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Comparing the Financial Status of Generation X Families

By Craig Copeland, Ph.D., Employee Benefit Research Institute

AT A GLANCE

Generation X is being called the "sandwich" generation because they have reached the point in their lives where they are frequently paying for their children's expenses — including their college education — while also taking on the responsibilities of caring for their parents. This is happening as they close in on retirement. This *EBRI Issue Brief* examines key financial status indicators of Generation X families and compares them with those of older and younger generations. The comparisons not only evaluate the Generation X families against other generations as of 2016 but also by how the indicators differed when prior generations were the same ages as Generation Xers were in 2016. In particular, homeownership, net worth, debt-to-asset ratios, and retirement plan ownership and balances are the emphasis of the analysis.

Key findings:

- Generation X families in 2016 were more likely to have an individual account (IA) retirement plan than families of Millennial and Baby Boomer generations, but they were less likely than the Baby Boomer families to own a home or have any type of retirement plan.
- Furthermore, Generation X families had lower homeownership rates than did prior generations of families when their heads were ages 40–51 (e.g., families with heads ages 40–51 in 2004).
- However, Generation X families in 2016 were more likely to have owned an IA retirement plan (60.1 percent) than families with heads ages 40–51 were in 2004 (58.7 percent).
- The percentage of Generation X families holding debt in 2016 was lower than it was for the families of the same ages in 2004 (86.8 percent vs. 88.5 percent).
- The median net worth of families with heads ages 40–51 in 2004 was $151,861 in 2016 dollars. This value decreased to $103,130 for families with heads of these same ages in 2016. Furthermore, the median net worth in 2016 was below the 1992 value for families with heads ages 40–51.
- Median IA retirement plan balances were the only financial status indicator values that were higher in 2016 than they were in 1992 and 2004. Specifically, the median IA plan balances for families with heads ages 40–51 were $27,486 in 1992, $43,170 in 2004, and $60,000 in 2016.

While Generation X overall showed financial status indicators being below what they were for prior generations overall at their ages in 2016, the impact was *not* universal across Generation X. The families associated with disadvantaged groups were the driving force for the lower overall financial indicator results. In fact, the families with incomes in the upper two quartiles had nearly equal results to those of prior generations. However, the financial indicators for the Generation X families with incomes in the lower two income quartiles were so much worse than for prior generations

that they pulled down the overall results for Generation X. Furthermore, families with minority heads and heads without a bachelor's degree also did not fare as well as their counterparts after 2004.

Generation X families, while improving their financial status from prior years, are behind financially relative to older generations. How this generation uses its remaining years of working will tell the tale of their financial success in retirement. Will they up their savings? Will they work longer? Will they reduce their debt? All these will be difficult for most to achieve, particularly for the low-income families.

Craig Copeland is senior research associate at the Employee Benefit Research Institute (EBRI). This *Issue Brief* was written with assistance from the Institute's research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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Introduction

Generation X is being called the "sandwich" generation because they have reached the point in their lives where they are frequently paying for their children's expenses — including their college education — while also taking on the responsibilities of caring for their parents. This is happening as they close in on retirement. Not only are Generation X families experiencing these major expense challenges simultaneously, but this generation experienced the recession of 2008 when many of them were in their 30s — a time when wage growth is typically at its highest. Therefore, this generation has experienced disadvantageous economic conditions during prime earning years compared with prior generations and now are faced with these challenges as they move past their prime earning years, which will make it difficult for them to catch up.

This *EBRI Issue Brief* examines key financial status indicators of Generation X families and compares them with those of older and younger generations. The comparisons not only evaluate the Generation X families against other generations as of 2016 but also by how the indicators differed when prior generations were the same ages as Generation Xers were in 2016. In particular, homeownership, net worth, debt-to-asset ratios, and retirement plan ownership and balances are the emphasis of the analysis.

Data

To assess these financial status indicators, the Survey of Consumer Finances (SCF), the Federal Reserve's triennial survey of wealth, is used as the basis for this study. SCF is a leading source of data on Americans' wealth, as it provides complete information on all the assets and debts held as well as more focused wealth information such as the incidence of retirement plan ownership and account balances. The financial information in SCF is collected at the family level, so all comparisons will be for families based on the age of the family head.[1]

Generation Definitions vs. Age Cohort Definitions

This study uses a different definition for Generation X than what is considered the standard. Generation X families in this study are families with heads born in 1965–1976 (ages 40–51 in 2016) instead of the standard definition of birth years 1965–1980. This definition is used because it matches the definition used in the Retirement Confidence Survey (RCS), where a special report on individuals in Generation X was conducted.[2] Also, it allows for three years in the study, given the years available in SCF,[3] where no families are in the ages 40–51 cohort in more than one of the three years. Consequently, the cohort of primary focus (ages 40–51 in 2016) does not contain an overlapping generation.

Given this definition of Generation X, only in 2016 were those ages 40–51 in Generation X. In the prior years (1992 and 2004), those ages 40–51 were generations that are older than Generation X, such as Baby Boomers. Thus, this analysis compares the financial status of Generation X in 2016 against those of the older generations when they were ages 40–51. Therefore, the trend being examined is the financial status of those ages 40–51 (same for the ages less than 40 and ages 52–64 cohorts) in each of the years, not that of the specific generation over time.

In this study on comparing generations in *2016*, the ages 52–64 category is labeled as Baby Boomers and the ages less than 40 category is labeled as Millennials. It is true that only Baby Boomers were ages 52–64 in 2016, but this age group does not encompass the entirety of the generation, so this category is actually Baby Boomers who were ages 52–64 in 2016 (birth years 1952–1964).[4] For simplicity and exposition, it is just labeled as Baby Boomers, but it should be understood that it does *not* reflect the status of Baby Boomers as a whole, only those with the specified birth years. The Millennial label for the ages less than 40 category does include all the Millennials, but it also includes the four years of Generation X under the standard definition that are not included in this study's Generation X definition. Therefore, again for simplicity, it is labeled as Millennials, but it should be understood that the last of the Generation Xers are included under this label.

While 2016 had fairly clean generational definitions of cohorts falling into the age categories, the same cannot be said for the trend years of 1992 and 2004, as significant overlap of the generational labels fell into the study's age categories. In particular, in 2004, the ages 40–51 cohort only contained Baby Boomers, but the ages 52–64 cohort contained Baby Boomers ages 52–58, with the remaining portion in this cohort coming from the Silent Generation (birth years 1928–1945). In 1992, the Silent Generation filled the ages 52–64 cohort but also was in the ages 40–51 cohort, as the youngest in the Silent Generation would have been ages 47–51. Furthermore, Baby Boomers ages 40–46 in 1992 were in the ages 40–51 cohort, while the Baby Boomers ages 28–39 in 1992 were in the less than 40 age category. Thus, for the trend analysis in this study, generation labels are *not* used as they do not match the cohort ages of 2016. The comparisons only use the ages in the specific years, so no confusion results from trying to place generational labels on ages that don't match their definitions.[5]

Generation Comparison of Key Financial Status Indicators — 2016

When comparing the financial status of cohorts, it is crucial to assess both the incidence and the amount of the specific financial status indicators. The indicators to be studied for their incidence by families are 1) homeownership, 2) individual account (IA) retirement plans (e.g., defined contribution (DC) plans and individual retirement accounts (IRAs)), 3) *any* retirement plan (IA plans plus defined benefit (DB) plans), and 4) debt. For the indicator values, the following are evaluated:

- Net worth (assets minus debts).
- Debt-to-asset ratio (the share of the family's assets that is represented by the family's debts).
- IA plan balances.

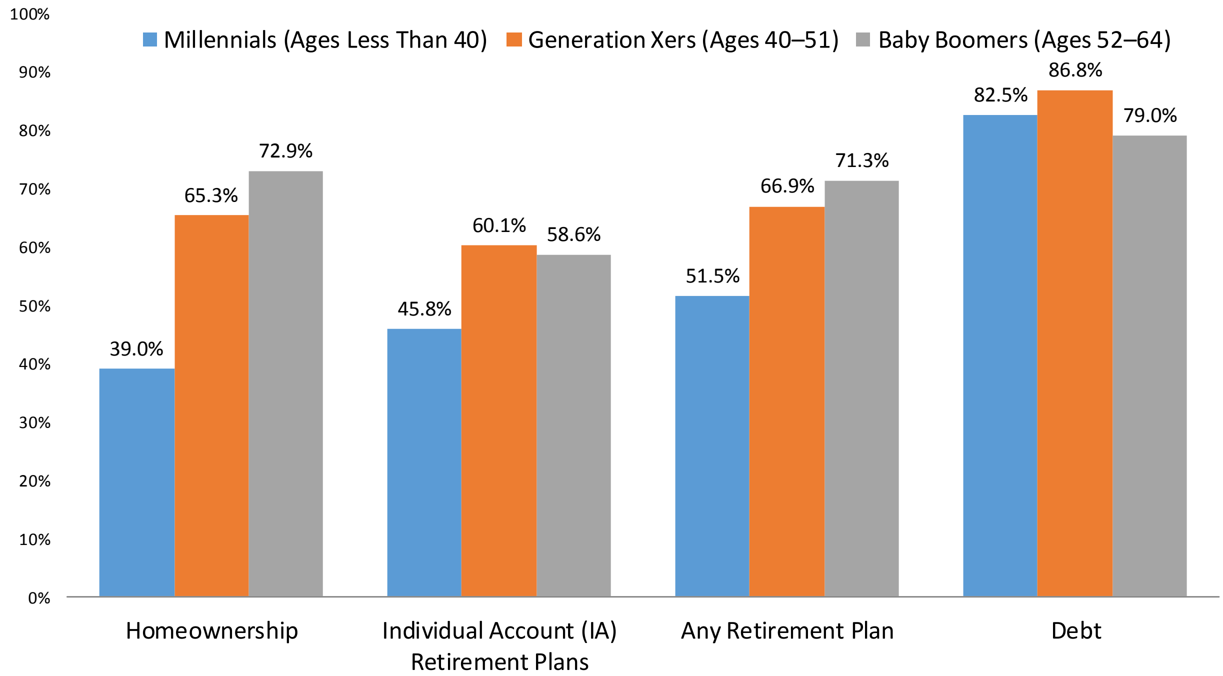
First, these comparisons are done for those of specific ages (generations) in 2016, and then the indicators are judged over time against families with heads of the same ages in the three study years (1992, 2004, and 2016).

In 2016, Baby Boomer families (defined in this study as families with heads ages 52–64 in 2016) were the families most likely to own a home or any retirement plan (Figure 1). Approximately three-quarters (72.9 percent) of Baby Boomer families owned a home in 2016 vs. 65.3 percent for Generation X families (heads ages 40–51 in 2016), the next highest cohort. Millennial families' (heads ages less than 40) ownership rate was 39.0 percent. Furthermore, 71.3 percent of Baby Boomer families had any retirement plan compared with 66.9 percent of Generation X families and 51.5 percent of Millennial families.

In contrast, Generation X families were the most likely to have an IA plan (60.1 percent) and to be holding debt (86.8 percent). Millennial families were the least likely to own an IA plan (45.8 percent), while Baby Boomer families were the least likely to be holding debt (79.0 percent).

