



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

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

Building Wealth and Financial Security for Younger, Less-Educated, Minority, and Broken Families

Peace and Justice Commission

Archdiocese of St. Louis

August 5, 2015

Ray Boshara*

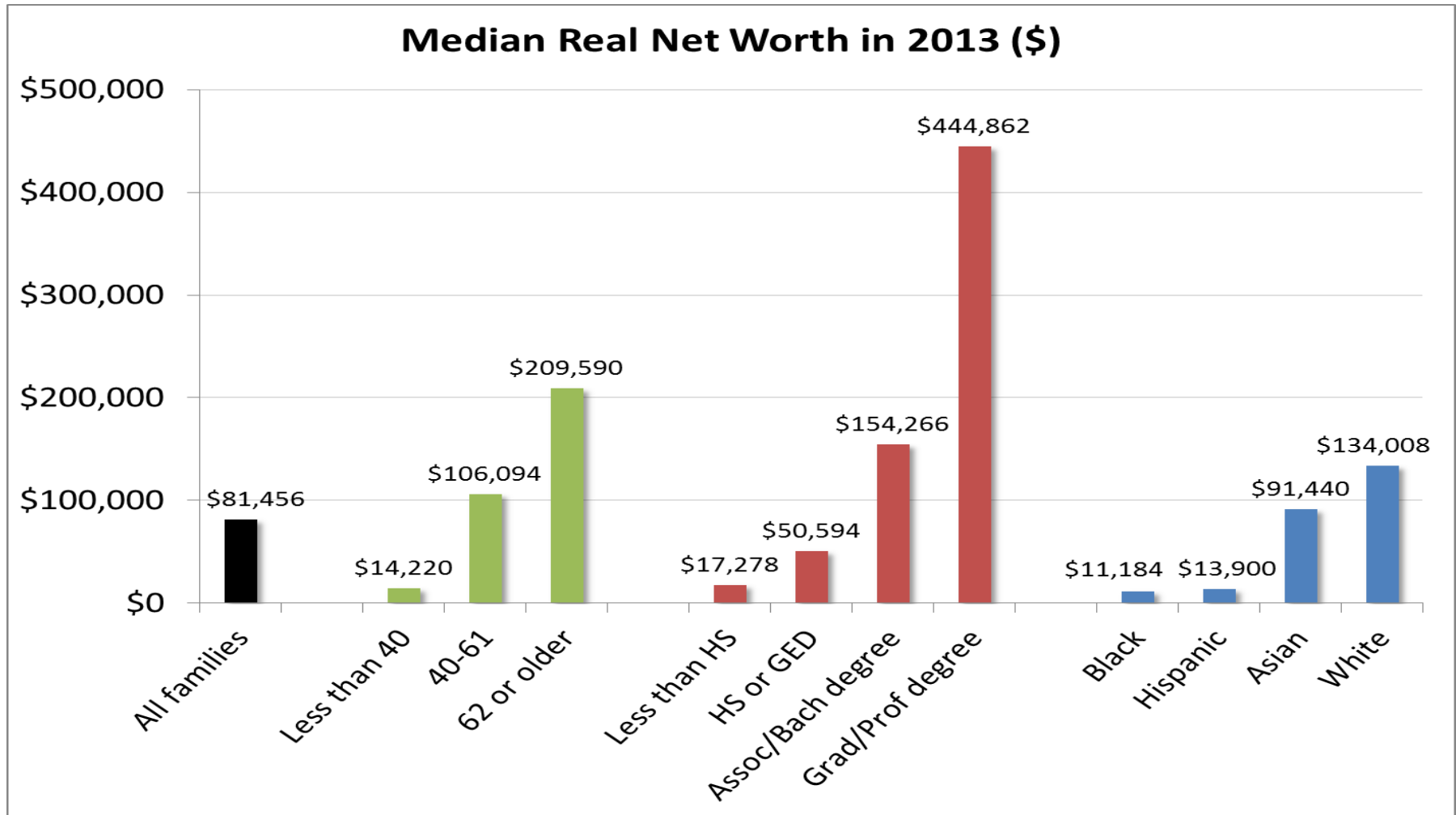
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Federal Reserve Bank of St. Louis | www.stlouisfed.org/hfs

