

---

# **The Great Recession and The Families in the Middle: The Distribution of Wealth in the United States, 1983-2013**

**John C. Weicher  
Director, Center for Housing & Financial Markets  
Hudson Institute**

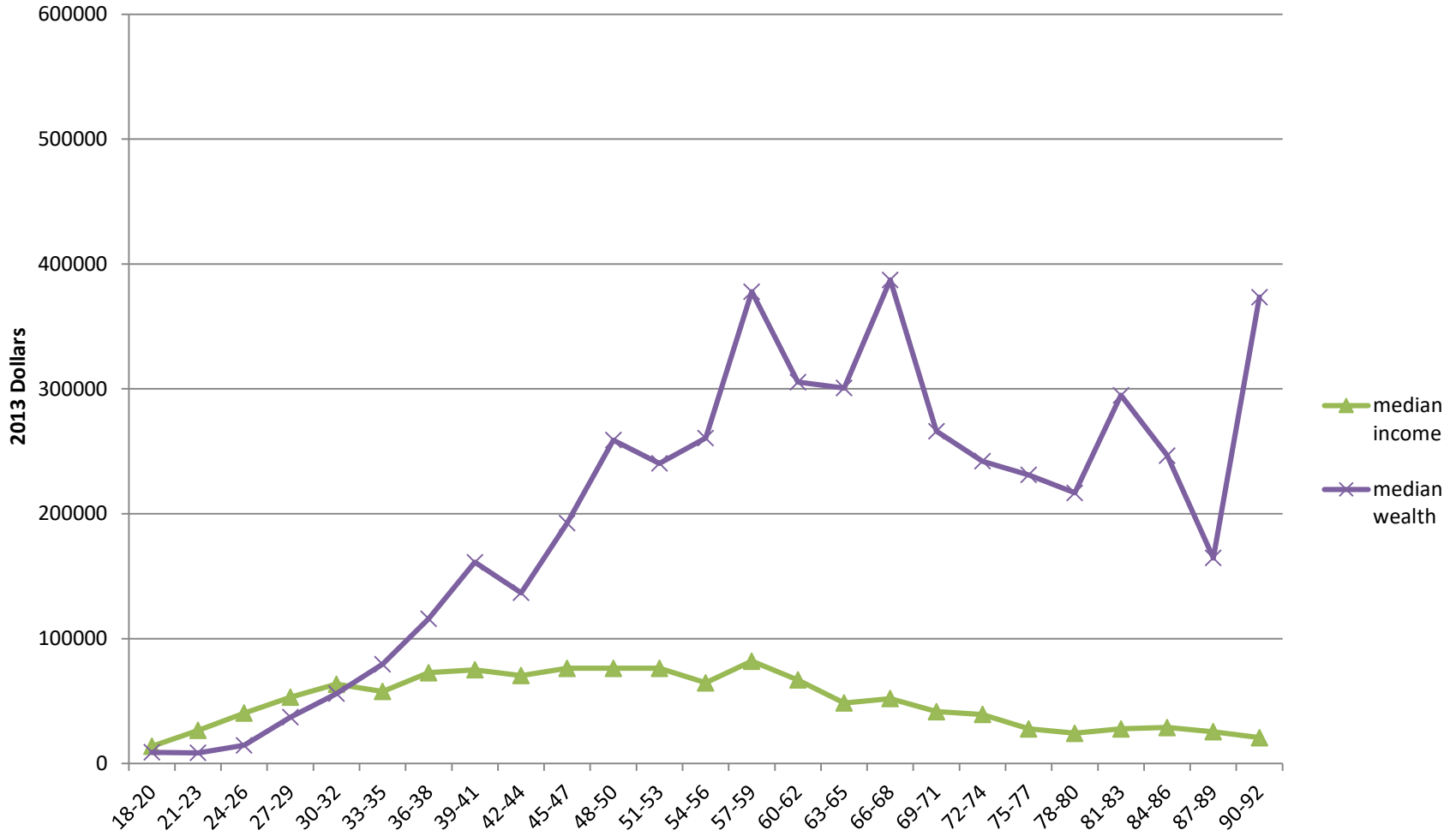
**Sustainable Homeownership Conference  
June 9, 2017**



# Wealth vs. Income

- Wealth is a stock: What you own minus what you owe: right now, or New Year's Day
- Income is a flow: How much did you receive: last week or last month or last year
  
- Largest category of income: wages/salaries (67% of all household income, 1983-2013)
  - No corresponding category of wealth
- Largest category of wealth: home equity (23% of all household wealth, 1983-2013)
  - No corresponding category of income

# Wealth and Income by Age, 2007



---

# The Wealth of American Households

## (2013 \$)

Year	Total Wealth	Median
1983	\$24 trillion	\$ 80,200
2007	\$73 trillion	\$135,900
2010	\$62 trillion	<b>\$ 82,500</b>
2013	\$65 trillion	<b>\$ 81,400</b>

