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Are You a Mini-Millionaire?

Amassing a seven-figure net worth used to be a goal that most Americans were unlikely to achieve but these days, more people than ever have reached that status.

By Beth Braverman | Edited by Barri Segal | Reviewed by Tanza Loudenback, CFP | Dec. 19, 2023, at 10:25 a.m.

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Mini-millionaires often include households making low six figures but steadily building wealth. (GETTY IMAGES)

Amassing a seven-figure net worth used to be an aspirational goal that most Americans could dream about but were unlikely to ever actually achieve.

But in recent years, more Americans than ever before have officially reached millionaire status. Now, many classify themselves as "mini-millionaires."

What Is a Mini-Millionaire?

Many of those enjoying a net worth that has reached seven figures for the first time might be so-called mini-millionaires.

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Robert Frick, corporate economist at Navy Federal Credit Union, says that category would include households making low six figures but steadily building wealth, primarily through retirement savings and home appreciation.

“It’s an important threshold because it’s a level above fighting to make ends meet, and is the road to building a portfolio that will not only provide for a secure retirement, but can be drawn on to help kids through college, and other important expenses,” Frick says.

"While the surge in inflation affects mini-millionaires, it hasn’t set them back as it has lower-income Americans, and even many middle-income Americans,” he adds.

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Americans' Average Net Worth

The most recent Survey of Consumer Finances, published by the Federal Reserve, finds that the average net worth of Americans surpassed $1 million in 2022, marking the first time that metric has crossed the seven-figure mark.

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“What we see in this report, which is consistent with other measures of household finance and well-being, is this is due to unprecedented levels of fiscal support during the pandemic,” says Robert Spendlove, economic advisor for Amegy Bank.” The theme of the past few years has been adjusting to historic distortions.”

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Some Are Skewing the Numbers

While the average net worth of American families is now more than $1 million, it’s important to note that a large number of billionaires and ultra-high-net-worth families skew the numbers.

The median net worth of American families is just $192,900, according to the Fed data. While that’s a 37% increase from the last survey in 2019 and the largest gain in the survey’s history, it’s also an indication of the growth in inequality that has also occurred over the past decade.

“The median is the middle point, and the mean [average] tends to be skewed by outliers,” Spendlove says. “In this case, it’s by upper-income households.”

Read: How to Calculate Your Net Worth.

Multiple Growth Drivers

The growth in average net worth reflects several factors, including inflation, pandemic-fueled savings and rising home prices. Recession fears have largely ebbed this year, and there’s a growing consensus that the economy may actually realize a "soft landing” after the turbulence that COVID-19 caused in markets and supply chains.

Much of the growth in financial assets for American families happened in retirement plans. The Fed data shows that overall participation in retirement plans was at its highest level since 2010, and the value of such accounts increased 15% from 2019 to 2022.

These accounts can supercharge an increase in net worth, since they allow for tax-advantaged investment growth in accounts that are difficult to access for purposes other than retirement.

“Lower-income people have seen a proportionate rise in stock ownership through their 401(k),” Frick says. “They’re still relatively low on the scale of stock ownership, but that’s been a boon for most people.”

The Role of the Housing Market

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Outside of financial accounts, homes represented the most valuable asset for most families, and their increase in value also contributed to a higher average net worth. Fed data shows that the median net value of a home (the value of the home minus its mortgage) increased 44% from 2019 to 2023, the largest increase in the history of the survey.

“The net income figures are deceptive, because if you own a home, you’re in a great shape,” Frick says. "But if you don’t own a home, with home prices and rates having appreciated so much, you’re missed the train and you’re standing on the tracks. Homes have become unaffordable.”

Still, for those families that have entered the ranks of millionaires, the achievement may not hold the same cachet in the American psyche as it did in the past. A 2023 Charles Schwab survey found that Americans say they need $2.2 million to “be wealthy.”

“A million dollars is an important milestone, but it’s certainly not the goal for most people from a personal finance perspective,” Frick says.

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Geoff Williams April 20, 2023
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