



Economic Well-Being in Later Life
2014 PAA Annual Meeting

The Economic and Financial Status of Older Americans: Trends and Prospects

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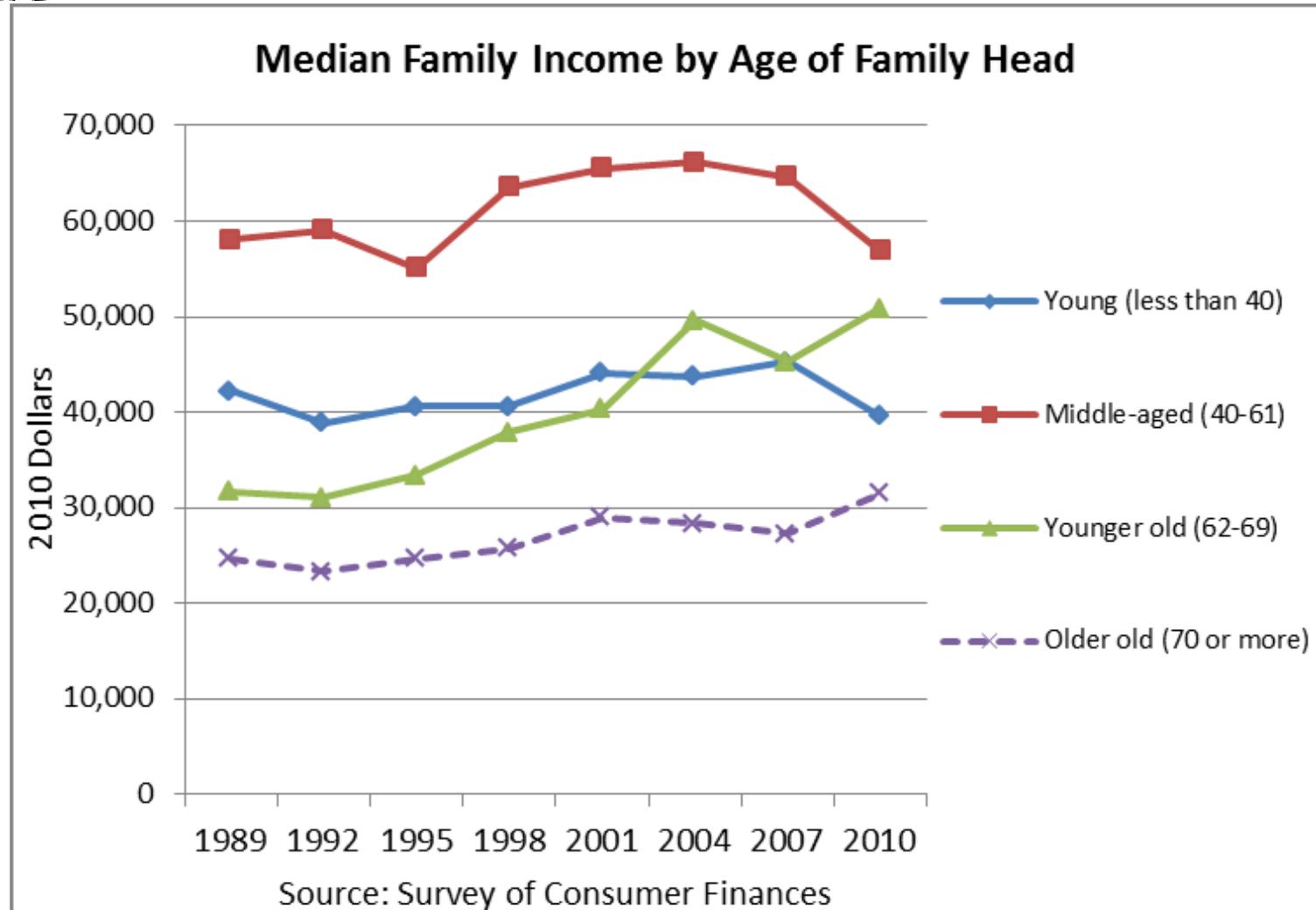


