

THE EQUITY ECONOMY: A COMPARATIVE ANALYSIS OF AMERICAN WEALTH-
BUILDING TRAJECTORIES AND INFLATION SENSITIVITIES, 1990–2060

by

Joshua Dedmon

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THE EQUITY ECONOMY: A COMPARATIVE ANALYSIS OF AMERICAN WEALTH-
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Project Approved:

Supervising Professor: Virginia Traweek, Ph.D.

Department of Finance

David Weltman, Ph.D.

Department of Information Systems

ABSTRACT

This study examines the divergent wealth-building trajectories of Americans who were 25 in 1990 (now 60) versus those who are 25 today (reaching 60 by 2060), revealing a sizable restructuring of economic opportunity across generations. Through comprehensive analysis of Federal Reserve, Census Bureau, and Bureau of Labor Statistics data under multiple inflation scenarios (1.4%-3.8%), this research identifies a troubling paradigm shift: today's young adults face projected negative net income in later working years, dramatically lower financial asset accumulation, and diminished wealth-building efficiency if the trends established over the last 15 years are allowed to continue. The findings demonstrate inflation's role not merely as a monetary phenomenon but as a powerful redistributive force, with higher inflation scenarios correlating with substantially lower real wealth outcomes despite nominal and real income growth. This research documents the 'Equity Economy'—a financial system where participation in appreciating assets has become the primary determinant of economic security, overshadowing income-based advancement. In this environment, those without early access to asset ownership face increasingly insurmountable barriers to wealth accumulation. These structural changes necessitate strategic adaptation by young Americans to navigate this unprecedented environment.

INTRODUCTION

The United States stands at an economic crossroads where changing conditions are fundamentally redefining wealth-building opportunities, particularly for younger generations. This research investigates these transformative changes by comparing the financial trajectories of two distinct cohorts: Americans who were 25 in 1990 (now 60) and those who are 25 today (reaching 60 by 2060). Through this comparative lens, the study examines how changing dynamics in asset composition, income and expenditure patterns, and homeownership create interestingly different economic outcomes across multiple inflation scenarios.

The economic environments navigated by these two cohorts reveal profoundly different starting points. Americans who were 25 in 1990 entered adulthood during a period of relatively stable housing costs, rising stock market participation, and an economy transitioning toward service sector employment. They built wealth in a low-inflation environment, averaging just 2.4% from 1990-2020, which facilitated earlier asset acquisition and more stable wealth accumulation.

By contrast, today's 25-year-olds face historically high housing costs relative to income (the median price-to-income ratio for 30-year-olds is now 5.3x, up from 3.5x in 1990), and inflation-adjusted expenditures that are outpacing income 1.4x as fast. Most critically, they have experienced inflation averaging 4.9% from 2021-2024—a rate that significantly outpaces the Federal Reserve's 2% target and erodes purchasing power at a pace not seen in decades.

These concerning economic conditions produce markedly different asset acquisition patterns. The Federal Reserve Survey of Consumer Finances data reveals that financial assets (savings, stocks, and bonds) represented approximately 14.6% of total assets for the 1990 cohort by age 60. For today's cohort, projections under a 2.6% inflation scenario (the 15-year and 35-year average) estimate this figure at just 4.7%. This shift toward non-financial assets—primarily

housing—and away from liquid financial investments creates quite different wealth compositions with varying degrees of inflation resilience, particularly for the increasingly high percentage of renters.

While intergenerational wealth disparities have been widely studied, the specific impact of inflation has received insufficient attention. Most existing analyses of generational wealth disparities focus on income differences, housing costs, or student debt in isolation, without addressing how inflation interacts with asset composition to either accelerate or erode wealth. The timing of this research is particularly significant given the recent inflation shock. After decades of relatively stable prices, the 4.9% average inflation from 2021-2024 has created economic conditions that fundamentally alter the wealth-building equation for young adults.

This study aims to quantify the divergent wealth-building trajectories of these generational cohorts and analyze how their different asset acquisition patterns affect long-term economic outcomes under varying inflation scenarios. After gathering historical data from the Federal Reserve's Survey of Consumer Finances, the U.S. Census Bureau's Current Population Survey, and the Bureau of Labor Statistics' Consumer Expenditure Survey, I analyzed the data using a series of custom-built Python models designed to project wealth accumulation patterns through 2060 under five distinct average inflation rate scenarios (1.4%, 2.0%, 2.6%, 3.2%, and 3.8%).

Beyond aggregate comparisons, the study introduces the concept of "wealth accumulation efficiency" as a metric for evaluating how effectively each generation converts income into appreciating assets and wealth. For the historical cohort, net worth at age 60 represented 13.1% of lifetime income, while projections for today's cohort range from just 10.1% (under 1.4%

inflation) to 6.9% (under 3.8% inflation)—revealing a substantial decline in wealth accumulation efficiency for the median young American.

An important macroeconomic dimension to this analysis involves the relationship between inflation and national debt. Higher inflation historically benefits government fiscal positions by effectively reducing the real value of outstanding debt obligations. However, this macroeconomic benefit comes at the expense of individual Americans, particularly those without exposure to appreciating assets, or in other words, those outside the ‘Equity Economy.’

Research Questions

The central research question guiding this investigation is: How do wealth-building trajectories and inflation sensitivities differ between Americans who were 25 in 1990 and Americans who are 25 today, and what factors drive these differences?

This overarching question encompasses several key areas of inquiry:

- How do financial asset acquisition patterns differ between these cohorts, and what implications do these differences have for long-term wealth accumulation?
- What role does housing play in each cohort's wealth-building strategy, and how has its proportional importance in the asset portfolio changed?
- What strategies might help today's young adults overcome the structural barriers to wealth accumulation identified in this research?

This research arrives at an important juncture when intergenerational wealth disparities are increasingly prominent in economic and policy discussions. With inflation spiking over the last five years, the stakes for today's young adults couldn't be higher. The findings offer several significant contributions:

- By analyzing wealth-building through a generational comparative lens rather than solely through income statistics, this research illuminates structural economic changes that might otherwise remain obscured. For example, while real incomes for today's 25-year-olds are projected to be higher than those of the 1990 cohort, their net income (after taxes and expenditures) is projected to turn negative in the 45-54 and 55-60 age brackets—a stark contrast to the consistently positive net income experienced by the earlier generation.
- Quantifying differences in asset composition provides a more nuanced understanding of economic security beyond net worth totals alone. The dramatic decline in financial assets as a percentage of total assets reveals a growing liquidity challenge for future retirees, even if nominal net worth appears adequate.
- The analysis of homeownership reveals a persistent gap between the cohorts, with the historical group achieving a 77.8% homeownership rate by age 60 compared to a projected 72.8% for today's young adults. This five-percentage point difference represents millions of Americans with reduced access to housing as an inflation hedge and wealth-building vehicle.
- Measuring inflation sensitivity differences between generations reveals important structural shifts in economic vulnerability. The data demonstrates that younger Americans today face potentially greater exposure to inflationary pressures due to three key factors: delayed entry into homeownership, lower proportional accumulation of financial assets, and higher fixed expenditures on housing and education.
- For younger Americans, this analysis provides a data-driven framework for understanding how their financial decisions might differ from previous generations in

response to changing economic conditions. The research reveals that owning appreciating assets—financial or non-financial—is increasingly non-negotiable for building wealth in an inflationary world.

Organization of the Study

The subsequent chapters develop this analysis through a structured examination of existing literature, methodological approaches, and empirical findings. Chapter 2 provides a review of current literature regarding wealth-building patterns, asset composition theories, and inflation impacts across demographic groups. Chapter 3 details the quantitative methodology employed to assess wealth trajectories and inflation sensitivities. Chapter 4 presents the empirical findings of the comparative analysis and synthesizes the results. Chapter 5 presents strategic responses, offering practical approaches for younger Americans to navigate the economic challenges identified in the research. Chapter 6 addresses the limitations of the study, while Chapter 7 presents the conclusion. Ultimately, this research contributes to the general understanding of how economic opportunities have evolved across generations and provides insights into how younger Americans might adapt their financial strategies to build wealth in a changing economic landscape.

LITERATURE REVIEW

The past several decades have witnessed dramatic shifts in the composition of household wealth and the dynamics of wealth accumulation. Contemporary debates on inflation have moved beyond questions of monetary aggregates and unemployment to discover how fiscal policies and asset inflation reconfigure the economic prospects of different generations. As aforementioned, this study compares the wealth trajectories of Americans who reached 60 during

1990-2025 with projections for today's 25-year-olds reaching 60 by 2060, examining how differing economic environments—including varying inflation regimes, housing markets, and other factors—shape wealth accumulation patterns. In doing so, it draws on a growing body of literature that examines the role of inflation not only as a monetary price effect but also as a powerful redistributive force.

