Debt: When it helps, when it hurts, And what it could do to build household wealth
The Aspen Financial Security Program (FSP) aims to advance a new wealth agenda and reimagine the Future of Wealth for households across America. Today, the bottom 50% of the population holds just 2% of the nation's wealth, a low point not seen since the 1920s. Realizing our vision will mean millions of families across the US attain financial security and can build enough wealth to support personal agency and dignity, and enable full participation in society. The benefits will flow to individuals, communities, and our democracy.”

WEALTH HAS 5 KEY FUNCTIONS IN PEOPLE’S LIVES:

1. RESILIENCE
   Wealth protects, cushions, and stabilizes.

2. INVESTMENT IN MOBILITY
   Wealth can be invested to boost cash flow, reduce cost of living, and generate more wealth.

3. INTERGENERATIONAL SUPPORT
   Wealth allows people to endow the next generation with resilience, mobility, & opportunity.

4. MENTAL & PHYSICAL WELL-BEING AND QUALITY OF LIFE
   Having wealth reduces financial stress and gives people more agency.

5. OWNERSHIP, VOICE, & CONTROL OVER ASSETS AND INSTITUTIONS
   Asset ownership gives people a decision maker role and boosts social and civic engagement.
But Most US Families Are On the Wrong Wealth Trajectory.

THERE IS MORE WEALTH INEQUALITY TODAY THAN AT ANY OTHER POINT IN THE LAST CENTURY.

Rising generations have far less wealth in their 30s than their parents did at their age.

80% of the US population has less wealth today than before the Great Recession (2007-2009)

As Net Worth Stagnated for Most Households, Consumer Debt Reached Record Highs.

MORTGAGE LOANS AND STUDENT LOANS ACCOUNT FOR THE MAJORITY OF THE INCREASE IN DEBT SINCE THE GREAT RECESSION.
Drivers of Rising Debt Include Stagnant Income, Growing Expenses, and the Costs of College and Housing.

Nearly half of households spent all of or more than their income during 2019.

1 in 4 homeowners refinanced their mortgages in 2020-2021, with most increasing their balances.

More than half of the increase in non-mortgage debt over the past 20 years comes from student loans.
Households’ Debt Profiles Vary Significantly by Their Level of Wealth

Households’ Debt Profiles Also Vary Significantly by Race and Ethnicity

White families are most likely to have debts that help them build wealth.

<table>
<thead>
<tr>
<th>Type of Debt</th>
<th>White (%)</th>
<th>Black (%)</th>
<th>Hispanic/Latino (%)</th>
<th>Other and Multiracial (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage, Primary Residence</td>
<td>44.4%</td>
<td>27.3%</td>
<td>32%</td>
<td>37.6%</td>
</tr>
<tr>
<td>Other Property Debt</td>
<td>5.5%</td>
<td>2.9%</td>
<td>2.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Credit Card Balances</td>
<td>44.5%</td>
<td>47.7%</td>
<td>49.9%</td>
<td>43.7%</td>
</tr>
<tr>
<td>Vehicle Loans</td>
<td>37.4%</td>
<td>33.8%</td>
<td>40.1%</td>
<td>35%</td>
</tr>
<tr>
<td>Education Loans</td>
<td>20%</td>
<td>30.2%</td>
<td>14.3%</td>
<td>24.3%</td>
</tr>
<tr>
<td>All Other Debt</td>
<td>15.8%</td>
<td>16.1%</td>
<td>18.7%</td>
<td>17.4%</td>
</tr>
</tbody>
</table>
Racial Disparities in Debt Contribute to Racial Wealth Gaps

Families of Color Have Far Less Wealth Compared with White Families

- **White, non-Hispanic**: $189,100
- **Black or African-American, non-Hispanic**: $24,100
- **Hispanic or Latino**: $36,050
- **Other or Multiple Race**: $74,500

**Race or Ethnicity**

**Source:** Federal Reserve Board, 2019 Survey of Consumer Finances.
Half of All U.S. Households Don’t Have Much Wealth

DEBT UNDERMINES WEALTH BUILDING FOR MANY LOW-NET WORTH HOUSEHOLDS.

Bars show median household wealth from lowest to highest wealth (based on Aspen FSP analysis of Federal Reserve Board 2019 Survey of Consumer Finances). At the median, households in the first wealth decile possess negative net worth.
Negative Net Worth: A Troubling Trend

Percentage of Households with Negative Net Worth 1989 - 2019

- **Recession in Early 1990s**: 7.4%
- **Recession in Early 2000s**: 7.8%
- **The Great Recession**: 10.4%
Who Has Negative Net Worth?

- Lower- to moderate-income households (median of $39,707)
- Women and single mothers (44% of all negative net worth households)
- Black families -1 in 6 Black households has negative net worth
Five Enabling Conditions, and One Precondition, Must be in Place for Any Household to Build Sustainable Wealth

**PRECONDITION:** Financial Stability

Short-term financial stability is typically characterized by having routinely positive cash flow; low or no harmful debt; an ability to build financial cushions; and access to quality public and workplace benefits that provide protection against extraordinary shocks.

**First:** Amass Investable Sums of Money

1. **INVESTABLE SUMS OF MONEY**
   Money, beyond what is needed to meet short-term needs, that can be used for investments and asset purchases.

**Next:** Purchase Asset or Make Investment

2. **AFFORDABLE ASSETS TO PURCHASE**
   Access to investment options, such as real estate, post-secondary education, and financial assets, that are affordable, high-quality, and that meet people’s needs.

3. **CONSUMER-FRIENDLY Financing Options**
   For larger investments, many families need access to safe and affordable financing to supplement their investable money and this often requires a good credit score.

4. **INFORMATION AND CONFIDENCE TO NAVIGATE WEALTH-BUILDING DECISIONS**
   Access to the knowledge and skills needed to confidently navigate the asset purchasing process. People must be able to see themselves as investors to engage in these processes.

5. **WEALTH PROTECTION**
   After purchasing and building up wealth-creating assets, people must have the ability to maintain and protect their wealth from loss.
The Aspen Institute Financial Security Program has, for seven years, tracked the challenges that face American households and learned from the leadership and examples of our partners in the field. Visit www.futureofwealth.org to learn more and to subscribe to updates.