Correction: The Composition and Drawdown of Wealth in Retirement

James Poterba, Steven Venti, and David Wise

In extending our research on issues related to those in this paper, we have discovered an error in our calculations of the expected present discounted value of life-contingent payout streams in our paper “The Composition and Drawdown of Wealth in Retirement,” published in the Fall 2011 issue of this journal. This error affected entries in Tables 1 and 2 of the paper and the associated discussion. The error overstated the wealth-equivalent value of both Social Security and defined benefit pensions. The corrected values, shown in the tables below, indicate that the average capitalized value of Social Security for all retirement-age households is $204,264 rather than $341,556. The mean capitalized value of defined benefit pension payouts is $99,147. Taken together, Social Security and defined benefit pension wealth represent 34.9 percent of the mean value of household wealth, not 46 percent as initially reported. The share of home equity, which was previously reported as 16.8 percent, correspondingly rises to 20.2 percent and

1 We are grateful for the research assistance of Ben Sprung-Keyser, whose work on a related project helped us to uncover this error.

James Poterba is Mitsui Professor of Economics, Massachusetts Institute of Technology, Cambridge, Massachusetts. Steven Venti is DeWalt Ankeny Professor of Economic Policy, Dartmouth College, Hanover, New Hampshire. David Wise is John F. Stambaugh Professor of Political Economy, Kennedy School of Government, Harvard University, Cambridge, Massachusetts. Poterba is President, Venti is a Research Associate, and Wise is Area Director for Health and Retirement Programs and Program Director for Aging, National Bureau of Economic Research, Cambridge, Massachusetts. Their email addresses are poterba@mit.edu, Steven.Venti@dartmouth.edu, and david_wise@harvard.edu.

http://dx.doi.org/10.1257/jep.27.4.219
doi=10.1257/jep.27.4.219
The share of wealth in primary homes, secondary homes, and other real estate is 31.1 percent rather than 25.9 percent as previously reported.

The corrected calculations suggest that one household in five has defined benefit pension wealth of at least $169,400 (in contrast to $238,500 in our earlier analysis), and that a household at the 30th percentile of the Social Security wealth distribution has $126,800 (not $214,500) of such wealth, while a household at the 90th percentile has $384,800 (not $643,100). The median net worth values at the 70th and 90th percentiles of the net worth distribution are $911,900 (not $1.1 million) and $1,826,400 (not $2.1 million), respectively.

### Table 1
**Balance Sheets for Households Aged 65–69 in 2008**

<table>
<thead>
<tr>
<th>Asset category</th>
<th>Percent of households with positive balance</th>
<th>Mean holding (dollars)</th>
<th>Share of total wealth (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All households</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net worth</td>
<td>99.2</td>
<td>870,908</td>
<td>100.0</td>
</tr>
<tr>
<td>Social Security</td>
<td>88.2</td>
<td>204,264</td>
<td>23.5</td>
</tr>
<tr>
<td>Defined benefit pension</td>
<td>42.1</td>
<td>99,147</td>
<td>11.4</td>
</tr>
<tr>
<td>Non-annuitized wealth</td>
<td>90.8</td>
<td>567,496</td>
<td>65.2</td>
</tr>
<tr>
<td>Financial assets</td>
<td>86.7</td>
<td>132,484</td>
<td>15.2</td>
</tr>
<tr>
<td>Personal retirement accounts</td>
<td>52.2</td>
<td>121,137</td>
<td>13.9</td>
</tr>
<tr>
<td>Housing and other real estate</td>
<td>81.3</td>
<td>271,605</td>
<td>31.2</td>
</tr>
<tr>
<td>Single-person households</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net worth</td>
<td>98.8</td>
<td>530,556</td>
<td>100.0</td>
</tr>
<tr>
<td>Social Security</td>
<td>86.6</td>
<td>134,006</td>
<td>25.3</td>
</tr>
<tr>
<td>Defined benefit pension</td>
<td>38.0</td>
<td>62,555</td>
<td>11.8</td>
</tr>
<tr>
<td>Non-annuitized wealth</td>
<td>84.4</td>
<td>333,996</td>
<td>63.0</td>
</tr>
<tr>
<td>Financial assets</td>
<td>82.3</td>
<td>83,082</td>
<td>15.7</td>
</tr>
<tr>
<td>Personal retirement accounts</td>
<td>36.4</td>
<td>47,074</td>
<td>8.9</td>
</tr>
<tr>
<td>Housing and other real estate</td>
<td>67.8</td>
<td>188,813</td>
<td>35.6</td>
</tr>
<tr>
<td>Married couples</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net worth</td>
<td>99.5</td>
<td>1,148,873</td>
<td>100.0</td>
</tr>
<tr>
<td>Social Security</td>
<td>89.6</td>
<td>261,645</td>
<td>22.8</td>
</tr>
<tr>
<td>Defined benefit pension</td>
<td>45.5</td>
<td>129,033</td>
<td>11.2</td>
</tr>
<tr>
<td>Non-annuitized wealth</td>
<td>96.0</td>
<td>758,196</td>
<td>66.0</td>
</tr>
<tr>
<td>Financial assets</td>
<td>90.3</td>
<td>172,830</td>
<td>15.0</td>
</tr>
<tr>
<td>Personal retirement accounts</td>
<td>65.1</td>
<td>181,625</td>
<td>15.8</td>
</tr>
<tr>
<td>Housing and other real estate</td>
<td>92.3</td>
<td>339,222</td>
<td>29.5</td>
</tr>
</tbody>
</table>

