

# **Income and Wealth: How Did Households Owning Small Businesses Fare From 1989 to 2004?**

by

**George W. Haynes  
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for



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*This report was developed under a contract with the Small Business Administration, Office of Advocacy, and contains information and analysis that was reviewed and edited by officials of the Office of Advocacy. However, the final conclusions of the report do not necessarily reflect the views of the Office of Advocacy.*

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### Introduction

The 1990s were marked by the largest peacetime expansion in the U.S. economy. Income and wealth of American households rose significantly during this period. This report continues the study of wealth and income of U.S. families that own businesses. An earlier study, *How Did Small Business-Owning Households Fare During the Longest U.S. Economic Expansion?* can be accessed on the Advocacy website at [www.sba.gov/advo/research/rs276tot.pdf](http://www.sba.gov/advo/research/rs276tot.pdf). The study has been extended through 2004, so that it covers 1989 to 2004. In addition, changes in income and wealth of households with self-employed individuals are examined in an appendix.

### Overall Findings

Families owning businesses remained significantly more likely to be high income earners and high wealth holders than families not owning businesses. However, income and wealth for households owning businesses are more sensitive to fluctuations in economic activities. As a result, the selection of time periods for assessing the income and wealth growth of households owning small businesses relative to non-business-owning households significantly affects the outcome of the analysis. Consequently, when the time period from 1989, a peak year, to 2004, a mid-recovery year, is selected, it appears that households owning small businesses made less progress in accumulating wealth than other households. In other words, the likelihood of being a high wealth household increased at a faster rate for those without a small business than for those with a small business. However, this result was not supported when the time period from

1992, an early recovery year, to 2004, a mid-recovery year, is selected; households with and without small businesses appeared to have very similar changes in income and wealth during this period.

### Highlights

- For the period between 1989 and 2004, the income gap between households with and without a business widened, and the wealth gap narrowed. Small-business-owning households were now just over two times more likely to be classified as high income (55.2 percent versus 24.8 percent) and about seven times more likely to be classified as high wealth (20.2 percent versus 3.0 percent). However, the picture is not as evident when the period between 1992 and 2004 is under consideration.
- Multiple business owners still appeared to be the most prosperous small business group, with nearly three-fourths of them classified as high income and nearly one-half classified as high wealth.
- Real mean income was significantly higher in 2004 than in 1989 for all household types, increasing by over 15 percent from \$60,150 in 1989 to \$69,629 in 2004. Households not owning a business realized a real mean income increase of 16.1 percent from 1989 to 2004, while households owning a small business realized a real mean income increase from \$139,040 to \$142,559 (or 2.5 percent). However, for the time period between 1992 and 2004, households owning a small business realized a real mean income increase of 44 percent, compared with 31 percent for households not owning a business.
- Real mean wealth increased by 60 percent for the entire sample from 1989 to 2004. Households not owning a business realized a real mean wealth increase of 61 percent, while households owning a

small business realized an increase in wealth from \$944,705 to \$1,445,385 (or 53 percent). Again, for the time period from 1992 through 2004, households owning a small business realized an increase in real mean wealth of 77 percent, compared with 68 percent for households not owning a business.

- Households owning a small business realized an increase in the share of income earned (24 percent in 1989 and 26 percent in 2004) and a decrease in the share of wealth (48 percent in 1989 and 46 percent in 2004) held from 1989 to 2004.

- In 1989, multiple business households constituted about 16 percent of all small-business-owning households; however, they earned more than 30 percent of total household income and held more than 38 percent of the wealth of small business owners. In 2004, they constituted nearly 18 percent of all small-business-owning households; however, they now earned nearly 35 percent of total household income and held 47 percent of the wealth of small-business-owning households.

- The multivariate analysis using the 1989 and 2004 Survey of Consumer Finances (SCF) datasets suggests that households owning small businesses appear to have accumulated wealth at a slower rate than other households over this period of time. However, this result was not supported by the 1992 and 2004 SCF datasets.

- The multivariate analysis using the 1989 and 2004 SCF datasets suggests that households owning small businesses appear to have increased income at about the same rate as other households over this period of time. This result was supported by the 1992 and 2004 SCF datasets.

- The multivariate analysis using the 1989 and 2004 SCF datasets suggests that households owning multiple small businesses fared (in accumulated wealth and earned income) about the same as other households owning small businesses from 1989 to 2004. This result was supported when the 1992 and 2004 SCF datasets were used.

## Methodology

This study utilized the survey data collected in the Surveys of Consumer Finance 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 or more than one business, and small business owners with no active management responsibilities in any business. (In the appendix, small business owners are

defined to include self-employed individuals who indicated no business ownership.)

This study is primarily descriptive, using family income and wealth to compare households owning at least one business with households not owning a business. The probability of being classified as high income and/or high wealth by each group is estimated, real mean income and wealth are compared, and the shares of each group in the total family income and aggregate wealth in both years are estimated for comparison. The probability of being high income and/or high wealth is examined using two measures. The first measure examines the probability that a household has \$50,000 (in 1992 dollars) of total income and/or \$1 million (in 1992 dollars) of accumulated wealth. The second measure examines the probability that a household is in the top 50 percent of income earners and/or the top 50 percent of wealth holders in each year. Logistic regression models are used to assess the types of families and business owners more likely to be classified as high income or high wealth. This study uses nonlinear logistic regression models to predict the likelihood of high household income or wealth from binomial classifications of high income (yes/no) and high wealth (yes/no).

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](mailto:advocacy@sba.gov) or (202) 205-6533.

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## **Introduction**

During the 1990s, amid the largest peacetime expansion ever in the U.S. economy, the number of small business employers grew by over 11.4 percent to more than 5.6 million (SBA, 2003). These small businesses hired nearly 14 percent more people over the 1990s, reaching a total of more than 57 million employees in 2000. The Dow Jones Industrial Average increased from less than 2,600 points in early January 1990 to over 12,000 points in January 2000; unemployment rates declined from 6.9 percent to less than 5 percent; and consumer confidence soared. This growing economy stimulated growth in the number of businesses, owner and investor income, payments to employees working for these businesses, and household wealth. Using the Board of Governors of the Federal Reserve's Survey of Consumer Finances, this study examines two important questions:

- (1) Did households owning small businesses realize larger increases in income and wealth than households not owning small businesses from 1989 to 2004?
- (2) Who are the small business owners earning the income and accumulating the wealth (who were the winners and losers among small business owners)?

The general economic expansion of the 1990s has dramatically increased the wealth of some individuals while leaving others with less modest increases, or decreases, in wealth. While there was ample discussion of the growth of businesses in the U.S. during the past 20 years, there is very limited knowledge about the owners (individuals or households) that owned privately held businesses in the U.S. The public debate about

wealth distribution and income inequality centered around the divide of the rich versus the poor or the wealthy versus the poverty-stricken, rather than those that owned and/or operated businesses versus those that worked for others and the unemployed. This study examines changes in the distributions of income and wealth for three primary types of households: households not owning a business, households owning and managing only one small business (single business owners), and households owning and managing at least one small business and owning other businesses (multiple business owners). Using this classification of households (and business owners) and the Surveys of Consumer Finance from 1989 to 2004, this study assesses changes in the income earned and wealth accumulated by different types of small businesses from 1989 to 2004.

## **Literature Review**

The financial situation of U.S. families changed substantially between 1983 and 2004. The literature review examines relevant literature assessing changes in income and wealth of U.S. families. Special attention is given to evidence on changes in the income and wealth of U.S. families who own one or more small businesses. A relatively comprehensive literature exists on the financial condition (income and wealth) of families, but the literature is much less comprehensive for that subset of families who own businesses. The Federal Reserve Board assesses recent changes in the U.S. family finances every three years when summarizing results derived from the most recent Survey of Consumer Finances (Kennickell and Shack-Marquez, 1992; Kennickell and Starr-McCluer, 1994; Kennickell and Starr-McCluer, 1997; Kennickell, Starr-McCluer

and Surette, 2000; Aizcorbe, Kennickell and Moore, 2003; Bucks, Kennickell and Moore, 2006).

Between 1983 and 1989, real mean family income increased (\$44,400 to \$51,700 in 1998 dollars) while real median family income remained virtually unchanged at around \$32,000 (Kennickell and Shack-Marquez, 1992). Mean wealth rose by over 24 percent, while median wealth rose nearly 10 percent. These findings suggest that family income and wealth became somewhat more concentrated among families with higher income and wealth, respectively. Kennickell and Shack-Marquez (1992) suggest that several factors affected family income and wealth, including financial deregulation; progressive elimination of tax deductions for consumer interest; and tax changes, such as the elimination of general deductions for individual retirement accounts.

Between 1989 and 1992, real mean and median family income and real mean and median family wealth decreased (Kennickell and Starr-McCluer, 1994). Several important changes occurred during this period of time. Interest rates declined and families tended to move their asset portfolios away from time deposits and toward mutual funds; families owned more tax deferred retirement accounts; and income and wealth grew substantially for non-White and Hispanic families.

Between 1992 and 1995, real mean and median family income increased slightly, although not sufficiently to offset the declines realized from 1989 to 1992 (Kennickell and Starr-McCluer, 1997). By 1995, median income and wealth were nearly the same as in 1989, however mean income and wealth had not fully recovered. This period of time from 1992 through 1995 was one of continued economic expansion in the U.S. economy. By 1998, real mean and median family income had surpassed their 1989 levels, having

exhibited strong growth between 1995 and 1998. This period was marked by an increase in the holding of stock equity and a booming stock market (Kennickell, Starr-McCluer and Surette, 2000). While family indebtedness increased over this period of time, asset growth was more rapid. At this juncture in 1998, the economy was in the seventh year of an economic expansion. Civilian unemployment was around 4.5 percent, and the average annual inflation rate of 2.2 percent, as measured by the consumer price index, had been low for the previous 3 years. Mean and median family income continued to grow from 1998 through 2001, with the fastest growth occurring among higher income households (Azicorbe, Kennickell and Moore, 2003).

Recently released data from the Federal Reserve Board shows that the median value of real family income continued to trend upward, while the mean value of real family income actually declined (Bucks, Kennickell and Moore, 2006). This result may suggest distributional changes within the groups. The authors suggest that three important shifts occurred during this time: (1) house values appreciated and homeownership increased; (2) prices in the equity market generally recovered; and (3) the debt to asset ratio increased.

From 1989 through 1998, real family income and wealth increased in the U.S. However, this growth in family income and wealth did not appear to be evenly distributed across the economy. Using the 1989 through 1995 Survey of Consumer Finances, Wolff (1998) argued that the distribution of wealth had become much less equal and that only households in the top 20 percent of income and wealth made any substantive gains. He suggested that all other groups suffered real wealth and income losses.



While no other authors addressed small business owners, Wolff (1998) argued that “. . . small business equity, which tends to move with stock prices, is also highly concentrated among the rich.” While small business owners may have realized an increase in the value of their assets with the increase in the stock market, other evidence suggests that small business owners hold more debt than non-business-owning families (Haynes and Avery, 1996). In addition, recent research suggests that small business owners are willing to assume more risk and hold more risky portfolios of assets (Xaio, Alhabeeb, Hong and Haynes, 2001). Thus, whether or not families owning small businesses improved their financial status between 1989 and 2004 is an open question. This study examines changes in the real income and wealth of families owning small businesses to determine if they have higher mean income and wealth and increasing or decreasing shares of total income and wealth from 1989 to 2004.

### **Conceptual Considerations**

This study utilizes a household decision-making model to assess the success of small businesses, as measured by changes in income and wealth. While most other studies of small business success utilize the profit function to measure success, this study utilizes household income and wealth to assess the success of business-owning households. This strategy for addressing small business issues was originally suggested by Lopez (1986) in the following statement:

“ . . . the financial resources of the small firm are arguably intertwined with those of the household. This interdependence of resources suggests a theoretical model, where the small business activity is integrated into the household utility maximization model.”

This conceptual model maximizes household utility subject to time and budget constraints, where the business' profit function is embedded in the budget constraint. Recent work by Haynes and Onochie (2005) suggests increases in the available cash in the business from higher gross sales or net profits brings more cash into the household, while only increases in the value of business (wealth) increases the amount of money spent on other household assets. Interestingly, these financial indicators of the businesses were not associated with measures of general well-being in the household.

In general, this model suggests invoking the weak separability assumption and treating the business profit function in isolation fails to recognize the intermingling of resources between the business and household. This study recognizes the importance of the intermingling of resources and examines two hypotheses:

(1) Households owning small businesses realized larger increases in income and wealth (and in the probability of being classified as high income and wealth) than households not owning small businesses from 1989 to 2004; and

(2) Households owning multiple small businesses realized larger increases in income and wealth (and in the probability of being classified as high income and wealth) than other households owning small businesses from 1989 to 2004.

## **Empirical Considerations**

This section summarizes the data utilized in this study from the 1989 and 2004 Surveys of Consumer Finances and presents the statistical models employed. While this study is primarily a descriptive study of small businesses in two time periods, it employs

multivariate logistic and linear regression models to assess the determinants of high income and wealth among households owning small businesses.

### *Data*

The 1992 through 2004 Surveys of Consumer Finances (SCF) were conducted for the Federal Reserve Board by the National Opinion Research Center at the University of Chicago. The 1989 SCF was collected by the Survey Research Center at the University of Michigan. The surveys are designed to supply detailed and reliable information on balance sheets, use of financial services, pensions, labor force participation, cash income and demographic characteristics of U.S. households.

