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Child-Support Policies and the Well-Being of Children: Income versus Wealth-Based Measures

Vicky Barham, Rose Anne Devlin**

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*
Department of Economics
University of Ottawa
P.O. Box 450, Station A
Ottawa, Ontario
K1N 6N5
(613) 565-5800 ext. 1432 (Devlin), 1419 (Barham)
radevlin@uottawa.ca
vbarham@uottawa.ca

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1. Introduction

The bedrock on which is grounded the present Canadian system for determining child support payments to the parent having custody of the children of divorced spouses is the legal (and indeed moral!) obligation of *both* parents to continue to provide financial support for their children following divorce.[1] Court rulings are replete with examples which affirms the notion that parents are obliged to consider the material well-being of their children. Furthermore, the courts have made clear that the level of 'adequate child-support' is *not* simply that which would ensure that the children's basic needs are met: it goes much further than this, as aptly demonstrated by the recent *Francis-Baker* case in which a millionaire father was ordered by the court to pay some $10,000 a month in child support to the custodial mother of his children who, herself, earned a modest but adequate (from the point of view of satisfying basic needs) income. Historically, however, the amount of child support received by custodial parents was generally judged to be inadequate, often leaving the custodial family considerably impoverished both in absolute terms and relative to the non-custodial parent.

It is thus not surprising that one of the goals behind the reform of the Family Law that led to the implementation of the *Child-Support Guidelines* was the stated desire to ensure that the procedure by which child support was determined would "yield adequate and equitable levels of child support."[2] Nonetheless, in a recent paper Barham, Devlin and LaCasse (2000) (BDL) showed that the child-support payments prescribed by the *Child-Support Guidelines* (which have

[1] An excellent discussion of the legal/philosophical underpinnings of child-support is contained in Garrison (1998).

[2] Federal/Provincial/Territorial Family Law Committee's Report and Recommendations on Child Support, January 1995, p.3.

been in effect since January 1, 1997) fall short when judged against several criteria of adequacy and reasonableness. Not only does the standard of living of custodial families fall as a result of divorce (a reality which is not in itself surprising) but, more significantly, even *after* the application of the *Guidelines* it is still the case that, for most families, the standard of living of the custodial household falls relative to that of the non-custodial household. In other words, the economic consequences of divorce are continuing to fall disproportionately on the children of divorced parents. [3]

As the analysis developed in BDL makes clear, at the end of the day it is not particularly surprising that the *Guidelines* prescribe child support payments which may reasonably be judged to be inadequate. The hard reality is that there is a very real limit to the proportion of the non-custodial parent's income that can be docked as child support without strongly discouraging work effort on the part of the non-custodial parent; this effectively bounds the amount of support that can be prescribed and means that the system is almost certainly destined to generate inadequate protection for children from the economic consequences of divorce. Moreover, BDL argue strongly that as long as child support is determined solely as a function of income there is really no way to meet the conflicting needs of non-custodial parents to retain a reasonable proportion of their earnings, and of their children to attain an adequate standard of living: there simply isn't enough income to go around. To get beyond this impasse BDL suggest that child-support payments should not be determined solely as a function of *income*, as is currently the case, but instead as a function of *wealth* (i.e., income *plus* assets). By allowing children to benefit from the assets of the household, their welfare can be unambiguously improved.

Indeed, at the level of first principles it is clear that the case for basing child support payments on wealth is significantly more compelling than that for basing them solely on income. In families which are not touched by divorce, the standard of living of the children is clearly determined by the overall wealth of their parents, and not merely by their income. Children in

[3] The result in BDL that children bear the economic brunt of divorce has been found elsewhere as well; see, for instance, Garrison (1998, p.66).

families which have identical incomes (and spending tastes) will nonetheless have very different standards of living if their parents' wealth differs. More to the point, the assets owned by the parents are used by their children: it is a *family* home, and a *family* car. A full evaluation of the economic burden of divorce on children must therefore take account of the loss in the services of these family assets. If divorced parents have a legal obligation to continue to provide for their children subsequent to divorce, then surely the services of those assets must be taken into account when determining the appropriate level, and indeed form(s), of support.

Once the principle that child support should be based on wealth rather than income is accepted, two questions immediately arise: how would this work in practice? And would it make a real difference? In section 2, below, we discuss the case for wealth-based child support in greater detail, and note some of the issues that would have to be addressed in developing a wealth-based mechanism for determining child support. The main focus of the present paper, however, is on the second question: can this make a difference? The most obvious example of an asset that 'might make a difference' is the family home; this is both because the single most important asset held by the majority of households is the family home. Furthermore, it seems clear that children prior to separation enjoy the benefits flowing from the home whereas other assets, like pensions, do not provide any clear and immediate benefits to children while they are young. If some mechanism were developed for ensuring that children continued to benefit from the services of family assets (to at least some degree) subsequent to divorce, this would probably mean that more children would be able to stay in the family home after divorce, decreasing both the economic and non-monetary burdens of divorce on children.

Of course, not all divorcing families have much, if any, asset wealth, and certainly not all own their own home. And it is only when the divorcing family has some assets that implementing a wealth-based, as opposed to income-based, child support scheme can actually improve - with respect to the current system - the welfare of those children affected by divorce. But if taking a wealth-based approach would make a significant difference in a large enough number of cases, then the feasibility of a wealth-based approach would seem to merit more

careful investigation. The present paper presents some preliminary findings concerning the characteristics of both divorcing and non-divorcing households, seeking to cast some light on the value of assets accumulated in these households and, most importantly, to try to assess whether or not a significant proportion of children might benefit from taking a wealth-based approach to child support. While clearly there is room for much further research in this area, the findings presented here are very suggestive: not only would there appear to be notable differences in the pattern of wealth acquisition between families with children and those without (which suggests that assets are acquired specifically for the benefit of the children) but, most importantly, more than 50% of divorcing families are home-owners with significant equity in the family home. Our analysis shows that there are grounds for cautious optimism: for a large proportion of children affected by divorce, a wealth-based child support scheme could significantly lessen the economic burden they currently shoulder.[4]

[4] Implicit in our discussion is the notion that improving the welfare of children, while recognizing parents' needs, is an important objective child-support policy. We also take as a starting point that children of divorce are particularly vulnerable to economic hardship: a sad reality that has been aptly revealed in an important body of research on child poverty in Canada. See, for instance, the excellent discussion in Phipps (1999) and her rich reference list, Dooley (1999), and Charette and Meng (1994),

2. The Case for a Wealth-Based Approach

The proposition that support payments for children of divorced couples should be based on wealth rather than income is grounded on the observation that the standard of living of children in families not touched by divorce is determined by their parents' wealth, and not merely their incomes. In effect, children have *usufruct* of a significant proportion of the family assets: title to the family car(s) and home(s) is held by the parents, but the services of these assets are shared by all members of the family, and thus in particular by dependent children. Given, then, that a couple's original decision to have children can be interpreted as a decision to grant their dependents *usufruct* of a significant portion of their assets for as long as they are at home, it seems reasonable to expect — and indeed oblige — divorcing parents to continue to use these assets to support their children's standard of living. In effect, this entails treating assets in a manner analogous to income. Divorce does not relieve the non-custodial parent from the financial obligation to support their children out of their income; in principle, the level of child support payment imposed by the *Guidelines* may be interpreted as representing (albeit very imperfectly!) the share of the non-custodial parent's income that would have been spent on supporting the children had the couple not separated.[5] Comparable treatment of assets therefore requires that the share of the non-custodial parent's asset-holdings over which the children would have enjoyed *usufruct* had the parents remained together should continue to be used to provide their children with services for as long as they remain at home.

