

The State of Young Adult's Balance Sheets: Evidence from the Survey of Consumer Finances

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May 8, 2014

The analysis and conclusions set forth are those of the authors and do not indicate concurrence by other members of the research staff or the Board of Governors.

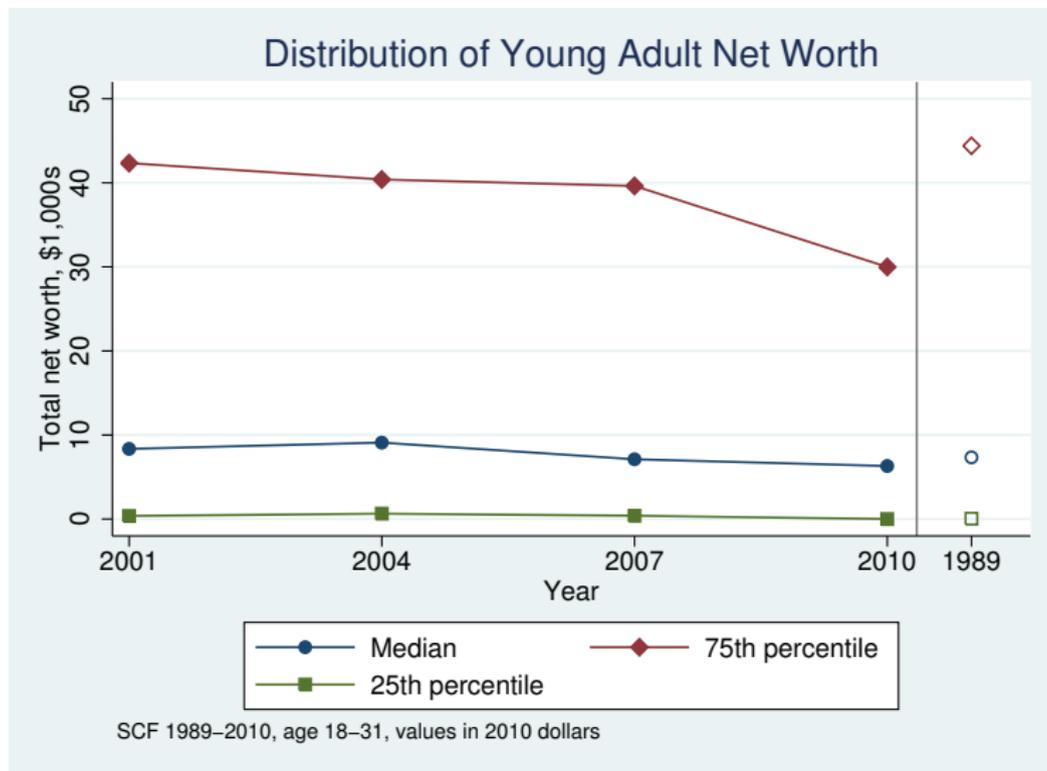
Motivating Questions

- What do young adult balance sheets look like?
 - ▶ Net worth, asset holdings, debts, credit market experiences
- In relation to the *past*:
 - ▶ Are young adults doing better or worse than their predecessors from Generation X did when they were young adults?
- In relation to *other cohorts*:
 - ▶ Have young adults fared better or worse than older adults during the Great Recession?

