



Congressional Budget Office

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Changes in Family Wealth, 1989 to 2013

Savings and Retirement Foundation
Washington, D.C.

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The information in this presentation is drawn from *Trends in Family Wealth, 1989 to 2013* (Congressional Budget Office, August 2016), www.cbo.gov/publication/51846.

Research Questions

- How is family wealth distributed?
- How did the distribution of family wealth change from 1989 to 2013?
- How did changes in families' assets and debt contribute to changes in the wealth distribution from 1989 to 2013?

Preview of Results

- Family wealth in the United States is unevenly distributed. In 2013:
 - Families in the top 10 percent of the wealth distribution held 76 percent of all family wealth,
 - Families in the 51st to the 90th percentiles held 23 percent, and
 - Families in the bottom half of the distribution held 1 percent.
- Over the period from 1989 through 2013, family wealth grew at significantly different rates for different segments of the U.S. population. The distribution of wealth among the nation’s families was more unequal in 2013 than it had been in 1989.
- In 2013, average wealth for families in the top half of the distribution was greater than it had been in 1989. The opposite was true for families in the bottom half.

Data: Survey of Consumer Finances

- This study uses data from the Survey of Consumer Finances (SCF), which:
 - Is conducted every three years;
 - Includes detailed information on family wealth, income, and pensions; and
 - Covers nearly the full distribution of family wealth (but excludes the nation’s 400 wealthiest people, as listed by *Forbes* magazine).
- CBO supplemented the SCF with aggregate wealth data from *Forbes*.
- The study uses the cross-sectional waves in the SCF from 1989 through 2013.
- The unit of analysis is the family.

Definition of Wealth

- The measure of wealth in this study is **marketable wealth**—the difference between a family’s assets and its debt.
 - **Assets** consist of **financial assets** (including 401(k)-type plans and IRAs), **home equity**, and **other assets** (such as real estate, vehicles, and business equity).
 - **Debt** is **nonmortgage debt**, which consists of a family’s **consumer debt** (including credit card debt and auto loans) and **other debt** (including student loans).
 - Mortgage debt is subtracted from the value of a family’s primary residence and is therefore accounted for in the family’s assets.

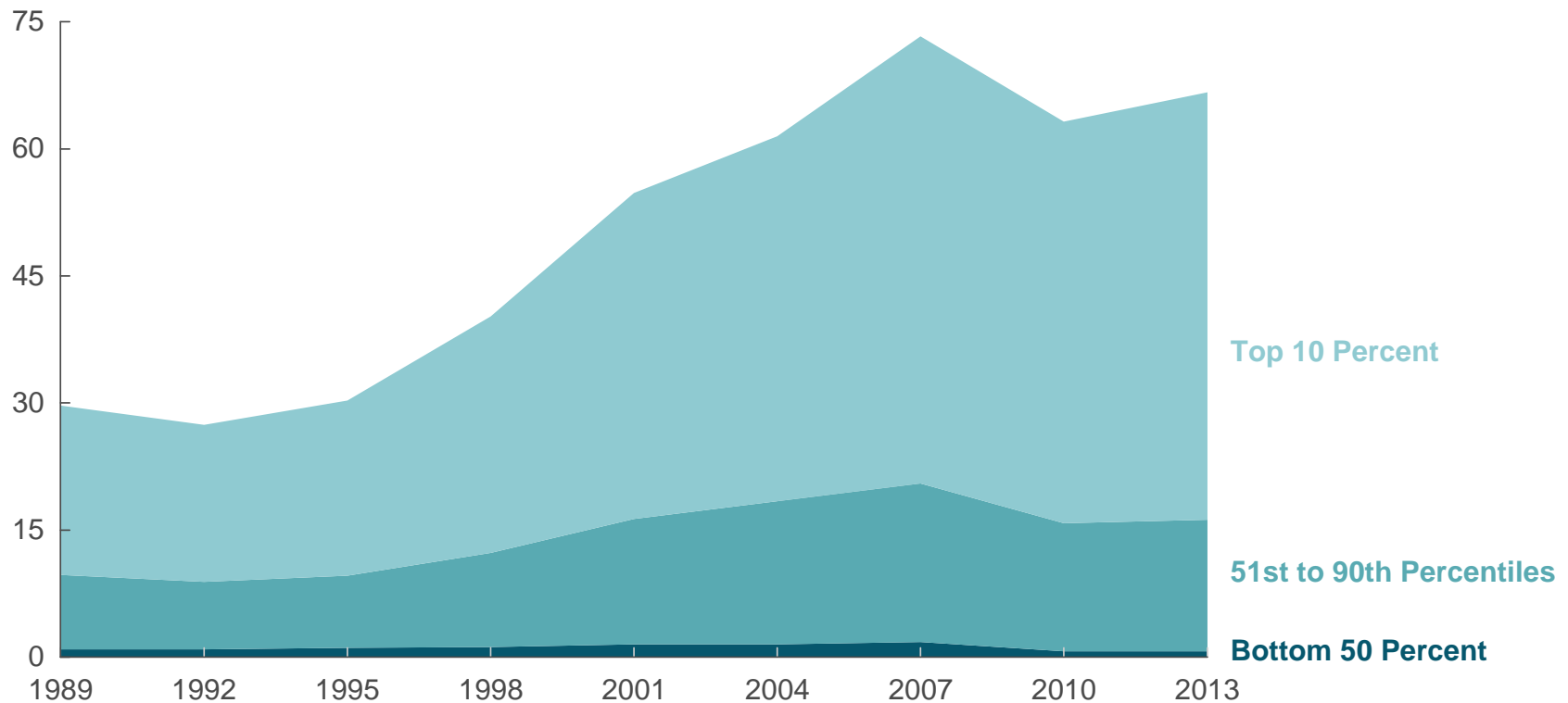
Alternative Analytical Approaches and Measures of Wealth

- Sources of data
 - SCF and the Forbes 400
 - Tax data

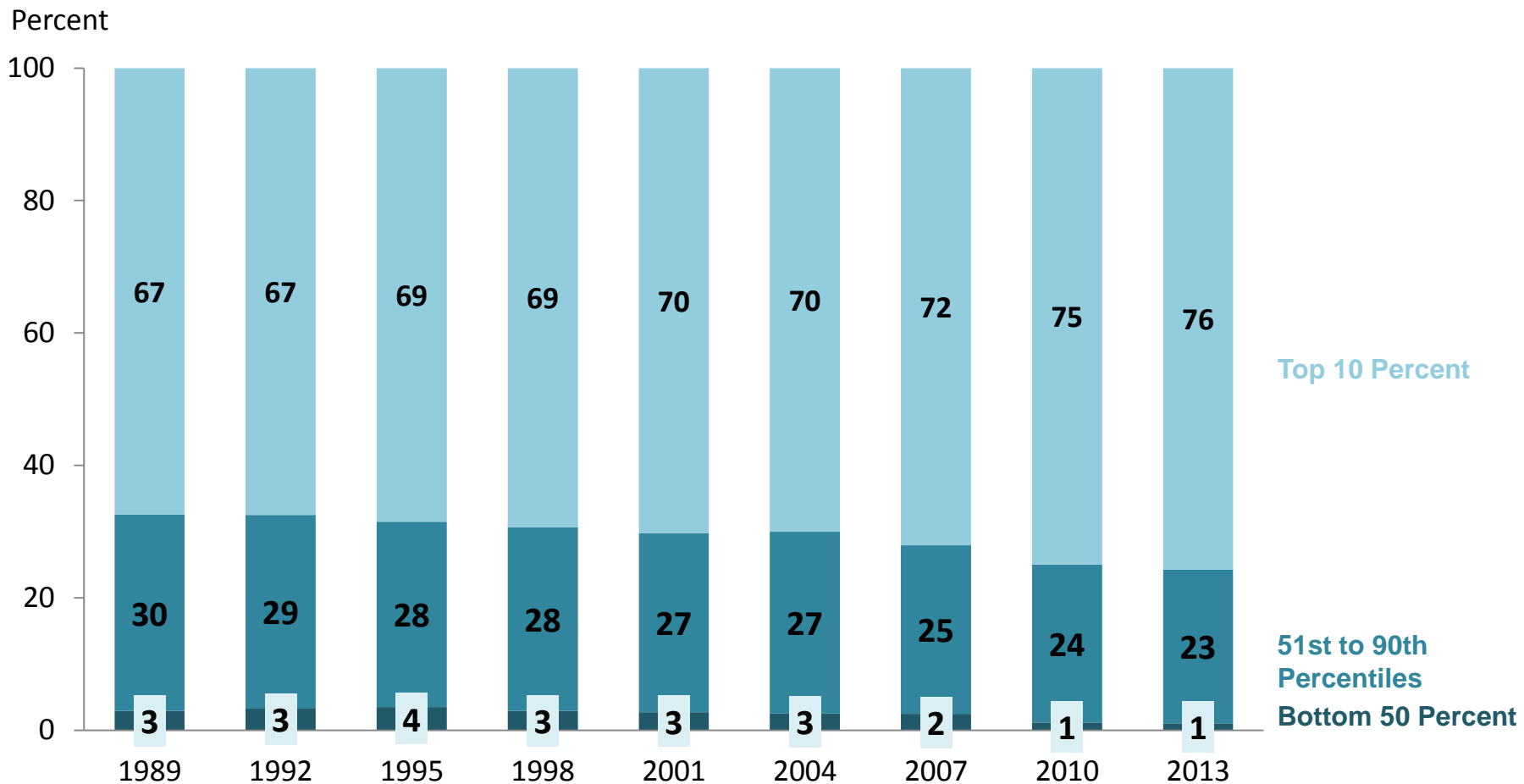
- Ways to define wealth
 - Marketable wealth
 - Nonmarketable wealth

