



Center for  
**HOUSEHOLD  
FINANCIAL  
STABILITY**<sup>®</sup>

Researching Family Balance Sheets to Strengthen  
Families and the Economy | [stlouisfed.org/hfs](http://stlouisfed.org/hfs)

# Building Wealth for Families and Employees

Grow Our Own Summit  
Marshall, MN  
November 8, 2018

Ray Boshara\*

Senior Advisor; Director, Center for Household Financial Stability  
Federal Reserve Bank of St. Louis | [www.stlouisfed.org/hfs](http://www.stlouisfed.org/hfs)

*\*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*

# Widespread Family Financial Instability, and Implications for Employers & Employees



- 57% of Americans are challenged to achieve “financial health” (CFSI, 2015)
- An unexpected expense of \$400 would prompt nearly half of all families to borrow funds, sell something, or simply not pay (Federal Reserve, 2015-2018)
- Families experience volatility five months per year; 42% of families struggle to meet monthly expenses, due in part to growing income and expense volatility (U.S. Financial Diaries, 2016)
- Workers spend about 13 hours per month worrying about finances at work (Mercer, 2017)
- *“Financial stressors are not only negatively impacting employees, but are costing employers. Stressed employees are found to be less productive, take time off from work to deal with their finances, and are more likely to cite health issues caused by financial stress. These findings are concerning and potentially significant for companies looking to evaluate the return on investment of a financial wellness program.”* – PwC Employee Financial Wellness Survey, 2017

# Why Study Assets and Wealth



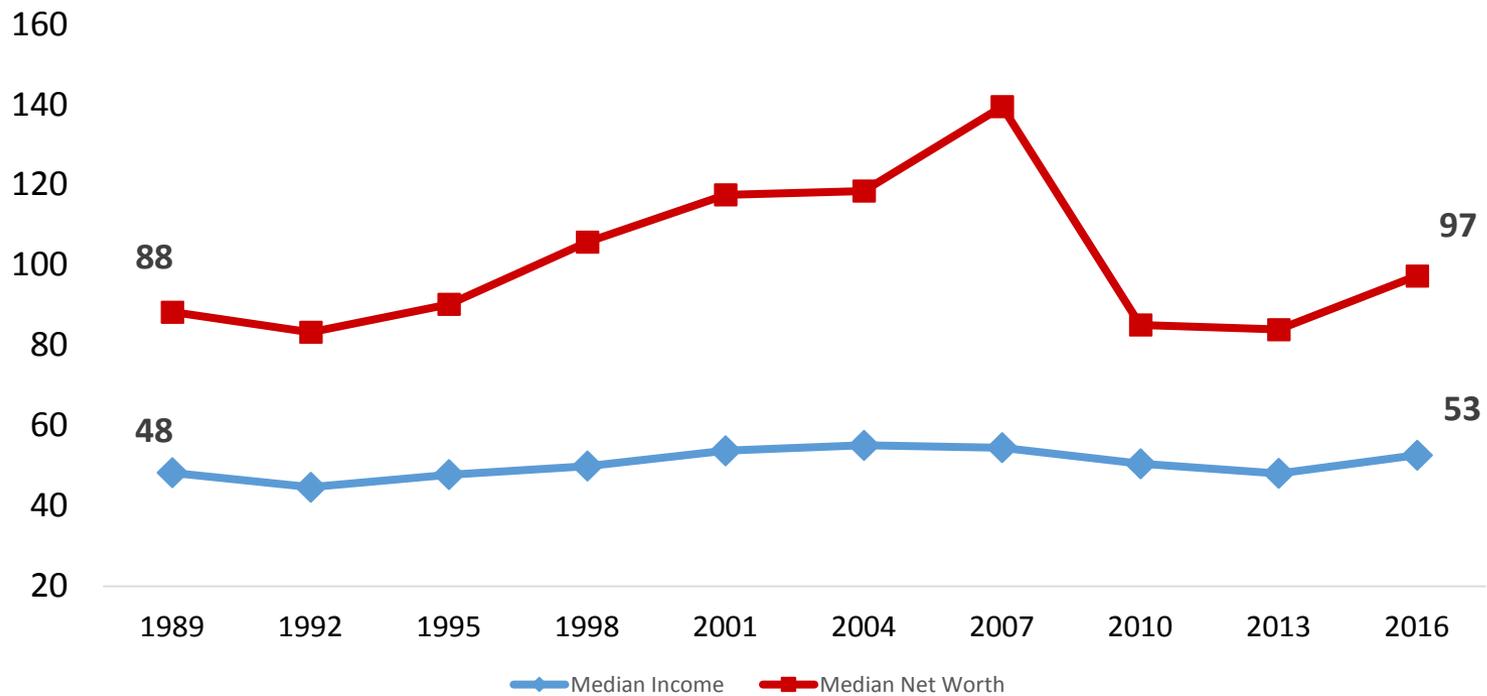
- Assets matter for economic security and upward economic mobility in ways income does not; balance sheets reveal dimensions of financial stress and health not otherwise apparent.
- Holding assets is associated with distinct social, psychological, emotional, child well-being, health, and civic outcomes.
- The U.S. has a long history of promoting property ownership, but many families have been and remain excluded from these policies, contributing to wealth inequality.



