First to Market

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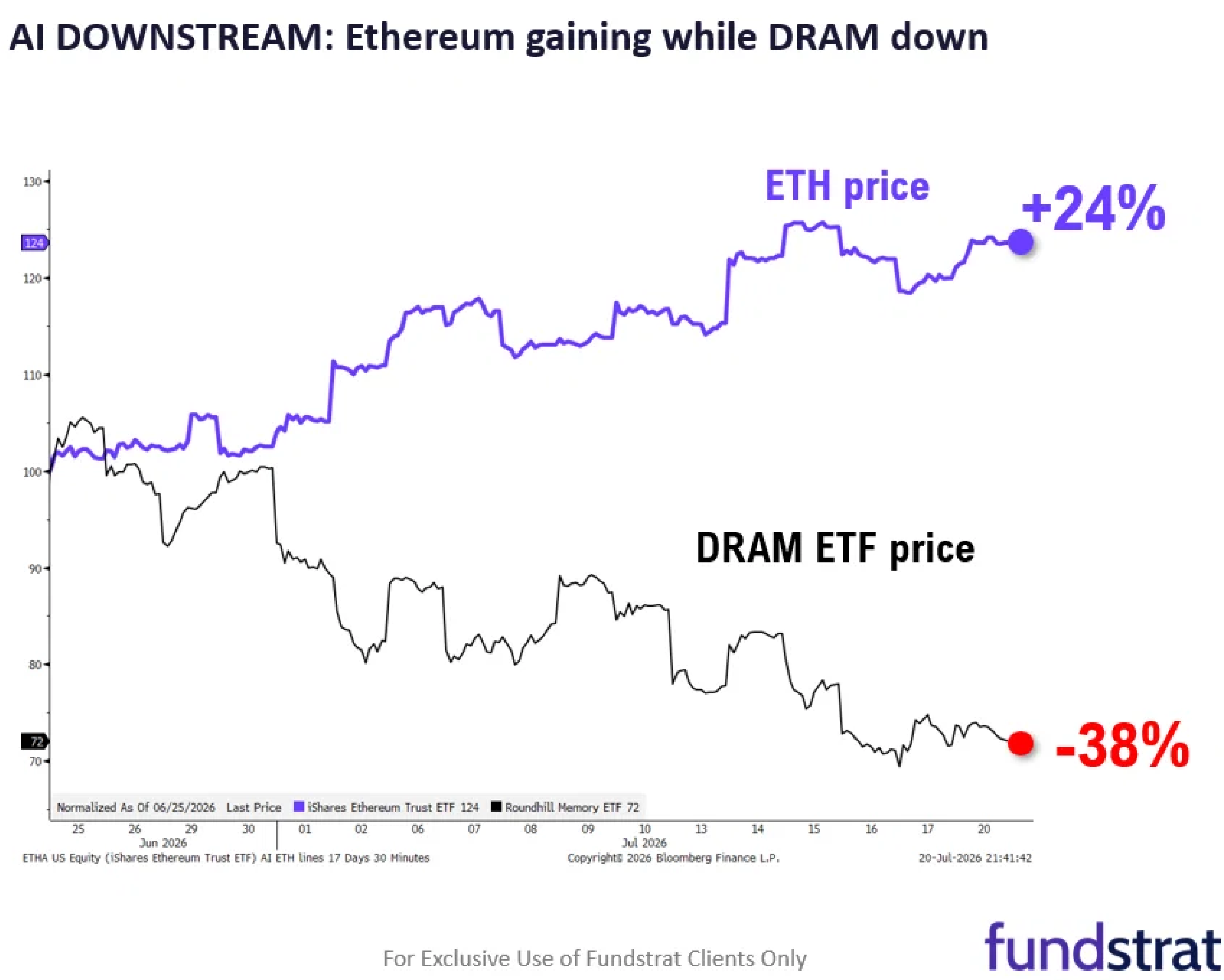
THE GREAT WEALTH TRANSFER MIGHT NOT BE QUITE SO GREAT AFTER ALL

Kent Fung

VICE PRESIDENT, MARKET INTELLIGENCE

Chart of the Day



Good morning!

One of the more anticipated demographic trends for economists and investors alike is the coming wealth transfer from Baby Boomers to Millennials (and to a lesser but still significant extent, Generation X). A 2019 study by Coldwell Banker suggested that Millennials were set to inherit as much as $68 trillion by 2030.

Yet more recent research suggests that this wealth transfer might be smaller in magnitude, more dispersed over time, and more focused within the Millennial generation. These stem from a few trends within the Boomer generation.

