Survey of Consumer Finances, 1983

This article was prepared by Robert B. Avery, Gregory E. Elliehausen, and Glenn B. Canner, of the Board's Division of Research and Statistics, and Thomas A. Gustafson of the U.S. Department of Health and Human Services. Neil Briskman, Julie Rochlin, and Robert Seifert helped prepare the data. Footnotes appear at the end of the article.

The financial position of American households has changed significantly since 1970. To understand these changes better and to assess their implications, the Board of Governors of the Federal Reserve System, the United States Department of Health and Human Services, and five other federal agencies joined together to sponsor the 1983 Survey of Consumer Finances.[1] The overriding common interest among the sponsors was the estimation of the debt obligations and asset holdings of a nationally representative sample of American families. Such a balance-sheet approach allows analysis of the net financial position of families, their use of financial institutions, their holdings of various types of assets, and the structure and sources of their debt obligations. Besides collecting data on the balance sheets from 3,824 families, the 1983 survey sought the attitudes of consumers toward credit use, their reactions to new financial instruments and to consumer credit regulations, and detailed information on consumer pension rights and benefits.

This article presents results from the income and asset sections of the 1983 Survey of Consumer Finances. Articles in forthcoming issues of the FEDERAL RESERVE BULLETIN will present other results from the survey. In addition, a comprehensive presentation of the survey results is being prepared.

HISTORICAL ORIGINS

The Federal Reserve first sponsored a survey of consumer finances just after World War II. Noting that households had accumulated a large stock of liquid assets during the war and had deferred expenditures for a wide range of products, the Federal Reserve believed that information obtained from such a survey would be useful in understanding and predicting consumer expenditure and savings patterns. The first such survey was conducted in 1946 for the Federal Reserve by the Bureau of Agricultural Economics of the United States Department of Agriculture. Surveys of consumer finances were conducted by the Survey Research Center of the University of Michigan annually from 1947 through 1970 but then were discontinued. In 1977, balance-sheet data were collected as part of a survey of consumer credit sponsored by the federal banking agencies.[2] In addition, the Federal Reserve Board sponsored the one-time Survey of Financial Characteristics of Consumers in 1962, which obtained consumer balance-sheet data that were more detailed than those available from the surveys of consumer finances.[3] The 1983 Survey of Consumer Finances updates balance-sheet information from the 1977 survey. No survey since the 1962 Survey of Financial Characteristics of Consumers has collected a more comprehensive inventory of consumers' assets than that contained in the 1983 survey. The latest survey provides much new information that analysts may use to identify important trends in income and wealth distribution, asset ownership, and household borrowing patterns, and it affords a comprehensive understanding of the financial state of households. The recent survey provides a unique opportunity to link data on consumer assets and liabilities, income, and financial behavior.

SELECTED RESULTS OF THE 1983 SURVEY

This article presents selected highlights from the 1983 Survey of Consumer Finances. The unit of observation is the family, which is defined to

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include all persons residing together in the same dwelling who are related by blood, marriage, or adoption. Families include one-person units as well as units of two or more persons.[4] Balance-sheet items are reported as of the date of the interview; income is reported for the previous calendar year.

The first section examines the distribution of family income in 1982 and compares family income in 1969, 1976, and 1982. The next section focuses on home equity, the largest single asset in many families' asset portfolios. The final section presents survey results on ownership and dollar amounts of holdings of various financial assets. The discussion covers changes in holdings of financial assets between 1970 and 1983, holdings of financial assets by income classes and by various demographic groups, and the characteristics of owners of different types of financial assets. Appendix A describes the survey design and data preparation. Appendix B discusses sampling, response, and nonresponse errors.

Family Income

Income is important both as a factor influencing the saving and spending decisions of consumers and as an indicator of economic well-being. The 1983 Survey of Consumer Finances asked respondents to report their total family income in 1982 from all sources, before deductions and taxes. Family income, measured in current dollars, increased substantially from 1969 to 1982 (see table 1).[5] By 1982, the proportion of families with incomes of $25,000 or more had increased to 39 percent from 17 percent in 1976 and from less than 5 percent in 1969. Since 1976, mean and median family incomes have increased 55 percent to $26,259 and 44 percent to $19,446 respectively.[6]

Because the large increases in prices during the period under review make comparisons of dollar amounts over time misleading, reported family income was adjusted for changes in the price level with the consumer price index (these data are also presented in table 1). Comparison of the income distribution in constant dollars reveals that changes in real family income were substantially smaller than those in nominal income. After remaining nearly constant at about 45 percent from 1969 to 1976, the proportion of families with incomes of $25,000 or more (in constant 1982 dollars) fell to 39 percent in 1982. Mean and median real family incomes increased slightly between 1969 and 1976. However, in 1982, mean real family income was 9 percent lower than it was in 1976, and median real family income was 16 percent lower.

1. Distribution of family income, selected years

Percentage distribution of families, except as noted

Family income (dollars)	Current dollars			Constant (1982) dollars		
	1969	1976	1982	1969	1976	1982
Less than 3,000	14	7	3	2	2	3
3,000–4,999	12	8	7	4	5	7
5,000–7,499	16	10	8	7	6	8
7,500–9,999	16	10	7	6	7	7
10,000–14,999	25	20	14	10	11	14
15,000–19,999	11	15	13	13	12	13
20,000–24,999	4	12	11	13	11	11
25,000–29,999	2	6	9	11	10	9
30,000–39,999	1	5	13	17	15	13
40,000–49,999	*	3	7	8	9	7
50,000 and more	1	3	10	9	12	10
Total	**100**	**100**	**100**	**100**	**100**	**100**
MEMO (dollars)						
Mean	10,420	16,893	26,259	27,603	28,860	26,259
Median	8,690	13,549	19,446	23,020	23,147	19,446

*Less than 0.5 percent

SOURCES. George Katona, Lewis Mandell, and Jay Schmiedeskamp, *1970 Survey of Consumer Finances* (University of Michigan, Institute for Social Research, 1971); and Thomas Durkin and Gregory E. Elliehausen, *1977 Consumer Credit Survey* (Board of Governors of the Federal Reserve System, 1977).

