



SAVINGS AND HARDSHIP AVOIDANCE AMONG HOUSEHOLDS HEADED BY PEOPLE WITH DISABILITIES: IMPLICATIONS FOR SSI

Gregory Mills and Sisi Zhang

May 2011

Congress is considering whether to raise the resource limits used in determining eligibility for the federal Supplemental Security Income (SSI) program.¹ This program provides cash support to low-income people who are elderly, blind, or disabled. The current resource limits, set in 1989, are \$2,000 for an individual and \$3,000 for a couple. Countable resources exclude the recipient's home, one car, other essential property, and specified financial assets, while including defined-contribution retirement savings in 401(k)s and individual retirement accounts (IRAs).² The SSI Savers Act (HR 4937 of the 111th Congress) proposes to raise the limits to \$5,000 for individuals and \$7,500 for couples.

To address the merits of revising the SSI resource limits, this fact sheet expands upon a December 2010 Urban Institute brief regarding the effects of liquid asset holdings on the incidence of material hardship among low-income households (Mills and Amick 2010). That analysis focused on a sample of 3,435 low-income households with nonelderly heads, selected from the 2001 panel of the Survey of Income and Program Participation (SIPP). Households with modest liquid assets (interest-earning assets held at financial institutions) were found significantly less likely to suffer material hardship than those without any buffer stock of savings, controlling for household economic and demographic characteristics.³ The measured forms of hardship related to housing, utilities, health care, and food security.

To briefly summarize the earlier analysis, having liquid assets of between \$1 and \$1,999 was associated with a significantly lower incidence of six types of material hardship (compared with the incidence among those with no liquid assets). These effects are shown again in the first column of table 1. The multivariate models also estimated the effects of having liquid assets between \$2,000 and \$9,999 and assets of \$10,000 or more. These effects, versus having no liquid assets, are shown in the second and third columns of table 1. Not surprisingly, larger asset holdings were typically associated with larger effects, providing a more substantial cushion for households to ward off hardship when financial shocks occurred.

One implication of this pattern of effects, consistent with a growing body of other evidence, is that the asset limits (or "resource limits") used in determining eligibility for means-tested benefits may inadvertently impede the self-sufficiency of program recipients (see Nam, Ratcliffe and McKernan 2008). Specifically, although asset tests target benefits to the neediest,

¹ The terms "resource limit" and "asset limit" are used here synonymously.

² Excluded from the SSI asset test are balances held in individual development accounts (IDAs), Plans for Achieving Self-Support (PASS accounts), burial accounts, and life insurance policies, subject to limits.

³ Interest-earning assets held at financial institutions include savings accounts, money market deposit accounts, certificates of deposit, and interest-earning checking accounts.

they may discourage the savings required for such households to insure themselves against adverse events that either disrupt income (such as a medical emergency or a change in child care arrangements for a working parent) or cause unplanned expenses (such as a home or car repair). Of particular interest is the magnitude of the effect associated with having assets of more than \$2,000 compared with the effect of having assets below this threshold.

Table 1. Effects of Liquid Assets on Hardship among Lower-Income Households with Nonelderly Heads

Hardship measure	Effect on hardship for households with liquid assets of: ^a		
	\$1–\$1,999	\$2,000–\$9,999	\$10,000 or more
Unmet essential expenses	-0.044**	-0.078**	-0.112***
Missed utility payment	-0.042***	-0.087***	-0.128***
Missed housing payment	-0.040***	-0.044**	-0.030
Utility shutoff	-0.013**	-0.019**	-- ^b
Phone shutoff	-0.012	-0.021	-0.061***
Forgone doctor visit	-0.041***	-0.031	-0.085***
Forgone dentist visit	-0.017	-0.066***	-0.076***
Food insecurity	-0.017**	-0.017	-0.045***

Source: Authors' calculations, based on data from 2001 Survey of Income and Program Participation, for a sample of 3,435 households comprising the lowest income quintile of households with nonelderly heads.

** $p < 0.05$; *** $p < 0.01$

a. Marginal effect (estimated at sample means) relative to having no liquid assets.

b. Observed incidence of hardship was zero for this sample cell.

To explore the effects of liquid asset holdings on the incidence of hardship among people with disabilities, we identified a sample from the 2001 SIPP panel consisting of households headed by individuals who, because of a chronic health condition or disability, were either working less than full time or were not working at all (but were interested in working). To focus on those with limited incomes, we included in the analysis the 1,304 households with monthly incomes below the sample median of \$1,556.

