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## Wealth Inequality Among Older Americans

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*Using the AHEAD study, this article examines the wealth distribution among American households with a member at least 70 years old. Household wealth is quite unevenly distributed among older American households. Those households in the top 10th percentile of the wealth distribution have 2,500 times as much wealth as those at the lowest 10th percent. This sharp wealth disparity relative to income dispersion is the dominant reason why older minority households have accumulated so little wealth compared to White households. Wealth varies by a factor of seven to one when both spouses are in poor health compared to when they say that they are in excellent health. Finally, AHEAD data on bequest intentions suggest a bifurcated bequest motive. Most older households plan to bequeath a modest financial inheritance, but about one-quarter expect to leave inheritances worth \$100,000 or more.*

THE process of asset accumulation and depletion at older ages is a central issue on which any evaluation of the well-being of the elderly population depends. Our current knowledge of this process is limited because most social science surveys either did not include wealth modules or measured assets quite poorly. This problem is much more severe during the postretirement years because of inadequate sample sizes in this age group in more general purpose surveys. As a result, we have not yet established the basic facts on which the scholarly and policy debate should be focused. Do most older Americans have adequate financial resources to maintain a decent standard of living? Do they deplete their previously accumulated resources as they age, as the prominent life-cycle model contends? How many of them plan to leave significant financial bequests to their heirs? To address these questions, this article will examine wealth levels and distributions using the baseline AHEAD survey.

The Data Quality and Imputations section touches on data quality issues that arise in the AHEAD study. Individual assets are difficult to collect and are far too often of dubious quality, a problem that may be even more severe given the age range studied by AHEAD. The two data quality issues emphasized in this section are item nonresponse and imputation of missing data. An innovation of the AHEAD survey involved the use of bracket responses given to respondents who initially refused or were unable to provide an exact value for their assets. The use of these follow-up bracket questions decreased AHEAD item nonresponse. In addition, the availability of brackets increased our estimates of mean wealth in this older population.

The next section, Distribution of Wealth Among Older Americans, examines disparities in household wealth among older Americans. As in other age groups, wealth is unevenly

distributed among Americans aged 70 years and older. For example, the top 1% possess about 10% of the wealth in this age group, while the top 5% have about 27% of all wealth. This wealth inequality is also reflected in large racial and ethnic wealth deficits. For example, the average net worth of White families is almost four times that of Black families, a disparity far greater than the corresponding racial or ethnic income disparities. The largest differences take place in financial wealth, of which the typical Black and Hispanic household has virtually nothing. In addition to documenting the magnitude of wealth inequality, this section also highlights the bivariate relation between wealth and some of its important correlates — income, health, and future bequests.

Assets are the evolution of a dynamic accumulation process, the final outcome of which will be revealed only in subsequent waves of AHEAD. The cross-sectional baseline does provide ample opportunity, however, to search for clues as to why wealth disparities among older Americans emerge. The final section, Multivariate Models of Wealth, explores multivariate descriptive models of differences among AHEAD households in their accumulated assets. Among the central covariates included in this model are household income, self-reported health, and preferences for bequests.

### DATA QUALITY AND IMPUTATIONS

The research discussed is based on the first wave of the recently released Asset and Health Dynamics Among the Oldest Old (AHEAD) study. AHEAD includes 6,052 households (7,300 individuals) with at least one individual aged 70 or over in 1994. AHEAD focuses on one of the key concerns of this age group — the relationship of life-cycle changes in physical and cognitive health in old age to dissavings and asset decline. A distinct advantage of AHEAD, compared to

other surveys of older populations, is that a comprehensive and detailed set of questions was asked to measure household wealth. In addition to housing equity, assets were separated into the following 10 categories: other real estate; vehicles; business equity; IRA or Keogh accounts; stocks or mutual funds; checking, savings, or money market funds; CDs, government savings bonds, or treasury bills; other bonds; other assets; and other debt. Wealth information has typically been difficult to collect in household surveys and has had high levels of item nonresponse. The AHEAD survey design tried to mitigate the bias caused by missing wealth data through the innovative use of follow-up bracket questions (Juster & Smith, 1995). Respondents who initially refused to answer an asset question or who did not know the amount were given a set of greater- or less-than questions that placed their asset value within categorical limits.

