

# **Income and Net Worth of Veteran Business Owners over the Business Cycle, 2007-2013**

by

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## Executive Summary

The Great Recession has proven to be an important event for all small business owners, especially veteran households owning small businesses. The Great Recession officially ended in June, 2009 and the economy began to recover; however, this study suggests that recovery has been very deliberate for veteran and non-veteran households with small businesses. This study updates an earlier study by assessing changes to income and net worth from the beginning of the Great Recession in 2007 through 2013.<sup>1</sup> This rapid contraction from 2007 to 2009 and subsequent expansion from 2009 to 2013 has raised one very important question for veterans: How have veteran-owned small businesses fared during and after the Great Recession?

This study examines the financial success, measured by income and net worth, of households headed by military veterans. The study focuses on comparisons of income and net worth for three groups: (1) veterans and non-veteran households; (2) veterans households with and without small business, and (3) veteran and non-veteran small business households. Testing the results of previous studies, the following hypotheses are proposed:

- (1) Veteran households are more likely to be high income or high net worth than non-veteran households, 2007 to 2013;
- (2) Veteran households owning at least one small business are more likely to be high income or high net worth than veteran households without any small business ownership, 2007 to 2013; and,
- (3) Veteran households owning at least one small business are more likely to be high income or high net worth than non-veteran households owning at least one small business, 2007 to 2013.

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<sup>1</sup> George Haynes, *Income and Net Worth of Veteran Business Owners over the Business Cycle, 1989–2010*. U.S. Small Business Administration, Office of Advocacy. Available at [www.sba.gov/sites/default/files/rs426tot\\_vet\\_income\\_and\\_net\\_worth\\_final\\_0.pdf](http://www.sba.gov/sites/default/files/rs426tot_vet_income_and_net_worth_final_0.pdf), accessed October 14, 2015.

Veteran households have become a smaller percentage of all households, declining from 21.5% in 2007 to 18.6% in 2013; and veteran households with a small business have become a smaller percentage of all households with small businesses, declining from 21.7% in 2007 (3.1 million) to 17.4% in 2013 (2.3 million). Remarkably, while the number of all small businesses declined by 1.1 million from 2007 to 2013, 73% (800,000) of the decline was attributed to veteran households.

The population of veteran household heads continued to age and shrink from 2007 to 2013. Veteran household heads with small businesses were substantially older than non-veteran household heads with small businesses. The percentage of veteran household heads with a small business owner of working age (18-64 years of age) declined from 72.6% in 2007 to 57% in 2013, while the percentage of non-veteran household heads with a small business owner of working age declined slightly, from 93.9% in 2007 to 90.7% in 2013. The substantial difference in the age distribution of veteran and non-veteran household heads with small businesses is reflected in the differences in the share of total income earned with wages and salaries and total income received in social security and pension transfers. Wages and salary income comprised 38.2% of total income for veteran households and 50.9% of total income for non-veteran households. Social security and pension transfer comprised 27.3% of total income for veteran households and 6.2% of total income for non-veteran households. Veteran and non-veteran households with small businesses had very similar distributions of assets, although the percentage of assets held in business assets declined for veteran and non-veterans households from 2007 to 2013.

Even though the veteran population with small businesses continues to age and shrink, the size of veteran and non-veteran small businesses were very similar in 2007 and 2013. In 2007 and 2013, over 70% of veteran and non-veteran small businesses had fewer than 5 employees and over 50% had gross sales of less than \$100,000. Veteran small businesses were older than non-veteran small businesses in 2007 and 2013, although a significantly smaller percentage of veteran owned small businesses were less than 10 years old in 2013 (39.7%), than 2007 (50.3%).

Prior to 2004, veteran households with small businesses earned higher income than non-veteran households with small businesses; however, during the Great Recession (2007-2009) veteran household average income fell below non-veteran household average income and has remained below non-veteran average earnings through the recovery (2009-2013). While veteran households with small businesses have retained significantly higher average net worth than non-veteran households with small businesses since 1989, the average net worth gap has decreased from over 55% (veterans had 55% higher net worth than non-veterans) in 1989 to less than 13% in 2013.

While gross domestic product increased nearly 7% from the end of the Great Recession in June 2009 through June of 2012, financial recovery of small businesses has been much slower. Veteran and non-veteran households owning small businesses realized significant declines in income (likelihood of being high income and average income) and net worth (average net worth) during the recession. While the recession officially ended in June of 2009, it didn't appear that the recovery reached veteran (or non-veteran) small business households.

After controlling for key personal, demographic, household, and business characteristics the analysis indicates that veteran small business households had higher net worth than other veteran households. In addition, the analysis indicates that veteran households with small businesses had higher income than non-veteran small business households.

Recessions and recoveries both pose significant empirical challenges in terms of measuring their effects on businesses. For instance, in a recession, some businesses suffer substantial decreases in sales (and may eventually fail), while other businesses, faced with less competition in their market, experience substantial increases in sales. The recovery is equally challenging to assess because some businesses realize substantial increases in sales, while other businesses faced with more competition in the recovery experience substantial decreases in sales.

The Great Recession and subsequent recovery has been very challenging for all veteran households, including those owning small businesses. While both veteran and non-veteran households with small businesses realized significant declines in income and net worth, it appears that veteran households with small businesses have been slower to recover than non-

veteran small business households. The substantial decline in the number of small businesses owned by veterans from 2007 to 2013 (800,000) coupled with a slow recovery of the remaining small businesses poses an important policy challenge. Even though the recovery has been slow for veteran households with small businesses, these households have fared better than veteran households without small businesses. This evidence suggests policy priorities to encourage the growth and development of small businesses by veterans have been important in mitigating the initial impact of the Great Recession.

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## Introduction

The U.S. economy expanded rapidly during the 1990's, but experienced its most substantial contraction since the Great Depression from 2007 to 2009. The Great Recession officially ended in June, 2009 and the economy began to recover. This study updates an earlier study which examined 1989 through 2010 by assessing changes to income and net worth from the beginning of the Great Recession in 2007 through 2013. This rapid contraction from 2007 to 2009 and subsequent expansion from 2009 to 2013 has raised one very important question for policymakers: How have veteran-owned small businesses fared during and after the Great Recession?

The focus of this study is on the changing financial health of veterans from 1989 through 2013 with special emphasis from the end of the recession in 2009 through 2013. Veterans are an important group. In 2007, veterans held majority ownership interests in 2.45 million businesses, representing 9% of all U.S. businesses in that year (Sobota, 2012). In addition, veterans receive specialized business development, financial, and government contracting assistance from the Small Business Administration (SBA) and its resource partners. This study will examine the effects of changes in the U.S. economy from 1989 to 2013 on veteran households with small businesses by focusing on comparisons between three sets of households: 1) all households—comparing those with veterans and those without, 2) veteran households only—comparing those with and without small businesses, and 3) small business-owning households—comparing those with veterans and those without.

This study focuses on veteran household heads with a small business. For the purposes of this study, a veteran household is one where the household head or spouse is a military veteran who served in the U.S. military or National Guard. A veteran household head with a small business is an individual designated as the household head, who resides in a household where a household member owns at least one small business.

This study will utilize the Federal Reserve's Surveys of Consumer Finance (SCF) from 1989 through 2013 to evaluate changes in net worth and income for veterans and non-veterans, although the study focuses on the Great Recession beginning in 2007 through the recovery to 2013. The study will examine two areas: (1) the probability of being high income (greater than \$50,000 annual income in 1992 dollars) and/or high net worth (greater than \$1 million net worth in 1992 dollars) from 1989 to 2013; and (2) changes in mean income and net worth from 1989 to 2013. The four main sections of this study will review pertinent literature on changes in income and net worth and veteran entrepreneurship and small business development, present the hypotheses to be tested, address empirical issues with the data and modeling, and discuss the results and policy implications of this study.

## **Literature Review**

### **Changes in Income and Net Worth for All Households, 1989 to 2013**

U.S. families have experienced substantial changes in their financial situation between 1989 and 2013, especially from 2007 to 2013. This subsection of the literature review examines relevant literature assessing changes in income and net worth of U.S. families, with special attention on those who own one or more small business. A relatively comprehensive literature exists on the financial condition (income and net worth) of families, but the literature is much less comprehensive for that subset of families who own businesses.

The Survey of Consumer Finances (SCF) is produced by the Federal Reserve Board every three years to describe U.S. family finances. Summary reports examine changes in family finances from 1989 to 2013 (These summaries are found in the following references: Kennickell and Shack-Marquez, 1992, Kennickell and Starr-McCluer, 1994, Kennickell and Starr-McCluer, 1997; Kennickell, Starr-McCluer, and Surette, 2000; Aizcorbe, Kennickell, and Moore, 2003; Bucks, Kennickell, and Moore, 2006; Bucks, Kennickell, Mach, and Moore, 2009; Bricker, Kennickell, Moore, and Sabelhaus, 2012; and, Bricker, Dettling, Henriques, Hsu, Moore, Sabelhaus, Thompson, and Windle, 2014).

The mean and median income and net worth summaries from these reports are summarized in Table 1 in 2013 dollars. The reporting of both mean and median financial estimates is important because of the skewed distribution of both income and net worth data. A comparison of the relative changes in mean and median net worth indicates whether the share of aggregate net worth held by the poorest or wealthiest has increased or decreased. For instance, an increase in the mean that is higher than a corresponding increase in the median often suggests an increase in the net worth shares of families at the top end of the distribution.

Using the nine Surveys of Consumer Finance released between 1989 and 2013, researchers have tracked the rise and fall of income and wealth. Real mean and median family income and net worth decreased between 1989 and 1992 (Kennickell and Starr-McCluer, 1994). Civilian unemployment was around 4.5 percent and the average annual inflation rate of 2.2 percent had been low for the previous 3 years. Mean and median family income continued to grow with the fastest growth occurring among higher income households from 1998 through 2001 (Azicorbe et al., 2003).

**Table 1 Mean and Median Income and Net Worth, 1989 to 2013**

Thousands of 2013 Dollars

| Year | Before Tax Income |      | Net Worth |       |
|------|-------------------|------|-----------|-------|
|      | Median            | Mean | Median    | Mean  |
| 1989 | 46.5              | 73.4 | 84.8      | 336.1 |
| 1992 | 43.3              | 65.1 | 80.5      | 303.2 |
| 1995 | 46.6              | 67.7 | 87.8      | 321.9 |
| 1998 | 47.8              | 76.0 | 102.5     | 404.4 |
| 2001 | 52.4              | 89.3 | 113.7     | 521.9 |
| 2004 | 53.3              | 87.3 | 114.8     | 554.2 |
| 2007 | 53.1              | 94.6 | 135.4     | 626.3 |
| 2010 | 49.0              | 84.1 | 82.8      | 534.5 |
| 2013 | 46.7              | 87.2 | 81.2      | 534.6 |

Sources: Bricker, Dettling, Henriques, Hsu, Moore, Sabelhaus, Thompson, & Windle (2014); Bricker, Kennickell, Moore, & Sabelhaus (2012); Bucks, Kennickell & Moore (2006); Kennickell, Starr-McCluer & Surette (1998).

The economy continued to expand with median income and net worth increasing by over 3 percent annually between 1998 and 2001 (Aizcorbe, et al, 2003). The median value of net

worth and income grew faster for higher net worth households. Nearly 12 percent of households owned a business with nearly 91 percent of these owners assuming an active role in the business. The proportion of households owning a business has been relatively stable since the late 1980s; however, substantial growth has occurred in higher income and net worth households.

Relatively strong and broad gains in family income were reduced with only a modest rise in median income and lower mean income between 2001 and 2004 (Bucks, et al, 2006). Median family net worth grew by 1.5%, while mean family net worth increased by 6.3%. This period was marked by three important shifts: (1) Strong appreciation in house values and increase in home ownership; (2) decline in direct and indirect ownership of stocks; and (3) substantial increase in family debt to asset ratios with much of the debt secured by real estate.

Both the median and mean net worth increased between 2004 and 2007, while the median value of real family income before taxes was unchanged (Bucks et al., 2009). The increase in the share of total assets attributed to unrealized capital gains was very important. This rose from 30% to nearly 36%.

Real family income and net worth declined substantially between 2007 and 2010 (Bricker et al., 2012). Median real family income declined by nearly 12%, while median net worth declined by over 42%. The decline in the value of financial and business assets and residential housing was important. Given the importance of house values in the collateral available to small business owners, this was one of the important factors contributing to the decline in small business loans outstanding from 2007 to 2010.

The effects on income and net worth for families showed minimal improvement even though economic performance improved substantially from 2010 to 2013. Based on Federal Reserve Board analyses, mean family income increased by 4% while median family income declined by 5% (Bricker et al., 2014). In addition, mean net worth increased slightly, while median net worth fell slightly. Most importantly for this study, ownership rates for housing and businesses fell substantially between 2010 and 2013.

## **Military Veterans' Entrepreneurship and Small Business Development**

The number of veteran households and percentage of veteran households with small businesses declined from 1992 to 2001 (Haynes and Ou, 2002). In addition, the likelihood of being high-income has declined for these veteran small business households, and the rate of change (increase) in the likelihood of being high-net worth increased; although, at a much slower rate than for non-veteran small business households. In short, there are substantially fewer veteran-owned small business households, which were less financially successful than non-veteran small business households from 1992 to 2001.

A more recent study suggests a continuation of the trend observed from 1992 to 2001, where the pool of veteran small business owners is aging and shrinking (Haynes and Ou, 2007). Many of these small businesses are owned by older people, who are realizing somewhat lower earnings (as reflected in lower income) and who have accumulated more net worth. While veteran small business owners realized a higher rate of growth in the probability of being classified as high-net worth, this result just reflects small business owners in a later life stage than non-veteran owners. Veteran and non-veteran small business households have fared about the same from 1989 to 2004, where neither group realized a significantly higher probability of being high-income or high-net worth in 2004 than 1989.

Other research reinforced the need to understand veteran-owned businesses and their families. A study sponsored by SBA's Office of Advocacy examined self-employment in the veteran and service-disabled veteran population (Open Blue Solutions, 2007). It found that veterans with a service-connected disability were less likely to be self-employed than other veterans, and that one-half to two-thirds of the difference in self-employment rates was due to service-disabled veterans not working at all.

A study by Sobota (2012) suggests that veteran business owners represent nine percent of all U.S. businesses, and these veterans are more likely than non-veterans to be self-employed. Waldman Associates (2004) found that 22 percent of veterans in U.S. households were at least considering the purchase or founding of a new business. Hope, Oh, and Mackin (2011) found that veterans were at least 45 percent more likely than others to be self-employed. With the

enactment of the Veterans Entrepreneurship and Small Business Development Act of 1999, Public Law 106-50 research on veteran business and their owners has been increasingly important.

The most recent study found that real income and net worth increased significantly from 2001 through 2007 for both veteran and non-veteran households; however, by 2010 real income had retreated to 1989 levels and real net worth had significantly declined below 1989 levels for households (Haynes, 2014). A similar result emerged when comparing veteran households with and without small businesses. Although veteran households consistently experienced significant increases in income from 1989 through 2010, net worth stagnated and was basically unchanged throughout the 1989-2007 period. Small business households (both veteran and non-veteran) had significant income increases in both 2001 and 2004; however, these same households realized a significant net worth decrease in 2010. This study will address how veteran business owners have fared from 2007 to 2013.

## Hypotheses

This study examines the financial success, measured by income and net worth, of households headed by military veterans. The study focuses on comparisons of income and net worth for veterans and non-veteran households, veterans with and without small business households, and veteran and non-veteran small business households. Based on previous research, the following hypotheses are proposed (the hypotheses will address only one measure of income and net worth, even though the analysis will consider the likelihood of being high income or high net worth and log of income and net worth):

- (1) Veteran households are more likely to be high income or high net worth than non-veteran households, 2007 to 2013;
- (2) Veteran households owning at least one small business are more likely to be high income or high net worth than veteran households without any small business ownership, 2007 to 2013; and,

- (3) Veteran households owning at least one small business are more likely to be high income or high net worth than non-veteran households owning at least one small business, 2007 to 2013.

Hypothesis 1 will compare veteran and non-veteran households for selected years the SCF was collected (2007-2013). Hypothesis 2 will compare veteran households owning at least one small business with veteran households with no small business ownership for selected years the SCF was collected (2007-2013). Hypothesis 3 will compare veteran households owning at least one small business with non-veteran households owning at least one small business for selected years the SCF was collected (2007-2013). While these three hypotheses focus on differences between veterans and non-veterans, the analysis examines changes in income and net worth from 2007 to 2010 from the beginning to end of the recession and changes in income and net worth from 2010 to 2013 during the recovery phase. Tables comparing veteran and non-veteran households for each year the SCF was collected (1989-2013) are included in Appendix A.

## **Empirical Concerns**

### **Data**

This study will utilize the 1989 through 2013 Surveys of Consumer Finances (SCF), although the study will focus more closely on the 2007 through 2013 SCF. The 1989 through 2013 SCFs were conducted for the Federal Reserve Board. These survey data were collected by the National Opinion Research Center (NORC) at the University of Chicago. The surveys are designed to supply detailed and reliable information on balance sheets, use of financial services, pensions, labor force participation, cash income and demographic characteristics of U.S. households.

In order to provide adequate coverage of the population, the SCF utilizes a dual frame sample. One frame is a multistage area probability sample, which provides adequate coverage of widely held assets and liabilities. The second frame is a list design employed to over-sample relatively net worthy households. Response rates for the area probability and list samples in 1989 and 2013 were approximately 70% and 34%, respectively.

Previous research conducted by the Federal Reserve Bank suggests that non-response is positively correlated with net worth. This study is primarily interested in examining small business owning families, especially those households headed by a military veteran. However, the entire sample is employed to assess the differences between business owning and non-business owning families. The SCF survey asks respondents about household income from the previous year, hence the SCF for 2013 actually gathers information about the household income of the family and business in 2012. However, household balance sheet items are gathered during the year of the survey; hence the SCF for 2013 gathers information about household net worth of the family and business in 2013. The descriptive and regression analyses will utilize all nine datasets.

The variables of interest in this study include military status of the owner, business ownership status of the household, household income and household net worth (including assets and debt held by members of the household). Business ownership status was determined by whether an individual owned and/or actively managed at least one business. Business owners are separated into two categories: Those who own any business ownership (large or small) and those owning a small business (500 employees or fewer).

