## Working Paper No. 300

# Recent Trends in Wealth Ownership, 1983-1998

by
Edward N. Wolff
Jerome Levy Economics Institute

April 2000

Most studies have looked at the distribution of well-being or its change over time in terms of income. However, family wealth is also an indicator of well-being, independent of the direct financial income it provides. There are four reasons. First, owner-occupied housing provides services directly to their owner. Second, wealth is a source of consumption, independent of the direct money income it provides, because assets can be converted directly into cash and thus provide for immediate consumption needs. Third, the availability of financial assets can provide liquidity to a family in times of economic stress, such as occasioned by unemployment, sickness, or family break-up. Fourth, in a representative democracy, the distribution of power is often related to the distribution of wealth.

Previous work (see Wolff, 1994, 1996, and 1998), using the 1983 and 1989 Surveys of Consumer Finances, presented evidence of sharply increasing household wealth inequality between 1983 and 1989, with both rising mean and median wealth holdings. With the release of the Federal Reserve Board's 1998 Survey of Consumer Finances, it is now possible to update some of my earlier figures on the ownership of household wealth to 1998. The paper is particularly timely in light of the recent run-up in stock prices, which has created the impression that all families are doing well in terms of household wealth accumulation.

Eight issues are addressed:

1. **Have average wealth holdings grown since 1989?** . Despite the recent surge in stock prices, I find that most American families have actually seen slow increases in their net worth since 1989. Indeed, the only segment of the population that experienced large gains in wealth since 1983 is the richest 20 percent of households.

2. **Has the concentration of wealth increased since 1989?** Wealth inequality continued to rise from 1989 to 1998, though at a slower pace than during the 1980s.

3. **Is the composition of household wealth changing?** Despite the buoyant economy over the last 7 years, overall indebtedness continues to rise among American families. Stocks and pensions accounts have also risen as a share of total household wealth, with offsetting declines in bank deposits, investment real estate, and financial securities.

4. **Have racial disparities in household wealth narrowed?** The ratio of mean wealth between African-American and white families was very low in 1983, at 0.19, and has barely budged since, though median wealth among African-American families has advanced relative to white families.

5. **Is wealth growing faster for younger or older households?** In 1983, the richest households were those headed by persons between 45 and 69 years of age, though between 1983 and 1989, wealth shifted away from this age group toward both younger and older age groups. However, the relative wealth holdings of both younger and older families have fallen since 1989.

6. **Which income classes are gaining most in wealth?** Though wealth and income are positively correlated among households, the correlation is far from perfect and there exists a large variation of wealth holdings within income class. One issue that generated some controversy over the last few years is that the largest wealth gains from 1983 to 1989 were being received by middle income families. Since 1989, the situation has reversed and non-elderly middle income families actually experienced the largest losses in wealth.

7. **Are financial savings falling for the middle class?** One potential reason for the growing "anxiety" of the middle class may be its falling financial reserves. In 1989 middle income families could sustain their normal consumption for only 3.6 months out of their financial savings. The situation has actually deteriorated during the

1990s.

8. **Do other data sources yield similar estimates of household wealth?** There are two other major sources of time series data on household wealth for the U.S. -- the U.S. Bureau of the Census' Survey of Income and Program Participation (SIPP) and the Institute for Social Research's Panel Survey of Income Dynamics (PSID). They show different trends in household wealth over the 1980s and 1990s and I will try to reconcile my findings with these.

I first discuss the measurement of household wealth and describe the data sources used for this study (Section 1). Section 2 presents results on time trends in average wealth holdings, section 3 on changes in the concentration of household wealth, and Section 4 on the composition of household wealth. Section 5 investigates changes in wealth holdings by race; section 6 reports on changes in the age-wealth profile, as well as on wealth by age and marital status; and Section 7 examines wealth differences by income class, including the sustainable consumption out of financial reserves. In Sections 8 and 9, I report on alternative estimates of household wealth derived from different sources and from the SCF. A brief summary and concluding remarks are provided in Section 10.

DATA SOURCES AND METHODS

The data sources used for this study are the 1983, 1989, 1992, 1995, and 1998 Survey of Consumer Finances (SCF) conducted by the Federal Reserve Board. Each survey consists of a core representative sample combined with a high-income supplement. The supplement is drawn from the Internal Revenue Service's Statistics of Income data file. For the 1983 SCF, for example, an income cut-off of $100,000 of adjusted gross income is used as the criterion for inclusion in the supplemental sample. Individuals were randomly selected for the sample within pre-designated income strata. The advantage of the high-income supplement is that it provides a much "richer" sample of high income and therefore potentially very wealthy families. However, the presence of a high-income supplement creates some complications, because weights must be constructed to meld the high-income supplement with the core sample.

The SCF also supplies alternative sets of weights. For the 1983 SCF, I have used the so-called "Full Sample 1983 Composite Weights" because this set of weights provides the closest correspondence between the national balance sheet totals derived from the sample and the those in the Federal Reserve Board Flow of Funds. For the same reason, results for the 1989 SCF are based on the average of SRC-Design-S1 series (X40131 in the database itself) and the SRC Designed Based weights (X40125); and results for the 1992, 1995, and 1998 SCF rely on the Designed-Base Weights (X42000) -- a partially design-based weight constructed on the basis of original selection probabilities and frame information and adjusted for nonresponse. In the case of the 1992 SCF, this set of weights produced major anomalies in the size distribution of income for 1991. As a result, I have modified the weights somewhat to conform to the size distribution of income as reported in the Internal Revenue Service's Statistics of Income (see Wolff, 1996, for details on the adjustments).

The Federal Reserve Board imputes information for missing items in the SCF. However, despite this procedure, there still remain discrepancies for several assets between the total balance sheet value computed from the survey sample and the Flow of Funds data. As a result, the results presented below are based on my adjustments to the original asset and liability values in the surveys. This takes the form of the alignment of asset and liability totals from the survey data to the corresponding national balance sheet totals. In most cases, this entails a proportional adjustment of reported values of balance sheet items in the survey data (see Wolff, 1987, 1994, 1996, and 1998 for details). It should be noted that the alignment has very little effect on the measurement of wealth inequality -- both the Gini coefficient and the quantile shares. However, it is important to make these adjustments when comparing changes in mean wealth both overall and by asset type.

The principal wealth concept used here is marketable wealth (or net worth), which is defined as the current value of all marketable or fungible assets less the current value of debts. Net worth is thus the difference in value between total assets and total liabilities or debt. Total assets are defined as the sum of: (1) the gross value of owner-occupied housing; (2) other real estate owned by the household; (3) cash and demand deposits; (4) time and savings deposits, certificates of deposit, and money market accounts; (5) government bonds, corporate bonds, foreign bonds, and other financial securities; (6) the cash surrender value of life insurance plans; (7) the cash surrender value of pension plans, including IRAs, Keogh, and 401(k) plans; (8) corporate stock and mutual funds; (9) net equity in unincorporated businesses; and (10) equity in trust funds. Total liabilities are the sum of: (1) mortgage debt, (2) consumer debt, including auto loans, and (3) other debt.

This measure reflects wealth as a store of value and therefore a source of potential consumption. I believe that this is the concept that best reflects the level of well-being associated with a family's holdings. Thus, only assets that can be readily converted to cash (that is, "fungible" ones) are included. As a result, consumer durables such as automobiles, televisions, furniture, household appliances, and the like, are excluded here, since these items are not easily marketed or their resale value typically far understates the value of their consumption services to the household. Also excluded is the value of future social security benefits the family may receive upon retirement (usually referred to as "social security wealth"), as well as the value of retirement benefits from private pension plans ("pension wealth"). Even though these funds are a source of future income to families, they are not in their direct control and cannot be marketed. I also use a more restricted concept of wealth, which I call "financial wealth." This is defined as net worth minus net equity in owner-occupied housing. Financial wealth is a more "liquid" concept than marketable wealth, since one's home is difficult to convert into cash in the short term. It thus reflects the resources that may be immediately available for consumption or various forms of investments.

## WEALTH HAS RISEN SLOWLY FOR THE AVERAGE AMERICAN HOUSEHOLD

Perhaps, the most striking result from Table 1 is that median wealth (the wealth of the household in the middle of the distribution) was only 4 percent greater in 1998 than in 1989. After rising by 7 percent between 1983 and 1989, median wealth fell by 17 percent from 1989 to 1995 and then rose by 24 percent from 1995 to 1998. One reason for the slow growth in median wealth is evident from the third row of Panel A, which shows that the percentage of households with zero or negative net worth increased from 15.5 percent in 1983 to 18.0 percent in 1998. The share of household with net worth less than $5,000 and less than $10,000 (both in 1995 dollars) also rose over the period.

Mean wealth is much higher than the median -- $270 versus $61 thousand in 1998. This implies that the vast bulk of household wealth is concentrated in the richest families. Mean wealth also showed a sharp increase from 1983 to 1989 followed by a rather precipitous decline from 1989 to 1995 and then, buoyed largely by rising stock prices, another surge in 1998. Overall, it was 27 percent higher in 1998 than in 1983 and 11 percent larger than in 1989.

Median financial wealth was less than $18,000 in 1998, indicating that the average American household had very little savings available for its immediate needs. The time trend for financial wealth is similar to that for household net worth. Median financial wealth rose by 18 percent between 1983 and 1989, then plummeted by 24 percent from 1989 to 1995, and then climbed in 1998, for a net increase of 51 percent. Between 1983 and 1995, the fraction of households with zero or negative financial wealth rose expanded 26 to 29 percent and then fell back to 26 percent in 1998, partly explaining the deterioration of median financial wealth.

Mean financial wealth, after increasing by 18 percent from 1983 to 1989, declined by 8 percent between 1989 and 1995, and then jumped in 1998, for a net gain of 38 percent. The bull market was largely responsible for the sharp growth in financial wealth between 1995 and 1998.

Median household income, after falling by 5 percent between 1983 and 1989, grew by 6 percent from 1989 to 1998, for a net change of only one percent. Mean income rose by 4 percent from 1983 to 1989, declined by 5 percent from 1989 to 1995, and then climbed by 11 percent in 1998, for a net change of 11 percent.

In sum, the results point to stagnating living conditions for the average American household, with median net worth growing by only 4 percent and median income by 5 percent between 1989 and 1998.

## WEALTH INEQUALITY IS STILL HIGHER THAN IN 1983

The calculations shown in Table 2 indicate an extreme concentration of wealth in 1998. The top 1 percent of families (as ranked by marketable wealth) owned 38 percent of total household wealth, and the top 20 percent of households held 83 percent. Financial wealth is even more concentrated, with the richest 1 percent (as ranked by financial wealth) owning 47 percent of total household financial wealth and the top 20 percent owning 91 percent. The top 1 percent of families (as ranked by income) earned 17 percent of total household income in 1997 and the top 20 percent accounted for 56 percent -- large figures but lower than the corresponding wealth shares.

The figures also show that the wealth inequality, after rising steeply between 1983 and 1989, increased at a slower pace from 1989 to 1998. The share of wealth held by the top 1 percent rose by 3.6 percentage points from 1983 to 1989 and the Gini coefficient (a measure of overall inequality) increased from 0.80 to 0.83. Between 1989 and 1998, the share of the top percentile grew by a more moderate 0.7 percentage points but the share of the next 9 percentiles fell by 0.4 percentage points and that of the bottom two quintiles grew by 0.9 percentage points, so that overall, the Gini coefficient fell from 0.83 to 0.82.

