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*National Conference of State Legislatures
Forum on Economic Opportunities for Families*

Family Strategies for Asset Development & Financial Literacy

William R. Emmons

Federal Reserve Bank of St. Louis

June 28, 2018

These comments do not necessarily represent the views of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

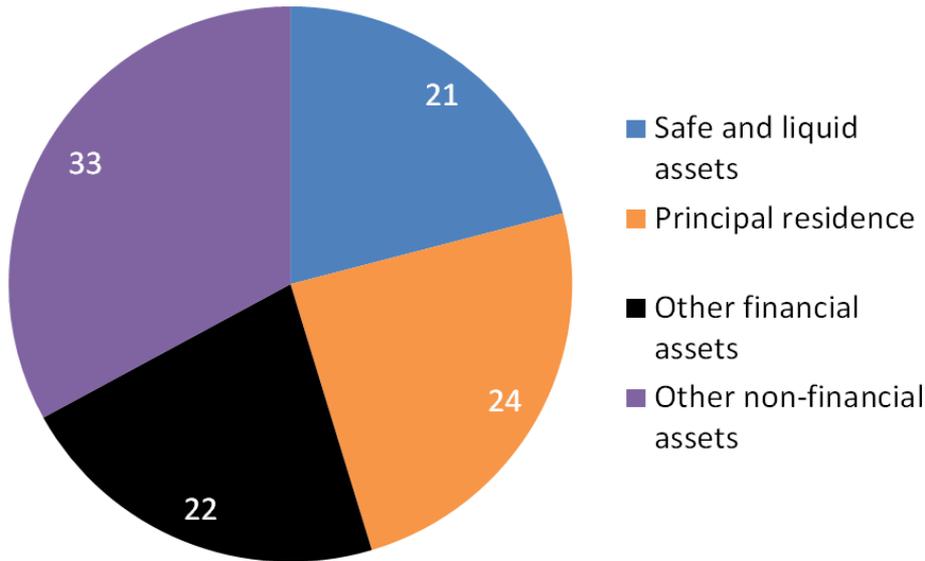
Family Strategies for Asset Development and Financial Literacy

- **Bill Emmons, St. Louis Fed**
- **Carl Rist, Prosperity Now**
- **Heather Morton, NCSL**

