

Pathways to Prosperity: Building the Middle Class Through State Asset Building Policy

The Future of the Nation's Middle Class

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What is the “Middle Class”?

- No national consensus on what we mean by the “middle class”
- Most understand term to include households with:
 - Comfortable standard of living
 - Significant degree of economic security, anchored by benefits – health insurance, retirement savings and capacity to invest in a home or higher education
- Today, millions of America’s working families don’t have access to middle class benefits



Building the Middle Class

- Middle class has been pillar of American society
- Growing national dialogue focusing on how middle class is shrinking
- Asset-building policies and strategies are one approach to growing and preserving the middle class



Why Do Assets Matter?

- Financial assets – cash savings, stocks, bonds, home, business and real estate equity
- Assets build families' long-term economic security
- They enable families to...
 - Weather financial crises
 - Invest in their children and communities
 - Plan for retirement
 - Pass resources on to future generations



Challenge: Asset Poverty

- One out of five households owes more than it owns
- One out of four households is asset poor
- Two out of five children are being raised in asset-poor households including:
 - 1 out of every 2 Hispanic and African American children
 - 1 out of 4 white children
- The poorest 60% of families own less than 5% of the nation's wealth



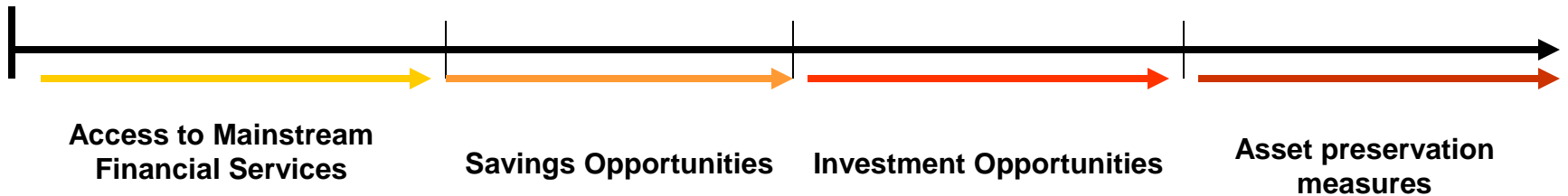
Public Policy Challenges

- America has a long history of successful asset-building policies, but the benefits are often inaccessible to working families who:
 - ❑ Can't afford to purchase a home
 - ❑ Work in low-wage jobs without employer-based retirement and health benefits
 - ❑ Don't earn enough to access the full benefits of tax credits and deductions
- Asset limits discourage poorest families from saving



Continuum of Asset-Building Opportunities

Poverty Economic Security



Financial Education

States and Asset Policy

- New policy dialogue in states across the country
- Led by legislators, governors and asset-building advocates
- Learning about the causes and effects of economic insecurity
- Exploring policy and practical solutions



