

\$250k a year: Rich or not rich?

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How much should you earn to be considered middle class? To be considered rich? Pinning down clear numbers is more complicated than you might think. During his presidential campaign, Mitt Romney stirred controversy when he grouped households earning \$250,000 with the middle class. Rich and poor are relative terms, and our judgment of these categories is often informed by feeling, not fact.

For example, households earning \$160,000 would probably identify themselves as middle class, yet a quick breakdown of U.S. incomes shows just how far from the middle they are. The bottom 20 percent (quintile), a large portion of which falls below the poverty threshold, earns \$0–\$17,500. The second lowest quintile makes \$17,500–\$33,400. If your household takes in \$60,000 a year, you're making more than 60 percent of the country does. Overall, the median household income in the U.S. as of 2011 is roughly \$50,054, according to the U.S. Census.

So where would a household with an income of \$160,000 fit in all this? It would rank in the top 10 percent, tripling the median household income and earning more than 90 percent of all households. And if you're earning \$250,000, you're even better off — you're among the top 4 percent of all earners in the U.S. Which begs the question: if you're doing better than the vast majority of your peers, aren't you rich, not middle class?

These terms are also influenced by a multitude of other factors such as geography and lifestyle — money doesn't go as far in expensive coastal areas such as New York City or San Francisco. And if you live in an affluent neighborhood of multimillionaires where you feel pressured to spend more to fit in, \$250,000 might not feel like enough. But even accounting for such adjustments, it's clear that these six-figure incomes represent an elite minority — not the broad-based majority.

Defining the middle class is a crucial step toward creating a fair tax system that evens the playing field for struggling American families. As of 2011, the income gap between the rich and poor is the widest it's been in four decades, and the poverty rate has remained at a near 20-year high. Median household incomes among the bottom 80 percent fell 1.7 percent last year while the top 1 percent saw their earnings rise by 5.5 percent. Incredibly, the top 1 percent of the country (earning \$506,553 or more) captured 93 percent of the country's income growth in 2010.

We shouldn't lose sight of our fight to stem the growing concentration of wealth at the very top. But we must also understand that no matter what our income, spending more than we make will always ensure that we're poor. Unsustainable spending, ballooning debts, and lack of savings always leave you one paycheck away from financial disaster. That's why developing a sound financial budget should be a part of everyone's plan, whether you're part of the top or bottom five percent.

True wealth isn't defined by fancy cars or designer clothes — it comes from living within your means and creating a savings plan that leaves you in a position of financial strength and security for years to come.

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