2. Share of family income, by income deciles, selected years

Percentage distribution of families

Income decile	Share of total income		
	1969	1976	1982
Lowest	1	1	1
Second	3	3	3
Third	5	4	4
Fourth	6	6	5
Fifth	8	7	7
Sixth	9	8	8
Seventh	11	10	10
Eighth	12	13	13
Ninth	16	16	16
Highest	29	32	33
Total	**100**	**100**	**100**

SOURCES. Katona and others, *1970 Survey;* and Durkin and Elliehausen, *1977 Survey.*

In part, the changes in real family income reflect differences in economic activity at the time the surveys were conducted. Both in 1969 and in 1982, the economy was in recession, and 1976 was a year of economic recovery. The decline in real family income may also be attributed to changes in family composition. For example, an increase in the number of "families" consisting of unmarried people (including single-person families) contributed to a decrease in average family size between 1976 and 1982 and may have reduced average family income.

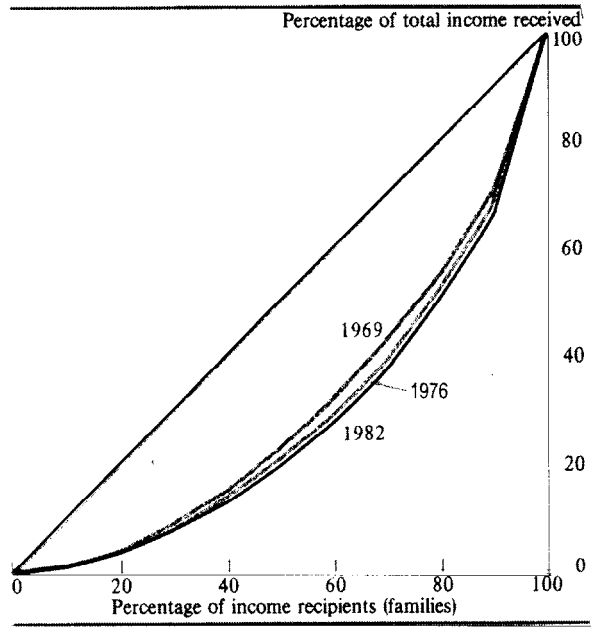
Statistics from the national income and product accounts offer an interesting comparison with these data. Such comparisons—between survey-based and aggregate measures of income—are difficult to make because part of the aggregate consists of income that consumers do not receive in the form of money and consequently do not report in surveys. Examples are the imputed value of rental income for owner-occupied housing, contributions by employers to pensions, and in-kind transfers.[7] Granted this qualification, aggregate real personal income increased 9 percent from 1976 to 1982, but per capita income rose only 3 percent. Per family real personal income fell 3 percent, however, a decline somewhat smaller than that observed between the 1977 and the 1983 surveys. This divergence in trend suggests that changes in family composition indeed were a factor in the changes in real family income.

The distribution of family income over this period is shown in table 2. The share of aggregate family income received by the highest income decile increased a little from 1969 to 1976, rising from 29 percent to 32 percent; it then remained virtually unchanged through 1982.

The accompanying diagram, which depicts a Lorenz curve, graphically displays the size distribution of income presented in table 2. The Lorenz curve is determined by plotting the cumulative percentage of aggregate income received by the cumulative percentage of families arrayed from the lowest to the highest income. For example, in this case, it shows that in 1982, 40 percent of the families received 13 percent of the income (the sum of the first four numbers in the last column of table 2). The degree of inequality is indicated by the area between the Lorenz curve and the 45-degree line that signifies perfect equality (that is, say, 40 percent of the families receive 40 percent of the income). The larger this area, the greater is the degree of inequality. The curves in the chart indicate that the distribution of family income has become somewhat more unequal since 1969.[8]

Table 3 presents mean and median family incomes according to the age, stage in the life cycle, education, occupation, housing status, and racial and ethnic characteristics of the head of the family. Just as previous surveys of con-

Distribution of family income



sumer finances found, the 1983 results reveal that family income tends to increase with the age of the head up to retirement and with the level of education, and to be higher in families headed by individuals in professional, technical, and managerial occupations. Whites also tend to have higher family incomes than nonwhites and Hispanics.

3. Mean and median family income, by selected family characteristics, 1982

Characteristic	Percent of families	Family income (dollars)	
		Mean	Median
Age of family head (years)			
Under 25	8	13,385	12,003
25–34	23	23,963	20,097
35–44	19	32,449	27,114
45–54	16	32,935	25,535
55–64	15	32,292	21,855
65–74	12	21,818	12,538
75 and over	7	11,334	7,176
Education of family head			
0–8 grades	16	11,718	8,870
9–11 grades	13	17,146	13,755
High school diploma	32	23,830	20,000
Some college	20	27,412	22,000
College degree	19	46,443	35,000
Occupation of family head			
Professional, technical	14	36,191	28,278
Manager	11	44,685	35,000
Self-employed manager	5	49,925	30,000
Clerical or sales	13	23,416	18,000
Craftsman or foreman	18	24,730	22,075
Operative, labor, or service worker	29	16,675	14,000
Farmer or farm manager	2	26,477	16,365
Miscellaneous	8	12,309	6,991
Housing status			
Own	64	31,754	24,623
Rent or other	36	16,503	13,000
Race of family head			
Caucasian	82	28,035	21,000
Nonwhite and Hispanic	18	18,405	12,722
Life-cycle stage of family head			
Under 45 years			
Unmarried, no children	12	18,749	15,000
Married, no children	7	32,516	28,150
Married, with children	23	30,659	25,800
45 years and over			
Head in labor force	26	35,821	27,000
Head retired	22	17,315	10,200
All ages			
Unmarried, with children	9	13,487	11,020
All families	**100**	**26,259**	**19,446**

Homeownership

For most Americans, homeownership is a major social and economic objective. The surveys of consumer finances reveal an increase in rates of homeownership between 1970 and 1977 but a decline between 1977 and 1983 (see table 4).[9] While nearly 65 percent of nonfarm families owned their own homes in 1977, only 60 percent of such families were owners in 1983.[10] These rates of homeownership exclude families that reside in mobile homes, 83 percent of which were owner-occupied.

