Who Benefited Most from Pandemic-Era Wealth Gains?

People Who Already Owned Assets

September 13, 2024

Top takeaways

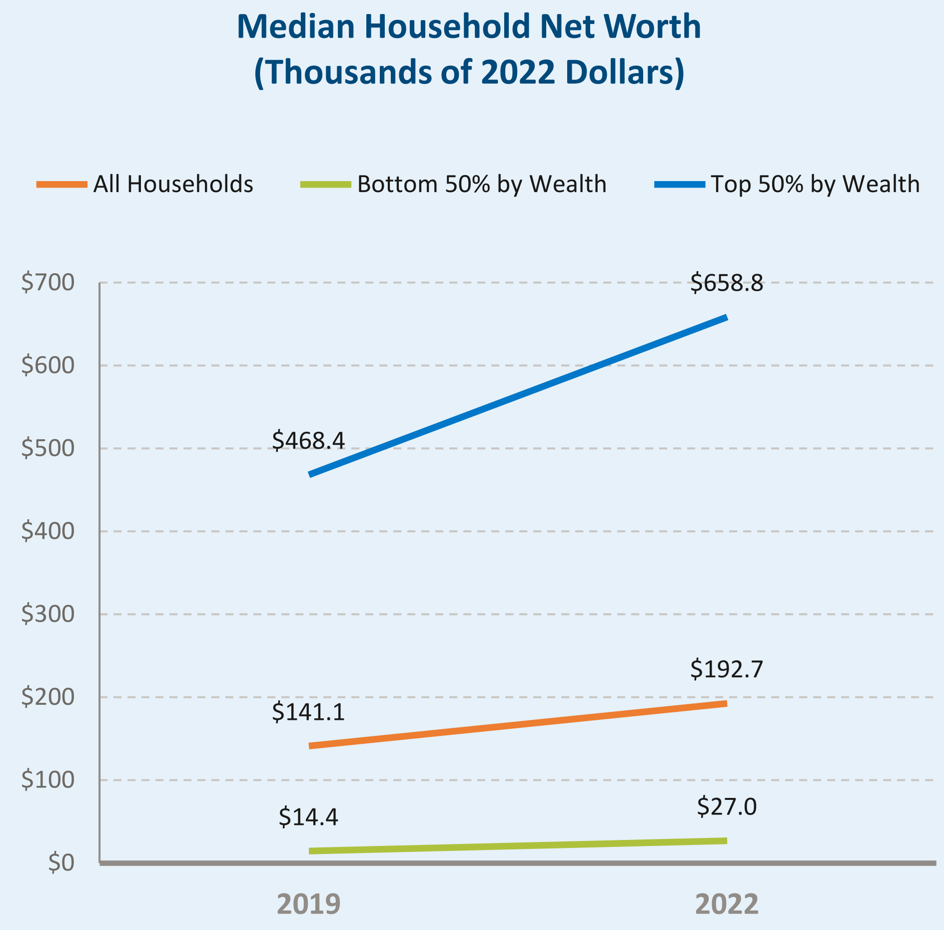
- Between 2019-2022, low-wealth households and households of color experienced significant improvements to financial stability and net worth. Households in the bottom half of the wealth distribution saw their median wealth increase by 88% to $27,000.
- People's financial outcomes were largely shaped by four forces:
  - Asset appreciation
  - Expansions of public benefits
  - Rising incomes
  - Rising housing costs
- People who already owned assets in 2019 benefited significantly, especially homeowners.
  - Over those three years, homeowners' median wealth grew by $101,000 while renters' median wealth grew by just $3,100.
- While the strong gains in wealth are worthy of celebration, racial and ethnic inequality remains high, and the less wealthy half of households still lack the net worth needed to be financially secure.
- Aspen FSP's indicators for Financial Stability and Resilience, as well as publicly available data from 2023 and 2024, suggest that gains made between 2019-2022 may not be sustainable without additional action from public and private sector leaders.

This chartbook highlights changes to Aspen FSP's household financial indicators based on the latest data

- **In 2023's *The New Wealth Agenda*, we called on leaders across the nation to join us in pursuing an ambitious goal:** to increase by ten-fold the wealth of households of color and those in the bottom half of the wealth distribution by 2050.
- We identified 8 objectives that, if collectively achieved, could achieve this goal.
- We also established indicators related to households' spending, saving, assets, and debts to track progress toward our goal.
- New data allows us to track changes in the indicators over time to more precisely understand how households are doing financially.

New data reveals the complex reality of U.S. households' post-pandemic financial security

- This chartbook tracks households' progress toward the financial indicators we debuted in *The New Wealth Agenda* using new data, particularly the 2022 Survey of Consumer Finances (SCF).
- Between 2019 and 2022, households of all types achieved historically large growth of their net worth, but outcomes vary widely by race and ethnicity, as well as by what assets a household owned before the COVID-19 pandemic began.



Aspen FSP analysis of the Survey of Consumer Finances

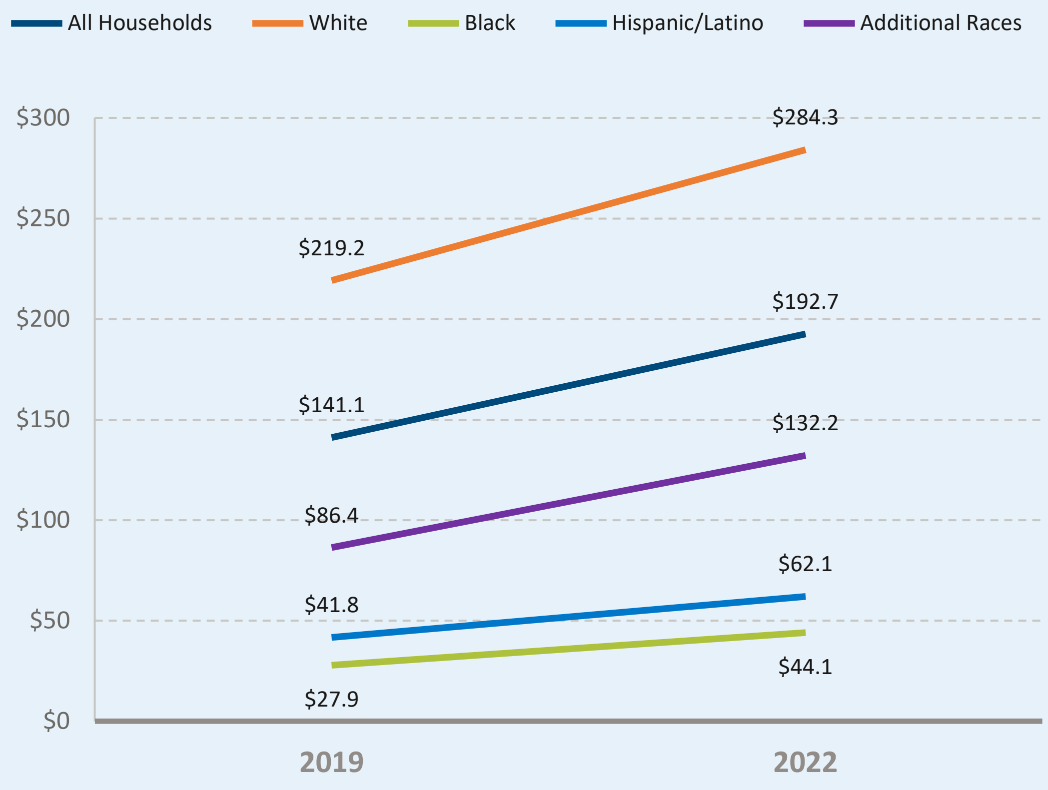
In-depth analysis of changes in the household financial indicators reveals important nuance

