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**SLID TEST 3B RESULTS:
ASSETS AND DEBTS (WEALTH)**

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EXECUTIVE SUMMARY

In May 1993, SLID conducted a survey test of income and wealth items. Wealth items covered a wide range of assets and debts for calculating net worth. A wealth module is being considered for inclusion in one or two years during the 6 years that respondents are surveyed for labour and income information. The 1993 test also included three items related to pensions, to assess the possibility of collecting information for computing the value of an individual's registered pension plan--an important asset.

This report analyses and evaluates the results of the wealth items in the 1993 test. The main approach is to examine the consistency of the analytical results with each other and against expectations; comparable independent data sources are few. A discussion of the limitations of SLID for cross-sectional wealth data is included. Although the results show a certain amount of under-reporting, the data appear to be of good quality when evaluated in terms of internal consistency. In conclusion, wealth should be included in SLID for the purposes of augmenting analyses using SLID data.

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1. INTRODUCTION

During the content development stages of the Survey of Labour and Income Dynamics, many researchers expressed a strong interest in data on wealth (assets and debts). Wealth data would be of great value as an adjunct to SLID income data, since income does not by itself provide a complete picture of a family's economic well-being. The existence of a wealth "cushion" can help families through tough times; financial vulnerability is as much a function of one's asset and debt profile as of one's income level.

Some of the issues of interest are:

- ! the impact of family wealth on a person's retirement decisions;
- ! the impact of wealth on the short-term success of new business ventures;
- ! how wealth affects the level of economic well-being of retired persons;
- ! how wealth gets divided when families break up.

Uses like these require data that would allow researchers to distinguish between respondents who are more or less wealthy, or to identify micro-level changes in wealth status following some type of event, be it job loss, marital breakdown, the launching of a new business venture and so on.

However, good data on assets and debts are not that easy to obtain. Respondent knowledge and recall may be poorer than for income information. There are sample design and other constraints to consider (see Section 2). Also, the topic is potentially more sensitive than income, and there is a risk of jeopardizing respondent cooperation by adding a wealth module to the survey.

To answer questions on quality and respondent sensitivity, a set of wealth questions were field tested in 1993 (Test 3). The purpose of this report is to present an assessment of the data quality and make recommendations.

Test 3

Test households were contacted in January 1993, to complete a labour interview (Test 3A), and again in May, for an income and wealth interview (Test 3B).

The test was conducted in two areas that are very different economically: Newfoundland and major cities of southern Ontario. The test sample consisted of 1963 individuals living in 1400 households. The sample was the same as for the Labour Force Survey: selected households rotated out of the LFS sample in May 1992.

The collection of wealth data was one of many test objectives. An overall objective was the collection of data via computer-assisted interviewing (CAI). For the May income interview, in addition to wealth questions, the use of an integrated questionnaire and guide was being tested.

If wealth items are added to the SLID content, we would conduct a wealth interview only once or twice in the lifespan of a panel. This approach is consistent with other similar longitudinal surveys, such as the Panel Study of Income Dynamics and the Survey of Income and Program Participation.

2. LIMITATIONS OF SLID FOR CROSS-SECTIONAL WEALTH DATA

In part, the interest expressed in wealth information for SLID was a reflection of the lack of current Canadian wealth data. The last household survey on the subject was held as a supplement to the Survey of Consumer Finances in 1984. However, it is not expected that SLID could completely satisfy the need for wealth data, primarily because the number of questions that can be devoted to this topic within the survey will be limited and the sample size is relatively small for cross-sectional purposes.

Based on the experience of other household surveys, SLID may have limited use for cross-sectional data because:

- ! the distribution of wealth is highly skewed and sample surveys drawn from an area frame can seriously under-represent the upper end of the wealth distribution curve (see Juster and Kuester);
- ! as a longitudinal survey, SLID is subject to attrition, which can undermine the quality of estimates of net change in wealth (see Juster and Kuester on impacts);
- ! SLID's primary content objectives are labour, income and family circumstances and it is not possible to use the very detailed set of asset and debt categories traditionally used in surveys whose primary objective is wealth measurement;
- ! SLID interviews are conducted by telephone and proxy-reporting is used where feasible to reduce collection costs and response burden --

traditionally, asset and debt surveys, because of their complex content, have been conducted using personal interviews.

3. OVERVIEW OF WEALTH CONTENT

There were 22 questions on wealth, following 39 on income. Wealth information was collected for all persons aged 16 and over in sampled households.

