



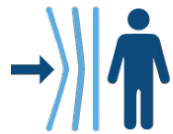
Debt: When it helps, when it hurts, And what it could do to build household wealth



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.”

No Household Achieves Financial Security Without Wealth.

WEALTH HAS 5 KEY FUNCTIONS IN PEOPLE'S LIVES:



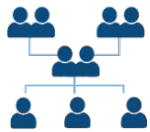
1. RESILIENCE

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.



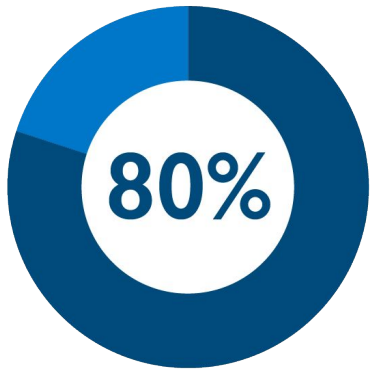
5. OWNERSHIP, VOICE, & CONTROL OVER ASSETS AND INSTITUTIONS

Asset ownership gives people a decision maker role and boosts social and civic engagement.

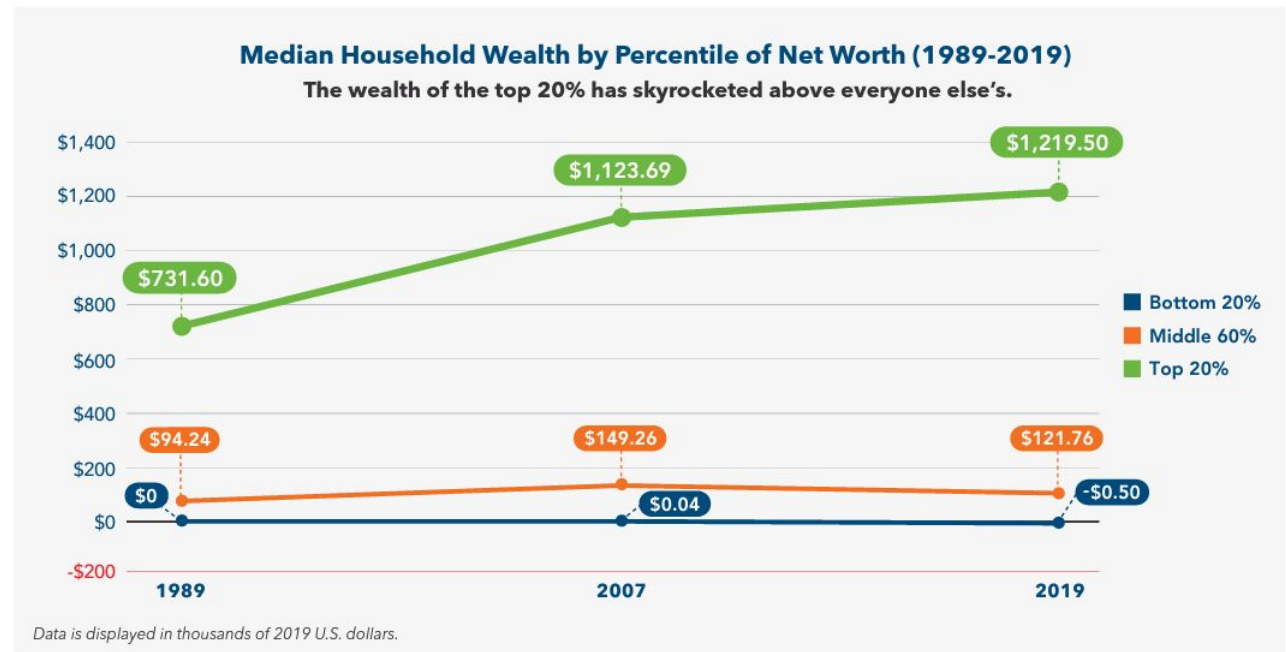
But Most US Families Are On the Wrong Wealth Trajectory.

