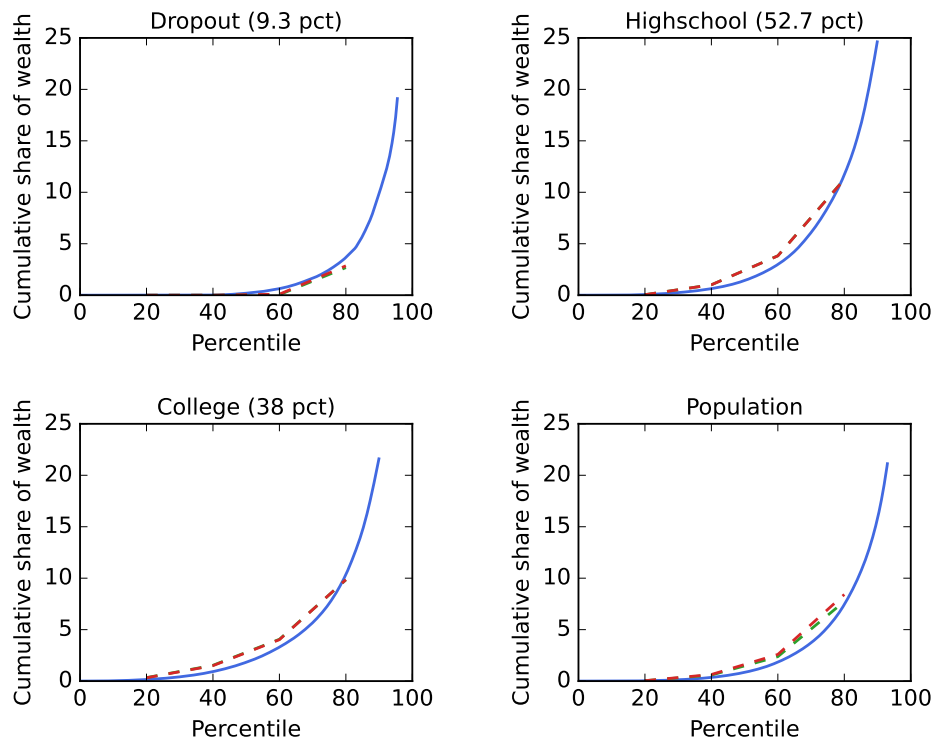


# Appendices

## 1 Estimating discount factor distributions for different interest rates

Figure 8 shows the fit of the liquid wealth distribution for interest rates of 0.5 percent and 1.5 percent per quarter. In both cases, the estimation exactly matches the median liquid wealth to permanent income ratios for each education group listed in Panel B of Table 2.



**Figure 1** Distributions of liquid wealth within each educational group and for the whole population from the 2004 Survey of Consumer Finance and from the estimated model for different values of the interest rate,  $R$ .