**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*

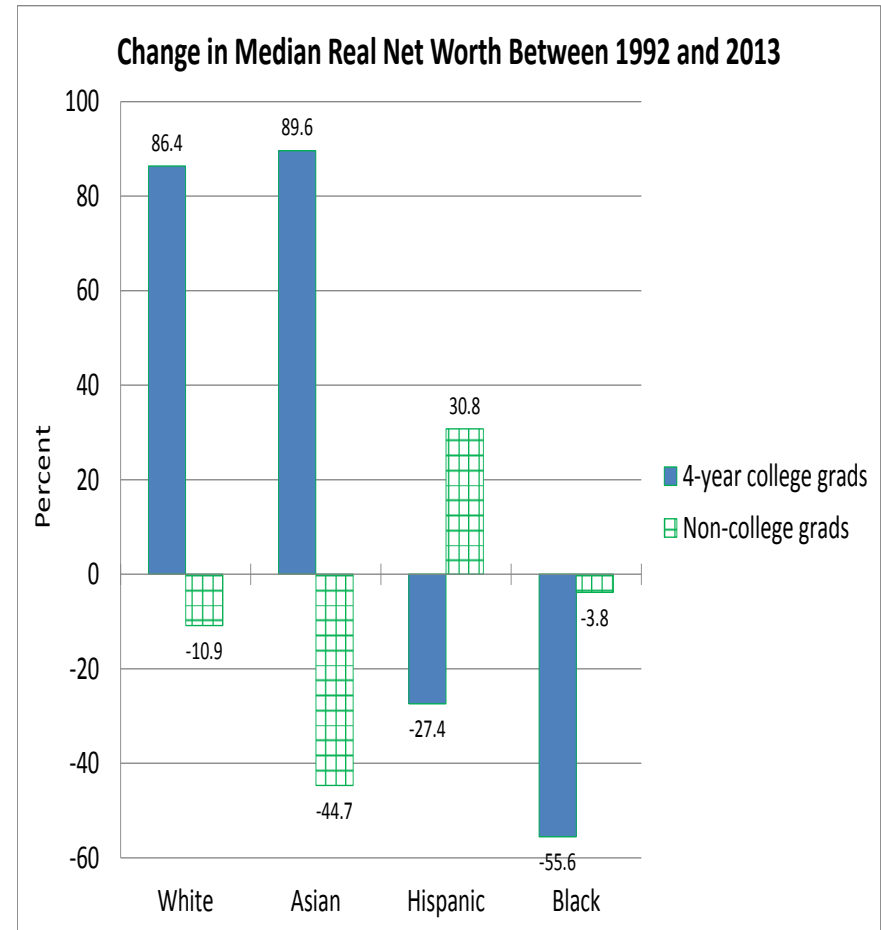
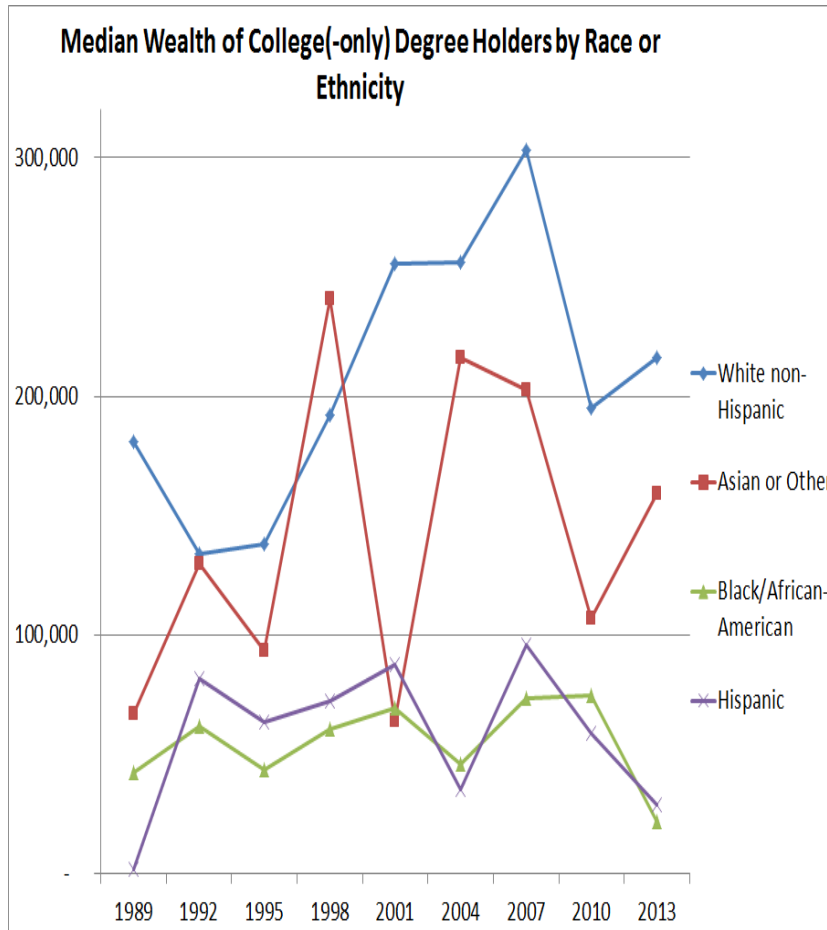
How Age/Birth Year, Education, and Race/Ethnicity is Associated with Wealth

