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Household Wealth and Asset Ownership: 1991

SIPP

The Survey of Income and Program Participation

by T. J. Eller

U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS

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This report was prepared under the direction of **Kathleen S. Short**, Chief, Poverty and Wealth Statistics Branch. Tables were prepared by **Angela Feldman-Harkins**, Chief, and **Diana Lewis**, Computer Programming and Applications Staff. Statistical assistance was provided by **Jean Tash**. Word processing assistance was provided by **Zana Colevas** and **Bernadette Proctor**. General direction was provided by **Charles T. Nelson**, Assistant Division Chief (Economic Characteristics), Housing and Household Economic Statistics Division.

Survey design and data operations were coordinated by **Donald Fischer**, Chief, Income Surveys Branch, Demographic Surveys Division. Data processing activities were directed by **Donna Riccini**, Chief, Income Surveys Programming Branch, Demographic Surveys Division.

Data collection was conducted by the Bureau of the Census interviewers under the overall direction of **Paul Schneider**, Chief, Field Division.

Sampling review was conducted by **Rajendra Singh**, Chief, **Mark Hendrick**, and **Hertz Huang**, Survey of Income and Program Participation Branch, Statistical Methods Division.

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U.S. Department of Commerce
Ronald H. Brown, Secretary
Economics and Statistics Administration
Paul A. London, Acting Under Secretary
for Economic Affairs

BUREAU OF THE CENSUS
Harry A. Scarr, Acting Director



**Economics and Statistics
Administration**
Paul A. London, Acting Under Secretary
for Economic Affairs



BUREAU OF THE CENSUS
Harry A. Scarr, Acting Director

William P. Butz, Associate Director
for Demographic Programs

**HOUSING AND HOUSEHOLD
ECONOMIC STATISTICS DIVISION**
Daniel H. Weinberg, Chief

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Symbols Used in Tables

- Represents zero or rounds to zero.
X Not applicable.
B Base is less than 200,000.

Household Wealth and Asset Ownership: 1991

INTRODUCTION

This report presents data on the wealth of U.S. households in 1991. The data are from the 1990 Panel of the Survey of Income and Program Participation (SIPP) and represent information collected in February through May of 1991.¹ SIPP collects asset and liability data on a regular basis in a supplement to the survey that provides indicators of economic well-being and is useful for modeling eligibility for certain government assistance programs.

Economic well-being depends on both income and asset accumulation (wealth). Income is the flow of resources to a consumer entity (e.g., household or person); wealth is the level of resources at any point in time. Wealth is a particularly important dimension of well-being for some subgroups of the population such as the elderly, who tend to have lower retirement incomes but higher wealth holdings.²

Few household surveys provide information on wealth holdings. SIPP was designed primarily to provide estimates of income and government program participation; however, it does periodically collect information on wealth. The only other ongoing survey that provides wealth information is the Survey of Consumer Finances (SCF), conducted by the Federal Reserve Board (FRB).³

Household surveys provide data on the wealth holdings of the population; however, it should be noted that wealth tends to be underreported in household surveys. In addition, the distribution of wealth is known to be highly concentrated among households with large asset holdings. The concentration of wealth and the paucity of observations for high-income households may bias various wealth statistics.

Specifically, SIPP provides biased estimates of the total aggregate net worth and of mean net worth. The SIPP sample frame contains few observations for high-income

households, while the SCF makes a special attempt to survey respondents who are likely to have high incomes or to be wealthy. For example, the 1991 SIPP estimated total aggregate net worth of 9.7 trillion dollars, just over half of the 18.8 trillion dollars measured by the 1989 SCF. The 1991 mean net worth estimated by the SIPP was \$102,100. The 1989 mean net worth estimated from the SCF was \$201,700 (1991 dollars).⁴

In the presence of this pattern of underreporting, median wealth statistics are better indicators of the wealth holdings of typical households than are mean wealth statistics. The distribution of net worth is skewed, with a concentration of households at the low end of the distribution and a tail of households with high values. In this case, the median is lower than mean net worth, but less sensitive to outliers. Therefore, estimates of median net worth from the two surveys are much closer than the estimates of mean net worth. The 1991 SIPP estimate of median net worth was \$36,600, and the 1988 SIPP estimate of median net worth was \$41,500 (in 1991 dollars). The 1989 SCF estimate of median net worth was \$47,200 (in 1991 dollars).

Since means are more sensitive to outliers and the data are sparse in the upper tail of the wealth distribution, medians are used in the analysis presented in this report. For a description of some of the reporting problems and a further comparison of survey aggregates with independent estimates, see appendix D.

All demographic surveys, including SIPP, suffer from undercoverage of the population. This undercoverage results from missed housing units and missed persons within sample households. Compared with the level of the

¹The reference point for the asset and liability questions was the last day of the 4-month reference period that preceded the interview. As a result, the data presented in this report are an average of balances held and owed at the end of January, February, March, and April 1991 from the 1990 Panel. The 1988 data presented in this report are the average of balances held and owed for December 1987; January, February, and March of 1988 from the 1986 Panel; and January, February, March, and April of 1988 from the 1987 Panel.

²See Daniel Radner, "Net Worth and Financial Assets of Age Groups in 1984", *Social Security Bulletin*, Vol. 52, No. 3, March 1989, pp. 2-15.

³The precursor to the Survey of Consumer Finances (SCF) was the Survey of Financial Characteristics of Consumers conducted by the Federal Reserve System in 1963. The SCF was conducted in 1983, 1986, and 1989.

⁴According to the 1989 SCF, there were 93.1 million households and a mean net worth of \$183,700 dollars. The total net worth would be 17.1 trillion dollars, inflated to 18.8 trillion 1991 dollars using the CPI. In the 1991 SIPP, there were 94.7 million households and a mean net worth of \$102,100 (figures rounded for comparison with SCF). The total net worth measured by SIPP is 9.7 trillion dollars. The ratio of total net worth in SIPP to total net worth in the SCF is 51.2 percent. See Arthur Kennickell and Janice Shack-Marquez, "Changes in Family Finances from 1983 to 1989: Evidence from the Survey of Consumer Finances," *The Federal Reserve Bulletin*, January 1992. The importance of oversampling high-income households in the results of the 1989 SCF can be seen by considering only the standard cross-sectional sample of the 1989 SCF, which is a probability sample similar to the 1991 SIPP sample. Using weights developed by the Federal Reserve Board (FRB) for this cross-section, the total net worth was estimated to be 13.1 trillion dollars. Relative to this cross-sectional sample, the 1991 SIPP found 73.6 percent of the total net worth found by the 1989 SCF. The mean net worth of the area probability sample in the pooled cross-section of the 1989 SCF was \$128,449 in 1989, or \$141,088 inflated to 1991 dollars.

