Savings In The Spotlight

Making a Case for Asset Building Policies and Programs

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The last decade has witnessed a general improvement in the nation's wealth. Between 1992 and 2001, inflation-adjusted incomes of families rose broadly, and family net worth increased from a median of $61,300 in 1992 to $86,100 in 2001.[1] A larger proportion of families had access to savings, checking, or other transaction accounts than ever before,[2] and the median holdings in these accounts rose 21.2 percent between 1998 and 2001.[3] The median value of retirement accounts, mutual funds, and home equity also grew over the same time period.

These positive trends, however, mask a growing divide between rich and poor. By the close of the 1990s, wealth inequality in the United States was greater than at any other time since the New Deal.[4] In 2001, the wealthiest one percent of U.S. families held about a third of the nation's wealth, while the bottom half held less than three percent (Figure 1.3).[5] Wealth inequality dwarfs income inequality, with low levels of asset ownership reaching well into the middle class.[6] According to CFED's 2005 *Assets and Opportunity Scorecard*, one in four households does not own enough to support itself, even at the poverty line, for three months. Racial inequalities also loom large. The typical African-American household has less than six cents of wealth for every corresponding dollar in the typical white American household (see accompanying article, Measuring Ownership in America).

While low incomes clearly underlie the lack of assets among the poor, government policies have contributed to rather than ameliorated the wealth gap.[7] Asset building policies such as the mortgage interest tax deduction and federally-subsidized retirement plans, for example, tend to disproportionately benefit the wealthiest of households. One report estimates that over a third of the benefits of asset building tax expenditures go to the richest one percent of Americans–those who typically earn over $1 million per year–while less than five percent of the benefits go to the bottom 60 percent of taxpayers (Box 1.1: Hidden in Plain Sight).[8] Ironically, public benefit programs such as welfare and food stamps have made it harder for poor families to save and break the cycle of poverty. "Asset limits" in these programs have typically disqualified families from receiving benefits if they accumulate more than a limited amount of savings, providing a disincentive for poor families to save. Inadequate access to mainstream financial services, such as savings or interest bearing checking accounts, has further hindered the ability of the poor to build assets.[9]

In 2001, the wealthiest one percent of U.S. families held about a third of the nation's wealth, while the bottom half held less than three percent.

Since the early 1990s, a growing asset building movement has been making the case that assets are critical to enabling families to move into the economic mainstream and up the economic ladder. Advocates argue that without savings or assets, families are especially vulnerable to economic crises that could result from a fluctuating job market, an illness,

Hidden in Plain Sight: *The Federal Asset Building Budget*

Box 1.1

Today – through a diverse array of initiatives—the federal government spends billions of dollars to foster asset building. CFED, a national nonprofit that focuses on expanding economic opportunity, recently conducted a comprehensive analysis of federal spending and tax policy to determine how much American asset building initiatives cost, where the money goes, and who benefits.

The study, "Hidden in Plain Sight," reveals that in Fiscal Year 2003:

- *Federal asset policies, conservatively measured, totaled at least $335 billion.*
- *Federal asset policies include both direct spending (outlays) and preferences and incentives (tax expenditures). Tax incentives far eclipsed direct spending: for every dollar spent on asset building outlays, the government gave up $642 in revenue through tax expenditures that reward asset building behavior.*
- *Federal policies disproportionately benefit those who already have assets. Analysis of the largest spending categories shows that over a third of the benefits went to the wealthiest one percent of Americans—those who typically earn over $1 million per year. In contrast, less than five percent of the benefits went to the bottom 60 percent of taxpayers.*
- *Federal spending to stimulate asset building results from many uncoordinated policies. There is no coherent strategy, no explicit asset budget, and little public scrutiny.*

How big is this asset building budget? Even by the standards of the federal government, $335 billion is a lot of money. It is nine times more than the government spent on building roads, bridges, and mass transportation systems ($37 billion). It is almost 10 times more than what Washington spent on housing assistance programs ($35 billion). It is 15 times more than the government invested in higher education ($23 billion). And, to put it in perspective, this $335 billion compares to a national defense budget of $405 billion.

