How Strong Is the Economy?  
A Family-Level Perspective

- Macroeconomic data look good, including unemployment, poverty and wealth.
- As always, family experiences are varied.
- Three demographic “fault lines” distinguish between thriving and struggling families:
  - Age (and birth year)
  - Education
  - Race and ethnicity
- We should strengthen vulnerable families when the economy is strong.
Unemployment Rates Near Record Lows

Black Unemployment Rate
Hispanic or Latino Unemployment Rate
Civilian Unemployment Rate: White (SA, %)
Civilian Unemployment Rate: Asian 16 yr + (SA, %)

Source: Bureau of Labor Statistics / Haver Analytics

Unemployment rates in May 2018
- Black: 5.9%
- Hispanic: 4.9%
- White: 3.5%
- Asian: 2.1%

Lowest Unemployment Rates*
- Black: 5.9% (May 2018)
- Hispanic: 4.8% (Apr. 2018)
- White: 3.0% (1968-69)
- Asian: 2.1% (May 2018)

*Beginning of Unemployment Data Series
- Black: 1972
- Hispanic: 1973
- White: 1954
- Asian: 2003
Poverty Rates Are Declining

Poverty Rates: Percent of Population Below the Poverty Level

Source: Census Bureau / Haver Analytics
Household Wealth Is At All-Time High

Household Wealth Relative to Disposable Personal Income

Source: Federal Reserve Board /Haver Analytics
But Prosperity Is Shared Unequally

- **Fault line #1: Age and birth year**
  - How old are you now?
  - In what decade were you born?

- **Fault line #2: Education**
  - What is your (or your spouse’s) highest completed level of education?
  - What is your parents’ level of education?

- **Fault line #3: Race and ethnicity**
  - Do you identify as non-Hispanic white; Hispanic of any race; African-American or black; other race or ethnicity or multiple?
Fault Line #1: Age and Birth Year

- Young families always face economic and financial challenges.
- The Great Recession hit younger families the hardest, through job loss, wage stagnation and housing difficulties.
- Today’s seniors (born in the 1920s, 1930s, 1940s) are in better economic and financial shape than any previous generation.
Declining Number of Young Families

Share of Families by Age of Family Head

- Young (< 40)
- Middle-aged (40-61)
- Old (62+)

Percent of all families


Source: Federal Reserve Board, Survey of Consumer Finances
Biggest Income Gains Among Old

Median Income by Age of Family Head

Source: Federal Reserve Board, Survey of Consumer Finances
Result: Income Shifting Toward Older Families

1989 Share of Family Income by Age of Family Head

- Young (<40): 31%
- Middle-aged (40-61): 48%
- Old (62+): 21%

Population Shares in 1989
- Young: 38%
- Middle-aged: 36%
- Old: 26%

2016 Share of Family Income by Age of Family Head

- Young (<40): 19%
- Middle-aged (40-61): 52%
- Old (62+): 30%

Population Shares in 2016
- Young: 28%
- Middle-aged: 41%
- Old: 31%
Older Families Have Become Much Richer

Median Net Worth by Age of Family Head

- Old (62+)
  - 1989: 180
  - 1992: 175
  - 2010: 242

- Middle-aged (40-61)
  - 1989: 135
  - 1992: 150
  - 2016: 135

- Young (<40)
  - 1989: 23
  - 2016: 17

Source: Federal Reserve Board, Survey of Consumer Finances
Young Share of Wealth Declining Sharply

Population Shares in 1989
- Young: 38%
- Middle-aged: 36%
- Old: 26%

Population Shares in 2016
- Young: 28%
- Middle-aged: 41%
- Old: 31%
When You Were Born Makes A Difference

**TRACK RECORD** after the 2008-09 Great Recession

<table>
<thead>
<tr>
<th>Year</th>
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<tr>
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<td>Below predictions</td>
<td>Better than expected</td>
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<td>Well below predictions</td>
<td>Exceeding expectations</td>
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<td>Well below predictions</td>
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<td>Family heads born:</td>
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<td>1930s-1940s</td>
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Seniors Doing Better than Young Families

Figure 4: Deviation of Median Wealth from Predicted Value

NOTES: Predicted value was based on life cycle. For information on how median net worth was predicted, see Sidebar 2. Appendix 2 offers more-technical details.

Fault Line #2: Education

- Your parents’ education matters a great deal for your own success as an adult, including your likelihood of attending and finishing college.
- The economy continues to reward people with college-level skills.
- College is not available to, and does not pay off equally for, everyone—your parents matter there, too.
If your parents were white and at least one had a four-year college degree, you could expect a family income of almost $114,000 in your own middle age.

If your parents were not white and neither had a four-year college degree, you could expect a family income of about $42,000 in your own middle age.

If your parents were white and at least one had a four-year college degree, you could expect family wealth of almost $375,000 in your own middle age.

If your parents were not white and neither had a four-year college degree, you could expect a family wealth of about $27,000 in your own middle age.