1980 decennial census, overall SIPP undercoverage is about 7 percent. Undercoverage varies with age, sex, and race. For some groups, such as 20- to 24-year-old Black males, the undercoverage is as high as about 35 percent. The weighting procedures used by the Census Bureau partially correct for the bias due to undercoverage. However, its final impact on estimates is unknown. For details, see appendix C.

Data for 1984 and 1988 were published previously in Series P70-22, "Household Wealth and Asset Ownership: 1988". In order to present the data in constant dollars, the 1988 data are presented in 1991 dollars based on the 1988 to 1991 change in the Consumer Price Index (CPI-U).⁵

This report presents data for 1991 and compares those estimates with 1988 data for certain household characteristics. Median net worth by household income, age of householder, race and ethnicity, type of household, and labor force activity of the householder are analyzed for 1991 and 1988.⁶ The report also compares the 1991 and 1988 data on ownership rates by asset type. Detailed table 6 presents historical data on ownership rates, median value of asset holdings, and the distribution of net worth by asset type for 1984. Detailed tables 7 through 12 provide the standard errors associated with the data in this report. Appendix C describes statistical tests for the comparison of estimates.

HIGHLIGHTS

(The figures in parentheses denote 90-percent confidence intervals.)

- a. Median household net worth in 1991 was \$36,623 (\pm \$1,298), 12 (\pm 5) percent lower than median household net worth in 1988, \$41,472 (\pm \$1,486) (in 1991 dollars).
- b. The decline in median net worth from 1988 to 1991 was associated with declines in the median values of home equity, interest-earning assets at financial institutions, checking accounts, rental property, and assets held in businesses and professions. These declines were partially offset by increases in the median values of other interest-earning assets, other real estate, and Individual Retirement Accounts (IRAs) and KEOGH accounts.

⁵The Consumer Price Index (CPI) rose 16 percent from the period represented by the 1988 data to the period represented by the 1991 data. Therefore, the 1988 figures are converted to 1991 dollars by multiplying by 1.16.

⁶"Group quarters" are excluded from the results shown in this report. Group quarters are units which consist of unrelated individuals living together in housing units that have separate rooms but share common facilities such as dining halls. Individuals in group quarters would not normally share financial resources. The universe also excludes persons in institutions and persons living in military barracks.

- c. Median net worth varies with income and in 1991 ranged from \$5,224 (\pm \$1,031) in the lowest income quintile to \$123,166 (\pm \$7,888) in the highest income quintile.
- d. In 1991, median net worth generally increased with the age of the householder from \$5,565 (\pm \$297) for the youngest households (householders under age 35) to \$83,041 (\pm \$3,512) for the 55 to 64 years of age category and to \$88,192 (\pm \$1,998) for the 65 years of age and older group. All households with householders under the age of 65 experienced a statistically significant decline in median net worth from 1988 to 1991.
- e. In 1991, households with White householders had median net worth of \$44,408 (\pm \$1,023), households with Black householders had median net worth of \$4,604 (\pm \$406), and households with Hispanic-origin householders had a median net worth of \$5,345 (\pm \$427), which was not significantly different from that of Black households.
- f. Only households with White householders experienced a statistically significant decline in median net worth from 1988 to 1991. In 1988, the median net worth of households with White householders was \$50,204 (\pm \$1,763), in 1991 dollars.
- g. In both 1988 and 1991, compared with White households, Black households had a significantly greater percentage of their net worth in durable goods (e.g., housing and motor vehicles) and a significantly lower percentage of their net worth in financial assets.
- h. Married-couple households were the largest category of households and had the highest median net worth holdings (\$60,065 [\pm \$1,339] in 1991). Both married-couple households and households with male householders experienced decreases in median net worth from 1988 to 1991. The median net worth of female-maintained households remained unchanged.

HOUSEHOLD NET WORTH

The median household net worth in 1991 was \$36,623, statistically lower than the 1988 median household net worth of \$41,472 (in 1991 dollars). Net worth is defined as the value of assets covered in the survey less any debts (either unsecured or secured by assets). Assets covered include interest-earning assets,⁷ stocks and mutual fund shares, real estate (own home, rental property, vacation homes, and land holdings), own business or profession, mortgages held by sellers, and motor vehicles. Liabilities

⁷Interest-earning assets include regular savings accounts, money market deposit accounts, certificates of deposit, interest-earning checking accounts, money market funds, corporate or municipal bonds, U.S. Government securities, and other interest-earning assets.

covered include debts secured by any asset, credit card or store bills, bank loans, and other unsecured debts. The survey did not cover equities in pension plans, cash surrender value of life insurance policies, or the value of jewelry and home furnishings. The distribution of asset ownership, the median value of holdings for asset owners, and the percentage of total net worth held in each asset for 1991 and 1988 are shown in table A.

Home equity constitutes the largest share of net worth. In 1991, homeownership was reported by 65 percent of all households and accounted for 42 percent of total net worth, with owners having a median equity of \$43,078 in their homes. In 1988, 64 percent of all households owned homes and home equity accounted for 43 percent of total net worth. Although home ownership rates increased slightly between 1988 and 1991, the percentage of total net worth in home equity remained unchanged (median home equity in 1988 was \$49,961 in 1991 dollars).

Interest-earning assets at financial institutions constituted the next largest share of net worth in both 1991 and 1988, accounting for 14 percent of net worth. Nearly 75 percent of households had interest-earning assets at

financial institutions. Like home equity, the median amount of deposits declined from \$4,053 in 1988 (1991 dollars) to \$3,607 in 1991.

Although the overall ownership rates of interest-earning assets at financial institutions remained unchanged between 1988 and 1991, the ownership rates of certificates of deposit and interest-earning checking accounts increased between 1988 and 1991. (The ownership rates of savings accounts and money market deposit accounts did not change between 1988 and 1991.) In both years, savings accounts were the most prevalent interest-earning asset held at a financial institution; 62 percent of households had a savings account in 1988 and 1991.

