



DETERMINANTS OF HOUSEHOLD POSITION IN THE WEALTH DISTRIBUTION IN CHILEAN HOUSEHOLDS

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Main topics of the paper

- Analysis of the distribution of net wealth in Chile
- How does this distribution relate to the distribution of income?
- Which factors influence the household position in the wealth distribution?
- What is the specific impact of age?



Distribution of net wealth in Chile

- On the basis of Survey of Household Finances 2014.
 - Information on income, assets and debts, as well as socio-demographic characteristics (age and housing status).
 - Voluntarily, self-reported.
 - No data on mandatory pension funds.
- Statistical unit is the household.
- Classification according to wealth, age and housing status.



Distribution of net wealth in Chile

Table 2: Distribution of household by net wealth quintiles

Categories	% Household	% of household with negative wealth	Wealth proportion	Wealth median	Wealth IQR
Total population	100.0	15.3	100.0	30,890	72,758
Household wealth quintile	73% of wealth is concentrated within the richest quintile				
I	20.0	76.4	0.0	-630	2,698
II	20.0	0.0	1.8	5,075	9,447
III	20.0	0.0	8.4	30,923	11,038
IV	20.0	0.0	17.0	61,239	22,463
V	20.0	0.0	72.8	169,558	178,872
Age of the reference person	76% of households in first quintile show negative net wealth				
< 35	20.0	25.3	8.1	5,256	38,678
35 a 44	23.5	16.6	20.3	27,332	61,710
45 a 54	23.2	14.0	22.6	33,870	71,694
55 a 64	17.2	10.3	23.5	47,548	89,376
65 a 74	9.7	7.3	14.1	51,903	88,645
> 74	6.4	9.2	11.3	58,727	94,543
Housing status	Wealth increases with age				
Outright owner	45.4	0.3	70.8	55,395	74,488
Owner with mortgage	16.5	6.9	22.6	50,343	79,595
Renter or other	38.1	36.8	6.6	0	6,492

Notes: (1) IQR corresponds to the interquartile range. (2) Median and IQR are expressed in United State dollars 2014.

Source: Own calculations, based on SHF 2014.



Relation between Wealth and Income

Focus on joint distribution:

- Matrix showing how households are distributed over wealth quintiles, per income quintile.
- Looking at the percentage and medians of wealth and income per income and per wealth quintile.
- Comparing measures of inequality for income and wealth.



Relation between Wealth and Income

Table 3: Joint distribution of income and wealth across household quintiles

% of household in quintiles of income	% of household in quintiles of net wealth					
	I	II	III	IV	V	Total
I	24.65	21.80	26.93	16.50	10.12	100
II	24.73	19.94	23.54	22.48	9.31	100
III	24.53	24.47	22.68	18.32	9.99	100
IV	15.72	20.16	16.57	25.15	22.40	100
V	10.37	13.71	10.23	17.53	48.16	100

Source: Own calculations, based on SHF 2014.

Not a strong relationship between wealth and income ...

... except for the richest quintile



Relation between Wealth and Income

Table 4: Distribution of wealth and income by quintiles of wealth and income

Categories	Wealth		Income	
	Proportion	Median	Proportion	Median
Total population	100.0	30,890	100.0	1,338
Household <u>wealth</u> quintile				
I	0.0	-630	13.6	1,083
			14.9	1,254
			13.5	1,052
			17.9	1,373
			40.0	2,821
Household <u>income</u> quintile				
I	11.6	21,489	3.3	405
II	10.5	24,046	7.4	824
III	10.9	20,060	11.9	1,343
IV	20.3	42,011	19.5	2,156
V	46.8	86,209	57.9	4,689

Percentages and median wealth do not differ much across the first three income quintiles

Percentages and median incomes do not differ much across the first three wealth quintiles

Note: Median is expressed in United State dollars 2014.

Source: Own calculations, based on SHF 2014.



Relation between Wealth and Income

Measures of distribution show that wealth has a more skewed and unequal distribution than income:

Table 5: Inequality measures of income and wealth

Variables	Gini Index	Coefficient of Variation	Mean/Median	P90/P50
Income	0.54	1.55	1.69	3.50
Wealth	0.74	2.24	2.37	5.49

Source: Own calculations, based on SHF 2014.

Patterns are similar to results for the United States and European countries.



