



Researching Family Balance Sheets to Strengthen Families and the Economy | stlouisfed.org/hfs

Thriving or Struggling? Economic Security in America Varies by Race and Education

Niagara University

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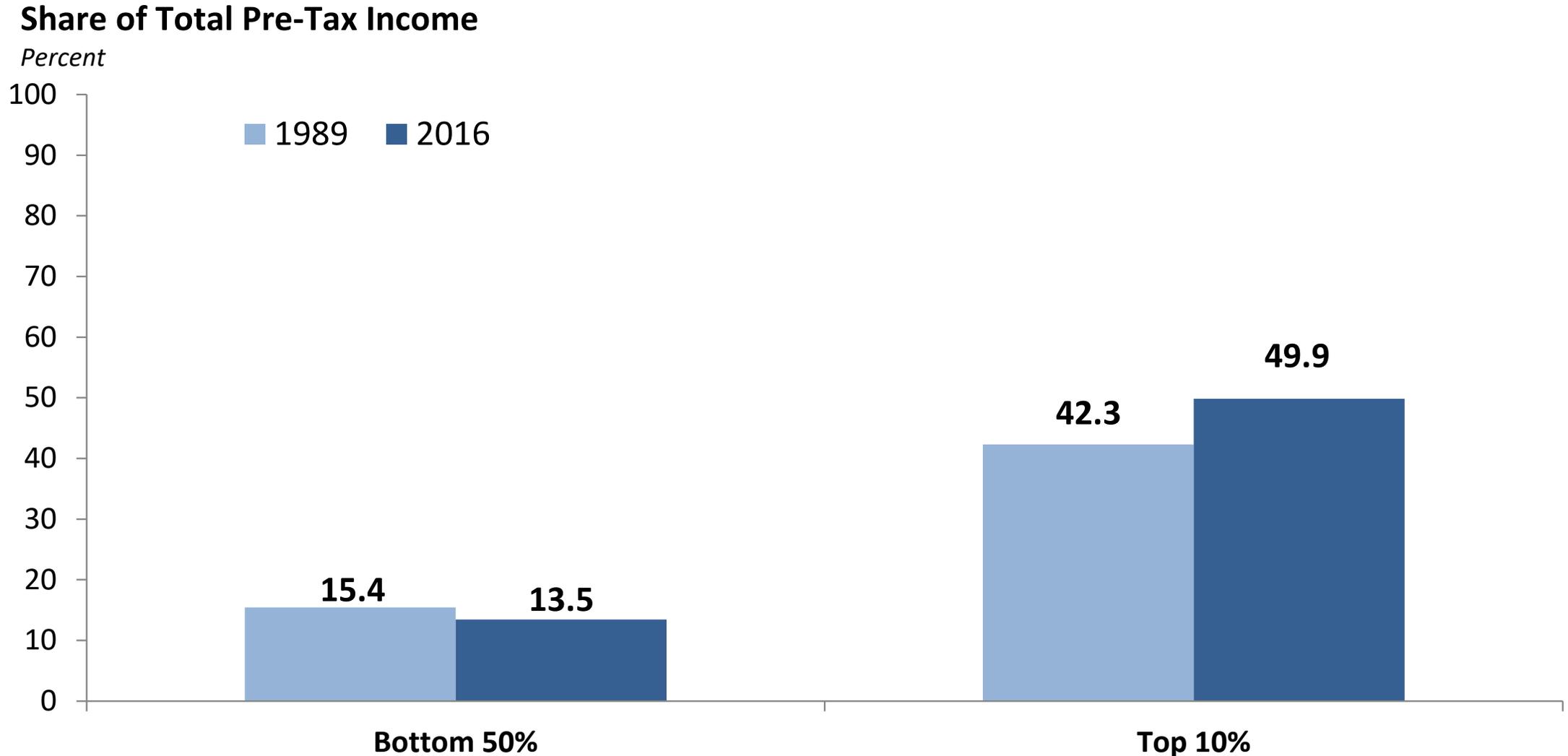
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**These are my own views, and not necessarily the views of the Federal Reserve Bank of St. Louis, Federal Reserve System, or the Board of Governors*

Income Inequality Overall



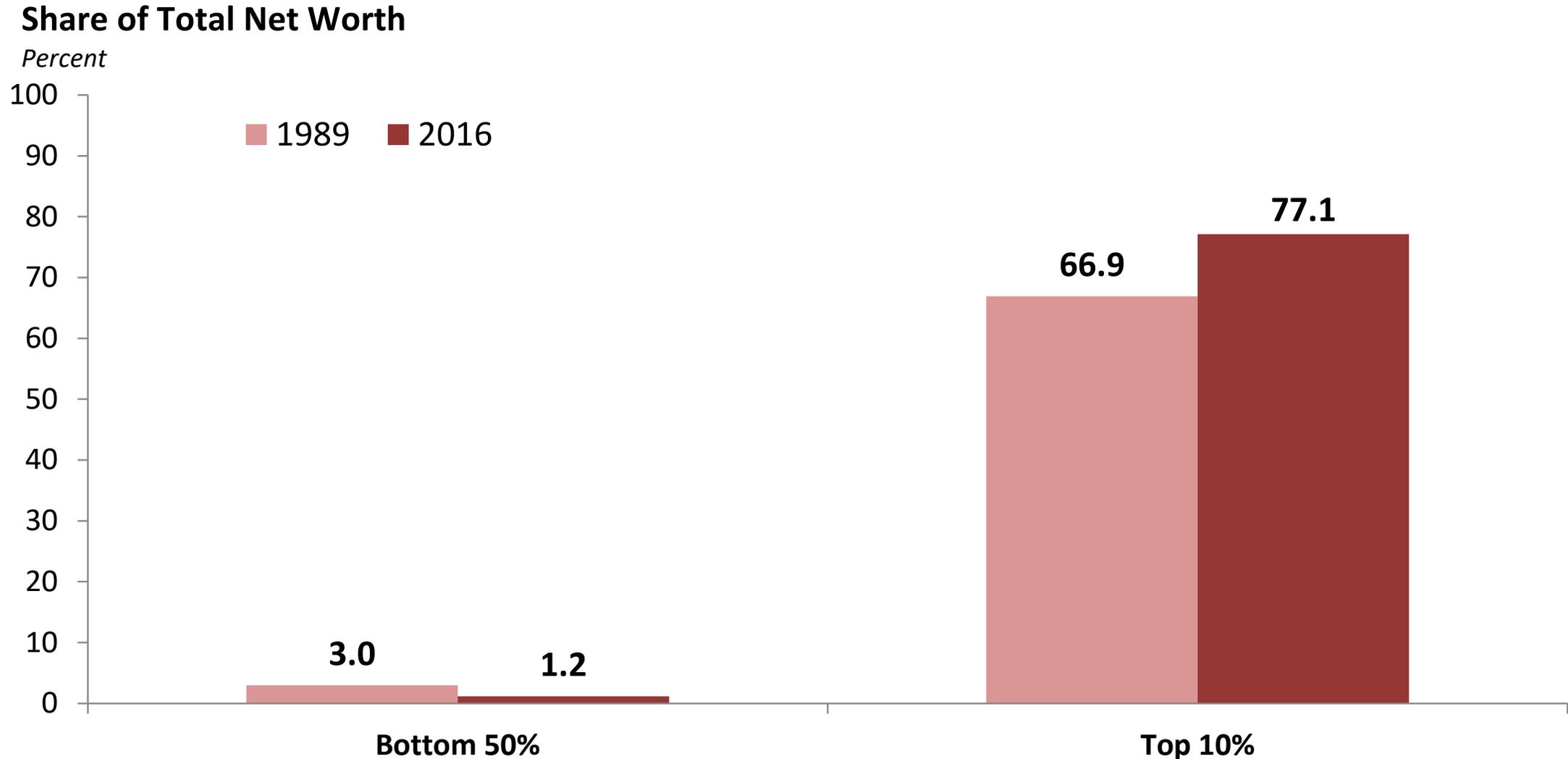
Source: Federal Reserve Survey of Consumer Finances and authors' calculations.

Why Study Wealth?



- Assets matter for economic security and upward economic mobility in ways income does not; balance sheets reveal dimensions of financial stress and health not otherwise apparent.
- Holding assets is associated with distinct social, psychological, emotional, child well-being, health, and civic outcomes.
- “Households should be encouraged to maintain at least a small buffer of liquid savings, even if the cash in that buffer is not being used to pay down high-interest debt.” (Gallagher, 2018)

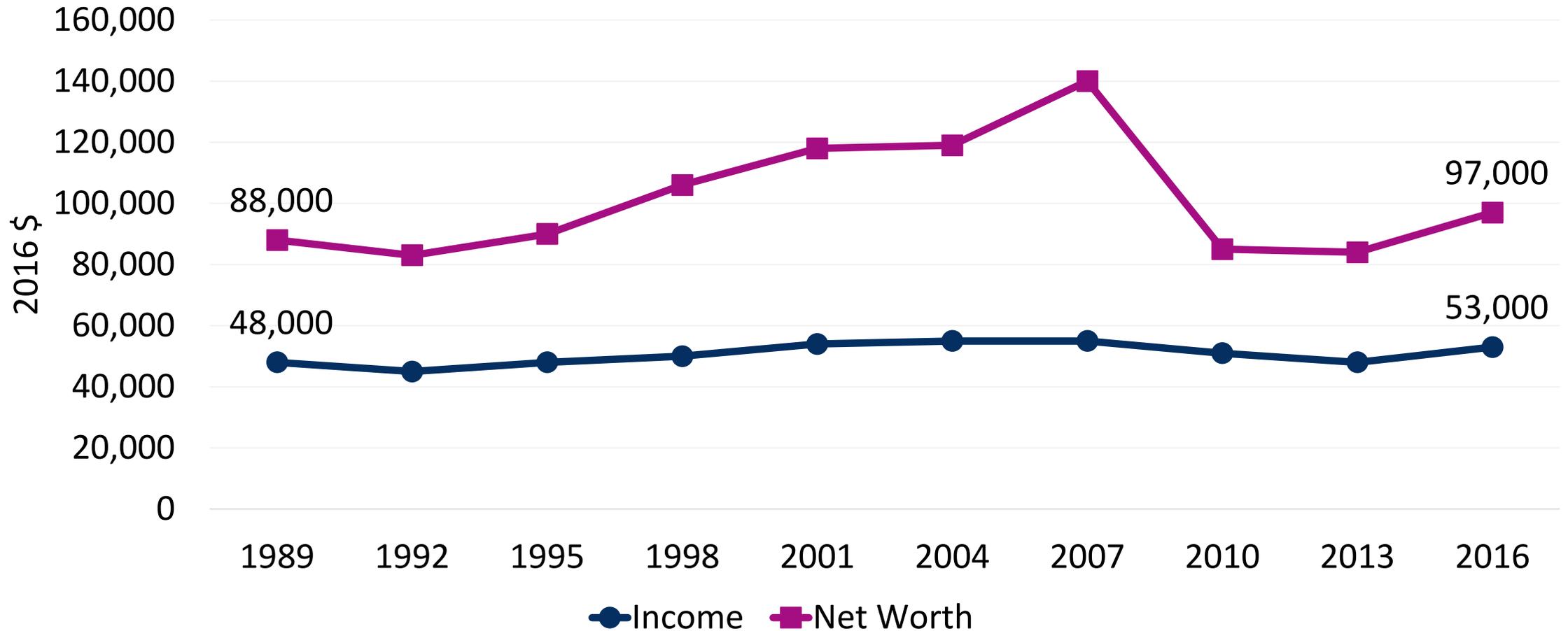
Wealth Inequality Overall



Source: Federal Reserve Survey of Consumer Finances and authors' calculations.

