SENATE OFFICE OF RESEARCH

Leonor Ehling, Director

January 17, 2013

MEMORANDUM

TO: Senator Carol Liu
Attn: Andrea Lane

FROM: Daphne Hunt

SUBJECT: Gender-Responsive Asset-Building Strategies: Considerations for State Policy and Programs

You asked the Senate Office of Research to provide an overview of promising state policy options for gender-responsive asset-building strategies focusing on women. This memo contains a brief overview of asset development as an approach to alleviating poverty, describes the applicability of this approach to addressing low- and moderate-income women's financial security, and then highlights a set of related policy considerations. Additional asset-development considerations for various life stages and populations are discussed in an appendix.

EXECUTIVE SUMMARY

Policies aimed at assisting the poor and lifting them out of poverty often focus on providing cash aid and other supports in order to boost individual and household income. However, researchers and practitioners are increasingly recognizing the importance of developing "assets": resources that can promote individual and family

self-sufficiency, economic mobility, and well-being. Assets can include savings, education and training, homeownership, good health, and many other factors.

Women, in particular, may benefit from policies aimed at protecting and increasing their assets. While women earn 78 cents for every dollar men earn, they accumulate even less wealth: approximately 36 cents for every dollar of wealth men possess. Moreover, women are more likely to experience poverty in old age, and experiences of poverty over the course of their lifetime only increase these chances. Combining this fact with what is known about the impact of childhood poverty on children's educational outcomes and their experiences of poverty in adulthood, policies designed to reduce poverty and increase assets might do well to address various vulnerabilities to financial security over the course of individuals' lifetimes.

Possible state-level asset-development policy considerations for California include:

- Further integrating financial education into delivery of programs like CalWORKs and Head Start, tailoring financial education (for example, for the parents of Head Start participants) to meet the needs and address the barriers of particular populations, and supplementing financial education with related supports, like job coaching;

- Providing a state Earned Income Tax Credit (EITC), further promoting the federal EITC, and creating accessible options for individuals to place their tax refunds into savings;

- Funding matched savings accounts, like Individual Development Accounts (IDAs), with state dollars, and involving stakeholders in a study of current IDA programs and the development of a set of ideals and/or standards for IDA programs that are better suited to meet the needs of low-income women and families;

- Imposing an interest rate cap of 36 percent annual percentage rate (APR) or less on payday loans, and requiring lenders and brokers to report consumer loan data to the state;

- Eliminating the asset limits for CalWORKs;

- Providing more outreach and education efforts to raise awareness of the state Paid Family Leave (PFL) program, increasing PFL wage replacement levels, and broadening the PFL to include care of parents-in-law, grandparents, grandchildren, and siblings; and

- Establishing a system for tracking cycles of poverty experienced by Californians across generations as a means towards developing services and supports that better serve low- and moderate-income individuals and families.

By adopting various policies aimed at increasing the wealth and developing the assets of women, the state may be able to provide tools and supports that individuals can access to help them leave and/or avoid poverty as different events over the course of their lifetimes expose them to financial insecurity.

INTRODUCTION

At the state and federal level, policies aimed at assisting the poor and alleviating poverty often involve supplementing income in a variety of ways. Direct cash assistance comes from sources like traditional welfare payments[1] and Social Security. Other basic needs are met through services and supports such as food stamps,[2] a variety of housing assistance programs, and Medicaid,[3] to name a few. Some targeting of poverty also takes place through the tax system, with the federal Earned Income Tax Credit (EITC), a refundable tax credit available to low-income households.

Yet, in recent decades, scholars and others have come to question the sufficiency of anti-poverty policies that are strictly income-based (or based on providing the services and supports that low-income individuals and families do not have the income to purchase). Income itself may not be sufficient for lifting individuals and families out of poverty; savings, retirement accounts, homeownership, investments, and other services and supports can also play an important role in achieving—and maintaining—financial stability.[4] In his 1991 book, *Assets and the Poor: A New American Welfare Policy*,

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[1] Temporary Assistance for Needy Families (TANF) at the federal level, California Work Opportunity and Responsibility to Kids (CalWORKs) at the state level.

[2] Supplemental Nutritional Assistance Program (SNAP) at the federal level, CalFresh at the state level.

[3] Called Medi-Cal in California.

[4] Michael Sherraden (Editor), *Inclusion in the American Dream: Assets, Poverty, and Public Policy* (New York: Oxford University Press, 2005).

Washington University professor Michael Sherraden proposed a model of social welfare based on assets.[5] These are resources that can promote individual and family self-sufficiency, economic mobility, and well-being, and can include savings, education and training, homeownership, good health, and many other factors—some of which are more "financial" (e.g., a retirement account) than others (e.g., a college education). Sherraden, a leader in asset-building research, argued that asset holdings not only allow individuals and families to consume more, but they also generate other positive economic, psychological, and social benefits, including improved household stability, heightened orientation toward the future, and enhanced welfare of children.[6]

Sherraden stated that the non-poor benefit from existing structures of asset accumulation from all major sources of financial support (employment, government, existing assets, and family), while the poor largely do not. (Examples include employer-provided retirement accounts, mortgage interest tax write-offs, interest on capital gains, family inheritance, and many other sources of assets.) He argued that, by augmenting the current welfare/anti-poverty model with assets from governmental sources, "a structure of asset accumulation would be established, and a portion of government transfers would be in the form of assets rather than income."[7] That is, government could focus some resources, supports, and services on facilitating savings and the accumulation of assets for low-income individuals.

While Sherraden's work focused largely on the policy option of matched savings accounts called Individual Development Accounts (IDAs, described in further detail later), his framework and objectives apply to a much broader array of asset-development policy options. As examined in this memo, many of these policy options hold the potential to help move women out of poverty.

[5] Michael Sherraden, *Assets and the Poor: A New American Welfare Policy* (New York: M.E. Sharpe, Inc., 1991).

[6] Ibid.

[7] Ibid., p. 179–180.

ASSET-BUILDING STRATEGIES AND WOMEN

Poverty occurs among women at greater rates than among men. In 2011 the poverty threshold used by the U.S. Census Bureau was $11,484 for one person and $18,123 for a family of three that included two children under the age of 18.[8] At that time, the percentage of adult women in the United States living in poverty was 14.6 percent, compared to 10.9 percent for men.[9] In California, these rates were approximately 15.9 percent for women and 13 percent for men.[10]

One factor contributing to this disparity has to do with family composition: households with only one head or wage-earner on average bring in less income. Women-headed single-parent households, in particular, face high rates of poverty: U.S. Census estimates from 2011 place the percentage of Californians living in families headed by single mothers that have incomes below 100 percent of the poverty threshold at 41.6 percent.[11] Another contributing factor is that women, on average, earn less than men. The existence of a wage gap between women and men is well-known; in 2010 women in the United States were reported as making 78 percent of what men made.[12]

Aside from family composition and wage trends, other factors, such as poor health status, lack of social supports, and limited access to education, training, and jobs, all play a role in exposing women to poverty. Over the course of a woman's lifetime, she may face multiple vulnerabilities across this spectrum of factors. Some scholars have made the argument that poverty prevention thus requires a developmental framework

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[8] United States Census Bureau, "Poverty," www.census.gov/hhes/www/poverty/data/threshld/index.html. The poverty threshold used by the U.S. Census Bureau differs slightly from the Federal Poverty Level (FPL) which, in 2011, was $10,890 for an individual and $18,530 for a family of three; U.S. Department of Health and Human Services, "The 2011 HHS Poverty Guidelines," aspe.hhs.gov/poverty/11poverty.shtml.

