

***IS POVERTY INCOMPATIBLE
WITH ASSET ACCUMULATION?***

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ABSTRACT

Is poverty incompatible with asset accumulation? We examine whether the poor can and do save and whether they are able to build up assets over time. Data are presented from household surveys, as well as from programs targeted at helping families accumulate assets. Presenting and evaluating the state of knowledge provides a new lens on whether the current income-based safety net could better serve poor families by having an asset building component. Conventional thinking is that families that are income poor cannot save. This chapter shows that this thinking is inaccurate; poverty does not have to be incompatible with asset accumulation.

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Is Poverty Incompatible with Asset Accumulation?

I. INTRODUCTION

Poverty is an income-based measure in most developed countries. Economic well-being, however, is also affected by family savings and asset holdings. Income poor families may avoid economic hardship if they hold significant assets, but many hold limited assets. Savings and assets can play an important role in both avoiding economic hardship and aiding individual development. In the short-term, savings can help families weather unexpected earnings gaps or pay unexpected bills. In the medium-term, families can realize goals such as starting a small business or owning a home. In the long term, savings and assets allow families to finance a secure retirement and develop socially and economically. In some ways, the availability of assets is especially critical for poor and low-income families. Individuals at the economic margins are much more likely to experience severe material hardships when they lack assets or the ability to borrow to deal with an economic shock, such as unemployment. Yet, until recently, few researchers or policymakers in developed countries considered how assets affect the lives of poor or low-income families. The nearly exclusive focus has been on raising current income and consumption not on assets and longer-term development.

Evidence shows that assets improve outcomes in important ways for adults and children.¹ For families able to ride out housing market downturns, the returns to homeownership can be large, especially after accounting for the level and variability of rents families would otherwise have to pay if they rented instead of owned their dwelling (Bostic and Lee 2009; Sinai and Souleles 2005). Research finds that homeownership is associated with better outcomes for

¹ For a review of the literature see Lerman and McKernan (2008). It is difficult to test the causal impacts of assets on outcomes and many estimates provide the correlation (or conditional correlation) between assets and outcomes. A substantial empirical literature has emerged that present strong or suggestive evidence about the effects of assets.

children of homeowners—such as higher educational attainment and lower teen-pregnancy rates—likely because of homeownership's role in increased residential stability (Aaronson 2000; Conley 1999; Green and White 1997). Beyond homeownership, car ownership is associated with positive employment outcomes and asset holding in general is associated with positive health and psychological well-being.

Perhaps the best case for holding assets can be made by research that shows what happens when families do not hold assets. Families with low assets have limited ability to use their own resources in an emergency and are often unable to borrow, likely because they do not have sufficient access or credit. As a result, their consumption falls (Sullivan 2008) and they experience greater material hardship (McKernan, Ratcliffe, and Vinopal 2009; Mills and Amick 2010). The ability to borrow in an emergency does as much to reduce hardship as tripling family income (Mayer and Jencks 1989). Few assets and a weak credit record mean that even when families are able to borrow it is in the high risk market, where they pay high interest rates and are at greater risk of predatory lending practices.

Many countries, both developed and less developed, take significant steps to encourage asset accumulation. In the United States, most incentives go to higher income families because the government subsidizes asset building mainly through the tax code. These incentives often come in the form of income tax deductions. High-income families can gain more subsidies because they have higher income-tax liabilities, while low-income families are left out because they generally have low or zero tax liability. In 2009, for example, over half of the \$400 billion in U.S. asset building subsidies went to the top 5 percent of taxpayers, while low-income families received next to nothing (Woo, Rademacher, and Meier 2010). In fact, government can even discourage asset building for poor families since means-tested benefits are subject to asset tests and provide a consumption floor.

To increase economic self-sufficiency and family stability, the United States and other countries have experimented with expanding asset-building policies and programs to low-income families. Much of this expansion has taken the form of individual development accounts (IDAs) or similar type programs. Targeted at low-income families, IDA programs encourage participants to save for specific approved purposes (e.g., higher education, homeownership, business start-ups) by providing matching funds when savings are withdrawn to spend on one of the preset goals. But these policies raise a key question: is asset building attainable for low-income families?

This chapter examines whether poverty is incompatible with asset accumulation. We examine whether the poor can and do save and whether they are able to build up assets over time. Data are presented from household surveys, as well as from programs targeted at helping families accumulate assets. Presenting and evaluating the state of knowledge provides a new lens on whether the current income-based safety net could better serve poor families by having an asset building component. Conventional thinking is that families that are income poor cannot save. This chapter shows that this thinking is inaccurate; poverty does not have to be incompatible with asset accumulation.

The chapter begins with a brief discussion of theory and of asset and wealth measures. Assets can be viewed broadly to include consumer durables and education, but measures of wealth and net worth in developed countries typically exclude these items. We define net worth and introduce asset poverty, a relatively new concept that indicates whether families have “enough” assets. Incorporated into this section is a discussion of data and data quality.

In Section 3, we present data on asset holdings of low-income families. We begin with static, point-in-time measures that present wealth across the income distribution. We look at the extent to which poor and low-income families are asset poor and thus vulnerable to economic

emergencies. In addition, we use longitudinal data on the same families over time to capture the asset accumulation patterns of income-poor families.

Section 4 presents findings from asset-building programs targeted at low-income families. These programs generally have a matched savings component and include individual development accounts and children's development accounts. This section introduces the programs, discusses findings from the literature, and interprets the findings in the context of our key research question—is poverty incompatible with asset accumulation? The chapter concludes with an overview, implication of the findings, and directions for future research.

II. ASSET ACCUMULATION AND WEALTH: THEORY, MEASURES, AND DATA

Theory

The theoretical literature on the rationale for asset accumulation by households is vast. Economic theory generally assumes that people make decisions about assets and other aspects of economic life by maximizing their self-interest, subject to constraints.² In multi-period economic models, individuals try to optimize their lifetime satisfaction by maximizing the present value of their lifetime income. Accumulating assets (and borrowing) are ways in which the timing of an individual's consumption can differ from an individual's income. The life cycle model proposed by Ando and Modigliani (1963) is central to the rationale for individuals to borrow, save, and accumulate assets. In life cycle models, smoothing consumption involves borrowing when young, building up savings in middle age, and dissaving after retirement. In addition to providing freedom for the allocation of consumption over time, assets can raise permanent

² In recent years, economists and psychologists have developed the field of behavioral economics to account for nonrational factors in savings and asset allocation decisions under risk and uncertainty. For a series of key papers in this literature, see Camerer, Loewenstein, and Rabin (2004).

income because of opportunities to earn high, though sometimes risky, rates of return and can allow people to make bequests.³

Another economic rationale for accumulating and sustaining assets is the precautionary motive. Assets can help families deal with unforeseen contingencies that sharply reduce incomes.⁴ Unemployment and disability are examples of unforeseen shocks that suddenly lower income, but need not lower consumption by the same amount so long as assets are available as a cushion. The availability of unemployment insurance benefits and means-tested welfare benefits can reduce the precautionary motive to build assets. Asset tests, which restrict program eligibility to families with assets below a fixed threshold, can further reduce a family's incentive to save.

The assets-for-development framework is based on the idea that assets may foster social and individual economic development. The central reference in this literature, especially as it relates to low-income families, is Sherraden's 1991 book, *Assets and the Poor*. Many other studies present theories that highlight potential social and psychological effects of asset-holding (e.g., Edin 2001; DiPasquale and Glaeser 1999; Nam, Huang, and Sherraden 2008; Rossi and Weber 1996; Oliver and Shapiro 1995). Finally, social stratification theory regards assets as a means of transmitting class status across generations (Nam et al. 2008). Unlike the individual savings models, an inheritance can lead to immediate and large wealth increases.

Measures

Wealth (or net worth) is usually defined as assets minus liabilities. Assets are a stock of resources that can be converted into a flow of income. They are both tangible (financial and physical assets) and intangible (e.g., human capital). Wealth studies generally exclude intangible assets (especially human capital) and measure assets as the sum of financial assets

³ For an excellent review of modern economic thinking on these issues, see Bodie and Merton (2000).

⁴ See, for example, Keynes (1936) and Deaton (1991).

