2004–05

MacroMonitor

PRODUCTS AND SERVICES ANALYSIS VOLUME

Interim Report
Balance Sheets and Appendixes

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BALANCE SHEETS

Summary

An economy defined by a lackluster job market, rising interest rates, and increasing energy prices negatively affected the average household's financial prospects. Median total assets stalled at $139,000 in 2004 (compared with $141,000 in 2002). Median total financial assets declined by 7% to $25,000. Despite rising real estate values and containment of debt (median total debt decreased by 10%, from $41,000 to $37,000 between 2002 and 2004), U.S. households' net worth still fell, from a median of $85,000 two years ago to the current median of $81,000. Excluding primary residence, households' median net worth decreased by 13% for the same period, from $40,000 down to $35,000.

Overall financial trends, however, belie the actual impact among specific household segments. As the following summarizes, certain segments have been more affected by the tepid economic environment than others:

- *Assets.* The middle cohorts (Younger Retirees, WWII Generation, and Older Boomers) have been hurt more than the youngest and oldest cohorts. Total assets of Younger Retirees suffered the most: Their median value steeply declined by 32% to $129,000 in 2004 compared with $190,000 in 2002. Median total assets of households in the highest Socioeconomic Level are more than 50 times the median amount of those in the lowest, but little change occurred within the value of the segments' holdings during this same period. In contrast, the Life Stage segmentation shows considerable shifting—Single No Child and Younger Retired show significant declines in their total assets; Older Retired, Oldest Child 12–17, and Married No Child households experienced double-digit gains in theirs.

- *Liabilities.* The Gen X segment significantly increased its overall debt, with a median balance that increased by 36% to $57,000 in 2004 from $42,000 two years ago. Among households by Socioeconomic strata, the High Middle had the highest increase in debt (from $47,000 to $55,000 between 2002 and 2004). New household formation and accompanying house buying likely brought about the 89% increase in median total debt among Married No Child households. This segment, along with Oldest Child 0–11, have the highest debt balances among the Life Stage segments.

- *Net worth.* Rising property values mitigated the decline in overall net worth of most household segments. Gen X and Younger Boomers experienced double-digit increases in net worth (by 20% and 26%, respectively). Excluding the value of primary residence, however, Gen Xers' median net worth actually declined (by 8%), whereas the percentage increase for Younger Boomers was just 14%. With the highest increase in debt, households in the High Middle Socioeconomic segment experienced the steepest decline in net worth: by 22% from $116,000 in 2002 down to $91,000 in 2004. Among the Life Stage segments, overall net worth increased the most among Oldest Child 12–17 households (a 21% growth over the two-year period). Meanwhile, Single No Child and Younger Retired households experienced the steepest declines, falling by 65% and 31%, respectively.

- *Life insurance.* Life insurance incidences remained steady, with 46% of all U.S. households owning individual life and a similar proportion owning group life insurance. Older Boomers and WWII Generation Age Cohorts, the most affluent Socioeconomic Level segment, and

Oldest Child18+ Life Stage are the most likely groups to own life insurance. Median annual premiums remained level for U.S. households overall: $440 in 2004 and 2002. Among Age Cohorts, the most significant shifts occurred among Gen X households (a 26% increase in median premiums) and WWII Generation and Younger Retirees (declines of 25% and 20%, respectively). No major changes occurred by Socioeconomic Level, the highest increase being a 9% gain for Low Middle households. Among Life Stage segments, significant changes occurred among Married No Child households (an 18% increase in their median premiums) and Younger Retired households (a decline of 23%)

- *Property and casualty and other insurance.* Unlike life insurance premiums, median premiums for property and casualty increased significantly, from $1,286 in 2002 to $1,500 in 2004: a 17% jump. Except Single No Child households, whose median premiums somewhat declined, all segments by Age Cohort, Socioeconomic Level, and Life Stage saw spikes in their premiums. The proportion of households with health insurance significantly declined, from 74% in 2002 to 66% in 2004. Incidences are much lower for low-income households (26% in 2004) and the retired (43% for Older Retirees and 46% for Younger Retirees).
- *Transactions.* The average number of total annual financial transactions continues to increase. U.S. households overall conducted an average of 608 in 2004, compared to 520 in 2002. Transaction activity generally increases with income. Among Age Cohorts, Older Boomers make the most financial transactions, followed closely by Gen X and Younger Boomers. Married No Child and households with children have the highest levels of transaction activity among the Life Stage segments. By type of transaction, the highest average numbers for annual financial transactions are for checking and savings (345), debit card (205), and credit card (110).

Note: For additional data on balance sheets, see the **2004–05 MacroMonitor** Crosstabulations, Volume 3, Tables ASSETS to TRNSnum, pages 1207– 77.