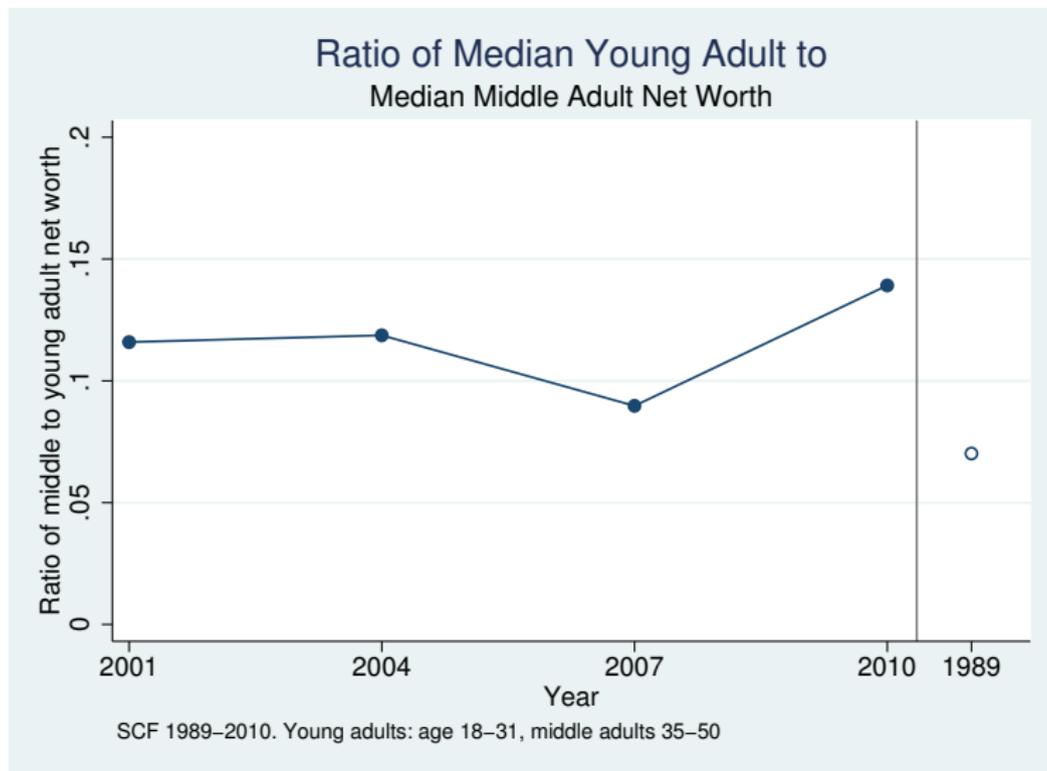
Data

- Survey of Consumer Finances, triennially 2001-2010
 - ▶ Comprehensive picture of wealth and income for American Families
 - ▶ The gold standard for research on household balance sheets
- Focus on young adults age 18-31
 - ▶ Use 34-54 year olds as a comparison
 - ▶ Compare millennials (18-31 in 2000s) to Gen X (18-31 in 1989)

