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Article
Persistently high wealth inequality in Germany

DIW Economic Bulletin

Provided in Cooperation with:
German Institute for Economic Research (DIW Berlin)

Suggested Citation: Grabka, Markus M.; Westermeier, Christian (2014) : Persistently high wealth inequality in Germany, DIW Economic Bulletin, ISSN 2192-7219, Deutsches Institut für Wirtschaftsforschung (DIW), Berlin, Vol. 4, Iss. 6, pp. 3-15

This Version is available at:
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According to current analyses based on the Socio-Economic Panel Study (SOEP), the total net assets of German households in 2012 amounted to 6.3 trillion euros. Almost 28 percent of the adult population had no or even negative net wealth. On average, individual net assets in 2012 totaled over 83,000 euros, slightly more than ten years previously. The degree of wealth inequality also remained virtually unchanged. With a Gini coefficient of 0.78, Germany has a high degree of wealth inequality compared to other countries, and there is still a wide gap between western and eastern Germany almost 25 years after unification. In 2012, the average net wealth of eastern Germans was less than half that of western Germans.

In addition to their regular incomes, people’s individual net wealth, the sum of all their assets, contributes separately to their individual economic welfare and their opportunities for self-realization. When considered in microeconomic terms, individual wealth has numerous functions: for example, investment income means additional income (income function); use of tangible assets (for instance, owner-occupied property) brings direct benefits and can create latitude for personal freedom (utilization function); and drawing on assets can serve to stabilize consumption in the event of a lack of income (security function). Greater wealth can confer economic and political power (power function), serve to attain or retain high status (social mobility or status preservation function), and often also play a crucial role in raising and educating children (socialization function). Finally, wealth is important for providing security in old age and as an instrument for intergenerational transfer (bequeathing function). The particular economic and societal interest in wealth and its distribution can be derived from these many individual functions which far transcend those of regular income. The basis for the following calculations on the distribution of wealth is the longitudinal Socio-Economic Panel Study (SOEP). The wealth situation was examined in detail in special thematic surveys in 2002, 2007, and 2012. Traditional surveys gather data about wealth at the household level and usually distribute it evenly among the members of the household when analyzing its distribution. In contrast, the SOEP ascertains the components of wealth for all adults (from age 17 on). This also makes it possible to analyze private redistribution within households. The SOEP surveys eight different components of wealth: (1) owner-occupied property, (2) other real estate (including undeveloped land, vacation and weekend homes, and rented real estate), (3) monetary assets (savings accounts, savings bonds and Pfandbriefe, stocks, and in-


3 SOEP is a representative, annually repeated survey of private households which has been conducted in western Germany since 1984 and in eastern Germany as well since 1990, see G. G. Wagner, J. Göbel, P. Krause, R. Poschner, and I. Sieber, „Das Sozio-ökonomische Panel (SOEP): Multidisziplinäres Haushaltspanel und Kohortenstudie für Deutschland – Eine Einführung (für neue Datennutzer) mit einem Ausblick (für erfahrene Anwender),“ AStA Wirtschafts- und Sozialstatistisches Archiv, 2, no. 4 (2008): 301-328.

4 See the Federal Statistical Office’s sample survey on income and expenditure or the study „Private Haushalte und ihre Finanzen (PHF)“ by the Deutsche Bundesbank.

An open economy’s wealth is held by four "last-owner sectors." These are the government, private non-profit organizations, private households, and foreign countries. In Germany, the vast majority of the nation’s wealth belongs to domestic households.

According to the national concept, the household assets consist of the following components: tangible assets in the form of real estate in Germany and abroad and consumable assets; the latter also includes gold, jewelry, or valuable collections. According to the definition in the national accounts, consumable assets also include household effects and motor vehicles. In addition to tangible assets, household assets also include positive monetary assets in the form of receivables from the government, companies, financial institutions, and abroad. A further component is participation capital in the form of exchange traded shares or ownership rights in companies (business assets) and financial institutions in Germany and abroad. These gross assets are calculated against liabilities, such as mortgages and consumer loans. The net assets of the household sector comprise the balance of these four components. Other types of assets, such as pension claims, human assets, environmental assets, or cultural assets are not taken into account here.

Households in Germany Had Assets of Roughly 6.3 Trillion Euros in 2012, ...