(such as bank accounts, stocks, bonds, 401(k)/IRAs) and nonfinancial tangible assets (such as homes and real estate, businesses, and vehicles). Liabilities include both unsecured debt (e.g., credit card balances) and secured debt (e.g., mortgages and car loans).

The definition of net worth differs across studies and can depend on what is captured in the data used for the analysis. Retirement wealth generally includes balances in defined contribution plans (e.g., 401(k) and 403(b) accounts) and other individually held tax-preferred retirement accounts (e.g., IRA and Keogh accounts). The present discounted values of Social Security wealth and defined benefit pensions, which represent assets to families and can be used for future consumption, have also been included in some studies (see Nam et al. 2008 citing Burkhauser and Weathers 2001; Gustman and Steinmeier 2002; and Venti and Wise 1990; see also Mermin 2008). Valuing these assets, however, requires numerous assumptions. Placing a valuation on the present discounted value of a defined benefit pension, for example, requires detailed information about respondents' pension plans and assumptions about lifetime earnings, inflation, discount rates, and mortality.

To the extent data are available, net worth generally includes nonfinancial tangible assets such as jewelry, art, precious metals, and cemetery plots (Bucks et al. 2009; Caner and Wolff 2004). The value of consumer durables such as washer/dryer, furniture, tools, and personal computers, however, are generally excluded from net worth. Consumer durables can comprise a large share of low-income families' assets (Spilerman 2000) and low-income individuals identify items such as furniture and washers/dryers as significant assets (Nam et al. 2008; Sherraden et al. 2005). Some researchers argue that consumer durables should be excluded from net worth because they cannot be easily converted into cash (Spilerman 2000 and Wolff 2002 as cited in Nam et al. 2008). Lack of information on ownership of consumer durables is also an issue.

Some researchers examine net worth minus home equity because of difficulty valuing homes and to separate out the effects of the housing market. Other subcategories, such as financial assets, can be used to capture assets that are easier to liquidate for consumption (Nam et al. 2008). As one moves away from net worth, however, it is difficult to use a single measure to understand changes in household asset holdings over time. For example, if a household shifts assets from one form to another, this shift could show up as a change in asset holdings unless both asset types are captured in the wealth measure. This is particularly important when studying the effect of a subsidy to a specific type of account—the subsidy could cause households to shift savings, not save more.

Beyond continuous measures of net worth and financial assets, many researchers have examined asset poverty (Aratani and Chau 2010; Brandolini, Magri, and Smeeding 2010; Caner and Wolff 2004; Haveman and Wolff 2001; McKernan and Ratcliffe 2009). The primary asset poverty measure used today, which was developed by Haveman and Wolff (2001, 6–7), categorizes a family as asset poor if it does not have enough “wealth-type resources” to finance consumption for three months at the poverty line. This measure does not account for the type or size of negative shocks families may experience or that low-income families can be more vulnerable to these shocks.⁵ In general, three measures of resources are examined: net worth, net worth minus home equity, and liquid assets.⁶ Moving from a net worth measure of asset poverty to a liquid asset measure shifts from a measure that captures overall wealth toward one that captures only those resources a family can easily access and convert to consumption.

⁵ Using U.S. data from the Survey of Income and Program Participation, McKernan, Ratcliffe, and Vinopal (2009) find that families in the bottom third of the income distribution are more likely to experience an involuntary job loss or health-related work limitation than families in the middle and top thirds of the income distribution. The likelihood of having a parent leave the family (through divorce, separation, or death) is similar across thirds of the income distribution.

⁶ The definitions of net worth and liquid assets differ across studies examining asset poverty. Some studies exclude vehicle equity from net worth (Caner and Wolff 2004; Haveman and Wolff 2001), while others do not (Aratani and Chau 2010; McKernan and Ratcliffe 2009; Soto 2010). Liquid assets are similar to financial assets, but are not always identical. For example, some studies exclude IRAs from liquid assets (Haveman and Wolff 2001), while others do not (Caner and Wolff 2004; Ratcliffe and Vinopal 2009).

Analyses that compare asset poverty across counties must choose a poverty threshold: an absolute measure as in the United States or a relative measure as used in European countries. Brandolini, Margi, and Smeeding (2010) carry out parallel analyses with an absolute and relative measure.

Data

Data availability and quality has been and remains an issue for researchers studying wealth and assets. In the United States, for example, significant efforts to collect asset data did not begin until the early 1980s.⁷ The Survey of Consumer Finances (SCF) and the Survey of Income and Program Participation (SIPP) first asked respondents detailed questions about asset holdings in 1983 and the Panel Study of Income Dynamics (PSID) added a wealth supplement in 1984. Since this time, more surveys have begun to collect wealth information. The widely used U.S. Current Population Survey (CPS), which is the official source for the U.S. poverty rate, obtains limited asset information. Other surveys provide detailed asset and liability information, but for restricted subsets of the population (e.g., young adults, older workers and retirees). Here, we briefly review U.S. data as well as the cross-national Luxemburg Wealth Study.

U.S. Wealth Data

A 2008 review of asset data for U.S. low-income households identifies the SCF, SIPP, and PSID as being the most informative and reliable data for understanding low-income households' assets and liabilities and having the greatest potential for future asset research (Ratcliffe et al. 2008). These three data sets were identified from among 12 data sets that were evaluated along multiple dimensions.⁸ Key evaluation criteria include relevancy and detail of asset data

⁷ An exception is the 1962 Survey of Financial Characteristics of Consumers.

⁸ The other nine data set that were examined are the Consumer Expenditure Survey (CEX), Current Population Survey (CPS), Health and Retirement Study (HRS), National Longitudinal Study of Youth 1979 (NLSY79), National Survey of Family and Households (NSFH), American Dream Demonstration Account Monitoring (ADD-AM) data, American Dream Demonstration Experiment (ADD-E) data, Assets for Independence Act (AFIA) Evaluation data, and Home Mortgage Disclosure Act (HMDA) data.

and correlates, data quality (e.g., unit and item nonresponse), sample size, and availability and frequency of data collection. Table 1 presents a summary of the SCF, SIPP, and PSID.

The SCF provides the most detailed information on assets and liabilities and is often used to benchmark the quality of asset and liability information available in other data sets. The SCF has roughly 100 questions covering 30 assets and liabilities topic areas, as compared with the 9 questions pertaining to 12 topic areas covered by the PSID. The SIPP falls in the middle with about 65 asset and liability questions.

The PSID has the lowest item nonresponse rates of the three surveys, which may be due to the long history that PSID respondents have with the survey. The SIPP, on the other hand, has the highest rates of item nonresponse. An analysis of 47 asset and liability items of the 1996 SIPP found that the median nonresponse rate was 38 percent, with common items like home value being imputed less often and less common items being imputed frequently (Czajka et al. 2003, 90).

While the PSID and SIPP have weaknesses, comparisons of the PSID and SIPP with the SCF suggest that these two data sets do a relatively good job capturing the wealth of low-wealth households. Comparing wealth distributions, the PSID is almost identical to the SCF up to the 30th percentile, then PSID estimates become lower (Juster, Smith, and Stafford 1999). Analyses of the 1990-93 SIPP panels and the SCF show that the SIPP and SCF data sets have similar wealth distributions up through the 80th percentile (Rodgers and Smith 2000), although analyses of more recent SIPP panels (1996, 2001, and 2004) show that SIPP wealth is lower than SCF wealth across the full distribution (Smith, Cashin, and Favreault 2005; Smith et al. 2010). Another analysis of the 1996 SIPP panel finds that it does reasonably well accounting for the assets and liabilities of households with income below 200 percent of the poverty

threshold—average SIPP net worth was 89.5 percent of SCF net worth for these low-income households (Czajka et al. 2003).⁹

One benefit of the SIPP is the availability of information about ownership of consumer durables, such as washer/dryer, refrigerator, telephone, television, and personal computer. The survey does not include everything; it leaves out ownership of tools or other items that could be used in self-employment, such as sewing machines and gardening equipment. Ownership of consumer durables is generally collected once per SIPP panel, although collection is scheduled twice for the 2008 panel. The SCF has an open-ended question about miscellaneous assets that allows respondents to identify the three most valuable assets they own not covered elsewhere in the survey; a respondent could identify consumer durables as one or more of these items. The PSID does not ask about consumer durables.