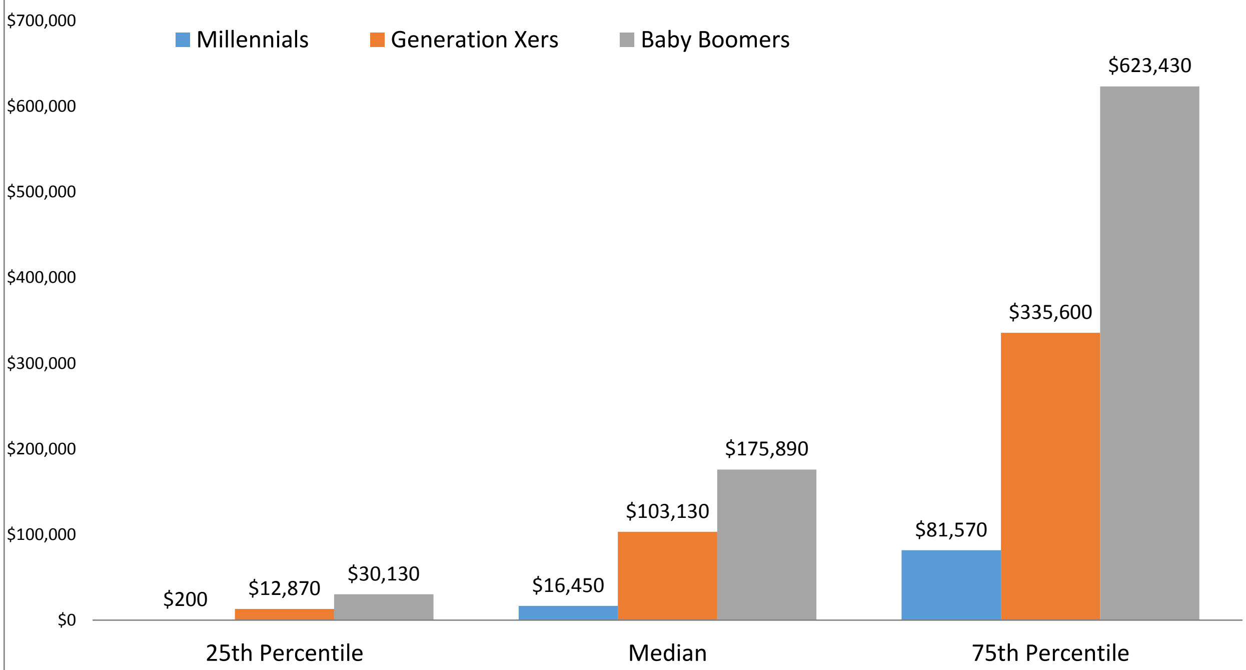
Turning to the values of the studied financial status indicators in 2016, Baby Boomer families were in the best position for each indicator, while Generation X families were in the middle for each. For net worth, Baby Boomer families had a median of $175,890 in 2016 compared with $103,130 for Generation X families and $16,450 for Millennial families (Figure 2). The 25th percentile and 75th percentile of net worths for Baby Boomer families were also higher than for the two younger generations.

Figure 1
Incidence of Various Financial Status Indicators, by Age of Family Head, 2016



Source: Employee Benefit Research Institute estimates of the 2016 Survey of Consumer Finances.

Figure 2
25th Percentile, Median, and 75th Percentile of Net Worth, by Age of Family Head, 2016



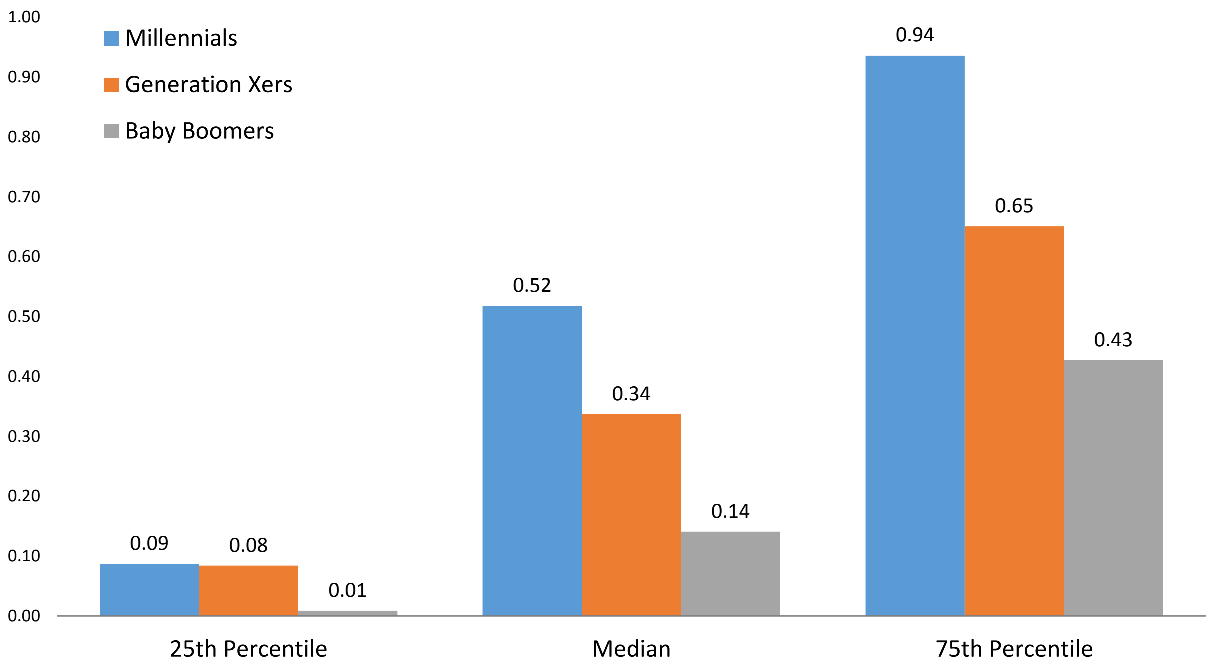
Source: Employee Benefit Research Institute estimates of the 2016 Survey of Consumer Finances.

For the debt-to-asset ratio, a lower number means the family is in a better financial situation since debts are smaller relative to assets. Generation X families had debt-to-asset ratios that fell squarely between those of Baby Boomer and Millennial families. For example, the median debt-to-asset ratio for Generation X families was 0.34 vs. 0.14 for Baby Boomer families and 0.52 for Millennial families (Figure 3). Furthermore, the 75th percentile debt-to-asset ratio reached 0.94 for Millennial families (meaning that their debts were almost equal to their assets) vs. only 0.43 for Baby Boomer families. The 75th percentile debt-to-asset ratio for Generation X families was in between at 0.65.

Although Generation X families were the most likely to have an IA retirement plan, their balances were significantly lower than those of Baby Boomer families. At the median, the IA plan balance of Baby Boomer families was nearly double that of Generation X families (Figure 4). Furthermore, at the 75th percentile, the Baby Boomer family balance was about 80 percent higher than that of the Generation X families. The Millennial family balances were below those of the Generation X families.

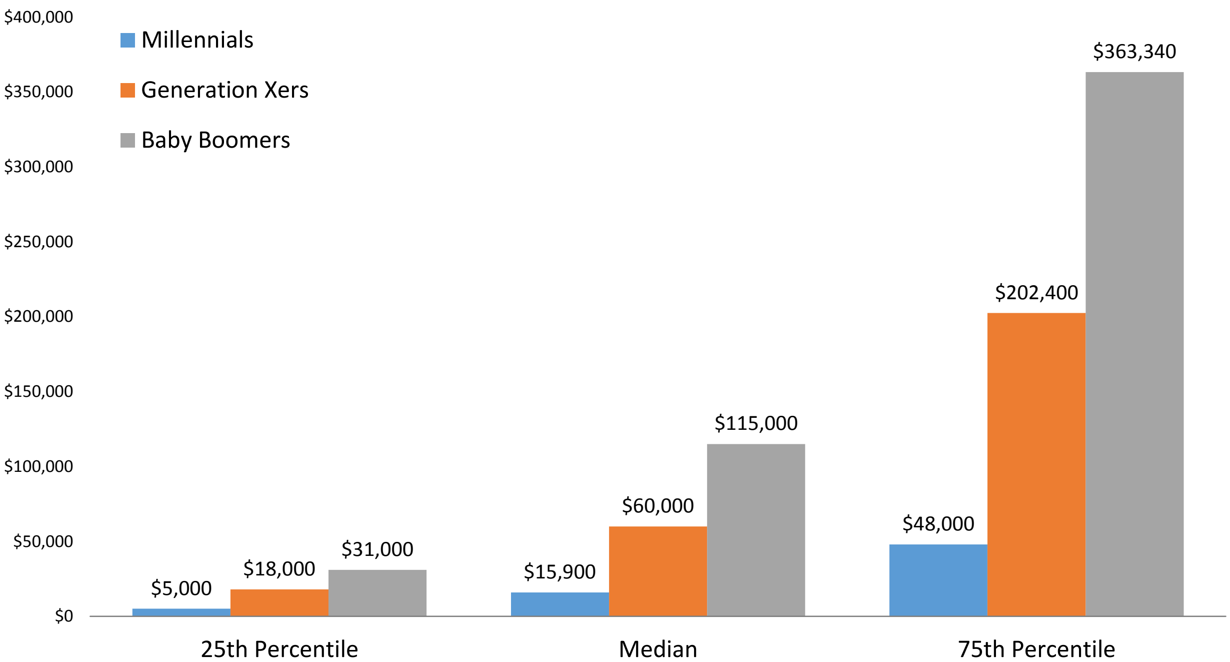
Figure 3

25th Percentile, Median, and 75th Percentile of the Debt-to-Asset Ratio, by Age of Family Head, 2016



Source: Employee Benefit Research Institute estimates of the 2016 Survey of Consumer Finances.

Figure 4
25th Percentile, Median, and 75th Percentile of Individual Account (IA) Retirement Plan Balances, by Age of Family Head, 2016



Source: Employee Benefit Research Institute estimates of the 2016 Survey of Consumer Finances.

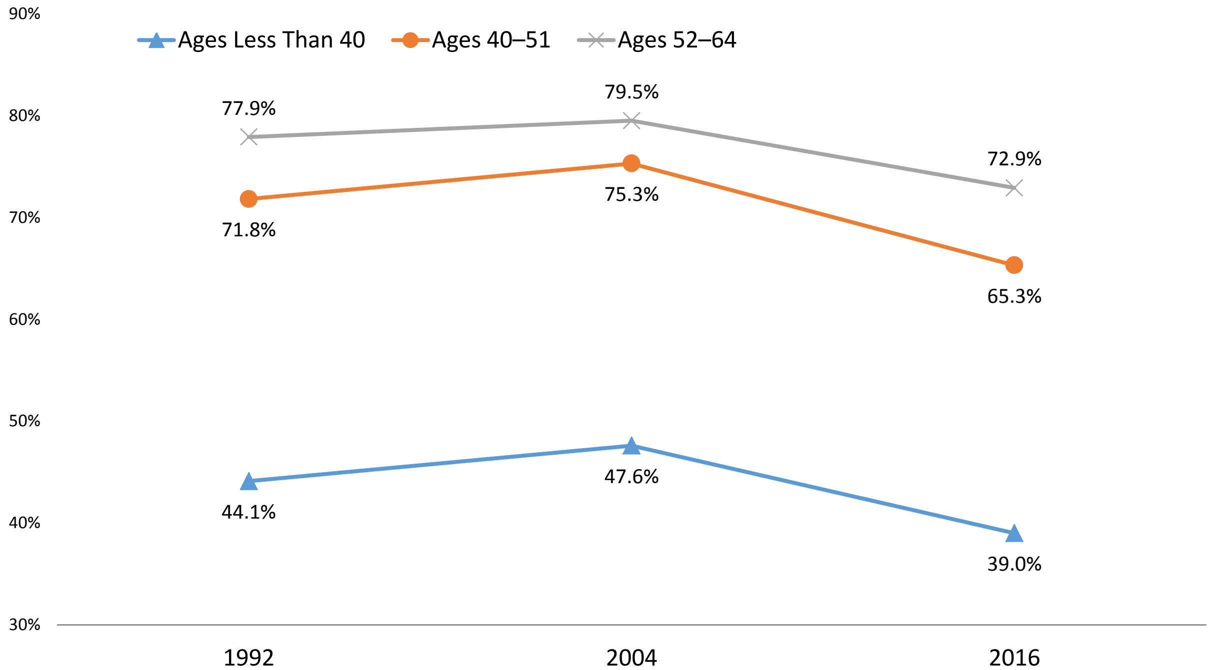
Comparison of Families by the Same Ages of the Family Heads Over Time

A policy topic that has arisen in regard to retirement preparation and general wealth is that younger generations are not as well off financially as prior generations when the younger generations reach certain age thresholds. This section examines the incidence and values of various financial status indicators of families of certain ages in each of three years — 1992, 2004, and 2016. The cohorts, as defined, allow for the ages 40–51 cohort (Generation X in 2016) to have 12 years of birth years. Consequently, by having 12 years among the years studied, there was no overlap in the ages 40–51 cohort among the years studied. Thus, the families with heads ages 40–51 in 1992 had heads ages 52–64 in 2004 and were out of the study in 2016. Furthermore, the families with heads ages 40–51 in 2004 had heads ages 52–64 in 2016. While there was some overlap in cohort of families with heads ages less than 40, as families with 25-year-old heads were in the youngest cohort twice, the focus of the study is on the Generation X families, and the age cohort of 40–51 (Generation X ages in 2016) did not overlap in the three years studied.

