

Revenge Of The Baby Boomers

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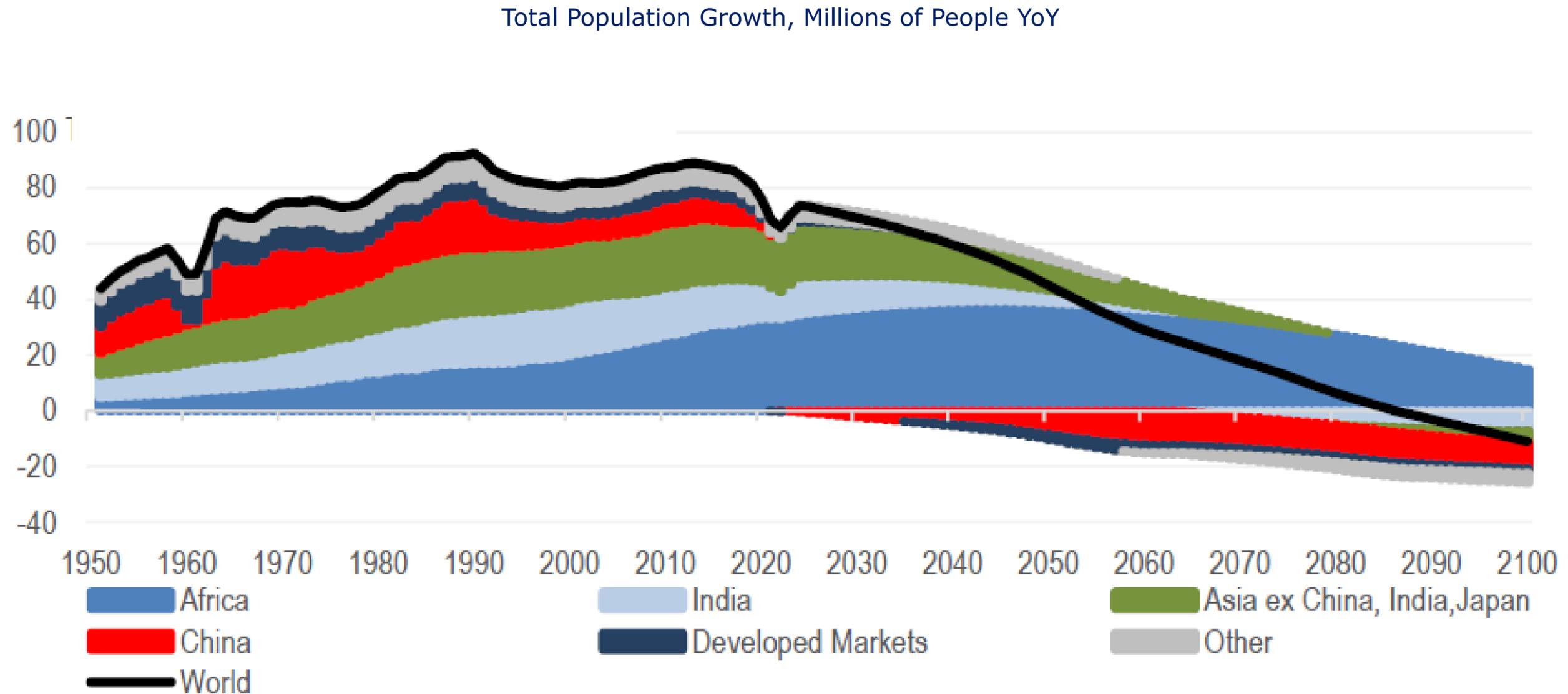
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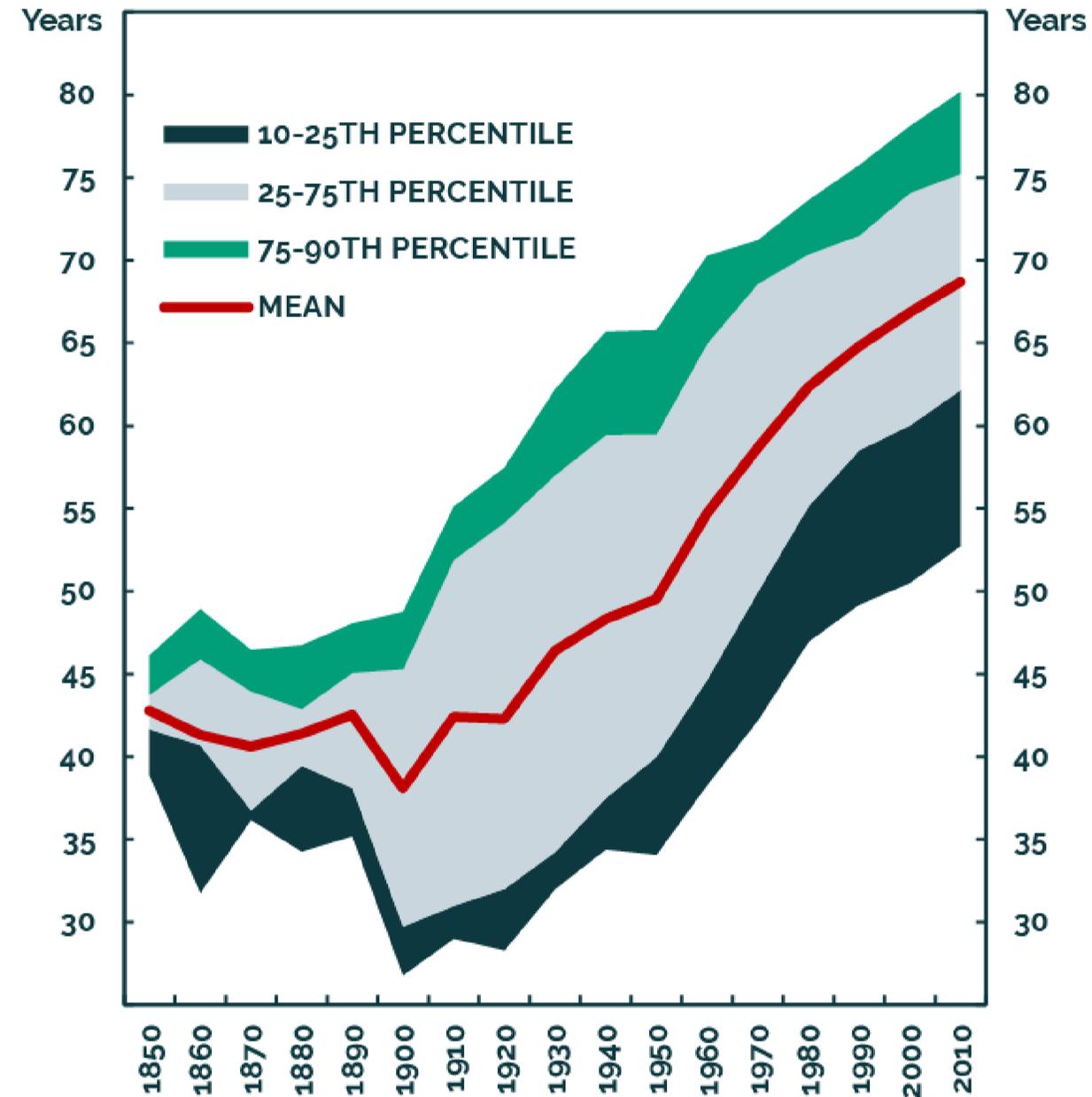
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Bad news: The world's population growth has peaked



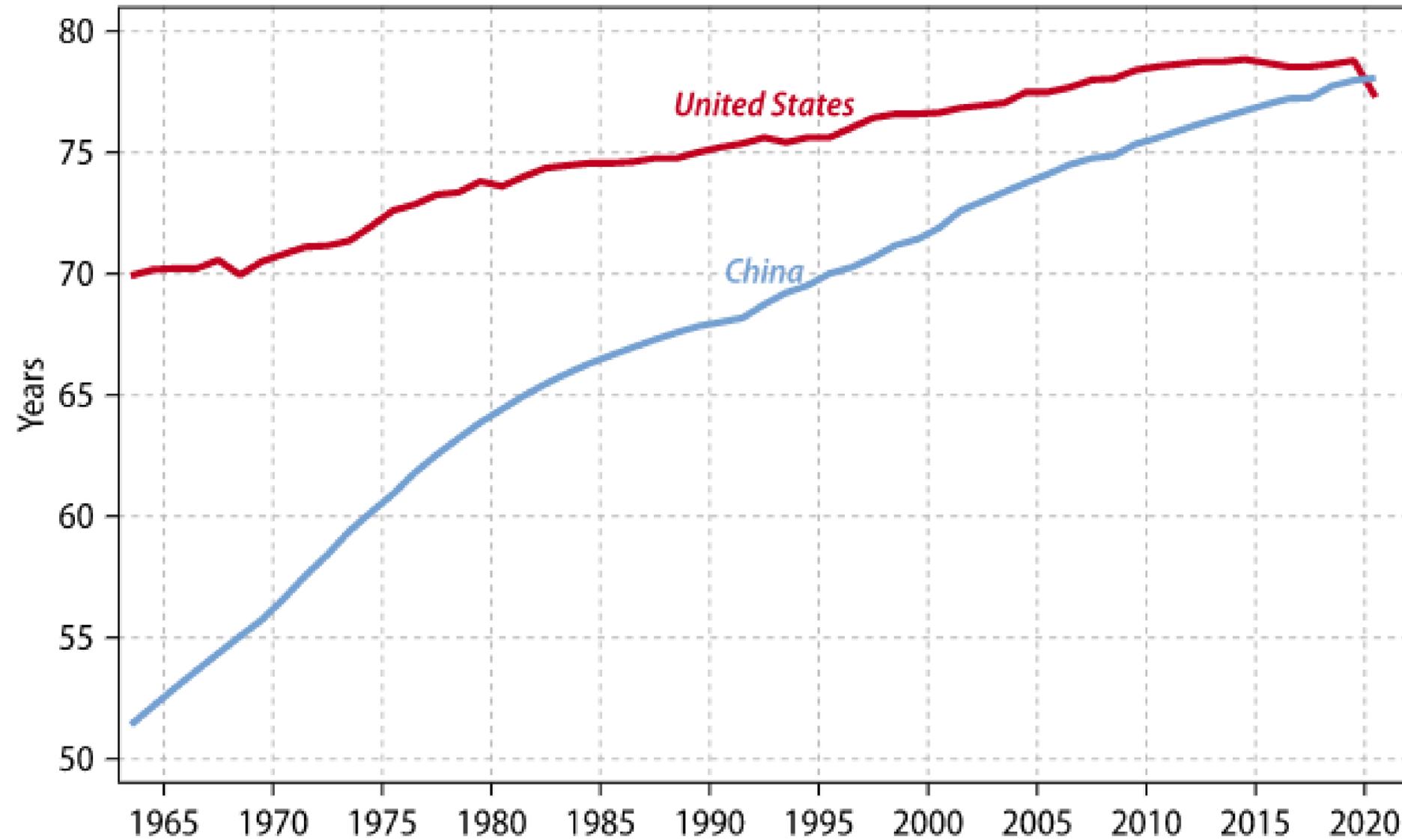
Good news! Global life expectancy has increased significantly over the last 150 years

Life Expectancy at Birth



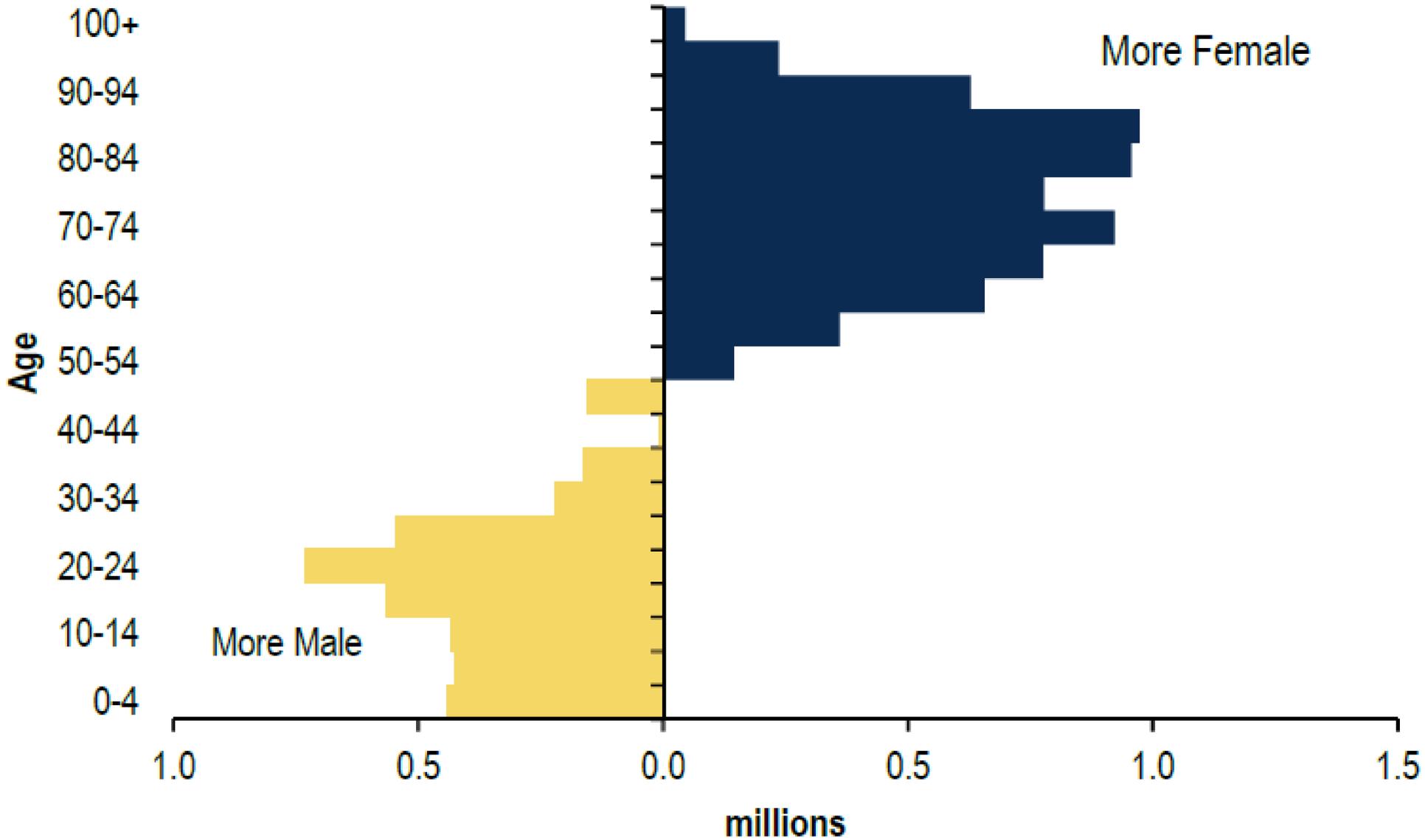
Although, China's life expectancy just overtook that of the United States

Life Expectancy at Birth, World Bank Indicators



Although, women live longer than men – Why, do you suppose?

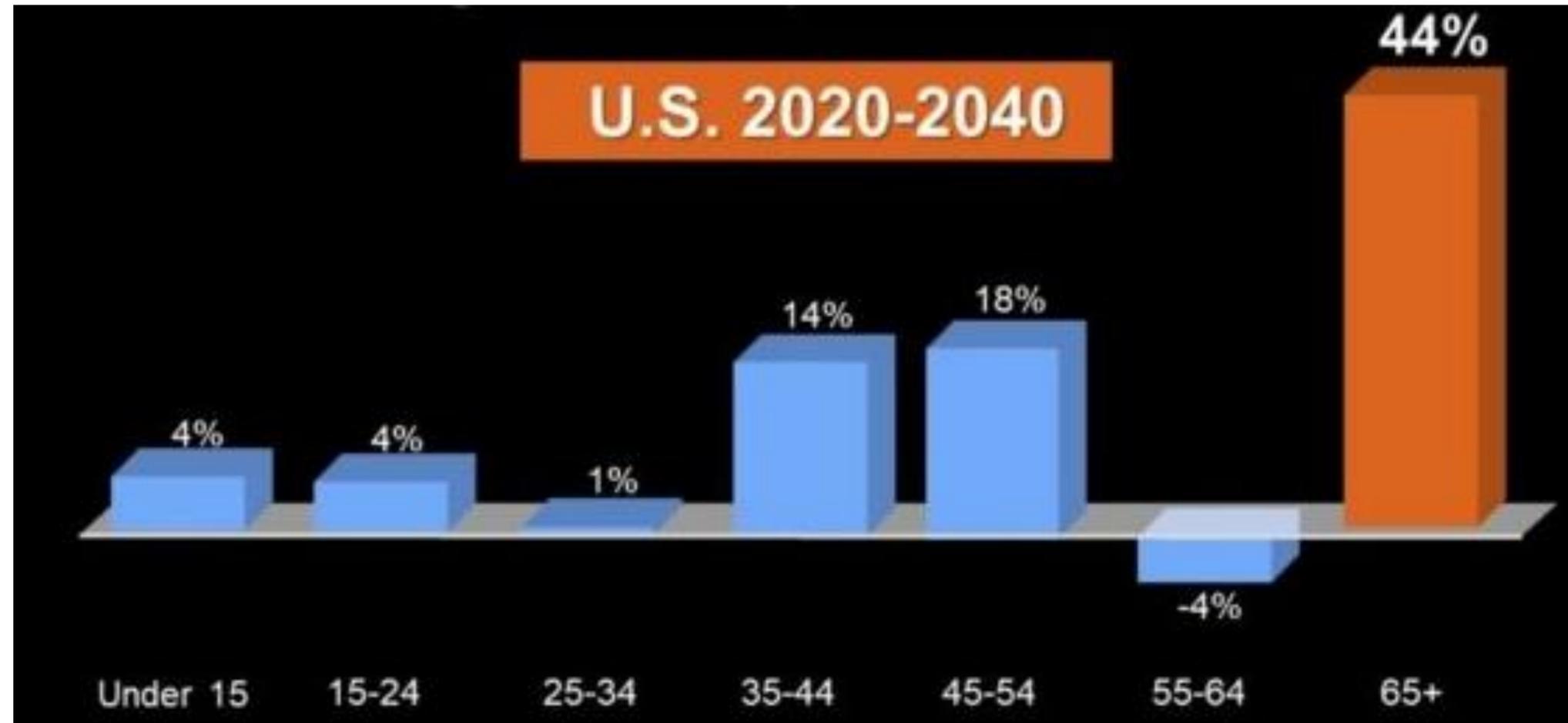
Difference Between Female and Male Populations by Age in the United States



