

# The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—for Everyone

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**ACKNOWLEDGMENTS** . . . . . 9

**FOREWORD** . . . . . 11

**Capstones and Cornerstones**  
By James Bullard

**INTRODUCTION** . . . . . 13  
By Ray Boshara and Ida Rademacher

**SECTION I** . . . . . 19

**The New Baseline: The State of Family Wealth and  
Wealth Inequality Today**

**Unequal Starting Points: A Demographic Lens Is Key  
for Inclusive Wealth Building** . . . . . 23  
By Ana Hernández Kent and Lowell R. Ricketts

**Cash Remains King** . . . . . 31  
By Kathryn Edwards and Bradley Hardy

**The Generational Wealth Gap: Facing the Future but  
Falling Further Behind** . . . . . 37  
By Fenaba R. Addo and Reid Cramer

**After Half a Century, the Racial Wealth Gap Remains Wide  
— Suggesting Bold Responses Are Warranted.** . . . . . 45  
By Kilolo Kijakazi and Signe-Mary McKernan

**Understanding the Gender Wealth Gap, and Why It Matters.** . . . . . 53  
By Mariko Chang, Ana Hernández Kent and Heather McCulloch

**How Should We Finance Postsecondary Education: Debt,  
Private Wealth or Public Wealth?** . . . . . 61  
By Fabian T. Pfeffer and Lowell R. Ricketts

**Inclusion and Equity by Design**

**Without Financial Inclusion, We’ll Never Achieve Racial Equity. ....71**

By Angela Glover Blackwell

**Why Stakeholder and Community Voice Matter ..... 77**

By Aisha Nyandoro, Ph.D.

**We Have Clean Water and Clean Air: Why Not Clean Finance, Too?  
A Vision for Inclusion and Equity ..... 83**

By Jin Huang, Michael Sherraden and Margaret S. Sherraden

**Toward a More Inclusive and Equitable Financial System .....91**

By Salah Goss and Jennifer Tescher

**Including Black Investors: Let’s Start with Youth. .... 97**

By Stephanie J. Creary and John W. Rogers, Jr.

**Overcoming Systemic Financial Exclusion of People with Disabilities  
in CRA and CRA Modernization. .... 105**

By Michael Morris and Nanette Goodman

**Rethink Public Policies to Support Income Production, Savings and  
Asset Accumulation for People with Disabilities ..... 113**

By Michael Morris and Nanette Goodman

**Partners for Rural Transformation—Driving Ownership and Economic  
Opportunity In Persistently Poor Places ..... 119**

By José Quiñonez

**Wealth Building for Native Families and Communities ..... 127**

By Christy Finsel (Osage) and Karen Edwards (Choctaw)

**Building Financial Security for Essential—But Invisible—Immigrant  
Workers. .... 135**

By José A. Quiñonez

**Advancing Racial Equity Through Inclusive Community Growth ..... 141**

By Ellis Carr

**SECTION III . . . . .149**  
**Stronger Balance Sheets: Financial Services,  
Cash and Savings**

**Reimagining Financial Services Not Around the Lives  
of Others: A Call For Radical Action. . . . . 153**  
By Bob Annibale

**Meeting People Where They Are and Laying a Foundation  
for the Future: Solving America’s Emergency Savings Crisis . . . . .161**  
By Deborah Winshel and Timothy Flacke

**Just Give People Money. But How and When? . . . . . 169**  
By Jonathan Morduch and Rachel Schneider

**Frontiers in Financial Capability: Bringing Technology and Coaching  
Together to Strengthen Family Balance Sheets. . . . .175**  
By Mae Watson Grote and J. Michael Collins

**A Golden Moment: Using Tax Refunds to Build Savings and Promote  
Economic Mobility. . . . . 183**  
By Stephen Roll and Michal Grinstein-Weiss

**Human Service Professionals: A Ready Workforce  
for Financial Capability . . . . . 193**  
By Margaret S. Sherraden, Jin Huang and Jenny L. Jones

**The Financial Urgency of Now—and the Promise of Fintech. . . . . 201**  
By Wole Coaxum

**SECTION IV . . . . . 209**  
**Stronger Family Balance Sheets: Debts**

**Bringing Dignity to Debts . . . . . 213**  
By Frederick F. Wherry

**Respond, Restructure, Rebound: A Path to Prosperity Following a  
Financial Shock . . . . . 219**  
By R. Jerry Nemorin