4. Housing status of nonfarm families, selected years

Percentage distribution of families

Housing status	1970	1977	1983
Homeowner	62	65	60
Renter	32	28	32
Mobile home[1]	4	6	6
Other[2]	2	1	2
Total	**100**	**100**	**100**

1. Owners and renters.
2. Includes, among others, families who receive housing as a gift or as compensation from employment and respondents who refused to answer.

SOURCES. Katona and others, *1970 Survey*, table 3-12; and Durkin and Elliehausen, *1977 Survey*, table 11-10.

Many factors could explain these changes in homeownership. The perception that homeownership offered an effective hedge against inflation may have contributed to the growth in homeownership during the 1970s. Growth in the number of families with an unmarried head and increases in mortgage interest rates may have been partly responsible for the decline in homeownership in recent years.

The frequency of homeownership is not uniform among all groups of consumers (see table 5). In 1983, at least two-thirds of all families whose head was at least 35 years old owned their own homes while only 34 percent of families headed by someone under 35 did. Older persons, whether working or retired, had the highest frequency of homeownership. Rates of homeownership generally fell or were unchanged for families at all stages of the life cycle between

5. Housing status of nonfarm families, by selected characteristics, 1977 and 1983

Percentage of families

Characteristic	Own		Rent	
	1977	1983	1977	1983
Family income (constant, 1982, dollars)				
Less than 10,000	43	36	50	52
10,000–19,999	54	51	36	38
20,000–29,999	63	60	25	32
30,000–49,999	80	82	17	13
50,000 and more	92	89	7	11
Age of family head (years)				
Under 35	41	34	48	55
35–44	75	66	19	28
45–54	80	75	15	18
55–64	76	73	17	20
65 and over	74	70	19	21
Race of family head				
Caucasian	66	64	24	28
Nonwhite and Hispanic	52	40	42	51
Life-cycle stage of family head				
Under 45 years				
Unmarried, no children	14	23	78	71
Married, no children	45	44	46	44
Married with children	72	65	19	26
45 years and over				
Head in labor force	77	76	15	17
Head retired	77	69	18	23
All ages				
Unmarried, with children	41	38	48	54
All families	**65**	**60**	**28**	**32**

SOURCE. Durkin and Elliehausen, *1977 Survey*.

1977 and 1983. The only exception was single, childless individuals under 45. Of this group, 23 percent owned homes in 1983 compared with only 14 percent in 1977. As table 5 shows, homeownership rates fell for nonwhites and Hispanics but remained nearly the same for whites between 1977 and 1983. In 1983, the rate of homeownership was 60 percent higher for whites than for nonwhites and Hispanics.

As one expects, homeownership rates increase with family income. Only 36 percent of families with incomes of less than $10,000 owned their own homes in 1983, but 89 percent of families with incomes of $50,000 or more were homeowners in that year. Comparisons over time of the frequency of homeownership rates for families arrayed by income, measured in constant 1982 dollars, indicates that for most groups homeownership rates declined between 1977 and 1983.

Equity in the home, defined as the current value of the property less the amount of first mortgage debt, is the largest asset for many homeowners.[11] The 1983 survey asked each homeowner to report the current market value of his residence. In addition, each homeowner was questioned about the terms of his outstanding

6. Value of houses owned by families and net equity in current and constant dollars, selected years

Percentage distribution of owner-occupied nonfarm houses except as noted

Value or equity[1]	Current dollars			Constant (1983) dollars		
	1970	1977	1983	1970	1977	1983
House value (dollars)[2]						
Less than 25,000	71	21	9	17	9	9
25,000–49,999	25	49	30	42	29	30
50,000–74,999	3	19	25	22	29	25
75,000–99,999	*	7	16	12	16	16
100,000–149,999	1	3	12	6	13	12
150,000 and more	*	1	8	2	4	8
Total	**100**	**100**	**100**	**100**	**100**	**100**
MEMO (dollars)						
Mean	20,751	42,972	72,238	53,190	70,460	72,238
Median	17,800	37,000	57,500	45,625	60,669	57,500
Equity in house (dollars)						
Less than 15,000	63	26	12	24	14	12
15,000–24,999	23	20	12	17	13	12
25,000–49,999	12	38	33	36	32	33
50,000–74,999	1	11	21	13	21	21
75,000 and more	1	6	22	10	19	22
Total	**100**	**100**	**100**	**100**	**100**	**100**
MEMO (dollars)						
Mean	14,767	32,122	56,133	37,853	52,670	56,133
Median	11,800	27,000	41,261	30,246	44,272	41,261

1. Mobile homes are excluded.

2. As valued by respondents in the year indicated, except that houses purchased during 1976, 1977, 1982, or 1983 were valued at the purchase price.

*Less than 0.5 percent.

SOURCES. Katona and others, *1970 Survey*, table 3-6; and Durkin and Elliehausen, *1977 Survey*.

mortgage debt. From the responses on payment size, maturity, and interest rate, outstanding mortgage debt was calculated. Estimated first mortgage debt outstanding was subtracted from reported property value to determine home equity for each homeowner.

