Net Worth and Financial Assets of Age Groups in 1984

by Daniel B. Radner*

This article examines the wealth of the aged and of other age groups using data from the 1984 Survey of Income and Program Participation and discusses what the inclusion of wealth adds to the assessment of economic status produced by using only income. The focus is on the wealth of the nonwealthy. Both net worth and financial assets (a component of net worth) are examined. Median net worth in 1984 was $32,600 for all households and $59,680 for aged households. Median net worth rose with age through the group aged 55-64, then fell. Median financial assets were only $2,600 for all households and $11,000 for aged households.

One important finding is the substantial dispersion in amounts of wealth present in the wealth distribution as a whole, within the aged group, and within age and marital status subgroups of the aged. Also, although wealth is correlated with income, substantial dispersion exists in amounts of wealth within income and age groups. Another important finding is that many aged (and other) households have little or no wealth. This situation is true within all age and marital status subgroups of the aged whose economic status was examined.

The results show that looking only at income does not capture a substantial part of the impact of wealth on economic status. It is necessary to examine both income and wealth to obtain a more comprehensive picture of economic status.

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The economic status of the aged and other age groups has been examined in detail by many researchers using data on income.[1] Wealth, however, is also a very important aspect of economic well-being. The wealth of subgroups of the aged has been analyzed using data from the Social Security Administration's (SSA's) Retirement History Study and the 1982 New Beneficiary Survey.[2] This article examines the wealth of the aged (65 or older) and other age groups using data from the 1984 Survey of Income and Program Participation (SIPP) and discusses what the examination of wealth can add to the assessment of economic status produced by using only income.

Several sources of data on the wealth of households of all age groups in the United States have become available in the last several years. This change from the data scarcity of the recent past presents a new opportunity for the examination of wealth as part of the analysis of economic well-being. Recent sources of data on the wealth of households include the 1984 SIPP,[3] the 1983 Survey of Consumer Finances,[4] and the 1984 Panel Study of Income Dynamics.[5] Data from the 1984 SIPP are used here primarily because the larger sample size in that survey permits analysis of subgroups of the aged. It is important to differentiate among subgroups of the aged (defined, for example, by age and marital status) because economic status can differ widely among those groups.

The analysis presented in this article focuses on the nonwealthy. Although a relatively small number of households has a large proportion of total wealth, nevertheless substantial wealth is held by the nonwealthy. Household survey data on wealth often are criticized for having poor estimates of the wealth of the wealthy, and the 1984 SIPP has been criticized in that regard. The consensus, however, is that the SIPP data for the nonwealthy are far better than for the wealthy and are sufficiently accurate for the analysis of economic status.[6]

Wealth is a very important component of economic well-being. Wealth is particularly important for the aged, who have had many years in which to accumulate wealth (although many aged persons have been unable to do so). In general, people tend to borrow when they are young and to accumulate wealth as they get older. Some aged persons draw down their assets as they age. Because differences in wealth by age are related to life-cycle differences, it is not obvious that a given amount of wealth means the same thing to an aged person and to a younger person. Although the interpretation of life-cycle differences will not be discussed in detail in this primarily descriptive article, the implications of these differences for comparisons

[1] See, for example, Susan Grad, "Incomes of the Aged and Nonaged, 1950-82," **Social Security Bulletin**, June 1984, pages 3-17, and Daniel B. Radner, "Money Incomes of Aged and Nonaged Family Units, 1967-84," **Social Security Bulletin**, August 1987, pages 9-28.

[2] See, for example, Joseph Friedman and Jane Sjogren, "Assets of the Elderly as They Retire," **Social Security Bulletin**, January 1981, pages 16-31, and Sally R. Sherman, "Assets of New Retired-Worker Beneficiaries: Findings From the New Beneficiary Survey," **Social Security Bulletin**, July 1985, pages 27-43.

[3] Bureau of the Census, **Household Wealth and Asset Ownership: 1984** (Current Population Reports, Series P-70, No. 7), U.S. Government Printing Office, Washington, DC, 1986.

[4] Robert B. Avery, Gregory E. Elliehausen, Glenn B. Conner, and Thomas A. Gustafson, "Survey of Consumer Finances, 1983," **Federal Reserve Bulletin**, September 1984, pages 679-692.

[5] Richard T. Curtin, F. Thomas Juster, and James N. Morgan, "Survey Estimates of Wealth: An Assessment of Quality," in **The Measurement of Saving, Investment, and Wealth** (Robert E. Lipsey and Helen Stone Tice, editors), National Bureau of Economic Research, University of Chicago Press (forthcoming). This paper also compares the wealth estimates from the 1984 SIPP, the 1983 Survey of Consumer Finances, and the 1984 Panel Study of Income Dynamics.

[6] **Ibid.**

among age groups should be kept in mind.

One of the most important findings emphasized in this article is the substantial amount of dispersion in amounts of wealth present in the wealth distribution as a whole and in virtually every subgroup examined. (The exception is very young age groups, in which there is little wealth.) Also, although wealth is highly correlated with income, substantial dispersion is seen in amounts of wealth within income and age groups. Thus, examining income alone does not fully capture differences in economic well-being.

A related important point is that many aged households have little or no wealth. This situation is true for the aged group as a whole and for all subgroups of the aged that were examined.

