



# ASSETS & OPPORTUNITY SCORECARD

A Portrait of Financial Insecurity  
and Policies to Rebuild Prosperity in America

# **ASSETS & OPPORTUNITY SCORECARD: A PORTRAIT OF FINANCIAL INSECURITY AND POLICIES TO REBUILD PROSPERITY IN AMERICA**

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## **ABOUT THE SCORECARD**

The *Assets & Opportunity Scorecard* is a comprehensive look at Americans' financial security today and their opportunities to create a more prosperous future. It assesses the 50 states and the District of Columbia on 101 outcome and policy measures, which describe how well residents are faring and what states can do to help them build and protect assets. These measures are grouped into five issue areas: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care, and Education.

**<http://scorecard.cfed.org>**

## **ACKNOWLEDGEMENTS**

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## RISING ASSET POVERTY; DIMINISHING FINANCIAL SECURITY

By any measure, poverty in the United States is increasing. In 2010, the country saw the poverty rate for individuals rise to 15.1 percent, the highest level in nearly two decades. More than 46 million people now live below the federal poverty line of \$22,350 for a family of four. However, the official poverty rate released annually by the Census Bureau highlights just one aspect of household finances, namely the percentage of people with insufficient income to cover their day-to-day expenses. It does not count the number of families who have insufficient resources – money in the bank or assets such as a home or a car – to meet emergencies or longer-term needs. When these longer-term needs are factored in, substantially more people in the United States today are facing a future of limited hope for long-term financial security.

According to the 2012 *Assets & Opportunity Scorecard*, 27 percent of households – nearly double the percentage that are income poor – are living in “asset poverty.” These families do not have the savings or other assets to cover basic expenses (equivalent to what could be purchased with a poverty level income) for three months if a layoff or other emergency leads to loss of income. Since the release of the 2009-2010 *Assets & Opportunity Scorecard*, the number of asset poor families has increased by 21 percent from about one in five families to one in four families. At a time of widening income disparities between the richest and poorest households, these data paint a stark picture of diminishing financial security for millions of families.

For the first time, the *Scorecard* also includes a measure called “liquid asset poverty,” which excludes assets such as a home, business or car that can’t easily be converted to cash, and consequently provides a more realistic picture of the resources families have to meet emergency needs. According to that measure, 43 percent of households nationwide are “liquid asset poor” with little or no savings to fall back on if emergency strikes.

### WHAT IS ASSET POVERTY?

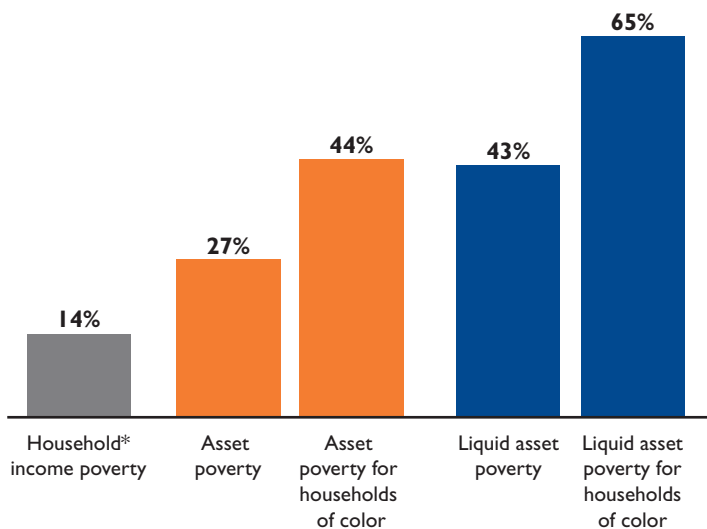
A household is considered **asset poor** if it does not have sufficient net worth (total assets minus total liabilities) to live at the poverty level for three months in the absence of income.

A household is considered **liquid asset poor** if it does not have sufficient liquid assets (e.g., bank accounts and other financial assets) to live at the poverty level for three months in the absence of income.