Median Income and Wealth Trends

Real Median Income and Net Worth



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

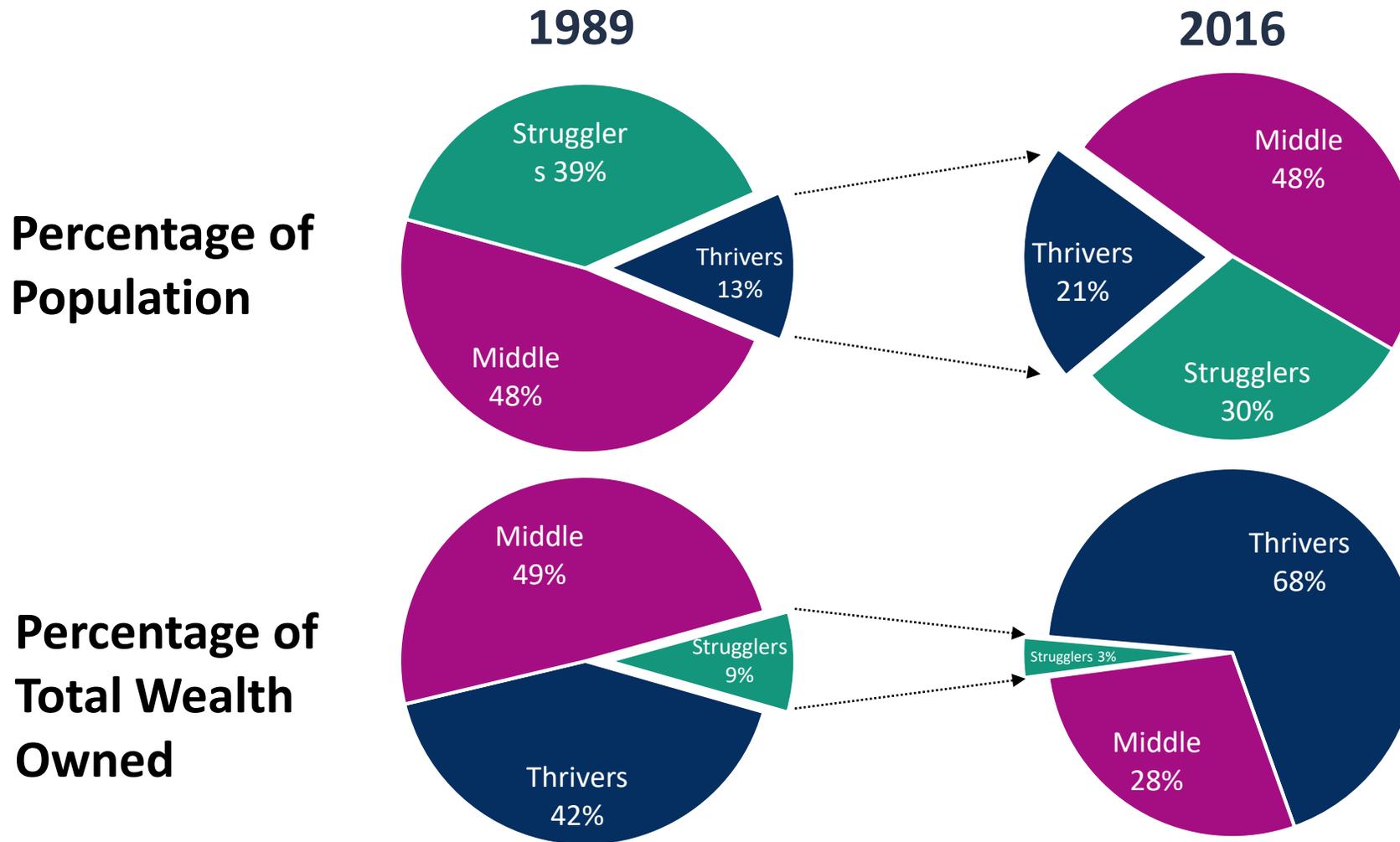


The Demographics of Wealth



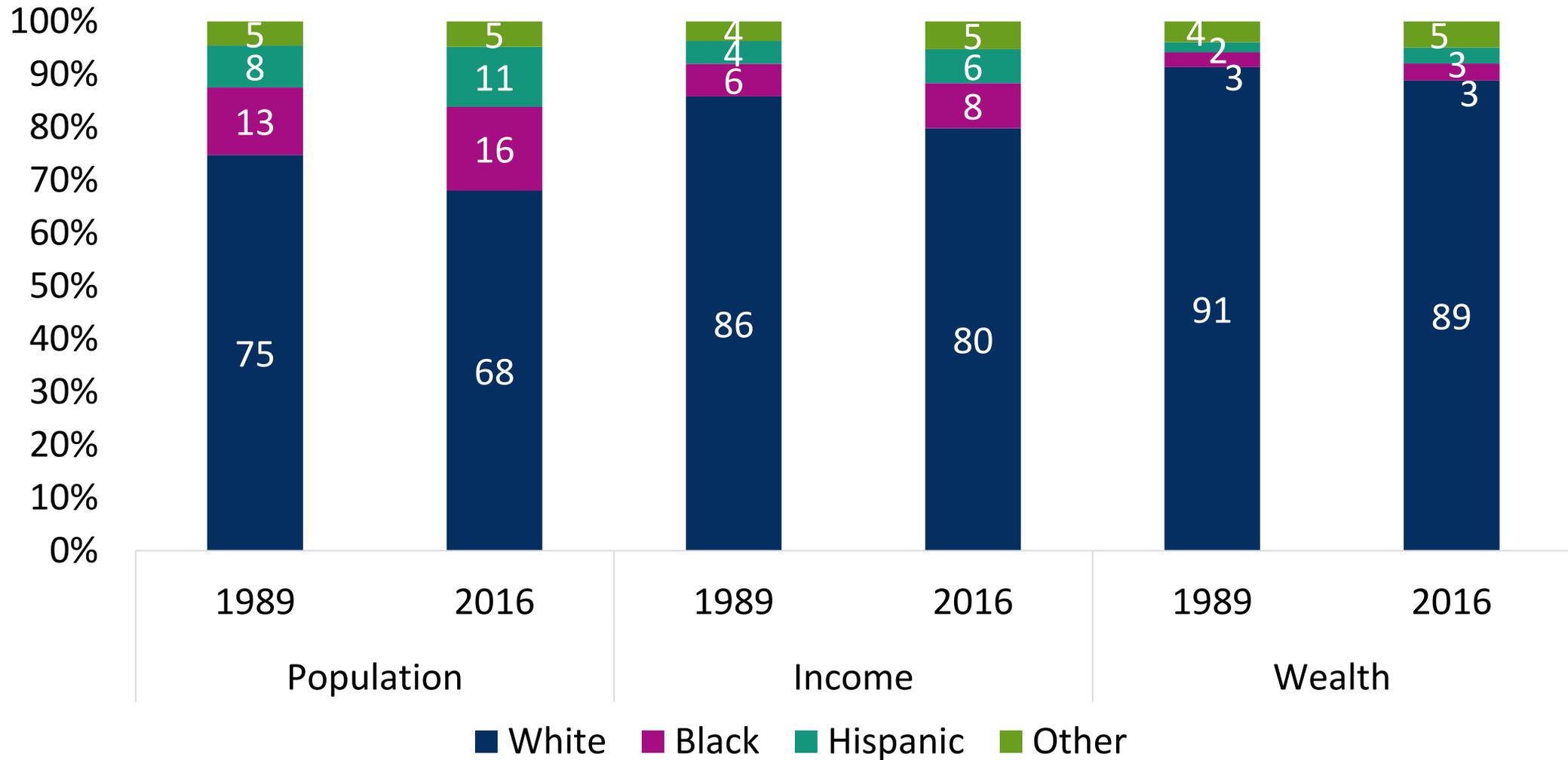
- Explore connections between wealth and a person's race/ethnicity, own education, parents' education, and age and birth year
- These factors are related to which families struggle and thrive
- 2015 series; redux in 2018

Thrivers vs. Strugglers: A Growing Economic Divide



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

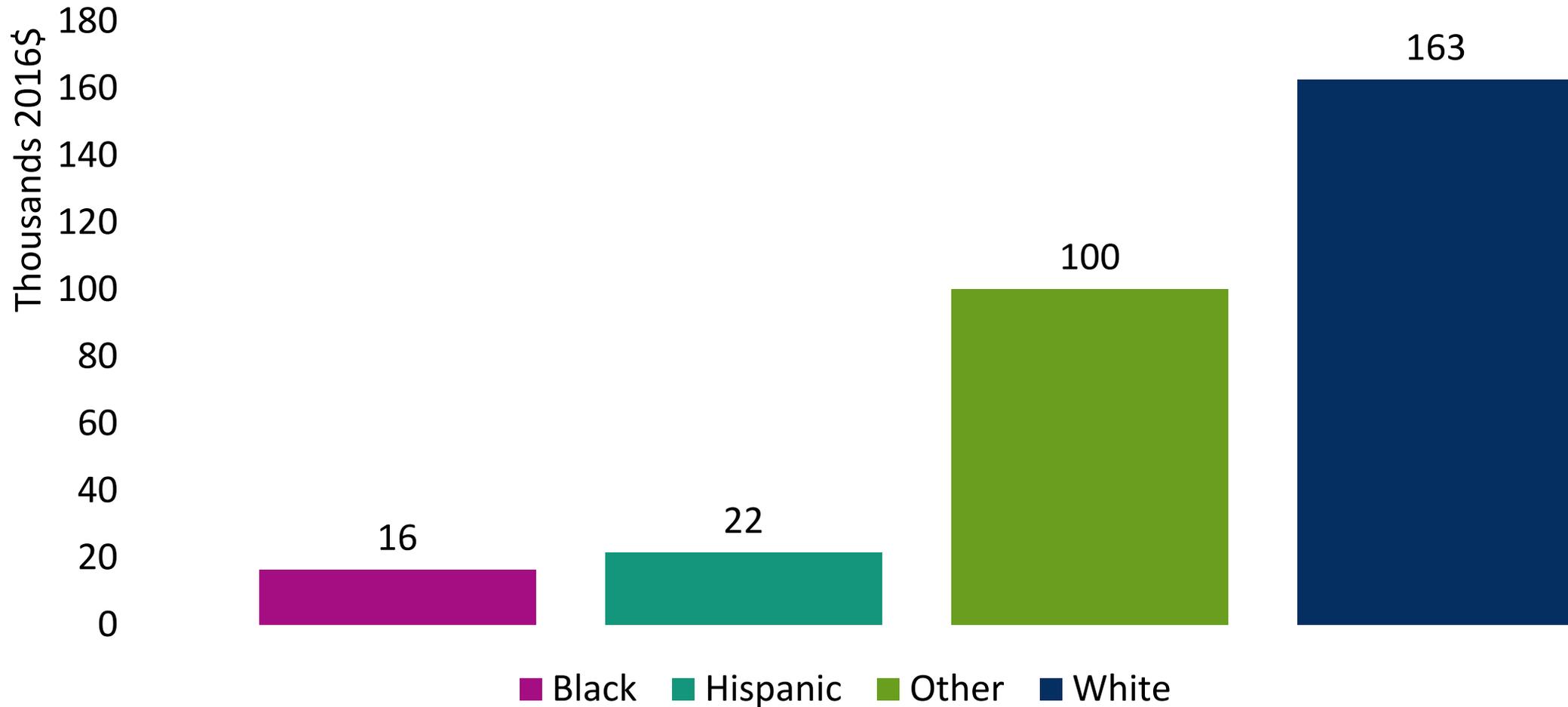
Shares of Households in U.S. by Race/Ethnicity



