



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

Rebuilding Family Balance Sheets

The Center for Household Financial Stability was launched by the Federal Reserve Bank of St. Louis in May 2013 to research and strengthen the balance sheets of struggling American families.

The Great Recession has been called a “balance-sheet recession,” and we at the Center believe that balance sheets (how a family manages what it owns and owes and how much wealth it has accumulated) have been relatively under-studied but increasingly recognized as essential to the stability of families and the overall performance of the U.S. economy.

Specifically, the Center aims to address three questions:

1. What is the state of American families’ balance sheets?
2. What are the economic and social outcomes associated with varying levels of savings, assets and net worth, and why do these matter for families and the economy?
3. What can researchers, policymakers, community organizations, financial institutions and households do to improve family balance sheets?

The Center’s work includes conducting and publishing research on key balance-sheet issues and organizing research, policy and community forums locally and nationwide to better understand and respond to the balance-sheet issues affecting struggling families and communities.

A basic premise of the Center is that families improve their financial stability through broad-based economic growth, higher net household incomes and, especially, stronger balance sheets. Financially stable families face less economic risk and more economic mobility within and across generations. As financially healthy families spend, save and invest more, the national economy grows, too.

40%

Decline in the median real net worth of American families between 2007 and 2013.

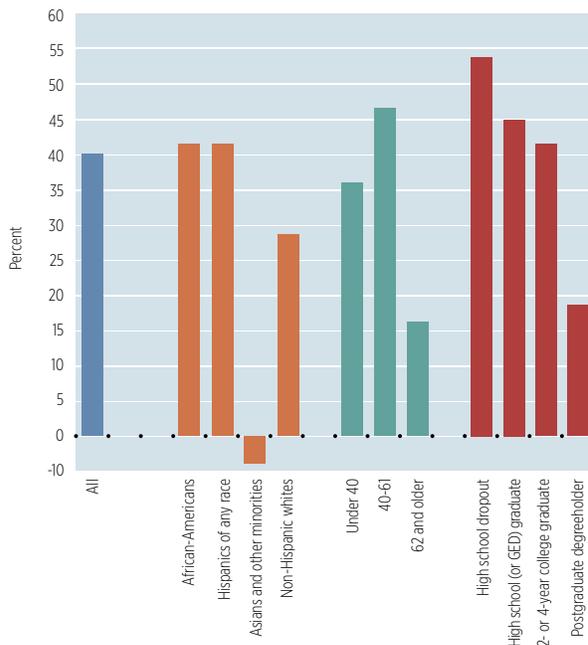
75%

Share of all wealth in 2013 owned by families headed by two- or four-year college graduates (39% of all families).

176%

Growth per capita in student loan debt in the U.S. between 2005 and 2013.

Percent decline in group median net worth, 2007-13



SOURCE: Fed’s Survey of Consumer Finances, 2013

PUBLICATIONS:

In the Balance: A research brief offering new perspectives on timely balance-sheet issues

News from the Center for Household Financial Stability: An e-newsletter about the Center’s publications, events and news

The Demographics of Wealth: A series of essays that look at connections between wealth and a person’s race, education and age

Quarterly Debt Monitor: Research analyzing consumer debt in the nation and the Eighth Federal Reserve District

PAST AND UPCOMING EVENTS:

Oct. 8, 2015: 529s and Child Savings Accounts (St. Louis)

May 25-26, 2016: Does College Level the Playing Field? Research Symposium (St. Louis)

Check stlouisfed.org/hfs for event materials.

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Sign up for the Center’s publications, news, research and events at stlouisfed.org/hfs.