The SCF utilizes a dual frame sample to provide adequate coverage of the population. One frame is a multistage area probability sample, which provides adequate coverage of widely held assets and liabilities. The second frame is a list design employed to over-sample relatively wealthy households. Response rates for the area probability and list samples in 1989 and 2004 were approximately 70 and 30 percent, respectively.

Research conducted by the Federal Reserve Bank suggests that nonresponse is positively correlated with wealth. This study is primarily interested in examining small business-owning families. However, the entire sample is employed to assess the differences between business-owning and non-business-owning families. The SCF survey asks respondents about the previous year; hence the SCF for 2004 actually gathers information about the finances of the family and business in 2003.

The variables of interest in this study include business ownership status of the household, household income, and household wealth (including assets and debt held by

members of the household). Business ownership status was determined by whether an individual owned and/or actively managed at least one business. Households owning large businesses (500 or more employees) and households with only investors (owner, but not managers) were not included in this study. Small business owners are separated into two categories: single business owners, who own and manage only one business; and multiple business owners, who own and manage at least one small business and own (and possibly, manage) other businesses.

Financial data, such as income and wealth data, often have a substantial percentage of missing values. The SCF is a fully imputed data set with five separate imputations available for every missing value. This study utilizes only one imputation in the SCF. Household income and wealth were computed using all of the financial information reported in the SCF. Household income is computed by summing the following sources of income: wages, and salaries, interest, dividends, asset sales, rents, unemployment, child support, welfare, social security, and other sources. The wealth of the household was determined by generating a balance sheet, using a program supplied by the Federal Reserve Board, to estimate the wealth of each household. Total wealth was computed by subtracting total liabilities from total financial and nonfinancial assets. Financial assets were computed by summing the value of transaction accounts, certificates of deposit, directly held mutual funds, stocks, bonds, individual retirement accounts, saving bonds, cash value of life insurance, other managed assets, and other financial assets.

Nonfinancial assets were computed by summing the value of vehicles, primary residence, other residential real estate, equity in nonresidential real estate, business interests, and other nonfinancial assets. Liabilities were tabulated by summing the value of housing

debt, other lines of credit, debt for other residential property, credit cards, installment loans, and other debts.

This study will discuss the changes in income from 1989 to the most recent data collected in 2004. All income figures have been adjusted to 2004 dollars using the current Consumer Price Index (CPI) as employed by Bucks, Kennickell, and Moore (2006).

Control variables include personal and demographic characteristics of the household head and business owner, and characteristics of the business. The personal and demographic characteristics include age, race (White, Black, Hispanic, and other), gender, education (no high school diploma, high school diploma, some college, and college degree or more), marital status (married, previously married or never married), and public stock and real estate ownership (yes or no). Business characteristics include number of employees, age of the firm, legal organization, industrial classification, and founding strategy.

The sampling frame for this analysis is U.S. households, which are referred to as families in this report. Personal and demographic characteristics are those characteristics of the respondent interviewed, typically the household head. If the respondent or someone in the household owns and manages a business, this study is referring to the largest business. No business information is available for businesses owned but not managed by the respondent. Small businesses are those businesses with fewer than 500 employees that are owned and managed by a family member.

## *Models*

This study is primarily descriptive, where family income and wealth are compared for business and non-business-owning families from 1989 to 2004. This descriptive analysis requires the careful comparison of means using regression analysis to assess differences among business and non-business-owning families across time (1989 through 2004). The most important questions assessed in this study are the following: (1) Did households owning small businesses realize larger increases in income and wealth than households not owning small business from 1989 to 2004, and (2) who are the small business owners earning the income and accumulating the wealth (most importantly, did households owning multiple small businesses realize larger increases in income and wealth than households owning single small businesses)? Logistic and linear regression models are used to examine these two questions for two time periods, 1989 to 2004 and 1992 to 2004.

The first set of models utilize dummy variables for the year 2004 and households with a small business to determine whether households owning a small business fared better from 1989 to 2004 than other households. The variables of interest are the main effects on the dummy variables (year 2004 and small business) and the interaction term. Six separate models are used in this study: (1) logistic regression model to examine the probability of being high income, where high income is earning \$50,000 in 1992 dollars; (2) logistic regression model to examine the probability of being high wealth, where high wealth is holding \$1 million in 1992 dollars; (3) logistic regression model to examine the probability of being high income, where high income is being in the top 50 percent of income earners; (4) logistic regression model to examine the probability of being high

wealth, where high wealth is being in the top 50 percent of wealth holders; (5) linear regression model utilizing log of household income as the dependent variable; and (6) linear regression model utilizing log of household wealth as the dependent variable. The six models are specified as follows:

$HI = f(SB, Y04, SB*Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership})$   
 where HI = high income (1=greater than \$50,000 in 1992\$)  
 SB = household with a small business dummy variable;  
 Y04= year dummy variable for 2004;  
 age = age of the household head (dummy variables for less than 35, 35 to 44, 45 to 54, 55 to 64, 65 to 74, and 75 or older);  
 race = race of the household head (dummy variables for White and other);  
 gender = gender of household head (dummy variables for male and female);  
 education = education level (categorical variables for some high school, high school graduate, some college, college graduate);  
 marital status = marital status (dummy variables for married or otherwise);  
 stock ownership = owns publicly traded stock (yes=1, no=0); and  
 real estate ownership = owns real estate (yes=1, no=0).

$HW = f(SB, Y04, SB*Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership})$   
 where HW = high wealth (1= greater than \$1 million in 1992\$)  
 all other variables are the same as above.

$HI50 = f(SB, Y04, SB*Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership})$   
 where HI10 = high income (1=top 50% of income earners)  
 all other variables are the same as above.

$HW50 = f(SB, Y04, SB*Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership})$   
 where HW10 = high wealth (1=top 50% of wealth holders)  
 all other variables are the same as above.

$\text{Log income} = f(SB, Y04, SB*Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership})$

Log wealth = f(SB, Y04, SB\*Y04; age, race, gender, education, marital status, stock ownership, real estate ownership)

Using the first model (high income logistic regression) as an example, a positive and significant coefficient on the year variable would indicate that all households have a higher probability of being classified as high income in 2004 than 1989. A positive and significant coefficient on the small business variable would indicate that households with a small business owned and operated by a household member would have a higher probability of being classified as high income than other households without a small business owned and operated by a household member. A positive and significant coefficient on the interaction term would indicate that households with small businesses fared better than other households from 1989 to 2004. This same analysis was conducted for 1992 to 2004 to test for the robustness of these results over time.

The second set of regressions utilize the same dummy variable for the year 2004 and a dummy variable to identify households owning multiple small businesses to determine whether households owning multiple small businesses fared better from 1989 to 2004 than households owning just one small business. This set of regressions uses observations for households owning and managing one or more small businesses only. The variables of interest are the main effects on the dummy variables (year 2004 and multiple small business ownership) and the interaction term. The second set of models is specified as follows:

HI = f(MB, Y04, MB\*Y04; age, race, gender, education, marital status, stock ownership, real estate ownership, employ, firm\_age, org, sic, found)  
where HI = high income (1=greater than \$50,000 in 1992\$)  
MB = household with a multiple small businesses dummy variable;  
Y04= year dummy variable for 2004;  
age = age of the household head (dummy variables for less than 35, 35 to 44, 45 to 54, 55 to 64, 65 to 74, and 75 or older);



race = race of the household head (dummy variables for White and other);  
 gender = gender of household head (dummy variables for male and female);  
 education = education level (categorical variables for some high school, high school graduate, some college, college graduate);  
 marital status = marital status (dummy variables for married or otherwise);  
 stock ownership = owns publicly traded stock (yes=1, no=0);  
 real estate ownership = owns real estate (yes=1, no=0);  
 employ = number of employees in the business (continuous);  
 firm\_age = age of the business (continuous);  
 org = legal organization of the business (dummy variables for partnership, sole proprietorship, subchapter s corporation and regular corporation);  
 sic = standard industrial classification of the business (dummy variables for agriculture, construction/manufacturing, wholesale/retail, and service/other);  
 found = founding status of the business (dummy variables for inherited, bought/invested, and started); and

$HW = f(\text{MB}, Y04, \text{MB} * Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership, employ, firm\_age, org, sic, found})$   
 where HW = high wealth (1=greater than \$1 million in 1992\$)

$HI50 = f(\text{MB}, Y04, \text{MB} * Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership, employ, firm\_age, org, sic, found})$   
 where HI10 = high income (1=top 50% of income earners)  
 all other variables are the same as above.

$HW50 = f(\text{MB}, Y04, \text{MB} * Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership, employ, firm\_age, org, sic, found})$   
 where HW10 = high wealth (1=top 50% of wealth holders)  
 all other variables are the same as above.

$\text{Log income} = f(\text{MB}, Y04, \text{MB} * Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership, employ, firm\_age, org, sic, found})$

$\text{Log wealth} = f(\text{MB}, Y04, \text{MB} * Y04; \text{age, race, gender, education, marital status, stock ownership, real estate ownership, employ, firm\_age, org, sic, found})$

Once again, the coefficient on the interaction term (MB\*Y04) is assessed to determine whether households with multiple small businesses have fared better than other households owning small businesses from 1989 to 2004. This same analysis was conducted for 1992 to 2004 to test for the robustness of these results over time. The next section reports the results of this study.

## **Results**

This section compares the weighted samples in 1989 and 2004, evaluates the probability of being classified as high income and/or high wealth, examines the number of business-owning households, compares the demographic and financial characteristics of single- and multiple-business-owning families, compares real mean and median income and wealth, compares the shares of total family income and wealth between business and non-business-owning families and across different types of business owners, and assesses the determinants of high-income and high-wealth families over the 15 years of this study (1989 through 2004).

### *Univariate Analysis*

The sample weights were employed for the univariate- multivariate analyses in this study. The characteristics of the household and business were somewhat different in 1989 and 2004 (Table 1). The household heads interviewed in 2004 were somewhat older, more educated, and less likely to be married than household heads in 1989. Real total household income and wealth were somewhat higher in 2004 than 1989; and households were more likely to have wage-and-salary income and less likely to have income from nontaxable investments, other interest income, dividends, TANF (or food

Table 1 Comparison of Household and Business Characteristics, 1989 and 2004 (continued)

Characteristics	1989	2004
<i>Net worth of household (dollars)</i>		
Less than 50,000	0.434	0.396 *
50,000-99,999	0.136	0.122
100,000-249,999	0.212	0.190 *
250,000-499,999	0.115	0.121
500,000-999,999	0.058	0.092 *
1,000,000-2,499,999	0.031	0.053 *
2,500,000-4,999,999	0.010	0.014
5,000,000-9,999,999	0.003	0.008 *
10,000,000 or more	0.002	0.005
<i>Structure of income (shares of total household income)</i>		
Wages and salaries	0.622	0.661 *
Professional practice	0.038	0.033
Non-taxable investments	0.005	0.002 *
Other interest income	0.030	0.009 *
Dividends	0.009	0.006 *
Sale of stocks/bonds/r.estate	0.010	0.019
Net rent/trust/royalties	0.015	0.013
Unemployment/workmans compensation	0.005	0.004
Child support/alimony	0.008	0.008
TANF, food stamps, etc.	0.048	0.025 *
Social security/pensions	0.190	0.205
Other income	0.017	0.011 *
<i>Structure of wealth (shares of total assets)</i>		
Stock mutual funds	0.002	0.014 *
Total directly-held mf	0.006	0.019 *
Stocks	0.019	0.019
Thrift-type plans	0.023	0.054 *
Other financial assets	0.021	0.011 *
Vehicles	0.183	0.193
Residential real estate	0.377	0.418 *
Business	0.041	0.034 *
Net equity in nonres r estate	0.022	0.015 *
Other nonfinancial	0.015	0.008 *
Other assets	0.290	0.215

Table 1 Comparison of Household and Business Characteristics, 1989 and 2004 (continued)

Characteristics	1989	2004
<i>Public Stock Held</i>		
Yes, holds public stock	0.199	0.205
No, does not hold public stock	0.801	0.795
<i>Real estate holding (&gt;\$500,000)</i>		
Yes, holds real estate (>\$500,000)	0.672	0.712 *
No, does not hold real estate (>\$500,000)	0.328	0.288 *
Observations	3,143	4,519
<b><i>Business Characteristics</i></b>		
Number of employees	6.846	14.201
<i>Legal Organization</i>		
Sole proprietorship	0.532	0.501
Partnership	0.338	0.335
Sub-S corporation	0.055	0.099 *
Regular corporation	0.074	0.065
<i>Industrial Classification</i>		
Industry, mining and agriculture	0.127	0.062 *
Industry, construction, manuf.	0.134	0.153
Industry, wholesale, retail	0.135	0.115
Industry, services and other	0.236	0.317 *
Not applicable (self-employed and owner only businesses)	0.369	0.353
<i>Founding Status</i>		
Founding status, inherited	0.154	0.113 *
Founding status, bought, invested	0.411	0.497 *
Founding status, started	0.435	0.391
Self-employed		
Self-employed head and self-employed spouse	0.012	0.011
Self-employed head, but no self-employed spouse	0.178	0.210
Self-employed spouse, but no self-employed head	0.078	0.085

Table 1 Comparison of Household and Business Characteristics, 1989 and 2004 (continued)

Characteristics	1989	2004
<b>Own and manage</b>		
Owns and manages one business		
Self-employed spouse, yes	0.092	0.113
Self-employed spouse, no	0.437	0.418
Owns and manages more than one business		
Self-employed spouse, yes	0.035	0.041
Self-employed spouse, no	0.068	0.074
Owns, but does not manage, businesses	0.099	0.047 *
Number of observations (all businesses)	1,100	1,660

stamps), and other income in 2004 than in 1989. The structure of wealth differed for nearly every wealth category used in this study. Households were more likely to hold stock mutual funds, directly held mutual funds, thrift-type plans, and residential real estate in 2004 than in 1989; and less likely to hold other financial assets, business assets, net equity in nonresident real estate, and other nonfinancial assets in 2004 than in 1989. And finally, households were more likely to hold real estate in 2004 than in 1989.

