

## Income and Wealth: How Did Households Owning Small Businesses Fare From 1998 to 2007?

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### Introduction

This study updates previous reports prepared for the Office of Advocacy on the income and wealth of U.S. households that owned (or did not own) small businesses over various economic periods. It covers the 2007 Survey of Consumer Finances (SCF), exploring these trends over the period from 1998 to 2007.

The study examines changes in the distributions of income and wealth for households not owning a business, those owning a small business, and those owning multiple businesses. Household income as used here is the sum of wages and salaries, interest, dividends, asset sales, rents, unemployment, child support, welfare, social security, and other income sources. Household wealth is estimated by generating a balance sheet subtracting total liabilities from total assets.

### Overall Findings

The researcher found that the percentage of all households that owned any small business increased slightly from 1998 to 2007. Business-owning households were significantly more likely to be high income earners in 2007 than in 1998; the largest percentage gain was among owners with more than one business.

Moreover, while multiple-business-owning households declined as a share of all business-owning households over the 1998-2007 period, their income and wealth increased. It appears that households owning multiple small businesses are becoming more significant contributors to overall household income and wealth.

### Highlights

- Households owning small businesses in the 1998 to 2007 period had a higher probability than other households of being within the top 50 percent in income and wealth.
- The rate of increase in income and wealth for these business-owning households was about the same as that of other households.
- The characteristics of households and businesses were somewhat different in 2007 than in 1998. In 2007, high-income households were headed by younger people, while high-wealth households were headed by older people. Both high income and higher wealth households were more likely to own public stock and real estate.
- From 1998 to 2007 the likelihood of being high income and high wealth increased for all groups. By 2007, the income gap between households with and without small businesses had widened slightly and the wealth gap had remained about the same.
- From 2004 to 2007, households owning small businesses did much better than other households. The likelihood of households owning a small business being high income increased by 4.2 percent and their likelihood of being high wealth increased by 20 percent, while the likelihood of households with no businesses being high income and high wealth increased by 2.1 and 5.2 percent, respectively.
- From 1998 to 2007, households not owning a business increased real mean wealth by 39.9 percent and those owning any small business increased real mean wealth by 63.4 percent.

- Median wealth results were similar to those for mean wealth, however, for non-business owners, median wealth increased by a much lower percentage, 19.6 percent, than mean wealth; for owners of multiple businesses, median wealth increased by a much higher percentage, 214 percent.

## Note

The author obtained access to this data set, which is restricted because of privacy concerns, after the U.S. Small Business Administration and the U.S. Department of Education's National Center for Education Statistics signed a memorandum of understanding (MOU). Interested parties can reference MOU control number 0701163, signed January 17, 2007.

## Scope and Methodology

This descriptive study measures the income and wealth of households with and without businesses with emphasis on families owning one or multiple businesses. It uses the 1998 through 2007 Survey of Consumer Finances. The SCF is a triennial interview survey of U.S. families sponsored by the Board of Governors of the Federal Reserve System.

Variables used in the study include the business ownership status of the household as well as household income and wealth. The control variables include personal and demographic characteristics of the head of household and business owner, and characteristics of the business. Households owning large businesses with more than 500 employees and households with only investors (owners, but not managers) were excluded.

To be consistent with previous studies, definitions of high income and wealth are based on levels established in 1992 and adjusted for inflation. To test for robustness, analysis was conducted for 1998 to 2007 and repeated for 2001 to 2007 and 2004 to 2007. Logistic regression models were used to assess the types of families and business owners more likely to be classified as high income or high wealth.

This report was peer reviewed consistent with the Office of Advocacy's data quality guidelines. More information on the process is available from the director of economic research at [advocacy@sba.gov](mailto:advocacy@sba.gov) or (202) 205-6533.

## References

See the following earlier studies in the series:

- *Income and Wealth: How Did Households Owning Small Businesses Fare From 1989 to 2004?* at [www.sba.gov/advo/research/rs300tot.pdf](http://www.sba.gov/advo/research/rs300tot.pdf)
- *How Did Small Business-owning Households Fare During the Longest U.S. Economic Expansion?* at [www.sba.gov/advo/research/rs276tot.pdf](http://www.sba.gov/advo/research/rs276tot.pdf)

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