

Background Information about Wealth and Its Distribution

House Ways and Means Committee

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DM #373908



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Outline of talk

- An estimate of household wealth in Vermont
- The distribution of income and wealth in the United States using the 2022 Survey of Consumer Finances
 - We use the U.S. distribution of wealth as a proxy for Vermont because we have no data on household wealth in Vermont
- Additional information relevant to H.827



An estimate of household wealth in Vermont

Wealth, or net worth, is the value of assets less the value of debt owed



An Estimate of Wealth in Vermont

| Table 1. Net Worth of Households as of 2023:Q3 | | | | | |
|---|--|----------------------|------|--|---------|
| | | United States | | Vermont | |
| | | | | If Net Worth is Proportional to Number of Millionaires | |
| Net Worth | | \$150.99 | tril | \$179.70 | bil |
| Financial Assets | | \$112.42 | tril | \$133.78 | bil |
| Real Estate Assets | | \$50.06 | tril | \$59.57 | bil |
| VT millionaires as share of U.S. millionaires | | | | 0.119% | |
| Mean (average) VT Net Worth per capita | | | | \$ | 277,716 |
| Mean (average) VT Net Worth per household | | | | \$ | 648,526 |
| Source: Z.1, Financial Accounts of the United States, Federal Reserve Board, Dec.7, 2023. | | | | | |
| https://www.federalreserve.gov/releases/z1/20231207/z1.pdf | | | | | |

Note: The Financial Accounts use “households,” the Survey of Consumer Finances uses “families.” Both refer to the economically dominant single person or couple (whether married or living together as partners) and all other persons in the household who are financially interdependent with that economically dominant person or couple.

