



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



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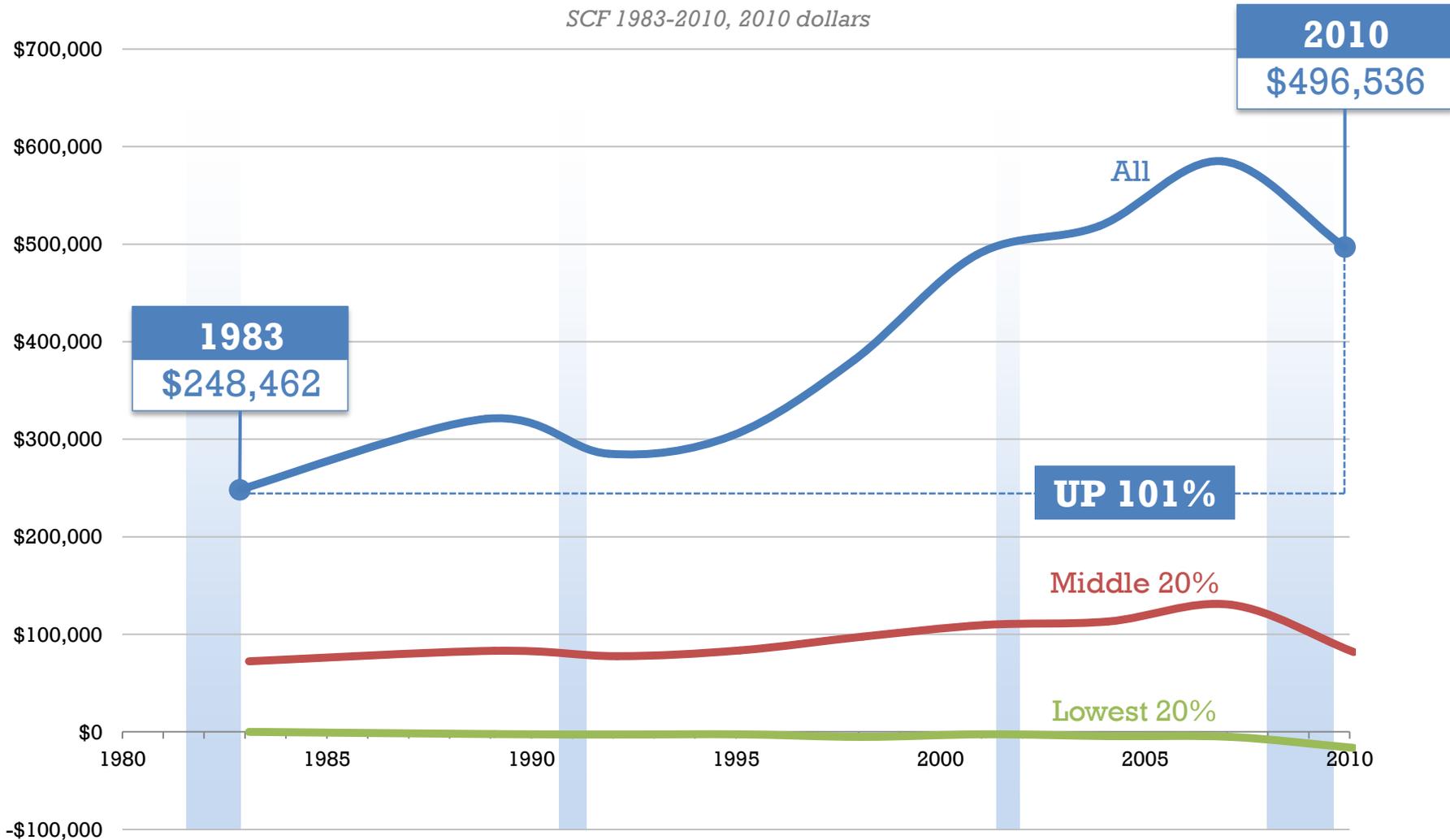
FDIC 3rd Annual Consumer Research Symposium



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Wealth Inequality is Increasing