The trend is similar for the inequality of financial wealth. The share of the top one percent gained 4.0 percentage points and the Gini coefficient increased from 0.89 to 0.93 between 1983 and 1989. In the ensuing nine years, the share of the richest one percent grew by another 0.4 percentage points but the share of the next 19 percentiles declined, as did the share of the second quintile, and that of the bottom two quintiles grew by 1.3 percentage points, so that the Gini coefficient fell from 0.93 to 0.89. However, financial wealth was still more unequally distributed in 1998 than in 1983.

Income inequality increased sharply between 1982 and 1988. However, there was very little change between 1988 and

1997. While the share of the top one percent remained at 16.6 percent of total income, the share of the next 19 percent increased by 0.6 percentage points and the share of the other quintiles lost, so that the Gini coefficient grew slightly, from 0.52 to 0.53.

Despite the seemingly modest increase in overall wealth inequality during the 1990s, the decade witnessed a near explosion in the number of very rich households (see the Addendum to Table 2). The number of millionaires climbed by 54 percent between 1989 and 1998, the number of "penta-millionaires" ($5,000,000 or more) more than doubled, and the number of "deca-millionaires" ($10,000,000 or more) almost quadrupled. Much of the growth occurred between 1995 and 1998 and was directly related to the surge in stock prices.

Table 3 shows the absolute changes in wealth and income between 1983 and 1998. The results are even more striking. Over this period, the largest gains in relative terms were made by the wealthiest households. The top one percent saw their average wealth (in 1998 dollars) rise by 3.0 million dollars or by 42 percent. The remaining part of the top quintile, as well as the second quintile, experienced increases from 21 to 24 percent. While the middle quintile gained 10 percent, the poorest 40 percent lost 76 percent! By 1998, their average wealth had fallen to $1,100.

Another way of viewing this phenomenon is afforded by calculating the proportion of the total increase in real household wealth between 1983 and 1998 accruing to different wealth groups. This is computed by dividing the increase in total wealth of each percentile group by the total increase in household wealth, while holding constant the number of households in that group. If a group's wealth share remains constant over time, then the percentage of the total wealth growth received by that group will equal its share of total wealth. If a group's share of total wealth increases (decreases) over time, then it will receive a percentage of the total wealth gain greater (less) than its share in either year. However, it should be noted that in these calculations, the households found in each group (say the top quintile) may be different in the two years.

The results indicate that the richest one percent received 53 percent of the total gain in marketable wealth over the period from 1983 to 1998. The next 19 percent received another 39 percent, so that the top quintile together accounted for 91 percent of the total growth in wealth, while the bottom 80 percent accounted for 9 percent.

The pattern of results are quite similar for financial wealth. The average financial wealth of the richest one percent grew by 62 percent and that of the next richest four percent by 23 percent, and that of the next richest 5 percent by 37 percent. However, in the case of financial wealth, the second and third quintiles also showed substantial gains, of 54 and 63 percent, respectively, and the bottom quintiles also showed positive growth. Of the total growth in financial wealth between 1983 and 1998, 56 percent accrued to the top one percent and 89 percent to the top quintile, while the bottom 80 percent collectively accounted for only 11 percent.

A similar calculation using income data reveals that the greatest gains in real income over the period from 1982 to 1997 were households in the top one percent of the income distribution, who saw their incomes grow by 44 percent. Mean incomes increased by 21 percent for the next highest four percent and by 10 percent for the next highest five percent. Groups in the bottom 80 percent of the income distribution all experienced less than 6 percent real growth in income. Of the total growth in real income between 1982 and 1997, 47 percent was received by the top one percent and 88 percent by the top quintile, with remaining 12 percent distributed among the bottom 80 percent.

These results indicate rather dramatically that the growth in the economy during the period from 1983 to 1998 was concentrated in a surprisingly small part of the population -- the top 20 percent and particularly the top one percent.

## STOCKS REMAIN HIGHLY CONCENTRATED IN THE HANDS OF THE RICH

The portfolio composition of household wealth shows the forms in which households save. In 1998, owner-occupied housing was the most important household asset in the breakdown shown in Table 4, accounting for 29 percent of total assets. However, net home equity -- the value of the house minus any outstanding mortgage -- amounted to only 18 percent of total assets. Real estate, other than owner-occupied housing, comprised 10 percent, and business equity another 18 percent.

Demand deposits, time deposits, money market funds, CDs, and the cash surrender value of life insurance made up 10 percent and pension accounts 12 percent. Bonds and other financial securities amounted to 2 percent; corporate stock, including mutual funds, to 15 percent; and trust equity to a little less than 4 percent. Debt as a proportion of gross assets was 15 percent, and the debt-equity ratio (the ratio of total household debt to net worth) was 0.18.

There have been some notable trends in the composition of household wealth over the period between 1983 and 1998. The first is that pension accounts rose from 1.5 to 11.6 percent of total assets. This increase largely offset the decline in total liquid assets, from 15.3 to 9.6 percent, so that it is reasonable to conclude that households have substituted tax-free pension accounts for taxable savings deposits.

The second is that gross housing wealth remained almost constant as a share of total assets over this period. Moreover, according to the SCF data, the homeownership rate (the percent of households owning their own home, including mobile homes), after falling from 63.4 percent in 1983 to 62.8 percent in 1989, picked up to 66.3 percent in 1998. However, net equity in owner-occupied housing has fallen continuously, from 23.8 percent in 1983 to 18.2 percent in 1998.

The difference between the two series is attributable to the changing magnitude of mortgage debt on homeowner's property, which increased from 21 percent in 1983 to 37 percent in 1998. In fact, overall indebtedness increased over the period, with the debt-equity ratio leaping from 15.1 percent in 1983 to 19.4 percent in 1995, before falling off to 17.6 percent in 1998. Moreover, as we saw above, the fraction of household recording zero or negative net worth jumped from 15.5 percent in 1983 to 18.0 percent in 1998. However, if mortgage debt on principal residence is excluded, then the ratio of other debt to total assets actually fell off, from 6.8 percent in 1983 to 4.2 percent in 1998. One implication is that families are now using tax-sheltered mortgages and home equity loans to finance normal consumption rather than consumer loans and other forms of consumer debt.

The proportion of total assets in the form of other (non-home) real estate fell off sharply, from 15 percent in 1983 to 10 percent in 1998, as did financial securities, from 4.2 to 1.8 percent. Business equity fell slightly as a share of gross wealth over this period. These declines were largely offset by a rise in the share of corporate stock in total assets, from 9.0 to 14.8 percent, reflecting the bull market in corporate equities. However, still in 1998, corporate stocks ranked only third in total value in this breakdown, behind housing and business equity.

This tabulation provides a picture of the average holdings of all families in the economy, but there are marked class differences in how middle-class families and the rich invest their wealth. As shown in Table 5, the richest one percent of households (as ranked by wealth) invested almost 80 percent of their savings in investment real estate, businesses, corporate stock, and financial securities in 1998. Corporate stocks, either directly owned by the households or indirectly owned through mutual funds, trust accounts, or various pension accounts, comprised 29 percent by themselves. Housing accounted for only 8 percent of their wealth, liquid assets another 5 percent, and pension accounts 7 percent. Their ratio of debt to net worth was 3 percent and their ratio of debt to income was 49 percent.

Among the next richest 19 percent of U.S. households, housing comprised 29 percent of their total assets, liquid assets another 11 percent, and pension assets 15 percent. Forty-three percent of their assets took the form of investment assets -- real estate, business equity, stocks, and bonds -- and 24 percent was in the form of stocks directly or indirectly owned. Debt amounted to 13 percent of their net worth and 90 percent of their income.

In contrast, about 60 percent of the wealth of the middle three quintiles (60 percent) of households was invested in their own home in 1998. Another 24 percent went into monetary savings of one form or another and pension accounts. Together housing, liquid assets, and pension assets accounted for 84 percent of the total assets of the middle class. The remainder was about evenly split among non-home real estate, business equity, and various financial securities and corporate stock. Stocks directly or indirectly owned amounted to only 11 percent of their total assets. The ratio of debt to net worth was 51 percent, much higher than for the richest 20 percent, and their ratio of debt to income was 102 percent, also higher than the top quintile.

Almost all households among the top 20 percent of wealth holders owned their own home, in comparison to 73 percent of households in the middle three quintiles. Among homeowners in the latter group, 6 percent reported having a mobile home as their primary residence. Three-quarters of very rich households (in the top percentile) owned some other form of real estate (27 percent owned a vacation home), compared to 47 percent of rich households (those in the next 19 percent of the distribution) and 14 percent of households in the middle 60 percent. Eighty-four percent of the very rich owned some form of pension asset, compared to 78 percent of the rich and 49 percent of the middle. A somewhat startling 66 percent of the very rich reported owning their own business. The comparable figures are 28 percent among the rich and only 9 percent of the middle class.

Among the very rich, 92 percent held corporate stock, mutual funds, financial securities or a trust fund, in comparison to 72 percent of the rich and 27 percent of the middle. Ninety-three percent of the very rich reported owning stock either directly or indirectly, compared to 82 percent of the rich and 47 percent of the middle. If we exclude small holdings of stock, then the ownership rates drop off sharply among the middle three quintiles, from 47 percent to 34 percent for stocks worth $5,000 or more and to 28 percent for stocks worth $10,000 or more.

Another way to portray differences between middle class households and the rich is to compute the share of total assets of different types held by each group (see Table 6). In 1998 the richest one percent of households held half of all outstanding stock, financial securities, and trust equity, two-thirds of business equity, and 36 percent of investment real estate. The top 10 percent of families as a group accounted for about 90 percent of stock shares, bonds, trusts, and business equity, and about three-quarters of non-home real estate. Moreover, despite the fact that 48 percent of households owned stock shares either directly or indirectly through mutual funds, trusts, or various pension accounts, the richest 10 percent of households accounted for 79 percent of the total value of these stocks, only slightly less than its 85 percent share of directly owned stocks and mutual funds.

In contrast, owner-occupied housing, deposits, life insurance, and pension accounts were more evenly distributed among households. The bottom 90 percent of households accounted for about two-thirds of the value of owner-occupied housing, almost 50 percent of deposits and life insurance cash value, and 40 percent of the value of pension accounts. Debt was the most evenly distributed component of household wealth, with the bottom 90 percent of households responsible for 73 percent of total indebtedness.

There was relatively little change between 1983 and 1998 in the concentration of asset ownership, with three exceptions. First, the share of total stocks and mutual funds held by the richest 10 percent of households declined from 90 to 85 percent over this period, and their share of stocks directly or indirectly owned from 90 to 79 percent. Second, the proportion of total pension accounts held by the top 10 percent fell from 68 percent in 1983 to 51 percent in 1989, reflecting the growing use of IRAs by middle income families, and then rebounded to 60 percent in 1998 from the introduction of 401(k) plans and their adoption by high income earners. Third, the share of total debt held by the top 10 percent also fell from 32 to 27 percent.

THE RACIAL DIVIDE REMAINS UNCHANGED

Striking differences are found in the wealth holdings of different racial and ethnic groups. In Tables 7 and 8, households are divided into three groups: (i) non-Hispanic whites, (ii) non-Hispanic African-Americans, and (iii) Hispanics. In 1998, while the ratio of mean incomes between non-Hispanic white and non-Hispanic black households was a very low 0.49 and the ratio of median incomes was 0.54., the ratios of mean and median wealth holdings were even lower, at 0.18 and 0.12, respectively, and those of financial wealth still lower, at 0.15 and 0.03, respectively. The homeownership rate for black households was 46 percent in 1998, about two thirds the rate among whites, and the percentage of black households with zero or negative net worth stood at 27.4, double the corresponding percentage among whites.

