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

## **Thrivers and Strugglers: How Age, Race/Ethnicity and Education are Fueling an Economic Divide in America**

**Kirkwood Rotary Club**

June 28, 2018

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[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*

# Context: Widespread Financial Instability



- 57% of Americans are challenged to achieve “financial health” (CFSI, 2015)
- 70% of households are “income-constrained, savings limited, and/or debt-challenged” (Pew, 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)
- Nearly two-thirds of Americans see money as a “very” or “somewhat” significant source of stress. (APA, 2015)



# Why Study Wealth?



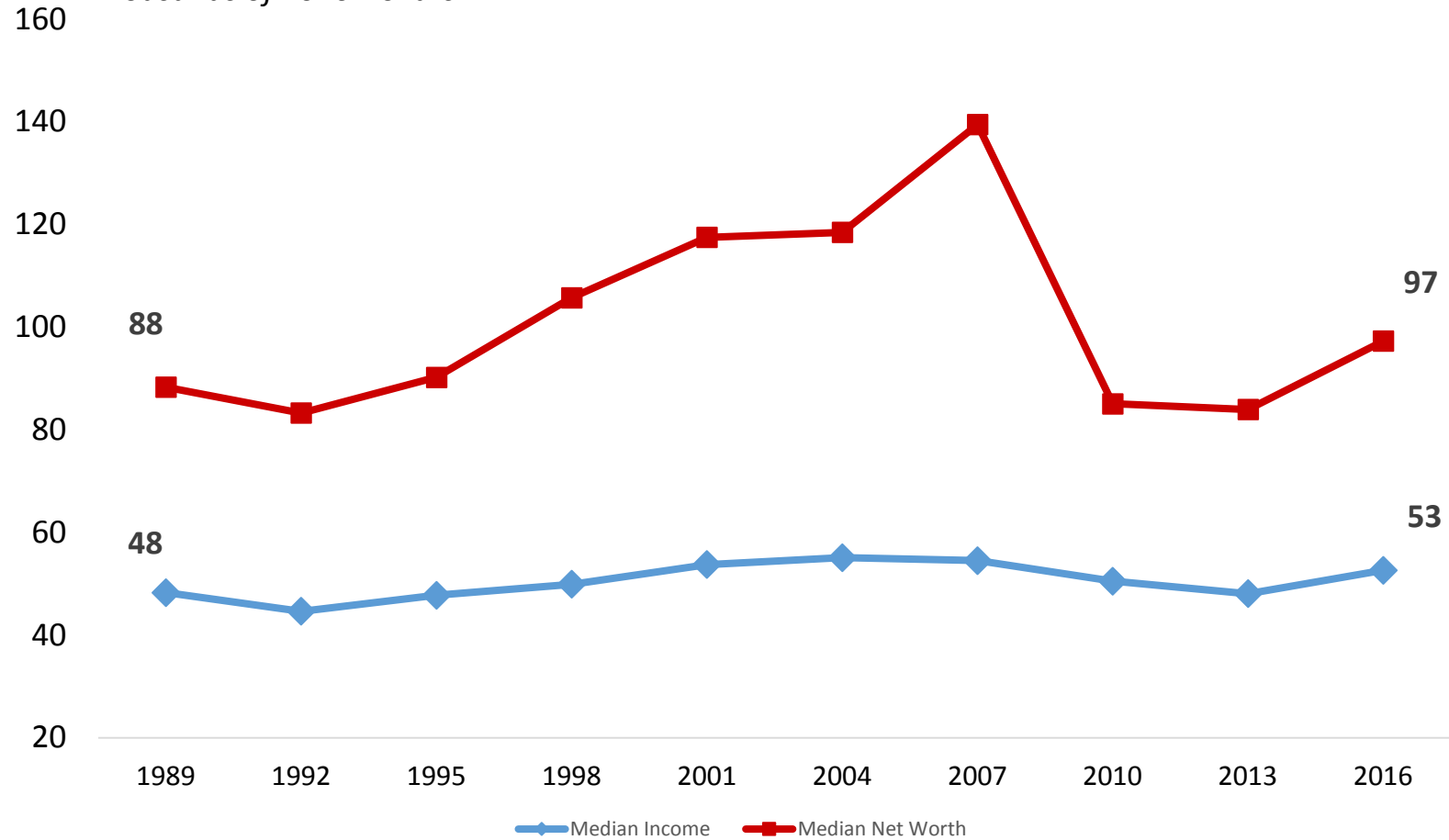
- Assets matter for economic security and upward economic mobility in ways income does not; balance sheets reveal dimensions of financial stress and health not otherwise apparent.
- Holding assets is associated with distinct social, psychological, emotional, child well-being, health, and civic outcomes.
- 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*