[9] National Women's Law Center, "Summary Table: Poverty Rates Among Women, Men, and Children 2011, 2010, 2000," September 2012.

[10] Author's calculations using the 2011 American Community Survey 1-Year Estimates, Table B17001.

[11] United States Census Bureau, "POV46. Poverty by State," www.census.gov/hhes/www/cpstables/032012/pov/POV46_001_100125.htm.

[12] Based on comparison of median annual earnings. Mariko Lin Chang, *Shortchanged: Why Women Have Less Wealth and What Can Be Done About It*," (New York: Oxford University Press, 2010).

that takes into account the life experiences of women, and the various junctures at which barriers might be removed and supports provided.[13]

Researchers affiliated with the Institute for Women's Policy Research (IWPR) looked at the changing economic status of white and African American women over an almost-35-year period, the factors associated with poverty, the degree to which poverty in old age is correlated with experiences of poverty over the life cycle, and the income sources most vital to women during retirement years. They found that becoming widowed, leaving the labor force, and experiencing declines in health all contributed to women's poverty in old age. Social Security, other pension income, and having some form of income-generating employment during retirement years helped keep many women out of poverty. Regarding life cycle impacts, the researchers stated that:

> "Analysis of the relationship between old-age poverty and the past history of poverty shows that both white and African-American women who are poor in their retirement are significantly more likely to have encountered poverty prior to retirement than women who are not poor in old age. Yet, nearly two-thirds of white women who are poor in their old age have not been poor in the earlier years examined, demonstrating an increasing risk or a newly emerging risk of poverty for many white women during retirement. Given substantially higher prevalence of poverty among African-American women over the earlier life course, old-age poverty for them represents more of persisting life cycle disadvantages compared with white women."[14]

The authors acknowledged that circumstances are different for younger generations of women. Younger women often have higher levels of education and more continuous work experiences; however, they still face a gender wage gap as well as interruptions in employment due to caregiving responsibilities for children and other family members. They also face much different marriage patterns than earlier generations of women, with high rates of divorce, remarriage, and never marrying. This places even greater importance on women's ability to earn income in the present, and contribute to savings for retirement in the future. The researchers highlight that, while possibly for different

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[13] Sunhwa Lee and L. Shaw, "From Work to Retirement: Tracking Changes in Women's Poverty Status," AARP Public Policy Institute, February 2008.

[14] Ibid., p. iii.

reasons, both younger and older generations of women require more savings to avoid poverty.

And it is this emphasis on savings to which the assets-development framework points. While the wage gap between women and men is well-recognized (with women earning 78 percent of what men earn), what is less recognized is the *wealth* gap: in 2010, women were found to only own slightly over one-third (36 percent) as much wealth[15] as men. This disparity is even larger when considering race and ethnicity. A 2010 report found that single black women had a median wealth of $100 and single Hispanic women had a median wealth of $120, while that of single white women was $41,500. Almost half of all single black and Hispanic women were found to have no wealth, or to have debt that exceeded their wealth.[16]

By adopting various policies aimed at increasing the wealth and developing the assets of women, the state may be able to provide tools and supports that individuals can access to help them leave and/or avoid poverty as different events over the course of their lifetimes expose them to financial insecurity. The following section highlights some options.

POTENTIAL NEAR-TERM STATE-LEVEL POLICY OPTIONS

This memo takes the broad view that "assets" can include myriad services and supports, extending beyond financial holdings, that can contribute to individual and household financial security, including but not limited to education and training, housing, health status, public benefits, social supports, and more. However, when describing potential approaches below, this memo does not provide an exhaustive list, but instead focuses on some targeted policies and programs that the state could adopt in the near-term that may facilitate women leaving, or avoiding, poverty. In doing so, it omits additional options potentially available to the state in areas such as workforce development, housing, and health care. Promising policies in these areas may exist, but were outside the scope of this review. Moreover, the approach suggested in this memo

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[15] "Wealth" consists of a the total value of an individual's financial assets (such as savings, stocks, bonds, retirement accounts) and nonfinancial assets (including real estate, the market value of owned businesses, and the like) minus his/her debt (credit card debt, mortgages, student loan debt).

[16] Mariko Chang and M. Lui, "Lifting as We Climb: Women of Color, Wealth, and America's Future," Insight Center for Community Economic Development, Spring 2010, p. 3.

is not one of "women-only," but "women-focused" policies; many men also face financial insecurity and the policies suggested herein could also benefit them.

Providing financial literacy and education through social service delivery

Financial literacy and education programs have been shown to increase financial knowledge, which in turn improves financial behavior.[17] Higher levels of savings, use of bank accounts, avoidance of predatory lending, and improved credit behavior are all possible outcomes.[18] It has also been found that low-income and less-educated households are more likely than other households to make mistakes with personal finance decisions,[19] and individuals and families living in low-income areas may be subjected to more exploitative market practices, such as pay-day lending, than those living in higher-income areas.[20]

Women may benefit in particular from financial education. In 2009, the U.S. Department of the Treasury consulted with a company to provide the first comprehensive nationwide study of adults' financial capability in the United States.[21] This study looked at four dimensions: making ends meet, planning ahead, managing financial products, and financial knowledge and decision making. Regarding this last dimension of financial knowledge and decision making, the report found that "women, those with low education, African-Americans and Hispanics were less likely to correctly answer the financial literacy questions."[22]

Of course, financial education can run the gamut from learning how to open a bank account, balance a checkbook, and build credit, to understanding interest rates and

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[17] Matthew Martin, "A Literature Review on the Effectiveness of Financial Education," Federal Reserve Bank of Richmond Working Paper No. 07–03, June 15, 2007.

[18] J. Michael Collins, "Effects of Mandatory Financial Education on Low-Income Clients," *Focus*, vol. 27, no. 1, 2010; Anne Stuhldreher, "A Financial Jump Start for CalWORKs Recipients: Financial Management Training as an Allowable Work Activity," New America Foundation Asset Building Program, 2006.

[19] Matthew Martin, "A Literature Review on the Effectiveness of Financial Education," Federal Reserve Bank of Richmond Working Paper No. 07–03, June 15, 2007.

