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The Millennial Wealth Gap: Short-Term and Long-Term Causes

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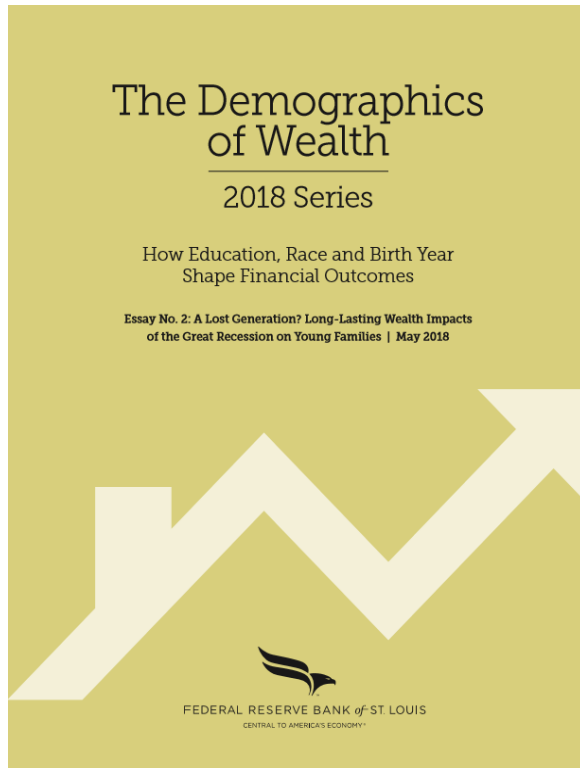
- The median millennial family (born 1980-89) is far below the wealth-accumulation path established by previous generations.
 - Our estimate is -34% at ages 27-36 (as of 2016).
 - In contrast, millennial median income is only 3% below its norm.
- Short-term cause: Widespread wealth losses from the recession
- Long-term causes: Secular wealth-redistribution trends
 - From less- to more-educated
 - From young to old
- Great-Recession shocks + Secular wealth redistribution trends = Large millennial wealth gap, especially no-college families

The Demographics of Wealth



- We explore connections between your demographic characteristics and your socioeconomic outcomes, including income and wealth:
 - Your race and ethnicity
 - Your own and your parents' education
 - Your age and birth year
- Demographic characteristics are strongly related to which families thrive and which struggle.

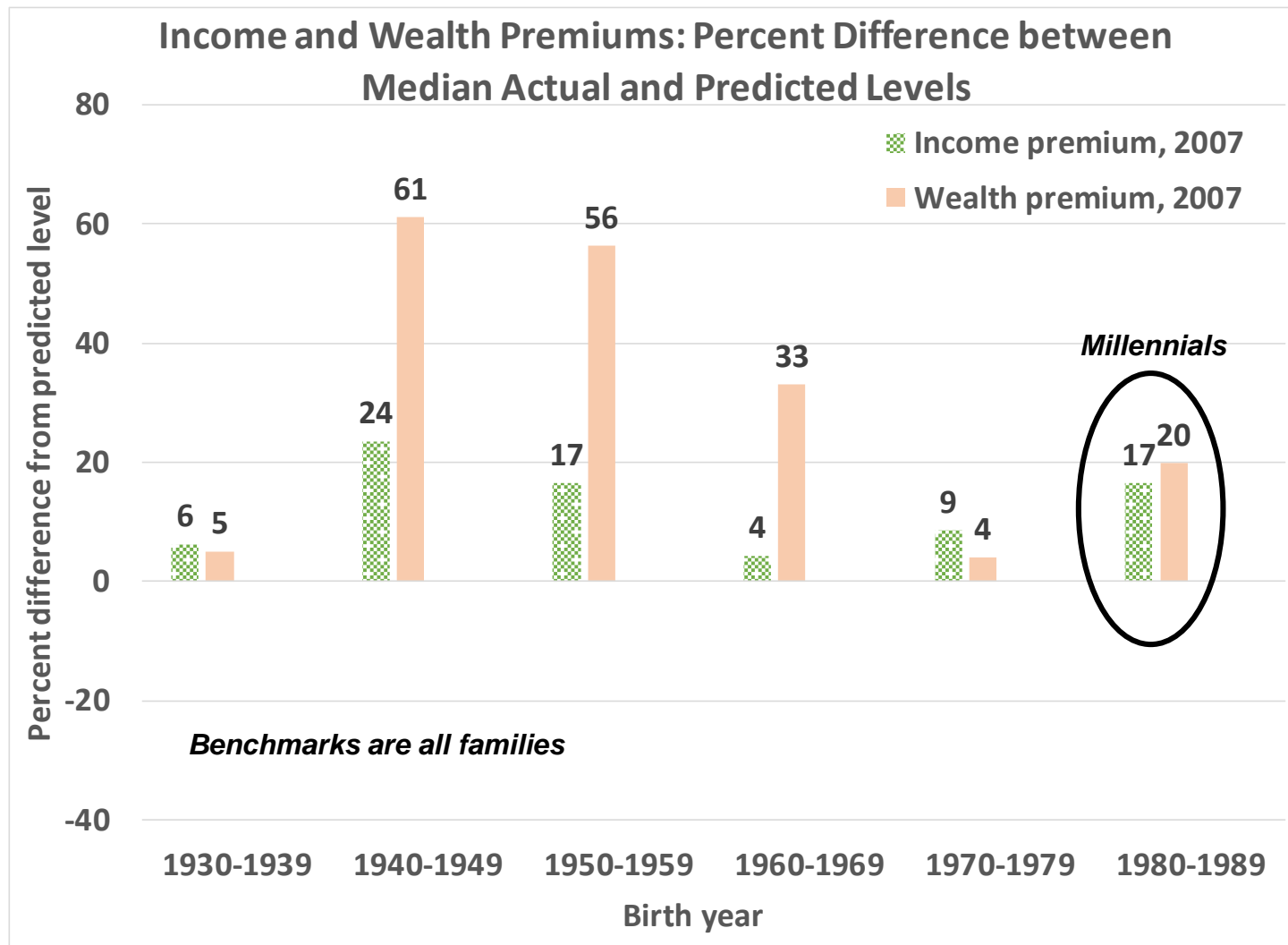
Essay 2: A Lost Generation? Long-Lasting Wealth Impacts of the Great Recession on Young Families