Average Family Balance Sheet in 2016

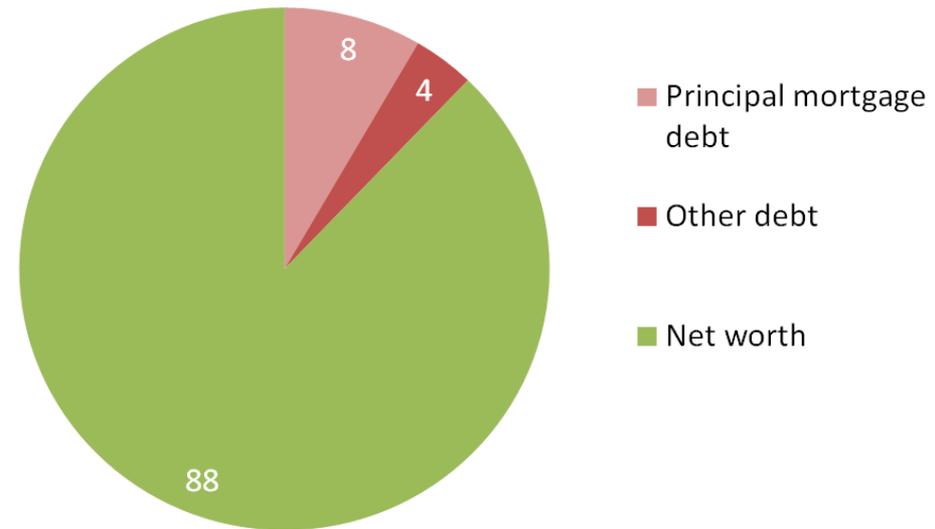
Assets

Asset Types as Share of Total Assets (%):
All Families



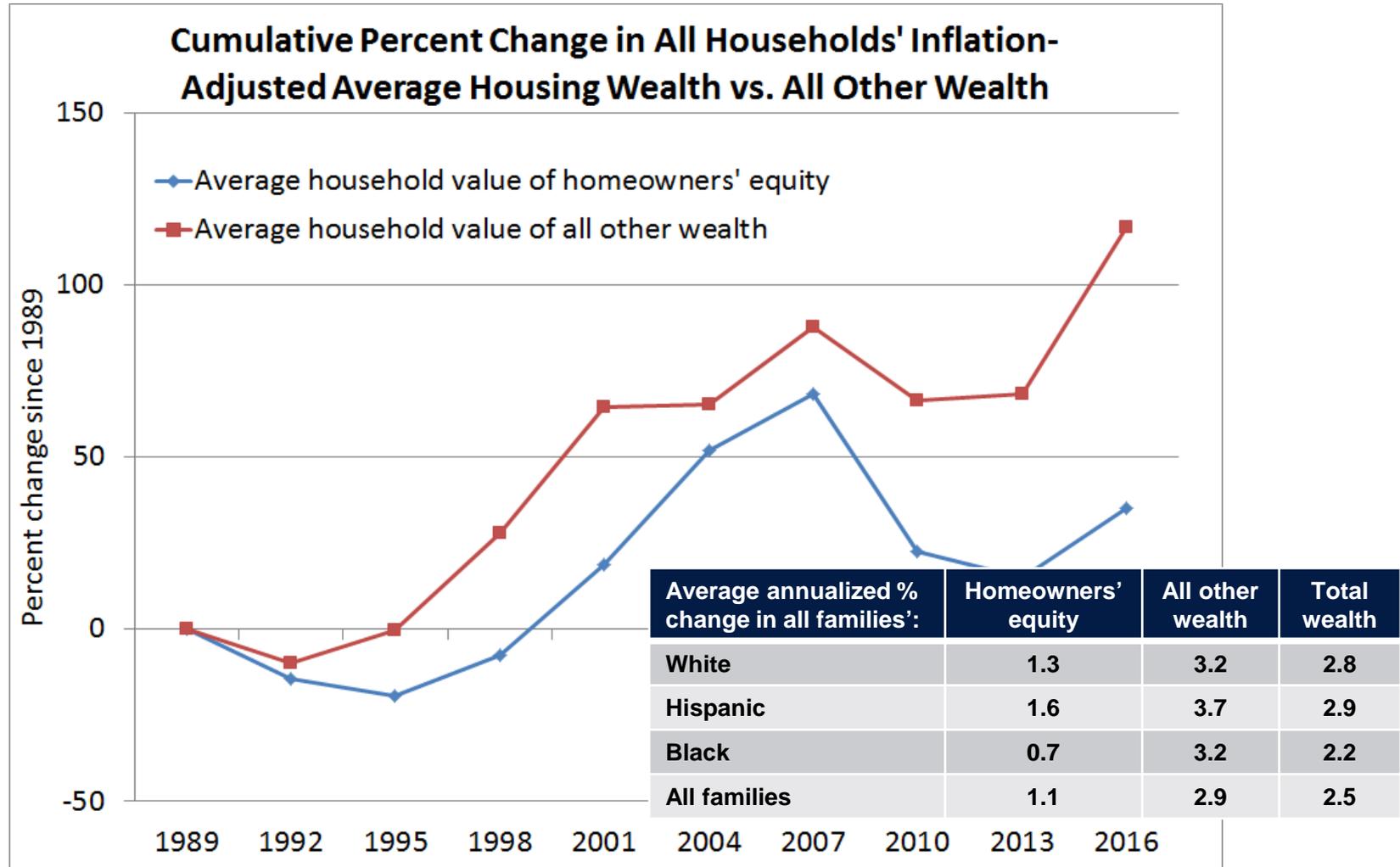
Liabilities and Equity

Liability Types as Share of Total Assets (%):
All Families



Source: Federal Reserve Survey of Consumer Finances, 2017
 Young: <40; Middle-aged: 40-61; Old: 62+
 College is a four-year college degree

Homeownership Does Not Build Long-Term Wealth As Fast As Other Assets



Source: Federal Reserve Survey of Consumer Finances, 2017

Balance Sheets Across the Life Cycle

- **Example of a wealthy group: White college grads**
- **Example of a vulnerable group: Hispanic non-college grads**
- **Example of a fragile group: Black college grads**

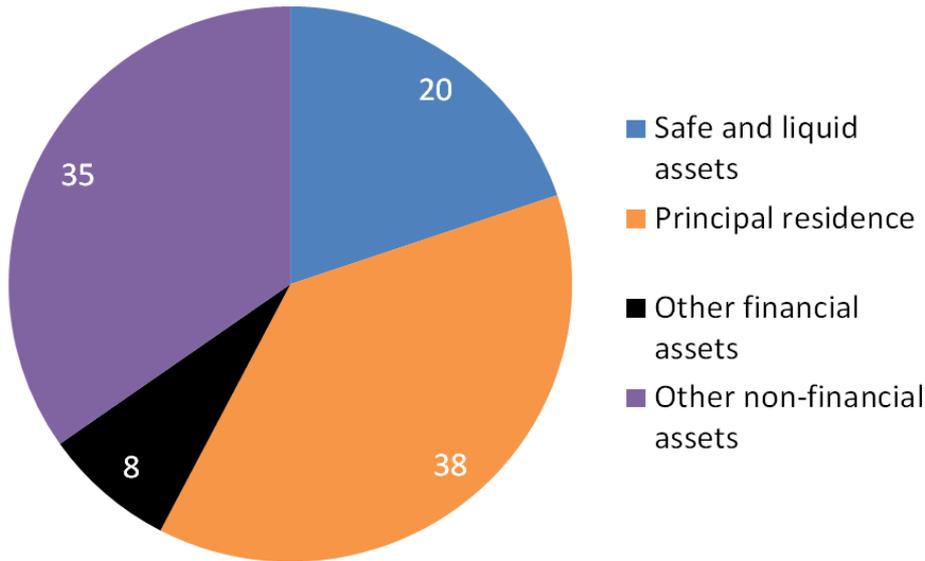
How Do Asset and Liability Shares Change Across the Life Cycle?

