Chart of the Month | October 2021

Household Net Worth Soars During Pandemic

Susan Smith, CFA
Chief Investment Officer

John Smith, CPA
Head of Financial Planning

One of the more interesting statistics to come out of the Covid pandemic relates to household net worth. Federal Reserve data shows household net worth recovered quicker during the Covid pandemic compared to the 2008 financial crisis. Looking at the statistics, net worth fell ~$11 trillion, or -16%, from 3Q 2007 through 1Q 2009. In contrast, net worth increased ~$31 trillion, or +28%, from 1Q 2020 through 2Q 2021.

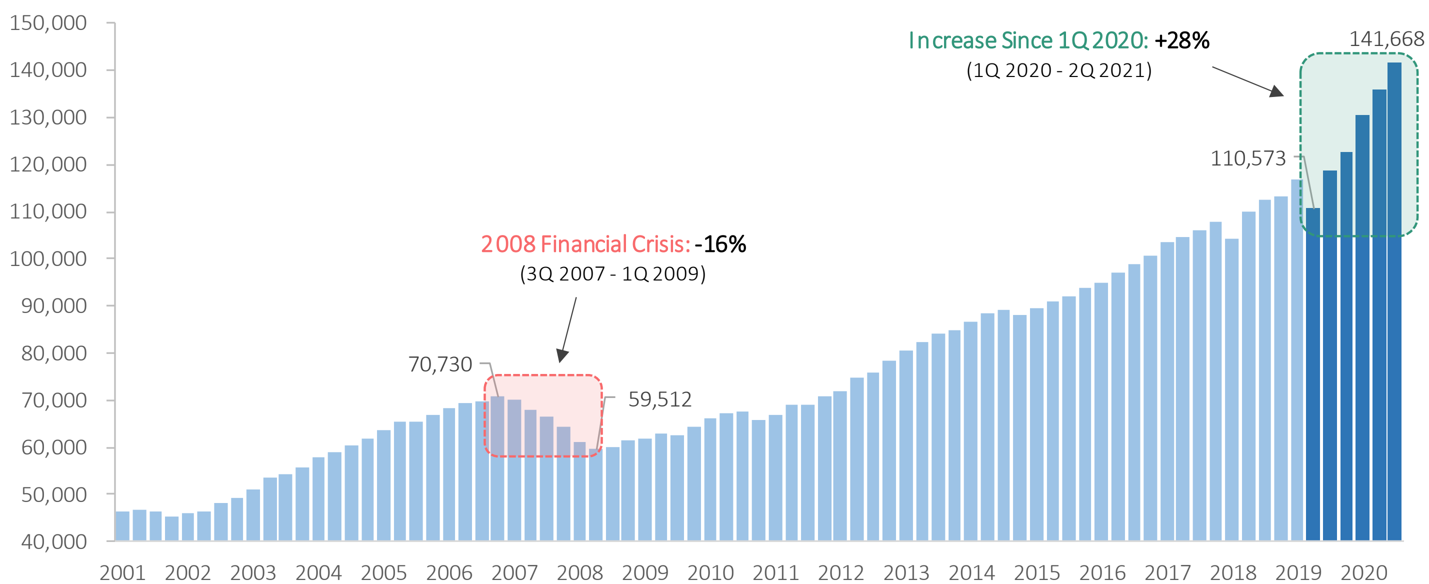
Why did net worth rise during the pandemic? Two categories — home values and stock market prices. The National Association of Realtors reported the average home sale price rose from $316,100 during March 2020 to $376,000 during August 2021, a +18.9% increase. In the financial markets, the S&P 500 index of large cap stocks produced a +98% price return from its pandemic trough on 3/23/2020 through 10/13/2021. Both contributed to increased net worth.

The question is whether the net worth increase, which is likely paper gains in retirement accounts and tied up in homes, will be tapped to fund additional consumption. Historical GDP data shows consumer spending traditionally accounts for ~70% of U.S. economic activity. If the net worth increase is tapped to fund additional consumption, the economy may benefit from stronger economic growth.

From a big picture perspective, household net worth data highlights the importance of remaining invested during periods of economic uncertainty and market selloffs. Stock market volatility is an unfortunate side effect of investing. However, maintaining a steady approach to investing and keeping an eye toward the long-term can help get you through uncertain times.

FIGURE 1

Quarterly U.S. Household Net Worth in Billions of Dollars (2001-Present)



Source: MarketDesk Research, Federal Reserve