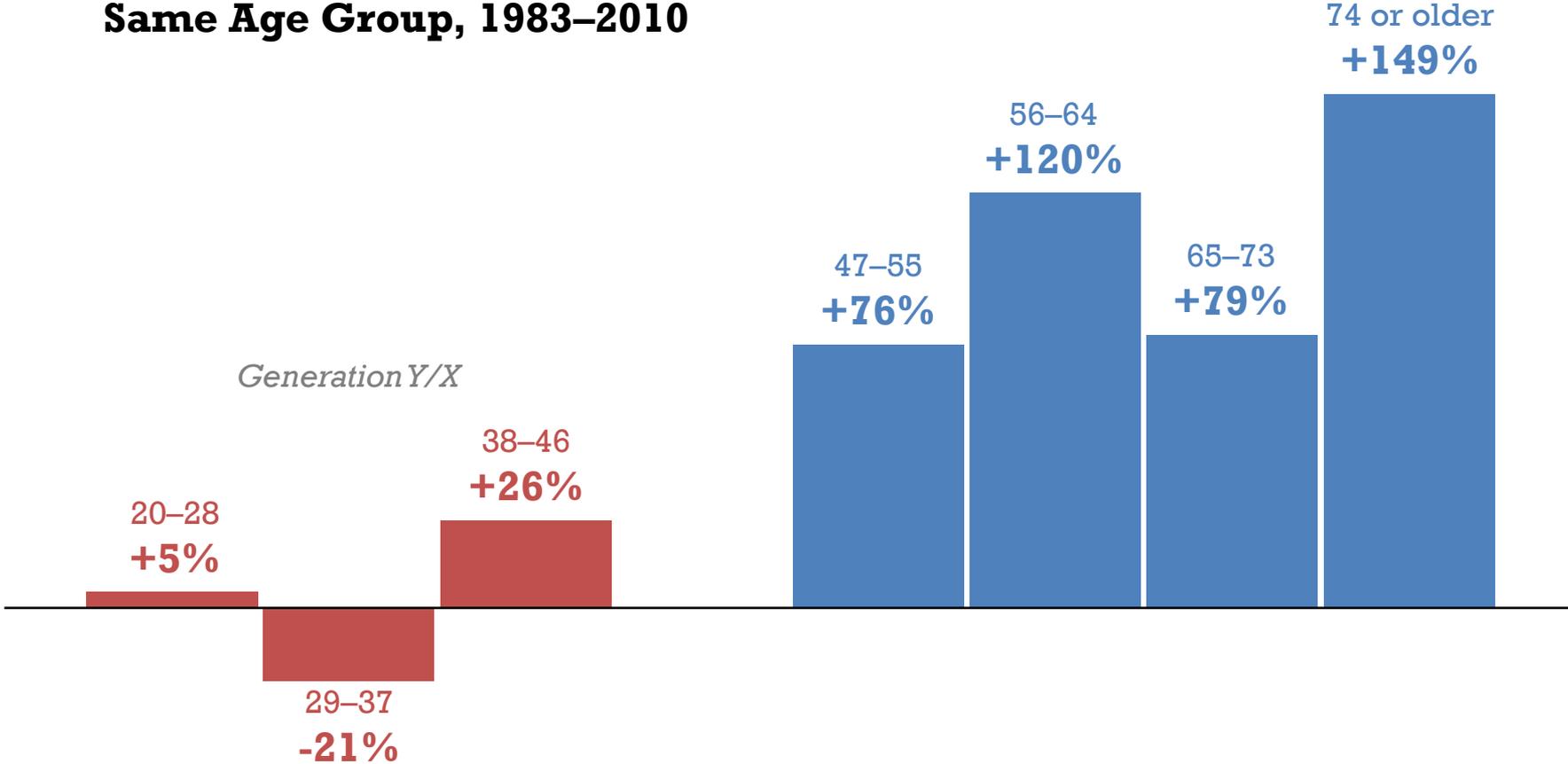
SCF 1983-2010, 2010 dollars



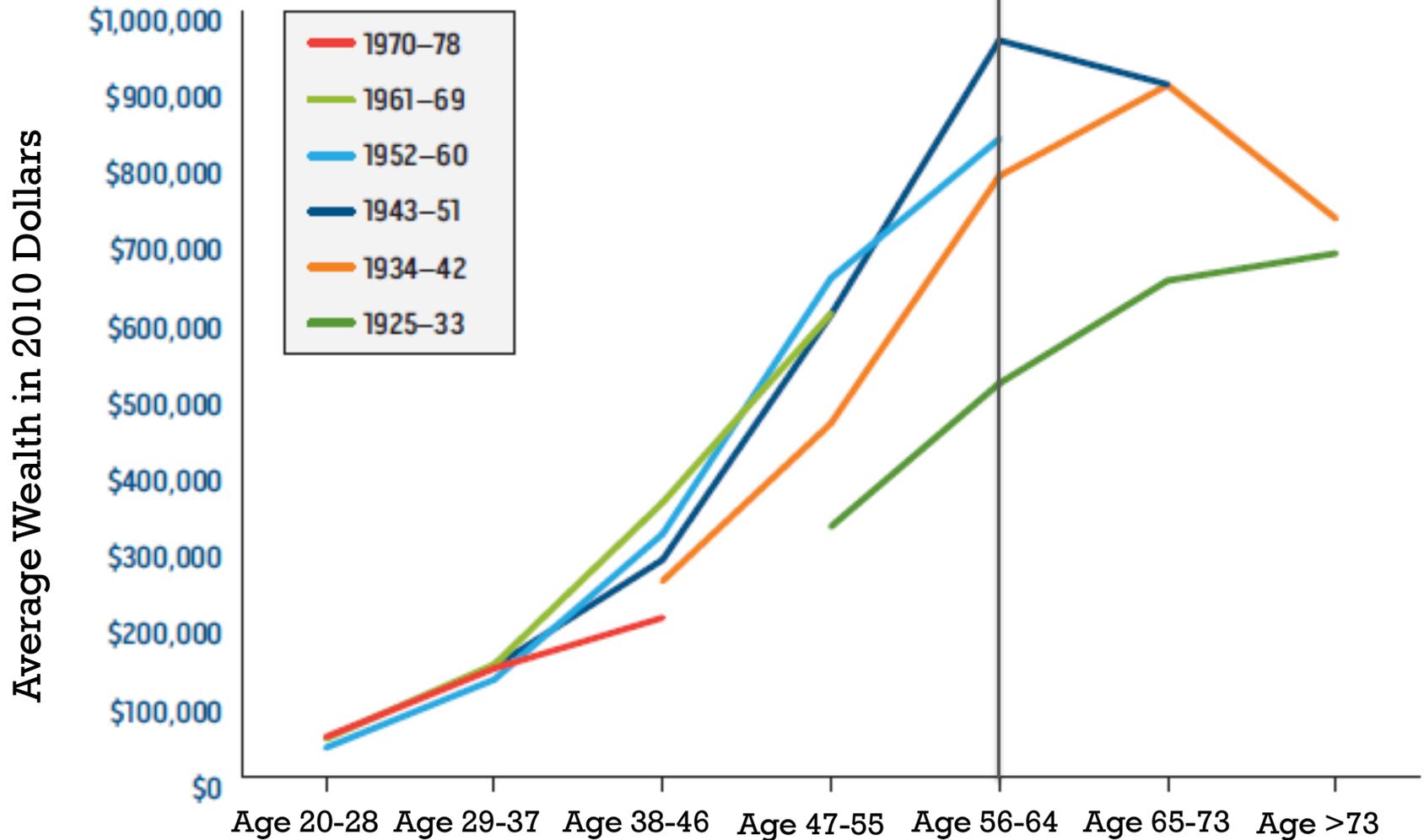
Older Generations Accumulate, Younger Generations Stagnate