Holdings of Family Wealth, by Wealth Group

Trillions of 2013 Dollars

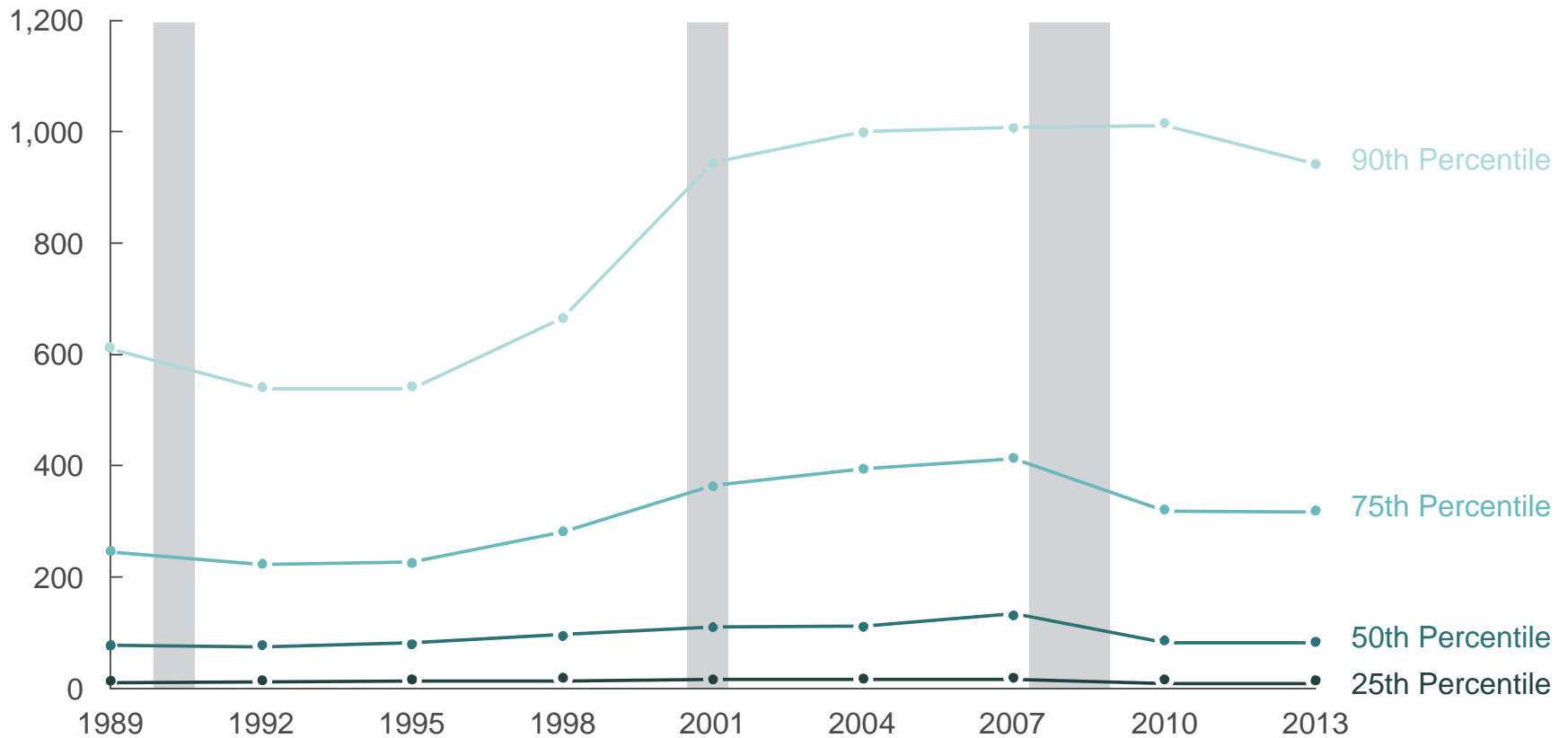


Shares of Family Wealth, by Wealth Group



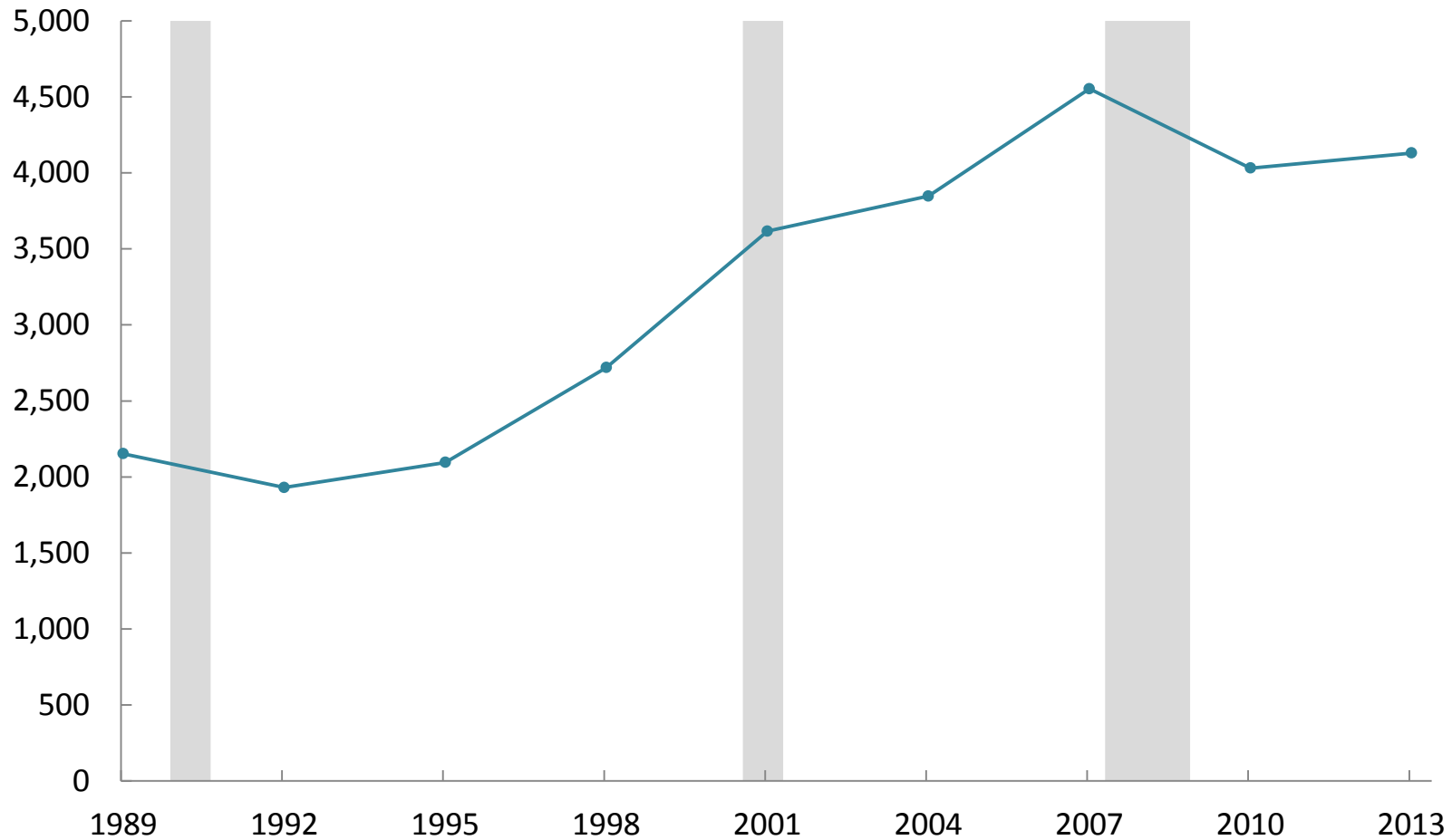
Wealth of Families at Selected Percentiles of the Wealth Distribution

