

THE
PEW
CHARITABLE TRUSTS

Hard Choices:
How Financial Shocks Hinder Family Finances and Mobility

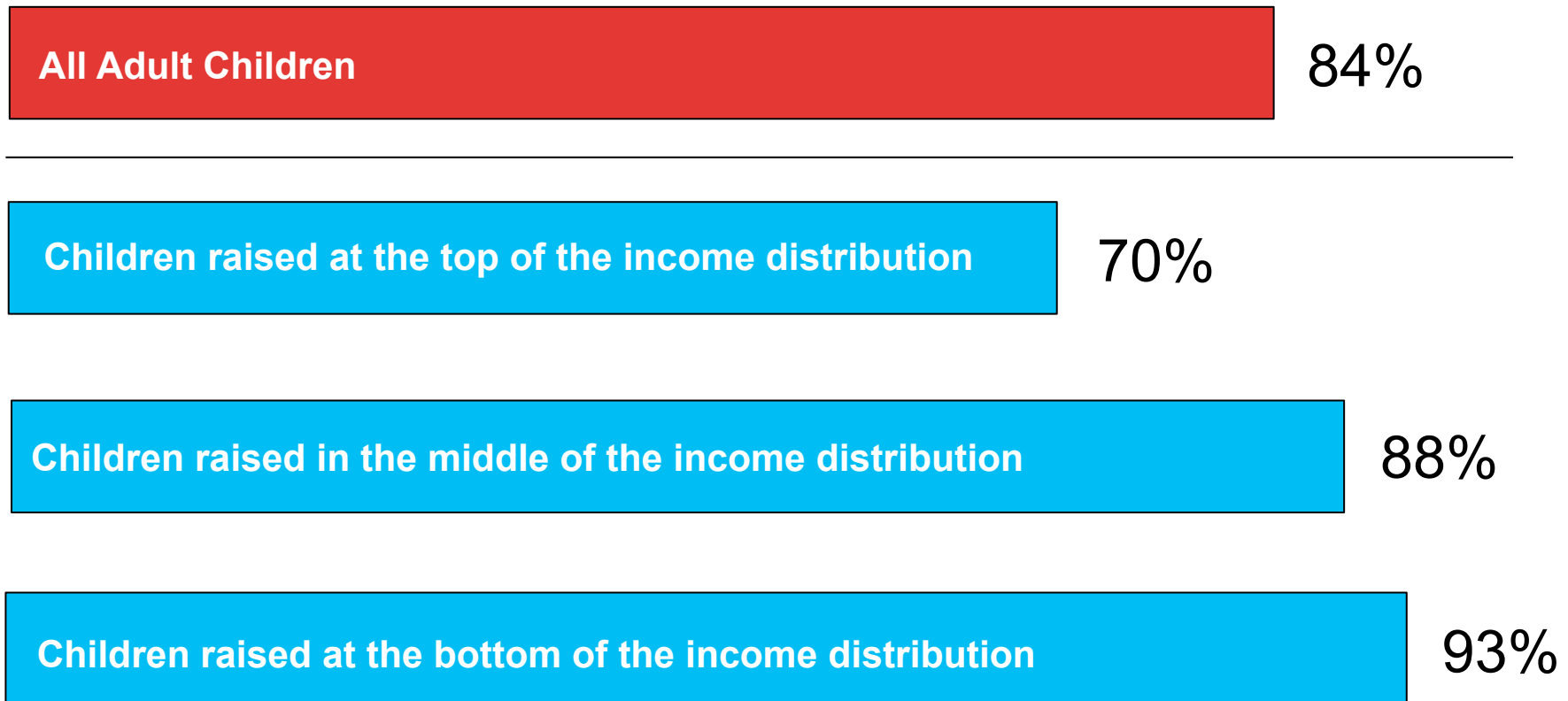
Erin Currier, Director, Financial Security and Mobility