Increases in housing prices boosted the median reported value of homes dramatically between 1970 and 1977, more than doubling it, from $17,800 to $37,000 (see table 6). While nominal housing prices continued to rise between 1977 and 1983, the median value of homes declined 5 percent in real terms over this six-year interval. Interestingly, in face of this decline, the mean real home value increased. This finding may be attributed to an increase in the proportion of families owning homes valued at $150,000 or more measured in constant 1983 dollars.

Changes in calculated real equity values and real home prices exhibited similar patterns between 1970 and 1983. Median home equity increased 46 percent in real terms between 1970 and 1977 and then declined nearly 7 percent to $41,261 in 1983. Real mean home equity increased 39 percent between 1970 and 1977 and then increased nearly 7 percent to $56,133 in 1983. However, home equity varies considerably with the characteristics of the household (see table 7). According to survey results, both mean and median equity increase steadily with total family income and with the age of the family head until 65. In 1983, both mean and median home equity were higher for whites than nonwhites and Hispanics.

7. Mean and median net equity in homes of nonfarm homeowning families, by selected characteristics, 1983

Dollars

Characteristic	Mean	Median
Family income (dollars)		
Less than 10,000	39,996	29,810
10,000–19,999	42,896	35,000
20,000–29,999	48,309	38,075
30,000–49,999	55,679	46,206
50,000 and more	100,675	74,756
Age of family head (years)		
Under 35	31,496	25,985
35–44	52,067	40,600
45–54	64,467	50,000
55–64	73,578	55,000
65 and over	58,269	41,857
Race of family head		
Caucasian	57,623	43,466
Nonwhite and Hispanic	45,329	30,000
Life-cycle stage of family head		
Under 45 years		
Unmarried, no children	35,437	30,000
Married, no children	36,508	27,504
Married with children	45,539	34,900
45 years and over		
Head in labor force	68,388	53,772
Head retired	62,464	44,168
All ages		
Unmarried, with children	41,879	34,294
All families	**56,133**	**41,261**

Financial Assets

Economic developments in the past six years have altered markedly the selection of financial assets by consumers. In financial markets, deregulation has increased the discretion of financial institutions in the pricing and breadth of product offerings. Nonbank competitors have aggressively sought consumer savings with a variety of new instruments. Yields on instruments, in both real and nominal terms, have also risen substantially over this period. For these reasons, asset holdings of consumers received particular emphasis in the 1983 Survey of Consumer Finances.

Consumers were asked to report on their asset holdings in greater detail than in any other recent survey of consumer finances. Questions were asked about the size and location of each checking, money market, and savings account.[12] Similar detail was solicited about stock holdings, different types of bonds, trusts, mutual fund holdings, individual retirement accounts (IRAs), Keogh accounts, certificates of deposit, life insurance, loans to friends or relatives, real estate, and businesses. Questions were asked about pension assets and holdings in nontaxable forms such as municipal bonds and nontaxable mutual funds. Respondents were also queried about their use of different financial services and the reasons for their choices, about their attitudes toward risk and savings, and about income received from various financial instruments. Emphasizing only a few of the numerous findings from all of these questions, this section highlights the ownership of liquid and total financial assets by different types of families.

Comparisons of the percentages of families holding different types of financial assets in 1970, 1977, and 1983 indicate a substantial reduction in the proportion of families with savings accounts,

8. Families holding selected liquid and other financial assets, selected years

Percentage of families

Type of asset	1970	1977	1983
Liquid assets			
Checking account	75	81	79
Certificates of deposit	8	14	20
Savings account	65	77	62
Money market account	n.a.	n.a.	14
Savings bonds	27	31	21
Other financial assets			
Stocks	25	25	19
Nontaxable bonds[1]	2	2	3
Other bonds[1]		2	3

1. The *1970 Survey* did not distinguish between household ownership of municipal bonds (nontaxable) and corporate bonds (taxable).
n.a. Not available.
SOURCES. Katona and others, *1970 Survey;* and Durkin and Elliehausen, *1977 Survey.*

savings bonds, and stocks since 1977 (see table 8). The decline in savings accounts can be explained largely by the growth in holdings of other assets such as individual retirement accounts, certificates of deposit, and money market accounts. The decline in stock holding is somewhat more puzzling, although it may be explained partially by a decline in the popularity of stock mutual funds and investment clubs as well as by the lackluster performance of the stock market during most of the 1977–83 period.

Table 9 shows distributions by dollar amount of liquid and total financial asset holdings in 1970, 1977, and 1983. Liquid assets include checking, money market, and savings accounts; individual retirement and Keogh accounts; certificates of deposit; and savings bonds. Financial assets are liquid assets plus stocks, other bonds, and trusts. Over this period, the proportion of families that did not report liquid assets declined slightly, from 16 percent to 12 percent. Mean holdings of liquid assets increased 15 percent in

9. Distribution of total financial assets and liquid assets, selected years

Percentage distribution except as noted

Holdings (dollars)	Current dollars			Constant (1983) dollars		
	1970	1977	1983	1970	1977	1983
	Total financial assets[1]					
None	16	11	12	16	11	12
1–999	34	30	27	22	24	27
1,000–1,999	10	10	9	9	9	9
2,000–4,999	14	14	13	13	12	13
5,000–9,999	9	9	10	11	11	10
10,000–14,999	4	6	5	6	6	5
15,000–24,999	5	6	7	6	7	7
25,000–49,999	3	7	7	7	8	7
50,000–99,999	2	4	5	5	5	5
100,000 and more	1	3	5	5	6	5
Total	**100**	**100**	**100**	**100**	**100**	**100**
MEMO (dollars)						
Mean	9,088	14,803	24,128	23,295	24,273	24,128
Median	900	1,850	2,300	2,307	3,033	2,300
	Liquid assets[2]					
None	16	11	12	16	11	12
1–199	14	13	9	7	9	9
200–499	12	10	9	6	7	9
500–999	11	9	10	9	9	10
1,000–1,999	11	11	10	11	10	10
2,000–4,999	15	15	14	15	14	14
5,000–9,999	9	9	10	11	12	10
10,000–24,999	8	12	13	12	13	13
25,000–39,999	2	3	5	5	6	5
40,000 and more	2	6	8	7	10	8
Total	**100**	**100**	**100**	**100**	**100**	**100**
MEMO (dollars)						
Mean	4,398	9,284	12,934	11,274	15,224	12,934
Median	800	1,550	1,967	2,051	2,542	1,967