Except for some differences in the details, the set of 22 questions was quite similar to that used in the Panel Study for Income Dynamics (PSID). However, it was considerably less extensive than that used in Statistics Canada's 1984 Assets and Debts Survey. One reason for this was to not jeopardize the income topics of the interview, which were more essential.

The test questions were representative of what was anticipated for the income and wealth interview in the full survey except for one addition: an attempt was made to collect information related to value of pension, for respondents who worked during the reference year. Answers to the items requested would not be enough to actually calculate pensions for respondents; instead, the purpose was to see if this type of information could be collected at all.

Treatment of joint assets

In the case of jointly held assets, respondents were asked to report their share only. However, some assets and debts are held (or owed) at the family rather than the individual level. In these cases, one person could report the full amount on behalf of the family, or a share could be reported by each of the family members involved. The objective is to ensure that items do not get reported twice or missed, rather than to determine who *within* the family controls resources.

Unit of analysis and key variable of analysis

Since many assets and debts are shared by family members, the key variable of analysis is "net worth" or wealth at the level of the family. However, SLID is longitudinal, and longitudinal analyses often require using the individual as the unit of analysis, since family composition can shift over time. Family or household variables are treated as attributes of the individual. For example, instead of looking at wealthy *families*, one would look at *individuals* who belong to wealthy families.

The questionnaire asked for the receipt (yes/no) and value of the following assets, debts and pension information:

Assets:

- ! home (if owned)
- ! other real estate (vacation home, land, rental property)
- ! cars, trucks, vans, motorcycles, etc
- ! boats, motor homes, trailers, snowmobiles, other recreational vehicles
- ! farm or business (net value)
- ! bank accounts, GICs and other savings
- ! CSBs, treasury bills, other government bonds
- ! mutual funds, stocks, bonds
- ! RRSPs
- ! employer-sponsored group RRSPs
- ! annuities
- ! RRIFs
- ! money owed to respondent by others
- ! any other major assets

Debts:

- ! mortgages on own home
- ! mortgages on other real estate
- ! balance on credit cards, charge accounts, other consumer credit
- ! student loans
- ! personal loans

Pension-related information:

- ! Pension Adjustment (PA) amount
- ! registered pension plan contributions during the year
- ! pension plan registration numbers

4. EVALUATION OF TEST RESULTS

4.1 General approach

Several decisions were made from the outset about how to evaluate the results, as follows.

Households as proxy for families

For the purposes of this study, household characteristics of the individual were used in place of family characteristics. The process of deriving information by families is lengthy and the expected improvement in the results would be minimal, given that 97% of households in the sample consisted of a single economic family. (Family variables will be available in all public-use microdata files.)

No comparison with other data sources

There are two reasons for not comparing the results to external benchmarks. First, the sample is very small and not nationally representative, so that its distribution does not lend itself readily to external comparisons. Secondly, the availability of appropriate benchmarks that we could use even at the national level is very limited.

How to assess the results

In the absence of current benchmark data, our strategy was to apply a "reasonableness check" to the net worth data, by assessing against common sense expectations.

Comparisons by other variables from the test survey should reveal expected differences in the wealth of households relative to each other. Several variables are crossed with wealth in the following sections. For example, comparisons of southern Ontario and Newfoundland should show higher wealth and higher assets and debts of people in southern Ontario (where homes are more expensive, salaries are higher, etc.).

It is reasonable to assume that recipients of a certain income source should hold the corresponding asset where applicable, for example RRIF income and RRIF assets. People with higher income probably also have higher net worth on average.

Both means and medians are shown in most of the results. Medians may be better measures than means because of the expected under-representation of very high income or high wealth households.

No weighting at test stage

Since we did not plan to compare the results with other sources, the test data were not weighted for this evaluation. Unweighted data are sufficient to test the internal consistency of the data.

4.2 Response rates and usable interviews

Overall response rate

A response rate of 67% was achieved in the income and wealth interview of Test 3 (including partial responses to either income or wealth). The response rate in Newfoundland was 76% while in Toronto it was 62%.

This level is considered low. Fortunately, the national response rate for the 1994 May income interview was much higher, at 80%. However, there are several reasons for lower response in the 1993 test. Therefore, it is difficult to know to what extent the higher response rate in 1994 can be attributed to the absence of wealth questions. The possible causes of low response in the test include the following.