Between 1982 and 1997, while the average real income of non-Hispanic white households increased by 13 percent and the median by 3 percent, the former rose by only 4 percent for non-Hispanic black households and the latter remained unchanged. As a result, the ratio of mean income fell from 0.54 to 0.49 and that of median income from 0.56 to 0.54. Between 1983 and 1998, average net worth in 1998 dollars rose for somewhat more for white than black households, so that the ratio fell from 0.19 to 0.18, whereas median wealth increased more among black households than among whites, so that the ratio increased from 7 to 12 percent.

Average financial wealth also increased somewhat more for black than white households over this period, so that the ratio rose from 13 to 15 percent. The median financial wealth of non-Hispanic black households also increased, from virtually zero in 1983 to a positive $1,200 in 1998, and the corresponding ratio also grew, from zero to 3 percent. On a more positive note, the homeownership rate of black households grew from 44.3 to 46.3 percent (and also rose relative to white households) and the percentage reporting zero or negative net worth fell from 34.1 to 27.4 percent (and likewise declined relative to white households).

The picture is generally brighter for Hispanics (see Table 8). The ratios of mean and median income between Hispanics and non-Hispanic whites in 1998 were 0.54 and 0.62, respectively -- higher than those between African-American and white households. The ratio of mean net worth was 0.25 and the ratio of mean financial wealth 0.20, both higher than the corresponding ratios between black and white households. However, the ratios of medians were 0.04 and 0.0, respectively, lower than those between blacks and whites. The Hispanic homeownership rate was 44 percent, less than that of non-Hispanic black households, and 36 percent of Hispanic households reported zero or negative wealth, compared to 27 percent of African-Americans.

Progress among Hispanic households over the period from 1983 to 1998 is also a mixed story. Both mean and median household income for Hispanics remained unchanged, so that the ratio of mean income dropped from 60 to 54 percent and that of median income from 66 to 62 percent. However, mean wealth almost doubled for Hispanic households and mean financial wealth grew more than four-fold, so that the ratio of mean net worth climbed from 16 to 25 percent and the ratio of mean financial wealth jumped from 7 to 20 percent. However, median wealth among Hispanics remained largely unchanged, as did median financial wealth (at zero!), so that the ratio of both median wealth and median financial wealth between Hispanics and non-Hispanic whites stayed the same. On the other hand, the homeownership rate among Hispanic households surged from 33 to 44 percent, and the percentage with zero or negative net worth fell from 40 to 36 percent.

Table 9 provides further details on the racial wealth gap, as well as stock ownership, among whites and

African-Americans in 1998. While the overall ratio of net worth was 0.18, the wealth ratio was somewhat higher when households are divided by income class. Interestingly, the ratio of net worth was lowest among poor households (under $15,000 of income), at 0.25; increased to 0.29 among lower-middle income households and to 0.46 among middle-income households ($25,000 to $50,000); and then fell of to 0.39 among the upper middle class and 0.29 among the rich ($75,000 or more of income).

While over half of white households owned stock, either directly or indirectly, the figure was 30 percent for African-American households. Disparities in the stock ownership rate persist even when households are classified into income class, though the difference attenuates among higher income households and among the rich ($75,000 or more of income) virtually disappears. On average, white households who hold stock own five times as much stock as African-American households. Here, again, when households are separated into income class, the ratios are somewhat higher (with one exception) but still relatively low. Indeed, even in the top income class of $75,000 or more, the ratio of average stock holdings between black and white owners is only 24 percent. As a result, while 23 percent of the total assets of white households are invested in stocks, the corresponding figure for African-American households is only 11 percent. These differences remain by income class though they are generally less marked than the overall discrepancy. Among middle-income households in particular, 14 percent of the assets of white households are tied up in stocks, compared to only 6 percent of the assets of black households.

What is also disturbing is that even in 1998, the respective wealth gaps between African-Americans and Hispanics on the one hand and non-Hispanic whites on the other were still much greater than the corresponding income gap. While the income ratios were 49 percent or greater, the wealth ratios were 25 percent or less. Median financial wealth among non-Hispanic black and Hispanic households was still virtually zero in 1998 and the percent with zero or negative net worth was still above 25 percent, in contrast to 15 percent among non-Hispanic white households (a difference that appears to mirror the gap in poverty rates). Thus, even through there have been some gains in narrowing the racial wealth gap, it still remained far greater than the income gap in 1998.

One important reason is differences in inheritances. According to my calculations from the SCF data, 24.1 percent of white households in 1998 reported receiving an inheritance over their life time, compared to 11.0 percent of black households, and the average bequest among white inheritors was 115 thousand dollars (present value in 1998) and only 32 thousand dollars among black inheritors. Thus, inheritances appear to play a vital role in explaining the large wealth gap, particularly in light of the fact that black families appear to save more than white families at similar income levels (see Blau and Graham, 1990, and Oliver and Shapiro, 1997, for example).

## THE YOUNG ARE GETTING POORER

As shown in Table 10, the cross-sectional age-wealth profiles of 1983, 1989, 1992, 1995, and 1998 generally follow the predicted hump-shaped pattern of the life-cycle model (see, for example, Modigliani and Brumberg, 1954). Mean wealth increases with age up through age 65 or so and then falls off. Financial wealth has an almost identical profile, though the peak is generally somewhat higher than for net worth. Homeownership rates also have a similar profile, though the fall-off after the peak age is much more attenuated than for the wealth numbers. In 1998, the wealth of elderly households (age 65 and over) averaged 59 percent higher than the non-elderly and their homeownership rate was 17 percentage points higher.

Despite the apparent similarity in the profiles, there have been notable shifts in the relative wealth holdings of age groups between 1983 and 1998. The relative wealth of the youngest age group, under 35 years of age, expanded from 21 percent of the overall mean in 1983 to 29 percent in 1989, plummeted to 16 percent in 1995 but rebounded to 22 percent in 1998; and that of households between 35 and 44 of age, after rising slightly from 71 percent in 1983 to 72 percent in 1989, dropped to 65 percent in 1995 but recovered to 68 percent in 1998. In contrast, the wealth of the oldest age group, age 75 and over, gained substantially, from only 5 percent above the mean in 1983 to 32 percent in 1995 but then fell back to 12 percent in 1998. Results for financial wealth are very similar, with the financial wealth of the youngest age group, after climbing from 17 to 28 percent of the overall mean from 1983 to 1989, declining to 21 percent in 1998, while that of the oldest age group rising from 10 percent above the mean in 1983 to 26 percent above the mean in 1995 and then falling back to parity in 1998.

Changes in homeownership rates tend to mirror these trends. While the overall ownership rate increased from 63.4 to 66.3 percent between 1983 and 1998, the share of household owning their own home remained about constant for the youngest age group. It fell from 68.4 to 66.7 percent for those between 35 and 44 of age, and from 78.2 to 74.5 percent for those between 45 and 54 of age. The three oldest age groups showed increases, particularly households 75 and over, whose homeownership rate grew by almost eight percentage points. The statistics point to a clear shifting of asset ownership away from younger towards older households between 1983 and 1998 -- particularly from 1989 to 1995.

Another dimension is afforded in Table 11 by considering the relative wealth positions of families defined by both age and parental status. It is first of note that childless families were much wealthier than families with children. In 1983, among married couples under the age of 65, the mean net worth of the former group was twice that of the latter, the former's financial wealth was about two and half times greater, and their debt-equity ratio was half as great, though their homeownership rate was about the same. Among female-headed households, the relative statistics are very similar: mean wealth twice as high, mean financial wealth three times as high, a debt-equity ratio two-thirds as great, and a homeownership rate slightly higher. Moreover, in comparison to married couples age 65 and over, the relative wealth position of families with children was even lower in relative terms. Part of these differences is due to the fact that childless households are, on average, older than those with children and therefore tend to have higher incomes and have had more time to accumulate assets. Another likely reason is that raising children absorbs financial resources and thus reduces household savings.

However, according to the calculations shown in Table 11, the relative position of married couples with children has improved in terms of wealth since the early 1980s. From 1983 to 1998, average net worth (in real terms) climbed by 44 percent among married couples with children but rose by only 21 percent among nonelderly married couples without children and by 11 percent among elderly families. Among female heads under the age of 65, average wealth also grew sharply, by 31 percent, for those with children but by only 5 percent among those without children. The results are quite similar for financial wealth, with its average value rising much more among both married couples with children and female headed families with children than among married couples without children (both elderly and non-elderly) and among elderly couples. Still, by 1998, both average net worth and financial wealth was still considerably lower among married couples with children than among both elderly and non-elderly married couples without children, and less among female headed families with children than those without children.

Indebtedness (relative to net worth) increased slightly less for married couples under age 65 with children than couples under age 65 without children, and considerably less than for married couples age 65 and over. The debt-equity ratio actually fell among female-headed families with children, while it grew among female heads with no children. However, by 1998, it was still twice as great for non-elderly married couples with children as those without children and somewhat higher among female heads with children than those who were childless.

Between 1983 and 1998, the homeownership rate rose by 4.4 percentage points among non-elderly married couples with children and fell slightly among non-elderly married couples without children, and by 1998 it was actually somewhat greater for the former than the latter. On the other hand, the homeownership rate fell sharply among female-headed families under age 65 with children but rose substantially among female-headed families under age 65 without children, so that the gap widened from 2 percentage points in 1983 to 19 percentage points in 1998.

One may speculate on why families with children have done better (in both relative and absolute terms) with regard to their wealth holdings over the period from 1983 to 1998. One reason is that in 1998 families with children tended to be older, on average, than in 1983 and to have fewer children. Another possible reason is that such families have received financial help from their parents. Elderly families, as is evident, have considerably greater financial resources than the non-elderly and it is quite likely that they have transferred wealth to their (grown) children, particularly those with children of their own, in the form of gifts and through bequests.

## THE RELATION BETWEEN HOUSEHOLD INCOME AND WEALTH GAINS IS A MIXED BAG

Another perspective is afforded by looking at average wealth holdings by income class. There has been some discussion, particularly in the Wall Street Journal, that the big winners over the 1980s in terms of wealth were middle-income families. I examine this relation in Table 12.

I divide households into those under age 65 and those 65 and over because the elderly tend to have accumulated a large amount of wealth (see Table 10) but after retirement tend to have lower incomes than younger families. Lumping the two groups together might induce a spurious correlation between income and wealth gains due to age.

Wealth and income are strongly correlated, with mean wealth rising monotonically with income for each age group and in each of the five years. It is also of note that among the non-elderly only the top income class reported mean net worth exceeding the national average, while the top three income classes among the elderly did.

However, despite the strong correlation between income and wealth, there is no clear relation between income level and wealth gains. Between 1983 and 1989, middle income families ($15,000-$49,999) enjoyed by far the largest wealth gains among families under the age of 65 and the poorest families the greatest losses but among the elderly the largest growth was reported by upper middle income households ($50,000-$74,999) and the smallest gains by the poorest households. Between 1989 and 1998, the reverse generally occurred. Among non-elderly households the biggest losses occurred for those in the income range of $15,000 to $49,999 and the largest growth by the poorest families, while among the elderly, the highest growth was recorded by the poor, while all the other income classes had losses.

Over the entire 1983-98 period, all income classes among the non-elderly except the upper middle income group ($50,000-$74,999) experienced a decline in wealth, with the greatest losses sustained by the lower middle class ($15,000-$24,999) and the middle class ($25,000-$44,999), while the average wealth of the upper middle income group underwent no change. Among the elderly, the bottom income class enjoyed by far the greatest gain in net wealth, 32 percent, followed by the lower middle class ($15,000-$24,999), at 5 percent. However, wealth fell by 1 percent among the middle class, 19 percent among the upper middle class, and by 27 percent among the rich.

