Household Wealth in the U.S.: 2000 to 2011

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Wealth is one of the primary bellwethers of household financial security and prospects in the United States. Wealth tends to increase in times of economic prosperity when households are able to grow their assets and fall when households draw on accumulated financial resources in times of economic hardship. Median household net worth in the United Sates has followed this pattern over the past decade, increasing from $73,874 [+/- $1,455] in 2000 to $106,585 [+/- $1,642] in 2005 (an increase of $32,711 or 44 percent) and then decreasing to $68,828 [+/- $1,235] by 2011 (a decrease of $37,757 or 35 percent)[1] (see Figure 1). Overall, median household net worth decreased by $5,046, or 7 percent, between 2000 and 2011. Median household net worth showed no statistically significant change between 2010 and 2011.

Net worth (wealth) is the sum of the market value of assets owned by every member of the household minus liabilities owed by household members. The major assets not covered in this measure are equities in pension plans, the cash value of life insurance policies, and the value of home furnishings and jewelry.

Median net worth is the 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.

Aggregate net worth (aggregate wealth) is the sum of total net worth of households.

Householder is the person in whose name the home is owned or rented as of the interview date. If the home is owned jointly by a married couple, the person whose name is listed first is considered the householder.

Some of the components of net worth:

- *Assets:*
Interest-earning assets held at financial institutions, stocks and mutual fund shares, rental property, home ownership, IRA and Keogh accounts, 401k and Thrift Savings Plans, vehicles, and regular checking accounts.

- *Liabilities*:
Mortgages on own home, mortgages on rental property, vehicle loans, credit card debt, educational loans, and medical debt not covered by insurance.

Household Net Worth by Region

Over this same time period, there was significant regional variation in the magnitude of changes in median net worth (see Figure 2). In the Northeast, median net worth increased from $99,808 in 2000 to $122,239 in 2005 (by 22 percent) and decreased to $91,025 by 2011 (by 26 percent). In the Midwest, median net worth increased from 93,222 in 2000 to $105,307 in 2005 (by 13 percent) and decreased from $105,307 in 2005 to $81,049 by 2011 (by 23 percent). In the South, median net worth increased from $55,280 in 2000 to $85,958 in 2005 (by 55

[1] All comparisons are significant at the 90 percent level. All dollar figures are in 2011 constant dollars (The following inflation adjustment factors were used: 1.34 for 2000 statistics and 1.14 for 2005 statistics). All statistics were calculated using internal data. The estimates discussed here are based on responses from a sample of the population and may differ from the actual values because of sampling variability and other factors. As a result, apparent differences between the estimates for two or more groups may not be statistically significant. For information on sampling and nonsampling error see: http://www.census.gov/sipp/source.html.

percent) and decreased to $60,700 by 2011 (by 29 percent). The West experienced the largest changes over the last decade: median net worth increased from $70,428 in 2000 to $146,841 in 2005 (by 109 percent) and decreased to $59,431 by 2011 (by 60 percent).

Net Worth Excluding Home Equity

Over the past decade, median net worth excluding home equity has not exhibited the same degree of variability as median net worth. Median net worth excluding home equity increased by $2,615 (or 14 percent) between 2000 and 2005 and decreased by $3,815 (or 18 percent) between 2005 and 2011 – a change that, while still large in percentage terms, is relatively small in absolute terms. The above suggests that the changes in overall median net worth observed over the past decade have been driven primarily by changes in one of its major components – equity that American households hold in their homes.

With the exception of the Midwest, all regions experienced decreases in median net worth excluding home equity between 2005 and 2011. For example, in the Northeast, median net worth excluding home equity decreased from $24,658 in 2005 to $20,020 in 2011 (by 19 percent). In the South, it decreased from $14,811 in 2005 to $13,000 in 2011 (by 12 percent). In the West, median net worth excluding home equity decreased from $26,510 in 2005 to $18,518 in 2011 (by 30 percent).

Overall, median net worth excluding home equity decreased by 7 percent between 2000 and 2011. However, median net worth excluding home equity increased from $15,546 to $16,942 between 2010 and 2011.

