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The Financial Health of Young America

Principal Investigator:
Matthew Eckel

YOUNG INVINCIBLES

Table of Contents

Acknowledgements

Principal Investigator: **Matthew Eckel**

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Young Americans' Financial Health in a Time of Covid

This report compiles the latest public data to assess the financial health of today's young adults. It measures income, retirement savings, home ownership, educational debt, and net wealth. It also looks at the month-to-month financial experiences of young adults as they have navigated the realities of the Covid-19 pandemic, and considers their prospects in an uncertain future.

The report's priorities reflect ongoing conversations with young people across the country. We analyze our key indicators through the lens of both inter-generational change and intra-generational equity, paying particular attention to how the financial experiences of young adults from different backgrounds and with different underlying sets of resources have developed in recent years.

Policymakers retain a wide variety of tools to either help or hinder the healthy financial development of Americans navigating the path of early adulthood. In the final section of the report, we suggest key policy changes that will help undergird a more prosperous and equitable financial future for today's young people as they move through different stages of their careers and lives.

We urge policymakers at all levels of government to take these findings seriously, and to move aggressively to strengthen the foundations of financial stability for today's young adults. Addressing young adults' financial challenges will be crucial to creating a stronger and more equitable economy for future generations.

Introduction:
Young Adults Today

There are over 67 million Americans today between the ages of 18 and 34.[1] Today's young adults came of age in the wake of the 2008-2009 Great Recession. They struggled through a slow, uneven, and inequitable recovery, only to face the profoundly disruptive economic, health, and social consequences of Covid-19. Young adults were particularly likely to find their work—and financial lives unsettled by the crisis. Despite strong, if fragile, subsequent employment numbers, the cumulative effects of the Great Recession, Covid-19, and the social and economic disruptions of recent years have taken a toll on young adult financial prospects.

Young adult families[2] on the eve of the pandemic had some of the lowest rates of home ownership in three decades, with only modest gains since the depths of the Great Recession.[3] More than 40 percent of young adult families held student debt. The balance of that debt had grown steadily for years, and the monthly burden of debt payments (excepting the subsequent Covid-19-era payment pause for many borrowers) grew along with it.[4]

Today's young adults are more racially and ethnically diverse than any previous generation.[5] They are also more highly educated than any of their predecessors.[6] This presents both unprecedented opportunities for career advancement and prosperity, but also introduces challenges as student debt loads balloon and the education earnings premium develops in complex ways.[7]

1 "Population Distribution by Age," Kaiser Family Foundation, Accessed August 2, 2022, https://www.kff.org/other/state-indicator/distribution-by-age/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.

2 For the purposes of this report, unless stated otherwise, "young adult families" indicate a family unit measured by the Survey of Consumer Finances (SCF), with a reference person between the ages of 25 and 34. Younger individuals are not available in the survey data in sufficient numbers or with sufficient consistency across time. Racial and ethnic categories derived from SCF data are based on the identity of the reference person.

3 "Survey of Consumer Finances: Primary residence by age of reference person," Board of Governors of the Federal Reserve System, Accessed July 22, 2022. https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Primary_Residence;demographic:agecl;population:1,2,3,4,5,6;units:have;range:1989,2019.

4 "Survey of Consumer Finances: Education installment loans by age of reference person," Board of Governors of the Federal Reserve System, Accessed July 21, 2022. https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Education_Installment_Loans;demographic:agecl;population:1,2,3,4,5,6;units:median;range:1989,2019.

5 Kim Parker and Ruth Igielnik. "On the Cusp of Adulthood and Facing an Uncertain Future: What We Know About Gen Z So Far," Pew Research Center, May 14, 2020, https://www.pewresearch.org/social-trends/2020/05/14/on-the-cusp-of-adulthood-and-facing-an-uncertain-future-what-we-know-about-gen-z-so-far-2/.

6 Ibid.

7 Anthony P. Carnevale, Ban Cheah and Emma Wenzinger. "The College Payoff: More Education Doesn't Always Mean More Earnings," Washington, DC: Georgetown University Center on Education and the Workforce, 2021, https://1gyhoq479ufd3yna29x7ubjn-wpengine.netdna-ssl.com/wp-content/uploads/cew-college_payoff_2021-fr.pdf.

Key Findings

The evolution of young Americans' financial health in recent years has been volatile. A slow, decade-long recovery from the Great Recession was upended by the economic fallout from Covid-19 pandemic. The impact of the recent crisis has been highly differentiated both across and within age cohorts, with some experiencing stable employment and savings opportunities, while others faced income shortfalls, volatile employment, and insecure access to basic needs. Recent inflationary pressures have further pushed up living costs for those with the least flexibility in their month-to-month budget. Policymakers must consider the long-run implications of these disruptions, and work to shore up the financial prospects of all American young adults.

Racial gaps in income, wealth, and financial well-being among young adults were bad, but the pandemic made them worse.

Using a number of findings to assess overall financial health, we find that in the lead-up to the pandemic, racial wealth gaps were either stagnant or getting worse. Looking at income, employment, net wealth, home ownership, and student debt, the story was consistent. These realities left young people of color, especially Black and Latinx young people, in a more vulnerable position to weather the immense economic challenges of the pandemic emergency. As closures hit, young people of color were the most likely to lose their jobs, and therefore the most likely to face hardships like food and housing insecurity.

Young adults' economic recovery in the wake of the Great Recession was slow, inequitable, and uneven.

The recovery in income in the years following the Great Recession belied ongoing economic volatility and inequality within today's young adult cohort. Among 18-34-year-olds, a substantial majority of income recovery before the pandemic was concentrated among white households and white earners. The same pattern holds with wealth and employment, where what appears at a glance to have been a generalized recovery in fact left major segments of the young adult population behind.

Home ownership among young adults remains lower than for young adults in the past.

Home ownership among young adults aged 18-34 reached its nadir in 2016, well into the post-Great-Recession recovery. Though the percentage of young adults owning their primary residence had begun to recover by the eve of the Covid-19 pandemic, it remained near the lowest levels recorded by the Federal Reserve, and more than five percentage points lower than its peak in 2004. The subsequent spike in home prices has only pushed the housing market further out of reach for today's young people.

Education debt is suffocating young adult monthly finances and long-run wealth creation.

In 2019, more than 41 percent of young adult households[8] held some type of education installment loan, and the median loan amount among borrowers topped $22,000. These debts were inequitably distributed, with Black households particularly likely to hold education debt, and to hold larger loan balances.[9]

The Covid-19 pandemic was especially economically volatile for young adults.

According to federal employment data, unemployment among individuals aged 18-34 more than tripled between February and April of 2020, rising by roughly 13 percentage points. By comparison, the next-oldest cohort (35-49), increased by roughly 8 points. Young adults of color, already disproportionately likely to face unemployment, were hit especially hard. The unemployment rate among Black young adults spiked to nearly 22 percent in April of 2020, compared with 17 percent of their white counterparts.

The Covid-19 pandemic made it hard for young adults to make ends meet.

The early shock of the pandemic emergency was associated with substantial growth in food insufficiency and housing insecurity among young people. Young adults reported missing rent or mortgage payments, expressed high levels of concern for their ability to meet upcoming expenses, and reported inconsistent access to food and other necessities. Consistent with inequitable trends mentioned above, this insecurity was greatest among young adults of color.

8 Young adult households are defined as those whose reference person is aged 22 - 34 at the time of the 2019 wave of the Survey of Consumer Finances (SCF). Estimates from the SCF are reported in 2019 dollars. Analysis of the SCF across time limit respondents to those aged 25 - 34 for the sake of consistency.

9 "Survey of Consumer Finances: Education installment loans by race or ethnicity," Board of Governors of the Federal Reserve System, Accessed July 21, 2022, https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Education_Installment_Loans;demographic:racecl4;population:1,2,3,4;units:have;range:1989,2019.

The Data in This Report

This brief draws on several benchmark data sources to track the financial well-being of young adults both before and during the pandemic emergency. Consistent with previous work on this subject, Young Invincibles draws data on young adult wealth and debt from the triennial Survey of Consumer Finances (SCF). This family-level survey provides some of the most detailed data available on the evolution of household assets and debts.[10] Data on income year over year come from the Current Population Survey's Annual Social and Economic Supplement (ASEC)[11]. Data on employment before and during the pandemic come from the monthly Current Population Survey (CPS)[12]. Data on economic security during the pandemic emergency come from the periodic Census Household Pulse Survey.[13]

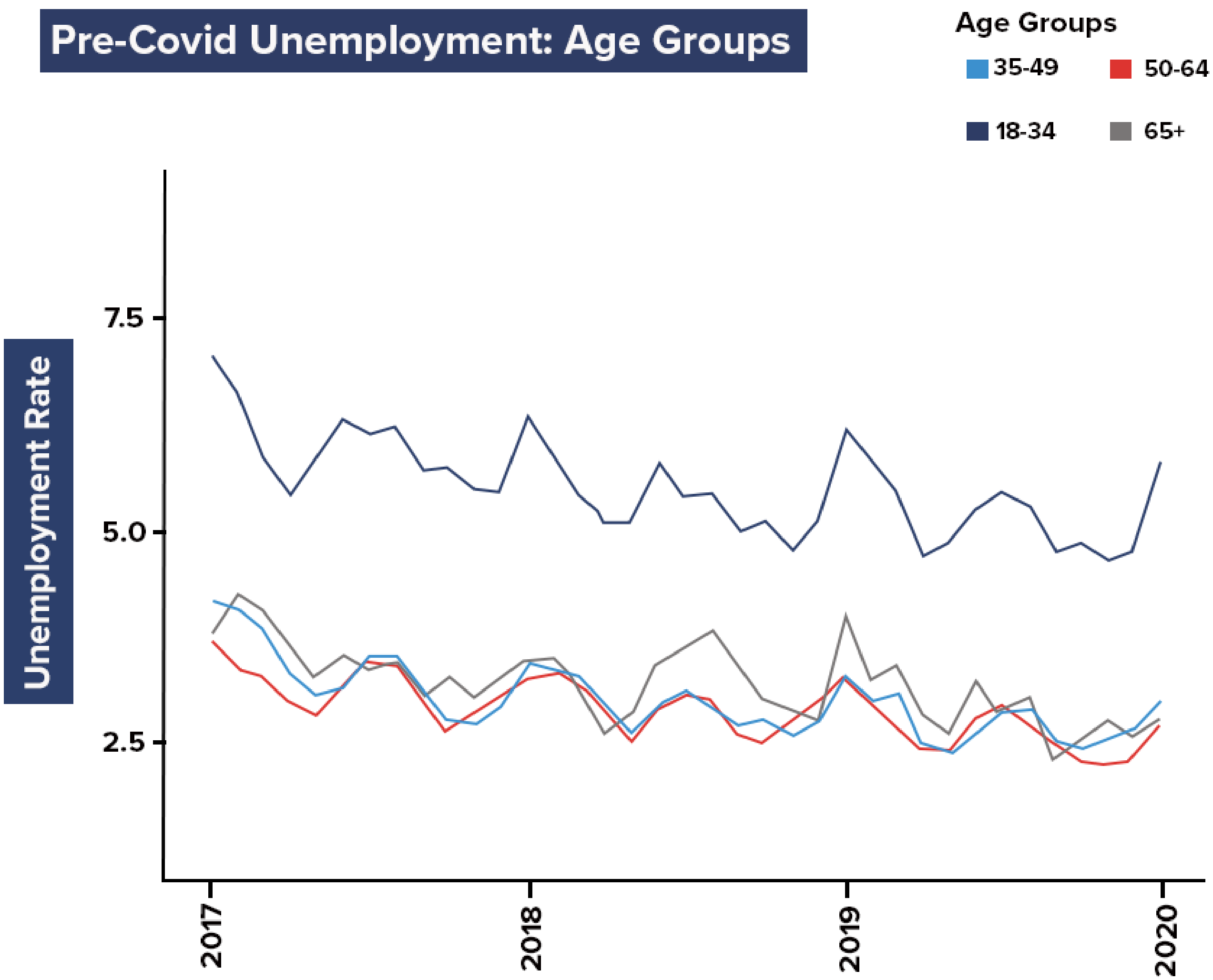
10 See Appendix A for more information. Note that the SCF does not allow for accurate estimation of households with reference persons younger than 25. It also does not provide distinct data on the responses of Asian-identifying Americans who took the survey.
11 See Appendix B for more information.
12 See Appendix C for more information.
13 See Appendix D for more information.