Factors that influence position in wealth distribution

- Estimation of a generalized order model to predict the household wealth quintile.
- Control variables include:
 - Income quintile
 - Financing structure of housing when it was bought
 - Number of household members
 - Retirement of one of the household members
 - Receipt of an inheritance
 - Age
 - Marital status
 - Gender



Factors that influence position in wealth distribution

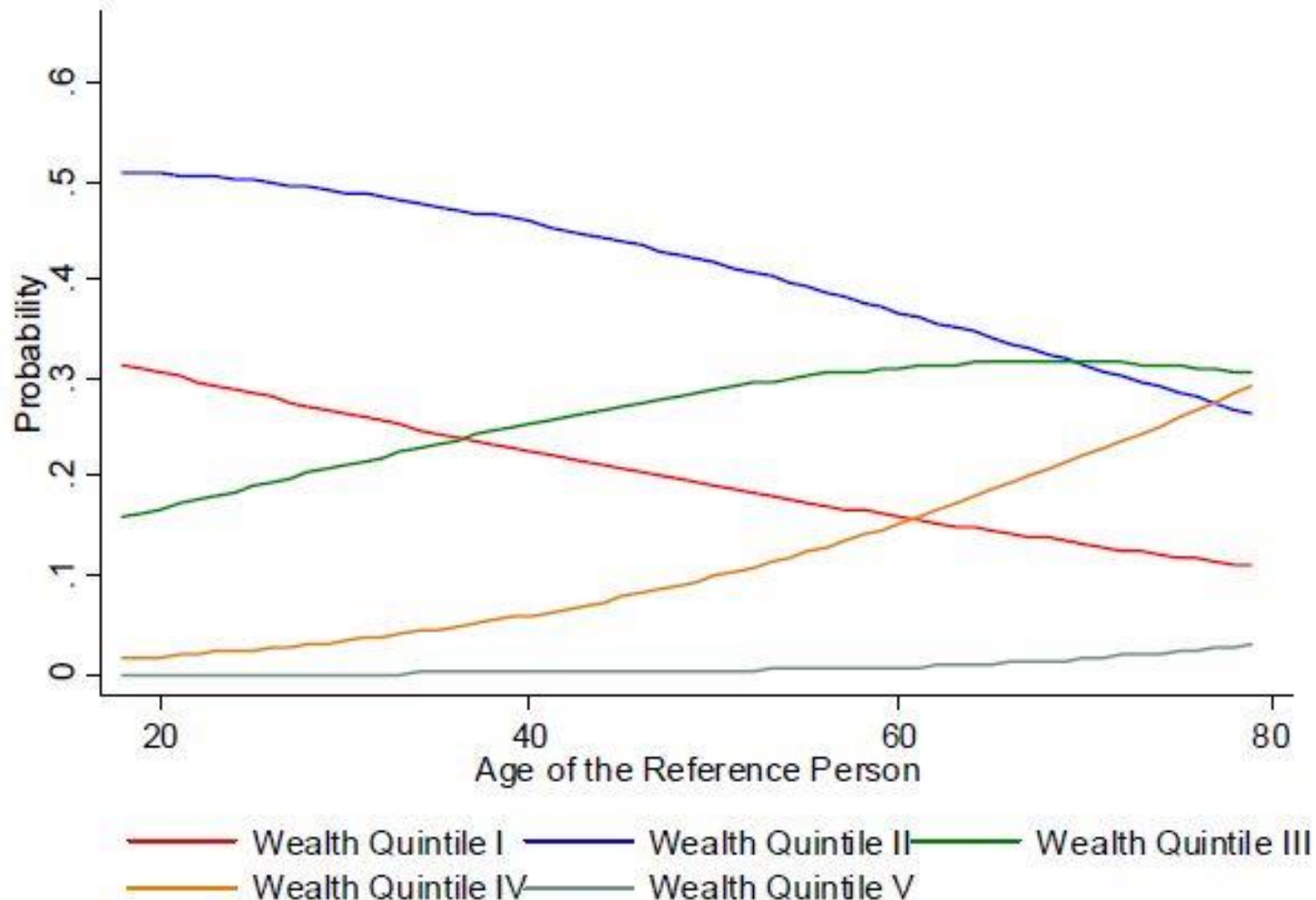
Main conclusions of the model:

- Positive effects for: income quintile, age, household size, presence of a retired person, receipt of inheritance.
- Financing structure of house purchase shows a mixed effect.
- No significant impact of marital status and gender.



Specific focus on the impact of age

Figure 1: Estimated probability to be in a given wealth quintile as a function of age of the reference person





Discussion

- Paper provides very interesting insights in the distribution of wealth in Chile (in comparison with other countries), and in factors influencing position of households in the distribution.
- It also shows the importance of analysing distributional results in a multidimensional way (combining income and wealth (and consumption)).



Discussion

Some questions:

- Focus is on households: Would it be worth while to look at results for equivalized households (adjusting for household size) as well? If so, what would be an appropriate scale?
- Results are taken from surveys: Do you have an idea of how these results compare with National Accounts totals? Do you think it would make a difference when you start from NA aligned results?
- Retirement resources are not included: Do you think that affects the presumed impact of age in the model (as an important part of wealth of elderly people may be neglected)?
- Would there be other factors that you would like to include in the model? Education, urbanisation, ...?



Thank you for your attention!