# Improvements to Measuring Net Worth of Households: 2013

*Household Economic Studies*

**Current Population Reports**

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## INTRODUCTION

Net worth (or wealth) is an important indicator of economic well-being. Because income alone does not provide a complete picture, measuring net worth is vital to understanding the economic health of households in the United States.[1]

Median net worth of U.S. households in 2013 was $80,039. This estimate comes from the 2014 panel of the Survey of Income and Program Participation (SIPP), which is the first panel of the survey's second major instrument redesign.[2, 3]

SIPP began measuring household net worth in 1984. Over time, changing asset ownership trends and financial offerings alter what makes up a household's net worth. As a result, the measurement of net worth in SIPP has changed across the survey's 1996 and 2014 redesigns.[4]

### KEY CONCEPTS AND DEFINITIONS

A **household** consists of all people occupying a housing unit that is not part of a group quarter (such as a dorm, institution, or nursing home).

**Household net worth** (or household wealth) is the value of assets owned by household members minus the liabilities (debts) owed by household members. The major assets not covered in this measure are equities in pension plans and the value of home furnishings. Please see the text box "Assets and Liabilities Included in the Calculation of Net Worth" at the end of this report for more details on the components of net worth.

**Median household net worth** is the dollar amount that divides households into two equal groups, one having net worth less than that amount and the other having net worth above that amount.

The calculation of net worth includes two types of liabilities: **secured liabilities** (or secured debt), which is debt backed by an asset (such as a home loan or car loan), and **unsecured liabilities** (or unsecured debt), which is debt not backed by an asset (such as student loans or credit card bills).

This report discusses major changes included in the 2014 redesign of SIPP that improve its measurement of net worth. This report also presents estimates on the net worth of households in 2013, as measured in the 2014 panel.

[1] For further discussion on the importance of measuring net worth, please see Alfred O. Gottschalck, *Net Worth and the Assets of Households: 2002*, 2008, <www.census.gov/prod/2008pubs/p70-115.pdf>.

[2] For more information on how SIPP's estimate of net worth compares to other financial surveys, please see Jonathan Eggleston and M. Gideon, *Evaluating Wealth Data Quality in the 2014 Panel of the Survey of Income and Program Participation*, forthcoming, U.S. Census Bureau.

[3] SIPP's 2011 estimate of net worth ($68,828) is the last estimate before the 2014 panel redesign. Because estimates between redesigns are not fully comparable, this report does not evaluate changes in net worth over time. Please visit <www.census.gov/people/wealth> for all previous SIPP estimates of net worth.

[4] For a full list of SIPP panels, please visit <www.census.gov/sipp>.

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## IMPROVEMENTS TO MEASURING NET WORTH

SIPP now asks specific questions about annuities, trusts, businesses owned as an investment only, and educational savings accounts. In addition, the calculation of household net worth now includes the cash value of life insurance policies.

Without these improvements, the survey's estimate of net worth may have been as low as $74,083.[5]

Other changes to the survey include an improved use of data from the National Automobile Dealers Association (NADA),[6] and having the survey provide respondents with specific examples for "other financial investments." Additionally, the survey now has specific questions about money owed on debt from student loans and education-related expenses. Table 1 details major changes to asset topics between the 2008 SIPP panel and the 2014 SIPP panel.

## COMPOSITION OF NET WORTH

Along with improving the measurement of net worth per household, these changes help measure the driving factors of net worth for U.S. households (also known as the composition of net worth). The composition of net worth describes how the total (aggregated) amount of net worth owned by all households is distributed.

Because asset ownership patterns of particularly wealthy households are not typical to the rest of the population, this section focuses on households at or below the 99th percentile of net worth. Figure 1 shows the composition of total net worth owned by these households in 2013.

Home equity (the value of one's home minus all debts against it) has traditionally been the largest share of net worth. This trend continued in 2013 with home equity accounting for 32.2 percent of net worth owned by households.

Retirement accounts were the second largest share of total net worth at 26.8 percent (16.3 percent in 401(k) and Thrift Savings Plan accounts and 10.5 percent in IRA and Keogh accounts).

For topics with specific questions added to the 2014 panel of SIPP, the cash value of life insurance policies accounted for 2.8 percent of net worth, annuities and trusts were 3.0 percent, and educational savings accounts were 0.4 percent of net worth owned by households in 2013.

