

Asset Limit Reform

Assets Limits need reform because they are:

- *Inefficient
- *Counterproductive
- *Inequitable

Inflation has made asset limits stricter as time goes on (Food Stamp asset limit has not changed since 1985; SSI asset limit has not increased since 1989)

People earning low wages throughout their lives will need to have at least \$30,000 in retirement savings (in addition to Social Security) to maintain their current lifestyle in retirement

The states have total control of the asset limits in TANF, Medicaid, and SCHIP programs. In addition, they have a bit of flexibility in the Food Stamp program. The federal government sets the asset limit for Food Stamps, SSI, and the Medicare Prescription Drug Benefit.

Need to know the (1) actual limit and (2) which assets are counted towards that limit

(1) Asset Limits in Public Assistance Programs

Program	Asset Limit
TANF	Varies from \$1,000 up to no asset limit, but average is around \$2,000-3,000
Medicaid	Over 20 states have waived asset limits entirely for families and almost all have waived asset limits at least for children. Average for states with asset limits is \$3,00-6,000
SCHIP	Only TX and OR have an asset limit
Food Stamps	\$2,000 (\$3,000 if a member of the household is elderly or disable)
SSI	\$2,000 for individual; \$3,000 for a couple
Medicare Prescription Drug Benefit	Larger subsidy: \$6,000 individual; \$9,000 for a couple Smaller subsidy: \$10,000 individual; \$20,000 for a couple

(2) Assets—What Counts

Asset Type	Treatment
Home	Always excluded
Car	At least a portion of car value excluded, but varies by program and state
Student Financial Aid	Always excluded
Individual Development Accounts	TANF and AFIA funded IDAs always excluded; if states have flexibility they can exclude other IDAs
College Savings	529s, Coverdells and other restricted education savings count, unless specifically excluded
Retirement Savings	Traditional pensions excluded (defined benefit), 401Ks and IRAs generally count (defined contribution). <i>Exception: 401Ks excluded for Food Stamps.</i>
Savings Bonds	Counts, unless specifically excluded
EITC	TANF and Medicaid: counts the month after the month of receipt; Food Stamps: counts after 12 months; SSI: counts after 9 months
Health Savings Accounts	Counts, if state has flexibility they can exclude

Once a person reaches retirement age, they could convert their retirement savings into a lifetime annuity, which is not counted towards asset limits (only the monthly payment is counted, as income). However, this is not a good idea for low-income retirees, as they generally have shorter life expectancies and cannot pass remaining savings on to the next generation.

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Ohio	As of 1996, no asset limit
Virginia	As of 2003, no asset limit
Michigan	Education savings accounts excluded; statewide initiative interested in further reform
Pennsylvania	Education savings accounts excluded
Illinois	Retirement savings accounts excluded
Colorado	Asset limit raised to \$15,000 in TANF program and excludes almost all specialized savings accounts (including those for health, retirement, education). Also allows more than one car per household to be excluded
California	Bill proposed to exclude retirement and education savings accounts
Alaska	As part of statewide asset building initiative, interest in reforming asset limits
Federal Government	The President's Budget proposes to exclude all retirement savings accounts (such as IRAs which currently count) from the Food Stamp program A bill in Congress (HR 1682) would raise SSI asset limits to \$3,000 for an individual, \$4,500 for a couple

Resources:

To Save or Not to Save, by Leslie Parrish, New America Foundation
 Protecting Low-Income Families' Savings, Zoe Neuberger, Robert Greenstein, and Eileen Sweeney, Retirement Security Project at the Brookings Institution

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