- **Wealthy group: White college grads**
 - **Safe and liquid assets are stable**
 - **Housing share declines significantly**
 - **Other financial assets increase significantly**
 - **Moderate debt is paid off rapidly**

Wealthy Family Balance Sheet: Young, White, College Graduate

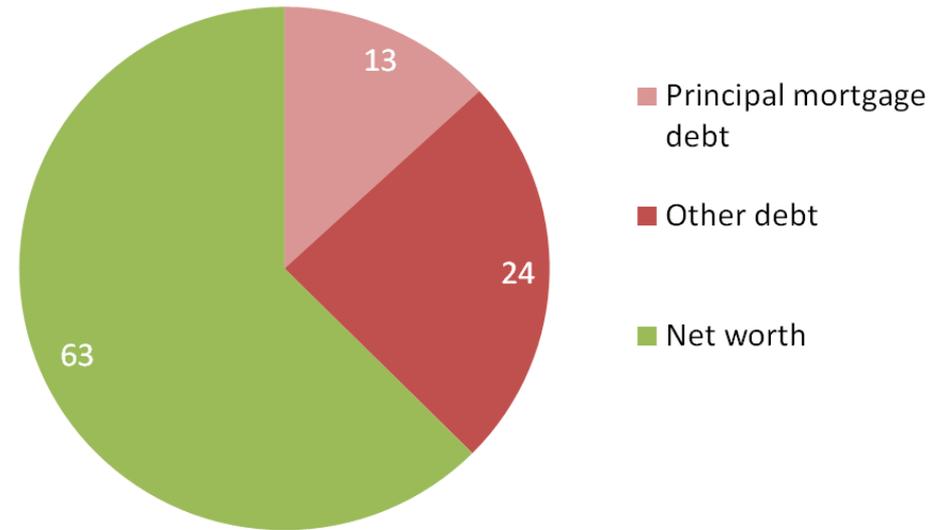
Assets

Asset Types as Share of Total Assets (%):
Young, White College Grads



Liabilities and Equity

Liability Types as Share of Total Assets (%):
Young, White College Grads

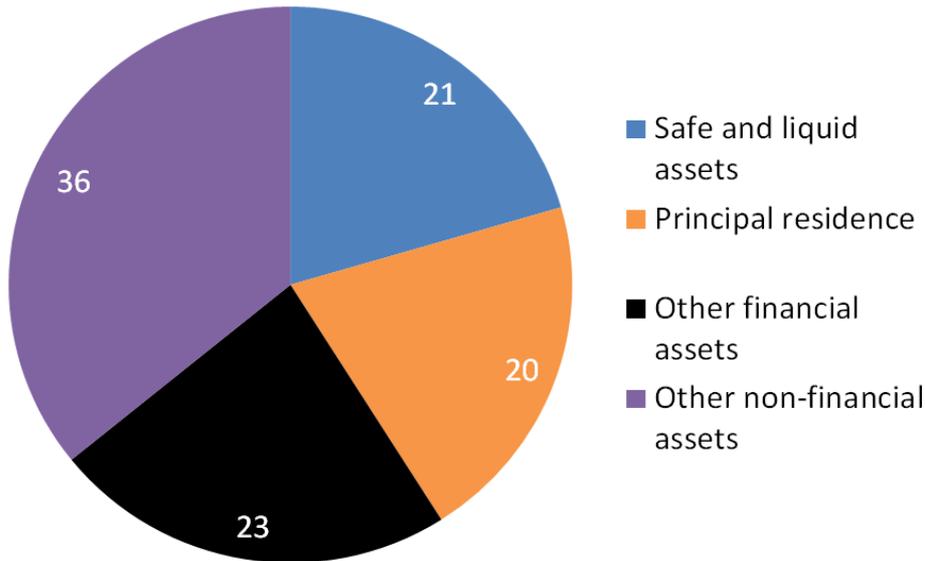


Source: Federal Reserve Survey of Consumer Finances, 2017
 Young: <40; Middle-aged: 40-61; Old: 62+
 College is a four-year college degree