The Economic and Financial Status of Older Americans: Trends and Prospects

- **Long-term income and wealth trends**
- **Why have older adults fared better than young adults?**
- **Is there a birth-year cohort effect in income and wealth?**
- **Prospects for future generations of older adults**



Median Family Income Has Increased Only Among Older Families





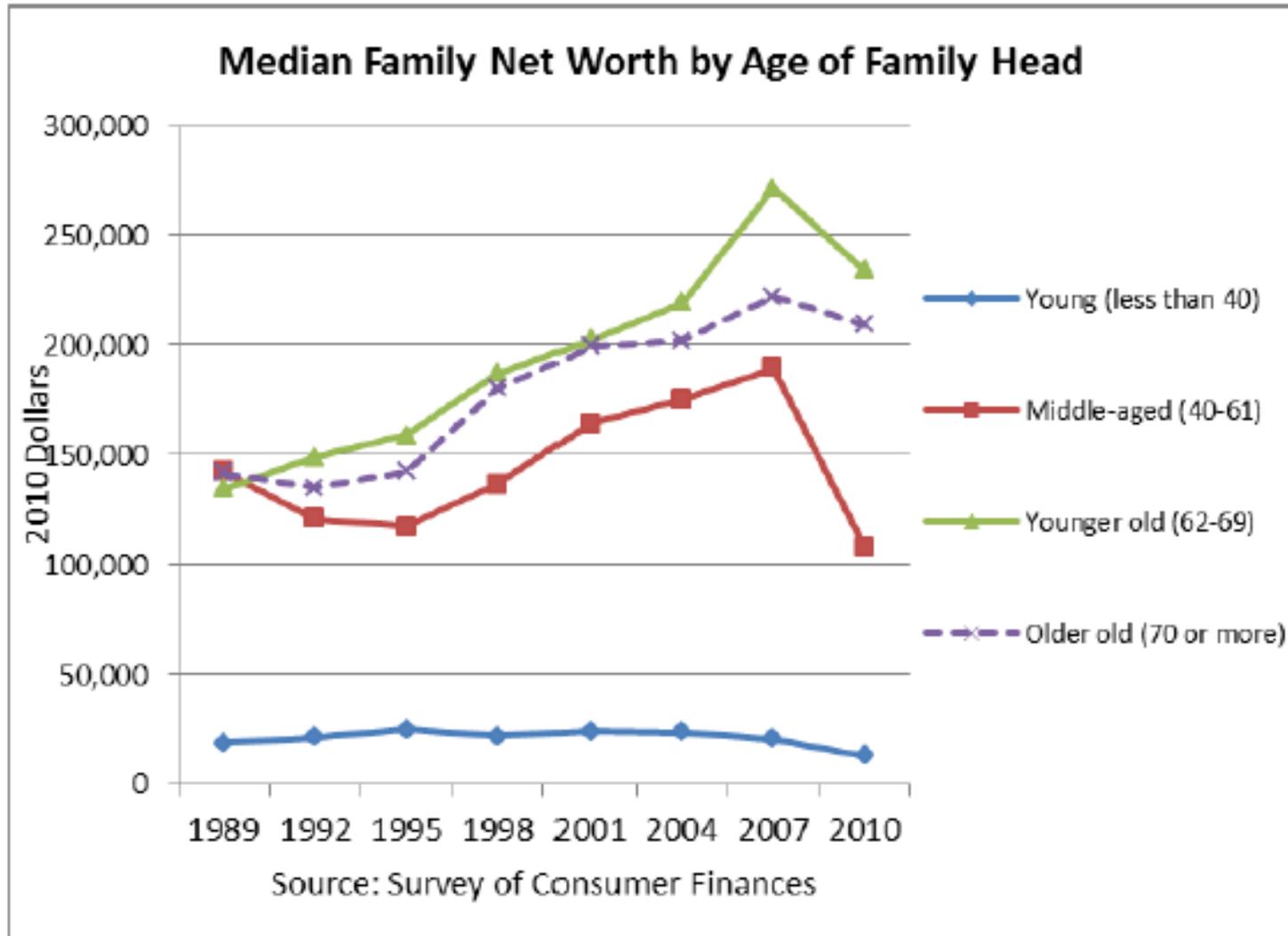
The 20th Percentiles of Older Families' Income Distributions Have Increased A Lot

