Changing Trends in Wealth Trajectories

Recent and ongoing work by Thomas Piketty and Emmanuel Saez (2003, for example) have highlighted changes in the distribution of wealth across U.S. households, while a collection of scholars have documented changing levels of wealth at various points in the life cycle—with an emphasis on wealth accumulation near the traditional retirement age (Poterba, Venti, and Wise 2011) or patterns of decumulation post-retirement (Love, Palumbo, and Smith 2009). This paper supplements those studies explaining changing trends in wealth trajectories across households from young adulthood through retirement. Simply put, the aim of this study is to document the changing paths to household wealth accumulation, accounting for both changes in the level and composition of wealth at various points in the lifecycle.

Our empirical strategy will begin by documenting both changing age-based distributions of wealth, including both changes in the levels and composition of net wealth with a particular emphasis on the role of student loan and mortgage debt, housing equity, bequests, and financial wealth (both within and outside retirement accounts).To produce these distributions we will utilize waves of the Survey of Consumer Finances from 1983 through 2016. We will then supplement this analysis with a discussion of macroeconomic factors—ranging from households formation shifts to tax policy reforms to labor market trends—that may have impacted the changing distribution and composition of wealth. Our second step in the analysis focuses on changing wealth patterns within households across time. To achieve this we will utilize the 13 waves of longitudinal data collected through the Health and Retirement Study spanning 1992 through 2016. While these data are restricted to older households, they are sufficient to allow for meaningful insight into the trajectory of wealth for late-middle-aged households. Lastly, we will investigate changing trajectories in pre-retirement wealth accumulation strategies and behaviors using various waves of the Panel Study of Income Dynamics, including for example the evolving role of housing equity and contributions to wealth accumulation across the life cycle.

The study will conclude a broad categorization of lifetime wealth accumulation trajectories and the changing distribution of those trajectories in recent decades. For example, an initial categorization might include the following broadly defined strategies: Social Security only; balanced (housing equity and liquid financial) early in life and gradual accumulation; balanced late in life and rapid accumulation; early housing equity only; late housing equity only; early financial only; negative to positive (debt payoff, followed by accumulation); and late in life (limited saving early, rapid accumulation only). The study will conclude with a discussion of policy remedies to shift wealth trajectories towards a more preferred distribution and, building on Gale, Gelfond, and Fichtner (2019), address saving challenges for the millennial generation.