Thousands of 2013 Dollars



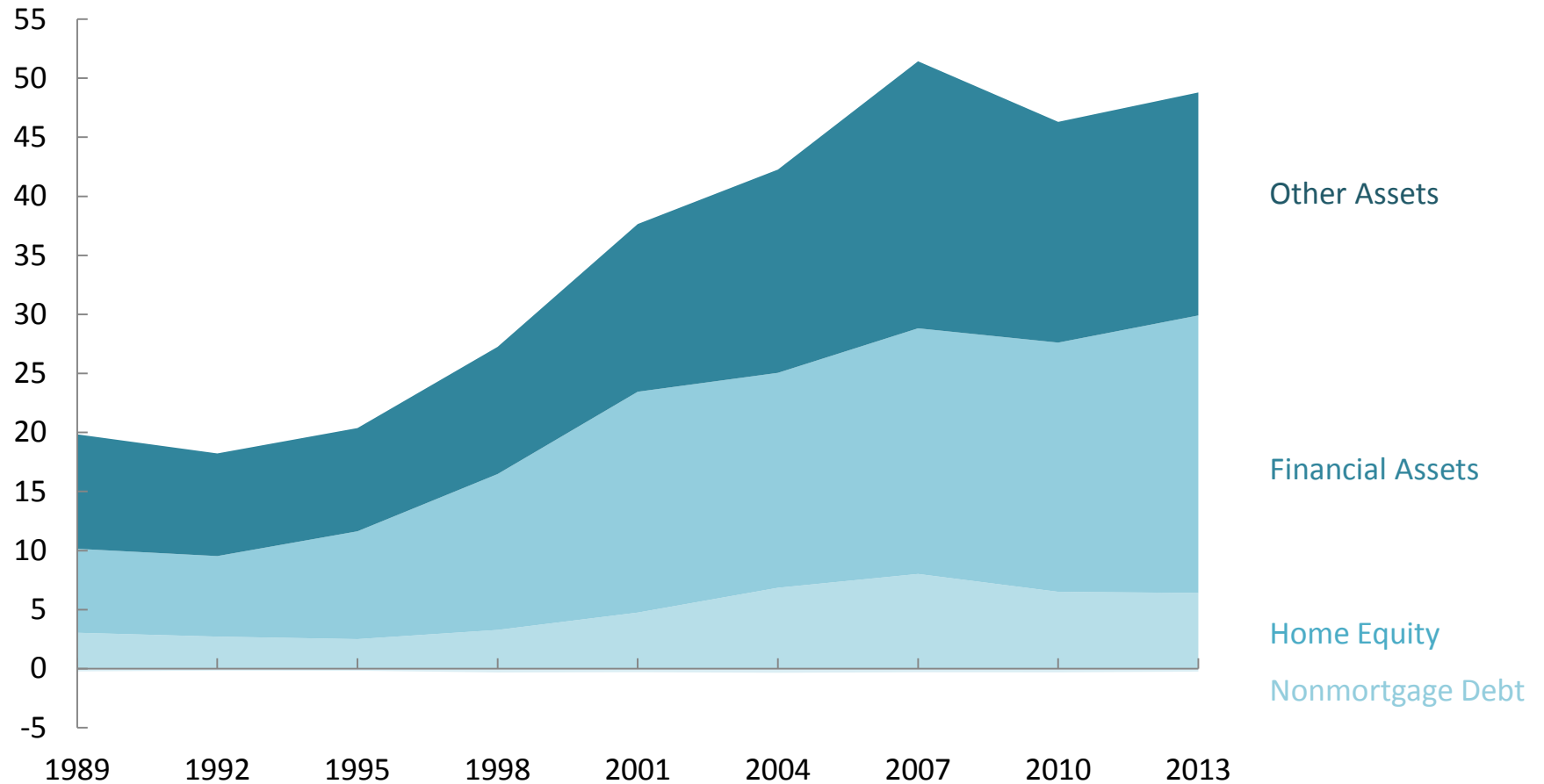
Average Wealth of Families in the Top 10 Percent of the Wealth Distribution

Thousands of 2013 Dollars

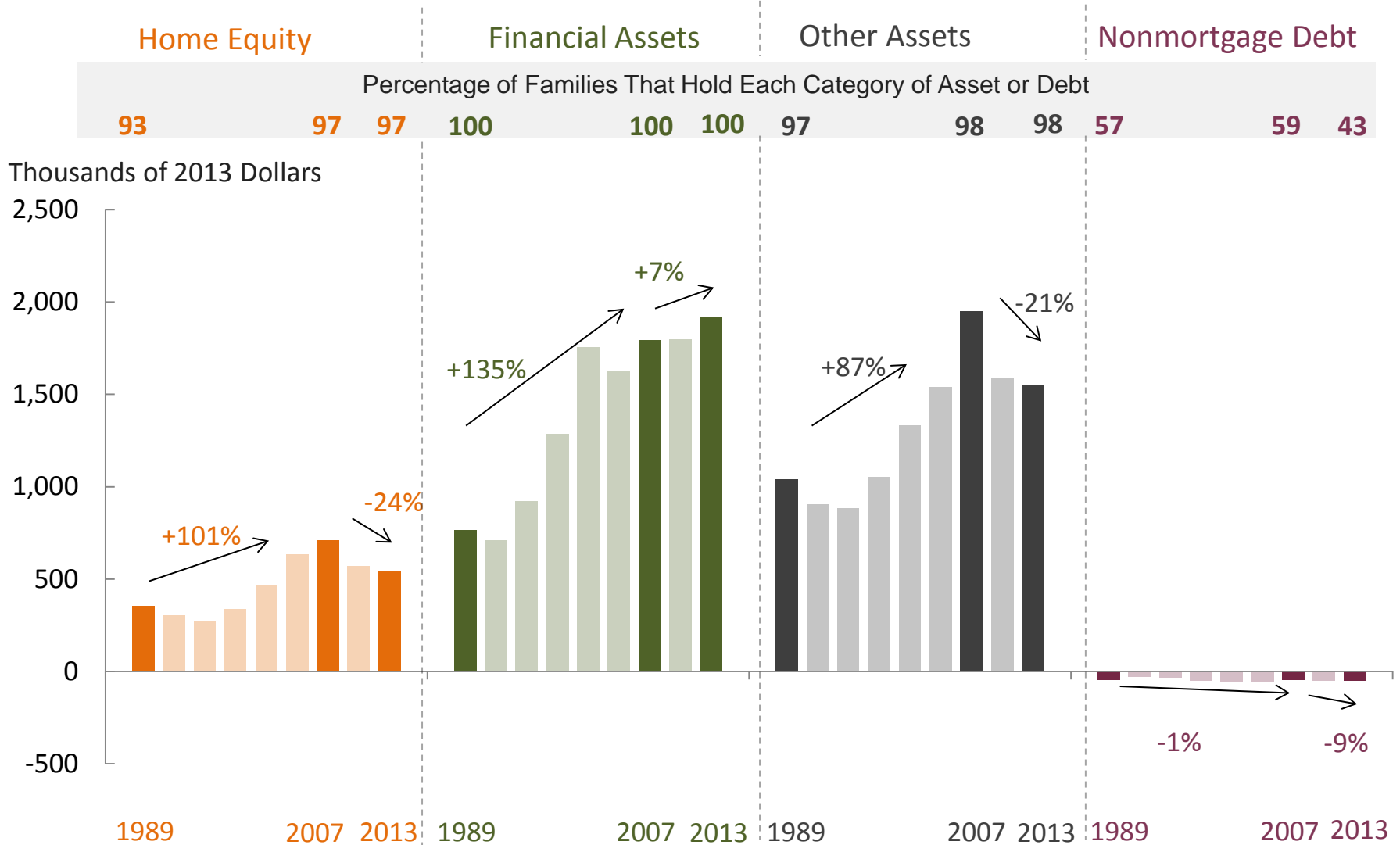


Aggregate Wealth of Families in the Top 10 Percent of the Wealth Distribution (Excluding the *Forbes* 400)

Trillions of 2013 Dollars

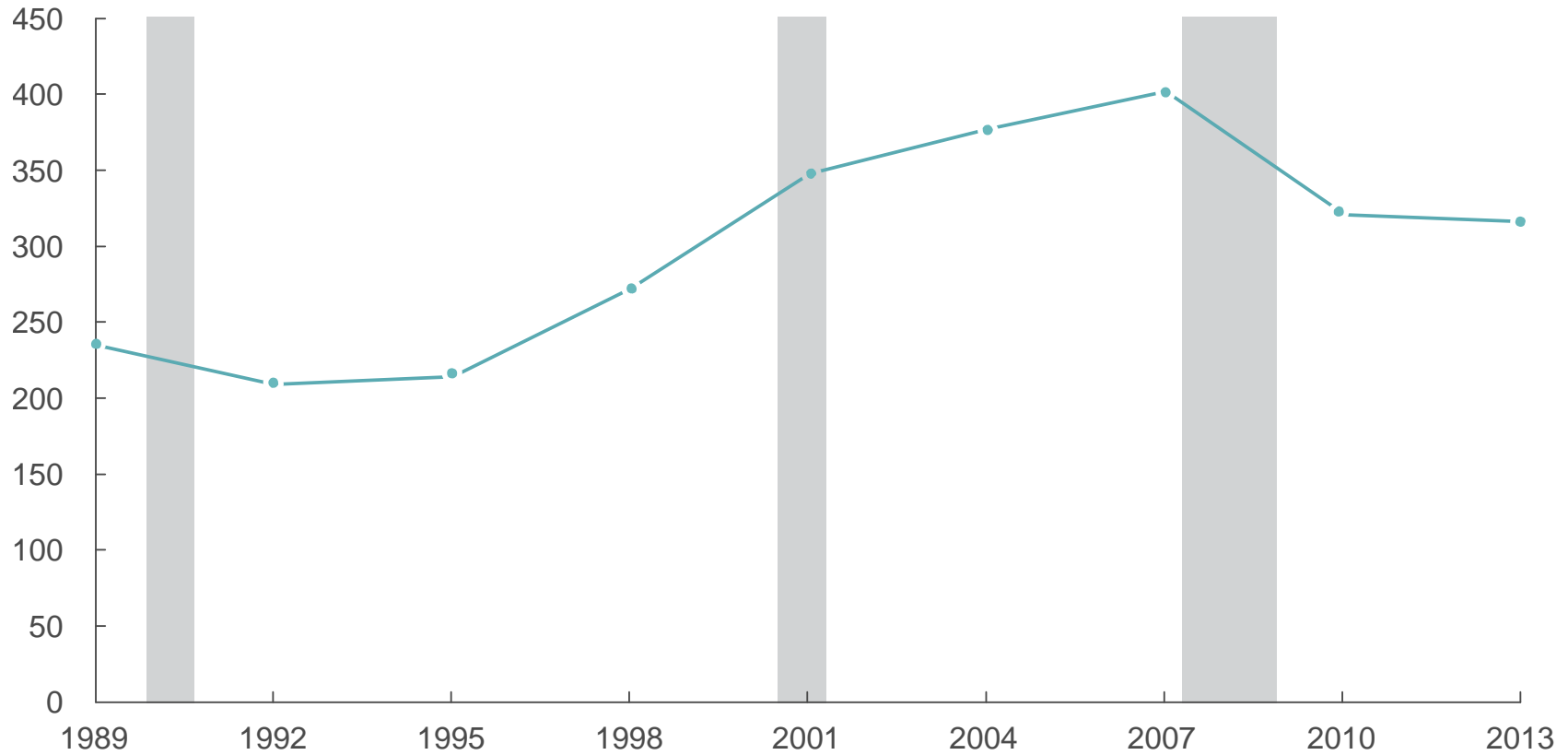


Changes in the Assets and Debt of Families in the Top 10 Percent of the Wealth Distribution (Excluding the *Forbes* 400)



