

Did You Know? Homes Account for 44 Percent of All Wealth

Findings from the SIPP

Household Economic Studies

1995

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A household's economic well-being is measured by the household's income and wealth. Income is defined as the flow of resources to a household, for example, earnings and interest from banking accounts; wealth is the household's asset accumulation minus any debts (see box). Wealth (for example, equity in a home) is a particularly important dimension of well-being and is discussed in this report.

With data collected by the Survey of Income and Program Participation (SIPP) between February and May 1995, this report examines the median net worth (wealth) in 1995 of households with different types of demographic characteristics.

Median net worth remains stable.

The median American household had a net worth, or wealth, of \$40,200 in 1995, statistically unchanged from the 1993 median net worth of \$39,590 (in 1995 dollars).

This overall stability masks changes for particular financial resources between the 2 years. The median values of interest-earning assets at financial institutions and U.S. savings bonds fell. These declines were offset by gains in the median values of interest earning assets not held at financial institutions, stocks and mutual funds, rental property, motor

vehicles, and individual retirement accounts (IRA) or Keogh accounts.

Wealth is concentrated at the top.

The net worth of American households rises sharply with income. In 1995, the median net worth of households in the top fifth of the income ladder was 23 times higher than that of households in the bottom fifth. The 1995 median net worth for the bottom fifth, \$5,000, was approximately —

- One-fourth of that for the second lowest fifth of the income ladder,

Assets include: interest-earning assets held at financial institutions (passbook savings accounts, money market deposit accounts, certificates of deposit, and interest-earning checking accounts), other interest-earning assets (money market funds, U.S. Government securities, and municipal or corporate bonds), stocks and mutual fund shares, mortgages held for sale of real estate, amounts due from sale of business or property, regular checking accounts, U.S. savings bonds, real estate, IRAs and Keogh accounts, and motor vehicles.

Debts include: secured liabilities (mortgages on real estate, debt on a business or profession, vehicle loans, and margin and broker accounts), as well as unsecured liabilities (credit card and store bills, medical bills, educational loans, and loans from individuals and financial institutions).

The **Median** is the middle value in the ordered distribution of all U.S. households. Half of households have a value that lies above, and half below, the median value.

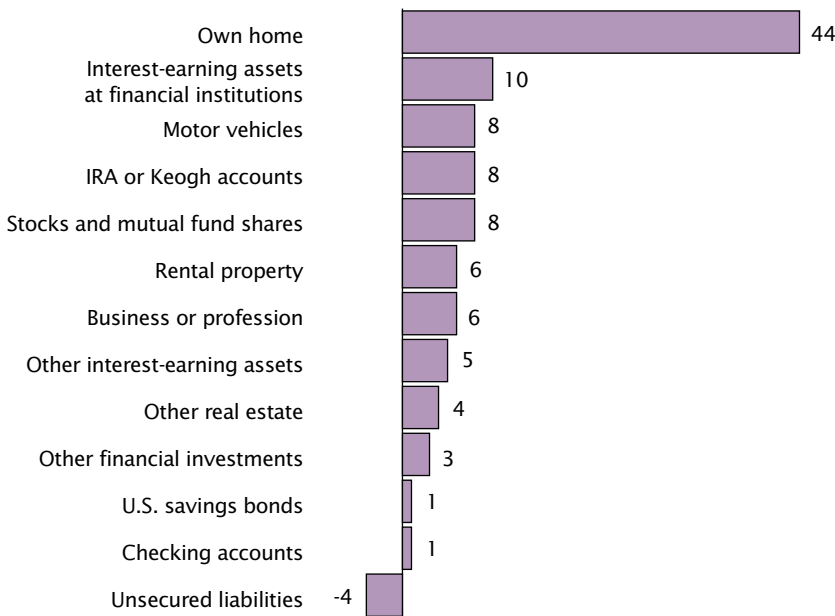
Current Population Reports

By
Sandra Lockett

Figure 1.

How Our Wealth Is Divided Up

Distribution of Measured U.S. Net Worth by Asset Type: 1995
(Percent)



Source: U.S. Census Bureau, Survey of Income and Program Participation, 1995.

- One-seventh of that for the middle fifth, and
- One-tenth of that for the second highest fifth.

Households in the top fifth of the income ladder were more likely than those in the bottom fifth to own —

- Their home (85 percent compared with 41 percent),
- Stocks and mutual fund shares (43 percent compared with 6 percent),
- IRA or Keogh accounts (48 percent compared with 6 percent), and
- A business or profession (18 percent compared with 5 percent).

