

The Millennial Wealth Gap: Trends, Origins, and Implications

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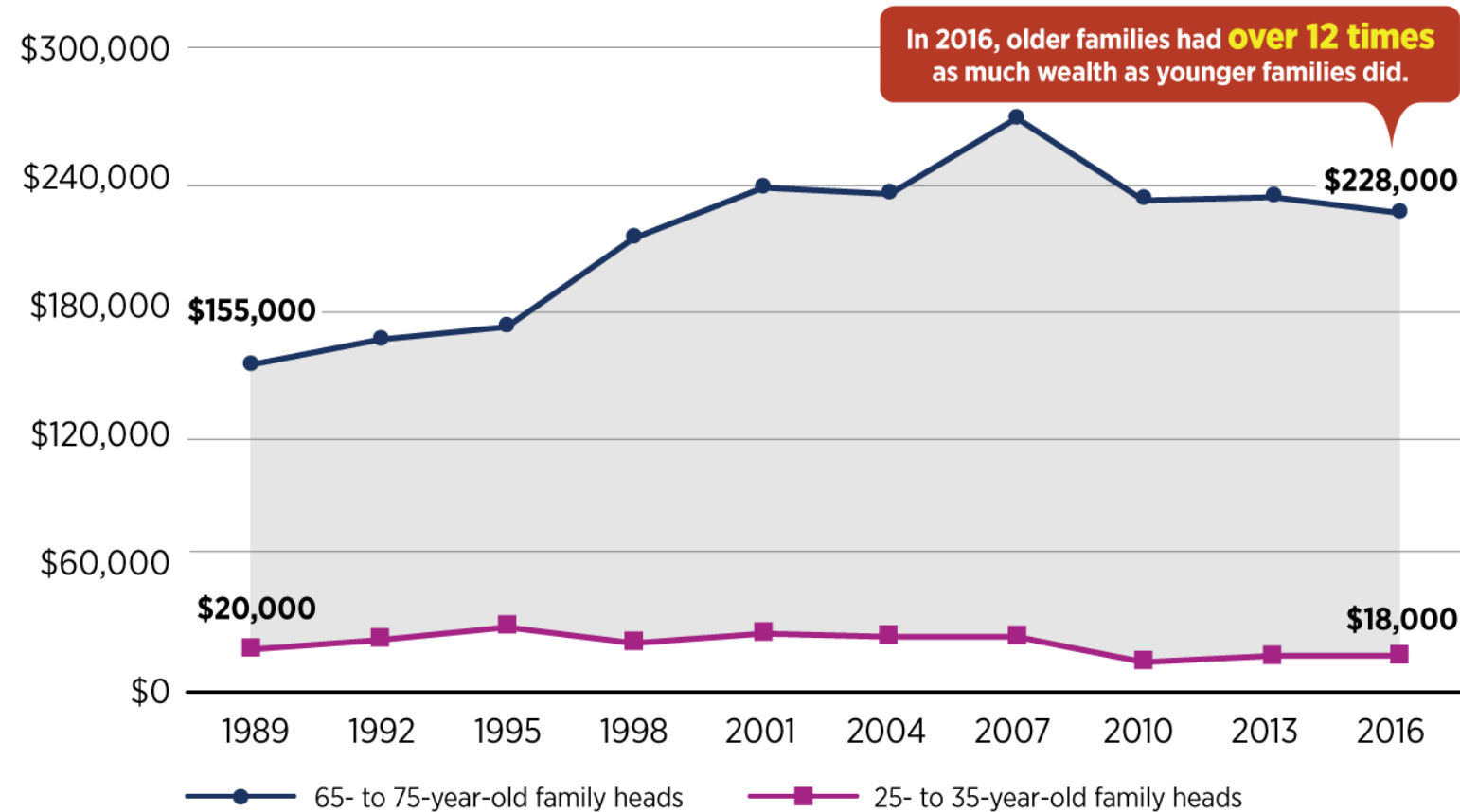
Millennials

- 1981-1996 → 1980-1989
- The median millennial family (born 1980-89) is far behind the *wealth* path set by previous generations.



