Today, more than ever, America’s families need more than a regular paycheck to achieve financial security. They need to acquire and preserve assets. They need a pathway to ownership.

Research has demonstrated that ownership of assets — cash savings, stocks, bonds, and home and business equity — is associated with better educational attainment, increased civic participation, and more positive health outcomes. Assets give families the cushion they need to survive financial crises. They enable families to invest in their future and to pass resources on to their children.

But how can we ensure that America’s working families have a real opportunity to become owners?

The reality is that more than a quarter of American households are “asset poor” — meaning they do not have enough savings to live at the poverty level for more than three months if their income is disrupted. Many low- to moderate-income families live paycheck to paycheck, with no economic safety net and little or no opportunity to acquire assets. For these families, who are unable to invest in a home or their children’s education, “asset poverty” is more likely to continue from generation to generation.

Today, many state leaders recognize that one way to break the poverty cycle is to offer families the opportunity to build assets. Across the country, governors, legislators, and community and business leaders who share a common interest in helping families save and invest are at the forefront of a new policy dialogue.

The Growth of the National Asset-Building Movement
The United States has a long history of asset-building policies that encourage families to save and invest. For example, the Homestead Act and the GI Bill helped millions of families accumulate assets, many of which were passed on to future generations. In recent decades, tax-based incentives, such as the home mortgage tax deduction and education and retirement savings incentives have successfully encouraged many families to build assets.

But new research shows that these policies have disproportionately helped wealthier Americans, leaving lower-income families behind. Millions of low-income families do not have sufficient tax liability to take advantage of tax deductions, deferments, and credits. Of the more than $300 billion of federal tax expenditures that subsidize asset building, one-third of the benefits accrue to the top 1 percent of households — those earning more than $1 million. Less than 5 percent of these indirect subsidies go to the bottom 60 percent of families.

In the 1990s, asset-building advocates, including elected officials, nonprofit executives, foundation leaders, academics, and others, focused on advancing innovative strategies and more
equitable federal policies to enable low-income families to save and invest. Their efforts laid the groundwork for a national asset-building movement.

During the same period, changes in social welfare policies gave state leaders greater control over the allocation of federal social service resources. Welfare reform policies gave states new responsibility for helping families move from welfare to work. However, although states have successfully reduced welfare rolls, they have been less successful moving working families out of poverty. Public concern about the plight of working families has fueled growing state-level interest in expanding opportunities for working families to move into the financial mainstream.

Initial state-level approaches to helping lower-income families build assets included allocating state and federal funds to support individual development accounts (IDAs) and increasing support for home and business ownership. But elected officials and civic leaders in several states have recently begun to approach asset building more strategically by recognizing that asset-building opportunities are part of a continuum of strategies families need to move from poverty to economic security.

Today, state-level civic leaders — policy-makers and nonprofit and business leaders — are coming together to discuss ways to strengthen and connect existing asset-building strategies, identify new approaches, and implement public policies that help make wealth-building opportunities accessible to more working families.

The Emerging Role of States
We can all learn from the asset policy innovations being advanced by forward-thinking state leaders. Following is a discussion of asset-building efforts in six states. California, Delaware, and Pennsylvania’s initiatives are more mature, while Hawaii, Illinois, and Michigan’s initiatives are in early development.

Delaware
In 2001, Delaware Governor Ruth Ann Minner established the Governor’s Task Force for Financial Independence, composed of representatives from the public, private, and nonprofit sectors. The task force’s initial policy recommendations included short- and long-term measures. They proposed near-term approaches that required limited or no state resources, such as expanding access to financial education and helping eligible taxpayers claim the federal earned income tax credit (EITC). The task force also called for more resource-intensive strategies, such as a state EITC and increased access to health insurance.

The Delaware initiative has made a difference in how all three sectors do their work. The state now recognizes financial education as an eligible work activity for recipients of Temporary Assistance for Needy Families (TANF) benefits; the Delaware Bankers Association has adopted financial education as a primary mission; and the Boys and Girls Club is participating in a national demonstration around children’s savings accounts. Additionally, government, business, and community leaders are working together to advance statewide financial education programs, increase funding for IDAs, and address abusive lending practices.

Pennsylvania
In 2004, Pennsylvania Governor Edward Rendell established the Governor’s Task Force for Working Families and a new state Office of Financial Education. Task force members included state legislators and public agency representatives, as well as interested parties from the private and nonprofit sectors and academia. Among other things, the task force recommended integrating financial education into Pennsylvania’s K-12 school curriculum and helping employers provide financial education in the workplace. The task force also recommended helping more families claim the EITC, increasing asset limits for TANF recipients, boosting entrepreneurship and small business development, increasing access to retirement savings, and providing a model for responsible credit card marketing on college campuses.

Implementation efforts are now under way. The governor’s 2005/2006 budget includes funding for the Office of Financial Education, K-12 financial education programs, EITC outreach efforts, small business development centers, and community development financial institutions. And taskforce leaders continue to work together to advance other recommendations.