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

Race/Ethnicity Wealth Differences in 2016

Median Family Net Worth

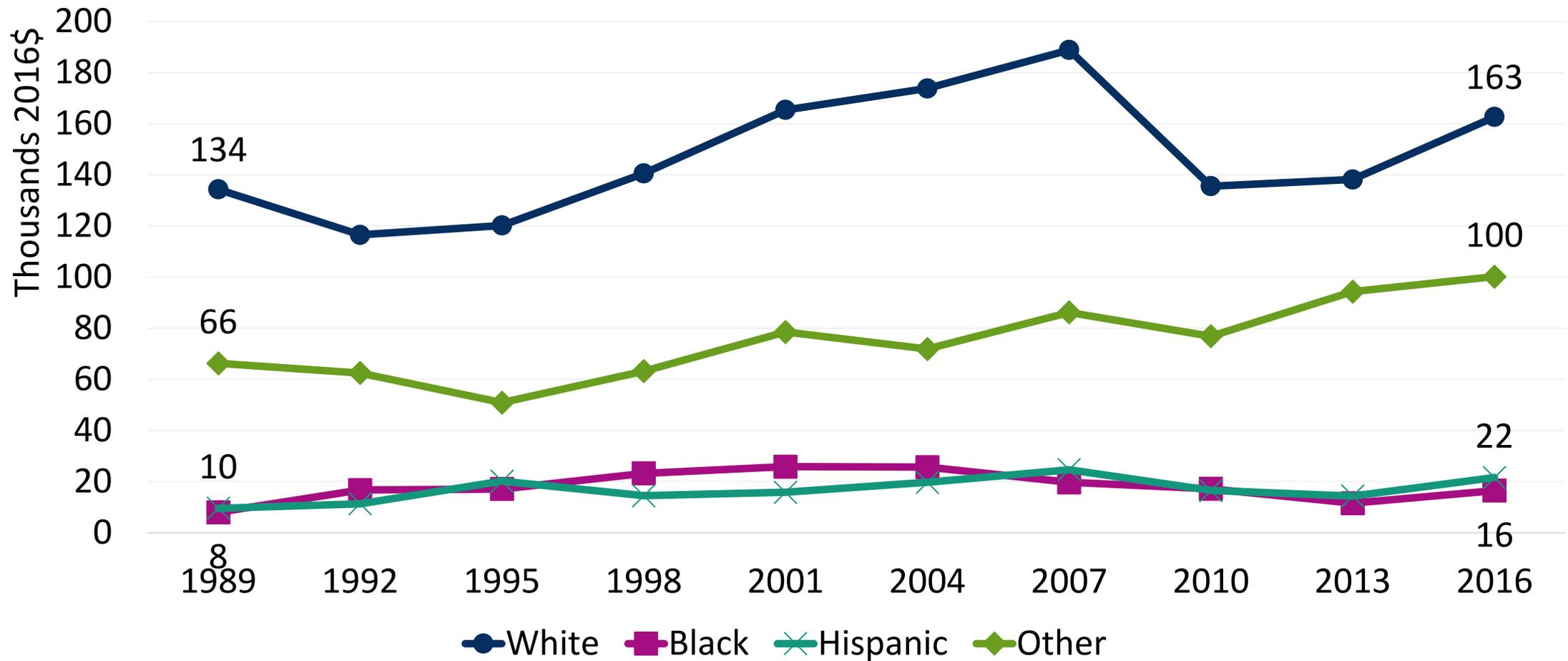


Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations



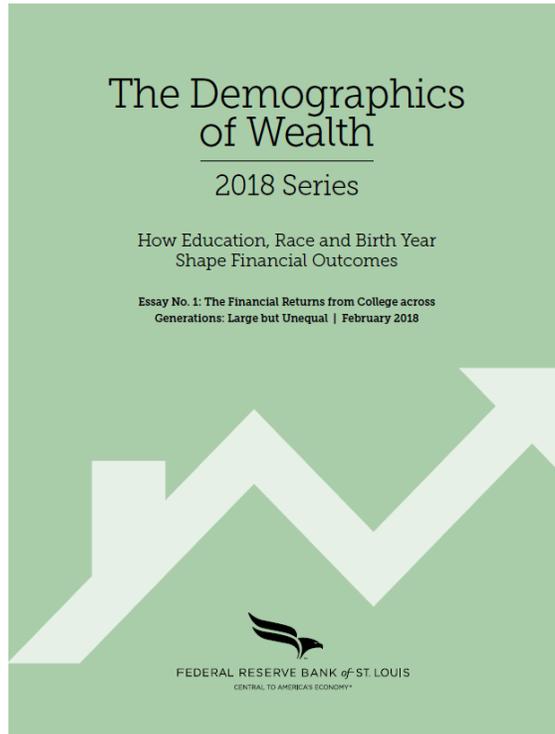
Race/Ethnicity Wealth Gaps Over Time

Real Median Family Net Worth



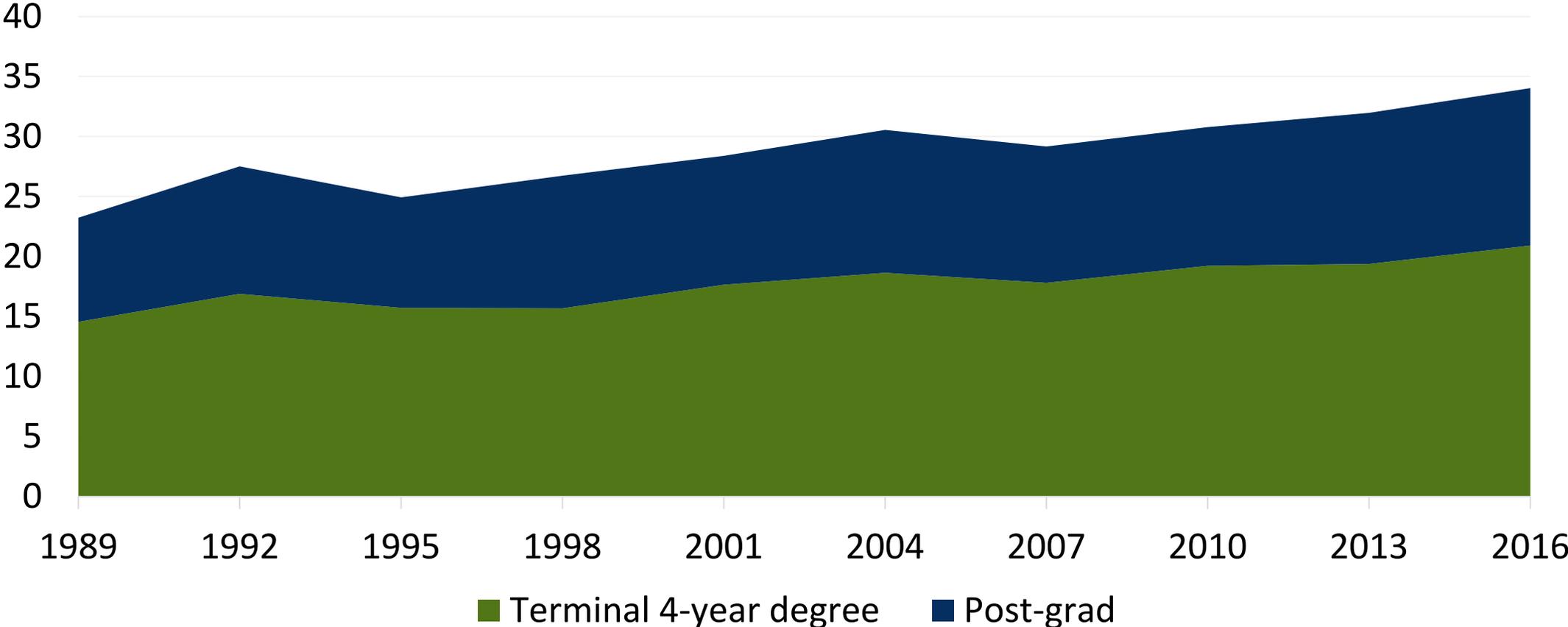
Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

Essay 1: The Financial Returns from College Across Generations: Large but Unequal



Share of College Households Increasing

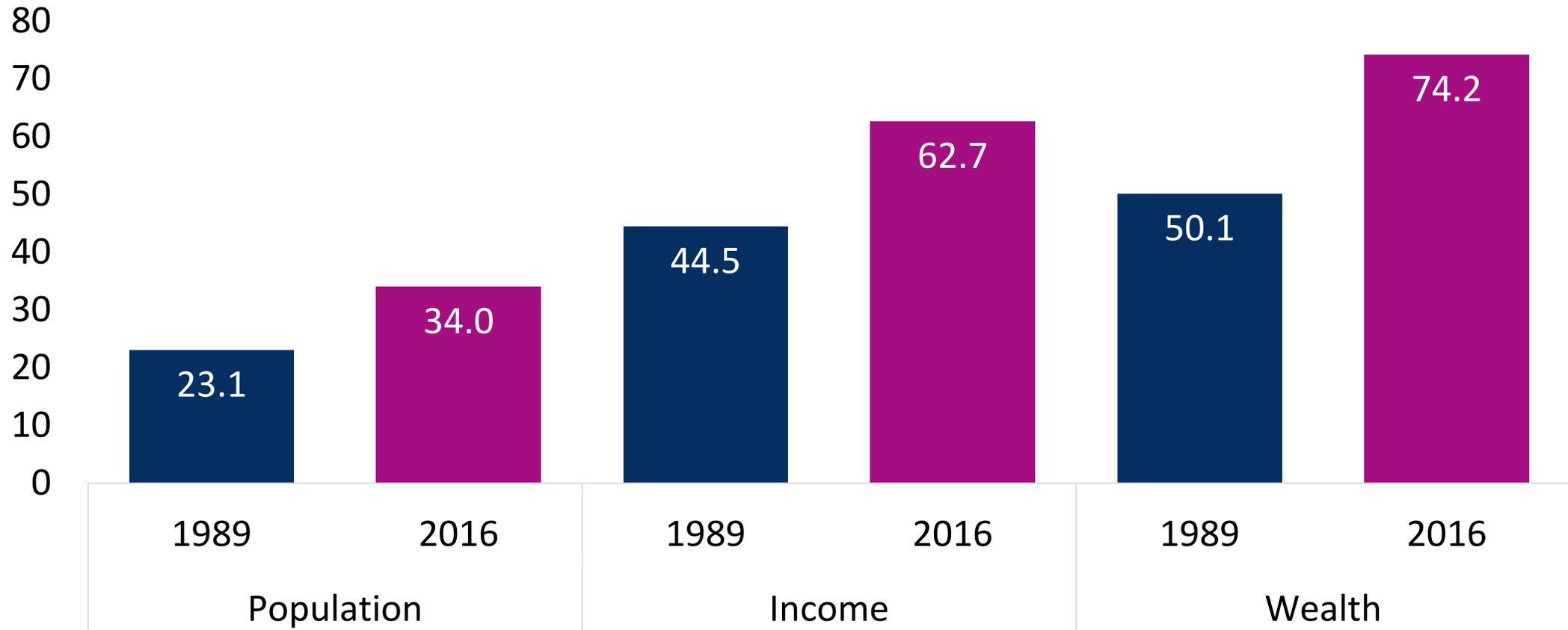
U.S. Families Headed by Grads and Post-Grads