Generational Wealth Gap is Growing

Comparing the median (50th percentile) household wealth of younger families and older families



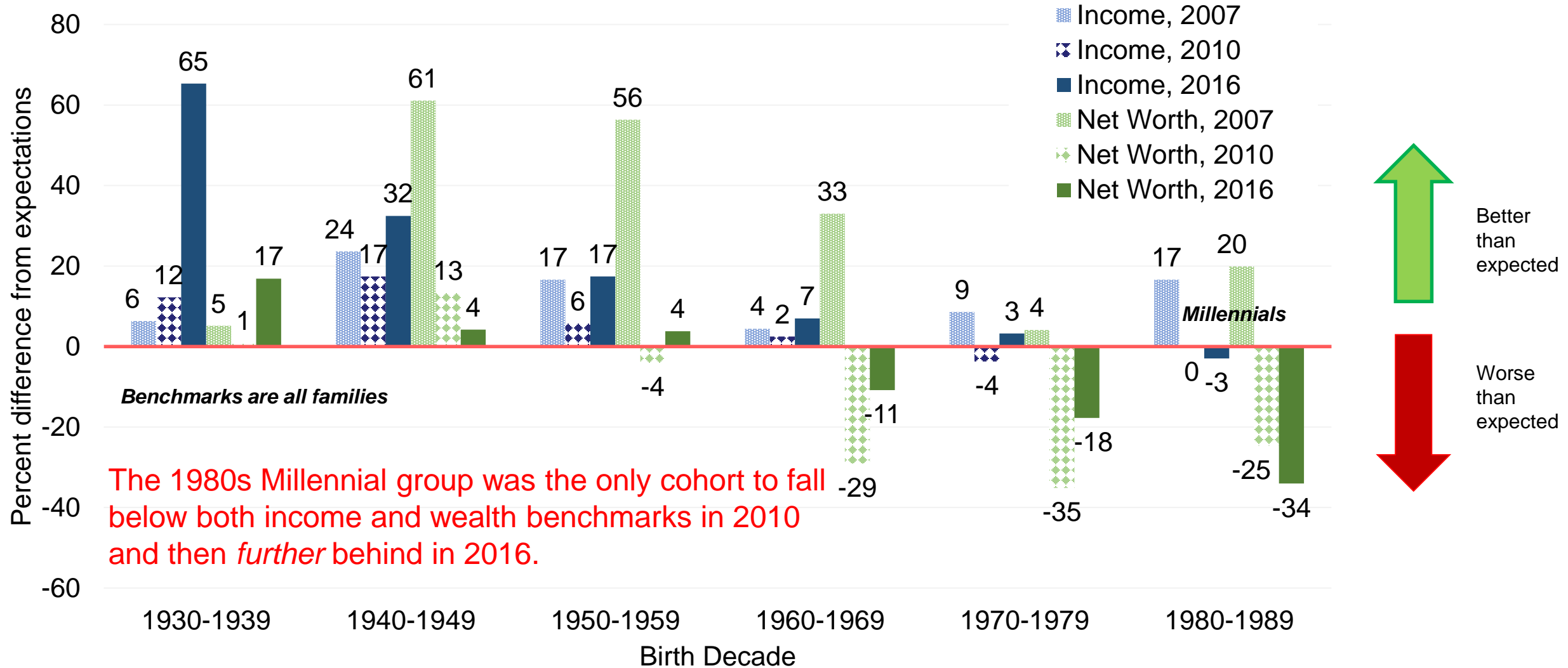
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Why is the Generational Wealth Gap Growing?

- Older Millennials are below the wealth-accumulation path established by previous generations.
 - Our estimate is -34% at ages 27-36 (as of 2016).
 - In contrast, millennial median income is only 3% below its norm.
- Short-term cause: Widespread wealth losses from the recession
- Long-term causes: Secular wealth-redistribution trends
 - From less- to more-educated
 - From young to old
- Great-Recession shocks + Secular wealth redistribution trends result in a large millennial wealth gap

Short-term cause: Great Recession

Deviation of Median Income and Wealth from Predicted Values Before and After the Great Recession



