

Asset Adequacy in Today's Economic Environment

Overview

1. What role do assets play in household economic security?
2. Who is asset poor?
3. How do financial outcomes vary by asset adequacy?
4. What are barriers to asset adequacy?

What role do assets play in household economic security?

Economic Security

1. Do individuals and families have enough to meet their minimum day-to-day expenses?

INCOME ADEQUACY

2. Do families have enough money saved to cope with an emergency?

ASSET ADEQUACY

Why Assets Matter

- Income drops are common
- Social safety net does not replace all lost income
- Having assets reduces deprivation



Asset Adequacy Defined

Sufficient wealth to provide for basic needs for a short time

Wealth: Cash assets

Basic Needs: Subsistence at poverty line

Short Time: Three months

Who is asset poor?

Asset Poverty in 2007

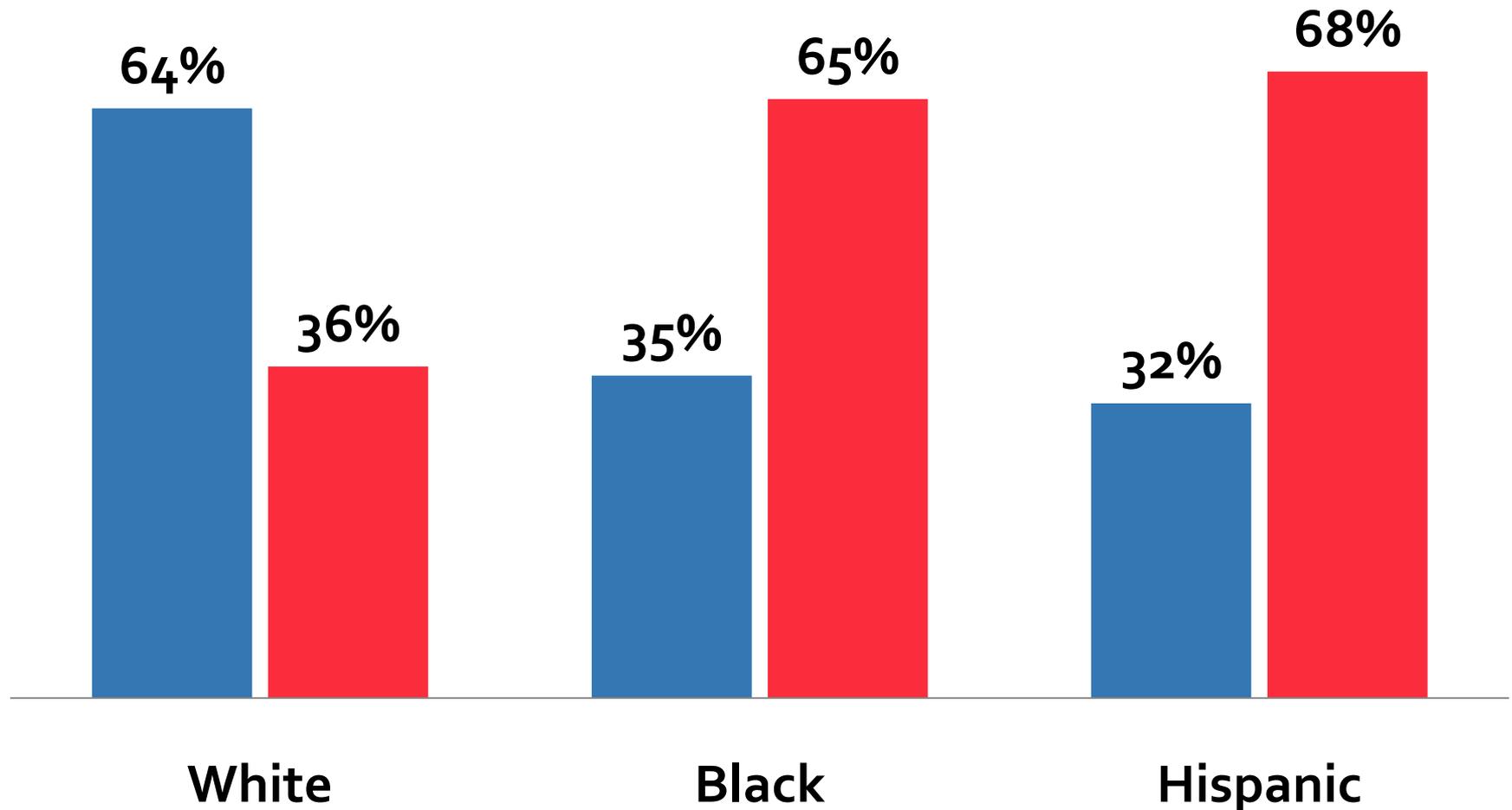
A 4-person family with less than **\$5,260** in savings was asset poor