Composition of Net Worth[2]

Aggregate net worth is another indicator that can be used to gauge the financial well-being of Americans. Between 2000 and 2011, U.S. aggregate net worth increased from $28.9 trillion to $40.2 trillion. A sizeable part of this increase came from a change in the total amount of wealth that Americans held in their homes: in 2011, Americans held a total of $10.1 trillion in their homes, an increase of $1.5 trillion (17 percent) from 2000. The increase in housing wealth is largely explained by appreciation of home values,[3] rather than by increases in home ownership rates, which have remained largely unchanged over this period.[4]

At the same time, the *share* of overall wealth held in home equity has declined between 2000 and 2011 (see Figure 3). In 2000, 30 percent of all wealth was held in the form of home equity.

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[2] Individual outliers that highly influenced the mean value for each asset category were excluded.
[3] One commonly used measure of home values is the Case-Shiller Index, which tracks home prices in 20 metropolitan regions. For more information, please see http://www.standardandpoors.com/indices/.
[4] Please see http://www.census.gov/housing/hvs/data/histtabs.html for statistics on home ownership rates.

By 2011, this percentage had declined to 25 percent. At the same time, the share of wealth held in retirement accounts increased from 18 percent to 30 percent over the same period.

These changes are part of a long-term shift in the U.S. wealth portfolio over time: in 1984, the first year SIPP collected household wealth data, 41 percent of U.S. total wealth was held in the form of home equity, while 7 percent was held in stocks and mutual funds, and only 2 percent was held in IRA and Keogh accounts. By contrast, in 2011, stocks and mutual funds accounted for 15 percent of all wealth, IRA and Keogh accounts accounted for 15 percent, and 401K/Thrift Savings Plans, which became widely available in the early 1990s,[5] accounted for 16 percent. The share of interest-earning assets has decreased from 14 percent in 1984 to 5 percent in 2011.

The magnitudes of these long-term shifts in the U.S. wealth portfolio over time differ significantly by age group. The share of overall wealth held in housing by those with householders under 35 has declined from 46 percent in 1984 to 33 percent in 2000, and to 21 percent in 2011. For those 65 and older, this shift has been significantly less dramatic: the share of their total wealth held in housing showed no statistically significant change between 1984 and 2000 and declined from 33 percent to 23 percent between 2000 and 2011. At the same time, the share of total wealth held in interest earning accounts decreased the most for those 65 and older between 1984 and 2011: from 25 percent in 1984 to 10 percent in 2000, and to 4 percent in 2011. All age groups experienced increases in the share of wealth held in retirement accounts.

