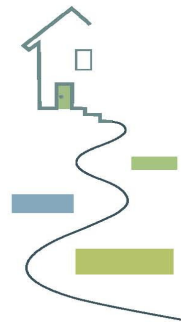

Asset Policy 101: Building Wealth for All Californians

California Asset Policy – Working Lunch Series

Hosted by the Asset Policy Initiative of California & the New America Foundation
California State Capitol
Sacramento, CA
August 29, 2007

Presentation by Heather McCulloch
Principal/Asset Building Strategies



What are assets and why do they matter?

- Financial assets – cash savings, stocks, bonds, home, business and real estate equity
- Income enables families to get by. Assets enable them to:
 - Weather financial crises
 - Invest in their children and their community
 - Plan for a secure retirement
 - Pass resources on to future generations



Challenge: Asset Poverty

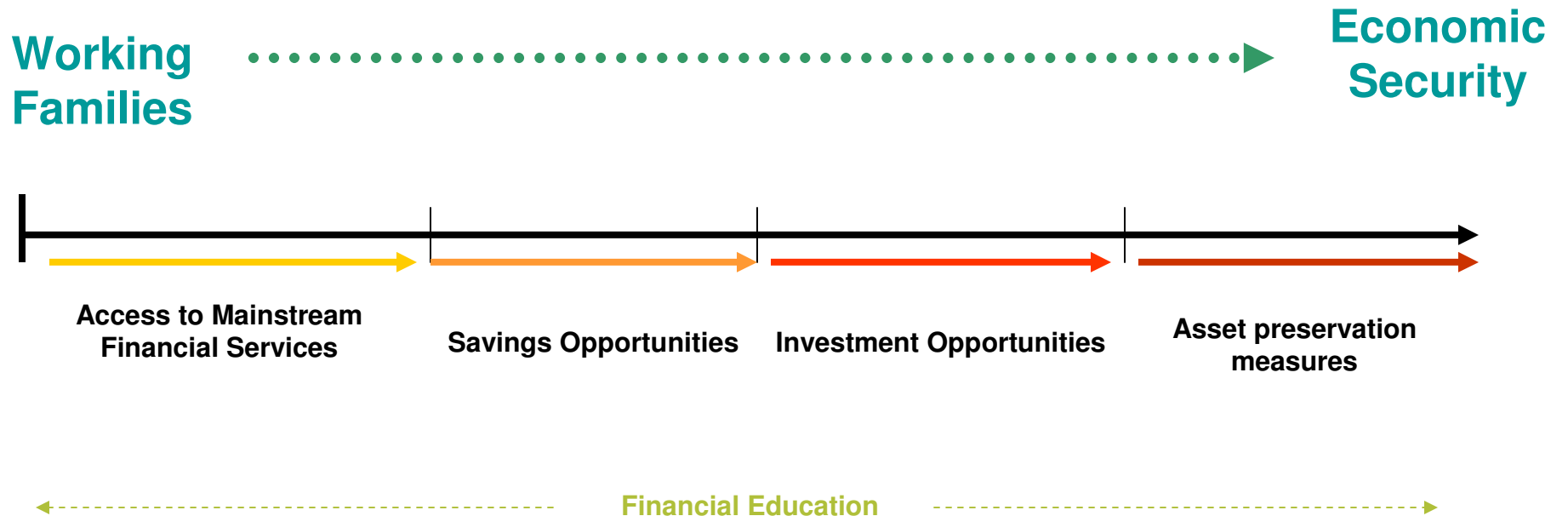
- National savings rate is the lowest it's been since before the Great Depression
- One out of five households owes more than it owns
- One out of four households is asset poor
- Two out of five children are being raised in asset-poor households including:
 - 1 out of every 2 Latino and African American children
 - 1 out of 4 white children
- The poorest 60% of families own less than 5% of the nation's household wealth



Challenge: Public Policy

- America has a long history of successful asset-building policies
 - Of the over \$360 billion in federal tax expenditures supporting families to save and invest—the bottom 60% of families receives *less than 3%* of the benefits
 - Benefits are inaccessible to working families who:
 - Can not afford to purchase a home
 - Work in low-wage jobs without employer-based retirement and health plans
 - Do not earn enough to access the full benefits of tax credits and deductions, unless they're refundable
 - Asset limits discouraging poorest families from saving
-

Continuum of Asset-Building Opportunities



State Policy Solutions

- New asset policy dialogue in states across the country
- Led by legislators, governors and asset-building advocates
- Learning about the causes and effects of asset poverty
- Exploring policy and practical solutions