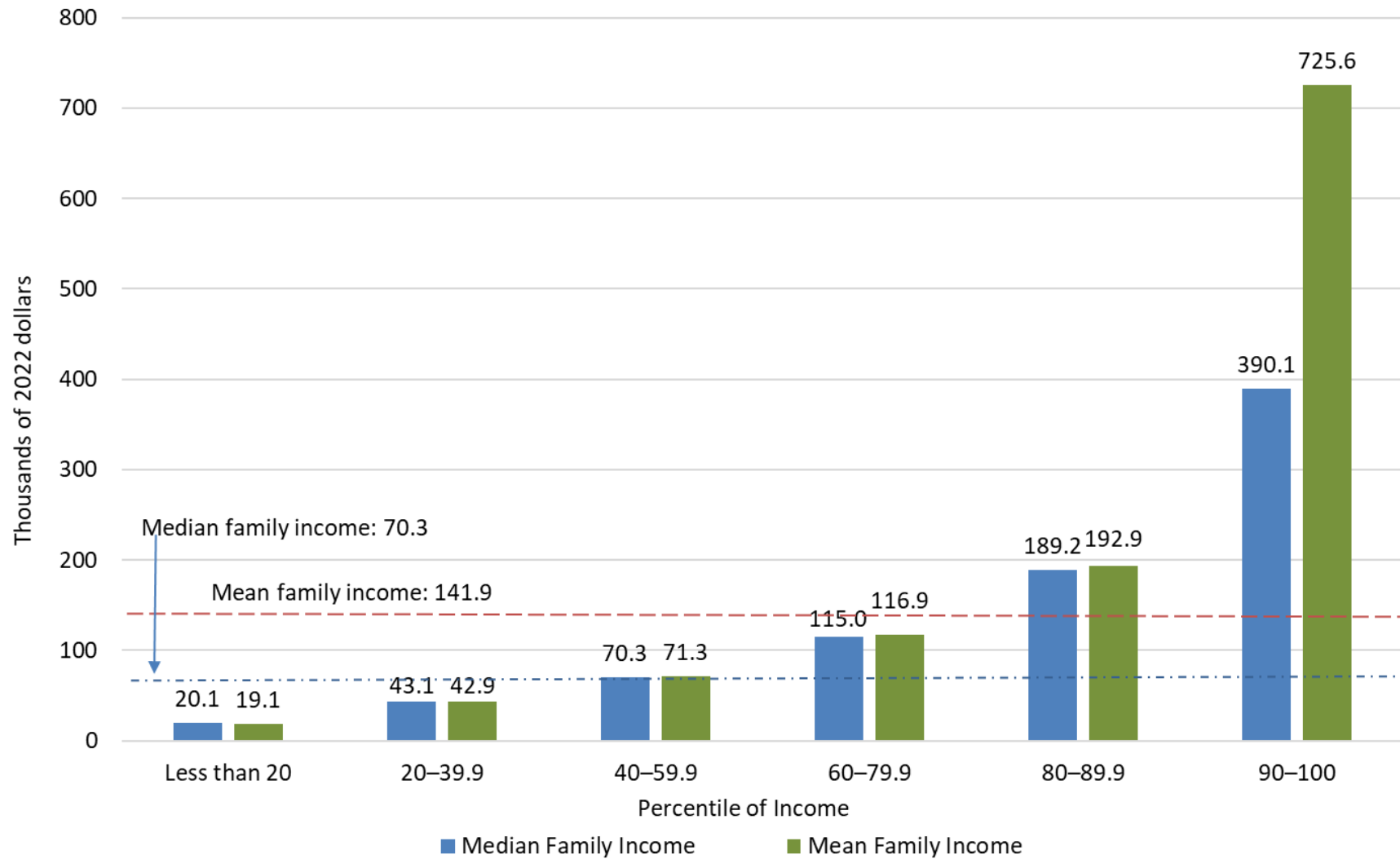


The distribution of income and wealth in the U.S.

All distributional results are based on the 2022 Survey of Consumer Finances, considered the “gold standard” for examining household wealth; the survey oversamples households with higher income and is conducted every three years



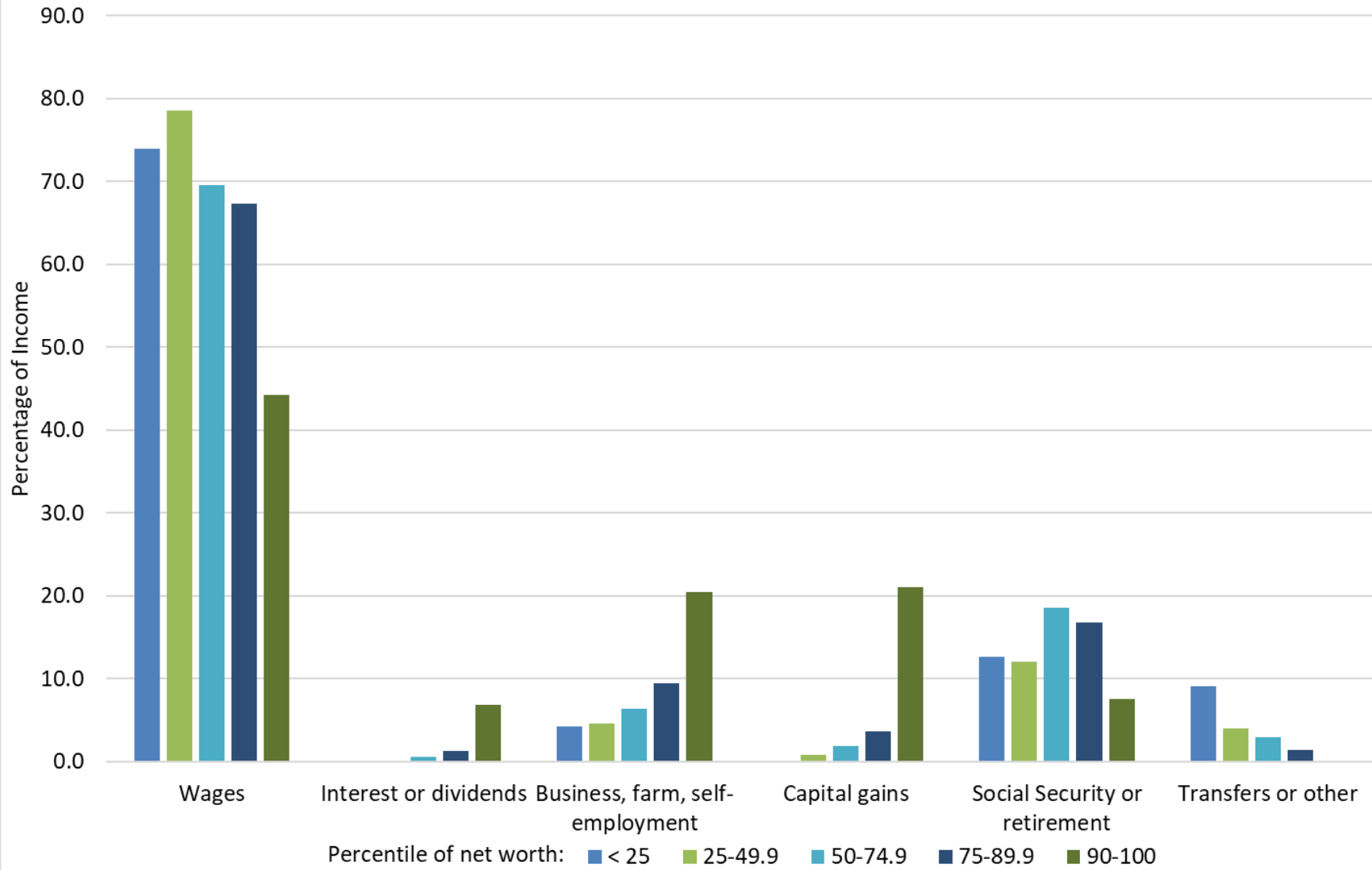
Figure 1. Before-Tax Family Income by Percentile of Income, U.S., 2022 Survey
(in thousands of 2022 dollars)



