

Parallel Session 8B: Top of the Distribution

The Income-Wealth Paradox: Connections between Realized Income and Wealth Among America's Aging Top Wealth-holders

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Abstract:

A large volume of research has explored changes in the income and wealth distributions over time and across countries. Since income and wealth are highly concentrated, recent research has focused on the behavior at the top of these distributions. The moderate correlation between income and wealth produces a less than complete overlap between individuals in the top of both distributions. This heterogeneity in the linkage between income and wealth for a group that accounts for a large fraction of overall wealth is important area of research.

In this paper, we make use of a special longitudinal panel of U.S. income tax data linked to wealth data reported on U.S. estate tax returns filed for wealthy decedents. The relatively high estate tax filing threshold places these individuals at the top of the U.S. wealth distribution. Data in the IRS Statistics of Income Family Panel Decedent Dataset allows us to investigate changes in the composition of realized income over time, which also provides insights into asset management strategies employed this elite group. In addition, we investigate the relationship between income and end of life wealth through the use of the portfolio data on reported on the estate tax returns. Due to the limitations of the tax data, we incorporate data from the U.S. Survey of Consumer Finances to estimate these panel members' contributions to the overall U.S. distributions of income and wealth. Ultimately, this research will provide important new information about the income, wealth and well-being of an important and growing segment of the U.S. population.