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The Wealth of Households:

An Analysis of the 2013 Survey of Consumer Finances

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Executive Summary

This paper presents data on the wealth of households by age cohort based on new data from the 2013 Survey of Consumer Finances (SCF). It shows that the upward redistribution of wealth continued between 2010 and 2013. As a result, most households had less wealth in 2013 than they did in 2010 and much less than in 1989, the first year examined. This is in spite of the fact that households were much less likely to have traditional defined-benefit pensions than in prior decades.

The data show that:

1) The median net wealth of near retirees (households headed by someone between the ages of 55-64) was $165,700 in 2013, down from $177,500 in 1989. (All numbers are in 2013 dollars.) The homeowners in the middle quintile among this age cohort had a 54.6 percent equity stake in their homes in 2013, down from an 81.0 percent stake in 1989. Their non-housing wealth in 2013 averaged $89,300, down from a peak of $160,700 in 2004.
2) The second quintile in this age group on average had a 31.6 percent equity stake in their home. Their non-housing wealth averaged just $21,200.
3) The equity stake for middle quintile of older prime age workers (ages 45-54) averaged 35.9 percent in 2013, down from 72.2 percent in 1989. Their non-housing wealth averaged $57,400.
4) The equity stake for the second quintile of older prime age workers averaged 11.2 percent. This compares with an equity stake of 63.9 percent in 1989. Non-housing wealth for the second quintile averaged $19,400.
5) The net wealth for the middle quintile of mid-career workers (ages 35-44) averaged $50,100 in 2013. This is down from $103,800 in 1989. The average housing equity for this group was $23,200. That compares to $63,500 in 1989.
6) The average net worth among the middle quintile of students and young workers (ages 18-34) was 11,000 in 2013. This is down from a peak of $19,600 in 1995. The bottom quintile among this age group had net debt averaging $35,400, most of which was student loan debt.
7) The average net wealth among the middle quintile of recent retirees was $239,300. This is up from $142,900 in 1989, but more than 10 percent below the peak of $270,700 hit in 2007.

On the whole, the SCF shows a picture in which most households are seeing a deterioration of their wealth status. This is of greatest concern for near retirees, most of whom cannot count on a traditional defined-benefit pension. The situation is not notably better for younger workers, but with more time until retirement, there is more hope that their income and wealth prospects will improve.

Introduction

This paper presents a brief analysis of the data in the recently released 2013 Survey of Consumer Finances (SCF). The SCF is conducted every three years by the Federal Reserve Board and presents the most thorough analysis of wealth of any government data set.

Between 1989 and 2013, mean household net worth rose 54 percent—from $342,300 to $528,400. However, these gains are exaggerated by the fact that the population of the United States was older in 2013 than it was in 1989. Further, looking across the distribution of wealth it is clear that the gains were not evenly received; median net worth *fell* over the 24-year period—from $85,100 in 1989 to $81,400 in 2013. Finally, these numbers do not include the value of defined-benefit pensions, which were much more common in 1989.

Taken together, the wealth numbers present a much more pessimistic view of economic progress in the United States than the simple average suggests. In this paper, we observe the progression of household net worth by quintile for various age groups.

In general, wealth grew from 1989 to 2007 and shrank thereafter, as the bubbles in residential and commercial real estate burst, and the stock market fell. Though the stock market had nearly recovered in inflation-adjusted terms to its 2007 peak, house prices had not. Thus, housing equity rates for the highly leveraged households in the bottom three-fifths plummeted while residences represented a much smaller share of assets among those with greater net wealth. This dynamic helped increase the differences in wealth between the top and bottom.

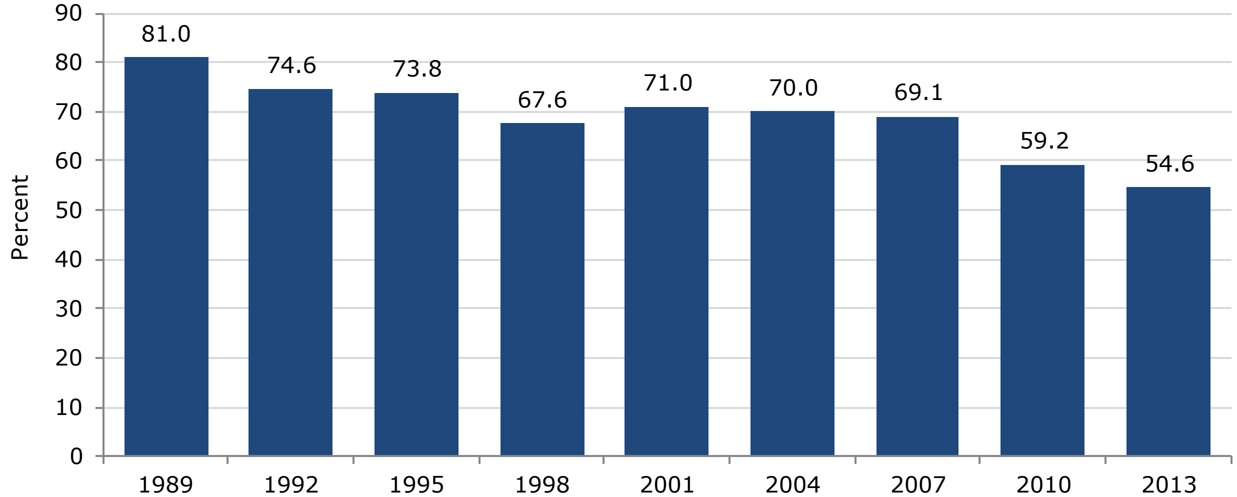
Net Wealth of Near-Retirees: 55-64

Among households with heads aged 55-64, median net wealth fell from $177,500 in 1989 to $165,700 in 2013. The average net wealth of the bottom 60 percent fell 23 percent— with losses heavily concentrated in the equity of their primary residences. Only 60 percent of the bottom three-fifths of households owned their homes, and even they only averaged 39 percent equity. (The corresponding figure for 1989 was 77 percent equity among the 69 percent who were homeowners in that year.) This implies that these households will be paying off mortgages long into retirement, if they stay in their homes.

Households in the middle quintile had on average a 54.6 percent equity stake in their homes. This compared to an 81.0 percent equity stake in 1989. The equity stake for homeowners in the second quintile was on average 31.6 percent in 2013, down from 71.6 percent in 1989. Homeowners in the bottom quintile on average had negative equity. In 1989 they had a 33.1 percent stake, which had risen to 47.1 percent in 1992.

FIGURE 1A

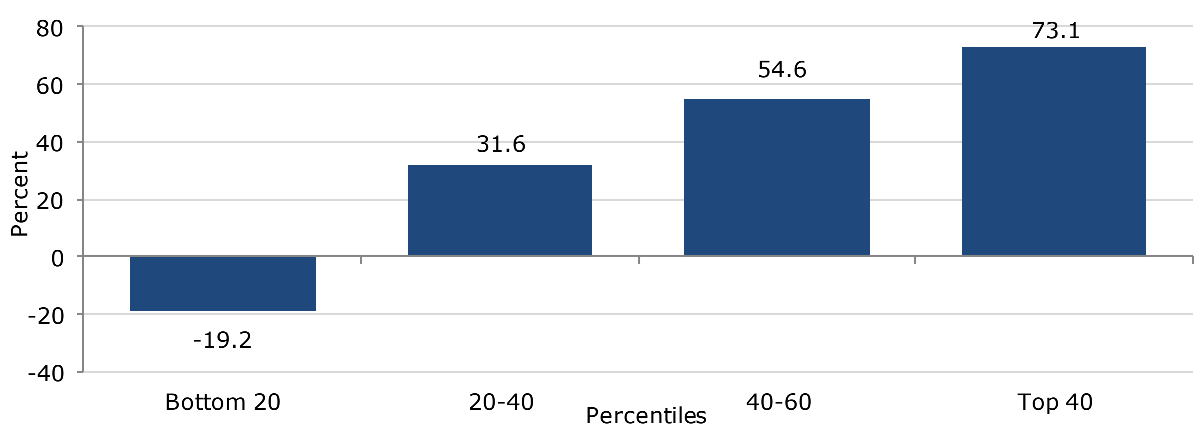
Equity Stake for Middle Quintile Each Year, Ages 55-64