Tables 1 and 2 summarize the extent of item nonresponse in the AHEAD asset categories. Table 1, which includes those households that do not have assets, indicates that nonownership of real estate is the dominant mode for most asset categories in this age group. In addition, a relatively large fraction of AHEAD households have paid off their mortgages. Only one in 10 AHEAD households still have a first mortgage compared to 45% of households with a person in their 50s (Smith, 1995). Similarly, these older households have relatively little of their wealth concentrated within the other real estate and business categories. More than one in five households with a person aged 50–60 had some equity in a business (Smith, 1995) compared to only one in 25 in the AHEAD age range. It is not surprising that families divest their business equity early in their post-retirement years. Whether those pre-retirement business assets were transferred to other family members or sold (and now appear in other forms of wealth) is an unanswered question that is central to our understanding of the life-cycle process of asset accumulation and depletion among older households. One is struck by how many older households have nothing of many of the financial wealth instruments. With the exception of checking and savings accounts, typically 80% or more of AHEAD financial respondents report no entries in each of the major financial asset categories. For example, less than 10% of all older households have any bonds at all and only about one in five have any stocks.

Tables 1 and 2 reveal the great success of AHEAD in decreasing item nonresponse with follow-up bracket questions. Conditional on ownership of an asset, in most cases, a large fraction of AHEAD households initially failed to give an exact asset value. To illustrate, among asset owners, 32% of AHEAD households do not report the exact amount in their checking and savings accounts and 45% do not report stocks. These high nonresponse rates are not simply the consequence of the use of financial proxy respondents in AHEAD. Given the cognitive problems of some AHEAD household members, proxy respondents were permitted to answer financial questions. However, financial proxy respondents were only used in 6.4% of AHEAD households, so that item nonresponse without a financial proxy would be at most a percentage point different from the rates in Tables 1 and 2.

Fortunately, convincing initial nonrespondents to provide bracketed responses for their asset values turned out to be sur-

Table 1. Percentage of Household Response Categories for Specific Assets in AHEAD Wave 1 Study

Type of Asset	None Reported	Valid Report	Unfolding Bracket Utilized	Don't Know If Have Asset	Don't Know Asset Value
House owned	29	55	14	0	1
1st mortgage	89	9	—	0	2
Other real estate	80	13	5	1	1
Vehicles	0	83	15	—	2
Business equity	95	3	2	0	0
IRA and Keoghs	83	12	3	1	1
Stock, mutual funds	79	10	7	2	2
Checking-Savings	24	50	19	2	5
CDs, Treasury	77	13	6	3	2
Bonds	92	3	2	2	1
Other savings	88	7	3	2	1
Other debts	85	12	2	1	0

Table 2. Percentage of Household Response Categories for Those Reporting Assets, AHEAD Wave 1 Study

Variable	Valid Report	Bracket Utilized	Don't Know
House owned	78	20	2
1st mortgage	86	13	2
2nd mortgage	82	14	3
Other real estate	68	28	4
Vehicles	83	15	2
Business equity	59	36	5
IRAs and Keoghs	74	19	7
Stock, mutual funds	55	37	8
Checking-Savings	68	25	7
CDs, Treasury	62	28	10
Bonds	59	31	10
Other savings	70	25	6
Other debts	86	12	2
Trusts	52	—	48

prisingly easy. AHEAD received an enormous yield from the use of the follow-up bracket questions. For example, a 45% conditional nonresponse to stock value was converted to 8% by the brackets. On average, asset item nonresponse among holders of the asset was reduced by more than 80% through use of the bracket categories. In general, item nonresponse among asset owners ends up in the single digits after respondents are offered the bracket categories.

The second value of brackets is that, if used properly, they can greatly enhance the accuracy of imputation of missing values. Whether or not the use of bracket information provides substantially different imputations than those obtained by exact-answer respondents can be determined initially by comparing the distribution of valid responses with that of bracketed responses and with those of respondents who gave neither a valid nor a bracketed response (final “don't know”). Table 3 provides this comparison for two typical assets — business and stocks. The message from the data is unambiguous. In general, valid data cases are weighted toward the lower end of the distribution of bracket amounts, while bracket respondents and especially final “don't know” house-