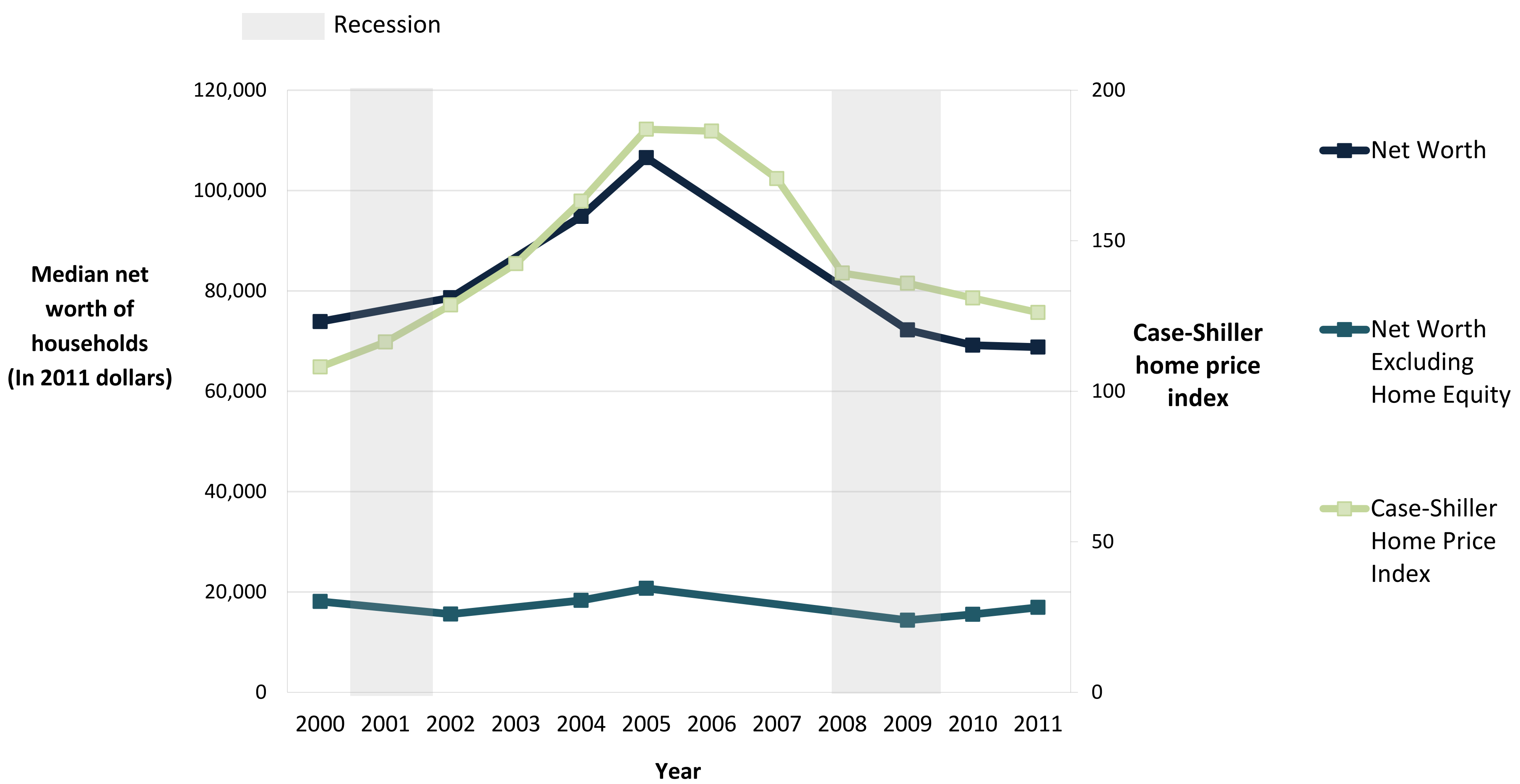
For additional wealth statistics, by select demographic and economic characteristics, please see http://www.census.gov/people/wealth/. **Disclaimer:** This report is released to inform interested parties of ongoing research and to encourage discussion of work in progress. The views expressed are those of the authors and not necessarily those of the U.S. Census Bureau.

Constant dollars is a term describing a dollar value after adjustment for inflation; due to inflation, the purchasing power of the dollar changes over time, so in order to compare dollar values from one year to another, dollar values need to be converted to constant dollar values. Constant dollar values represent an effort to remove the effects of price changes from statistical series reported in dollar terms. The Bureau of Labor Statistics' Consumer Price Index Research Series (CPI-RS) was used to adjust for inflation using the months which correspond to the timing of SIPP interviews. The following adjustment factors were used to convert dollar values to 2011 constant dollars:

2000 – 1.34 (November 1999 – February 2000)
2002 – 1.25 (September 2002 – December 2002)
2004 – 1.19 (September 2004 – December 2004)
2005 – 1.14 (September 2005 – December 2005)
2009 – 1.05 (August 2009 – November 2009)
2010 – 1.04 (August 2010 – November 2010)