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)

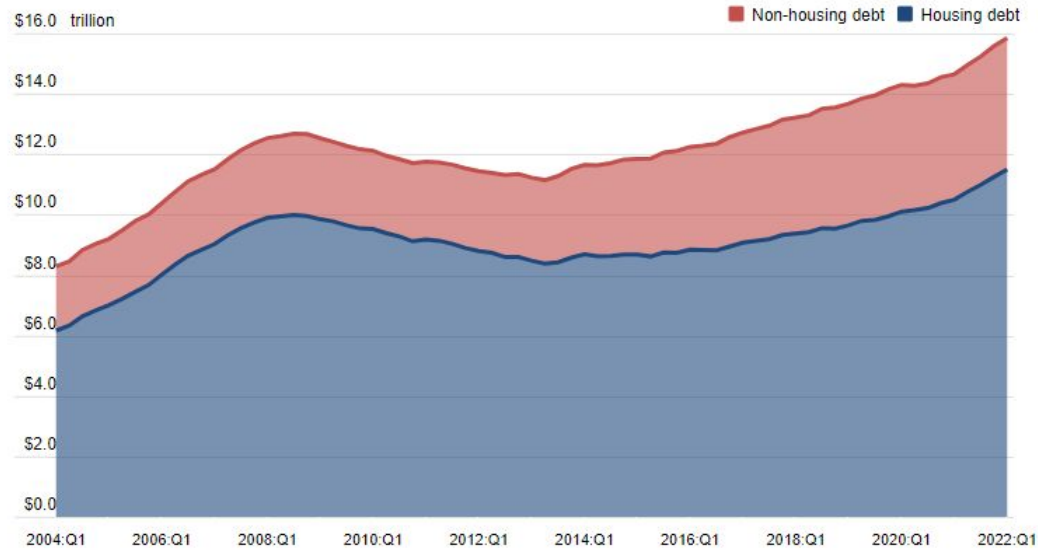


Source: Aspen FSP analysis of Federal Reserve Board, 2019 Survey of Consumer Finances.

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

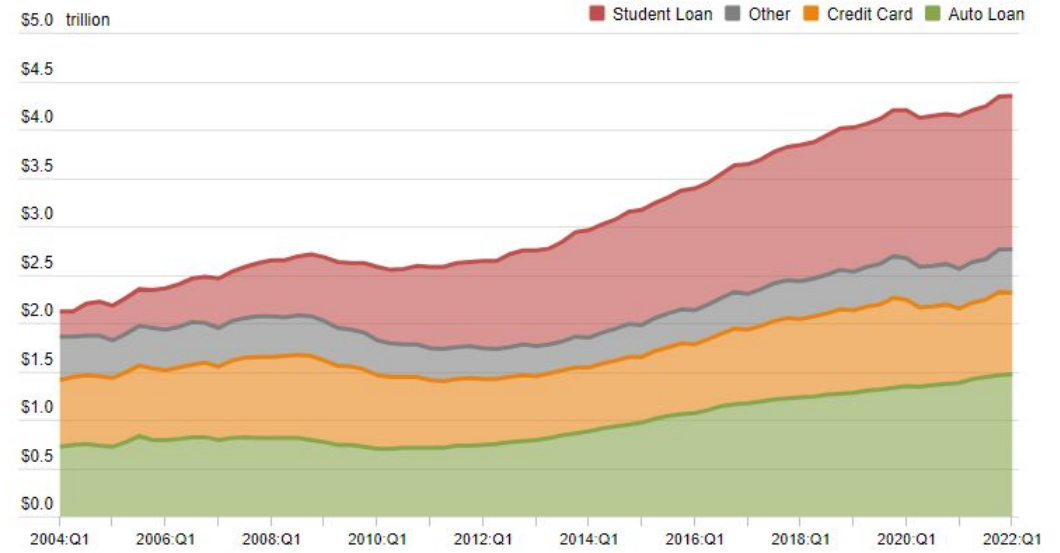
MORTGAGE LOANS AND STUDENT LOANS ACCOUNT FOR THE MAJORITY OF THE INCREASE IN DEBT SINCE THE GREAT RECESSION.

Total Debt Balance



Source: FRBNY Consumer Credit Panel/Equifax.

Non-Housing Debt Balance



Source: FRBNY Consumer Credit Panel/Equifax.

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.

