

Year	Asset	Pct holding asset	Median (mean) holdings	Conditional median (mean) holdings, dollars	Median (mean) pct of fin. wealth, dollars	Conditional median (mean) pct of fin. wealth	Number of obs. with positive fin. wealth	Total number of obs
1984	Stocks	28.47	0(7715)	6000(27104)	0(12.37)	37.5(43.44)	2554	3409
	Bonds	25.02	0(10625)	3000(42468)	0(9.98)	31.61(39.87)		
	Cash	97.85	3000(13638)	3000(13938)	100.00(77.66)	100.00(79.37)		
	Total fin. wealth			5000(31978)				
1989	Stocks	34.12	0(15062)	10000(44149)	0(14.90)	39.02(43.69)	2770	3524
	Bonds	28.88	0(6754)	5000(23386)	0(12.28)	35.09(42.34)		
	Cash	98.01	4050(19990)	5000(20395)	100.00(72.87)	100.00(74.35)		
	Total fin. wealth			9000(41806)				
1994	Stocks	44.06	0(42409)	21276(96249)	0(24.37)	54.90(55.30)	2812	3739
	Bonds	27.99	0(9243)	8000(33024)	0(11.72)	33.33(41.88)		
	Cash	96.19	5000(23301)	6000(24223)	80.00(63.91)	83.64(66.44)		
	Total fin. wealth			15000(74952)				

Note: All numbers except the last column are for households with positive financial wealth. Conditional median refers to the median asset holding conditional on positive holdings of the asset in question.

Table 1: Summary statistics for households with positive financial wealth, PSID, 1984, 1989 and 1994

Years	Asset	No.(pct) of households with all financial wealth in asset both years (corner of angle)	No.(pct) of households with no financial wealth in asset either year (corner of angle)	No.(pct) of households on angle, except for corner	No.(pct) of households off angle	Total number of house- holds
1984-89 panel	Stocks		987 (53.21)	456 (24.58)	412 (22.21)	1855 (100.00)
	Bonds		1016 (54.77)	589 (31.75)	250 (13.48)	1855 (100.00)
	Cash	615 (33.15)		604 (32.56)	636 (34.29)	1855 (100.00)
1989-94 panel	Stocks		995 (43.62)	641 (28.10)	645 (28.28)	2281 (100.00)
	Bonds		1212 (53.13)	763 (33.45)	306 (13.42)	2281 (100.00)
	Cash	603 (26.44)		760 (33.32)	918 (40.25)	2281 (100.00)
		No.(pct) of households with all financial wealth in asset all three years (center of triplet)	No.(pct) of households with no financial wealth in asset any of the years (center of triplet)	No.(pct) of households on triplet, except for center	No.(pct) of households off triplet	Total
1984 -89-94 panel	Stocks		502 (35.73)	344 (24.48)	559 (39.79)	1405 (100.00)
	Bonds		587 (41.78)	464 (33.02)	354 (25.20)	1405 (100.00)
	Cash	259 (18.43)		374 (26.62)	772 (54.95)	1405 (100.00)

Note: Only households with positive financial wealth are included.

Table 2: Summary statistics documenting the importance of fixed costs

Whether hold stocks or not	Probit		Proportion in stocks	
	Coefficient	t	Coefficient	t
Age of head	0.0120	0.44	-0.00115	-0.12
Age of head squared	-0.000145	-0.54	0.000292	0.32
D(education=16+ years)	0.589	2.53	0.226	2.59
D(education=13-15 years)	0.357	1.55	0.225	2.55
D(education=9-12 years)	0.203	0.89	0.124	1.42
Real financial wealth	0.00896	6.01	0.000614	1.66
Real financial wealth squared	-7.95e-09	-3.23	-5.85e-10	-1.08
Mean(labor+business income)	0.00945	3.60	0.000715	1.22
Std(labor+business income)	-0.0103	-2.03	-0.00361	-2.23
Lagged proportion in stocks	0.459	1.81	0.431	7.99
Lagged part. decision	0.914	6.58		
Constant	-1.696	-2.53	-0.0699	-0.28
Lambda			0.202	5.01

Note: N=1092. Dollar amounts in thousands. Only households with positive financial wealth are included.

Table 3: Sample selection model for the decision to hold stocks, and the proportion of financial wealth invested in stocks

Whether hold stocks or not	Probit		Proportion in stocks	
	Coefficient	t	Coefficient	t
Age of head	0.00917	0.56	-0.307	-0.28
Age of head squared	-0.0000572	0.17	0.0000805	0.73
D(education=16+ years)	0.536	3.33	0.242	2.32
D(education=13-15 years)	0.335	2.12	0.212	2.01
D(education=9-12 years)	0.167	1.05	0.0899	0.84
Real financial wealth	0.0101	8.57	0.00116	2.34
Real financial wealth squared	-8.50e-9	-4.60	-9.04e-10	-1.46
Mean(labor+business income)	0.0236	6.06	0.00602	2.03
Std(labor+business income)	-0.0635	-4.95	-0.0226	-2.00
Lagged proportion in stocks	0.407	2.51	0.489	7.01
Lagged part. decision	0.784	9.79		
Constant	-1.857	-4.59	-0.315	-1.00
Lambda			0.343	4.12

Note: N=1092. Dollar amounts in thousands. Only households with positive financial wealth are included.