The first isn't so much a Boomer trend as it is a U.S. trend. As with many other aspects of our economy, Baby Boomers are a K-shaped generation, with the top 10%

holding 71% of the generation's wealth, including 75% of financial assets. Obviously, only the children of those with something to pass on will stand to benefit from this wealth transfer.

Several trends suggest that even for the children of more affluent Boomers, the aggregate magnitude of the wealth transfer might be smaller than expected. It begins with divorce rates. Although historically, most divorces involved couples in their 20s and 30s, the divorce rate amongst those aged 50 or older – also known as "gray divorces" – began rising in the 1990s, with the divorce rate for those aged 65 and older rising even more precipitously. All things being equal, it generally costs less to live as a couple than to live as two single/divorced individuals. An increase in Boomer divorces therefore means a faster drawdown of retirement nest eggs, as assets are split and spent to maintain individual households.

Divorced or not, Boomers who might have significant assets to pass down are also spending more. For instance, while empty-nest syndrome once caused older couples to downsize into smaller, easier-to-maintain homes, an increasing number of them are instead buying larger, nicer, and more expensive homes. While such homes will also eventually be passed down, the impact is different when the wealth is passed down in the form of illiquid assets like real estate.

YOLO might be a Millennial acronym, but their parents have taken the phrase to heart. AARP reports that Americans aged 50 and older (a group mostly comprised of Boomers) spend $236 billion every year on travel, and a report on U.S. travelers by Phocuswright, a travel-industry research consultancy, showed that Boomers are the most likely generation to splurge once they arrive. Statistics from GWI expand on that finding: the consumer research firm reports that Boomers are 159% more likely to book trips on a whim, and retired Boomers are 211% more likely. There's even an industry term for such trips: SKI (Spending Kids' Inheritance) trips. A study by Booking.com reported that travel is such a priority that 49% of surveyed U.S. Boomers said they would rather spend their money on "the trip of a lifetime" than save the money to leave to their children.

To be fair, in many cases, those trips include their children and grandchildren, for which Boomers are footing the bill. To the extent that older Americans do feel the need to literally share the wealth, those that can have likely been doing so for some time, whether splurging on a nice family trip, helping with Millennial kids make down payments for homes, or simply with outright cash gifts. In fact, this might explain why consumer spending has continued to thrive despite labor-market uncertainty along with anemic job and wage growth.

A July 8 study from Visa updates the anticipated wealth transfer. While it excludes the top 1% of Boomer households (net worths > $13 million), the latest study shows that the aggregate wealth transfer to younger generations after accounting for their parents' retirement spending, charitable giving, liabilities, and taxes, is likely to be a far smaller $36 trillion.

Notably, those inheritors are likely to already be financially secure – the result, as Visa put it, of "a broader intergenerational pattern [in which] wealth, education, housing access, family support and inheritance expectations often reinforce one another" from one generation to the next. As a result, Visa estimates that of the inherited aggregate sum, 78% will likely be saved and/or invested rather than spent on immediate needs and expenses.

To us, what this suggests is that the great wealth transfer to Millennials is less likely to mean much more of a tailwind for consumer-facing companies or for consumer spending than what any early wealth transfers have already provided. Financial services institutions that can help inheritors manage the influx of fresh assets, however, could see a gradual but extended boost. So, too, are the assets and sectors in which Millennials seem to already be favoring. According to a recent Bank of America survey, that includes not just stocks, but also cryptocurrency and alternative assets such as private markets and real-estate.

Share your thoughts

Are these statistical trends consistent with your wealth-transfer plans, expectations, or experience? Click here to send us your response.

✍Here's what a reader commented ✍

Q: Are sodium batteries the answer to our power-grid challenges?

A: Enjoyed the article on batteries. Cheap sodium batteries are indeed a part of the next wave. But I would add that lithium isn't even the main chokehold that China has on the world. It is the graphite used for the battery anode that is 99% sourced from China. Companies like Quantumscape (QS) are developing technology to remove the anode entirely, potentially breaking the China chokehold. Already partnered with VW, Honda recently joined as well, and it looks like both companies like these and countries like US and Japan are trying to break the Chinese dominance of the industry.

Catch up with Fundstrat

Peter Lynch once famously said "Selling your winners and holding your losers is like cutting the flowers and watering the weeds." To us, this is what investors selling Semis and DRAM are doing today. The AI structural story remains intact in our view.

Technical

Technology's cycle composite shows this consolidation nearing a low that should occur by the middle of August. Yesterday's tech-led rally ahead of earnings suggests the sector's difficult seven weeks might be nearing conclusion.

