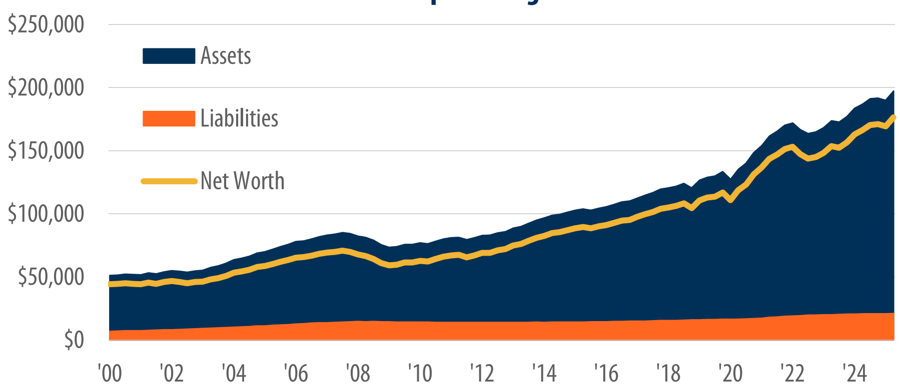
September 18, 2025

U.S. Household Net Worth Hits Record High in Q2 2025

In this week's edition of "Three on Thursday", we examine the financial health of U.S. households through the lens of the Federal Reserve's quarterly *Z.1 Financial Accounts of the United States*. This report, released last week for Q2 2025, provides a comprehensive view of assets and liabilities across the entire household sector. The latest release shows household net worth climbing to record highs, with asset growth outpacing the rise in liabilities. While the Z.1 data aggregates households rather than capturing individual circumstances, they remain a vital gauge of overall financial strength. Economists, investors, and policymakers rely on the Z.1 to track the flow of funds, assess balance-sheet resilience, and forecast economic trends. To highlight some important developments from the Q2 report, we've included three key charts below.

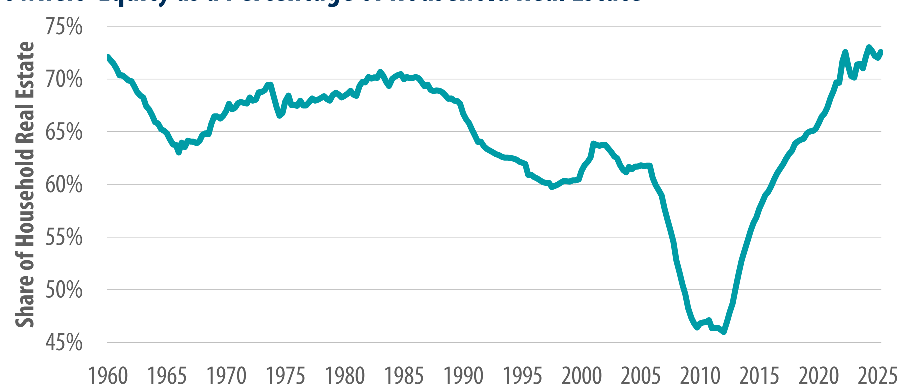
Balance Sheet of Households and Nonprofit Organizations



Source: Federal Reserve Board, First Trust Advisors. Quarterly data Q1 2000 – Q2 2025.

Household and nonprofit net worth climbed to a record $176 trillion in Q2 2025, up 4.2% from Q1 and 6.1% year over year. The $7.3 trillion quarterly gain in assets was led by a $3.7 trillion surge in corporate equities and a $1.2 trillion increase in real estate values. Liabilities, by contrast, rose only modestly—up $183 billion (0.9% from Q1 and 1.5% YoY)—with residential mortgages accounting for $108 billion of that increase.

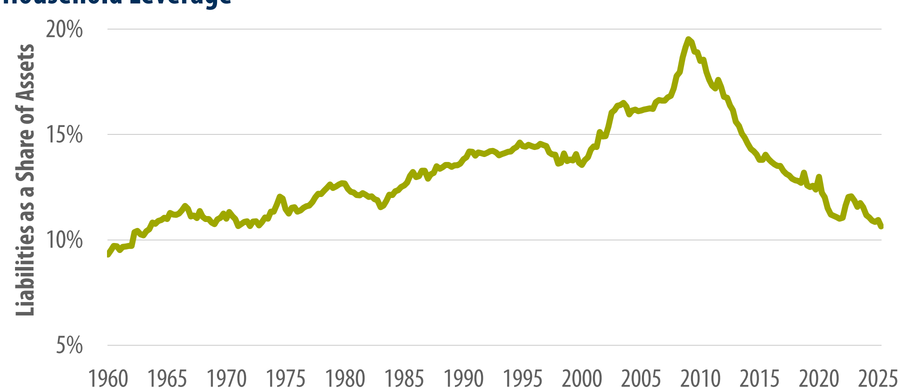
Owners' Equity as a Percentage of Household Real Estate



Source: Federal Reserve Board, First Trust Advisors. Quarterly data Q1 1960 – Q2 2025.

Since the end of 2019, just before the pandemic, household real estate values have grown nearly twice as fast as residential mortgage debt—up 65.0% versus 30.2%. As a result, homeowners' equity has climbed to historic levels. In 2024, equity as a share of overall home values averaged 72.5%—the highest reading since 1958—and stood at 72.6% in Q2 2025, only slightly below the quarterly peak of 73.0% reached in mid-2024. This elevated equity position highlights the strength and stability of today's housing market, a sharp contrast to the fragile conditions that preceded the housing bubble of the early 2000s.

Household Leverage



Source: Federal Reserve Board, First Trust Advisors. Quarterly data Q1 1960 – Q2 2025.

Household leverage—the ratio of liabilities to assets—fell to 10.6% in Q2 2025, down from 10.9% in the prior quarter and 11.1% a year earlier. For perspective, this measure surged through the 2000s and peaked at 19.5% in Q1 2009 during the housing bubble and subsequent financial crisis. Today's reading, by contrast, marks the lowest leverage since the 1960s, underscoring the strength and resilience of household balance sheets.