Table 4: Sample selection model for the decision to hold stocks, and the proportion of financial wealth invested in stocks, instrumental variables estimations

Whether hold stocks or not	Probit		Proportion in stocks	
	Coefficient	t	Coefficient	t
Age of head	0.0106	0.39	-0.0035	-0.38
Age of head squared	-0.000157	-0.62	0.0000397	0.47
D(education=16+ years)	0.631	3.64	0.256	4.00
D(education=13-15 years)	0.434	2.48	0.249	3.80
D(education=9-12 years)	0.276	1.64	0.187	2.94
Real financial wealth	0.0116	10.89	0.000836	3.16
Real financial wealth squared	-1.17e-8	-7.61	-9.27e-10	-2.67
Mean(labor+business income)	0.0121	4.20	0.000943	1.22
Std(labor+business income)	-0.0136	-2.88	-0.00136	-1.01
Cov(labor+business income, stock return)	-0.128	-1.11	-0.0378	-1.46
Lagged proportion in stocks	0.0824	0.438	0.318	8.18
Lagged part. decision	0.899	8.48		
D94	0.116	1.61	0.121	5.38
Constant	-1.667	-2.37	0.0244	0.10

Note: N=847 for 1989, 890 for 1994. Dollar amounts in thousands. Only households with positive financial wealth are included. 15 year income window, 1979-1993. Portfolio data for 1984, 1989, and 1994 used.

Table 5: Sample selection model for the decision to hold stocks, and the proportion of financial wealth invested in stocks, estimation including covariance variable

Whether hold stocks or not	Whether hold stocks or not		Whether hold stocks or not	
	Coefficient	t	Coefficient	t
Age of head	0.0118	0.46	0.00966	0.38
Age of head squared	-0.0000324	-0.114	-0.0000249	-0.087
D(education=16+ years)	0.776	2.58	0.785	2.65
D(education=13-15 years)	0.420	1.42	0.431	1.47
D(education=9-12 years)	0.174	0.58	0.170	0.57
Real financial wealth	0.0131	7.44	0.0130	7.42
Real financial wealth squared	-1.43e-08	-4.88	-1.41e-08	-4.85
Mean(labor+business income)	0.0151	6.11	0.0152	6.13
Std(labor+business income)	-0.0217	-4.67	-0.0212	-4.56
Estimate of relative risk tolerance	0.468	1.80		
Constant	-1.962	-3.23	-1.774	-2.97

Note: N=1198. Dollar amounts in thousands. Only households with positive financial wealth are included. The regressions shown are both probits, the one to the right without risk aversion is included for comparison.

Table 6: Probit model for the decision to hold stocks, estimation including risk aversion variable, but no lags

Whether hold stocks or not	Cutoff for stockholding			Cutoff for stockholding		
	0 percent of fin. wealth			5 percent of fin. wealth		
	Coefficient	t	No. obs	Coefficient	t	No. obs
Only households with no change in household composition			526			536
Real financial wealth	0.00473	0.66		-0.00119	-0.22	
Real financial wealth squared	4.44e-08	1.19		1.15e-08	0.64	
Mean(labor+business income)	0.0266	2.54		0.0235	2.95	
Std(labor+business income)	0.0132	0.76		-0.000306	-0.23	
D(year=89)	0.588	4.06		0.526	3.89	
All households with financial information in both 1984 and 1989			866			854
Real financial wealth	0.0161	3.41		0.00985	2.64	
Real financial wealth squared	-1.31e-08	-0.85		-2.32e-08	-2.32	
Mean(labor+business income)	0.0058	1.10		0.00903	1.87	
Std(labor+business income)	0.000704	0.05		-0.00848	-0.70	
D(year=89)	0.518	4.76		0.493	4.68	

Note: The number of observations used for the conditional logit regressions is lower than for the probit and tobit regressions, since only households with variation in stock market participation (in/out) over time contributes non-zero values to the likelihood function. Only households with positive financial wealth are included. Dollar amounts in thousands

Table 7: Conditional logit (fixed effect) regression for the decision to hold stocks, 1984-89 panel

Assumption,	Assumption,	Assumption	$\widehat{\mu}_{\ln F^P}$	$\widehat{\sigma}_{\ln F^P}^2$	Median (F_{it}^P),	$\widehat{\mu}_{F^P}$,	$\widehat{\sigma}_{F^P}$,
σ_v^2	μ_{rcc}	σ_{rcc}^2			dollars	dollars	dollars
0	0.03	0.01 ²	4.64	6.34	103	2456	58389
0	0.05	0.01 ²	5.18	6.34	178	4234	100588
0	0.03	0.005 ²	4.68	6.34	107	2556	60710
$\frac{1}{2}\sigma_\epsilon^2$	0.03	0.01 ²	4.64	3.17	103	504	2406
$\frac{1}{2}\sigma_\epsilon^2$	0.05	0.01 ²	5.18	3.17	178	868	4144
$\frac{1}{2}\sigma_\epsilon^2$	0.03	0.005 ²	4.68	3.17	107	524	2501

Note: N=1092

Table 8: Estimates of per period participation cost, F^P