- Many of the gains in wealth resulted from pandemic-era economic circumstances and time-limited policy actions, so they may not be sustainable into the future.
    - Economic factors that benefitted households included the strong labor market and low interest rates.
    - Federal responses to COVID-19–such as expansions to Unemployment Insurance and the Child Tax Credit, Economic Impact Payments (stimulus checks), and the student loan payment pause–enabled many low-wealth households to shore up their financial stability.
    - Rising home values were a boon to homeowners but put homeownership further out of reach for most renters.
- Historic gains in wealth are worthy of celebration, but racial and ethnic inequality remains high and the less wealthy half of households lack the net worth needed to be financially secure.
- Some 2022 data points toward potential concerns:
    - Fewer households spent less than they earned compared to 2019.
    - One in three households did not benefit from rising home prices and instead struggled with rising rents.
    - One in three households remains at risk of lower quality of life in retirement.

Gains in household net worth were broad-based, but substantial gaps remain

- U.S. households' median wealth increased by 37% to $192,700 in just three years.
- Drivers of these changes include:
    - Rising home values
    - Increasing ownership rates and balances in retirement accounts
    - Increasing direct investment in markets outside of retirement accounts
    - Unprecedented levels of cash assistance and expanded safety net benefits in 2020-2021

Median Household Net Worth by Race and Ethnicity (Thousands of 2022 Dollars)

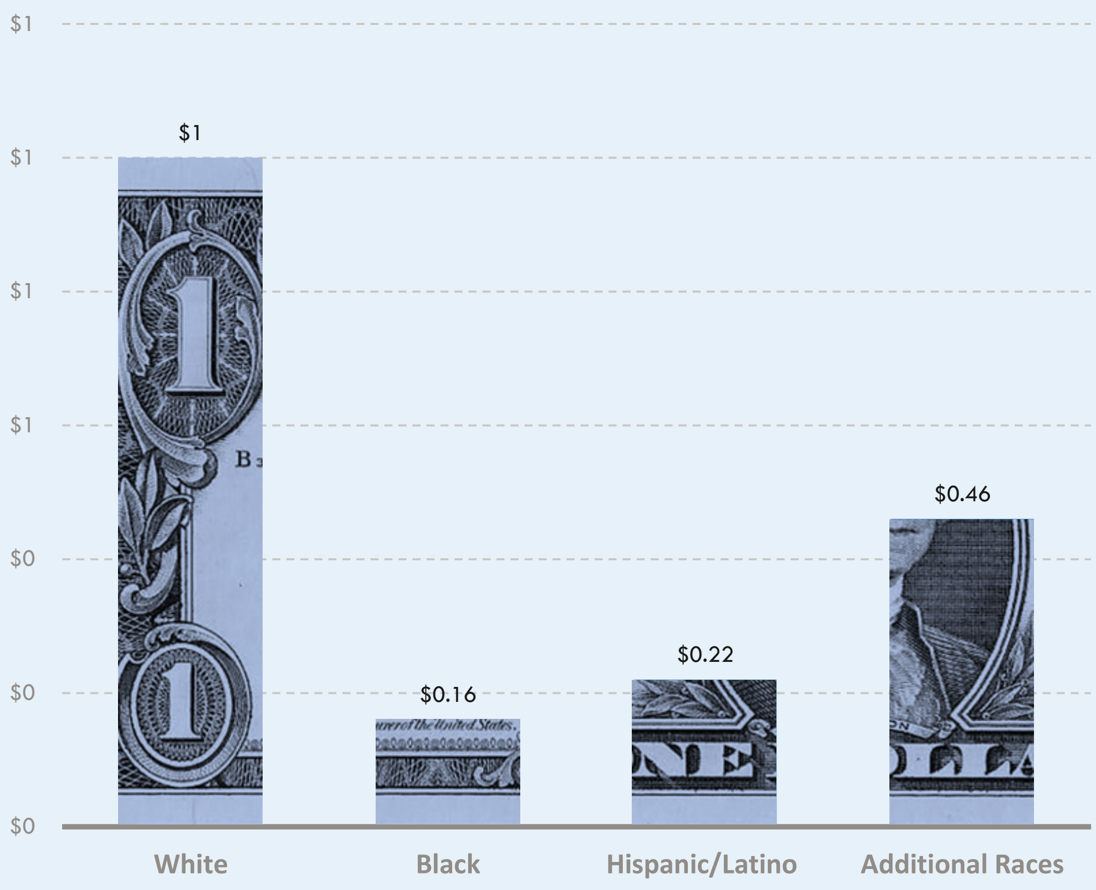


Survey of Consumer Finances

Gains in household net worth were broad-based, but substantial gaps remain (continued)

- The wealth gap between white and Black households shrank in percent terms between 2019-2022 but remains large.
  - Median white household wealth was 8 times greater than median Black household wealth in 2019; that ratio fell to 6.5 in 2022.
  - Median white household wealth was 5.2 times greater than median Hispanic/Latino household wealth in 2019; the ratio fell to 4.6 in 2022.

