February 10, 2015

Economics Group

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Millennials in the Economy VII: Assets of Young Households

Millennials' balance sheets have yet to see much of an improvement since the recession. The decline in assets was largely a result of declines in nonfinancial assets, although financial assets have also struggled.

Nonfinancial Assets Lead the Drop

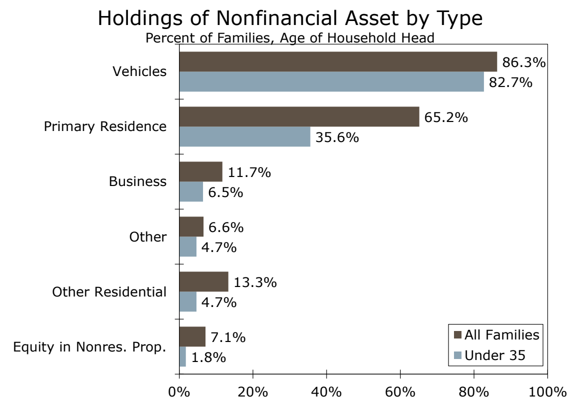
Assets of young households shrunk during the Great Recession and, perhaps more surprisingly, continued to shrink well into the recovery. The median real value of assets fell from $38,200 in 2010 to $29,600 in 2013. This is consistent with the trend in the total population. Nonfinancial assets are a much larger component of young people's balance sheets than financial assets. The share of young people holding financial assets, however, is higher than the share with nonfinancial assets.

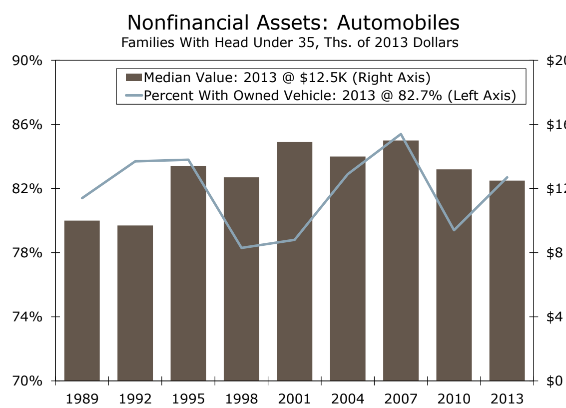
Within nonfinancial assets, young households are less likely to hold real estate and business equity than older cohorts. The share of young households who own a home reached an all-time low in 2013, at 35.6 percent. In addition, the real median value of homes owned by young households was hit harder by the housing bust, down 29 percent from the 2007 peak. Although 11.7 percent of all households have equity in businesses, only 6.5 percent of young households fall into this group. The portion of young households with business equity has been declining since 1992. Student loan debt may have weighed on investment in businesses.

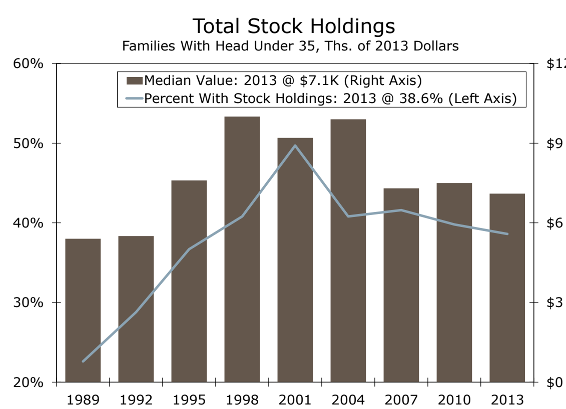
Millennials are less likely to own a car than the total population. The decline seen during the recession coincided with fewer Millennials getting licenses. Although changing preferences may play a role, it appears that cyclical factors are also at work. The share of Millennials who own a car increased 3.3 percentage points from 2010. Continued labor market improvement may lead to increased demand for autos from Millennials.

Financial assets are a different story. Young people are only slightly less likely to hold financial assets compared to all families at 92.5 percent. The median value, however, is much lower, at $5,800 compared to $21,200 for all families and a relatively large share is in transaction accounts. Looking at other financial assets, Millennials seem to be increasingly less likely to have money invested (bottom chart). This helped Millennials' financial assets weather the financial crisis better than the rest of the population. Young households' total stock holdings (both direct and indirect), however, have fallen from the 2004 peak. Although difficulty saving is likely holding back investing, a 2013 Wells Fargo survey on Millennials showed 60 percent still view the stock market as the best place to invest. That said, Millennials allocate less of their savings to equities than Baby Boomers.

Although young people's balance sheets have yet to see much of a recovery since the recession, not all Millennials are struggling. The mean net worth is significantly higher than the median, suggesting that there is a subset of Millennials whose balance sheets are fairly strong. Although we would like to see a stronger recovery across the board, it is still encouraging that at least parts of the Millennial generation are doing well.







Source: Federal Reserve Board and Wells Fargo Securities, LLC

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