These comments do not necessarily represent the views of the Federal Reserve Bank of St. Louis or the Federal Reserve System.
Family Strategies for Asset Development and Financial Literacy

- Bill Emmons, St. Louis Fed
- Carl Rist, Prosperity Now
- Heather Morton, NCSL
Average Family Balance Sheet in 2016

Source: Federal Reserve Survey of Consumer Finances, 2017
Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
Homeownership Does Not Build Long-Term Wealth As Fast As Other Assets

Source: Federal Reserve Survey of Consumer Finances, 2017

Cumulative Percent Change in All Households' Inflation-Adjusted Average Housing Wealth vs. All Other Wealth

<table>
<thead>
<tr>
<th>Year</th>
<th>Homeowners' Equity</th>
<th>All Other Wealth</th>
<th>Total Wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>1.3</td>
<td>3.2</td>
<td>2.8</td>
</tr>
<tr>
<td>2001</td>
<td>1.6</td>
<td>3.7</td>
<td>2.9</td>
</tr>
<tr>
<td>2007</td>
<td>0.7</td>
<td>3.2</td>
<td>2.2</td>
</tr>
<tr>
<td>2013</td>
<td>1.1</td>
<td>2.9</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Survey of Consumer Finances, 2017
Balance Sheets Across the Life Cycle

- Example of a wealthy group: White college grads
- Example of a vulnerable group: Hispanic non-college grads
- Example of a fragile group: Black college grads
How Do Asset and Liability Shares Change Across the Life Cycle?

- **Wealthy group: White college grads**
  - Safe and liquid assets are stable
  - Housing share declines significantly
  - Other financial assets increase significantly
  - Moderate debt is paid off rapidly
Wealthy Family Balance Sheet: Young, White, College Graduate

Assets

Liabilities and Equity

Source: Federal Reserve Survey of Consumer Finances, 2017
Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
Wealthy Family Balance Sheet: Middle-Aged, White, College Graduate

Assets

Liabilities and Equity

Asset Types as Share of Total Assets (%): Middle-Aged, White College Grads

- Safe and liquid assets: 36%
- Principal residence: 21%
- Other financial assets: 20%
- Other non-financial assets: 23%

Liability Types as Share of Total Assets (%): Middle-Aged, White College Grads

- Principal mortgage debt: 3%
- Other debt: 8%
- Net worth: 89%

Source: Federal Reserve Survey of Consumer Finances, 2017
Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
Wealthy Family Balance Sheet: Old, White, College Graduate

Source: Federal Reserve Survey of Consumer Finances, 2017
Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
How Do Asset and Liability Shares Change Across the Life Cycle?

- **Vulnerable group: Hispanic non-college grads**
  - Safe and liquid assets increase from a low level
  - Housing share remains very large
  - Other financial assets remain very small
  - High debt is paid off rapidly but remains burdensome
Vulnerable Family Balance Sheet: Young, Hispanic, Less than College

Source: Federal Reserve Survey of Consumer Finances, 2017

Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
Vulnerable Family Balance Sheet: Middle-Aged, Hispanic, Less than College

Assets

- Safe and liquid assets: 28%
- Principal residence: 14%
- Other financial assets: 4%
- Other non-financial assets: 53%

Liabilities and Equity

- Principal mortgage debt: 9%
- Other debt: 25%
- Net worth: 66%

Source: Federal Reserve Survey of Consumer Finances, 2017
Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
Vulnerable Family Balance Sheet: Old, Hispanic, Less than College

Assets

Liabilities and Equity

Source: Federal Reserve Survey of Consumer Finances, 2017
Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
How Do Asset and Liability Shares Change Across the Life Cycle?

- **Fragile group: Black college grads**
  - Safe and liquid assets decline
  - High housing share declines significantly
  - Other financial assets remain small
  - Other non-financial assets increase
  - Very high debt is paid off rapidly
Fragile Family Balance Sheet: Young, Black, College Grad

Assets

- **Asset Types as Share of Total Assets (%): Young, Black College Grads**
  - Safe and liquid assets: 25%
  - Principal residence: 23%
  - Other financial assets: 5%
  - Other non-financial assets: 47%

Liabilities and Equity

- **Liability Types as Share of Total Assets (%): Young, Black College Grads**
  - Principal mortgage debt: 29%
  - Other debt: 34%
  - Net worth: 37%

Source: Federal Reserve Survey of Consumer Finances, 2017

Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
Fragile Family Balance Sheet: Middle-Aged, Black, College Grad

Assets

Source: Federal Reserve Survey of Consumer Finances, 2017

Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
Fragile Family Balance Sheet:
Old, Black, College Grad

Assets

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe and liquid assets</td>
<td>48%</td>
</tr>
<tr>
<td>Principal residence</td>
<td>18%</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>23%</td>
</tr>
<tr>
<td>Other non-financial assets</td>
<td>10%</td>
</tr>
</tbody>
</table>

Liabilities and Equity

<table>
<thead>
<tr>
<th>Liability Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal mortgage debt</td>
<td>3%</td>
</tr>
<tr>
<td>Other debt</td>
<td>7%</td>
</tr>
<tr>
<td>Net worth</td>
<td>89%</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Survey of Consumer Finances, 2017
Young: <40; Middle-aged: 40-61; Old: 62+
College is a four-year college degree
Balance-Sheet Recommendations for Building Wealth

- For vulnerable and fragile groups
  - Boost safe and liquid assets
  - Reduce housing share of assets
  - Increase other financial assets
  - Reduce debt

- More specifically:
  - Delay homeownership; buy only with a large down-payment
  - Avoid or pay down all other debt
  - Begin account-based saving (for education, retirement) as early as possible