Asset Poverty and the Importance of Emergency Savings

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What Is Asset Poverty?

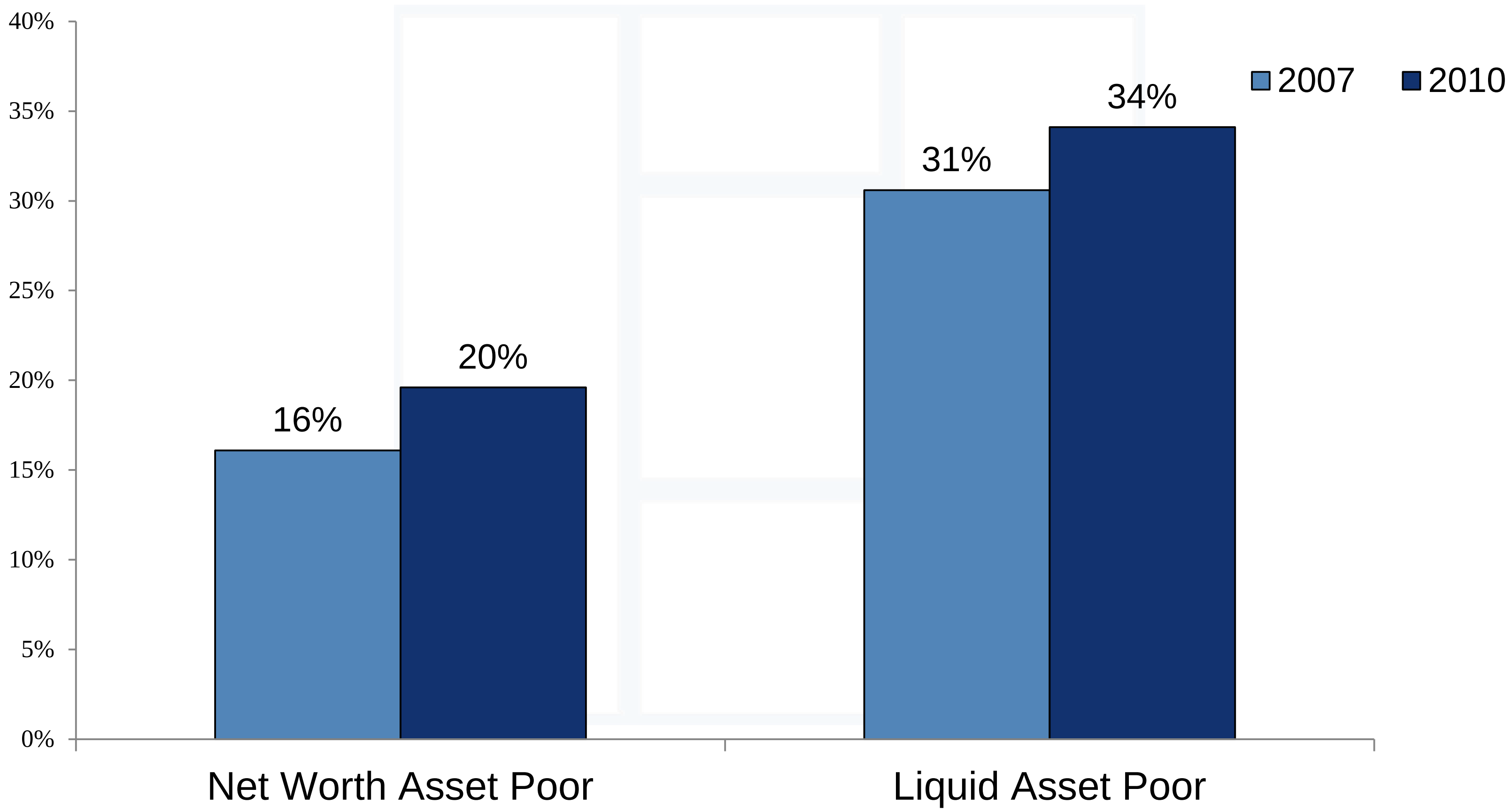
- A low bar for enough emergency savings
  - Family does not have enough “resources” to live at the federal poverty level for three months.
  - $4,883 for a family of three
- Two asset poverty measures
  - Net worth asset poverty
    - “Resources” = Value of all assets minus debts (e.g., checking/savings 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:

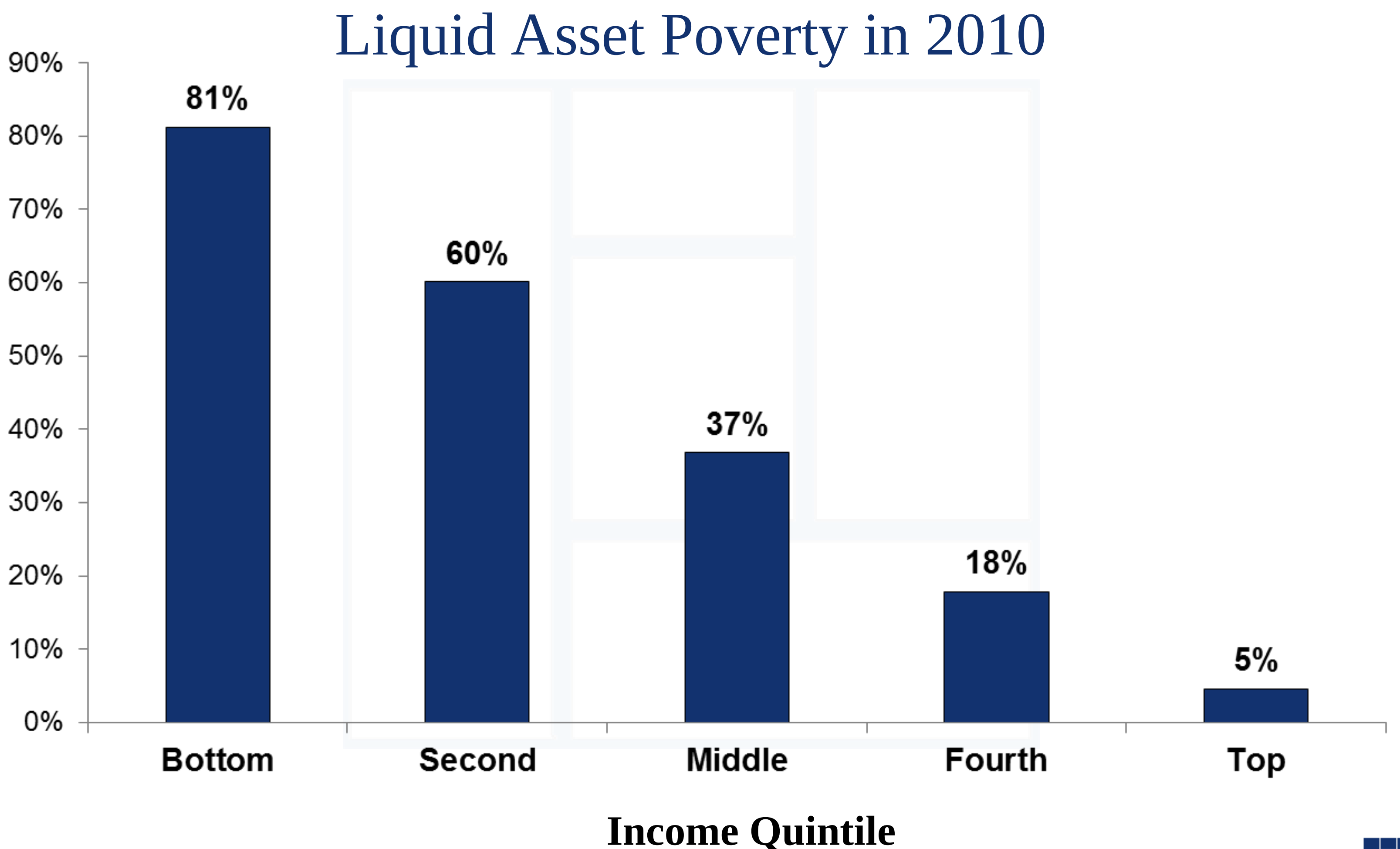
- Weather unforeseen events
  - Job loss, health crisis, car repair
- Prevent cycles of debt
  - Expensive short-term loans can create instability
- Achieve long-term goals
  - Higher education, homeownership, secure retirement

What Percent of Families are Asset Poor?