The Survey of Consumer Finances calculated household income by summing the following sources of income: wages and salaries, interest, dividends, asset sales, rents, unemployment, child support, welfare, social security and other sources. The net worth of the household was determined by generating a balance sheet, using a program supplied by the Federal Reserve Board, to estimate the net worth of each household. Total net worth was computed by subtracting total liabilities from total financial and non-financial assets. Financial assets were computed by summing the value of transaction accounts, certificates of deposit, directly held mutual funds, stocks, bonds, individual retirement accounts, saving bonds, cash value of life insurance, other managed assets and other financial assets. Non-financial assets were computed by summing the value of vehicles, primary residence, other residential real estate, equity in nonresidential real estate, business interests and other non-financial assets.

Liabilities were tabulated by summing the value of housing debt, other lines of credit, debt for other residential property, credit cards, installment loans and other debts.

Personal and demographic characteristics of the household head and business owner, and characteristics of the business are included as control variables. The personal and demographic characteristics include age, race (White, Black, Hispanic and other), gender, education (no high school diploma, high school diploma, some college and college degree or more), and, marital status (married, previously married or never married). While the categories for these personal and demographic variables have been relatively consistent since 1989, the Hispanic origin question was added to the SCF in 2004. Business characteristics include, number of employees, age of the firm, legal organization, industrial classification and founding strategy.

The sampling frame for this analysis is U.S. households, which are referred to as families in this study. Personal and demographic characteristics are those characteristics of the respondent interviewed, typically the household head. If the respondent or someone in the household owns and manages a business, this study is referring to the largest business. Business information on size, age, legal organization, industry or founding status is not available for businesses owned but not managed by the respondent. Small businesses are those businesses with fewer than 500 employees that are owned and managed by a family member.

All five impicates of the nine Surveys of Consumer Finances are utilized in this study. Multiple imputation techniques are employed in the SCF. The “repeated-imputation inference” (RII) approach will be employed to utilize all five impicates in the descriptive analyses employed in this study (Montalto & Sung, 1996).

Monetary amounts in the study are reported in 2013 dollars utilizing consumer and producer price indices reported by the Bureau of Labor Statistics. The earlier income and net worth studies utilizing the SCF assumed high income and net worth thresholds of \$50,000 and \$1 million in 1992 dollars. For this study, measures of high income and high net worth are based on a high income threshold of \$50,000 in 1992 dollars (or \$83,651 in 2013 dollars) and high net

worth threshold of \$1 million in 1992 dollars (or \$1.627 million in 2013 dollars). These thresholds adjusted for inflation will be employed in this study.

An important consideration in previous studies of small business owners has been defining self-employed (no employee) owners. In this study, self-employed owners will be those with one person working in the business, where the one person is the owner. In previous studies, variables were used where the respondent self-selected as self-employed, regardless of whether they identified themselves as a business owner.

## Models

The first set of regression models compare the progress of veteran households (VH) with non-veteran households from 2007 to 2013 using the model specifications for income and net worth (note: income and net worth will be measured by the probability of being high income or net worth and log income or net worth):

INCOME = f(VH,  $Y_z$ ; age, VH\*age, race, gender, education, marital status, stock ownership, real estate ownership, professional practice occupation, number of income earners)

NET WORTH = f(VH,  $Y_z$ ; age, VH\*age, race, gender, education, marital status, stock ownership, real estate ownership, professional practice occupation, number of income earners)

where . . .

VH = veteran households, veterans household =1 and non-veteran household = 0;

INCOME= high income (1=greater than \$50,000 in 1992\$), or log income<sup>2</sup>

NET WORTH = high net worth (1=greater than \$1 million in 1992\$); or log net worth.

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<sup>2</sup> Log transformations of income and wealth are used in this study. Both income and wealth are skewed to the right with large variances. The log transformations make both distributions more normally distributed with a smaller variance.

$Y_z$  = year dummy variable, where  $z=2007, 2010, \text{ and } 2013$  (the first regression compares 2007 and 2010 and second regression compares 2010 and 2013);  
age = age of the household head (dummy variables for less than 35, 35 to 44, 45 to 54, 55 to 64, 65 to 74 and 75 or older);  
race = race of the household head (dummy variables for White and other);  
gender = gender of household head (dummy variables for male and female);  
education = education level (categorical variables for some high school, high school graduate, some college, college graduate);  
marital status = marital status (dummy variables for married or otherwise);  
stock ownership = owns publicly traded stock (yes=1, no=0);  
real estate ownership = owns real estate (yes=1, no=0);  
professional practice occupation = professional practice (yes=1, no=0); and,  
number of income earners = number of income earners in the primary economic unit (household).

The veteran by age (VH\*age) interaction term is very important in these regression specifications because of differences in the age distribution of the veterans, where 65.2% were of working age, and non-veterans, where 82.4% were of working age. This age distribution difference was supported in a recent publication by the U.S. Department of Veterans Affairs (2015), where the median age of male veterans and non-veterans was 64 and 41, respectively. This interaction term enables this study to examine any differences in the relationship between age and income by veterans and non-veterans. Similar interaction terms are included in the net worth regressions.

A second set of regressions compares the progress of veteran small business households (VSB) with veteran non-small business households. The sample will include only veterans and the models will be specified as follows:

$INCOME = f(\mathbf{VSB}, Y_{z,t}; \text{age}, \mathbf{VSB*age}, \text{race}, \text{gender}, \text{education}, \text{marital status}, \text{stock ownership}, \text{real estate ownership}, \text{professional practice occupation}, \text{number of income earners})$

NET WORTH = f(**VSB**,  $Y_{z,}$ ; age, **VSB**\*age, race, gender, education, marital status, stock ownership, real estate ownership, professional practice occupation, number of income earners)

where . . .

**VSB** = veteran small business household, veterans small business owner =1 and veteran non-small business owner = 0; and  
all other variables are the same as above.

A third set of regressions compares the income and net worth of veteran small business households with non-veteran small business households. The business characteristics added to the regression include firm size, firm age, legal organization, standard industrial classification, and founding status. The sample will include only small business owners and the models will be specified as follows:

INCOME= f(**VSB**,  $Y_{z,}$ ; age, **VSB**\*age, race, gender, education, marital status, stock ownership, real estate ownership, professional practice occupation, number of income earners, firm age, legal organization, standard industrial classification, and founding status)

NET WORTH= f(**VSB**,  $Y_{z,}$ ; age, **VSB**\*age, race, gender, education, marital status, stock ownership, real estate ownership, professional practice occupation, number of income earners, firm age, legal organization, standard industrial classification, and founding status)

all other variables are the same as above.

Figures 5 through 8 compare changes in income and net worth by business owner status for each year of the data from 2007 to 2013. Appendix Tables A4 through A7 compare changes in income and net worth by business owner status from 1989 to 2013. Models 1 through 3 will complement the analysis in Figures 5 through 8 and examine changes in income and net worth from 2007 to 2013.

The analysis utilizes univariate and multivariate statistics to examine households with and without a veteran small business owner.

## Results

### Characteristics of the Sample

#### 1) **Total Households: Veteran and Non-Veteran**

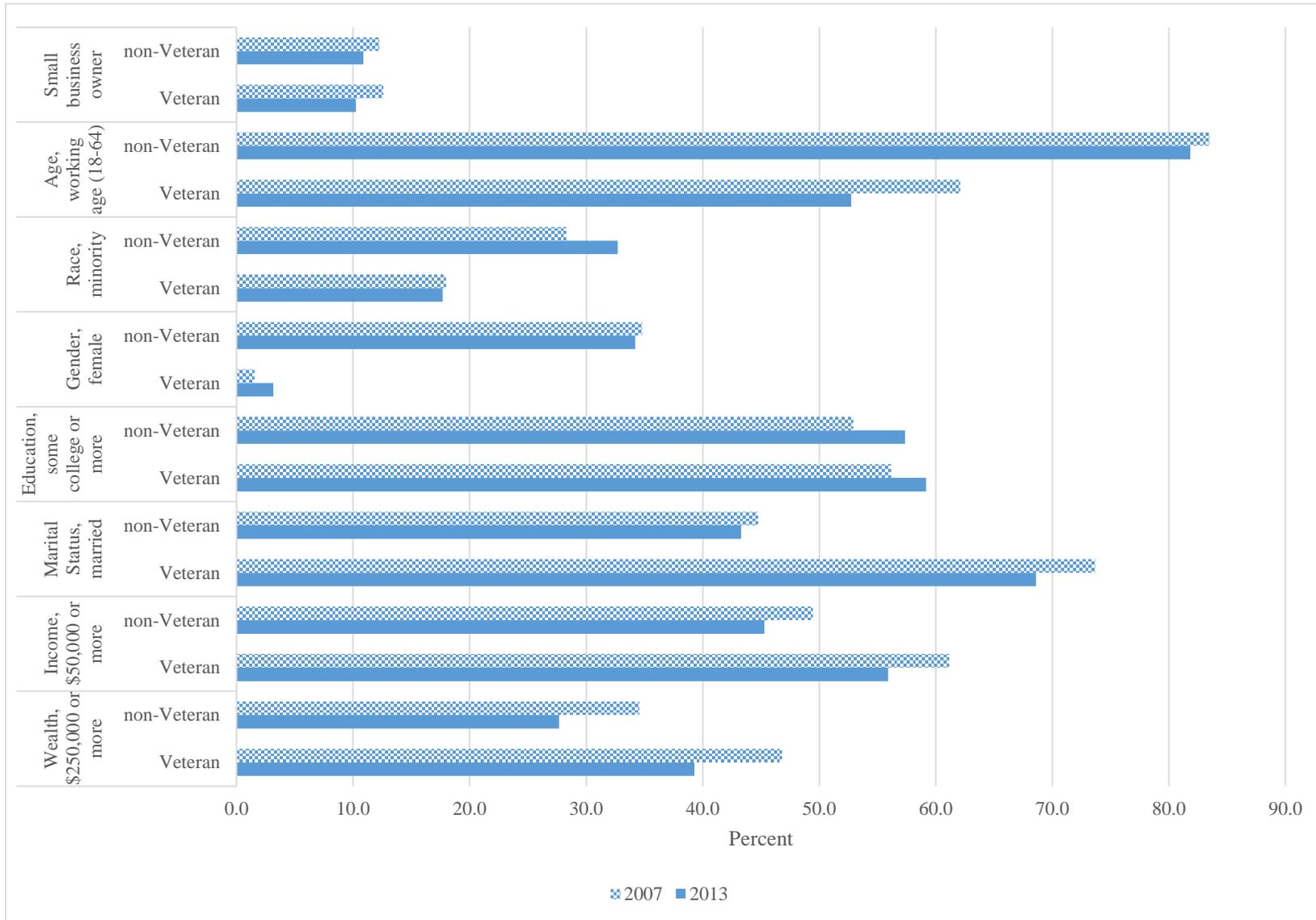
##### *Demographic Characteristics*

There were 116.1 million (25 million veteran and 91.1 non-veteran) and 122.5 million (22.8 million veteran and 99.7 non-veteran) households represented in the SCF in 2007 and 2013, respectively (Appendix Table A1). As a result of an aging veteran population, the percentage of veteran households declined from 21.5% (25/116.1) to 18.6% (22.8/122.5) of all households from 2007 to 2013. Figure 1 suggests that small business owning households were a smaller percentage of all veteran and non-veteran households in 2013 than in 2007 (12.6% in 2007 and 10.2% in 2013 for veteran households and 12.2% in 2007 and 10.9% in 2013 for non-veteran households). The number of veteran households with small business owners declined by over 25%, or 800,000 households, from 3.1 million in 2007 to 2.3 million in 2013 (Appendix Table A1). The most significant declines appear to be in veteran households with self-employed owners, where the percentage of veteran households with self-employed owners fell from 6.2% to 3.7% from 2007 to 2013. In contrast, the number of non-veteran households with small businesses decrease by less than 3%, or 300,000 households, from 2007 to 2013 (Appendix Table A1).

The veteran population continues to become older as the larger veteran cohorts from Korea and Vietnam still dominate smaller veteran cohorts serving more recently in Iraq and Afghanistan. The mean age of veterans increased slightly from 59 to 60 from 2007 to 2013 with the veterans being about 11 years older than non-veterans (Appendix Table A1). The percentage of veteran household heads between 18 and 64 (working age) declined from 62% to 52.7% from 2007 to 2013, while remaining virtually unchanged for non-veteran household heads (Figure 1).

The age difference between veteran and non-veteran household heads remained very stark in 2013, where 82% of non-veterans and 53% of veterans were of working age. An aging veteran population means that transfer payments, such as social security and pensions, replace employment income. In addition, services, such Medicaid, Medicare and Department of

Figure 1 Characteristics of the Sample for Veteran and Non-Veteran Households for 2007 and 2013



Source: Survey of Consumer Finances, Federal Reserve Board of Governors, 2007 and 2013

Veterans' Affairs services, become increasingly important to these individuals. As suggested in Haynes (2014), the net result is a veteran population producing less, as measured by income and employment, and utilizing more transfer payments and services for retirees.

The composition of the population by gender and race<sup>3</sup> remained relatively constant for both groups from 2007 to 2013 (Figure 1). The percentage of non-veteran black household heads increased significantly, from 13.8% to 15.5% (Appendix Table A1). The percentage of Hispanic household heads increased significantly among non-veteran household heads (from 10.0% to 12.1%), and decreased significantly -among veteran household heads (from 7.3% to 4.2%). The veteran household head population was 82.3% white, 10.6% Black, 4.2% Hispanic, and 2.9% other race in 2013. The distribution of male and female headed households remained relatively constant from 2007 to 2013 with females comprising a very small percentage (1 to 3% of veteran household heads and over 34% of non-veteran household heads (Figure 1).

Both veteran and non-veteran household heads were somewhat better educated in 2013 than 2007 (Figure 1); although, educational attainment remained relatively stable for veteran households with over 55 percent of veterans with at least some college. In 2007, 56.2% of veterans and 52.9% of non-veterans had some college; however, by 2013 59.1% of veterans and 57.3% of non-veterans had some college (Appendix Table A1).

Veteran household heads were more likely to be married than non-veteran household heads in both 2007 and 2013 (Figure 1). Although, the percentage of married veteran household heads declined from 73.7% in 2007 to 68.6% in 2010.

### *Income and Net Worth*

Veteran households had higher real (inflation adjusted) median income and net worth than non-veteran households (Appendix Table A1). Real median income decreased for non-veteran households (\$49,665 in 2007 to \$44,660 in 2013) and decreased for veteran households (\$64,680 in 2007 to \$56,840 in 2013). Real median net worth decreased substantially for non-

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<sup>3</sup> The SCF racial categories differ from Census Bureau categories. The SCF asks respondents to choose the category that best describes them (white, black or African-American, Hispanic or Latino, Asian, American Indian or Alaskan Native, Hawaiian Native or Pacific Islander or another race); hence, respondents of Hispanic ethnicity are not able to first choose Hispanic then choose any race.

veteran households (\$111,626 in 2007 to \$64,910 in 2013) and decreased for veteran households (\$222,522 in 2007 to \$168,100 in 2013).

The percentage of veteran households with income over \$50,000 decreased from 61.1% in 2007 to 55.9% in 2013, while the percentage of non-veteran households with income over \$50,000 decreased from 49.5% in 2007 to 45.2% in 2013 (Figure 1). The percentage of veteran households with net worth over \$250,000 decreased from 46.8% in 2007 to 39.3% in 2013, while the percentage of non-veteran households with net worth over \$250,000 decreased from 34.6% in 2007 to 27.7% in 2013.

The share of income derived from wages and salaries; social security and pensions; and transfer payments changed substantially for both veteran and non-veteran households. With the aging veteran population, the share of income derived from wages and salaries declined from 52.9% in 2007 to less than 46.5% in 2013, while the share of income derived from social security and pensions rose from 33.5% to 41.5% from 2007 to 2013 (Appendix Table A1). In addition, veteran households realized slight increases in the share of income from transfer payments, and slight decrease in the share of income from business, farm, and rental income. Non-veteran households realized a significant decreases in the share of wages and salaries, interest and dividends, and capital gains and significant increases in the share of income social security and pensions and transfer payments.

Nearly 88% of net worth was held in houses (40.3%), other financial assets apart from stocks and bonds (29.6%), and vehicles (18%) for veterans in 2013 (Appendix Table A1). The shares of net worth in other financial assets and vehicles increased, while the share of net worth in housing declined from 2007 to 2013 for veteran and non-veteran households. Non-veteran households realized similar changes in income and net worth from 2007 to 2013 as veteran households.

