Asset Accumulation Among Low-Income Households*

Original Draft: November, 1998
This version: February, 2000

Stacie Carney
NBER
30 Alta Road
Stanford, CA 94305
(650) 326-7160
scarney@newage1.stanford.edu

William G. Gale
The Brookings Institution
1775 Massachusetts Avenue, NW
Washington, DC 20036-2188
(202) 797-6148
wgale@brook.edu

---

* This paper was prepared for a Ford Foundation conference entitled "Benefits and Mechanisms for Spreading Asset Ownership in the United States," December 10-12, 1998, New York, NY. We thank James Poterba, John Karl Scholz and participants in the pre-conference and conference for many helpful suggestions. Gale thanks the National Institute on Aging for financial support. The opinions presented are our own and should not be ascribed to the officers, trustees, or staff of the NBER or the Brookings Institution.

ABSTRACT

We examine patterns and correlates of asset accumulation among low-income households and other demographic groups using a series of cross-sections from the Survey of Income and Program Participation. We find that 20 percent of American households, including 45 percent of black households, do not maintain a transactions account. In addition, households in the bottom half of the income distribution maintain tend to maintain very low discretionary financial asset holdings. Our regression analysis suggests that income, age, education and marital status are significantly correlated with the level of net worth and financial assets. However, despite controlling for a series of other variables, we find that black households and those who receive public assistance have lower wealth than others. Examining net worth versus financial assets revealed somewhat different patterns of accumulation. This suggests that the process by which these two are accumulated may be different, at least for lower-income households. We also show that, controlling for other factors, not having a transaction account is correlated with economically and statistically significant effects on the ownership of net financial assets, housing, and vehicles. Along with previous work, they provide a set of facts to help frame and motivate analyses of public policies to assist low-income households in accumulating assets.

I. Introduction

Public policies to assist low-income households have traditionally focused on the provision of income support, job training, or certain types of consumption. More recently, several analysts have suggested both the need for, and the potential benefits of, assisting the asset accumulation efforts of the poor. The need stems from the perceived difficulty of fostering long-term self-reliance using income- or consumption-based assistance programs. The potential lies in promoting such independence both directly, by providing a financial cushion or nest egg, and perhaps more importantly, indirectly, by inculcating the values needed to generate self-reliance.

Understanding the patterns and correlates of wealth accumulation is an essential component of developing sensible public policies toward asset accumulation for low-income households. This paper examines asset and debt ownership patterns among households with low income or in particular demographic groups. In relation to the emerging literature and debate regarding the most effective way to assist these households, the main contribution of the paper is to establish a series of facts about asset ownership. These facts should prove useful as a baseline in understanding recent trends, in assessing the validity of various theories, and in providing a sense of what plausible policy interventions can or cannot accomplish.

The paper is organized as follows. Section II reviews previous research on patterns and determinants of saving and wealth accumulation among the poor, and discusses the motivations for asset-based policies. Section III describes the 1984, 1987, 1991 and 1993 Surveys of Income and Program Participation, the data source used in the computations. Section IV examines tabulations of a variety of wealth trends for low-income households and other demographic

groups, and contrasts them with trends among households with higher income or other resources. Section V presents regression analysis of wealth accumulation, with particular focus on variables and specifications that highlight issues affecting low-income households. The last section contains a discussion of the results and concluding comments.

II. Previous Findings

A. Patterns of wealth accumulation

Several patterns of wealth accumulation are relevant to the analysis of assets and low-income households. First, several studies document that American households in general, and low-income households in particular, accumulate very little in the way of liquid assets. Using the 1984 SIPP, Oliver and Shapiro (1990) find that one-third of households had zero or negative net financial assets. Median net financial assets were about $2,600, and the average American household had net financial assets sufficient to maintain living standards for only three months without additional income. Using the 1995 Survey of Consumer Finances, Wolff (1998) finds that families in the middle quintile have financial wealth sufficient to replace current income for 1.2 months, those in the second quintile for 1.1 months, and those in the bottom quintile could not replace current income at all.

Second, net worth among low-income families appears to have declined for a significant period in the 1980s and 1990s. Wolff (this volume) shows that mean wealth among the bottom 40 percent of the population fell precipitously, from $4,400 in 1983 to $900 in 1995. This was accompanied by a decline in wealth and home ownership rates for households between the ages of 25 and 44.

Third, there is great heterogeneity in wealth holdings. Wolff (this volume) shows that in

1995, the top 1 percent of households held over 38 percent of all net worth (other than social security and pensions), and the top 5 percent held 60 percent of net worth, while the bottom 60 percent of households held less than 5 percent of net worth.

Fourth, several studies show large disparities in wealth across races. Hurst, Luoh, and Stafford (1998), using a panel of households from the Panel Survey of Income Dynamics, show the ratio of median wealth among whites to that among blacks to be 16.1 in 1984, narrowing to 7.5 to 1 in 1994. Oliver and Shapiro (1990) estimate this ratio to be 11.7 in 1984. They also show that about 67 percent of black households, versus 30 percent of white households, had zero or negative net financial assets. Similarly, Wolff (1998) shows that median financial wealth of black families was zero in both 1983 and 1995, and Hurst, Luoh, and Stafford (1998) find that 70% of black households with no wealth in 1984 also had no wealth in 1994. Controlling for other factors, both Oliver and Shapiro (1995) and Hurst, Luoh, and Stafford (1998) find in regression analysis that black households had accumulated about $25,000 less than white households.

Fifth, wealth inequality appears to have increased over the 1980s and the early part of the 1990s. Hurst, Luoh, and Stafford (1998) show that real mean family wealth fell in the bottom fifth (-$3,282 in 1984 to -$6,829 in 1994) and in the bottom tenth (-$7,777 in 1984 to -$14,494 in 1994) of the wealth distribution. Wealth transitions were less likely at the ends of the distribution than in the middle. Of families in the bottom 10 percent of the wealth distribution in 1984, two-thirds were still in the bottom 20 percent in 1994. Wolff (1998), using successive cross-sections from the Surveys of Consumer Finances, finds that median household wealth dropped 10 percent, and the proportion of households with zero or negative net worth rose from

15.5% to 18.5%, between 1983 and 1995. Over the same period, wealth inequality increased, and wealth among those under 35 fell from 21 percent of mean wealth to 16 percent.[1]

Sixth, there have been large increases in access to and use of credit cards among low-income households. Bird et al (1997) find that between 1983 and 1995, the share of poor households that had credit cards rose from 18 percent to 39 percent, and average credit card debt among cardholders almost doubled in real (1995 dollar) terms, from $700 in 1983 to about $1,300 in 1995. As a result, the proportion of poor families with credit card balances exceeding one year's worth of income rose from 6 percent in 1983 to 17 percent in 1995. Among families with income between 100 percent and 200 percent of the poverty, the proportion with credit card balances exceeding annual income in 1995 was even higher.

Finally, it is worth noting that all of the information above is based on data through 1995 at the latest. The last few years, however, have been a period of unprecedented wealth accumulation in the United States (Gale and Sabelhaus 1999). Thus, some of the trends noted above may have changed markedly since the mid-1990s.

B. Determinants of wealth accumulation among low-income households[2]

The available data present a unified picture: low-income households accumulate almost nothing. Several factors have been offered to explain this phenomenon. While none of them provides a complete interpretation, each provides a partial explanation of the asset accumulation patterns that have been portrayed.

Consumption needs A household that does not have enough for current consumption needs is unlikely to reduce consumption even further in order to save for the future. However, even for families who have more than subsistence consumption levels, saving is low. Moreover,

saving among typical households appears to have been higher in the past, and in developing countries, when real incomes were much lower (Beverly 1997).

Correlation of low income with other observed determinants of wealth Heads of low-income households tend to be younger and have fewer years of schooling than heads of higher-income households. They are also more likely to be single parents and less likely to be employed (with consequent access to subsidized pension plans and financial education). They are also less likely to have a good financial education (Bernheim and Garrett 1995). Each of these factors tends to depress saving (Beverly 1997, Oliver and Shapiro 1990).