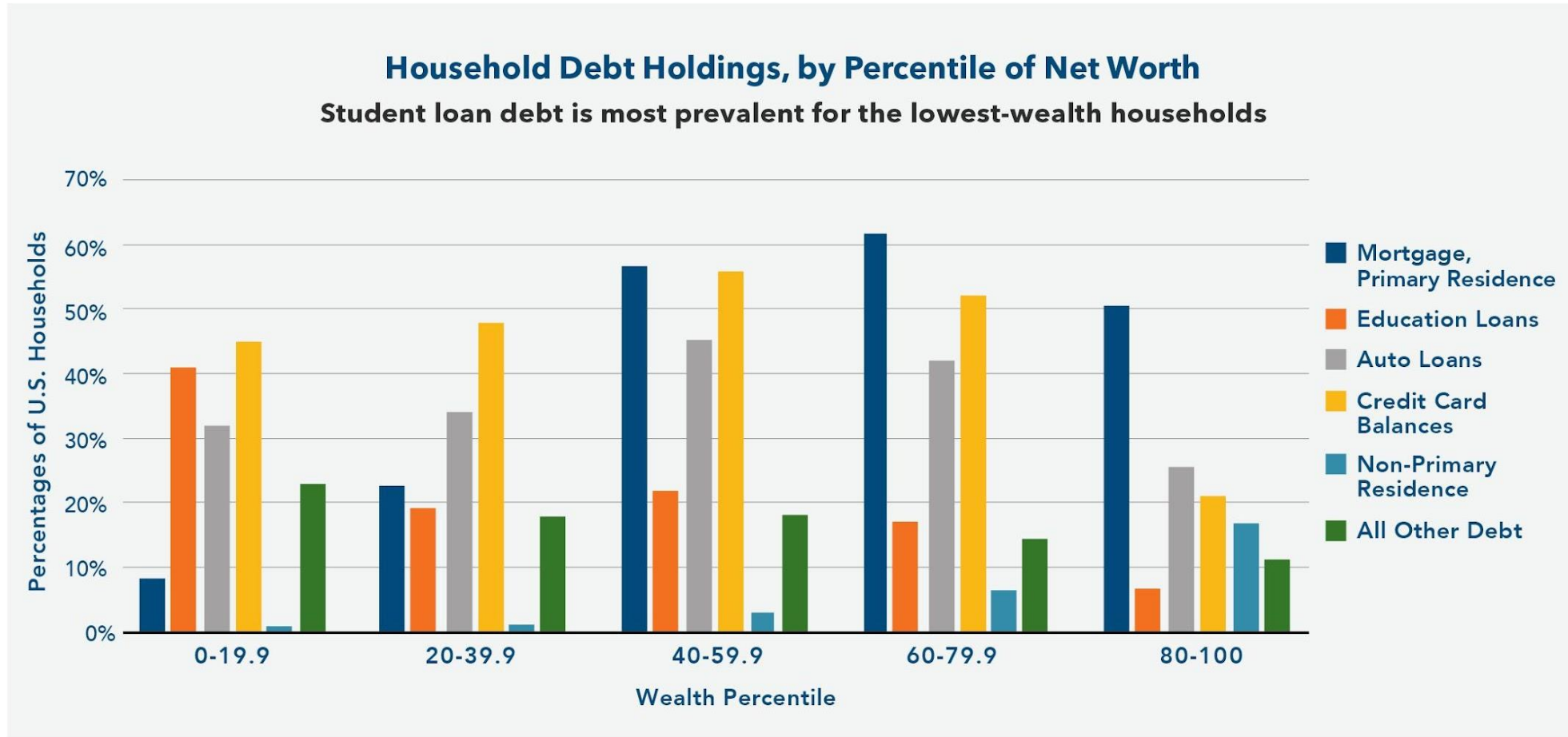


1 in 4 homeowners refinanced their mortgages in 2020-2021, with most increasing their balances.