Inflation-Adjusted Family Income by Age Group at the 20th Percentile of the Distribution

	Family income at 20 th percentile of distribution (2010 dollars, deflated by CPI-U-RS)			Difference in values at 20 th percentile (percent)	
All families					
	1989	2007	2010	1989-2010	2007-10
All ages	\$17,594	\$21,548	\$20,330	15.6%	-5.7%
Whites and Asians					
Age of family head	1989	2007	2010	1989-2010	2007-10
All ages	\$21,113	\$23,703	\$23,380	10.7%	-1.4%
Young (under 40)	21,113	26,935	21,143	0.1	-21.5
Middle-aged (40-61)	36,596	32,322	29,275	-20.0	-9.4
Younger old (62-69)	17,594	23,487	24,599	39.8	4.7
Older old (70 and older)	14,075	15,084	17,281	22.8	14.6
African-Americans and Hispanics of any race					
Age of family head	1989	2007	2010	1989-2010	2007-10
All ages	\$8,797	\$15,084	\$15,248	73.3%	1.1%
Young (under 40)	10,556	15,084	15,248	44.4	1.1
Middle-aged (40-61)	9,149	19,178	18,297	100.0	-4.6
Younger old (62-69)	7,038	15,946	16,264	131.1	2.0
Older old (70 and older)	7,038	8,425	11,995	70.4	42.4



Median Family Net Worth Has Increased Only Among Older Families





Progress at the 20th Percentiles of Older Families' Wealth Distributions, Too

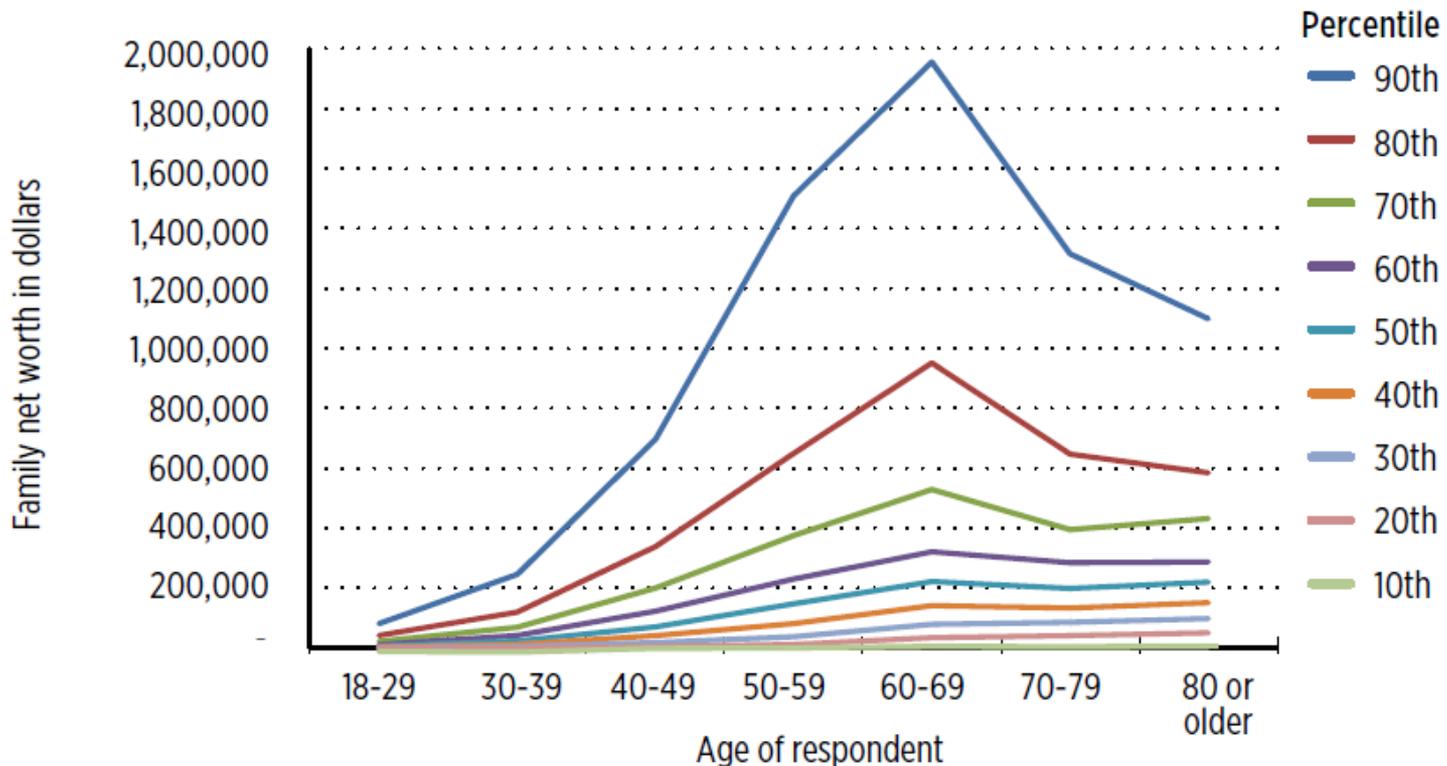
Inflation-Adjusted Net Worth by Age Group at the 20th Percentile of the Distribution