In Figure 5, the incidence of homeownership of families with heads in three age cohorts for three different years is shown. Focusing on the ages 40–51 line,[6] the homeownership rates of families with heads those ages in each of the years are presented, where the families with heads ages 40–51 in 2016 had a homeownership rate lower than that of the families whose heads were ages 40–51 in 2004 (65.3 percent vs. 75.3 percent). In fact, the share of families with heads ages 40–51 in 2016 owning their home was also less than the share of families owning their home whose heads were ages 40–51 in 1992.[7]

The lower rate of homeownership in 2016 was not confined to just those families with heads ages 40–51 but also was present for families with heads ages either less than 40 or 52–64. Specifically, the fraction of families with heads ages 52–64 in 2016 was 72.9 percent compared with 79.5 percent for families whose heads were ages 52–64 in 2004. For the ages less than 40 category, the rate of homeownership in 2016 was 39.0 percent, while it was 47.6 percent in 2004.

Figure 5
Percentage of Families Owning Their Home, by Age of Family Head, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

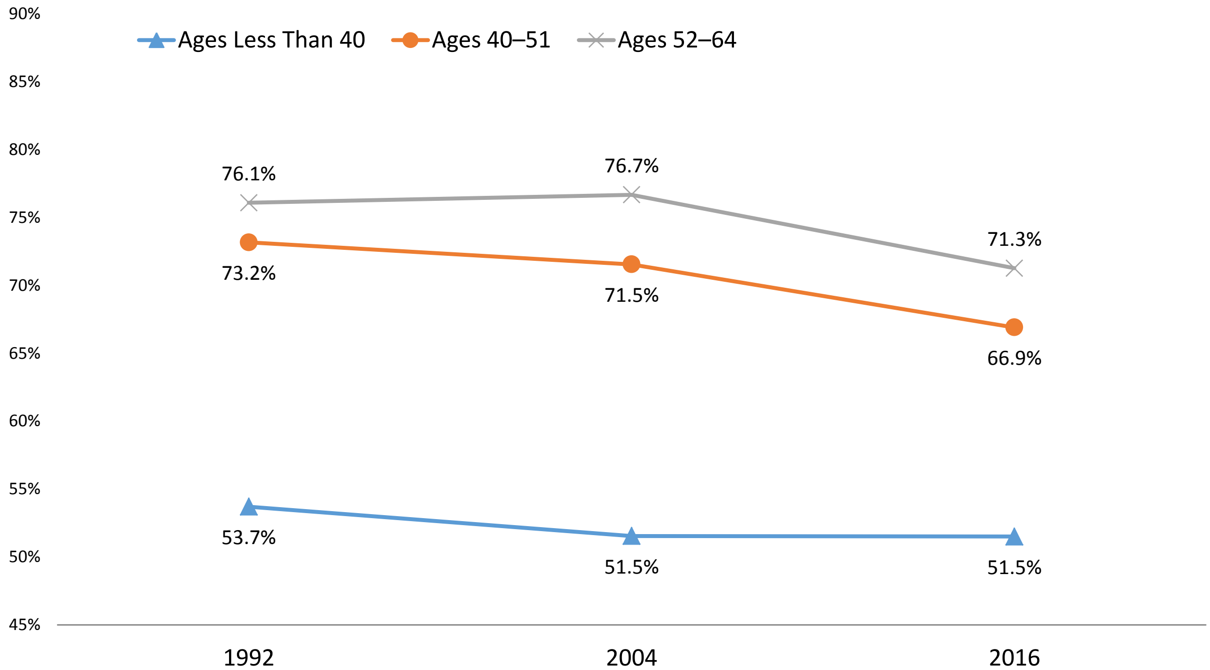
The percentage of families with *any* retirement plan was also lower across the two older age groups from 2004 to 2016 (Figure 6). For example, the percentage of families with heads ages 40–51 having any retirement plan was 71.5 percent in 2004 compared with 66.9 percent in 2016. The 1992 percentage of 73.2 percent was the highest. The percentage of families with heads ages 52–64 having any type of retirement plan was also lower in 2016 at 71.3 percent vs. 76.7 percent for families with heads ages 52–64 in 2004.

However, when focusing on ownership of IA retirement plans, the percentage of families with heads ages 40–51 was higher in 2016 at 60.1 percent compared with 58.7 percent for families with heads those ages in 2004 (Figure 7). This percentage was appreciably above the 51.5 percent for this age group in 1992. The youngest age group also had successive higher percentages from 1992 to 2016. The percentage of families with heads ages 52–64 in 2016 having an IA retirement plan was lower than for families of those ages in 2004, but it was above the percentage in 1992.

One financial status indicator that was at least not worse in 2016 than it was in 2004 was the percentage of families holding debt (Figure 8). Families with heads ages 40–51 had the largest change, as the percentage of families with heads of these ages holding debt moved from 88.5 percent in 2004 to 86.8 percent in 2016. The next oldest age group had a slight variation, while the youngest age group was basically unchanged from 2004 to 2016.

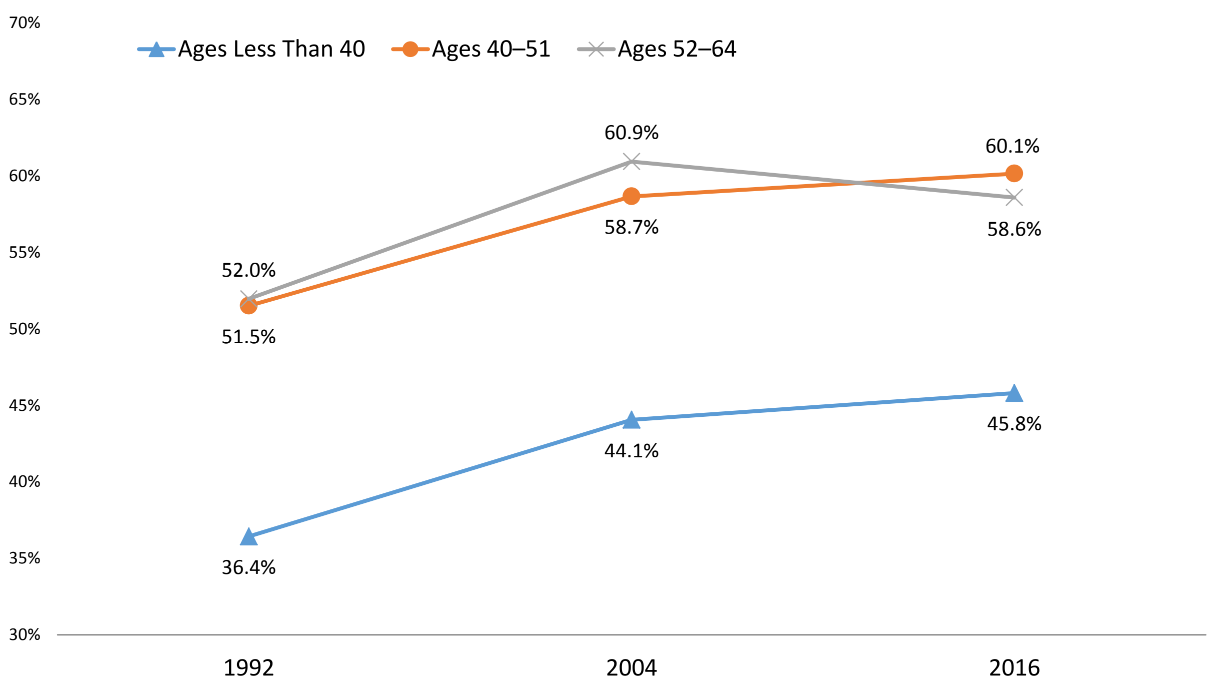
Next, the median values of the three financial status indicators are assessed as the different cohorts move into the specific age groups — starting with net worth. The median net worth of families with heads ages 40–51 in 2004 was $151,861 (2016 dollars) (Figure 9). This value decreased to $103,130 for families with heads of these same ages in 2016.[8] In fact, the median net worth was less in 2016 than in 2004 for each age group. Furthermore, the median net worth in 2016 was below the 1992 values for each age group.

Figure 6
Percentage of Families Owning Any Retirement Plan, by Age of Family Head, 1992, 2004, and 2016



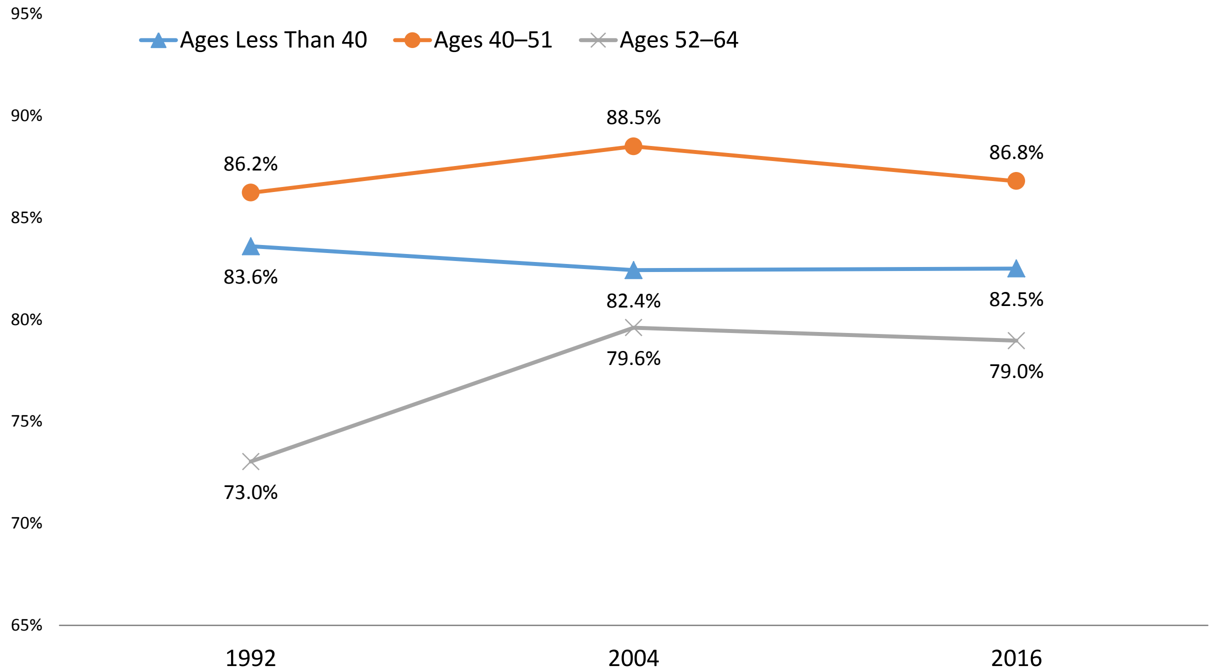
Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 7
Percentage of Families Owning an Individual Account (IA) Retirement Plan, by Age of Family Head, 1992, 2004, and 2016