---

# What do we own?

	Checking Accounts	Cars	Homes	IRAs/401(k)s
■ 1983	79%	84%	64%	24%
■ 2007	92%	87%	69%	53%
■ 2013	93%	86%	65%	49%

# How Important are These Assets?

	<u>Average Value*</u>	<u>Home Equity*</u>	<u>Share of Our Wealth</u>
■ 1983	\$115,000	\$ 82,000	40%
■ 2007	\$296,000	\$155,000	47%
■ 2013	\$246,000	\$106,000	47%

\*among all households, in 2013 dollars

---

# Who Are the Families in the Middle?

- Wealth in 2007: \$105,000 to \$175,000
  - Wealth in 2013: \$ 59,000 to \$111,000
  
  - Median Income in 2007: \$54,300
  - Median Income in 2013: \$45,700
  
  - Median age in 2007: 49
  - Median age in 2013: 51
  
  - Married in 2007: 63%; if under 65, most with kids (64%)
  - Married in 2013: 55%; if under 65, most with kids (64%)
-

---

# Who are the Families in the Middle?

## (Household heads, as of 2013)

- 30% had at least a college degree  
Compared to:
    - 33% of all US households
  - 71% white, 14% black, 10% Hispanic  
Compared to:
    - 68% white, 12% black, 13% Hispanic among all US households
-



---

# What do They Own?

- 2007: 89% owned their own home – median equity was \$92,000
- 2013: 82% owned their own home – median equity was \$52,000
  
- 2007: 56% had an IRA or 401(k) – median value was \$28,000
- 2013: 47% had an IRA or 401(k) – median value was \$25,000
  
- 2007: 10% owned a small business – median value was \$51,000
- 2013: 7% owned a small business – median value was \$27,000

The families in the middle lost 40% of their wealth in three years, and didn't get any of it back in the next three years.

---

# The Poor Get Poorer, Faster

	<u>2007 wealth</u>	<u>Loss by 2013</u>	
		dollars	percent
Richest 10% 90 <sup>th</sup> -99 <sup>th</sup> percentile	\$4,555,000	-\$501,000	-11%
Well-to-do 70 <sup>th</sup> -80 <sup>th</sup> percentile	\$ 430,000	-\$103,000	-24%
Families in the middle 45 <sup>th</sup> -55 <sup>th</sup> percentile	\$ 136,000	-\$ 57,000	-42%
Barely positive 20 <sup>th</sup> -30 <sup>th</sup> percentile	\$ 17,000	-\$ 8,000	- 47%

