Harry's Take

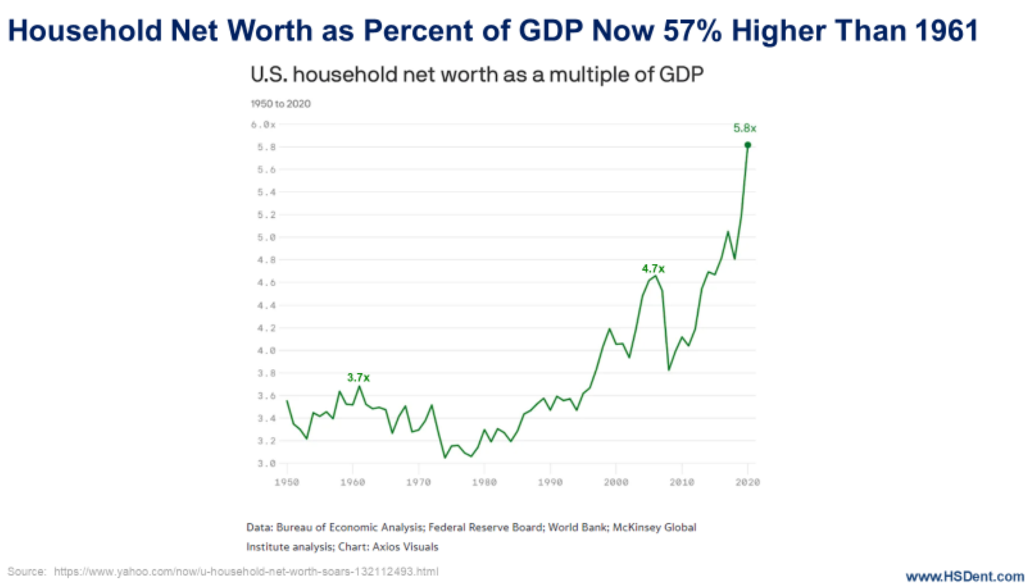
November 23, 2021

Household Net Worth as Percentage of GDP at Heights Never To Be Seen Again for Decades

Technological revolutions and great booms to follow have always raised incomes, but nothing beats having a higher net worth for longer-term security and lifestyle options.

But the strongest technological revolutions also help create major stock and financial asset bubbles, as my 90-year Innovation Cycle shows, like the stock and real estate bubbles we've seen since late 1994.

And this chart is nothing less than astounding!



What makes this chart so historical is that GDP also has grown dramatically since this longer boom started in 1983, and even more so since the Bob Hope generation boom peaked in 1968. Now, household net worth is 57% higher relative to the economy than in our parents' generation (net worth peaked as a percentage of GDP in 1961) and 23% higher than just at the last stock peak in 2007.

That 2007 stock peak was a natural one resulting from the peak in the Baby Boom Spending Wave. All of the GDP and wealth growth since then has been created totally out of thin air, courtesy of central banks around the world, which simply mean we'll have a greater fall ahead to get back to reality.

So, enjoy your wealth now and, more importantly, **protect it!** The great crash ahead is going to leave the market around where it would have been if the natural crash and downturn cycle had occurred from 2008 into 2022–2023. Now, the market will just have to fall from higher heights in a much shorter period of time, with greater stock and real estate crashes, destroying more net worth in a few years than at any other time in history…

And remember, bubbles become irresistible and lure everyone in. But the punishment is swift: typically, the market falls 46% in the first crash within just 2 to 3 months. Because of the extra 14-year stretch to this bubble, I am estimating that just the first brief crash will be 54%–56% and the broader crash into 2023 will be more like 85%.

And yes, I say that there is only a low chance that your kids ever will see their net worth reach anywhere near this GDP multiple in the Millennial boom peak around 2037 or in their golden years to follow.

It's time to cash in the chips—and I don't just mean for you, I mean to hand down to your kids… and I recommend doing it by the time Santa comes to town!

Harry

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