Source: Federal Reserve Board of Governors, 2022 Survey of Consumer Finances,
<https://www.federalreserve.gov/publications/files/scf23.pdf>



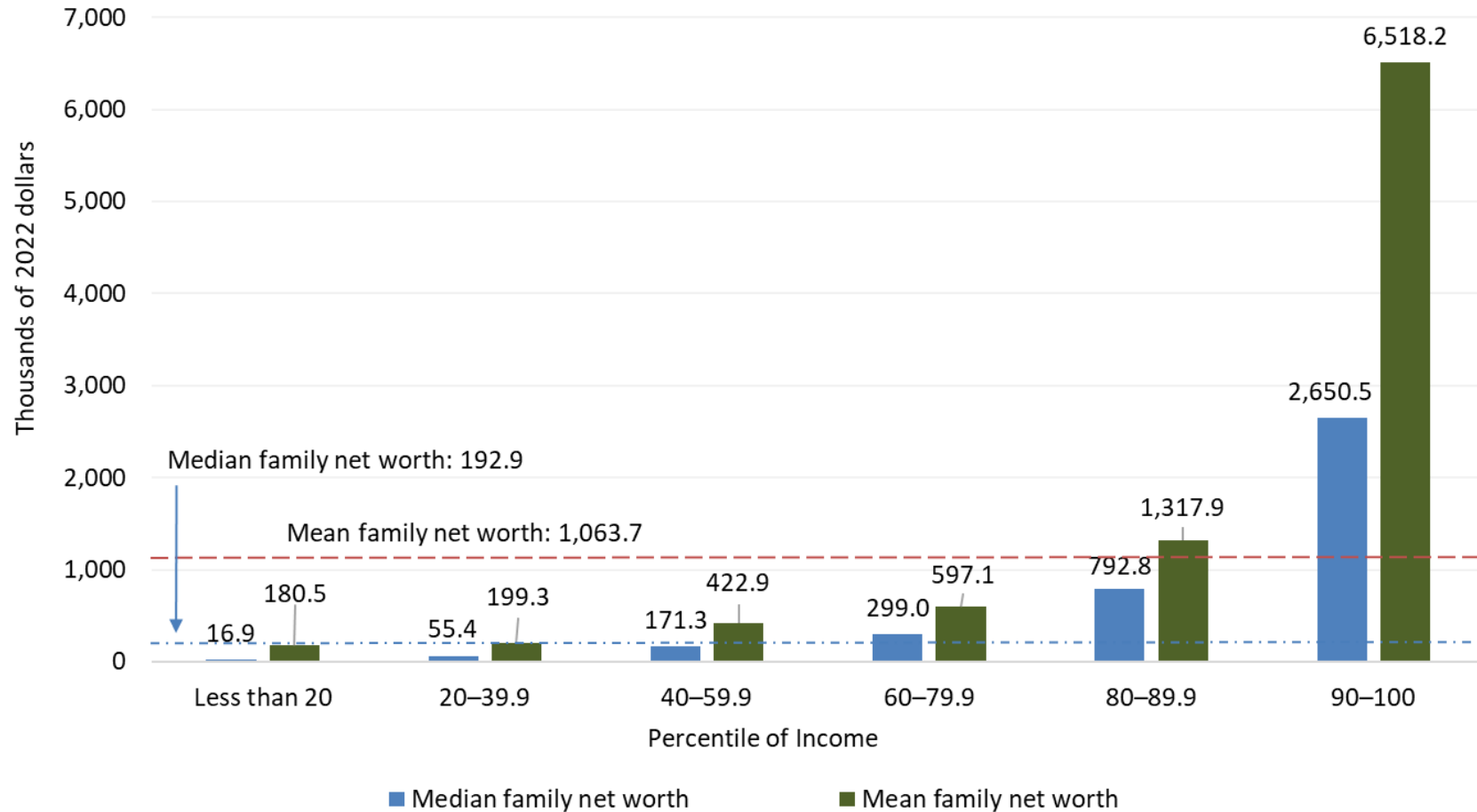
Figure 2. Share of Before-Tax Income by Source, by Percentile of Net Worth, U.S., 2022