Where does the money go? More than 98 percent goes to support homeownership, reward retirement savings, and subsidize certain kinds of savings and investments (i.e. capital gains and estate transfers).

Who benefits? Many of the programs are theoretically universal, and there are some specifically aimed at the middle class and the poor. In practice, however, the data show the major beneficiaries are those who already have the most assets (see Figure 1.1).

Figure 1.1 *The Federal Asset Building Budget: Distribution of Benefits*

If a taxpayer's income is in the:	Then their average benefit is:
Bottom 20 percent	$4.24
Second 20 percent	$34.26
Middle 20 percent	$173.45
Fourth 20 percent	$705.64
Next 10 percent	$1,959.68
Next 5 percent	$3,060.69
Top 1 percent	$38,107.10

Note: Includes mortgage interest, property tax deductions, and preferential rates on capital gains and dividends.

The critical importance of assets in stabilizing American families and the vast amount spent to help them accumulate assets calls for a more rational and transparent approach to this federal investment. Robust public debate and an explicit asset development budget are needed to inform policymaking and to frame national decisions about how federal dollars are spent. "Hidden in Plain Sight" highlights the need for a coordinated strategy to facilitate asset accumulation among Americans and to ensure that the benefits of asset building expenditures are distributed more equitably. CFED intends to follow up on the study by examining policy implications and analyzing asset building policies at the state level.

A summary document, as well as the complete version of "Hidden in Plain Sight: A Look at the $335 Billion Federal Asset-Building Budget," written by Lillian Woo, William Schweke, and David Buchholz, is available for free download at www.cfed.org.

or a divorce in the family. Having savings, in contrast, can provide a buffer in tough economic times. More importantly, savings hold the promise of breaking the cycle of intergenerational poverty by providing access to higher education or homeownership. In short, while income enables families to get by, assets are the key to getting ahead. [10]

Assets for the Poor: The Experience with Individual Development Accounts

This growing awareness of the role of assets in building economic self-sufficiency has driven efforts in communities across the country to expand opportunities for low- and moderate-income families to save and invest. Great strides have been made, particularly in the introduction and development of Individual Development Accounts (IDAs), a dedicated savings account for the poor.

Although specific program features vary, IDAs help low-income people save for a specified asset building purpose, most commonly purchasing a home, starting a small business, or paying for continued education. Accountholders make monthly contributions to an account, usually over a one- to four-year period, and their savings are matched at a predetermined rate, typically at a rate of 1:1 to 3:1. Accountholders also take mandatory classes in budgeting and financial management, and receive specialized training in their asset area (e.g. homebuyer education). Matching and operating funds come from both public and private sources, and contributions are usually capped to control program costs.

Nationwide, IDAs have grown from three programs in 1995 to more than 500 programs in 2002, and anywhere between 20,000 and 50,000 low-income households have opened accounts.[11] As of March 2004, 34 states included IDAs in their state cash welfare plans, although funding levels vary widely. And nearly all states have raised welfare-related asset limits (Figure 1.2: State Asset Policy in the 12th District).

Figure 1.2 Building Assets – *Policies in the States of the Federal Reserve's 12th District*

