



Center for
**HOUSEHOLD
FINANCIAL
STABILITY**[®]

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

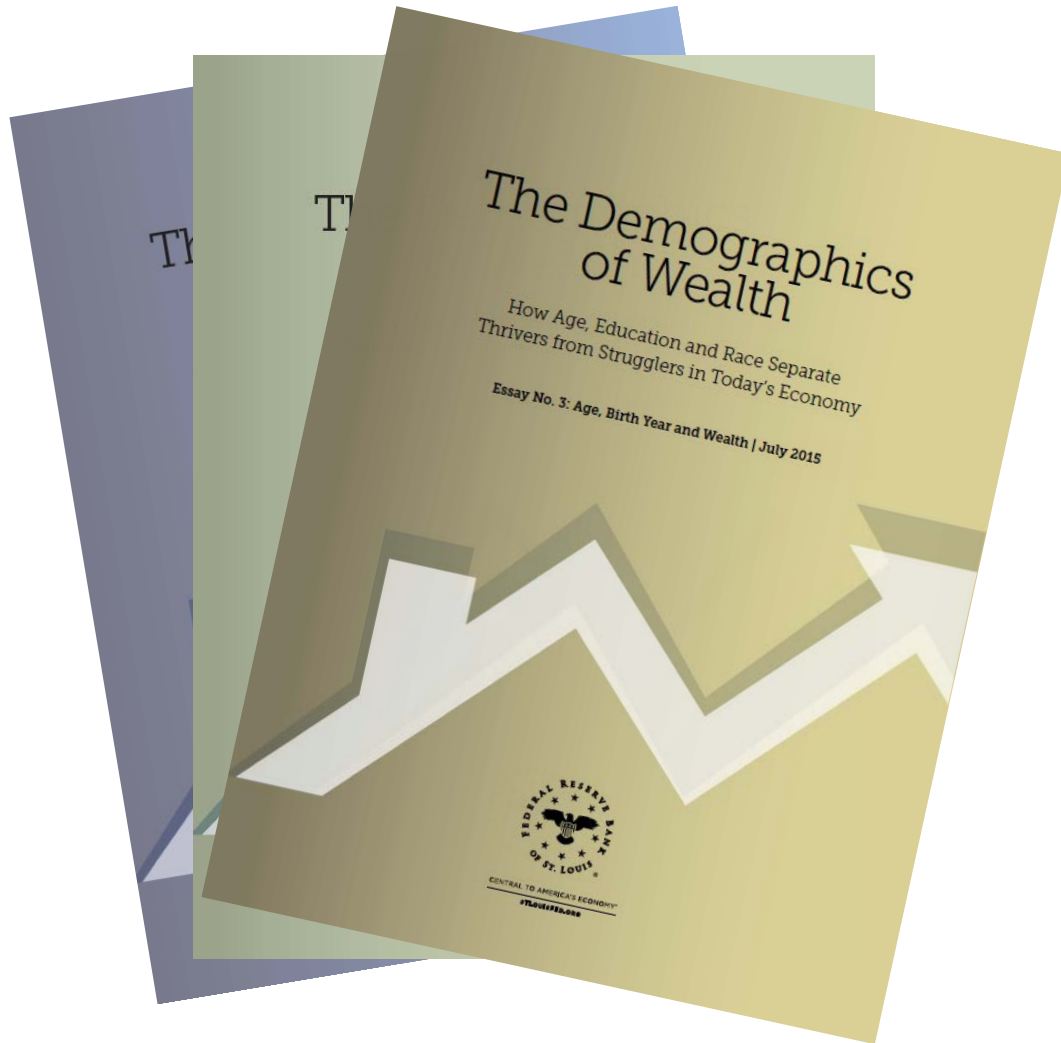
Household Financial Stability and Income Volatility