- ! The respondents in the 1993 test were subjected to greater response burden than those in the 1994 survey, due to differences in sample selection. As former respondents to the monthly Labour Force Survey, they would have been asked to participate in a greater number of survey supplements during their six months in that survey. One such supplement was the 1992 Survey of Consumer Finances; respondents may have been sensitive to the fact that the two surveys covered similar topics.

- ! The income/wealth interview was long, and quite time-consuming if the respondents had not completed a "Notebook" beforehand. Interviewers

frequently encouraged respondents to complete the Notebook before a later call-back time, rather than proceed with the interview without it. This practice may have inadvertently increased non-response.

- ! CAI was still very new -- for both the interviewers and the people designing CAI applications. Various technical difficulties might have impeded the interviewers customary powers of persuasion. Also, tests typically achieve lower response than "real" surveys.

In addition to these negative influences on the response rate, it is felt that the number of questions, at 61, was too high, and that it was almost certainly a factor in the low response rate. Not only were the wealth questions eliminated for 1994, the income section was reduced, from 39 to 27 questions.

Usable interviews

Household wealth can only be computed for households where all members have valid answers to the assets and debts questions. Therefore, only these were included in the study. Excluded were individuals who had any reports of "don't know" or "refusal" for themselves or another household member.

Table 1 shows the portions of the sample for whom assets, debts, personal net worth and household net worth can be calculated. Of 1963 individuals in the sample, 1616 individuals or 82.3% had apparently complete asset and debt information from which to derive personal net worth. Of these, 1537 belonged to fully respondent households, for whom we can compute household net worth.

The remaining tables in this report deal primarily with the 1537 individuals, 690 in Newfoundland and 847 in Ontario, corresponding with 791 fully respondent households.

Table 1 Response rates to wealth items and availability of net worth data

	Assets	Debts	Both assets and debts	Can derive personal net worth	Can derive household net worth
All individuals in sample	1963 100%	1963 100%	1963 100%	No	No
All fully respondent individuals	1694 86.3%	1846 94.0%	1616 82.3%	Yes	No
Respondent individuals in fully respondent hhlds	1615 82.3%	1754 89.4%	1537 78.3%	Yes	Yes

4.3 Net worth

In terms of magnitudes, the precision of the net worth results depends on the quality of all the asset and debt items. Without alternative data sources with which to compare, we cannot directly test the values of the net worth results. We can, however, get an idea of the reasonableness of the data in relative terms. Several tables in this section test some common-sense expectations:

- ! Net worth would be positive for the vast majority of households (Table 2);
- ! Net worth would generally rise with the number of people in the household, particularly adults (Table 3);
- ! Households with members past retirement age would tend to have more wealth, since older people have had more time to accumulate wealth and may depend on it more for their current welfare (Table 4);

- ! Net worth would be higher for sampled individuals in Ontario than in Newfoundland, particularly as the Ontario sample was concentrated in southern urban centres (Table 5);

- ! There would be a positive relationship between income and wealth (Table 6).

In Table 2, the total household net worth of the 1537 individuals retained for the study is shown by categories. Net worth is indeed positive for the majority of individuals, ie. 84.3%.

Table 2 Distribution of individuals by household net worth

	Household net worth	
	indiv.	%
Negative	129	8.4
Nil	112	7.3
\$1 -- \$9999	224	14.6
\$10000 -- \$24999	158	10.3
\$25000 -- \$49999	251	16.3
\$50000 -- \$99999	303	19.7
\$100000 +	360	23.4
Total	1537	100.0
Mean household net worth	\$69,179	
Median household net worth	\$40,000	

Table 3 shows that average household net worth rises with the number of adults aged 21 and over in the household. Although people aged 15 and over are considered adults in the survey, the minimum age of 21 is used here as most teenagers would not be expected to have accumulated significant assets or debts. In fact, this is evident in the low mean and median for households with no members over 21.

Table 3 Distribution of individuals, mean and median net household net worth by the number of persons aged 21 and over in household

	Number of persons aged 21 and over in household				
	0	1	2	3	4 or more
Observations (individuals)	19	322	885	220	91
Mean household net worth	\$1004	\$37,114	\$70,912	\$80,067	\$153,690
Median household net worth	\$0	\$14,500	\$43,000	\$60,022	\$92,400

Table 4 shows household net worth for sampled individuals according to the presence of persons aged 65 and over. Overall, the results show greater inequality in the distribution of wealth among households with older persons than among those without.

! About 33% of individuals living in households with at least one member aged 65 and over had net household worth of \$100,000 or more. This compares to 22% in households with no older persons. More individuals in households without an older person were concentrated in the middle wealth categories; about 48% of individuals living in households with no older person had net household worth of \$10,000 to just under \$100,000, while

the corresponding proportion in households with at least one older person is 20%.

