

[Background Music]

The Federal Reserve Board's Triennial Survey of Consumer Finances collects information about family incomes, net worth, use of credit, and other financial information. The new survey's findings show that between 2010 and 2013 there was divergent income growth, limited growth in family wealth and overall debt holding for the U.S. families decreased. One key measure of economic wellbeing in the survey is family income. Median income rose steadily in real terms, that is adjusted for the effects of inflation between the 1992 and 2007 surveys, then fell between 2007 and 2010 and again between 2010 and 2013. The fact that mean income is above median income in every year, reflects concentration of income at the top of the income distribution. Mean income has grown at a faster pace than median income since 1989 and the gap increased from 60 percent in 1989 to 90 percent in 2013. Mean income fell further than median income between 2007 and 2010 reflecting the disproportionate impact of the financial crisis on families with the highest incomes. Real mean family income partially rebounded between 2010 and 2013 while the median continued to decline.

The distribution of family usual income is split into three groups, the bottom 50 percent of families, the next 40 percent of families and the top 10 percent of families. In 2013, mean income was \$27,000 for the lowest income group, \$84,700 for the middle income group, and \$397,500 for the top income group. From 2007 to 2010 all groups experienced a decline in mean income. The top group had the largest decline. From 2010 to 2013 mean income decreased for the lowest income group, was about flat for the middle income group and increased sizably for the top group. In 2013, all income groups had mean income below their 2007 level. Another key measure of economic wellbeing in the survey is wealth. Median wealth rose steadily in real terms between the 1992 and the 2007 surveys, fell between 2007 and 2010 and was about

unchanged between 2010 and 2013. Mean wealth has grown at a faster pace than median wealth since 1989 and the gap between the two increased from 400 percent in 1989 to 660 percent in 2013.

In percentage terms, mean wealth fell less than median wealth between 2007 and 2010, reflecting the disproportionate impact of the decline in house values on families near the middle of the wealth distribution. Real mean family wealth remained flat between 2010 and 2013. In 2013 mean wealth was \$99,200 for the lowest income group, \$380,600 for the middle income group and \$3.3 million for the top income group. From 2007 to 2010 all groups experienced a decline in mean wealth. The lowest income group had the largest decline. From 2010 to 2013, mean wealth decreased for the lowest income group while mean wealth increased modestly for the top two income groups. In 2013 all income groups had mean wealth below their 2007 level.

Owned housing is a key driver of changes in household net worth. The overall home ownership rate fell from 69 percent in 2007 to 67 percent in 2010 to 65 percent in 2013. Home ownership rises with the usual income. In 2007 just over half of families in the lowest income group owned their home, while over 90 percent of families in the top group were homeowners. Home ownership fell for all income groups between 2007 and 2010 and continued to fall for the bottom and middle income groups between 2010 and 2013 but rebounded to above the 2007 level for the top income group. Between 2007 and 2010 the decline in average house prices outpaced the reduction in mortgages and other housing related debts, leading to a substantial reduction in mean net housing wealth. Inflation adjusted house prices continued to fall between 2010 and 2013 though at a slower pace and homeowners continued reducing housing related debts. The declines in housing net worth were widespread over the 2007 to 2010 and 2010 to 2013 periods. Borrowing for education has risen dramatically over the past decade, directing

attention to the financial situation of families in which the head of the family is younger than 40. The overall fraction of young families with educational loans rose from 22 percent in 2001 to 39 percent in 2013. The average real value of education debt for those with such debt increased from \$16,900 to \$29,800 and the median real value increased from \$10,500 to \$16,800. As education borrowing increased between 2001 and 2013, outstanding balances for most young families have remained below \$25,000, though that share is falling, while the fraction with outstanding balances between \$25,000 and \$50,000 has remained stable. The fraction of young families with education loans between \$50,000 and \$100,000 has doubled since 2001 from 6 percent to 13 percent and the fraction with balances over \$100,000 rose from 1 percent in 2001 to 6 percent in 2013. Growth in education borrowing has raised concerns about young families' ability to keep up with payments. The share of education debt held by young families with usual income below \$30,000 nearly doubled between 2001 and 2013 reaching about 1/4 of all such debt, while the share of debt held by families earning between \$30,000 and \$60,000 fell in an offsetting way, leaving the share of education debt owed by families with usual incomes of \$60,000 or more roughly the same, at just under 50 percent the total. The share of education debt held by young families where the head of the family had a Bachelor's degree or higher was over 70 percent and little changed between 2001 and 2013 while the share of debt held by families in which the head of the family had an Associate's degree remained steady, below 10 percent. And the share of education debt owed by families with no college degree fell slightly. For more results from the Survey of Consumer Finances, visit [www.federalreserve.gov/scf](http://www.federalreserve.gov/scf).