AMERICAN FAMILY WEALTH: ANALYSIS OF RECENT CENSUS DATA

Report to the

Consumer Federation of America

and

Primerica

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October 25, 1999

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EXECUTIVE SUMMARY

This study describes the levels and distribution of real and financial wealth of U.S. families, and it probes factors associated with household asset holdings, focusing on debt. The report presents the results of analysis of data on the assets and liabilities of U.S. persons and families in 1995. These data were collected by the U.S. Bureau of the Census in the Survey of Income and Program Participation (SIPP). The SIPP provides data on the income, assets, and demographic characteristics of large representative samples of the non-institutionalized population of the United States. These are the most recent data on household and personal wealth released by the Census Bureau.

The average (median) U.S. family in 1995 had net financial assets of only about $1,000. This is the value of money in the bank, stocks, bonds, and other securities, after subtracting loans, credit card debt and other unsecured debt. Average gross financial assets were about $2,700, before subtracting unsecured debt.

Median net worth of all families – the value of all real and financial assets, including equity in the home, other real estate, vehicles, own businesses, as well as financial assets – is about $35,500. For the average family, the majority of net worth is equity in their home. After subtracting home equity, the remaining net worth of the median family is $10,000. The lowest 30 percent of families have total net wealth, including home equity, of $7,000 or less, and the top 30 percent, $93,000 or more.

Wealth is very unevenly distributed. The lowest 30 percent of families, ranked by the size of their net financial assets, have zero or negative net financial assets; that is, their unsecured debts equal or exceed their gross financial assets. The lowest 20 percent have negative net financial assets (net debt) of $800 or greater, and the bottom tenth have net debt of $4,700 or more. Families in the top tenth have net financial assets of $85,000 or more.

An important reason for the low average levels of net financial assets is that many families have high levels of debt, especially consumer debt. Median consumer debt for all families is $3,000, and median total debt is $8,800. The one-fifth of families with the lowest net financial assets have the highest median consumer debt, $11,500. Families in this lowest 20 percent of net financial assets actually have average family incomes that are about the same as the population as a whole. The median family income of families ranked in the lowest fifth by financial assets is about $31,700. The median family income of all families is about $29,000. Families in the second lowest fifth, ranked by financial assets, have the lowest average incomes.

Ten percent of families have consumer debt of $20,000 or more, and another ten percent have consumer debt greater than $12,500. Twenty-seven percent of families have no consumer debt.

Family wealth is closely associated with family income levels. When families are ranked by total family income, those in the lowest 20 percent, with less than $13,000 in family income, have zero median net financial assets and median net worth of $3,000. Families in the top 20 percent of incomes, incomes greater than $55,000, have median net financial assets of $18,000, and median net worth of $118,000.

Most families with income below $25,000 have negligible financial assets. Median net financial assets for families with income of $10,000-$25,000 is $200. Families with income of $25,000-$50,000 have median net financial assets of $1,600, and those with income of $50,000-$75,000 have median net financial assets of $8,000. Families with income greater than $100,000 have median net financial assets of $51,000.

Family financial assets vary by age of the head of family. Families with heads age 45-54 have median net financial assets of $1,700. Those with heads age 55-64 have median financial assets of $4,800. Families with heads age 65-74 have the highest median net financial assets among age groups, $12,500.

Debt also varies by age. Median total debt increases with age, from $9,600 for ages 25-34 to $22,100 for ages 45-54, then declines to zero for ages 75 and older. Median consumer debt is between $4,000 and $5,000 for ages 25-54, then declines to zero for ages 75 and older.

THE WEALTH OF U.S. FAMILIES: ANALYSIS OF RECENT CENSUS DATA

Introduction

Saving and wealth building are vital for U.S. families and the U.S. economy. It is well-known that the U.S. personal savings rate is low and that many U.S. families have very modest financial assets. The personal savings rate has declined from eight percent of disposable income in the early 1980s, to five percent in the late 1980s and early 1990s, to less than zero in mid-1999. For 1998 as a whole, the personal savings rate was 0.5 percent, the lowest annual level since the depression of the 1930s. During the first half of 1999, the personal savings rate was negative, -0.9 percent. The personal savings rate, as measured by the Department of Commerce, does not include increases in wealth resulting from increases in stock prices or increases in housing prices. However, there is controversy concerning whether and how much such increases should be treated as savings. Furthermore, increases in stocks and housing prices have not been distributed equally over the population. What counts is the level of assets families hold. On an individual family level, survey data show that the typical U.S. family holds very low levels of financial assets and has low total wealth. In 1995 more than half of all U.S. families had net financial assets of $1,000 or less.

This study describes the levels and distribution of real and financial assets of U.S. families, and it probes factors associated with household asset holdings, focusing on debt. The report presents the results of analysis of data on the real and financial wealth of U.S. persons and families in 1995.

Data Sources

The data analyzed in this report were collected by the U.S. Bureau of the Census in the Survey of Income and Program Participation (SIPP) for January through April of 1995. The SIPP provides data on the income, assets, and demographic characteristics of large representative samples of the non-institutionalized population of the United States. These are the most recent data on household and personal wealth released by the Census Bureau.[1]

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[1] The 1995 family wealth and income data are from the Survey of Income and Program Participation (SIPP) 1993 Panel Wave 7 Topical Module and from the core interviews for the twelve month period ending in the month of the topical module, contained in the 1993 SIPP Longitudinal Microdata File. The 1993 Wave 7 Topical Module sample included 17,138 households headed by persons age 25 or older, and 18,470 families headed by persons age 25 or older, randomly selected to be representative of the entire U.S. non-institutional population.

The 1993 Panel Wave 7 data on assets and liabilities were collected in detailed interviews conducted in February, March, April, and May 1995, and refer to asset and liability balances on the last day of the month that preceded the interview. Thus, the data in this report are averages of balances held and owed at the end of January, February, March, and April 1995. Each person's income was calculated by summing the income from all sources over each of the 12 months ending

The SIPP is the largest and most comprehensive database with information for persons, families, and households on all the economic, demographic, and social variables relevant to analysis of savings behavior and individual household economic conditions. The 1995 data used for this study includes about 18,500 families, with about 49,000 persons[2]. The SIPP sample is selected to be representative of the U.S. civilian, noninstitutional population. The 1995 sample includes about 13,800 families with income less than $50,000, and about 7,800 families with income less than $25,000. It also includes 1,800 families with income greater than $75,000.

Another database with comprehensive data on assets and liabilities is the Survey of Consumer Finances (SCF), sponsored by the Federal Reserve Board. SCF data for 1995 are also available. The SCF is designed to provide a picture of total wealth holdings of U.S. families. The SCF oversamples high income households, which hold a disproportionate amount of total assets. A major concern about the SCF is that the sample size is small and the proportion of families who responded fully to the survey (the response rate) is small. The size of the SCF sample (about 4,300 families in 1995) is much smaller than the SIPP. In the 1995 SCF sample, only about 2,800 families were from a sample that is representative of the entire population; the remaining 1,500 families were from a special

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with the reference month for the assets data. Family income was calculated as the sum of the incomes of all of the persons in the family.