The Fiscal Origins of Inflation and Wealth Devaluation

Core pieces of literature put forward that inflation primarily originates from fiscal imbalances—namely, persistent government deficits financed by central bank accommodation (Mansoor, 2024). Nobel Prize-winning economist Dr. Vernon L. Smith argues that inflation effectively operates as a mechanism that reduces the real value of wealth assets, thereby indirectly financing government deficit spending (Smith, 2024). In his view, the expansion of the Federal Reserve's balance sheet following periods of extraordinary fiscal stimulus (e.g., during the COVID-19 crisis) serves as an indirect means to finance government debt, thereby eroding the real value of fixed-income assets.

This perspective is echoed by University of Chicago professor Dr. John Cochrane, who asserts that when a government accumulates large amounts of debt without a credible plan for repayment, inflation effectively acts as a tax that reduces asset values across the private sector (Cochrane, 2011). More recently, Cochrane reinforces this fiscal theory of the price level, asserting that the recent high inflation is best understood as a direct consequence of trillions in new government debt combined with inadequate fiscal discipline (Cochrane, 2024). Together, these perspectives underscore a significant insight: inflation is not merely a by-product of monetary expansion but is intrinsically linked to fiscal policy decisions that have long-term implications for wealth accumulation.

Asset Inflation and the Reconfiguration of Class

Parallel to these arguments is literature that reexamines class and inequality through the lens of asset inflation. A group of researchers out of Australia published an analysis in which they argue that decades of residential property inflation have fundamentally transformed class structures in advanced economies (Adkins et al., 2021). Their work contends that as property prices have soared relative to wages, the traditional, wage-based taxonomy of class has become increasingly inadequate. Instead, asset ownership—and particularly the ability to participate in rapidly inflating housing markets—has emerged as the primary determinant of long-term wealth and economic security. This asset-based logic of inequality, they argue, creates new stratification mechanisms that not only reproduce but also amplify intergenerational disparities. In the context of this thesis, these insights are important because they suggest that even if real incomes rise, a shift in asset composition—from liquid financial assets to illiquid, non-financial assets like housing—can undermine long-term wealth accumulation and retirement security if young Americans never transition from renters to owners.

Redistributive Effects of Anticipated Inflation

Traditional economic theory suggested that when inflation is expected, it doesn't significantly alter how wealth is distributed among different groups (Friedman, 1968). However, recent research challenges this view. Dr. Asfuroglu, a researcher from the University of Cologne, demonstrates through a custom model that even anticipated inflation can have non-neutral, redistributive consequences (Asfuroglu, 2024). In her model, households that are constrained borrowers benefit from inflation because nominal debt contracts are fixed, thus lowering real debt repayments. Conversely, lenders incur losses as the real value of their assets decline. This

mechanism transfers resources from lenders to borrowers even when inflation is fully anticipated.

The implications for intergenerational wealth dynamics are significant. While Asfuroglu's model suggests borrowers with fixed-rate debt theoretically benefit from inflation, this advantage only goes to those who can secure loans in the first place. Today's young adults face significantly higher barriers to credit access—particularly for mortgage and productive asset loans—due to stricter lending standards, higher debt-to-income requirements, and rising property price-to-income ratios (now averaging 5.3x compared to 3.5x in 1990) (Goodman & Mayer, 2023). These barriers to beneficial forms of credit prevent many from utilizing debt as an inflation hedge, unlike previous generations who accessed mortgage markets more readily. Consequently, if younger households—already burdened with delayed homeownership—face an environment where anticipated inflation systematically diminishes their capacity to accumulate assets without the offsetting benefits of leveraged property ownership, then the divergence in wealth trajectories may be amplified over time.

Taken together, the literature indicates that inflation plays a multifaceted role in shaping wealth distribution. Fiscal policies that lead to persistent deficits, as documented by Dr. Vernon L. Smith and Dr. John Cochrane, have set the stage for asset devaluation. Concurrently, the reconfiguration of class through asset inflation (Adkins et al., 2021) and the non-neutral redistributive effects of anticipated inflation (Asfuroglu, 2024) suggest that traditional economic measurements may mask deeper structural changes.

METHODOLOGY

This study employs a mixed-methods research design combining quantitative financial time-series analysis with scenario-based forecasting to compare the financial trajectories of two generational cohorts: those who were 25 years old in 1990 (reaching age 60 in 2025) and those who are 25 years old in 2025 (reaching age 60 in 2060). The research follows a three-phase analytical framework that begins with historical analysis (1990-2025), proceeds through multi-scenario projection and inflation adjustment (2025-2060), and culminates in comparative assessment of the financial metrics between cohorts at equivalent life stages.

The historical analysis draws from three authoritative federal datasets, each providing specific financial metrics. The Federal Reserve's Survey of Consumer Finances (SCF) supplies data on asset composition (financial and non-financial), debt structure, student loan amounts, net worth, and homeownership status and rates. The Current Population Survey (CPS) via the Census Bureau provides income across age cohorts, tax burden data, and income inequality metrics. Finally, the Bureau of Labor Statistics Consumer Expenditure Survey (CES) contributes total expenditures by age cohort.

The projection phase develops forecasts through 2060 using historical 15-year compound annual growth rates (CAGRs) while testing multiple inflation scenarios (1.4%, 2.0%, 2.6%, 3.2%, and 3.8%). Finally, the comparative assessment phase identifies structural shifts and economic implications between the cohorts. This framework facilitates examination of both retrospective and prospective financial data across consistent age brackets (25-34, 35-44, 45-54, and 55-60), allowing for life-cycle analysis that controls for age-specific effects while highlighting generational differences.

This study employs median values rather than arithmetic means for all income, expenditure, and wealth metrics to mitigate the distorting effect of extreme outliers in the distribution. Given the well-documented right-skewed nature of income and wealth distributions in the U.S., means are disproportionately influenced by high-end outliers and fail to represent the financial reality experienced by typical Americans. Medians provide a more representative central tendency measure of financial circumstances for the majority of Americans and align better with the study's focus on structural economic patterns.

Housing status metrics include homeownership rate and owner-to-renter ratios for net worth. Inequality metrics comprise the interquartile ratio (Q75 income divided by Q25 income), bottom-to-median ratio (Q25 income divided by median income), and top-to-median ratio (Q75 income divided by median income). All metrics are analyzed in real terms, using 2024 as the base year and the Consumer Price Index (CPI) for inflation adjustment to ensure consistent comparison across time periods.

The projection methodology employs a variable-specific CAGR approach. For each financial variable, the historical 15-year CAGR (2008-2022) is calculated using the formula: $CAGR = (Ending\ Value / Beginning\ Value)^{(1/n)} - 1$, where n equals 15 years. Variable-specific growth rates are calculated separately for each age cohort and financial metric to preserve distinct life-cycle patterns. Future values are projected using: $Future\ Value = Current\ Value \times (1 + CAGR)^t$, where t represents the number of years from the base year.

This approach was selected over alternatives (such as linear regressions or vector autoregressions) due to its transparency, interpretability, and ability to preserve relative relationships between variables while accommodating long-term projection horizons.

To assess the sensitivity of financial outcomes to monetary policy, five distinct inflation scenarios are modeled through 2060:

- Low (1.4%): Reflects below-target inflation, close to post-2008 and pre-2020 conditions.
- Target (2.0%): Aligns precisely with the Federal Reserve's long-term inflation goal.
- Moderate (2.6%): Corresponds to both 15-year and 30-year U.S. historical averages.
- Elevated (3.2%): Matches the 10-year U.S. historical average.
- High (3.8%): Represents the 6-year U.S. historical average.

These selected scenarios aim to capture the full spectrum of plausible future inflation environments, from post-2008 financial crisis lows to recent elevated levels. As aforementioned, this approach allows measurement of how sensitive key financial variables are to different inflation regimes throughout the projection period.

To ensure statistical validity, the inflation adjustment model was subjected to diagnostic testing, focusing on autocorrelation (Durbin-Watson test) and residual stationarity (Augmented Dickey-Fuller test). These validations confirm that most identified patterns represent substantive economic circumstance. The full diagnostic results are presented in Appendix A.