Another way of viewing the wealth holdings of each income class is in terms of the number of months its financial reserves can be used to sustain its normal consumption. I use financial wealth as the basis of the calculation, since families still require a place to reside even if their income falls to zero. Annual consumption expenditures by income class are derived from the Bureau of Labor Statistics' Consumer Expenditure Survey for 1983, 1989, 1995, and 1998.

As shown in Table 13, middle-income families between 25 and 54 years of age in 1983 had accumulated, on average, only enough financial wealth to sustain their normal consumption for a period of 2.3 months in case of income loss and to sustain consumption at 125 percent of the poverty standard for 4.6 months. Indeed, the financial resources of the upper middle class (the fourth quintile) were only sufficient to maintain their normal consumption for 5.7 months and consumption at 125 percent of the poverty line for 14.6 months. The lower middle income class and the low income classes had accumulated virtually no financial reserves.

The situation improved somewhat between 1983 and 1989, with the middle class able to sustain its normal consumption for 3.6 months (up from 2.3 months) and consumption at 125 percent of the poverty standard for 9.0 months (up from 4.6 months). However, by 1998 the situation was even more dire than in 1989. The bottom 40 percent of households in this age group as ranked by income still had not managed to gather any financial savings. The middle income class was now in even worse straits, with enough financial reserves to sustain their normal consumption for only 2.2 months (compared to 3.6 months in 1989) and consumption at 1.25 times the poverty threshold for only 3.4 months (compared to 9.0 months in 1989). On the other hand, the financial resources of the upper middle income class (fourth quintile) had increased relative to their normal consumption and to consumption 25 percent above the poverty threshold, ad did those of the top quintile.

## A TALE OF THREE TAILS

Over the past fifteen years or so there has been a near explosion in the number of surveys of household wealth holdings. After a 20-year drought, during which little information was collected on household wealth, between the 1962 Survey of Financial Characteristics of Consumers (SFCC) and the 1983 Survey of Consumer Finances (with the slight exception of the 1979 Income Survey and Development Program), the problem in this area today is an embarrassment of riches. There are at least a dozen surveys which cover one or more years in the period from 1983 to 1999 and are conducted on a regular basis that contain questions on household assets and liabilities. Besides, the SCF, these include the U.S. Bureau of the Census' Survey of Income and Program Participation (SIPP) for 1984, 1988, 1991, and 1993; and the Institute for Social Research's Panel Survey of Income Dynamics (PSID) for 1984, 1989, and 1994 (the 1999 data are just being released).

Table 14 presents some comparisons of wealth estimates derived from the SCF, SIPP, and PSID. It should be noted at the outset that both the SIPP and the PSID include the value of vehicles in their calculation of total assets and for comparison purposes I do the same in this table. However, though the value of vehicles is normally asked in wealth questionnaires, I question the wisdom of including vehicles in net worth. On the one hand, if vehicles are included, then other consumer durables, such as furniture (whose value often exceeds that of autos) and consumer electronics should also be included. On the other hand, like furniture, automobiles are a necessity in most parts of the U.S. and cannot be disposed of without seriously diminishing the living standards of most families. Including vehicles in wealth will have the effect of increasing the level and growth of net worth over time, as well as lowering measured inequality.

There are notable differences among the three sources with regard to levels and time trends. Median wealth estimates are relatively close between the SIPP and the PSID data but uniformly higher in the SCF data. According to the SIPP data, median net worth fell by 17 percent in real terms between 1984 and 1993. In contrast, the PSID data show a 8 percent increase in median wealth from 1984 to 1994, while the SCF data show a 4 percent decline from 1983 to 1995.

The mean net worth figures reported in the PSID are some 50 percent larger than those derived from SIPP and are about twice as great in the SCF data than in the SIPP data. The SIPP figures show mean wealth declining by 8.9 percent between 1984 and 1993, the PSID shows a 7.3 percent growth, and the SCF figures a 4.6 percent gain, which, by the way, is very close to results derived from the Federal Reserve Board's Flow of Funds data.

Levels and trends in wealth inequality also differ among the three sources. The SCF data show a much higher concentration of wealth in the top wealth class ($500,000 or more), both in terms of the percentage of households in this wealth class and their share of total wealth. However, the two sources show about the same percentage increase in the proportion of households and the share of total wealth in this wealth class. Computations from the SCF also yield higher levels of wealth inequality than those from the PSID. Moreover, whereas the PSID data indicate that inequality fell between 1984 and 1994, particularly the share of total wealth owned by the top five percent, corresponding calculations from the SCF indicate a rise of inequality.

Further analysis reveals the sources of these discrepancies. A comparison of mean wealth levels by income class shows that mean wealth levels are quite close for the bottom four income quintiles in the SIPP and the SCF but over three times as great in the SCF as in the SIPP for the top income quintile. Moreover, mean wealth by asset type are quite close for homes, vehicles, and liquid assets in the PSID and the SCF but the SCF figures are much greater for stocks, bonds, and unincorporated business equity. These results indicate that the upper tail of the wealth distribution is missing from both the SIPP and the PSID samples. Moreover, the fact that the PSID indicates a larger growth of both median and mean wealth between 1984 and 1994 than the SCF does over the comparable period appears due to the fact that the PSID has improved its reporting rates and asset coverage between the two surveys.

RECONCILING ALTERNATIVE ESTIMATES FROM THE SCF

Another comparison of differing estimates of the size distribution of household wealth is provided in Table 15. In this case, they are all based on a single source, the Survey of Consumer Finances. Panel A shows my own figures, in which here again vehicles are included in the value of net worth. Panel B is from Kennickell and Woodburn (1999), a study in which the authors have used a consistent set of weights (Designed-Base Weights -- X42000) from the 1989, 1992, and 1995 SCF. I also use the Designed-Base Weights (X42000) for my 1992 and 1995 estimates but a different set of weights (the average of SRC-Design-S1 series X40131 and the SRC Designed Based weights X40125) for 1989, since the weights X42000 were not available when the database was originally released. Moreover, my wealth figures are aligned, in part, to the aggregate balance sheet data provided in the Federal Reserve Board Flow of Funds.

On the surface, there are more similarities than differences between the two sets of estimates. They both show mean and median wealth declining between 1989 and 1995, and both show very little change in the Gini coefficient. The main difference is that my figures show a higher share of the total wealth owned by the top one half percent of households in 1989 and 1992 (about a 6 percentage point difference), though the two sets of estimates are close for 1995 (a one percentage point difference). The reason is evident from the last column of Table 15, which shows the ratio of financial assets (including deposits, bonds, other financial securities, stocks, mutual funds, trust funds, and defined contribution pension accounts) derived from the SCF to the Flow of Funds data. These assets were chosen because, by construction and definition, they should provide a close match with the SCF data. My estimates from the SCF are more closely aligned to the corresponding Flow of Funds figures in 1989 and 1992 than those reported by Kennickell and Woodburn -- a result which accounts for my higher concentration shares of the top one half percentile. Both my and the Kennickell and Woodburn estimates for 1995 are about equally far from the Flow of Funds data, accounting for our rather similar results for the share of the top one half of one percent.

Moreover, if we combine the new Kennickell and Woodburn estimates with those from with the earlier results of Avery, Elliehausen, and Kennickell (1988), we find that the Kennickell papers and my work are in almost complete agreement on the wealth concentration figures for 1983 and 1995. The former show the share of the top one half of one percent rising by 3.2 percentage points, from 24.3% to 27.5%, and the share of the top one percent increasing by 3.6 percentage points, from 31.5% to 35.1%; my results (with vehicles included) show a 3.3 percentage point increase for the top one half of one percent (25.3% to 28.6%) and a 3.8 percentage point gain for the top one percent (32.6% to 36.4%). The key difference is the timing. The Kennickell work shows all the increase of inequality (actually more than 100 percent) occurring in the three years from 1992 to 1995; I find that most of it occurs between 1983 and 1989, with a more moderate increase from 1989 to 1995.

Another set of estimates is provided by Weicher (1995, 1996). Two main points are made by him in his two articles. First, the estimates of the size distribution of wealth is quite sensitive to the choice of weights used (alternative weights are provided in both the 1983 and 1989 SCFs). This is illustrated by the differing estimates of the Gini coefficient resulting from the difference in weights selected in the two survey years. Second, the standard error of the Gini coefficient, based on bootstrap estimates using 1000 replications, is relatively large. As a result, the increase in the Gini coefficient between 1983 and 1989 is only marginally significant. Moreover, though the difference was positive in over 92 percent of the cases when the weight B3016 was used for the 1983 SCF, it was positive in only 48 percent of the cases when B3019 for 1983 and X40125 for 1989 were used and in 79 percent of the cases when B3019 for 1983 and X40131 for 1989 were used.

His 1995 article provides only Gini coefficients, which is a bit unfortunate since these are not very sensitive to changes in wealth concentration at the top, particularly when they are close to unity (as is the case for most wealth distributions). It would have been more useful to show the actual wealth shares of the top percentiles of the distribution, which is reported in rather oblique form in his 1996 article. Despite these limitations, the results reported by Weicher, using a comparable construction of household wealth, are actually fairly close to my own. Moreover, though it is true that the standard errors are large, the point estimates show about the same increase as my own. If we take the average of his estimates for the two sets of weights in each year, then the Gini coefficient, on average, increases .027 in Weicher's estimates and .032 in my own, and the share of the richest one percent by 5.0 percentage points in his and by 3.4 percentage points in mine.

## CONCLUDING COMMENTS

There is mostly bad news provided in this report. Wealth inequality has continued to rise in the U.S. since 1989, though at a somewhat reduced rate. While the share of the top one percent of wealth holders rose by 3.6 percentage points from 1983 to 1989, it grew by only 0.7 percentage points between 1989 and 1998. However, the number of households worth $1,000,000 or more, $5,000,000 or more, and especially $10,000,000 or more surged during the 1990s.

Another disturbing trend is that median net worth (in constant dollars), after growing by 7 percent from 1983 to 1989, increased by only 4 percent between 1989 and 1998. Median income rose by 6 percent from 1989 to 1998 but by only 1 percent from 1983 to 1998. Indeed, the average wealth of the poorest 40 percent fell by 76 percent between 1983 and 1998, and by 1998, had fallen to only $1,100. However, median financial wealth did climb substantially from 1989 to 1998, by 28 percent, and by 51 percent from 1983 to 1998, though it was still less than $18,000 by 1998.

All in all, the greatest gains in wealth and income were enjoyed by the upper 20 percent, particularly the top one percent, of the respective distributions. Between 1983 and 1998, the top one percent received 53 percent of the total growth in net worth, 56 percent of the total growth in financial wealth, and 47 percent of the total increase in income. The figures for the top 20 percent are 91 percent, 89 percent, and 88 percent, respectively.

The new figures also point to the growing indebtedness of the American family. The overall debt-equity ratio has climbed sharply since 1983, from 0.151 to 0.176 in 1998. Moreover, the proportion of households reporting zero or negative net worth jumped from 15.5 percent in 1983 to 18.0 percent in 1998. Net equity in owner-occupied housing as a share of total assets fell sharply over this period, from 23.8 percent in 1983 to 18.2 percent in 1998, reflecting rising mortgage debt on homeowner's property, which grew from 21 to 37 percent. The debt-equity ratio was also much higher among the middle 60 percent of households in 1998, at 0.51, than among the top one percent (0.03) or the next 19 percent (0.13).

The ownership of investment assets was still highly concentrated in the hands of the rich in 1998. About 90 percent of the total value of stock shares, bonds, trusts, and business equity, and about three-quarters of non-home real estate were held by the top 10 percent of households. Moreover, despite the widening ownership of stock (48 percent of households owned stock shares either directly or indirectly through mutual funds, trust funds, or pension plans in 1998), the richest 10 percent still accounted for 78 percent of the total value of these stocks.