(Emmons and Noeth, 2015)



Race, Education, and Wealth

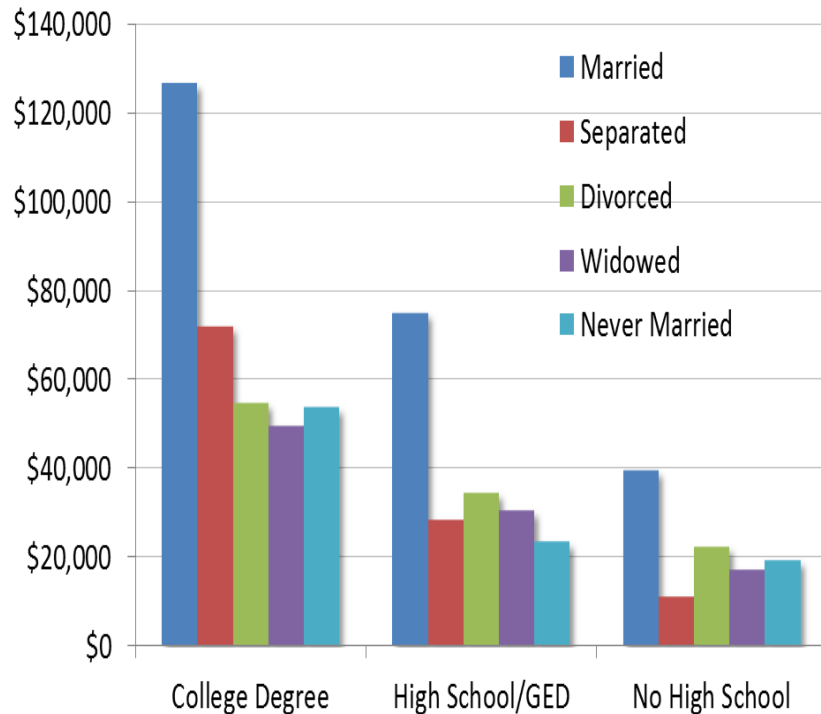
(Emmons and Noeth, 2015)



