Survey of Consumer Finances, 1983: A Second Report

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Information on the financial position of American households is available from a variety of sources. Few of these sources, however, provide information on the distribution of assets and liabilities among families with various characteristics. Surveys of consumers, such as the 1983 Survey of Consumer Finances, are a source of these data.[1] The 1983 Survey of Consumer Finances, jointly sponsored by the Board of Governors of the Federal Reserve System, the United States Department of Health and Human Services, and five other federal agencies, collected a comprehensive inventory of the assets and liabilities of 3,824 randomly selected American households.[2] The survey also obtained information on the use by consumers of financial services, on their reactions to consumer credit regulations, and on consumer pension rights and benefits.

Results from the income and asset sections of the 1983 Survey of Consumer Finances were described in the FEDERAL RESERVE BULLETIN for September 1984. This article presents highlights from the survey covering family debts, net worth, and the selection and use of financial services. Where appropriate, comparisons are made between results obtained from the 1983 survey and similar surveys conducted in 1970 and 1977.[3] The appendix describes the 1983 survey design and data preparation.

MORTGAGE AND CONSUMER CREDIT OUTSTANDING

Changing economic conditions and rapid developments in financial markets since 1970 have substantially influenced both the magnitude and the composition of the outstanding debt of American families. In view of these changes, the 1983 Survey of Consumer Finances collected detailed information on all types of debts owed by families. This section presents survey results on mortgage and consumer debt outstanding. Mortgage debt includes both first and second mortgages.[4] Consumer credit includes credit card and other open-end debt, installment debt, and noninstallment credit from all sources. Family debts associated with businesses and with real estate other than primary residences are not included in either of these categories. For installment credit, respondents were asked to report the terms of their outstanding debts. The responses on pay-

1. 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.

2. The five other agencies are 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.

3. George Katona, Lewis Mandell, and Jay Schmiedeskamp, *1970 Survey of Consumer Finances* (University of Michigan, Institute for Social Research, 1971) (2,317 respondents); and Thomas A. Durkin and Gregory E. Elliehausen, *1977 Consumer Credit Survey* (Board of Governors of the Federal Reserve System, 1977) (2,563 respondents).

4. Data on mortgage debt reported in this article include farm families and owners of mobile homes, which are often not included in mortgage debt figures.

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1. Distribution of mortgage debt outstanding for homeowners, selected years

Percentage distribution of homeowners with such debt except as noted[1]

Amount of mortgage debt outstanding (dollars)[2]	Current dollars			Constant (1983) dollars		
	1970	1977	1983	1970	1977	1983
None	45	44	43	45	44	43
1–14,999	42	28	22	16	16	22
15,000–24,999	10	15	12	11	13	12
25,000–49,999	3	12	15	22	20	15
50,000–74,999	*	1	6	6	6	6
75,000 and more	*	*	2	1	1	2
Total	**100**	**100**	**100**	**100**	**100**	**100**
MEMO (dollars)[3]						
Mean	10,480	17,523	27,147	26,862	28,732	27,147
Median	10,000	15,080	21,010	25,632	24,727	21,010

1. Includes farm families and owners of mobile homes.
2. Consists of first and second mortgage debt outstanding. First mortgages include land contracts.
3. Mean and median values are for families with outstanding mortgage debt, including mobile home debt.
*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 A. Durkin and Gregory E. Elliehausen, *1977 Consumer Credit Survey* (Board of Governors of the Federal Reserve System, 1977).

ment size, maturity, and amount borrowed were used to calculate the amounts still outstanding on each loan. For credit card and other noninstallment credit, respondents were asked to report outstanding balances.

Mortgage debt continues to be the largest financial obligation of many American families. In 1983, 64 percent of families were homeowners; of these homeowning families, 57 percent owed mortgage debt. The mean mortgage debt of homeowners in 1983 was $27,147 and the median was $21,010.

The amount of mortgage debt outstanding per homeowning family, measured in current dollars, increased substantially from 1970 to 1983 (table 1). In 1983, 23 percent of homeowners owed $25,000 or more on mortgages (both first and second mortgages); the proportion was 13 percent in 1977 and only 3 percent in 1970. However, when mortgage debts in 1970 and 1977 are expressed in 1983 dollars (using the consumer price index), the proportion of homeowning families whose mortgage obligations were $25,000 or more was 29 percent and 27 percent in 1970 and 1977 respectively, and then decreased to the 23 percent in 1983 noted above. These data are also presented in table 1. Both mean and median real mortgage debt were lower in 1983 than in 1977: the mean dropped 6 percent and the median 15 percent.

According to the 1983 survey, a large proportion of American families had outstanding consumer credit obligations in 1983 (table 2). A somewhat lower fraction of families had such debt in 1983 (62 percent) than in 1977 (63 percent).[5] The proportion of families with at least $2,000 in outstanding consumer debt rose from 28 percent in 1977 to 34 percent in 1983. But, after the data are adjusted for price changes, the proportion of families owing more than $2,000 was about the same in both years. Mean real consumer debt outstanding for families with such debt increased from $4,450 in 1977 to $5,400 in 1983, while median real consumer debt declined from $2,622 to $2,382.