Making Ends Meet

Making Ends Meet

For most Americans, but especially for young adults, who even in the best of circumstances have had the least time to build substantial savings or investment equity, financial well-being is a function of cash flow and monthly budgets.[14] For the overwhelming majority of young Americans, monthly income must cover monthly expenses, with uneven availability of high-interest consumer debt serving as the primary safety net.[15] The price of housing—purchased with a mortgage or rented - combined with key costs such as groceries, health insurance, utilities, and child care, set the underlying conditions for long-run wealth creation.

Pre-Covid Unemployment: Age Groups



Current Population Survey, 95% Confidence Intervals

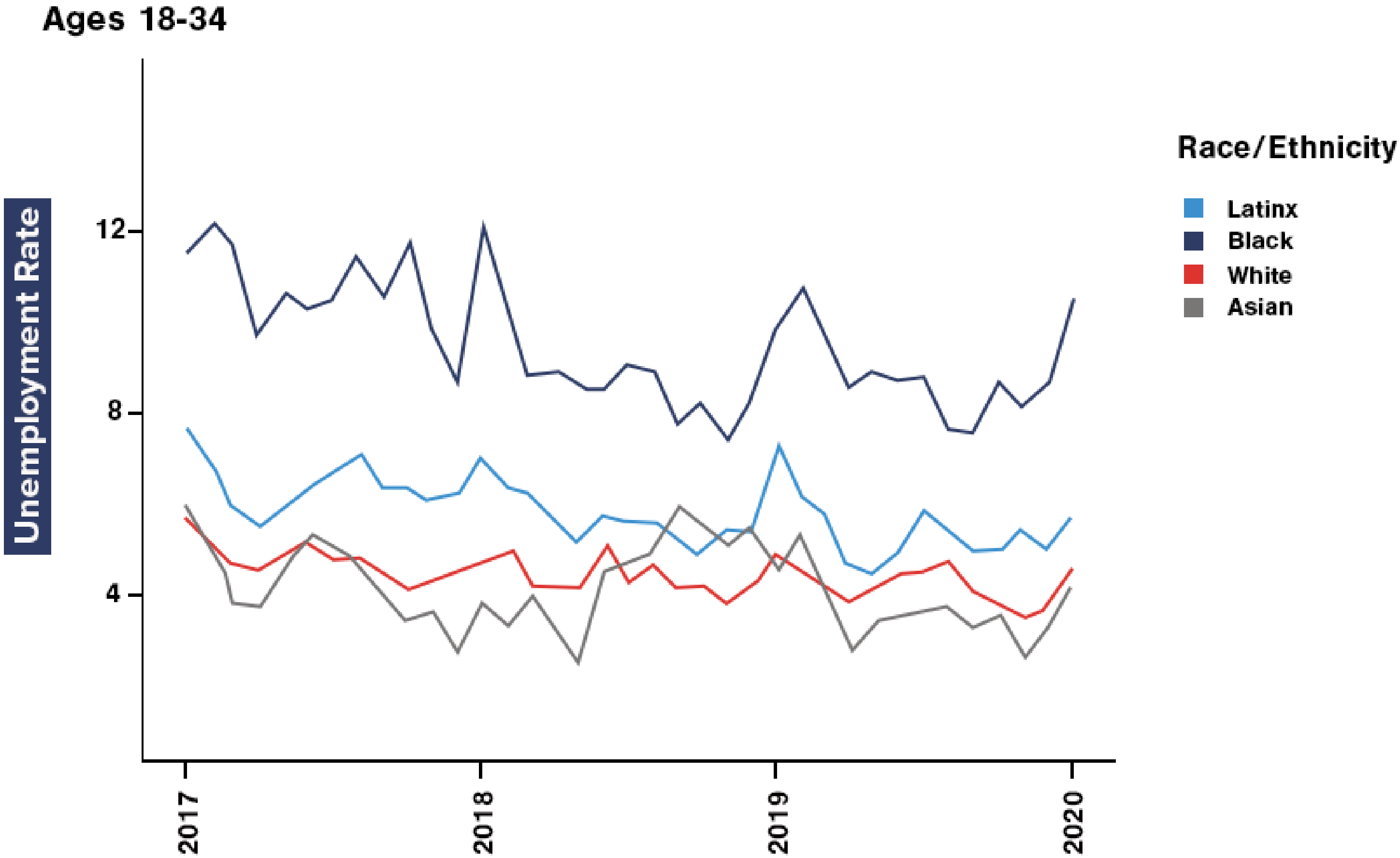
14 Kathleen Elkins. "A growing percentage of millennials have absolutely nothing saved," CNBC.com, February 12, 2018, https://www.cnbc.com/2018/02/09/a-growing-percentage-of-millennials-have-absolutely-nothing-saved.html.

15 Jessica Dickler. "Nearly half of all Americans are falling deeper in debt as inflation continues to boost costs," CNBC.com, July 26, 2022, https://www.cnbc.com/2022/07/26/nearly-half-of-americans-fall-deeper-in-debt-as-inflation-boosts-costs.html

Employment

As the long recovery period from the Great Recession reached its peak between 2016 and 2020, unemployment among young adults overall dropped to historic lows.[16] That said, even during this period of robust growth and a tight job market, substantial inequity in employment prospects persisted across and within generational boundaries. Though unemployment rates were similar between working-age Americans 35 or older, young adults in the workforce continued to face the highest unemployment rates in the country. Furthermore, employment opportunities were distributed highly unequally across racial groups.

Pre-Covid Young Adult Unemployment: Race/Ethnicity



Current Population Survey, 95% Confidence Intervals

16 "Employment and Unemployment Among Youth - Summer 2019," Bureau of Labor Statistics, August 16, 2019, https://www.bls.gov/news.release/archives/youth_08162019.pdf.

Income

The 2010s saw a slow but steady increase in inflation-adjusted income among young adults. The long recovery from the Great Recession, however, did little to close the racial income gap. In 2010, the gap in median personal income between Black and white young adults was $8,769 in 2021 dollars. In 2020, that same gap had grown larger, to $9,542.[17]

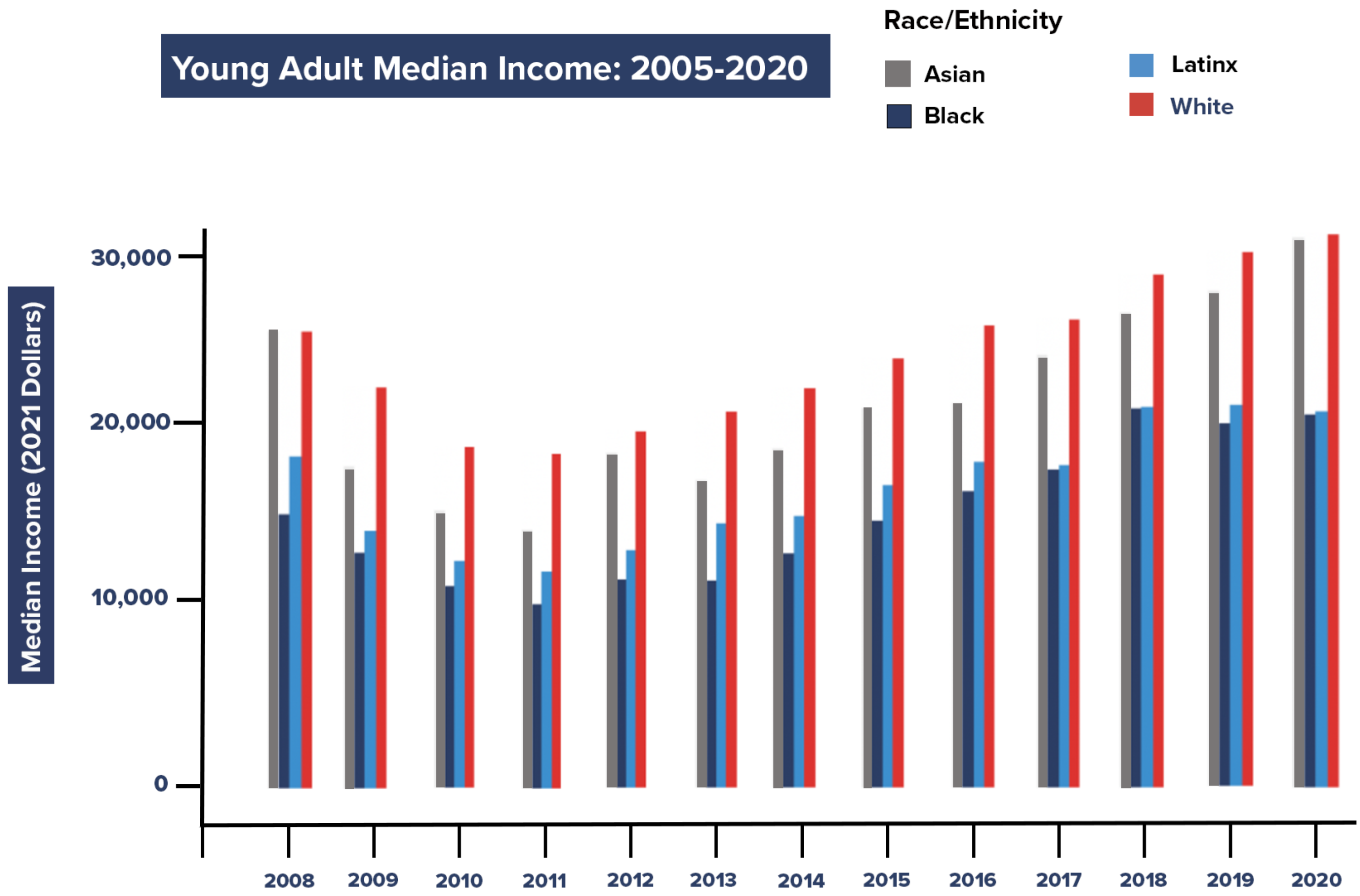
Median Personal Income: Ages 18-34

	2018	2019	2020
White	$27,000	$28,000	$29,377
Black	$19,933	$19,000	$19,812
Latinx	$20,000	$20,000	$20,000
Asian	$25,010	$26,000	$29,262

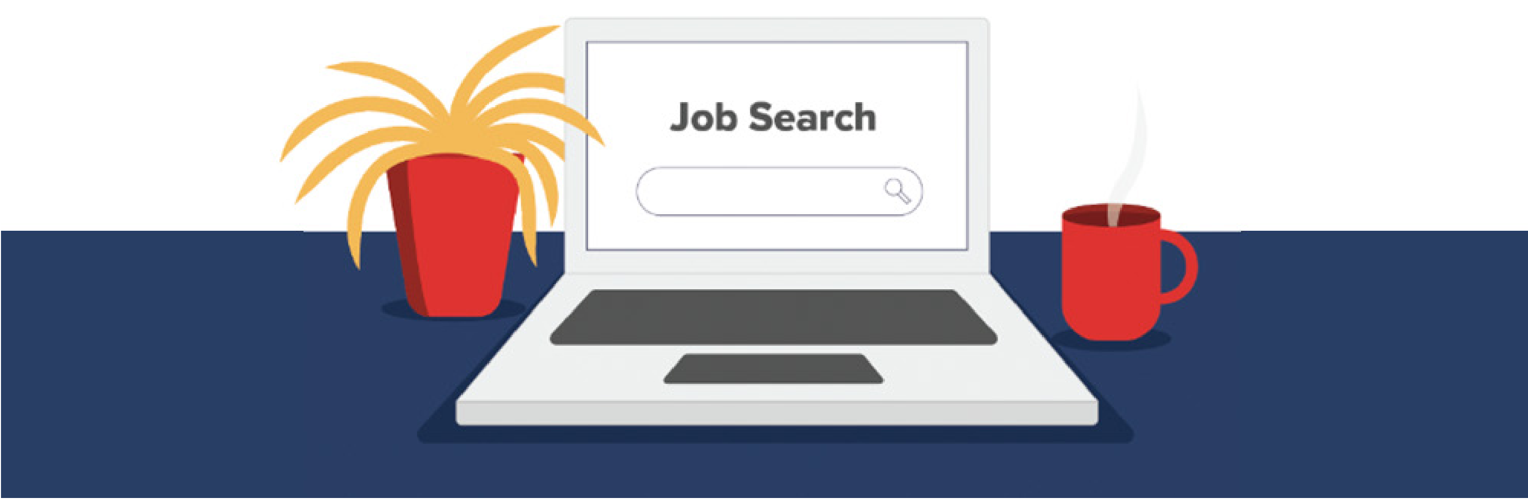
*Young Invincibles' estimates based on 2019-2021 CPS ASEC public use microdata accessed via IPUMS.

