Disparities between households in the national accounts: from savings to wealth

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The households account published in the national accounts gives an exhaustive presentation of the income, consumption and wealth of households, but does not provide information about the disparities that exist between them. Further to initial work on income and consumption inequalities in the national accounts published three years ago, this report presents new results, this time focused on wealth. These results are derived from a comparison between the wealth account in the national accounts and the survey data collected on this theme on a sample of households in 2003.

Age is one of the most discriminating determinants in household wealth. Households whose reference person is aged 60 or over have ten times more wealth on average than households aged under 30: the current savings level, resulting from the accumulation of past savings, largely explains this difference.

Active or retired self-employed people own 30% of household wealth, i.e. twice as much as their weight within the population. This stems from their need to build professional assets and probably also reveals specific wealth management strategies, partly linked to the anticipation of the income drop at the moment of retirement.

Households in the top standard of living quintile have 40% of gross disposable income, 75% of savings generated over a year, and 50% of wealth. This shows that at any given moment, the dispersion of wealth only partially reflects the inequalities in income and in savings. In particular, young well-off households may be in the process of building their wealth, while conversely, more elderly households may have accumulated extensive wealth without necessarily having income that is as high as their fortune. Additionally, the level of wealth partly comes from inheritances and donations.

Since it satisfies aspirations to become a homeowner, dwelling is the biggest asset in the wealth of many households and is one of the main causes of indebtedness. It can also generate rental income, but this kind of use mainly concerns wealthy households.

The national accounts framework serves to track economic flows on a year-by-year basis: output on a given territory, the income that this output generates, the way this income is distributed between the main economic agents (businesses, households, general government), and the way they use it. It also describes the wealth accumulated and the way this wealth evolves, particularly under the influence of saving flows, that is, the share of income that is not consumed over the current period. Focusing only on the situation of *ordinary households*[1] in Metropolitan France, the net wealth of these households at 31 December 2003 came to 6,112 Bn euros, that is, 6,700 Bn euros of assets (4,193 Bn euros of non-financial assets, i.e. dwellings, professional assets, etc., and 2,507 Bn euros of financial assets such as savings accounts and life insurance) minus 588 Bn euros of liabilities

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1. The italicised terms are explained in *Insert 1*.

(mortgages, consumer loans, etc.). In the same year, households saved 161 Bn euros, or 17% of their 980 Bn euros of disposable income.

This approach is purely macroeconomic. If we attempt to use it to describe an individual reality, by definition it can only describe the situation of an "average household", or, more precisely, the average situation of households, since an average household does not exist. For example, with a total of 25.2 million households, the average net wealth of a household stood at 242,000 euros at the end of 2003.

In the same way as income per household, the notion of wealth per household raises a few problems of interpretation, since it does not take the size of the household into account: within a perspective whereby savings are accumulated in order to satisfy the future consumption of the people in the household, we should to think in terms of consumption unit, as INSEE recommends for income, rather than household. However, such an approach turns out to be far less pertinent than it is with income: indeed, the consumption units would have to be not those of the moment, but those covering all the future periods in which this wealth is consumed, a task which is totally impossible. In the following pages of this report, we will thus continue to reason in terms of the "household" unit, despite its shortcomings.

There have been many calls in recent years for macroeconomic analysis to encompass the disparity of individual situations[2]. To be able to do so, it is necessary to link evaluations of the national accounts with the microeconomic data available elsewhere, that originating from social statistics. For example, the Wealth Surveys offer detailed information about wealth, collected through surveys on a sample of households whose socio-demographic characteristics are known.

A first comparison of macroeconomic and microeconomic data was carried out on household income and consumption, and was published in 2009[3]. Following this work, the wealth account is in turn broken down by combining the two sources of information on wealth. After a comparison in terms of scope and concept used (see *Insert 1*), it was possible to break the macroeconomic aggregates of the wealth account down by main categories of household according to several typologies (age and socio-professional category of the reference person, standard of living, composition of the household, size of urban unit to which the household belongs).

The results presented in this report[4] cover the year 2003, as the breakdown of the household income and consumption account concerns this same reference year. This work highlighted a sharp variability in the savings ratio depending on the type of household considered. And along with *capital transfers* and *revaluations*, savings are one of the reasons for variations in wealth.

On average, households aged 60 or over have ten times more wealth than those under 30

Average wealth per household, net of debt, reached 242,000 euros at end 2003. This average hides major disparities according to the age of the household's reference person. For example, households aged under 40 only possess 13% of total wealth, although they represent 30% of households *(figure 1)*.

2. This shortcoming has been regularly mentioned in recent years: Quinet report (2008), Moati-Rochefort (2008), Stiglitz (2009), Eurostat "Emphasize the household perspective in national accounts through social statistics" (2011).
3. Accardo J., Bellamy V., Fesseau M., Consales G., Le Laidier S. et Raynaud E., "Inequalities between households in the national accounts - Breakdown of household accounts", Insee References L'Économie française, édition 2009.
4. The detailed results are available on the internet: www.insee.fr.

1. Average household wealth according to age of the household's reference person

Average amounts per household, in euros

	Under 30	30 - 39	40 - 49	50 - 59	60 - 69	70 or over	Ordinary households
Non financial assets	**30 080**	**110 680**	**178 930**	**215 890**	**200 130**	**149 100**	**153 980**
of which dwellings	*27 740*	*106 630*	*170 740*	*205 940*	*189 010*	*140 860*	***146 470***
Professional assets	**3 060**	**25 070**	**37 320**	**43 900**	**17 960**	**10 330**	**24 700**
of which buildings held by unincorporated enterprises	160	1 450	6 660	8 740	4 110	3 860	**4 500**
of which non listed shares and other equities	1 240	19 940	20 490	20 380	5 940	1 800	**12 690**
Financial assets	**21 900**	**44 280**	**75 400**	**101 810**	**146 300**	**118 290**	**86 570**
of which sight deposits (passbooks, etc.)	5 200	8 490	14 280	17 200	13 540	17 140	**13 260**
of which contractual savings	4 580	8 290	9 620	15 380	12 000	9 370	**10 160**
of which listed shares Undertakings for Collective Investment in Transferable Securities	1 880	5 480	11 230	16 680	35 890	18 870	**14 880**
of which insurance technical reserves (life insurance, etc.)	5 120	14 100	27 530	35 740	67 260	50 830	**33 970**
Financial liabilities	**18 120**	**39 080**	**39 320**	**27 250**	**8 180**	**1 960**	**23 260**
On households concerned	56 802	86 130	84 882	75 791	38 371	28 623	**73 790**
Part of households concerned (in%)	33.8	46.6	46.0	38.0	21.3	6.9	**32.2**
Net worth (assets - liabilities)	**36 920**	**140 950**	**252 330**	**334 350**	**356 210**	**275 770**	**241 980**
Number of households	**2 677 360**	**4 698 009**	**4 874 815**	**4 672 751**	**3 233 038**	**5 102 138**	**25 258 111**

Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

The average net wealth of households with a reference person aged under 30 was 37,000 euros, or ten times less than the average net wealth of the 60-69 age group, with 356,000 euros. The growth in wealth with age stops at this point, however: households of 70 years or over had slightly less wealth (276,000 euros) than the sexagenarians, either because they accumulated less during their working life than more recent generations or because they started to use up their wealth to cope with the loss of income when they retired or made donations to relatives.

