Harry's Take

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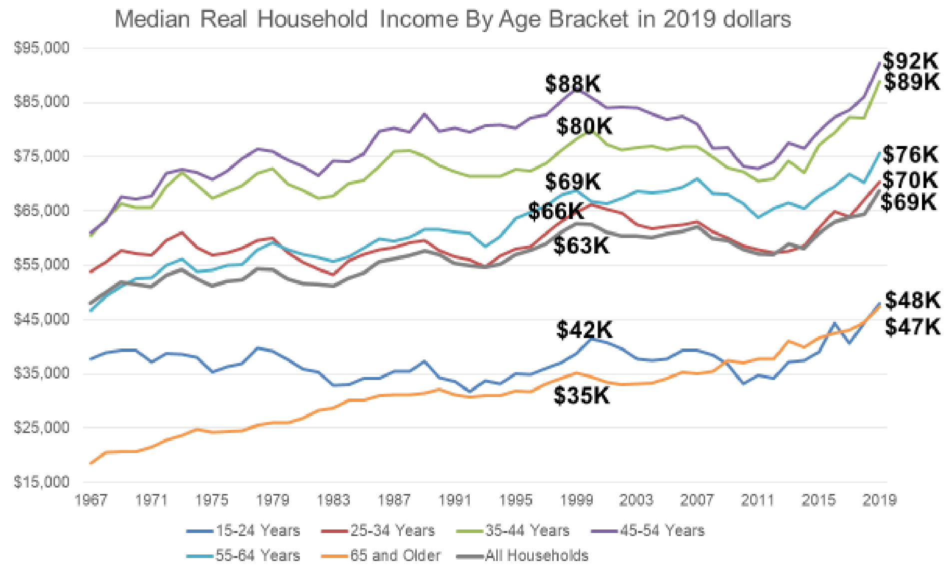
The Finale of the Last Great Household Income Surge, for a While

If there is anywhere that the massive stimulus program shows itself, it is in the surge in household incomes since 2011, precisely during the time that aging demographics projected we'd have a strong economic slowdown, from 2008 to 2022–2023.

Yes, a slowdown did occur, on cue, when the spending of Baby Boomers peaked by late 2007, but the endless stimulus since late 2008, now exponentially increased since COVID, has led to the greatest surge yet… just in time for the final collapse of the winter economic season, which central bankers have been fighting since the global 2008 financial crisis first ushered it in.

Median Income by Age: $48K for 15-24, $92K for 45-54, and Down to $47K for 65+



Source: https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-households.html

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This chart breaks down median or, truly, everyday household income by age. Today in the U.S., peak spending hits around age 47, which falls into the peak 10-year income cohort here, those ages 45–54. The current median income of that cohort is $92K. The next-highest income level is for those ages 35–44, at $89K. Note that the previous peaks for ages 45–54 and 35–44, in 1998–1999, were $88K and $80K, respectively. That top cohort has had the least growth since its 1999 peak, 4.5%. The 35–44 age group was a bit above the overall average of 9.5%, at 11.1%.

The greatest growth since its 1998 peak has been among the aging Boomers, ages 65+, at 34.3%, due obviously to very strong investment returns from the unprecedented stimulus.

Overall, this is a largely symmetrical pattern, with median income rising from $48K for the youngest cohort of ages 15–24 to $92K for those at ages 45–54 (+92%), and then falling back down to $47K by ages 65+. As my original Spending Wave breakthrough first showed, for most people today, all of the rise and action of an entire lifetime occur between ages 20 and 47. For the rich, income peaks later, between ages 50 and 54. Those with lower income peak between ages 40 and 44, and the overall average today is around age 47.

The next two similar groups are the ages 25–34 and 55–64 cohorts, with income peaks of $70K and $76K, respectively; the bottom two groups, the oldest and the youngest cohorts, are almost exactly the same, at $47K and $48K, respectively…. From whence we come, we return.

But the bigger picture here is that the strongest surge for all age groups came in the weakest period of the best macro indicator, the Spending Wave, which peaked in late 2007 and continues to fall into late 2022—next year!

Yes, governments have shown absolute resolve to keep this bubble going no matter what. But there are limits, and I say the showdown will come between now and the end of 2022, with an economic hangover well into 2023.

Investors should be getting increasingly defensive and shifting from stocks and real estate into long-term U.S. Treasuries, not gold or Bitcoin, each of which are in similar bubbles that have to come back down to reality.

If we don't see a serious economic crisis and downturn in 2022, then we truly will have reached a new era wherein governments drive the economy much more than natural factors. Yet that is not a good thing, as Japan has already proven: it began nonstop stimulus in 1997 and has a near-zero-growth economy still 34 years later, and it's about to get worse ahead, with an even deeper downturn in its already-weak Spending Wave.

Hence, if we don't see a major crisis by the end of 2022, then we are in for a slow longer-term growth trajectory… and that is the worst scenario, to me.

Harry

Got a question or comment? You can reach us at info@hsdent.com.