Source: UN WPP 2015, Bank of America Research May 9, 2016

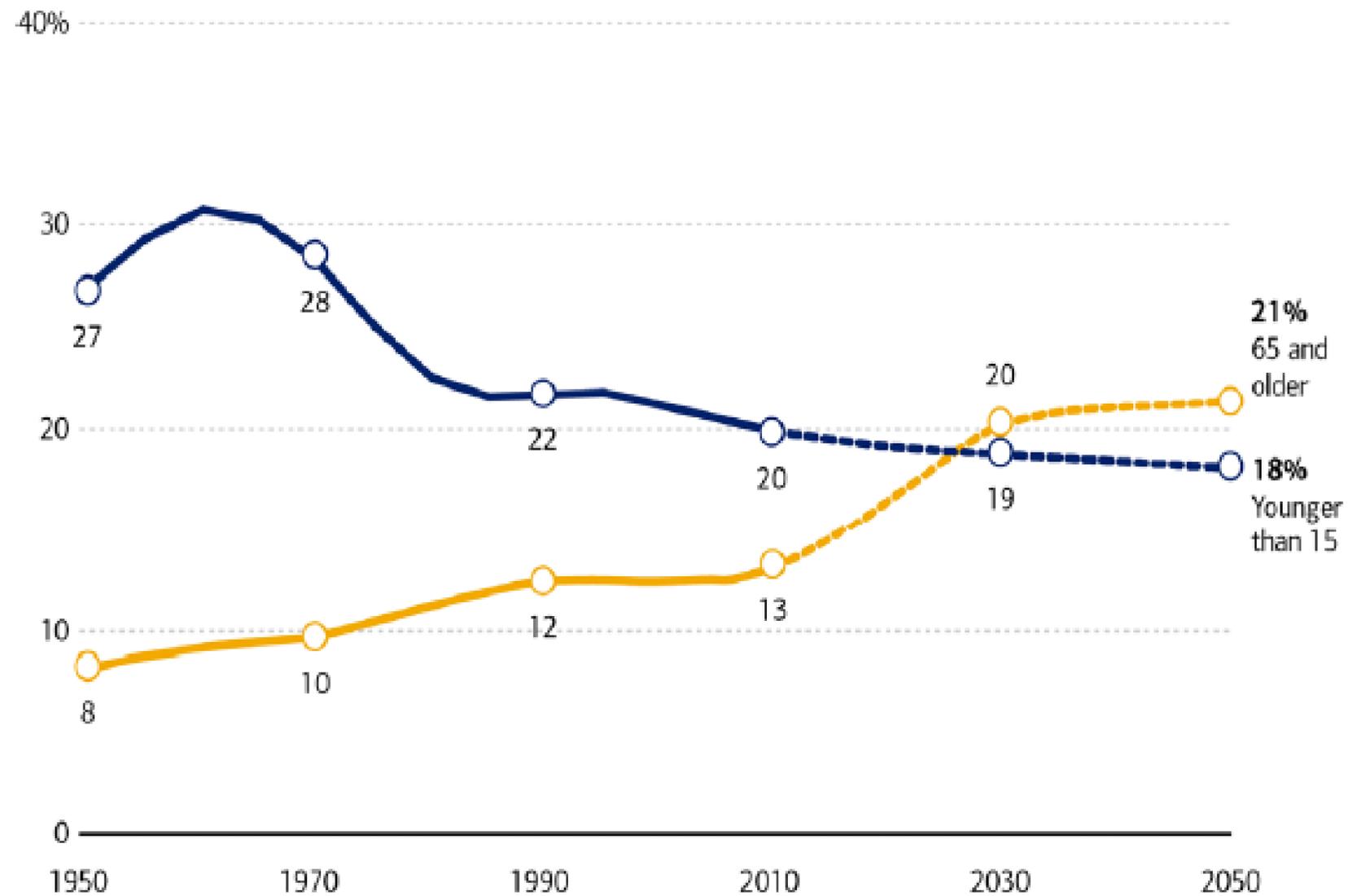
Every day, another 10,000 Boomers turn 70

Change in Population Growth



By 2030, there will be a shift in demography between the younger and older population in the U.S.

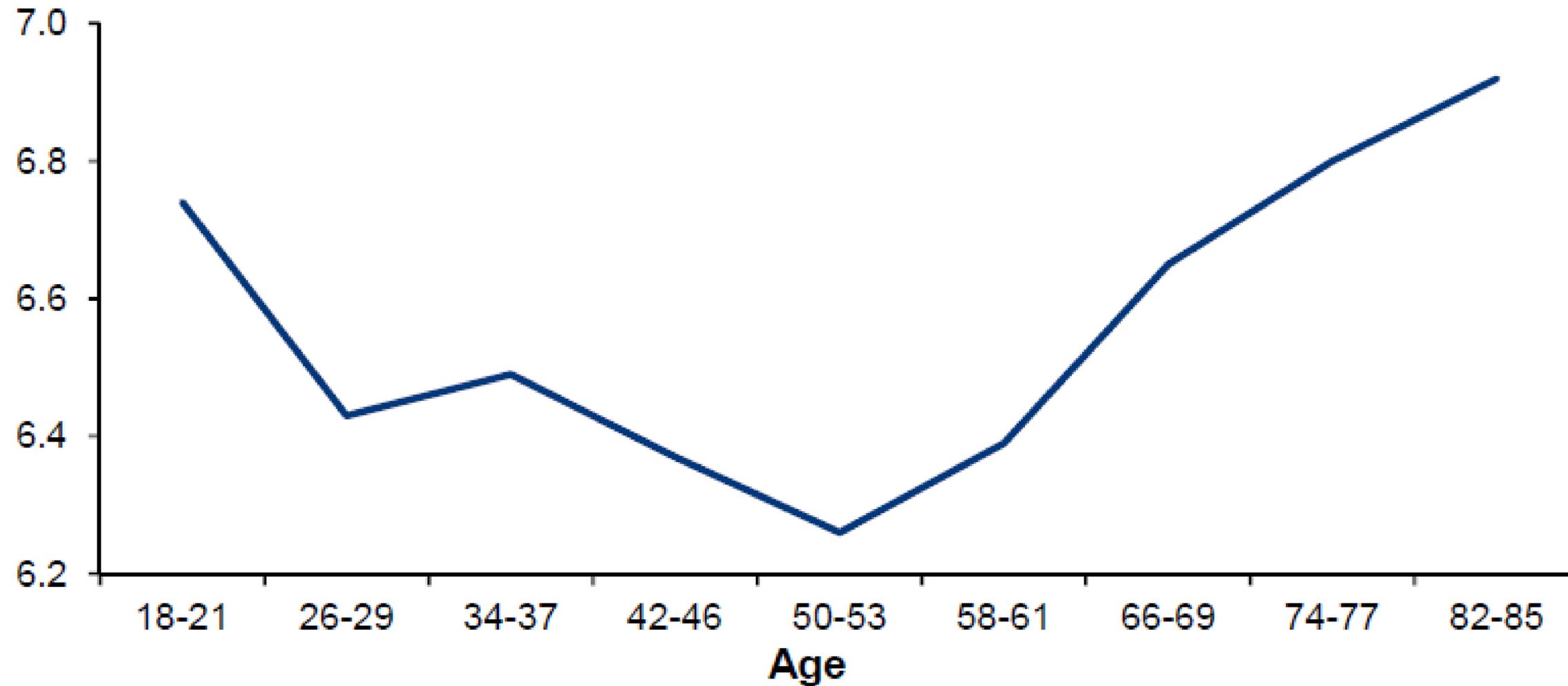
Percentage of Population Younger Than 15 and 65 and Older in the U.S.



Source: Pew Research Center, BofA Global Research. June 8, 2022

Revenge — Joy in aging

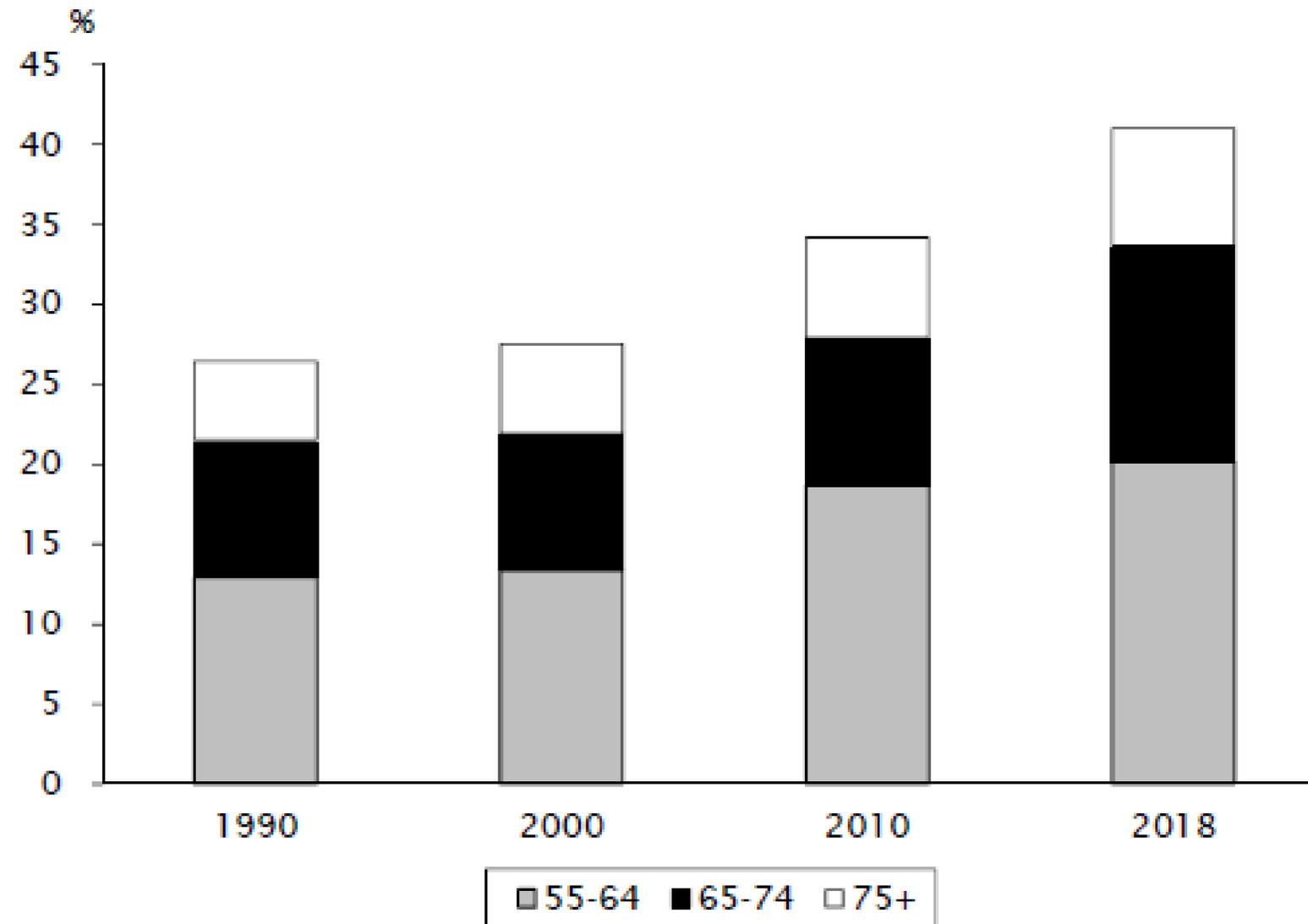
Self-Reported Wellbeing on a Scale of 1-10



Source: Nielson, Bank of America Research May 9, 2016
Note: OECD Countries

Boomers are ever-more important consumers

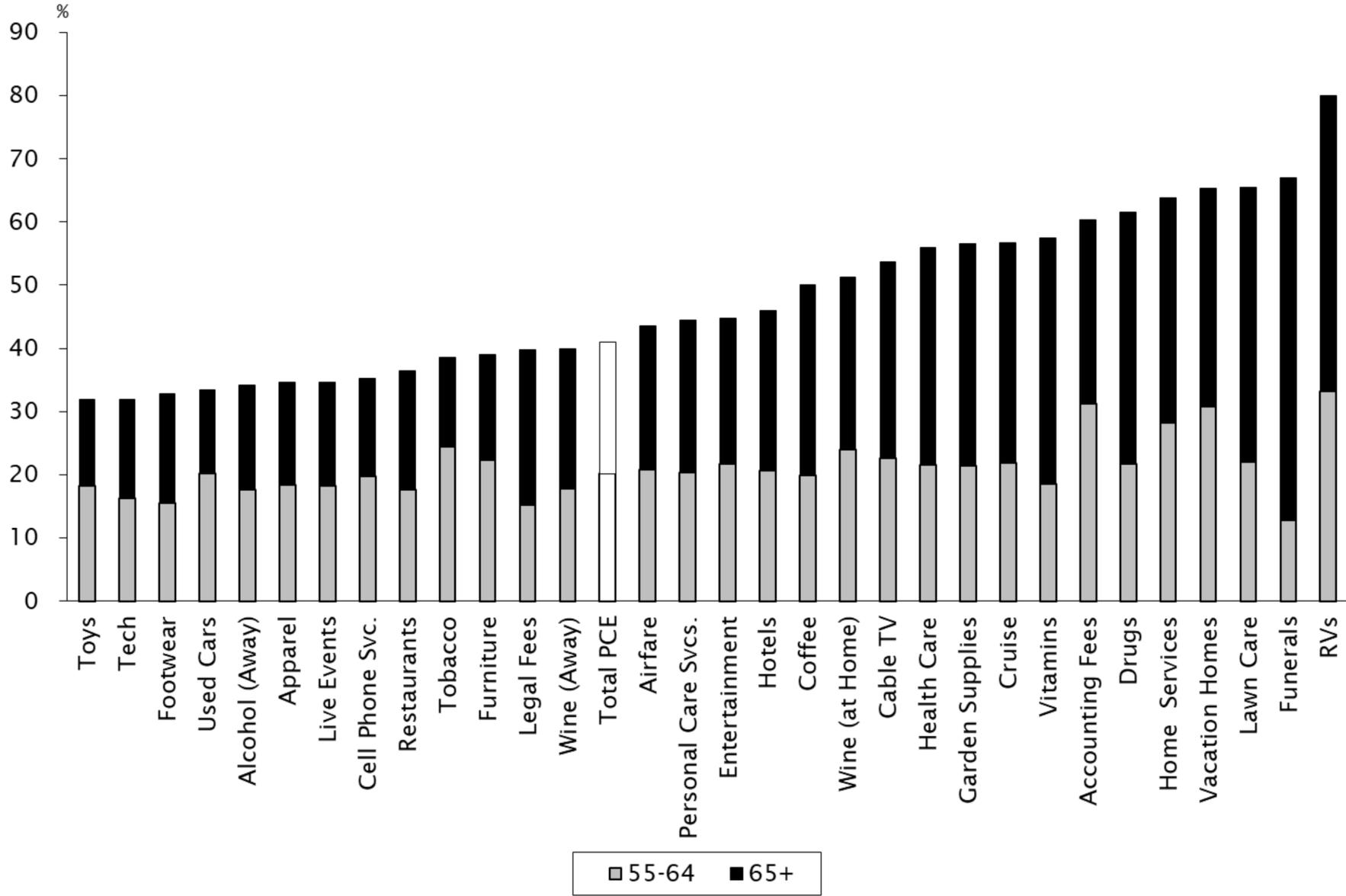
Spending by Age
Share of Aggregate Consumption: 1990, 2000, 2010 and 2018



Source: Bureau of Labor Statistics: Consumer Expenditure Survey. Empirical Research Analysis. May 18, 2020

They like to play and count their money; Plus there's healthcare and the inevitable

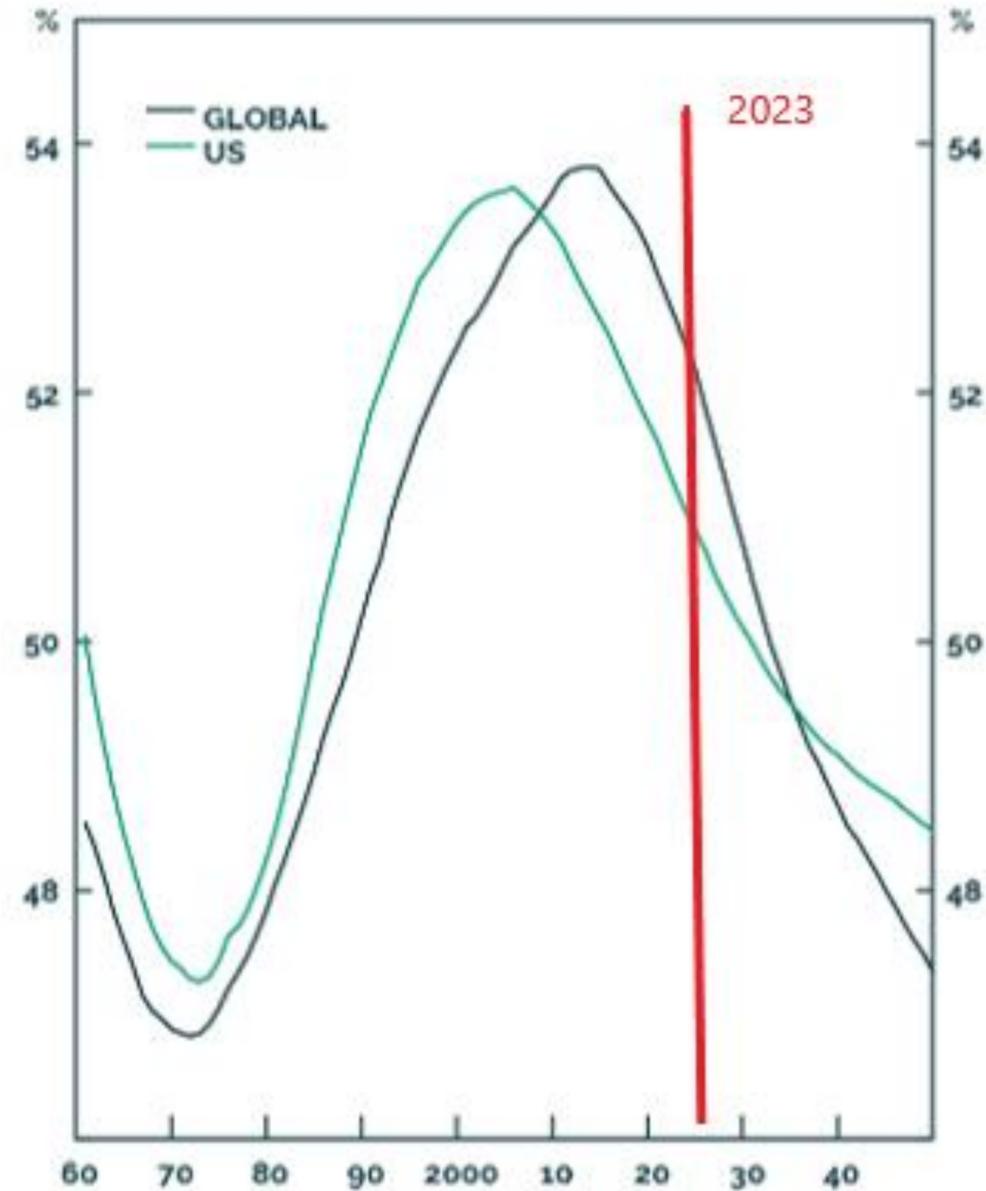
Ages 55 and Over
Share of Aggregate Consumption 2018



Source: Bureau of Labor Statistics: Consumer Expenditure Survey. Empirical Research Analysis. May 18, 2020

Fewer workers and more consumers over the next decades

Percentage of Workers Relative to Number of Consumers



Source: National Transfer Accounts. BCA Research. March 10, 2023
Note: Global Measure is shown as a GDP-Weighted aggregate of 46 countries.