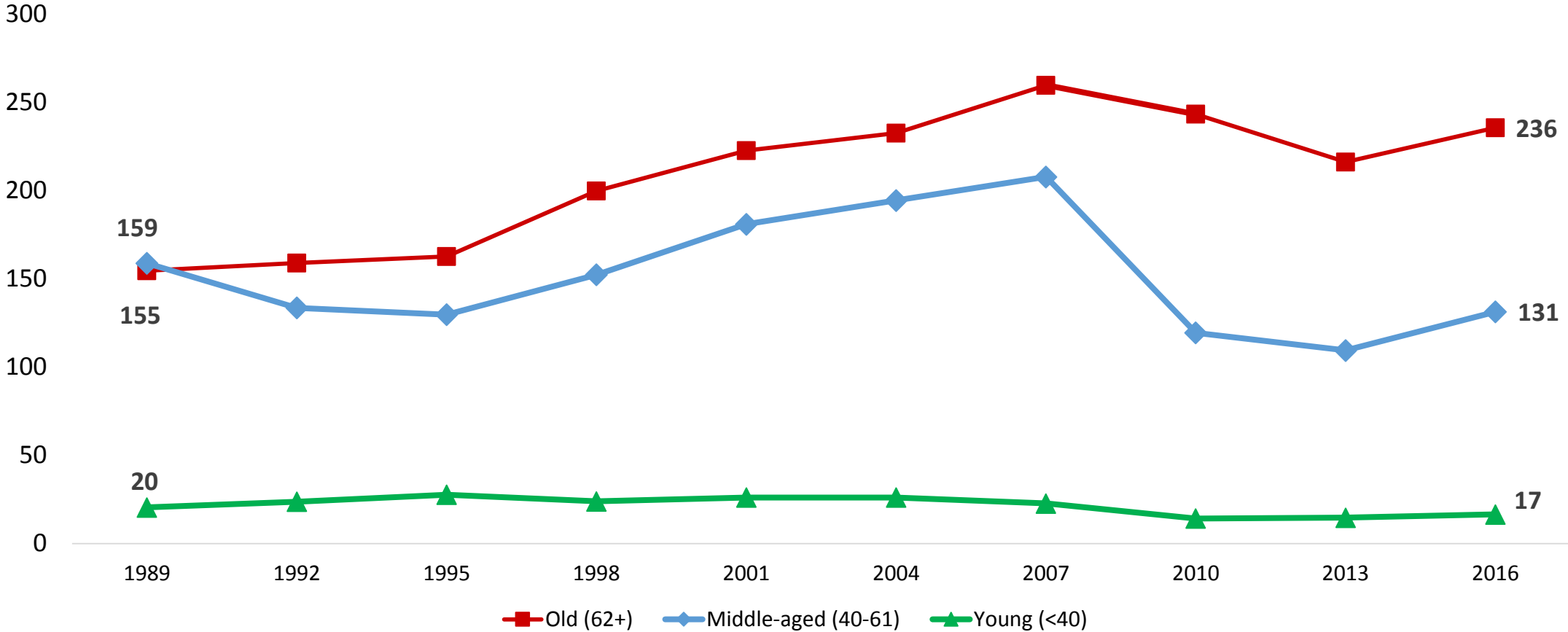


Source: Federal Reserve Board, Survey of Consumer Finances.

