
Financial Characteristics of High-Income Families

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Families with high incomes and large amounts of assets constitute a relatively small proportion of the population but have a relatively large share of its income and wealth. The financial decisions of these families, therefore, can have a disproportionate effect on saving and investment in the household sector. However, because the number of these families is small, household surveys provide an insufficient number of observations with which to study their behavior unless the surveys have very large sample sizes or oversample such families. The 1983 Survey of Consumer Finances, jointly sponsored by the Federal Reserve Board, the Department of Health and Human Services, and five other federal agencies, collected a comprehensive inventory of the assets and liabilities of a base sample of 3,824 randomly selected U.S. households. To increase the representation of the wealthy in the survey, the base sample was augmented with 438 high-income families drawn from tax files. The data on these 438 families, most of which are in the

top 1 percent of families ranked by income, offer a unique opportunity to examine the financial behavior of the wealthiest U.S. families.

Although surveys of household wealth have been conducted fairly regularly since the end of the Second World War, adequate data on the portfolios of the wealthy are available from only a few sources. One such source is data published by the Internal Revenue Service from federal estate tax returns.¹ Unfortunately, demographic characteristics are not available for these data. Another source is the 1979 Income Survey Development Program of the Department of Health and Human Services, which provides information for a sample of households larger than that of most other surveys of wealth.² The 1962 Survey of Financial Characteristics of Consumers generally has been regarded as the most comprehensive and accurate source of information ever obtained on the size and composition of household portfolios.³ The 1962 survey, which contains a very detailed inventory of assets and liabilities, includes a supplemental sample of high-income families drawn from federal income tax files to ensure that a sufficient number of wealthy families are covered.

The 1983 Survey of Consumer Finances is the most comprehensive survey of household wealth since the 1962 survey. The results presented here include responses of high-income families from the base sample of the 1983 survey, which was the sample discussed in the two earlier BULLETIN articles on the survey; but the majority of the observations used here are those from the special, high-income subsample and are being reported for the first time.

The article is divided into three sections. The first describes the demographic characteristics of families belonging to the highest income decile and analyzes the size and composition of their wealth. The second section examines the atti-

NOTE. The data from the 1983 Survey of Consumer Finances, including the high-income supplement, are available on request from the National Technical Information Service, 5285 Port Royal Road, Springfield, Virginia 22161.

tudes and behavior of high-income families with regard to saving and the interrelationship between such attitudes and the composition of asset portfolios. The third section compares the estimates of aggregate household wealth made from the survey data with estimates made from flow of funds account data. Appendix A discusses the design of the main survey and subsample and the preparation of the data; appendix B discusses errors of sampling.

CHARACTERISTICS OF HIGH-INCOME FAMILIES

The survey offers a rare picture of the demographic and financial characteristics of wealthy families. Although other data, such as tax information, are available on individuals, the focus of the survey is the family.⁴ Data reported here are as of the date of the survey, February through July 1983, except for income, which is measured for 1982. All responses were weighted using the procedures described in appendix A.

Table 1 displays the characteristics of the full, weighted sample of the 1983 survey, called "all families," as well as of four high-income subgroups. The category "all families" consists of the base sample plus the high-income subsample (4,103 families). The high-income subgroups are made up of the special subsample plus high-income families in the base sample, for a total of 774 families (see appendix table B.2). The income ranges of the four subgroups and the estimated proportion of total U.S. families in each group are as follows: (1) \$50,000–\$99,999, about 8 percent; (2) \$100,000–\$149,999, about 1 percent; (3) \$150,000–\$279,999, about ½ percent; and (4) \$280,000 or more, the upper ½ percent. Thus, the weighted high-income group represents about 10 percent of all families.

Families in the four subgroups show significantly different distributions for virtually every characteristic. Families with income from \$50,000 to \$99,999 are likely to be younger, have less education, and have two earners, and they are more likely than higher-income families to be nonwhite or Hispanic. The table shows that families in the \$150,000–\$279,999 subgroup are the most likely to have only one spouse working. However, it is the families in the highest income

category that are most likely to have a household with a working husband and nonworking wife (in virtually all of the households with one earner, it is the husband, and only 21 percent of the wives are employed full time). Also, families in the highest income group are almost all non-Hispanic Caucasians, are the most likely to have significant unearned income, and are the oldest of the high-income families. The data suggest that even for very high income groups, most wealth is saved out of accumulated earnings, not inherited. For the lower three of the four high-income groups, the percentage of families earning more than half of their income is higher than that of the total sample average.

Data on occupation offer a revealing glimpse of the relative return of various economic sectors. Although the family heads of only 2 percent of the overall sample work in commercial and investment banking, insurance, and real estate, they constitute more than 31 percent of the family heads of the highest income subgroup. Lawyers and accountants represent less than 1 percent of the family heads of the overall sample, yet they constitute 12 percent of the highest income subgroup and 12 percent of the second-highest group. Interestingly, health professionals are most highly represented in the \$100,000–\$149,999 subgroup. Although professionals, such as doctors, lawyers, and accountants, constitute a disproportionate fraction of all the high-income subgroups, their greatest concentration is in the second-highest group. Families headed by entrepreneurs and by individuals in banking, insurance, and real estate appear to have the best odds of earning the highest incomes.

The 1983 survey collected data on virtually every aspect of the family's balance sheet. These data can be summed to produce an estimate of each family's net worth, accounting for all financial assets, equity in homes, businesses, and other properties, as well as all financial liabilities. The survey also collected data on automobiles and employer-provided pension assets, but these data were not used for this article. A surprisingly large percentage of all U.S. families were estimated to have a net worth of more than \$500,000 (table 2). Net worth was at least \$500,000 for 4 percent of families, and almost 2 percent of families (an estimated 1,310,000) had a net worth of at least \$1 million. Almost ½ percent

of the population (320,000 households) were estimated to have net financial assets (which exclude business, property, and housing assets) of at least \$1 million. Somewhat surprisingly, families that inherited most of their wealth appear in the various categories of net worth with approximately the same frequency as those who accumulated it out of saving; households grouped by the age of the family head show patterns of distribution by net worth that are similar across groups, except for the youngest. However, the distribution of nonwhite and Hispanic families is considerably more concentrated in the lower

categories of wealth than is that of non-Hispanic Caucasians.