[20] "Asset Building and Financial Literacy Fact Sheet," Women in Government's Family Economic Success Policy Resource Center, June 2009.

[21] FINRA Investor Education Foundation, "Financial Capability in the United States: National Survey—Executive Summary," December 2009.

[22] Ibid., p. 19.

stocks and bonds. Services could also include job coaching, career planning, and specialized workshops on topics like salary negotiation. Education would need to be tailored to the needs of the individuals being served. One way in which financial education might be successfully tailored to target the needs of lower-income women could be to more consistently provide financial education during social service delivery, particularly in locations and/or programs where such women make up the majority of the population.

From 2001 to 2003, Illinois implemented and evaluated a financial education model that involved the Illinois Department of Human Services (IDHS) partnering with a statewide coalition called Financial Links for Low-Income People (FLLIP) that was composed of banks, advocates, government agencies, adult educators, private industry, and others.[23] Part of this initiative involved working with the University of Illinois Extension to develop FLLIP financial education curriculum; one review of the program highlighted the target nature of this curriculum, stating that:

> "Most participants can easily understand the materials because they are written at a fifth grade literacy level, lower than most similar curricula. The public benefits chapter, which advises participants of benefits for which they might be eligible and related resource-counting rules, is not found in most similar curricula. The FLLIP curriculum also includes important information about employee benefits, insurance, tax issues, and money traps (high cost lending by fringe financial institutions), that are not always included in similar curricula."[24]

This curriculum was offered through a free 12-hour course offered by participating nonprofit organizations; individuals—including low-income workers and those receiving public benefits—were eligible to participate if they were at or below

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[23] Dory Rand, "Asset Initiatives in Illinois: An Overview," Sargent Shriver National Center on Poverty Law, 2006; Dory Rand, "Financial Education and Asset Building Programs for Welfare Recipients and Low Income Workers: The Illinois Experience," The Brookings Institution Center on Urban and Metropolitan Policy, April 2004; Min Zhan, "Evaluation of Financial Links for Low-Income People (FLLIP) in Illinois," School of Social Work, University of Illinois at Urbana-Champaign, 2005.

[24] Dory Rand, "Financial Education and Asset Building Programs for Welfare Recipients and Low Income Workers: The Illinois Experience," The Brookings Institution Center on Urban and Metropolitan Policy, April 2004, p. 8–9.

200 percent of the Federal Poverty Level.[25] As part of the FLLIP initiative, Illinois became the first state to recognize participation in the financial education classes as a TANF work activity.[26] IDHS was the biggest source of referrals to the education program and approximately one-third of participants were TANF recipients.[27] While the program faced recruitment and retention challenges, evaluation results showed that graduates improved financial management, and increased knowledge, savings, and assets.[28]

Another possible avenue for offering financial education could be through Head Start.[29] A pilot program in Wisconsin, "Money $mart in Head Start," offered financial-topic newsletters, financial education workshops, and financial coaching to Head Start parents.[30] Of the more than 500 respondents to a survey of participants, 92 percent were women.[31] Some preliminary results of the impacts of the program over the 2010–11 school year indicated improved participant confidence in their ability to save money, feel in control of their finances, and handle a financial emergency.[32]

California may wish to further integrate financial education into social service delivery of programs like CalWORKs and Head Start. AB 2466 (Daucher), Chapter 781, Statutes of 2006, made "financial management education" an allowable work activity for CalWORKs. However, counties are not mandated to provide such education to clients, nor does a consistent curriculum appear to exist. **Some options for facilitating integration of financial education could include: creating/accessing partnerships such as those in Illinois, developing statewide curriculum that is**

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[25] Min Zhan, "Evaluation of Financial Links for Low-Income People (FLLIP) in Illinois," School of Social Work, University of Illinois at Urbana-Champaign, 2005.

[26] Dory Rand, "Asset Initiatives in Illinois: An Overview," Sargent Shriver National Center on Poverty Law, 2006.

[27] Dory Rand, "Financial Education and Asset Building Programs for Welfare Recipients and Low Income Workers: The Illinois Experience," The Brookings Institution Center on Urban and Metropolitan Policy, April 2004, p. 9–10 and 12.

[28] Dory Rand, "Asset Initiatives in Illinois: An Overview," Sargent Shriver National Center on Poverty Law, 2006.

[29] Head Start is a federal program that provides funding to public and private agencies to provide child development services to low-income children and families.

[30] Peggy Olive, C. O'Rourke, and J.M. Collins, "Money $mart in Head Start: Financial Education and Outreach with Head Start Families," CFS Issue Brief 2011-6.2, Center for Financial Security, University of Wisconsin—Madison.

[31] Ibid., p. 4.

[32] Ibid., p. 6.

targeted toward low-income individuals and their needs, encouraging or mandating the availability of this curriculum and accompanying education in various social services programs, and encouraging or mandating the availability of job coaching services.

Approaching asset development through the tax system

The Earned Income Tax Credit (EITC) is now the largest federal-level cash-transfer program for low-income families.[33] EITC operates by offering a refundable tax credit to low-income individuals and families that phases in, plateaus, and phases out: that is, the tax credit increases up to a certain income, then stays the same as income increases to a certain point, after which the credit phases out as income increases even further. (For 2012, the phase-out for a family with two children begins at an annual household income of $17,090 and ends at $41,952.[34]) While some individuals without children may claim the credit, it is largely geared toward working parents.[35] Thus, aside from providing a source of income, EITC also incentivizes work, particularly among single mothers. As one review observed, "in the EITC literature, the studies suggest a strong positive relationship between the EITC and employment rates of single women with children."[36]

By both encouraging work and providing supplementary income, EITC is considered by many to be one of the best currently available programs to fight poverty.[37] Additionally, EITC can also function as an asset-development tool. Recent research has

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[33] Hilary Hoynes, "The Earned Income Tax Credit, Welfare Reform, and the Employment of Low-Skilled Single Mothers," paper prepared for Chicago Federal Reserve Bank of Chicago Conference on "Strategies for Improving Economic Mobility of Workers," November 15–16, 2007. Revised Draft, August 22, 2008.

[34] Both ends of the phase-out are $5,210 higher for married parents filing jointly. Urban Institute and Brookings Institution Tax Policy Center, "Tax Facts: Historical EITC Parameters," www.taxpolicycenter.org/taxfacts/displayafact.cfm?DocID=36&Topic2id=40&Topic3id=42.

[35] IRS, "EITC, Earned Income Tax Credit, Questions and Answers," www.irs.gov/Individuals/EITC,-Earned-Income-Tax-Credit,-Questions-and-Answers.

[36] Hilary Hoynes, "The Earned Income Tax Credit, Welfare Reform, and the Employment of Low-Skilled Single Mothers," paper prepared for Chicago Federal Reserve Bank of Chicago Conference on "Strategies for Improving Economic Mobility of Workers," November 15–16, 2007. Revised Draft, August 22, 2008.