Table 3 presents the proportion of families owing debt and the mean and median amounts outstanding for mortgage and consumer debt in 1983 according to certain family characteristics. The 1983 results reveal that as in previous years, the proportion of homeowning families owing mortgage debt increases steadily from the lowest to the highest income groups, as do both mean and median mortgage debt. Of the homeowning

5. The data on 1970 consumer debt are not entirely comparable because the survey for that year asked only about credit card and installment debt outstanding and not about outstanding noninstallment consumer debt. As a consequence, information in table 2 on outstanding consumer debt in 1970 understates the proportion of families owing and the total amount of consumer debt outstanding in that year. In 1983, 59 percent of families had credit card or installment debt outstanding, compared with 56 percent in 1977 and 54 percent in 1970.

2. Distribution of consumer debt outstanding, selected years

Percentage distribution of families with such debt except as noted

Amount of consumer credit outstanding (dollars)[1]	Current dollars			Constant (1983) dollars		
	1970	1977	1983	1970	1977	1983
None	46	37	38	46	37	38
1–499	20	15	13	11	12	13
500–999	9	10	6	5	6	6
1,000–1,999	12	11	9	9	10	9
2,000–2,999	6	8	6	5	6	6
3,000–4,999	5	11	9	9	10	9
5,000–7,400	2	5	7	6	9	7
7,500 and more	1	4	12	8	11	12
Total	**100**	**100**	**100**	**100**	**100**	**100**
MEMO (dollars)[2]						
Mean	1,438	2,713	5,400	3,686	4,450	5,400
Median	858	1,599	2,382	2,199	2,622	2,382

1. Consists of credit card and other open-end debt, installment debt, and noninstallment consumer debt from all sources (except 1970, which does not include noninstallment consumer debt).

2. Mean and median values are for families with outstanding consumer debt.

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

3. Mean and median mortgage and consumer debt outstanding of families owing such debts, by selected family characteristics, 1983

Characteristic	Mortgage debt outstanding (dollars)[1]				Consumer debt outstanding (dollars)[2]		
	Percent of families	Percent of home-owners	Mean (dollars)	Median (dollars)	Percent of families	Mean (dollars)	Median (dollars)
Family income (dollars)							
Less than 5,000	7	18	18,611	11,925	33	2,834	677
5,000–7,499	12	27	14,751	8,620	40	1,919	573
7,500–9,999	12	27	17,173	13,488	48	4,152	1,006
10,000–14,999	22	40	17,201	13,470	54	3,452	1,451
15,000–19,999	32	53	17,375	12,943	66	4,295	1,639
20,000–24,999	36	57	18,606	16,097	72	4,149	2,336
25,000–29,999	48	70	23,690	21,095	72	4,632	2,929
30,000–39,999	59	72	27,836	24,041	77	5,138	3,594
40,000–49,999	68	76	30,031	25,242	80	7,079	4,365
50,000 and more	69	78	45,233	36,411	75	12,772	5,529
Age of family head (years)							
Under 25	12	61	24,577	20,049	64	3,584	2,263
25–34	40	87	32,266	27,137	77	4,781	2,265
35–44	58	84	31,871	25,268	79	6,673	3,030
45–54	52	67	23,767	16,167	71	5,780	3,152
55–64	34	43	18,334	12,100	57	6,325	1,700
65–74	16	20	14,703	10,067	31	3,537	943
75 and over	3	5	11,029	9,981	15	1,117	308
Race of family head							
Caucasian	39	57	28,116	22,162	63	5,577	2,503
Nonwhite and Hispanic	27	60	20,838	13,839	60	4,578	1,830
Life-cycle stage of family head							
Under 45 years							
Unmarried, no children	17	69	34,304	25,540	64	4,864	1,900
Married, no children	46	86	34,448	30,143	86	4,877	2,949
Married, with children	60	87	32,039	26,079	83	5,922	3,076
45 years and over							
Head in labor force	45	56	21,828	13,780	66	6,403	2,949
Head retired	14	18	15,787	9,981	27	2,967	677
All ages							
Unmarried, with children	27	68	22,304	17,308	65	4,433	1,135
All families	**37**	**57**	**27,147**	**21,010**	**62**	**5,400**	**2,382**

1. Consists of first and second mortgage debt outstanding. Includes farm families and owners of mobile homes.

2. Consists of credit card and other open-end debt, installment debt, and noninstallment consumer debt from all sources for all families.