A major exclusion in the SCF, PSID, and SIPP data is the value of respondents' defined benefit pensions. Although respondents report defined contribution assets, the surveys do not ask about their defined benefit pensions, which are often very valuable assets.¹⁰ Also, information on the current value of the future flow of Social Security benefits is not available in these three surveys.

While the SCF provides a detailed accounting of most assets and liabilities, its relatively small size (4,422 families in 2007) can make it difficult to study low-income subpopulations. A second reason for the small low-income sample is the SCF's over-sampling of high-wealth families. The differences across data sets should be considered when comparing findings from studies that use different data sets and when choosing a data set for analysis.

⁹ This shortfall of SIPP's net worth for low-income households appears to be attributable to the SIPP's noncoverage of certain asset and liabilities items. When items excluded from the SIPP are excluded from calculations of net worth using SCF data (to get an adjusted SCF measure), the mean SIPP net worth for low-income households was 100.2 percent of adjusted SCF net worth (Czajka et al. 2003, Tables III.6 and III.7).

¹⁰ The Health and Retirement Study (HRS), which focuses on older American, provides information about defined benefit pensions.

Cross-National Wealth Data

The Luxembourg Wealth Study (LWS) has harmonized wealth micro-data from twelve countries: Austria, Canada, Cyprus, Finland, Germany, Italy, Japan, Luxembourg, Norway, Sweden, the United Kingdom, and the United States.¹¹ The data provide demographic information, labor market variables, household composition and characteristics, detailed wealth variables, expenditure variables, income variables, and behavioral variables. The data include two LWS measures of net worth. Both measures include the value of deposit accounts, bonds, stocks, mutual funds, other investment funds, principal residence and investment real estate minus total debt. One net worth measure incorporates business equity, although business equity is not available for all countries. Therefore the measure of net worth that includes business equity is comparable across a smaller set of countries, while the measure of net worth that excludes business equity is comparable across a broader set of countries.

The cross country comparisons come at a high cost. To achieve comparability, pensions and other important assets which are not reported in all surveys are excluded. As a result, the LWS provides an incomplete picture of wealth within each country. The LWS measure of net worth (without business equity) for the United States, for example, is only about half the actual national value (Jantti, Sierminska, and Smeeding 2008a, 9).

III. ASSET HOLDINGS OF LOW-INCOME FAMILIES

What are the asset holdings of low-income families? Surprisingly, lower income countries and families are not necessarily lower wealth countries and families. It turns out that many poor and low-income families hold and accumulate assets, though at relatively low levels. We begin with international comparisons of income and wealth for the full population in seven European countries, Canada, and the United States based on the Luxemburg Wealth Study (LWS). We then focus on poor families, examining their wealth holdings across countries using the LWS.

¹¹ Information on the LWS can be found at <http://www.lisdatacenter.org/our-data/lws-database/>.

The final two sections examine in more detail the asset holdings of poor families in the United States using cross-sectional data from the SCF and panel data from the PSID. The international figures include the elderly, who are more likely to be income poor yet hold substantial assets accumulated in prior periods. While the elderly are important to include for an overall understanding of income and wealth, this subpopulation is generally spending down assets, not accumulating assets. Because our focus is on whether income poor families can acquire assets, we focus on the non-elderly in the U.S. focused analyses.

Assets Holdings Convey Distinctive Information

Wealth rankings across countries differ substantially from income rankings (Table 2, reproduced from Brandolini, Magri, and Smeeding 2010). For example, Italians are relatively wealth rich and income poor. Of the six to eight rich countries presented, Italy has the highest median per capita net worth (\$42,268) and the lowest per capita disposable income (\$8,868). The United States on the other hand, has low median wealth relative to the other countries (\$13,000) and high income (\$12,459). Although these cross-country comparisons exclude important components of net worth, such as business equity, they nevertheless show wealth patterns can differ markedly from income patterns.

Similarly, income equality does not necessarily translate to wealth equality. It is possible for a country to be relatively egalitarian with respect to income yet still have extreme wealth disparities. For example, as Table 3 shows, Sweden has the lowest disposable income inequality (Gini index of 0.25) and poverty rate (10.2 percent),¹² yet the highest wealth inequality (Gini index of 0.89).¹³ Germany too has relatively low income inequality (0.28) yet high wealth inequality (0.80). The United States is an exception with the highest income inequality (0.37),

¹² The poverty threshold is defined as half of median income.

¹³ The wealth inequality Gini index excludes important assets such as pensions in order to make wealth measures comparable across countries (Jantti, Sierminska, and Smeeding 2008a, b). Counting pension rights as an asset could lower Sweden's wealth inequality measure relative to other countries.

highest poverty rate (19.5), and the second highest wealth inequality (0.84).¹⁴ Income is not as strong a predictor of wealth as one might think. The correlations between wealth and income in the LWS data sets are generally only within the 0.27-0.36 range, even after controlling for education, age, and family structure (Jantti, Sierminska, and Smeeding 2008b, 269).¹⁵

Do Poor and Low-Income Families Hold Assets and Do They Hold Enough Assets?

Cross-Country Comparison

The cross-country comparisons reveal that many income-poor households hold assets.¹⁶ The proportion of income-poor households holding positive net worth is 49 percent in Sweden, 55 percent in the United States, 59 percent in Canada, and 70 percent in Italy (Table 4).¹⁷ Roughly one-third to two-thirds of income-poor households are not asset poor; that is, they hold enough assets to maintain consumption at the poverty line for at least three months without income or borrowing. The percentage ranges from 32 percent in Canada to 65 percent in Italy. This leaves one- to two-thirds of income-poor households who are vulnerable to adverse events. While less prevalent, a large portion (22 to 43 percent) of non-poor households in these countries are also asset poor.

Asset Holdings of U.S. Families

Focusing on the United States allows for a multiyear analysis and a more complete portrait of families' wealth that includes assets not examined in cross-country comparisons. This section presents trends in the asset holdings of working-age poor and low-income U.S. families from

¹⁴ The United States has the highest wealth inequality when the share of net worth held by the top population percentiles is considered: the richest 1 percent of U.S. households control 33 percent of total wealth (Jantti, Sierminska, and Smeeding 2008b, table 10.3, p. 263).

¹⁵ The LWS U.S. SCF 2001 is an exception with a correlation that exceeds 0.50. The U.S. PSID falls within the lower range (Jantti, Sierminska, and Smeeding 2008b) and Diaz-Gimenez, Quadrini, and Rios-Rull (1997) find a 0.32 estimate for the United States using earlier SCF data.

¹⁶ For these international comparisons, income poverty is defined as income less than fifty percent of the national median of disposable income adjusted by the square root of a family size equivalence scale as described in Jantti, Sierminska, and Smeeding (2008b, 263) and Brandolini, Magri, and Smeeding (2010, 280).

¹⁷ Percentages taken from Jantti, Sierminska, and Smeeding (2008b, 264) and are based on LWS data tabulations that use a definition of household wealth that includes business equity.

1992 through 2007. This period begins shortly after the July 1990 to June 1991 recession, includes the expansion of the mid-to-late 1990s and the subsequent recession (March-November 2001), and ends just as the U.S. was entering the Great Recession (NBER 2010). Wealth holdings declined for many families after the onset of the Great Recession, as unemployment rates increased and stock and housing prices declined (Bricker et al 2011).¹⁸

The 1992 through 2007 cross-sections of the SCF are used,¹⁹ as these data provide the most complete wealth reporting. The sample is restricted to working-age families (head and spouse ages 25 to 59), since our focus is on the asset accumulation phase and not the dissaving period. Retirees complicate the picture with their potential to have low incomes and high asset holdings, many of whom likely had higher incomes most of their lives. Families are separated into three groups: (1) poor families (income below the poverty threshold), (2) nonpoor, low-income families (income between 100 and 200 percent of the poverty threshold), and (3) higher-income families (incomes above 200 percent of the poverty threshold). The analysis focuses on the United States so uses the U.S. official poverty thresholds.²⁰

Net worth. Poor families hold assets, although at relatively low levels. In 2007, the median net worth of poor families was \$2,700 (Figure 1).²¹ This level of assets is enough to sustain a family of four at the U.S. federal poverty line (\$21,203) for roughly one and a half months without working or other sources of income. These asset holdings are not

¹⁸ Using data from the 2007–2009 SCF panel, Bricker et al. (2011) show that wealth declined for over 60 percent of U.S. families and that declines occurred across a range of assets beyond stocks and homes, including transaction accounts, certificates of deposits (CDs), savings bonds, vehicles, and business equity.

