



Panel Study of Income Dynamics Technical Paper Series

Trends in Household Wealth Dynamics, 2001–2003

Elena Gouskova and Frank Stafford
Survey Research Center - Institute for Social Research
University of Michigan

July 2005

Technical Series Paper #05-03

Trends in household wealth dynamics, 2001 – 2003.

Elena Gouskova and Frank Stafford.

July 2005

1. Introduction.

Based on PSID data, the note provides estimates of household's wealth holdings in 2001 and 2003¹. The results indicate that per family net worth increased slightly between 2001 and 2003. While financial wealth holdings declined during the period, increasing homeownership rates as well as rising values of home equity led to a modest rise in household net worth.

2. Results

The first three tables provide information on ownership rates and values of wealth holdings and its components. The results for the whole sample are reported in Table 1. Tables 2-3 cover African -American and white families separately. Tables 4 and 5 reports net worth and value of financial assets across different age, educational level, and race groups².

2.1 Net worth

The mean value of per family net worth (including home equity) increased from \$257,800 in 2001 to \$263,700 in 2003, while the corresponding median value changed from \$64,300 to \$67,800 (see Table 1). Considering only white families the average level of wealth increased by \$5,500, from \$303,200 to \$308,700. The median value, however, is slightly lower, \$99,000 in 2003 versus \$99,700 in 2001 (Table 3). A similar pattern with increasing mean net worth value and decreasing median value is observed for black families. Table 2 shows that during the period the average wealth level among

¹ This research was supported by a grant from the National Institute on Aging for waves 32 and 33 of the Panel Study of Income Dynamics, R01 AG16671, "Life Course Wealth and Health in the PSID."

² The calculations use weighted cross-sectional samples of PSID families in 2001 and 2003. There are 7406 families in the 2001 sample and 7822 families in 2003 sample. All nominal values are adjusted for inflation and reported in 2003 dollars.

black households increased by \$23,900, from \$64,500 to \$88,400; while the median dropped by \$1,900 from \$10,400 in 2001 to \$8,500 in 2003.

2.2 Home equity

The results indicate that the home ownership rates continued its upward trend. Overall participation increased from 67.8% in 2001 to 68.7% in 2003 (see Table 1). This increase was primarily from the strong one percent jump in homeownership among white families (see Table 3). Black households on the other hand show a slightly lower rate in participation in 2003 as compared to 2001. Table 2 shows that the participation rate among black families was 44.8% in 2001 and 44.3% in 2003.

Among homeowners average home equity value increased from \$106,900 in 2001 to \$119,000 in 2003, the median value grew from \$70,600 to \$75,000. These increases are not surprising given strong growth in home prices during the period. Tables 2-3 show that the increase in home prices affected all racial groups, with home equity increasing for both white and black households.

2.3 Business

Between 2001 and 2003 business ownership rates and business value moved in opposite direction. Business ownership declined for the whole sample, from 12.7% to 12.1%, and for black and white households separately (from 3% to 2.65 for black families and from 15% to 14.3% for white families). Business values, on other hand, show an upward trend. Conditional on owning, average business value grew from \$285,300 in 2001 to \$339,200 in 2003; corresponding median values are \$41,600 and \$50,000 (see Table 1). The increasing trend in business values is characteristic of both black and white households³.

2.4 Stocks and IRA holdings

³ In Table 2 conditional average business value in 2003 is \$1,285,200 that is significantly larger the corresponding value in 2001 (\$74,000). This large value in 2003 is due to the influence of one large observation in the sample of black business owners.

Stock ownership participation rates dropped between 2001 and 2003 by 3.4%, from 30.2% in 2001 to 26.8% in 2003. The retreat from stock ownership happened among white households, 35.0% in 2001 and 32.0% in 2003, as well as among black households, 10.3% in 2001 and 6.4% in 2003. While one of the likely causes for the reduction is drop in the stock prices in 2001, the mean values of equities in household portfolio conditional on ownership show some increase, 158,500 in 2001 and 175,800 in 2003. The trend is reverse for the conditional median equity value, which dropped from \$31,200 to \$30,000.

Unlike stocks, IRA's ownership rates show little change between 2001 and 2003, while values of mean and median of IRA holdings in 2003 are lower than that in 2001. Thus, between 2001 and 2003 mean value of IRA holdings dropped by \$10,500 from \$99,900 to \$89,400 and the median value decreased by \$1,200 from \$31,200 to \$30,000. Taking only white and black households, the drop in the median value is \$5,600 for blacks and \$5,400 for whites. The little change in IRA ownership together with more a pronounced decrease in IRA's values as compared to stock holdings may reflect the lesser degree of short run discretion households may have with IRA holdings than with equities.

2.5 Short-term debt

The likelihood of a household having debt, namely non-collateralized debt such as unpaid balances on credit cards, student loans, medical or legal bills declined by .8% between 2001 and 2003, from 50.6% to 49.8%. Notwithstanding, the average level of household debt increased during the period. Thus, in 2001 the average value of short-term debt was \$6,800 and in 2003 it is \$7,200. Conditional on owning debt, the average value was \$13,500 in 2001 and \$14,400 in 2003.