State	IDA Legislation[1]	State funds appropriated for IDAs	State EITC[2]	Asset Limits for TANF[3]	State Housing Trust Fund
Alaska	None	N/A	N/A	$2000 or less, home and cars generally excluded	No
Arizona	Passed, Developing State Supported Program	No	No	$2000 or less, home and one car excluded	Yes
California	Passed but on hold	No	No	$2000 or less ($3000 if over 60), home and one car excluded per adult	Yes
Hawaii	Passed but on hold	State Tax Credits expired in 2004	No	$5000 or less, home and all cars excluded	Yes *(Rental Housing Trust Fund Only)*
Idaho	Passed, Developing State Supported Program	No	No	$2000 or less, home excluded, car value exceeding $4650 counted	Yes
Nevada	None	N/A	N/A	$2000 or less, home and one car excluded	Yes
Oregon	Passed, State Supported *(Children's Savings Account Program passed but never funded)*	Yes: State Tax Credits for IDA Contributors	Yes	$2500 or less for first time applicants or those not progressing in workplan, $10,000 or less if progressing in workplan; home excluded, car equity value over $10,000 counted	Yes
Utah	Passed but expired	N/A	No	$2000 or less, car equity value over $8000 counted	Yes
Washington	Passed, State Supported	Yes: State General Funds	N/A	$1000 or less, home excluded, car value over $5000 counted	Yes

Sources: Center for Social Development, "IDA Policy in the States," 2005, and Leslie Parrish (2005). "To Save or Not to Save: Reforming Asset Limits in Public Assistance Programs to Encourage Low-Income Americans to Save and Build Assets," Washington D.C.: The New America Foundation.

1 The majority of states in the 12th District have passed some type of IDA legislation, but only a few among them have appropriated state funding, either in the form of matching funds or state tax credits, for IDA program development.

2 Alaska, Nevada, and Washington do not have a state income tax.

3 Asset limits disqualify families from receiving Temporary Assistance for Needy Families (TANF) benefits if they accumulate more than a limited amount of savings, providing a disincentive for poor families to save.

The Assets for Arizona Institute

Box 1.2

The Assets for Arizona Institute ™ (the Institute), an effort sponsored by the nonprofit Mesa Community Action Network, Inc., is looking to open at least 10,000 new IDAs in Arizona in the next five years. "When we looked at the market for IDAs in Arizona and saw the task ahead, we knew that one little voice wasn't going to be heard," said Karen LaFrance, Project Director for the Institute and Executive Director of Mesa's Neighborhood Economic Development Corporation. "We needed a statewide coalition, with lots of partners all working towards the same goal."

To support this effort, the Institute staffs a statewide collaborative of representatives from established and emerging IDA programs, financial institutions, bank regulatory agencies, community organizations, local and tribal governments, and philanthropies interested in asset building strategies and programs. The Institute's aim is to leverage each of the collaborative member's strengths, avoid duplicating efforts, and explore new ways to deliver IDAs.

The collaborative structure provides many benefits, including the ability to share ideas and expertise, pool resources, and manage data for reporting and evaluation. One funding partner, the Arizona Community Foundation, has established the Assets for Arizonans Fund to solicit private sector contributions. Institute partners are advocating for changes in state policy that would make funding IDAs more appealing to the private sector, such as instituting an IDA tax credit. Efforts are also underway to encourage employers to offer workplace-based IDAs.

Arizona's IDA programs are showing promising results. The number of IDA programs in Arizona has grown from nine programs in 2003 to 25 programs as of March of 2005. The programs currently have 618 open accounts, and another 468 families have purchased assets with their savings. Account holders' savings of over $1.8 million have leveraged more than $20 million in cumulative private investment, mostly as bank mortgages for first-time, low- and moderate-income home buyers. The Institute hopes to lead the way in increasing these numbers exponentially in the coming years.

For more information about the Assets for Arizona Institute, visit www.assetsaz.org/Index.htm or contact Karen LaFrance at klaf@nedco-mesa.org.

The growth in IDAs across the country raises the question of whether or not these accounts can help the poor build assets. Quite simply, do IDAs work?

