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Meager Assets Jeopardize the Financial Security of Many Connecticut Families

CT group calls for policies to help families build assets as key to economic strength and quality of life in state

While Connecticut ranks among the top states on measures on net family worth and educational achievement, disparities in family assets on the basis of race, income, and gender threaten Connecticut's economic strength and quality of life, according to a report released today. In response to the report's findings, Connecticut Voices for Children, a research-based child advocacy organization, called for initiatives to help families build greater assets (and protect the assets they already have), including an increased investment in building affordable housing, savings incentives, more expansive health insurance coverage and more affordable health care, and a state-level earned income tax credit that would enable low-wage families to begin to save.

The Connecticut report, *Family Assets Scorecard 2005* was released today by Connecticut Voices for Children, in partnership with CFED, a Washington DC-based organization that works to expand economic opportunities. The Connecticut data is drawn from CFED's national *Assets and Opportunity Scorecard*, which measures the financial security of families in the United States by looking beyond family income to a more complete family financial picture that includes level of savings, investments, home equity, and protections against financial setbacks. The Scorecard ranks the 50 states and the District of Columbia on their performance on 31 asset measures in the general areas of financial security, business development, homeownership, health care, and education.

The Connecticut report argues that families with assets – in the form of home equity, small business ownership, advanced education, savings – are better able to weather economic crises that emerge unexpectedly. When confronted with economic disruptions from illness, divorce, or unemployment, families *without* assets can find their hopes for future prosperity dashed.

“Family assets are central to our quality of life in Connecticut,” said Shelley Geballe, President of Connecticut Voices for Children. “To keep Connecticut an economically strong and desirable place to live, we need to ensure that families not only can accumulate adequate assets to protect against sudden economic ruin, but also build a secure and hopeful future for their children.”

Among the highlights of the report's findings:

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).

However, these 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 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 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.

Connecticut Voices for Children will follow up on this report with a series of issue briefs exploring options to help families build assets. Some examples of potentially effective asset-building initiatives include:

- A housing trust fund that provides incentives for the creation of affordable housing;
- Individual development accounts (IDAs), in which low income workers save for an asset investment such as a home, post-secondary education, or small business, through savings matched by state or local governments, private sector organizations, or individuals;
- Creating a state-level earned income tax credit that would enable low-wage workers to move out of poverty and save more of their income; and
- Expanded eligibility for health insurance and greater access to quality affordable health care to reduce out-of-pocket health care costs that are a primary cause for personal bankruptcies.

The report is released as the Connecticut General Assembly considers legislation that would create a housing trust fund (HB 6785), restore eligibility for the state's HUSKY health insurance to low-wage working parents (to 150% of the federal poverty level), and set aside state funding for individual development accounts.

“For the sake of our children’s future, we can’t afford to leave thousands of families living on the financial edge, one paycheck or crisis away from poverty and homelessness,” said Doug Hall, Associate Research Director at Connecticut Voices for Children and author of the Connecticut report. “Improving the affordability of housing and health care would help families to build up their assets and cover the gap between their wages and our high cost of living, allowing them to begin to safe toward a more secure, and hopeful, future.”

Connecticut Voices for Children is a research-based policy and advocacy organization committed to promoting leadership, policy change, and investment on behalf of all of Connecticut’s children and youth. For more information on Connecticut Voices, or to read Voices’ report, *Family Assets Scorecard 2005*, see www.ctkidslink.org. For more information on CFED and national comparison data, see www.cfed.org/go/scorecard.

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