The extrapolated SOEP data result in gross wealth (excluding vehicles and household effects) of roughly 7.4 trillion euros, most of which, namely 5.1 trillion euros, was accounted for by real estate. Compared to 2002,

7 Vermögen in Deutschland – Status-quo-Analysen und Perspektiven (Project number: 5/2012 610-4). The project is being conducted by DIW Berlin and the Hertie School of Governance; project management: Markus M. Grabka.

8 J. R. Frick and M. M. Grabka, „Gestiegene Vermögensungleichheit in Deutschland,” Wochenbericht des DIW Berlin, no. 4 (2009). The data for 2002 and 2007 were revised for the present study. This concerns methodological improvements particularly concerning the quality of imputing missing values on the basis of longitudinal information as well as a revision of weighting (see Box 2).
the value of nominal gross assets has risen by approximately 500 billion euros. The increase is due mainly to wealth increases in owner-occupied property, and also in monetary assets.

According to the SOEP, household debts totaled around 1.1 trillion euros in 2012, consisting mostly of mortgage loans of just below one trillion euros. Therefore, the net wealth of German adults in households amounted to about 6.3 trillion euros in 2012.9

... Corresponding to 83,000 Euros per Adult

In 2012, net assets per adult (persons aged 17 or over) were roughly 83,000 euros (see Table 1 and Figure 1). The median of wealth distribution, that is, the value separating the wealthier 50 percent of the population from the poorer half, was 17,000 euros, distinctly lower than the average—a consequence of the unequal distribution of wealth. Roughly one-fifth of all adults had no net assets—seven percent even had debts greater than their gross assets. The wealthiest tenth of the population aged 17 or over had net assets of at least 217,000 euros, and the wealthiest one percent at least 817,000 euros.

Compared with 2002, there were very few significant changes in wealth distribution. The proportion of individuals with negative net assets increased significantly between 2002 and 2007 and remained at this level through 2012.

In 2012, net assets in western Germany averaged just under 94,000 euros and was therefore more than twice as high as in eastern Germany (see Table 2). The difference is even greater for the median—21,000 euros in the western and just 8,000 euros in the eastern part of the country.

10 It must be taken into account that, like other similar studies, the SOEP does not entirely cover the upper margin of the distribution of wealth, thus underestimating it, as billionaires or multi-millionaires are not or only insufficiently included in the sample, see also Box 2.

9 Compared to the calculation of assets performed by the Federal Statistical Office, this shows considerably lower gross and net assets held by private households (see Box 2).

### Table 1

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2007</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower threshold</td>
<td>Estimate</td>
<td>Upper threshold</td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>0.764</td>
<td>0.776</td>
<td>0.787</td>
</tr>
<tr>
<td>Percentile ratios</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>p95/p50</td>
<td>13.2</td>
<td>14.0</td>
<td>14.8</td>
</tr>
<tr>
<td>p75/p50</td>
<td>6.2</td>
<td>6.5</td>
<td>6.9</td>
</tr>
<tr>
<td>Mean in euros</td>
<td>76,315</td>
<td>79,941</td>
<td>83,567</td>
</tr>
<tr>
<td>Percentiles in euros</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>p99</td>
<td>706,052</td>
<td>759,969</td>
<td>813,885</td>
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<tr>
<td>p95</td>
<td>310,726</td>
<td>323,722</td>
<td>336,718</td>
</tr>
<tr>
<td>p90</td>
<td>202,074</td>
<td>210,134</td>
<td>218,194</td>
</tr>
<tr>
<td>p75</td>
<td>93,683</td>
<td>98,130</td>
<td>102,577</td>
</tr>
<tr>
<td>Median</td>
<td>14,083</td>
<td>15,000</td>
<td>15,917</td>
</tr>
<tr>
<td>p25</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>p10</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>p5</td>
<td>-2,691</td>
<td>-1,610</td>
<td>-5,29</td>
</tr>
<tr>
<td>p1</td>
<td>-23,264</td>
<td>-20,360</td>
<td>-17,456</td>
</tr>
<tr>
<td>Proportion of individuals with net assets of less than 0 euros, in percent</td>
<td>4.8</td>
<td>5.2</td>
<td>5.6</td>
</tr>
<tr>
<td>Proportion of individuals with net assets equaling 0 euros, in percent</td>
<td>20.0</td>
<td>20.6</td>
<td>21.3</td>
</tr>
</tbody>
</table>

1 Individual net assets of individuals aged 17 or over in private households
2 95-percent confidence interval
Statistically significant changes relative to the previous survey year are shaded gray.
Source: SOEPv29, with 0.1 percent top coding.