Other interest-earning assets, such as money market funds and municipal bonds, made up another 5 percent of net worth in 1991, a slight increase from 4 percent in 1988. About 9 percent of households reported ownership of other interest-earning assets. The median value of their holdings increased from \$12,657 in 1988 (1991 dollars) to \$16,369 in 1991.

Other assets of particular interest in table A are stocks and mutual fund shares. They accounted for about 7

Table A. Ownership Rates, Median Value of Asset Holdings, and the Distribution of Net Worth, by Asset Type: 1991 and 1988

[Excludes group quarters]

Asset type	1991			1988 (in 1991 dollars)		
	Percent of households that own asset type	Median values of holdings for asset owners	Distribution of net worth	Percent of households that own asset type	Median values of holdings for asset owners	Distribution of net worth
All assets	(X)	(X)	100.0	(X)	(X)	100.0
Interest-earning assets at financial institutions ...	73.2	\$3,607	14.2	72.9	\$4,053	14.1
Savings accounts	62.4	(NA)	(NA)	61.6	(NA)	(NA)
Money market deposit accounts	14.9	(NA)	(NA)	15.2	(NA)	(NA)
Certificates of deposit	22.0	(NA)	(NA)	17.7	(NA)	(NA)
Interest-earning checking	37.8	(NA)	(NA)	34.3	(NA)	(NA)
Other interest-earning assets	9.0	16,369	5.0	9.4	12,657	4.2
Money market funds	4.2	(NA)	(NA)	3.6	(NA)	(NA)
Government securities	2.2	(NA)	(NA)	2.2	(NA)	(NA)
Corporate or municipal bonds	3.4	(NA)	(NA)	2.8	(NA)	(NA)
Other interest-earning assets	2.2	(NA)	(NA)	3.3	(NA)	(NA)
Checking accounts	46.0	525	0.5	48.3	565	0.6
Stocks and mutual fund shares	20.7	5,469	7.1	21.8	5,232	6.5
Own home	64.7	43,078	41.9	63.6	49,961	43.0
Rental property	9.0	33,201	6.8	9.0	43,429	7.9
Other real estate	10.7	23,328	5.4	10.5	20,954	4.3
Vehicles	86.4	5,249	6.4	86.3	5,123	5.8
Business or profession	11.7	10,260	7.3	12.5	12,117	8.8
U.S. savings bonds	18.1	722	0.7	17.5	633	0.6
IRA or KEOGH accounts	22.9	11,638	5.2	24.2	10,459	4.2
Other financial investments ¹	5.7	18,950	3.1	6.6	18,797	3.0
Unsecured liabilities ²	59.0	2,338	-3.4	59.0	2,111	-2.9

X Not applicable.

NA Not available because separate questions were not asked about the amount held in these individual assets.

¹Includes mortgages held from sale of real estate, amount due from sale of business, unit trusts, and other financial investments.

²Since net worth is the value of assets less liabilities, unsecured liabilities are subtracted from the distribution of net worth and are shown as negatives.

percent of net worth in both years. In 1991, these funds were owned by 21 percent of households, with median holdings of \$5,469. In 1988, the ownership rate for stocks and mutual funds was lower, although there was no significant difference in the median value of stocks and mutual funds between 1988 and 1991. The ownership rates of IRA and KEOGH accounts decreased by 1 percentage point between 1988 and 1991. However, the median value of IRA and KEOGH accounts increased from 1988 to 1991 as did the proportion of net worth held in these accounts.

In summary, the decline in median net worth from 1988 to 1991 was associated with declines in the median values of home equity, interest-earning assets at financial institutions, checking accounts, rental property, and businesses and professions. These declines were partially offset by increases in the median values of other interest-earning assets, other real estate, and Individual Retirement Accounts (IRAs) and KEOGH accounts. The median values of holdings in vehicles, U.S. savings bonds, stocks and mutual fund shares, and of other financial investments remained unchanged between 1988 and 1991.

NET WORTH BY INCOME

The distributions of net worth by income quintile for 1991 and 1988 are shown in table B. Income is defined as the average monthly income received from all sources by all members of the household during the 4-month period prior to the interview. Households are categorized by income quintile in 1991 and in 1988.

The table shows a systematic relationship between net worth and income quintile. Median net worth in 1991 increased significantly with income, from \$5,224 for households in the lowest quintile to \$123,166 for households in the highest quintile. The distribution of net worth was highly skewed. The highest quintile owned 45 percent of total net

worth in 1991. The lowest quintile owned 7 percent. The distribution of net worth in 1991 by income quintile was not statistically different from the 1988 distribution of net worth.⁸

Asset ownership patterns and median asset values also vary by income quintile, as shown in table C. Home ownership is a good example of this phenomena. In 1991, the homeownership rate increased significantly with income from 44 percent for the lowest income group to 86 percent for the highest group.

Median home equity increased between the lowest and the highest income groups from \$35,741 to \$61,237. Median home equity values were significantly lower for all income quintiles in 1991. In 1988, median home equity was \$38,699 and \$71,002 (in 1991 dollars) for the lowest and highest quintiles, respectively. The 1988 homeownership rate was 42 percent for the lowest income group and 85 percent for the highest income group. (There was no significant change in home ownership rates from 1988 to 1991 for the highest or the lowest quintile.)

Other assets with large differences in ownership rates between the lowest and highest income groups in 1991 were stocks and mutual fund shares (6 to 45 percent), IRA or KEOGH accounts (5 to 48 percent), and business equity (7 to 21 percent). These results were not significantly different from those of 1988, except that the IRA ownership rate decreased in the upper quintile. (The ownership rates for stocks and business equity in 1991 for the first quintile were not significantly different.)

The median value of stocks and mutual fund shares changed with income, from \$4,413 for the lowest income group to \$8,602 for the highest income group in 1991. Similarly, in 1991, the median values of interest-earning

⁸These figures are biased by significant underreporting by high-income households. The 1989 Survey of Consumer Finances (SCF), which employed a sample designed to capture wealthy households, estimated that the highest income quintile owned 64.9% of total net worth in 1989, while the lowest quintile owned 3.4%. The net worth and income concepts were similar in the two surveys, but not exactly equivalent.