Indeed, it is *so* self-evident that wealth is the underlying determinant of the standard of living of the divorcing household, and also that wealth is the best measure of 'ability to pay', that one cannot but wonder whether it is not merely a historical accident that can explain the fact

[5] As BDL show, however, the levels of support prescribed by the *Guidelines* are such that non-custodial parents typically devote a smaller proportion of their income to meeting the needs of their children after divorce than was the case before the parents separated.

that child support in Canada is determined as a function of income, rather than of wealth[6]: there are certainly other jurisdictions which do indeed take account of the availability of assets to provide support for children after a divorce. French family law clearly recognizes the basic fungibility of assets and income, and explicitly identifies a number of different options for paying child support. These include a regular monthly payment, a one-time lump sum settlement, attribution of income arising from particular assets over a specified length of time, and *usufruct* of the asset for a specified length of time.[7] Thus, the issue of determining how much support is due is effectively viewed as distinct from the problem of deciding whether or not support will be paid out of income, or out of assets, or some combination of the two. And the importance of assets in English law is aptly summed up by Dnes (1999, p.546) when he writes: "Housing need is in many ways the starting point of the current English law on postdivorce financial obligations and the majority of cases do not reveal sufficient family resources to go much beyond the allocation of housing to the spouse with responsibility for care of the children." He goes on to discuss the fact that ownership and the use of assets like housing can be and often are treated as separate issues.[8]

Once the notion that children should be granted *usufruct* of at least some proportion of family assets is accepted, it is evident that it is far from straightforward to determine what assets are properly considered 'family' assets (as opposed to 'parental' ones). Obviously, not all assets provide services to children. Whereas cars, the family home and vacation homes do provide benefits to children, pension wealth and RRSP savings do not — or at least not in the here-and-

[6] However, this result is more likely a consequence of two other factors: first, in Common Law, 'wives' and children were traditionally considered to be economic dependents of the male unable to hold property in their own right. While the status of 'wives' has since changed, that of children has not in many jurisdictions, like Canada and the United States. The discussion in Garrison (1998) is important in this regard. Second, in Canada, property-division rules are the purview of provincial legislation while child support is a federal matter.

[7] See, for example, the web site *vosdroits.admifrance.gouv.fr*. Revisions to the Family Law are currently being considered in France; the effect of this reform would *not* however be to limit support payments solely to a proportion of income.

[8] Ironically, this paper is arguing that asset division rules should move towards a 50-50 rule, but while still respecting the need for children to have access to assets while dependent.

now.[9] And the benefits of 'family assets' may not accrue equally to all family members; perhaps the 'second car' is used primarily to convey one parent to and from their place of employment, whereas it is the minivan which is used to ferry the children to their various activities, and to do the family shopping. And it is also clear that treating 'family' assets as asymmetrically from 'parental' assets for the purposes of determining the level (and form) of child support changes the incentives of parents to acquire wealth in one form rather than another: a parent who suspects that their marriage may be on the skids is likely to lobby to put extra savings into RRSPs this year rather than paying a chunk off the mortgage if this means that they would be able to take out 50% of what has been put into the RRSP in the near future, rather than being obliged to wait until the kids leave home to get their hands on the money they have tied up in their home. Clearly, there is room for considerable theoretical and empirical research that would seek to clarify the nature of the distinction — if any — that should be drawn between 'family' and 'parental' assets, and determine how each should be treated. Such an exercise, however, goes considerably beyond the scope of the present paper!

It should be stressed that the case in favour of granting children *usufruct* is based simply on the fact that there is a fundamental asymmetry between divorcing couples with children and divorcing couple which are childless. Couples with children share their assets with their dependents, and the interests of these children *must* be taken into account when considering the consequences of the rules concerning the disposition of family assets upon divorce. Indeed, children have a much broader claim to the use of their parents' assets than does the ex-spouse: whereas the ex-spouse has a claim only to a 50% share of those assets acquired during the marriage, the children arguably should have the right to continue to benefit from *all* assets that would have provided them with services had their parents remained together, regardless of when

[9] Indeed, one might argue that *ceteris paribus* the children of parents who devote a greater proportion of their annual income to RRSPs and other financial investments have a lower standard-of-living than the children of parents who do not save for the future. Whether or not this means that improvident parents are expecting their children to support them in their old age is of course an open question.

title was acquired and by whom. If the non-custodial parent holds title to a vacation home that was acquired before marriage, this asset should clearly be taken into account when considering the needs of the children. It should also be noted that the claim of children to the continued service of assets is inversely related to the age of the children: if their parents had remained together, young children would have continued to derive services from these assets for a longer period of time than would teenaged children.

If it can be shown, however, that couples with children do not merely share their assets with their depends, but in fact acquire a different set of assets than do childless couples, then it seems reasonable to argue that children should not merely have the right to *usufruct* of family assets, but that they should in fact obtain title to those assets which were acquired specifically for their benefit. Thus, for example, if childless couples invest in urban condominiums and sub-compact cars, whereas families with children buy three-bedroom bungalows and mini-vans, then the different in the overall value of these assets is arguably a measure of the wealth that is acquired by the parents *specifically* for the children, and that should be allocated to the children upon divorce. A significant difficulty with such an approach is that differences in the pattern of asset acquisition by couples with children versus those who remain childless may be greater when children are at home than once they have flown the nest: it is difficult to distinguish empirically between those assets which in effect permanently transfer wealth from the parents to the children, and those which provide services to children while at home, but which may are converted to other sorts of assets when the parents downsize after their children leave home. Nonetheless, even if it were conceded that the ultimate beneficiaries of these assets might not be the children, a case may still be made for transferring title to some proportion of the non-custodial parent's share of the family assets to the children if this transfer is viewed as once-and-for-all compensation for the difference between the actual level of child support that would subsequently be paid by this parent, and what they would need to pay for the level of support to be 'adequate'. These assets could then be held 'in trust' (either by the custodial parent, or jointly by the custodial and non-custodial parents) until the child reached the age of majority.

3. Data and Methodology

In an ideal world, researchers wishing to investigate the potential impact of implementing a wealth-based system for determining child support would have access to a data set that would contain a host of personal and household information on Canadian households. In particular, as well as recording the marital status and number of children at home, this data set would contain details concerning both stocks - asset ownership - and flows - that is, income. With access to sufficiently rich data it would then be possible to estimate what would essentially be a hedonic pricing model which would show exactly how the presence of children affects both the total level of asset accumulation as well as the profile of assets acquired.[10] In addition, the characterization of the typical 'divorcing family' would allow a fairly exact determination of the assets available in these families that might be brought to bear to improve the welfare of children after separation. At the present time, however, such an ideal data set does not exist.