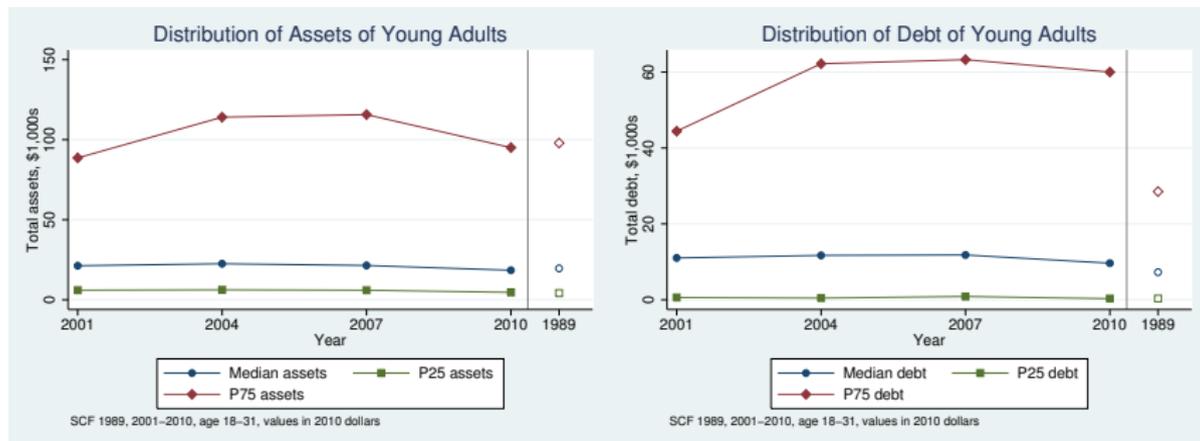
Trends in Net Worth



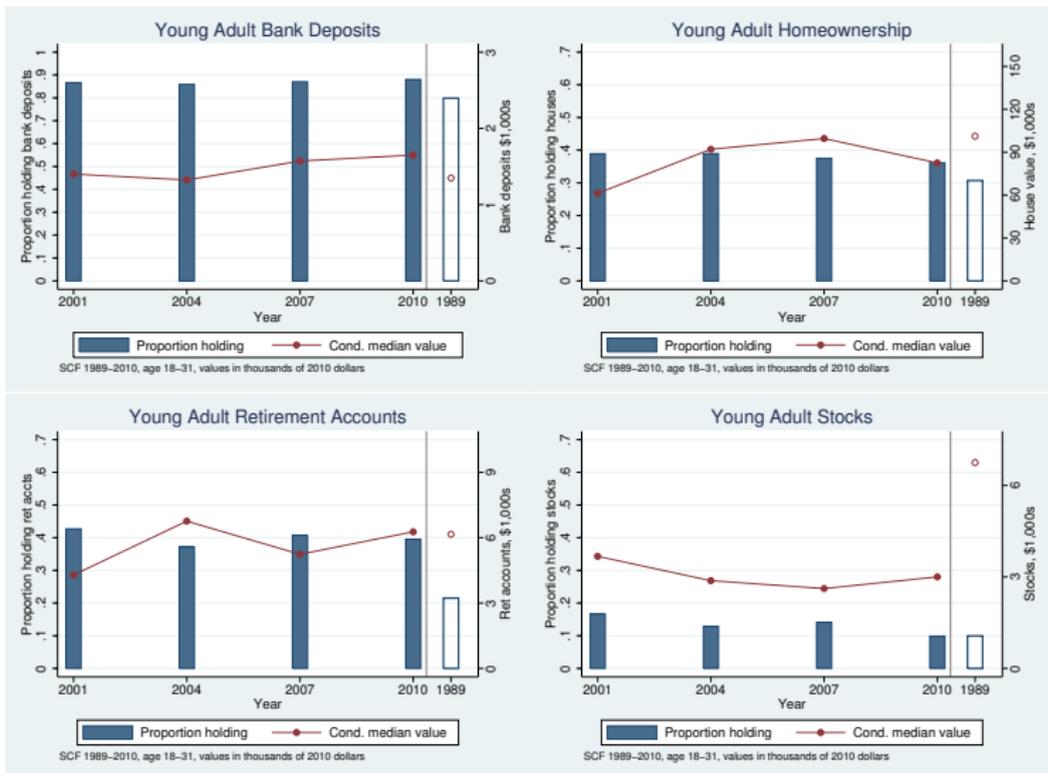
Comparison to Older Cohorts