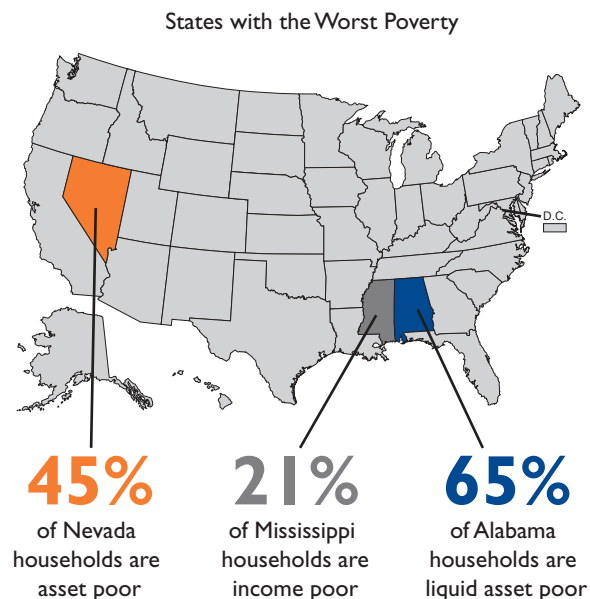
The level of assets needed to live at the poverty level for three months varies by family size. For example, a family of three would need at least \$4,632.

The concept of asset poverty is important in that it measures not only income but also vulnerability to financial shocks. If one’s income was suddenly cut off, due to unemployment, a medical emergency or even divorce, would they have enough of a personal safety net to make ends meet?

## Income and Asset Poverty in America



\* Households, rather than individuals as in the official income poverty rate, are the unit of analysis for all *Scorecard* income and asset poverty data.



The *Assets & Opportunity Scorecard* offers the most comprehensive look available at Americans' financial security today and their opportunities to create a more prosperous future. The *Scorecard* explores how well residents are faring in the 50 states and the District of Columbia and assesses state policies that are helping residents build and protect assets across five issue areas: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care and Education. The 2012 *Scorecard* assesses states across 101 outcome and policy measures in these five areas to determine the ability of residents to achieve financial security.

By many of those measures, Americans are struggling. It is clear that the recession and its aftermath have left unprecedented numbers of families barely able to make ends meet. The unemployment rate continues to hover between 8 percent and 9 percent. For people of color, the annual unemployment rate in some states is as high as 19 percent, and the rate of underemployed and discouraged workers tops 23 percent. Between the third quarters of 2008 and 2011, the home foreclosure rate increased by almost 50 percent.

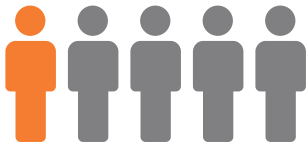
In this context, the asset poverty and liquid asset poverty data tell a story of families who increasingly have nothing to fall back on and little prospect of building a more prosperous future. This story is particularly true in parts of the country where policy has not kept pace with need. For example, in Nevada, which provides little support for programs that increase financial security, more than 45 percent of residents are asset poor – the highest rate in the nation. By contrast, Vermont, the state with the lowest asset poverty rate in the country (15.7 percent), has long supported programs that help residents improve their financial stability and future opportunities.

The story is especially disturbing for households of color, who are more than twice as likely as white households to be asset poor – 44 percent compared with 20 percent, respectively. Nearly double the proportion of households of color are liquid asset poor compared to white households (65 percent and 34 percent, respectively).

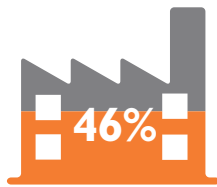
Looking across the *Scorecard's* other data measures, we continue to see trouble signs in areas vital to the financial health of families and the nation's economy as a whole. These include job quality, homeownership, access to credit and education:

- **Job Quality.** One in five jobs (22 percent) is low wage and nearly half of employers (46 percent) do not offer health insurance. Most workers (55 percent) do not have or participate in retirement plans. These low-quality jobs make it harder for families to both meet their needs today and create a reserve for tomorrow.
- **Homeownership.** Although the bottom fell out of the housing market in many parts of the country, homeownership that is achieved via safe, affordable financing remains one of the most important strategies available to American households for building wealth. Unfortunately, the housing crisis widened the already-considerable homeownership gap between white households and households of color. As of 2010, 73 percent of white households owned homes, compared with just 47 percent of households of color. As a consequence, when homes start

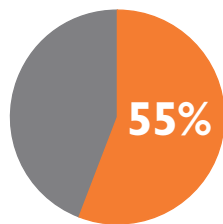
### JOB QUALITY



1 in 5 jobs is low wage



46% of employers do not offer health insurance



55% of workers do not have, or participate in, a retirement plan

### HOMEOWNERSHIP



3 out of 4 white households own their homes



2 out of 4 households of color own their homes

to appreciate in value, which they eventually will, most households of color will not be building home equity.

- **Access to Credit.** A good credit score is critical to a person's ability to qualify for a mortgage, a business loan or other types of safe and affordable consumer credit products. Poor credit can force individuals into the predatory short-term credit market. Credit scores are also increasingly checked as part of applications for jobs and rental housing. In America today, more than half of consumers (56 percent) have subprime credit scores.
- **Education.** Education is one of the key factors that leads to a financially secure future – and to ensuring a skilled workforce capable of contributing to the country's long-term economic health. In this area, the signs are mixed. While *Scorecard* data show that K-12 math and reading proficiency increased between 2007 and 2011, proficiency remains extremely low: only 35 percent of 8<sup>th</sup> graders are proficient in math and just 34 percent are proficient in reading. College attainment is up by 3 percent since 2007 and the gap between attainment for whites and people of color has decreased by 2 percent – 31 percent of whites and 20 percent of people of color now hold four-year degrees. Unfortunately, increased college attainment has been coupled with increased college debt: the average debt for graduating college seniors has risen 19 percent since 2007 to \$25,250.

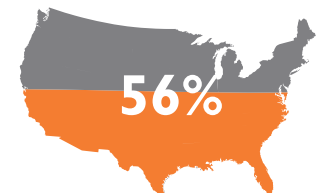
Without intervention, the United States is on a trajectory toward even greater disparities in income, wealth and opportunity – and further weakening of our ability to compete in the global economy. Despite unprecedented fiscal challenges over the past several years, now is the time to invest in programs and policies that help all Americans build assets and financial security. Doing so will not only produce a fairer and more inclusive society, but a more prosperous, resilient and sustainable one.

## WHERE DO WE GO FROM HERE? LAYING THE GROUNDWORK FOR ECONOMIC PROSPERITY

There are a number of factors that influence the financial security and opportunities available to families. The intergenerational transfer of financial and social assets, or the lack thereof, sets the starting line and directly influences an individual's ability to take advantage of opportunities, such as getting a college education, buying a home, starting a business and saving for retirement. A family's connection to the financial mainstream determines whether they have access to safe and affordable financial products or instead rely on high-cost, fringe financial services that can strip income and wealth.

Public policy also plays a critical role in shaping financial security and opportunity. The United States has a long history of subsidizing asset building. Consider historical policies such as the Homestead Act, GI Bills and creation of the 30-year mortgage, as well as current policies such as home mortgage interest deductions and tax-preferred retirement savings. All of these policies are examples of government-supported wealth building.

### ACCESS TO CREDIT



56% of consumers have subprime credit scores

### EDUCATION



1 in 3 eighth graders are proficient in math or reading



1 in 3 white adults have a 4-year degree



1 in 5 adults of color have a 4-year degree

Unfortunately, such policies have been uneven and inconsistent. In many cases, even as government subsidizes asset building for middle- and upper-income households, it restricts such opportunities for low-income households. There is a simple reason for this disparity: The primary way government supports wealth building is through special deductions and deferrals in the tax code. Consequently, if a household does not earn enough to have a tax liability, it cannot benefit from these subsidies. The result is that the benefits overwhelmingly go to Americans in the very highest income brackets, while the majority of the population in middle- and lower-income brackets receives minimal support. Even worse, very low-income families who receive direct benefits such as cash welfare or food assistance, can actually be denied benefits if they strive to save and build financial self-reliance.