Table B. Median Net Worth and Distribution of Net Worth, by Monthly Household Income Quintile: 1991 and 1988

[Number of households in thousands]

Monthly household income quintile ¹	1991			1988 (in 1991 dollars)		
	Number of households	Median net worth	Distribution of net worth	Number of households	Median net worth	Distribution of net worth
Total.....	94,692	\$36,623	100.0	91,554	\$41,472	100.0
Lowest quintile.....	18,977	5,224	7.0	18,299	5,016	7.0
Second quintile.....	18,912	19,191	12.2	18,253	22,845	12.3
Third quintile.....	18,969	28,859	15.8	18,378	32,531	15.7
Fourth quintile.....	18,928	49,204	20.4	18,310	53,653	20.6
Highest quintile.....	18,905	123,166	44.7	18,314	129,653	44.4

¹Quintile upper limits for 1991 were: lowest quintile - \$1,071; second quintile - \$1,912; third quintile - \$2,914; fourth quintile - \$4,454. Upper limits for 1988 were: lowest quintile - \$1,089; second quintile - \$1,971; third quintile - \$2,979; fourth quintile - \$4,504.

Table C. Percent of Households Owning Assets and Median Value of Holdings, by Monthly Household Income Quintile, for Selected Asset Types: 1991 and 1988

[Excludes group quarters]

Monthly household income quintiles ¹	Interest earning assets at financial institutions ²	Other interest-earning assets ³	Stocks and mutual fund shares	Equity in own home	Equity in motor vehicles	Equity in own business or profession	IRA or KEOGH accounts
Percent of households owning assets:							
In 1991:							
Total	73.2	9.0	20.7	64.7	86.4	11.7	22.9
Lowest quintile	43.2	2.3	5.8	43.8	58.4	6.6	5.1
Second quintile	65.8	5.1	11.5	55.7	87.0	8.7	12.2
Third quintile	77.4	7.5	16.2	64.3	93.0	10.0	19.9
Fourth quintile	86.2	8.8	25.4	73.9	96.3	12.8	29.4
Highest quintile	93.4	21.3	44.8	86.0	97.4	20.5	48.1
In 1988:							
Total	72.9	9.4	21.8	63.6	86.3	12.5	24.2
Lowest quintile	43.3	3.0	5.7	42.4	57.2	6.2	4.6
Second quintile	65.4	5.1	12.5	54.2	86.6	9.4	12.4
Third quintile	76.6	7.9	18.9	62.6	93.4	12.2	20.4
Fourth quintile	86.0	11.0	27.9	74.0	96.8	13.7	31.0
Highest quintile	93.1	20.0	44.2	85.0	97.3	20.9	52.3
Median value of holdings for asset owners:							
In 1991:							
Total	\$3,607	\$16,369	\$5,469	\$43,078	\$5,249	\$10,260	\$11,638
Lowest quintile	2,326	7,095	4,413	35,741	1,796	8,141	8,001
Second quintile	2,436	16,060	4,385	40,310	3,289	5,245	9,238
Third quintile	2,358	14,138	5,141	37,381	4,679	5,113	10,320
Fourth quintile	3,260	15,400	3,824	40,541	6,549	10,617	10,067
Highest quintile	7,366	19,874	8,602	61,237	9,482	17,545	14,897
In 1988 (in 1991 dollars):							
Total	\$4,053	\$12,657	\$5,231	\$49,961	\$5,123	\$12,117	\$10,459
Lowest quintile	2,689	10,201	5,109	38,699	1,964	6,979	5,991
Second quintile	3,149	12,413	4,880	45,321	3,421	5,947	8,419
Third quintile	2,691	12,237	4,826	44,701	4,638	6,172	8,207
Fourth quintile	3,538	10,887	3,789	47,181	6,287	12,272	9,409
Highest quintile	7,792	17,168	7,492	71,002	9,074	30,923	13,274

¹ Quintile upper limits for 1991 were: Lowest quintile - \$1,071; second quintile - \$1,912; third quintile - \$2,914; fourth quintile - \$4,454. Upper limits for 1988 were: lowest quintile - \$1,089; second quintile - \$1,971; third quintile - \$2,979; fourth quintile - \$4,504.

² Includes passbook savings accounts, money market deposit accounts, certificates of deposits, and interest-earning checking accounts.

³ Includes money market funds, U.S. Government securities, municipal and corporate bonds, and other interest-earning assets.

assets at financial institutions for the two income groups were \$2,326 and \$7,366, respectively.

The composition of net worth also differed by income group as shown in table D. Some types of assets account for a smaller share of net worth as income increases. For example, the share of net worth in home equity generally decreased as income increased. Home equity was the largest component of net worth for the lower income group, accounting for 61 percent of net worth; however, the share of net worth in home equity was lower for the upper income group, accounting for only 34 percent of net worth in 1991.

Many other assets increased in relative share with increasing income. For example, stocks and mutual fund shares accounted for 3 percent of the net worth of the lowest income group; but 10 percent of the highest income group's net worth in 1991. Other interest-earning assets also made up a higher proportion of net worth for the highest income group than for the lowest income group in both years.

NET WORTH BY AGE

Age is correlated with net worth because increasing age offers an increasing opportunity to accumulate wealth.

Table D. Distribution of the Value of Assets and of Net Worth, by Monthly Household Income Quintile, for Selected Asset Types: 1991 and 1988

[Excludes group quarters]