Because of the special nature of the sample design of the 1983 survey, a comparison of its findings with most earlier surveys of wealth is inappropriate. The design of the 1962 Survey of Consumer Finances, however, was almost identical and thus offers an interesting point of comparison. Even after adjusting for inflation, the number of wealthy families has increased significantly since 1962 (table 3). About 14 percent of the families in the 1983 survey were estimated to have a net worth of at least \$163,800, in contrast

1. Distribution of 1982 high-income families with given levels of income, by selected characteristics, and of all families, by such characteristics¹

Family characteristic	Family income (dollars)				All families
	50,000–99,999	100,000–149,999	150,000–279,999	280,000 or more	
<i>Age of head (years)</i>					
Less than 25.....	1	*	*	*	8
25–34.....	13	13	1	2	23
35–44.....	30	19	15	16	20
45–54.....	26	33	29	28	16
55–64.....	19	23	37	32	15
65–74.....	8	11	15	19	12
75 or more.....	2	1	3	4	7
<i>Education of head</i>					
0–12 grades.....	23	16	5	4	60
Some college.....	18	7	12	12	17
College degree.....	28	32	30	36	13
Graduate school.....	31	46	54	48	10
<i>Occupation of head</i>					
Not working.....	9	12	5	11	31
Clerical or sales.....	6	5	2	1	8
Craftsman or foreman.....	10	2	*	*	12
Operative, labor, or service work.....	4	*	*	*	18
Lawyer, accountant.....	3	14	12	12	1
Health service professional.....	2	13	8	2	1
Banking, insurance, real estate.....	8	13	17	31	2
Other professional or managerial					
Service sector					
Not self-employed.....	17	10	9	3	9
Self-employed.....	6	5	7	9	3
Manufacturing sector					
Not self-employed.....	22	16	20	14	8
Self-employed.....	11	11	18	17	7
<i>Race or national origin of head</i>					
Caucasian.....	92	91	96	98	82
Nonwhite or Hispanic.....	8	9	4	2	18
<i>Marital status of head</i>					
Unmarried					
Not working.....	2	3	2	*	17
Working.....	8	7	4	9	22
Married					
Neither spouse working.....	4	7	2	10	10
One spouse working.....	29	44	54	49	23
Both spouses working.....	56	39	38	31	28
<i>Source of income and of assets</i>					
More than one-half of income from earnings.....	85	83	84	66	70
More than one-half of assets from saving or earnings.....	94	95	91	93	93

1. Here and in the following tables, components may not add to totals because of rounding; totals for Caucasians exclude Hispanics, who are defined as individuals of Spanish origin regardless of race;

and an asterisk denotes a value of less than 0.5 percent or no cases reported.

2. Distribution of all families with selected characteristics, by net worth, 1983

Percent except where otherwise noted

Family characteristic	Net worth (dollars) ¹								Mean (dollars)	Median (dollars)
	Less than 50,000	50,000-99,999	100,000-149,999	150,000-249,999	250,000-499,999	500,000-999,999	1,000,000 or more	Total		
<i>Family income (dollars)</i>										
Less than 10,000	86	10	2	1	1	*	*	100	25,140	2,565
10,000-19,999	71	17	6	4	2	1	*	100	45,551	18,750
20,000-29,999	63	18	7	6	4	1	*	100	69,381	31,000
30,000-49,999	40	26	13	11	8	3	*	100	109,871	70,055
50,000 or more	13	15	14	14	18	12	14	100	797,662	194,297
<i>Age of head (years)</i>										
Less than 35	86	8	2	2	1	*	*	100	25,603	3,454
35-44	59	20	9	6	4	2	1	100	85,051	37,332
45-54	49	21	11	8	6	3	3	100	193,935	51,394
55-64	42	22	9	11	9	4	3	100	201,573	64,806
65 or more	49	20	10	7	7	4	3	100	250,068	51,933
<i>Occupation of head</i>										
Not working	64	15	8	5	5	2	1	100	88,963	23,331
Clerical or sales	69	17	6	5	4	*	*	100	52,228	21,202
Craftsman or foreman	65	21	7	5	1	1	*	100	51,429	28,672
Operative, labor, or service work	81	13	4	2	1	*	*	100	28,539	11,245
Lawyer, accountant	43	10	10	12	4	7	13	100	375,055	95,202
Health service professional	28	7	13	14	14	16	8	100	412,462	200,156
Banking, insurance, real estate	26	17	9	11	15	12	10	100	746,798	141,480
Other professional or managerial										
Service sector										
Not self-employed	59	20	7	9	3	2	1	100	83,205	30,136
Self-employed	41	20	9	11	13	1	4	100	344,515	69,827
Manufacturing sector										
Not self-employed	48	25	10	8	5	2	2	100	129,641	55,055
Self-employed	29	15	13	12	16	8	7	100	525,370	120,172
<i>Race or national origin of head</i>										
Caucasian	56	19	9	7	5	3	2	100	155,812	39,919
Nonwhite or Hispanic	84	9	2	2	2	*	*	100	34,276	3,428
<i>Source of more than one-half of assets</i>										
Gifts and inheritance	56	17	10	7	4	3	2	100	156,466	33,161
Saving	61	17	7	6	5	2	2	100	131,744	30,393
All families	61	17	8	6	5	2	2	100	133,502	30,553