Net worth rises with age, peaks at age 65 to 69, and then begins to decline.

Up to a point, increasing age represents more time to accumulate wealth. In 1995, wealth peaked for those aged 65-69, at approximately \$106,000, and then began to decline gradually with increasing age. Median net worth was 15 times higher for households with a householder aged 65 to 69 than for those with a householder under 35 years old. The net worth of householders aged 75 and over was about 11 times that of householders under 35 years old.

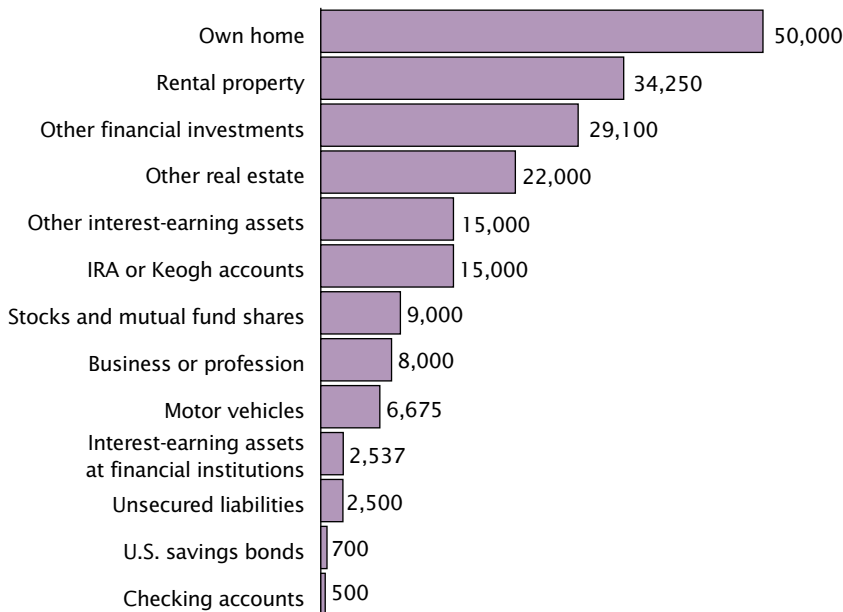
Net worth differs by race and ethnicity.

White non-Hispanic households had a median net worth of \$49,030, about seven times that of Black households (\$7,073) and Hispanic households (\$7,255). (There is no statistical difference in median wealth when comparing Black and Hispanic households.)

Figure 2.

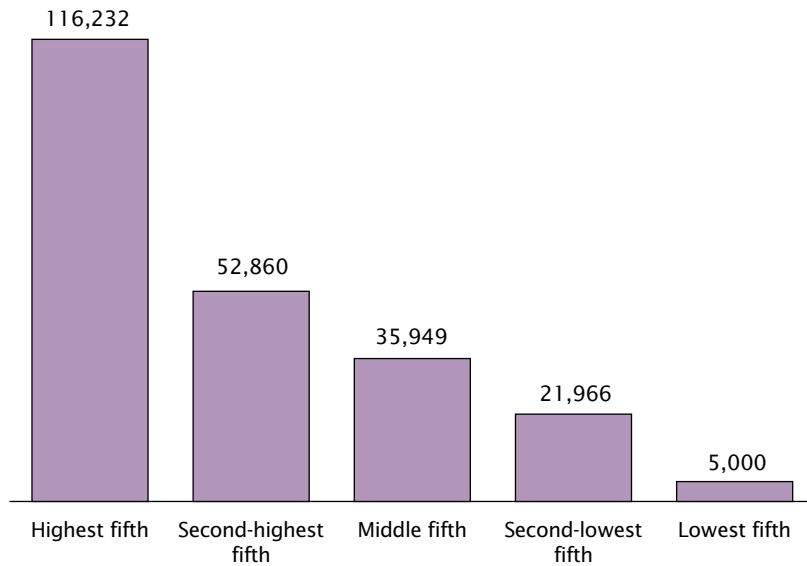
What Our Assets Are Worth

Median Value of Holdings for Asset Owners by Asset Type: 1995
(Dollars)



Source: U.S. Census Bureau, Survey of Income and Program Participation, 1995.

Figure 3.
With Higher Income Comes Greater Wealth
Median Net Worth by Household Income Quintile:¹ 1995
 (Dollars)



¹Quintile upper limits for 1995, in terms of monthly income, were: lowest fifth—\$1,096; second-lowest fifth—\$2,002; middle fifth—\$3,109; second-highest fifth—\$4,844.
 Source: U.S. Census Bureau, Survey of Income and Program Participation, 1995.