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



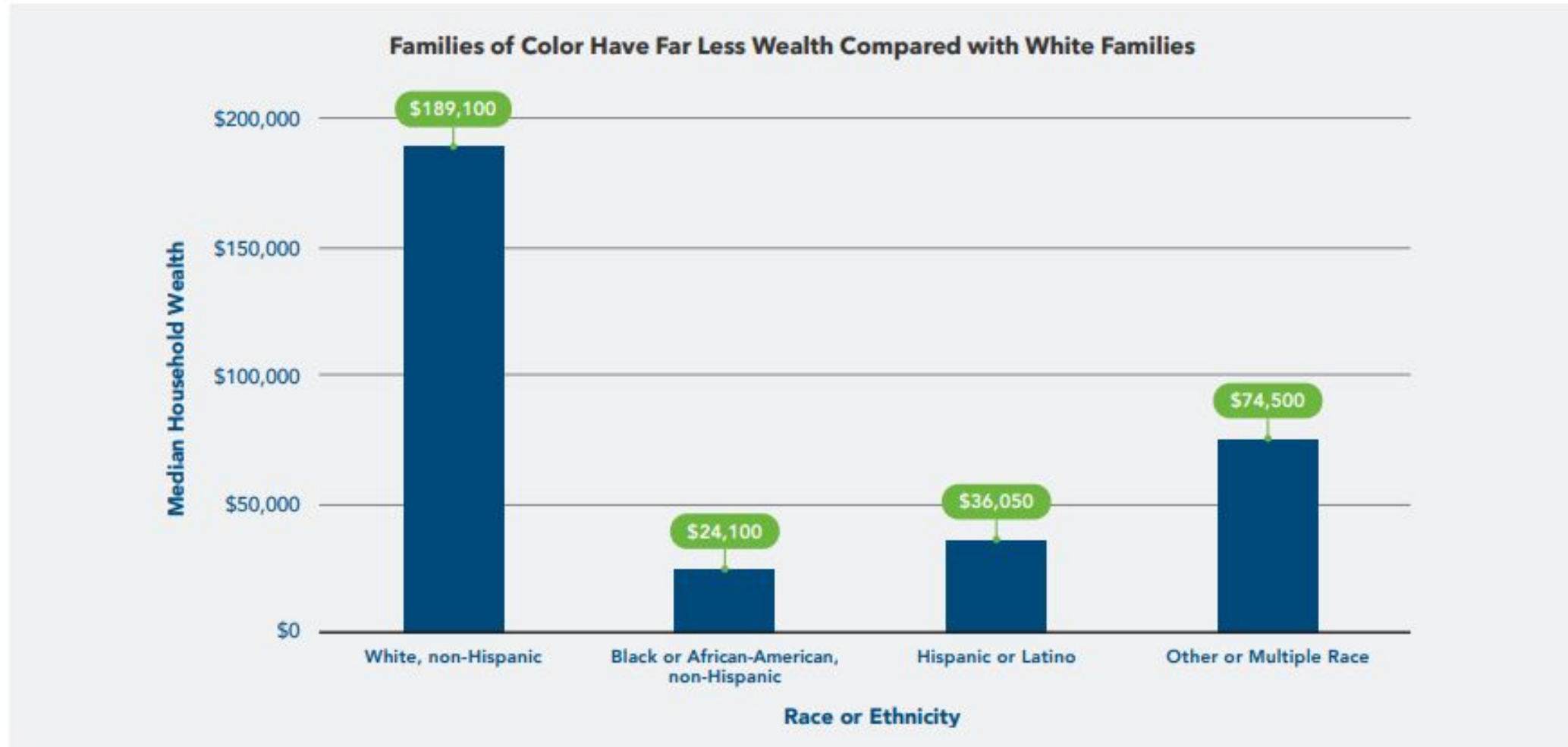
Source: Aspen FSP analysis of Federal Reserve Board, 2019 Survey of Consumer Finances.

Households' Debt Profiles Also Vary Significantly by Race and Ethnicity

WHITE FAMILIES ARE MOST LIKELY TO HAVE DEBTS THAT HELP THEM BUILD WEALTH.