[37] Jimmy Charite, I. Dutta-Gupta, and C. Marr, "Studies Show Earned Income Tax Credit Encourages Work and Success in School and Reduces Poverty," Center on Budget and Policy Priorities, June 26, 2012.

shown that most recipients claim EITC for short periods, and that for many it can function as a short-term safety net in situations of wage loss or family structure disruption.[38] As discussed previously in this memo, becoming divorced or widowed can drive women into poverty; EITC can serve as one tool to help avoid this. Also, because EITC benefit is often received once during the year as part of a taxpayer's annual tax refund, it holds the potential to be turned into a source of savings.

A number of states have increasingly implemented their own tax credits aimed at supplementing wages for low-income families. In 2012, 23 states and the District of Columbia funded a state EITC.[39] A number of unsuccessful attempts have been made to establish a state EITC in California.[40] **The state may wish to again pursue its own EITC program as one means of facilitating asset development among low-income women.**

Also, while it is difficult to ascertain the exact percentage of EITC-eligible households that *do not* claim the credit, one report stated that "researchers generally acknowledge that communities can and should invest in outreach to boost participation in the EITC."[41] **California could build upon previous and current efforts to promote the federal EITC by further investing in outreach and public awareness campaigns.**[42] Efforts could be targeted to venues where women are likely to be reached.

A 2011 report by the Corporation for Enterprise Development (CFED) pointed to examples of EITC promotion and outreach:

> "The amount spent on outreach is modest, ranging anywhere from $50,000 to over $500,000, depending on the size of the state and scope of the outreach effort. States fund a broad range of EITC outreach

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[38] Tim Dowd and J.B. Horowitz, "Income Mobility and the Earned Income Tax Credit: Short-Term Safety Net or Long-Term Income Support," *Public Finance Review*, vol. 39, no. 5, September 2011.

[39] State EITC programs that are suspended or unfunded are not included in this tally. Corporation for Enterprise Development, "Assets and Opportunity Scorecard: Tax Credits for Working Families," scorecard.assetsandopportunity.org/2012/measure/tax-credits-for-working-families?state=ca.

[40] Attempts that have been made in California include: AB 1974 (Dickinson, 2011–12), AB 1196 (Allen, 2011–12), AB 21 (Jones, 2007–08), SB 224 (Cedillo, 2003–04), AB 106 (Cedillo, 2001–02).

[41] Steve Holt, "The Earned Income Tax Credit at Age 30: What We Know," The Brookings Institution Metropolitan Policy Program, February 2006, p. 12.

[42] IRS EITC Central, "Special Outreach Project with California," www.eitc.irs.gov/ptoolkit/caproject/; Robert Sainz, "Special Earned Income Tax Credit (EITC) Outreach Project for Los Angeles Working Families," FS Information Bulletin No. 11–07, November 17, 2010.

> services, including: volunteer tax preparation sites for low-income residents, advertising and media public awareness campaigns, and referral hotlines. Funding for these outreach services comes from a variety of sources, including: Temporary Assistance for Needy Families block grants, Community Development Block Grants, funds from the governor's discretionary budget, and state appropriations."[43]

As mentioned earlier, EITC refunds—and tax refunds in general—present an opportunity for saving. **Possible options to consider for encouraging and facilitating the savings of tax refunds include encouraging/facilitating the deposit of returns into IDAs (described later), savings bonds, and/or other savings accounts.[44] Additionally, for individuals without bank accounts, the state could pursue offering state tax refunds on low-cost prepaid cards that are linked to an account that can be used for ongoing purposes (including direct deposit of earnings, point-of-sale purchases, ATM withdrawal, bill payment, and savings).** An evaluation of a pilot program offering such cards at the federal level found that creating the option for tax filers to receive their refunds on low-cost cards that were linked to an account could reduce administrative costs. Additionally, "Such a product could also reduce low- and moderate-income tax filers' use of expensive alternative financial service outlets to cash their refund checks, as well as reduce the use of high-cost tax return options such as refund anticipation checks, especially if the product enables users to pay for tax preparation. And for those without a bank account, such a product could bring the benefits of access to mainstream financial services."[45]

<u>Improving Individual Development Accounts through program refinement</u>

Individual Development Accounts (IDAs) are savings accounts for low- and moderate-income individuals. They are typically matched with public and/or private dollars and require that participants attend financial education and use the savings for specific purposes, typically homeownership, postsecondary education, or small business. In

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43 Jennifer Brooks, "With the Stroke of a Pen: Two Dozen Low-cost, Politically Viable State Policy Ideas to Increase Financial Security and Opportunity in Tough Fiscal Times," Corporation for Enterprise Development, November 2011, p. 10.

44 Stefanie Costello, "Savings Bonds: Tax Time Innovations," presentation at the Corporation for Enterprise Development Assets Learning Conference, September 21, 2012.

45 Caroline Ratcliffe and S. McKernan, "Tax Time Account Direct Mail Pilot Evaluation," Urban Institute, September 2012.

2012, 16 states provided funding for IDAs; California did not.[46] However, a number of organizations offer IDA programs throughout California.[47]

A 2008 review entitled "Major Findings from IDA Research in the United States," conducted by the Center for Social Development (CSD) at Washington University in St. Louis highlighted major research findings, including the following:

- It is important to provide IDA program participants, and potential participants, with clear and accurate information regarding the IDA program's goals and structure;
- Savings goals for IDAs are too narrow and prevent the realistic range of asset purchases that could help participants build an asset foundation;
- Credit and debt issues pose a barrier to participant savings (for example, participants who have completed their savings goals and are trying to qualify for a mortgage may have significant levels of debt they need to pay down after accomplishing their savings goals);
- Use of direct deposit by IDA participants helped them to save;
- Job loss and other financial emergencies can limit IDA participants' ability to save and may result in them leaving the program;
- Funding for administration of IDA programs are often insufficient.[48]

The second finding above—that savings goals are too narrow—is echoed in a number of reports and observations by professionals in the assets field. In the words of one such report, "Low levels of flexible savings force many struggling families to rely on

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[46] Corporation for Enterprise Development, "Assets and Opportunity Scorecard: State IDA *Prog*ram Support," scorecard.assetsandopportunity.org/2012/measure/state-ida-program-support?state=ca.

[47] Corporation for Enterprise Development, "Individual Development Accounts," cfed.org/programs/idas/directory_search/.

[48] Emily Carpenter, "Major Findings from IDA Research in the United States," Washington University in St. Louis Center for Social Development Research Report No. 08–04, 2008.

expensive, wealth-depleting alternative financial services providers (pay-day lenders, check-cashers, and others)."[49]

One option California could pursue is the involvement of stakeholders (in particular, organizations providing IDAs) in a study of current programs and the development of a set of ideals and/or standards for IDA programs in the state. In particular, these efforts could be aimed at addressing a number of the issues raised by the CSD review described above, including: a broader allowable set of uses for IDA savings tailored to the needs of various populations (see Appendix for examples), ways to address issues of debt and credit for savers, participant retention during times of financial emergency (including possible use of IDA funds to address emergencies), and funding of IDA administrative functions. The state could further facilitate savings by providing funding for IDAs, although budget constraints may make this difficult.

