

Trends in Household Wealth Dynamics 1999–2001

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Executive summary.

Analysis of the PSID wealth data for the 1999-2001 period shows that between 1999 and 2001 total net worth increased modestly for the population overall, and for whites and African -Americans separately. That is, as of 2001, the rise in home equity was about enough to offset the declining value of family businesses. And as of 2001, the big impact of the declining stock market had not set in. For African -American families, median household wealth remained very low. For both African -Americans and whites, those who gained the most were those with a college degree or more.

1. Methodological note

The tables reported here describe household wealth holdings in 1999 and 2001 based on PSID wealth data¹. The calculations use weighted cross-sectional samples of PSID families in 1999 and 2001. The 1999 sample consists of 6997 families. The 2001 sample contains 7406 families. All nominal values are adjusted for inflation and reported in 2001 dollars.

2. Results

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

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race groups. Distribution percentiles for household net worth, financial wealth and home equity in 1999 and 2001 are given in Table 6.

2.1 Net worth

As Table 1 shows, the mean and median value of per family net worth (including home equity) increased from \$219,000 in 1999 to \$248,900 in 2001, while the corresponding median value changed from \$53,100 to \$63,000. As indicated in Tables 2-3, both African -Americans and white families benefited from the rise in the net wealth. However, the mean and median wealth for African -American families (\$59,100 and \$7,500 respectively) still remained disappointingly low when compared to that of white families (\$291,800 and \$95,000 respectively).

2.2 Home equity

Our analysis shows that home ownership rates rose slightly from 67.1% to 67.8%, and average net equity of those who own rose from \$86,500 in 1999 to \$103,000 in 2001 (see Table 1).

In 1999, 44.4% of African -American families owned their own home. By 2001 this had risen to 44.8%. Despite rising home values during the period, Table 2 points to some slide in the mean value for home equities, from \$46,000 to \$44,200. This may indicate that more low-income families and families with higher loan to equity ratio became homeowners. Rising homeownership rates may have different implications for families' financial well-being as we move forward from 2001 into 2003. On one hand, as home prices continued to appreciate since 2001, African -American families may realize prospective wealth gains. On the other hand, the economic recession and weaker labor market might make difficult to afford mortgage payments, and increase the risk of personal bankruptcies and foreclosures.

2.3 Business

While business ownership rates rose modestly from 12.4% to 12.7%, the values of businesses declined considerably. Thus, among the families owning a business the

average business value slid from \$349,200 in 1999 to \$274,600 in 2001. The corresponding median value dropped from \$42,500 to \$40,000 (see Table1). As indicated by Tables 3, the same pattern persisted for white households.

2.4 Stocks and IRA holdings

During the same period stocks and IRA holdings ownership rates increased modestly from 1999 to 2001 (see Table1). The number of families holding stocks increased from 26.4% to 30.2%. IRA holdings rates changed from 30% to 34.5%. Because the effect of the stock market had not set in the mean value conditional on a family holding stocks rose slightly by 2.7% from \$148,500 to \$152,600. However, the sliding median value, from \$31,900 to \$30,000, reflected the decline in the stock market.

The share of African -American families holding stocks rose from 6.3% in 1999 to 10.3% in 2001 (see Table 2). Similar to the whole sample, the trend in the value of stock holdings is not clear. Thus, the mean value conditional on a family holding stocks fell from \$66,000 to \$60,500 while the median value rose from \$7,400 to \$10,000.

2.5 Short-term debt

The debt category covers non-collateralized debt such as unpaid balances on credit cards, student loans, medical or legal bills. The data in Table 1 show that short-term household debt rose from \$12,200 in 1999 to an average of \$13,000 per family in 2001. This means that as we headed into the recession, some families held short-term debt burdens which will be hard to sustain if the recessions continues.

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

Tables 4 and 5 report statistics for net and financial wealth holdings by age, education and race. Age does not seem to be important in explaining changes in household wealth during the period. Thus, for different age groups we observe essentially unchanged values of net worth and liquid assets.

For both African -American and white households, the data indicate some modest improvement in well-being. They also point to the wide wealth gap remaining between white and African -American families. The good sign is that, judged by the mean values,

the rate of increase in the African -American household wealth, 53%, is larger than that of white households, 11%. However, because of low initial wealth holdings, this rate is not enough to reduce the gap. Thus, in 2001 dollars the difference between white and African -American household average net worth rose from \$223,500 in 1999 to \$232,700 in 2001. The difference between median values increased even more from \$73,400 to \$87,500.