An alternative approach would be to follow the example of the Department of Justice in its research program that lead up to the introduction of the *Child Support Guidelines*, and to use equivalence scales to compare household welfare using such data on assets as is presently available. In effect, just as household equivalence scales are constructed to determine how much *income* a family of *n* members would need in order to be as well off as a family of *n-k* members, one can in principle go one logical step further and construct a wealth-equivalence scale which would determine how much wealth (assets *plus* income) a family of *n* members would need to be as well off as the *n-k* family. Obviously, as a matter of principle, equivalence scales which take account of the services of assets are bound to provide a better picture of what households enjoy a comparable standard of living than when the equivalence scale relies solely on income and family size as factors of differentiation. Unfortunately --- and perhaps somewhat

[10] For this to be done properly, data would be required that described not merely the number of cars and bedrooms and the type of dwelling but, equally importantly, the type of car (minivan or sub-compact) and the location of the house (e.g., either a precise neighbourhood, or at the very least the distance from the CBD).

surprisingly --- equivalence scales that take account of wealth do not exist. Moreover, their construction would be a formidable task indeed: one that is certainly beyond the scope of this current paper.[11]

Given, then, that there does not exist sufficiently detailed data on the assets of separating households, nor an established method of drawing inter-household welfare comparisons based on cruder measures of asset stocks and income flows, we are left with the problem of determining what can be done to determine, with currently-available data, the characteristics of families which are separating, and in particular their wealth position and whether or not this wealth might be appropriately and profitably used to improve the welfare of children subsequent to divorce. It turns out that there are two data sets which jointly contain much of the desired information: the Survey of Labour Income Dynamics (SLID) reports detailed information on the income and personal characteristics of households, including those whose spouses are undergoing a separation; and the Family Expenditure Survey (FAMEX) which contains detailed information on asset holdings.[12] We thus proceed indirectly. First, we use the SLID to obtain information on households in which the couple is separating;then, we compare these households to households in the FAMEX to see if they are typical of the general population. Once we render these two samples 'comparable', we can infer the asset accumulation pattern of the couple that is separating and how these assets may be used to improve the welfare of the children.

Information on households in which the couple is undergoing a separation (hereafter referred to as 'separating' families) is difficult to find. One can relatively easily obtain information on the average characteristics of separated individuals (for example, the FAMEX survey provides data about the nature of the household to which the individual belongs, including 'separated' and 'divorced'), but this information describes the entire *stock* of such individuals - in other words, it does not distinguish between those individuals who have been

[11] Indeed, the fact that equivalence scales that take account of wealth have not been constructed in itself suggests that the practical difficulties in pursuing such an exercise may be enormous.
[12] The FAMEX data, however, is not detailed enough to estimate a fully-satisfactory hedonic pricing model of the impact of children on asset acqusition.

separated for decades and those for whom separation is a new phenomenon. For the purposes of the current analysis, we need to have information on the families that are now separating in order to be able to say something about the impact of child-support reforms on the children of separation.

For this reason, a particularly useful source of data on separating families, and which is the principal source of information about separating families for the purposes of this study, is the Survey of Labour Income Dynamics (SLID). The first year for which data are available is 1993: SLID contains detailed information on individuals' income and labour-market characteristics each year and across time, and is representative of the Canadian population at large.. These data are drawn from the Labour Force Survey (LFS) from which the labour-force information is obtained; income data are taken from individuals' tax files. Because the SLID tracks people over time, it is necessary to follow respondents when they move or when they no longer are asked to respond to the LFS. It is also necessary to pick up information on any changes in the composition of the families of the individuals who are being tracked. Each individual is followed for six years then dropped from the sample. This paper uses data from 1993 to 1996 inclusive (the last year for which SLID data are currently available). However, because we are interested in the characteristics of individuals who separated from their spouses, our sample begins in 1994.

Since the time period of the data set available to us is very short, only three years, we cannot say anything meaningful about the trend in separations; we can, however, use this information to determine the average characteristics of the individuals who separate. Unfortunately, SLID reports detailed information on income not wealth and information on income alone is insufficient to meet the needs of this paper. Thus, although the SLID does collect data on whether or not the individual 'owns' his or her own house, what the individual's actual equity is in the house is not recorded. Similarly, whereas the SLID collects information on an individual's investment income, it does not provide data on what these investments are.

To compensate for these short-comings in the SLID data set, we augment the analysis with information from the 1996 Family Expenditure Survey (FAMEX). This survey asks detailed information about home ownership, home equity, mortgage owing, the value of the house, and the purchase of other, large, items like vehicles and vacation homes. We thus can take an individual with certain characteristics, drawn from the SLID, and ask, on average, what sort of assets such an individual is likely to have accumulated, based on the FAMEX data source.

4. A Profile of the 'Separating' Family

Over the three year period 1994-1996, the SLID reports on 1,197 individuals who both experienced a 'separation from spouse' during one of these years and who responded to all of the questions of interest to this study. Column (1) of table 2 presents the average characteristics of these individuals prior to separation[13] (table 1 defines the mnemonics used in the paper). A few points are worthy of note at this time. The average earnings of an individual who is separating is $22.049 - of which males earn $30,814 while females earn $13,842. The average age of a separating individual is 34.83 years (36.34 for males and 33.40 for females). These individuals tend to be quite well educated, with about two-thirds of the sub-sample having more than a high-school education. Finally, about 54 per cent of individuals in the separating sub-sample report living in owned dwellings.

How do these SLID characteristics compare to the population in the FAMEX? Column (2) of table 2 presents the average characteristics of individuals in the FAMEX survey. The 1996 FAMEX contains information on the expenditure patterns of 10,417 individuals and households. After having eliminated people who did not respond to questions of interest to this study, we were left with a sample of 10,075 individuals reporting on their households. Before continuing, a couple of remarks concerning the definition of variables in the SLID and FAMEX are in order.

[13] Note that all of the characteristics reported in the paper are for the year prior to separation. Because we only know the year in which the separation occurred, and not the month, we thought that it would give us a more accurate picture of the family just prior to separation if information were obtained for the year before this event occurred.

The FAMEX reports only government income and "other" income; presumably pension income and alimony are thus in "other" (this number is reported in the ALIMONY row); the FAMEX groups people in the 24 or younger category as 24, and categorizes people over 70 years of age as being 70. The SLID reports actual age (but all respondents must be at least 16 years of age). As a result, the "average" age may not be the same across the two data sets. Finally, the FAMEX does not provide detailed information on an individual's employment status, hence rows pertaining to this information are blank.

Average earnings in FAMEX are $23,490 - not much higher than the $22,049 reported in our SLID sub-sample (the relative earnings of males and females are also very similar across the two samples). However, the average age of the FAMEX individual is 48 years, considerably higher than that of the separating sub-sample. And, if we look at the proportion of the population that is 45 years of age or older (MIDAGE), it is 52 per cent in the FAMEX and only 17 per cent in the SLID. Clearly, then, from the point of view of age, these two groups are quite different.

