



U.S. Household Incomes: A 49-Year Perspective

September 15, 2016

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Earlier this week the Census Bureau released its annual report on household income data for 2015. Last year the median (middle) household income rose to \$56,516, a 5.2% increase over 2014 and a record high. Interestingly enough, median income adjusted for inflation is 2.2% below its peak of \$57,790 set before the turn of the century in 1999. The mean (average) household income set a new high of \$79,263. More about that in another commentary. Meanwhile, let's take a closer look at the quintile averages, which dates from 1967, along with the statistics for the top 5%.

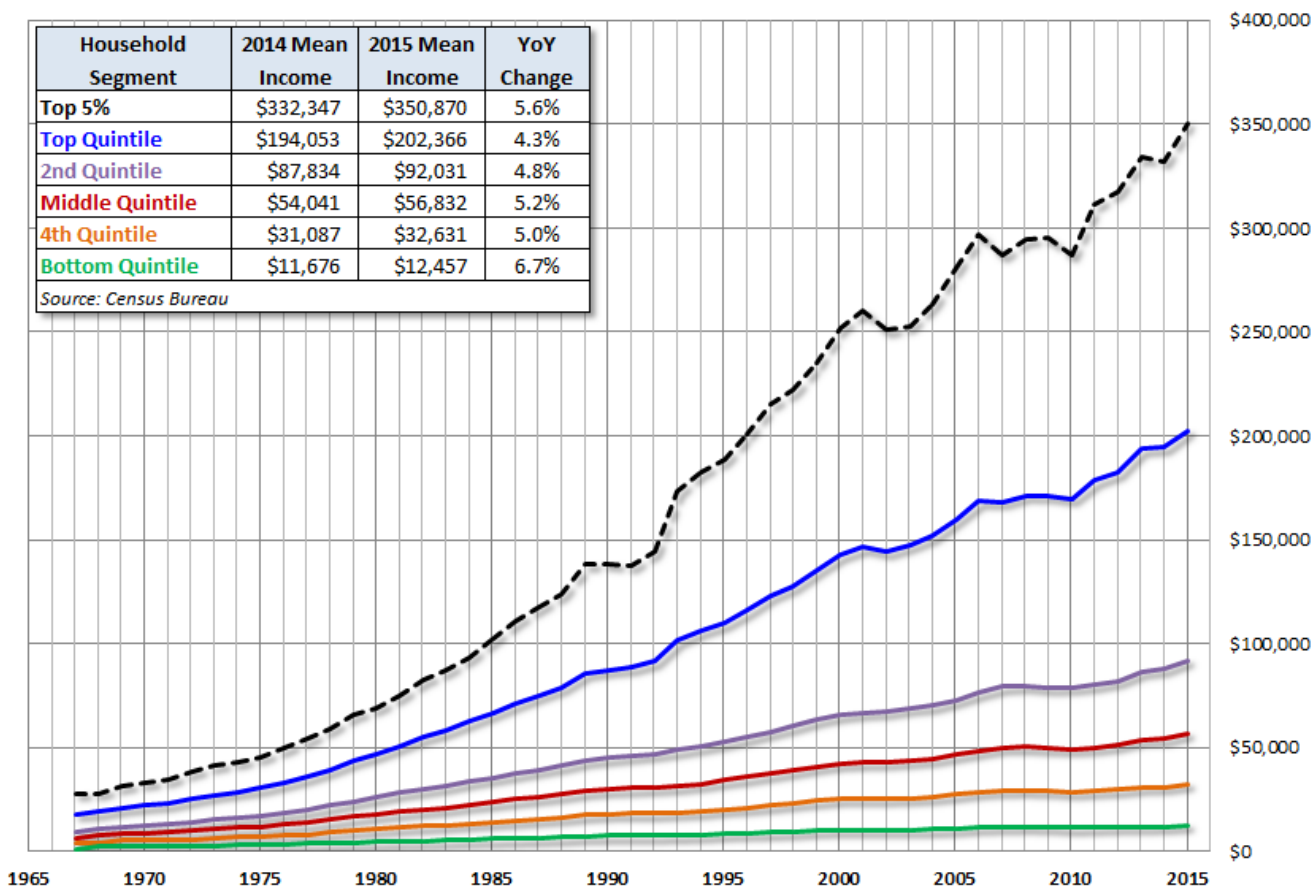
Most people think in nominal terms, so the first chart below illustrates the current dollar values for the six cohorts across the 49-year period (in other words, the value of a dollar at the time received — not adjusted for inflation). What we see are the nominal growth patterns over the complete data series. In addition to the five quintiles, the Census Bureau publishes the income for the top five percent of households. We've included a table to document the impressive year-over-year growth in 2015 for all six cohorts.