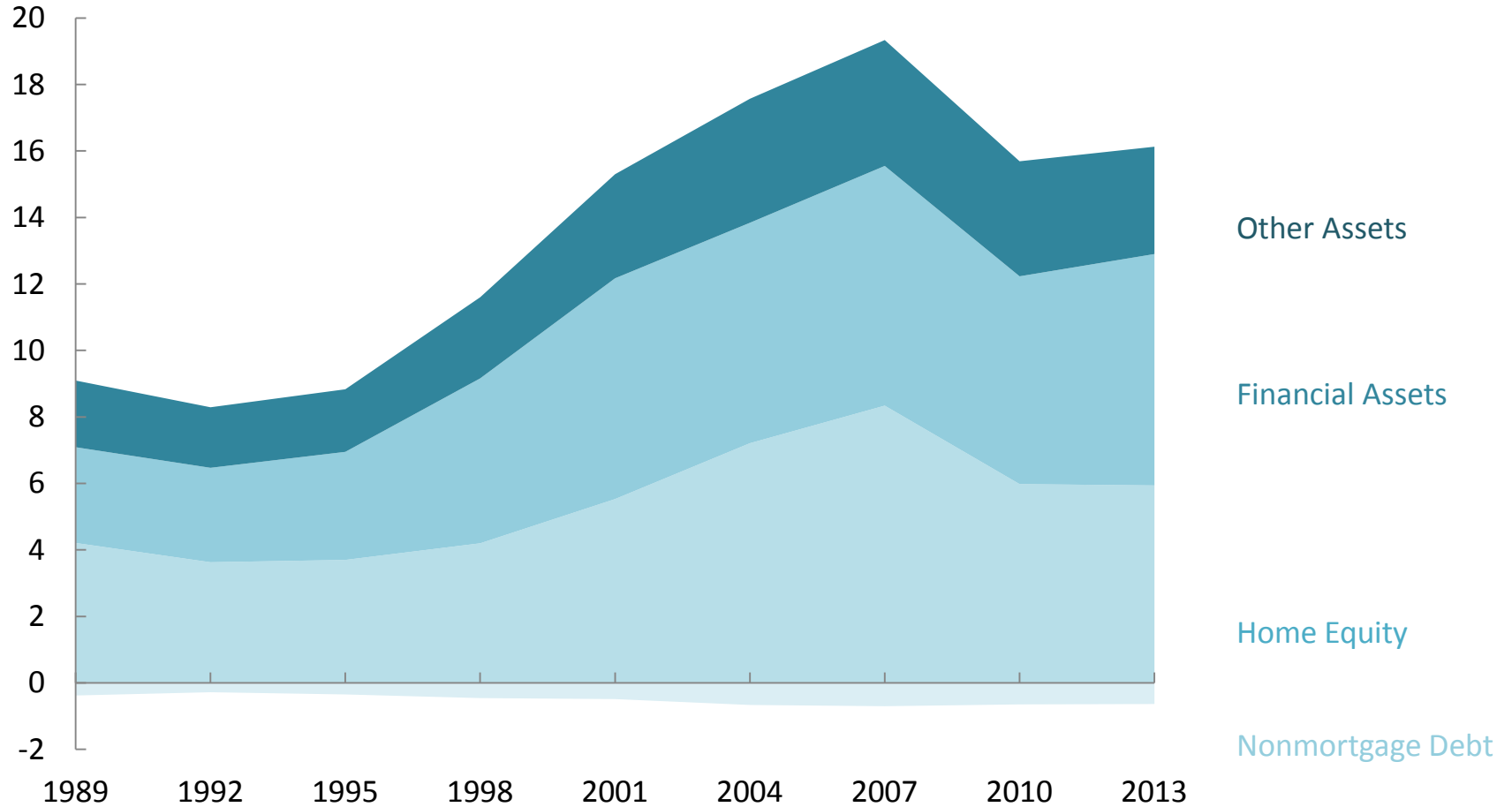
Average Wealth of Families in the 51st to 90th Percentiles of the Wealth Distribution

Thousands of 2013 Dollars



Aggregate Wealth of Families in the 51st to 90th Percentiles of the Wealth Distribution

Trillions of 2013 Dollars



Changes in the Assets and Debt of Families in the 51st to 90th Percentiles of the Wealth Distribution

