

THE INEQUALITY OF FINANCIAL WEALTH AMONG BOOMERS

It is well known that wealth is much more unequally distributed than income in the United States. Whereas the top 1 percent of the U.S. population receives about 17 percent of all income, one expert found that the top 1 percent of wealth holders has 38 percent of total net worth (total assets minus total liabilities) and about 47 percent of total “financial wealth,” defined in the study as net worth less durable goods, home equity, and pension wealth (Wolff, 2002). The top fifth of all households have about 57 percent of all income, but the top fifth of wealth holders have about 83 percent of all net worth and about 91 percent of financial wealth (Wolff, 2002).

Recent studies have shown that both income and wealth have become more unequal in the past two decades (Danziger and Gottschalk, 1995; Karoly, 1993; Keister, 2000; Ryscavage, 1999; Weinberg, 1996; Wolff, 2002). The measures usually used to demonstrate wealth inequality are the distribution of net worth held by equal fifths (quintiles) of the population and the Gini coefficient. Gini coefficients measure the degree of inequality on a scale of zero to 1.0, with zero being perfect equality (i.e., each x percent of households has x percent of the wealth) and 1.0 being perfect inequality,

where one household has all the wealth. In this report we look at both measures of inequality of wealth among boomers (cohorts born between 1946 and 1964) over the period 1989-2001. We also examine the incidence of negative or zero net worth among boomers during that period.

Net Worth by Wealth Quintile

Tables 1 and 2 show median net worth and net worth minus home equity (because housing is not liquid, i.e., easily convertible to cash) for boomers from 1989 to 2001, by quintile of net worth as well as the top 10 percent, 5 percent, and 1 percent. Wealth grew little or declined between 1989 and 1992 but rapidly accelerated after 1995. It also grew much more at the highest wealth levels, as the wealth disparity between the lowest and highest quintiles increased sharply.

In 2001, median net worth (median of the third quintile) was \$107,000 (Table 1), but after subtracting home equity the median household had only \$56,000 in net worth, once we subtract home equity (Table 2). Figure 1 divides net worth into the bottom 80 percent, the next 10 percent, and the next 5, 4, and 1 percents. Table 3

Table 1
Median Net Worth by Net Worth Quintile for Baby Boomer Families, 1989-2001 (in 2001 Dollars)

Net Worth	1989	1992	1995	1998	2001
	\$	\$	\$	\$	\$
First Quintile	-713	0	0	250	1,550
Second Quintile	5,764	10,730	19,153	25,341	34,230
Third Quintile	35,951	41,861	58,444	81,938	107,150
Fourth Quintile	104,000	101,336	121,997	177,768	245,100
Fifth Quintile	323,014	267,872	339,813	520,824	766,000
Top 10 percentile	543,468	469,800	605,395	846,624	1,216,601
Top 5 percentile	732,922	801,030	850,722	1,261,026	2,027,900
Top 1 percentile	1,914,836	2,414,817	3,127,555	5,854,413	8,529,000

Data Source: Survey of Consumer Finance 1989, 1992, 1995, 1998, and 2001.

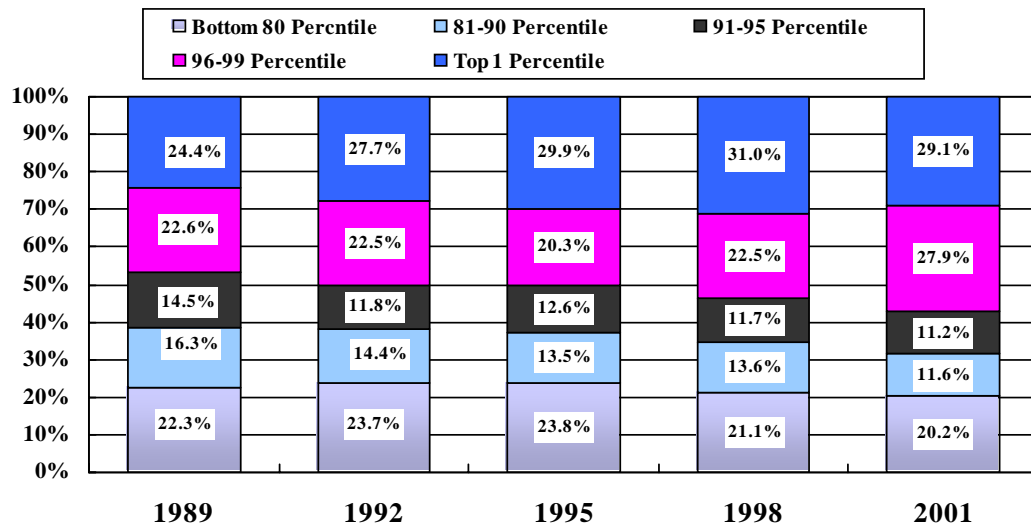
Table 2
Median Net Financial Assets by Net Financial Asset Quintile for Baby Boomer Families, 1989-2001 (in 2001 Dollars)

