Loans, Homes, and Retirement: A Study of Young Americans

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Abstract

This study uses the National Longitudinal Survey of Youth (1997) to explore the relationship between student loan debt and two important asset accumulation tools—retirement savings and home ownership—among young adults. The sample in this study includes individuals who were 30 years old in 2010 (*n* = 1360). The lifecycle theory of savings and consumption is used to model retirement savings and home ownership using education, income, and student loan debt as key predictors in the model. Findings indicate that student loan debt negatively affects retirement savings, though the effect is small. Student loan debt is not a predictor of home ownership. Aside from education and income, risk tolerance and conscientiousness are important predictors of homeownership. Most notably, respondents with a higher financial risk tolerance are more likely to own a home, while those who are more conscientious are less likely to own a home. This suggests that the decision to buy a home may be constrained by more than just financial circumstances and that recent economic events have made homeownership look too risky to young buyers.

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