What do you do with excess wealth?

Recently I’ve discussed the huge disparities in wealth worldwide and in the United States. In both cases, 20 percent of the population owns more than 80 percent of the wealth. And these income disparities are getting worse. Adjusted for inflation, American median wages have been flat for the last 40 years, while income for the top 1 percent has skyrocketed.

Today, there are nearly 11 million American households whose investable assets exceed $1 million. Pennsylvania has about 230,000 such households. “Investable assets” include stocks, bonds, mutual funds, savings accounts, but not property that takes a while to convert into cash, like real estate.

Beyond that, there are plenty of people who not only have $1 million in assets, they receive more than $1 million in annual income. As the chart at right shows, Montgomery, Chester and Berks counties have quite a few.

There’s no way to know how many millionaires live in the Pottstown area, but it’s safe to estimate there are scores of them, even if we only count people whose annual income tops $1 million.

Several years ago, a study led by Nobel Prize-winning economist Angus Deaton found that people need about $75,000 in annual income to be happy. No matter how much more than $75,000 they made, people didn’t report any greater degree of happiness.

Surplus money may not make people happier, but they hang on to it all the same.

As the IRS chart at right shows, people with the least amount of income give the highest percentage of it to charity.

Households with $100,000 or more income are eligible for the Earned Income Tax Credit (EITC), which provides a tax credit to working families to help them make ends meet. People with lower incomes are eligible for the EITC, so even though they may have a lower percentage of income from contributions, they may still be able to contribute a larger amount of money to charity.

The chart at right shows that people with the least amount of income give the highest percentage of it to charity. Those who earn anywhere from $100,000 to $1,000,000 donate about 2 percent to charity. For someone making $250,000, that means donating $5,000 and keeping $245,000 in their bank account.