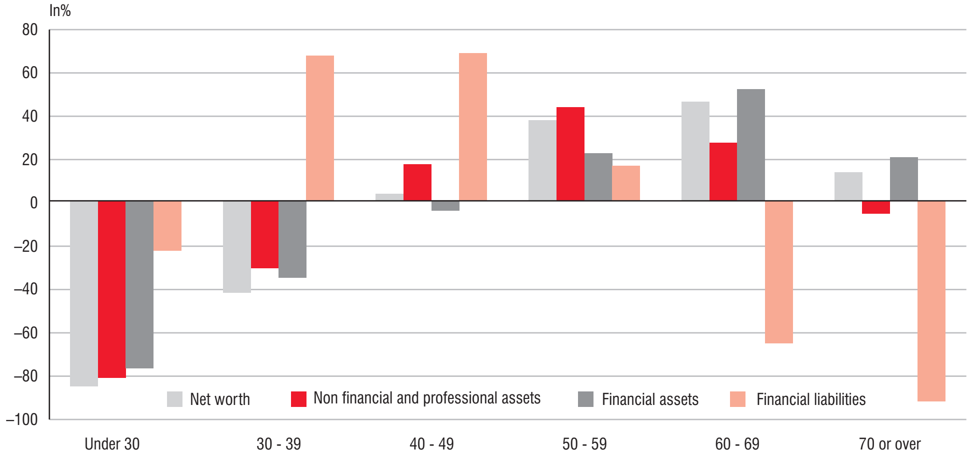
These results reflect the wealth accumulation of households throughout their existence: at first sight they seem to conform to Modigliani's lifecycle theory characterising the saving behaviour of households. Working households seek to accumulate wealth, which they will then consume after they retire in order to compensate for the loss of income. This saving effort also increases with age, since it is easier to make this effort as living standards increase in line with career progress. Other phenomena may also explain wealth disparities between age groups, such as the age at which households receive inheritances or donations.

An analysis of the composition of wealth by age shows that after the age of 50, households have above-average financial wealth *(figure 2)*. 71% of financial wealth is owned by households over 50 while 66% of non-financial and professional wealth belongs to households aged 40 to 69.

It is logically between the ages of 30 and 59, in other words during the working life, that the share of professional assets out of all assets is highest. It is also for this age group that the proportion of non-financial assets, particularly dwellings (see *Insert 2*), is the greatest. This accumulation of property assets goes hand-in-hand with a high level of debt (see below).

While households aged under 30 and over 60 both stand out for the larger share of financial assets in their wealth, the amounts in question are very different, as is the weight

2. Difference from the average stocks of assets and liabilities according to age of the household's reference person



Scope: ordinary households resident in mainland France as of 31 December 2003.
Reading help note: Financial liabilities of households where the head of the household is between 30 and 39 years old are above 68% of the liabilities of the whole households.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

of the various types of financial products *(figure 3)*. Younger people prefer sight deposits (savings accounts, in particular) and contractual savings (saving schemes offering low-interest mortgages and people's savings plans), which they can access more quickly to finance a property purchase, for example. At the other end of the scale, households aged over 60 have a broader portfolio and place greater emphasis on life insurance, bonds and Treasury bills, as well as units in Undertakings for Collective Investment in Transferable Securities (UCITS).

3. Composition of financial assets according to age of the household's reference person

In%

	Under 30	30 - 39	40 - 49	50 - 59	60 - 69	70 or over	Ordinary households
Currency and transferable deposits	20.8	15.5	12.5	11.8	7.9	10.6	11.3
Sight deposits	23.7	19.2	18.9	16.9	9.3	14.5	15.3
of which taxable passbooks	*2.5*	*2.9*	*7.1*	*5.0*	*1.2*	*2.7*	*3.6*
of which savings accounts	*7.3*	*5.4*	*5.2*	*6.1*	*4.2*	*6.4*	*5.6*
of which passbooks for young people	*2.2*	*0.2*	*0.7*	*0.3*	*0.0*	*0.0*	*0.3*
of which people's savings passbooks	*4.9*	*3.7*	*2.1*	*1.7*	*1.7*	*2.9*	*2.4*
of which sustainable development passbooks	*2.8*	*2.9*	*1.8*	*1.9*	*1.4*	*1.9*	*1.9*
of which housing savings accounts	*4.1*	*4.0*	*2.2*	*1.9*	*0.7*	*0.5*	*1.6*
Contractual savings	20.9	18.7	12.8	15.1	8.2	7.9	11.7
of which saving schemes offering low-interest mortgages	*20.0*	*16.5*	*11.2*	*11.7*	*6.5*	*5.6*	*9.5*
of which people's savings plans	*0.8*	*2.1*	*1.5*	*2.5*	*1.6*	*2.3*	*2.0*
of which corporate passbooks	*0.1*	*0.1*	*0.0*	*0.9*	*0.0*	*0.0*	*0.2*
Other deposits (bank issued medium-term note, etc.)	1.6	0.8	1.7	2.5	1.0	2.0	1.7
Securities other than shares (bonds and Treasury bills)	0.4	0.5	1.2	0.9	2.0	6.0	2.5
Credits	0.6	1.2	1.5	1.4	1.1	0.1	1.0
Listed shares and Undertakings for Collective Investment in Transferable Securities	8.6	12.4	14.9	16.4	24.5	15.9	17.2
Life insurance, death insurance and pensions savings	10.9	23.9	31.7	31.9	44.0	41.0	35.7
Prime reserves and claim reserves	12.5	7.9	4.8	3.2	2.0	2.0	3.6
Financial assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average amounts (in euros)	**21 900**	**44 280**	**75 400**	**101 810**	**146 300**	**118 290**	**86 570**

Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

Insert 1

A household survey to analyse the wealth account

Sources

In the national accounts, the household wealth account presents the assets they hold (financial and non-financial assets) and the debts they have taken out (liabilities) at 31 December of each year. The balance between gross assets (all assets) and liabilities is the net assets or net worth that measures the wealth of households. The wealth of a household may increase in several different ways: the household may save a part of its current income, it may also benefit from the transfer of a good or asset from another economic agent, this transfer being of an exceptional nature, meaning that it has no impact on income or on current consumer spending. Donations and inheritances, including of non-financial assets, are among these operations described as capital transfers as opposed to current transfers. A household may also see its wealth increase by a rise in the value of the assets it possesses. The wealth of a household is thus assessed at market prices which may fluctuate greatly from one year to another. All such effects relating to the price of the assets are tracked in the revaluation accounts. Finally, other events may modify a household's wealth, such as finds (of resources, precious objects) or destructions (due to natural disasters, for example); the national accounts post these in "other changes in volume".

The households account in the national accounts is not obtained by aggregating individual accounts (usually nonexistent) but directly on a macroeconomic level. It is therefore a way of approaching the "average" household, or more precisely the average situation of households. To break down the masses of assets and liabilities between the different categories of households, we used a survey of households, the Wealth Survey conducted by the INSEE in late 2003 / early 2004. It enables us to observe the distribution of household wealth and the percentages holding assets, but also to analyse the explanatory factors of their wealth behaviour: about 15,000 households were surveyed, of whom 9,700 responded.

Only the part of the account giving wealth value at the end of the year was broken down, because the available surveys do not enable us to track operations and flows in the current year by type of assets or liabilities (acquired or disposed of), nor to make a distinction between price effects and volume effects, i.e. to see which household categories have benefited from a rise in the value of their assets and/or have acquired further assets in the course of the year via savings or via an inheritance, for example.

Scope

Like in most household surveys, only ordinary households are surveyed. People living in collective households (boarding schools, workers' residences, retirement homes, prisons, etc.) are therefore excluded from the scope covered.

In addition to this, the Wealth Survey covers only households living in Metropolitan France. Conversely, the national accounts cover the whole of the resident population, including that in overseas departments.

In line with the previous studies conducted on household account flows (income and consumption), specific treatment was therefore conducted on collective households and households in overseas departments: via different sources, the wealth masses of collective facilities and overseas departments were estimated then removed from the global masses in the wealth account.

Net household wealth by population type at 31 December 2003

in billion of euros

	Households accounts	*…of which overseas departments*	*…of which collective households*	Scope of the study
Non financial assets	4 282.4	*71.1*	*18.6*	4 192.7
Financial assets	2 571.5	*15.3*	*49.3*	2 506.9
Financial liabilities	598.7	*10.0*	*1.2*	587.6
Net worth	**6 255.2**	***76.4***	***66.7***	**6 112.1**

Scope: households resident in mainland France, excl. payable and receivable accounts.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

Insert 1 (next)

The shares of wealth owned by households in overseas departments were estimated at 1.7% of the total mass of non-financial assets, 0.6% of financial assets and 1.3% of liabilities; the same estimates concerning people living in collective facilities are respectively 0.5%, 1.9 % and 1.0%.