Acorns Don’t Fall Far From the Tree

- Odds you will obtain a four-year college degree if your parents were:
  - White college graduate(s): 72%
  - Non-white college graduate(s): 50%
  - White non-college graduate(s): 38%
  - Non-white non-college grad(s): 20%

Most People Are Not College Graduates

Share of Families by Highest Level of Education

- **Graduate Degree**
- **4-Year College Degree But No Graduate Degree**
- **At Least HS Diploma But No 4-Year College Degree**
- **GED or No HS Diploma**

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<td>2016</td>
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Source: Federal Reserve Board, Survey of Consumer Finances
Most People’s Incomes Are Slipping

Median Family Income by Education of Family Head

- Graduate Degree
- 4-Year College Degree But No Graduate Degree
- At Least HS Diploma But No 4-Year College Degree
- GED or No HS Diploma

Percent of median income of all families

Source: Federal Reserve Board, Survey of Consumer Finances
Result: Income Shifting Toward Better-Educated

1989 Share of Family Income by Education of Family Head

- 1) GED or No HS Diploma: 18%
- 2) At Least HS Diploma But No 4-Year College Degree: 44%
- 3) 4-Year College Degree But No Graduate Degree: 26%
- 4) Postgraduate Degree: 12%

2016 Share of Family Income by Education of Family Head

- 1) GED or No HS Diploma: 6%
- 2) At Least HS Diploma But No 4-Year College Degree: 30%
- 3) 4-Year College Degree But No Graduate Degree: 33%
- 4) Postgraduate Degree: 31%

Population Shares in 1989
- Less Than A 4-Year College Degree: 77%
- At Least A 4-Year College Degree: 23%

Population Shares in 2016
- Less Than A 4-Year College Degree: 66%
- At Least A 4-Year College Degree: 34%
College-Educated Families Earn 2/3 of All Income

1989 Share of Family Income by Education of Family Head
- Less Than A 4-Year College Degree: 55%
- At Least A 4-Year College Degree: 45%

2016 Share of Family Income by Education of Family Head
- Less Than A 4-Year College Degree: 37%
- At Least A 4-Year College Degree: 63%

Population Shares in 1989
- Less Than A 4-Year College Degree: 77%
- At Least A 4-Year College Degree: 23%

Population Shares in 2016
- Less Than A 4-Year College Degree: 66%
- At Least A 4-Year College Degree: 34%
Result: Wealth Shifting Toward Better-Educated

1989 Share of Family Wealth by Education of Family Head

- 1) GED or No HS Diploma: 24%
- 2) At Least HS Diploma But No 4-Year College Degree: 39%
- 3) 4-Year College Degree But No Graduate Degree: 26%
- 4) Postgraduate Degree: 11%

2016 Share of Family Wealth by Education of Family Head

- 1) GED or No HS Diploma: 4%
- 2) At Least HS Diploma But No 4-Year College Degree: 37%
- 3) 4-Year College Degree But No Graduate Degree: 22%
- 4) Postgraduate Degree: 37%
College-Educated Families Own 3/4 of All Wealth

1989 Share of Family Wealth by Education of Family Head

- Less Than A 4-Year College Degree: 50%
- At Least A 4-Year College Degree: 50%

2016 Share of Family Wealth by Education of Family Head

- Less Than A 4-Year College Degree: 26%
- At Least A 4-Year College Degree: 74%

Population Shares in 1989
- Less Than A 4-Year College Degree: 77%
- At Least A 4-Year College Degree: 23%

Population Shares in 2016
- Less Than A 4-Year College Degree: 66%
- At Least A 4-Year College Degree: 34%
Fault Line #3: Race and Ethnicity

- The legacy of historical discrimination is amplified by intergenerational linkages in education, income and wealth.
- The nation is becoming more diverse and opportunities are equalizing but convergence of economic and financial outcomes is slow.
- An important challenge for policymakers is to identify and eliminate remaining barriers to achievement related to race and ethnicity.
Racial/Ethnic Convergence of Incomes…

Median Income by Race or Ethnicity of Family Head

Percent of median income of all families

Source: Federal Reserve Board, Survey of Consumer Finances
... But Not of Wealth

Median Net Worth by Race or Ethnicity of Family Head

Percent of median net worth of all families

Source: Federal Reserve Board, Survey of Consumer Finances
Non-White Income Share Increased from 14% to 20%

1989 Share of Income by Race or Ethnicity of Family Head
- White: 75%
- Hispanic: 8%
- Black: 13%
- Other: 5%

2016 Share of Income by Race or Ethnicity of Family Head
- White: 68%
- Hispanic: 11%
- Black: 16%
- Other: 5%
Non-White Wealth Share Increased Only 9% to 11%

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<tr>
<td>White</td>
<td>75%</td>
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<tr>
<td>Hispanic</td>
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<tr>
<td>Black</td>
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<tr>
<td>Other</td>
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1989 Share of Wealth by Race or Ethnicity of Family Head

- White: 91
- Hispanic: 3
- Black: 4
- Other: 2

2016 Share of Wealth by Race or Ethnicity of Family Head

- White: 89
- Hispanic: 3
- Black: 5
- Other: 3
White College Grads Own Most Wealth

Population and Wealth Shares of Families Headed by A Non-Hispanic White Four-Year College Graduate

In Sum: How Strong Is the Economy? A Family-Level Perspective

- The economy looks good at the macro level and, in some ways, very good.
- But economic and financial conditions are very uneven at the micro or family level.
- Weak & vulnerable families are likely to be:
  - Young or middle-aged
  - Not college graduates
  - African-American or Hispanic
- Building a stronger future economy requires *all* families to be strong.