

## **The Decrease in Minority Stock Ownership**

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White households are much more likely to hold stock investments than Black, Hispanic, or other minority households, though before 2001, the ownership gaps between Whites and minorities had been decreasing. In 2004, 57% of White households directly and/or indirectly owned stocks, compared to less than 26% of Black households and 19% of Hispanic households. The White stock ownership rate was the approximately the same in 2004 as in 2001, but in 2004, the Black rate dropped to less than 26% and the Hispanic rate dropped to 19%.

This paper uses the 2001 and 2004 Surveys of Consumer Finances to investigate the possibility that changes in investment risk tolerance or other characteristics were related to the decreases in minority stock ownership rates over the 2001-2004 period. Even after controlling for risk tolerance, income, net worth, education, and other characteristics, Black, Hispanic, and other (mostly Asian) households had significantly lower predicted stock ownership rates in 2004 than in 2001. The lack of change for White households and decreases for minority households are consistent with the idea that White investors, being generally more experienced than minority investors, were less susceptible to representativeness bias.

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