Wealthy Family Balance Sheet: Middle-Aged, White, College Graduate

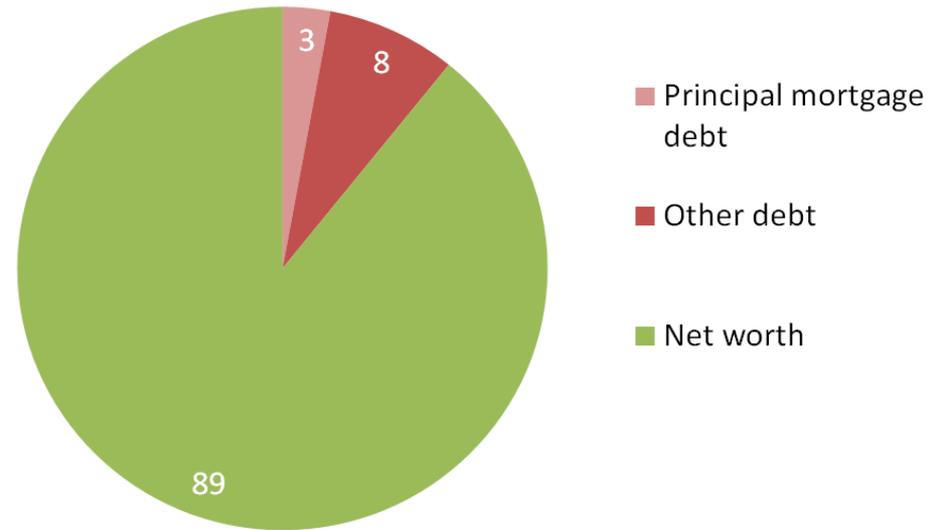
Assets

Asset Types as Share of Total Assets (%):
Middle-Aged, White College Grads



Liabilities and Equity

Liability Types as Share of Total Assets (%):
Middle-Aged, White College Grads

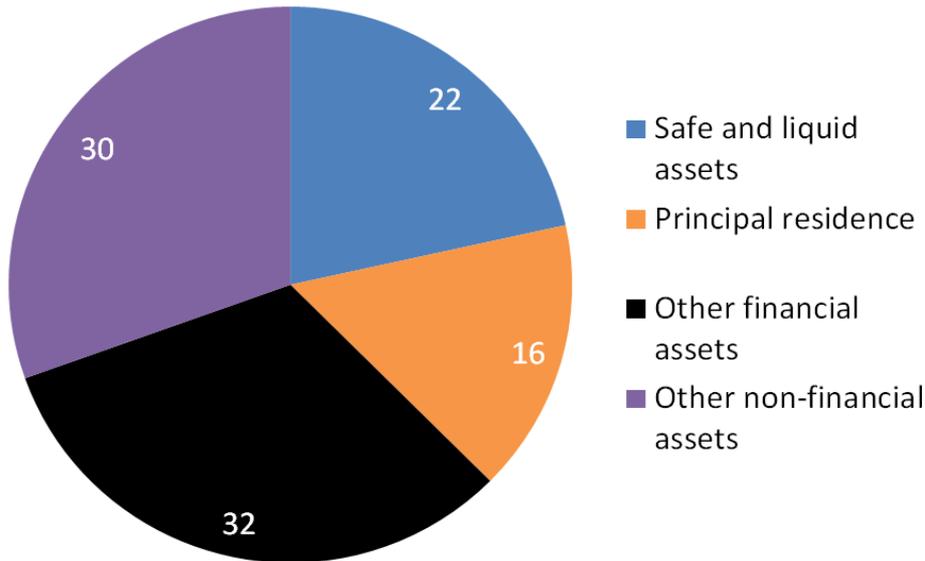


Source: Federal Reserve Survey of Consumer Finances, 2017
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Wealthy Family Balance Sheet: Old, White, College Graduate

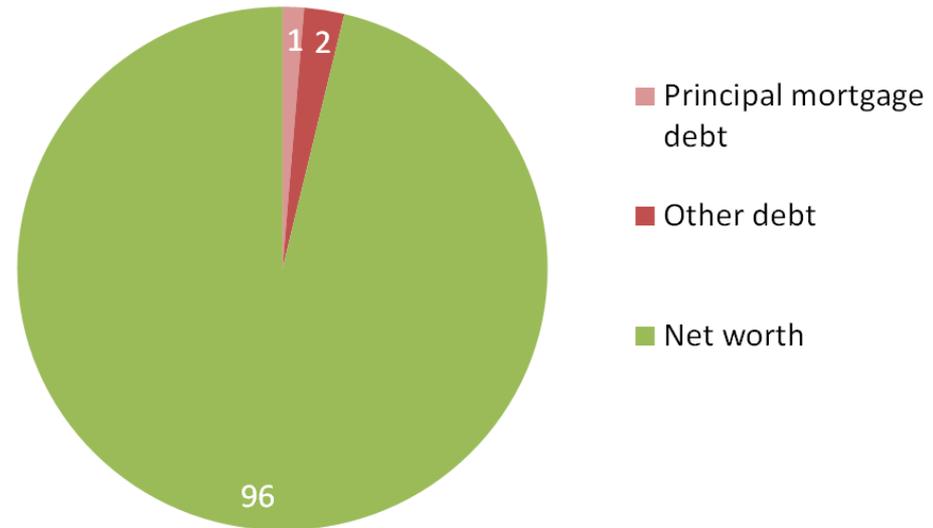
Assets

Asset Types as Share of Total Assets (%):
Old, White, College Grad



Liabilities and Equity

Liability Types as Share of Total Assets (%):
Average of Old, White, College Grad



Source: Federal Reserve Survey of Consumer Finances, 2017
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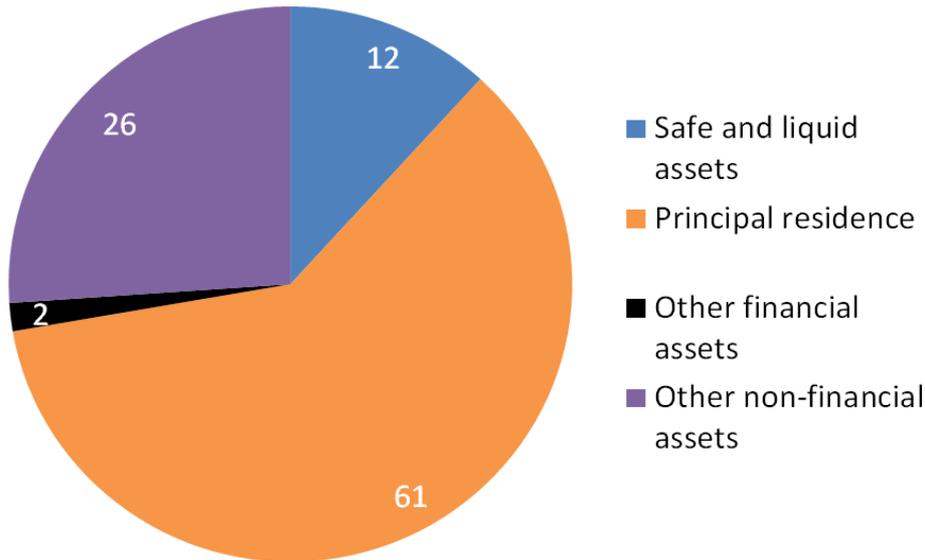
How Do Asset and Liability Shares Change Across the Life Cycle?