Home Equity

Financial Assets

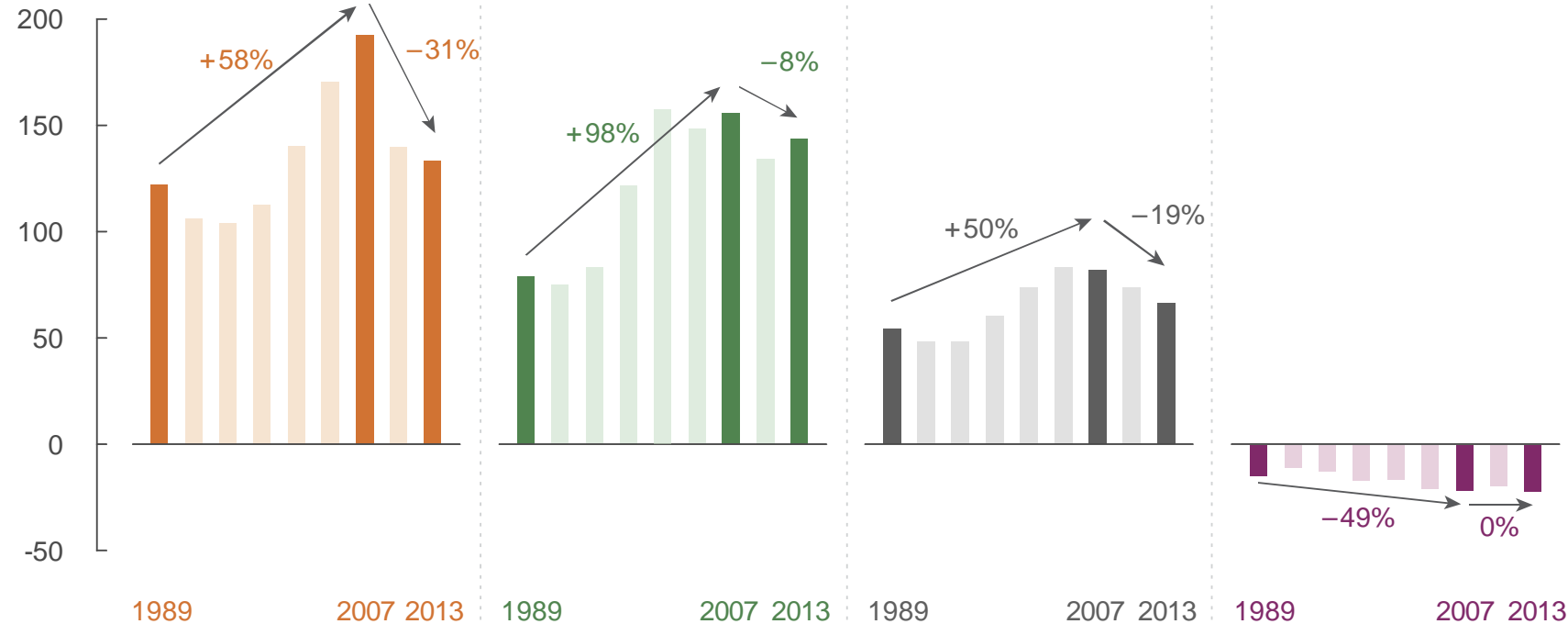
Other Assets

Nonmortgage Debt

Percentage of Families That Hold Each Category of Asset or Debt

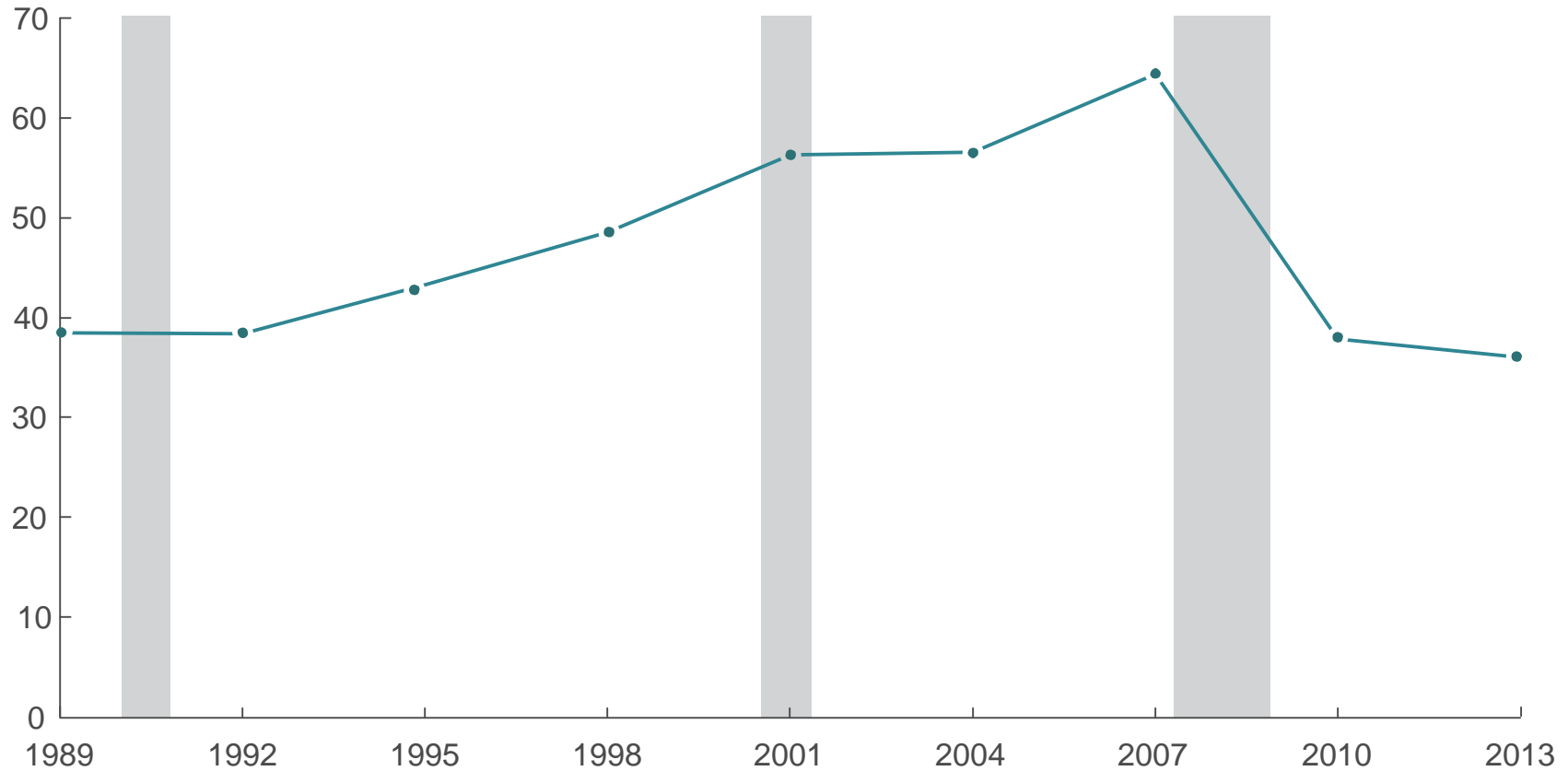
93	94	91	99	100	99	97	96	95	72	72	62
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Thousands of 2013 Dollars

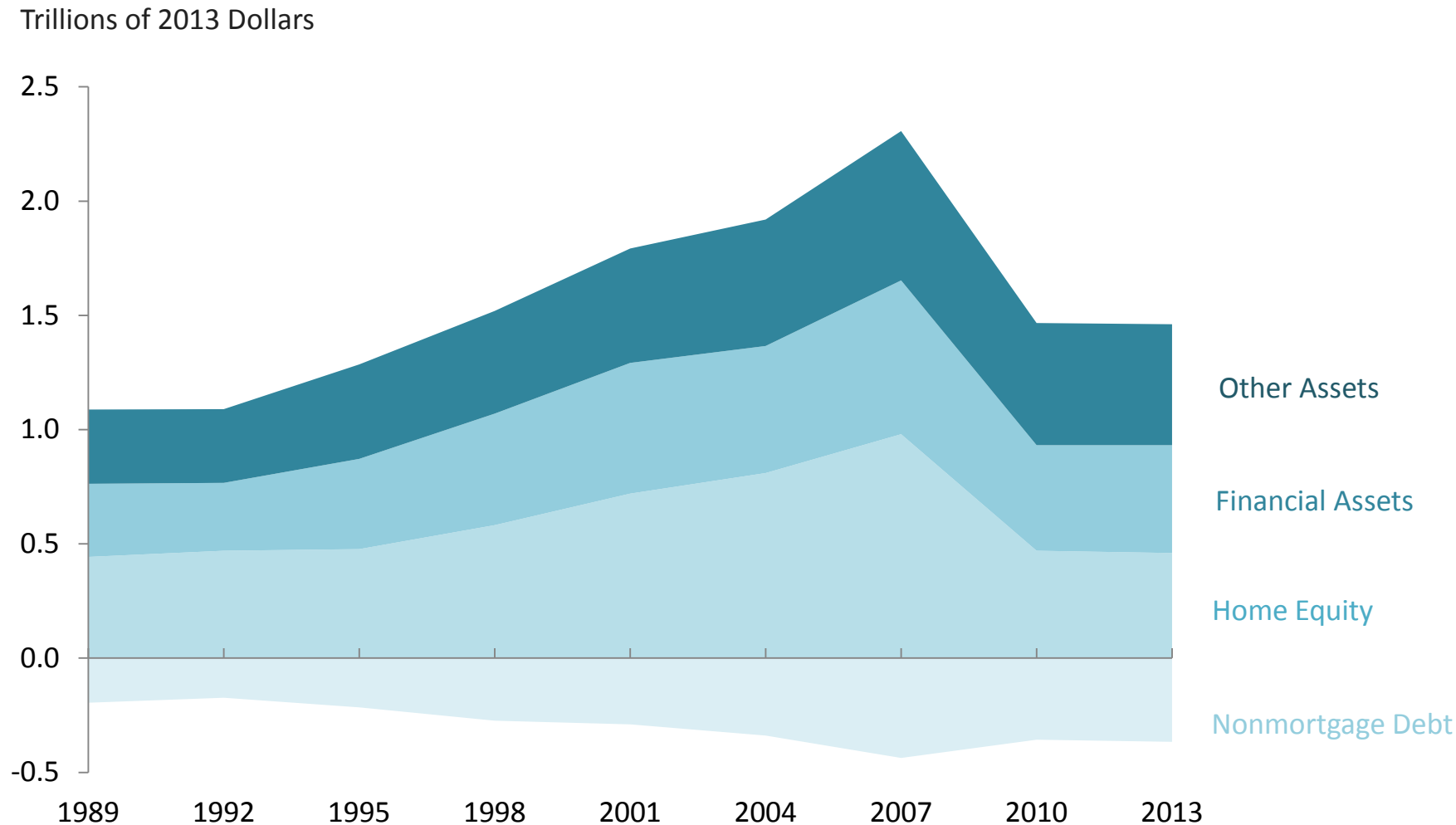


Average Wealth of Families in the 26th to 50th Percentiles of the Wealth Distribution

Thousands of 2013 Dollars



Aggregate Wealth of Families in the 26th to 50th Percentiles of the Wealth Distribution



Changes in the Assets and Debt of Families in the 26th to 50th Percentiles of the Wealth Distribution