- The Great Recession of 2007-09 inflicted deep and widespread losses of wealth across the population.
- Younger families suffered the largest losses in percentage terms and have rebounded slowly.
- The Great Recession amplified a long-term trend of wealth redistribution from young to old.



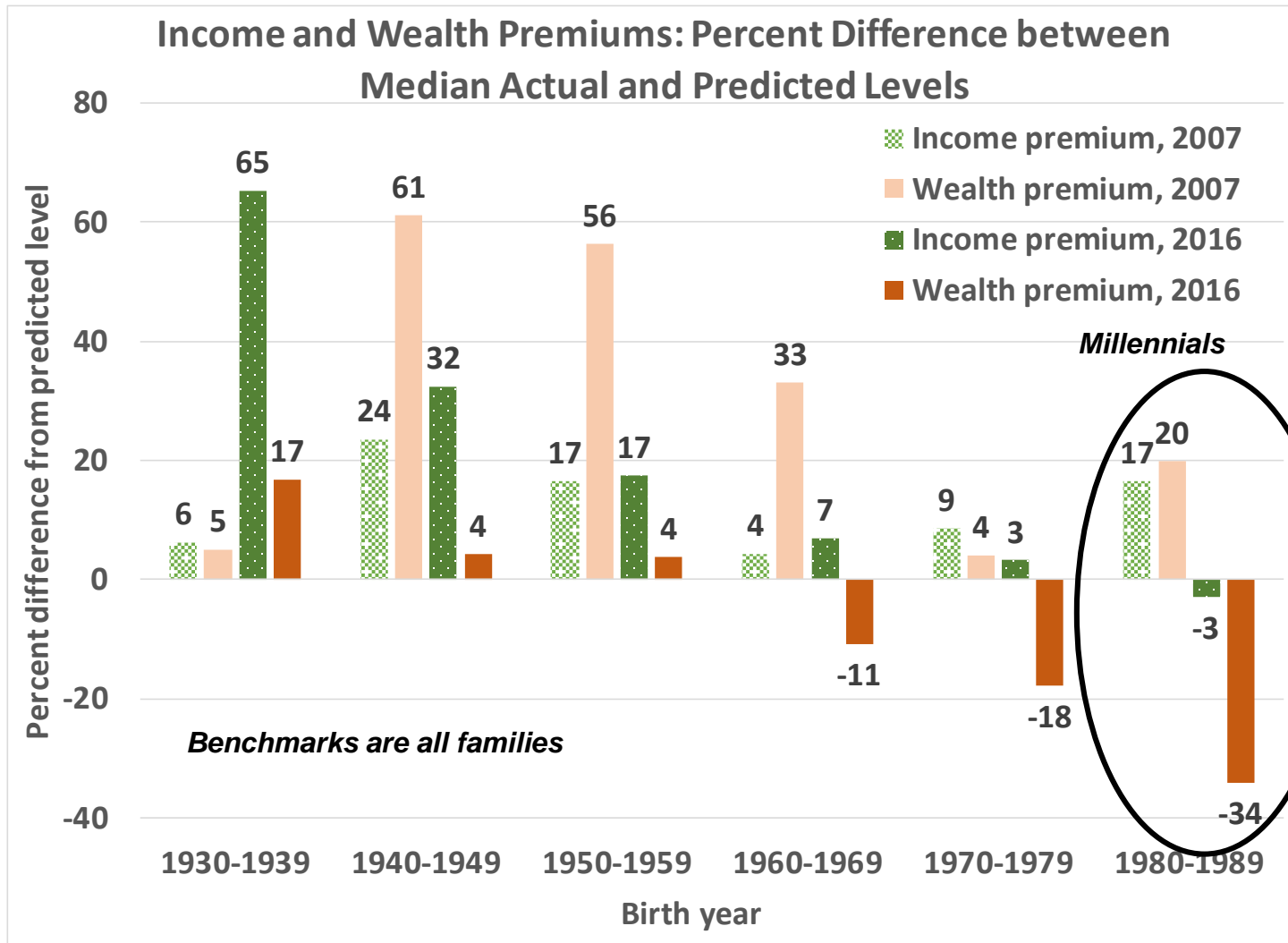
Before the Crash (2007): Income and Wealth Were High