In 2022, for Every $1 in Net Worth Held by a White Household, Other Households Had



Aspen FSP analysis of the 2022 Survey of Consumer Finances

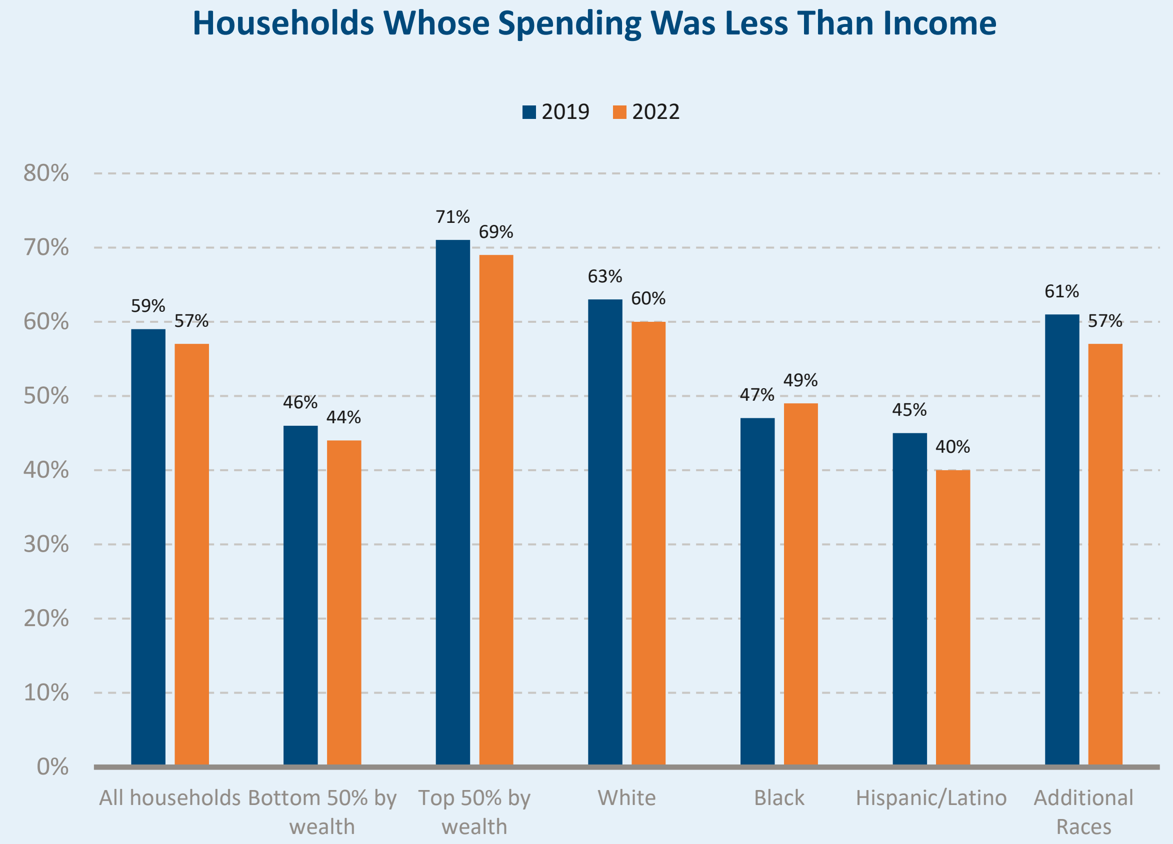
Households in the bottom half of the wealth distribution increased their median wealth by 88% to a median of $27,000

- The net worth of households in the bottom half of the wealth distribution grew by an unprecedented 88%, from $14,390 to $27,000.
- They remain far behind the median household in total wealth ($192,700), but they are closer to the goal of increasing their wealth by a factor of 10 by 2050.
- They significantly increased their liquid savings, retirement account ownership, and retirement savings, paid down higher-cost debts, and as a result materially improved their financial stability.[1]
- The homeownership rate for households in the bottom half of the wealth distribution increased by one percentage point (from 38% to 39%). The median value of home equity increased by more than $20,000 among those in the bottom half of the distribution.
- However, Aspen FSP’s indicators for Financial Stability and Resilience, as well as publicly available data from 2023 and 2024, suggest that these gains may not be sustainable without additional action from public and private sector leaders.

Fewer households had routinely positive cash flow than in 2019

TNWA objective on Financial Stability and Resilience: By 2050, all households will earn enough in income and benefits to have routinely positive cash flow, which allows them to pay for core expenses, prepare for emergencies, be financially resilient, build savings, and amass investable sums of money.

- In 2022, fewer households achieved the indicator for routinely positive cash flow, spending less than their income in the past year (falling from 59% to 57%). Declines were largest for Hispanic/Latino households and those of additional races and ethnicities.
- The SHED survey[2] and Financial Health Pulse[3] survey show the same trend. This deterioration reflects high inflation–especially in the costs of food, housing, vehicles, and insurance–as well as the end of federal pandemic support policies.

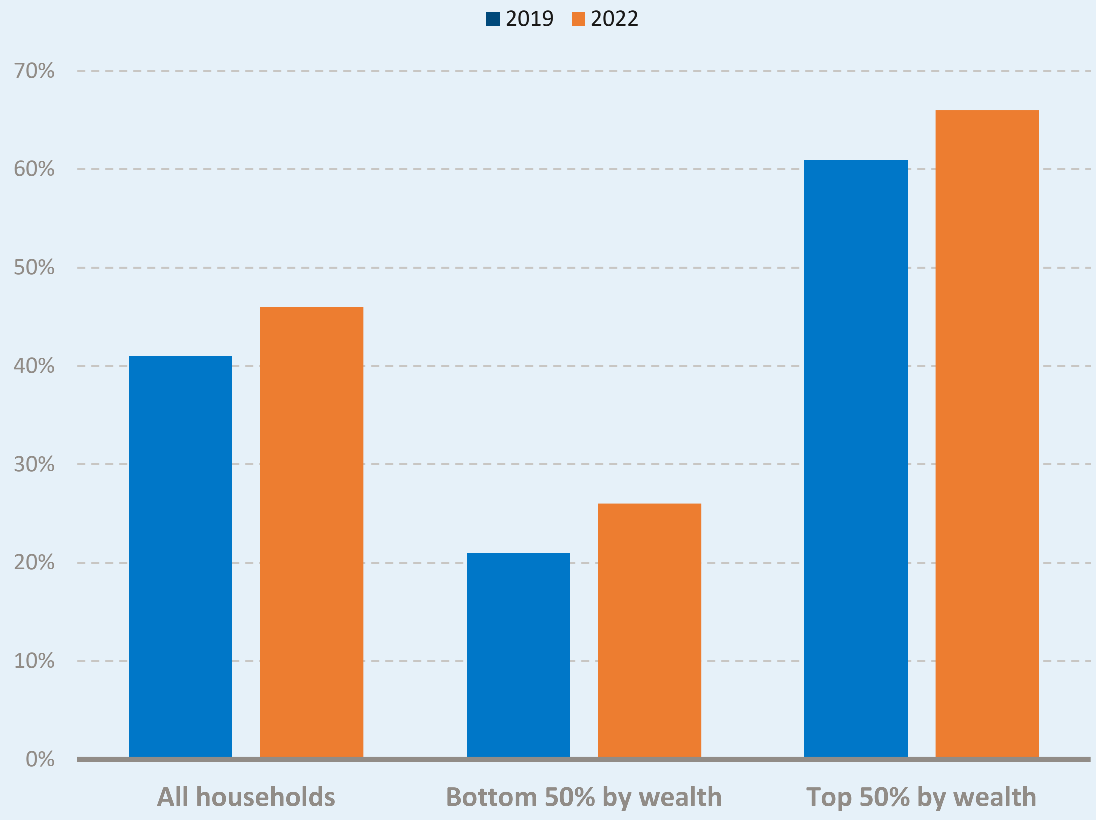


Aspen FSP analysis of the Survey of Consumer Finances

More households had sufficient liquid savings to withstand financial shocks than in 2019