The businesses operated by members of the household were quite similar in 1989 and 2004. Businesses were more likely to be organized as sub-chapter s corporations, less likely to be engaged in mining or agriculture, more likely to be engaged in a service business, and less likely to be inherited (and more likely to be bought) in 2004 than in 1989. In addition, the business owners surveyed were less likely to be owners only in 2004 than in 1989.

Families owning businesses are significantly less likely to be high income earners in 2004 than 1989 (Table 2). The wealth picture was somewhat different with households owning a business realizing somewhat (not statistically significant) lower probabilities of being high wealth and households without businesses realizing significantly higher probabilities of being high wealth in 2004 than in 1989 (Table 3). In 1989, small business-owning households were nearly two times more likely to be classified as high income (62.1 percent versus 33.0 percent) and over ten times more likely to be classified as high wealth (21.2 percent versus 1.9 percent) as households not owning a business. Multiple business owners had the highest probability of being classified as high income (82.1 percent) and high wealth (40.3 percent) of the small business owners. In 2004, a household owning any business had over a 55 percent chance of being classified as high

Table 2 Probability of Being High Income, 1989 to 2004

Characteristics	1989	1992	1995	1998	2001	2004	Changes 89 to 04	Changes 92 to 04
	(proportions)							
All respondents	0.369	<b>0.346</b>	<b>0.221</b>	<b>0.258</b>	<b>0.306</b>	<b>0.289</b>	-0.217	-0.057
No business ownership	0.330	<b>0.304</b>	<b>0.190</b>	<b>0.225</b>	<b>0.260</b>	<b>0.248</b>	-0.249	-0.056
Any business ownership	0.626	0.598	<b>0.434</b>	<b>0.483</b>	0.590	<b>0.562</b>	-0.102	-0.036
Small business	0.621	0.600	<b>0.428</b>	<b>0.474</b>	0.576	<b>0.552</b>	-0.110	-0.048
single business only	0.581	<b>0.577</b>	<b>0.383</b>	<b>0.468</b>	0.547	0.513	-0.118	-0.064
multiple businesses	0.821	0.690	<b>0.560</b>	<b>0.497</b>	0.681	0.734	-0.106	0.044

Note: Bolded and italicized proportions are statistically different at the 0.05 level of significance from the 1989 proportions (reference group).

Table 3 Probability of Being High Wealth, 1989 to 2004

Characteristics	1989	1992	1995	1998	2001	2004	Changes 89 to 04	Changes 92 to 04
	(proportions)							
All respondents	0.045	0.043	<b>0.029</b>	<b>0.034</b>	0.052	0.054	0.192	0.011
No business ownership	0.019	0.019	<b>0.013</b>	0.017	0.025	<b>0.030</b>	0.604	0.011
Any business ownership	0.222	0.183	<b>0.136</b>	<b>0.148</b>	0.224	0.212	-0.045	0.029
Small business	0.212	0.428	<b>0.132</b>	<b>0.137</b>	0.212	0.202	-0.047	-0.226
single business only	0.175	0.115	<b>0.090</b>	<b>0.094</b>	0.166	0.145	-0.170	0.030
multiple businesses	0.403	0.419	<b>0.254</b>	0.309	0.376	0.462	0.146	0.043

Note: Bolded and italicized proportions are statistically different at the 0.05 level of significance from the 1989 proportions (reference group).

income and over a 20 percent chance of being classified as high wealth. By 2004 the income gap between households with and without a business had widened, and the wealth gap had narrowed. Small business-owning households were now just over two times more likely to be classified as high income (55.2 percent versus 24.8 percent) and about seven times more likely to be classified as high wealth (20.2 percent versus 3.0 percent). Multiple business owners still appeared to be the most prosperous small business group, with nearly three-fourths of them classified as high income and nearly one-half classified as high wealth.

From 1989 to 2004 the likelihood of being high income declined for all groups and the likelihood of being high wealth decreased for business-owning households and increased for households without a business. The very lackluster performance of households owning a small business (or any business) in relation to a household with no business ownership would indicate that small business investment may have been less attractive between 1989 and 2004 than other investments, such as publicly traded stock or real estate. Interestingly, the percentage of households with small businesses remained remarkably constant at just over 13 percent from 1989 to 2004.

Table 4 compares mean household income for all households and those owning at least one business. Real mean income was significantly higher in 2004 than in 1989 for all household types, increasing by over 15 percent from \$60,150 in 1989 to \$69,629 in 2004. Households not owning a business realized a real mean income increase of 16.1 percent from 1989 to 2004. Small business real mean income increased from \$139,040 to \$142,559 (or 2.5 percent). Real mean income for small businesses owning just one business was unchanged from 1989 to 2004, even though it had fluctuated substantially



Table 4 Mean Income, 1989 to 2004

Characteristics	1989	1992	1995	1998	2001	2004	Changes 89 to 04	Changes 92 to 04
	<i>(2004 dollars)</i>							
All respondents	60,150	<b><i>51,354</i></b>	<b><i>55,164</i></b>	61,622	<b><i>73,763</i></b>	<b><i>69,629</i></b>	0.158	0.356
No business ownership	48,282	<b><i>42,905</i></b>	<b><i>46,491</i></b>	51,041	<b><i>58,432</i></b>	<b><i>56,046</i></b>	0.161	0.306
Any business ownership	139,033	102,180	<b><i>113,611</i></b>	<b><i>134,135</i></b>	<b><i>170,208</i></b>	<b><i>158,698</i></b>	0.141	0.553
Small business	139,040	98,904	<b><i>104,821</i></b>	<b><i>126,684</i></b>	153,156	<b><i>142,559</i></b>	0.025	0.441
single business only	113,816	85,786	<b><i>87,222</i></b>	99,820	<b><i>129,247</i></b>	113,507	-0.003	0.323
multiple businesses	268,180	150,510	<b><i>156,414</i></b>	234,728	238,666	276,808	0.032	0.839

Note: Bolded and italicized means are statistically different at the 0.05 level of significance from the 1989 proportions (reference group).

over this period of time. Multiple business-owning households realized a modest increase of just 3 percent in real mean income from 1989 to 2004.

The wealth story is very similar (Table 5). Real mean wealth increased by over 60 percent for the entire sample from 1989 to 2004. Households not owning a business realized a real mean wealth increase of just 60 percent. Small businesses realized a substantial increase in wealth from \$944,705 to \$1,445,385 (or 53 percent). Households with just one business realized a significantly less modest increase (35.2 percent). In 1989 and 2004, multiple business-owning households had significantly higher real mean income and wealth than other small business owners.

Aggregate household income increased by just over 39 percent for all respondents between 1989 and 2004 (Table 6). The unit of observation is all families belonging to a specific group in each time period. Aggregate income may increase over time either because the group has become larger or because group members have earned more income. Families with small business ownership realized lower percentage changes in aggregate income than families without any business ownership (33.3 percent versus 41.0 percent). Households owning multiple businesses realized the largest increase in aggregate income (40 percent) of any households owning businesses, while households owning only one business realized the smallest increase in aggregate income of any group (30 percent).

Families with no business also realized lower percentage changes in aggregate wealth than families with some small business ownership (Table 7). Small business owners did reasonably well by realizing increases in wealth of over 73 percent and nearly 145 percent for single and multiple business owners, respectively.

Table 5 Mean Wealth, 1989 to 2004

Characteristics	1989	1992	1995	1998	2001	2004	Changes 89 to 04	Changes 92 to 04
	<i>(2004 dollars)</i>							
All respondents	270,214	253,401	263,567	323,301	423,136	432,653	0.601	0.707
No business ownership	159,189	152,133	160,482	199,288	248,480	256,041	0.608	0.683
Any business ownership	1,008,183	862,568	958,234	1,173,124	1,521,849	1,590,803	0.578	0.844
Small business	944,705	817,403	886,827	1,055,701	1,385,002	1,445,412	0.530	0.768
single business only	690,696	543,763	589,938	706,188	989,391	933,779	0.352	0.717
multiple businesses	2,245,181	1,893,913	1,757,171	2,461,412	2,799,895	3,809,661	0.697	1.012

Note: Bolded and italicized means are statistically different at the 0.05 level of significance from the 1989 proportions (reference group).

Table 6 Aggregate Income for All Households, 1989 to 2004

Characteristics	1989	1992	1995	1998	2001	2004	Changes 89 to 04	Changes 92 to 04
	(x 1 t.)	(x 1 t.)	(x 1 t.)	(x 1 t.)	(x 1 t.)	(x 1 t.)		
All respondents	5.6	4.9	5.5	6.3	7.9	7.8	0.393	0.592
No business ownership	3.9	3.5	4.0	4.6	5.4	5.5	0.410	0.571
Any business ownership	1.7	1.4	1.5	1.8	2.5	2.4	0.412	0.714
Small business	1.5	1.2	1.2	1.5	2.0	2.0	0.333	0.667
single business only	1	0.9	0.8	1.0	1.3	1.3	0.300	0.444
multiple businesses	0.5	0.4	0.5	0.6	0.7	0.7	0.400	0.750

Table 7 Aggregate Wealth for All Households, 1989 to 2004

Characteristics	1989	1992	1995	1998	2001	2004	Changes 89 to 04	Changes 92 to 04
	(x 1 t.)	(x 1 t.)	(x 1 t.)	(x 1 t.)	(x 1 t.)	(x 1 t.)		
All respondents	20.5	24.3	26.1	33.2	45.1	43.3	1.112	0.782
No business ownership	12.9	12.5	13.8	17.8	22.8	24.9	0.930	0.992
Any business ownership	12.3	11.8	12.3	15.3	22.2	23.6	0.919	1.000
Small business	9.9	10.3	10.3	12.7	18.3	19.9	1.010	0.932
single business only	6.1	5.5	5.1	6.8	10.2	10.6	0.738	0.927
multiple businesses	3.8	4.8	5.2	5.9	8.1	9.3	1.447	0.938

Multiple business owners are a critical part of the small business economic engine. In 1989 these multiple business households constituted about 16 percent of all small business-owning households; however, they earned more than 30 percent of total household income and held over 38 percent of the wealth of small business owners. In 2004, they constituted nearly 18 percent of all small business-owning households, however they now earned nearly 35 percent of total household income and held 47 percent of the wealth of small business-owning households. It appears that households owning multiple small businesses are becoming somewhat more significant contributors to aggregate household income and wealth.

#### *Multivariate Analysis*

Tables 8 (89-04) and 8 (92-04) examine the determinants of high income and high wealth for all households from 1989 to 2004 and 1992 to 2004, respectively. The six models reported in Table 8 (89-04) examine how households owning and managing small businesses fared in relation to other households from 1989 to 2004. Households have a lower probability of being high income; households have a lower probability of being in the top 50 percent of income and wealth; and households owning small businesses have higher log income and log wealth in 2004 than 1989. Households owning small businesses have a higher probability of being high income and high wealth; being in the top 50 percent of income and wealth; and have higher log income and log wealth than other households. The interaction term was statistically significant (or nearly significant) in all of the wealth regressions. The negative coefficient on the interaction term indicates that households owning small businesses in 2004 had a lower probability of being high

Table 8 (89-04) Determinants of High Income and Wealth Among All Households, 1989 - 2004