The labor force has been declining since 1980

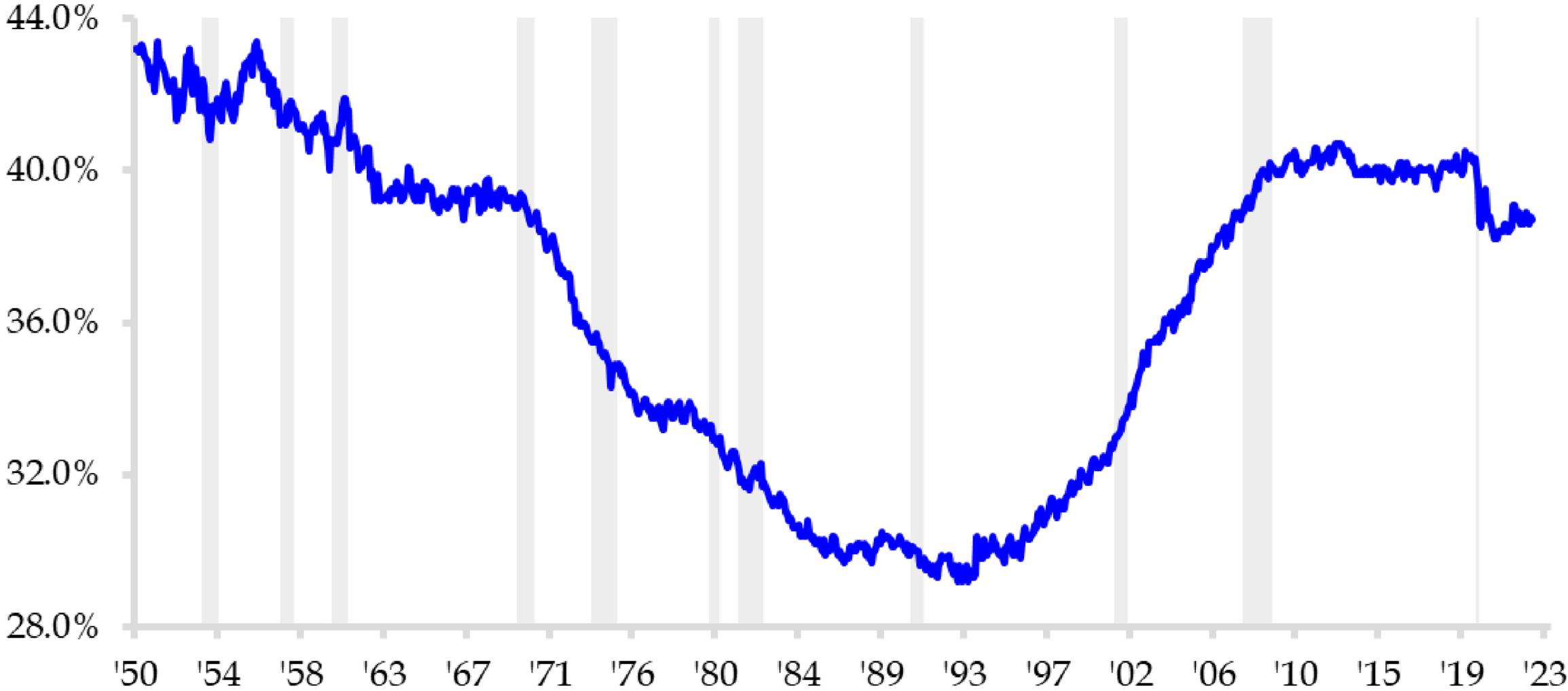
U.S. Labor Force Growth Has a Big Impact on U.S. Business Capex



Source: Gavekal Research/Macrobond. March 7, 2023
Note: Capex=Capital Expenditure. Ma=Moving Average. RHS=Right hand side LHS=Left hand side

But the 55+ participation rate has only been declining since 2020

Labor Force Participation Rate: 55 Years & Over (SA,%)



Source: Strategas Research. January 31, 2023
Note: Shaded areas indicate recessions. SA=Seasonally Adjusted

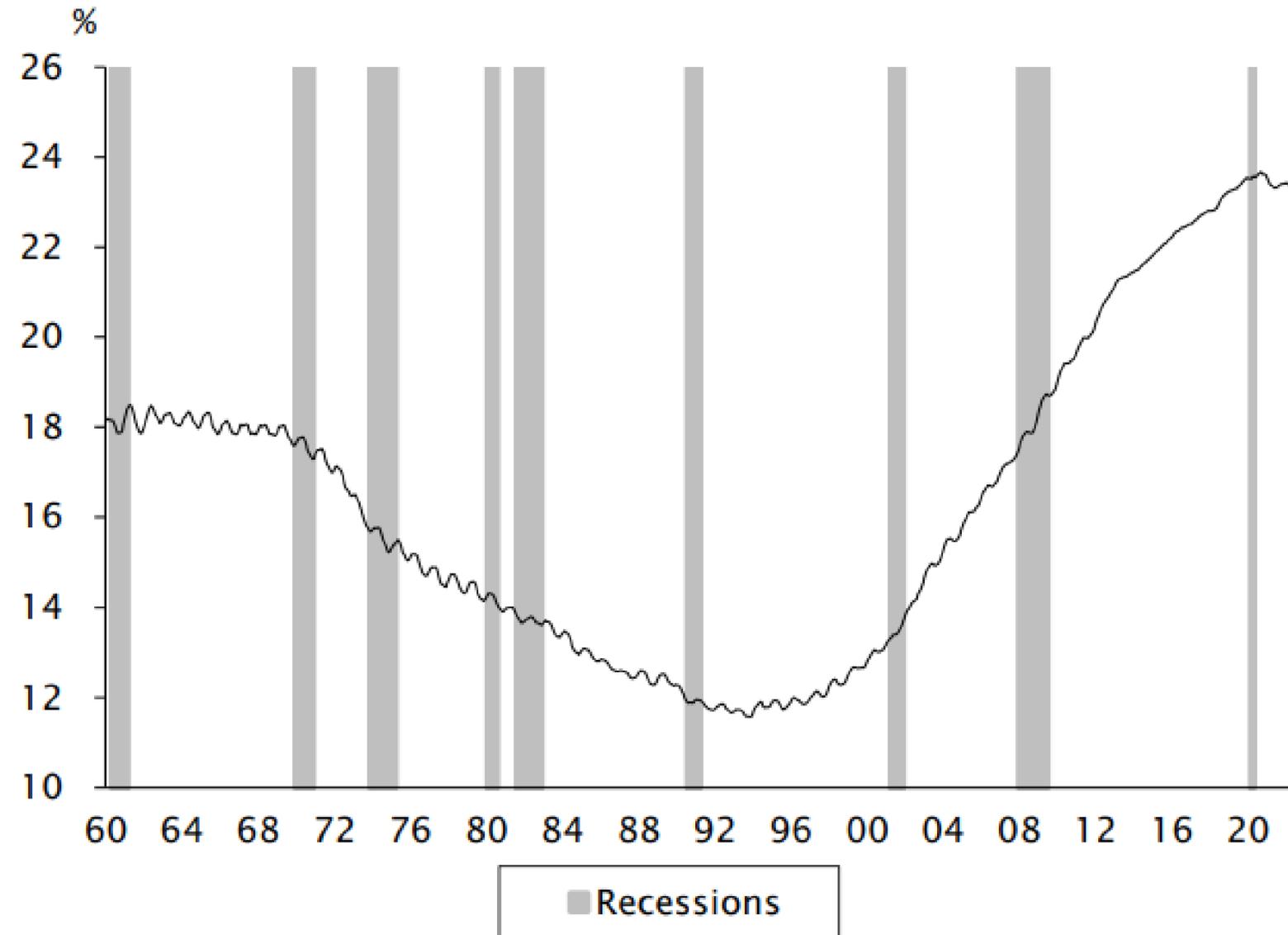
Young Americans are starting to work later in life

U.S. Employment-to-Population Ratio, Age 16-24



Boomers worked longer than previous generations

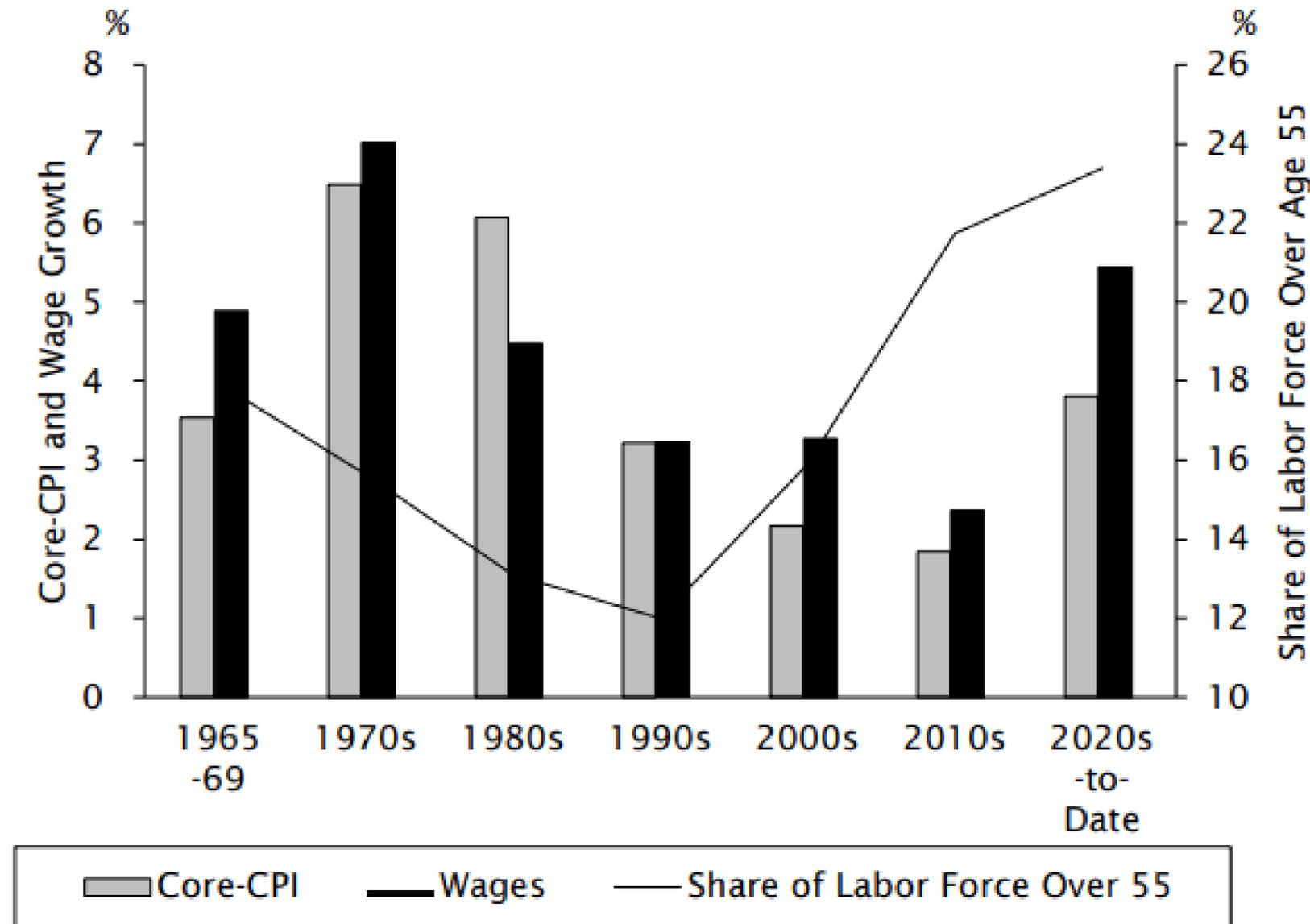
Share of Labor Force That Is Age 55 and Older
1960 Through January 2023



Source: Bureau of Labor Statistics, National Bureau of Economic Research, Federal Reserve Bank of Atlanta, Empirical Research Partners Analysis. February 17, 2023
Note: Data smoothed on a trailing six-month basis.

Boomers' longevity in the workforce had held down wage growth

The Core-CPI and Wages: Annual Growth Rates* and the Share of the Labor Force Over Age 55 by Decade
1965 Through 2022



Source: Bureau of Labor Statistics, Federal Reserve Bank of Atlanta, Empirical Research Partners Analysis. February 17, 2023
* Wages from the employment cost index. Prior to 1982, the average hourly earnings of production and nonsupervisory workers is used.

Revenge – Boomers retired during the pandemic, and aren't coming back

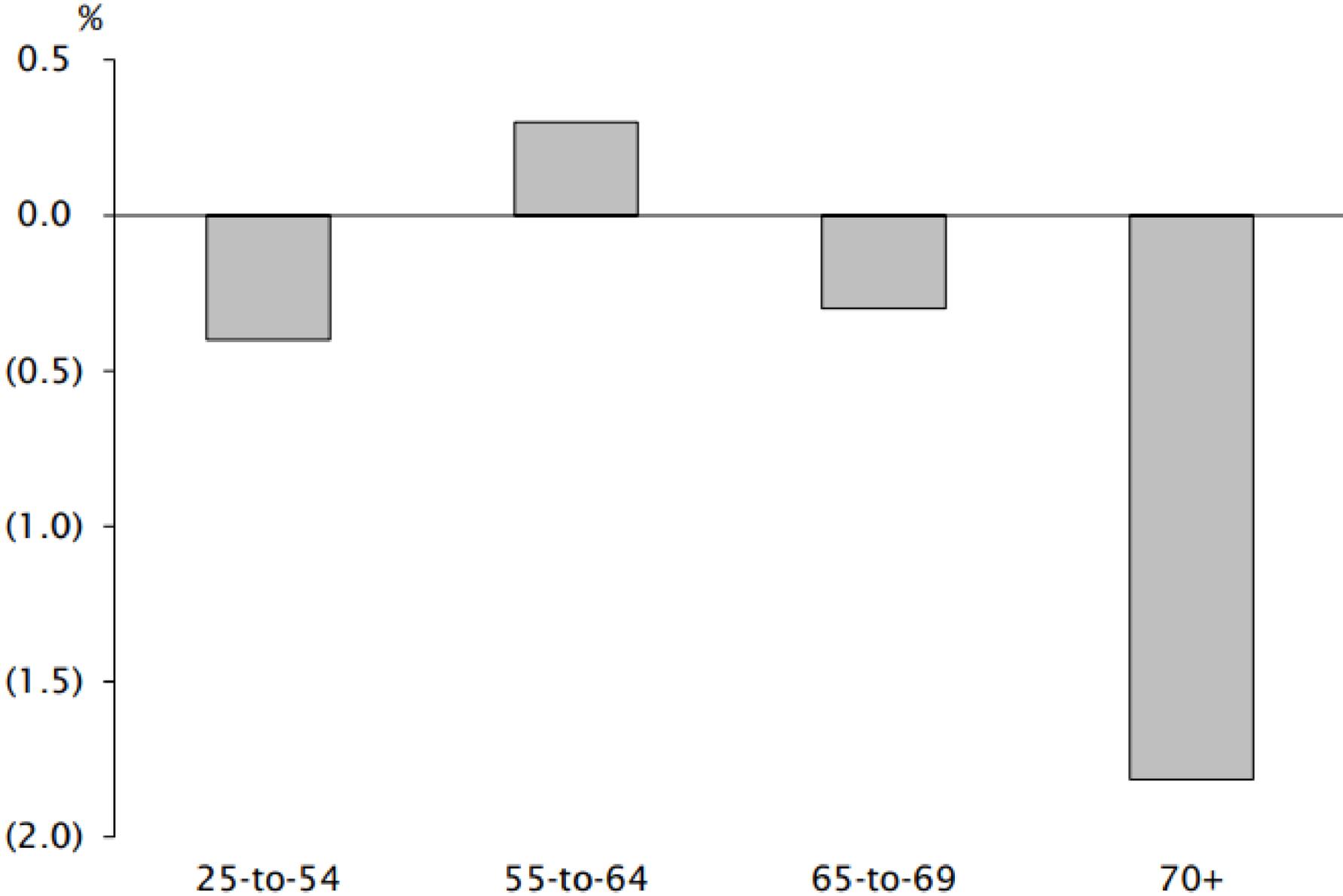
U.S. Employment-to-Population Ratio, Age 55 and Over



Source: Gavekal Research/Macrobond. February 24, 2023

COVID detonated a demographic time bomb

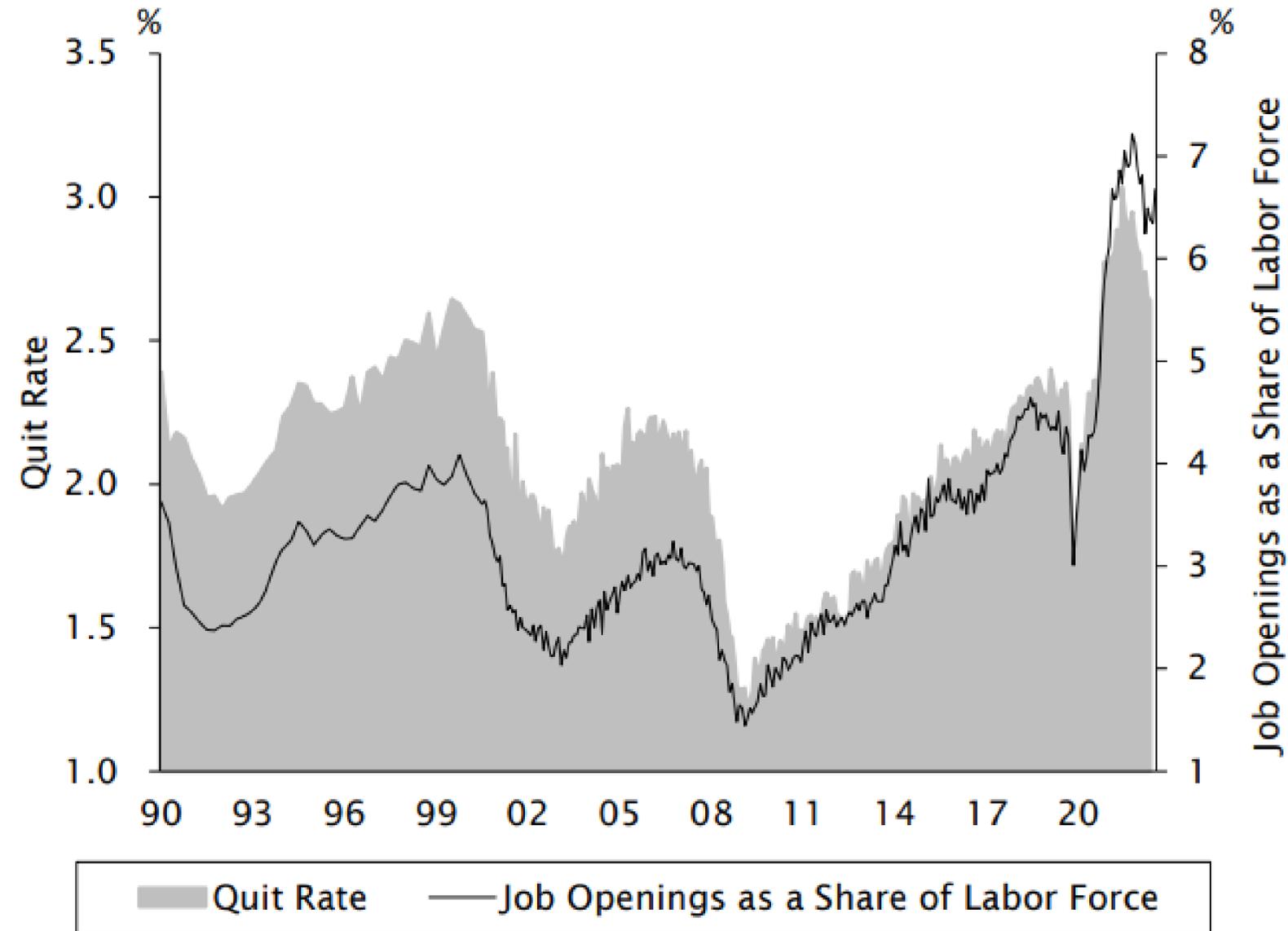
Changes in Labor Force Participation Rates by Age
January 2023 vs. January 2020



Source: Bureau of Labor Statistics, Empirical Research Partners Analysis. February 17, 2023