Monthly household income quintile ¹	Interest earning assets at financial institutions ²	Other interest-earning assets ³	Stocks and mutual fund shares	Equity in own home	Equity in motor vehicles	Equity in own business or profession	IRA or KEOGH accounts	Other
Distribution of the value								
In 1991:								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Lowest quintile	6.0	1.2	2.6	10.0	6.2	6.8	3.1	4.6
Second quintile	13.9	5.5	6.0	15.0	13.7	10.9	9.2	8.4
Third quintile	18.8	14.6	10.4	17.0	18.9	13.6	13.8	12.4
Fourth quintile	21.8	15.2	15.8	22.1	24.7	16.2	21.0	18.2
Highest quintile	39.4	63.3	65.3	36.0	36.6	52.5	53.0	56.2
In 1988:								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Lowest quintile	6.6	2.9	2.8	9.6	6.4	6.6	2.6	5.1
Second quintile	14.9	5.8	6.3	14.3	13.6	10.1	9.2	10.0
Third quintile	18.8	12.2	11.2	16.5	18.8	10.7	13.1	15.9
Fourth quintile	21.5	19.8	16.8	21.4	25.2	19.3	22.1	18.5
Highest quintile	38.2	59.4	62.8	38.2	36.0	53.3	52.9	50.5
Distribution of net worth								
In 1991:								
Total	14.2	5.0	7.1	41.9	6.4	7.3	5.2	13.0
Lowest quintile	12.4	0.9	2.6	60.6	5.7	7.1	2.3	8.5
Second quintile	16.2	2.3	3.5	51.5	7.1	6.5	3.9	9.0
Third quintile	17.0	4.6	4.7	45.0	7.6	6.3	4.5	10.2
Fourth quintile	15.2	3.7	5.5	45.3	7.7	5.8	5.3	11.5
Highest quintile	12.6	7.1	10.3	33.8	5.2	8.6	6.2	16.3
In 1988:								
Total	14.1	4.2	6.5	43.1	5.8	8.8	4.2	13.3
Lowest quintile	13.3	1.7	2.6	58.8	5.3	8.2	1.6	8.5
Second quintile	17.1	2.0	3.3	50.2	6.4	7.2	3.2	10.6
Third quintile	17.0	3.2	4.7	45.3	7.0	6.0	3.5	13.3
Fourth quintile	14.7	4.0	5.3	44.8	7.1	8.2	4.5	11.4
Highest quintile	12.1	5.6	9.2	37.0	4.7	10.5	5.0	15.9

X Not applicable.

¹ Quintile upper limits for 1991 were: lowest quintile - \$1,071; second quintile - \$1,912; third quintile - \$2,914; fourth quintile - \$4,454. Upper limits for 1988 were: lowest quintile - \$1,089; second quintile - \$1,971; third quintile - \$2,979; fourth quintile - \$4,504.

² Includes passbook savings accounts, money market deposit accounts, certificates of deposits, and interest-earning checking accounts.

³ Includes money market funds, U.S. Government securities, municipal and corporate bonds, and other interest-earning assets.

Such a relationship between net worth and age is often referred to as the "life-cycle" pattern. The life-cycle hypothesis of savings suggests that asset holdings increase during work life when incomes are high and decline after retirement when income falls.

Median values of net worth by household income and age of the householder are shown in tables E and F. The results show the expected relationship between age and net worth. In 1991, median net worth increased significantly from \$5,565 for the youngest households to \$104,354 for households in the 65-to-69-year-old category and then declined to \$76,541 for the oldest group (75 years of age

and older).⁹ Median net worth fell significantly from 1988 to 1991 for all age groups under 65. There was no significant change from 1988 to 1991 for householders 65 years of age or older.

However, the data in table E suggest that the life-cycle relationship between age and total net worth for the oldest age groups did not hold within income categories. There

⁹ Cross-sectional evidence of the life-cycle relationship between net worth and age, however, does not imply the same behavior for an individual over a lifetime. Such evidence is based on average net worth holdings for different age cohorts at a point in time. If the cohorts have different lifetime net worth profiles, it is possible to observe cross-sectional evidence of a life-cycle relationship between net worth and age when, in fact, net worth increases over the lifetime of each cohort.

Table E. Median Net Worth, by Age of Householder and Monthly Household Income Quintile: 1991

[Excludes group quarters]

Monthly household income	Total	Less than 35 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years of age and older			
						Total	65 to 69 years	70 to 74 years	75 years of age and older
All households (thousands).....	94,692	25,031	21,514	14,934	12,575	20,638	6,435	5,439	8,764
Median net worth	\$36,623	\$5,565	\$31,148	\$58,250	\$83,041	\$88,192	\$104,354	\$92,793	\$76,541
Excluding Home Equity	10,263	3,273	9,456	16,275	25,965	26,442	33,345	25,943	22,866
Net worth by income quintile ¹									
Lowest quintile:									
Households (thousands)	18,977	5,256	2,271	1,901	2,323	7,226	1,657	1,630	3,939
Median net worth	\$5,224	\$537	\$1,228	\$5,230	\$16,959	\$32,172	\$30,622	\$31,825	\$32,946
Excluding Home Equity	1,143	187	704	852	1,406	3,577	2,570	3,083	4,570
Second quintile:									
Households (thousands)	18,912	5,432	3,231	1,958	2,431	5,860	1,760	1,526	2,574
Median net worth	\$19,191	\$2,912	\$6,213	\$19,378	\$52,660	\$90,635	\$92,321	\$89,306	\$89,975
Excluding Home Equity	5,588	1,772	2,409	4,656	10,580	29,152	25,690	25,808	34,492
Third quintile:									
Households (thousands)	18,969	5,809	4,474	2,629	2,536	3,523	1,306	1,141	1,075
Median net worth	\$28,859	\$6,633	\$18,216	\$35,837	\$77,439	\$154,203	\$154,487	\$140,226	\$171,032
Excluding Home Equity	8,661	3,768	5,674	9,713	24,382	68,372	64,164	64,280	83,472
Fourth quintile:									
Households (thousands)	18,928	5,105	5,607	3,432	2,504	2,279	968	657	654
Median net worth	\$49,204	\$16,176	\$38,762	\$57,706	\$135,458	\$225,594	\$201,867	\$212,062	\$303,510
Excluding Home Equity	16,352	7,650	12,412	16,188	42,586	121,154	83,101	123,268	181,513
Highest quintile:									
Households (thousands)	18,905	3,429	5,931	5,014	2,780	1,751	744	485	522
Median net worth	\$123,166	\$42,650	\$91,434	\$147,091	\$212,660	\$424,721	\$382,551	\$433,049	\$485,557
Excluding Home Equity	48,893	19,329	36,157	54,371	95,692	299,679	226,894	315,194	399,301

¹Quintile upper limits for 1991 were: lowest quintile - \$1,071; second quintile - \$1,912; third quintile - \$2,914; fourth quintile - \$4,454.

was no evidence that net worth decreased as age increased among the oldest age groups within any income group in either year.

Age and income, however, are also correlated. In general, income increases with age during work years and falls to a much lower level after retirement. Usually, households with younger householders tend to have more income, but lower net worth than older householders. Specifically, 57 percent of the youngest households had average monthly incomes above \$1,912 (the beginning of the third income quintile), and only 37 percent of households with householders 65 years of age or older had such incomes. However, the median net worth of the older households was more than 15 times that of the youngest households (\$88,192 versus \$5,565 in 1991).