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Wealth inequality remains high.

The value of nominal gross assets has risen by approximately 500 billion euros. The increase is due mainly to wealth increases in owner-occupied property, and also in monetary assets.

According to the SOEP, household debts totaled around 1.1 trillion euros in 2012, consisting mostly of mortgage loans of just below one trillion euros. Therefore, the net wealth of German adults in households amounted to about 6.3 trillion euros in 2012.

In 2012, net assets per adult (persons aged 17 or over) were roughly 83,000 euros (see Table 1 and Figure 1). The median of wealth distribution, that is, the value separating the wealthier 50 percent of the population from the poorer half, was 17,000 euros, distinctly lower than the average—a consequence of the unequal distribution of wealth. Roughly one-fifth of all adults had no net assets—seven percent even had debts greater than their gross assets. The wealthiest tenth of the population aged 17 or over had net assets of at least 217,000 euros, and the wealthiest one percent at least 817,000 euros. Compared with 2002, there were very few significant changes in wealth distribution. The proportion of individuals with negative net assets increased significantly between 2002 and 2007 and remained at this level through 2012.

In 2012, net assets in western Germany averaged just under 94,000 euros and was therefore more than twice as high as in eastern Germany (see Table 2). The difference is even greater for the median—21,000 euros in the western and just 8,000 euros in the eastern part of the country.

It must be taken into account that, like other similar studies, the SOEP does not entirely cover the upper margin of the distribution of wealth, thus underestimating it, as billionaires or multi-millionaires are not or only insufficiently included in the sample, see also Box 2.
Box 2

Recording Assets with Surveys

Analyses of wealth distribution based on microdata representative of the population are confronted with a number of methodological and statistical problems. They cannot allow for entitlements to statutory pension insurance to be taken into account. Accumulated pension-related claims are converted into personal earning points that do not reveal a direct reference to social security assets and are therefore rarely included in population surveys (the same applies to occupational pension entitlements). Since the majority of the working population is subject to compulsory pension insurance or has pension-related claims, for example, in the form of training or child-rearing periods, social security assets in the statutory pension scheme represent an important component in household assets. Evaluations of pension insurance data show that 91 percent of men and 87 percent of women aged 65 or over have statutory pension entitlements. (In eastern Germany, the corresponding ratios are even higher at 99 percent.)

Other asset components also cause difficulties in population surveys. According to the concept, household effects are categorized as tangible assets and include all vehicles in the household. Since it is difficult for respondents to give an estimate of the current market value of their entire household effects, the present study only asked about tangible assets in the form of valuable collections, such as gold, jewelry, coins, or objets d’art. As a result of this limitation, tangible assets here are underestimated compared to the national accounts.

In population surveys, assets are usually recorded at the household level and represented in the form of per capita wealth. The SOEP has a methodological feature, here, since it records the individual assets of each respondent aged 17 or over. Thus, differences between households and partnerships can be shown in a per capita comparison. The present analyses (with the exception of Table 5 and Figures 4 and 5) refer to the individual assets of people aged 17 or over, i.e., the redistribution of wealth from people with lots of assets to household members with few or no individual assets in a household is not taken into account.

A comparison of aggregated assets based on the SOEP and the sectoral and overall economic balance sheets of the Federal Statistical Office is complicated by a number of differences in distinctions and definitions. First, the Federal Statistical Office lumps households together with private non-profit organizations. Second, in addition to durable consumer goods, other types of assets are also included which are not recorded in the SOEP. These include cash, the value of livestock and crops, equipment, intangible fixed assets, claims against private health insurance companies, commercial loans and commercial holdings in residential buildings. Third, the SOEP records the current market value of real estate while the Federal Statistical Office uses its replacement value. But market value differs significantly from the replacement value of real estate. As a result, in 2002, net assets calculated on the basis of the SOEP totaled almost 90 percent of the figure calculated on the balance sheet of the Federal Statistical Office, but it was only 64 percent in 2012. In the case of real estate, the quantitatively most important asset component, the coverage rate fell from 110 percent to just 82 percent. Here, 73 percent of liabilities are recorded. At 33 percent, aggregate gross monetary assets are significantly underestimated in the SOEP. This is also the case in all other wealth surveys worldwide.