The unit of analysis of this study is the family. The definition of family used in this study corresponds to the notion of the nuclear family – a married couple and their natural and adoptive children, if any. A single person living alone or unrelated to other persons in the household is considered to be a one-person family. Related persons living in the same household but not part of the same nuclear family are in separate families. Thus, in a household containing a married couple and their minor children, and one spouse's parent(s), the couple and children would be one family, and the parent(s) would be a separate family. An adult child age 25 or older and spouse, if any, living with his/her parents are a separate family. The concept of family used in this study is the unit which singly or jointly owns assets, makes decisions concerning their accumulation and disposition, and shares in their long term (life cycle) value (e.g. for retirement income).

This definition of family differs from the definition usually used by the U.S. Census Bureau. The family is defined by the Census Bureau as two or more persons who are living together and related by blood, marriage, or adoption.

Wealth and other economic variables are sometimes studied using the household as the unit of analysis. A household is a person or group of persons living at the same address. A household may consist of one person living by himself or herself, a group of unrelated individuals, or one or more families. A study of wealth, similar to the one in this report, but using the household as the unit of analysis, is available from the author.

[2] Only families headed by persons age 25 or older are included in this study. Individuals and families headed by persons younger than 25 are often students or persons in transition between education and work and may not be representative of the wealth holdings of the general population. If individuals and families headed by persons younger than 25 were included, the number of lower income families and families with low wealth would be greater, and average wealth would be lower.

sample of high income families.[3] The 1995 SIPP data and SCF data are the most recent household wealth data available.

The published estimates from the 1995 SCF are not directly comparable to the estimates reported in this study. First, the published SCF analysis (Kennickell, *et al.*, 1997) generally reports median asset holdings and liabilities for families holding each asset or liability type and the proportion of families holding each type. This study reports estimates of mean and median assets and liabilities of *all* families, including those with zero levels of an asset or liability type. Second, the SCF counts defined contribution employer pension balances, such as 401(k) accounts, as part of family wealth, as well as individual retirement accounts and Keogh accounts; whereas the Census Bureau includes only individual retirement savings, such as IRAs and Keoghs, in family wealth. In recent years there has been a shift in employer pensions from defined benefit to defined contribution plans, although overall coverage by any type of employer pension plan has remained fairly constant. If defined contribution employer pensions are counted as part of family wealth, but defined benefit pensions are not, the shift into defined contribution plans may make family wealth appear to have increased more than it would have if it had been possible to estimate the accrued value of defined benefit pensions. For both of these reasons, the 1995 SCF estimates of family wealth are generally greater than 1995 SIPP estimates.

Net Wealth

A common measure of total family wealth is net worth. Net worth equals the value of all of a family's real and financial assets – including equity in a home, businesses, vehicles, other property, cash, bank accounts, stocks and bonds, and all other assets – less all debts. Table 1 shows the net worth of U.S. families in 1995 in each decile (10 percent) of families, ranked by their net worth. In Table 1 families are ranked according to their net worth, from lowest to highest, and divided into ten equal groups, ranging from the lowest ten percent to the highest ten percent. Table 1 shows the range of net worth of the families in each tenth. Chart 1 illustrates the data in Table 1.

Table 1 shows that the median net worth of U.S. families in 1995 is about \$35,500 – that is, one-half of U.S. families have total wealth of \$35,500 or less. The bottom ten percent of families have zero net worth, and the net worth of the next ten percent is less than \$2,000. The lowest 40 percent of families have net worth less than \$17,500. The top ten percent of families have net worth of about \$240,000 or more.

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[3] About 70 percent of the families from the sample representative of the entire population completed interviews. The response rate from the high-income sample was about 34 percent. Analysis of the data suggests that the tendency to refuse participation is biased. Federal Reserve Board analysts have undertaken considerable research to adjust for nonresponse. See Kennickell, *et al.*, 1996.

TABLE 1

DISTRIBUTION OF NET WEALTH OF U.S. FAMILIES

Decile of Net Worth	Net Worth Is Less Than:
.1 (lowest 10 percent)	$0
.2	$1,793
.3	$6,926
.4	$17,500
.5	$35,460
.6	$60,163
.7	$92,735
.8	$141,364
.9	$239,233
1.0 (top 10 percent)	$80,000,000,000+

Source: Capital Research Associates analysis of 1995 Survey of Income and Program participation data.

CHART 1

NET WORTH OF U.S. FAMILIES BY DECILE (EXCLUDING TOP DECILE)