Curbing "predatory" small-dollar lending through interest-rate caps and data reporting

Payday loans are often advertised as short-term sources of money in cases of financial emergencies. However, evidence shows that this is not the case for a number of borrowers: a recent study of 11,000 payday loan borrowers in Oklahoma found that, "in their first year of payday loan use, borrowers are indebted an average of 212 days. Over the full two-year period, borrowers are indebted a total of 372 days on average."[50] Moreover, this study found that the frequency of borrowing and amount of loans increase as individuals continue to borrow, and that over the first two years of payday loan usage, 44 percent of borrowers are not able to pay their payday loan debt on time, triggering additional costs from bounced check fees.[51]

A 2009 report by the Center for Responsible Lending found that payday lenders in California are much more concentrated in neighborhoods with the largest shares of

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[49] Ray Boshara, "Seven Surprising Findings from the Asset-Building Field," *Bridges*, Federal Reserve Bank of St. Louis, Winter 2010–11.

[50] Uriah King and L. Parrish, "Pay Day Loans, Inc.: Short on Credit, Long on Debt," Center for Responsible Lending, March 31, 2011, p. 1.

[51] Ibid., p. 1.

African Americans and Latinos versus white neighborhoods, and African American and Latino communities pay nearly $247 million annually to service payday loans.[52]

A 2012 Pew Charitable Trusts report on payday lending found that a slight majority of payday loan borrowers are female.[53] While the results of statistical analyses featured in the report indicate that gender is not a significant predictor of payday loan usage, the data still indicate that women utilize these types of loans at least as much as men. Moreover, the shocks discussed earlier that can push women into poverty over the life course (losing a job or a portion of one's wages, becoming widowed or divorced, experiencing declines in health) may encourage the utilization of these types of so-called predatory small-dollar loans.

At the state level, California does not currently offer protection in the form of substantial interest-rate caps on these types of loans. Currently, state law allows individuals to borrow up to $300 every two weeks. However, this amount includes a $45 fee: the borrower writes a $300 check to be cashed on their next payday (up to 31 days later) and receives $255 in cash. [54] The fee of $45 is equal to an annual percentage rate (APR, the total annual interest rate, including charges and fees, paid on a loan) of 460 percent for a two-week loan (the actual APR may vary according to the terms of the loan).[55]

A number of states prohibit these types of loans or impose a cap on the APR. An APR cap of 36 percent is the most popular recommendation; in fact, in 2006, Congress imposed a 36 percent rate cap on small dollar loans offered to active members of the military and their dependents.[56] A 2010 National Consumer Law Center report explained the rationale for this particular cap:

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[52] Wei Li et al., "Predatory Profiling: The Role of Race and Ethnicity in the Location of Payday Lenders in California: Executive Summary," Center for Responsible Lending, March 26, 2009.

[53] The Pew Charitable Trusts, "Payday Lending in America: Who Borrows, Where They Borrow, and Why," The Pew Charitable Trusts Safe Small-Dollar Loans Research Project, July 2012.

[54] California Financial Code Sections 23000 to 23106.

[55] California Department of Corporations, "What You Need to Know About Payday Loans," www.corp.ca.gov/Laws/Payday_Lenders/pdfs/Payday%20Loan%20Trifold_2nd%20ed_web.pdf.

[56] Lauren K. Saunders, L. Plunkett, and C. Carter, "Stopping the Payday Loan Trap: Alternatives That Work, Ones That Don't," National Consumer Law Center, June 2010; 32 C.F.R. Part 232.4.

> "The idea behind the 36% interest rate cap was to create an exception to the lower general usury statutes so that legitimate lenders would have the incentive to enter the small dollar loan market. Lenders would make a profit—despite the higher costs of administering consumer as opposed to business loans—and consumers in turn would be given a reasonably-priced product."[57]

Additionally, CFED recommends the following:

> "States can require lenders and brokers to report individual-level consumer loan data to the state. These data can include aggregate statistics that paint a picture of the overall lending landscape— such as average loan amount, terms and fees—along with information about how loans are utilized, e.g., default rates, percentage of customers who are repeat borrowers, and long-term indebtedness. Requiring consumer loan data reporting allows state regulators to better patrol the payday and consumer loan landscape and ensure that lenders are following rules and engaging in lawful lending. In addition, comprehensive consumer lending data allow researchers to analyze the impact of loans on borrowers, and inform future policy debates."[58]

In order to better protect consumers from going into greater debt from payday loans, **California might consider imposing an interest rate cap of 36 percent APR or less on payday loans, as well as requiring lenders and brokers to report consumer loan data to the state.**

Eliminating asset tests for benefits

A number of public benefit programs, in effect, may discourage savings. In California, the CalWORKs program limits eligibility to individuals with little to no assets. CalWORKs participants are generally allowed no more than $2,000 in savings (or $3,000 where the assistance unit includes at least one member who is disabled or aged 60 or

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[57] Lauren K. Saunders, L. Plunkett, and C. Carter, "Stopping the Payday Loan Trap: Alternatives That Work, Ones That Don't," National Consumer Law Center, June 2010, p. 9.

[58] Jennifer Brooks, "With the Stroke of a Pen: Two Dozen Low-cost, Politically Viable State Policy Ideas to Increase Financial Security and Opportunity in Tough Fiscal Times," Corporation for Enterprise Development, November 2011, p. 38.

older), with some exceptions.[59] Additionally, participants are limited to owning one car worth $4,650 or less. Ownership of one's primary home is allowable.

By limiting the amount of assets an individual or household can possess in order to qualify for these benefits, current policy may encourage some potential applicants to spend down their savings, while discouraging other applicants and participants from saving. With CalWORKs in particular, some advocates argue, this discouragement of asset development is counter to core goals of the program aimed at offering short-term aid and services to facilitate long-term self-sufficiency.[60] Women in particular are impacted by these asset limits, as single mothers comprise most of the adult population on CalWORKS.[61]

California has made various attempts at curbing or eliminating certain asset limits in public benefits programs. While a number of these have been unsuccessful,[62] changes in federal and state law have recently eliminated asset limits for food stamp recipients. As of 2012, six states had eliminated the TANF asset test and 36 states (including California) had eliminated the SNAP (food stamps) asset test.[63] Considering the important role that personal savings and assets play in allowing individuals and families to exit poverty, achieve self-sufficiency, and move off of public benefits, **one policy option for California may be to eliminate asset limits for CalWORKs.** Additionally, there is some evidence that doing so could improve administrative efficiency by streamlining eligibility determination.[64]

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[59] California Department of Social Services, Property and Income Regulations in Manual of Policies and Procedures (MPP), Sections 42–207 through 42–213 and 44–211.