Table 3. Percentage Distribution Among Bracket Amounts

Bracket Category	Valid Data	Brackets	Don't Know
<b>Asset: Business</b>			
\$1-\$9,999	43	16	9
\$10,000-\$49,999	20	17	21
\$50,000-\$499,999	32	50	41
\$500,000+	5	17	29
<b>Asset: Stocks</b>			
\$1-\$4,999	19	13	11
\$5,000-\$24,999	24	25	19
\$25,000-\$99,999	29	36	31
\$100,000-\$499,999	24	21	32
\$500,000+	4	5	7

hold responses are weighted more toward the upper end. For example, only one in five respondents who gave an exact answer for their business reported a business worth more than one-half million dollars. In contrast, 17% of bracketed respondents and 29% of the final "don't knows" end up with businesses worth more than \$500,000. In the next section, we examine the implications of these quite distinct distributions of responses for the imputation of missing wealth data.

#### Imputation of Missing Values

The value of follow-up bracket responses for assigning missing AHEAD asset data is documented in this section. For this article, imputations of missing asset values were computed. The covariates used to impute specific asset categories varied, depending on range width and thinness of the sample of potential donors. The most extensive list of covariates included race, Hispanic, years of education (0-11, 12-15, 16 or more), married, a law or doctor's degree, quintiles of family income, quintiles of housing equity, and whether the respondent was a "don't know" or refusal. The direct benefit of brackets in imputation flows from knowing that the unknown values lie within some narrow prespecified range. Consequently, imputations for bracketed respondents use only exact-answer respondents within the indicated range as potential donors. The indirect benefit from brackets is that the bracketed responses constitute a more appropriate donor pool (than would exact answer respondents) for the imputation of any remaining nonresponses. Consequently, imputations for the final nonresponses use the sample of bracketed respondents as the potential donors.

The value of brackets is most apparent if imputations of missing values using brackets are compared with those obtained when the availability brackets are ignored. Ignoring brackets essentially implies that donors for bracketed respondents are not constrained to lie within the indicated bracket range and that exact answer respondents are used as donors for the final "don't knows." The columns in Table 4 contrast estimated imputations obtained using the bracketed respondents to those obtained when exact-answer respondents are used for imputations. The estimates in the first two columns are averages for imputed households, whereas the numbers under the final two columns represent the complete AHEAD sample. While estimates are presented for individual assets in

Table 4. Mean Value of AHEAD Assets

	Imputed Households		All Households	
	Bracket Respondents	Exact Answer Respondents	Bracket Respondents	Exact Answer Respondents
Other real estate	\$133,467	\$109,745	\$23,107	\$21,648
Vehicles	6,545	6,050	6,639	6,554
Equity in business	230,629	96,993	6,804	4,387
IRA, Keoghs	60,805	56,681	8,285	8,109
<b>Stocks, mutual funds</b>				
	90,984	62,466	18,167	15,634
Checking, Savings	25,244	20,812	17,287	16,164
CDs, Treasury	36,091	39,051	8,404	8,648
Bonds	86,105	58,296	4,099	3,441
<b>Average Asset Value</b>				
Housing	84,293	82,871	NA	NA
Nonhousing	45,299	35,596	NA	NA
All	52,506	44,333	NA	NA
<b>Total Asset Value</b>				
Housing	NA	NA	67,448	67,205
Nonhousing	NA	NA	96,711	88,709
All	NA	NA	164,159	155,914

this table, for convenience the average value rows summarize the effect of imputation on the average value of all assets. More concretely, the average-value rows are weighted averages of the individual asset values where the weights are the fraction of each asset among all bracketed assets. Similarly, the rows labeled "total" summarize the effect of imputation on the total value of all assets.

Table 4 demonstrates that brackets have a significant effect on estimates of mean assets. For example, among those with imputed assets, the mean value of business equity is more than twice as large and the value of stocks is increased by 45% when the bracket information is used in imputation. The bias in predicting missing values is much larger among nonhousing assets. Across all imputed nonhousing assets, the estimated mean values are increased by 27% when the bracket information is used in imputation. This contrasts sharply with only a 2% expansion in mean imputed housing assets from knowing the value lies within the brackets. While the choice of an imputation pool is critical for nonrespondents, its impact is obviously attenuated in more complete samples that include respondents who answered asset questions or who did not possess the asset. In the full AHEAD sample, mean nonhousing wealth is still 8% larger when the bracket pools are used.

