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Leveraging Mobility: How Employment Builds and Protects Family Wealth and Security

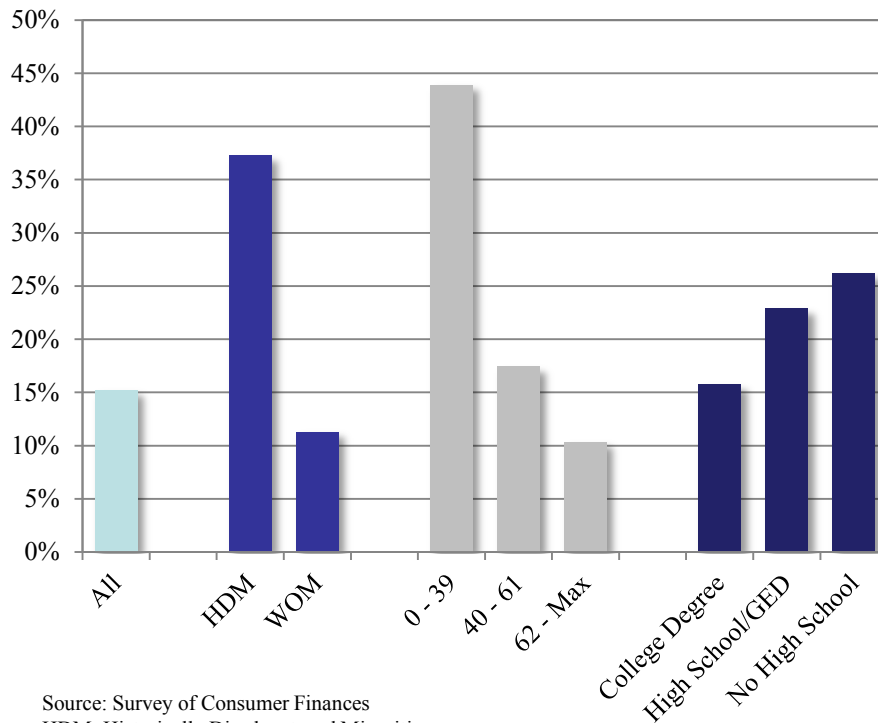
Center for Financial Security Webinar
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Ray Boshara
Director, Center for Household Financial Stability
Federal Reserve Bank of St. Louis

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Family Wealth Losses from the Recession

Percentage Losses In Mean Net Worth 2007-2010



Source: Survey of Consumer Finances
HDM: Historically Disadvantaged Minorities
WOM: White or Other Minority

- Young families
 - Under 40: -43.9%
 - Age 40-61: -17.4%
- Historically disadvantaged families
 - African-American and Hispanic (HDM): -37.2%
 - Whites, Asians and other minorities (WOM): -11.2%
- Less-educated families
 - Less than high school degree: -26.1%
 - High school grads: -22.9%