Type of Debt	White	Black	Hispanic/Latino	Other and Multiracial
 Mortgage, Primary Residence	44.4%	27.3%	32%	37.6%
 Other Property Debt	5.5%	2.9%	2.9%	4.1%
 Credit Card Balances	44.5%	47.7%	49.9%	43.7%
 Vehicle Loans	37.4%	33.8%	40.1%	35%
 Education Loans	20%	30.2%	14.3%	24.3%
 All Other Debt	15.8%	16.1%	18.7%	17.4%

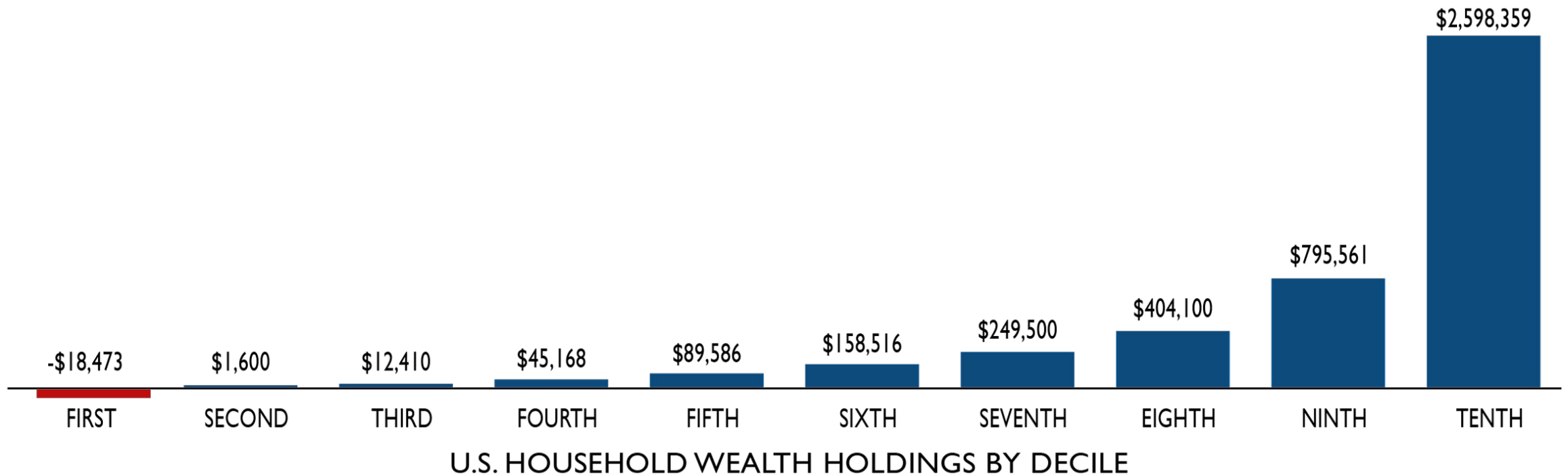
Racial Disparities in Debt Contribute to Racial Wealth Gaps



Source: Federal Reserve Board, 2019 Survey of Consumer Finances.