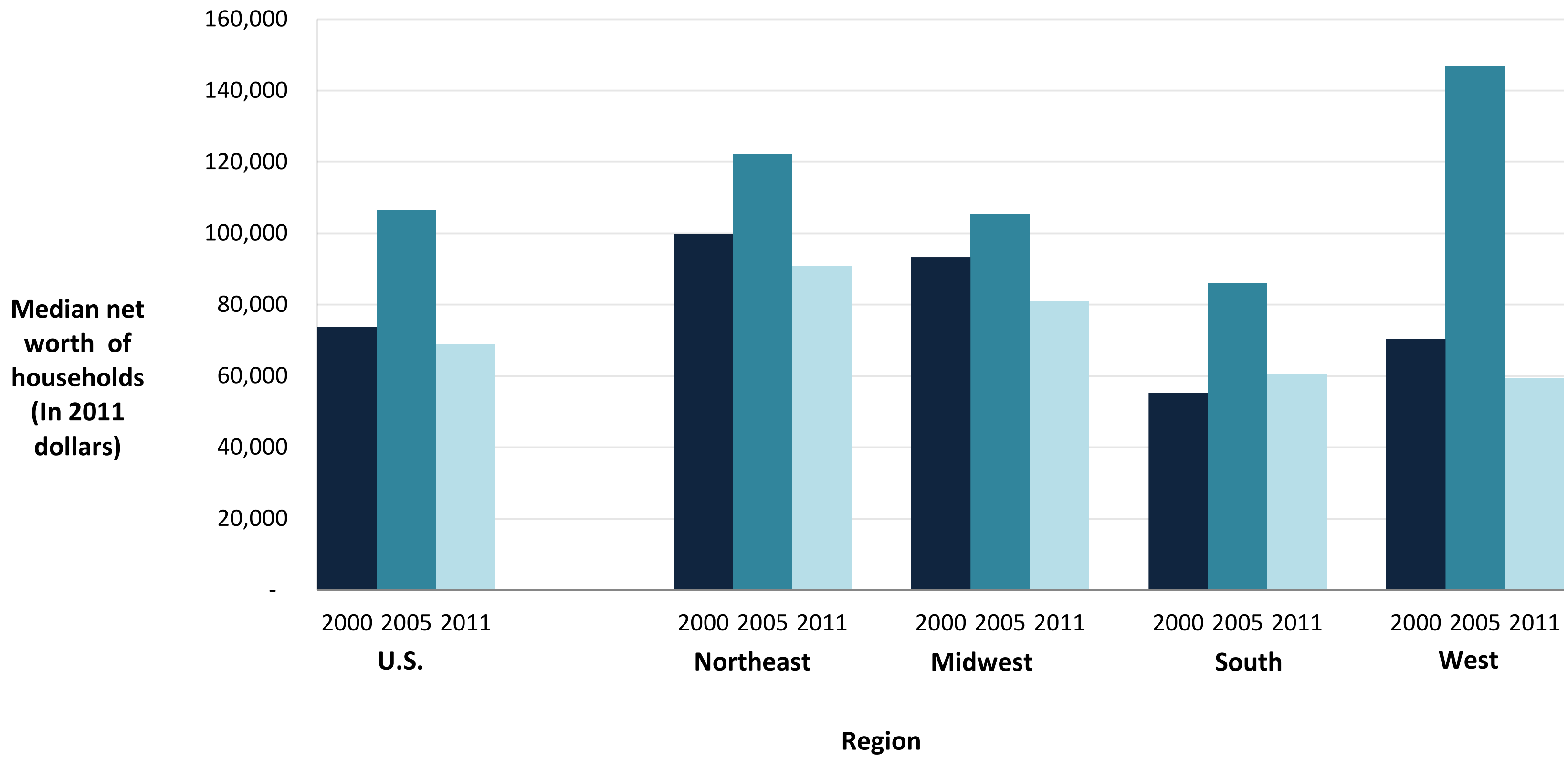
[5] Please see http://www.ebri.org/pdf/publications/facts/0205fact.a.pdf for a history of 401K plans.