In 2009, the federal government spent nearly \$400 billion to help families buy homes, start businesses, put their children through college and retire comfortably. Yet, more than half of these subsidies went to the wealthiest 5 percent of tax payers, who averaged a net benefit of \$96,000. At the other end of the income spectrum, less than 5 percent of those federal expenditures benefited Americans earning the least. The bottom 60 percent of taxpayers – those earning less than \$50,000 – receive an average benefit of \$5.<sup>1</sup>

Despite the clear unfairness and wastefulness of this approach, there is a potential silver lining. The sheer size of the federal asset-building budget presents a real opportunity to not only reduce federal deficits by curbing existing, ineffective tax incentives, but to increase the new net savings rate and asset-building opportunities by extending effective incentives to the asset poor.

For example, the federal Saver's Credit, which is intended to encourage retirement savings by those less-well-off, is underutilized by low- and moderate-income families due to structural problems. However, by implementing a few key changes, including making the Saver's Credit refundable and simplifying it so that it works better for low-income families, the United States could help millions of Americans build savings and increase future financial security. Likewise, a number of federal policy changes would not require a Robin Hood-esque approach, but simply the political will to break through partisan gridlock. For example, Congress could require that states eliminate asset tests in the Temporary Assistance for Needy Families (TANF) program, rather than giving states the option to do so. Such an approach, which is already used for Medicaid, would give the lowest-income families the opportunity to build a personal safety net and increase their resiliency during future financial crises.

While no comprehensive study has examined who benefits from the asset-building subsidies that states provide, it is reasonable to assume that because much of state tax policy builds off of the federal tax code, states likely take an equally regressive approach to asset building. Tax policy is only one area where federal, state and local policies build off one another. Many policies that support financial security and opportunity are created by layering federal, state and, in some cases, local decisions. Policies such as the minimum wage, the Earned Income Tax Credit (EITC), asset limits in public benefit programs, foreclosure protections, health care and financial services consumer protections are all a product of the interplay of policies among several levels of government.

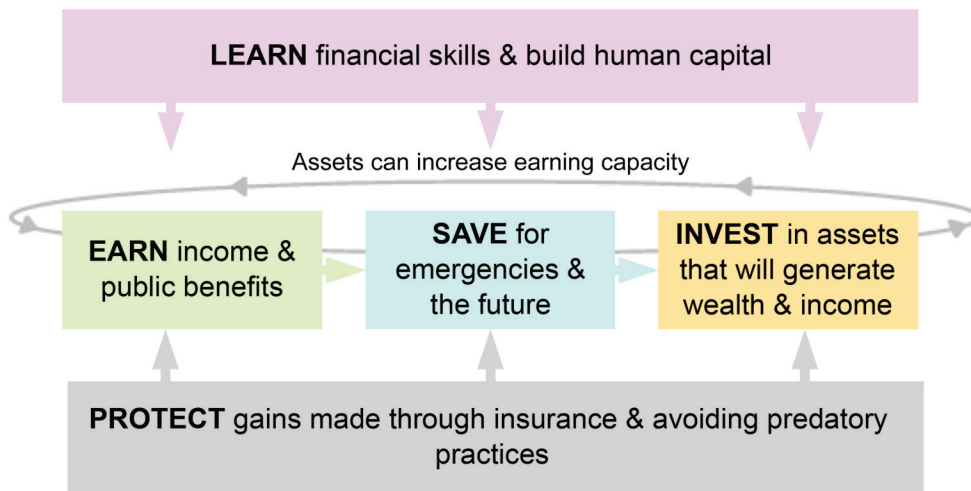
<sup>1</sup> Beadsie Woo, Ida Rademacher and Jillien Meier, *Upside Down: The \$400 Billion Federal Asset-Building Budget* (Baltimore, MD: The Annie E. Casey Foundation, 2010).