Source: Federal Reserve Board of Governors, 2022 Survey of Consumer Finances, <https://www.federalreserve.gov/publications/files/scf23.pdf>



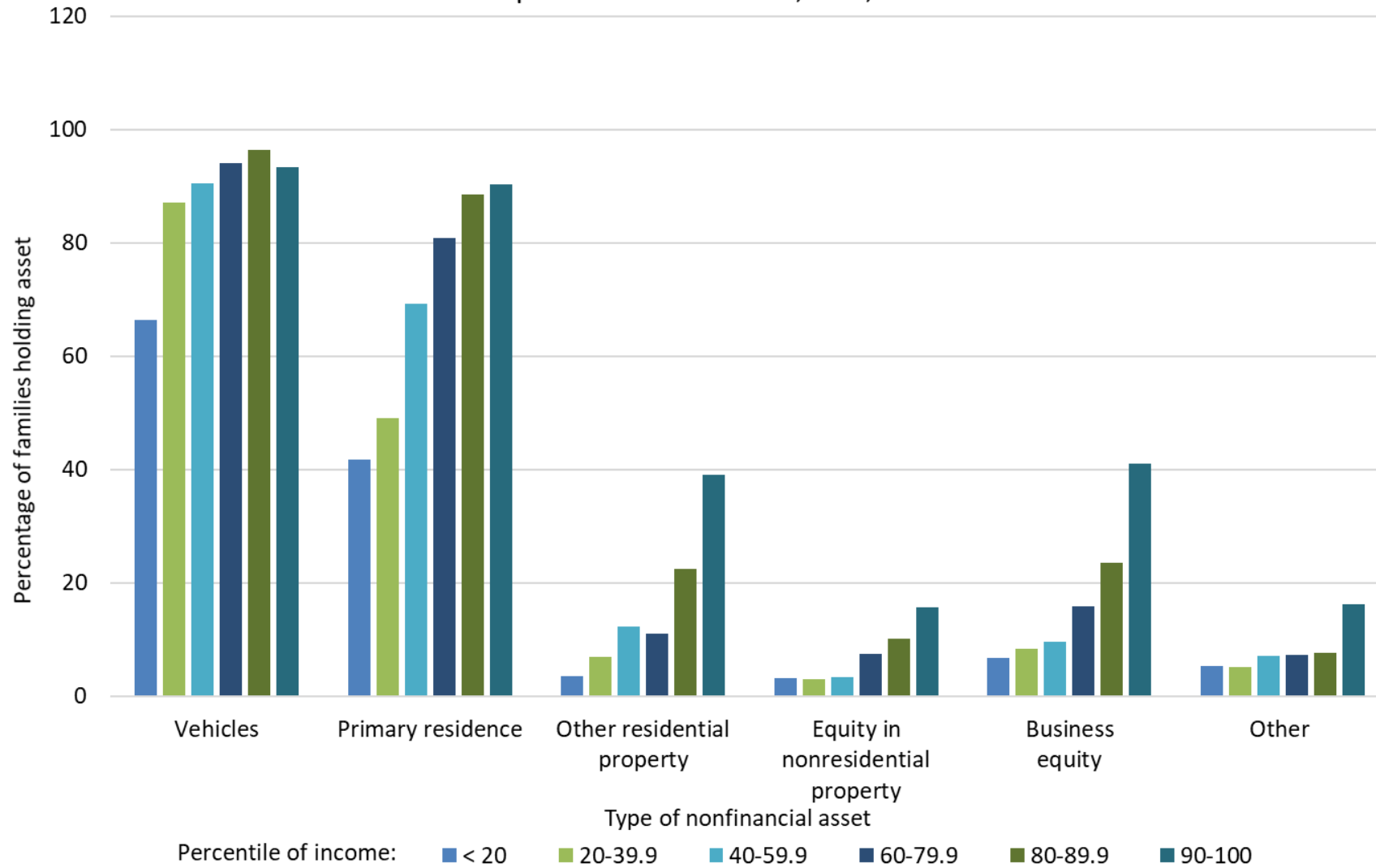
Figure 3. Family Net Worth by Percentile of Income, U.S., 2022
(in thousands of 2022 dollars)