Source: Census Bureau
Data from 1967-2015

Mean (Average) Household Income By Quintile and Top 5 Percent

Household Segment	2014 Mean Income	2015 Mean Income	YoY Change
Top 5%	\$332,347	\$350,870	5.6%
Top Quintile	\$194,053	\$202,366	4.3%
2nd Quintile	\$87,834	\$92,031	4.8%
Middle Quintile	\$54,041	\$56,832	5.2%
4th Quintile	\$31,087	\$32,631	5.0%
Bottom Quintile	\$11,676	\$12,457	6.7%

Source: Census Bureau



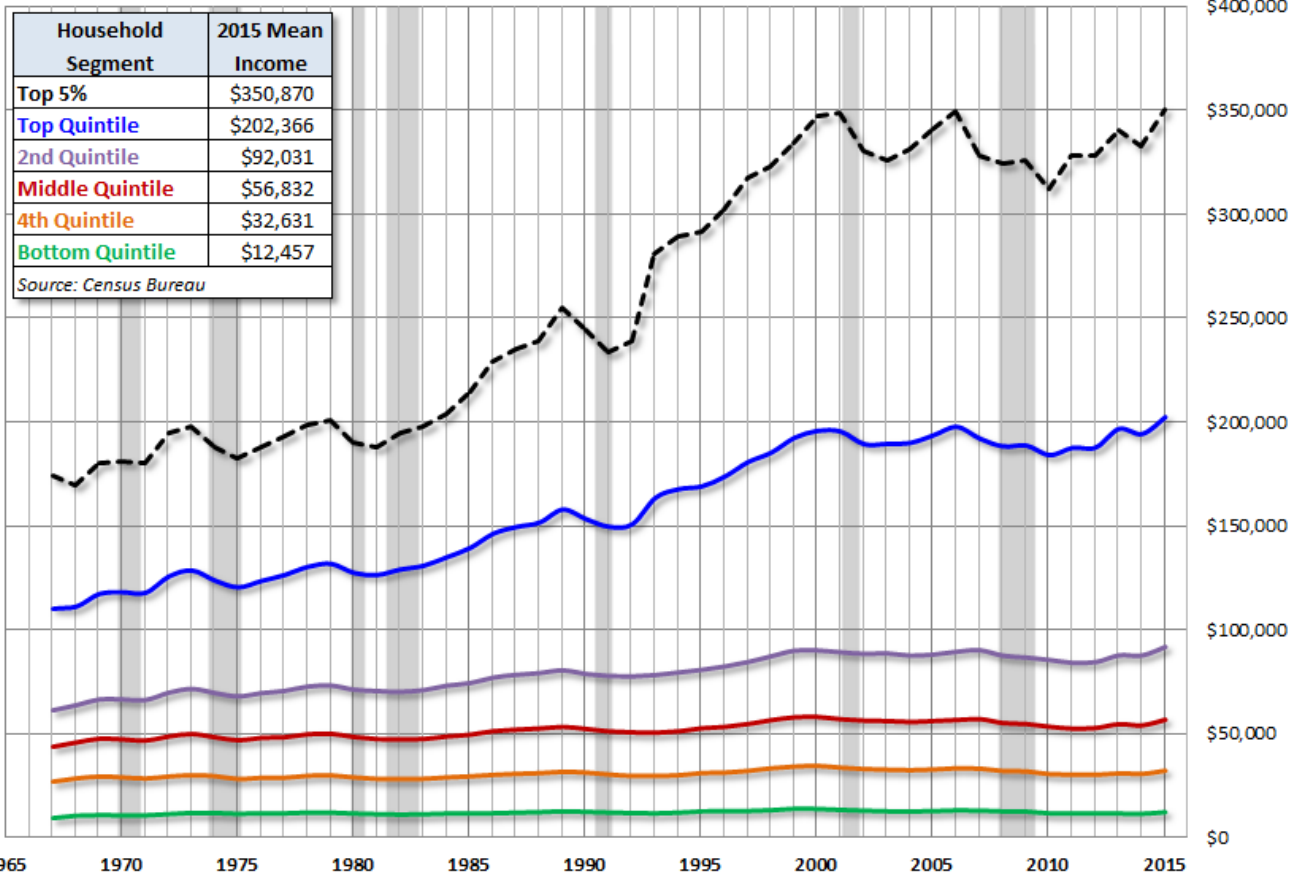
The next chart adjusts for inflation in chained 2015 dollars using a research variant of the Consumer Price Index, the CPI-U-RS, which is the CB's preferred deflator for inflation adjustment. In other words, the incomes in earlier years have been adjusted upward to the purchasing power of the most recent year in the series. We've also highlighted recessions to show the correlation of household incomes to the business cycle.

Source: Census Bureau
Data from 1967-2015

Real (Inflation-Adjusted) Average Household Income By Quintile and Top 5 Percent

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With Recessions Highlighted



As for the cumulative household income growth by segment over the past 49 years, the adjacent table shows the real, inflation-adjusted, difference between 1967 and 2015.