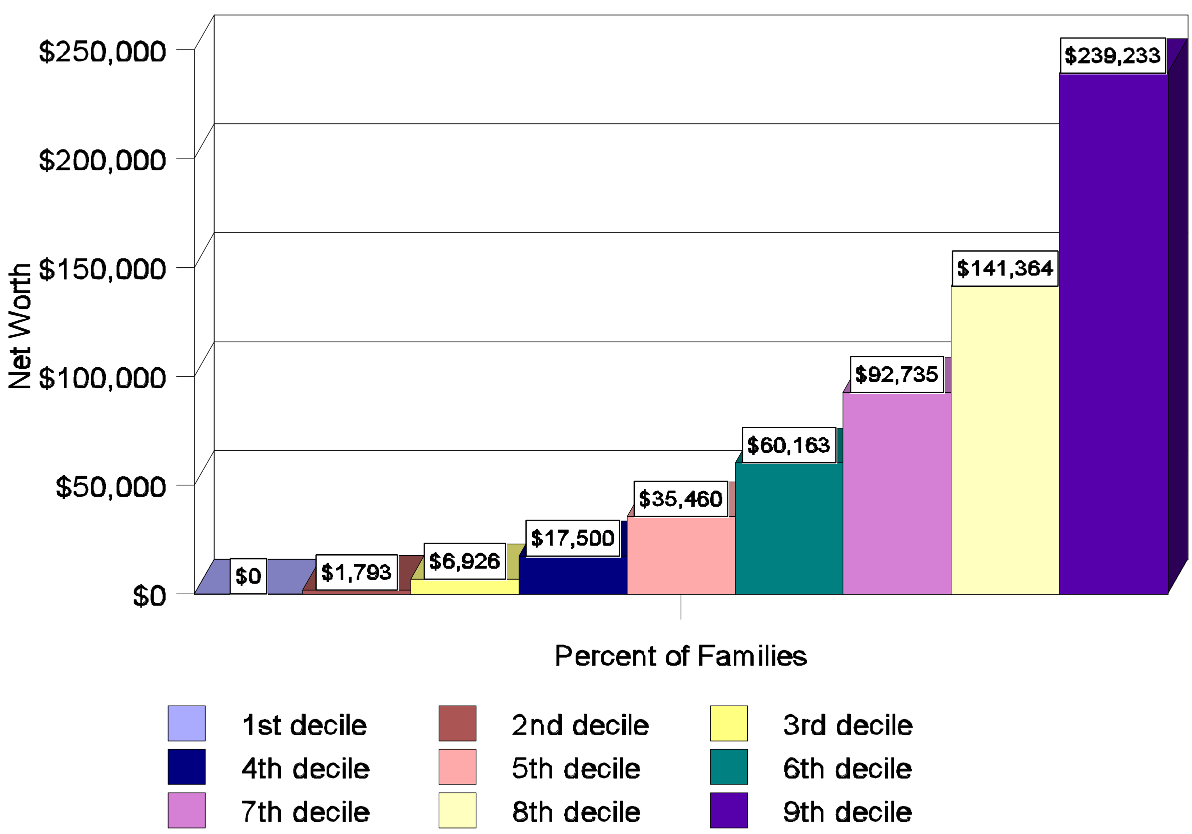

Table 2 shows the size distribution of net worth over all families by quintile. In Table 2 families are ranked according to their level of net worth and divided into five equal groups (quintiles). For each group, Table 2 shows the mean and median[4] levels of family net worth, home equity, net worth less home equity, and net financial assets[5] for each quintile of families classified by level of net worth.

Table 2 shows that median net worth of all families is about $35,500, and mean net worth is about $89,600.[6] Equity in a home accounted for a large share of the net worth of most families. Median home equity for all families is $14,600, and median net worth excluding home equity is $10,000. Mean home equity for all families is about $42,000, equal to about 47 percent of mean net worth. However, median home equity for the lower two quintiles of net worth is zero.[7] Mean home equity as a percent of mean net worth increases from 28 percent for families in the second quintile to 62 percent for the fourth quintile and then decreases to 41 percent in the highest quintile.

Net financial assets for families in the lowest two net worth quintiles are negligible, and median net financial assets for the middle quintile are $1,200. Financial assets become a larger share of wealth as wealth increases. As a share of mean net worth, mean net financial assets increase from five percent for the second quintile to 38 percent for the highest quintile. Over all families, mean net financial assets equal 31 percent of mean net worth.

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[4] The *median* is the level of assets held by the family at the mid-point of the distribution – i.e., half of the families have more and half have less. The *mean* equals the total level of assets held by all families, divided by the number of families.

[5] Family gross financial assets include checking accounts, savings accounts, money market deposit accounts, certificates of deposit, money market funds, government securities, corporate and municipal bonds, stocks and mutual fund shares, IRA and Keogh accounts, mortgages held from sale of real estate, money owed to members of the family by others, unit trusts, and other financial investments, less debt secured by financial assets (such as stock margin debt). Net financial assets equal gross financial assets less unsecured debt. Unsecured debt includes unpaid bills, unsecured bank or credit union loans, credit card balances, medical bills not covered by insurance, money owed to private individuals, and all other unsecured debts. Employer pension fund and other benefit accruals, including defined contribution pension balances and 401(k) account balances, defined benefit pension accruals, and ESOPs, are not included in family net financial assets data collected by the Census Bureau.

[6] Because the distribution of wealth is highly skewed (a relatively small proportion of families hold a large proportion of all wealth, with the net worth of families with the greatest wealth being many times greater than the median), the mean of net worth is significantly greater than the median in the top quintile and for the population as a whole, and may not reflect the asset holdings of typical families. Because the distribution of debt is skewed in the bottom quintile, the mean of net worth and of net financial assets is significantly smaller (more negative) than the median in the bottom quintile.

[7] This means that the family at the mid-point of the distribution of home equity, within each of these net worth quintiles, had zero home equity, i.e., half or more of the families in these lower net worth quintiles had no home equity.

TABLE 2

MEAN AND MEDIAN NET WORTH, HOME EQUITY, AND NET FINANCIAL ASSETS OF FAMILIES CLASSIFIED BY QUINTILES OF NET WORTH

Quintile of Net Worth	Quintile Range	Net Worth		Home Equity		Net Worth Less Home Equity		Net Financial Assets[a]	
		Mean	Median	Mean	Median	Mean	Median	Mean	Median
1st quintile	Less than $1,793	($3,449)[b]	$0	$669	$0	($4,118)	$0	($5,545)	$0
2nd quintile	$1,793 - $17,499	$7,821	$6,926	$2,155	$0	$5,666	$4,850	$366	$25
3rd quintile	$17,500 - $60,162	$36,642	$35,460	$21,688	$21,116	$14,955	$13,100	$5,165	$1,199
4th quintile	$60,163 - $141,363	$95,100	$92,735	$58,855	$60,000	$36,245	$28,050	$19,863	$9,850
5th quintile	Greater than $141,364	$312,241	$239,233	$128,411	$120,362	$183,830	$126,260	$117,491	$73,000
All[c]		$89,634	$35,460	$42,341	$14,641	$47,293	$10,005	$27,453	$1,000

a Net financial assets equal gross financial assets less unsecured debt. Gross financial assets and unsecured debt are defined in footnote 5.

b ( ) indicates negative net worth.

c Families with head age 25 and older.

Source: Capital Research Associates analysis of 1995 Survey of Income and Program Participation data.

Financial Assets

One measure of the savings accumulated by U.S. families is their level of net financial assets. Net financial assets include all of a family's financial assets (not counting employer pension funds) less all unsecured debts. Net financial assets are the assets a family has available for emergencies, to make a down payment on a home, or for retirement other than what they may receive from employer pensions or social security.

Financial assets are distributed very unevenly over families. Table 3 shows the distribution of financial assets of U.S. families in 1995, by showing the range of net financial assets held by the families in each decile of families, ranked by their level of net financial assets. In Table 3 families are ranked according to their level of net financial assets and then divided into ten equal groups, ranging from the lowest ten percent to the highest ten percent. Chart 2 illustrates the data in Table 3.

Table 3 shows that half of all U.S. families have net financial assets of $1,000 or less. Forty percent of families have net financial assets of $50 or less, and the bottom 30 percent have zero or negative net financial assets, after subtracting their unsecured debts from gross financial assets. That means that, for the families in the bottom 30 percent, unsecured debt equals or exceeds gross financial assets. The bottom ten percent have net debts of $4,700 or greater. The top ten percent of families have net financial assets of $85,000 or more.

Table 4 shows the size distribution of net financial assets over all families by quintile. In Table 4 families are ranked according to their level of net financial assets and divided into five equal groups (quintiles). For each group, Table 4 shows the mean and median levels of family gross financial assets, unsecured debt, and net financial assets[8] for each quintile of families classified by level of net financial assets.

[8] Gross financial assets and net financial assets are defined in footnote 5.

