

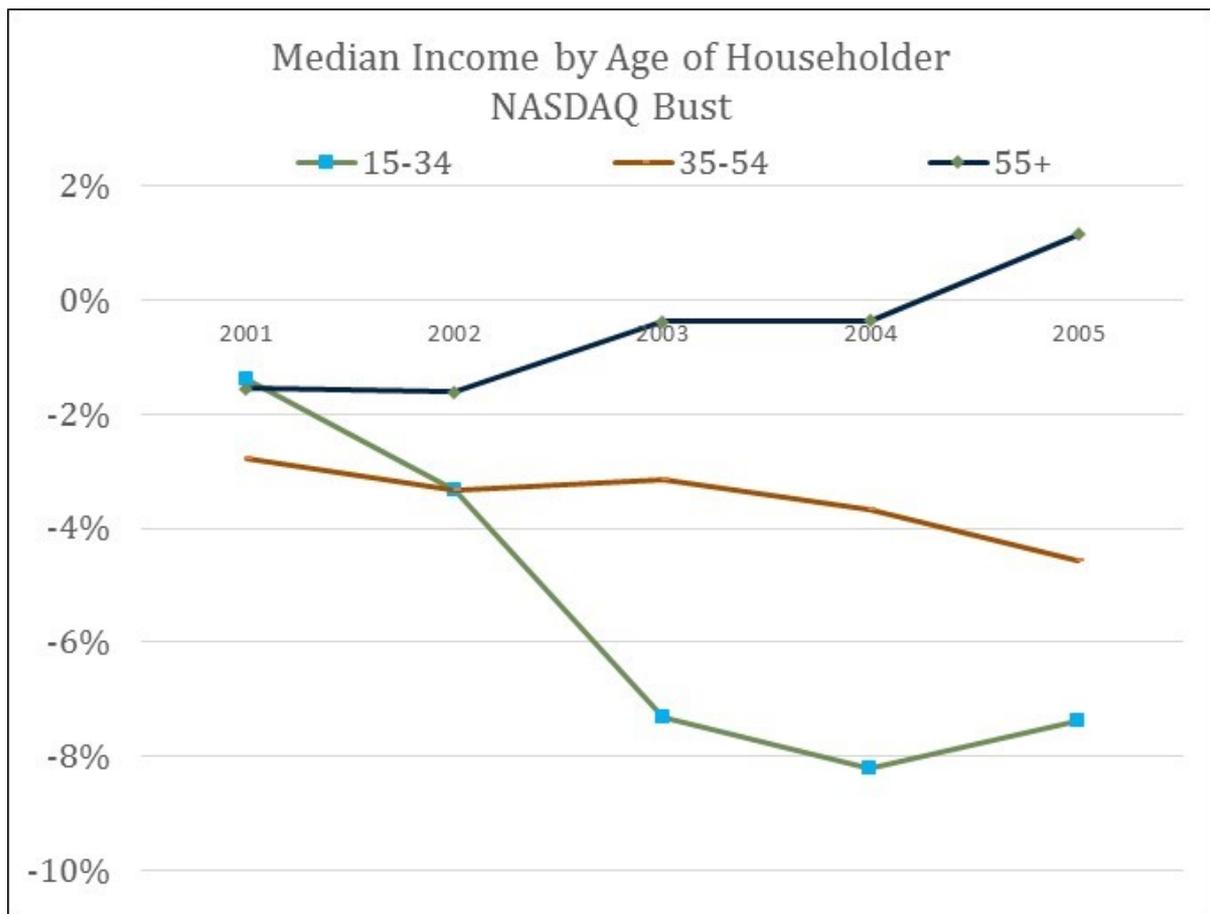
Fiscal Highlights

The Changing Demographics of Expected Income - Angela J. Oh

The two recent recessions and subsequent recoveries continue to affect expected lifetime income by age groups differently, particularly the younger generation. This can be seen in the early 2000s, when the technology bubble burst, and when the housing market collapsed a few years later.