Median net worth excluding home equity is considered an important indicator of well-being for some subgroups of the population, such as the elderly, who tend to have larger proportions of net worth in their homes than do younger people. In 1991, median net worth, excluding home equity, increased with age for all age groups under 70 and declined for households with householders 70 to 74 years of age. There was no significant difference between households with householders 70 to 74 years of age and those 75 years of age or older.

Median net worth excluding home equity, fell from \$11,414 in 1988 (in 1991 dollars) to \$10,263 in 1991. This decline was less than the fall in median net worth overall, from \$41,472 in 1988 (1991 dollars) to \$36,623 in 1991. From 1988 to 1991, median net worth, excluding home equity, fell for households with householders less than 35 years of age, and those 35 to 44 years of age, those 55 to 64 years of age, and those 70 to 74 years of age.

The distribution of net worth by age of householder for 1988 and 1991 is shown in table G. In both years, home equity was the major asset holding for all age groups. It is evident that the composition of net worth differs by the age of the householder. The share of net worth held as equity in motor vehicles declined with increasing age for both years, from 18 percent of net worth for the youngest group to 4 percent for the 65 years of age or older group in 1991. The share of net worth held as assets in business or professions also declined in both years for older householders. Specifically, in 1991, householders 45 years of age or older had a lower percentage of net worth in business or professions than did younger householders. In 1988, however, only householders 65 years of age or older had a lower percentage of net worth in business or professions.

Table F. Median Net Worth, by Age of Householder and Monthly Household Income Quintile: 1988 (in 1991 dollars)

[Excludes group quarters]

Monthly household income	Total	Less than 35 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years of age and older			
						Total	65 to 69 years	70 to 74 years	75 years of age and older
All households (thousands).....	91,554	25,379	19,916	13,613	13,090	19,556	6,331	5,184	8,041
Median net worth.....	\$41,472	\$7,050	\$38,492	\$66,661	\$92,837	\$85,226	\$96,834	\$95,249	\$71,330
Excluding Home Equity.....	11,414	3,779	10,432	18,029	30,619	27,673	31,879	32,680	21,830
Net worth by income quintile ¹									
Lowest quintile:									
Households (thousands).....	18,299	4,642	2,270	1,630	2,467	7,290	1,800	1,647	3,842
Median net worth.....	\$5,016	\$756	\$984	\$3,251	\$19,192	\$29,255	\$27,468	\$33,501	\$29,338
Excluding Home Equity.....	1,336	520	512	1,041	1,788	4,102	3,544	3,547	5,190
Second quintile:									
Households (thousands).....	18,253	5,460	3,112	1,894	2,407	5,380	1,615	1,534	2,230
Median net worth.....	\$22,845	\$2,959	\$8,742	\$19,904	\$59,904	\$88,218	\$85,506	\$89,732	\$88,453
Excluding Home Equity.....	6,327	2,115	2,720	4,693	15,450	32,675	30,116	31,271	36,949
Third quintile:									
Households (thousands).....	18,378	6,186	4,007	2,325	2,480	3,380	1,356	924	1,100
Median net worth.....	\$32,531	\$7,470	\$23,209	\$44,422	\$98,167	\$164,501	\$142,504	\$165,301	\$184,477
Excluding Home Equity.....	9,765	3,936	5,852	10,535	32,047	66,150	54,557	66,146	90,390
Fourth quintile:									
Households (thousands).....	18,310	5,694	5,025	3,049	2,583	1,959	850	578	530
Median net worth.....	\$53,633	\$17,887	\$46,380	\$76,321	\$111,437	\$233,812	\$209,730	\$252,384	\$257,891
Excluding Home Equity.....	16,676	8,042	13,385	21,818	42,376	116,557	100,130	140,756	141,307
Highest quintile:									
Households (thousands).....	18,314	3,397	5,502	4,715	3,152	1,548	710	500	338
Median net worth.....	\$129,653	\$43,868	\$102,420	\$151,806	\$230,825	\$397,897	\$349,994	\$430,006	\$453,153
Excluding Home Equity.....	47,198	19,224	35,689	53,127	106,590	242,195	198,572	284,659	292,387

¹Quintile upper limits for 1988 were: lowest quintile - \$1,089; second quintile - \$1,971; third quintile - \$2,979; fourth quintile - \$4,504.

Table G. Distribution of Net Worth, by Age of Householder and Asset Type: 1991 and 1988

[Excludes group quarters]

Asset type	1991						1988					
	Total	Years					Total	Years				
		Less than 35	35 to 44	45 to 54	55 to 64	65 years of age and older		Less than 35	35 to 44	45 to 54	55 to 64	65 years of age and older
Total net worth.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Interest-earning assets at financial institutions.....	14.2	12.2	9.6	9.5	12.1	21.0	14.1	10.8	9.0	9.4	12.0	22.4
Other interest-earning assets.....	5.0	1.9	3.0	3.7	5.1	7.3	4.2	2.8	2.5	2.7	3.7	6.8
Checking accounts.....	0.5	1.2	0.7	0.4	0.4	0.4	0.6	1.2	0.6	0.5	0.5	0.5
Stocks and mutual fund shares.....	7.1	4.7	5.9	5.4	6.6	9.4	6.5	4.3	5.3	5.2	7.0	8.2
Own home.....	41.9	42.1	45.1	40.8	40.9	41.5	43.1	45.1	49.2	43.2	41.0	40.4
Rental property.....	6.8	6.1	8.0	9.4	7.1	4.6	7.9	6.8	6.7	11.3	8.0	6.7
Other real estate.....	5.4	6.2	5.4	6.8	6.3	4.0	4.3	5.2	5.2	4.9	5.0	2.6
Vehicles.....	6.4	18.1	8.7	6.4	5.2	3.5	5.8	15.6	7.6	5.7	4.7	3.1
Business or profession.....	7.3	13.5	11.5	10.8	6.8	2.1	8.8	14.6	12.0	11.9	9.4	3.0
U.S. savings bonds.....	0.6	0.7	0.5	0.5	0.7	0.6	0.6	0.5	0.4	0.4	0.8	0.6
IRA or KEOGH accounts.....	5.2	3.2	5.6	5.8	7.1	3.8	4.2	3.4	4.2	4.2	6.4	2.8
Other financial investments ¹	3.1	3.5	1.7	4.1	4.3	2.4	3.0	1.5	1.7	3.9	3.1	3.5
Unsecured liabilities ²	-3.4	-13.5	-5.8	-3.7	-2.6	-0.5	-2.9	-11.8	-4.3	-3.2	-1.7	-0.5

¹Includes mortgages held from sale of real estate, amount due from sale of business, unit trusts, and other financial investments.