Another notable fact reflected in Tables 4 and 5 is the high return to college education. Households headed by those with a college degree or more showed an increase in wealth of 17%, with average wealth per family changing from \$403,800 to \$472,900. This strong rate is contrasted by a smaller increase in wealth for those with high school degree or no high school degree.

3. Summary

The descriptive statistics presented in Tables 1-5 highlight a number of facts about household wealth changes between 1999 and 2001.

- Per family net worth increased slightly between 1999 and 2001 overall, and for whites and African -Americans separately.
- During the same period business values declined considerably.
- Homeownership rates increased as well as values of home equities.
- Wealth growth in the form of stocks and IRA holdings had stalled out.
- There is some moderate increase in short-term debt.
- The average level of wealth among African -American families remains low, while black/white gap remains large.
- The big gainers in wealth were those with a college degree or more.

Table 1. Household Wealth: Panel Study of Income Dynamics (Thousands of 2001 dollars)

	1999					2001				
	Mean	Median	Percent Own	Conditional on Own		Mean	Median	Percent Own	Conditional on Own	
				Mean	Median				Mean	Median
Business	43.4	0.0	12.4%	349.2	42.5	34.9	0.0	12.7%	274.6	40.0
Checking/Savings	17.7	2.1	83.1%	21.3	4.3	21.0	2.6	82.3%	25.5	5.0
Other Debt	5.9	0.0	47.9%	12.2	5.3	6.6	0.1	50.6%	13.0	5.0
Real Estate	25.7	0.0	16.0%	160.7	53.1	28.9	0.0	16.1%	179.6	60.0
Stocks	39.2	0.0	26.4%	148.5	31.9	46.1	0.0	30.2%	152.6	30.0
IRA	23.6	0.0	30.0%	78.5	26.6	33.1	0.0	34.5%	96.1	30.0
Vehicle	13.4	7.4				13.2	7.0			
Other	8.6	0.0	18.8%	45.7	10.6	10.9	0.0	21.0%	51.9	13.0
Home Equity	54.8	20.6	67.1%	86.5	58.4	65.9	25.0	67.8%	103.0	67.0
Total	219.0	53.1				248.9	63.0			

Notes:

1. Ownership status for vehicles was not asked in 1999 and 2001. Only the value was asked.
2. All calculations are done using PSID weights.
3. The full sample includes all households in a given year. The race distinction in these tables do not 'aggregate' to these full sample values since they do not include non-black, non-white Hispanics which are included in the full sample.
4. PSID wealth does not include pension wealth. Therefore, this excludes the present value of private defined contribution and defined benefit plans. It also excludes rights to Social Security payments.

Source: Elena Guskova & Frank Stafford, Institute for Social Research, Copyright University of Michigan (January, 2003)

Table 2. African -American Household Wealth: Panel Study of Income Dynamics (Thousands of 2001 dollars)

	1999				2001			
	Mean	Median	Percent Own	Conditional on Own Mean Median	Mean	Median	Percent Own	Conditional on Own Mean Median
Business	1.0	0.0	2.9%	35.4 4.3	2.1	0.0	3.0%	71.2 5.0
Checking/Savings	3.8	0.1	56.1%	6.9 1.6	5.3	0.1	56.4%	9.5 1.5
Other Debt	3.8	0.0	43.4%	8.7 4.3	4.6	0.0	48.6%	9.5 5.0
Real Estate	3.1	0.0	5.8%	54.1 42.5	5.4	0.0	7.3%	73.4 35.0
Stocks	4.1	0.0	6.3%	66.0 7.4	6.2	0.0	10.3%	60.5 10.0
IRA	1.5	0.0	8.4%	17.7 10.6	10.9	0.0	11.2%	97.5 15.0
Vehicle	6.5	2.1			7.9	2.0		
Other	3.9	0.0	9.5%	41.3 10.6	8.9	0.0	12.6%	70.6 10.0
Home Equity	18.0	0.0	44.4%	46.0 28.7	17.4	0.0	44.8%	44.2 29.1
Total	38.5	6.8			59.1	7.5		