Source: Board of Governors of the Federal Reserve Board, 2022 Survey of Consumer Finances,
<https://www.federalreserve.gov/publications/files/scf23.pdf>



Figure 4. Share of families holding different types of nonfinancial assets by percentile of income, U.S., 2022



Source: Board of Governors of the Federal Reserve Board, 2022 Survey of Consumer Finances, <https://www.federalreserve.gov/publications/files/scf23.pdf>



Table 2. Distribution of income and net worth at selected percentiles in 2022

| | U.S. SCF | VT Dept of Taxes |
|----------------------------|-----------------|-------------------------|
| Percentile of usual income | | AGI |
| 20 | 34,600 | 16,602 |
| 40 | 59,500 | 38,920 |
| 50 | 73,400 | 49,615 |
| 60 | 91,900 | 62,965 |
| 80 | 153,100 | 109,942 |
| 90 | 245,400 | 159,290 |
| Percentile of net worth | | |
| 25 | 27,100 | ?? |
| 50 | 192,900 | ?? |
| 75 | 658,900 | ?? |
| 90 | 1,938,000 | ?? |

Source: Federal Reserve Board, Changes in U.S. Family Finances from 2019 to 2022, Oct 2023.

<https://www.federalreserve.gov/publications/files/scf23.pdf>

Note: **Adjusted Gross Income (AGI)** is defined as gross income minus adjustments to income.

Gross income includes your wages, dividends, capital gains, business income, retirement distributions as well as other income.

Adjustments to Income include such items as Educator expenses, Student loan interest, Alimony payments or contributions to a retirement account. Your AGI will never be more than your Gross Total Income on your return and in some cases may be lower.



