

behind the numbers

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“Markers” of wealth and poverty in BC

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This piece is the part of a series of *Behind the Numbers* on wealth inequality in BC. The earlier pieces can be found at www.policyalternatives.ca

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By Steve Kerstetter

WHO IS MOST LIKELY TO BE RICH IN British Columbia and who is most likely to be poor? What are the most revealing economic and demographic characteristics of the fortunate and the not-so-fortunate? What are the best “markers” of wealth and poverty?

Statistics Canada’s Survey of Financial Security has some interesting answers to these questions. The supplementary data for BC from the federal agency show correlations between wealth and current income, family type, age group, home ownership and education. The correlations are sometimes less than staggering, but they offer some new insights into the odds of being rich and the risks of being poor.

Wealth and income

One of the stronger markers of wealth is current income. High incomes often go hand in hand with great wealth. Low incomes are often associated with little or no wealth. The survey itself does not offer many clues about the best ways of working your way up the wealth ladder, but the raw data suggest that getting rich is much easier said than done. Table 1 shows the distribution of wealth in BC as of 1999, based on incomes in 1998 after federal and provincial income taxes.

Family units with after-tax incomes below \$10,000 made up 10.8 percent of all BC family units, but had only 3.1 percent of the personal wealth. Their average wealth was \$72,748, although their median wealth was a paltry \$1,750. The figure for median wealth means that half of the 182,050 family units in the group were as poor as pro-

verbial church mice, with wealth of less than \$1,750. The other half had wealth greater than \$1,750, but a sufficient number of the family units in the group were well enough off to raise the average for the group as a whole to \$72,748.

Table 1 also shows that the share of the wealth increased markedly with each higher income group, and average wealth and median wealth also kept rising. Family units with incomes above \$75,000 a year represented only 11 percent of the family units in BC but had 30.3 percent of the wealth. Their average wealth was \$691,019 and their median wealth \$322,000.

One of the striking features of the table is the huge difference between current income and average wealth. In every single income category, average wealth was many times higher than the top incomes in the group. The income group \$40,000 to \$49,999, for example, reported average wealth of \$259,280 or more than five times the top annual income in the group of \$49,999.

The question that naturally arises is: How do people of modest means put aside enough of their modest incomes to accumulate sizeable amounts of wealth? Not everyone wins the lottery, gets a terrific deal on a “fixer-upper” house, or makes a killing from a hot tip on a horse or a stock.

The pattern in modern-day labour markets is that many workers start out in low-wage jobs and gradually work themselves up the *income* ladder as their careers progress. However, that does not explain how people are able to work their way up the *wealth* ladder. A BC family starting out with a current income of \$20,000 would be extremely hard-pressed to save any money at all and would probably find it impossible to buy a house without getting a huge down payment as a gift or interest-free loan from parents or other family members. Even with an income of

Table 1: Wealth in British Columbia in 1999 by current income after federal and provincial income taxes

Current income	Share of population	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth
Under \$10,000	10.8	182,050	3.1	\$13,128,314,000	\$72,748	\$1,750
\$10,000-19,999	17.0	286,560	7.7	\$32,609,038,000	\$113,979	\$14,002
\$20,000-29,999	16.0	269,704	10.6	\$44,890,364,000	\$166,437	\$74,435
\$30,000-39,999	17.0	266,333	12.1	\$51,242,774,000	\$192,634	\$81,501
\$40,000-49,999	12.8	215,763	13.2	\$55,901,208,000	\$259,280	\$113,500
\$50,000-74,999	16.6	279,818	23.0	\$97,403,620,000	\$347,084	\$192,000
\$75,000 and more	11.0	185,421	30.3	\$128,318,682,000	\$691,019	\$322,000
All family units	100.0	1,685,649	100.0	\$423,494,000,000	\$251,235	\$94,801

Source: Statistics Canada. Survey of Financial Security 1999.

\$40,000 or \$50,000, it would be difficult to accumulate large amounts of wealth.

Part of the answer may lie in increases in asset prices: housing prices in hot markets like the Lower Mainland that outstrip consumer prices in general; boom periods on the stock exchanges, when stock prices race far ahead of overall economic growth; and, the joys of compound interest, where a modest holding becomes a large holding after a number of years. Certainly part of the answer is gifts and inheritances.

Wealth, family type, and age

The Survey of Financial Security also shows links between wealth and a number of demographic characteristics. Two good markers of wealth are family type and age. Families tend to be better off than people living alone, because many families have two incomes rather than one and are in a better position to put aside money for savings and investments. Families can also live more economically than single people by sharing household items and furnishings and many day-to-day expenses. Older people tend to be better off than younger people, because they have had more time to accumulate assets and pay off debts.

Table 2 gives a bird's eye view of the links between wealth and family type and age. Families made up 63.5 percent of all family units (families plus unattached persons) in British Columbia in 1999, but they had 82.4 percent of the personal wealth. Unattached persons—people living on

their own or sharing accommodations with unrelated people—were 36.5 percent of all BC family units, but they had only 17.6 percent of the wealth.

