Including Valuables in Household Wealth

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**Paper Abstract:** Measured household wealth and wealth inequality depend crucially on the household assets tracked. Most household surveys track checking accounts, retirement savings, real estate and similar assets. However, household surveys are less likely to track valuables like jewelry or collectibles. These assets are frequently used as a savings vehicle by households without traditional bank accounts. On average, households without traditional bank accounts tend to be poor – so measured wealth inequality may be underestimated if valuables are not tracked. This paper attempts to correct this potential bias.

I created a stylized model to test the impact of valuables on measured wealth inequality. My stylized model is calibrated to the asset shares reported in the Survey of Consumer Finances and the aggregate capital stock estimated in BEA’s Integrated Macro Accounts. I find that including valuables consistently raises the share of measured wealth held by households in the bottom 40% of reported income. The wealth share for the bottom 40% rises from 6.78% to 6.89% in 1989 and 5.69% to 5.95% in 2012. Results are similar if I use education as a proxy for income. Accordingly, the measured growth rate for wealth inequality is overestimated when valuables are excluded.