



## The evolution of wealth in Great Britain: 2006/08 to 2010/12

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## The composition of wealth and its evolution over time

# The composition of wealth in 2010-12



# Financial wealth in 2010-12

	% who hold	Mean value among holders	% of gross financial assets/ liabilities
Financial assets	96.3	52,353	



# Financial wealth in 2010-12

	% who hold	Mean value among holders	% of gross financial assets/liabilities
Financial assets	96.3	52,353	100.0
Current accounts (positive balances)	90.0	3,700	6.4
Savings accounts	58.0	20,051	22.2
Cash ISA	42.8	14,218	11.6
Investment ISA	12.6	32,367	7.8
UK shares	12.0	40,845	9.4
Fixed term investment bonds	11.5	49,763	10.9

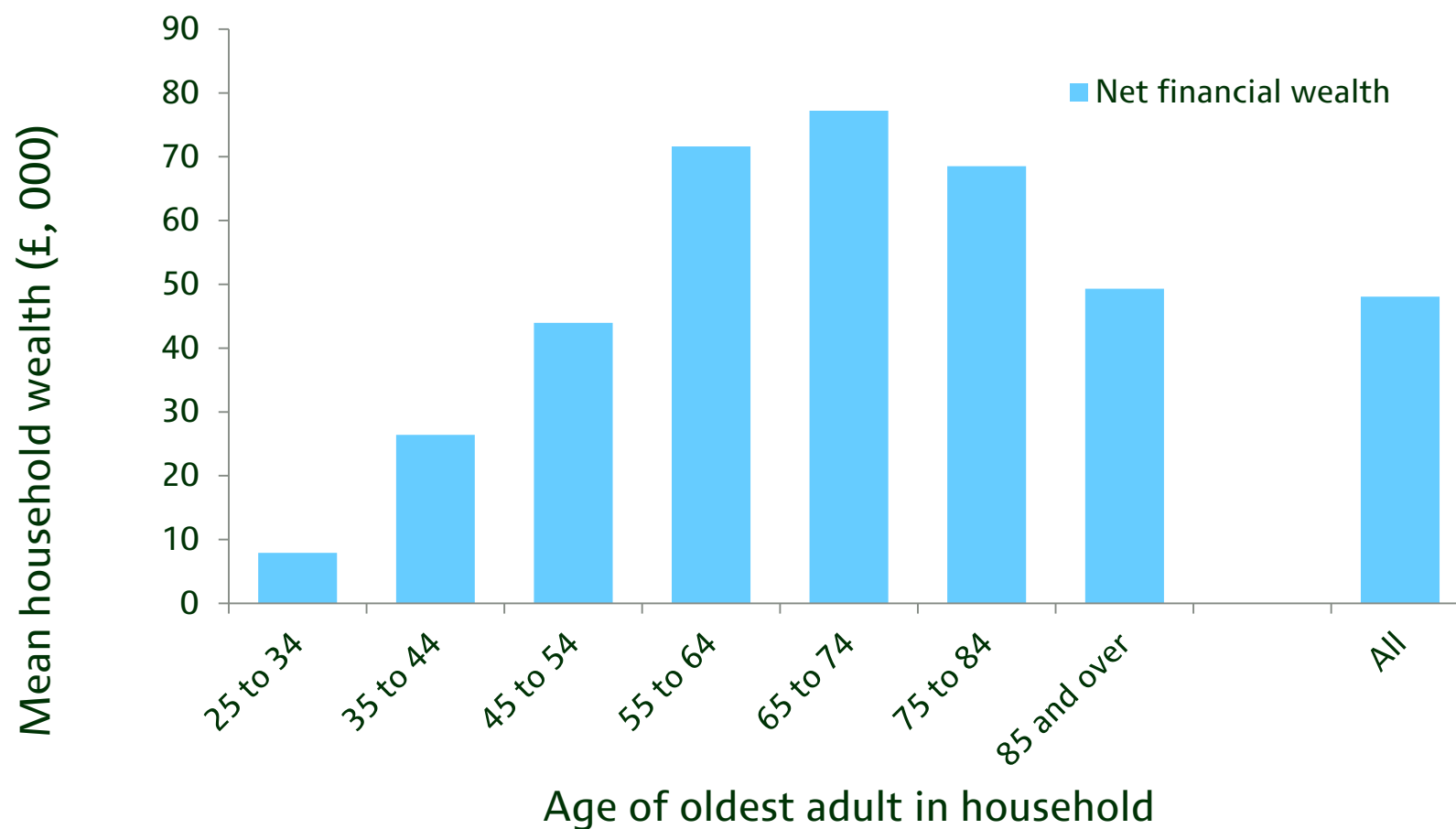


# Financial wealth in 2010-12

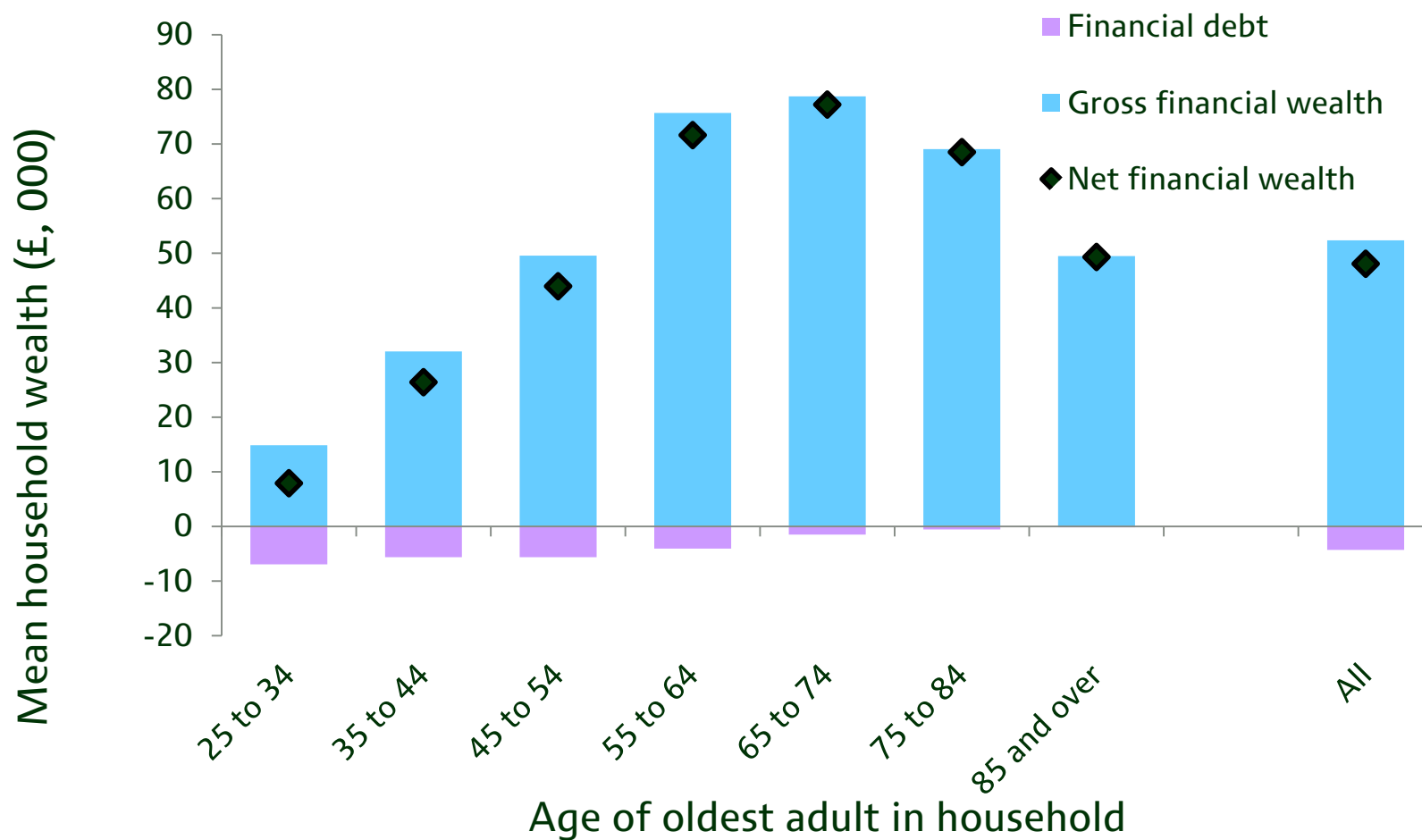
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UK shares	12.0	40,845	9.4
Fixed term investment bonds	11.5	49,763	10.9
Financial liabilities	50.3	8,501	100.0
Credit card balance	24.8	3,722	21.6
Overdrawn current accounts	18.1	1,063	4.5
Formal loans	17.4	9,177	37.3
Hire purchases	13.7	4,401	14.1
Student loans	6.0	11,921	16.6



# Net financial wealth in 2010-12



# Net financial wealth in 2010-12





# Property wealth in 2010-12



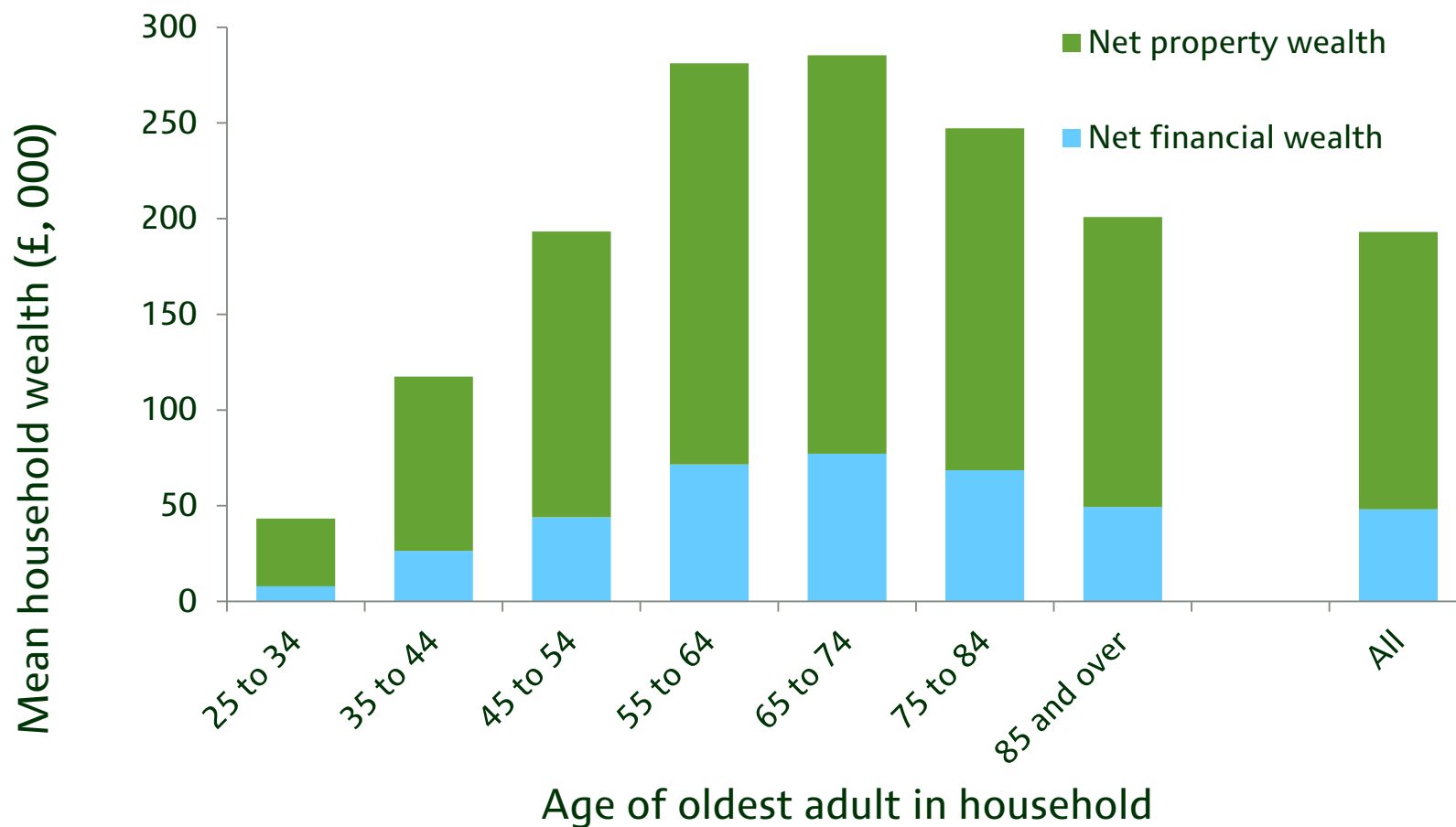
	% who hold	Mean value among holders	% of gross property wealth
<b>Net property wealth</b>	<b>69.5</b>	<b>208,654</b>	
Gross property wealth	69.8	267,578	
Mortgage debt	38.3	108,913	