- Households were more likely to achieve Aspen FSP's second indicator for financial stability: having liquid savings equivalent to at least six weeks of their income.
- Research shows that this is roughly enough savings to withstand both an income shock (such as job loss) and an expense shock (such as emergency car repairs).[4]
- Stimulus checks and other pandemic policies enabled households to save more for several years but 2024 data indicates that they have now fully spent down their extra savings.[5]

Households With at Least Six Weeks' Worth of Income in Liquid Savings



Aspen FSP analysis of the Survey of Consumer Finances

Households had less debt relative to their income and their assets than in 2019

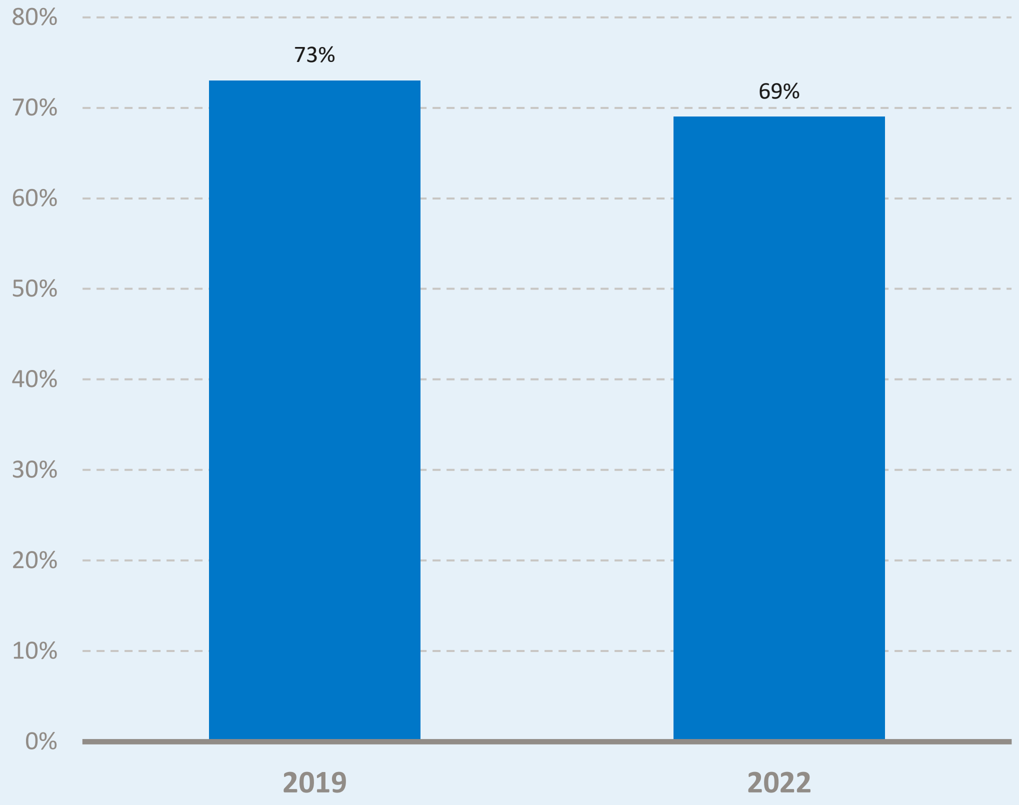
TNWA objective on Debt Resolution: By 2050, households will rarely be burdened by debts that undermine their financial stability and well-being, medical debt and student loan debt in particular. Borrowers who struggle to repay debts will be able to successfully resolve those debts without permanent damage to their ability to build wealth.

- Between 2019-2022, households made significant progress toward reducing and resolving burdensome debts:
    - Households took on more debt, but increased their assets by a greater amount.
    - Fewer households had burdensomely high levels of debt–defined in SCF as spending more than 40% of family income on debt–than at any time going back to 1989.
    - The median household with student loan debt owed less in 2022 than 2019.
- However, those gains may be evaporating already.
    - In early 2024, delinquencies rose for nearly all types of debt. Increases were highest for credit card debt and auto loans.[6]
    - As of mid-2024, 19 million borrowers had not yet resumed making federal student loan payments following the end of the payment pause in October 2023.[7]

Student loan borrowers were still highly likely to carry burdensome amounts of debt, but slightly less than in 2019

- Previously, Aspen FSP established $10,000 as an appropriate, affordable level of student loan debt for a graduate of a four-year institution. That is approximately $11,600 in 2022 dollars.[8]
- In 2022, one in three households had student loan debt. Among them, 69% had student loan debt greater than $11,600–down from 73% in 2019.
    - Black and Hispanic/Latino households with student loans experienced the largest reductions in this indicator, down four percentage points and thirteen percentage points respectively.
- What drove these outcomes?
    - Some people had loans forgiven between 2019-2022.
    - Others continued to make payments during the pandemic student loan payment pause.
    - New borrowers took out smaller loans.

Households with Student Loan Debt Are Likely to Owe Burdensome Amounts (balance greater than $11,600 dollars)