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 1B

Equity Stake for Each Quintile in 2013, Ages 55-64

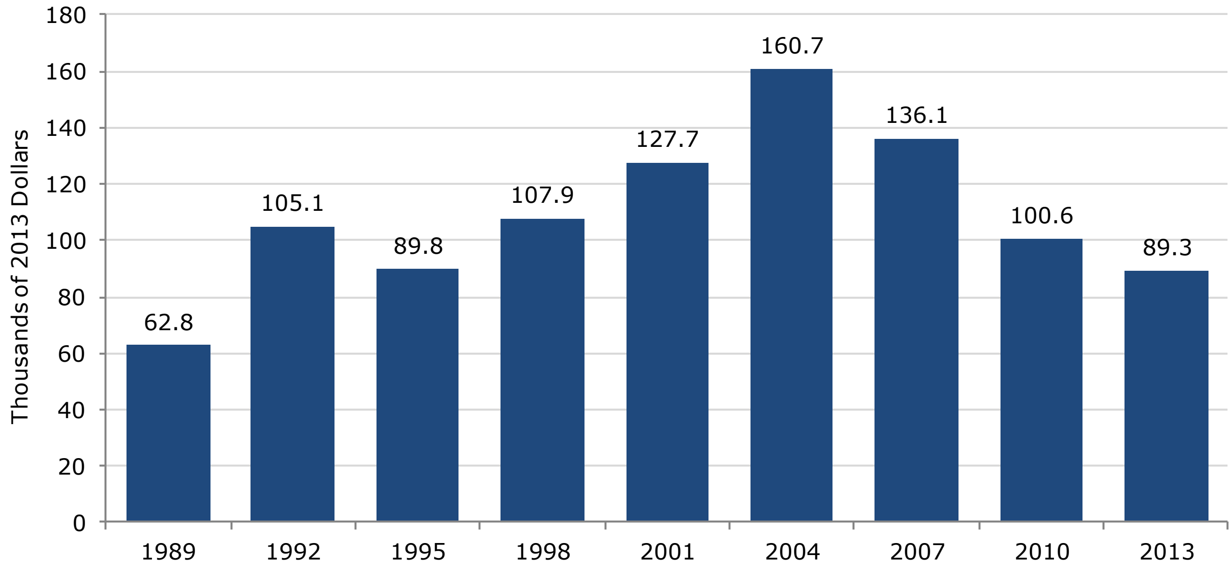


Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

Net wealth outside of equity in primary residences for families in the middle quintile was $89,300 in 2013. This was up from $62,800 in 1989, but down by almost 45 percent from the peak of $160,700 in 2004. The most recent figure would be sufficient for an annuity of roughly $400 a month. The second quintile had an average of $21,200, down by almost a third from its $31,000 level in 1989 and by almost 60 percent from its peak in 2004 of $50,200. The bottom quintile had average non-housing net worth of *negative* $10,500. This group had modest positive wealth until 2010. Only one in six households in the bottom quintile had any private defined-benefit pension.

FIGURE 2A

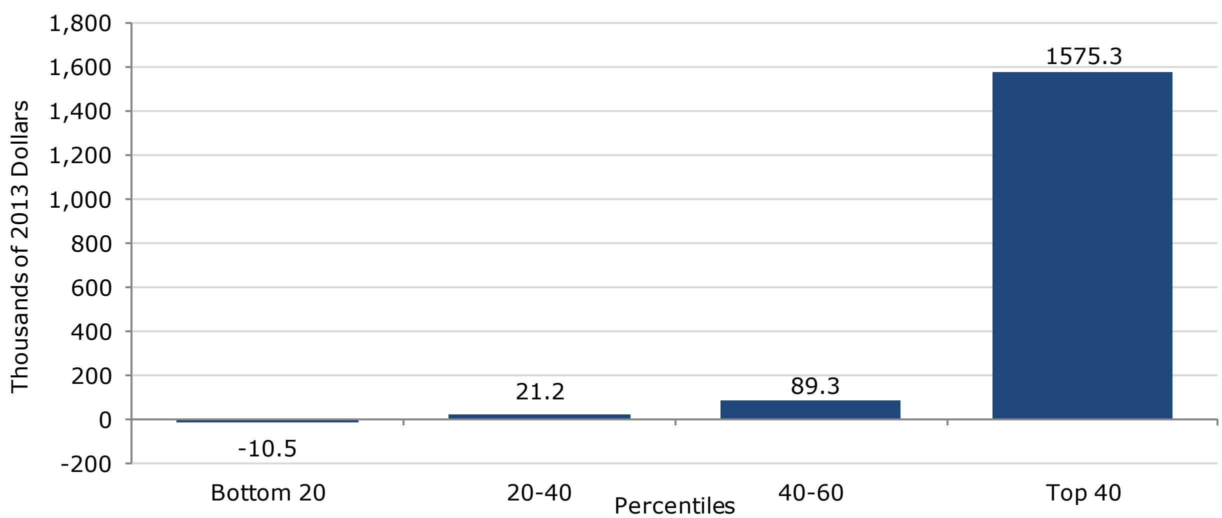
Average Net Worth Outside Primary Residence of Middle Quintile in Each Year, Ages 55-64



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 2B

Average Net Worth Outside Primary Residence of Each Quintile in 2013, Ages 55-64



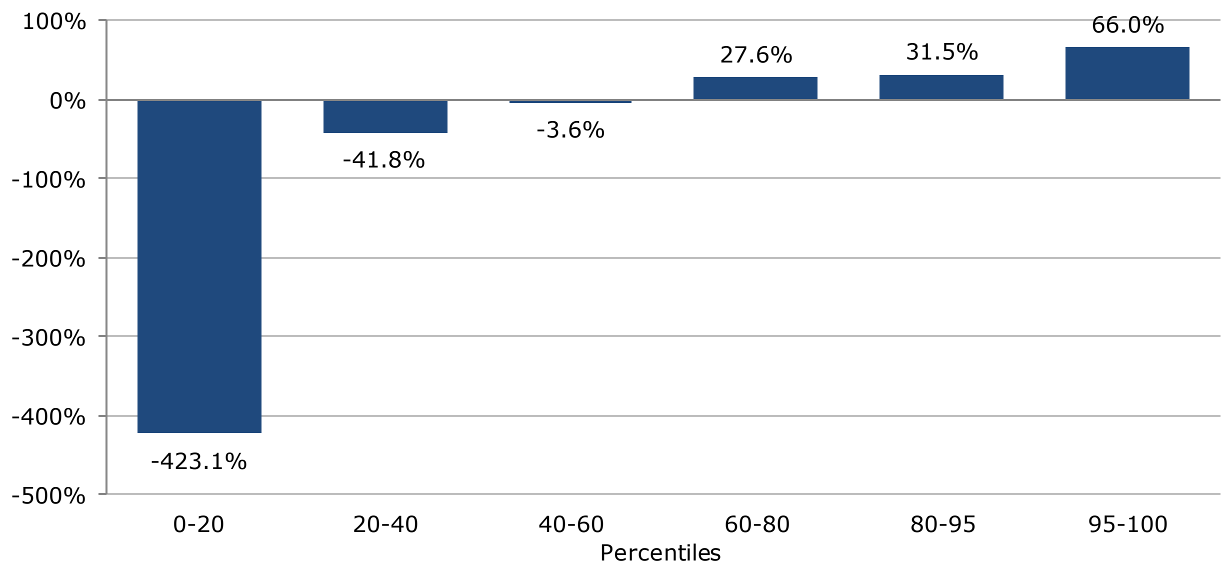
Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

By contrast, the wealthiest 5 percent of households with heads aged 55-64 fared much better. With an average net worth of $9.2 million, this group saw wealth fall over the course of the Great Recession—down from $11.8 million in 2007. However, compared to average wealth of $5.5 million in 1989, they saw an increase of 66 percent in 2013. Furthermore, 31 percent of households at the top had defined-benefit pensions, compared to 26 percent 24 years earlier.