All Respondents, 1989-2004												
Characteristics <sup>1</sup>	Logistic Regression				Logistic Regression				Linear Regression			
	High Income Probability		High Wealth Probability		Highest 50% Income		Highest 50% Wealth		Log Income		Log Wealth	
	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value
Intercept	-4.5348	0.0001	-9.5323	0.0001	-3.5653	0.0001	-5.4826	0.0001	9.1643	0.0001	4.3015	0.0001
Age, 35 - 44	0.5179	0.0001	1.0243	0.0031	0.6965	0.0001	0.9366	0.0001	0.2354	0.0001	0.5538	0.0001
Age, 45 - 54	0.7727	0.0001	1.6976	0.0001	0.6410	0.0001	1.5914	0.0001	0.2194	0.0001	1.2496	0.0001
Age, 55 - 64	0.2950	0.0056	2.4509	0.0001	0.1932	0.0575	2.0637	0.0001	0.0406	0.2974	1.4409	0.0001
Age, 65 - 74	-0.7313	0.0001	2.5771	0.0001	-0.7587	0.0001	2.1246	0.0001	-0.1322	0.0020	1.7593	0.0001
Age, 75 and over	-1.0106	0.0001	2.7920	0.0001	-1.1228	0.0001	2.6057	0.0001	-0.2053	0.0001	2.1394	0.0001
Race, minority	-0.2920	0.0004	-0.5362	0.0243	-0.4123	0.0001	-0.5627	0.0001	-0.1775	0.0001	-0.7083	0.0001
Gender, male	0.8879	0.0001	0.8659	0.0009	0.6480	0.0001	0.3715	0.0003	0.2211	0.0001	0.8858	0.0001
Education, high school diploma	0.9732	0.0001	-0.2423	0.4230	0.9867	0.0001	0.8236	0.0001	0.3245	0.0001	0.8834	0.0001
Education, some college	1.4169	0.0001	0.5970	0.0477	1.4702	0.0001	0.9760	0.0001	0.4468	0.0001	0.9525	0.0001
Education, college degree or more	2.4352	0.0001	1.5543	0.0001	2.3576	0.0001	1.7239	0.0001	0.8092	0.0001	1.3283	0.0001
Marital status, married	1.2287	0.0001	0.1812	0.3147	1.3069	0.0001	0.6038	0.0001	0.4876	0.0001	0.0316	0.7092
Public stock ownership	0.9981	0.0001	1.5298	0.0001	1.0471	0.0001	1.4742	0.0001	0.3977	0.0001	1.0619	0.0001
Owens real estate	1.1843	0.0001	2.0929	0.0001	1.1645	0.0001	3.1910	0.0001	0.4836	0.0001	4.3445	0.0001
Year dummy, 04	-0.8868	0.0001	0.0312	0.8509	-0.1610	0.0155	-0.3663	0.0001	0.0437	0.0745	0.1802	0.0072
Own and manage a small business <sup>2</sup>	0.3356	0.0205	2.3185	0.0001	0.4044	0.0098	1.9770	0.0001	0.1825	0.0007	1.4736	0.0001
Interaction: own business and 2004	0.2437	0.1827	-0.5806	0.0261	-0.1169	0.5543	-0.5282	0.0360	0.0214	0.7607	-0.3607	0.0608
-2 Log Likelihood/R-square		6,215		1,933		6,487		5,776		0.35		0.53
McFadden R-square		0.35		0.37		0.39		0.46				
Number of Observations		7,662										

<sup>1</sup> The reference categories are the following: age - less than 35, race - non-minority, gender - female, education - no high school diploma, marital status - not married, public stock ownership - no, and own real estate - no.

Table 8 (92-04) Determinants of High Income and Wealth Among All Households, 1992 - 2004

All Respondents, 1992-2004												
Characteristics <sup>1</sup>	Logistic Regression				Logistic Regression				Linear Regression			
	High Income Probability		High Wealth Probability		Highest 50% Income		Highest 50% Wealth		Log Income		Log Wealth	
	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value
Intercept	-4.8810	0.0001	-9.8068	0.0001	-3.4584	0.0001	-5.3528	0.0001	9.0053	0.0001	4.2546	0.0001
Age, 35 - 44	0.4336	0.0001	1.4605	0.0001	0.4772	0.0001	0.6821	0.0001	0.1573	0.0001	0.7012	0.0001
Age, 45 - 54	0.8628	0.0001	2.0373	0.0001	0.6174	0.0001	1.3480	0.0001	0.2316	0.0001	1.2641	0.0001
Age, 55 - 64	0.3046	0.0029	2.7201	0.0001	0.0616	0.5259	1.9711	0.0001	0.0543	0.1511	1.5426	0.0001
Age, 65 - 74	-0.7276	0.0001	2.8841	0.0001	-0.7759	0.0001	2.0981	0.0001	-0.1523	0.0002	1.8843	0.0001
Age, 75 and over	-0.9737	0.0001	2.9395	0.0001	-1.1293	0.0001	2.5596	0.0001	-0.1896	0.0001	2.2165	0.0001
Race, minority	-0.2950	0.0002	-0.1942	0.3440	-0.2901	0.0001	-0.3939	0.0001	-0.1024	0.0001	-0.4803	0.0001
Gender, male	1.0050	0.0001	0.5540	0.0240	0.7524	0.0001	0.4004	0.0001	0.2521	0.0001	0.7979	0.0001
Education, high school diploma	1.1106	0.0001	0.1443	0.6654	1.0827	0.0001	0.9631	0.0001	0.3837	0.0001	1.0372	0.0001
Education, some college	1.5081	0.0001	0.8444	0.0105	1.5175	0.0001	1.3223	0.0001	0.4659	0.0001	1.1449	0.0001
Education, college degree or more	2.4549	0.0001	1.8140	0.0001	2.3017	0.0001	1.8460	0.0001	0.8389	0.0001	1.3812	0.0001
Marital status, married	1.0920	0.0001	0.2472	0.1658	1.1734	0.0001	0.4196	0.0001	0.5015	0.0001	0.0423	0.5964
Public stock ownership	1.0322	0.0001	1.5783	0.0001	1.1174	0.0001	1.5349	0.0001	0.3775	0.0001	1.1604	0.0001
Owns real estate	1.1425	0.0001	1.8059	0.0001	1.1557	0.0001	2.9472	0.0001	0.4283	0.0001	4.1316	0.0001
Year dummy, 04	-0.5935	0.0001	0.2097	0.1799	-0.2668	0.0001	-0.2683	0.0001	0.17464	0.0001	0.17466	0.0062
Own and manage a small business <sup>2</sup>	0.2824	0.0193	1.8420	0.0001	0.0734	0.5715	1.4690	0.0001	0.1732	0.0003	1.1962	0.0001
Interaction: own business and 2004	0.2981	0.0691	-0.1180	0.6247	0.2369	0.1779	0.0055	0.9796	0.0460	0.4797	-0.0055	0.9754
-2 Log Likelihood/R-square		6,864		2,121		7,703		6,587		0.34		0.51
McFadden R-square		0.35		0.35		0.34		0.44				
Number of Observations		8,425										

<sup>1</sup> The reference categories are the following: age - less than 35, race - non-minority, gender - female, education - no high school diploma, marital status - not married, public stock ownership - no, and own real estate - no.

wealth than other households in 1989 and 2004. In other words, households owning small businesses appear to have fared worse than other households over this period of time. The income regressions would suggest that households owning small businesses in 2004 fared about the same as other households from 1989 to 2004.

A similar analysis using the data from 1992 to 2004 does not support all the results found in 1989 to 2004 (Table 8 (92-04)). While it appears that households have a lower probability of being high income and high wealth in 2004 than 1992, and households owning small businesses have a higher probability of being high income and high wealth than other households, the interaction term is not statistically significant. Therefore, these income and wealth regressions suggest that households owning small businesses in 2004 fared about the same as other households from 1992 to 2004.

The control variables were quite interesting in this regression analysis. High-income and -wealth households are more likely to be headed by an individual in the prime working years (35 to 54 years of age) who is male, well-educated and married. In addition, high income and wealth households are more likely to own public stock and real estate.

Tables 9 (89-04) and 9 (92-04) utilized information on households with small business owners to assess how multiple and single business owners fared from 1989 to 2004 and 1992 to 2004, respectively. On average, households had a lower probability of being high income and had higher log wealth in 2004 than in 1989. Households owning multiple businesses had a higher probability of being high income and high wealth than other households owning small businesses. These households owning multiple businesses held more wealth than other small businesses. The interaction term was insignificant in



Table 9 (89-04) Determinants of High Income and Wealth Among Small Businesses, 1989 - 2004

Small Business Respondents Only, 1989-2004												
Characteristics <sup>1</sup>	Logistic Regression				Logistic Regression				Linear Regression			
	High Income Probability		High Wealth Probability		Highest 50% Income		Highest 50% Wealth		Log Income		Log Wealth	
	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value
Intercept	-4.8549	0.0001	-5.2245	0.0001	-2.8495	0.0001	-1.6842	0.0842	9.4046	0.0001	8.3902	0.0001
Age, 35 - 44	0.8670	0.0008	0.5659	0.2291	0.8086	0.0026	1.2656	0.0001	0.0467	0.5774	0.4001	0.0013
Age, 45 - 54	1.1574	0.0001	1.3913	0.0032	0.6652	0.0188	1.5549	0.0001	0.1112	0.2117	0.9437	0.0001
Age, 55 - 64	0.4274	0.1739	2.2677	0.0001	0.4971	0.1290	1.9442	0.0001	0.1000	0.3289	1.0308	0.0001
Age, 65 - 74	0.0487	0.9015	1.9211	0.0008	-0.1575	0.6928	1.8264	0.0012	-0.1206	0.3559	0.9834	0.0001
Age, 75 and over	-0.7471	0.2298	1.6567	0.0219	-0.4532	0.4333	1.7323	0.0424	-0.4045	0.0306	1.0414	0.0002
Race, minority	-0.1694	0.4964	-0.4553	0.2577	-0.5495	0.0248	-0.6217	0.0392	-0.3069	0.0002	-0.6436	0.0001
Gender, male	0.7927	0.0296	1.3401	0.0290	0.9355	0.0046	1.4190	0.0005	0.1654	0.1420	0.9160	0.0001
Education, high school diploma	0.4247	0.1844	-0.1542	0.7740	0.6624	0.0291	0.3455	0.3809	0.1390	0.1915	0.6632	0.0001
Education, some college	0.5868	0.0898	0.1297	0.8185	0.5910	0.0760	0.2412	0.5684	-0.0654	0.5669	0.6083	0.0003
Education, college degree or more	1.5648	0.0001	1.3663	0.0080	1.0988	0.0005	0.6169	0.1277	0.5526	0.0001	0.9289	0.0001
Marital status, married	1.1477	0.0001	0.1308	0.6983	1.0529	0.0001	0.0603	0.8363	0.5213	0.0001	0.2028	0.0651
Public stock ownership	0.6881	0.0006	0.7011	0.0020	0.7180	0.0023	1.4426	0.0001	0.2058	0.0011	0.3404	0.0003
Owens real estate	0.9330	0.0011	0.8770	0.1418	1.0903	0.0001	2.4386	0.0001	0.5399	0.0001	2.3863	0.0001
Employees	0.0230	0.0277	0.0110	0.0138	0.0534	0.0114	0.2245	0.0008	0.0047	0.0001	0.0048	0.0003
Business age	0.0239	0.0225	0.0354	0.0029	-0.0104	0.3377	0.0000	0.9985	0.0098	0.0033	0.0262	0.0001
Organization, partnership	0.2486	0.4476	-0.5772	0.1029	-0.2146	0.5868	-1.3146	0.0696	-0.0621	0.5372	-0.1834	0.2188
Organization, sole proprietorship	-0.3216	0.2956	-1.1286	0.0010	-0.6130	0.1026	-1.6695	0.0187	-0.3285	0.0006	-0.8459	0.0001
Organization, corporation - sub s	0.7952	0.0467	0.7847	0.0327	0.2715	0.5935	0.2924	0.7873	-0.0539	0.6345	0.2097	0.2119
Industry, construction, manuf.	0.6648	0.0310	-0.5005	0.2532	0.1076	0.7345	-0.9735	0.0283	0.1955	0.0526	-0.6574	0.0001
Industry, wholesale, retail	0.8072	0.0081	-0.3810	0.3547	0.2025	0.5187	-0.8101	0.0717	0.2324	0.0193	-0.2728	0.0639
Industry, services and other	1.3963	0.0001	-0.0438	0.9081	0.4847	0.1048	-0.4709	0.2758	0.4870	0.0001	-0.2792	0.0453
Founding status, bought, invested	0.2275	0.3325	-0.7704	0.0080	0.3800	0.1334	-0.1732	0.6244	0.0591	0.4241	-0.0675	0.5382
Founding status, started	0.1447	0.7114	0.2299	0.5832	0.2415	0.5545	0.7523	0.2884	0.1523	0.1909	0.2165	0.2096
Year dummy, 04	-0.5197	0.0179	-0.3468	0.2344	-0.2754	0.2299	-0.4976	0.1048	0.1184	0.0885	0.2093	0.0423
Owens/manages multiple businesses <sup>2</sup>	1.0686	0.0116	1.1408	0.0063	0.3410	0.4302	0.5688	0.3542	0.2021	0.0701	0.7880	0.0001
Interaction: multiple and 2001	-0.8479	0.1050	0.1883	0.7217	-0.5681	0.3008	0.7866	0.3630	-0.1453	0.3180	0.0116	0.9572
-2 Log Likelihood/R-square		869		570		788		501		0.24		0.42
McFadden R-square		0.30		0.38		0.24		0.39				
Number of Observations		1,944										

<sup>1</sup> The reference categories are the following: age - less than 35, race - non-minority, gender - female, education - no high school diploma, marital status - not married, public stock ownership - no, own real estate - no, organization - regular corporation, industry - agriculture and founding status - inherited.

<sup>2</sup> These business owners have more than one small business.