With regard to racial and ethnic differences, the results show that over the period from 1983 to 1998 Non-Hispanic African-American households saw real gains in their net worth, financial wealth, and homeownership rate but no change in income. They also made some gains relative to whites in median net worth, both mean and median financial wealth, and home ownership but fell back in terms of income and remained the same in terms of mean net worth. Between white and African-American households, differences in net worth remain large even by income class, as do patterns of stock investment. Still by 1998, the mean wealth of black households averaged less than 20 percent that of white households, in contrast to an income ratio of about half.

Hispanic households also experienced substantial growth in mean net worth, mean financial wealth, and their homeownership rate but no change in their income, median net worth, and median financial wealth. They also made significant gains on non-Hispanic white households in terms of mean net worth and financial wealth and home ownership but not in terms of median wealth or in terms of mean or median income. Still by 1998, the mean wealth of Hispanic households was only one quarter that of non-Hispanic white households, compared to an income ratio of over half.

The young and old also lost out over the last decade. The average net worth and financial wealth of households under the age of 55 and in age group 75 and over fell relative to the overall mean between 1989 and 1998. The biggest relative gains in wealth were enjoyed by households in age group 55-64. Moreover, childless couples (both non-elderly and elderly) were much wealthier than families with children. However, the relative position of both married couples with children and female-headed families with children has improved in terms of wealth since the early 1980s.

When households are grouped by income, no clear association emerges between income and the degree of wealth growth. However, what is clear is that the financial resources accumulated by families in the bottom three income quintiles is very meager relative to their normal consumption and even to consumption at 125 percent of the poverty threshold, and these resources dwindled over time, between 1989 and 1998, particularly for middle income families.

These results suggest some of the sources of the "anxiety" of the middle class in this country over the last decade. Between 1989 and 1998, real incomes have grown slowly for all households except the top 20 percent of the income distribution. Median net worth was also up slightly in 1998 as compared to 1989. The average indebtedness of American families relative to their assets continued to rise, as did mortgage debt on the value of owner-occupied housing. There has been almost no trickle down of economic growth to the average family: almost all the growth in household income and wealth has accrued to the richest 20 percent. The finances of the average American family are more fragile in the late 1990s than in the late 1980s. It is not surprising that both the fraying of the private safety net, as well as the public safety net, has lead to a growing sense of economic insecurity in the country.

How can we restore some measure of prosperity to the bottom half of the income distribution? One mechanism is to actively promote asset ownership in the United States. These include IDAs, in which amounts set aside by eligible low income families are partially matched by public funds (the Universal Savings Accounts (USAs) proposed by President Clinton in his 1999 State of the Union address are similar in function). The accounts draw interest, and can be withdrawn to support schooling or training, to purchase a home, or to start a business. IDA's can be complemented in some places by subsidized home ownership programs for the poor. Indeed, the Ford Foundation has recently made its largest single grant, upwards of $50 million, to support a 'national home ownership for the poor' initiative, and local community groups have warmed to the challenge. The subsequent papers in this Volume will treat these policy initiatives in more detail.

These results also set the theme for this Volume, which is the development of mechanisms to promote asset ownership in the United States. Both public and private measures are called for. Restoring asset ownership to middle income and poor families can contribute greatly to increasing their economic security, restoring their participation in the social life of the community, and reversing their political disenfranchisement.

References


Avery, Robert B., Gregory E. Elliehausen, and Arthur B. Kennickell. 1988. "Measuring Wealth with Survey Data: An Evaluation of the 1983 Survey of Consumer Finances." *Review ofIncome and Wealth* series 34 (5, December): 339-369.

Blau, Francine D., and John W. Graham. 1990. "Black-White Differences in Wealth and Asset Composition." *Quarterly Journal of Economics* vol. 105 (May): 321-339.

Board of Governors of the Federal Reserve System. 1998. "Flow of Funds Accounts of the

United States: Flows and Outstanding Second Quarter 1998." (September 11).

Burkhauser, Richard V., and Robert Weathers. Forthcoming. "Access to Wealth among Older Workers in the 1990s and How it is Distributed: Data from the Health and Retirement Study." THIS VOLUME.

Hurst, Erik, Ming Ching Luoh, and Frank P. Stafford. 1998. "Wealth Dynamics of American Families, 1984-1994." *Brookings Papers on Economic Activity* vol. 1: 267-357.

Kennickell, Arthur B., Douglas A. McManus, and R. Louise Woodburn. 1996. "Weighting

Design for the 1992 Survey of Consumer Finances." Federal Reserve Board of Washington (March). Unpublished paper.

Kennickell, Arthur B., and R. Louise Woodburn. 1992. "Estimation of Household Net Worth Using Model-Based and Design-Based Weights: Evidence from the 1989 Survey of Consumer Finances. Federal Reserve Board of Washington (April). Unpublished paper.

Kennickell, Arthur B., and R. Louise Woodburn. 1999. "Consistent Weight Design for the 1989,

1992, and 1995 SCFs, and the Distribution of Wealth." *Review of Income and Wealth* series 45 (2, June): 193-216.

Modigliani, Franco, and Richard Brumberg. 1954. "Utility Analysis and the Consumption

Function: An Interpretation of Cross-Section Data." In *Post-Keynesian Economics* , edited by K. Kurihara. New Brunswick, N.J.: Rutgers University Press.

Oliver, Melvin L., and Thomas M. Shapiro. 1997. *Black Wealth, White Wealth* . New York:

Routledge.

Shapiro, Thomas M. forthcoming. "The Importance of Assets." THIS VOLUME, U.S. Bureau of the Census. 1986. Household Wealth and Asset Ownership, 1984. Current Population Reports series P-70 (7). Washington, D.C., U.S. Government Printing Office.

U.S. Bureau of the Census. 1990. *Household Wealth and Asset Ownership, 1988. Current Population Reports* series P-70 (22): Washington, DC, U.S. Government Printing Office.

Weicher, John C. 1995. "Changes in the Distribution of Wealth: Increasing Inequality?" *Federal Reserve Bank of St. Louis Review* vol. 77 (1, January/February): 5-23.

Weicher, John C. 1996. *The Distribution of Wealth: Increasing Inequality?* Washington, DC: American Enterprise Institute Press.

Wolff, Edward N. 1987. "Estimates of Household Wealth Inequality in the United States, 1962-83." *Review of Income and Wealth* series 33 (3, September): 231-256.

-----. 1994. "Trends in Household Wealth in the United States, 1962-1983 and 1983-1989." *Review of Income and Wealth* series 40 (2, June): 143-174.

-----. 1996. *TOP HEAVY: A Study of Increasing Inequality of Wealth in America* . New York: New Press. 1996.

-----. 1998. "Recent Trends in the Size Distribution of Household Wealth." *Journal of Economic Perspectives* vol. 12 (3, Summer): 131-150.

**Table 1**
**Mean and Median Wealth and Income, 1983-1998**
**(In thousands, 1998 dollars)**

| | 1983 | 1989 | 1992 | 1995 | 1998 | **Percent Change** 1983-1998 |
|---|---|---|---|---|---|---|
| A. Net Worth | | | | | | |
| 1. Median | 54.6 | 58.4 | 49.9 | 48.8 | 60.7 | 11.1 |
| 2. Mean | 212.6 | 243.6 | 236.8 | 218.8 | 270.3 | 27.1 |
| 3. Percent with net worth | | | | | | |
| a. Zero or negative | 15.5 | 17.9 | 18.0 | 18.5 | 18.0 | |
| b. Less Than $5,000-a | 25.4 | 27.6 | 27.2 | 27.8 | 27.2 | |
| c. Less Than $10,000-a | 29.7 | 31.8 | 31.2 | 31.9 | 30.3 | |
| B. Financial Net Worth | | | | | | |
| 1. Median | 11.8 | 13.9 | 11.7 | 10.6 | 17.8 | 51.0 |
| 2. Mean | 154.3 | 181.8 | 180.5 | 167.9 | 212.3 | 37.6 |
| 3. Percent with zero or negative financial wealth | 25.7 | 26.8 | 28.2 | 28.7 | 25.7 | |
| Income | | | | | | |
| 1. Median | 33.1 | 31.6 | 30.3 | 32.1 | 33.4 | 0.8 |
| 2. Mean | 46.9 | 49.0 | 49.7 | 46.6 | 52.3 | 11.4 |

Source: own computations from the 1983, 1989, 1992, 1995, and 1998 Surveys of Consumer Finances. The 1983 weights are the Full Sample 1983 Composite Weights; and the 1989 weights are the average of the SRC-Design-S1 series (X40131) and the SRC designed based weights (X40125). The 1992 calculations are based on the Designed-Base Weights (X42000), with my adjustments (see Wolff, 1996). The 1995 weights are the Designed-Base Weights (X42000). The 1998 weights are partially Designed-Based weights (X42001), which account for the systematic deviations from CPS estimates of homeownership by racial/ ethnic groups. The 1983, 1989, 1992, and 1995 asset and liability entries are aligned to national balance sheet totals (see Footnote 2).
a. Constant 1995 Dollars.

## Table 2

**The Size Distribution of Wealth and Income, 1983-1998**

| Year | Gini Coefficient | Top 1.0% | Next 4.0% | Next 5.0% | Next 10.0% | Top 20.0% | 2nd 20.0% | 3rd 20.0% | Bottom 40.0% | All |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Percentage Share of Wealth or Income held by: | | | | | | | | |
| A. Net Worth | | | | | | | | | | |
| 1983 | 0.799 | 33.8 | 22.3 | 12.1 | 13.1 | 81.3 | 12.6 | 5.2 | 0.9 | 100.0 |
| 1989 | 0.832 | 37.4 | 21.6 | 11.6 | 13.0 | 83.5 | 12.3 | 4.8 | -0.7 | 100.0 |
| 1992 | 0.823 | 37.2 | 22.8 | 11.8 | 12.0 | 83.8 | 11.5 | 4.4 | 0.4 | 100.0 |
| 1995 | 0.828 | 38.5 | 21.8 | 11.5 | 12.1 | 83.9 | 11.4 | 4.5 | 0.2 | 100.0 |
| 1998 | 0.822 | 38.1 | 21.3 | 11.5 | 12.5 | 83.4 | 11.9 | 4.5 | 0.2 | 100.0 |
| B. Financial Wealth | | | | | | | | | | |
| 1983 | 0.893 | 42.9 | 25.1 | 12.3 | 11.0 | 91.3 | 7.9 | 1.7 | -0.9 | 100.0 |
| 1989 | 0.926 | 46.9 | 23.9 | 11.6 | 11.0 | 93.4 | 7.4 | 1.7 | -2.5 | 100.0 |
| 1992 | 0.903 | 45.6 | 25.0 | 11.5 | 10.2 | 92.3 | 7.3 | 1.5 | -1.1 | 100.0 |
| 1995 | 0.914 | 47.2 | 24.6 | 11.2 | 10.1 | 93.0 | 6.9 | 1.4 | -1.3 | 100.0 |
| 1998 | 0.893 | 47.3 | 21.0 | 11.4 | 11.2 | 90.9 | 8.3 | 1.9 | -1.1 | 100.0 |
| C. Income | | | | | | | | | | |
| 1982 | 0.480 | 12.8 | 13.3 | 10.3 | 15.5 | 51.9 | 21.6 | 14.2 | 12.3 | 100.0 |
| 1988 | 0.521 | 16.6 | 13.3 | 10.4 | 15.2 | 55.6 | 20.6 | 13.2 | 10.7 | 100.0 |
| 1991 | 0.528 | 15.7 | 14.8 | 10.6 | 15.3 | 56.4 | 20.4 | 12.8 | 10.5 | 100.0 |
| 1994 | 0.518 | 14.4 | 14.5 | 10.4 | 15.9 | 55.1 | 20.6 | 13.6 | 10.7 | 100.0 |
| 1997 | 0.531 | 16.6 | 14.4 | 10.2 | 15.0 | 56.2 | 20.5 | 12.8 | 10.5 | 100.0 |

Addendum:

| Year | Total Number of Households (1,000s) | The Number of Households (in 1,000s) with Net Worth Equal to or Exceeding (in 1995$): 1 Mill. | 5 Mill. | 10 Mill. |
|---|---|---|---|---|
| 1983 | 83,893 | 2,411 | 247.0 | 66.5 |
| 1989 | 93,009 | 3,024 | 296.6 | 64.9 |
| 1992 | 95,462 | 3,104 | 277.4 | 41.6 |
| 1995 | 99,101 | 3,015 | 474.1 | 190.4 |
| 1998 | 102,547 | 4,783 | 755.5 | 239.4 |

Source: own computations from the 1983, 1989, 1992, 1995, and 1998 Surveys of Consumer Finances. For the computation of percentile shares of net worth, households are ranked according to their net worth; for percentile shares of financial wealth, households are ranked according totheir financial wealth; and for percentile shares of income, households are ranked according to their income.