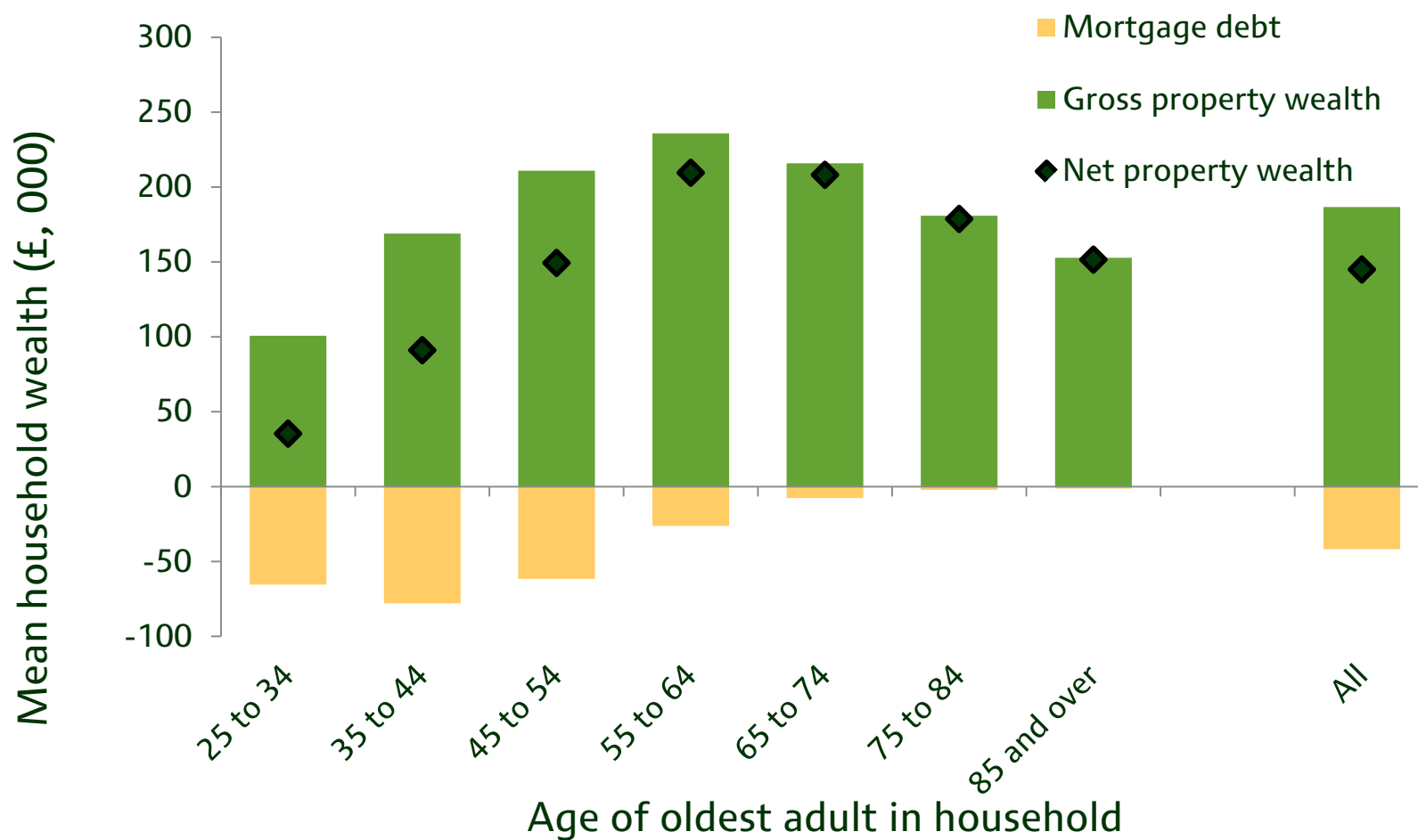
# Property wealth in 2010-12

	% who hold	Mean value among holders	% of gross property wealth
<b>Net property wealth</b>	<b>69.5</b>	<b>208,654</b>	
Gross property wealth	69.8	267,578	100.0
Main residence	68.0	235,389	85.8
Other property wealth	7.7	195,562	8.1
Other houses	3.4	207,100	3.8
Overseas land	2.9	149,669	2.3
Other buildings	0.7	254,195	1.0
UK land	0.9	155,906	0.8
Other property	0.3	139,453	0.3
Mortgage debt	38.3	108,913	

# The composition of wealth in 2010-12



# Net property wealth in 2010-12





# Private pension wealth in 2010-12

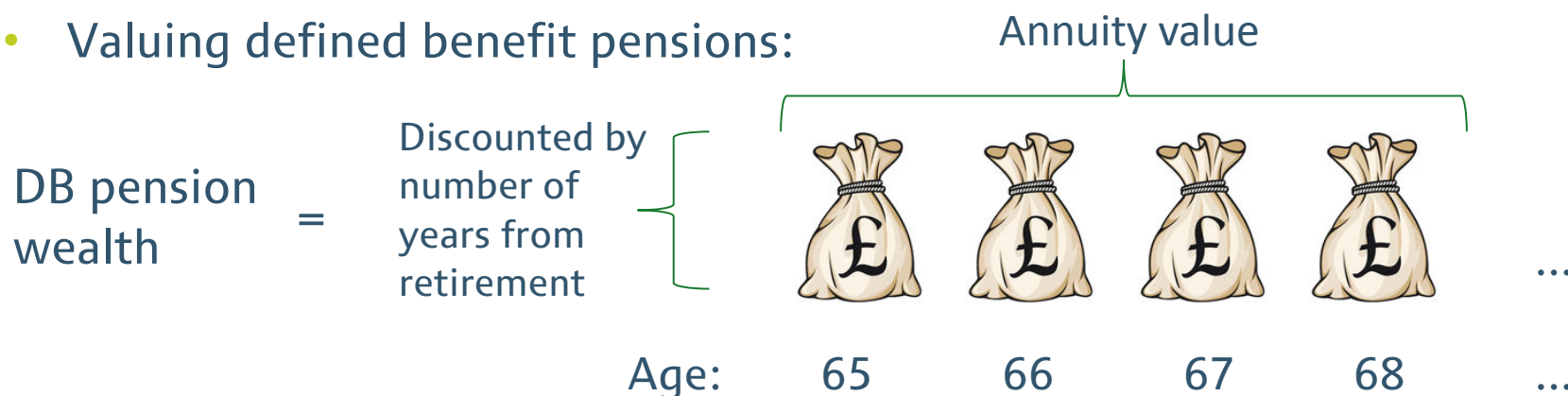
	% who hold	Mean value among holders	% of pension wealth
Private pension wealth	<b>76.0</b>	<b>194,663</b>	<b>100.0</b>
Current pensions	<b>45.7</b>	<b>130,008</b>	<b>40.2</b>
Current DB pensions	30.7	156,400	32.5
Current DC pensions	25.5	44,327	7.6
Retained pensions	<b>27.3</b>	<b>66,229</b>	<b>12.2</b>
Retained DB pensions	17.5	67,466	8.0
Retained DC pensions	16.2	38,359	4.2
Pensions in payment	<b>29.9</b>	<b>232,463</b>	<b>47.0</b>



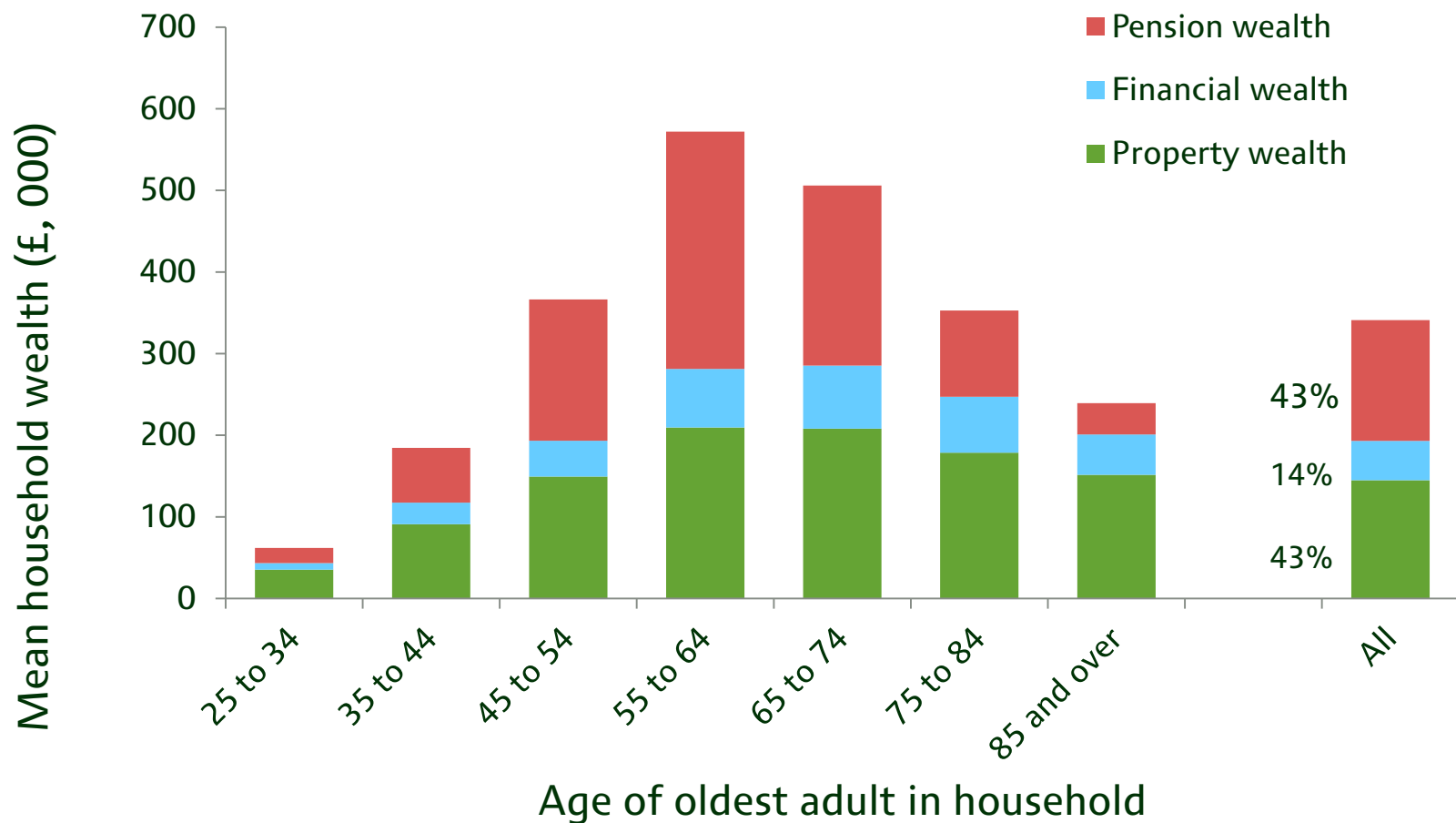
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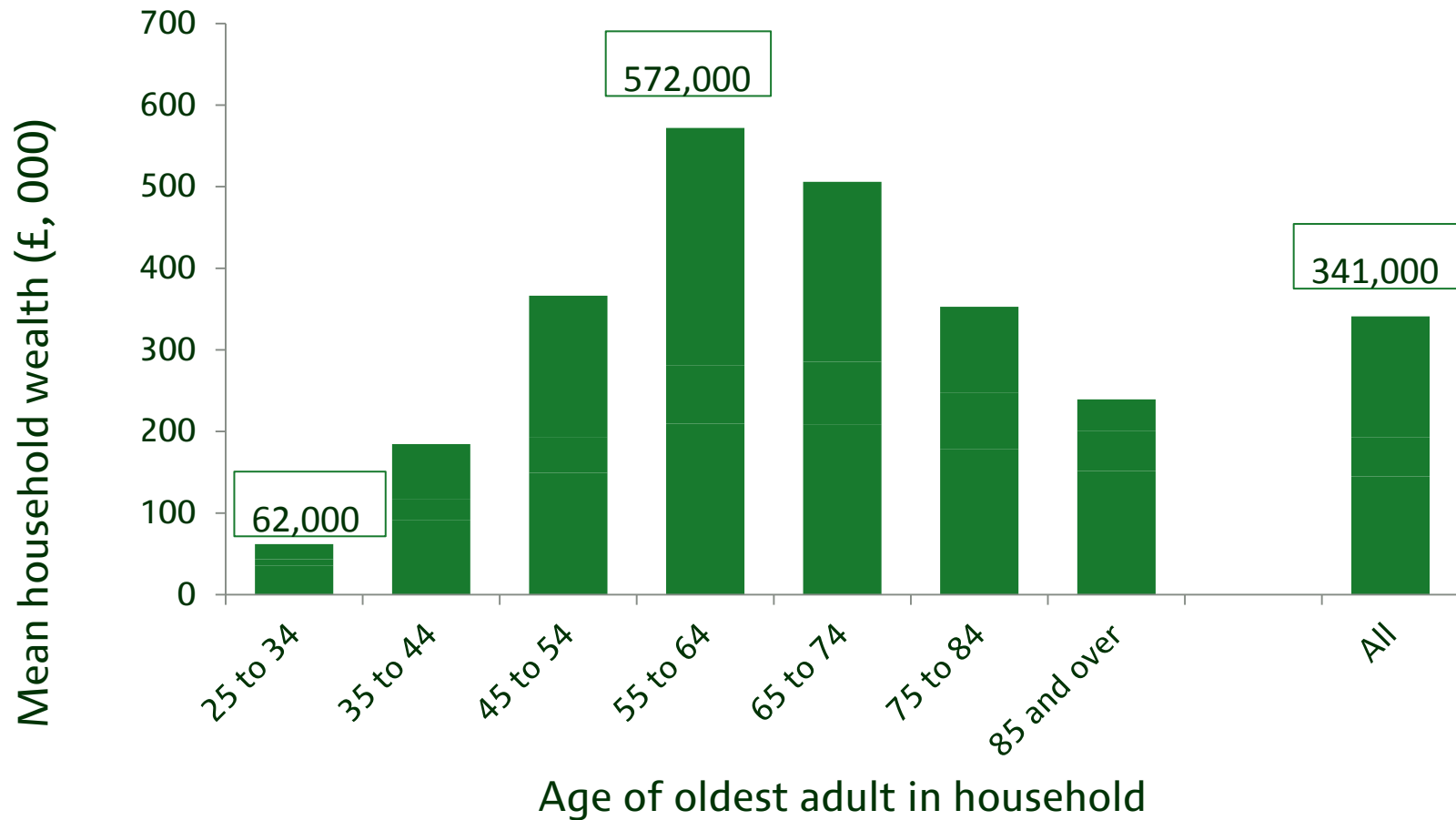
- Valuing defined benefit pensions:



# The composition of wealth in 2010-12

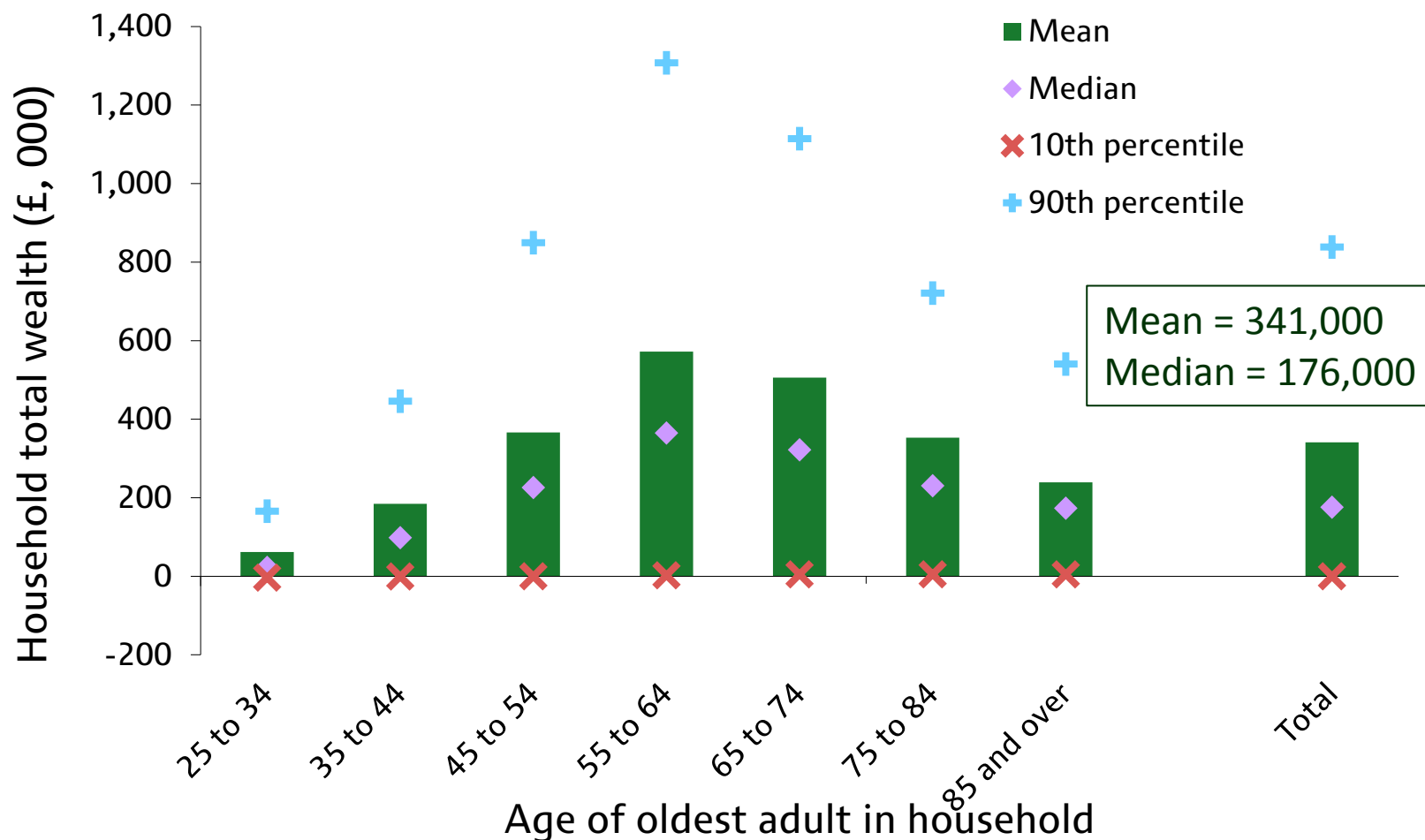


# Total household wealth in 2010-12





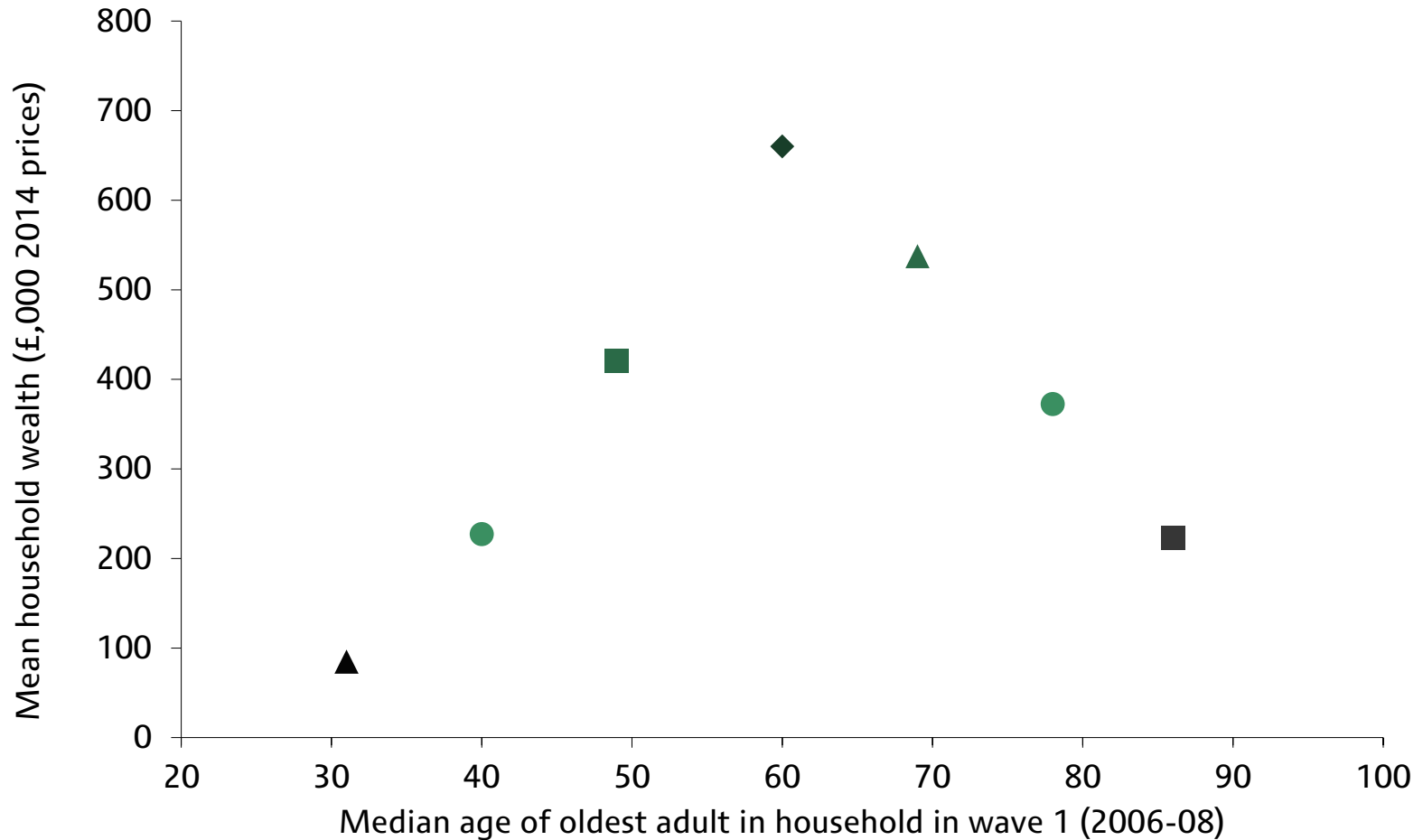
# The distribution of wealth by age 2010-12



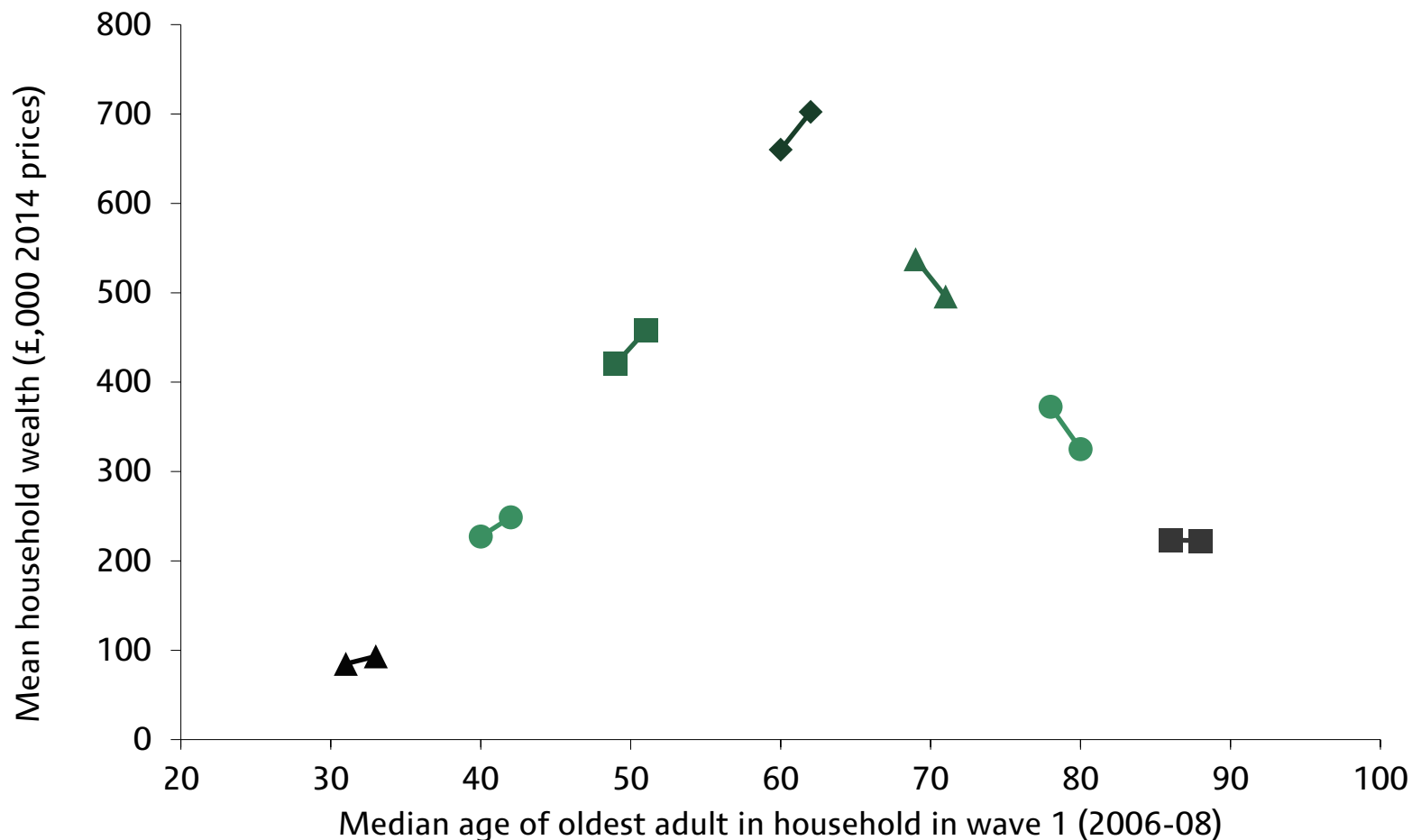
# The evolution of wealth 2006-08 to 2010-12

- Sample of households in all 3 waves of WAS
- and that are stable across all 3 waves
  - No adult joins
  - No adult leaves
- Apply weights to account for sample selection
- Adjust wealth for consumer price inflation to compare spending power of wealth over time

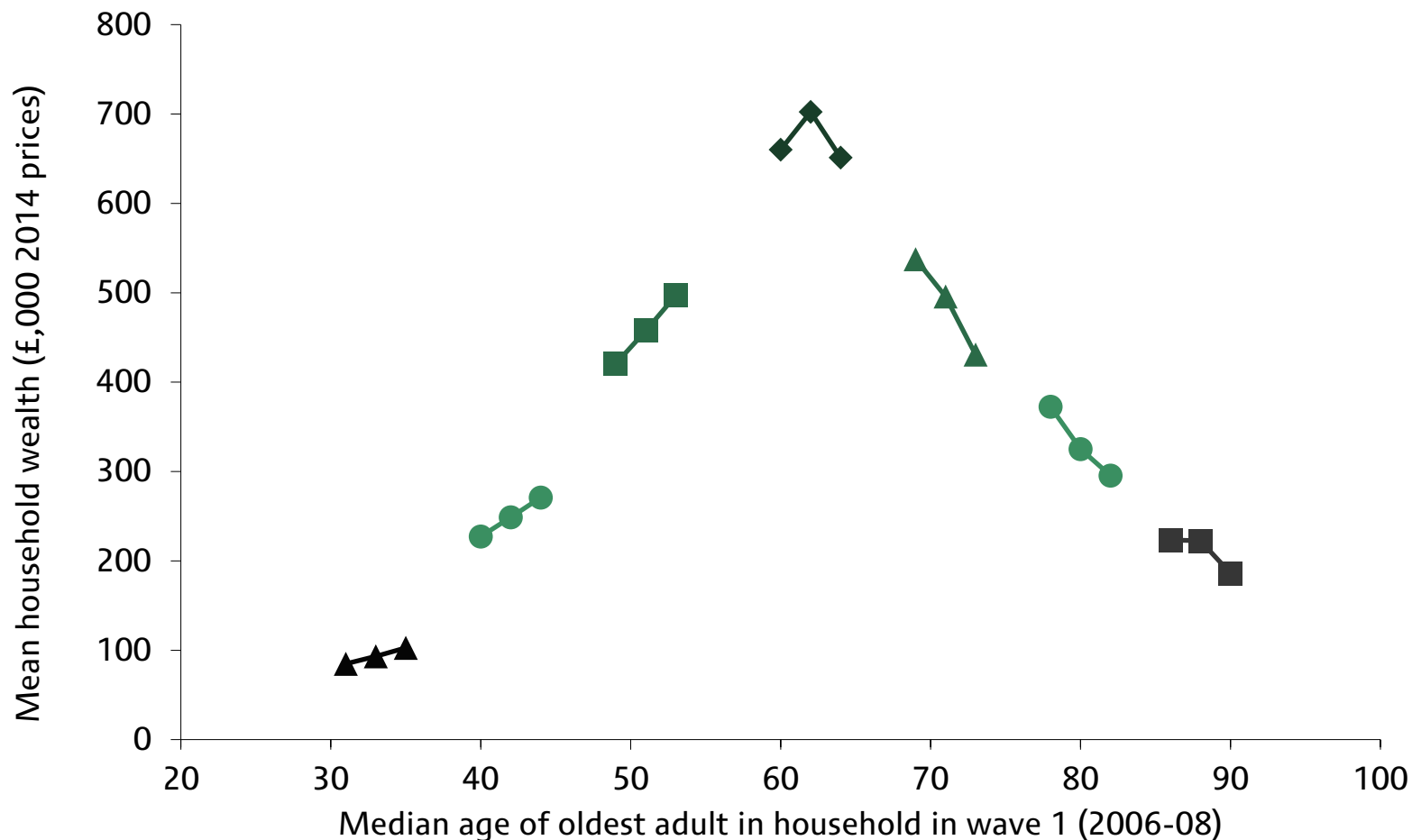
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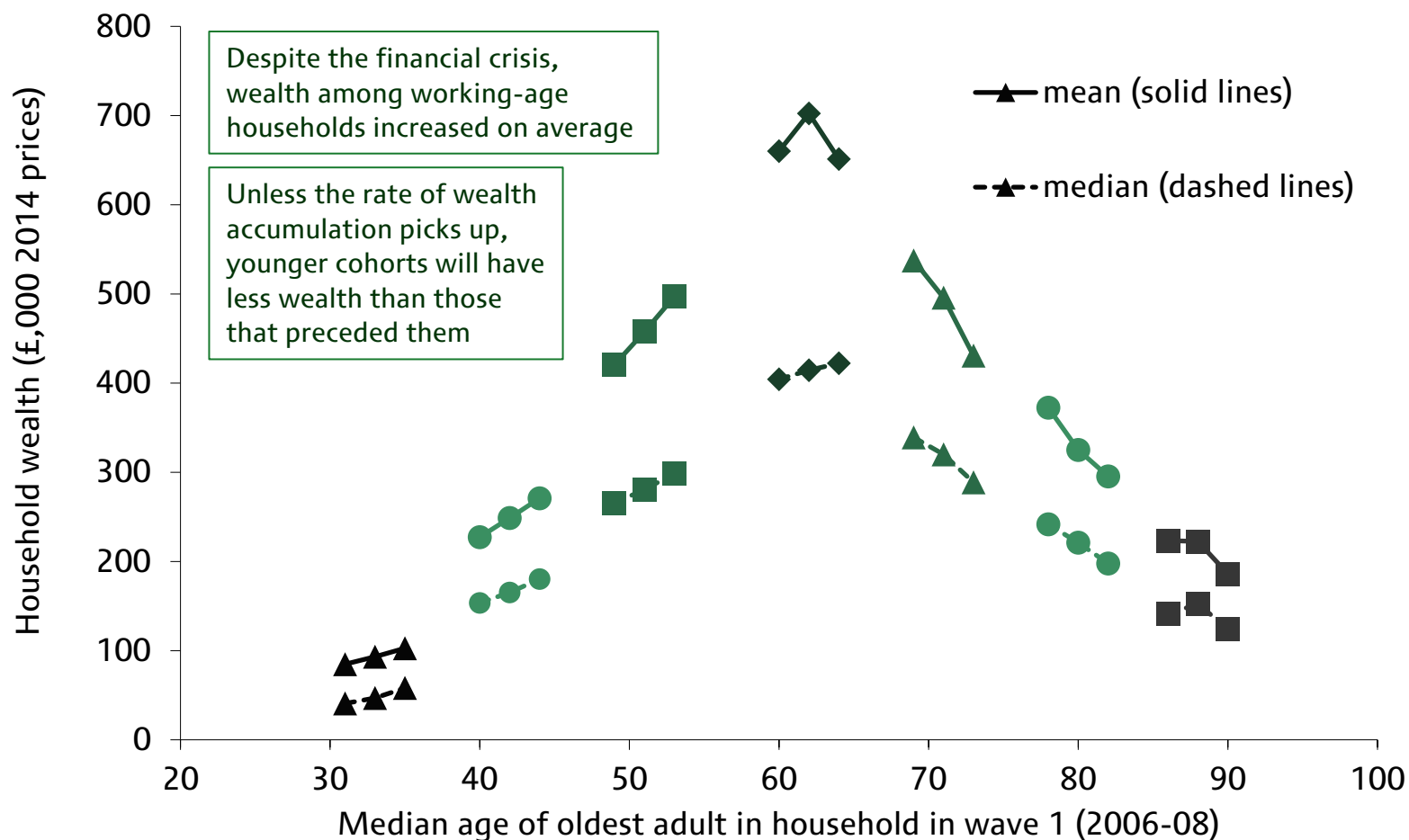
# The evolution of wealth 2006-08 to 2010-12



