Asset Poverty and the Importance of Emergency Savings

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* Draws on research with Signe-Mary McKernan, Trina Shanks, Katie Vinopal and Sisi Zhang
What Is Asset Poverty?

- A low bar for enough emergency savings
  - Family does not have enough “resources” to live at the federal poverty level for three months.
  - $4,883 for a family of three

- Two asset poverty measures
  - Net worth asset poverty
    - “Resources” = Value of all assets minus debts (e.g., checking/savings accounts, stocks/bonds, car, home)
  - Liquid asset poverty
    - “Resources” = Value of financial (or liquid) assets only (e.g., checking/savings, stocks/bonds)
Why Does Asset Poverty Matter?

*Threatens families ability to:*

- Weather unforeseen events
  - Job loss, health crisis, car repair
- Prevent cycles of debt
  - Expensive short-term loans can create instability
- Achieve long-term goals
  - Higher education, homeownership, secure retirement
What Percent of Families are Asset Poor?

- Net Worth Asset Poor: 16%, 20%
- Liquid Asset Poor: 31%, 34%
How Do Asset Poverty Rates Differ by Income, Race/Ethnicity, and Age?
Low-Income Working-Age Families Have High Asset Poverty Rates

Liquid Asset Poverty in 2010

- Bottom: 81%
- Second: 60%
- Middle: 37%
- Fourth: 18%
- Top: 5%

Income Quintile
African American and Hispanic Families Have High Asset Poverty Rates

Liquid Asset Poverty in 2010

- White non-Hispanic: 26%
- Black non-Hispanic: 53%
- Hispanic: 64%
- Other: 30%
Young Families Have High Asset Poverty Rates
Liquid Asset Poverty in 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>55%</td>
</tr>
<tr>
<td>30 to 39</td>
<td>44%</td>
</tr>
<tr>
<td>40 to 49</td>
<td>34%</td>
</tr>
<tr>
<td>50 to 61</td>
<td>28%</td>
</tr>
</tbody>
</table>
Do Assets Help Families Avoid Hardship?
Greater Hardship Among Asset Poor Families
By Onset of Select Negative Events

<table>
<thead>
<tr>
<th>Event</th>
<th>Liquid Asset Poor</th>
<th>Not Liquid Asset Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involuntary Job Loss</td>
<td>44%***</td>
<td>16%***</td>
</tr>
<tr>
<td>Health-Related Work Limitation</td>
<td>40%***</td>
<td>19%***</td>
</tr>
<tr>
<td>Parent Left Family</td>
<td>31%***</td>
<td>11%***</td>
</tr>
</tbody>
</table>
Assets Matter Across the Income Distribution
Families with Involuntary Job Loss

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Liquid Asset Poor</th>
<th>Not Liquid Asset Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom Third</td>
<td>51%**</td>
<td>28%**</td>
</tr>
<tr>
<td>Middle Third</td>
<td>34%***</td>
<td>16%***</td>
</tr>
<tr>
<td>Top Third</td>
<td>27%*</td>
<td>11%*</td>
</tr>
</tbody>
</table>

% Experience Material Hardship
Can the Poor Save?

- Yes

- Followed low-income, asset-poor families over 12 years:
  - 44% saved enough to escape asset poverty

- Demonstration programs targeted low-income families:
  - Poor save when provided with incentives
Summary

- One-third of U.S. families are asset poor
- Asset poverty rates are higher among low-income, minority, and young families
- Assets are an important buffer against hardship
Urban Institute Research Cited

U.S. Asset Poverty and the Great Recession
Caroline Ratcliffe and Sisi Zhang

Do Assets Help Families Cope with Adverse Events?
Signe-Mary McKernan, Caroline Ratcliffe, and Katie Vinopal

Can the Poor Accumulate Assets?
Signe-Mary McKernan, Caroline Ratcliffe, and Trina Williams Shanks