## Table 3

**Mean Wealth Holdings and Income by Wealth or Income Class, 1983-1998**

(In thousands, 1998 dollars)

| | Top 1.0% | Next 4.0% | Next 5.0% | Next 10.0% | Top 20.0% | 2nd 20.0% | 3rd 20.0% | Bottom 40.0% | All |
|---|---|---|---|---|---|---|---|---|---|
| A. Net Worth | | | | | | | | | |
| 1983 | 7,175 | 1,187 | 516.2 | 278.7 | 864.5 | 133.6 | 55.5 | 4.7 | 212.6 |
| 1998 | 10,204 | 1,441 | 623.5 | 344.9 | 1126.7 | 161.3 | 61.0 | 1.1 | 270.3 |
| % change | 42.2 | 21.4 | 20.8 | 23.7 | 30.3 | 20.7 | 10.0 | -76.3 | 27.1 |
| % of gain-a | 52.5 | 17.7 | 9.3 | 11.5 | 91.0 | 9.6 | 1.9 | -2.5 | 100.0 |
| B. Financial Wealth | | | | | | | | | |
| 1983 | 6,187 | 906 | 354.0 | 158.7 | 658.3 | 57.0 | 12.3 | (6.3) | 144.2 |
| 1998 | 10,044 | 1,114 | 485.8 | 237.6 | 965.3 | 88.0 | 19.9 | (5.9) | 212.3 |
| % change | 62.3 | 23.0 | 37.2 | 49.7 | 46.6 | 54.4 | 62.7 | 0.0 | 47.2 |
| % of gain-a | 55.6 | 12.0 | 9.5 | 11.4 | 88.6 | 8.9 | 2.2 | 0.3 | 100.0 |
| C. Income | | | | | | | | | |
| 1982 | 602.7 | 155.7 | 96.7 | 72.6 | 121.7 | 50.8 | 33.2 | 13.5 | 46.9 |
| 1997 | 869.8 | 188.3 | 106.4 | 78.4 | 147.0 | 53.5 | 33.5 | 13.7 | 52.3 |
| % change | 44.3 | 20.9 | 10.1 | 8.1 | 20.7 | 5.4 | 0.8 | 1.4 | 11.4 |
| % of gain-a | 46.7 | 22.7 | 8.5 | 10.2 | 88.2 | 9.6 | 0.9 | 1.3 | 100.0 |

Source: own computations from the 1983, 1989, 1992, 1995, and 1998 Surveys of Consumer Finances. For the computation of percentile shares of net worth, households are ranked according to their net worth; for percentile shares of financial wealth, households are ranked according to their financial wealth; and for percentile shares of income, households are ranked according to their income.

a. The computation is performed by dividing the total increase in wealth of a given group by the total increase of wealth for all households over the period, under the assumption that the number of households in each group remains unchanged over the period. It should be noted that the households found in each group (such as the top quintile) may be different in each year.

## Table 4
**Composition of Total Household Wealth, 1983 - 1998**
**(Percent of gross assets)**

| | | | 1983 | 1989 | 1992 | 1995 | 1998 |
|---|---|---|---|---|---|---|---|
| Principal residence (gross value) | 30.1 | 30.2 | 29.8 | 30.4 | 29.0 | | |
| Other real estate (gross value) | | 14.9 | 14.0 | 14.7 | 11.0 | 10.0 | |
| Unincorporated business equity-a | 18.8 | 17.2 | 17.7 | 17.9 | 17.7 | | |
| Liquid assets-b | | | 17.4 | 17.5 | 12.2 | 10.0 | 9.6 |
| Pension accounts-c | | 1.5 | 2.9 | 7.2 | 9.0 | 11.6 | |
| Financial securities-d | | 4.2 | 3.4 | 5.1 | 3.8 | 1.8 | |
| Corporate stock and mututal funds | 9.0 | 6.9 | 8.1 | 11.9 | 14.8 | | |
| Net equity in personal trusts | | 2.6 | 3.1 | 2.7 | 3.2 | 3.8 | |
| Miscellaneous assets-e | | 1.3 | 4.9 | 2.5 | 2.8 | 1.8 | |
| Total | | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Debt on principal residence | | 6.3 | 8.6 | 9.8 | 11.0 | 10.7 | |
| All other debt-f | | | 6.8 | 6.4 | 6.0 | 5.3 | 4.2 |
| Total debt | | | 13.1 | 15.0 | 15.7 | 16.3 | 15.0 |
| Memo: | | | | | | | |
| Debt / equity ratio | | | 15.1 | 17.6 | 18.7 | 19.4 | 17.6 |
| Net home equity / total assets-g | 23.8 | 21.6 | 20.1 | 19.5 | 18.2 | | |
| Principal residence debt / house value | 20.9 | 28.6 | 32.7 | 36.0 | 37.0 | | |

Source: own computations from the 1983, 1989, 1992, 1995, and 1998 Surveys of Consumer Finances.

a. Net equity in unincorporated farm and non-famr businesses and closely-held corporations.

b. Checking accounts, savings accounts, time deposits, money market funds, certificates of deposits, and the cash surrender value of life insurance.

c. IRAs, Keogh plans, 401(k) plans, the accumulated value of defined contribution pension plans, and other retirement accounts.

d. Corporate bonds, government bonds, open-market paper, and notes.

e. Gold and other precious metals, royalties, jewelry, antiques, furs, loans to friends and relatives, future contracts, and miscellaneous assets.

f. Mortgage debt on all real property except principal residence; credit card, installment, and other consumer debt.

g. Ratio of gross value of principal residence less mortgage debt on principal residence to total assets.

**Table 5**
**Composition of Household Wealth by Wealth Class, 1998**
**(Percent of gross assets)**

| | Top One Percent | Next 19 Percent | Middle 3 Quintiles |
|---|---|---|---|
| Principal residence | 7.8 | 28.8 | 59.8 |
| Liquid assets (bank deposits, money market funds, and cash surrender value of life insurance) | 5.0 | 11.3 | 11.8 |
| Pension accounts | 6.9 | 14.9 | 12.3 |
| Corporate stock, financial securities, mututal funds, and personal trusts | 31.6 | 20.0 | 5.5 |
| Unincorporated business equity other real estate | 46.9 | 23.2 | 8.8 |
| Miscellaneous assets | 1.8 | 1.8 | 1.8 |
| Total assets | 100.0 | 100.0 | 100.0 |
| Memo: | | | |
| Debt / equity ratio | 3.3 | 12.9 | 51.3 |
| Debt / income ratio | 49.4 | 90.2 | 101.6 |
| All stocks / total assets-a | 28.7 | 24.1 | 11.2 |
| Principal residence | 97.5 | 94.7 | 73.3 |
| Mobile home | 0.1 | 0.8 | 5.7 |
| Other real estate | 76.5 | 47.3 | 13.7 |
| Vacation homes | 26.8 | 13.8 | 3.6 |
| Pension assets | 84.3 | 77.9 | 48.5 |
| Unincorporated business | 65.7 | 28.3 | 8.5 |
| Corporate stock, financial securities, mutual funds, and personal trusts | 91.9 | 71.5 | 26.7 |
| Stocks, directly or indirectly owned-a | 93.2 | 82.2 | 46.6 |
| (1) $5,000 or more | 93.2 | 78.9 | 33.5 |
| (2) $10,000 or more | 92.1 | 77.2 | 27.7 |

Source: own computations from the 1998 Surveys of Consumer Finances. Households are classified into wealth class according to their net worth. Brackets for 1998 are:
Top one percent: Net worth of $3,352,100 or more.
Next 19 percent: Net worth between $257,700 and $3,352,100.
Quintiles 2 through 4: Net worth between $263 and $257,700.

a. Includes direct ownership of stock shares and indirect ownership through mutual funds, trusts, and IRAs, Keogh plans, 401(k) plans, and other retirement accounts

## Table 6
**The Percent of Total Assets Held by Wealth Class, 1998**

| | Top 1.0% | Next 9.0% | Bottom 90.0% | All | Share of Top 10 % 1983 | 1989 | 1992 | 1995 | 1998 |
|---|---|---|---|---|---|---|---|---|---|
| **A. Investment assets** | | | | | | | | | |
| Stocks and mutual funds | 49.4 | 35.7 | 14.9 | 100.0 | 90.4 | 86.0 | 86.3 | 88.4 | 85.1 |
| Financial securities | 50.8 | 33.2 | 15.9 | 100.0 | 82.9 | 87.1 | 91.3 | 89.8 | 84.1 |
| Trusts | 54.0 | 36.8 | 9.2 | 100.0 | 95.4 | 87.9 | 87.9 | 88.5 | 90.8 |
| Business equity | 67.7 | 24.0 | 8.3 | 100.0 | 89.9 | 89.8 | 91.0 | 91.7 | 91.7 |
| Non-home real estate | 35.8 | 39.1 | 25.1 | 100.0 | 76.3 | 79.6 | 83.0 | 78.7 | 74.9 |
| Total for group | 54.1 | 32.1 | 13.8 | 100.0 | 85.6 | 85.7 | 87.6 | 87.5 | 86.2 |
| Stocks, directly or indirectly owned-a | 42.1 | 36.6 | 21.3 | 100.0 | 89.7 | 80.8 | 78.7 | 81.9 | 78.7 |
| **B. Housing, liquid assets, pension assets, and debt** | | | | | | | | | |
| Principal residence | 9.0 | 26.2 | 64.8 | 100.0 | 34.2 | 34.0 | 36.0 | 31.7 | 35.2 |
| Deposits-b | 19.5 | 31.5 | 49.0 | 100.0 | 52.9 | 61.5 | 59.7 | 62.3 | 51.0 |
| Life insurance | 11.3 | 41.5 | 47.2 | 100.0 | 33.6 | 44.6 | 45.0 | 44.9 | 52.8 |
| Pension accounts-c | 19.7 | 40.2 | 40.2 | 100.0 | 67.5 | 50.5 | 62.3 | 62.3 | 59.8 |
| Total for group | 13.0 | 31.0 | 56.0 | 100.0 | 41.0 | 43.9 | 45.2 | 42.5 | 44.0 |
| Total debt | 7.1 | 19.9 | 73.0 | 100.0 | 31.8 | 29.4 | 37.5 | 28.3 | 27.0 |

Source: own computations from the 1983, 1989, 1992, 1995, and 1998 Surveys of Consumer Finances. Households are classified into wealth class according to their net worth. Brackets for 1998 are:
Top one percent: Net worth of $3,352,100 or more.
Next 9 percent: Net worth between $475,600 and $3,352,100.
Bottom 90 Percent: Net worth less than $475,600.
a. Includes direct ownership of stock shares and indirect ownership through mutual funds, trusts, and IRAs, Keogh plans, 401(k) plans, and other retirement accounts
b. Includes demand deposits, savings deposits, time deposits, money market funds, and certificates of deposit.
c. IRAs, Keogh plans, 401(k) plans, the accumulated value of defined contribution pension plans, and other retirement accounts.