## **2) Veteran Households Only: With and Without Small Business Ownership**

### *Demographic Characteristics*

Figure 2 reports the same characteristics as Figure 1; however, Figure 2 compares veteran households with and without small business owners living in the household. The number of

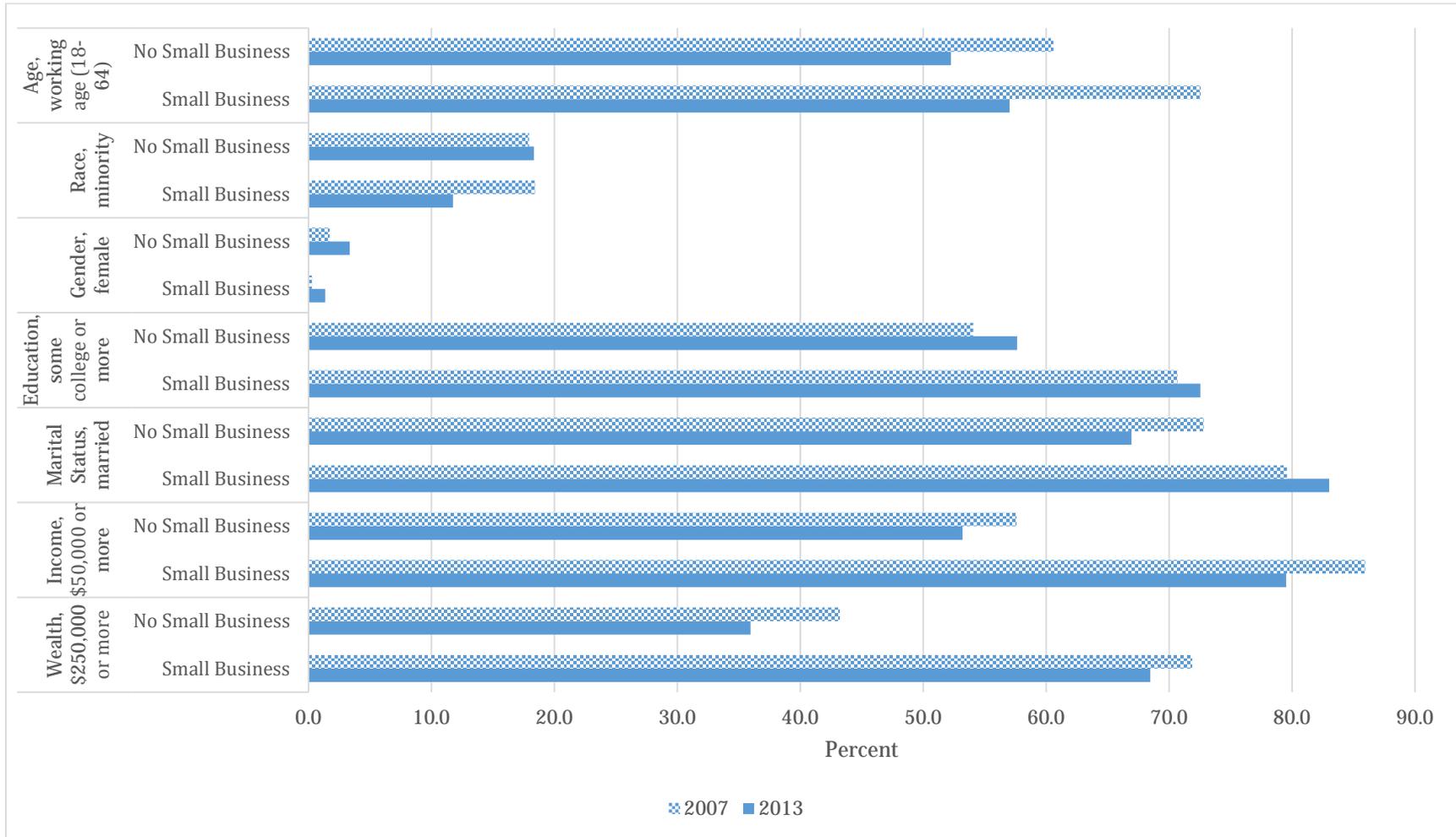
veteran households with small businesses declined from 3.1 million to 2.3 million (over 28%) from 2007 to 2013 (Appendix Table A2). The number of veteran households without small businesses declined from 21.8 million to 20.5 million (6%) from 2007 to 2013.

Veteran household heads with small businesses were about the same age as those without small businesses. Veteran small business household heads with a small business who were working age (18-64) declined from 72.6% in 2007 to 57% in 2013; while the percentage other veteran household heads of working age declined from 60.6% in 2007 to 52.2% in 2013 (Figure 2).

Veteran small business household heads with a small business were more likely to be white than veteran household heads without a small business; and veteran small business household heads were significantly more likely to be white in 2013 than 2007 (Figure 2). A small percentage of veteran households had female heads. Less than 4% of veteran households with and without small businesses in 2007 and 2013 had female household heads.

Educational attainment improved for veteran household heads without a small business (54.1% in 2007 and 57.6% in 2013 had some college), and increase slightly for veteran household heads with a small business (70.7% in 2007 and 72.5% in 2013 had some college) from 2007 to 2013 (Figure 2). Veteran small business household heads had significantly higher levels of education than other veteran household heads in 2007 and 2013. And finally, veteran small business household heads are more likely to be married than veteran household heads without a small business (Figure 2). Veteran household heads without a small business were significantly less likely to be married in 2013 than 2007 (72.8% in 2007 and 66.9% in 2013).

**Figure 2 Characteristics of the Sample for Veteran Household Heads with and without Small Businesses for 2007 and 2013**



Source: Survey of Consumer Finances, Federal Reserve Board of Governors, 2007 and 2013

## *Income and Assets*

Real median income was higher for veteran small business households than other veteran households in 2007 and 2013 (Appendix Table A2). Both types of households realized insignificant changes in real median income between 2007 and 2013. Veteran small businesses households saw real median income decline from over \$95,865 to \$91,350, while other veteran households saw real median income decline from \$59,482 to \$52,780. Veteran small business households and veteran households without a small business realized increases in real median net worth from 2007 to 2013.

The percentage of veteran households with a small business with income over \$50,000 decreased from 85.9% in 2007 to 79.5% in 2013, while the percentage of veteran households without a small business with income over \$50,000 decreased from 57.6% in 2007 to 53.2% in 2013 (Figure 2). The percentage of veteran households with a small business with net worth over \$250,000 decreased from 71.9% in 2007 to 68.5% in 2013, while the percentage of veteran households without a small business with net worth over \$250,000 decreased from 43.2% in 2007 to 36% in 2013.

The share of income derived from wages and salaries and Social Security and pensions changed substantially for both veteran households with and without small businesses (Appendix Table A2). With the aging veteran population, the share of income derived from wages and salaries declined from 48% in 2007 to 38.2% in 2013, while the share of income derived from social security and pensions rose from 14.7% to over 27.3% from 2007 to 2013 for veteran small business households. In addition, veteran small business households realized significant increases in the share of income from transfer payments and capital gains, and a significant decrease in the share of income from business, farm, and rental income from 2007 to 2013. Non-business-owning veteran households realized similar changes, with the share of income from wages and salaries declining from 53.5% in 2007 to 47.5% in 2013, and the share of income from social security and pensions increasing from 36.2% in 2007 to 43.2% in 2013. In 2013, the most substantial income share differences were in wages and salaries; business, farm, and rental income; and social security and pensions. Small business-owning veteran households derived a higher percentage of their income from their business than other households (23.2% versus

2.1%), and less from salary and wages (38.2% versus 47.5%) and Social Security and pensions (27.3% versus 43.2%) in 2013.

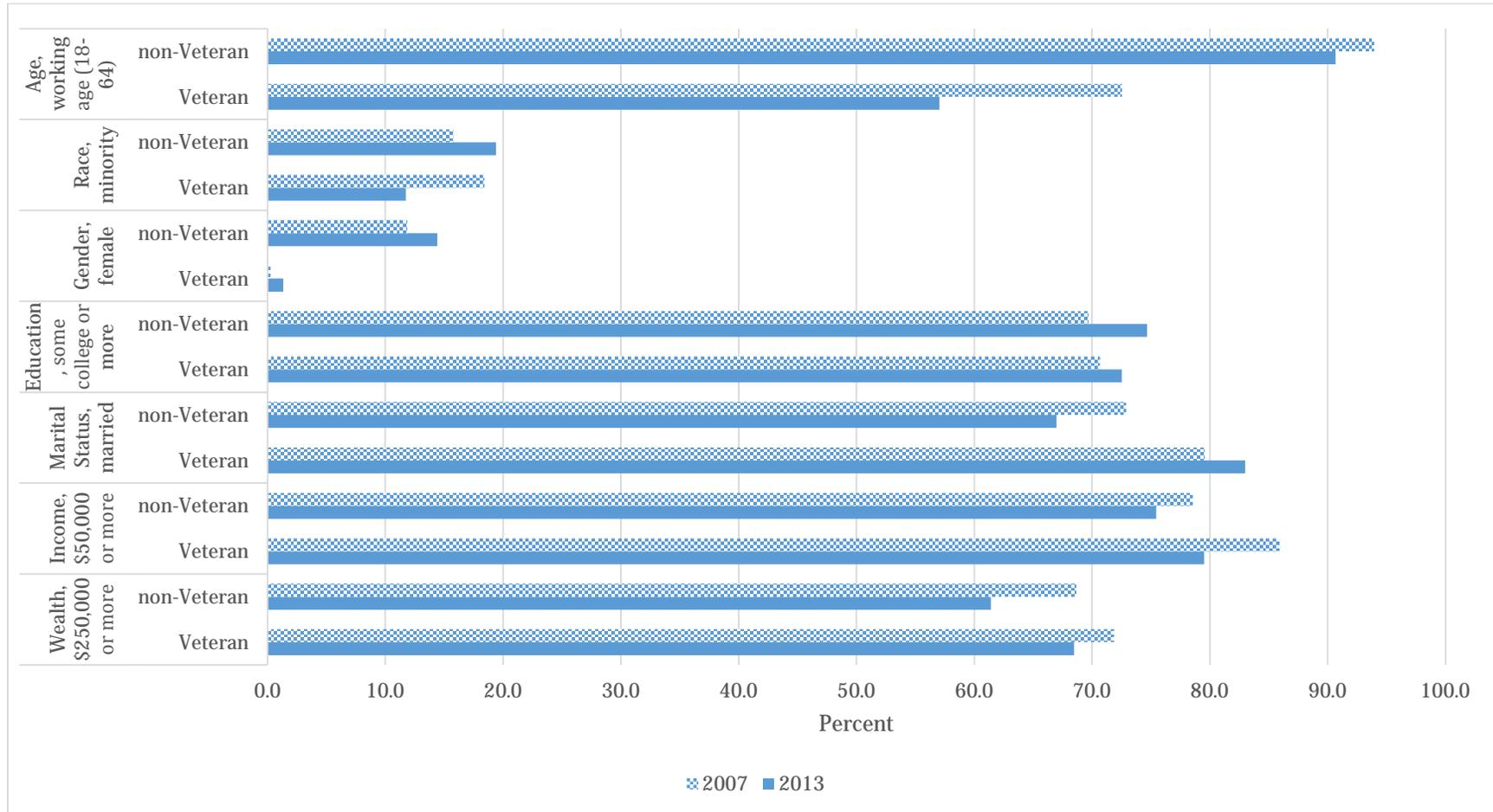
Veteran small business households hold about the same percentage of their assets in financial assets as veteran households without a small business; however, they held a significantly smaller percentage of total assets in vehicles and housing as they have a significantly higher percentage of total assets held in their businesses (Appendix Table A2). Veteran small business households held a significantly higher percentage of total assets in vehicles in 2013 than 2007 (4.7% in 2007 and 7% in 2013). Over 85% of the net worth of veteran small business households was held in houses (29.9%), other financial assets apart from stocks and bonds (23.6%), vehicles (7%) and business assets (24.9%) in 2013. These shares of net worth remained relatively constant for veteran small business households from 2007 to 2013. Veteran households without small businesses held a significantly lower percentage of total net worth in housing in 2013 than 2007 (45.1% in 2007 and 41.5% in 2013).

### **3) Small Business Households Only: Veteran and Non-Veteran Owners**

Figure 3 (and Appendix Table A3) compares veteran and non-veteran households owning small businesses. The number of veteran households with small businesses declined by over 28% (3.1 million in 2007 to 2.3 million in 2013) while the number of non-veteran households with small businesses declined by less than 2% (11.2 million in 2007 to 10.9 million in 2013) from 2007 to 2013.

Veteran household heads with small businesses were substantially older than non-veteran household heads with small businesses (Figure 3). The percentage of veteran household heads of working age with a small business declined from 72.6% in 2007 to 57% in 2013, while the percentage of non-veteran household heads of working age with a small business declined slightly from 93.9% in 2007 to 90.7% in 2013 (Appendix Table A3). The mean age of veteran household heads with small businesses was somewhat older in 2013 than 2007.

Figure 3 Characteristics of the Sample for Veteran and Non-Veteran Household Heads with Small Businesses for 2007 and 2013



Source: Survey of Consumer Finances, Federal Reserve Board of Governors, 2007 and 2013

The percentage of minority veteran household heads with a small business declined from 18.4% in 2007 to 11.7% in 2013. One of the interesting differences between veteran and non-veteran household heads is the gender of the household head. While over 11% of non-veteran household heads with a small business were female, less than 2% of veteran household heads with a small business were female in 2007 and 2013 (Figure 3).

Educational attainment remained virtually unchanged for veteran and non-veteran household heads with a small business with over 69% of these household heads having some college education (Figure 3). And finally, veteran small business household heads were more likely to be married than non-veteran household heads with a small business. A smaller percentage of non-veteran household heads with a small business were married in 2013 than 2007 (Appendix Table A3).

#### *Income and Assets*

Real median income was very similar for veteran and non-veteran households with a small business in 2007 and 2013 (Appendix Table A3). Both types of households realized insignificant changes in real median income a decline from over \$95,865 to \$91,350. Veteran households with and without a small business realized substantial decreases in real median net worth from 2007 to 2013.

The percentage of veteran households with a small business with income over \$50,000 decreased slightly from 78.5% in 2007 to 75.4% in 2013; the share of their non-veteran counterparts decreased from 85.9% in 2007 to 79.5% in 2013 (Figure 3). The percentage of non-veteran households with a small business with net worth over \$250,000 decreased from 68.7% in 2007 to 61.5% in 2013; the share of veteran households in the same net worth category decreased from 71.8% in 2007 to 68.5% in 2013.

With the aging veteran population, veteran small business households' share of income derived from wages and salaries declined, while the share of income derived from social security and pensions rose from 2007 to 2013 (Appendix Table A3). In addition, veteran small business households realized significant increases in the share of income from transfer payments and

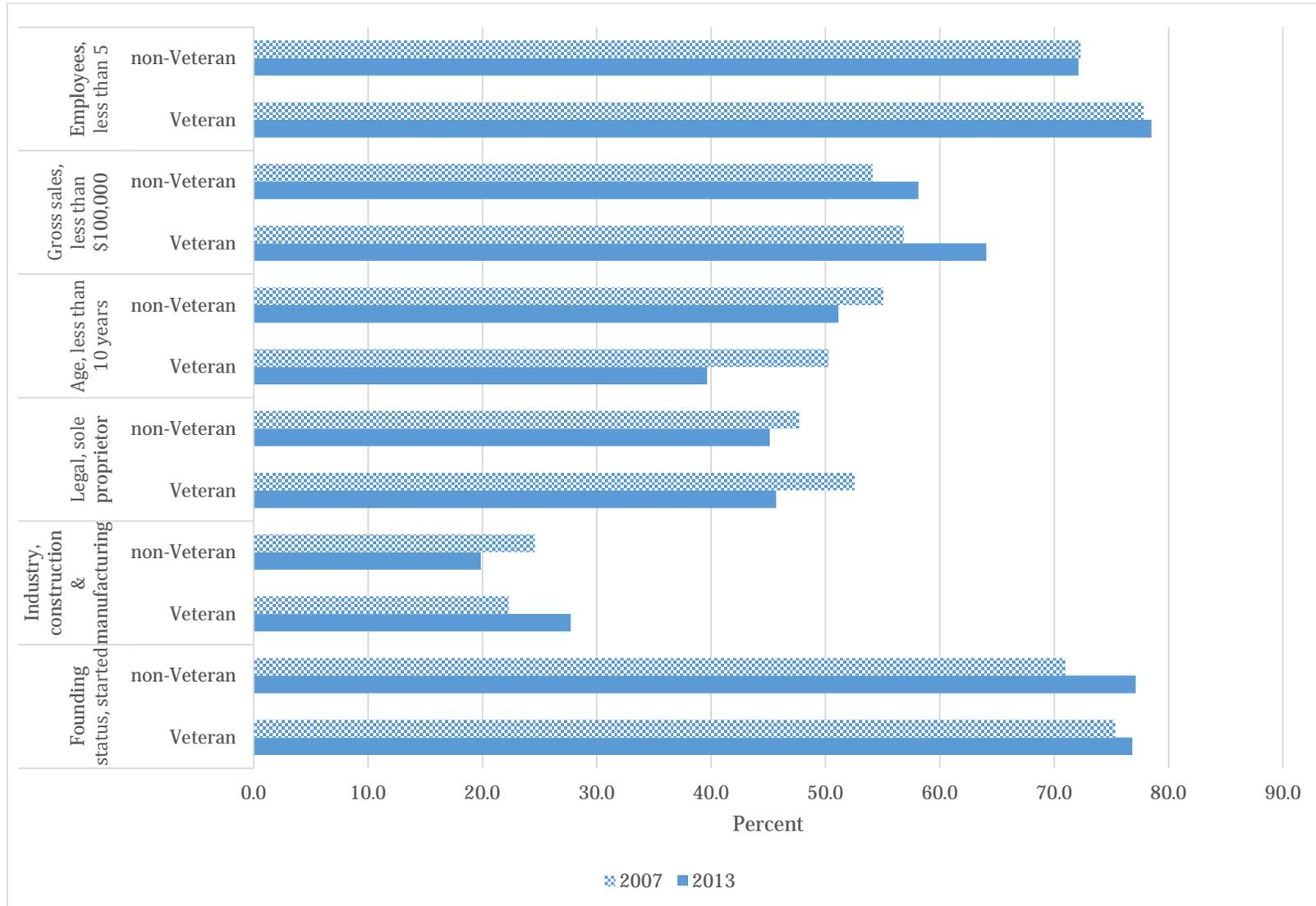
capital gains, and a significant decrease in the share of income from wages and salaries, as well as from business, farm, and rental income.

Veteran small business households hold about the same percentage of their assets in financial instruments as non-veteran small business households (Appendix Table A3). Veteran small business households had an increase in the share of net worth in vehicles; increasing from 4.7% in 2007 to 7% in 2013. Non-veteran small business households had an increase in the share of net worth in other financial assets from 17.4% in 2007 to 20.8% in 2013; while these households had a decrease in the share of net worth in housing, which declined from 39.1% in 2007 to 34.9% in 2013.

#### *Characteristics of Small Businesses*

Figure 4 (and Appendix Table A3) examine characteristics of the small businesses owned by veterans and non-veterans from 2007 to 2013. The size of veteran and non-veteran small businesses was very similar in both years (Figure 4). Over 70% of veteran and non-veteran small businesses had fewer than 5 employees and over 50% had gross sales of less than \$100,000 (Appendix Table A3). Veteran small businesses were older than non-veteran small businesses in 2007 and 2013; and, a significantly smaller percentage of veteran owned small businesses were less than 5 years old in 2013 than 2007 (20.4% versus 34.2%). Over 45% of the small businesses were organized as sole proprietorships; over 19% of the small businesses were engaged in construction and manufacturing; and over 70% of the small businesses were started by the current owner in both years.