	Family net worth at 20 th percentile of distribution (2010 dollars, deflated by CPI-U-RS)			Difference in values at 20 th percentile (percent)	
All families					
	1989	2007	2010	1989-2010	2007-10
All ages	\$3,711	\$7,680	\$4,300	15.9%	-44.0%
Whites and Asians					
Age of family head	1989	2007	2010	1989-2010	2007-10
All ages	\$13,325	\$16,491	\$8,800	-34.0%	-46.6%
Young (under 40)	1,741	2,079	-570	-132.7	-127.4
Middle-aged (40-61)	47,459	40,711	18,376	-61.2	-54.9
Younger old (62-69)	43,516	71,684	54,004	24.1	-24.7
Older old (70 and older)	43,381	69,673	60,848	40.3	-12.7
African-Americans and Hispanics of any race					
Age of family head	1989	2007	2010	1989-2010	2007-10
All ages	-	\$221	-	Not meaningful	-100.0%
Young (under 40)	-128	-	-236	Not meaningful	Not meaningful
Middle-aged (40-61)	-	1,619	890	Not meaningful	-45.0
Younger old (62-69)	-	5,810	6,972	Not meaningful	20.0
Older old (70 and older)	877	3,357	830	-5.4	-75.3



Older Families Are Wealthier Across the Entire Distribution

2010 Distributions of Family Net Worth by Age Group



SOURCES: Federal Reserve Board, Bureau of Labor Statistics



Why Have Older Adults Fared Better?

- **Income**

- **Increasing “quality” of older adults**
 - **Rising share of people reaching retirement age with college degrees, good health, married**
- **Public safety net, pensions provide stable income**

- **Wealth (net worth)**

- **Stronger and more stable income trends when young helped build wealth over time**
- **Strong balance sheets helped withstand crisis**
 - **High saving rates**
 - **Low debt**
 - **Diversified assets**
 - **Plenty of liquid assets**

