Evaluating Wealth Data in the Redesigned 2014 Survey of Income and Program Participation

Jonathan Eggleston (U.S. Census Bureau) and Michael Gideon (Amazon)

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This report is released to inform interested parties of ongoing research and to encourage discussion of work in progress. The views expressed on statistical issues are those of the authors and not necessarily those of the U.S. Census Bureau.
Introduction

- Survey of Income and Program Participation (SIPP) & Survey of Consumer Finances (SCF): 2 primary sources of wealth data for U.S. households
- Benefits of SIPP
  - Larger sample size (30,000 vs 6,000)
    - Important for subpopulations
  - Longitudinal
  - In-depth coverage of other topics (e.g. program participation, health insurance, retirement, veteran status)
SIPP: Wealth by Characteristics

Median Wealth by Characteristics: 2013

- Race: Non-Hispanic White: $132,483
  - Black: $9,211

- Health insurance:
  - With health insurance: $123,901
  - Without health insurance at least 1 month: $11,282
Introduction

- Question: How does the wealth data compare between the two surveys?
  - Curtin, Juster, and Morgan (1989) and Wolff (1999): SIPP & SCF compare well in mid-80s. For late 80s and early 90s, SIPP estimates are lower than SCF estimates.
  - Czajka et al. (2003): Found discrepancies in 1998 data, discussed questions and concerns about SIPP data, and offered recommendations to improve SIPP wealth questions & imputation procedures.
  - Eggleston and Klee (2016): Match between SIPP & SCF in 2010 data has improved in some dimensions but not others.
2014 SIPP

- 2014 SIPP Panel: Major survey redesign
- Asset question texts changes for
  - Checking accounts
  - Life insurance cash value
  - Other financial investments
  - Real estate
- New asset and debt questions
  - Education savings accounts (529 Plans)
  - Student loans
  - Annuities and trusts
  - Businesses as an investment
Preview of Results

- **Main results**
  - SIPP net worth estimates closer to SCF estimates
  - There is now no statistically significant difference in **median net** worth between SIPP and SCF
  - However, **25th percentile** still lower in SIPP

- **Other results**
  - **Bank account** ownership rates higher now in SIPP than in previous panels, but still lower than SCF or FDIC estimates
  - **SIPP vehicle** values closer to SCF
## Overview of Net Worth Estimates

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<thead>
<tr>
<th>Statistic</th>
<th>SIPP Estimate 2013</th>
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Primary Drivers for Changes in Wealth Statistics

- Bank accounts
- Vehicles
- Cash value of life insurance
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Regular (Non-Interest) Checking Account Question Text

- 2008: “Did you own any checking accounts in your OWN name which did NOT earn interest? (Do not include any interest-earning checking accounts reported earlier.)”
  - Checking questions asked in separate sections
- 2014: Did you own a “a non-interest (regular) checking account?”
  - Checking questions now back-to-back
# Bank Accounts

(Improved ownership rates)

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<th>2010 Difference</th>
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<tr>
<td>All Bank Accounts</td>
<td>85.95</td>
<td>92.19</td>
<td>6.46***</td>
<td>18.76***</td>
</tr>
<tr>
<td>Checking Accounts</td>
<td>81.61</td>
<td>87.10</td>
<td>5.49***</td>
<td>24.67***</td>
</tr>
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**Median Values Conditional on Ownership**

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<tbody>
<tr>
<td>All Bank Accounts</td>
<td>4,200</td>
<td>5,373</td>
<td>-299</td>
<td>221</td>
</tr>
<tr>
<td>Checking Accounts</td>
<td>1,500</td>
<td>1,991</td>
<td>491***</td>
<td>N/A</td>
</tr>
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Primary Drivers for Changes in Wealth Statistics

- Bank accounts
- Vehicles
- Cash value of life insurance
Vehicle Methodology

- Both SIPP & SCF: Respondents report vehicle year, make, and model. Commercial data from NADA used to assign values based on this
  - SIPP: Use trade-in values
  - SCF: Use retail values
- SIPP 2008: NADA data in physical booklets. Values entered electronically only once per panel. Constant rate of depreciation applied to later waves
- SIPP 2014: NADA data in electronic format, can update every wave
## Vehicles
(Medians closer)

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</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>83.99</td>
<td>86.29</td>
<td>2.3***</td>
<td>3.65</td>
</tr>
<tr>
<td>Vehicle Debt</td>
<td>32.33</td>
<td>31.20</td>
<td>1.13***</td>
<td>0.10</td>
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### Median Values
Conditional on Ownership

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<tr>
<td>Vehicles</td>
<td>11,831</td>
<td>15,886</td>
<td>4,055***</td>
<td>5,799***</td>
</tr>
<tr>
<td>Vehicle Debt</td>
<td>12,499</td>
<td>12,000</td>
<td>-499</td>
<td>-667***</td>
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Primary Drivers for Changes in Wealth Statistics

- Bank accounts
- Vehicles
- Cash value of life insurance
Life Insurance

- Life insurance can have two parts
  - Face Value: Death benefit
  - Cash Value: Acts like a savings/investment account. Considered asset

- 2008 SIPP: Had question on cash value, but...
  - No question on face value
  - Question text did not define cash value
  - Result: People conflated face and cash value (Gottschalck and Moore 2007).
  - Cash value excluded from net worth calculation
Life Insurance

- Improvements in 2014 SIPP
  - Separate questions on face value and cash value
  - Question text defines concepts
- ...but proceeding screener question on type of life insurance does not define the difference between types of life insurance (term vs. whole life)
  - 24% respondents in SIPP reported cash value of 0
# Cash Value Life Insurance

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<td>12,000</td>
<td>7,704</td>
<td>-4,296***</td>
<td>-42,192***</td>
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<tr>
<td>Item Nonresponse Rates</td>
<td>57.2</td>
<td>41.1</td>
<td>-16.1***</td>
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Summary

- Higher median net worth in SIPP potentially due to
  - Higher bank account ownership rates
  - Higher vehicle values
  - Additional assets included in net worth (cash value, 529 Plans, annuities, trusts, businesses as an investment)

- SIPP 25th percentile of net worth still lower than SCF, potentially due to
  - Lower bank account ownership rates
  - SIPP using vehicle trade-in values rather than retail values
Changes for SIPP 2018

- Single question on checking accounts
- Life insurance type: use SCF wording
- New question on medical debt
- Potential model-based imputation of some asset variables
  - SSA and W2 data will be used in modeling
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