rise in the debt to equity and the debt to income ratios over the three years was entirely due to the reduction in wealth and income.

**Table 1. Composition of Total Household Wealth, 1983 - 2010, Selected Years**

| | Percent of gross assets | | | | |
|---|---|---|---|---|---|
| | 1983 | 1989 | 2001 | 2007 | 2010 |
| **Wealth component** | | | | | |
| Principal residence | 30.1 | 30.2 | 28.2 | 32.8 | 31.3 |
| Other real estate[a] | 14.9 | 14.0 | 9.8 | 11.3 | 11.8 |
| Unincorporated business equity[b] | 18.8 | 17.2 | 17.2 | 20.1 | 18.0 |
| Liquid assets[c] | 17.4 | 17.5 | 8.8 | 6.6 | 6.2 |
| Pension accounts[d] | 1.5 | 2.9 | 12.3 | 12.1 | 15.3 |
| Financial securities[e] | 4.2 | 3.4 | 2.3 | 1.5 | 1.8 |
| Corporate stock & mutual funds | 9.0 | 6.9 | 14.8 | 11.8 | 11.4 |
| Net equity in personal trusts | 2.6 | 3.1 | 4.8 | 2.3 | 2.4 |
| Miscellaneous assets[f] | 1.3 | 4.9 | 1.8 | 1.7 | 1.7 |
| Total assets | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Debt** | | | | | |
| Debt on principal residence | 6.3 | 8.6 | 9.4 | 11.4 | 12.9 |
| All other debt[g] | 6.8 | 6.4 | 3.1 | 3.9 | 4.5 |
| Total debt | 13.1 | 15.0 | 12.5 | 15.3 | 17.4 |
| **Selected ratios as percentages** | | | | | |
| Debt / equity ratio | 15.1 | 17.6 | 14.3 | 18.1 | 21.0 |
| Debt / income ratio | 68.4 | 87.6 | 81.1 | 118.7 | 127.0 |
| Net home equity / total assets[h] | 23.8 | 21.6 | 18.8 | 21.4 | 18.4 |
| Ratio of principal residence debt to house value | 20.9 | 28.6 | 33.4 | 34.9 | 41.2 |
| Stocks, directly or indirectly owned as a ratio to total assets[i] | 11.3 | 10.2 | 24.5 | 16.8 | 17.8 |

**Source: Survey of Consumer Finance**

[a] In 2001, 2004, and 2007, this equals the gross value of other residential real estate plus net equity in non-residential real estate.

[b] Net equity in unincorporated farm and non-farm businesses and closely-held corporations.

[c] Checking accounts, savings accounts, time deposits, money market funds, certificates of deposits, and cash surrender value of life insurance.

[d] IRAs, Keogh plans, 401(k) plans, the accumulated value of defined contribution pension plans, and other retirement accounts.

[e] Corporate bonds, government bonds (including savings bonds), open-market paper, and notes.

[f] Gold and other precious metals, royalties, jewelry, antiques, furs, loans to friends and relatives, future contracts, and miscellaneous assets.

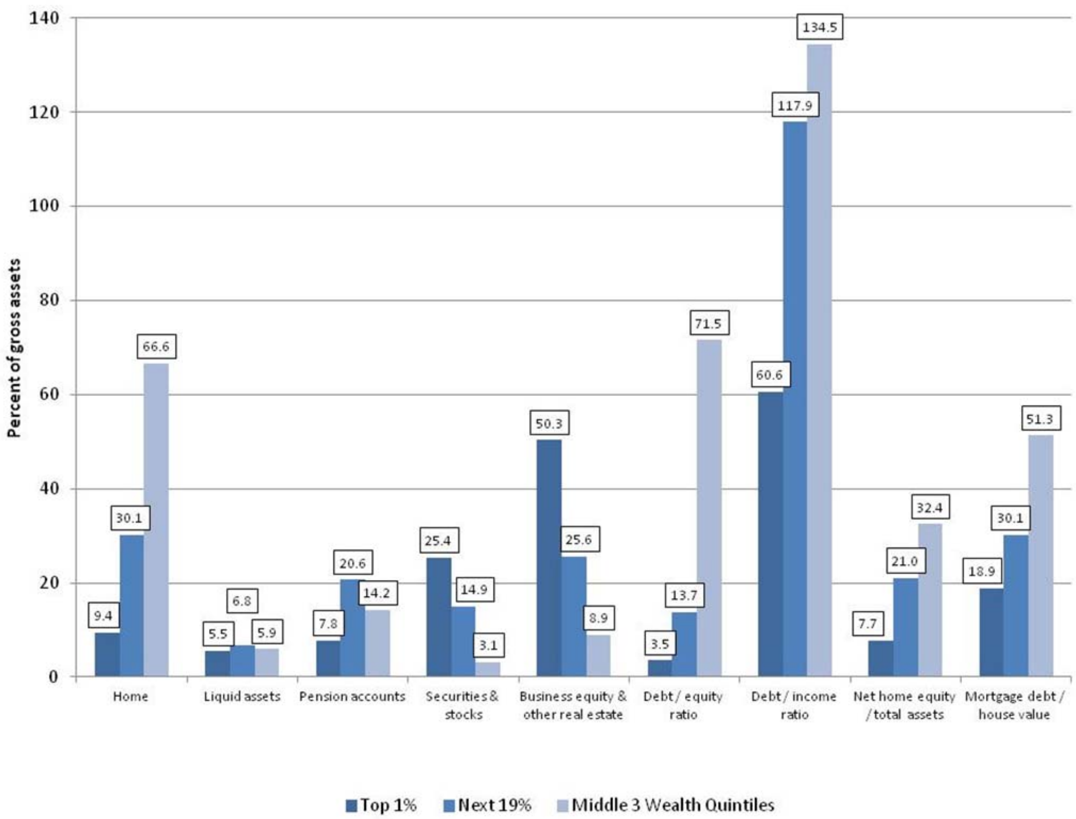
[g] Mortgage debt on all real property except principal residence; credit card, installment, and other consumer debt.