## A CRITICAL ROLE FOR STATES

Focusing on the state level, the *Assets & Opportunity Scorecard* presents data on the array of policies that help families move along a path from financial insecurity to economic opportunity. These policies take a range of approaches – from direct appropriations for programs, to preferential tax expenditures, to regulation of industries – and are all essential to helping households become, and stay, financially secure.

CFED created the Household Financial Security Framework to illustrate what it really takes for families to build financial security over time.

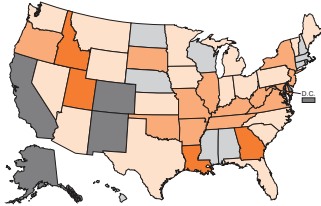
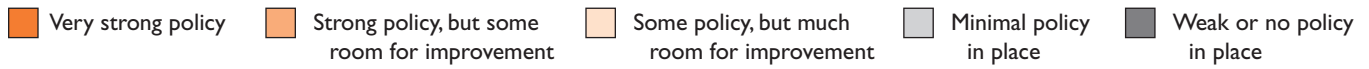
### Household Financial Security Framework



The Framework presents the five interrelated elements that contribute to a household's ability to build financial security and mobility: Learn, Earn, Save, Invest and Protect. Individuals must learn the information and skills that enable them to earn an income and manage their money. They use that income to take care of basic living expenses and debt payments and begin saving for the future. As savings grow, households can invest in assets that will appreciate over time and generate wealth and income. Throughout the cycle, access to insurance and consumer protections help households maintain the gains they make.

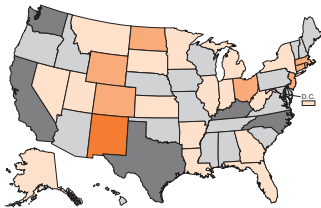
The policies described on the following pages are organized into each of these categories. CFED assessed the 50 states and the District of Columbia on the strength of 12 asset-building and asset-protection policy priorities. Adoption of these policies will meaningfully improve the financial prospects of individuals and families and also set states on a positive forward path as the economy improves.

Below are 12 policies states can adopt to increase financial security and opportunity. The maps show the variation in the current strength of state policies. For detailed information on the strength of each state's policies, see <http://scorecard.cfed.org>.

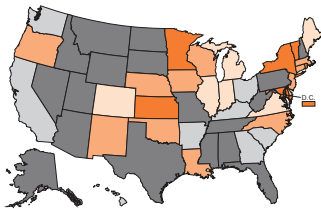


**LEARN**

**1. Integrate Financial Education in Schools.** A growing number of states now recognize the connection between financial security later in life and financial education in K-12 curricula. States can determine the quantity and quality of the financial education students receive by requiring all students to complete a course in personal finance; developing and implementing content standards for those courses; and testing students on content knowledge.

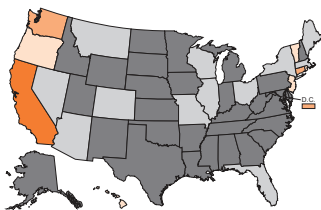


**2. Provide Access to Quality K-12 Education.** Despite decades of education reform, children continue to face unequal access to high-quality education, which is critical to a secure financial future. States can strengthen public education in a number of ways, the most critical of which are funding and teacher quality. States can target funding to high-poverty school districts as well as set requirements for teacher training, licensing and evaluation.

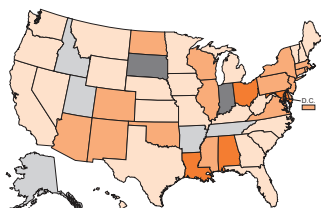


**EARN**

**3. Offer Tax Credits for Working Families.** Tax credits such as the EITC, Child Tax Credit, and Child and Dependent Care Tax Credit, put money in the pockets of low-wage workers and make saving for the future possible. States can adopt these credits, building on the structure and rules for the parallel federal credits. The best-designed state tax credits are refundable, enabling low-income families to benefit.



**4. Increase Job Quality Standards.** Millions of Americans work low-wage jobs that lack even basic leave benefits to protect their jobs during an illness or crisis. Federal policies set the floor for wage and benefit standards, but states can expand upon and strengthen these policies. States can ensure that minimum wage keeps pace with cost of living and that no workers are excluded from coverage. They can also expand the federal Family and Medical Leave Act coverage or establish paid sick, family and medical leave for workers.

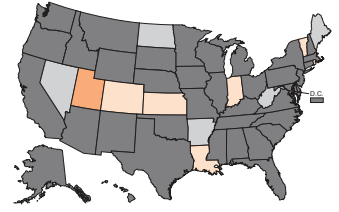


**SAVE**

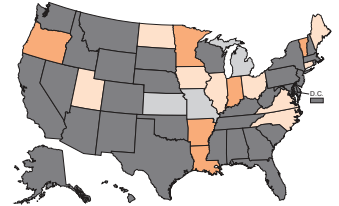
**5. Lift Asset Limits in Public Benefit Programs.** Many public benefit programs limit eligibility to those with few or no assets. Families must “spend down” savings to receive what is often short-term assistance – leaving them worse off in the long-run. States can eliminate asset limits for cash welfare, public health insurance and food assistance programs.



**6. Fund State IDA Programs.** Individual Development Accounts (IDAs) are savings accounts that match the deposits of low-income savers, provided they participate in financial education and use the savings for targeted purposes – postsecondary education, homeownership or capitalizing a small business. States can provide funding to directly support IDA programs, which can leverage federal IDA funding streams.

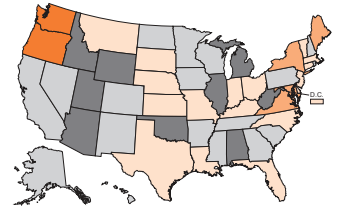


**7. Provide College Savings Incentives.** Escalating costs discourage low-income students from pursuing post-secondary education. College savings not only help pay for college, they also increase aspirations and college success. States can help families save by matching their deposits into 529 college savings accounts and removing barriers to saving such as fees and minimum deposit requirements.

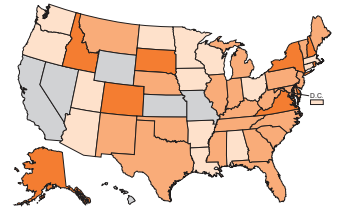


## INVEST

**8. Support Microenterprises.** Small business ownership is a path to the middle class, particularly for minorities, immigrants and the economically disadvantaged. States can use their own dollars or leverage federal funding through TANF, the Workforce Investment Act and Community Development Block Grants to support microenterprises. States can also allow entrepreneurs to receive unemployment insurance while starting new businesses.

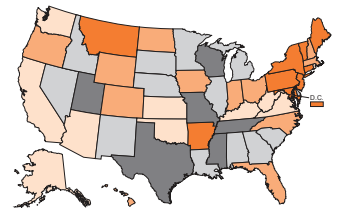


**9. Assist First-Time Homebuyers.** Even in today's challenging housing market, a home remains the primary asset for many American households. States can help low- and moderate-income families succeed as homeowners. They can offer homebuyer education, downpayment assistance, competitively-priced mortgage products and support for programs that help low-income renters transition to homeownership.

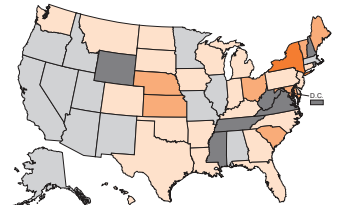


## PROTECT

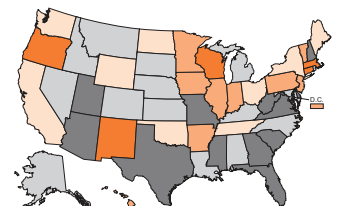
**10. Protect Consumers from Predatory Short-Term Loans.** Predatory short-term lending strips wealth from financially vulnerable families. Three of the most prolific predatory products are payday loans, car-title loans and abusive installment loans. States can prohibit these loans outright or impose a cap of 36 percent APR or less.