Quits surged during pandemic as Boomers retired en masse

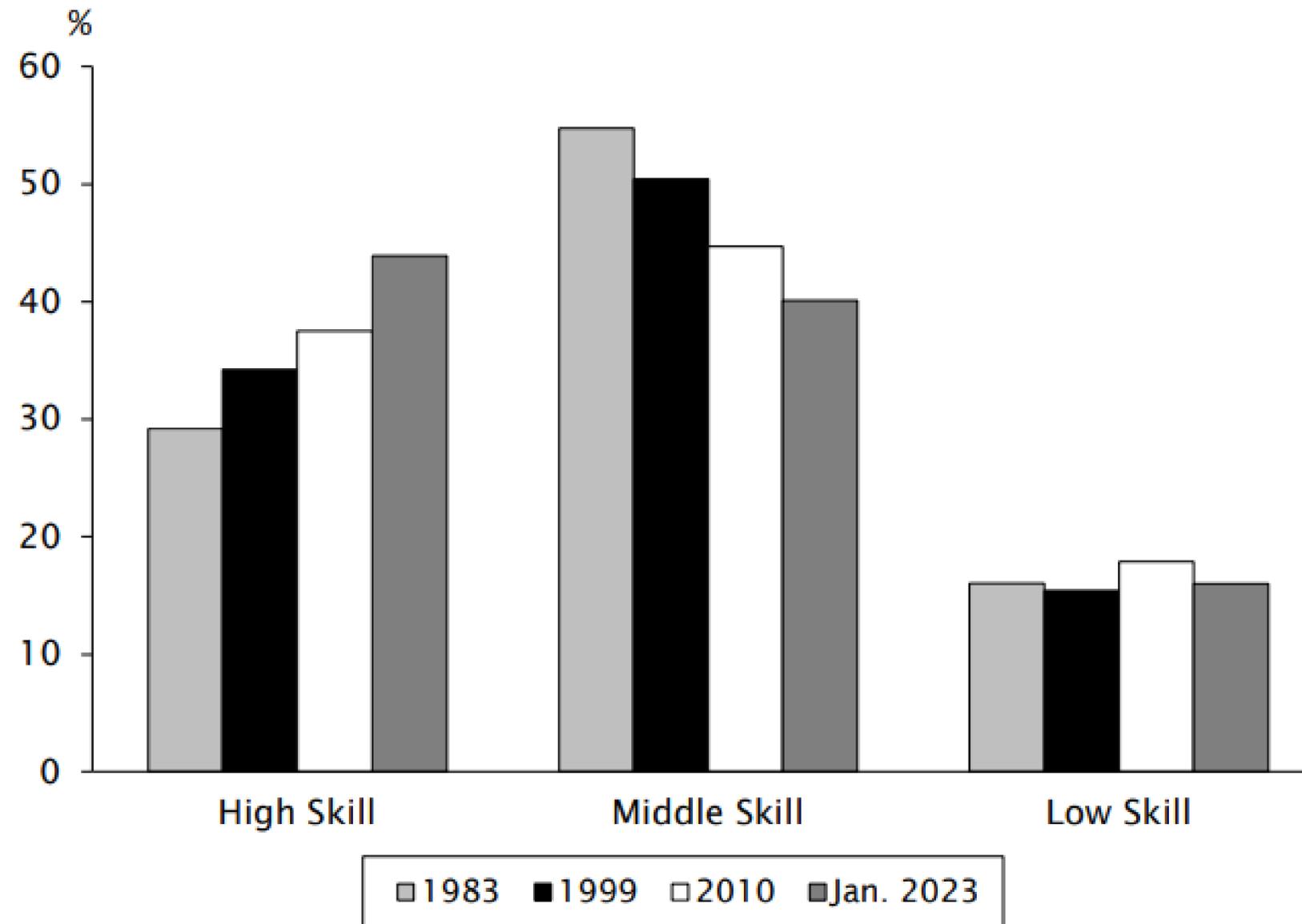
The Quit Rate and Job Openings as a Share of the Labor Force
1990 Through 2022



Source: Bureau of Labor Statistics, Empirical Research Partners Analysis. February 17, 2023

Leaving many job openings

Mix of Jobs by Skill Level*
1983, 1999, 2010 and January 2023

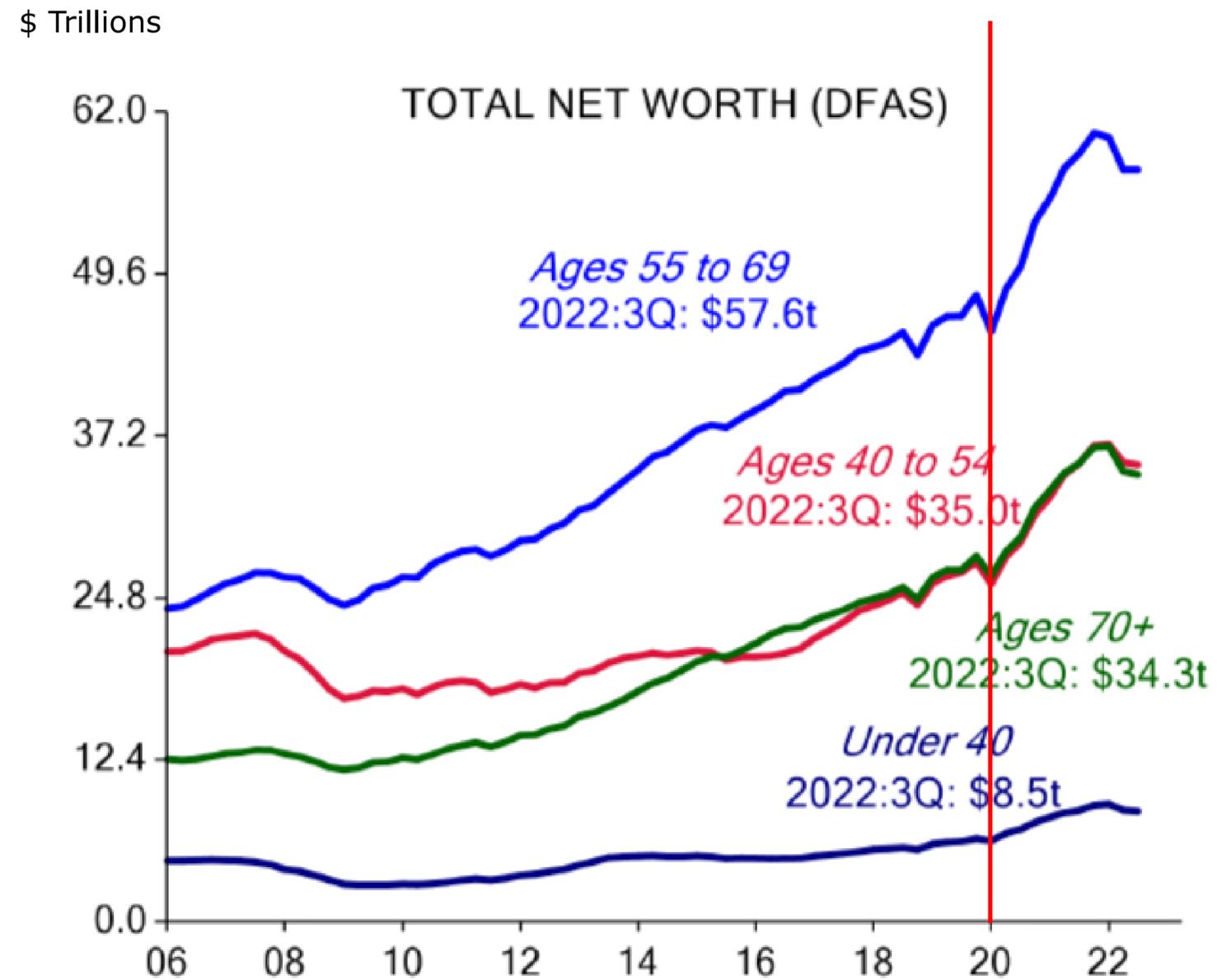


Source: Bureau of Labor Statistics, Empirical Research Partners Analysis. February 17, 2023

*High-skill jobs include management, business, financial operations and professional occupations. Low-skill jobs include healthcare support, food services, custodial and personal care service occupations. Middle-skill jobs include sales, administrative support, construction, installation, manufacturing, repair, transportation and social service occupations.

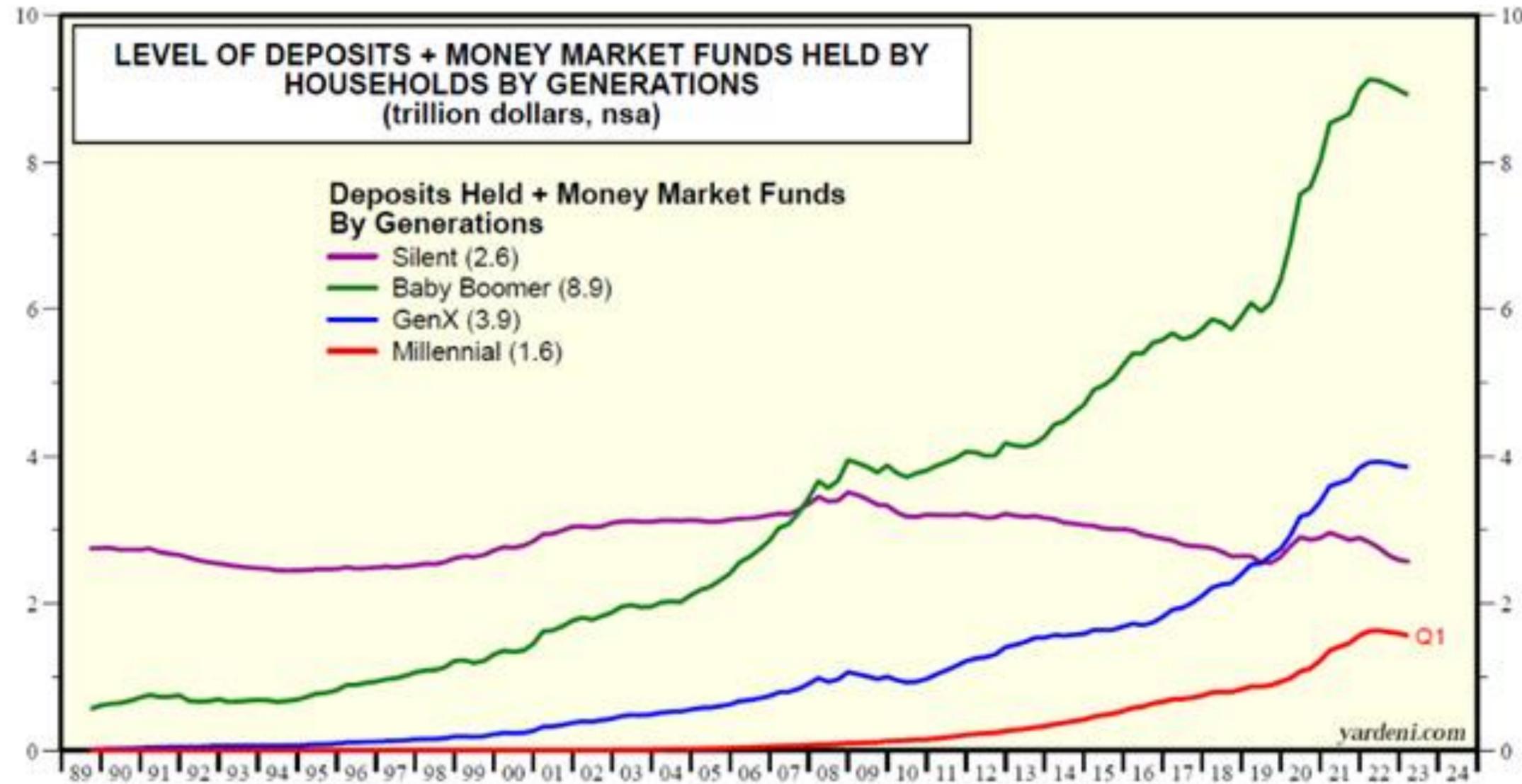
How could they afford to quit?

Boomer Net Worth Surged During Pandemic



Source: Evercore ISI Research. July 1, 2022
Note: DFAS is Distributional Financial Accounts (Federal Report)

Baby Boomers have lots of liquidity



Source: Federal Reserve Board Financial Accounts of the United States, Distributional Financial Accounts (DFA). Yardeni Research. July 6, 2023

The pandemic increased the wealth of Americans and Brits much more than their peers

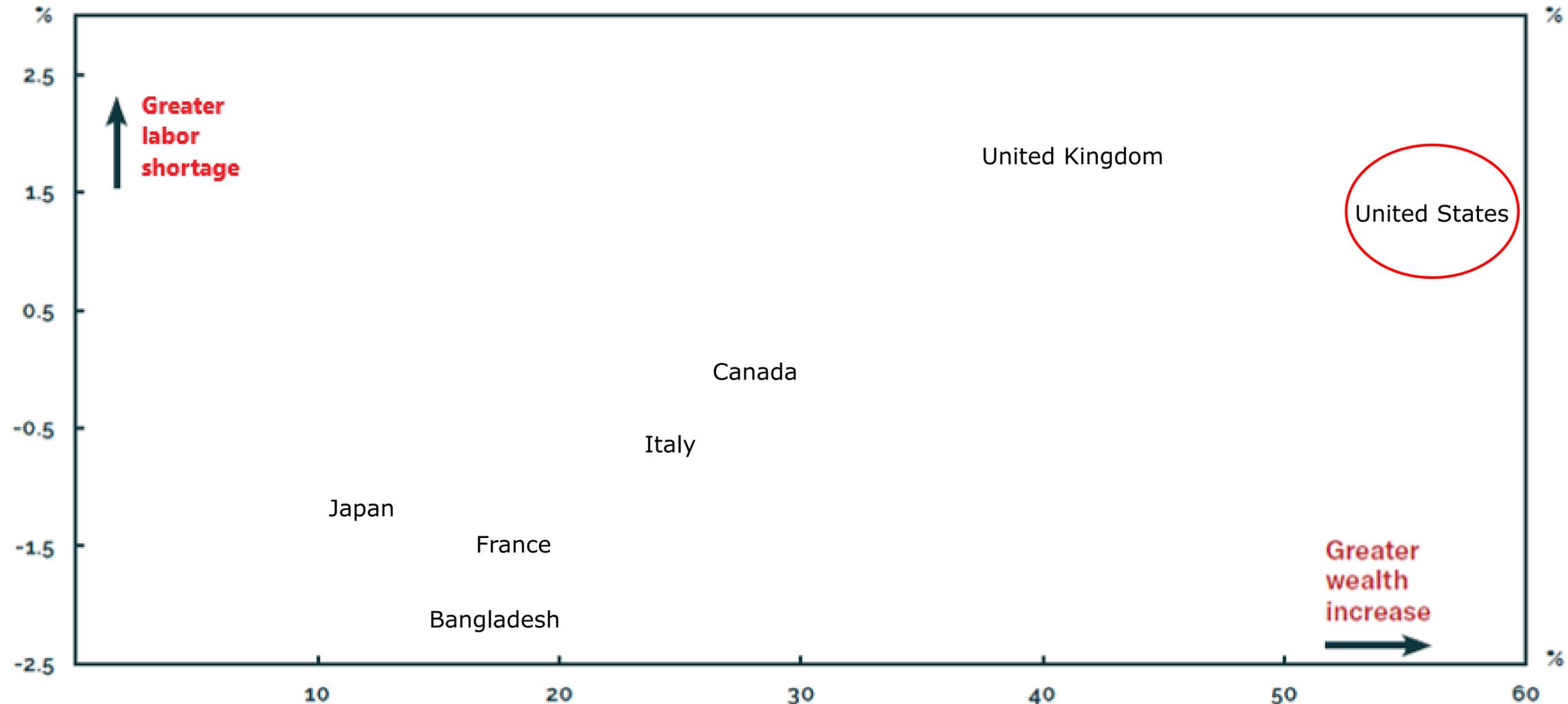
Change in Household Financial Wealth From Q4 2019 As % of GDP



Source: BCA Research. December 8, 2022

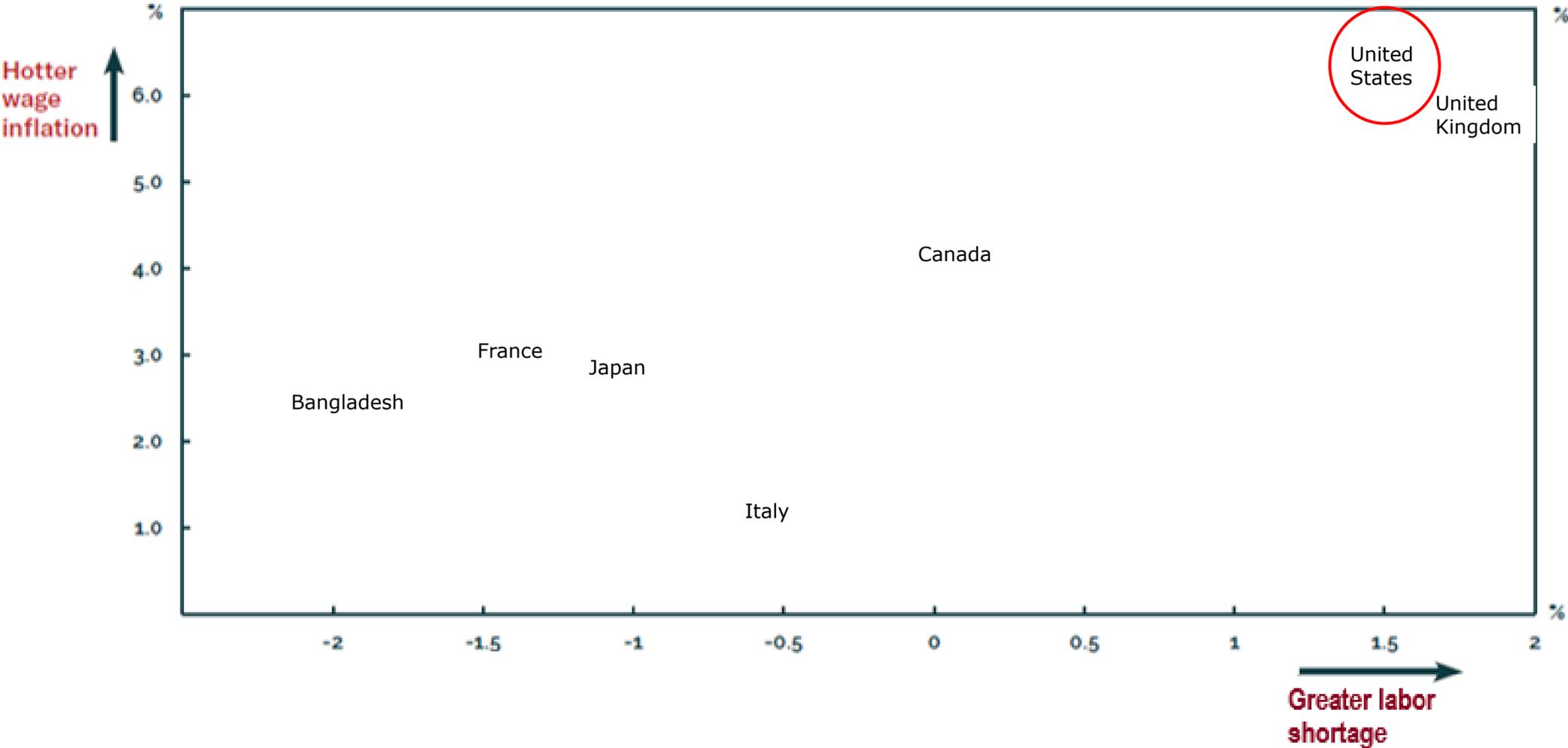
Increased wealth made it more affordable for older Americans and Brits to retire early

Senior-Aged Labor Shortage vs. Change in Household Financial Wealth as % of GDP



The shortage of older workers explains wage inflation

Wage Inflation vs. Senior-Aged Labor Shortage



Source: BCA Research. December 8, 2022

Where are all the workers?

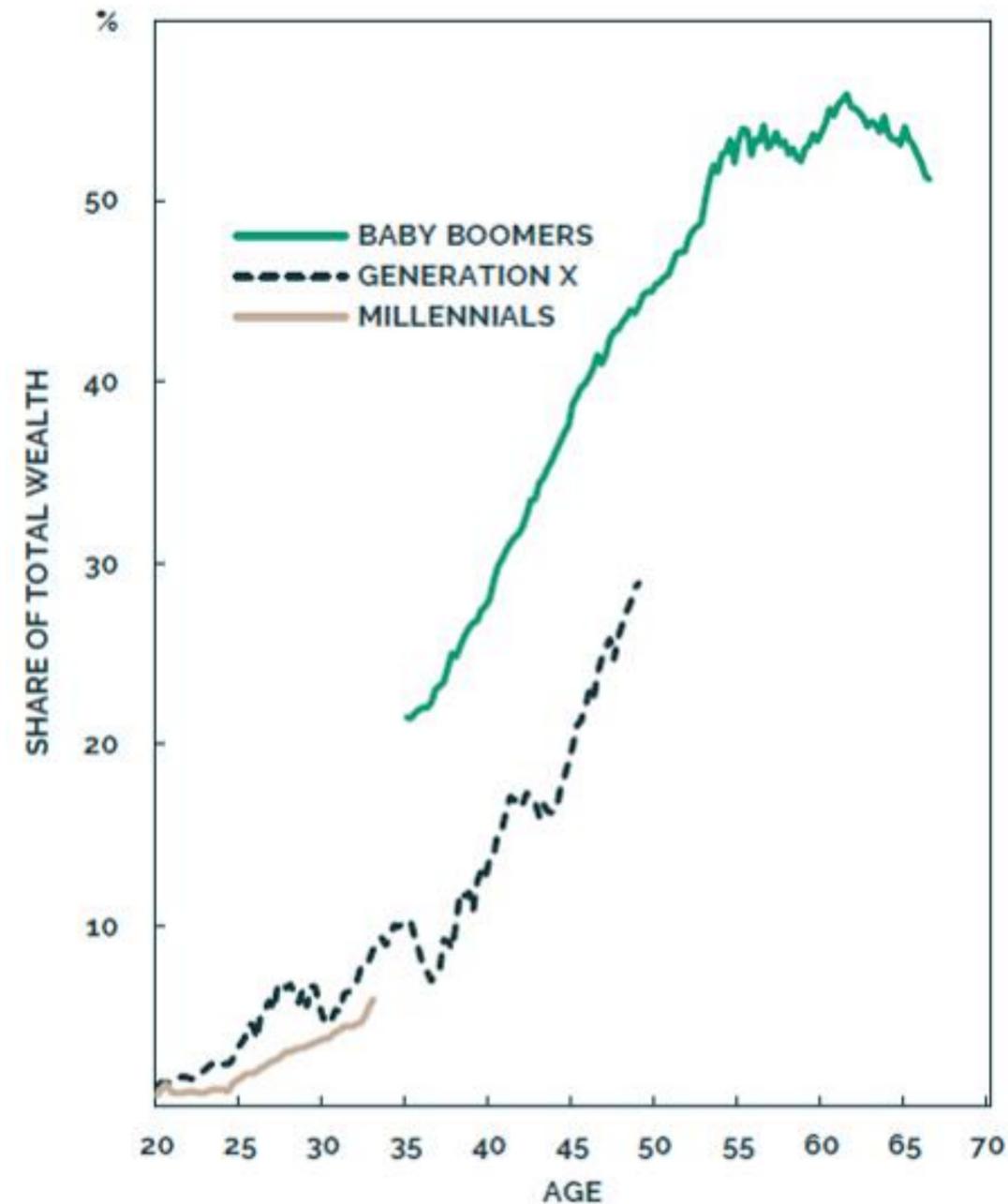
The Carrot of Increased Wealth and the Stick of Increased Risk to Health Solves the Mystery of the Missing Workers

Country	Wage Inflation	Missing Older Workers	Change In Financial Wealth As % Of GDP	COVID Severity
UK	6.0	1.8	38	3
US	6.4	1.4	54	3
Canada	4.2	0	27	2
Italy	1.2	-0.6	24	2
Japan	2.9	-1.1	11	1
France	3.1	-1.5	17	2
Germany	2.5	-2.1	15	1

WAGE INFLATION IS THE LATEST 1-YEAR RATE; MISSING OLDER WORKERS IS THE CHANGE IN SENIOR-AGED LABOUR PARTICIPATION VERSUS FEBRUARY 2020 (PRE-PANDEMIC) WHERE A DECREASE IN PARTICIPATION IS SHOWN AS A POSITIVE NUMBER; CHANGE IN FINANCIAL WEALTH IS THE CHANGE FROM Q4 2019 TO Q4 2020; COVID SEVERITY IS BASED ON THE PEAK HOSPITALISATION RATE (PER CAPITA) THROUGH 2020-21.

Revenge – Never in history has a single generation captured a major redistribution of wealth

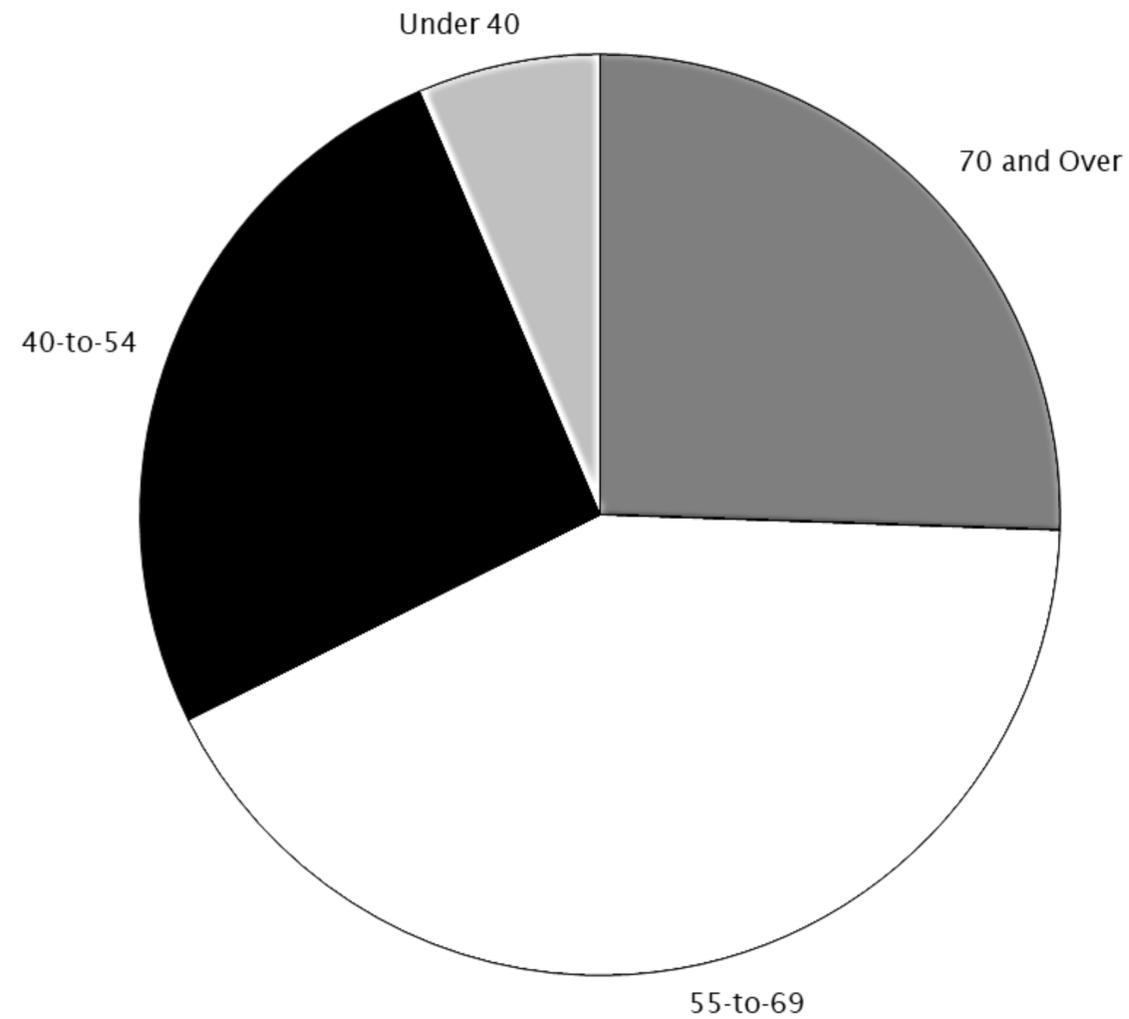
Wealth by Generation and Age



Source: Federal Reserve Distributional Accounts. BCA Research. December 8, 2022
Note: Share of total national wealth owned by a generation using the midpoint of its age range at a given point in time.

2/3 of U.S. wealth is held in households 55+ years

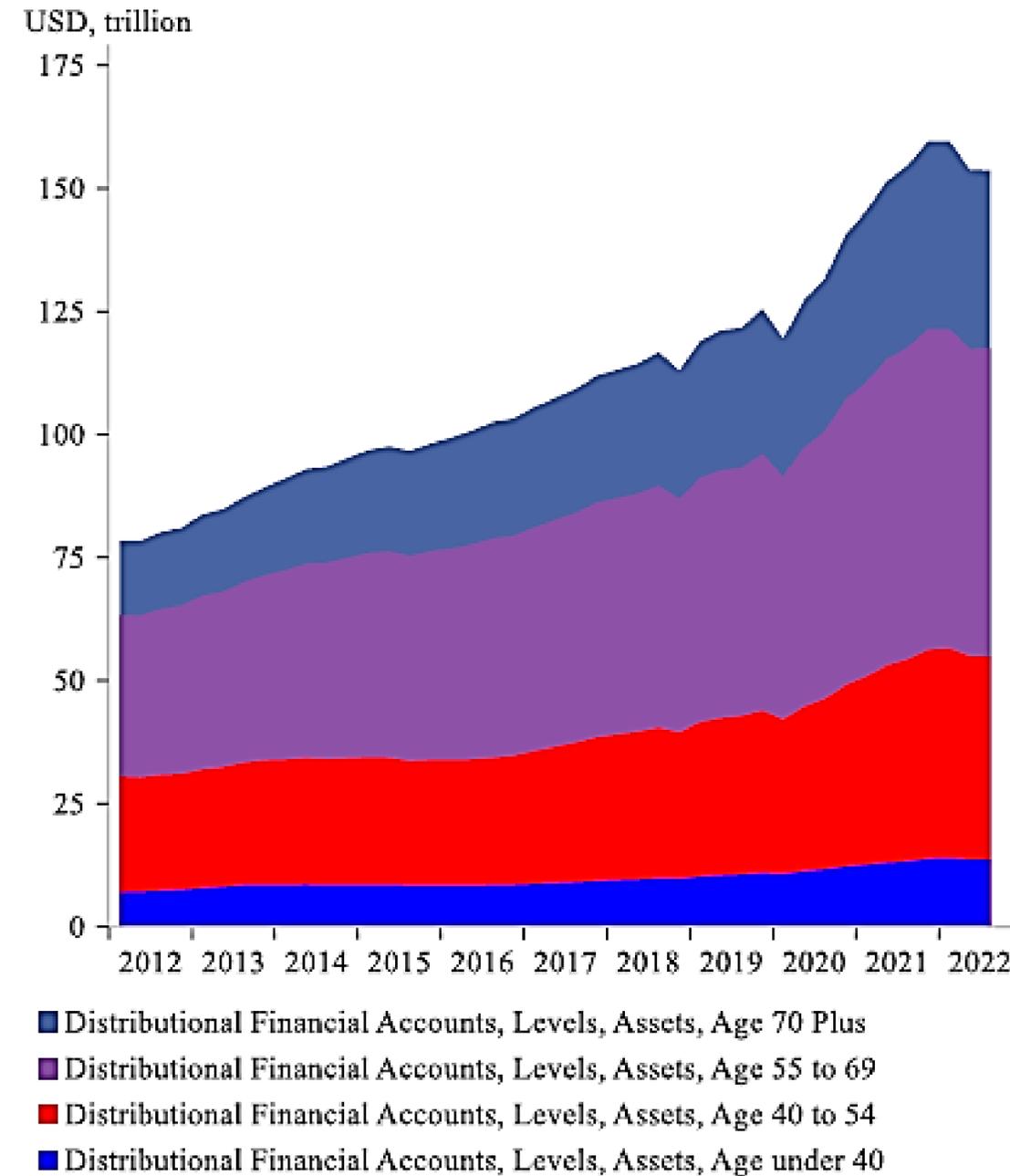
U.S. Consumers Share of Net Worth by Age, Distribution of Wealth



Source: Federal Reserve Board. Empirical Research Analysis. June 12, 2023

With this much money saved up, “un-retirements” may be tough to come by

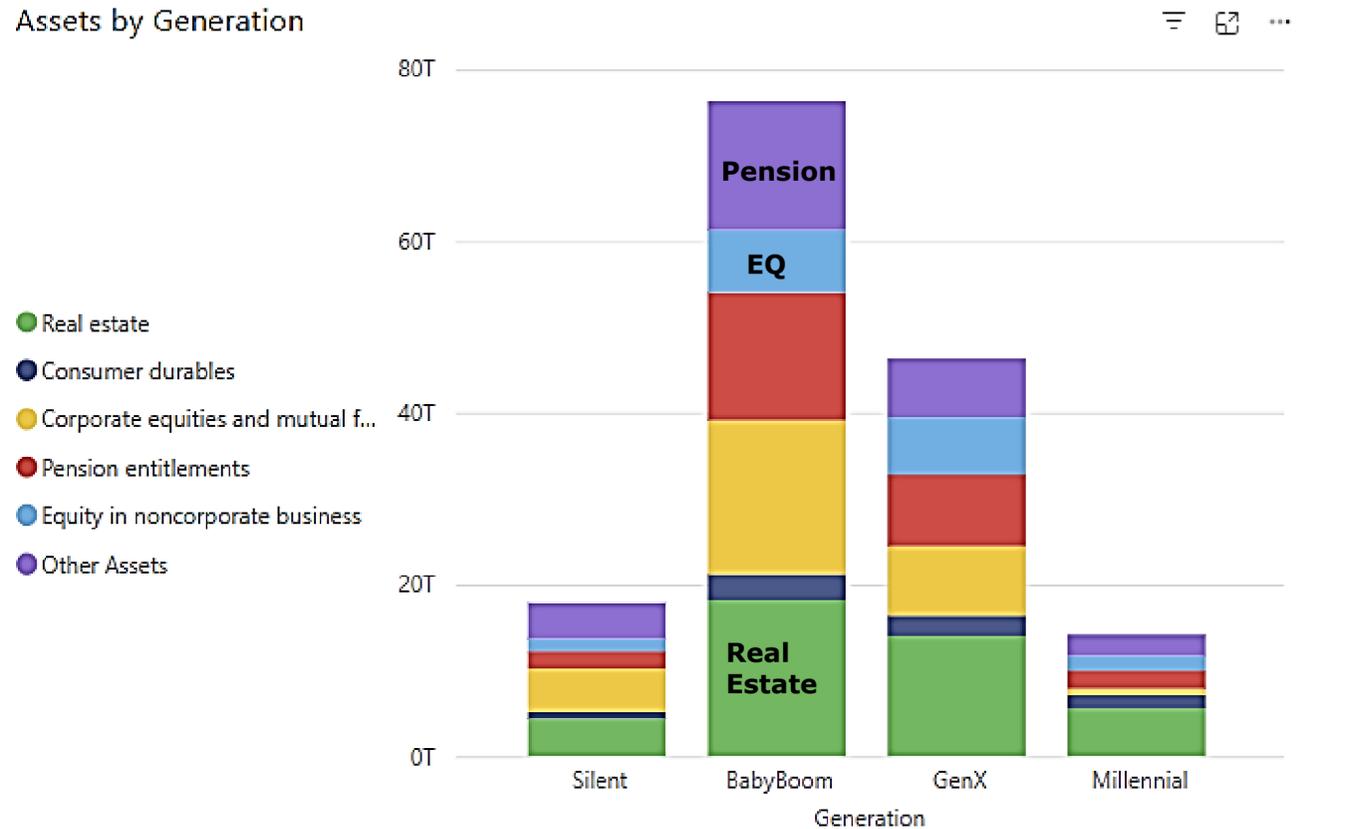
U.S. Distributional Financial Accounts: Assets by Age (\$)



Source: Strategas, FRB, Macrobond. March 9, 2023

The wealthiest generation

Asset Breakdown

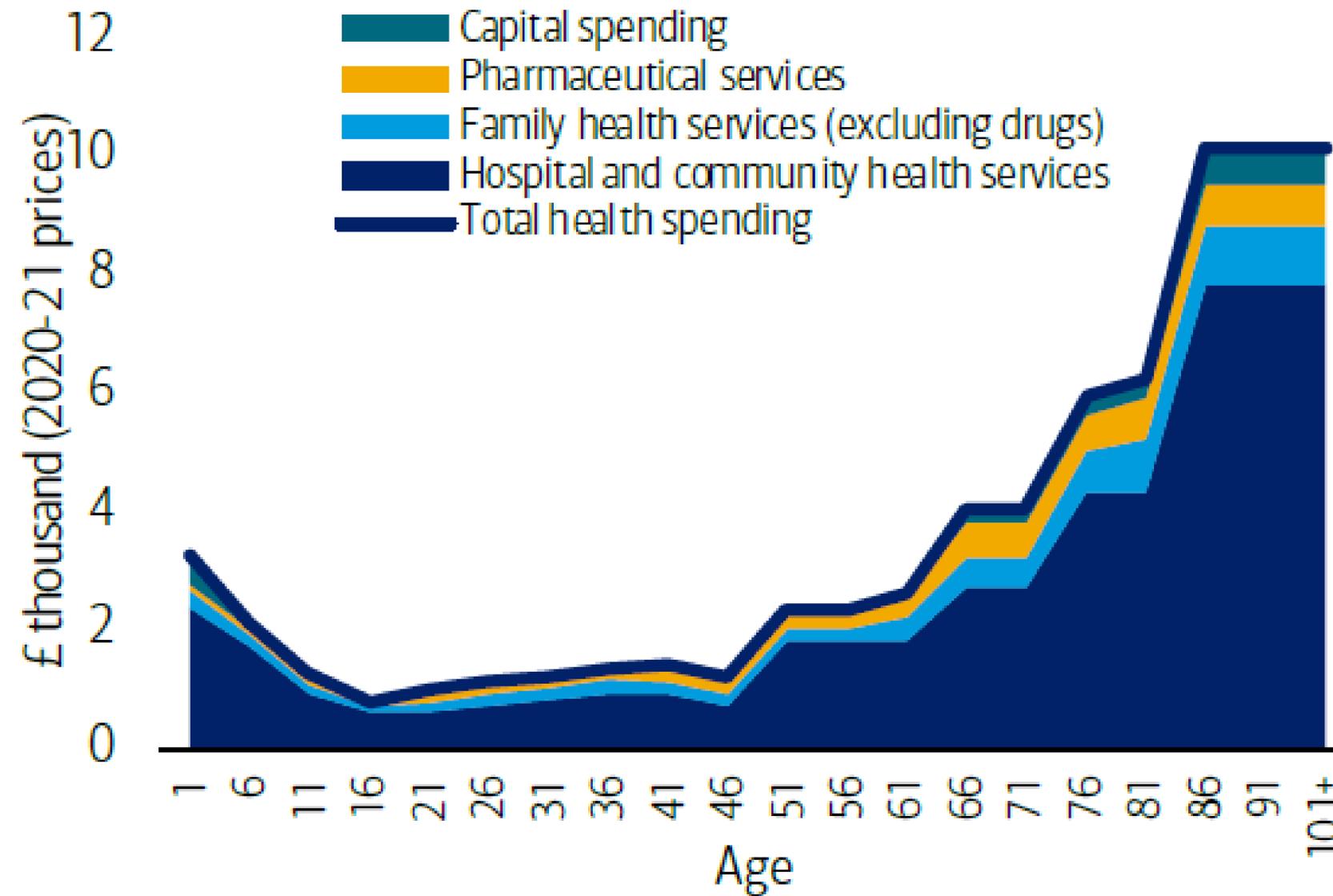


Category	Real estate	Consumer durables	Corporate equities and mutual fund shares	Pension entitlements	Equity in noncorporate business	Other Assets
Millennial	5,585.4bn	1,556.5bn	725.1bn	2,109.9bn	1,676.44bn	2,512.8bn
GenX	13,998.7bn	2,371.0bn	8,102.5bn	8,345.3bn	6,629.75bn	6,879.6bn
BabyBoom	18,203.7bn	3,003.3bn	17,901.4bn	14,879.1bn	7,278.67bn	15,016.7bn
Silent	4,381.7bn	755.9bn	5,078.6bn	1,971.4bn	1,467.29bn	4,178.2bn