Figure 4 Business Characteristics of the Sample for Veteran and Non-Veteran Household Heads with Small Businesses for 2007 and 2013



Source: Survey of Consumer Finances, Federal Reserve Board of Governors, 2007 and 2013

## **Income and Net Worth**

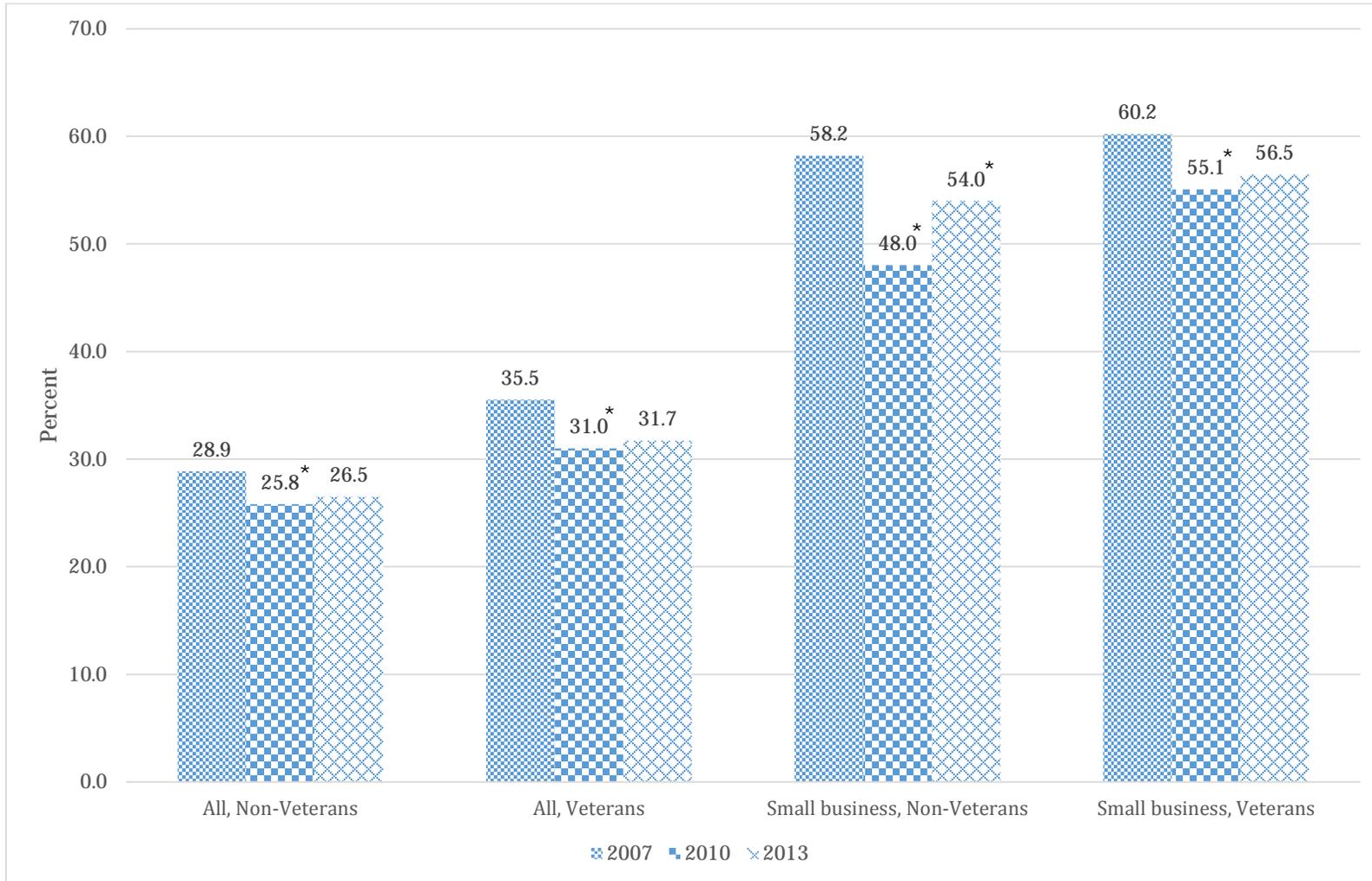
### **Total Households: Veteran and Non-Veteran**

#### *Probability of High Income*

Figure 5 examines the probability of being high-income (greater than \$83,651 annual income in 2013 dollars) for veteran and non-veteran households. Statistical comparisons for 2007 through 2010 use 2007 as the reference year and those for 2010 through 2013 use 2010 as the reference year; statistically significant differences are denoted with asterisks on the data labels in the figure. This analysis simply compares the probability of being high income from 2007 to 2010 to assess income changes during the recession and 2010 to 2013 to assess income changes during the recovery. The comparisons utilize the full model, where characteristics of the household and business are included, to determine statistical significance.

The likelihood of being classified high income declined significantly for nearly all household categories from 2007 to 2010. Non-veteran and veteran households realized a significant decrease in the likelihood of being high income during the recession. Neither of these groups realized any significant recovery from 2010 to 2013. Non-veteran households with a small business owner realized a significant decline of over 10 percentage points from 58.2% in 2007 to 48% in 2010 in the likelihood of being high income. Even though much of the decline appears to be erased by 2013, the 6 percentage point increase from 48% in 2010 to 54% in 2013 was not statistically significant; hence, no recovery was realized. Veteran households with a small business owner realized a significant decline of over 5 percentage points from 60.2% in 2007 to 55.1% in 2010; however, they didn't experience any significant recovery from 2010 to 2013. For additional details, please Table A4 for the likelihood of being high income from 1989 to 2013.

Figure 5 Percentage of Household High Income for All Households and Households with Small Business Owners during the Recession (2007–2010) and Recovery (2010–2013)



Source: Survey of Consumer Finances, Federal Reserve Board of Governors, 2007 and 2013

Note: Asterisks denote statistical significance at the 5% level of significance, where regression analyses controlling for age, race, gender, educational attainment, marital status, stock and real estate ownership, occupation, income earners, business size, business age, legal organization, industry and founding status were used.

### *Probability of High Net Worth*

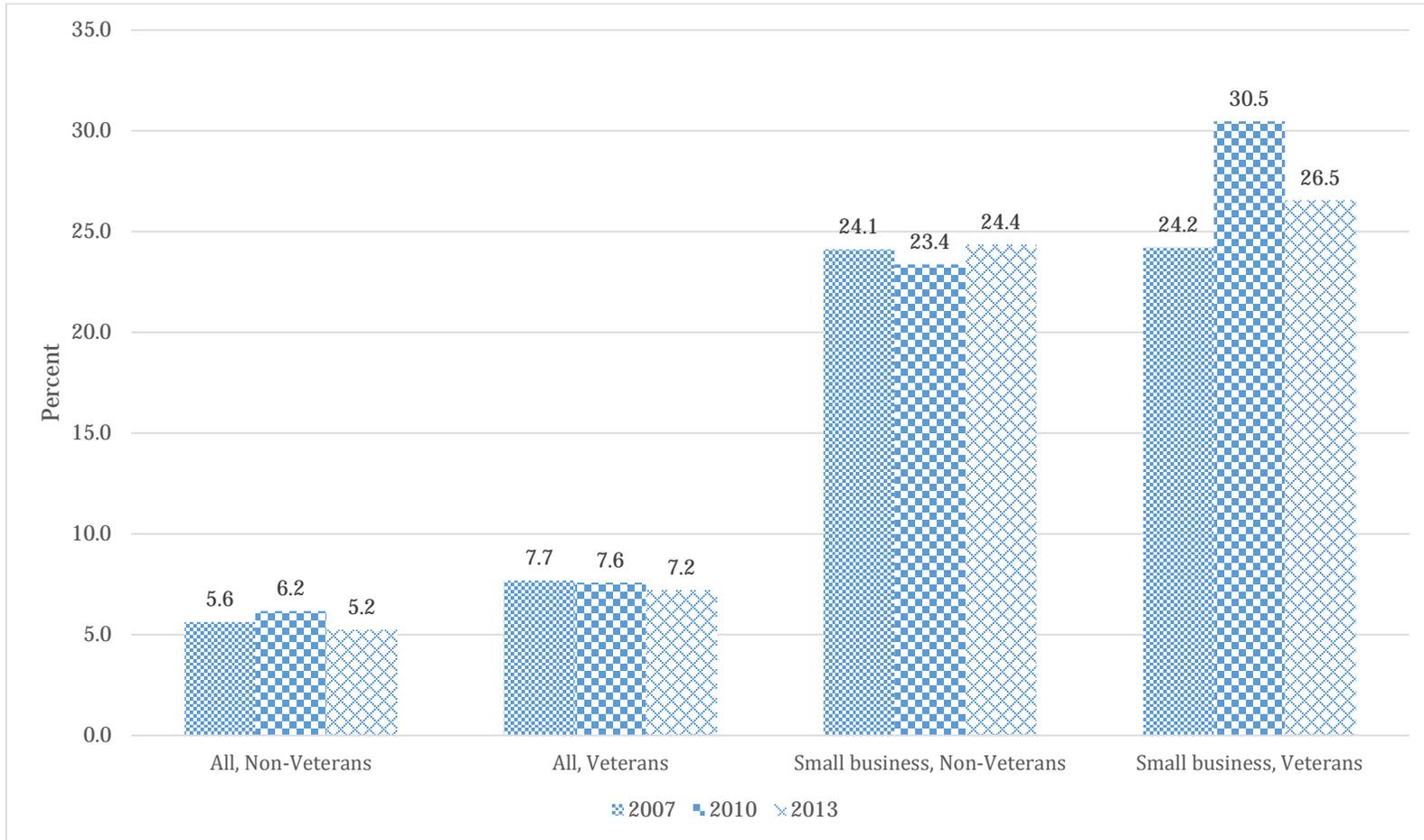
Figure 6 examines the probability of being high net worth (greater than \$1,627,296 net worth in 2013 dollars) for veteran and non-veteran households. The likelihood of being classified high net worth remained unchanged from 2007 to 2010 for all veteran and non-veteran household categories. In addition, the likelihood of being classified high net worth remained unchanged from 2010 to 2013 for all veteran and non-veteran household categories. While several significant differences were identified for the likelihood of being high income, no significant differences were identified for the likelihood of being high net worth. For additional details, please Table A5 for the likelihood of being high net worth from 1989 to 2013.

### *Mean Income: 2007-2013*

Figure 7 examines changes in real (inflation adjusted) mean income from 2007 to 2010 and 2010 to 2013. While real mean income is reported in 2013 dollars, the statistical comparison of means from 2007 to 2013 uses log means. Log transformations make income distributions more normally distributed with smaller variances. Mean income declined significantly for veteran and non-veteran households by 10% for non-veterans, and 15% for veterans from 2007 to 2010. Neither of these groups realized any significant recovery from 2010 to 2013.

Veteran and non-veteran households owning a small business realized significant declines in mean income from 2007 to 2010. Non-veteran household realized a decline of 18.6% from 2007 to 2010; however, they were fully recovered by 2013, increasing from \$171,800 in 2010 to \$223,000 in 2013. Veteran households realized a decline of 15.5% (\$196,700 in 2007 to \$166,200 in 2010) from 2007 to 2010; however, these household didn't recover by 2013. For additional details, please Table A6 for mean income from 1989 to 2013

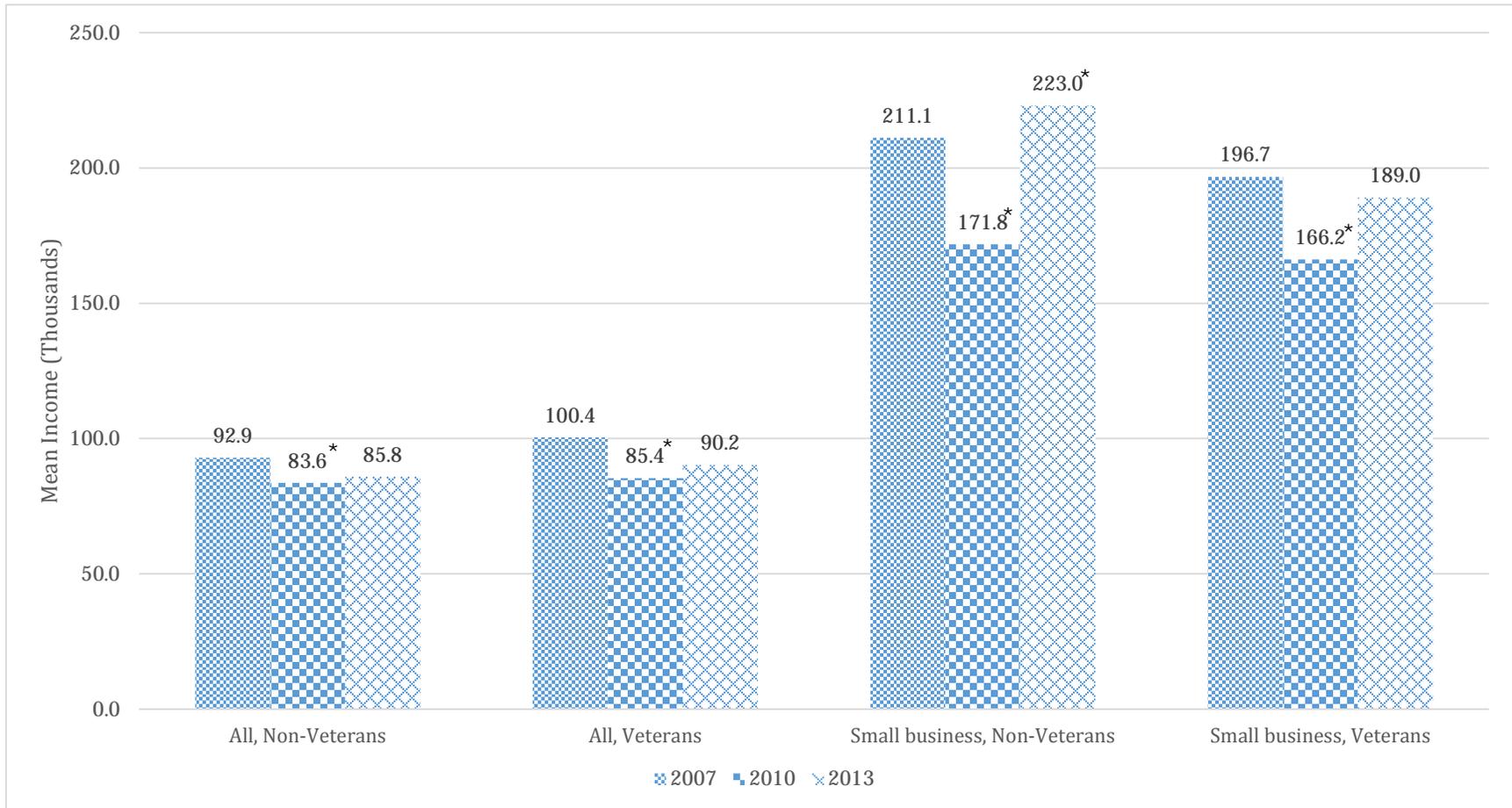
**Figure 6 Percentage of Household High Net Worth for All Households and Households with Small Business Owners during the Recession (2007–2010) and Recovery (2010–2013)**



Source: Survey of Consumer Finances, Federal Reserve Board of Governors, 2007 and 2013

Note: Asterisks denote statistical significance at the 5% level of significance, where regression analyses controlling for age, race, gender, educational attainment, marital status, stock and real estate ownership, occupation, income earners, business size, business age, legal organization, industry and founding status were used.

**Figure 7 Mean Household Income for All Households and Households with Small Business Owners during the Recession (2007–2010) and Recovery (2010–2013)**



Source: Survey of Consumer Finances, Federal Reserve Board of Governors, 2007 and 2013

Note: Asterisks denote statistical significance at the 5% level of significance, where regression analyses controlling for age, race, gender, educational attainment, marital status, stock and real estate ownership, occupation, income earners, business size, business age, legal organization, industry and founding status were used.

### *Mean Net worth: 2007-2013*

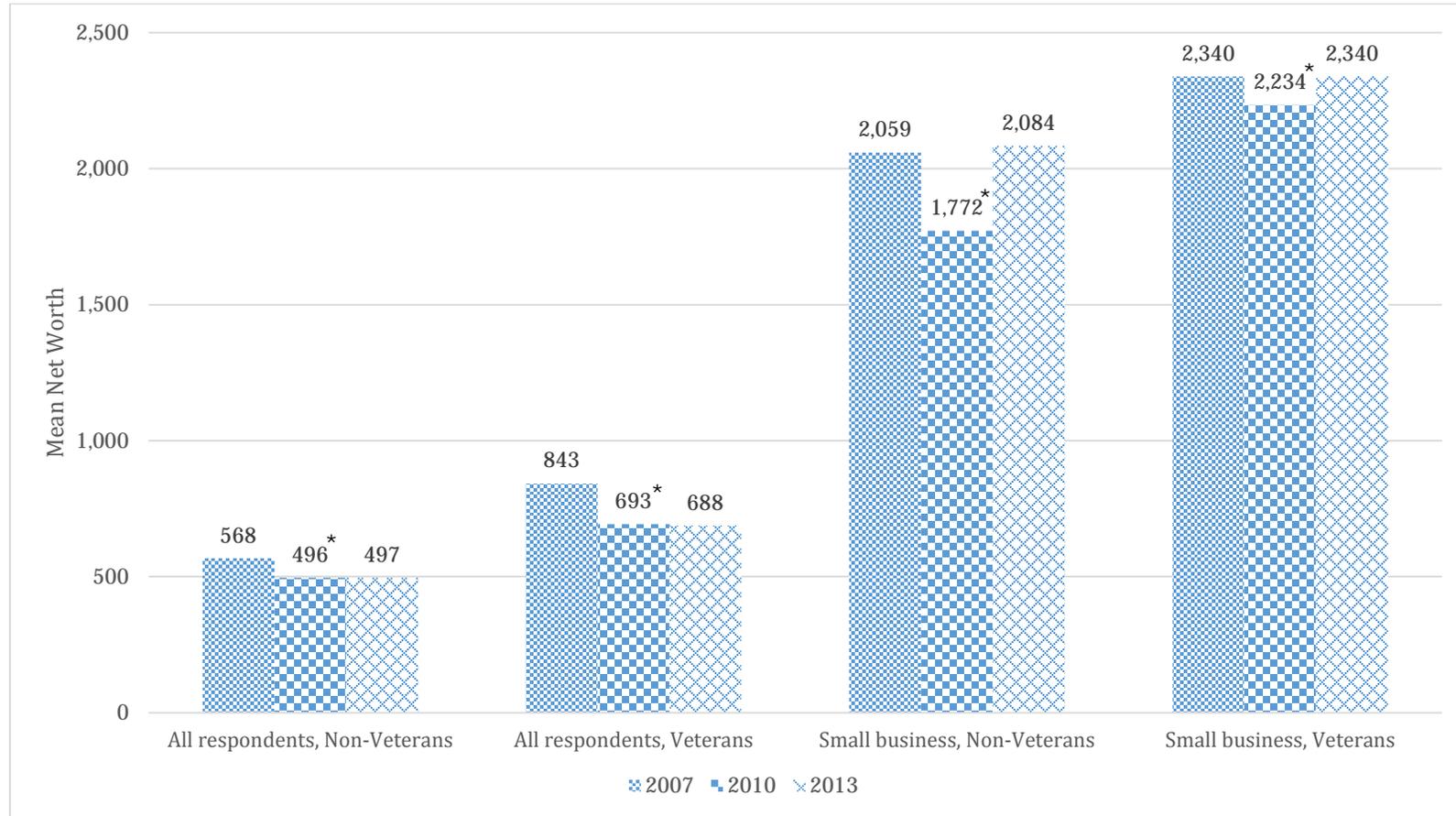
Figure 8 examines changes in real mean net worth from 2007 to 2010 and 2010 to 2013. While real mean net worth is reported in 2013 dollars, the statistical comparison of means from 2007 to 2013 uses log means. Mean net worth declined significantly for veteran and non-veteran households from 2007 to 2010. It declined by 12.7% for non-veterans (from \$568,000 to \$496,000), and by 17.8% for veterans (from \$843,000 to \$693,000). Neither group realized any significant recovery from 2010 to 2013.