Home Equity

Financial Assets

Other Assets

Nonmortgage Debt

Percentage of Families That Hold Each Category of Asset or Debt

61

72

58

94

96

97

89

93

92

77

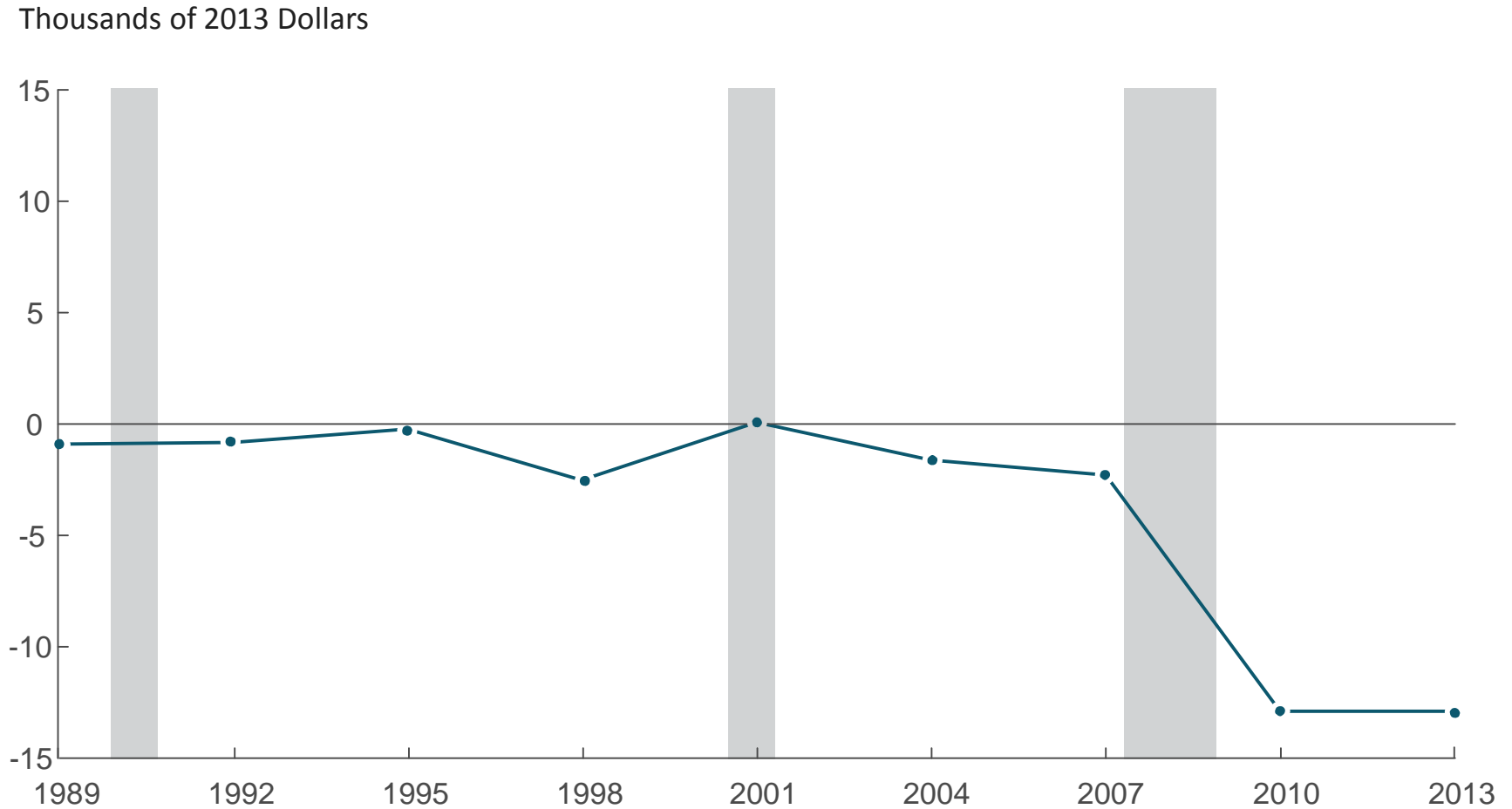
78

69

Thousands of 2013 Dollars

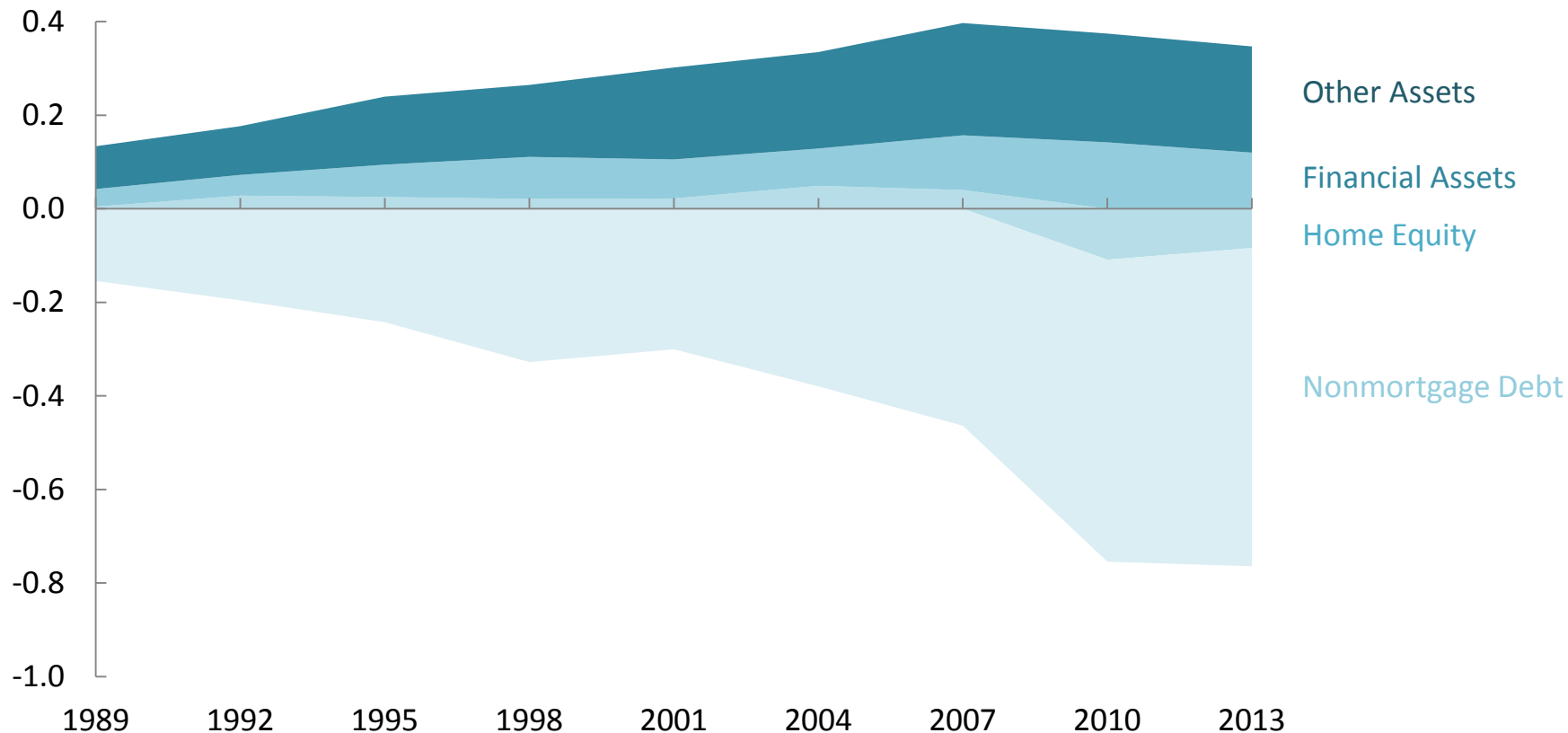


Average Wealth of Families in the Bottom 25 Percent of the Wealth Distribution



Aggregate Wealth of Families in the Bottom 25 Percent of the Wealth Distribution

Trillions of 2013 Dollars



Changes in the Assets and Debt of Families in the Bottom 25 Percent of the Wealth Distribution