Half of All U.S. Households Don't Have Much Wealth

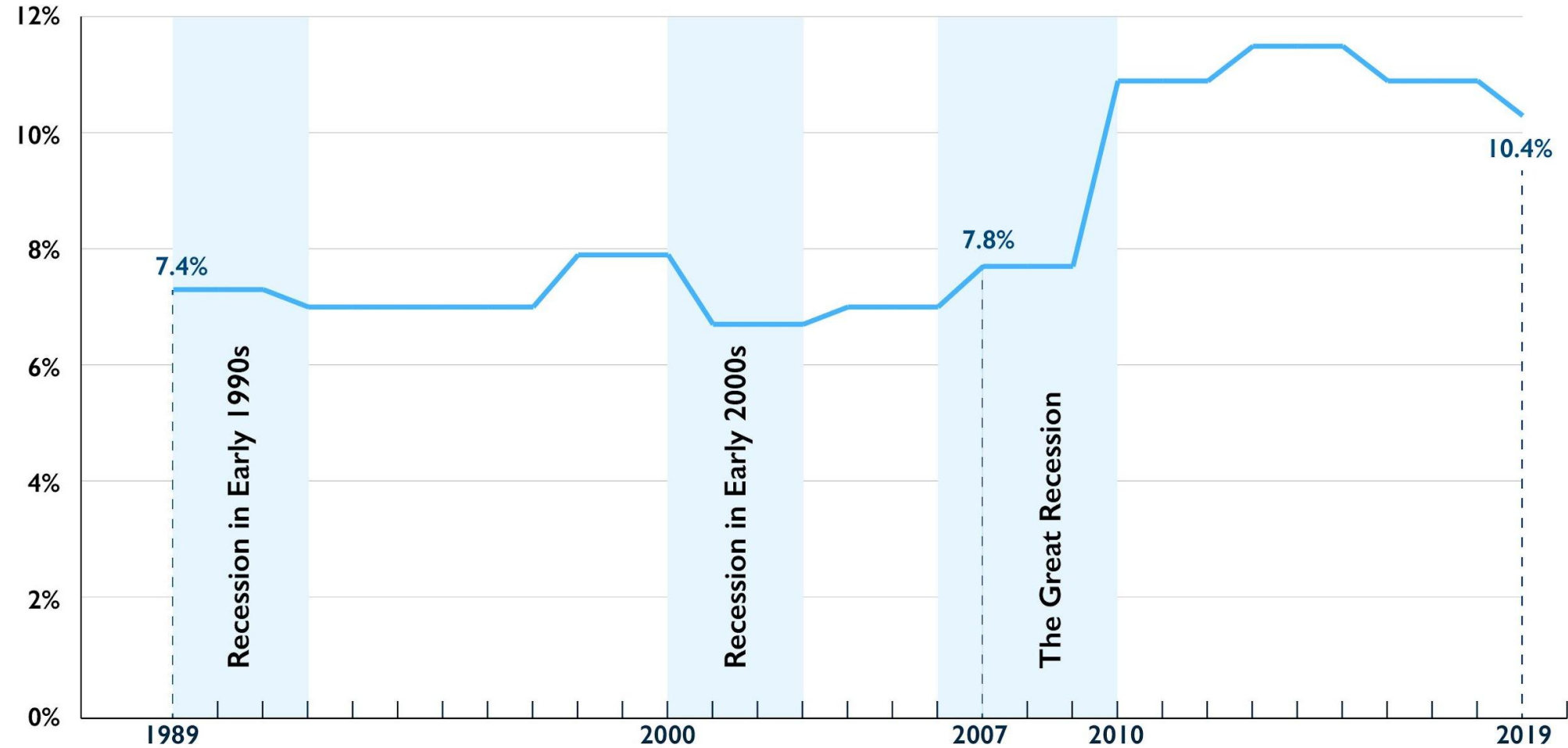
DEBT UNDERMINES WEALTH BUILDING FOR MANY LOW-NET WORTH HOUSEHOLDS.



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

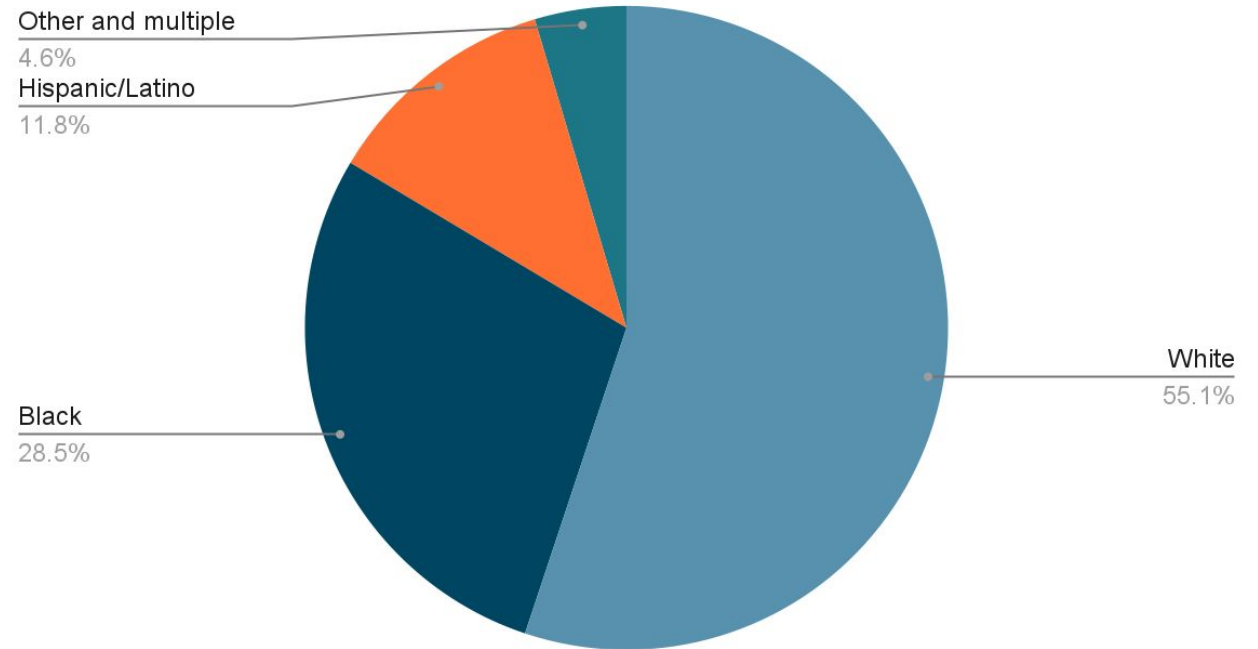
Percentage of Households with Negative Net Worth 1989 - 2019