# Income and Wealth Since 1989

## Changes in Median Income and Net Worth Over Time

*Thousands of 2016 Dollars*



Source: Federal Reserve Board, Survey of Consumer Finances.

# A Demographic Approach to Studying Wealth



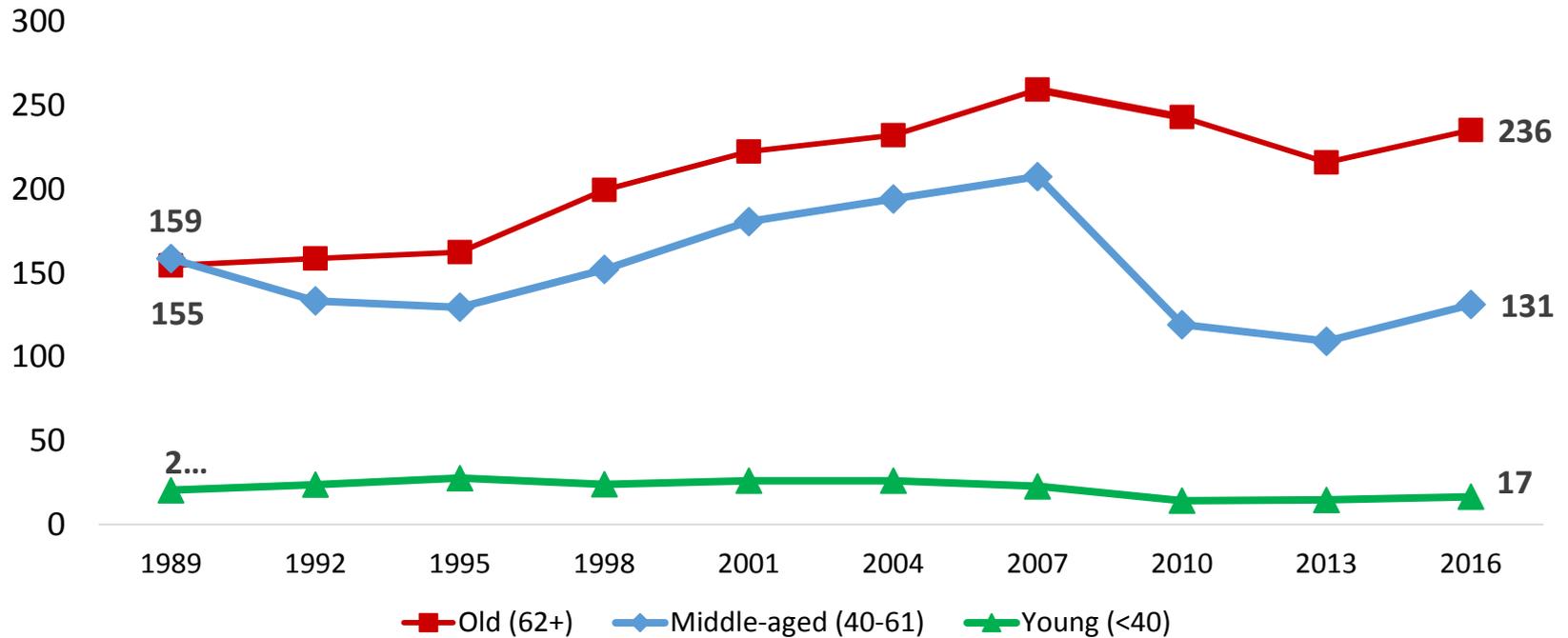
- First published in 2015
  - Education
  - Race
  - Age
- Updated in 2018
  - Adds education of respondent's parents
  - New Center report on White Working Class
- Surveys over 6,000 families every three years; considered the “gold standard” in family wealth research



