Differences in Concepts of Net Worth

Goal

Estimates of net worth can differ substantially depending on the wealth measure you use. In this exercise, you will begin to familiarize yourself with the summary measures in LWS and determine the differences in portfolio compositions for the whole population using two different definitions of net worth.

Activity

Calculate summary statistics (mean and median) for two LWS net worth concepts, *nw1* and *nw2*, as defined in the *LWS Quick Reference Guide*. Determine the differences in portfolio compositions for these two measures in Italy and Sweden in 2002.

Guidelines

➢ Don't forget to change the project in your job submission panel to LWS.

➢ Use the *LWS Quick Reference Guide* to identify the components of *nw1* and *nw2*.

➢ For the first part of the exercise calculate the means and medians for the two net worth measures.

➢ For the second part of the exercise calculate the means of the components and take the appropriate ratios to find the shares.

➢ For business holdings, use the measure for business equity, if available. Otherwise, use business assets. In order to do this, you will need to check the country-specific documentation for the availability of business assets, business debt, and business equity.

➢ Use the country documentation to check for differences in variable construction.

Program

```
di "** LWS BASICS - Exercise 20 **"

use wgt nw1 nw2 tfa1 tnf1 td be ba using $it02w, clear
sum nw1 nw2 [w=wgt], de
sum tfa1 tnf1 td be ba [w=wgt]
use wgt nw1 nw2 tfa1 tnf1 td be ba using $se02w, clear
sum nw1 nw2 [w=wgt], de
sum tfa1 tnf1 td be ba [w=wgt]
```

Results

	Italy 2002	Sweden 2002
Net worth (definition 1)		
Mean	*154,237*	*537,838*
Median	*98,000*	*165,120*
Net worth (definition 2)		
Mean	*177,766*	*617,798*
Median	*101,500*	*178,145*

	Italy 2002		Sweden 2002	
	nw1	*nw2*	*nw1*	*nw2*
Total Financial Assets (definition 1)	*14.9%* *(23,678)*	*13.0%* *(23,678)*	*28.1%* *(232,672)*	*25.6%* *(232,672)*
Total Non-financial Assets (definition 1)	*85.1%* *(134,955)*	*74.1%* *(134,955)*	*71.9%* *(595,631)*	*65.6%* *(595,631)*
Business Equity/Assets	*----*	*12.9%* *(23,526)*	*---*	*8.8%* *(79,955)*
Total Assets (sum of the 2 or 3 lines above)	*100%* *(158,633)*	*100%* *(182,159)*	*100%* *(828,303)*	*100%* *(908,258)*
Debt	*2.8%* *(4,398)*	*2.4%* *(4,398)*	*35.1%* *(290,513)*	*32%* *(290,513)*
Net worth (total assets – debt)	*97.2%* *(154,237)*	*97.6%* *(177,766)*	*64.9%* *(537,838)*	*68%* *(617,798)*