

Large Jump in Median Household Income Is Great News

September 19, 2016

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.

But the distribution of household income provides one more wake-up call.

The headlines from the new Census publication – *Income and Poverty in the United States: 2015* – were that median household income increased by 5.2 percent and that the percentage of households in poverty dropped by 1.2 percentage points. That is wonderful news indeed.

A less publicized part of the report pertains to the distribution of income, and it always provides a reality check on what it means to be “middle class” and what it means to be “rich.” Politicians, the financial services industry, and others often characterize the middle class as those with incomes of about \$200,000.

The new Census report shows that the household in the middle of the income distribution in 2015 had an income of \$55,516 (see Table 1). A household with an income of \$162,180 was at the 90th percentile, or in the top tenth of the income distribution. A household with an income of

\$214,462 was at the 95th percentile, or in the top 5 percent. So, many confuse the middle class with the top 5 percent of households.

Table 1. *Household Income at Selected Percentiles, 2015*

Percentile	Dollar limit
10th	\$13,259
20th	\$22,800
50 th (median)	\$56,516
80th	\$117,002
90th	\$162,180
95th	\$214,462

Source: U.S. Census Bureau. *Income and Poverty in the United States: 2015*.

Maybe the confusion arises because the “median dollar” of all U.S. household income combined falls at roughly the \$200,000 level. As shown in Table 2, those in the top quintile – the highest fifth of the income distribution – earned more than 50 percent of the income in 2015.

Table 2. *Shares of Household Income by Quintiles, 2015*

Quintile	Mean income of quintile	Percentage of total household income
Lowest quintile	\$12,457	3.1%
Second quintile	32,631	8.2
Third quintile	56,832	14.3
Fourth quintile	92,031	23.2
Highest quintile	202,366	51.1

Source: U.S. Census Bureau. *Income and Poverty in the United States: 2015*.

Of course, the data 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 \$200,000 as the middle. Yet, many do.