Beyond absolute values, the study also analyzes certain financial ratios and compositional metrics. Income metrics include expenditure-to-income ratio. Asset composition is measured through financial assets as a percentage of total assets. Housing accessibility is tracked via homeownership rates and price-to-income ratios. Wealth efficiency is captured by the net worth-to-lifetime income ratio, which quantifies how effectively each generation converts earnings into wealth. Inequality metrics include interquartile ratios, bottom-to-median ratios, and owner-to-renter wealth ratios.

Some methodological limitations are acknowledged. Structural break sensitivity arises because the CAGR approach assumes continuity of economic relationships that may obviously be disrupted by an inflection point (such as a recession). Cohort compositional changes present a challenge as demographic differences between historical and future cohorts (size, diversity, education levels) are not fully controlled. The projections do not account for potential major government-led reforms in education financing, housing, taxation, or retirement systems.

Multiple inflation scenarios provide robustness against monetary (or tariff) policy uncertainty by testing five distinct inflation trajectories. Transparent assumptions allow for clear assessment of all projection parameters. Econometric validation confirms projection mechanics through statistical testing of relationships between key variables. These methodological safeguards confirm that despite the inherent uncertainty in long-term projections, the observed generational disparities reflect genuine economic trends rather than statistical anomalies.

DATA ANALYSIS AND RESULTS

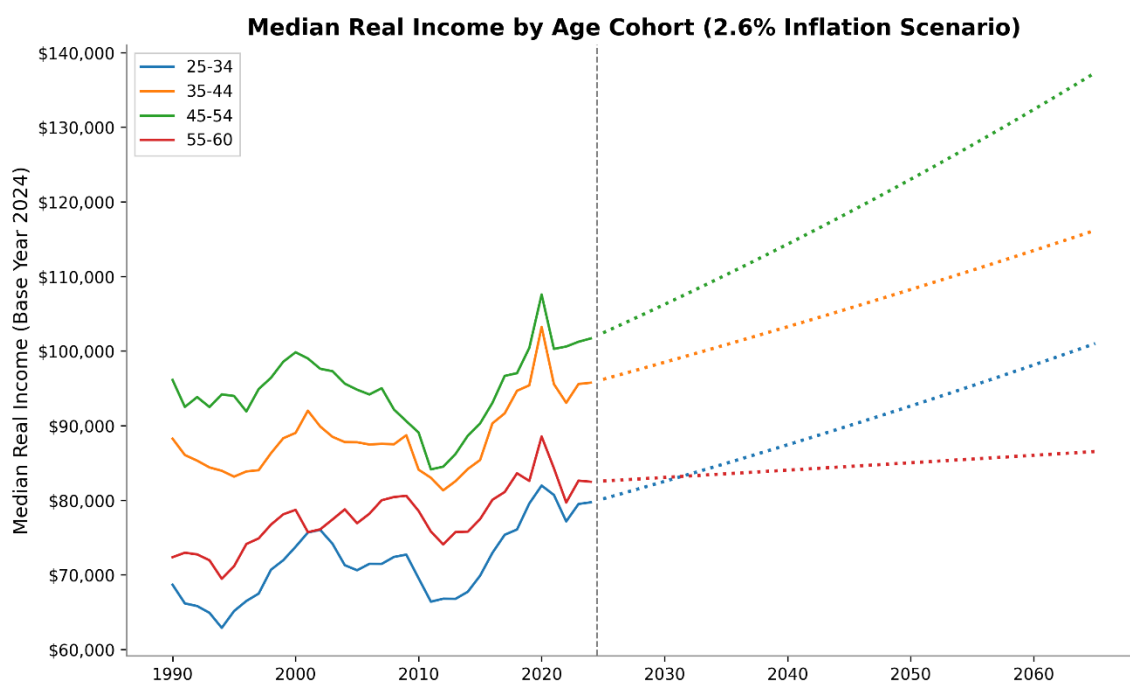
Income

The historical and projected cohorts exhibit markedly different income trajectories across their lifespans. The historical cohort demonstrated a classic inverted-U pattern, with income rising steadily from ages 25-34 (\$67,017 annually) to peak at ages 45-54 (\$91,002), before declining modestly to \$83,521 in the 55-60 age bracket. This represents a traditional lifecycle earnings pattern.

The projected cohort's income pattern varies significantly by inflation scenario, though all scenarios maintain the general inverted-U shape. Under the moderate 2.6% inflation scenario,

peak real income is \$122,602 with a much steeper late-career income decline of approximately 30.1% from ages 45-54 to 55-60, substantially larger than the historical cohort's 8.2% decline.

The most striking finding emerges when comparing income trajectories across inflation scenarios. Despite all values being expressed in inflation-adjusted (real) terms, higher inflation scenarios project considerably lower real incomes throughout the lifecycle. Under the 1.4% scenario, the projected cohort's peak income reaches \$165,709 (45-54 age bracket), while under the 3.8% scenario, peak income is just \$91,130—a difference of 82%.



Expenditures

Both cohorts exhibit expenditure patterns that generally align with income, peaking in the 45-54 age group. However, the relationship between income and expenditure differs sharply between generations. For the historical cohort, expenditures accounted for a relatively stable share of post-tax income, declining gradually from 94% in the youngest group (25-34) to 87% in

the oldest (55-60), as shown in Table 1. This trend supported a sustainable buffer for savings and discretionary spending over time. In contrast, the projected cohort faces a far different reality. Expenditures consistently outpace historical levels and rise with age, exceeding income in the later years—by 4% at ages 45-54 and 14% at ages 55-60. This shift signals a significant change in financial dynamics across the lifecycle, should trends continue.

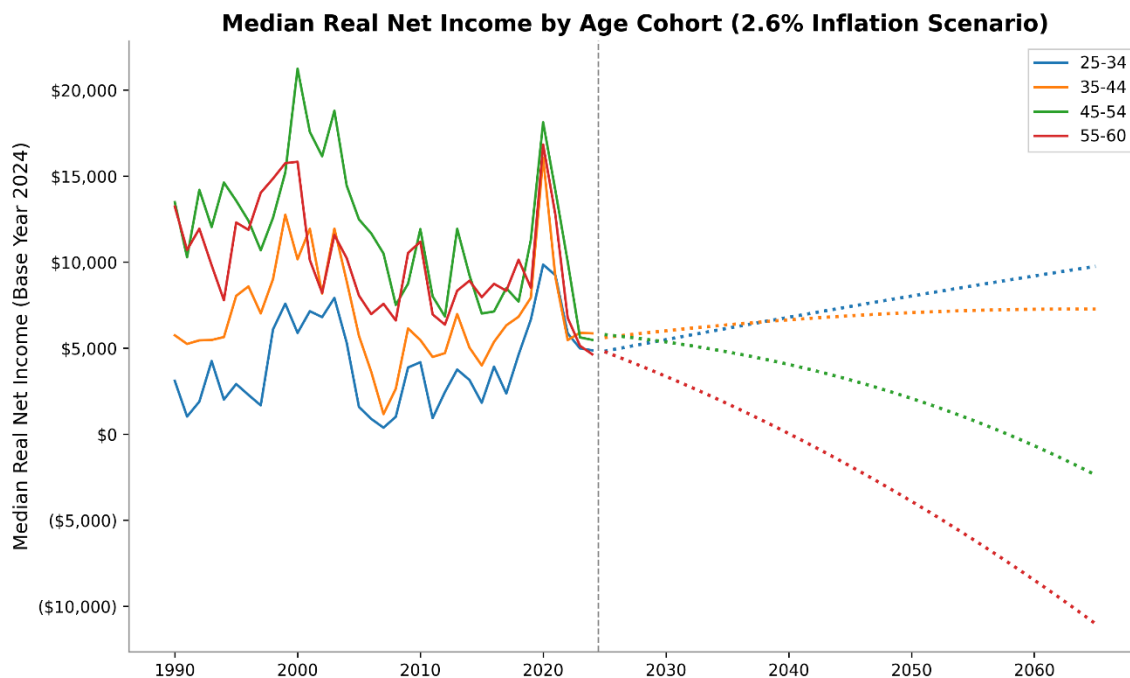
Expenditures as a Percent of Post-Tax Income

Age Group	Historical Cohort	Projected Cohort
25-34	94%	93%
35-44	90%	96%
45-54	88%	104%
55-60	87%	114%

Net Income

Net income (income minus taxes and expenditures) is a top indicator of the generational financial shift. The historical cohort maintained positive net income throughout all stages of life, with net income ranging from \$3,275 to \$9,212 annually. This consistent positive margin allowed for ongoing asset acquisition, savings, and wealth accumulation throughout the lifecycle.