**Table 7**
**Family Income and Wealth for Non-Hispanic Whites and Non-Hispanic Africn-Americans, 1983-1998**
**(In thousands, 1998 dollars)**

| | Means | | | Medians | | |
|---|---|---|---|---|---|---|
| | Non-Hispanic Whites | Non-Hispanic Afr-Americans | Ratio | Non-Hispanic Whites | Non-Hispanic Afr-Americans | Ratio |
| A. Income | | | | | | |
| 1983 | 51.0 | 27.4 | 0.54 | 35.9 | 20.0 | 0.56 |
| 1989 | 55.8 | 24.8 | 0.45 | 37.2 | 14.1 | 0.38 |
| 1992 | 55.5 | 27.8 | 0.50 | 34.2 | 19.4 | 0.57 |
| 1995 | 51.0 | 24.6 | 0.48 | 34.2 | 18.2 | 0.53 |
| 1998 | 57.8 | 28.4 | 0.49 | 37.0 | 20.0 | 0.54 |
| B. Net Worth | | | | | | |
| 1983 | 248.4 | 46.8 | 0.19 | 71.5 | 4.8 | 0.07 |
| 1989 | 293.9 | 49.3 | 0.17 | 84.9 | 2.2 | 0.03 |
| 1992 | 284.4 | 52.9 | 0.19 | 71.3 | 12.0 | 0.17 |
| 1995 | 259.2 | 43.6 | 0.17 | 65.2 | 7.9 | 0.12 |
| 1998 | 320.9 | 58.3 | 0.18 | 81.7 | 10.0 | 0.12 |
| C. Financial Wealth | | | | | | |
| 1983 | 183.0 | 23.6 | 0.13 | 19.9 | 0.0 | 0.00 |
| 1989 | 222.2 | 24.1 | 0.11 | 26.9 | 0.0 | 0.00 |
| 1992 | 219.0 | 30.1 | 0.14 | 21.9 | 0.2 | 0.01 |
| 1995 | 201.5 | 22.7 | 0.11 | 19.3 | 0.2 | 0.01 |
| 1998 | 254.8 | 37.6 | 0.15 | 37.6 | 1.2 | 0.03 |
| D. Homeownership Rate (in Percent) | | | | | | |
| 1983 | 68.1 | 44.3 | 0.65 | | | |
| 1989 | 69.3 | 41.7 | 0.60 | | | |
| 1992 | 69.0 | 48.5 | 0.70 | | | |
| 1995 | 69.4 | 46.8 | 0.67 | | | |
| 1998 | 71.8 | 46.3 | 0.67 | | | |
| E. Percent of Households with zero or negative net worth | | | | | | |
| 1983 | 11.3 | 34.1 | 3.01 | | | |
| 1989 | 12.1 | 40.7 | 3.38 | | | |
| 1992 | 13.8 | 31.5 | 2.28 | | | |
| 1995 | 15.0 | 31.3 | 2.09 | | | |
| 1998 | 14.8 | 27.4 | 2.09 | | | |

Source: own computations from the 1983, 1989 1992, 1995, and 1998 Survey of Consumer Finances. Households are divided into four racial/ethnic groups: (I) non-Hispanic whites; (ii) non-Hispanic blacks; (iii) Hispanics; and (iv) American Indians, Asians, and others. For 1995 and 1998, the classification scheme does not explicitly indicate non-Hispanic whites and non-Hispanic blacks for the first two categories, so that some Hispanics may have classified themselves as either whites or blacks.

**Table 8**
**Family Income and Wealth for Non-Hispanic Whites and Hispanics, 1983-1998**
**(In thousands, 1998 dollars)**

| | Means | | | Medians | | |
|---|---|---|---|---|---|---|
| | Non-Hispanic Whites | Hispanics | Ratio | Non-Hispanic Whites | Hispanics | Ratio |
| A. Income | | | | | | |
| 1983 | 51.0 | 30.8 | 0.60 | 35.9 | 23.8 | 0.66 |
| 1989 | 55.8 | 25.4 | 0.46 | 37.2 | 17.8 | 0.48 |
| 1992 | 55.5 | 26.2 | 0.47 | 34.2 | 18.2 | 0.53 |
| 1995 | 51.0 | 33.0 | 0.65 | 34.2 | 23.5 | 0.69 |
| 1998 | 57.8 | 31.1 | 0.54 | 37.0 | 23.0 | 0.62 |
| B. Net Worth | | | | | | |
| 1983 | 248.4 | 40.4 | 0.16 | 71.5 | 2.8 | 0.04 |
| 1989 | 293.9 | 48.4 | 0.16 | 84.9 | 1.8 | 0.02 |
| 1992 | 284.4 | 63.2 | 0.22 | 71.3 | 4.3 | 0.06 |
| 1995 | 259.2 | 54.9 | 0.21 | 65.2 | 5.3 | 0.08 |
| 1998 | 320.9 | 79.2 | 0.25 | 81.7 | 3.0 | 0.04 |
| C. Financial Wealth | | | | | | |
| 1983 | 183.0 | 11.9 | 0.07 | 19.9 | 0.0 | 0.00 |
| 1989 | 222.2 | 23.7 | 0.11 | 26.9 | 0.0 | 0.00 |
| 1992 | 219.0 | 40.6 | 0.19 | 21.9 | 0.0 | 0.00 |
| 1995 | 201.5 | 31.3 | 0.16 | 19.3 | 0.0 | 0.00 |
| 1998 | 254.8 | 50.4 | 0.20 | 37.6 | 0.0 | 0.00 |
| D. Homeownership Rate (in Percent) | | | | | | |
| 1983 | 68.1 | 32.6 | 0.48 | | | |
| 1989 | 69.3 | 39.8 | 0.57 | | | |
| 1992 | 69.0 | 43.1 | 0.62 | | | |
| 1995 | 69.4 | 44.4 | 0.64 | | | |
| 1998 | 71.8 | 44.2 | 0.64 | | | |
| E. Percent of Households with zero or negative net worth | | | | | | |
| 1983 | 11.3 | 40.3 | 3.55 | | | |
| 1989 | 12.1 | 39.9 | 3.31 | | | |
| 1992 | 13.8 | 41.2 | 2.98 | | | |
| 1995 | 15.0 | 38.3 | 2.56 | | | |
| 1998 | 14.8 | 36.2 | 2.56 | | | |

Source: own computations from the 1983, 1989 1992, 1995, and 1998 Survey of Consumer Finances. See footnote to Table 7 for details on racial/ethnic categories.

## Table 9

**Wealth and Stock Ownership by Race and Income Class, 1998**

| Income Class | Percentage Frequency Distribution: Non-Hispanic Whites | Percentage Frequency Distribution: Non-Hispanic Afr.-Americans | Average Net Worth: Non-Hispanic Whites | Average Net Worth: Non-Hispanic Afr.-Americans | Ratio |
|---|---|---|---|---|---|
| Under $15,000 | 17.6 | 40.9 | 63,836 | 16,152 | 0.25 |
| $15,000-$24,999 | 15.2 | 16.9 | 108,696 | 31,913 | 0.29 |
| $25,000-$49,999 | 29.5 | 24.8 | 136,455 | 62,635 | 0.46 |
| $50,000-$74,999 | 19.3 | 11.1 | 245,647 | 96,625 | 0.39 |
| $75,000 and over | 18.4 | 6.2 | 1,119,335 | 320,223 | 0.29 |
| All | 100.0 | 100.0 | 320,920 | 58,281 | 0.18 |

| | Percent Owning Stock: Non-Hispanic Whites | Percent Owning Stock: Non-Hispanic Afr.-Americans | Average Stock Holdings Owners Only: Non-Hispanic Whites | Average Stock Holdings Owners Only: Non-Hispanic Afr.-Americans | Ratio | Stocks / Total Assets: Non-Hispanic Whites | Stocks / Total Assets: Non-Hispanic Afr.-Americans |
|---|---|---|---|---|---|---|---|
| Under $15,000 | 12.9 | 6.5 | 39,489 | 18,506 | 0.47 | 7.0 | 6.1 |
| $15,000-$24,999 | 34.6 | 21.1 | 43,983 | 6,923 | 0.16 | 12.1 | 3.3 |
| $25,000-$49,999 | 55.0 | 44.9 | 44,367 | 13,712 | 0.31 | 14.3 | 6.1 |
| $50,000-$74,999 | 72.7 | 63.1 | 82,949 | 27,062 | 0.33 | 18.9 | 10.7 |
| $75,000 and over | 86.4 | 85.2 | 411,694 | 99,039 | 0.24 | 28.5 | 21.1 |
| All | 53.7 | 29.7 | 162,789 | 31,767 | 0.20 | 23.4 | 11.3 |

Source: own computations from the 1998 Survey of Consumer Finances. See footnote to Table 7 for details on racial/ethnic categories. Stock ownership includes direct ownership of stock shares and indirect ownership through mutual funds, trusts, and IRAs, Keogh plans, 401(k) plans, and other retirement accounts

## Table 10

**Age-Wealth Profiles and Homeownership Rates by Age, 1983-1998**

| | 1983 | 1989 | 1992 | 1995 | 1998 |
|---|---|---|---|---|---|
| A. Mean Net Worth (Ratio to Overall Mean) | | | | | |
| Overall | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Under 35 | 0.21 | 0.29 | 0.20 | 0.16 | 0.22 |
| 35-44 | 0.71 | 0.72 | 0.71 | 0.65 | 0.68 |
| 45-54 | 1.53 | 1.50 | 1.42 | 1.39 | 1.27 |
| 55-64 | 1.67 | 1.58 | 1.82 | 1.81 | 1.91 |
| 65-74 | 1.93 | 1.61 | 1.59 | 1.71 | 1.68 |
| 75 & over | 1.05 | 1.26 | 1.20 | 1.32 | 1.12 |
| B. Mean Financial Wealth (Ratio to Overall Mean) | | | | | |
| Overall | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Under 35 | 0.17 | 0.28 | 0.18 | 0.14 | 0.21 |
| 35-44 | 0.59 | 0.68 | 0.69 | 0.62 | 0.67 |
| 45-54 | 1.53 | 1.48 | 1.45 | 1.43 | 1.31 |
| 55-64 | 1.72 | 1.60 | 1.89 | 1.86 | 1.99 |
| 65-74 | 2.12 | 1.69 | 1.60 | 1.75 | 1.66 |
| 75 & over | 1.10 | 1.27 | 1.14 | 1.26 | 1.00 |
| C. Homeownership Rate (in Percent) | | | | | |
| Overall | 63.4 | 62.8 | 64.1 | 64.7 | 66.3 |
| Under 35 | 38.7 | 36.3 | 36.8 | 37.9 | 39.2 |
| 35-44 | 68.4 | 64.1 | 64.4 | 64.7 | 66.7 |
| 45-54 | 78.2 | 75.1 | 75.5 | 75.4 | 74.5 |
| 55-64 | 77.0 | 79.2 | 77.9 | 82.3 | 80.6 |
| 65-74 | 78.3 | 78.1 | 78.8 | 79.4 | 81.7 |
| 75 & over | 69.4 | 70.2 | 78.1 | 72.5 | 76.9 |

Source: own computations from the 1983, 1989 1992, 1995, and 1998 Survey of Consumer Finances. Households are classified according to the age of the householder.