2.6 Effect of age, education and race on net and financial household wealth

Tables 4 and 5 report statistics for net and financial wealth holdings by age, education and race.

The data indicate modest decline in household financial wealth between 2001 and 2003 (Table 5). Thus the average financial wealth declined from \$115,400 to \$107,700. The median value of household financial wealth changed slightly from \$9,500 in 2001 to \$9,800 in 2003. Declining financial wealth affected all age groups except those 65 and older.

Average household net worth shows an increase of \$5,900, from \$257,800 in 2001 to \$263,700 in 2003 (Table 4). During the period the median value of household net worth increased modestly by \$ 500. An increase in the mean value of net worth is observed for both white and black households. However, the median value is slightly lower in 2003 than in 2001 for both groups. The increase in per family net worth does not hold consistently for different age groups. Thus older households with head age 60 and older appear to be better off in 2003 than in 2001, while younger households experienced either some setback or modest growth in their wealth during the period.

3. Summary

Tables 1-5 point to a number of facts about household wealth changes between 2001 and 2003.

- While per family net worth increased slightly between 2001 and 2003 overall, the increase was for those 65 and older more than for others.
- Wealth in the form of stocks and IRA holdings declined during the period.
- Homeownership rates increased as well as did the value of home equity. Housing appears to be a major asset that propelled household net worth upward in spite of declining financial wealth.
- There is some decline in short-term debt ownership rates accompanied by an increase in its value conditioned on ownership.

Table 1. Household Wealth: Panel Study of Income Dynamics (Thousands of 2003 dollars)

	2001					2003				
	Mean	Median	Percent Own	Conditional on Own Mean	Conditional on Own Median	Mean	Median	Percent Own	Conditional on Own Mean	Conditional on Own Median
Business	36.2	0.0	12.7%	285.3	41.6	40.9	0.0	12.1%	339.2	50.0
Checking/Savings	21.8	2.7	82.3%	26.5	5.2	21.5	3.0	82.1%	26.1	5.0
Other Debt	6.8	0.1	50.6%	13.5	5.2	7.2	0.0	49.8%	14.4	6.0
Real Estate	30.0	0.0	16.1%	186.6	62.3	30.9	0.0	15.6%	197.4	60.0
Stocks	47.9	0.0	30.2%	158.5	31.2	47.2	0.0	26.8%	175.8	30.0
IRA	34.4	0.0	34.5%	99.9	31.2	30.6	0.0	34.2%	89.4	30.0
Vehicle	13.7	7.3				13.3	7.5			
Other	11.3	0.0	21.0%	54.0	13.5	8.5	0.0	19.5%	43.4	12.0
Home Equity	69.2	28.1	67.8%	106.9	70.6	78.1	30.0	68.7%	119.0	75.0
Total	257.8	67.3				263.7	67.8			

Notes:

1. Ownership status for vehicles was not asked. Only the value was asked.
2. All calculations are done using PSID weights.
3. The full sample includes all households in a given year. The race distinction in these tables do not 'aggregate' to these full sample values since they do not include non-black, non-white Hispanics which are included in the full sample.
4. PSID wealth does not include pension wealth. Therefore, this excludes the present value of private defined contribution and defined benefit plans. It also excludes rights to Social Security payments.

Source: Elena Goukova & Frank Stafford, Institute for Social Research, Copyright University of Michigan (July, 2005)

Table 2. African -American Household Wealth: Panel Study of Income Dynamics (Thousands of 2003 dollars)

	2001					2003				
	Mean	Median	Percent Own	Conditional on Own		Mean	Median	Percent Own	Conditional on Own	
				Mean	Median				Mean	Median
Business	2.2	0.0	3.0%	74.0	5.2	32.9	0.0	2.6%	1285.2	10.5
Checking/Savings	5.5	0.1	56.4%	9.8	1.6	7.6	0.1	56.4%	13.4	1.5
Other Debt	4.8	0.0	48.6%	9.9	5.2	5.0	0.0	46.1%	10.8	5.0
Real Estate	5.6	0.0	7.3%	76.3	36.4	5.8	0.0	7.4%	78.9	40.0
Stocks	6.5	0.0	10.3%	62.9	10.4	6.3	0.0	6.4%	98.3	10.0
IRA	11.4	0.0	11.2%	101.3	15.6	8.8	0.0	10.0%	87.7	10.0
Vehicle	8.2	2.1				6.9	2.5			
Other	9.3	0.0	12.6%	73.4	10.4	4.2	0.0	11.3%	37.3	10.0
Home Equity	20.5	0.0	44.8%	48.6	31.2	21.0	0.0	44.3%	50.7	35.0
Total	64.5	10.4				88.4	8.5			

Notes:

1. Due to the low percent of business ownership and the dispersion in values the median rather than mean gives more reliable estimate of the underlying population values.
2. Ownership status for vehicles was not asked in 2001 and 2003. Only the value was asked.
3. All calculations are done using PSID weights.
4. The full sample includes all households in a given year. The race distinction in these tables do not 'aggregate' to these full sample values since they do not include non-black, non-white Hispanics which are included in the full sample.
5. PSID wealth does not include pension wealth. Therefore, this excludes the present value of private defined contribution and defined benefit plans. It also excludes rights to Social Security payments.