Table 9 (92-04) Determinants of High Income and Wealth Among Small Businesses, 1992 - 2004

Small Business Respondents Only, 1992-2004												
Characteristics <sup>1</sup>	Logistic Regression				Logistic Regression				Linear Regression			
	High Income Probability		High Wealth Probability		Highest 50% Income		Highest 50% Wealth		Log Income		Log Wealth	
	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value
Intercept	-4.4571	0.0001	-6.7208	0.0001	-2.2636	0.0003	-2.7197	0.0021	9.1946	0.0001	8.1668	0.0001
Age, 35 - 44	0.8537	0.0004	1.1134	0.0299	0.5529	0.0261	0.4620	0.1233	0.1425	0.0588	0.6056	0.0001
Age, 45 - 54	1.2205	0.0001	1.6709	0.0011	0.6045	0.0260	0.9399	0.0054	0.3309	0.0001	1.0163	0.0001
Age, 55 - 64	0.2954	0.2987	2.3677	0.0001	0.3377	0.2637	1.3406	0.0015	0.1025	0.2548	1.3316	0.0001
Age, 65 - 74	-0.2491	0.4722	2.3384	0.0001	-0.6240	0.0749	0.9527	0.0526	-0.0957	0.3901	1.1641	0.0001
Age, 75 and over	-0.2410	0.6538	1.7654	0.0177	-0.3635	0.4853	1.7500	0.0409	-0.2385	0.1398	1.2232	0.0001
Race, minority	-0.4820	0.0351	0.1665	0.6031	-0.6051	0.0065	-0.4482	0.1139	-0.1890	0.0074	0.0179	0.8730
Gender, male	1.2872	0.0003	1.0492	0.0687	0.7171	0.0161	0.7473	0.0502	0.2767	0.0059	0.9867	0.0001
Education, high school diploma	0.1626	0.6192	-0.3189	0.5606	0.1837	0.5551	0.5188	0.2221	0.1054	0.3251	0.5012	0.0033
Education, some college	0.4975	0.1547	0.3982	0.4668	0.7981	0.0225	-0.1158	0.7974	0.1075	0.3441	0.2095	0.2470
Education, college degree or more	1.4710	0.0001	1.0888	0.0313	1.0143	0.0016	0.3978	0.3550	0.5680	0.0001	0.5811	0.0006
Marital status, married	1.0891	0.0001	0.1156	0.7241	1.3640	0.0001	0.5752	0.0344	0.4553	0.0001	0.1597	0.1370
Public stock ownership	0.7837	0.0001	0.8253	0.0001	0.9138	0.0001	1.4425	0.0001	0.1992	0.0003	0.5613	0.0001
Owens real estate	0.6776	0.0083	1.2086	0.0444	0.7873	0.0013	3.1861	0.0001	0.3429	0.0001	2.4182	0.0001
Employees	0.0268	0.0148	0.0084	0.0069	0.0208	0.0691	0.0603	0.0411	0.0043	0.0001	0.0040	0.0006
Business age	0.0190	0.0353	0.0388	0.0003	-0.0106	0.2613	0.0025	0.8572	0.0088	0.0016	0.0242	0.0001
Organization, partnership	0.4785	0.1306	-0.4902	0.1326	0.3598	0.3133	0.4363	0.4213	0.1677	0.0650	-0.0916	0.5270
Organization, sole proprietorship	-0.4459	0.1063	-1.0989	0.0003	-0.2571	0.4057	-0.5871	0.2258	-0.1421	0.0793	-0.8796	0.0001
Organization, corporation - sub s	0.3746	0.2771	0.5890	0.0718	0.2057	0.5990	1.2593	0.0934	0.0185	0.8499	0.0564	0.7177
Industry, construction, manuf.	0.1964	0.5080	-0.0393	0.9297	-0.3480	0.2605	-0.6061	0.1487	-0.0270	0.7761	-0.6927	0.0001
Industry, wholesale, retail	0.2813	0.3421	-0.0482	0.9128	-0.3692	0.2324	-0.7120	0.0924	0.0493	0.6058	-0.2447	0.1078
Industry, services and other	0.8247	0.0032	0.3979	0.3217	0.0747	0.7986	-0.1183	0.7714	0.2252	0.0114	-0.2523	0.0751
Founding status, bought, invested	0.2518	0.2313	-0.5481	0.0339	0.3130	0.1565	-0.3209	0.2939	0.1962	0.0020	-0.0985	0.3298
Founding status, started	-0.0455	0.9111	0.1058	0.8152	-0.1753	0.6714	0.1485	0.8336	0.0885	0.4536	0.0785	0.6765
Year dummy, 04	-0.3585	0.0501	0.3919	0.1280	-0.0676	0.7241	-0.2320	0.3534	0.2673	0.0001	0.3966	0.0001
Owens/manages multiple businesses <sup>2</sup>	-0.2895	0.3257	1.4109	0.0001	-0.0060	0.9854	2.2943	0.0016	0.2419	0.0057	0.7417	0.0001
Interaction: multiple and 2001	0.4644	0.2666	-0.1466	0.7367	-0.2201	0.6328	-0.6836	0.4787	-0.1530	0.2078	0.0749	0.6984
-2 Log Likelihood/R-square		1,025		669		937		585		0.22		0.42
McFadden R-square		0.30		0.35		0.24		0.41				
Number of Observations		2,269										

<sup>1</sup> The reference categories are the following: age - less than 35, race - non-minority, gender - female, education - no high school diploma, marital status - not married, public stock ownership - no, own real estate - no, organization - regular corporation, industry - agriculture and founding status - inherited.

<sup>2</sup> These business owners have more than one small business.

all cases; therefore, households owning multiple small businesses fared about the same as other households owning small businesses from 1989 to 2004.

Similar results were found in the analysis of the 1992 to 2004 information (Table 9 (92-04)). These households owning small businesses earned higher income and held more wealth in 2004 than in 1992. Households owning multiple businesses had a higher probability of being high wealth than other households owning one small business, and these households earned higher income and held more wealth than households owning one business. The interaction term was insignificant in all cases; therefore, households owning multiple small businesses fared about the same as other households owning small businesses from 1992 to 2004.

## **Conclusions**

This study is primarily concerned with changes in income and wealth of families owning and not owning small businesses from the late 1980s to 2004. Who were the winners and losers? This study utilizes cross-sectional data to assess changes in income and wealth of all households and families owning different types of businesses from 1989 to 2004. While panel data would be preferred, the unit of observation is all families belonging to a specific group in each time period. Clearly, the economic pie increased in size during this period of time for households owning small businesses. However, the most important questions are the following: Did households owning small businesses make more financial gains in terms of changes in income and wealth than households not owning a business; and did households owning multiple small business make more financial gains than households owning just one small business.

Another study completed by Haynes and Ou (2005) suggests that households owning small businesses, especially those owning only one small business, appear to be making smaller contributions to total wealth in 2001 than in the early 1990s. This evidence has suggested that households owning only one small business seemed to be losing the race. They were making progress in increasing income and wealth, but they were making less progress than households not owning small businesses. This study provides further evidence that small business-owning households have made less progress than other households in increasing their wealth and very similar progress in increasing their income during the late 1980s, a time of robust business activity, and the early 2000s, a time of recovery for businesses. However, when in an examination of the data from 1992, a year of recovery, through 2004, another year of recovery, households owning small businesses appear to have progressed at about the same rate as other households.

The period of rapid economic expansion may have been a difficult time to start and nurture a new business and grow an existing small business venture for several reasons:

- (1) Labor costs increased. The unemployment rate fell from nearly 7 percent in 1991 to 4.0 percent in 2004, hence labor supplies tightened (Bureau of Labor Statistics, 2005.) In this type of labor market, small business owners were facing higher wages. In addition, small business owners may face substantial challenges finding and retaining high quality employees.
- (2) The opportunity cost of capital increased. While financial capital became less expensive to borrow over this period of time with the prime rate

declining from just over 10 percent in 1990 to 4.0 percent in 2003, the value of the stock market (S&P 500) was increasing over 7 percent annually through 2003. Investors, particularly family and friends who may have been willing to invest in a small business venture, had less risky alternatives for their excess cash. In this type of financial market, small business owners may have been facing higher costs of financing and restricted access, especially for start-up financing.

- (3) Other employment opportunities increased the opportunity costs of prospective owners. If higher inflation-adjusted net income and wealth are the only important criteria considered by the business owner, many family members owning a business may have been better off working for someone else. In a market with relatively low unemployment in a growing economy, the opportunity cost of risking one's family's financial resources in a small business venture increases substantially.

The competitive challenges of owning and managing a business are only compounded by higher labor costs and lower quality labor available in the market, less access to financial capital from family and friends, and the lure of reasonably good job opportunities working for someone else in a vibrant economy.

Among households owning small businesses, multiple business owners seem to have realized the most substantial gains in income and wealth from 1989 to 2004. Multiple business owners had a higher probability of being classified as high income and high wealth, and they earned higher log wealth and lower log income than other households owning a small business. The interaction term was not statistically

significant; therefore, it appears that multiple business owners fared about the same as other small business owners from 1989 to 2004. This result was supported by the 1992 to 2004 data.

The results have some rather interesting public policy implications. If households owning small businesses are making similar financial progress as households not owning a business, then small business ownership may become a less attractive employment option because small business ownership is risky. Are additional incentives needed to encourage small business ownership? The SBA's 7(a) Loan Guarantee Program offers loan guarantees for selected small business lenders and their borrowers. The program provides an excellent safety net for lenders, essentially guaranteeing 75–85 percent of the loan balance, but provides essentially no safety net for the borrower. Should the 7(a) Loan Guarantee Program be restructured to provide more direct support to borrowers and less direct support to lenders?

Recent changes in bankruptcy laws have removed part of the safety net for small business borrowers by making it more difficult for those with credit card debt to liquidate their assets (Chapter 7 bankruptcy). With the emergence of more line-of-credit and credit-card-based lending by large banks to small businesses, this change in the bankruptcy law has had a significant impact on the strength of the safety net. Are other revisions in the bankruptcy law needed to provide a more secure safety net for small business owners (and their wealth)?

What might be done to improve the financial performance of households owning a single small business, the situation of most small businesses in the United States? Households owning multiple small businesses outperform households owning a single

small business for a host of reasons, including more experience, education, and financial capital. Revising rules to allow more angel and venture capital for these small businesses might provide more financial capital, however these types of businesses rarely have the growth potential desired by these investors. Small businesses are essentially relationship borrowers, hence they may be adversely affected by further concentration in commercial banking and less relationship lending at the local level. Further work is needed to determine if large banks are interested in servicing small businesses.

Most importantly, small business owners as a group realized substantial gains in real income and wealth from 1989 to 2004 (and 1992 to 2004), and they ran a very good race with other households not owning small businesses. The relatively modest wealth gains of households owning at least one small business in relation to households not owning a business in this very prosperous economic time suggests that investments in businesses realized lower financial returns than investments in other assets. Even among small business owners, it appears that more of the growth in wealth was derived from ownership in publicly traded stocks and real estate than from the ownership of the small business. Given these relatively modest differences in the aggregate gains in wealth between households with and without small businesses, it should be no surprise that the number of households owning small businesses has remained quite stable.

These results should concern small business investors. Small businesses are risky ventures, hence these owners reasonably expect higher returns on their investments in business assets than can be earned in other investments. If a risk premium isn't earned by small business owners, other nonpecuniary benefits (such as being your own boss and having a passion for your vocation) of small business ownership become more important.

Further research utilizing high quality panel data is needed to compare the returns on business and other assets and assess the modest gains in income and wealth of small business-owning households during this time of robust economic growth.

### **Limitations**

The time period chosen in this study was very important. When assessing the progress of small businesses from 1989, a peak year, to 2004, a mid-recovery year, it appears that households owning small businesses made less financial progress than other households. However, this result was not supported by data from 1992, an early recovery year, to 2004, a mid-recovery year. In this instance, households owning small businesses made very similar financial progress to other households. Between 1989 and 1992, Kennickell and Star-McCluer (1994) reported that real mean (and median) income and wealth declined. Households owning small businesses appeared to realize higher percentage losses in both mean income (29 percent for households with small businesses and 11 percent for households with no business ownership) and wealth (14 percent for households with small businesses and 4 percent for households with no business ownership) from 1989 to 1992 than other households. All households appear to have made very similar financial progress as they worked through the recovery phases in 1992 and 2004.

This study has essentially compared households owning one or more small businesses with other households. Appendix A expands the definition of small business to include self-employment, which didn't appear to substantially change the results of this study. For further results using this new definition, please see Appendix 1.



And finally, the inconsistency in these results might be caused by errors in the data. These data were gathered by two data collection agencies over 15 years.

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## **Appendix A Defining Family Entrepreneurship in the Survey of Consumer Finances**

The Survey of Consumer Finances (SCF) is a valuable resource for researchers examining the financial success of households with small business owners/managers and self-employed individuals living in the household. The SCF is designed to supply detailed and reliable financial information, including income statements, balance sheets, use of financial services, pensions, labor force participation, and demographic characteristics of U.S. households. Previous studies using the SCF have utilized questions x3103 (Do you own or share ownership in any privately-held businesses, farms, professional practices, limited partnerships, or any other types of partnerships?) and x3104 (Do you have an active management role in any of these businesses?) to identify observations with business owners and managers residing in the household. This appendix expands the definition of small business owners/managers to include households with one or more self-employed individuals. Households with an owner/manager or self-employed spouse or partner are referred to here as “entrepreneurial families.”

This more inclusive definition of business owner / manager increased the number of business-owning households by more than 36 percent for each year from 1989 through 2004 (Table A.1). For instance, there were 14.8 million households (13.8 million owner/managers and 1 million owners only) with an owner/manager living in the household using the old definition in 2004. The new definition increases the number of households with owner/manager/self-employed spouse or partner residing in the household to 21.4 million households, a 44 percent increase.