TABLE 3

DISTRIBUTION OF FINANCIAL ASSETS OF U.S. FAMILIES

Decile of Net Financial Assets	Net Financial Assets Are Less Than
0.1 (lowest 10 percent)	$-4,700
0.2	$-820
0.3	$0
0.4	$50
0.5	$1,000
0.6	$4,055
0.7	$12,000
0.8	$31,000
0.9	$84,900
1.0(top 10 percent)	$80,000,000,000+

Source: Capital Research Associates analysis of Survey of Income and Program and Participation Data.

CHART 2

FINANCIAL ASSETS OF LOWER 90 PERCENT OF U.S. FAMILIES BY DECILE

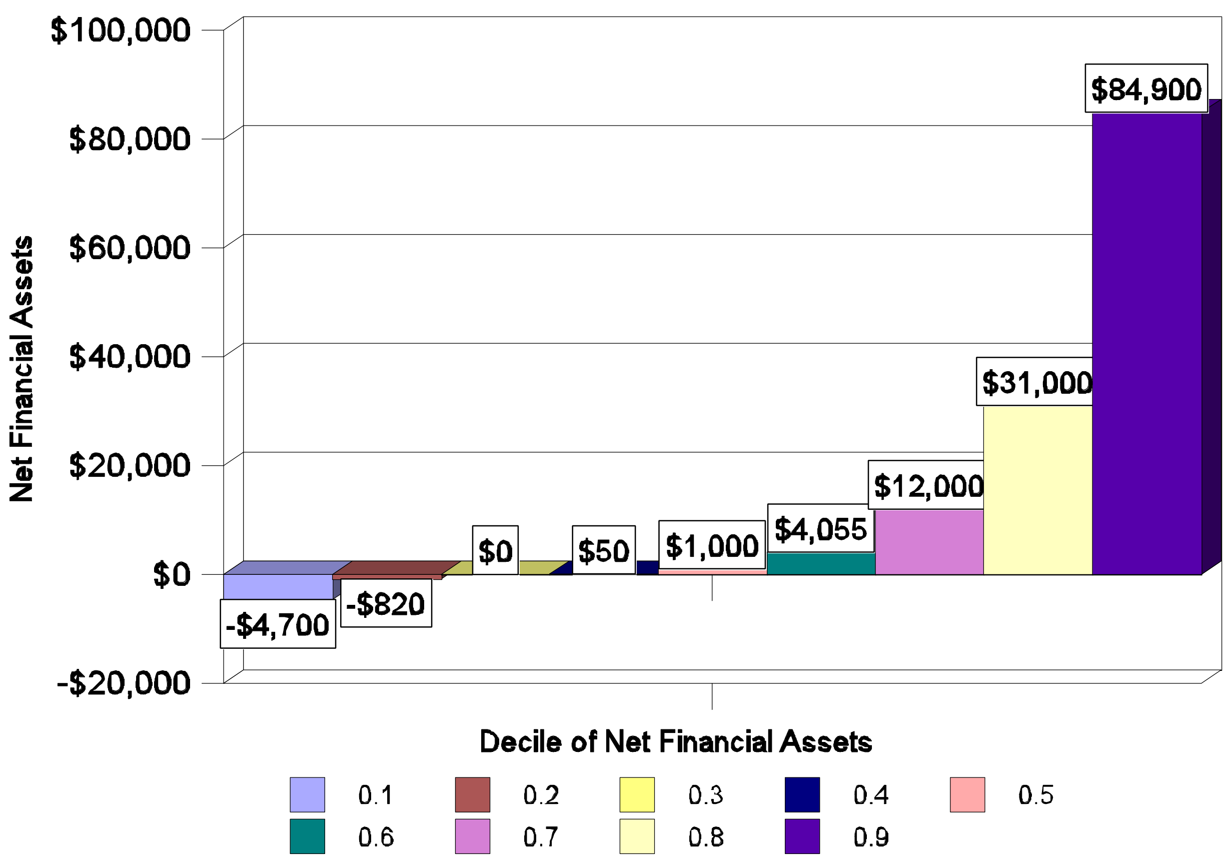

TABLE 4

FAMILY FINANCIAL ASSETS AND UNSECURED DEBT, BY QUINTILE OF NET FINANCIAL ASSETS: 1995

Quintile of Net Financial Assets	Quintile Range	Gross Financial Assets		Unsecured Debt		Net Financial Assets[a]	
		mean	median	mean	median	mean	median
1st quintile	Less than $-820	$2,065	$550	$12,182	$6,042	($10,117)[b]	($4,700)
2nd quintile	$-820 to $50	$279	$0	$381	$0	($102)	$0
3rd quintile	$51 to $4,055	$2,203	$1,450	$838	$0	$1,365	$1,000
4th quintile	$4,056 to $31,000	$15,899	$14,075	$1,972	$200	$13,927	$12,000
5th quintile	Greater than $31,000	$134,530[c]	$86,898	$2,147	$0	$132,382[c]	$84,901
All[d]		$30,957	$2,660	$3,503	$200	$27,453	$1,000

a Net financial assets equal gross financial assets less unsecured debt. Gross financial assets and unsecured debt are defined in footnote 5.
b ( ) indicates negative net financial assets.
c Mean values for the top quintile may be distorted by "top-coding", a limit on the value of each asset class reported in the public use data base imposed to protect confidentiality.
d Families with head age 25 and older.
Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

The median level of gross financial assets for all U.S. families in 1995 is about $2,700.[9] Median unsecured debt for all families is $200. After subtracting unsecured debt of each family from their gross financial assets, the median level of net financial assets for all families is $1,000.[10]

Table 4 shows that only the top 20 percent of U.S. families have net financial assets of $31,000 or greater in 1995. The top ten percent have net financial assets of $85,000 or more, compared to median financial assets of $1,000 for the total population. The bottom 20 percent have net debts of $820 or greater, and the bottom 10 percent have net debts of $4,700 or greater.

Table 4 also shows the mean level of financial assets for each quintile. Because the distribution of financial assets and of unsecured debt is highly skewed at both ends, the mean of net

[9] As noted in footnote 2, only families headed by persons age 25 or older are included in this study. If younger individuals and families were included, the average levels of assets would be smaller.

[10] The median of the differences between two variables for each family in a group, such as gross financial assets and unsecured debt, is not in general equal to the difference between the medians of each of those variables for the group. The mean of the differences between two variables does equal the difference between the means of each variable.

financial assets is significantly greater than the median in the top quintile and for the population as a whole, and may not reflect the asset holdings of typical families.[11] Because the distribution of unsecured debt is skewed in the bottom quintile, the mean of net financial assets is significantly smaller (more negative) than the median in the bottom quintile.

Table 4 shows that families in the bottom quintile of *net* financial assets, which have negative net financial assets of -$820 or less, actually have, on average, greater *gross* financial assets than families in the next higher quintile. Mean gross financial assets in the bottom net financial assets quintile is $2,065, vs. $280 in the next higher quintile, and median gross financial assets is $550 in the bottom net financial assets quintile, vs. zero in the next higher quintile. The reason many families are in the lowest net financial assets quintile is that they have high levels of unsecured debts, and only modest levels of gross financial assets. Families in the bottom net financial assets quintile have mean unsecured debt of about $12,200, and median unsecured debt of about $6,000, leaving them with negative mean net financial assets of -$10,100 and negative median net financial assets of -$4,700.

