**Demographics, Wealth and Opportunity**

- Why family wealth matters as much as family income.
- Your balance-sheet choices—the assets you own and the liabilities you owe—strongly affect your prospects for wealth accumulation and economic mobility. You need:
  - Adequate liquidity (cash reserves, low-cost credit access)
  - Asset diversification
  - Manageable debt
- The “demographics of wealth” describe tight—but perhaps not unbreakable—links between your birth year, education, and race or ethnicity and your wealth.
  - Age, education and race or ethnicity strongly predict the composition of your balance sheet.
  - Racial and ethnic wealth gaps are related mainly to different financial choices, which, in turn, probably reflect structural and systemic factors as much as individual choices.
Why Wealth Matters as Much as Income

- Income pays the bills; wealth buffers against misfortune and helps you build your future—retirement, children’s education, a bequest.
- Income = Earnings from work or a business
  + Interest, dividends, rent received
  + Transfers received
- Unspent income = Savings
- Wealth = Savings + Earnings on previous wealth
- Wealth = Net Worth = Assets - Liabilities
  Assets = Tangible assets + Financial assets
  Liabilities = Mortgage debt + Other debt
Part 1: Race, Ethnicity and Wealth (Feb. 2015).

www.stlouisfed.org/household-financial-stability/the-demographics-of-wealth
The Demographics of Wealth: An Essay Series

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The Demographics of Wealth:
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- Part 1: Race, Ethnicity and Wealth (Feb. 2015).
- Part 3: Age, Birth Year and Wealth (July 2015).
Which Assets and Liabilities Help You Build Wealth?

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The Demographics of Balance Sheets and Wealth

- Part 1: Race, Ethnicity and Wealth

- Groups based on race or ethnicity of family head
  - Non-Hispanic white
  - Non-Hispanic black or African-American
  - Hispanic of any race
  - Other (mainly Asian)
Wealth Gaps by Race or Ethnicity Were Huge in 1989

Median Real Net Worth by Race or Ethnicity

- African-American or black: 7,773
- Hispanic of any race: 9,038
- Asian or Other: 65,434
- White non-Hispanic: 130,470

2013 dollars

Source: Federal Reserve Board, Survey of Consumer Finances
The Changing Distribution of Wealth By Race or Ethnicity

Median Real Net Worth by Race or Ethnicity

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2013 dollars

Source: Federal Reserve Board, Survey of Consumer Finances
Why Were Wealth Losses Higher Among Black and Latino Families After 2007?

Percent Loss of Net Worth Between 2007 and 2013

- All families: 40%
- African-Americans: 42%
- Hispanics of any race: 46%
- Asians and other minorities: 10%
- Non-Hispanic whites: 27%

Source: Federal Reserve Survey of Consumer Finances
Non-White Families Increased Already High Housing Exposures

Average Share of Assets Invested in Housing

Housing exposure remains higher now than before the boom period.

Source: Federal Reserve Survey of Consumer Finances
Non-White Families Increased Debt

Debt ratios remain higher now than before the boom period.

Source: Federal Reserve Survey of Consumer Finances
Part 2: Education and Wealth

Groups based on highest educational attainment of family head

- Did not complete high school or GED
- High-school diploma or GED
- 2- or 4-year college degree
- Post-graduate degree
In 1989, College Grads Were 28% of Families But Owned 55% of Wealth

1989 SCF Sample Shares by Educational Attainment

No college: 72%
- Less than high school: 24%
- Associate’s or Bachelor’s degree: 19%
- Graduate or professional degree: 9%
- High-school diploma or GED: 48%

All college graduates: 28%

1989 SCF Wealth Shares by Educational Attainment

No college: 45%
- Less than high school: 11%
- Graduate or professional degree: 24%
- Associate’s or Bachelor’s degree: 31%
- High-school diploma or GED: 34%

All college graduates: 55%

Note: these figures include all families. Some of our recent work covers only families headed by someone 40 or older.

Source: Federal Reserve Board, Survey of Consumer Finances
In 2013, College Grads Were 39% of Families But Owned 75% of Wealth

2013 SCF Sample Shares by Educational Attainment

- No college: 61%
- High-school diploma or GED: 50%
- Associate's or Bachelor's degree: 26%
- Graduate or professional degree: 13%
- Less than high school: 11%

All college graduates: 39%

2013 SCF Wealth Shares by Educational Attainment

- No college: 25%
- High-school diploma or GED: 23%
- Associate's or Bachelor's degree: 36%
- Graduate or professional degree: 39%
- Less than high school: 2%

All college graduates: 75%

Note: these figures include all families. Some of our recent work covers only families headed by someone 40 or older.