April 28, 2014

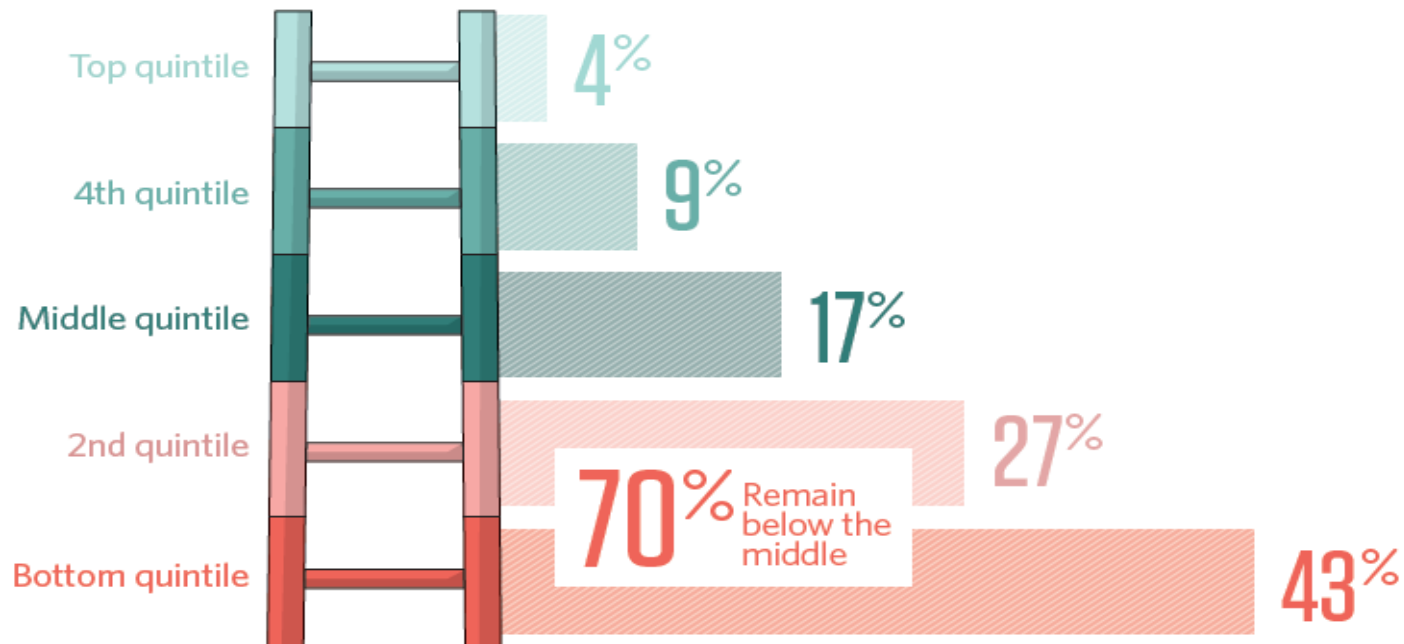




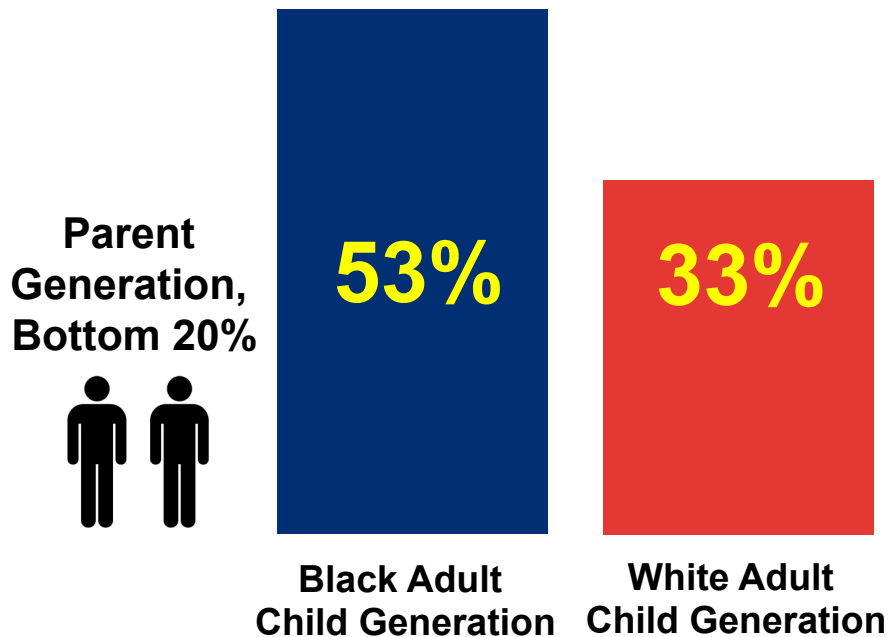
Glass Half Full: 84% of Americans Have Higher Family Incomes Than Their Parents



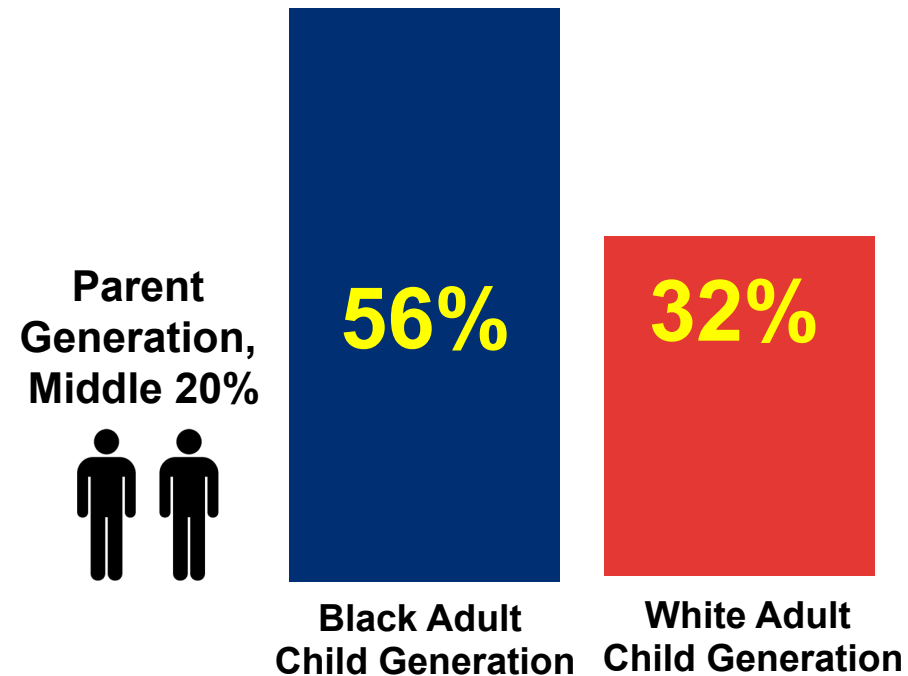
Glass Half Empty: Americans Raised at the Top and Bottom are Likely to Stay There as Adults



