

The Ownership of Assets and the Role of Age

Age-Specific Balance Sheets for the Euro-Area

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Wittgenstein Centre





Ageing Europe – An Application of
National Transfer Accounts for Explaining
and Projecting Trends in Public Finances

National Transfer Accounts
and
National Time Transfer Accounts
for EU-Countries (and the UK)

www.agenta-project.eu

Definition:

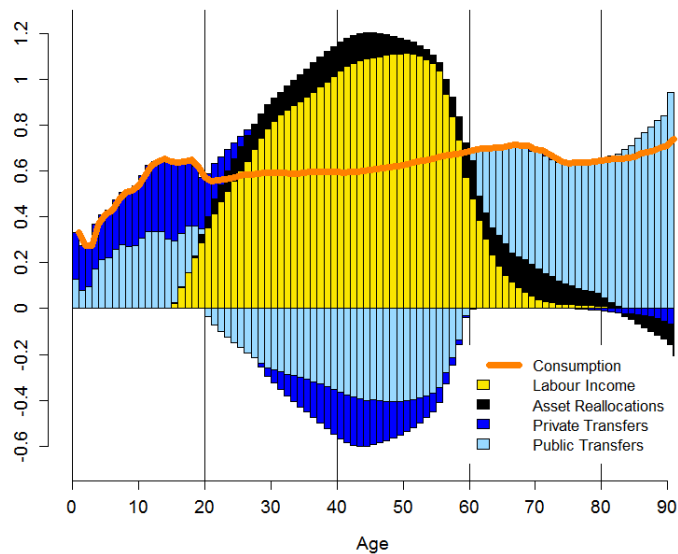
Assets are economic resources owned or controlled (by households) with the expectation that they will provide future benefit

Types of assets: real property, businesses, financial wealth incl. funded pensions

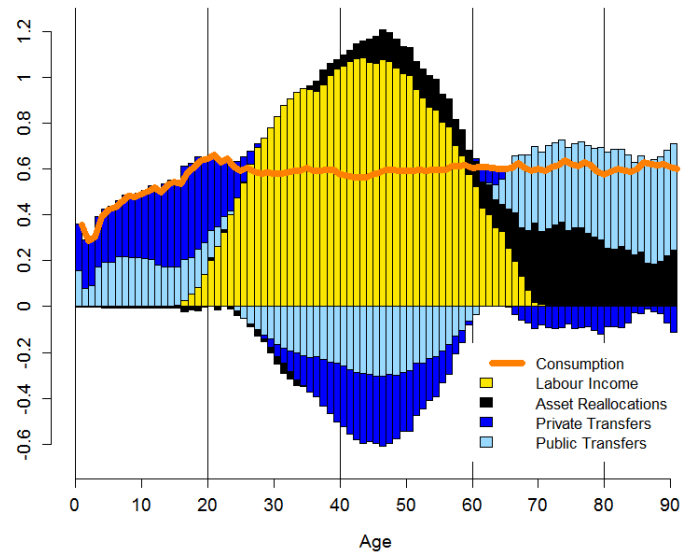
Asset based reallocations in NTA:

- Asset income
- Saving

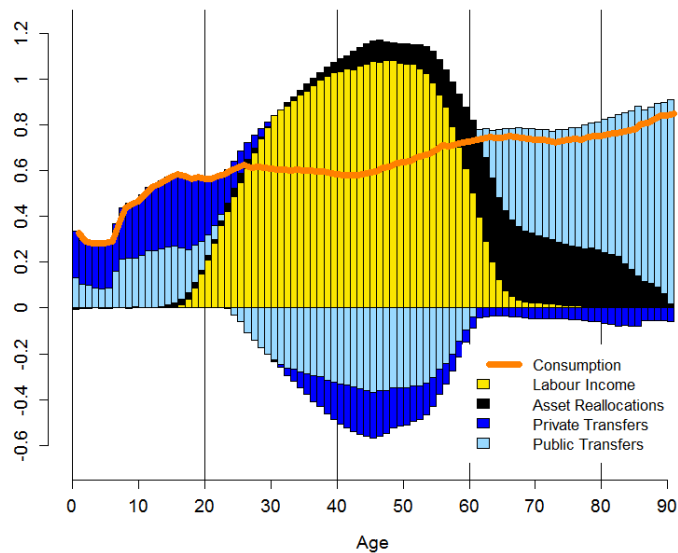
Austria 2010



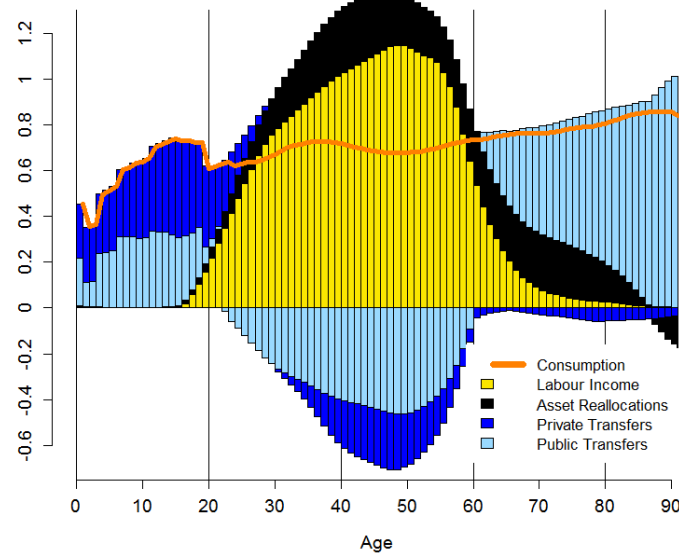
Spain 2000



Germany 2003



Italy 2008



Desireable additional information:

- Age-specific stock of assets (amount, type)
- Capital transfer (bequests, gifts)
- Distribution of assets within age-groups

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Sequence of National Accounts

1. Current accounts (production, distribution and use of income)

2. Accumulation accounts

- Record the causes of changes in the assets and liabilities (revaluation, saving and capital transfers)

3. Balance sheets

- Statements of the values of assets owned and of the liabilities owed at a particular point in time

First step to National Capital Accounts:

Household balance sheets by age based on survey data

Outline:

1. Evaluation of survey data: survey data in comparison with National Accounts
2. Age-specific balance sheets
3. Distribution of assets within age groups

1. Survey data in comparison with National Accounts

Eurosystem Household Finance and Consumption Survey (HFCS):

- Survey on the structure of household wealth in Euro-area countries coordinated by the ECB, fieldwork mainly in 2010
- Information on value of real property, business wealth, financial assets and liabilities, income, socioeconomic characteristics
- Balance sheets for 13 countries — all in all 147,000 individuals in 60,000 households (no data for Ireland or Baltic countries, Cyprus and Malta excl.)

National Accounts:

- Include balance sheets for financial assets
- Little information on real assets

HFCS:

- Extensive coverage of real wealth
- Business assets captured different from NA — information on legal type of business to generate comparable business categories
- Wealthy households are underrepresented

Aggregate Balance Sheets



	Austria		Germany		Italy		Spain	
	HFCS		HFCS		HFCS		HFCS	
Real Assets (% of GDP)	274		233		362		418	
HMR (% of Total)								
Business								
Other								
Fin. Assets (% of GDP)	74		104		51		77	
Deposits (% of Total)								
Business								
Pensions								
Other								
Liabilities (% of GDP)	21		42		17		51	

Aggregate Balance Sheets



	Austria		Germany		Italy		Spain	
	HFCS		HFCS		HFCS		HFCS	
Real Assets (% of GDP)	274		233		362		418	
HMR (% of Total)	58		60		71		66	
Business	36		33		17		16	
Other	6		7		12		19	
Fin. Assets (% of GDP)	74		104		51		77	
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Fin. Assets (% of GDP)	74		104		51		77	
Deposits (% of Total)	51		31		39		35	
Business	24		30		22		45	
Pensions	9		26		10		13	
Other	17		13		29		7	
Liabilities (% of GDP)	21		42		17		51	

