

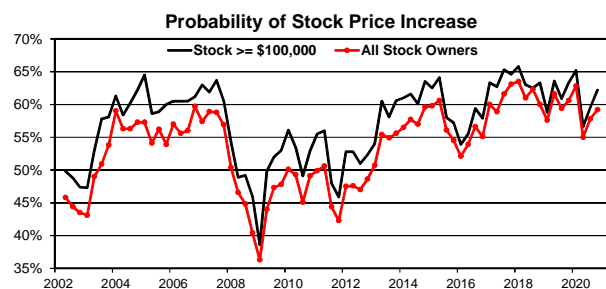


Subject: Stock Ownership and Stock Price Expectations

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Ownership of stocks, including stocks directly held and stocks in mutual funds and retirement accounts, rose to an average of 69% of all households in 2020, up from 61% in 2015. Given the negative inflation adjusted returns on interest-bearing financial accounts, this increase is hardly surprising. Although the probability of rising stock prices has been recently judged more favorably, it is still somewhat lower than prior peaks (see the chart). Stock ownership rose across all age and income subgroups in the past five years. The steepest rise in stock ownership was among subgroups that had the lowest ownership rates in 2015. Stock ownership rose from 2015 to 2020 by 12 percentage points among those under age 45, and by 14 percentage points among households with incomes in the 2nd income quintile. In contrast, stock ownership rose by just 3 percentage points among those over age 65 and among households with incomes in the top fifth. The smaller growth rates among the top income subgroups reflected the fact that those ownership rates were already nearly universal, but the outsized gains among lower age and income subgroups largely reflected the impact of Fed policies favoring stocks over interest denominated accounts. It could also be argued that the higher risks associated with stocks may be inappropriate for younger and lower income households, although if held for long term retirement objectives it would mitigate the risks. A significantly large stimulus program initiated by the Biden administration to counter the pandemic will make a rising inflation rate more likely and thus allow the Fed to increase nominal interest rates while keeping real rates unchanged. Nonetheless, even a modest move by the Fed may cause a negative wealth effect on spending.



The median value of equities held among current stock owners rose to \$118.8 thousand in 2020 from \$101.6 in 2015. Since the 2020 holdings included amounts reported during the pandemic falloff earlier in 2020, the preliminary data for the 4th quarter of 2020 is also shown. The most recent data indicated a rise to \$126.5 thousand, representing a modest gain of 24% over 2015. Note that the consumer surveys do not aim to document equity holdings at the very top of the wealth distribution, but aim to assess how changes in wealth holding affect the spending and saving decisions broadly across households. The more recent changes are quite interesting, with those aged 65 or older and lower income households recording the largest growth in their portfolios, also indicating the largest increase in risks and potential rewards. Growth in the concentration of wealth is also evident, as the holdings of the top fifth rose from nearly 100 times to nearly 200 times the level of the bottom fifth from 2015 to 2020; while the multiple declined in the preliminary data for the 4th quarter. The ratio for the top 10% compared with the bottom fifth continued to grow (even given that the figure for the top 10% is biased downward).

Probability of Gains in Stock Prices, Stock Ownership Rates and Dollar Holdings																
	Probability of Stock Price Gain in Year Ahead (Stock Owners)					Stock Ownership Rates (All Households)						Median Holdings Current Dollars in Thousands (Stock Owners; % Chg from 2015)				
	2019:4	2020:1	2020:2	2020:3	2020:4p	2015	2016	2017	2018	2019	2020p	2015	2020p	%Chg	2020:4p	%Chg
All	61	63	55	58	59	61%	63%	64%	66%	66%	69%	\$101.6	\$118.8	17%	\$126.5	24%
Age of Householder																
18 - 44	65	64	58	61	59	55%	60%	62%	64%	64%	67%	\$39.2	\$40.9	4%	\$47.8	22%
45 - 64	59	65	52	57	60	66%	67%	69%	70%	71%	72%	\$160.9	\$208.4	30%	\$211.4	31%
65 or older	57	58	54	55	57	63%	59%	61%	62%	64%	66%	\$239.1	\$301.8	26%	\$356.4	49%
Household Income																
Bottom 20%	53	57	47	53	54	21%	22%	24%	25%	25%	27%	\$10.1	\$20.7	106%	\$21.0	109%
Second 20%	55	61	51	56	55	46%	48%	51%	54%	55%	60%	\$40.3	\$35.6	-12%	\$48.2	20%
Middle 20%	62	63	52	59	59	70%	69%	71%	75%	76%	77%	\$59.5	\$75.3	27%	\$81.9	38%
Fourth 20%	64	65	57	59	62	84%	86%	88%	86%	86%	88%	\$145.0	\$151.8	5%	\$202.7	40%
Top 20%	63	65	59	59	62	91%	90%	91%	93%	93%	94%	\$297.5	\$407.6	37%	\$437.5	47%
Top 10%	62	65	63	56	63	92%	91%	92%	94%	94%	94%	\$485.3	\$527.8	9%	\$519.7	7%
Stock Holdings																
Bottom 20%	58	58	54	58	54	100%	100%	100%	100%	100%	100%	\$7.3	\$5.2	-29%	\$7.4	2%
Second 20%	57	61	51	58	59	100%	100%	100%	100%	100%	100%	\$40.2	\$40.3	0%	\$48.0	19%
Middle 20%	61	65	55	59	56	100%	100%	100%	100%	100%	100%	\$101.4	\$119.6	18%	\$138.0	36%
Fourth 20%	64	64	53	58	64	100%	100%	100%	100%	100%	100%	\$252.0	\$303.4	20%	\$357.5	42%
Top 20%	64	67	62	61	67	100%	100%	100%	100%	100%	100%	\$707.1	\$994.5	41%	\$1,030.8	46%
Top 10%	64	67	64	64	67	100%	100%	100%	100%	100%	100%	\$999.9	\$1,581.8	58%	\$1,980.3	98%

Note: Stock ownership was defined to include any directly held stock, stock in mutual funds, or any stock held in retirement related accounts.