Blacks Are More Likely to Be Stuck in the Bottom



Blacks Are More Likely to Fall from the Middle

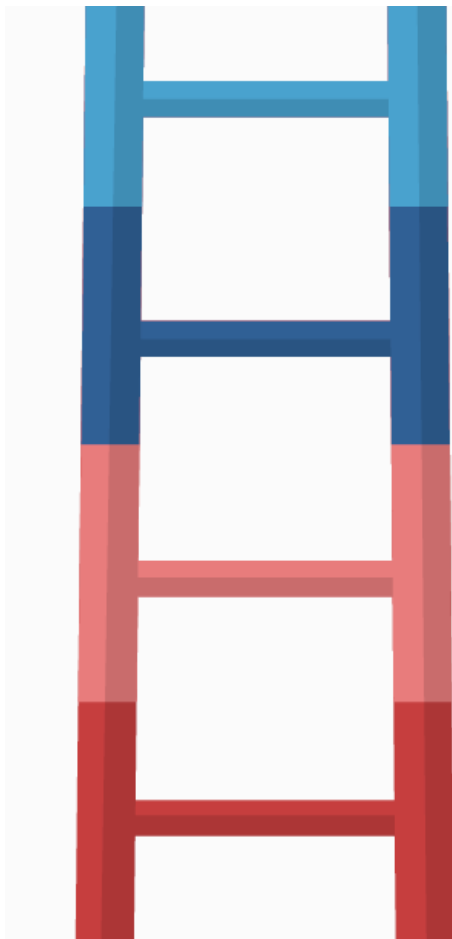


Key Mobility Drivers

- Financial Capital