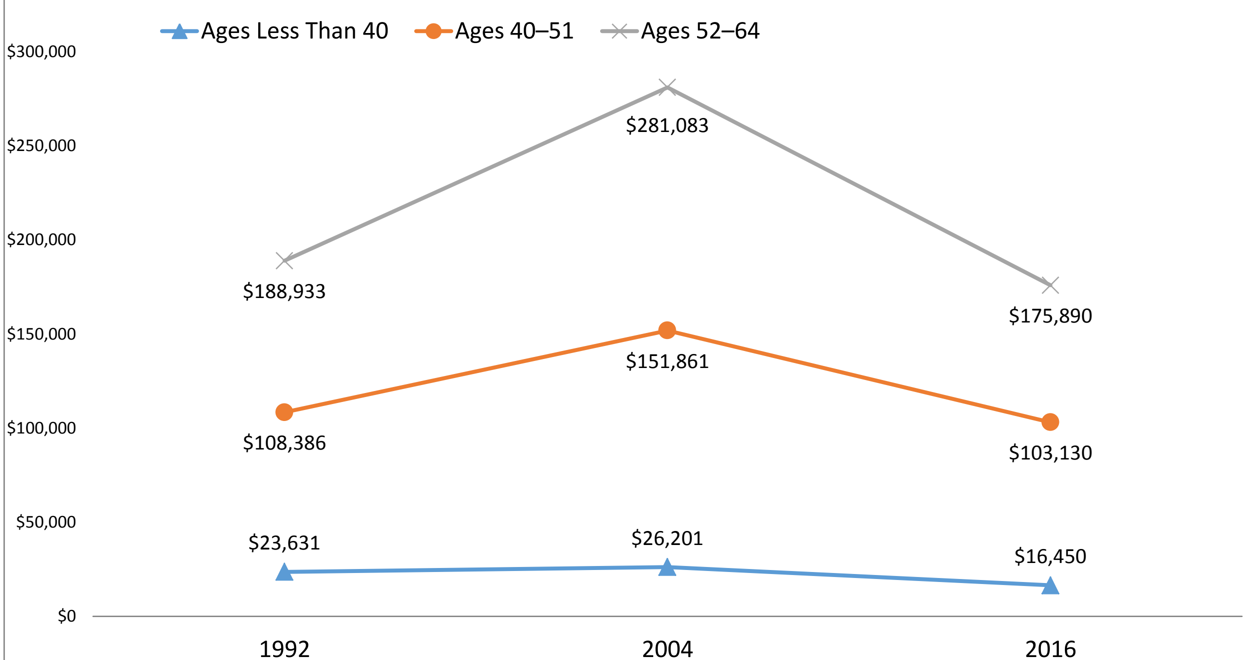
Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 8
Percentage of Families Having Debt, by Age of Family Head, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 9
Median Family Net Worth, by Age of Family Head, 1992, 2004, and 2016
(2016 Dollars)



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

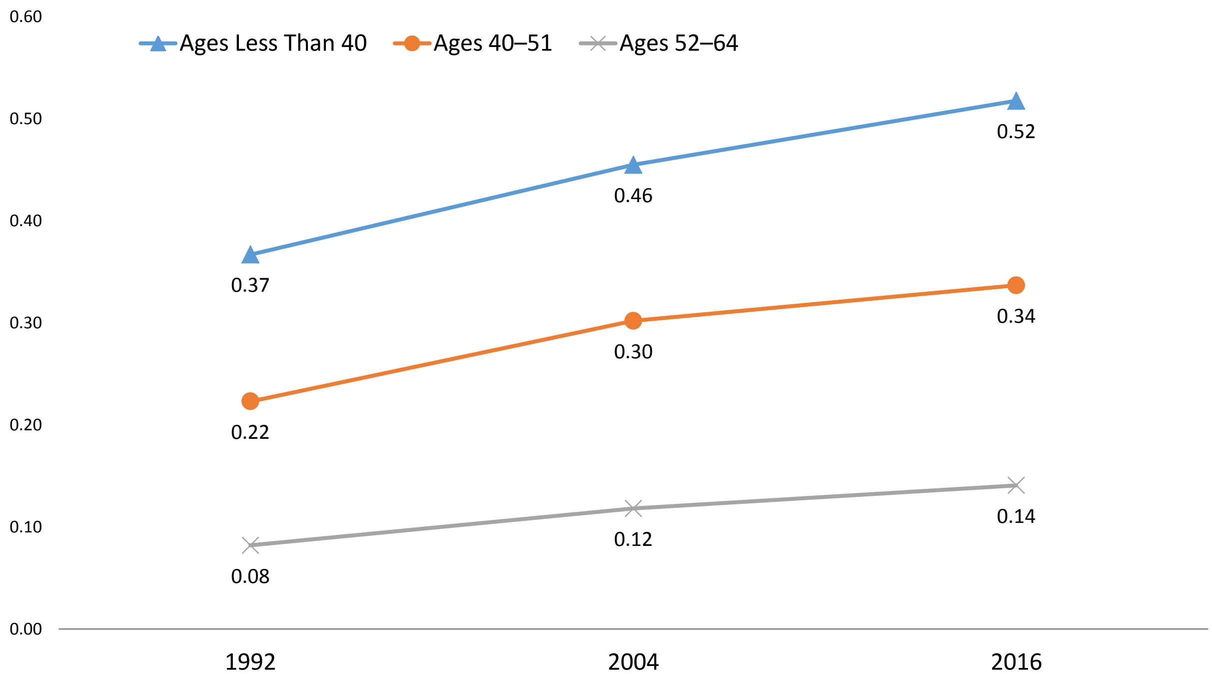
The median debt-to-asset ratios across each cohort were also worse (values higher) in 2016 compared with 2004 across each age group, with the 2004 values also being worse than in 1992 (Figure 10). The median debt-to-asset ratio for families with heads ages 40–51 increased from 0.22 in 1992 to 0.30 in 2004 and to 0.34 in 2016. The families with the oldest heads had the lowest debt-to-asset ratios in each year, while the families with the youngest heads had the highest debt-to-asset ratios.

Median IA retirement plan balances were the only financial status indicator values that were better in 2016 than they were in 1992 and 2004 (Figure 11). Specifically, the median IA plan balances for families with heads ages 40–51 were $27,486 in 1992, $43,170 in 2004, and $60,000 in 2016.

The higher balances occurred during a period, as previously shown, of higher incidence in these plans for this age group. However, the younger generations have had a longer time period with these plans, as the cohort that had families with heads ages 40–51 in 2016 is the first cohort with almost their entire working career in the private sector with DC plans as the predominant employment-based retirement plan type. Consequently, it is positive news that the median balances were higher even with the higher incidence of the plans. Yet, it should also be expected, as the younger cohorts have had longer widespread access to these plans by each age than the older cohorts.

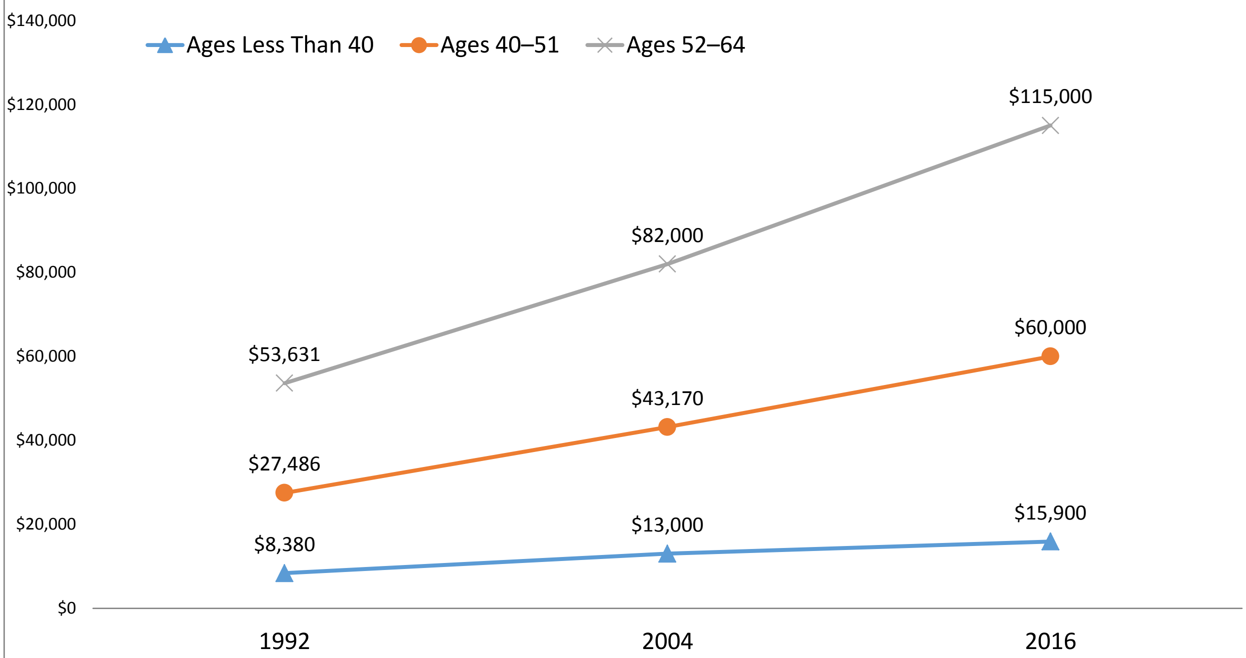
Figure 10

Median Family Debt-to-Asset Ratio, by Age of Family Head, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 11
Median Family Individual Account (IA) Retirement Plan Balances, by Age of Family Head, 1992, 2004, and 2016
(For Families Owning These Plans, in 2016 Dollars)



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Examination of the Families With Heads Ages 40–51 Over Time

Going a step further in the examination of the trends in the financial status of families with heads ages 40–51, specific characteristics of the families in this age group in each of the three years of the analysis are studied. In particular, the families with heads ages 40–51 in the study years are examined by their family income quartile and by the race and education level of the family head.

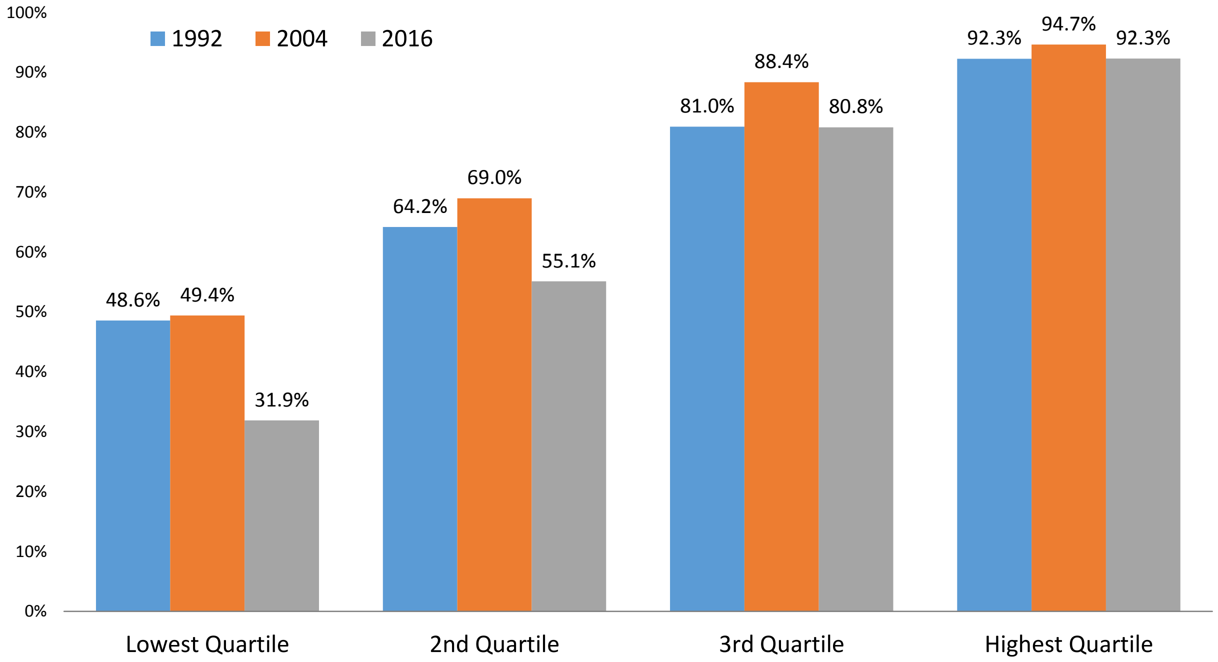
Income

To start, the percentage of families with heads ages 40–51 who owned their home in 2004 was higher than in 1992, regardless of the income quartile (Figure 12). However, by 2016, when Generation X families had reached this age cohort, the ownership percentage was lower across all income quartiles. The families with incomes in the upper two quartiles in 2016 had ownership rates nearly equal to the 1992 rates, but the homeownership rates of families in the lowest two income quartiles were dramatically lower in 2016 than in both 1992 and 2004. Specifically, the percentage of families with heads ages 40–51 in the second income quartile who owned their home in 1992 was 64.2 percent vs. 55.1 percent in 2016; ownership rates in the lowest income quartile were 48.6 percent and 31.9 percent, respectively.