¹⁹ The SCF was administered every three years between 1992 and 2007. In 2009, the 2007 SCF participants were re-interviewed to document the effects of the financial crisis, which was just beginning to take shape in 2007.

²⁰ The U.S. official poverty threshold is generally lower than the international half-median-income poverty threshold. In 2007, for example, the U.S. official poverty threshold for a family of four was \$21,000 and U.S. half-median (household) income was 25,000 (not adjusted for family size).

²¹ Bucks et al. (2009) show that median net worth for families in the bottom income-quintile is substantially higher at \$8,100. The exclusion of families headed by persons 60 and older accounts for much of this difference.

inconsequential and are substantial relative to family income, but they may not be sufficient to help families adequately smooth consumption during an unemployment spell or other financial emergency. Unemployment spells, for example, have been found to have an average duration of two to four months (Caner and Wolff 2004; Vroman 2007).

Net worth in 2007 was higher than a decade and a half earlier. Poor families' real net worth increased, but the increase is small relative to the wealth increase experienced by higher-income families (Figure 1). Between 1992 and 2007, the median net worth of poor families increased by roughly \$1,500, from \$1,230 to \$2,700 (in 2007 dollars). The median net worth among non-poor, low-income families was variable over this period and was slightly lower in 2007 than in 1992 (\$13,360 versus \$13,458, respectively). Higher-income families, on the other hand, experienced substantial increases in net worth, with median net worth increasing from just over \$99,000 in 1992 to nearly \$175,000 in 2007.²² The greater wealth holdings of high-income families make them more susceptible to wealth declines resulting from the Great Recession.

Asset poverty. Many income-poor families are not asset poor, while some higher-income families are asset poor. In 2007, 45 percent of income-poor families were not poor in terms of assets (Figure 2). The proportion was considerably lower at 37 percent in 1992—a year after the 1990-91 recession ended. Since then, the proportion of income-poor families that are not asset poor has fluctuated in a relatively narrow range—between 44 and 48 percent. Thus, while not the majority, nearly half of poor families have enough wealth to support themselves at the U.S. federal poverty threshold for three months without working or other sources of income. Not all families can, or should, however, liquidate their wealth for consumption during economic hardship.

²² Wolff (2010) finds that the share of wealth held by the bottom 80 percent of income households fell between 1992 and 2007.

Asset-poverty rates are lower, but still substantial, for non-poor, low-income families. Over the past one and a half decades, about a third of non-poor, low-income families have been asset poor. Like changes in net worth over time, the pattern in the asset-poverty rate for this population varies from year to year. While higher-income families are the least likely to be asset poor, the percentage of these families that are asset poor is not inconsequential. Between 8 and 9 percent of higher-income families are asset poor in each of the years examined between 1992 and 2007. This suggests that even some higher-income families have difficulty saving or sustaining a moderate level of net worth.

How do poor families hold wealth? Over time, as families become more economically secure, they likely work their way up the asset hierarchy. A first step is to build liquid savings, which can help families avoid expensive short-term loans and can finance a down payment on a reliable car if one is needed to get to work. Families may then move on to save for their children's education and building assets for longer-term development, such as homeownership and retirement. Families may find these assets increasingly important as they move through the lifecycle.

Poor families hold their wealth in various forms, with the most prevalent being in bank accounts and in their automobile. In 2007, 60 percent of poor families had a checking or savings account, leaving 40 percent of families without such an account (Table 5). The population of households without a bank account varies over time. Using the Detroit Area Household Financial Services survey, Barr (2009) finds that 70 percent of unbanked households had a bank account in prior years, and that 12 percent of banked households had recently been without a bank account (pp. 73-4). The dollars held in these accounts is generally quite low. Among poor families that had a bank account in 2007, the median value was \$310.

Owning a car is as likely as having a bank account; 61 percent of U.S. poor families own a car. The equity in these vehicles is substantially higher than the value of families' bank

accounts. In 2007, the median bank account balance was \$310 (among those with a bank account), while the median vehicle equity was \$4800 (among those who owned a car).²³ In many areas of the United States, having reliable transportation is a necessity for daily activities, but sustaining a vehicle can hamper wealth accumulation in some cases.

Turning to assets for longer-term development, specifically homeownership and retirement, we find lower rates of ownership, but substantial value for those who hold the asset. Among poor families in 2007, 28 percent owned a home and the median home equity was \$37,000. This value is substantial and shows that home equity is an important component of net worth among low-income homeowners. For the U.S. population, homeownership rates decreased with the housing crisis and fell below 2001 rates in the first quarter of 2009. They declined even further in 2010 (U.S. Bureau of the Census 2011). Few poor families have a retirement account (9 percent); the median value of savings in defined contribution retirement accounts is \$5,000 among those with an account. While modest when spread out over an individual's expected retired lifetime, it does represent nontrivial savings for these families. As noted above, measures of retirement assets exclude defined benefit pensions and Old Age Insurance under Social Security.

Overall, many poor families have accumulated assets, although more than half do not have sufficient assets to see them through a spell of unemployment or other financial emergency.

Do the poor accumulate assets over time? The cross-sectional data reveal that a slight majority of income-poor families are also asset poor at a single point in time. The next issue deals with whether and how poor families accumulate assets across the life course. Most people start their adult lives with few assets but the majority of people eventually build assets

²³ The SCF collects information on automobile makes, models, and years, and then uses Blue Book prices to calculate the value of automobiles. SCF respondents provide information on the value of their automobile loans.

over time. This section presents longitudinal data on the change in asset holdings between 1994 and 2007, a time period in the United States roughly between recessions. We use the 1994 through 2007 waves of the PSID, which follow the same families across multiple years.²⁴ The sample is restricted to two age groups for the family head: younger family heads ages 25-39 and slightly older heads ages 40 to 50. Note that for these ages, the family head is likely to be in the workforce throughout the period: The families are separated into four groups: (1) families that are never poor during this time period (i.e., annual income never falls below the poverty threshold during this 13 year period), (2) families that are poor less than 25 percent of the time period, (3) families that are poor between 26 percent and 50 percent of the time period, and (4) families that are poor more than 50 percent of the period.

Over this 13-year period, the majority of families did accumulate assets, showing a positive change in net worth between 1994 and 2007 (in 2007 dollars). The median increase is well above zero for all families combined in both age groups (Table 6, top and bottom panel). Even among those poor more than half the time, over 40 percent had a positive change in net worth during this period. The likelihood of accumulating larger amounts, however, was limited to those poor 25 percent of the time or less. For example, among the 25–39 age group, the median change in net worth was about \$80,000 for those never poor and a little less than \$16,000 for those poor for a quarter of the time or less. Among those poor more than 50 percent of the time, the median change in net worth was only \$20, although the increase at the 60th and 80th percentiles are substantially higher at roughly \$1,600 and \$29,000, respectively. These trends also hold for the 40-50 age group. The median change in assets among this older group was almost \$102,000 for those never poor and a little over \$23,000 for those poor a quarter of the time or less. Both figures are higher than the wealth gains of younger families. The 40–50

²⁴ The PSID collected wealth data in 1994, 1999, 2001, 2003, 2005, and 2007 and detailed household income data in every wave between 1994 and 2007 (which includes annual surveys between 1994 and 1997 and biennial surveys between 1999 and 2007).

age group, however, accumulated fewer assets than those in the 25–39 age group when they are poor more than 50 percent of the time, accumulating \$1,119 vs. \$1,620 at the 60th percentile and \$11,300 vs. \$29,000 at the 80th percentile.