- Human Capital
- Social Capital



Financial Capital – Savings and Wealth



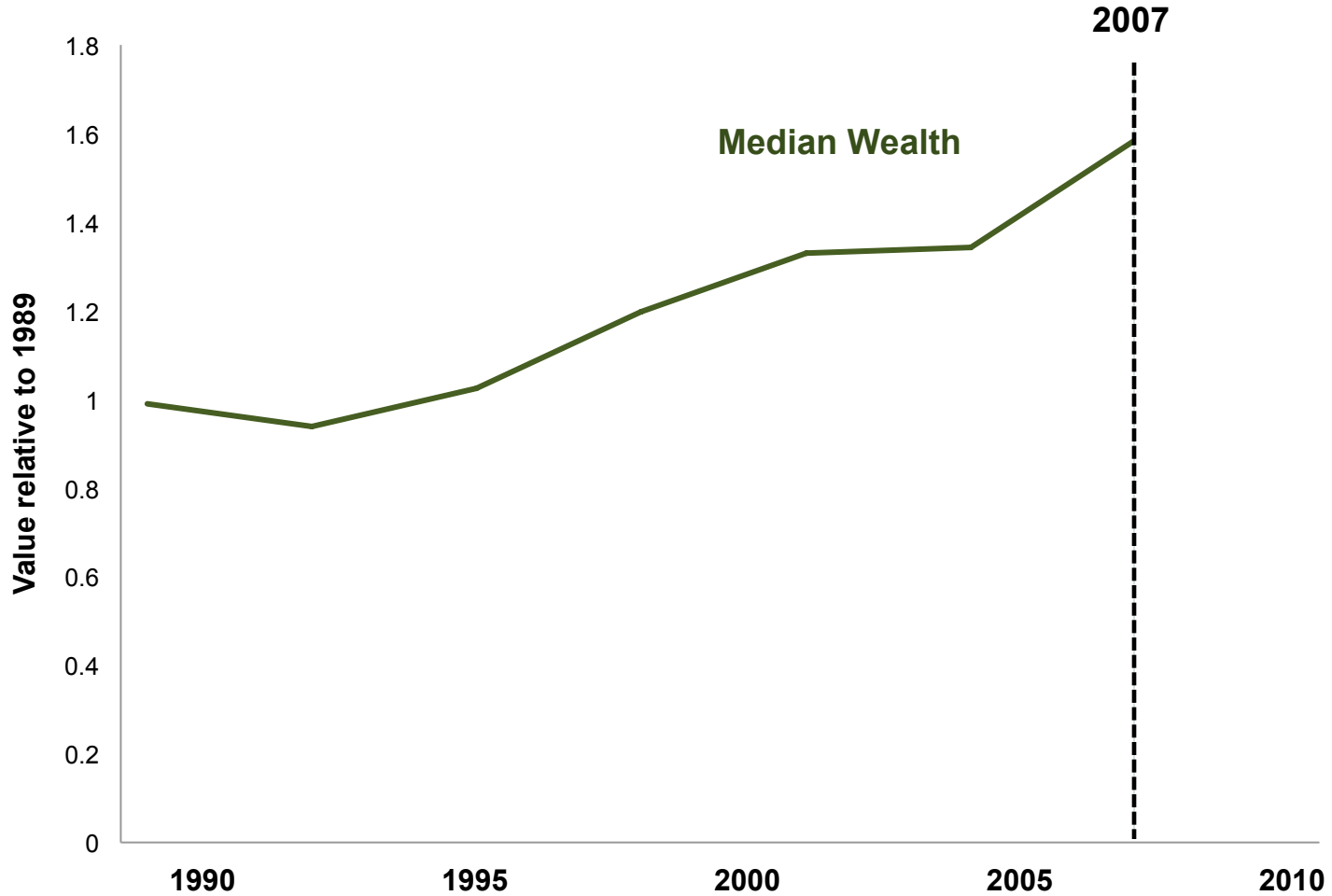
Americans Who Left
the Bottom Had

6x Higher
Savings