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

Racial composition of households with negative net worth



Five Enabling Conditions, and One Precondition, Must be in Place for Any Household to Build Sustainable Wealth

HOUSEHOLDS NEED EACH ONE IN PLACE AT THE RIGHT TIME TO BUILD 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.

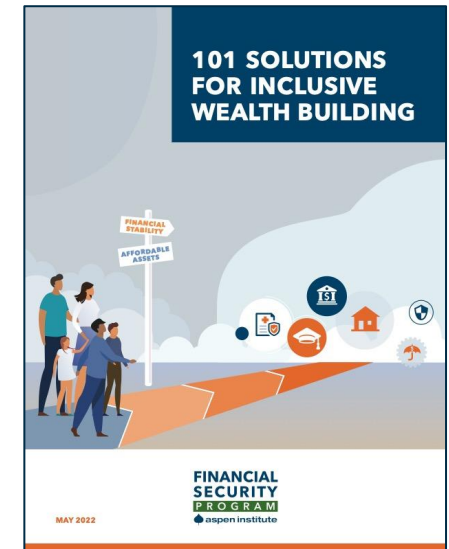
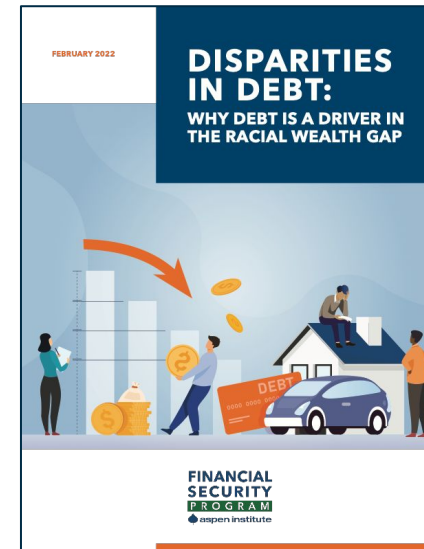
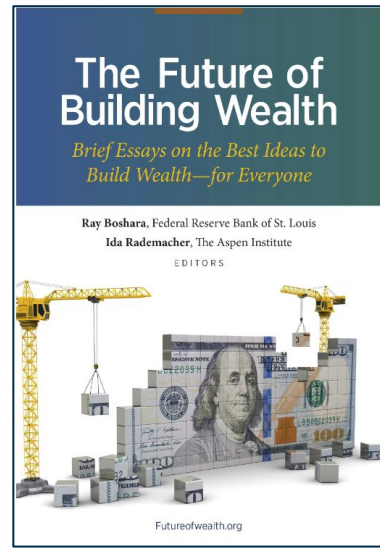
FINALLY: Maintain Wealth

5 WEALTH PROTECTION

After purchasing and building up wealth-creating assets, people must have the ability to maintain and protect their wealth from loss.

Aspen FSP's Research on Wealth Inequality

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.



FINANCIAL SECURITY PROGRAM

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The Aspen Institute

2300 N St NW | Suite 700 | Washington, DC 20037

www.aspenfsp.org

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