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

Baby Boomers/Silent Generation



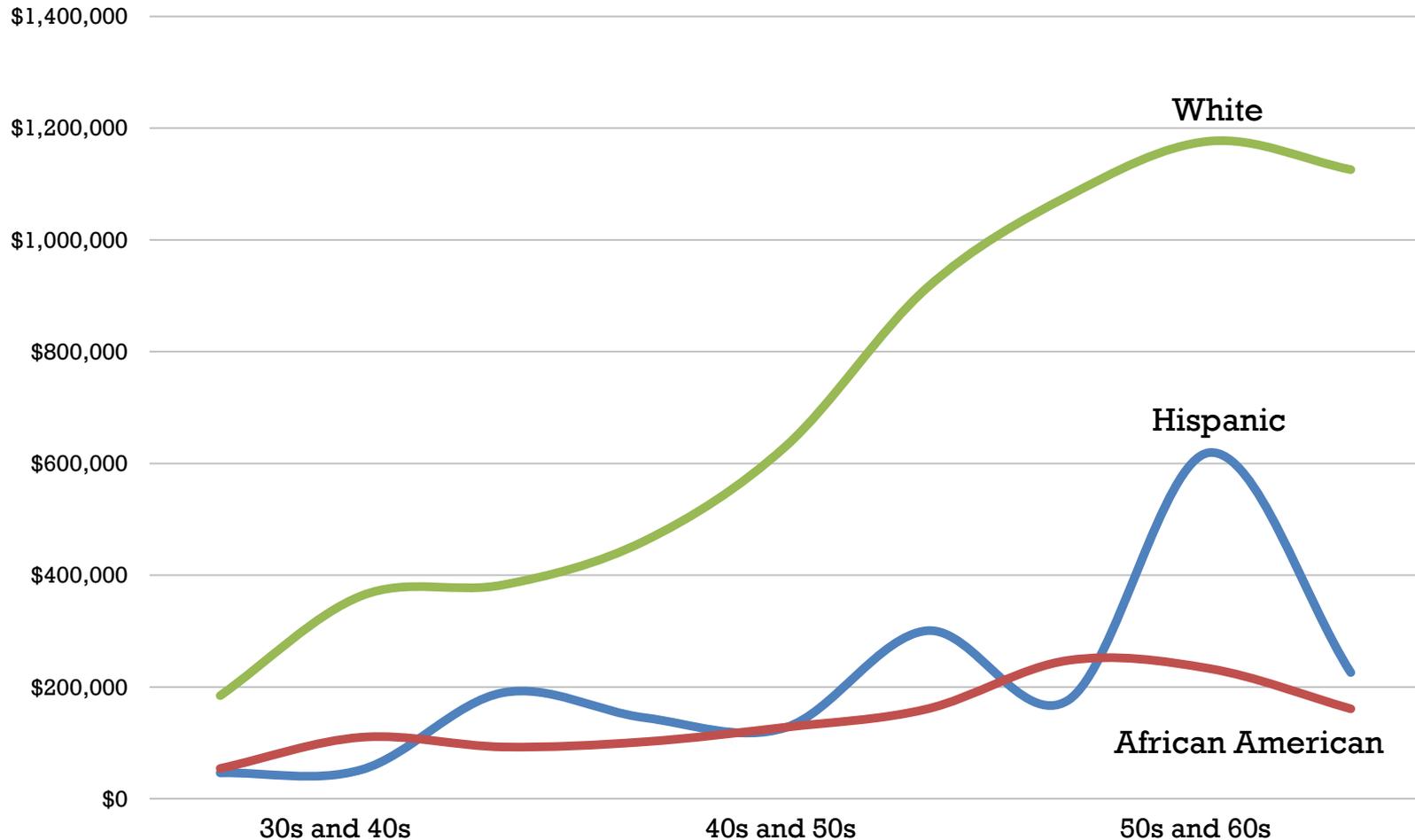
Younger Generations Are No Longer Successively Wealthier