Correlation of low income with unobserved determinants of wealth Low-income households may value the future relative to the present less than other households. Lawrance (1991) estimates a time-preference rate of 19% for families that are not college educated, are racial minorities, and whose labor income places them in the bottom 20 percent of the distribution. This is much higher than the 12 percent rate calculated for college-educated, white families in the top 5 percent of the distribution. Dynan (1993), however, shows that the latter group experienced favorable wealth shocks over the sample period that may explain the results. Moreover, Lawrance's results are weakened considerably by allowing the plausible modification that higher- and lower-income groups face different lending rates.[3]

Lack of institutional mechanisms to save Since 1986, saving that has occurred in tax-preferred accounts (pensions, 401(k) plans, Individual Retirement Accounts, etc.) has been a large proportion of net personal saving (Gale and Sabelhaus 1999). However, many of these institutions are provided by employers and may be largely unavailable to the poor, who are more likely to be unemployed, employed part-time, or employed in jobs with meager benefits (Beverly

1997, Sherraden 1991). Moreover, to the extent that options such as IRAs are advertised, casual observation strongly suggests that the advertising appears to be targeted toward high-income households. Finally, because the saving incentives are structured as deductions, they do not provide any immediate benefits at all to the large number of low-income households who pay no federal income tax.

Government Policies Public policies likely reduce asset accumulation among low-income households in several ways. First, by providing a consumption floor, they reduce the need for precautionary saving. Second, means-tested programs have traditionally featured asset limits, which in practice impose very high implicit tax rates on asset accumulation. Engen and Gruber (1995), Gruber and Yellowitz (1997), Hubbard, Skinner, and Zeldes (1995), Neumark and Powers (1998), Powers (1998) and others have documented significant negative effects of government public assistance and social insurance programs on wealth accumulation among low-income households.

On a more positive note, Smeeding et al (1999) show that households that receive larger earned income tax credit refunds are more likely to report using the funds for "saving," broadly defined to include improving housing status, purchasing or repairing a vehicle (which can be crucial for access to jobs), investing in education or in financial assets.

Psychological Models Although there are many psychological models of saving (see, for example, Thaler (1994), Laibson, Repetto, and Tobacman (1998), and Rabin (1998), one particularly interesting possibility is put forth by Katona (1965). The goal gradient hypothesis says, roughly, that effort is increased as someone nears completion of a goal. Thus, low-income households may see accumulating large amounts of assets as an unreachable or very difficult

goal, and thus may not attempt to save at all.

Sociological Models Sociological models stress the importance of community influence in making saving decisions. Along these lines, an individual who does not see other people saving in his reference group is less likely to do so himself. Moreover, living in a neighborhood with a high burglary rates or declining home values may discourage home ownership and improvements (Beverly 1997). Chijeti and Stafford (1998) show that parents who held stocks are more likely to have children that hold stocks. Similar results apply for transactions accounts.

C. Asset-based policies

Asset-based policies draw their motivation from the results above. For a number of reasons, low-income households find it difficult to save, may be less inclined to save due to differences in unobservable or observable variables, and often face strong incentives not to save. Haveman (1998), Sherraden (1991), and Corporation for Economic Development (1998) argue that asset-based policy would improve the welfare of low-income households in ways that traditional income-support policy cannot. These channels include: improving household stability by providing the financial means to deal with adverse events; encouraging future orientation and planning; fostering further development of financial and human capital; forming a basis for risk-taking; adding to personal efficacy by improving security and flexibility; and increasing the owners' social influence and voting rates.

Sherraden also marshals equity considerations in favor of such policies. He notes that asset-based policies have a long history in America, from land grants, to mortgage interest deductions, to the G.I. bill. Current federal tax expenditures that aim to promote asset accumulation exceed $100 billion per year, but are geared almost completely to middle- and

higher-income households.

To some extent, this general line of thinking about the effects of holding assets (see Page-Adams and Sherraden, 1996, for a review) has already made its way into new policy initiatives. For example, the 1996 welfare reform law allows states to use block grants for matched savings accounts that are not subject to asset limits (Beverly 1997, Corporation for Economic Development 1998). The Assets for Independence Act, which became law in 1997, authorizes the creation of approximately 50,000 IDAs through a national demonstration, with programs to be administered locally by non-profit organizations (Corporation for Economic Development 1998)

Sherraden proposes a more ambitious program. He discusses "Individual Development Accounts," (IDAs) described as optional, tax-preferred accounts, initiated as early as birth, and restricted to designated purposes. IDAs would be intended to promote orientation toward the future, long-range planning, and individual initiative and choice. To foster political support, they would be universally available, with deposits subsidized for asset-poor families, on a sliding scale. Assets from all of the various categories of welfare policy would accumulate in the same account. A limited set of investment choices would be available. Resources could be withdrawn only for specified long-term goals, and withdrawals for other than designated purposes would be penalized. The Universal Saving Accounts proposed by President Clinton--which could be described as progressive, government-sponsored 401(k) plans--are of a similar nature, although, as proposed, USA balances would only be available for supporting consumption in retirement.

Haveman (1988) proposes a $10,000 human capital account for each individual upon reaching the age of 18. Ackerman and Alstott (1998) go much farther, proposing that each

person receive a "stake" of $80,000 upon reaching adulthood. Stegman (1998) proposes that the planned expansion of electronic payment of government transfer benefits be combined with a grassroots campaign to improve economic literacy and saving among low-income households.

Thus, asset-based policies can differ in their generosity, the targeted use of the funds, and the extent to which government provides unconditional versus matching support. These specific proposals should be seen in the context of broader issues that shape possibilities for asset-based policies. Stern (this volume), for example, notes that poor families "find themselves living in a world dominated by informal social relations." Asset-building policies must be able to complement these informal relations rather than merely supplanting them. For example, Dymski and Mohanty (1999) argue that there are potential benefits to "ethnobanking," whereby local banks are owned by members of racial groups that are predominant in the local economy. Caskey (1994) documents the important role of fringe banking--check-cashing outlets and pawnshops--in the financial lives of the poor.

This paper does not attempt to resolve, extend or modify the claims about asset-based policies noted above. But this previous work is the backdrop against which our results may be examined and interpreted.

III. Data

To analyze wealth patterns, we use data from the Survey of Income and Program Participation (SIPP), a series of nationally representative household surveys.[4] Households are interviewed several times over a period of about two and a half years. Every survey wave collects core data on income, demographics, and other items. Periodic modules collect detailed information on specialized topics. In this paper, we use data from topical modules with

information on wealth. The 1984 SIPP wave 4 survey was undertaken between September and December 1984. We refer to this as 1984 data. The 1985 SIPP wave 7 and the 1986 SIPP wave 4 surveys occurred between January and April 1987. Because these two samples have very similar means and medians of all relevant variables and otherwise look very similar, we have combined them to form the 1987 data. Interviews for the 1990 SIPP wave 4 occurred between February and May 1991; we refer to this information as 1991 data. The 1991 SIPP wave 7 and the 1992 SIPP wave 4 were both conducted during February to May, 1993 and are combined to form what we refer to as the 1993 SIPP.

The SIPP data contains detailed information on portfolio holdings and includes a large sample of poor or near-poor households. Starting with the overall SIPP sample, we exclude households where the reference person is younger than 25 or older than 64,[5] and households with inconsistent asset data.[6] We exclude households younger than 25 because low income and low net worth among very young households are not particularly indicative of being disadvantaged economically. We exclude older households to avoid complications arising from modeling the wealth equivalent of Social Security and Medicare benefits. In order to examine the effects of state policies, we eliminate observations that are coded in categories that include more than one state, and where the household moved between states. The usable sample size is 20,249 in 1993, 13,205 in 1991, 13,733 in 1987, and 12,159 in 1984. Information on the number of observations removed by each sample selection criterion in 1993 is provided in Appendix Table 1.

Because the SIPP contains a variety of asset measures, several specifications of wealth are possible. In general, the appropriate measure of wealth to examine depends on the context. For example, living standards in retirement can be financed from many sources, including Social

Security, pensions, existing housing equity, and financial assets, as well as future inheritances, Medicare, and labor supply. Hence, analyses of saving for retirement require a broad view of the appropriate wealth measure (see Engen, Gale and Scholz (1996) and Gale (1997) for further discussion). Moreover, examining a broad measure of wealth makes a substantive difference. Poterba, Venti, and Wise (1994) show that the typical household headed by a 60-64 year old in 1991 had only $14,000 in financial assets; however, adding in social security, private pensions (other than 401(k)s, which were included in financial assets) and housing, the typical household headed by a 60-64 year old had net worth of $280,000.

In describing the asset accumulation of the poor, however, different considerations arise. First, retirement saving is a less pressing need for most poor households, as they tend to be relatively young. When low-income workers do reach retirement, Social Security benefits replace a very high proportion of their lifetime wages, and Medicare may provide a generous health consumption floor relative to pre-retirement living standards.

