

Determinants of Household Position in the Wealth Distribution in Chilean Households

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Paper Abstract:

This paper analyzes the distribution of net wealth, its relationship with income and factors that influences the household position in the wealth distribution in the case of Chile based on the Survey of Household Finances (SHF) 2014. For this purpose, we estimate a generalized ordered logit model. The general results show that wealth is very unequal among Chilean household. In fact, 73% of wealth is owned by the richest wealth quintile. In particular, estimation results show that belonging to a higher income quintile increases the probability of belonging to a higher wealth quintile. We also observed that as age increases, the probability of moving up in the distribution of wealth increases. Regarding inheritances, we note that these significantly increase the probability of belonging to the highest quintiles of wealth. Finally, we find that even though income has a significant effect in the wealth position of a household, the relationship between these two variables is weak.