Source: Federal Reserve Board, Survey of Consumer Finances
Only College-Graduate Medians Are Higher Now Than in 1989

Note: these figures include all families. Some of our recent work covers only families headed by someone 40 or older.

Source: Federal Reserve Board, Survey of Consumer Finances
Housing Exposure Increased More Among Less-Educated Families

Average Share of Assets Invested in Housing

Housing exposure remains higher now than before the boom period.

Source: Federal Reserve Survey of Consumer Finances
Debt Ratios Increased At All Education Levels Except Postgraduate

Debt ratios remain higher now than before the boom period.

Average Debt-to-Assets Ratios

- No high school
- High school or GED
- 2- or 4-year college
- Postgraduate degree

Source: Federal Reserve Survey of Consumer Finances
Less-Educated Families Lost More Wealth Than Better-Educated Families

Percent Loss of Net Worth Between 2007 and 2013

Source: Federal Reserve Survey of Consumer Finances
The Demographics of Balance Sheets and Wealth

- Part 3: Age, Birth Year and Wealth
- Groups based on age of family head
  - Young: Under 40
  - Middle-aged: 40-61
  - Old: 62 or older
- Cohorts based on birth year of family head
  - 5-year cohorts centered on years ending in 0 or 5
  - Beginning in 1900, ending in 1990
Changes in the Age Distribution of Wealth, 1989-2013

Median Real Net Worth By Age of Family Head

Source: Federal Reserve Board, Survey of Consumer Finances
Changes in the Age Distribution of Wealth, 1989-2013

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Median Real Net Worth By Age of Family Head

Source: Federal Reserve Board, Survey of Consumer Finances
Only Age Groups 60+ Have Higher Median Wealth in 2013 Than in 1989

Source: Federal Reserve Board, Survey of Consumer Finances

Change between 1989 and 2007
Change between 2007 and 2013

Median Real Net Worth By Age of Family Head

Age of family head at time of survey

2013 dollars
Result: Young and Middle-Aged Families Lost More Wealth Than Older Families

Percent Loss of Net Worth Between 2007 and 2013

- All families: Median NW 40, Mean NW 15
- Young (<40): Median NW 36, Mean NW 24
- Middle-aged (40-61): Median NW 47, Mean NW 23
- Old (62+): Median NW 17, Mean NW 11

Source: Federal Reserve Survey of Consumer Finances
All Age Groups 60+ Are Richer Now; All Age Groups Under 60 Are Poorer

Change in Median Net Worth From 1989 to 2013

Source: Federal Reserve Board, Survey of Consumer Finances
Young and Middle-Aged Families Increased Exposure to Housing the Most

Average Share of Assets Invested in Housing

Housing exposure remains higher now than before the boom period.

Source: Federal Reserve Survey of Consumer Finances
Young Families Increased Debt Loads More Than Middle-Aged or Older Families

Debt ratios remain higher now than before the boom period.

Source: Federal Reserve Survey of Consumer Finances
Americans Born Around 1940 Won the 20th-Century Birth Lottery; 1970 Lost

Figure 15. Marginal Effect of Family Head’s Birth Year on Transformed Family Wealth Relative to Being Born in the Period 1938-42

Bars represent the estimated percentage difference in wealth between a family in a five-year birth-year cohort centered around the given year and the cohort of families with heads born in the five-year cohort centered around 1940. The bars are coefficient estimates from the regression reported in Table 6.

Solid green bars are statistically different from zero at the 10-percent confidence level. Outlined bars are not statistically significantly different from zero at the 10-percent confidence level.

The coefficient estimate for the 1990 cohort is 150.0, but the number of observations is very small.

In Sum: Demographics, Wealth and Opportunity

- Balance-sheet choices—maintaining adequate liquidity, broad asset diversification and manageable debt—are important for wealth accumulation, financial stability and economic mobility.
- Demographic factors—age, birth year, education/socio-economic class and race or ethnicity—are powerful predictors of financial behavior and wealth.
- The importance of demography suggests structural and systemic factors play important roles.
- Policymakers should help younger, less-educated and non-white families build wealth.