The wealth account covers households and unincorporated enterprises owners. The Wealth Survey asks households about their professional assets (non-financial assets such as land or other) whenever one of the household members is "primarily self-employed"[1] or "secondarily self-employed"[2] or if they do not use these assets as part of their professional activity (either because they rent them or because they do not use them). The professional assets described in the survey may therefore belong to self-employed people, but also to companies. In order to ensure consistency with the national accounting framework, professional assets owned by companies were treated separately in the survey. The value of shares in limited liability companies, limited liability farms and limited liability sole proprietorships owned by their directors, considered as professional assets in the survey, were added to the amounts corresponding to the "unlisted shares and other equities" collected in the survey.

Household categories selected for the breakdown

The objective is to break down wealth as it is presented in the national accounts by category of household, using various socioeconomic criteria: standard of living and composition of the household, age and socio-professional category of the reference person, and size of urban unit to which the household residence belongs.

The same categories as those used for the breakdown of the flow accounts (income and consumption) were selected. Household composition, age and socio-professional category are variables in the Wealth Survey; however, the modalities were grouped together for retirees and other inactive people in order to obtain sufficient numbers of households.

The size of urban unit was introduced, although it was not originally introduced in the breakdown of the flow accounts.

In the national accounts, gross disposable income (GDI) includes earned income (gross wages and salaries of households, profits made by unincorporated enterprises owners), property income excluding unrealised or realised gains (dividends, interests and rents), transfers (notably insurance claims net of premiums) and social benefits (pensions, unemployment benefits, family allowances, minimum welfare payments, etc.). Conversely, taxes (mainly income tax, housing tax, general social contributions and social debt reimbursement contributions) and social contributions reduce GDI.

As the accounts are drawn up for all households, financial transfers (alimony, financial aid) and exchanges of goods and services (automobiles, clothing, household appliances) between households have no impact on the overall aggregates; they are therefore not specifically evaluated. However, in the breakdown of the flow accounts, a method was used to estimate private transfers in cash as well as purchases and sales of automobiles between households. The disposable income and the savings analysed in this article take these private transfers between households into account.

The standard of living is the ratio between the household's gross disposable income and the number of consumption units. No household survey contains a variable corresponding exactly to disposable income as defined in the national accounts.

In the field of housing, the accounts cover all dwellings owned by households; in the surveys, only the information about main residences is collected (housing tax, property tax and mortgages).

Furthermore, certain components of disposable income are not fully covered in the surveys since they only cover a sample of the population. This is particularly the case of property income, which is highly concentrated among households and is therefore unobservable. This type of income therefore has to be readjusted to the masses in the national accounts. Lastly, income from undeclared work and fraud should theoretically be absent from the data

1. That is, active person whose status is "employee as head of his or his spouse's company", "helps a member of his family", "self-employed".
2. That is, active person whose secondary activity is "farmer", "merchant", "craftsperson or small industrialist", or "the professions".

Insert 1 (next)

collected in surveys; the national accountants make adjustments to include this income in disposable income.

Finally, the national accountants calculate certain income flows that are not directly received by households. The main one concerns owners who occupy their dwelling, thereby producing a self-consumed housing service; in this respect, both their income and their consumption of an "imputed" rental are included.

This method has an impact on the breakdown of owner-occupiers according to the standard of living scale: for example, the percentage of homeowners is 14% in the first quintile, while in the Fiscal Income Survey, where rents are not imputed, this proportion is 29%.

To classify the households surveyed according to standard of living, disposable income "in the sense of the national accounting" was calculated using data from the Statistics on Resources and Living Conditions of Households Survey (SRCV). This choice is explained by the fact that the concept of disposable income in this survey is the closest to that of the national accounts, in that resources such as self-consumption and benefits in kind are collected.

Income that is not fully covered, such as financial income, was estimated econometrically and readjusted to the macroeconomic data. Not only were rents imputed to owner-occupiers, but other components such as interest on consumer loans, fraud and undeclared work were also imputed.

Once disposable income in the sense of the national accounting has been attributed to each individual in the SRCV survey, an econometric equation is estimated linking this disposable income to other variables in the survey. The model's explanatory variables are as follows: income declared by households in the survey, social category, occupancy status of the dwelling, and family composition. Thanks to this econometric model, we then impute a disposable income in the Wealth Survey, which is related to the number of consumption units of each household. Ultimately, the households in the Wealth Survey are classified according to their standard of living in the sense of the national accounting.

Breakdown method

The breakdown method selected is similar to that used to break down the flow accounts by household category.

The first step consists in associating an item of information in the survey with each component of the wealth account.

For each component, we compare the definitions and associated masses between the two sources in order to obtain a coverage rate by operation and to pinpoint the components that are not covered by the survey. The results of the comparison show much lower amounts given by the survey, in particular for financial assets, the coverage rate of which is one-third. This rate reaches 70% for non-financial assets (73% for property assets).

Several phenomena can explain these discrepancies. In the first place, as the distribution of wealth is highly concentrated, it is difficult to accurately measure the highest wealth levels by means of a survey sample. Next, questions of money and wealth evaluation are difficult to answer. Respondents have to be capable of evaluating the market value of goods that have sometimes been acquired several years earlier (property, life insurance) and which may have varied greatly since the acquisition. They also have to be able to evaluate goods whose value can fluctuate sharply over short periods (listed shares, financial assets). Respondents may therefore prefer to give a "floor" value or a prudent estimate of their assets.

These undervaluations existed in previous editions of the Wealth Survey. They are also encountered in the surveys conducted on the same theme in other countries. In this respect, the protocol of the 2009 Wealth Survey made some progress (collection method, overrepresentation of the highest net-worth households in the sample).

During the item-to-item matching between the national accounts and the survey, three points emerged. Sometimes there is no equivalent in the survey: this is the case for example of banknotes and coins which, by convention, we chose to break down as transferable deposits.

In other cases, the account is more detailed than the household survey. For example, Treasury bills, savings certificates and savings notes represent a single asset in the survey but refer to two different components in the accounts: they were broken down using a formula from the national accounts data. For short- and long-term loans, due to lack of information these two components were grouped together in the accounts to be compared with an available component in the survey.

Insert 1 (next)

Conversely, whenever possible, the components of the account (financial assets, most notably) were broken down in order to isolate the amounts corresponding to each asset described in the survey: for example, within sight deposits, the various types of savings accounts were distinguished; information from the Banque de France was used.

There was a specific treatment for unlisted shares and other equities, the coverage rate of which was very low in the survey. We estimated the value of the shares in limited liability companies, limited liability farms and limited liability sole proprietorships when the director was a member of the household, mobilising the value of net professional wealth (professional assets minus professional liabilities). The corrected value of these assets given by the survey was compared to the account amount.

To get closer to the notion of wealth in the survey, the concept of professional assets was introduced, even though it does not exist in the national accounts. It encompasses the following non-financial assets: buildings owned by unincorporated enterprises, agricultural professional assets (assets and cultivated land) and other professional assets (machines and equipment, including software, intangible non-produced assets, stocks). Added to this are unlisted shares and other equities.

Non-financial, non-professional assets include buildings owned by households, woods and forests and other land and water surfaces, as well as valuables. Financial assets correspond to all financial assets described in the survey except for unlisted shares and shares in limited liability companies, limited liability farms and limited liability sole proprietorships.

For financial assets, the distribution of which is even more concentrated than that of property assets, we took into account the data available in the 2009 Wealth Survey which has a better sampling plan than the 2003 survey. The outstanding amounts of assets of households according to their standard of living quintile were calculated in the 2009 Wealth Survey in two ways: by implementing the coverage improvements brought by the new survey protocol, but also using a constant methodology as in the 2003 survey. This allowed us to measure the differences in amounts linked to the underrepresentation of high net-worth households in 2003, and to adjust the amounts of the 2003 survey accordingly for each type of financial asset and each household category (according to standard of living).

Once these matches have been made and these two specific readjustments performed (unlisted shares and financial assets), we calculate average amounts for each household category and for each component in the survey. For this we use the five category variables available in the Wealth Survey (including the standard of living quintile, imputed via the method described above).

Next we calculate the associated financial masses by multiplying the average amounts by the stock of each household category. The household stock data come from the Employment Survey, the housing satellite account, and the Fiscal Income Survey for 2003.

Lastly, the masses obtained are adjusted, via a multiplying factor, to the total masses in the national accounts (restricted to ordinary households in Metropolitan France).

For each component of wealth, we thus have a breakdown of the value of the account by household category. We calculate the gross wealth of households by adding together the financial assets and non-financial assets components. The total net wealth of households is calculated by subtracting household liabilities from the gross wealth figure.