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

Rising Income and Wealth Shares

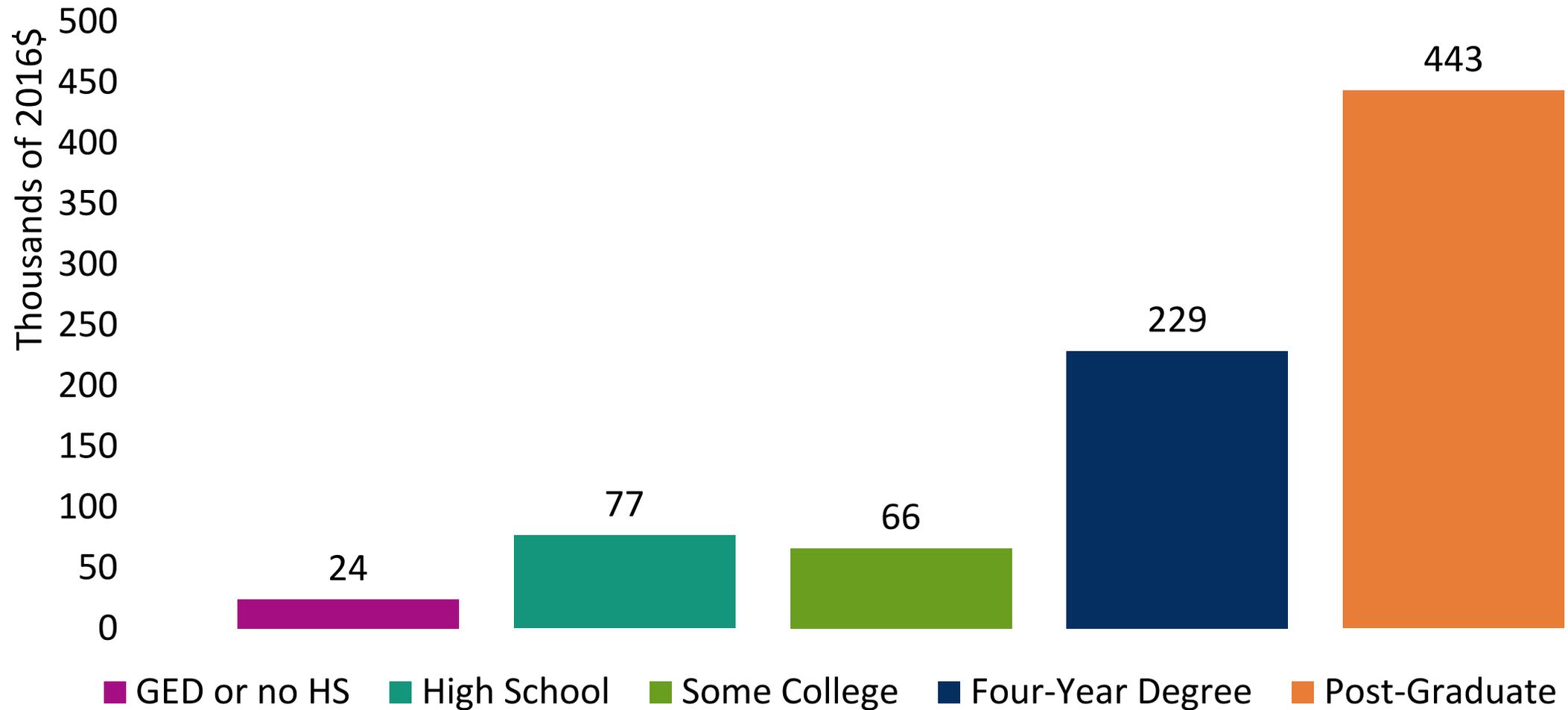
Shares Among College Graduates



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

Education Wealth Differences in 2016

Real Median Household Net Worth, 2016

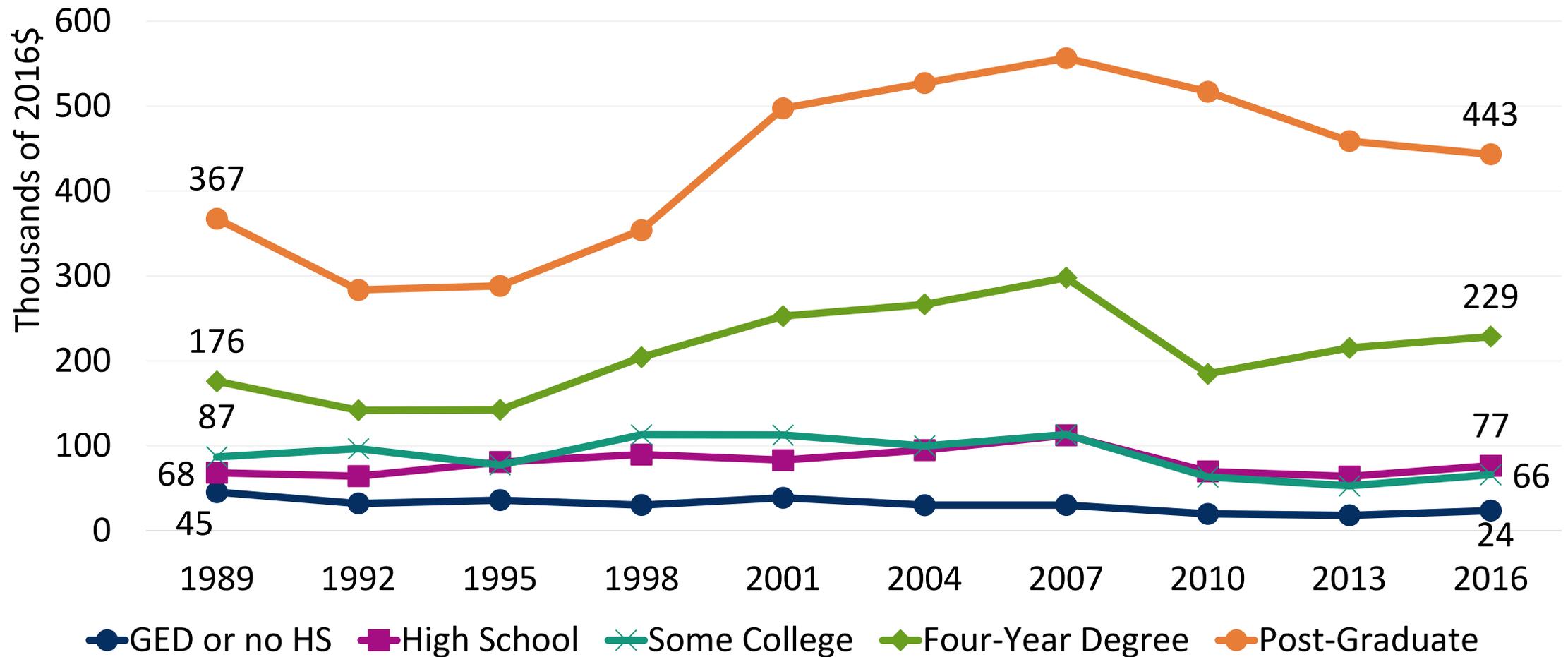


Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations



Education Wealth Gaps Over Time

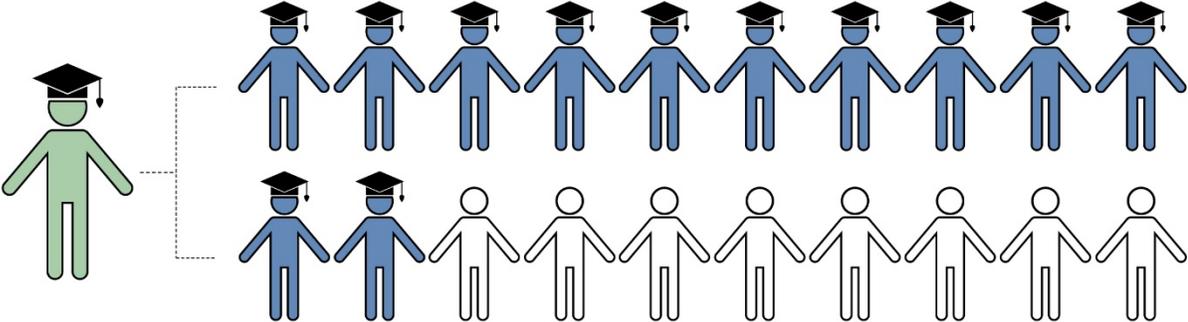
Real Median Household Net Worth



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

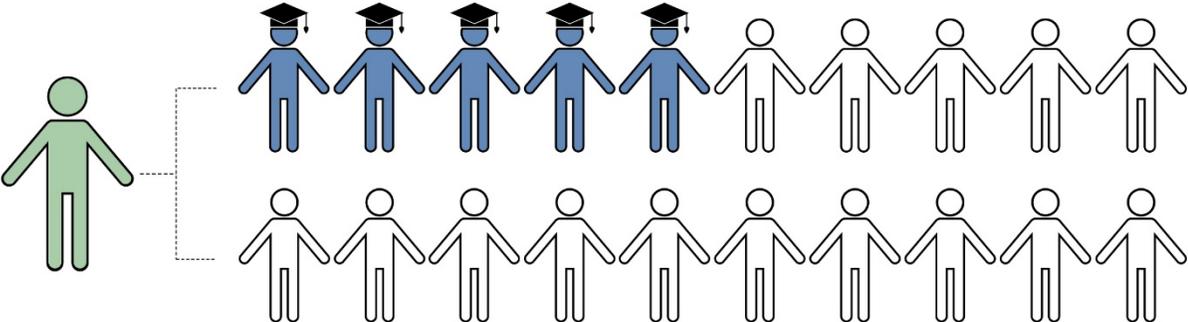
Intergenerational Education

At least one parent has a four-year college degree



60 percent likelihood that adult children household heads also have degrees

Neither parent has a degree



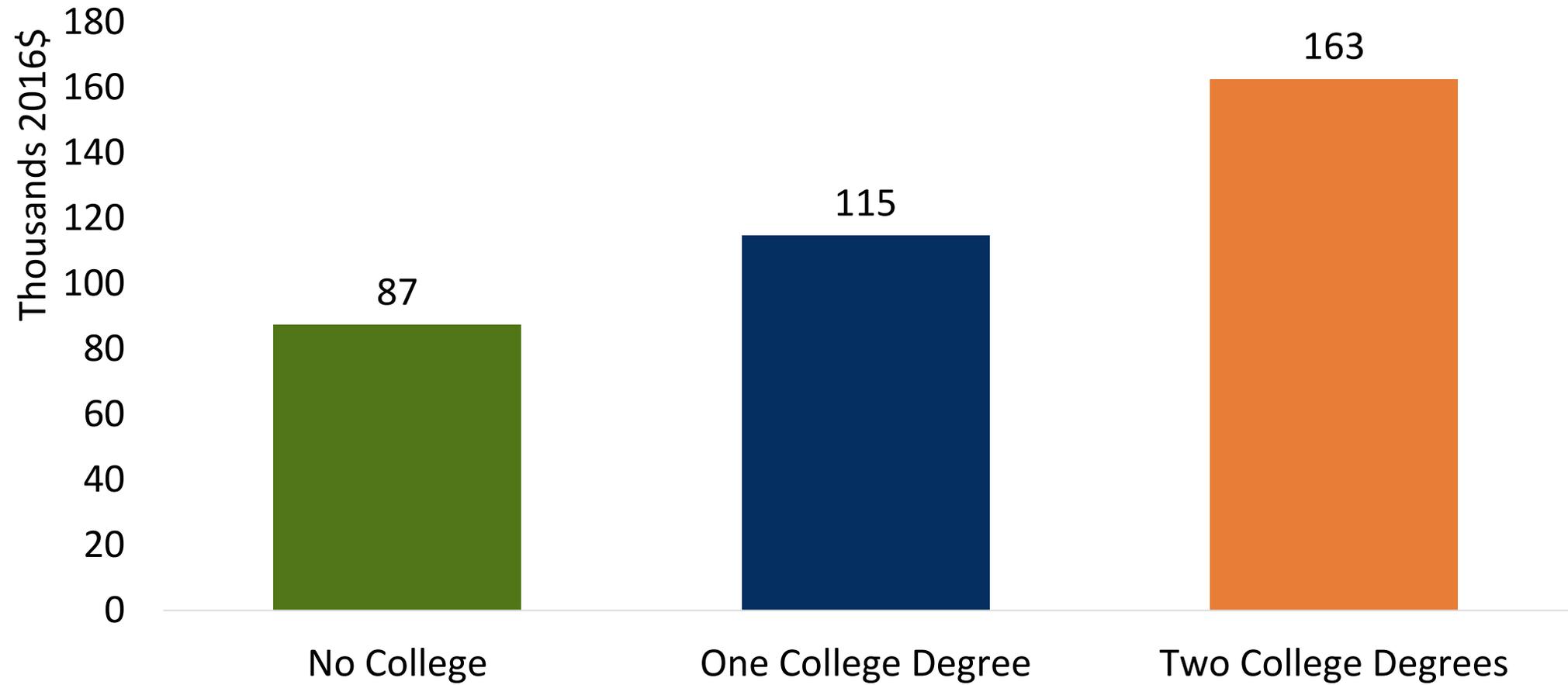
24 percent likelihood that adult children household heads have degrees

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Source: <https://www.stlouisfed.org/publications/in-the-balance/2019/children-of-college-graduates>