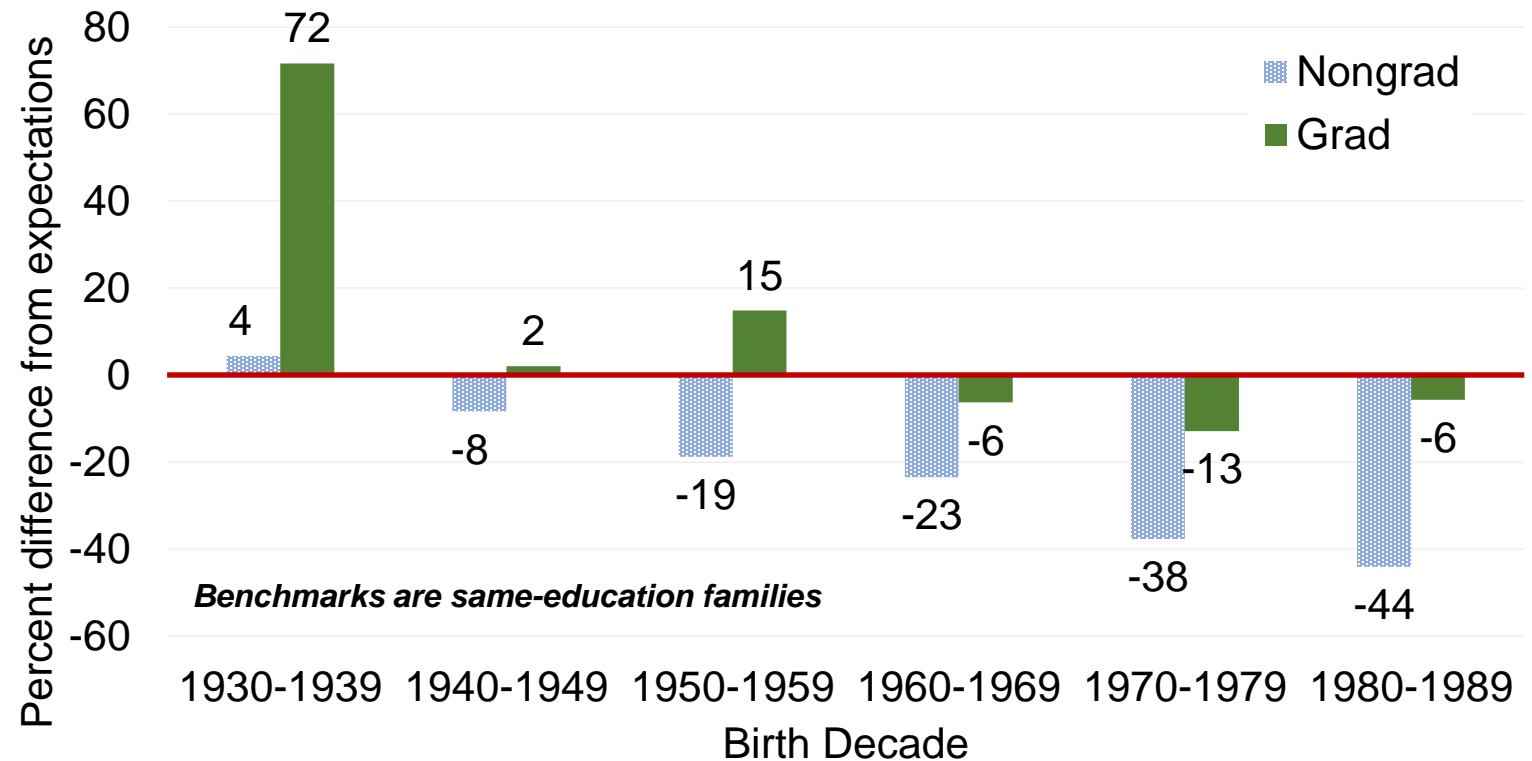
Why Is the Millennial Wealth Gap So Large?

- Median millennial family income weakened relative to norms between 2007 and 2016, but *relative wealth decline was larger*.
 - Nothing unusual about savings habits of 1980s generation.
 - Loss of housing wealth affected older cohorts more.
 - Millennials seem to be slow to begin wealth accumulation.
- ✓ Short-term cause: Widespread wealth losses from the recession
- Long-term causes: Secular wealth-redistribution trends
 - From less- to more-educated
 - From young to old