Next, asset accumulation is examined through a different lens by examining the extent to which low-income, asset-poor families move out of that status over time. Using the PSID, we follow families headed by 25-to-39-year-old family heads in 1989 that are on average low-income and asset poor across the 1989 to 1995 period.²⁵ We then examine this group again twelve years later from 2001 to 2007. Among these low-income, asset poor families in the 1989 to 1995 period, 43 percent were still asset poor and low income in the 2001 to 2007 period, but most improved their situation (Table 7). Nearly a quarter (23 percent) was still low-income but no longer asset poor. So, although their incomes remained low, they were able to build assets. Beyond this, 13 percent of families were no longer low-income, but still asset poor; and 20 percent were neither low-income nor asset poor. In total, 44 percent of these families accumulated enough to escape asset poverty. This shows that across the life course a substantial proportion of low-income families do manage to begin accumulating assets.

Overall, these analyses suggest a high degree of heterogeneity, even among low-income families. Still, while many low-income families do manage to save over time, the chronically poor save little for extended periods of time.

IV. ASSET BUILDING PROGRAMS TARGETED AT THE LOW-INCOME

Numerous efforts around the world are targeted at increasing the savings and asset holdings of low income individuals and families. Many programs incentivize saving by providing matching funds (e.g., provide a \$2 match for every \$1 saved). Matched savings accounts provide low-

²⁵ A household is defined as low-income if their average income is below 200 percent of the poverty threshold over this period and defined as asset poor if their average net worth is not enough to them at the poverty line for 3 months over this period. Eighteen percent of all households were identified as low-income and asset poor.

income families with higher financial rewards for saving than do traditional subsidies administered through the income tax system (e.g., tax deductions for retirement savings and mortgage interest), because low-income families often pay little or no income tax.

Examples of matched savings programs include individual development accounts (IDAs) and child development accounts (CDAs). Some pilot projects have experimented with financial matches at the time individuals file their income taxes. Broadly, evaluations of these programs show that low-income families can and do save. There is less evidence, however, that these programs *increase* overall savings or net worth. While it is valuable to understand whether matched accounts increase a person's net worth, subsidies that generally benefit high-income people (e.g., retirement subsidies and mortgage interest tax deductions) have not been proven effective in increasing net worth. In fact, subsidies may be more effective for those of modest means since they often must begin saving money to use savings incentives. Those who already have significant wealth may simply move saving from one account to another.

Individual Development Accounts

Individual development accounts, first proposed in 1991 (Sherraden 1991), are personal savings accounts that allow low-income participants to save for specific investments, such as a home, new business, and postsecondary education. IDA programs provide matching funds when the savings are withdrawn to spend on one of the preset goals. The match rates vary across programs and are as high as \$8 for every \$1 of savings. Programs usually place a cap on the amount of savings that can be matched (i.e., a match cap). In addition to providing matching funds, IDA programs require financial education and many offer other supportive services such as credit counseling and credit repair.

Two key IDA programs in the United States are the Assets for Independence (AFI) and American Dream Demonstration (ADD) programs. Programs in other countries include Canada's Learn\$ave program, the United Kingdom's Savings Gateway initiative, and Taiwan's

Taipei Family Development Accounts. These programs restrict eligibility to lower income people, although the income eligibility cutoffs vary. The ADD and AFI programs restrict eligibility to persons with income below 150 percent and 200 percent of the U.S. federal poverty threshold (roughly \$27,500 and \$36,500 for a family of three), respectively. Canada's Learn\$ave program restricts eligibility to households with income in roughly the same range (below 120 percent of Canada's Low Income Cut-off, which varies by location). Analyses of IDAs generally consider all participants, so findings apply to the broader low-income population, not just poor participants. The income of IDA participants is varied. Among AFI participants, for example, roughly 25 percent of participants are poor, 25 percent have income between 100 and 150 percent of the poverty threshold, and 50 percent have income between 150 and 200 percent of the poverty threshold.

Overall, IDA programs yield evidence that low-income families can and will save when provided with financial literacy and financial incentives (US: Mills, Lam, et al. 2008; Schreiner and Sherraden 2007a; Stegman and Faris 2005. Canada: Leckie et al. 2009. UK: Cramer 2007; Harvey et al. 2007; Taipei: Cheng 2003). However, these savings may not be new savings. The few studies that have examined net worth have not found a significant relationship between IDA program participation and net worth (US: Mills, Gale, et al. 2008; Mills, Lam, et al. 2008; Schreiner and Sherraden 2007b. Canada: Leckie et al 2009. UK: Harvey et al. 2007). The early IDA literature, which examines short-term outcomes (e.g., five years after program entry), finds that participating in an IDA program increases the likelihood an individual starts or expands a business (Mills, Lam, et al. 2008; Moore et al. 2001) or becomes a homeowner (Mills, Gale, et al. 2008; Mills, Lam, et al. 2008; Grinstein-Weiss et al. 2009). A longer term (10-year) follow-up study finds that while most participants had positive homeownership outcomes, the control group caught up with IDA participants (possibly because its members had access to the

treatment after four years), so there were no long-term statistically significant differences in the homeownership rate or homeownership duration (Grinstein-Weiss et al. 2011).

Studies of IDA programs have also examined how IDA design features influence participant outcomes. For example, higher match caps are associated with greater savings (Cramer 2007; Han and Sherraden 2009; Schreiner and Sherraden 2007a), possibly because participants want to take advantage of the added financial benefits and because they use the cap as a savings goal. Higher match rates are found to increase program participation but the evidence is less clear concerning the effect of match rates on participants' savings (Schreiner and Sherraden 2007a; Grinstein-Weiss et al. 2006; Curley et al. 2005). A higher match rate should induce people to save more because they receive a greater benefit for each dollar saved (substitution effect), but they may save less because they do not need to save as much to reach their goal (income effect).

Children's Development Accounts

Another strategy that has been proposed to promote asset-building is to establish a system of child development accounts (CDAs, also called Child Savings Accounts by some—Goldberg 2005; Meyer, Zimmerman, and Boshara 2008; Williams Shanks et al. 2010). The vision is that every child from birth receives a subsidized account in his/her own name with an initial government deposit and a government match (often targeted at low-income families) for money saved in the account. The idea is to provide a foundation for family financial literacy, bring all families into the mainstream financial sector, and provide tangible resources that could be invested in each child's future. Simulations suggest that accumulated savings will most likely be modest considering inflation at maturity (age 18)—about \$2,325 on average (Butrica 2008). In the United States, Saving for Education, Entrepreneurship, and Downpayment (SEED) is a policy, practice, and research initiative designed to test the efficacy of and inform policy for a national system of savings and asset-building accounts for children and youth. As of December

31, 2007, there were 1,171 open SEED accounts; on average after about 4 years, each child had accumulated \$1,518 to use for future investments (Mason et al. 2009).

Although most SEED households were poor and minority, not every SEED program was targeted exclusively to low-income households. Among SEED participants, 50 percent are poor, 22 percent have income between 100 and 150 percent of the poverty threshold, 12 percent have income between 150 and 200 percent of the poverty threshold, and 13 percent have income above 200 percent of the poverty threshold—with 4 percent missing a reported income (Mason et al. 2009). Household income does not significantly predict net savings, but on average those in the lowest income group (bottom 20 percent) had a mean average savings per quarter of \$16, compared to \$40 for participants in the highest income group (top 20 percent, Mason et al. 2009).