Figure 2c shows the change in wealth from 1989 to 2013 by quintile, with the top 5 percent broken out separately. As can be seen, those at the middle of the income distribution and below saw declines in wealth, with the wealth of the bottom quintile turning negative. By contrast, those higher up the wealth ladder had substantial gains, with the wealth of the top 5 percent rising by 66.0 percent over this period. It is important to remember that these numbers exclude defined benefit pensions, which were less common in 2013 than in 1989. As a result, the gains would be lower or losses larger than indicated in Figure 2c, with the impact likely greatest near the middle of the distribution. These households often had pensions at the start of this period and their value likely would have been large relative to their total wealth.

FIGURE 2C

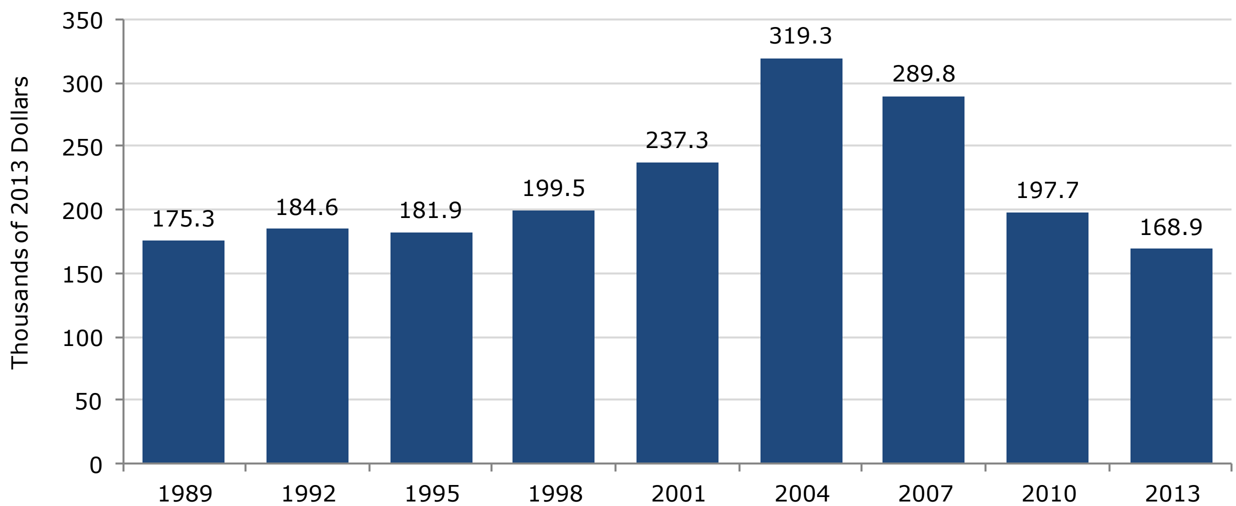
Change in wealth, 1989-2013: Ages 55-64



Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

FIGURE 3A

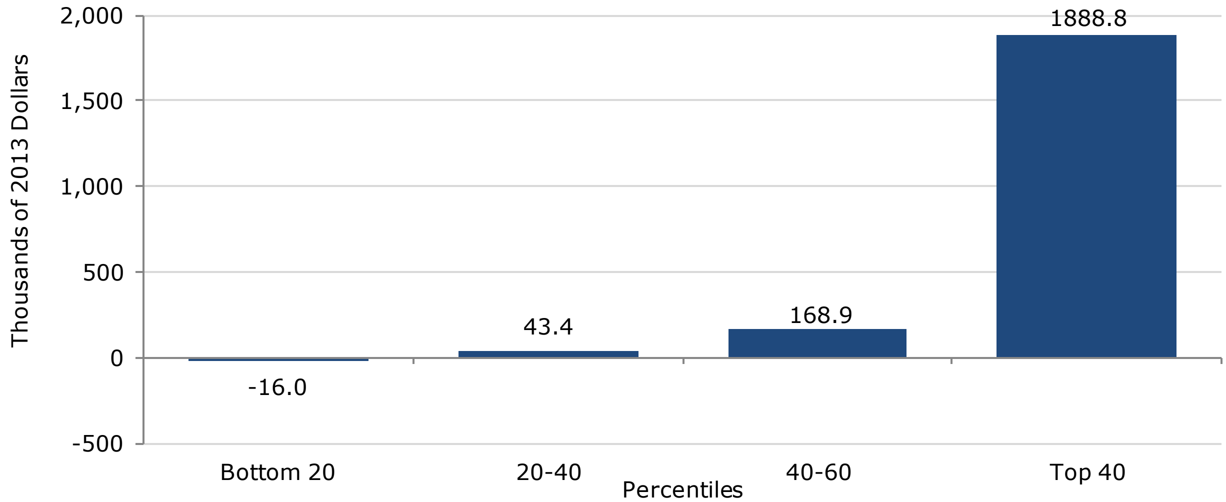
Net Worth for Middle Quintile in Each Year, Ages 55-64



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 3B

Net Worth by Quintile in 2013, Ages 55-64



Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

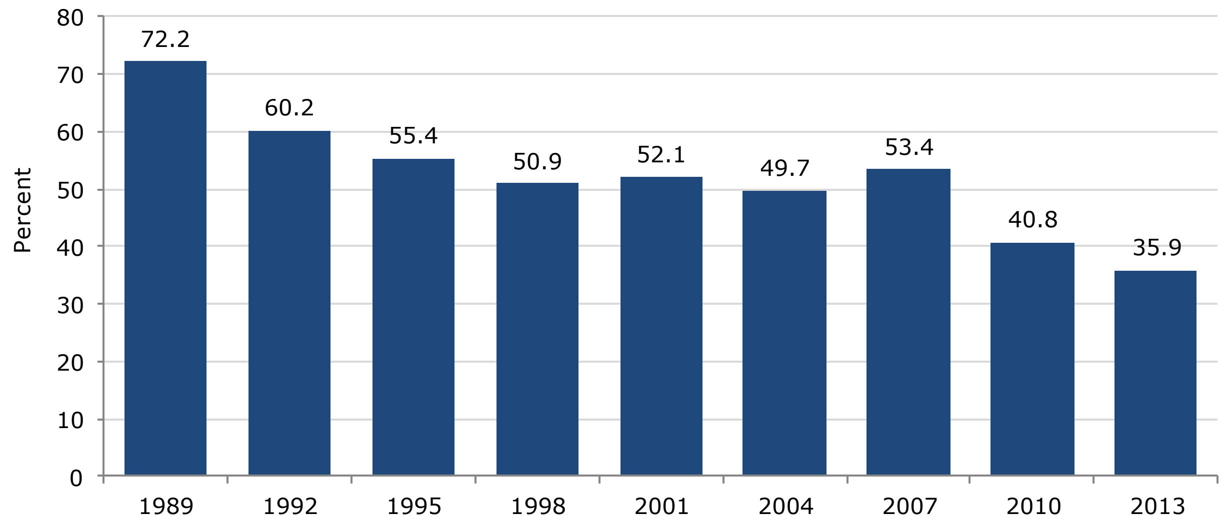
Older Prime-Aged Workers: 45-54

In 1989, the median net wealth of $177,300 for households headed by those aged 45-54 was close to the $177,500 for those aged 55-64. With younger households having lower rates of defined-benefit pensions, these families should have seen over the next 24 years more rapid growth in net wealth than the older households. However, by 2013 their median had fallen 41 percent to $105,400, including a 16 percent fall from 2010-2013.

This fall in net worth was primarily attributable to a drop in the equity stake for homeowners in the middle quintile, from 72.2 percent in 1989 to just 35.9 percent in 2013. There was also a decline in the homeownership rate among this group, from 95.2 percent in 1989 to 85.5 percent in 2013. The equity stake for homeowners in the second wealth quintile of this age group was just 11.2 percent in 2013, down from 63.9 percent in 1989. The bottom quintile had *negative* equity averaging 21.5 percent in 2013.