Who are these business owners? The more traditional business owners are easy to identify because they acknowledge owning or sharing in the ownership of a business. This group of owners has been divided into two groups, owner-managers and owners only. Owner-managers own and manage at least one business. An owner-manager would be an individual who owns the business and provides all of the management, such as a grocery store owner who manages all of the resources of the firm. Owners only are investors in the business with no management responsibilities. Using the grocery store example, an owner would own the business, but not participate in managing the firm. The expanded definition includes respondents who indicate that they or their spouses/partners are self-employed or participating in a partnership (or non-publicly traded firm), but do not indicate that they are owners of a business. They are identified by responding in the affirmative to one of two questions: x4106 (Do you work for someone else, are you self-employed, or what?) and x4706 (Does he/she work for someone else, are they self-employed, or what?). The last case captures those individuals who view themselves as being self-employed or participating in a partnership (or non-publicly traded firm), but who are not owners of any business. These households typically have one individual with wage-and-salary or professional practice income; they have no business assets and are engaged in self-employment to supplement the household's wage or salary income. These three types of business owners are defined as "entrepreneurial families."

Entrepreneurial family households in the SCF can be defined by ownership, management, and self-employment. This taxonomy provides a more inclusive definition of a business owner and suggests a useful taxonomy for describing and analyzing business activity in the entrepreneurial family's household.

The personal and demographic characteristics of these entrepreneurial family households are summarized in Table A.2 for each of the years 1989 through 2004. The businesses added to this definition of the entrepreneurial family are summarized in column 3 (self-employment). These respondents do not claim to own a business, but classified themselves as self-employed or engaged in a partnership (or non-publicly traded firm). When compared with households owning and managing a single business (column 5) in 2004, these self-employed respondents were much more likely to be minorities, were more likely not to have a high school diploma, were less likely to be married and were less likely to be high income or high wealth. In addition, they were more likely to have wage-and-salary income, were less likely to have professional practice income, and were more likely to own vehicles and residential real estate than the owner/manager business households. Please see Table A.2–1989 through Table A.2–2001 for other comparisons.

Table A.3 uses the new definition of the entrepreneurial family household to examine the probability of the household being in the top 10 percent of household income or household wealth from 1989 through 2004. In 2004 the entrepreneurial family household had about a fourfold higher probability of being high income and high wealth than a household with no business ownership or self-employment. Households with at least one business owned and managed by a member of the household had a twofold higher probability of being high income and nearly threefold higher probability of being high wealth than households with no business ownership, but where at least one member was self-employed. Multiple business owners had the highest probability of being high

income (52.2 percent) and high wealth (64.1 percent) in this group of entrepreneurial family households. This pattern was consistent across the other years 1989 through 2001.

Table A.4 compares the progress of the entrepreneurial family household with households claiming no business ownership or self-employment from 1989 through 2004. Table 4 uses three definitions of high income and high wealth for comparison with the analysis in the main paper. In columns 2 through 5, high income is defined as earning \$50,000 or more per year in 1992 dollars and high wealth is defined as holding \$1 million in 1992 dollars. In columns 6 through 9, high income and wealth are defined as being in the top 10 percent of income earners and wealth holders, respectively. In columns 10 through 13, the dependent variables are log income and log wealth.

The log income regression analysis suggests that, on average, households earned higher real income in 2004 than in 1989, although the probability of high income regressions suggested that all households had a lower probability of being high income in 2004 than 1989. In general, the regression analysis suggested that entrepreneurial family households earned higher income than other households. However, there was no evidence that entrepreneurial family households fared better than other households from 1989 through 2004.

The three regression analyses for wealth revealed a somewhat different story. The log wealth regression analysis suggests that all households earned higher real wealth in 2004 than in 1989, although the probability of high wealth regressions suggested that all households had a lower probability of being high income in 2004 than in 1989. In addition, this regression analysis suggested that entrepreneurial family households earned higher income than other households. Most important, there was evidence that

entrepreneurial family households fared worse from 1989 through 2004 than other households. This relatively robust result supports earlier work in the main body of this paper.

The new definition of family business, which includes those households classified as self-employed and those owning a business, substantially increases the size of the “entrepreneurial family.” This initial analysis suggests that these households with self-employment appear to have a higher probability of being high income and high wealth than households without any business activity. However, these households do not appear to be as financially successful as more traditional business-owning households. More work is warranted to more carefully define these entrepreneurial family households and assess their contribution to the share of income earned and wealth held.



Table A.1 Number of Business-Owning Households Represented in the Survey of Consumer Finances, 89 - 04

Characteristics	2004	2001	1998	1995	1992	1989
	(x million dollars)					
All Respondents	112.1	106.5	102.5	99.0	95.9	93.0
No ownership and no self-employed head or spouse	90.7	86.6	84.7	81.5	78.8	76.4
Business owning households plus self-employed	21.4	19.9	17.9	17.5	17.2	16.6
No ownership, but self-employed head or spouse	6.6	5.2	4.8	4.8	3.5	4.5
Own and manage	13.8	13.3	12.0	11.6	12.7	10.5
Single	11.4	10.3	9.6	8.7	10.1	8.8
Self-employed spouse	2.4	2.3	1.9	2.0	2.2	1.5
Other	8.9	8.1	7.7	6.7	7.9	7.3
Multiple	2.5	2.9	2.4	3.0	2.6	1.7
Own, but do not manage	1.0	1.4	1.0	1.1	1.0	1.6
Number of Observations	4,519	4,442	4,305	4,299	3,906	3,143

Table A.2-1989 Personal and Demographic Characteristics of the Household, 1989

Household Characteristics	No Business Ownership		Business Ownership			
	No Self-Employment	Self-Employment	Own/Manage Single Business		Own/Manage Multiple Businesses	Own, Not Manage
			Self-Employed Spouse	Other	All	
<i>Age of household head</i>						
Less than 35	29.3	20.7	12.9	24.9	20.1	18.4
35-44	19.6	28.3	38.5	30.4	41.9	19.3
45-54	14.2	17.2	21.3	23.1	17.0	10.8
55-64	13.6	18.3	15.4	12.5	13.9	19.5
65-74	13.3	12.5	9.2	7.4	6.8	17.5
75 and over	10.0	3.0	2.6	1.7	0.3	14.6
<i>Race of household head</i>						
Non-minority	72.8	76.7	93.1	86.7	89.8	79.0
Minority	27.2	23.3	6.9	13.3	10.2	21.0
<i>Gender of household head</i>						
Male	67.8	89.8	99.9	89.4	89.3	85.9
Female	32.2	10.2	0.1	10.6	10.7	14.1
<i>Education of household head</i>						
No high school diploma	26.5	18.0	15.6	14.2	6.0	19.2
High school diploma only	33.5	21.7	35.0	28.7	21.9	23.3
Some college	14.6	28.5	15.3	18.3	13.6	15.5
College degree or more	25.4	31.8	34.2	38.8	58.5	42.0
<i>Marital status of household head</i>						
Married	51.8	63.2	98.4	70.2	70.1	66.9
Not married	48.2	36.8	1.6	29.8	29.9	33.1
<i>Income of household (dollars)</i>						
Less than 10,000	13.7	10.4	0.0	2.5	3.6	3.6
10,000-24,999	25.3	23.6	6.6	15.5	4.6	19.6
25,000-49,999	27.9	32.5	26.6	25.6	9.7	11.4
50,000-99,999	24.0	22.0	36.8	28.3	45.1	20.2
100,000 or more	9.0	11.4	30.0	28.0	37.1	45.2
<i>Net worth of household (dollars)</i>						
Less than 50,000	48.4	42.9	3.4	14.3	5.4	19.3
50,000-99,999	13.8	20.5	10.3	10.3	10.0	4.0
100,000-249,999	21.5	13.6	22.4	27.4	11.7	11.7
250,000-499,999	10.5	11.6	21.7	16.5	15.6	21.2
500,000-999,999	4.2	5.8	17.7	15.3	16.6	16.7
1,000,000-2,499,999	1.3	3.4	21.0	10.2	20.0	17.1
2,500,000-4,999,999	0.3	1.7	3.1	3.8	9.6	6.3
5,000,000-9,999,999	0.0	0.2	0.1	1.6	5.3	2.6
10,000,000 or more	0.0	0.2	0.3	0.7	5.8	1.0
<i>Structure of income (shares of total household income)</i>						
Wages and salaries	62.3	65.2	61.1	60.5	65.0	53.7
Professional practice	0.4	11.4	29.2	24.7	19.1	9.5
Non-taxable investments	0.4	0.4	0.4	0.7	0.8	1.6
Other interest income	3.0	1.7	2.0	2.8	4.5	7.5
Dividends	0.7	0.8	0.8	1.2	1.5	4.5
Sale of stocks/bonds/r. estate	0.8	0.9	1.8	2.3	2.5	0.2
Net rent/trust/royalties	1.2	2.8	2.0	1.8	4.6	6.8
Unemployment/workmans compensation	0.5	0.2	0.0	0.6	0.1	0.1
Child support/alimony	0.8	0.9	0.0	0.2	0.0	0.2
TANF, food stamps, etc.	5.6	4.1	0.0	0.1	0.0	0.4
Social security/pensions	21.6	11.2	5.2	3.8	1.9	14.3
Other income (adjustment)	2.6	0.6	-2.4	0.3	0.1	1.2
<i>Structure of wealth (shares of total assets)</i>						
Stock mutual funds	0.2	0.2	0.4	0.3	0.3	0.2
Total directly-held mf	0.6	0.6	0.6	1.0	0.7	0.9
Stocks	1.9	2.1	1.8	1.7	2.1	4.8
Thrift-type plans	2.5	1.3	1.7	1.4	1.6	1.9
Other financial assets	2.1	2.7	1.2	1.6	3.7	1.6
Vehicles	19.6	21.9	5.2	9.4	4.5	14.5
Residential real estate	39.1	37.4	35.8	31.7	18.3	22.7
Business	0.0	0.0	37.4	29.3	46.5	17.5
Net equity in nonres r estate	1.7	5.8	3.5	2.5	4.8	7.0
Other nonfinancial	1.4	2.4	0.6	1.5	2.7	2.0
Other assets	30.8	0.0	0.0	0.0	0.0	0.0
Observations	2,043	173	106	424	258	139

Table A.2-1992 Personal and Demographic Characteristics of the Household, 1992

Household Characteristics	No Business Ownership		Business Ownership				
	No Self-Employment	Self-Employment	Own/Manage Single Business		Own/Manage Multiple Businesses		
			Self-Employed Spouse	Other	All	Own, Not Manage	
<i>Age of household head</i>							
Less than 35	27.0	24.6	15.6	21.0	14.9	23.1	
35-44	20.7	34.1	33.1	31.4	33.7	13.3	
45-54	15.7	14.9	20.4	20.9	19.0	15.0	
55-64	12.4	17.3	21.2	14.8	21.4	22.0	
65-74	13.5	8.0	7.6	9.5	7.6	13.1	
75 and over	10.6	1.1	2.2	2.4	3.4	13.5	
<i>Race of household head</i>							
Non-minority	73.1	83.8	89.2	85.7	85.1	85.8	
Minority	26.9	16.2	10.8	14.3	14.9	14.2	
<i>Gender of household head</i>							
Male	68.4	83.7	100.0	87.5	96.7	85.7	
Female	31.6	16.3	0.0	12.5	3.3	14.3	
<i>Education of household head</i>							
No high school diploma	22.9	15.8	8.0	7.8	4.4	8.3	
High school diploma only	31.2	28.8	24.8	25.8	18.5	19.1	
Some college	17.9	15.9	11.8	19.0	18.9	13.5	
College degree or more	27.9	39.5	55.4	47.4	58.2	59.1	
<i>Marital status of household head</i>							
Married	49.6	66.8	98.8	68.9	82.2	70.7	
Not married	50.4	33.2	1.2	31.1	17.8	29.3	
<i>Income of household (dollars)</i>							
Less than 10,000	14.5	8.5	3.5	2.9	0.4	0.0	
10,000-24,999	26.1	19.2	3.6	20.2	6.0	21.9	
25,000-49,999	29.5	32.0	30.3	20.2	24.3	24.5	
50,000-99,999	23.1	22.7	42.0	32.6	20.9	26.7	
100,000 or more	6.9	17.7	20.5	24.1	48.4	26.9	
<i>Net worth of household (dollars)</i>							
Less than 50,000	49.4	43.4	3.6	19.0	2.5	25.2	
50,000-99,999	15.4	7.6	15.0	11.6	1.9	3.5	
100,000-249,999	20.4	19.0	37.7	31.0	18.0	12.9	
250,000-499,999	9.3	18.2	25.9	12.1	16.9	13.0	
500,000-999,999	3.7	6.4	10.0	13.6	18.2	21.3	
1,000,000-2,499,999	1.4	3.9	3.9	8.9	26.4	12.3	
2,500,000-4,999,999	0.3	0.8	3.0	2.5	8.7	6.4	
5,000,000-9,999,999	0.1	0.7	0.6	1.0	5.1	4.2	
10,000,000 or more	0.0	0.1	0.2	0.3	2.2	1.3	
<i>Structure of income (shares of total household income)</i>							
Wages and salaries	62.3	70.9	60.8	62.5	50.5	40.5	
Professional practice	0.7	8.0	26.3	18.5	28.3	13.1	
Non-taxable investments	0.5	0.4	0.2	0.4	0.9	1.3	
Other interest income	2.3	1.7	1.2	1.9	3.3	7.9	
Dividends	0.6	0.8	1.1	0.7	2.8	3.5	
Sale of stocks/bonds/r. estate	1.9	1.0	-1.8	1.2	2.8	1.8	
Net rent/trust/royalties	1.2	1.5	4.3	3.7	3.7	4.4	
Unemployment/workmans compensation	1.2	0.3	0.6	0.5	0.7	0.1	
Child support/alimony	0.8	1.9	0.1	0.6	0.2	0.0	
TANF, food stamps, etc.	5.2	5.3	0.0	0.7	0.0	0.0	
Social security/pensions	21.2	5.4	5.4	7.6	2.9	21.3	
Other income (adjustment)	2.3	0.6	1.8	1.5	3.9	2.1	
<i>Structure of wealth (shares of total assets)</i>							
Stock mutual funds	0.5	0.3	0.6	0.6	0.5	1.1	
Total directly-held mf	1.1	0.9	0.9	1.1	1.2	1.5	
Stocks	2.2	4.2	4.5	2.7	5.8	5.5	
Thrift-type plans	3.2	3.1	1.6	2.1	2.6	2.5	
Other financial assets	2.3	3.6	1.9	1.2	1.3	1.1	
Vehicles	20.6	19.9	7.0	11.5	5.0	10.9	
Residential real estate	39.8	38.6	44.1	34.8	24.9	39.9	
Business	0.0	0.0	19.9	26.1	38.6	31.9	
Net equity in nonres r estate	1.6	3.5	4.4	2.8	5.8	-30.9	
Other nonfinancial	1.0	0.9	0.4	1.4	0.7	1.5	
Other assets	27.6	0.0	0.0	0.0	0.0	0.0	
Observations	2,465	175	136	514	503	113	