! A much high proportion of individuals in households with at least one person aged 65 or older had zero household net worth (15% compared to 6%). (From Table 7 we know that the vast majority of these cases are the result of zero assets and zero debts as opposed to exactly offsetting assets and debts.) A lower proportion had negative net worth.

Table 4. Distribution of individuals by household net worth and by the number of persons aged 65 and over in household

	Number of persons aged 65 and over in household			
	None		One or more	
Negative	119	9.1%	10	3.8%
Nil	81	6.2%	31	15.2%
\$1 -- \$9999	200	15.4%	24	17.1%
\$10000 -- \$24999	135	10.4%	23	9.5%
\$25000 -- \$49999	218	17.0%	33	9.5%
\$50000 -- \$99999	262	20.4%	41	11.4%
\$ 100000 +	286	22.0%	74	33.3%
Total	1301	100%	236	100%
Mean household net worth	\$67,418		\$78,906	
Median household net worth	\$38,600		\$48,900	

In Table 5, the results of Table 2 are shown separately for Newfoundland and cities of southern Ontario. They show greater inequality in the distribution of wealth in the southern Ontario sample than in the Newfoundland sample.

- ! Individuals in households with net worth in excess of \$50,000 were more common in Ontario (49% of all respondents) than in Newfoundland (37%).

- ! However, people living in households with negative wealth accounted for more of the Ontario sample (10%) than the Newfoundland sample (6%). The proportion with net worth of nil was about the same for the two areas. Southern Ontario had a higher proportion living in households with net worth between zero and \$10,000 (17% vs. 12%).

- ! The middle range (\$10,000 to \$50,000) accounted for only 18% of respondents in Ontario and 38% in Newfoundland.

Table 5. Distribution of individuals by household net worth and by regional office

	Regional Office			
	St-John's (Nfld)		Toronto (Ont)	
Negative	41	5.9%	88	10.4%
Nil	53	7.7%	59	7.0%
\$1 -- \$9999	84	12.2%	140	16.5%
\$10000 --\$24999	71	10.7%	87	10.3%
\$25000 -- \$49999	189	27.4%	62	7.3%
\$50000 -- \$99999	175	25.4%	128	15.1%
\$100000 +	77	11.2%	283	33.4%
Total	690	100%	847	100%
Mean household net worth	\$54,455		\$81,174	
Median household net worth	\$37,800		\$46,439	

In Table 6, the household net worth data are examined in the light of household income. One would generally expect to see higher net worth values for individuals in higher income households, and the test results show this pattern.

The rate of increase in average household income and average net worth can be roughly compared; for example, for a doubling of income (say, from the \$10,001 to \$25,000 range to the \$25,001 to \$50,000 range), does net worth increase by more or less than double? It is believed that net worth increases at a faster rate than income. However, the reverse is true for the test results using the mean, but not the median (except between the third and fourth income ranges). This probably reflects under-reporting of assets for the high wealth group.

Table 6. Mean and median household net worth of individuals by household income

Household net worth	Household income				
	\$ 1 -- \$10,000	\$10,001 - \$25,000	\$25,001 -- \$50,000	\$50,001 -- \$100,000	\$100,001+
Observations (individuals)	79	323	464	529	97
Mean household net worth	20,165	35,795	52,525	96,170	167,843
Median household net worth	1,200	13,600	35,000	61,700	155,740

4.4 Asset-debt profile

This section looks at people's overall assets and debts.

Table 7a shows the distribution of individuals by the level of their household assets and debts, separately. Overall, the distributions appear reasonable.

- ! A large proportion of individuals (37%) had household assets above \$100,000.

- ! A large proportion of individuals (26%) had non-zero debts of under \$10,000. Another 30% had debts of nil. This last result appears quite high; however, the proportion with assets of nil is much lower, at about 9%. (See the following table for a breakdown and discussion.)

Table 7a Distribution of individuals by household assets and household debts

	Household assets		Household debts	
	indiv.	%	indiv.	%
Nil	143	9.3	459	29.9
\$1 -- \$9999	234	15.2	406	26.4
\$10000 -- \$24999	125	8.1	249	16.2
\$25000 -- \$49999	202	13.1	128	8.3
\$50000 -- \$99999	266	17.3	193	12.6
\$100000 +	567	36.9	102	6.6
Total	1537	100.0	1537	100.0
Mean household assets/debts	\$94,420		\$25,242	
Median household assets/debts	\$61,000		\$5,349	

Table 7b shows the distribution of individuals by household assets and debts after crossing the two variables. The diagonal represents cases where household assets are in the same range. Below the diagonal, assets exceed debts; above the diagonal, the reverse is true.