Net Financial Asset	1989	1992	1995	1998	2001
	\$	\$	\$	\$	\$
First Quintile	-3,695	-1,261	-290	0	1,400
Second Quintile	1,798	4,035	8,009	10,093	17,380
Third Quintile	13,410	16,580	26,106	41,848	56,200
Fourth Quintile	42,499	51,570	66,744	106,476	157,700
Fifth Quintile	210,069	181,162	249,883	398,296	597,900
Top 10 percentile	412,291	352,665	499,766	719,972	979,700
Top 5 percentile	595,183	617,952	723,688	1,153,757	1,727,400
Top 1 percentile	1,610,931	2,230,478	2,885,883	5,558,296	7,770,280

¹ Net financial asset is net worth less home equity.

Data Source: Survey of Consumer Finance 1989, 1992, 1995, 1998, and 2001.

Figure 1
Percent Share of Total Net Worth by Net Worth Percentile for Boomer Households, 1989-2001



Data Source: Survey of Consumer Finances 1989, 1992, 1995, and 1998.

Table 3
Percent Distribution of Net Worth Among Boomers by Net Worth Quintile, 1989-2001

	1989	1992	1995	1998	2001
	%	%	%	%	%
First Quintile	-1.24	0.00	0.25	-0.28	-0.01
Second Quintile	1.80	2.26	2.61	1.89	1.81
Third Quintile	5.99	6.56	6.82	5.96	5.48
Fourth Quintile	15.82	14.94	14.13	13.23	12.92
Fifth Quintile	77.68	76.29	76.23	78.90	79.81
Top 10 percentile	61.40	61.94	62.75	65.26	68.23
Top 5 percentile	46.95	50.17	50.16	53.52	57.05
Top 1 percentile	24.40	27.68	29.88	31.02	29.14

Data Source: Survey of Consumer Finance 1989, 1992, 1995, 1998, and 2001.

shows the *percentage* distribution of net worth by five wealth quintiles as well as by the top 10, 5, and 1 percents.¹ Several patterns emerge from Figure 1. First, from 1989 to 2001, the bottom 80 percent of the population (the bottom bar segment) held only about one-fifth of the wealth in the nation, and this share has shrunk in size over time.

Second, not only is boomer net worth overwhelmingly concentrated in the top fifth (as it is for the total population), but the top 1 percent alone (represented by the top bar segment) held more wealth in every survey year than the bottom 80 percent. Moreover, the differences have widened—the share held by the top 1 percent was about 10 percent larger than that held by the bottom 80 percent in 1989, but it was 47 and 44 percent larger in 1998 and 2001, respectively.

Third, one must look at narrow percentiles at the very top of the wealth distribution to notice the most significant changes. As best seen in Table 3, the bottom three quintiles had only slight changes in shares of wealth between 1989 and 2001; the fourth quintile's share declined by 3 percentage points, and the top quintile's share increased by 2 percentage points. Noteworthy change occurred in the top 10 and top 5 percentiles, where wealth shares increased by 7 percentage points and 10 percentage points, respectively, in just 12 years, a sharp increase for so short a period.

The share of net worth held by the top 10 percent went from 61 percent to 68 percent of all net worth. The top 5 percent's share