Table A.2-1995 Personal and Demographic Characteristics of the Household, 1995

Household Characteristics	No Business Ownership		Business Ownership				
	No Self-Employment	Self-Employment	Own/Manage Single Business		Own/Manage Multiple Businesses		
			Self-Employed Spouse	Other	All	Own, Not Manage	
<i>Age of household head</i>							
Less than 35	25.6	27.8	23.9	16.8	18.4	21.3	
35-44	21.9	24.5	28.0	30.4	31.0	26.4	
45-54	16.6	19.0	21.4	26.3	27.0	19.4	
55-64	12.2	15.3	17.4	11.2	16.0	14.7	
65-74	12.6	11.2	9.3	10.4	5.6	9.3	
75 and over	11.2	2.2	0.1	4.8	2.1	8.8	
<i>Race of household head</i>							
Non-minority	75.7	78.1	90.1	87.5	92.9	89.7	
Minority	24.3	21.9	9.9	12.5	7.1	10.3	
<i>Gender of household head</i>							
Male	67.4	84.7	100.0	88.3	91.5	78.5	
Female	32.6	15.3	0.0	11.7	8.5	21.5	
<i>Education of household head</i>							
No high school diploma	20.2	14.4	12.9	10.1	1.5	10.7	
High school diploma only	32.6	32.2	29.9	28.4	16.7	21.8	
Some college	19.1	16.7	17.4	20.5	18.4	20.5	
College degree or more	28.0	36.6	39.8	41.0	63.4	47.0	
<i>Marital status of household head</i>							
Married	49.4	60.9	88.6	65.6	71.5	51.6	
Not married	50.6	39.1	11.4	34.4	28.5	48.4	
<i>Income of household (dollars)</i>							
Less than 10,000	14.3	9.1	0.8	5.7	7.1	3.4	
10,000-24,999	24.1	24.1	8.5	12.3	2.2	5.5	
25,000-49,999	29.9	29.2	33.9	27.3	23.9	22.2	
50,000-99,999	23.5	28.9	39.9	29.3	29.8	38.7	
100,000 or more	8.2	8.8	16.8	25.4	37.0	30.2	
<i>Net worth of household (dollars)</i>							
Less than 50,000	47.3	47.1	18.5	13.0	11.8	8.6	
50,000-99,999	16.3	14.6	19.2	11.6	7.3	11.5	
100,000-249,999	21.5	16.0	24.1	31.9	23.7	23.9	
250,000-499,999	8.9	9.3	11.8	18.4	16.9	15.1	
500,000-999,999	4.2	8.3	15.5	13.1	11.8	17.7	
1,000,000-2,499,999	1.3	3.9	6.7	8.3	11.7	13.6	
2,500,000-4,999,999	0.3	0.5	2.6	2.0	8.4	4.6	
5,000,000-9,999,999	0.1	0.2	1.5	1.2	4.2	2.8	
10,000,000 or more	0.0	0.1	0.1	0.6	4.1	2.1	
<i>Structure of income (shares of total household income)</i>							
Wages and salaries	63.4	69.0	63.1	61.2	54.9	61.7	
Professional practice	0.4	7.8	20.3	21.8	24.4	7.6	
Non-taxable investments	0.3	0.2	0.2	0.4	0.6	2.8	
Other interest income	1.7	0.8	1.7	2.4	2.4	3.9	
Dividends	1.0	0.9	0.6	0.8	1.4	5.5	
Sale of stocks/bonds/r. estate	0.7	0.4	2.4	2.1	4.2	2.3	
Net rent/trust/royalties	0.9	2.6	1.4	1.4	3.3	0.9	
Unemployment/workmans compensation	0.8	0.8	0.0	0.2	0.4	0.4	
Child support/alimony	1.0	0.9	0.4	0.7	0.6	0.4	
TANF, food stamps, etc.	5.4	2.5	0.8	0.9	0.0	3.0	
Social security/pensions	22.4	11.4	6.9	5.6	5.3	8.1	
Other income (adjustment)	2.1	1.8	0.8	1.7	1.5	0.6	
<i>Structure of wealth (shares of total assets)</i>							
Stock mutual funds	1.0	0.7	0.7	1.5	1.7	1.9	
Total directly-held mf	1.5	1.4	1.1	2.8	2.3	3.8	
Stocks	2.6	2.7	3.3	3.3	4.1	6.7	
Thrift-type plans	4.4	1.9	2.2	2.5	1.7	1.4	
Other financial assets	2.4	2.3	1.1	1.9	1.7	3.7	
Vehicles	21.0	24.9	10.3	8.5	8.8	6.8	
Residential real estate	38.6	40.5	39.2	33.8	25.9	29.3	
Business	0.0	0.0	23.4	26.2	36.1	15.2	
Net equity in nonres r estate	1.4	3.2	3.5	2.5	4.4	8.7	
Other nonfinancial	1.0	1.5	0.5	1.5	1.2	1.3	
Other assets	26.1	0.0	0.0	0.0	0.0	0.0	
Observations	2,774	226	149	509	507	134	

Table A.2-1998 Personal and Demographic Characteristics of the Household, 1998

Household Characteristics	No Business Ownership		Business Ownership				
	No Self-Employment	Self-Employment	Own/Manage Single Business		Own/Manage Multiple Businesses		
			Self-Employed Spouse	Other	All	Own, Not Manage	
<i>Age of household head</i>							
Less than 35	24.8	20.1	10.6	17.4	8.1	14.0	
35-44	22.7	18.4	22.7	28.6	35.6	24.6	
45-54	17.5	22.9	35.0	27.8	29.5	24.4	
55-64	12.1	17.0	15.2	15.6	19.1	14.6	
65-74	11.3	15.3	11.0	8.9	6.8	16.2	
75 and over	11.6	6.3	5.4	1.6	0.8	6.2	
<i>Race of household head</i>							
Non-minority	75.8	82.5	88.7	88.3	95.3	81.2	
Minority	24.2	17.5	11.3	11.7	4.7	18.8	
<i>Gender of household head</i>							
Male	68.3	83.8	96.7	91.2	94.3	88.7	
Female	31.7	16.2	3.3	8.8	5.7	11.3	
<i>Education of household head</i>							
No high school diploma	17.7	17.3	5.2	7.7	6.8	6.2	
High school diploma only	33.5	28.6	17.7	23.8	22.4	20.4	
Some college	18.1	17.4	26.3	20.4	25.7	13.3	
College degree or more	30.8	36.8	50.7	48.2	45.1	60.1	
<i>Marital status of household head</i>							
Married	47.8	65.0	93.0	72.6	73.5	78.6	
Not married	52.2	35.0	7.0	27.4	26.5	21.4	
<i>Income of household (dollars)</i>							
Less than 10,000	12.2	4.7	1.7	3.7	3.6	15.1	
10,000-24,999	23.0	27.4	7.0	9.0	1.9	5.3	
25,000-49,999	29.8	24.7	28.7	25.0	21.7	3.4	
50,000-99,999	25.8	23.8	34.7	33.8	32.9	28.2	
100,000 or more	9.2	19.5	27.9	28.4	39.9	48.1	
<i>Net worth of household (dollars)</i>							
Less than 50,000	45.5	36.9	8.2	15.9	5.7	11.4	
50,000-99,999	13.0	14.4	6.8	11.4	7.0	2.4	
100,000-249,999	21.9	19.8	18.7	24.0	19.0	15.9	
250,000-499,999	11.7	14.2	16.3	19.6	17.6	19.0	
500,000-999,999	5.3	5.5	35.6	13.7	13.6	20.1	
1,000,000-2,499,999	2.0	6.8	10.5	9.5	15.7	10.6	
2,500,000-4,999,999	0.4	1.8	1.8	4.0	9.0	11.5	
5,000,000-9,999,999	0.2	0.5	0.9	1.3	7.7	5.0	
10,000,000 or more	0.1	0.2	1.1	0.6	4.7	4.0	
<i>Structure of income (shares of total household income)</i>							
Wages and salaries	65.8	63.4	61.3	65.8	60.4	54.0	
Professional practice	0.5	10.1	20.1	20.4	23.7	23.7	
Non-taxable investments	0.3	0.2	0.3	0.3	0.8	1.5	
Other interest income	1.8	1.3	2.0	1.2	2.2	1.9	
Dividends	0.6	0.8	1.4	0.7	1.0	1.5	
Sale of stocks/bonds/r. estate	2.0	-2925.4	4.0	1.8	2.0	4.0	
Net rent/trust/royalties	0.8	2928.5	1.7	1.1	3.6	1.2	
Unemployment/workmans compensation	0.5	0.7	0.0	0.5	0.0	0.0	
Child support/alimony	1.0	0.3	0.0	0.6	0.2	0.3	
TANF, food stamps, etc.	3.3	0.9	0.5	0.1	0.0	1.0	
Social security/pensions	20.5	14.3	8.0	6.9	1.6	9.6	
Other income (adjustment)	3.0	1.0	0.7	0.2	0.1	1.3	
<i>Structure of wealth (shares of total assets)</i>							
Stock mutual funds	1.6	2.6	2.6	1.7	1.4	2.0	
Total directly-held mf	2.4	3.8	3.6	2.2	2.0	3.2	
Stocks	3.9	4.6	10.3	4.8	5.3	11.9	
Thrift-type plans	5.9	1.6	1.6	4.3	2.0	6.2	
Other financial assets	2.2	1.8	2.3	2.1	0.7	1.5	
Vehicles	19.2	18.6	5.4	9.5	5.6	6.3	
Residential real estate	36.9	44.7	36.5	31.0	29.4	30.1	
Business	0.0	0.0	19.8	26.3	36.4	20.6	
Net equity in nonres r estate	1.2	2.3	4.6	2.8	3.6	2.1	
Other nonfinancial	0.9	0.9	1.0	1.8	1.1	0.7	
Other assets	25.9	0.0	0.0	0.0	0.0	0.0	
Observations	2,787	241	152	558	446	121	