Couples who are separating tend to be much younger on average than the general population - an observation that is not entirely surprising given that separation typically occurs during the first five years of marriage. To render the two data sets more comparable, we need to make adjustments on a couple of fronts, including age. 25 per cent of the respondents in the FAMEX survey are over 60 years of age, whereas only 4 per cent of the SLID sub-sample are in this category. We examined several modifications. One obvious adjustment is to eliminate everyone under 24 years of age in both samples to eliminate the bias caused by the way in which FAMEX records age. However, after this adjustment, the average age of the SLID group remained ten years younger than the FAMEX group. Then, we eliminated everyone 60 years of age and older in both samples. This rendered the average age of the FAMEX group to be about 41 years of age as opposed to 36 years of age in the SLID. Furthermore, and most importantly, the average earnings of married individuals aged 25 to 59 in the FAMEX is considerably higher than those in the SLID sub-sample: $32,369 versus $25,191. Not surprisingly, by eliminating the over 59 years of age group, the average earnings of the FAMEX respondents increased

dramatically. To construct a sub-sample of FAMEX respondents that is a reasonable matches to the SLID sample with respect to age and income, we restricted both samples to individuals aged 25 to 54 years, and we eliminated everyone in the FAMEX sample with incomes greater than $55,000 and anyone who is not married. The results from these further restrictions are presented in columns (1) and (2) of table 3. From these two columns we see that the average earnings in both sub-samples are about comparable: $24.901 in the FAMEX sub-sample and $25,454 in the SLID sub-sample; the average age of the FAMEX individual is now 39 years as opposed to 36 years in the SLID group.

Comparing other characteristics of the two restricted sub-samples, a couple of other interesting differences should nonetheless be noted. The FAMEX group contains 60 per cent males while the SLID group has only 51 per cent. Indeed, in all of the adjustments made to these data sets, the proportion of males in FAMEX is always higher than in SLID; no apparent reason exists for this discrepancy. Furthermore, the percentage of home ownership in the FAMEX group is 71 per cent, as opposed to 50 per cent in the SLID group. Again, it is not at all clear why these two numbers should be so different especially given the income and age restrictions placed on the samples.

Since the goal of this exercise is to render the FAMEX sub-population as comparable as possible to the SLID separating-family group, we further restrict these two data sets to males only. Now, both data sub-sets are reporting on married males, aged 25 to 54; if we continue with the restriction that individuals cannot earn more than $55,000, males in the FAMEX would have average earnings that are $29,285 as opposed to $34,202 in the SLID group. Interestingly, both groups have spouses whose total income is about $19,000. In spite of this underestimate of average earnings in the FAMEX, we have chosen to keep the $55,000 restriction on earnings so that, if anything, the asset accumulation of this group will be understated. The average characteristics of these males are presented in columns (3) and (4) of table 3. Home ownership continues to be 10 per cent higher in the FAMEX group than in the SLID group.

In spite of the differences between the two sub-samples, the data are quite comparable on other fronts. After-tax income (ATINC) is $28,277 for SLID males and $26,405 for FAMEX males. Spousal income is virtually identical across the two groups. The average number of children is very similar (1.43 FAMEX and 1.24 SLID), with the small difference likely accountable by the fact that FAMEX groups children into those aged less than 15 and those 15 to 24; SLID, by contrast, simply asks for number of children at home. It turns out that some of the FAMEX children actually do not live at home.[14]

One further refinement would separate the two groups according to whether or not the individual owned his or her own home. Table 4 reports the average characteristics of the males in our sub-samples who live in owned dwellings. Looking at the income of the two groups we find that FAMEX males (in the restricted sample) still have slightly lower earners, however their spouses have slightly higher incomes in comparison to the SLID group. Remarkably, the household income of the two groups (TTINC + TTINC SPOUSE) is virtually identical: $57,397 (FAMEX) versus $57,369 (SLID). The average age of the FAMEX sample continues to be a bit higher than the SLID group: 41 years versus 38 years of age. On average, the education levels of the two groups seem roughly comparable: the FAMEX sub-sample contains more individuals with highschool, fewer with some post-secondary education, fewer people with certificates, and more individuals with university degrees in comparison to the SLID. The number of children compares reasonably well across the two groups: 1.4 in SLID and 1.5 in FAMEX.

Finally, it would be interesting to know how these groups of married male homeowners differ according to the presence or absence of children at home. Table 5 presents the average characteristics of this group according to both data sets and the presence or absence of children. Looking first at columns (1) and (3) which report the characteristics for those with children, we note that they are very similar across the two data sets in terms of income, education and number of children. The FAMEX group remains older on average (41 versus 38). The differences

[14] See the footnote accompanying table 5.

between the SLID group with no children and the FAMEX group with no children are more pronounced in that the males tend to earn lower incomes in SLID and they are much younger - 36 years of age versus 41 years of age in the FAMEX group.

Before turning to this second part of the paper, it is worthwhile to return to the question regarding how representative separating families are of the entire population. Our answer, based on comparing the SLID separating data to FAMEX is that they are not very representative at all. There appears to be a very clear socio-economic bias in the separating group: these families are much less well-off than are families in general. We explored this relationship even further by separating individuals according to ten-year age ranges: the result was always the same. Males who were separating earned, on average, at least $10,000 per year less than did otherwise comparably-aged males in the FAMEX. In addition to being poorer, those who separate are clearly younger than average individuals in the Canadian population.[15]

It would appear that the group of married males represent the most comparable respondents between the SLID and FAMEX whenever their ages are restricted to lie between 25 and 54 years of age and when the FAMEX earnings are restricted to be below $55,000. Having established this correspondence between the SLID and the FAMEX, we now use the sub-sample of males in the FAMEX to say something about asset accumulation in separating families.

[15] In principle, one could estimate earnings equations for the two types of individuals - males belonging to separating families and other married males - to determine precisely what the earnings differential is between these two groups.

5. Asset Accumulation and Children

The FAMEX survey is particularly interesting as it provides a considerable amount of detail regarding the asset accumulation of individuals and their families. Much of the information of interest to this study is contained in the bottom part of tables 3, 4 and 5. Several variables were reported in these tables which have yet to be discussed: the change in an individual's overall asset position (CHGASSET), the change in his or her RRSP stock (CHGRRSP), the proportion of the population in question that owns a vacation home (VACHOME), a recreational vehicle (RECVEH), or a BOAT, and the number of vehicles owned by the household (AUTOS). More importantly, the FAMEX contains information on the VALUE of the individual's owned dwelling, the type of dwelling owned (single family OWNSING, semi-detached OWNSEMI, row OWNROW, duplex OWNDUPL, apartment OWNAPT and 'other' types of dwellings (like mobile homes) OWNOTH). We also know the number of rooms (NOROOMS), and the number of bedrooms (NOBRS) and bathrooms (NOBATHS) in the dwelling. Finally, we know how the mortgage has changed over the year 1996 (CHGEMORT) and the balance owing on the mortgage (BALMORT). This last piece of information is particularly useful: coupled with VALUE we can determine the equity owned by individuals. Ultimately, it is this equity which can have a positive impact on the welfare of children.

Table 3 establishes that more than half of all individuals who separate own their own dwellings. In the SLID sub-sample of separating families, some 59 per cent were home owners. This number is significant because even though these families appear to be less well-off than average, home ownership remains important. Knowing that most separating families own their homes suggest that the argument that children of divorced parents are unlikely to benefit from a wealth-based support system because they have no wealth is simply untrue. Clearly, even families of modest means acquire wealth in the form of housing. But just how much wealth do

these people ‘own’ and what difference would taking such wealth into account make to the welfare of children? These questions require a more detailed examination of the FAMEX sample.