While these ideas are being considered at the local, state, and federal level in the United States, the concept has already been established as policy in other countries. In the United Kingdom, the Child Trust Fund (CTF) provides a certificate for at least £250 to the parents of every baby born in the country, with additional funds offered to the parents of low-income children. Parents use these certificates to open an account on their child's behalf, which can grow tax-exempt until the child reaches age 18. At that point, the U.K. government imposes no restrictions on usage. To prevent misuse as children reach 18, plans are under way to offer financial information and counseling within schools as part of its national education curriculum. When the program launched in 2005, it opened 3 million CTFs. In 2007 about a quarter of these accounts had received additional contributions beyond the initial government deposit (Bennett et al. 2008). Released data does not include actual income but the lower-income households were identified by their receipt of an additional government endowment. These low-income households were slightly less likely to make personal deposits (21 vs. 34 percent) and were less likely to have made a deposit of £300 or more (11 vs. 28 percent, Bennett et al. 2008). For a

program trying to reach the entire population, participation by the low-income is modest, but respectable. Moreover, early evidence indicates that these poorer households may be contributing a higher proportion of their total income (Bennett et al. 2008). Although many have been watching this U.K. policy development with interest, the change in the government that took place in 2010 and subsequent budget cuts led to an amendment to the original legislation where children with existing accounts can retain them, but children born after January 2, 2011 are no longer eligible for the Child Trust Fund.²⁶

In other international examples, youth savings initiatives have been sponsored by government in Canada, Hong Kong, Singapore, South Korea, and Thailand and by financial institutions in Guatemala, Malaysia, Mexico, the Philippines, and Sri Lanka (Masa et al. 2010). Specifically, Singapore has introduced child accounts that can be used for preschool and other education- or health-related expenses from birth to age 6 (Loke and Sherraden 2007). The government of Singapore has also created the Post-Secondary Education Account (PSEA) to cover approved education-related expenses between the ages of 7 and 20. Unused balances from the child accounts can roll over to a child's PSEA, and unused balances from PSEAs can be rolled over to the adult child's Central Provident Fund (CPF, the country's existing retirement focused system). Thus, Singapore essentially has a lifelong system of accounts to help its citizens build assets and meet personal and financial goals (Loke and Cramer 2009). These Singaporean accounts are universal and depend on personal contributions, without making explicit provisions for low-income households. However, the CPF Board makes special effort to facilitate the accumulation of assets for lower-income individuals through tax incentives, leveraging on familial networks for contributions, and even the use of lotteries where low-income members with regular contributions are eligible to win cash prizes (Loke and Cramer 2009).

²⁶ There is still ongoing debate in the UK about the Child Trust Fund and discussion about a possible revised account offering with a match for low-income children. Links to the official Child Trust Fund legislation and amendments can be found at <http://www.hmrc.gov.uk/ctf/legislation.htm>.

The Child Development Account system is optimally universal and as such does not limit assistance to families only when they are already struggling economically. By providing accounts to all children at birth with an initial government deposit, everyone starts learning about savings and investment early. The account program is also attractive to financial institutions. Because it is a universal program not restricted to low-income families, financial institutions have a strong incentive to offer savings accounts, even to those with small balances. They can project a large market with a long-term investment horizon.

Financial Matches at Tax Time

Some pilot projects in the United States have experimented with financial matches at the time individuals file their income taxes. Tax time is an opportune moment for low-income families to save, because many low-income U.S. tax filers receive a substantial tax refund. The refunds primarily come in the form of refundable tax credits such as the earned income tax credit (EITC). Evidence suggests that providing an easy-to-understand financial incentive to save at tax time encourages families to save.

New York City's \$aveNYC Account is one such pilot project, which was first implemented in 2008 and has been ongoing since.²⁷ Under this pilot, low- and moderate-income tax filers are eligible to receive a 50 percent match on dollars saved. The money must stay in the savings account for one year in order to receive the match, but there are no restrictions on the use of the money upon withdrawal. In 2008 and 2009, eligibility was limited to families with incomes below \$45,000 and individuals with incomes below \$20,000 and the maximum match was \$250 (\$500 saved would result in a \$250 match). In 2010, the maximum match was raised to \$500 and the income thresholds were changed to \$48,000 for families and \$18,000 for single adults.

²⁷ In 2011, the program name changed from \$aveNYC to New York City's SaveUSA program. At the same time, SaveUSA programs were launched in Newark (NJ), San Antonio (TX), and Tulsa (OK).

Results from the \$aveNYC pilot shows that even very low-income individuals and families will save when provided with a convenient savings vehicle and financial incentives (NYC Department of Consumer Affairs 2009). The average income of \$aveNYC participants was only \$15,530 and 42 percent of participants had incomes below \$20,000. On average, participants saved \$387 with 38 percent saving \$500 or more. Importantly, 76 percent of accounts were still open and received the match at the end of one year. Nearly a third of these participants (31 percent) did not have a bank account at the time they opened their \$aveNYC account, suggesting that the program reaches particularly financially distressed families and individuals. The majority of participants reported that they were saving for an emergency (69 percent), suggesting that the unrestricted use of the dollars upon withdrawal is particularly important for this population.

Another U.S. pilot project examined whether financial matches at tax time would encourage tax filers to save for retirement in an individual retirement account (IRAs). The pilot project was conducted in low- and middle-income neighborhoods in St. Louis, Missouri (average income of tax filers was about \$45,000), and individuals were randomly offered a 20 percent match, a 50 percent match, or no match. Tax filers who were offered the financial match were more likely to save in an IRA (Duflo et al. 2005). While 3 percent of the control group contributed to an IRA, the shares contributing reached 10 percent of tax filers in the 20 percent match group and 17 percent of tax filers in the 50 percent match group. Conditional on take-up, the average IRA contribution was similar among persons in the 20 percent and 50 percent match groups, \$1,280 and \$1,310, respectively. Persons in the control group who contributed to an IRA contributed only \$860. While this pilot did not focus on poor families, it confirms other evidence that financial matches encourage people to save.

Overall, the matched savings programs demonstrate that, when saving is facilitated and accompanied by incentives, poor and low-income families save at modest levels.

V. CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

Three decades ago it would have been difficult to have a thoughtful empirically-based conversation about asset accumulation among the poor. But improvements in data on assets, debt, and wealth have sparked greater interest and allowed for better analysis. With data sets that provide updated information on wealth in the United States every two to three years, as well as data that are now comparable across multiple countries, it is possible to ask more nuanced questions. There is still much that we don't know about asset accumulation among low-income families. First, are there general asset effects or do the potential benefits of wealth depend on whether accumulation occurs via personal savings over time, through gifts or inheritance, or a policy intervention (e.g., government subsidies)? Second, should and how can low-income families be better integrated into the larger financial system? Are universal children's development accounts a way to achieve this? Third, is there value to beginning with just financial knowledge or are assets required to make the stakes real? Fourth, people in poverty are saving and this is significant. Yet program participation is skewed toward people with slightly higher income, some education beyond high school, and with prior experience using financial products. Do these programs work for the most disadvantaged?

While future research could measure the effectiveness of asset building programs targeted at low-income and ask whether the benefits exceed the costs, expensive and ongoing subsidies to high-income homeowners and those saving for retirement have not been proven effective in increasing net worth. Should relatively modest subsidies to low-income families be held to a different standard? Further, is the relevant standard increasing net worth, or should it include entering the financial mainstream, economic security, and easing major life transitions? The current U.S. approach (as opposed to Singapore's approach) is to have people cope individually with whatever life and the economy deals them. Strategic asset-building that assists low-income families is an approach that has the potential to improve quality of life for those at

the bottom of income and wealth distributions. Future research could assess such a strategic asset building approach.

The empirical evidence in this chapter demonstrates that poverty is compatible with asset building. Some households that are poor do hold and accumulate assets. Even more encouraging, savings programs targeted to low- and moderate-income families make it clear that with subsidies, incentives, and education, these families can constructively navigate financial products. The next question is, how can we make asset accumulation available for the broader low-income population?

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Table 1: Summary of SCF, PSID, and SIPP