Wealth Patterns by Parental Education

Median Household Net Worth by Parental Education



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

Demographics Combined

Own Effort

- College income and wealth premiums – individual efforts to complete the degree and the benefits of the learning itself?



Inherited Traits

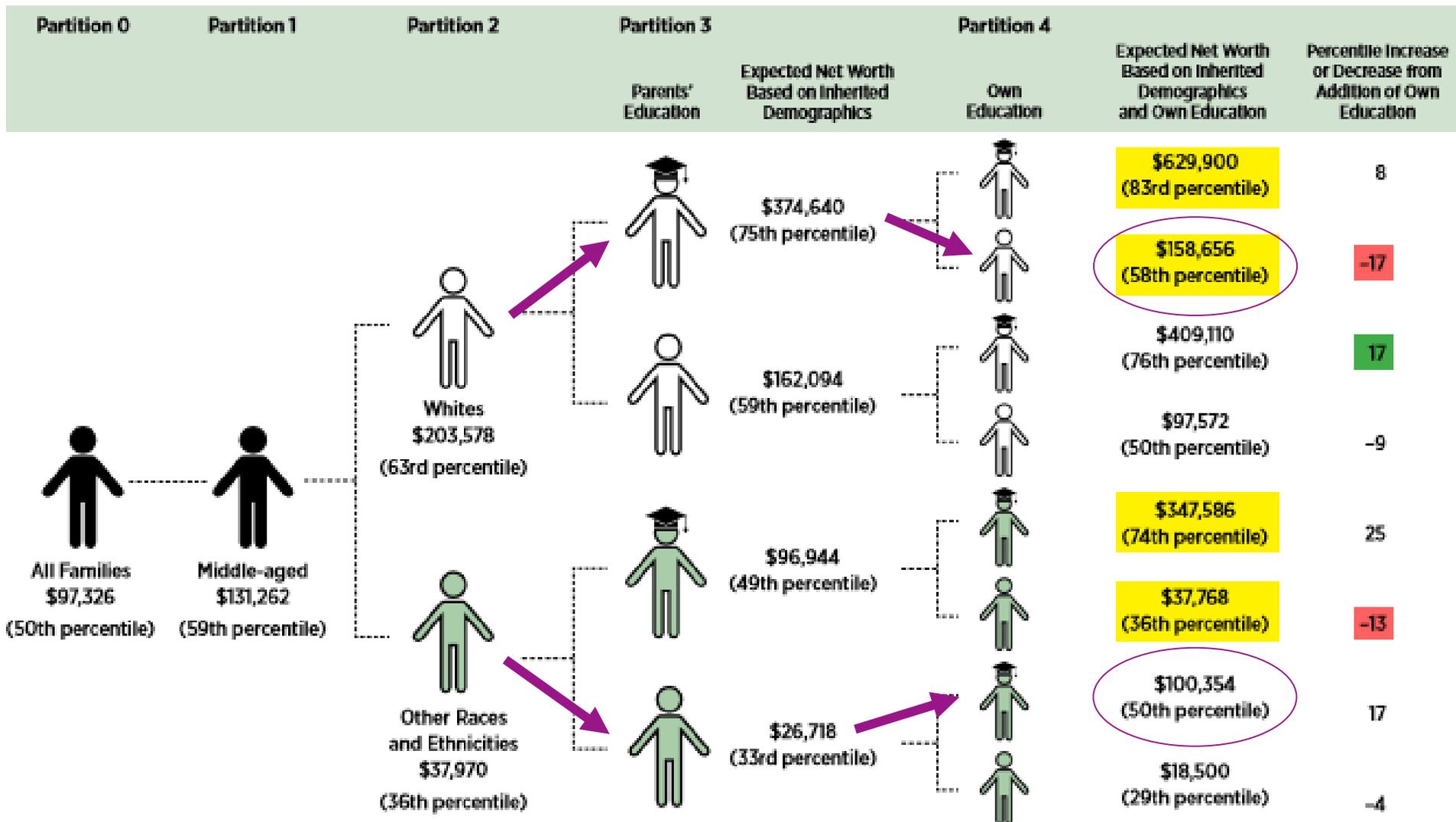
- Or – inherited demographic traits both in predisposing someone to complete a degree and in boosting later financial achievement?



Inherited

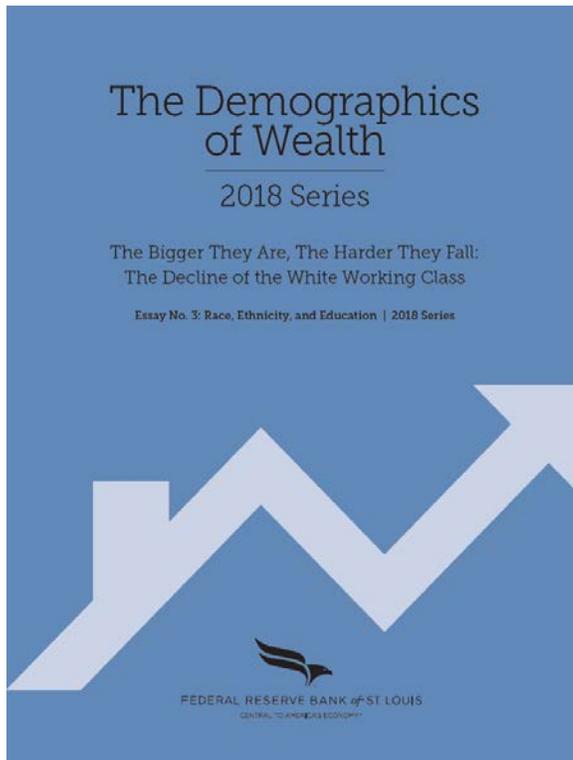
Acquired

Figure 6. Median Middle-Aged Family Net Worth by Inherited Characteristics and Own Education



Source: <https://www.stlouisfed.org/household-financial-stability/the-demographics-of-wealth>

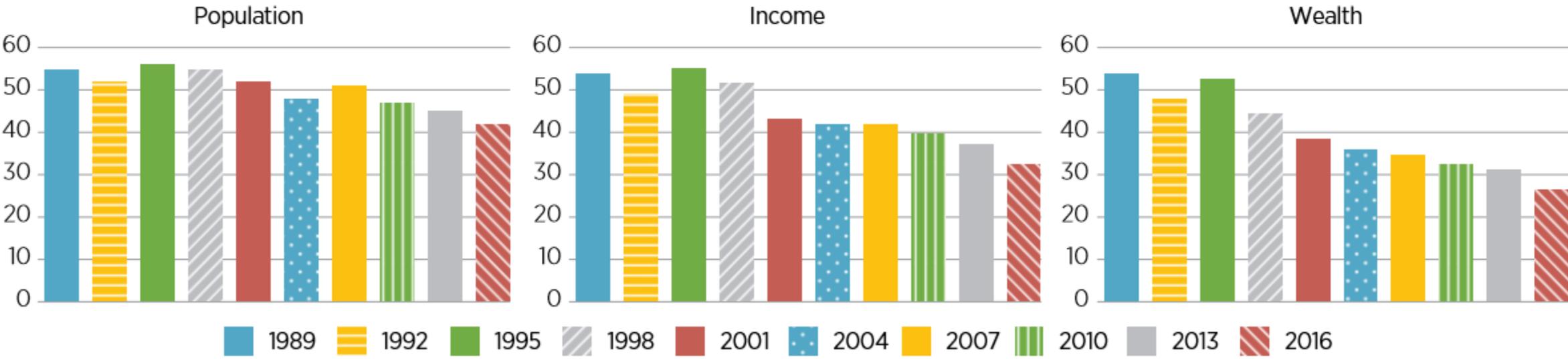
Essay 3: The Bigger They Are, The Harder They Fall: The Decline of the White Working Class



1. Largest race/ethnicity by education subgroup
2. Outcomes have diverged from similar groups
3. Focus of intense scholarly and popular discourse