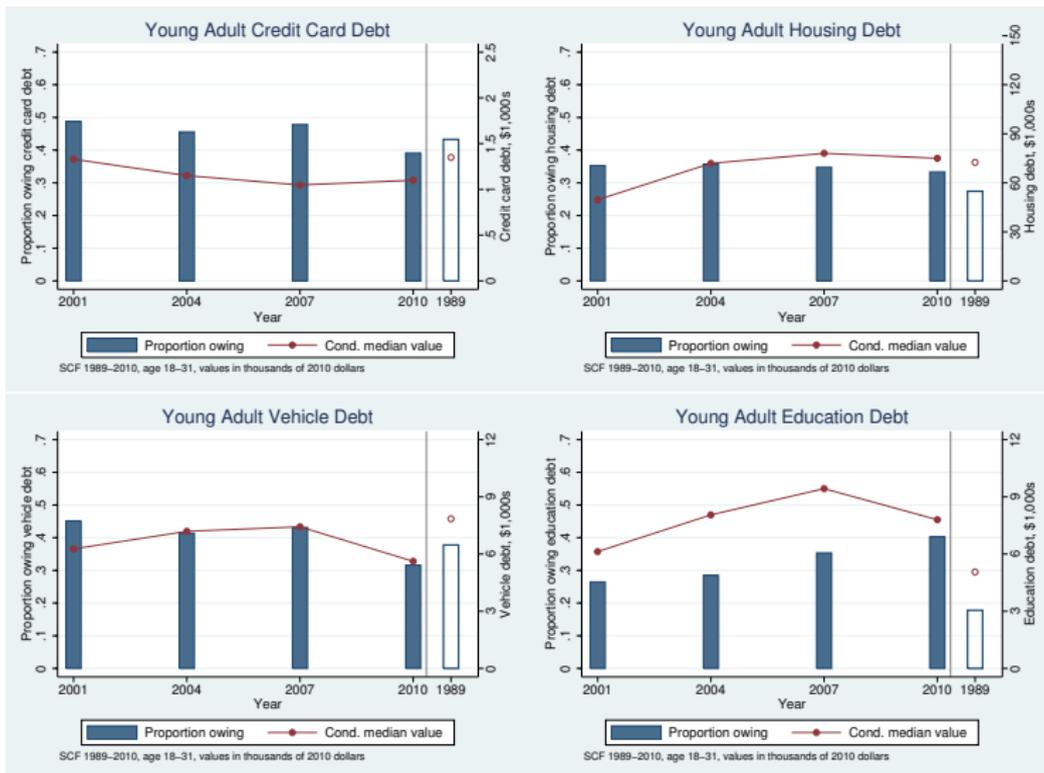
Total Assets and Debts Over Time



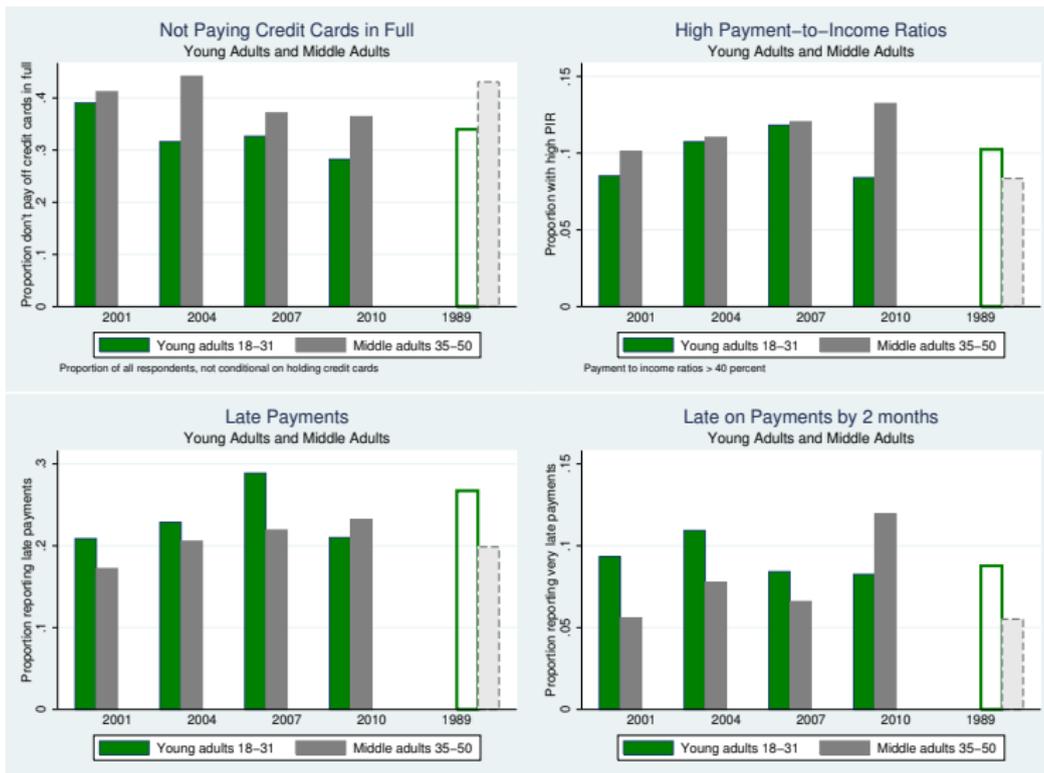
Fraction Holding and Median Values of Assets