**Prosper Canada
Policy Research Symposium
March 9, 2018**

**Ray Boshara
Director, Center for Household Financial Stability
Federal Reserve Bank of St. Louis**

**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*

The Demographics of Wealth

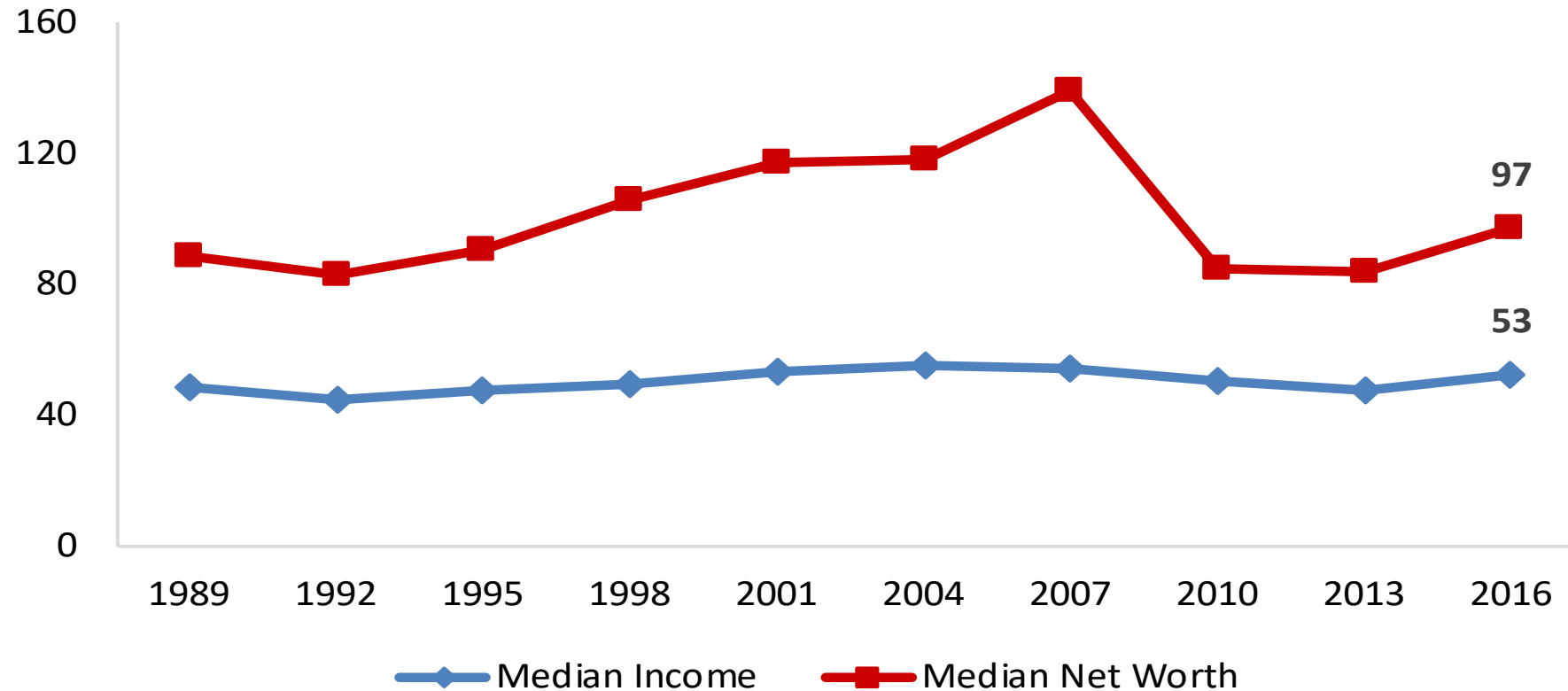


- First published in 2015
 - Education
 - Race
 - Age
- Updated in 2018
 - Adds effects of parents' education on wealth
- Explores connection between wealth and a person's race/ethnicity, education, and age

Income and Wealth Over Time

Changes in Median Income and Net Worth Over Time

Thousands of 2016 Dollars

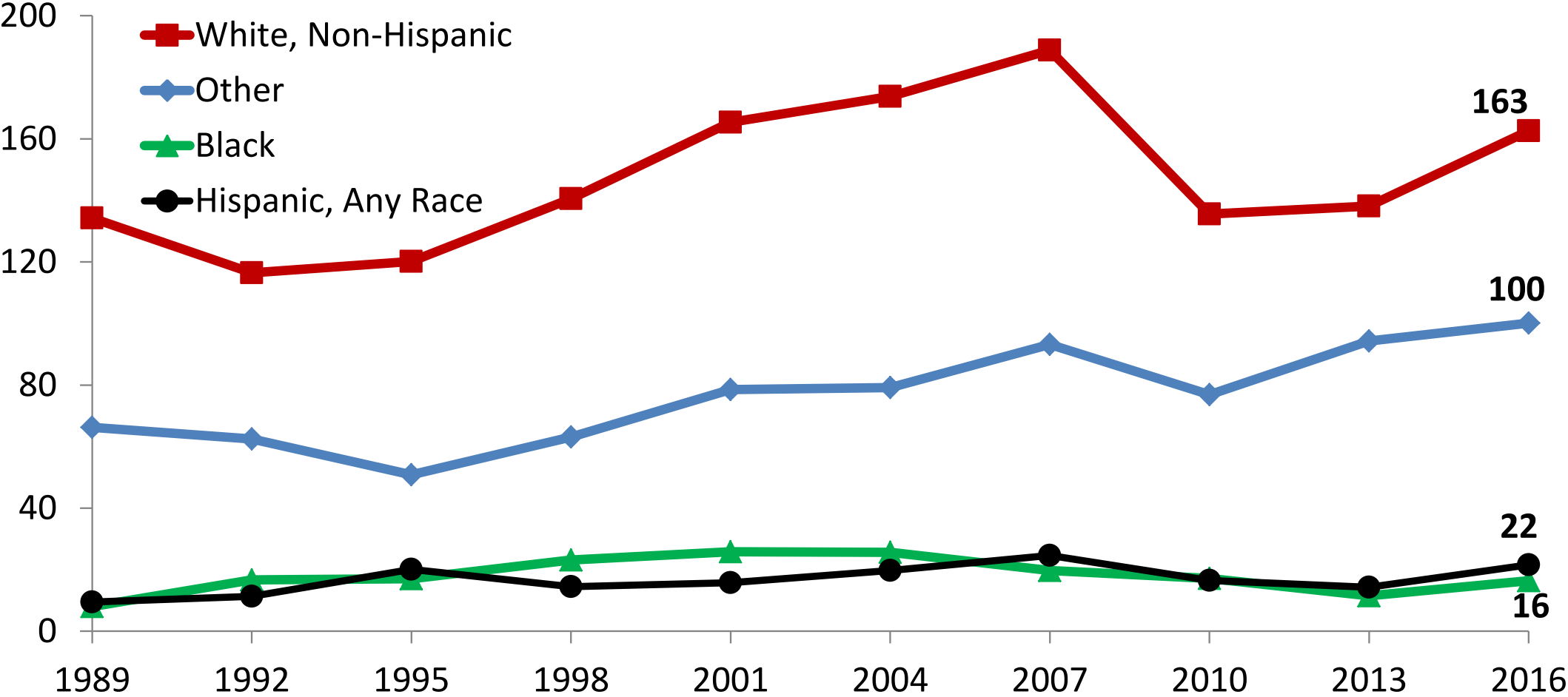


Source: Federal Reserve Board, Survey of Consumer Finances.