Real Income Growth Since 1967	
Top 5%	101.1%
Top Quintile	83.0%
2nd Quintile	49.7%
Middle Quintile	29.4%
4th Quintile	18.6%
Bottom Quintile	25.5%

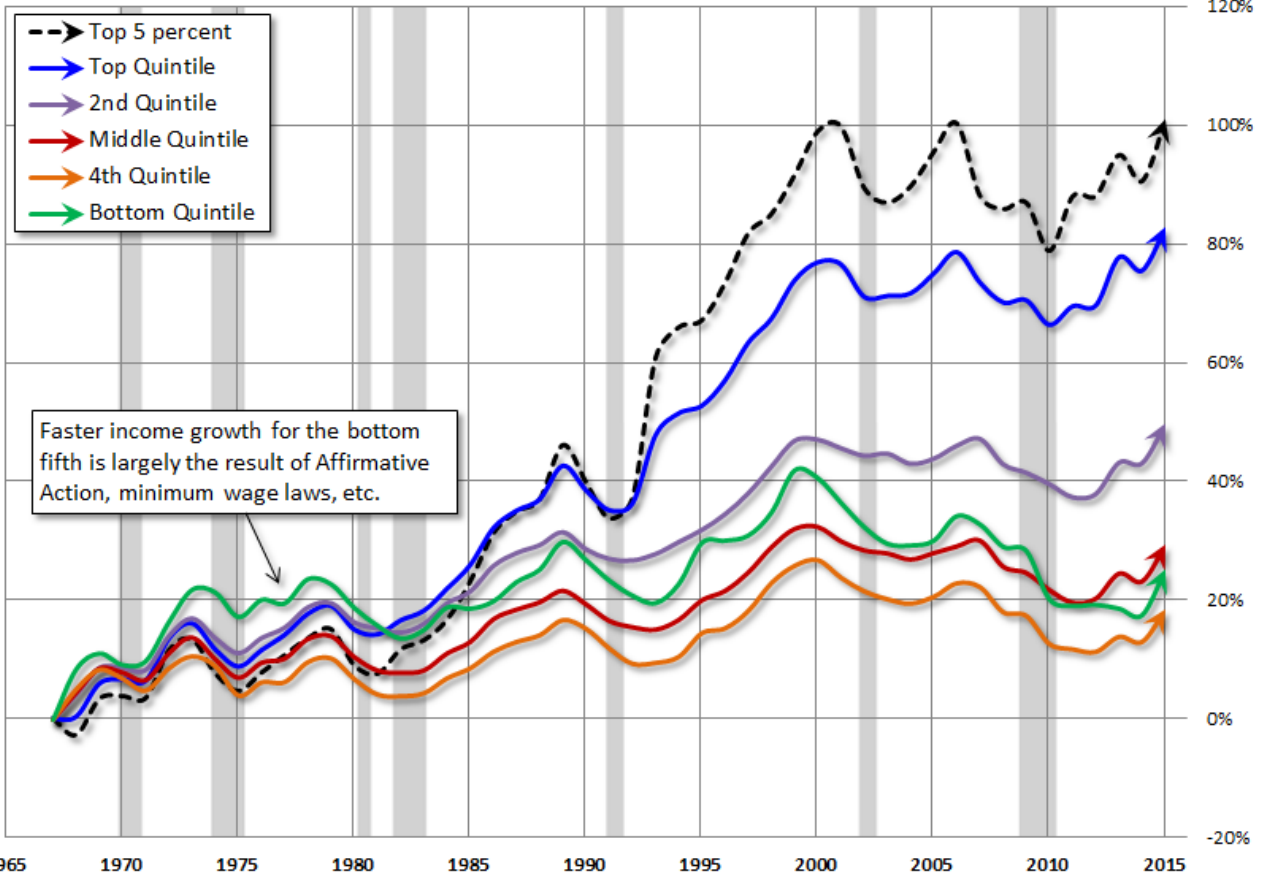
To give us a better idea of the underlying trends in household incomes, we've also prepared a chart of the real percentage growth since 1967. Note in particular the growing spread between the top quintile (and especially the top 5%) and the other four quintiles. The growth spread began in the mid-1980s during the Reagan administration, the era of Supply Side Economics (aka "Reaganomics" and Trickle-Down Economics). As this chart illustrates, tax and other policy changes to benefit the wealthier households didn't have the heavily promoted trickle-down effect.

Source: Census Bureau
Data from 1967-2015

Real Mean Household Income Cumulative Growth By Quintile and Top 5 Percent

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With Recessions Highlighted



All of the cohorts in this analysis saw impressive increases in 2015, and the top two quintiles and top 5% hit record income levels in 2015. However, the three lower quintiles remain below their record highs in inflation-adjusted terms. The table below documents the percent change from the peak year for middle and two lower quintiles and lists peak year: 2000 for the middle and fourth quintile and 1999 for the bottom quintile.