FIGURE 4A

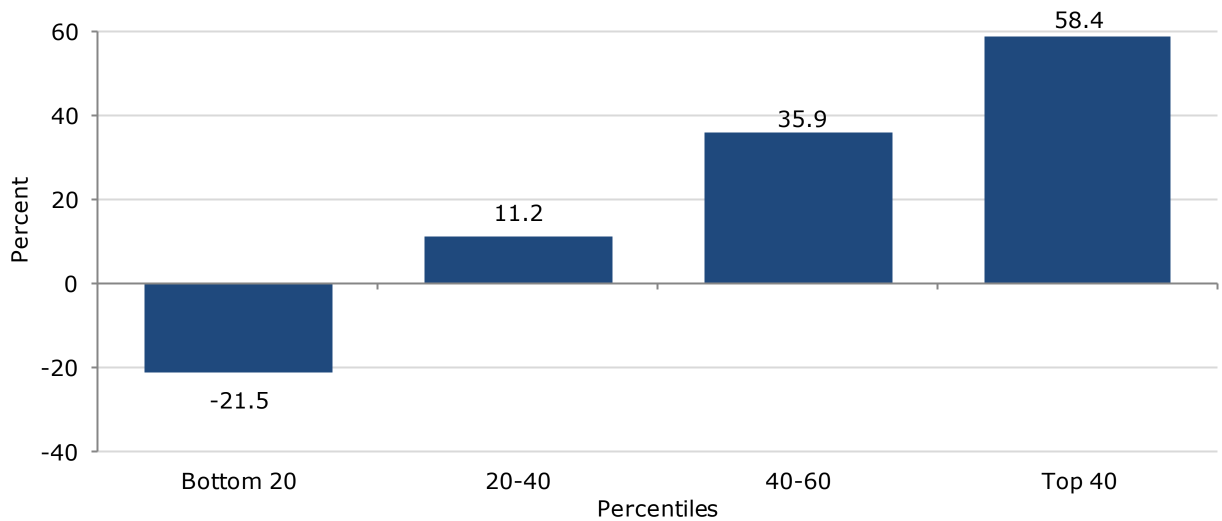
Equity Stake for Middle Quintile Each Year, Ages 45-54



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 4B

Equity Stake for Each Quintile in 2013, Ages 45-54

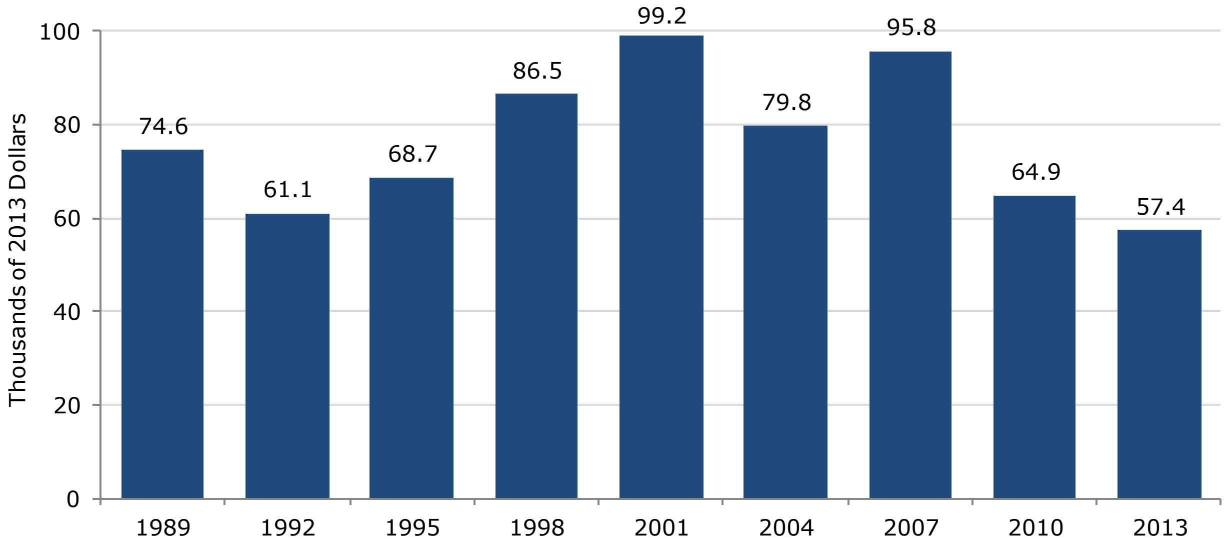


Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

Equity outside of housing wealth was also down sharply for the bottom three quintiles. For the middle quintile it averaged $57,400 in 2013, down from $74,600 in 1989. This was down by more than 40 percent from a peak of $99,200 in 2001. The second quintile in this age group had non-housing wealth of $19,400 in 2013, down from $25,400 in 1989 and a peak of $32,600 in 2004. The bottom quintile had *negative* non-housing wealth of $8,800, in contrast to modest positives in most pre-crash years.

FIGURE 5A

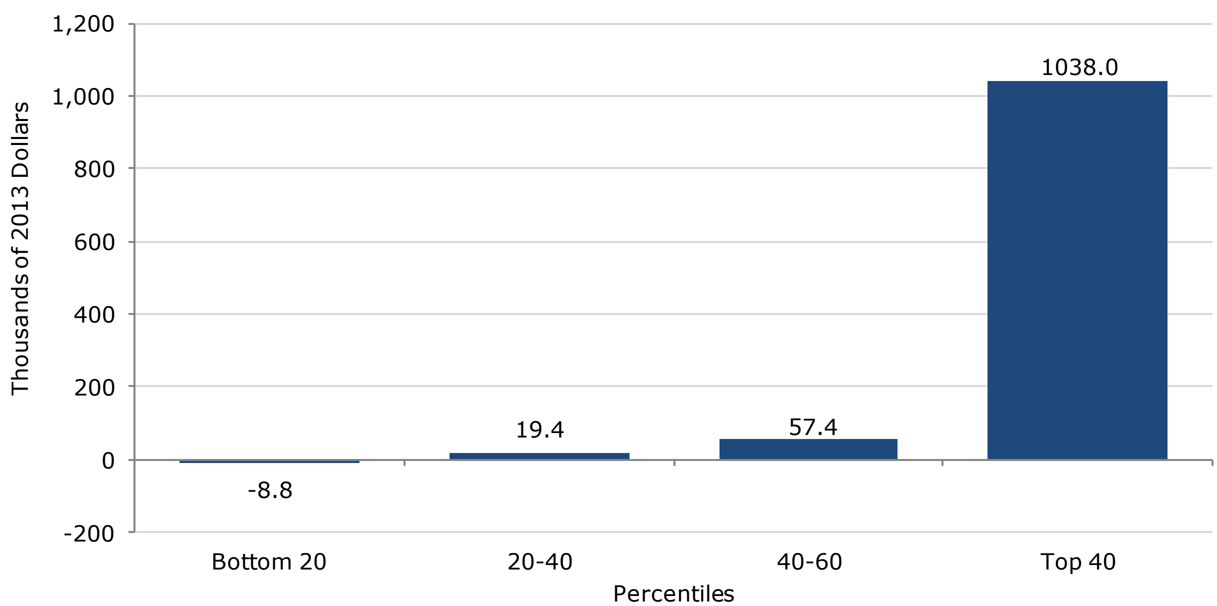
Average Net Worth Outside Primary Residence of Middle Quintile in Each Year, Ages 45-54