1. Net worth is defined as total assets less outstanding debts. Total assets consist of (1) value of the family's home; (2) value of other properties; (3) net value of nonpublic businesses; (4) liquid assets (checking accounts, money market deposit accounts, money market mutual fund accounts, savings accounts, and certificates of deposit); (5) retirement assets (individual retirement accounts, Keogh accounts, cash value of whole-life insurance policies, and employer-sponsored

thrift, profit-sharing, stock-option, and tax-deferred-savings plans); and (6) other financial assets (U.S. government savings bonds, municipal bonds, Treasury bills and bonds, corporate and other bonds, publicly traded stock, other mutual funds, trust accounts, and notes owed to the family). Outstanding debts include mortgages on homes and other properties, credit card debt, outstanding balances on credit lines, and all other installment and noninstallment debts.

to about 6 percent of the 1962 families. However, a slightly larger portion of the 1983 sample had a negative net worth, perhaps because the 1983 figures exclude vehicles, which are a significant portion of the wealth of poorer families.

There are significant variations in the distribution of wealth even within the high-income subgroups (table 4). The mean net worth of families with incomes of at least \$280,000 is about 20 times that for families with incomes between \$50,000 and \$99,999; more than 80 percent of

families with incomes of at least \$280,000 have a net worth of at least \$1 million, compared with only 5 percent of the lowest subgroup. Differences in the distribution of wealth across age groups are much more pronounced in the high-income group than in the population as a whole. About 43 percent of the high-income families headed by persons aged 65 years or more had a net worth of at least \$1 million; less than 5 percent of the high-income families headed by persons younger than 45 had a net worth that

3. Distribution of all families, by net worth, 1962 and 1983¹

Percent		
Net worth (dollars)	1962 Survey of Consumer Finances	1983 Survey of Consumer Finances
Negative	11	13
0	5	4
1-3,274	12	10
3,275-16,399	17	13
16,400-32,749	15	11
32,750-81,899	23	22
81,900-163,799	10	14
163,800-327,499	4	7
327,500-655,149	1	4
655,150-1,637,899	1	2
1,637,900 or more	+	1
Total	100	100

1. Intervals for 1962 net worth have been converted to 1983 dollars. SOURCE: For 1962 survey, Dorothy S. Projector and Gertrude S. Weiss, *Survey of Financial Characteristics of Consumers* (Board of Governors of the Federal Reserve System, 1966), table A.1.

high. In contrast, differences in the distribution of occupations by net worth are less pronounced in the high-income subgroups than in the whole sample. Self-employed managers on average have greater net worth than comparable managers working for others. This may be misleading, however, in that employer-provided pension assets, which are not included in these figures, are likely to be significant assets for managers who work for others. Unlike the population as a whole, high-income families whose wealth is from gifts and inheritance are significantly more likely to have very high levels of net worth than those who accumulate their wealth through saving.

The distribution of wealth among different types of assets shows significant variation within the high-income group (table 5). Families increase their relative holdings of nonliquid financial assets and, to a lesser extent, businesses as their income rises. The proportion that families invest in every other asset category except non-housing property falls as income rises. Families with income between \$150,000 and \$279,999 appear to have an anomalously high share of their assets invested in businesses. This result, however, is attributable to the extremely large business holdings (more than \$300 million) of a small number of families that fall into this group. Age differences in portfolio composition are also apparent. The value of the home dominates the portfolios of high-income families headed by

individuals aged less than 45 years, whereas nonliquid financial assets are the largest component of the portfolios of high-income families headed by individuals aged 55 years or more. The amount of debt declines dramatically from 36 percent of total assets in the youngest group to 1 percent in the oldest group. High-income families whose assets are derived mostly from saving have the largest part of their portfolios in business assets. In contrast, high income families whose assets are mostly from gifts and inheritance have greater amounts of liquid and other financial assets.

The data suggest that, even among high-income families, the ownership of some types of financial assets is not widespread (table 6). For example, less than 50 percent of those families with incomes between \$50,000 and \$99,999 own publicly traded stock. Even in the highest income group, less than 50 percent of the families own corporate or Treasury bonds, certificates of deposit, or money market deposit accounts. As their income rises, families are increasingly more likely to own virtually every type of financial asset with the exception of savings accounts. The mean holding for each type of financial asset for those who own it also rises consistently with income. However, the proportion of total assets held in depository institutions, particularly as certificates of deposit, declines as income rises, as do retirement-oriented assets such as individual retirement accounts (IRAs), life insurance, and thrift accounts. Business and property assets are held by an increasing percentage of families as income rises, although their share of total assets is constant.

Data on the concentration of assets show similar patterns. Houses, bank accounts, savings bonds, and life insurance are broadly held. The most concentrated holdings of assets are in non-bank financial assets such as bonds, trust accounts, and stocks. More than 56 percent of the municipal bonds held by sampled families are held by those in the top ½ percent of the income distribution. Businesses, IRAs, and thrift accounts are concentrated in the top 10 percent of the income distribution, but within the highest income decile, they do not appear to be disproportionately held by the top ½ percent of families. Over all, families in the top 10 percent of the income distribution hold 34 percent of the