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# Digging deeper...

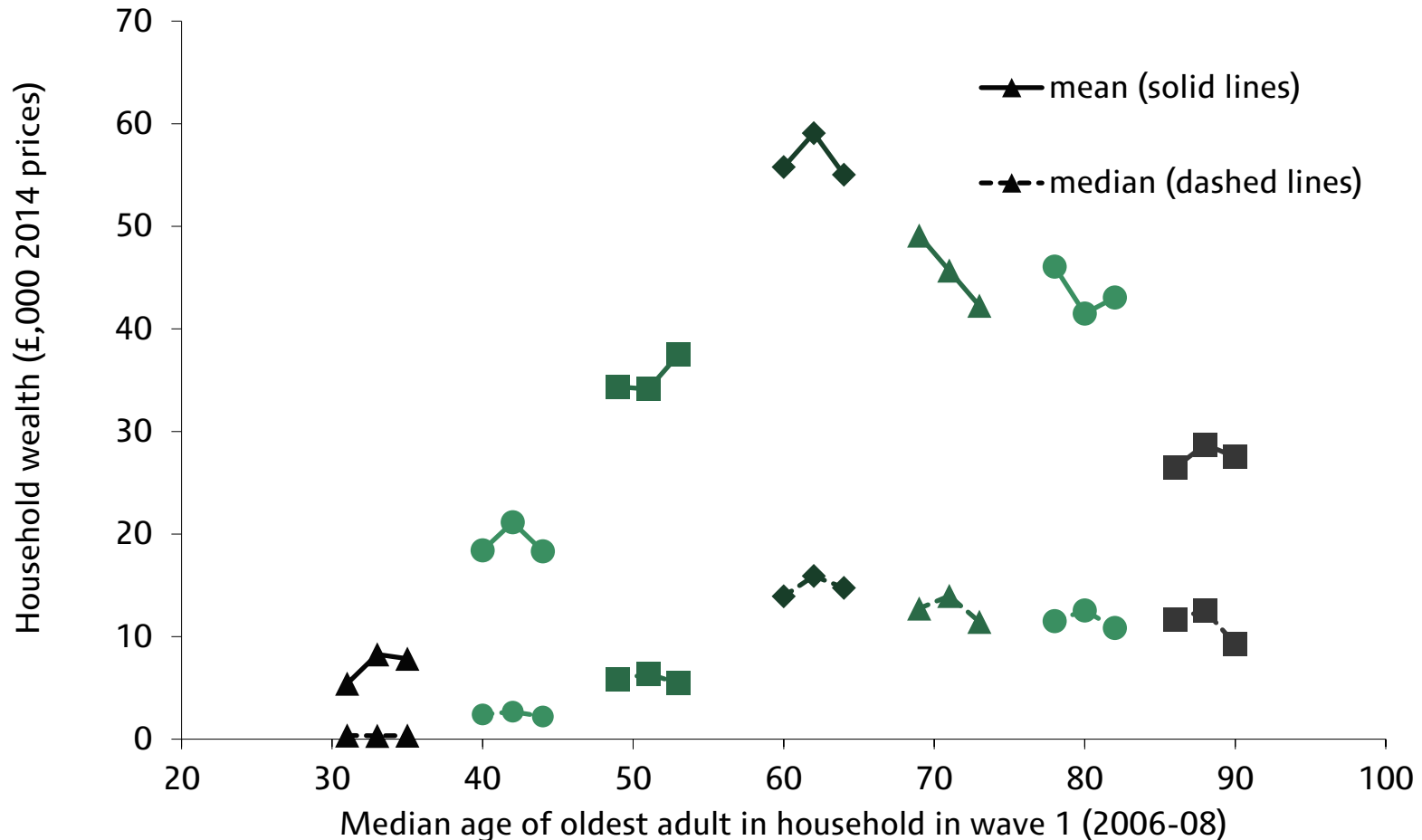
1. How did each of the components of wealth evolve?
2. Is the evolution of wealth driven by *active* or *passive* changes?
  - Active changes are from saving out of current income or spending out of current wealth
  - Passive changes are those resulting from returns on existing capital
3. How did changes in wealth differ across households and what explains this?

# Digging deeper...

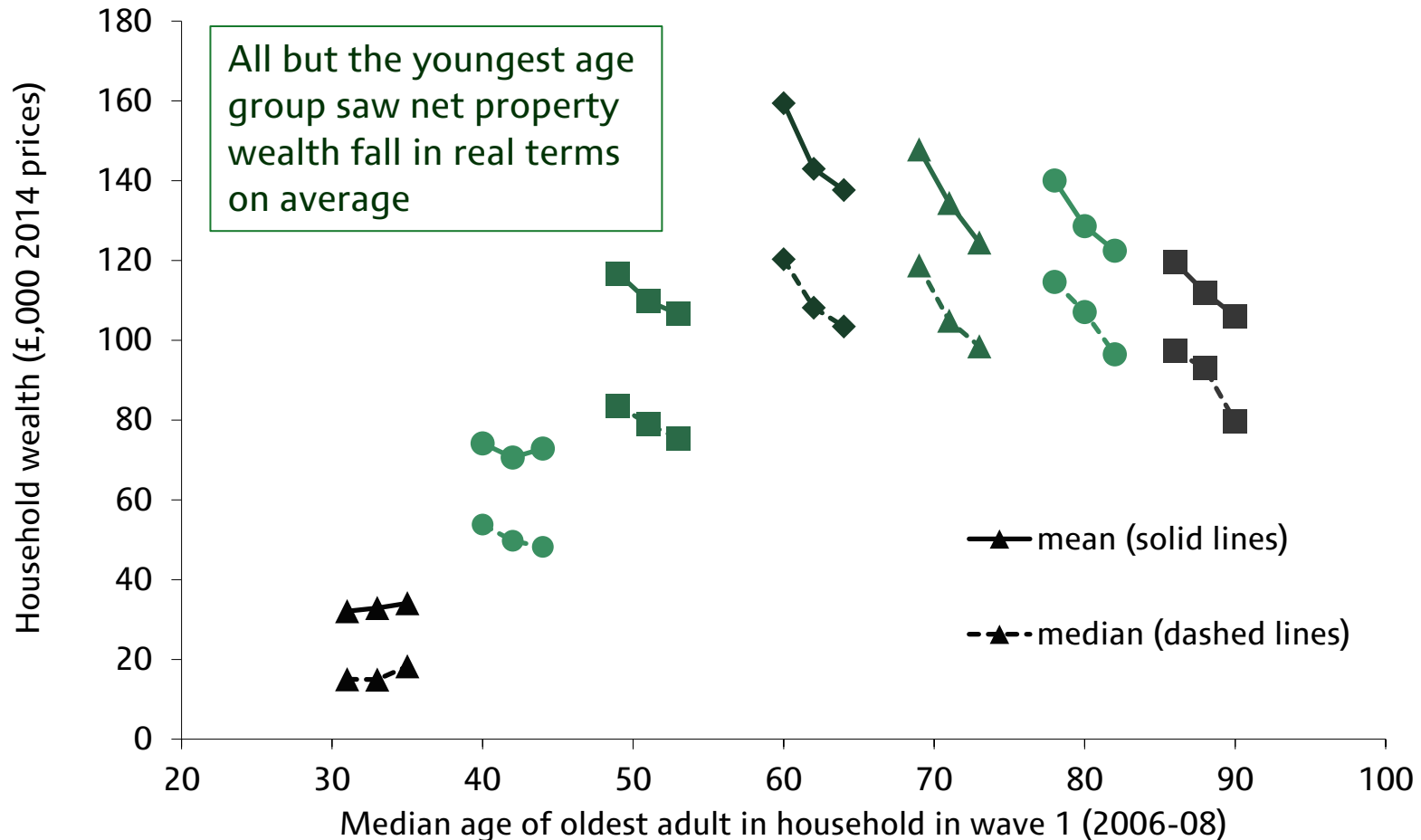
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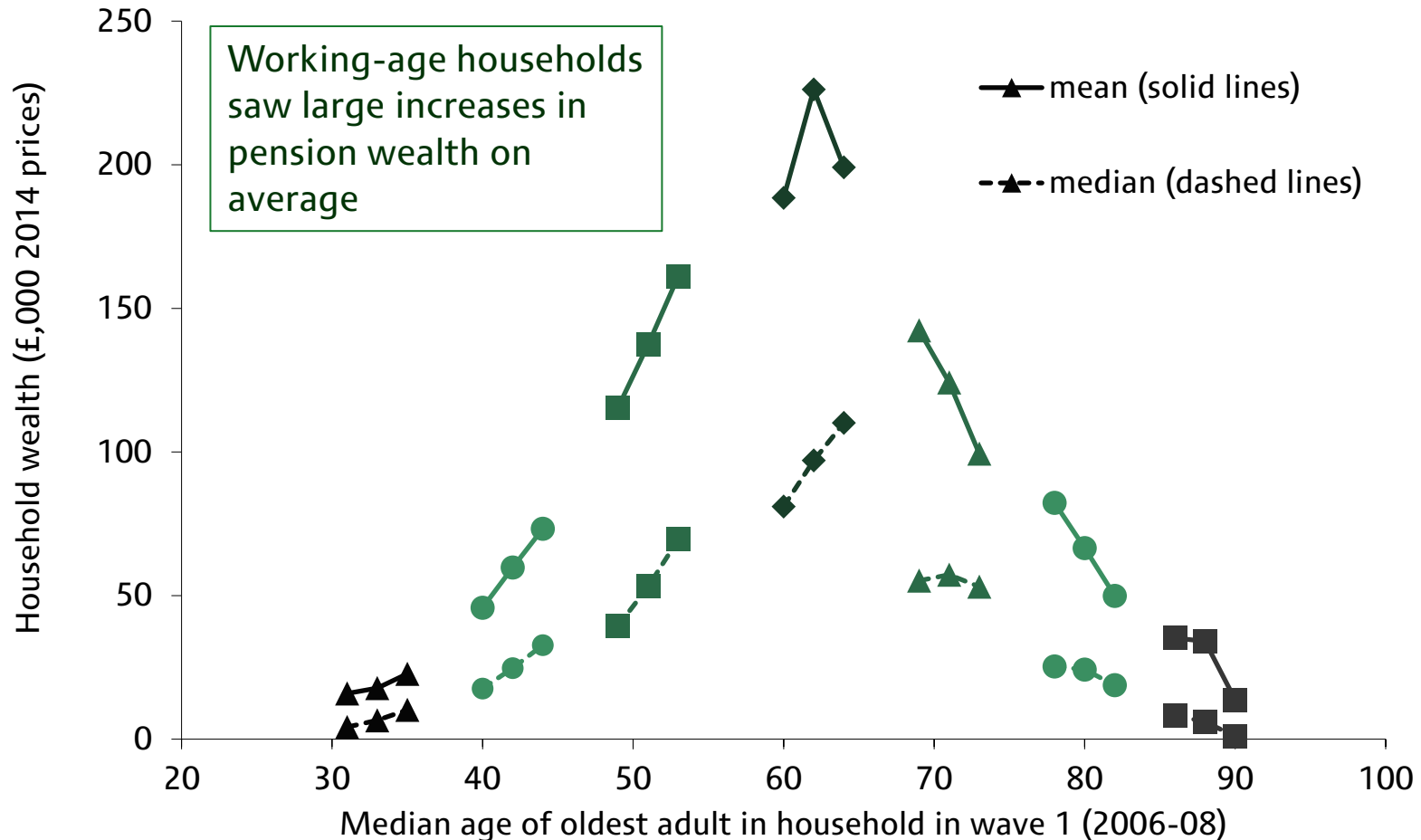
# The evolution of financial wealth 2006-08 to 2010-12