43% of households were asset poor

Asset poor and asset adequate families are demographically and economically distinct

Asset Poverty Rates by Race & Ethnicity, 2007

■ Asset Adequate ■ Asset Poor



Median Age, 2007

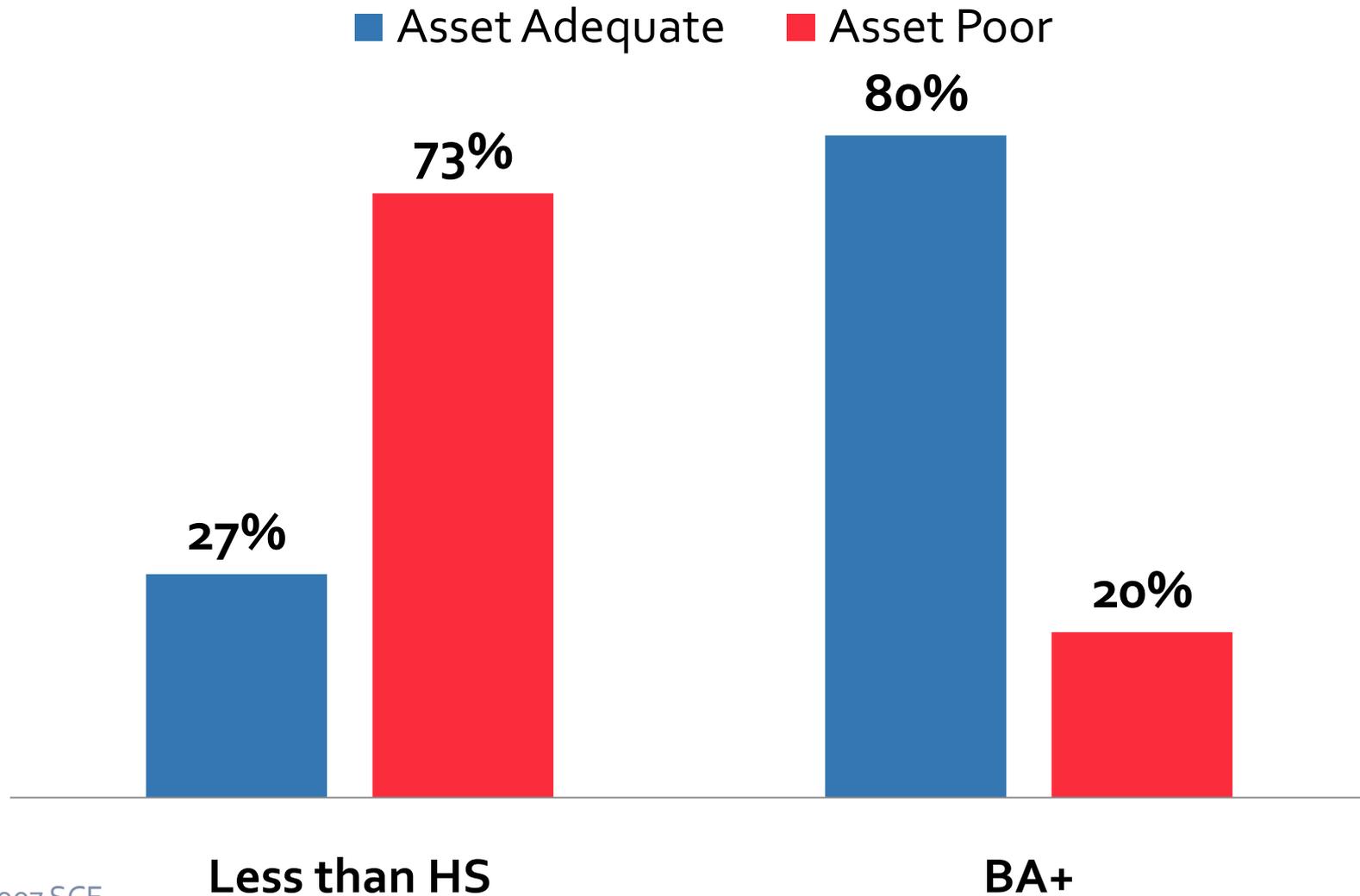
Asset Poor

43

Asset Adequate

53