Evidence from the American Dream Demonstration (ADD) evaluation suggests that they do.[12] The evaluation showed that even very poor families–those living at or close to the federal poverty line–can save money if given the institutional structure and incentives to do so. Participants in the ADD saved an average of $1,500 over roughly two years.[13] Participants who made a matched withdrawal from their account received a payment of approximately $2,500, including the matching funds. Nearly a third of these families used the funds to buy a home, while other families used their savings to start a small business, continue their education, or undertake home repair. Perhaps the most important finding from the demonstration was that savings rates were not necessarily correlated with income levels. Elements of the program's structure–i.e., the match rate and receiving financial education–were more important predictors of how much a family saved than either their personal characteristics or how much they earned. These results support the idea that IDAs, by providing low-income households access to accounts, savings incentives, and financial education, are an effective strategy for helping low-income households build savings and accumulate assets.

Asset Building: The Road Ahead

While the introduction of IDAs represents an enormous step towards building the assets of low-income families, it is unlikely that IDAs alone will help to close the wealth gap in the United States. For all their benefits, IDA programs also have significant limitations.

First, while some families in the ADD were successful savers and were able to turn their savings into assets, a high percentage of participants (44 percent) dropped out of the program or were unable to save more than $100. For many working poor families, every penny goes toward meeting basic needs, and unanticipated expenses or income instability can derail savings plans. There's also the question of whether or not the poor can save enough to leverage wealth building assets such as a home. For the average ADD participant, monthly deposits ranged between $20 and $35, with a yearly accumulated savings of around $700 including matching funds.[14] Especially for low-income families living in high-cost housing areas such as San Francisco, Seattle, or Honolulu, this level of savings alone may not be sufficient to enter the homeownership market. In order to have impact over the long-term, IDAs need to be part of a much broader continuum of asset building strategies (see accompanying article, The Asset Policy Initiative of California).[15]

Innovations in Financing: *The Oregon IDA Tax Credit*

Box 1.3

Oregon has been at the forefront of promoting asset building legislation since the idea of savings for the poor first emerged in the early 1990s. State legislators like Beverly Stein and Jeanette Hamby realized the potential of IDAs to help build savings for children and low-income families, and worked diligently to get asset building activities on the policy agenda. But while the idea of IDAs had broad-based, bipartisan political support, the lingering question was, "Who would pay for it?"[1]

Today, Oregon is one of only a handful of states that fund IDAs through a state tax credit.[2] *The tax credit works like this: individuals who make a $100 charitable donation qualify for a $75 credit against their state income taxes, along with the potential benefit on their federal tax return of the charitable contribution. The advantage of the tax credit is that it does not require an appropriation from the state budget, since it leverages private dollars for IDA programs.*

Last year, Oregon successfully raised $660,000 for its IDA program, fully leveraging all $500,000 of the tax credits authorized by the bill. Since the program's inception, more than 250 households have opened IDAs. Oregon's Department of Housing and Community Services coordinates the statewide initiative, while day-to-day program management is out-sourced to the Neighborhood Partnership Fund (NPF), a Portland-based statewide community development nonprofit. The Celilo Group, a local consulting firm, markets the IDA tax credit to generate contributions.

Oregon's experience with the tax credit provides three useful lessons. The first is to keep the program simple. Because donations are sent directly to NPF, the program eliminates the administrative burden and costs that often accompany funds channeled through state coffers. Second, the value of the credit is an important factor in the success of the program. Oregon's original legislation requested only a 25 percent tax credit. While this would have produced a higher level of total funding for the IDA program (the possibility of raising $2 million with the same $500,000 in lost state revenue), this level of credit failed to attract contributors.[3] *Finally, state policy change does not happen overnight. It took nearly a decade of championing asset building initiatives in Oregon's state legislature to move from a "great idea" to a funded program. As Beverly Stein recognized early on, "This kind of legislation is a multi-year project. Boldness must be accompanied by persistence."*[4]

David Foster, policy strategist with Oregon's Department of Housing and Community Services and an early proponent of asset building, notes that while there is bipartisan support for asset building strategies, long term investment in IDAs will depend on research that demonstrates their ability to help low-income households become financially self-sufficient. As Foster notes, "Individual Development Accounts aren't the end game. If we can show that IDAs are the first step that helps people to change their lives, then we have real magic and a real message that we can take to policy-makers."