Thrivers vs. Strugglers – An Uneven Recovery

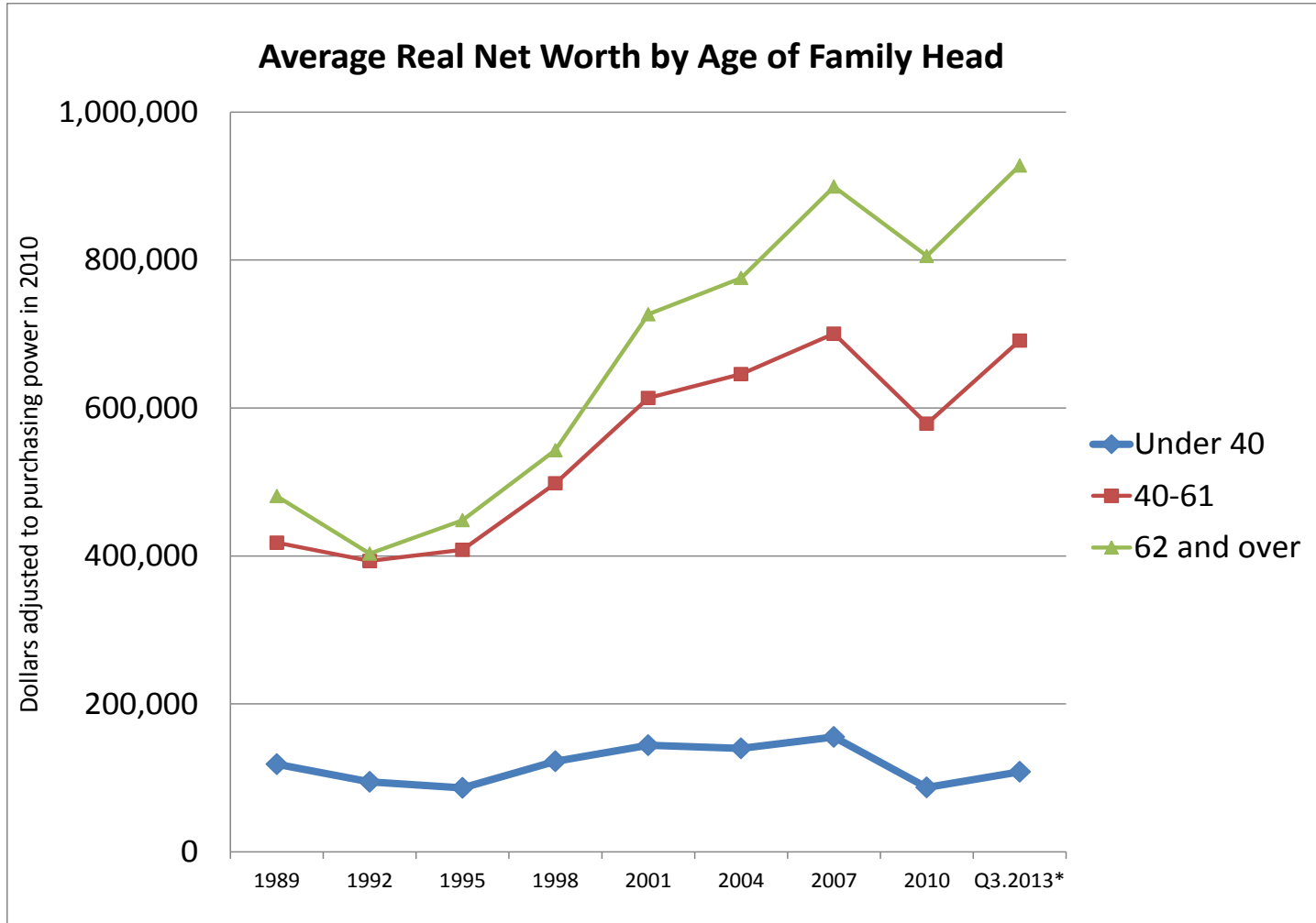
- Headlines: we have more than recovered the \$16 trillion of wealth lost in the recession, and that household “deleveraging” —paying down debts and rebuilding savings—is over.
- True for one-quarter of the population, the “thrivers.”
- Not true for “strugglers”: the three-quarters of the population who are less educated, non-white, and younger (under age 40); for some, the lost wealth may be permanent.
- Thrivers have a disproportionate share of stock market wealth, which has contributed well over 80 percent to the recovery. Meanwhile, housing, where most strugglers have their wealth, has contributed only 12 percent.
- This helps explain why the recovery feels sluggish to most Americans.