A comparison with the wealth survey conducted by the German Federal Bank in 2010/11 (PHF) shows that the SOEP slightly underestimated per capita net assets at 86,000 euros, compared to 95,000 euros in the PHF. It should also be taken into account here that the PHF conducts a far more detailed survey of the asset situation and thus also takes into account, for example, the value of vehicles.

Since 2002, the SOEP has attempted to counteract the problem encountered in population surveys of not ascribing meaningful representation to higher income and assets by introducing a partial sample of “high-income households.” Against the background of high inequality in personal wealth distribution, particular importance is accorded this sub-sample and the sufficiently large number

2 See, for example, results based on the income and consumption sample (EVS) from the Federal Statistical Office or the PHF study by Deutsche Bundesbank; U. Kalkreuth and H. Hermann, "The PHF: a survey on the assets and finances of households in Germany," Monatsbericht der Deutschen Bundesbank, no. 1.
3 Assets held by children (under 17 years of age) are ignored as it is assumed these constitute only a very small proportion of total assets.
4 Kalkreuth and Hermann, "The PHF"
of cases of wealthy households in the SOEP. In particular, the relationship between income and wealth distribution for the group of high-income earners can also be represented in more detail, since assets, asset income, and savings depend to a large extent on disposable income. Nevertheless, the problem remains that there are simply no very wealthy people in a sample such as the SOEP. In particular, this applies to billionaires and multi-millionaires. The end result is that the true extent of wealth inequality is underestimated. There are currently no external statistics available in Germany to validate this underestimation, for instance, wealth tax statistics.

Estimating fair market value in a survey is difficult, especially when the object was inherited or purchased a long time ago and respondents do not have sufficient knowledge of the current market. Also, valuing business assets is particularly difficult. In contrast to regular income, asset values can be very volatile and this further complicates their evaluation. This leads, in addition to the overall sensitivity of this issue, to increasing refusals to answer questions or a lack of information on asset-related issues.

As well as extensive checks on the consistency of individual data being conducted, all missing assets in the SOEP are replaced using multiple imputations. Due to the use of longitudinal data as part of repeated wealth surveys in 2002, 2007, and 2012, the quality of the imputation was better than would have been the case with a single survey.

After extrapolation and weighting factors were applied, SOEP microdata underlying these analyses give a representative picture of the population in households and thus allow conclusions to be drawn about the entire population. Members of the population in institutions (for example, in nursing homes) were not taken into account. The weighting factors correct differences in the designs of the various SOEP samples, as well as the participation behavior of respondents after the first interview. The framework data of the microcensus is adjusted to increase its compatibility with official statistics.

The asset data presented here for 2002 and 2007 deviates from those of earlier publications because repeated revisions of weighting factors were required in the SOEP in the past and the imputation procedure has since undergone a fundamental reworking. Selected key figures are shown in the table before and after revised weighting and improved imputation. There are no significant changes, i.e., the deviations between previous and revised data for 2002 and 2007 still fall within the usual fluctuation range of samples.

**Table**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th></th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower threshold</td>
<td>Estimate</td>
<td>Upper threshold</td>
<td>Lower threshold</td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>0.774</td>
<td>0.786</td>
<td>0.798</td>
<td>0.773</td>
</tr>
<tr>
<td>Median in euros</td>
<td>78,163</td>
<td>83,783</td>
<td>88,403</td>
<td>78,004</td>
</tr>
<tr>
<td>Mean in euros</td>
<td>809,971</td>
<td>87,020</td>
<td>311,660</td>
<td>216,092</td>
</tr>
<tr>
<td>Percentile ratio p90/p50</td>
<td>13.2</td>
<td>14.0</td>
<td>14.7</td>
<td>12.1</td>
</tr>
</tbody>
</table>

1 People in households, individual assets; 2 95-percent confidence interval. Source: SOEPv29, without top coding.
In eastern Germany, individuals with net assets of 110,000 euros are among the richest ten percent of adults; in western Germany, this line is crossed at just under 240,000 euros. While average net assets did not change significantly in western Germany between 2002 and 2012, it first declined in eastern Germany and then increased distinctly between 2007 and 2012. This is due to a slight rise in the value of owner-occupied property. The recovery on the eastern German labor market may well have also played a role.