#### THE DISTRIBUTION OF WEALTH AMONG OLDER AMERICANS

Disparities in wealth typically far exceed those using wages or income, implying that asset:income ratios increase rapidly with income. In this section, I have documented the size of these wealth disparities, which may flow from three sources. At the front end, wealth differences can be perpetuated across generations as better-off parents give larger financial inheritances to their children. Similarly, the desire and ability to leave bequests to one's own children can further differentiate asset accumulation by socioeconomic class. In between, peo-

Table 5. Mean Net Worth by Race and Ethnicity

	All	White	Black	Hispanics
Total net worth	\$164,159	\$179,511	\$46,009	\$59,214
Home equity	67,448	72,283	30,239	39,610
Financial assets	58,322	65,116	6,040	8,355
Real assets	36,549	39,948	10,393	11,172

Table 6. Percentile Distribution of Total Net Worth and Financial Assets

Percentile	All	White	Black	Hispanics
Total				
10	150	765	0	0
20	8,000	13,000	0	0
30	28,005	38,000	700	0
50	77,800	90,000	17,000	14,400
70	154,000	170,050	45,000	47,000
90	384,000	413,000	114,600	138,000
95	618,999	655,000	182,000	226,000
Financial Assets				
10	0	0	0	0
20	0	157	0	0
30	600	1500	0	0
50	8,000	10,500	0	0
70	36,000	45,000	1,000	750
90	152,000	172,500	11,000	14,600
95	275,000	300,000	32,300	45,000

ple may save at different rates and those less well off may save at lower rates than the well-to-do. Indeed, a major research puzzle is why the poor seem to save so little. Such savings differences could result from lower permanent income or poorer health, differences in taste operating through time and risk preferences, high old-age income replacement rates through social insurance and pension programs, more extensive family support networks, and asset tests in means-tested social insurance programs that discourage asset possession. Fortunately, AHEAD will eventually have data relating to all the factors mentioned in this paragraph.

Table 5 presents AHEAD estimates of mean net worth by race and ethnicity. Race and ethnic disparities are enormous, far outdistancing any income differences that exist among these groups. For every dollar of wealth an older White household has, Black households have 26 cents, and Hispanic households have a third as much wealth as their White counterparts. Whites have more assets in all major subcategories, but their advantage is smallest in home equity and largest in financial assets. Stunningly low levels of financial assets among minority households are also revealed in this table. While minority households have almost half as much home equity as Whites do, White financial assets exceed those held in minority households by a factor of almost 10 to one. These more liquid financial assets may be a better index of the resources a household has on hand to meet emergencies.

Table 6 highlights the extent of wealth inequality by listing net worth at selected percentiles of the wealth distribution. In contrast to a mean wealth of \$164,159, the average or median

Table 7. Comparison of Income and Net Worth Inequality (Percentiles Relative to Median)

Percentile	Income		Net Worth	
	White	Black	White	Black
10	.40	.55	.01	0
20	.53	.65	.14	0
30	.67	.78	.42	.04
40	.80	.87	.69	.36
50	1.00	1.00	1.00	1.00
60	1.26	1.30	1.36	1.58
70	1.60	1.69	1.89	2.65
80	2.00	1.95	2.74	4.09
90	2.87	3.09	4.58	6.74
95	4.00	3.90	7.38	10.71

household has \$77,800, a reflection of a severely skewed wealth distribution. The top 10% of the population in this age group possesses about 10% of the wealth, and the top 5% control about 27% of the wealth. While there are many older households with little wealth to tap into during difficult times, these data also remind us that there coexist many other older households who are among the most affluent in the country. The enormous wealth inequality in America also has little to do with race or ethnic issues. Even among Whites, wealth disparities are large. White households at the 90th percentile have 60 times more wealth than White households at the 10th percentile.

Inequality is even more pronounced when the focus is limited to financial wealth holdings where half of this population group holds about 1% of all financial wealth. Neither the average older Black household nor the average older Hispanic household has any financial wealth at all. Even the bottom third of older White families has less than \$2,000 in liquid assets at their disposal, and one in five has less than \$200.