1. Financial assets include liquid assets plus stocks, other bonds, nontaxable holdings (municipal bonds and shares in certain mutual funds), and trusts.
2. Liquid assets include checking accounts, savings accounts, money market accounts, certificates of deposit, IRA and Keogh accounts, and savings bonds.
SOURCE. Katona and others, *1970 Survey*; and Durkin and Elliehausen, *1977 Survey.*

constant dollars, from $11,274 in 1970 to $12,934 in 1983. In contrast, median holdings decreased 4 percent from 1970 to 1983. Mean and median holdings were higher in 1977 than in either 1970 or 1983. However, as mentioned, 1970 and 1983 followed recessions, while 1977 was in the middle of an economic expansion. Thus holdings of liquid assets may have been lower in 1970 and 1983 because families used such assets to meet shortfalls in income.

Mean holdings of total financial assets were roughly twice the amount of mean holdings of liquid assets during this period. The mean amount of financial assets in constant dollars

10. Mean and median liquid and total financial assets of families holding such assets, by selected family characteristics, 1983

Characteristic	Percent of families owning liquid assets	Liquid assets (dollars)[1]		Total financial assets (dollars)	
		Mean	Median	Mean	Median
Family income (dollars)					
Less than 5,000	57	2,177	500	3,254	513
5,000–7,499	70	3,663	1,000	4,296	1,000
7,500–9,999	75	5,378	800	6,114	848
10,000–14,999	87	9,549	1,719	11,619	2,205
15,000–19,999	93	9,130	1,513	12,021	1,780
20,000–24,999	95	11,365	2,105	14,078	2,385
25,000–29,999	97	12,509	2,798	18,539	3,349
30,000–39,999	99	17,783	4,717	22,752	5,950
40,000–49,999	99	16,285	7,828	32,342	10,631
50,000 and more	99	45,541	19,886	125,131	31,658
Age of family head (years)					
Under 25	81	1,972	600	2,646	746
25–34	87	4,274	1,203	7,963	1,514
35–44	91	8,911	3,000	14,414	3,750
45–54	89	14,826	3,308	23,009	4,131
55–64	91	25,439	7,425	54,951	9,338
65–74	88	30,666	9,676	65,339	11,400
75 and over	86	26,481	7,885	37,060	10,350
Education of family head					
0–8 grades	72	9,552	1,490	10,598	1,502
9–11 grades	77	11,394	1,519	14,437	1,800
High school diploma	91	11,822	2,212	17,221	2,550
Some college	93	13,165	2,888	24,466	3,785
College degree	98	25,112	7,825	61,016	10,977
Occupation of family head					
Professional, technical	97	19,276	5,521	32,226	7,727
Manager	96	22,651	7,720	47,713	10,650
Self-employed manager	96	34,784	11,110	125,983	15,150
Clerical or sales	94	13,623	3,255	24,433	4,225
Craftsman or foreman	90	9,690	2,105	13,592	2,775
Operative, labor, or service worker	79	6,122	1,115	7,441	1,316
Farmer or farm manager	93	38,619	8,500	42,118	10,203
Miscellaneous	74	15,169	1,275	21,751	1,372
Housing status					
Own	94	18,385	5,000	34,534	6,069
Rent or other	78	6,759	1,000	12,010	1,100
Race of family head					
Caucasian	93	16,050	3,500	30,560	4,500
Nonwhite and Hispanic	66	6,217	961	7,339	1,000
Life-cycle stage of family head					
Under 45 years					
Unmarried, no children	89	4,980	1,303	7,920	1,700
Married, no children	91	6,338	2,384	9,479	2,894
Married, with children	92	6,460	1,677	10,177	1,842
45 years and over					
Head in labor force	93	20,962	6,230	42,790	8,199
Head retired	86	28,203	6,725	50,170	8,747
All ages					
Unmarried, with children	67	4,016	775	11,062	961
All families	**88**	**14,695**	**2,850**	**27,365**	**3,500**

1. The figures for mean and median liquid and total financial assets in this table differ from those in table 9 because the latter include families without liquid or financial assets.

increased slightly, from $23,295 in 1970 to $24,128 in 1983. Median holdings of financial assets were about the same in real terms in 1970 and 1983.

The proportion of owners and the dollar amounts of holdings of liquid assets, and of financial assets generally, rise dramatically from the lowest to the highest family income groups (see table 10). The proportion of families having liquid assets increases from 57 percent for families with less than $5,000 to 97 percent or more for families with above $25,000. The rise of both mean and median dollar holdings of liquid assets with income is also striking. However, the mean holdings are much higher than the medians, reflecting very large holdings by a few families.

Holdings of liquid assets by age, stage in the life cycle, education, occupation, housing status, and racial and ethnic group follow the patterns related to income with one notable exception. Although families headed by an older or retired person are less likely to own liquid assets, those who do own them tend to have holdings that are larger than the average.

