

Documentation for the 2003 PSID Supplemental Wealth File

(Sponsored by the National Institute on Aging)

Release 1: May, 2005

Release 2: March, 2011

The collection of wealth data in the Panel Study of Income Dynamics (PSID) was conducted in 1984, 1989, 1994, 1999, 2001 and 2003. This document describes the 2003 PSID wealth data. The documentation for years prior to 2003 can be found at <http://psidonline.isr.umich.edu/data/Documentation/wlth.html>. The documentation provides detailed information on the questionnaire wealth module, data processing and final file structure. The information in this document supplements the wealth documentation for 1984-2001.

1. Changes to the questionnaire.

The 2003 wealth question sequence is essentially unchanged from the sequence asked in 2001. The only exception is an alteration in the numeration of the follow-up unfolding brackets for two wealth components: stocks (W15) and Individual Retirement Accounts (W21). For example, for stocks in 2001, the bracket question W19 corresponds to a value of \$100,000 while W20 corresponds to a value of \$5,000. These brackets were switched in 2003, with W19 corresponding to a value of \$5,000 and W20 corresponding to a value of \$100,000. Note that the change affects only naming of the questions and does not affect the question sequence itself.

2. Data processing and imputations.

PSID asks about nine broad wealth categories, including debt:

1. Equity in business (also includes farm) [W11, S603]
2. Transaction accounts (includes savings accounts, money market funds, certificates of deposit, government savings bonds, and treasury bills) [W28, S605]
3. Value of debt aside from mortgage on the main home or vehicle loans [W39, S607]
4. Equity in real estate (second home, land, rental real estate, or money owed on a land contract) [W2, S609]
5. Equity in stock (includes shares of stock in publicly held corporations, mutual funds, and investment trusts) [W16, S611]
6. Equity in vehicle (cars, trucks, a motor home, a trailer, or a boat) [W6, S613]
7. Other assets (includes bond funds, cash value in a life insurance policy, a valuable collection for investment purposes, and rights in a trust or estate) [W34, S615]
8. Equity in Individual Retirement Accounts [W22, S619]
9. Value of home equity (calculated as home value minus remaining mortgage; used in calculation of WEALTH2, but not released separately until March 2011) [S620]

Questions about home equity (primary residence) are asked in section A.

Processing of the data include three steps: a) imputation of the wealth components (1-8), b) computation of home equity (9), and c) construction of estimates for total family wealth with and without home equity. In the processing of the 2003 wealth data we followed the same approach as in the prior waves. In particular, the hot-

deck imputation technique was used for imputation of the missing data in the wealth components (1-8). Details on home equity imputation are given in Table 1.

Table 1. Summary of 2003 Home Equity Imputations.

<u>Missing data group</u>	<u>Imputation category</u>					
	A.	B.	C.	D.	E.	
	Median home equity value among households that do not have a mortgage	Median home equity value among households with a mortgage	Value from 2001	Value from 1999	Mortgage= 0.6* House value	
Group 1: House value is not missing; mortgage is missing	0	0	37	12	81	130
Group 2: House value is missing; mortgage is not missing	0	0	14	0	14	28
Group 3: House value is missing; there is no mortgage	40	0	30	3	0	73
Group 4: Both house value and mortgage are missing	0	33	9	1	0	43
Total	40	33	90	16	95	274

For the first two patterns of the missing data (Group 1 and Group 2), where either house value or mortgage value is missing but not both, we first tried to replace the missing value with the value from the previous wave (category C). If this was not possible, a value from the wave prior to the last (i.e., 1999) was used (category D). When this was also not possible, we used an assumed identity, $\text{Mortgage} = 0.6 * \text{HouseValue}$, to obtain an estimate for the mortgage or house value from the other known value.

When the house value was missing and there was no mortgage (Group 3) or when both house and mortgage values were missing (Group 4), we first attempted to impute based on the prior information (category C and D). If this was not possible, then the median home equity was used for imputation. For Group 3, the median was based on the sample of homeowners with no mortgage outstanding (median = \$90,000). For Group 4, the median was calculated for the whole sample of homeowners (median = \$13,000). Table 2 provides a summary of the home equity values for the imputed cases.

Table 2. Summary Statistics of 2003 Imputed Home Equity Values.

N	Mean	Std Dev	Min	Max
274	64206.98	88317.7	-54900	968000

3. Release 2 of the 2003 Wealth Data (March, 2011).

The second release of the 2003 wealth dataset contains 38 variables. Accuracy codes were added for each component of total wealth as well as for the two totals (S602A-S620A), to identify records which have been imputed/changed. In addition, home equity value is now included as a separate release variable (S620).