4. Ratio of monthly mortgage and installment debt payments in 1983 to family income in 1982, by selected family characteristics[1]

Percentage distribution, selected groups

Characteristic	Ratio of mortgage debt to income[2]					Ratio of installment debt to income[2]				
	No debt	1–9 percent	10–19 percent	20 percent or more	Total	No debt	1–9 percent	10–19 percent	20 percent or more	Total
Family income (dollars)										
Less than 5,000	83	3	3	12	100	84	3	3	10	100
5,000–7,499	73	3	6	17	100	79	7	4	10	100
7,500–9,999	73	2	10	14	100	65	14	12	9	100
10,000–14,999	60	10	16	14	100	66	14	13	7	100
15,000–19,999	48	21	19	13	100	56	21	17	6	100
20,000–24,999	43	28	21	7	100	51	27	18	5	100
25,000–29,999	31	33	25	12	100	50	31	16	3	100
30,000–39,999	28	41	24	7	100	44	45	10	1	100
40,000–49,999	24	50	21	6	100	42	47	9	2	100
50,000 and more	23	56	17	5	100	53	39	8	1	100
Age of family head (years)										
Under 25	38	18	26	17	100	55	21	16	9	100
25–34	13	31	38	19	100	45	34	15	7	100
35–44	16	42	27	14	100	45	36	14	6	100
45–54	33	42	16	9	100	51	31	12	5	100
55–64	57	29	8	6	100	68	18	9	4	100
65–74	80	10	6	3	100	86	7	4	3	100
75 and over	96	3	1	1	100	94	2	2	2	100
Race of family head										
Caucasian	43	29	18	9	100	59	26	11	5	100
Nonwhite and Hispanic	40	33	16	11	100	57	21	13	9	100
All families	**43**	**29**	**18**	**10**	**100**	**59**	**25**	**11**	**5**	**100**

1. Family income before taxes.

2. Covers homeowners with regular monthly payments including farm families and owners of mobile homes.

families whose head is under 25, 61 percent owe mortgage debt; the proportion rises to 87 percent for those whose head is 25 to 34, but then declines for the older groups, reaching 5 percent for the group with a head of 75 and over. Of those who owe mortgage debt, the mean and median amounts outstanding are highest for families whose head is under 45. Homeowning white families are less likely to owe mortgage debt but have larger debt than homeowning nonwhite and Hispanic families.

More families owe consumer debt than mortgage debt, but the distribution and dollar amounts of the two types of debt generally follow the same income and life-cycle patterns. Up to an income of $20,000 to $24,999, the higher the income, the higher the proportion of families that owe consumer debt; above that income the proportion remains relatively stable. However, above that level, as income rises so do mean and median dollar amounts of consumer debt outstanding. Outstanding consumer debt generally increases with the age of the family head until 44, but then begins to decline; in 1983, only 15 percent of families whose head was over age 75 had outstanding consumer debt compared with 79 percent of families whose head was 35 to 44.

Because repayments of debts are generally made out of current income, the ratio of monthly debt payments to monthly income is a useful indicator of the debt burden. To estimate debt burdens, scheduled monthly mortgage and nonmortgage installment payments in 1983 were divided by 1982 monthly family income, which is the family's total before-tax income from all sources. Table 4 presents the ratios of monthly mortgage payments to monthly income and of monthly payments on nonmortgage installment debt to monthly income for various family groups. It reveals that although homeowners with lower incomes were less likely than those with higher incomes to owe mortgage debt, they were more likely to have higher mortgage payment ratios when they owed debt. Homeowning families with younger heads were more likely than those with older heads to owe mortgage debt, and they had higher ratios of mortgage payments to income. Table 4 also shows that mortgage debt burdens were substantially similar for white and nonwhite and Hispanic families.

Differences among groups in the proportion of families owing installment debt are similar to those for all types of consumer debt although the levels are somewhat lower. Ratios of monthly installment payments to monthly income decrease as family income rises and as the family head ages. Installment payment ratios were generally higher for nonwhites and Hispanics than for whites.

NET WORTH

Like income, consumers' wealth or net worth is important both because it influences savings, consumption, and financial behavior and because it serves as an indicator of economic well-being. Gathering current information on net worth was one of the major objectives of the 1983 Survey of Consumer Finances. Collecting accurate data on net worth and its components for any population is a substantial challenge. Only a few other nationally representative surveys have attempted it.

Net worth is the difference between gross assets and liabilities. The 1983 Survey of Consumer Finances contains a highly detailed inventory of components on both sides of consumers' balance sheets; these components have been summed to produce estimates of net worth for each family. The estimates discussed here account for all financial assets, and equity in homes and in other real property, as well as all financial liabilities such as consumer credit and other debts. These estimates exclude the value of consumer durables such as automobiles and home furnishings, the cash value of life insurance, equity in small businesses and farms, and the present value of expected future benefits from pensions or social security.[6]

As defined above, net worth, measured in current dollars, increased substantially between 1970 and 1983 (table 5).[7] For example, the proportion of families with net worth of more than $25,000 expanded from 22 percent in 1970, to 38 percent in 1977, and then to 50 percent in 1983. Adjusted for price changes, the net worth figures still show significant, if smaller, increases. Real mean and median net worth rose 30 percent and 18 percent respectively from 1977 to 1983; from 1970 to 1977, in contrast, median real net worth rose only 12 percent and mean real net worth fell. The proportions of families having various amounts of net worth were substantially the same in the three survey years after accounting for price changes.