In contrast, if the current 15-year growth rate trends continue, the projected cohort only maintains positive net income during early career stages (25-44). Beginning in the 45-54 age bracket, projected net income turns negative across all inflation scenarios, meaning expenditures would exceed income after taxes. Lifetime total net income, calculated from age 25 to age 60, reaches \$238,605 for the historical cohort. For the projected cohort, lifetime total net income ranges from -\$49,935 (1.4% inflation) to \$3,031 (3.8% inflation). This dramatic reduction—or in most scenarios, complete elimination—of lifetime net income surplus suggests a complete restructuring of financial capacity between generations.



It is important to note that persistent negative net income at a population level is unlikely to continue indefinitely without triggering significant adaptive responses. Market forces, government intervention, or behavioral changes would likely emerge before such imbalances became entrenched. These might include wage adjustments, policy reforms addressing expenditure drivers (housing, healthcare, education), or fundamental shifts in consumption patterns. Nevertheless, the projection provides a valuable warning signal about the trajectory of current trends.

This potential negative net income in later working years represents a transformation in the financial lifecycle model. If realized, such conditions would force individuals to either deplete existing savings, rely on government support, increase debt, or significantly reduce discretionary spending to close the gap. For those without substantial savings or assets, persistent negative net income could lead to spiraling debt levels or financial hardship. At a macro level,

this widespread reduction in financial capacity during traditional peak earning years could create a drag on broader economic growth.

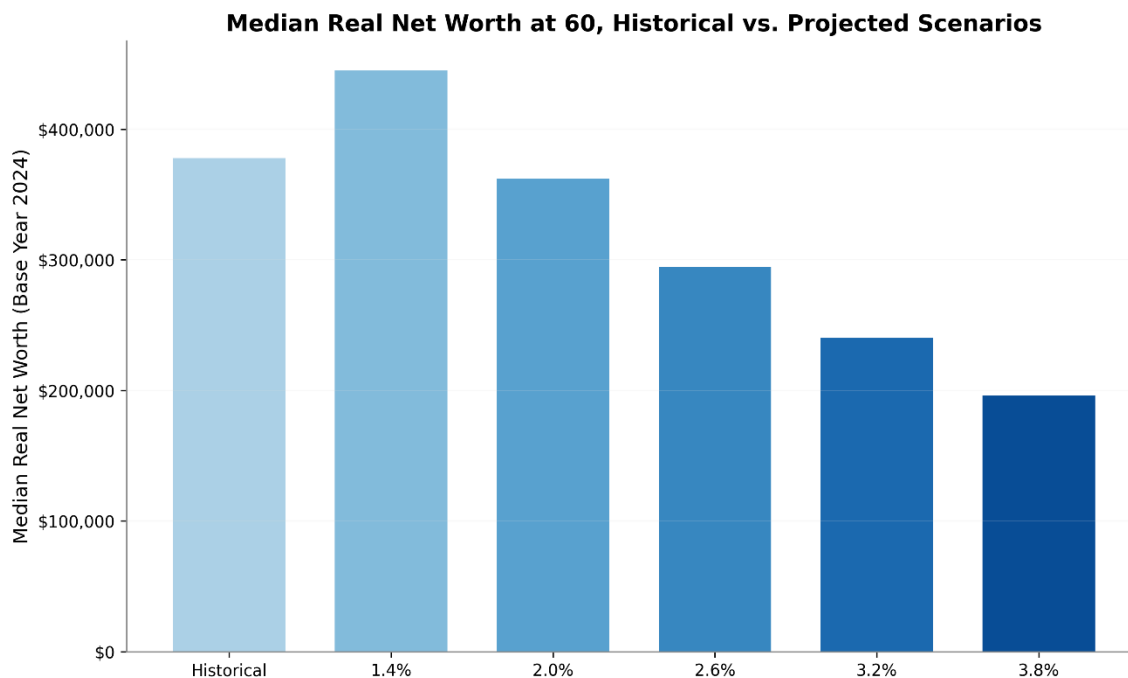
Higher inflation scenarios paradoxically result in higher real net income because while both income and expenditures are affected by inflation, the relative growth rates differ. Specifically, real expenditures are projected to rise at 0.68% annually, outpacing real income growth of 0.47%. In higher inflation environments, this gap between expenditure and income growth rates is effectively discounted more heavily in present value calculations, reducing the real impact of future negative cash flows.

The implications of this projected shift extend beyond year-to-year finances to fundamentally alter wealth building trajectories. Later working years (45-60) would no longer serve as prime wealth accumulation periods but instead become times of financial strain and potential asset depletion. Without positive cash flow during these traditionally peak earning years, the projected cohort lacks the financial surplus needed to invest in appreciating assets, make retirement contributions, or build financial security.

While these income flows provide interesting insights into year-to-year financial dynamics, a complete economic picture requires examination of net worth—which accounts for total asset accumulation, debt obligations, and wealth building over time.

Net Worth

The historical cohort's net worth grew steadily throughout the lifecycle, reaching \$378,063 by age 60. This accumulation accelerated in the 55-60 age bracket, with annual net worth growth of \$33,392 during this final period. Outcomes for the projected cohort, however, vary dramatically by inflation scenario:



As seen above, higher inflation scenarios project substantially lower real net worth accumulation by 60. This finding reveals that inflation fundamentally alters economic behavior and wealth-building capacity beyond simple purchasing power equivalence. The mechanism behind this effect is multifaceted. First, higher inflation environments tend to shift household priorities toward consumption (and hard assets) rather than saving or investing. Second, inflation, coupled with high interest rates (which usually follow), typically leads to lower real returns. Third, while inflation theoretically benefits borrowers with fixed-rate debt, this advantage is more than offset by reduced capacity to acquire appreciating assets in the first place.

Most significantly, the relationship between inflation and real net worth demonstrates that monetary policy has meaningful intergenerational implications. The 2.6% inflation scenario projects a real net worth at age 60 that is 21.9% lower than the historical cohort achieved (\$295,038 vs. \$378,063), while the 3.8% scenario projects a real net worth that is 48.1% lower (\$196,394). The dramatic reduction in net worth under higher inflation scenarios correlates

directly with the negative net income projected during the 45-60 age period. Without positive cash flow during these traditionally peak earning years, the projected cohort lacks the financial surplus needed to invest in appreciating assets. Essentially, what begins as a year-to-year income shortfall compounds into a significant lifetime wealth deficit.

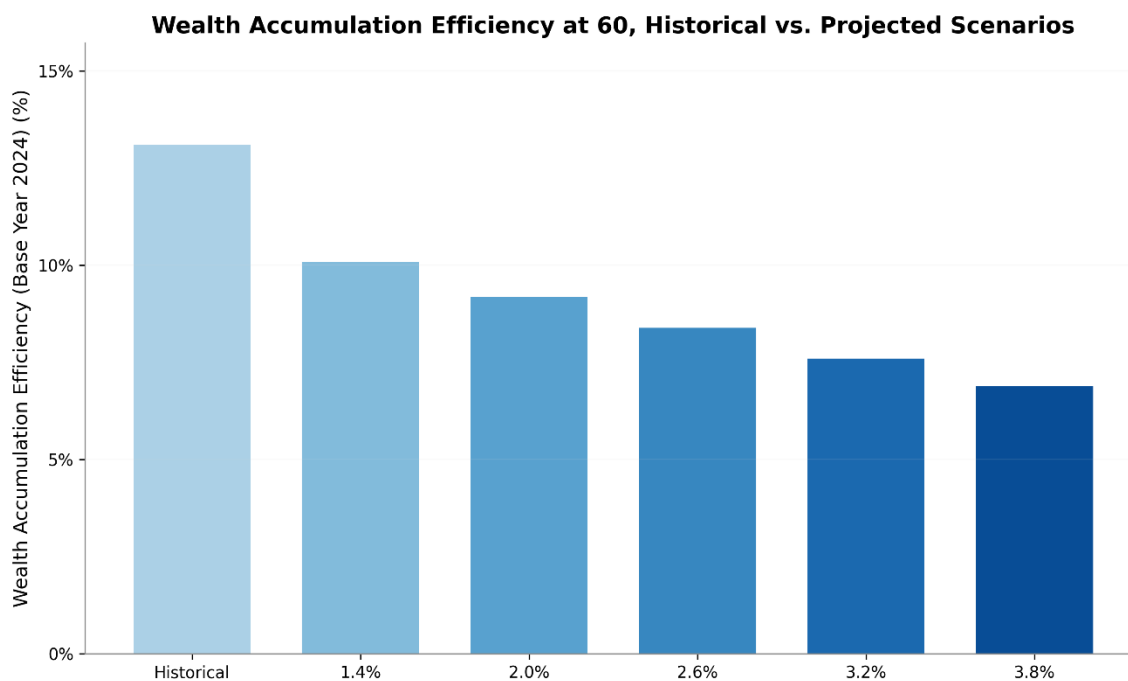
This effect is further amplified by shifting debt dynamics. While the projected cohort carries lower absolute debt levels at age 60, the composition of this debt—more heavily weighted toward consumer debt or student loans rather than productive assets like housing—alters its economic impact. For the median American, essentially only mortgage debt can finance an appreciating asset that contributes to net worth growth, and the 5-percentage point projected reduction in homeownership (from 77.8% to 72.8%) means fewer people will benefit from this primary wealth-building vehicle at all, which further constrains aggregate net worth accumulation.