Wealth Inequality Remains High

The Gini coefficient is a standard measure of wealth inequality. The higher its value, the greater the measured inequality. The coefficient for 2012 is 0.78 (see Table 1). This makes Germany the country with the highest wealth inequality in the euro area, followed by Austria in second place. The Gini coefficient for France is 0.68, for Italy 0.61, and for Slovakia 0.45. Wealth inequality in the US (Gini coefficient of 0.87 for 2010) is greater than in Germany.

An alternative measure of distribution is the 90-50 decile ratio, which relates the lower bound of the wealth of the richest ten percent of the population to the median of the wealth distribution. In other words, this figure indicates the multiple of “rich” persons’ wealth in relation to the midpoint of the wealth distribution. In 2012, the wealth of the “poorest” person in the top ten percent was 13 times greater than that of the person in the middle of the distribution. A comparison of the three years under observation does not show any significant change in wealth inequality.

When interpreting these results, it must be taken into account that a sample which is representative of the population, such as the SOEP, tends to under-report people with very high wealth and consequently underestimates the degree of wealth inequality. It is safe to assume that wealth inequality has increased over the past ten years since, according to the system of national accounts, incomes from entrepreneurial activities and investment incomes have seen above-average growth compared to compensation of employees. These types of incomes are primarily concentrated in the highest decile of income recipients. Wealth is concentrated even more strongly in the top percentiles of the distribution.

Owner-Occupied Housing of Great Importance

Observing net values exclusively generally conceals important structural differences, both in terms of the composition of wealth and potentially existing debt. For example, in Germany. In extreme cases, the Gini coefficient could then take on values greater than 1.

11 On the Gini coefficient, see also DIW Glossar, www.diw.de/de/diw_01c.413334.de/prese_glossar/diw_glossar/gini_koeffizient.html (in German only). If all assets are positive, the Gini coefficient is between 0 and 1. A value of 0 means that all the individuals in the comparison hold exactly the same assets. In contrast, a value of 1 means that one person holds all the assets and all the others hold none. In fact, however, net assets may also be negative. In 2012, this was the case for just over seven percent of adults in Germany. In extreme cases, the Gini coefficient could then take on values greater than 1.

12 If based on net assets, the Gini coefficient is more than twice as high as it is if based on disposable income, see M. M. Grabka, J. Goebel, „Reduction in Income Inequality Faltering,” DIW Economic Bulletin, no. 1 (2014).

13 P. Mooslechner, „Der ‘Household Finance and Consumption Survey’ des Eurosystems: Konzeption und Ergebnisse der ersten Erhebungswelle 2010.” Paper presented to the General Council of the OeNB, April 25, 2013. The fact that wealth inequality is relatively low in southern European countries may also be due to the fact that property ownership is more widespread there than in Germany. The figures published by the ECB on the level of assets in the euro area have been criticized repeatedly. The Gini coefficient as a measure of wealth inequality is not affected by this as it is independent of the levels of assets.

PERsIsTently HiGh WealTH iNeQualiTy iN GeRmaNy

Just under half of the adult population (47 percent) had monetary assets in 2012 (savings accounts, savings bonds and Pfandbriefe, stocks, and investment certificates) or assets in the form of private insurance policies and building loan contracts (51 percent) (see Ta-

On average, net assets in western Germany are more than twice as high as in eastern Germany.

ample, low net assets may be the result of high net assets and simultaneous high debt (for example, young families burdened with mortgages just after purchasing a home), or it might simply mean low monetary assets.

Table 2
Distribution of Wealth\(^1\) in Western and Eastern Germany

<table>
<thead>
<tr>
<th>Year</th>
<th>Western Germany</th>
<th></th>
<th></th>
<th>Eastern Germany</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower threshold(^2)</td>
<td>Estimate</td>
<td>Upper threshold(^2)</td>
<td>Lower threshold(^2)</td>
<td>Estimate</td>
<td>Upper threshold(^2)</td>
</tr>
<tr>
<td>2002</td>
<td>0.750</td>
<td>0.761</td>
<td>0.771</td>
<td>0.771</td>
<td>0.784</td>
<td>0.797</td>
</tr>
<tr>
<td>2007</td>
<td>0.795</td>
<td>0.809</td>
<td>0.821</td>
<td>0.801</td>
<td>0.813</td>
<td>0.825</td>
</tr>
<tr>
<td>2012</td>
<td>0.825</td>
<td>0.836</td>
<td>0.847</td>
<td>0.826</td>
<td>0.838</td>
<td>0.850</td>
</tr>
</tbody>
</table>