**Table 11**
**Mean Wealth for Households With and Without children, 1983 and 1998 (In thousands, 1998 Dollars)**

| | 1983 | 1998 | % Change 1983-98 |
|---|---|---|---|
| A. Net Worth | | | |
| All Households | 212.6 | 270.3 | 27.1 |
| Married Couples, Under 65 | | | |
| Married Couples, Under 65 With Children | 176.6 | 253.7 | 43.7 |
| Without Children | 343.6 | 415.1 | 20.8 |
| Female Head, Under 65 | | | |
| With Children | 48.1 | 63.0 | 31.0 |
| Without Children | 103.7 | 109.1 | 5.2 |
| 65 and over, married | 508.5 | 561.9 | 10.5 |
| B. Financial Wealth | | | |
| All Households | 154.3 | 212.3 | 37.6 |
| Married Couple, Under 65 | | | |
| With Children | 112.6 | 200.8 | 78.3 |
| Without Children | 260.8 | 338.6 | 29.9 |
| Female Head, Under 65 | | | |
| With Children | 22.7 | 51.0 | 125.1 |
| Without Children | 72.4 | 77.6 | 7.1 |
| 65 and over, married | 415.3 | 430.2 | 3.6 |
| C. Debt/Equity Ratio (in Percent) | | | |
| All Households | 15.1% | 17.6% | 16.4 |
| Married Couple, Under 65 | | | |
| With Children | 27.8% | 31.3% | 12.3 |
| Without Children | 13.7% | 15.6% | 14.1 |
| Female Head, Under 65 | | | |
| With Children | 33.6% | 29.3% | -12.8 |
| Without Children | 23.6% | 26.5% | 12.2 |
| 65 and over, married | 2.4% | 4.4% | 87.1 |
| d. Homeownership Rate (in Percent) | | | |
| All Households | 63.4 | 66.3 | 4.5 |
| Married Couple, Under 65 | | | |
| With Children | 73.2 | 76.5 | 4.4 |
| Without Children | 75.3 | 74.6 | -0.9 |
| Female Head, Under 65 | | | |
| With Children | 39.6 | 30.8 | -22.3 |
| Without Children | 41.5 | 49.7 | 19.8 |
| 65 and over, married | 84.1 | 92.7 | 10.3 |

Source: own computations from the 1983 and 1998 Survey of Consumer Finances. Households are classified according to the presence of children in the household under the age of 18 and by age group according to the age of the householder.

**Table 12**
**Mean Household Net Worth by Income Class and Age Class, 1983-1998**
**(In thousands, 1998 dollars)**

| Income Class [1995 $] | Mean Net Worth | | | | | Percent Change | | |
|---|---|---|---|---|---|---|---|---|
| | 1983 | 1989 | 1992 | 1995 | 1998 | 1983-89 | 1989-98 | 1983-98 |
| All | 212.6 | 243.6 | 236.8 | 218.8 | 270.3 | 14.6 | 11.0 | 27.1 |
| Age Under 65 | 181.9 | 212.2 | 208.3 | 185.8 | 240.0 | 16.6 | 13.1 | 31.9 |
| Under $15,000 | 33.7 | 22.2 | 27.7 | 34.1 | 32.0 | -34.0 | 44.1 | -4.9 |
| $15,000-$24,999 | 53.2 | 76.4 | 47.1 | 53.7 | 42.2 | 43.7 | -44.8 | -20.7 |
| $25,000-$49,999 | 93.1 | 110.8 | 84.8 | 82.7 | 81.4 | 19.0 | -26.5 | -12.5 |
| $50,000-$74,999 | 175.7 | 183.7 | 167.7 | 181.3 | 175.7 | 4.5 | -4.4 | 0.0 |
| $75,000 or over | 883.4 | 884.3 | 995.7 | 828.2 | 846.8 | 0.1 | -4.2 | -4.1 |
| Age 65 or over | 341.4 | 356.7 | 338.4 | 336.4 | 381.8 | 4.5 | 7.0 | 11.9 |
| Under $15,000 | 58.5 | 59.6 | 63.0 | 78.5 | 77.4 | 1.9 | 29.8 | 32.4 |
| $15,000-$24,999 | 161.8 | 176.6 | 159.9 | 145.2 | 170.4 | 9.1 | -3.5 | 5.3 |
| $25,000-$49,999 | 294.9 | 316.1 | 334.6 | 289.1 | 293.3 | 7.2 | -7.2 | -0.5 |
| $50,000-$74,999 | 597.0 | 755.9 | 661.0 | 636.0 | 481.8 | 26.6 | -36.3 | -19.3 |
| $75,000 or over | 2,782.7 | 2,893.6 | 2,884.3 | 2,577.4 | 2,046.5 | 4.0 | -29.3 | -26.5 |

Source: own computations from the 1983, 1989 1992, 1995, and 1998 Survey of Consumer Finances. Households are classified according to the age of the householder.

**Table 13**
**Accumulated Financial Reserves of Middle-Aged Families by Income Quintile In Terms of Number of Months Reserves Can Sustain Consumption, 1983-1998-a**

| Income Quintile | Number of Months Current Consumption Can be Sustained-b | Number of Months Consumption at 125% Of Poverty Standard Can be Sustained-c |
|---|---|---|
| A. 1983 | | |
| Top Quintile | 16.5 | 51.4 |
| Fourth Quintile | 5.7 | 14.6 |
| Third Quintile | 2.3 | 4.6 |
| Second Quintile | 0.9 | 1.3 |
| Bottom Quintile | 0.0 | 0.0 |
| B. 1989 | | |
| Top Quintile | 18.7 | 72.6 |
| Fourth Quintile | 4.7 | 14.6 |
| Third Quintile | 3.6 | 9.0 |
| Second Quintile | 0.5 | 0.9 |
| Bottom Quintile | 0.0 | 0.0 |
| C. 1995 | | |
| Top Quintile | 19.0 | 61.3 |
| Fourth Quintile | 3.5 | 7.9 |
| Third Quintile | 1.2 | 1.8 |
| Second Quintile | 0.1 | 0.1 |
| Bottom Quintile | 0.0 | 0.0 |
| D. 1998 | | |
| Top Quintile | 25.2 | 81.5 |
| Fourth Quintile | 8.2 | 18.4 |
| Third Quintile | 2.2 | 3.4 |
| Second Quintile | 0.1 | 0.1 |
| Bottom Quintile | 0.0 | 0.0 |

a. For households with age of householder between 25 and 54. Calculations based on data from the Survey of Consumer Finances and the Consumer Expenditure Survey.

b. Defined as the ratio of median financial wealth (total net worth less the equity in owner-occupied housing) to the median consumption expenditures for the income group.

c. Defined as the ratio of median financial wealth of the income class to 125 percent of the poverty standard for a family of four.

## Table 14

**Summary Statistics on Median and Mean Net Worth and Wealth Inequality, From the SIPP, PSID, and SCF, 1983-1995 (In thousands, 1995 dollars)**

| | | | Wealth Class $500,00 or more-d | | |
|---|---|---|---|---|---|
| Source and Year | Median Net Worth | Mean Net Worth | Percent of Households | Percent of Wealth | Share of Total Wealth Owned by Top 5% |
| A. SIPP-a | | | | | |
| 1984 | 47.9 | 115.5 | 1.9 | 25.9 | |
| 1988 | 46.1 | 118.5 | 2.8 | 27.1 | |
| 1993 | 39.6 | 105.2 | 3.6 | 30.5 | |
| Percentage Change, 1984-93 | -17.3 | -8.9 | 86.4 | 18.9 | |
| B. PSID-b | | | | | |
| 1984 | 44.6 | 140.5 | | | 49.5 |
| 1989 | 45.2 | 153.6 | | | 47.0 |
| 1994 | 48.3 | 150.8 | | | 44.5 |
| Percentage Change, 1984-94 | 8.3 | 7.3 | | | -10.1 |
| C. SCF-c | | | | | |
| 1983 | 58.3 | 206.3 | 4.2 | 51.5 | 54.5 |
| 1989 | 62.4 | 237.7 | 6.3 | 60.6 | 57.2 |
| 1995 | 55.8 | 215.7 | 7.3 | 63.9 | 58.0 |
| Percentage Change, 1983-95 | -4.4 | 4.6 | 74.1 | 24 | 6.5 |

a. Sources: 1984 - U.S. Bureau of the Census (1986), Tables 1 and 3; 1988 - U.S. Bureau of the Census (1990), Tables 1 and 3; and 1993 - "Asset Ownership of Households: 1993", P70-47, on the Internet, Tables 4 and 5

b. Source: Hurst, Luoh, and Stafford (1998), pp. 270, 277.

c. Own computations from the 1983, 1989, and 1995 SCF. Net worth includes vehicles.

d. Wealth class is
in current dollars.

## Table 15

**Alternative Estimates of the Size Distribution of Household Wealth from the Survey of Consumer Finances (Mean and median are in thousands, 1995 dollars)**

| | | | | Percentage Share of Wealth Held by: | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Mean | Median | Gini Coefficient | Top 1/2% | Next 1/2% | Next 9.0% | Bottom 90.0% | All | Ratio of Financial Assets to FRB FOF-a |
| A. Wolff Estimates-b | | | | | | | | | |
| 1983 | 206.3 | 58.3 | 0.779 | 25.3 | 7.3 | 33.9 | 33.5 | 100.0 | 0.998 |
| 1989 | 237.7 | 62.4 | 0.811 | 29.2 | 6.8 | 32.6 | 31.4 | 100.0 | 0.923 |
| 1992 | 230.8 | 55.3 | 0.802 | 29.0 | 6.9 | 34.0 | 30.1 | 100.0 | 0.894 |
| 1995 | 215.7 | 55.8 | 0.799 | 28.6 | 7.8 | 32.9 | 30.7 | 100.0 | 0.766 |
| B. Kennickell and Woodburn (1997) | | | | | | | | | |
| 1989 | 229.3 | 57.0 | 0.788 | 23.0 | 7.3 | 37.1 | 32.5 | 100.0 | 0.750 |
| 1992 | 202.7 | 55.1 | 0.782 | 22.7 | 7.5 | 36.9 | 32.9 | 100.0 | 0.669 |
| 1995 | 207.2 | 55.1 | 0.788 | 27.5 | 7.6 | 33.2 | 31.5 | 100.0 | 0.685 |
| C. Weicher (1995,1996) | | | | - Top 1% - | | | | | |
| 1983 (B3016) | 230.8 | | 0.773 | 30.0 | | | | | |
| 1983 (B3019) | 250.1 | | 0.788 | 34.0 | | | | | |
| 1989 (X40125) | 248.0 | | 0.801 | 36.0 | | | | | |
| 1989 (X40131) | 255.3 | | 0.813 | 38.0 | | | | | |

a. Includes deposits, bonds, other financial securities, stocks, mutual funds, trust funds, and defined contribution pension accounts. In the Flow of Funds, the various assets held in the pension accounts, such as stocks and bonds, are consolidated out into their individual financial types (such as stocks and bonds). Source for the Federal Reserve Board Flow of Funds (FRB FOF) data is Board of Governors of the Federal Reserve System (1998).

b. Includes vehicles. Asset values are adjusted to Federal Reserve Board Flow of Funds figures. The 1983 weights are the FRB extended income weights (B3016) and the SCF revised composite weights (B3019); and the 1989 weights are the SRC-Design-S1 series (X40131) and the SRC designed based weights (X40125).