Measuring wealth on an individual level

Contact:

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1 . Overview

The main results from the Wealth and Assets Survey (WAS) are published in the series Wealth in Great Britain. To date total wealth has only been published at a household level. This article describes the methodology we have recently adopted to provide estimates of total wealth for individuals living in private households in Great Britain.

Wealth, as measured by WAS, can be split into four categories:

- net financial wealth
- net property wealth
- private pensions wealth
- physical wealth

Net financial wealth is the total value of any financial assets held less any financial debts, such as bank loans, credit cards and student loans from the Student Loans Company. Net property wealth is the total value of any properties owned less mortgage debt.

Whilst the information about some assets, for example, details about personal savings and loans, is collected from each adult[1] in a household, some information, for example, the value of the main residence, is only collected from one person in the household. This is the reason why total household wealth has only been published at a household level.

However, it can be useful to measure wealth at the individual level. This allows us to consider the different characteristics of individuals in relation to their wealth. In the past, analysis of this nature has typically focused on the reference person of each household, defined as the individual in whose name the accommodation is owned or rented (and has the highest income if joint householders). However, this can be restrictive, in the sense that it attributes all the wealth of the household to that individual and their own characteristics, which in households with more than one adult does not give a wholly accurate picture of the situation of the other individuals within that household. Therefore, there is a great deal of value in being able to measure the wealth of each individual, rather than that of their household as a single unit.

Notes about Overview

1. All adults aged 16 years and over (excluding those aged 16 to 18 years currently in full-time education or those aged 19 years and in a government-supported training scheme).

2 . Method

Table 1 details how the various elements of wealth are calculated at both the individual and household level.

Table 1: Calculating wealth at an individual level

	Elements collected at household level	**Elements collected at individual level**	**Methodology for estimating wealth**
Private pension wealth	None	All elements	Private pension wealth is entirely collected at the individual level and is summed for all members of the household to obtain household wealth
Gross financial wealth	Endowments (attached to repayment of main property mortgage /loan)	All other elements	In order to obtain individual wealth, the value of any main property linked endowments are split equally between the household reference person and their spouse/partner where appropriate. Household gross financial wealth is created by summing gross financial wealth (exc. main property linked endowments) for all individuals in the housheold plus the value of any main property linked endowments.
Financial liabilities	None	All elements	Financial liabilities are entirely collected at individual level and is summed for all members of the household to obtain household finiancial liabilities.
Net financial wealth	Gross financial wealth - financial liabilities		
Gross property wealth	Value of main residence	Value of any other land or properties. NB, where these are owned jointly, only each individuals' share of the value of these properties are recorded.	In order to obtain individual gross property wealth the value of the main property (if owned) is split equally between the household reference person and the spouse/partner where there is one present. This is then added to the value of any other land or properties each individual in the household may own. Household gross property wealth is calculated by adding the sum of the value of any other land or properties owned by individuals in the household to the value of the main residence (if owned).
Property liabilities (mortgage debt)	Value of any mortgages, or loans secured (inc equity release) on main residences.	Value of any mortgages or loans secured on other land or properties.	In order to obtain individual property liabilities the value of any mortages or loans secured on the main residence is split equally between the household reference person and the spouse/partner where there is one present. This is then added to the value of any mortgages or loans secured on other land or properties each individual in the household may own. Household property liabilities are calculated by adding the sum of the value of any mortages or loans secured on other land or properties owned by individuals in the household to the value of any mortages or loans secured on the main residence if owned.
Net Property Wealth	Gross property wealth - property liabilities		
Physical Wealth	Value of household goods, contents and collectibles; value of any vehicles (inc personalised number plates)	Value of goods and contents in other properties owned.	To caluculate individual physical wealth the value of the elements collcted at household level are divided equally between all adult (18+) members of the household, to which is added the value of goods and contents in other properties owned by individuals. Household physical wealth is calculated by summing the value of goods and contents in other properties owned by individuals within the household to the value of the physical elements collected at the household level.
Total Wealth	Private pension wealth + net financial wealth + net property wealth + physical wealth		

A similar[1] measure has already been used by the Organisation for Economic Co-operation and Development (OECD) in their Inequalities in household wealth across OECD countries (PDF, 2.6MB) report, published on 20 June 2018.