This method gets the best out of the available information. However, it is still dependent on the quality of this information. In particular, the adjustment to macroeconomic data involves correcting an undervaluation of the assets declared by each household, but we do not attempt to correct any non-declaration: a household that neglects to declare an asset will still have no asset after the adjustment. Similarly, this adjustment to the data in the national accounts makes no improvement whatsoever to the accuracy of the microeconomic data on very high net-worth households and their heterogeneity. Lastly, this method is also dependent on the quality of the estimates supplied by the national accounts themselves.

For the complete method for breaking down the wealth account by household category, refer to the working document published on the INSEE website.

Insert 2

Housing: a significant proportion of income, consumption and wealth

Housing is a special kind of asset in more than one way. Not only does it satisfy the aspiration of households to become homeowners, it is also the main component in their wealth. At the end of 2003, it represented 55% of the assets held and was behind 60% of household's liabilities *(figure)*. Housing is also the number one item in household consumption (20%) and it contributes 13% to the disposable income of home-owning households in the form of housing service production *(see Insert 1)*, whether the households rent out their property to third parties or occupy it themselves (in the latter case, housing increases their income in that it allows them to consume a housing service). In addition to this, even if part of their property assets is passed on by inheritance, its acquisition often implies taking on debts and therefore having to generate a large saving capacity for many years in order to pay it off.

On the whole, mortgages that have not yet been repaid represent 10% of the total value of houses. This proportion varies little between the standard of living quintiles, although this is not the case in other respects. For example, households in which the reference person is under the age of 40 still have 28 % of their property left to repay;

Housing income, consumption and wealth in 2003

In billion of euros

	Primary income generated by dwellings	*of which actual rentals (1)*	Interest paid for main residences	Consumption in rentals	*of which imputed rentals*	Wealth in dwellings	Mortgages	Part of households owners (in%)	Part of households new-home owners (in%)
Q1	5	*0.0*	0.9	11	*6*	212	20	13.6	7.7
Q2	11	*0.6*	2.0	20	*12*	399	37	26.9	16.3
Q3	20	*1.2*	3.4	29	*21*	590	65	35.7	24.3
Q4	31	*3.3*	4.4	38	*31*	864	98	40.4	31.0
Q5	58	*20.3*	4.0	49	*43*	1 635	138	53.9	28.9
Under 30	4	*0.3*	1.1	11	*4*	74	21	1.8	11.9
30 - 39	20	*1.4*	6.1	30	*21*	501	138	5.6	40.5
40 - 49	26	*3.7*	4.9	32	*26*	832	118	21.1	39.8
50 - 59	28	*6.7*	2.2	30	*25*	962	63	46.6	20.9
60 - 69	20	*6.2*	0.5	19	*16*	611	13	62.1	7.4
70 ans or over	26	*6.9*	0.1	26	*22*	719	5	59.7	1.7
Farmers	2	*0.8*	0.1	2	*2*	87	3	56.4	27.9
Self employed (excluding farmers)	12	*4.4*	1.6	11	*9*	383	31	31.0	33.7
Senior managers	19	*3.1*	3.6	25	*19*	640	117	24.2	41.6
Intermediate professionals	19	*2.0*	3.8	26	*19*	536	77	22.1	37.1
Clerical workers	9	*1.0*	1.5	14	*9*	215	33	14.4	21.5
Manual workers	13	*0.8*	3.2	20	*14*	385	72	15.6	31.0
Retired farmers and self employed	12	*6.0*	0.1	8	*7*	308	5	68.9	3.9
Retired senior managers and intermediate professionals	18	*4.6*	0.3	17	*15*	543	8	68.1	7.6
Retired clerical workers, manual workers and other non-active persons	19	*2.5*	0.5	25	*19*	603	11	47.1	3.1
Single persons	24	*5.6*	1.1	33	*21*	616	29	30.8	8.4
Single-parent families	6	*0.9*	0.6	8	*5*	149	17	22.7	14.5
Couples with no child	45	*12.7*	2.7	46	*37*	1 400	72	53.0	13.1
Couples with 1 child	19	*3.0*	3.2	23	*18*	580	70	31.7	32.4
Couples with 2 children	21	*2.3*	4.9	25	*22*	633	108	17.1	52.4
Couples with 3 children or more	9	*0.7*	2.2	11	*10*	322	62	16.0	47.5
Ordinary households	**124**	***25***	**14.7**	**147**	***114***	**3 700**	**358**	**34.1**	**21.6**

(1) correspond to rentals received minus intermediate consumption and property tax (considered as a tax on production).
Scope: ordinary households (excl. unincorporated enterprises) resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

Insert 2 (next)

households in which the reference person is a manual worker or couples with three children or more 19%. Conversely, the mortgage to property asset ratio is low for farmers and other self-employed people (4% and 8% respectively).

Housing can also generate income in the form of rentals received from tenants. This type of income mainly concerns well-off households: 80% of rentals are collected by households in the fifth quintile. Half of the households receiving rental income are households in which the reference person is over the age of 60, and half are people living alone or without any children in the household.

Households aged between 30 and 49 are the most indebted: their average liabilities (which finance the acquisition of consumer goods or non-financial and professional assets) come to 39,000 euros. The lowest levels of outstanding debt concern households whose reference person is aged 70 or over (2,000 euros), 60 to 69 (8,200 euros) and under 30 (18,100 euros). These average amounts are calculated across all household age groups, whether they are indebted or not. This "hyperbolic" profile of the average indebtedness per age group is the same when we restrict ourselves only to indebted households, but is accentuated by the fact that the proportion of indebted households is itself lower among the youngest and oldest households. The nature of liabilities also differs according to age: the share of property loans in all liabilities is 75% for the 30-39 age group and 61% for the 40-49 year-olds, against less than 50% for the other age brackets; conversely, consumer loans represent more than one-third of the debt of households aged under 30, but also those aged 60 or over.

Like the ownership of professional assets, professional loans are overrepresented among households aged 40 to 59.

The ratio of all the liabilities of households to their assets constantly decreases with age: 0.33 on average for households under 30, 0.22 for the 30 to 39 group, and the negligible figure of 0.01 among households aged 70 or more.

Active or retired self-employed people own 30% of net household wealth

The breakdown of wealth according to socio-professional category is also unequal. The average net wealth of the self-employed (592,000 euros) and that of farmers (713,000 euros) is far higher than that of senior managers (372,000 euros), which in turn is much higher than that of the intermediate professions (194,000 euros) *(figure 4)*. Clerical workers and manual workers have a far lower average net wealth (around 100,000 euros).

The average net wealth of farmers is thus almost three times higher than that of all households, while that of clerical workers and manual workers is less than half of that of all households. The ratio between the average net wealth of farmers and that of clerical and manual workers is 7.1.

Farmers, handicrafts professionals, merchants, business leaders and the professions own 30% of all wealth, whether they are still active or retired, whereas they only represent 13% of all households. However, it should be emphasised that the pension entitlements of employees are not included in their wealth here. This promise of a stable source of future income could be counted as an element in the wealth of employees. This may explain why their wealth is lower than that of the self-employed, who very likely include in their wealth management strategy –particularly professional wealth– the loss of income caused by retirement (generally more marked than for employees bearing in mind the different logic of their pension schemes).