*Source:* Authors’ tabulations using Health and Retirement Study, Wave 9, 2008. Two components of net worth, business assets (mean value $45,966 for all households) and debt (–$3,697) are included in net worth and non-annuitized wealth, but are not in any of the subcategories (financial assets, personal retirement accounts, or housing and other real estate). The sum of these three subcategories therefore does not equal non-annuitized wealth.

*Note:* Numbers in bold have changed.
Table 2
Distribution of Wealth Components for Households Aged 65–69 in 2008
(in 1,000s)

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Net worth</th>
<th>Social Security</th>
<th>Defined benefit pension</th>
<th>Non-annuitized wealth</th>
<th>Financial assets</th>
<th>Personal retirement account assets</th>
<th>Housing &amp; other real estate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All households</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>127.3</td>
<td>0.0</td>
<td>0.0</td>
<td>22.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>30</td>
<td>289.3</td>
<td>126.8</td>
<td>0.0</td>
<td>71.8</td>
<td>2.0</td>
<td>42.0</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>548.2</td>
<td>187.4</td>
<td>0.0</td>
<td>221.7</td>
<td>15.0</td>
<td>5.0</td>
<td>120.0</td>
</tr>
<tr>
<td>70</td>
<td>911.9</td>
<td>227.8</td>
<td>83.0</td>
<td>518.0</td>
<td>70.0</td>
<td>75.0</td>
<td>229.5</td>
</tr>
<tr>
<td>90</td>
<td>1,826.4</td>
<td>384.8</td>
<td>329.6</td>
<td>1,274.0</td>
<td>358.0</td>
<td>347.0</td>
<td>585.0</td>
</tr>
<tr>
<td>Single-person households</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>97.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>30</td>
<td>176.2</td>
<td>98.2</td>
<td>0.0</td>
<td>14.0</td>
<td>0.4</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>50</td>
<td>295.8</td>
<td>136.7</td>
<td>0.0</td>
<td>100.0</td>
<td>5.0</td>
<td>5.0</td>
<td>60.0</td>
</tr>
<tr>
<td>70</td>
<td>544.1</td>
<td>177.2</td>
<td>51.2</td>
<td>272.0</td>
<td>34.0</td>
<td>10.1</td>
<td>150.0</td>
</tr>
<tr>
<td>90</td>
<td>1,094.1</td>
<td>230.1</td>
<td>206.2</td>
<td>892.0</td>
<td>240.0</td>
<td>124.0</td>
<td>392.0</td>
</tr>
<tr>
<td>Married households</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>240.9</td>
<td>0.0</td>
<td>0.0</td>
<td>24.7</td>
<td>0.0</td>
<td>0.0</td>
<td>12.0</td>
</tr>
<tr>
<td>30</td>
<td>509.2</td>
<td>195.3</td>
<td>0.0</td>
<td>158.0</td>
<td>6.0</td>
<td>0.0</td>
<td>90.0</td>
</tr>
<tr>
<td>50</td>
<td>769.1</td>
<td>284.0</td>
<td>0.0</td>
<td>357.0</td>
<td>27.8</td>
<td>35.0</td>
<td>170.0</td>
</tr>
<tr>
<td>70</td>
<td>1,234.1</td>
<td>342.6</td>
<td>116.1</td>
<td>755.7</td>
<td>107.0</td>
<td>137.0</td>
<td>300.0</td>
</tr>
<tr>
<td>90</td>
<td>2,224.2</td>
<td>425.5</td>
<td>440.4</td>
<td>1,677.8</td>
<td>459.2</td>
<td>464.0</td>
<td>725.0</td>
</tr>
</tbody>
</table>

Source: Authors’ tabulations using 2008 (Wave 9) Health and Retirement Study; see Table 1 and text for further description.

Note: Numbers in bold have changed.

Poterba is a trustee of CREF and of the TIAA-CREF mutual funds; TIAA-CREF is a provider of retirement services and annuity products.

References

This article has been cited by:


