

GUEST ESSAY

The Housing Crisis Is Also a Retirement Crisis

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By Kyla Scanlon

Ms. Scanlon, a contributing Opinion writer, is the author of “In This Economy? How Money & Markets Really Work” and Kyla’s Newsletter.

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It’s no secret that we don’t have enough housing in the United States. Even Congress agrees: The biggest housing bill in decades recently became law and should help. Supply is outmatched by demand, and the young can’t get into areas with dynamic and expansive economies.

We certainly have a housing crisis. But hiding inside it is a retirement crisis — and that is the one the new law doesn’t touch.

A home has stopped being just a place to live — it has also become an asset that has to appreciate in value to underwrite the homeowner’s retirement. The value of a home now serves double-duty as a nest egg. Homeownership became, in short, the typical American retirement plan.

But this creates a trap. Young Americans want to be homeowners, too. So owners need home prices to rise to provide for their retirement; buyers need them to fall.

The house can't do two contradictory jobs at once. The link between retirement and home prices is pitting the old against the young.

Break that link, and housing can become something that you live in, because it no longer has to double as a nest egg.

Housing was not always this way. It was once an enormous opportunity, built on purpose in the aftermath of World War II, by a country that was actively defining the American dream through home ownership. As Tahra Hoops, the director of economic analysis at Chamber of Progress, put it, the postwar generation, the boomers, are "the only American cohort ever handed a starter-home ecosystem by federal policy."

Housing began its turn toward scarcity during the stagflationary 1970s. It became a stable place to invest when everything else was melting down. Home prices nearly tripled from 1970 to 1980 and kept climbing, with only brief pauses, until the market peaked in the mid-2000s. They have since blown past that high.

What created the bind that we have now was the disappearance of the pension. In 1980, almost 40 percent of private-sector workers had a defined-benefit pension. Today, only about 14 percent even have access to one.

The 401(k) was never designed to replace the pension. The provision entered the Internal Revenue Code through the Revenue Act of 1978, intended for a narrow kind of deferred-bonus arrangement that existed mostly at banks. Ted Benna, a benefits consultant, realized it could become something much bigger: a plan that let workers defer part of their salary pretax, with an employer match. Companies adopted it in droves and started dropping pensions. The do-it-yourself retirement became a default, which retirement economist Anthony Webb called "a historical accident." By 2011, Mr. Benna was calling his creation a "monster," though his complaint was less the idea itself and more about what factors like Wall Street's fees had made of it.

A pension bet on rising markets, too, but the employer carried much more of the risk. The 401(k) handed the downside to the worker.

And the upside is not evenly held. About 65 percent of households own a home, but even counting retirement accounts, the top tenth of households own about 80 percent of stock wealth, and the bottom half holds just 2 percent.

Americans now hold more wealth in stocks than in their homes — a bigger tilt toward the market, relative to housing, than at the height of the dot-com bubble. On the whole, the wealth engine has shifted from the house to the stock market — but for the typical household, wealth still means a house.

The Federal Reserve's Distributional Financial Accounts shows what that has meant. Since 2010, Americans 55 and older added roughly \$20 trillion in real estate wealth. Americans under 40 added \$3.5 trillion. Of the housing wealth America added since then, two of every three dollars now sit with Americans 55 and older. Empty nesters own about 28 percent of large homes in the U.S. Millennials with children own about 16 percent.

The pitch hasn't changed, even though the math has: buy a house; watch it get expensive; sell it to someone for a lot of money. The whole machine depends on the people not yet inside paying for the people already in.

There is no shortage of proposed fixes for more housing, and some places have delivered. Berkeley, Calif., spent years barely building — permits averaged 173 homes a year from 2001 to 2014, even as the city kept growing. Since then, production has more than tripled, to an average of 579 units a year, and rents have fallen back to 2018 prices despite the inflationary bursts of recent years.

Building works. It's the simplest thing, and it's most of what the new law does. But building fixes the place-to-live problem without touching the nest-egg problem. People with more places to live still lean on home-price appreciation to retire. We can't construct our way out of the retirement half of this.

So the next nest egg has to be something other than the house. The postwar generation got its floor from the boom of its era, deliberately steered into housing. The boom of this era is the only pool of new wealth big enough to matter: artificial intelligence, and the data centers being built across the country to house it.

Washington has spent the past year acquiring pieces of corporate America. The Trump administration converted billions in CHIPS Act and related grants into a roughly 10 percent stake in Intel.

The government also holds stakes in critical-minerals companies, a “golden share” in U.S. Steel, and a cut of Nvidia’s and AMD’s chip sales to China.

Earlier this month, The Financial Times reported that OpenAI has discussed handing the government a 5 percent stake, over \$40 billion at its latest valuation, as part of a proposal in which every major A.I. lab would contribute equity to a vehicle modeled on the Alaska Permanent Fund. Senator Bernie Sanders wants far more: a one-time 50 percent tax on major A.I. companies, paid in stock, deposited in a sovereign wealth fund. Washington, from Mr. Sanders’s wing to Mr. Trump’s, is converging on the idea that the public should hold a piece of the A.I. boom.

What they are fighting about is what the public deserves.

But is there a way to develop these proposals to help solve the housing crisis? There is: give both retirees and the young a nest egg that isn’t a house.

A fund created by Congress (not negotiated by the labs) could take over the job we’ve forced the house to do. It would be seeded from the A.I. boom and invested broadly, the way Norway took oil money and bought diversified shares of the world economy — so the floor can come from the boom without entirely depending on it.

The returns should flow to households as dividends, similar to the Alaska model. A fund like this would give Americans a floor — on top of Social Security, which was never enough to carry the weight alone. That is the whole point. Keep it boring.

Young people are reading the room here. They are scrambling for a claim on the boom any way they can: founding companies, buying high-fee slivers of OpenAI, betting on Polymarket — all to try and win the lottery because they see nothing below them.

A public fund would protect people already inside, too. A homeowner banking on selling at the absolute top is only doing it because that is their only reliable asset. Give a floor that doesn't depend on a buyer overpaying for a two bedroom, and the zero-sum logic that is dividing generations — my retirement versus your first home — could disappear.

Data centers are, in the end, homes for computers. The American future requires a new consensus — one where they help pay for the security of the people living next to them. The postwar ladder was built on purpose. The next one will have to be, too.

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