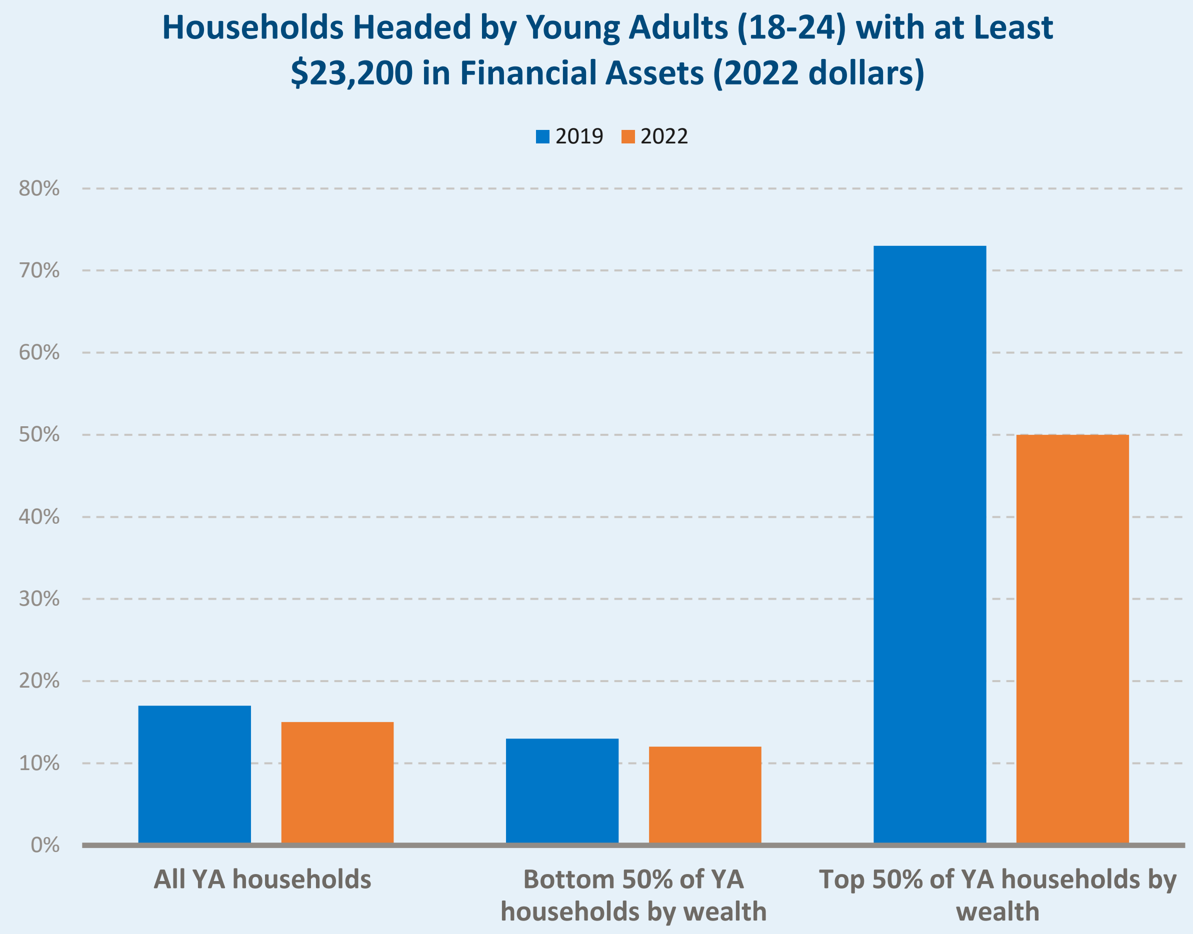


Aspen FSP analysis of the Survey of Consumer Finances

Young adult households are unlikely to own enough financial assets to be resilient and invest in their futures

TNWA objective on Startup Capital for Life:
By 2050, all young adults (18-24) will have financial assets in the tens of thousands of dollars that can be used to invest in wealth-building endeavors.

- Previously, Aspen FSP established $20,000 as an amount that would enable young adults to invest in their futures without taking on debt. Adjusted for inflation, that is approximately $23,200 in 2022 dollars.
- Currently, it is rare for young adult households to have significant financial assets. They frequently face financial instability and must borrow to invest in their futures, or simply forego opportunities to do so.



Aspen FSP analysis of the Survey of Consumer Finances

The pandemic caused upheaval in higher education, but bachelor’s degree students’ graduation rates did not change much

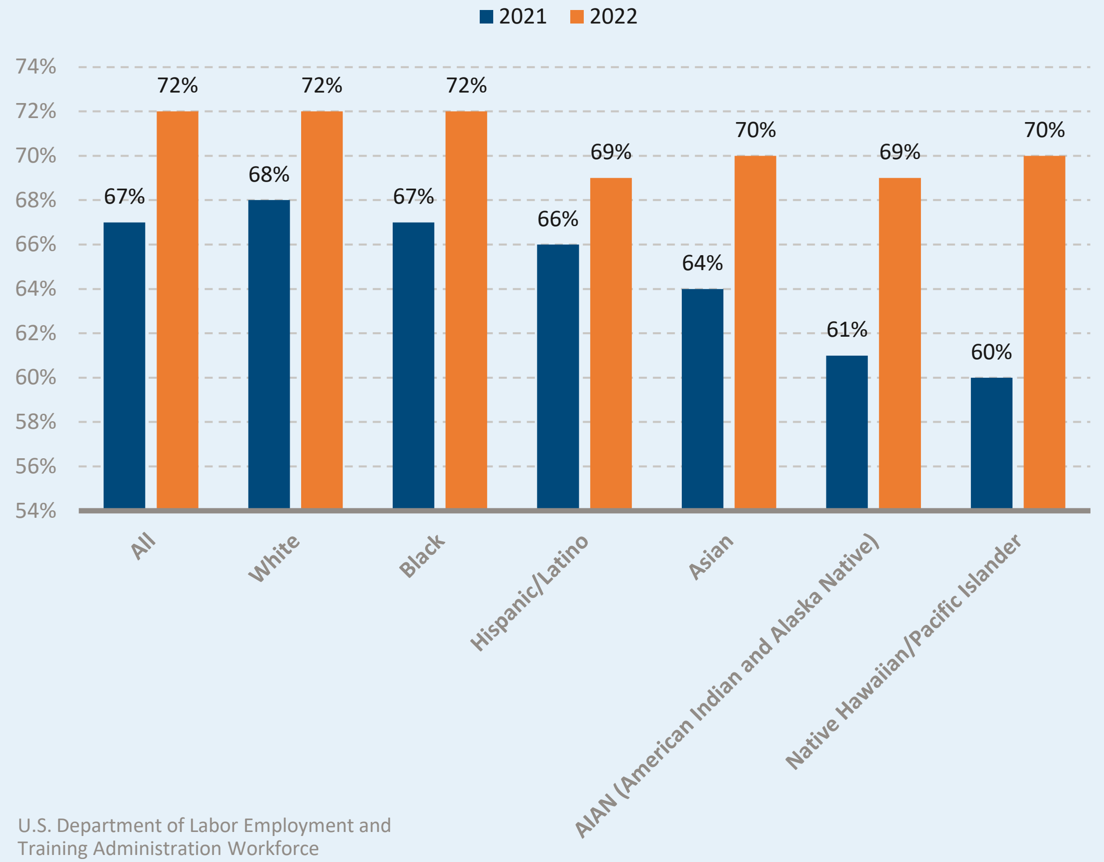
TNWA objective on Wealth-Building Career Pathways: By 2050, everyone will have the opportunity to receive career- and wage-boosting post-secondary education and training without incurring burdensome debt.

- Previously, Aspen FSP established four indicators of people’s access to and ability to benefit from education and training. Of the three related to higher education, only one has data available after 2021: the six-year bachelor’s degree completion rate, provided by the National Student Clearinghouse Research Center.[9]
- COVID-19 caused dramatic changes in higher education, as K-12 schools and universities moved classes online, potential students opted to work instead of enroll in degree programs, and many experienced serious illness or needed to provide care to family members.
- Despite these rapid changes, the six-year bachelor’s degree completion rate did not change much. Before the pandemic, in 2019 the rate was 60.7%. It peaked at 62.3% in 2022, and was 62.2% in 2023.

