

Who Are Low-Asset Low-Income Families?

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More than a quarter of U.S. families are dealt a double whammy—they are in the bottom 40 percent of both the net worth and the income distributions. On average, these families have annual incomes of \$20,900 and their net worth is \$9,400 (medians are \$20,600 and \$4,700 respectively). For these families, neither assets nor income offers much protection against financial shocks. And these figures are from 2007, *before* the current recession hit housing and the stock market. This fact sheet describes the main characteristics of these low-asset low-income (LA-LI) families along five dimensions (table 1).

Age

Families younger than 35 are overrepresented in the LA-LI group (39 percent in the LA-LI group versus 22 percent in the population). This pattern is consistent with the economic life cycle, where income and wealth generally increase during the work lives of families.

TABLE 1. Characteristics of Low-Asset Low-Income Families (percent)

		U.S. families	LA-LI families
Age	Less than 35	22	39
	35–64	57	45
	65 and older	21	17
Family type	Single, no kids	12	25
	Single parents	29	43
	Married	59	32
Education	Less than high school	14	27
	HS or some college	51	61
	College or more	35	12
Health	Poor or fair	31	40
	Good or excellent	69	60
Race	Non-Hispanic white	71	52
	Minority	29	48

Source: Author's calculations using the 2007 Survey of Consumer Finances.

Family Type

While most families in the population are married (59 percent), the LA-LI group is mainly composed of single families (68 percent). Notably, a large portion of single parents in the LA-LI group (43 percent) likely support their children from a single paycheck, and thus face greater challenges in building net worth. The number of adults in the family is likely to be a determinant of the LA-LI condition through combined earnings and shared household work (only 32 percent of families in the LA-LI group are married).

Education

Education is a potent tool to keep families out of the LA-LI group. Only 12 percent of LA-LI families are college graduates (compared with 35 percent for the population). Those with less than college, on the other hand, are over-represented in the LA-LI group.

Health

The LA-LI families report being in poor or fair health more frequently (40 percent) than the population (31 percent). Health problems might limit work and thus earnings. Also, households might dip into their savings or take on additional debts (if they have access to credit) to pay for the expenses associated with health shocks.

Race

While minorities comprise less than one-third of the U.S. families, they make up nearly half of LA-LI families.

In sum, relative to all U.S. families, LA-LI families are younger and more likely to be single, less educated, in poorer health, and minority.

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Given the chance, many low-income families can acquire assets and become more financially secure. Conservatives and liberals increasingly agree that government's role in this transition requires going beyond traditional antipoverty programs to encourage savings, homeownership, private pensions, and microenterprise. The Urban Institute's *Opportunity and Ownership Project* series presents some of our findings, analyses, and recommendations. The author is grateful to the Annie E. Casey Foundation and the Ford Foundation for funding this fact sheet.

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