- **Vulnerable group: Hispanic non-college grads**
 - **Safe and liquid assets increase from a low level**
 - **Housing share remains very large**
 - **Other financial assets remain very small**
 - **High debt is paid off rapidly but remains burdensome**

Vulnerable Family Balance Sheet: Young, Hispanic, Less than College

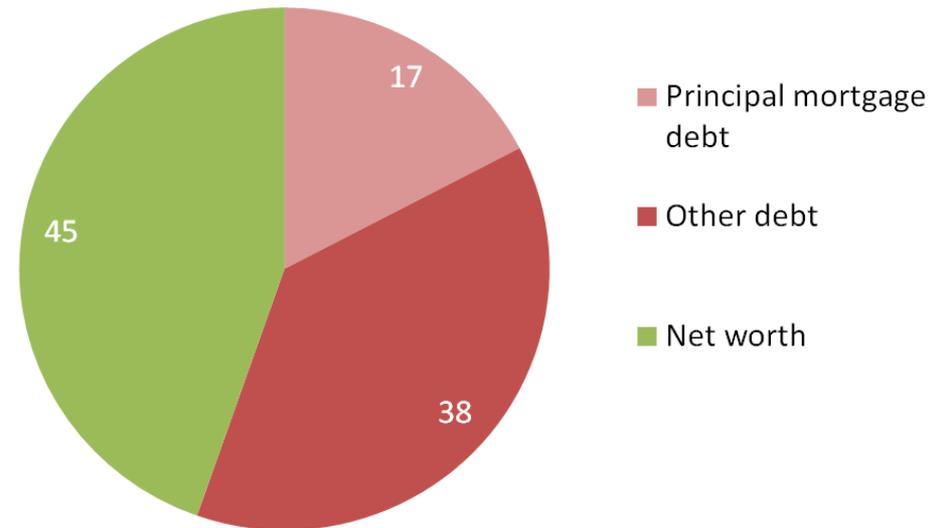
Assets

Asset Types as Share of Total Assets (%):
Young, Hispanic Non-College Grads



Liabilities and Equity

Liability Types as Share of Total Assets (%):
Young, Hispanic Non-College Grads

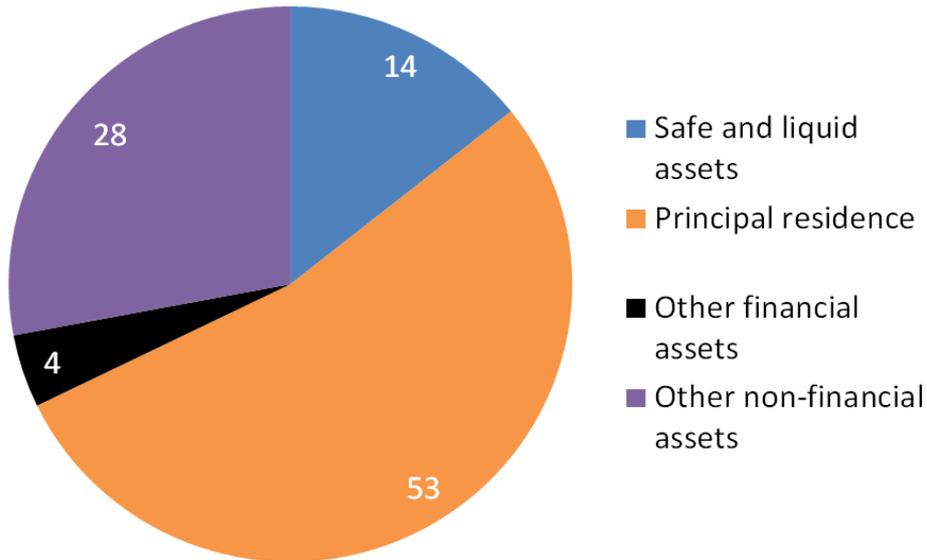


Source: Federal Reserve Survey of Consumer Finances, 2017
 Young: <40; Middle-aged: 40-61; Old: 62+
 College is a four-year college degree

Vulnerable Family Balance Sheet: Middle-Aged, Hispanic, Less than College

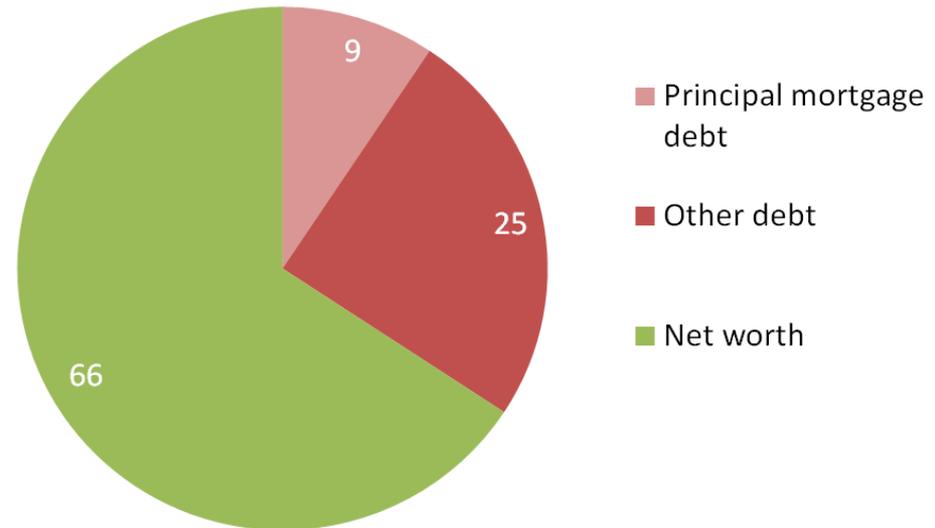
Assets

Asset Types as Share of Total Assets (%):
Middle-Aged, Hispanic Non-College Grads