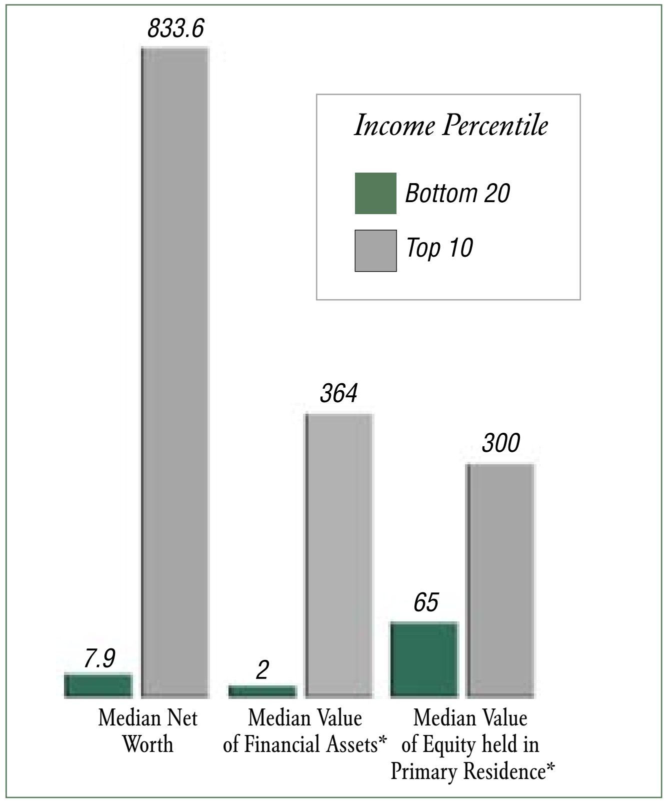
1 Robert Freedman (2003). "The Oregon Children's Development Account Story," *Working Paper No. 03-19,* St. Louis: Center for Social Development.
2 Gena S. Gunn, Anupama Jacob, and Melinda Lewis (2003). "Tax Credits and IDA Programs," *Policy Report,* St. Louis: Center for Social Development.
3 Hawaii has faced similar challenges with tax credit legislation–its 50 percent state tax credit expired in December 2004 as groups were unable to leverage the funds authorized in the legislation.
4 Robert Freedman, *Working Paper No. 03-19,* p. 5.

Second, experience with IDA programs across the country reveals that the costs of program delivery are currently too high to reach the millions of Americans who lack savings. Many IDA programs are run by small nonprofits, consist of 10-50 accounts, and use a supportive services model with frequent personal interaction and counseling. On the positive side, this type of case management approach means that IDAs have been able to reach people who may not otherwise be able to build assets–for example, immigrants with language barriers or clients transitioning from welfare to work. On the downside, this highly tailored, small-scale approach also means that IDAs are expensive. Program costs vary, but some estimates suggest annual program expenditures of between $850 and $2000 per active participant.[16] In the ADD, $1 saved in an IDA costs about $3 in program expenditures. While these costs are in line with or lower than the costs of other social programs such as Head Start and JOBS, they exceed the costs of more universal asset building products such as pension plans.[17]

In addition to high program costs, IDAs lack a dedicated funding stream, raising the question of whether these programs are financially sustainable. Federal spending on IDAs remains at token levels–about $185 million to date–far from the levels of funding needed to bring the programs to scale.[18] The vast majority of federal funding for IDAs is the Assets for Independence Act (AFIA), which provided $125 million for IDA programs over a five-year period. The Act is currently up for reauthorization. In addition to uncertain levels of federal funding, community groups are finding it increasingly difficult to locate match dollars and operating funds.[19] Programs are often forced to cobble together funding from multiple sources, which in turn raises complications in reporting and tracking as different funding streams have different program requirements and income guidelines.[20] And while banks across the nation have been committed and engaged partners in IDA programs, the accounts are not yet part of a profitable business model, and are generally undertaken for CRA or community development reasons (see accompanying article, IDAs: Engaging the Financial Services Industry in Asset Building).[21]

Practitioners, advocates, bankers, and researchers are all working on developing innovative ways to move the asset building field forward.

