



## Family Net Worth before the Recession

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Even before the current recession, low-income families had relatively few assets. Data from the 2007 Survey of Consumer Finances show that working-age families in the bottom income quintile had median net worth of \$4,300. These holdings are strikingly low compared with the median net worth of over \$500,000 for top-income-quintile families (table 1). In fact, the median net worth of bottom-income-quintile families was just 0.8 percent of the median net worth of top-income-quintile families. With few assets, bottom-income-quintile families were in a precarious financial position at the onset of the economic slowdown, thus making them vulnerable to economic hardship due to income loss during the current recession.

The composition of wealth varies enormously across the income distribution (figure 1). Bottom-income-quintile families held the majority of their net worth in housing (60 percent), while middle- and top-income-quintile families held less than half of their wealth in housing (47 and 22 percent, respectively). Thus, the net worth of bottom-income-quintile families was more likely affected by the recent burst of the real estate bub-

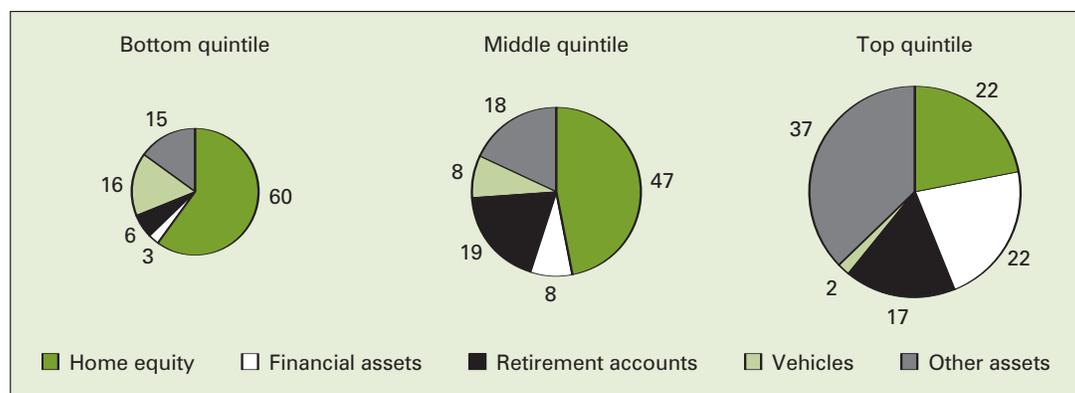
TABLE 1. Income and Net Worth by Income Quintile for Families 16–60, 2007

	Bottom	Middle	Top
Income	Less than \$26,700	\$45,200–\$67,800	More than \$103,800
Net worth			
Median (\$)	4,300	73,300	554,200
Mean (\$)	27,750	143,790	1,257,384
Homeownership (%)	27	68	92

Source: Author's calculations using the 2007 Survey of Consumer Finances.

ble. In contrast, bottom-income-quintile families held only a small fraction of their wealth in financial assets (3 percent) and retirement accounts (6 percent). These meager holdings could have isolated bottom-income-quintile families from the recent swings of the financial markets. But low wealth also means that bottom-income-quintile families have few liquid assets to draw from in case of a financial emergency.

FIGURE 1. Composition of Net Worth by Income Quintile for Families 16–60, 2007 (percent)



Source: Author's calculations using the 2007 Survey of Consumer Finances.

Notes: To minimize outliers, the top and bottom 0.25 percent of the net worth distribution are excluded for each quintile. Wealth from Social Security and defined benefit pensions is excluded from this analysis. Other assets include business equity, other net real estate, and other nonfinancial assets.



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Given the chance, many low-income families can acquire assets and become more financially secure. Conservatives and liberals increasingly agree that government's role in this transition requires going beyond traditional antipoverty programs to encourage savings, homeownership, private pensions, and microenterprise. The Urban Institute's *Opportunity and Ownership Project* policy brief series presents some of our findings, analyses, and recommendations. The author is grateful to the Annie E. Casey Foundation and the Ford Foundation for funding the policy briefs.

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