Workers who recently completed certified or registered workforce development programs were more likely to be employed

- By 2022, the labor market had fully recovered from the 2020 spike in unemployment. Lower-paid workers' pay was rising quickly,[10] though in 2022 inflation cut into their wage gains.[11]
- Participants in certified or registered workforce development programs, such as apprenticeships and skill-based career training, were highly likely (72%, up from 67% in 2021) to be employed in the fourth quarter after completing their programs. This data is collected annually by the U.S. Department of Labor.[12]

Employment Rate of Workers in the Fourth Quarter After Exiting a Workforce Development Program



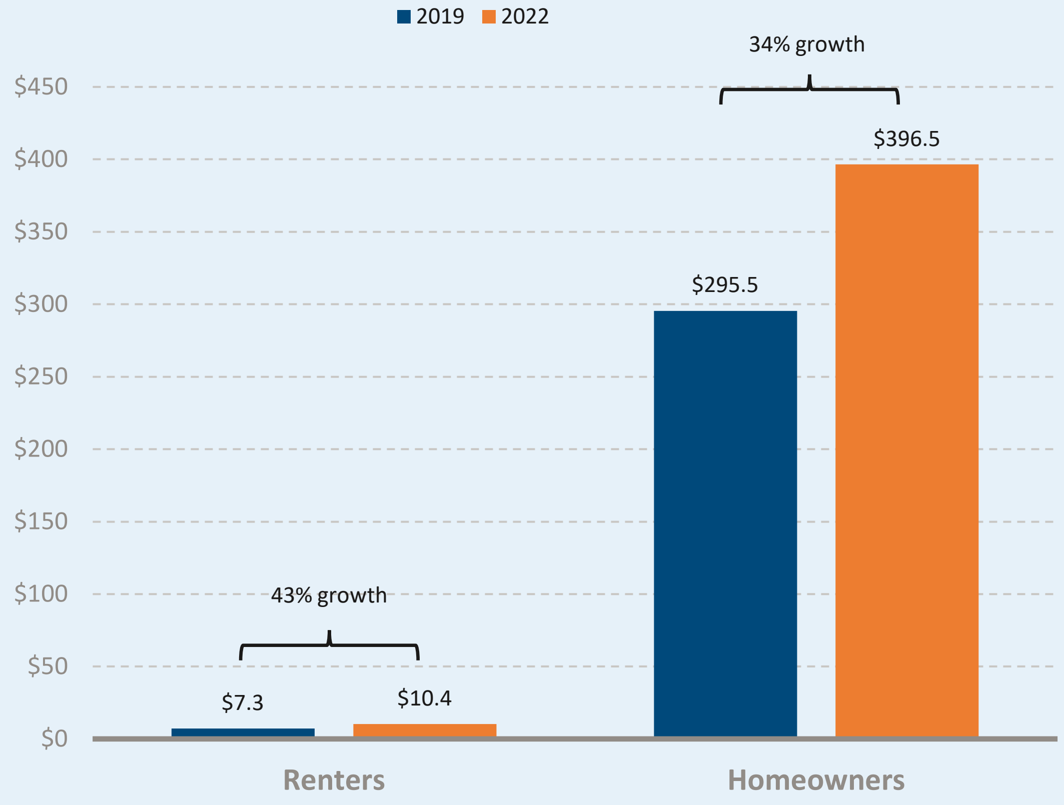
U.S. Department of Labor Employment and Training Administration Workforce Performance Results

Homeowners reaped windfalls between 2019-2022. Renters' wealth hit a historic high of $10,400.

TNWA objective on Equitable Homeownership: By 2050, regardless of their race or ethnicity, gender, health, or disability, every renter who wants to buy a home have will have real opportunities to do so; borrowers will be equally able to secure affordable mortgages; and homeowners will be able to sustain homeownership and comparably able to accrue home equity and wealth.

- Homeowners' median wealth increased by 34%, or $101,000.
- Renters' median wealth increased by 43%, or $3,100.
    - Stock market investments and vehicle ownership drove increases.
    - Renters also reduced their median debt by about $1,000.
    - Rapidly rising rents challenged renters' financial stability. Almost half of renter households were cost-burdened, and renters' median bank account balances remained nearly flat, increasing by $100, between 2019-2022.

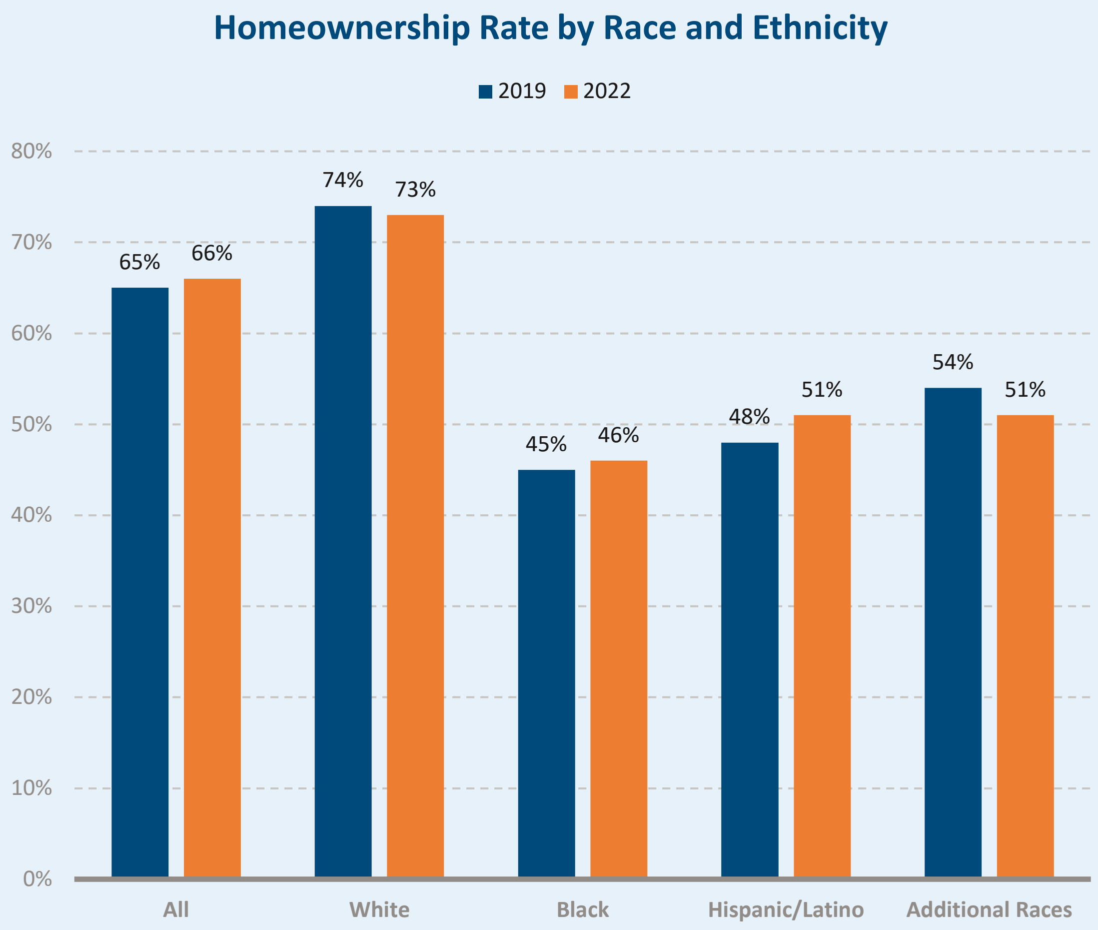
Median Net Worth for Renters and Homeowners (Thousands of 2022 Dollars)