# Age / Birth Year

## Real Median Family Net Worth, Age/Year of Birth

Thousands of 2016 Dollars

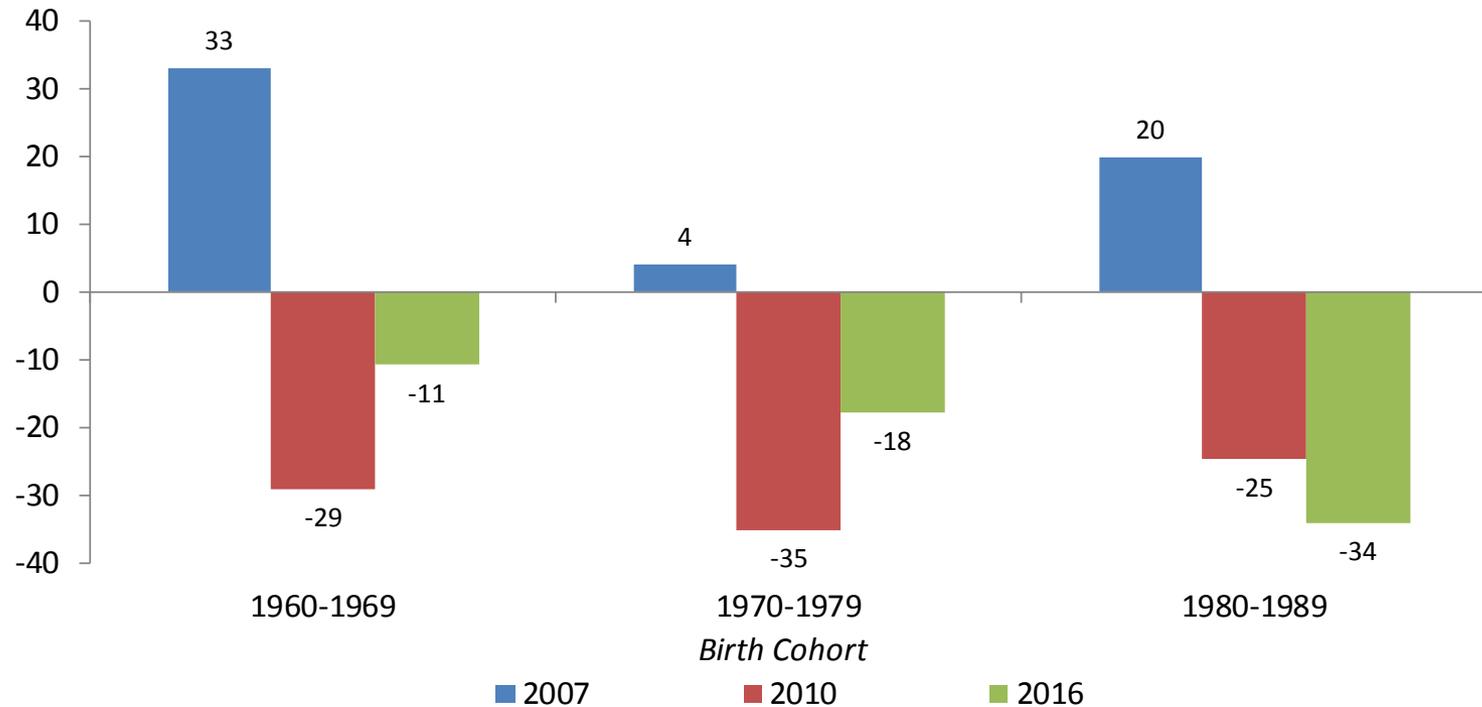


Source: Federal Reserve Board, Survey of Consumer Finances.