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

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

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

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

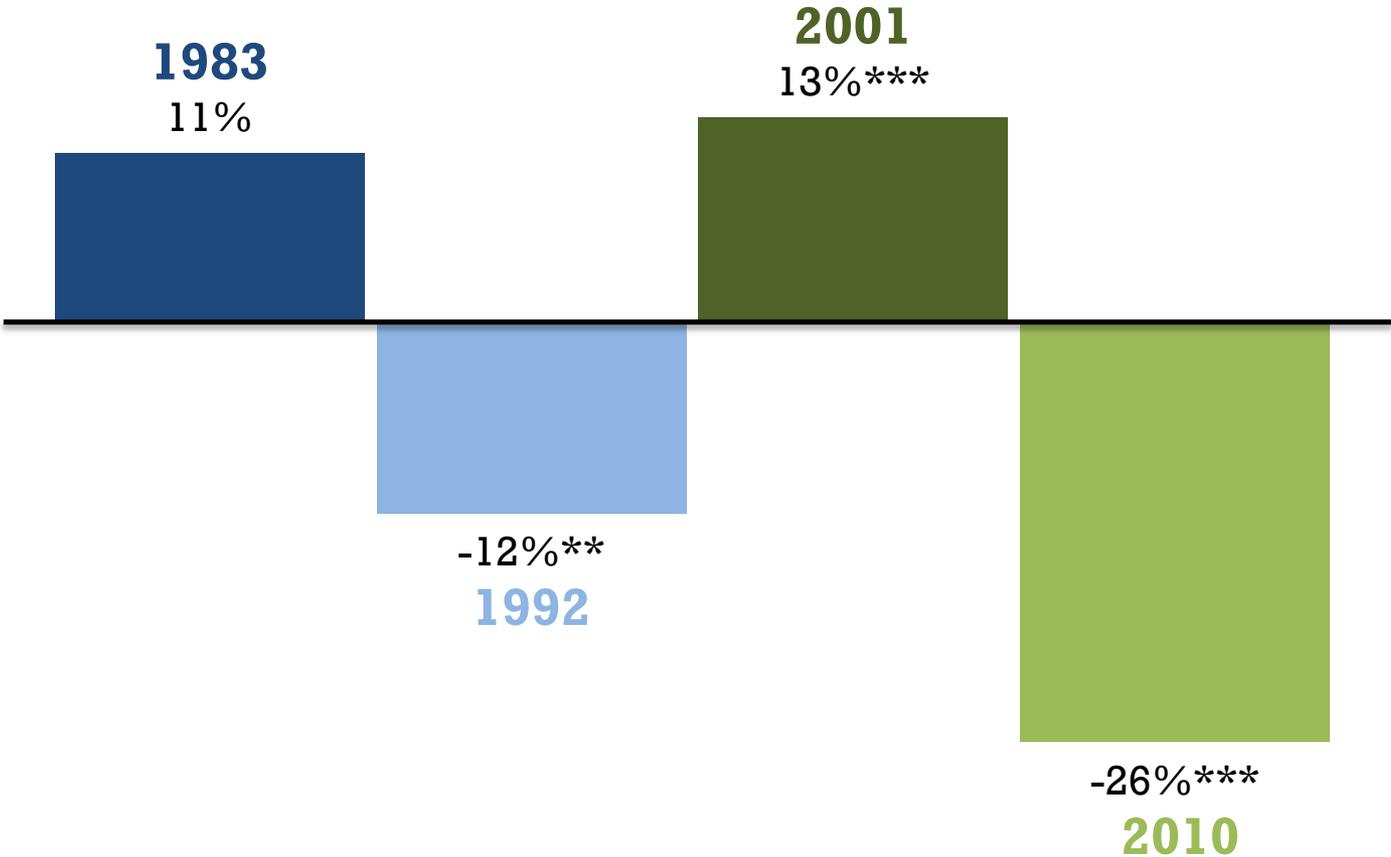
- $R * C_9$ Recession interaction with *9 year birth cohorts*
- $R * Race$ Recession interaction with race/ethnicity dummy variables