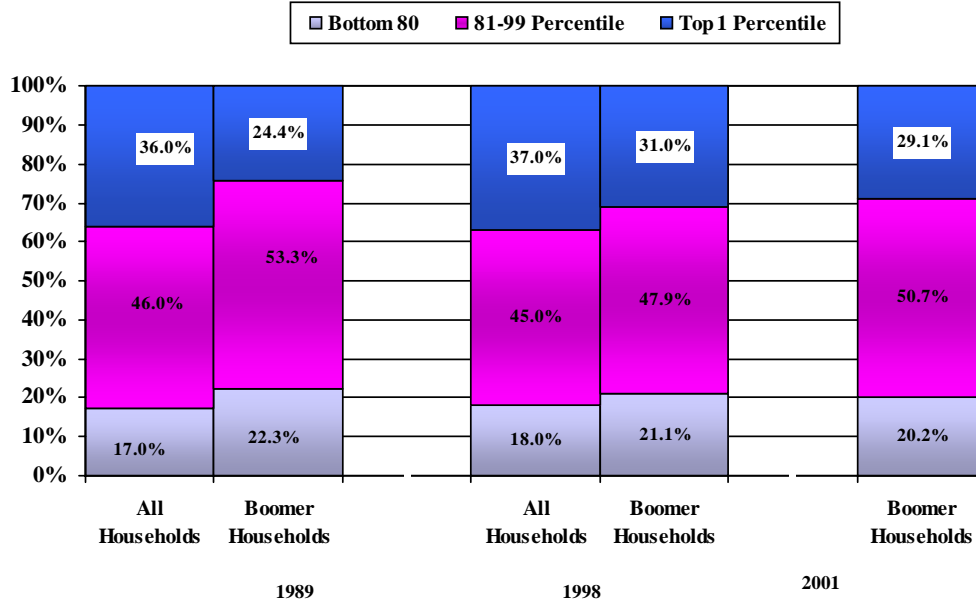
(top two bar segments in Figure 1) increased even more—from 47 percent to 57 percent—and the top 1 percent's share went from 24.4 percent to 29.1 percent of all net worth. Conversely, the bottom 90 percent (bottom two bar segments in Figure 1) saw its share of net worth decline from 38.6 percent to 31.8 percent, while the share of net worth held by the bottom 95 percent (bottom three segments in Figure 1) fell from 53 percent to 43 percent.

Wolff (2002) found that the top wealth quintile held about 83 percent of net worth in 1998, and the top 1 percent held about 38 percent of all net worth. We found that the top quintile of boomers held between 78 percent and 80 percent of boomer net worth, a slightly smaller share than observed for the total population (see Figure 2). We found that the top 1 percent of boomers held between 24 percent and 31 percent of boomer net worth between 1989 and 1998, compared with the 38 percent of total wealth held by the top 1 percent of the total population over the same period (Wolff, 2002).

The patterns were similar for net financial assets, or net worth after subtracting home equity (see Figure 3). Although wealth concentration among boomers is highly unequal, it is less unequal than among the overall population. An explanation for the difference is that wealth increases steadily with age; therefore, a sample of the entire population will have much greater age variation and, thus, wealth variation, resulting in greater inequality than among a sample of boomers.

¹ We look at total net worth only here because the pattern is similar for net worth and net worth minus home equity—both are highly skewed toward the wealthiest households.

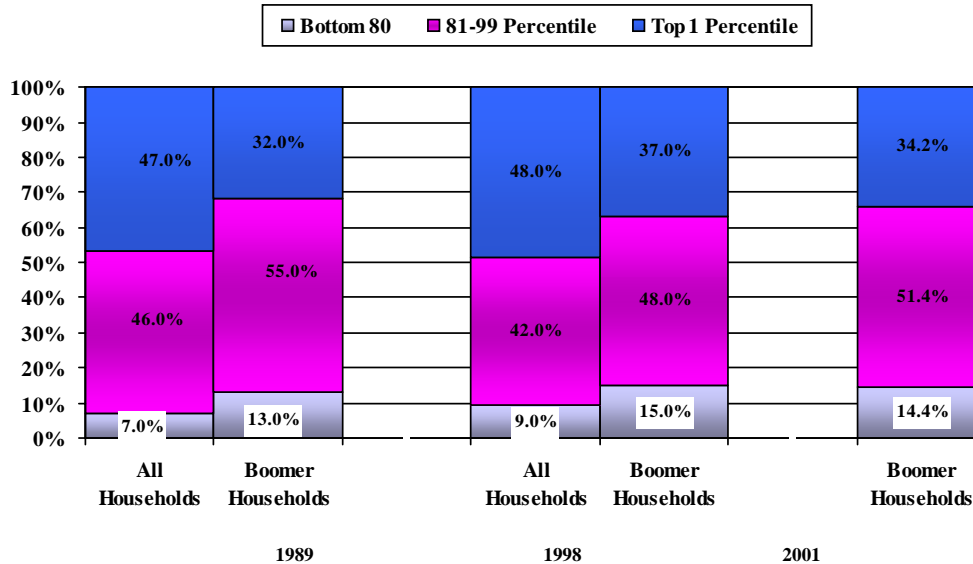
Figure 2
Percent Share of Total Net Worth, by Net Worth Percentile, for All Households* and Boomer Households 1989, 1998, and 2001



* Figures for all households are from Wolff, E. *Top Heavy* (New York: The Century Fund, 2002).