Notes about Method

1. The OECD measure only differed from the measure we are using in that all physical wealth was divided equally between all adults in the household, rather than take into account the value of goods and contents in other properties owned is collected at the individual level.

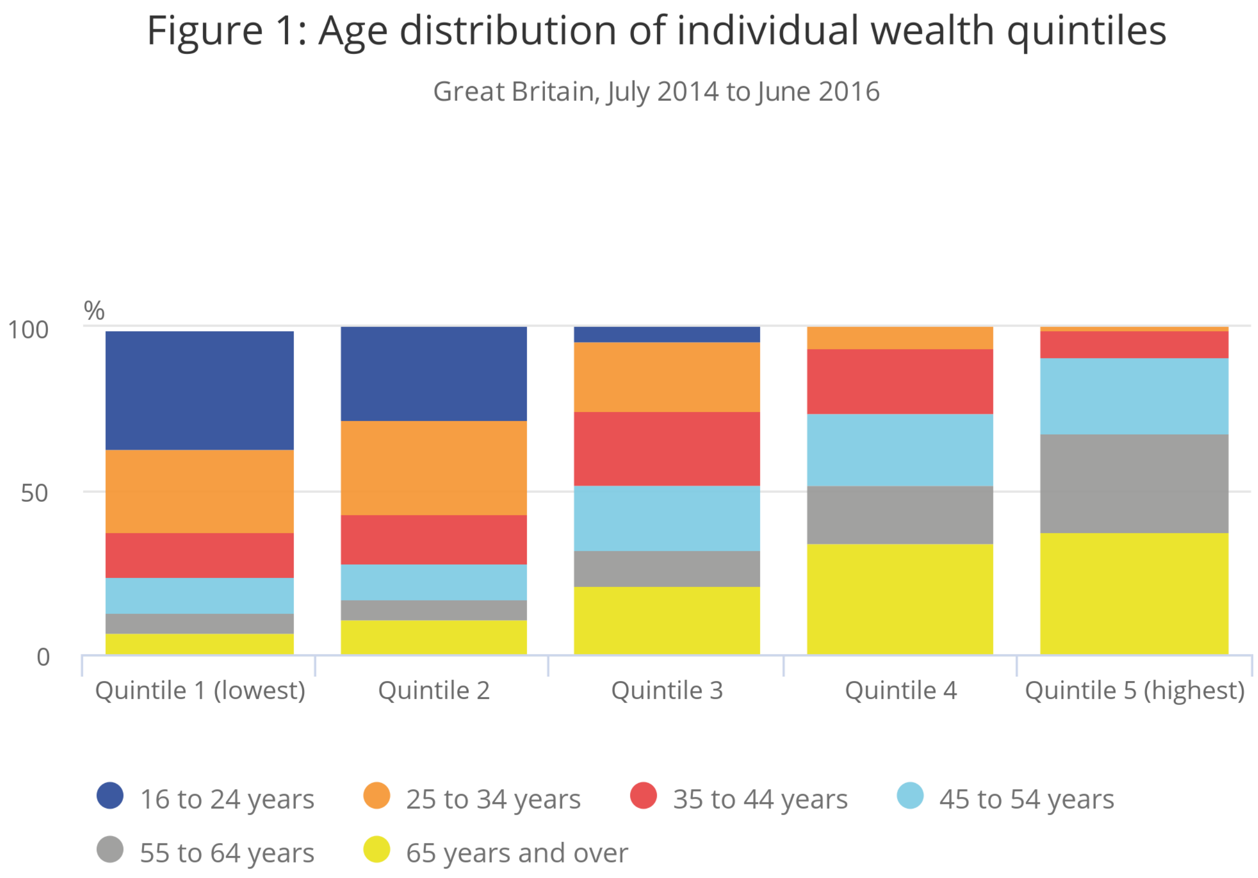
3 . Wealth and income on an individual level

When we look at the age distribution of the individual-level income and wealth quintiles, we can see that those aged 16 to 24 years have the largest share of any age group in both the lowest income and wealth quintiles, making up 41% and 36%, respectively. However, while the largest share of the highest wealth quintile is made up of those aged 65 years and over (38%), they make up just 18% of the highest income quintile, the lowest share of any age group. This is due to a high proportion of those aged 65 years and over being retired, and therefore, generally, receiving less income than those who are still working. However, they have also had longer to accumulate wealth over their lifetime.