Second, the accumulation of financial assets is the most relevant way for low-income households to reap certain benefits of wealth accumulation--a cushion against economic shocks, a cash balance to encourage households to leave the means-tested public assistance system, and/or a nest egg to fund educational expenses or a housing down payment. Home-ownership is also important, as it provides direct consumption services as well as asset value.

For these reasons, we focus on accumulation of financial assets and housing equity among low-income households. That is, we ignore social security, defined benefit pensions, and defined contribution plans other than 401(k)s. We include 401(k) plans since participation and contributions are at the discretion of the household. The rest of the literature on asset

accumulation among low-income households, reviewed above, has often focused on a similar measure.

Specifically, we examine trends in net worth, financial assets, and housing equity. Net worth is defined as the sum of net financial assets, primary housing equity, equity in other real estate, and vehicle equity. Net financial assets are gross financial assets less consumer (non-mortgage) debt. Gross financial assets include funds in checking and saving accounts, stocks, bonds, mutual funds, certificates of deposit, money market accounts, Individual Retirement Accounts, and 401(k) plans. Housing equity is given by the value of the primary home less all outstanding mortgage balances, including home equity loans, on that property.[7]

Our explanatory variables from the SIPP include the following: non-asset income, including income from wages and government transfer programs; the age, years of education, and marital status of the reference person; whether the family is headed by a single female; the number of children; whether anyone is employed; whether there are two earners; whether anyone receives means-tested public assistance;[8] and race, divided into white, black, native American, and Asian.

We add to these variables the unemployment rate in each household's state of residence and a normalized value of welfare (AFDC) benefits in the state. This normalized value is simply the state's welfare benefit level for a one-parent, three-person family in January of a given year, divided by the poverty threshold in the previous year.

Several shortcomings in the data should be noted. A usable urban/rural variable is not available.[9] We did not include data on asset limits for AFDC eligibility, since these vary little from state to state. The SIPP does not provide information on inheritances, or on pension and

social security wealth, other than 401(k) plans. Moreover, the data on defined benefit, defined contribution, and 401(k) coverage in 1993 appears somewhat anomalous, possibly due to changes in the questions over time. The data on business wealth proved to be unusable. Finally, the SIPP is known to undersample the very wealthiest households.

Curtin, Juster and Morgan (1989) compare the SIPP to the Survey of Consumer Finances and the Panel Survey of Income Dynamics and conclude that "the wealth data for all three are virtually interchangeable for analyses that focus on, for example, the saving, asset accumulation, labor supply, spending, and fertility behavior of all but the wealthiest 5-10 percent of the population." They note, though, that a weakness of the SIPP is the small number of very wealthy households and the apparently incomplete asset coverage among those households.

IV. Trends in Wealth

Tables 6-1 through 6-5 examine wealth patterns in the 1993 SIPP. Table 6-1 shows that median household wealth in the sample was about $35,000 in 1993, median financial assets were about $3,900, and median housing equity was about $14,000. There is significant heterogeneity in wealth holdings, even within age groups. For example, among 45-54 year olds, the ratio of median wealth to wealth at the 25th percentile is 5 to 1, and the ratio of wealth at the 75th percentile to wealth at the median is almost 2.5 to 1. Wealth totals rise with age from ages 25-34 to 55-64. This increase, of course, reflects a combination of changes over the life-cycle and the different experiences of each age cohort. Housing equity appears to be significantly larger than financial assets at all ages, reflecting the fact that housing equity generally comprises the largest portion of net worth in households that own homes. The distribution of financial assets is more skewed than the distribution of overall wealth.

Table 6-2 provides some background on households with low levels of wealth. More than 12 percent of households have zero or negative net worth, and almost 16 percent have zero or negative financial assets. More than a quarter have net worth below $5,000 and more than half have financial assets below $5,000. These figures are highest in the lowest age groups, where 41 percent have net worth below $5,000 and two-thirds have financial assets below $5,000. But even among 55-64 year olds, 13 percent have net worth below $5,000 and 40 percent have less than $5,000 in financial assets.

In table 6-3, we examine wealth holdings in 1993 by age and net worth. About 18 percent of households in the sample do not have a basic transactions account--either a checking or saving account.[10] In fact, more families have cars (87%) than have basic transactions accounts. Direct stock ownership is concentrated in 18 percent of households. About 25 percent of households have 401(k)-type plans, but the proportion of households with 401(k)s among those who are eligible is significantly higher, in all age and net worth categories. More than half of all households have some consumer debt. About 63 percent own a house and 48 percent (76 percent of homeowners) have existing mortgage debt.

Mean asset holdings among those with positive holdings are quite high, which is to be expected given the heterogeneity shown in the tables above. Median holdings among those with positive balances are much lower for checking/saving accounts than for stocks and mutual funds. Mean and median consumer debt, auto debt, and auto value are surprisingly similar.

The ratio of net financial assets to non-asset income shows the number of years a family could maintain its current consumption level on its existing net financial assets. For more than half of households, this figure is approximately zero or less. Approximately 75 percent of

households have net financial assets less than or equal to half of a year's income. The ratio of net financial assets to the poverty threshold shows how many years a household could survive at a poverty consumption level without additional funds. These figures are also low for the bottom 50 percentiles, but are more sizable at the top of the wealth distribution.[11]

Table 6-4 provides similar data with households broken out by race, whether they receive public assistance, educational status, income, and wealth. The results vary in predictable ways. The most striking results are that 45 percent of black families and 49 percent of those on public assistance do not have basic transactions accounts.[12] Black households, households that receive public assistance, and households where the head has 12 or fewer years of education are particularly vulnerable to economic downturns, as net financial asset holdings for over 75 percent of these groups are not sufficient to finance more than a few months worth of consumption.

Tables 6-3 and 6-4 show great variation in wealth across different economic and demographic groups. The last five lines of each table, though, also show that there is great variation *within* groups. For example, among households with income below the median, blacks, whites, those with 12 or fewer years or education, or within particular age groups, wealth at the 75th percentile of the distribution is many multiples of wealth at the 25th percentile.

Table 6-5 provides further details on transactions accounts. Among the 18.3 percent of the sample with no transaction account, six-sevenths have no other gross financial assets, and nine-tenths have no net financial assets. However, one-third of those without transactions account have positive amounts of consumer debt, about 63 percent (11.6/18.3) own at least one vehicle, and one-third own their own home.

Tables 6-6 through 6-11 examine wealth trends over the 1984-93 period. Table 6-6 shows the level and distribution of net worth over time. Although wealth at the 90th percentile rose by 8.7 percent from 1984 to 1993, wealth at the 75th, 50th and 25th percentiles fell by 4.7 percent, 22 percent, and 30 percent, respectively. The same pattern of widening inequality and falling absolute wealth levels in the bottom half of the distribution is replicated in each age group. For households below age 45, the 75th percentile of wealth fell as well.

Table 6-7 reports details on households with low net worth. About 12 percent of all households have zero or negative net worth in each year, including about 20 percent of households aged 25-34. About one quarter of households have net worth below $5,000, including over 40 percent of those aged 25-34. All of these figures increased somewhat over the sample period. Even in the older age groups, the proportion with net worth less than $5,000 generally rose over the period.

Table 6-8 provides data on financial asset holdings from 1984 to 1993. Like net worth, financial assets also rose at the 90th percentile. In marked contrast to overall wealth, however, financial asset holdings rose at the 50th and 75th percentile for the overall sample and in each age group.

Table 6-9 shows that the incidence of low holdings of financial assets, while still significant in 1993, was even higher in 1984. In 1984, 58 percent of households had financial assets below $5,000, dropping to 53 percent by 1993. For households aged 25-34, the analogous figures are 73 percent and 66 percent. About 16 percent of all households and 20 percent of households aged 25-34 had no financial assets.

Table 6-10 provides trends in housing equity. Housing equity fell for all age groups and

all reported percentiles, except for very high-wealth 55-64 year olds. Appendix Table 2 provides similar data for the sample of homeowners in each year.

The results in tables 6-6 through 6-10 show increasing inequality of wealth, falling absolute levels of wealth in the bottom half of the distribution, and a significant shift in the form of wealth toward financial assets and away from housing equity from 1984 to 1993. The latter effect may be attributed to several factors. The decline in inflation and marginal tax rates over the 1980s raised the return on financial assets relative to real assets (Poterba 1991). This led to a booming stock market and a relatively flat housing price profile. Housing equity was reduced further by significant increases in mortgage debt, relative to house value (Engen and Gale 1997). The expansion of 401(k) plans contributed as well, though the expansion may be overstated in the SIPP because some plans were substitutes for previously existing DB and DC plans and after-tax thrift plans, whose asset balances are not recorded in the SIPP, and because 1984 401(k) balances are omitted from the data (Engen, Gale, and Scholz 1996).