**Fair Fines and Fees: How San Francisco is Leading the National  
Movement for Financial Justice . . . . . 225**  
By José Cisneros and Anne Stuhldreher

<b>Generational Double Threat—and Opportunity: Student Loans and Retirement Security</b> .....	<b>231</b>
By Diego Martinez and Romy F. Parzick	
<b>Debt Collectors Are Coming to Court—But We Can Protect Families from Losing Wealth They Shouldn’t Have to Lose</b> .....	<b>239</b>
By Erika Rickard	
<b>SECTION V</b> .....	<b>247</b>
<b>Stronger Family Balance Sheets: Assets</b>	
<b>Transforming 529 College Savings Plans: Grow Assets for Everyone, Grow the Country</b> .....	<b>251</b>
By Michael Sherraden and Margaret M. Clancy	
<b>Meeting the Task of Closing the Racial Wealth Gap: Reparations for Black American Descendants of U.S. Slavery</b> .....	<b>259</b>
By William A. Darity Jr. and A. Kirsten Mullen	
<b>Three Bold Proposals to Overcome Our Nation’s Enduring Racial Wealth Gap</b> .....	<b>265</b>
By Darrick Hamilton and Naomi Zewde	
<b>A Risk-Free Way to Build Wealth? Forget It</b> .....	<b>273</b>
By Allison Schrage	
<b>Our Older Versus Our Younger Selves: Time Travel, Wealth and Family Formation</b> .....	<b>279</b>
By Scott Winship	
<b>Two Is Wealthier Than One: Marital Status and Wealth Outcomes Among Preretirement Adults</b> .....	<b>285</b>
By W. Bradford Wilcox	
<b>Building Wealth by Investing in Four Forms of Capital</b> .....	<b>293</b>
By Ross DeVol and David Shideler	
<b>Show Me the Money: To Build Wealth Inclusively, Look to Where People Accumulate and Government Subsidizes It</b> . . . .	<b>301</b>
By C. Eugene Steuerle and Safia Sayed	
<b>Land and Opportunity: Reforming Heirs Property Rights</b> .....	<b>309</b>
By Karama Neal, PhD	
<b>Black Homeownership Matters</b> .....	<b>317</b>
By Vanessa Perry and Janneke Ratcliffe	

<b>Building Wealth Inclusively Through Business Ownership</b> .....	<b>325</b>
By Joyce Klein	
<b>How College Degrees Can Become Assets, Not Liabilities, for Disadvantaged Students</b> .....	<b>333</b>
By Kevin Carey	
<b>Building Human Capital and Assets for Those Without a College Degree</b> .....	<b>339</b>
By Oren Cass	
<b>How Child Savings Accounts Can Offer All Children the Future They Deserve</b> .....	<b>345</b>
By William Elliott III	
<b>Achieving a Holistic, Inclusive, People-Centric Retirement Savings System</b> .....	<b>351</b>
By Karen Biddle Andres and David C. John	
<b>SECTION VI</b> .....	<b>357</b>
<b>Sharing Risks and Rewards, and Protecting Family Wealth</b>	
<b>The Mission Economy and Our “Earthshot”: Socializing Risks and Rewards</b> .....	<b>361</b>
By Mariana Mazzucato	
<b>Broadening Ownership First Requires Rewriting the Rules of Debtors and Creditors</b> .....	<b>369</b>
By Katharina Pistor	
<b>From Safety Net to Building Wealth: Make It Cash, Make It People-Centered and Make It Automatic</b> .....	<b>375</b>
By Rachel Black	
<b>Our Nation Insures Losing Your Income—Why Not Also Losing Your Wealth?</b> .....	<b>381</b>
By Ray Boshara and Ida Rademacher	
<b>American Families Need an Operation Warp Speed for Sustainable Financial Tools: Lessons from Vaccine Development and Trials</b> .....	<b>389</b>
By Mark Greene	

**SECTION VII . . . . . 397**  
**Newer Forms of Ownership: Moving Beyond Earned Income and Beyond Silos**

**From Social Insurance to Social Inheritance: A Path to Universal Financial Security . . . . . 401**  
 By Peter Barnes

**From My Data to Our Data: A Proposal to Equitably Distribute Wealth in a Digital Economy . . . . . 407**  
 By Yakov Feygin, Nicolas Vincent, Hanlin Li, Chirag Lala and Luisa Scarcella

