

Correction: The Composition and Drawdown of Wealth in Retirement

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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.¹ 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.

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Table 1

Balance Sheets for Households Aged 65–69 in 2008

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

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.

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 2

Distribution of Wealth Components for Households Aged 65–69 in 2008*(in 1,000s)*

Percentile	Net worth	Social Security	Defined benefit pension	Non-annuitized wealth	Financial assets	Personal retirement account assets	Housing & other real estate
All households							
10	127.3	0.0	0.0	0.1	0.0	0.0	0.0
30	289.3	126.8	0.0	71.8	2.0	0.0	42.0
50	548.2	187.4	0.0	221.7	15.0	5.0	120.0
70	911.9	227.8	83.0	518.0	70.0	75.0	229.5
90	1,826.4	384.8	329.6	1,274.0	358.0	347.0	585.0
Single-person households							
10	97.4	0.0	0.0	0.0	0.0	0.0	0.0
30	176.2	98.2	0.0	14.0	0.4	0.0	0.0
50	295.8	136.7	0.0	100.0	5.0	0.0	60.0
70	544.1	177.2	51.2	272.0	34.0	10.1	150.0
90	1,094.1	230.1	206.2	892.0	240.0	124.0	392.0
Married households							
10	240.9	0.0	0.0	24.7	0.0	0.0	12.0
30	509.2	195.3	0.0	158.0	6.0	0.0	90.0
50	769.1	284.0	0.0	357.0	27.8	35.0	170.0
70	1,234.1	342.6	116.1	755.7	107.0	137.0	300.0
90	2,224.2	425.5	440.4	1,677.8	459.2	464.0	725.0

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.

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