Table 6-11 shows data on black-white wealth differences over time. In 1993, 12 percent of white households and 40 percent of black households had no gross financial assets. The corresponding figure was roughly the same for whites in 1984, but was 6 percentage points higher for blacks in 1984. In 1993, mean net worth for whites was 3.5 times the value for blacks, and median net worth was 10 times as high. Among those with positive net worth, median wealth for whites was 3.5 times that of blacks. These ratios were roughly constant between 1984 and 1993. Black households had median net financial assets of zero in all years.[13]

V. Regression Analysis

Our goal in turning to regression analysis to analyze the relationships in the data between

wealth measures and observable co-variates, holding other factors constant rather than letting them vary as in the tables above. Thus, it should be emphasized at the outset that none of the following regression results should be interpreted as causal.

Our regressions focus on accumulations of net worth and of financial assets. For each, we estimate standard Heckman "two-stage" regressions. The first stage is a probit equation where the dependent variable indicates whether the household holds a positive amount of the wealth measure. This equation is estimated on the entire sample in question. The second stage, estimated only for those with positive holdings, is an ordinary least squares wealth equation, adjusted to control for the fact that the sample is selected on the basis of the endogenous variable.

For each dependent variable, we estimate a basic specification that uses data from the entire sample, and then report how the results change for a variety of sub-samples.

A. Net Worth

Table 6-12 reports two-stage estimates for net worth accumulation for the entire sample. The probit for positive net worth yields several results that are qualitatively robust to a number of changes: (1) age and income are associated with economically and statistically significant positive effects on the probability of holding positive net worth; (2) households with fewer than 12 years of education are less likely to have positive net worth; (3) receipt of public assistance is associated with a significantly lower likelihood of having positive wealth; (4) black households are less likely to have positive net worth.

Conditional on having positive net worth, a variety of additional robust results arise: (5) income, age and education are quantitatively and statistically significant correlates of wealth; (6)

married couples have substantially more wealth--by about $44,000--than single male heads, who have more--by about $12,000--than single female heads; (7) receipt of public assistance is associated with a large decline in net worth ($66,000), as is being black ($56,000) or native American ($26,000). (8) Three of the results are difficult to explain: the presence of children, higher unemployment rates, and higher state welfare benefits are associated with statistically significant, higher levels of wealth. (9) The Mills ratio term is highly significant, indicating that there are important differences in unobservables between households with positive net worth and other households.

These results serve as a benchmark for comparison with other sub-samples and asset specifications. Our goal is to document patterns of wealth accumulation of households with low-assets, but splitting the sample on the basis of asset accumulation would make the results difficult to interpret. Therefore, we split the sample instead on the basis of age, race, education, and income. All of the results discussed below are available from the authors by request; a few selected results are presented in tables below.

Regressions that split the sample by age (25-44 and 45-64, respectively) are qualitatively very similar to those for the whole sample in table 6-12. Roughly the same patterns emerge when the sample is split by years of education (more than 12 versus 12 or fewer), except that the role of education becomes slightly amplified. Regressions for whites, native Americans and Asians--which together comprise about 90 percent of the overall sample-- mirror the overall sample results from table 12 quite closely.

Table 6-13, which limits the sample to blacks, reveals some interesting findings. The negative effect on the likelihood of having positive wealth of having low income, being young,

having low education, or being on welfare is much larger in absolute value for blacks than for whites. Likewise, the positive effect of being married is amplified for blacks. Black married couples are 11 percentage points more likely to have positive wealth than other blacks, whereas white married couples are only 1.4 percentage points more likely to have positive wealth than other whites. Conditional on having positive wealth, though, the coefficients reveal what seems to be a flatter age-wealth profile for blacks. Specifically, the negative effects of being on welfare are much larger ($73,000 to $19,000) and the positive effects of being married ($44,000 to $18,000) are much larger for whites than for blacks.

Regressions for below-median income households and above-median income households provide results roughly similar to those in table 6-12 for the whole sample. The main difference is that being black is associated with a 9.5 percentage point drop in the probability of having positive net worth in the low-income sample, but only a 2.7 percentage point drop in the high-income sample.

B. Financial Assets

Table 6-14 in the text reports two-stage estimates for financial asset accumulation for the entire sample. The probit for positive financial assets yields several results: (1) Income has a strong, positive association with positive holdings of financial assets, just as it did with net worth; (2) The probability of having positive financial assets does not appreciably rise in the sample between ages 25 and 49, in sharp contrast to the probability of having positive net worth. (3) Each increased education level raises the probability of holding financial assets. In contrast, for net worth, only moving from less than 12 years to 12 or more years of education significantly raised the probability of holding positive net worth. (4) Blacks and those receiving public

assistance are significantly less likely to hold financial assets, similar to the results for net worth. (5) Single female heads are more likely to hold positive financial assets than single male heads, in sharp contrast to the net worth results in table 6-12.

Examining asset levels conditional on holding positive assets, the results for financial assets are more similar to those for net worth. As table 6-14 shows, asset levels rise significantly with income, age and education. Blacks and those receiving public assistance both accumulate about $20,000 less in financial assets. Being married is associated with about $11,000 more in financial assets; single female heads accumulate a few thousand less than male heads. As with net worth, the Mills ratio term is highly significant, indicating the presence of significant heterogeneity in unobserved determinants of saving.

Splitting the sample into those aged 25-44 and those aged 45-64, the main results are the same as in table 6-14 for the whole sample. Even within the group of younger households, age has no apparent effect on the probability of having positive financial assets. Conditional on having positive financial assets, though, older households do have higher financial assets. The main differences for the regressions using older households are the coefficient on age--which is uniformly positive in both regression stages--and the coefficient on the black indicator--about $32,000 for older households compared to about $10,000 in the younger sample.

Splitting the sample by education levels yields results that are generally consistent with the overall sample. The financial asset probits by race are substantially more similar than the net worth probits. For both groups, income exerts an important effect on the likelihood of holding positive assets, as does age above 50, but not younger ages. Education, welfare, marital status, and the presence of single female heads have similar effects in the two samples. The coefficients

in the second stage regressions differ very little. Regressions also indicate that the effects of education, marital status, and being black on the likelihood of holding positive financial assets are muted considerably in the high-income sample.

C. Transactions Accounts

Holdings of transactions accounts may be of special interest, since such accounts may be "gateways" for households to increase their usage and understanding of financial services and accelerate their integration into the mainstream economy. As table 6-5 shows, almost no one has other gross financial assets but does not have a transactions account. Thus, regressions for the owning a transaction account would look quite similar to those for holding positive amounts of gross financial assets.

Nevertheless, the relation between transactions accounts and ownership of other assets, controlling for other factors, is of interest. Table 6-15 shows, controlling for the same co-variates as in tables 6-12 through 6-14, that ownership of a transaction account is associated with very large increases in the likelihood of owning other forms of wealth. Controlling for other factors, households that do not have transactions accounts are 43 percentage points less likely to have positive holdings of net financial assets, 19 percentage points less likely to hold consumer debt, 13 percentage points less likely to own a home, and 8 percentage points less likely to own a vehicle. Among those who have positive amounts of each item, having a transaction account is correlated with economically and statistically significantly higher holdings of net financial assets, housing, and vehicles.

Because holdings of transaction accounts are clearly endogenous with respect to other asset and debt behavior, the regressions do not imply that giving a household a transaction

account "causes" their home-ownership rate or the vehicle ownership rate to rise. Nevertheless, the regressions could be interpreted as consistent with a view that transaction accounts are some sort of "gateway" for households entering the financial mainstream. Under that interpretation, the regressions would likely give upper bound estimates of the impact of having a transaction account on holdings of other assets, since unobserved determinants of having a transactions account are likely to be positively correlated with unobserved determinants of holding other assets.

VI. Conclusion

Although researchers are uncertain as to why low-income and disadvantaged households accumulate low levels of assets and what can be done about it, the basic fact of low accumulation cannot be disputed. In this paper, we document a series of descriptive findings on asset accumulation among poor households using a series of cross-sections from the Survey of Income and Program Participation.