17 YI's analysis of the 2021 Current Population Survey Annual Social and Economic Supplement (ASEC). Microdata was accessed via IPUMS. Income measures pre-tax personal income or losses from all sources for the previous calendar year for all respondents. Income is expressed in 2021 dollars.

Young Adult Median Income: 2005-2020



CPS ASEC, 95% Confidence Intervals



Building Young Adult Wealth

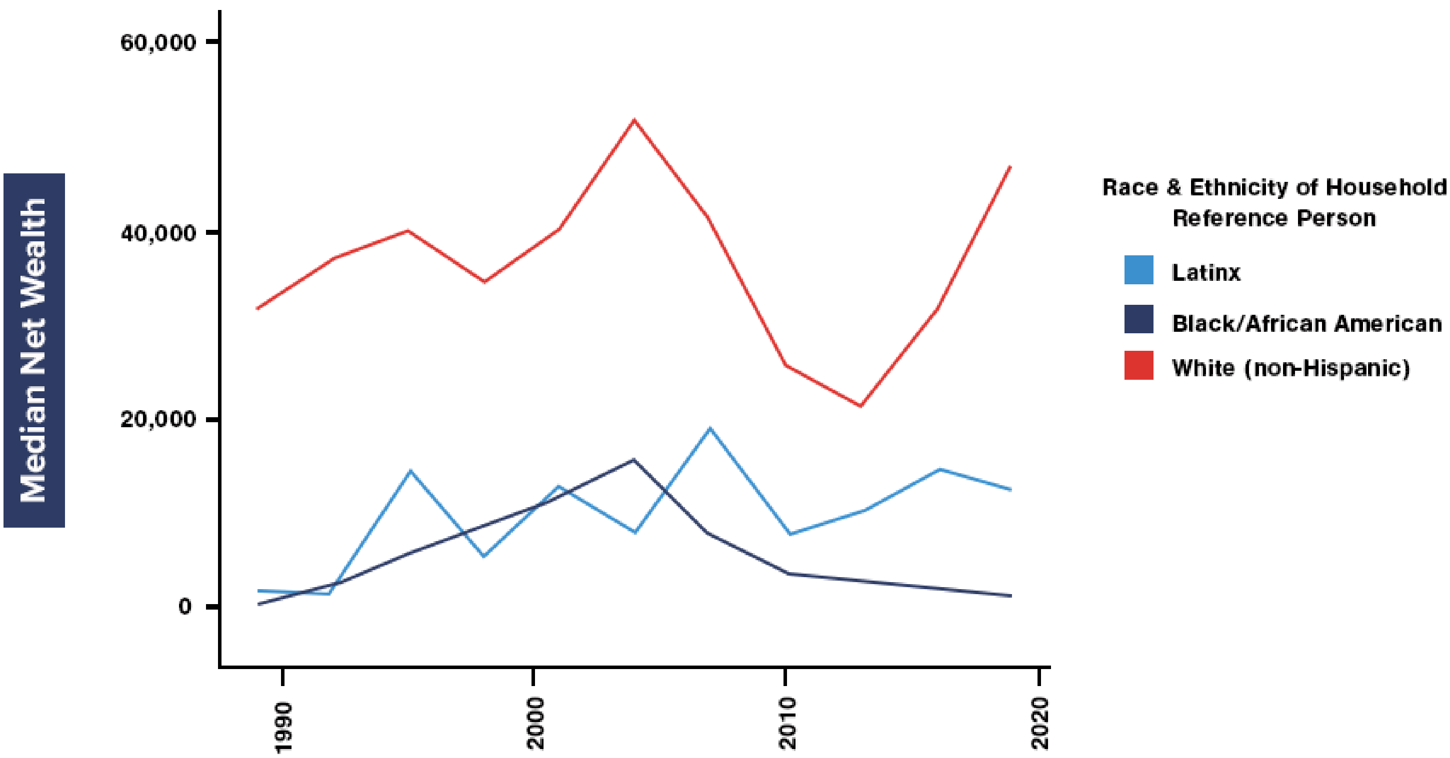
Building Young Adult Wealth

Net Wealth

The pre-pandemic recovery in young adult net wealth from its post-Great-Recession nadir was concentrated almost entirely among white Americans, with Black and Latinx households remaining steady or even falling over this period. This reflects continued inter- and intra-generational inequities in income, family wealth, distribution of student debt, and access to the housing market.[18]

Median Net Worth Over Time: Race/Ethnicity

Household Reference Persons, Age 25-34



Survey of Consumer Finance, 95% Confidence Intervals

Home Ownership

Owning a home has long been considered a cornerstone of American middle class life. Primary residences are one of the few types of investments that allow non-wealthy Americans to take advantage of leverage opportunities for long-term gain.[19]

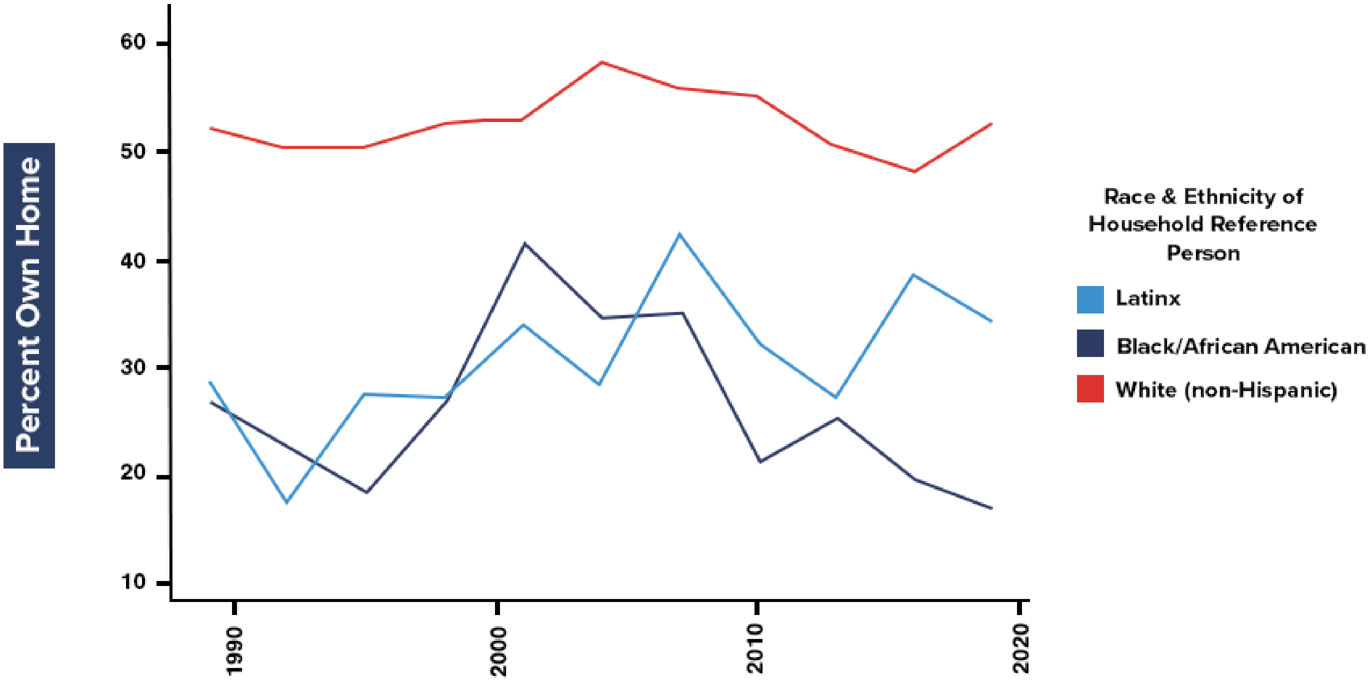
18 Oliver, M., & Shapiro, T. Black Wealth/White Wealth: A New Perspective on Racial Inequality. Routledge, 2013.

19 Edward N. Wolff, "The declining wealth of the middle class, 1983–2016," Contemporary Economic Policy, February 18, 2021. https://onlinelibrary.wiley.com/doi/full/10.1111/coep.12513

Fixed-rate mortgages also serve to stabilize housing costs over time, in contrast to those who remain subject to the year-to-year vagaries of the private rental market.[20] Housing in general remains one of the principal vehicles for American wealth creation and inter-generational wealth transfer.[21]

Homeownership Rate: Race/Ethnicity

Household Reference Persons, Age 25-34



Survey of Consumer Finances, 95% Confidence Intervals

Home ownership among young adults 18-34 reached its nadir in 2016, well into the post-Great-Recession recovery. Though the percentage of young adults owning their primary residence had begun to recover by the eve of the Covid-19 pandemic, it remained near the lowest levels recorded by the Federal Reserve, and more than five percentage points lower than its peak in 2004. Among young adult households with mortgage debt, average real loan balances continued a steady rise in the run-up to the pandemic.

The 1990s and early 2000s saw a substantial reduction in the racial home-ownership gap among young adults. In 1989, a young adult family with a Black reference person was about half as likely (27 percent) to own their primary residence as a white household (52 percent).

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20 Laurie Goodman and Christopher Mayer, "Homeownership is still financially better than renting," Urban Institute, February 21, 2018, https://www.urban.org/urban-wire/homeownership-still-financially-better-renting.

21 "Building Economic Security in America's Cities," Corporation for Enterprise Development, January, 2011. https://prosperitynow.org/files/resources/BuildingEconomicSecurityInAmericasCities.pdf

Though that gap narrowed around the turn of the millennium, it has grown wider since. On the eve of the pandemic, Black young adult households were roughly one third as likely (17 percent) as their white peers (53 percent) to own their home.

Developments in the housing market since 2019 suggest such inequalities have only been made more severe. Median home prices rose 33 percent between the second quarter of 2020 and the first quarter of 2022.[22] This points to a housing market made even more sharply inaccessible to a broad population of young adults. Indeed, recent trends suggest that those with both pre-existing wealth and the capacity to build savings during the emergency were key drivers of this price surge.[23] Given the importance of home ownership for wealth-building among American families, these trends threaten to increase long-term wealth inequality. Those with enough capital to buy a home in such an environment - particularly while interest rates were at historic lows - stand ready to reap the benefits for decades, while the door to the housing market shuts ever tighter to those with more constrained savings.

Saving for that down payment on a home is a significant barrier towards home ownership for young adults. Young adults that aren't living with family, are facing a market of remarkably high rents. The national median rent crossed $2,000 in 2022.[24] With unstable rent prices, young adults are forced to devote a substantial portion of their income to rent, limiting their ability to save for a down payment on a future home. Until the affordable housing supply increases and rent prices stabilize, young adults will continue to inch further away from owning a home.

