Net Worth of Households: 2016

Current Population Reports

INTRODUCTION

Net worth (or wealth) is an important indicator of economic well-being that provides valuable insights into a household's economic health.[1] For example, during financial hardships, such as unemployment, illness, or divorce, wealth is a source of liquidity to pay expenses and bills.

This brief uses the Survey of Income and Program Participation (SIPP) to examine household net worth in 2016.[2,3] In the first two sections, we examine changes between 2015 and 2016. In the last section, we discuss the change in household net worth over the entire 2014 SIPP Panel.

MEDIAN NET WORTH AND ASSET/LIABILITY OWNERSHIP RATES

In 2016, we saw meaningful and statistically significant increases in net worth and select asset holdings relative to 2015. Median net worth increased by 5.3 percent, from $89,870 to $94,670, between 2015 and 2016. Among the asset classes with statistically significant changes, the one composed of stocks

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[1] For further discussion on the importance of measuring net worth, see Alfred O. Gottschalk, *Net Worth and the Assets of Households: 2002,* 2008, <www.census.gov/prod/2008pubs/p70-115.pdf>.
[2] For more information on how the SIPP's estimate of net worth compares to other surveys, see Jonathan Eggleston and Michael Gideon, *Evaluating Wealth Data in the Redesigned 2014 Survey of Income and Program Participation,* 2017, <www.census.gov/content/dam/Census/library /working-papers/2017/demo/SEHSD-WP2017-35.pdf>.
[3] The Census Bureau's Disclosure Review Board and Disclosure Avoidance Officers have reviewed this data product for unauthorized disclosure of confidential information and have approved the disclosure avoidance practices applied to this release. CBDRB Approval: CBDRB-FY19-POP001-0053.

Key Concepts and Definitions

A **household** consists of a group of people occupying a housing unit together (group quarters such as dorms, institutions, or nursing homes are excluded from our analysis).

Net worth (or **wealth**) is the value of assets owned minus the liabilities (debts) owed. Therefore, net worth can be negative. The major assets not covered in this measure are equities in pension plans and the value of home furnishings.

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.

Household net worth percentile is the dollar amount below which a given percentage of households fall. For example, the 90th percentile of household net worth is the value that 90 percent of households' net worth is less than.

Two types of **liabilities** (or **debt**) are included in the calculation of net worth: **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).

and mutual funds stands out in particular. The median values of stocks and mutual funds increased by 30.4 percent, from $35,730 to $46,600, between 2015 and 2016 (Table 1).

Between 2015 and 2016, a number of assets experienced statistically significant increases in their ownership rates. However, the change in all unsecured liabilities is perhaps the most noteworthy (Table 1). There was a 2.1 percentage point (or 3.9 percent) increase in the percentage of households holding at least one unsecured liability.[4] This increase was driven by increases in the holdings of credit card debt (a 3.8 percent increase) and other unsecured liabilities (a 6.2 percent increase). However,

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[4] Unsecured liabilities, such as student loans or credit card bills, are not backed by assets.

the 2015 and 2016 median values of unsecured household debt for unsecured debt holders were not statistically different. Thus, the increase in unsecured liabilities held was *not* accompanied by an increase in median unsecured debt owed.

THE COMPOSITION OF HOUSEHOLD NET WORTH

Median asset values vary across asset types, implying that some common assets are a small part of net worth (Table 1). For example, median home equity was $100,000 for homeowners in 2016, while the median value

Table 1.

Asset and Unsecured Liability Ownership Rates for Households and Median Value of Asset Holdings and Unsecured Liabilities Owed: 2015 and 2016

Asset or debt type	Percent of households that own asset or debt type			Median value of asset or debt for asset or debt holders (2016 dollars)[1]		
	2015	2016	Change	2015	2016	Change
Net worth................................	X	X	X	89,870	94,670	*4,800
Value of Asset Holdings						
Assets at financial institutions.................	90.9	91.7	*0.8	4,695	5,000	305
Vehicles.......................................	83.4	83.4	0.0	6,652	6,137	*–515
Equity in own home	63.0	63.0	0.0	97,790	100,000	2,210
Retirement accounts[2]	52.9	53.7	*0.8	68,800	65,000	–3,800
Stocks and mutual funds......................	18.3	18.9	*0.6	35,730	46,600	*10,870
Business assets	15.2	15.0	–0.2	5,104	5,000	–104
Bonds...	8.4	8.5	0.1	3,062	3,500	438
Other real estate.............................	7.6	7.9	0.3	51,040	49,000	–2,040
Rental property...............................	7.0	7.4	*0.4	102,100	119,000	16,900
Other assets holdings[3].......................	27.2	28.2	*1.0	17,350	18,000	650
Unsecured Liabilities						
All unsecured liabilities	53.4	55.5	*2.1	7,656	8,000	344
Credit card and store bills.....................	41.9	43.5	*1.6	3,062	3,500	*438
Student loan and education-related expenses ..	19.0	19.5	0.5	20,410	20,000	–410
Other unsecured liabilites[4]....................	16.1	17.1	*1.0	3,062	3,000	–62

* Statistically significant at the 10 percent level.
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] IRA, Keogh, Thrift Savings Plans, and 401K accounts.
[3] Includes annuities, trusts, cash life insurance policies, educational savings accounts, mortgages held for sale of real estate, amount due from sale of business property, and other financial assets.
[4] 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 Waves 3 and 4.