Data Source: Survey of Consumer Finances 1989, 1998, 2001.

Figure 3
Percent Share of Total Net Financial Assets by Net Financial Assets Percentile, for All Households and Boomer Households 1989, 1998, and 2001**



*Net financial assets are defined as net worth less home equity.

** Figures for all households are from Wolff, E. *Top Heavy* (New York: The Century Fund, 2002).

Data Source: Survey of Consumer Finances 1989, 1998, 2001.

Inequality Measured by Gini Coefficient

The Gini coefficient ranks units on a given variable (e.g., income or wealth) and measures the degree of concentration of that variable relative to a given percentage of the population. As noted earlier, a Gini coefficient of zero represents an equal distribution of the two variables (no inequality) and a coefficient of 1.0 represents maximum inequality. As measured by the Gini coefficient, which exceeded .7 throughout the period studied, the distribution of wealth among boomers was quite unequal. The degree of inequality declined slightly from 1989 to 1992, then increased steadily in each survey and reached its highest level of .78 in 2001 (Figure 4).

The coefficients for boomer net worth compare with coefficients reported by Wolff for the total population of between .8 and .84 between 1983 and 1998. Keister obtained Gini index numbers of .8 to .87 between 1983 and 1995 (Figure 4). The estimates for each population are quite stable over time. As we noted earlier, wealth is less unequally distributed among boomers than it is among the total population.

The distribution of net worth less home equity was more unequal with a slightly narrower range. We find that net worth not counting the home (not shown) is slightly more unequally distributed than net worth, but that little change occurred over time. Because the Gini coefficient is less sensitive to changes occurring at the upper and lower tails of the wealth distribution, the trend noted in Figures 1-3 that occurred in the top 1 percentile may not be well reflected by the Gini coefficient.

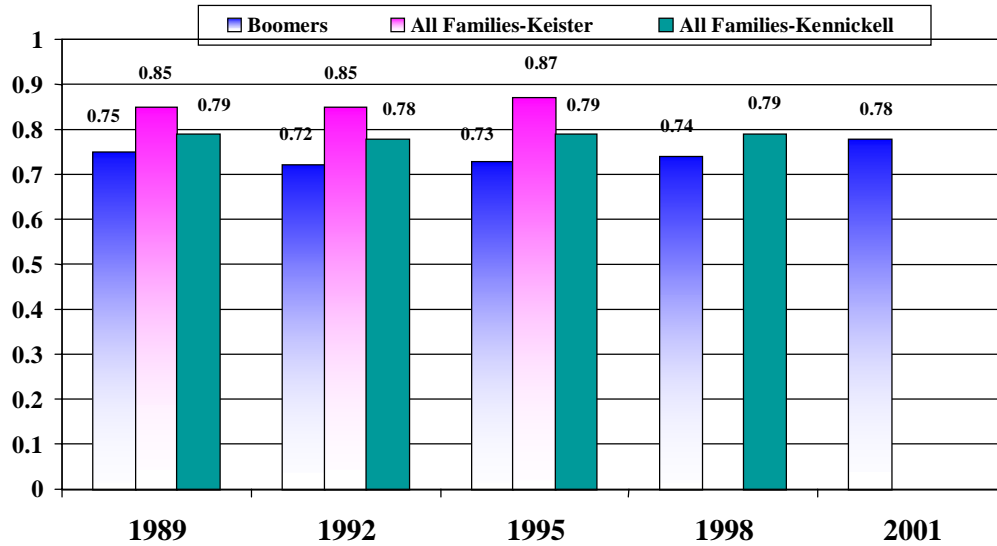
Zero or Negative Net Worth

Table 3 showed that the percentage of aggregate net worth in the bottom quintile was negative in 1989, 1998, and 2001. Many households have negative net worth, with debts exceeding assets. Keister (2000) found that, from 1962 to 1995, the percentage of the total population with zero or negative net worth seemed to increase steadily, from 11 percent in 1962 to 19 percent in 1995. Similarly, the percentage with zero or negative financial assets increased from 21 percent to 29 percent between 1962 and 1995. Although Keister's study extended back to 1962, it stopped with the 1995 survey.