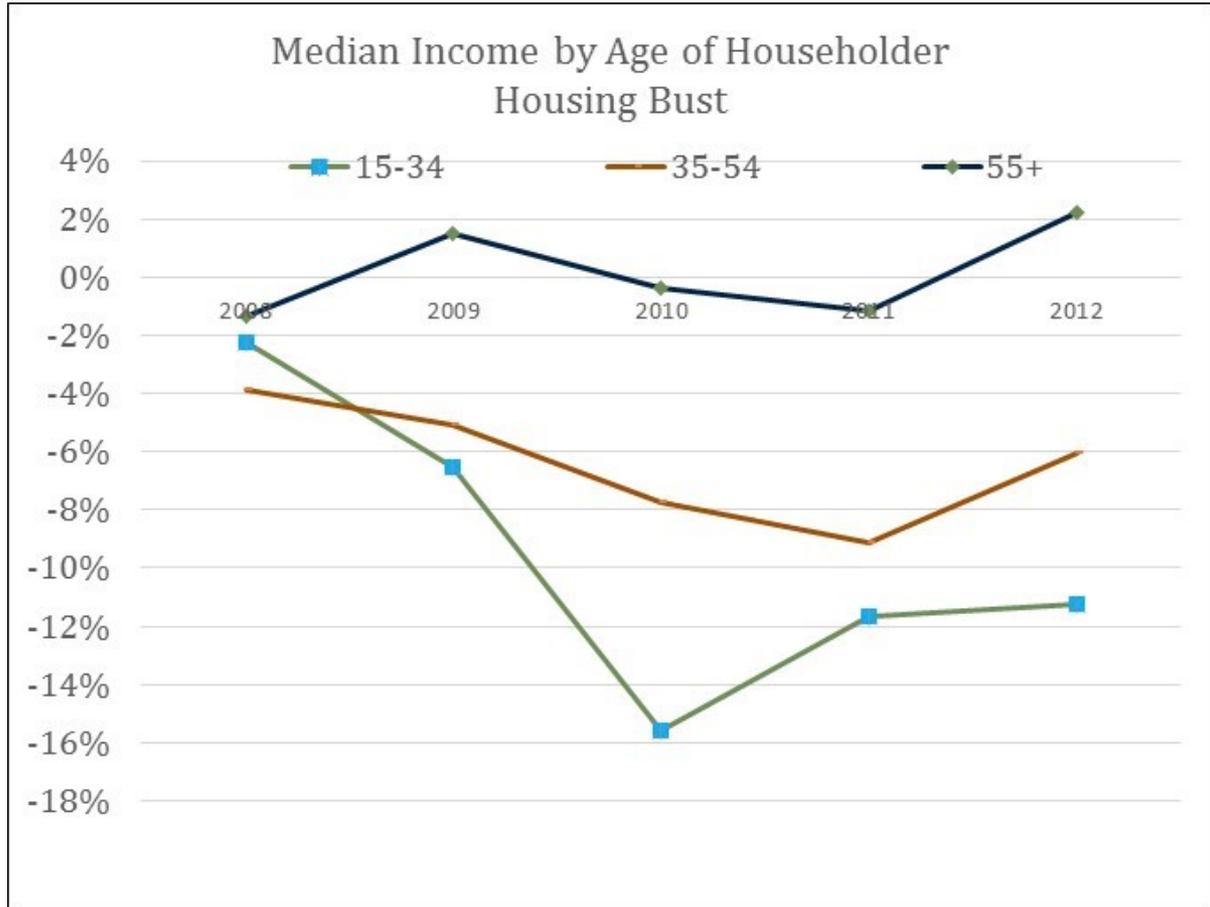
As a result of the technology bubble burst, the median income of the older generation (55 years of age and older) was higher than the other age groups, while the younger generation's (15-34 age group) was the lowest. By 2005, the older generation group saw their median income increase by over 1.5% since 2000; they were the only group with gains over the four years following the technology bubble.

The younger generation (15-34 age group), on the other hand, saw their median household income drop by about 8% through 2004. They saw a small rebound, with their median household income appreciate by 0.5% in 2005.



A similar trend can be seen for the recent housing bust recovery (see figure below). In 2008, the median income of the older generation (55 years of age and older) was positive by 2012, at about 2%. Over the same time period, the younger generation's (15-34 age group) median household

income was about 11% lower than it was in 2008. The younger generation's income drop bottomed in 2010 at close to 15% below where it was before the housing market deteriorated.



The past decade's experience for the younger working age population is something that will likely last with them throughout their life, with lower overall expected income through their entire working career. Not only have these individuals been hit harder, but the effects are lasting longer. Due to this, younger generations have a higher likelihood of renting instead of owning their home, living with their parents, marrying later, waiting to have children and having fewer children, staying in school longer, and decreasing consumer spending, etc.