[60] Corporation for Enterprise Development, "Assets and Opportunity Scorecard: Lifting Asset Limits in Public Benefit Programs," scorecard.assetsandopportunity.org/2012/measure/lifting-asset-limits-in-public-benefit-programs.

[61] California Budget Project, "California Budget Bites: Deep Cuts Contribute to Steep Drop in CalWORKs Enrollment," californiabudgetbites.org/tag/calworks.

[62] Examples of recent attempts at removing either the savings or vehicle asset limits for CalWORKs include: AB 167 (Bass, 2007–08), AB 2368 (Fuentes, 2007–08), AB 1058 (Beall, Fuentes, 2009–10), AB 1182 (Hernandez, 2011–12), AB 2352 (Hernandez, 2011–12).

[63] Ethan Geiling, "Eliminating Asset Tests: New Research, Challenges and Approaches," presentation given at the Corporation for Enterprise Development 2012 Assets Learning Conference, September 20, 2012.

[64] Rachel Black, "What do Recent Reforms Tell Us About Asset Limits," presentation given at the Corporation for Enterprise Development 2012 Assets Learning Conference, September 20, 2012.

Strengthening assets for parents and caregivers

Women disproportionately serve as caregivers for children and other family members. Yet, families also depend on women's earnings from employment: almost 40 percent of mothers in the U.S. are estimated to be primary breadwinners in their families, and almost two-thirds are estimated to bring home at least 25 percent of their families' income.[65] As caregiving responsibilities increase, either through having children or needing to provide ongoing care for elderly parents, women may leave their jobs or reduce their hours to part-time. As this loss of income occurs, family finances can become more strained and economic security threatened.

California passed the first paid family leave (PFL) program in the United States in 2002 (enacted on July 1, 2004), providing up to six weeks of partial pay for eligible employees that need time off to bond with a new child or care for a family member that is seriously ill.[66] PFL can help workers replace at least some wages during family leave, and having a state policy like California's helps to equalize access to PFL for workers in myriad occupations and at different income levels. Some evidence indicates that low-income users of California's PFL have the most to gain financially, as they are able to replace at least half of their typical wages at much higher rates than their low-income counterparts who did not use PFL during family leave.[67] At the same time, it appears that low-wage workers, Latinos, and immigrants may be the least likely to know about the program.[68] A 2007 report by this office showed that PFL claims were not proportionate for low-wage workers (those earning less than $12,000 a year); while this population comprised 20 percent of all workers (and 26 percent of female workers), they only filed 16 percent of all PFL claims.[69] That same report also found that "over the two-year period in which paid family leave data has been collected and reviewed, about 10 percent of the care claims that were denied were filed for individuals who were not included in the program's definition of a family member. Most of these denied claims were filed for

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[65] Heather Boushay, "The New Breadwinners," in *The Shriver Report: A Woman's Nation Changes Everything*, October 2009, p. 32.

[66] Rona Levine Sherriff, "Balancing Work and Family," California Senate Office of Research, February 2007.

[67] Eileen Appelbaum and R. Milkman, "Leaves That Pay: Employer and Worker Experiences with Paid Family Leave in California," 2011, p. 21–22.

[68] Ibid., p. 12.

[69] Rona Levine Sherriff, "Balancing Work and Family," California Senate Office of Research, February 2007.

siblings (35 percent), followed by grandparents (19 percent) and mothers- and fathers-in-law (10 percent)."[70]

Thus, while California's PFL has helped workers replace some wages during times of family leave and has helped low-income workers in particular, there remain options for strengthening it. **Possible policy changes include providing more outreach and education efforts to raise awareness of the PFL, increasing wage replacement levels, and broadening it to include care of family members not currently covered.** Additionally, the state could require more and better data collection to evaluate the effectiveness of the program and the populations reached.[71]

ASSET DEVELOPMENT OVER THE LIFE COURSE AND FOR SPECIFIC POPULATIONS

As discussed at the outset of this memo, women face various events over the course of their lifetimes that may push them into poverty, and many women face poverty in old age as a result of life-course experiences with it. Disparities not only in income, but also in wealth, can further exacerbate this. A focus on assets development may illuminate policies and programs than can help women, men, and families weather financial stressors over time.

As one final related suggestion, **California could establish a system for tracking cycles of poverty experienced by its residents across generations as a means towards better serving low- and moderate-income individuals and families**, perhaps modeled after recent legislation in the state of Utah. In 2012, Utah passed the "Intergenerational Poverty Mitigation Act," requiring its Department of Workforce Services to "establish and maintain a system to track intergenerational poverty related data to identify at-risk children and other groups, identify trends, and to assist case workers, social scientists, and government officials in the study and development of plans and programs to help individuals and families break the cycle of poverty."[72]

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[70] Rona Levine Sherriff, "Balancing Work and Family," California Senate Office of Research, February 2007, p. 6.

[71] Netsy Firestein, A. O'Leary, and Z. Savitsky, "A Guide to Implementing Paid Family Leave: Lessons from California," 2011, p. 17.

[72] Utah State Legislature, "S.B. 37 Enrolled: Intergeneration Poverty Provisions, 2012 General Session, State of Utah" le.utah.gov/~2012/bills/sbillenr/sb0037.htm.

There are other innovative examples to addressing intergenerational poverty that, while relatively new, may provide models in the future. These include "whole family" approaches that target both parents and children (for example, that provide early childhood services to children as well as education and/or training for parents),[73] some of which contain a specific assets-development focus.[74]

This memo's scope was restricted to concrete state-level policy ideas that might be accomplished in the near future. It pointed to the potential usefulness of a life-course framework that takes into account the various junctures and experiences throughout women's lives when asset-oriented policy interventions may help prevent or ameliorate poverty. However, it did not focus specifically on these junctures or experiences (such as domestic violence) and corresponding policy options; to that end, an Appendix is attached which offers some examples of options that exist at the private, nonprofit, local, state, and federal levels for developing assets across life stages and populations.

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[73] Ascend, The Aspen Institute, "Promising Programs," ascend.aspeninstitute.org/programs.

[74] New Economics for Women, "Whole Family Transformation," www.neweconomicsforwomen.org/Whole%20Family%20Transformation.

APPENDIX

Asset-Development Considerations for Various Life Stages and Populations

While this memo highlighted select state-level policy options for asset-development among low- and moderate-income women, a number of other options exist at the private, nonprofit, local, state, and federal levels for developing assets across life stages and populations. Some of these are described below.

Children

As discussed in the memo, experiencing poverty during the course of one's lifetime may increase an individual's chances of being poor in old age. One study even indicates that increases to a poor family's income of $3,000 a year over the course of a child's prenatal year through his/her fifth birthday is correlated with a significant increase in earnings and hours of work in adulthood.[75] Household income and wealth during childhood, then, are thought to impact chances of poverty in adulthood.