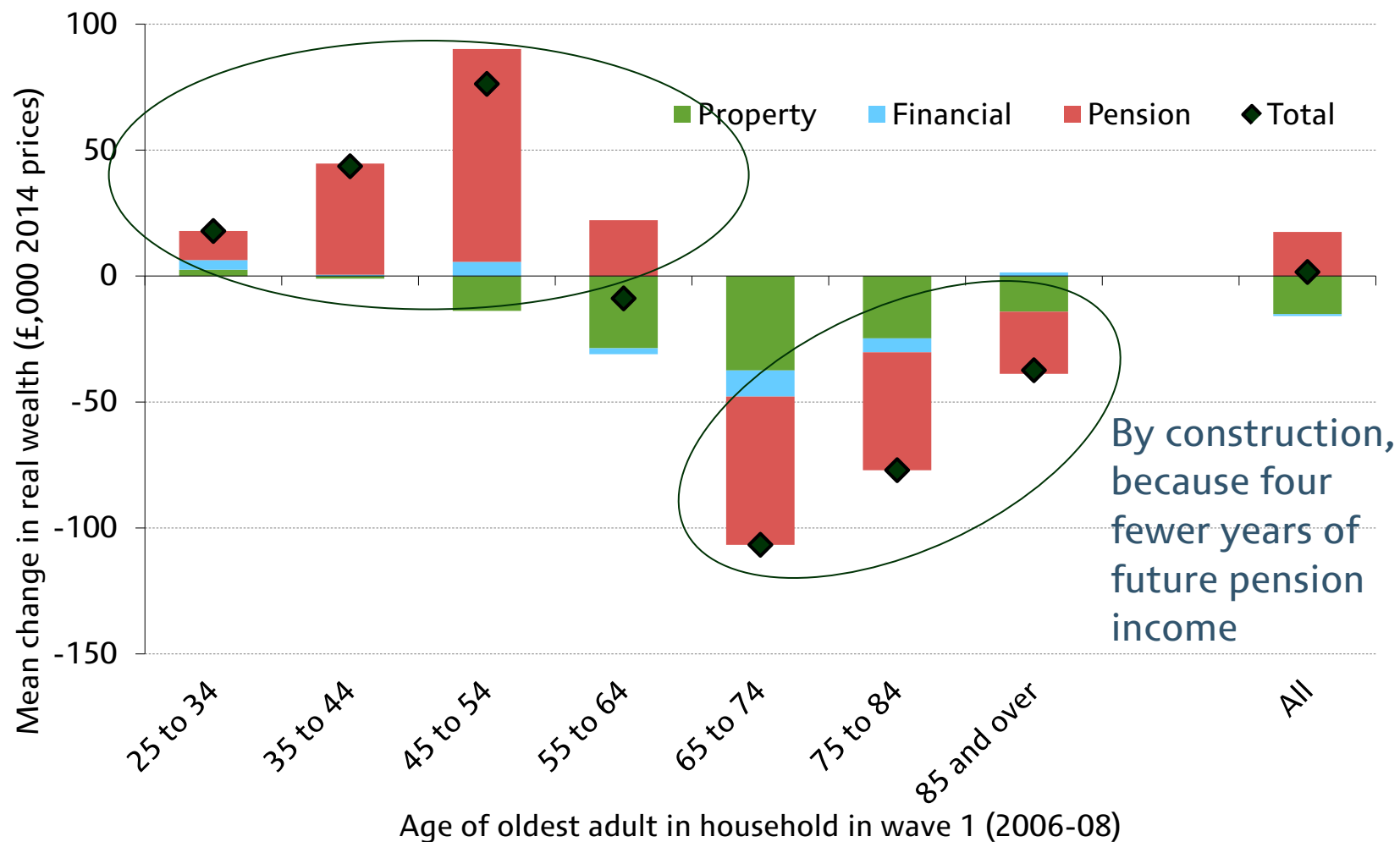
# The evolution of property wealth 2006-08 to 2010-12



# The evolution of private pension wealth 2006-08 to 2010-12

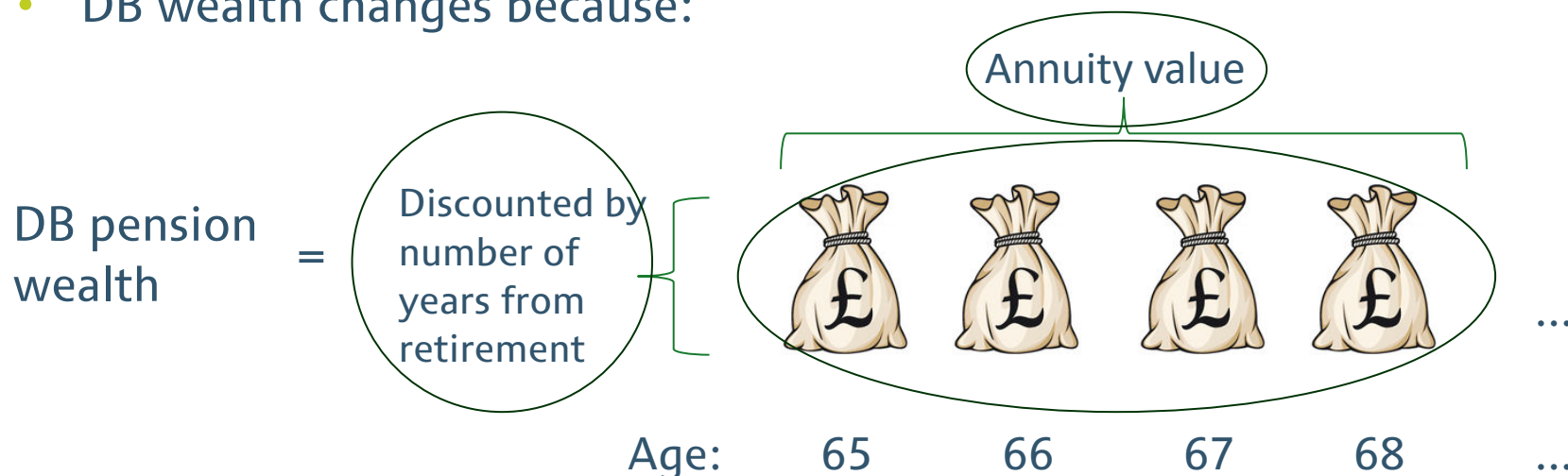


# Changes in wealth 2006-08 to 2010-12

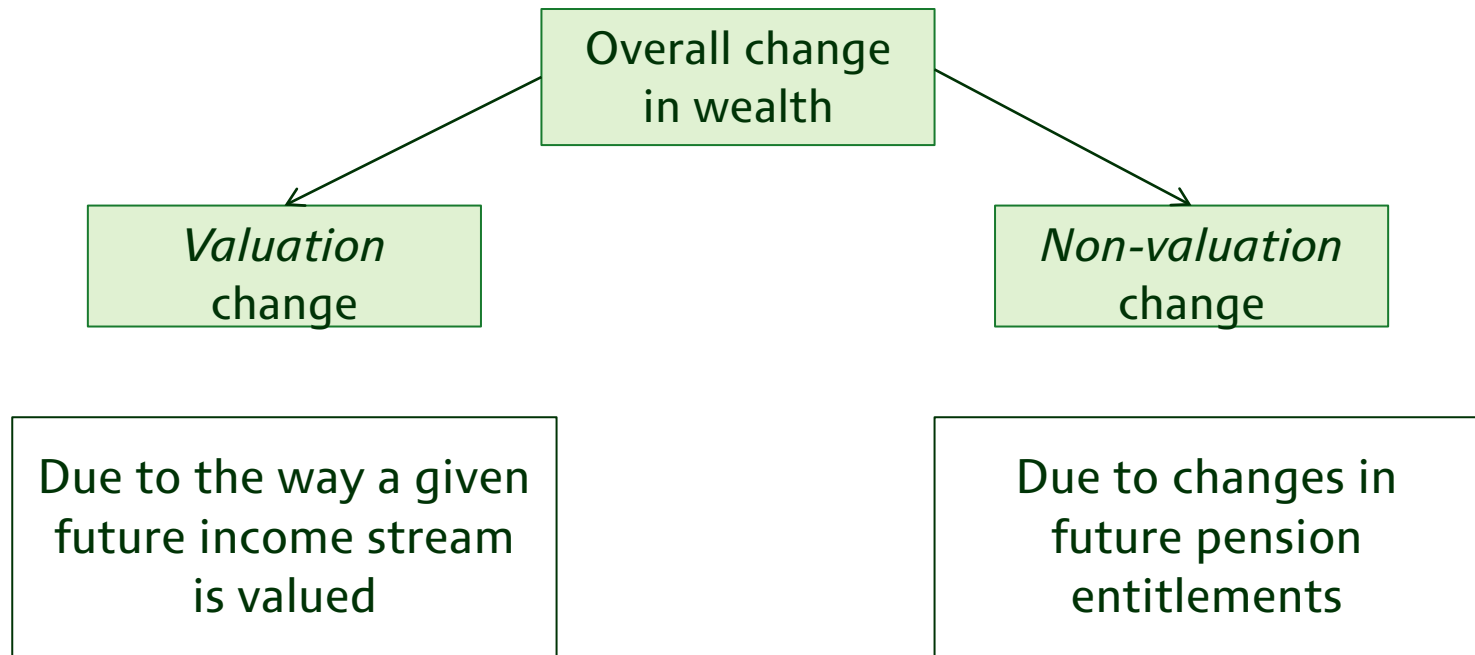


# Pension valuation changes

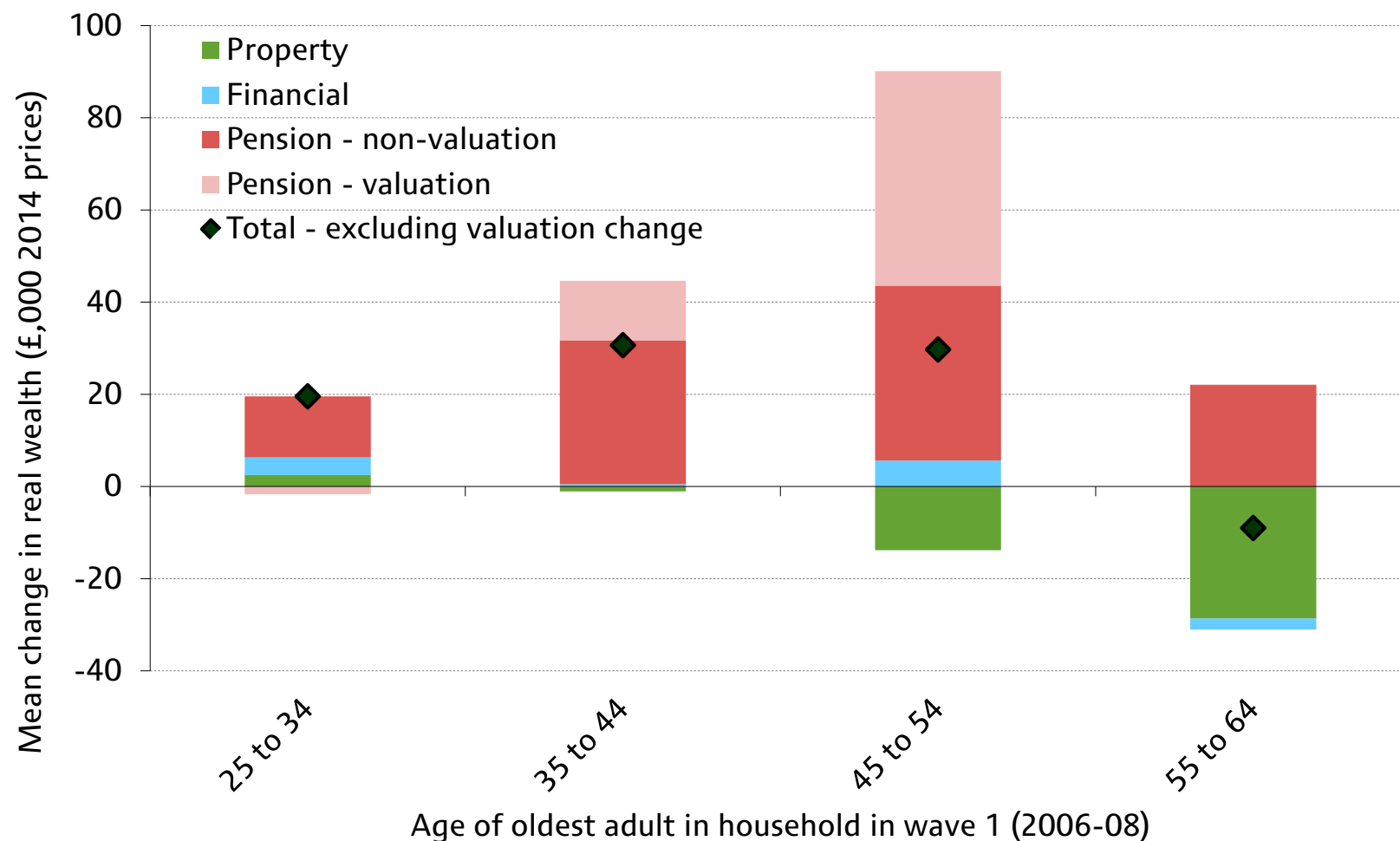
- Some of the increases in pension wealth may be due to the way that *defined benefit* pension wealth is valued
  - i.e. they don't reflect changes in pension entitlements
- DB wealth changes because:



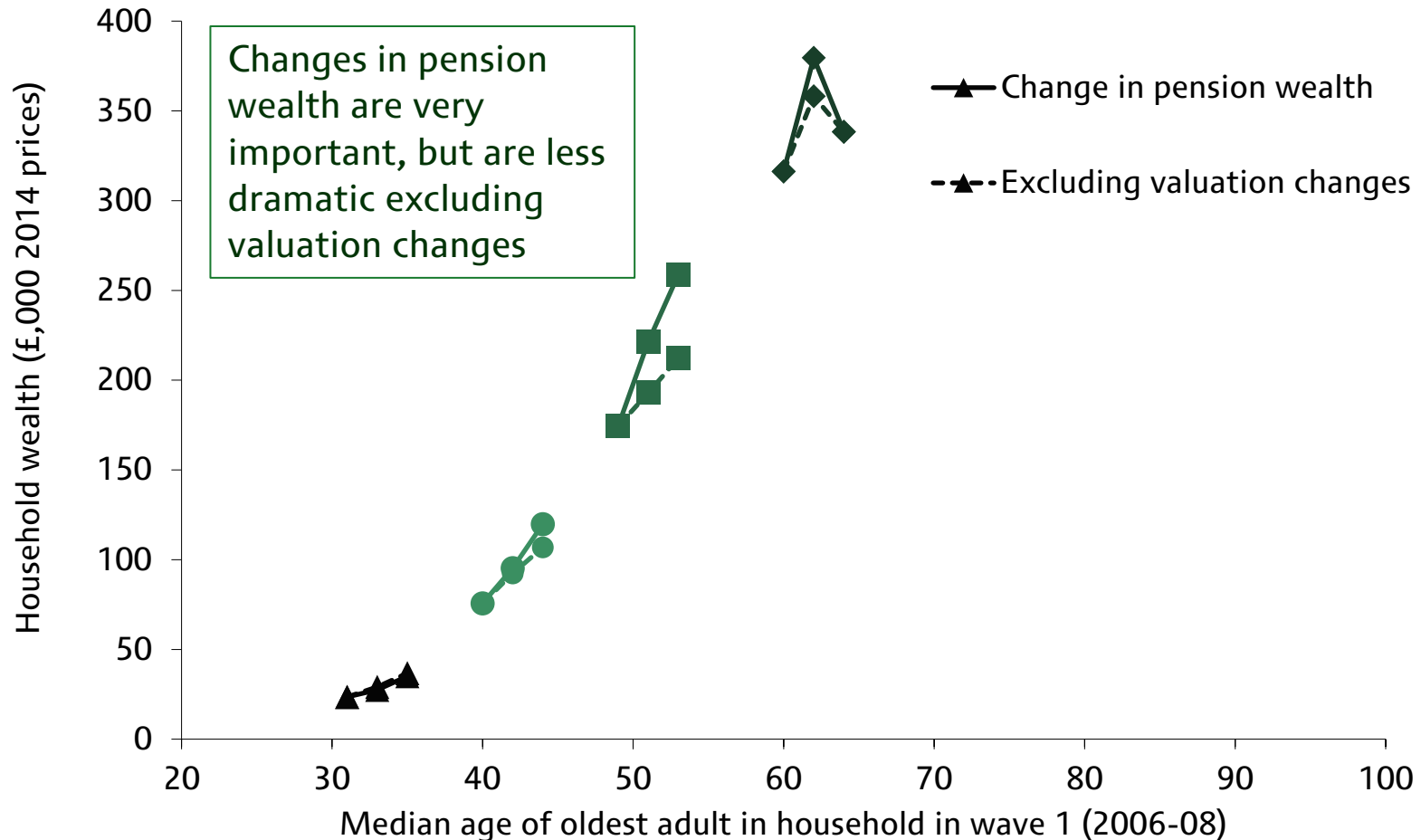
# Pension valuation changes



# Changes in wealth 2006-08 to 2010-12: excluding pension valuation changes



# The evolution of private pension wealth 2006-08 to 2010-12: excluding valuation changes

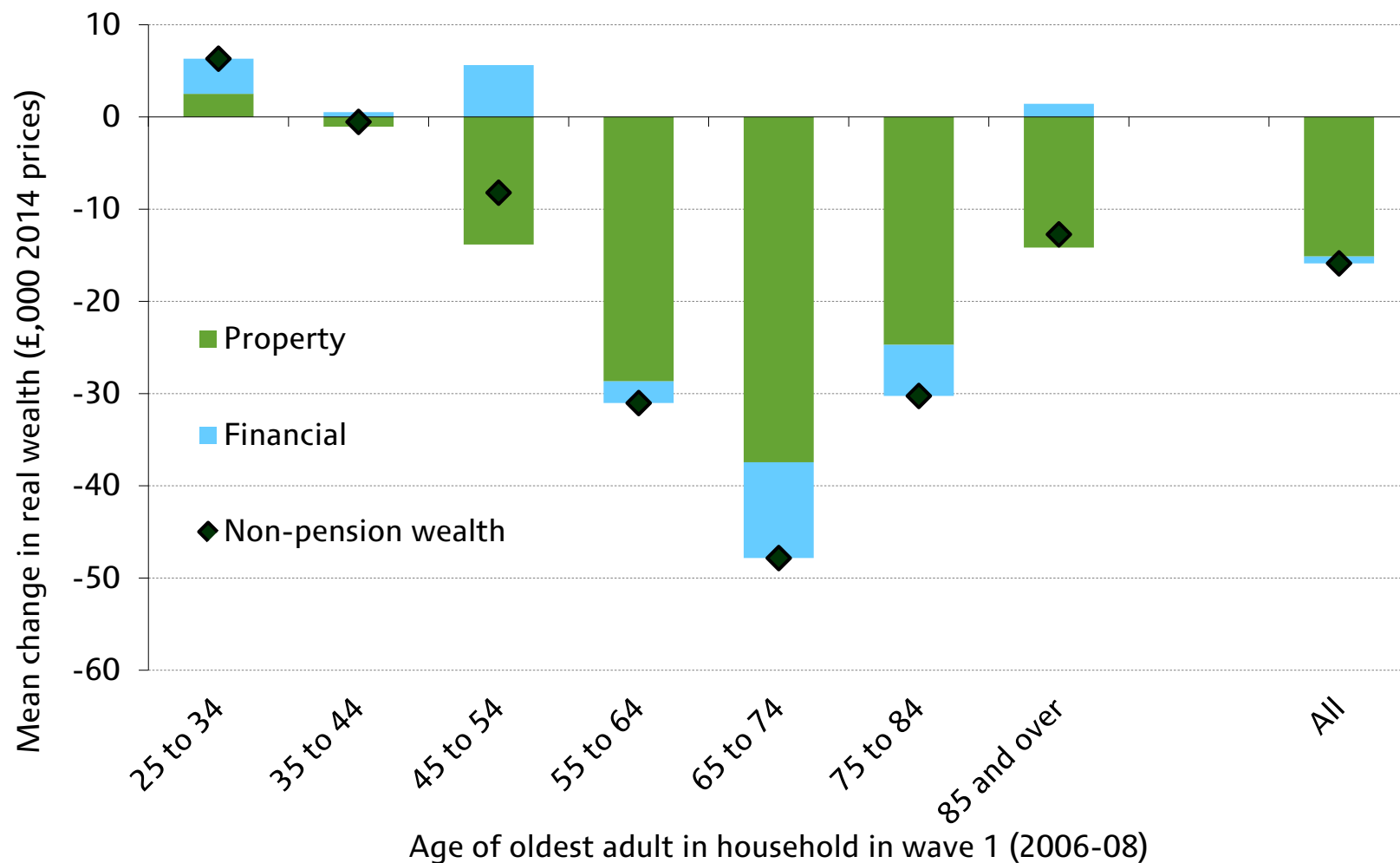




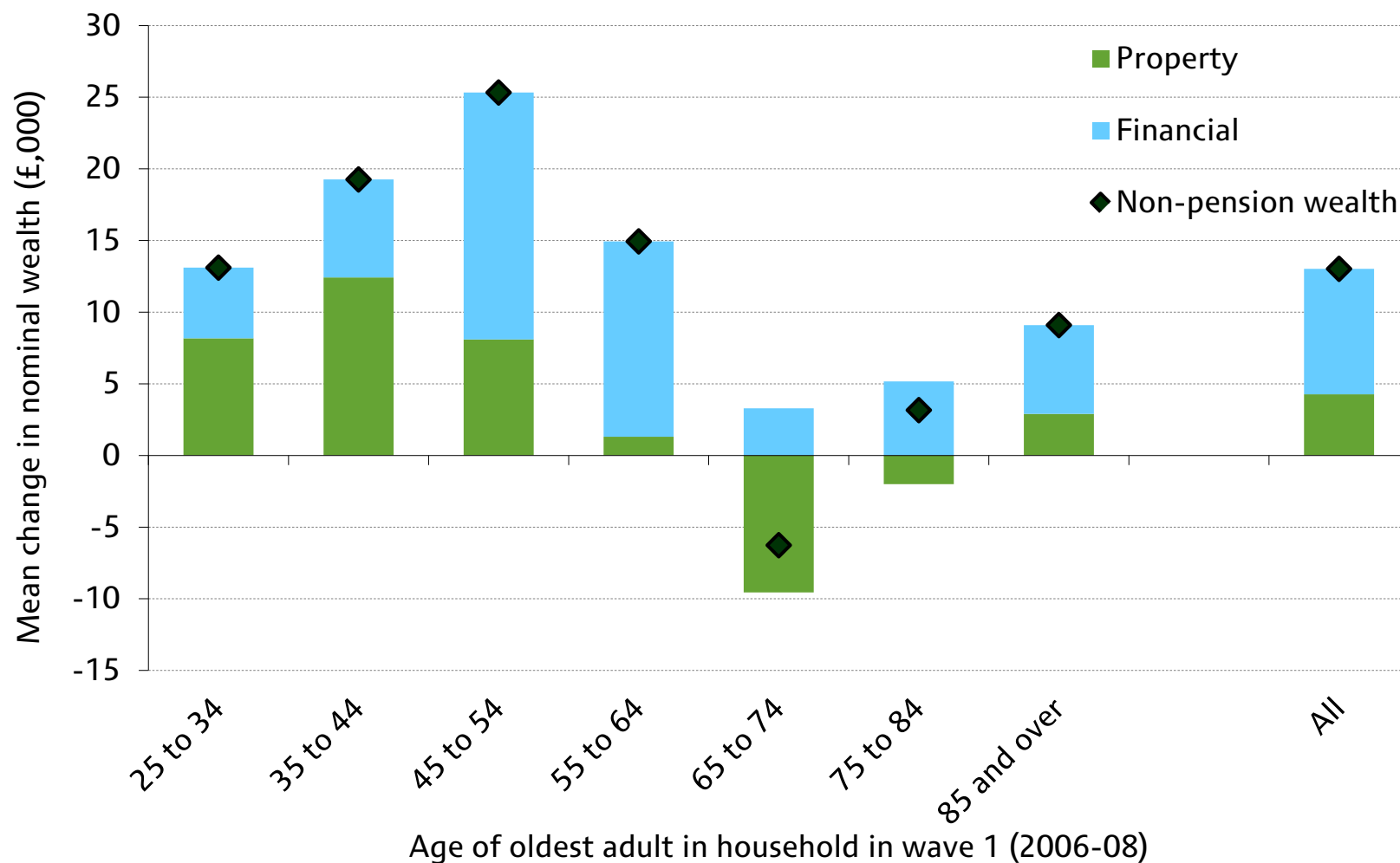
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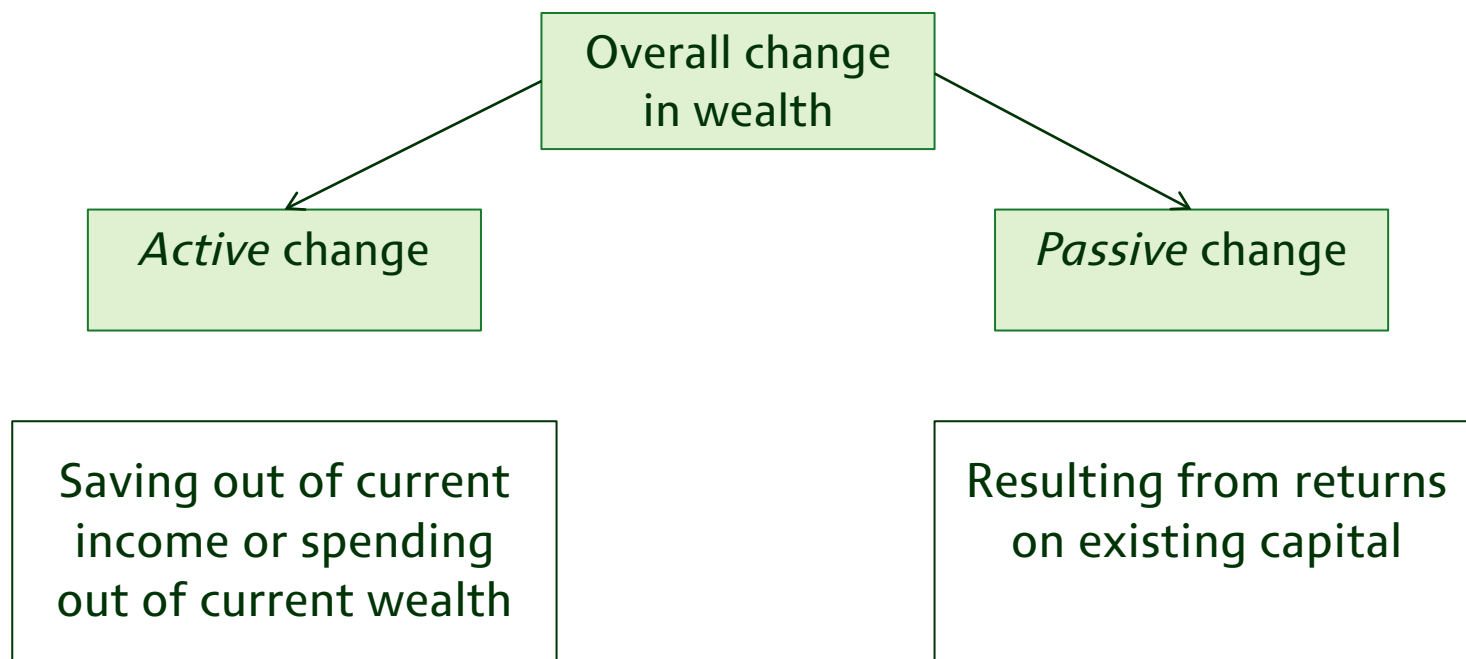
# Changes in non-pension wealth 2006-08 to 2010-12



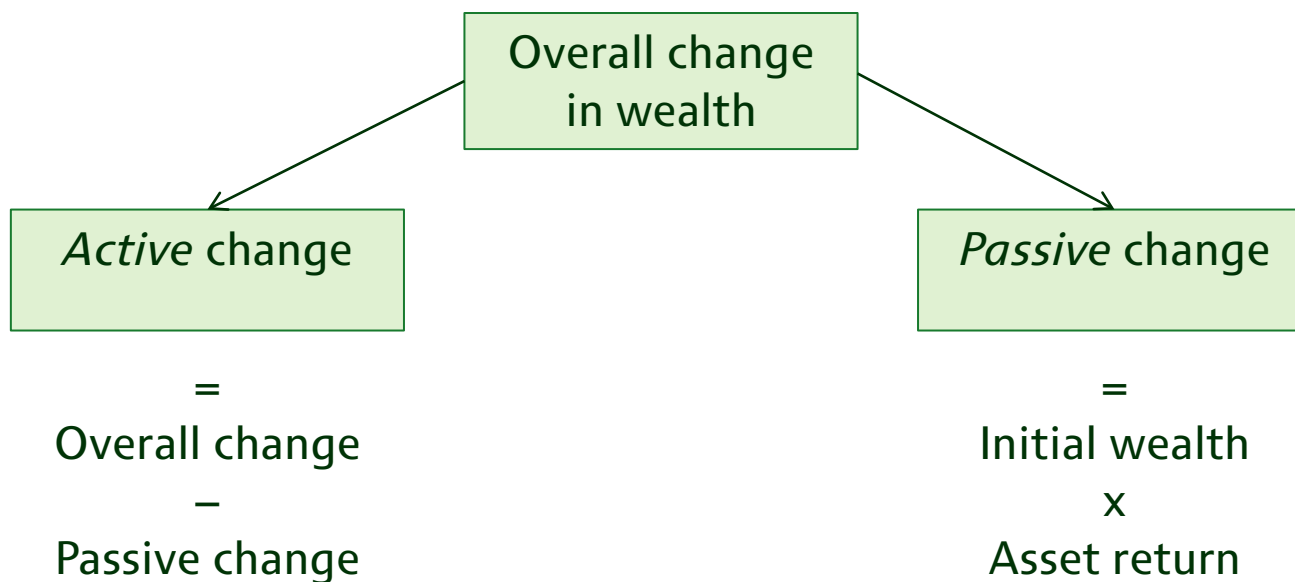
# Nominal changes in non-pension wealth 2006-08 to 2010-12