WWC Shares of U.S. Population, Income and Wealth

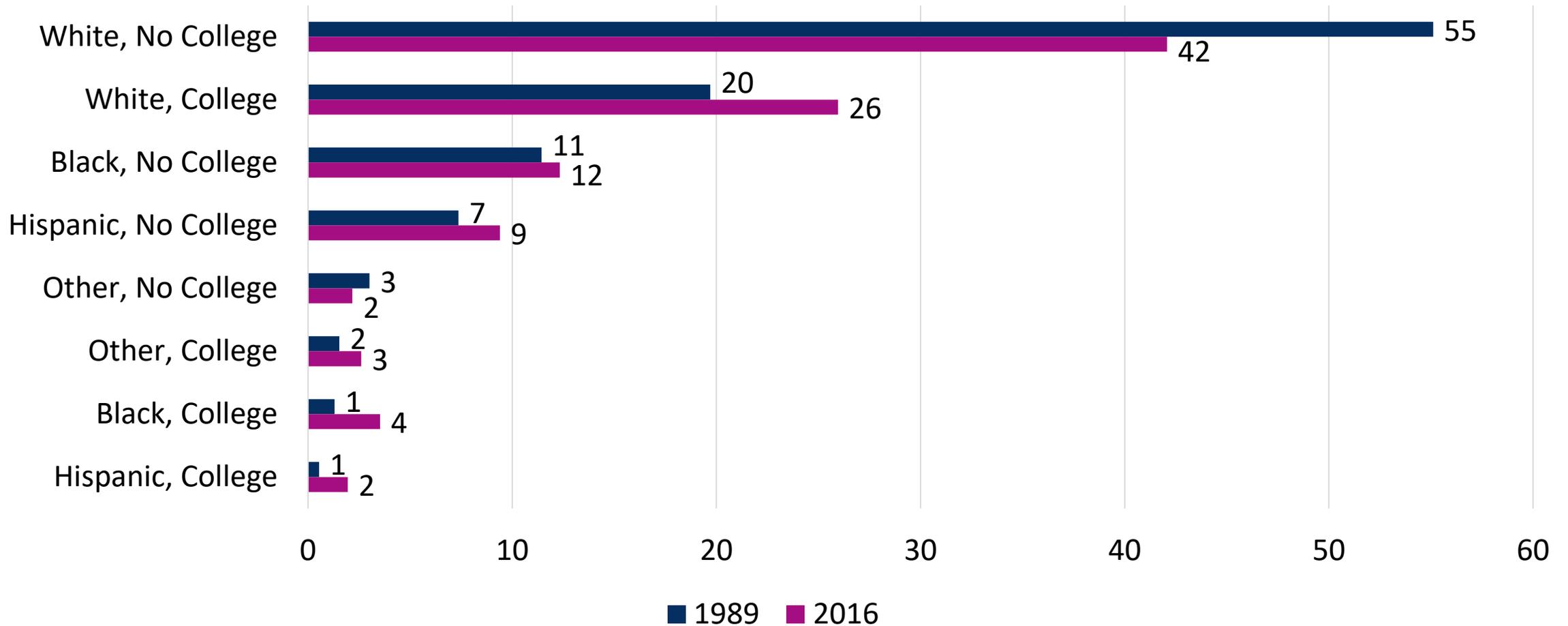
Figure 1: White Working Class Share of Population, Income and Wealth (percent)



Source: <https://www.stlouisfed.org/household-financial-stability/the-demographics-of-wealth>

White Working Class Falling

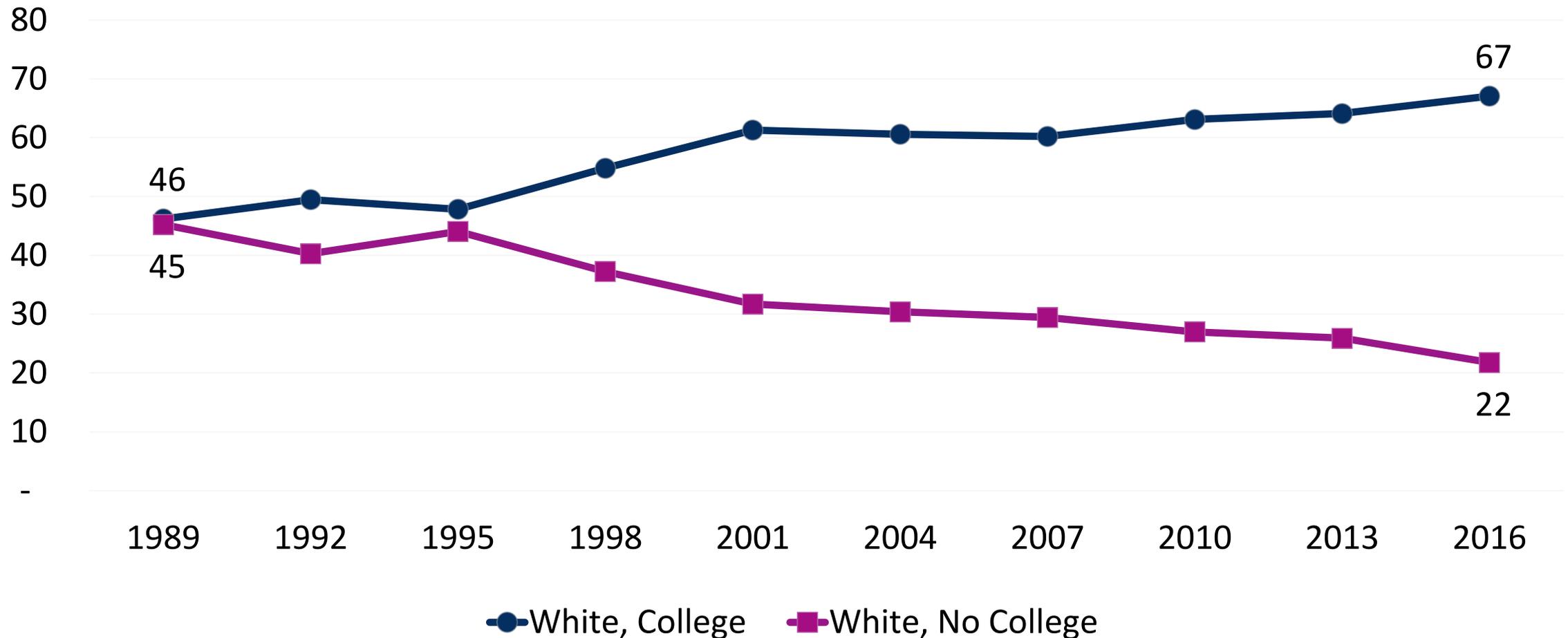
Share of Families in Population



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

Diverging Trends for Whites by Education

Share of Total Family Wealth in the U.S.



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

Reasons for the Fall – Declining Advantages

- **Neither race nor education is sufficient alone to explain the decline of the white working class.**
 - White college graduates are doing well
 - Black and Hispanic working class families have made some progress
- High school graduation rates, reduced access to relatively high-paying jobs/changing economy, and lessening of explicit workplace discrimination

Is College Still Worth It?



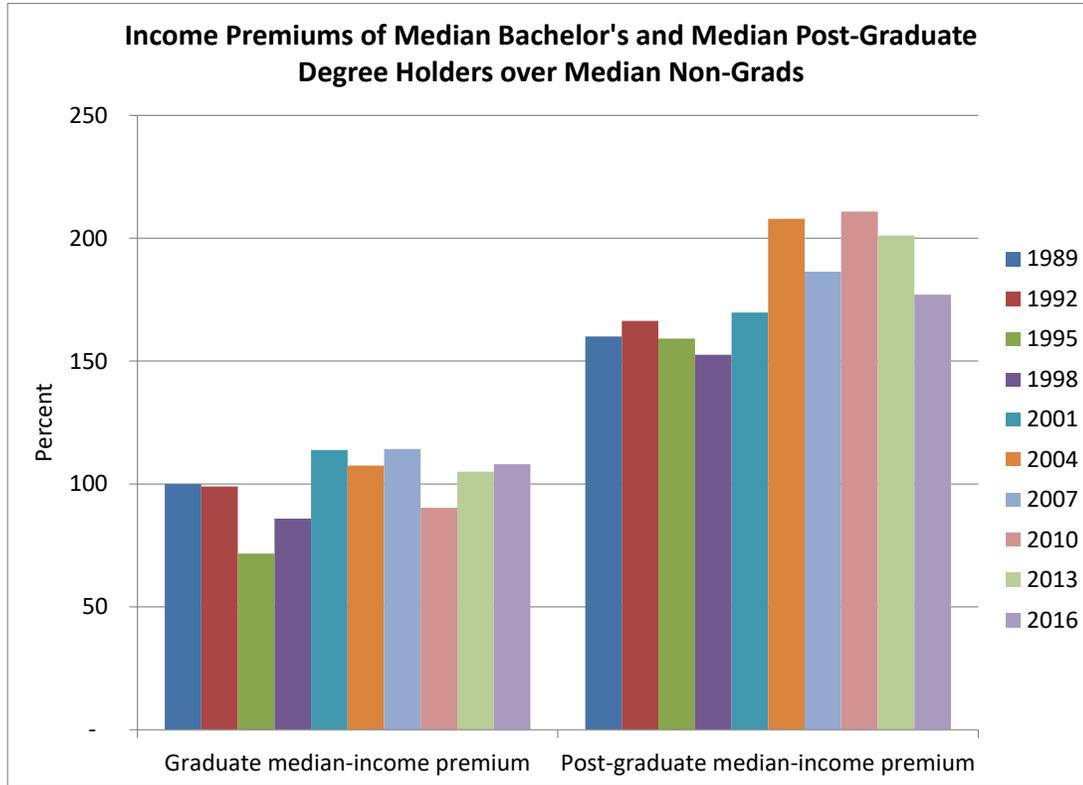
https://en.wikipedia.org/wiki/Georgiana_Simpson#cite_ref-10



