

U.S. Asset Poverty and the Great Recession

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The 2000s saw the stock market and housing prices soar, only to be followed by sharp declines in both. With these declines came decreases in economic output and sharp increases in unemployment. The Great Recession was born. Many families suffered declines in wealth, most through falling home values, some through drops in stock prices and business values, others from spending down savings due to unemployment or underemployment. The Great Recession highlighted the importance of emergency savings to weather unforeseen economic events, and the U.S. savings rate ticked upward.

How has family economic security, as measured by the asset-poverty rate, changed since the onset of the Great Recession? A family is categorized as asset poor if it does not have enough resources, measured as total wealth (net worth), to live at the federal poverty level for three months. This translates into \$5,580 for a family of four in 2010.

Asset poverty rose considerably between 2007 and 2010 (table 1). One out of every five U.S. families (19.6 percent) was asset poor in 2010, up from 16.1 percent in 2007. This 3.5 percentage point (or 22 percent) increase represents over 4 million additional asset-poor families in 2010.

The Great Recession's impact was widespread, increasing asset poverty across the income spectrum. The asset-poverty rate increased between 2007 and 2010 roughly 4 to 5 percentage points for each quintile except the second, for which it increased about 1 percentage point. Low-income families started with substantially higher asset-poverty rates than high-income families, so the relative increase in the asset-poverty rate was lower—e.g., the asset-poverty rate of bottom income quintile families increased by 11 percent (from 38.9 to 43.3 percent), while it increased nearly fourfold for top income quintile families (from 1.3 to 5.1 percent).

The increase in asset poverty among bottom income quintile families is partially driven by retired families that have low incomes but assets to lose. Focusing on working-age families (age 60 or under) shows that bottom and second income quintile families had

TABLE 1. Net Worth Asset-Poverty Rates by Selected Family Characteristics

	2007	2010
Total	16.1%	19.6%
By income quintile (all families)		
Bottom	38.9%	43.3%
Second	22.4	23.2
Middle	12.1	16.0
Fourth	5.6	10.5
Top	1.3	5.1
By income quintile (working-age families) ^a		
Bottom	51.5%	53.4%
Second	30.6	32.4
Middle	15.4	21.3
Fourth	6.5	13.0
Top	1.2	6.3
By race and ethnicity (all families)		
White Non-Hispanic	11.8%	15.2%
Black Non-Hispanic	32.9	33.7
Hispanic	29.0	32.2
By age of family head (all families)		
Under 30	41.1%	43.2%
30 to 39	20.8	29.3
40 to 49	14.6	19.9
50 to 61	8.6	13.4
62 to 69	6.8	8.7
70 and older	8.8	7.9

Source: Authors' tabulations of the 2007 and 2010 Survey of Consumer Finances.

Note: The annual income ranges for the five income quintiles in 2010 are (1) bottom quintile, less than \$20,331; (2) second quintile, between \$20,331 and \$35,578; (3) middle quintile, between \$35,579 and \$57,941; (4) fourth quintile, between \$57,942 and \$94,535; and (5) top quintile, over \$94,535.

a. Working-age families are those whose head is age 60 or under.

similar increases in asset poverty from 2007 to 2010 (by roughly 2 percentage points), with larger increases for the top three income quintiles (by 5.1 to 6.5 percentage points).

Asset-poverty rates are substantially higher for minority families, both prior to and after the Great Recession. In 2010, black non-Hispanic families and Hispanic families were twice as likely as white non-Hispanic families to be asset poor. Roughly one-third of minority families were asset poor, while 15.2 percent of white non-Hispanic families were asset poor.

Between 2007 and 2010, the asset-poverty rate increased for both white and minority families. The asset-poverty rate increased more, however, among white non-Hispanic and Hispanic families as compared with black non-Hispanic families (over 3 percentage points versus 1 percentage point). While minority

homeowners were hit particularly hard by the subprime and foreclosure crisis, homeownership rates were substantially lower among African American than white non-Hispanic families prior to the onset of the Great Recession, suggesting that they had less wealth to lose.

Mid-aged families—those headed by persons age 30 to 61—experienced relatively large increases in asset poverty. Those between the ages of 30 and 39—families that may have recently purchased their first home—saw the largest absolute increase in the asset-poverty rate (from 20.8 percent to 29.3 percent). Young families (head under age 30), the most likely to be asset poor and with fewer assets to lose, were not hit as hard by the Great Recession in terms of wealth. The typical family under age 30 did experience a decline in wealth (8 percent), but it was small relative to those ages 30–39 (56 percent, not shown).

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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 policy fact series presents some of our findings, analyses, and recommendations. The authors are grateful to the Annie E. Casey Foundation and the Ford Foundation for funding the Opportunity and Ownership Project.

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