Both wealth and income have been taken into account by several researchers. Some researchers have converted the stock of wealth into a flow and added that flow to income.[7] Others have converted income flows into stocks of wealth and added those stocks to other wealth.[8] Neither of those approaches is used here. This article discusses the wealth of different income and age groups and examines a section of the joint distribution of income and wealth (the portion with relatively low income and relatively low wealth).[9]

When income and wealth are examined, it is important to specify the definitions of each carefully. If the ordinary definitions of income (cash income before taxes) and wealth (net worth, either excluding or including retirement assets) are used, then several income/asset types are included in both income and wealth. For example, interest on financial assets is included in income and the financial assets themselves are included in wealth. This is the approach used in this article. The emphasis here is on the description of the wealth of income groups, using ordinary definitions of income and wealth. For this descriptive purpose, definitions that include double counting are appropriate.

Both net worth and financial assets—a component of net worth—are examined in this article. Financial assets generally are considered to be more liquid than net worth as a whole. Net worth includes several asset types, such as home equity and motor vehicle equity, that are not very liquid.[10] Although financial assets as a whole are more liquid than net worth, it should be noted that the financial assets category contains some asset types, such as bonds, that are not very liquid. In this article, financial assets represent a more liquid component of net worth that is more readily available for consumption purposes.

Wealth of Age Groups

This section examines the distributions of net worth and financial assets and the composition of net worth of age groups. Within the aged group, marital status groups are also considered. The estimates used here are for households, and the households are classified by the age of the householder. Thus, aged persons who reside in households that have a nonaged householder are not included in the aged group.

Net Worth

The size distribution of net worth by age of the householder is shown in table 1. Median net worth is $32,600 for all households and $59,680 for aged households. Median net worth differs substantially among age groups, ranging from $2,160 for the group under age 25 to $72,460 for the group aged 55-64. The general pattern is very low median net worth for the two youngest groups, with the median rising through the group aged 55-64, then declining somewhat for the aged. The general pattern of increasing, then declining, median net worth as age

[7] See, for example, Burton A. Weisbrod and Lee W. Hansen, "An Income-Net Worth Approach to Measuring Economic Welfare," **American Economic Review**, December 1968, pages 1315-1329.

[8] See, for example, Michael Hurd and John B. Shoven, "Real Income and Wealth of the Elderly," **American Economic Review**, May 1982, pages 314-318.

[9] For earlier work on this subject that used data from the 1979 Income Survey Development Program, see Daniel B. Radner and Denton R. Vaughan, "Wealth, Income, and the Economic Status of Aged Households," in **International Comparisons of the Distribution of Household Wealth** (Edward N. Wolff, editor), Oxford University Press, 1987. Data from the 1984 SIPP were analyzed earlier by Daniel B. Radner, "The Wealth of the Aged and Nonaged, 1984," in **The Measurement of Saving, Investment, and Wealth** (Robert E. Lipsey and Helen Stone Tice, editors), National Bureau of Economic Research, University of Chicago Press (forthcoming). An earlier version of that paper was published as ORS Working Paper No. 36, Office of Research and Statistics, Office of Policy, Social Security Administration, January 1988.

[10] In recent years, however, home equity loans have become more readily available, thereby making home equity more liquid.

increases is similar to the pattern shown by other survey estimates of wealth.[11]

The median for the group aged 65 or older is slightly above the median for those aged 45-54 and 18 percent below the median for the group aged 55-64. The median for the group aged 75 or older ($54,620) is 12 percent below the median for those aged 65-74 ($62,060); as discussed below, this decline is associated with differences in the composition of age groups by marital status.[12]

It is useful to compare the pattern of median net worth by age with the pattern of median income by age. Median annual money income rises as age rises and reaches a peak in the group aged 45-54 ($28,570).[13] The median falls sharply to $12,250 for all aged households and to $9,940 for households of those aged 75 or older. This drop in median annual money income is far sharper than the drop in median net worth.

The different patterns of medians by age for net worth and income mean that ratios of net worth to income differ by age. Median net worth for all households is about 1.6 times median annualized income. In contrast, median net worth for aged households is almost five times median annualized income for the aged. For the group aged 75 or older the ratio is 5.5.

Substantial dispersion in amounts of net worth is also evident from the data presented in table 1. For all ages, 20 percent of households have net worth of $100,000 or more; 20 percent have $50,000-$99,999; 27 percent have $10,000-$49,999; and 32 percent have less than $10,000. The distributions for the groups aged 65 or older, 65-74, and 75 or older all show substantial dispersion. Those three distributions are quite similar: Roughly 30 percent of the households have net worth of $100,000 or more, about 40 percent have $25,000-$99,999, and about 30 percent have less than $25,000. It is clear that aged households have widely different amounts of net worth, even within age subgroups.

With the exception of the group under age 25, the nonaged groups also show substantial dispersion among net worth size groups. For example, even the group aged 25-34, which has a median net worth of only $8,100, shows almost 30 percent with $25,000 or more.

Financial Assets

As previously noted, net worth includes several important types of wealth that are not very liquid (such as equity in homes and motor vehicles). Those assets are not readily available for consumption. Financial assets (which include bank accounts of various types, money market accounts, and stocks and bonds), in contrast, are generally more liquid. Thus, financial assets, rather than net worth, sometimes are used in the analysis of economic well-being.

The distribution of financial assets by age is shown in table 2. This

[11] Age-wealth patterns were examined for several data sources in Daniel B. Radner, "The Wealth of the Aged and Nonaged, 1984," **op. cit.**

[12] The fact that median net worth is lower for the group aged 75 or older than for the group aged 55-64 does not necessarily mean that net worth declines for the same households as they age. These are cross-section estimates and differences in amounts of net worth among cohorts could produce such a pattern even if net worth for each cohort did not decline. For example, if each cohort has higher net worth than the previous cohort and each cohort has constant net worth as it ages, in a cross-section comparison net worth will decline as age increases.

