Response to Session Papers:
The Balance Sheets of Younger Americans: Is the American Dream at Risk?

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Overview

- The second paper shows the actual assets held by various age cohorts over time absent any intervention or social program. Results imply that supporting young people to invest with a long time horizon is essential.

- The first paper offers evidence of the potential benefits that might result with an asset building program for children, focusing on maternal educational expectations.

Paper by Merry and Thomas

- Uses the Survey of Consumer Finances
- 1989-2010
- Focuses on ages 18-41
- Considers asset holdings across 7 categories
- Provides descriptive data as well as Probit analyses and estimates of marginal effects

Summary points

- Younger age cohorts have high rates transaction account ownership and vehicle ownership and seem to be acquiring retirement account ownership earlier in life.

- Younger age cohorts have low rates of ownership in stocks and bonds, business equity and other assets, with evidence of steep declines in ownership of stocks and bonds and to some extent residential real estate in response to the Great Recession.

Summary Points

In analysis of marginal effects:

- Having a college degree increases the probability of owning all types of assets, but the effects of education are greater for retirement accounts and stocks and bonds.
- Being non-white decreases the probability of owning all types of assets and the differences are larger than those for education with the exception of retirement assets.
- Being a couple as opposed to a single-adult household seems to make the largest difference in the probability of owning non-financial assets such as real estate and vehicles.

Questions for the authors

- Is it possible to examine access to dependable transportation in addition to vehicle ownership?

-May be an important indicator with more car leasing and better public transportation in some regions.

- Is it possible to tease out results for specific racial and ethnic groups?

-The category of 'Nonwhite' is very unsatisfying given demographic trends.

- The paper suggests results are the same whether the decision to not hold long term assets is due to financial and personal hardship or voluntary choice. How might options and policy recommendations differ based on the relative percentage in each category?

Paper by Kim, Sherraden, Huang & Clancy

- Provides a rationale for child development accounts as a way to provide structure for accumulating assets, especially for low- to moderate-income households that otherwise might not start saving early for child's future.

- Uses data from the SEED for Oklahoma Kids Experiment (SEED-OK)
- 2007-2011
- Findings from when most children were 4 years old

Summary points

- This experiment opens a college savings account for over 1000 treatment households.
- Treatment mothers in families that were given SEED-OK 529 accounts had higher educational expectations at follow-up.
- Treatment participants were more likely to have expectations that remained constant or increased than control participants.
- Although this paper focuses on maternal expectations, there are other documented outcomes and many potential policy objectives.

Questions for the authors

- The paper reports several unanticipated findings, including that married mothers have lower expectations than unmarried mothers with covariates controlled and that American Indians are more likely to have durable educational expectations. Can you discuss these more?
- In addition to sustaining high maternal expectations are there CDA activities that can focus on the child and/or school settings to facilitate educational goals?
- How might you structure an ‘ideal’ child development account program without the constraints required for the SEED-OK experiment?