4. Distribution of high-income families with selected characteristics, by net worth, 1983

High-income family characteristic	Net worth (dollars)								MEMO	
	Less than 50,000	50,000-99,999	100,000-149,999	150,000-249,999	250,000-499,999	500,000-999,999	1,000,000 or more	Total	Mean (dollars)	Median (dollars)
<i>Family income (dollars)</i>										
50,000-99,999	16	18	18	16	19	7	5	100	270,827	143,987
100,000-149,999	5	7	5	8	17	35	24	100	756,821	648,395
150,000-279,999	*	1	*	*	16	29	55	100	3,696,705	1,085,957
280,000 or more	*	*	*	*	2	16	82	100	5,400,338	2,422,800
<i>Age of head (years)</i>										
Less than 35	36	26	22	8	5	1	1	100	128,619	69,595
35-44	18	22	14	11	22	8	5	100	294,427	121,932
45-54	9	12	23	14	16	12	14	100	776,780	203,714
55-64	6	12	4	23	21	16	18	100	790,483	306,006
65 or more	2	*	6	8	18	23	43	100	2,730,325	866,567
<i>Occupation of head</i>										
Not working	6	1	9	6	34	14	30	100	885,602	402,293
Clerical or sales	28	20	14	5	25	5	2	100	192,018	102,389
Craftsman or foreman	27	21	18	16	7	11	*	100	165,337	102,359
Operative, labor, or service work	36	26	24	15	*	*	*	100	79,853	73,388
Lawyer, accountant	15	4	11	11	10	17	32	100	815,072	454,316
Health service professional	6	2	22	17	14	27	13	100	628,190	419,670
Banking, insurance, real estate	6	5	12	12	21	19	25	100	1,595,280	445,402
Other professional or managerial										
Service sector										
Not self-employed	19	26	13	17	11	11	4	100	273,609	111,000
Self-employed	*	19	15	27	23	1	14	100	1,162,881	218,316
Manufacturing sector										
Not self-employed	16	23	16	16	16	7	6	100	351,315	135,071
Self-employed	*	2	11	8	25	20	33	100	2,312,305	583,528
<i>Source of more than one-half of assets</i>										
Gifts and inheritance	*	14	25	17	9	11	25	100	1,038,252	205,732
Saving	14	15	14	14	18	12	13	100	782,763	191,878
All high-income families	13	15	14	14	18	12	14	100	797,662	194,297

total assets and 64 percent of the financial assets in the total sample. Families in the top ½ percent of the income distribution hold 19 percent of the total assets and 31 percent of the financial assets.

ATTITUDES AND BEHAVIOR TOWARD SAVINGS

One of the advantages of the 1983 survey over other sources of information on the portfolios of the wealthy is the link it provides between balance sheet data and responses to attitudinal and behavioral questions. The survey asked about attitudes toward financial risk and liquidity and about stock diversification and trading activity, sources of investment advice, and the family's relationship with its primary depository institution.

Greater potential returns are generally available only if an investor is willing to assume

greater risks. Responses to two questions provide information on the preferences of families regarding tradeoffs between expected return and risk. The first question involves attitudes toward financial risk. Respondents were asked to choose one of four responses, from "not willing to take any financial risks" to "take substantial financial risk expecting to earn substantial returns," that best describes the amount of financial risk they are willing to take when they save or make investments. While few families in any income group indicated a willingness to take substantial financial risk, high-income families were much more likely than the population as a whole to report a willingness to take above average or average financial risk to earn higher returns (table 7). Nearly half of all families but less than 20 percent of high-income families indicated that they were not willing to take any financial risk.

The second question concerns attitudes toward liquidity. Higher returns are generally of-

5. Composition of balance sheet of high-income families with selected characteristics, 1983

Percent of total assets

High-income family characteristic	Type of asset							Debt	Net worth	Total
	House	Other property	Non-public business	Liquid assets	Retirement assets	Other financial assets	Total			
<i>Family income (dollars)</i>										
50,000-99,999	31	21	23	9	6	11	100	16	84	100
100,000-149,999	22	13	22	8	7	28	100	11	89	100
150,000-279,999	7	8	67	2	3	12	100	3	97	100
280,000 or more	8	20	27	4	2	39	100	6	94	100
<i>Age of head (years)</i>										
Less than 35	42	20	23	7	3	6	100	36	64	100
35-44	33	16	28	7	6	10	100	22	78	100
45-54	17	16	30	5	4	27	100	11	89	100
55-64	18	15	26	7	7	28	100	7	93	100
65 or more	5	17	51	4	2	21	100	1	99	100
<i>Occupation of head</i>										
Not working	13	20	16	11	2	39	100	8	92	100
Clerical or sales	38	16	2	10	13	22	100	18	82	100
Craftsman or foreman	44	22	12	6	9	7	100	20	80	100
Operative, labor, or service work	48	5	18	18	10	*	100	20	80	100
Lawyer, accountant	17	27	29	5	5	17	100	11	89	100
Health service professional	26	20	24	5	11	13	100	12	88	100
Banking, insurance, real estate	12	27	26	5	3	27	100	6	94	100
Other professional or managerial										
Service sector										
Not self-employed	33	16	15	11	8	17	100	14	86	100
Self-employed	10	17	19	4	3	48	100	11	89	100
Manufacturing sector										
Not self-employed	29	15	14	7	8	27	100	18	82	100
Self-employed	9	6	72	3	1	9	100	4	96	100
<i>Source of more than one-half of assets</i>										
Gifts and inheritance	14	13	16	7	2	48	100	4	96	100
Saving	16	17	38	5	4	20	100	9	91	100
All high-income families	16	16	36	5	4	23	100	9	91	100

ferred on assets that have longer maturities, but long-term investments may have lower returns if liquidated before maturity. Respondents were asked to choose one of four responses, from "not willing to tie up money at all" to "willing to tie up money for a long period of time to earn substantial returns." High-income families are more likely than other families to say that they are willing to invest their savings in illiquid assets in the expectation of earning higher returns. More than two-thirds of high-income families but only 38 percent of the population as a whole reported being willing to tie up money for an intermediate or long period of time to earn higher returns (table 7). Less than 5 percent of high-income families are not willing to tie up money at all, whereas 29 percent of all families are not willing to tie up money.