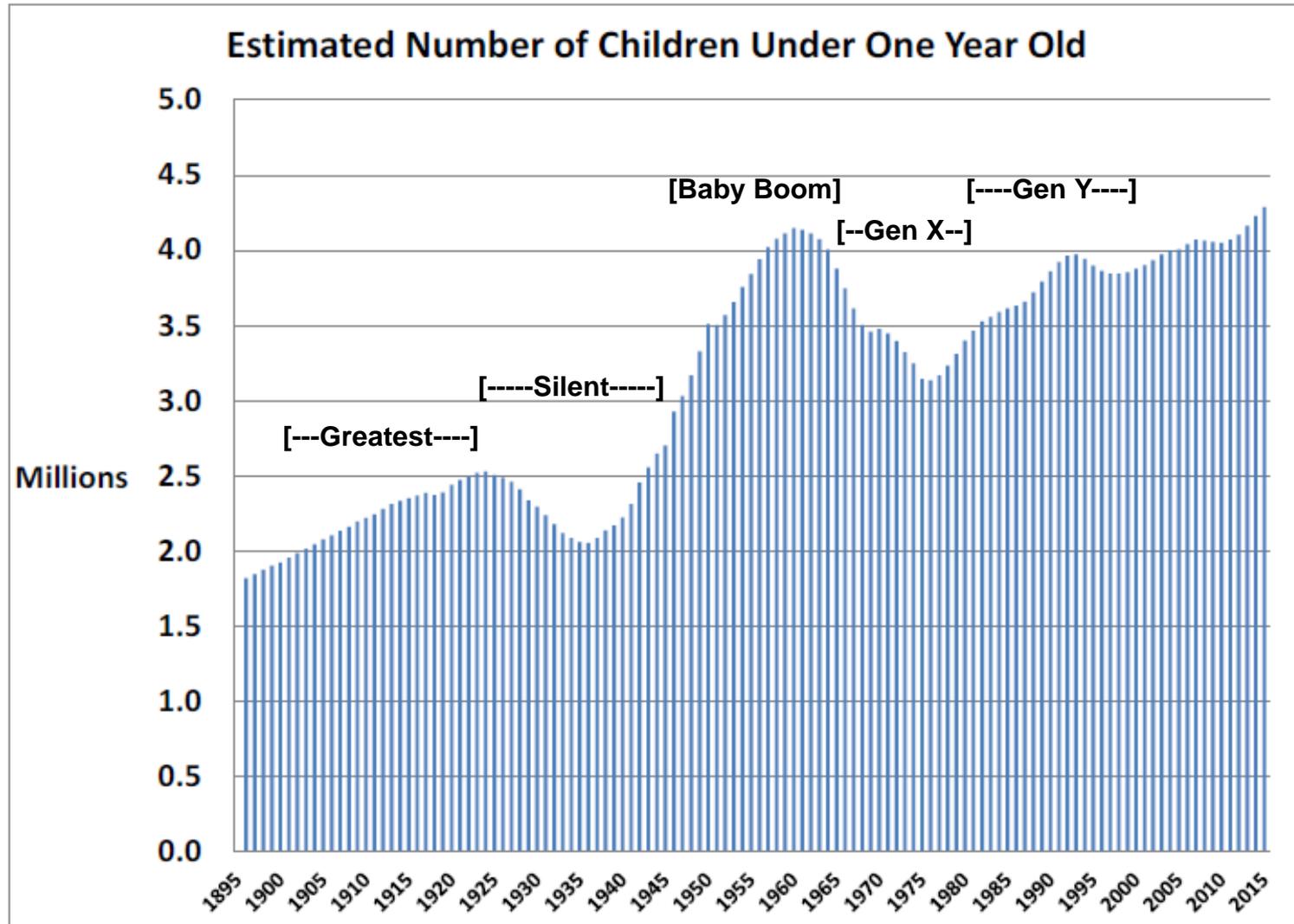


An Extra Boost for Today's Older Adults: Positive Birth-Year Cohort Effects

- **Lucky: Born in the first half of the 20th century**
 - Rising tide of prosperity after WW II lifted all boats
 - Unionization and fast wage growth in “American moment”
 - Expanding safety net for older Americans
- **Unlucky: Born in the second half of 20th century**
 - Golden era of high income growth ended in 1973
 - Crowding of Baby Boomers into education, job, housing, financial markets
 - Increasing access to credit + Fading ethic of thrift
- **The luckiest generation of all: Born 1930-50**
 - Depression-era and WWII babies were scarce
 - Rode the rising post-war economic tide; resisted debt
 - Retired before recent turmoil