[13] Bureau of the Census, **op. cit.**

Table 1.—Percentage distribution of households, by net worth and age of householder, 1984

Net worth	Age						Aged 65 or older		
	All ages	Under 25	25-34	35-44	45-54	55-64	Total	65-74	75 or older
Total number of households (in millions)	86.9	5.7	20.1	17.4	12.6	12.9	18.2	10.7	7.5
Total percent	100	100	100	100	100	100	100	100	100
Negative or $0	11	26	17	10	8	5	7	7	6
$1-$9,999	21	55	35	18	12	11	13	11	15
$10,000-$24,999	12	12	18	13	11	8	9	9	10
$25,000-$49,999	15	4	14	18	14	14	16	15	17
$50,000-$99,999	20	2	10	21	25	26	26	26	25
$100,000-$249,999	16	1	4	15	22	27	24	25	23
$250,000 or more	4	(1)	1	4	7	10	6	7	4
Median	$32,600	$2,160	$8,100	$35,500	$56,500	$72,460	$59,680	$62,060	$54,620

[1] Less than 0.5 percent.

distribution, of course, contains far lower amounts than the net worth distribution. The median amount of financial assets for all households is only $2,600, and the median amount for aged households is $11,000. (These medians are for all households in the age group, not just holders of financial assets.) The pattern of median financial assets by age is similar to the pattern for net worth. One difference, however, is that the group aged 65-74 has the highest median amount of financial assets ($11,900), whereas the group aged 55-64 has the highest median net worth.

The distributions of financial assets also show substantial dispersion. For example, in the group aged 65 or older, 23 percent of households had $50,000 or more in financial assets; 29 percent had $10,000-$49,999; 23 percent had $1,000-$9,999; and 25 percent had less than $1,000. The youngest age groups show less dispersion among the asset size classes used here. Those age groups have very few households with high amounts of financial assets.

The large numbers of households with low amounts of financial assets should be noted. For the all ages group, almost 70 percent of households had less than $10,000 in financial assets. Even for the aged (as a whole and for the groups aged 65-74 and 75 or older), about 50 percent had less than $10,000 in financial assets. Thus, many households have few liquid assets to use when large expenses occur.

Median financial assets are also low compared with median annualized income for nonaged households. For all households, the ratio of median financial assets to median annualized income is only 0.13. But for aged households, the ratio is 0.90, and for the group aged 75 or older the ratio is 1.02. (Net worth and financial assets for income groups are examined below.)

Composition of Net Worth

The relationship between net worth and financial assets can be seen in table 3, which shows the composition of net worth by age. In that table, composition is shown for all households by age group and for the middle quintile in the age group's distribution of net worth. The holdings of the very wealthy have a large impact on estimates for the entire age group; the estimates for the middle quintile are more representative of "typical" households in the age group and will be emphasized here.[14]

For the aged group as a whole, home equity and financial assets are roughly equal in importance (41-42 percent), with other assets (minus unsecured debt) far less important (17 percent). For aged households, other assets consist primarily of real estate other than own home. Almost three-fourths of aged households (73 percent) have home equity and 88 percent have financial assets. When specific asset types within the financial assets category are examined, it is found that 63 percent of aged households have savings accounts, 36 percent have certificates of deposit, and 21 percent have stocks or mutual funds (not shown).

When net worth of the middle quintile of the aged group is examined, home equity (61 percent) is almost twice as important as financial assets (31 percent). Those two types of assets account for 92 percent of the net worth of aged households in the middle net worth quintile. In that quintile, 87 percent have home equity and 96 percent

[14] Using the middle quintile also reduces the effects of problems with the estimates of the upper tail of the wealth distribution.

Table 2.—Percentage distribution of households, by financial assets and age of householder, 1984

Financial assets	Age						Aged 65 or older		
	All ages	Under 25	25-34	35-44	45-54	55-64	Total	65-74	75 or older
Total	100	100	100	100	100	100	100	100	100
$0	15	26	19	13	13	12	12	13	11
$1-$999	24	46	34	26	19	14	13	13	13
$1,000-$9,999	30	25	34	34	32	23	23	21	26
$10,000-$24,999	13	3	8	13	14	17	15	16	14
$25,000-$49,999	8	1	3	7	10	14	14	15	13
$50,000-$99,999	7	(1)	1	4	7	11	15	14	16
$100,000 or more	4	(1)	1	2	4	8	8	8	7
Median [2]	$2,600	$350	$800	$2,160	$4,150	$10,000	$11,000	$11,900	$10,100

[1] Less than 0.5 percent.
[2] For all households in the group.

have financial assets. Within the aged group, for the middle quintile, financial assets are relatively more important in the group aged 75 or older and home equity and other assets are slightly more important in the group aged 65-74. The percentage of households with home equity falls from 90 percent for those aged 65-74 to 84 percent for the group aged 75 or older. The slight fall in the share of home equity in net worth between the groups aged 65-74 and 75 or older is related to this difference.

Looking at the middle quintile, the groups aged 35-54 have the highest share for home equity (70-72 percent) and the lowest share for financial assets (14-16 percent). The groups under age 35 have very little net worth on average; other assets (primarily motor vehicle equity) are far more important in those age groups than in the groups aged 35 or older. Among age groups with significant amounts of net worth (35 or older), the aged show the highest share for financial assets and the lowest shares for home equity and other assets.