Importantly, these declining net worth trajectories have several implications for wealth inequality. As median net worth declines across the projected cohort, those with existing assets or inherited wealth will likely maintain their relative position or even improve it, while those beginning without significant assets will fall further behind. This dynamic creates a bifurcated wealth structure where asset ownership—rather than income—increasingly determines financial outcomes.

Wealth Accumulation Efficiency

One metric for intergenerational comparison is wealth accumulation efficiency, measured by the ratio of net worth at age 60 to lifetime income. This metric reveals how effectively each generation converts income into lasting wealth.

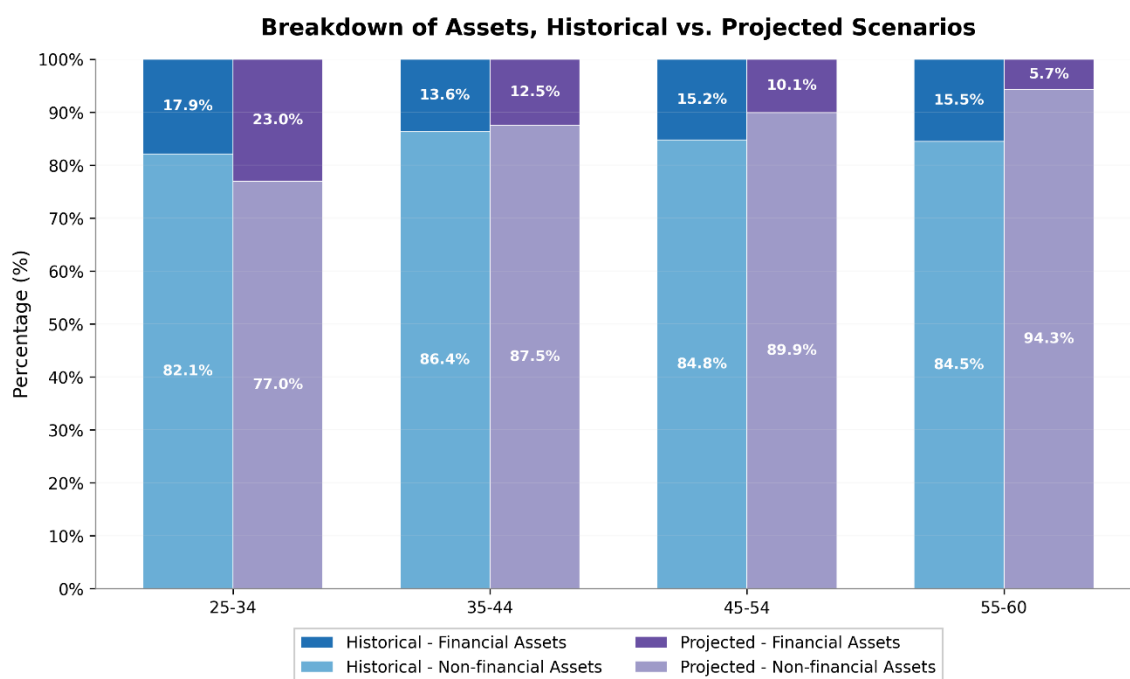
The historical cohort achieved a net worth-to-lifetime income ratio of 13.1% (\$378,063/\$2,884,007). As shown in the chart below, this efficiency ratio declines dramatically across all scenarios for the projected cohort—ranging from 10.1% under 1.4% inflation to just 6.9% under 3.8% inflation.



This declining efficiency ratio quantifies a troubling trend: despite higher projected lifetime incomes, both nominal and real, today's young adults will convert a substantially smaller portion of those earnings into lasting wealth. The higher expenditure-to-income ratios discussed earlier directly translate into reduced capacity for wealth accumulation, creating a financial environment where income growth fails to produce proportional wealth benefits. This efficiency gap represents one of the most concerning aspects of intergenerational financial disparity, as it suggests that even with income growth, younger generations face structural barriers to building the wealth needed for long-term financial security.

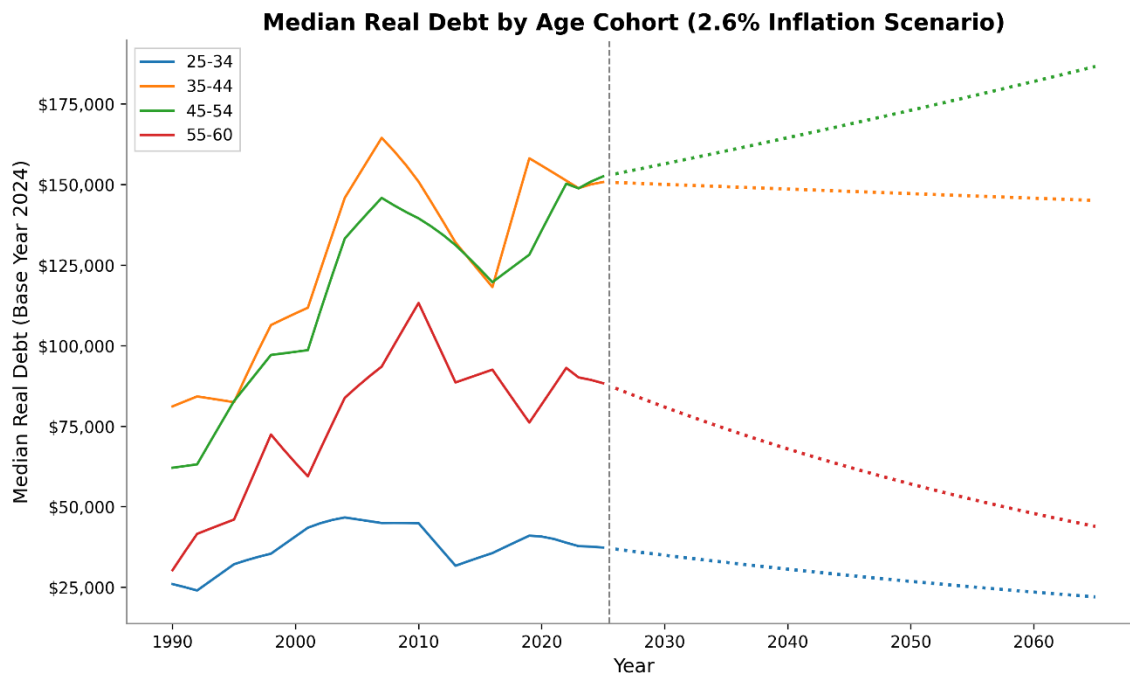
Asset Composition

Yet another striking finding is in the analysis of asset composition. The historical cohort maintained a relatively balanced portfolio in the 55-60 age range, with financial assets representing 15.5% of total assets (\$68,685). In contrast, the projected cohort's financial assets collapse to just 5.7% of their portfolio by the same age—a 63% reduction. This compositional shift has several implications for retirement security, as liquid financial assets provide emergency funding and flexibility for changing economic conditions.



Debt

The historical cohort carried \$89,350 in total debt at age 60, with debt levels declining steadily through later working years. For the projected cohort, total debt at age 60 ranges from \$74,898 (1.4% inflation) to \$30,790 (3.8% inflation)—significantly lower than the historical cohort in real terms.