Veteran and non-veteran households owning a small business realized significant declines in mean net worth from 2007 to 2010. Non-veteran households saw mean net worth decline nearly 14% (from \$2.059 million to \$1.772 million). Veteran households realized a decline of 4.5% (from \$2.23 million to \$2.34 million). Neither of these groups realized any significant recovery from 2010 to 2013. For additional details, please Table A7 for mean net worth from 1989 to 2013.

### **Regression Analyses**

The multivariate regression analyses add substantial rigor to the assessment of the hypotheses examined in this study because they control for key characteristics of households and businesses. Household characteristics include age, race, gender, educational attainment, marital status, ownership of financial and nonfinancial assets, professional practice occupation, and number of earners in the household. Business characteristics include employee size of firm, firm age, legal organization, industry, and founding status. The regression models test four dependent variables: the likelihood of being high income or net worth and log income or log net worth. This analysis assesses the impact of contraction during the Great Recession and subsequent expansion of the U.S. economy from 2010 to 2013.

**Figure 8 Mean Household Net Worth for All Households and Households with Small Business Owners during the Recession (2007–2010) and Recovery (2010–2013)**



Source: Survey of Consumer Finances, Federal Reserve Board of Governors, 2007 and 2013

Note: Asterisks denote statistical significance at the 5% level of significance, where regression analyses controlling for age, race, gender, educational attainment, marital status, stock and real estate ownership, occupation, income earners, business size, business age, legal organization, industry and founding status were used.

### **Change in Income: All Households—Veteran and Non-Veteran**

Table 2 examines the determinants of changes in income for all veteran and non-veteran households from 2007 through 2013. After controlling for household characteristics, veterans had a significantly higher probability of being high income and had higher log income than non-veterans.

Several household characteristics warrant some discussion. Older household heads were more likely to be high income and had higher log net income than younger household heads. The veteran by age interaction term was negative and significant, which suggests that veterans have a negative relationship between age and the likelihood of high income and between age and log income; while non-veterans have a positive relationship between age and the likelihood of high income and between age and log income. White household heads were more likely to be high income than their black and Hispanic counterpart household heads. Households with male household heads were more likely to have higher income than their female counterpart household heads. Educational attainment matters; household heads with a higher level of education earn higher income. Households with a married household head had higher income than their unmarried counterparts. Households owning public stock or real estate had higher income than those not owning these assets. Households with a household head engaged in a professional occupation had a higher likelihood of being high income, but not higher log income, than their counterpart household heads engaged in other occupations. And finally, households with more income earners living in the household had lower total income.

### **Change in Net Worth: All Households—Veteran and Non-Veteran**

Table 3 examines the determinants of changes in net worth for all veteran and non-veteran households from 2007 to 2013. After controlling for household characteristics, veterans had a similar probability of being high net worth and similar log net worth as non-veterans. In addition, the likelihood of high net worth was unchanged from 2007 through 2013, while log net worth was significantly lower in 2010 and 2013 than 2007.

Significant differences in characteristics of the household head warranted further review. Households with an older household head were more likely to be higher net worth and have

Table 2: Determinants of Income: Veteran and Non-Veteran Households, 2007-2013

| Characteristics <sup>1</sup>      | Logistic Regression<br>High Income<br>Probability |         | Linear Regression<br>Log Income |         |
|-----------------------------------|---|---------|---------------------------------|---------|
|                                   | Parameter   | p-value | Parameter                       | p-value |
| Intercept                         | -4.5368   | 0.0001  | 9.5936                          | 0.0001  |
| Veteran                           | 1.0271  | 0.0001  | 0.3134                          | 0.0001  |
| Year 2010                         | -0.2620   | 0.0001  | -0.0680                         | 0.0006  |
| Year 2013                         | -0.1735   | 0.0015  | -0.0551                         | 0.0059  |
| Age                               | 0.0042  | 0.0246  | 0.0023                          | 0.0001  |
| Age - squared                     | 0.3243  | 0.0001  | 0.1430                          | 0.0001  |
| Interaction: Veteran & age        | -0.0240   | 0.0001  | -0.0069                         | 0.0001  |
| Race, Black                       | -0.5766   | 0.0001  | -0.1855                         | 0.0001  |
| Race, Hispanic                    | -0.6589   | 0.0001  | -0.1094                         | 0.0001  |
| Race, other                       | -0.1183   | 0.2341  | -0.1308                         | 0.0006  |
| Gender, male                      | 0.8479  | 0.0001  | 0.2831                          | 0.0001  |
| Education, high school diploma    | 1.0657  | 0.0001  | 0.3478                          | 0.0001  |
| Education, some college           | 1.6342  | 0.0001  | 0.5045                          | 0.0001  |
| Education, college degree or more | 2.5838  | 0.0001  | 0.8775                          | 0.0001  |
| Marital status, married           | 1.4753  | 0.0001  | 0.6026                          | 0.0001  |
| Public stock ownership            | 0.8701  | 0.0001  | 0.3984                          | 0.0001  |
| Owns real estate                  | 0.9950  | 0.0001  | 0.3796                          | 0.0001  |
| Professional occupation           | 0.2637  | 0.0001  | 0.0139                          | 0.5835  |
| Income earners in household       | -0.2456   | 0.0001  | -0.1261                         | 0.0001  |
| Adjusted R-squared                |   |         |                                 |         |
| McFadden R-squared                |   | 0.32    |                                 | 0.29    |
| Number of Observations            |   |         |                                 | 16,914  |

<sup>1</sup>Reference categories are the following: year=1989, race=white, gender=female, education= no high school diploma, marital status=not married, public stock ownership=no, and owns real estate=no.

<sup>2</sup>All implicates were used in these regression analyses.

**Table 3: Determinants of Net Worth: Veteran and Non-Veteran Households, 2007-2013**

| Characteristics <sup>1</sup>      | Logistic Regression<br>High Income<br>Probability |         | Linear Regression<br>Log Income |         |
|-----------------------------------|---|---------|---------------------------------|---------|
|                                   | Parameter   | p-value | Parameter                       | p-value |
| Intercept                         | -8.6147   | 0.0001  | 3.8339                          | 0.0001  |
| Veteran                           | 0.1682  | 0.7059  | -0.1830                         | 0.5033  |
| Year 2010                         | -0.0236   | 0.8205  | -0.6243                         | 0.0001  |
| Year 2013                         | -0.1837   | 0.0732  | -0.6289                         | 0.0001  |
| Age                               | 0.0488  | 0.0001  | 0.0817                          | 0.0001  |
| Age - squared                     | -0.1459   | 0.2775  | 0.2057                          | 0.0084  |
| Interaction: Veteran & age        | -0.0133   | 0.0520  | -0.0062                         | 0.1689  |
| Race, Black                       | -1.5619   | 0.0001  | -1.5366                         | 0.0001  |
| Race, Hispanic                    | -0.9966   | 0.0004  | -0.6251                         | 0.0001  |
| Race, other                       | -0.1470   | 0.3904  | -0.0898                         | 0.5080  |
| Gender, male                      | 0.8646  | 0.0001  | 0.8105                          | 0.0001  |
| Education, high school diploma    | 0.3247  | 0.2351  | 1.0730                          | 0.0001  |
| Education, some college           | 0.9585  | 0.0005  | 1.0220                          | 0.0001  |
| Education, college degree or more | 2.1376  | 0.0001  | 1.8608                          | 0.0001  |
| Marital status, married           | 0.5121  | 0.0001  | 1.2133                          | 0.0001  |
| Public stock ownership            | 1.3933  | 0.0001  | 1.6516                          | 0.0001  |
| Owns real estate                  | 1.5633  | 0.0001  | 1.6154                          | 0.0001  |
| Professional occupation           | 0.7356  | 0.0001  | 0.7509                          | 0.0001  |
| Income earners in household       | -0.2673   | 0.0258  | -0.1383                         | 0.0140  |
| Adjusted R-squared                |   |         |                                 |         |
| McFadden R-squared                |   | 0.50    |                                 | 0.30    |
| Number of Observations            |   |         |                                 | 16,914  |

<sup>1</sup>Reference categories are the following: year=1989, race=white, gender=female, education= no high school diploma, marital status=not married, public stock ownership=no, and owns real estate=no.

<sup>2</sup>All implicates were used in these regression analyses.

higher log net worth than households with a younger household head. The veteran by age interaction term was negative and significant for the likelihood of high income, which suggests that veterans have a negative relationship between age and the likelihood of high net worth; while non-veterans have a positive relationship between age and the likelihood of high net worth. White household heads were likely to be higher net worth than their black and Hispanic counterpart household heads. Households with male household heads were more likely to have higher net worth than their female counterpart household heads. Household heads with a higher level of education have higher net worth. Households with a married household head had higher net worth than their unmarried counterpart. Households owning public stock or real estate and those engaged in a professional occupation had higher net worth. Households with a household head engaged in a professional occupation had higher net worth than their counterpart household heads engaged in other occupations. And finally, households with more income earners living in the household had lower net worth.

#### **Change in Income: Veteran Households—With and Without Small Businesses**

Table 4 examines the determinants of changes in income for veteran households with and without small businesses from 2007 to 2013. After controlling for characteristics of the veteran household heads, veteran small business households had similar probabilities of being high income and had similar log income as other veteran households.

Several characteristics of household heads warrant further discussion in these regressions which include only veterans. Households with older household heads were significantly less likely to be high income, while household heads who had more education, were married, and held stocks and other real estate were more likely to be high income. In addition, white households had a higher likelihood of being high income than their black and Hispanic counterparts; although, white and black households had similar log incomes.

#### **Change in Net Worth: Veteran Households—With and Without Small Businesses**

Table 5 examines the determinants of changes in net worth for veteran households with and without small businesses from 2007 to 2013. Veteran households with small businesses had significantly higher probabilities of being high net worth and had higher log net worth than

Table 4: Determinants of Income: Veteran Households, 2007-2013

| Characteristics <sup>1</sup>        | Logistic Regression<br>High Income<br>Probability |         | Linear Regression<br>Log Income |         |
|-------------------------------------|---|---------|---------------------------------|---------|
|                                     | Parameter   | p-value | Parameter                       | p-value |
| Intercept                           | -2.7304   | 0.0001  | 10.0883                         | 0.0001  |
| Small business                      | 0.8763  | 0.1304  | -0.0151                         | 0.9429  |
| Year 2010                           | -0.2292   | 0.0635  | -0.1033                         | 0.0057  |
| Year 2013                           | -0.0959   | 0.4165  | -0.0406                         | 0.2969  |
| Age                                 | -0.0198   | 0.0001  | -0.0050                         | 0.0001  |
| Age - squared                       | 0.1321  | 0.3721  | 0.0794                          | 0.1337  |
| Interaction: Small business and age | -0.0020   | 0.8346  | 0.0047                          | 0.1798  |
| Race, Black                         | -0.3168   | 0.0473  | -0.0686                         | 0.1834  |
| Race, Hispanic                      | -0.6753   | 0.0025  | -0.1709                         | 0.0143  |
| Race, other                         | -0.0470   | 0.8664  | -0.1042                         | 0.2454  |
| Gender, male                        | 0.4283  | 0.2314  | 0.2271                          | 0.0191  |
| Education, high school diploma      | 0.6829  | 0.0099  | 0.3164                          | 0.0001  |
| Education, some college             | 1.2525  | 0.0001  | 0.4417                          | 0.0001  |
| Education, college degree or more   | 2.0836  | 0.0001  | 0.7889                          | 0.0001  |
| Marital status, married             | 1.4511  | 0.0001  | 0.5355                          | 0.0001  |
| Public stock ownership              | 0.8370  | 0.0001  | 0.3647                          | 0.0001  |
| Owns real estate                    | 0.8421  | 0.0001  | 0.3164                          | 0.0001  |
| Professional occupation             | -0.0462   | 0.7916  | -0.1109                         | 0.0662  |
| Income earners in household         | -0.1359   | 0.2441  | -0.0480                         | 0.1599  |
| Adjusted R-squared                  |   |         |                                 |         |
| McFadden R-squared                  |   | 0.22    |                                 | 0.25    |
| Number of Observations              |   |         |                                 | 3,349   |

<sup>1</sup>Reference categories are the following: year=2007, race=white, gender=female, education= no high school diploma, marital status=not married, public stock ownership=no, and owns real estate=no.

<sup>2</sup>All implicates were used in these regression analyses.

**Table 5: Determinants of Net Worth: Veteran Households, 2007-2013**

| Characteristics <sup>1</sup>        | Logistic Regression<br>High Income<br>Probability |         | Linear Regression<br>Log Income |         |
|-------------------------------------|---|---------|---------------------------------|---------|
|                                     | Parameter   | p-value | Parameter                       | p-value |
| Intercept                           | -8.1777   | 0.0001  | 3.4234                          | 0.0001  |
| Small business                      | 2.5826  | 0.0070  | 2.7960                          | 0.0002  |
| Year 2010                           | -0.1280   | 0.5454  | -0.7269                         | 0.0001  |
| Year 2013                           | -0.0273   | 0.8980  | -0.5133                         | 0.0003  |
| Age                                 | 0.0448  | 0.0001  | 0.0743                          | 0.0001  |
| Age - squared                       | -0.2120   | 0.6200  | -0.3176                         | 0.1038  |
| Interaction: Small business and age | -0.0111   | 0.4486  | -0.0207                         | 0.0863  |
| Race, Black                         | -2.5444   | 0.0132  | -0.9831                         | 0.0001  |
| Race, Hispanic                      | -2.2066   | 0.0962  | -1.0222                         | 0.0001  |
| Race, other                         | 0.2619  | 0.5523  | 0.4184                          | 0.1936  |
| Gender, male                        | 0.3815  | 0.7033  | 1.7005                          | 0.0001  |
| Education, high school diploma      | -0.6978   | 0.1252  | 0.6427                          | 0.0067  |
| Education, some college             | -0.1118   | 0.8008  | 0.6850                          | 0.0053  |
| Education, college degree or more   | 1.2650  | 0.0017  | 1.3987                          | 0.0001  |
| Marital status, married             | 0.7834  | 0.0025  | 0.9941                          | 0.0001  |
| Public stock ownership              | 1.2925  | 0.0001  | 1.4245                          | 0.0001  |
| Owens real estate                   | 1.4924  | 0.0001  | 1.2827                          | 0.0001  |
| Professional occupation             | -0.1874   | 0.4414  | -0.2452                         | 0.2859  |
| Income earners in household         | -0.1185   | 0.6106  | -0.0462                         | 0.7170  |
| Adjusted R-squared                  |   |         |                                 |         |
| McFadden R-squared                  |   | 0.37    |                                 | 0.31    |
| Number of Observations              |   |         |                                 | 3,349   |

<sup>1</sup>Reference categories are the following: year=2007, race=white, gender=female, education= no high school diploma, marital status=not married, public stock ownership=no, and owns real estate=no.

<sup>2</sup>All implicates were used in these regression analyses.

veteran households without small businesses. In addition, veteran households had lower log income in 2010 and 2013 than in 2007.

Several control variables warrant further discussion in these regressions of veterans only. Households with older household heads had higher net worth than younger household heads. In addition, household heads, who were married, better educated, and owners of stock and real estates had higher net worth. White households had higher likelihood of high net worth than black households. Although, white households only had higher log net worth than both black and Hispanic households. Male household heads had higher log net worth, but similar likelihoods of high net worth as female household heads.

#### **Change in Income: Small Business Owning Households—Veteran and Non-Veteran**

Table 6 examines the determinants of changes in income for veteran and non-veteran households with small businesses. After controlling for household and business characteristics, veteran small business households had higher probability of high income than non-veteran small business households. The likelihood of high income and log income were lower in 2010 than 2007.

