



“Bye-Bye Minivans”

“It may be an exaggeration to say the minivan is dead,” writes Philip LeBeau for CNBC (March 22, 2013), “but make no mistake, it has been dispatched to the land of niche vehicles.”

Stop and think about that for a minute. When was the last time you saw a minivan on the road? You probably drove past one today (yes, I am assuming you passed the low-horsepower kiddiemobile), but they are a lot less common than they used to be. Back in the 1990s, it seemed that everyone drove one. Today, they are comparatively rare.

In 2000, Americans bought 1.4 million minivans, which made up 8% of all auto sales. But by 2012, that number had fallen by nearly two thirds, to just 500,000, and today just 3% of all auto sales are minivans.

What happened? Did American children stop playing soccer?

No, not quite. The answer is changing American demographics.

The peak of the post-World-War-II baby boom was in 1961. By the time we reached the 1990s, those baby boomers were 30-something parents with rug rats to cart around. And by the early 2000s, those baby boomers had hit 40.

Where are those baby boomers today? They are now in their 50s, and things like pizza parties and baseball practice are distant memories. Their children—the echo boomers or Generation Y—have long since moved out of the house and some already have kids of their own. The minivan was a vehicle created for baby boomer parents, and its rise and fall corresponded to their family formation cycle.

So, now that Gen Y is approaching the same stage of their lives, might the minivan be due for a comeback?

Don’t count on it. No one thinks their parents’ tastes are chic. The baby boomers rejected the wood-paneled station wagons that their own parents drove, and their children will reject minivans. A young woman might proudly take her children to soccer practice, but that doesn’t mean she wants to be called a “soccer mom.”

What will they drive instead? This remains to be seen, but you can bet that Ford, General Motors and the rest of the major automakers are asking themselves the same question.

Interestingly, the luxury auto brands are taking a different approach. For decades, Americans have had a “bigger is better” approach to luxury cars, with perhaps the highest profile example being the Cadillac Escalade — for all intents and purposes a luxury monster truck. In an attempt to impress higher-income and environmentally-conscious Gen Y drivers (and to appeal to their smaller budgets), Mercedes-Benz, BMW and several other high-end European brands are rolling out smaller luxury cars. These might also appeal to empty-nester baby boomers who have grown accustomed to a smooth ride but no longer need a car big enough for a mafia don.

We are still a few years away from the long awaited Generation Y baby boom; the largest cohort of this generation is just now finishing their education and entering the workforce. Due to a bad economy and due to Americans' propensity to have children later in life, we don't expect them to start settling down until the beginning of next decade.

But make no mistake: this is the single most important trend you are likely to see for the rest of your life. The boom of the 1980s, 1990s, and early-to-mid 2000s was a result of the baby boomers settling down and raising families. The 2020s may not enjoy a boom quite as large as, say, the 1990s. But if history is any guide, it will be a decade in which fortunes are made. And we'll see it coming ahead of time.

Sincerely,

Jeremy E. Portnoff

Jeremy E. Portnoff, MSFS, CFP[®], CRPS[®], CES[™], CFS[®], CTS[™], CAS[®], CIS[™]
CERTIFIED FINANCIAL PLANNER[™]

Schedule a meeting with me at <http://booknow.so/PortnoffFinancial>

NEW JERSEY OFFICE

655 AMBOY AVENUE, SUITE 107
WOODBIDGE, NJ 07095
732-226-3113

jeremy@portnofffinancial.com

www.portnofffinancial.com

CALIFORNIA OFFICE

17772 IRVINE BLVD., SUITE 102A
TUSTIN, CA 92780
949-226-8342

Sources:

<http://finance.yahoo.com/news/bye-bye-minivans-sales-slump-131431872.html>

<http://www.nytimes.com/2013/03/24/automobiles/how-about-a-little-luxury.html>