Long-term cause: From less- to more-educated

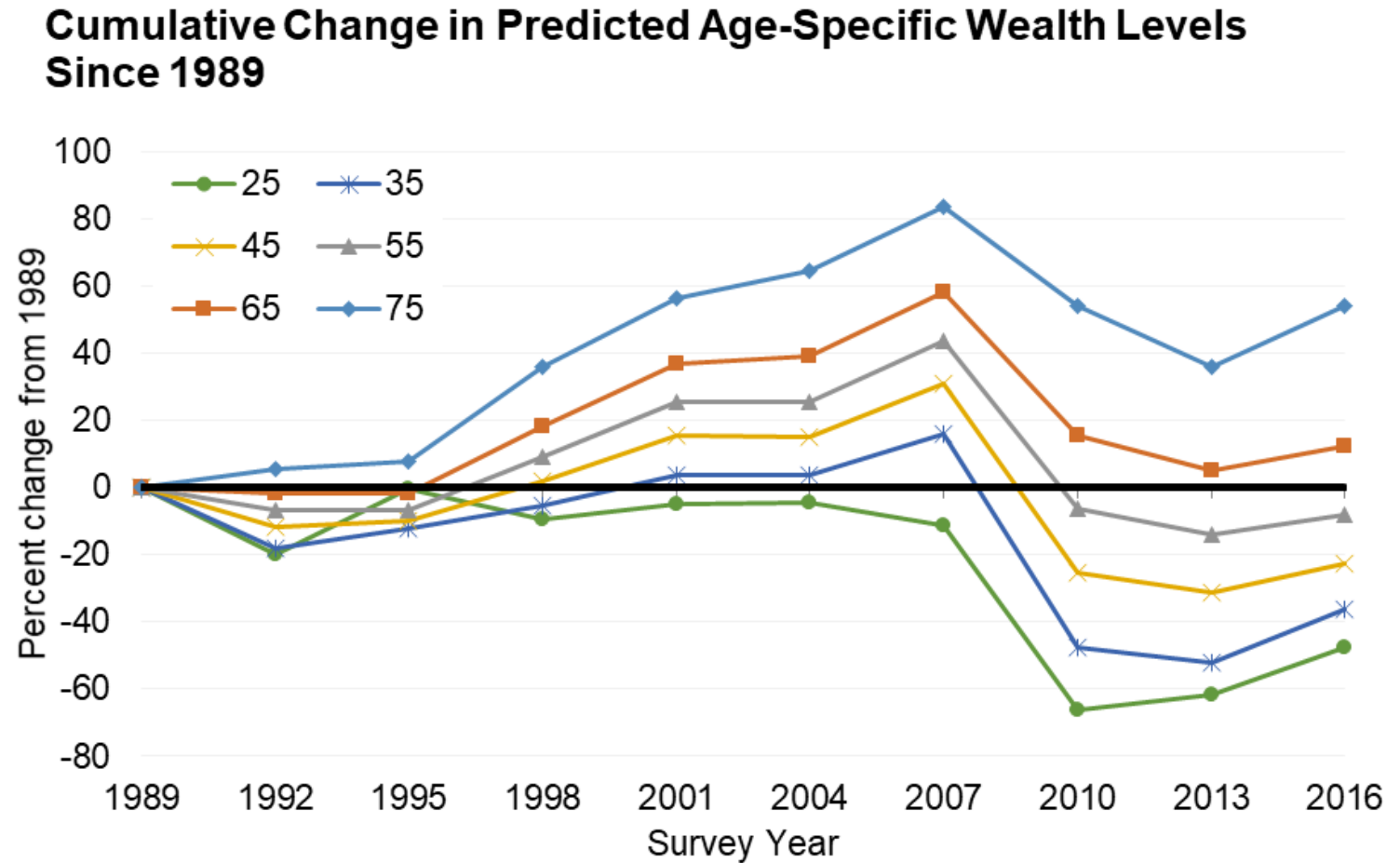
- College-grad millennial families (23% of cohort in 2007; 37% by 2016) were far above predicted income and wealth levels in 2007; the recession wiped out these advantages.
- No-college millennial families (77% then 63% of cohort) were already at or below norms in 2007; recession knocked them lower.