In addition to this, those aged 45 years and over make up 60% of the top income quintile, but 91% of the top wealth quintile. Also, those aged 16 to 44 years make up 61% of the lowest income quintile, but 75% of the lowest wealth quintile.

Figure 1: Age distribution of individual wealth quintiles

Great Britain, July 2014 to June 2016



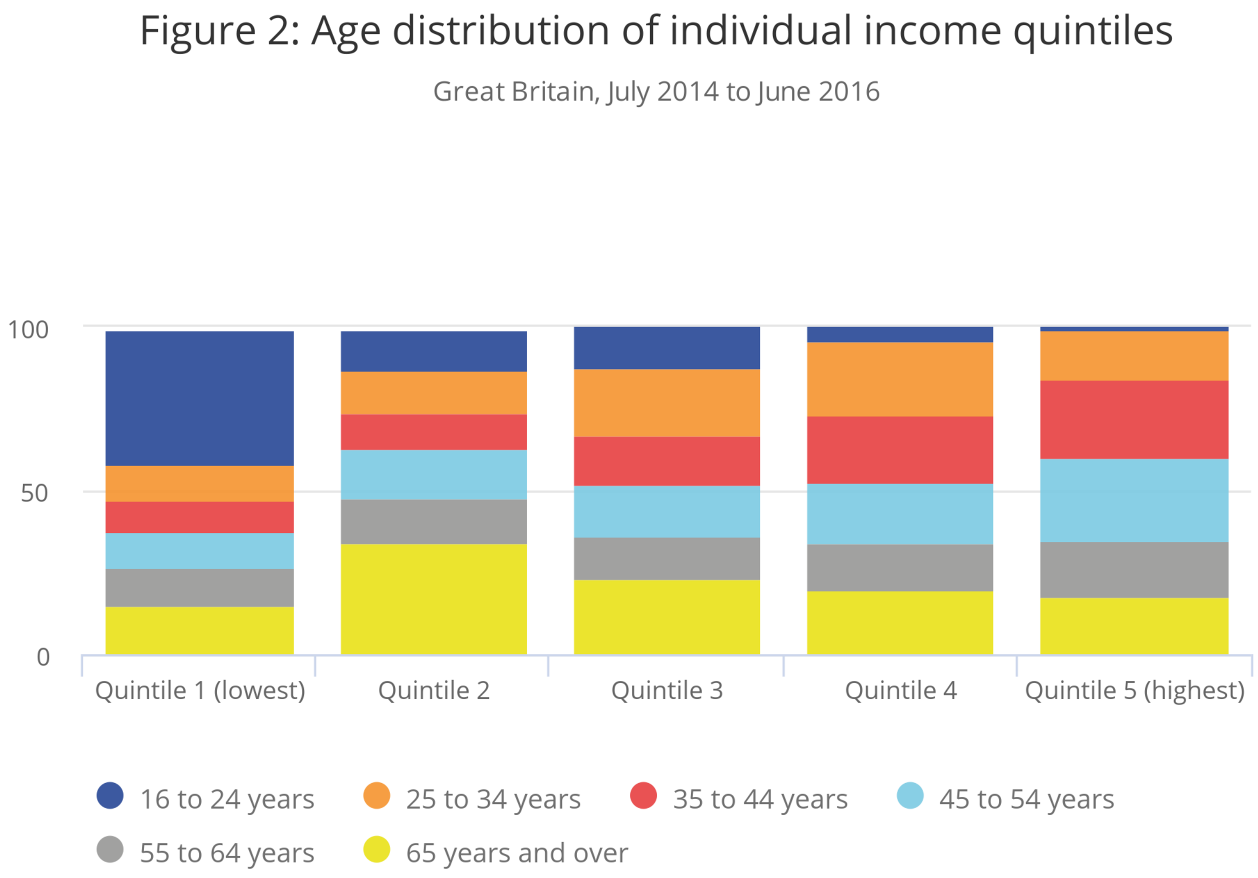
Source: Office for National Statistics, Wealth and Assets Survey

Notes:

1. Where the percentage is denoted as 0 it is rounded to the nearest figure, therefore it means the percentage of people aged 16 to 24 years in the highest two wealth quintiles is closer to 0 than 1.

Figure 2: Age distribution of individual income quintiles

Great Britain, July 2014 to June 2016



Source: Office for National Statistics, Wealth and Assets Survey