Figure 1.3 *The Distribution of Wealth* *(Thousands of 2001 dollars)*



Source: 2001 Survey of Consumer Finances, Federal Reserve Board
* Only includes families holding assets.

Advocates of asset building policies are well aware of these challenges, and often talk about how to turn IDAs from a "program into a product," how to "go to scale," or how to develop "universal" asset building policies. Practitioners, advocates, bankers, and researchers are all working on developing innovative ways to move the asset building field forward.

One promising development in the field is the emergence of IDA collaboratives. Collaborative structures reduce costs by centralizing the "back room" functions such as data management, fundraising, and reporting requirements. One report estimated that a collaborative structure may reduce the average cost per active participant by approximately 50 percent over the costs of decentralized, individual agency models.[22] Collaboratives also serve as a way to share information and data, with more experienced collaborative members providing technical support and best practices to partners just launching IDA programs (Box 1.2: Assets for Arizona Institute).

IDA programs are also experimenting with "market segmentation" as a way to reduce costs and still serve a wide range of clients. Recognizing that low-income households are not a homogenous group, collaboratives such as the Assets for All Alliance in northern California are experimenting with IDAs that have different levels of support and education depending on an individual's needs. Assets for All Alliance, for example, has several IDA products. The "fast-track" IDA targets households who have a very time-sensitive savings goal, such as paying for tuition for a child who is a high-school senior or who has already enrolled in college. The "single-track" IDA targets households that have a common savings goal, such as homeownership. "By tailoring the financial education and case-management to meet the needs of a group of households focused on a single asset goal, we are able to provide more customized training and provide these families with the opportunity for greater peer learning and support," said Eric Weaver, executive director of Lenders for Community Development, which manages the Assets for All Alliance. Packaging the IDAs as a distinct "education savings product" or "homeownership savings product" allows the Alliance to efficiently serve households that have different levels of financial management skills but a common savings goal, thereby reducing costs.

On the funding side, IDAs may receive a boost in the form of federal tax credits. The Savings for Working Families Act (SWFA), part of the Family and Community Protection Act, would authorize the creation of 300,000 IDAs through $450 million in federal tax credits for financial institutions that offer accounts. Under this program, participants could deposit up to $1,500 a year. For each dollar the financial institution matches, they would receive a tax credit, up to $500 per IDA account per year. First raised in 1999, SWFA has been reintroduced every year since with a growing roster of bipartisan support. Oregon's state legislature has passed a state level tax credit as a way to leverage private dollars for IDAs, demonstrating the effectiveness of tax credits as a way to fund IDA programs (Box 1.3: Innovations in Financing: The Oregon IDA Tax Credit).

Ultimately, the challenge will be to take the lessons

The Next Generation of Asset Building: *Juma Ventures*

Box 1.4

Buy a Ben and Jerry's Peace Pop or a Tully's coffee at San Francisco's SBC Park, and it's likely you're buying it from a teenager participating in a workforce development program run by Juma Ventures, a nonprofit organization in the Bay Area that provides employment opportunities for low-income youth between the ages of 15 and 19.

There is more to Juma than just jobs. In 1998, Juma decided to tailor the emerging IDA model to the specific needs of youth. Mimi Frusha, Asset Services Manager at Juma, says that the motivation for starting a youth IDA initiative was the realization that "young adulthood is an important window of opportunity in which to introduce the concepts of saving and building assets."

