EMPYRION™

WEALTH MANAGEMENT

LOCAL FIRM, NATIONAL PROMINENCE

Issue #3 • Volume 12

The Monthly E-Newsletter

Kimberly Foss, CFP®, CPWA®
PRESIDENT
Empyrion Wealth Management

March 8, 2016

Insights on Global Wealth

We've heard a lot of discussion on the Presidential campaign trail about wealth in the United States being concentrated in the top one-tenth of one percent of the population. In [an article published in September](), PolitiFact confirms that's a fairly accurate assessment. The article cites a 2012 National Bureau of Economic Research (NBER) report that found the top 0.1 percent included 160,000 families each with net assets of at least $20 million. Meanwhile, the bottom 90 percent comprised 144 million families whose average wealth was $84,000.

Defining wealth as the value of all assets, such as a home and savings and retirement accounts, minus all debts, such as mortgages and credit card balances, NBER charted a U-shaped pattern for the fortunes of the richest Americans over the past century. Starting out at a high point in the beginning of the 20th century, wealth fell from 1929 to 1978 and has been climbing ever since. In fact, NBER says the wealthiest Americans saw their share of national wealth rise from 7 percent in the late 1970s to 22 percent in 2012.

However, PolitiFact notes a few caveats to NBER's analysis. First, Cornell University Professor Richard Burkhauser points out that the study excludes the Social Security income received by almost 60 million Americans. At an average payment of $1,223 a month, he says not adding Social Security understates the wealth held by Americans in the bottom 99 percent of the population.

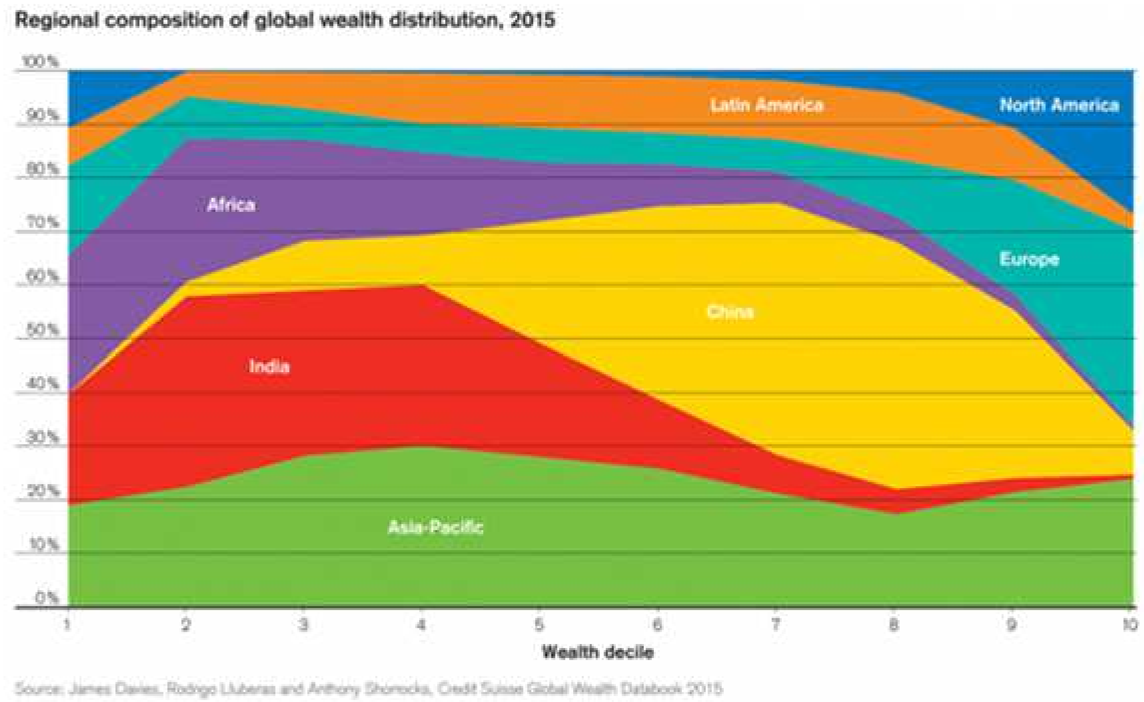
PolitiFact also points out that the NBER study failed to make adjustments for changes to tax laws. For example, because higher earning taxpayers must pay taxes on their capital gains, their tax returns provide a record of their investment earnings that add to their wealth. However, there is no record of what many lower income taxpayers earn in capital gains when they are in a tax bracket where the capital gains tax rate is zero percent.

Yet, even with those factors, a wealth divide persists in the United States. According to the 2015 Global Wealth Report by Credit Suisse, that gap is worldwide. Globally, half of the world's wealth now rests in the hands of just 1 percent of the population. That's the greatest divide since the Swiss bank began compiling the data in 2000, and it is a level the researchers say likely has not been seen for nearly a century. At the top of today's global wealth pyramid sit more than 120,000 ultra-high net-worth people, each worth more than $50 million in U.S. dollars (USD). And a look at the pyramid's base underscores that global wealth equity won't be realized any time soon. Today, the poorest half of the world's population owns just 1 percent of its assets.

Here are some additional Credit Suisse findings:

- There are 109 million individuals in the middle classes in China, compared to 92 million in the United States.
- Together, the United States and Canada have roughly10 percent of the poorest people in the world and 30 percent of the richest. China has almost none of the world's poorest people and just more than 7 percent of the richest.
- Global wealth fell by $13 trillion (USD) from mid-2014 to mid-2015, due to dollar appreciation. If measured at constant exchange rates, global wealth would have risen by $13 trillion (USD) over the same period.
- The United States led the world with a substantial rise in household wealth of $4.6 trillion (USD).
- A person needs just $3,210 (USD), after debts, to be in the wealthiest half of the world.
- Global wealth could reach $345 trillion (USD) by mid-2020, 38 percent above its mid-2015 level.
- The number of USD millionaires worldwide could increase by 46 percent in the next five years, reaching 49.3 million by mid-2020.

In closing, I'll share one of the more eye-catching—and eye opening!—figures from the Credit Suisse report. It colorfully illustrates that while the highest level of wealth is predominantly concentrated in Europe and North America, China has an enormous middle class with significant potential for future growth.



Our goal, of course, is to help our clients and their families manage their wealth in the broadest sense of that word—from financial resources to human capital. We are available to meet at your convenience if you would like to discuss opportunities illuminated by these wealth reports or your own wealth management goals.

Stay Diversified, Stay the Course!

Kimberly Foss, CFP®, CPWA®
Empyrion Wealth Management, Inc.
www.empyrionwealth.com
(916) 786-7626
(800) 787-7634