Aspen FSP analysis of the Survey of Consumer Finances

Some dimensions of homeownership became more equitable, but racial disparities persisted

- Aspen FSP established four indicators of equitable homeownership: The proportion of renters who are cost-burdened; homeownership rates by race and ethnicity; median home equity by race and ethnicity; and the proportion of homeowners with greater than 20% equity in their homes.
- Homeownership rates were nearly flat overall, but Hispanic/Latino homeownership rose by 3.5 percentage points. For the first time, more than half of Hispanic/Latino households owned their homes.

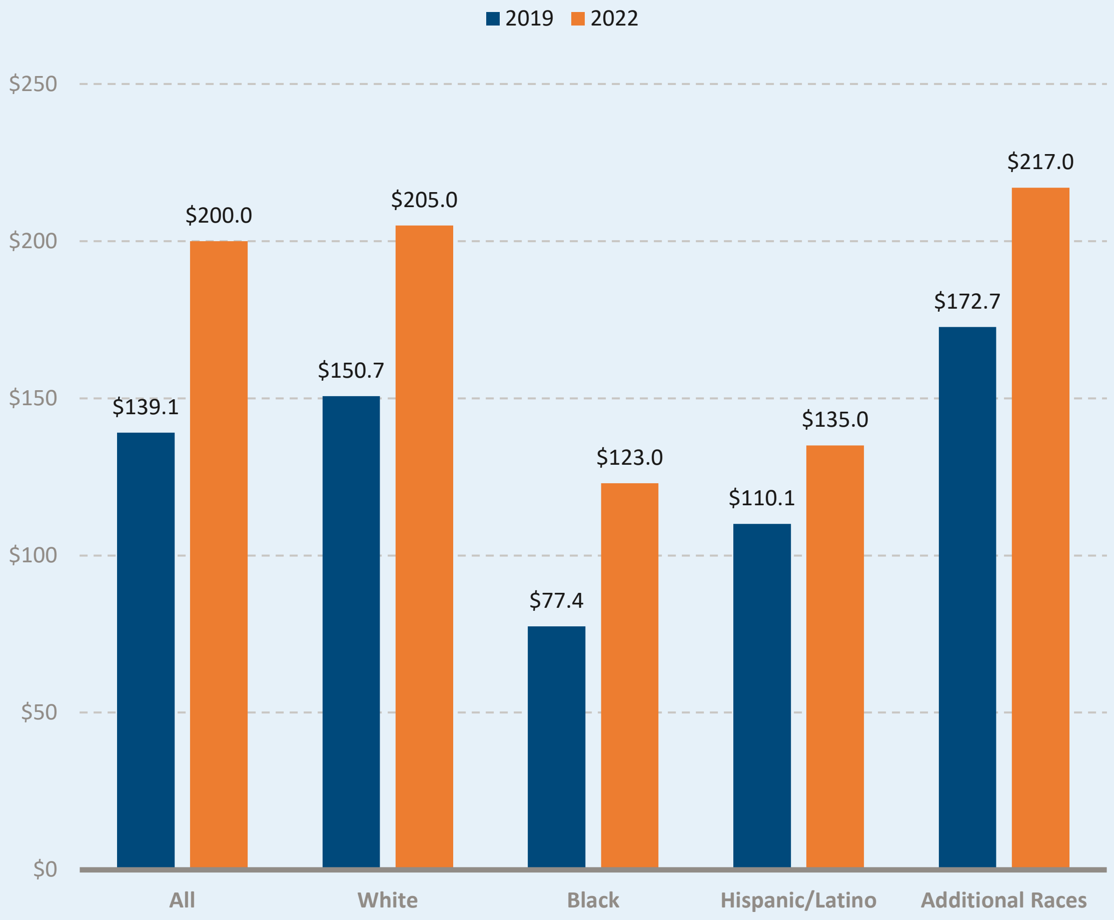


Aspen FSP analysis of the Survey of Consumer Finances

Some dimensions of homeownership became more equitable, but racial disparities persisted (continued)

- Pandemic response policies led to further declines in interest rates between 2020 and early 2022, and, along with changing consumer preferences, contributed to rising home values.
    - White homeowners' median home equity grew by $54,300 while Black homeowners' median home equity grew by $45,600.
    - About one in four homeowners refinanced in 2020-2021 to benefit from lower interest rates.[13] White owners were more likely to apply and be approved to refinance than Black and Hispanic/Latino borrowers.[14]

Median Home Equity by Race and Ethnicity (Thousands of 2022 Dollars)