- Median family in each birth decade had greater income and wealth in 2007 than we would expect based on historical experience.
- Median wealth of 1940s, 1950s and 1960s families was far above normal.
- Median 1980s millennial family had high income (+17%) and wealth (+20%).

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

As of 2016: Millennial Income and Wealth Below Norms



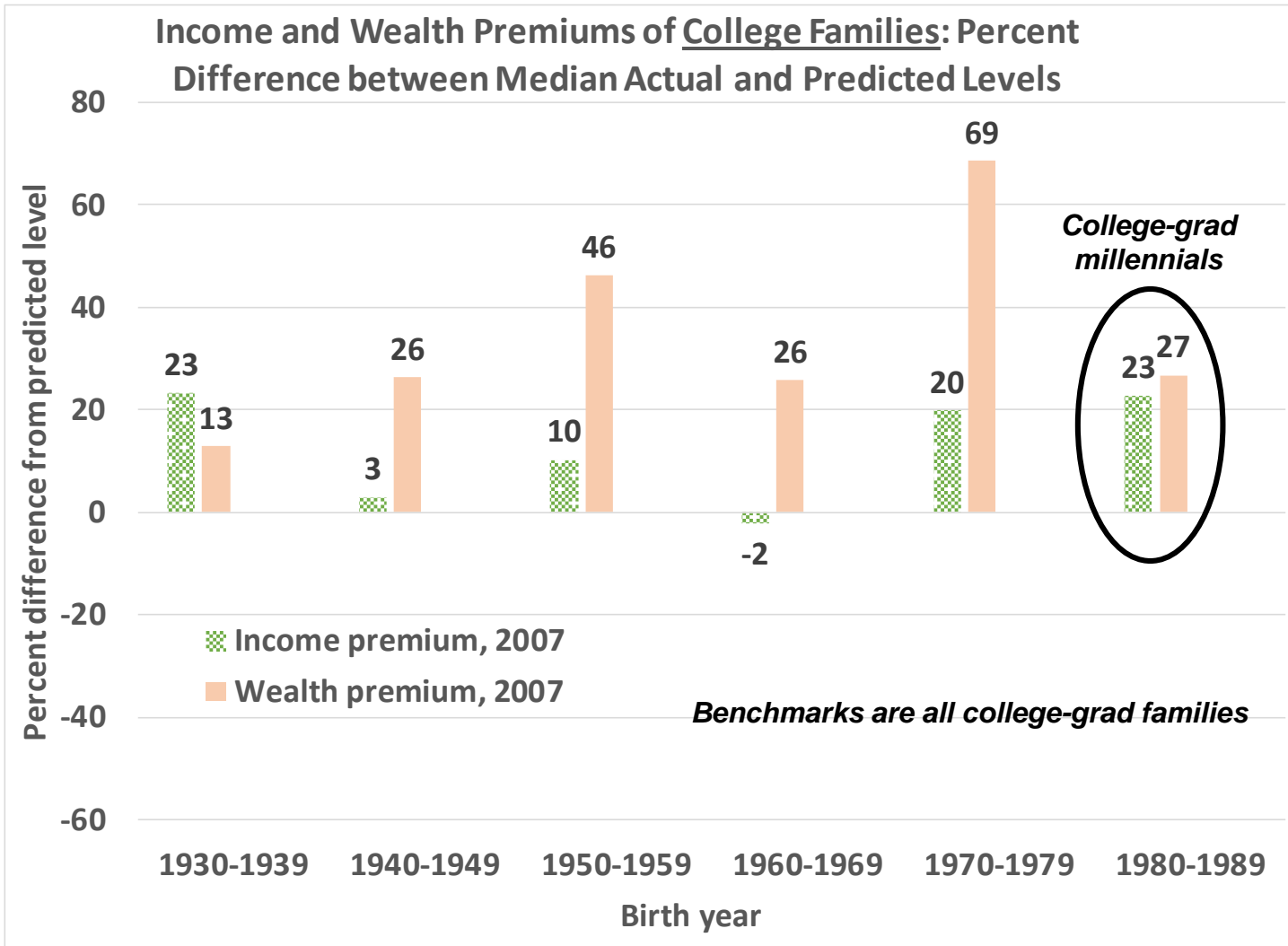
- Median millennial family income declined 20 percentage points relative to predicted levels, to -3% as of 2016.
- Median millennial family wealth plunged 54 %-age points relative to predicted levels, to -34% as of 2016.
- Wealth declined more than income for most cohorts.