The growth in real net worth between 1977 and 1983 reflects the net effects of the economic expansion in the late 1970s—which had a particularly heavy impact on home equity, a large component of consumers' balance sheets—and of the recession in the early 1980s. The stability of the distribution of net worth is particularly striking in light of major changes in family composition over these years. The number of one- and two-person families increased at almost twice the rate for all families: such families are predominantly young (with heads under 35) or old (with heads over 65).[8] As noted in the earlier article, these demographic changes contributed to the decline in real family income. The effect of these shifts on net worth is different, however. Older families tend to have relatively high net worth, and the expansion in this group has counterbalanced that of young families, who tend to have relatively low levels of net worth.

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6. Expectations of future retirement benefits can be a significant element of consumers' economic situation because the benefits are potentially very large relative to other assets. The 1983 Survey of Consumer Finances included questions on these expectations, and a special supplement—not yet complete—addressed to pension providers should afford better measurement of these notoriously elusive assets. They are excluded from the estimates of net worth presented here because of the independent interest in this concept of net worth and to facilitate comparisons with earlier surveys that did not investigate this area. Results on pensions and social security will be reported elsewhere.

7. In these surveys, net worth was measured as of the date of the survey, in contrast to income amounts, which referred to the previous calendar year. In the 1977 survey, asset values were measured with an interval scale rather than as exact amounts. To aggregate assets, interval midpoints were used for bounded intervals, and the lower limit ($200,000) of the open interval was used. This technique may have yielded underestimates of the value of the largest assets and consequently underestimates of average net worth.

8. U.S. Department of Commerce, Bureau of the Census, *Current Population Reports,* Series P-20, various issues, 1970–83.

5. Distribution of families by net worth, selected years

Percent except as noted

Net worth (dollars)[1]	Current dollars			Constant (1983) dollars		
	1970	1977	1983	1970	1977	1983
Less than 5,000	45	39	33	36	35	33
5,000–9,999	11	7	5	6	5	5
10,000–24,999	23	17	12	14	12	12
25,000–49,999	11	17	16	17	15	16
50,000–99,999	7	13	17	14	16	17
100,000–249,999		7	12	9	12	12
250,000–499,999		1	3	2	2	3
500,000 and above	*	*	2	1	*	2
Total[2]	**100**	**100**	**100**	**100**	**100**	**100**
MEMO (dollars)						
Mean	22,154	31,039	66,050	56,781	50,895	66,050
Median	7,189	12,656	24,574	18,425	20,752	24,574

1. Excludes major consumer durables such as automobiles and home furnishings, and other items mentioned in the text.
2. Detail may not add to totals because of rounding.

*Less than 0.5 percent.

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

6. Alternative measures of net worth, selected years

Percentage distribution

Net worth category[1]	Survey of Consumer Finances, 1983	Flow of funds accounts, 1982[2]	Survey of Consumer Finances, 1977	Flow of funds accounts, 1977[2]	Survey of Consumer Finances, 1970	Flow of funds accounts, 1969[2]
Assets						
Liquid	19	26	24	29	17	24
Bonds	4	6	2	6	4	6
Equities	12	19	12	19	18	36
Home value plus land	63	47	62	45	61	32
Mortgages and notes	2	2	n.a.	1	n.a.	1
Total assets	**100**	**100**	**100**	**100**	**100**	**100**
Liabilities						
Home mortgages	15	16	18	16	17	13
Other credit[3]	5	9	4	9	4	8
Net worth	80	75	78	75	79	79
Total liabilities and net worth	**100**	**100**	**100**	**100**	**100**	**100**

1. For the purposes of this table, asset and liability components from both sources have been computed on as comparable a basis as possible. Consequently, the concept of net worth employed here is somewhat narrower than that used elsewhere in this article.
2. Includes assets and liabilities of personal trusts and nonprofit organizations. Flow of funds figures for 1969 and 1982 were chosen for comparison with the 1970 and 1983 surveys respectively because the flow of funds data are end-of-year estimates and hence closer in time to the surveys, which started in January 1970 and February 1983 respectively.
3. Includes consumer credit, securities credit, bank loans not elsewhere classified, and other loans (U.S. government and life insurance policy loans), and excludes mortgages on multifamily and commercial property.

n.a. Not available.

Aggregate figures on components of net worth derived from the flow of funds accounts furnish an interesting comparison with these data. But direct comparison is difficult for two reasons. First, the household sector of the flow of funds accounts includes personal trusts and nonprofit organizations; it is not possible to fully separate the activities of these units from those of consumers. Second, survey-based measures of net worth generally suffer from reporting errors, which may be substantial for some categories of assets and liabilities. Several reasons may underlie this problem: lack of knowledge of asset values, intentional misreporting, and failure to secure interviews with wealthy families.[9] While this limitation may reduce the reliability of survey-based wealth measures, aggregate measures

9. To address this problem, the 1983 survey included a special sample of high-income families. Results from analysis of this sample will be presented in a forthcoming issue of the FEDERAL RESERVE BULLETIN.

also have flaws. In particular, many of the components reported in the household sector of the flow of funds accounts are not direct observations but are residuals derived from deducting the activity of other sectors from national totals. Consequently, the household sector of the flow of funds accounts shows large and volatile statistical discrepancies.