Home Equity

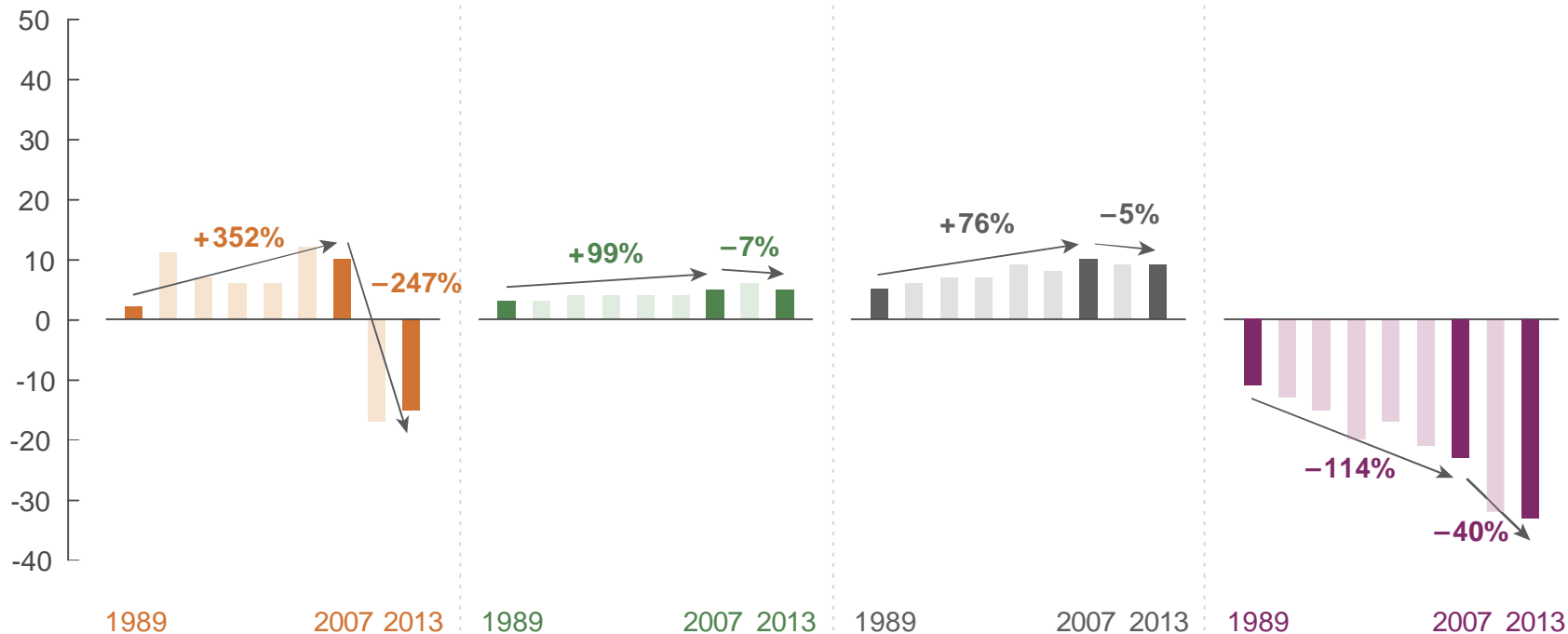
Financial Assets

Other Assets

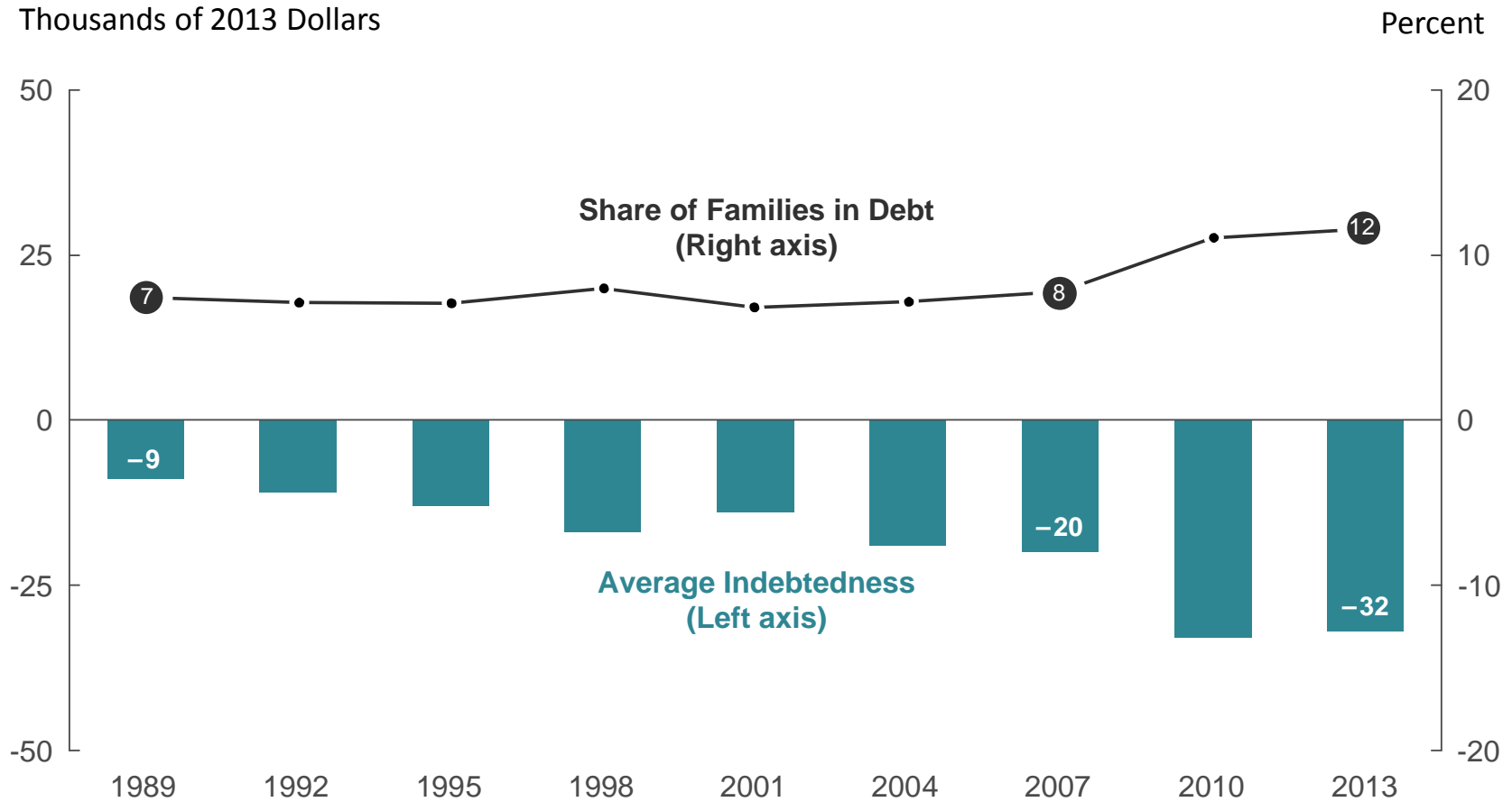
Nonmortgage Debt

Percentage of Families That Hold Each Category of Asset or Debt											
9	14	18	64	80	83	60	70	67	61	68	68

Thousands of 2013 Dollars



Share of Families in Debt and Average Indebtedness for Those Families

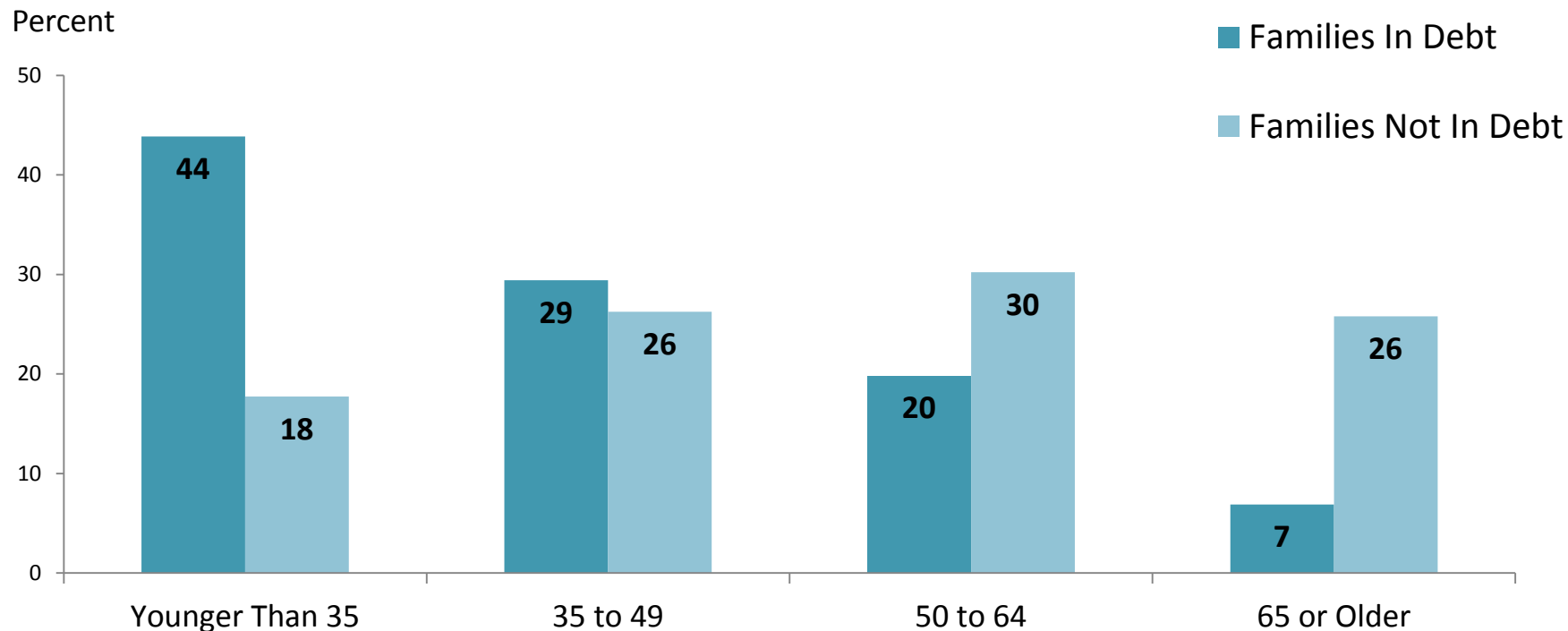


Changes in Categories of Debt for Families in Debt

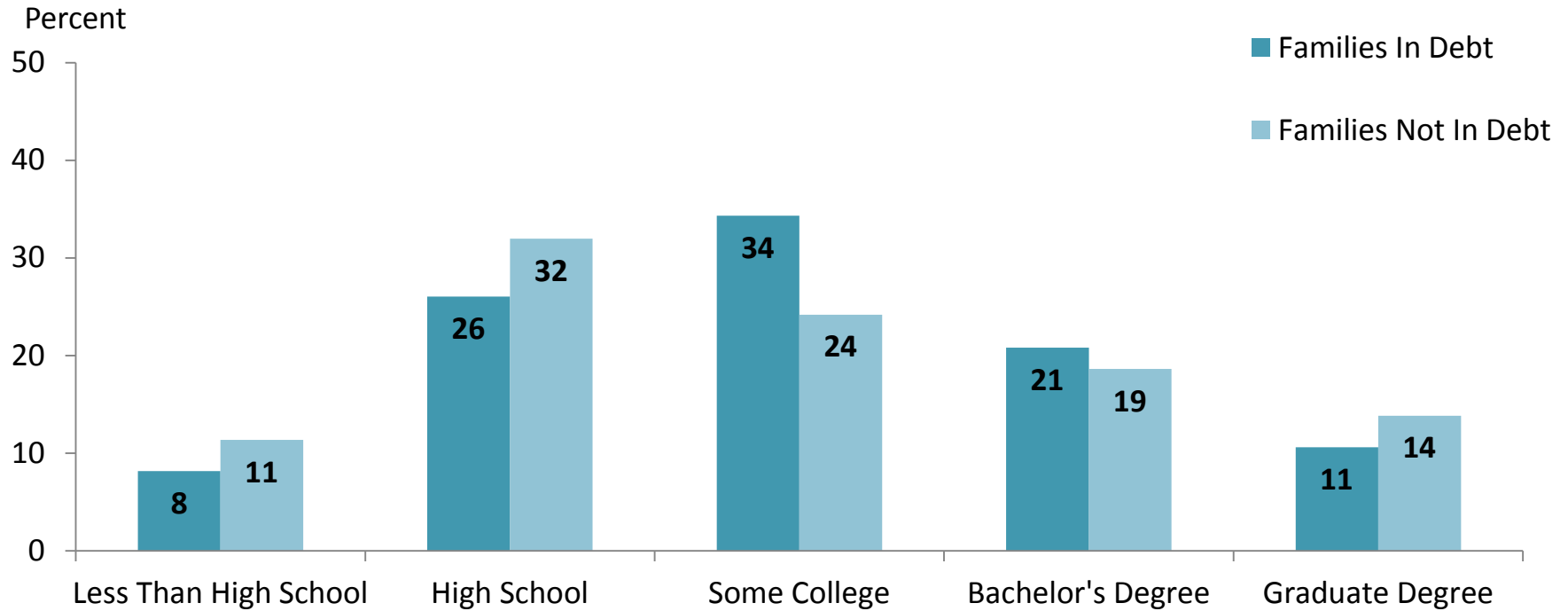
- The increase in average indebtedness between 2007 and 2013 for families in debt was mainly the result of falling home equity and rising student loan debt.