22 "Median Sales Price of Houses Sold for the United States," FRED, Accessed August 1, 2022. https://fred.stlouisfed.org/series/MSPUS#

23 Hillary Hoffower, "Over half of young adults plan to use their pandemic savings on buying a home, which could worsen the housing crisis," Business Insider, July 4, 2021. https://www.businessinsider.com/half-young-adults-plan-spend-pandemic-savings-buy-home-zillow-2021-7

24 Chris Arnold, "Rents across U.S. rise above $2,000 a month for the first time ever," NPR, June 9, 2022. https://www.npr.org/2022/06/09/1103919413/rents-across-u-s-rise-above-2-000-a-month-for-the-first-time-ever

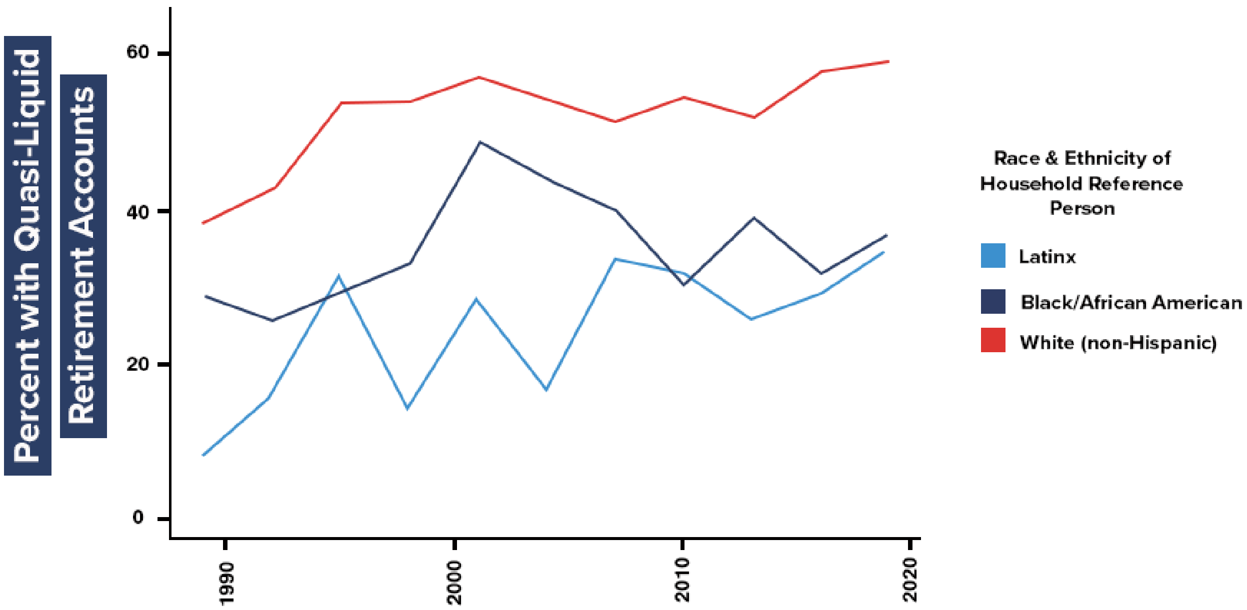
Retirement Savings: Bright Spots and Inequalities

One potential bright spot in the financial picture of today's young adults is their likelihood, documented in numerous sources, to save for retirement.[25] Previous work from Young Invincibles noted a sharp rise in young adults' tendency to hold retirement savings over the course of the 1990s and early 2000s, a tendency which diminished only slightly during the Great Recession.[26]

During the period leading up to the Covid-19 pandemic (2013-2019), the percentage of young adult households with some type of quasi-liquid retirement savings had been steadily increasing. This followed more than a decade of stagnation or decline that had begun even before the Great Recession. As of 2019, more than 45 percent of young adult households held some type of retirement savings, matching the previous high in 2001. The median value of such accounts - approximately $13,000 in 2019 - remained flat over the course of the 2010s, never recovering from its 2004 inflation-adjusted peak of $14,910.[27]

Retirement Savings Rate: Race/Ethnicity

Household Reference Persons, Age 25-34



Survey of Consumer Finance, 95% Confidence Intervals

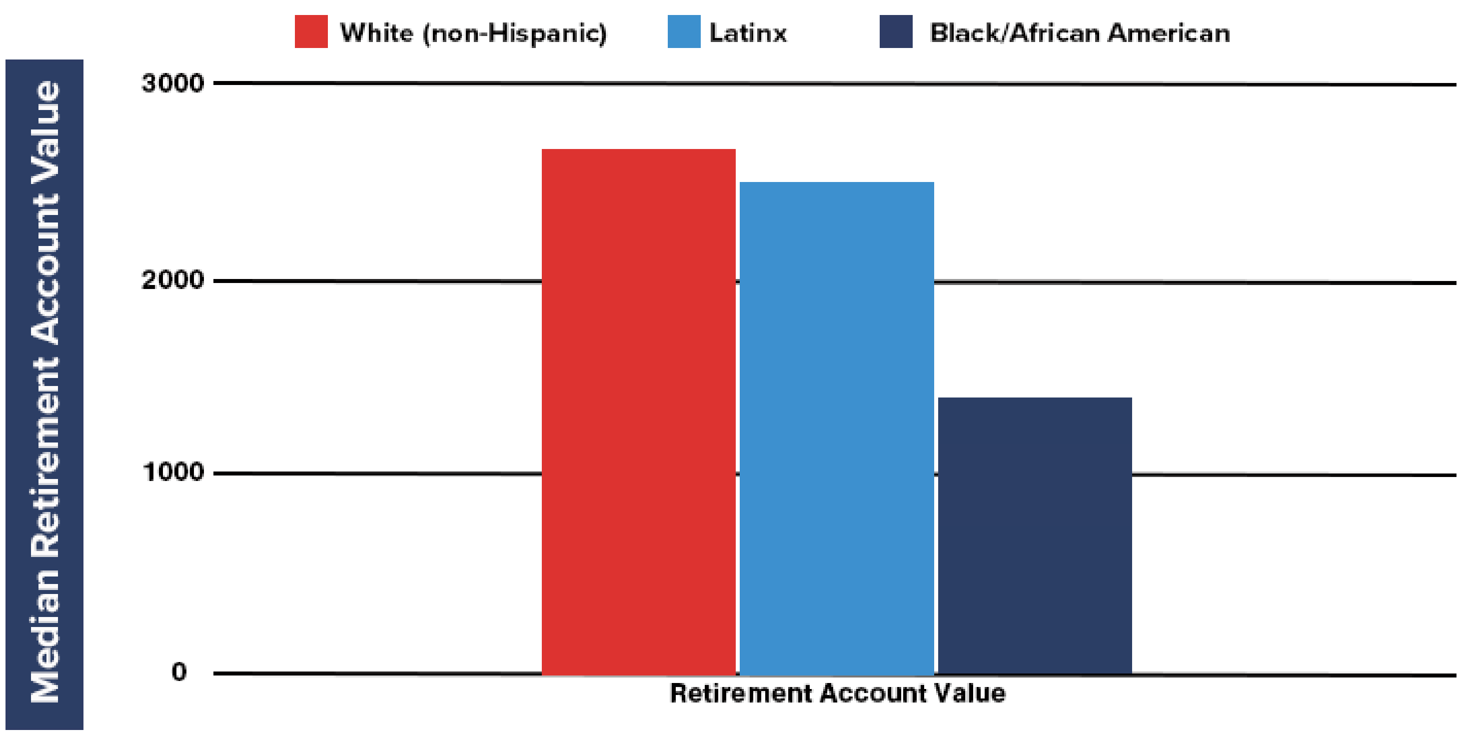
25 Taylor Tepper, "Young Americans Are Saving For Retirement Sooner," Forbes, August 10, 2021. https://www.forbes.com/advisor/retirement/transamerica-young-americans-retirement/

26 Tom Allison, "Financial Health of Young America: Measuring Generational Declines between Baby Boomers & Millennials," Young Invincibles, January, 2017. https://younginvincibles.org/wp-content/uploads/2017/04/FHYA-Final2017-1-1.pdf

27 "Survey of Consumer Finances: Retirement accounts by age of reference person," Board of Governors of the Federal Reserve System, Accessed July 21, 2022. https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Retirement_Accounts;demographic:agecl;population:1;units:median;range:1989,2019

This modest pre-pandemic savings growth, while welcome, should not obscure the persistent inequalities in retirement savings that threaten young adults' future financial stability. In particular, the value of retirement accounts among young adults has been heavily skewed toward those with the best educational credentials. Young adult households with a college-educated reference person and retirement savings in 2019 held accounts with a median value of $23,600. For those with some college experience but no degree, it was $7,100. For those with a high school diploma, it was $5,620.[28]

Median Retirement Account Value: College Degree



2019 SCF: Ages 18-34 with Retirement Accounts and College Degrees

28 Young Invincibles' analysis of the 2019 Survey of Consumer Finances. The estimate is based on household reference persons ages 22-34.

Education Debt: Ever-Growing Bruden

On August 24, 2022, the Biden Administration announced the forgiveness of $10,000 in student debt for most federal student borrowers, with an additional $10,000 forgiven for those who received Pell Grants to complete their higher education.[29] In addition, the administration has limited borrowers who are in income-based repayment plans to paying 5% of their monthly discretionary income, while also covering unpaid monthly interest. This reform will no doubt be crucial for the many borrowers - particularly borrowers of color and those from the lowest-income backgrounds - who have been forced to take on unsustainable levels of debt as a price of admission to today's economy. Data on student loan debt in recent years shows clearly that the burdens of paying for higher education have been shifted onto those who can least afford them, and the Administration's recent policy changes represent a crucial down payment on what must be a longer-term and more comprehensive plan to tackle a rolling crisis in postsecondary affordability.

Postsecondary education is a crucial driver of economic mobility in the United States. This is particularly true for those Americans raised in lower socioeconomic strata, for whom education is one of the only semi-reliable routes to upward economic movement. There is evidence that this is especially true for attendees of many of the public universities that find themselves increasingly starved of state investment.[30] Mobility aside, the majority of jobs that can support a family in today's economy require at least a bachelor's degree.[31]

In recent decades, however, the costs of higher education have ballooned, while state divestment and growing income inequality have pushed the sticker price of a bachelor's degree further out of reach for most American families. Student debt has made up for a substantial portion of the difference, with ever-increasing percentages of young adults taking on debt to attend school, and ever-increasing debt loads among borrowers.