The survey shows that, as might be expected, those families willing to tolerate greater financial risks, in this case those with high incomes, hold proportionately more business assets and smaller

portfolio shares of housing, other property, and liquid assets than families not willing to take risks (table 8). High-income families willing to invest in illiquid assets have smaller shares of assets in housing and other properties than families not willing to tie up money. Those indicating a willingness to take substantial risks have larger debt-to-equity ratios; otherwise, debt-to-equity ratios are surprisingly similar across risk attitudes, suggesting that most families do not increase expected returns by using leverage. Those unwilling to tie up money also have a higher debt-to-equity ratio. These findings are consistent with the view that most families use debt conservatively to finance the acquisition of real or durable assets.

As mentioned, high-income families are more likely than other families to own publicly traded stock, and their holdings of such stocks are a larger share of total assets than that for the population as a whole. High-income families, especially those with incomes of \$100,000 or

6. Proportion of families holding various assets, mean holdings, and such assets as a proportion of total assets, for all families and for 1982 high-income families

Asset	All families			Family income (dollars) 50,000-99,999		
	Percent owning	Mean holding of owners (dollars)	Mean percent of assets for owners	Percent owning	Mean holding of owners (dollars)	Mean percent of assets for owners
<i>Property</i>						
House	64	70,150	68	88	112,320	52
Other, net	19	96,854	30	41	121,899	26
<i>Nonpublic business</i>						
No management interest	3	133,794	24	8	185,698	19
Management interest	12	305,593	37	24	240,235	37
<i>Liquid assets</i>						
Checking accounts	79	1,844	11	97	3,464	3
Money market deposit accounts	9	19,626	15	21	22,720	10
Money market mutual fund accounts	7	19,864	10	24	16,655	7
Savings accounts	62	3,857	15	76	7,791	6
Certificates of deposit	20	24,016	19	35	31,433	12
<i>Retirement assets</i>						
Individual retirement or Keogh accounts	17	10,395	7	52	10,190	5
Thrift accounts	11	20,879	14	30	26,896	10
Cash value of whole-life insurance policies	33	9,788	17	50	10,287	5
<i>Other financial assets</i>						
U.S. savings bonds	21	1,760	5	34	1,986	1
Municipal bonds	2	105,786	10	7	49,662	10
Other bonds	3	59,188	16	9	55,606	16
Publicly traded stock	19	59,158	12	47	39,880	10
Mutual funds	5	25,839	8	19	20,289	8
Trust accounts	4	155,915	22	9	30,260	10
Notes owed to family	5	28,862	18	11	23,008	8
Family income (dollars)						
Asset	100,000-149,999			150,000-279,999		
	Percent owning	Mean holding of owners (dollars)	Mean percent of assets for owners	Percent owning	Mean holding of owners (dollars)	Mean percent of assets for owners
<i>Property</i>						
House	91	207,932	36	98	272,015	23
Other, net	43	184,245	19	62	463,989	21
<i>Nonpublic business</i>						
No management interest	26	131,698	15	28	263,437	10
Management interest	52	292,897	25	60	4,155,433	37
<i>Liquid assets</i>						
Checking accounts	95	8,081	2	99	10,223	1
Money market deposit accounts	37	46,198	6	34	46,616	3
Money market mutual fund accounts	43	39,195	5	49	54,199	4
Savings accounts	67	13,248	3	61	12,494	1
Certificates of deposit	32	57,179	16	33	47,396	5
<i>Retirement assets</i>						
Individual retirement or Keogh accounts	75	26,947	4	84	42,614	3
Thrift accounts	20	99,129	13	50	117,539	10
Cash value of whole-life insurance policies	55	31,179	6	60	36,235	3
<i>Other financial assets</i>						
U.S. savings bonds	36	2,748	*	25	6,449	1
Municipal bonds	19	139,990	9	25	115,494	7
Other bonds	22	110,235	10	22	92,883	7
Publicly traded stock	61	206,827	17	75	364,051	19
Mutual funds	25	67,255	9	46	51,734	4
Trust accounts	13	233,058	14	28	362,945	16
Notes owed to family	22	63,456	7	18	83,121	4

6. Continued

Asset	Family income (dollars) 280,000 or more			Concentration of ownership	
	Percent owning	Mean holding of owners (dollars)	Mean percent of assets for owners	Percent owned by top 10 percent of income distribution	Percent owned by top ½ percent of income distribution
<i>Property</i>					
House	94	465,150	15	30	5
Other, net	71	1,366,957	16	63	27
<i>Nonpublic business</i>					
No management interest	46	621,279	14	76	31
Management interest	60	2,114,260	33	78	18
<i>Liquid assets</i>					
Checking accounts	98	34,687	1	40	12
Money market deposit accounts	47	87,913	3	47	11
Money market mutual fund accounts	61	132,334	5	72	28
Savings accounts	57	22,644	1	28	3
Certificates of deposit	37	199,328	7	32	8
<i>Retirement assets</i>					
Individual retirement or Keogh accounts	74	64,411	2	62	14
Thrift accounts	28	161,719	6	64	10
Cash value of whole-life insurance policies	64	62,071	2	28	6
<i>Other financial assets</i>					
U.S. savings bonds	36	28,421	*	35	14
Municipal bonds	50	456,723	10	92	56
Other bonds	30	311,981	9	72	28
Publicly traded stock	90	1,046,640	20	85	43
Mutual funds	46	168,268	6	80	31
Trust accounts	25	3,363,447	17	88	69
Notes owed to family	29	190,716	6	47	18

more, are also distinguished from other families by the diversification of their stock portfolios and their stock trading activity (table 9). The majority of all families owning stock have shares in only one company (10 percent of all families own shares in one company, and 8 percent own shares in two or more companies). Of families with incomes between \$50,000 and \$99,999 that own stocks, however, more than half have two

or more stocks; the majority of families with incomes of \$100,000 or more that own stocks have shares of five or more companies in their stock portfolios.