**11. Prevent and Protect Against Foreclosure.** Foreclosure can devastate a family's finances, but states can take several steps to help minimize the pain. To prevent unnecessary foreclosures, states can ensure a fair review process; to protect families during the process, they can regulate mortgage servicers; to help homeowners recover after a foreclosure, states can limit the lenders' ability to sue for outstanding debt; to stabilize communities, states can permit land banks to redevelop foreclosed properties.



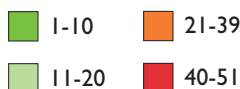
**12. Improve Access to Health Insurance.** States can expand access to public health insurance programs, such as Medicaid and other state-funded programs, by increasing income eligibility and by streamlining the enrollment process, thereby protecting the assets of low-income families who would otherwise need to use savings or go into debt for medical expenses.



For two-thirds of the states, outcome and policy ranks are within 15 places of one another.

State	Overall Outcome Rank	Aggregate Policy Rank
VT	1	1
ND	7	20
MN	8	17
ME	9	6
MA	10	11
KS	11	14
IA	12	17
VA	14	20
PA	14	25
WA	16	20
NE	17	29
MD	19	6
WI	20	28
DE	21	32
CO	22	14
SD	22	36
DC	24	11
MO	29	44
MI	30	32
ID	31	40
IL	32	17
OK	33	25
NM	34	20
CA	39	38
KY	40	32
TX	41	48
TN	43	48
AZ	45	44
MS	47	51
SC	48	38
AL	49	48
NV	50	40

Policy or outcome rank



2 "State-by-State EITC Statistics for tax returns filed during 2011," Internal Revenue Service, 2011, <http://www.etc.irs.gov/central/eitcstats/>.

3 CFED defined a reasonable relationship between policies and outcomes as overall policy and outcome rankings that were within 15 places of each other. For example, Colorado is ranked 14th for its policies and 22nd for its outcomes, a difference of eight places.

The policies assessed in the *Scorecard* have the added benefit of being political winners: In a weak economy, with high unemployment and shrinking services, constituents are hungry for some “good news” about what policymakers are doing to improve economic prospects. These policies provide concrete examples of what government can do to help constituents – more and more of whom are facing financial insecurity – weather a bad economy.

Taken together the 12 policies form a political platform that:

- Brings federal dollars into local communities to stimulate the economy
- Helps people learn the skills to better manage what they’ve got and begin building a personal safety net to contend with future financial crises
- Creates jobs through self-employment
- Safeguards homeownership as a route to the middle class
- Cracks down on unscrupulous actors that would unfairly undermine financial security

## THE CONNECTION BETWEEN POLICY AND OUTCOMES

A perennial question for policymakers, researchers and advocates is to what extent policy decisions actually change the lives of individuals. For policies that are easily quantifiable, drawing a straight line between a policy and its impact is a relatively straightforward exercise. For example, we know that the \$59 billion federal EITC lifts roughly 6.6 million people out of poverty each year.<sup>2</sup> However, for other policies, impact is harder to assess. For example, we do not have data that measure the impact of eliminating public benefit asset tests on savings rates among the poor. Nor can we quantify today what the impact of financial education in the K-12 system will be on adult savings rates or adults’ ability to make sound financial choices. The full impact of some policy changes will not be realized for decades.

With the *Scorecard*, we have an even more complex task: to look at a broad set of financial security, asset-building and consumer protection policies and assess their impact as a whole on the overall financial security and opportunity of low- and moderate-income families. To fully explore this issue will require a major research undertaking, which we encourage. What we can offer in the meantime is a simple analysis comparing states’ aggregate rankings on outcome measures to the aggregate ratings on the strength of states’ policies.

By this analysis, there is a reasonable relationship between policies and outcomes in two-thirds of the states.<sup>3</sup> In those states, those that have strong policies also have strong outcomes; those with weak policies have weak outcomes, and those with middle-of-the-road policies have middle-of-the-road outcomes. For example, Vermont has both the strongest financial security and opportunity policy infrastructure in the country and ranks first for its outcome measures. At the other end of the spectrum, Alabama ranks 48<sup>th</sup> for the strength of its policies and 49<sup>th</sup> for its outcome measures (see table on left).