A useful way to highlight the extreme degree of wealth inequality is to place it alongside household income inequality in this age group. Table 7 accomplishes this comparison by expressing percentile values of income and assets relative to their median values. Considerably more variation exists among older households in their wealth than in their incomes. Incomes of those in the highest 10th percentile are less than three times the income of the median White household, while the wealth of those in the top 10th percentile is more than seven times as large as the median White household.

However, it is not simply a few very wealthy households that dominate the distribution. Contrary to popular perceptions, this greater wealth variation compared to income is particularly acute below the median. Compared to White households in the bottom 10th percentile, median White incomes are 2.5 times larger, while median wealth is 100 times larger. There are a substantial number of older households with very little wealth to speak of.

This much sharper wealth dispersion compared to income has strong implications about how one interprets the underlying source of racial differences in wealth. If we are to examine whether large racial income differences could account for the far larger racial wealth deficits, Blacks must be compared to Whites who have similar incomes. That comparison is provided in Table 8, in which the first two columns match Blacks

Table 8. Income Percentile Adjusted Net Worth

Black Income Percentile	Matching White Income Percentile	Black Net Worth (\$)	White Net Worth (\$)
10	04	0	0
20	06	0	0
30	10	700	765
40	14	6,100	3,500
50	19	17,000	10,804
60	30	27,000	38,000
70	43	45,000	70,000
80	49	69,500	86,000
90	70	114,600	170,050
95	79	182,000	236,500

at selected percentiles with the White percentile that includes White households with the same income. For example, the median Black household income is equivalent to that of Whites in the 19th percentile of the White household income distribution. The final two columns of Table 8 then compare percentiles of Black wealth with White wealth evaluated at the matching White income percentile. Since median Black income is equivalent to Whites in the 19th percentile, these final two columns would compare median Black wealth to the wealth in the 19th percentile of the White wealth distribution.

This comparison is extremely revealing about the role of race in the inequality of wealth. While the median Black has only 18% of the wealth of the median White, these income-adjusted numbers indicate that the median Black household actually has slightly more wealth than White households with comparable incomes. Indeed, these racial wealth deficits actually favor Black households at or below the median. These numbers suggest that the very low past savings of middle-income and poor Blacks are not, at their core, a racial issue. In spite of all the talk about distinct cultural histories that may explain why some ethnic or racial groups do not save, there is little evidence in favor of such a view. Instead, the fundamental question is why low-income people save so little no matter what their race or ethnic background. For Black incomes above the median, Black accumulated wealth is somewhat lower than that of comparable Whites. However, even these Black wealth deficits (averaging about 70% of Whites above the median) are considerably smaller than the raw wealth differences. Moreover, high Black incomes may be only temporarily high, implying that an overstatement of Black permanent income above the median may account for part of the remaining racial differences.

What about depletion of assets during old age? Table 9 lists mean and median wealth levels of the AHEAD households arranged by their birth cohort. Whether mean or medians are used as the yardstick, wealth levels decline sharply with age, and they do so at an accelerating rate. In the cross-section, median wealth falls by 4% a year among those in their early 70s compared to those in their late 70s. How should one interpret this wealth decline with age among older households? A tempting interpretation is that this negative age gradient reflects asset depletion in old age as medical expenditures mount and incomes fall. While the asset depletion hypothesis

Table 9. Wealth by Birth Cohort

Birth Cohort	(Ages)	Mean	Median
1919-1923	(71-75)	201,227	101,000
1914-1918	(76-80)	169,719	82,500
1909-1913	(81-85)	126,085	60,000
pre-1909	(86+)	97,012	35,500

is plausible, there are some quantitatively large biases in cross-sectional wealth profiles that caution against jumping too quickly to a life-cycle interpretation of the age gradient.

One key source of this bias reflects the substantial growth in wealth across birth cohorts that will tilt the cross-sectional age-wealth profiles downward. Using Survey of Income and Program Participation (SIPP) data, Venti and Wise (1994) report that a conservative estimate of across-cohort personal financial wealth growth for 76-year-olds was 2.4% per year. A countervailing bias results from differential wealth mortality with age. The well-established negative correlation of wealth and mortality (see Lillard, Brien, & Panis, 1993) implies that the survivors to the next age will, on average, be wealthier, thus biasing the cross-sectional age profile upward. Because cross-sectional data cannot discriminate among these important hypotheses, a resolution must await subsequent waves of AHEAD.