Fraction Holding and Median Values of Debts



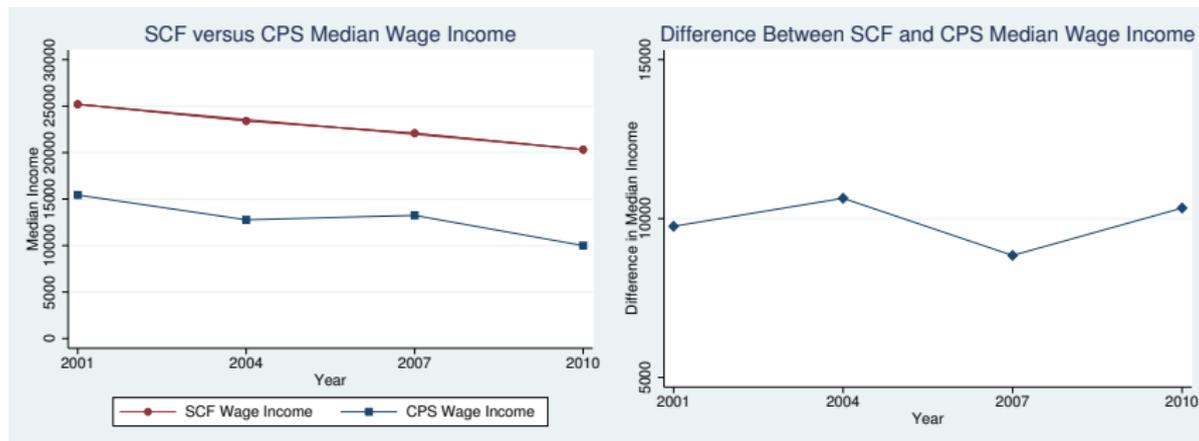
Paying off Debt



Using the SCF to Study Young Adults

- The SCF is the gold standard for studying balances sheets of American *households*
 - ▶ BUT not ideally suited for studying *young adults*
 - ▶ Young adults living arrangements vary a lot: married, cohabitating, living with room mates, living with parents
- Assets, debts are collected for the household head and any other financially dependent household members as a whole
 - ▶ Need to scale by number of members to get individual-level (as opposed to household-level) averages
- Income, wages are only collected for the household head and spouse/partner
 - ▶ Young adults living at home or with older roommates are not counted!
- Recent increase in parental co-residence (16% increase 05-13)
 - ▶ Sample selection issues?

Bench-marking the SCF



Concluding Thoughts

- Young adults have experienced declines in net worth, increases in debt and declines in asset holding
- But relative to previous generation of young adults and older adults, young adults are doing relatively well
 - ▶ Relative increases in net worth, declines in delinquency
 - ▶ Need to wait for 2013 data to see if this trend has continued
- Recent increase in debt holding may have other consequences the SCF can't capture:
 - ▶ Dettling and Hsu (2014) use FRBNY CCP/Equifax panel to examine relationship between debt holding and living arrangements
 - ▶ Find increases in delinquency, declining credit scores, growing debt burdens increase probability an individual will move in with a parent in the following quarter