The difference between high-income families and the population as a whole is even more dramatic when stock trading activity is considered. About 6 percent of all families purchased or sold stocks in the previous year. In contrast,

 7. Proportion of high-income families, and of all families, holding various attitudes toward financial risk and liquidity, 1983¹

Percent

Attitude	Family income (dollars)				All families
	50,000–99,999	100,000–149,999	150,000–279,999	280,000 or more	
<i>Financial risk</i>					
Take substantial financial risk to earn substantial return	6	8	5	10	6
Take above-average financial risk to earn above-average return	22	25	36	34	11
Take average financial risk to earn average return	55	57	52	46	38
Take no financial risk	17	9	3	5	43
<i>Liquidity</i>					
Tie up money for long term to earn substantial return	20	30	22	26	12
Tie up money for intermediate term to earn above-average return	42	48	56	47	26
Tie up money for short term to earn average return	30	17	18	18	30
Do not tie up money at all	5	3	2	2	29

1. Does not report cases in which attitude was not ascertained.

8. Composition of balance sheet of high-income families with various attitudes toward financial risk and liquidity, 1983

Percent of total assets

Attitude	Type of asset							Debt	Net worth	Total
	House	Other property	Non-public business	Liquid assets	Retirement assets	Other financial assets	Total			
<i>Financial risk</i>										
Take substantial financial risk to earn substantial return	17	9	45	4	4	22	100	12	88	100
Take above-average financial risk to earn above-average return	11	11	56	4	3	16	100	7	93	100
Take average financial risk to earn average return	19	22	23	6	5	26	100	9	91	100
Take no financial risk	26	12	18	13	6	26	100	8	92	100
<i>Liquidity</i>										
Tie up money for long term to earn substantial return	19	12	26	7	6	31	100	9	91	100
Tie up money for intermediate term to earn above-average return	13	12	46	5	3	21	100	7	93	100
Tie up money for short term to earn average return	19	31	23	6	4	17	100	10	90	100
Do not tie up money at all	31	9	28	6	3	24	100	14	86	100

nearly a quarter of families with incomes between \$50,000 and \$99,999, about half of families with incomes between \$100,000 and \$279,999, and almost three-quarters of families with incomes of \$280,000 or more had stock transactions in the previous year. About 30 percent of families with incomes between \$100,000 and \$279,999 and nearly half of families with incomes of \$280,000 or more had five or more transactions in the previous year.

High-income families are about twice as likely

as the population as a whole to seek financial advice from a professional (table 10). About half of the high-income families reported seeking financial advice, but the source of advice varies by income. Accountants and brokers are the sources most frequently used by families with incomes from \$50,000 to \$279,999. For families with incomes of \$280,000 or more, however, brokers are mentioned most often as a source of financial advice. Banks, the primary source of advice for the population as a whole, are cited

9. Distribution of high-income families with given levels of income, and of all families, by selected characteristics of stock investment, 1983

Percent

Investment characteristic	Family income (dollars)				All families
	50,000-99,999	100,000-149,999	150,000-279,999	280,000 or more	
<i>Number of publicly traded stocks</i>					
0	53	39	25	10	81
1	20	13	17	8	10
2-4	16	15	15	19	4
5-9	6	12	15	26	2
10-19	4	12	14	19	1
20 or more	2	10	15	18	1
Total	100	100	100	100	100
<i>Number of times stocks purchased or sold through broker in past year</i>					
0	77	53	48	29	94
1	5	5	6	4	1
2-4	11	15	16	17	3
5-9	4	9	9	16	1
10-19	1	10	10	18	1
20 or more	2	8	11	15	*
Total	100	100	100	100	100
MEMO: Has brokerage account	28	55	59	80	7

10. Proportion of high-income families, and of all families, that obtain financial advice from various sources, 1983

Percent

Source of advice	Family income (dollars)				All families
	50,000-99,999	100,000-149,999	150,000-279,999	280,000 or more	
Accountant	19	29	30	28	6
Bank	12	10	17	16	12
Broker	23	32	29	38	8
Tax advisor	11	15	25	26	4
Lawyer	6	17	17	19	5
Any professional	47	53	57	53	26

more frequently than tax advisors and lawyers by the \$50,000 to \$99,999 income group but become relatively less important as income increases.

High-income families choose a commercial bank for their main checking account much more frequently than other families, and within the high-income group, the frequency increases with income (table 11). Table 11 also shows that high-income families are more likely than others to use services offered by depository institutions.

However, for those families that use a particular service, the likelihood that they obtain it from the same institution as their main checking account is about the same for the high income groups as the total sample. Particularly noteworthy is that a substantial proportion of families obtain their services at a different financial institution than the one where the main checking account is held, suggesting that these families are willing to forgo the convenience of obtaining a service at the same location if rates or other terms are more attractive at a different institution.

COMPARISON OF THE SURVEY WITH FLOW OF FUNDS

Estimates of the aggregate holdings of assets of U.S. households can be obtained by appropriately weighting and summing the amount reported from consumer surveys. It is also possible to estimate such holdings from the aggregate data

11. Proportion of high-income families, and of all families, that use various financial institutions for their main checking account, and proportion that use their main checking institution or any institution for selected other services, 1983