Today, Juma's FutureFundz IDA program is the largest asset building program for youth in the nation. FutureFundz matches savings for non-education related investments—which can include a computer purchase, childcare, or first and last months' rent—at a rate of 2:1. To provide an added incentive towards saving for education-related expenses, these deposits are matched at a rate of 3:1. Participants take classes in basic budgeting and financial management, but they also receive training on their "money personality," (e.g. money avoider, money binger, money worrier) and discuss money myths (e.g. "you can't take it with you, so why save?"). Through this training, youth develop an understanding of their money psychology and learn how to make a connection between the concept of saving and their goals for the future.

The success of the program relies on a strong partnership with Citibank, which offers free savings accounts to FutureFundz participants. To reduce the costs of managing these accounts, Juma uses online technology to open the accounts, to check balances, and to transfer funds between accounts. To date, FutureFundz has opened over 400 accounts, with savings' withdrawals totaling over $380,000.

Recently, Juma Ventures was chosen to participate in CFED's national SEED (Saving for Education, Entrepreneurship, and Downpayment) Initiative.[1] SEED is a demonstration project that tests the efficacy and policy potential of a national system of savings accounts for children. Targeted at youth between the ages of 14 and 18, Juma's SEED program focuses on helping young adults save for their education.

Juma's SEED program is unique in two ways. First, it gives participants "incentive grants" for meeting certain goals. A youth who graduates from high school receives $300, and he or she can earn an additional $200 for completing a course in financial education. If the youth chooses to deposit these incentive payments into their SEED account, the money is matched one-for-one for a total of $1000. Frusha says that these incentive payments are particularly important for youth who don't work and therefore don't have a source of income.

Second, the SEED program allows anyone to make a deposit into the account on the participant's behalf: parents, siblings, grandparents. Parents can even set up a direct deposit into their child's account. "It's a way to get the whole family involved and to address the generational link to savings and wealth building," says Frusha. "It can be really powerful for a parent who has never had their own bank account to see what happens when they put aside money for their child to go to college."

Frusha and others hope that Juma's experiences with FutureFundz and SEED will help to influence the policy debate surrounding universal children's savings accounts. "We are excited that our experiences will be used to make sure that national policies are based on ideas that work. The work we're doing here and policies like the recently introduced ASPIRE Act can help kids save and build assets, which we've learned is key to expanding their opportunities and securing their financial future."

For more information on Juma Ventures, visit www.jumaventures.org or contact Mary Bussi at 415-371-0727 x 216, maryb@jumaventures.org.

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1 Saving, Entrepreneurship, Education and Downpayment (SEED) is an initiative of CFED, in partnership with the Center for Social Development, University of Kansas School of Social Welfare, the New America Foundation, the Initiative on Financial Security of the Aspen Institute, and community partners nationwide.

learned from IDAs and translate them into a universal asset building policy. Policies such as the Homestead Act and the GI Bill were successful precisely because they expanded wealth across the population and were not targeted only at the poor. According to Ray Boshara, director of the Asset Building Program at New American Foundation, "IDAs are the successful downpayment on the broader vision for helping low-income people save and accumulate assets." [23]

One idea that is garnering broad support is the introduction of universal children's savings accounts (Box 1.4: The Next Generation of Asset Building). Introduced in both the House and the Senate on April 21, 2005, the America Saving for Personal Investment, Retirement, and Education Act (The ASPIRE Act) would provide every newborn a savings account endowed with $500.[24] Children in families earning under the national median income would be eligible for a savings match of up to $500 each year until the accountholder turns 18, at which time the money could be used for education or be rolled over to save for a home or retirement. The accounts would be treated as Roth IRAs, and could serve as a life-long savings platform.[25] While every child would have an account, it would especially benefit the 26 percent of white children, 52 percent of black children, and 54 percent of Hispanic children who start life in households without any resources for investment.[26] The Act has bipartisan backing in both the House and the Senate, and supporters are hopeful that it will be adopted.[27]

