Overview of and Key Lessons from 
The Center for Household Financial Stability

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*These are my own views, and not necessarily the views of the Federal Reserve Bank of St. Louis, Federal Reserve System, or the Board of Governors
Context: Widespread Financial Instability

- 57% of Americans are challenged to achieve “financial health” (CFSI, 2015)
- 70% of households are “income-constrained, savings limited, and/or debt-challenged” (Pew, 2015)
- An unexpected expense of $400 would prompt nearly half of all families to borrow funds, sell something, or simply not pay (Federal Reserve, 2015-2017)
- Families experience volatility five months per year; 42% of families struggle to meet monthly expenses, due in part to growing income and expense volatility (U.S. Financial Diaries, 2016)
- Nearly two-thirds of Americans see money as a “very” or “somewhat” significant source of stress. (APA, 2015)
Why Study Family Balance Sheets?

- Assets matter for economic security and upward economic mobility in ways income does not; balance sheets reveal dimensions of financial stress and health not otherwise apparent.

- Holding assets is associated with distinct social, psychological, emotional, child well-being, health, and civic outcomes.

- The U.S. has a long history of promoting property ownership, but many families have been and remain excluded from these policies, contributing to wealth inequality.
Lesson One: Demographic Factors Increasingly Matter For Building Wealth
Age / Birth Year

Source: Emmons and Ricketts analysis of 2016 Survey of Consumer Finances of the Federal Reserve Board

Real Median Family Net Worth

- **Old (62+)**
  - 1989: $235,500
  - 2016: $131,262

- **Middle-aged (40-61)**
  - 1989: $131,262
  - 2016: $16,546

- **Young (<40)**
  - 1989: $16,546
  - 2016: $16,546
Education

Source: Emmons and Ricketts analysis of 2016 Survey of Consumer Finances of the Federal Reserve Board

Real Median Family Net Worth

- Grad. Degree: $443,148
- 4-Year Degree: $228,580
- Some College, No 4-Year: $65,992
- HS Diploma: $76,566
- GED or No Diploma: $65,992
- $23,756
Race & Ethnicity

Source: Emmons and Ricketts analysis of 2016 Survey of Consumer Finances of the Federal Reserve Board

Real Median Family Net Worth

- White: $162,640
- Other and multiple races: $100,160
- Hispanic: $21,552
- Black: $16,446

Graph spans from 1989 to 2016.
Lesson Two: Liquidity and Diversification Matter for Financial Stability and Building Wealth

- The balance sheets of struggling families share three characteristics:
  1. Too much wealth in homeownership
  2. Too much debt
  3. Too little savings/liquidity

- When a negative family event occurs, asset-poor families are 2-3 times more likely to experience material hardship than non-asset-poor families (Urban Institute, 2009).

- Of all the factors examined, disparities in financial well-being are greatest between subgroups that have different levels of liquid savings (CFPB, 2017)
Lesson Three: Starting Point and Place Increasingly Matter for Financial Well-Being and Upward Economic Mobility

- Subject of national Federal Reserve Research Conference, April 2015
- Features essays and papers by Raj Chetty, Joseph Stiglitz, Janet Yellen, Robert Putnam, Katherine Newman, and others.
Resources

www.strongfinancialfuture.org

www.stlouisfed.org/hfs

- Monthly e-newsletter
- Updated “Demographics of Wealth” series, January – April 2018
- “Tipping Points” household debt research symposia, June 2016 & June 2017
- Quarterly Debt Monitor publication
- In the Balance research briefs
- Consumer debt project with EPIC/Aspen Institute
- Dedicated local and national work on the racial wealth gap
- “Leading Authors” book series
- Child Savings Accounts research and evaluation project with CFPB, CSD, Abt Associates, and Prosperity Now