64
	(102.1)	(72.05)	(72.03)	(69.64)

Female*Age

20 to 30		19.67	20.64	22.14
		(25.64)	(25.62)	(24.78)
30 to 40		-11.09	-12.00	-12.88
		(22.74)	(22.72)	(21.96)
40+		83.00	104.7	118.9*
		(69.26)	(69.21)	(66.89)

Education*Age
HS only

20 to 30		-22.26	-26.05	-31.26
		(39.44)	(39.42)	(38.10)
30 to 40		24.17	24.94	21.88
		(39.27)	(39.25)	(37.93)
40+		-48.62	-41.30	-50.08
		(135.5)	(135.3)	(130.8)

Some college

20 to 30		-151.2***	-154.4***	-146.1***
		(47.44)	(47.43)	(45.84)
30 to 40		85.49*	82.34	68.76
		(50.49)	(50.48)	(48.80)
40+		-128.6	-140.0	-128.1

		(166.9)	(166.8)	(161.2)
4 year college degree or more				
20 to 30		-219.7***	-230.2***	-259.7***
		(50.25)	(50.22)	(48.57)
30 to 40		178.7***	172.3***	162.3***
		(44.58)	(44.59)	(43.11)
40+		133.9	172.4	131.6
		(147.1)	(147.0)	(142.1)
Constant	1,762***	938.8***	902.1**	907.9**
	(179.2)	(298.9)	(442.8)	(428.0)
Person-Years	68,684	68,684	68,684	68,684

Standard errors in parentheses; * p<0.05, ** p<0.01, *** p<0.001

[1] Family size adjusted. Measured in thousands. Top coded at the 95th percentile and bottom coded at the 5th percentile in any given year.