**California**

In early 2003, the Earned Assets Resource Network (EARN) began a statewide conversation about asset poverty in California and the need for proactive policy solutions. This dialogue launched the Asset Policy Initiative of California (APIC), a statewide effort to advance policies that enable low- and moderate-income families to save, invest, and preserve their assets. APIC started with a 30-member task force made up of statewide advocates, elected officials, state agency directors, and business, academic, and philanthropic leaders. The taskforce’s preliminary policy priorities included raising asset limits or eliminating the asset means test for public benefits, providing state funding for IDA programs, establishing a homeownership trust fund, creating a renter’s tax credit that can be used toward the down payment on a home, allocating state funding to community land trusts, supporting microenterprise and cooperative business development, expanding health insurance coverage, and combating predatory lending.

As APIC has grown and prioritized its policy agenda, it has developed near- and longer-term priorities in partnership with policy-makers, research institutions, and statewide advocacy organizations. With funding from foundations and financial institutions, APIC recently hosted a state asset policy symposium, created a Web site that includes asset-related data and policy updates (www.assetpolicy-ca.org), and developed the Local Asset Poverty Indicator, a tool that measures asset poverty at the county level. Current APIC priorities include creating a state housing trust fund; establishing a permanent funding stream for state asset-building policies; forming a statewide task force on financial education; and supporting policies to raise asset limits and reduce predatory lending.

**Asset-Building Strategies: Common Elements of Success**

The statewide initiatives discussed in this article share the following elements of success:

* Reframing the policy dialogue — Winning initiatives reframe state-level discussions by advancing a positive goal (expanding economic opportunity, building economic security, and achieving financial independence) rather than talking about preventing a negative (poverty).
* Showing strong leadership — Strong and engaged leaders, from the public, nonprofit, and private sectors, bring diverse constituencies to the table and engage them in an ongoing solutions-oriented policy dialogue.
* Building a bipartisan dialogue — Successful initiatives engage Democratic and Republican leaders, early in the process, to build a bipartisan dialogue about strategies that appeal to both sides of the aisle.

* Building public will — Savvy advocates communicate effectively through the media, grassroots organizations, and other public forums to build a public discussion about the challenges of asset poverty and the value of asset-building solutions.

**Hawaii**

Led by the statewide nonprofit Hawaii Alliance for Community-Based Economic Development, Hawaii’s Ho’owaiwai Asset Policy Initiative grew from a 2004 convening on wealth and poverty in Hawaii, attended by more than 250 participants from across the Hawaiian islands. Community leaders and state legislators are working together to create a statewide infrastructure that connects grassroots efforts with policy-makers, so that public policies are directly informed by Hawaii’s diverse communities. In the meantime, initiative leaders are advancing near term asset-building policies, including the extension of the state IDA tax credit, the implementation of a voluntary tax assistance program, and the establishment of a state EITC.

**Illinois**

The Illinois Asset Building Group, first convened by the Woods Fund of Chicago in 2003, works to connect disparate asset-building activities and discuss a common policy agenda. The group’s leadership, made up of policy, research, advocacy, and community-based organizations, has proposed the creation of a Governor’s Task Force on Family Economic Success, which is currently under discussion in the governor’s office. The group recently endorsed an extensive policy agenda that includes expanding access to financial education and financial services, removing asset barriers in public benefit programs, supporting children’s savings accounts, promoting affordable housing and homeownership, and combating predatory lending.

**Michigan**

The Michigan IDA Partnership (MIDAP), a collaboration among foundations and a state agency, began with the goal of creating a statewide IDA program. After successfully establishing 50 programs and 1500 accounts across the state, MIDAP leaders recognized the need for a broader conversation about asset-building policies and strategies. In 2004, they decided to support the creation of a statewide asset policy initiative that includes government, business, and community leaders. The structure and priorities for the new initiative are currently under development, but likely areas of policy focus include expanding state support for IDAs, linking EITC refunds to matched savings accounts, removing barriers to asset accumulation in public benefit programs, supporting children’s savings accounts, and combating predatory lending and insurance redlining.

**Asset-Building Initiatives: Common Strategies**

Although they have different leadership structures and policy priorities, these initiatives share the common goal of enabling lower-income families to save, invest, and preserve their assets. The initiatives also share common strategies, such as:

* Exploring ways to make financial education more accessible in schools, the workplace, and in communities
* Creating policies that promote saving and investment in education, homeownership, small business development, and retirement
  * Identifying ways to make tax-based savings incentives accessible to lower-income families
  * Examining policies that help families preserve their assets by expanding access to insurance and reducing abusive lending practices

**Conclusion**
To expand ownership, one must start by confronting the reality that millions of Americans do not have the means and opportunity to be owners today.

The good news is that the current policy environment gives states the opportunity to advance asset-building policies that help more residents save and invest in themselves, their families, and their communities. Even in today’s tight fiscal conditions, state asset policy initiatives are brokering near-term strategies that are leveraging public (federal and state) and private (business and philanthropic) resources to help families build assets. And these asset policy initiatives are building a new policy dialogue that is laying the groundwork to implement longer-term strategies. Although these asset-building policies represent just the beginning of statewide efforts, they are already helping to open up economic opportunities for working families. If successful, over time, these state initiatives will result in broader ownership and a brighter future for America’s working families.

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