Working Party on Financial Statistics

A Comparison of Household Wealth using the Financial Accounts and the Survey of Consumer Finances

To be held on 1-2 October 2012
OECD Conference Centre
Beginning at 2:00 p.m. on the first day

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A Comparison of Household Wealth using the Financial Accounts and the Survey of Consumer Finances

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Presentation Outline

- Calculation of household net worth in the U.S. Flow of Funds Accounts (FFA)
- Calculation of household net worth in the Survey of Consumer (SCF)
- Comparison of aggregate trend in household net worth using these two data sets
- Detail on subcomponents of net worth
  - Tangible assets – consumer durables, owner-occupied housing, equity in noncorporate business
  - Financial assets – safe, risky, 401k
  - Liabilities – mortgages, consumer credit
Net worth is shown on the household balance sheet table (table B.100) in the quarterly Z.1 release.

FFA online *Guide* will show you the complexity of the calculations.

Variety of data sources: govt. agencies, trade associations, private data collections firms

Sector includes nonprofits, domestic hedge funds, private equity firms.

Investment in tangible assets mainly from BEA.

Prices indexes used to calculate level of real estate since 2005.

Many household financial assets estimated as residuals

Liabilities estimated from source data for lenders.
SCF: Micro Approach

- Voluntary triennial cross-sectional survey of U.S. families sponsored by the Federal Reserve; most recent survey 2010
- Interviewed over 6,500 randomly selected households in 2010; average length 90 minutes
- Uses an area probability sample (geographically based random sample)
- Oversamples high income households based on tax data
- Statistical sampling framework and resulting weights allow the estimation of population aggregate.
Net worth over time

Year

Survey of Consumer Finances

Fully Adjusted FFA

Net Worth (Trillions of Dollars)

$0

$10

$20

$30

$40

$50

$60

$70
### Aggregate household wealth, 2010
#### Trillions of Dollars

<table>
<thead>
<tr>
<th></th>
<th>SCF</th>
<th>FFA</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET WORTH</strong></td>
<td>54.5</td>
<td>44.9</td>
<td>1.21</td>
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<tr>
<td><strong>Assets</strong></td>
<td>65.9</td>
<td>57.4</td>
<td>1.15</td>
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<tr>
<td><strong>Tangible assets</strong></td>
<td>36.4</td>
<td>28.2</td>
<td>1.29</td>
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<tr>
<td><strong>Financial assets</strong></td>
<td>29.5</td>
<td>29.2</td>
<td>1.01</td>
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<tr>
<td><strong>Liabilities</strong></td>
<td>11.4</td>
<td>12.5</td>
<td>0.91</td>
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</tbody>
</table>
Broad Categories of Net Worth
SCF-FFA ratios, 1989-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Worth</th>
<th>Tangible Assets</th>
<th>Financial Assets</th>
<th>Liabilities</th>
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</thead>
<tbody>
<tr>
<td>1989</td>
<td>0.85</td>
<td>0.90</td>
<td>0.80</td>
<td>0.75</td>
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<tr>
<td>1992</td>
<td>0.90</td>
<td>0.95</td>
<td>0.85</td>
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<tr>
<td>1995</td>
<td>0.95</td>
<td>1.00</td>
<td>0.90</td>
<td>0.85</td>
</tr>
<tr>
<td>1998</td>
<td>1.00</td>
<td>1.05</td>
<td>0.95</td>
<td>0.90</td>
</tr>
<tr>
<td>2001</td>
<td>1.05</td>
<td>1.10</td>
<td>1.00</td>
<td>0.95</td>
</tr>
<tr>
<td>2004</td>
<td>1.10</td>
<td>1.15</td>
<td>1.05</td>
<td>1.00</td>
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<td>2007</td>
<td>1.15</td>
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<td>1.10</td>
<td>1.05</td>
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<tr>
<td>2010</td>
<td>1.20</td>
<td>1.25</td>
<td>1.15</td>
<td>1.10</td>
</tr>
</tbody>
</table>
Tangible Assets
SCF-FFA ratios, 1989-2010

- Real Estate
- Consumer Durables
- Noncorporate Business
Owner-Occupied Real Estate

- SCF asks survey respondents to value their houses.
- Through 2005, FFA benchmarked to the American Housing Survey (AHS).
- SCF closely aligns with AHS since both have owner-reported value for housing.
- Since 2005, the FFA moves the 2005 benchmark by BEA net investment and the CoreLogic House Price Index.
- FFA deviates from SCF and AHS beginning around 2005, rising to a ratio of 1.4 by 2010.
Equity in Noncorporate Business

- A more volatile measure due to different valuation methods
- No aggregate benchmark like residential housing
- SCF asks business owners what their business would sell for today.
- FFA uses tax data for financial assets and BEA net investment and price indexes to value real estate.
- In general, SCF values are greater than FFA.
Financial Assets
SCF-FFA ratios, 1989-2010
Liabilities
SCF-FFA ratios, 1989-2010

Year

Mortgages
Consumer Credit
Distribution of credit card balances

Distribution of Credit Card Balances in SCF and CCP, 2010

Credit Card Balances (Dollars)

Percentage of Households

SCF 2010

CCP 2010
Conclusions

- FFA and SCF are two datasets with very different goals and methodology.
- Patterns of aggregate HH net worth over past 25 years are quite similar for both datasets.
- Some subcomponents of net worth track better than others.
- Once methodological and other differences are considered, it is easier to understand gaps between SCF and FFA.