Silent Generation Was Very Small





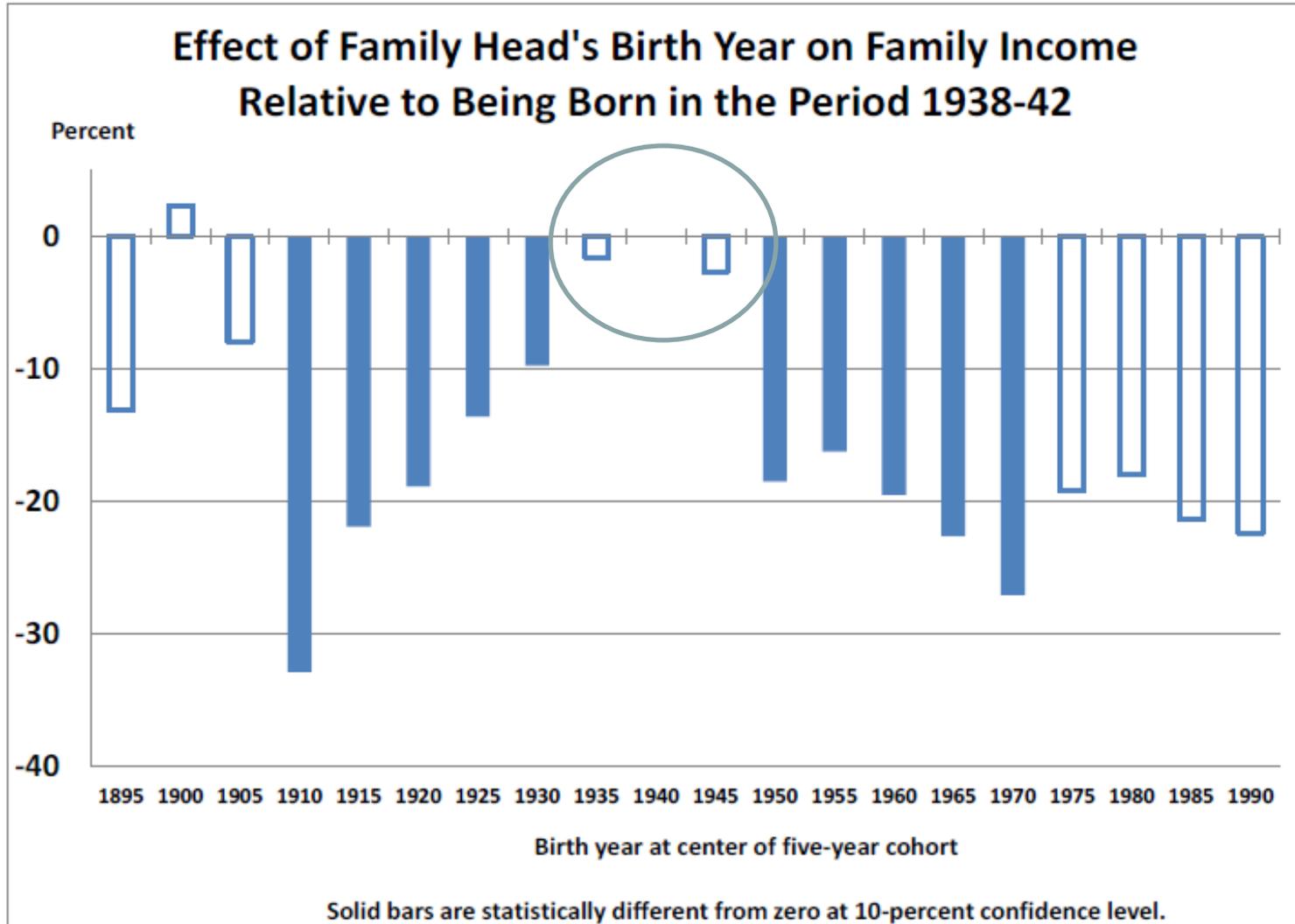
The Fiscal Deck Is Stacked Against Gen X and Especially Gen Y

Year of birth	Generation	Average per-capita lifetime net benefit from federal benefits received minus taxes paid
1923	Greatest	\$105,900
1933	Silent	\$191,100
1943	Silent	\$279,300
1953	Baby Boom	\$222,700
1963	Baby Boom	\$54,200
1973	Gen X	-\$75,250
1983	Gen Y	-\$160,150
1993	Gen Y	-\$183,400
2003	Post-Millennial	-\$135,100
2013	Post-Millennial	-\$86,900

Source: Jagadeesh Gokhale, "Fiscal and Generational Imbalances and Generational Accounts: A 2012 Update," Cato Institute working paper, November, 2012, Table 3.