- ! As expected, a majority of individuals have assets in a higher category than debts (net worth shows the exact result of comparing assets and debts). Of the 1537 respondents in the sample, 70% were below the diagonal. 19% of individuals had positive assets and debts in the same broad range. Very few were above the diagonal.

- ! Many families with large debts also have large assets. Of all individuals in households where the assets exceed \$100,000, 45% had household debts of \$50,000 or more. However, 14% of respondents with household assets of \$100,000 or more had zero debts, which is a very different wealth profile.

- ! A large proportion--8.0%--had both modest assets and debts. This result is reasonable if we accept that families with modest assets usually have modest debts (also, this combination covers a wide range of asset-to-debt ratios).

- ! From Table 2 we know that 112 or 7.3% of respondents had net worth of zero. Table 7 shows that virtually all of these people (109) were in households where no assets or debts were reported (only three where assets and debts were both positive and exactly equal). Although some zero-asset households cannot be ruled out, one might be tempted to believe that, among respondents with zero reported assets and debts, there is a problem of "disguised" non-response .

- ! Individuals in households with zero debts were quite evenly distributed among the assets classes, with between 3 and 5 percent of the studied sample in each of the five non-zero asset classes. This even distribution suggests that the large result of 30% of households with zero debts (previous table) is reliable, except perhaps for the 7% with zero assets and

debts. If there is a problem of disguised non-response to debt items, it is at least fairly evenly distributed among the asset groups, excluding the case of zero asset households.

Table 7b Distribution of individuals by household assets and household debts

Household assets	Household debts					
	0	\$1 - \$9,999	\$10,000- \$24,999	\$25,000 - \$49,999	\$50,000- \$99,999	\$100,000+
0	109 7.1 %	32 2.1 %	- -	- -	- -	- -
\$ 1 - \$ 9,999	83 5.4 %	123 8.0 %	24 1.2 %	4 0.3 %	- -	- -
\$10,000 - \$24,999	41 2.7 %	51 3.3 %	29 1.9 %	- -	- -	- -
\$25,000 - \$49,999	80 5.2 %	66 4.3 %	43 2.8 %	10 0.7 %	3 0.2 %	- -
\$50,000 - \$99,999	64 4.2 %	62 4.0 %	70 4.6 %	34 2.2 %	36 2.3 %	- -
\$100,000+	82 5.3 %	72 4.7 %	81 5.3 %	78 5.1 %	154 10.0 %	100 6.5 %

4.5 Specific asset and debt categories

The approach in this section continues to be one of evaluating consistencies between the results. Although data on frequencies, means and medians were obtained for all asset and debt items separately, evaluating them is problematic. This is because of the way the data were collected, i.e., neither at the individual nor family (household) level strictly speaking. The objective was to collect good data at the family level which would be used as attributes of the individual. The SLID test allowed respondents to report assets and debts whatever way they choose: simultaneously (each member reports a share) or for only one member (that member reports the whole amount). Nevertheless, a few items are analyzed in this section.

Home and other real estate assets are shown in Tables 8 to 11. In cases where members of a household reported separate shares of an asset, the shares were combined to have a single value (for example, for calculating averages and medians). In Newfoundland, a much higher proportion of individuals were in owner-occupied homes than in southern Ontario (Table 8). The average or median value was much higher in Toronto -- also as expected.

The median value of mortgages was about half the median value of the home in each test area (Table 9). However, the average mortgage equity ratios appear quite different. This, combined with the fact that average or median home equity ratios are much higher than one-half, means that in general owners of higher-valued homes have lower home equity ratios. It seems reasonable that a large proportion of lower-valued homes are owned free of a mortgage. In Newfoundland, a median home-equity ratio of 1.00 indicates that over 50% of homes are owned mortgage-free.

Table 8 Home value in the household, by test area

	Regional Office	
	St-John's (total 690)	Toronto (total 847)
Reported a value	540 indiv. 78.3%	516 indiv. 60.9%
Mean	\$59,252	\$150,904
Median	\$50,000	\$140,000

Note: Means and medians exclude 6 persons in homes for which a home mortgage value but no home value was reported.