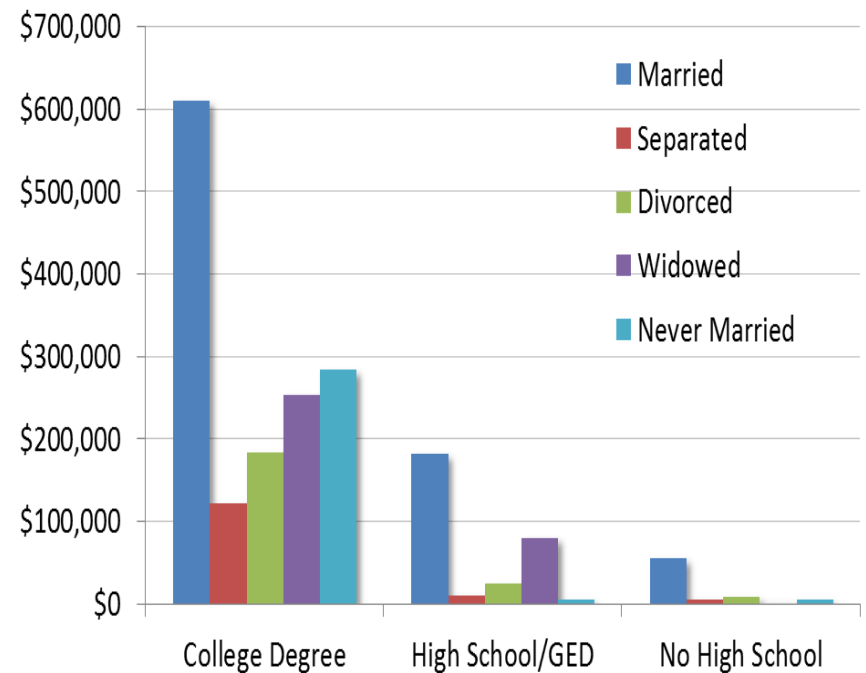
How Marital Status is Associated with Income and Wealth

(Noeth, 2015)

2013 Median Family Income of Ages 50-59 by Legal Marital Status and Education



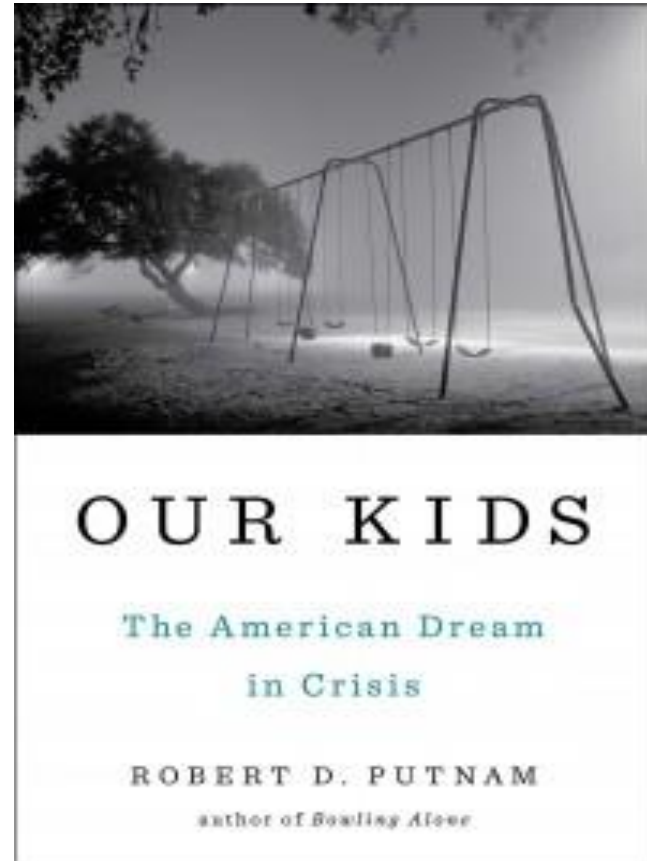
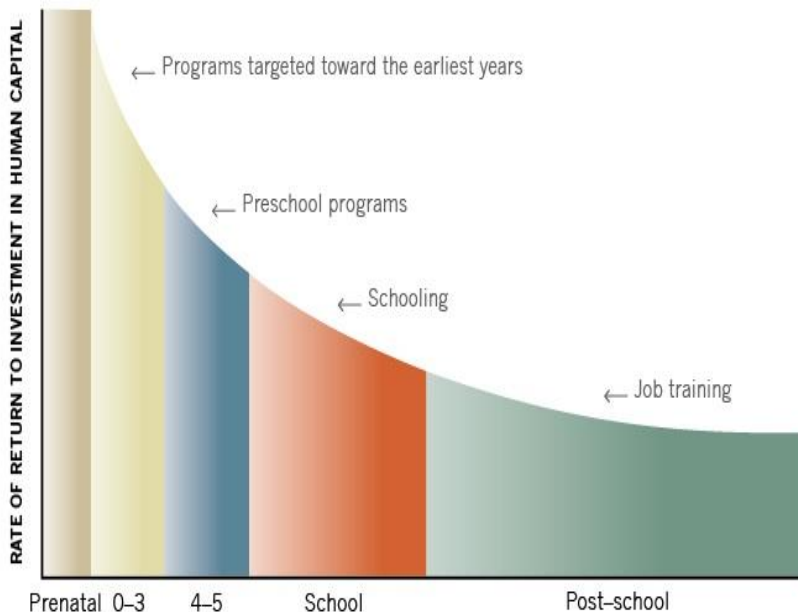
2013 Median Family Net Worth Ages 50-59 by Legal Marital Status and Education



