CONNECTICUT VOICES FOR CHILDREN

Connecticut Family Assets Scorecard: Executive Summary

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Introduction: Steering Families Toward Ladders of Success

Connecticut is a state of great wealth, but also great wealth inequality. Many families in the wealthiest state in the wealthiest country of the world are struggling to make ends meet. On the economic boardgame of life, too many families fall into chutes that erode family wealth. While Connecticut provides many ladders that families can use to move towards economic security, it needs to do more both to encourage family asset development, and to protect those assets.

In 2003, eight percent of Connecticut residents (and eleven percent of children) were *income poor*, living in households with incomes below the federal poverty level.[1] The *Self Sufficiency Standard for Connecticut*, first developed in 1999 for the Office of Policy and Management and updated in 2005, looks at the actual income needed to support families in Connecticut – the amount of money needed to meet essential needs each month.[2] Based on both family composition and costs in twelve distinct regions in Connecticut, the self sufficiency standard typically corresponds to approximately *double* the federal poverty threshold. Based on this metric, about 20% of Connecticut residents are below the state's self-sufficiency standard.

These income measures give only a very general sense of a family's ability to build wealth – those with greater incomes are clearly more able to build wealth than are those with smaller incomes. We need to look at different information to assess the ability of families to move towards asset self-sufficiency. Nearly one in five (19%) Connecticut families are "asset poor," i.e., lacking sufficient net worth to subsist at the federal poverty level for even three months without income. Families with assets – in the form of home equity, small business ownership, advanced education, savings – are better able to weather economic storms that emerge unexpectedly. When confronted with economic disruptions -- from illness, divorce, or unemployment -- families without assets can find themselves in "chutes" that carry them – and their hopes for future prosperity – into the economic basement. Importantly, families with assets also have greater hope for the future, and can share their assets with generations who follow.

Notably, Connecticut's minority populations face even greater *asset inequality* than they do *income inequality*. Data reported below show Connecticut falling in the bottom half of all states on three critical measures of asset well-being by race and ethnicity: homeownership by race, asset poverty by race, and asset inequality by race. Connecticut's policies need to do more to deliberately target low income families of all races, helping them on the path to future prosperity.

This executive summary highlights Connecticut's 'asset outcomes' -- ranking Connecticut's performance on asset development, accumulation, distribution, and protection. A full version of the report, done in partnership with the Corporation for Enterprise Development (CFED), is available at www.ctkidslink.org.

[1] US Census Bureau, *American Community Survey, 2003*.
[2] Diana Pierce, *Self-Sufficiency Standard for Connecticut* (Office of Policy and Management, 1999), and Diana Pierce, *The Real Cost of Living in 2005: The Self Sufficiency Standard for Connecticut* (Office of Workforce Competitiveness, State of Connecticut, 2005).

New Haven Office: 33 Whitney Avenue • New Haven CT 06510 • Phone: 203.498.4240 • Fax: 203.498.4242
Hartford Office: 53 Oak Street, Suite 15 • Hartford CT 06106 • Phone: 860.548.1661 • Fax: 860.548.1783
Web Site: www.ctkidslink.org
E-mail: voices@ctkidslink.org

Connecticut's Overall Grades

On overall statewide measures of assets, Connecticut ranks well compared to other states.

- **Connecticut ranks second among states in the net worth of its households.** Connecticut's median household net worth ($121,525) ranked second only to Massachusetts.
- **Connecticut ranks among the top states on important educational measures**, including reading proficiency among fourth graders (1st), math proficiency among fourth graders (4th) and adults with four years of college (8th).

Connecticut's Asset Performance Outcome, Measure by Measure

Connecticut's statewide rankings mask serious disparities by race, income, and gender. Indeed, of the 31 outcome measures, Connecticut scores in the bottom half on 12 of them.

- **Nearly 1 in 5 Connecticut households are "asset poor."** That is, if family income is interrupted (e.g., by a layoff), they lack adequate savings or other assets to provide a three-month cushion, even if they scale back expenses to live at the federal poverty level. In 2003, three times as many Connecticut households were asset poor (19%) as were income poor (6.4%). Twenty-eight states outperform Connecticut on this measure.
- **On many measures of family assets, Connecticut's minority population fares less well than White families in the state**. White households at the median in Connecticut are *28 times more wealthy* than are minority households at the median. Over four in ten (43%) of minorities are asset poor in Connecticut. On equality in home ownership by race, Connecticut ranks 43rd best. On measures of asset poverty by race and asset inequality by race, the state ranks 28th out of 30 states with available data.
- **Households headed by women in Connecticut tend to have fewer assets than those headed by men**. Female-headed households are more likely to be asset poor than households headed by men (Connecticut ranks 29th on asset poverty by gender), and women are less likely to be homeowners than men (the state ranks 31st on homeownership equality by gender).

Connecticut's rankings on key business development outcomes also lag many other states' rankings. Understanding that business ownership is not only a way for a family to build assets, but also for Connecticut to grow new jobs, Connecticut's rankings on two measures of business development outcomes are of particular concern:

- **Connecticut ranks in the bottom half of all states and the District of Columbia on small business ownership rate.** Connecticut ranks 27th on CFED's measure of small business ownership. Given that much of Connecticut's *new* job growth is coming from its small businesses, this ranking is of particular concern.
- **Connecticut ranks *last* among all states and the District of Columbia on private loans to small businesses.** Perhaps associated with Connecticut's relatively low ranking on small business ownership is its dead-last ranking on private loans to small businesses. Without access to capital to start-up or expand a small business, it is hard for Connecticut families with an entrepreneurial idea to create a business. By comparison, small businesses in the top-ranking state (Alaska) have access to more than three times the private capital per worker than do Connecticut's small businesses.

Conclusion

For many families, Connecticut has proven to be a state in which they could build considerable wealth. However, as this summary has shown, Connecticut's "ladders" to asset growth and fiscal stability are not equally available to all Connecticut families though its families and communities would be strengthened if *all* families could move along the path to economic security.

This will require the adoption and funding of a set of policies and programs specifically designed to help families build and protect family assets. Such policies can include a state level earned income tax credit, a housing trust fund, greater access to health insurance and quality affordable health care, superb and affordable educational programs from birth through higher education, and greater financial assistance for small business development for residents with a great new idea. However, until such policies and programs are pursued in earnest, Connecticut will continue to be not only a state of great wealth, but also a state with great pockets of need.