# Age / Birth Year

Real Median Family Net Worth, Age/Year of Birth

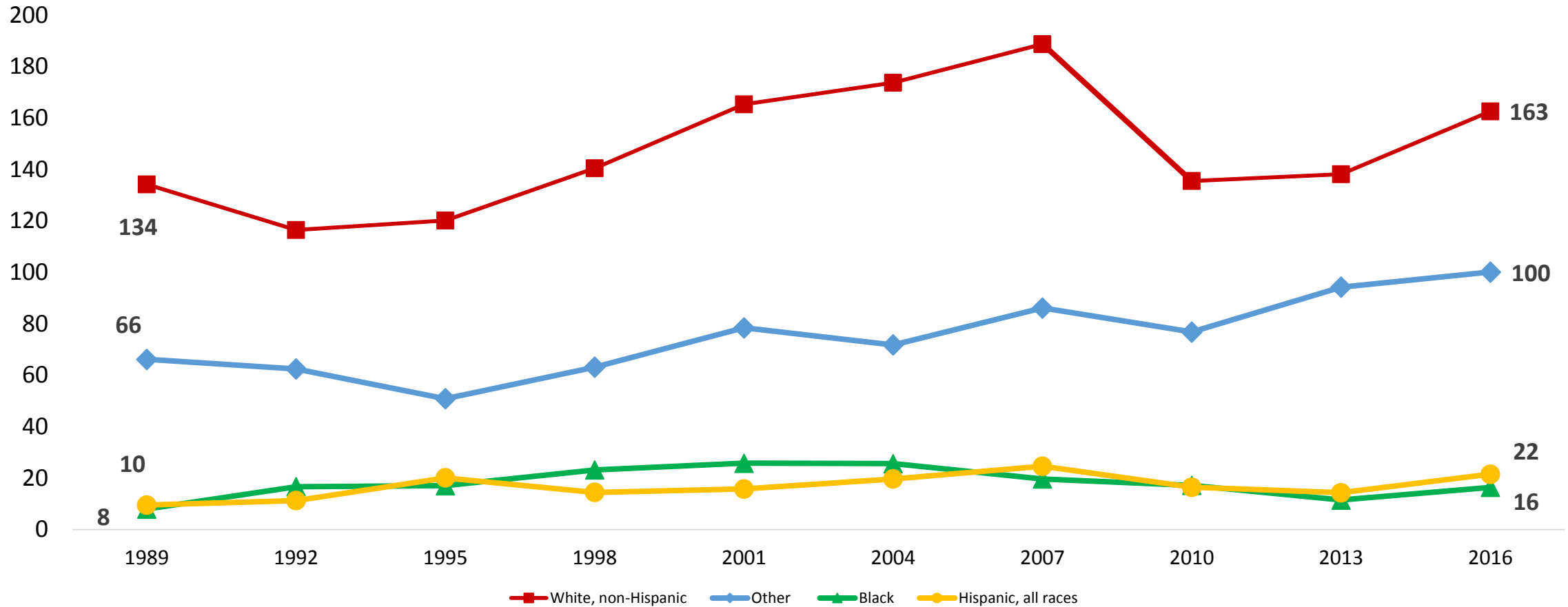
Thousands of 2016 Dollars



Source: Federal Reserve Board, Survey of Consumer Finances.