Notes:

1. Due to the low percent of business ownership and the dispersion in values the median rather than mean gives more reliable estimate of the underlying population values.
2. Ownership status for vehicles was not asked in 1999. Only the value was asked.
3. All calculations are done using PSID weights.
4. The full sample includes all households in a given year. The race distinction in these tables do not 'aggregate' to these full sample values since they do not include non-black, non-white Hispanics which are included in the full sample.
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Table 3. White Household Wealth: Panel Study of Income Dynamics (Thousands of 2001 dollars)

	1999					2001				
	Mean	Median	Percent Own	Conditional on Own Mean	Conditional on Own Median	Mean	Median	Percent Own	Conditional on Own Mean	Conditional on Own Median
Business	54.5	0.0	14.9%	365.4	53.1	41.9	0.0	15.0%	279.8	40.0
Checking/Savings	21.3	3.2	88.6%	24.0	5.3	24.8	4.0	87.6%	28.4	5.0
Other Debt	6.3	0.0	49.0%	13.0	5.3	7.1	0.2	51.4%	13.7	6.0
Real Estate	30.5	0.0	18.6%	164.1	58.4	34.4	0.0	18.1%	190.1	65.0
Stocks	48.1	0.0	31.2%	154.3	31.9	56.3	0.0	35.0%	160.8	30.0
IRA	28.5	0.0	35.1%	81.2	29.8	39.1	0.0	39.9%	98.0	36.0
Vehicle	15.1	8.5				14.5	8.0			
Other	9.7	0.0	21.3%	45.5	10.6	11.7	0.0	24.0%	48.9	13.0
Home Equity	63.5	31.9	72.8%	91.7	63.8	75.3	38.0	72.9%	108.8	75.0
Total	262.0	80.2				291.8	95.0			

Notes:

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2. All calculations are done using PSID weights.
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Table 4. Household Net Worth (Thousands of 2001)

	1999		2001	
	Mean	Median	Mean	Median
Full sample	219.0	53.1	248.9	63.0
Age of Head				
20 to 29	21.9	5.7	24.3	4.0
30 to 39	95.4	25.5	133.9	26.8
40 to 49	197.7	58.7	221.5	67.0
50 to 59	329.9	127.5	380.5	138.9
60 to 64	556.5	165.8	459.0	171.0
65 or more	354.3	163.4	385.6	184.5
Education of Head				
No High School Degree	99.9	17.5	88.3	17.2
High School Degree	177.1	52.1	165.8	60.5
Some College	199.8	57.4	231.0	61.5
College Degree or more	403.8	138.2	472.9	161.5
Race of Head				
White	262.0	80.2	291.8	95.0
Black	38.5	6.8	59.1	7.5

Notes:

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Table 5. Household Financial Wealth (Thousands of 2001)

	1999		2001	
	Mean	Median	Mean	Median
Full sample	89.1	7.4	111.1	9.1
Age of Head				
20 to 29	11.3	1.3	14.5	1.5
30 to 39	35.7	3.2	52.0	4.0
40 to 49	90.7	7.4	101.6	8.0
50 to 59	111.2	24.4	128.6	28.0
60 to 64	185.5	31.9	263.4	40.0
65 or more	161.4	37.2	196.3	40.0
Education of Head				
No High School Degree	23.7	0.5	27.6	0.6
High School Degree	54.9	5.3	72.1	5.5
Some College	69.6	9.0	83.1	10.0
College Degree or more	209.2	42.5	237.9	50.0
Race of Head				
White	107.6	14.3	131.9	16.0
Black	13.4	0.2	31.4	0.3

Notes:

1. All reported values are computed using the PSID weights.
2. Financial wealth is defined as the sum of wealth in stocks, mutual funds, investment trusts, IRA's, checking accounts, savings accounts, money market funds, CD's, government saving bonds, Treasury bills, corporate and municipal bonds, and cash value of life insurance policies.
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Table 6. Distribution of Net Worth, Financial Wealth and Home Equity (Thousands of 2001)

Percentile	Net Worth /home equity included		Net Worth /home equity excluded		Financial Wealth		Home Equity	
	1999	2001	1999	2001	1999	2001	1999	2001
25	6.4	6.2	2.4	2.0	0.5	0.6	0.0	0.0
50	53.1	63.0	20.7	23.0	7.4	9.1	20.6	25.0
75	197.1	227.0	106.3	129.0	58.4	73.0	77.0	90.0
90	475.0	543.0	331.6	390.0	212.5	251.0	148.8	178.0
95	803.4	970.0	654.3	733.0	377.3	475.0	212.5	255.0
98	1451.7	1613.0	1254.0	1423.5	765.2	1000.0	318.8	400.0

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Our analysis shows that home ownership rates rose slightly from 67.1% to 67.8%, and average net equity of those who own rose from \$86,500 in 1999 to \$103,000 in 2001 (see Table 1).