Aspen FSP analysis of the Survey of Consumer Finances

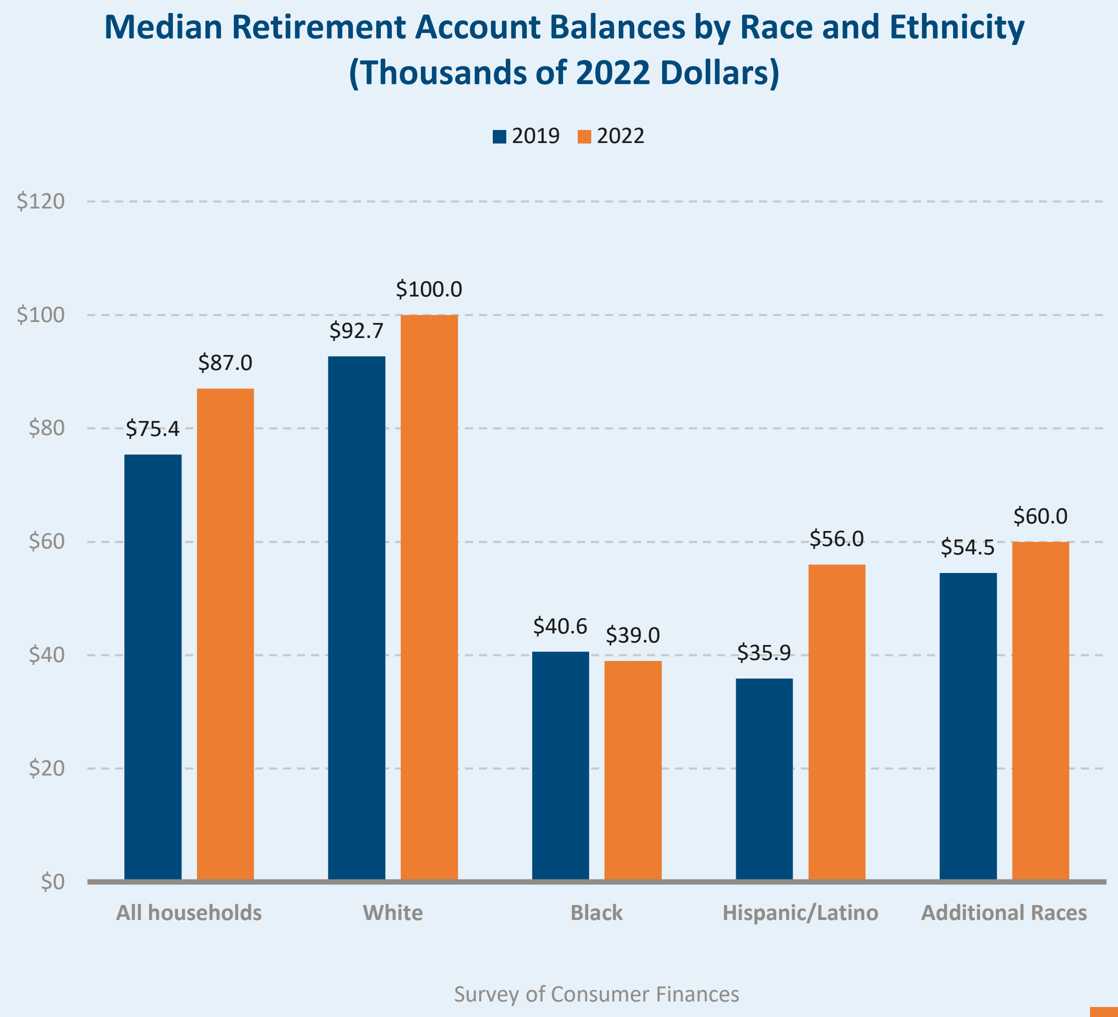
Retirement security improved for millions of people

TNWA objective for Retirement Security: By 2050, regardless of employment arrangement, everyone will have funded and user-friendly retirement accounts that enable them to meet their goals in retirement and pass down wealth to their families and communities.

- Aspen FSP previously established three indicators for retirement security:
  - The proportion of households with retirement accounts of any type;
  - The median balance for households with retirement accounts; and
  - The proportion of households with retirement risk (using Boston College's Center for Retirement Research index).
- All three indicators improved between 2019-2022.
  - Retirement account ownership increased by almost four percentage points to 54% of households.
  - The median balance of households' retirement accounts rose by 16% to $87,000.
  - The Center for Retirement Research's Retirement Risk Index 2.0 fell from 47% in 2019 to 39% in 2022.[15] This means that fewer non-retired households were at risk of being unable to maintain their standard of living in retirement.
- There is evidence that the trend of rising rates of retirement account ownership has continued in 2023 and 2024, as state platforms for private sector workers have grown rapidly, now totaling nearly 900,000 accounts.[16]

Households of color and lower-wealth households did not benefit as much as others from gains in retirement savings

- White households are still the most likely to own retirement accounts and have the highest median balances.
- 35% of Black households owned retirement accounts in 2022. The median balance did not change significantly, reaching $39,000.
- Only 28% of Hispanic/Latino households owned a retirement account in 2022. Their median balances grew significantly between 2019-2022, increasing 55% to $55,600.
- Research from the Collaborative for Equitable Retirement Savings found that Black and Hispanic workers withdraw a larger portion of their account balances before retirement and take pre-retirement withdrawals more frequently than their white counterparts. These differences grow more extreme the closer people get to retirement.
- Solutions to provide liquidity options and mitigate pre-retirement withdrawals could significantly reduce racial and gender disparities in retirement account balances.[17]



Innovative strategies to expand asset ownership and protect people's wealth continued to emerge

In *The New Wealth Agenda*, Aspen FSP identified two areas where innovation is creating new, scalable opportunities to support wealth-building: expanding access to assets through shared ownership and new strategies to de-risk assets and protect wealth.

- We did not establish indicators for these objectives due to their emergent nature. We may do so in the future.
- In the past year Aspen FSP initiated projects on shared ownership of commercial real estate[18] and innovations in workplace-based insurance products.[19]

We call on leaders across sectors to:

- Invest in the benefits that increased financial stability during the upheaval and uncertainty caused by COVID-19.
  - Modernize and integrate public benefits systems to ensure that the $80 billion per year in unclaimed benefits flow to eligible households.
  - Ensure that workplace benefits support both employees' financial stability and wealth-building potential.
- Build on increased participation in investment markets among low-wealth investors and people of color.
  - Enable all adults to access retirement accounts with best-in-class features and increase matches on their contributions.
  - Leverage technology such as apps to expand direct ownership of investment products.
  - Ensure every child receives an investment account at birth so that all young adults have the resources they need to invest in themselves and their futures.
- Support stronger wealth building pathways for renters, not just in accessing homeownership, but across a wide range of assets.

Learn more about households' financial stability, security, and wealth

The Aspen Institute Financial Security Program's (Aspen FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. Aspen FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans. To learn more, visit AspenFSP.org, join our mailing list at http://bit.ly/fspnewsletter, and follow @AspenFSP on X and The Aspen Institute Financial Security Program on LinkedIn.

Methodology

- Throughout this chartbook, except where otherwise noted, all Survey of Consumer Finances data cited is either available directly through the SCF website or the result of Aspen FSP staff analysis of that data for the 2019 and 2022 surveys.
- Our 2023 publication *The New Wealth Agenda* includes detailed notes on our data analysis. We have used the same process to analyze the data presented in this chartbook.
- The methodology section of that report also provides details on the full range of activities that led to the goal of increasing the wealth of the bottom half of households by wealth and of people of color ten-fold by 2050, including an expert survey, expert interviews, survey of lower-income savers, engagement with Aspen FSP's Community Advisory Group, and more.
- Some TNWA indicators draw on data analysis conducted by other institutions, such as the Boston College Retirement Research Center's Retirement Risk Index. In all such cases, we identify the source data and include citations.

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