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 5B

Average Net Worth Outside Primary Residence of Each Quintile in 2013, Ages 45-54

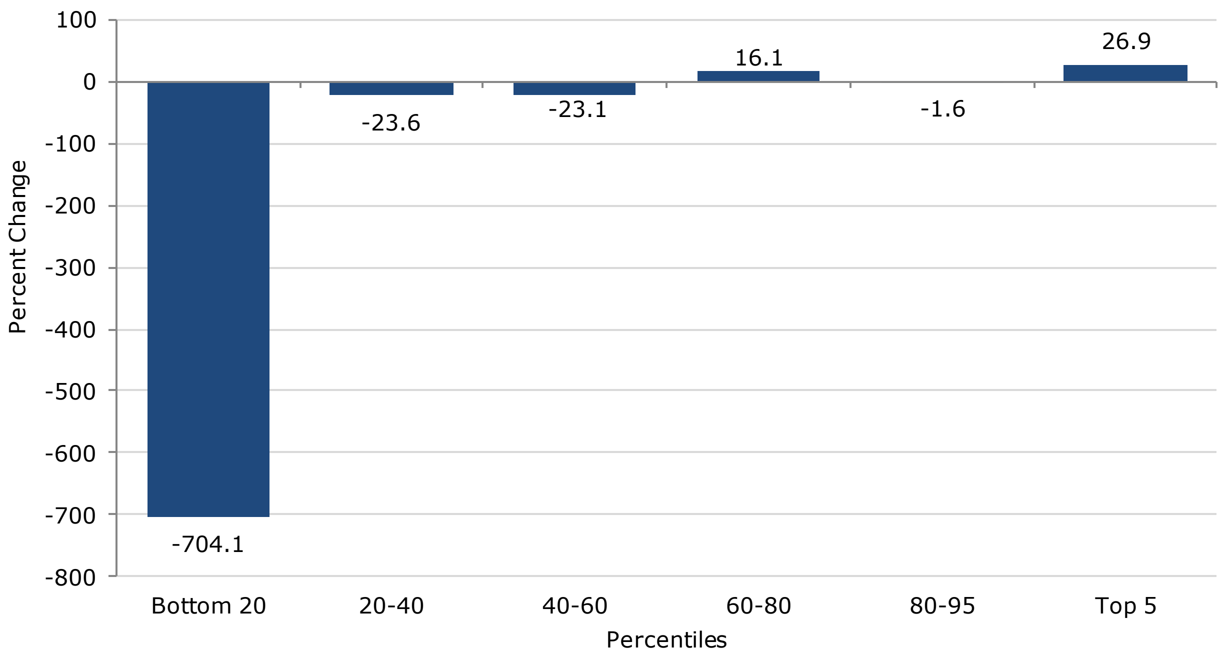


Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

The position of the bottom quintile was much more precarious than that of the next two-fifths. These households averaged $14,000 in net debt, and the 23 percent who owned their homes were on average underwater by $22,500, compared to $18,400 net equity in 1989. Outside of primary residences, the average net *debt* of households of the bottom fifth averaged $8,800, and only 15 percent had any private defined-benefit pension, down from 35 percent in 1989.

FIGURE 5C

Percent Change Average Net Worth Outside Primary Residence of Each Quintile, Ages 45-54, 1989-2013



Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

Wealthier households in this age group also saw flat or falling net worth over the 24-year period. The wealth of the 90th-95th percentiles fell 8 percent to $1.2 million. As recently as 2010, this group had an average net worth of $1.6 million.

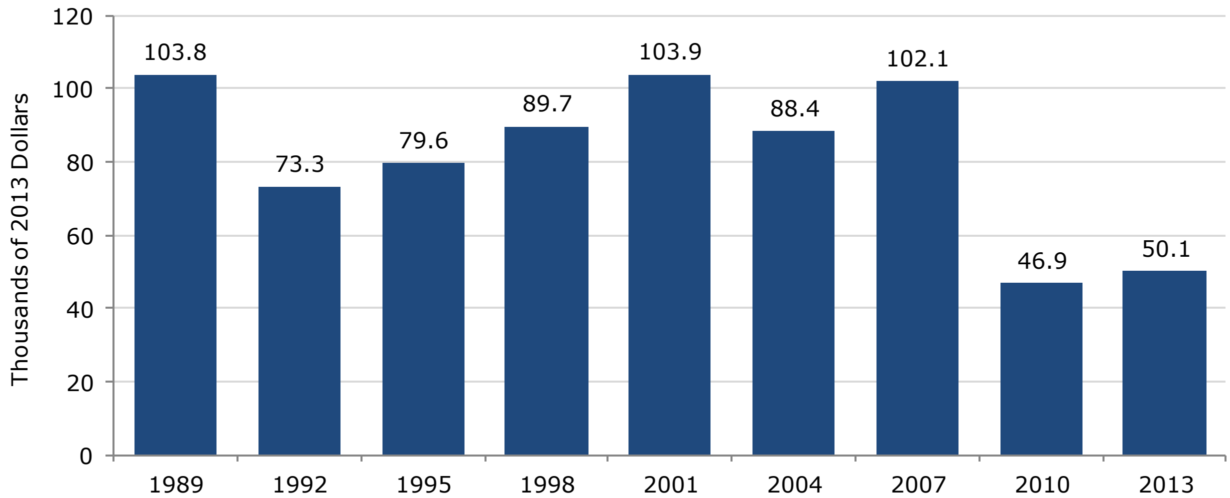
By contrast, the average net worth of those in the top 5 percent grew by nearly one quarter since 1989—from $5.0 million to $6.2 million.

Mid-Career Workers: 35-44

Median net worth for householders aged 35-44 grew slightly between 2010 and 2013—some 4 percent, from $45,400 to $47,100 in 2013. Over the longer run, the median fell 54 percent—the most rapid decline of any age group. The net worth for families in the middle quintile stood at just $50,100, compared with a peak $103,900 in 2001. The net worth of families in the second quintile averaged just $11,500 in 2013, down by more than two-thirds from the 1989 level of $34,600. The bottom quintile had *negative* net wealth of $20,700 in 2013, an improvement from negative net wealth of $27,800 in 2010, but considerably larger than the debt burden of $4,000 in 1989.

FIGURE 6A

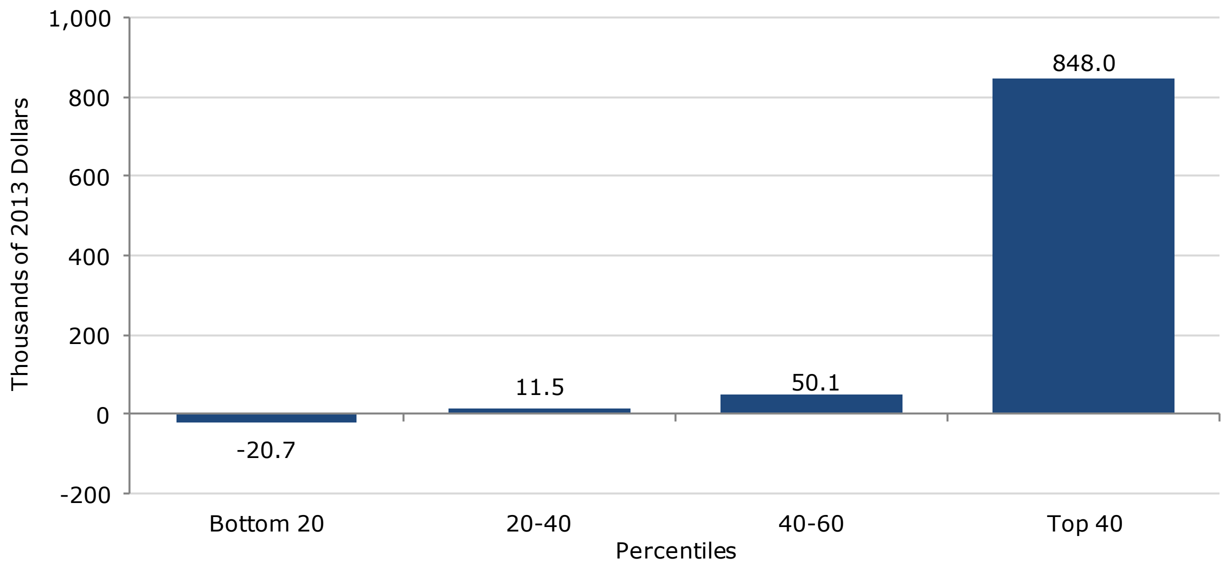
Average Net Worth of Middle Quintile in Each Year, Ages 35-44