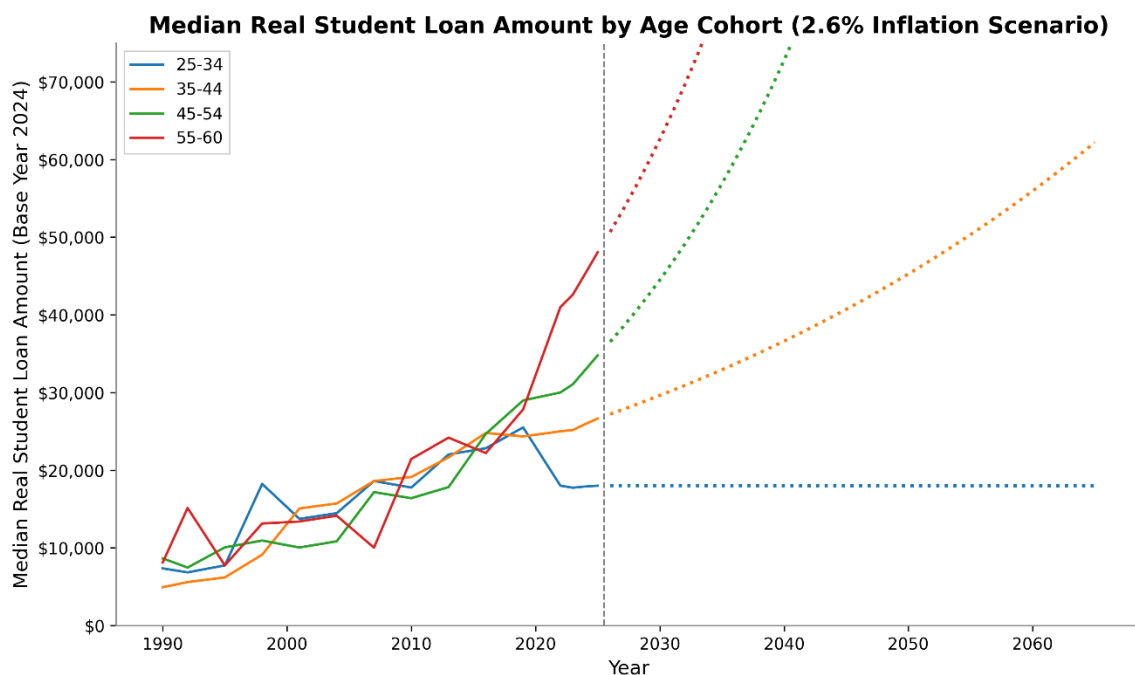


This apparent improvement in debt position, however, requires careful interpretation within the broader financial context. While total debt declines, this occurs alongside reduced homeownership rates, therefore the projected reduction in total debt may actually signal a diminished amount of mortgage debt rather than improved financial health—a concerning development since mortgage debt is the primary form of ‘beneficial leverage’ that finances appreciating assets. Unlike consumer debt or student loans, mortgage debt typically represents investment in an appreciating asset that contributes to wealth building, making its reduction in conjunction with lower homeownership rates a negative indicator for long-term financial security rather than a positive one. The chart clearly illustrates this downward trend across all but one age cohort (45-54), with particularly steep projected declines in the 25-34 and 55-60 groups, the former perhaps indicating diminished access to mortgage markets during traditional first-home purchasing years.

When analyzed alongside the homeownership findings discussed later, this debt reduction takes on a more troubling character. Rather than reflecting fiscal responsibility, it likely represents a shift away from the traditional American wealth-building model where debt finances property acquisition. The projected cohort appears to be caught in a paradox: lower overall debt combined with diminished wealth-building capacity, challenging conventional perspectives that associate debt reduction with improved financial health. This suggests a structural realignment where median Americans increasingly find themselves excluded from beneficial forms of leverage while simultaneously bearing greater burdens from non-appreciating debt forms, such as student loans or consumer debt.

Student Loans

A significant intergenerational shift appears in student loan trajectories. For the historical cohort, median student loan obligations were \$8,120 in 1990 for the 55-60 age bracket and grew to \$45,308 by 2024, representing a 458% increase.



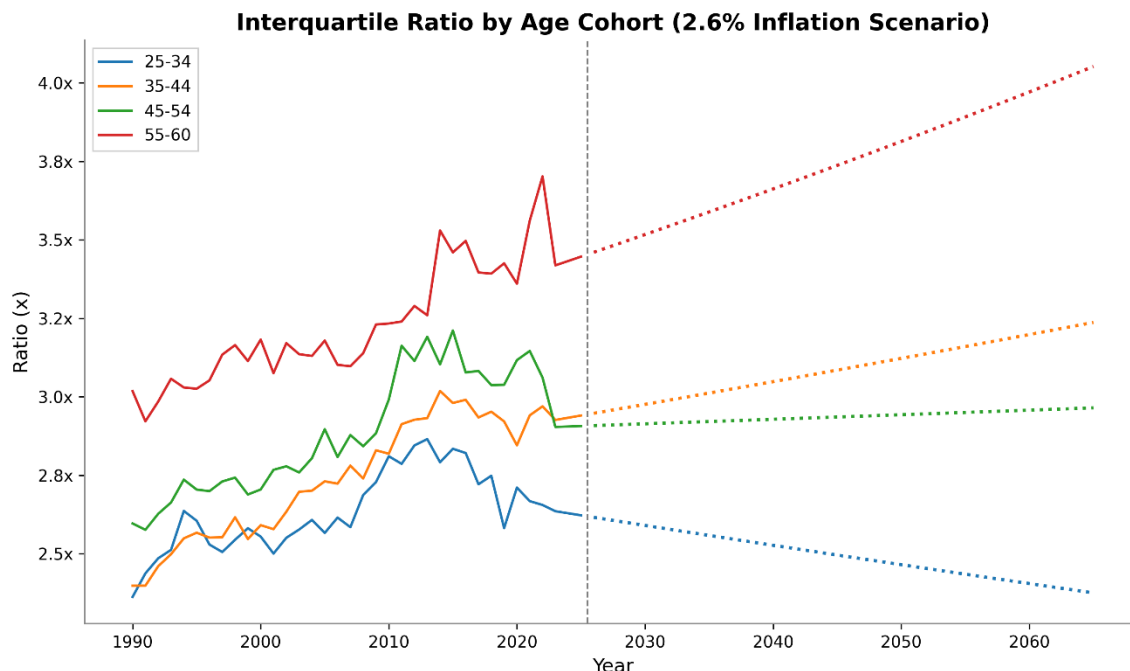
The projected cohort faces a dramatic continuation of this student debt trajectory. As the chart illustrates, the most striking trends are the rapid escalation of student loan debt for the 35–44, 45–54, and 55–60 cohorts. While debt levels have plateaued for the 25–34 group, middle-aged and older populations face a steep increase, with median student loans for the 55–60 group on pace to surpass \$100,000 by 2040 should the historical 5.4% annual growth rate continue.

This pattern reveals a fundamental shift in student loan dynamics: rather than being paid off over time, these obligations are increasingly persisting—and even growing—throughout the entire working lifecycle. The stark upward trajectories for older age groups suggest that education debt has transformed from a temporary early-career burden into a permanent financial obligation that follows Americans to the threshold of retirement. Ultimately, this persistence of student debt into later life stages fundamentally undermines conventional retirement preparation models.

Inequality

Beyond absolute wealth metrics, inequality patterns within the projected cohort reveal a troubling analysis of economic opportunity. Across multiple measures, financial disparities are projected to widen significantly for today's young Americans as they age.

The interquartile ratio (75th percentile real income divided by 25th percentile real income) best demonstrates this trend. While the historical cohort maintained ratios between 2.6x–3.4x through 2025, the 55–60 age bracket's ratio expands from 3.4x to 4.1x by 2060 under the 2.6% inflation scenario—a 21% increase in late-career income inequality.