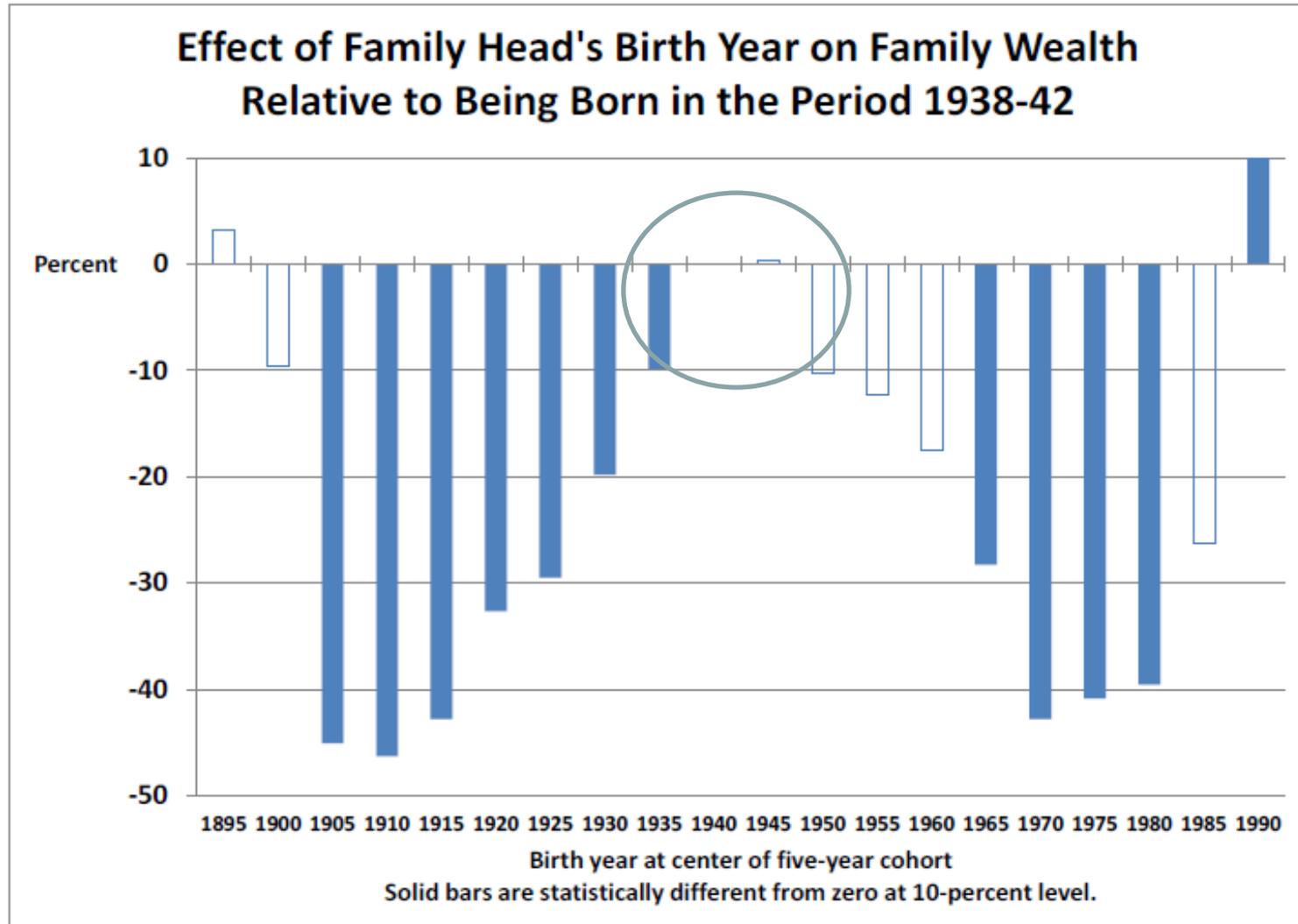


People Born 1933-47 Enjoyed Incomes 10-30 Percent Higher, All Else Constant





People Born 1933-47 Have Wealth 10-45 Percent Higher, All Else Constant





In Sum: Don't Use Current Older Adults to Forecast Future Generations

- **Very strong income and wealth trends among successive generations of older adults may not continue.**
- **We can learn from current older adults to increase education, be financially conservative.**
- **Should not use the “luckiest generation” born during the Depression and WWII as basis for changing old-age safety net.**