Table 6 compares the distributions of components of net worth revealed by Surveys of Consumer Finances in 1983, 1977, and 1970 and recorded in comparable flow of funds accounts. The asset and liability distributions are reasonably similar. Figures from the two sources are generally close at each point in time, and intertemporal movements are also similar. The major differences between the results of the two sources are in the valuation of home equity and other major asset categories: the surveys estimate more home equity in consumers' asset portfolios and less liquid assets, bonds, and equities than do the flow of funds accounts.[10] The explanation of these divergences is likely to lie partly in the inclusion of nonprofit institutions in the flow of funds accounts. The portfolios of those institutions include large holdings of stocks and bonds but naturally not owner-occupied housing.

The survey data indicate that wealth is more heavily concentrated in a small number of families than is family income (this information is not shown in the tables). For example, 28 percent of the total net worth of the survey sample is held by the 2 percent of families with the highest net worth and 57 percent by the top 10 percent. Moreover, almost 20 percent of survey families had a zero or negative net worth. This distribution is in marked contrast with that for income: only 14 percent of the total income of the survey sample is received by the 2 percent of families with the highest income and 33 percent by the top 10 percent.

Excluding real assets from net worth, one can examine the overall financial position of families. Real assets—homes and other real estate—contribute heavily to the net worth of many families and tend to reduce the inequality in the distribution of wealth. But often this contribution is offset by the debt people incur to acquire such assets. Thus financial wealth is more highly concentrated than is net worth. In 1983, 54 percent of the total net financial assets were held by the 2 percent of families with the greatest amount of such assets and 86 percent by the top

7. Mean and median net worth, by selected family characteristics, 1983

Characteristic	Percent of families	Net worth (dollars)	
		Mean	Median
Family income (dollars)			
Less than 5,000	9	12,051	514
5,000–7,499	8	20,146	2,725
7,500–9,999	7	27,832	2,140
10,000–14,999	14	36,277	11,575
15,000–19,999	13	36,816	15,383
20,000–24,999	11	45,564	22,820
25,000–29,999	9	60,513	28,876
30,000–39,999	13	69,083	45,981
40,000–49,999	7	95,658	63,941
50,000 and more	10	262,254	130,851
Age of family head (years)			
Under 25	8	4,218	5
25–34	23	20,391	3,654
35–44	19	51,893	28,721
45–54	16	81,350	43,797
55–64	15	119,714	55,587
65–74	12	125,284	50,181
75 and over	7	72,985	35,939
Education of family head			
0–8 grades	16	37,419	16,152
9–11 grades	13	40,791	12,489
High school diploma	32	52,968	23,671
Some college	20	71,754	20,418
College degree	19	122,842	54,805
Occupation of family head			
Professional, technical	14	81,094	40,079
Manager	11	109,147	57,129
Self-employed manager	5	231,773	87,399
Clerical or sales	13	65,321	24,452
Craftsman or foreman	18	48,928	26,402
Operative, labor, or service worker	29	26,574	8,338
Farmer or farm manager	2	121,710	69,735
Miscellaneous	8	52,044	4,027
Housing status			
Own	64	97,239	50,125
Rent or other	36	10,603	15
Race of family head			
Caucasian	82	74,743	31,904
Nonwhite and Hispanic	18	27,605	1,353
Life-cycle stage of family head			
Under 45 years			
Unmarried, no children	12	16,289	1,075
Married, no children	7	24,948	7,540
Married, with children	23	41,371	17,864
45 years and over			
Head in labor force	26	107,124	54,527
Head retired	22	103,041	43,213
All ages			
Unmarried, with children	9	22,765	477
All families	**100**	**66,050**	**24,574**

10. If the effect of different valuation of housing is removed, however, the two sources report substantially the same distribution of the other categories of assets.

8. Selected characteristics of families, by net worth, 1983

Net worth (dollars)	Mean age of family head in 1982 (years)	Mean family income in 1982 (dollars)	Percent nonwhite and Hispanic	Percent homeowners	Mean mortgage debt outstanding (dollars)[1]	Mean consumer credit outstanding (dollars)
Less than 5,000	39	14,584	31	13	2,457	2,928
5,000–9,999	41	19,352	19	65	11,593	3,011
10,000–24,999	47	20,663	20	83	12,682	3,079
25,000–49,999	49	24,232	14	91	13,695	2,876
50,000–99,999	52	29,682	9	94	14,268	3,092
100,000–249,999	56	39,237	6	95	14,325	4,085
250,000–499,999	58	63,652	8	95	15,508	5,048
500,000 and more...	61	125,652	6	95	15,790	13,875

1. Mean debt for all families.

10 percent; 55 percent of the families in the sample had zero or negative net worth. Viewed from another perspective, these data imply that fewer than 10 percent of families provided more than 85 percent of the net lending by consumers, and more than half of all families were net borrowers.