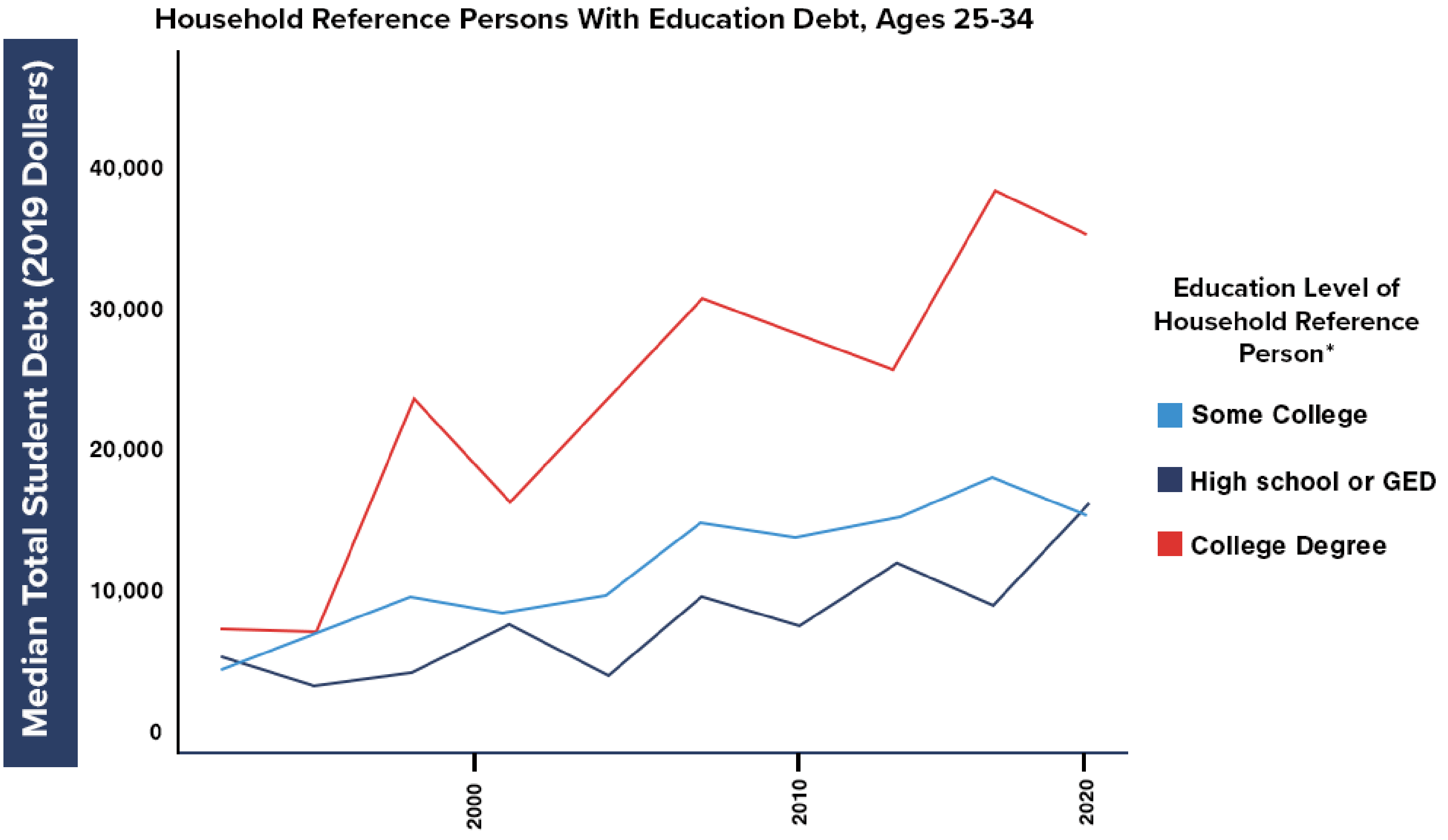
29 Corey Turner and Sequoia Carrillo, "Biden is canceling up to $10K in student loans, $20K for Pell Grant recipients," NPR, August 24, 2022. https://www.npr.org/2022/08/24/1118879917/student-loan-forgive-ness-biden

30 Raj Chetty et al., "Mobility report cards: The role of colleges in intergenerational mobility," NBER Working Paper 23618, Revised Version, December, 2017, https://opportunityinsights.org/paper/mobilityreport-cards/.

31 Carnevale, A., Strohl, J., Ridley, N., & Gulish, A., Three educational pathways to good jobs: High school, middle skills, and bachelor's degree, Georgetown University Center on Education and the Workforce, 2018, https://cew.georgetown.edu/good-jobs-project/.

In the lead-up to the Covid-19 pandemic, the percentage of young adult household reference persons reporting holding education debt approached record levels (41 percent), even during the height of the post-recession recovery.[32] Furthermore, the mean debt held by individual borrowers continued to grow, largely among borrowers with degrees, but also among those without them. Total issued student loan debt has ballooned to more than $1.7 trillion, with nearly 93 percent of that debt on the federal books.[33]

Median Total Student Debt Over Time

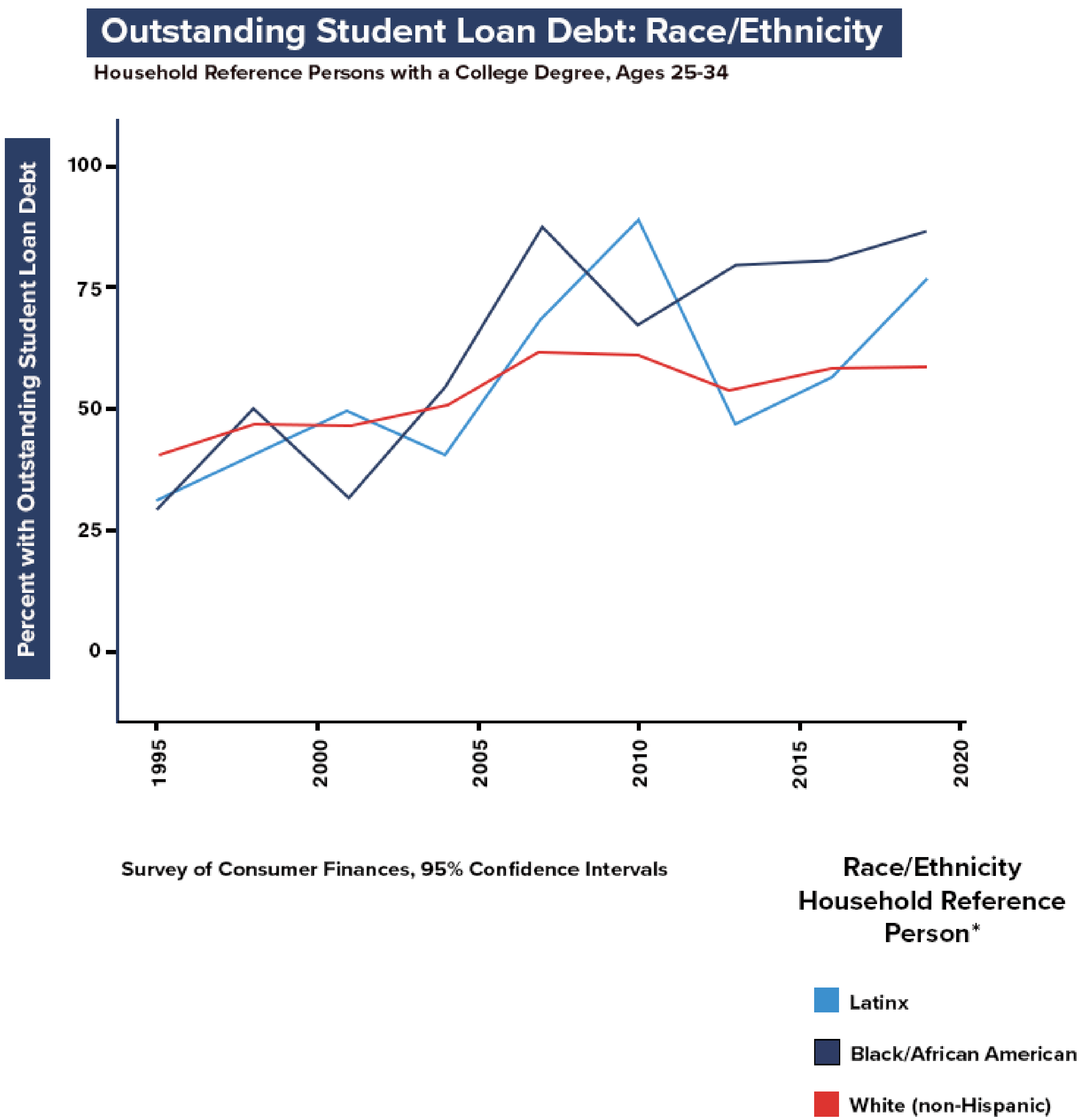


Survey of Consumer Finances, 95% Confidence Intervals
*Respondents with less than HS Diploma excluded due to sample size restrictions

32 "Survey of Consumer Finances: Education installment loans by age of reference person," Board of Governors of the Federal Reserve System, Accessed July 21, 2022, https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Education_Installment_Loans;demographic:agecl;population:1,2,3,4,5,6;units:median;range:1989,2019.

33 Melanie Hanson, "Student Loan Debt Statistics," Education Data Initiative, July 29, 2022, accessed August 2, 2022, https://educationdata.org/student-loan-debt-statistics.

This places a difficult-to-sustain burden on wealth-building capacity among young people, and profoundly affects their ability to cover monthly expenses while growing their own earnings potential. This is particularly true for those with student debt but no degree, who must now service debt without the credential to provide an earnings premium.[34] The very people for whom the education earnings premium matters most - those least likely to have preexisting wealth or resources - are the ones most burdened by the debt needed to take advantage of that premium. This all but guarantees continued inequalities in wealth creation, absent concerted action by policymakers to address the drag.



Median Student Loan Balance Among Degree-Holding Borrowers: Ages 25-34

	2013	2016	2019
White	$28,113	$32,545	$36,080
Black	$21,963	$44,138	$50,200
Latinx	$9,884	$21,271	$21,000

Covid-19

Inequitable Crisis, Inequitable Recovery

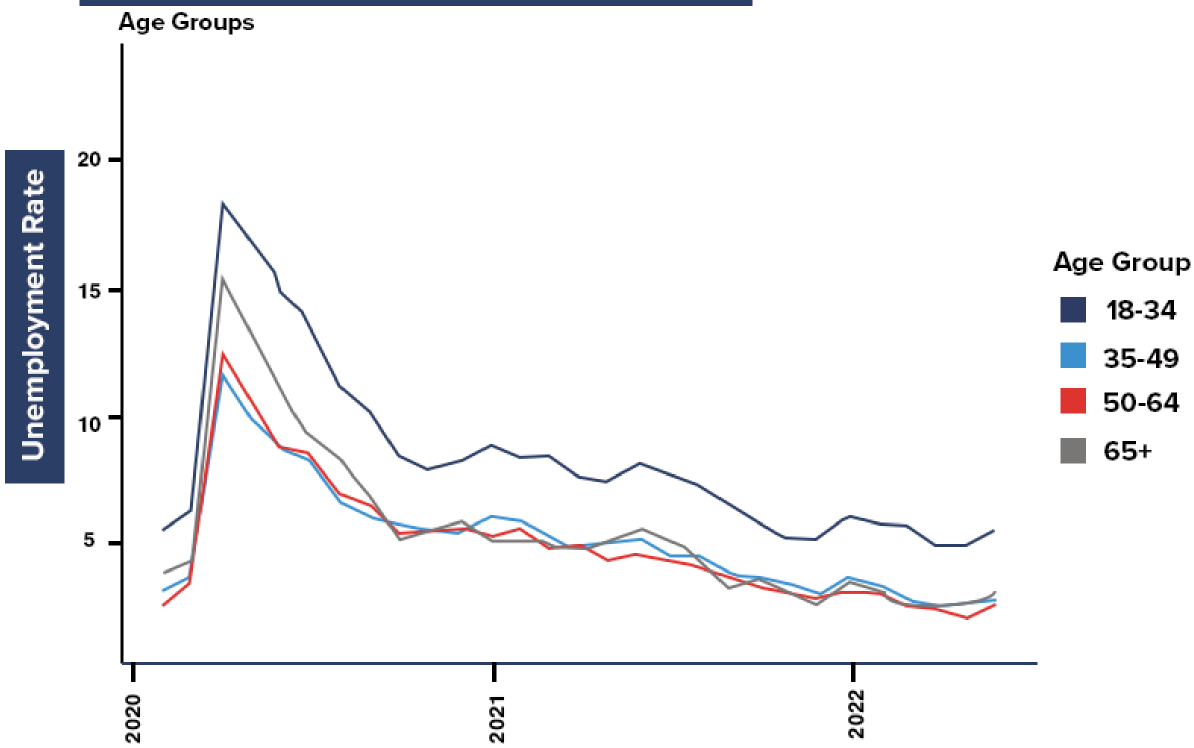
Covid-19: Inequitable Crisis, Inequitable Recovery

Evidence from multiple sources suggests that Americans in general had very different experiences of the Covid-19 pandemic, based on their preexisting financial stability and access to resources. It became clear early on that those with the greatest economic precarity were hit hardest by pandemic-era economic disruption.[35] Young adults, who in aggregate went into the pandemic with the least accumulated wealth, highest rates of unemployment, and most precarious access to necessities of any age group, faced some of the most intense economic disruption over the course of the crisis.