<https://www.walshonda.com/honda-graduate-bonus>

Aggregate: Wealth College Premium Growing

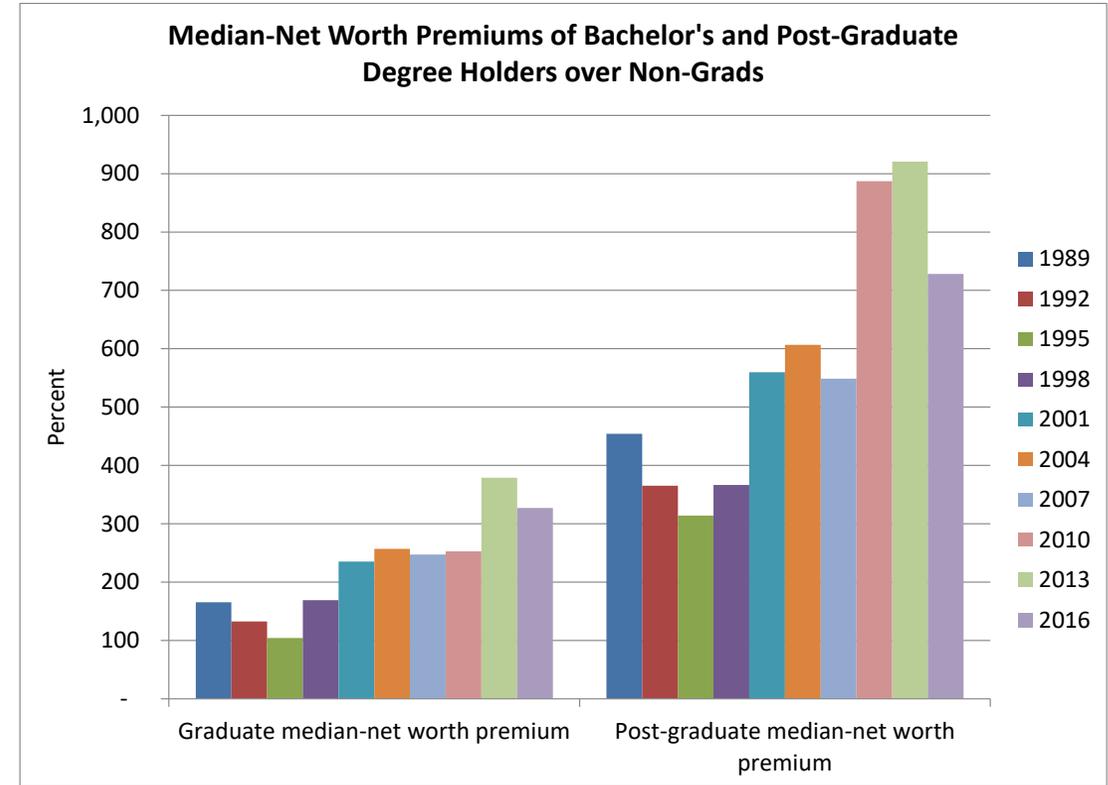
Income



Terminal bachelor's degree

Post-graduate degree

Wealth



Terminal bachelor's degree

Post-graduate degree

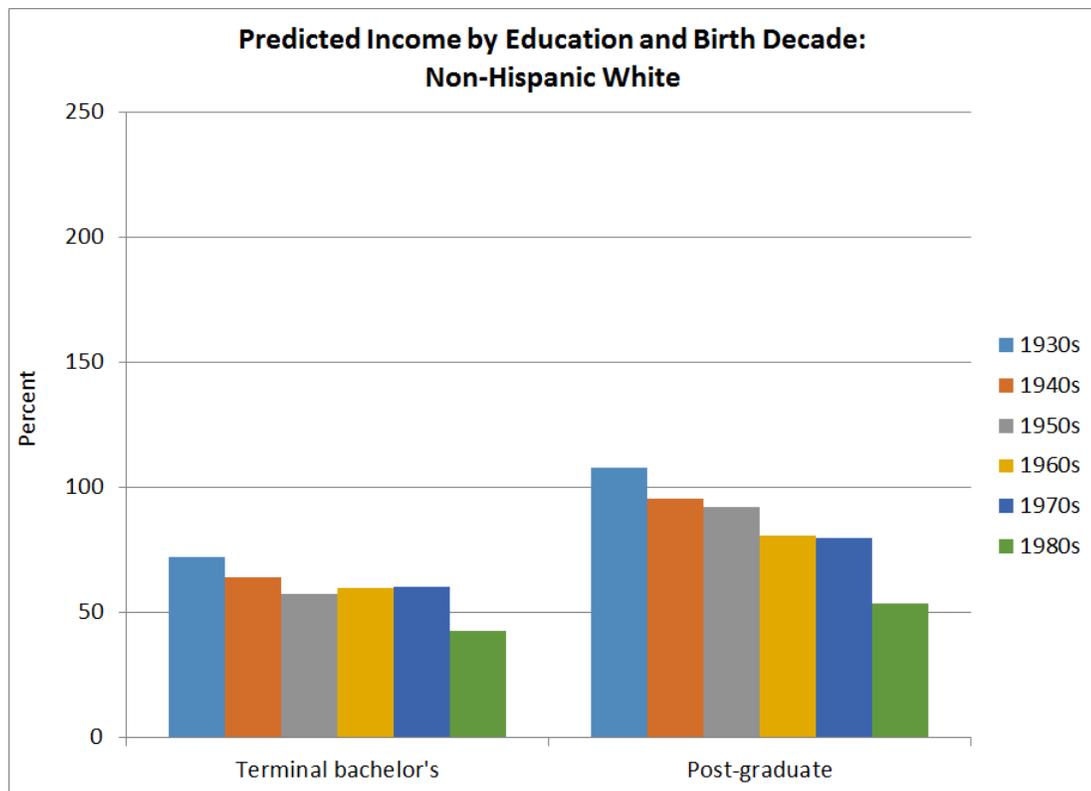
Includes SCF families of all races and ethnicities, all ages and all birth years.

Source: <https://www.stlouisfed.org/household-financial-stability/events/past-events/is-college-still-worth-it>

But... Small, Shrinking College Premiums

Non-Hispanic White

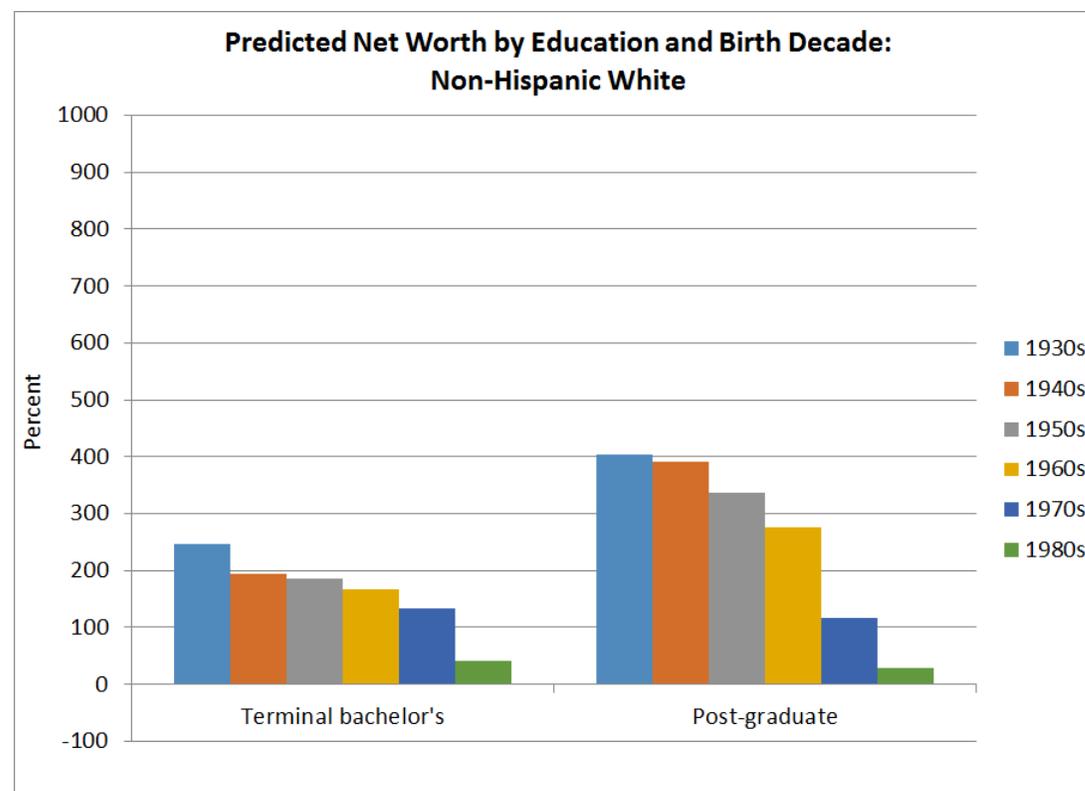
Income



Terminal bachelor's degree

Post-graduate degree

Wealth



Terminal bachelor's degree

Post-graduate degree

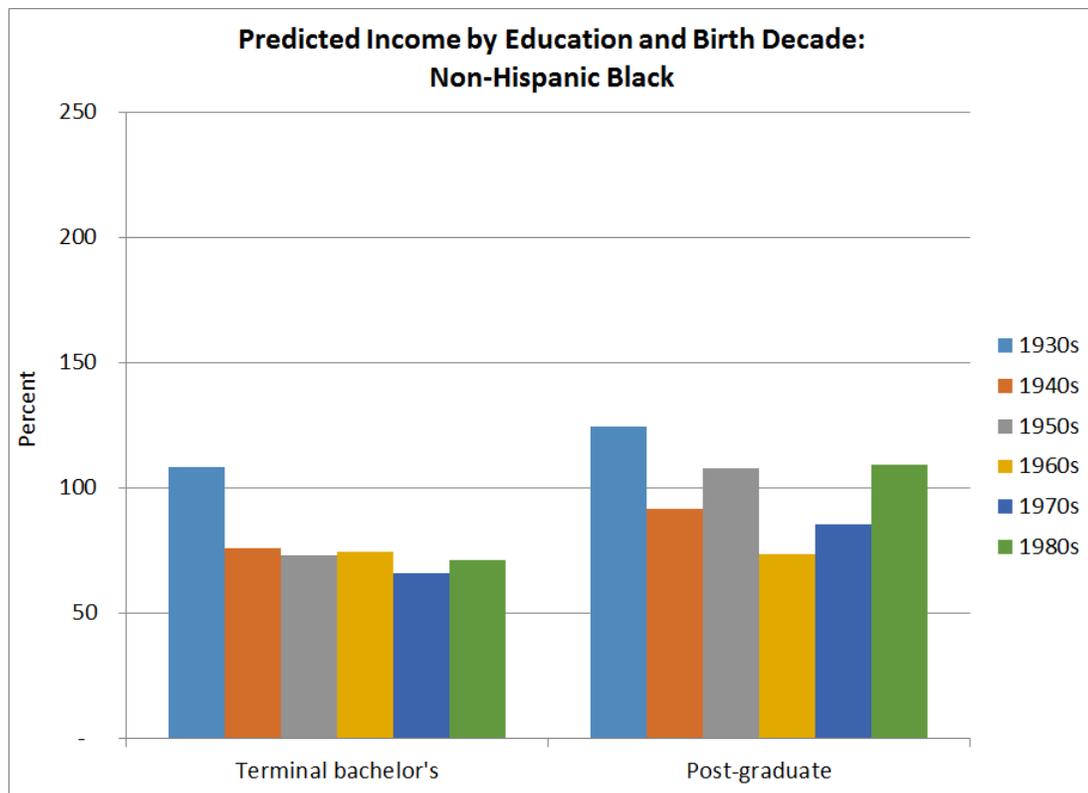
Model includes SCF families of a particular race or ethnicity adjusted for family size and life cycle.

Source: <https://www.stlouisfed.org/household-financial-stability/events/past-events/is-college-still-worth-it>