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

Why Is the Millennial Wealth Gap So Large?

- Median millennial family income weakened relative to norms between 2007 and 2016, but *relative wealth decline was larger*.
 - Loss of housing wealth affected older cohorts more.
 - Millennials seem to be slow to begin wealth accumulation.
- Look at four-year college grads and no-college millennial families separately.
 - College-grad millennial families (23% of cohort in 2007; 37% by 2016) were far above predicted income and wealth levels in 2007; the recession wiped out these advantages.
 - No-college millennial families (77% then 63% of cohort) already were at or below norms in 2007; recession knocked them lower.

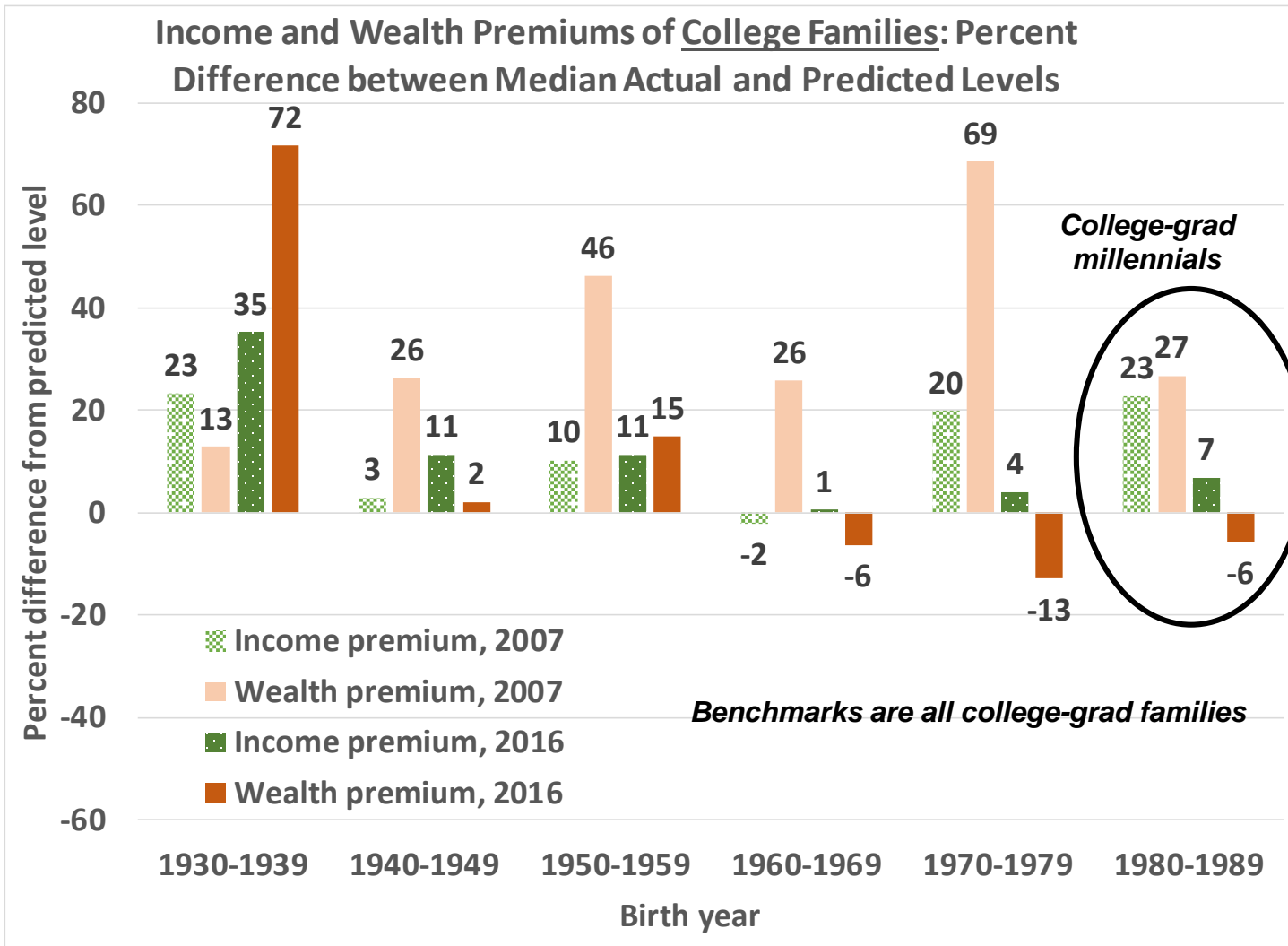
Young College Grads Were Flying High in 2007



