

Income Quintiles?

Imagine 100 families, each with different incomes.

Arrange them in descending order of income.

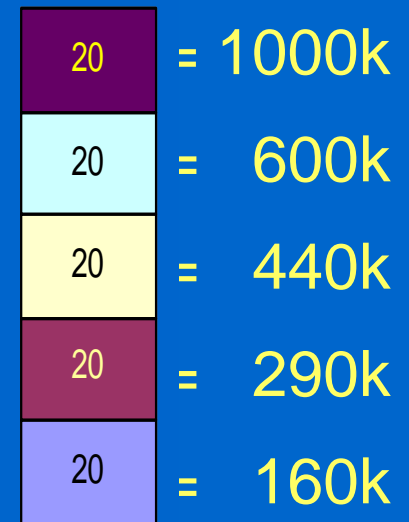
Divide them into groups of 1/5th the total, or 20 each (quintiles).

Add up what the richest 20 families earn;

then the next richest 20; and the next;

And so on, to the poorest 20 families.

You now have Income Quintiles.



Disparity Index?

Now that you have Income Quintiles . . .

divide the amount earned by the richest 1/5, \longrightarrow 1000k
by the amount earned by the poorest 1/5. \longrightarrow 160k $= 6.25$

You now have a Disparity Index.

This one can be read: *“The families in the richest quintile earn 6.25 times more than the families in the poorest quintile.”*