

# State Asset Policy – Building the Economic Security of Working Families

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**Opportunities for Working Families in  
Tight Budget Times:  
A Leadership Forum for State Legislators**

**National Conference of State Legislatures**  
June 25<sup>th</sup>, 2012

**Presentation by Heather McCulloch**  
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**ASSET  
BUILDING  
STRATEGIES**



# What are assets and why do they matter?

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- Financial assets – cash savings, stocks, bonds, home, business and real estate equity
  
- Income enables families to get by.  
Assets enable them to:
  - Weather financial crises
  - Invest in their children and their communities
  - Plan for a secure retirement
  - Pass resources on to future generations



# Challenge: Asset Poverty

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- 27% - or 1 out of 4 - households is asset poor
  - If you exclude illiquid assets, 43% are asset poor
- 2 of every 5 children lives in an asset-poor households including...
  - 1 of 2 Hispanic and African American children
  - 1 out of 4 White children



# Economic Challenges

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- Wealth in America is heavily concentrated
  - The wealthiest 20% of households own 85% of the nation's wealth
  - The bottom 80% of U.S. households hold only 15%
- The recession has resulted in significant wealth loss among middle-class households
  - From 2007-2010, the net worth of the median American household fell by almost 40% (Federal Reserve, June 2012)
  - From 2005-2009, median wealth fell by 66% among Hispanic and 53% among African American households (Pew Research Center, July 2011)



# Asset Building Policy

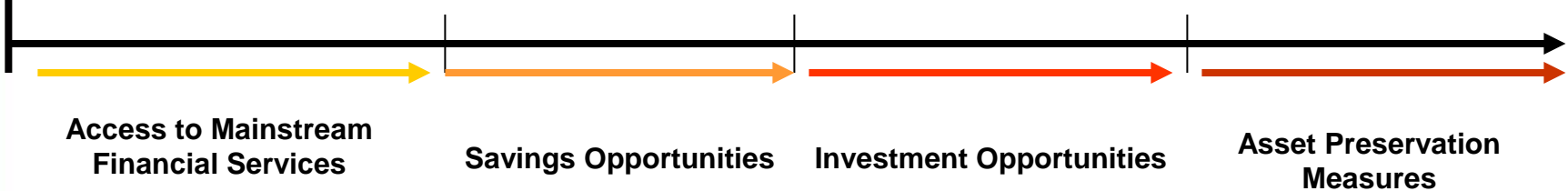
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- The field of asset building focuses on building pathways into the middle class
- America has a long history of successful asset-building policies
- Policy benefits are inaccessible to working families who:
  - Can't afford to buy a home
  - Work in low-wage jobs without benefits
  - Can't access the full benefits of tax credits and deductions, unless they're refundable
- Asset policies benefit wealthier households:
  - Top 20% receive 84% of benefits
  - Bottom 60% receive less than 5% of benefits



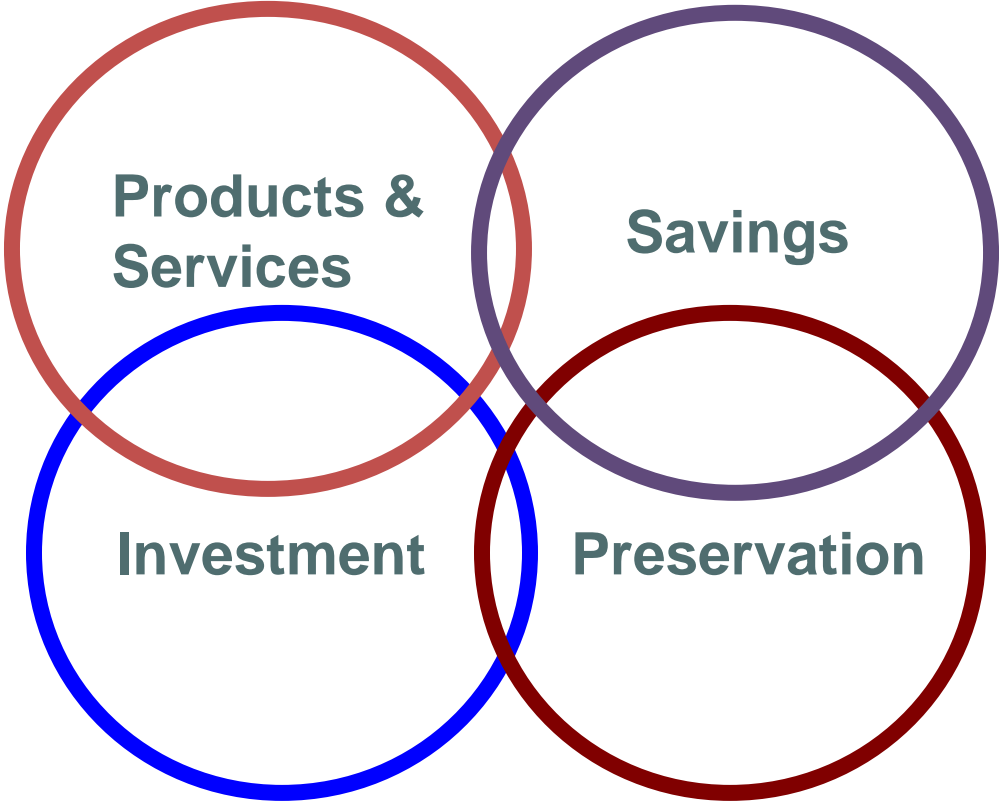
# Continuum of Asset-Building Opportunities

**Working Families** ..... **Economic Security**



..... **Financial Education** .....

# Common Goals





# Financial Education, Products and Services

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- **Financial education** – Expand access to financial education in schools, the workplace and communities
- **Financial services** – Connect families to mainstream financial services
- **Develop new products and services** that meet the needs of lower-income consumers





# Savings

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- **Savings at tax time**
- **Asset limits**
- **Earned Interest Tax Credit (EITC)**
- **Savings for higher education**
- **Individual Development Accounts (IDAs)**
- **Matched savings accounts for children**
- **Prize-linked savings accounts**



# Investment

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- **Homeownership -**
  - Strategies that are safe and affordable
  
- **Business ownership**
  - Small business and microenterprise development
  - Employee ownership



# Preservation

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- **Foreclosure prevention/mitigation**
- **Fees and interest rates on payday and auto-title loans**
- **Access to health, home and auto insurance**



# Why Now?

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Working families need access to opportunities to help them weather the downturn and rebuild their financial security.

They need opportunities to access:

- Financial education
- Credit counseling
- Bank accounts
- Low-cost financial services
- Safe and affordable loan products



# State Asset Policy Resources

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- **NCSL** [www.ncsl.org/workingfamilies](http://www.ncsl.org/workingfamilies)
- **Center for Social Development** [www.csd.wustl.edu](http://www.csd.wustl.edu)
- **CFED** [www.cfed.org](http://www.cfed.org)
- **New America Foundation** [www.assets.newamerica.net](http://www.assets.newamerica.net)
- **PolicyLink/Ford Foundation Clearinghouse**  
(Forthcoming, Winter 2012)



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