- Median millennial college-grad family enjoyed 23- and 27-percentage point income and wealth premiums in 2007, respectively.
- Younger college grads (under 28) were doing very well on both measures.

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

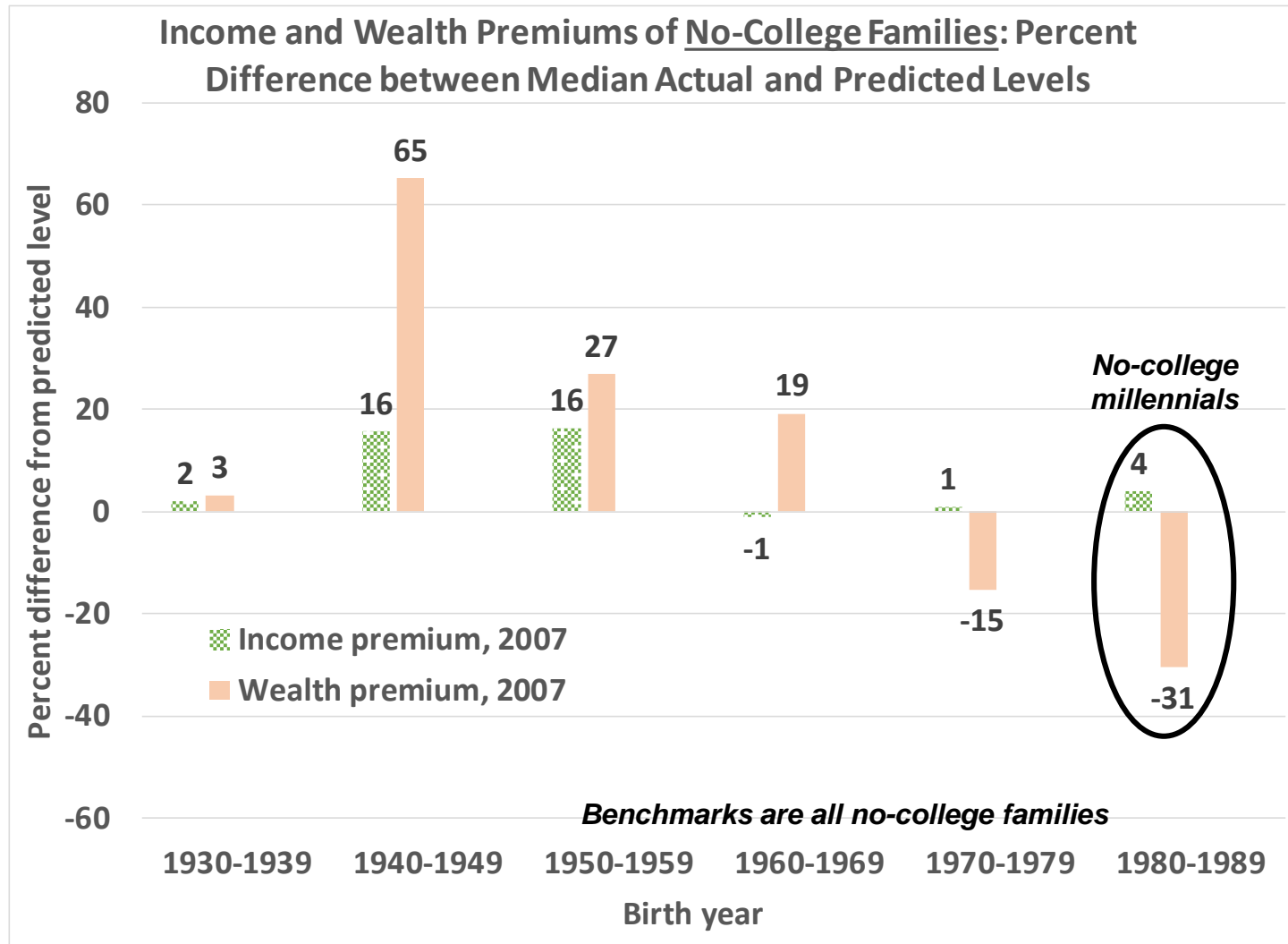
Great Recession Eliminated College-Grad Advantages



- Median millennial college-grad income dropped 16 percentage points relative to the historical norm.
- Median millennial college-grad wealth dropped 33 percentage points relative to norms.
- Median Gen-X college-grad declines were even larger: -16 and -82 %-age points.