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 6B

Average Net Worth of Each Quintile in 2013, Ages 35-44

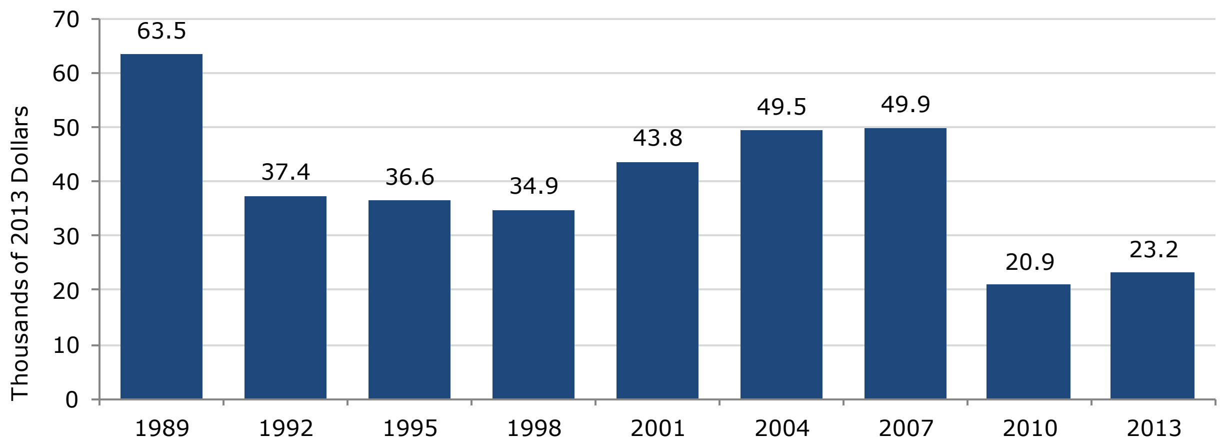


Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

Housing was the major factor in this loss of wealth. Average housing equity for the middle quintile was $23,200 in 2013, down from $49,900 in 2007 and $63,500 in 1989. The second quintile averaged just $900 in housing equity, compared with $13,900 in 1989. The bottom quintile averaged negative equity of $5,300 in 2013, a modest improvement from negative equity averaging $7,600 in 2010.

FIGURE 7A

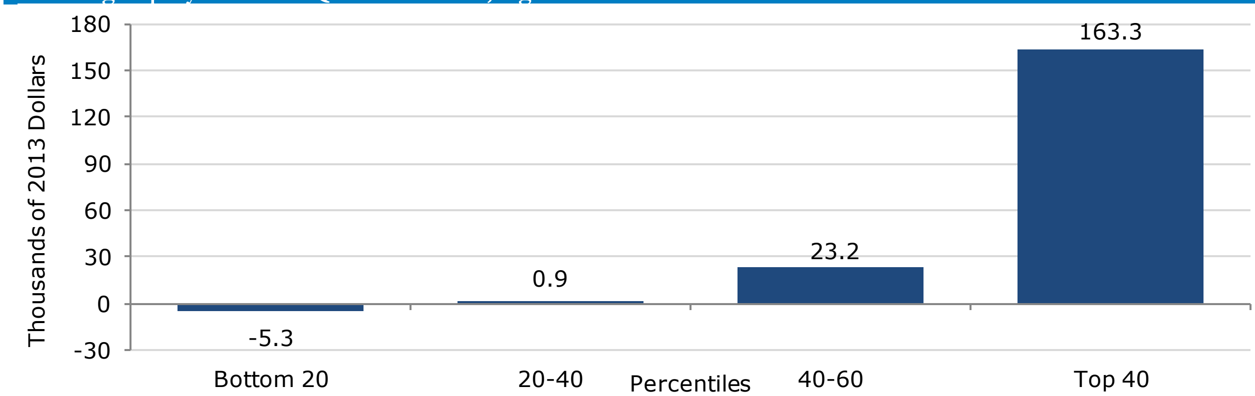
Housing Equity for Middle Quintile Each Year, Ages 35-44



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 7B

Housing Equity for Each Quintile in 2013, Ages 35-44



Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

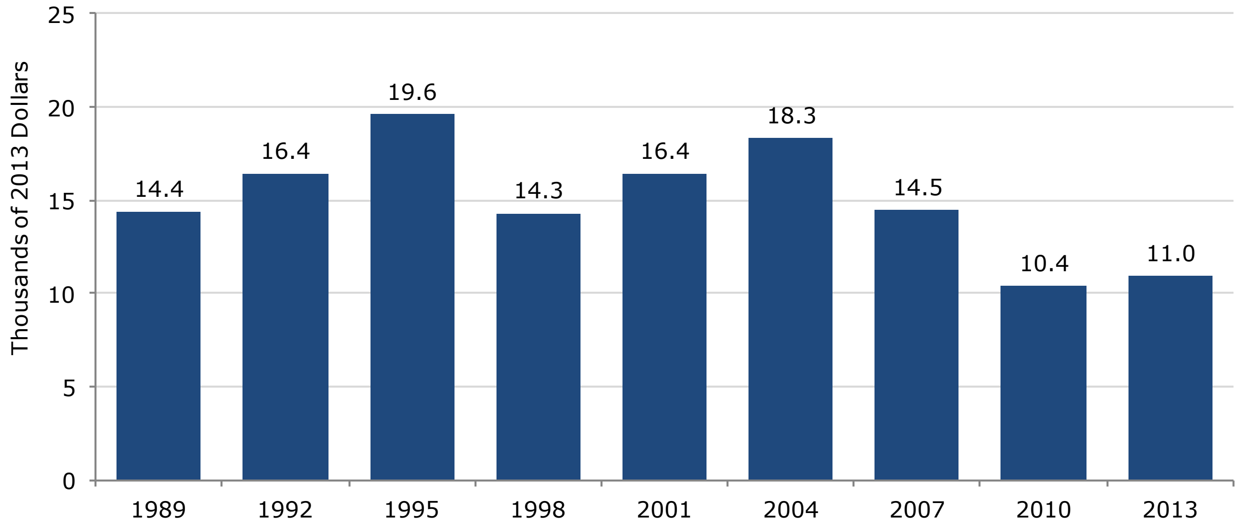
At the top, however, net worth rose 59 percent between 2010 and 2013 and 84 percent since 1989, to an average of $4.5 million. Home equity among the top 5 percent more than doubled, and other net wealth climbed 79 percent over the 24-year period.

Students and Young Workers: 18-34

The bottom three-fifths in wealth for this age group never had much wealth. In 1989, their net worth averaged only $3,300. By 2013, the bottom 60 percent averaged $7,700 in net *debt*. While the real value of their assets did rise by nearly 50 percent over those 24 years, average debt burdens more than doubled from $17,600 to $38,900. Chief among these debts were installment loans for education. Education debt among the bottom three-fifths averaged only $1,900 in 1989, compared to $16,300 in 2013.

FIGURE 8A

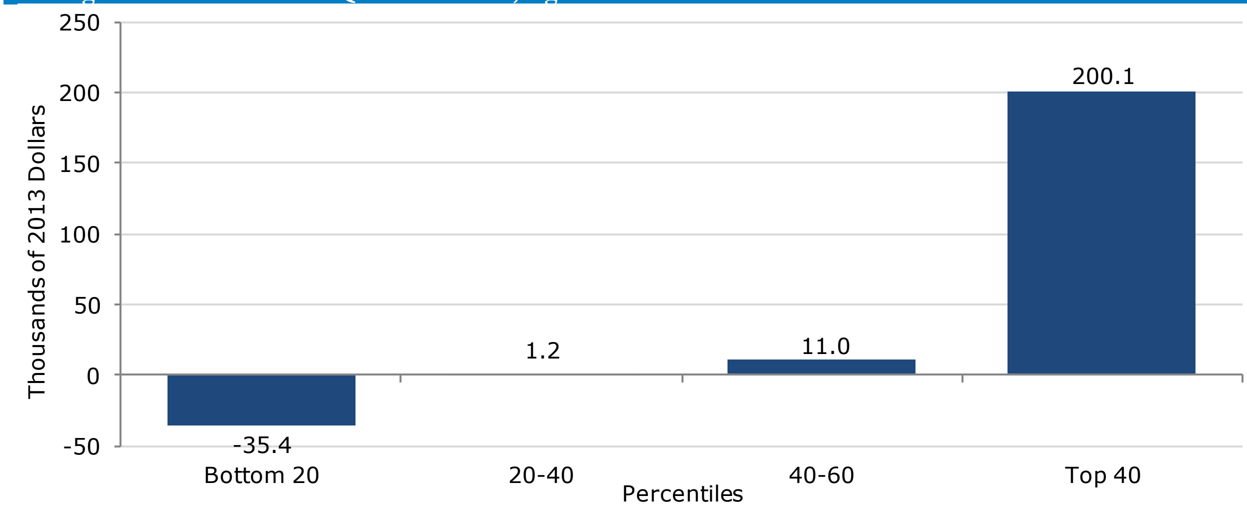
Average Net Worth of Middle Quintile in Each Year, Ages 18-34