Again, several household head and business characteristics warrant further discussion. Older household heads were more likely to be high income and had higher log net income than younger household heads. The veteran by age interaction term was negative and significant, which suggests that veterans have a negative relationship between age and the likelihood of high income and between age and log income; while non-veterans have a positive relationship between age and the likelihood of high income and between age and log income. Hispanic households had a lower likelihood of being high income than white households, while black households had lower log income than white households. Males had higher log income than females. Being better educated, married, and owners of stocks and real estate were all positively associated with higher income; and having more income earners in the household was associated with lower income. Household with more income earners were associated with lower income. Households owning larger small businesses had higher income. Business age was insignificant; however, businesses organized as sole proprietorships or partnerships earned less income than

**Table 6: Determinants of Income: Veteran and Non-Veteran Small Business Households, 2007–2013**

| Characteristics <sup>1</sup>             | High Income Probability |         | Log Income |         |
|--|-------------------------|---------|------------|---------|
|  | Parameter               | p-value | Parameter  | p-value |
| Intercept                                | -2.1982                 | 0.0001  | 9.9810     | 0.0001  |
| Veteran                                  | 1.8218                  | 0.0023  | 0.5697     | 0.0719  |
| Year 2010                                | -0.4382                 | 0.0016  | -0.2236    | 0.0013  |
| Year 2013                                | -0.1831                 | 0.2159  | 0.0301     | 0.6798  |
| Age                                      | 0.0120                  | 0.0486  | 0.0079     | 0.0111  |
| Age - squared                            | 0.1142                  | 0.4505  | -0.0612    | 0.4244  |
| Interaction: Veteran and age             | -0.0338                 | 0.0010  | -0.0118    | 0.0294  |
| Race, Black                              | -0.4262                 | 0.0521  | -0.3062    | 0.0079  |
| Race, Hispanic                           | -0.5727                 | 0.0279  | -0.2272    | 0.0690  |
| Race, other                              | -0.4275                 | 0.1110  | -0.0870    | 0.5153  |
| Gender, male                             | 0.3729                  | 0.1010  | 0.4611     | 0.0001  |
| Education, high school diploma           | 0.1100                  | 0.7081  | 0.0438     | 0.7662  |
| Education, some college                  | 0.5650                  | 0.0779  | 0.1715     | 0.2635  |
| Education, college degree or more        | 1.0220                  | 0.0005  | 0.3360     | 0.0212  |
| Marital status, married                  | 1.1110                  | 0.0001  | 0.5357     | 0.0001  |
| Public stock ownership                   | 0.3397                  | 0.0093  | 0.2606     | 0.0001  |
| Owns real estate                         | 0.8057                  | 0.0001  | 0.2374     | 0.0002  |
| Professional occupation                  | 0.0597                  | 0.6453  | 0.0498     | 0.4588  |
| Income earners in household              | -0.2674                 | 0.0423  | -0.1580    | 0.0191  |
| Business size, number of employees       | 0.0371                  | 0.0004  | 0.0085     | 0.0001  |
| Business age                             | -0.0020                 | 0.8627  | -0.0014    | 0.6608  |
| Business age - squared                   | 0.0000                  | 0.9205  | 0.0000     | 0.6379  |
| Organization, partnership                | -0.4714                 | 0.0581  | -0.3379    | 0.0053  |
| Organization, sole proprietorship        | -0.8325                 | 0.0014  | -0.3877    | 0.0019  |
| Organization, sub s corporation          | -0.0122                 | 0.9649  | -0.0402    | 0.7566  |
| Industry, construction and manufacturing | 0.1093                  | 0.6175  | 0.1736     | 0.1051  |
| Industry, wholesale and retail           | 0.1068                  | 0.6355  | 0.2099     | 0.0684  |
| Industry, service and other              | 0.6282                  | 0.0010  | 0.5414     | 0.0001  |
| Founding status, bought or invested      | 0.1955                  | 0.4243  | -0.1982    | 0.0914  |
| Founding status, started                 | -0.0975                 | 0.6283  | -0.2276    | 0.0243  |
| McFadden/Adjusted R-squared              |                         | 0.24    |            | 0.13    |
| Number of Observations                   |                         |         |            | 3,800   |

<sup>1</sup>Reference categories are the following: year=2007, race=white, gender=female, education= no high school diploma, marital status=not married, public stock ownership=no, and owns real estate=no, organization=regular corporation and other limited liability, industry=agriculture, founding status=inherited.

<sup>2</sup>All implicates were used in these regression analyses.

**Table 7: Determinants of Net Worth: Veteran and Non-Veteran Small Business Households, 2007–2013**

| Characteristics <sup>1</sup>             | High Net Worth Probability |         | Log Net Worth |         |
|--|----------------------------|---------|---------------|---------|
|  | Parameter                  | p-value | Parameter     | p-value |
| Intercept                                | -5.7240                    | 0.0001  | 8.4809        | 0.0001  |
| Veteran                                  | 1.1594                     | 0.1881  | 0.3798        | 0.4595  |
| Year 2010                                | -0.0765                    | 0.6734  | -0.5572       | 0.0001  |
| Year 2013                                | -0.1048                    | 0.5848  | -0.6341       | 0.0001  |
| Age                                      | 0.0475                     | 0.0001  | 0.0660        | 0.0001  |
| Age - squared                            | -0.1509                    | 0.5115  | 0.4694        | 0.0001  |
| Interaction: Veteran and age             | -0.0258                    | 0.0726  | -0.0146       | 0.0871  |
| Race, Black                              | -0.6603                    | 0.0919  | -0.9135       | 0.0001  |
| Race, Hispanic                           | -0.8806                    | 0.0580  | -0.2919       | 0.1390  |
| Race, other                              | -0.2142                    | 0.5008  | -0.0975       | 0.6658  |
| Gender, male                             | 0.4938                     | 0.1361  | 1.1289        | 0.0001  |
| Education, high school diploma           | 0.2736                     | 0.5804  | -0.0278       | 0.9028  |
| Education, some college                  | 0.4815                     | 0.3363  | 0.1880        | 0.4285  |
| Education, college degree or more        | 1.2745                     | 0.0077  | 0.5561        | 0.0139  |
| Marital status, married                  | 0.0884                     | 0.6545  | 0.3237        | 0.0072  |
| Public stock ownership                   | 1.0194                     | 0.0001  | 0.9782        | 0.0001  |
| Owns real estate                         | 1.2346                     | 0.0001  | 0.8747        | 0.0001  |
| Professional occupation                  | -0.2187                    | 0.1923  | -0.2511       | 0.0185  |
| Income earners in household              | -0.2382                    | 0.2062  | 0.1412        | 0.2714  |
| Business size, number of employees       | 0.0469                     | 0.0001  | 0.0102        | 0.0001  |
| Business age                             | 0.0681                     | 0.0008  | 0.0220        | 0.0001  |
| Business age - squared                   | -0.0010                    | 0.0408  | 0.0000        | 0.0001  |
| Organization, partnership                | -0.1881                    | 0.4906  | -0.2219       | 0.2345  |
| Organization, sole proprietorship        | -1.0311                    | 0.0009  | -0.8115       | 0.0001  |
| Organization, sub s corporation          | -0.0738                    | 0.7980  | 0.0122        | 0.9520  |
| Industry, construction and manufacturing | -0.1652                    | 0.5599  | -0.6397       | 0.0001  |
| Industry, wholesale and retail           | -0.6194                    | 0.0400  | -0.5991       | 0.0008  |
| Industry, service and other              | 0.1314                     | 0.6047  | -0.5462       | 0.0004  |
| Founding status, bought or invested      | -0.1124                    | 0.7054  | 0.3533        | 0.0554  |
| Founding status, started                 | -0.2883                    | 0.2521  | -0.1591       | 0.3251  |
| McFadden/Adjusted R-squared              |                            | 0.36    |               | 0.28    |
| Number of Observations                   |                            |         |               | 3,800   |

<sup>1</sup>Reference categories are the following: year=2007, race=white, gender=female, education= no high school diploma, marital status=not married, public stock ownership=no, and owns real estate=no, organization=regular corporation and other limited liability, industry=agriculture, founding status=inherited.

<sup>2</sup>All implicates were used in these regression analyses.

corporations and other types of limited liability companies. Households with firms engaged in services and other earned higher income than agricultural businesses, and households with a firm started by the householder earned lower log income than firms inherited by the household head.

### **Change in Net Worth: Small Business Owning Households—Veteran and Non-Veteran**

Table 7 examines the determinants of changes in net worth for veteran and non-veteran households with small businesses. Veteran households owning a small business had similar probability of being high net worth and similar log net worth as non-veteran households owning a small business.

Several household head and business characteristics of these small business owners were important to discuss. Older small business households consistently had higher net worth than younger small business households. The influence of race was largely mitigated; however, log net worth was significantly lower for blacks than white households. Being male, highly educated, married, and owners of stocks and real estate were all positively associated with either the likelihood of being high net worth or log of net worth. Households owning larger and older small businesses had higher net worth. Businesses organized as sole proprietorships had lower net worth than corporations and other types of

limited liability companies. And finally, firms engaged in agriculture had higher log net worth than firms in other industries; and, firms engaged in wholesale and retail were less likely to be high net worth than firms engaged in agriculture.

## **Discussion and Policy Implications**

This updated study focused on the financial impacts of the recession from 2007 to 2010 and subsequent recovery from 2010 to 2013. While Gross Domestic Product (GDP) increased nearly 7% from the end of the Great Recession in June 2009 through June of 2012, financial recovery of small businesses has been much slower. This study suggests that veteran and non-veteran households owning small businesses realized significant declines in income and net worth during the recession.<sup>4</sup> While there is some evidence that non-veteran households owning

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<sup>4</sup> Income measured as the likelihood of being high income and log income, and net worth as the log of net worth.

small businesses have mounted a significant recovery in income (but not net worth) veteran households owning small businesses do not appear to have recovered in income or net worth.

Based on aggregate estimates from the Survey of Consumer Finances for 2013, veteran households with small businesses make substantial contributions to the U.S. small business community by owning 18% of small businesses (2.3 million of 13.2 million small businesses) and employing 19% of workers (19.2 million of 100.7 million workers). In addition, these veteran households owning small businesses earn 14% of the income (\$404.1 billion of \$2.8 trillion of income) and hold 19% of net worth (\$5.5 trillion of \$28.1 trillion of net worth) held by small business owners.

The recession appears to have had substantial impact on veteran and non-veteran households with small businesses. The number of veteran small business households declined from 3.1 million in 2007 to 2.3 million in 2013, while the number of non-veteran small business households declined only slightly, from 11.2 million in 2007 to 10.9 million in 2013. Most importantly, the percentage of veteran households with small businesses declined from 12.6% in 2007 to 10.2% in 2013, while non-veteran small business owning households declined less, from 12.2% in 2007 to 10.9% in 2013. The most significant declines appear to be in veteran households with self-employed owners, which fell from 6.2% (or 1.5 million households) to 3.7% (or 0.8 million households) from 2007 to 2013. In addition, there was a significant decrease in the percentage of younger veteran businesses (those less than 5 years old): from 34.2% in 2007 to 20.4% in 2013.

The recession caused a significant decline in income for veteran small business households. The likelihood of being high income declined from 60.2% in 2007 to 55.1% in 2010; and, mean income declined from \$196,700 in 2007 to \$166,200 in 2010. While there is some evidence that non-veteran small business households income recovered from the recession by 2013, it appears that veteran small business household income did not.

Remarkably, the recession did not appear to create significant change in the likelihood of being high net worth; however, the recession did appear to cause a significant decline in mean net worth from \$2.3 million in 2007 to \$2.2 million in 2010. Most importantly, median net

worth declined substantially for both veteran and non-veteran households with small businesses. Veteran and non-veteran households with small businesses realized declines of 22% and nearly 16% from 2007 to 2013, respectively. Based on this study, it didn't appear that non-veteran or veteran small business households had recovered from the recession by 2013.

After controlling for key personal, demographic, and household characteristics the analysis indicates veteran households had higher income and net worth than non-veteran households from 2007 to 2013; thus supporting hypothesis 1. After controlling for key personal, demographic, household, and business characteristics the analysis indicates that veteran small business households had higher net worth than other veteran households; but similar income; thus, partially supporting hypothesis 2. In addition, the analysis indicates that veteran households with small businesses had higher income than non-veteran households with a small business, but similar net worth; thus partially supporting hypothesis 3.

The Great Recession and subsequent recovery has been very challenging for all veteran households, including those owning small businesses. While both veteran and non-veteran households with small businesses realized significant declines in income and net worth, it appears that veteran households with small businesses have been slower to recover than non-veteran households. The substantial decline in the number of small businesses owned by veterans from 2007 to 2013 (800,000) coupled with a slow recovery of the remaining small businesses poses an important policy challenge. Even though the recovery has been slow for veteran households with small businesses, these households have fared better than veteran households without small businesses. This evidence suggests policies designed to encourage the growth and development of small businesses by veterans have been important in mitigating the initial impact of the Great Recession.

## **Further Studies**

This study would have been improved with access to panel data on these households and information about veteran-specific programs used by these households. Given the importance of the Great Recession and recovery to these small business owners, further research on the financial impacts on these types of households is warranted. Perhaps, one of the most important issues facing small businesses during and after the recession was the decline in housing values,

which hindered their ability to finance their small businesses. While the SCF has extensive financial information, no information on debt held by family-owned businesses is available; hence, other data sources should be explored to address the housing value issue. In addition, a study examining the survival and success of veteran small business owners who have utilized utilizing opportunities to gain education and experience is warranted.

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## Appendix A – Supporting Tables

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**Table A1: Characteristics of Veteran and Non-Veteran Households in 2007 and 2013**

| Family Characteristics <sup>1</sup>  | 2013      |             |             |             | 2007      |      |             |      |
|--------------------------------------|-----------|-------------|-------------|-------------|-----------|------|-------------|------|
|                                      | Veteran   |             | Non-Veteran |             | Veteran   |      | Non-Veteran |      |
|                                      | Number    | %           | Number      | %           | Number    | %    | Number      | %    |
|                                      | (million) |             | (million)   |             | (million) |      | (million)   |      |
| All                                  | 22.8      | 100         | 99.7        | 100         | 25        | 100  | 91.1        | 100  |
| <i>Business Involvement</i>          |           |             |             |             |           |      |             |      |
| No business ownership                | 20.4      | 89.7        | 88.8        | 89          | 21.8      | 87.3 | 79.8        | 87.6 |
| Business ownership                   | 2.4       | 10.3        | 10.9        | <b>11</b>   | 3.2       | 12.7 | 11.3        | 12.4 |
| Self-employed                        | 0.8       | <b>3.7</b>  | 4.2         | 4.2         | 1.5       | 6.2  | 4.3         | 4.7  |
| Small business owner                 | 2.3       | 10.2        | 10.9        | 10.9        | 3.1       | 12.6 | 11.2        | 12.2 |
| <i>Age of household head</i>         |           |             |             |             |           |      |             |      |
| Less than 35                         | 2.3       | 10          | 23.2        | <b>23.2</b> | 2.2       | 8.9  | 22.9        | 25.1 |
| 35-44                                | 2.1       | <b>9.2</b>  | 19.1        | <b>19.1</b> | 3.2       | 12.9 | 19.5        | 21.4 |
| 45-54                                | 3.6       | 15.8        | 20.5        | <b>20.5</b> | 3.8       | 15   | 20.4        | 22.3 |
| 55-64                                | 4         | <b>17.8</b> | 18.9        | <b>19</b>   | 6.3       | 25.2 | 13.3        | 14.6 |
| 65-74                                | 5.5       | <b>24.3</b> | 10.3        | <b>10.3</b> | 4.9       | 19.6 | 7.3         | 8    |
| 75 and over                          | 5.2       | <b>23</b>   | 7.9         | 7.9         | 4.6       | 18.3 | 7.8         | 8.5  |
| Mean age                             | 60        |             | 49          |             | 59        |      | 48          |      |
| <i>Race of household head</i>        |           |             |             |             |           |      |             |      |
| White                                | 18.8      | 82.3        | 67.1        | <b>67.3</b> | 20.5      | 82   | 65.4        | 71.7 |
| Black                                | 2.4       | 10.6        | 15.5        | <b>15.5</b> | 2         | 8.2  | 12.6        | 13.8 |
| Hispanic                             | 1         | <b>4.2</b>  | 12.1        | <b>12.1</b> | 1.8       | 7.3  | 9.1         | 10   |
| Other                                | 0.7       | 2.9         | 5           | 5.1         | 0.6       | 2.5  | 4.1         | 4.5  |
| <i>Gender of household head</i>      |           |             |             |             |           |      |             |      |
| Male                                 | 22.1      | <b>96.9</b> | 65.6        | 65.8        | 24.6      | 98.5 | 59.4        | 65.2 |
| Female                               | 0.7       | 3.1         | 34.4        | 34.2        | 0.4       | 1.5  | 31.7        | 34.8 |
| <i>Education of household head</i>   |           |             |             |             |           |      |             |      |
| No high school diploma               | 1.3       | <b>5.5</b>  | 12.2        | <b>12.2</b> | 2.2       | 9    | 13.5        | 14.8 |
| High school diploma only             | 8         | 35.2        | 30.3        | 30.4        | 8.7       | 34.8 | 29.5        | 32.3 |
| Some college                         | 5         | 22          | 18.2        | 18.2        | 5.1       | 20.6 | 16.2        | 17.7 |
| College degree or more               | 8.5       | 37.2        | 39          | 39.1        | 8.9       | 35.6 | 32.1        | 35.2 |
| <i>Marital Status</i>                |           |             |             |             |           |      |             |      |
| Married                              | 15.6      | <b>68.6</b> | 43.2        | 43.3        | 18.4      | 73.7 | 40.8        | 44.8 |
| Not married                          | 7.2       | 31.4        | 56.8        | 56.7        | 6.6       | 26.3 | 50.3        | 55.2 |
| <i>Income of household (dollars)</i> |           |             |             |             |           |      |             |      |
| Less than 10,000                     | 0.4       | 1.7         | 5.1         | 5.1         | 0.5       | 2.1  | 5.1         | 5.6  |
| 10,000-24,999                        | 2.8       | 12.5        | 22.6        | 22.7        | 2.6       | 10.4 | 17.5        | 19.2 |
| 25,000-49,999                        | 6.8       | 29.9        | 26.9        | 26.9        | 6.6       | 26.4 | 23.4        | 25.7 |
| 50,000-99,999                        | 7.5       | 32.8        | 25.1        | 25.1        | 8.4       | 33.7 | 24.4        | 26.8 |
| 100,000 or more                      | 5.3       | <b>23.1</b> | 20.1        | 20.2        | 6.8       | 27.4 | 20.7        | 22.7 |
| Median household income (2013\$)     | 56,840    |             | 44,660      |             | 64,680    |      | 49,665      |      |