Percent

Institution and service	Family income (dollars)				All families
	50,000-99,999	100,000-149,999	150,000-279,999	280,000 or more	
<i>Institution for main checking account</i>					
Commercial bank	79	87	91	93	64
Savings institution	14	6	8	5	11
Credit union	3	1	*	*	4
Broker	1	1	1	*	*
<i>Use of other services at financial institutions</i>					
<i>Other checking account</i>					
Main checking institution	21	30	37	43	9
Any institution	52	58	71	84	21
<i>Individual retirement account</i>					
Main checking institution	16	19	27	18	5
Any institution	53	75	84	75	17
<i>Certificate of deposit</i>					
Main checking institution	13	14	14	20	10
Any institution	35	32	33	37	20
<i>Money market or savings account</i>					
Main checking institution	36	55	39	40	34
Any institution	86	86	93	88	67
<i>Credit card</i>					
Main checking institution	29	46	49	53	17
Any institution	81	85	95	90	43
<i>Mortgage</i>					
Main checking institution	13	21	19	21	8
Any institution	74	75	73	69	40
<i>Other loan</i>					
Main checking institution	22	19	21	18	14
Any institution	66	56	51	63	51
<i>Brokerage or trust account</i>					
Main checking institution	1	2	5	3	1
Any institution	34	57	70	84	10

compiled in the Federal Reserve's flow of funds accounts. Historically, however, these two methods have produced significantly different estimates. This is particularly true of financial assets, where survey-based estimates have typically been only half as large as those derived from flow of funds data. Many reasons have been advanced to explain this discrepancy, but the most commonly given are that (1) the data for the flow of funds household sector overstate holdings of families because the data include trusts and nonprofit organizations and (2) survey-based estimates suffer from significant underreporting because of ignorance, intentional withholding of information, and the undersampling or underweighting of the wealthy. Two recent developments offer the potential to test these explanations. First, the special subsample of the wealthy in the 1983 survey potentially allows more accurate weighting of the survey data and fuller sampling of the wealthy. Second, the Flow of Funds Section of the Federal Reserve has recently employed information from the Internal Revenue Service and other sources to make estimates of the financial assets of some trusts, foundations, and other nonprofit organizations, which can be used to separate the holdings of these entities from those of families.

12. Aggregate family assets and liabilities from flow of funds accounts and from the 1983 Survey of Consumer Finances

Billions of dollars

Category	Flow of funds accounts		1983 Survey of Consumer Finances	
	Unadjusted ¹	Adjusted ²	Base sample only	Total sample
<i>Assets</i>				
Deposits ³	1,999	1,942	989	1,100
Bonds and notes ⁴	677	425	336	469
Stocks and equities	1,275	1,053	582	982
Life insurance cash value	233	233	256	261
<i>Liabilities</i>				
Home mortgages	1,097	1,097	897	927
Other debt	635	603	281	334

1. As of December 31, 1982. Includes total household sector.

2. As of December 31, 1982. Total household sector less estimated holdings of nonprofit organizations.

3. Checking, savings, and money market accounts plus individual retirement and Keogh accounts, broker call accounts, and certificates of deposit.

4. Bonds estimated at book value.

Table 12 compares four different estimates of aggregate household holdings of deposits, bonds and notes, stocks, and the cash value of life insurance and home mortgages and other family debts. Two flow of funds calculations were made as of the end of 1982, one including nonprofit organizations and one excluding them. Some flow of funds categories were modified to provide comparability with survey data. Two aggregate estimates from the 1983 survey were calculated, one using only the base sample and the other with the addition of the high-income subsample, appropriately weighted. The data shown in the first and third columns of table 12 reflect the comparisons typically made previously. The survey-based estimates of deposits, bonds, and stocks are only about 50 percent of the flow of funds estimates. However, when each of these estimates is adjusted, as shown in the second and fourth columns, the change is striking. Survey-based estimates of bonds and stocks are 93 percent and 110 percent, respectively, of those in the flow of funds accounts. Data for debts still show some discrepancy, though less than in the conventional comparison. Data for deposits, however, remain an enigma. The survey estimate is still only 57 percent of the flow of funds estimate. Currency holdings, which are included in the flow of funds data but not in the survey, total \$150 billion at most and thus cannot account for the full difference. A more detailed comparison of the components of deposits (not shown in the table) indicates the same discrepancy for each component. One explanation is that the underreporting of "hidden" accounts may still be a problem with consumer surveys. Over all, the adjustments offer encouragement to the view that flow of funds data and survey data offer comparable estimates of the same phenomena.

SUMMARY OF FINDINGS

This article has presented information on the financial behavior of high-income U.S. families from the 1983 Survey of Consumer Finances. A special, high-income sample drawn from tax files and added to the survey's randomly drawn base sample allows a more accurate examination of the behavior of the wealthy than was previously

available. A significant concentration of wealth was found. More than 19 percent of the total assets and 34 percent of the financial assets were estimated to be held by families in the top ½ percent of the income distribution. Stocks, bonds, and trust holdings were found to be particularly concentrated among very wealthy families. The number of households with net worth of at least \$1 million was estimated to have risen significantly since a similar survey in 1962, to almost 2 percent of all families. Somewhat surprisingly, except for young households, the distribution of families across the various levels of wealth does not appear to be strongly related to age. Families headed by entrepreneurs and by individuals in banking, insurance, and real estate were more likely than families in other occupations to earn the highest incomes.

The behavior of high-income families with regard to their savings can be distinguished from that of other families in several ways. High-income families indicated a greater willingness to assume risks to earn higher returns, and the greater diversification of their portfolios affords them the ability to assume these risks. Unlike other families, a substantial proportion of high-income families reported having stock transactions during the year. Thus, it is not surprising that high-income families are more likely to seek investment advice from professionals. Brokers are the most important source of investment advice for high-income families. In contrast, other families, who typically own only liquid assets that are available from depository institutions, most frequently obtain investment advice from banks.

Estimates of aggregate family assets based on data from consumer surveys have historically been about only one-half of estimates compiled in the Federal Reserve's flow of funds accounts. The 1983 survey offered an opportunity to examine the extent to which this discrepancy might be explained by undersampling of the wealthy. Estimates of aggregate stock and bond holdings from the 1983 survey came within 5 percent of comparable flow of funds estimates, offering encouragement to the view that they measure the same phenomena.