Wealth of Aged Households by Marital Status

An important classifier of aged households is the marital status of the householder. The marital status groups shown are (1) householder married with spouse present (termed "married" households here) and (2) all other households (termed "other" households). Widows constitute 63 percent of the other aged households. In general, the distributions for aged widows are similar to those shown for aged other households.

The size distribution of net worth by marital status and age of householder is shown for aged households in table 4. Two important results should be noted from the data in this table. First, substantial dispersion in amounts of net worth within each marital status and age group is seen. For example, 28 percent of other households in the age 65-74 group have net worth of less than $10,000; but, 20 percent have net worth of at least $100,000. Second, the overall median net worth of aged households ($59,680) hides a large difference by marital status. Median net worth for aged married households ($84,400) is about twice that of other aged households ($41,500). This approximately two-to-one relationship also holds within both the age 65-74 and age 75 or older groups.

It is interesting that the decline in median net worth from the age 65-74 group to the age 75 or older group shown in table 1 is associated with the shift in composition from married households to other households. The percentage of households that are married decreases from 51 percent in the group aged 65-74 to 32 percent in the group aged 75 or older. Median net worth of married households falls slightly between these two age groups, whereas median net worth of other households rises slightly.

Financial assets show a pattern similar to the pattern for net worth (table 5). Substantial dispersion is present within each marital status and age group. For example, 27 percent of other households in the group aged 75 or older have financial assets of less than $1,000, but 19 percent have at least $50,000. The differences in medians for marital status groups are even larger than for net worth. For financial assets, the median for

Table 3.—Percentage composition of net worth, by age of householder and type of asset, 1984

Age	Type of asset: Total	Home equity	Financial	Other	Mean net worth (in thousands)
	All net worth quintiles				
All ages	100	45	32	23	$69.3
Under 25	100	38	31	31	7.2
25-34	100	49	24	27	24.8
35-44	100	51	22	27	62.5
45-54	100	43	31	26	98.8
55-64	100	42	33	25	115.7
65 or older	100	42	41	17	91.0
65-74	100	41	41	18	99.6
75 or older	100	44	41	15	78.6
	Middle net worth quintile [1]				
All ages	100	67	20	13	$33.2
Under 25	100	3	32	65	2.2
25-34	100	36	29	35	8.6
35-44	100	70	16	14	35.6
45-54	100	72	14	14	57.2
55-64	100	65	23	12	72.7
65 or older	100	61	31	8	59.2
65-74	100	63	28	9	62.9
75 or older	100	61	35	4	54.2

[1] Defined within each age group.

aged married households is about three times the median for other aged households. The ratio is about 4 for the group aged 65-74, and it is about 2-1/2 for the group aged 75 or older.

For both married and other households, median amounts of financial assets rise between the groups aged 65-74 and 75 or older. Thus, the decline in median financial assets shown in table 2 between these two age groups is associated with the shift from married to other households previously mentioned.

The composition of net worth by marital status is shown for aged households in table 6. The table presents estimates for both the entire marital status group and the middle net worth quintile of the marital status group. For all net worth quintiles, home equity is less important in married households (39 percent) than in other households (48 percent). This difference is present despite the fact that more married households than other households have home equity (84 percent, compared with 64 percent). Other households that do have home equity have relatively high amounts of home equity on average. Married households show higher shares for financial assets (42 percent, compared with 39 percent) and other assets (19 percent, compared with 13 percent) than other households. For both groups, the other asset category is dominated by real estate other than own home.

When the middle net worth quintile of each group is examined, the differences between married and other households are in the same direction, but smaller. Home equity accounts for 57 percent of net worth for married households and 62 percent for other households. More married households than other households had home equity (92 percent, compared with 82 percent). For both groups, the share of home equity in net worth and the percentage of households having home equity are higher in the middle net worth quintile than for the group as a whole.

Table 4.—Percentage distribution of aged households, by net worth, and age and marital status of householder 1984

Net worth	Age and marital status					
	65 or older		65-74		75 or older	
	Married	Other	Married	Other	Married	Other
Total number of households (in millions)	7.9	10.3	5.5	5.2	2.4	5.1
Total percent	100	100	100	100	100	100
Negative or $0	2	10	2	12	3	8
$1-$9,999	7	17	7	16	8	18
$10,000-$24,999	7	11	7	11	6	11
$25,000-$49,999	13	17	13	16	13	18
$50,000-$99,999	27	25	27	26	28	24
$100,000-$249,999	32	18	32	17	33	18
$250,000 or more	10	3	11	3	8	2
Median	$84,400	$41,500	$85,420	$40,780	$83,400	$42,710

Table 5.—Percentage distribution of aged households, by financial assets and age and marital status of householder, 1984

Financial assets	Age and marital status					
	65 or older		65-74		75 or older	
	Married	Other	Married	Other	Married	Other
Total percent	100	100	100	100	100	100
$0	8	15	8	17	7	13
$1-$999	9	16	9	17	10	14
$1,000-$9,999	22	24	22	21	22	28
$10,000-$24,999	15	15	15	16	14	14
$25,000-$49,999	16	13	17	13	15	12
$50,000-$99,999	18	12	17	11	21	14
$100,000 or more	12	5	12	4	12	5
Median [1]	$20,600	$6,770	$20,100	$5,100	$21,340	$8,000

[1] For all households in the group.

