

Wealth and income are different but related concepts.

Income is a flow, wealth is a stock.

Wealth can be productive (that is, it can produce income) or non-productive (for example, a valuable piece of art or bar of gold).

People can convert a portion of their income into wealth through investment. Productive investment can yield income.

People with higher incomes can invest a higher share of their income, and therefore increase their income while accumulating wealth.

For this reason, income and wealth have a recursive relationship.

*Income and wealth: a recursive relation*