**Table A1: Characteristics of Veteran and Non-Veteran Households in 2007 and 2013**  
(continued)

| Family Characteristics <sup>1</sup>                    | 2013      |             |             |             | 2007      |      |             |      |
|--|-----------|-------------|-------------|-------------|-----------|------|-------------|------|
|  | Veteran   |             | Non-Veteran |             | Veteran   |      | Non-Veteran |      |
|  | Number    | %           | Number      | %           | Number    | %    | Number      | %    |
|  | (million) |             | (million)   |             | (million) |      | (million)   |      |
| <i>Net worth of household (dollars)</i>                |           |             |             |             |           |      |             |      |
| Less than 50,000                                       | 6.4       | <b>28.1</b> | 46.3        | 46.4        | 5.8       | 23.1 | 35          | 38.4 |
| 50,000-99,999  | 2.2       | 9.8         | 10.5        | 10.5        | 2.4       | 9.5  | 8.9         | 9.7  |
| 100,000-249,999  | 5.2       | 22.8        | 15.4        | 15.4        | 5.1       | 20.6 | 15.8        | 17.3 |
| 250,000-499,999  | 3.8       | 16.5        | 11.2        | 11.2        | 4.2       | 16.8 | 13.9        | 15.2 |
| 500,000-999,999  | 2.3       | <b>9.9</b>  | 7.8         | 7.8         | 3.9       | 15.7 | 9.3         | 10.2 |
| 1,000,000-2,499,999                                    | 1.9       | 8.1         | 5.1         | 5.1         | 2.1       | 8.6  | 4.8         | 5.3  |
| 2,500,000-4,999,999                                    | 0.6       | 2.4         | 1.9         | 1.9         | 0.7       | 2.8  | 1.8         | 2    |
| 5,000,000-9,999,999                                    | 0.3       | 1.4         | 1           | 1           | 0.4       | 1.6  | 0.9         | 1    |
| 10,000,000 or more                                     | 0.2       | 0.9         | 0.7         | 0.7         | 0.3       | 1.3  | 0.7         | 0.8  |
| Median household net worth (2013\$)                    | 168,100   |             | 64,910      |             | 222,522   |      | 111,626     |      |
| <i>Structure of income (shares of total income)</i>    |           |             |             |             |           |      |             |      |
| Wages and salaries                                     | 10.6      | <b>46.5</b> | 62.5        | <b>62.6</b> | 13.2      | 52.9 | 60.2        | 66.1 |
| Business, farm, and rental                             | 1         | <b>4.2</b>  | 6           | 6           | 1.6       | 6.5  | 6.2         | 6.8  |
| Interest and dividends                                 | 0.5       | 2.1         | 1.2         | <b>1.2</b>  | 0.6       | 2.6  | 1.5         | 1.7  |
| Capital gains  | 0.4       | 1.6         | 0.7         | <b>0.7</b>  | 0.4       | 1.8  | 1.2         | 1.4  |
| Social security and pensions                           | 9.5       | <b>41.5</b> | 19.9        | <b>19.9</b> | 8.4       | 33.5 | 15.5        | 17   |
| Transfer payments                                      | 1         | <b>4.3</b>  | 9.5         | <b>9.5</b>  | 0.7       | 2.9  | 6.5         | 7.1  |
| Other income   | 0         | 0.1         | 0.2         | 0.2         | 0         | 0    | 0.2         | 0.3  |
| <i>Structure of net worth (shares of total assets)</i> |           |             |             |             |           |      |             |      |
| Stocks   | 0.5       | 2           | 1.5         | 1.5         | 0.5       | 2.2  | 1.4         | 1.5  |
| Bonds  | 0.1       | 0.3         | 0.1         | 0.1         | 0         | 0.2  | 0.1         | 0.1  |
| Other financial assets                                 | 6.8       | <b>29.6</b> | 29.3        | <b>29.4</b> | 6.8       | 27.2 | 24.5        | 26.9 |
| Vehicles   | 4.1       | <b>18</b>   | 21.9        | <b>21.9</b> | 3.9       | 15.5 | 17.5        | 19.2 |
| Houses   | 9.2       | <b>40.3</b> | 36.6        | <b>36.7</b> | 10.9      | 43.7 | 36.8        | 40.4 |
| Other residential real estate                          | 0.8       | 3.4         | 3           | 3           | 1         | 4    | 2.9         | 3.2  |
| Business   | 0.6       | 2.7         | 3           | 3           | 0.9       | 3.6  | 3.1         | 3.4  |
| Other non-financial assets                             | 0.8       | 3.4         | 1.9         | <b>1.9</b>  | 0.7       | 2.9  | 2.4         | 2.7  |
| Other assets   | 0         | 0.1         | 2.5         | 2.5         | 0.2       | 0.8  | 2.4         | 2.7  |
| Observations   | 1,105     |             | 4,910       |             | 1,014     |      | 3,403       |      |

<sup>1</sup> Numbers highlighted in red and bold are statistically significant differences for the base year 2007 at the 5% level.

Source: Surveys of Consumer Finance, Federal Reserve Board of Governors, 2007 - 2013.

**Table A2: Characteristics of Veteran Households with and without Small Businesses in 2007 and 2013**

| Family Characteristics <sup>1</sup>  | 2013           |             |                   |             | 2007           |      |                   |      |
|--------------------------------------|----------------|-------------|-------------------|-------------|----------------|------|-------------------|------|
|                                      | Small Business |             | No Small Business |             | Small Business |      | No Small Business |      |
|                                      | Number         | %           | Number            | %           | Number         | %    | Number            | %    |
|                                      | (million)      |             | (million)         |             | (million)      |      | (million)         |      |
| All                                  | 2.3            | 100         | 20.5              | 100         | 3.1            | 100  | 21.8              | 100  |
| <i>Business Involvement</i>          |                |             |                   |             |                |      |                   |      |
| No business ownership                | 0              | 0           | 20.4              | 99.9        | 0              | 0    | 21.8              | 99.9 |
| Business ownership                   | 2.3            | 100         | 0                 | 0.1         | 3.1            | 100  | 0                 | 0.1  |
| Self-employed                        | 0.8            | <b>35.7</b> | 0                 | 0           | 1.5            | 49.1 | 0                 | 0    |
| Small business owner                 | 2.3            | 100         | 0                 | 0           | 3.1            | 100  | 0                 | 0    |
| <i>Age of household head</i>         |                |             |                   |             |                |      |                   |      |
| Less than 35                         | 0.2            | 6.4         | 2.1               | 10.4        | 0.2            | 6.5  | 2                 | 9.3  |
| 35-44                                | 0.2            | <b>8.7</b>  | 1.9               | 9.2         | 0.7            | 20.7 | 2.6               | 11.8 |
| 45-54                                | 0.4            | 15.2        | 3.2               | 15.9        | 0.4            | 12   | 3.4               | 15.5 |
| 55-64                                | 0.6            | 26.6        | 3.4               | <b>16.8</b> | 1              | 33.4 | 5.3               | 24.1 |
| 65-74                                | 0.7            | <b>31.7</b> | 4.8               | 23.4        | 0.5            | 15.9 | 4.4               | 20.1 |
| 75 and over                          | 0.3            | 11.3        | 5                 | <b>24.3</b> | 0.4            | 11.5 | 4.2               | 19.3 |
| Mean age                             | 60             |             | 60                |             | 56             |      | 59                |      |
| <i>Race of household head</i>        |                |             |                   |             |                |      |                   |      |
| White                                | 2.1            | <b>88.3</b> | 16.7              | 81.7        | 2.6            | 81.6 | 17.9              | 82.1 |
| Black                                | 0.2            | 10.1        | 2.2               | 10.7        | 0.2            | 7.1  | 1.8               | 8.3  |
| Hispanic                             | 0              | <b>0</b>    | 1                 | <b>4.7</b>  | 0.3            | 8    | 1.6               | 7.2  |
| Other                                | 0              | 1.7         | 0.6               | 3           | 0.1            | 3.3  | 0.5               | 2.4  |
| <i>Gender of household head</i>      |                |             |                   |             |                |      |                   |      |
| Male                                 | 2.3            | 98.7        | 19.8              | <b>96.7</b> | 3.1            | 99.7 | 21.4              | 98.3 |
| Female                               | 0              | 1.3         | 0.7               | 3.3         | 0              | 0.3  | 0.4               | 1.7  |
| <i>Education of household head</i>   |                |             |                   |             |                |      |                   |      |
| No high school diploma               | 0.1            | <b>4.5</b>  | 1.2               | <b>5.7</b>  | 0.1            | 3.5  | 2.1               | 9.8  |
| High school diploma only             | 0.5            | 23          | 7.5               | 36.6        | 0.8            | 25.8 | 7.9               | 36.1 |
| Some college                         | 0.5            | 23.2        | 4.5               | 21.8        | 0.6            | 17.8 | 4.6               | 21   |
| College degree or more               | 1.2            | 49.3        | 7.3               | 35.8        | 1.7            | 52.9 | 7.2               | 33.1 |
| <i>Marital Status</i>                |                |             |                   |             |                |      |                   |      |
| Married                              | 1.9            | 83          | 13.7              | <b>66.9</b> | 2.5            | 79.6 | 15.9              | 72.8 |
| Not married                          | 0.4            | 17          | 6.8               | 33.1        | 0.6            | 20.4 | 5.9               | 27.2 |
| <i>Income of household (dollars)</i> |                |             |                   |             |                |      |                   |      |
| Less than 10,000                     | 0.1            | 3.5         | 0.3               | 1.5         | 0              | 1.6  | 0.5               | 2.2  |
| 10,000-24,999                        | 0.2            | 7           | 2.7               | 13.1        | 0.1            | 3.2  | 2.5               | 11.4 |
| 25,000-49,999                        | 0.2            | 10          | 6.6               | 32.2        | 0.3            | 9.4  | 6.3               | 28.8 |
| 50,000-99,999                        | 0.8            | 35.3        | 6.6               | 32.5        | 1.2            | 37.1 | 7.3               | 33.3 |
| 100,000 or more                      | 1              | 44.2        | 4.2               | 20.7        | 1.5            | 48.8 | 5.3               | 24.3 |
| Median household income (2010\$)     | 91,350         |             | 52,780            |             | 95,865         |      | 59,482            |      |

**Table A2: Characteristics of Veteran Households with and without Small Businesses in 2007 and 2013 (continued)**

| Family Characteristics <sup>1</sup>                    | 2013           |             |                   |             | 2007           |      |                   |      |
|--|----------------|-------------|-------------------|-------------|----------------|------|-------------------|------|
|  | Small Business |             | No Small Business |             | Small Business |      | No Small Business |      |
|  | Number         | %           | Number            | %           | Number         | %    | Number            | %    |
|  | (million)      |             | (million)         |             | (million)      |      | (million)         |      |
| <i>Net worth of household (dollars)</i>                |                |             |                   |             |                |      |                   |      |
| Less than 50,000                                       | 0.2            | 7.3         | 6.2               | <b>30.5</b> | 0.2            | 6.1  | 5.6               | 25.6 |
| 50,000-99,999  | 0.1            | 5.4         | 2.1               | 10.3        | 0.2            | 5.4  | 2.2               | 10.1 |
| 100,000-249,999  | 0.4            | 18.8        | 4.7               | 23.2        | 0.5            | 16.7 | 4.6               | 21.1 |
| 250,000-499,999  | 0.4            | 17.1        | 3.4               | 16.4        | 0.5            | 16.4 | 3.7               | 16.8 |
| 500,000-999,999  | 0.3            | 14.6        | 1.9               | <b>9.4</b>  | 0.5            | 16.6 | 3.4               | 15.6 |
| 1,000,000-2,499,999                                    | 0.4            | 16.3        | 1.5               | 7.2         | 0.6            | 19.7 | 1.5               | 7    |
| 2,500,000-4,999,999                                    | 0.2            | 9.2         | 0.3               | 1.6         | 0.3            | 8.5  | 0.4               | 2    |
| 5,000,000-9,999,999                                    | 0.1            | 6.4         | 0.2               | 0.9         | 0.2            | 6.4  | 0.2               | 0.9  |
| 10,000,000 or more                                     | 0.1            | 4.9         | 0.1               | 0.4         | 0.1            | 4.2  | 0.2               | 0.9  |
| Median household net worth (2010\$)                    | 645,500        |             | 192,757           |             | 503,510        |      | 146,000           |      |
| <i>Structure of income (shares of total income)</i>    |                |             |                   |             |                |      |                   |      |
| Wages and salaries                                     | 0.9            | <b>38.2</b> | 9.7               | <b>47.5</b> | 1.5            | 48   | 11.7              | 53.5 |
| Business, farm, and rental                             | 0.5            | <b>23.2</b> | 0.4               | 2.1         | 1              | 30.3 | 0.7               | 3.1  |
| Interest and dividends                                 | 0.1            | 2.9         | 0.4               | 2           | 0.1            | 3.4  | 0.5               | 2.5  |
| Capital gains  | 0.1            | <b>4.8</b>  | 0.2               | 1.2         | 0.1            | 2.2  | 0.4               | 1.7  |
| Social security and pensions                           | 0.6            | <b>27.3</b> | 8.8               | <b>43.2</b> | 0.5            | 14.7 | 7.9               | 36.2 |
| Transfer payments                                      | 0.1            | <b>4.5</b>  | 0.9               | 4.2         | 0.1            | 1.6  | 0.7               | 3.1  |
| Other income   | 0              | 0           | 0                 | 0.1         | 0              | 0    | 0                 | 0    |
| <i>Structure of net worth (shares of total assets)</i> |                |             |                   |             |                |      |                   |      |
| Stocks   | 0.1            | 2.2         | 0.4               | 2           | 0.1            | 3.2  | 0.4               | 2    |
| Bonds  | 0              | 0.4         | 0.1               | 0.3         | 0              | 0.1  | 0                 | 0.2  |
| Other financial assets                                 | 0.6            | 23.6        | 6.2               | 30.3        | 0.7            | 21.9 | 6.1               | 28   |
| Vehicles   | 0.2            | <b>7</b>    | 3.9               | 19.3        | 0.1            | 4.7  | 3.7               | 17   |
| Houses   | 0.7            | 29.9        | 8.5               | <b>41.5</b> | 1.1            | 33.5 | 9.8               | 45.1 |
| Other residential real estate                          | 0.1            | 6.3         | 0.6               | 3.1         | 0.2            | 6    | 0.8               | 3.7  |
| Business   | 0.6            | 24.9        | 0                 | 0.2         | 0.8            | 26.6 | 0.1               | 0.3  |
| Other non-financial assets                             | 0.1            | 5.8         | 0.6               | 3.1         | 0.1            | 3.9  | 0.6               | 2.7  |
| Other assets   | 0              | 0           | 0                 | 0.2         | 0              | 0    | 0.2               | 1    |
| Observations   | 233            |             | 872               |             | 286            |      | 728               |      |

<sup>1</sup> Numbers highlighted in red and bold are statistically significant differences for the base year 2007 at the 5% level.

Source: Surveys of Consumer Finance, Federal Reserve Board of Governors, 2007 - 2013.

**Table A3: Characteristics of Veteran and Non-Veteran Households with Small Businesses in 2007 and 2013**

| Family Characteristics <sup>1</sup>  | 2013                |             |                     |             | 2007                |      |                     |      |
|--------------------------------------|---------------------|-------------|---------------------|-------------|---------------------|------|---------------------|------|
|                                      | Veteran             |             | Non-Veteran         |             | Veteran             |      | Non-Veteran         |      |
|                                      | Number<br>(million) | %           | Number<br>(million) | %           | Number<br>(million) | %    | Number<br>(million) | %    |
| All                                  | 2.3                 | 100         | 10.9                | 100         | 3.1                 | 100  | 11.2                | 100  |
| <i>Business Involvement</i>          |                     |             |                     |             |                     |      |                     |      |
| No business ownership                | 0                   | 0           | 0                   | 0.2         | 0                   | 0    | 0                   | 0    |
| Business ownership                   | 2.3                 | 100         | 10.8                | 99.8        | 3.1                 | 100  | 11.2                | 100  |
| Self-employed                        | 0.8                 | <b>35.7</b> | 4.2                 | 38.7        | 1.5                 | 49.1 | 4.3                 | 38.3 |
| Small business owner                 | 2.3                 | 100         | 10.9                | 100         | 3.1                 | 100  | 11.2                | 100  |
| <i>Age of household head</i>         |                     |             |                     |             |                     |      |                     |      |
| Less than 35                         | 0.2                 | 6.4         | 1.4                 | 12.9        | 0.2                 | 6.5  | 1.6                 | 14.8 |
| 35-44                                | 0.2                 | <b>8.7</b>  | 2.8                 | 25.8        | 0.7                 | 20.7 | 3.2                 | 29   |
| 45-54                                | 0.4                 | 15.2        | 2.9                 | <b>26.3</b> | 0.4                 | 12   | 3.4                 | 30.3 |
| 55-64                                | 0.6                 | 26.6        | 2.8                 | <b>25.7</b> | 1                   | 33.4 | 2.2                 | 19.9 |
| 65-74                                | 0.7                 | <b>31.7</b> | 0.8                 | 7.1         | 0.5                 | 15.9 | 0.6                 | 5.2  |
| 75 and over                          | 0.3                 | 11.3        | 0.2                 | <b>2.2</b>  | 0.4                 | 11.5 | 0.1                 | 0.9  |
| Mean age                             | 63                  |             | 49                  |             | 56                  |      | 47                  |      |
| <i>Race of household head</i>        |                     |             |                     |             |                     |      |                     |      |
| White                                | 2.1                 | <b>88.3</b> | 8.8                 | <b>80.6</b> | 2.6                 | 81.6 | 9.4                 | 84.2 |
| Black                                | 0.2                 | 10.1        | 0.8                 | 7.3         | 0.2                 | 7.1  | 0.6                 | 5.8  |
| Hispanic                             | 0                   | <b>0</b>    | 0.8                 | 7           | 0.3                 | 8    | 0.6                 | 5.2  |
| Other                                | 0                   | 1.7         | 0.6                 | 5.1         | 0.1                 | 3.3  | 0.5                 | 4.7  |
| <i>Gender of household head</i>      |                     |             |                     |             |                     |      |                     |      |
| Male                                 | 2.3                 | 98.7        | 9.3                 | 85.6        | 3.1                 | 99.7 | 9.8                 | 88.1 |
| Female                               | 0                   | 1.3         | 1.6                 | 14.4        | 0                   | 0.3  | 1.3                 | 11.9 |
| <i>Education of household head</i>   |                     |             |                     |             |                     |      |                     |      |
| No high school diploma               | 0.1                 | 4.5         | 0.3                 | <b>2.4</b>  | 0.1                 | 3.5  | 0.8                 | 6.8  |
| High school diploma only             | 0.5                 | 23          | 2.5                 | 22.9        | 0.8                 | 25.8 | 2.6                 | 23.5 |
| Some college                         | 0.5                 | 23.2        | 1.8                 | 16.9        | 0.6                 | 17.8 | 2                   | 17.6 |
| College degree or more               | 1.2                 | 49.3        | 6.3                 | <b>57.8</b> | 1.7                 | 52.9 | 5.8                 | 52.1 |
| <i>Marital Status</i>                |                     |             |                     |             |                     |      |                     |      |
| Married                              | 1.9                 | 83          | 7.3                 | <b>67</b>   | 2.5                 | 79.6 | 8.1                 | 72.9 |
| Not married                          | 0.4                 | 17          | 3.6                 | 33          | 0.6                 | 20.4 | 3                   | 27.1 |
| <i>Income of household (dollars)</i> |                     |             |                     |             |                     |      |                     |      |
| Less than 10,000                     | 0.1                 | 3.5         | 0.2                 | 1.6         | 0                   | 1.6  | 0.3                 | 2.7  |
| 10,000-24,999                        | 0.2                 | 7           | 0.8                 | <b>7.5</b>  | 0.1                 | 3.2  | 0.4                 | 3.7  |
| 25,000-49,999                        | 0.2                 | 10          | 1.7                 | 15.4        | 0.3                 | 9.4  | 1.7                 | 15   |
| 50,000-99,999                        | 0.8                 | 35.3        | 3.2                 | 29.2        | 1.2                 | 37.1 | 3.4                 | 30.4 |
| 100,000 or more                      | 1                   | 44.2        | 5                   | 46.2        | 1.5                 | 48.8 | 5.4                 | 48.1 |
| Median household income (2013\$)     | 91,350              |             | 91,350              |             | 95,865              |      | 95,865              |      |