Figure 1.
Composition of Net Worth by Asset Type: 2015 and 2016[1]
(In percent)

■ 2016
■ 2015

Asset Type	2016	2015
Equity in own home	34.5	34.1
Retirement accounts	28.6	28.8
Stocks and mutual funds*	10.2	8.7
Assets at financial institutions*	9.1	8.4
Other asset holdings[2]	6.6	7.0
Rental properties*	5.4	4.6
Business assets	3.0	5.6
Other real estate	2.9	3.2
Vehicles*	2.7	2.9
Bonds	1.4	1.2
All unsecured liabilites[3]	-4.6	-4.6

* Statistically significant at the 10 percent level.
[1] Excludes households in the top 1 percent of net worth.
[2] Includes annuities, trusts, cash life insurance policies, educational savings accounts, mortgages held for sale of real estate, amount due from sale of business property, and other financial assets.
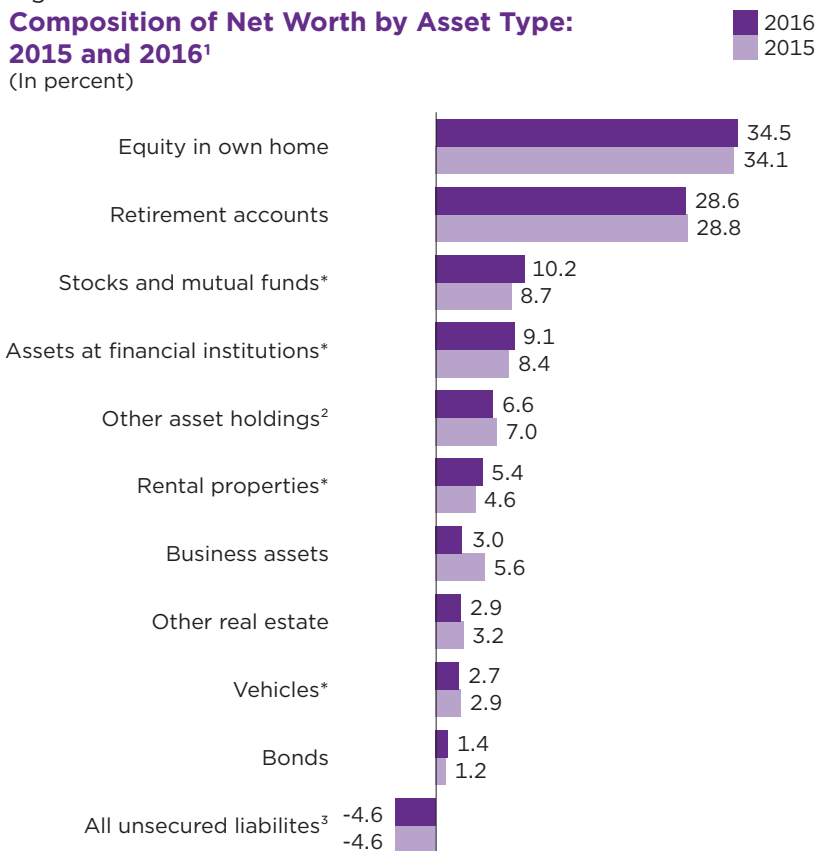[3] Because net worth is assets minus liabilities, unsecured liabilities are subtracted from the distribution of net worth and are shown as negative.

Source: U.S. Census Bureau, Survey of income and Program Participation, 2014 Panel, Waves 3 and 4.

Table 2.
The Value of Household Net Worth Holdings by Percentile: 2013 to 2016
(In 2016 dollars)

Percentile	2013	2014	2015	2016	4-year percent change[1]
10th	−6,573	−4,113	−3,113	−3,500	*47
25th	4,134	4,565	5,163	5,556	*34
50th	82,920	84,160	89,870	94,670	*14
75th	330,300	332,300	354,400	359,400	*9
90th	879,700	820,000	897,600	952,300	*8

* Statistically significant at the 10 percent level.
[1] In calculating the percent change we use the absolute value of the 2013 value in the denominator. This avoids a negative percent change for the 10th percentile.
Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel Waves 1 through 4.

of vehicles was $6,137 for vehicle owners. Therefore, to understand the composition of net worth, we decompose it by asset type in Figure 1.

Home equity accounted for the largest part of net worth in 2016 and 2015 (Figure 1) despite being the third most commonly held asset (Table 1). In fact, a small number of assets constitute the majority of household wealth (Figure 1). For example, home equity and retirement accounts accounted for 63.1 percent of household net worth in 2016.

THE CHANGE OF HOUSEHOLD NET WORTH OVER THE 2014 SIPP PANEL

From 2013 to 2016, household net worth increased across the wealth distribution, with the largest increases, in percentage terms, at the bottom of the distribution (Table 2). At the 10th and 25th percentiles, household net worth increased by 47 percent and 34 percent, respectively. But it is worth noting that despite this increase, the 10th percentile of net worth was still negative. At the 75th and 90th percentiles, household net worth also increased, but at lower rates of 9 percent and 8 percent, respectively. Therefore, the difference in wealth between the 10th and 90th percentiles increased in absolute terms, even though it decreased in relative terms.

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.

Additional information on the SIPP can be found at: <www.census.gov/sipp/> (main SIPP Web site), <www.census.gov/programs -surveys/sipp/guidance/users -guide.html> (SIPP Users' Guides), and <https://www.census.gov /programs-surveys/sipp /tech-documentation/source -accuracy-statements/source -accuracy-statements-2014.html> (SIPP 2014 Source and Accuracy Statement).

CONTACTS

Additional information on wealth statistics can be found by contacting the SIPP Coordination and Outreach Staff at <census.sipp @census.gov> or 1-888-245-3076.

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