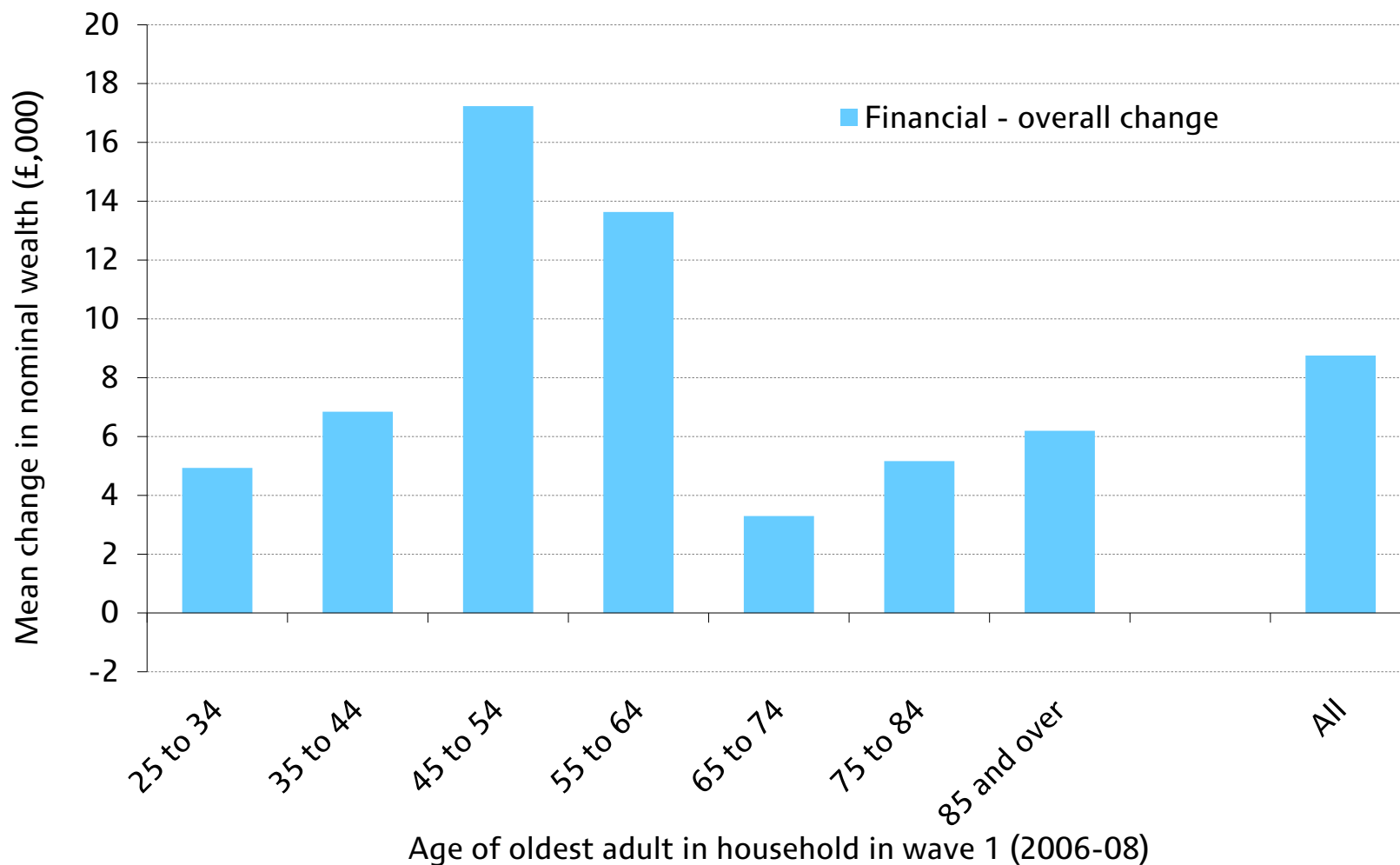
# Active and passive saving



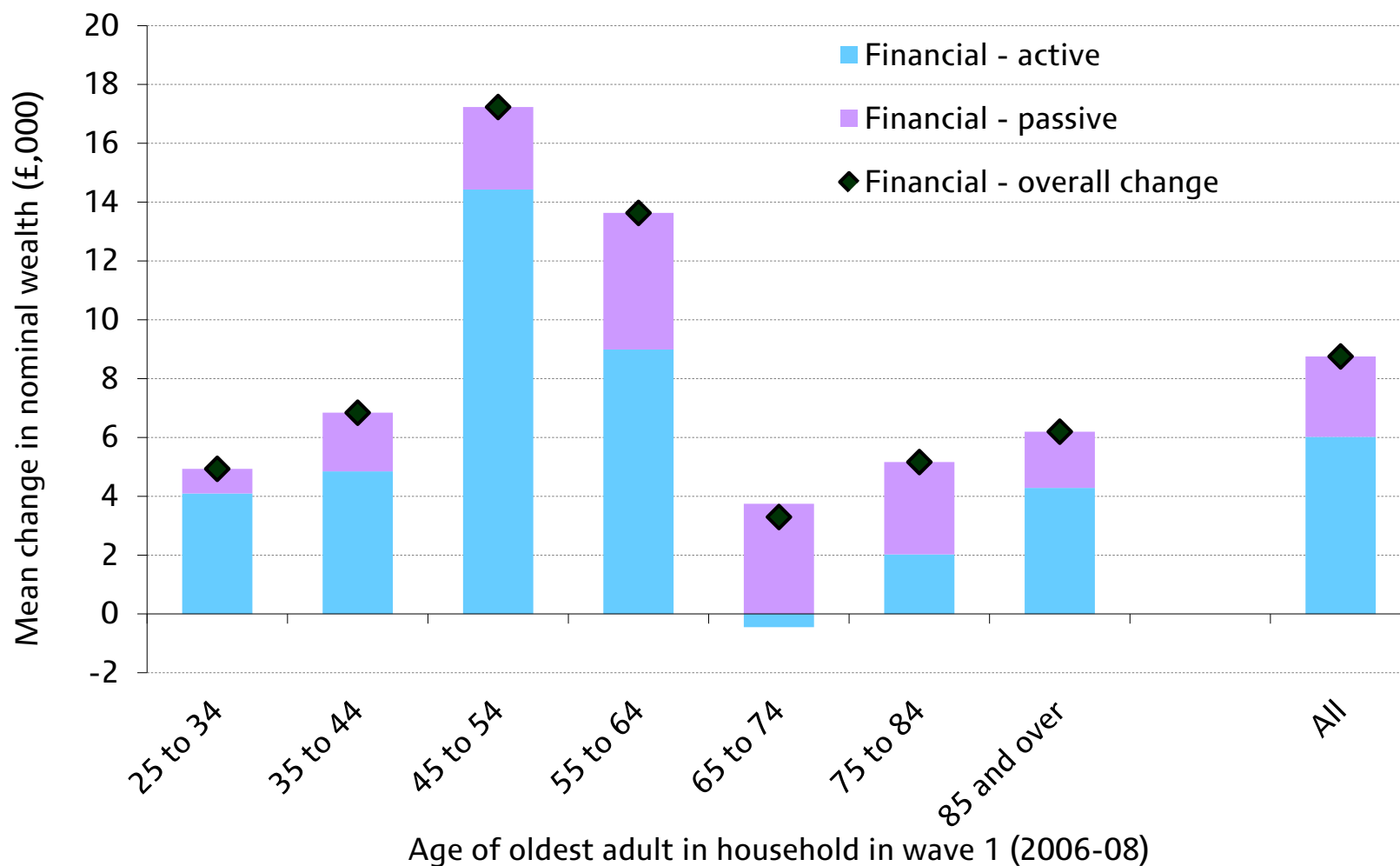
# Active and passive saving



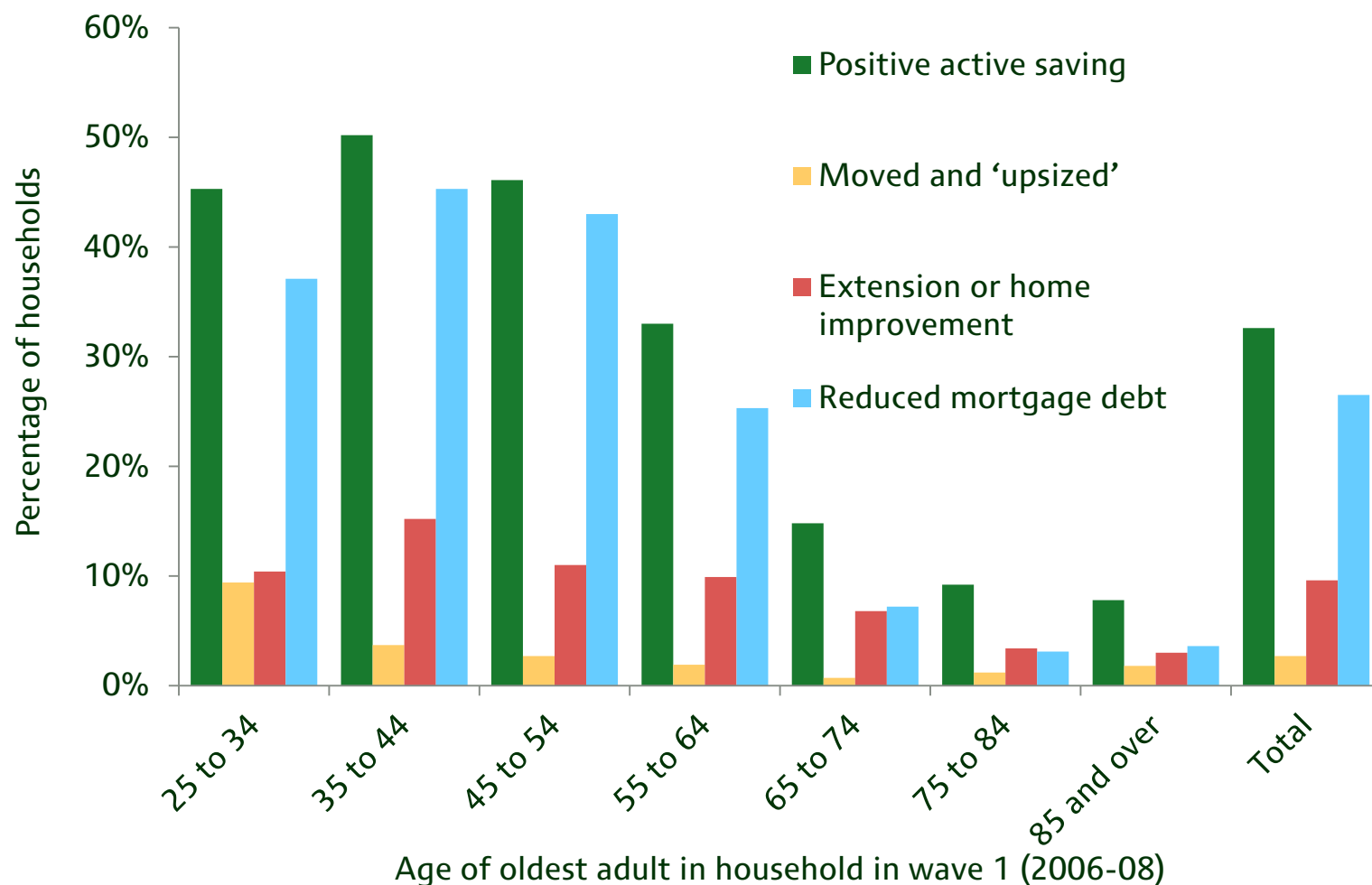
# Active and passive saving – financial wealth