**Table A3: Characteristics of Veteran and Non-Veteran Households with Small Businesses in 2007 and 2013 (continued)**

| Family Characteristics <sup>1</sup>                    | 2013      |             |             |             | 2007      |      |             |      |
|--|-----------|-------------|-------------|-------------|-----------|------|-------------|------|
|  | Veteran   |             | Non-Veteran |             | Veteran   |      | Non-Veteran |      |
|  | Number    | %           | Number      | %           | Number    | %    | Number      | %    |
|  | (million) |             | (million)   |             | (million) |      | (million)   |      |
| <i>Net worth of household (dollars)</i>                |           |             |             |             |           |      |             |      |
| Less than 50,000                                       | 0.2       | 7.3         | 1.8         | <b>16.4</b> | 0.2       | 6.1  | 1           | 9.1  |
| 50,000-99,999  | 0.1       | 5.4         | 0.8         | 7.2         | 0.2       | 5.4  | 0.8         | 6.9  |
| 100,000-249,999  | 0.4       | 18.8        | 1.6         | 15          | 0.5       | 16.7 | 1.7         | 15.3 |
| 250,000-499,999  | 0.4       | 17.1        | 1.6         | 14.7        | 0.5       | 16.4 | 2.1         | 18.7 |
| 500,000-999,999  | 0.3       | 14.6        | 1.5         | 13.7        | 0.5       | 16.6 | 1.9         | 16.9 |
| 1,000,000-2,499,999                                    | 0.4       | 16.3        | 1.6         | 14.9        | 0.6       | 19.7 | 1.7         | 15.2 |
| 2,500,000-4,999,999                                    | 0.2       | 9.2         | 0.9         | 8.1         | 0.3       | 8.5  | 1           | 8.8  |
| 5,000,000-9,999,999                                    | 0.1       | 6.4         | 0.7         | 6           | 0.2       | 6.4  | 0.5         | 4.4  |
| 10,000,000 or more                                     | 0.1       | 4.9         | 0.4         | 4.1         | 0.1       | 4.2  | 0.5         | 4.7  |
| Median household net worth (2013\$)                    | 503,510   |             | 421,400     |             | 645,500   |      | 500,184     |      |
| <i>Structure of income (shares of total income)</i>    |           |             |             |             |           |      |             |      |
| Wages and salaries                                     | 0.9       | <b>38.2</b> | 5.5         | 50.9        | 1.5       | 48   | 5.9         | 53   |
| Business, farm, and rental                             | 0.5       | <b>23.2</b> | 3.8         | 35.4        | 1         | 30.3 | 4.2         | 37.6 |
| Interest and dividends                                 | 0.1       | 2.9         | 0.3         | 2.6         | 0.1       | 3.4  | 0.3         | 2.3  |
| Capital gains  | 0.1       | <b>4.8</b>  | 0.2         | 2.3         | 0.1       | 2.2  | 0.3         | 2.8  |
| Social security and pensions                           | 0.6       | <b>27.3</b> | 0.7         | <b>6.2</b>  | 0.5       | 14.7 | 0.3         | 3.1  |
| Transfer payments                                      | 0.1       | <b>4.5</b>  | 0.4         | <b>3.4</b>  | 0.1       | 1.6  | 0.2         | 1.9  |
| Other income   | 0         | 0           | 0           | 0           | 0         | 0    | 0           | 0    |
| <i>Structure of net worth (shares of total assets)</i> |           |             |             |             |           |      |             |      |
| Stocks   | 0.1       | 2.2         | 0.2         | 2           | 0.1       | 3.2  | 0.2         | 1.8  |
| Bonds  | 0         | 0.4         | 0           | 0.2         | 0         | 0.1  | 0           | 0.2  |
| Other financial assets                                 | 0.6       | 23.6        | 2.3         | <b>20.8</b> | 0.7       | 21.9 | 1.9         | 17.4 |
| Vehicles   | 0.2       | <b>7</b>    | 0.9         | 8.2         | 0.1       | 4.7  | 0.8         | 7.2  |
| Houses   | 0.7       | 29.9        | 3.8         | <b>34.9</b> | 1.1       | 33.5 | 4.4         | 39.1 |
| Other residential real estate                          | 0.1       | 6.3         | 0.5         | 4.5         | 0.2       | 6    | 0.6         | 5.1  |
| Business   | 0.6       | 24.9        | 2.8         | 26.2        | 0.8       | 26.6 | 2.9         | 25.7 |
| Other non-financial assets                             | 0.1       | 5.8         | 0.3         | 3.1         | 0.1       | 3.9  | 0.4         | 3.6  |
| Other assets   | 0         | 0           | 0           | 0           | 0         | 0    | 0           | 0    |

**Table A3: Characteristics of Veteran and Non-Veteran Households with Small Businesses in 2007 and 2013 (continued)**

| Business Characteristics <sup>1</sup> | 2013    |             | Non-Veteran |             | 2007    |      | Non-Veteran |         |
|---------------------------------------|---------|-------------|-------------|-------------|---------|------|-------------|---------|
|                                       | Veteran |             | Number      | %           | Veteran |      | Number      | %       |
|                                       | Number  | %           | (x 1 m)     | (x 1 m)     | Number  | %    | (x 1 m)     | (x 1 m) |
| Small business owner                  | 2.3     | 100         | 10.9        | 100         | 3.1     | 100  | 11.2        | 100     |
| <i>Employees, number</i>              |         |             |             |             |         |      |             |         |
| 1 or fewer                            | 0.8     | <b>35.7</b> | 4.2         | 38.9        | 1.5     | 49.1 | 4.3         | 38.3    |
| 2 to 4                                | 1       | <b>42.8</b> | 3.6         | 33.2        | 0.9     | 28.7 | 3.8         | 34.1    |
| 5 to 9                                | 0.3     | 11.2        | 1.5         | 13.5        | 0.3     | 10.1 | 1.3         | 11.3    |
| 10 to 24                              | 0.1     | 5.7         | 0.8         | 7.1         | 0.3     | 8.2  | 1           | 9.3     |
| 25 or more                            | 0.1     | 4.6         | 0.8         | 7.3         | 0.1     | 3.8  | 0.8         | 7.1     |
| <i>Gross sales (2010\$)</i>           |         |             |             |             |         |      |             |         |
| Less than \$100,000                   | 1.5     | 64.1        | 6.3         | 58.1        | 1.8     | 56.8 | 6           | 54.1    |
| \$100,000 to \$499,999                | 0.4     | 18.1        | 2.3         | 21.1        | 0.7     | 20.9 | 2.7         | 24      |
| \$500,000 to \$999,999                | 0.1     | 6.3         | 0.7         | 6.5         | 0.2     | 7    | 0.7         | 6.5     |
| \$1 million to \$4.9 million          | 0.2     | 7.5         | 0.9         | 8.5         | 0.4     | 12.2 | 1.1         | 10.3    |
| \$5 million or more                   | 0.1     | 4.1         | 0.6         | 5.7         | 0.1     | 3    | 0.6         | 5       |
| <i>Business age</i>                   |         |             |             |             |         |      |             |         |
| Less than 5 years old                 | 0.5     | <b>20.4</b> | 3.3         | 30.1        | 1.1     | 34.2 | 3.9         | 34.9    |
| 5 to 9 years old                      | 0.4     | 19.3        | 2.3         | 21          | 0.5     | 16.1 | 2.2         | 20.2    |
| 10 to 14 years old                    | 0.4     | 17.3        | 1.6         | 14.9        | 0.3     | 9.9  | 1.8         | 16.4    |
| 15 to 19 years old                    | 0.2     | 7.1         | 1.2         | 10.9        | 0.2     | 7.8  | 1.1         | 10.1    |
| 20 years old or more                  | 0.8     | 35.9        | 2.5         | 23          | 1       | 32.1 | 2.1         | 18.4    |
| <i>Legal organization</i>             |         |             |             |             |         |      |             |         |
| Partnership                           | 0.7     | 28.2        | 3.7         | 33.6        | 0.8     | 26.1 | 3.2         | 28.8    |
| Sole proprietorship                   | 1.1     | 45.7        | 4.9         | 45.1        | 1.7     | 52.5 | 5.3         | 47.7    |
| Sub-chapter S corporation             | 0.4     | 18.4        | 1.6         | 14.4        | 0.5     | 14.6 | 1.7         | 15.3    |
| Other corporation, LLP, LLC           | 0.2     | 7.8         | 0.7         | 6.8         | 0.2     | 6.7  | 0.9         | 8.2     |
| <i>Industrial sector</i>              |         |             |             |             |         |      |             |         |
| Agriculture                           | 0.3     | 12.6        | 1.1         | 10.3        | 0.3     | 10.1 | 1.2         | 10.4    |
| Construction and manufacturing        | 0.6     | 27.7        | 2.2         | 19.9        | 0.7     | 22.3 | 2.7         | 24.6    |
| Wholesale and retail                  | 0.4     | 17          | 1.7         | 15.5        | 0.7     | 20.9 | 1.3         | 11.8    |
| Service and other                     | 1       | 41.7        | 5.9         | 54          | 1.5     | 46.7 | 5.9         | 53.2    |
| <i>Founding status</i>                |         |             |             |             |         |      |             |         |
| Bought or invested                    | 0.3     | 13.4        | 1.4         | <b>13</b>   | 0.5     | 16.4 | 2           | 17.8    |
| Started                               | 1.8     | 76.8        | 8.4         | <b>77.1</b> | 2.4     | 75.3 | 7.9         | 71      |
| Inherited                             | 0.2     | 9.8         | 1.1         | 9.9         | 0.3     | 8.3  | 1.3         | 11.2    |
| Observations                          |         | 233         |             | 1,013       |         | 286  |             | 896     |

<sup>1</sup>Numbers highlighted in red and bold are statistically significant differences from the base year (2007) at the 5% level.

Source: Surveys of Consumer Finance, Federal Reserve Board of Governors, 2007 - 2013.

**Table A4: Percentage of High Income Veteran and Non-Veteran Households, 1989 to 2013**

| Characteristics <sup>1</sup> | Base<br>1989 | Slight              |                   |                   | Slight            |                     |                   | Severe              |                   |  |
|------------------------------|--------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|--|
|                              |              | Contraction<br>1992 | Expansion<br>1995 | Expansion<br>1998 | Expansion<br>2001 | Contraction<br>2004 | Expansion<br>2007 | Contraction<br>2010 | Expansion<br>2013 |  |
| All respondents              |              |                     |                   |                   | (percentage)      |                     |                   |                     |                   |  |
| Non-Veterans                 | 19.8         | 18.0                | 19.8              | <b>24.3</b>       | <b>29.0</b>       | <b>28.0</b>         | <b>28.9</b>       | <b>25.8</b>         | <b>26.5</b>       |  |
| Veterans                     | 36.0         | <b>30.9</b>         | <b>29.5</b>       | 34.9              | 36.6              | 36.9                | 35.5              | <b>31.0</b>         | 31.7              |  |
| Small business               |              |                     |                   |                   |                   |                     |                   |                     |                   |  |
| Non-Veterans                 | 43.1         | 43.8                | 40.4              | 47.3              | <b>61.8</b>       | <b>57.1</b>         | <b>58.2</b>       | 48.0                | <b>54.0</b>       |  |
| Veterans                     | 60.0         | <b>51.7</b>         | <b>50.8</b>       | 52.9              | <b>50.1</b>       | <b>51.9</b>         | 60.2              | 55.1                | 56.5              |  |

<sup>1</sup>Numbers highlighted in red and bold are statistically significant differences from the base year (1989) at the 5% level.

Source: Surveys of Consumer Finance, Federal Reserve Board of Governors, 1989 - 2013.

**Table A5: Percentage of High Net Worth Veteran and Non-Veteran Households, 1989 to 2013**

| Characteristics <sup>1</sup> | Base<br>1989 | Slight              |                   |                   | Slight            |                     |                   | Severe              |                   |  |
|------------------------------|--------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|--|
|                              |              | Contraction<br>1992 | Expansion<br>1995 | Expansion<br>1998 | Expansion<br>2001 | Contraction<br>2004 | Expansion<br>2007 | Contraction<br>2010 | Expansion<br>2013 |  |
| All respondents              |              |                     |                   |                   | (percentage)      |                     |                   |                     |                   |  |
| Non-Veterans                 | 2.4          | 2.0                 | 1.9               | 2.9               | <b>4.2</b>        | <b>4.5</b>          | <b>5.6</b>        | <b>6.2</b>          | <b>5.2</b>        |  |
| Veterans                     | 6.2          | 5.5                 | 5.0               | 5.6               | 8.6               | 8.5                 | 7.7               | 7.6                 | 7.2               |  |
| Small business,              |              |                     |                   |                   |                   |                     |                   |                     |                   |  |
| Non-Veterans                 | 14.2         | 9.4                 | <b>8.5</b>        | 12.8              | 21.1              | 18.3                | <b>24.1</b>       | <b>23.4</b>         | <b>24.4</b>       |  |
| Veterans                     | 18.3         | 19.2                | 20.3              | 17.9              | 23.5              | <b>27.7</b>         | 24.2              | <b>30.5</b>         | <b>26.5</b>       |  |

<sup>1</sup>Numbers highlighted in red and bold are statistically significant differences from the base year (1989) at the 5% level.

Source: Surveys of Consumer Finance, Federal Reserve Board of Governors, 1989 - 2013.

**Table A6: Mean Income for Veteran and Non-Veteran Households, Thousands of 2013 Dollars, 1989 to 2013**

| Characteristics <sup>1</sup> | Base<br>1989 | Slight              |                   |                   | Slight            |                     |                   | Severe              |                   |  |
|------------------------------|--------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|--|
|                              |              | Contraction<br>1992 | Expansion<br>1995 | Expansion<br>1998 | Expansion<br>2001 | Contraction<br>2004 | Expansion<br>2007 | Contraction<br>2010 | Expansion<br>2013 |  |
| All respondents              |              |                     |                   |                   | (x \$1,000)       |                     |                   |                     |                   |  |
| Non-Veterans                 | 62.8         | 57.8                | <b>60.6</b>       | 70.5              | <b>85.9</b>       | <b>83.4</b>         | <b>92.9</b>       | <b>83.6</b>         | <b>85.8</b>       |  |
| Veterans                     | 96.2         | 81.8                | 87.0              | 95.4              | 105.5             | <b>100.1</b>        | <b>100.4</b>      | 85.4                | 90.2              |  |
| Small business               |              |                     |                   |                   |                   |                     |                   |                     |                   |  |
| Non-Veterans                 | 159.0        | 119.6               | 116.2             | 147.3             | <b>194.6</b>      | <b>174.0</b>        | <b>211.1</b>      | 171.8               | <b>223.0</b>      |  |
| Veterans                     | 188.1        | <b>137.0</b>        | <b>155.9</b>      | 186.6             | 186.0             | 191.7               | 196.7             | <b>166.2</b>        | 189.0             |  |

<sup>1</sup>Numbers highlighted in red and bold are statistically significant differences from the base year (1989) at the 5% level.

Source: Surveys of Consumer Finance, Federal Reserve Board of Governors, 1989 - 2013.

**Table A7: Mean Net Worth for Veteran and Non-Veteran Households, Thousands of 2013 Dollars, 1989 to 2013**

| Characteristics <sup>1</sup> | Base<br>1989 | Slight              |                   |                   | Expansion<br>2001 | Slight              |                   | Severe              |                   |
|------------------------------|--------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|                              |              | Contraction<br>1992 | Expansion<br>1995 | Expansion<br>1998 |                   | Contraction<br>2004 | Expansion<br>2007 | Contraction<br>2010 | Expansion<br>2013 |
| All respondents              |              |                     |                   |                   | (x \$1,000)       |                     |                   |                     |                   |
| Non-Veterans                 | 248          | 230                 | <b>248</b>        | <b>337</b>        | <b>415</b>        | <b>478</b>          | <b>568</b>        | <b>496</b>          | <b>497</b>        |
| Veterans                     | 558          | 469                 | 518               | 606               | <b>847</b>        | <b>819</b>          | <b>843</b>        | <b>693</b>          | 688               |
| Small business               |              |                     |                   |                   |                   |                     |                   |                     |                   |
| Non-Veterans                 | 977          | 815                 | 819               | 1,254             | <b>1,543</b>      | <b>1,649</b>        | <b>2,059</b>      | 1,772               | 2,084             |
| Veterans                     | 1,524        | 1,262               | 1,672             | 1,585             | 2,292             | <b>2,482</b>        | 2,340             | 2,234               | 2,340             |

<sup>1</sup>Numbers highlighted in red and bold are statistically significant differences from the base year (1989) at the 5% level.

Source: Surveys of Consumer Finance, Federal Reserve Board of Governors, 1989 - 2013.