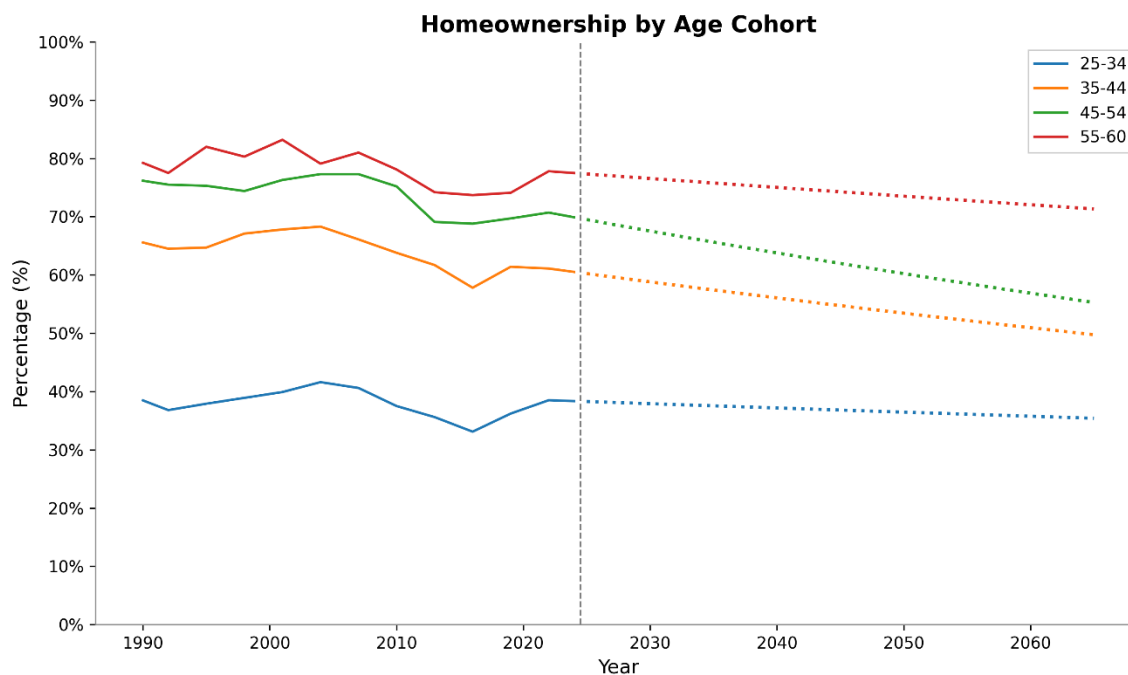


Bottom-to-median ratios (25th percentile real income divided by median real income) tell a similarly concerning story. While younger workers (25-34) see modest improvement from 0.59 to 0.63, older cohorts experience declining relative positions. The 55-60 group's ratio falls from 0.50 to 0.46, indicating lower-income older Americans falling further behind their median peers. Meanwhile, top-to-median ratios increase across all age brackets, with the 35-44 cohort rising from 1.62x to 1.75x, signaling income growth increasingly concentrated among top earners.

These inequality trends compound the challenges of declining absolute wealth-building capacity documented earlier. The combination creates a reinforcing cycle where those without early access to appreciating assets face both lower lifetime wealth accumulation and growing relative disadvantage compared to their more affluent peers. This accelerates the transition toward an asset-based class structure where initial wealth position, rather than income or effort, increasingly determines financial outcomes.

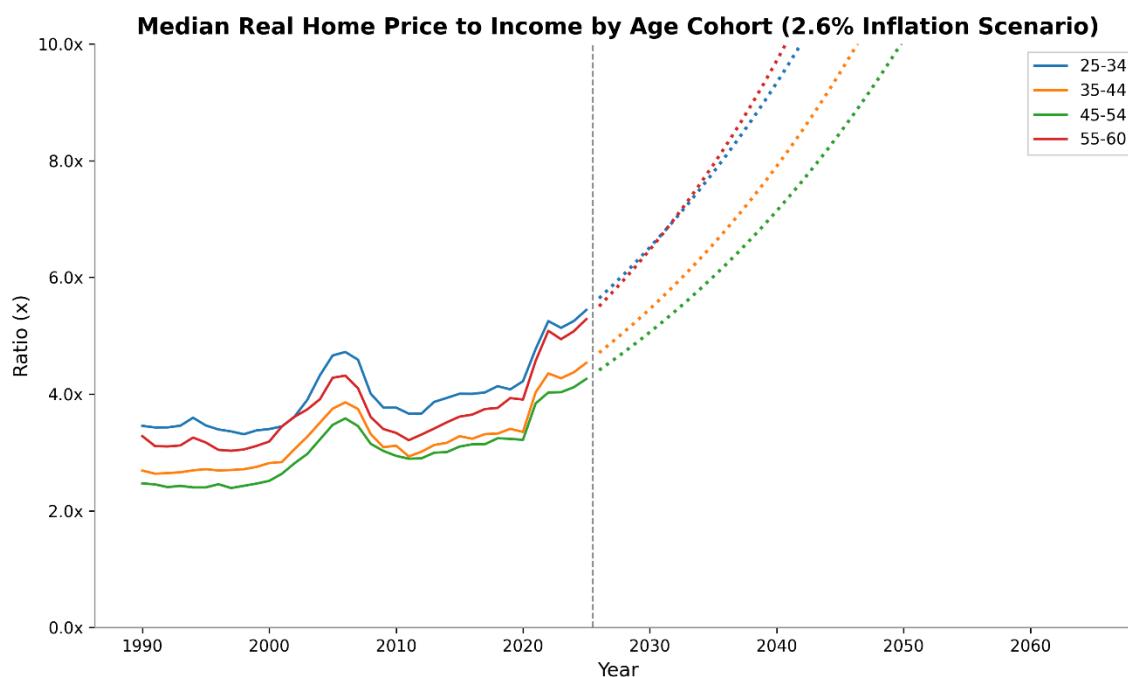
Housing Status

The historical cohort exhibited a steady progression toward homeownership, starting at 38.0% for ages 25-34 and rising to 77.8% by age 60. In contrast, the projected cohort shows a similar starting point (37.9% for ages 25-34) but achieves a lower terminal homeownership rate of 72.8% by age 60—a 5-percentage-point gap representing millions of fewer homeowners. While this gap may appear modest on a percentage basis, it represents several million fewer homeowners and a structural adjustment in housing accessibility with compounding implications for wealth accumulation, given housing's central role in middle-class wealth building.



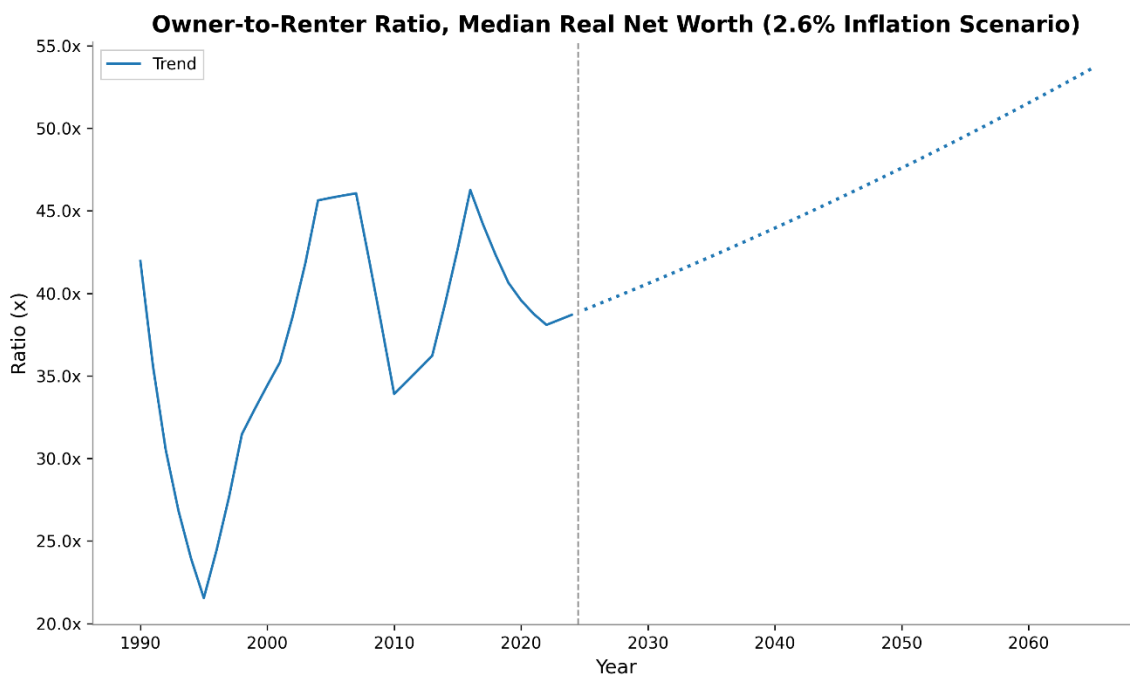
In fact, recent data from Zillow's Consumer Housing Trends Report (October 2024) supports this projection, showing the median age of U.S. renters has increased from 33 to 42 years old in just three years—a startling statistic that further represents Americans' increasingly delayed transition to homeownership.

The declining homeownership trajectory can be directly linked to deteriorating housing affordability, as illustrated below. The median home price-to-income ratio—a measure of housing affordability—reflects that relative to income, home prices are more unaffordable today than they have been in over 35 years, including the pre-2008 bubble.