Table 9 Mortgage value and home equity ratio for individuals in households reporting a home value, by test area

	Regional Office	
	St-John's	Toronto
Reported a mortgage value	147 indiv. 27.2%	324 indiv. 62.8%
Mean	\$29,002	\$71,388
Median	\$24,000	\$70,000
average home equity	0.88	0.69
median home equity	1.00	0.78

Values on other real estate property tend to be less high than for homes, and a difference between the two test areas still exists but is not as great. As could be expected, mortgages on other real estate property are not as important.

Table 10 Other real estate value, by test area

	Regional Office			
	St-John's		Toronto	
Reported another real estate value	93 indiv.	13.5%	95 indiv.	11.2%
Mean value	\$44,172		\$125,388	
Median	\$30,000		\$120,000	

Note: Means and medians exclude 2 persons in households with a real estate mortgage value but no real estate value.

Table 11 Other real estate value and other real estate equity ratio for individuals in households reporting another real estate value, by test area

	Regional Office			
	St-John's		Toronto	
Reported a value	13 indiv.	14.0%	57 indiv.	53.7%
Mean	\$42,231		\$71,688	
Median	\$55,000		\$64,000	
Mean equity ratio	0.95		0.70	
Median equity ratio	1.00		0.88	

One would generally expect that people who receive income from investments have investment holdings of some sort. Table 12 shows, for sampled individuals, household investment income by household net worth. Household investment income of \$2000 or more was reported for only 67 of the 1537 respondents. "Don't knows" and refusals to the investment income question were few, but higher for households with high net worth. For each level of investment income, over 35% of individuals had household net worth of \$100,000 or more. The rest were also concentrated among high net worth categories. These results appear reasonable.

Table 12 Distribution of individuals by household net worth and household investment income

Household investment income	Household net worth							Total
	Negative	Nil	\$1 - \$10000	\$10000-\$24999	\$25000 - \$49999	\$50000-\$99999	\$100000 +	
\$1 - \$999	20 5.1	8 2.0%	28 7.1%	47 11.9%	47 11.9%	97 24.6%	148 37.5%	100%
\$1000 - \$1999	3 3.5%	- -	- -	4 4.7%	8 9.4%	10 11.8%	59 69.4%	100%
\$2000 +	0 0.0 %	3 4.5%	0 0.0 %	3 4.5%	10 14.9%	12 17.9%	39 58.2%	100%

Tables 13 and 14 take a closer look at income received from Registered Retirement Income Funds (RRIFs) and annuities. Again, the logic is that some analogous wealth holdings should show up if income is received from these sources. In these two tables, to increase the study population we included some individuals who had not responded to all wealth items if they had responded to the RRIF or annuities question.

In Table 13, nearly all respondents (99.5%) were in households where no income from RRIFs and no RRIF assets were reported. Even where RRIF income was reported (9 cases), 75% reported no RRIF assets in the wealth portion of the interview. There were 9 respondents who reported zero RRIF income and did not know if they had RRIF assets; they could probably be assumed to not have any RRIF assets.

Table 13 Receipt of RRIF income and RRIF assets at household level

RRIF income	RRIF assets	
	Nil	Some RRIFs held
Nil	1,843	1
Some RRIF income reported	9	3

Much the same pattern emerges in Table 14, which looks at annuities. In this case, 4 individuals reported some income from annuities but did not know the value of them; another 9 who had no income from annuities but did not know about the value could be assumed not to have any annuities among their assets.

Overall, the frequencies for assets in the form of RRIFs and annuities seemed very low. They may also be low for income questions on these topics.

Table 14 Receipt of income from annuities and value of annuities at the household level

Income from annuities	Value of annuities	
	Nil	Some annuities held
Nil	1,841	5
Some income reported	10	1

4.6 Value of pension: a special case

The amount of money a person has invested in a pension plan from past and present employers, plus the interest that has accumulated in this plan, is, for most individuals, the largest asset they possess. Yet most individuals do not know what this investment amounts to. For respondents to know how much they have

accumulated in their pension plan, they would have to receive some notification from the employer. Otherwise they could sum all the T4 slips from past and present employers where they contributed to a pension fund, but this may not include the employer's contribution or the interest pertaining to that individual and which has accumulated in the plan. It is not possible to convert the information to an amount that represents the accumulated value of the person's pension without some prior knowledge of the type of plan.

A possible alternative is to obtain from respondents a pension registration number and link it to a file containing information from employers on their pension plans. Using the years of service of the individual, it would be possible to derive estimates of the accumulated pension amount for the individual.