Family Net Worth, 2013

| Mean net worth | | | 1989 | 1992 | 1995 | 1998 | 2001 | 2004 | 2007 | 2010 | Q3.2013* |
|----------------------|-------------|-------------------------------|-----------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Whites and Asians | | | | | | | | | | | |
| | Under 40 | | | | | | | | | | |
| | | Less than HS A | 51,883 | 29,616 | 29,219 | 37,885 | 29,928 | 95,694 | 85,064 | 22,008 | 27,658 |
| | | HS or GED B | 84,701 | 90,118 | 80,293 | 104,571 | 110,435 | 85,311 | 104,866 | 62,382 | 77,401 |
| | | 2- or 4-year college degree C | 262,355 | 165,335 | 146,275 | 240,163 | 317,126 | 287,633 | 344,157 | 199,155 | 245,121 |
| | 40-61 | | | | | | | | | | |
| | | Less than HS D | 271,288 | 130,017 | 159,398 | 145,756 | 180,871 | 199,735 | 130,221 | 142,967 | 166,579 |
| | | HS or GED E | 341,625 | 276,570 | 322,218 | 317,383 | 378,840 | 361,426 | 401,281 | 304,156 | 359,238 |
| | | 2- or 4-year college degree F | 784,920 | 735,959 | 747,030 | 964,670 | 1,214,213 | 1,260,072 | 1,386,400 | 1,238,356 | 1,452,874 |
| | 62 and over | | | | | | | | | | |
| | | Less than HS G | 197,137 | 180,322 | 191,835 | 179,431 | 208,438 | 314,236 | 285,439 | 232,378 | 266,935 |
| | | HS or GED H | 510,011 | 404,733 | 417,491 | 479,560 | 513,156 | 557,503 | 538,336 | 489,582 | 566,779 |
| | | 2- or 4-year college degree I | 1,437,119 | 997,952 | 1,091,398 | 1,229,008 | 1,768,422 | 1,708,442 | 2,323,820 | 1,785,883 | 2,078,963 |
| Blacks and Hispanics | | | | | | | | | | | |
| | Under 40 | | | | | | | | | | |
| | | Less than HS J | 25,375 | 8,242 | 13,003 | 24,495 | 20,633 | 18,071 | 28,810 | 10,467 | 12,411 |
| | | HS or GED K | 17,585 | 20,828 | 40,296 | 36,026 | 39,610 | 46,653 | 53,719 | 24,984 | 30,744 |
| | | 2- or 4-year college degree L | 63,514 | 99,758 | 79,056 | 75,166 | 98,912 | 183,567 | 96,918 | 33,154 | 46,221 |
| | 40-61 | | | | | | | | | | |
| | | Less than HS M | 64,225 | 53,415 | 42,877 | 50,189 | 74,836 | 62,882 | 95,658 | 42,498 | 49,603 |
| | | HS or GED N | 110,884 | 113,626 | 85,902 | 132,136 | 85,835 | 141,793 | 188,620 | 96,658 | 116,081 |
| | | 2- or 4-year college degree O | 346,278 | 337,168 | 249,488 | 312,567 | 334,243 | 439,287 | 524,065 | 285,387 | 338,758 |
| | 62 and over | | | | | | | | | | |
| | | Less than HS P | 54,268 | 60,422 | 56,059 | 72,445 | 112,581 | 115,803 | 119,179 | 88,314 | 99,927 |
| | | HS or GED Q | 119,809 | 107,326 | 60,288 | 183,330 | 176,982 | 130,762 | 163,337 | 174,261 | 202,805 |
| | | 2- or 4-year college degree R | 412,667 | 197,069 | 276,079 | 298,765 | 519,675 | 524,706 | 614,378 | 489,228 | 567,581 |

Source: Survey of Consumer Finances updated using Flow of Funds (See Emmons and Noeth 2014 for Details)

Family Net Worth by Age, 1989-2013



Source: Survey of Consumer Finances updated using Flow of Funds (See Emmons and Noeth 2014 for Details)

Policy Implications

1. Consider key drivers of balance sheet health—age, race/ethnicity, and education—in targeting of public resources.
2. Through employers and others, help families meet liquidity needs through unrestricted savings and quality shorter-term credit products.
3. Encourage employers to offer automatic deductions for longer-term savings, especially post-secondary education and retirement. Consider helping to pilot the MyRA proposal.
4. Work toward diversifying family balance sheets beyond homeownership.
5. Start building healthy balance sheets as early in life as possible, ideally in schools linked to 529 college savings plans.