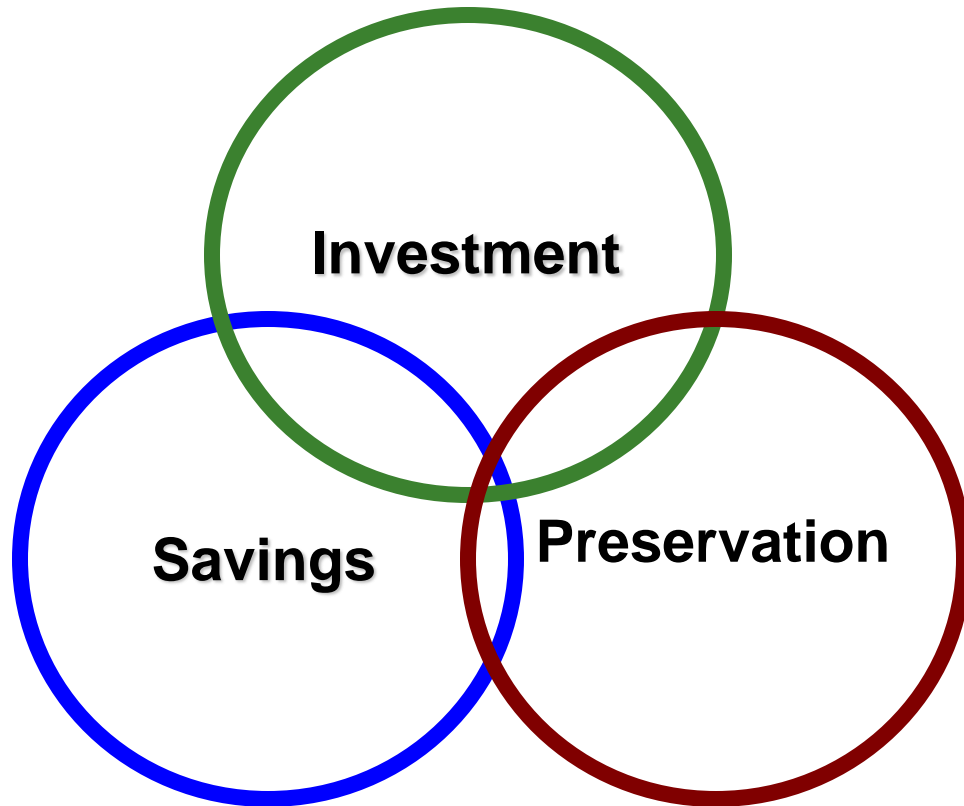
State Asset Policy Initiatives

- **Delaware** – Governor’s Task Force for Financial Independence (2001)
- **California** – Asset Policy Initiative of California (2003)
- **Illinois** – Illinois Asset Building Group (2003)
- **Pennsylvania** – Governor’s Task Force for Working Families (2004)
- **Hawai`i** – Ho`owaiwai Asset Policy Initiative of Hawai`i (2004)
- **Michigan** – Asset Building Coalition for Michigan (2005)

Special Report: “Promoting Economic Security for Working Families: State Asset Building Initiatives”

<http://www.knowledgeplex.org/showdoc.html?id=106925>

Common Goals



Investment

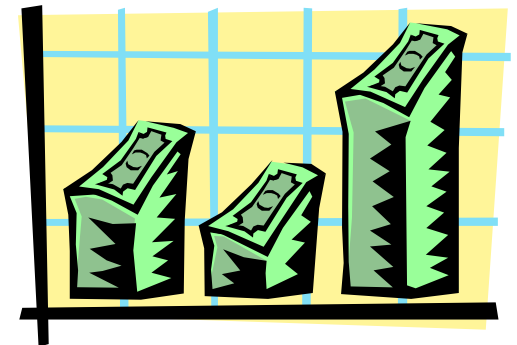
Savings

Preservation

Emerging Policy Priorities

Savings/Asset Accumulation

- **Financial education** – Improve and expand access to financial education
- **Financial services** – Link families to mainstream financial services
- **Asset limits** – Raise or eliminate asset limits in public benefit programs
- **Individual Development Accounts** – Increase support for IDAs



Savings/Asset Accumulation

- **Higher Education –**
Support families to save for higher education
- **Earned Income Tax Credit –**
Capture federal EITC and/or create state EITC
- **Retirement savings –**
Expand access to retirement savings opportunities
- **Children's Savings Accounts –**
Support children's savings opportunities



Investment/Asset Leveraging

- **Homeownership** –
Increase affordable homeownership opportunities
 - **Business ownership** –
Support low-wealth entrepreneurs to build business equity
 - **Real estate development** –
Create opportunities for investment by community residents
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Protection/Asset Preservation

- **Health insurance** –
Expand health insurance coverage
- **Anti-predatory lending** –
Reduce abusive lending practices
- **Anti-insurance redlining** –
Prevent insurance redlining



Asset Policies Passed in Multiple States

- Housing trust funds – 34 states
- Anti-predatory lending laws – 28 states
- State EITC – 18 states
- Financial education in K-12 – 15 states
- Payday lending restrictions – 14 states
- State match for IDAs through TANF (13) or general funds (11)
- Lifeline banking legislation – 8 states
- State match to 529 accounts – 7 states
- State employer-assisted housing programs – 6 states
- Excluding certain assets from limits – 6 states
- Raising or eliminating asset limits – 3 states

June 2006 - New America Foundation "State Policy Options for Building Assets"
http://www.newamerica.net/files/Doc_File_3134_1.pdf

State Legislators and Asset Policy

- State legislators are leaders in the asset-building movement
- State asset policies are having a direct and long-term impact on people's lives...
 - Access to financial information and services
 - Support for savings and investment
 - Creating opportunities



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