The percentage of families with heads ages 40–51 who had any type of retirement plan was significantly lower in 2016 than in 1992 for families in the lower two income quartiles (Figure 13). In contrast, the percentage of these families in the upper two quartiles with any type of retirement plan was virtually unchanged in 2016 vs. 1992. Specifically, the percentage of these families in the lowest income quartile who had any retirement plan was 37.9 percent in 1992 compared with 23.8 percent in 2016. On the other hand, the percentage of these families in the highest income quartile who had any retirement plan was 92.2 percent in 1992 and 93.2 percent in 2016.

Figure 12

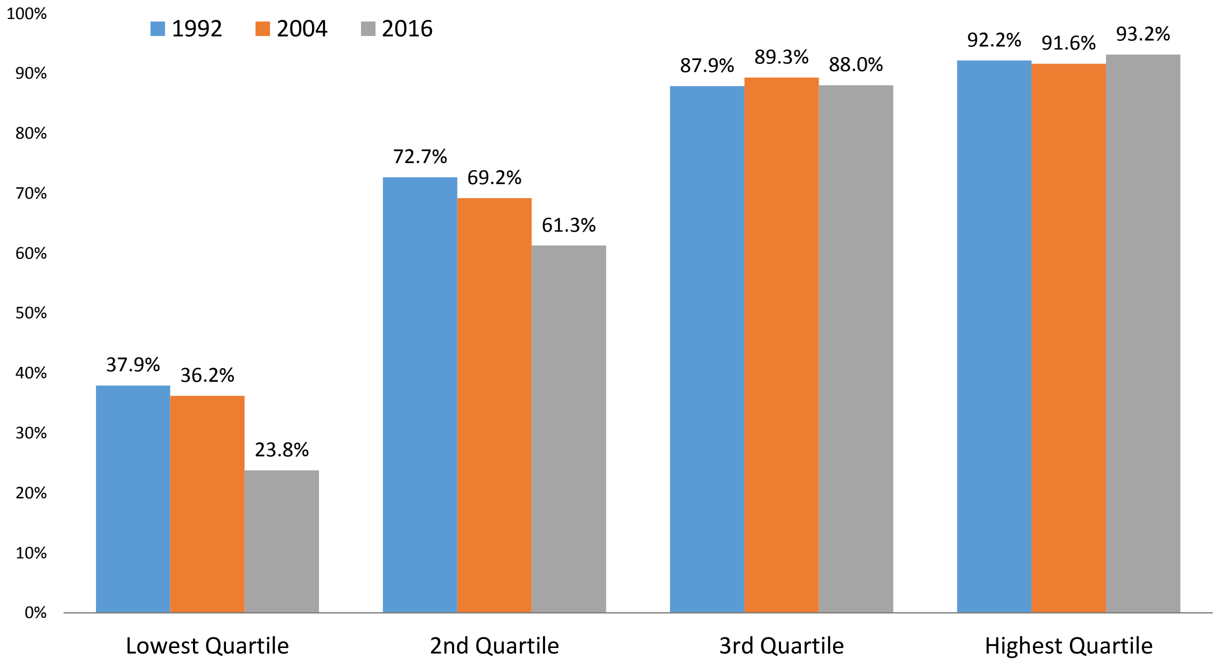
Percentage of Families With Heads Ages 40–51 Owning Their Home, by Income Quartile, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 13

Percentage of Families With Heads Ages 40–51 Owning Any Retirement Plan, by Income Quartile, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Focusing on IA retirement plans, families in each of the three higher income quartiles were more likely to have these plans in 2016 than in 1992 (Figure 14). For example, the percentage of families with heads ages 40–51 with incomes in the highest quartile was 81.6 percent in 1992, 85.6 percent in 2004, and 89.2 percent in 2016. In contrast, the percentages of families in the lowest income quartile with IA retirement plans were about the same in 1992 and 2016 at just over 17 percent, below the 23.1 percent who had an IA plan in 2004.

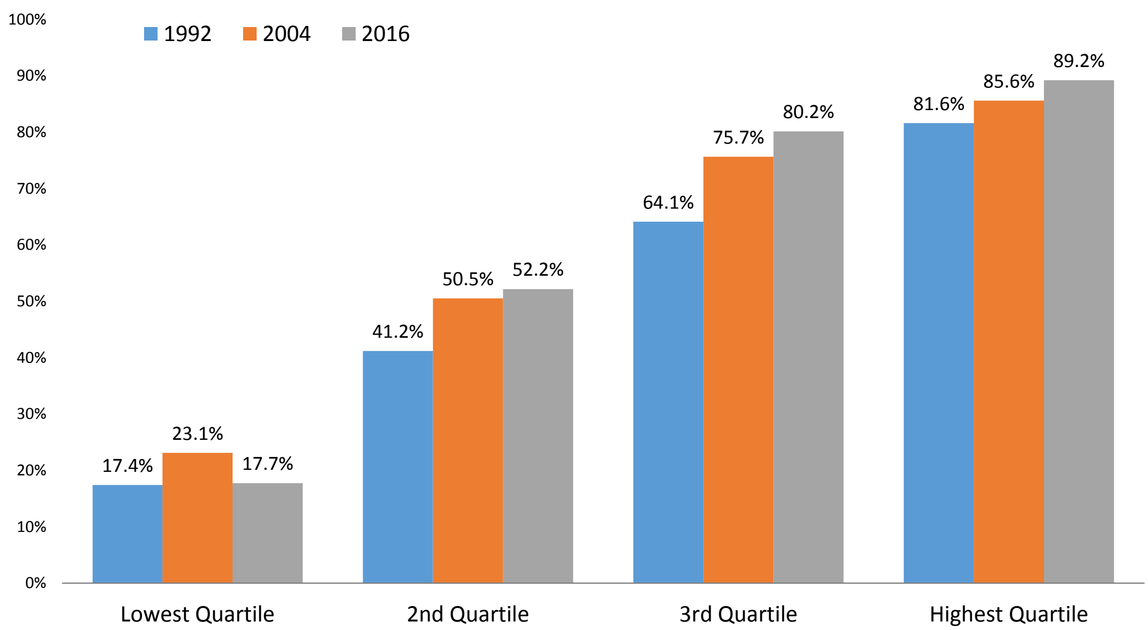
The one financial status indicator that did not show any significant differences across years among the family income quartiles was the likelihood of holding debt (Figure 15). For example, 68.4 percent of families with heads ages 40–51 with family income in the lowest income quartile held debt in 1992, while this number was 66.8 percent in 2016. Similarly, 94.3 percent of these families in the highest income quartile held debt in 1992 compared with 95.6 percent in 2016.

The median IA retirement plan balances of families with heads ages 40–51 were larger in 2016 vs. 1992 across all income quartiles (Figure 16). However, the relative differences between the values in those years were not equal. The median IA retirement plan balance was nearly twice as high in 2016 for the families in the lowest income quartile, reaching just $13,000 in 2016. In contrast, the median balance in 2016 for the families in the highest income quartile was more than three times as large as in 1992, $67,039 compared with $204,000.

The median net worth of families with heads ages 40–51 was lower in 2016 than in 2004 among each income quartile except the highest one (Figure 17). Specifically, the median net worth of the families in the lowest income quartile was 65 percent lower in 2016 at $6,800 vs. $19,460 in 2004. It was just under 40 percent lower for families in the second and third income quartiles. In contrast, after growing from $374,380 to $594,726 between 1992 and 2004, the median net worth of families in the highest income quartile was only slightly higher in 2016 at $600,800.

The median debt-to-asset ratio was larger in each successive year for each of the three higher income quartiles for the families with heads ages 40–51 from 1992 to 2016 (Figure 18). In contrast, the median debt-to-asset ratio for these families in the lowest income quartile was at its lowest in 2016.

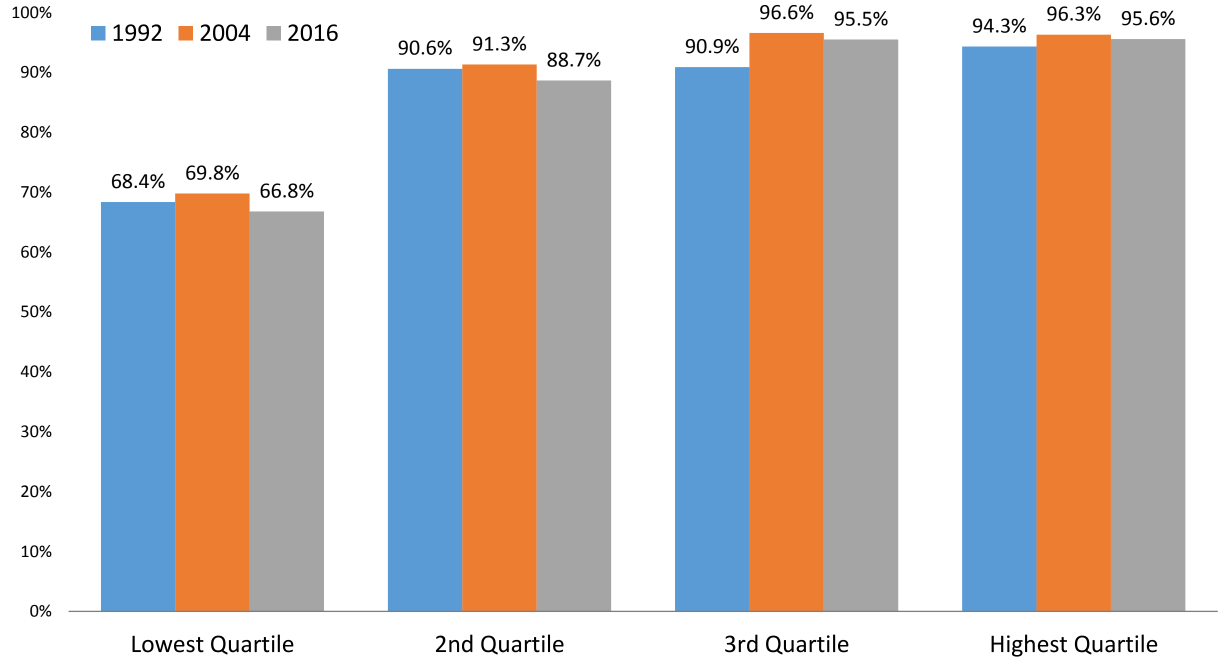
Figure 14
Percentage of Families With Heads Ages 40–51 Owning an Individual Account (IA) Retirement Plan, by Income Quartile, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 15

Percentage of Families With Heads Ages 40–51 Having Debt, by Income Quartile, 1992, 2004, and 2016