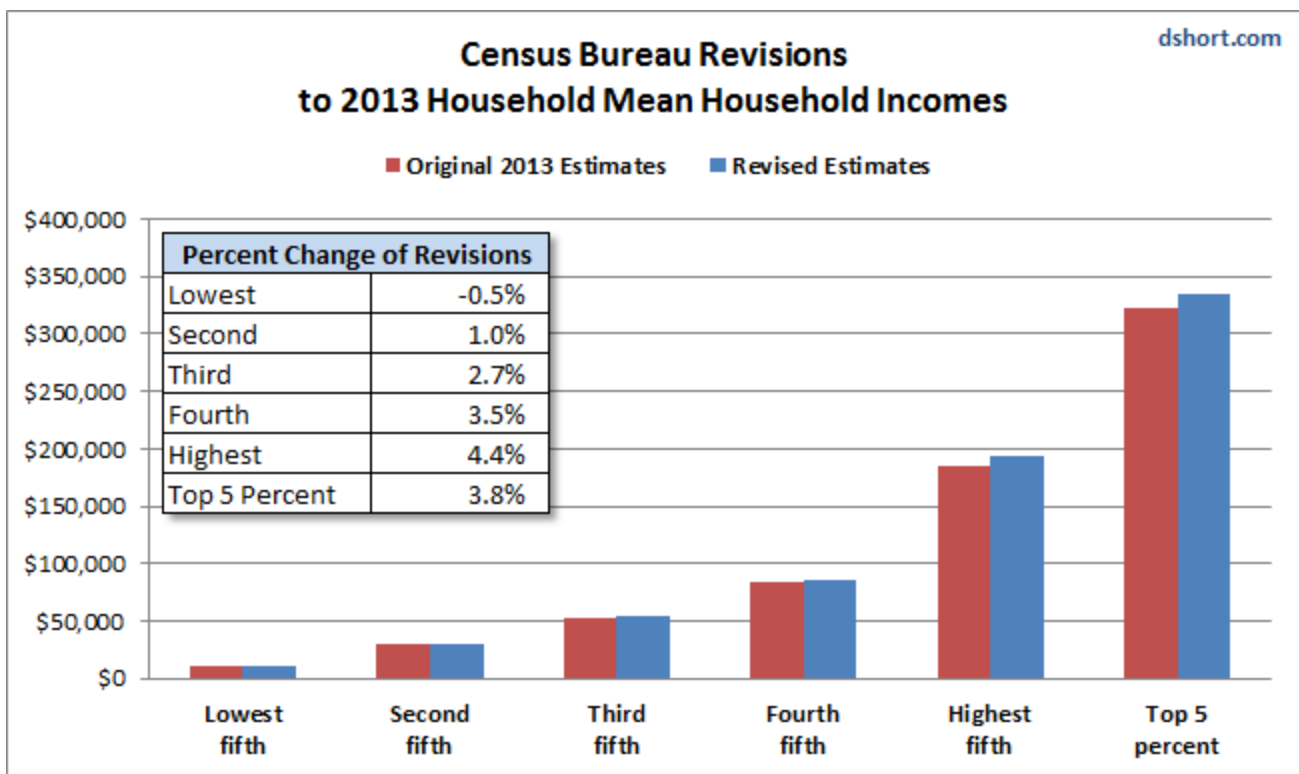
Real Household Income Declines from Peak Year				
Household Segment	Peak Year	Peak Income	2015 Income	Percent Change
Top 5%	2015	\$350,870	\$350,870	0.0%
Top Quintile	2015	\$202,366	\$202,366	0.0%
2nd Quintile	2015	\$92,031	\$92,031	0.0%
Middle Quintile	2000	\$58,125	\$56,832	-2.2%
4th Quintile	2000	\$34,903	\$32,631	-6.5%
Bottom Quintile	1999	\$14,108	\$12,457	-11.7%

Source: Census Bureau, chained in 2015 dollars

It's important to understand that the data in the charts above is for the mean (average) income for each of these segments. For US households quintiles, the mean (average) income is higher than the median (middle of the range). We'll have more to say about this negative skew in a follow-up article on household incomes by age bracket.

A Note on Census Bureau Revisions to the 2013 Data

The CB's release last year of the 2014 data was accompanied by a PDF report, *Income and Poverty in the United States: 2014*. The report includes an explanation for their revisions in the latest annual report to the 2013 data, revisions that range from miniscule to substantial. Here is a column chart showing the pre- and post-revision data for the quintiles and top five percent discussed above.



The CB provides a detailed explanation for the revisions in Appendix D in the PDF file linked above. In essence, the revisions are the result of redesigned questions for income and health insurance coverage.