

**Poor Finances:  
An Overview of Assets and Low-Income Households**

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**Poor Finances Overview:  
Sources and Methods**

- Summarizes key findings from project,
- Highlights gaps in the literature and directions for future research, and
- Explores policy issues.

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**Assessing Asset Data:  
Key Findings**

- Three data sets are identified as having the greatest potential for future asset research
  - Survey of Consumer Finances (SCF)
  - Survey of Income and Program Participation (SIPP)
  - Panel Study of Income Dynamics (PSID)
- Based on four evaluation criteria—relevancy, representativeness, recurrence, and richness of correlates.
- Detailed information, strengths and weaknesses of the data sets are presented.
- Options for improving asset data are identified.

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## Assets, Poverty, and Public Policy: Key Findings

Three distinct views on assets:

- Consumption Model (life-cycle theory and buffer-stock theory): Assets as a storehouse for future consumption.
- Social Stratification Theory (e.g., Oliver and Shapiro): Assets as a better indicator of class status than income, and as a mechanism through which class status is transmitted from one generation to another.
- Assets for development (Sherraden): Assets as an instrument in promoting individual capacities.

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## Determinants of Asset Building: Overview of Conceptual Framework

- Institutional constructs affect saving action and investment action, which in turn lead to asset accumulation.
- Institutional constructs tend to exist in “packages”:
  - These packages tend to be delivered through employment settings and through the tax system.
  - Low-income households benefit much less from these packages than others.

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## Determinants of Asset Building: Key Findings

Growing body of evidence related to institutional constructs, for example:

- Matches may increase participation in saving programs and probably increase contributions to these programs.
- Evidence is mixed regarding the effect of matches on net saving.
- Facilitation (e.g., direct deposit) appears to affect saving action.
- Evidence related to other institutional features (financial education, expectations, restrictions, security, and access) is more limited.

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### Determinants of Asset Building: Key Findings

- Growing body of evidence and general support from behavioral economics and research on IDAs, but limited systematic tests of institutional constructs.
- Bequests and *inter vivos* transfers are substantial, and higher-income and white households are more likely to receive sizeable transfers.
- Factors affecting asset building across the life course include social class, race, income, family structure, and stage in the life cycle.

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### Determinants of Asset Building: Suggestions for Future Research

- The most promising avenues for future research will require tests of new interventions, not just improved survey data.
- Key research questions include:
  - What financial match strategies maximize participation? contributions? net saving?
  - Under what circumstances do people want restrictions? liquidity?
  - Do these patterns vary by income and education?

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### Poor Finances Overview: Policy Consideration 1

- The finding that a household's welfare is the product of a long-term dynamic process (rather than a cross-sectional accounting of income) suggests that
  - Future research on asset measures and data may need to continue assessing the overall relationship of asset accumulation to the concepts of well-being and poverty measurement.

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**Poor Finances Overview:  
Policy Consideration 2**

- The finding that homeownership plays an important role in households' asset building suggests that
  - Future research might examine the benefits of homeownership for low-income households and other policies for low-income and first-time home buyers.

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**Poor Finances Overview:  
Policy Consideration 3**

- The finding that assets are associated with positive economic, child, health, psychological and likely social and political outcomes suggests that
  - Future research and policy continue to address asset-related research, policies, and interventions.

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**Poor Finances Overview:  
Policy Consideration 4**

- The finding that low-income households benefit much less from subsidies and incentives to save (typically delivered through the tax system and employment settings) suggests that
  - Future research and policy might examine asset-based subsidies and incentives for lower income households.

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## Poor Finances Overview: Policy Consideration 5

- Overall issues in making asset-based policy more accessible:
  - Reaching a broader range of people;
  - Promoting long-term asset accumulation and flexibility to adjust to changes in life-course;
  - Providing more asset-building alternatives to people with fewer resources;
  - Supporting efforts that produce meaningful asset accumulation.

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