Poor health is a pervasive risk that may limit the ability of older households to hold onto their previously accumulated wealth. Debates about the direction of causation have made conclusions about the relation of wealth and health of older populations difficult to pin down. It is known that healthier households are wealthier ones. Is this true simply because higher incomes lead to better health? Or does poor health restrict a family's ability to accumulate assets because of their prior limited ability to work or because of rising medical expenses? Or, perhaps neither direction of influence is important, and the association merely reflects some unobserved factor that makes some people healthier and wealthier. Even to try to answer such questions requires panel data (to average out individual differences) as well as good health and wealth information to isolate the reasons for the association. AHEAD's potential is that answering this sort of fundamental scientific question may now be feasible.

The real value of AHEAD in understanding the health-wealth nexus will be realized only in subsequent rounds as the dynamics of the process unfolds. However, an advantage already revealed in the baseline is that the detailed health module was given to both spouses. Although typically done because of data limitations, it is no more justified to relate household outcomes only to the health of one spouse than to define household income using only one member's income. Episodes of poor health of either spouse may deplete family resources. In addition, families may be better able to cope with the caregiving requirements for a person in fair or poor health if the spouse is in very good or excellent health. To examine this joint distribution, Table 10 presents household wealth for married couples by the health of each spouse. While not without the odd exception, the pattern is remarkably consistent and quantitatively strong; an increase in the

Table 10. Median Net Worth by Health Status of Spouses

Health of Financial Respondent	Health of Spouse				
	Excellent	Very Good	Good	Fair	Poor
Excellent	285,000	212,000	170,800	192,500	103,500
Very good	174,300	233,000	168,000	132,000	123,800
Good	201,000	185,000	143,700	117,000	62,000
Fair	293,000	129,000	89,500	70,500	52,000
Poor	65,483	84,000	87,000	36,700	41,000

health of either spouse is strongly positively correlated with household wealth. Arrayed only against the health of the financial respondent, wealth varies by a factor of about four to one as the health index moves from poor to excellent health. Table 10 demonstrates, however, that net worth varies by seven to one when the health index moves from both spouses being in poor health to both being in excellent health.

A critical component of how joint spousal health affects savings behavior depends on the correlation in the spouses' health outcomes. For a number of plausible reasons, this correlation is likely to be positive. Not only are spouses more likely to be closer in age (and hence face similar aging-related health risks), they have shared for some period of time similar economic, social, and health environments. AHEAD data indicate that this correlation is indeed strongly positive. For example, while only 13% of financial respondents report themselves to be in poor health, the odds increase to one in three if the spouse is also in poor health. Similarly, on the other extreme of the health spectrum, one in 10 financial respondents report themselves to be in good health, a ratio that doubles if the spouse is in excellent health.

Outside the life-cycle approach, the savings motive that has received the most attention involves bequests (Abel, 1987; Bernheim, 1987; Bernheim, Shleifer, & Summers, 1985; Hurd, 1987). An examination of bequests is particularly salient in AHEAD because it contains the age group in which bequest decisions and plans are being or have already been made. In light of AHEAD's extensive modules on intergenerational transfers, a rich set of tests of the importance of bequests may be available. AHEAD respondents were asked to quantify the likelihood that they will receive and give major help in the future. They were asked whether it was probable that they would leave an inheritance, and, if yes, whether that inheritance would exceed \$10,000 or \$100,000. These probabilities were quantified using scales from zero to 100 where the end point zero equates to no chance and 100 to absolutely certain. Table 11.A lists the percent distribution of cases, and Table 11.B arrays these probabilities against household wealth.

Before turning to the bequest issue, we should consider the prospects of giving or receiving major financial help. A large fraction of respondents neither expects to give nor receive major financial help during the next 10 years. These low expectations are especially stark on the receiving end. While 7 in 10 respondents are absolutely certain that they will not receive major financial help during the next decade, only one in 20 assigns a probability of 80% or more that they will receive such help. The wealth association reflects either the ability of the givers to contribute or the need of the receivers. The

Table 11. Distribution<sup>a</sup> of Cases (A) and Mean Net Worth (B) by Transfer Probability Scale