# Active and passive saving – financial wealth

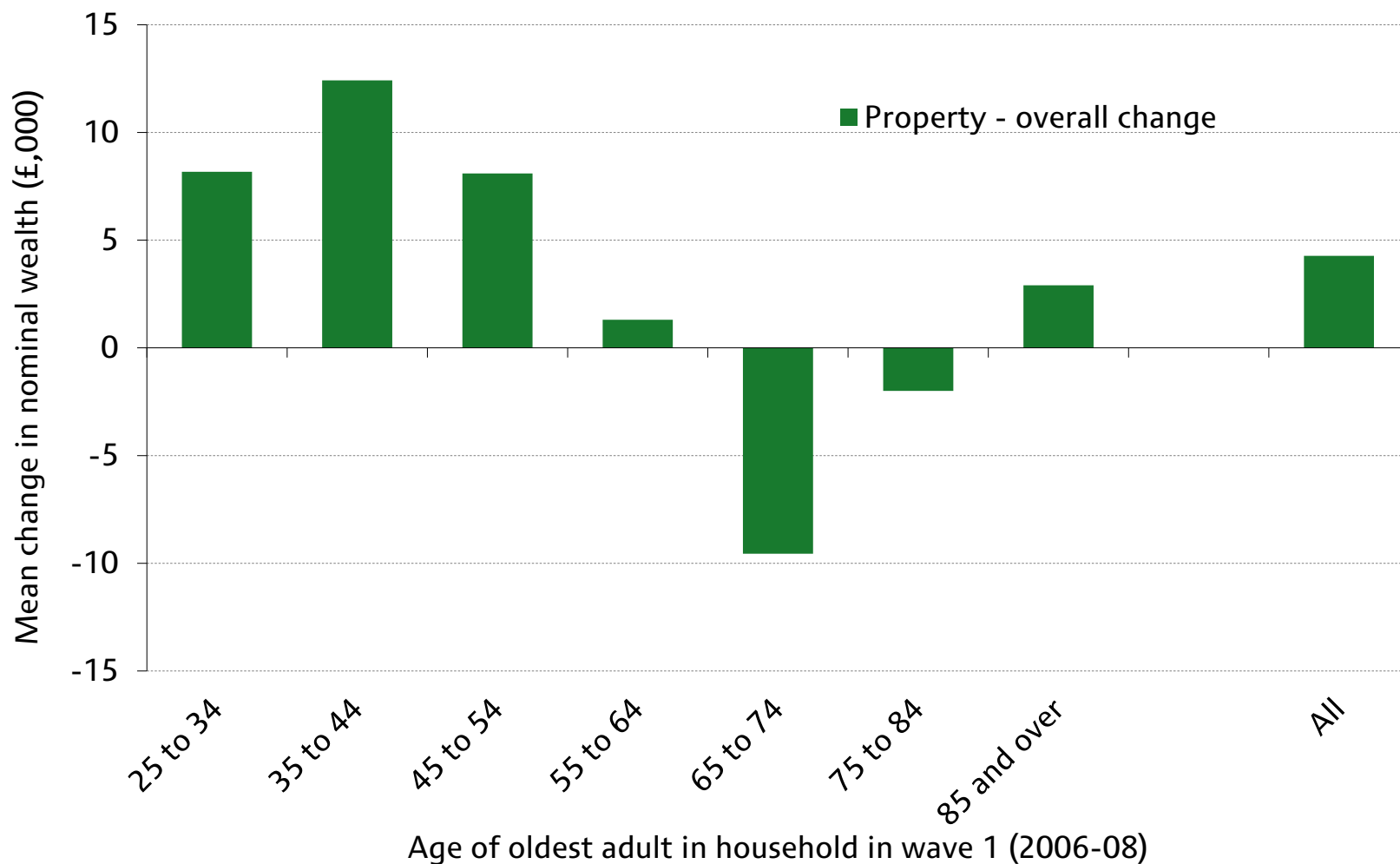


# Active and passive saving – property wealth

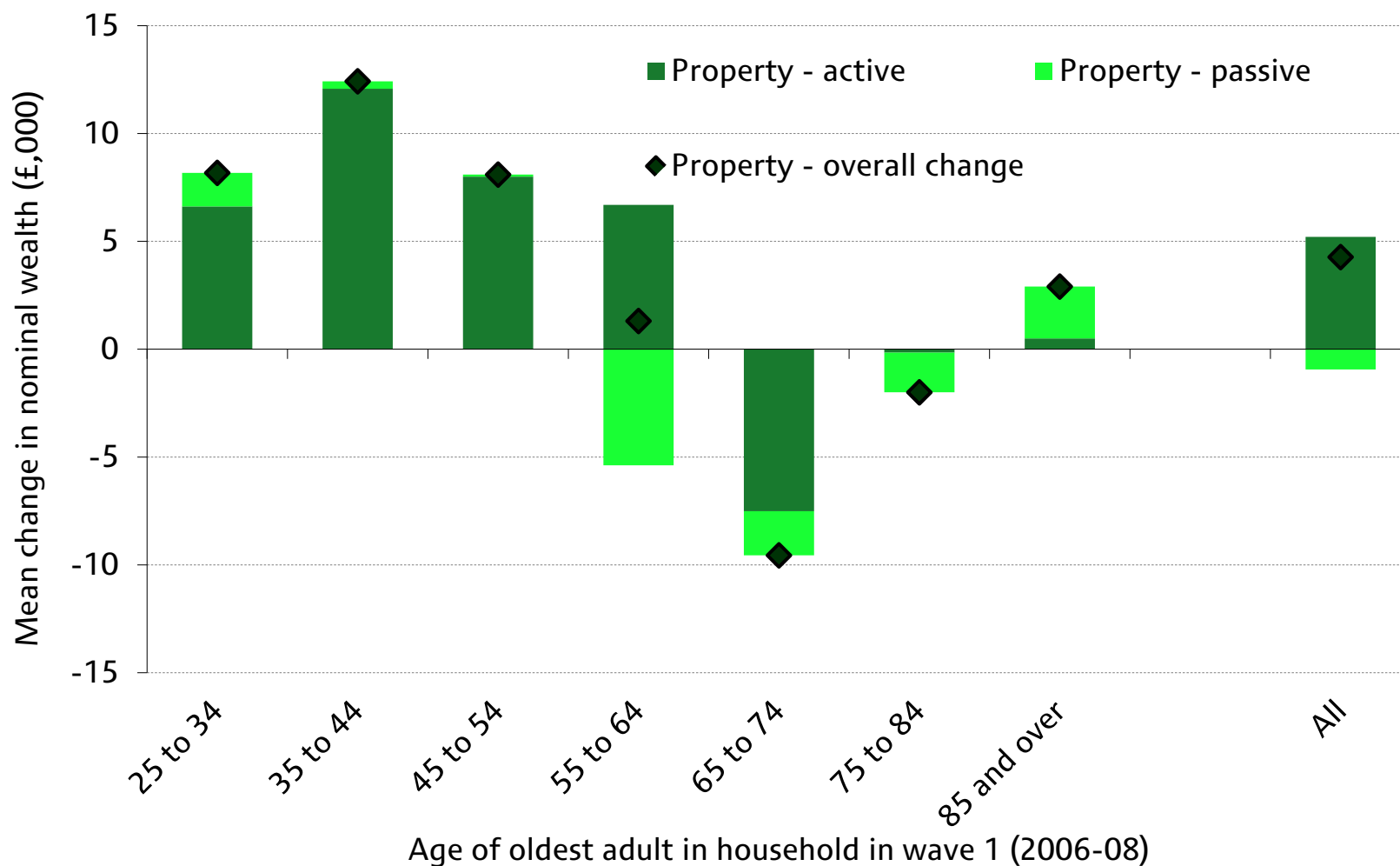




# Active and passive saving – property wealth



# Active and passive saving – property wealth



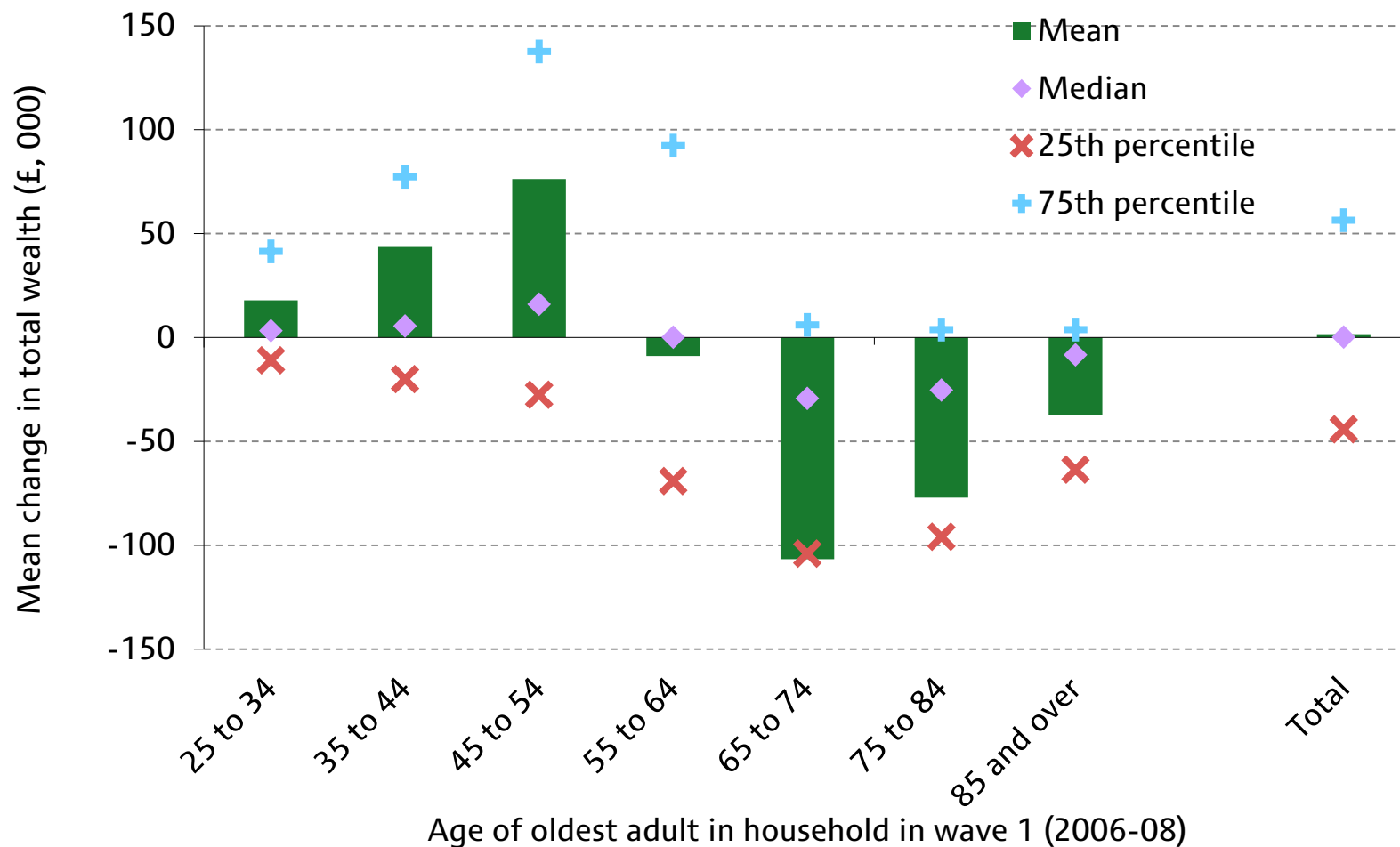
# Total active saving

- Defining total active saving as active saving in financial and property wealth plus non-valuation changes in pension wealth:
  - Active saving equivalent to 100% of net wealth change for 25 to 34 year olds; 75% for 35 to 44 year olds; and 42% for 45 to 54 year olds
  - All three cohorts aged 35 to 64 had roughly the same level (approx £50k over four years) of active saving
  - Active saving in property and financial wealth were, on average, small relative to non-valuation changes in pension wealth

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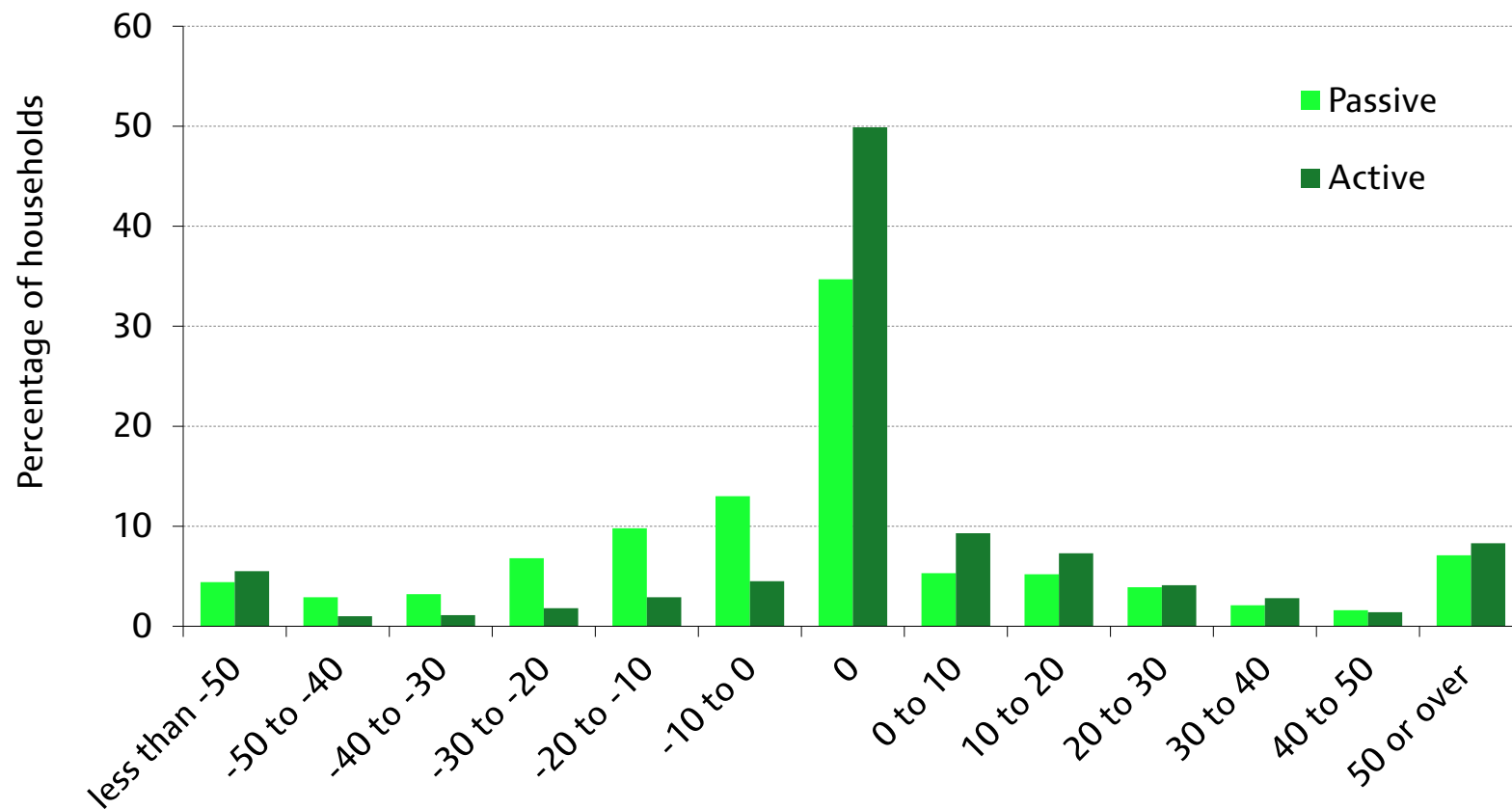
# Distribution of changes in wealth 2006-08 to 2010-12



# Distribution of active and passive saving – financial wealth



# Distribution of active and passive saving – property wealth



Change in nominal property wealth 2006/08 to 2010/12 (£ 000s)

# Who *actively* saves?

- Not much of the variation across households in active saving is explained by the household characteristics we consider
  - Wealth, income, age group, household type, employment and education status
- Younger households have more active saving; older households less
- Highest income households have higher active saving
  - For financial wealth, both in cash terms and as a percentage of income
- Wealthier households have lower active saving



# The evolution of wealth - key findings

- Average total household wealth increased for working-age households despite the financial crisis
  - But young will have less wealth at each age than earlier generations did, unless the rate at which they are accumulating wealth picks up
- Increases in average wealth for working-age households were driven by increases in pension wealth
  - These appear smaller when we exclude valuation changes
- Virtually all age groups saw average property wealth fall in real terms
  - The exception are households aged 25 to 34
- At all ages, there is a wide distribution of wealth changes across households
  - Young and high income households are most likely to actively save