Source: Elena Guskova & Frank Stafford, Institute for Social Research, Copyright University of Michigan (July, 2005)

Table 3. White Household Wealth: Panel Study of Income Dynamics (Thousands of 2003 dollars)

	2001					2003				
	Mean	Median	Percent Own	Conditional on Own Mean	Conditional on Own Median	Mean	Median	Percent Own	Conditional on Own Mean	Conditional on Own Median
Business	43.5	0.0	15.0%	290.7	41.6	46.7	0.0	14.4%	325.1	50.0
Checking/Savings	25.8	4.2	87.6%	29.5	5.2	25.0	5.0	87.9%	28.4	6.0
Other Debt	7.3	0.2	51.4%	14.3	6.2	7.7	0.2	50.8%	15.2	6.3
Real Estate	35.7	0.0	18.1%	197.5	67.5	37.0	0.0	17.7%	209.6	60.0
Stocks	58.5	0.0	35.0%	167.1	31.2	57.9	0.0	32.0%	181.1	30.0
IRA	40.6	0.0	39.9%	101.8	37.4	36.4	0.0	40.4%	89.9	32.0
Vehicle	15.1	8.3				14.8	9.0			
Other	12.2	0.0	24.0%	50.8	13.5	9.6	0.0	22.2%	43.1	12.0
Home Equity	79.1	41.6	72.9%	113.5	77.9	89.4	41.0	73.9%	126.2	82.9
Total	303.2	99.7				308.7	99.0			

Notes:

1. Ownership status for vehicles was not asked in 2001 and 2003. Only the value was asked.
2. All calculations are done using PSID weights.
3. The full sample includes all households in a given year. The race distinction in these tables do not 'aggregate' to these full sample values since they do not include non-black, non-white Hispanics which are included in the full sample.
4. PSID wealth does not include pension wealth. Therefore, this excludes the present value of private defined contribution and defined benefit plans. It also excludes rights to Social Security payments.

Source: Elena Goukova & Frank Stafford, Institute for Social Research, Copyright University of Michigan (July, 2005)

Table 4. Household Net Worth (Thousands of 2003)

	2001		2003	
	Mean	Median	Mean	Median
Full sample	257.8	67.3	263.7	67.8
Age of Head				
20 to 29	26.2	4.2	21.1	5.7
30 to 39	140.8	28.1	146.3	31.7
40 to 49	228.8	70.3	228.5	65.5
50 to 59	393.6	145.3	363.3	135.1
60 to 64	470.6	174.4	480.4	175.0
65 or more	396.0	186.8	431.7	181.3
Education of Head				
No High School Degree	92.0	19.4	87.2	20.4
High School Degree	172.8	64.9	187.0	54.0
Some College	239.5	66.5	245.9	65.0
College Degree or more	490.4	170.4	497.2	198.0
Race of Head				
White	303.2	99.7	308.7	99.0
Black	64.5	10.4	88.4	8.5

Notes:

1. All reported values are computed using the PSID weights.
2. PSID wealth does not include pension wealth. Therefore, this excludes the present value of private defined contribution and defined benefit plans. It also excludes rights to Social Security payments.

Source: Elena Goukova & Frank Stafford, Institute for Social Research, Copyright University of Michigan (July, 2005))

Table 5. Household Financial Wealth (Thousands of 2003)				
	2001		2003	
	Mean	Median	Mean	Median
Full sample	115.4	9.5	107.7	9.8
Age of Head				
20 to 29	15.0	1.6	11.6	1.5
30 to 39	54.1	4.2	39.2	4.0
40 to 49	105.5	8.3	91.9	8.0
50 to 59	133.6	29.1	125.9	27.5
60 to 64	273.6	41.6	169.2	39.0
65 or more	204.0	41.6	226.3	43.0
Education of Head				
No High School Degree	28.7	0.6	26.5	0.5
High School Degree	74.9	5.7	61.0	5.0
Some College	86.4	10.4	102.0	10.0
College Degree or more	247.1	51.9	224.0	47.0
Race of Head				
White	137.1	16.6	128.7	17.0
Black	32.7	0.3	26.8	0.2

Notes:

1. All reported values are computed using the PSID weights.
2. Financial wealth is defined as the sum of wealth in stocks, mutual funds, investment trusts, IRA's, checking accounts, savings accounts, money market funds, CD's, government saving bonds, Treasury bills, corporate and municipal bonds, and cash value of life insurance policies.
3. PSID wealth does not include pension wealth. Therefore, this excludes the present value of private defined contribution and defined benefit plans. It also excludes rights to Social Security payments.

Source: Elena Goukova & Frank Stafford, Institute for Social Research, Copyright University of Michigan (July, 2005)