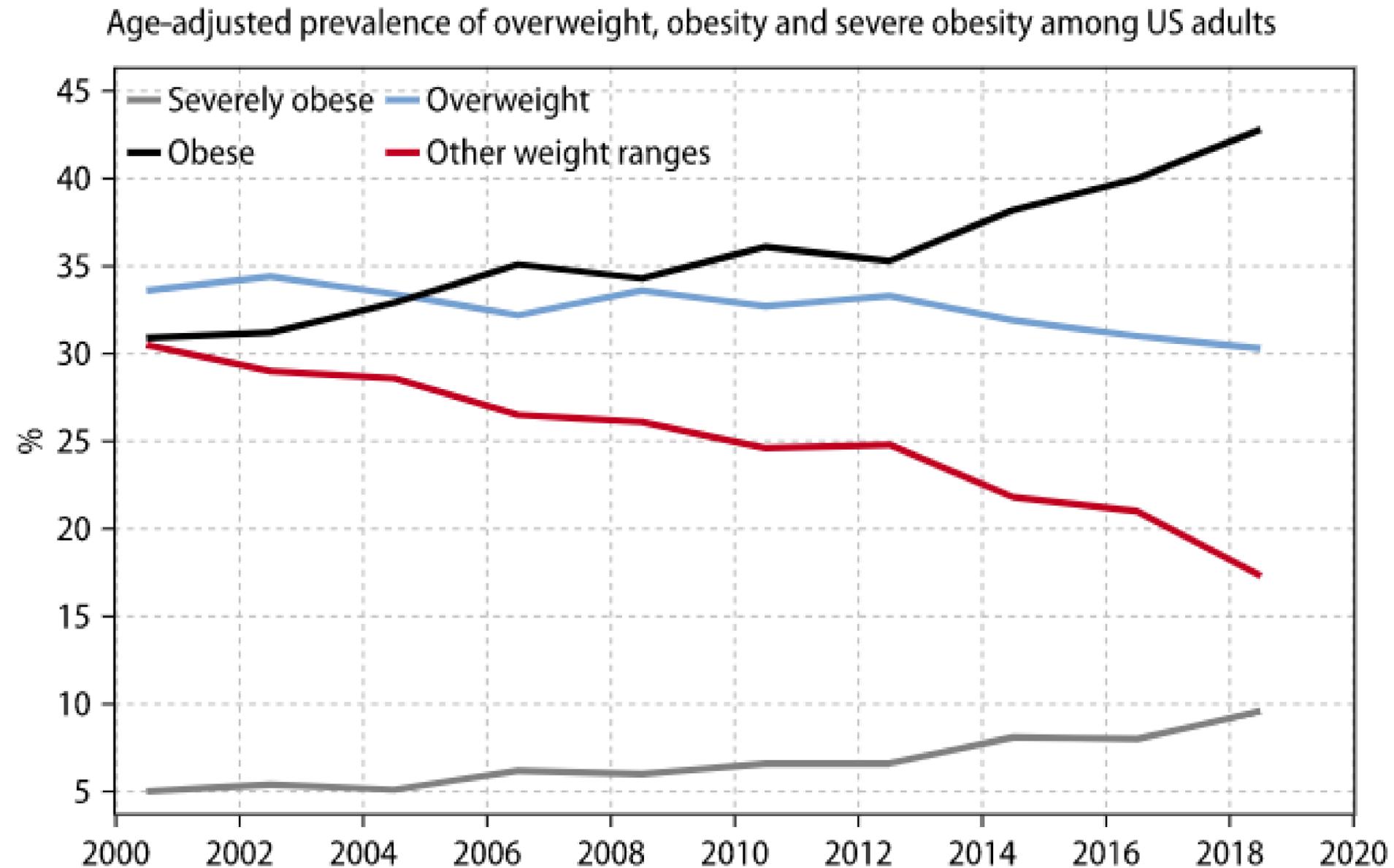
Source: Federated Hermes. January 12, 2023

With rising life expectancy comes rising healthcare costs

Global Health Spending Per Person

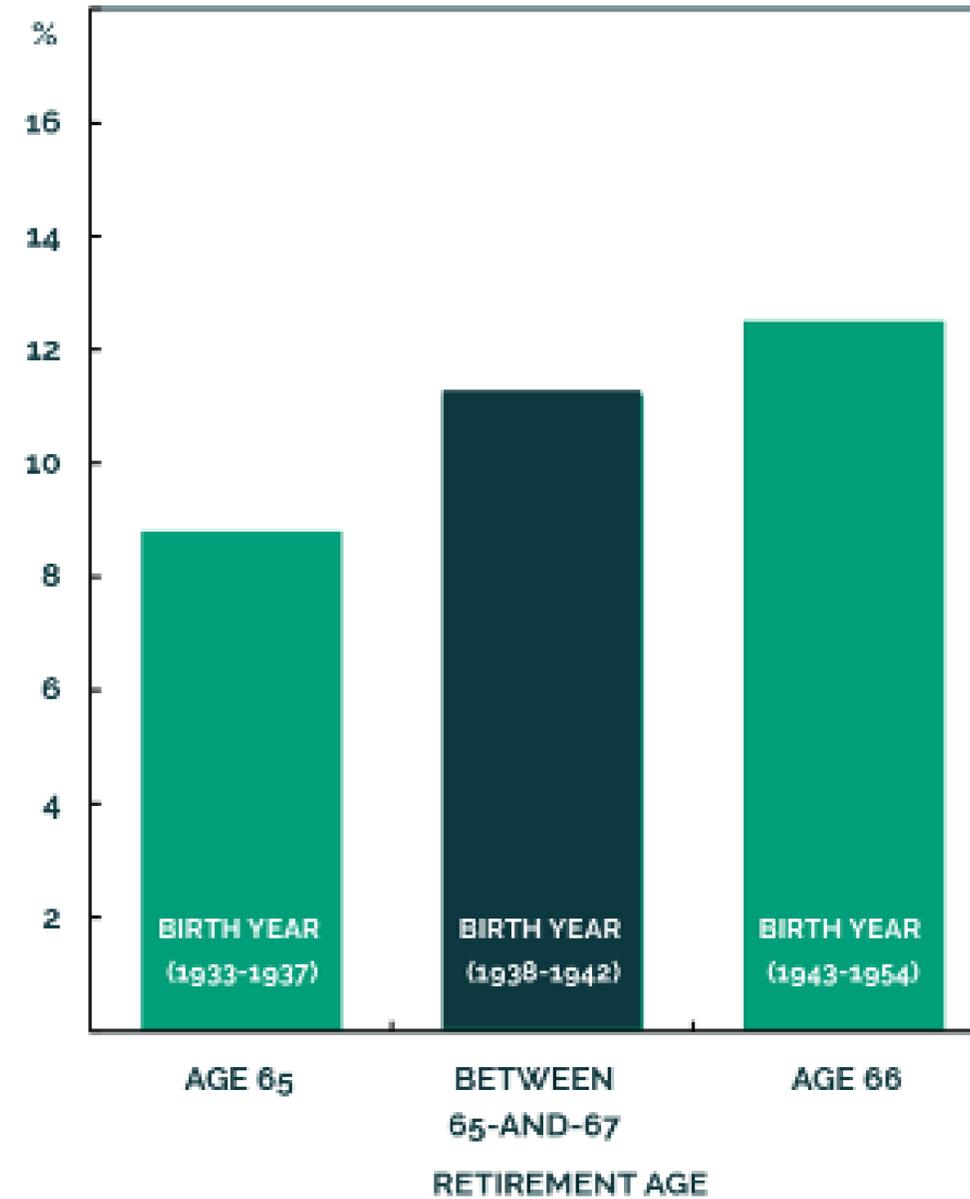


Americans have a worsening obesity problem



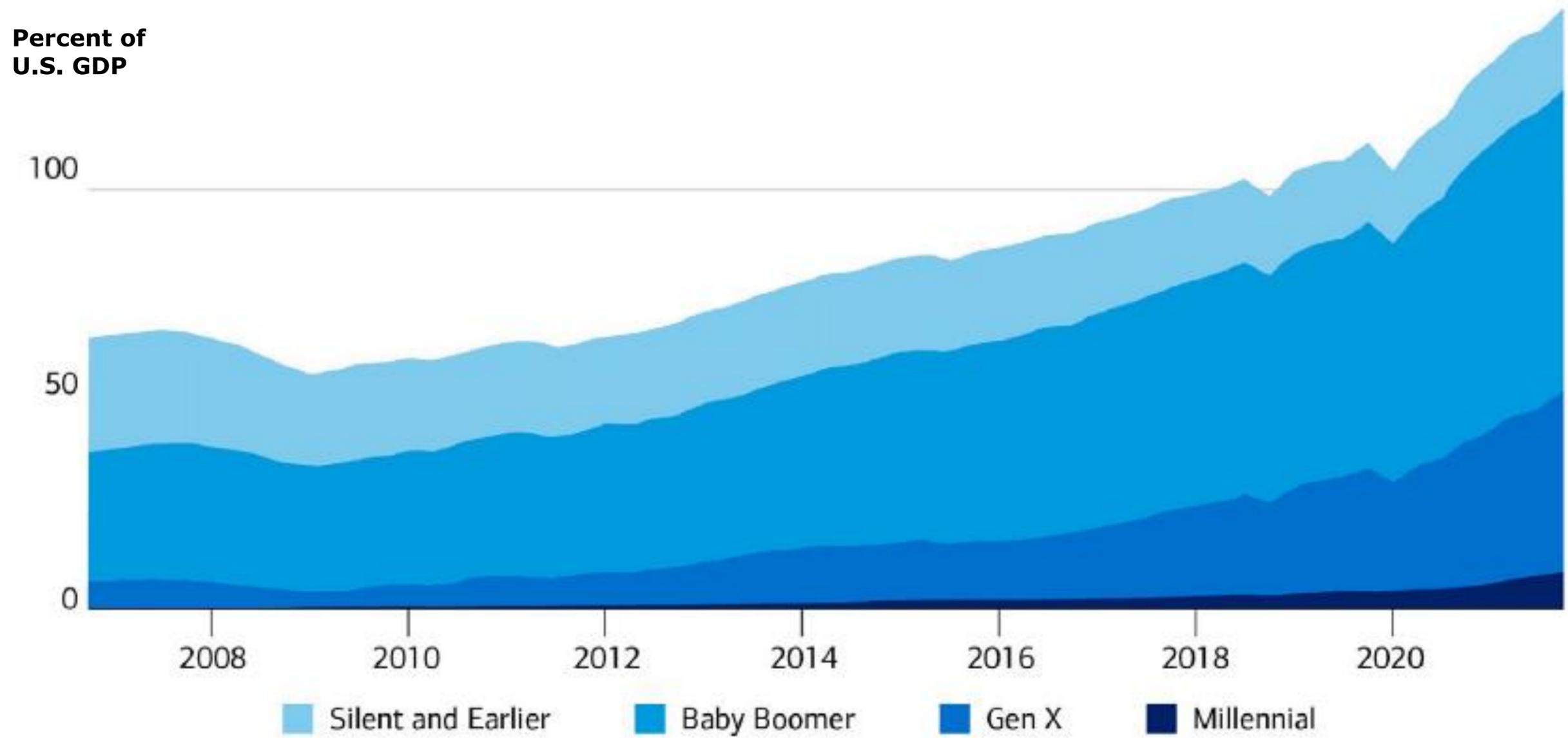
Climbing those stairs is getting more and more difficult

U.S. Percentage of Americans With a Limitation on an Activity of Daily Living, by Social Security Retirement Age



“Money talks” and it votes

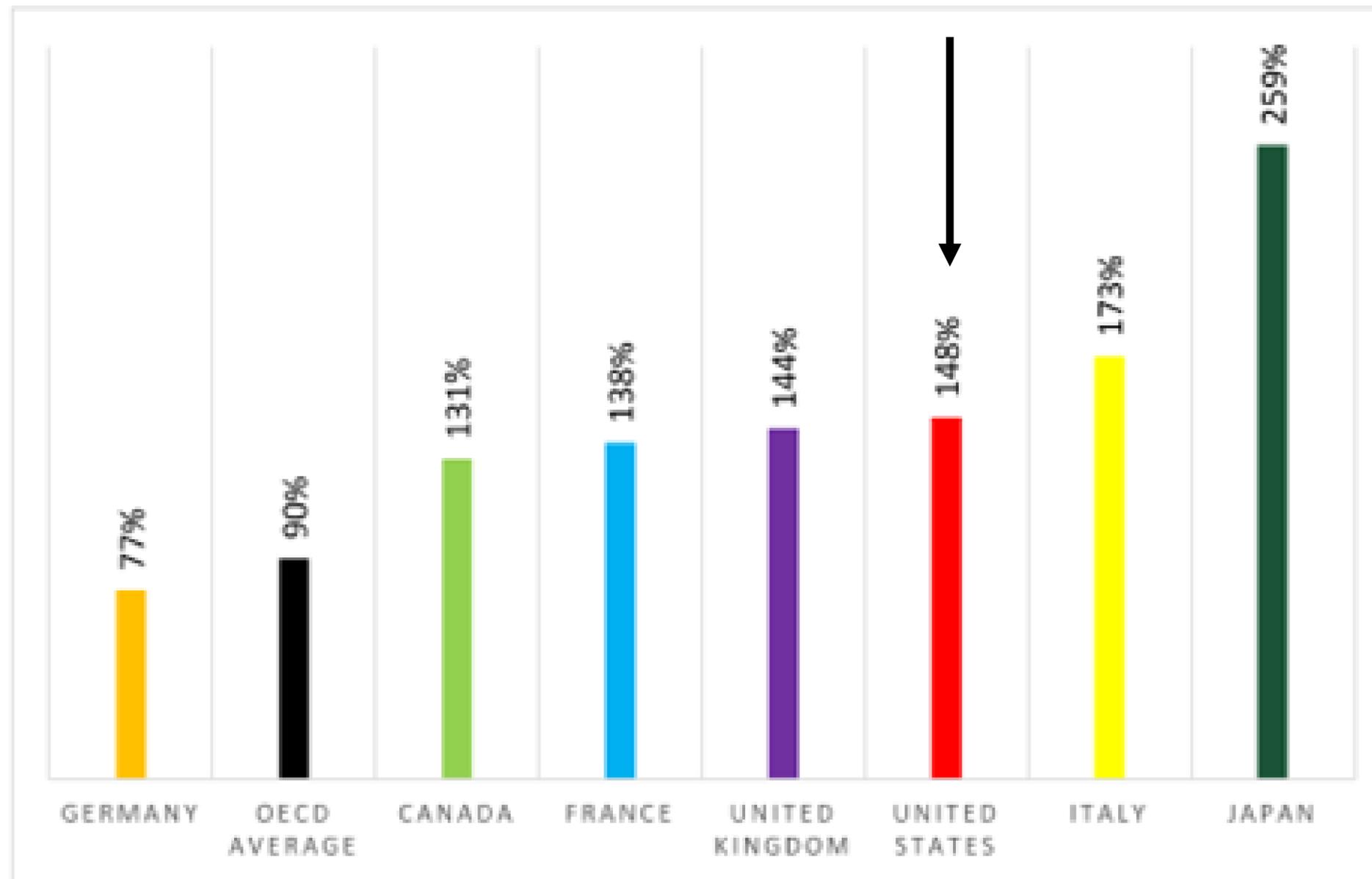
Baby Boomers, Together With Silent and Earlier Generations, Control the Majority of U.S. Wealth



Source: Federal Reserve, Survey of Consumer Finances and Financial Accounts of the United States. BofA Global Research. June 8, 2022

U.S. debt burden grew rapidly since COVID – Likely to worsen

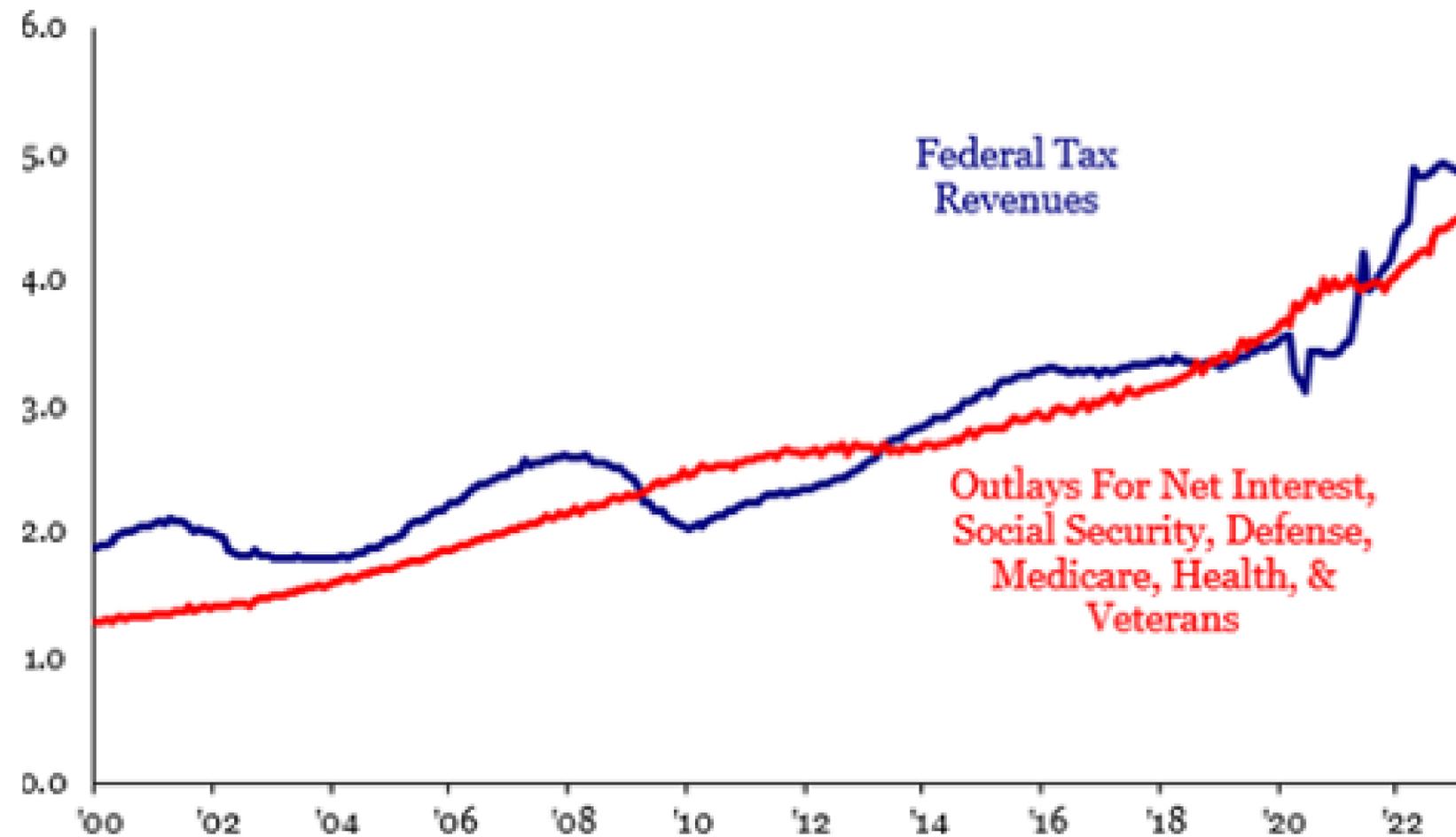
G7 Countries: Central Government Debt as Percent of GDP (2021 or Latest Data Available)



