

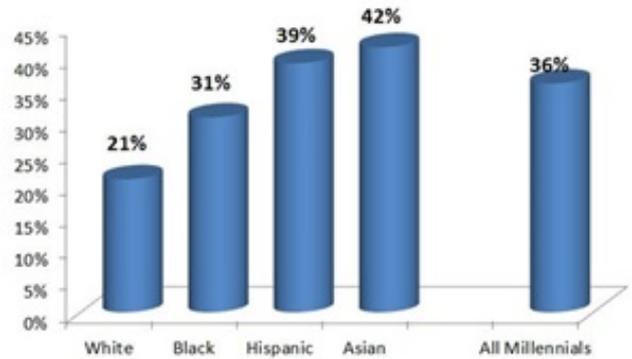
The Boomerang Generation

Having graduated college in the aftermath of The Great Recession—the worst recession in the U.S. since The Great Depression—Millennials' job prospects and future earnings potential have been limited from the start of their careers. Despite the societal norms of previous generations, going to college no longer guarantees the ability to acquire a good job, and even if you do secure a good job, you are not guaranteed employment until retirement, but rather must constantly reinvent yourself in order to stay competitive and remain relevant.

According to C.A.R.'s 2014 Millennials Survey, 33 percent of Millennials in California have full time employment; 19 percent have a part time job, 24 percent are students and 20 percent are unemployed. These weak job numbers translate to a median annual income of \$35,000. Low annual wages are a major hindrance in this generation's ability to purchase a home, which has resulted in them "boomeranging" back to their parents' homes.

Comparing the parental co-residence rates among 25 year olds across the United States in 2002-03 the majority of states had a parental co-residence rate below 30 percent. Fast forward 10 years and that changes drastically, with all 48 states having co-residence rates over 30 percent. In California 36 percent of millennials live with their parents. Among 18-26 year olds, the 2014 C.A.R. Millennial Survey revealed that nearly half (49 percent) live with their parents. Meanwhile, the homeownership rate for 25 and 30 year olds declined by about 10 percent and student debt doubled from approximately \$15,000 to \$30,000. The Federal Reserve Bank of New York 2014 Staff Report, "Debt, Job, or Housing: What's Keeping Millennials at Home?" found a positive correlation between student loan debt growth and the co-residence rate of young adults.

Millennials Living with Parents



Source: CALIFORNIA ASSOCIATION OF REALTORS®

An overlooked factor in millennials delaying household formation is demographics. Millennials are very diverse in comparison to previous generations—62 percent are minorities. It is not uncommon in ethnic minority or immigrant households for children to live with their parents, and in some instances even their grandparents, early into adulthood or after having children. Family bonds are very strong in culturally diverse households. The family is viewed as a unit, with everyone in the household pitching in to do their part and help the unit prosper. Parents help their children and the children, in turn, help their parents. The C.A.R. Millennial Survey revealed that more minority Echo Boomers are living at home than whites.

Despite their financial troubles, millennials remain optimistic. More than three out of four are confident they can address any financial problem in the next 10 years. And they might be right; there is a silver lining for their earnings: older millennials (those between 27 and 34 years old) have a median annual household income of \$50,000, compared to \$30,000 for their younger cohort of 18 to 26 year olds. So there is hope yet. While they may not have a high income now—they are after all still under 35 years of age—their earnings will increase as they age and advance in their careers.

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