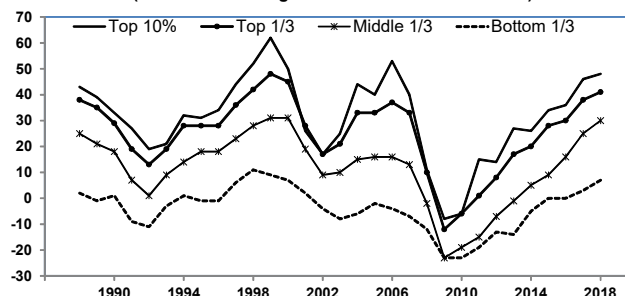


Subject: Changes in Income and Wealth
From: Richard Curtin, Director

February 8, 2019

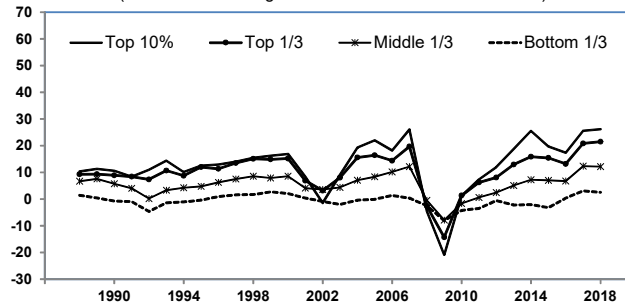
How have trends in consumers' incomes and wealth changed over time? Do consumers cite income or wealth gains more or less frequently when asked to explain in their own words how their financial situation has changed during the current expansion compared with prior expansions? References to income and net worth were calculated for each third of the income distribution as well as for households with incomes in the highest 10% of the income distribution. While the surveys are based on representative samples of U.S. households, nonresponse is particularly high among the top 1%, and even greater among the top 0.1% or the top 0.01% in both income and wealth. Rather than describing the growing concentration of income and wealth, the data represent how the vast majority—nearly all consumers—have judged changes in their finances. Moreover, the annual data indicate whether a household mentioned income or wealth, not the amount of recent gains or losses. As shown in the chart, all income groups have posted significant gains since 2009, although the spread between the highest and lowest income group is now somewhat smaller than at the peak of the expansions in the 1990s or mid 2000s. While the overall rate of gain was smallest among the bottom third since 2009, it was still comparable to the peak recorded twenty years ago in 1998. All other income groups rose at about equal rates since the 2009 low. Note that those with incomes in the top tenth did not recover their earlier peak, whereas lower income groups generally equaled prior peaks.

References to Net Income Changes By Income Subgroups
(Annual data: %Higher Income - %Lower Income)



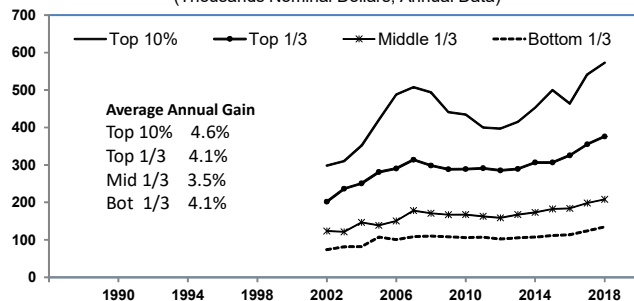
The data on net wealth, which includes changes in all assets and debts, is shown in the chart below for the 30 years ending in 2018. The decline in 2009 had by far the largest impact on people's sense of financial wellbeing. Note that those with incomes in the top 10% declined the most and rose to a greater degree than those with lower incomes. Overall, each of the income subgroups regained the peaks recorded in the mid 2000s, but none exceeded those earlier levels by a significant amount. As might be anticipated, households with greater amounts of net worth also showed greater time series variation. A less expected result was the relatively small difference between the top 10% and the top third in incomes; this most likely reflects the differences between the presence and the size of the asset holding.

References to Net Wealth Changes By Income Subgroups
(Annual Data: %Higher Net Worth - %Lower Net Worth)



Additional data on the nominal value of their home (excluding mortgage) and equity holdings (excluding margin accounts) provides a very limited view of differences in the overall amount of wealth holdings. Note that most of the variation in home values occurred among households with incomes in the top tenth, although most homeowners experienced nearly the same growth rate in home values since 2002. In contrast, the average annual growth in stock holdings was the highest since 1999 among top income households (8.3%) and declined as income declined to a low among stock owners in the lowest third of the income distribution (3.6%).

Median Home Values By Income Subgroups
(Thousands Nominal Dollars, Annual Data)



Median Stock Holdings by Income Subgroups
(Annual Data: Thousands of Nominal Dollars)