²Since net worth is the value of assets less liabilities, unsecured liabilities are subtracted from the distribution of net worth and are shown as negative.

The share of net worth from other asset types, however, generally increased between the youngest and oldest groups. The proportion of net worth in interest-earning assets at financial institutions increased significantly from about 12 percent of net worth for the youngest group to approximately 21 percent for households with householders 65 years of age or older in 1991. In 1988, the proportion of net worth in interest-earning assets at financial institutions rose from 11 percent for households with householders less than 35 years of age to 22 percent for households with householders 65 years of age or older. The 1991 estimates of the proportion of net worth in interest-earning assets at financial institutions were not significantly different from those in 1988.

In 1991, the share of net worth in stocks and mutual fund shares increased from 5 percent of net worth for households with householders less than 35 years of age to 9 percent for households with householders 65 years of age or older. The 1991 shares of net worth in stocks and mutual funds were not significantly different from the 1988 shares.

NET WORTH BY RACE AND HISPANIC ORIGIN

Net worth holdings also differed by race and ethnicity of the householder. Table H shows median and mean net worth by race and Hispanic origin of householder. There were large differences in wealth holdings between White households and other groups. In 1991, White households had a median net worth of \$44,408; the figure for Black households was \$4,604. Hispanic households had median holdings of \$5,345. (The median net worth of Black households and the median net worth of households of Hispanic origin were not significantly different.)

The median net worth of White households declined significantly between 1988 and 1991. Significant declines occurred for White households in the third and fourth quintiles. The apparent decreases in median net worth for Blacks and Hispanics were not statistically significant.

Table H shows differences in median net worth by income quintile as well as by race and Hispanic origin. White households in every income quintile had significantly higher levels of median net worth than Black households in

Table H. Median Net Worth, by Race and Hispanic Origin of Householder and Monthly Household Income Quintile: 1991 and 1988

[Excludes group quarters]

Monthly household income quintile	Total		White		Black		Hispanic origin ¹	
	1991	1988 (In 1991 dollars)	1991	1988 (In 1991 dollars)	1991	1988 (In 1991 dollars)	1991	1988 (In 1991 dollars)
All households (thousands).....	94,692	91,554	81,409	79,169	10,768	10,278	6,407	5,916
Median net worth	\$36,623	\$41,472	\$44,408	\$50,204	\$4,604	\$4,836	\$5,345	\$6,408
Mean net worth.....	102,118	106,740	111,910	117,542	27,840	27,435	41,818	45,145
Net worth by income quintile ²								
Lowest quintile:								
Households (thousands)	18,977	18,299	14,480	14,049	4,041	3,840	1,835	1,621
Median net worth	\$5,224	\$5,016	\$10,257	\$10,253	\$1	\$0	\$645	\$437
Mean net worth	35,420	37,375	41,765	44,850	12,290	11,721	14,829	16,602
Second quintile:								
Households (thousands)	18,912	18,253	16,006	15,563	2,436	2,313	1,557	1,377
Median net worth	\$19,191	\$22,845	\$25,602	\$30,426	\$3,299	\$2,793	\$3,182	\$3,390
Mean net worth	62,280	65,582	69,001	72,951	22,125	20,251	25,008	27,942
Third quintile:								
Households (thousands)	18,969	18,378	16,388	16,154	2,124	1,840	1,312	1,233
Median net worth	\$28,859	\$32,531	\$33,503	\$38,050	\$7,987	\$9,815	\$7,150	\$7,766
Mean net worth	80,419	83,635	88,262	90,161	25,451	31,673	38,038	41,625
Fourth quintile:								
Households (thousands)	18,928	18,310	17,043	16,446	1,353	1,446	1,009	925
Median net worth	\$49,204	\$53,653	\$52,767	\$58,432	\$20,547	\$23,449	\$19,413	\$24,417
Mean net worth	104,416	109,839	108,904	116,075	44,650	44,311	61,978	57,136
Highest quintile:								
Households (thousands)	18,905	18,314	17,492	16,959	814	839	694	761
Median net worth	\$123,166	\$129,653	\$129,394	\$138,106	\$54,449	\$54,706	\$67,435	\$68,128
Mean net worth	228,394	237,161	234,325	246,187	100,423	80,785	128,748	128,260

¹Persons of Hispanic origin may be of any race.

²Quintile upper limits for 1991 were: Lowest quintile - \$1,071; second quintile - \$1,912; third quintile - \$2,914; fourth quintile - \$4,454. Upper limits for 1988 were: lowest quintile - \$1,089; second quintile - \$1,971; third quintile - \$2,979; fourth quintile - \$4,504.

the same income quintile. In the lowest quintile in 1991, the median net worth for White households was \$10,257. The median net worth of Black households in this quintile was significantly lower, \$1.¹⁰ In the highest quintile in 1991, the median net worth for White households was \$129,394, significantly higher than the median for Black households in the highest quintile, \$54,449. These results were not significantly different from the 1988 results.

From the information in table H, one can construct ratios of median net worth by race and ethnicity, which are indicators of wealth differences. These ratios are useful in describing the behavior of such wealth differences over time. In 1991, the ratio of the median net worth of White households to that of Black households was 9.6, not significantly different from the 1988 ratio of 10.4. The changes between 1988 and 1991 in the White/Black median wealth ratios for all quintiles were not statistically significant.

In both years, the relative differences by race in median net worth were smaller for upper-income households. For instance, while this ratio is very large for the lowest quintile, where median net worth for Blacks is \$1.00, in the highest income quintile, the ratios were 2.5 in 1988 and 2.4 in 1991, not statistically different over time.

The median net worth of Hispanic households was lower than that of White households in every income quintile in both 1988 and 1991. Generally, the median net worth of Hispanic households was not significantly different from that of Black households in every income quintile in both 1988 and 1991.

The distribution of wealth also differed by race and hispanic origin of the householder, as shown in table I. In both 1991 and 1988, Black householders, compared with White householders, held a significantly greater percentage of their net worth in durable goods such as housing (63 percent versus 41 percent in 1991, and 68 percent versus 42 percent in 1988) and motor vehicles (10 percent versus 6 percent in 1991, and 11 percent versus 6 percent in 1988); and a significantly lower percentage in financial assets such as stocks and mutual fund shares (2 percent versus 7 percent in 1991, and 1 percent versus 7 percent in 1988) and interest-earning assets at financial institutions (8 percent versus 14 percent in 1988, and 8 percent versus 15 percent in 1991).