[5] This estimate reflects the median net worth of households without including the value of annuities, trusts, businesses owned as an investment only, educational savings accounts, and the cash value of life insurance policies. This estimate is not comparable to previous estimates of net worth from SIPP, as some or all of those items may have been included in "other financial investments."

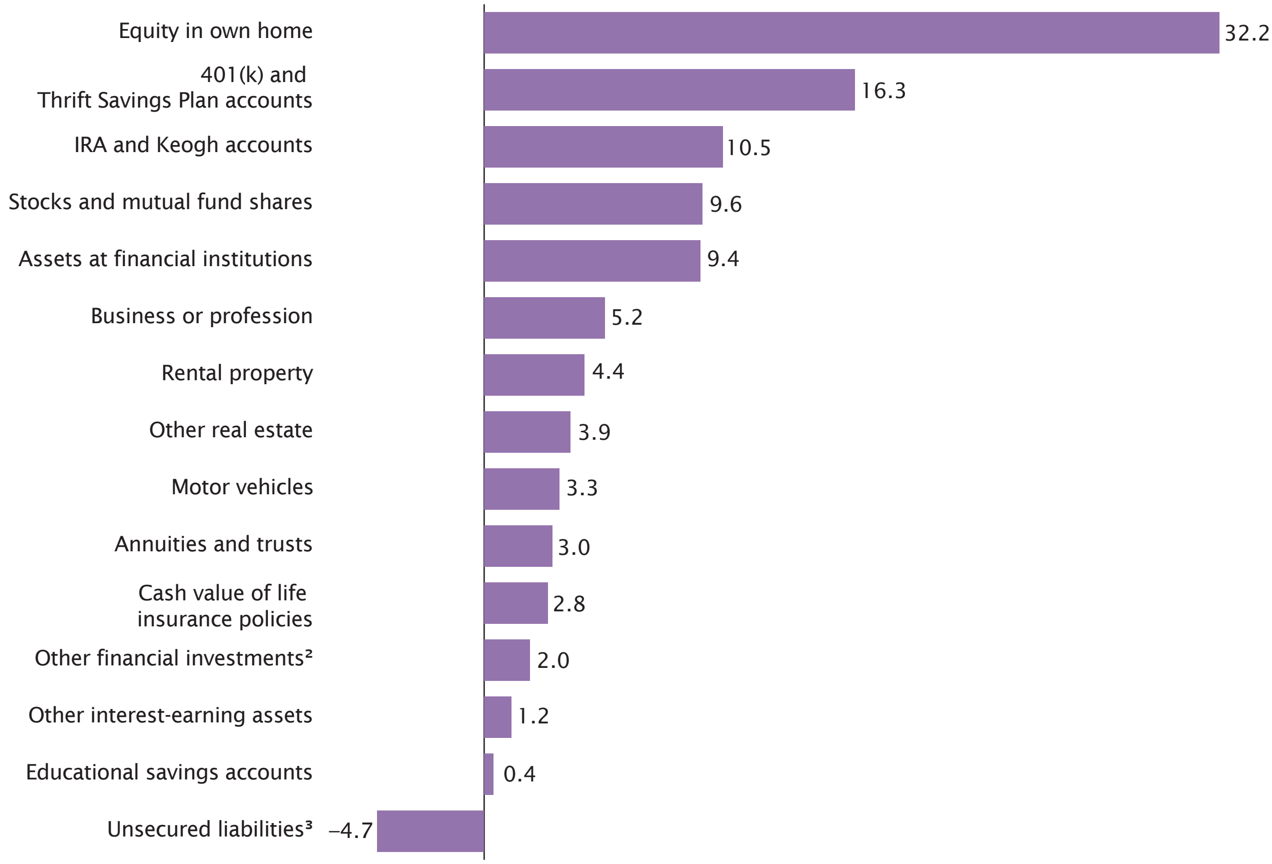
[6] Prior to the 2014 panel, SIPP used this microdata to set vehicle values in the first vehicles topical module in each panel and then updated vehicle values assuming a representative depreciation rate. SIPP now uses this microdata for every wave of data.

Table 1.