Figure 1: Median Net Worth of Households: 2000 to 2011



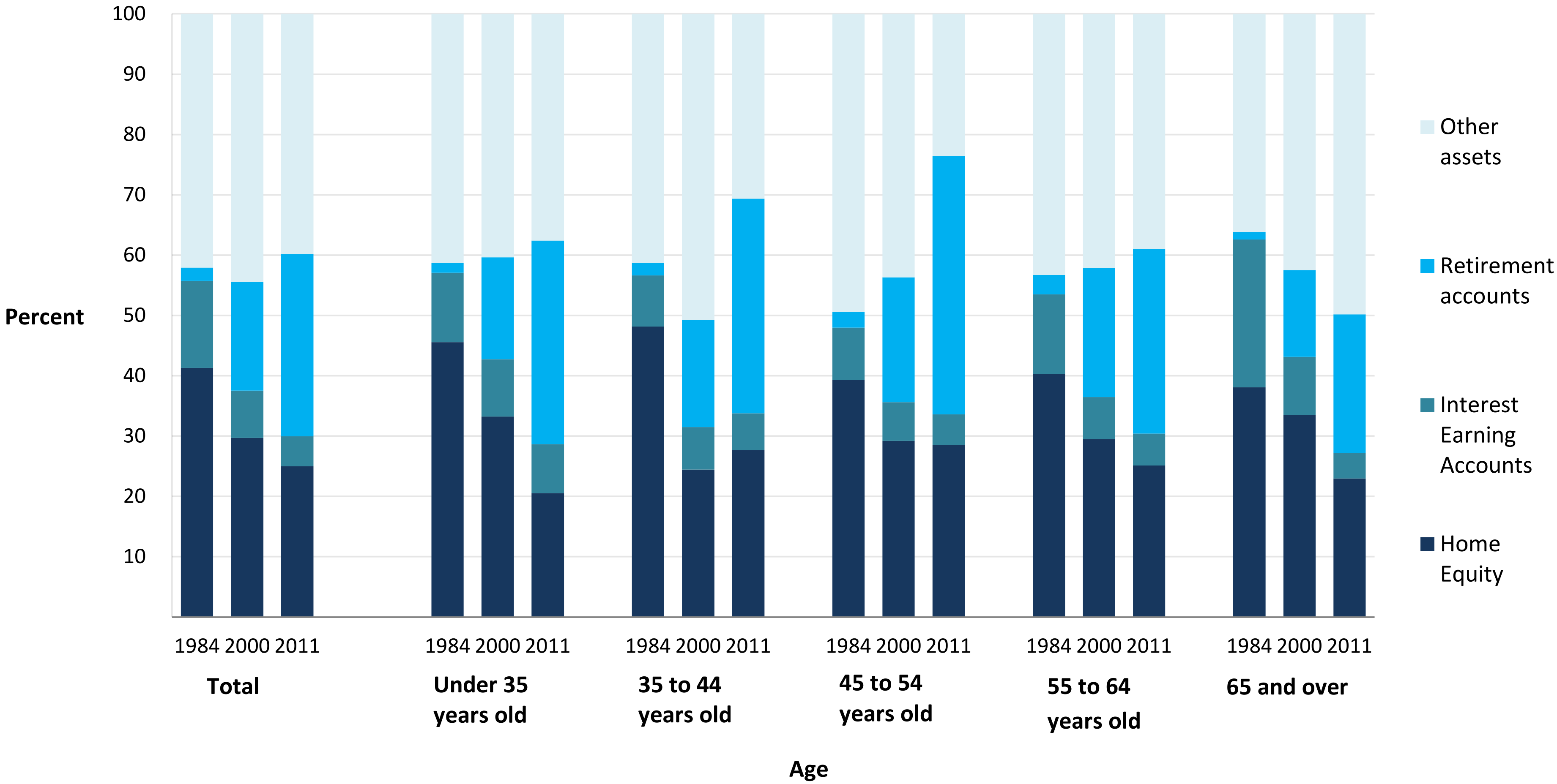
Source: U.S. Census Bureau, Survey of Income and Program Participation, 1996, 2001, 2004 and 2008 Panels.
Note: *Median net worth* is the sum of the market value of assets owned by every member of the household minus liabilities owed by household members. *Case-Shiller Home Price Index* is a commonly used measure of home values that tracks home prices in 20 metropolitan regions. For more information, see http://www.standardandpoors.com/indices/. Please see http://www.nber.org/cycles/cyclesmain.html for business cycle reference dates.

Figure 2. Median Net Worth of Households, by Region: 2000 to 2011



Source: U.S. Census Bureau, Survey of Income and Program Participation, 1996, 2004 and 2008 Panels.
Note: *Median net worth* is the sum of the market value of assets owned by every member of the household minus liabilities owed by household members.

Figure 3: Composition of Aggregate Net Worth: 1984 to 2011



Source: U.S. Census Bureau, Survey of Income and Program Participation, 1984, 1996 and 2008 Panels.

Note: *Aggregate Net Worth* is the sum of total net worth of households. *Home equity* is equity held in primary residence. *Interest earning assets* includes assets such as interest checking, savings, and money market accounts. *Retirement accounts* includes 401(k) and thrift accounts, Keogh accounts, and IRAs. *Other assets* includes equity held in all other assets, including rental property, motor vehicles, and businesses.