# Race and Ethnicity

**Real Median Family Net Worth, By Race/Ethnicity**  
*Thousands of 2016 Dollars*

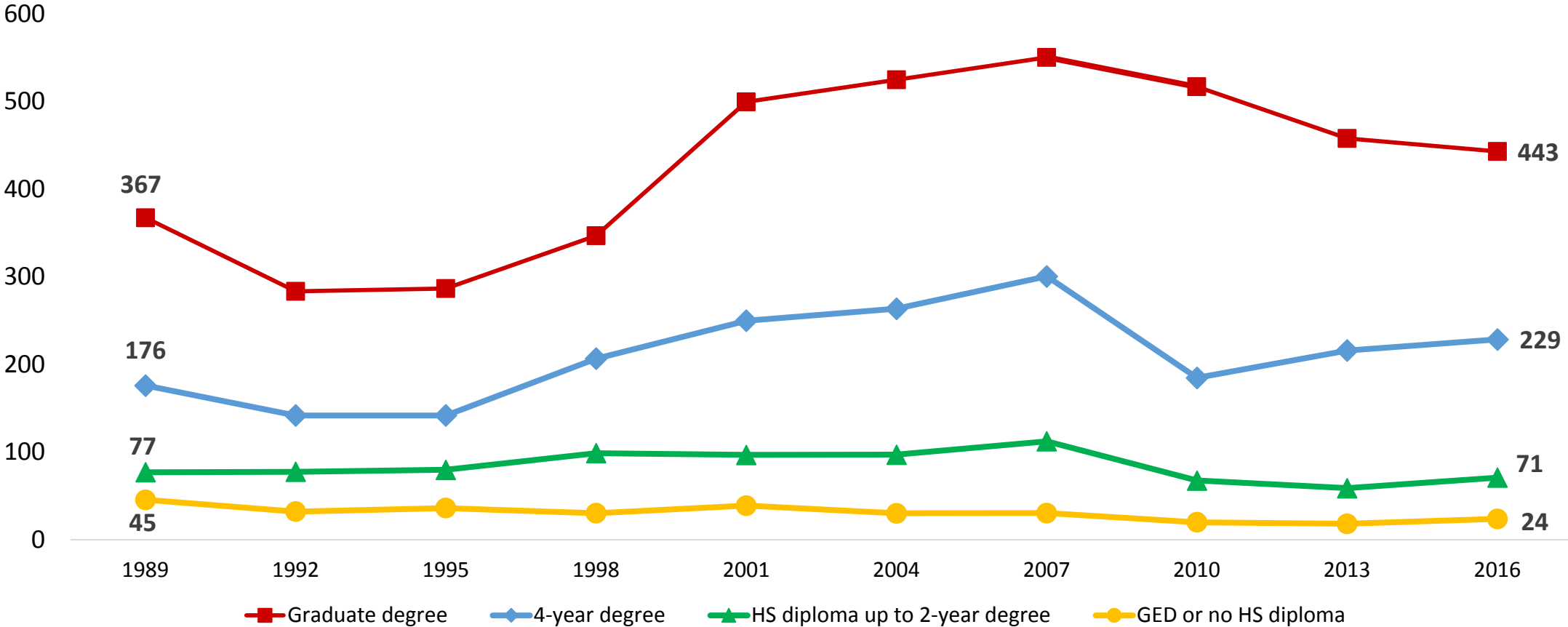


Source: Federal Reserve Board, Survey of Consumer Finances.

# Education

**Real Median Family Net Worth, By Education**

*Thousands of 2016 Dollars*

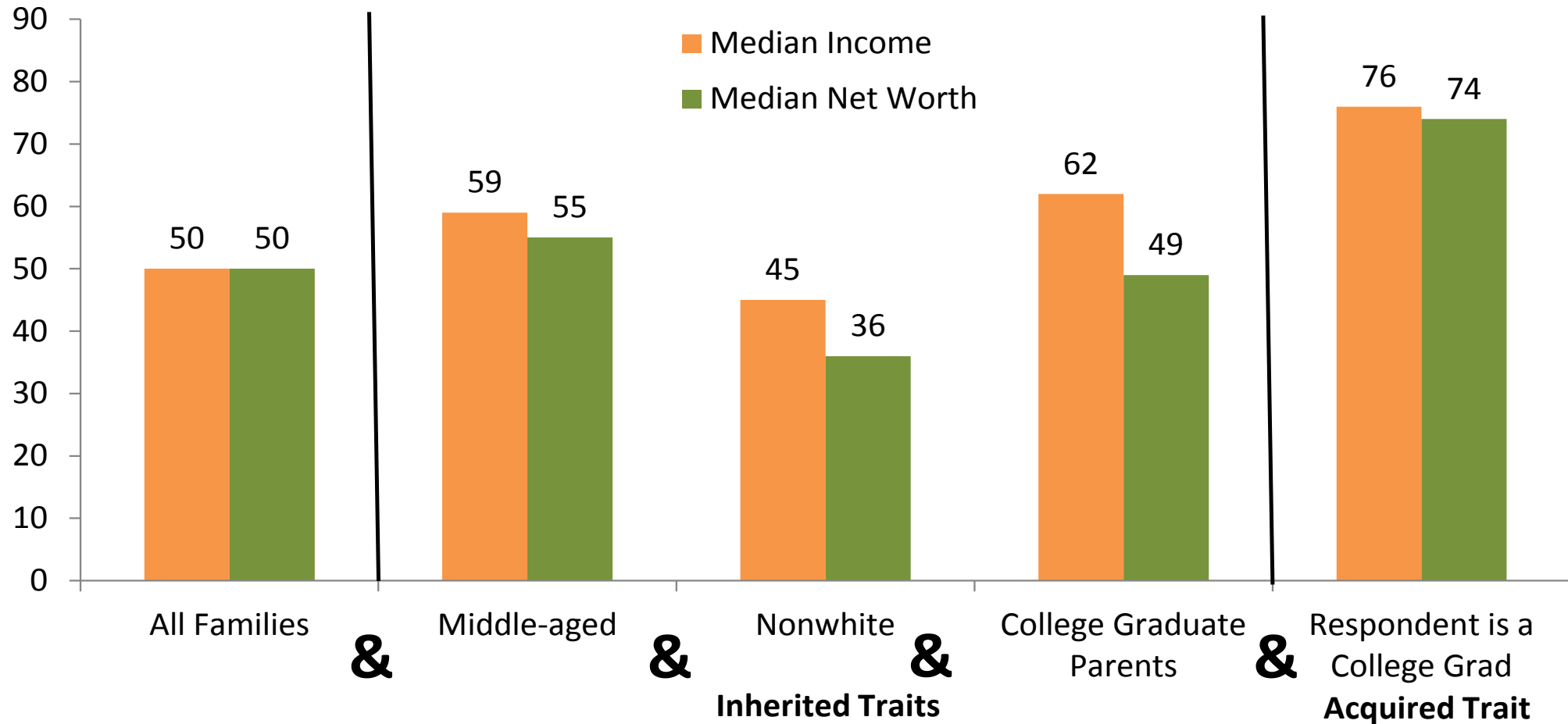


Source: Federal Reserve Board, Survey of Consumer Finances.