Our findings confirm a number of other results in the literature, but also provide several alternative estimates. We find that almost 20 percent of American households do not even have a transactions account, including 45 percent of black households. In addition, discretionary asset holdings other than housing are minuscule for the bottom quarter to half of the population. We also document heterogeneity in wealth holdings and widening inequality of measured wealth over the 1984-1993 period, both of which are consistent with previous findings.

Our regression analysis suggests that traditional factors like income, age, education and marital status are correlated with important shifts in the level of net worth and financial assets. However, despite controlling for a series of other variables, we still find economically and

statistically significant negative associations of wealth with both the receipt of public assistance and being black. The regressions also yield less variation in correlates of wealth accumulation across different sub-samples (old versus young, black versus non-black, more than 12 years of education versus 12 or less, above- and below-median income) than we would have expected. However, there were some apparently different patterns in the coefficients for net worth versus financial assets. This suggests that the process by which financial assets are accumulated may differ from general net worth, at least for lower-income households. We also show that, controlling for other factors, not having a transactions account is correlated with significant reductions in the likelihood of owning a home, owning a vehicle, and of having positive levels of net financial assets.

These findings provide a set of facts to frame analysis of public policies to assist low-income households in accumulating assets. They should also help set the stage for future research on these topics, providing a basis for more specific empirical testing of theories of asset accumulation in low-income households.

References

Ackerman, Bruce A. and Anne Alstott (1999), The Stakeholder Society, Hartford, CN: Yale University Press.

Bernheim, B. Douglas, and Daniel M. Garrett (1995), "The Determinants and Consequences of Financial Education in the Workplace: Evidence from a Survey of Households," Mimeo, Stanford University, August.

Beverly, Sondra (1997), "How Can the Poor Save? Theory and Evidence on Saving in Low-Income Households," Washington University Center for Social Development, Working Paper No. 97-3.

Bird, Edward J., Paul A. Hagstrom, and Robert Wild (1997), "Credit Cards and the Poor," Institute for Research on Poverty, Discussion Paper No. 1148-97.

Boshara, Ray, Sanlon, Edward, and Page-Adams, Deborah (1998), Building Assets: For Stronger Families, Better Neighborhoods and Realizing the American Dream, Washington, D.C.: Corporation for Enterprise Development.

Caskey, John, P. (1994), Fringe Banking: Check-Cashing Outlets, Pawnshops, and the Poor, New York: Russell Sage Foundation.

Chiteji, Ngina S. And Frank P. Stafford (1999), "Portfolio Choices of Parents and Their Children as Young Adults: Asset Accumulation by African American Families," Paper for American Economic Association Meeting January 3, 1999.

Curtin, Richard F., Thomas F. Juster, and James N. Morgan (1989), "Survey Estimates of Wealth: An Assessment of Quality," In The Measurement of Saving, Investment, and Wealth, edited by Robert E. Lipsey and Helen Stone Tice. National Bureau of Economic Research Studies in Income and Wealth, vol. 52. Chicago and London: University of Chicago Press.

Dymski, Gary and Mohanty Lisa (1999), "Credit and Banking Structure: Asian and African-American Experience in Los Angeles," American Economic Review Paper and Procedings, May. pp, 362-7

Dynan, Karen (1993) "The Rate of Time Preference and Shocks to Wealth: Evidence from Panel Data," Working Paper no. 134, Washington: Board of Governors of the Federal Reserve, July.

Engen, Eric M., William G. Gale, and John Karl Scholz (1996), "The Illusory Effect of Saving Incentives on Saving," Journal of Economic Perspectives 10(4): 113-38.

Engen, Eric M. and William G. Gale (1997), "Debt, Taxes, and the Effects of 401(k) Plans on Household Wealth Accumulation," Mimeo., The Brookings Institution.

Engen, Eric M. and Jonathan Gruber (1995), "Unemployment Insurance and Precautionary Saving," NBER Working Paper no.5252, September.

Gale, William G. (1997), "Will the Baby Boomers be Ready for Retirement?" The Brookings Review, Summer: 5-9.

Gale, William G. and John Sabelhaus (1999), "Perspectives on the Household Saving Rate," Brookings Papers on Economic Activity

Gruber, Jonathan and Aaron Yelowitz (1997), "Public Heath Insurance and Private Savings," NBER Working Paper #6041. Cambridge, MA: National Bureau of Economic Research.

Haveman, Robert H. (1988), Starting Even: An Equal Opportunity Program to Combat the Nation's new Poverty, New York; Simon and Schuster

Katona, George (1965), Private Pensions and Individual Saving, Ann Arbor: University of Michigan, Survey Research Center, Institute for Social Research.

Laibson, David, Andrea Repetto, and Jeremy Tobacman (1998), "Self Control and Saving for Retirement," Brookings Papers on Economic Activity 1: 91-173.

Hubbard, R. Glenn, Jonathan Skinner, and Stephen P. Zeldes (1995), "Precautionary Saving and Social Insurance," Journal of Political Economy 103:360-399.

Hurst, Erik, Ming Ching Luoh, and Frank P. Stafford (1998), "The Wealth Dynamics of American Families, 1984-94," Brookings Papers on Economic Activity 1:267-337.

Lawrance, Emily (1991), "Poverty and the Rate of Time Preference: Evidence from Panel Data," Journal of Political Economy 99:54-77.

Neumark, David and Elizabeth Powers (1998), "The Effect of Means-Tested Income Support for the Elderly on Pre-Retirement Saving: Evidence from the SSI Program in the U.S.," Journal of Public Economics 68: 181-206.

Oliver, Melvin L. and Thomas M. Shapiro (1990), "Wealth of a Nation: A Reassessment of Asset Inequality in America Shows At Least One Third of Households are Asset-Poor," The American Journal of Economics and Sociology 49:129-151.

Oliver, Melvin L. and Thomas M. Shapiro (1995), Black Wealth/White Wealth: A New Perspective on Racial Inequality, New York: Routledge.

Page-Adams, D., and Sherraden, M. (1996). "What we know about effects of asset holding: Implications for research on asset-based anti-poverty initiatives," Washington University Center

for Social Development Working Paper No. 96-1.

Poterba, James M. (1991), "House Price Dynamics: The Role of Tax Policy and Demography," Brookings Papers on Economic Activity 2: 143-203.

Poterba, James M., Steven Venti and David Wise (1994), "Targeted Retirement Saving and the Net Worth of Elderly Americans," American Economic Review Papers and Proceedings 84: 180-185.

Powers, Elizabeth T. (1998) "Does Means-Testing Welfare Discourage Saving? Evidence from a Change in AFDC Policy in the United States," Journal of Public Economics 68: 33-53.

Rabin, Matthew (1998), "Psychology and Economics," Journal of Economic Literature 36: 11-46.

Thaler, Richard (1994), "Psychology and Savings Policies," American Economic Review Papers and Proceedings 84: 186-192.

Sherraden, Michael W. (1991), Assets and the Poor, New York: M.E. Sharpe.

Smeeding, Timothy T. Katherin E. Ross, Michael O'Conner, and Michael Simon (1998) "The Economic Impact of the Earned Income Tax Credit (EITC)", Unpublished paper.

Stegman, Michael A. (1997), EFT' 99: How the Congressional Mandate to Deliver Government Benefits through Electronci Funds Transfer Can Help the Poor Build Wealth, Washington, D.C.: The Brookings Institution Center on Urban and Metropolitan Policy

Stern, Mark J. This volume, "The Un(credit) Worthy Poor: Historical Perspectives on Policies to Expand Assets and Credit," in The Benefits and Mechanisms For Spreading Asset Ownership, New York University, December 10-12, 1998.

U.S. Bureau of the Census (1986), Household Wealth and Asset Ownership, 1984, Current Population Reports, Household Economic Studies, Series P-70, no.7

U.S. Department of Agriculture (1991), Food and Nutrition Service, "Assets of Low Income Households: New Findings on Food Stamp Participants and Nonparticipants," unpublished report to Congress.

Wolff, Edward N. (1990), "Wealth Holdings and Poverty Status in the U.S.," Review of Income and Wealth, 36 (2): 143-65

Wolff, Edward N. (1995), Top Heavy, New York: The Twentieth Century Fund Press.

Wolff, Edward N. This volume, "Recent Trends in Wealth Ownership," in Benefits and

Mechanisms for Spreading Asset Ownership in the United States, New York University, December 10-12, 1998.

Wolff, Edward N. (1998) "Recent Trends in the Size Distribution of Household Wealth," Journal of Economic Perspectives 12:131-150.

1.Other studies yielding similar results include: Bureau of the Census (1986), Department of Agriculture (1991), and Wolff (1990, 1995).