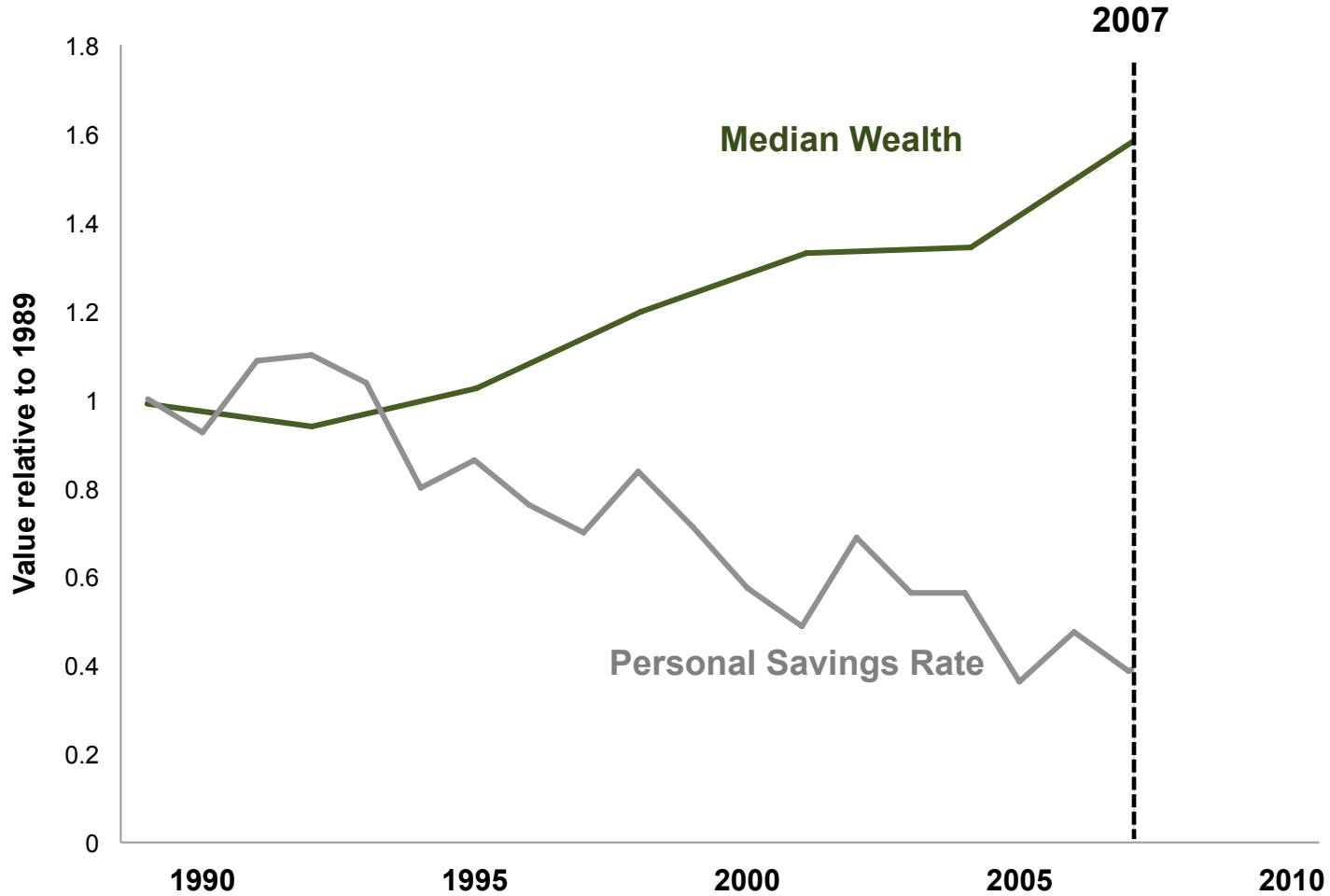
8x Higher
Wealth

Than Those Who Remained Stuck
at the Bottom

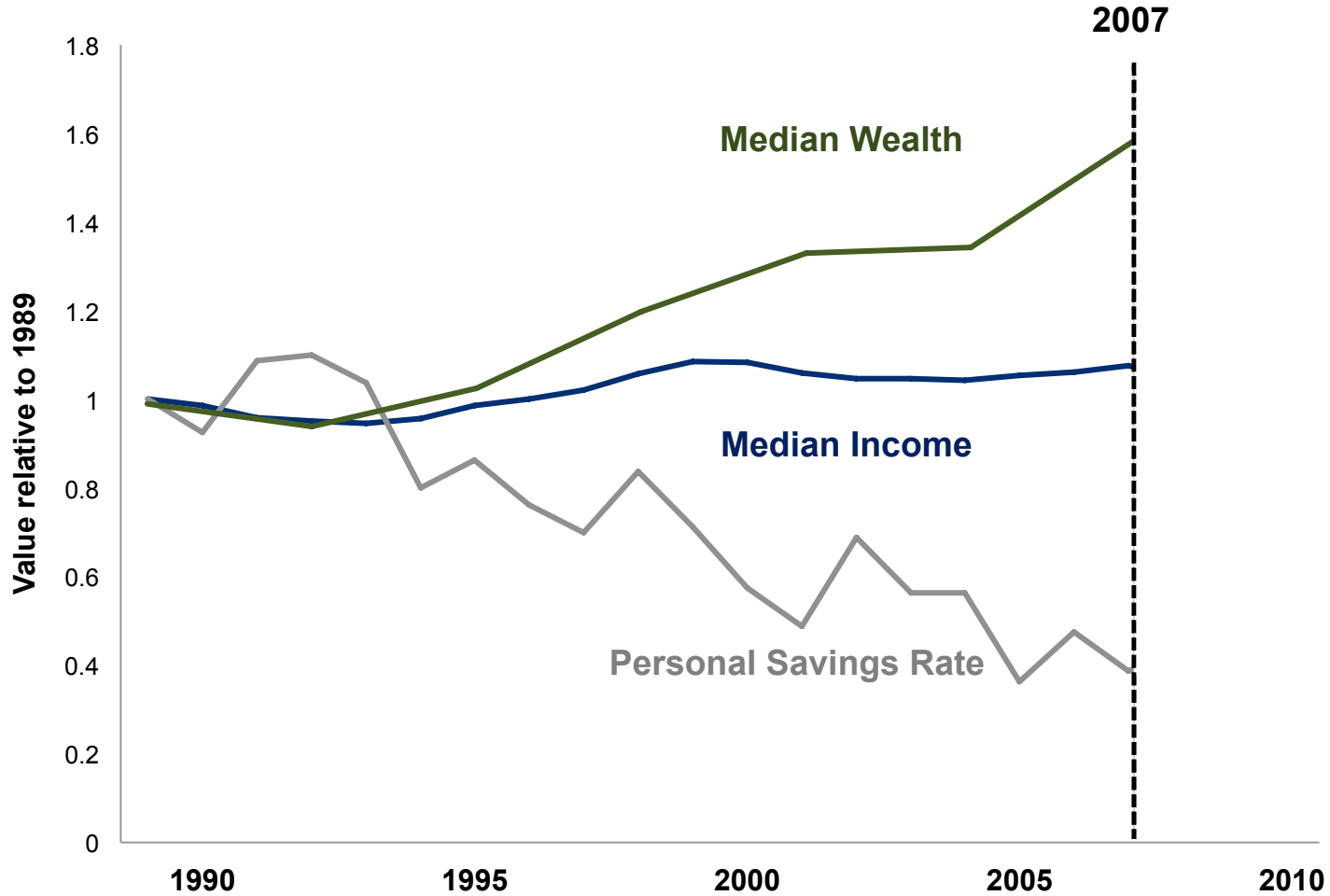
Household Wealth, Income, and Savings Rate, 1989-2010