# Education & Wealth (with Parental Education)

## Median Family Income and Net Worth Rank Progression, by Inherited & Acquired Traits

Percentile Rank



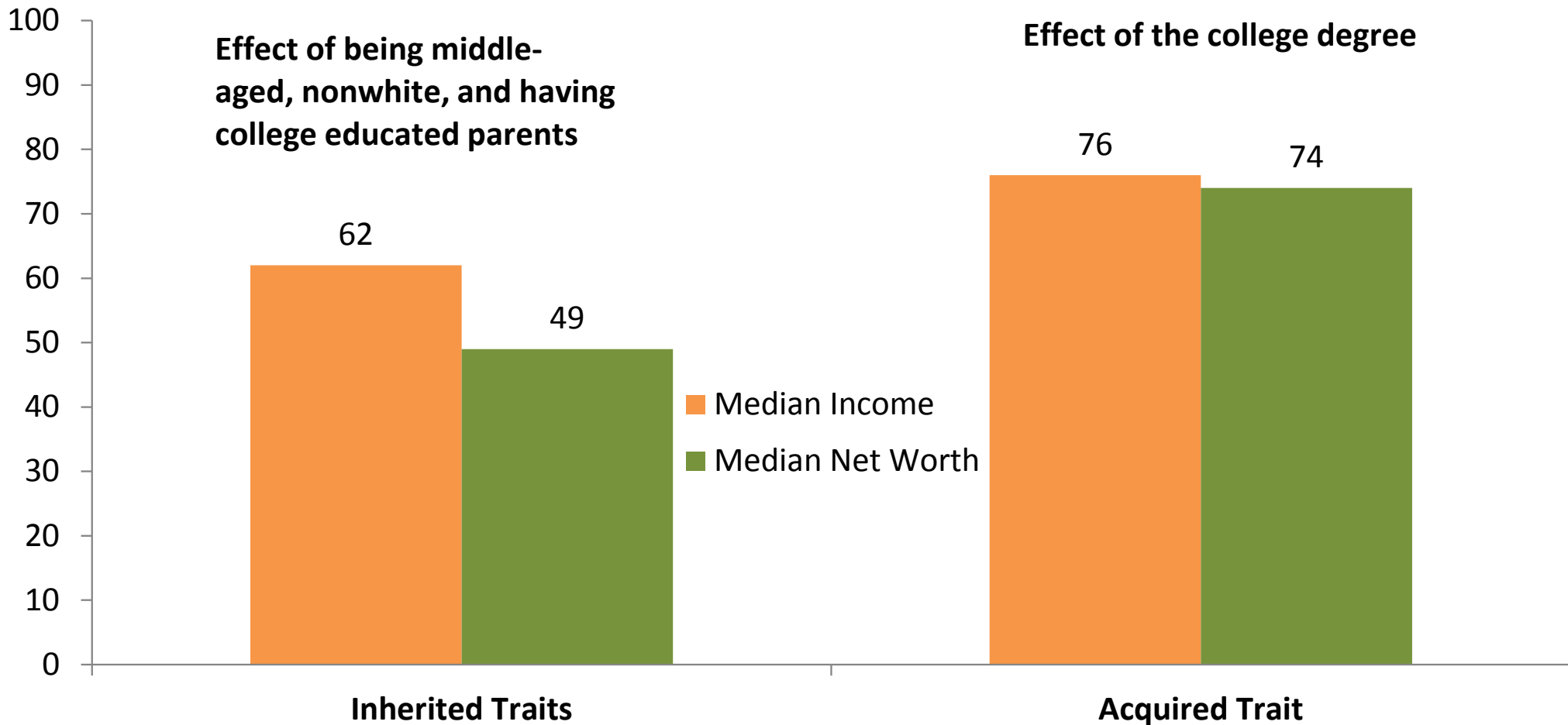
Source: Federal Reserve Board, Survey of Consumer Finances, and author's calculations.



# Review: Inherited v. Earned Traits

## Median Income and Net Worth Rank, by Inherited & Acquired Traits

Percentile Rank



Source: Federal Reserve Board, Survey of Consumer Finances, and author's calculations.

# Overall Effects — Demographics of Wealth # 1



**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



\* 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

