



## Have Middle-Income Parents Improved Their Economic Status?

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Between 1989 and 2004, all middle-income parents experienced moderate income growth, but only married parents have gained net worth. Using data from the Federal Reserve Board's Surveys of Consumer Finances (SCF), we focused on households with children having incomes between the 40th and 60th percentiles of their group's income distribution. The results show similar increases in income for middle-income married parents (1.2 percent per year to \$69,900 in 2004) and middle-income unmarried parents (1.6 percent per year to \$28,160 in 2004).<sup>1</sup>

In contrast, trends in net worth—the value of what households own minus the value of what they owe—diverged by marital status. Middle-income *married* parents expanded their net worth by 2.8 percent per year (to \$240,400 in 2004), or 52 percent for the 15-year period. All increases took place between 1995 and 2001, when net worth doubled and incomes rose by 27 percent. Meanwhile, net worth among middle-income *unmarried* parents was more unstable and was 15 percent lower in 2004 (or \$46,500) than in 1989. These parents increased their assets by nearly \$15,000, but debt rose even more, by nearly \$23,000. Unmarried parents did achieve wealth gains during 1992–1995 and 1998–2001.

Surprisingly, increases in home equity played only a modest part in raising net worth for middle-income

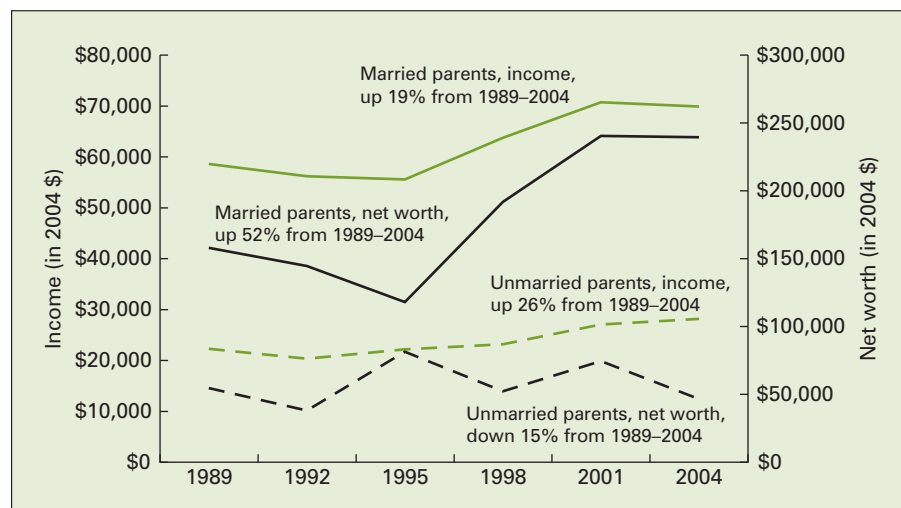
married parents. Their home values net of mortgage debt rose by about \$17,000, while net worth as a whole jumped by \$81,000. Still, the rise in home equity for married parents was over four times the increase for unmarried parents. The relative wealth of unmarried-parent households declined at a time when unmarried-parent households were becoming more common. Between 1989 and 2004, the share of households headed by an unmarried parent increased from 26 to 33 percent.

The figures show the importance of looking beyond income data. Using income measures alone, middle-income unmarried parents gained some ground relative to married parents. But, the wealth gap widened, with middle-income unmarried parents holding only 19 percent of the wealth held by middle-income married parents in 2004, down from 34 percent in 1989.

### Note

1. Since 1989, the Federal Reserve Board has conducted the SCF every three years to measure income, assets, and liabilities. Asset data include bank accounts, mutual funds, stocks, and 401(k) and other defined-contribution pensions, as well as automobiles, businesses, and homes. The SCF excludes most consumer durables such as furniture or appliances, the current value of defined-benefit pensions, and future Social Security payments.

Income Gains for Middle-Income Parents, Wealth Increases Only for Married Parents



Source: Tabulations by author from 1989–2004 Surveys of Consumer Finances.

Note: Middle-income refers to families within the 40th to 60th percentiles of their group's income distribution.