Wealth, Age, and Income

Although economic well-being is usually examined using income, considering wealth as well as income can add significantly to an understanding of economic well-being. This section discusses the size of wealth and the relationship between wealth and income amounts by income and age groups. It will be seen that looking at money income alone omits important effects of wealth holdings on economic well-being.

The income amounts used are 4-month amounts that have been annualized. The income quintiles are based on income amounts that have been adjusted for household size and age using an equivalence scale derived from the U.S. poverty thresholds. This step adjusted for differences in need among households of different size and/or age. (See the Technical Note on page 14 for an explanation of the adjustments.)

Median Wealth by Age and Income

Median net worth by age and adjusted income quintile is shown in table 7. The positive correlation between net worth and income is evident. In each age group, median net worth rises strongly as income rises. Median net worth is quite low ($13,400) for the bottom income quintile of the aged. The groups under age 55 have even lower medians for the bottom income quintile—less than $8,000. In contrast, medians exceed $100,000 for the top income quintile in every age group aged 45 or older. The median for the aged group in that quintile ($153,400) is higher than the median for any age group except those aged 55-64.

Median financial assets by age and adjusted income quintile are shown in table 8. The amounts shown are far below the amounts shown for net worth in table 7. For the bottom income quintile for each age group, the median is less than $1,000; for the second quintile, each median is less than $5,000. Only the groups aged 55 or older in the top income quintile have median financial assets of more than $30,000. Within each age group, median financial assets rise as income rises. Also, for each age group, the ratio of median financial assets to median annualized income (not shown) rises as income rises—that is, median financial assets rise faster than median income.

Ratio of Financial Assets to Income

The relationship between wealth and income can also be examined using the ratio of wealth to income for each household. In this section, the emphasis is on relatively liquid types of wealth. Therefore, financial assets, rather than net worth, are shown. The patterns for net worth are similar to those for financial assets, although the net worth ratios are much higher.

Table 9 shows the distribution of the ratio of financial assets to annualized income by the age of the householder. Substantial dispersion is present for most age groups. The youngest groups, in which most ratios are quite low, are exceptions. For example, 81 percent of the group under age 25 has a ratio of under 0.1. Aged households show a great deal of dispersion in the ratio: 25 percent have a ratio of less than 0.1; 33 percent have a ratio of at least 2.0. The ratios for those aged 75 or

Table 6.—Percentage composition of net worth of aged[1] households, by marital status of householder and type of asset

Marital status	Type of asset: Total	Home equity	Financial	Other	Mean net worth (in thousands)
	All net worth quintiles				
Total	100	42	41	17	$91.0
Married	100	39	42	19	127.3
Other	100	48	39	13	63.2
	Middle net worth quintile[2]				
Total	100	61	31	8	$59.2
Married	100	57	33	10	85.2
Other	100	62	32	6	42.4

[1] Aged 65 or older.
[2] Defined within each marital status group for aged households.

Table 7.—Median net worth, by age of householder and adjusted income quintile,[1] 1984

[Amounts in thousands]

Age	Income quintile: 1	2	3	4	5
All ages	$3.3	$20.9	$33.2	$47.8	$88.1
Under 25	0	1.3	2.5	3.8	5.0
25-34	.6	5.3	8.8	12.5	25.4
35-44	5.0	24.1	38.0	45.2	78.5
45-54	7.9	38.8	58.0	71.9	115.0
55-64	20.0	54.1	67.6	89.1	163.7
65 or older	13.4	31.2	61.2	82.5	153.4
65-74	8.7	40.7	63.9	85.5	164.1
75 or older	16.7	25.2	56.6	79.0	143.6

[1] Income quintiles based on income adjusted for household size and defined within age groups.

older tend to be slightly higher than for the group aged 65-74, but in both detailed age groups substantial dispersion is present.

One way of looking at the ratio of financial assets to annualized income is to examine the percentage of households that have financial assets greater than (or less than) a given number of months of their income. For example, households with a ratio of less than 0.5 have financial assets that are equal to less than 6 months of their income, and households with a ratio of 1.0 or greater have financial assets that are equal to at least 12 months of their income. A look at the data for aged households shows that 41 percent have financial assets that cover less than 6 months of their income, and 48 percent have financial assets that cover at least 12 months. The percentages for the group aged 75 or older are 39 percent and 52 percent, respectively, and the percentages for the group aged 65-74 are 43 percent and 46 percent, respectively. In contrast, 95 percent of the group under age 25 and 91 percent of those aged 25-34 have financial assets that cover less than 6 months of their income.

The ratio of financial assets to annualized income differs greatly by adjusted income quintile for aged households (table 10). In the bottom income quintile, 53 percent of the households had a ratio under 0.1; in the top income quintile, only 7 percent had a ratio that low. At the other end of the distribution, 48 percent of the top income quintile had a ratio of at least 2.0, but only 13 percent of the bottom income quintile had a ratio that high. Despite these differences, a great deal of dispersion exists in these ratios within each income quintile.

The ratios in table 10 can also be used to convert amounts of financial assets into months of income. Of those in the bottom income quintile, 71 percent have financial assets that cover less than 6 months of their income; that figure falls to 20 percent in the top income quintile. In contrast, 71 percent of the households in the top income quintile have financial assets that cover at least 12 months of their income; only 22 percent of those in the bottom income quintile have at least that much in such assets.