Racial / Ethnic Wealth Gaps

Real Median Family Net Worth, by Race/Ethnicity

Thousands of 2016 Dollars

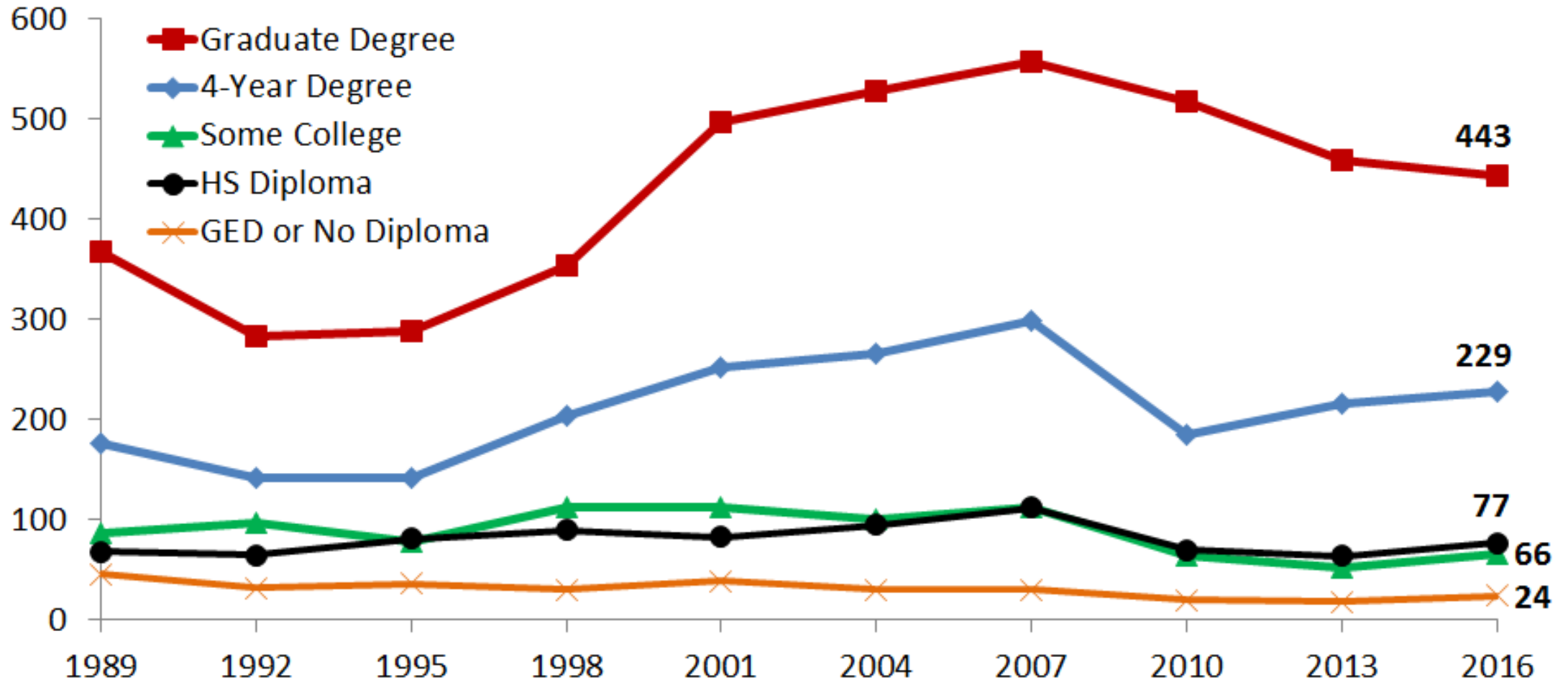


Source: Federal Reserve Board, Survey of Consumer Finances.