4. Average wealth of households according to the socio-professional category of the household's reference person

Head of the household (active)

Average amounts per household, in euros

	Farmers	Self employed (excluding farmers)	Senior managers	Intermediate professionals	Clerical workers	Manual workers
Non financial assets	243 690	300 610	268 700	155 630	80 690	90 720
Professional assets	413 940	189 240	11 260	9 180	4 180	4 080
Financial assets	139 900	164 450	149 050	61 080	36 040	30 760
Financial liabilities	84 490	62 530	57 270	31 980	19 800	25 380
On households concerned	*280 466*	*161 624*	*116 705*	*70 540*	*53 751*	*51 959*
Part of households concerned (in%)	*34.9*	*34.7*	*52.3*	*48.0*	*35.9*	*44.1*
Net worth (assets-liabilities)	**713 030**	**591 770**	**371 730**	**193 920**	**101 110**	**100 180**
Number of households	**404 130**	**1 363 938**	**2 475 295**	**3 561 394**	**2 778 392**	**4 394 911**

Head of the household (non-active)

Average amounts per household, in euros

	Retired farmers and self employed	Retired senior managers and intermediate professionals	Retired clerical workers, manual workers and other non-active persons	**Ordinary households**
Non financial assets	217 480	252 500	97 500	**153 980**
Professional assets	46 890	8 450	2 450	**24 700**
Financial assets	211 200	189 880	50 460	**86 570**
Financial liabilities	4 330	7 150	3 570	**23 260**
On households concerned	*40 247*	*34 833*	*33 758*	***73 790***
Part of households concerned (in%)	*10.5*	*19.9*	*12.4*	***32.2***
Net worth (assets-liabilities)	**471 250**	**443 670**	**146 840**	**241 980**
Number of households	**1 566 003**	**2 247 972**	**6 466 076**	**25 258 111**

Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

The socio-professional category to which the household's reference person belongs does not only influence the level, but also the composition of the wealth owned *(figure 5)*. The share of professional assets out of all assets is 51% for farmers and 29% for senior managers and the professions, against just 2 to 5% for each of the other categories of households whose reference person is still working. The assets of retired farmers and other self-employed people still include one-tenth professional assets. All in all, 80% of professional assets are owned by the self-employed, whether they are working or retired.

Half of the professional assets of households are unlisted shares and other equities. The rest are fairly equally divided between buildings owned by unincorporated enterprises, agricultural professional assets, and other professional assets. Unlisted shares and other equities represent 45% of the professional assets of farmers, and agricultural assets 24%, while nearly two-thirds of the wealth of the other self-employed is composed of stocks in companies. Stocks in companies still represent one-quarter of the professional assets of retired self-employed people (farmers, business leaders and the professions), although this wealth is mainly composed of cultivated land and lands underlying buildings.

On average, 95% of non-professional non-financial assets are dwellings, while woods and forests, other land and water surfaces only account for 3% of the total (although slightly more among the self-employed, in particular working or retired farmers), and valuables come to 2%.

5. Composition of professional assets according to the socio-professional category of the household's reference person

Head of the household (active)

in%

	Farmers	Self employed (excluding farmers)	Senior managers	Intermediate professionals	Clerical workers	Manual workers
Buildings held by unincorporated enterprises (non residential buildings principally)	16.6	12.6	15.4	15.0	21.6	38.6
Other professional assets excl. Agricultural assets	14.8	21.5	6.2	16.5	5.5	23.8
of which machinery and equipements, incl. softwares	*11.0*	*5.2*	*2.2*	*4.5*	*1.5*	*15.7*
of which intangible non produced assets	*0.1*	*13.7*	*2.9*	*11.0*	*1.3*	*6.9*
of which stocks	*3.7*	*2.6*	*1.2*	*1.0*	*2.8*	*1.1*
Other professional agricultural assets	23.9	1.0	14.3	11.2	10.4	15.9
of which vines and orchards	*4.3*	*0.2*	*4.9*	*6.3*	*0.0*	*2.3*
of which livestock	*9.3*	*0.1*	*0.2*	*0.3*	*1.7*	*2.9*
of which cultivated grounds	*10.3*	*0.7*	*9.2*	*4.6*	*8.6*	*10.7*
Not listed shares and other equities	44.7	64.9	64.1	57.3	62.4	21.8
Professional assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average amounts (in euros)	**413 940**	**189 240**	**11 260**	**9 180**	**4 180**	**4 080**

Head of the household (non-active)

in%

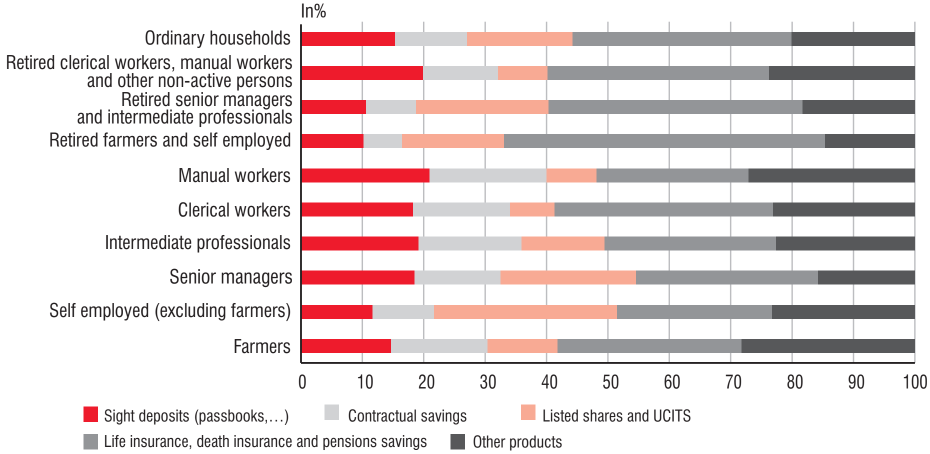
	Retired farmers and self employed	Retired senior managers and intermediate professionals	Retired clerical workers, manual workers and other non-active persons	**Ordinary households**
Buildings held by unincorporated enterprises (non residential building principally)	36.3	20.6	25.8	**18.2**
Other professional assets excl. Agricultural assets	7.1	5.9	8.1	**16.0**
of which machinery and equipements, incl. softwares	*2.7*	*1.4*	*1.8*	***6.3***
of which intangible non produced assets	*2.4*	*3.4*	*6.2*	***7.2***
of which stocks	*2.0*	*1.1*	*0.1*	***2.5***
Other professional agricultural assets	32.3	32.8	35.3	**14.4**
of which vines and orchards	*5.3*	*7.9*	*3.0*	***2.8***
of which livestock	*1.3*	*0.0*	*0.4*	***2.8***
of which cultivated grounds	*25.8*	*24.9*	*32.0*	***8.8***
Not listed shares and other equities	24.2	40.7	30.7	**51.4**
Professional assets	**100.0**	**100.0**	**100.0**	**100.0**
Average amounts (in euros)	**46 890**	**8 450**	**2 450**	**24 700**

Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

In non-self-employed households, where the ownership of professional assets is marginal, senior managers own more financial assets than the intermediate professions, clerical and manual workers. Conversely, farmers have little in the way of financial assets, mainly due to the large share of their professional assets.

The composition of the portfolio of financial assets also varies according to the socio-professional category of the head of the household *(figure 6)*. For example, business leaders and the professions, senior managers, and retired executives and intermediate professions are distinguished by quite a high proportion of listed shares and units in UCITS. Clerical and manual workers, whether active or retired, have the vast majority of their financial assets in savings accounts.

6. Structure of financial wealth according to the socio-professional category of the household's reference person



Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

The acquisition of professional assets is accompanied by a high level of debt

Farmers have the highest average amount of debt (84,500 euros). Next come the other self-employed (62,500 euros) and senior managers (57,300 euros). The least indebted households are retirees and other inactive people, with an average amount lower than 7,200 euros: their average mortgages is ten times lower than all active people, their consumer loans are three times lower, and their professional loans are negligible. However, if we consider the proportion of indebted households only, farmers are no longer the most concerned; they are replaced by senior managers and the intermediate professions (with more than 48% of them concerned).

Professional loans represent 87% of debt for farmers and 57% for business leaders and the professions, against 17% for all households. This is explained by their self-employed status, which requires them to make professional investments.

The share of mortgages in the debt of farming households is less than 10%, while for executives it is the highest (83%). More than two-thirds of the liabilities of the intermediate professions, manual workers and retired farmers and self-employed are also dedicated to mortgages.

It is in the households of retired clerical and manual workers and other inactive people that the share of consumer loans is the highest, standing at more than 50% of their debt, against 20% for all households.

On average, liabilities represent 9% of gross wealth. The weight of liabilities is greater among households whose reference person is active (with a maximum value of 20% for manual workers); it is lower for retired or inactive households.

In terms of type of liabilities, indebtedness weighs heaviest among households where one member is a unincorporated enterprise owner. Indeed, professional assets are those that generate the highest indebtedness. If we relate them to the amounts of professional assets, professional loans represent 16% of the total, whereas if they are related to property assets, the mortgages of households represent 10% of the total.