Early Investments Matter

Returns on Human Capital Investments (James Heckman)

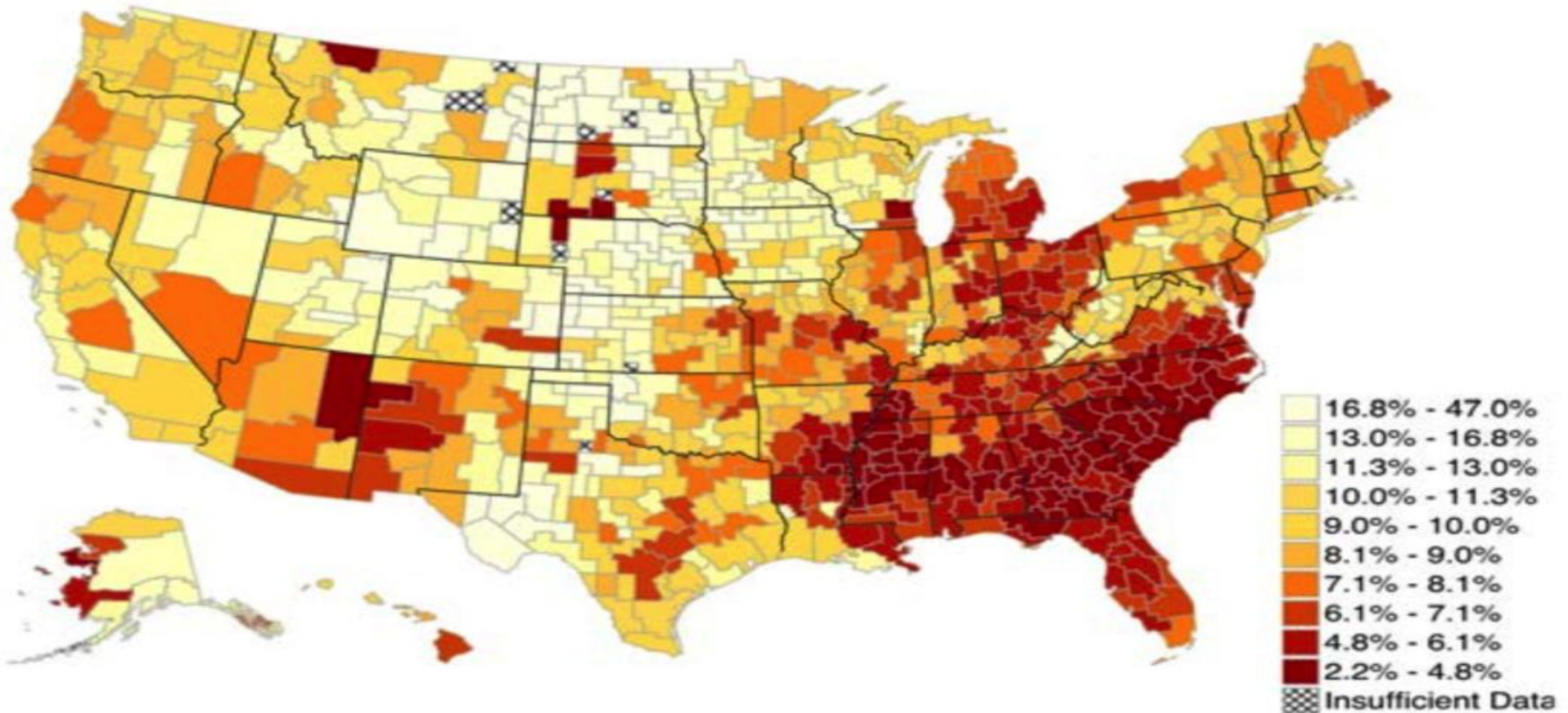
Returns to a Unit Dollar Invested



Early Investments Matter, con't

Probability of Reaching Top Quintile from Bottom Quintile

Raj Chetty et al., Equality of Opportunity Project, Harvard



Corr. with baseline $\bar{r}_{25} = 0.91$ (unweighted), 0.92 (pop-weighted)



What To Do: A Two-Generation Approach

*For parents and adults:
rainy day/emergency savings
reserves*



*For babies and children:
child development accounts*



Robert Putnam, *Our Kids*

The problem....

- Racial and gender biases were greater then (before 1970), but *class* barriers are much greater now. Class inequality is the major challenge today.
- New “fault lines”: are your parents (1) married, (2) college-educated?
- 1/3 of kids “rich” (parents married, college educated)
- 2/3 of kids “poor” (parent have some or no college education, and/or not married)
- “*Our*” Kids – then: all kids in a community; now: our *biological* kids
- Differences in family structure, parenting styles, schools, and neighborhoods greatly affect children’s outcomes
- Kids then: high rates of upward economic mobility, regardless of race or social class; Now, only rich kids rise
- Central problem for poor kids is *isolation*

Some causes: since early 1970s...

- Decline of manufacturing jobs
- Rapid rise of single-parent households, especially among whites, made possible by changing economic opportunities for men (declining) and women (rising), and changing attitudes about pre-marital sex, birth control, and out-of-wedlock births