# The Diminishing Wealth of Successive Generations

## Deviation of Birth Cohort Median Wealth from Predicted Value

Percentage Points



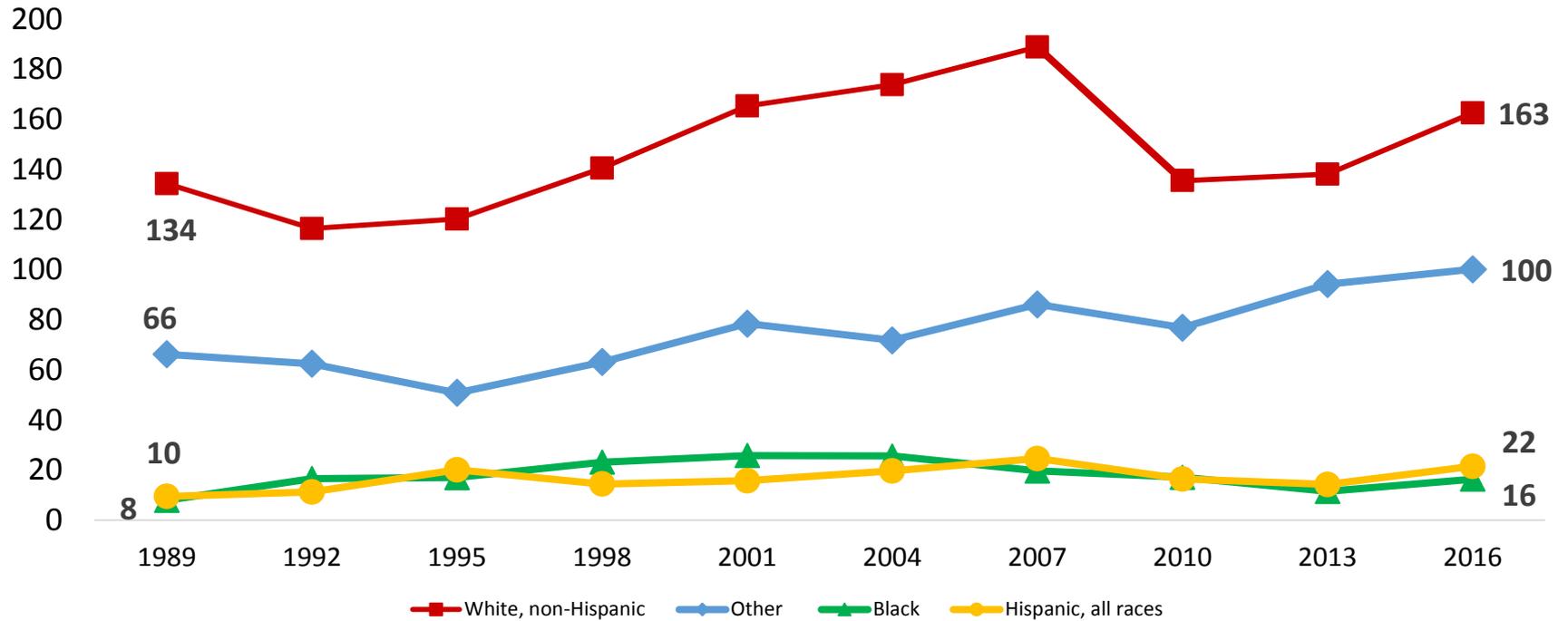
Sources: Federal Reserve Board's Survey of Consumer Finances and authors' calculations.