The median net worth of households in the top 20 percent of the income ladder was —

- \$123,800 for White non-Hispanic households,
- \$40,900 for Black households, and
- \$80,400 for Hispanic households.

For households in the bottom 20 percent, median net worth was —

- \$9,700 for White non-Hispanic households,
- \$1,500 for Black households, and
- \$1,300 for Hispanic households.¹

Household type also makes a difference.

The net worth of households maintained by married couples was \$64,694, about four times that of households maintained by women with no spouse present (\$14,949) and of those maintained by men with no spouse (\$16,346).

Higher levels of education are related to greater wealth...

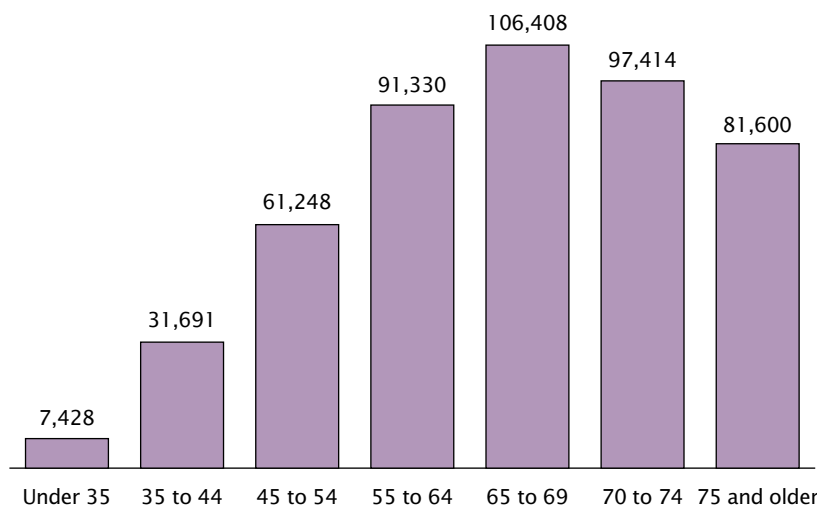
Householders who had less than 12 years of education had a median household net worth of \$20,092 in 1995, while householders with 4 or more years of college had a significantly higher amount (\$80,416).

...as is participation in the labor force.

In 1995, households with householders having a job for the entire 4-month period from which data

¹There is no statistical difference when comparing the bottom 20 percent of Black and Hispanic households.

Figure 4.
Wealth Rises With Age Until Retirement, Then Begins to Drop
Median Net Worth by Age of Householder: 1995
 (Dollars)



Source: U.S. Census Bureau, Survey of Income and Program Participation, 1995.

were collected had a median household net worth of \$33,848. Households with householders having no labor force activity during the 4-month period had only \$11,298.

MORE INFORMATION:

See, Michael E. Davern and Patricia J. Fisher, "Household Net Worth and Asset Ownership: 1995," Current Population Reports, Series P70-71. Detailed tables of the P70-71 report are on the Internet (www.census.gov). The data in both this *Did You Know* report and in the P70-71 report were collected by the Survey of Income and Program Participation (SIPP). The sample of households in the SIPP is divided into four interview groups called rotation groups. Each month, one of the four rotation groups is interviewed about the previous 4 months (the reference period). The asset and liability data in this report were collected from the first rotation group in February 1995 and refer to the last day

of January 1995; the second rotation group was interviewed in March 1995, and their data refer to February 1995, and so on. As a result, the data presented in this report represent an average of the assets and liabilities of people at the end of January, February, March, and April 1995.

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ACCURACY AND RELIABILITY OF THE DATA

This report is one of a series that presents information of current policy interest. Statistics from sample surveys are subject to sampling and nonsampling error. All comparisons presented in this

report have taken sampling error into account and meet the Census Bureau's standards for statistical significance. Nonsampling errors in surveys may be attributed to a variety of sources, such as how the survey was designed, how respondents interpret questions, how able and willing respondents are to provide correct answers, and how accurately answers are coded and classified. The Census Bureau employs quality control procedures throughout the production process — including the overall designing of surveys, testing the wording of questions, reviewing the work of interviewers and coders, and conducting statistical review of reports.

For further information on statistical standards and the computation and use of standard errors, contact Kandasamy Selvavel, Demographic Statistical Methods Division, at 301-457-4182, kandasamy.selvavel@census.gov.

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