	Survey of Consumer Finances	Panel Study of Income Dynamics	Survey of Income and Program Participation
Unit of observation	Family	Individual	Individual
Sample size ^a	4,422 families	8,289 families	46,500 households
Years	Ongoing: 1983, 1986, 1989, 1992, 1995, 1998, 2001, 2004, 2007, and 2009	Ongoing: 1968–2009	Individual panels starting 1984–1993, 1996, 2001, 2004, and 2008
Survey design	Generally cross-sectional, although 2007 respondents reinterviewed in 2009	40-year panel survey; data collected annually from 1968-97, biennially since 1997	Two- to four-year panels; data collected three times per year
Frequency of asset data collection	Every three years since 1983, plus 2009 (reinterview of 2007 respondents)	Once every five years from 1984–1999 and biennially since	Annual
Asset and liability questions	Most focused survey on asset ownership (about 100 questions).	Provides good accounting for the major components of net worth using broad asset and liability questions (about 9 questions).	Contains detailed information on financial and non-financial tangible assets as well as liabilities (about 65 questions).
	Broad asset topics: (1) home; (2) other real estate; (3) farm or business assets; (4) vehicles; (5) savings, transaction, and money market accounts, certificates of deposit (CDs); (6) bonds; (7) stocks, mutual funds, and call accounts; (8) personal retirement accounts—individual retirement accounts (IRAs) and Keogh accounts; (9) employer-provided retirement accounts—401k, 403b, and Thrift Savings Plans; (10) participation in a private defined benefit pension plan; (11) value of life insurance, other managed assets, loans made to others; (12) other nonfinancial assets—e.g., artwork, jewelry, antiques.	Broad asset topics: (1) home; (2) other real estate; (3) farm or business assets; (4) vehicles; (5) savings, checking, money market funds, CDs, bonds (combined); (6) stocks, mutual funds, and investment trusts (combined); (7) personal retirement accounts—IRAs and Keogh accounts; (8) other retirement accounts; (9) other assets—e.g., other investments in trusts, cash value of life insurance, valuable collection for investment purposes (combined).	Broad asset topics: (1) home; (2) other real estate; (3) farm or business assets; (4) vehicles; (5) savings, transaction, and money market accounts, CDs; (6) bonds and U.S. Securities; (7) stocks and mutual funds; (8) personal retirement accounts—IRAs, Keogh accounts; (9) employer-provided retirement accounts—401k, 403b, and Thrift Savings Plans.
Response rates	69% for the nationally representative sample. 30% for the wealthy family list sample. ^b	Over 50% for full panel, 94-98% between waves.	68-87% (varies across the panel).
Imputed data	Less missing data than SIPP. 1998 SCF imputation rates are about half of what they are for similar 1996 SIPP variables.	Contains less imputed asset and liability data than the SIPP and SCF.	20-60% of asset and liability values imputed, with common items being imputed less frequently.

Source: Reproduced and updated from Ratcliffe et al. 2008.

a. Sample size is for most recently available data (2008 SIPP, 2007 PSID, and 2007 SCF).

b. Members of the list sample are given the opportunity to opt out of the interview.

Table 2. Net Worth and Disposable Income, by Country

Countries (ranked by net worth)	Net Worth U.S. Dollars	Disposable Income U.S. Dollars
Italy (2002)	\$42,268	\$8,868
United Kingdom (2000)	\$26,071	\$10,907
Finland (1998)	\$18,545	\$9,603
Canada (1999)	\$13,020	\$11,938
United States (SCF 2001)	\$13,000	\$12,459
Germany (2002)	\$12,914	\$10,879
Sweden (2002)	--	\$11,256
Norway (2002)	--	\$14,569

Source: LWS data as presented in Brandolini, Magri, and Smeeding (2010) table 1, p. 276.

Notes: Net worth and disposable income are per capita median values in U.S. dollars at purchasing power parities. Net worth does not include business equity.

Table 3. Income Inequality, Income Poverty, and Wealth Inequality, by Country

Countries (Ranked by income inequality)	Disposable Income Inequality Gini Index	Poverty Rate	Wealth Inequality Gini Index
Sweden (2002)	0.25	10.2%	0.89
Finland (1998)	0.25	10.6%	0.68
Norway (2002)	0.25	12.0%	--
Germany (2002)	0.28	12.9%	0.80
Canada (1999)	0.30	16.5%	0.75
Italy (2002)	0.33	12.5%	0.61
United Kingdom (2000)	0.34	14.6%	0.66
United States (SCF 2001)	0.37	19.5%	0.84

Source: LIS and LWS data as presented for columns 1, 2, and 3 respectively in Brandolini and Smeeding (2007) figure 1, p. 30; Brandolini, Magri, and Smeeding (2010) table 4, p. 280; and Jantti, Sierminska, and Smeeding LWS asset poverty data (2008b) table 10.3, p. 263.

Notes: Income poverty is defined as income less than fifty percent of the national median of equivalized disposable income. All disposable income inequality Gini indices are from 2000, except for the United Kingdom which is from 1999 data.

Table 4. Proportion of Households with Positive Net Worth and Not Asset-Poor, by Country

Countries (Ranked by positive net worth)	Positive net worth	Not asset poor	
	Income poor	Income poor	Not income poor
Sweden (2002)	48.6%		
United States (SCF 2001)	54.9%	43.0%	60.0%
Canada (1999)	58.8%	31.5%	61.0%
Italy (2002)	70.3%	65.0%	77.6%
Finland (1998)		46.2%	66.8%
Germany (2002)		34.5%	57.5%
United Kingdom (2000)		63.0%	66.1%

Source: LWS net worth data as presented in Jantti, Sierminska, and Smeeding (2008b) table 10.4, p. 264 and authors' calculations from Brandolini, Magri, and Smeeding LWS asset poverty data (2010) table 4, p. 280.

Notes: Income poverty is defined as income less than fifty percent of the national median of equivalized disposable income. Asset poverty is defined as not having the net worth to maintain a household at the poverty line for at least three months.

Table 5. Asset Holdings for Families with Income Less than the Poverty Line

	Ownership Percent	Mean*	Holdings by Percentile*		
			25th	50th	75th
Bank accounts	60.1%	\$3,837	\$80	\$310	\$1,260
Car equity	60.8%	\$8,141	\$2,600	\$4,800	\$9,100
Retirement accounts	9.4%	\$8,797	\$930	\$5,000	\$6,900
Home equity	27.9%	\$73,263	\$14,000	\$37,000	\$85,000

* Mean and percentiles are calculated from the population that hold each asset.

Source: Authors' tabulations using the 2007 Survey of Consumer Finances.

Table 6. Change in Net Worth between 1994 and 2007 by Poverty Duration

Years Poor	Mean	Median	Holdings by Percentile			
			20th	40th	60th	80th
Families with Heads Ages 25-39 in 1994						
<i>Percent of Years poor</i>						
None	\$260,574	\$80,046	-\$1,079	\$46,395	\$126,105	\$341,581
1-25 percent	\$298,232	\$15,821	-\$18,029	\$3,049	\$37,532	\$134,893
26-50 percent	\$26,399	\$2,609	-\$7,027	\$0	\$15,260	\$62,460
51 percent or more	\$9,180	\$20	-\$2,000	\$0	\$1,620	\$29,034
All households	\$225,266	\$43,784	-\$3,694	\$16,238	\$77,580	\$249,268
Families with Heads Ages 40-50 in 1994						
<i>Percent of Years poor</i>						
None	\$376,190	\$101,906	-\$10,290	\$48,499	\$169,860	\$456,357
1-25 percent	\$156,459	\$23,019	-\$41,419	\$320	\$40,206	\$201,188
26-50 percent	\$223,497	\$3,607	-\$11,827	-\$404	\$13,185	\$46,313
51 percent or more	\$7,012	\$0	-\$6,856	\$0	\$1,119	\$11,300
All households	\$319,348	\$60,647	-\$13,816	\$24,128	\$12,723	\$364,711

Source: Authors' tabulations using the 1994 and 2007 PSID.

Notes: All dollars in 2007 dollars. The sample includes 1,876 families whose head was 25 to 39 years old in 1994. Among these families, 1,244 were poor for 0 years, 313 were poor for 1-25 percent of the years, 126 were poor for 26-50 percent of the years, and 193 were poor for more than 50 percent of the years. The sample also includes 1,168 families whose head was 40 to 50 years old in 1994. Among these families, 896 were poor for 0 years, 148 were poor for 1-25 percent of the years, 55 were poor for 26-50 percent of the years, and 69 were poor for more than 50 percent of the years.