Because we will ultimately use the married male sample from FAMEX, it is instructive to examine how the asset accumulation of these married males seems to compare to the asset accumulation of all married individuals aged 25-59 (with income less than $55,000). Table 3 presents information on both males and females together and males only (columns (2) and (4)). Notice that this table averages together home owners and non-owners. In 1996, married individuals accumulated, on average, some $3,829 worth of assets, $1,910 worth of RRSPs, and owned 1.57 vehicles. Half of the people owned vacation homes, 43 per cent owned recreation vehicles, and 18 per cent owned a boat. In all cases, averages reported in the males only sample are slightly smaller. Married individuals owned homes whose value was, on average, $107,700; and owned equity in the home of $68,501. All together, in spite of the relatively severe income restriction on this sample, these individuals have accumulated a not insignificant amount of net wealth.

Do families with children amass a different portfolio of wealth than families without children? Table 5 holds the key to this question. This table reports on married male homeowners according to whether they live in a family with children at home (column (3)) or a childless family (column (4)). Looking down the columns, notice first that couples with children have a net change in assets of about $3,478 - as opposed to $6,837 for couples without children. RRSP acquisition is also significantly lower when children are present ($1,785) than when they are not ($2,764). However, more vehicles are owned by families with children - 1.70 versus 1.60. In this sub-sample, couples with children own fewer vacation homes, fewer recreational vehicles, and more boats in comparison to couples without children. An examination of the types of homes owned by the two groups is also revealing: families with children are, in order of importance, 85 per cent likely to live in a single family house, 5 per cent likely to live in a semi-detached house, 3 per cent likely to live in a row house, and so on. Childless families are, in order of importance,

73 per cent likely to live in a single family house, 7.20 per cent likely to live in an apartment, 6.70 per cent likely to live in a semi-detached house, and 5 per cent likely to live in 'other' accommodations. With children, dwellings would have, on average, 7.20 rooms, 3.37 bedrooms and 1.89 bathrooms; without children these figures become 6.46 rooms, 2.85 bedrooms and 1.72 bathrooms. The value of the home owned by couples with children is $133,280 of which $85,472 represents their equity; couples without children own homes valued, on average, at $130,950 with $79,857 worth of equity.

It seems very clear that the pattern of asset accumulation differs quite significantly between those with children and those without. This observation does not seem very surprising: why would you own a four-bedroom room in the suburbs if you have no children? That individuals with children own houses that are more valuable than others is somewhat irrelevant: a hedonic model of housing characteristics would require knowing precisely where the dwelling is located in order to know how valuable is, say, the extra bedroom. A two-bedroom condominium in downtown Toronto would be more 'valuable' than the 4 bedroom suburban house.

Whereas most of analysis conducted in this paper does not lend itself to econometric techniques, these are useful for identifying some of the influences in the decision to, for instance, purchase a house. Regression analysis has the advantage of being able to control for such factors as age when examining the impact of different variables on home ownership. One can think about the decision to own a home as being a dichotomous one - 1 = own, and 0 = not own - which suggests a probit procedure for determining the factors underlying this decision.[16] Using the FAMEX data set, a probit model was estimated for the entire sample of 10075 households. These results are reported in table 6 and confirm that several factors play a key role in the decision to own a home: income, age, the sex and marital status of the individual, the presence of children, the level of education of the individual, and the province of residence. Column 3 of

[16] For technical details, including the underlying model and relevant likelihood function, see Greene (1993, pp.660-663)

this table presents the marginal impact of a one unit change of each variable on the probability of owning a house. Of the three continuous variables in this specification (after-tax income (ATINC), AGE, and CHILDN), the impact of children on the probability of owning a house is the largest. Adding one more child to the family, *ceteris paribus*, would increase the probability of owning a home by about 4 per cent. By contrast, adding $1,000 to after-tax income would increase the probability of owning a home by less than 1 per cent (0.8 per cent).[17]

6. Would wealth make a difference?

According to table 5, the average family with children living in owned dwellings prior to separation have a total income of $57,350 of which the male contributed $37,009 ($33,894 in earnings) and the female $20,341.[18] They have 2 children. On the asset front, $85,472 worth of equity is present in their home, plus at least $5,000 in other assets.[19] Just how well-off is this family before separation? As discussed above, arguably the most sensible way of answering this question would be to make use of an equivalence scale which took account not only of the family income but also of its wealth: clearly, the family just described is much better off than one with identical income but living in a rented apartment. However, such a scale has yet to be developed. For the purposes of this paper we must therefore be satisfied with a much more approximate measure of relative living standards against which post separation circumstances

[17] It is also possible to conduct an econometric analysis of the *type* of home purchased, given that a dwelling is to be purchased. A multi-nomial logic model, for instance, would lend itself to such an analysis. We hesitate to take this route, however, because the proportion of individuals who choose single-family dwellings is very large (81 per cent) in comparison to the other forms of housing in the FAMEX sample (semi-detached - 4 per cent; row - 4 per cent; duplex - 3 per cent; apartments - 5 per cent; other types - 3 per cent) and is thus likely to dominate the results.

[18] Notice that this family's income is below the $65,000 average income for a two-children family.

[19] One obvious questions concerns just how 'representative' this average family really is. To address this question, we looked at the distribution of total family income in the SLID data set 72 per cent of households have income *less than* $57,350, while 10 per cent of households had income greater than $81,000. 50 per cent of separating households had total incomes of $40,372 or less.

can be judged. In the absence of any existing measures for undertaking inter-household welfare comparisons which take account of wealth, we have hypothesized that income equivalence scales that have been developed for the purposes of drawing inter-household comparisons of welfare between households will remain appropriate when measures of household wealth are included.

In the research it conducted to determine the amount of child-support that would be necessary to provide adequate financial means for the support of children affected by divorce the Department of Justice in Canada used the 40/30 equivalence scale as a means of approximating the costs of raising children. This scale tries to answer the question of how much income a family of *n* members would need to have to be as well off as a family of *n-k* members. For instance, how much would our family of four need to earn to be as well off as a couple with no children earning, say, $50,000. Several equivalence scales exist; the 40/30 scale is so named because it implies that the second member of a family needs 40 per cent more income to be as well off as a single-individual family, and the third and subsequent members require 30 per cent more income (a 30 per cent markup over the single person's income) to be as well off. Using the 40/30 scale, we can determine that a single individual would need an income of $28,675[20] in order to be as well-off as the four-member family with a total income of $57,350. We use this figure as a benchmark measure of the family's standard of living against which we will now determine how the custodial family and non-custodial parent's standards compare.

6.1 The current system of child-support guidelines

In the current system of child-support guidelines, in all but extenuating circumstances, the amount paid by the non-custodial parent is prescribed by the *Guidelines* and depends upon his or her gross income and the number of children present. For the purposes of this illustration, we assume that the mother in our two-children household has custody of the children and that they live in Ontario.[21] The *Guidelines* imply that the father has to pay $531 per month in child

[20] For n>1, the single person equivalence is determined by the formula Y/(1.4 + (n-2)(0.3).

[21] We assume that the mother has custody simply because that has been the norm in Canada. By no means are we making any value judgements concerning who should get custody; such a question is well beyond our competence. Somewhat tongue-in-cheek, we note that the economic

support. Thus, the custodial family now has a total annual income of $26,593; the single-individual equivalent income is $15,643. The difference between the single-equivalent of the pre-separation and post-separation household income is a measure of the change in standards of living for the children pre- and post divorce. In this case, their standard of living would have dropped by 55 per cent after separation! Furthermore, whereas the family pre-separation was well above the low-income-cutoff income (LICO) of $33,404, post-separation the custodial family falls short of the LICO income of $27,596.[22] Thus, for the average family, separation not only means a drastic fall in the standard of living of children, but it means that the family may well fall into poverty.[23]

What about the non-custodial father? Prior to separation he was a member of the household for which an equivalent single individual would need an income of $28,675, he is now in a single household earning $37,009 - $6,372 = $30,637. His standard of living, as measured by income equivalence scales, has *increased* by 7 per cent. Economically, the non-custodial parent is arguably better off after separation. Comparing this $30,637 to the $15,643 single-individual equivalence from the custodial household, makes the point even clearer: the non-custodial parent is almost twice as well off economically as the custodial family post divorce.

