First Trust
Monday Morning OUTLOOK

Brian S. Wesbury – *Chief Economist*
Robert Stein, CFA – *Dep. Chief Economist*
Strider Elass – *Senior Economist*
Andrew Opdyke, CFA – *Senior Economist*
Bryce Gill – *Economist*

630-517-7756 • www.ftportfolios.com October 18, 2021

Respect Millennials

Politics today is in large part about pitting one group against another and convincing one side they've been treated unfairly. One of those groups is the younger generation of workers known as Millennials, who are supposedly up to their eyeballs in debt and lagging well behind prior generations.

Before we get into it, let's define who we're talking about:

- Millennials (born 1981-96)
- Generation X (born 1965-80)
- Baby Boomers (born 1946-64)
- Silent Generation (born before 1946)

Politics is a zero-sum game, so instead of focusing on whether the pie is growing or shrinking, politicians and many others like to focus on who owns what **share** of the pie. In this case the pie we're talking about is total wealth among all American households. In turn, net worth is assets (stocks, bonds, real estate, mutual funds, bank deposits, pension entitlements, and ownership in businesses) minus liabilities (mortgages, student loans, car loans,…etc.).

As of the middle of this year, Baby Boomers had 51.4% of all net worth, according to the Federal Reserve. Pretty good for a group that makes up about 21% of the US population. Generation X has 28.6% of US wealth.

Meanwhile, Millennials are lagging way behind. This group – which now has 22% of the US population, slightly more than Boomers – has only 5.6% of US household net worth.

It's no wonder some politicians have been talking about this issue: there are more Millennials than Boomers but Boomers have about nine times more wealth than Millennials. Unfair!

The problem with these numbers is that despite being 100% accurate, they're 100% misleading. Each generation's share will rise and eventually fall as they start out young, hit their peak earning years, pay off debts, and then enjoy compounding returns on accumulated investments later on in life, before eventually spending down those assets. Back in 1989, the Silent Generation had almost 80% of all net worth. Today, they have 14.4%.

There is a much better way to look at the generations. Rather than looking at the **share** of total net worth, we should look at the average level of net worth for each generation as they age from young to old. Essentially, take each generation's total net worth, divide it by the number of households within each generation (some generations are bigger than others), and then adjust for inflation. Credit where credit is due: this method was originally developed by Jeremy Horpedahl, a very insightful economics professor at the University of Central Arkansas. We gave his method a couple of tweaks and reached essentially the same conclusions.

We estimate that the typical Boomer was born in the fourth quarter of 1955. So, as of mid-2021, the typical Boomer was 65.5 years old. Right now, the average Boomer household has a net worth of $1.629 million. (Remember, this is an average, so it includes Jeff Bezos.) By contrast, the typical Gen Xer now has $1.108 million. (Yes, this includes Elon Musk.)

Superficially, it's advantage Boomers. But the typical Gen Xer was born in the third quarter of 1972, and so was age 48.75 in the middle of this year. That means Boomers have had longer to accumulate assets and earn compound returns.

But when comparing Boomers to Gen Xers, what we really want to know is how much net worth Boomers had back when they were 48.75 years old. And guess what? When you adjust for inflation, the typical Boomer household had $730,000 back then, well below today's Gen Xers, with $1.108 million. So when you adjust for age and inflation, the average Gen X household is beating the average Boomer household. (And Bob Stein won't let Brian Wesbury forget it.)

Unfortunately, the data only go back to 1989, and can't yet directly compare Millennials to Boomers. But we can compare Millennials to Gen X. Today, the average Millennial household, at age 32, has a net worth of $196,000. (Yes, this includes Mark Zuckerberg.) Back when Gen Xers were age 32, they had an inflation-adjusted $158,000. (And you can be sure Strider, Andrew, and Bryce won't let Bob forget it!)

The bottom line is that, ***at the same point in their lives***, the average Gen Xer is better off than the average Boomer and the average Millennial is beating the average Gen Xer.

None of this means this pattern will persist. If policymakers obsess about shares of net worth rather than growing the whole pie, they may adopt more policies that slow economic growth and wealth creation and then Millennials could end up being thrown off track. For now, however, it's important to recognize that Millennials don't have it as bad as many think.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
10-18 / 8:15 am	Industrial Production – Sep	+0.1%	**+0.1%**	-1.3%	+0.4%
8:15 am	Capacity Utilization – Sep	76.4%	**76.4%**	75.2%	76.4%
10-19 / 7:30 am	Housing Starts – Sep	1.615 Mil	**1.615 Mil**		1.615 Mil
10-21 / 7:30 am	Initial Claims – Oct 16	298K	**305K**		293K
7:30 am	Philly Fed Survey – Oct	25.0	**30.7**		30.7
9:00 am	Existing Home Sales – Sep	6.090 Mil	**6.140 Mil**		5.880 Mil

Consensus forecasts come from Bloomberg. This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.