The median ratio of financial assets to annualized income is an indicator of the general level of the ratio. (The substantial amount of

Table 8.—Median financial assets, by age of householder and adjusted income quintile,[1] 1984

[Amounts in thousands]

Age	Income quintile 1	2	3	4	5
All ages	$0.0	$1.0	$2.5	$4.8	$16.8
Under 25	0	.1	.3	.6	1.4
25-34	0	.3	.9	1.7	5.3
35-44	.1	.8	2.2	4.3	12.8
45-54	0	1.7	4.0	7.4	24.5
55-64	.1	4.0	10.0	18.2	46.5
65 or older	.4	3.2	15.3	24.2	63.9
65-74	.1	4.0	12.5	25.5	64.4
75 or older	.6	2.7	13.0	30.0	63.0

[1] Income quintiles based on income adjusted for household size and defined within age groups.

Table 9.—Percentage distribution of households, by ratio of financial assets to annualized income and by age of householder, 1984

Age	Total	Ratio: Less than 0.1	0.1-0.3	0.3-0.5	0.5-1.0	1.0-2.0	2.0 or more	Zero financial assets
All ages	100	33	16	7	9	8	11	15
Under 25	[1] 99	55	11	3	3	1	1	26
25-34	[1] 99	48	18	6	4	2	2	19
35-44	100	41	19	9	9	5	3	13
45-54	100	32	19	9	12	7	6	13
55-64	100	21	13	10	14	13	17	12
65 or older	100	13	10	6	10	15	33	12
65-74	100	14	10	6	11	16	30	13
75 or older	100	12	10	6	10	15	37	11

[1] A few households with zero or negative income are not shown.

Table 10.—Percentage distribution of households aged 65 or older, by the ratio of financial assets to annualized income and by adjusted income quintile, [1] 1984

Income quintile	Ratio							
	Total	Less than 0.1	0.1-0.3	0.3-0.5	0.5-1.0	1.0-2.0	2.0 or more	Zero financial assets
1	[2] 99	18	12	6	6	9	13	35
2	100	18	11	7	11	12	26	16
3	100	13	10	6	10	16	39	6
4	100	11	10	7	14	17	39	3
5	100	6	7	6	11	23	48	1

[1] Income quintiles based on income adjusted for household size and defined within the age group.
[2] A few households with zero or negative income are not shown.

dispersion around the median should be kept in mind.) Table 11 shows these medians by income quintile for married and other households within the groups aged 65 or older, 65-74, and 75 or older. For the aged group as a whole, the median ratio rises as income rises, from 0.08 for the bottom income quintile to 1.87 for the top income quintile. The median ratios for the third and fourth quintiles, however, are almost the same. For the group aged 65-74, in every quintile the median ratios rise as income rises. For the group aged 75 or older, however, the median ratio for the fourth quintile is below the median ratio for the third quintile.

Table 11.—Median ratio of financial assets to annualized income for households, by income quintile [1] and age and marital status of householder, 1984

Age and marital status	Income quintile					
	Total	1	2	3	4	5
65 or older	0.89	0.08	0.44	1.21	1.22	1.87
Married	1.08	.06	.34	.93	1.19	1.79
Other	.73	.08	.50	1.67	1.35	1.97
65-74	.76	.01	.27	.92	1.05	1.64
Married	.98	.03	.27	.76	1.03	1.57
Other	.52	.01	.30	1.13	1.07	1.73
75 or older	1.05	.17	.69	2.18	1.93	2.25
Married	1.31	.11	.56	1.67	2.11	2.25
Other	.98	.17	.75	2.56	1.87	2.22

[1] Income quintiles based on income adjusted for household size and defined using all aged households.

For each of the three age groups shown, the total median ratio for married households is above that for other households. For example, for the group aged 65 or older, the median ratio is 1.08 for married households and 0.73 for other households. But within income quintiles and age groups, the median ratio for other households generally (but not always) exceeds the median ratio for married households. This apparent contradiction can be explained by the fact that other households generally have lower incomes than married households, and the median ratios rise sharply as income rises.

For each income quintile in each marital status group, the median ratio for the group aged 75 or older exceeds the median ratio for the age 65-74 group. For all income quintiles combined, married households have a median ratio of 1.31 in the group aged 75 or older and 0.98 in the age 65-74 group. The median ratios for other households are 0.98 and 0.52, respectively.

The median ratios of financial assets to annualized income can also be put in terms of months of income (although the strict interpretation is less straightforward than in the other cases). The median ratio for all households represents 10.7 months of their income. The ratio for married households represents 13.0 months of their income, and the ratio for other households represent 8.8 months of their income. The bottom income quintile of aged households has a median ratio that represents only 1 month of income (despite the very low income amounts in that quintile).

Low Income and Low Wealth

One way of taking account of both income and wealth is to examine the characteristics of households in a specific portion of the joint distribution of income and wealth that is of particular interest. The section of the joint distribution considered here consists of households with relatively low income and relatively low wealth. Relatively low income is defined as the bottom quintile of the income distribution for all ages, after adjustment for size of household, and relatively low wealth is defined as the bottom two quintiles of the wealth distribution for all ages, after adjustment for size of household. Income is defined as money income before taxes. Both net worth and financial assets are used as definitions of wealth.