The 1983 patterns of ownership of specific assets by different groups, shown in table 11, are consistent with findings from past surveys. Low-income and nonwhite and Hispanic families are

11. Ownership of selected assets by families, by selected family characteristics, 1983

Percentage of families

Characteristic	Financial assets										Other assets	
	Liquid assets					Other financial assets						
	Checking account	Savings account	Money market account	Certificates of deposit	IRA or Keogh account	Savings bonds	Stocks	Bonds	Nontaxable holdings[1]	Trust	Property	Business
Family income (dollars)												
Less than 10,000	53	39	3	10	2	7	5	*	*	2	7	5
10,000–19,999	77	59	10	19	7	16	13	2	2	2	14	8
20,000–29,999	88	72	12	21	16	24	20	3	1	3	18	16
30,000–49,999	94	78	21	26	30	33	31	3	4	6	28	21
50,000 and more	97	75	36	36	55	35	51	11	16	12	44	37
Age of family head (years)												
Under 35	72	63	8	9	9	20	13	1	1	4	10	7
35–44	83	68	16	16	19	27	22	3	3	4	20	13
45–54	81	65	12	18	25	23	22	3	3	6	22	11
55–64	83	58	18	30	33	21	25	5	5	4	30	12
65 and over	80	53	18	37	8	14	21	4	5	3	20	7
Housing status												
Own	88	68	17	27	22	25	24	3	4	5	24	12
Rent or other	63	51	8	9	7	13	11	2	1	3	9	4
Race												
Caucasian	85	66	15	23	19	23	22	3	3	5	21	16
Nonwhite and Hispanic	49	45	5	6	6	10	7	*	2	1	11	7
Life-cycle stage of family head												
Under 45 years												
Unmarried, no children	73	62	13	9	11	14	17	2	1	3	10	10
Married, no children	84	68	17	13	15	23	21	1	2	6	15	14
Married with children	82	70	10	13	15	28	17	1	2	4	18	19
45 years and over												
Head in labor force	86	66	17	27	32	23	25	4	4	5	28	22
Head retired	78	50	16	34	8	15	20	4	5	3	19	7
All ages												
Unmarried with children	54	50	6	8	5	16	9	2	1	4	7	4
All families	**79**	**62**	**14**	**20**	**17**	**21**	**19**	**3**	**3**	**4**	**19**	**14**

1. Municipal bonds and shares in certain mutual funds.
*Less than 0.5 percent.

considerably less likely than upper income and white families to have accounts with financial institutions. As might be expected, ownership of every type of asset is an increasing function of income. The stage in the life cycle appears to have less influence than income does on holdings except for certificates of deposit, individual retirement accounts, and nontaxable bonds. Intergroup differences are even less apparent for median dollar holdings (table 12). Although, in general, nonwhites and Hispanics are less likely to hold assets, those who have them apparently hold amounts similar to those held by white families.

The survey data suggest that ownership of nonbank financial assets, such as stocks and bonds, is not widespread. Most families that own stock did not appear to be active investors. For example, of the one-fifth in the sample who reported owning stock, only 40 percent reported owning shares in more than one company. An even smaller percentage of stockowners reported having a brokerage account (35 percent) or trading stock in 1982 (27 percent). Similarly, only a small fraction of the sample reported seeking advice from professionals such as lawyers (5 percent), accountants (6 percent), or tax advisers (4 percent). The same was true of families in the

12. Median amount of assets of families holding such assets, by selected family characteristics, 1983

Dollars

Characteristic	Financial assets										Other assets	
	Liquid assets						Other financial assets					
	Checking account	Savings account	Money market account	Certificates of deposit	IRA or Keogh account	Savings bonds	Stocks	Bonds	Nontaxable holdings[1]	Trust	Property	Business
Family income (dollars)												
Less than 10,000	300	500	3,160	5,799	2,000	205	1,957	1,827	6,923	3,282	15,000	20,000
10,000–19,999	400	840	5,250	13,250	2,500	200	3,500	10,000	12,240	2,654	20,000	12,867
20,000–29,999	500	1,100	7,250	11,902	2,000	300	2,000	6,250	3,000	5,750	29,375	31,250
30,000–49,999	625	1,500	6,000	10,000	3,332	475	3,250	8,500	6,500	10,000	40,000	42,500
50,000 and more	1,700	3,837	14,000	18,046	4,500	500	13,512	20,000	26,604	15,000	83,000	100,000
Age of family head (years)												
Under 35	300	500	4,388	4,000	2,000	200	1,200	7,511	2,747	2,957	25,000	13,500
35–44	500	1,194	6,000	8,717	3,000	300	3,300	5,272	8,673	8,000	40,000	40,000
45–54	600	1,400	15,250	8,250	3,790	330	3,623	8,400	16,500	10,000	27,000	52,500
55–64	995	1,588	7,400	12,255	4,000	750	7,250	12,500	17,500	15,500	40,000	55,000
65 and over	987	2,412	11,156	19,892	6,000	846	10,150	20,500	21,932	20,791	40,000	83,202
Housing status												
Own	600	1,500	9,213	11,000	4,000	352	5,000	15,000	14,125	10,000	35,750	52,500
Rent or other	400	572	5,000	7,957	2,250	288	2,500	5,511	9,914	3,032	30,199	20,690
Race of family head												
Caucasian	535	1,240	8,000	10,000	4,000	326	4,673	10,000	15,726	10,000	40,000	47,700
Nonwhite and Hispanic	400	700	10,000	10,000	2,500	288	989	17,500	2,417	1,616	20,000	50,000
Life-cycle stage of family head												
Under 45 years												
Unmarried, no children	400	525	5,000	4,500	2,875	200	2,073	10,000	5,750	400	32,500	13,500
Married, no children	500	890	4,750	5,200	2,918	300	1,550	1,100	5,500	6,016	40,450	24,690
Married with children	350	1,000	6,000	5,400	2,376	200	2,500	5,272	7,676	2,960	31,546	30,000
45 years and over												
Head in labor force	750	1,550	10,000	10,000	4,000	500	5,040	10,000	22,500	12,872	40,000	55,000
Head retired	900	2,188	11,156	19,392	4,000	800	10,000	17,500	13,740	20,500	31,000	97,500
All ages												
Unmarried with children	264	460	4,000	5,000	1,728	263	1,650	850	10,298	3,200	20,250	13,392
All families	**500**	**1,151**	**8,000**	**10,000**	**4,000**	**325**	**4,016**	**10,000**	**14,125**	**10,000**	**35,000**	**50,000**