FOOTNOTES

1. See Robert J. Lampman, *The Share of Top Wealth Holders in National Wealth, 1922-56* (Princeton University Press, 1962); James D. Smith and Stephen D. Franklin, "The Concentration of Personal Wealth, 1922-1969," *American Economic Review*, vol. 64 (May 1974), pp. 162-67; Marvin Schwartz, "Trends in Personal Wealth, 1976-1981," *SOI Bulletin*, vol. 3 (Summer 1983), pp. 1-26.
2. Martynas A. Ycas and Charles A. Lininger, "The Income Survey Development Program: Design Features and Initial Findings," *Social Security Bulletin*, vol. 44 (November 1981), pp. 13-19.
3. Dorothy S. Projector and Gertrude S. Weiss, *Survey of Financial Characteristics of Consumers* (Board of Governors of the Federal Reserve System, 1966).
4. The survey defines the family to be any group of persons living together who are related by marriage, blood, or adoption, and any individual living alone or with persons to whom the individual is not related. The head of the family is defined as the individual living alone, the male of a married couple, or the adult in a family with more than one person and only one adult. Generally, when there is no married couple and more than one adult, the head is the economically dominant person or the one closest to age 45. Adults are persons aged 18 years or more.

Appendixes A and B follow.

APPENDIX A: SURVEY DESIGN

The methods employed in selecting the base sample of the 1983 Survey of Consumer Finances are similar to those used in earlier surveys. A multistage probability design was used to select a representative sample of all families in the contiguous 48 states of the United States, exclusive of those on military bases and those that have been institutionalized. Participating families were drawn from 74 sample points in 37 states and the District of Columbia.

The high-income supplement was drawn from tax files in a manner designed to preserve the privacy of tax information and to shield the identity of sample participants from the government. Applying multifaceted sampling criteria to the tax returns for 1982, approximately 5,000 high-income families who lived in the 74 geographic sampling units used for the base survey were selected. The Office of the Comptroller of the Currency, an agency of the Treasury Department, sent these households a letter asking if they wished to join in the survey, with a postcard supplied for those choosing to participate. Names and addresses of the 459 households that returned postcards were forwarded to the Survey Research Center of the University of Michigan, which conducted the survey. The Office of the Comptroller of the Currency was also able to compute appropriate sampling weights for high-income participants using formulas supplied by the Internal Revenue Service. Field interviewers were not told which households were part of the high-income supplement, and the questionnaire was that used for the base sample. The Internal Revenue Service does not have access to the names of the survey participants.

Interviewing for the 1983 survey was carried out by the Survey Research Center from Febru-

ary through July 1983. A total of 5,396 families were solicited as part of the base sample, of whom 3,824 (71 percent) participated in the survey. A total of 438 of the responding high-income families completed interviews. Interviews were done in person and lasted an average of 75 minutes. Within each participating family, the person selected as respondent was either the head of the family or, in the case of a married couple, the person most knowledgeable about family finances. Respondents were encouraged to consult other family members or financial records when appropriate.

The numbers presented in the tables of this article are based on data that differ from the raw sample responses. Particularly for questions of a sensitive nature, respondents are not always willing to answer. As a result, conclusions based only on actual responses can be biased. To correct for this potential bias, a series of statistical procedures were used with the 1983 survey data to impute missing values. The base sample and the high-income supplement were handled separately. For the base sample, 159 observations that were missing virtually all dollar values were discarded. To calculate a sampling weight to compensate for any nonrandom exclusion of observations, a probit equation using information available for all observations was fit for the included and excluded groups. Imputations were made for all missing values of the remaining 3,665 base sample observations. All of the 438 high-income observations were retained, as they had very few missing values. The weights for the 4,103 observations used in constructing the numbers in the tables were formed from the high-income weights supplied by the Internal Revenue Service, response rates for the different sampling units, and weights formed from the exclusion of the 159 base sample observations.

APPENDIX B: ERRORS OF SAMPLING

The results of any survey and the estimates of population characteristics derived from it are subject to errors based on the degree to which the sample varies from the population (sampling error), errors arising during the interview, and

errors derived from incomplete responses. Because the 1983 sample was drawn from two different sources, additional error may be introduced if the samples are incorrectly meshed.

The only one of these sources of error whose

B.1 Approximate sampling errors of survey results, by size of sample¹

Percentage points

Survey results (percent)	Size of sample				
	3,000	2,000	500	300	100
50	2.5	2.8	3.6	6.2	10.5
30 or 70	2.3	2.5	3.3	5.7	9.6
20 or 80	2.0	2.2	2.9	4.9	8.4
10 or 90	1.5	1.7	2.2	3.7	6.3
5 or 95	1.1	1.2	1.6	2.7	4.6

1. Two standard errors, 95 percent confidence interval.

potential impact can be predictably forecast is sampling error. This is a measure of possible random deviation of the survey findings resulting from the selection of a particular sample. Table

B.1 shows the approximate percentage points of sampling error associated with various sample sizes and results reported from a survey, assuming a confidence level of 95 percent; that is, the chances are 95 in 100 that the actual value lies within a range equal to the reported percentage plus or minus the sampling error. The importance of the high-income supplement is apparent from sample information given in table B.2, which shows the number of sample observations used for the four income subgroups. The number of observations in the highest income group, for example, rises from 12 to 212 when the base sample is augmented with the high-income supplement. The base sample clearly would not offer enough observations with which to make the kinds of inferences sought in this article.

B.2 Size of base sample and of high-income subsamples of the 1983 Survey of Consumer Finances

Number of families

Sample group	All families	Family income (dollars)			
		50,000–99,999	100,000–149,999	150,000–279,999	280,000 or more
Base	3,665	269	50	10	12
High-income, from tax files	438	34	70	129	200
Total	4,103	303	120	139	212