

Who is middle class?

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MarketWatch Blog by Alicia H. Munnell



Alicia H. Munnell is a columnist for *MarketWatch* and director of the Center for Retirement Research at Boston College.

Some think in terms of household income of \$250,000; the answer is \$60,000.

All the rhetoric surrounding the coming tax reform proposals says that the changes will benefit the middle class. The question is what income group constitutes the middle class?

Many politicians have adopted household income of \$250,000 as a meaningful demarcation point for defining the middle class. Similarly, hanging around financial types and academics who worry about pensions and retirement income, it is easy to get lulled into the notion that the mass affluent – the upper middle of the income distribution – have incomes of about \$250,000.

Where does this concept of \$250,000 as the appropriate cut-off come from? According to the data in the most **recent Census report** shown in Table 1 below, the typical household in 2016 had an income of \$59,036. A household with an income of \$170,536 was at the 90th percentile point, or in the top tenth of the income distribution. Even at the 95th percentile, household income is only \$225,251. The thresholds must be interpreted with caution because households include old and young, urban and rural,

coastal and midland, and small and large. But it is very hard to understand how anyone could think of \$250,000 as the middle. Middle-class households have incomes of about \$60,000.

Table 1. Household Income at Selected Percentiles, 2016

Percentile	Dollar limit
10th	\$13,608
20th	\$24,002
50th (median)	\$59,039
80th	\$121,018
90th	\$170,536
95th	\$225,251

Source: [U.S. Census Bureau. *Income and Poverty in the United States: 2016*.](#)

Not surprisingly, the middle class does not receive a significant proportion of aggregate income. That rests with the \$214,000-plus households, who receive 52 percent of the total (see Table 2).

Table 2. Household Income at Selected Percentiles, 2016

Quintile	Mean income	Percent of aggregate income
Lowest quintile	\$12,943	3.1
Second quintile	\$34,504	8.3
Third quintile	\$59,149	14.2
Fourth quintile	\$95,178	22.9
Highest quintile	\$213,941	51.5
Top 5 percent	\$375,088	22.6

Source: [U.S. Census Bureau. *Income and Poverty in the United States: 2016*.](#)

The bottom line is keep these numbers in mind as the tax reform debate commences, so you can identify the winners and losers.