Overall Effect of Great Recession

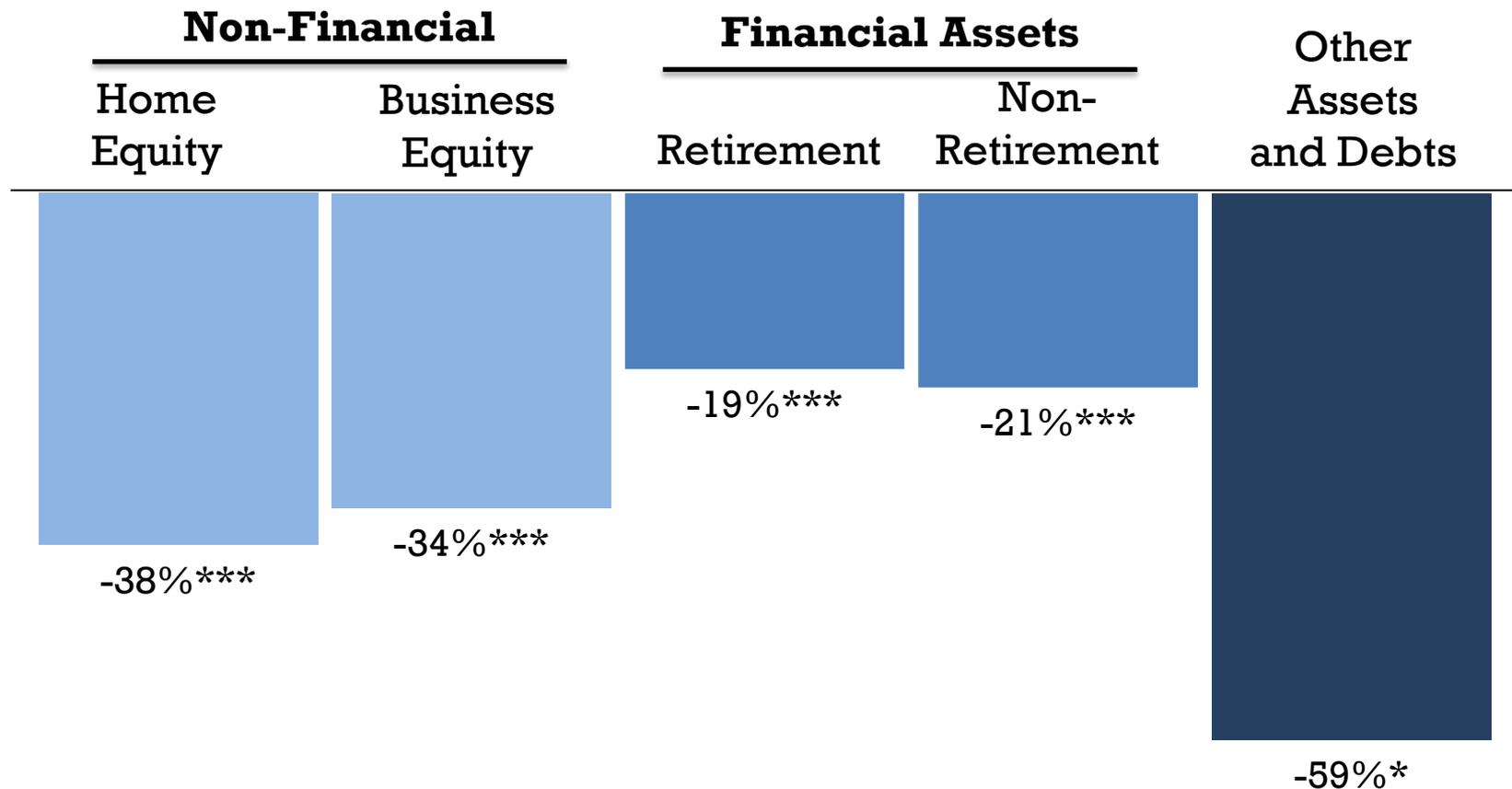


Great Recession Wealth Loss Large Relative to Prior Recessions



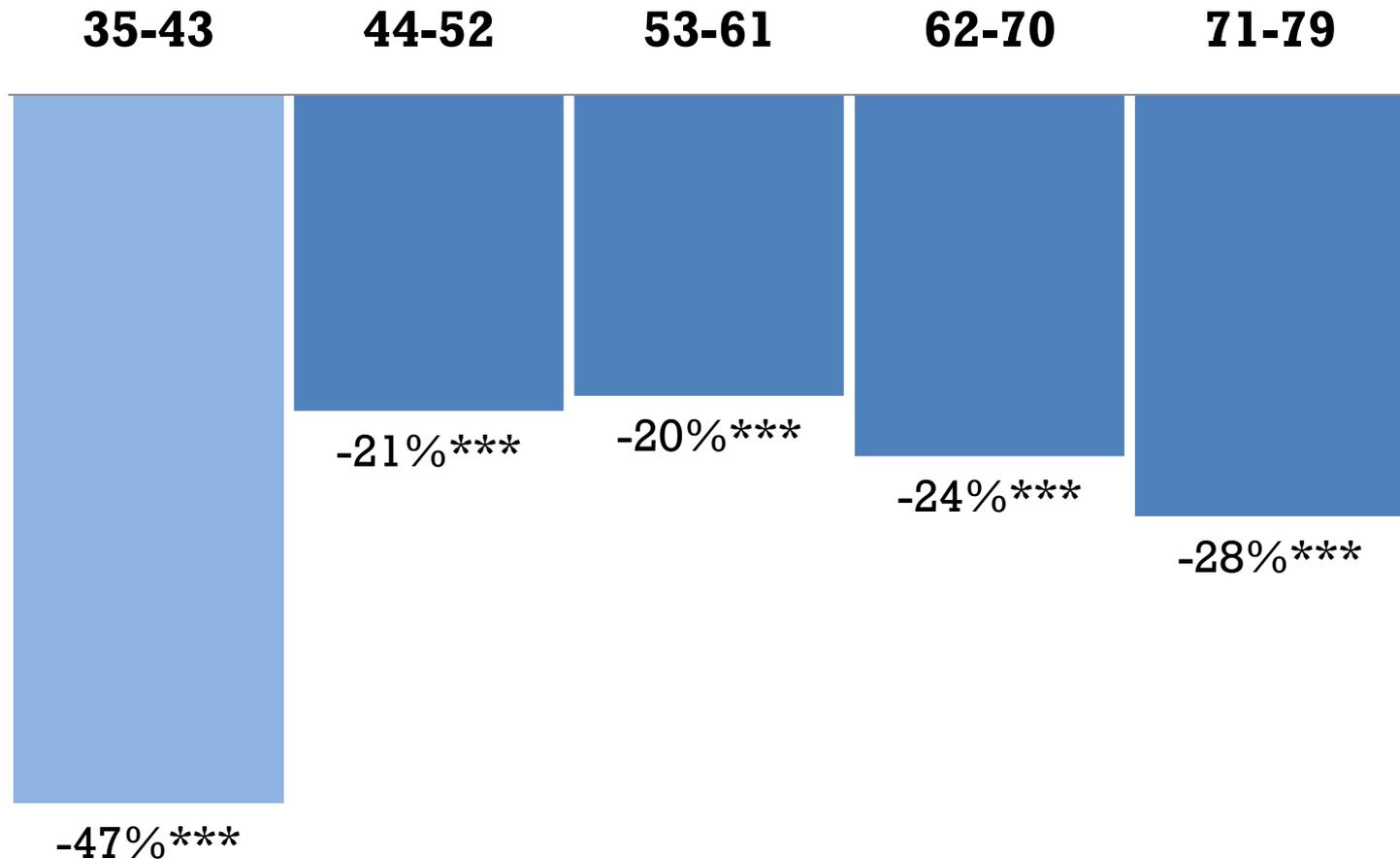
Regression-Adjusted Change in Average Family Wealth by Recession