2.Beverly (1997) provides an excellent summary of this topic.

3.These time preference rates are estimated via restrictions imposed by Euler equation methods.

4.Wolff (this volume) uses the Survey of Consumer Finances to examine the overall distribution of wealth across all households. We focus on data from the SIPP because it contains a larger number of low-income households, which are the focus of our study.

5.The reference person is the person in whose name the family's home is owned or rented. If jointly owned or rented, either spouse may appear as the reference person.

6.The SIPP records holdings of particular assets for each person in the household and also provides summary data at the household level for holdings of classes of assets. We exclude households for whom these two sources of data do not match.

7.The SIPP provides an indicator for home equity loans, but combines the home equity outstanding balance with other outstanding balances in the reported data.

8.This variable includes receipt of AFDC, general assistance, federal and state supplementary social insurance, veteran's compensation, Indian, Cuban or Refugee Assistance, other welfare programs, food stamps, WIC, medicaid, public housing, subsidized housing, energy assistance, and reduced-price or free lunches and breakfasts.

9.The relevant regions were so large geographically that the within-area variation, in our view, was plausibly as large as the across-area variation. Moreover, the variable did not separate neatly into a few dummies.

10.Hurst, Luoh, and Stafford (1998) find that 20.2% of stable households in the 1994 PSID did not have transaction accounts.

11.These figures are roughly comparable to those discussed earlier from Wolff (1998) and slightly smaller than those in Oliver and Shapiro (1990). Wolff shows that those in the middle quintile of the PSID could maintain current consumption for 1.2 months, or poverty-level consumption for 1.8 months, whereas those in the bottom quintile have a ratio of approximately zero. Oliver and Shapiro (1990) show that the median household in the 1984 SIPP could maintain current consumption for 3 months.

12.This result is also similar to previous findings. Oliver and Shapiro (1995) report that 42.8% of black households did not have an interest-bearing bank account in 1988; Hurst, Luoh, and Stafford (1998) show a figure of 45.4% in 1994.

13.As discussed earlier, Hurst, Luoh, and Stafford (1998) find a black-white median wealth ratio of 16 in 1984 and 7.5 in 1994. Oliver and Shapiro (1990) report this ratio to be 11.7 in 1984. Wolff (1998) shows that median financial wealth of black families was zero in 1983 and 1995.

TABLE 6-1

DISTRIBUTION OF ASSETS, 1993

(1997 dollars)

Sample	Percentile	Net Worth	Financial Assets	Housing Equity
Overall Sample				
	90	233,019	82,638	129,415
	75	110,846	26,101	61,324
	50	35,035	3,943	14,061
	25	4,276	222	0
	10	0	0	0
Ages 25-34				
	90	84,702	29,211	48,234
	75	36,073	8,886	15,550
	50	9,108	1,499	0
	25	666	110	0
	10	-1,633	0	0
Ages 35-44				
	90	198,695	69,698	111,951
	75	98,688	23,325	54,426
	50	34,150	3,894	13,493
	25	4,341	244	0
	10	0	0	0
Ages 45-54				
	90	286,564	107,741	145,615
	75	157,012	40,791	85,370
	50	65,908	7,775	34,433
	25	13,068	444	0
	10	500	0	0
Ages 55-64				
	90	378,522	160,944	183,270
	75	216,541	67,199	108,289
	50	98,021	12,496	55,536
	25	29,989	555	7,775
	10	1,388	0	0

TABLE 6-2

PROPORTION OF HOUSEHOLDS WITH VERY LOW ASSETS, 1993

(1997 dollars)

Sample	Percentage with less than or equal to	Net Worth	Financial Assets	Housing Equity
Overall Sample				
	$0	12.7	15.8	39.7
	$1,000	17.4	35.6	40.3
	$5,000	26.3	52.9	43.3
Ages 25-34				
	$0	19.8	18.8	59.9
	$1,000	26.5	44.1	60.7
	$5,000	40.9	66.3	65.1
Ages 35-44				
	$0	12.8	15.3	39.1
	$1,000	17.5	35.8	39.8
	$5,000	26.2	53.1	43.0
Ages 45-54				
	$0	8.5	13.8	28.9
	$1,000	11.9	30.7	29.4
	$5,000	18.4	45.3	31.7
Ages 55-64				
	$0	6.6	14.4	22.0
	$1,000	9.5	28.1	22.2
	$5,000	13.3	40.7	23.7

TABLE 6-3

HOLDINGS OF SPECIFIC ASSETS AND DEBTS, BY AGE AND WEALTH, 1993

(dollar amounts are in constant 1997 dollars)

Age of Head	25-64	25-34		35-44		45-54		55-64	
Net Worth Percentiles	All	Bottom 50%	Top 50%	Bottom 50%	Top 50%	Bottom 50%	Top 50%	Bottom 50%	Top 50%
Net Financial Assets / Poverty Threshold									
10th Percentile	-0.4	-1.0	-0.2	-0.8	-0.1	-0.6	0.0	-0.4	0.1
25th Percentile	0.0	-0.3	0.0	-0.2	0.2	-0.1	0.6	0.0	1.6
50th Percentile	0.1	0.0	0.5	0.0	1.4	0.0	3.0	0.0	6.3
75th Percentile	2.1	0.0	1.8	0.1	4.5	0.3	7.9	0.6	13.9
90th Percentile	7.4	0.2	4.2	0.7	9.1	1.4	15.4	2.6	25.0
Net Worth									
10th Percentile	0	-5,779	12,068	-2,807	43,516	0	79,647	0	113,276
25th Percentile	4,276	-612	19,078	0	59,132	1,144	103,520	3,924	146,226
50th Percentile	35,035	666	35,904	4,341	98,688	13,154	157,073	29,989	216,592
75th Percentile	110,846	3,888	72,308	15,069	172,052	36,902	251,238	62,625	332,664
90th Percentile	233,019	6,630	141,156	25,202	289,724	53,798	390,464	81,089	534,426

TABLE 6-4

HOLDINGS OF SPECIFIC ASSETS AND DEBTS, BY HOUSEHOLD CHARACTERISTICS, 1993

(dollar amounts are in constant 1997 dollars)

	All	White	Black	Public Assistance	Education <= 12 Years	Education > 12 Years	Income <=Median	Income >Median	Wealth <=Median	Wealth >Median
Net Financial Assets / Poverty Threshold										
10th Percentile	-0.4	-0.4	-0.3	-0.4	-0.4	-0.5	-0.4	-0.4	-0.7	-0.1
25th Percentile	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	-0.2	0.2
50th Percentile	0.1	0.3	0.0	0.0	0.0	0.7	0.0	0.9	0.0	1.8
75th Percentile	2.1	2.5	0.1	0.0	0.7	3.8	0.4	4.1	0.1	5.8
90th Percentile	7.4	8.3	1.1	0.5	3.8	10.7	3.1	10.6	0.7	13.2
Net Worth										
10th Percentile	0	0	-223	-1,122	0	28	-484	4,400	-2,705	46,095
25th Percentile	4,276	6,613	0	0	1,666	9,636	555	23,303	0	64,257
50th Percentile	35,035	43,643	4,498	2,610	21,222	54,446	9,598	72,871	4,276	110,846
75th Percentile	110,846	123,797	32,279	21,365	75,612	151,642	53,236	164,336	14,912	201,649
90th Percentile	233,019	247,661	76,000	66,644	163,108	298,882	137,836	296,818	26,038	339,513

TABLE 6-5

TRANSACTIONS ACCOUNTS AND OTHER ASSETS

	Proportion of Households	
	With Transaction Accounts	**Without Transaction Accounts**
Gross Financial Assets		
> 0	81.8%	2.5%
= 0	0.0%	15.8%
Net Financial Assets		
> 0	60.5%	1.9%
≤ 0	21.3%	16.3%
Consumer Debt		
> 0	55.8%	6.4%
= 0	26.0%	11.9%
Own Home		
Yes	57.3%	6.1%
No	24.4%	21.1%
Own Vehicle		
Yes	75.7%	11.6%
No	6.1%	6.7%

TABLE 6-6

DISTRIBUTION OF NET WORTH, 1984-1993

(constant 1997 dollars)

