

RACIAL DIFFERENCES IN HOUSEHOLDS' FINANCIAL ASSET ALLOCATION, 1992-2004

YAN HUANG

Dr. Robert O. Weagley, Dissertation Supervisor

ABSTRACT

By combining the data from the 1992, 1995, 1998, 2001 and 2004 Survey of Consumer Finances, this study investigated racial differences in households' financial asset allocation over the years. This study categorized the financial assets into four categories: equities held directly or indirectly, bonds held directly or indirectly, cash account and other financial asset. Based on Heckman Selection model, the probability of having each financial asset category and the ratio of financial asset invested in each category were regressed on year, race, other demographic variables (age, education, gender, marital status and number of kids), socio-economic variables (income, wealth, working status, having defined benefit plans vs. having defined contribution plans, inheritance, homeownership and business ownership) and an attitudinal factor (risk tolerance). Race has four categories: white, black, Hispanic and others. To fully analyze racial differences in holding each of the four financial asset categories, 20 interaction terms of the four racial categories and five years (1992, 1995, 1998, 2001 and 2004) are included in each model to examine the racial differences in holding of each financial asset category over time.