Tables 7 and 8 reveal how net worth varies according to the characteristics of families.[11] Net worth increases with family income, with later stages in the life cycle, and with the education and age of the family head, though it dips for the oldest age group. Whites have substantially larger net worth than nonwhites and Hispanics (table 7): while the latter two groups account for 18 percent of the families, they account for 31 percent of those with net worth of less than $5,000 and no more than 9 percent of families with net worth over $50,000 (table 8). Homeownership is nearly universal for families with net worth of more than $50,000, but it is much less common among those with lower net worth. Conversely, mean consumer debt outstanding has no strong relationship to net worth, though mean home mortgage debt outstanding is highest for families with the highest net worth. Finally, those who are retired or nearing retirement have the greatest wealth, while unmarried persons, of whatever age, have the least (table 7).

Selection and Use of Financial Services

The 1983 Survey of Consumer Finances is useful for developing a profile of the characteristics of families that use different financial institutions and services. Sources of loans and the institutions at which the families hold their financial assets were identified. Information on the balance sheets for each family provides a basis for much of this analysis. Detailed information was also collected on the use the family made of the financial institution where it had its main checking account. For example, did the families have access to an automatic teller machine, and if so, how frequently did they use it? How often did they visit the institution? What other services of the institution did they use? Why did they select the institution? In addition, all families were asked a series of questions about their attitudes toward credit, their knowledge of credit terms, and their attitudes toward investment risk and liquidity.

The principal, regular contact with financial institutions of most families is through their main checking account (that is, the account on which they make the most transactions). Table 9 presents responses to the question on the reasons for choosing an institution for the main checking account. Whatever the family income, convenience of location was mentioned most frequently as the most important reason for the choice. Availability of many services at one location came in second as the most important reason.[12]

11. The estimates of net worth shown here exclude the value of consumer durables such as automobiles, which form a substantial proportion of many families' assets. Debts incurred to purchase these durables, however, are included as liabilities. These assets are likely to account for an especially large share of the assets of families that do not own homes and of those of other groups of families with relatively low net worth.

12. Similar results were found in the 1977 Consumer Credit Survey, in relation to savings accounts; see Durkin and Elliehausen, *1977 Consumer Credit Survey*.

9. Reason for selecting institution where main checking account is held, by family income, 1983

Percent of families

Most important reason	Family income (dollars)				
	Less than 10,000	10,000–19,999	20,000–29,999	30,000–49,999	50,000 and more
Convenient location	47	40	39	38	41
Availability of multiple services	11	17	19	20	20
Low service charges or low minimum balance requirements	10	14	14	13	10
High deposit interest rates	6	9	9	9	6
Safety	17	15	15	17	18
Other[1]	9	5	4	3	5
Total	**100**	**100**	**100**	**100**	**100**

1. For example, access to automatic teller machine and personal or friendly service.

10. Other services obtained at institution where main checking account is held, by family income, 1983

Percent of families

Service	Family income (dollars)				
	Less than 10,000	10,000–19,999	20,000–29,999	30,000–49,999	50,000 and more
Other checking accounts	4	8	11	16	27
Individual retirement or Keogh accounts	1	3	6	9	17
Certificates of deposit	11	14	14	15	18
Money market or savings accounts	22	34	34	37	34
Credit cards	11	18	21	27	34
Mortgage loans	2	5	10	14	13
Other loans	7	14	16	20	13
Brokerage or trust accounts	1	1	*	1	5

*Less than 0.5 percent.

For all family income groups, a money market or savings account was the most frequently used service offered by the financial institution at which they maintained their main checking accounts (table 10). In all but the lowest income group, roughly the same proportion of families had certificates of deposit, money market deposit accounts, and savings accounts at that institution. On the other hand, higher-income consumers were more likely than lower-income consumers to obtain credit cards and loan services where they have their main checking accounts. Eighty percent of families who earned more than $50,000 in 1982 had bank credit cards, but only about one-third received them from the institutions where they maintained their main checking accounts.[13] Similarly, 55 percent of these high-income families had individual retirement or Keogh accounts, yet only 17 percent of them kept these accounts at the institution at which they had their main checking account.[14]

The survey data reveal the kinds of families that use various financial services. Table 11 presents selected characteristics for the following groups: (1) families with main checking accounts at banks, savings and loan associations and savings banks, and credit unions; (2) families with low and high balances in their main checking account (defined as less than and more than $2,500 respectively); (3) families with money market deposit, money market mutual fund, and brokerage accounts; (4) families with stocks or bonds; (5) families who seek investment advice from professionals; (6) families who hold differ-

13. Bank credit cards include Mastercard, Visa, and other credit cards issued through a financial institution.

14. For a description of asset holdings by selected family characteristics, see Robert B. Avery and others, "Survey of Consumer Finances, 1983," FEDERAL RESERVE BULLETIN, vol. 70 (September 1984), table 10, p. 686.