All Major Wealth Components Fell



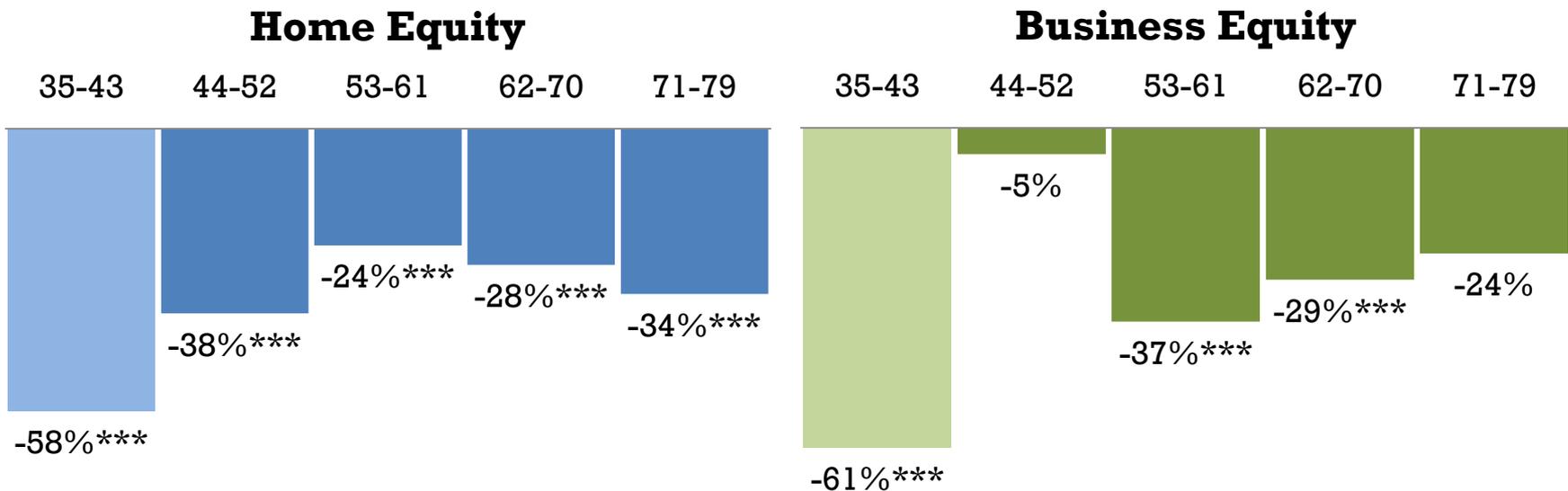
Regression-Adjusted Change in Average Family Wealth by Wealth Components

Young Lost Most Wealth



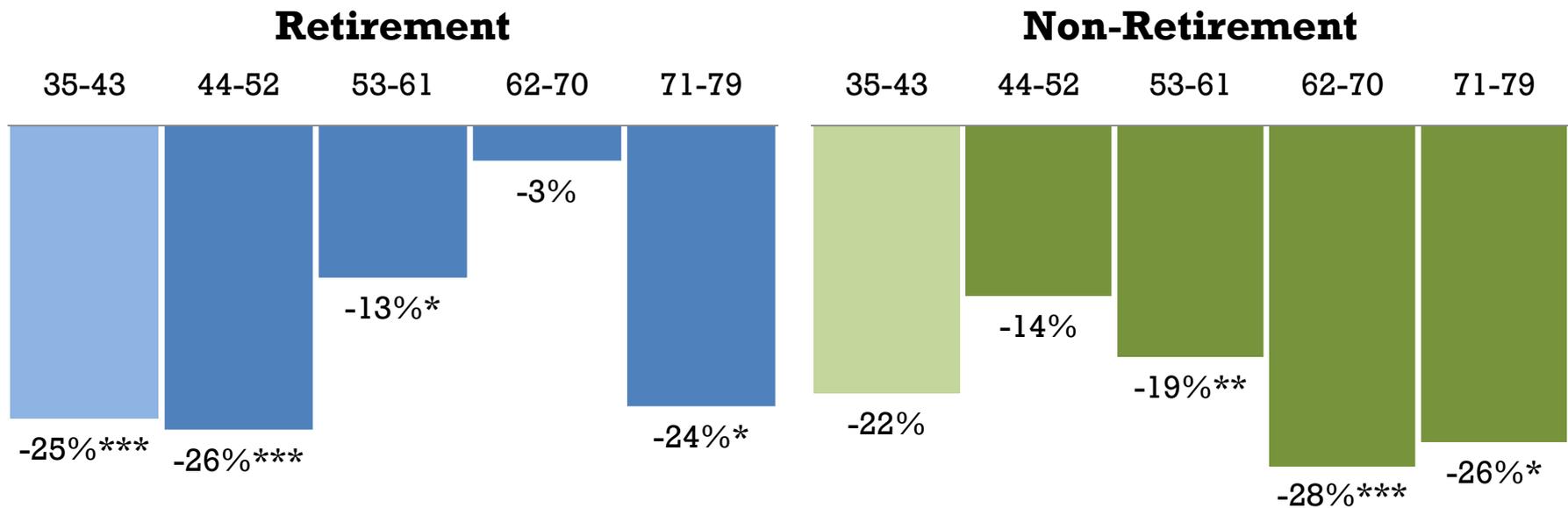
Regression-Adjusted Change in Average Family Wealth by Age in 2010