1. Municipal bonds and shares in certain mutual funds.

13. Selected characteristics of asset owners and assets, by type of asset, 1983

Type of asset	Percent of all families owning	Median size of asset (dollars)	Median income of owners (dollars)	Median total financial assets of owners (dollars)	Percent held by selected families, ranked by income	
					Top 10 percent	Top 2 percent
Financial assets, total						
Liquid assets	88	2,850	21,600	3,501	36	15
Checking account	79	500	23,000	4,355	41	23
Savings account	62	1,151	23,580	4,839	26	8
Money market account	14	8,000	33,190	27,360	40	15
Certificates of deposit	20	10,000	26,000	26,750	33	15
IRA or Keogh account	17	4,000	38,170	20,961	48	17
Savings bonds	21	325	29,003	8,782	26	12
Other financial assets						
Stocks	19	4,016	33,438	22,626	72	50
Bonds	3	10,000	42,500	71,952	70	39
Nontaxable holdings[1]	3	14,125	52,575	115,250	86	71
Trust	4	10,000	32,128	25,395	46	34
Other assets						
Property	19	35,000	31,000	12,036	50	20
Business	14	50,000	32,138	11,300	78	33

1. Municipal bonds and shares in certain mutual funds.

top income decile, those with incomes of $50,000 or more: Only about one-half of these families reported owning any stock, and less than one-sixth reported owning other nonbank financial assets. Even for this group, dollar holdings of real estate property and business holdings were more important than holdings of financial assets.

The concentration of nonliquid financial assets in a small number of families with very high incomes is apparent from table 13. That table presents the median income and median total financial assets in 1983 along with the percentage of total dollar holdings of each type of asset held by the top 10 percent of families in the sample (income of $50,000 or more) and the top 2 percent (income of $100,000 or more). Similar calculations are presented for total financial assets. The results are striking. Asset holdings are much more highly concentrated than family income. More than 70 percent of the dollar holdings of nontaxable bonds, 50 percent of the stockholdings, and 39 percent of the other bonds are held by the 2 percent of families with incomes that exceed $100,000. Yet only 15 percent of the liquid asset holdings and 20 percent of the property values are held by this group. These families hold about 30 percent of the financial assets in the sample, yet receive about 15 percent of the income.

FUTURE REPORTS

Articles in forthcoming issues of the BULLETIN will focus on other results from the 1983 Survey of Consumer Finances. Family debt will be the next topic covered, along with an analysis of both the level and the changes in mortgage debt and consumer credit outstanding. The article will also investigate the sources of these loans and the factors that influence the family's selection of a creditor.

Recognizing that a relatively small proportion of families have substantially larger holdings of assets than other families, and thus are adequately represented only in a very large random sample, the sponsors of the 1983 Survey of Consumer Finances obtained a special sample of high-income families from the United States Department of the Treasury. These families were given the same questionnaire as the larger, cross-section sample, whose results are reported here. In total, 438 high-income families completed interviews. This special sample presents an unusual opportunity to examine in some detail the financial behavior of the very wealthy. The results of this analysis will be presented in a forthcoming BULLETIN.

FOOTNOTES

1. The other agencies were the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Federal Trade Commission, the U.S. Department of Labor, and the U.S. Treasury, Office of Tax Analysis.

2. Thomas A. Durkin and Gregory E. Elliehausen, *1977 Consumer Credit Survey* (Board of Governors of the Federal Reserve System, 1978).

3. Dorothy S. Projector and Gertrude S. Weiss, *Survey of Financial Characteristics of Consumers* (Board of Governors of the Federal Reserve System, August 1966).

4. This definition of "family" is consistent with those used in previous surveys of consumer finances. However, it differs from the definition used by the Bureau of the Census. The bureau calls one-person units "nonfamily householders" or "secondary individuals," depending on their housing arrangements.

5. Data for 1969 and 1976 family income in table 1 are from the data tapes of the 1970 Survey of Consumer Finances and the 1977 Consumer Credit Survey respectively. There were 2,317 respondents in the 1970 survey and 2,563 respondents in the 1977 survey. Summaries of the basic results of these surveys are found in George Katona, Lewis Mandell, and Jay Schmiedeskamp, *1970 Survey of Consumer Finances* (University of Michigan, Institute of Social Research, 1971), and Durkin and Elliehausen, *1977 Consumer Credit Survey*.

6. Survey respondents have a tendency to underreport income so that the actual means and medians are likely to be higher than those shown in table 1. For a discussion of response errors in consumer surveys and the implications for analysis, see Arthur L. Broida, "Consumer Surveys as a Source of Information for Social Accounting: The Problems," in *The Flow-of-Funds Approach to Social Accounting: Appraisals, Analysis and Applications*, National Bureau of Economic Research, Studies in Income and Wealth, vol. 26 (Princeton University Press, 1962), pp. 335–81.

7. The Census Bureau's Current Population Survey (CPS) provides annual data on household income. The bureau reports a downward trend since 1973 in mean and median real family income. Its data for 1969, 1976, and 1982 family income are consistent with findings from the surveys of consumer finances. Like the survey, the CPS does not include the imputed rental value of owner-occupied housing or other forms of nonmoney income.

8. The Gini coefficient is the ratio of the area between the Lorenz curve and the 45-degree line to the total area below the 45-degree line. The larger this ratio, the greater the degree of inequality. Gini ratios for 1969, 1976, and 1982 are 0.39, 0.42, and 0.45 respectively. Thus the distribution of family income, by this measure, appears to have become more unequal during the years 1969–82.