Accordingly, in Test 3, respondents were asked to give their Pension Adjustment Amount (line 206 on the T1 form), Registered Pension Plan contributions (line 207 on the T1) for the past year and their Pension Plan Registration Number (Box 50 from the T4 form). The Pension Plan Registration numbers were linked to the Pension file.

A little more than half (54%) of respondents reported receiving wages or salaries in the previous year. For each of the three items requested, roughly 15% of respondents with wages and salaries reported "yes". Published data from other sources indicate that the proportion of people earning wages and salaries who have pensions is about 48% (Statistics Canada, Pension Plans in Canada, January 1, 1993), so the test results seem very low, even taking into account the sample design.

Of the 152 respondents who reported having a Pension Registration Number, 134 (88%) gave a reply different from zero, don't know or refusal. In 35% of cases

those numbers exactly matched a number on the pension file, while another 41% could be matched to a valid number (for example, by moving a decimal or adding a leading zero). In total, therefore, 76% of the answers received were valid and could be matched to the pension file for more information. (Ten respondents reported a registered pension plan number but did not receive wages or salaries; they may have been self-employed.)

For Registered Pension Plan contributions, 185 respondents gave a positive answer, and 174 gave amounts for their contribution. For those who answered zero, it is possible that they had participated in a pension plan, but, for some reason such as maternity leave, did not contribute to it in 1992.

We did not match the Pension Adjustment or the Registered Pension Plan contributions to the appropriate tax file numbers to examine the quality of the reported data in these fields. This was beyond the scope of the current study but could be examined further when time permits. However, if we look at the mean, lowest and highest values reported in those fields for respondents who gave a value different from zero, don't know or refusal, we get an idea that the data is not entirely clean.

The mean for the 162 respondents reporting a Pension Adjustment Amount is \$3561, while the lowest and highest values are \$1.20 and \$11,500. Twenty-two amounts were given with a decimal point. By definition, these amounts should not have a decimal point; therefore, those are erroneous. The maximum value that someone who was not contributing to a pension plan could contribute to an RRSP in 1992 was \$12,500. For respondents who were not salaried employees, this should have been their Pension Adjustment Amount, but not even one of our 162 respondents gave us that amount. One respondent gave us \$11,500 which was the ceiling for 1991 taxation year.

As for Registered Pension Plan Contributions, the mean of the 174 respondents was \$2254, the lowest reported contribution was \$0.54 and the highest was \$9946. Fifty-five percent reported an amount with a decimal point, in which case it is probably a precise answer.

Table 15 Pension Income Items

	All Respondents (total 1963)	Respondents with Wages & Salaries (total 1066)
Pension Adjustment		
No	1798	913
Yes	165	153
Of which amount=Don't know, refusal or zero	3	2
Remainder "yes"	162	151
Registered Pension Plan Contribution		
No	1771	893
Yes	185	167
Of which amount=Don't know, refusal or zero	11	10
Remainder "yes"	174	157
Pension Plan Registration Number		
No	1797	913
Yes	152	141
Of which amount=Don't know, refusal or zero	18	17
Remainder "yes"	134	124

4.7 Reporting differences depending on whether the "notebook" was used

In Test 3B, each respondent received a document before the income and wealth interview and was asked to complete it and hold it in readiness for the interviewer's call. If the respondent had completed the notebook beforehand, the interviewer just asked the respondent (or proxy) to read off the completed items.

If the notebook had not been completed, the interviewer would ask the respondent if he or she had last year's tax return available for consultation during the interview. If so, for the income part of the interview, tax line numbers would show up on the screen opposite the relevant item. This was called the "tax approach".

When no documents were consulted, the interview proceeded using "blocks" of related income and asset questions. The interviewer would ask a general question to determine if any items in the block applied and, if so, she would access a screen that displayed the questions on that topic in full detail.

In the test, 39% of respondents completed the notebook prior to the interview, 18% did not but had a tax return to consult during the income portion of the interview, and 43% did the interview without either.

For income, it appears, not surprisingly, that the data are of better quality both in cases where the notebook was completed beforehand and where the tax return was used.¹

¹ For a more complete evaluation of the Notebook, tax return and block methods for income questions, see Research Paper No 93-16, "SLID Test 3B Results: Impact of Notebook".