The differences between families and unattached persons are also reflected in the two columns on the far right side of the table that show average wealth and median wealth. Families had average wealth of \$325,914, and unattached persons had average wealth of \$121,215. Median wealth for families was \$157,000, nearly nine times larger than the median for unattached persons of \$18,000.

Among families and unattached persons alike, average and median wealth were lower for those under age 65 and higher for seniors. For example, the average wealth of the younger families was \$300,391, well below the average for senior families of \$484,506. The median wealth of families under 65 was \$125,000, and the median for senior families was \$331,110.

Huge differences between averages and medians indicate a very uneven distribution of wealth, and the difference for unattached persons under 65 was particularly stark. Half the members of the under-65 group—278,405 out of 456,811 individuals—had wealth of less than \$11,300 in 1999. That's the equivalent of a few household furnishings, maybe an old used car, and a bit of money in a chequing account at the bank or credit union. Many of the people in the other half of the group were much better off—so much better off that they raised the group average to \$100,555 or well above the median.

Table 2: Distribution of personal wealth in BC among families and unattached persons, 1999

	Share of population	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth
Families	63.5%	1,070,682	82.4%	\$348,959,056,000	\$325,914	\$157,000
Families under 65	54.7%	922,050	65.4%	\$276,965,076,000	\$300,391	\$125,000
Families 65 and older	8.8%	148,337	17.0%	\$71,993,980,000	\$484,506	\$331,110
Unattached persons	36.5%	614,967	17.6%	\$74,534,944,000	\$121,215	\$18,000
Persons under 65	27.1%	456,811	10.8%	\$45,737,352,000	\$100,555	\$11,300
Persons 65 and older	9.4%	158,451	6.8%	\$28,797,592,000	\$180,608	\$113,650
All family units	100%	1,685,649	100%	\$423,494,000,000	\$251,235	\$94,801

Source: Statistics Canada. Survey of Financial Security 1999.

Table 3 provides a closer look at wealth in BC by specific family types. The four most common types of families are listed first in the table, followed by the four types of unattached persons.

The average wealth of families 65 and older, childless couples under 65, and couples under 65 with children under 18 was substantial. The average wealth of families headed by lone-parent mothers under 65 was much lower at \$142,814. The averages for unattached people were also relatively low. The number of unattached men 65 and older in BC in the Survey of Financial Security was too small to provide a reliable estimate.

In terms of median wealth, families headed by lone-parent mothers as well as unattached women and men under 65 were all very low—once again suggesting that half the people in each of the groups were in dire straits while some people in the other half of each group were doing much better.

The figures in Table 3 underline the importance of multiple incomes. The three groups in the table with the lowest median wealth were unattached women and men under 65 and lone-parent mothers. Unattached people by definition have only one income, and lone-parent mothers are often the sole providers, because their children are often too young to have paper routes or work after school to supplement the family income.

The figures in the wealth survey for unattached women and men show that men were better off than women. The average wealth of unattached men under 65 was \$102,714, and the average wealth of unattached women under 65 was \$97,547. No comparison of unattached senior women and men was possible in BC because of the sample size problem. However, the national statistics show that unattached men 65 and older had average wealth of \$214,594, while unattached women 65 and older had average wealth of \$152,685.

Table 4 explores the relationship between age and wealth in BC. It divides all family units into five age groups and shows the average and median wealth of each group. The

Table 3: Wealth in BC by family type, 1999

	Average wealth	Median wealth
Families 65 and older	\$484,506	\$331,110
Childless couples under 65	\$362,387	\$158,000
Couples under 65 with children	\$241,430	\$116,040
Lone-parent mothers under 65	\$142,814	\$15,500
Unattached women under 65	\$97,547	\$12,750
Unattached men under 65	\$102,714	\$10,100
Unattached women 65 and older	\$167,938	\$107,000
Unattached men 65 and older	—	—

Note: Dashes indicate that the sample size was too small.
Source: Statistics Canada. Survey of Financial Security 1999.

Table 4: Wealth in BC by age group, all family units, 1999

Age group	Share of population	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth
Under 35	26.9	453,440	7.2	\$30,491,568,000	\$67,410	\$13,051
35-44	23.9	402,870	19.1	\$80,887,354,000	\$200,038	\$67,300
45-54	19.1	321,959	27.1	\$114,766,874,000	\$357,960	\$202,085
55-64	11.9	200,592	22.8	\$96,556,632,000	\$481,287	\$243,200
65 and older	18.2	306,788	23.7	\$100,368,078,000	\$327,468	\$203,201
All family units	100.0	1,685,649	100.0	\$423,494,000,000	\$251,235	\$94,801

Source: Statistics Canada. Survey of Financial Security 1999.

group under age 35 and the group 35 through 44 both had shares of wealth that were smaller than their shares of the population as a whole. The older groups all had shares of wealth that were larger than their proportions of the population.