9. The 1983 figure for homeownership in table 4 differs from the one in table 3 because farm families are excluded in table 4 and occupants of mobile homes are in a separate category.

10. The growing inability of families in early stages of the life cycle to afford homes is probably a more important factor than foreclosures and forced sales in the decline in homeownership.

11. Home equity could also be defined to exclude outstanding second mortgages and other debts secured by the home.

12. Money market accounts include both money market deposit and money market mutual fund accounts.

13. Copies of the questionnaire, code book, and data tape containing responses to the survey may be obtained from Robert Chamberlin, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

APPENDIX A: SURVEY DESIGN

The methods employed in the 1983 Survey of Consumer Finances are similar to those used in earlier surveys.[13] A multistage probability sampling design was used to select a sample of dwelling units and their occupants representative of all families in the coterminous United States (the lower 48 states), exclusive of those on military installations. Participating families were drawn from 74 sample points in 37 states and the District of Columbia. The sample represents the four major geographic regions—Northeast, North Central, South, and West—in proportion to their respective populations. Probability selection was enforced at all stages of sampling. Interviewers were given no discretion in the choice of households and families to be interviewed.

Interviewing for the 1983 survey was carried out by the Survey Research Center of the University of Michigan from February through July 1983. A total of 3,824 families voluntarily participated and completed personal interviews during this period. Within each participating family the individual selected as respondent was either the head of the family or, in the case of a married couple, the person most knowledgeable about the family finances. Respondents were encouraged to consult other family members and financial records in an effort to obtain complete and accurate responses. Nevertheless, as is the case with all sample surveys, data derived from the Survey of Consumer Finances are subject to sampling errors, reporting errors, and errors due to nonreporting. Appendix B discusses the influence of these factors on the results of consumer surveys.

The numbers presented in the tables of this article are based upon data that differ somewhat from the raw sample responses. Particularly for questions of a sensitive nature, respondents are not always willing to answer. As a result, conclusions based only on actual responses, ignoring missing values, can be biased. To correct for this potential bias, a series of statistical procedures was used with the 1983 survey data to impute missing values. A detailed discussion of these imputation techniques will appear in the comprehensive report on the results of the 1983 Survey of Consumer Finances.

To summarize these procedures, observations were separated into two groups: those in which the majority of dollar figures were present and those in which they were not. A combination of regression models, "hot deck" imputations, and inferences from other surveys was used to assign values for all missing asset, liability, and income data in the former group. The 159 observations in the latter group (4.1 percent of the sample) were discarded. A probit regression was fit for the included and excluded groups utilizing information available for all observations, to calculate a sampling weight to compensate for any nonrandom exclusion of observations with missing values. This weight was used in conjunction with the survey's response weights to weight the 3,665 observations used to construct the tables. Although this procedure could have altered results, as a practical matter, weighted tables did not differ dramatically from tables computed from unweighted data.

APPENDIX B: SAMPLING, RESPONSE, AND NONRESPONSE ERRORS

Estimates of population characteristics derived from sample interview surveys such as the 1983 Survey of Consumer Finances differ somewhat from the figures that would have been obtained if a complete census had been taken using the same questionnaire, instructions, and enumerators. All information derived from the surveys of consumer finances is subject to sampling errors, reporting errors, and errors due to nonreporting.

Sampling Errors

Sampling errors arise when survey estimates are based on a sample of a population rather than a complete census of that population. Sampling error is a measure of the possible random deviation of survey findings resulting from the selection of a particular sample. A statistical technique is available for measuring these chance fluctuations in survey results. Although this technique does not measure the actual error of a particular sample result, given a stated probability and a known sample size, it does provide a method of determining the range on either side of the sample estimate within which the "true" value is likely to fall.

Table B.1 contains the approximate sampling errors associated with various sample sizes and reported percentages from a survey. This table was constructed assuming a 95 percent confidence level. Therefore, for most responses, the chances are 95 in 100 that the value being estimated lies within a range equal to the reported percentages, plus or minus the sampling error. For most of the tables presented in this article, the appropriate sample size is between 1,000 and 2,000 respondents.

B.1. Approximate sampling errors of survey findings, by size of sample or subgroup[1]

Percentage

Reported percentage	Number of interviews					
	3,000	2,000	1,000	500	300	100
50	2.5	2.8	3.6	4.9	6.2	10.5
30 or 70	2.3	2.5	3.3	4.5	5.7	9.6
20 or 80	2.0	2.2	2.9	3.9	4.9	8.4
10 or 90	1.5	1.7	2.2	2.9	3.7	6.3
5 or 95	1.1	1.2	1.6	2.1	2.7	4.6

1. The figures in this table represent *two* standard errors.

Reporting Errors

All survey results are subject to reporting errors. Reporting errors may occur either accidentally, purposely, or from a lack of information. Reporting errors arise because respondents may misunderstand questions, falsify responses, or simply

lack interest in the survey. They may also arise because interviewers misinterpret responses or query respondents in an inconsistent manner. These sources of error can be minimized by careful training of interviewers and by gaining the confidence and cooperation of respondents. Identifying inconsistencies during data processing and coding of responses also aids in minimizing reporting errors.

Nonresponse Errors

Nonresponse errors arise because of an inability to interview a family selected for participation in the survey. This inability may occur because the family refuses to participate, cannot be contacted after repeated callbacks, is medically incapacitated, or does not understand the language used by the interviewer. Problems of nonresponse may be reduced by imposing strict requirements for response rates on the organization conducting the interviewing. A response rate of 71 percent was achieved for the 1983 Survey of Consumer Finances, while the 1977 Survey of Consumer Credit recorded a response rate of 75 percent. Nonresponse errors, like reporting errors, are not precisely measurable. However, they seem to remain fairly constant in successive surveys.