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Opportunity and Ownership Facts

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Do Married Couples Prosper with Age?

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One way of judging gains for the middle class is to examine how well families accumulate wealth. Usually, people try to build their net worth during their prime working years to have sufficient funds for their retirement. In addition, rising wealth often coveys gains in a family's long-term living standards. A common method for determining trends is to compare income and wealth for a specific age group (say, 50–55 year-olds) in past years and recent years. Here, we instead follow one segment of a cohort over its life cycle—married couples as the husband ages from 36–44 in 1989 to 51–59 in 2004. The information shows patterns for the subgroup as a whole, not for individuals.

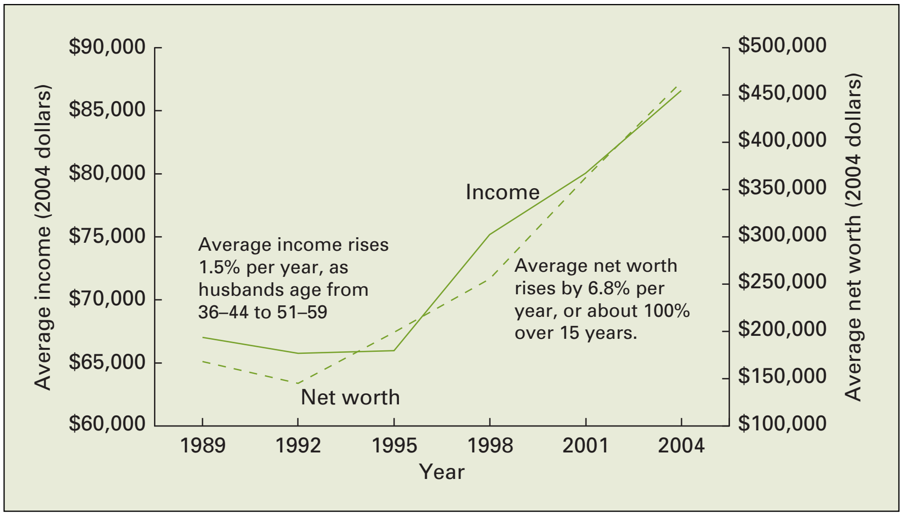
Using data from the Federal Reserve Board's Surveys of Consumer Finances (SCFs), we tabulate how household income and net worth evolve for middle-income and lower-middle-income married-couple households.[1] We designate middle income as that between the 40th and 60th percentiles of all married couples in the husband's age group in each year. Lower-middle income was between the 20th and 40th percentiles in each year. As of 2004, when the cohort had become 51–59 years old, lower-middle-income couples had incomes between about $47,000 to $72,000, while the middle-income group ranged from $72,000 to nearly $103,000.

As middle-income husbands aged from 36–44 to 51–59, the couples experienced modest income growth of 1.5 percent per year but rapid growth in net worth of 6.8 percent per year. Their average income rose from about $67,000 (in 2004 dollars) in 1989 to about $86,600 in 2004. The life-cycle jump in net worth was much more dramatic, increasing from almost $168,000 to over $460,000. The pattern of growth in income and wealth was similar among couples in the 20th to 40th income percentiles. As this group reached their 50s, they managed 1.2 percent per year income growth but 4.6 percent per year growth in net worth. Only part of the wealth gains for these two groups resulted from rising home values. In fact, wealth not associated with housing increased somewhat faster than housing wealth.

One limitation of using this approach to following married-couple households is that the cohort did not necessarily remain constant, as some people divorce or are widowed and some remarry. The cohort can also change if couples leave the middle-income category. Tabulations suggest, however, that these compositional shifts were not substantial. Educational attainment was similar in 1989 and 2004 couples. The cohort's racial composition was also nearly identical in both years.

Overall, the evidence documents significant gains in income and wealth as married couples aged from their late 30s to their 50s.

FIGURE 1. *Income and Net Worth Rise as Middle-Income Married Couples Age*



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

Note: Middle income refers to families within the 40th to 60th percentiles of their age cohort's income distribution. The cohort is comprised of couples in which the husband ages from 36–44 in 1989 to 51–59 in 2004.

Note

1. The SCFs measure income, assets, and liabilities. Assets include bank accounts, mutual funds, stocks, and 401(k) and other defined-contribution pensions, as well as automobiles, businesses, and homes. The SCFs exclude most consumer durables such as furniture, the current value of defined-benefit pensions, and future Social Security payments.

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