The Nation’s Wealth Recovery Since 2009 Conceals Vastly Different Balance-Sheet Realities among America’s Families

By William R. Emmons and Bryan J. Noeth

According to the Federal Reserve’s Flow of Funds Accounts (FFA), the aggregate net worth (or wealth, equal to total assets minus total liabilities) of America’s households had returned by the end of 2012 almost to its precrisis peak in nominal terms and to about 88 percent of its precrisis peak when adjusted for inflation. Accounting for inflation and growth in the number of households, average net worth had recovered to 84 percent of its precrisis peak. (See rows 1, 2, and 3 in the table, respectively).

The aggregated wealth data conceal an enormous diversity of experiences among different types of families. Combining household-level Survey of Consumer Finances data for 2010 with quarterly FFA data and annual data from the Census Bureau, we estimated quarterly balance sheets for 18 groups of families divided along the dimensions of age, educational attainment, and race or ethnicity through the end of 2012. At one extreme, the average family headed by someone who is white or Asian, is between 40 and 61 years old, and has a two- or four-year college degree—a group comprising about 15.5 percent of all families in 2012 but controlling 37.5 percent of all wealth—had recovered all but 2 percent of the financial losses suffered during the financial crisis, even after adjusting for inflation (row 4). Older (62 years or more), white or Asian college graduates—representing 15.1 percent of families and 30.2 percent of wealth—had recovered to about 84 percent of their 2007 level, close to the

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## Net Worth Before, During and After the Financial Crisis and Recession

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</thead>
<tbody>
<tr>
<td>1) Total household net worth (trillions of current dollars for first three columns)</td>
<td>66.7</td>
<td>51.4</td>
<td>66.1</td>
<td>99.0</td>
</tr>
<tr>
<td>2) Total inflation-adjusted household net worth (trillions of 2010 dollars)</td>
<td>71.0</td>
<td>52.6</td>
<td>62.1</td>
<td>87.5</td>
</tr>
<tr>
<td>3) Average inflation-adjusted net worth per household (thousands of 2010 dollars)</td>
<td>641.0</td>
<td>469.9</td>
<td>539.5</td>
<td>84.2</td>
</tr>
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**Annual data: Average inflation-adjusted net worth for specific groups of families (thousands of 2010 dollars)**

| Families headed by someone who is white or Asian, between 40 and 61 years old, with a two- or four-year college degree | 1,386.4 | 1,238.4 | 1,352.5 | 97.6 |
| Families headed by someone who is white or Asian, 62 years old or more, with a two- or four-year college degree | 2,323.8 | 1,785.9 | 1,953.1 | 84.0 |
| Families headed by someone who is white or Asian, under 40 years old, with a two- or four-year college degree | 344.2 | 199.2 | 216.6 | 62.9 |
| Families headed by someone who is black, African-American or Hispanic of any race, between 40 and 61 years old, with a two- or four-year college degree | 524.1 | 285.4 | 307.6 | 58.7 |
| Families headed by someone who is black, African-American or Hispanic of any race, under 40 years old, with a two- or four-year college degree | 96.9 | 33.2 | 30.3 | 31.3 |
| Families headed by someone who is white or Asian, under 40 years old, with less than a high-school diploma | 85.1 | 22.0 | 17.8 | 20.9 |


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**Suggested Further Reading:**

“Why Did Young Families Lose So Much Wealth During the Crisis? The Role of Homeownership”
By William R. Emmons and Bryan J. Noeth
Available at stlouisfed.org/hfs, under the “Publications” link on the left-hand side of the page. Or go directly to http://research.stlouisfed.org/publications/review/article/9600

“Why Did So Many Economically Vulnerable Families Enter the Crisis with Risky Balance Sheets?”
By William R. Emmons and Bryan J. Noeth
Available at stlouisfed.org/hfs under the “Materials from Past Events” link on the left-hand side of the page. Or go directly to http://www.stlouisfed.org/household-financial-stability/events/20130205/agenda.cfm

“Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances”
By Jesse Bricker, Arthur B. Kennickell, Kevin B. More and John Sabelhaus
*Federal Reserve Bulletin*, February 2012.
See www.federalreserve.gov/econresdata/scf/scf_2010.htm

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overall average (see row 5). Other college-educated groups had recovered somewhat less by the end of 2012 (rows 6 and 7).

At the other extreme, young families (under 40) generally suffered large wealth declines during the downturn and, in some groups, have continued to suffer during the economic recovery. The average wealth of young African-American or Hispanic college graduates at the end of 2012 was only 31 percent of its corresponding precrisis level (row 8). The average young white or Asian family whose head did not finish high school fared even worse; at the end of 2012, it had only about 21 percent of the wealth that the average comparable family had in 2007 (row 9).

Thus, the headline figure suggesting almost complete recovery of household wealth from its depressed level of a few years ago is misleading in the sense that it does not correspond to the experiences of all families.

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**ENDNOTES**

1. See www.federalreserve.gov/releases/z1/default.htm
2. See www.federalreserve.gov/econresdata/scf/scfindex.htm