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While business ownership rates rose modestly from 12.4% to 12.7%, the values of businesses declined considerably. Thus, among the families owning a business the

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During the same period stocks and IRA holdings ownership rates increased modestly from 1999 to 2001 (see Table1). The number of families holding stocks increased from 26.4% to 30.2%. IRA holdings rates changed from 30% to 34.5%. Because the effect of the stock market had not set in the mean value conditional on a family holding stocks rose slightly by 2.7% from \$148,500 to \$152,600. However, the sliding median value, from \$31,900 to \$30,000, reflected the decline in the stock market.

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- Wealth growth in the form of stocks and IRA holdings had stalled out.
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- The big gainers in wealth were those with a college degree or more.

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				Mean	Median				Mean	Median
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Checking/Savings	17.7	2.1	83.1%	21.3	4.3	21.0	2.6	82.3%	25.5	5.0
Other Debt	5.9	0.0	47.9%	12.2	5.3	6.6	0.1	50.6%	13.0	5.0
Real Estate	25.7	0.0	16.0%	160.7	53.1	28.9	0.0	16.1%	179.6	60.0
Stocks	39.2	0.0	26.4%	148.5	31.9	46.1	0.0	30.2%	152.6	30.0
IRA	23.6	0.0	30.0%	78.5	26.6	33.1	0.0	34.5%	96.1	30.0
Vehicle	13.4	7.4				13.2	7.0			
Other	8.6	0.0	18.8%	45.7	10.6	10.9	0.0	21.0%	51.9	13.0
Home Equity	54.8	20.6	67.1%	86.5	58.4	65.9	25.0	67.8%	103.0	67.0
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Notes:

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Table 2. African -American Household Wealth: Panel Study of Income Dynamics (Thousands of 2001 dollars)

	1999				2001			
	Mean	Median	Percent Own	Conditional on Own Mean Median	Mean	Median	Percent Own	Conditional on Own Mean Median
Business	1.0	0.0	2.9%	35.4 4.3	2.1	0.0	3.0%	71.2 5.0
Checking/Savings	3.8	0.1	56.1%	6.9 1.6	5.3	0.1	56.4%	9.5 1.5
Other Debt	3.8	0.0	43.4%	8.7 4.3	4.6	0.0	48.6%	9.5 5.0
Real Estate	3.1	0.0	5.8%	54.1 42.5	5.4	0.0	7.3%	73.4 35.0
Stocks	4.1	0.0	6.3%	66.0 7.4	6.2	0.0	10.3%	60.5 10.0
IRA	1.5	0.0	8.4%	17.7 10.6	10.9	0.0	11.2%	97.5 15.0
Vehicle	6.5	2.1			7.9	2.0		
Other	3.9	0.0	9.5%	41.3 10.6	8.9	0.0	12.6%	70.6 10.0
Home Equity	18.0	0.0	44.4%	46.0 28.7	17.4	0.0	44.8%	44.2 29.1
Total	38.5	6.8			59.1	7.5		

Notes:

1. Due to the low percent of business ownership and the dispersion in values the median rather than mean gives more reliable estimate of the underlying population values.
2. Ownership status for vehicles was not asked in 1999. Only the value was asked.
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Table 3. White Household Wealth: Panel Study of Income Dynamics (Thousands of 2001 dollars)

