
The Demographics of Wealth and Poverty

By Editor Test *Mon, Apr 1, 2013*

The Census Bureau says that 83% of U.S. households had less than \$589,000 in non-home wealth in 2011 and 50% had less than \$16,942.

If you're an advisor searching for new clients, you can probably draw a rough sketch of your target demographic. You know who those folks are: Boomers, professionals, business owners, married homeowners in affluent zip codes, and so forth.

The latest U.S. Census data (for 2011) on Americans net worth can help you refine that picture and enrich your understanding of wealth in America. Some of the data will likely confirm the picture you already have. Other data may surprise you.

As you'd expect, people accumulate more wealth as they age (until age 70 or so). Higher education and wealth go hand in hand. Couples and homeowners tend to have more wealth than single people (especially single women) or renters.

More surprising may be the statistic that half of all Americans have virtually no wealth beyond home equity. In fact, only two demographic groups have median non-home net worth of over \$100,000: people with graduate degrees and those ages 55 to 64.

Above all, the census data indicates that wealth is much more highly concentrated among the few than our egalitarian ethos might suggest. The huge difference between median wealth and average wealth in almost every demographic category bears that out.

Here's some of what the Census figures for 2011 show about wealth in the U.S.:

High averages, low medians

About 48.6 million U.S. households are headed by someone over 55. Of those, about 22.3 million are led by Boomers ages 55 to 64. Boomers may no longer excite consumer product advertisers the way they used to, but they have money.

The 55+ crowd has been saving and paying off their homes for many years, and collectively they have a lot to show for it. Americans ages 70 to 74, for instance, have an average net worth of \$861,537 (\$719,800 excluding their homes). Those ages 65 to 69 have average net worth of \$820,000 (\$663,700 excluding their homes) and those ages 55 to 64 have average net worth of \$468,000 (\$352,000 excluding their homes).

The median figures for those groups are much, much lower, however. Excluding home equity (which ranges from \$97,000 to \$130,000), half of all Americans ages 70-74 have a net worth of less than \$31,800. Half of those 65 to 69 have a net worth less than \$44,000. Half of those ages 55 to 64—the Boomers—have a net worth less than \$45,400.

The over-\$500,000 group

The discrepancy between the average and median figures suggests that wealth is clustered in the wealthiest half of the population. While the dataset I've used doesn't illuminate the distribution of wealth within the upper half, it does indicate that only 16,021,000 households (13.5%) are worth over \$500,000.

Those 16 million households have an average non-home net worth of \$1.6 million (\$1.9 million with home equity), but their median non-home net worth is just \$589,000 (\$836,000 with home equity). In other words, only about 8 million U.S. households, or about 6.75% of the total, have more than \$589,000 in non-home wealth.

Business ownership is high among the wealthy. People in households with more than \$500,000 in net worth are about twice as likely as the average household to own a business or have a profession (28.7%). Their business equity averages \$548,400 but has a median of only \$70,000—an indication that the equity is concentrated in a minority of highly valuable businesses.

High-net-worth households are also more likely than average to own rental property. The most likely landlords are those with net worth over \$500,000 (21.3%), people in the highest income quintile (12.4%), people with advanced degrees (10.9%) and married couples ages 55 and over (10%). Overall, only 5.5% of U.S. households own rental property.

The impact of education

Even more so than age, net worth is linked to education. Every step upwards in the educational ladder, from less-than high school degree to more-than a bachelor's, brings a geometric step-up in average and median wealth.

Consider this differential: For those with less than a high school diploma, the average net worth is just \$46,000 (excluding home), and the average 401(k) balance is a mere \$41,500. For those with a graduate or professional degree, the average net worth (excluding home), is \$776,000 and the average 401(k) account balance is \$270,000.

A four-year degree is also a lot more valuable than a two-year degree. The average net worth of those with a bachelor's degree is \$403,000, excluding home, and their average 401(k) balance is \$134,000. For those with just an associate degree, the average net worth is \$189,000 and the average 401(k) balance is \$71,000.

Ownership of money market accounts is highly correlated with education. Only 2.6% of those without high school diplomas own them, while 24.2% of those with bachelor's degrees and 31.3% of those with advanced degrees do.

Similarly, ownership of stocks and mutual funds ranges from 3.4% for those without a high school degree to 32.3% for those with a bachelor's degree and 41.6% for those with advanced degrees. People with a bachelor's or higher were more likely to own stocks and mutual fund shares than people of any age group,

including those 55 and older.

People with net worth over \$500,000, people in the highest income quintile, and people with advanced degrees—groups that surely overlap to a great degree—are, not surprisingly, by far the most likely to own stocks and mutual funds, money market accounts, and municipal or corporate bonds.

Asset concentration

The highest single data cell in the Census wealth data was in the average ownership of “interest-bearing assets” (other than interest-bearing assets at financial institutions) among the 7,779 households that are in the 65- to 69-year-old age bracket.

On average, they owned \$4.77 million in such assets. The median ownership by that group was just \$27,000. (Oddly, people ages 70 to 74 owned on average only \$166,000 worth of those assets. The \$4.77 million number may have been a mistake in the data.)

At the other extreme of wealth, the net worth of blacks and Hispanics trails that of non-Hispanic whites to a degree that belies the conventional wisdom that minorities have benefited from a lavish outlay of affirmative action efforts and government largesse over the past several decades.

The median non-home net worth of white, non-Hispanic households is \$89,537. For the 15 million black households, the median is \$6,314. For the 14.1 million Hispanic households it is \$7,683. Excluding home equity, the numbers are \$24,000 for whites, \$2,100 for blacks and \$4,000 for Hispanics.

Other demographic categories with net worth significantly below the national median are households headed by people under age 35, by women, by the unemployed, by those in the lowest income quintile, and by renters.

Retirement accounts

The groups with the highest average 401(k) or TSP balances are single male householders ages 35 to 54 at \$972,000 (a suspiciously high number that could be an error), followed by those with net worth over \$500,000 (\$399,000) and those with graduate or professional degrees (\$270,000). The groups with the highest average IRA or Keogh balances are households ages 65 and older (\$458,000) and those with net worth over \$500,000 (\$422,000).

Census factoids

- Female householders ages 65 and over outnumber male householders ages 65 and over by a ratio of about three to one (1,918,000 to 630,000).
- There are 10,773,000 households headed by married couples ages 65 and over.
- There are 70,400,000 American households headed by someone with less than a bachelor's degree.
- The 18,432,000 households in the highest income quintile have an average of \$2.03 million (a median of \$27,000) in “other interest-earning assets.”

- The 17 million householders under age 65 with “no labor force activity” had an average of \$1.29 million (a median of \$1,392) in “other interest-earning assets.”
- Half of all U.S. households (59 million) have a median net worth excluding home equity of less than \$16,942, an IRA or Keogh account balance of less than \$34,000 and a 401(k) or Thrift Savings Plan balance of \$30,000.
- Half of all householders ages 55 to 64 have a non-home net worth of less than \$45,500, a median IRA or Keogh account balance of less than \$48,000 and a median 401(k) or Thrift Savings Plan balance of less than \$47,000.

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