Non-Financial Asset Declines Greatest Among Young



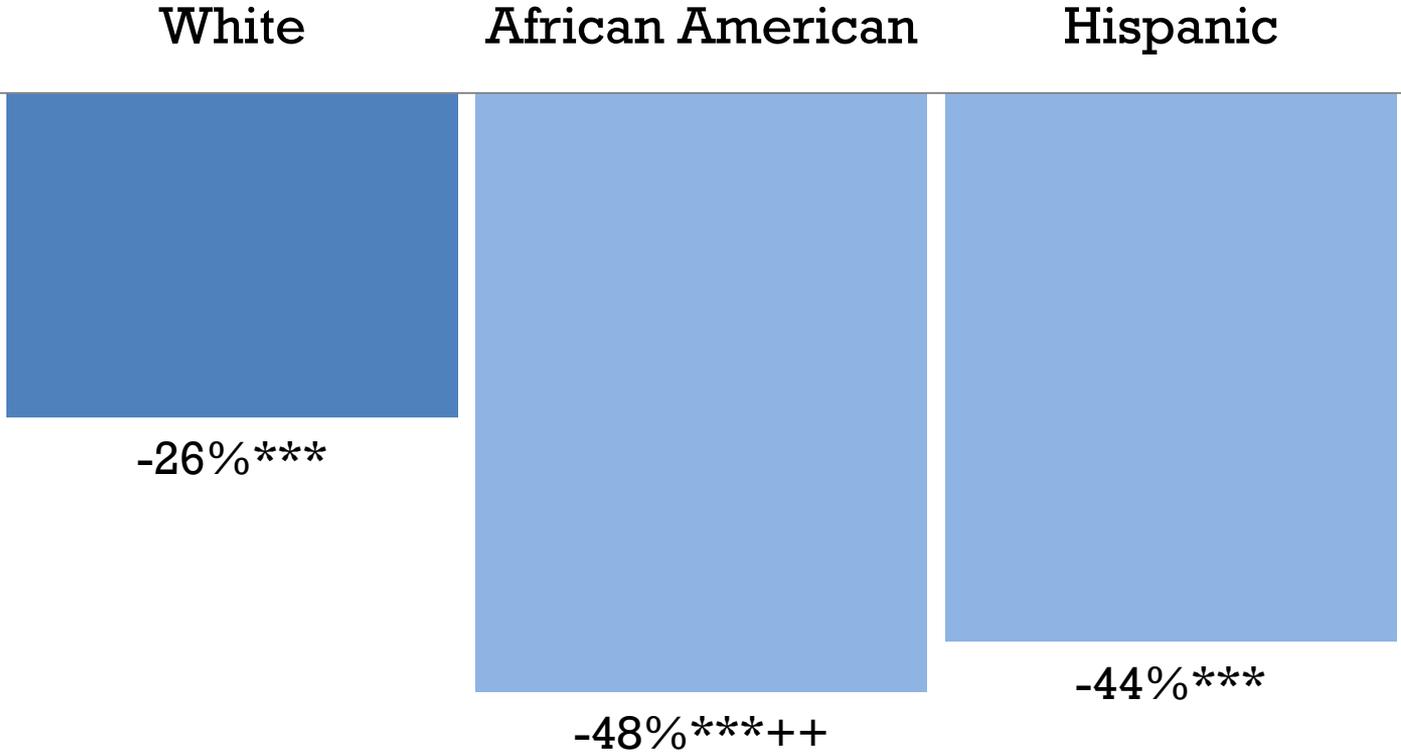
Regression-Adjusted Change in Average Family Wealth by Age in 2010