Employment

Young adults were particularly hard-hit during the pandemic, and the subsequent employment recovery has been inequitable and uneven. According to the best federal tracking data, unemployment among individuals aged 18-34 more than tripled between February and April of 2020, rising by roughly 13 percentage points. By comparison, the next-oldest cohort (35-49), increased by roughly eight points.

Covid Era Unemployment: Age Group



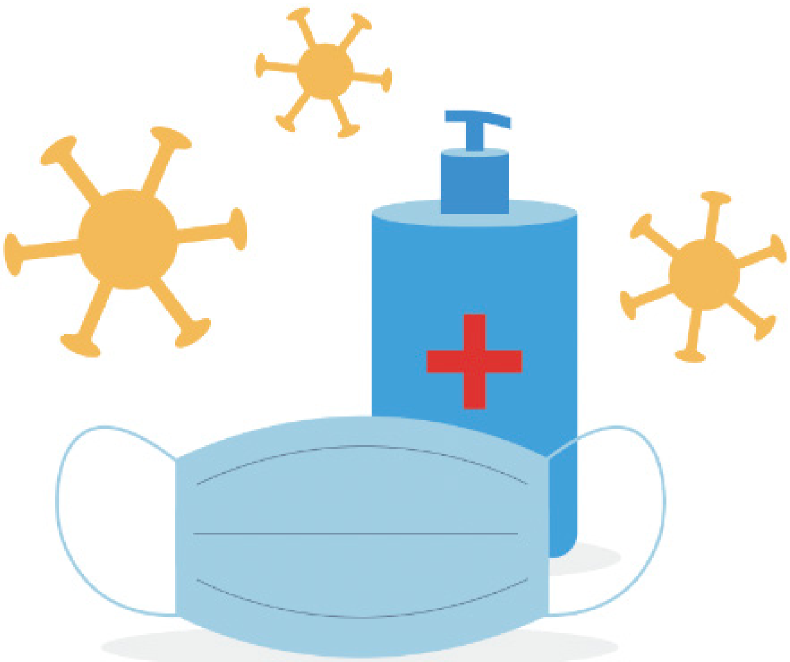
Current Population Survey, 95% Confidence Intervals

35 Rakesh Kochhar and Stella Sechopoulos, "COVID-19 Pandemic Pinches Finances of America's Lower- and Middle-Income Families," Pew Research Center, April 20, 2022, https://www.pewresearch.org/social-trends/2022/04/20/covid-19-pandemic-pinches-finances-of-americas-lower-and-middle-income-families/.

Young adults of color, already disproportionately likely to face unemployment, were hit especially hard. The unemployment rate among Black young adults rose to nearly 22 percent in April of 2020, compared with 17 percent for white young adults in the same age range.[36]

Considering the long-standing inequities in pay and employment experienced by young adults of color, the especially high volatility in pandemic-era unemployment threatens serious long-term consequences for the racial wealth and earnings gap in the United States.

The pandemic opened the door for many young adults to realize their power when advocating for better working conditions.[37] The unemployment rate skyrocketed during the pandemic, but there is also a growing labor movement among young adults across the country. The pandemic highlighted many of the wealth, racial, and pay inequities in our economy. As a result young adult workers across several different industries have started banding together to unionize and collectively bargain for better working conditions and pay from employers that have abused them for decades. Young adults have breathed new life into labor unions.[38]

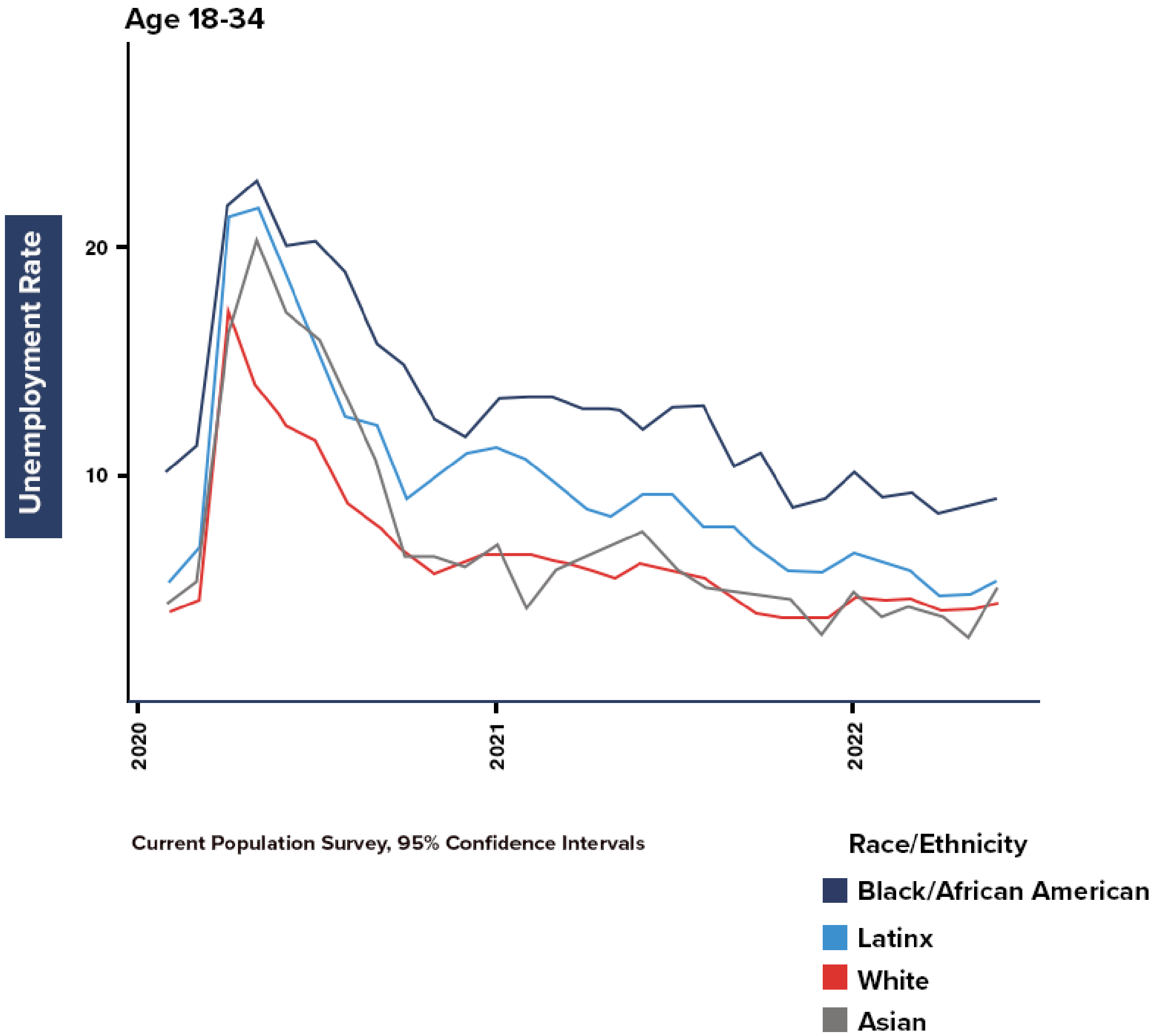


36 Young Invincibles' analysis of monthly CPS employment data.

37 Dee-Ann Durbin, "'We obviously need change': Young workers flock to labor unions," Christian Science Monitor, February 14, 2022, https://www.csmonitor.com/Business/2022/0214/We-obviously-need-change-Young-workers-flock-to-labor-unions.

38 Steven Greenhouse, "The Faces of a New Union Movement," The New Yorker, February 28, 2020, https://www.newyorker.com/culture/photo-booth/the-faces-of-a-new-union-movement.

Covid Era Young Adult Unemployment: Race/Ethnicity

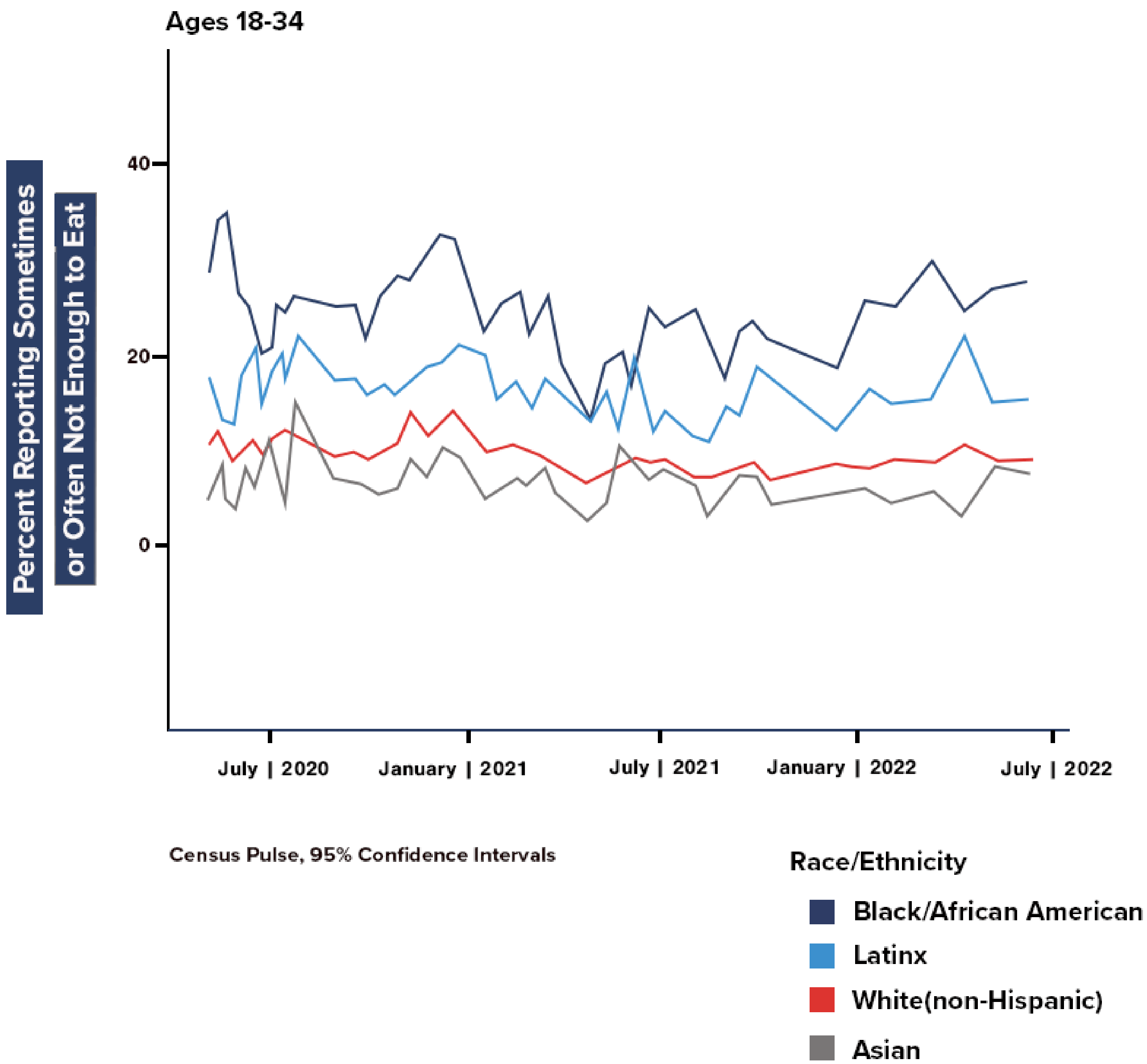


Current Population Survey, 95% Confidence Intervals

Making Ends Meet: Food Security

Access to sufficient food was volatile among young adults during the pandemic, and highly inequitably distributed. Black young adults in particular experienced a dramatic spike in food insecurity in the early weeks of the pandemic, and have continued to outpace their white counterparts in lack of stable access to desired foods. Worryingly, food insufficiency numbers among Black young adults have begun rising again in recent months. This timing is consistent with rising food prices, and suggests that supply chain issues and inflationary pressures may exacerbate already-unequal access to the most basic of needs.