Educational Wealth Gaps

Real Median Family Net Worth, by Educational Attainment

Thousands of 2016 Dollars

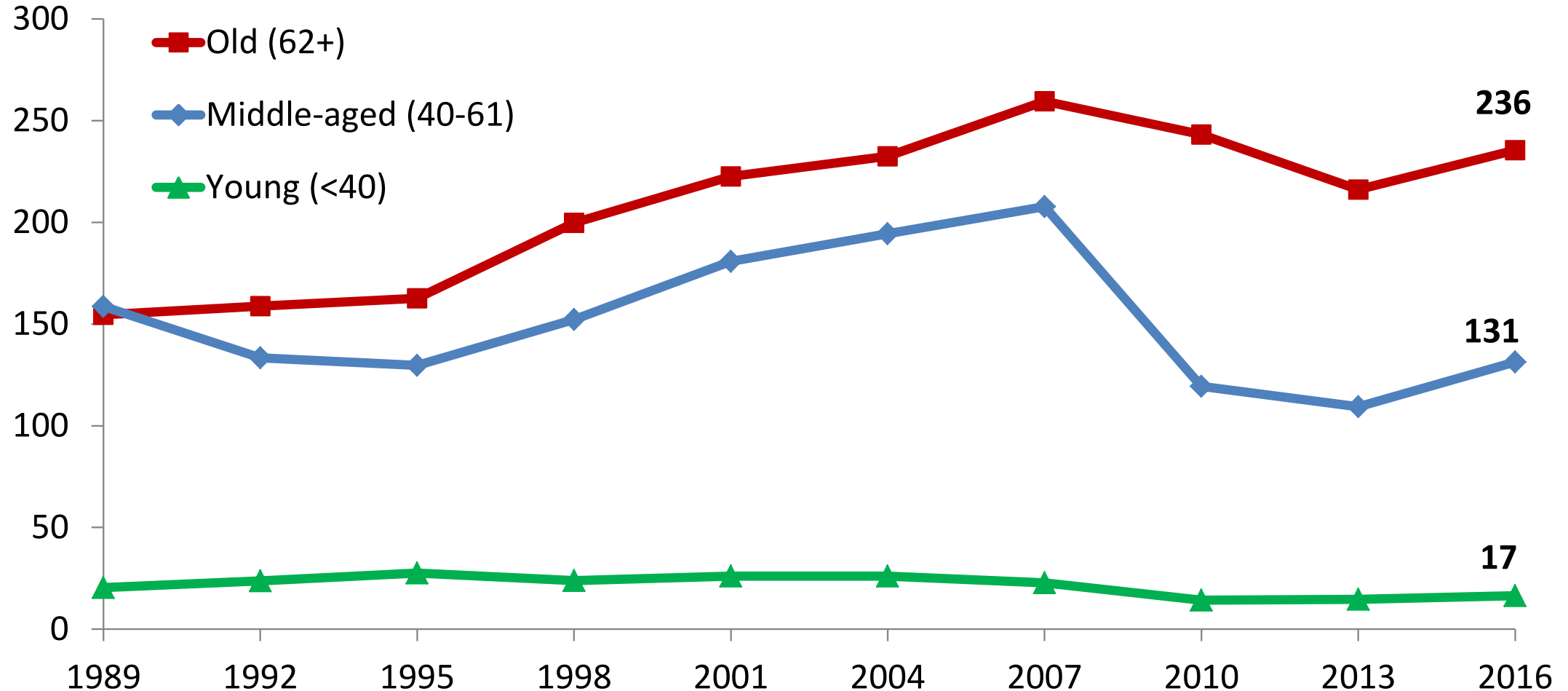


Source: Federal Reserve Board, Survey of Consumer Finances.

Age / Birth Year Wealth Gaps

Real Median Family Net Worth, by Age

Thousands of 2016 Dollars

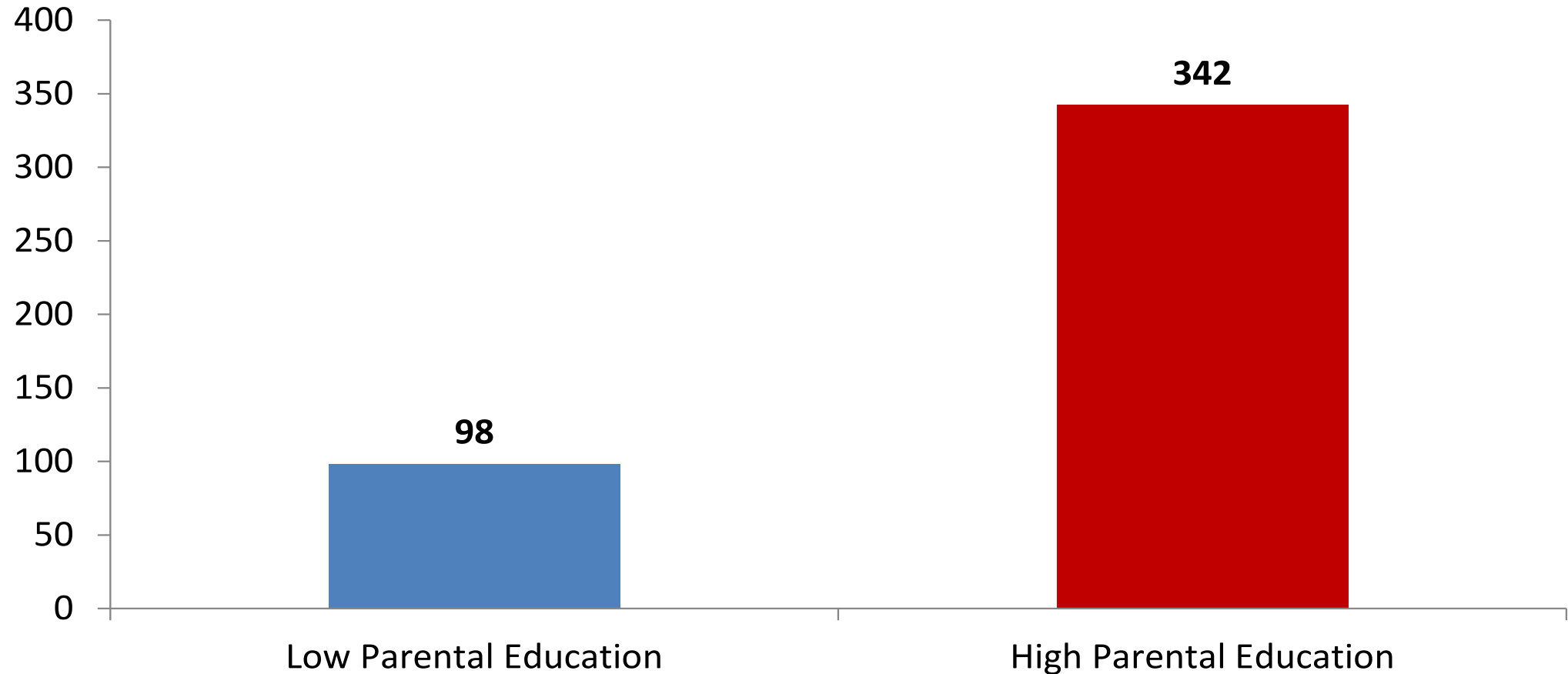


Source: Federal Reserve Board, Survey of Consumer Finances.