Table 16 Distribution of individuals by household net worth and by method of responding to interview

Household net worth	Method of responding							
	Notebook		Tax return		No records		Total	
Negative	36	28%	20	16%	73	57%	129	100%
Nil	46	41%	10	9%	56	50%	112	100%
\$1 -- \$9999	67	30%	43	19%	114	51%	224	100%
\$10000 -- \$24999	60	38%	29	18%	69	44%	158	100%
\$25000 -- \$49999	89	35%	47	19%	115	46%	251	100%
\$50000 -- \$99999	141	47%	48	16%	114	38%	303	100%
\$100,000+	165	46%	73	20%	122	34%	360	100%
Total	604	39%	270	18%	663	43%	1537	100%
Mean	\$81,312		\$75,467		\$55,565		\$69,179	
Median	\$50,700		\$42,200		\$28,000		\$40,000	

For wealth data, higher net worth values were obtained for individuals who completed the notebook beforehand, but it is not certain how much this was because people with higher net worth tended to use the notebook more or the notebook substantially reduced under-reporting. Differences in the use of the tax return by net worth are smaller, with the exception that relatively few people with zero net worth used it, as could be expected. People with higher net worth may have found the notebook and tax return methods of responding more attractive if they had more income items to report. Alternatively, notebook users may generally have been more interested and less likely to omit certain assets. Although the evidence can be interpreted both ways, it is reasonable to assume that

the notebook was useful in giving more time to respond to questions on wealth and to consult documents if available, thereby improving reporting.

However, for 1994, it was decided not to use the notebook for the income interview, and whether the notebook is introduced at a later time for income and wealth will depend on its value for income questions. This is because the argument for using the notebook in SLID for wealth is weaker than for income, given that there is no single source to consult and for some items there may not be any standard documents to consult.

5. SUMMARY AND RECOMMENDATIONS

Wealth information is being considered for possible inclusion in SLID, because it would be beneficial in interpreting other SLID data. The objective is to provide "broad brush" information that would allow users to classify respondents by family net worth. The SLID test provided some information to help in assessing the quality and respondent sensitivity of wealth questions, and thus help in making a decision on the viability of including this type of information in the survey.

Below are some of the main results of the evaluation:

- ! Personal net worth could be obtained for 82% of respondent individuals and household net worth could be obtained for 78% of respondent individuals. (Because of the frequent sharing of assets and debts among family members, household net worth is more important for analysis.)

- ! Results on net worth, total assets and total debts appear consistent among themselves, including the proportions of individuals in households with positive net worth (84%) and negative net worth (8%), and the finding that

households with larger (smaller) assets tend to also have larger (smaller) debts.

- ! However, there is probably some under-reporting behind the fairly high proportion of respondents with zero assets and debts (7%).

- ! Net worth rises substantially with the number of people in the household and whether there are any household members aged 65 and over; there is much greater inequality in the wealth distribution of households with older persons than in those without.

- ! Households in southern Ontario have much higher average and median net worth than those in Newfoundland. There is much greater inequality in the wealth distribution among households in southern Ontario.

- ! There is a very strong correlation between total household annual income and household net worth.

- ! Comparisons of home and mortgage values and frequencies between southern Ontario and Newfoundland appear reasonable. The large proportion of homes owned without a mortgage in Newfoundland is consistent with the finding that equity rates are higher on lower-valued homes in both areas.

- ! Individuals in households with some level of investment income were far more concentrated among households with very high net worth.

- ! Numbers of individuals in households with assets in RRIFs or annuities are extremely low, and are lower than for RRIFs and annuities received as income.

- ! Roughly 15% of respondents who had wages or salaries in the previous year reported that they had contributed to a pension during the previous year and the same for having a pension plan registration number or a pension adjustment amount.

From the evaluation, it can be presumed that there is a certain amount of under-reporting -- substantial in some cases. Yet the data that were collected seem to be of good quality when evaluated in terms of the internal consistency of the analytical results. All expected patterns were confirmed, although many absolute values and frequencies could not be evaluated against independent sources. Therefore, the topic of wealth should not be rejected for the purposes of augmenting analyses using other SLID data.

The decision to limit wealth data to one or two waves for each panel will minimize respondent burden, without really jeopardizing the uses of wealth data. The intent is to have a general idea of which households are more wealthy or less wealthy than others, without dwelling on minor changes in assets or debts in every year. Detailed changes in economic well-being should be measured in terms of annual income, not wealth.

The results on the pension items show that many respondents are unaware of their pension status -- whether they are a member of a registered pension and whether they made contributions in the past year. Direct interviewing may not be an effective way to obtain information for estimating value of pension. More work would be needed on the measurement approach for this important asset.

6. REFERENCES

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