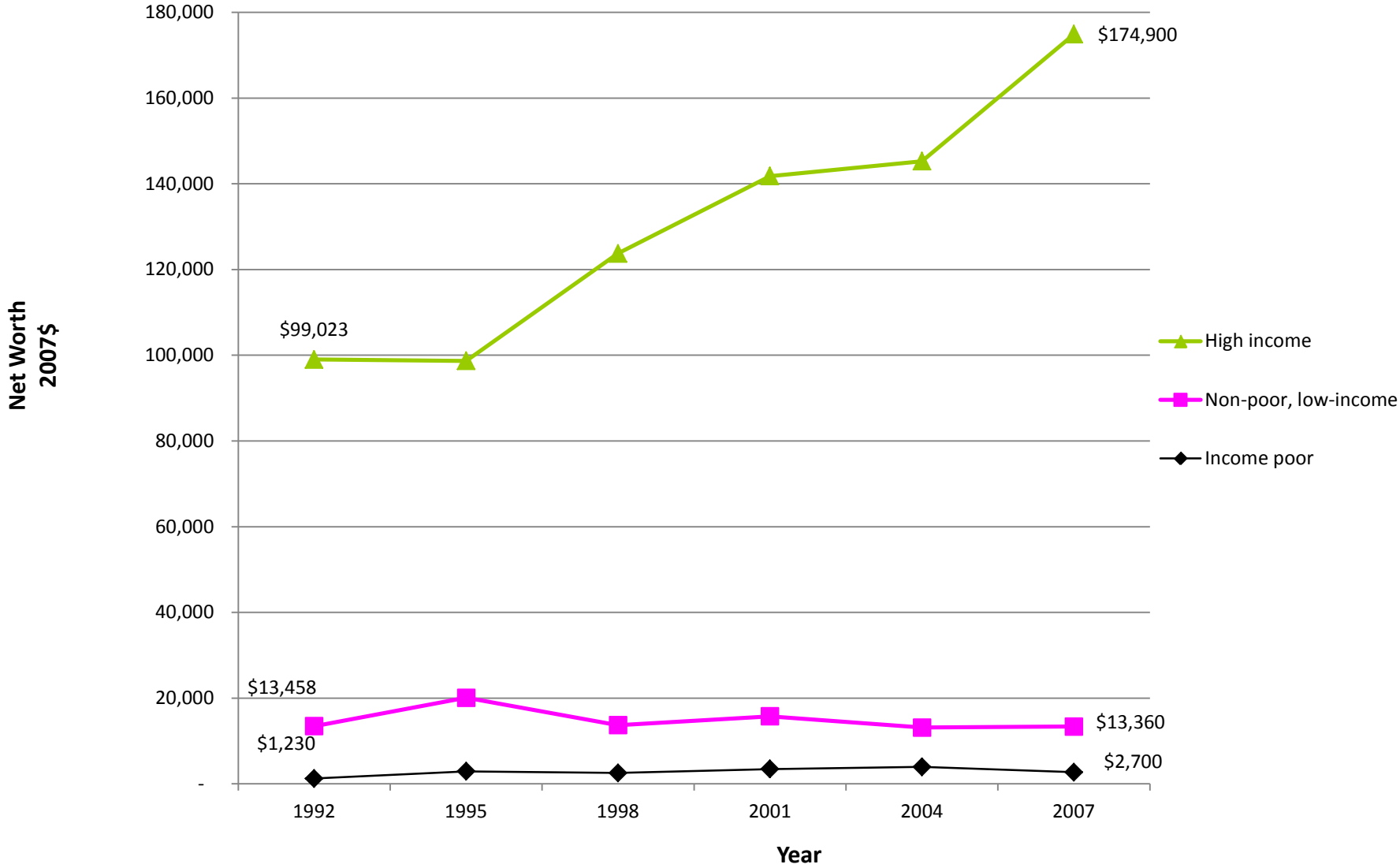
Table 7. Change in Income and Asset Status from 1989-95 to 2001-07, Low-Income and Asset-Poor Families in 1989-95

	Asset Status in 2001-07		Total
	Asset Poor	Not Asset Poor	
<i>Income status in 2001-07</i>			
Low Income	43.2%	23.3%	66.5%
Not Low Income	13.1%	20.4%	33.5%
Total	56.3%	43.7%	100.0%

Source: Authors' tabulations using the PSID (1989-95, 2001, 2003, 2005, and 2007).

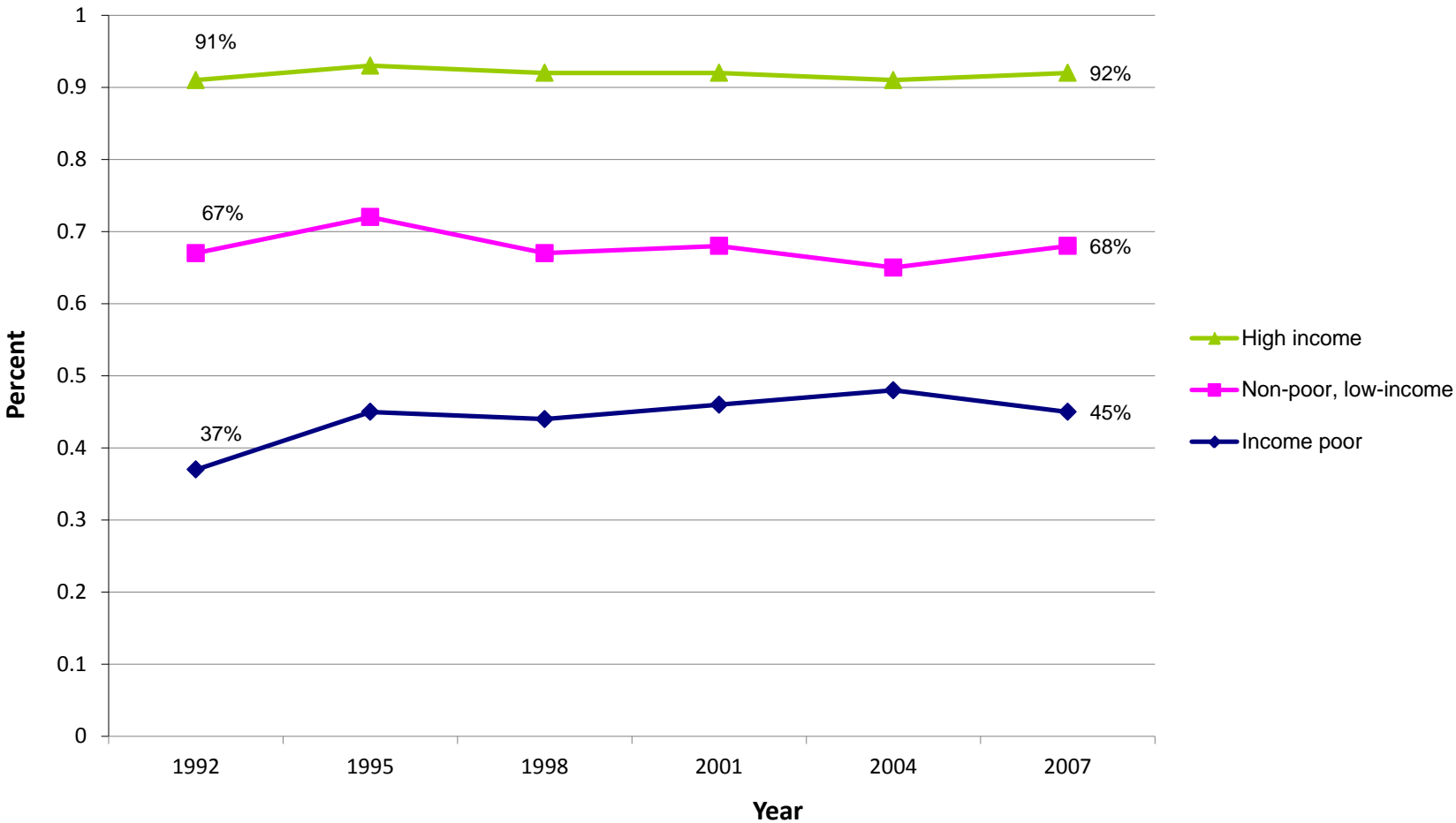
Notes: Includes 233 families with heads ages 25 to 39 in 1989. A family is defined as low-income if their average income is below 200 percent of the poverty threshold during the relevant time period (1989-95, 2001-07). A family is defined as asset poor if their average net worth is not enough for them to live at the poverty threshold for 3 months during the relevant time period (1989-95, 2001-07).

Figure 1. Median Net Worth by Income-Poverty Status, 2007 dollars



Source: Authors' tabulations using the Survey of Consumer Finances (1992, 1995, 1998, 2001, 2004, and 2007).

Figure 2. Percent of U.S. Families that Are Not Asset Poor by Income-Poverty Status



Source: Authors' tabulations using the Survey of Consumer Finances (1992, 1995, 1998, 2001, 2004, and 2007).