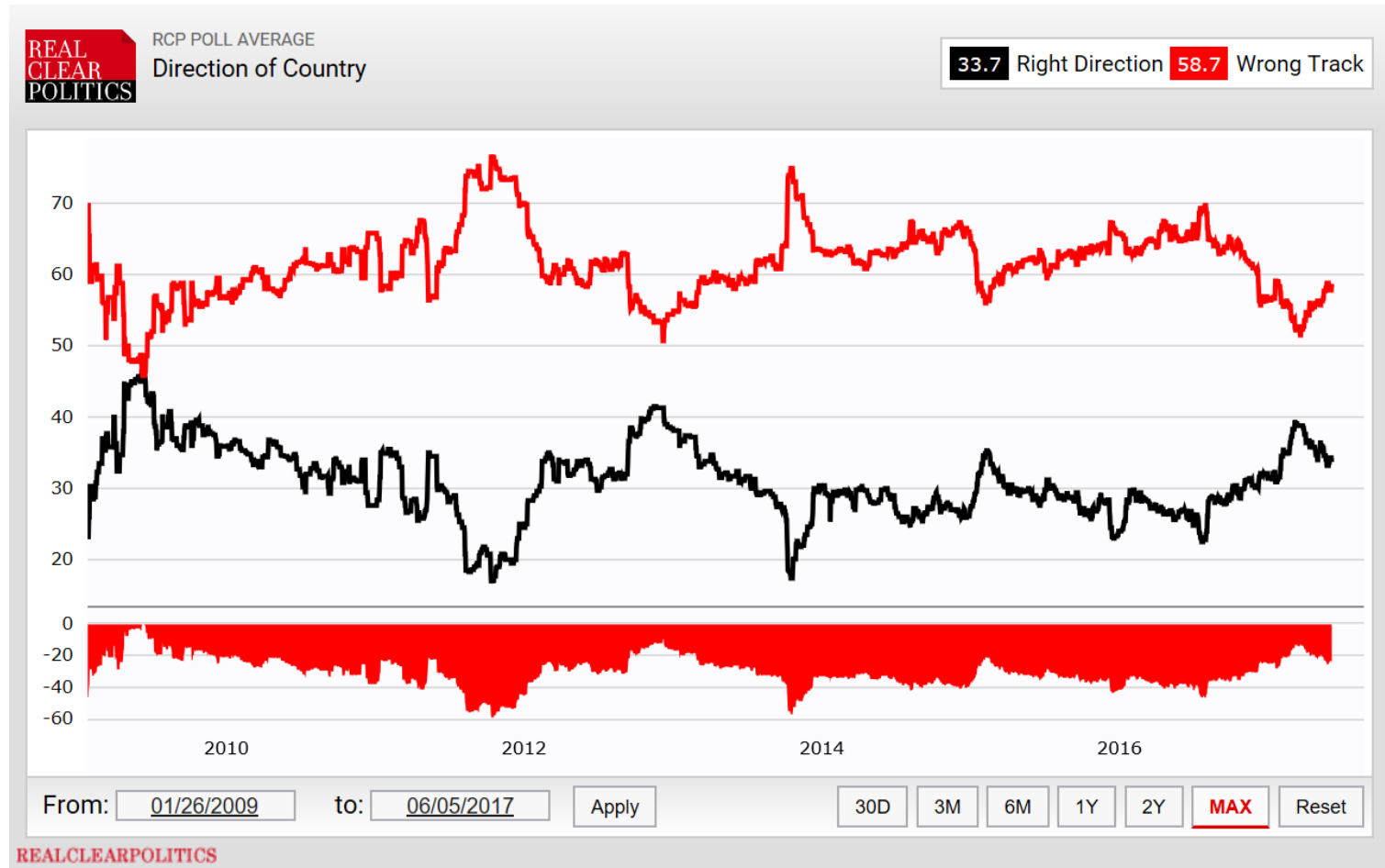
---

## And Therefore:

# The More Unequal the Distribution of Wealth

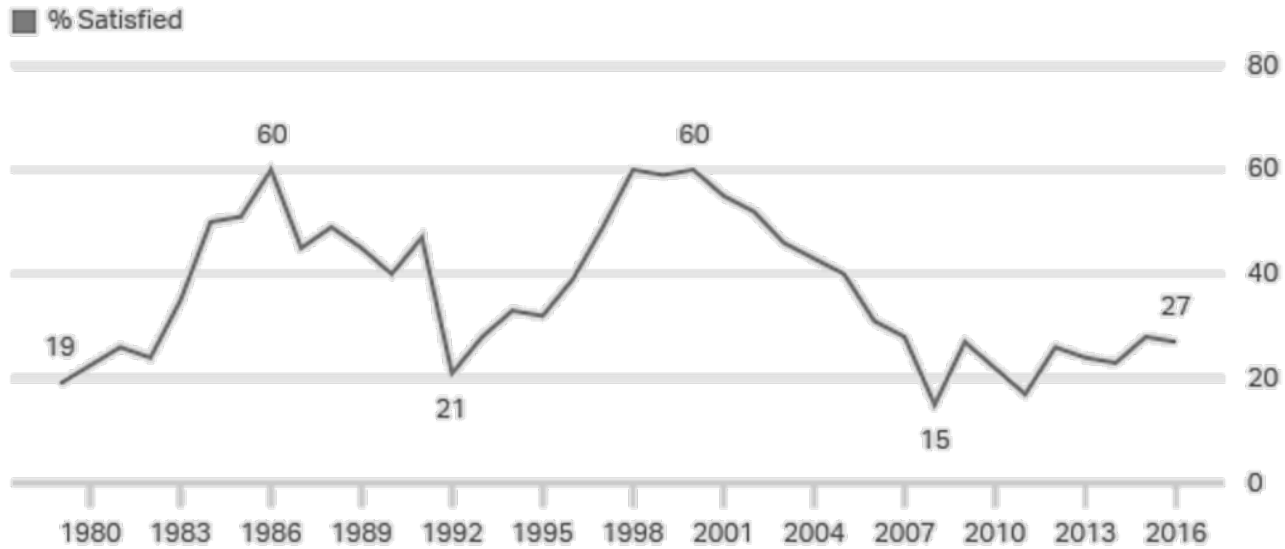
- In 2007, the richest 10% of households owned 71% of total wealth
  - In 2013, the richest 10% of households owned 75% of total wealth
  - The most unequal distribution since at least 1983
-

# How are we doing?



# How have we *been* doing?

## Americans' Satisfaction With Way Things Are Going in U.S.



GALLUP

---

# In Conclusion:

- Is our economy finally improving?
  - Let's hope so
  - But most of us have a long way to go before we catch up to where we used to be
-

---

# Sustaining Homeownership

- Some things **not** to do:
  - Repeal the mortgage interest deduction
  - Repeal the property tax deduction
-