Wealth Deviation by Education in 2016



Long-term cause: From young to old

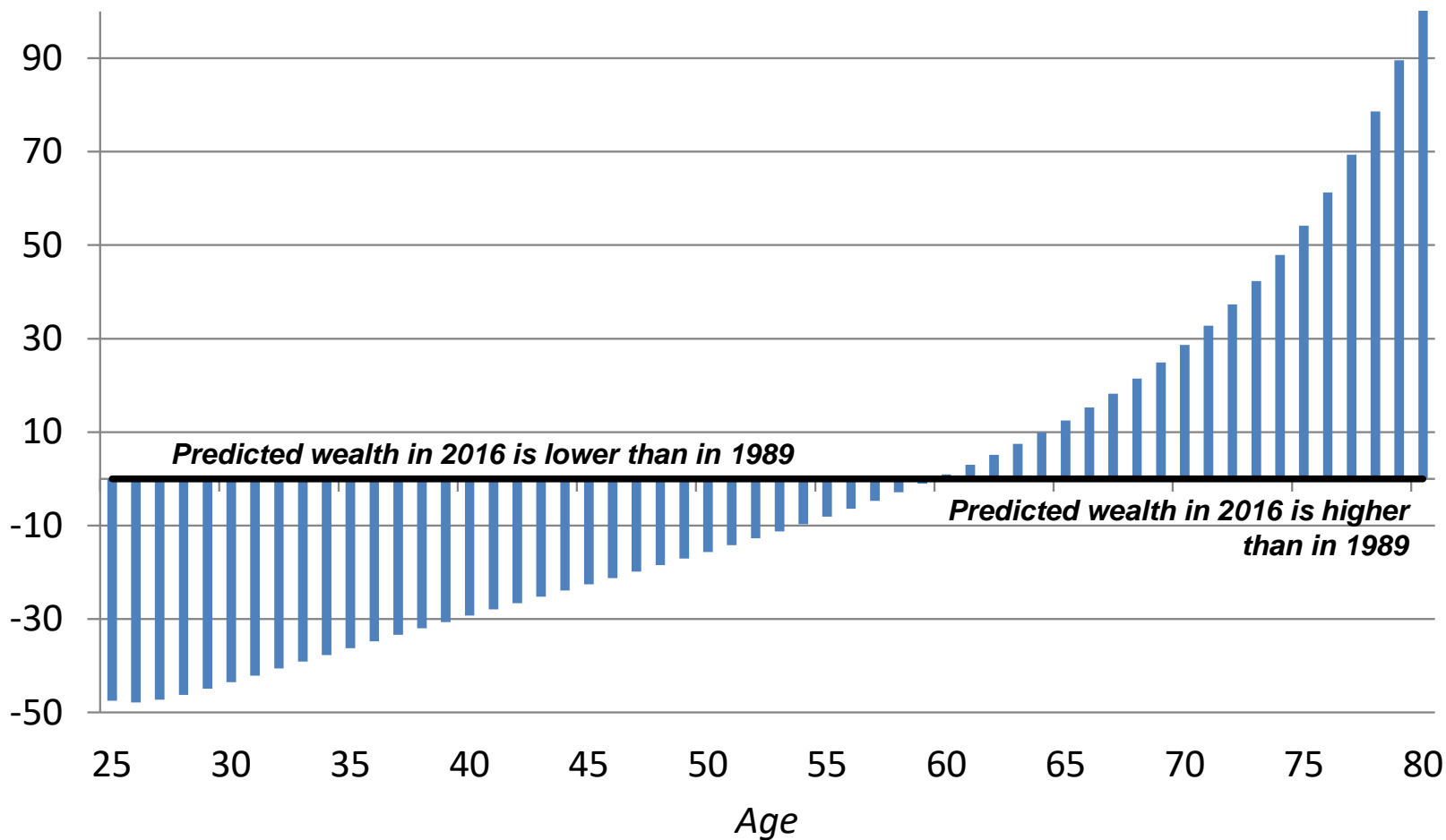
- The old are getting richer while the young are getting poorer.
- This gap has been growing for many decades.