The dollar figures for average and median wealth also grew with age right up to the age group 65 and older. The figures for seniors were noticeably smaller than the age group 55 through 64. That's partly because of seniors who cash in some of their accumulated assets for retirement income.

All this is not to say that all younger people are poor and all older people are well-heeled. A detailed look at the national statistics on wealth and age shows significant numbers of poor people and rich people in every one of the five age groups. Younger people overall tend to be poorer than older people, but nearly one-third of the under-35 group nationally had wealth in excess of \$50,000. Conversely, seniors tend to be better off than younger people, but about one-quarter of the 65-plus group had wealth of less than \$50,000.

Wealth and housing

One of the main reasons that older people tend to be richer than younger people can be seen in the statistics on home ownership. Housing is the single biggest asset that most homeowners have, and home mortgages are often their single biggest debt. Statistics Canada lists the current market value of homes as an asset and mortgages on homes as a debt. Most homeowners start out with a small down payment and a large mortgage and take many years to pay off their mortgage. For that reason, most homeowners without mortgages are older people.

Table 5 shows the link between housing and wealth in BC in more detail. Homeowners, both those with mortgages and those without, had 91 percent of the wealth, leaving the substantial number of renters in the province with only nine percent of the wealth.

The average wealth of homeowners with mortgages was \$232,989, and the average wealth of homeowners without mortgages was \$620,440. Both those figures included many other financial and non-financial assets in addition to housing. The average value of housing for the two groups of homeowners combined was \$225,202, and the average mortgage for the homeowners who had mortgages was \$107,152.

The average wealth of renters was \$53,491, and the median wealth was only \$9,310. Renters made up 42.3 percent of the family units in BC or 713,030 family units in 1999. Many of them were younger people, but figures are so large that they clearly included people in all age groups.

Wealth and education

Finally, the wealth survey had some surprising findings on wealth and education. Education may be one of the keys to living a full and enriched life, but it is not necessarily the key to wealth.

Table 6 arranges family units according to the level of education of unattached persons or the level of education of the main income recipient in a family with more than one adult. The category "non-university certificate" means a certificate or diploma from a trade or vocational school, community college, technical institute or hospital school of nursing. The category "above certificate or bachelor's degree" includes a post-graduate degree from a university or a degree in law, medicine, dentistry, veterinary medi-

Table 5: Wealth in BC by housing status, all family units, 1999

	Share of population	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth
Homeowners with mortgages	33.4	563,007	31.0	131,283,140,000	\$232,989	\$147,000
Homeowners without mortgages	24.3	409,613	60.0	254,096,400,000	\$620,440	\$370,600
Renters	42.3	713,030	9.0	38,114,460,000	\$53,491	\$9,310
All family units	100.0	1,685,649	100.0	\$423,494,000,000	\$251,235	\$94,801

Source: Statistics Canada. Survey of Financial Security 1999.

Table 6: Wealth in BC by education of main income recipient, all family units, 1999

Main income recipient	Share of population	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth
Less than high school graduate	21.1	355,672	16.6	\$70,300,004,000	\$198,024	\$73,300
High school graduate	26.9	453,440	26.6	\$112,649,404,000	\$248,129	\$76,320
Non-university certificate	29.3	493,895	24.4	\$103,332,536,000	\$208,468	\$98,550
University certificate or bachelor's degree	14.7	247,790	16.4	\$69,453,016,000	\$280,298	\$90,000
Above certificate or bachelor's degree	8.0	134,852	16.1	\$68,182,534,000	\$504,448	\$240,001
All family units	100.0	1,685,649	100.0	\$423,494,000,000	\$251,235	\$94,801

Source: Statistics Canada. Survey of Financial Security 1999.

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Most of the groups in the table had shares of wealth that were reasonably close to their shares of the population, and most of the dollar figures for average wealth and median wealth were reasonably close to the figures for all levels of education combined.

The only group that really stood apart from the rest was family units where the major income earner had *more* than a university certificate or bachelor's degree. They made up only eight percent of the family units in BC, but had 16.1 percent of the wealth. Their average wealth was \$504,448 and their median wealth was \$240,001. Both figures were well above the provincial average of \$251,235 for all family units and the median of \$94,801.

The data should not be interpreted to mean that education does not matter, but rather that education is an im-

perfect marker for wealth. Some people in the group who did not graduate from high school, for example, may be retired British Columbians who grew up in an age when education was not all that important for getting or holding onto a decent job.

Another problem was a lack of information on the education of the people who were second income earners in families. The very fact of having two incomes may be more significant than the educational profiles of either of the two income earners.

While all of these "markers" of wealth inequality tell us a great deal about who is likely to be rich or poor, data are not available that combine these different aspects together. Nonetheless, these data paint a much more detailed picture of wealth, and wealth inequality, for individuals and families in BC.

Supplemental data from Statistics Canada's Survey of Financial Security was purchased by the Social Planning and Research Council of BC as part of a joint research effort with the CCPA BC Office .



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