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

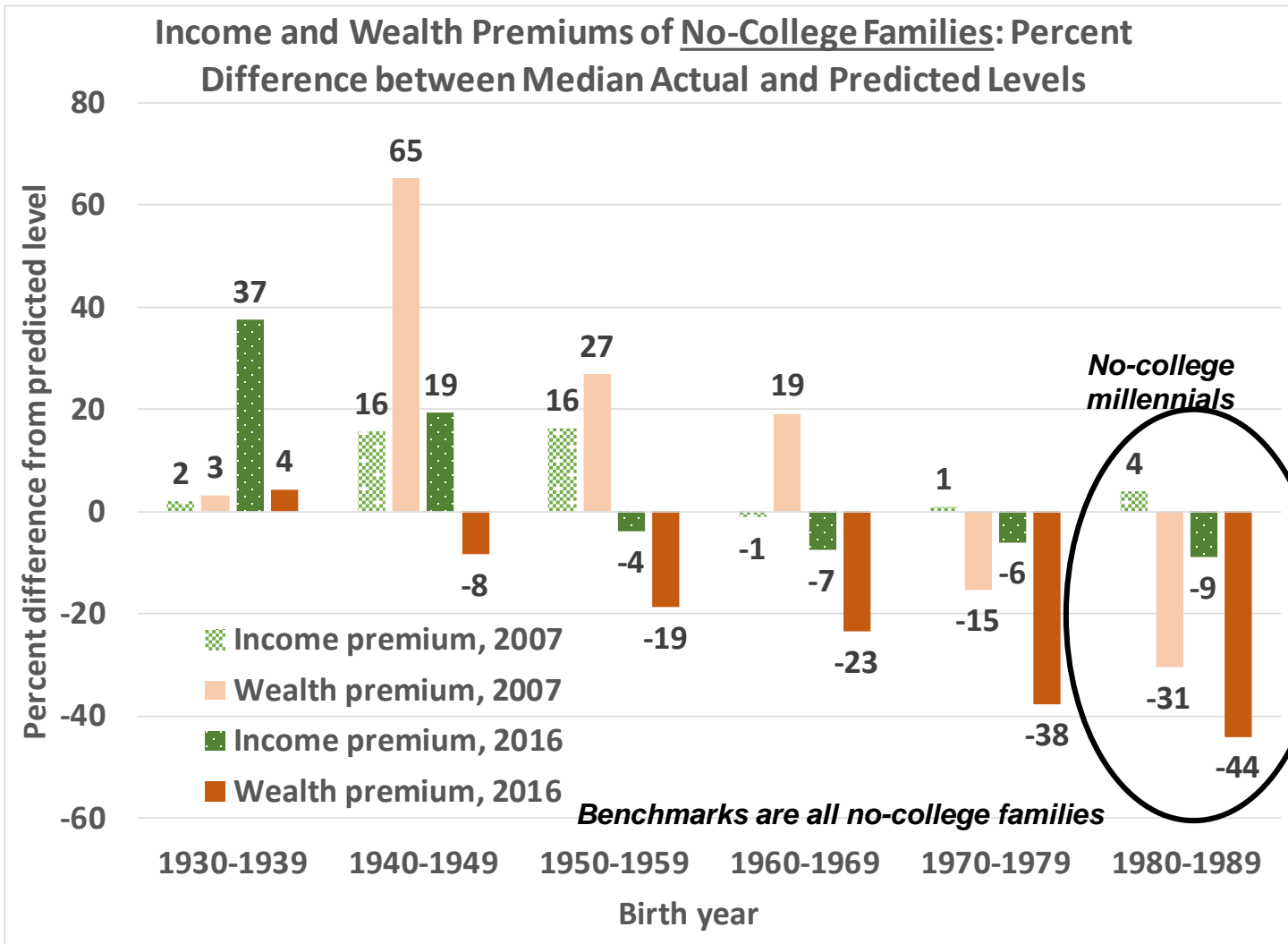
No-College Millennials At or Below Norms Already in '07



- Median non-college-grad millennial family income was near the historical norm (+4%) in 2007.
- Median no-college millennial wealth was 31 percent below the predicted level in 2007.