	1999					2001				
	Mean	Median	Percent Own	Conditional on Own Mean	Conditional on Own Median	Mean	Median	Percent Own	Conditional on Own Mean	Conditional on Own Median
Business	54.5	0.0	14.9%	365.4	53.1	41.9	0.0	15.0%	279.8	40.0
Checking/Savings	21.3	3.2	88.6%	24.0	5.3	24.8	4.0	87.6%	28.4	5.0
Other Debt	6.3	0.0	49.0%	13.0	5.3	7.1	0.2	51.4%	13.7	6.0
Real Estate	30.5	0.0	18.6%	164.1	58.4	34.4	0.0	18.1%	190.1	65.0
Stocks	48.1	0.0	31.2%	154.3	31.9	56.3	0.0	35.0%	160.8	30.0
IRA	28.5	0.0	35.1%	81.2	29.8	39.1	0.0	39.9%	98.0	36.0
Vehicle	15.1	8.5				14.5	8.0			
Other	9.7	0.0	21.3%	45.5	10.6	11.7	0.0	24.0%	48.9	13.0
Home Equity	63.5	31.9	72.8%	91.7	63.8	75.3	38.0	72.9%	108.8	75.0
Total	262.0	80.2				291.8	95.0			

Notes:

1. Ownership status for vehicles was not asked in 1999 and 2001. Only the value was asked.
2. All calculations are done using PSID weights.
3. The full sample includes all households in a given year. The race distinction in these tables do not 'aggregate' to these full sample values since they do not include non-black, non-white Hispanics which are included in the full sample.
4. PSID wealth does not include pension wealth. Therefore, this excludes the present value of private defined contribution and defined benefit plans. It also excludes rights to Social Security payments.

Source: Elena Goukova & Frank Stafford, Institute for Social Research, Copyright University of Michigan (January, 2003)

Table 4. Household Net Worth (Thousands of 2001)

	1999		2001	
	Mean	Median	Mean	Median
Full sample	219.0	53.1	248.9	63.0
Age of Head				
20 to 29	21.9	5.7	24.3	4.0
30 to 39	95.4	25.5	133.9	26.8
40 to 49	197.7	58.7	221.5	67.0
50 to 59	329.9	127.5	380.5	138.9
60 to 64	556.5	165.8	459.0	171.0
65 or more	354.3	163.4	385.6	184.5
Education of Head				
No High School Degree	99.9	17.5	88.3	17.2
High School Degree	177.1	52.1	165.8	60.5
Some College	199.8	57.4	231.0	61.5
College Degree or more	403.8	138.2	472.9	161.5
Race of Head				
White	262.0	80.2	291.8	95.0
Black	38.5	6.8	59.1	7.5

Notes:

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

Source: Elena Goukova & Frank Stafford, Institute for Social Research, Copyright University of Michigan (January, 2003)

Table 5. Household Financial Wealth (Thousands of 2001)

	1999		2001	
	Mean	Median	Mean	Median
Full sample	89.1	7.4	111.1	9.1
Age of Head				
20 to 29	11.3	1.3	14.5	1.5
30 to 39	35.7	3.2	52.0	4.0
40 to 49	90.7	7.4	101.6	8.0
50 to 59	111.2	24.4	128.6	28.0
60 to 64	185.5	31.9	263.4	40.0
65 or more	161.4	37.2	196.3	40.0
Education of Head				
No High School Degree	23.7	0.5	27.6	0.6
High School Degree	54.9	5.3	72.1	5.5
Some College	69.6	9.0	83.1	10.0
College Degree or more	209.2	42.5	237.9	50.0
Race of Head				
White	107.6	14.3	131.9	16.0
Black	13.4	0.2	31.4	0.3

Notes:

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

Source: Elena Goukova & Frank Stafford, Institute for Social Research, Copyright University of Michigan (January, 2003)

Table 6. Distribution of Net Worth, Financial Wealth and Home Equity (Thousands of 2001)

Percentile	Net Worth /home equity included		Net Worth /home equity excluded		Financial Wealth		Home Equity	
	1999	2001	1999	2001	1999	2001	1999	2001
25	6.4	6.2	2.4	2.0	0.5	0.6	0.0	0.0
50	53.1	63.0	20.7	23.0	7.4	9.1	20.6	25.0
75	197.1	227.0	106.3	129.0	58.4	73.0	77.0	90.0
90	475.0	543.0	331.6	390.0	212.5	251.0	148.8	178.0
95	803.4	970.0	654.3	733.0	377.3	475.0	212.5	255.0
98	1451.7	1613.0	1254.0	1423.5	765.2	1000.0	318.8	400.0

Notes:

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

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