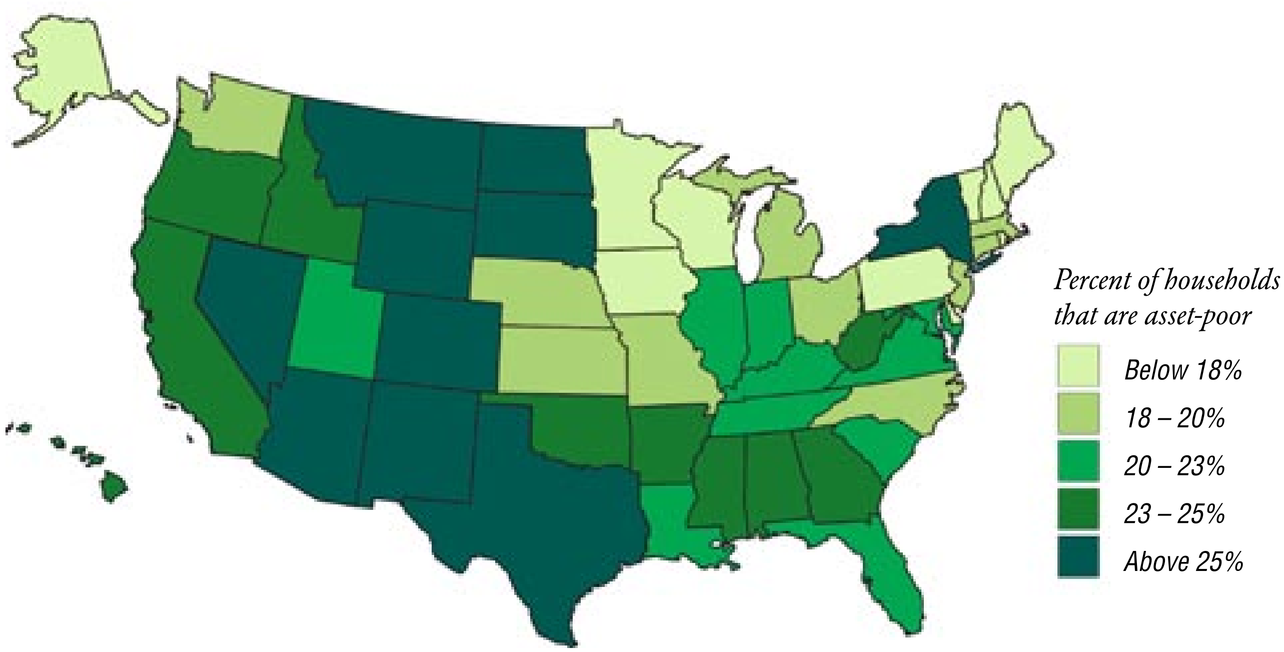
Other promising ideas include encouraging retirement savings for low-income workers by creating a universal 401(k) type plan, making state-based "529" college savings plans more attractive to low-income households, and using electronic funds transfers to foster better access to mainstream financial services.[28]

Conclusion

It is easy to forget how far the asset building field has come in only a decade. When the idea of IDAs was first introduced, the prevailing sentiment was that families with limited incomes couldn't save. Today, the question is no longer whether the poor can build assets, but rather how to develop policies that support the goal of an equitable "ownership society." IDAs remain an important first step, providing many low-income households with their first access to banking services and financial education. The challenge now is to take the lessons learned from IDAs and develop a continuum of asset building policies that work to close the wealth gap and to expand economic security and opportunity for the nation's poor. CI

Households on the brink

Asset poverty measures the proportion of households without sufficient net worth to subsist at the poverty level for three months in the event of income loss. Six of the nine states in the Federal Reserve's 12th District have some of the highest asset poverty rates in the nation.



Source: CFED 2005 *Assets and Opportunity Scorecard* calculations based on 2002 Census Bureau figures.

Endnotes

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