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ANNUAL HOUSEHOLD INCOME AND ITS RELATIONSHIPS WITH
DEMOGRAPHIC FACTORS AND PORTFOLIO COMPOSITION

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ABSTRACT

This paper first discusses the statistical parameters of the annual household income distribution in the United States. The Lorenz curve and the Gini Coefficient are also provided. In addition, the paper contains visual presentations of the relationships between annual household income, age of the head of household, education level of the head of household, and home value. Furthermore, also shown is a puzzling, very close, relationship between a household's accumulated stock of wealth and current annual household income: the connection is nearly perfectly linear. A much more complicated dependence is expected given the vagaries of a household's history of earnings, savings, and dis-savings. Finally, the most interesting results concern the connections between a novel investment risk indicator---based on a Herfindahl Index-like function of a household's financial portfolio---and annual household income. The best fitting relationship is a power law. Why this outcome occurs is a mystery: power laws have no scale and money certainly does. The data come from the 2004 edition of the Survey of Consumer Finances and the 2000 Census.