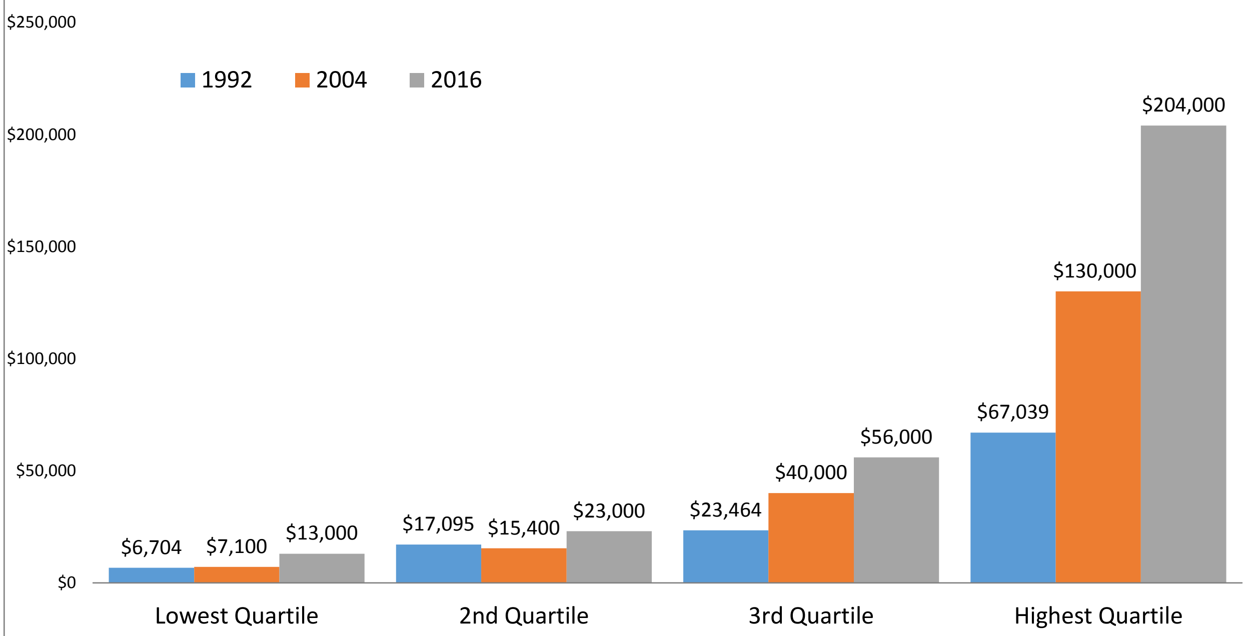


Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 16

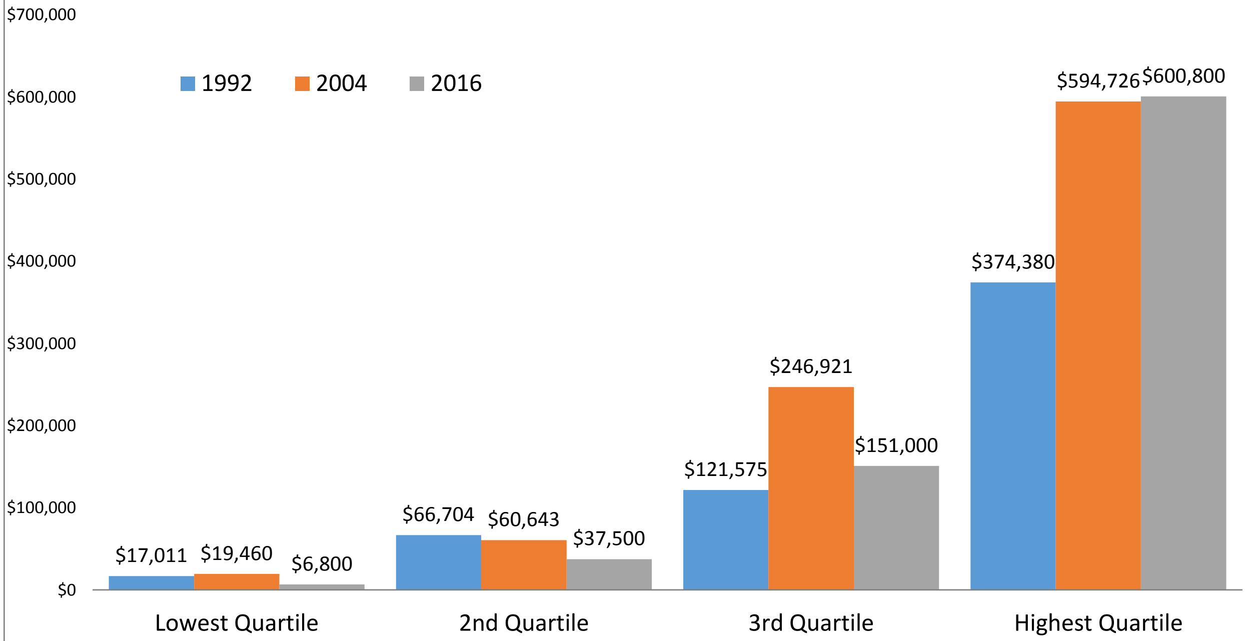
Median Family (Heads Ages 40–51) Individual Account (IA) Retirement Plan Balances, by Income Quartile, 1992, 2004, and 2016

(For Families Owning These Plans, in 2016 Dollars)



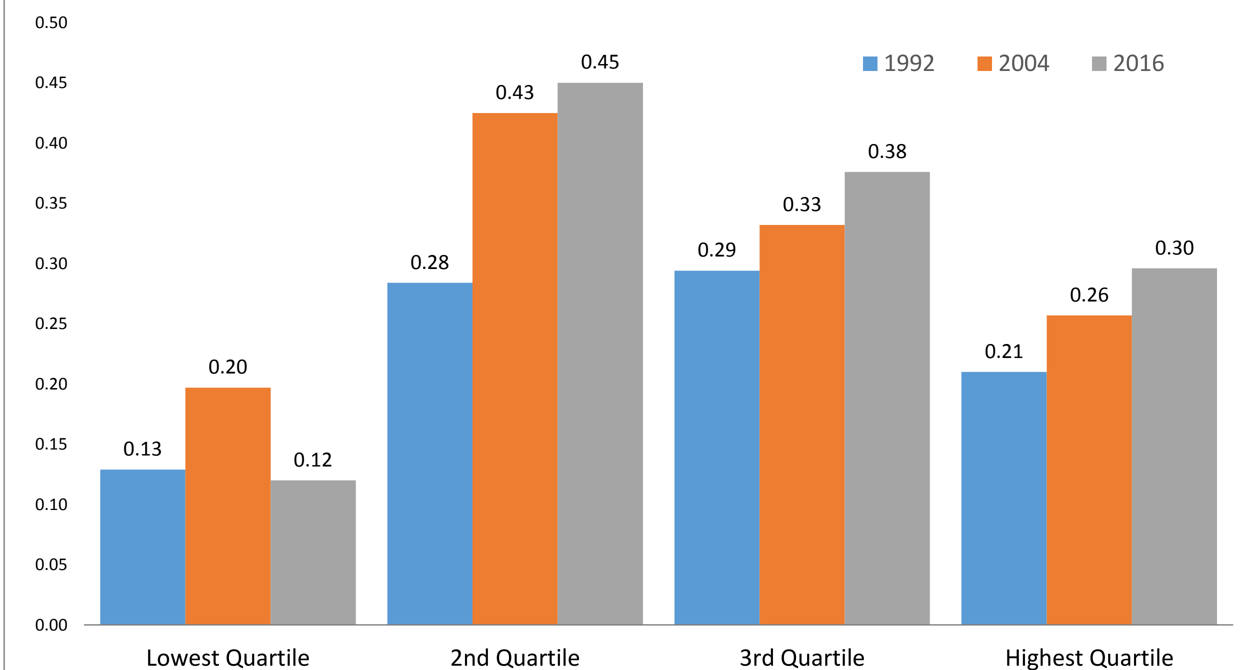
Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 17
Median Family (Heads Ages 40–51) Net Worth, by Income Quartile, 1992, 2004, and 2016
(*2016 Dollars*)



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 18
Median Family (Heads Ages 40–51) Debt-to-Asset Ratio, by Income Quartile, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Race and Education Level

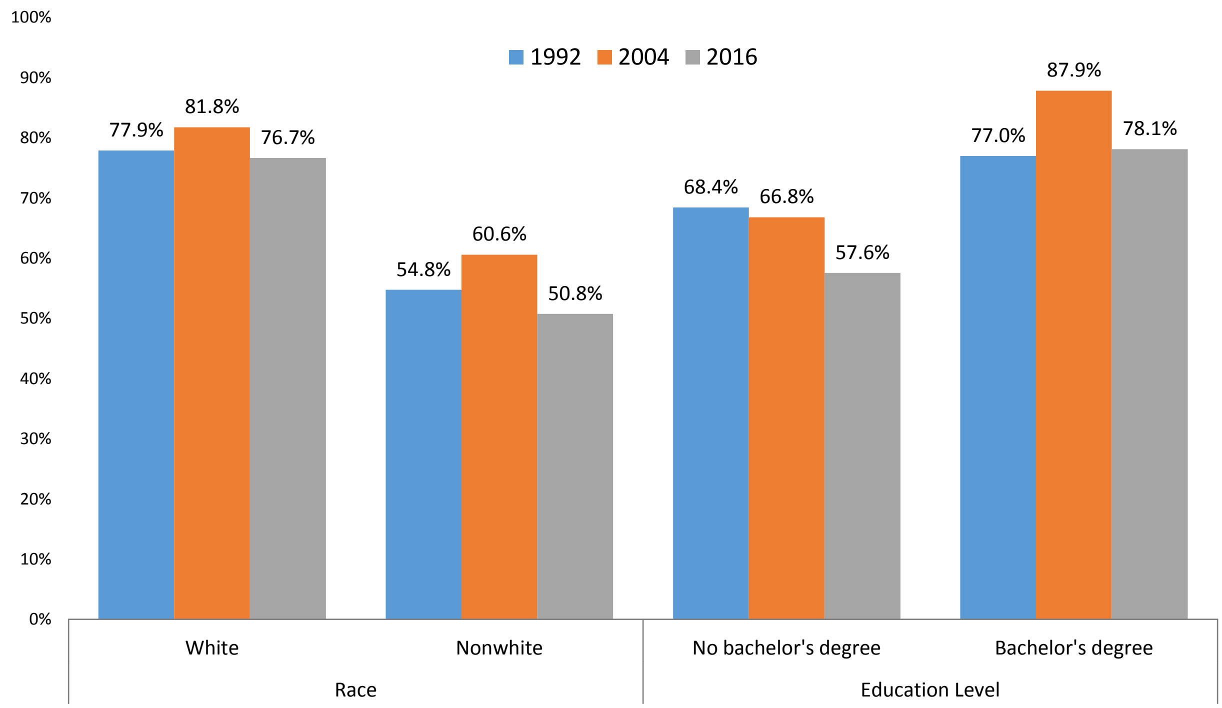
Families with heads ages 40–51 were more likely to have owned their home in 2004, regardless of the race or education level of the family head, than families with heads these ages in 2016 (Figure 19). For example, 76.7 percent of the families with white family heads owned their home in 2016 vs. 81.8 percent in 2004.

The families with heads not having a bachelor's degree had a much lower likelihood of owning any retirement plan in 2016 than in 1992 and 2004 (Figure 20). Across the other categories of race and education level, the differences among years for these families were not as significant. In contrast, the likelihood of having an IA retirement plan was higher for each successive year for families with heads ages 40–51, regardless of race or education level (Figure 21).

The family incidence of debt was relatively consistent across both the race and education level of the families (Figure 22). However, families with white heads and heads with a bachelor's degree were more likely to have debt than their counterparts, regardless of generation.