Table 5 shows the net worth and family income, as well as net financial assets, of the same groups of families, ranked in quintiles according to their levels of net financial assets. Table 5 shows that, while for the 2nd through the 5th quintiles of net financial assets, average net worth and average incomes increase with net financial assets, the families in the lowest net financial assets quintile actually have greater average net worth and greater average incomes than families in the next higher quintile. In fact, the mean and median family income in the lowest net financial assets quintile is about the same as for the population as a whole. Median family income for the entire population is about $29,000 in 1995, and mean family income is about $35,800.[12] Median family income for the lowest net financial assets quintile is about $31,700, and mean family income is about $35,800. Families in the 2nd net financial assets quintile have by far the lowest average net worth and lowest average incomes in Table 5 Those families also have the lowest average levels of unsecured debt, as shown in Table 4.

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[11] Since financial asset holdings are highly skewed, the means may be sensitive to "outliers," or extreme values. That is, the existence of one or a small number of families with very high wealth in the sample may influence the value of the mean. The median is not sensitive to extreme values.

[12] Similar to assets, the income distribution over families is skewed. A small proportion of families have incomes much greater than the average. Consequently, the mean family income is larger than the median. The mean family incomes for each group reported in Table 5 may be sensitive to extreme values or “outliers” and may be distorted by “top-coding,” a limit on the value of very high incomes that are reported in the public data set, which is imposed to preserve confidentiality. The medians are not affected by extreme values or by top-coding.

TABLE 5

FAMILY NET FINANCIAL ASSETS, NET WORTH, AND INCOME, BY QUINTILE OF NET FINANCIAL ASSETS: 1995

Quintile of Net Financial Assets	Quintile Range	Net Financial Assets[a] mean	Net Financial Assets[a] median	Net Worth mean	Net Worth median	Income mean	Income median
1st quintile	Less than $-820	($10,117)[b]	($4,700)	$27,036	$7,625	$35,853	$31,744
2nd quintile	$-820 to $50	($102)	$0	$19,136	$2,670	$17,741	$13,119
3rd quintile	$51 to $4,055	$1,365	$1,000	$42,579	$17,250	$29,924	$25,497
4th quintile	$4,056 to $31,000	$13,927	$12,000	$88,472	$66,676	$42,811	$37,894
5th quintile	Greater than $31,000	$132,382	$84,901	$271,579	$202,348	$53,077	$45,306
All[c]		$27,453	$1,000	$89,634	$35,459	$35,839	$28,965

a Net financial assets equal gross financial assets less unsecured debt. See footnote 5.
b ( ) indicates negative net financial assets.
c Families with head age 25 and older.
Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

Types and Levels of Debt

Table 6 provides information about the levels of debt of families, ranked by their levels of net financial assets. The groups of families in Table 6 are the same as in Tables 4 and 5, quintiles of families ranked by net financial assets. For each quintile and for all families, Table 6 shows the average total debt and average consumer debt of families in that quintile. Consumer debt is defined as unsecured debt (credit card debt, store bills, unsecured bank or credit union loans, medical bills, money owed to other persons, etc.) plus all vehicle debt (debt on automobiles, motorcycles, boats, recreational vehicles, etc.).

Table 6 tells the same story as Table 4. Total debt and consumer debt are greatest for families in the lowest net financial assets quintile. Total debt and consumer debt are lowest for families in the next net financial assets quintile. In general, average total debt – which includes home mortgages; debts secured by other real property, businesses, and vehicles; and stock margin debt; as well as unsecured debt -- increases with net financial assets for families in the 2nd through 5th quintiles. That is, on average, above the lowest net financial assets quintile, families with greater net financial assets also have greater total debt. Mean total debt increases from $11,700 for families in the 2nd net financial assets quintile to $44,500 for families in the highest net financial assets quintile. However, families in the lowest net financial assets quintile have mean total debt of $45,200. Median total debt is $1,200 for families in the 2nd lowest net financial assets quintile, increasing to $14,900 for families in the 4th net financial assets quintile. Families in the highest quintile have median total debt of $8,000. Families in the lowest net financial assets quintile have median total debt of $22,000. Median total debt for all families is $8,800, and mean total debt for all families is $33,600.

TABLE 6

FAMILY NET FINANCIAL ASSETS, TOTAL DEBT, AND CONSUMER DEBT, BY QUINTILE OF NET FINANCIAL ASSETS: 1995

Quintile of Net Financial Assets	Quintile Range	Net Financial Assets[a]		Total Debt		Consumer Debt		Ratio of Consumer Debt/Total Debt	
		mean	median	mean	median	mean	median	mean	median
1st quintile	Less than $-820	($10,117)[b]	($4,700)	$45,218	$22,000	$17,375	$11,500	.38	.52
2nd quintile	$-820 to $50	($102)	$0	$11,695	$1,200	$3,792	$675	.32	.56
3rd quintile	$51 to $4,055	$1,365	$1,000	$24,984	$5,907	$4,932	$1,775	.20	.30
4th quintile	$4,056 to $31,000	$13,927	$12,000	$41,800	$14,900	$6,285	$2,700	.15	.18
5th quintile	Greater than $31,000	$132,382	$84,901	$44,461	$8,000	$5,337	$900	.12	.11
All[c]		$27,453	$1,000	$33,589	$8,800	$7,541	$3,000	.22	.34

a Net financial assets equal gross financial assets less unsecured debt.
b ( ) indicates negative net financial assets.
c Families with head age 25 and older.
Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

Consumer debt is also much higher for families in the lowest net financial assets quintile. Median consumer debt for families in the lowest net financial assets quintile is $11,500, more than four times higher than any other quintile. Median consumer debt for the other quintiles varies between $675 (for the 2^{nd}) and $2,700 (for the 4^{th}). Median consumer debt for all families is $3,000.

Mean consumer debt is about $17,400 per family for the lowest net financial assets quintile, almost three times higher than any other quintile. Mean consumer debt ranges from $3,800 for the 2^{nd} quintile to $6,300 for the 4^{th} quintile. Mean consumer debt for all families is about $7,500 per family.

Consumer debt is a larger share of total debt for families with lower net financial assets. Mean consumer debt declines from 38 percent of mean total debt for the lowest quintile to 12 percent for the highest. For all families, mean consumer debt is 22 percent of mean total debt. The ratio of median consumer debt to median total debt ranges from .52 for the lowest quintile and .56 for the 2^{nd} quintile to .11 for the highest quintile. The ratio of median consumer debt for all families to median total debt is .34.