In addition, under the current system, and again barring extenuating circumstances, each parent receives 50 per cent of all assets acquired in the marriage, without regard to the presence of children. To be conservative, we take account only of the equity in the house, $85,472; each parent would then receive $42,736. In order to say something about the impact of this lump-sum

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burden of divorce to children would be significantly attenuated if custody were awarded to the highest-income earning parent. Would high-income earning spouses be less likely to divorce if they knew that they would subsequently have to cope with the kids?

[22] Statistics Canada - Catalogue 13-208-XPB, adjusted by the implicit consumer expenditure price index to 1996 dollars.

[23] Finnie (1993) looks at the economic consequences of divorce using another data set (the Longitudinal Administrative Database, or LAD) and has a similar finding: that divorce leads to the custodial family being both relatively worse off and absolutely worse off relative to the non-custodial parent. His paper is particularly interesting because the LAD affords a longitudinal examination of families pre- and post-divorce.

payment, we assume that its opportunity value is the amount that the individual could earn were this money invested in some income-bearing assets.[24] Suppose that this amount were invested and earned an the annual rate of return of 10 per cent. This would be equivalent to each household receiving an extra $4,234 in before-tax income per year. For the custodial household, this would mean a total income of $30,827 with a single-individual equivalent income of $18,134, for the non-custodial household, his income would now be $34,907. The gap between the custodial and non-custodial households has widened as a result of this treatment of assets.

6.2 The proposed system: a wealth-based approach to child support

In contrast to the above scenario, let us now suppose that post-divorce the children have some right to continue to benefit from the services of the assets acquired by their parents. As discussed above, one way in which this might be implemented would be via a system of *usufruct*, which would accord children the right to continue to benefit from the services of parental assets (in this case, and in most cases, the house) while still dependent children. This would mean that the custodial family would continue to have use of the house (or use of the entire equity of the house should circumstances dictate that they relocate) until such time as they leave the family home. Alternatively, the children may be allocated outright some portion of the assets at the time of separation, in explicit recognition of the fact that these assets do indeed 'belong' to the children.

Were the children in our average separating family to have *usufruct* of the home, the standard of living of the custodial family would increase. By how much, again, cannot be determined accurately in the absence of wealth-equivalence scales. One approximation would be to revert back to the argument made earlier regarding the opportunity value of the equity: using the simple 10 per cent rate of return, allowing the children the right to use the family home (effectively, giving the children the non-custodial parent's share of the home) would be

[24] We are not assuming necessarily that such an investment takes place. In fact, for the non-custodial parent, he or she has very little incentive to do so because, in principle, his or her support payments are based on annual income (not earnings). To invest the asset in income-bearing instruments would effectively increase his or her child-support obligation.

'equivalent' to giving the custodial household an extra $4,234 per year.[25] To get some sense of the impact of this policy on the welfare of the custodial family, it should be noted that this would effectively increase the custodial family's income by an additional $353 after-tax income per month! And most crucially, giving the children the *usufruct* of assets invested in the family home generates a lot more 'bang for the buck' as compared to hoping for an increase in income: according to the *Guidelines* this non-custodial parent would have to earn $68,000 before having to increase his monthly payments by this amount: in other words, he would have to increase his current income by 84 per cent! Equivalently, support payments would have to increase from 17% to well over 30% of the non-custodial parent's pre-tax income - a level of support which is simply inconceivable if income is the sole instrument for providing for children subsequent to divorce.

Allowing the custodial family use of the equity in the home, therefore, would dramatically improve the economic well being of children after divorce, without weakening the labour-market incentives of the non-custodial parent. The custodial family would, in effect, have an annual income of $35,061 with an individual-equivalence of $20,624. The non-custodial parents single-equivalent income would still be $34,907. Although still large, the gap between the standard of living of both households subsequent to divorce would be much reduced.

An alternative arrangement would give the children some percentage of the assets outright. For the sake of exposition, we can assume that each member is allocated an equal share of the assets. Effectively, this means that the custodial family would receive 75 per cent of the assets in this case while the non-custodial parent would receive the remaining 25 per cent. From the point of view of the custodial family, they would not be as well off immediately as in the *usufruct* case, but there would be no need to return the asset to the non-custodial parent after a certain period of time. In this particular case, the custodial family would have an annual income

[25] We are ignoring the impact of taxes here. For the sake of the argument, one can assume that the 10 per cent return is a net-of-tax return. While this return is higher than that which is available in banks, it certainly is conservative if one looks at what would be available in a reasonably low-risk equity investment.

(again assuming a 10 per cent return from the assets) of $33,003 - a 7 per cent increase over the 50-50 asset split scenario. In effect, the non-custodial parent is relinquishing 25 per cent of his assets to the children and the custodial parent is doing likewise. The big difference is that in the 50-50 case, the custodial parent by virtue of living in the same household as the children, has to share her portion of the assets, whereas the non-custodial parent does not. Assuming that each member is allocated 25 per cent of the assets, this would increase the custodial household's monthly income by $178; for the non-custodial parent to be required to pay this amount more per month, his income must increase by 41 per cent above its current level!

Reallocating assets in a way that recognizes the rights of children can have an enormous impact on the economic well being of the custodial household. In terms of standards of living, using wealth as opposed to assets can reduce significantly the relative standards of the custodial and non-custodial families.

7. Concluding comments

This paper is a first attempt at characterizing separating families in Canada with the view to determining the extent to which a wealth-based, as opposed to income-based, approach to child support awards would improve the welfare of children. Because of data limitations, we have necessarily had to make a certain number of admittedly heroic assumptions regarding certain aspects of these families. We have tried, however, to ensure that any biases in the procedures followed will tend to underestimate, as opposed to overestimate, the determination of the level of assets that might be available to support children subsequent to divorce. The findings presented here we believe constitute a powerful argument in favour of further careful research into the development of a wealth-based approach to determining child support.

It should be emphasized that implementing a wealth-based child support system would make a significant difference to a *lot* of children. Over the three year period 1994-1996 inclusive the SLID data base provides information on the number of children whose parents separated. Using the sample weight provided by SLID, we observe that during this period 1.11 million children were affected by separation! Of these 1.11 million children 62 per cent, or 690,249

children, lived in housing owned by their parents. This would mean an average of about 230,000 children could be helped every year (and continue to benefit for years thereafter) if the child-support *Guidelines* were amended to take account of wealth (in this case defined as equity in a home) instead of simply income.

One could ask whether these numbers are important enough to warrant modifying the *Guidelines*. It seems to us that they are. When we consider that the 230,000 is an estimate of the flow of children into this state every year, the size of the stock will quickly become very large. According to the FAMEX survey, in 1996 there were 5.94 million children under the age of 15. Even if we look only at the three year period 1994 to 1996, this would imply that about 20 per cent of these children come from separated parents. Given that about 45 per cent of marriages end in divorce, we should not be surprised that the number of children affected by divorce is large.