# Race and Ethnicity

## Real Median Family Net Worth, By Race/Ethnicity

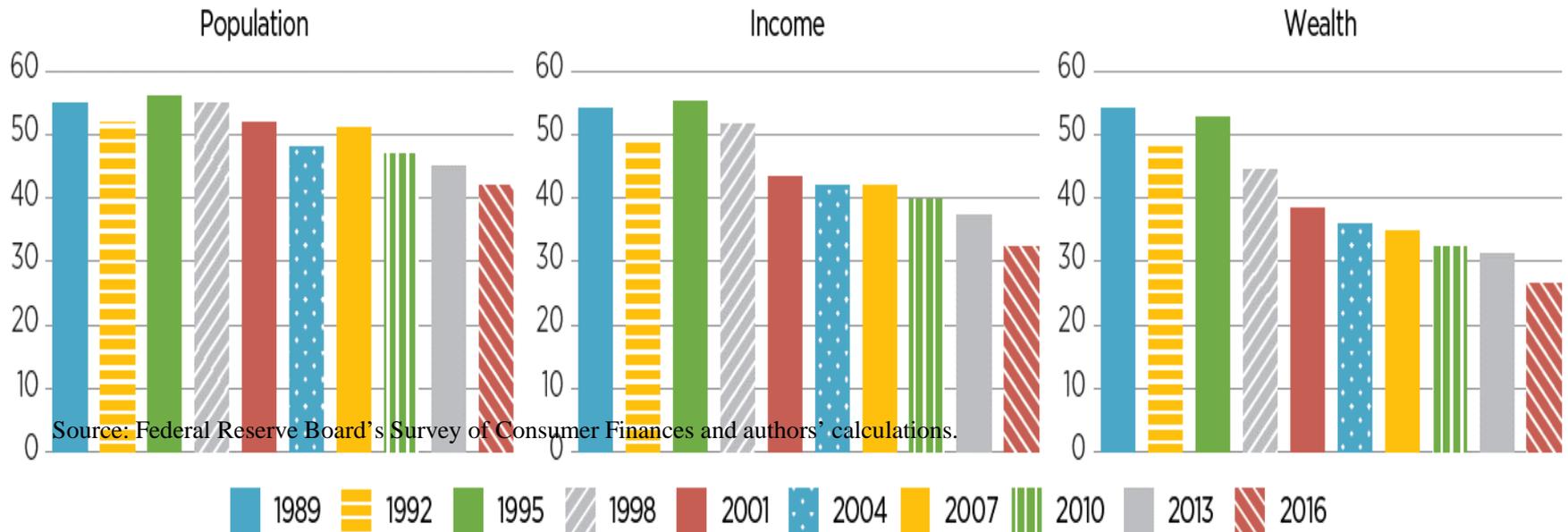
Thousands of 2016 Dollars



Source: Federal Reserve Board, Survey of Consumer Finances.

# The Decline of the White Working Class

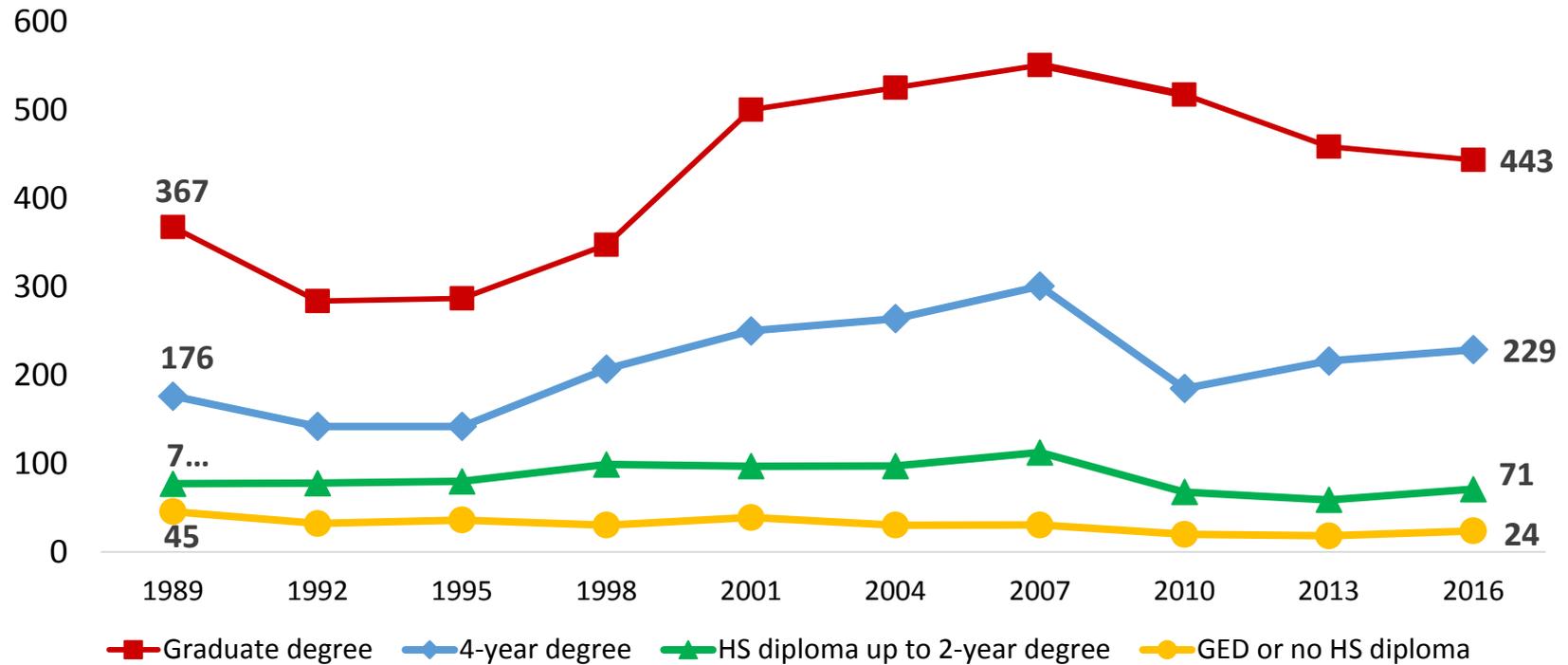
White Working Class Share of Population, Income and Wealth (%)