**The Community Investment Trust: Revolutionizing Ownership in Real Estate, One Investor at a Time . . . . . 415**  
 By John W. Haines

**A New Boogeyman? How Corporate Consolidation Undermines Small Businesses, Family Wealth and the American Dream . . . . . 421**  
 By Phillip Longman and Barry C. Lynn

**Deriving Income from Universal Capital Accounts: Fixing Our Broken Income Distribution System . . . . . 429**  
 By Roland M. Attenborough

**Why Profit Sharing is Essential for Building Middle-Class Incomes and Wealth . . . . . 435**  
 By Joseph R. Blasi and Douglas L. Kruse

**The Untapped Potential of Employee Ownership to Narrow Gender and Racial Wealth Gaps . . . . . 441**  
 By Janet Boguslaw

**Family Wealth Building Isn’t Enough: We Must Pursue Community Wealth Building As Well . . . . . 447**  
 By Ted Howard and Sarah McKinley

**Transforming Systems to Build Racial and Ethnic Wealth Equity . . . . . 455**  
 By Ianna Kachoris and Dr. Helene Gayle

**Lending Where Others Will Not: How CDFIs Build Family and Community Wealth . . . . . 461**  
 By Brent Howell, Lisa Mensah and Dafina Williams

**Building Agency and Ownership in the Deep South . . . . . 469**  
 By William J. (Bill) Bynum and Ed Sivak

SECTION VIII. . . . . 477

**Growing Wealth, Growing the Economy**

**Family Wealth as an Engine for Macroeconomic Growth . . . . . 481**

By Karen Dynan and Abigail Wozniak

**Reducing Racial Wealth Gaps—And Why That Matters  
for Families and the Economy . . . . . 489**

by Brenden McKinney, Nick Noel, Duwain Pinder and Shelley Stewart

**A Citizen’s Wealth Fund: Broadening Asset Ownership, Reducing  
Inequality and Stabilizing the System . . . . . 497**

By Mark Blyth and Eric Lonergan

SECTION IX. . . . . 505

**Moderated Conversation Among Federal Reserve Bank Presidents**

**Thoughts on Wealth Inequality, Financial Inclusion  
and the Racial and Other Wealth Gaps . . . . . 507**

A Conversation Between James Bullard, President, Federal Reserve Bank of St. Louis; Raphael Bostic President, Federal Reserve Bank of Atlanta; Patrick T. Harker, President, Federal Reserve Bank of Philadelphia; and Neel Kashkari, President, Federal Reserve Bank of Minneapolis



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As mentioned in our introduction, several of the ideas in this book were incubated in dialogues and retreats organized by the Aspen Institute over the last few years. However, what really ignited the book was what we informally called our “Wednesday Wealth Working Group”—a series of agenda-less Zoom meetings over the summer and fall of 2020 aimed at making sense of the confluence of the pandemic, recession, and national moment of racial reckoning—all of them arising in an era of already alarming levels of economic inequality. What, we wondered, did all these events mean for the inclusive wealth-building agenda that most of us have dedicated our professional lives to? What were—are—the threats, challenges and, especially, the opportunities? Could this be a generation-defining opportunity for our field? Could the country afford for it *not* to be? What would be the consequences of missing this moment to compel real change? Without the encouragement, insights and generous contributions of Dorothy Brown, Tim Flacke, Darrick Hamilton, Ed Sivak and Jennifer Tescher, this book simply would not have existed; they also helped make the book much better. We cannot thank you enough.

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Ray Boshara & Ida Rademacher  
July 2021

# Capstones and Cornerstones

BY JAMES BULLARD

President and CEO, Federal Reserve Bank of St. Louis

**T**hought leadership has always been central to the mission of the St. Louis Fed, particularly in monetary policy, economic research and education, and community development. In that spirit, I'm proud that our Institute for Economic Equity, launched earlier this year, has published *The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—for Everyone*, a book led by Ray Boshara, an Institute senior advisor.

The book builds on the success of our recently sunset Center for Household Financial Stability, formed by Ray and St. Louis Fed economist William R. Emmons in 2013 in the wake of the Great Recession to study family balance sheets. In fact, in many ways the book serves as a capstone of the Center's efforts to document and address stark racial, educational, generational and gender wealth gaps in the U.S. But the book also serves as a cornerstone of the Center's successor, the Institute, which was launched on the belief that wealth equity remains essential to overall economic equity.