Disappearing Wealth Premium for Blacks

Non-Hispanic Black

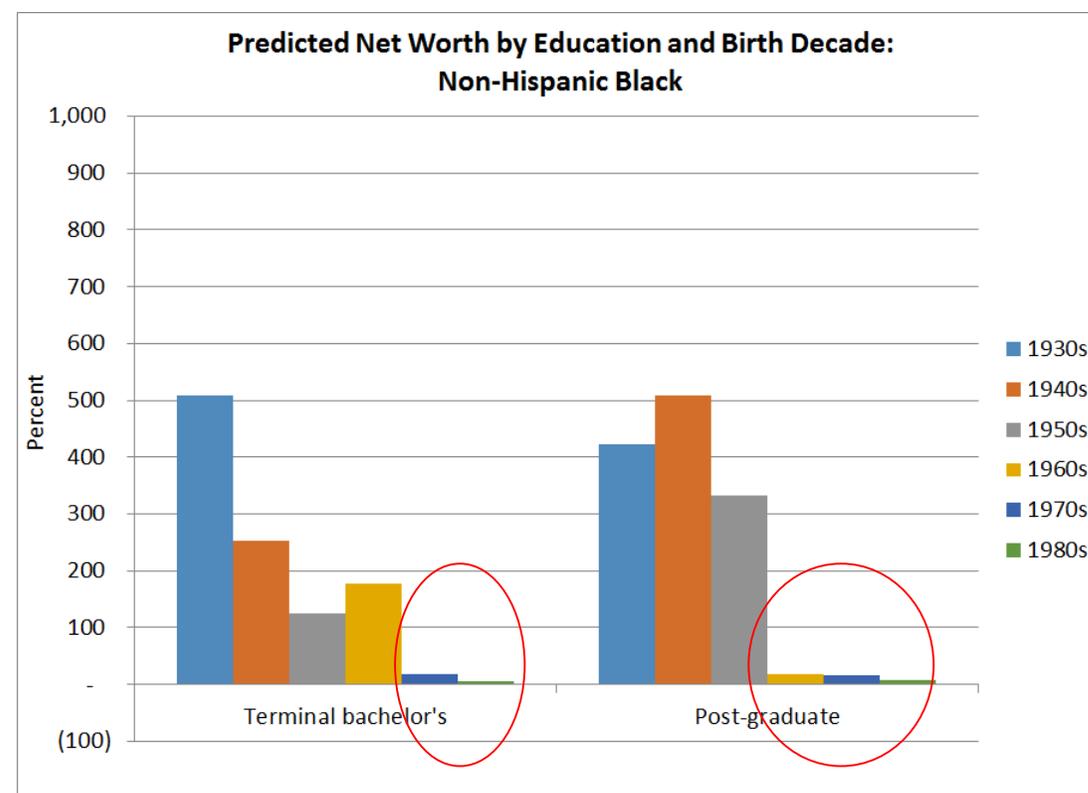
Income



Terminal bachelor's degree

Post-graduate degree

Wealth



Terminal bachelor's degree

Post-graduate degree

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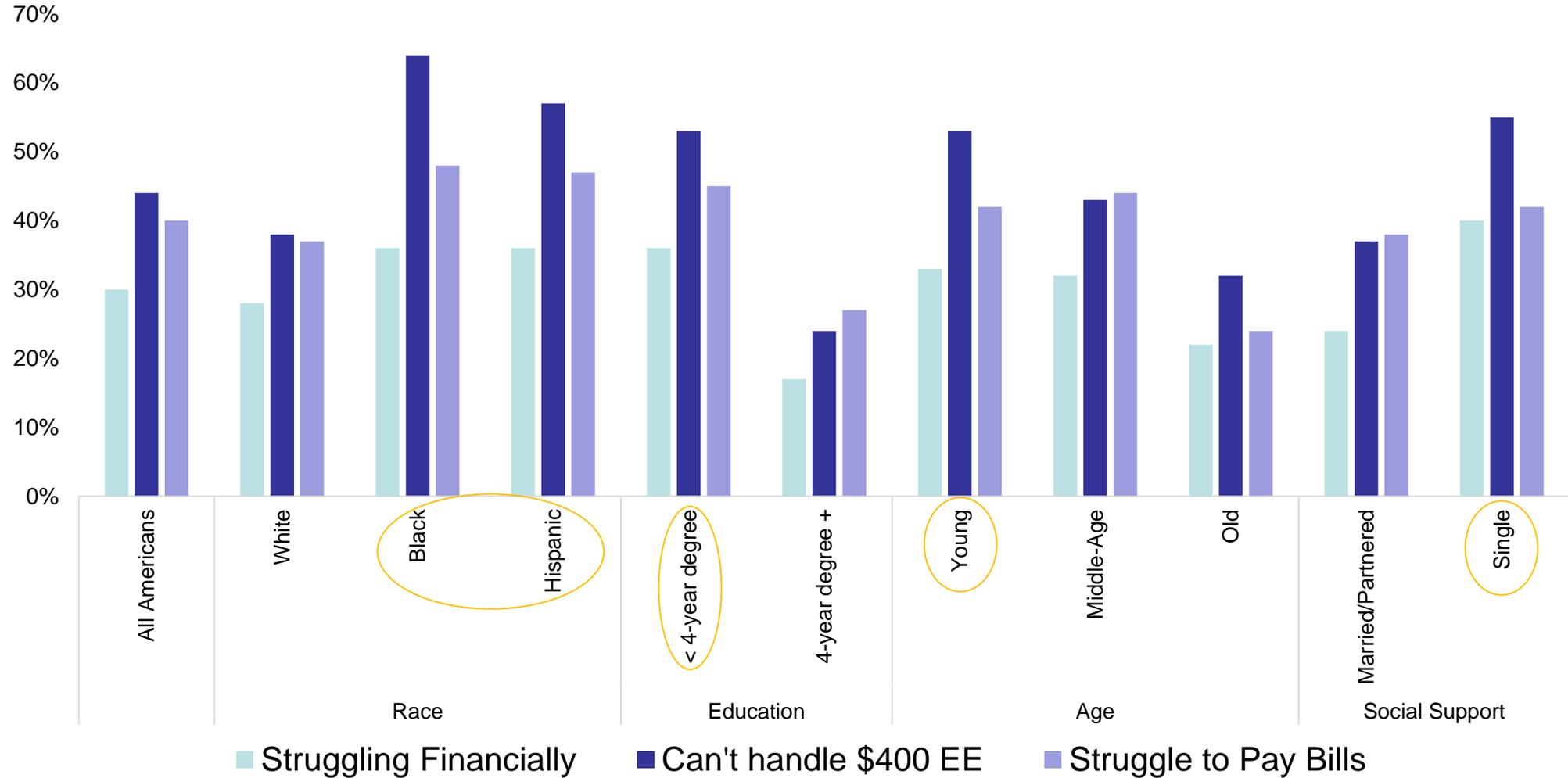
Source: <https://www.stlouisfed.org/household-financial-stability/events/past-events/is-college-still-worth-it>

Taken Together... Financial Fragility?



- 51% are “asset poor” – can’t cover expenses for 3 months (SHED, 2016)
- A \$400 emergency expense would prompt nearly half of all families to borrow funds, sell something, or simply not pay (SHED, 2016)
- 57% of Americans are challenged to achieve “financial health” (CFSI, 2015)
- Volatile employment schedules; 17% have schedules that vary by employer’s needs (SHED, 2016)
- 40% struggled to pay bills because income was lower than normal (SHED, 2016)
- Almost 3/4 of Americans were stressed about money (APA, 2015)

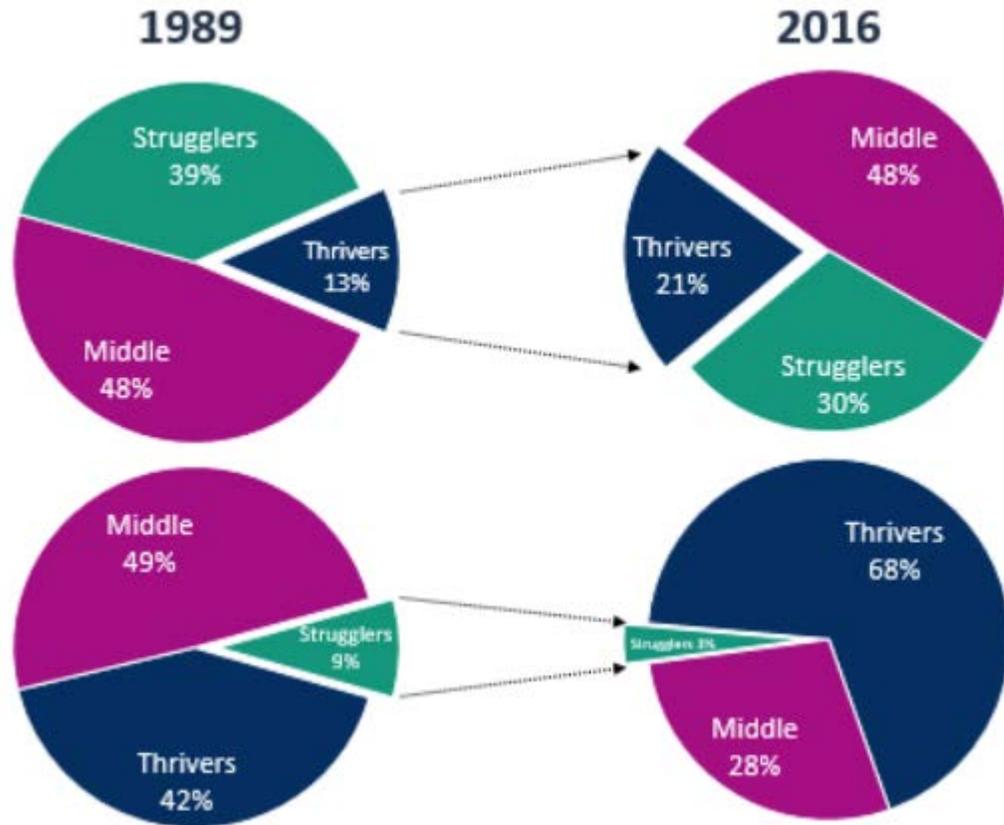
Financial Fragility by Demographics



Source: Federal Reserve Board, Survey of Household Economic Decisionmaking and author's calculations

CONCLUSIONS AND SOLUTIONS

Is Demography Economic Destiny?



No, but....

- Demographics are strongly correlated with financial outcomes
- Ongoing structural and systemic barriers make it difficult to narrow income and wealth gaps
- Can do more to equalize the playing field

Solutions

1. Promote stability, then mobility

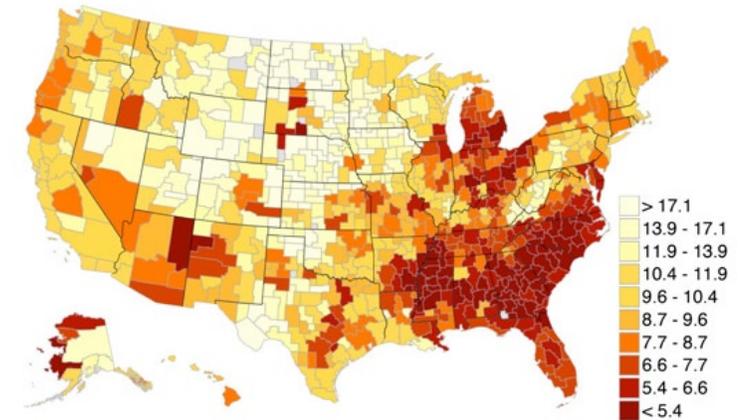
- 92% of Americans would choose stability over mobility (Pew, 2014)
- Help families build a rainy day fund
- Of all the factors examined, disparities in financial well-being are greatest between subgroups that have different levels of liquid savings (CFPB, 2017)



2. Recognize the inequality

- “In the United States, inequality remains for many respondents a sign of future opportunities and mobility, even though the data on mobility rates no longer support that perception.” – Graham, 2010
- Improve access to social capital, networks, relationships
- Awareness of own biases

The Geography of Intergenerational Mobility in the United States
Odds that Child Born to a Family in Bottom Quintile Reaches the Top Quintile



Note: Lighter Color = More Upward Mobility
Source: Chetty, Hendren, Kline, and Saez (2013)

Solutions

3. Invest in early childhood

- Invest in schools, teachers, first-gen students
- The earlier the better! The earlier a child...
 - is read to
 - receives good nutrition
 - faces less toxic stress
 - attends an early-education program
 - is exposed to a good neighborhood
 - attends a high-performing school, and
 - has assets in the home

...the more educationally and financially successful that child will turn out as an adult.

- Early assets and **childhood development accounts** can address age, race, and education disparities, and promote financial inclusion
 - Positive impacts on child development:
 - Maternal mental health
 - Educational expectations
 - Child development



Connect With Us

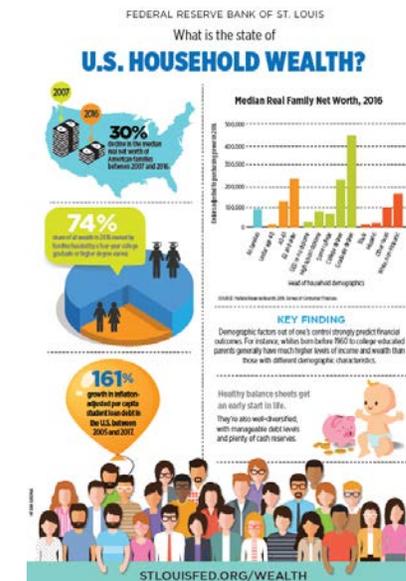


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