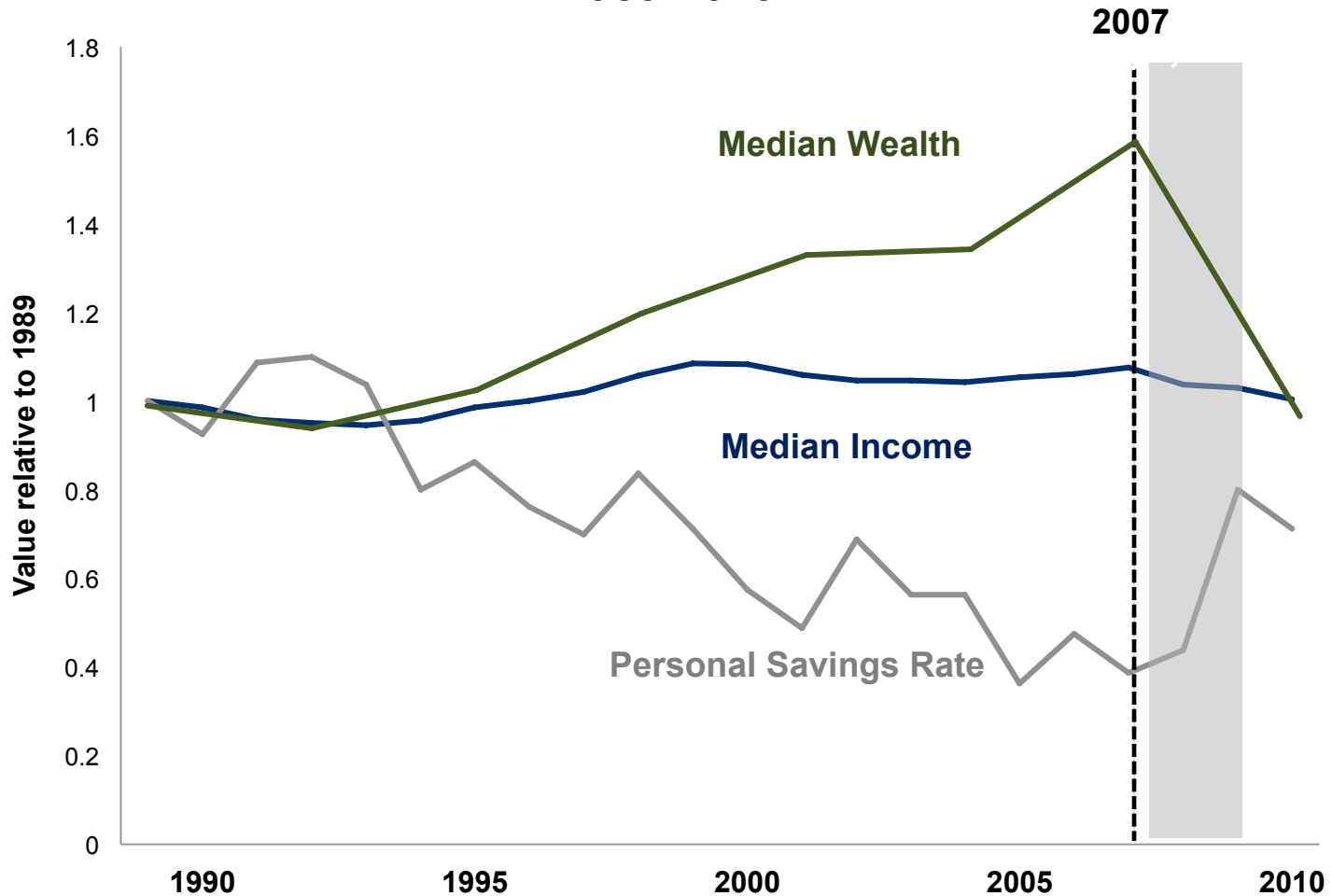
Household Wealth, Income, and Savings Rate, 1989-2010



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Household Wealth, Income, and Savings Rate, 1989-2010



Retirement Security

Households with no
dedicated savings:

50%

Median value for
households with
savings:

\$44,000

Full-time employees
without access to a
work savings plan:

42%



Hard Choices: Navigating the Economic Shock of Unemployment

- Institute on Assets and Social Policy at Brandeis University
- Uses both survey data from families over time and interviews with families who experienced unemployment between 1998 and 2010
- GOAL: understand the effects of unemployment on income and wealth