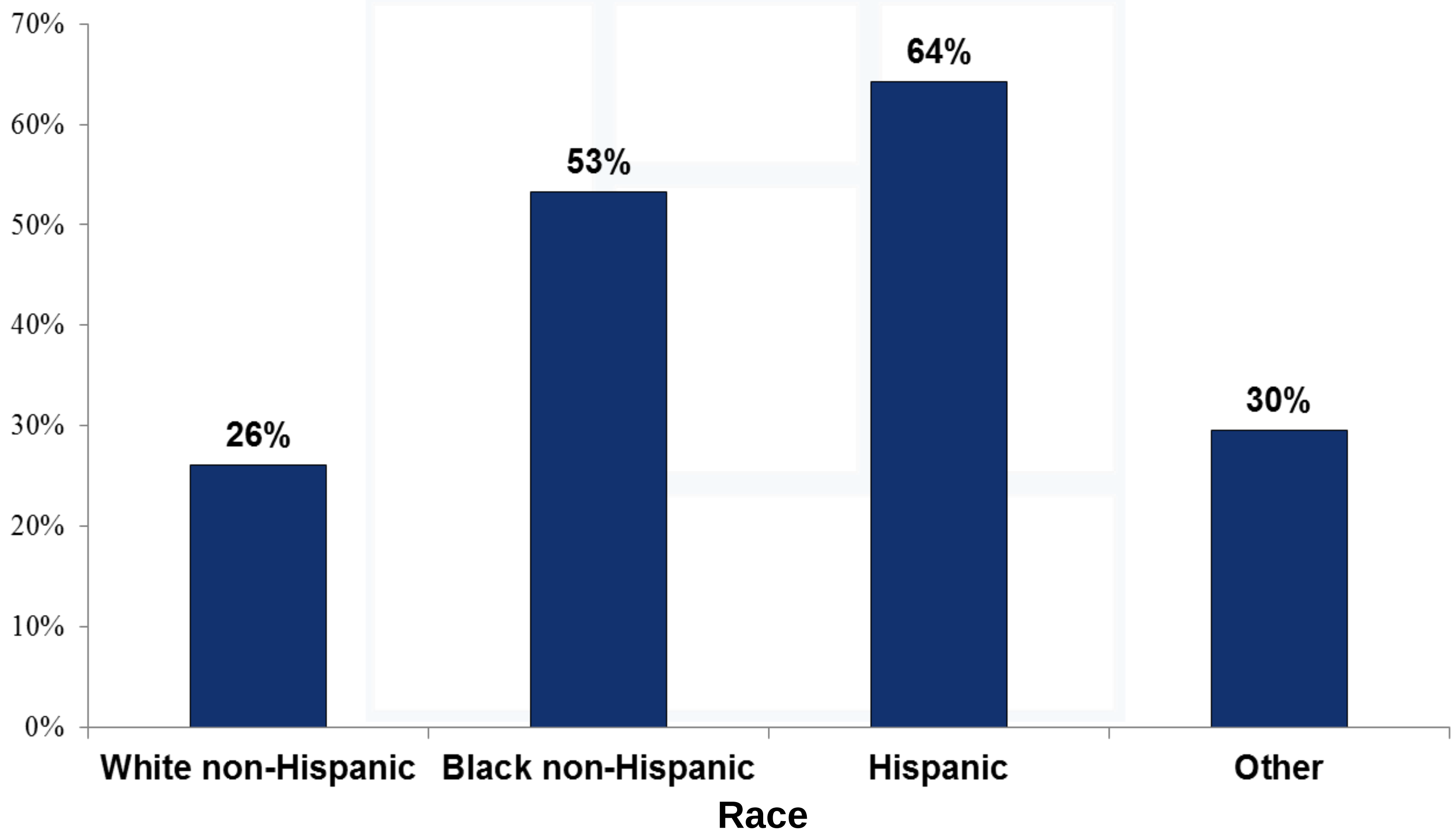
How Do Asset Poverty Rates Differ by Income, Race/Ethnicity, and Age?