- Greater neighborhood segregation (more and more people live in uniformly affluent or poor communities)
- Greater educational segregation (driven, in part, by neighborhood segregation)
- Greater marriage segregation (likes more likely to marry likes; “assortative” mating)
- Growing inequality: collapse of working class along with birth of a new upper class

Note similarities of Putnam’s and Chetty’s research on predictors of upward mobility

Robert Putnam, *Our Kids* – some solutions

Families

- Promote childbearing by *default* to childbearing by *design*
- Generate sustained economic revival for low-paid workers
- Provide additional cash (\$3,000 - \$5,000), esp. in a child's early years
- Expand the Earned Income Tax Credit, Child Tax Credit, and traditional anti-poverty programs
- Reduce incarceration

Child development and parenting

- More options for workplace flexibility
- Expand better quality, affordable day care options
- Offer professional “coaching” for poor parents
- Expand quality pre-school education

Schools

- Enable kids to attend good schools in better neighborhoods
- Improve existing schools in poor areas, esp. via better teachers
- Improve extra-curricular/enrichment opportunities at schools
- Place health and social services within schools
- Expand charter and Catholic schools
- Expand vocational training, linked to apprenticeships/community colleges

Community

- Expand after-school activities (sports, band, etc.)
- Expand mentoring programs
- Support neighborhood regeneration