Scholastic achievement also plays a complex role, with some evidence indicating that it may not only influence a child's economic outcomes later in life, but may indeed be influenced by childhood economic influences: some research points to the positive effects of increasing the incomes and assets of low-income families on children's performance in school.[76] One researcher who examines the confluence of race, class, assets, and educational outcomes describes this complexity, the need for further research, and possible policy directions:

> "Despite the possibility of alternative explanations, **findings of a positive relationship between parental and children's wealth and children's math and reading scores lend support for policies that promote wealth accumulation as part of a larger strategy for human**

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[75] Greg J. Duncan, K. M. Ziol-Guest, and A. Kalil, "Early-Childhood Poverty and Adult Attainment, Behavior, and Health," *Child Development*, vol. 81, no. 1, January/February 2010, p. 306–325.

[76] Jimmy Charite, I. Dutta-Gupta, and C. Marr, "Studies Show Earned Income Tax Credit Encourages Work and Success in School and Reduces Poverty," Center on Budget and Policy Priorities, June 26, 2012; William Elliott et al., "The Human Capital Agenda: Asset Holding and Educational Attainment Among African American Youth," Washington University in St. Louis Center for Social Development Research Report No. 09–46, 2009.

> **capital development**. Along with approaches that focus on increasing income and parental assets, policies (like [Child Development Account] CDA policies) that focus on increasing children's wealth should perhaps be given more consideration. In addition to the direct effects associated with children's school savings, there are also important indirect effects. It may be that higher net worth increases the likelihood of children possessing school savings, which increases their expectations for attending college, which improves their math and reading scores.
>
> While researchers are paying more attention to the role of parental wealth in determining children's outcomes, less attention has been given to children's wealth. Models that attempt to explain children's outcomes and do not include children's wealth may be underspecified. Further, while race shows up in much of the literature on wealth and educational outcomes, these findings suggest that more research may be needed on how the relationships between wealth (parental and children's), college expectations, college aspirations, and children's math and readings scores vary across race."[77] (emphasis added)

Children's Savings Accounts, including CDAs, might then bring positive educational impacts for low-income children in the short term, and economic ones in the long term.[78] Additionally, tailoring financial education programs (discussed in the memo) to be delivered through schools to children may also be worth exploring.

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[77] William Elliott et al., "The Human Capital Agenda: Asset Holding and Educational Attainment Among African American Youth," Washington University in St. Louis Center for Social Development Research Report No. 09–46, 2009, p. 23.

[78] In 2007, Senator Steinberg introduced SB 752, the California Kids Investment and Development Savings (KIDS) Account Act, which, had it passed, would have created a savings account for every child born in California after 2008 and seeded it with $500 from the state that could be withdrawn once the child turned 18 for select purposes: education, first-time home purchase, or rollover to a retirement account.

Young women transitioning from foster care

Young people aging out of foster care can face numerous barriers to financial and educational attainment. One model for assisting these youth with asset development is "Opportunity Passport," developed by the Jim Casey Youth Opportunities Initiative, an organization that works with 15 public and private partners nationwide to help young people (typically between 14 and 25 years of age) successfully transition from foster care to adulthood.[79] Opportunity Passport provides youth with financial education, and upon completion of the course, a personal bank account, and an IDA with a 1:1 match that can be used for education expenses (including textbooks and supplies), housing costs (including security deposits on apartments), automobiles, investments, microenterprises, and health care expenses. This mix of allowable IDA uses is broader than typical IDAs and is tailored specifically to the needs of this population of youth. Interviews with a small number (38) of participants (79 percent of whom were female) were conducted and researchers found some were able to successfully save despite the challenges they faced; many participants felt the 1:1 savings match was a good incentive. The researchers stated that, "policy and programs need to ensure that young people transitioning from foster care gain financial knowledge and skills to manage their financial lives, allow them to experiment with support and learn from their mistakes, and build savings that allow them to invest in their future."[80]

College students and potential college students

A college education is not only correlated with higher earnings compared to a high school (or equivalent) education, but more and more, it is a requirement for many jobs.[81] Across industries, the demand for increased education and skills is only expected to grow.[82] For women, education is an important tool for closing the wage gap, although men still earn more than women across education levels.[83] Regarding asset

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[79] Jim Casey Youth Opportunities Initiative, "Who We Are," www.jimcaseyyouth.org/who-we-are.

[80] Clark Peters, M. Sherraden, and A.M. Kuchinski, "Enduring Assets: Findings From a Study on the Financial Lives of Young People Transitioning From Foster Care," 2012, p. 6.

[81] Anthony P. Carnevale and D. M. Desrochers, "The Missing Middle: Aligning Education and the Knowledge Economy," Educational Testing Service, April 2002.

[82] Achieve, "The Future of the U.S. Workforce: A Survey of Hiring Practices Across Industries Conducted by the Society for Human Resource Management and Achieve," September 2012.

[83] U.S. Department of Labor, U.S. Bureau of Labor Statistics, "Highlights of Women's Earnings in 2011," Report 1038, October 2012.

development, difference in earnings based on educational attainment compounds over time. A 2002 U.S. Census Bureau analysis found that:

> "For full-time, year-round workers, the 40-year synthetic earnings estimates are about $1.0 million (in 1999 dollars) for high school dropouts, while completing high school would increase earnings by another quarter-million dollars (to $1.2 million). People who attended some college (but did not earn a degree) might expect work-life earnings of about $1.5 million, and slightly more for people with associates degrees ($1.6 million). Over a work-life, individuals who have a bachelor's degree would earn on average $2.1 million—about one-third more than workers who did not finish college, and nearly twice as much as workers with only a high school diploma. A master's degree holder tops a bachelor's degree holder at $2.5 million. Doctoral ($3.4 million) and professional degree holders ($4.4 million) do even better."[84]

Facilitating access to and affordability of a college education for low-income women could help them obtain longer-term economic security. Possible routes for this include making available and promoting college savings accounts, making attendance at four-year colleges and universities an allowable work activity for all TANF participants, and reforming financial aid to make college financing more transparent and affordable.

Single mothers, working mothers

As discussed earlier in the memo, family leave policies and practices impact the financial well-being of women who are responsible, at least in part, for contributing to their household income. Child support is another source of income and economic security for many women and families. According to a 2012 report by the National Women's Law Center, almost 1 million people in this country were lifted from poverty in 2010 by child support.[85] The report also found that "in 2009, 6.9 million custodial parents, 89 percent of whom were women, had child support awards. Of the custodial

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[84] J. Cheeseman Day and E.C. Newburger, "The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings," U.S. Census Bureau Current Population Report P23–210, July 2002, p. 3–4.