11. Selected characteristics of families using financial services, 1983

Percent of families using services except as noted

Item	Percent of all families	Holders of selected credit cards: Bank	Holders of selected credit cards: Travel and entertainment	Homeowners[1]	Credit union members	Have mortgage debt outstanding	Have consumer debt outstanding	Have money market deposit account	Have money market mutual fund account	Mean age of family head (years)
Institution where main checking account is held										
Commercial bank	64	51	12	73	20	42	65	10	7	48
Savings and loan or savings bank	11	50	13	67	22	43	69	12	8	46
Credit union	4	53	5	62	100	51	80	8	6	37
Average balance in main checking account										
Less than $2,500	71	50	11	70	25	44	69	9	6	46
$2,500 or more	8	56	21	84	14	29	39	17	15	58
Other financial characteristics of families										
Has money market deposit account	8	65	17	80	23	41	48	100	11	54
Has money market mutual fund account	6	80	30	75	24	49	70	14	100	47
Has brokerage account	7	82	30	80	22	54	64	25	34	49
Has nonliquid financial assets	23	68	20	78	29	49	64	16	17	49
Obtains advice on what kinds of savings and investments to make	26	52	15	69	19	40	62	13	11	48
Type of credit card held										
Gasoline	28	77	22	78	27	51	74	13	13	49
Bank	42	100	18	77	29	53	77	13	11	47
Travel and entertainment	10	80	100	74	23	62	80	14	19	43
National retailer[6]	48	65	14	79	28	52	76	11	9	47
Other retailer	37	69	18	74	28	50	75	13	11	47
Other[7]	5	80	40	70	28	54	81	17	17	46
Source of outstanding credit										
Commercial bank	19	54	14	68	21	51	100	6	7	40
Savings and loan or savings bank	3	56	16	74	27	60	100	13	5	41
Credit union	7	60	13	74	100	63	100	8	5	39
Finance company	12	44	9	62	23	46	100	4	5	39
Store	7	37	9	56	21	40	100	3	4	41
All families	**100**	**42**	**10**	**64**	**21**	**37**	**62**	**8**	**6**	**47**

For notes, see opposite page.

ent types of credit cards; and (7) families who have outstanding consumer debt from various institutional sources of credit.

The table reveals many similarities between families who had their main checking accounts at commercial banks and families who had them at savings and loan associations or savings banks. Income and financial asset holdings of these customer groups differed, however: commercial bank customers had lower median but higher mean values for family income and financial asset holdings than customers of savings and loan associations or savings banks.[15] These results suggest that while all the various kinds of institutions attracted customers from all income groups, the families with the highest income and the greatest wealth tended to patronize commercial banks.

A comparison between the characteristics of

15. Financial assets include liquid assets (checking accounts, savings accounts, money market accounts, certificates of deposit, individual retirement and Keogh accounts, and savings bonds), stocks, other bonds, nontaxable holdings (municipal bonds and shares in other mutual funds), and trusts.

11. Continued

Item	1982 family income (dollars)		Balance in main checking account (dollars)		Liquid assets (dollars)[2]		Financial assets (dollars)[3]		Consumer debt outstanding (dollars)[4]		Mean number of other financial services[5]
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	
Institution where main checking account is held											
Commercial bank	30,178	22,600	1,251	500	16,061	3.478	31,513	4,355	6,144	2,905	1.13
Savings and loan or savings bank	28,515	23,152	825	495	14,351	4.128	21,069	5,231	5,253	2,262	1.05
Credit union	27,289	25,000	522	363	7,481	2.138	14,281	2,640	5,456	3,379	1.26
Average balance in main checking account											
Less than $2,500	26,932	22,070	558	400	10,621	2.614	17,567	3,200	5,466	2,751	1.10
$2,500 or more	55,979	30,800	6,697	4,500	58,664	28.248	134,653	39,375	14,305	4,011	1.36
Other financial characteristics of families											
Has money market deposit account	38,705	29,479	1,804	750	40,929	19.715	72,308	26,274	7,266	3,175	1.60
Has money market mutual fund account	59,860	40,000	1,980	1,000	44,306	19.900	94,526	31,300	12,370	4,000	1.30
Has brokerage account	66,950	47,627	2,577	1,000	42,493	20.686	145,757	50,320	10,635	4,000	3.09
Has nonliquid financial assets	43,317	32,000	1,665	616	28,628	10.765	76,452	21,400	8,047	3,648	2.70
Obtains advice on what kinds of savings and investments to make	35,011	23,737	1,455	500	21,357	5.858	47,617	7,935	7,525	2,614	2.32
Type of credit card held											
Gasoline	40,520	31,000	1,330	500	22,548	7.988	50,738	10,425	7,667	4,002	2.68
Bank	38,314	30,000	1,225	500	18,879	5.509	39,798	7,325	6,873	3,321	2.63
Travel and entertainment	58,053	40,000	1,904	800	27,086	9.711	80,008	11,975	11,147	5,345	2.97
National retailer[6]	33,493	27,000	1,096	500	15,700	4.253	27,546	5,380	5,778	3,100	2.50
Other retailer	36,394	28,000	1,222	500	18,719	5.613	36,498	7,913	6,164	3,000	2.62
Other[7]	61,743	39,500	2,289	618	31,732	8.605	73,545	10,706	9,436	3,391	3.01
Source of outstanding credit											
Commercial bank	30,160	24,200	653	300	7,445	1.398	14,622	1,800	7,869	4,430	2.46
Savings and loan or savings bank	32,389	26,800	579	300	10,991	3.863	17,612	4,300	6,409	4,365	2.82
Credit union	35,960	32,200	672	300	8,451	2.453	11,818	2,815	6,274	4,705	2.88
Finance company	29,099	23,080	544	200	6,322	950	11,983	1,000	6,927	4,183	2.09
Store	23,551	19,546	401	150	5,983	664	8,637	693	5,533	1,940	1.89
All families	**26,154**	**19,410**	**918**	**300**	**12,727**	**1.968**	**23,774**	**2,300**	**5,400**	**2,382**	**.90**