Table A.2-2001 Personal and Demographic Characteristics of the Household, 2001

Household Characteristics	No Business Ownership		Business Ownership			
	No Self-Employment	Self-Employment	Own/Manage Single Business		Own/Manage Multiple Businesses	Own, Not Manage
			Self-Employed Spouse	Other	All	
<i>Age of household head</i>						
Less than 35	24.3	21.4	18.1	14.2	5.1	22.2
35-44	22.0	18.9	17.0	26.5	30.2	25.4
45-54	19.1	21.6	29.8	29.6	34.7	19.2
55-64	12.0	18.2	22.9	17.0	22.6	11.8
65-74	10.7	13.7	10.6	9.8	7.2	16.3
75 and over	11.9	6.3	1.6	2.9	0.2	5.1
<i>Race of household head</i>						
Non-minority	73.9	77.2	86.5	89.9	93.8	91.6
Minority	26.1	22.8	13.5	10.1	6.2	8.4
<i>Gender of household head</i>						
Male	69.5	86.3	97.4	88.6	96.1	91.8
Female	30.5	13.7	2.6	11.4	3.9	8.2
<i>Education of household head</i>						
No high school diploma	17.7	11.0	9.6	7.6	2.3	5.1
High school diploma only	33.0	32.6	28.8	23.6	16.9	17.6
Some college	18.7	19.0	20.1	15.2	15.0	19.1
College degree or more	30.5	37.4	41.6	53.6	65.8	58.2
<i>Marital status of household head</i>						
Married	48.0	68.2	94.8	70.6	86.2	81.9
Not married	52.0	31.8	5.2	29.4	13.8	18.1
<i>Income of household (dollars)</i>						
Less than 10,000	10.1	7.7	2.3	1.9	0.1	0.1
10,000-24,999	22.1	16.0	5.6	9.6	5.6	0.0
25,000-49,999	28.9	31.8	23.3	21.9	17.6	11.7
50,000-99,999	27.5	22.8	29.0	28.8	28.1	27.8
100,000 or more	11.5	21.7	39.7	37.9	48.6	60.4
<i>Net worth of household (dollars)</i>						
Less than 50,000	44.1	37.5	1.7	8.2	3.7	13.1
50,000-99,999	13.6	8.4	12.5	8.5	5.2	3.6
100,000-249,999	19.2	16.9	15.3	20.8	14.8	9.8
250,000-499,999	12.4	10.9	26.3	23.1	15.7	18.0
500,000-999,999	7.0	12.6	20.1	18.7	16.2	13.8
1,000,000-2,499,999	2.8	9.7	12.2	13.6	18.3	19.5
2,500,000-4,999,999	0.5	2.8	6.5	4.2	11.6	5.9
5,000,000-9,999,999	0.2	0.8	3.8	2.1	7.8	11.0
10,000,000 or more	0.1	0.3	1.5	0.9	6.7	5.2
<i>Structure of income (shares of total household income)</i>						
Wages and salaries	67.9	66.4	66.6	63.8	61.6	62.4
Professional practice	0.4	8.8	19.4	21.2	24.4	6.4
Non-taxable investments	0.4	0.8	0.3	0.2	0.7	1.2
Other interest income	1.4	1.3	1.6	1.5	2.1	6.0
Dividends	1.0	1.5	0.6	0.9	1.7	2.5
Sale of stocks/bonds/r. estate	0.9	1.2	1.9	1.5	2.1	6.6
Net rent/trust/royalties	0.8	-0.2	4.7	1.9	3.4	2.2
Unemployment/workmans compensation	0.5	0.5	0.1	0.2	0.0	0.2
Child support/alimony	0.8	0.5	0.0	1.2	0.2	0.0
TANF, food stamps, etc.	2.4	1.6	0.0	0.0	0.0	0.0
Social security/pensions	22.4	16.2	4.0	7.1	3.1	11.5
Other income (adjustment)	1.2	0.6	0.7	0.4	0.7	1.0
<i>Structure of wealth (shares of total assets)</i>						
Stock mutual funds	1.6	3.1	3.6	2.4	1.5	3.3
Total directly-held m/f	2.3	3.7	4.0	3.3	2.2	3.9
Stocks	4.5	7.3	4.7	5.3	8.0	9.2
Thrift-type plans	5.7	2.4	3.5	3.9	3.4	4.5
Other financial assets	1.7	2.3	0.8	2.6	1.3	2.2
Vehicles	20.3	19.2	6.5	8.3	4.6	9.1
Residential real estate	37.5	36.3	34.8	33.9	30.0	27.7
Business	0.0	0.0	29.5	24.8	34.2	14.2
Net equity in nonres r estate	1.2	2.5	3.2	2.4	4.3	4.0
Other nonfinancial	0.8	0.8	0.7	1.5	0.9	0.3
Other assets	24.5	0.0	0.0	0.0	0.0	0.0
Observations	2,843	245	161	564	463	166

Table A.2-2004 Personal and Demographic Characteristics of the Household, 2004

Household Characteristics	No Business Ownership		Business Ownership				
	No Self-Employment	Self-Employment	Own/Manage Single Business		Own/Manage Multiple Businesses		
			Self-Employed Spouse	Other	All	Own, Not Manage	
<i>Age of household head</i>							
Less than 35	24.1	15.0	18.1	14.3	12.1	10.7	
35-44	20.1	22.3	23.1	25.0	24.2	14.6	
45-54	18.6	31.9	30.9	27.4	32.7	19.7	
55-64	14.3	16.4	18.6	19.6	22.9	26.7	
65-74	10.7	9.8	8.8	8.4	6.5	7.5	
75 and over	12.1	4.6	0.4	5.4	1.5	20.8	
<i>Race of household head</i>							
Non-minority	71.4	75.5	82.5	86.0	88.1	90.9	
Minority	28.6	24.5	17.5	14.0	11.9	9.1	
<i>Gender of household head</i>							
Male	67.8	86.6	100.0	87.6	94.0	83.0	
Female	32.2	13.4	0.0	12.4	6.0	17.0	
<i>Education of household head</i>							
No high school diploma	15.7	18.4	6.9	6.5	0.5	5.1	
High school diploma only	31.8	24.9	27.2	29.6	16.3	21.2	
Some college	18.7	14.4	19.8	16.7	19.5	8.7	
College degree or more	33.7	42.3	46.1	47.2	63.7	65.0	
<i>Marital status of household head</i>							
Married	45.8	61.3	87.8	68.2	79.9	75.2	
Not married	54.2	38.7	12.2	31.8	20.1	24.8	
<i>Income of household (dollars)</i>							
Less than 10,000	9.9	9.1	0.1	2.3	3.2	0.0	
10,000-24,999	22.5	14.6	9.7	12.0	5.0	14.3	
25,000-49,999	29.2	27.5	21.2	21.3	11.4	16.6	
50,000-99,999	26.4	26.5	42.0	33.0	17.8	20.7	
100,000 or more	12.1	22.4	27.0	31.4	62.6	48.3	
<i>Net worth of household (dollars)</i>							
Less than 50,000	44.7	32.9	11.6	13.3	4.5	11.0	
50,000-99,999	13.2	11.0	6.1	7.8	3.2	3.0	
100,000-249,999	19.0	22.5	17.3	20.8	8.5	7.5	
250,000-499,999	10.9	15.9	28.1	16.8	10.4	15.9	
500,000-999,999	7.2	10.1	19.6	21.7	18.0	18.4	
1,000,000-2,499,999	4.0	4.7	9.4	11.4	21.9	23.4	
2,500,000-4,999,999	0.5	1.5	4.8	5.0	12.5	10.5	
5,000,000-9,999,999	0.2	1.0	1.6	2.2	12.7	2.3	
10,000,000 or more	0.1	0.4	1.5	0.9	8.2	7.9	
<i>Structure of income (shares of total household income)</i>							
Wages and salaries	66.3	71.1	62.9	61.6	69.0	56.0	
Professional practice	0.4	10.0	20.3	19.4	15.1	6.7	
Non-taxable investments	0.2	0.3	0.1	0.3	0.7	1.6	
Other interest income	0.8	0.5	1.0	1.5	2.6	3.3	
Dividends	0.5	0.6	1.1	0.4	2.0	5.1	
Sale of stocks/bonds/r. estate	2.1	0.2	1.4	0.7	3.0	1.6	
Net rent/trust/royalties	0.9	2.0	5.1	3.7	-0.5	1.9	
Unemployment/workmans compensation	0.4	0.5	0.3	0.5	0.4	0.0	
Child support/alimony	0.9	0.7	0.2	0.6	0.0	0.0	
TANF, food stamps, etc.	2.8	2.3	0.1	0.8	0.0	0.0	
Social security/pensions	23.0	10.3	7.1	9.7	7.0	23.9	
Other income (adjustment)	1.6	0.9	0.4	0.6	0.6	0.0	
<i>Structure of wealth (shares of total assets)</i>							
Stock mutual funds	1.4	1.0	0.9	1.5	1.7	3.1	
Total directly-held mf	1.9	1.5	1.7	2.1	2.3	4.7	
Stocks	1.7	2.3	2.1	2.2	3.1	6.4	
Thrift-type plans	6.0	3.1	3.3	3.5	2.6	3.9	
Other financial assets	1.1	1.0	1.0	0.7	0.7	1.3	
Vehicles	21.2	19.3	9.0	8.6	3.6	4.9	
Residential real estate	42.6	43.4	41.1	38.3	23.3	36.4	
Business	0.0	0.0	21.9	23.3	41.1	13.9	
Net equity in nonres r estate	1.2	3.5	2.2	2.2	4.2	1.0	
Other nonfinancial	0.8	1.0	1.3	0.9	1.3	1.8	
Other assets	22.1	0.0	0.0	0.0	0.0	0.0	
Observations	2,859	275	165	590	502	128	

Table A.3 Probability of Being in the Top 10 Percent Household Income or Net Worth Category in 1995, 1998, 2001 and 2004 (continued)

Characteristics	1998			2001			2004		
	n	High Income	High Wealth	n	High Income	High Wealth	n	High Income	High Wealth
All respondents	4,305	0.100	0.100	4,442	0.100	0.100	4,519	0.100	0.100
No business ownership, no self-employed head or spouse	2,787	0.074	0.062	2,843	0.063	0.055	2,859	0.066	0.061
Business owning households plus self-employed	1,518	0.234	0.281	1,599	0.259	0.300	1,660	0.241	0.265
No business ownership, but self-employed head or spous	241	0.141	0.125	245	0.135	0.180	275	0.136	0.113
Own and manage any business	1,156	0.251	0.330	1,188	0.280	0.327	1,257	0.281	0.321
Single business owner	710	0.221	0.288	725	0.235	0.270	755	0.229	0.251
Single business, self-employed spouse	152	0.257	0.411	161	0.263	0.184	165	0.160	0.224
Single business, other	558	0.212	0.258	564	0.227	0.265	590	0.247	0.258
Multiple businesses	446	0.370	0.493	463	0.443	0.529	502	0.522	0.641
Own, but do not manage businesses	121	0.471	0.449	166	0.532	0.494	128	0.367	0.477



Table a.4 Determinants of High Income and Wealth Among All Households, 1989 - 2004

<b>All Respondents, 1989-2004</b>												
Characteristics <sup>1</sup>	Logistic Regression				Logistic Regression				Linear Regression			
	High Income Probability		High Wealth Probability		Highest 10% Income		Highest 10% Wealth		Log Income		Log Wealth	
	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value	Parameter	p-value
Intercept	-3.8309	0.0001	-7.3023	0.0001	-6.0132	0.0001	-6.3309	0.0001	9.3473	0.0001	5.5215	0.0001
Age, 35 - 44	0.7063	0.0001	0.7358	0.0401	0.9199	0.0001	0.6760	0.0048	0.3253	0.0001	1.4254	0.0001
Age, 45 - 54	0.9977	0.0001	1.2436	0.0004	1.3213	0.0001	1.5827	0.0001	0.3272	0.0001	2.4039	0.0001
Age, 55 - 64	0.4952	0.0001	1.8078	0.0001	1.0439	0.0001	2.2254	0.0001	0.1342	0.0005	2.6930	0.0001
Age, 65 - 74	-0.5555	0.0001	2.1953	0.0001	0.3419	0.1060	2.4818	0.0001	-0.0119	0.7770	3.1447	0.0001
Age, 75 and over	-0.9068	0.0001	2.3554	0.0001	-0.0755	0.7801	2.6257	0.0001	-0.0738	0.1009	3.6607	0.0001
Race, minority	-0.4733	0.0001	-0.7775	0.0022	-0.5093	0.0005	-1.0499	0.0001	-0.2519	0.0001	-1.3004	0.0001
Gender, male	0.8413	0.0001	0.6330	0.0278	0.6478	0.0035	0.3536	0.0753	0.2298	0.0001	1.0009	0.0001
Education, high school diploma	0.9691	0.0001	-0.0423	0.8959	0.4416	0.0747	0.5666	0.0091	0.3491	0.0001	1.0898	0.0001
Education, some college	1.3828	0.0001	0.2717	0.4136	0.7002	0.0066	1.0484	0.0001	0.4680	0.0001	1.2537	0.0001
Education, college degree or more	2.3579	0.0001	1.1763	0.0001	2.0294	0.0001	1.5609	0.0001	0.8062	0.0001	1.6915	0.0001
Marital status, married	1.4590	0.0001	0.3467	0.0865	1.2149	0.0001	0.5290	0.0006	0.5854	0.0001	1.0310	0.0001
Public stock ownership	0.9608	0.0001	1.2620	0.0001	0.9965	0.0001	1.3465	0.0001	0.3613	0.0001	1.2546	0.0001
Own real estate (>\$500,000)	1.7127	0.0001	3.1287	0.0001	2.0090	0.0001	3.6319	0.0001	0.7985	0.0001	1.8424	0.0001
Year dummy, 04	-0.9487	0.0001	-0.4484	0.0463	-0.6093	0.0001	-0.8521	0.0001	0.0283	0.2698	0.2251	0.0064
Own business/self-employed	0.0900	0.4498	2.1227	0.0001	0.6534	0.0001	1.7366	0.0001	0.1292	0.0038	1.3339	0.0001
Interaction: own business and 2004	0.2244	0.1495	-0.9248	0.0014	-0.0838	0.6730	-0.6401	0.0032	-0.0719	0.2222	-0.4597	0.0152
Owns/manages multiple businesses												
Interaction: multiple and 2001												
-2 Log Likelihood/R-square		6,269		1,538		3,167		2,599		0.344		0.342
McFadden R-square		0.35		0.50		0.36		0.48				
		7,662		7,662		7,662		7,662		7,662		7,662