Probability	Give Help	Receive Help	Leave Inheritance	Leave Inheritance	Leave Inheritance
				>\$10,000	>\$100,000
(A) Distribution of Cases					
0	57.1	70.9	29.7	37.4	66.9
1-39	19.0	15.7	11.0	5.4	4.5
40-69	13.6	7.6	15.2	8.6	6.7
70-99	4.6	2.3	12.5	9.2	5.4
100	5.7	3.4	31.6	39.4	16.5
(B) Mean Net Worth					
0	\$128,315	\$196,937	\$47,838	\$49,937	\$51,404
1-39	220,897	180,683	94,461	86,472	202,779
40-69	224,405	91,347	144,277	131,739	253,327
70-99	288,936	69,005	274,894	224,538	374,424
100	315,369	105,829	305,379	310,315	490,071

<sup>a</sup>Missing, don't know, and refusals are not included in these distributions.

wealthiest AHEAD households are the most likely to give and the least likely to receive financial assistance.

AHEAD bequest data also point to a very bifurcated bequest motive. At one extreme, large fractions of AHEAD respondents appear to have no significant operative bequest motive. For example, 30% of AHEAD households report that they definitely will not leave an inheritance, and about half cite a probability less than half that they will leave any inheritance at all. Similarly, two-thirds of all respondents are certain that they will not leave a large inheritance (over \$100,000), and only one in six are just as certain that they will leave such a large inheritance. This evidence suggests that for most households over age 70, the prospects of large financial bequests to their children are simply not on the horizon. These data simultaneously imply that the children of these AHEAD respondents, roughly a generation younger, should not anticipate large financial transfers from their elderly parents.

Although the typical elderly household will not leave a large financial estate, it is equally important to remember that inheritances are not inconsequential events for a significant minority of these households. Approximately one in every four households claim that the chances that they will bequeath an inheritance of more than \$100,000 are more than 50-50. Table 11.B demonstrates that prior asset accumulation is strongly related to these inheritances expectations. Households who are sure that they will not leave an inheritance have less than \$50,000 in net worth compared to the close to half a million households certain that they will bequeath at least \$100,000. Across all the inheritance scales listed in Table 11.B, a strong positive relation exists between current wealth and the likelihood and size of the prospective inheritance.

#### MULTIVARIATE MODELS OF WEALTH

This final section summarizes descriptive regressions of cross-sectional differences in wealth among older households. The models in Table 12 include as covariates most of the correlates of assets that have been presented previously in bivari-

Table 12. AHEAD Multivariate Model of Net Worth

Variable <sup>a</sup>	Mean		Median	
	Coefficient	t-statistic	Coefficient	t-statistic
Family income quintile				
Second	4,283	0.35	5,900	2.96
Third	7,477	0.54	16,086	5.59
Fourth	20,068	1.32	30,585	7.92
Fifth	213,839	12.7	141,750	17.1
Health status (male)				
Excellent	64,501	2.85	7,191	1.07
Very good	45,034	2.32	13,328	2.10
Good	7,428	0.41	10,283	2.85
Fair	19,207	1.01	5,903	1.53
Health status (female)				
Excellent	30,259	1.68	15,666	2.74
Very good	19,812	1.31	12,343	4.49
Good	8,490	0.59	9,209	3.37
Fair	14,823	1.01	3,089	1.56
Education				
12-15 yrs	15,872	1.73	5,544	2.37
College	23,505	1.58	28,139	4.66
Law/MD/PhD	308,596	8.58	171,272	2.14
Region				
Northeast	-8,337	0.77	-4,435	-2.79
Midwest	4,623	0.46	875	0.44
West	41,039	3.44	7,822	2.03
Inheritances and Bequests				
Probability will give major financial help	468	3.18	43	0.98
Probability will receive major financial help	-242	1.33	-112	-4.22
Probability will leave inheritances	448	2.36	192	4.16
Probability will leave inheritances worth more than \$10,000	248	0.91	244	3.08
Probability will leave inheritances worth more than \$100,000	2,188	14.6	1,280	13.6
Black	-30,375	2.55	-10,234	-5.74
Hispanic	-29,513	1.70	-11,523	-5.79
R <sup>2</sup>	.257		.279	

<sup>a</sup>Regressions also include controls for birth cohorts, missing value indicators, and marital status.

ate form. Because of the extreme positive skew to the wealth distribution, mean and median regression models are included in this table. "Boot-strapped" estimates of standard errors are calculated in the median model.