Half of all wealth is owned by the wealthiest 20% of households

The level of wealth varies sharply according to the standards of living of households *(figure 7)*. For example, the average net wealth of the poorest 20% of households (i.e. belonging to the first standard of living quintile) stands at about 74,000 euros, which is barely one-third of the average net wealth of all households. Households in the second quintile have an average net wealth equivalent to half that of all households, while those in the third and fourth quintiles are respectively at three-quarters of the average and slightly over the average. However, the wealth of households in the fifth quintile is 2.5 times higher than the average wealth of all households. The wealthiest 20% of households own 49% of all net wealth, eight times more than the households in the first quintile.

The concentration of wealth is more marked in terms of financial assets than non-financial assets. Households in the top quintile own 55% of financial wealth, against just 44% of non-financial wealth. Additionally, their indebtedness only represents 34% of total liabilities.

Correlatively, the ratio between the wealth of households in the top quintile and that of households in the first quintile is 8.9 for financial assets against 6.9 for non-financial assets.

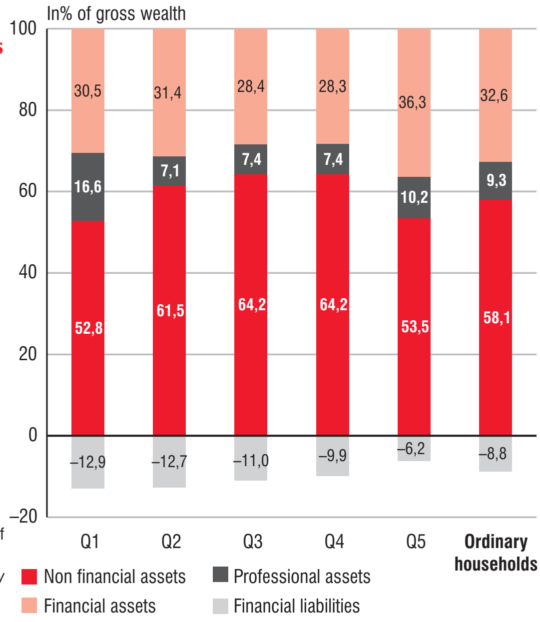
7. Average wealth of households according to standard of living quintiles

Average amounts per household, in euros

	Q1	Q2	Q3	Q4	Q5	Ordinary households
Non financial assets	44 900	83 200	123 410	178 180	340 230	**153 980**
Professional assets	14 140	9 660	14 220	20 670	64 790	**24 700**
Financial assets	25 920	42 500	54 530	78 620	231 260	**86 570**
Financial liabilities	10 970	17 170	21 180	27 340	39 660	**23 260**
On households concerned	*54 396*	*58 063*	*64 257*	*72 186*	*107 008*	***73 790***
Part of households concerned (in%)	*20.6*	*30.2*	*33.7*	*38.7*	*37.8*	***32.2***
Net worth (assets-liabilities)	**74 000**	**118 200**	**170 970**	**250 120**	**596 630**	**241 980**
Number of households	**5 051 622**	**5 051 622**	**5 051 622**	**5 051 622**	**5 051 622**	**25 258 111**

Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

8. Wealth structure of households according to standard of living quintiles



Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003

Liabilities are far less concentrated, with a ratio of 3.6 between households in the top quintile and those in the first quintile.

The share of professional assets out of all assets is higher among households in the first and last standard of living quintiles than the households in the intermediate quintiles *(figure 8)*: they represent 17% of assets owned by households in the first quintile and 10% for the last quintile, against around 7 % for households in the other quintiles. This reflects the fact that active and retired self-employed people are proportionally more prominent both at the top and the bottom of the living standards scale.

The breakdown of professional assets varies greatly from one quintile to the next: the professional assets of households in the first two quintiles are composed of at least one-quarter property, one-quarter non-agricultural professional assets, and one-quarter agricultural professional assets. The professional assets of the higher quintiles (3 to 5) are mainly composed of unlisted shares and other equities.

For the wealthiest households, the share of financial assets is also higher: 36.3% against 32.6% for all households. These assets include almost one-quarter listed shares or units in UCITS, the proportion of which also rises with the standard of living. The financial wealth of households in the lower quintiles comes more generally in the form of low-risk cash savings, such as people's savings accounts or other saving schemes. The proportion of other deposits in their total financial assets is also greater.

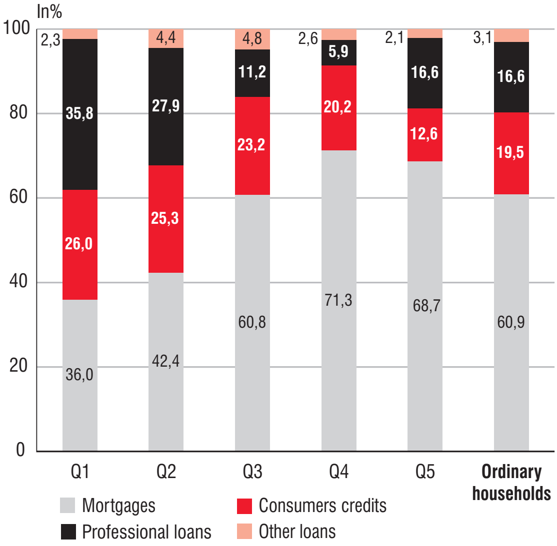
The share of life insurance in all financial assets, which stands at 36% on average, varies little from one quintile to the next. In 2003 life insurance was the principal investment made by households, encouraged by tax incentives.

Liabilities represent just 6% of the gross wealth of households in the top standard of living quintile

The average amount of liabilities is 23,300 euros per household; it is 11,000 euros for the first standard of living quintile and 39,700 euros for the top quintile. This rise in average debt in line with living standards is accentuated by the fact that the proportion of indebted households itself increases with the standard of living. Debt only represents 6% of the assets owned by households in the top quintile, against 13% in the first quintile.

Mortgages represent 61% on average of all loans *(figure 9)*, consumer loans 19%, and professional loans destined for unincorporated enterprises owners 17%.

9. Composition of household liabilities according to standard of living quintiles



Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

However, the weight of loans for property purchases out of all loans is, on average, twice as high for households in the top quintile (69%) as for those in the first quintile (36%); conversely, the weight of consumer loans is twice as high for first-quintile households (26%) as for those in the top quintile (13%).

Professional loans weigh more heavily in the liabilities of households with lower standards of living: 36% for the first quintile and 28% for the second. However, the amounts of these loans are larger for households in the top quintile.

Households with children have a higher level of indebtedness

The family composition of the household shows less of a distinction in terms of assets, but highlights very different indebtedness levels.

The ratio between the average net wealth of childless couples (the highest at 349,500 euros) and that of single-parent families (the lowest at 118,000 euros) is 3 *(figure 10)*. Among couples with children, who on average have less wealth than childless couples, there are few differences according to number of children. Single people have more wealth than single-parent families, but 2.4 times less than childless couples.

10. Average household wealth according to family composition of the household

Average amounts per household, in euros

	Single persons	Single-parent families	Couples with no child	Couples with one child	Couples with 2 children	Couples with 3 children or more	Ordinary households
Non financial assets	81 190	82 340	201 420	185 270	207 540	212 580	153 980
Professional assets	8 050	9 200	32 760	38 170	35 710	39 370	24 700
Financial assets	64 180	42 790	133 480	81 000	70 400	77 500	86 570
Financial liabilities	7 220	16 280	18 160	33 110	54 770	52 160	23 260
On households concerned	*44 659*	*51 387*	*63 246*	*75 948*	*101 949*	*100 094*	*73 790*
Part of households concerned (in%)	*17.3*	*30.3*	*28.9*	*44.1*	*54.2*	*50.6*	*32.2*
Net worth (assets-liabilities)	**146 210**	**118 050**	**349 500**	**271 320**	**258 890**	**277 290**	**241 980**
Number of households	**7 981 563**	**1 869 100**	**7 350 110**	**3 283 554**	**3 207 780**	**1 566 003**	**25 258 111**

Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

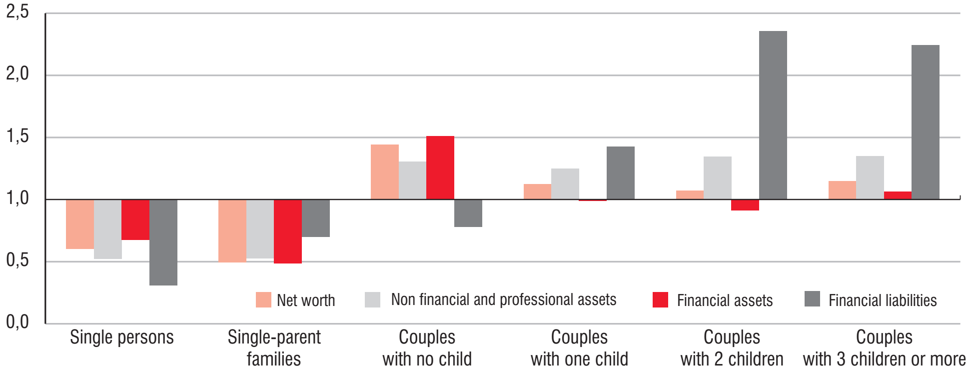
Childless couples stand out above all by the amount of their financial wealth, which is far greater than that of all the other household categories: the average is 133,500 euros, against 86,600 euros. Childless couples are most often young people or people aged 60 or over; the latter have a very high level of wealth.