[85] National Women's Law Center, "Cutting Programs for Low-Income People Especially Hurts Women and Their Families," Poverty and Family Supports Report, August 2012, p. 2.

parents living below the federal poverty level, 92 percent were women." [86] Other research indicates that poor custodial families who receive child support gain 40 percent of their income from it.[87] Policy makers, researchers, and practitioners may wish to look into changes aimed at improving child support collections in the state.[88]

Victims of domestic violence

Women in abusive relationships often cite economic concerns as a barrier to leaving; developing financial security and independence could play an important role in their ability to remove themselves from the relationship. Also, domestic violence can take the form of economic abuse, which involves an abuser trying to control the finances of a current or former intimate partner, undermine his/her economic independence, and/or interfere with his/her employment. Increasingly, it is being recognized as an issue for which domestic violence services need to be provided.[89] Financial literacy and economic empowerment programs tailored to the safety concerns and needs of domestic violence survivors, particularly ones offered alongside comprehensive advocacy services, have been shown to increase financial confidence and enhance related behaviors.[90] Additionally, tailored IDA programs may be useful.

One potential model is a federal initiative—the "Building Assets for Survivors of Domestic Violence," is a partnership between the U.S. Department of Health and Human Services' Office of Community Services (which runs the Assets for Independence [AFI] program[91]) and the Family and Youth Services Bureau's Division of

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[86] National Women's Law Center, "Cutting Programs for Low-Income People Especially Hurts Women and Their Families," Poverty and Family Supports Report, August 2012, p. 2.

[87] Elaine Sorenson, "Child Support Plays an Increasingly Important Role for Poor Custodial Families," Urban Institute, December 2010.

[88] The Legislative Analyst's Office released a report in 2006 describing possible strategies to improve child support collections. Legislative Analyst's Office, "Strategies for Improving Child Support Collections in California," May 3, 2006.

[89] Judy L. Postmus, Economic Empowerment of Domestic Violence Survivors," National Online Resource Center on Violence Against Women, October 2010, p. 7.

[90] Ibid., p. 7.

[91] Assets for Independence (AFI) is a federal program that provides grants to community-based nonprofits and local, state, and tribal governments to "implement and demonstrate an asset-based approach for offering low-income families help out of poverty." It is administered by the Office of Community Services within the U.S. Department of Health and Human Services, Administration for Children and Families. U.S. Department of Health and Human Services Administration for Children and Families, "About Assets for Independence," archive.acf.hhs.gov/programs/ocs/afi/assets.html.

Family Violence Prevention (which supports the infrastructure of many of the country's domestic violence services). Activities of this initiative include providing training to IDA providers on how to best work with survivors of domestic violence, and providing domestic violence service providers with information and training on asset building strategies.[92]

"Coerced debt" is a particular form of economic abuse that is gaining awareness. It can take on various forms, such as forcing a partner to obtain loans for the abuser, an abuser taking out credit cards or other lines of credit in his/her partner's name, and tricking a partner to take actions such as signing over the deed to his/her home.[93] Including information in financial education courses on coerced debt and how to mitigate its impacts may be useful for survivors of domestic violence.

Older women

As discussed in the memo, women may face poverty as they get older due to life-course experiences of poverty and/or becoming widowed or divorced, losing a job, or experiencing diminishing health. Older women's financial security can be hindered by longer life expectancies than men and reduced pension and Social Security benefits due to diminished or foregone earnings during periods of caregiving.

These factors can raise concerns about retirement security for low- and moderate-income women. Economic insecurity among single older women is on the rise, and almost one-half older than 65 may outlive their financial resources.[94] Social Security is the main form of retirement income for many women.[95] Currently, women are more likely than men to rely on Social Security in old age; data from 2009 indicate that half of

92 Assets for Independence Resource Center, "Building Assets for Survivors of Domestic Violence Initiative," www.idaresources.org/page?pageid=a047000000BnGku.

93 Angela Littwin, "Coerced Debt: The Role of Consumer Credit in Domestic Violence," *California Law Review*, vol. 100, p. 951–1026.

94 Tatjana Meschede et al., "Rising Economic Insecurity Among Senior Single Women," Demos and the Institute on Assets and Social Policy, Research and Policy Brief in the *Living Longer on Less* Series, October 2011.

95 Selena Caldera, "Social Security: A Key Retirement Resource for Women," AARP Public Policy Institute Fact Sheet 251, March 2012.

women (compared to slightly over a third of men) who are 65 or older count on Social Security for over 80 percent of their income.[96]

A 2012 AARP brief highlighted potential changes to Social Security that could benefit women:

> "An enhanced minimum benefit targeting workers with long careers and low lifetime earnings would benefit low-income women. An enhanced minimum benefit would ensure that workers receive a minimum level of benefits regardless of their lifetime earnings. This proposal is particularly effective at targeting never-married and divorced women with low lifetime earnings but enough years of covered employment to be eligible for Social Security.
>
> Caregiving credits are often proposed in addition to an enhanced minimum benefit. This proposal would treat time spent out of the labor force providing unpaid caregiving as time spent working for the purposes of Social Security benefit calculation. Caregiving credits would be beneficial to people of any marital status who spend time out of the labor force to care for children—and since women are more likely to be caregivers, this proposal is particularly targeted to them.
>
> Other proposals target married and divorced women. Some proposals suggest tying the survivor benefit to the couple's combined earnings, rather than the deceased worker's earnings. An increased survivor benefit would help women with significant work histories who would otherwise experience a decrease in income after the death of their spouse. Decreasing the number of years of marriage required for divorced spouses to be eligible for spouse benefits may be a way to target the higher poverty rates of divorced women, who are less likely to have any Social Security income than married and widowed women."[97]

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[96] Heidi Hartmann, J. Hayes, and R. Drago, "Social Security: Especially Vital to Women and People of Color, Men Increasingly Reliant," Institute for Women's Policy Research, January 2011.

[97] Selena Caldera, "Social Security: A Key Retirement Resource for Women," AARP Public Policy Institute Fact Sheet 251, March 2012, p. 7.

Programs and policies aimed at employing unemployed and underemployed low-income older adults may also help them to avoid poverty. One model, authorized by the Older Americans Act, is the Senior Community Service Employment Program (SCSEP). It offers subsidized training to low-income adults who are 55 or older and unemployed with few prospects for getting a job. The goal of the program is to provide both work-based training and community services, and to transition 30 percent of participants to unsubsidized employment each year.[98] A five-year study of the program's progress concluded in June of 2012, and a report released in January 2013 stated that, "local SCSEP projects are providing much-needed services that increase the emotional well-being of older workers, offer much-needed staffing for host agencies, and place nearly half of its exiters who are available for work into unsubsidized employment."[99]

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[98] United States Department of Labor Employment and Training Administration, "About SCSEP," www.doleta.gov/seniors/html_docs/AboutSCSEP.cfm.

[99] Deborah Kogan et al., "Evaluation of the Senior Community Service Employment Program (SCSEP): Process and Outcomes Study, Final Report," Social Policy Research Associates/Mathematica Policy Research Inc., September 24, 2012 (released January 3, 2013).