For this disability-related sample, the distribution of households by holdings of liquid assets was as follows:

- no liquid assets—77.7 percent;⁴
- liquid assets between \$1 and \$1,999—14.2 percent; and
- liquid assets of \$2,000 or more—8.1 percent.

Because such a small share of the disability sample had liquid assets of \$2,000 or more (only 106 cases), it was not feasible to break down the sample further within this upper interval. In all other respects, however, our analysis of the disability sample applied the same methodology used in the December 2010 brief. Our specific interest was in exploring whether those with assets of \$2,000 or more were better protected against hardship than those with assets of less than \$2,000. If so, the evidence would tend to support raising the asset limit, all other things equal.

⁴ Such households may have nonliquid financial assets or real property assets, but such holdings are typically of limited use in meeting emergency needs (and may be more than offset by liabilities, resulting in negative net worth).

The findings of this new analysis, as shown in table 2, are as follows:

- For three of the eight hardship measures—unmet essential expenses, missed utility payment, and forgone doctor visit—having liquid assets of \$2,000 or more is associated with a significantly lower incidence of hardship, compared with those with no assets and those with \$1–\$1,999 of assets.
- For one measure—missed housing payment—there was a significantly lower incidence of hardship for those with \$1–\$1,999 in liquid assets, but no significant effect of having \$2,000 or more, versus having no assets. Note, however, that the estimated coefficients are nearly identical (-0.032 and -0.035). A separate test showed that these two coefficients do not differ significantly from each other.
- For another two hardship measures—forgone dentist visit and food insecurity—no significant effect on the incidence of hardship was associated with having liquid assets of \$1–\$1,999, or with having liquid assets of \$2,000 or more, versus having no assets.
- For the remaining two hardship measures—utility shutoff and phone shutoff—there was no observed incidence of hardship among those with \$2,000 or more in liquid assets. Thus, it was not possible to estimate any effect associated with having assets above this threshold.

Table 2. Effects of Liquid Assets on Hardship among Lower-Income Households with Disabled Heads

Hardship measure	Incidence of hardship	Effect on hardship for households with liquid assets of: ^a	
		\$1–\$1,999	\$2,000 or more
Unmet essential expenses	0.292	-0.012	-0.090*
Missed utility payment	0.203	-0.065**	-0.114***
Missed housing payment	0.099	-0.032*	-0.035
Utility shutoff	0.039	-0.017	-- ^b
Phone shutoff	0.098	-0.024	-- ^b
Forgone doctor visit	0.153	-0.005	-0.086***
Forgone dentist visit	0.147	0.010	-0.041
Food insecurity	0.080	-0.020	-0.021

Source: Authors' calculations, based on data from 2001 Survey of Income and Program Participation, for a sample of 1,304 households with below-median monthly household income.

Note: A disabled head is someone unable to work or working less than 35 hours a week because of a chronic health condition or disability.

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

a. Marginal effect (estimated at sample means) relative to having no liquid assets.

b. Observed incidence of hardship was zero for this sample cell.

The estimates for unmet essential expenses, missed utility payment, and forgone doctor visit are particularly informative concerning the merits of increasing the SSI resource limits. These estimates suggest that when households headed by a disabled person are able to conserve more than \$2,000 in liquid assets, they are better able to avoid major forms of material hardship. Maintaining an eligibility limit as low as \$2,000 may discourage households from accumulating savings above this level or may encourage households to spend down their assets to this level to qualify for SSI benefits. Indeed, such incentives may be one reason that so few lower-income households headed by disabled people have liquid assets above \$2,000. Further research should

focus on the policy trade-offs involved in targeting income support for people with disabilities while also maintaining their incentives for saving and asset-building.

References

Mills, Gregory, and Joe Amick. 2010. “Can Savings Overcome Income Instability?” Perspectives on Low-Income Working Families Brief 18. Washington, DC: The Urban Institute.

Nam, Yunju, Caroline Ratcliffe, and Signe-Mary McKernan. 2008. “Effects of Asset Tests and IDA Programs.” In *Asset Building and Low-Income Families*, edited by Signe-Mary McKernan and Michael Sherraden (153–74). Washington, DC: Urban Institute Press.

The Low-Income Working Families project investigates the risks faced by millions of families and their children, whose household earnings are insufficient to meet their basic needs. The project applies rigorous research methods and cross-cutting expertise, from housing to health care, to identify private and public strategies that can improve these families’ well-being.

The work on this fact sheet was supported by the Annie E. Casey Foundation. The views expressed are those of the authors and do not necessarily represent those of the Urban Institute, its trustees, or its funders.