NET WORTH BY TYPE OF HOUSEHOLD

The net worth holdings of married-couple, and female- and male-maintained households, by age of the householder, for 1988 and 1991 are shown in table J. Married-couple households were the largest category of households and, overall, had the largest median net worth holdings in both years (\$60,065 in 1991 and \$66,275 in 1988). The median net worth of married-couple households was significantly lower in 1991 than in 1988.

Male-maintained households had the lowest median net worth in 1991, \$11,986. The median net worth of male-maintained households was lower in 1991 than the 1988 figure of \$15,141 (in 1991 dollars). Net worth of female-maintained households (\$14,762 in 1991) was unchanged. (The net worths of female- and male-maintained households were different in 1991, although they were not different in 1988.) Female-maintained households had

¹⁰This \$1 median is the result of half (or more) of Black households in the lowest quintile having median net worth that is either negative or essentially zero; some Black households in this lowest income quintile have positive net worth.

Table I. **Distribution of Net Worth, by Race and Hispanic Origin of Householder and Asset Type: 1991 and 1988**

[Excludes group quarters]

Asset Type	Total		White		Black		Hispanic origin ¹	
	1991	1988	1991	1988	1991	1988	1991	1988
Total net worth	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Interest-earning assets at financial institutions	14.2	14.1	14.5	14.3	8.4	8.2	8.7	9.5
Other interest-earning assets	5.0	4.2	5.2	4.3	1.7	0.5	0.9	0.8
Checking accounts	0.5	0.6	0.5	0.5	0.8	0.9	0.7	0.7
Stocks and mutual fund shares	7.1	6.5	7.4	6.7	1.6	1.1	1.7	1.8
Own home	41.9	43.1	41.1	42.2	63.3	67.6	54.9	58.2
Rental property	6.8	7.9	6.7	7.9	7.1	7.8	9.2	9.6
Other real estate	5.4	4.3	5.5	4.3	4.4	3.0	5.9	5.8
Vehicles	6.4	5.8	6.2	5.5	10.2	10.8	9.8	8.4
Business or profession	7.3	8.8	7.2	8.9	6.7	3.9	8.8	6.3
U.S. savings bonds	0.6	0.6	0.6	0.6	0.4	0.5	0.4	0.3
IRA or KEOGH accounts	5.2	4.2	5.3	4.3	2.6	1.6	2.8	2.9
Other financial investments ²	3.1	3.0	3.2	3.1	1.1	1.5	1.8	1.1
Unsecured liabilities ³	-3.4	-2.9	-3.3	-2.8	-8.3	-7.5	-5.7	-5.5

¹Persons of Hispanic origin may be of any race.

²Includes mortgages held from sale of real estate, amount due from sale of business, unit trusts, and other financial investments.

³Since net worth is the value of assets less liabilities, unsecured liabilities are subtracted from the distribution of net worth and are shown as negative.

Table J. **Median Net Worth, by Type of Household and Age of Householder: 1991 and 1988**

[Excludes group quarters]

Type of household by age of householder	1991			1988 dollars (in 1991 dollars)		
	Number of households (thousands)	Median net worth		Number of households (thousands)	Median net worth	
		Total	Excluding equity in own home		Total	Excluding equity in own home
Married-couple households	52,216	\$60,065	\$18,606	51,697	\$66,275	\$18,900
Less than 35 years	12,247	12,036	5,235	13,357	13,968	5,458
35 to 54 years	23,080	60,505	18,689	21,437	70,309	19,630
55 to 64 years	7,849	128,782	44,827	8,186	139,383	49,575
65 years and over	9,040	147,904	56,080	8,736	144,326	53,232
Male householders	15,297	\$11,986	\$5,661	14,383	\$15,141	\$6,327
Less than 35 years	5,746	5,014	3,507	5,592	5,752	3,938
35 to 54 years	5,409	17,740	7,101	4,857	19,784	7,075
55 to 64 years	1,514	30,857	5,860	1,586	40,278	12,391
65 years and over	2,627	64,381	17,322	2,346	56,704	18,460
Female householders	27,179	\$14,762	\$3,596	25,437	\$15,742	\$4,214
Less than 35 years	7,038	1,360	930	6,430	1,598	1,134
35 to 54 years	7,959	10,684	3,224	7,236	12,696	3,406
55 to 64 years	3,211	39,591	6,048	3,336	47,323	8,125
65 years and over	8,972	59,521	12,689	8,471	54,790	12,404

median net worth approximately one-fourth that of married-couple households, and male-maintained households had median net worth approximately one-fifth that of married-couple households.

When net worth levels are compared within age groups, households maintained by women less than 55 years of age had lower median net worth than their male-maintained counterparts in 1988 and 1991. Households maintained by a female 55 to 64 years of age had significantly higher medians than those maintained by a male 55 to 64 years of age in 1991 (there was no difference in 1988). There was no statistically significant difference between median net worth of male and female households maintained by a householder 65 years of age or older in either year. Overall, the age and household group with the lowest net worth was that of female householders under 35 years of age (\$1,360 in 1991).

NET WORTH BY EMPLOYMENT STATUS

Median net worth varies by the employment status of the householder, as shown in detail table 1. In 1991 the median net worth for all households with householders under 65 years of age was \$25,934. However, for households with householders under 65 years of age who had a

job for the entire 4-month reference period, median net worth was \$30,619 (significantly lower than the 1988 figure of \$35,693). If the householder had no job during the reference period, but spent time looking for work or was on layoff, the median net worth was much lower, \$3,048, but not significantly different from the 1988 estimate of \$2,581 (in 1991 dollars). If the householder had no labor force activity (did not work, did not look for work, and was not on layoff), the median net worth was \$14,310 (not significantly different from the 1988 estimate of \$18,550 (in 1991 dollars)). Tables 1 and 5 present these estimates in more detail, by asset type.

USER COMMENTS

We are interested in your reaction to the usefulness and content of this report. We welcome your recommendations. If you have any suggestions or comments, please send them to:

Dr. Daniel H. Weinberg
Chief, Housing and Household
Economic Statistics Division
U.S. Bureau of the Census
Washington, DC 20233-3300