The wealth cutoff uses the bottom two quintiles of the wealth distribution instead of the bottom quintile because the amounts in both quintiles are quite small. The bottom quintile of net worth consists of amounts of $1,432 or less (adjusted for size of household); the second quintile consists of amounts from $1,432 to $11,785 (adjusted for size of household). The corresponding upper limits for financial assets are $50 and $756, respectively. The upper limit of the bottom quintile of annualized income (adjusted for size of household) is $7,212. The net worth cutoff is 55 percent of median net worth (adjusted for household size), and the financial assets cutoff is 43 percent of median financial assets. The income cutoff is 49 percent of median income.[15]

[15] When half the median was used as the cutoff for both wealth and income, the results were very close to the results shown here.

The percentage of households in each age group with low income and low wealth is shown in table 12. When net worth is examined, 13.2 percent of all households had low income and low net worth. The percentages ranged from 8.3 percent for the group aged 55-64 to 24.6 percent for the group under age 25. In general, the pattern is high percentages at young and old ages, with lower percentages at ages in between. The percentage for aged households, 13.4 percent, was about the same as for all households, but was higher than the percentage for each of the age groups in the 35-64 age range. Households in the group aged 75 or older had a higher percentage (15.3 percent) than those aged 65-74 (12.0 percent).

Table 12.—Percent of households with low income and low wealth and households with low income and low financial assets, by age of householder, 1984

Age	Households with low—	
	Income and net worth [1]	Income and financial assets [2]
All ages	13.2	14.7
Under 25	24.6	23.4
25-34	16.7	16.9
35-44	11.8	13.6
45-54	9.2	11.2
55-64	8.3	11.9
65 or older	13.4	14.8
65-74	12.0	14.1
75 or older	15.3	15.8

[1] Low income is defined as the bottom income quintile for all ages and low net worth is defined as the bottom two net worth quintiles for all ages, in both cases after adjustment for size of household.

[2] Low income is defined as the bottom income quintile for all ages and low financial assets is defined as the bottom two financial asset quintiles for all ages, in both cases after adjustment for size of household.

The percentages for aged households show that, despite high median net worth compared with most other age groups, a substantial percentage of aged households has low income and low net worth. This substantial percentage results primarily from the high percentage of aged households in the bottom income quintile. The bottom income quintile contains 28 percent of aged households; 48 percent of those households had low net worth. For households aged 75 or older, 35 percent were in the bottom income quintile; 44 percent of those households had low net worth. In contrast, in the group under age 25, 26 percent of the households were in the bottom income quintile; but, 94 percent of those had low net worth.

The percentage of aged households with low income and low net worth differed greatly by marital status. Only 5.3 percent of married aged households had low income and low net worth (not shown). In contrast, 19.6 percent of other aged households were in that category. This large difference was present in both the groups aged 65-74 and 75 or older.

The results for low income and low financial assets show a less pronounced relationship to age, although the general pattern is similar to the pattern found for net worth. The percentage for all households is slightly higher for financial assets than for net worth (14.7 percent). The range for financial assets is smaller, from 11.2 percent for the group aged 45-54 to 23.4 percent for the group under age 25. For aged households, 14.8 percent have low income and low financial assets; this percentage is slightly above the percentage found when net worth was used. Thus, in the bottom income quintile, the proportion of aged households with low financial assets (53 percent) is slightly higher than the proportion with low net worth. Aged households have higher median financial assets than net worth relative to other age groups. Despite this, the percentage of aged households with low income and low financial assets is higher than for most other age groups.

As in the case of net worth, married and other aged households differed greatly when financial assets were examined. Only 6.6 percent of married aged households had low income and low financial assets. Other aged households, however, showed 21.1 percent with low income and low financial assets.

This examination of a section of the joint distribution of income and wealth has shown that, despite the relatively high median amounts of wealth held by the aged, the proportion of aged households with both low income and low wealth is not relatively low. This situation is particularly true for other aged households. The relatively high percentage of aged households in the bottom income quintile is an important factor.

Conclusion

Wealth is an important aspect of economic status that can be examined using recently available data from the 1984 Survey of Income and Program Participation. This article focused on the wealth of the nonwealthy and examined wealth of age groups and of age and income groups.

One important finding is the substantial amount of dispersion present in the wealth distribution as a whole and in virtually every subgroup examined. Also, although wealth is highly correlated with income, substantial dispersion is found in amounts of wealth within income and age groups.

A second important finding is that many aged households have little or no wealth. This situation is true for the aged group as a whole and for all subgroups of the aged whose economic status was examined.

The estimates here have shown that median net worth is $32,600 for all households and $59,680 for aged households (unadjusted for size of household). Median net worth rises with age through the group aged 55-64, then falls. Median financial assets are only $2,600 for all households and $11,000 for aged households.

The distributions of both net worth and financial assets show substantial dispersion for all ages and within age groups. Aged households have substantial dispersion in amounts of net worth and financial assets, even within detailed age groups.

For all aged households, home equity and financial assets are roughly equal in importance. But when the middle quintile of the net worth distribution for aged households is examined, home equity is almost twice as important as financial assets.

When aged households are grouped and analyzed by marital status and age, substantial dispersion is still present within each group. Median net worth for aged married households is about twice that of other aged households. For financial assets, the median net worth for aged married households is about three times the median for other aged households.

Median net worth and median financial assets rise as income rises within each age group. Median net worth is low in the bottom income quintile of each age group. For the bottom income quintile, median financial assets are less than $1,000 in each age group.

Substantial dispersion is present in the ratio of financial assets to annualized income for all age groups except the youngest. A great deal of dispersion is found in these ratios within income quintiles of aged households. Among aged households, 41 percent have financial assets equal to less than 6 months of their income.