Low-Income Working-Age Families Have High Asset Poverty Rates



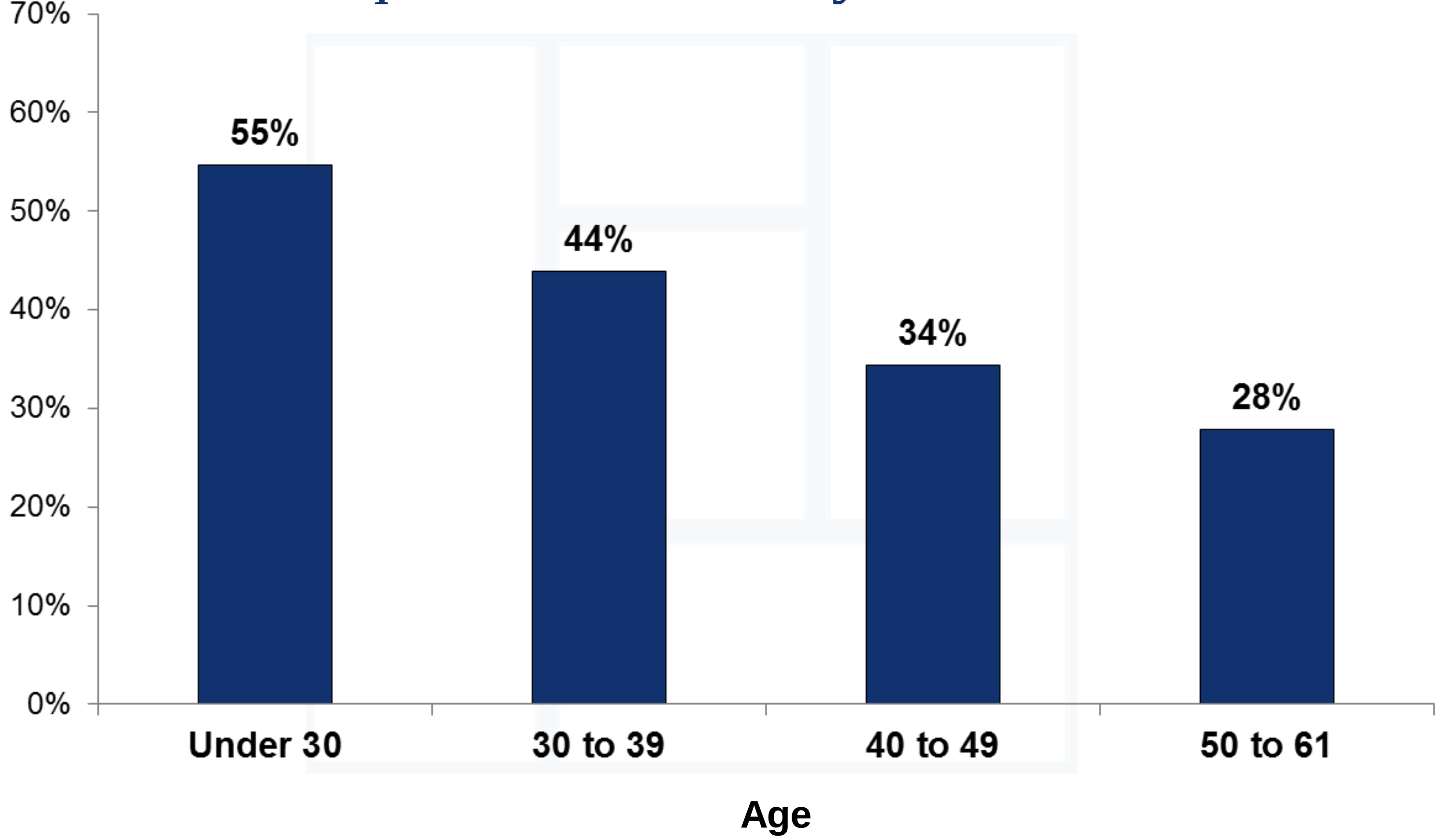
African American and Hispanic Families Have High Asset Poverty Rates