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

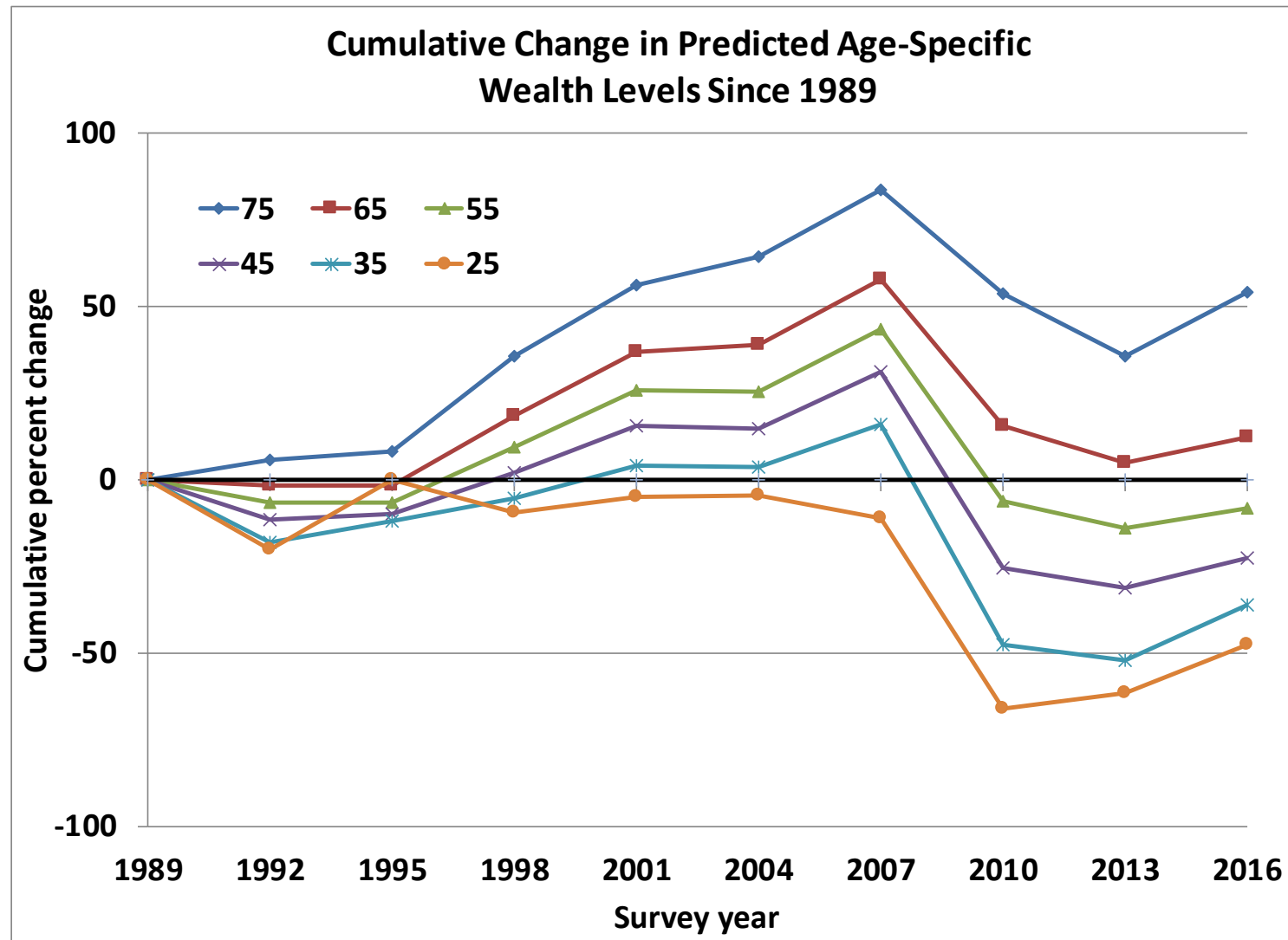
No-College Millennials Fell Further Behind by 2016



- Median millennial no-college family income dropped 13 percentage points relative to the historical norm.
- Median millennial no-college family wealth dropped 13 percentage points relative to norms.
- Millennial no-college cohort is the weakest on both.