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 8B

Average Net Worth of Each Quintile in 2013, Ages 18-34

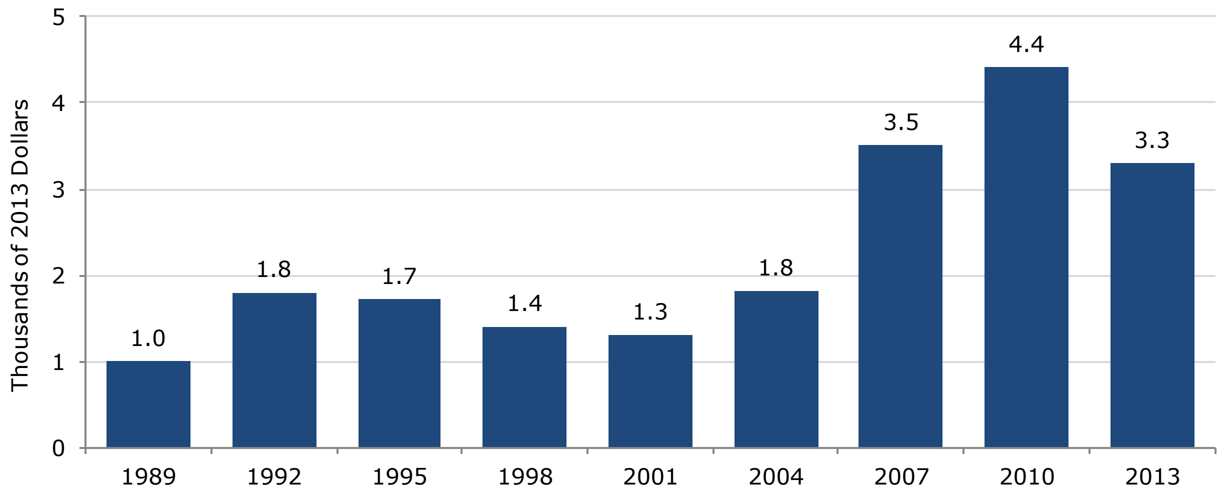


Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

Thus, the rise of student loans accounted for more than two-thirds of the increase in overall debt, and 130 percent of the fall in net worth. Obviously, those that took on large student debt were more likely to find themselves with relatively low net worth. It should be noted that the household heads in this group were hardly more educated than they were 24 years earlier, having 13.4 years of school, compared to 12.7 in 1989. Those in the 80^{th}-95^{th} percentiles of net worth in 2013 were more educated on average (14.5 years of school) and owed only $5,800 in student loans. This amounted to 27 percent of their non-mortgage debt, compared to 69 percent for the bottom 60 percent.

FIGURE 9A

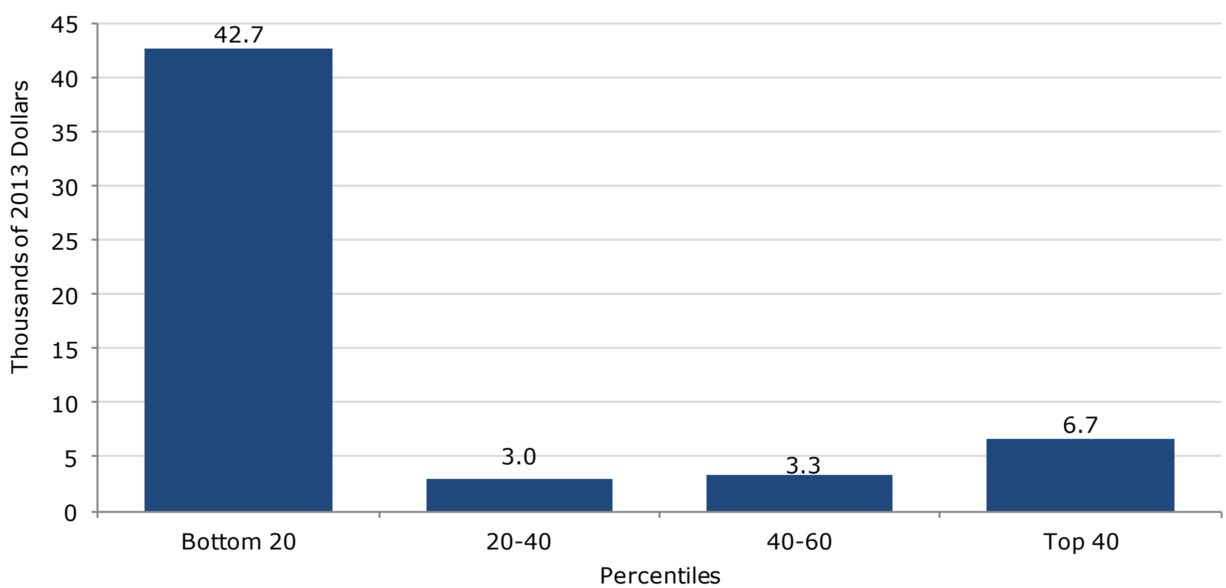
Average Student Debt of Middle Quintile in Each Year, Ages 18-34



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 9B

Average Student Debt of Each Quintile in 2013, Ages 18-34



Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

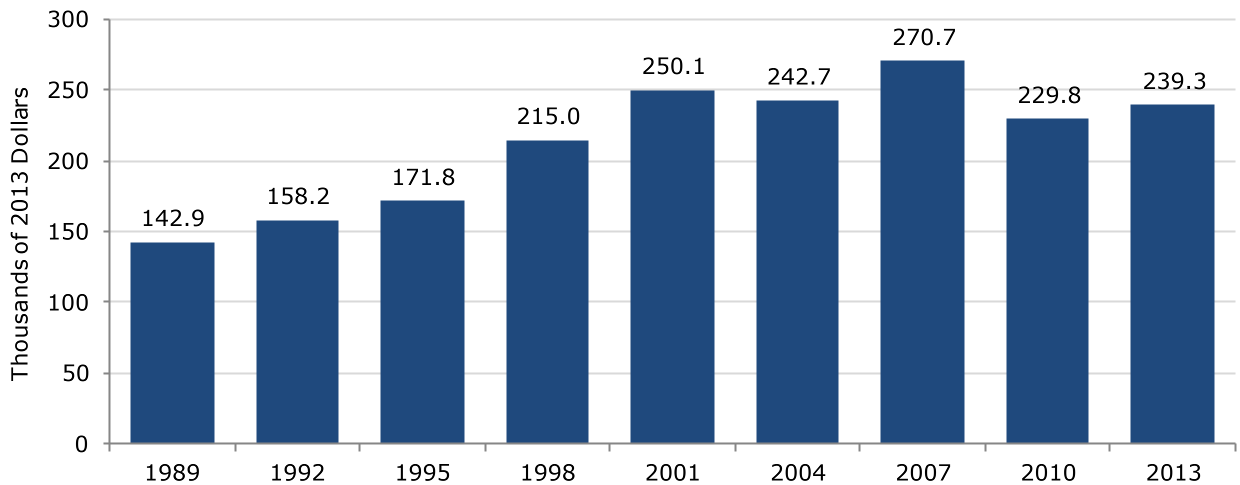
For the top 5 percent, net worth increased 9 percent between 2010 and 2013, following a precipitous decline between 2007 and 2010. Since 1989, the average net worth of the top 5 percent rose 3 percent—from $988,700 to $1.0 million in 2013. In large part, the recent decline in net wealth for this group was in housing. In six years, the average value of their primary residences fell by more than a quarter of a million dollars.

Recent Retirees: 65-74

Median net worth for recent retirees rose 5 percent between 2010 and 2013. Their net worth saw relatively steady gains over the last couple decades, with the median climbing 65 percent from 1989 to $232,100 in 2013.