Asset Poverty by Educational Attainment, 2007, Adults 25-64



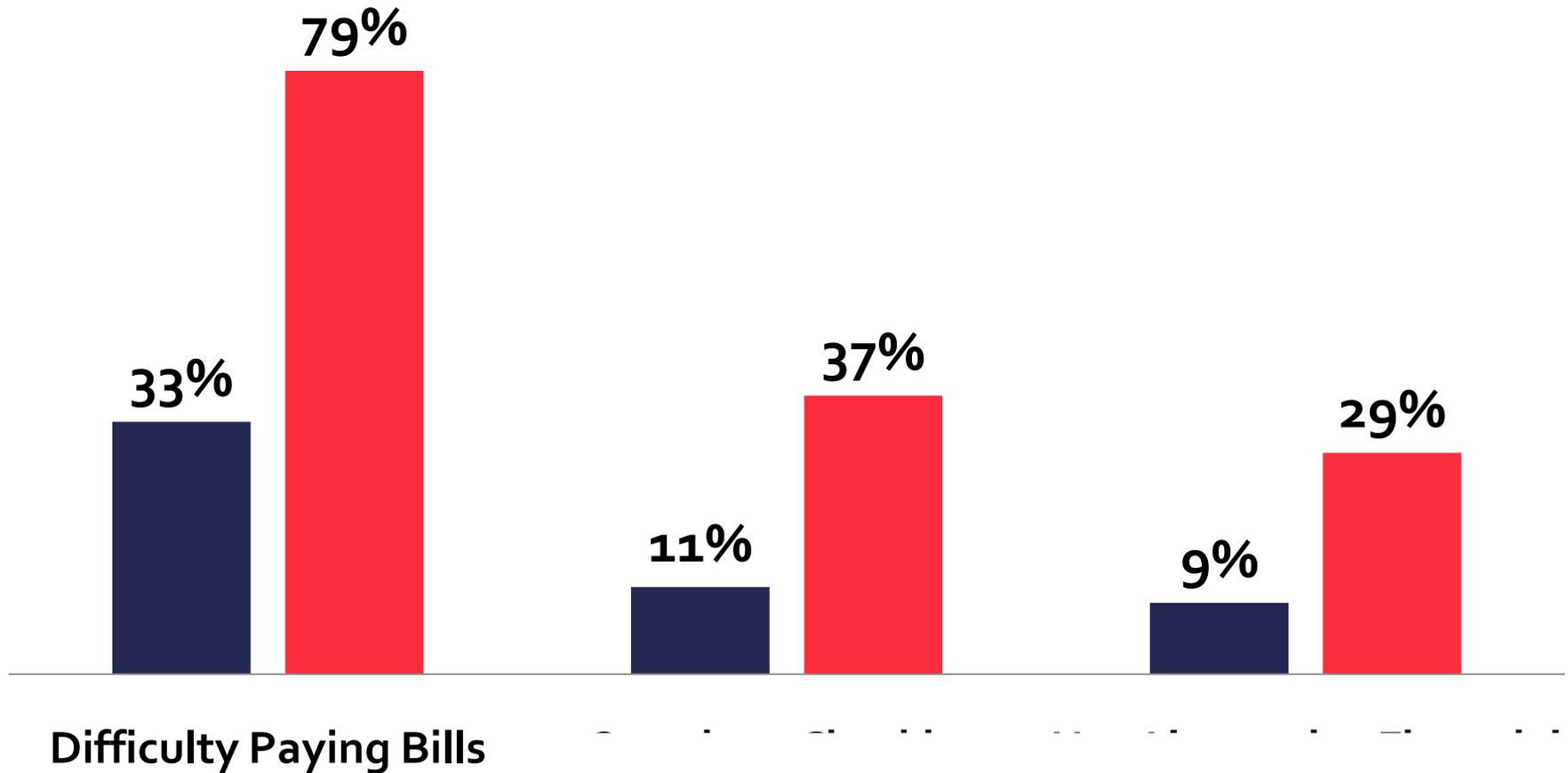
Median Income & Wealth, 2007

	Asset Poor	Asset Adequate
Income	\$31,400	\$76,200

How do financial outcomes vary by asset adequacy?

Negative Financial Outcomes, 2009

■ Asset Adequate ■ Asset Poor



What are barriers to asset adequacy?

