

## **Rising Tide: Addressing the Racial Wealth Gap through Entrepreneurship**

Scale Up Milwaukee, an initiative of the Greater Milwaukee Committee, started in 2013 and is helping to create business growth for entrepreneurs in Milwaukee. Based on ecosystem theory, the initiative convenes selected cohorts of businesses to spur extraordinary entrepreneurial growth. Leveraging Scale Up's experience, we recognize a unique opportunity to impact not only business growth but also to help resolve economic and social disparities.

This is particularly urgent work in Milwaukee, where there are tremendous disparities between communities of color and more affluent white communities. Milwaukee is regularly noted for being the "most segregated city" in the country, a designation which more precisely describes the profound socioeconomic distinctions among demographic groups. A 2016 report from the National Urban League highlights several areas of disparity in Milwaukee including unemployment rates (17.3% for Blacks; 4.3% for whites) and median household income (\$25,600 for Blacks; \$62,000 for whites). These disparities are not new; they have been a part of Milwaukee's reality for decades.

The wealth gap is a part of this issue. An article in *The Atlantic* (Harris, Adam. "White College Graduates Are Doing Great With Their Parents' Money. 7/20/18.) frames the issue this way: "The numbers are staggering: White Americans with a college degree are on average three times as wealthy as Black Americans with the same credential, and in families whose head of the household is employed, white families have 10 times the wealth of Black ones. One estimate on the conservative end suggested that this wealth gap could take two centuries to close."

There are many approaches to tackling this issue - from policy changes to education. And much has been written to dispel the obvious logic of high impact categories such as educational attainment can close the gap. Scale Up Milwaukee's area of expertise is business, and we have a proven track record in helping Milwaukee-area businesses grow through Scale Up's signature growth-focused programs. By leveraging this expertise and joining it with a new approach to serve businesses owners of color, we seek to unlock the tools and tactics highly correlated with building generational wealth through business success and wealth creating behaviors. "Bridging the Wealth Gap," a report published in June 2018 by the United States Conference of Mayors, recognizes this strategy: "There is good news. Small business growth is a sustainable, long-term solution to the wealth gap and an inclusive local economy. Resources for small business development already exist. They are often centered on access to capital, supplier diversity, technical assistance, and capacity building."

Scale Up's programs serve entrepreneurs – each in a very specific way, and it is through this expertise where we impact business growth and generational wealth. Significant data has been analyzed to understand the racial wealth gap, but current research reveals little about what impacts generational wealth, the transmission of positive financial value from benefactor to beneficiary. We have created a model to describe and track the leading indicators and resulting behaviors associated with generational wealth. The continuum will help identify where incoming

participants are in terms of building generational wealth with their businesses, and we will continue to track the progress along this continuum as we engage with all participants.

<b>Level 0</b>	Negative impact from generational debt or liabilities.
<b>Level 1</b>	No positive generational wealth but no debt or liabilities.
<b>Level 2</b>	Any positive net value, which transitions from one generation to the next.
<b>Level 3</b>	Any positive net value, which transitions from one generation to the next with instruments in place to maximize results.
<b>Level 4</b>	Any positive net value, which transitions from one generation to the next with instruments in place to maximize results. Value is an amount which positively impacts a life decision (such as the purchase of a home or business; educational attainment).
<b>Level 5</b>	Any positive net value, which transitions from one generation to the next with instruments in place to maximize results. Value is an amount that not only impacts a life decision but also provides the resources for appreciating assets, which can be sustained and stewarded for future generational wealth.

As we continue our work, we will continue to identify the indicators and develop the appropriate interventions for impact. In addition, we will be mindful of necessary lateral wealth transition planning for business owners without descendants.

Much of the work relates to enhancing wealth literacy among the participants. The precedent to generational wealth is the amassing of founder and/or first family assets.

Wealth literacy indicators include:

- Insurance knowledge, including various vehicles for wealth transfer
- Familiarity with incorporation structures and their benefits
- Formation of an asset base and financial literacy
- Estate and succession planning
- Tax knowledge, including transition planning for wealth transfer
- Evaluation of advisors and experts
- Communication with successive generations to ensure smooth transition and understanding

Increasing wealth and more significantly, generational wealth in Black and Latinx communities is a net benefit to the entire community. Rising Tide benefits individual business owners and their families/successors, future employees, and the community as a whole. For business owners and



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their families, Rising Tide promotes direct, immediate, and tangible results, which will have long lasting impact for the business, the business owner and the family. Employers are more likely to hire from within their communities, so the growth of Rising Tide businesses will have an exponential impact throughout the area. For the community writ large, Rising Tide helps to build the conversation from within about the strategies, indicators and goals of generational wealth.

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