The results will be only briefly described, in part because many of the multivariate estimates simply mimic those already described in two-way tabulations. Table 12 indicates a \$214,000 difference in mean net worth between households in the highest and lowest family income quintiles. Virtually all this wealth-household in-

come gradient, however, reflects a disparity between the highest and next highest quintile of household income. Given that for this age group I am essentially measuring lifetime differences in accumulations, these estimates imply remarkably small wealth disparities until we enter the top tier of the income distribution. This highly non-linear wealth-income gradient highlights one of the most central public policy issues about the economic well-being of the elderly. Why have so many low- and middle-income elderly households saved so little during their lifetime?

The current health status of both men and women remains a powerful covariate of household wealth. The association of male and female self-reported health appears to be quantitatively similar in the median model, whereas high levels of male health are associated with large mean household wealth. This finding suggests that for the economic status of the typical older household, it may not matter whose health is not up to par, but male health status may be more central for a few relatively high-wealth households. It is important to remember that the results presented in Table 12 do not answer the critical issue of the direction of causality between economic status and health. Both directions of causality are equally plausible a priori, and the resolution of this critical issue must await multiple waves of the survey (Smith & Kington, 1995).

Another important substantive issue lies in the set of AHEAD expectation questions about intended inheritances and transfers. Mean current assets are much more strongly related to the likelihood of giving than receiving help, but this ranking reverses for the median household. For example, a 10-percentage-point increase in the probability of giving (or receiving) help is associated with about \$4,680 more (or \$2,420 less) additional mean assets. For the median household, however, current assets are much more sensitive to the probability of receiving help. The expected probabilities of leaving inheritances are important, especially in explaining the large asset holdings of a few households. Moving from being absolutely certain that one will not leave an inheritance to being absolutely certain that one will, increases assets by almost \$50,000. More important, complete certainty that one will leave an inheritance worth more than \$100,000 is associated with a wealth level that is \$218,800 higher. Intergenerational bequests may take the form of both human capital investments as well as financial transfers. With declining rates of return to human capital investments, families may initially specialize in these investments so that financial bequests will kick in only at higher income levels (Becker, 1981).

How well does the collection of these covariates account for the enormous racial and ethnic differences in household wealth? The remaining racial wealth deficit is \$30,375, a considerable improvement over the \$133,000 of unadjusted racial wealth differential presented in Table 5. If Black households had the same characteristics as White households, their total net worth would more than double, increasing from \$46,000 to \$149,000. As a percentage of White wealth, Black wealth would increase from 27% to 82%. Similarly, the original Hispanic disparity of \$121,000 was reduced to \$30,000. As a percentage of White household wealth, Hispanic wealth almost tripled, from 33% to 82%. The encouraging side of the message is that a significant number of the racial and ethnic

differences can be "explained" by some simple measured covariates available in the AHEAD survey.

#### CONCLUSION

This research examined the distribution of wealth among American households with a member who was at least 70 years old. While there has traditionally been considerable skepticism among gerontologists about the willingness and ability of such households to accurately report their wealth holdings, results reported here are based on the baseline AHEAD survey and suggest that this skepticism should be reevaluated. Using the innovation of follow-up bracket responses for initial nonresponses to wealth questions, item nonresponse to asset questions was reduced by about 80%. These bracket questions produce a more accurate measure of unknown asset values, increasing our estimates of mean imputed assets by 8%, compared to estimates obtained when the bracket information was ignored.

Household wealth is unevenly distributed among older American households. Those households in the top 10th percentile of the wealth distribution have 2,500 times as much wealth as those in the lowest 10th percentile. These sharp wealth disparities relative to income dispersion are the primary reason why older minority households have accumulated so little wealth when compared to older White households. Evaluated at the same place in the income distribution, wealth levels of White and minority households are quite similar. In addition, one of the strongest correlates of wealth is the self-reported health of both spouses. Wealth varies by a factor of seven to one when both spouses say they are in poor health, compared to when they say that they are in excellent health. Finally, the AHEAD data on bequest intentions suggest a very bifurcated bequest motive. Most older households plan to bequeath either a modest or no financial inheritance, but

about one-quarter of these households expect to leave inheritances worth \$100,000 or more.

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