**Changes in Asset Topics: 2008 SIPP to 2014 SIPP**

| Topic | 2008 SIPP | 2014 SIPP |
|---|---|---|
| Annuities and trusts | Reported under "Other financial investments" | Asked as topic-specific question |
| Businesses owned as an investment only | Reported under "Other financial investments" | Asked as topic-specific question |
| Educational savings accounts | Reported under "Other financial investments" | Asked as topic-specific question |
| Life insurance policies | Survey does not ask about face value of life insurance policies. Cash value is not included in the calculation of net worth. | Survey asks both face value and cash value of life insurance policies. Cash value is included in the calculation of net worth. |
| Other financial investments | Survey asks respondent for "any other financial investments" | Survey directly primes respondents with examples for "coins, jewelry, artwork, mortgages paid to him/her, other loans owed to him/her, or royalties" |
| Educational loans | Reported under "Other debt" or "Other loans" | Asked as topic-specific question |

Figure 1.
**Composition of Net Worth, by Asset Type: 2013[1]**
(In percent)




[1] Excludes households in the top 1 percent of net worth.
[2] Includes mortgages held for sale of real estate, amount due from sale of business or property, and other financial assets.
[3] Because net worth is assets minus liabilities, unsecured liabilities are subtracted from the distribution of net worth and are shown as negative.
Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel.

## ASSET AND LIABILITY OWNERSHIP RATES AND MEDIAN VALUES

SIPP also provides estimates of asset ownership rates and the median value of assets owned. Table 2 shows household asset ownership rates in 2013, as well as the median values for those households who owned the asset.

Assets held at financial institutions (e.g., checking, savings, money market, and certificate of deposit accounts at a bank or credit union) were the most common type of asset owned in 2013. During the year, 89.2 percent of households had at least one asset held at a financial institution. The median total held in these accounts was $4,000 at the end of the year.

Vehicles were the second-most common asset owned by households in 2013. About 85 percent of households owned a vehicle during the year, with a median equity of $6,990 in December.

Home equity was the third-most common asset owned. In 2013, 63.2 percent of households owned their home, with a median amount of $81,000 in equity at the end of the year.

Table 2.

**Asset Ownership Rates for Households and Median Value of Holdings: 2013**

| Asset type | Percent of households that own asset type | Median value of asset for asset owners[1] (dollars) |
|---|---|---|
| **Net worth** | **X** | **80,039** |
| Assets at financial institutions | 89.2 | 4,000 |
| Vehicles | 84.7 | 6,990 |
| Equity in own home | 63.2 | 81,000 |
| 401(k) and Thrift Savings Plan accounts | 40.7 | 46,000 |
| IRA and Keogh accounts | 28.4 | 40,000 |
| Cash value of life insurance policies | 19.1 | 12,000 |
| Stocks and mutual fund shares | 20.0 | 32,500 |
| Business or profession | 14.0 | 10,000 |
| Other interest-earning assets | 9.4 | 2,500 |
| Other real estate | 8.0 | 51,000 |
| Rental property | 7.5 | 80,000 |
| Annuities and trusts | 4.6 | 60,000 |
| Educational savings accounts | 4.1 | 10,000 |
| Other financial investments[2] | 2.9 | 21,000 |

X Not applicable.

[1] Asset values are net of debts held against them, otherwise known as equity. Net worth is also net of all unsecured liabilities.

[2] Includes mortgages held for sale of real estate, amount due from sale of business or property, and other financial assets.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel.

Table 3.

**Unsecured Liability Ownership Rates for Households and Median Value Owed: 2013**

| Type of unsecured liability | Percent of households that own type | Median amount owed (dollars) |
|---|---|---|
| **All unsecured liabilities** | **54.6** | **8,000** |
| Credit cards and store bills | 41.8 | 3,000 |
| Student loans and education-related expenses | 19.7 | 18,000 |
| Other unsecured liabilities[1] | 18.5 | 3,000 |

[1] Includes medical bills not covered by insurance, loans obtained through a bank or credit union, money owed to private individuals, debt held against mutual funds or stocks, and all other debts.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel.

For topics with specific questions added to SIPP's 2014 panel, 19.1 percent of households had cash value in life insurance policies (with a median value of $12,000), 4.1 percent had an educational savings account (with a median value of $10,000), and 4.6 percent of households had at least one annuity or trust account (with a median equity of $60,000 in these accounts).