Liabilities and Equity

Liability Types as Share of Total Assets (%):
Middle-Aged, Hispanic Non-College Grads

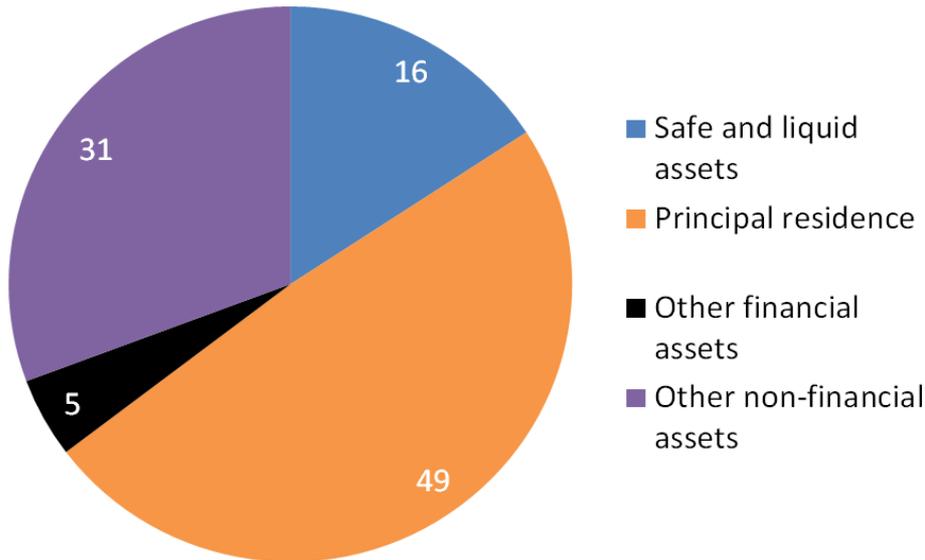


Source: Federal Reserve Survey of Consumer Finances, 2017
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Vulnerable Family Balance Sheet: Old, Hispanic, Less than College

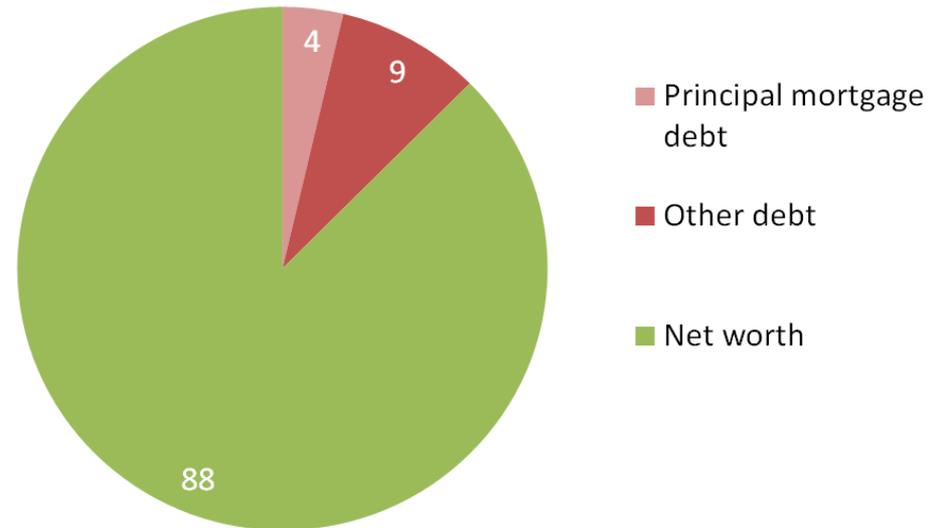
Assets

Asset Types as Share of Total Assets (%):
Old, Hispanic Non-College Grads



Liabilities and Equity

Liability Types as Share of Total Assets (%):
Old, Hispanic Non-College Grads



Source: Federal Reserve Survey of Consumer Finances, 2017
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How Do Asset and Liability Shares Change Across the Life Cycle?

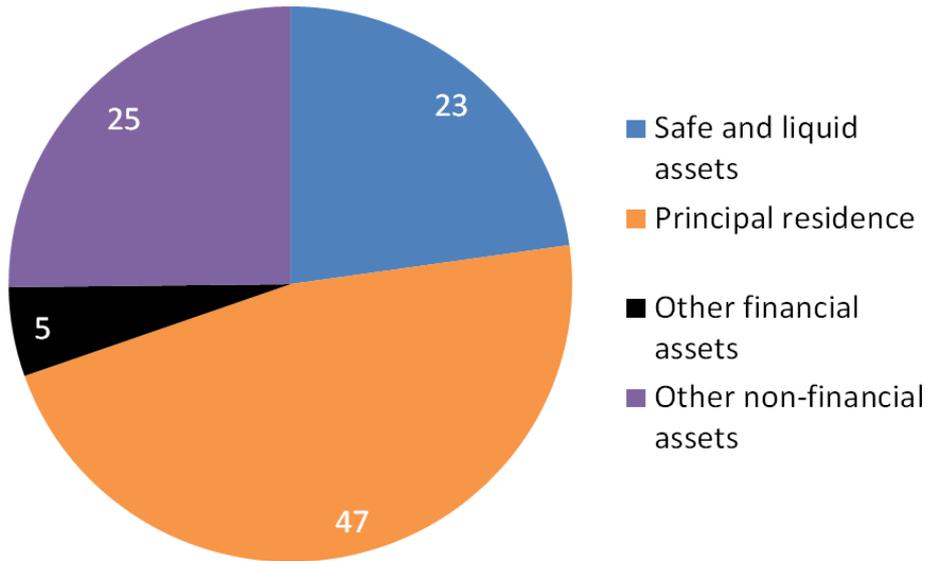
- **Fragile group: Black college grads**
 - **Safe and liquid assets decline**
 - **High housing share declines significantly**
 - **Other financial assets remain small**
 - **Other non-financial assets increase**
 - **Very high debt is paid off rapidly**