We compared the trend for the total population with the trend among boomers since 1989. Figure 5 shows that the percentage of boomers with zero or negative net worth declined between 1989 and 2001, from 16.4 percent to 6.8 percent. By comparison, the percentage of the total population with zero or negative net worth, changed relatively little between 1989 and 2001, from 11.5 percent to 9.6 percent (Figure 5).

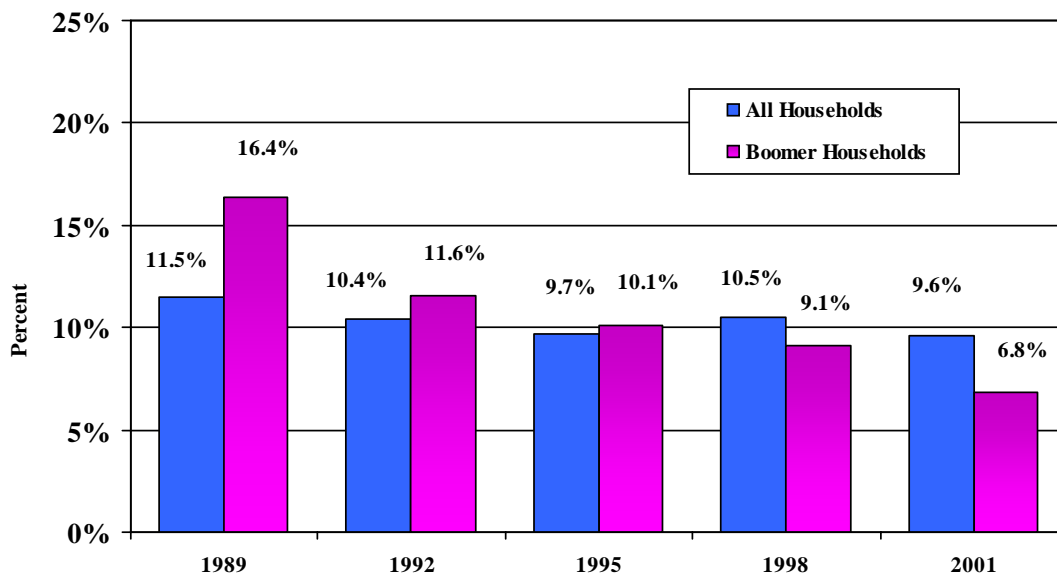
The percentage of boomers with zero or negative net worth varies with various demographic characteristics but generally declined over the period in question (see Table 4). Nonwhites were much more likely to have zero net worth (from 31.8 percent to 16.6 percent between 1989 and 2001) than whites (from 10.7 percent to 3.7 percent). The percentage of married couples with zero or negative net worth declined from 9.8 percent to 3.2 percent between 1989 and 2001, but single women were three times more likely than couples to have zero net worth—33.6 percent and 14.1 percent—and single male households

Figure 4
Comparison of Gini Coefficients of Wealth Inequality for All Families and Boomers, 1989 -2001



Sources: Keister, 2000; Kennickell, 2000; authors' tabulations of 1989-2001 SCF.

Figure 5
Percentage of All Households* and Boomer Households with Zero or Negative Net Worth, 1989-2001



Data Source: Survey of Consumer Finances 1989, 1992, 1995, 1998, 2001.

were twice as likely as couples to have negative net worth in 1989 and four times as likely in 2001.

Nearly one-third of those without a high school diploma had zero or negative net worth in 1989, but that figure fell to 18.5 percent by 2001. Of high school and college graduates, 17.8 and 9.7 percent, respectively, had zero or negative net worth in 1989, decreasing to 6.8 and 4.2 percent by 2001.

The importance of a pension is illustrated by the fact that 27.9 percent of those without a pension had zero or negative net worth in 1989, compared with 7.2 percent for those who did have one. These percentages decreased to 14.7 percent and 2.4 percent, respectively, by 2001 (see Table 4).

Three percent of those who owned a home had zero or negative net worth, meaning that their liabilities (including their mortgage) exceeded their assets. One-third of those who did not own a home in 1989 had zero or negative net worth, declining to 21 percent in 2001.