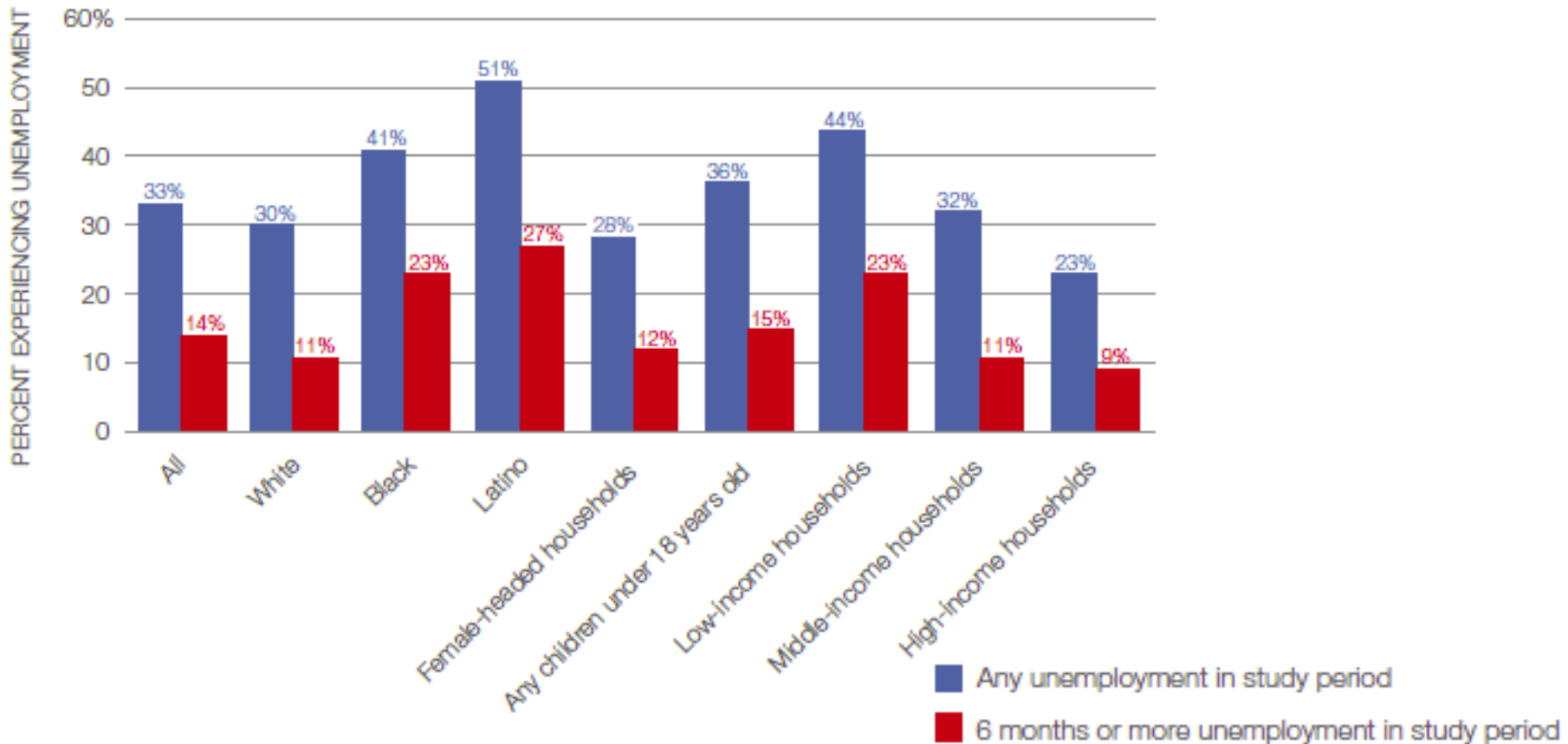


Key Findings

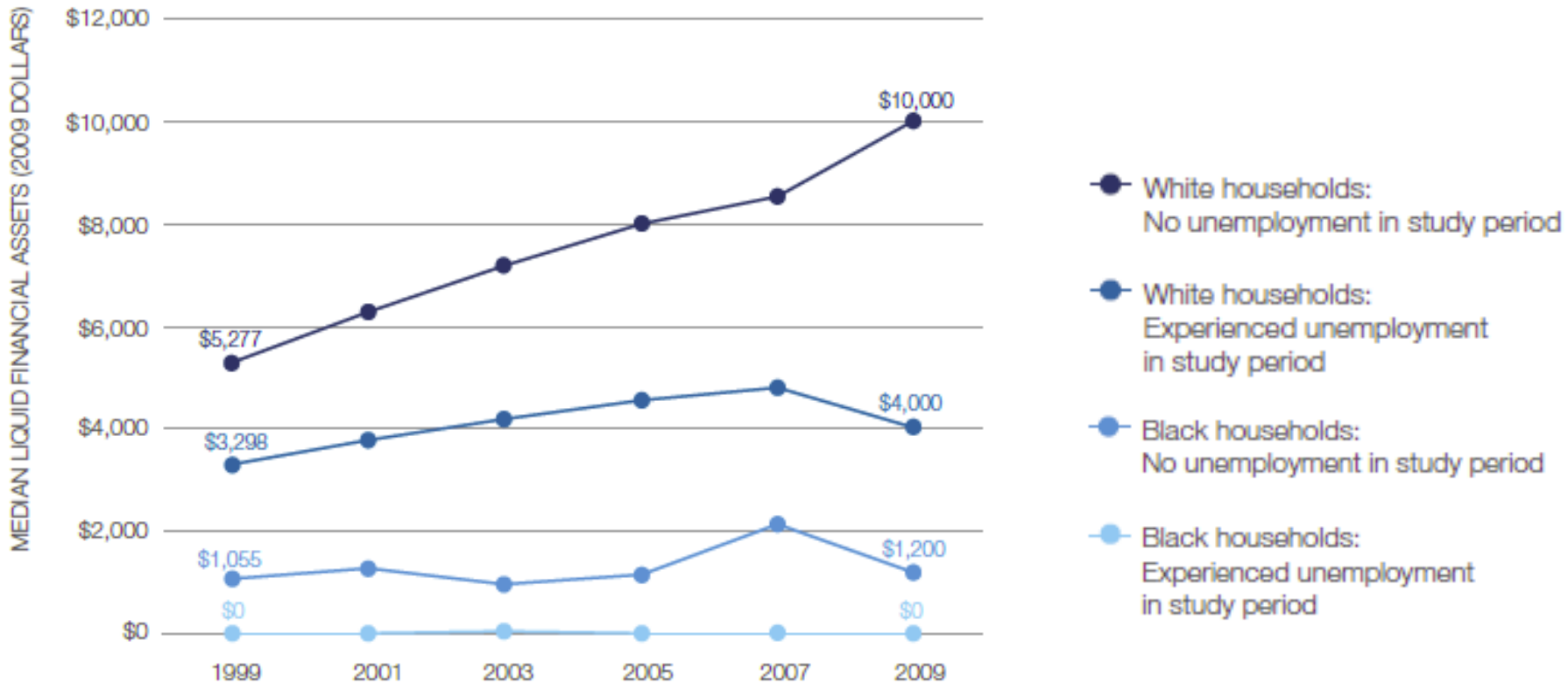
- Families of color and low-income families were most likely to experience unemployment and least likely to have access to wealth resources to buffer the shock
- Families had to patch together a host of resources to weather a period of unemployment, but those with the least assets and wealth had to make difficult trade-offs between economic security and economic mobility