[h] Ratio of gross value of principal residence less mortgage debt on principal residence to total assets.

[i] Includes direct ownership of stock shares and indirect ownership through mutual funds, trusts, and IRAs, Keogh plans, 401(k) plans, and other retirement accounts

The tabulation in Table 1 provides a picture of the average holdings of all families in the economy, but there are marked class differences in how middle-class families and the rich invest their wealth. As shown in Figure 4, the wealthiest one percent of households invested over three quarters of their savings in investment real estate, businesses, corporate stock, and financial securities in 2010. Housing accounted for only 9 percent of their wealth, liquid assets 5 percent, and pensions account for 8 percent. The debt-equity ratio of these very wealthy households was only 0.03. Among the next richest 19 percent, housing comprised 30 percent of their total assets, liquid assets 7 percent, and pension assets 21 percent. Investment assets – non-home real estate, business equity, stocks, and bonds – made up 41 percent. Debt amounted to 14 percent of their net worth.

**Figure 4. Composition of Household Wealth by Wealth Class, 2010 (percent of gross assets)**




*In contrast, almost exactly two thirds of the assets of the middle three quintiles was invested in their home in 2010.* However, home equity amounted to only 32 percent of total assets, a reflection of their large mortgage debt. Another 20 percent went into monetary savings and pension accounts. Together housing, liquid assets, and pension assets accounted for 87 percent of total

2001-2007 period (a spread of about two percentage points in favor of the middle quintiles) helps account for the stasis in wealth inequality over these years despite the increase in income inequality.

## The racial divide widens over the Great Recession

Striking differences are found in the wealth holdings of specific racial and ethnic groups. In Table 3, households are divided into three groups: (i) non-Hispanic whites ("whites" for short), (ii) non-Hispanic African-Americans ("blacks" for short), and (iii) Hispanics. In 2007, while the ratio of mean incomes between black and white households was an already low 0.48, the ratio of mean wealth holdings was even lower, at 0.19. The homeownership rate for black households was 49% in 2007, a little less than two thirds that among whites.

**Table 3. Household Income and Wealth by Race and Ethnicity, 1983-2010 (selected years, mean values in thousands, 2010 dollars)**

| | Non-Hispanic Whites | African-Americans | Hispanics | Ratio African American to White | Ratio Hispanic to White |
|---|---|---|---|---|---|
| **Income** | | | | | |
| 1982 | 68.2 | 36.7 | 41.2 | 0.54 | 0.60 |
| 1988 | 74.7 | 33.2 | 34.0 | 0.45 | 0.46 |
| 2000 | 93.4 | 45.3 | 46.3 | 0.48 | 0.50 |
| 2006 | 97.1 | 46.9 | 48.8 | 0.48 | 0.50 |
| 2009 | 86.8 | 41.4 | 49.1 | 0.48 | 0.57 |
| **Net Worth** | | | | | |
| 1983 | 332.3 | 62.5 | 54.0 | 0.19 | 0.16 |
| 1989 | 393.2 | 65.9 | 64.7 | 0.17 | 0.16 |
| 2001 | 573.5 | 81.7 | 98.6 | 0.14 | 0.17 |
| 2007 | 685.8 | 129.0 | 179.2 | 0.19 | 0.26 |
| 2010 | 593.3 | 84.5 | 90.3 | 0.14 | 0.15 |
| **Precent Homeowners** | | | | | |
| 1983 | 68.1 | 44.3 | 32.6 | 0.65 | 0.48 |
| 1989 | 69.3 | 41.7 | 39.8 | 0.60 | 0.57 |
| 2001 | 74.1 | 47.4 | 44.3 | 0.64 | 0.60 |
| 2007 | 74.8 | 48.6 | 49.2 | 0.65 | 0.66 |
| 2010 | 74.6 | 47.7 | 47.3 | 0.64 | 0.63 |
| | | | | | |
| Source: Survey of Consumer Finance | | | | | |

Between 1982 and 2006, while the average real income of white households increased by 42 percent, it rose by only 28 percent for black households. As a result, the ratio of mean income slipped from 0.54 in 1982 to 0.48 in 2006. Between 1983 and 2001, average net worth in constant