Measuring Wealth
From unsuspecting millionaires to the truly rich
By Lisa Baker

"Is money a curse? If it is, then may the Lord smite me with it and may I never recover."
— Tevye, Fiddler on the Roof

Everyone is talking about them.

Television shows promise a glimpse inside their homes. Candidates for public office want them to pay more to government. Nonprofit groups want them to give more to the poor. Investment salesmen claim to know their secrets.

The wealthy.

The folks on whose backs the country is either sinking or swimming, depending on which party is offering the metaphor. In fact, representatives of every political persuasion believe that the wealthy — or, more correctly, tax policies toward the wealthy — are the answer to all of the country's problems, whether we deny them tax cuts, tax their estates when they die, or tax their favorite cigars, their windfall profits or their capital gains.

A Gallup poll released in April shows that most Americans have no problem taxing the rich, even without a particular deserving cause in mind. A full 54 percent of respondents agreed that the government should "redistribute wealth" by heavily taxing the rich. Forty-three percent disagreed, and 5 percent were undecided.

Why are so many so willing to pursue others' wallets? Possibly because so many people believe they themselves don't qualify as "wealthy" and believe those who do probably did not earn it.

Consider this: Seventy-two percent of Americans describe themselves as middle class while only 2 percent describe themselves as upper class, according to a recent survey by the Pew Research Center.

Those who describe themselves as middle or lower class believe the rich became wealthy as a result of favorable social connections or were "born into it." Fewer believe hard work was a factor. By contrast, most upper class members believe it is hard work, ambition and education that lead to wealth, according to the survey.

A complex disagreement

What constitutes wealth? Answer: It depends on who's doing the defining.

While most agree that Bill Gates (net worth: $59 billion) and Warren Buffet (net worth $52 billion) — or any of their ilk in the Forbes 400 — are undeniably wealthy, definitions vary greatly beyond them.

Aviva Aron-Dine, a policy analyst for the Economic Policy Institute, a nonprofit that reports on the financial gap between rich and poor in America, says there is no accepted definition of wealth. At least, no definition of when one has officially become “rich.”

For the purposes of the organization’s study, high income earners are used as a benchmark rather than any measure of wealth per se. The difference? Wealth is a measure of net worth, which includes a complicated array of assets. Income is simply money earned plus the cash value of benefits earned.

On that score, Aron-Dine says the top 1 percent in America makes $450,000 or more each year including the value of their health and fringe benefit packages but before taxes. The top 4 percent of Americans make more than $200,000 yearly and the top 15 percent make more than $100,000 yearly. Only 0.3 percent of earners make more than one million yearly.

In the group’s study of the rich/poor gap, “rich” in Oregon is defined as a yearly income of only $109,000 — the average income of the top one-fifth of Oregon families. For comparison, the top fifth in Connecticut made upwards of $144,000 per year and the same group in Washington, D.C., made about $157,000 per year.

Presidential candidates calling for higher taxes on the wealthy, Aron-Dine says, are referring to the top 4 percent of wage earners, or those earning $200,000 or more per year before taxes.

On the outside looking in

Ideas on wealth vary according to personal income. The less you make, polls indicate, the less you think is necessary to be “rich.” Those making $30,000 believe $74,000 yearly is enough to constitute wealth. Those making $50,000 think $100,000 would be enough to qualify as “rich.” Gallup reported the median response as $120,000 yearly.

And it’s a good thing for “redistributionists” that there’s a broader definition of wealth than the Forbes 400.

Randall Pozdena, economist with Portland-based ECONorthwest, knows why. He says a fiscal policy based on so small a demographic — even with its vast resources fully liquidated in Robin-Hood style — could not hope to have an effect on the country as a whole. “If you were to tax away all of their income, it would raise our hourly income by a total of 24 cents,” he says.

Pozdena says measures of wealth based on income are simply inaccurate. For instance, a household of four making $17,000 in Oregon would be considered poor, but the cash value of government-provided healthcare and the value of food stamps are not included. If they were, the ranks of the poor would be worth considerably more in terms of non-cash assets.

Those with high net worth often have little wage income but are rich in assets and in income from investments. But many with high wages lack the financial skills to stay out of debt and as a result are far from wealthy, Pozdena says.

Doug Johanson, a wealth management consultant for Portland-based Vista Capital Partners, agrees.

“We don’t consider income a barometer of someone’s wealth,” he said. “You can make $250,000 a year but by no means be wealthy.”

Vista looks for clients with at least $1 million in investable assets and a net worth between $3 million and $5 million. “We target a fairly high-end group, but you can make somewhat less and still be wealthy,” Johanson says.

Merely rich

The Journal of Accountancy has two definitions of wealth: “Merely” rich, folks who are comfortably wealthy, and what the magazine calls “truly” rich, those with at least $25 million in net worth.

The U.S. Securities and Exchange Commission has its own definition of wealth, developed to exempt hedge fund investors from regulations protecting smaller investors: $1 million in net worth, including the value of the home, or an income of at least $200,000 yearly.

Robert Frank, wealth columnist for the *Wall Street Journal,* says so many people meet that definition — especially with houses included in the calculation — that the term “millionaire” can now be applied to many more people than in decades previously.

As more and more Americans achieve these milestones of affluence, it’s no wonder the boundary line keeps moving — because somewhere in the definition of “wealthy” lies a hint of elitism, of exclusivity. And while the “truly rich” will no doubt find ways to keep and hold their advantage, the merely rich, and even some of those unsuspecting millionaires well down the ladder, have little to complain about.

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