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The Wealth Gap Between the Generations

Monday, November 07, 2011

SUSIE GHARIB: Younger and older Americans are further apart than ever financially. A new report from the Pew Research Center shows the wealth gap between different generations has stretched to the widest on record. Darren Gersh tells us what's behind the historic divide.

DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: In markets and in life, it helps to have good timing. Bad timing explains a great deal of the growing wealth gap between young people and their parents, says the Pew Research center's Paul Taylor.

PAUL TAYLOR, EXEC. VP, PEW RESEARCH CENTER: Think about most younger homeowners, those who are under the age of 35 and own a home. Most of them have purchased their homes the last 10 years or so. Many of them purchased their homes at prices inflated by the bubble, and when the bubble burst, and they find themselves behind. They have less equity in their homes, and some of them are so far behind and so far under water that they face foreclosure.

GERSH: Taylor says older homeowners who bought earlier and rode the housing boom are doing much better than 30-somethings. A new Pew Research Center study finds median net wealth for those 65 and older has jumped 42 percent since 1984, but for those younger than 35, it has fallen almost 70 percent. While housing accounts for much of the wealth change, it is not all of it. Younger workers have been hit hard in the recession, with many dropping out of the labor force altogether. Rising levels of student debt also help explain the wealth shift. Taylor says some of these trends have found voice in the occupy Wall Street movement.

TAYLOR: I think it's fair to say that that movement is largely driven by young adults. This may explain some of the frustration that they feel.

GERSH: Mark Calabria of the conservative Cato (NYSE: CATO) Institute says the Pew study raises concerns about how government policy shifts income across generations.

MARK CALABRIA, DIR., FINANCIAL REGULATION STUDIES, CATO INST.: The fact that the elderly have performed so much better relative to everyone else, you know, certainly raises questions in my mind of how we deal with entitlements. You know, should we be means testing Social Security and Medicare, because ultimately, these programs have to be paid for by somebody.

GERSH: While older Americans have expanded the wealth gap with younger Americans, many are still struggling. Using an alternative poverty measure that includes out-of-pocket medical expenses, new figures show almost one in six Americans age 65 and older are poor. That's far higher than the official poverty rate of one in 10. Darren Gersh, NIGHTLY BUSINESS REPORT, Washington.

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