Conclusions

Increasing inequality of both wealth and income has been a feature of the economic landscape for at least two decades. Wealth inequality was accentuated in the 1990s by the rapid growth in equities, which overwhelmingly benefited top wealth holders. The stock market bust that began in 2000 is not fully reflected in the 2001 Survey of Consumer Finances data, but we would speculate that the crash in stocks has equalized the distribution of wealth somewhat. Nevertheless, we know that boomer wealth is more concentrated than it was in the late 1980s, with the top 1

percent holding a greater share of total net worth than the bottom 80 percent, and almost as much as the bottom 90 percent. However, the percentage with zero or negative net worth has declined steadily.

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	1989		1992		1995		1998		2001	
	N	%	N	%	N	%	N	%	N	%
Younger Boomer	3,898,175	18.9	3,481,395	15.8	2,894,274	13.0	2,382,969	10.3	1,592,677	8.9
Older Boomer	2,556,970	13.6	1,175,712	6.5	1,295,361	6.7	1,475,497	7.7	1,402,293	5.4
White	3,076,352	10.7	2,529,280	8.6	2,131,748	6.8	2,060,192	6.4	1,221,385	3.7
Non-white	3,378,794	31.8	2,127,826	20.0	2,057,886	20.1	1,798,274	17.9	1,773,585	16.6
Married	2,507,381	9.8	1,886,293	7.4	1,384,243	5.3	1,299,673	4.7	914,944	3.2
Never Married	2,423,746	35.5	1,331,823	20.8	1,196,334	20.3	922,908	17.1	826,527	17.0
Widowed Divorced or Separated	1,524,018	21.8	1,438,990	17.4	1,609,057	16.9	1,635,885	17.1	1,253,500	11.9
Married Couple	2,507,381	9.8	1,886,293	7.4	1,384,243	5.3	1,299,673	4.7	914,944	3.2
Single Male	1,209,130	20.8	1,127,972	17.8	511,966	9.2	808,191	13.2	654,518	12.3
Single Female	2,650,415	33.6	1,642,841	19.7	2,293,425	23.3	1,750,603	19.8	1,425,508	14.1
With Children	2,907,063	20.9	2,036,799	14.4	1,716,878	12.1	1,883,559	12.0	1,542,203	8.5
Without Children	3,548,082	13.9	2,620,308	10.1	2,472,757	9.0	1,974,907	7.4	1,452,768	5.7
Not a High School Graduate	1,606,672	31.5	1,202,988	27.4	1,127,089	27.6	934,267	19.6	824,461	18.5
High School Graduate without College Degree	3,318,142	17.8	2,172,969	10.6	2,196,211	10.1	1,690,458	8.5	1,358,049	6.8
College Degree and Advance	1,530,332	9.7	1,281,149	8.3	866,334	5.5	1,233,742	6.9	812,460	4.2
First Quintile of Total Family Income	3,468,639	44.0	2,478,521	30.9	2,363,354	28.5	2,136,168	25.2	1,998,903	22.8
Second Quintile of Total Family Income	1,386,677	17.6	1,055,918	13.1	1,069,908	12.9	902,354	10.6	645,319	7.4
Third Quintile of Total Family Income	819,509	10.4	660,149	8.2	459,247	5.5	542,113	6.4	186,526	2.1
Forth Quintile of Total Family Income	540,290	6.8	295,788	3.7	200,011	2.4	202,802	2.4	127,193	1.5
Fifth Quintile of Total Family Income	240,031	3.0	166,731	2.1	97,115	1.2	75,029	0.9	37,029	0.4
With Pension	1,496,085	6.9	1,323,456	5.8	1,057,446	4.2	1,295,962	4.9	681,007	2.4
Without Pension	4,959,061	27.9	3,333,651	19.3	3,132,188	19.1	2,562,504	16.2	2,313,964	14.7
With DB	1,046,691	7.2	757,763	5.2	794,341	5.9	738,476	5.4	295,961	2.0
Without DB	5,408,454	21.8	3,899,343	15.3	3,395,294	12.1	3,119,990	10.9	2,699,010	9.2
Own Primary House	651,327	3.0	418,753	1.8	343,343	1.3	696,892	2.4	468,414	1.5
Not Own Primary House	5,803,819	33.2	4,238,353	25.3	3,846,291	25.4	3,161,575	24.4	2,526,556	21.3
All Boomers	6,455,145	16.4	4,657,107	11.6	4,189,635	10.1	3,858,466	9.1	2,994,970	6.8
All Families	10,716,035	11.5	9,980,255	10.4	9,650,093	9.7	10,734,138	10.5	10,190,581	9.6

Data Source: Survey of Consumer Finances 1989, 1992, 1995, 1998, and 2001.