In presenting the book's 63 essays, we have two main goals. The first is to offer some of the latest and best thinking about ways to help struggling families build or rebuild their balance sheets—especially those families who have yet to recover the wealth they lost in the Great Recession or, more recently, during the COVID-19 pandemic. Our second goal is to expand our horizons by exploring novel ways for low-wealth families to generate savings, assets and financial security. The book asks, and begins to answer, the critical and

frontier questions: What does property ownership mean in the 21st century, and how can our nation broaden it for those who own little? Are there untapped national assets that could generate value for households if we recognize and monetize them as such? Can new forms of national wealth also generate new wealth for those families lacking it?

These questions could not be timelier and more essential in the wake of the COVID-19 pandemic, a recession, a national conversation on racial equity, and persistently high and increasing levels of income and wealth inequality.

I'm also excited to note that the book concludes with a conversation I had with three other Federal Reserve Bank presidents—Raphael Bostic of Atlanta, Patrick T. Harker of Philadelphia and Neel Kashkari of Minneapolis. As the conversation reveals, addressing wealth inequality and moving toward racial, educational, generational and gender equity are key goals for my Fed colleagues and me. Narrowing these gaps holds the potential to grow our economy as well, as some of the essays in the volume also observe.

Finally, let me say that the St. Louis Fed is pleased to have published this book with the Financial Security Program of the Aspen Institute, a widely respected, nonpartisan think tank committed to leadership, debate and promising ideas. I hope that you find this book as stimulating as I have, and I look forward to the important and spirited conversations it is certain to prompt.

# Introduction

BY RAY BOSHARA AND IDA RADEMACHER

**T**he seeds for this book were planted several years ago through a series of dialogues at the Aspen Institute on the future of building wealth and ownership inclusively in America. The real impetus compelling its birth, however, came during an extraordinary convergence of events in 2020: a public health crisis, the disparate economic impacts that the crisis amplified and a national moment of racial reckoning. It felt—feels—like a rare moment of opportunity.

## **A Historic Moment**

As documented by some of the authors in this volume, COVID-19 exposed and is likely to exacerbate the already stark economic inequalities our nation reached by the end of 2019. Prior to COVID-19 there was resounding evidence that, in the midst of the longest economic expansion in modern history, the U.S. was marking levels of income and wealth inequality not seen in a century. Coming into the pandemic, most households had not recovered economically from the Great Recession, especially observable in the declining wealth and increasing debts of less educated, younger, female-headed and non-white families. When the economic shock of COVID-19 was inflicted on their fragile balance sheets, we witnessed the extent to which financial

precarity had become the defining characteristic of millions of families ... and simultaneously watched the net worth of others grow at their most robust rates in decades.

The persistence and depth of income and wealth inequality have, in turn, prompted serious national reflection on the fairness and sustainability of our current policies and systems. What level of economic inequality are we

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*High levels of inequality have, historically, preceded and prompted an update of our social contract; have we reached another one of those inflection points in our history?*

as a nation willing to allow? At what point does pervasive household financial insecurity weaken the prospects of a robust economic recovery? High levels of inequality have, historically, preceded and prompted an update of our social contract, as the major reforms of the Progressive Era, New Deal, and Great Society powerfully suggest. Have we reached another one of those inflection points in our history?

It may be too soon to label this era of historic social and economic reform—but it's not too early to offer some ideas that could underlie those reforms. It is in that spirit that we reached out to over 100 innovative and influential thinkers to invite them to contribute an essay to this volume. The request was straightforward: What are your best and most promising ideas to address our nation's profound racial, generational, educational and gender wealth gaps?

## **Why Wealth?**

Why are we focusing on wealth gaps, specifically? While income inequality remains deeply troubling—and is both a driver and consequence of wealth inequality—we believe that wealth or net worth (all your savings and assets, minus all your debts) is both a unique and powerful barometer of economic resilience and opportunity and a key component of broader economic equity. Building on a deeply ingrained tradition of broadening property ownership in the U.S.—articulated by, among others, Thomas Paine in the 18th century, George Henry in the 19th and Louis Kelso in the 20th—we focus on wealth for three reasons.