Additional information relevant to H.827

Average wealth by age

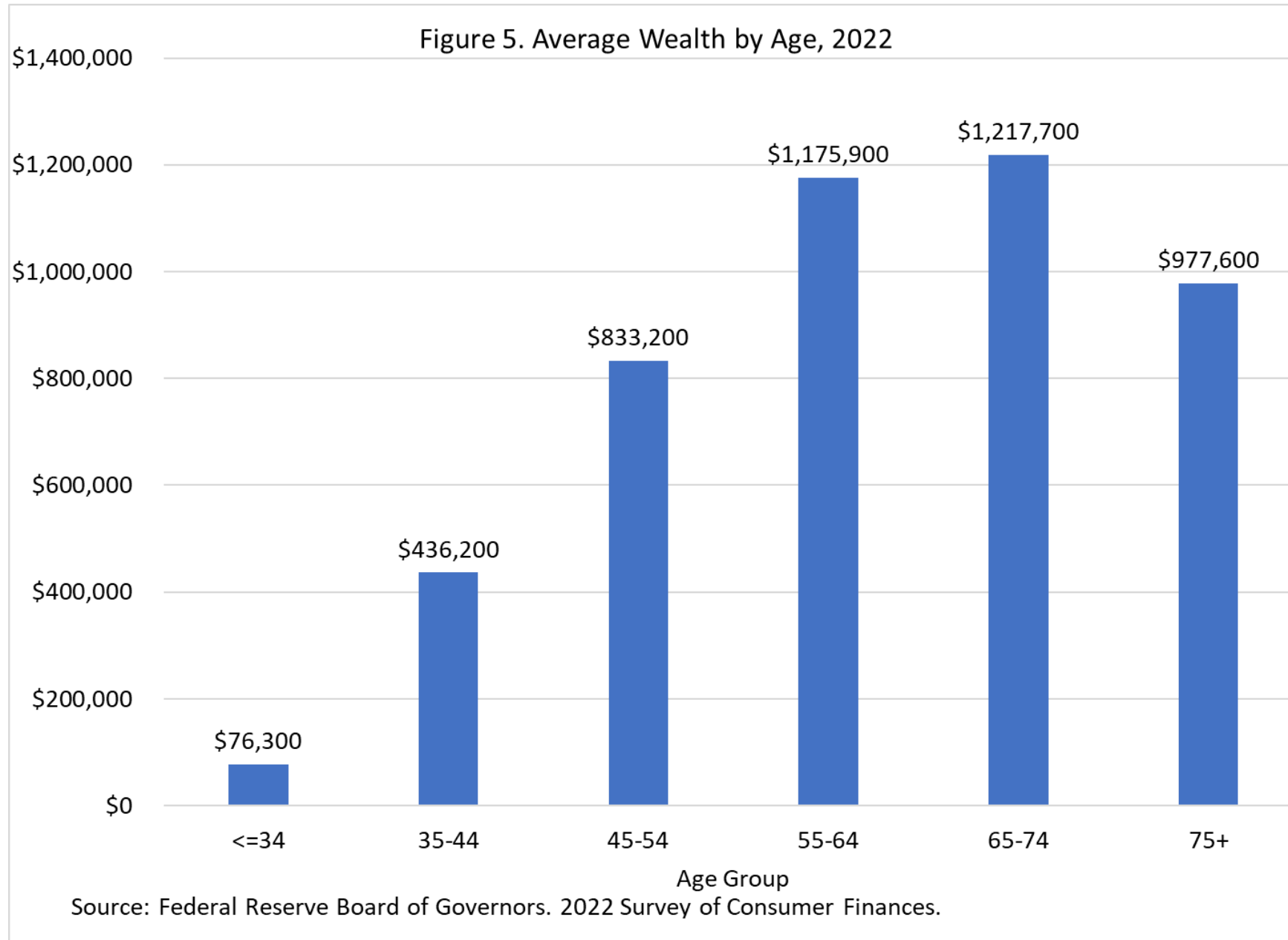
- About one-third of Vermont's millionaires are ages 65+
- How does wealth vary by age?

Wealth buckets broken into income buckets

- Of the households who hold the top 1% of wealth, how many also appear in the top 1% of households ranked by income?
- How many are in other income categories?