1. Includes owners of mobile homes and families residing on farms.
2. Includes checking accounts, savings accounts, money market accounts, certificates of deposits, IRA and Keogh accounts, and savings bonds.
3. Includes liquid assets plus stocks, other bonds, nontaxable holdings (municipal bonds and shares in certain mutual funds), and trusts.
4. Covers only families that have such debt.
5. Includes these services obtained at the institution where the main checking account is held, another checking account, an IRA or Keogh account, a money market certificate, certificates of deposit, any other money market or savings account, a credit card, a mortgage loan, any other loan, and a brokerage or a trust account.
6. Includes Sears, Roebuck and Co., J.C. Penney, and Montgomery Ward.
7. Includes airline and automobile rental cards.

holders of the two types of money market accounts reveals interesting differences. On average, holders of money market mutual fund accounts (in brokerage firms) were younger and had substantially higher incomes and financial assets than did owners of money market deposit accounts (in depository institutions); yet the groups appear to have very similar holdings of liquid assets. Perhaps because holders of money market mutual fund accounts had greater financial assets, they were more likely to have had relationships with brokers and therefore more likely to have opened that kind of money market account. Many money market deposit account holders, on the other hand, probably did not have relationships with brokers and transferred funds from savings accounts when money market deposit accounts became available. Families with stockbrokerage accounts had holdings of liquid assets similar to those of families with both kinds of money market accounts, yet—not surprisingly—substantially higher average levels of total financial assets than either of those groups.

Table 11 also shows, for example, that families holding travel and entertainment, and "other" credit cards (airline and automobile rental cards) are more likely to owe consumer debt, owe larger amounts of consumer debt, and have higher incomes and higher holdings of financial assets than their counterparts who held other types of credit cards. As expected, owners of these credit cards were also more likely to hold other types of credit cards, such as bank cards.

More families obtained credit from commercial banks and finance companies than from other sources.[16] Borrowers from credit unions had higher mean family incomes than borrowers from other sources, but borrowers from commercial banks, savings and loan associations and savings banks, and finance companies had higher holdings of mean financial assets.

16. Families appear in every category (commercial bank, savings and loan association or savings bank, credit union, finance company, and store) from which they had an outstanding loan in 1983.

APPENDIX: SURVEY DESIGN

The 1983 Survey of Consumer Finances was jointly sponsored by the Board of Governors of the Federal Reserve System, the United States Department of Health and Human Services, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Federal Trade Commission, the United States Department of Labor, and the United States Department of the Treasury, Office of Tax Analysis. Interviewing for the 1983 survey was carried out by the Survey Research Center of the University of Michigan from February through July 1983.

The unit of observation for the survey is the family, which is defined to 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. The sample for the survey was designed to be representative of all families residing in the coterminous United States, exclusive of those on military reservations. A total of 3,824 families voluntarily participated and completed personal interviews during the survey. Within each 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. Balance-sheet items reported in the article are as of the date of the interview; income is reported for the previous calendar year.

Data presented in this article are appropriately weighted so that they represent estimates for all families and for each of the various groups shown. A series of statistical procedures was employed to impute missing values in instances in which respondents failed to provide complete responses on dollar values of either assets or liabilities. Altogether, 3,665 families, weighted to account for any nonrandomness, were used in the preparation of the tables. A detailed discussion of the imputation techniques will appear in a forthcoming, comprehensive report on the results of the 1983 Survey of Consumer Finances.

Because the data in this article are based on a sample, rather than a census of the entire population, they are subject to sampling variability. Consequently, care should be exercised in the interpretation of figures based on relatively small numbers of cases in some subgroups as well as small differences between data items. Like all surveys, the figures reported are also subject to errors of response and nonresponse.