Financial Asset Declines More Even Across Young and Old



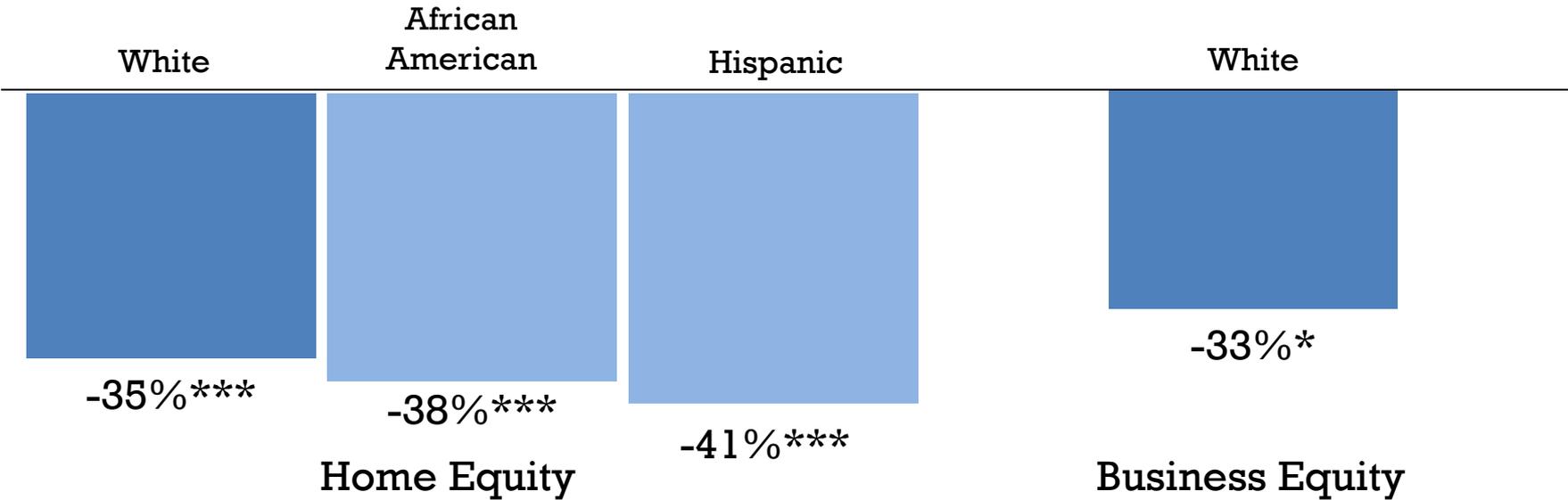
Regression-Adjusted Change in Average Family Wealth by Age in 2010

Families of Color Lost Most Wealth



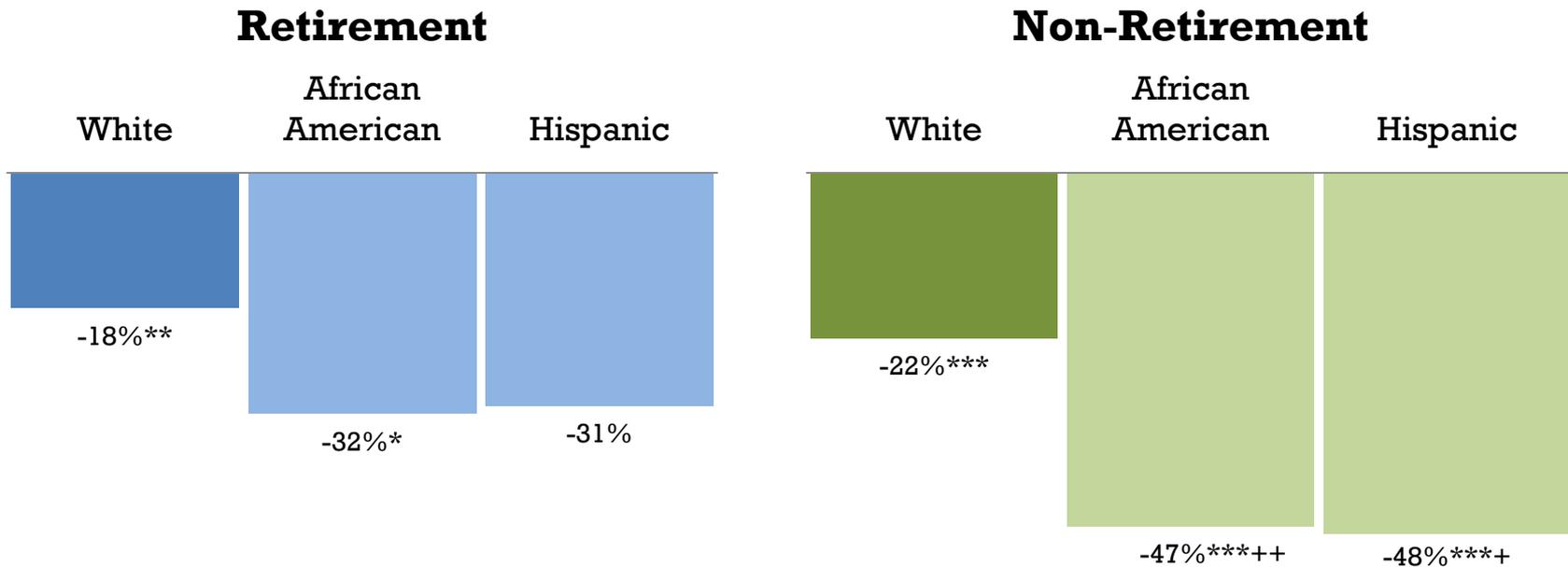
Regression-Adjusted Change in Average Family Wealth by Race in 2010

Large Home Equity Losses for All, Business Equity Losses for Whites



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

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