

Permanent Income Shocks, Target Wealth, and the Wealth Gap

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Online Appendix

A. Target Wealth Questions in the 2002-2016 SHIW

The wording of the questions we use to measure target wealth change across the various SHIW waves. In 2002, 2004, 2010, the question is as follows:

People save in various ways (depositing money in a bank account, buying financial assets, property, or other assets) and for different reasons. A first reason is to prepare for a planned event, such as the purchase of a house, children's education, etc. Another reason is to protect against contingencies, such as uncertainty about future earnings or unexpected outlays (owing to health problems or other emergencies). About how much do you think you and your family need to have in savings to meet such unexpected events?

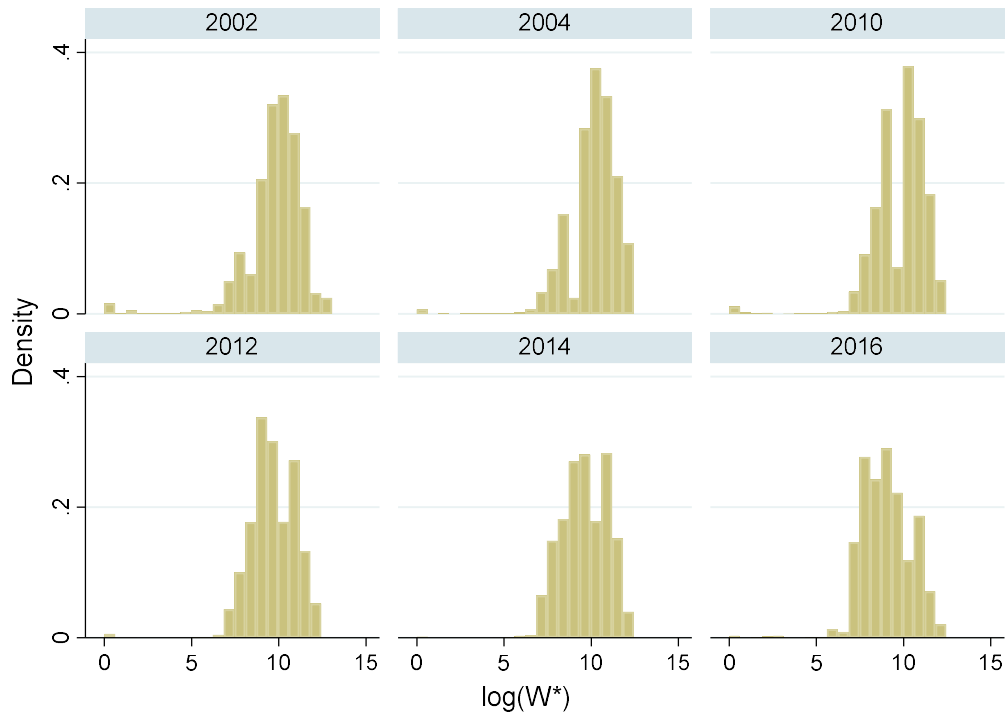
In 2012, the wording is:

People save in various ways (depositing money in a bank, buying financial assets, property, or other assets) and for different reasons. One reason is to protect against contingencies, such as uncertainty about future earnings or unexpected outlays (owing to health problems or other emergencies). About how much do you think you and your family need to have in savings to meet such unexpected events?

Finally, in the last two waves (2014 and 2016) the wording is:

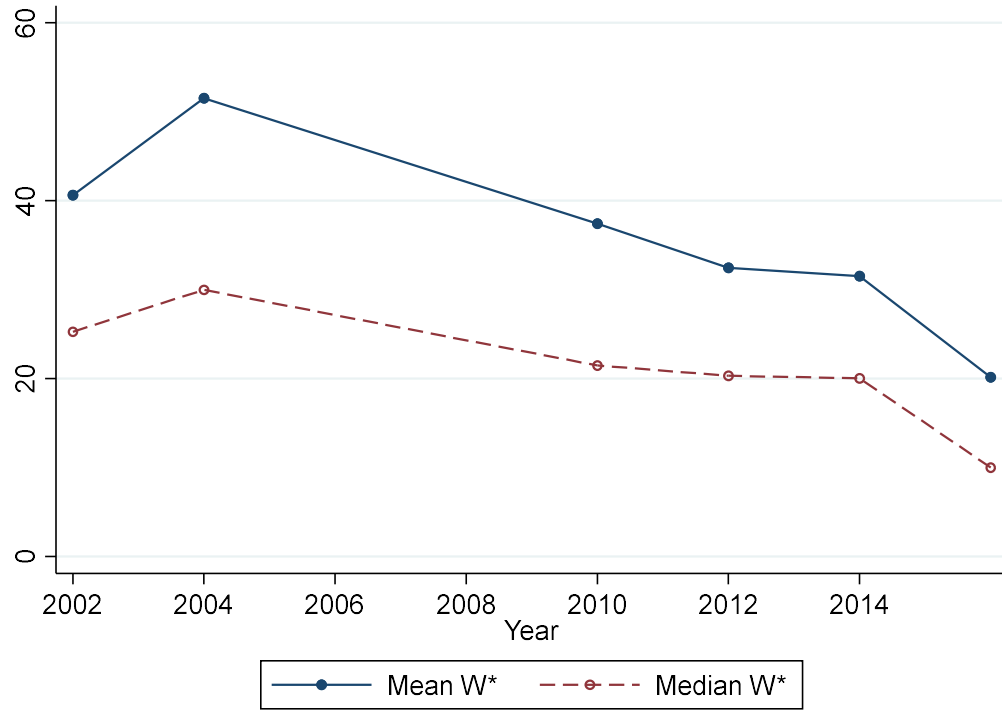
About how much do you think you and your family need to have in savings to meet unexpected events, such as health problems or other emergencies?

Figure OA1: The Distribution of Target Wealth



Note. The figure plots the cross-sectional distribution of the log of target wealth from 2002 to 2016.

Figure OA2: Mean and median target wealth, 2002-2016



Note. The figure plots average and median target wealth from 2002 to 2016 (in thousands euro).

Table OA1: Descriptive statistics

2002-2012	Total sample			Panel sample		
	Mean	Median	SD	Mean	Median	SD
Target wealth (W^*)	40,413.32	21,479.96	47,533.66	38,857.41	21,479.96	45,841.52
Consumption	25,868.45	22,124.36	15,680.63	26,419.88	22,876.16	15,588.66
Income (Y)	26,609.26	21,586.5	21,264.31	26,959.09	22,339.16	19,686.29
Cash-on-hand (W)	29,220.39	9,554.32	83,836.68	31,536.31	10,484.16	89,130.91
Wealth gap: ($W - W^*$)	-11,192.93	-8,153.42	89,416.26	-7,321.1	-6,848.22	93,269.37
$\mathbf{1}\{(W - W^*) < 0\}$	0.70	1	0.46	0.68	1	0.46
W^*/Y	2.08	1.03	12.91	1.92	1	7.11
Years of education	9.01	8	4.59	9.29	8	4.58
Age	57.95	58	15.79	59.07	59	15.01
Male	0.58	1	0.49	0.58	1	0.49
Family size	2.53	2	1.27	2.54	2	1.28
Married	0.63	1	0.48	0.64	1	0.48
Observations		31,144			17,257	

2014-2016	Total sample			Panel sample		
	Mean	Median	SD	Mean	Median	SD
Target wealth (W^*)	26,084	10,015	33,884	26,889	15,000	34,242
Consumption	22,789	19,300	13,882	23,441	20,000	14,397
Income (Y)	24,139	19,530	18,509	24,963	20,129	18,850
Cash-on-hand (W)	30,633	8,106	109,640	32,685	8,410	115,673
Wealth gap: ($W - W^*$)	4,548	-2,509	108,653	5,796	-2,350	114,518
$\mathbf{1}\{(W - W^*) < 0\}$	0.61	1	0.49	0.61	1	0.49
W^*/Y	1.35	0.66	5.39	1.4	0.67	6.56
Years of education	9.57	8	4.54	9.83	8	4.55
Age	61.54	62	15.69	61.96	63	15.07
Male	0.52	1	0.50	0.52	1	0.50
Family size	2.3	2	1.24	2.36	2	1.24
Married	0.55	1	0.5	0.58	1	0.49
Observations		15,425			8,450	

Note. Consumption is non-durable consumption. Income is the sum of labor income (from employment and self-employment) and transfers.