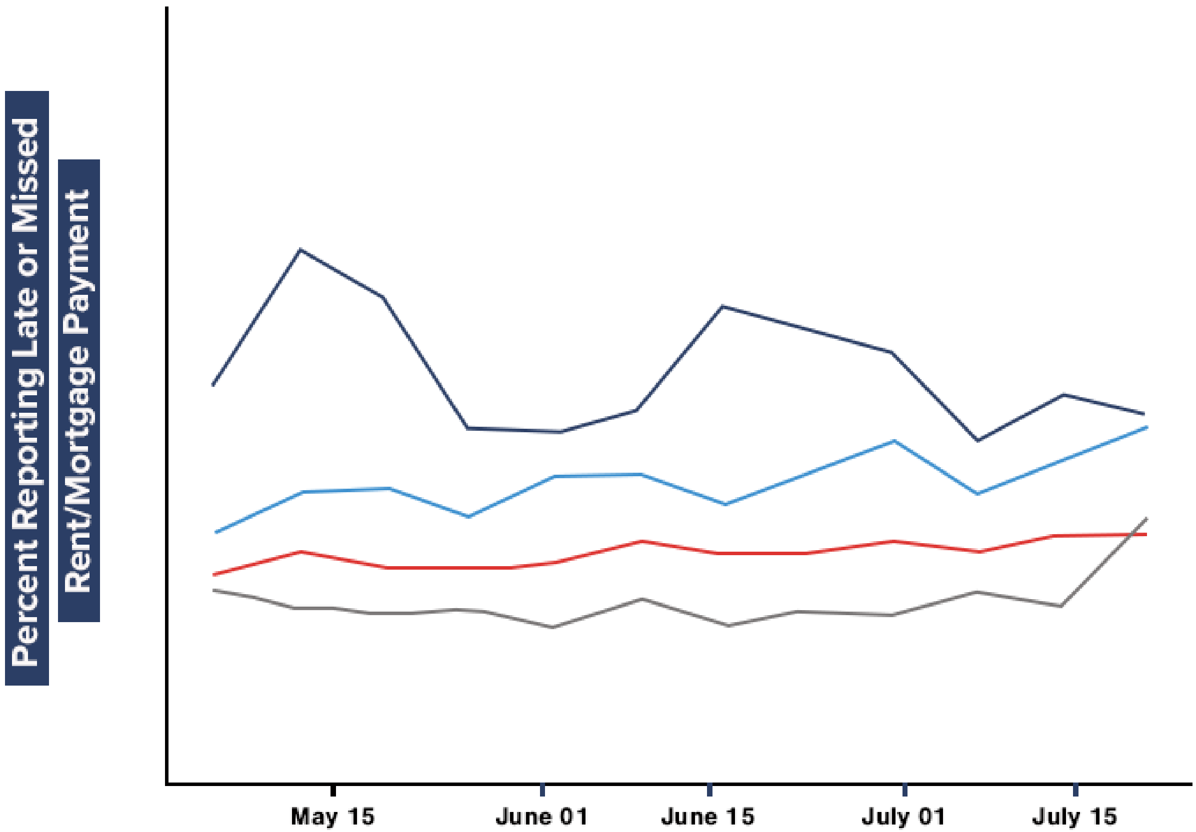
Food Insufficiency



Making Ends Meet: Housing Security

In the weeks and months following the start of the Covid-19 emergency in March of 2020, Black and Latinx young adult households were substantially more likely than their white counterparts to report missing or being late with a rent or mortgage payment. Among white young adults, the pandemic did not coincide with a particularly sharp increase in concern over the ability to remain in stable housing. Black and Latinx respondents, by contrast, experienced a sharp increase in such concerns in the pandemic's early days, and have continued to experience a less secure and more volatile relationship to stable housing.

Late Housing Payments: Spring and Summer 2020

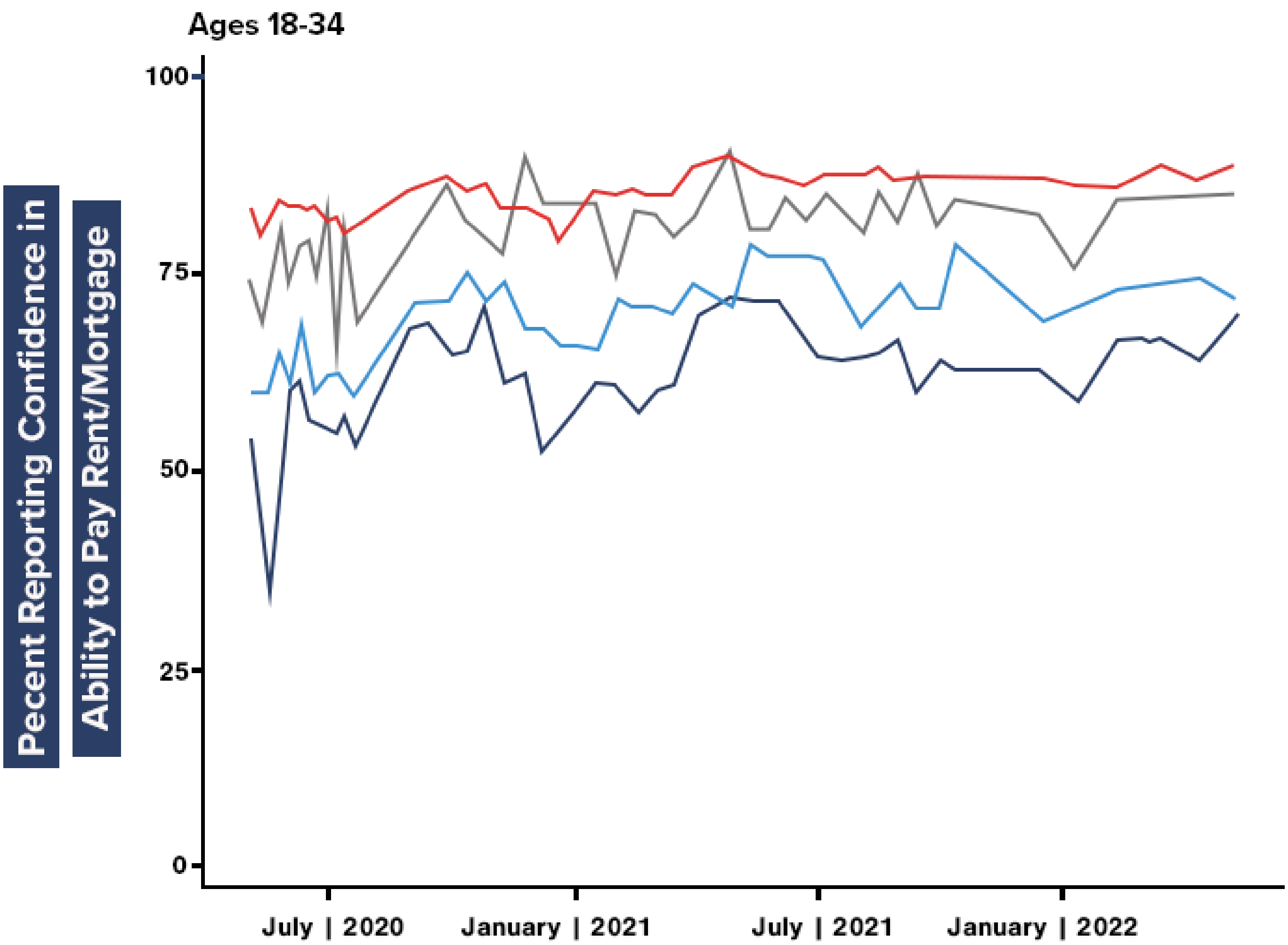


Census Pulse, 95% Confidence Intervals

Race/Ethnicity

- Black/African American
- Latinx
- White(non-Hispanic)
- Asian

Rent/Mortgage Confidence



Census Pulse, 95% Confidence Intervals

Policy
Recommendations

Policy Recommendations

Young adults need higher wages, more stable incomes, better and cheaper access to housing and month-to-month household necessities, greater opportunities for asset-building and retirement savings, and a lower debt burden. Policymakers are well-positioned to address many of these challenges.

Forgive Federally-Held Student Debt

The drag on wealth creation and financial stability caused by persistent and growing education debt loads demands aggressive and comprehensive federal action. The pandemic-era pause in student loan repayment has highlighted just how much damage student debt does to young adult living standards, intergenerational mobility, and wealth creation.

The recent administrative action to forgive up to $10,000 in federal debt generally, and up to $20,000 for Pell recipients, should alleviate an important element of the student loan burden for some of the most vulnerable Americans, including those who took on loans without finishing their degrees. Further, the continuing series of payment pause extensions since 2020 suggests that policymakers understand the importance of alleviating the burden of student debt on borrowers' monthly budgets.

Both executive and legislative actors have the discretion to go further and forgive or otherwise eliminate billions more of dollars in student debt. The Biden Administration's actions represent a crucial down payment on a broader federal responsibility to ensure that higher education is accessible to all, not just those with the wherewithal to take on substantial financial burden and long-term risk.

Promote Debt-Free College

Young people of color are particularly likely to have to take on debt to finance their education, and are also especially likely to hold such debt in the absence of a college degree. The cost of college is a major deterrent to young people maximizing their earnings potential in the workforce (and thus their long-run wealth-building capacity). Ensuring that young adults can work toward timely and relevant labor market credentials without being burdened by unsustainable debt must be treated as a crucial priority.

Raise the Minimum Wage

The federal minimum wage remains unsustainably low, having remained at the (already inadequate) level of $7.25 for more than a decade.[39] While many state legislatures have taken the initiative to raise the minimum wage to more sustainable levels, the lack of federal action leaves millions of Americans with

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39 The federal minimum wage for tipped employees is even lower, at $2.13 per hour. This is of particular concern for young adults and especially young adult women, who make up the majority of tipped employees in the United States.

inadequate pay. This is particularly important for those concerned about racial inequities in income and wealth-building.[40] Young adults of color are particularly likely to work in jobs and sectors that are directly or indirectly impacted by federal wage regulation.[41]

There are recent examples of proposed legislation to remedy this issue, including the 2021 Raise the Wage Act (H.R. 603), which would have raised the minimum wage to $15 over several years, subsequently indexing it to inflation in order to avoid the fits-and-starts pattern of minimum wage legislation that has prevailed historically.[42]

Expand the Low-Income Housing Tax Credit

The pandemic experience has highlighted how precarious access to housing is for many young Americans. Young adults of color are particularly heavily affected by this insecurity. Housing remains the largest single monthly expense for most families, and volatility in both rental and real estate markets can have outsized effects on the ability of young adults in particular to stay above water, make ends meet, and build long-term wealth.

40 "Characteristics of minimum wage workers, 2021," BLS Reports, U.S. Bureau of Labor Statistics, April, 2022. https://www.bls.gov/opub/reports/minimum-wage/2021/home.htm#:~:text=In%202021%2C%2076.1%20million%20workers,wage%20of%20%247.25%20per%20hour.

