Changes in Family Wealth, 1989 to 2013

Savings and Retirement Foundation
Washington, D.C.

Nadia Karamcheva
Microeconomic Studies Division

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?
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
Shares of Family Wealth, by Wealth Group

- **Top 10 Percent**
  - 1989: 67%
  - 1992: 67%
  - 1995: 69%
  - 1998: 69%
  - 2001: 70%
  - 2004: 70%
  - 2007: 72%
  - 2010: 75%
  - 2013: 76%

- **51st to 90th Percentiles**
  - 1989: 30%
  - 1992: 29%
  - 1995: 28%
  - 1998: 28%
  - 2001: 27%
  - 2004: 27%
  - 2007: 25%
  - 2010: 24%
  - 2013: 23%

- **Bottom 50 Percent**
  - 1989: 3%
  - 1992: 3%
  - 1995: 4%
  - 1998: 3%
  - 2001: 3%
  - 2004: 2%
  - 2007: 1%
  - 2010: 1%
  - 2013: 1%
Wealth of Families at Selected Percentiles of the Wealth Distribution

Thousands of 2013 Dollars

- 90th Percentile
- 75th Percentile
- 50th Percentile
- 25th Percentile

Years:
- 1989
- 1992
- 1995
- 1998
- 2001
- 2004
- 2007
- 2010
- 2013
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

Other Assets

Financial Assets

Home Equity

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

<table>
<thead>
<tr>
<th>Home Equity</th>
<th>Financial Assets</th>
<th>Other Assets</th>
<th>Nonmortgage Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Families That Hold Each Category of Asset or Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>93</td>
<td>100</td>
<td>97</td>
</tr>
<tr>
<td>2007</td>
<td>97</td>
<td>100</td>
<td>98</td>
</tr>
<tr>
<td>2013</td>
<td>97</td>
<td>100</td>
<td>98</td>
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</tbody>
</table>

Thousands of 2013 Dollars

- Home Equity: +101% (1989-2013)
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

- Other Assets
- Financial Assets
- Home Equity
- Nonmortgage Debt
Changes in the Assets and Debt of Families in the 51st to 90th Percentiles of the Wealth Distribution

<table>
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<td>100</td>
<td>96</td>
<td>72</td>
</tr>
<tr>
<td>2013</td>
<td>91</td>
<td>99</td>
<td>95</td>
<td>62</td>
</tr>
</tbody>
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Percentage of Families That Hold Each Category of Asset or Debt

- **Home Equity**: 1989: -8%, 2007: +98%, 2013: -31%
- **Financial Assets**: 1989: +58%, 2007: -8%
- **Other Assets**: 1989: +50%, 2007: -19%
- **Nonmortgage Debt**: 1989: -49%, 2007: 0%
Average Wealth of Families in the 26th to 50th Percentiles of the Wealth Distribution

Thousands of 2013 Dollars


0 10 20 30 40 50 60 70
Aggregate Wealth of Families in the 26th to 50th Percentiles of the Wealth Distribution

Trillions of 2013 Dollars


Other Assets
Financial Assets
Home Equity
Nonmortgage Debt
# Changes in the Assets and Debt of Families in the 26th to 50th Percentiles of the Wealth Distribution

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<td>72</td>
<td>58</td>
<td>94</td>
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</table>

**Thousands of 2013 Dollars**

- **Home Equity**
  - 1989: +51%
  - 2007: -44%
- **Financial Assets**
  - 1989: +64%
  - 2007: -34%
- **Other Assets**
  - 1989: +58%
  - 2007: -23%
- **Nonmortgage Debt**
  - 1989: -77%
  - 2007: +10%
Average Wealth of Families in the Bottom 25 Percent of the Wealth Distribution

Thousands of 2013 Dollars

CONGRESSIONAL BUDGET OFFICE
Aggregate Wealth of Families in the Bottom 25 Percent of the Wealth Distribution

Trillions of 2013 Dollars

-1.0 -0.8 -0.6 -0.4 -0.2 0.0 0.2 0.4


Other Assets
Financial Assets
Home Equity
Nonmortgage Debt
Changes in the Assets and Debt of Families in the Bottom 25 Percent of the Wealth Distribution

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Thousands of 2013 Dollars

- Home Equity: +352%  -247%
- Financial Assets: +99%  -7%
- Other Assets: +76%  -5%
- Nonmortgage Debt: -114%  -40%
Share of Families in Debt and Average Indebtedness for Those Families

Thousands of 2013 Dollars

Average Indebtedness (Left axis)

Share of Families in Debt (Right axis)


-50 -25 0 25 50

-20 -10 0 10 20

-9 8 12

-32

Percent
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.

<table>
<thead>
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<th>2013</th>
</tr>
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<tr>
<td>Share of families in debt who had negative home equity (Percent)</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>Average home equity for families in debt who had negative home equity (2013 dollars)</td>
<td>-$16,000</td>
<td>-$45,000</td>
</tr>
<tr>
<td>Share of families in debt who had outstanding student loans (Percent)</td>
<td>56</td>
<td>64</td>
</tr>
<tr>
<td>Average student loans for families in debt who had student loans (2013 dollars)</td>
<td>$29,000</td>
<td>$41,000</td>
</tr>
</tbody>
</table>
Age Distribution of Families in Debt and Families Not in Debt in 2013

![Bar chart showing the age distribution of families in debt and families not in debt in 2013.](chart)

- **Younger Than 35:**
  - Families In Debt: 44%
  - Families Not In Debt: 18%

- **35 to 49:**
  - Families In Debt: 29%
  - Families Not In Debt: 26%

- **50 to 64:**
  - Families In Debt: 20%
  - Families Not In Debt: 30%

- **65 or Older:**
  - Families In Debt: 7%
  - Families Not In Debt: 26%
Education Distribution of Families in Debt and Families Not in Debt in 2013

![Bar chart showing the distribution of families in debt and families not in debt by education level in 2013.](chart.png)
Median Family Wealth, by Age Group

Thousands of 2013 Dollars


- 65 or Older
- 50 to 64
- 35 to 49
- Younger Than 35
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.

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.