How unrealized capital gains vary across years

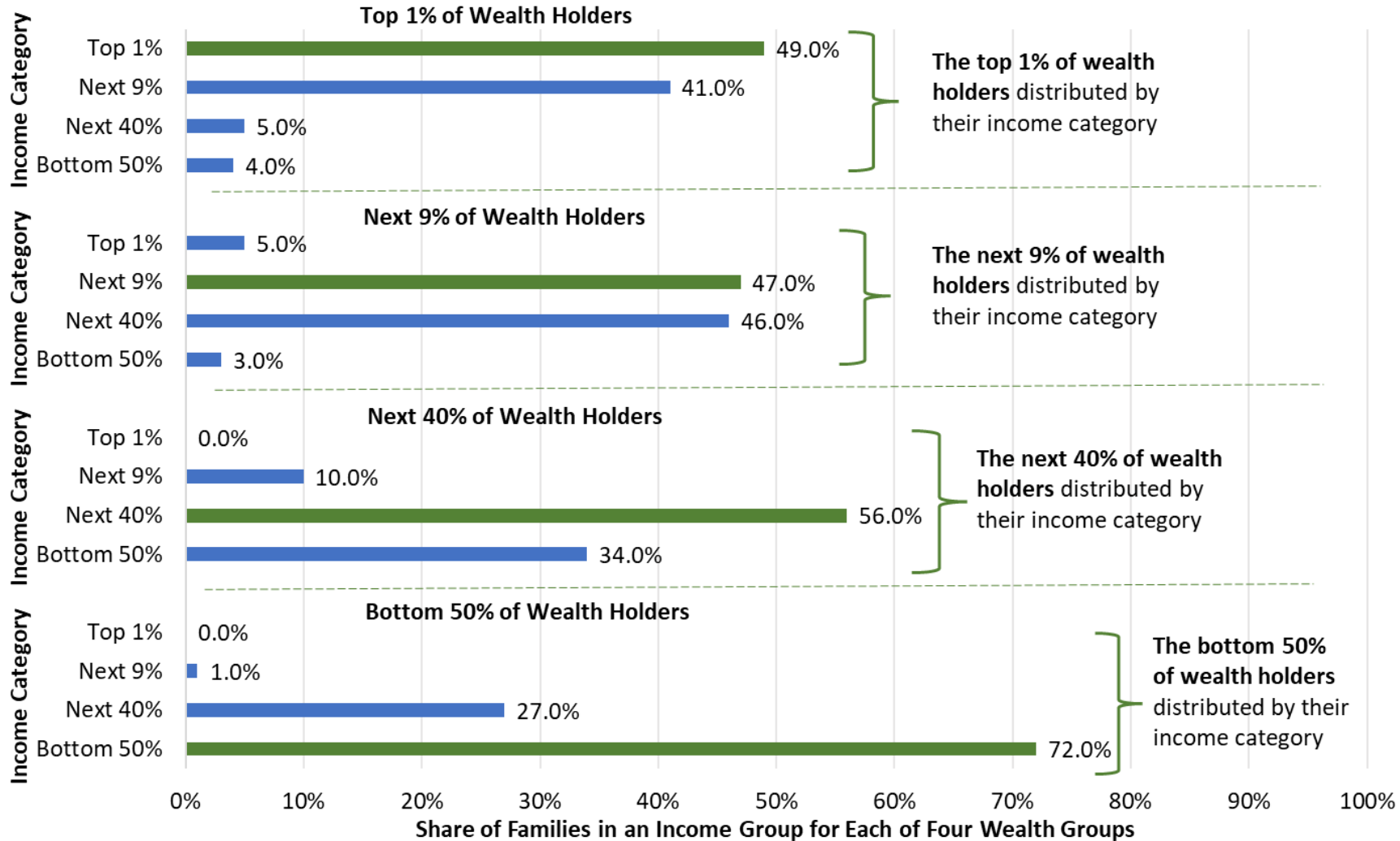
Figure 5. Average Wealth by Age, 2022



Source: Federal Reserve Board of Governors. 2022 Survey of Consumer Finances.