We do not mean to suggest by the analysis in this paper that moving to a wealth-based system would be straightforward: indeed, we have every reason to believe that it will not. We do suggest rather strongly, however, that this is probably the only way in which the economic burden of divorce on children can be significantly lessened: it is inconceivable that an equivalent improvement could be obtained by continuing to rely exclusively on income. Of the many obstacles in the path of such reform, two need to be noted right away. The first concerns the fact that determining to which assets children should have 'rights' is a complicated question. We have chosen to examine the family home here because we think that the case for giving children rights to this asset is very strong. But what about other investments? We do not pretend that this question will be easy to address. Moreover, as an added complication, we should not forget that we are suggesting that the parents, and in particular the non-custodial parent, should possibly be obliged to *give up* the right to some assets. The competing point of view --- that these parents

worked hard to acquire these assets, and hence are entitled to a 50% share — is a powerful one to overcome. It will be especially powerful given that parents vote and children do not![26]

The second hurdle is a legal one. At the present time, the handling of property and asset division rules in the event of divorce are the purview of the provinces, whereas child-support rules are a federal responsibility. To develop wealth-based child support guidelines would thus require coordination and cooperation between these different levels of government. Again a formidable, but by no means impossible, task.

[26] More pointedly, what we are proposing will redistribute wealth away from the non-custodial (mostly male) parents to the custodial families headed, mostly, by females. In principle, these votes should 'cancel out' - but this presumes that male and female voices have equal weights on this issue.

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Table 1 : Definitions

Mnemonic	Definition
EARN	Employment and self-employed income
INVEST	investment income
PENSION	pension income
GOVT	government transfer payments
ALIMONY	spousal and child support
TTINC	total taxable income
ATINC	after tax income
AGE	age of respondent
MIDAGE	proportion of population aged 45 or older
MALE	proportion of population who are male
GRADESCH	proportion of population with grade school or less
HIGH	proportion of population with high school
SOMEPOST	proportion of population with some post secondary education
CERTIF	proportion of population with post-secondary certificate
UNIV	proportion of population with university degree
MED	proportion of population with medical degree
PHD	proportion of population with Ph.D.
FT	proportion of population working full-time
PT	proportion of population working part-time
FTPT	proportion of population working some FT some PT during year
SOMEFT	proportion of population working some FT during year
SOMEPT	proportion of population working some PT during year
SOMEFTPT	proportion of population working some FT some PT
UNEMPLOY	proportion of population not working
NUMCH1	number of children in year before separation
NUMCH2	number of children in year after separation
OWN HOUSE	proportion of population living in owned housing
CHGASSET	dollar change in assets in 1996
CHGRRSP	dollar change in RRSPs in 1996
BAL. MORT	dollar balance in mortgage in 1996
VALUE HOUSE	dollar value of house in 1996
LICO	proportion of population below low-income cutoff value
NO. AUTOS	number of vehicles owned in household
VACHOME	proportion of population owning vacation home
RECVEH	proportion of population owning recreation vehicle
BOAT	proportion of population owning a boat
OWNSING	proportion of population living in owned single-family dwelling
OWNSEMI	proportion of population living in owned semi-detached
OWNROW	proportion of population living in owned row house
OWNDPLX	proportion of population living in owned duplex
OWNAPT	proportion of population living in owned apartment
OWNOTH	proportion of population living in owned other dwellings
NF	proportion of population living in Newfoundland
PEI	proportion of population living in Prince Edward Island
NS	proportion of population living in Nova Scotia
NB	proportion of population living in New Brunswick
QUE	proportion of population living in Quebec
ONT	proportion of population living in Ontario
MAN	proportion of population living in Manitoba
SASK	proportion of population living in Saskatchewan
ALTA	proportion of population living in Alberta
BC	proportion of population living in British Columbia

Table 2 : Average Characteristics of Separating Households according to SLID and all Households according to FAMEX (weighted averages using sample weights)

Characteristic	SLID	Characteristic	FAMEX
EARN	22049	EARN	22490
INVEST	503.54	INVEST	1351.6
PENSION	258.17		4157.7
GOVT	3158.4	GOVT	2733.2
ALIMONY	110.49	OTHERINC	30732
TTINC	27278	TTINC	24420
ATINC	21202	ATINC	48.038
AGE	34.825	AGE	0.51589
MIDAGE	0.16456	MIDAGE	0.55295
MALE	0.48356	MALE	0.12862
GRADESCH	7.57080E-02	GRADESCH	0.40089
HIGH	0.27702	HIGH	7.67390E-02
SOMEPOST	0.16315	SOMEPOST	0.24388
CERTIF	0.37338	CERTIF	0.14988
UNIV	0.10715	UNIV	0.86047
MED	1.59210E-03	NUMCH	3318.0
PHD	1.99050E-03	CHGASSET	1482.7
FT	0.48245	CHGRRSP	0.61094
PT	6.28960E-02	OWN HOUSE	22940
FTPT	2.96520E-02	BAL. MORT	91247
SOMEFT	5.95840E-02	VALUE HOUSE	0.19269
SOMEPF	5.57480E-02	LICO	1.2102
SOMEFTPT	0.13705	NO. AUTOS	0.43137
UNEMPLOY	0.17262	VACHOME	0.30951
NUMCH1	1.1357	RECVEH	0.12079
NUMCH2	0.63846	BOAT	0.49406
OWN HOUSE	0.54397	OWNSING	2.57240E-02
NF	1.52250E-02	OWNSEMI	2.37190E-02
PEI	2.77700E-03	OWNROW	1.94510E-02
NS	3.25140E-02	OWNDPLX	3.29180E-02
NB	2.89820E-02	OWNAPT	1.50680E-02
QUE	0.30784	OWNOTH	1.73890E-02
ONT	0.29658	NF	4.39940E-03
MAN	4.59630E-02	PEI	3.08220E-02
SASK	3.38170E-02	NS	2.44590E-02
ALTA	8.38180E-02	NB	0.26328
BC	0.15248	QUE	0.36954
		ONT	3.88710E-02
		MAN	3.28360E-02
		SASK	8.82520E-02
		ALTA	0.13015
		BC	
total	**1197**		**10075**

Table 3 : Average Characteristics of Married Individuals: 25-54 years according to SLID and FAMEX data set (weighted averages using sample weights)