Percentile ratios

| P90/P50 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P75/P50 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Mean, in euros

- Western Germany: 85,724, 90,004, 94,283
- Eastern Germany: 32,281, 36,713, 41,145

Proportion of individuals with net assets of less than 0 euros, in percent

- Western Germany: 4.6, 5.0, 5.5
- Eastern Germany: 5.2, 6.0, 6.8

Proportion of individuals with net assets equaling 0 euros, in percent

- Western Germany: 19.9, 20.6, 21.4
- Eastern Germany: 19.9, 20.6, 21.4

\(^1\) Individual net assets of individuals aged 17 or over in private households.
\(^2\) 95 percent confidence interval.
Statistically significant changes relative to the previous survey year are shaded gray.
Source: SOEPv29, with 0.1 percent top coding.

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PERSISTENTLY HIGH WEALTH INEQUALITY IN GERMANY

ble 3). The prevalence of private insurance policies has increased significantly since 2002. One reason for this is Riester retirement plans, introduced in early 2000. On average, the value of these investments was approximately 29,000 euros in monetary assets and about 18,000 euros in private insurance policies. The value of monetary assets has increased by 7,000 euros or 30 percent since 2002.

For all adults, owner-occupied property is the quantitatively most important form of wealth, at 54,000 euros. Almost 40 percent have this form of investment in their portfolios; just one-tenth hold other types of real estate, which are clearly much less prevalent. For those with owner-occupied real estate, this accounts for approximately 141,000 euros on average. The corresponding figure for other real estate is 156,000 euros.

Liabilities have increased significantly: the proportion of Germans in debt rose from 27.5 in 2002 to just under 32 percent in 2012. This is the result of a single factor: the greater prevalence of consumer loans. The volume of these loans has declined significantly, however—from over 21,000 euros to just under 15,000 euros. In other words, smaller liabilities, for example, for purchasing articles of daily use, play a more important role. The situation is different for mortgages on owner-occupied housing. Although the prevalence of these liabilities has not changed, their values increased by 17 percent, from 47,000 euros in 2002 to 55,000 euros in 2012. Low interest rates for financing real estate purchases are likely to have had an effect here, leading to a demand for bigger mortgages.

Only four percent of all individuals own business assets, yet they account for just below ten percent of total net assets. Accordingly, the average amount of business assets held by people owning a business was more than 190,000 euros in 2012.

Owning property and taking out mortgages are still more prevalent in western than eastern Germany. In contrast, consumer loans are significantly more common in eastern Germany. As expected, the value of owner-occupied housing was considerably lower in eastern Germany (88,000 euros) in 2012 than in western Germany (151,000 euros). The volume of consumer loans, however, did not differ significantly, at 12,000 and 15,000 euros, respectively.

Individual Position Regarding Wealth Strongly Dependent on Age

For western Germany, a comparison of wealth across age groups shows a distinct life-cycle pattern (see Figure 2): in 2012, the average net assets of young adults up to 25 years of age were less than 7,000 euros. After completing their education and entering the labor force, they have the opportunity to save and accumulate wealth; at the same time, the probability of inheriting or being endowed with wealth is higher. As a result, average net total assets increase markedly from age 26 on. The highest average individual net assets—just under 175,000 euros—are owned by the group aged 66 to 70. Here, the establishment of net assets in the form of real estate is particularly important as it is often paid off by retirement age. In older age, wealth is typically drawn on, resulting in a slight decline in average net wealth.

A comparison of western and eastern Germany reveals that there are no longer any significant differences in net wealth up to the age of 40. When entering the labor force, people usually have few assets, so the significant differences are in fact of little consequence. However, older cohorts in eastern Germany fall far behind the level in western Germany since their average assets total only just over 50,000 euros. The large difference can be explained by the fact that citizens of the former German Democratic Republic have lacked opportunities to save because of a low wage level and high unemployment in eastern Germany. The differences in wealth between east and west are therefore expected to continue to exist as they carry over in the form of intergenerational transfers.