Sample	Percentile	1984	1987	1991	1993
Overall Sample					
	90	214,412	226,886	238,776	233,019
	75	116,227	115,042	114,305	110,846
	50	44,892	39,560	35,264	35,035
	25	6,133	4,592	4,478	4,276
	10	0	0	0	0
Ages 25-34					
	90	92,531	97,028	93,979	84,702
	75	42,560	40,090	37,425	36,073
	50	11,465	9,325	8,767	9,108
	25	1,313	706	725	666
	10	-794	-1,710	-1,718	-1,633
Ages 35-44					
	90	198,269	203,875	218,115	198,695
	75	111,454	108,578	106,057	98,688
	50	50,716	41,022	37,184	34,150
	25	9,296	5,793	5,833	4,341
	10	8	0	0	0
Ages 45-54					
	90	260,562	265,601	306,103	286,564
	75	156,444	155,378	163,269	157,012
	50	80,244	72,903	67,993	65,908
	25	20,596	17,618	15,467	13,068
	10	772	706	589	500
Ages 55-64					
	90	324,553	330,973	364,416	378,522
	75	191,859	206,668	211,510	216,541
	50	104,384	101,796	93,365	98,021
	25	36,146	34,191	26,514	29,989
	10	2,935	1,413	884	1,388

TABLE 6-7

PROPORTION OF HOUSEHOLDS WITH VERY LOW NET WORTH, 1984-1993

(constant 1997 dollars)

Sample	Percentage with less than or equal to	1984	1987	1991	1993
Overall Sample					
	$0	11.1	12.6	12.7	12.7
	$1,000	14.8	17.0	16.8	17.4
	$5,000	23.2	25.8	25.9	26.3
Ages 25-34					
	$0	17.6	20.8	20.3	19.8
	$1,000	23.6	26.9	26.3	26.5
	$5,000	37.6	41.1	41.4	40.9
Ages 35-44					
	$0	9.9	11.6	11.8	12.8
	$1,000	13.3	15.6	15.6	17.5
	$5,000	20.7	23.7	23.6	26.2
Ages 45-54					
	$0	8.6	8.1	8.2	8.5
	$1,000	10.8	11.2	10.8	11.9
	$5,000	15.6	17.5	16.7	18.4
Ages 55-64					
	$0	5.3	5.8	7.1	6.6
	$1,000	7.5	9.2	10.2	9.5
	$5,000	11.9	13.2	15.1	13.3

TABLE 6-8

DISTRIBUTION OF FINANCIAL ASSETS, 1984-1993

(constant 1997 dollars)

Sample	Percentile	1984	1987	1991	1993
Overall Sample					
	90	54,221	64,991	76,051	82,638
	75	16,683	21,119	25,100	26,101
	50	2,790	3,250	3,830	3,943
	25	193	244	309	222
	10	0	0	0	0
Ages 25-34					
	90	17,340	23,785	25,689	29,211
	75	5,714	7,135	7,778	8,886
	50	1,081	1,272	1,414	1,499
	25	62	85	78	110
	10	0	0	0	0
Ages 35-44					
	90	44,182	50,806	65,402	69,698
	75	13,946	17,237	25,598	23,325
	50	2,777	3,108	4,714	3,894
	25	238	283	471	244
	10	0	0	0	0
Ages 45-54					
	90	67,853	82,085	104,584	107,741
	75	24,098	29,441	38,474	40,791
	50	4,634	6,146	7,364	7,775
	25	317	410	530	444
	10	0	0	0	0
Ages 55-64					
	90	112,767	132,023	133,750	160,944
	75	46,262	57,503	60,360	67,199
	50	12,356	13,705	13,124	12,496
	25	711	660	589	555
	10	0	0	0	0

NOTE: Households ranked by financial assets

TABLE 6-9

PROPORTION OF HOUSEHOLDS WITH VERY LOW FINANCIAL ASSETS, 1984-1993

(constant 1997 dollars)

Sample	Percentage with less than or equal to	1984	1987	1991	1993
Overall Sample					
	$0	16.6	16.2	14.9	15.8
	$1,000	38.2	37.1	34.7	35.6
	$5,000	58.1	55.5	53.1	52.9
Ages 25-34					
	$0	20.2	19.1	19.0	18.8
	$1,000	49.2	47.3	44.6	44.1
	$5,000	73.3	70.1	68.2	66.3
Ages 35-44					
	$0	15.3	14.7	13.0	15.3
	$1,000	37.7	36.6	31.9	35.8
	$5,000	59.4	56.3	51.0	53.1
Ages 45-54					
	$0	15.1	15.1	13.5	13.8
	$1,000	33.1	31.0	30.0	30.7
	$5,000	51.4	47.7	45.2	45.3
Ages 55-64					
	$0	14.3	15.1	13.3	14.4
	$1,000	27.1	27.5	28.7	28.1
	$5,000	39.6	39.2	41.3	40.7

TABLE 6-10

DISTRIBUTION OF HOUSING EQUITY, 1984-1993

(constant 1997 dollars)

Sample	Percentile	1984	1987	1991	1993
Overall Sample					
	90	131,304	133,727	135,518	129,415
	75	77,238	70,643	59,510	61,324
	50	27,806	19,780	14,141	14,061
	25	0	0	0	0
	10	0	0	0	0
Ages 25-34					
	90	61,790	63,578	49,493	48,234
	75	26,261	21,193	15,319	15,550
	50	0	0	0	0
	25	0	0	0	0
	10	0	0	0	0
Ages 35-44					
	90	130,601	134,221	129,626	111,951
	75	76,465	70,643	58,921	54,426
	50	32,441	22,606	16,498	13,493
	25	0	0	0	0
	10	0	0	0	0
Ages 45-54					
	90	154,476	148,350	164,978	145,615
	75	100,409	93,248	88,381	85,370
	50	54,375	45,211	32,406	34,433
	25	3,090	0	0	0
	10	0	0	0	0
Ages 55-64					
	90	157,565	176,607	195,911	183,270
	75	108,133	105,964	106,057	108,289
	50	64,880	59,340	49,493	55,536
	25	10,813	9,890	4,124	7,775
	10	0	0	0	0

NOTE: Households ranked by housing equity.

TABLE 6-11

ASSETS BY RACE, 1984-1993

(constant 1997 dollars)

	1984		1987		1991		1993	
	White	Black	White	Black	White	Black	White	Black
Percent with								
Gross FA = 0	12.4	46.6	12.0	44.6	11.4	40.6	12.1	40.6
Net FA ≤ 0	39.1	78.8	36.0	65.3	35.3	62.2	34.4	60.1
Net Worth = 0	1.7	12.4	2.3	18.2	2.2	17.4	2.5	17.3
Net Worth ≤ 0	8.4	30.8	10.0	30.8	10.4	30.3	10.5	27.8
Net Worth ≤1000	11.6	37.5	13.7	39.2	13.9	37.9	14.6	36.3
Net Worth ≤ 5000	19.1	50.6	21.8	52.8	22.5	50.8	22.6	51.1
Mean Net Worth	99,304	28,203	92,167	28,639	95,684	28,539	94,048	27,920
Median Net Worth	54,097	4,789	48,461	4,058	42,364	4,478	43,643	4,498
Given NW>0	63,798	19,197	60,753	16,700	54,265	15,025	54,848	14,967
Median Net FA	1,545	0	2,119	0	2,591	0	2,888	0
Given NFA>0	11,431	2,007	13,067	2,102	15,260	2,946	15,633	2,677

TABLE 6-12

NET WORTH, 1993

(1997 dollars)

	Probit			Adjusted OLS	
	Coefficient	**P-Value**	**dP/dX**	**Coefficient**	**P-Value**
Intercept	1.979	<0.001	0.329	8,770	0.348
Non-Asset Income					
<$10,000	-0.536	<0.001	-0.089	-59,280	<0.001
$10,000-$20,000	-0.273	<0.001	-0.045	-32,787	<0.001
$20,000-$30,000	-0.075	0.101	-0.012	-7,011	0.005
$40,000-$50,000	0.143	0.008	0.024	20,311	<0.001
$50,000-$75,000	0.321	<0.001	0.053	45,869	<0.001
>$75,000	0.438	<0.001	0.073	127,698	<0.001
Age					
25-29	-0.471	<0.001	-0.078	-97,992	<0.001
30-34	-0.372	<0.001	-0.062	-80,672	<0.001
35-39	-0.274	0.198	-0.045	-52,112	<0.001
40-44	-0.066	<0.001	-0.011	-25,989	<0.001
50-54	0.225	<0.001	0.037	33,343	<0.001
55-59	0.339	<0.001	0.056	74,580	<0.001
60-64	0.502	<0.001	0.083	97,831	<0.001
Education					
<12 years	-0.159	<0.001	-0.027	-47,175	<0.001
12 years	0.023	0.512	0.004	-7,193	0.001
16 years	0.038	0.408	0.006	30,289	<0.001
>16 years	-0.078	0.107	-0.013	41,822	<0.001
Receives Public Assistance	-0.466	<0.001	-0.078	-66,470	<0.001
Married	0.142	0.001	0.024	44,044	<0.001
Anyone Employed	0.115	0.002	0.019	-16,537	<0.001
Single Female Head	-0.057	0.140	-0.009	-10,540	<0.001
Race					
Black	-0.370	<0.001	-0.062	-56,101	<0.001
Native American	-0.093	0.481	-0.015	-26,402	<0.001
Asian	-0.005	0.949	-0.001	-8,769	0.184
State Unemployment, 1993	-0.020	0.061	-0.003	2,610	0.011
State Welfare Benefits/					
Poverty Level, 1993	-0.006	<0.001	-0.001	482	<0.001
Number of Kids	0.033	0.003	0.005	4,456	<0.001
Married, Two Earners	-0.036	0.354	-0.006	-29,589	<0.001
Mills Ratio					
N			20249		17814
Log Likelihood / Adjusted R-squared			-6144		0.24

