

Income and Wealth of Veteran Business Owners, 1989 – 2004

By George W. Haynes, 2007. 47 pages
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Introduction

From 1989 to 2004 the population of veteran households in the United States continued to decline in number, as well as in relative share of the total population, reflecting the aging of the veteran population itself. In 1989, 23.6 percent of veteran household heads were 65 years of age or older, while in 2004 this age cohort had risen to 38.4 percent of veteran households. This study compares changes in the income and wealth of veteran and non-veteran households; veteran small business households with veteran non-business households; and veteran small business households with non-veteran small business households from 1989 to 2004. It classifies all households with a business owner/manager or self-employed individual as a business-owning household.

This study examines the likelihood that a household would be classified as high income or high wealth in two ways: high income in terms of earning \$50,000 or more per year (in 1992 dollars) or high wealth of holding \$1 million (in 1992 dollars) and the likelihood that a household would be in the top 50 percent of income earners or wealth holders in the U.S. household population. This study uses the 1989 through 2004 Surveys of Consumer Finances (SCF), conducted by the Federal Reserve Board as its primary data source.

Overall Findings

Three major developments over the past two decades determined the levels and changes in the income and wealth of veteran households and veteran business households in the United States in comparison with the overall population. The number of veteran households declined from 1989 to 2004 (from 28.6 million households in 1989 to 25.3 million households in 2004), the age composition of the head of the veteran households grew

much older by 2004, and the percentage of small business owners in the population of veteran households declined (from 13.6 percent in 1989 to 12.2 percent in 2004). They partly explained the findings that the likelihood of being high income has declined for these veteran small business owners by nearly 24 percent while the likelihood of being high wealth increased by nearly 22 percent.

The regression analysis, which controls for such variables as age, suggests that veteran households generally had lower income than non-veteran households, veteran small business households had higher wealth than veteran non-business households, and veteran small business households had lower wealth than non-veteran small business households. Most importantly, there were no substantial changes (neither increases nor decreases) in the differences in income and wealth between veteran and non-veteran households, veteran small business and veteran non-business households, and veteran business and non-veteran business households from 1989 to 2004.

Highlights

- From 1989 through 2004, the number of veteran households declined from 28.6 million to 25.3 million, while non-veteran households rose from 64.4 million to 86.8 million—an increase of 35 percent for non-veteran households compared to a decline of 12 percent for veteran households.
- The number of households headed by business owners, including the self-employed, declined from 6.4 million to 5 million—a decline of 22 percent as compared with an increase of 61 percent for the total business owner population during this period. In addition, the number of veteran households with a single business declined by 26.5 percent while the number of veteran households owning multiple businesses increased by 20 percent.

- In the most recent year (2004), veteran householders were older, less likely to belong a minority group, more likely to be male, and more likely to be married than non-veteran householders. Veteran householders owning a business were more likely to belong a minority group and less likely to be married than veteran householders not owning a business. And, veteran householders owning a business were older, less likely to belong a minority group, more likely to be male and more likely to be married than non-veteran householders owning a business.

- Aggregate income for non-veteran small business households increased by over 67 percent, while aggregate income for veteran small business households decreased by nearly 17 percent.

- Aggregate wealth increased by nearly twofold for non-veteran small business households and increased by nearly 30 percent for veteran small business households.

- Veteran households were less likely to be classified as high income and have lower mean income than non-veteran households.

- Veteran small business (or self-employed) households were more likely to be classified as high wealth and have higher mean income and wealth than veteran non-business households.

- Veteran small business households had a lower likelihood of being classified as high income and wealth than non-veteran small business households.

- Veteran small business households had a lower probability of being high wealth and had a lower mean wealth than non-veteran small business households.

- When considering the changes from 1989 to 2004,

- veteran households fared about the same as non-veteran households,

- veteran small business households fared about the same as veteran non-business households, and

- veteran small business households fared about the same as non-veteran small business households.

Methodology

This study utilized the Federal Reserve's Surveys of Consumer Finances from 1989 through 2004. The variables of interest include each household's business ownership status, income, and wealth (including assets and debt held by members of the household). Small business owners included

owner/managers with one business; small business owner/managers with more than one business; and self-employed individuals.

This study is primarily descriptive, using family income and wealth to compare veteran households owning at least one small business with veteran households not owning a business; and veteran households owning at least one small business with other (non-veteran) business-owning households from 1989 to 2004. The probability of being classified as high income and/or high wealth by each group was estimated; real mean income and wealth were compared; and the share of each group in the total family income and aggregate wealth in both years were estimated for comparison.

Logistic regression models were used to assess the types of families and business owners more likely to be classified as high income or high wealth. Linear regression models were used to assess the types of families and business owners with higher log income and wealth.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the Director of Economic Research at advocacy@sba.gov or (202) 205-6533.

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