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

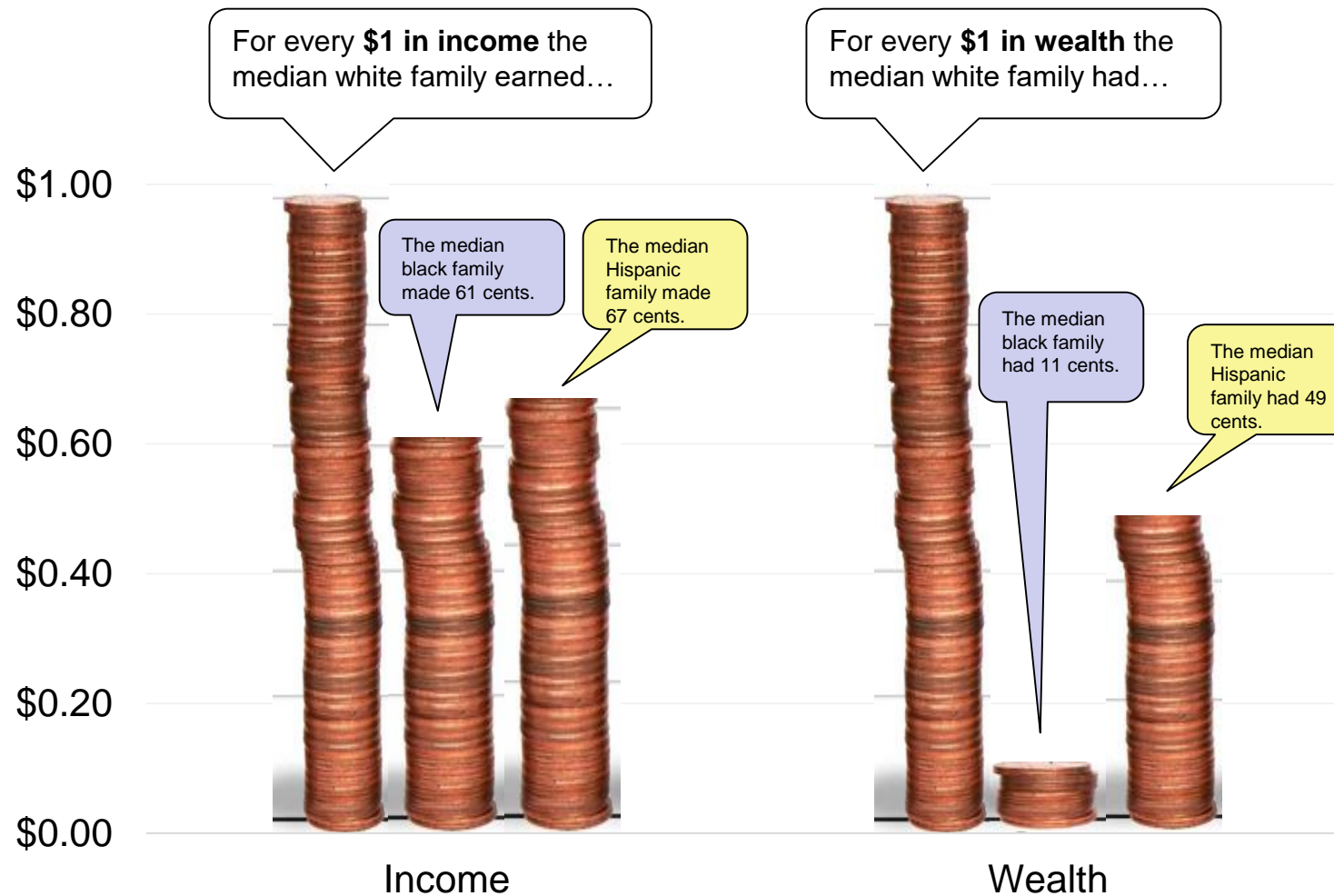
Cumulative Effect: Wealth Redistribution from Young to Old

Change Between 1989 and 2016 in Predicted Wealth
Percentage Difference



Source: Federal Reserve Board, Survey of Consumer Finances and authors' calculations

One Final Note on Race/Ethnicity Wealth Gaps...



Will Millennials Become Part of a “Lost Generation” ?

- The Great Recession imposed large wealth losses on millennial families but hit older cohorts, too.
- Longer-term trends of wealth redistribution from less- to more-educated and from young to old families were in place before the recession.
- The combination of Great-Recession wealth shocks and secular wealth-redistribution trends resulted in large millennial wealth gap, especially among families headed by non-college grads.
- Only time will tell whether Millennials will recover, or if they will become part of a lost generation.

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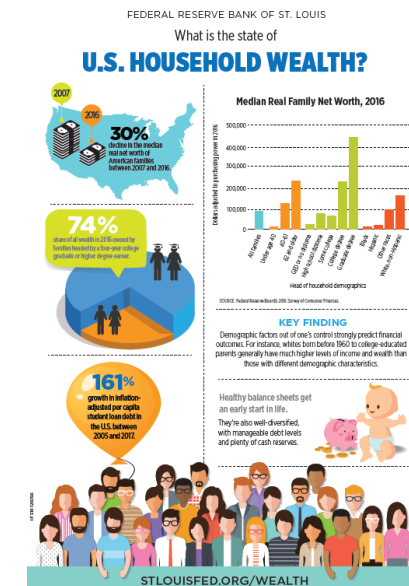
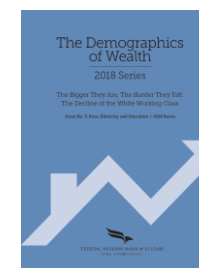
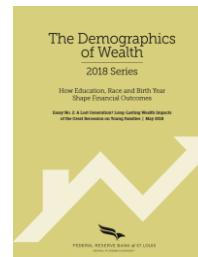
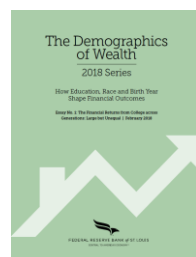


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