Figure 19

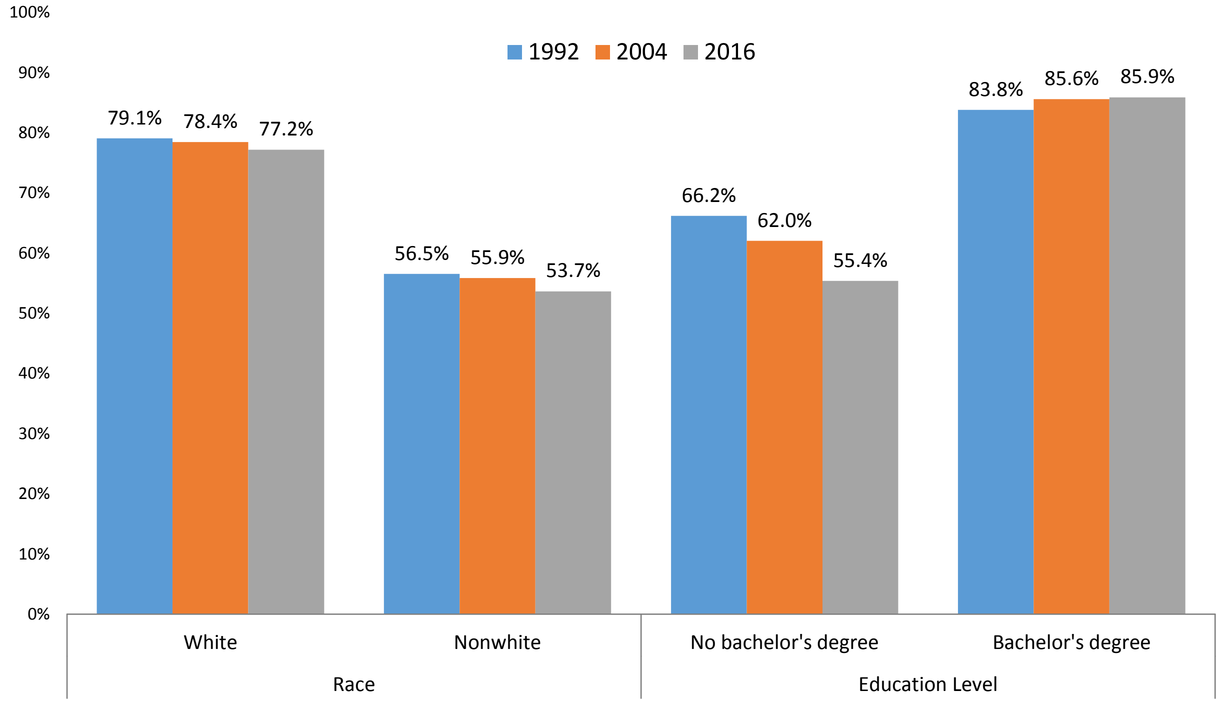
Percentage of Families With Heads Ages 40–51 Owning Their Home, by Race and Education Level of Family Head, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 20

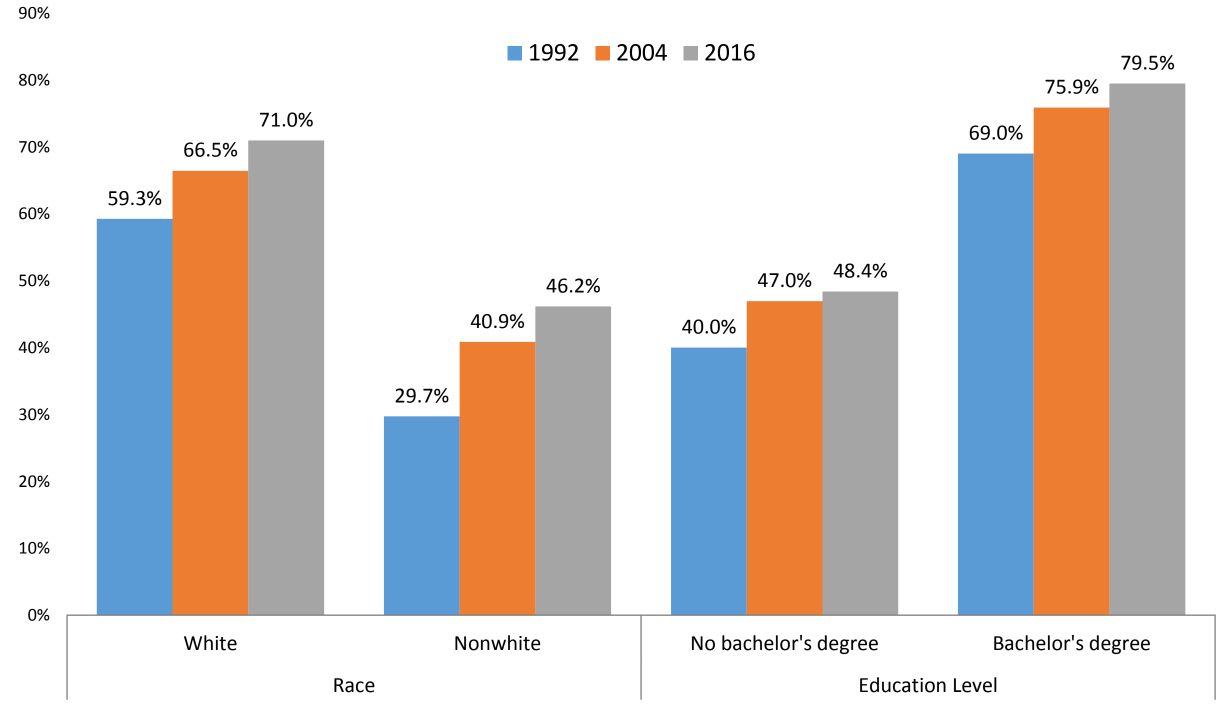
Percentage of Families With Heads Ages 40–51 Owning Any Retirement Plan, by Race and Education Level of Family Head, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 21

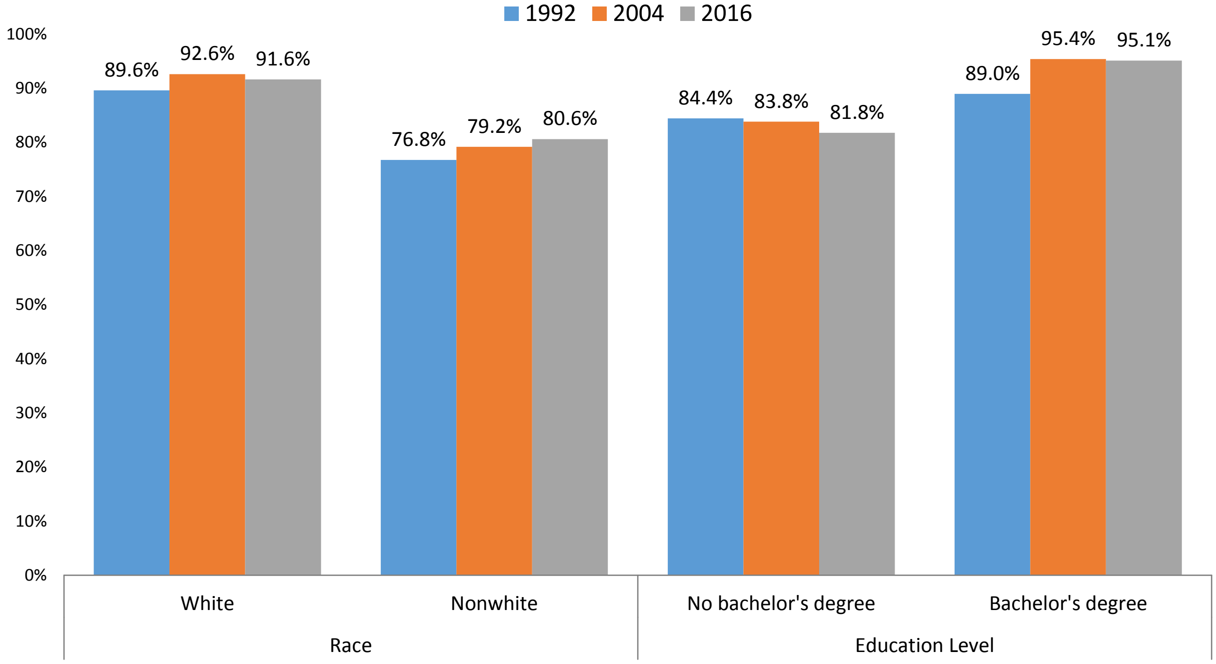
Percentage of Families With Heads Ages 40–51 Owning an Individual Account (IA) Retirement Plan, by Race and Education Level of Family Head, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 22

Percentage of Families With Heads Ages 40–51 Having Debt, by Race and Education Level of Family Head, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

The median IA retirement plan balance was higher in each successive year across all the race and education level categories (Figure 23). Families with heads who were white or had a bachelor's degree had particularly large changes in their median IA plan balances in each year from 1992 to 2016 (e.g., $28,492 in 1992, $50,000 in 2004, and $75,900 in 2016 for families with heads who are white). In contrast, the median IA balances for the other categories showed only marginal improvement in 2004 before significant changes in 2016.

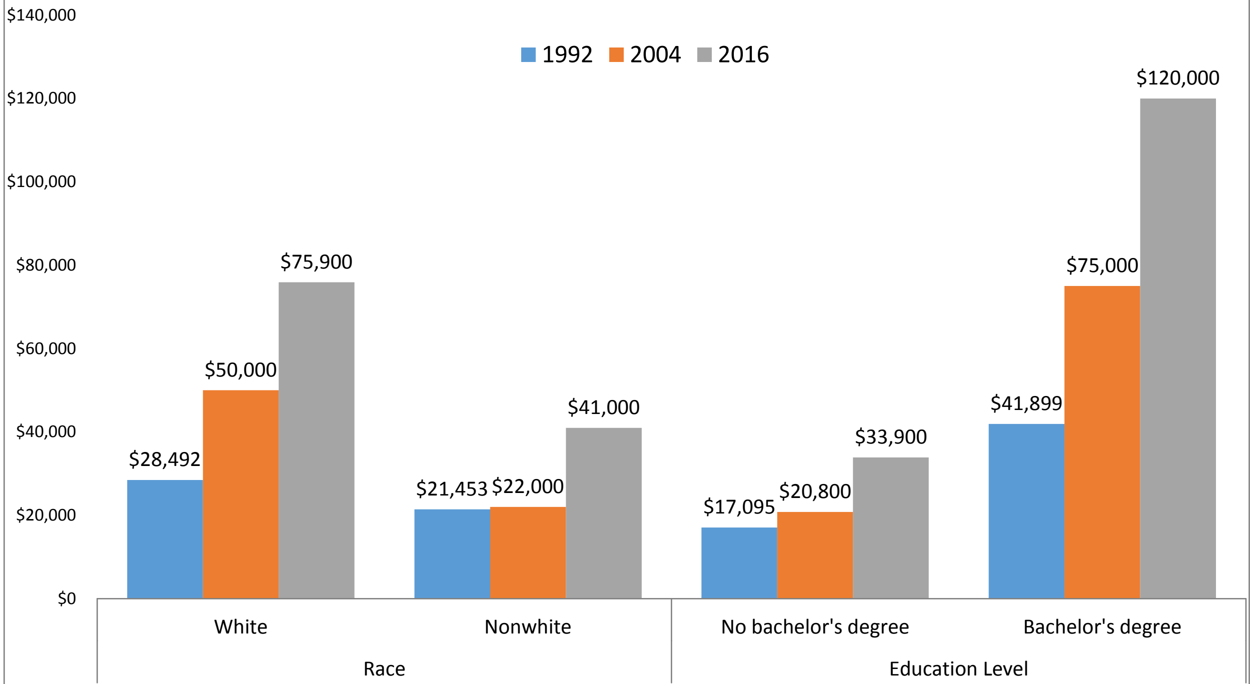
Families with white heads and with heads having a bachelor's degree had lower median net worths in 2016 than did the same family type in 2004 (Figure 24). However, the 2016 values were above those of these families in 1992. For example, the median net worth of families with heads having a bachelor's degree was $346,266 in 2004 compared with $302,100 in 2016 and $209,581 in 1992. Families with nonwhite heads and with heads not having a bachelor's degree have not fared as well, as the median net worths among these families had their lowest values in 2016.

The median debt-to-asset ratio was higher each year from 1992 to 2016 and was larger by nearly the same amounts across each of the race and education level categories (Figure 25). Furthermore, the ratios were very close in each year for each category. In fact, the median debt-to-asset ratio for families with white heads went from 0.25 in 1992 to 0.31 in 2004 and to 0.34 in 2016, while families with heads without a bachelor's degree had median debt-to-asset ratios that were very similar at 0.24 in 1992, 0.31 in 2004, and 0.34 in 2016. The 1992 ratios were lower for families with nonwhite heads and heads with a bachelor's degree, but the 2004 and 2016 ratios were very close to the others, with the 2016 ratios being the same across the board.