Liquid Asset Poverty in 2010



Young Families Have High Asset Poverty Rates

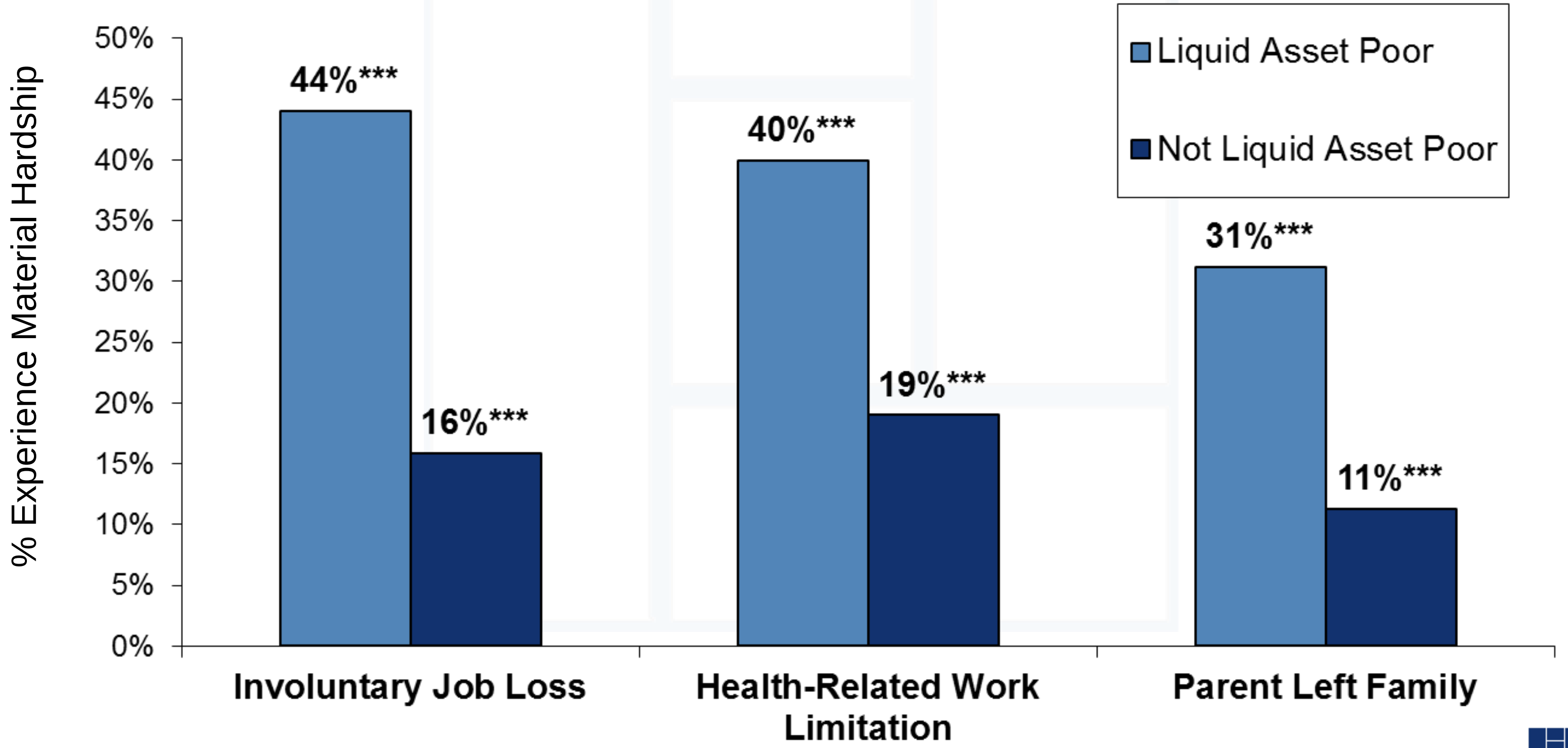
Liquid Asset Poverty in 2010



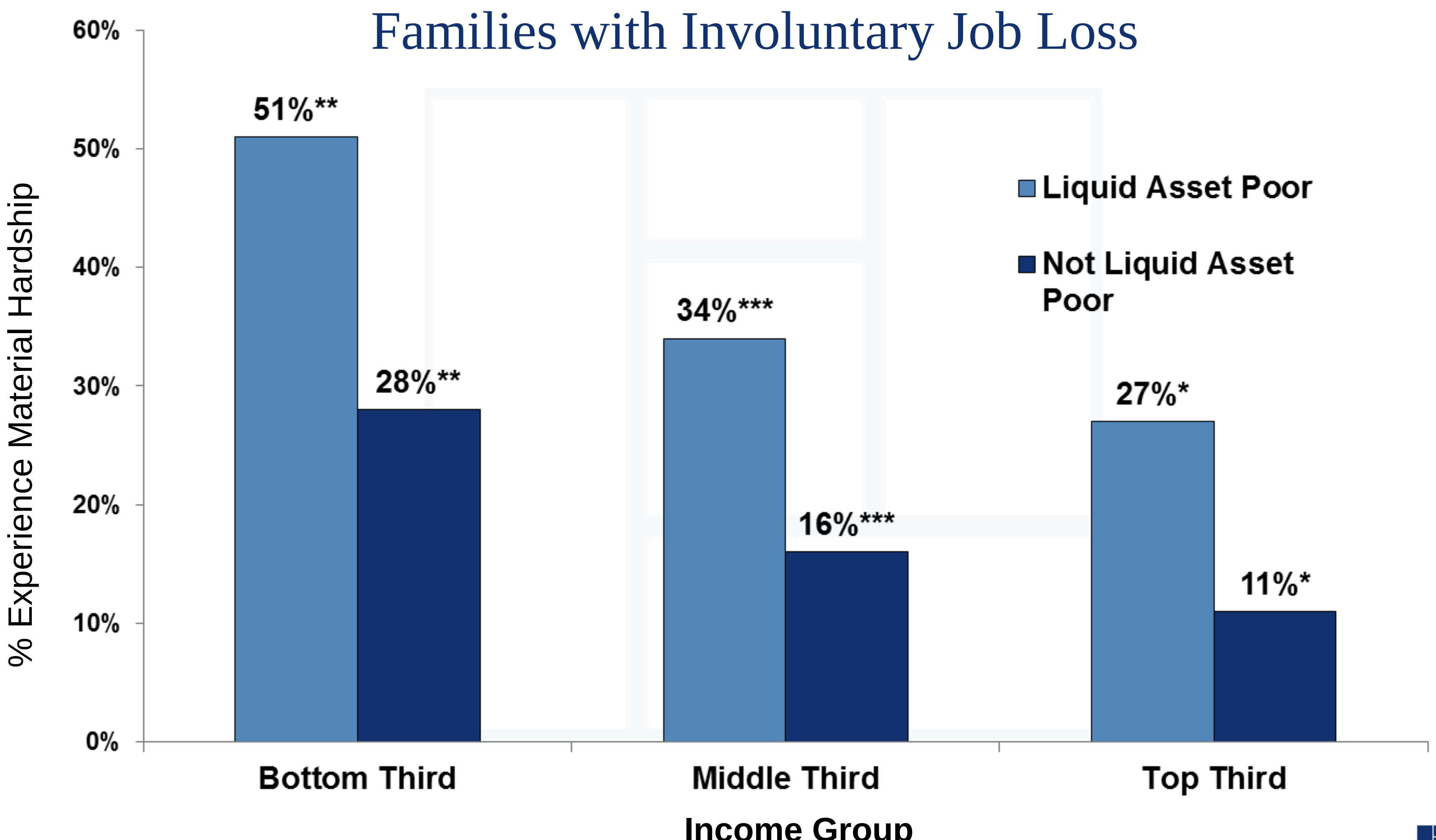
Do Assets Help Families Avoid Hardship?

Greater Hardship Among Asset Poor Families

By Onset of Select Negative Events



Assets Matter Across the Income Distribution



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