Total Debt

Table 7 examines average levels of debt for families, classified by quintiles of total debt, from the 20 percent of families with the lowest total debt to the 20 percent with the highest total debt in 1995. The lowest quintile has zero debt. The highest quintile has total debt of about $61,000 or more. Mean total debt for all families is $33,600, and median total debt is $8,800.

Mean secured debt for all families is about $30,100, accounting for about 90 percent of mean total debt for all families. Median secured debt for all families is about $5,800. The share of secured debt in total debt increases as total debt increases, from about 53 percent for families in the 2^{nd} quintile of total debt, to 93 percent for families in the top quintile. Mean unsecured debt for all families is $3,500, accounting for 10 percent of mean debt for all families. Median unsecured debt for all families is $200. Although average unsecured debt increases as total debt increases, as a share of total debt, unsecured debt falls from about 47 percent for the 2^{nd} quintile to about seven percent for the top quintile.

Consumer debt increases as total debt increases. Mean consumer debt for all households is about $7,500, and median consumer debt is $3,000 in 1995. For households in the 2^{nd} quintile of total debt, mean consumer debt is $1,651, increasing to about $15,900 for households in the top total debt quintile. Median consumer debt is $1,400 for households in the 2^{nd} quintile of total debt, increasing to about $9,400 for families in the top two quintiles of total debt.

The ratio of consumer debt to total debt falls as total debt increases. Mean consumer debt is equal to 97 percent and 89 percent of mean total debt for families in the 2^{nd} and 3^{rd} quintiles respectively, falling to 13 percent for families in the top quintile. The ratio of mean consumer debt to mean total debt for all families is 22 percent. The ratio of median consumer debt to median total

TABLE 7

TOTAL DEBT AND COMPONENTS OF DEBT, BY QUINTILE OF TOTAL DEBT: 1995

Quintile of Total Debt	Quintile Range	Total Debt mean	Total Debt median	Unsecured Debt mean	Unsecured Debt median	Secured Debt mean	Secured Debt median	Mortgage Debt mean	Mortgage Debt median	Consumer Debt mean	Consumer Debt median
1st quintile	Less than $0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
2nd quintile	$1 to $4,000	$1,702	$1,500	$797	$325	$905	$0	$38	$0	$1,651	$1,400
3rd quintile	$4,001 to $16,030	$9,283	$8,900	$2,638	$750	$6,646	$6,709	$974	$0	$8,227	$8,000
4th quintile	$16,031 to $60,867	$34,852	$32,981	$5,009	$1,500	$29,844	$28,229	$21,218	$21,298	$12,191	$9,400
5th quintile	Greater than $60,868	$122,383	$102,572	$9,166	$2,050	$113,217	$96,008	$92,510	$83,170	$15,863	$9,300
All[a]		$33,589	$8,800	$3,503	$200	$30,086	$5,793	$22,939	$0	$7,541	$3,000

a Families with head age 25 and older.
Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

debt is greater than .9 for the 2nd and 3rd quintiles, falling to .09 for the top quintile. The ratio of median consumer debt to median total debt for all families is .34.

Mortgage debt plays a large role as total debt increases. For the top two quintiles of total debt, median mortgage debt is $21,300 and $83,200 for the 4th and 5th quintiles respectively. Mortgage debt is insignificant for the lower two quintiles of total debt, and it accounts for only 10 percent of total debt for the 3rd quintile. Fewer than half the families in the lower three total debt quintiles have any mortgage debt. However, mortgage debt accounts for 61 percent of the total debt of the 4th quintile, and 76 percent of total debt for the 5th quintile. Even though mortgage debt is not significant for the lower 60 percent of families, it accounts for 68 percent of total debt for all families.[13]

Consumer Debt

Table 8 and Table 9 examine consumer debt, defined as all unsecured debt plus all vehicle debt. Table 8 shows the decile ranges for families classified by deciles of consumer debt. Table 9 shows levels of debt for families classified by quintiles of consumer debt. Median consumer debt for all families in 1995 is $3,000. Mean consumer debt for all families is about $7,500. Twenty-seven percent of families have no consumer debt, and the next six percent (accounting for one-third of all families) have consumer debt of $500 or less. Twenty percent of families have consumer debt of $12,500 or more, and ten percent of families have consumer debt of $19,600 or more.

TABLE 8

DECILES OF CONSUMER DEBT

Decile of Consumer Debt	Consumer Debt Is Equal To Or Less Than:
Lowest 27 percent of families	$0
.33	$500
.4	$1,200
.5	$3,000
.6	$5,200
.7	$8,500
.8	$12,500
.9	$19,601

Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

[13] Mortgage debt includes home equity loans as well as first mortgages on homes. It was not possible within the limits of this study to identify home equity loans separately from mortgages used strictly to purchase homes.

TABLE 9

**FAMILY CONSUMER DEBT AND COMPONENTS, AND TOTAL DEBT,
BY QUINTILES OF CONSUMER DEBT: 1995**

Quintile of Consumer Debt	Quintile Range	Consumer Debt		Unsecured Debt		Vehicle Debt		Total Debt		Other Debt	
		mean	median	mean	median	mean	median	mean	median	mean	median
1st quintile	$0	$0	$0	$0	$0	$0	$0	$13,775	$0	$13,775	$0
2nd quintile	$1 - $1,200	$584	$500	$414	$300	$170	$0	$23,049	$1,000	$22,465	$500
3rd quintile	$1,201 - $5,200	$3,096	$3,000	$1,545	$1,400	$1,551	$1,200	$28,065	$4,150	$24,969	$1,150
4th quintile	$5,201 - $12,500	$8,663	$8,500	$3,046	$1,500	$5,617	$6,000	$37,843	$11,000	$29,180	$2,500
5th quintile	Greater than $12,500	$25,713	$19,601	$12,728	$6,245	$12,985	$13,000	$68,933	$42,448	$43,220	$22,847
All[a]		$7,541	$3,000	$3,503	$200	$4,038	$0	$33,589	$8,800	$26,048	$5,800

a Families with head age 25 and older.
Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

For all families and for the 2nd and 4th quintiles of consumer debt, Table 9 indicates that average consumer debt is about half unsecured debt and about half vehicle debt, although this varies greatly over families. For the 4th quintile, about 65 percent of consumer debt is vehicle debt. Fewer than half of all families have any vehicle debt – median vehicle debt over all families is zero. Mean vehicle debt for all families is about $4,000, and mean vehicle debt for families in the top consumer debt quintile is $13,000. Median unsecured debt for all families is $200, and mean unsecured debt is $3,500.

Total debt increases with consumer debt. The top quintile of consumer debt families have mean total debt of $69,000 and median total debt of $42,400. For families in the lowest two quintiles of consumer debt, consumer debt is an insignificant proportion of total debt. However, for families in the 4th quintile of consumer debt, consumer debt on average accounts for 23 percent of total debt, and for families in the top quintile of consumer debt, which have mean consumer debt of $25,700, consumer debt on average accounts for 37 percent of total debt. For all families, consumer debt accounts for about 22 percent of total debt. Mean other-than-consumer-debt for all families is about $26,000, and median other-than-consumer-debt is about $5,800.