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16 According to the Federal Statistical Office, Sektorale und Gesamtwirtschaftliche, aggregate gross monetary assets held by private households increased by 38 percent between 2002 and 2012.
17 Although it is true that 53 percent of all residents of Germany lived in households with owner-occupied property in 2011, the proportion of people with owner-occupied property was only 38 percent. In many households, owner-occupied property belongs to just one household member; in particular, grown children still living with their parents are generally only „co-owners” but not „co-owners.”
18 Zero-interest financing offered by retailers likely contributed to this situation.
19 The strong increase in rental and purchase prices for real estate since 2010, which has been reported on frequently, is concentrated primarily on certain metropolitan regions such as Munich or Berlin. On average, real estate prices have increased by only 1.7 percent per year in real terms, following more than ten years of declining real house prices, see J. Möbert, H. Peters, and M. Lechner, „Deutschlands Hauspreise aus internationaler und historischer Perspektive,” Wirtschaftsdienst, no. 1 (2014): 76-78.
20 It is striking that a comparison of cohorts shows that eastern Germans born in 1957 or earlier (at least 51 years of age in 2012) have not been increasing their assets over the past ten years.
### Table 3: Components of Individual\(^1\) Net Assets

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Western Germany</th>
<th>Eastern Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower(^2)</td>
<td>Estimate</td>
<td>Upper(^2)</td>
</tr>
<tr>
<td>Gross wealth</td>
<td>69.7</td>
<td>70.4</td>
<td>71.1</td>
</tr>
<tr>
<td>Owner-occupied property</td>
<td>37.0</td>
<td>3.7</td>
<td>38.3</td>
</tr>
<tr>
<td>Other real estate</td>
<td>9.2</td>
<td>9.7</td>
<td>10.2</td>
</tr>
<tr>
<td>Financial assets</td>
<td>44.7</td>
<td>45.5</td>
<td>46.3</td>
</tr>
<tr>
<td>Business assets</td>
<td>4.1</td>
<td>4.4</td>
<td>4.7</td>
</tr>
<tr>
<td>Valuables</td>
<td>8.5</td>
<td>9.0</td>
<td>9.5</td>
</tr>
<tr>
<td>Insurance policies</td>
<td>46.9</td>
<td>48.0</td>
<td>49.1</td>
</tr>
<tr>
<td>Building loan assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Debt</td>
<td>26.8</td>
<td>27.5</td>
<td>28.3</td>
</tr>
<tr>
<td>Mortgages on owner-occupied housing</td>
<td>17.9</td>
<td>18.5</td>
<td>19.2</td>
</tr>
<tr>
<td>Mortgages on other real estate</td>
<td>3.9</td>
<td>4.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Consumer loans</td>
<td>11.2</td>
<td>11.7</td>
<td>12.3</td>
</tr>
</tbody>
</table>

**Table 3**

**Components of Individual\(^1\) Net Assets**

\(^1\) Individual net assets of individuals aged 17 or older in private households.

\(^2\) 95 percent confidence interval. Statistically significant changes relative to the previous survey year are shaded in light gray. Statistically significant changes between 2002 and 2012 are shaded in dark gray.

Source: SOEPv29.

The fraction of people with consumer loans has increased.

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**DW Economic Bulletin 6.2014**
Subdivided into service grades, public officials with a low or medium grade had net assets of 80,000 euros and therefore owned as much as employees carrying out qualified activities. In contrast, public officials with a higher grade had net assets of more than 110,000 euros. The self-employed had the highest assets of all. On the one hand, the self-employed are generally not entitled to statutory pensions and more likely to have private pension plans in the form of private insurance or real estate. On the other hand, this is due to business assets. The self-employed with no employees had net assets of slightly more than 170,000 euros, with this figure rising to just under one million euros for the self-employed with more than ten employees.

The unemployed and non-workers owned relatively few assets. Non-workers had by far the lowest assets—apart from trainees—with an average of 18,000 euros. In addition, the assets of the unemployed have fallen significantly over time; in 2002, this figure was still over 30,000 euros. The proportion of people with assets of less than or equal to zero in 2012 was highest among the unemployed at 65 percent.

Men Have Greater Assets than Women

Studies on wealth typically survey only one representative of a household about the assets of all members of the household. This does not allow an analysis of gender-specific differences in assets. The SOEP is one of the few data sources surveying assets at the individual level. In 2012, men’s individual net assets averaged 97,000 euros, 27,000 euros more than women’s (see Figure 3). This equates to women having only 72 percent of the assets held by men.