Aggregate Balance Sheets



	Austria		Germany		Italy		Spain	
	HFCS	NA	HFCS	NA	HFCS	NA	HFCS	NA
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HMR (% of Total)	58		60		71		66	
Business	36		33		17		16	
Other	6		7		12		19	
Fin. Assets (% of GDP)	74	166	104	156	51	212	77	140
Deposits (% of Total)	51		31		39		35	
Business	24		30		22		45	
Pensions	9		26		10		13	
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Summary aggregates:

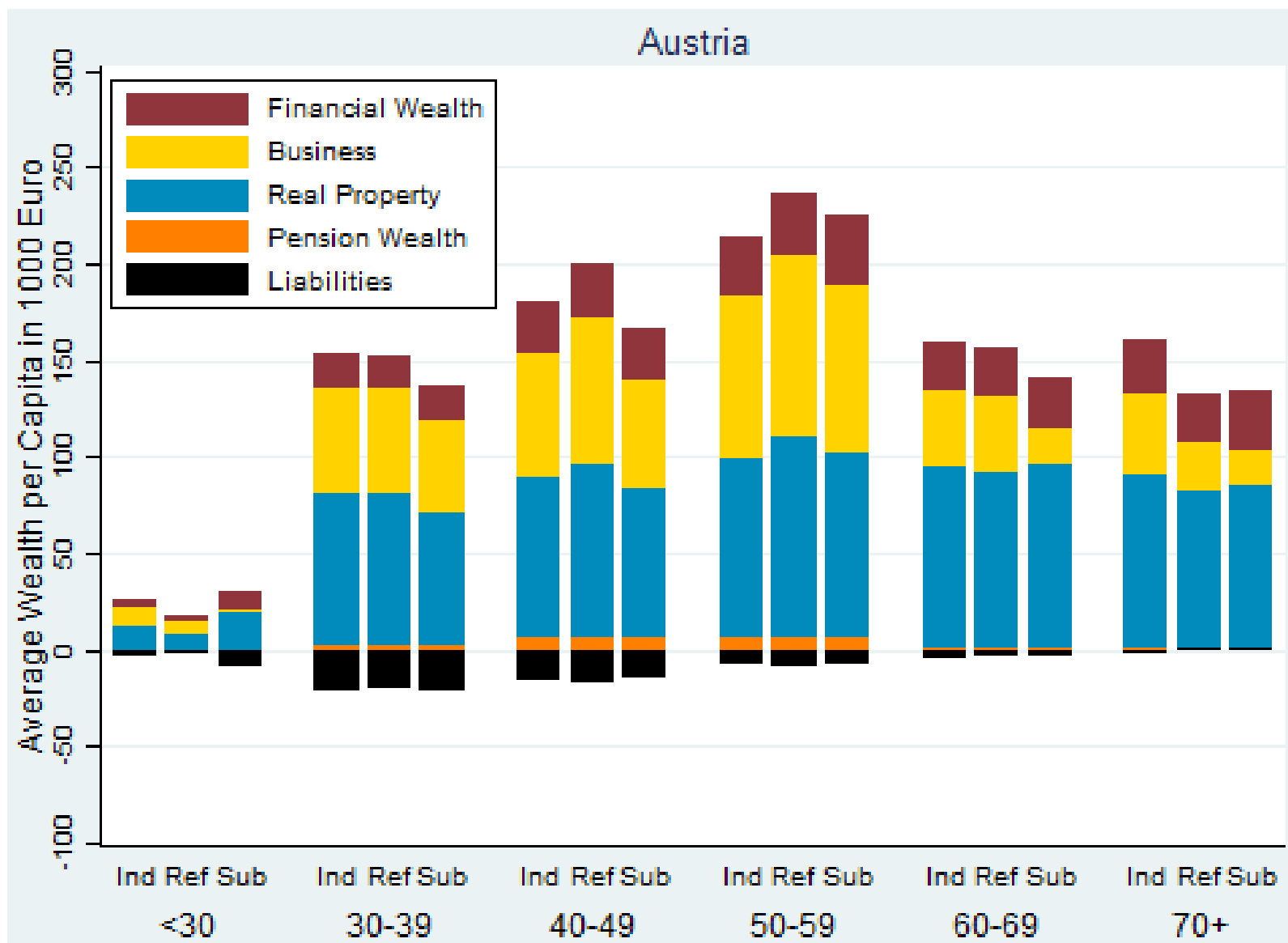
- Real assets (HMR) biggest component of assets owned by households
- Cross-country differences in the ownership of real assets
- Huge difference between survey aggregates and NA
- Pension wealth poorly captured in the survey

2. Age-Specific Balance Sheets

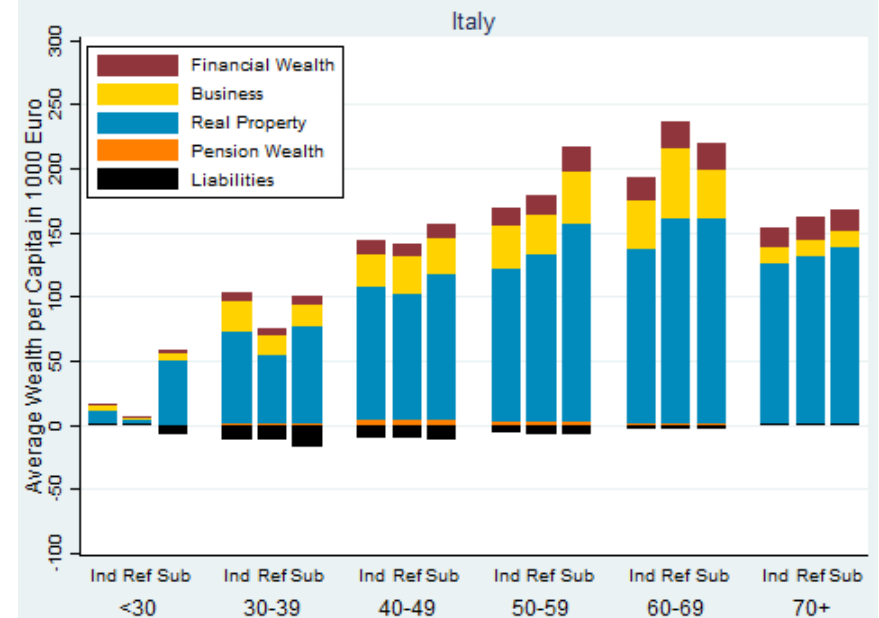
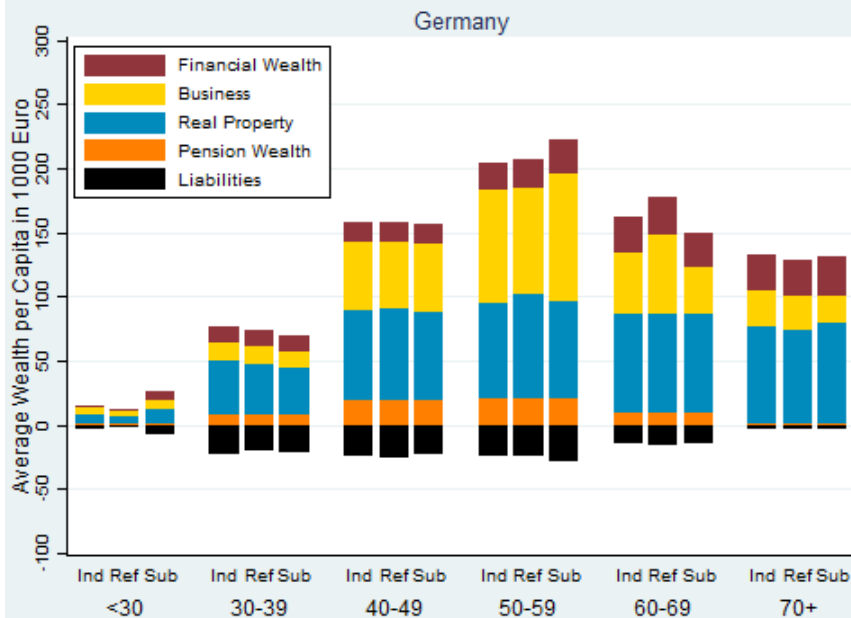
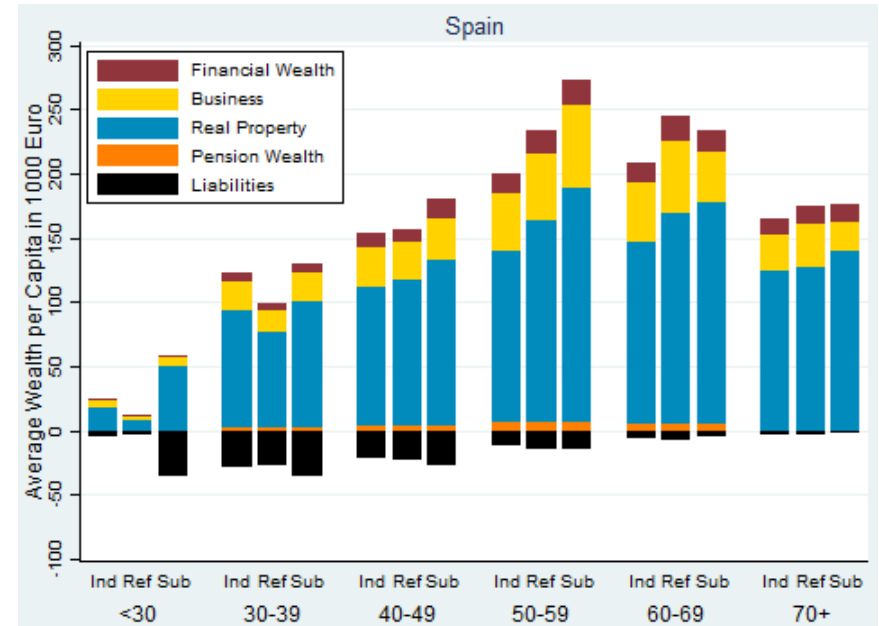
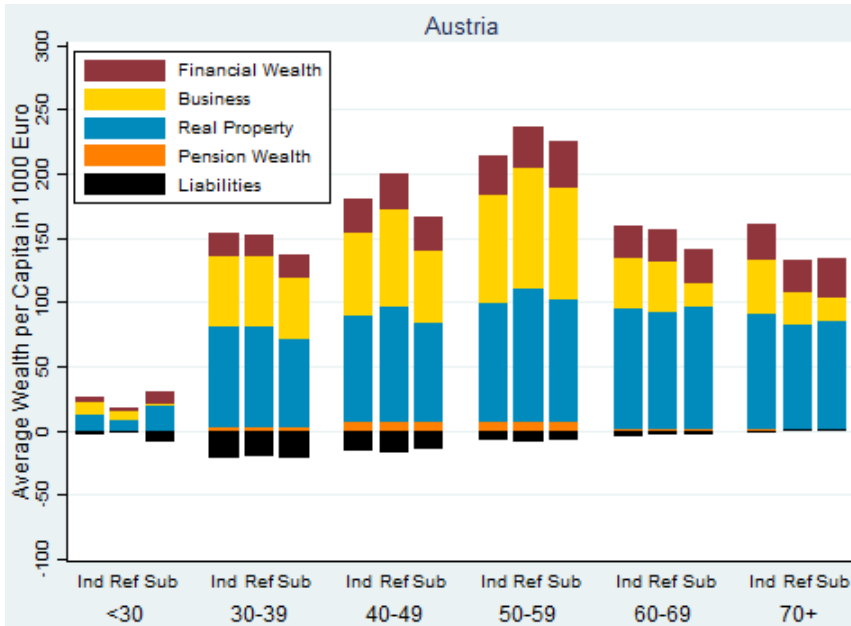
Distributing household assets to age groups

Three methods:

1. Assignment to reference person
2. Assignment in equal shares to adult members
3. Include only households with adults of similar age (age diff. ≤ 15)