Barriers to Asset Adequacy



- Income inadequacy
- Asset limits for public assistance
- Access to appropriate financial products
- Financial illiteracy

Summary

- Cash assets are a critical component of household economic security
- More than two-fifths of households are asset poor
- Policy changes can boost savings

Potential Policy Interventions

- Product innovation and outreach
- Financial literacy education
- Employer-based savings programs

Contact Information

Rebecca Tippett

(434) 982-5861

rebecca.tippett@virginia.edu

Demographics & Workforce Group
Weldon Cooper Center for Public Service

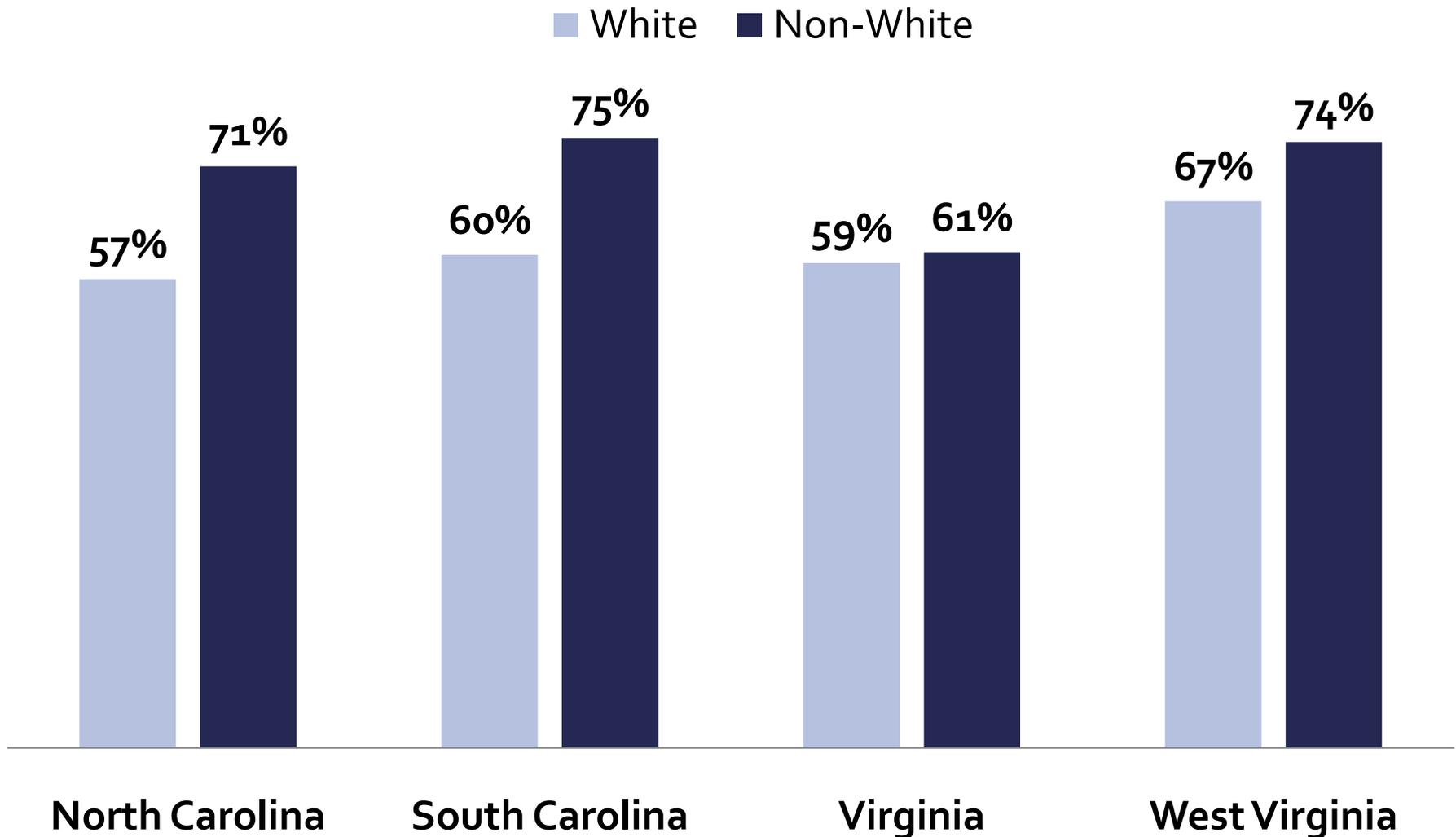
www.coopercenter.com/demographics

Self-Reported Asset Adequacy, 2009

“Have you set aside emergency or rainy day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?”

63% of households were asset poor

Asset Poverty Rates by Race, 2009



Median Age, 2009

Asset Poor

38

Asset Adequate

47

Asset Poverty Rate by Educational Attainment, 2009, Adults 25-64

