

Memorandum

To: Clients, Associates & Friends of Pro@ctive Advisory
From: Mark L. Wyssbrod, CPA
Date: July 1, 2014
Re: US household net worth

In this memorandum, you will receive information about the following:

- US household net worth
- Related articles

Please contact me should you have any questions. As the economy has improved, incomes as well as net worth have become more divergence. Many political messages may use the average to find the truth in the matter. A deeper look into the data is required to see who really has net worth in the US.

The divergence of US household net worth

Congratulations American your net worth is above where it was before the Great Recession and at an all-time high! US Household net worth is at \$81 Trillion (i.e. \$81,000,000,000,000). There are 115,226,802 households in America; resulting in the average US household worth around \$703,000. Great news, right?

In November 2008 I wrote an update titled, “Why Economic Averages Lie” <http://ezinearticles.com/?Why-Economic-Averages-Lie&id=1721403>. This article dissected recessionary data to determine the average recession and recovery lengths. An interesting observation is more severe recessions take considerably longer than shallower ones. The majority of recessions are lighter recessions which are less time than the average; but a severe recession is significantly longer than the average.

This net worth metric is similar. If net worth was distributed evenly to households it would be a good indicator. However, roughly 20% of householders (23,045,360 of the 115,226,803) own roughly 80% of the net worth (\$64.8 trillion of the \$81 trillion). When you review the information using a simplistic application of the demographics, the result is the top 20% of household net worth is \$2,811,845 and the remaining 80% of households net worth is \$175,740. The reality is at extremes and not close to the average.

Another study finds 10% of households own 90% of net worth. Using these statistics the net worth discrepancy is the top 10% of household’s net worth is \$8,100,000,000 and the bottom 90% net worth is \$103,700 per household. If you really want to dive into the statistic read “Wealth, Income and Power” by G. William Domhoff

<http://www2.ucsc.edu/whorulesamerica/power/wealth.html> or you can just scroll down to the net worth by % information. According to Domhoff, the bottom 40% has a negative net worth. If true, this makes the net worth divergence even greater and could be a warning sign. The warning sign and potential hazard is 40% of the population could become disenchanting and disconnected with the financial system resulting with filing bankruptcy at a minimum and may lead to social unrest at the worse.

If you are in the 80% and you believe your net worth is lower than \$175,740 you should not feel too left out. When you drill down into the data even more you will recognize even more deviation. From post-Great Recession data:

- Top 1% possess 37.1% of all wealth
 - In 2011 the top 400 wealthiest American had more wealth than half of all Americans combined
- Top 10% possess 80% of all financial assets (not net worth)
- Top 20% possess 87.7% of all wealth
- The bottom 80% possess 7% of net worth

The faster you can save and increase your net worth the more likely you are to have significantly more than other households.

Time to start sacrificing to save more,

Mark W.

Articles of interest on this topic:

[The middle class is even worse off than the numbers show](#)

The middle class is even worse off than the numbers show

The 1% are skewing the numbers and making ordinary people seem better off than they are.

View on finance.yahoo.com

Preview by Yahoo

[Who Rules America: Wealth, Income, and Power](#)

Who Rules America: Wealth, Income, and Power

Details on the wealth and income distributions in the United States (1% of households control 35% of the wealth), and how to use these distributions as power indica...

View on www2.ucsc.edu

Preview

by
Yahoo

[Wealth inequality in the United States - Wikipedia, the free encyclopedia](#)

U.S. Distribution of Wealth, 2007

Group	Percentage
Top 1%	34.6 Percent
Next 4%	27.3 Percent
Next 5%	11.2 Percent
Next 10%	12 Percent
Upper Middle 20%	10.9 Percent
Middle 20%	4 Percent
Bottom 40%	0.2 Percent

Edward N. Wolff, 2010

Wealth inequality in the United States - Wikipedia, the ...

Wealth inequality in the United States (also known as the wealth gap[1]) refers to the unequal distribution of assets among residents of the United States. Wealth i...

View on en.wikipedia.org

Preview
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