Family Assets and Liabilities by Income Class

Family wealth is closely associated with family income levels. Table 10 shows average family incomes, net worth, and net financial assets by income class, for families distributed by quintiles of total family income in 1995. Median family income in 1995 is about $29,000, and mean family income is about $35,800.[14] Families in the lowest income quintile have incomes less than $13,000, and families in the bottom 10 percent have incomes less than $8,000. Families in the top quintile have incomes greater than about $55,000 in 1995, and the top 10 percent exceed $73,000.

Net worth and net financial assets both increase with income. Median net worth of the lowest income quintile is $3,000, while median net worth of the top quintile is over $118,000.

The median net financial assets of the bottom income quintile is zero, and median net financial assets of the 2nd lowest income quintile is $200. Median net financial assets of the 4th income quintile is only $2,500. Median net financial assets of the top income quintile is about $18,000. Mean net financial assets of the top income quintile is $70,000.

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[14] As noted earlier, because the distribution of income is skewed, mean family income exceeds median income. The mean of the top income quintile and the mean for all families may be sensitive to extreme values and may also be distorted by "top-coding." The medians and the mean values for income classes other than the highest are not affected by extreme values or top-coding.

TABLE 10

FAMILY INCOME, NET WORTH, AND NET FINANCIAL ASSETS, BY QUINTILE OF FAMILY INCOME: 1995

Quintile of Family Income	Quintile Range	Family Income		Net Worth		Net Financial Assets	
		mean	median	mean	median	mean	median
1st quintile	Less than $12,939	$7,779	$8,032	$30,468	$3,000	$5,696	$0
2nd quintile	$12,940 - $23,138	$17,954	$17,916	$52,625	$14,600	$13,229	$202
3rd quintile	$23,139 - $35,918	$29,162	$28,965	$76,852	$31,185	$21,348	$1,134
4th quintile	$35,919 - $54,946	$44,404	$43,930	$95,369	$51,133	$26,979	$2,500
5th quintile	Greater than $54,946	$79,905[b]	$73,058	$192,873[b]	$118,171	$70,021[b]	$18,025
All[a]		$35,839[b]	$28,965	$89,634[b]	$35,459	$27,453[b]	$1,000

a Families with head age 25 and older.
b Mean values for the top quintile may be distorted by "top-coding", a limit on the value of each asset class reported in the public use data base imposed to protect confidentiality.
Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

Table 11 shows average total debt and consumer debt for families classified by quintile of total family income. Both total family debt and consumer debt increase with family income. Median total debt for families in the lowest income quintile is $1,000, and mean total debt is $7,800. Median total debt for the 2nd income quintile is $3,000, and mean debt for that income quintile is $12,600. Median total debt for families in the top income quintile is about $62,000, and mean debt is $81,100.

Table 11 shows that median consumer debt for families in the lowest income quintile is about $500, and median consumer debt for the 2nd quintile is $1,500. Median consumer debt for families in the highest income quintile is $7,400.

While total debt and consumer debt rise with income, Table 11 shows that the ratio of mean total debt to mean income initially falls as income increases from the 1st to the 2nd income quintile, then increases from the 2nd to the 5th quintile. Mean total debt is approximately equal to mean income for both the lowest and highest income quintiles. Mean total debt is equal to 70 percent of mean income for the 2nd income quintile. For all families, mean total debt is equal to 94 percent of mean family income. The ratio of median total debt to median income rises with income.

The ratio of mean consumer debt to mean family income falls as income increases. For the lowest income quintile, mean consumer debt equals 53 percent of mean family income. For the middle income quintile, mean consumer debt is 23 percent of mean family income, and for the highest income quintile, mean consumer debt is 16 percent of mean income. For all families, mean consumer

TABLE 11

FAMILY INCOME, TOTAL DEBT, AND CONSUMER DEBT, BY QUINTILE OF FAMILY INCOME: 1995

Quintile of Family Income	Quintile Range	Family Income		Total Debt		Consumer Debt		Ratio of Total Debt to Family Income		Ratio of Consumer Debt to Family Income	
		mean	median	mean	median	mean	median	mean	median	mean	median
1st quintile	Less than $12,939	$7,779	$8,032	$7,796	$1,000	$4,104	$487	1.00	0.12	0.53	0.06
2nd quintile	$12,940 - $23,138	$17,954	$17,916	$12,602	$3,000	$5,018	$1,500	0.70	0.17	0.28	0.08
3rd quintile	$23,139 - $35,918	$29,162	$28,965	$24,498	$8,100	$6,591	$3,000	0.84	0.28	0.23	0.10
4th quintile	$35,919 - $54,946	$44,404	$43,930	$41,917	$23,150	$9,035	$5,157	0.94	0.53	0.20	0.12
5th quintile	Greater than $54,946	$79,905	$73,058	$81,137	$61,903	$12,957	$7,400	1.02	0.85	0.16	0.10
All[a]		$35,839	$28,965	$33,589	$8,800	$7,541	$3,000	0.94	0.30	0.21	0.10

a Families with head age 25 and older.
Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

debt equals about 21 percent of family income. The ratio of median consumer debt to median family income increases from .06 in the lowest income quintile to .12 in the 4th quintile. For all families, the ratio of median consumer debt to median family income is about .10.

Table 12 shows mean and median total net wealth and net financial assets of families in 1995 classified by defined income ranges. Unlike the family income quintiles shown in Tables 10 and 11, the defined income classes shown in Table 12 do not contain equal numbers of families.

Median net financial assets of families with income less than $10,000 (14 percent of total families) is zero, and median total net worth of families in this income class is $2,200[15]. Median financial assets of families with incomes of $10,000-$25,000 (29 percent of families) is $200, and median net worth is $13,700. Median financial assets of families with income of $25,000-$50,000 (33 percent of total families) is $1,600, and median net worth of families in this income class is $40,000. For families with income of $50,000-$75,000 (15 percent of families), median financial assets is $8,000, and median net worth is $82,000. For families with income greater than $100,000 (3.3 percent) median financial assets equal $51,000 and median net worth is $235,000.

TABLE 12

FAMILY NET WORTH AND NET FINANCIAL ASSETS BY TOTAL FAMILY INCOME CLASS: 1995

Family	Net Worth		Net Financial Assets		Number of	Percent of
Total Income	Mean	Median	Mean	Median	Families	Families
Less than $10,000	$26,673	$2,200	$4,086	$0	14,360,642	14.0%
$10,000-24,999	$51,857	$13,700	$13,239	$200	30,161,093	29.4%
$25,000-49,999	$84,388	$39,951	$23,144	$1,600	33,591,272	32.7%
$50,000-74,999	$136,193	$81,758	$43,990	$8,000	15,107,304	14.7%
$75,000-99,999	$197,650	$128,958	$70,204	$24,500	6,119,969	6.0%
$100,000+	$341,141	$235,000	$144,360	$50,900	3,401,121	3.3%
All[a]	$89,634	$35,459	$27,453	$1,000	102,741,401	100.0%

[a] Families with head age 25 or older.

Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

[15] These families all fall within the lowest quintile shown in Table 10.

Family Assets and Liabilities by Age

Family wealth varies by age of head. Analysis of wealth by age may indicate how well families, on average, are prepared financially for retirement, apart from social security and employer-based pensions.[16] Table 13 shows mean and median family financial assets in 1995, classifying families by the age of the family head. For families with head age 25-34, median gross financial assets are about $700, and median net financial assets are zero. For families age 35-44 median net financial assets are about $250. For families with head age 45-54, median gross financial assets are about $4,200, and median net financial assets are about $1,700. Families with head age 55-64 have median gross financial assets of about $6,900 and median net financial assets of about $4,800. Median financial assets are greater for older age groups, peaking in the age group 65-74 at about $12,500 of net financial assets, then declining to about $10,300 for families with heads age 75 and older.

Table 13 also shows the mean level of financial assets by age of family head in 1995. Because of the highly skewed distribution of financial assets, the mean is significantly greater than the median, and may not reflect the asset holdings of typical families.

The mean net financial assets of all families is about $27,500, and the mean gross financial assets is about $31,000. The mean level of net financial assets of families with head age 45-54 is about $30,000, and the mean level for families with head age 55-64 about $47,700.

[16] The SIPP data base used for this study includes IRA and Keogh accounts, but does not include defined benefit or defined contribution employer pensions, such as 401(k) accounts.

TABLE 13

MEAN AND MEDIAN FAMILY FINANCIAL ASSETS, BY AGE OF FAMILY HEAD: 1995

Age of	Gross Financial Assets		Net Financial Assets [a]		Number of
Head	Mean	Median	Mean	Median	Families
25-34	$6,852	$700	$3,041	$0	23,665,888
35-44	$18,047	$2,000	$13,625	$249	25,336,418
45-54	$35,253	$4,249	$30,011	$1,700	18,861,258
55-64	$50,675	$6,913	$47,669	$4,800	12,899,682
65-74	$60,576	$13,385	$59,284	$12,500	12,181,958
75 and older	$51,509	$11,225	$51,069	$10,325	9,796,196
All[b]	$30,957	$2,660	$27,453	$1,000	102,741,400

[a] Net financial assets equal gross financial assets less unsecured debt.

[b] Families with head age 25 or older.

Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

Table 14 shows mean and median levels of total family wealth (net worth), the amount of family wealth in the form of housing equity, and family wealth excluding housing equity by age group. For families with heads age 45-54, median total net worth is about $54,000. Excluding home equity, median wealth is about $14,700 for that age group. For families with heads age 55-64, median total net worth is about $86,500, but excluding housing it is about $19,900. According to these estimates, both housing and non-housing wealth increase with age to the age group 65-74, then decline.

Table 14 also shows the mean levels of total family wealth, family wealth in the form of home equity, and family wealth excluding home equity. As is the case with financial wealth, the distributions of housing wealth and non-housing wealth are skewed, so the mean wealth exceeds the median. For housing equity the mean is closer to the median than for other forms of wealth, suggesting that it is more evenly distributed than other forms of wealth. Home equity for all families equals about 47 percent of net worth, and for the various age groups home equity ranges from 45 to 53 percent of net worth, with no obvious age pattern.

TABLE 14

FAMILY NET WORTH, HOME EQUITY, AND NET WORTH LESS HOME EQUITY, BY AGE OF FAMILY HEAD: 1995

Age of	Net Worth		Home Equity		Net Worth Less Home Equity	
Head	Mean	Median	Mean	Median	Mean	Median
25-34	$23,505	$5,579	$11,052	$0	$12,454	$3,375
35-44	$62,167	$25,688	$32,381	$9,070	$29,787	$8,000
45-54	$108,343	$53,975	$50,595	$28,449	$57,747	$14,675
55-64	$146,604	$86,478	$65,440	$49,927	$81,165	$19,873
65-74	$155,586	$97,474	$71,486	$55,000	$84,100	$26,004
75 or older	$127,379	$80,000	$61,141	$40,000	$66,238	$18,104
All[a]	$89,634	$35,459	$42,341	$14,641	$47,293	$10,005

[a] Families with head age 25 or older.

Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

Table 15 shows family total debt and components of family debt by age group. Total debt increases with age up to the age group 45-54, then declines for older groups. Median total family debt for ages 45-54 is $22,100, and mean total debt for this age group is $48,300. The other categories of debt, with the exception of vehicle debt, show similar patterns, increasing with age over younger age groups then declining after age 45-54. Mean mortgage debt increases from $22,000 for ages 25-34 to $35,000 for ages 35-44, declines to $32,600 for age 45-54, then declines sharply as age increases. Median mortgage debt for each age group except 45-54 is zero, meaning that fewer than half the families in those age groups have mortgage debt. The two older age groups, 65-74 and 75 and older have the lowest levels of all types of debt.

Vehicle debt is highest for the youngest age group shown, ages 25-34. For that age group, median vehicle debt is about $1,500, and mean vehicle debt is about $5,000. Mean vehicle debt is roughly constant up to age 54 then declines at older ages.

Median consumer debt is approximately constant over the three younger age groups, increasing from $4,500 for ages 25-34 to $5,000 for ages 35-44 and 45-54, then declining at older ages. Mean consumer debt increases from $8,800 for ages 25-34 to $9,800 for ages 45-54, then declines as age increases. Median unsecured debt, vehicle debt, and consumer debt for the two older groups age 65 and older are insignificant.

TABLE 15

COMPONENTS OF FAMILY DEBT, BY AGE OF FAMILY HEAD: 1995

Age of Head	Total Debt		Unsecured Debt		Vehicle Debt		Consumer Debt		Mortgage Debt	
	mean	median	mean	median	mean	median	mean	median	mean	median
25-34	$32,482	$9,600	$3,811	$600	$4,988	$1,485	$8,800	$4,500	$22,057	$0
35-44	$47,719	$19,818	$4,421	$820	$4,640	$1,000	$9,061	$5,000	$34,981	$0
45-54	$48,253	$22,104	$5,242	$700	$4,562	$375	$9,804	$5,000	$32,586	$3,244
55-64	$28,471	$8,000	$3,006	$100	$3,359	$0	$6,365	$2,000	$18,021	$0
65-74	$11,554	$1,100	$1,292	$0	$2,229	$0	$3,521	$359	$6,656	$0
75+	$5,621	$0	$440	$0	$2,319	$0	$2,759	$0	$2,078	$0
All[a]	$33,589	$8,800	$3,503	$200	$4,038	$0	$7,541	$3,000	$22,939	$0

a Families with head age 25 and older.
Source: Capital Research Associates analysis of Survey of Income and Program Participation data.

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