First, as Michael Sherraden argued in 1991, assets—as distinct from income—serve as both a cushion against challenging financial times and a

springboard toward better times: the ability to make investments in a first home, small business, postsecondary education or skills, a reliable car, retirement security, and future generations. Second, assets change heads: Many scholars in this volume and beyond have documented powerful “asset effects,” such as youth developing a “college-bound identity” from modest amounts of college savings in their name, or mothers who have better mental health and higher expectations for their children because of the assets in an at-birth Child Development Account.

And third, public policy has played an outsized role in determining who is incentivized to build wealth—and who is not. Most notably, of course, is our nation’s lamentable history of taking land from Native peoples and then giving or subsidizing land and other assets to overwhelmingly white people while legally or effectively barring Black and other people of color from accumulating wealth—a fact that best explains the majority of the racial wealth gap today, as the St. Louis Fed and other research have shown. Similarly, historical obstacles to women owning property well into the 20th century help explain the gender wealth gap today.

Yet, while legal barriers to wealth accumulation may no longer remain, public policy—notably tax policy and asset limits in public assistance programs—still subsidizes wealth accumulation for wealthier households (most of whom are white) while penalizing it for poorer ones (who are disproportionately people of color). An upside-down policy, for sure.

The central theme of this book, then, as well as the focus of a few specific essays, is inclusion: If public policy has actively or effectively excluded certain people from accumulating wealth, then we are called to build wealth inclusively—everyone, by design, from as early as birth, is included in systems and policies to build wealth. And while there may well be compelling reasons to reduce enduring wealth gaps per se, a more critical challenge, we believe, is to grow wealth among lower-wealth groups so that they can achieve greater

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levels of economic resilience and upward economic mobility.

## From Why to How

So that's why we focus on building wealth inclusively; now we'd like to offer a few words on how we have aimed to achieve that in this book.

The first way is by insisting that the ideas included here represent the latest evidence-based research and ideas in the field—and that hold potential for scaling up. Just as the early 20th-century local and state experiments loosely falling under “the Wisconsin Idea” became the basis for many Progressive Era and New Deal reforms (such as wage insurance, labor rights and progressive taxation), we hope that the ideas presented in this volume could be the basis for wealth equity policies in the renewed social contract now under discussion.

The second way is by breaking down silos. The clunkily named “asset-building” field, like most anti-poverty fields, has been too siloed, so we aim to bring folks working on balance sheets and family wealth *together* with those focusing on a range of ownership strategies: community wealth building; ESOPs (employee stock ownership plans); universal capital accounts; social insurance; property rights; and entirely new ways of conceiving and broadening wealth through, for example, a sovereign wealth fund, a data dividend, social inheritance, and reforms to corporate consolidation.

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*We must improve the ways we value and compensate workers in this country, and we also must invite fresh thinking on how we can create new sources of capital and ownership that do not entirely depend on labor-market income.*

And our third way is by challenging long-held assumptions. As reflected in many of the essays focused on novel ways to build wealth, we were skeptical of the resigned view that the best we can do for the majority of families in America today is help them manage scarcity—and that labor-market income and existing safety nets, both meriting improvements, can be the best sources of managing that scarcity. While it is true that families can realistically save and build wealth when they experience routinely positive cash flow (income exceed-

ing expenses), it is also true that wage income has not kept pace with the rising costs of living—especially the costs of housing, education, health and dependent care. While we must continue to improve the ways we value and compensate workers in this country, the time also seems right to invite fresh



thinking on how we can create new sources of capital and ownership that do not entirely depend on labor market income.

## **A Down Payment to Inspire More Conversations**

While we were heartened by the overwhelmingly positive response to our invitations to contribute essays to this volume, we wish we could have included so many other leaders and innovators in this volume. Even a book with 63 original essays featuring over 100 invited authors—along with a moderated discussion among four Federal Reserve Bank presidents—could not, in our view, capture the breadth and depth of novel thinking on ways to address generational, educational, gender and racial wealth gaps in the U.S. today.

To help remedy this, we have launched [futureofwealth.org](http://futureofwealth.org) to house this ongoing discussion and promote even more new ideas, events and actions. Along with downloadable chapters in PDF format, the site will evolve to include blogs and additional ideas from a diverse spectrum of social, financial and policy innovators. You'll also see listings of events and initiatives that are emerging across the country and across sectors dedicated to building an inclusive and equitable wealth agenda in this country. We're eager to engage as many of you as possible in whatever ways we can.

Thank you for reading his book! We hope you are as inspired as we are.

