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Family Wealth and Economic Mobility: Facts, Surprises, and Promising Ideas

Remarks before the Ferguson Commission
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Ray Boshara*

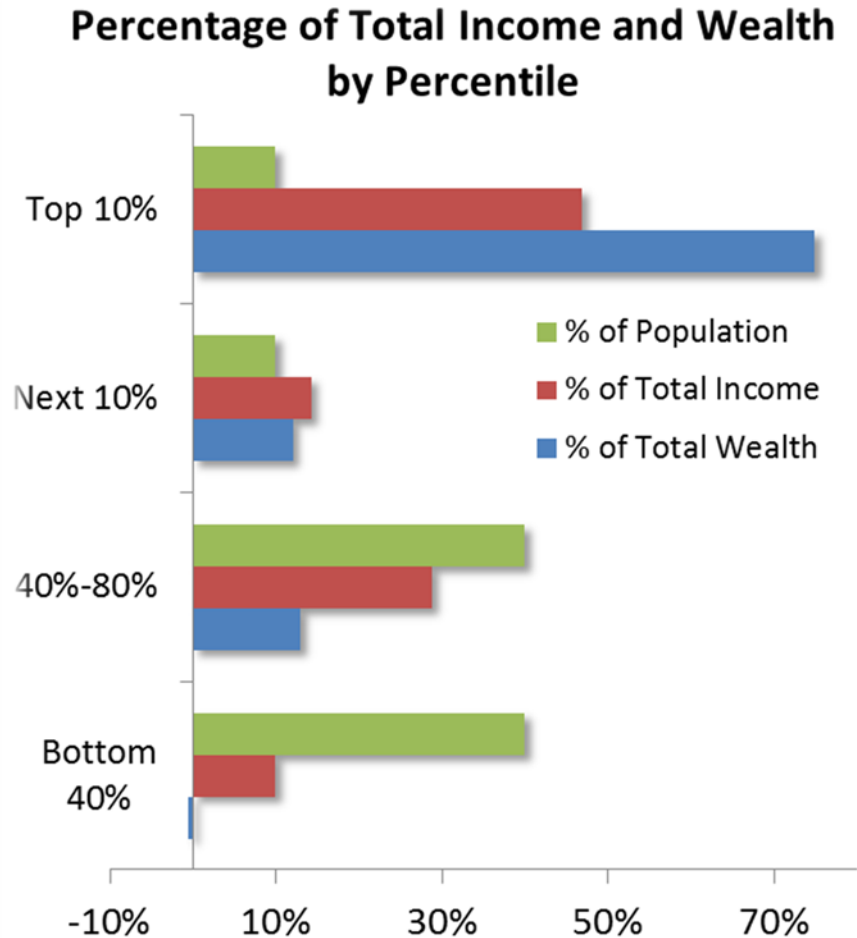
Senior Advisor; Director, Center for Household Financial Stability

Federal Reserve Bank of St. Louis

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Why Savings and Wealth Matter