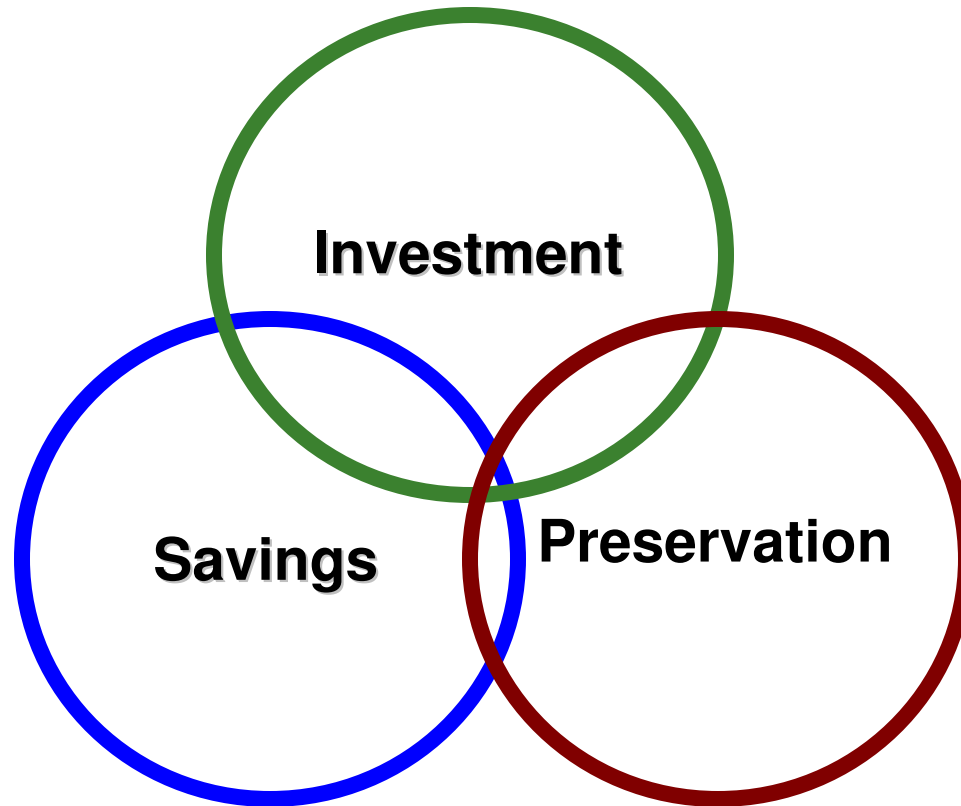


Emerging State Asset Policy Initiatives

- **Alaska** – Asset Building Initiative of Alaska
- **Arkansas** – Southern Good Faith Fund
- **California** – New America Foundation & Asset Policy Initiative of California
- **Delaware** – Gov. Task Force for Financial Independence
- **Hawaii** – Ho`owaiwai Asset Policy Initiative of Hawai`i
- **Illinois** – Illinois Asset Building Group
- **Kansas & Missouri** – MOKANSAVE
- **Kentucky** – Cradle to College Initiative
- **Michigan** – Asset Building Policy Project
- **Pennsylvania** – Governor’s Task Force for Working Families
- **Texas** – Texas Asset Building Coalition
- **Washington** – Washington Asset Building Coalition



Common Goals



Savings

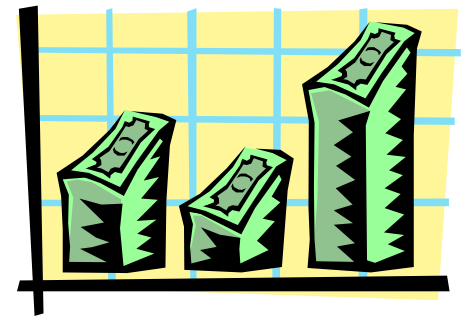
Investment

Preservation

Emerging Policy Priorities

Savings/Asset Accumulation

- **Financial education** – Improve and expand access to financial education in schools, the workplace and communities
- **Financial services** – Link families to mainstream financial services; support alternative banking services
- **Asset limits** – Raise or eliminate asset limits in public benefit programs; exclude certain assets from limits
- **Matched Savings Opportunities** – Support matched savings opportunities through Individual Development Accounts, 529 accounts and other strategies



Savings/Asset Accumulation

- **Higher Education –**
Support families to save for higher education
- **Earned Income Tax Credit –**
Capture federal EITC and/or create state EITC
- **Retirement savings –**
Expand access to retirement savings opportunities
- **Children's Savings Accounts –**
Support children's savings opportunities



Investment/Asset Leveraging

- **Homeownership** –
Support demand- and supply-side strategies to increase affordable homeownership
- **Business ownership** –
Support low-wealth entrepreneurs to build business equity
- **Real estate development** –
Create real estate investment opportunities for working families



Protection/Asset Preservation

- **Health insurance –**
Expand health insurance coverage
- **Anti-predatory lending –**
Reduce abusive lending practices
- **Payday lending**
Restrict abusive lending practices
- **Anti-insurance redlining –**
Prevent insurance redlining



Asset Policies Passed in Multiple States

- Housing trust funds – 34 states
- Anti-predatory lending laws – 28 states
- State support for IDA programs – 28 states
- State EITC – 18 states
- Require financial education in K-12 – 15 states
- Payday lending restrictions – 14 states
- Support for CDFIs – 12 states
- Lifeline banking legislation – 8 states
- State match to 529 accounts – 7 states
- State employer-assisted housing programs – 6 states
- Excluding certain assets from limits – 6 states
- Raising or eliminating asset limits – 3 states

June 2006 - New America Foundation "State Policy Options for Building Assets"

<http://www.newamerica.net/files/Doc File 3134 1.pdf>

Financial Insecurity Among California Households

- 17% of households have zero or negative net worth
- 28% have no bank account
- 29% are asset poor
- 6.5 million Californians have no health insurance
- Only 38% of workers have access to a retirement plan through their employer
- California has...
 - One of the lowest rates of homeownership in the country
 - The fourth highest rate of foreclosures



Asset Building Challenges and Opportunities

- In an upcoming national assessment of state asset-building outcomes, California ranks among the bottom 15 states in terms of:
 - Levels of asset poverty
 - Affordability of homes
 - Homeownership rate
 - Homeownership by income
 - Median mortgage debt
 - Value of Latino-owned businesses

CFED: 2007-2008 Assets and Opportunity Scorecard – to be released in September 2007 (www.cfed.org)

Asset Policy Dialogue in California

- Asset-building challenges call for a policy discussion with and among legislators and advocates.
- NAF and APIC invite you to join them to help all Californians save, invest and preserve financial assets.



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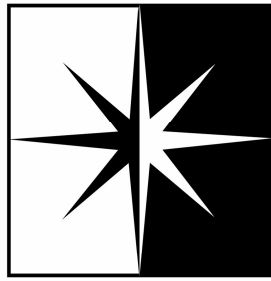
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