

Changes in Age-Wealth Profiles: Savings, Revaluation, and Inheritance

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Abstract. Changes in wealth appear to be caused as much by period and cohort specific effects as by age related or "life-cycle" effects. Capital appreciation accounted for 77% of the growth in aggregate real wealth between 1962 and 1983, compared to a 16% contribution from savings. On average, the net worth of household increased by 49%, but increases in wealth were much more rapid during the second half of the period than the first, in contrast to the pattern in real income growth.

While almost all age cohorts showed some increase over the period, the growth was spread quite unequally among them. In addition to differences in capital gains and in savings, inheritances and inter vivos transfers affected the distribution of wealth between age groups in the population. Groups in the middle of the age distribution (45-69 in 1983) showed the highest growth rates in wealth. In addition to capital gains on existing wealth, this group received most of the inheritances and did the most saving. Cohorts under age 40 in 1983 were relatively low in wealth but appear to have benefited substantially from inter vivos transfers.

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