Fragile Family Balance Sheet: Young, Black, College Grad

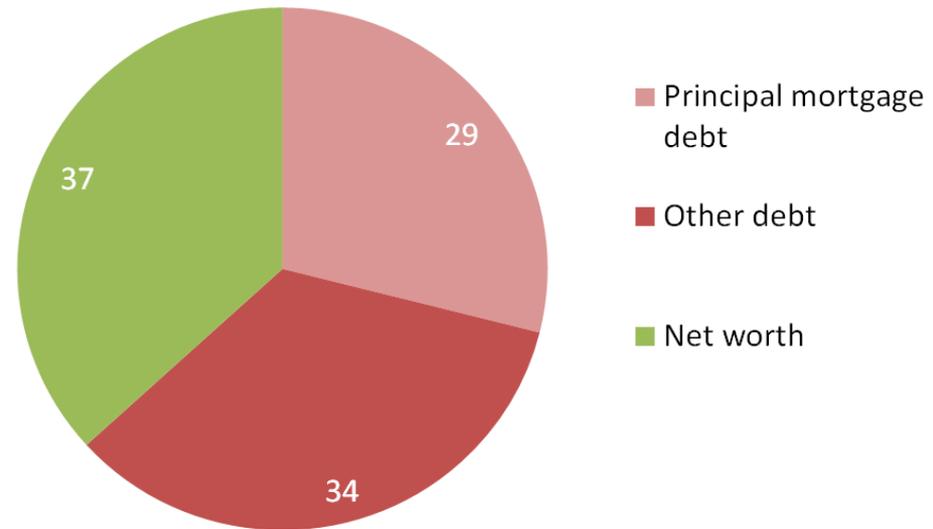
Assets

Liabilities and Equity

Asset Types as Share of Total Assets (%):
Young, Black College Grads



Liability Types as Share of Total Assets (%):
Young, Black College Grads

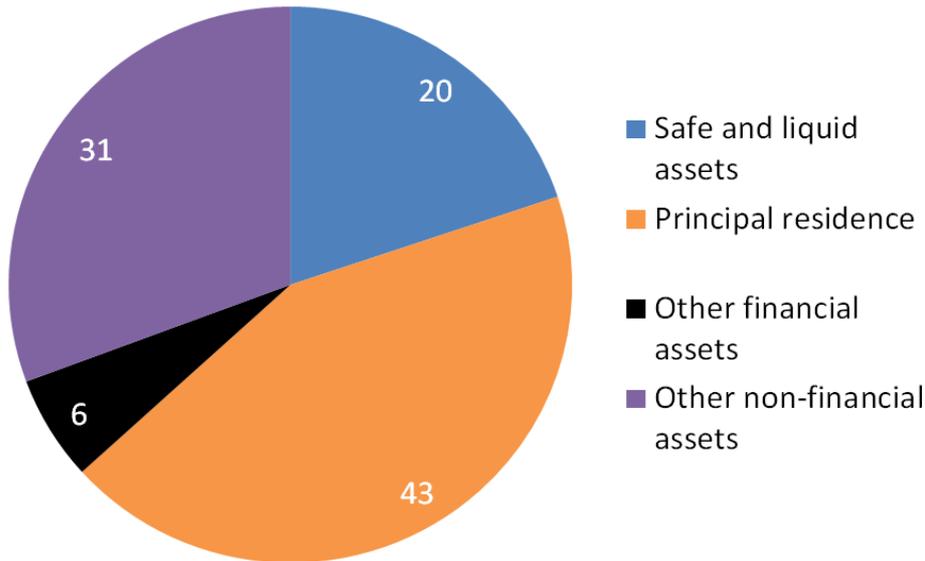


Source: Federal Reserve Survey of Consumer Finances, 2017
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 College is a four-year college degree