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

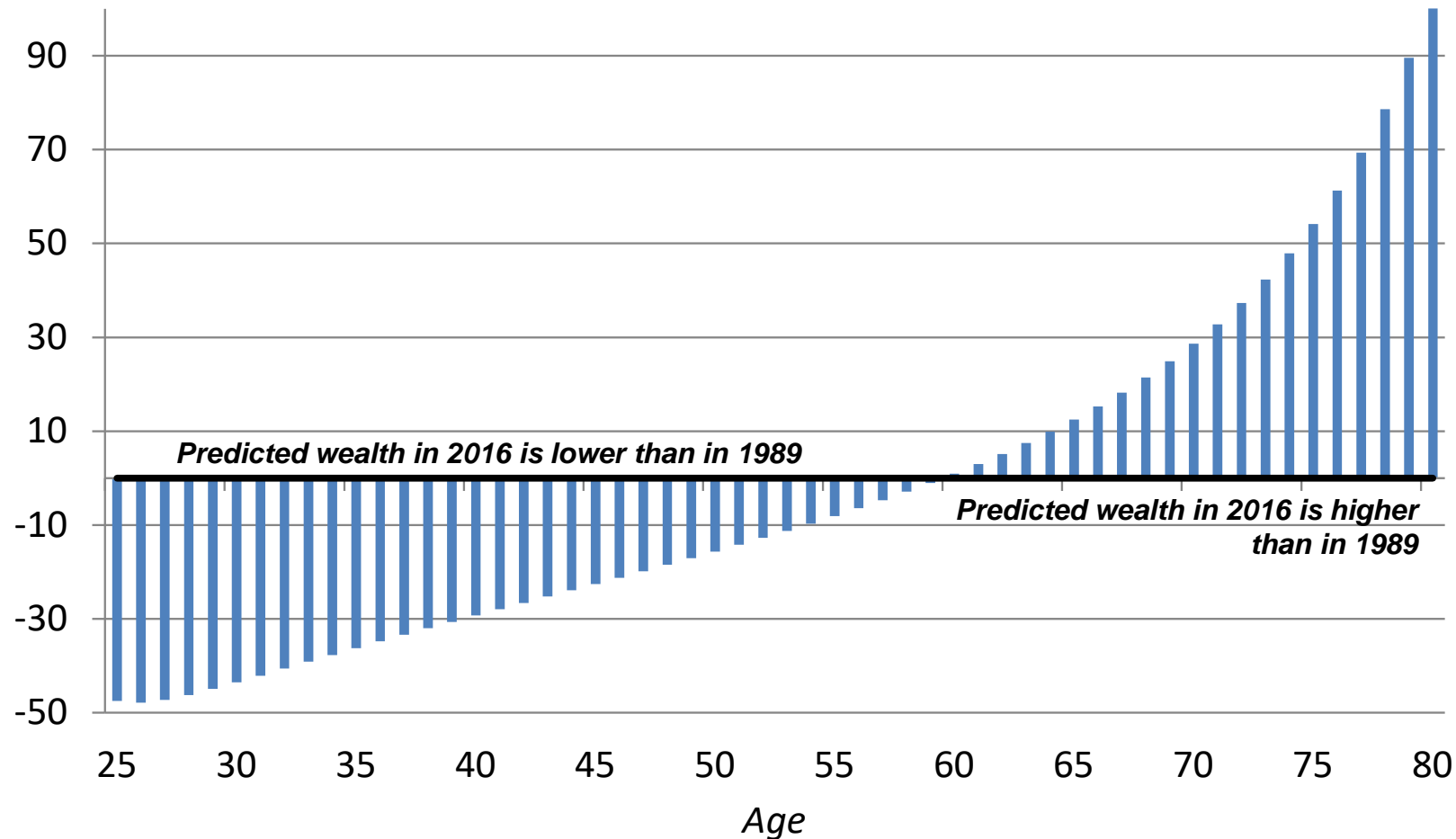
The Old Are Getting Richer, The Young Are Getting Poorer



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

Cumulative Effect: Wealth Redistribution from Young to Old

Change Between 1989 and 2016 in Predicted Wealth
Percentage Difference



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

In Sum: The Millennial Wealth Gap Has Both Short-Term and Long-Term Causes

- The Great Recession imposed large wealth losses on millennial families but hit older cohorts, too.
- Longer-term trends of wealth redistribution from less- to more-educated and from young to old families were in place before the recession.
- The combination of Great-Recession wealth shocks and secular wealth-redistribution trends resulted in large millennial wealth gap, especially among families headed by non-college grads.
- In related work, we explore the “white working class” in Essay 3 of our *Demographics of Wealth* series.

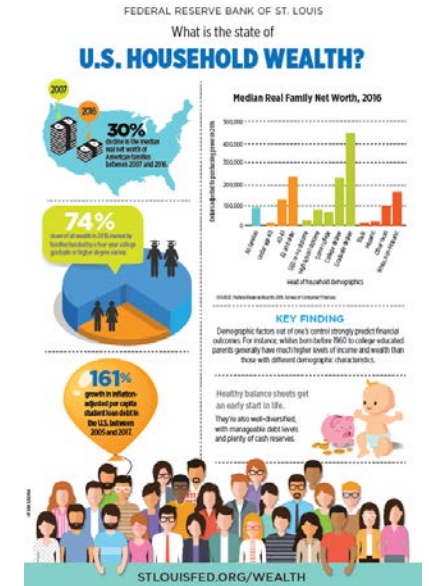
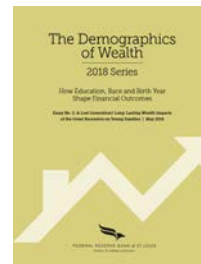
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