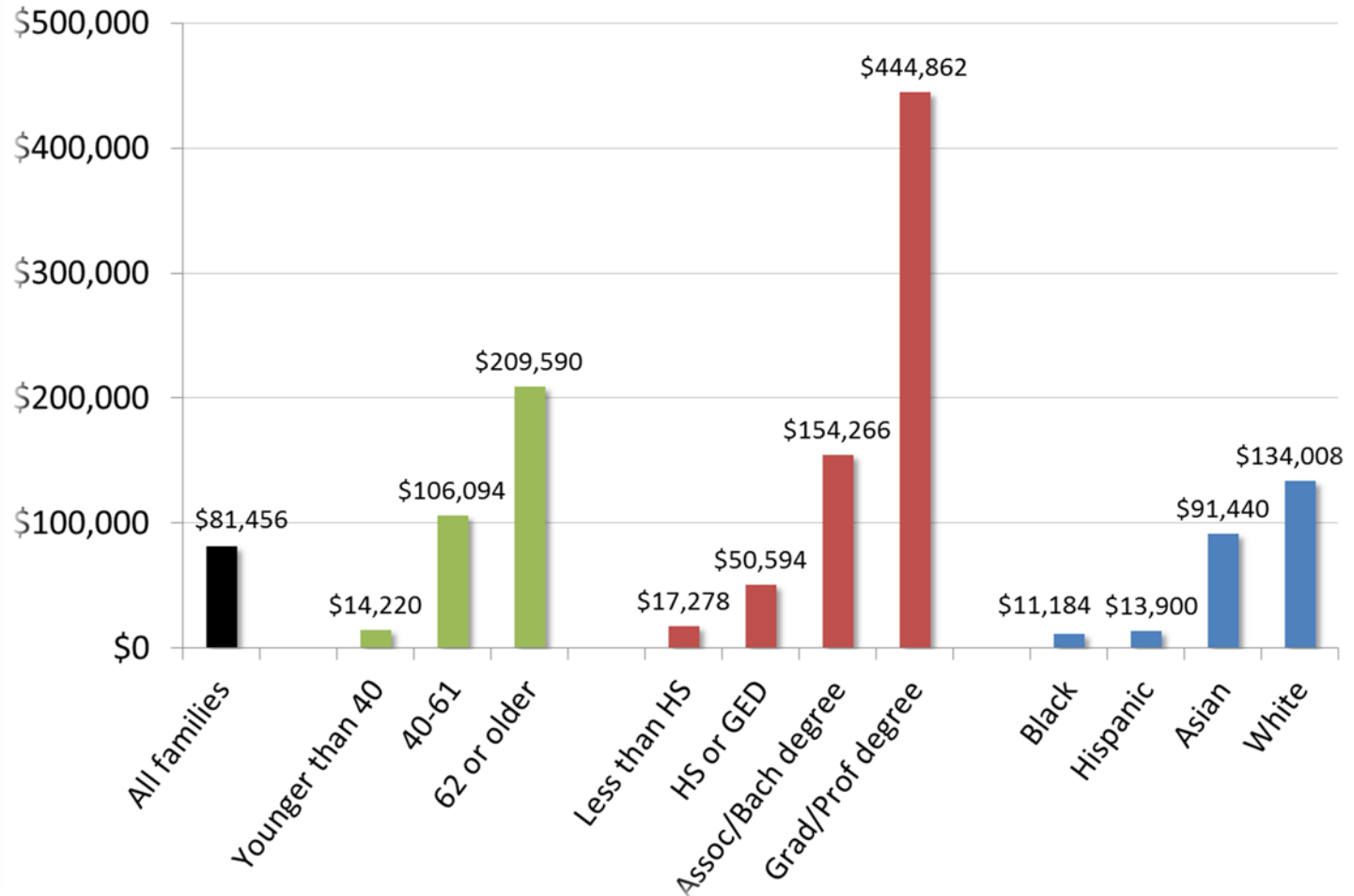
Source: Survey of Consumer Finances, 2013

- The wealth gap is much larger than the income gap and may be more consequential.
- Wealth is key to financial stability and economic mobility:
 - When a negative family event occurs, asset-poor families are 2-3 times more likely to experience material hardship than non-asset-poor families (McKernan et al., 2009).
 - Financial capital is among the three strongest predictors of upward economic mobility (Butler et al. 2008).
 - Net worth is the key driver of opportunity from one generation to the next (Conley, 2009).

Age/Birth Year, Education, and Race/Ethnicity: Strong Predictors of Family Wealth

(Emmons and Noeth, 2015. The Demographics of Wealth, Federal Reserve Bank of St. Louis)

Median Real Net Worth in 2013 (\$)



Three Surprising Facts

1. Tax breaks to build savings and wealth, which total nearly \$400 billion per year, offer the fewest benefits to those with the greatest need. (Harris et al., 2014; Levin et al., 2014; Congressional Budget Office, 2013)

2. In experiments, even very poor families have accumulated savings and wealth, due primarily to access to well-structured products, programs, and policies. (Grinstein-Weiss et al., 2014b; Schreiner and Sherraden, 2006; Sherraden and Barr, 2005)

3. Small amounts of savings and wealth at the right moments can have a relatively large impact on the life course. (Huang et al., 2014; Grinstein-Weiss et al., 2014a; Elliott et al., 2013; Shanks, 2007)

Promising Ideas

How to save? Communities are coming together to make savings easier, automatic, and regular.

Save for what?

- Emergencies; first and foremost, families need liquidity
- Paying down debts that do not lead to productive assets
- College and retirement
- A home, but as a capstone for those who are financially stable

When to save? Capture the savings “moment” when...

- A child is born/enters school (Maine; Nevada; San Francisco; St. Louis/ Normandy Schools)
- Starting a job (myRA)
- Paying taxes (“Refund to Savings” experiment)
- Spending, or repaying debts
- Renting or buying a home

***For additional information:
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