Fragile Family Balance Sheet: Middle-Aged, Black, College Grad

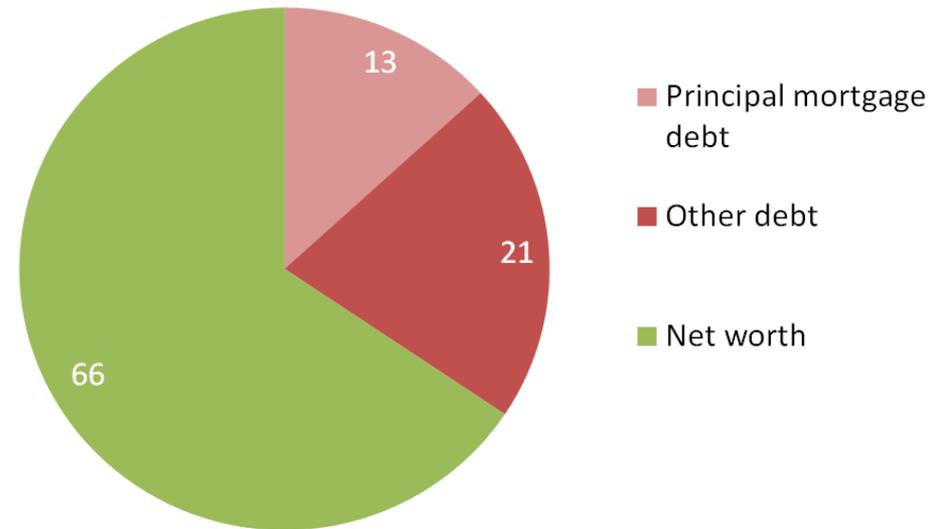
Assets

Asset Types as Share of Total Assets (%):
Middle-Aged, Black College Grads



Liabilities and Equity

Liability Types as Share of Total Assets (%):
Middle-Aged, Black College Grads

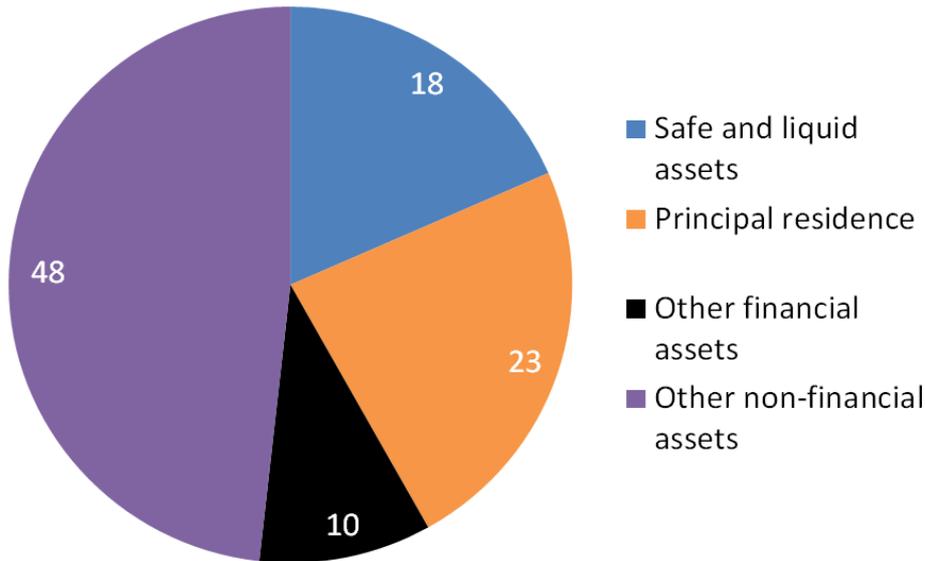


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Fragile Family Balance Sheet: Old, Black, College Grad

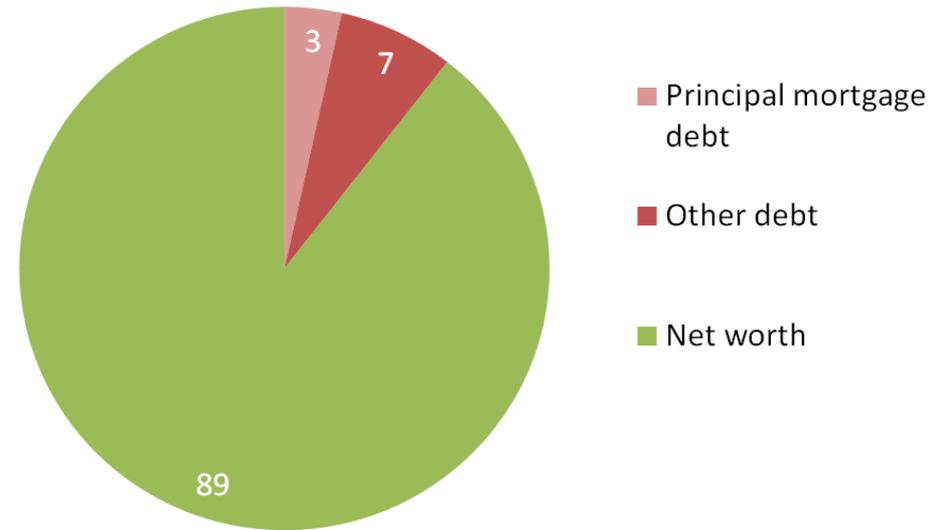
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Asset Types as Share of Total Assets (%):
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Liabilities and Equity

Liability Types as Share of Total Assets (%):
Old, Black College Grads



Source: Federal Reserve Survey of Consumer Finances, 2017
 Young: <40; Middle-aged: 40-61; Old: 62+
 College is a four-year college degree

Balance-Sheet Recommendations for Building Wealth

- **For vulnerable and fragile groups**
 - **Boost safe and liquid assets**
 - **Reduce housing share of assets**
 - **Increase other financial assets**
 - **Reduce debt**
- **More specifically:**
 - **Delay homeownership; buy only with a large down-payment**
 - **Avoid or pay down all other debt**
 - **Begin account-based saving (for education, retirement) as early as possible**