A Comparative Analysis of Augmented Wealth in Germany and the United States

Markus M. Grabka
DIW Berlin

Timm Boenke
FU Berlin

Carsten Schroeder
DIW Berlin

Edward N. Wolff
New York University

Paper Abstract: Research on wealth inequality usually focuses on real and financial assets, while (public) pension wealth receives little attention. This paper provides for the first time evidence on the levels and composition of and inequalities in households' positions of augmented wealth – the sum of net worth and pension wealth – in two countries with distinct welfare regimes, the United States and Germany. Micro data from the Survey of Consumer Finances (SCF) for 2013 and the German Socio Economic Panel (SOEP) for 2012/13 serve as the empirical basis. Our analysis reveals that pension wealth makes up a sizeable portion of household wealth. On average, it constitutes 48% of augmented wealth in the United States and 59% in Germany. Including pension wealth also alters comparative positions in average and median wealth in the two countries. Average net worth in the US is US$337,000, about twice as high as in Germany, while medians in the two countries are rather similar – about US$40,000. At US$651,000 average augmented wealth in the US is just 1.6 times higher, but in this case the median is slightly higher in Germany: US$270,000 versus US$247,000, which underlines the relative importance of pension wealth in Germany. In both countries, the incorporation of pension wealth in households' wealth positions reduces measured wealth inequalities, but wealth inequality is reduced more in Germany from the addition of pension wealth and remains markedly higher in the US. Age-wealth profiles show for both countries a typical life-cycle pattern of wealth accumulation. However, in Germany dissaving starts at earlier ages.