Effect of Parents' Education On Wealth

Real Median Family Net Worth, Middle-Aged Families, by Parental Education

Thousands of 2016 Dollars



Source: Federal Reserve Board, Survey of Consumer Finances.

Data on Household Finances in the U.S.

Survey of Household Economics and Decision Making (SHED)

<https://www.federalreserve.gov/consumerscommunities/shed.htm>

- Annual survey conducted by FRB
- Since 2013
- Evaluates economic well-being of U.S. households
- 2016 survey had 6,643 respondents
- Oversamples low-income (<\$40k/year) respondents
- Weighted to be representative of the U.S. adult population

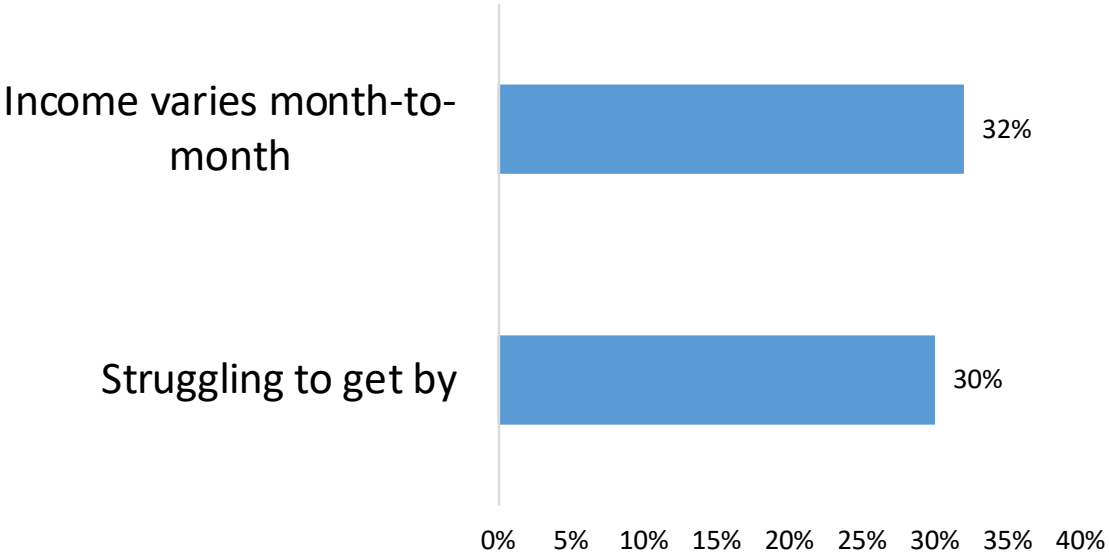
Survey of Consumer Finances (SCF)

<https://www.federalreserve.gov/econres/scfindex.htm>

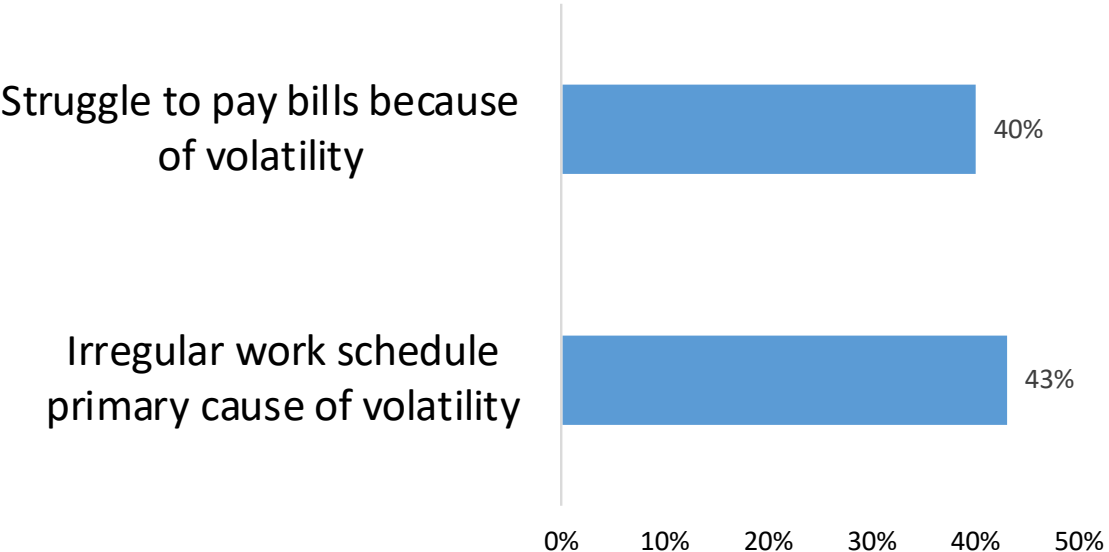
- Triennial survey sponsored by FRB
- Since 1989
- Comprehensive data on household balance sheets; considered the “gold standard”
- 2016 survey had 6,248 household
- Oversamples high-income respondents
- Weighted to be representative of the U.S. adult population

Income Volatility (SHED)