The median ratio of financial assets to annualized income for aged households rises as income rises. Within income quintiles and detailed aged age groups, the median ratio for married households is usually lower than the median ratio for other households. Median ratios generally are higher in the group aged 75 or older than in the age 65-74 group.

The percentage of aged households with relatively low income and relatively low wealth was higher than the percentage for each of the age groups in the 35-64 age range, using either net worth or financial assets. Despite the relatively high median amounts of wealth held by the aged, the percentage of aged households with both low income and low wealth is not relatively low.

The estimates presented here have shown great dispersion in the amounts of wealth within age groups and within age and marital status groups among the aged. Ratios of financial assets to money income also show substantial dispersion within age and income groups. Thus, looking only at income does not capture a substantial part of the impact of wealth on economic status. It is necessary to examine both income and wealth to obtain a more comprehensive picture of economic status.

Technical Note

Survey of Income and Program Participation

In interviews conducted September-December 1984, the Bureau of the Census' 1984 Survey of Income and Program Participation (SIPP) collected information on wealth, income, and socioeconomic characteristics of households. The reference date for amounts of assets and liabilties was the last day of the month preceding the interview. A probability sample that represented the U.S. household population was used; there was no oversampling of high-income or high-wealth units. The estimates shown in the article are for households; persons in group quarters are excluded. The estimates are based on information for about 18,700 households. Households are classified by age according to age of the householder, the person (or one of the persons) in whose name the residence is owned or rented. There were more than 3,900 households classified as aged and almost 1,600 households aged 75 or older in the sample.

Data on wealth obtained in household surveys are usually considered to be of limited accuracy. Most information about the accuracy of the SIPP wealth data is in the form of comparisons between SIPP aggregates and aggregates from other data sources that presumably are more accurate. The Bureau of the Census has compared aggregates from the 1984 SIPP with aggregates from Federal Reserve Board (FRB) balance sheet data. They found that home equity was overstated in the SIPP by 30 percent (although some analysts think that the FRB aggregate is too low), and that motor vehicle equity was overstated by 43 percent. However, equity in business and rental property and financial assets were understated by about 25 percent. Unsecured debt was underestimated by about 35 percent. It should be noted that some evidence shows that estimates for the nonwealthy, which are emphasized in this article, are somewhat more accurate than estimates for the wealthy. Although comparisons between survey wealth aggregates and aggregates from other data sources are usually considered to be difficult to make and subject to substantial error, the pattern shown for SIPP suggests that small differences should be interpreted with caution.

Nonresponse rates for asset amounts are high in the SIPP. For example, the market value of stock and mutual fund shares had a nonresponse rate of 41 percent; the nonresponse rate for amount in checking accounts was 13 percent. Missing values were assigned by the Census Bureau, primarily by using amounts reported by respondents having similar socioeconomic characteristics. It should be noted that nonreponse rates for asset ownership (as opposed to amounts) were very low; the highest rate shown by the Census Bureau was 2.2 percent for certificates of deposit.

Definition of Wealth

The net worth concept is defined here as wealth minus unsecured debt. Wealth consists of equity (market value minus secured debt) in owner-occupied homes; motor vehicles; business, professional practice, or farm; rental property, vacation homes, and other real estate; and financial assets. The financial assets category includes passbook savings accounts, money market deposit accounts, certificates of deposit, interest-earning checking accounts, money market funds, U.S. Government securities, municipal or corporate bonds, stocks and mutual fund shares, U.S. savings bonds, Individual Retirement Accounts (IRA's) and Keogh plans, regular checking accounts, mortgages held for sale of real estate, amount due from sale of business or property, other interest-earning assets, and other financial assets. Social Security wealth and pension wealth are not included in the wealth estimates.

Unsecured debt includes credit card and store bills; doctor, dentist, hospital, and nursing home bills; loans from financial institutions and individuals; and education loans.

Although the value of household durable goods is not included in wealth (because that information was not obtained in the SIPP), debt incurred to purchase those items is included in unsecured debt.

Definition of Income

The income estimates are 4-month amounts that have been put on an annual basis (by multiplying the 4-month amounts by three). The income concept is money income before taxes or other deductions. Income types include wages and salaries, nonfarm and farm self-employment (both measured as the salary or other income received from the business by the owner, rather than as net profit), interest, dividends, rent, Social Security and railroad retirement benefits, Supplemental Security Income payments, unemployment compensation, veterans' benefits, workers' compensaton, Aid to Families with Dependent Children (AFDC), government and private pensions, alimony, income from estates and trusts, and other income types. Lump-sum and one-time payments, such as inheritances or insurance settlements, are included. Capital gains or losses are excluded, as are accrued interest on IRA's, Keogh plans, and U.S. savings bonds.

Adjustment for Household Size

For some purposes, income amounts have been adjusted to take into account differential need associated with differences in household size and age of householder. In the case of the estimates of low income and low wealth, amounts of wealth were also adjusted. In making the adjustment, each household's income or wealth was divided by the appropriate scale value from an equivalence scale based on the scale implicit in the U.S. poverty thresholds. A one-person household (all ages) was used as the base for the scale. The scale values used were: one person (under age 65), 1.023; one person (aged 65 or older), 0.943; two persons (under age 65), 1.323; two persons (aged 65 or older), 1.190; three persons, 1.568; four persons, 2.010; five persons, 2.381; six persons, 2.692; seven persons, 3.050; eight persons, 3.403; and nine persons or more, 4.026.