Likelihood of Unemployment Differs by Family Type

1999-2009



Black Households Had No Assets to Fall Back On

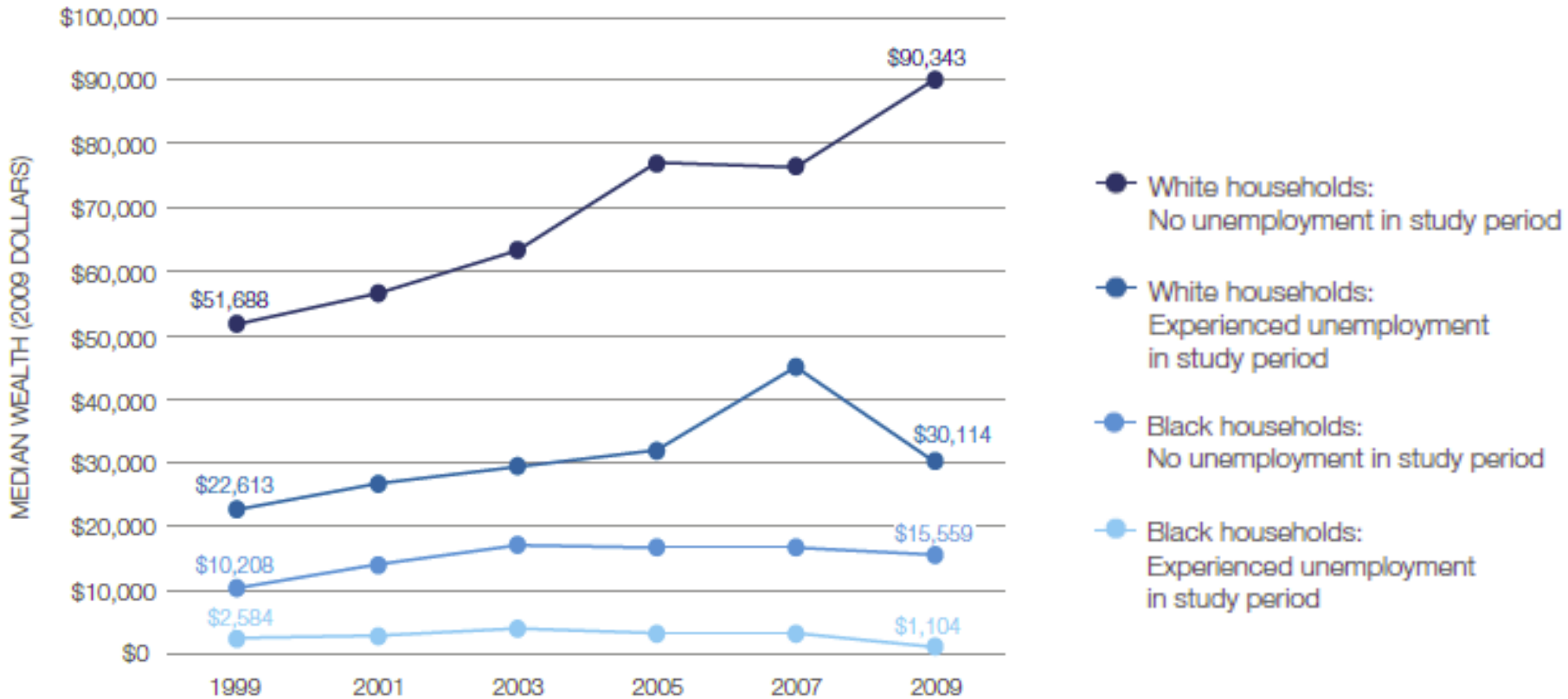




Negotiating Income Drops Caused by Unemployment

- To weather shocks, families:
 - Drew down assets reserved for other uses (retirement, college education)
 - Leaned on family and friend networks
 - Used credit, debt, and loans
 - Accessed institutional resources
- In some cases, the hard choices families had to make to sustain their short-term economic security jeopardized their long-term economic mobility
- Institutional supports are not always enough, and force families to deal with “cliff effects” when they exit programs

White Households Had Higher Median Wealth Than Black Households





Policy Implications

- Increase Personal Savings
 - Expand prize-linked savings and child savings accounts
 - Remove asset limits in public assistance programs
 - Adjust tax incentives so they reach low- and moderate-income households
- Reduce Debt
 - Student loans/college cost containment
- Build Wealth
 - Retirement savings
 - Homeownership
- Protect consumers
 - Disclose fees in checking accounts, prepaid cards, and other financial products
 - Regulate payday loans

