Silver Tsunami Likely to Bring Wave of Wealth to Children of Baby Boomer Homeowners

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New research indicates Boomers hold $17 trillion of country's total home equity

MCLEAN, Va., Dec. 19, 2024 (GLOBE NEWSWIRE) -- Three quarters of homeowners born before 1964 are likely to leave much of their $17 trillion in home equity to their children, according to Freddie Mac's (OTCQB: FMCC) latest analysis of the housing perceptions, preferences and plans of Baby Boomers.

Freddie Mac's new, comprehensive survey of respondents 60 or older also highlights that the majority of Boomers who own a home feel confident they will have a financially comfortable retirement. This is accompanied by a growing preference of some Boomers to downsize.

"As the youngest Baby Boomers turn 60 this year, this research provides an opportunity to learn from a generation that has weathered multiple economic cycles and pivotal moments in recent history, including the Great Financial Crisis and pandemic," said Sonu Mittal, SVP and head of Single-Family Acquisitions at Freddie Mac. "The value we see placed on homeownership and its contribution to the long-term financial success of American families underscores the importance of our mission to make home possible for more families across the country."

Freddie Mac has surveyed and tracked the attitudes of Baby Boomers for nearly a decade. As of 2024, there were 65 million Baby Boomers, accounting for 20% of the U.S. population and 36% of total homeowner households. Total household net worth has increased by approximately $44 trillion, or $332,000 per household, since the pandemic (Q4 2019 to Q2 2024). Of that, Boomer overall wealth increased by $19 trillion, or $486,000 per household, half of which is due to house price appreciation.

This latest research follows two prior surveys, the first in 2016 and again in 2021, in which Freddie Mac sought to track Boomers' attitudes and perceptions in several key categories. Key findings include:

Perceptions of retirement.

- 68% of Boomer homeowners surveyed express confidence in having a comfortable retirement, regardless of race. This is down from 2016 (76%) and 2021 (81%).
- Retired homeowners feel more confident than non-retired homeowners in believing they will have a comfortable retirement.

Aging in place remains preferable, but new trends have emerged.

- *Aging in Place:* As in 2016 (66%) and 2021 (69%), Baby Boomer homeowners again feel confident they would remain in their current homes, with 68% of respondents indicating they either plan to age in place or do not have plans to move again.
- *Downsizing*: However, of Boomer homeowners looking to move at some point in the future, 66% indicate they also plan to downsize, with nearly 9 out of 10 respondents currently owning a residence with three or more bedrooms. Of the Boomer homeowners who moved in the last decade, 36% say they downsized from their previous property.
- *Living Near Children*: Of the 32% of Boomers who would consider living in a smaller, independent living area on someone else's property, such as an accessory dwelling unit, the vast majority (68%) of Boomer parents would consider living on their children's property.
- *Men vs. Women*: 40% of women expressed a willingness to move in with their adult children in the future, while only a quarter of men felt similarly.

Younger generations are positioned to receive trillions in home equity from Boomers with proper estate planning.

- According to Federal Reserve data, Baby Boomers hold 50% of the nation's home equity, amounting to $17.3 trillion as of the second quarter of 2024. However, the torch is slowly being passed, with intentions to share the wealth with children and family members.
- Regardless of race or gender, 75% of surveyed Boomer homeowners are planning to leave their current home or the proceeds from the sale of their home to their children or family members after they pass away.

Boomers will protect their home equity in retirement.

- Surveyed homeowners who currently have or used to have a fixed-rate mortgage overwhelmingly agree (83%) that it has allowed them to steadily build wealth over time.
- To fund their retirements, Boomer homeowners believe they will tap sources other than their home equity, including

savings, social security, retirement and investment accounts, and pensions. Only 9% of Boomer homeowners surveyed plan to use their home equity or a reverse mortgage to fund their retirement.
- Half of Boomer homeowners surveyed already own their home outright and 53% of those still paying off a mortgage have an interest rate below 4%.

“Clearly the Baby Boomer generation has benefited from our country’s unique housing finance system, and it is imperative that we ensure this system remains in place to help Boomers and the many generations that follow,” Mittal continued. “To that end, Freddie Mac has led on efforts to help homeowners access the equity in their home without affecting their interest rate, created offerings that help defray downpayment and closing costs, and enhanced our technology to help those with thin credit files qualify for a mortgage. With an eye toward the future, we also expanded our efforts to educate the public about homeownership and created resources to help owners appropriately plan for the transfer of wealth to their children and families.”

Freddie Mac’s flexible offerings and educational tools allow Boomers to renovate their home, generate rental income, estate plan and take other actions. Freddie Mac’s CHOICERenovation® and CHOICEReno eXPress® mortgages allow borrowers to save time and money by financing home improvements using a single loan that can better help them age in place when they purchase a home or renovate their existing home. This includes financing the conversion of space to an accessory dwelling unit, or ADU. Rental income generated on an ADU can also be used as qualifying income toward obtaining a mortgage, if certain requirements are met.

Additionally, Freddie Mac’s automated income assessment tool can assess income from tax return data for self-employed borrowers as well as bank account data to identify a history of positive monthly cash flow activity. This can include data from checking, savings and investment accounts, including those used for direct deposit of income and monthly bill payments, such as rent, utilities and auto loans. That data can help borrowers who may not qualify with traditional methods of underwriting.

For information on estate planning, wealth building and more, Freddie Mac’s consumer website, MyHome, offers a suite of articles and tools to aid Baby Boomers at this specific stage of their homeownership journey.

Methodology
The online survey, conducted April 27-May 3, 2024, included interviews with 3,003 homeowners and renters aged 60-78, with data weighted to be representative of a national sample of U.S. adults within the Baby Boomer generation.

About Freddie Mac
Freddie Mac’s mission is to make home possible for families across the nation. We promote liquidity, stability, affordability and equity in the housing market throughout all economic cycles. Since 1970, we have helped tens of millions of families buy, rent or keep their home. Learn More: Website | Consumers | Twitter | LinkedIn | Facebook | Instagram | YouTube

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