Factors Related to Meeting the Capital Accumulation Ratio Guideline: Evidence from the 1992 to 2007 Survey of Consumer Finances

Jodi Letkiewicz The Ohio State University

Abstract

This paper explores the time trends of the capital accumulation ratio and considers whether changes in stock indexes relative to housing indexes have an impact on the percentage of households that meet the 25% capital accumulation ratio threshold. The capital accumulation ratio is an indicator of how well an individual or household is advancing toward financial goals for capital accumulation. The capital accumulation ratio is defined as investment assets-to-net worth and is calculated from information on investment assets and net worth. Lifecycle cohorts were created for various stages in the lifecycle and were based on various factors such as age, marriage status, dependents and retirement status. Households are analyzed based on life cycle stage cohort and each cohort’s propensity to meet the threshold.

The data analyzed in this study are from six datasets (1992, 1995, 1998, 2001, 2004 and 2007) of the Survey of Consumer Finances (SCF). To determine whether the percentage of households meeting the 25% threshold changes significantly across survey years and if the difference between cohorts is significant, a repeated-imputation inference (RII) means test is performed. A multivariate model is used to control for the effects of household characteristics on whether the household meets the 25% capital accumulation ratio guideline over time.

The percentage of households meeting the 25% capital accumulation ratio threshold varies significantly between most of the survey years. In periods when the stock market increased more than housing prices (1992-1995, 1995-1998 and 2004-2007), the percentage of households meeting the 25% capital accumulation ratio threshold increases from the previous year. In periods when housing prices increased more than the stock market (1998-2001 and 2001-2004), the percentage of households meeting the threshold decreases from previous periods. Single households with dependents met the threshold at a much lower rate than other cohorts. Married households, irrespective of dependents, met the threshold at the highest rate. The percentage of households meeting the threshold was lower for retired households.

References


**Endnotes**

---

1 PhD Student at The Ohio State University, Consumer Sciences Department, 1787 Neil Avenue, 206 Campbell Hall, letkiewicz.2@osu.edu