However, the level of non-financial wealth of childless couples is close to that of couples with children.

If we analyse the composition of financial wealth, couples with children have more cash savings such as sight deposits, but also more contractual savings; single people have more shares and units in UCITS. Irrespective of the composition of the household, life insurance accounts for more than 30% of the financial portfolio.

Couples with children are more indebted than all households, especially if they have more than one child *(figure 11)*. This probably stems from an age effect: couples with children are quite young and are often still paying their mortgages, while childless couples are often older - along with those whose children have grown up and left home - and have paid off their mortgages. Single people are also less indebted than all households. This is also partly an age effect, as single people are generally older than the other households.

11. Average amounts of wealth, assets and liabilities according to family composition of the household plotted against the average amounts for all households



Scope: ordinary households resident in mainland France as of 31 December 2003.
Reading help note: Financial liabilities of couples with a child are 1,42 time higher than those of the whole households.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

The amount of liabilities is also quite low for single-parent families, who may encounter more difficulties taking on debt to dwelling purchase, for example. 30% of them are nonetheless indebted and their liabilities stand at 12% of their assets. These households thus have a lower level of gross wealth than the others, as well as a high level of relative debt.

The structure of liabilities differs from one type of household to the next: the proportion of loans taken out to buy property is higher than average for couples with at least one child, while the proportion of consumer loans is higher than average for single people, single-parent families, and childless couples.

The interpretation of wealth behaviour according to family composition remains limited by the fact that we do not know the total number of children, including those that no longer live in the household. In particular, we cannot study the impact of the number of potential heirs on the amount and composition of household wealth.

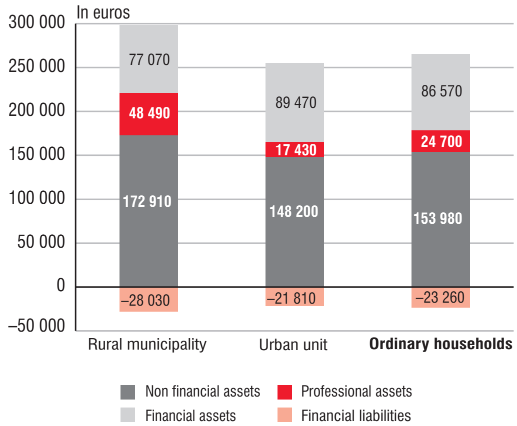
More non-financial and professional assets for households in rural municipalities

The size of the urban unit in which households reside is not a very discriminating variable *(figure 12)*. The average financial wealth of households residing in an urban unit is 16% higher than that of households residing in a rural municipality. The breakdown of the financial wealth of these two categories of households is relatively similar.

Households living in rural municipalities have 34% more non-financial and professional wealth than the others. The composition also differs: the share of agricultural assets in professional wealth is unsurprisingly three times higher in rural municipalities than in urban units. Conversely, urban households have more unlisted shares and other equities.

Mortgages represent only fractionally more in the liabilities of urban households (62%) than in those of households in rural municipalities (58%). The gap is wider with consumer loans, which weigh more heavily in the debt of urban households than that of rural households (respectively 21% and 15%). Conversely, professional loans are a bigger proportion of the debt of rural households (25% against 13% for urban households).

12. Average amounts of household wealth according to size of urban unit



Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

Household wealth represents between 5 and 8 years of net disposable income

The availability of both the income account and the wealth account allows a comparison, by household category, of assets and liabilities with the flow of income received over the year, as well as the associated savings, that is, the share of income that is not consumed.

Savings and wealth should indeed be distinguished from each other: wealth is a stock acquired at a given date, while savings describe a flow, the accumulation of which over the years contributes to building wealth.

For all households, wealth represents 6.5 years of net disposable income[5] *(figure 13)*. This ratio rises with the standard of living: from 5.0 years for households in the first quintile to 8.1 for those in the top quintile. The average level of assets increases in greater proportions than the standard of living. Indeed, the ratio between the amount of liabilities and that of gross disposable income varies little, although it decreases with the standard of living (from 0.70 for households in the first quintile to 0.52 for those in the top quintile).

We can also relate the amount of liabilities to the savings of households: this ratio differs greatly from one household category to the next. For all households, the ratio is 3.6, meaning that in 2003, the amount of liabilities corresponded to 3.6 years of saving. The ratio varies very sharply according to the standard of living of the households: it is 32 for households in the first quintile, who save little[6], against just 1.6 for households in the top quintile. This extreme dispersion firstly shows the wide heterogeneity of savings ratios: the most modest 20% of households save very little on average, while the savings ratio of the 20% with the best standard of living is far higher than that of the rest of the population.

13. A few ratios according to standard of living quintiles

	Q1	Q2	Q3	Q4	Q5	Ordinary households
Net worth / Net disposable income (*)	5.0	4.8	5.3	6.1	8.1	**6.5**
Liabilities / Gross disposable income	0.70	0.67	0.63	0.64	0.52	**0.60**
Liabilities / savings	32.0	11.2	9.4	8.0	1.6	**3.6**

(*) Net disposable income correspond to gross disposable income minus fixed capital consumption.
Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

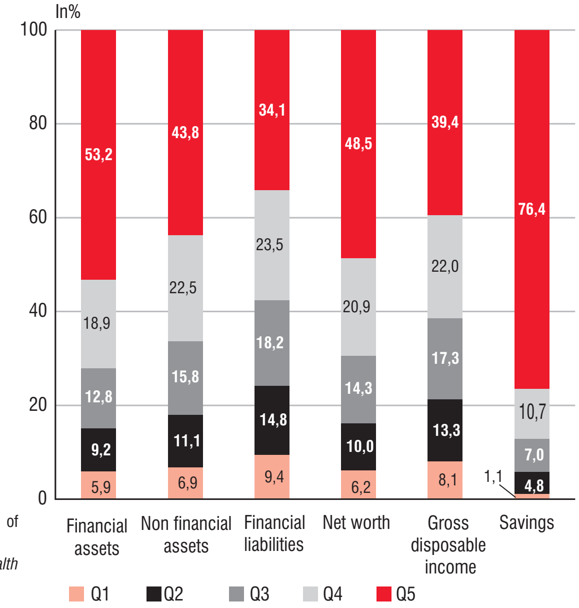
5. The wealth evaluated by national accounting is "net" of fixed capital consumption (FCC), that is, the normal wear and tear and foreseeable obsolescence of non-financial assets. To compare wealth and income, it is thus preferable to use disposable income net of FCC.
6. This is savings after private transfers between households (see *Insert 1*).

The considerable weight of indebtedness of the most modest households relative to the savings they manage to generate does not necessarily mean that it is not sustainable for many of them. Indeed, the standard of living of a household can vary over the years. Many indebted young households have debts over long loan periods and may increase their standard of living over time.

The dispersion of wealth only partially reflects income and savings inequalities

The inequalities between households according to the scale of standard of living appear to be more marked in terms of ownership of wealth than gross disposable income. The ratio between the average net wealth of households in the first quintile and that of households in the fifth quintile is 8.1, compared with 5.0 for gross disposable income. Household wealth is thus more concentrated: households in the fifth quintile own 48.5% of the total net wealth of all households, and 39.4% of gross disposable income *(figure 14)*.