FIGURE 10A

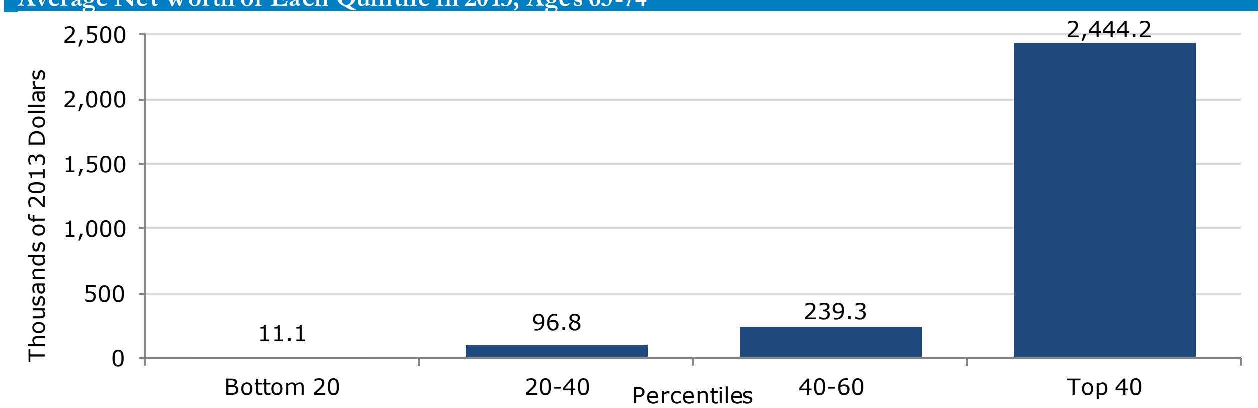
Average Net Worth of Middle Quintile in Each Year, Ages 65-74



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

FIGURE 10B

Average Net Worth of Each Quintile in 2013, Ages 65-74

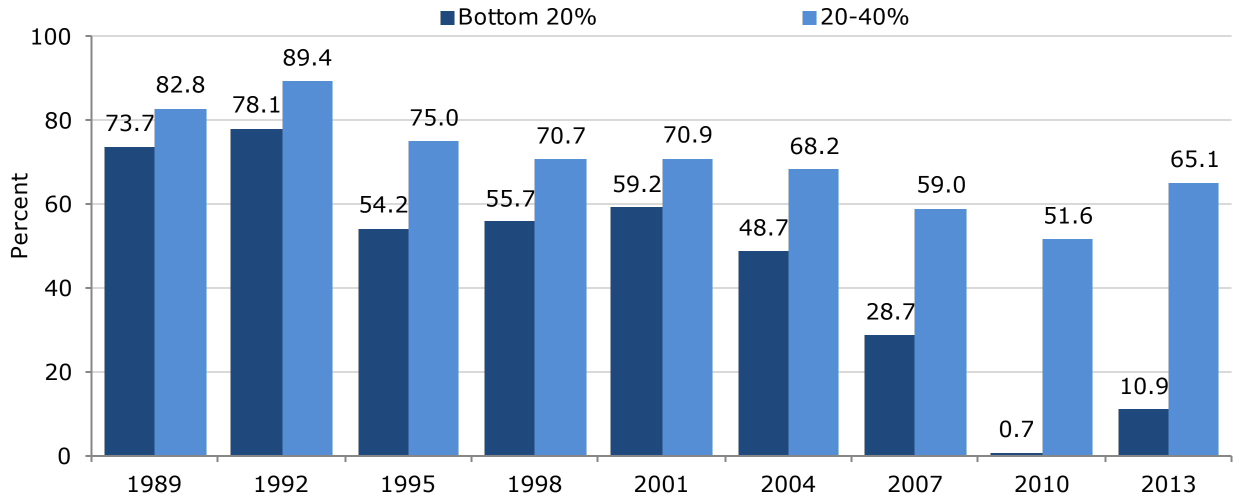


Source: Federal Reserve Survey of Consumer Finances (2013) and authors' calculations.

The rise in wealth over this period came in spite of the fact that this group saw a sharp drop in the share of equity in their homes. For families in the middle quintile the equity share fell from 96.7 percent in 1989 to 73.6 percent in 2013. The equity share for the second quintile fell from 82.8 percent to 65.1 percent. For the bottom quintile the equity stake for homeowners plummeted from 73.7 percent in 1989 to just 10.9 percent in 2013.

FIGURE 10C

Average Equity Stake for Bottom Two Quintiles in Each Year, Ages 65-74

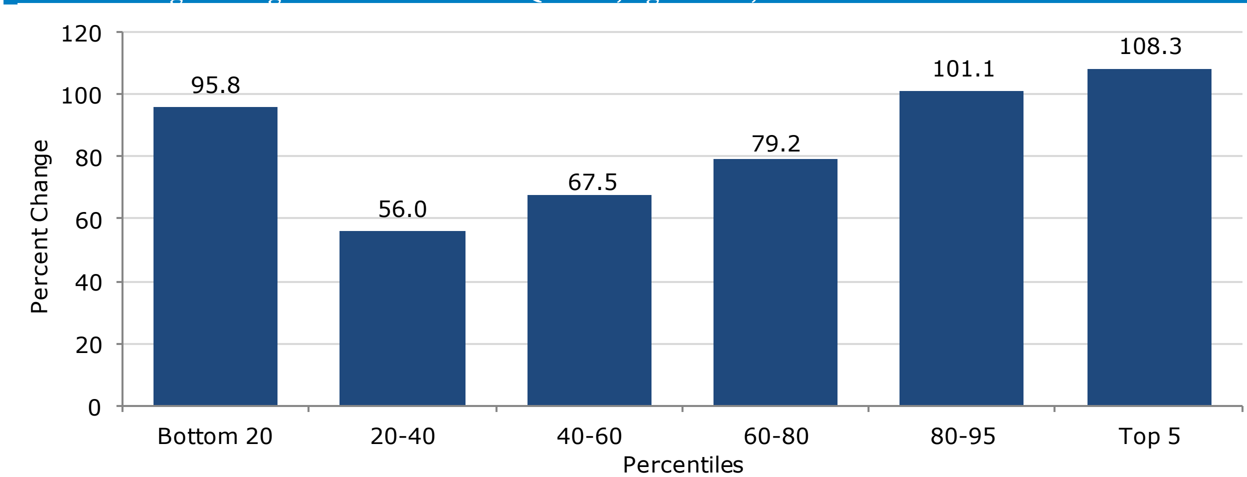


Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

Fortunately, private defined-benefit pension rates for these retirees were relatively high, and in 2013 half of recent retirees in the bottom 60 percent of net wealth had some such pension—the same portion as in 1989. Their average income in 2013 stood at $38,900. This amount included, but was not limited to, all private pensions, annuities, Social Security, and withdrawals from retirement accounts.

FIGURE 10D

Percent Change Average Net Worth of Each Quintile, Ages 65-74, 1989-2013



Source: Federal Reserve Survey of Consumer Finances (various years) and authors' calculations.

Even so, for the bottom fifth of households, only 38 percent had any private defined-benefit pension, they averaged $11,100 in net wealth, and only 46 percent owned their own home. Those who did had only 11 percent equity—so on average the bottom 20 percent still owed 95 percent of the value of their residences and yet received only $27,300 in income. It would be difficult to understate the importance of Social Security and Medicare to these households.

At the other end of the spectrum, the top 5 percent of households aged 65-74 averaged $11.8 million of net worth in 2013—up 20 percent since 2010 and largely reversing a 23 percent fall between 2007 and 2010. Since 1989, the net worth of the top twentieth was up 108 percent. These households had average annual income of $706,700, or about 6 percent of net worth. Since 1992, they saw income generally in the range of 5-6 percent of net worth. By contrast, households in the bottom 60 percent were more dependent on defined-benefit pensions and claimed income in the range of 30-35 percent of average net worth.

Conclusion

Consistent with other data, the 2013 SCF shows a picture of the economy where the bulk of the benefits are going to those at the top of the income distribution. The situation is perhaps most disturbing for near retirees, since there is little prospect that their wealth situation will appreciably improve before they reach retirement. This is a cohort that will be very heavily dependent on Social Security since most have little wealth outside of their homes, substantial debt still left on their mortgage, and no private defined benefit pension to provide additional support. The situation of older prime age workers (45-54) is not notably better, but there is a longer period in which an improving economy may brighten their outlook.

References

Federal Reserve Board. "Survey of Consumer Finances" Washington, DC: Federal Reserve. Accessed September 2014: http://www.federalreserve.gov/econresdata/scf/scfindex.htm