

FACTS & FIGURES

From the Economic Policy Institute

Wealth

Despite a brief interruption during the stock market slide between 2000 and 2003, the story of wealth in America during the 1990s and 2000s is about its growing concentration. The historic rise in home ownership rates since the mid-1990s, is the exception. At the middle of the economic pyramid and below, attempts to accumulate other kinds of assets such as stocks and savings, whether for retirement, education, or a rainy day, have been largely stymied by slow wage growth and greater debt, while those at the apex command a growing share. In short, in 21st century America wealth begets wealth, and those without wealth find it farther out of reach.

Net worth

Assets minus debt, and excluding defined benefit pensions, Social Security and Medicare

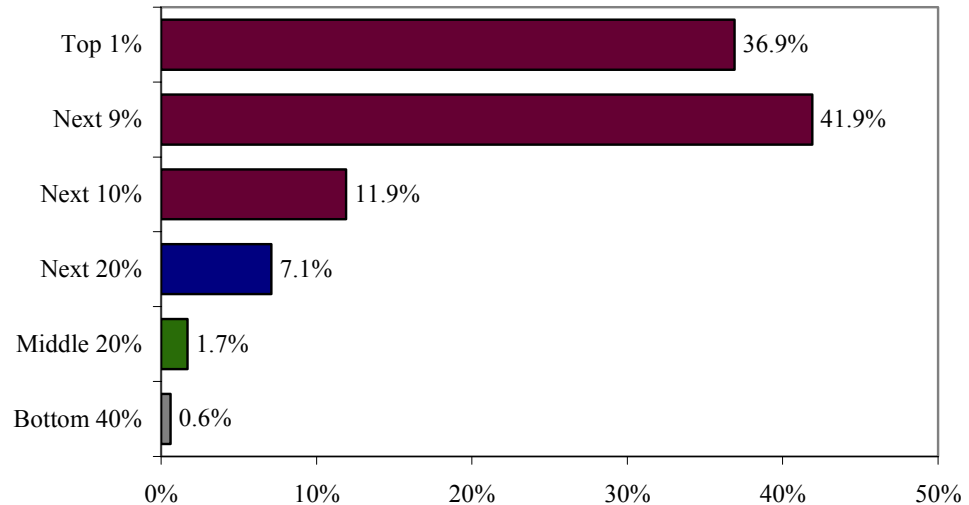
- ❖ In 2004, 16.9% of all income went to the top-earning 1% of households, which held 34.4% of all net worth and 42.2% of all net financial assets. The bottom 90% received 57.5% of all income but had only 28.7% of all net worth and 19.1% of all financial assets.
- ❖ For the top 1%, wealth holdings averaged nearly \$15 million; for the middle it averaged \$81,000. About 30% of households had net worth below \$10,000 and 17% had zero or negative net worth.
- ❖ Between 2001 and 2004, average wealth grew by \$1.25 million (about 3% annually) for the top 1%. For the middle fifth, it grew 0.8% per year. Those in the bottom fifth fell even farther behind, from -\$8,700 in 2001 to -\$11,400 in 2004. At the midpoint of the wealth range (the median), wealth remained unchanged.
- ❖ In 2004, 13% of white households and 29.4% of black households had zero or negative net worth. The median white household's wealth was \$118,300, but the median black family had only one-tenth as much, or \$11,800.

Stock ownership

- ❖ Less than half of American households owned stock in any form in 2004, including mutual funds and 401(k) plans. Stock ownership declined from 51.9% in 2001 to 48.6% in 2004, while the percentage of people with more than \$5,000 in stock fell from 40.1% to 34.9%.
- ❖ Among the top 1%, the average value of stock holdings in 2004 was \$3.3 million (down from \$3.8 million in 2001). For the middle 20%, the 2004 average was \$7,500 (down from \$12,000). Comparable figures for the bottom 40% were \$1,400 in 2004 and \$2,000 in 2001.
- ❖ Households with annual incomes over \$75,000 hold 81% of all stock.

The wealthiest 20% of households own over 90% of the combined value of all stocks; the middle 20% own only about 1.7%, and the bottom 40% of households own less than 1% combined.

Stock Market Holdings by Wealth Group, 2004



Source: Wolff (2006).

Home ownership

- ❖ In 2005, 68.9% of households owned their own homes: 72.7% of white households, 48.2% of black households, and 49.5% of Hispanic households.
- ❖ Home ownership has risen for all groups since 1999: 2.2 percentage points higher for whites, 1.9 points for blacks, and 4.0 points for Hispanics.
- ❖ For the first time, in 2005 Hispanics were slightly more likely than blacks to own their own homes.

Retirement adequacy

- ❖ More than one-quarter of all households headed by someone 47-64 year old were not expected to reach the minimum income considered adequate for retirement (replacing half of pre-retirement income).
- ❖ Among African American and Hispanic households in this same age range, a much higher percentage (39%) fall short of this minimum. The comparable percentage for whites is 24.1%.
- ❖ In 2004, having a college degree increased the likelihood of having adequate retirement income. Just 21.2% of this group fell below the minimum level, compared to 27.2% overall.

Debt & hardship

- ❖ In the first quarter of 2006, minimum required debt payments reached the highest level ever recorded for homeowners, 17.6% of all household disposable income for homeowners; for renters it was 24.3%, down from its 2000 peak of 29.7%.
- ❖ Among all but the highest-earning 20%, the share of households that were at least 60 days late in paying at least one bill increased significantly between 2001 and 2004.

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