14. Distribution of components according to standard of living quintiles



Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

If households are classified according to the scale of wealth, the concentration of wealth is even greater: the wealthiest 20% of households own 71% of total wealth. Although there is a link between income and wealth, the classification of households according to their standard of living should not be confused with their classification according to wealth. Within a given standard of living bracket, the level of wealth of households remains highly heterogeneous.

However, the concentration of wealth according to standard of living does not match that of savings, of which three-quarters are concentrated in households of the top quintile. Savings and wealth are therefore not perfectly correlated, among other things because wealth accumulation is a long process: certain households which earn high incomes and therefore generate a high level of savings may not have progressed far in the wealth accumulation cycle.

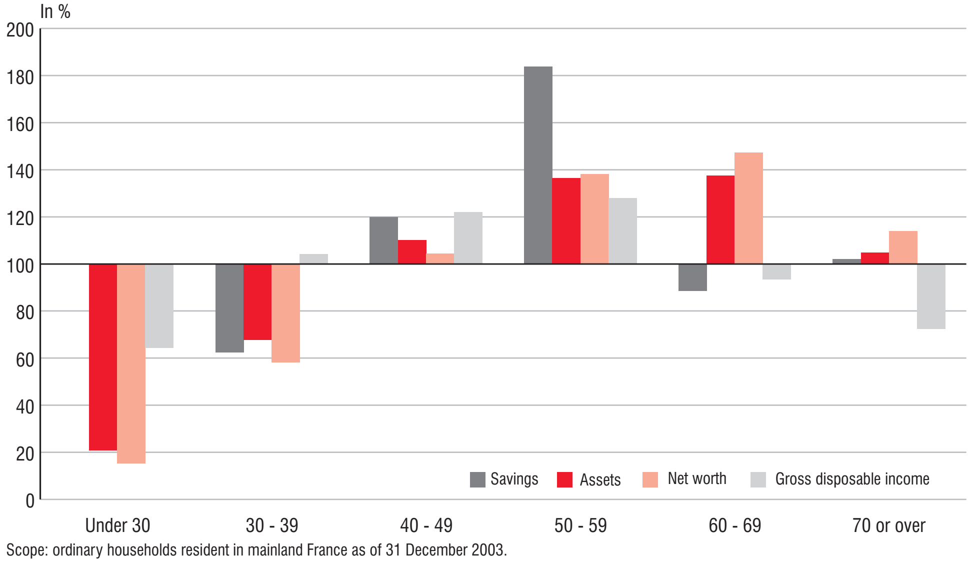
Factors other than saving behaviour also influence the amounts of wealth, particularly inheritances and donations[7]. They may at least partly explain the fact that households in

7. The data concerning donations and inheritances come from the 2003 Wealth Survey.

the first quintile have fairly substantial wealth on average (74,000 euros), though their savings are close to zero even after private transfers are taken into account. There may be fewer households in the first quintile that benefit from an inheritance (only 12% of them declare they have inherited) and a similar observation can be made for donations. However, among households that have declared they have received an inheritance or a donation, more state that the inheritances and donations represent a substantial share (at least a quarter) of their current wealth in the first quintile (40%) than in the other quintiles (between 29% and 34%).

An analysis according to the age of the head of household *(figure 15)* shows that here there is a stronger link between savings and wealth. Savings grow quite regularly between the ages of 30 and 59, before falling sharply with the drop in income due to retirement. The profile of wealth follows the development of the saving profile with a lag of a few years: wealth is maximal between 60 and 69 and then decreases. While this observation concurs with the lifecycle theory, the wealth profile by age also partly reflects the impact of inheritances and donations. From among those that have received an inheritance, the proportion of households whose reference person is aged under 40 is 12%, while they represent 29% of households. The proportion with a reference person aged over 60 is 52% while they represent 34% of households.

15. Difference from the average amounts of savings, assets, net worth and gross disposable income according to the age of the household's reference person

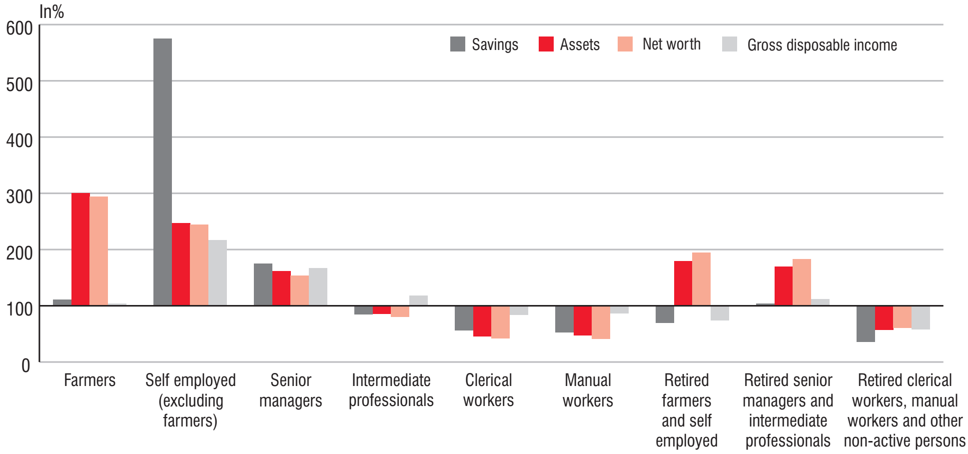


Scope: ordinary households resident in mainland France as of 31 December 2003.
Note: Savings of households being less than 30 years old are negative: they have been treated as a missing value in this figure.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

To make a rigorous analysis of saving behaviour according to age, generation effects have to be taken into account. Indeed, here we are observing the amounts for a given year, but people now aged over 70 were not necessarily in a comparable situation when they were 50 to those now aged under 30. People aged 70 or over in 2003 were active during the postwar boom years; it is possible that they saved more and accumulated extensive wealth. This was perhaps less the case with the generations that succeeded them, particularly those whose start in working life coincided with the economic crises that came after the oil shocks (from 1973) and the rise in unemployment. Real interest rates also varied greatly over the period, creating a context that was more or less favourable, depending on the year, to accumulating property wealth through debt.

The distribution of savings by socio-professional category partly confirms the age-related results: older, retired households save less than average *(figure 16)*. Here again, the breakdown of wealth seems only partially correlated to that of savings: while business leaders and the self-employed save massively whilst owning more wealth than the other households, farmers only generate close-to-average savings although they have extensive wealth. The categories of retirees generally have lower than average savings, whereas the average wealth of former self-employed, executives and intermediate professions is high: this is probably the savings generated during their working life, when their income was higher. Savings are traditionally greater among the self-employed, a fact which may be explained both by the more uncertain nature of their earnings and by pension schemes that generate lower replacement rates than those for employees.

16. Difference from the average amounts of savings, assets, net worth and gross disposable income according to the socio-professional category of the household's reference person



Scope: ordinary households resident in mainland France as of 31 December 2003.
Source: Insee, national accounts 2003, base 2005 and Wealth survey 2003.

The paradox observed among farmers - three times more wealth than average but savings close to the average - is partly ascribable to inheritances and donations: 5% of households that declare they have received a donation are farmers, although they represent only 1.4% of all households, and 47% of farmers that have received an inheritance or donation state that inheritances and donations account for at least one-quarter of their current wealth. Conversely, the fairly meagre wealth of clerical and manual workers, even once they have retired, seems to result from both their low saving capacity during their active life and a lower frequency of inheritances: they are represented only slightly more among households that have received an inheritance than in the population as a whole. For the other households whose reference person is retired, the beneficiaries of inheritances are represented almost twice as much.

The results presented here, coming from the breakdown of the wealth account by household category, were made possible thanks to the existence of extensive data on wealth from a macroeconomic and microeconomic viewpoint. In the French national accounts, the wealth account has been available in full every year since 1978, a rarity in international terms. Regarding the household surveys, highly detailed wealth surveys conducted on a large number of households have been available since the 1970s. Comparing these macroeconomic and microeconomic data is therefore an original approach which is destined to be reproduced regularly at the INSEE and to be conducted by statistics offices in other countries. ■