Percent of Americans

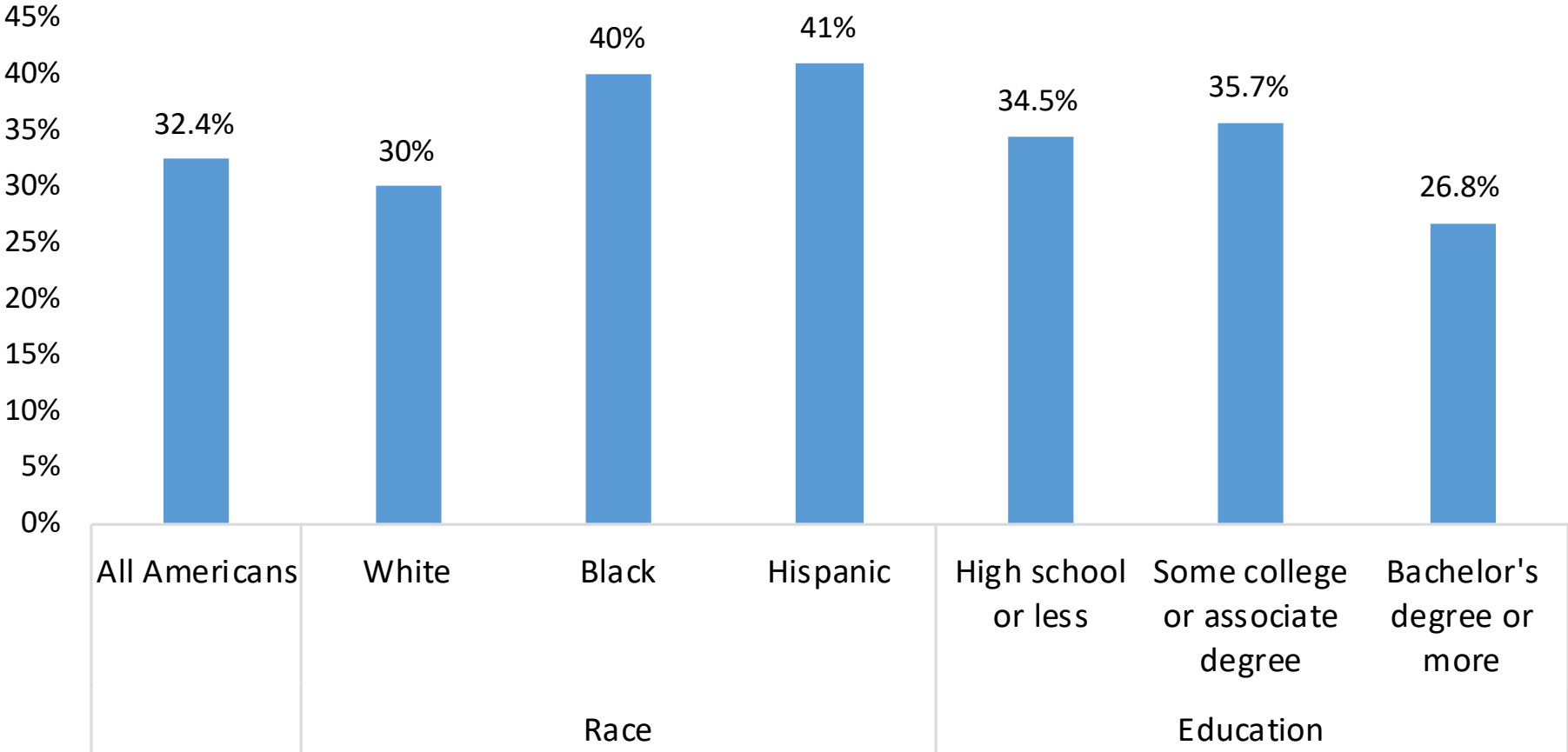


Percent of Respondents Whose Income Varied



Income Volatility by Race and Education (SHED)