41 Kate Bahn, Ellora Derenoncourt, and Claire Montialoux, "Why minimum wages are a critical tool for achieving racial justice in the U.S. labor market." Washington Center for Equitable Growth, October 29, 2020. https://equitablegrowth.org/why-minimum-wages-are-a-critical-tool-for-achieving-racial-justice-in-the-u-s-labor-market/

42 https://www.congress.gov/bill/117th-congress/house-bill/603/text

The federal government currently offers a Low-Income Housing Tax Credit, which provides tax breaks to projects that either renovate or build affordable rental housing.[43] Total disbursements for this credit, however, are capped annually by Congress. The current cap for a given state is that state's population multiplied by $2.60. This limits the power of these credits at a time of severe shortages in the nation's housing supply. Funds for this credit have actually decreased recently, after the 2021 expiration of additional funds appropriated in 2018.[44]

Some of the earliest proposed versions of the Build Back Better Act provided for additional expansions of this program, and in 2021 the House of Representatives passed a version of the bill that strengthened the credit considerably.[45] The Senate has not passed equivalent legislation. Policymakers should work to ensure that robust additional resources are provided for the construction and rehabilitation of low-income housing.

Offer Young Adults Avenues to Fix Credit Scores

The average credit score for a young adult in 2020 was 677.[46] That lands many of them in the fair range on the total scale. Credit scores are a barrier when it comes to many major finances. Interest rates rule our economy, and if you suffer from a bad/fair credit score, they will often also bring unfair interest rates. The other ugly truth behind credit scores is they are subject to frequent discrimination. There are laws, like the 1974 Equal Credit Opportunity Act, that ban race, sexual orientation, or gender from playing a part in score composition. However, other situations like redlining and predatory lending practices have forced underserved families into low scores.

Credit scores rule Americans' lives determining if we can get a loan, rent an apartment, or buy a house. Legislators need to create avenues for many young adults, especially those from underserved communities to fix their credit scores. There are previous attempts to enact policies at the federal level. The Comprehensive CREDIT Act of 2021 intended to make it easier for consumers to challenge information on their credit report. It also stopped medical debt from appearing on reports.

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43 "What is the Low-Income Housing Tax Credit and how does it work?," Tax Policy Center, May, 2020. https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work

44 Dirk Wallace, "IRS Publishes Population Figures for CY 2022 LIHTC, PAB Cap," Novogradac Affordable Housing Resource Center, March 22, 2022. https://www.novoco.com/notes-from-novogradac/irs-publishes-population-figures-cy-2022-lihtc-pab-cap

45 Will Fischer, "Housing Investments in Build Back Better Would Address Pressing Unmet Needs," Center on Budget and Policy Priorities, February 10, 2022. https://www.cbpp.org/research/housing/housing-investments-in-build-back-better-would-address-pressing-unmet-needs

46 Michelle Black and Dia Adams, "How Do You Measure Up? Average Credit Score by Age and Location," Forbes, May 4, 2021, https://www.forbes.com/advisor/credit-cards/how-do-you-measure-up-average-credit-score-by-age-and-location/.

This legislation is a good example of offering solutions to prevent credit scores from getting worse. However, there needs to be federal action creating avenues for young adults to actively improve their credit. For example, rent is one of the largest expenses for young adults yet they have to elect and know to elect to report to credit bureaus. Legislation at the federal level could require landlords to offer and cover the cost of reporting rent payments to credit bureaus. Similar legislation went into place in California.

Restore the Expanded Child Tax Credit

The American Rescue Plan Act, or ARPA, signed into law in March of 2021, substantially expanded the comprehensiveness and benefit size of the existing Child Tax Credit. For each child aged five or under, the credit increased by $1,600, with an additional increase of $1,000 for children between six and 17 years of age. The Credit was made fully refundable, meaning it was made available in full to parents regardless of their overall tax obligations. Finally, it temporarily delivered payments monthly, rather than annually at tax time, in an effort to help families with children make ends meet month-to-month.[47]

For young parents, the expanded Child Tax Credit was a crucial lifeline during the Covid-19 pandemic, and did much to prevent an explosion in child poverty over the course of the emergency.[48]

An early analysis from the Bureau of Labor Statistics suggests that the expanded credit reduced child poverty and food insecurity over the course of 2021, and allowed for increased spending on children's necessities like clothes and child care, along with food for the household.[49]

Between August of 2021 and February of 2022, the Census Household Pulse survey asked respondents about their receipt and use of the expanded Child Tax Credit under the 2021 American Recovery Act. In September of 2021, 57 percent of young adult respondents (18-34) with children in their household reported receiving payments. Of these, 29 percent reported mostly spending the money, with another 40 percent mostly using it to pay down debt.

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47 Gregory Acs and Kevin Werner, "How a Permanent Expansion of the Child Tax Credit Could Affect Poverty," Urban Institute, July, 2021, https://www.urban.org/sites/default/files/publication/104626/how-a-permanent-expansion-of-the-child-tax-credit-could-affect-poverty.pdf.

48 Megan A. Curran, "Research Roundup of the Expanded Child Tax Credit: The First 6 Months," Poverty & Social Policy Report, 5 (5), December 22, 2021, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/1643726515657/Child-Tax-Credit-Research-Roundup-CPSP-2021.pdf.

49 Sophie M. Collyer et al, "Effects of the Expanded Child Tax Credit on Household Expenditures during the Interview Survey Reference Period: Preliminary Evidence from the Consumer Expenditure Survey," BLS Working Papers 549, April, 2022.
https://www.bls.gov/osmr/research-papers/2022/pdf/ec220040.pdf

Among young adults whose households received the credit, the most common uses of the money were food (61 percent), utilities (40 percent), rent (30 percent), clothing (30 percent), and mortgage payments (14 percent), along with debt payments.[50]

This shows how important these additional supports were to helping young families make ends meet.

The expiration of these expanded benefits represents a major blow to young parents' finances, and is a major drag on child well-being, parental workforce participation, and savings and wealth-creation among young adults with children. Policymakers should work to restore and, where possible, further expand this successful initiative.

Restore and Strengthen the Expanded Earned Income Tax Credit

The Earned Income Tax Credit, or EITC, has been one of the most consistently effective federal programs at reducing poverty among working Americans. Introduced in the 70's with bipartisan support, the program has been expanded several times across the decades with bipartisan support. Despite this, before the pandemic, the EITC was doing little for childless workers. The credit maximum increases under the American Rescue Plan briefly changed that for the better.

ARPA expanded the credit maximums in the program for one tax year as a part of COVID-19 pandemic relief. While it helped millions, it also highlighted deficiencies in the underlying EITC program. The pre-ARPA credit leaves little or nothing for childless workers, and does nothing for those with no preexisting taxable income.

Restoring the ARPA-era expansion of the EITC would help lift young adult workers - especially those under 24 and childless - out of poverty. Policymakers should make these expansions permanent, make the EITC available to wider categories of young people, and consider raising the income threshold for the EITC phase-out to ensure workers barely out of poverty continue to receive some benefit.

50 Young Invincibles' analysis of week 38 of the Census Household Pulse Survey.

Conclusion

Conclusion

Many discuss economic trends in the same manner as the forces of nature - inevitable and unchangeable. But the reality is that the lackluster economic prospects of young adults, and the stark racial divides in wealth, have been the result of policy choices and often the lack of action by policymakers. Even though the unprecedented challenges of the Covid-19 pandemic were something no one knew was coming, the uneven impacts on communities were sadly predictable.

The racial gaps in income, employment, student debt, and homeownership are persisting and in many ways getting worse, even as today's cohort of young adults is ever more diverse in its composition. Ignoring this fact will not make the divides go away. The long arc towards economic justice is not bending and will not bend unless we make it.

We created this report to draw distinct attention to the problem of racial wealth gaps among young adults and show all the data about how and why these gaps remain. We now hope that policymakers at every level will use this information to take action and do real work to alleviate these divides.

We don't know exactly when the next major crisis or unprecedented challenge will happen, but we know that in many ways we failed the test that the Covid-19 pandemic presented. If we take action now, hopefully we can stop that history from repeating.

Appendix A: Survey of Consumer Finances

The Survey of Consumer Finances (SFC) is a triennial survey, sponsored by the Federal Reserve Board in cooperation with the Treasury Department, that represents the most comprehensive family-level measurement of Americans' financial assets and liabilities. The survey samples primary economic units (families).[51] The most recent available data reflects survey work conducted in 2019, before the Covid-19 pandemic disrupted household employment and finances.

The survey's methodology has been consistent since 1989, the earliest year reported in time-series measurement for this report. The survey collects information on assets, liabilities, income, employment, retirement and pension savings, demographics, and economic attitudes.

The SCF has historically sampled roughly 3,000 - 6,000 families per wave. The 2019 SCF, which provides the most recent data, reflects a sample of approximately 3,500 families. The survey collects household information primarily via the "household reference person" (previously referred to as "head of household") which represents the economically dominant single person in a given family.

Demographic estimations based on age, education, and race or ethnicity typically refer to the characteristics of this reference person. The youngest reference persons in the 2019 wave were 22, and information on respondents ages 22-24 is sparse. As such, where indicated, many statistics from this source reflect a narrower cohort of 25-34-year-olds. This is consistent with previous use of this data by Young Invincibles, and which allow for sufficient precision to provide accurate estimates. Dollar value estimates from this survey are adjusted to 2019 dollars.

The race and ethnicity variable presented in this analysis is constructed using the race variable in the SCF public use microdata, and reflects the self-reported race and/or ethnicity of the household reference person. SCF data does not allow for separate analysis of Asian-identifying respondents.

The figures and age-specific statistics cited in this report reflect an analysis by Young Invincibles of the survey's public use file. Young Invincibles' analysis uses the replicate weights provided by the survey publishers to ensure the greatest possible accuracy in sub-group and aggregate estimates.

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51 Sherman Hanna, Kyoung Tae Kim and Suzanne Lindamood, "Behind the Numbers: Understanding the Survey of Consumer Finances," Journal of Financial Counseling and Planning, 29. 410-419, 2018, https://www.researchgate.net/publication/327050039_Behind_the_Numbers_Understanding_the_Survey_of_Consumer_Finances/citation/download

Appendix B: Current Population Survey Annual Social and Economic Supplement (ASEC)

In addition to its monthly labor force estimates, the Current Population Survey (CPS) fields a longer supplemental survey every March, which interviews more than 75,000 households. The survey expands on the standard CPS labor force questions to delve into the social and economic realities of individual household members, and records variables like annual income, poverty, and health insurance coverage. The survey forms the basis for the Census Bureau's annual report on income and poverty. Young Invincibles' analysis is based on the CPS ASEC public use data made available by the Integrated Public Use Microdata Series (IPUMS).

Income estimates from this survey are adjusted to 2021 dollars using the CPI inflation calculator from the Bureau of Labor Statistics.

Young Invincibles' analysis uses the replicate weights provided by the Census via IPUMS to ensure the greatest possible accuracy in sub-group and aggregate estimates.

Appendix C: Current Population Survey

The Current Population Survey is conducted monthly at the household level by the Census, providing key information for the Bureau of Labor Statistics. It gives the most accurate and comprehensive available data on monthly changes in labor force participation, unemployment, hours, earnings, and labor force demography.

Young Invincibles' analysis is based on the CPS public use data made available by the Integrated Public Use Microdata Series (IPUMS). The race and ethnicity variable presented in this analysis is constructed using a combination of the RACE and HISPAN variables in the IPUMS microdata.

Analyses are conducted at the individual level, and make use of the respondent-level weights provided by the Census to maximize accuracy of survey-based estimates. Appendix D: Census Household Pulse Survey

Appendix D: Census Household Pulse Survey

With the advent of the Covid-19 pandemic, the Census Bureau has sought to measure the week-to-week impact over time on Americans' health and economic well-being over the course of the emergency. The exact timing of wave releases, as well as the nature of many of the questions asked, have shifted over the course of different survey waves, as different phases of the pandemic and recovery have suggested the need for different types of information. Still, new surveys are fielded regularly (generally every two-six weeks), and provide an invaluable longitudinal view of Americans' pandemic experiences.

This report makes use of waves 1-46 of the Census Pulse survey to track changes in economic well-being, food insecurity, housing insecurity, and month-to-month financial challenges faced by young people over the course of the pandemic.

Young Invincibles' analysis uses the replicate weights provided by the Census to ensure the greatest possible accuracy in aggregate estimates.