

# Dementia and the racial wealth gap

By Jennie Kaufman

White families have, on average,



about **10 times** the wealth of Black families.

## Some reasons why

- Discrimination in educational and employment opportunities and Social Security eligibility
- Redlining (shutting certain neighborhoods out of the mortgage market)
- Segregation (negatively affecting home values)
- The fact that wealth builds on itself over generations

Still, some ordinary Black families do begin to build wealth. Most of that wealth is in the form of real estate—an average of 71% of total wealth compared with 51% for White families.

**But too often, with age comes dementia.** Dementia drains savings and causes people to sell or lose their homes when they can no longer live in them safely. The financial effects seep into the next generation—daughters and sons who give their time and effort to care for their parents. This care often comes at the expense of employment, wages, benefits, and Social Security.

Dementia is at least twice as prevalent among Black individuals compared with Whites—even after controlling for education level and other common influential factors—and Black Americans develop cognitive impairment at an earlier age than White Americans. Research indicates that Black American families provide more hours of informal care, on average, than non-Black American families, and more years of care may be required as well.

Wealthier people with dementia spend more dollars on care than poorer people, suffering a sharp drop in their assets.

## Median wealth

= \$10,000

Non-Blacks who die with dementia



10 years before death      1 year before death

But poorer people with dementia are likely to lose all the money they have.

They can't afford dementia.

Blacks who die with dementia



10 years before death      1 year before death

**So while** many Black individuals without dementia manage to save a bit of wealth that can be passed on to their children, Black Americans with dementia are likely to lose their homes and exhaust their life savings.

Blacks who die without dementia      Blacks who die with dementia



1 year before death

Their children and grandchildren are back to square one.

(Even if they don't lose their homes, Medicaid may take them later. Medicaid has the right to claim reimbursement from the estate of the deceased, including the primary residence.)

## Dementia is costly to many families in many ways.

In the context of the racial wealth gap, it is a kind of final injustice, thwarting the efforts of parents to give their children a financial step up in the world.

Until dementia can be prevented, the best way to combat the way it may exacerbate wealth disparities is to attack the causes of initial disparities.

## What else might help?

- Tax credits for caregivers (the Credit for Caring Act has been introduced repeatedly in the U.S. House and Senate)
- Social Security credits for caregivers (introduced repeatedly in the U.S. House and Senate)
- Foreclosure protection
- Financial/elder law counseling provided to victims of discriminatory policies
- The addition of a long-term care benefit to Medicare

Source: Kaufman, J. E., Gallo, W. T. & Fahs, M. C. (2020). The contribution of dementia to the disparity in family wealth between black and non-black Americans. *Ageing and Society*, 40, 306–327. doi.org/10.1017/S0144686X18000934. Data are from the 2002–2014 waves of the U.S. Health and Retirement Study (N = 2,429).