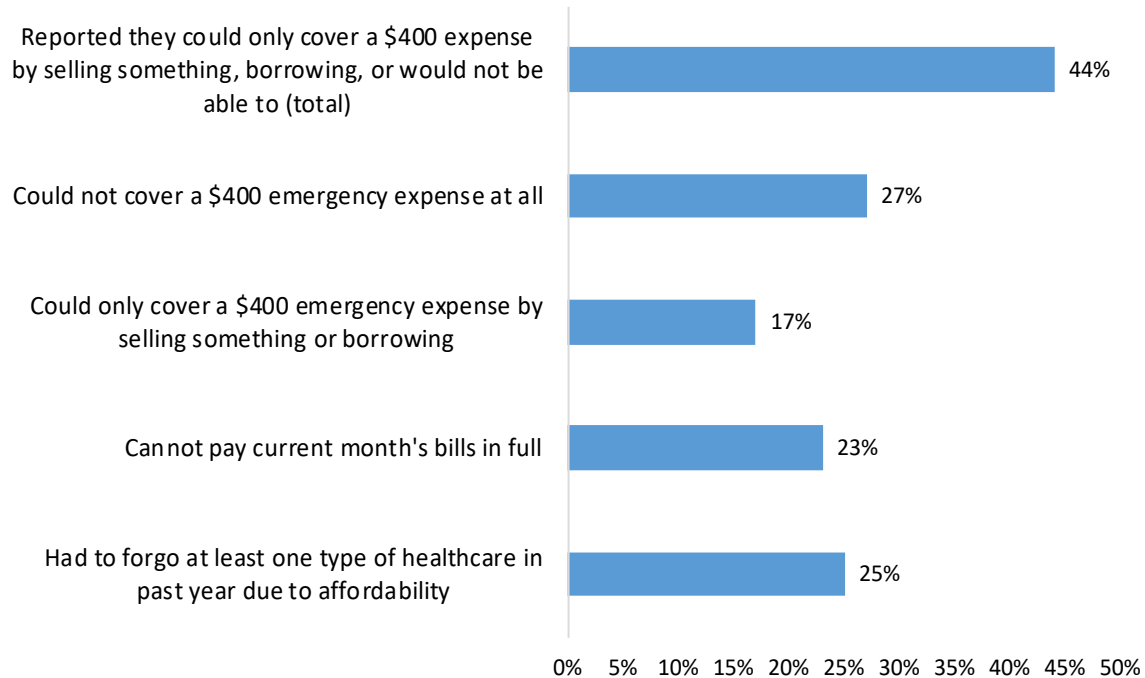
Month-to-Month Income Volatility



Financial Fragility

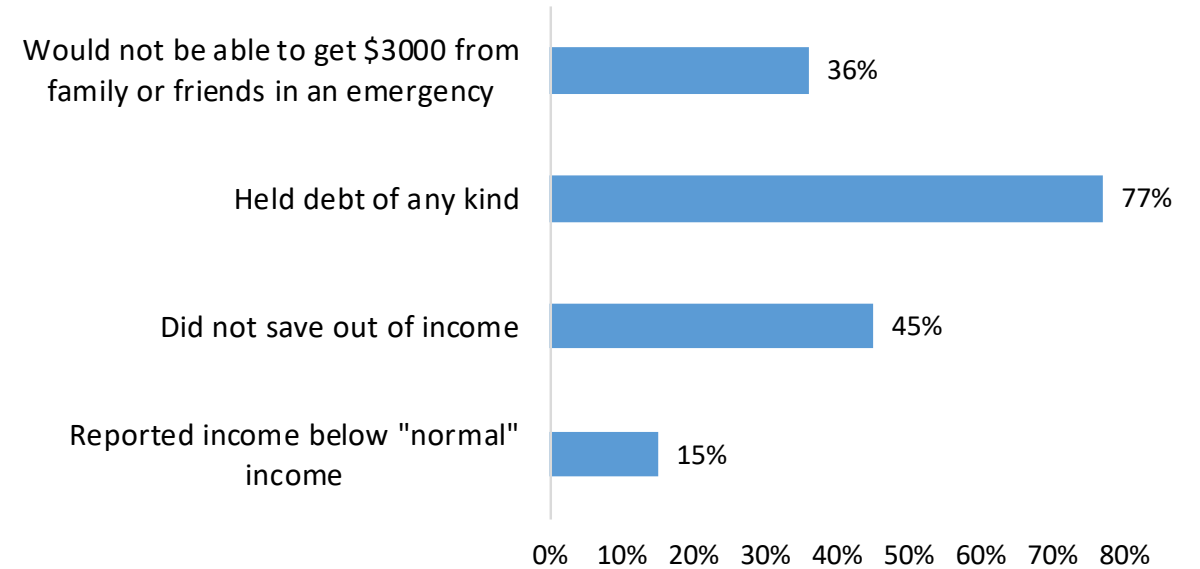
SHED 2016

Percent of Americans



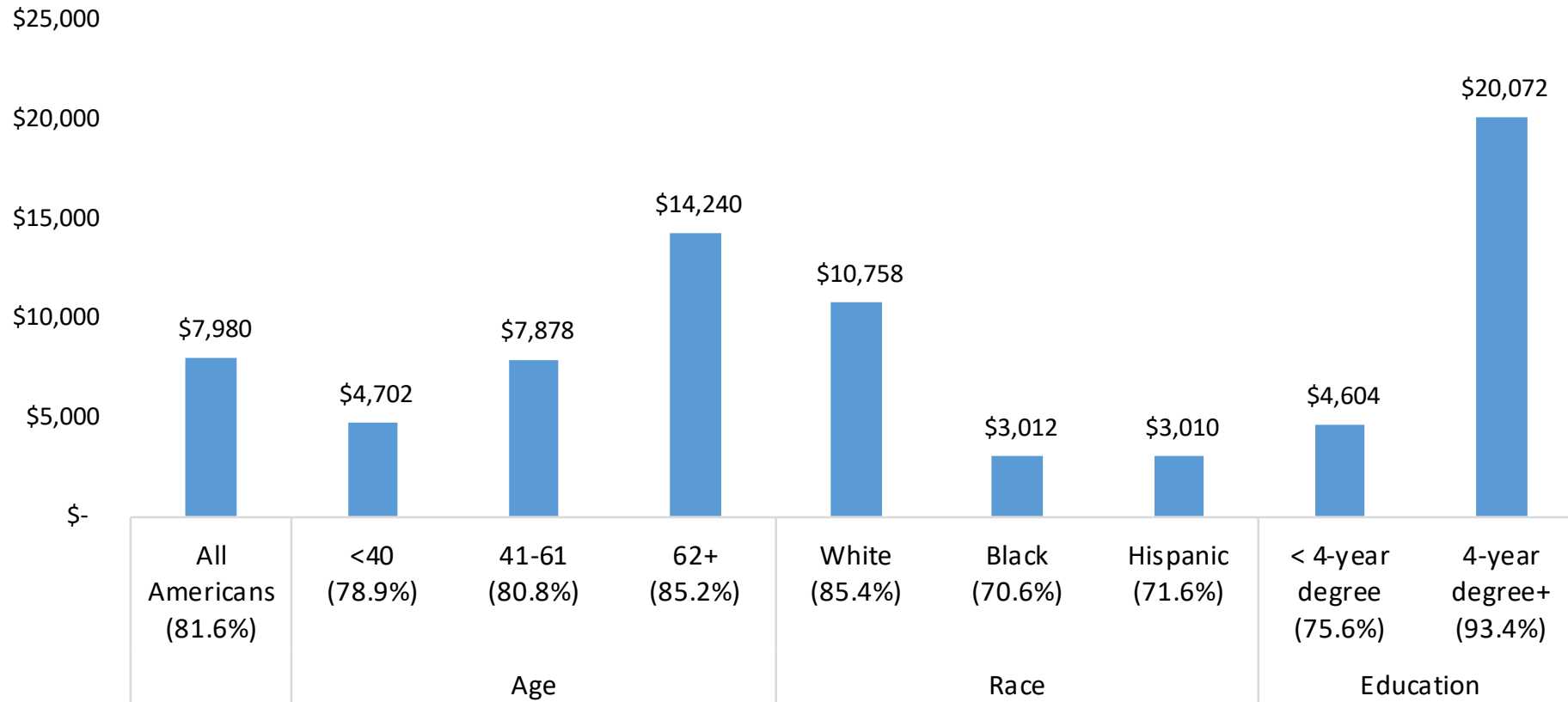
SCF 2016

Percent of Americans



Financial Fragility by Age, Race, and Education (SCF)

Conditional Median Value of Safe and Liquid Assets



Other Types of Household Fragility (SHED)

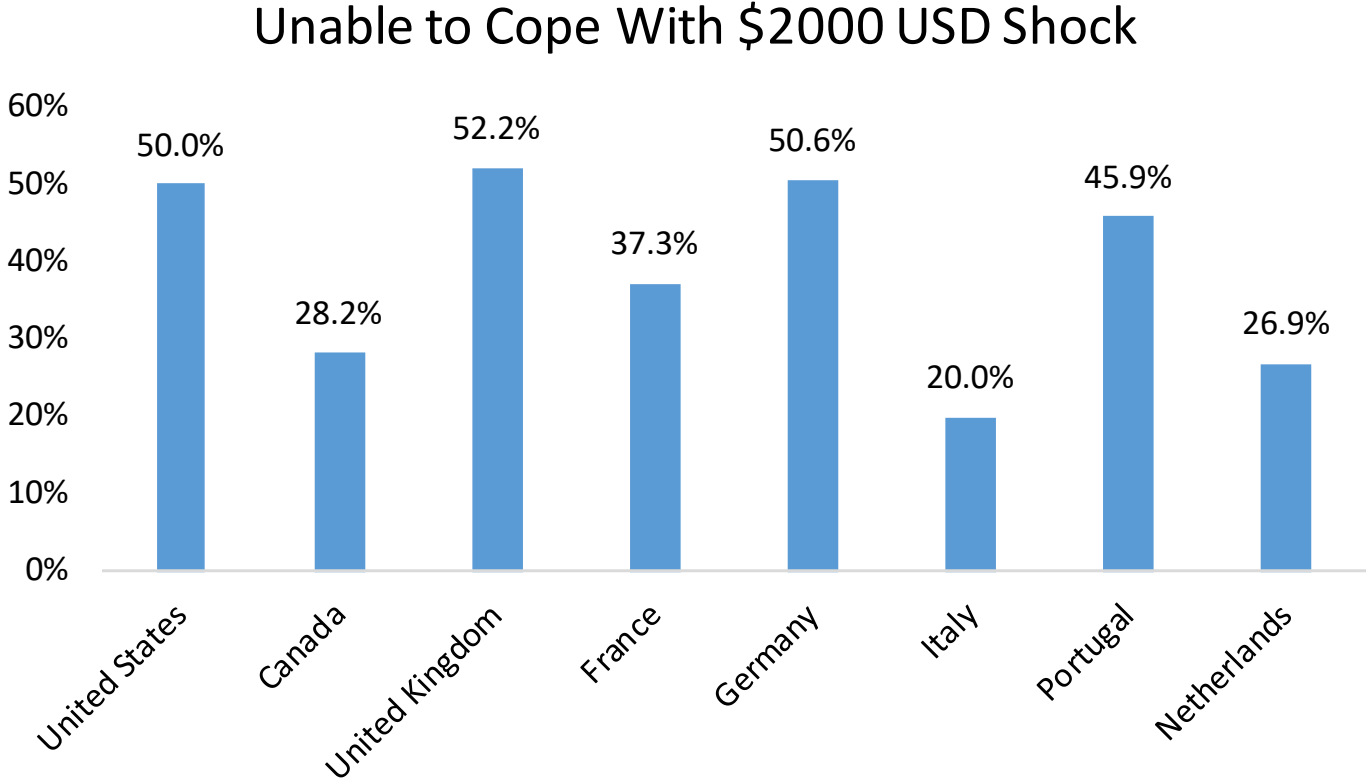
Retirement

- 28% of non-retired adults report that they have no retirement savings or pension
- 13% of adults with retirement savings either borrowed from those savings, cashed out, or did both in the past year
- 53% of adults with self-directed retirement accounts are not comfortable or only slightly comfortable in their ability to make the right investment decisions

Employment

- 17% of working adults have schedules that vary based on their employer's needs
 - 53% of these workers are told about their hours less than 3 days in advance
- 15% of working adults indicated they worked at multiple jobs
- 28% of all adults report that they or their family earned money through informal, occasional activities in the prior month (e.g. babysitting, selling items at garage sales, selling items online)
 - 42% of these adults engage in these activities primarily to earn extra money

Cross-Country Comparison of Financial Fragility in 2009



“How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?”

Source: TNS Global Economic Crisis Study 2009 data from Lusardi, Schneider, & Tufano, 2011.

Conclusion:

1. Is income volatility the hidden culprit?
2. Why are household finances important to the Fed?
3. What are some possible responses to improve household financial stability and balance sheets?