TABLE 6-13

NET WORTH, BLACK HOUSEHOLDS, 1993

(1997 dollars)

	Probit			Adjusted OLS	
	Coefficient	P-Value	dP/dX	Coefficient	P-Value
Intercept	1.943	<0.001	0.495	35,323	0.015
Non-Asset Income					
<$10,000	-0.629	<0.001	-0.160	-39,405	<0.001
$10,000-$20,000	-0.336	0.008	-0.086	-23,193	<0.001
$20,000-$30,000	-0.037	0.778	-0.009	-10,996	0.021
$40,000-$50,000	0.076	0.658	0.019	11,485	0.057
$50,000-$75,000	0.178	0.306	0.045	31,411	0.002
>$75,000	0.161	0.485	0.410	88,399	<0.001
Age					
25-29	-0.405	0.002	-0.103	-39,247	<0.001
30-34	-0.385	0.001	-0.098	-30,999	<0.001
35-39	-0.261	0.027	-0.066	-16,897	0.022
40-44	0.018	0.888	0.004	-6,561	0.217
50-54	0.288	0.058	0.073	31,146	0.001
55-59	0.450	0.005	0.115	39,072	<0.001
60-64	0.556	<0.001	0.142	44,333	<0.001
Education					
<12 years	-0.183	0.070	-0.047	-21,817	<0.001
12 years	-0.007	0.938	-0.002	-5,192	0.220
16 years	0.168	0.236	0.043	12,316	0.109
>16 years	0.113	0.484	0.029	21,593	0.086
Receives Public Assistance	-0.454	<0.001	-0.116	-19,695	0.001
Married	0.453	<0.001	0.115	18,110	0.053
Anyone Employed	0.335	0.001	0.085	8,264	0.283
Single Female Head	0.022	0.814	0.006	-6,429	0.300
State Unemployment, 1993	0.000	0.999	0.000	961	0.539
State Welfare Benefits/					
Poverty Level, 1993	-0.016	<0.001	-0.004	-327	0.177
Number of Kids	0.018	0.434	0.005	861	0.511
Married, Two Earners	-0.109	0.415	-0.028	-9,335	0.125
Mills Ratio				75,866	0.005
N			2174		1597
Log Likelihood / Adjusted R-squared			-988		0.22

TABLE 6-14

FINANCIAL ASSETS, 1993

(1997 dollars)

	Probit			Adjusted OLS	
	Coefficient	P-Value	dP/dX	Coefficient	P-Value
Intercept	1.313	<0.001	0.199	5,596	0.477
Non-Asset Income					
<$10,000	-1.028	<0.001	-0.156	-29,731	<0.001
$10,000-$20,000	-0.618	<0.001	-0.094	-18,012	<0.001
$20,000-$30,000	-0.192	<0.001	-0.029	-2,137	0.181
$40,000-$50,000	0.217	0.001	0.033	10,131	<0.001
$50,000-$75,000	0.490	<0.001	0.074	18,668	<0.001
>$75,000	0.510	<0.001	0.077	59,748	<0.001
Age					
25-29	-0.082	0.123	-0.012	-25,385	<0.001
30-34	-0.045	0.382	-0.007	-21,190	<0.001
35-39	-0.044	0.390	-0.007	-13,331	0.003
40-44	-0.005	0.926	-0.001	-9,963	0.037
50-54	0.202	0.001	0.031	9,286	0.057
55-59	0.275	<0.001	0.042	28,404	<0.001
60-64	0.409	<0.001	0.062	42,839	<0.001
Education					
<12 years	-0.678	<0.001	-0.103	-32,554	<0.001
12 years	-0.276	<0.001	-0.042	-9,255	<0.001
16 years	0.255	<0.001	0.039	18,298	<0.001
>16 years	0.321	<0.001	0.049	31,837	<0.001
Receives Public Assistance	-0.559	<0.001	-0.085	-19,727	<0.001
Married	0.237	<0.001	0.036	11,311	<0.001
Anyone Employed	0.219	<0.001	0.033	-3,678	0.241
Single Female Head	0.207	<0.001	0.031	-3,333	0.106
Race					
Black	-0.553	<0.001	-0.084	-22,251	<0.001
Native American	-0.202	0.123	-0.031	-12,323	0.002
Asian	-0.044	0.597	-0.007	-10,226	0.023
State Unemployment, 1993	-0.050	<0.001	-0.008	302	0.719
State Welfare Benefits/					
Poverty Level, 1993	-0.006	<0.001	0.001	256	<0.001
Number of Kids	-0.037	0.001	0.006	-2,715	<0.001
Married, Two Earners	0.084	0.054	0.013	-10,550	<0.001
Mills Ratio				62,580	<.001
N			20249		17216
Log Likelihood / Adjusted R-squared			-5545		0.10

TABLE 6-15

TRANSACTIONS ACCOUNTS AND OTHER ASSETS AND DEBTS, 1993 DATA

	Coefficient on Having a Transaction Account	
Wealth Category	**Ownership probit[1,2]**	**Asset level equation($)[2]**
Have net financial assets > 0	43.6%	36,825
	(46.4)	(10.4)
Consumer debt > 0	19.2%	1,406
	(19.1)	(0.3)
Own Home	13.2%	10,757
	(16.0)	(3.4)
Own Vehicle	7.8%	2,512
	(15.4)	(11.6)

[1] Expressed as the change in the probability of owning the asset, evaluated at sample means.

[2] T-Statistics in parentheses

APPENDIX TABLE 1

SAMPLE LIMITATIONS, 1993

N=20249

Exclusion	Observations Removed	Resulting Sample Size
Full Sample		31022
Head <25 or >64 Years of Age	8332	22690
State Coded in a Group	1483	21207
Household Switched States	176	21031
Inconsistent Asset Data	782	**20249**

APPENDIX TABLE 2

DISTRIBUTION OF HOUSING EQUITY, HOMEOWNERS ONLY, 1984-1993

(constant 1997 dollars)

Sample	Percentile	1984	1987	1991	1993
Overall Sample					
	90	154,476	155,414	176,762	155,502
	75	100,409	98,900	94,273	92,841
	50	60,610	56,514	43,601	45,488
	25	28,269	24,018	16,498	17,772
	10	10,813	8,477	3,535	4,443
Ages 25-34					
	90	92,685	100,313	93,095	87,160
	75	56,692	56,514	44,780	44,755
	50	29,350	25,431	18,855	19,471
	25	13,903	11,129	5,892	6,664
	10	3,244	2,826	0	355
Ages 35-44					
	90	154,476	148,350	169,692	136,006
	75	95,775	97,487	84,846	82,036
	50	57,928	53,688	38,888	40,788
	25	30,895	24,018	15,319	16,136
	10	12,358	8,477	2,585	4,123
Ages 45-54					
	90	162,199	172,368	176,762	166,609
	75	115,857	113,028	111,949	110,808
	50	74,148	70,643	56,564	57,561
	25	40,094	35,321	23,568	27,094
	10	16,992	14,129	6,540	8,348
Ages 55-64					
	90	185,371	197,799	212,115	199,931
	75	123,580	120,092	129,626	130,853
	50	77,238	77,707	70,705	72,197
	25	46,343	43,798	35,352	38,875
	10	21,627	19,780	16,498	16,661
Memo:					
Homeownership Rate		65.8	63.2	64.4	63.4

NOTE: Households ranked by housing equity.