	2007	2013
Share of families in debt who had negative home equity (Percent)	3	19
Average home equity for families in debt who had negative home equity (2013 dollars)	-\$16,000	-\$45,000
Share of families in debt who had outstanding student loans (Percent)	56	64
Average student loans for families in debt who had student loans (2013 dollars)	\$29,000	\$41,000

Age Distribution of Families in Debt and Families Not in Debt in 2013

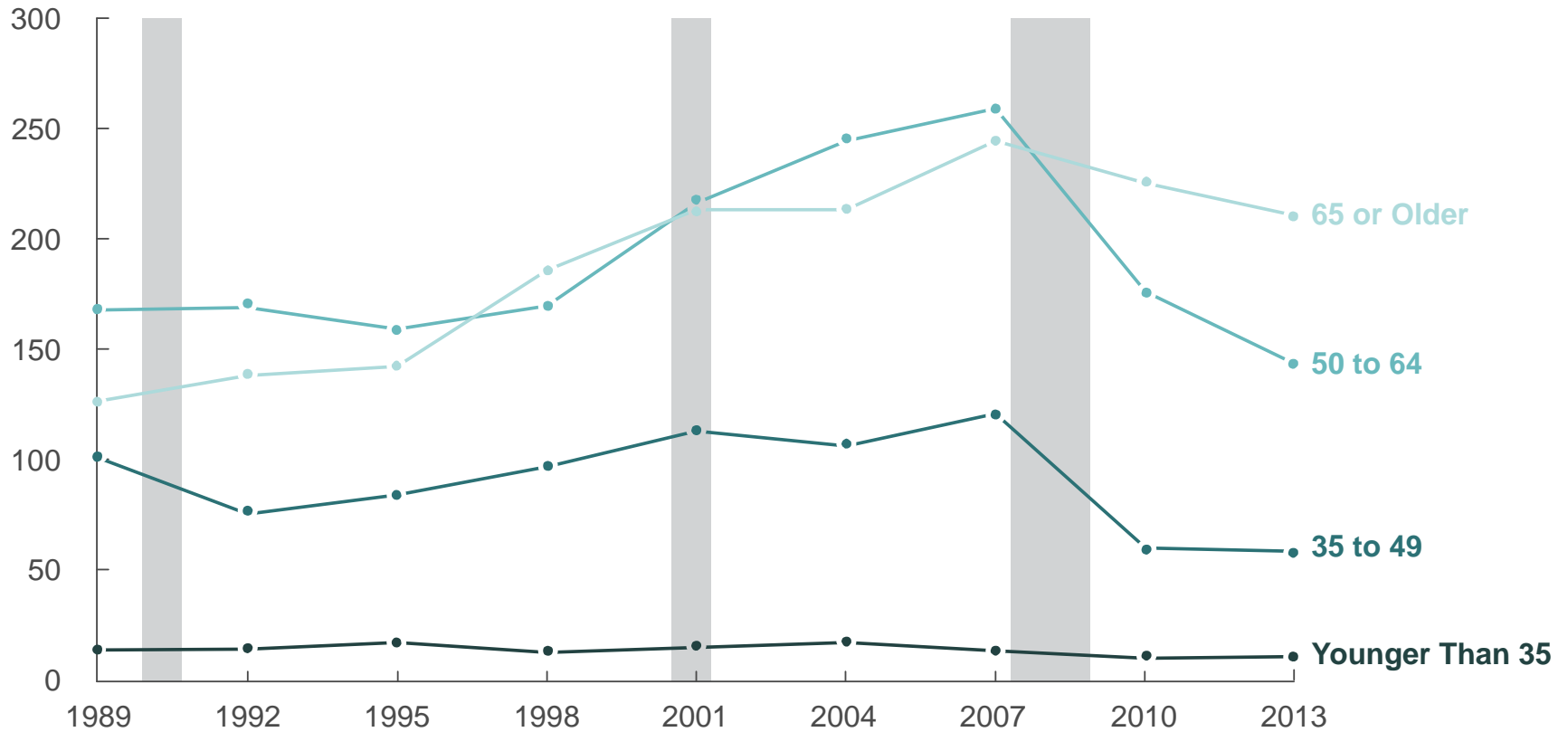


Education Distribution of Families in Debt and Families Not in Debt in 2013



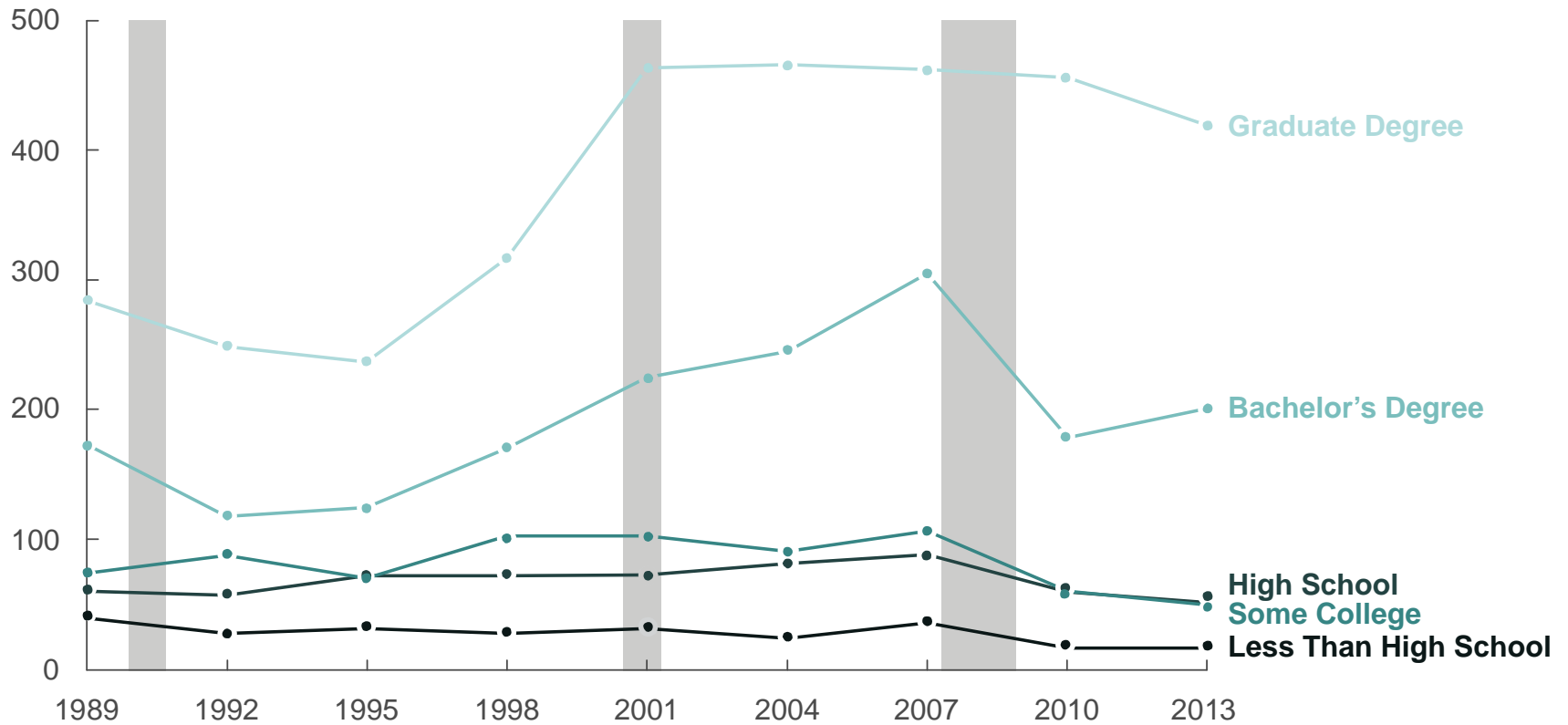
Median Family Wealth, by Age Group

Thousands of 2013 Dollars



Median Family Wealth, by Education Group

Thousands of 2013 Dollars



Effects of Aging and Increases in Educational Attainment on Family Wealth

- The aging of the population and increases in educational attainment contributed to an increase in overall family wealth between 1989 and 2013.
- CBO performed a counterfactual analysis, using a reweighting technique developed by John DiNardo and colleagues.
 - See John DiNardo, Nicole M. Fortin, and Thomas Lemieux, “Labor Market Institutions and the Distribution of Wages, 1973–1992: A Semiparametric Approach,” *Econometrica*, vol. 64, no. 5 (September 1996), pp. 1001–1044, <http://tinyurl.com/zyhcdbf>.

Effects of Aging and Increases in Educational Attainment on Family Wealth (Continued)

- Had the population not aged as it did, median family wealth would have been 19 percent lower in 2013 than in 1989.
 - In 1989, 21 percent of families were headed by someone over the age of 65; in 2013, 24 percent were.
- Had the average educational attainment of families not increased as it did, median family wealth would have been 16 percent lower in 2013 than in 1989.
 - In 1989, 23 percent of families were headed by someone with at least a bachelor's degree; in 2013, 32 percent were.