SIPP also collects information about money owed on unsecured liabilities (e.g., credit card bills, student loans, personal loans). Table 3 shows household ownership rates for unsecured liabilities in 2013, as well as the median amount owed by those liable for the debt.

In 2013, over half (54.6 percent) of households owed money on at least one type of unsecured liability, with a median amount of $8,000 owed at the end of 2013.

For student debt specifically, 19.7 percent of households owed money on student loans or education-related expenses during the year, with a median amount of $18,000 owed at the end of 2013. Additionally, 41.8 percent of households held credit card debt at some point during the year, owing a median value of $3,000 at the end of the year.

## SOURCE AND ACCURACY

Statistics from surveys are subject to sampling and nonsampling error. All comparisons presented in this report have taken sampling error into account and are significant at the 90 percent confidence level unless otherwise noted. This means the 90 percent confidence interval for the difference between the estimates being compared does not include zero. Nonsampling errors in surveys may be attributed to a variety of sources, such as how the survey was designed, how respondents interpret questions, how able and willing respondents are to provide correct answers, and how accurately the answers are coded and classified. To minimize these errors, the Census Bureau employs quality control procedures throughout the production process, including the overall design of surveys, wording of questions, review of the work of interviewers and coders, and the statistical review of reports.

Some estimates in this report have response rates below 70 percent. A nonresponse bias study has not been completed for the 2014 SIPP at time of writing. To see the nonresponse bias study for the 2008 SIPP, please visit <www.census.gov/programs-surveys/sipp/tech-documentation/nonresponse-reports/nonresponse-reports.html>.

For further information on the source of the data and accuracy of the estimates including standard errors and confidence intervals, go to <www.census.gov/programs-surveys/sipp/tech-documentation/source-accuracy-statements/source-accuracy-statements-2008.html> (SIPP 2008 Panel Waves 1-16 - Core and Topical Module Source and Accuracy Statement [14.7 MB]), or contact Mahdi S. Sundukchi of the Census Bureau's Demographic Statistical Methods Division at <mahdi.s.sundukchi@census.gov>.

Additional information on the SIPP can be found at the following Web sites: <www.census.gov/sipp/> (main SIPP Web site), <www.census.gov/sipp/workpapr/wp230.pdf> (SIPP Quality Profile), and <www2.census.gov/programs-surveys/sipp/guidance/SIPP_USERS_Guide_Third_Edition_2001.pdf> (SIPP User's Guide).

## CONTACTS

Additional information on wealth statistics can be found by contacting the SIPP survey team at <census.sipp@census.gov> or 1-888-245-3076. For further information on the content of this report, contact Rebecca Chenevert of the Census Bureau's Social, Economic, and Housing Statistics Division at <Rebecca.L.Chenevert@census.gov> or 301-763-3230.

## SUGGESTED CITATION

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### What Is SIPP?

The Survey of Income and Program Participation (SIPP) is a nationally representative panel survey administered by the Census Bureau that collects information on the short-term dynamics of employment, income, household composition, and eligibility and participation in government assistance programs. It is a leading source of information on specific topics related to economic well-being, family dynamics, education, wealth and assets, health insurance, child care, and food security. Each SIPP panel follows individuals for several years, providing monthly data that measure changes in household and family composition and economic circumstances over time. For more information, please visit the SIPP Web site at <www.census.gov/sipp>.

### Assets and Liabilities Included in the Calculation of Net Worth

**I. Assets**

- Assets held at financial institutions
  - Interest-earning checking accounts
  - Regular (noninterest earning) checking accounts
  - Savings accounts
  - Money market deposit accounts
  - Certificates of deposit
- Other interest-earning assets
  - U.S. government securities
  - Municipal and corporate bonds
- Retirement accounts
  - IRA and Keogh accounts
  - 401(k) and Thrift Savings Plan accounts
- Other Assets
  - Annuities and trusts
  - Educational savings accounts
  - Stocks and mutual fund shares
  - Rental property
  - Home ownership
  - Vacation homes and other real estate
  - Vehicles
- Other financial investments

**II. Liabilities**

- Secured liabilities
  - Mortgages on own home
  - Mortgages on rental property
  - Mortgages on other homes or real estate
  - Debt on business or profession
  - Vehicle loans
  - Other secured liabilities
- Unsecured liabilities
  - Credit cards and store bills
  - Educational loans
  - Other unsecured liabilities