Self-Employed Have the Highest Net Assets

A person’s net assets grow as they climb the career ladder. There are, however, significant differences among the various groups of employees. Unskilled or semi-skilled workers and employees had assets of approximately 33,000 euros in 2012, whereas skilled workers had assets of 45,000 euros (see Table 4). Supervisors, specialists, and employees with qualified activities owned 83,000 euros, while employees with comprehensive leadership tasks attained an average individual net assets of almost 210,000 euros. At the same time, the proportion of people with assets of zero or less decreased as their career position improved.

Men’s net assets are higher than women’s.
The Higher the Net Income, the Greater the Assets

Disposable income** is more evenly distributed than assets. Nevertheless, there is a close link between the two economic figures—not least due to income from capital assets, such as interest and dividends or rental income.

For all the three years monitored, there was a significant positive correlation between per capita household net income and per capita net assets (see Figure 4). While the lowest 10 percent of incomes only had average assets of nearly 20,000 euros, the corresponding figure for the ninth decile was just under 130,000 euros, and the highest ten percent of the population had almost 285,000 euros.

From 2002 to 2012, the upper income groups were able to further increase their assets. The ninth and tenth income decile showed increases in average per capita assets of more than 25,000 euros. This was also statistically significant for the ninth decile. In contrast, the

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Hold net assets of less than 60 percent of the median of the total population.

The proportion of adults affected by relative income poverty in 2012 was approximately 16 percent (see Figure 5). Since assets are significantly less evenly distributed than income, the ratio of those affected by relative wealth poverty was notably higher at 44 percent. In total, 12 percent are affected by both relative income and asset poverty, while four percent of the total population earn low incomes, but, at the same time, are able to rely on significant assets of their own or from other household members.

Since wealth is normally accumulated over the course of an individual’s life, the proportion of those not on low incomes or having few assets increases with age. In 2012, two-thirds of households with a head of the household aged 66 to 75 were part of this group. At the same time, the proportion of those with few assets but assets of the lowest 30 percent of incomes remain unchanged during the observation period.

**Asset Poverty Decreases With Age**

One of the core functions of assets is to stabilize consumption in the event of income losses. This applies in the short term during a period of unemployment as well as in the long term, especially during the transition from work to retirement.23

Contrary to the standard developed in particular at the European level to describe relative income poverty risk,24 there is still no universally accepted definition of asset poverty. By analogy to determining poverty risk through income, individuals are defined here as being threatened by relative asset poverty if they have per capita house-

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23 It should be noted here that the various forms of investment have different liquidity so in the event of a loss of income, assets cannot always be liquidated and, in addition, assets up to the allowed exemption are taken into account for benefit claims.

24 See also Tony Atkinson, Bea Cantillon, Eric Marlier, and Brian Nolan, Social Indicators. The EU and Social Inclusion (Oxford: 2002).
PERsIsTently HIgH WEal TH INEqualIT y IN gERmaNY

Net assets in eastern Germany are still significantly lower than in western Germany. In particular, with the increasing number of new pensioners, eastern Germans are not able to combat the increasing risk of poverty in old age with their private assets.

**Conclusion and Outlook**

Between 2007 and 2012, individual average net assets in Germany did not increase significantly, according to the SOEP. With a Gini coefficient of 0.78, wealth inequality remained high compared to other countries.

Against a background of private pensions becoming increasingly common, the significant rise in the number of people with negative net assets is problematic. On the other hand, the proportion of those with private insurance has increased significantly since 2002. This is presumably also due to Riester retirement plans. The average asset value of private insurances (including building loan contracts) in 2012 was only approximately 19,000 euros. It remains to be seen whether the gap in pension coverage can be closed by the statutory pension scheme.

**Figure 4**

Average Per Capita Assets\(^1\) by Income Deciles in 2012

\(^1\) Income information based on the previous year’s income surveyed retrospectively. Net household income of individuals in private households. Source: SOEPv29.

**Figure 5**

Relative Income Poverty Risk and Asset Poverty Risk\(^1\) by Age of Head of Household in 2012

\(^1\) Income information based on the previous year’s income surveyed retrospectively. Net household assets of individuals in private households. Source: SOEPv29.