Figure 23

Median Family (Heads Ages 40–51) Individual Account (IA) Retirement Plan Balances, by Race and Education Level of Family Head, 1992, 2004, and 2016

(For Families Owning These Plans, in 2016 Dollars)

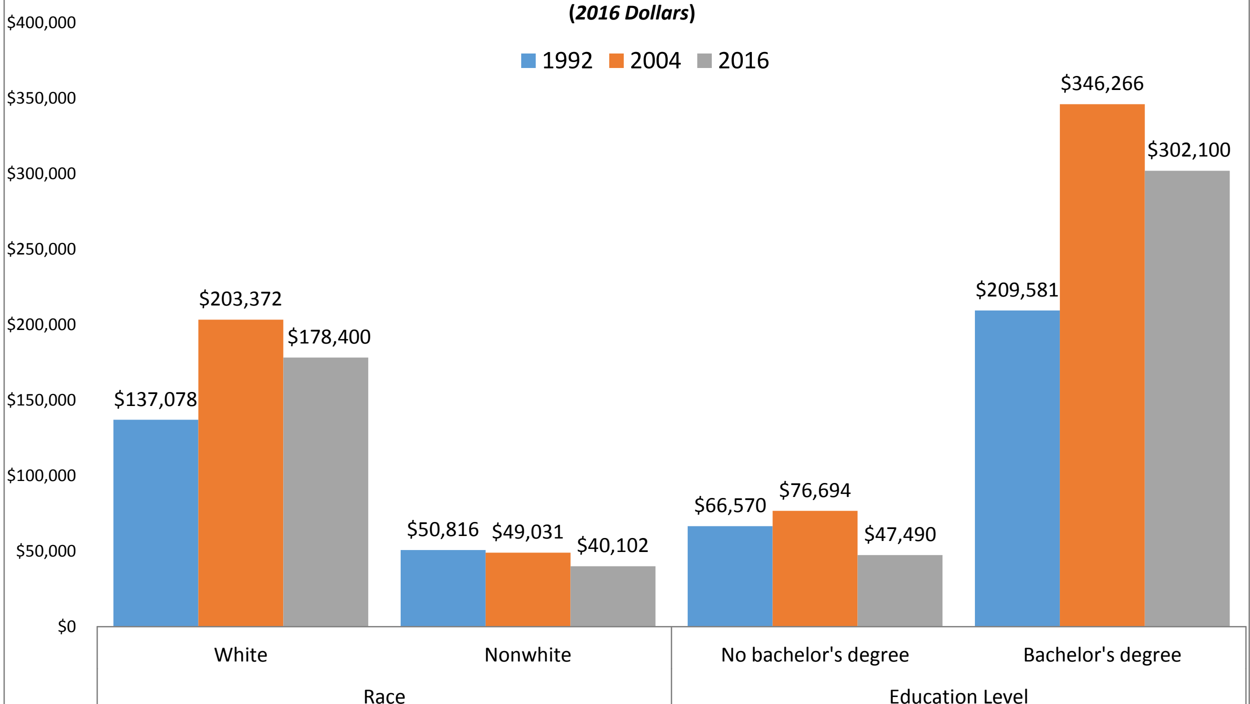


Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 24

Median Family (Heads Ages 40–51) Net Worth, by Race and Education Level of Family Head, 1992, 2004, and 2016

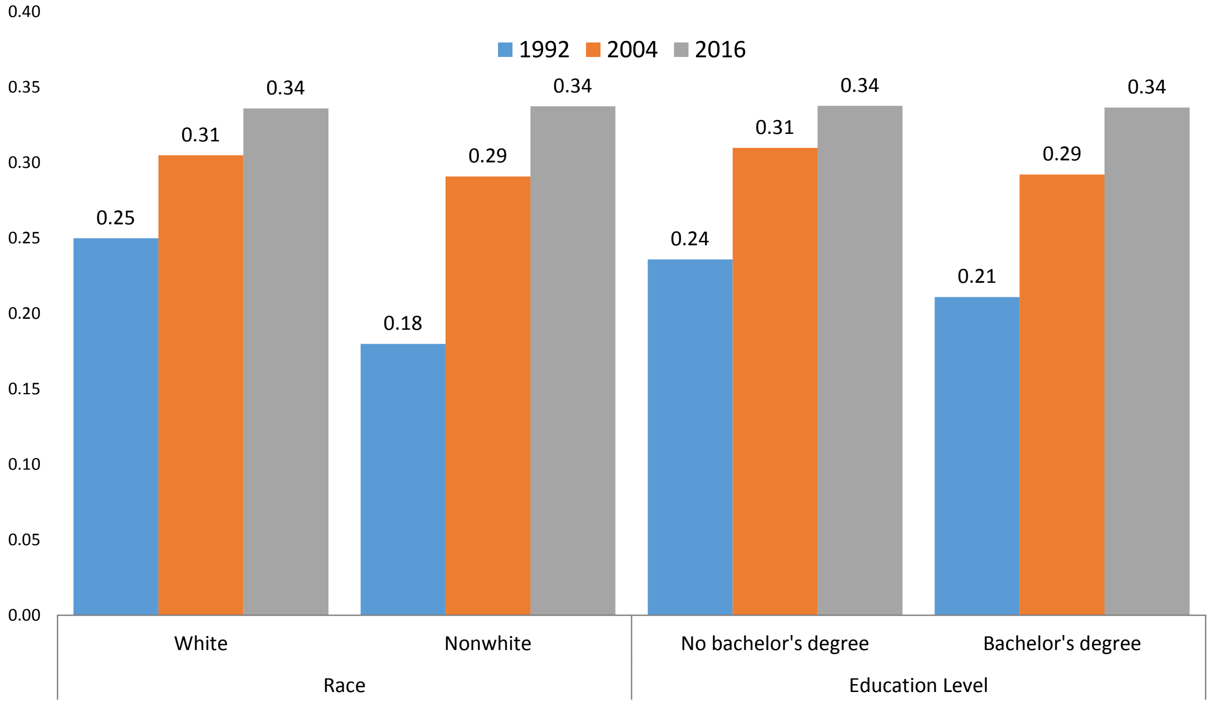
(*2016 Dollars*)



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Figure 25

Median Family (Heads Ages 40–51) Debt-to-Asset Ratio, by Race and Education Level of Family Head, 1992, 2004, and 2016



Source: Employee Benefit Research Institute estimates of the 1992, 2004, and 2016 Survey of Consumer Finances.

Conclusion

Generation X is closing in on retirement at a time when they are facing many financial challenges. They are also the first generation to essentially only have defined contribution plans available to them in the private sector for the entirety of their career. Consequently, this generation is faced with the challenge of managing their finances throughout their working careers and retirement in ways that prior generations were not. Thus, a depiction of how Generation X families compare financially relative to prior generations at the same ages provides important insight into how this generation could fare in retirement. The current indicators say they are behind.[9]

Generation X families were less likely than older generations to own their own home at their 2016 ages or to have any type of retirement plan. Furthermore, their median net worth was lower than that of the families whose heads were ages 40–51 in 2004. They also had higher debt-to-asset ratios than prior generations, showing that their balance sheets were in worse shape than those of prior generations.

Some positive indicators exist: Generation X families were more likely to have a DC plan, and the median balances for those with a DC plan were higher than those of prior generations at the same ages. However, caution should be used when judging this result, as this generation had more of their career in these plans by their current ages and the other parts of their balance sheets were not in as good shape. Therefore, they have had more time to build up assets in them, and it could be affecting other aspects of their finances.

While the financial indicators for Generation X families were below those of prior generations at their ages in 2016, the impact was *not* universal across the generation. The families associated with disadvantaged groups were the driving force for the lower overall financial indicator results. In fact, the families with incomes in the upper two quartiles had nearly equal results to those of prior generations. However, the results for the families with incomes in the lower two quartiles were so much worse than prior generations that it pulled down the overall results. Furthermore, families with minority heads and heads without a bachelor's degree also did not fare as well as their counterparts after 2004.

Generation X families, while improving their financial status from prior years, are behind financially relative to older generations. How this generation uses its remaining years of working will tell the tale of their financial success in retirement.[10] Will they up their savings? Will they work longer? Will they reduce their debt? All these will be difficult to achieve for most, particularly for the low-income families.

Endnotes

[1] The actual basis of SCF is what the Federal Reserve refers to as a *primary economic unit* (PEU), which is a subset of households and closely resembles families in its definition, although it is not precisely families. However, families are the closest concise terminology for the PEU, so families are used in this study. For further information about this issue as well as about SCF in general, see Jesse Bricker, et al. "Changes in U.S. Family Finances from 2013 to 2016: Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin*. vol. 103, No. 3 (September 2017): 1–40, https://www.federalreserve.gov/publications/files/scf17.pdf

[2] See Employee Benefit Research Institute and Greenwald & Associates. "2019 Retirement Confidence Survey Generation X Report," Retirement Confidence Survey (Employee Benefit Research Institute, April 30, 2019) https://www.ebri.org/docs/default-source/rcs/2019-rcs/genx19reportf.pdf?sfvrsn=e64c3f2f_4

[3] SCF is conducted every three years by the Federal Reserve Board. The first survey was conducted in 1983, so working back from 2016, only 2004 and 1992 give a nonoverlapping cohort in the ages 40–51 category. The next year back would need to be 1980, but the survey didn't start until 1983. For more information on prior SCFs, see https://www.federalreserve.gov/econres/scf-previous-surveys.htm

[4] The full definition of the Baby Boomer generation is birth years 1946–1964. Consequently, individuals born in 1946–1951 are not included in this comparison.

[5] A complete detail of the generation ages in each of the study's trend years:

(Birth Years)	1992	2004 Ages	2016
Silent Generation (1928–1945)	47–64	59–76	71–88
Baby Boomer Generation (1946–1964)	28–46	40–58	52–70
Generation X Standard Definition (1965–1980)	12–27	24–39	36–51
Generation X Study Definition (1965–1976)	16–27	28–39	40–51
Millennial Generation (1981–1996)	0–11	8–23	20–35

For more information on these definitions, see Michael Dimock. "Defining generations: Where Millennials end and Generation Z begins," Pew Research Center (January 2019): https://www.pewresearch.org/fact-tank/2019/01/17/where-millennials-end-and-generation-z-begins/

[6] The ages 40–51 cohort represents the definition for Generation X in 2016 used in this study. Again, there are not clean generational definitions that fit into the ages 40–51 cohort in 1992 and 2004. Consequently, specific generation labels cannot be assigned for this cohort in 1992 and 2004. Therefore, the comparison is for families with heads ages 40–51 in 2016 vs. families whose heads were ages 40–51 in 1992 or in 2004, regardless of the generation those families would fall into in those years.

[7] This result does ***not*** mean that the families with heads ages 40–51 had a lower homeownership rate than they did when they were younger. These families would be part of the ages less than 40 category in 2004, when the homeownership rate was 47.6 percent (2004 value of families with heads ages less than 40) compared with the 65.3 percent homeownership rate for families with heads ages 40–51 in 2016. In contrast, the result does mean that the homeownership rates of families whose heads were ages 40–51 in 2016 were less than the homeownership rates for families with heads of the same ages in 2004. Thus, the families in 2016 were not doing as well in terms of owning a home as were families of the same ages in prior years or, in other words, families in 2016 were behind in homeownership relative to what homeownership rates were for families in 2004 at the same ages.

[8] All dollar values are in 2016 dollars in this study.

[9] It was not just Generation X that was not as well off at their 2016 ages as prior generations. This resulted across the board. Furthermore, it is important to note that the financial status indicators of Generation X families were not worse for them in 2016 than for them in 2004, as they have improved, but they are below what the prior generations had at the ages Generation X was in 2016.

[10] An important note is that improvements to defined contribution plans could help Generation X improve their finances in their remaining years before retirement. More widespread use of automatic features (automatic enrollment and auto-escalation), legislation at the state level and potentially the federal level creating more opportunities to save at the workplace, and easing the process to roll over between workplace plans at job change could all help improve the path of the financial status of Generation X. See Jack VanDerhei and Craig Copeland, "The EBRI Retirement Readiness Rating:™ Retirement Income Preparation and Future Prospects." *EBRI Issue Brief,* no. 344 (Employee Benefit Research Institute, July 2010) and subsequent Employee Benefit Research Institute publications using the Retirement Security Projection Model® (https://www.ebri.org/retirement/retirement-security-projection-model) for a discussion of the impact of defined contribution plan changes on retirement readiness.

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