# Education

## Real Median Family Net Worth, By Education

Thousands of 2016 Dollars



Source: Federal Reserve Board, Survey of Consumer Finances.

# Effect of Your Parents' Education



**The Head Start effect:** Families with “favorable” (white, older, college grad parents) inherited traits typically earn higher incomes and accumulate more wealth than families without them.



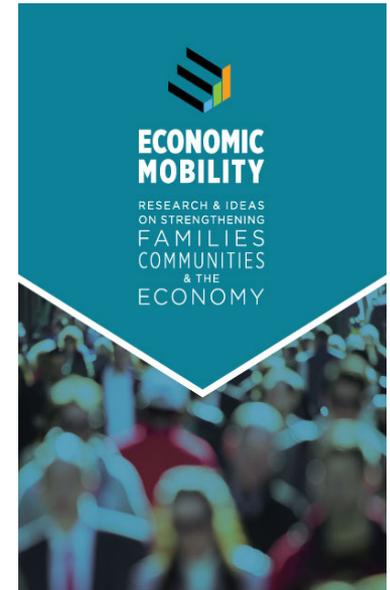
**The Upward Mobility effect:** Among families with less “favorable” traits, a college degree usually boosts income and wealth far above levels achieved without a degree.



**The Downward Mobility effect:** Families with college-educated parents who fail to also earn a degree are likely to slip notably downward in expected ranking.

# Responses

- \* Promote broad-based, inclusive growth
- \* Help families build a rainy-day fund
- \* Prioritize local over national investments, especially in younger Americans
  - Reduce racial segregation
  - Reduce economic inequality and segregation
  - Invest in schools – especially in teachers, principals, and efforts to get first-gen kids to and through college
  - Improve social capital, networks and relationships
  - Stabilize families, and reduce the incidence of single-parent households
- \* Invest in early childhood environments and early-in-life assets



# Ideas to Improve Employee Financial Health

- \* To the extent possible, consider an employee's balance sheet in your assessments of her or his financial well-being.
- \* When targeting your employee financial wellness efforts:
  - Consider student loan assistance for younger workers and parents of college students.
  - Do not assume that minority employees with high incomes and college or advanced degrees are not struggling financially.
  - Consider developing life-long learning and regular skills-upgrading for all of your employees, possibly via a state 529 savings plan.
- \* Addressing short-term liquidity needs (though emergency savings programs, “side-car” savings attached to retirement savings, short-term loans, tax-time savings, etc.) may be the most important intervention to help employees build wealth and achieve financial stability.
- \* See “Employee Financial Wellness Programs” at the Center for Social Development ([csd.wustl.edu](https://csd.wustl.edu)) for additional data and information.