Assets by Age: Method

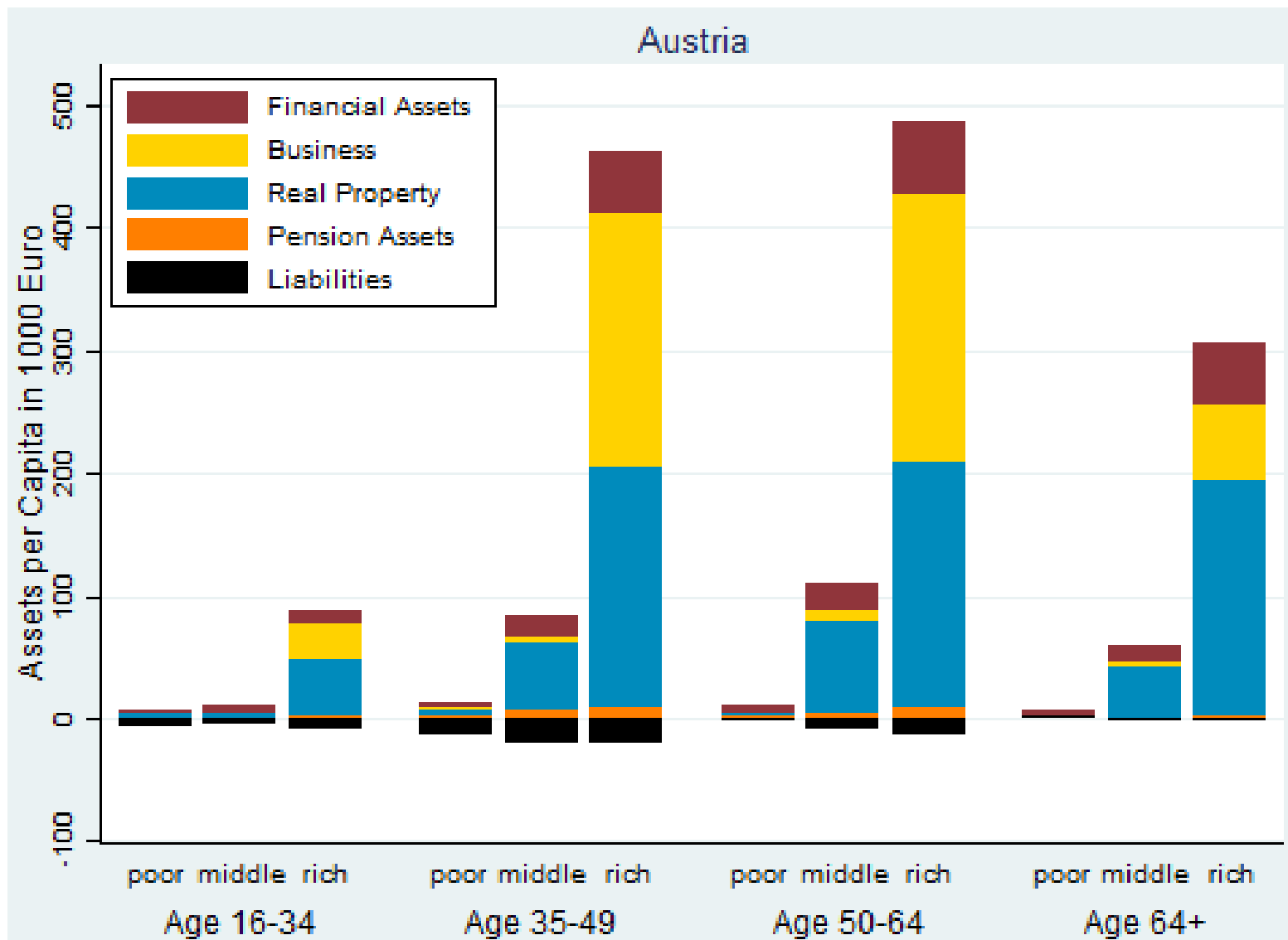


3. Distribution of assets within age groups

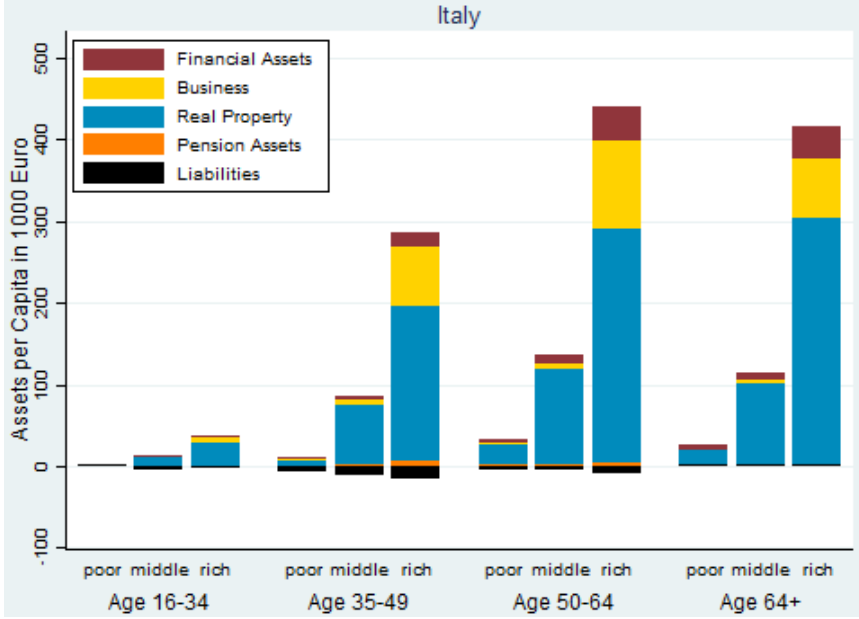
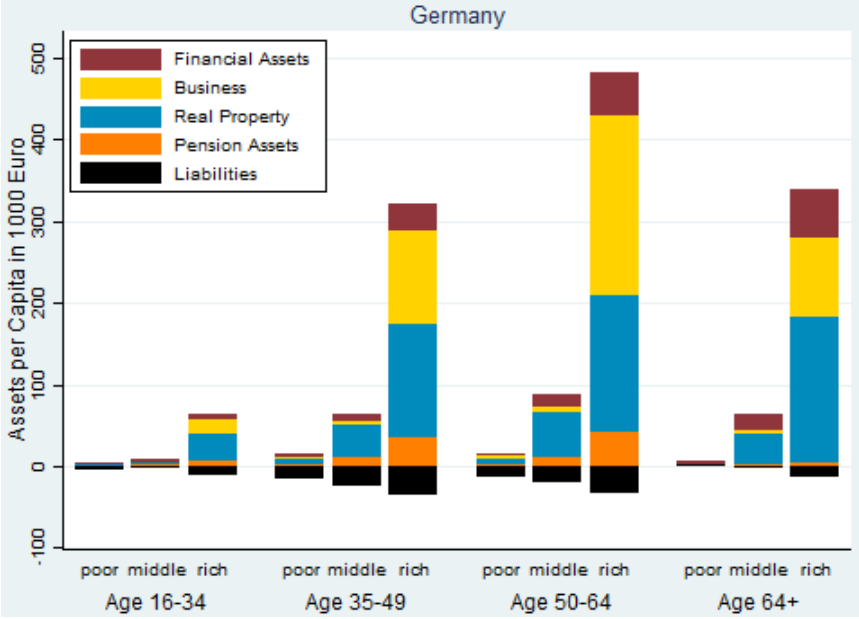
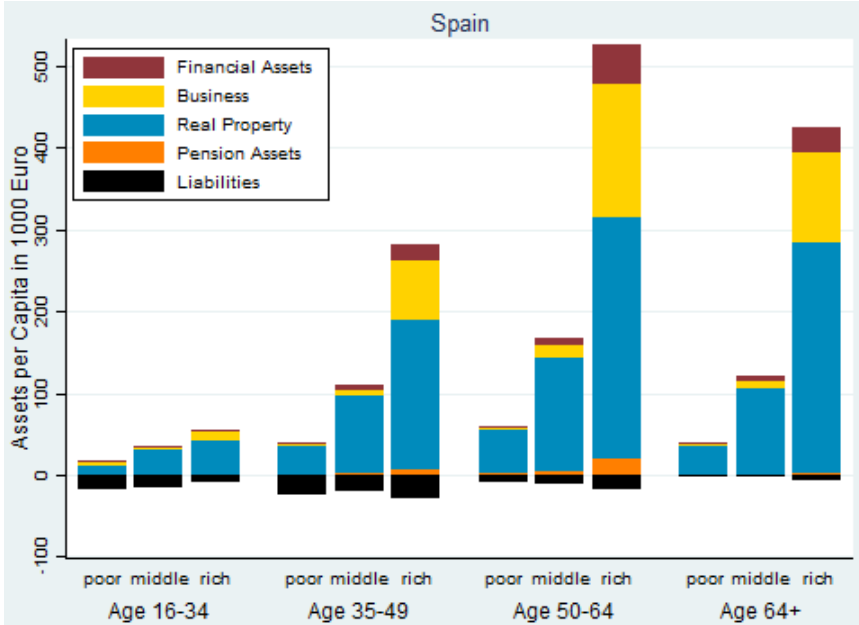
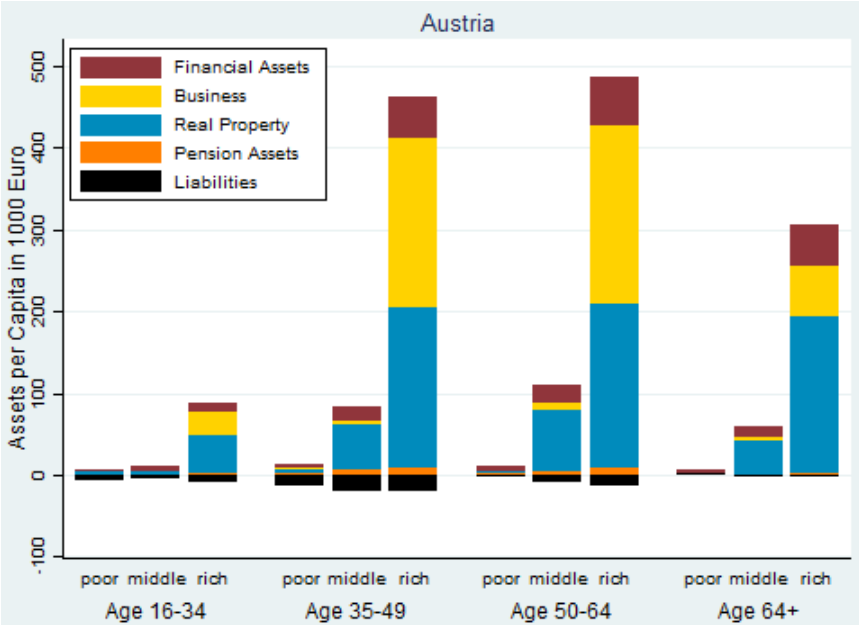
Splitting up balance sheets by age and wealth:

- **Wealth:** three groups according to the position of the household in the per member net-wealth distribution:
 - 33% of household with lowest per capita net wealth
 - 34% of HH in the middle of the net wealth distribution
 - 33% of the wealthiest households
- Calculate average value of assets in these groups

Balance Sheets by Age and Wealth:



Balance Sheets by Age and Wealth:



- Assets p.c. increasing with age until 60, lower values in old age
- Age pattern driven mainly by business wealth: assets are used to generate higher income at working age
- Assets are concentrated among the 33% wealthiest households
- For most households ABR are irrelevant in financing the life cycle deficit

Challenges/future work

- Bridging the gap between HFCS and NA aggregates
- Getting information on pension wealth from other sources
- Gaining information on capital transfers

National Capital Accounts are an important complement to NTA!

NCA provide information on the level/type and use of assets and help to understand cross-country patterns in NTA

NTA provide important information on asset substitutes (transfers) and incentives to accumulate assets