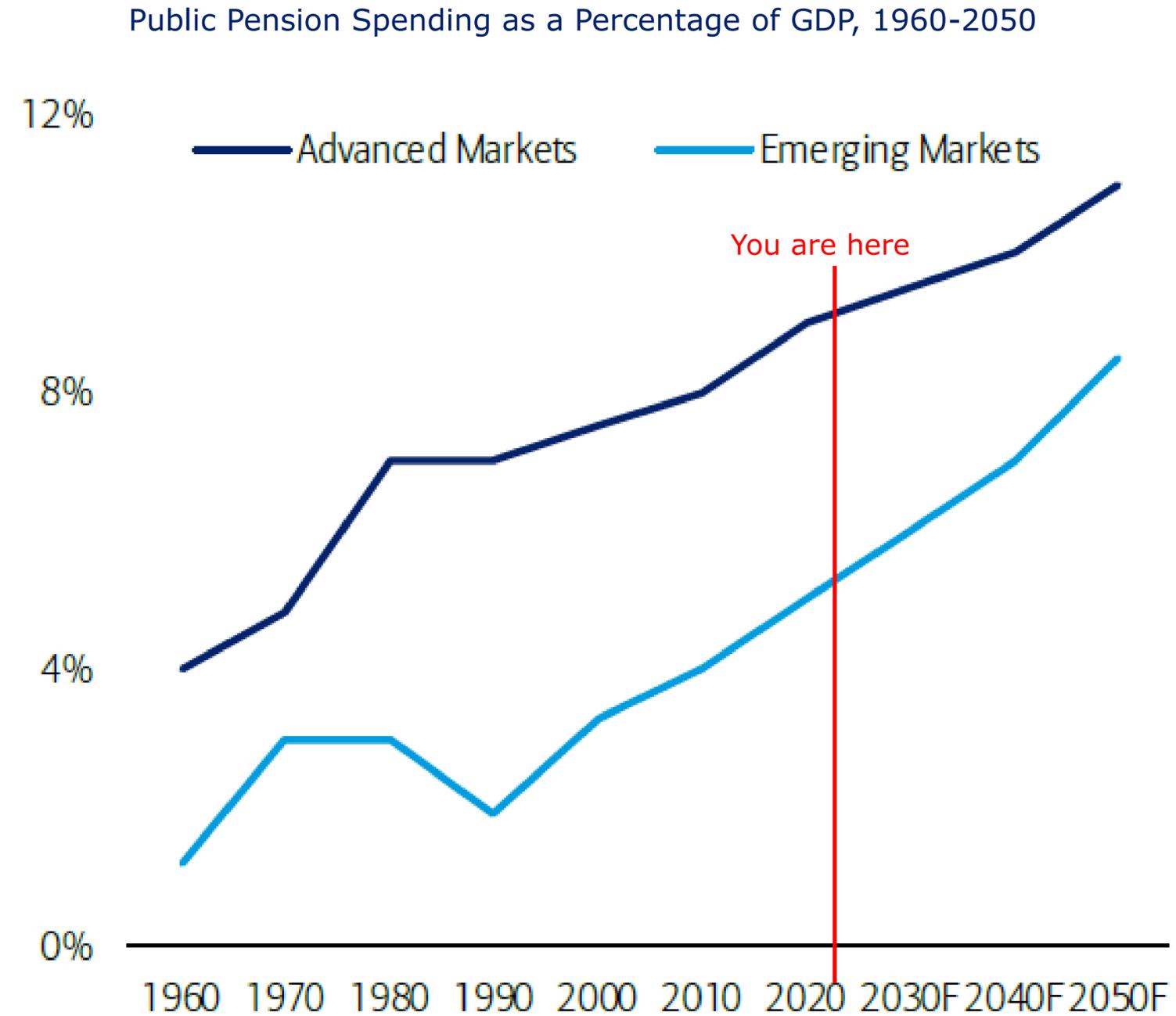
Source :OECD and Cowen and Company. March 3, 2023
Note: OECD average includes all countries not just G7 countries

So did mandatory spending

Federal Tax Revenues & Net Interest, Social Security, Medicare, Defense, Health +Veterans Outlays
12 month Rolling, \$Tn

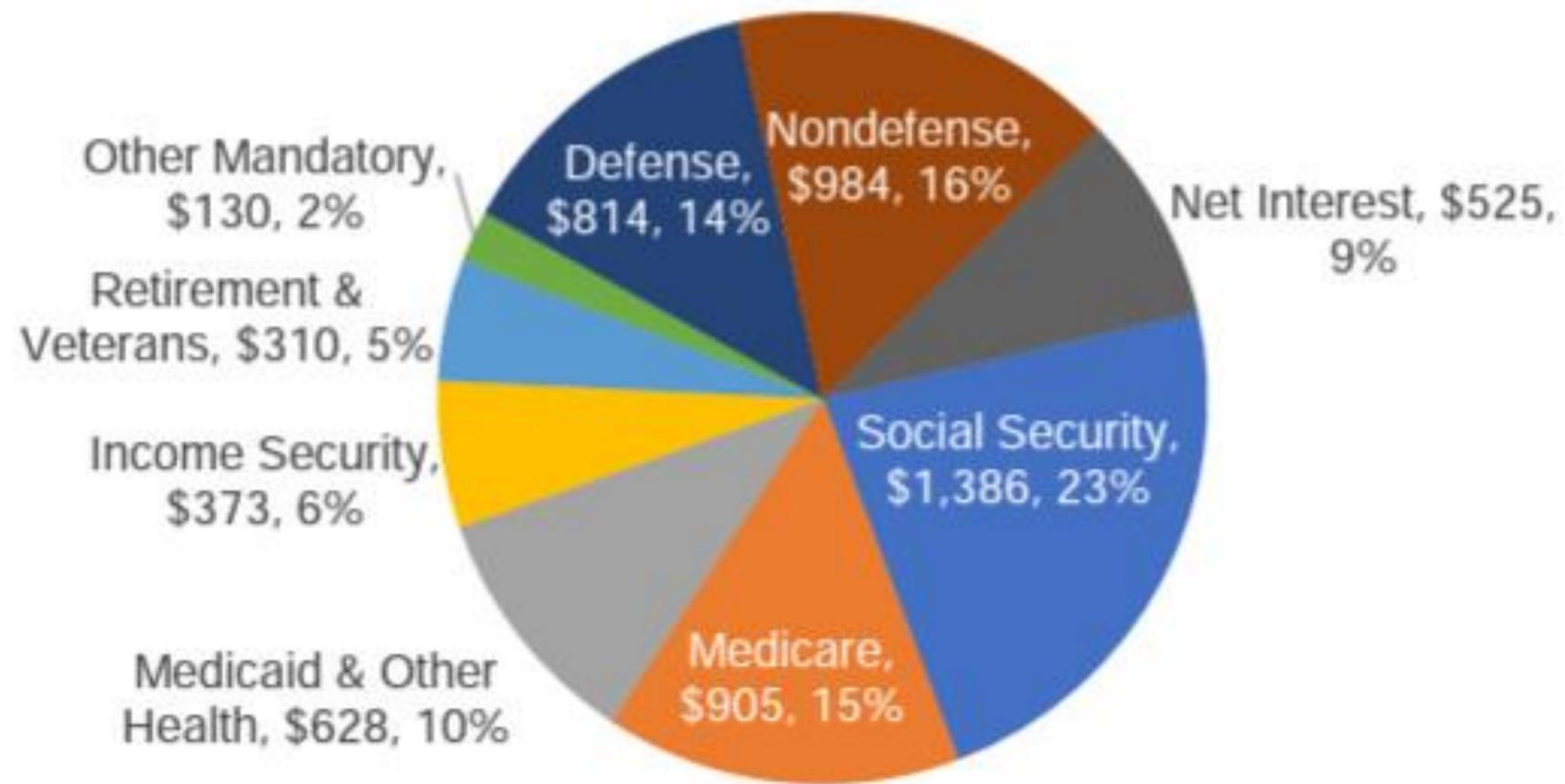


Pension spending continues to grow steadily



Balancing the budget is an impossible task when 85% is “untouchable”

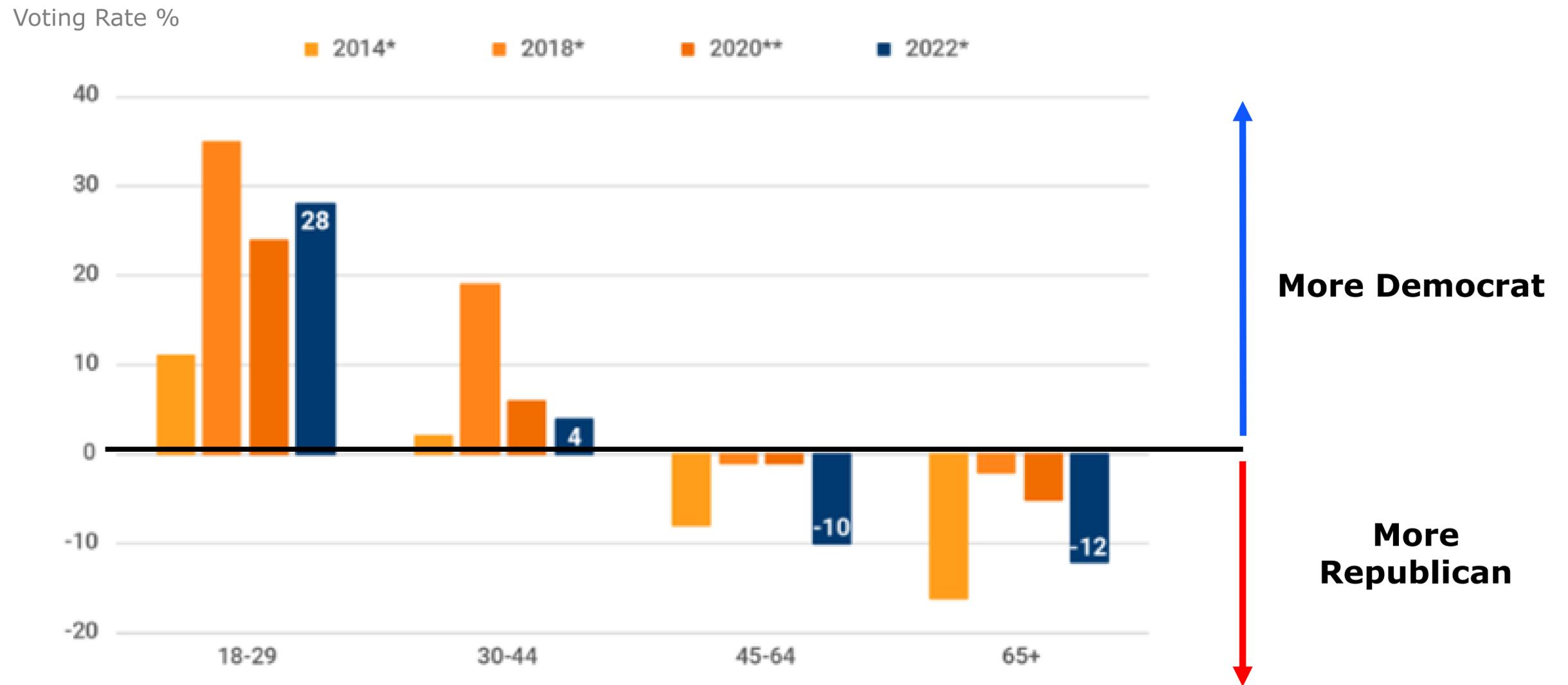
Composition of FY24 Spending (\$BN)



Source: CBO and Piper Sandler. February 8, 2023
Note: Uses CBO's outdated May 2022 baseline.

You can count on the Boomers to vote

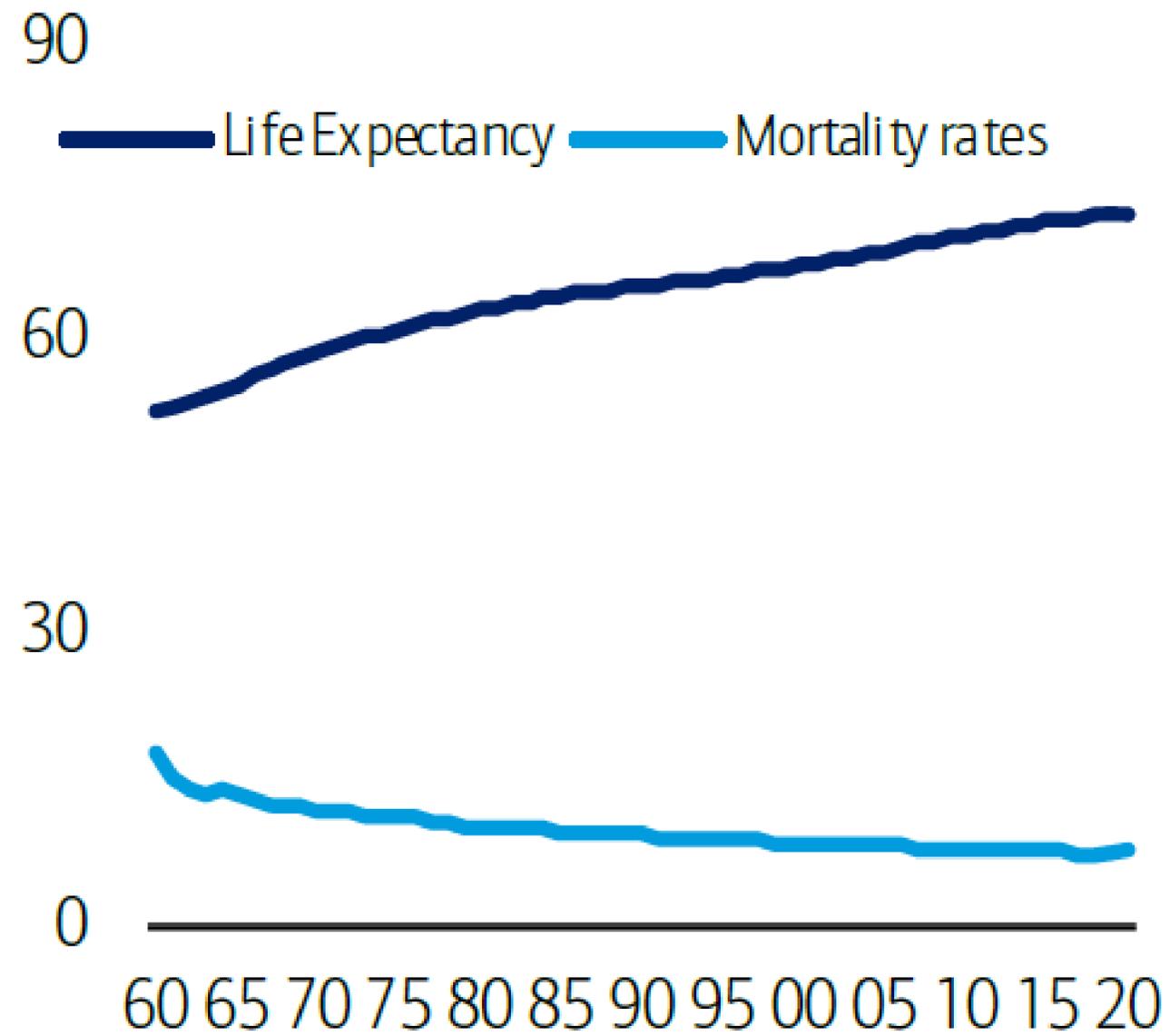
D-R Vote Margins by Age: 2014, 2018, 2020 and 2022



Source: Evercore ISI Research. February 21, 2023
*Midterm Election **Presidential Election

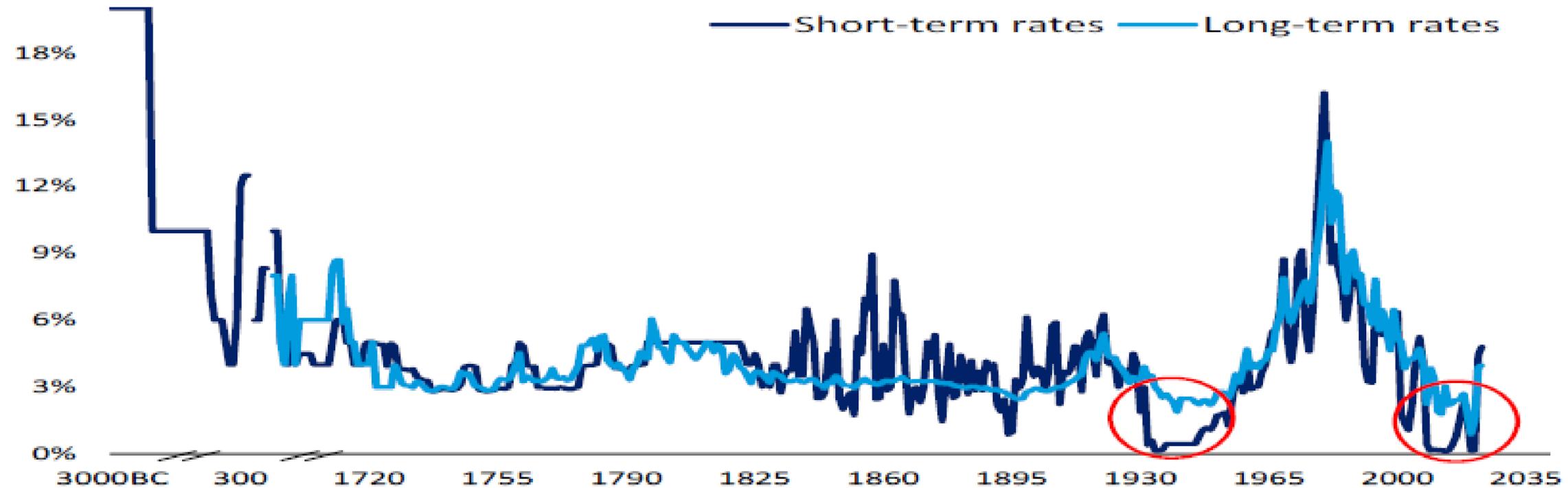
Globally, demographics argue for income over capital appreciation