Figure 7. Share of Families in Income Group, by Wealth Group, U.S., 2019



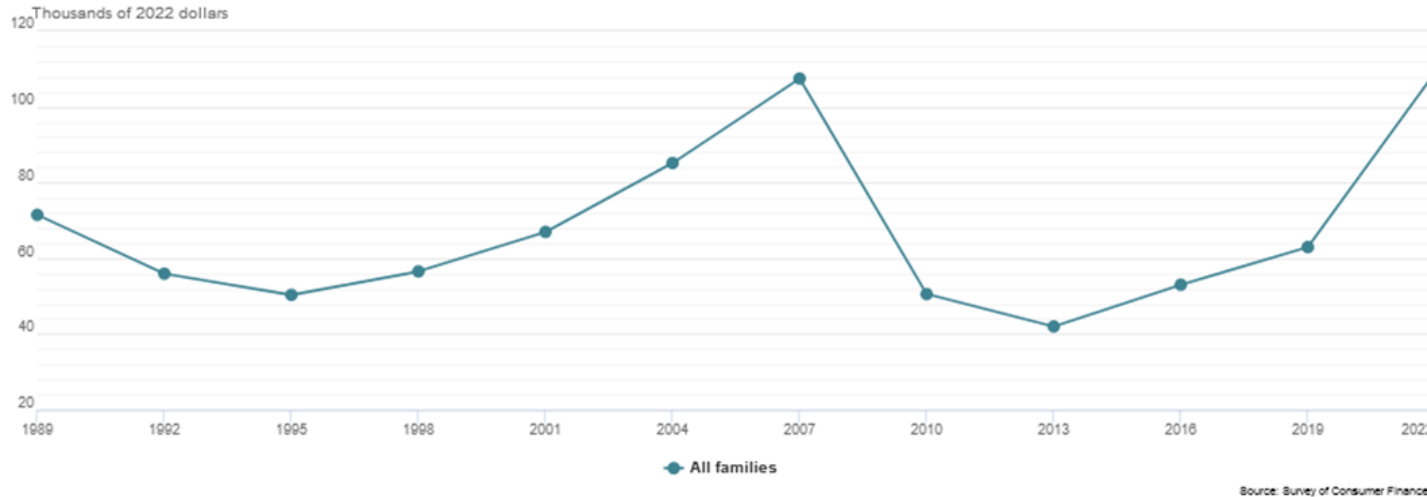
Note: If families who are among the top 1% of wealth holders also ranked in the top 1% for income, the highest dark green bar in this chart would be at 100%. In fact, it is at 49%, and 51% of the families in the top 1% of wealth holders are in lower income categories.
 Source: Federal Reserve Board, 2019 Survey of Consumer Finances.



Units Median (\$) Mean (\$) Percent Holding (%)

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Unrealized capital gains by all families

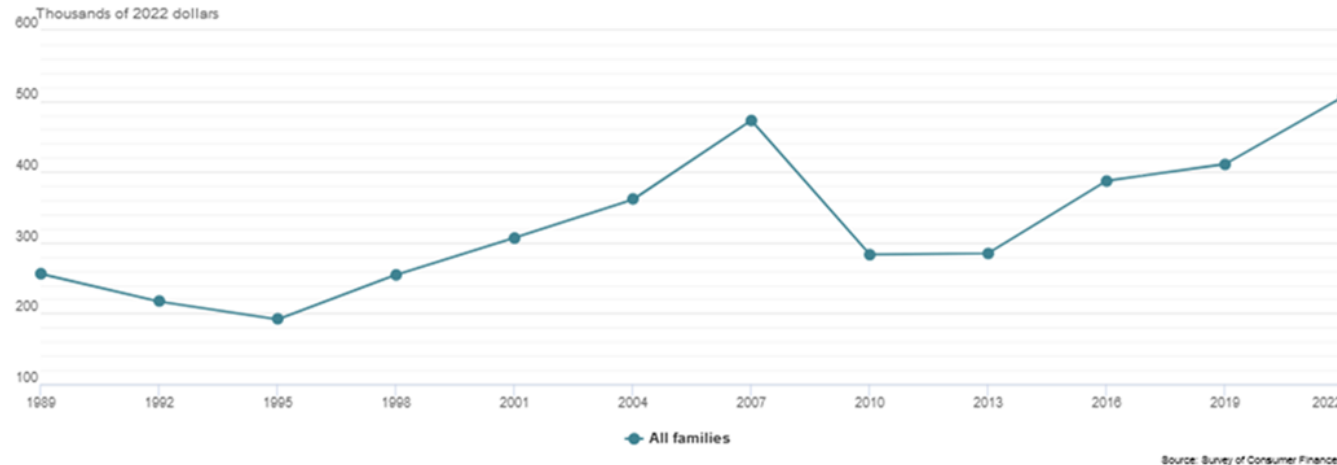


Median unrealized capital gains in the U.S. in 2022: \$109,000 (in 2022 dollars)

Units Median (\$) Mean (\$) Percent Holding (%)

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Unrealized capital gains by all families



Mean unrealized capital gains in the U.S. in 2022: \$506,508 (in 2022 \$dollars)



Resources

- Federal Reserve Board of Governors, Z.1 Financial Accounts of the United States, December 7, 2023.
 - <https://www.federalreserve.gov/releases/z1/20231207/z1.pdf>
- Federal Reserve Board of Governors, 2022 Survey of Consumer Finances, released September 2023.
 - <https://www.federalreserve.gov/publications/files/scf23.pdf>

