

# IN THE Balance

*Perspectives on Household Balance Sheets*



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## Unsteady Progress: Income Trends in the Federal Reserve's Survey of Consumer Finances

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The Federal Reserve's 2010 Survey of Consumer Finances revealed a decline in the income of many Americans between 2007 and 2010.<sup>1</sup>

Among the middle decile (10 percent) of all families, the average pre-tax family income in 2010 was \$45,951, falling 5.6 percent from the 2007 level of \$48,669.<sup>2</sup> (All figures are expressed in terms of 2010 purchasing power.)

Detailed comparisons of income and wealth trends over both short and long periods for a number of subgroups lead us to conclude that some types of families are doing noticeably better than others.<sup>3</sup>

For example, the average older family (headed by someone 55 or older) in the

middle ten percent of such families had a pre-tax income 3.5 percent higher in 2010 than a similar family had in 2007.

In stark contrast, the average younger family (headed by someone under 40) had a pre-tax income 12.6 percent lower in 2010 than in 2007.

Meanwhile, a family headed by someone between the ages of 40 and 54 had pre-tax income that was about 8.3 percent lower in 2010 than such a family in 2007.

### Short- and Longer-Term Income Trends

Table 1 provides information on typical pre-tax family incomes at various times for

*(continued on Page 2)*

## HOUSEHOLD FINANCIAL STABILITY

—A Research Initiative



This analysis of the Federal Reserve's Survey of Consumer Finances is but one aspect of a recently launched research initiative now under way at the Federal Reserve Bank of St. Louis. Through research, publications, web-based data tools and public events, the HFS initiative aims to help rebuild the balance sheets of struggling American households. For more information, see the Household Financial Stability site at [www.stlouisfed.org/hfs](http://www.stlouisfed.org/hfs)

TABLE 1

### Average family income of the middle decile of families ranked by income in 2010 dollars

	A	B	C	D	E
	1992-95 average	2007	2010	Percent Change 2007-2010	Percent Change 1992-95 average to 2010
1 All families	\$41,990	\$48,669	\$45,951	-5.6	9.4
2 Historically disadvantaged minority (African-American or Hispanic origin)	25,557	34,917	32,306	-7.5	26.4
3 White, Asian or other minority	46,569	54,815	52,221	-4.7	12.1
4 Young (family head under 40)	40,787	45,583	39,834	-12.6	-2.3
5 Middle-aged (between 40 and 54)	59,416	64,763	59,373	-8.3	-0.1
6 Old (55 or older)	29,613	40,686	42,090	3.5	42.1
7 No college degree	32,245	36,363	34,121	-6.2	5.8
8 College degree (two-year or four-year degree)	66,303	82,844	73,502	-11.3	10.9
<b>Addendum:</b>					
9 Middle-aged and college degree and white, Asian or other minority	83,177	97,051	99,334	2.4	19.4
10 Old and college degree and white, Asian or other minority	66,564	88,131	74,558	-15.4	12.0

SOURCE: Federal Reserve Survey of Consumer Finances and authors' calculations.

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several different types of families. The first row shows constant-dollar incomes for a typical family among the entire population. Subsequent rows show income levels over time for families subdivided along several dimensions, including race or ethnicity, age and college-degree status.<sup>4</sup>

One striking conclusion from the table is that pre-tax family income was lower in 2010 than it was three years earlier across virtually all main groups (rows 2 through 8, column D). The only exception was older families.

Column E shows that, for all families, pre-tax family income was 9.4 percent higher in 2010 than it was in the early 1990s. The largest increases among subgroups were older families (up 42.1 percent) and historically disadvantaged minority families (up 26.4 percent).

By way of contrast, families headed by someone under the age of 40 had incomes 2.3 percent lower in 2010 than in 1992-95, and families headed by someone between 40 and 54 were basically unchanged.

Families with college degrees fared somewhat better than those without degrees during the longer period.

Finally, rows 9 and 10 indicate that college-educated families that were white, Asian or other minority saw large increases

in pre-tax family income between the early 1990s and 2010. For such families headed by someone between the ages of 40 and 54, the increase was 19.4 percent; for those headed by someone 55 or over, the increase was 12 percent.

Table 2 shows the incomes of various groups of families relative to the typical family in the entire population and how their relative positions changed both during the recent downturn and over a longer period of time. Relative to the overall population, the incomes of historically disadvantaged minorities increased slightly since the early 1990s, but lost a little ground after 2007 (row 2).

The incomes of typical younger and middle-aged families declined relative to the overall population during both these shorter- and longer-term periods (rows 4 and 5), while the relative standing of older families improved over both time horizons.

### Older Families Were Clear Winners; Minorities Gained, Too

Among all of the groups considered here, only families headed by someone aged 55 years or older gained ground, both in absolute and relative income terms, over both short- and long-term horizons.

Families of African-American and Hispanic origin also had significantly

higher typical income levels in 2010 compared with the early 1990s, despite slipping somewhat after 2007. Nonetheless, income levels for this group remained significantly below the population average in 2010, at 70.3 percent of the overall level. **ITB**

#### ENDNOTES

1. See Jesse Bricker et al, "Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances," Federal Reserve Bulletin, June 2012, [www.federalreserve.gov/pubs/bulletin/2012/PDF/scf12.pdf](http://www.federalreserve.gov/pubs/bulletin/2012/PDF/scf12.pdf), for a detailed description of the survey and results.
2. Pre-tax family income includes wages, self-employment and business income, taxable and tax-exempt interest, dividends, realized capital gains, food stamps and other related support programs provided by government, pensions and withdrawals from retirement accounts, Social Security, alimony and other support payments and miscellaneous sources of income for all members of the primary economic unit in the household.
3. See Issue 1 of *In the Balance* and William R. Emmons and Bryan J. Noeth, "Household Financial Stability: Who Suffered the Most from the Crisis?" *The Regional Economist*, July 2012. [www.stlouisfed.org/publications/re/articles/?id=2254](http://www.stlouisfed.org/publications/re/articles/?id=2254)
4. We use the mean value of the middle decile—that is, families ranked between the 45th and 55th percentiles—to represent a typical family.

TABLE 2

### Relative family income of the middle decile of families, ranked by income in percent of all families

	A	B	C	D	E
	1992-95 average	2007	2010	Percentage Point Change 2007-2010	Percentage Point Change 1992-95 average to 2010
<b>1</b> All families	100	100	100	-	-
<b>2</b> Historically disadvantaged minority (African-American or Hispanic origin)	60.9	71.7	70.3	<b>-1.4</b>	9.4
<b>3</b> White, Asian or other minority	110.9	112.6	113.6	1.0	2.7
<b>4</b> Young (family head under 40)	97.1	93.7	86.7	<b>-7.0</b>	<b>-10.4</b>
<b>5</b> Middle-aged (between 40 and 54)	141.5	133.1	129.2	<b>-3.9</b>	<b>-12.3</b>
<b>6</b> Old (55 or older)	70.5	83.6	91.6	8.0	21.1
<b>7</b> No college degree	76.8	74.7	74.3	<b>-0.4</b>	<b>-2.5</b>
<b>8</b> College degree (two-year or four-year degree)	157.9	170.2	160.0	<b>-10.3</b>	2.1
<b>Addendum:</b>					
<b>9</b> Middle-aged and college degree and white, Asian or other minority	198.1	199.4	216.2	16.8	18.1
<b>10</b> Old and college degree and white, Asian or other minority	158.5	181.1	162.3	<b>-18.8</b>	3.8