Characteristic	SLID	FAMEX	SLID MALES	FAMEX MALES
EARN	25288	24901	34202	29285
INVEST	579.20	730.77	975.43	806.80
PENSION	111.98		211.37	
GOVT	3143.9	1909.7	2707.6	2035.2
ALIMONY	137.16	800.54	19.948	923.46
TTINC	29784	28342	38673	33051
ATINC	23025	22879	28277	26405
TTINC SPOUSE	25448	27986	19145	19325
ATINC SPOUSE	20466	21952	16304	15851
AGE	35.792	39.355	36.372	39.656
MIDAGE	0.13913	0.28408	0.16729	0.29992
MALE	0.50511	0.59571	1.0000	1.0000
GRADESCH	6.23800E-02	5.56740E-02	5.98460E-02	7.10680E-02
HIGH	0.25453	0.41106	0.24159	0.42041
SOMEPOST	0.14095	9.33200E-02	0.15480	8.34170E-02
CERTIF	0.41414	0.30026	0.42381	0.28596
UNIV	0.12368	0.13968	0.11541	0.13914
MED	2.02660E-03		0.00000	
PHD	2.29770E-03		4.54900E-03	
FT	0.54223		0.64955	
PT	6.01680E-02		1.39260E-02	
UNEMPLOY	0.14003		8.10330E-02	
NUMCH	1.3241	1.42207	1.2371	1.42745
OWN	0.59230	0.71208	0.59303	0.69036
CHGASSET		3829.2		3088.2
CHGRRSP		1910.3		1679.6
LICO		9.18980E-02		9.99450E-02
AUTOS		1.5648		1.5258
VACHOME		0.49894		0.47311
RECVEH		0.42386		0.40844
BOAT		0.17801		0.16633
OWNSING		0.58323		0.56564
OWNSEMI		3.64350E-02		3.79150E-02
OWNROW		2.77060E-02		1.97640E-02
OWNDUPL		2.47100E-02		2.57420E-02
OWNAPT		2.14960E-02		2.21680E-02
OWNOTH		1.84970E-02		1.91350E-02
NOROOMS		6.6518		6.4961
NOBRS		3.0769		3.0307
NOBATHS		1.7590		1.6901
VALUE		1.07700E+05		97492
CHGEMORT		-1640.7		-1430.0
BALMORT		39199		36546
total	**922**	**3669**	**455**	**2145**

Table 4 : Average Characteristics of Married Male Homeowners: 25-54 years according to SLID and FAMEX data set (weighted averages using sample weights)

Characteristic	SLID	FAMEX
EARN	32469	31939
INVEST	1392.8	1044.3
PENSION	356.42	
GOVT	2281.2	1757.2
ALIMONY	0.00000	1064.3
TTINC	37068	35805
ATINC	28168	28336
TTINC SPOUSE	20301	21592
ATINC SPOUSE	17084	17536
AGE	37.489	40.932
MIDAGE	0.18021	0.35247
MALE	1.0000	1.0000
GRADESCH	4.25940E-02	7.37280E-02
HIGH	0.25705	0.42031
SOMEPOST	0.14806	8.20790E-02
CERTIF	0.47819	0.30400
UNIV	6.64360E-02	0.11988
MED	0.00000	
PHD	7.67060E-03	
FT	0.72282	
PT	1.27950E-02	
UNEMPLOY	4.33220E-02	
NUMCH	1.4076	1.50057
OWN	1.0000	1.0000
CHGASSET		4468.1
CHGRRSP		2110.7
LICO		3.80780E-02
AUTOS		1.7033
VACHOME		0.51818
RECVEH		0.45682
BOAT		0.17267
OWNSING		0.81934
OWNSEMI		5.49200E-02
OWNROW		2.86280E-02
OWNDUPL		3.72870E-02
OWNAPT		3.21100E-02
OWNOTH		2.77180E-02
NOROOMS		7.0684
NOBRS		3.2894
NOBATHS		1.8724
VALUE		1.35460E+05
CHGEMORT		1261.0
BALMORT		48634
total	**303**	**1532**

Table 5 : Average Characteristics of Married Male Homeowners aged 25-54 years with Children according to SLID and FAMEX data set * (weighted averages using sample weights)

Characteristic	SLID with Children	SLID no Children	FAMEX with Children	FAMEX no Children
EARN	33894	28623	32439	31741
INVEST	173.90	4683.0	1105.5	652.70
PENSION	194.14	794.46		
GOVT	2077.2	2831.8	1714.0	1781.3
ALIMONY	0.00000	0.00000	892.43	1172.2
TTINC	37009	37228	36151	35347
ATINC	27919	28839	28629	27666
TTINC SPOUSE	20341	20194	21423	23586
ATINC SPOUSE	17151	16905	17507	18842
AGE	38.025	36.043	40.742	40.667
MIDAGE	0.16665	0.21680	0.32685	0.42386
MALE	1.0000	1.0000	1.0000	1.0000
GRADESCH	4.07210E-02	4.76520E-02	6.74530E-02	6.52670E-02
HIGH	0.26595	0.23302	0.41299	0.40623
SOMEPOST	0.16380	0.10556	8.88230E-02	8.01520E-02
CERTIF	0.45514	0.54040	0.31183	0.30386
UNIV	6.38690E-02	7.33640E-02	0.11891	0.14449
MED	0.00000	0.00000		
PHD	1.05120E-02	0.00000		
FT	0.72893	0.70633		
PT	1.12000E-02	1.70980E-02		
UNEMPLOY	1.81500E-02	0.11127		
NUMCH	1.9291	0.00000	1.85624	0.00000
OWN	1.0000	1.0000	1.0000	1.0000
CHGASSET			3478.3	6836.6
CHGRRSP			1785.3	2763.9
LICO			4.03500E-02	4.98380E-03
AUTOS			1.6998	1.5982
VACHOME			0.52393	0.57292
RECVEH			0.49530	0.37916
BOAT			0.19854	8.98740E-02
OWNSING			0.84713	0.73398
OWNSEMI			4.77440E-02	6.69310E-02
OWNROW			3.02420E-02	2.34370E-02
OWNDUPL			2.77150E-02	4.99370E-02
OWNAPT			2.28600E-02	7.20410E-02
OWNOTH			2.43120E-02	5.36710E-02
NOROOMS			7.1988	6.4567
NOBRS			3.3670	2.8498
NOBATHS			1.8846	1.7245
VALUE			1.33280E+05	1.30950E+05
CHGEMORT			660.02	2410.9
BALMORT			47808	51093
total	**231**	**72**	**1100**	**289**

* Note that in the FAMEX survey, the number of children is calculated as the sum of the number of children under 15 years of age and the number of children aged between 15 and 25. However, individuals also reported whether they were part of a childless couple or a family with children at home. We used these categories to separate the sample in this table. As a consequence summing the two groups (1100+289 = 1399) yields a number that is less than the total number of home-owning males 1532. The difference in these numbers would represent children who live away from home.

Table 6 : Bivariate Probit Analysis of Decision to Own a House
FAMEX data set
(weighted by sample weights)

Variable	estimate coefficient	t-ratio	marginal impact
ATINC	2.34520E-05	21.084	8.81450E-06
AGE	2.83380E-02	25.998	1.06510E-02
MALE	-0.10152	-3.232	-3.81550E-02
HIGH	9.23890E-02	2.002	3.47240E-02
SOMEPOST	0.21788	3.267	8.18900E-02
CERTIF	0.26436	4.998	9.93600E-02
UNIV	0.13586	2.268	5.10620E-02
CHILDN	0.10551	6.811	3.96560E-02
MARRIED	1.0891	34.130	0.40933
NF	0.25404	2.319	9.54810E-02
PEI	3.04610E-02	0.145	1.14490E-02
NS	0.28821	3.376	0.10832
NB	0.37045	3.928	0.13923
QUE	-0.11261	-3.130	-4.23260E-02
MAN	0.19123	2.536	7.18730E-02
SASK	0.24640	3.000	9.26090E-02
ALTA	0.21685	4.050	8.15020E-02
BC	1.42520E-02	0.318	5.35650E-03
Constant	-2.4652	-27.816	-0.92653
Log-likelihood	**-5333.879**		
No. Observations	**10,075**		
% Right Predictions	**74%**		