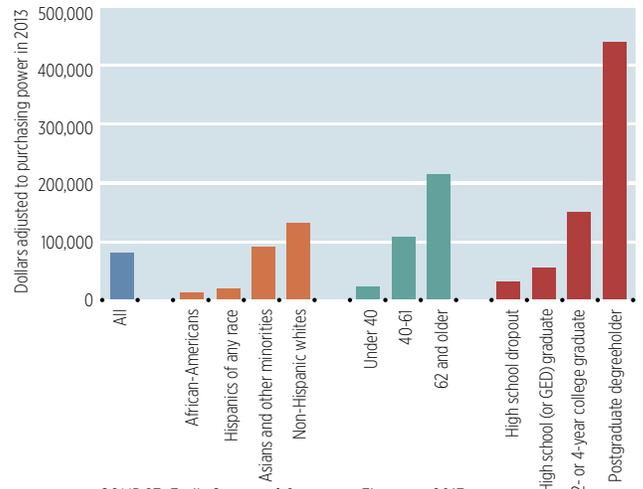




Key findings to date:

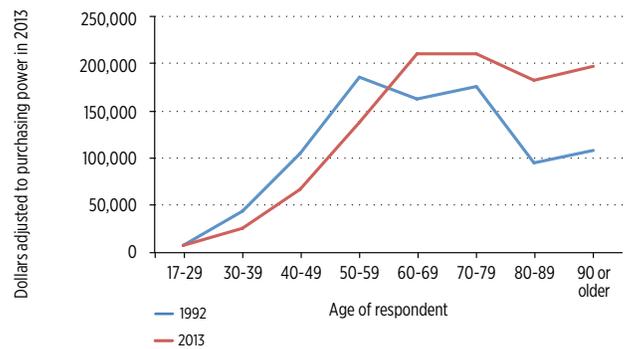
- **Most families have not recovered all of the wealth they lost in the 2007-09 recession.** Roughly three-quarters have yet to fully recover. Specifically, families that were younger, had less than a college education and/or were members of a historically disadvantaged minority group (African-Americans or Hispanics of any race) suffered larger wealth losses and have been slower to recover than families that were older, had a college education or were white or Asian.
- **Age is a strong predictor of balance-sheet health.** Compared with older Americans, younger and middle-aged families lost the most wealth from the recession and have been slower to recover it. Since 1989, the median real net worth among families headed by someone under 60 has declined. Families headed by someone 60 or older, on the other hand, had significantly higher real median net worth in 2013 than in 1989.
- **Seniors are doing better than other age groups.** Those who were born before the end of WWII fared better than younger people during the recent recession. Seniors were more resilient going into the recession, as they had more liquid assets and much less debt than younger people did.
- **Student debt has grown rapidly.** Between 2005 and 2013, the average student loan debt per borrower between the ages of 25 and 34 grew by about 49 percent to \$27,342, according to the Federal Reserve Bank of New York Consumer Credit Panel/Equifax. The Center found that on average, the increases in student debt since 2005 were larger in Federal Reserve Eighth District states than in the nation overall. Student loans, the fastest-growing debt on family balance sheets, can lead to lower levels of net worth by delaying family formation and by displacing the acquisition of productive assets (homes, automobiles, retirement accounts, businesses, etc.).
- **Families with diversified balance sheets recovered best from the recession.** To achieve financial stability, families should aim for a diversified balance sheet that includes investments in various assets (not just a home) and high levels of liquid assets (especially emergency savings). Families should only possess debts that are in proportion to their income and assets.
- **Building a healthy balance sheet should begin as early in life as possible.** Policies and proposals that establish college savings accounts at birth or when entering kindergarten hold particular promise.

Median Real Family Net Worth, 2013



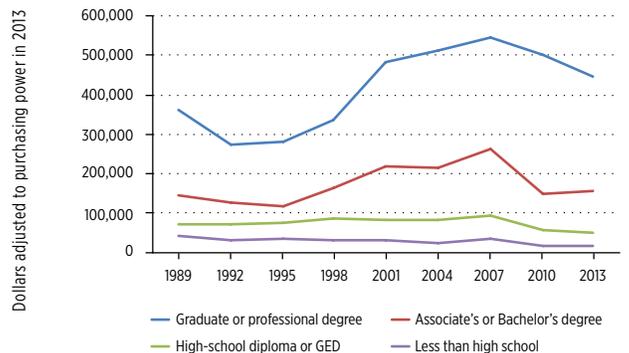
SOURCE: Fed's Survey of Consumer Finances, 2013

1992 and 2013 Median Real Family Net Worth by Age Group



SOURCE: Fed's Survey of Consumer Finances

Median Real Net Worth by Educational Attainment of Family Head



SOURCE: Fed's Survey of Consumer Finances