As shown in the projection period, if current growth rates were to continue unabated, price-to-income ratios would reach mathematically impossible levels for mortgage qualification. While a market correction would almost certainly occur before such extremes were reached, this projection illustrates the fundamental challenge: housing is increasingly becoming an asset class rather than a consumption good, and, for the median American, its accessibility is becoming tied to pre-existing, inherited wealth or financial assistance rather than income capacity. This transformation reflects both the financialization of housing markets and persistent supply constraints. This would effectively sever the historical pathway that allowed median-income households to build wealth through property ownership, further entrenching wealth disparities.

To quantify the magnitude of these disparities, I calculated an owner-to-renter wealth ratio—a metric that directly measures the relative net worth gap between homeowners and renters. The results reveal a concerning trend that extends well beyond simple homeownership statistics. In 2024, the owner-to-renter ratio for median net worth stood at 38.7x, meaning the typical homeowner possessed nearly 39 times the wealth of the typical renter.



Historical data shows significant volatility in this ratio between 1990-2024, with notable drops coinciding with major housing market corrections. The ratio fell sharply during the mid-1990s housing slump and again following the 2008 financial crisis, demonstrating the strong relationship between home equity and net worth. This historical volatility reflects how sensitive the ratio is to economic cycles and housing market fluctuations.

Projections under the 2.6% inflation scenario indicate this disparity will widen substantially, reaching approximately 53x by 2060—a 33.2% increase from 2024 levels. This projection is supported by anticipated real home price appreciation of 4.3% annually, which

outpaces projected wage growth. While the projection displays a smoothed trend line for analytical clarity and methodological consistency, real-world data would likely continue to exhibit cyclical fluctuations similar to the historical period. However, the underlying upward trajectory is expected to persist in the absence of major market corrections.

This widening gap signals the entrenchment of a two-tier wealth structure where housing status increasingly determines financial security. The projected acceleration suggests future generations may experience even greater stratification based primarily on homeownership status, with renters facing significantly diminished capacity for wealth accumulation regardless of income level. The implication of this increased stratification is the potential emergence of an inherited housing class system, where access to homeownership—and thus economic mobility—becomes increasingly dependent on familial wealth transfers rather than individual earning capacity. These findings align with Adkins, Cooper, and Konings' asset-based theory of class stratification, published in 2021, where property ownership increasingly determines economic outcomes over traditional income-based classifications.

STRATEGIC RESPONSE

Despite the challenging economic landscape projected for today's 25-year-olds, several practical strategies can help navigate these trends successfully. The data points to three key areas of focus that can meaningfully improve long-term financial outcomes.

Prioritize Early Financial Asset Accumulation

The sharp decline in financial assets (projected to fall from 15.5% to 5.7% of total assets by age 60) underscores the importance of building investment portfolios early. Young adults should aim to invest in diversified stock portfolios through tax-advantaged or brokerage accounts

as soon as possible, even with modest amounts. Put simply, starting retirement contributions early allows more time for compound growth. Simply allocating 10% of income to retirement accounts during these early years could potentially offset a significant portion of the projected net income deficit in later years and provide essential liquidity during retirement that housing wealth cannot easily provide.

Pursue Homeownership Strategically

While homeownership appears increasingly challenging, the projected 53x owner-to-renter net worth ratio in 2060 underscores its essential role in securing long-term wealth. However, this does not imply that immediate home purchase is always optimal regardless of market conditions. Young adults should approach homeownership strategically, with awareness that housing markets experience cyclical fluctuations that can significantly impact short-term outcomes. Purchasing homes as early as feasible—even if that means accepting a property with fewer amenities or in a less prime location than what might be available in the rental market—may be advantageous. Geographic flexibility, including relocating to areas with more favorable price-to-income ratios, can enhance market accessibility. For those not yet positioned to purchase or during periods of potential market overvaluation, combining renting with systematic investment in financial assets provides an alternative wealth-building path. The primary insight from the data is that participating in the appreciation of some asset class—whether real estate or financial securities—is increasingly non-negotiable for building wealth over the long term.

Build Inflation Protection

With inflation significantly impacting wealth trajectories, incorporating inflation protection is essential. Fixed-rate mortgages serve as powerful inflation hedges, as does investment in businesses through stock ownership. Maintaining expenditures below income

levels creates the financial capacity necessary to invest in appreciating assets and participate in the ‘Equity Economy.’ By implementing these proactive strategies, today's young adults can successfully build wealth despite the challenging economic environment projected for the coming decades.

LIMITATIONS

This study acknowledges several limitations that should be considered when interpreting its findings. First, as aforementioned, the projection methodology assumes continuity in economic relationships that could be disrupted by technological innovations, policy reforms, or structural economic shifts not captured in historical trends. The compound annual growth rate approach, while transparent and interpretable, may not fully account for cyclical economic patterns or potential regime changes in how wealth accumulates.

Second, while multiple inflation scenarios were tested, the study cannot predict which scenario will materialize, and the actual inflation path will exhibit more volatility than the steady-state average assumptions used in projections.

Third, demographic shifts—including changing household formation patterns, population aging, and immigration trends—could substantially alter the dynamics of housing markets and asset accumulation in ways not fully incorporated into the projections.

These limitations notwithstanding, the clear and consistent trends that emerge across all tested scenarios point to genuine shifts in economic opportunity between generations. The convergence of results strengthens the case that we are witnessing a true restructuring of wealth-building pathways rather than temporary economic fluctuations.

CONCLUSION

This research has revealed a fundamental restructuring of American wealth-building pathways that extends beyond simple financial metrics. The data underscores the intensifying nature of an ‘Equity Economy,’ where acquiring appreciating assets—rather than relying on income alone—has become, and will increasingly remain, the key driver of financial outcomes.

The divergent trajectories between the 1990 and 2025 cohorts reflect not just changing economic conditions but a systemic shift in how wealth is built and maintained. The negative net income projected for later working years and persistent student loans represent structural challenges that higher nominal incomes cannot overcome on their own. Additionally, the widening owner-to-renter wealth ratio and declining homeownership rates signal an acceleration of asset-based class stratification that threatens to eclipse traditional income-based distinctions.

Most significantly, inflation emerges as a powerful redistributive force that systematically advantages those with appreciating assets while eroding wealth-building capacity for those without. This relationship between inflation and wealth trajectories suggests that monetary policy carries substantial generational implications that deserve greater attention.

While these findings present challenges, they also provide a framework for adaptation. Strategic engagement with financial and housing markets remains possible, even as traditional paths to middle-class wealth appear to narrow. The key insight is recognizing that in an economy increasingly structured around asset appreciation, early investment in inflation-protected assets—whether financial or property—has never been more consequential for long-term financial security.

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APPENDIX A

Variable (Age Cohort)	Durbin-Watson	Residual ADF P-Value
Income Variables		
25-34	1.254	0.003
35-44	2.506	0.000
45-54	2.301	0.782
55-64	2.262	0.000
Expenditures Variables		
25-34	2.623	0.001
35-44	2.136	0.000
45-54	2.105	0.001
55-64	2.816	0.000
Net Worth Variables		
25-34	0.752	0.066
35-44	0.685	0.376
45-54	0.634	0.043
55-64	0.549	0.183
Financial Assets Variables		
25-34	0.970	0.837
35-44	0.835	0.001
45-54	0.844	0.362
55-64	0.496	0.252
Non-financial Assets Variables		
25-34	0.711	0.064
35-44	0.537	0.144
45-54	0.552	0.050
55-64	0.635	0.130
Debt Variables		
25-34	0.684	0.073
35-44	0.683	0.101
45-54	0.760	0.035
55-64	1.028	0.422
Student Loans Variables		
25-34	1.070	0.000
35-44	0.783	0.002
45-54	0.874	0.000
55-64	1.005	0.550

Table A.1 presents diagnostic statistics for the model used to analyze inflation sensitivity across financial variables. The Durbin-Watson statistic measures autocorrelation in model residuals, with values near 2.0 indicating optimal model specification (values below 1.0 suggest positive autocorrelation). The Residual ADF p-value tests for stationarity, with $p < 0.05$ indicating well-specified models that capture genuine relationships. As shown in the results, income and expenditure variables consistently demonstrate stronger model diagnostics, with Durbin-Watson values closer to 2.0 and statistically significant ADF p-values. In contrast, wealth variables (especially financial assets) show somewhat weaker performance, reflecting their more complex relationships with inflation. These diagnostic patterns support the thesis's differentiated treatment of inflation effects across variable categories and provide methodological context for interpreting the scenario analyses in Chapter 4.