Crypto

The tactical rebound in AI infrastructure that I discussed last week appears to be underway, and yesterday's contract announcements from IREN and Hut 8 reinforce my conviction that underlying demand for AI compute remains exceptionally strong. Combined with improving U.S. spot flows, I believe the tactical backdrop remains favorable, even as rising real yields warrant continued monitoring.

News We're Following

Breaking News

- AMD and Anthropic sign major chips-and-investment deal WSJ

Markets and economy

- Donald Trump prepares fresh tariff barrage with 10% levies set to expire FT
- Private-equity assets stuck in ‘zombie funds’ are at a record high WSJ

Business

- OpenAI admits AI ‘agent’ caused major cyber breach by itself FT
- Trump plans generic drug tariffs from 2028 with two-year delay testing U.S. onshoring push CNBC
- At GM, Trump’s second term means big trucks—and a push into the defense industry WSJ

Politics/U.S.

- Hegseth estimates cost of Iran war at $37.5 billion WSJ
- Trump administration says it’s deferring $1B in Medicaid payments to California and Minnesota AP
- Judge says Trump must hand over financial records to BBC POL
- Kalshi launches election hub for prediction markets ahead of midterms CNBC

Overseas

- Zelensky sacks Ukraine's top army commander after days of protests BBC
- More Red Sea shipments disrupted as Rubio says Iran not serious about talks REU
- Saudis reach deal with U.S. that could let them enrich nuclear fuel NYT
- The US has collected about $13Bn of Venezuela’s oil money. Where is it? FT

Of Interest

- Japan’s trains are getting much faster as Moonshot policy takes hold FT
- Adolf Hitler’s birthplace in Austria reopens as a police station to deter Nazi pilgrimages AP

Overnight

S&P Futures	-23 ▼ point(s) (-0.30% ▼)
overnight range:	-34 ▼ to +1 ▲ point(s)

APAC

Nikkei	-0.18% ▼
Topix	+0.45% ▲
China SHCOMP	+0.07% ▲
Hang Seng	-0.95% ▼
Korea	+0.74% ▲
Singapore	+1.24% ▲
Australia	+0.34% ▲
India	-0.76% ▼
Taiwan	+1.34% ▲

Europe

Stoxx	50 +0.31% ▲
Stoxx	600 +0.42% ▲
FTSE	100 +1.03% ▲
DAX	+0.56% ▲
CAC	40 +0.78% ▲
Italy	+0.74% ▲
IBEX	+0.88% ▲
Canada	+1.17% ▲
Mexico	+0.89% ▲
Brazil	[illegible]

Brazil	-0.03% ▼

FX	
Dollar Index (DXY)	-0.05% ▼ to 101.12
EUR/USD	+0.07% ▲ to 1.1406
GBP/USD	-0.05% ▼ to 1.3369
USD/JPY	+0.09% ▲ to 163.03
USD/CNY	-0.08% ▼ to 6.7727
USD/CNH	-0.07% ▼ to 6.7739
USD/CHF	+0.01% ▲ to 0.8126
USD/CAD	+0.07% ▲ to 1.4098
AUD/USD	-0.09% ▼ to 0.6993

UST Term Structure	
2Y-3M Spread narrowed	-1.4bps ▼ to 42.7bps
10Y-2Y Spread widened	0.8bps to 37.1bps
30Y-10Y Spread widened	0.1bps to 50.2bps

USD HY OaS	
All Sectors	-3.5bps ▼ to 316bps
All Sectors ex-Energy	-2.1bps ▼ 295bps
Cons Disc	+3.4bps ▲ to 472bps
Indu	-1.8bps ▼ to 249bps
Tech	-3.7bps ▼ to 211bps
Comm Srvcs	-0.1bps ▼ to 277bps
Materials	-2.4bps ▼ to 258bps

Energy	-1.3bps ▼ to 279bps
Fin Snr	-1.3bps ▼ to 197bps
Fin Sub	-1.3bps ▼ to 285bps
Cons Staples	-9.9bps ▼ to 462bps
Healthcare	-1.9bps ▼ to 314bps
Utes	-0.5bps ▼ to 205bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
7/24	9:45 AM	Jul P S&P Srvcs PMI	51.5	51.2
7/24	9:45 AM	Jul P S&P Manu PMI	54.4	53.9
7/24	10:00 AM	Jun New Home Sales	606	580
7/24	10:00 AM	Jun New Home Sales m/m	4.6	-7.3
7/27	8:30 AM	Jun P Durable Gds Orders	1.3	-4.5
7/28	9:00 AM	May S&P Cotality CS 20-City m/m	n/a	-0.04
7/28	10:00 AM	Jul Conf Board Sentiment	92	91.2

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