Life Expectancy vs. Mortality Rates, 1960-2020



Expecting rates to mean revert from last year's move? Rates are just off a 5000 year low

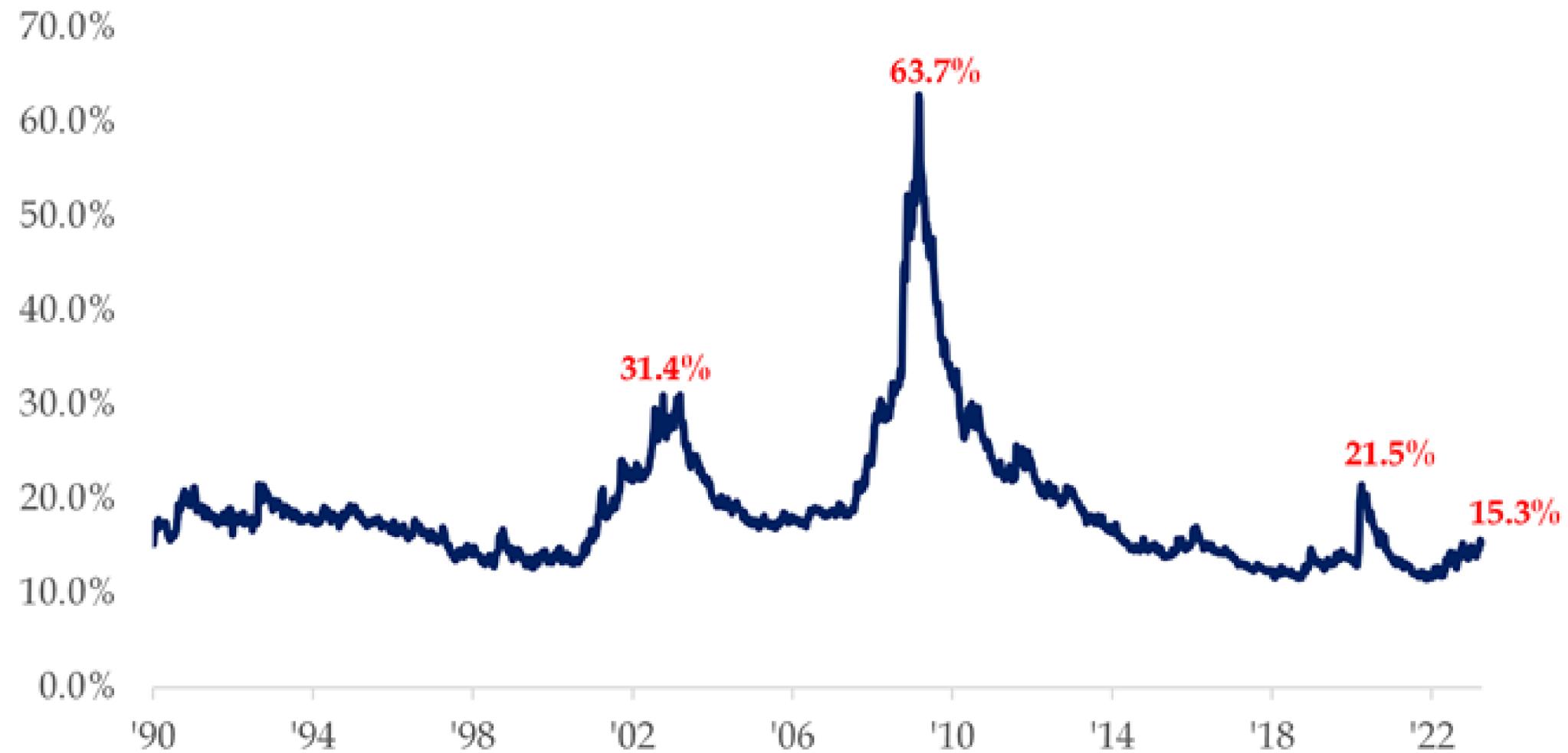
Interest Rates Since 3000 BC



Source: BofA Global Investment Strategy, Bloomberg Bank of England, Global Financial Data, Homer and Sylvia "A History of Interest Rates" (2005). March 29, 2023

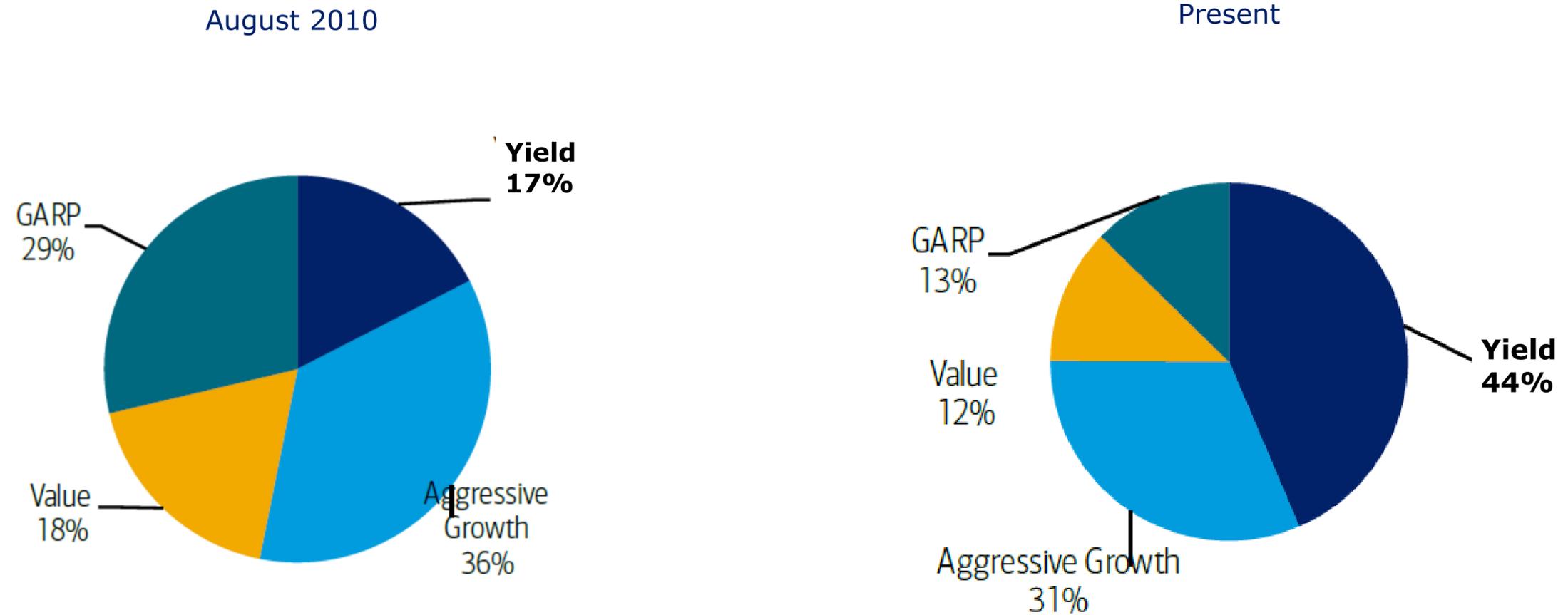
Revenge – Cash is a legitimate asset class again

Total Money Market Fund Assets as a Percent of S&P 500 Market Cap



Income funds have grown from less than 20% of active AUM in 2010 to 44% today

Active Equity AUM Landscape by Fund Category



Source: BofA U.S. Equity & U.S. Quant Strategy, FactSet Ownership. March 29, 2023
AUM=Assets under management. GARP=Growth at a Reasonable Price

Dividends likely to play a larger role in returns

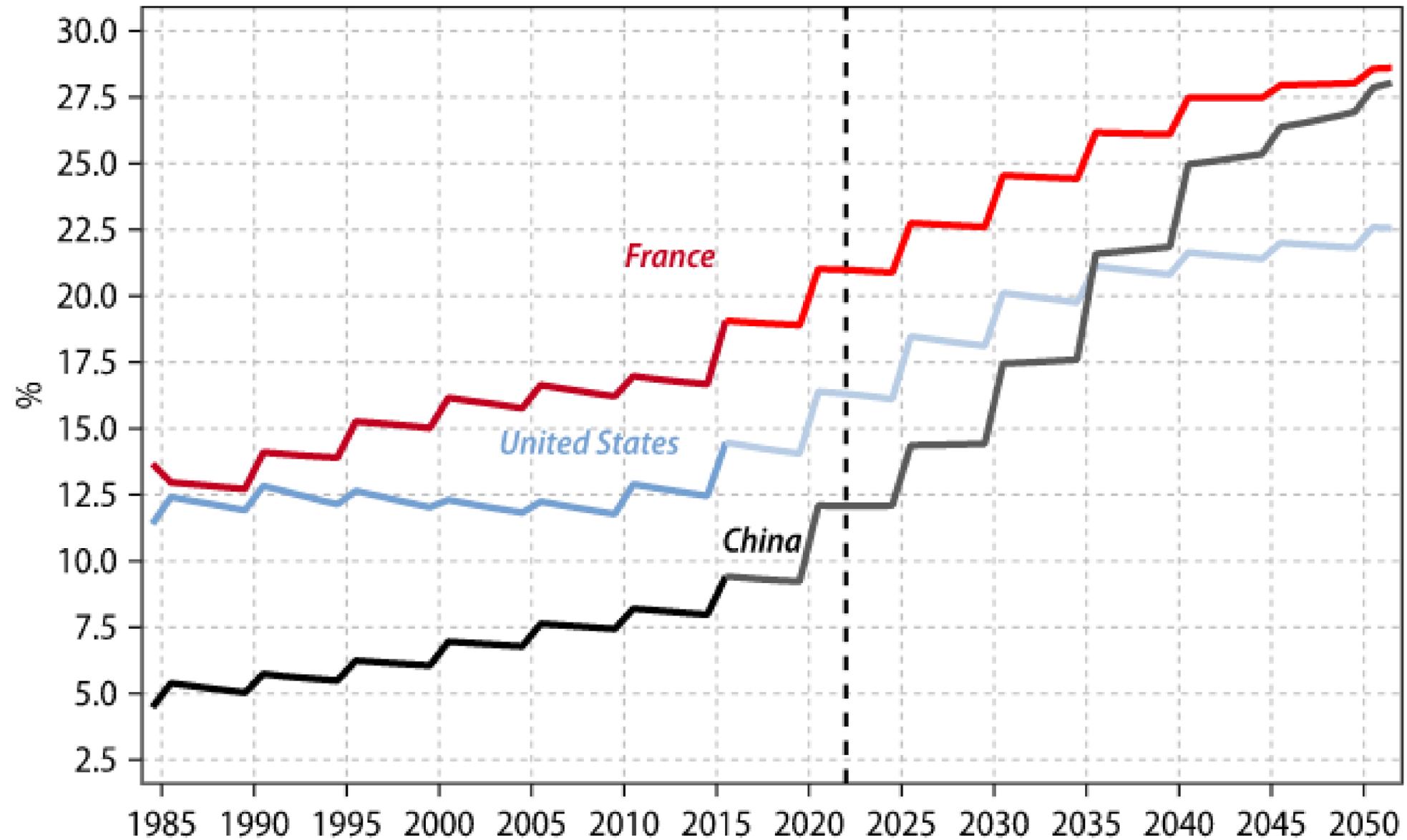
Dividend Contribution to Total Return

Decade	Price Pct. Change	Dividend Contribution	Total Return	Dividends Pct of TR	Avg Payout Ratio
1930s	-41.9%	56.0%	14.1%	100.0	90.1
1940s	34.5%	100.1%	134.6%	74.4	59.4
1950s	257.3%	180.3%	437.7%	41.2	54.6
1960s	53.7%	54.2%	107.9%	50.2	56.0
1970s	17.2%	59.1%	76.4%	77.4	45.5
1980s	227.4%	143.1%	370.5%	38.6	48.6
1990s	315.7%	115.7%	431.5%	26.8	47.6
2000s	-24.1%	15.0%	-9.1%	100.0	35.3
2010s	189.7%	66.9%	256.7%	26.1	35.2
2020s	37.7%	8.1%	45.9%	17.7	37.0
Average	114.4%	87.8%	202.2%	59.4	52.5

Source: Strategas Research. July 24, 2023
Past Performance is no guarantee of future results

All will be well

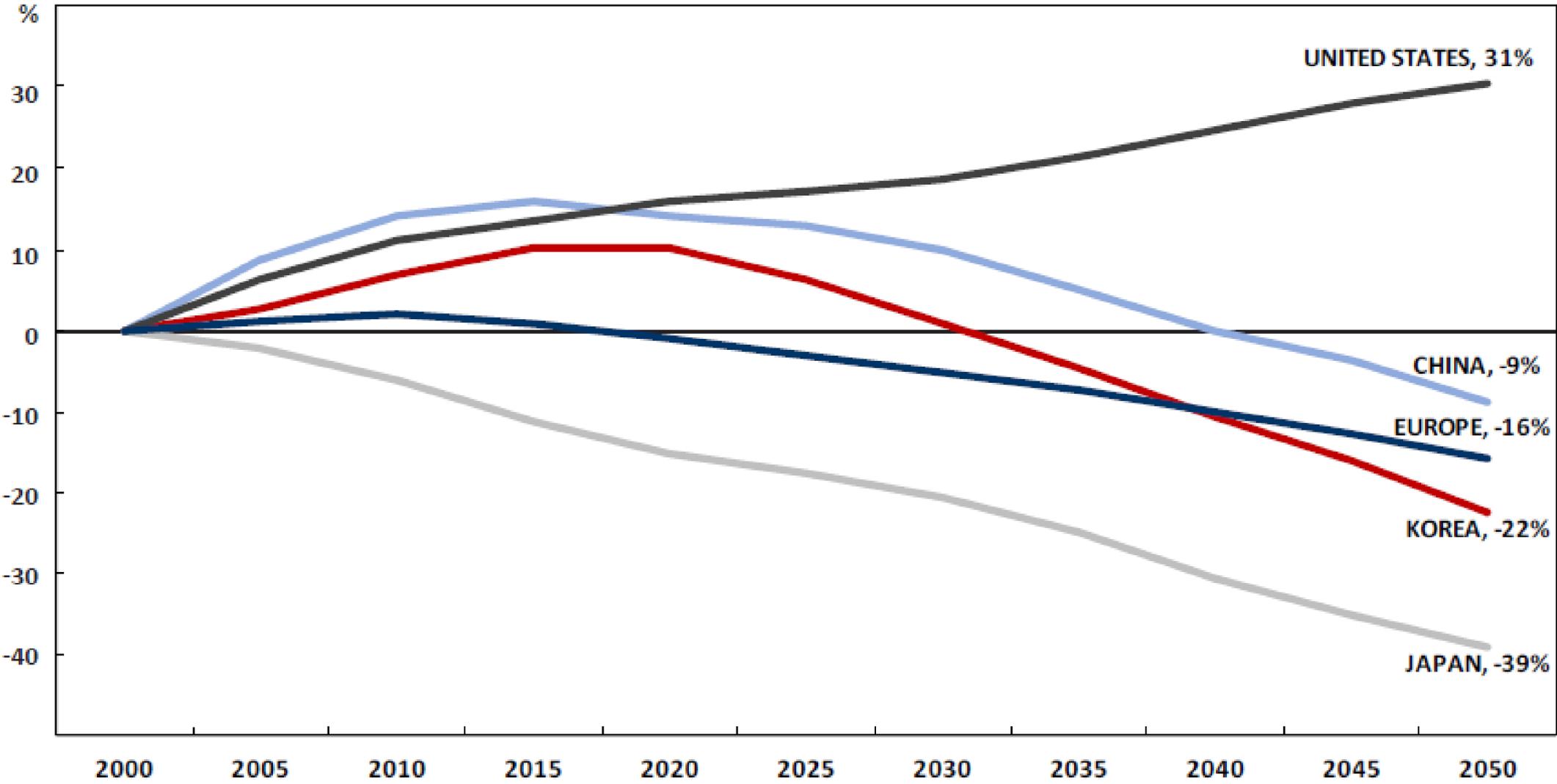
USA, China & France: Percentage of Population Over 65 Years Old



Source: Gavekal Research/Macrobond. February 24, 2023

All will be well

Labor Force Growth



Source: U.S. Census Bureau, International Database. December 8, 2022

For fun...

Generations at a Glance

Generation	Greatest /Silent	Baby Boomers	Gen X	Millennials	Gen Z	Gen C
Years Born	1923- 1945	1946-1965	1965-1980	1980-1996	1996-2016	2016 onward
Age Range in 2019	77-100Y+	57-76Y	42-57Y	26-42Y	6-26 Y	0-6Y
Population (Global)	0.3bn	1.1bn	1.5bn	2bn	2.4bn	700mn
% of Global Population	5%	15%	20%	27%	32%	7%
Life-Defining Events	World War I and II Great Depression Electric Appliances	Cold War Moon Landing Transistor Invented	First Personal Computer	Fall of Berlin Wall Birth of WWW	9/11 Terrorist Attacks Dotcom Bubble	COVID19
Communication Style	 Letter	 Telephone	 Email / SMS	 Instant Message	 Emojis	 Avatar
Key Technology	 Car	 TV	 PC	 Smartphone	 AR/VR	 Smart Glasses
Hobby	 Reading	 Watching TV	 Surfing the Internet	 Music Streaming	 eSports	 Metaverse
Digital Proficiency	Pre-Digital	Digital Immigrants	Early Digital Adopters	Digital Natives	Digital Innates	Digital Twin
Iconic Figure	Franklin D. Roosevelt	John F. Kennedy	Kurt Cobain	Mark Zuckerberg	Greta Thunberg	Elon Musk
Music	Jazz Swing	Elvis The Beatles	Queen Madonna	Beyonce Coldplay	Billie Eilish Justin Bieber	Youtubers TikTok influencers
How They Get Around	'55 Ford Thunderbird	SUV	Bicycle / Car	Uber / Lyft	Mom's Prius	eVTOL
Current Living Situation	Retirement Home	Semi Detached House	Own Small Apartment	Sharing an Apartment	Parents' House	Digital Land
Social network other than Facebook	The Rotary Club	Match.com	LinkedIn	Instagram	TikTok	Twitch
Deepest Fear	The world in 2019	No longer center of attention	What about my generation	Paying off student debt	Low batteries	Not owning an NFT
Key Life Question	How did the country go so wrong?	What will I do when I retire?	What's the point?	What's a career?	What's a landline?	What's hugging?
Defining Condition	PTSD	Dementia	Stress	Gluten-Intolerant	Peanut Allergy	Plant-based
What They Spend On	Oklahoma Community Dinner Theater	VIP tickets to The Rolling Stones	Radichead concert	Coachella	Fortnite	Sandbox Decentraland

Source: BofA Global Research. June 8, 2022

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LINDA DUESSEL



Mind on the Market

With more than 30 years of experience, Linda Duessel is nationally recognized for her expertise in analyzing equity market conditions. Linda discusses personal finance with investor groups across the country on topics of interest ranging from the impact of the alternative minimum tax to investing for retirement. Additionally, Linda has been extensively quoted by Associated Press, The Wall Street Journal and Barron's, as well as featured in the annual roundtable for USA Today.

As senior equity market strategist, Linda is part of the equity income team, which is responsible for formulating Federated's views about the market and the firm's positioning strategies within the equity income team. As senior client portfolio manager, she is responsible for articulating the strategy, process, positioning and performance of Federated's equity income products.

Interested in hearing more from Linda? Here are two ways:

1. **Read her weekly market views**
Look for them on our site and in our weekly email.
2. **Connect with her on LinkedIn**