Disparities in Wealth Accumulation and Loss from the Great Recession and Beyond

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Wealth Inequality is Increasing

SCF 1983-2010, 2010 dollars

1983: $248,462

2010: $496,536

UP 101%

Middle 20%

Lowest 20%
Older Generations Accumulate, Younger Generations Stagnate

Change in Average Net Worth
Same Age Group, 1983–2010

**Generation Y/X**
- 20–28: +5%
- 29–37: -21%
- 38–46: +26%

**Baby Boomers/Silent Generation**
- 47–55: +76%
- 56–64: +120%
- 65–73: +79%
- 74 or older: +149%
Younger Generations Are No Longer Successively Wealthier

Average Wealth in 2010 Dollars

$0  $100,000  $200,000  $300,000  $400,000  $500,000  $600,000  $700,000  $800,000  $900,000  $1,000,000

Age 20-28  Age 29-37  Age 38-46  Age 47-55  Age 56-64  Age 65-73  Age >73

- 1970-78
- 1961-69
- 1952-60
- 1943-51
- 1934-42
- 1925-33

URBAN INSTITUTE
Some Not on Wealth Building Path

Average Family Wealth for Those Born 1943–51 by Race and Ethnicity

2010 dollars
Research Question and Data

- How did the Great Recession affect wealth by age and race/ethnicity? What wealth components dropped most?

- Survey of Consumer Finances: 1983-2010
  - Born 1922-1975 and age 26-79 in each survey year
  - 29,473 family-year observations, aggregated into 18 three-year birth cohorts
Regression Analysis

\[ \ln(\bar{Y}_{c,t}) = \alpha + \beta_1 R + \beta_2 C_3 + \beta_3 \bar{X}_{c,t} + \varepsilon_{c,t} \]

- \( \bar{Y}_{c,t} \) Cohort average (1) wealth, (2) home equity, (3) business equity, (4) retirement assets, (5) non-retirement assets, (6) other assets and debts in year t
- \( R \) Recession dummy variable, 2010
- \( C_3 \) 3 year birth cohort dummy variables
- \( \bar{X}_{c,t} \) Cohort average demographic factors in year t (age, age-squared, race/ethnicity, family composition, educational attainment)
Regression Analysis

\[ \ln(\bar{Y}_{c,t}) = \alpha + \beta_1 R + \beta_2 C_3 + \beta_3 \bar{X}_{c,t} + \varepsilon_{c,t} \]  
(1)

\[ \ln(\bar{Y}_{c,t}) = \alpha + \beta_1 R \ast C_9 + \beta_2 C_3 + \beta_3 \bar{X}_{c,t} + \varepsilon_{c,t} \]  
(2)

\[ \ln(\bar{Y}_{r,c,t}) = \alpha + \beta_1 R \ast Race + \beta_2 C_3 + \beta_3 \bar{X}_{r,c,t} + \varepsilon_{r,c,t} \]  
(3)

- \( R \ast C_9 \) Recession interaction with 9 year birth cohorts
- \( R \ast Race \) Recession interaction with race/ethnicity dummy variables
Overall Effect of Great Recession
Great Recession Wealth Loss Large Relative to Prior Recessions

Regression-Adjusted Change in Average Family Wealth by Recession

- 1983: 11%
- 1992: -12%
- 2001: 13%
- 2010: -26%
All Major Wealth Components Fell

<table>
<thead>
<tr>
<th>Non-Financial</th>
<th>Financial Assets</th>
<th>Other Assets and Debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Equity</td>
<td>Retirement</td>
<td>-59%*</td>
</tr>
<tr>
<td>Business Equity</td>
<td>Non-Retirement</td>
<td></td>
</tr>
</tbody>
</table>

Regression-Adjusted Change in Average Family Wealth by Wealth Components

-38%***
-34%***
-19%***
-21%***
Differences by Age
Young Lost Most Wealth

Regression-Adjusted Change in Average Family Wealth by Age in 2010

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Change in Wealth</th>
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<tbody>
<tr>
<td>35-43</td>
<td>-47%***</td>
</tr>
<tr>
<td>44-52</td>
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</tr>
<tr>
<td>53-61</td>
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<td>62-70</td>
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Non-Financial Asset Declines Greatest Among Young

Regression-Adjusted Change in Average Family Wealth by Age in 2010

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<td>71-79</td>
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### Financial Asset Declines More Even Across Young and Old

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<tr>
<td>53-61</td>
<td>-13%*</td>
<td>-14%</td>
</tr>
<tr>
<td>62-70</td>
<td>-3%</td>
<td>-22%</td>
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Regression-Adjusted Change in Average Family Wealth by Age in 2010
Where to Go From Here?

Differences by Race and Ethnicity
Families of Color Lost Most Wealth

Regression-Adjusted Change in Average Family Wealth by Race in 2010

White: -26%***
African American: -48%****+
Hispanic: -44%***
Large Home Equity Losses for All, Business Equity Losses for Whites

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<td></td>
</tr>
<tr>
<td>Hispanic</td>
<td>-41%***</td>
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Regression-Adjusted Change in Average Family Wealth by Race in 2010
Greater Non-Retirement Asset Declines for Families of Color

Regression-Adjusted Change in Average Family Wealth by Race in 2010
Summary

- Great Recession decreased mean wealth nearly 30%
  - Double the size of any previous recession
  - Double the size of simple pre-post estimates
  - Home and business equity fell furthest

- Young and families of color lost nearly 50%
  - Home and financial assets fell furthest
  - Not on good paths prior to Great Recession
Thank You

Russell Sage Foundation
Annie E. Casey Foundation
Urban Institute Low-Income Working Families
Ford Foundation

www.urban.org/
changing-wealth-americans

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