

# IN THE Balance

*Perspectives on Household Balance Sheets*



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## The Nation's Wealth Recovery Since 2009 Conceals Vastly Different Balance-Sheet Realities among America's Families

By William R. Emmons and Bryan J. Noeth

According to the Federal Reserve's Flow of Funds Accounts (FFA)<sup>1</sup>, the aggregate net worth (or wealth, equal to total assets minus total liabilities) of America's households had returned by the end of 2012 almost to its precrisis peak in nominal terms and to about 88 percent of its precrisis peak when adjusted for inflation. Accounting for inflation and growth in the number of households, average net worth had recovered to 84 percent of its precrisis peak. (See rows 1, 2 and 3 in the table, respectively).

The aggregated wealth data conceal an enormous diversity of experiences among different types of families. Combining household-level Survey of Consumer Finances data<sup>2</sup> for 2010 with quarterly FFA data and annual data from the Census Bureau, we estimated quarterly balance

sheets for 18 groups of families divided along the dimensions of age, educational attainment, and race or ethnicity through the end of 2012.<sup>3</sup> At one extreme, the average family headed by someone who is white or Asian, is between 40 and 61 years old, and has a two- or four-year college degree—a group comprising about 15.5 percent of all families in 2012 but controlling 37.5 percent of all wealth—had recovered all but 2 percent of the financial losses suffered during the financial crisis, even after adjusting for inflation (row 4). Older (62 years or more), white or Asian college graduates—representing 15.1 percent of families and 30.2 percent of wealth—had recovered to about 84 percent of their 2007 level, close to the

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The recently launched **Center for Household Financial Stability at the Federal Reserve Bank of St. Louis** focuses on family balance sheets. The center's researchers study the determinants of healthy family balance sheets, their links to the broader economy and new ideas to improve them. The center's original research and publications, public events and web-based data tools support researchers, practitioners and policy-makers seeking to rebuild and strengthen the balance sheets of all American households, but especially those harmed by recent economic and financial shocks. For more information, see the center's web site at [stlouisfed.org/hfs](http://stlouisfed.org/hfs)

### Materials from Past Household Financial Stability Events:

#### Experts Explore Household Balance Sheets' Role in National Economic Growth

Leading national and international experts on household balance sheets gathered at the Federal Reserve Bank of St. Louis Feb. 5-7, 2013, to present new research findings. The symposium explored approaches to improve household balance sheets, which, in turn, play a critical role in the broader economy.

#### National Leaders and Innovators Gather for Household Financial Stability Forum

Nearly 200 people from across the country gathered at the Federal Reserve Bank of St. Louis in October 2012 to discuss ways to improve access to financial services for the unbanked and underbanked, as well as to hear from those who have been generating ideas and innovations in building household wealth.

For more information about these events, including papers, slides and videos, go to [stlouisfed.org/hfs](http://stlouisfed.org/hfs) and click on the "Materials from Past Events" link on the left-hand side of the page.

## Net Worth Before, During and After the Financial Crisis and Recession

Net Worth	2007:Q1	2009:Q1	2012:Q4	2012:Q4 level relative to 2007:Q1 level (%)
1) Total household net worth (trillions of current dollars for first three columns)	66.7	51.4	66.1	99.0
2) Total inflation-adjusted household net worth (trillions of 2010 dollars)	71.0	52.6	62.1	87.5
3) Average inflation-adjusted net worth per household (thousands of 2010 dollars)	641.0	469.9	539.5	84.2
Annual data: Average inflation-adjusted net worth for specific groups of families (thousands of 2010 dollars)	2007	2010	2012*	2012 level relative to 2007 level (%)
4) Families headed by someone who is white or Asian, between 40 and 61 years old, with a two- or four-year college degree	1,386.4	1,238.4	1,352.5	97.6
5) Families headed by someone who is white or Asian, 62 years old or more, with a two- or four-year college degree	2,323.8	1,785.9	1,953.1	84.0
6) Families headed by someone who is white or Asian, under 40 years old, with a two- or four-year college degree	344.2	199.2	216.6	62.9
7) Families headed by someone who is black, African-American or Hispanic of any race, between 40 and 61 years old, with a two- or four-year college degree	524.1	285.4	307.6	58.7
8) Families headed by someone who is black, African-American or Hispanic of any race, under 40 years old, with a two- or four-year college degree	96.9	33.2	30.3	31.3
9) Families headed by someone who is white or Asian, under 40 years old, with less than a high-school diploma	85.1	22.0	17.8	20.9

SOURCES: Federal Reserve, U.S. Census Bureau, Bureau of Labor Statistics. NOTE: \*2012 annual data are estimated from various sources and refer to Dec. 31, 2012.

### Suggested Further Reading:

#### “Why Did Young Families Lose So Much Wealth During the Crisis? The Role of Homeownership”

By William R. Emmons and Bryan J. Noeth  
Federal Reserve Bank of St. Louis *Review*,  
January/February 2013.

Available at [stlouisfed.org/hfs](http://stlouisfed.org/hfs), under the “Publications” link on the left-hand side of the page. Or go directly to <http://research.stlouisfed.org/publications/review/article/9600>

#### “Why Did So Many Economically Vulnerable Families Enter the Crisis with Risky Balance Sheets?”

By William R. Emmons and Bryan J. Noeth  
Working paper presented Feb. 6, 2013, at the research symposium “Restoring Household Financial Stability After the Great Recession: Why Household Balance Sheets Matter.”

Available at [stlouisfed.org/hfs](http://stlouisfed.org/hfs) under the “Materials from Past Events” link on the left-hand side of the page. Or go directly to <http://www.stlouisfed.org/household-financial-stability/events/20130205/agenda.cfm>

#### “Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances”

By Jesse Bricker, Arthur B. Kennickell, Kevin B. More and John Sabelhaus  
*Federal Reserve Bulletin*, February 2012.

See [www.federalreserve.gov/econresdata/scf/scf\\_2010.htm](http://www.federalreserve.gov/econresdata/scf/scf_2010.htm)

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overall average (see row 5). Other college-educated groups had recovered somewhat less by the end of 2012 (rows 6 and 7).

At the other extreme, young families (under 40) generally suffered large wealth declines during the downturn and, in some groups, have continued to suffer during the economic recovery. The average wealth of young African-American or Hispanic college graduates at the end of 2012 was only 31 percent of its corresponding precrisis level (row 8). The average young white or Asian family whose head did not finish high school fared even worse; at the end of 2012, it had only about 21 percent of the wealth that the average comparable family had in 2007 (row 9).

Thus, the headline figure suggesting almost complete recovery of household wealth from its depressed level of a few years ago is misleading in the sense that it does not correspond to the experiences of all families. **ITB**

#### ENDNOTES

1. See [www.federalreserve.gov/releases/z1/default.htm](http://www.federalreserve.gov/releases/z1/default.htm)
2. See [www.federalreserve.gov/econresdata/scf/scfindex.htm](http://www.federalreserve.gov/econresdata/scf/scfindex.htm)
3. For details on our demographically defined groups, see William R. Emmons and Bryan J. Noeth, “Why Did Young Families Lose So Much Wealth During the Crisis? The Role of Homeownership.” *Federal Reserve Bank of St. Louis’ Review*, Vol. 95, No. 1, January 2013. See <http://research.stlouisfed.org/publications/review/13/01/Emmons.pdf>