In the remaining states, there is a weaker relationship between policies and outcomes (see table on page 11). Some of these states have strong policies yet still have poor outcomes for families. There are a variety of factors that can

account for the divergence. For example, states such as Louisiana and Arkansas are historically poor and continue to grapple with the legacy of racism and underinvestment. Policy alone cannot immediately change these outcomes – although it can set the stage for long-term change. In other states, such as Rhode Island, Connecticut, New Jersey and Oregon, high housing costs drag down the states' overall *Scorecard* outcome rank. Policies to support low-income homebuyers can mitigate, but not erase, the disparate homeownership outcomes.

There are also a handful of states that have strong outcomes in spite of weak policies. Many of these states – such as Wyoming, New Hampshire, Alaska and Montana – are known for their go-it-alone cultures. A more libertarian streak in state policymaking may account for the absence of a strong policy infrastructure to support low-income families. However, families in these states are fortunate to benefit from a generally lower cost of living, which can increase homeownership rates. In these states, the high *Scorecard* ranks for homeownership outcome measures, in turn, help drive their overall high *Scorecard* rank.

Ultimately, while policies are not the only driver of financial security and economic opportunity, they are an important one. Consider two states – Ohio and Nevada – that were both hit hard during the recession, but which have very different policy infrastructures in place to encourage the state's future prosperity. Compared with other states, Nevada's policies to support financial security and opportunity are among the weakest in the country. The state provides little or no funding for programs that help low-income residents build assets, such as IDAs; it has weak consumer protections against predatory lending; it has maintained restrictive asset limits in both Medicaid and TANF, which discourage low-income families from saving; and it has weak policies to protect residents facing foreclosure. By contrast, Ohio has relatively strong policies. The state provides funding for IDAs; it protects consumers from predatory payday and auto-title loans; it has removed asset limits in TANF, Medicaid and the Supplemental Nutrition Assistance Program; and has some of the strongest foreclosure policies in the country. Residents of both states were devastated by the recession, but as the nation works to recover, families in Ohio are armed with greater supports and opportunities to rebuild their financial lives because of the policies the state has put in place.

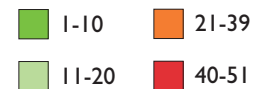
## CONCLUSION

While no single strategy will help families regain their financial footing and save for a more promising future, it is clear that without adequate policies and supports, millions of Americans will be unable to move themselves and their children forward. As the state data show, strong policies that build financial security and opportunity for all Americans typically translate into positive outcomes. Smart policies and programs can help us write a different ending to the story of downward mobility and despair that is playing out in communities across the country. With these policies, we will be able to tell a story of a nation in which all citizens have the opportunity to improve their circumstances by working hard and investing in the future. Our country will not achieve sustainable, long-term economic recovery unless these simple goals are within reach of every American.

For the remaining states, there is no strong relationship between policies and outcomes.

State	Overall Outcome Rank	Aggregate Policy Rank
WY	2	40
NH	3	44
MT	4	25
HI	4	29
AK	6	44
UT	13	36
WV	18	40
NJ	25	4
CT	26	3
OR	27	4
NY	27	2
IN	35	10
LA	36	6
OH	37	9
RI	38	14
NC	42	20
AR	44	11
FL	45	29
GA	51	32

Policy or outcome rank





expanding economic opportunity

## **ABOUT CFED**

CFED is the leading source for data on household financial security and policy solutions. We empower individuals and families to build and preserve assets by advancing policies and economic strategies that allow them to pursue higher education, buy a home, start a business and save for the future. CFED identifies good ideas and helps bring them to fruition. We develop partnerships that promote lasting change. And we bring together community practice, public policy and private markets to achieve the greatest economic impact. Established in 1979 as the Corporation for Enterprise Development, CFED works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

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